



# Newsletter

A Cayman-domiciled mutual fund with twice-monthly liquidity. The primary investment objective of the Fund is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies.

## Manager's Commentary

We are sorry to have to report that January 2019 provided a fourth consecutive month of under-performance against the Fund's benchmark, with solid gains in Vinamilk (the second largest contributor in index points overall) and FPT more than offset by losses in Hoa Phat Group (HPG) and Ho Chi Minh City Securities (HCM). The top-5 contributors to the month's gain (two banks, two Vin-things and Vinamilk) were actually responsible for all of it, and our lack of exposure to four of the five would explain the divergence.

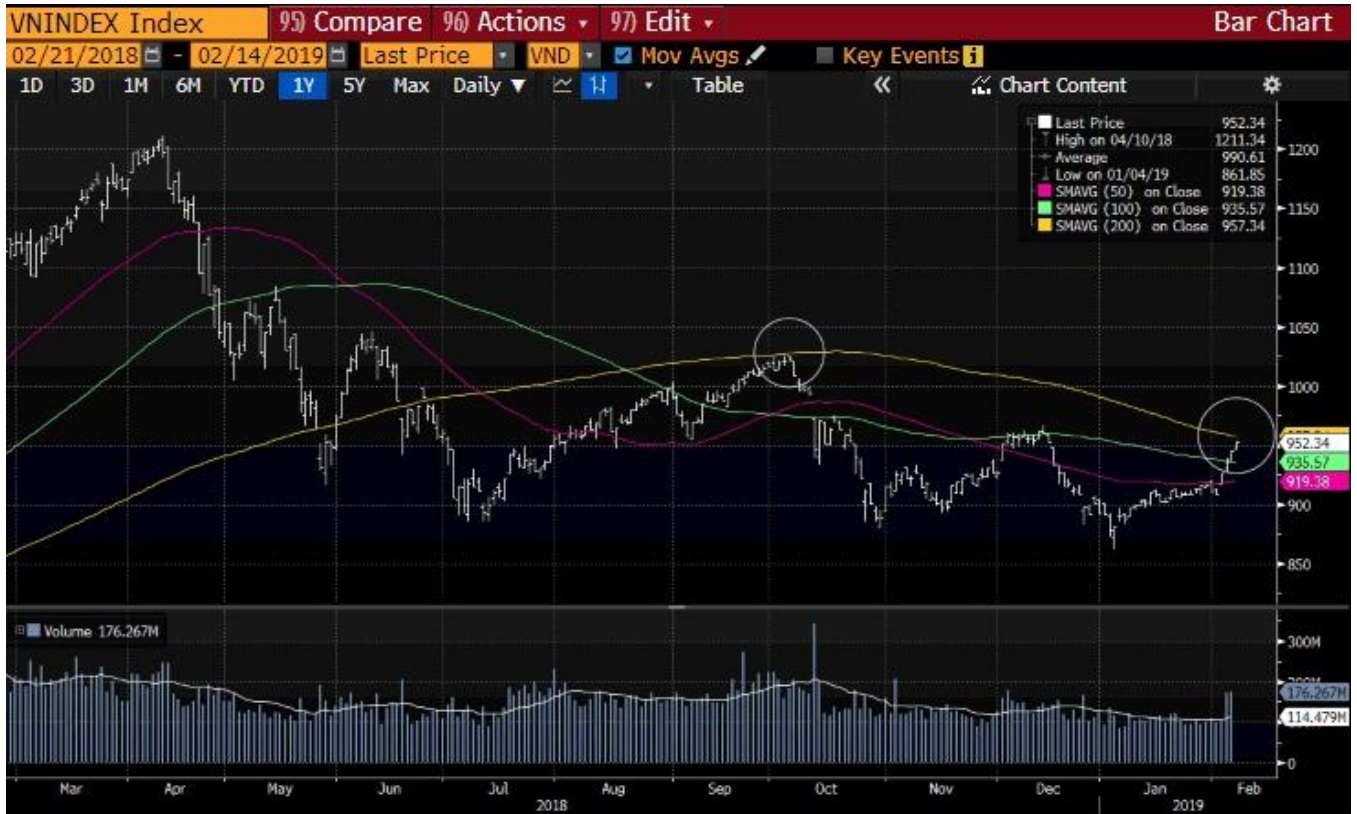
On a somewhat brighter note, the Fund's Net Asset Value has increased by 5.6% in February at the time of writing, with the VNI just over a percentage point in arrears. That is after a 1% fall on 1st February (the last trading day of the old lunar year), so the Year of the Pig already looks and feels more promising. Not that four trading days is necessarily conclusive evidence, but we are increasingly optimistic and will quantify the reasons for that in our second "Thought for Food" piece, on the topic of MSCI Emerging Market Index watch-list inclusion, which will be with you over the weekend.

