

# Vietnam Phoenix Fund Limited

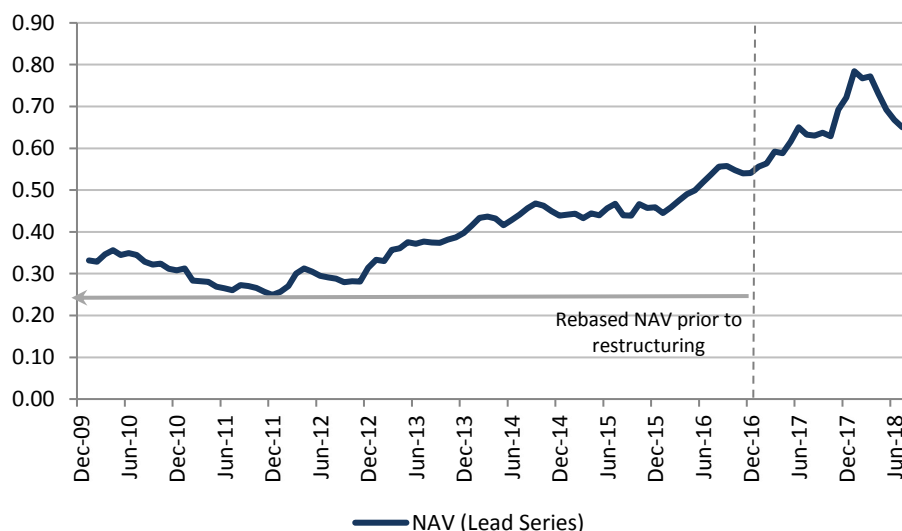
## Monthly Factsheet

31<sup>st</sup> July 2018



### CLASS A – Continuation Shares

NAV Performance (USD)



USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF A</b> (Lead Series)	-2.63	-11.01	-17.07	-9.80	2.9	11.9	11.7	14.1
<b>VNIndex</b>	-1.84	-11.01	-15.97	-5.21	19.1	13.0	12.0	11.1
<b>VHIndex</b>	-1.30	-15.40	-17.69	-11.46	2.5	5.3	9.4	4.4

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

Top 3 Gainers	Price Change	Contribution to NAV Return
Refrigeration Electrical Engineering (REE)	+ 10.7%	+ 0.27%
FPT Corp (FPT)	+ 3.1%	+ 0.19%
Mobile World (MWG)	+ 2.5%	+ 0.06%

Top 3 Laggards	Price Change	Contribution to NAV Return
Yeah1 Group (YEG)	- 36.6%	- 1.07%
Hoa Phat Group JSC (HPG)	-2.7%	- 0.45%
Vinamilk (VNM)	- 1.1%	- 0.41%

**Total Net Assets: \$45.74 million**

#### NAV/Share

**Lead Series: \$0.6505**

**Series 3: \$0.9394**

**Structure: Open-End Fund**

**Liquidity: Monthly**

#### Identifiers

ISIN Code	KYG9363R1056
Bloomberg Ticker	VTNPHXA KY
Sedol	BDHXLD2

#### Website:

[www.vietnamphoenixfund.com](http://www.vietnamphoenixfund.com)

#### Top 10 Holdings (%)

Vinamilk	17.3
Hoa Phat Group	10.9
FPT Corp	10.7
Khang Dien House	7.0
Mobile World	6.6
Vietnam Enterprise Inv Ltd	6.3
Vinhomes	6.3
HDBank	5.2
Kinh Bac City	4.3
PV Power	3.5
<b>Total</b>	<b>78.1</b>

#### Sector Allocation (%)

Consumers	28.4
Real Estate	22.9
Financials	15.2
Building Materials	10.9
Information Technology	10.7
Energy Equip & Svcs	5.2
Others*	6.7
<b>Total</b>	<b>100.0</b>

\*Includes Cash & Accruals

#### Asset Breakdown (%)

Listed Equities	99.53
Cash and accruals^	0.47
<b>Total</b>	<b>100.0</b>

^Adjusted to include pending redemptions.

#### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 31<sup>st</sup> July 2018, the aggregate voting rights are 169,853,981.

