

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 rose by 0.15% in USD in the month ending 31 May 2019, whilst the benchmark VNMid Index fell by 1.83% in USD. The NAV has extended its lead year-to-date gaining 5.62% to 31 May 2019 compared to the VNMid Index rising 3.03% in USD. Yet again the NAV of the Fund rose by less than 1% in the month despite having been up as much as 3.2% by 23 May 2019 before an unbroken spell of 7 down days took us back to flat. The final day of May was especially disappointing as the Fund fell 1.6% on the surprise overnight news of sudden tariffs applied to Mexican exports to the US which spooked the markets.

Vietnamese equities outperformed in May as the global equity market turmoil resulting from the drip-feed of news on tariffs caused larger declines elsewhere. Manufacturing data for many economies slumped whilst Vietnam posted a continued expansion with the Nikkei PMI at 52.0, a slight moderation from 52.5 in April. Vietnam is currently a tariff beneficiary as manufacturing endeavours to find a new home outside of China, with some of it relocating to Vietnam. Samsung's smartphone and telecoms infrastructure businesses look to benefit from the strife experienced by Huawei, likely supporting demand for kit produced in Vietnam. In the longer-run growth in Vietnamese exports to the US in place of those from China could begin to attract the same Presidential-ire as experienced by China, and indeed Vietnam was added to the "currency manipulator watchlist" by the US government on 28 May 2019. Geopolitical factors support Vietnam's place as a key American ally in South East Asia and this is more important than a relatively small trade deficit. Certainly chasing exports from country to country is akin to an expensive and long-winded game of Whack-A-Mole that is unlikely to end with labour-intensive manufacturing moving "back" to the US.

AGM season has ended and we continue to focus on meetings with portfolio companies with both the Viet Capital corporate tour last week and the Ho Chi Minh City Securities conference this week. On an NAV-weighted basis the portfolio is on 9.0x, 8.1x & 7.4x 2019-2021 price earnings multiples and 2.0x price to book; inexpensive and growing. Resilience through the global turmoil has been encouraging, and should the market break out of its recent trading range we could see a sharp move higher. Perhaps the catalyst we need comes as Vietnam releases second-quarter macroeconomic data at the end of June. At the very least the market should recover the 3% shed following the Mexican-tariff announcement now that they are no more.

Fund NAV

Launch Date	8 December 2015
Issue Price	US\$2.50
NAV per share	At 31 May 2019
Lead Series	US\$ 3.309
Series 12,13,18	US\$ 3.309
Series 14, 17	US\$ 3.303
Series 15	US\$ 3.305
Series 16	US\$ 3.308
Fund Size	US\$17.3mn (31 May 2019)
ISIN (Lead Series)	KYG7307A1058

Top 10 Holdings

(As at 31 May 2019)	% of Assets
Vinh Hoan Corporation (VHC)	12.5
HCMC Securities Corporation (HCM)	9.7
Dong Hai JSC of Ben Tre (DHC)	9.5
Power Construction JSC No.1 (PC1)	7.2
Nam Long Group (NLG)	6.4
Phuoc Hoa Rubber (PHR)	6.3
Phu Tai Corporation (PTB)	4.8
Vietnam Container Shipping (VSC)	4.7
Saigon Cargo Service Corporation (SCS)	4.7
Ba Ria - Vung Tau House Development (HDC)	4.4
Number of Listed Holdings	24

Vietnam Macro & Market Releases

	2018	2019 YTD
GDP Growth y/y**	7.08%	6.79%
Trade surplus/(deficit)*	US\$ 7.2bn	(US\$ 0.5bn)
CPI y/y*	2.98%	2.88%

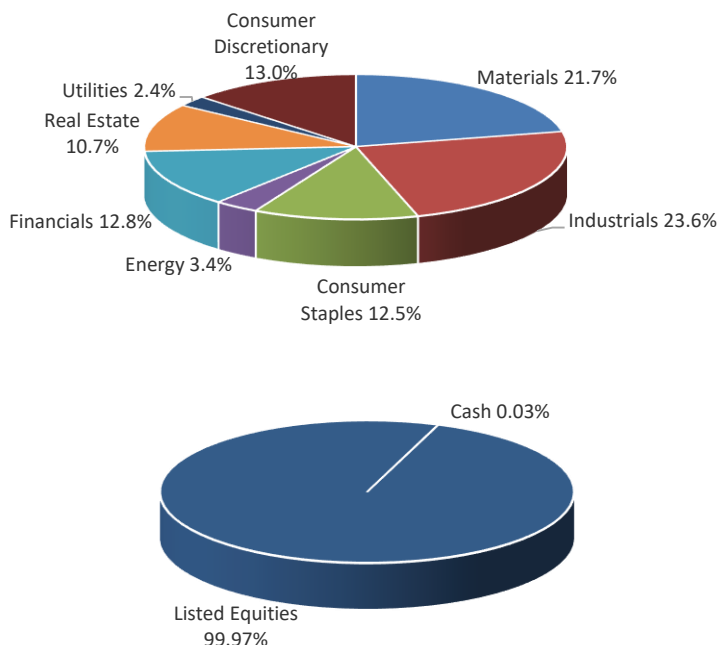
Latest

Vietnam Dong / USD*	23,414
Nikkei PMI*	52.0
Disbursed FDI y/y*	7.8%

HCMC Stock Exchange	May 18	May 19
Market Cap*	US\$126bn	US\$ 138bn
Average Daily Trade*	US\$ 284mn	US\$ 174mn
Foreign Buying YTD*	US\$ 1,556mn	US\$ 414mn

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

Portfolio Breakdown



NAV Performance: Rolling

	PXP VSCF*	VNMidcap Index**
May 2019	+0.15%	-1.83%
1 Year	+4.58%	-5.07%
2 Years	+7.68%	-6.43%
3 Years	+20.46%	+17.18%
Inception	+32.36%	+26.50%

NAV Performance: Calendar

	PXP VSCF*	VNMidcap Index**
YTD	+5.62%	+3.03%
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 31 May 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 Manager

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