Unusual as it is for us to spend time on matters technical, we would like to bring to your attention an interesting development in that area over the past few days. On Monday this week (11 February) the VNI broke through the 50-day, and on Tuesday the 100-day moving averages. As at today the index is sitting exactly 5 points below the 200-day moving average. The last time this mystical line was in sight (having broken below it decisively in June 2018) was at the beginning of October and the local soothsayers were resolute in ensuring that no breach occurred. We have included a chart below from those kind chaps at Bloomberg so that you can see what we mean.

So what? Whilst we are profoundly disinterested in technical analysis as an investment tool, we do recognise that the domestic retail base swears by it, and when they hold sway (which is most of the time, being responsible, in tandem with a smattering of what can loosely be described as "domestic institutions" for 85 to 90% of turnover at the HCMC exchange on most days), the prophecy is self-fulfilled. In order for the spell to be broken, an increase in foreign investor conviction beyond the negligible \$ 5 million daily net inflow or outflow is required. Look for 25% "on market" foreign participation with 75% of that in buy orders, and the soothsayers will stand aside before they get flattened by the surge in positive sentiment. Once we get above the 200-day MA line, the metaphorical sky will be as blue as the actual sky is every day in sunny Ho Chi Minh City at the moment.

Risk appetite is definitely on the rise, and Vietnam's expanding international profile is generating renewed interest, so we don't think we are too far away from a breakout rally. How far that goes is anyone's guess, but if you have the time please read the thought piece when it lands in your inbox and if you are persuaded by our arguments you should take advantage of any consolidation as a result of a good old fashioned tussle with the technicians to get on board through your vehicle or stock of choice before it all runs away from you.

Speaking of choice of stocks, we still often hear complaints about the lack of availability of interesting Vietnamese companies and we think we have figured out why that is. Going back to broker annual strategy presentations to square the circle, we had one earlier this week where all four consumer sector stock "buy" recommendations and 2 of the 3 anointed banks are at the foreign ownership limit. If you can bring yourself to swallow the "off market" premia and you're prepared to wait a couple of months for settlement, you'll be fine. Alternatively, you could suggest that your broker find you a decent stock that *isn't* at the limit. We know plenty, but we don't give stock tips.



## Fund NAV

<b>Launch Date</b>	<b>3 November 2005</b>
<b>Issue Price</b>	<b>US\$ 5.00</b>
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<b>NAV per share</b>	<b>At 31 January 2019</b>
Series 1 (Lead Series)	US\$ 8.949
Series 1A	US\$ 9.812
Series 1B	US\$ 9.811
Series 40, 41, 43, 44, 45, 46, 47, 48, 49, 51	US\$ 8.949
Series 42, 50, 52	US\$ 8.948
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<b>Fund Size</b>	<b>US\$ 89.2mn (31 Jan 2019)</b>

## Top 10 Holdings

(As at 31 January 2019)	% of Assets
Hoa Phat Group (HPG)	17.3
HCMC Securities Corporation (HCM)	16.9
Vinamilk (VNM)	16.8
FPT Corporation (FPT)	14.0
CotecCons Construction (CTD)	5.7
Danang Rubber (DRC)	5.1
Vietnam Container Shipping (VSC)	4.4
PXP Vietnam Smaller Companies Fund*	3.7
Nui Nho Stone (NNC)	2.7
Viet Capital Securities (VCI)	2.3

