

# 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 posted a gain of 0.97% in the month to 30<sup>th</sup> August 2019 whilst the benchmark VNMidcap Index rose by 1.85% in USD over the same period. Year-to-date the NAV has increased by 6.32% compared to a rise in the benchmark of 4.62%. The Viet Nam Index continues to tread water between 940 and 1,000 points driven primarily by news flow on trade between China and the US. Foreigners were net sellers in August for the first time in 11 months selling US\$75 million taking YTD net inflows to just US\$456 million.

This was a relatively disappointing month with the outperformance of the benchmark narrowing slightly. The worst performing stock in the VNMidcap Index during the month was also the Fund's largest holding, catfish exporter Vinh Hoan Corporation (VHC). Demand has weakened in the US as fish buyers stocked up ahead of the possible imposition of anti-dumping duties earlier in the year. Despite no duties being applied to the company's exports, US inventory levels remain high and the share price has come down moderately. We have met with management and remain confident in their ability to meet full year earnings guidance and are encouraged by renewed demand in the EU, new demand in China and the announcement of a share buyback (to begin an inexplicable 30 days after the regulator receives the request). The stock is trading at 4.9x 2019 earnings falling to 4.0x by 2021 and we continue cite it as an example of a high-quality, transparent smaller company with a great track record of growth, now trading at a clearly depressed valuation.

PMI data in August was weaker, and whilst counting the 45<sup>th</sup> consecutive month of expansion, the IHS Markit PMI fell to 51.4 from 52.6 as trade wars dampened international demand. The year-to-date trade surplus doubled in August to \$3.4 billion although export growth slowed to 4.5% y/y. The Vietnam dong was 0.15% firmer in the month against the USD even as the Chinese yuan weakened to an 11-year low, highlighting the difference in direction of growth between Vietnam and China.

The risk of an escalating dispute with China over the East Sea (South China Sea) has returned as China's offshore oil company has sent exploration vessels far too close to Vietnam's coastline and offshore oil & gas reserves to be anything but provocative. This will explain some weakness in the equity markets here as retail investors fret, and we note that China likes to send boats over to Vietnamese waters when press attention is absorbed elsewhere, in this case in barely contained protests in Hong Kong.

We will be hosting a series of webinars in the coming weeks to introduce the investment case for the Fund, should you wish to participate please let us know.

## Fund NAV

<b>Launch Date</b>	<b>8 December 2015</b>
<b>Issue Price</b>	<b>US\$2.50</b>
<b>NAV per share</b>	<b>At 30 August 2019</b>
Lead Series	US\$ 3.331
Series 12, 14, 18	US\$ 3.331
Series 13, 15, 16, 17	US\$ 3.332
Series 19	US\$ 3.330
<b>Fund Size</b>	<b>US\$17.6mn</b>
<b>ISIN (Lead Series)</b>	<b>KYG7307A1058</b>

## Top 10 Holdings

(As at 30 Aug 2019)	% of Assets
Vinh Hoan Corporation (VHC)	10.9
Dong Hai JSC of Ben Tre (DHC)	8.6
HCMC Securities Corporation (HCM)	8.2
Phuoc Hoa Rubber (PHR)	7.2
Nam Long Group (NLG)	6.9
Power Construction JSC No.1 (PC1)	6.8
Ba Ria - Vung Tau House Development (HDC)	6.2
Phu Tai Corporation (PTB)	5.6
Saigon Cargo Service Corporation (SCS)	4.6
Taseco Air Services (AST)	4.4
<b>Number of Listed Holdings</b>	<b>24</b>

## Vietnam Macro & Market Releases

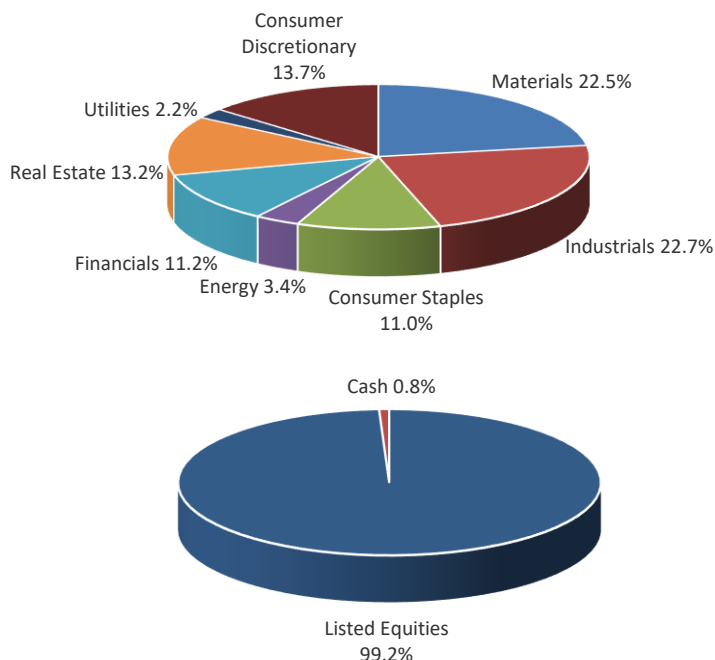
	2018	2019 YTD
GDP Growth y/y**	7.08%	6.76%
Trade surplus*	US\$ 7.2bn	US\$ 3.4bn
CPI y/y*	2.98%	2.26%

	Latest
Vietnam Dong / USD*	23,203
IHS Markit PMI*	51.4
Disbursed FDI y/y*	6.3%

HCMC Stock Exchange	Aug 18	Aug 19
Market Cap*	US\$ 136bn	US\$ 143bn
Average Daily Trade*	US\$ 190mn	US\$ 194mn
Foreign Buying YTD*	US\$ 1,338mn	US\$ 456bn

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

## Portfolio Breakdown



## NAV Performance: Rolling

	PXP VSCF*	VNMidcap Index**
Aug 2019	+0.97%	+1.85%
1 Year	+3.58%	-4.91%
2 Years	+9.83%	-7.59%
3 Years	+11.00%	+8.02%
Inception	+33.24%	+28.45%

## NAV Performance: Calendar

	PXP VSCF*	VNMidcap Index**
YTD	+6.32%	+4.62%
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 30 Aug 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](http://www.pxpvietnam.com)