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### CLASS A – Continuation Shares

#### Fund Manager's Report

The NAV per share of the Class A Shares (Lead Series) declined 2.63% in July. Laggards include YEG (-36.6%), HPG (-2.7%) and VNM (-1.1%), offset by the positive performance of REE (+10.7%), FPT (+3.1%) and MWG (+2.5%).<sup>1</sup>

The VNIndex declined 7.1% in the first half of July before recovering to end down 1.8% on the month while YTD returns are -5.2%.<sup>1</sup> The Vietnam stock market experienced high volatility as it continued to be affected by global geopolitical turbulence, including the US-China trade war and the Chinese yuan devaluation. Despite these uncertainties, the domestic economy continued to show robust performance with PMI at 54.9<sup>2</sup> in July.

**Yeah 1 Group Corporation's** (YEG) listing debut on 26<sup>th</sup> June was adversely affected by the market downturn especially in the first half of the month. We believe the decline in share price was a combination of its full foreign quota and the unfamiliarity of domestic market on Yeah 1's business model. The stock's catalyst within the next 4-6 weeks is its new share issuance worth \$50mn as part of the IPO deal that will open the foreign room for foreign investors<sup>3</sup>, who have been expressing high demand for the stock. Meanwhile, YEG released strong H1 2018 earnings results of net sales of VND 676.2bn (+177% YoY) and NPAT of VND 96.7bn (+193.5% YoY).<sup>3</sup> With this, the company has achieved 42% and 56% of the net sales and NPAT targets for 2018 respectively.<sup>3</sup>

**Vinamilk's** share price recorded -1.1%<sup>1</sup> for July against weaker than expected H1 2018. The company released its results with net revenue +1.7% YoY and NPAT -8.3% YoY.<sup>3</sup> Domestic dairy sales was weak for H1 2018 (-1% YoY) while export continued to decline at -11% YoY in H1 2018, although the pace of decline has slowed in Q2 2018 (-6% YoY vs Q1 2018: -17% YoY).<sup>3</sup> Meanwhile, both Fraser and Neave (F&N) and Jardine continued to increase their stake in Vinamilk to 20% and 10.6% respectively.<sup>1</sup> We view the continued increase of stake from both substantial shareholders as a strong illustration of confidence in Vinamilk.

**FPT's** shares recovered from previous month's decline with strong earnings results. The company released H1 2018 earnings with revenue increased by 19% and profit before tax increased by 32%, both surpassing YTD targets.<sup>3</sup> FPT has also recently announced that it has successfully completed the acquisition of a 90% stake in Intellinet, a US software consulting company<sup>3</sup>. This acquisition will allow FPT to tap into a new, sizeable client base as Intellinet has more than 200 clients, including 17 Fortune 500 firms (FPT has 400 clients, including 80 Fortune 500 firms).<sup>3</sup> The Software segment is expected to drive FPT's earnings further especially if the USD continues to strengthen, as its revenue is USD-denominated.

Vietnam's stock market was not spared from the general capital flight affecting Emerging Markets with USD 109mn of outflows reported in July vs USD 4.5mn in June.<sup>4</sup> Despite the two consecutive month's outflow, the VNIndex still recorded USD 1.45bn<sup>4</sup> of foreign inflows in 7M 2018, out-performing other ASEAN markets such as Thailand SET (-USD 6.0bn<sup>1</sup>), Indonesia JCI (-USD 3.5bn<sup>1</sup>) and the Philippines PCOMP (-USD 1.3bn<sup>1</sup>). Despite global risks, the Asian Development Bank (ADB) maintained its forecast for Vietnam's GDP growth at 7.1% for 2018 and 6.8% for 2019.<sup>5</sup> The ADB also noted that trade tariffs implemented so far in 2018 have not significantly undermined growth momentum; however, further escalating trade tensions remain a downside risk to the outlook of the region.<sup>5</sup>

1 Source: Bloomberg, 31/07/18

2 Source: Nikkei

3 Source: Company data/announcements

4 Source: Ho Chi Minh Stock Exchange

5 Source: <https://www.adb.org/sites/default/files/publication/435196/ado-supplement-jul-2018.pdf>

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31<sup>st</sup> July 2018



### CLASS C – Private Equity Shares

USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF C</b>	-2.05	-6.02	-6.88	-3.75	-8.4	2.4	5.9	9.8

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

#### Fund Manager's Report

The NAV per share of the Class C Shares decreased by 2.05% in July.

