

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

Our apologies for the extremely late dispatch of this month's missive, the result of a combination of a quite intense travel schedule over the Easter period and a growing sense of frustration with the lack of context employed by many analysts/commentators in this market. Ranting is, in many peoples' eyes, an unseemly emotional response to disagreement, so we thought it best to internalise that before giving vent to our opinions.

Take as two examples the prevailing views on Vinamilk. Lest we be accused of "talking our book" we would remind our reader at the outset that we have owned the stock for over 14 years, have been strong and vocal supporters of management for that entire period (and still) and have, over the holding period, seen it grow from a US\$250 million company to one with a market capitalisation of currently just below \$ 10 billion. So we're a happy shareholder, to say the least, and with good reason. So what is wrong with it now? Management is unchanged, and still the most transparent and focused in the market but the bigger brokers are negative because, inter alia, growth in terms of percentage has slowed from mid-teens to negative last year and single digits for this, and the stock price has fallen by 25% from its high to reflect that. So why the negative outlook? The brokers variously justify a bearish long-term outlook either because margins are declining because the company has chosen not to raise prices in response to an increase in market prices of milk powder (its major input) because it wants to squeeze the competition (because it can), in order to increase its market share; or even because Vietnamese women are apparently having less children and breast feeding more. Nary a mention that increased market share is a good thing even with slightly narrower margins, nor that the company also plans to remove certain competitors through merger activity, further increasing its dominance. We would also posit, having seen through personal involvement the impact of classes filled to bursting with Golden Pigs (born in the lunar equivalent of 2007 to 2008), that the next auspicious year will see a similar spike in staying home for the evening starting roughly nine months before lunar new year's day. And we are unaware of many kids being breastfed at the age of, for example, five, so that may be a relatively short-term phenomenon.

All of this may constitute a longer term view than is generally currently available from your friendly completely objective broker and may be a little unfashionable in this market, and we make no apologies for that, but let's have a look at what they want you to buy instead. We were critical a couple of months ago of the tendency to guide foreign investors toward stocks which are both extremely difficult to buy, whilst such purchases have zero impact on the level of the index in spite of trading at extraordinarily optimistic premia. The rationale for following that path based on such stunning insight as "they were very good at doing A so it's only a matter of time until they prove that they are also brilliant at doing completely different B, even if it's taking a lot longer than expected", or "I know that management has proven itself questionable in any number of ways in the past but we've told them not to do it again, so don't worry."

One of the brokers has responded to that criticism (although not necessarily as a result of it) by finding another stock in the consumer sector with no foreign ownership limit and sticking an "outperform" label on it, with a different consumer sector analyst at the same firm (don't want to overburden them) having an "underperform" rating on Vinamilk.

Step forward Saigon Beer Alcohol Beverage Corporation (a.k.a. "Sabeco", ticker SAB); US\$ 6.6 billion of market capitalisation; 100% foreign ownable (like Vinamilk); 53.5% owned (indirectly) by Thai Beverage, 36% by the government of Vietnam and 5% owned by Heineken; therefore offering a free float of a most impressive 5.5%. Trading at 38 times 2018 earnings and 33.0x, 26.6x and 22.8x 2019 to 2021 earnings respectively if you believe the brokers' optimistic growth forecasts based on blind faith that the new Thai management will be able to redress the years of mis-management that preceded them in relatively short order. Contrast that if you will with the same brokers' 25, 22.9, 21.2 and 19.8 times 2018 to 2021 earnings outlook for Vinamilk, with the same tried and (by us at least) trusted management but with, in our opinion, a pessimistic view of their ability to deal with short-term issues. We know which one we prefer to own, not least because in spite of the perceived growth deficiencies it'll still be at a 15% valuation discount to Sabeco in 3 years, and the free float is nearly 10 times the size.

More on why we also seem to be standing alone with an optimistic view on MSCI EMI watch-list inclusion next month. Let no-one tell you that there are no contrarians in this market.

