

Newsletter

A Cayman-domiciled mutual fund with monthly liquidity. The 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 smaller Vietnamese companies with a market capitalisation of US\$ 20 million to US\$ 250 million at time of initial investment.



Manager's Commentary

The NAV of the Fund increased 6.24% in February whilst the benchmark VNMidcap rose by 7.23% in USD, and the Viet Nam Index gained 5.98%. The Fund was up as much as 7.93% MTD on 27 February before ETF rebalancing and the early end to the Trump-Kim Summit, announced an hour before the close on the final day of the month, both caused an unexpected sell off with the Viet Nam Index shedding 2.50% that day whilst the NAV gave back 1.57%. Despite this temporary and irrational equity market setback Vietnam was a clear winner from the summit with positive press coverage aplenty and a boost to Vietnam's international profile in recognition of its progress modernising and opening up its economy.

Further positive news for the Fund's top holding, Vinh Hoan Corporation (VHC), sets the scene for renewed share price moves with the company reporting 35% growth in *pangasius* exports year-on-year in January. Strong demand from China, a relatively recent addition to the customer base, sees the company become one of Alibaba's top-20 seafood suppliers providing easy access to the platform's large customer base. We also welcome recent sell-side research comment that VHC is possibly in line for inclusion in the FTSE Vietnam Index. The probable resultant boost to the share price should see year-to-date underperformance of the stock corrected. When the company was first bought by the Fund in January 2016 it had a market capitalisation of just \$104 million which has grown to \$380 million currently with a daily trading value of >\$1 million, both larger than some of the ETF constituents.

As Vietnam was essentially closed to welcome the Year of the Pig for a week in early February macroeconomic data may not be as pertinent as usual, but the picture remains broadly unchanged; stable pricing (CPI +2.64% y/y in February) and currency (unchanged against the USD this year) supported by continuing FDI disbursement (+9.8% YTD to \$2.6 billion). The Nikkei PMI at 51.2 in February shows a moderate cooling of growth in manufacturing amid global trade uncertainty, but with Vietnam as a bright spot in ASEAN, even as China's PMI contracted to a three-year low at 49.2.

We expect resurgent coverage of potential MSCI EM watch-list inclusion given the right signals on policy commitment (see PXP's comment [here](#)) to drive large-cap index heavyweights higher as domestic investors position ahead of the potential inflows. There may be quality companies within the smaller companies universe left out of the initial feeding frenzy, but we would expect this to create potential buying opportunities for the Fund to take advantage of – albeit against what could be a backdrop of short-term underperformance while the market overreacts and then stabilises. A move to MSCI EM for Vietnam will also drive smaller companies higher, but most likely after the initial wall of passive money results in excessive valuations in some large-caps, as fundamental investors then search out well-managed growth companies at attractive valuations. As we work to increase the size of the Fund to capitalise on this please be in touch if you are considering an allocation.

Fund NAV

Launch Date	8 December 2015
Issue Price	US\$2.50
NAV per share	At 28 February 2019
Lead Series	US\$ 3.268
Series 12	US\$ 3.268
Series 13	US\$ 3.268
Series 14	US\$ 3.259
Series 15	US\$ 3.261
Series 16	US\$ 3.263
Series 17	US\$ 3.259
Fund Size	US\$17.0mn (28 Feb 2019)
ISIN (Lead Series)	KYG7307A1058

Top 10 Holdings

(As at 28 February 2019)	% of Assets
Vinh Hoan Corporation (VHC)	13.4
HCMC Securities Corporation (HCM)	10.0
Dong Hai JSC of Ben Tre (DHC)	8.0
Power Construction No.1 (PC1)	7.7
Vietnam Container Shipping (VSC)	5.6
Nam Long Corporation (NLG)	5.4
Phuoc Hoa Rubber (PHR)	5.1
Phu Tai Corporation (PTB)	4.7
Saigon Cargo Service Corporation (SCS)	4.3
Taseco Air Services (AST)	3.9
Number of Listed Holdings	26

Vietnam Macro & Market Releases

	2018	2019 YTD
GDP Growth y/y**	7.08%	-
Trade surplus/ (deficit)*	US\$ 7.2bn	(US\$ 0.9bn)
CPI y/y*	2.98%	2.64%

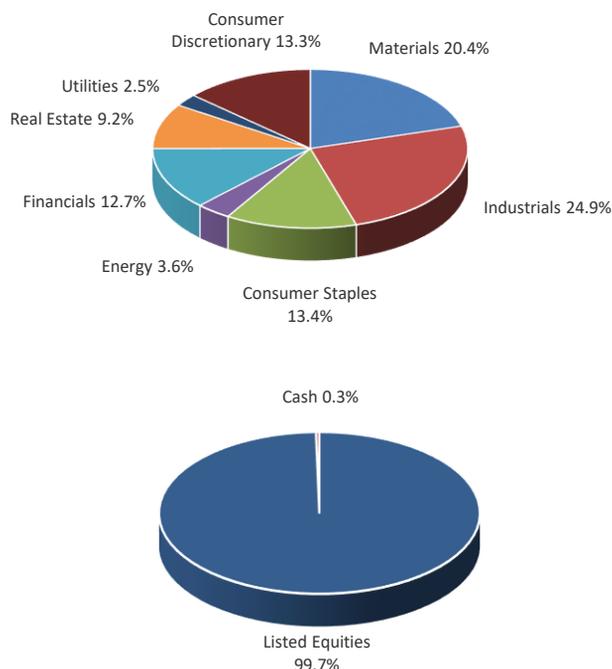
Latest

Vietnam Dong / USD*	23,199
Nikkei PMI*	51.2
Disbursed FDI y/y*	9.8%

HCMC Stock Exchange	Feb 18	Feb 19
Market Cap*	US\$ 133bn	US\$ 136bn
Average Daily Trade*	US\$ 124mn	US\$ 199mn
Foreign Buying YTD*	US\$ 516mn	US\$ 181mn

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

Portfolio Breakdown



NAV Performance: Rolling

	PXP VSCF*	VNMidcap Index**
Feb 2019	+6.24%	+7.23%
1 Year	-7.76%	-9.31%
2 Years	+14.55%	+12.94%
3 Years	+24.73%	+29.72%
Inception	+30.72%	+32.77%

NAV Performance: Calendar

	PXP VSCF*	VNMidcap Index**
YTD	+4.31%	+8.14%
2018	-8.55%	-14.59%
2017	+21.49%	+33.47%
2016	+13.44%	+6.89%
2015	-0.56%	+0.76%

*All figures are NET of fees **Index performance in US\$
All performance data as at 28 February 2019

Fund Information

Legal Form: Cayman Islands Mutual Fund
Fund Manager: PXP Vietnam Asset Management
Inception: 8 December 2015
Issue Price: US\$2.50
Administrator: Apex Fund Services
Custodian: DBS Bank Ltd, Hong Kong
Auditor: Ernst & Young Ltd
ISIN: KYG7307A1058
FATCA GIIN: CS5VS4.99999.SL.136
Bloomberg: PXPVSCF KY

Fund Directors

Mr. Christopher Vale
 Non-Executive Director
Ms. Rachel Provost
 Non-Executive Director

Portfolio Managers

Ms. Chi Nguyen
Mr. Lawrence Brader

Liquidity & Fees

Dealing Day: First business day of each month
Subscriptions: 2 business days notice
Redemptions: 3 months notice
Management fee: 1.5% per annum
Performance fee: 15% over 8% per annum with high water mark
Redemption fee: 3% within first 12 months, 1% thereafter payable to the Fund

For further details please refer to the Fund's Prospectus via www.pxpvietnam.com