The Private Equity asset pool contains unlisted investments and other illiquid listed investments. Unlisted investments will be re-valued every six months, or sooner in case of a significant event. The unlisted investments within the pool were last valued by Grant Thornton Vietnam Ltd in June 2018.

**An Phat Plastic** (AAA) was the biggest detractor to the portfolio's performance with a decrease in share price of 9.3%<sup>6</sup> in July 2018. An Phat's share price was tracking the 7% decline in the VNIndex in the first half of July and remained trading at this level although the VNIndex has recovered most of the losses in the later parts of the month. Nevertheless, the Fund Manager is positive on the future outlook for An Phat as the company's new factory will start production in H2 2018. Furthermore, the company's Q2 2018 financial performance was positive as revenues and net income grew 172% and 22% respectively YoY as Factory 6 and 7 ran at full capacity.

During the month, the Fund Manager completely exited the Fund's position in **Khang Dien House** at 2.2x returns since 1 January 2017.

The Fund had also completed a 10% mandatory redemption of Class C shares outstanding as at 23 July 2018 with the redemption price based on the NAV of the Class C Shares as at 30 June 2018. Future redemptions will be determined by the Board of Directors upon realisation of the remaining assets of the Fund.

**Net Assets:** \$120.37 million  
**NAV/Share:** \$0.3156  
**Shares Out:** 381,375,002

#### Identifiers

ISIN Code KYG2886W1078  
Bloomberg Ticker VTNPFXC KY  
Sedol B1FHXT2

#### Website:

[www.vietnamphoenixfund.com](http://www.vietnamphoenixfund.com)

#### Market Makers

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#### Top 10 Holdings (%)

Greenfeed	32.4
Corbyns International	18.6
Anova Corp	14.8
NBB Investment Corp	11.1
Anphat Plastic	7.8
VTC Online	6.0
Tien Phong Plastic	2.8
SSG Group	1.3
Dinh Vu Port Investment	1.1
Ha Do JSC	0.6
<b>Total</b>	<b>96.5</b>

#### Asset Breakdown (%)

Invested Securities	96.6
Cash and accruals	3.4
<b>Total</b>	<b>100.0</b>

#### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 31<sup>st</sup> July 2018, the aggregate voting rights are 169,853,981.

<sup>6</sup> Source: Bloomberg, 31/07/18

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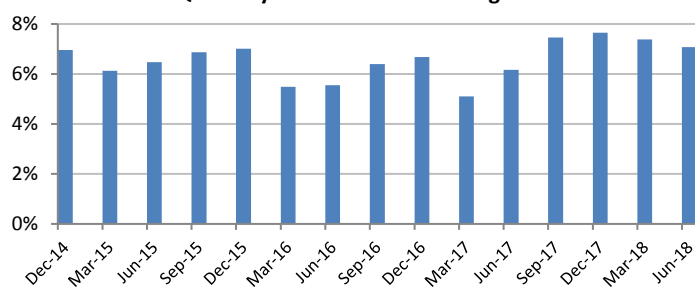
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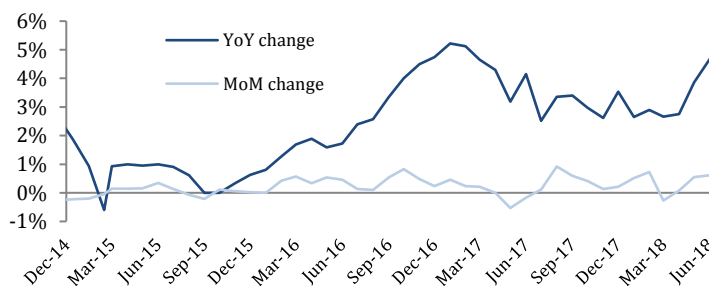