Fund NAV

Launch Date Issue Price	3 November 2005 US\$ 5.00
NAV per share	At 29 March 2019
Series 1 (Lead Series)	US\$ 9.762
Series 1A	US\$ 10.703
Series 1B	US\$ 10.703
Series 40, 41, 43, 45, 46, 47, 48, 49	US\$ 9.762
Series 42, 50	US\$ 9.761
Series 44	US\$ 9.745
Series 51	US\$ 9.684
Series 52	US\$ 9.669
Fund Size	US\$ 90.0mn (29 Mar 2019)

Top 10 Holdings

(As at 29 March 2019)	% of Assets
HCMC Securities (HCM)	19.5
Hoa Phat Group (HPG)	18.0
FPT Corporation (FPT)	14.8
Vinamilk (VNM)	12.7
CotecCons Construction (CTD)	6.1
Danang Rubber (DRC)	5.3
Vietnam Container Shipping (VSC)	4.2
PXP Vietnam Smaller Companies Fund*	4.0
Nui Nho Stone (NNC)	2.6
Viet Capital Securities (VCI)	2.4
Number of Holdings	Listed 23 Unlisted 3

*all fees rebated by the Investment Manager

Vietnam Macro & Market Releases

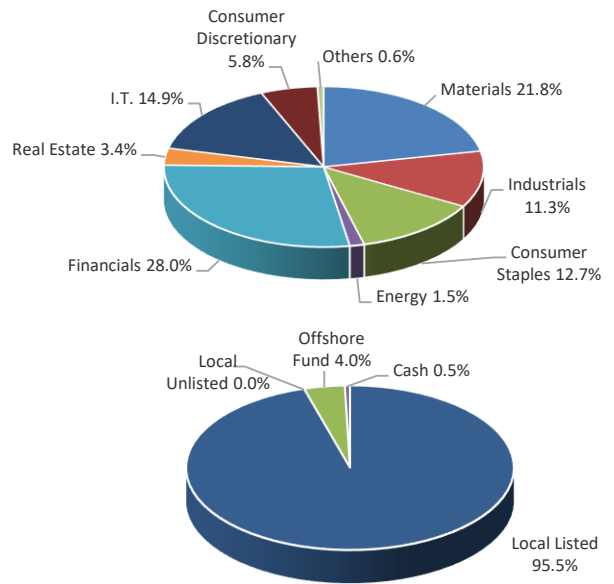
	2018	2019 YTD
GDP Growth y/y**	7.08%	6.79%
Trade surplus*	US\$ 7.2bn	US\$ 0.5bn
CPI y/y*	2.98%	2.70%

	Latest
Vietnam Dong / USD*	23,201
Nikkei PMI*	51.9
Disbursed FDI y/y*	6.2%

HCMC Stock Exchange	Mar 18	Mar 19
Market Cap*	US\$ 140bn	US\$ 138bn
Average Daily Trade*	US\$ 318mn	US\$ 212mn
Foreign Buying YTD*	US\$ 488mn	US\$ 223mn

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

Portfolio Breakdown



NAV Performance: Rolling

	PXP VEEF*	Viet Nam Index**
Mar 2019	-1.35%	+1.57%
1 Year	-20.51%	-18.03%
2 Years	+20.89%	+33.02%
3 Years	+50.35%	+67.92%
4 Years	+63.96%	+64.75%
5 Years	+49.84%	+50.63%
6 Years	+106.56%	+80.27%
7 Years	+135.74%	+99.61%
8 Years	+147.39%	+91.55%
9 Years	+70.43%	+61.60%
10 Years	+241.45%	+168.04%
11 Years	+60.32%	+31.76%
12 Years	-23.49%	-36.79%
13 Years	+50.51%	+33.69%
Inception	+95.24%	+108.35%

NAV Performance: Calendar

	PXP VEEF*	Viet Nam Index**
YTD	+7.71%	+9.83%
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 29 March 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 15th calendar day of each month
Subscriptions: 2 business days notice
Redemptions: 10 business days notice
Management fee: 1.5% per annum
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