Number of Holdings Listed 23  
Unlisted 3

\*all fees rebated by the Investment Manager

## Vietnam Macro & Market Releases

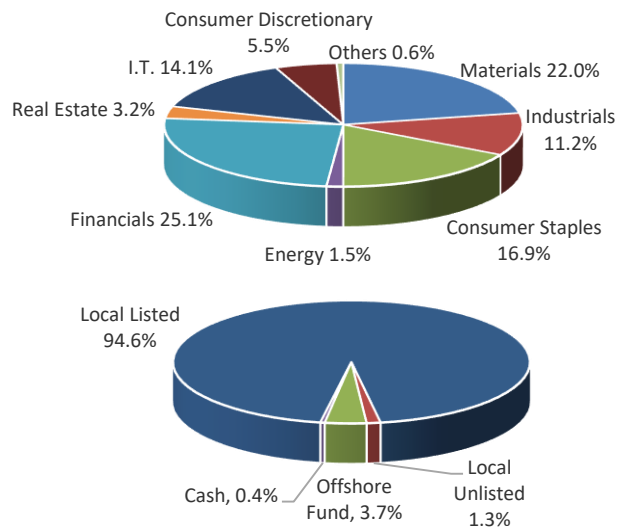
	2018	2019 YTD
GDP Growth y/y**	7.08%	-
Trade surplus/(deficit)*	US\$ 7.2bn	(US\$ 0.8bn)
CPI y/y*	2.98%	2.56%

	Latest
Vietnam Dong / USD*	23,190
Nikkei PMI*	51.9
Disbursed FDI y/y*	9.2%

HCMC Stock Exchange	Jan 18	Jan 19
Market Cap*	US\$ 133bn	US\$ 129bn
Average Daily Trade*	US\$ 373mn	US\$ 128mn
Foreign Buying YTD*	US\$ 24mn	US\$ 58mn

Source: GSO, Customs Office & Bloomberg  
\*Latest monthly data \*\*Latest quarterly data

## Portfolio Breakdown



## NAV Performance: Rolling

	PXP VEEF*	Viet Nam Index**
Jan 2019	-1.26%	+2.03%
1 Year	-28.37%	-19.68%
2 Years	+19.66%	+27.25%
3 Years	+46.70%	+60.10%
4 Years	+45.39%	+45.05%
5 Years	+51.94%	+48.57%
6 Years	+93.03%	+70.36%
7 Years	+151.66%	+112.61%
8 Years	+87.81%	+49.95%
9 Years	+60.18%	+50.52%
10 Years	+193.41%	+126.44%
11 Years	-15.07%	-25.70%
12 Years	-24.87%	-39.51%
13 Years	+75.30%	+100.14%
Inception	+78.98%	+93.54%

## NAV Performance: Calendar

	PXP VEEF*	Viet Nam Index**
YTD	-1.26%	+2.03%
2018	-18.05%	-11.20%
2017	+51.70%	+48.43%
2016	+11.62%	+13.39%
2015	+7.26%	+0.91%
2014	+12.72%	+6.61%
2013	+30.58%	+20.47%
2012	+24.91%	+18.89%
2011	-30.58%	-32.76%
2010	-15.56%	-7.16%
2009	+82.43%	+48.31%
2008	-73.59%	-68.81%
2007	+24.68%	+23.61%
2006	+87.37%	+142.38%

\*All figures are NET of fees \*\*Index performance in US\$  
All performance data as at 31 January 2019

### Fund Information

**Legal Form:** Cayman Islands Mutual Fund  
**Fund Manager:** PXP Vietnam Asset Management  
**Inception:** 3 November 2005  
**Issue Price:** US\$ 5.00  
**Administrator:** Apex Fund Services  
**Custodian:** DBS Bank Ltd, Hong Kong Branch  
**Auditor:** Ernst & Young Ltd  
**ISIN:** KYG7306V1005  
**FATCA GIIN:** G11WDZ.99999.SL.136  
**Bloomberg:** PXPVEEF KY

### Fund Directors

Mr. Philip Smiley  
Mr. Antony Jordan  
Ms. Trinh Thanh Mai  
Mr. Simon Raybould  
Mr. Christopher Vale  
*(all Non-Executives)*

### Portfolio Manager

Mr. Kevin Snowball

### Liquidity & Fees

**Dealing Day:** First business day and 15<sup>th</sup> calendar day of each month  
**Subscriptions:** 2 business days notice  
**Redemptions:** 10 business days notice  
**Management fee:** 1.5% p.a  
**Performance fee:** 15% over 8% per annum with high water mark  
**Redemption fee:** 1% payable to the Fund

For further details please refer to the Fund's Prospectus via [www.pxpvietnam.com](http://www.pxpvietnam.com)