

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

A positive relative move for the Fund in the first six months in 2019 with the NAV posting a gain of 6.06% net of fees compared to a rise of 3.18% in the benchmark VNMidcap Index to the end of June. Over the same period the broader Viet Nam Index rose 5.91% in USD. The relatively moderate gains in Vietnamese equities in comparison to a number of equity markets elsewhere are somewhat unwarranted considering the macroeconomic outlook and a number of structural positive headlines including the signing of the EU-Vietnam Free Trade Agreement (still to be passed into Law by both sides) which will ease access to Vietnam's second largest export market for some listed companies.

We will refrain from further comment on the US-China Trade War as there is little we haven't said, noting only that the to-and-fro continues to be a key driver of equity market sentiment domestically. We have also commented on the MSCI Emerging Market (EM) watch-list non-inclusion (please see our PXP VEEF June Newsletter), and there is a clear set of improvements required aimed at improving access for foreigners that the regulator and government will need to enact to achieve the upgrade next time around. For *PXP Vietnam Smaller Companies Fund* the non-inclusion in the watch-list comes with two sliver linings. Firstly the liquidity discount available to the Fund by investing in small, under-researched less-liquid and therefore less-widely held stocks continues to exist; there are fewer foreign or institutional investors competing down here, for now. Secondly, Vietnam will become the largest component in the MSCI Frontier Market when Kuwait moves up to EM in June 2020 (taking Vietnam from 17% to c.26% at current levels), although this is admittedly tracked by a mere smidgeon of the capital tracking EM.

Macroeconomic data in the second-quarter built on the solid foundations laid in the first-quarter, with Q2 GDP rising 6.71% year-on-year for a gain of 6.76% y/y in the first six-months. Consumer price inflation was 2.16% y/y in June, within policy, with higher energy costs countered by falling pork prices as the African Swine Fever swept through pigs across the country. Imports grew 10.5% y/y in six-months and exports by 7.3% y/y. Manufacturing remained the core of the strength, with the June Nikkei PMI rising to 52.5 from 52.0 before – coming against a background of manufacturing PMI contractions in China, Taiwan, South Korea, Japan, and Malaysia, expansion at a slower pace in Indonesia and Thailand, and faster expansion in only the Philippines and Vietnam. Foreign Direct Investment disbursement maintained its pace with US\$9.1 billion added so far in 2019 with trade tensions accelerating the move to Vietnam. Recent free trade agreements (CPTPP, ASEAN-HK/China FTA and the EU-Vietnam FTA) will drive continued FDI as Vietnam's cost-competitive manufacturing advantage remains and will greatly assist the Vietnamese government in efforts to diversify export growth away from the US.

Year-to-date top contributions to performance have come from Phuoc Hoa Rubber, Dong Hai Paper, Ba Ria – Vung Tau House and Phu Tai Corporation. Relative performance would have been even better were it not for some window-dressing elsewhere at the end-June. Next on the calendar is the release of second-quarter financial results from listed companies beginning in a week or so.

Fund NAV

Launch Date	8 December 2015
Issue Price	US\$2.50
NAV per share	At 28 June 2019
Lead Series	US\$ 3.323
Series 12,13,16,18	US\$ 3.323
Series 14	US\$ 3.318
Series 15	US\$ 3.320
Series 17	US\$ 3.319
Fund Size	US\$17.4mn
ISIN (Lead Series)	KYG7307A1058

Top 10 Holdings

(As at 28 June 2019)	% of Assets
Vinh Hoan Corporation (VHC)	12.1
Dong Hai JSC of Ben Tre (DHC)	9.7
HCMC Securities Corporation (HCM)	9.2
Phuoc Hoa Rubber (PHR)	6.9
Power Construction JSC No.1 (PC1)	6.9
Nam Long Group (NLG)	6.7
Phu Tai Corporation (PTB)	5.0
Saigon Cargo Service Corporation (SCS)	4.6
Ba Ria - Vung Tau House Development (HDC)	4.6
Taseco Air Services (AST)	4.3
Number of Listed Holdings	24

Vietnam Macro & Market Releases

	2018	2019 YTD
GDP Growth y/y**	7.08%	6.76%
Trade surplus*	US\$ 7.2bn	US\$ 0.04bn
CPI y/y*	2.98%	2.16%

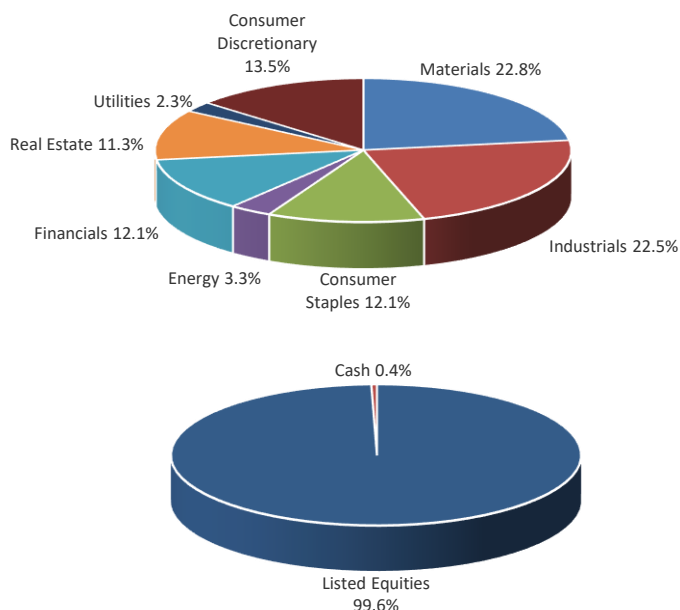
	Latest
Vietnam Dong / USD*	23,303
Nikkei PMI*	52.5
Disbursed FDI y/y*	8.1%

HCMC Stock Exchange	June 18	June 19
Market Cap*	US\$ 133bn	US\$ 137bn
Average Daily Trade*	US\$ 216mn	US\$ 167mn
Foreign Buying YTD*	US\$ 1,564mn	US\$ 434mn

Source: GSO, Customs Office & Bloomberg

*Latest monthly data **Latest quarterly data

Portfolio Breakdown



NAV Performance: Rolling

	PXP VSCF*	VNMidcap Index**
June 2019	+0.42%	+0.14%
1 Year	+4.66%	-0.10%
2 Years	+1.34%	-11.93%
3 Years	+14.70%	+6.96%
Inception	+32.92%	+26.68%

NAV Performance: Calendar

	PXP VSCF*	VNMidcap Index**
YTD	+6.06%	+3.18%
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 June 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