### Market Update

Quarterly GDP Growth - % change YoY



Consumer Price Index, (%) change



Vietnam Economic Indicators

	2015	2016	2017	2018F*
Real GDP Growth	6.7	6.2	6.7	6.5
CPI	0.9	4.7	2.6	4.0
Export Growth	8.1	9.0	20.6	15.0
Import Growth	12.0	5.2	21.3	13.5
Trade Balance	\$bn -3.5	2.7	2.3	2.0
Registered FDI	\$bn 15.6	21.0	35.9	-
FX Reserve	\$bn 31.0	41.0	52.0	58.0
USDVND	22,540	22,761	22,968	22,800

\*Source: Duxton estimates

Data from Bloomberg		Mkt Cap (USD bn)	2018 Forward P/E	PEG	Div Yield	ROE
Indonesia	JCI	466	18.7	2.4	2.2%	24.9%
Thailand	SET	517	20.2	2.3	2.7%	17.1%
Singapore	FSSTI	415	13.4	1.4	3.7%	12.5%
Malaysia	FBMKLIC	275	20.4	4.3	3.0%	23.8%
Philippines	PCOMP	180	19.2	3.7	1.5%	13.3%
<b>Vietnam</b>	<b>VNINDEX</b>	<b>131</b>	<b>18.3x</b>	<b>1.0</b>	<b>1.4%</b>	<b>21.8%</b>

The VNIndex declined 7.1% in the first half of July after the Trump Administration proposed to impose new tariffs on USD 200bn of Chinese imports before recovering to record -1.8% MoM<sup>7</sup> (USD terms). The global trade tension and a stronger US dollar continue to weigh on the market as investors remained cautious given the external risks ahead. Energy, consumer discretionary and information technology were the top gainers, led by large cap stocks such as PLX (+3.4%), PNJ (+10.9%) and FPT (+3.1%).<sup>8</sup> Banking stocks was the top losers for the month of July.<sup>8</sup> The VNIndex recorded -5.2%<sup>7</sup> YTD and is still ahead compared to Asian emerging peers such as the Philippines' PCOMP (-15.5% YTD) and Indonesia's JCI (-11.9% YTD).<sup>7</sup>

Vietnam's Industrial Production Index in the first seven month increased 10.9%<sup>9</sup> over the same period last year, thanks to the largest contribution from the manufacturing and processing industry, which grew 13.1%<sup>9</sup> YoY. Electricity generation and distribution sector was the second largest contributor, growing 10.7%<sup>9</sup> YoY. The Nikkei Purchasing Manager's Index (PMI) continued to expand in July, albeit at a slower pace of 54.9<sup>10</sup>, down from 55.7<sup>10</sup> in June. Net export orders rose to a near-record high while the rate of job creation remained elevated.<sup>10</sup>

The Consumer Price Index (CPI) decreased 0.09%<sup>9</sup> MoM, bringing YTD inflation to 2.13%<sup>9</sup>. Healthcare registered a 7.58%<sup>9</sup> decrease in price, leading the CPI of Medicine and healthcare basket to decrease 5.85%<sup>9</sup> MoM.

Credit growth rose by 7.69%<sup>11</sup> YTD as of 20<sup>th</sup> July. The total registered Foreign Direct Investment (FDI) was estimated at USD 23bn, up by 4.6% and FDI disbursement exceeded USD 9.8bn, an increase by 8.8% as compared to the same period last year.<sup>10</sup>

The Chinese Yuan declined 2.8%<sup>7</sup> against the USD in July, leading to the depreciation of regional currencies (Indonesian Rupiah -1.0%, Thailand Baht -0.5% and Malaysian Ringgit -0.3%).<sup>7</sup> The State Bank of Vietnam (SBV) has on 24<sup>th</sup> July adjusted the selling exchange rate from 23,050<sup>11</sup> VND to USD to 23,273<sup>11</sup> VND to USD to align the exchange rate with the domestic and global markets. The Vietnam dong declined 1.4%<sup>7</sup> against the USD in July. We believe the SBV has the necessary tools required to stabilise the forex market, including selling the USD when necessary.

Despite the Vietnam stock market's lacklustre performance in July, the economy has continued to grow as seen in its positive macroeconomic indicators. The Vietnam stock market continues to be attractive trading on the back of 16-18% EPS growth and 21.8% ROE.<sup>7</sup>

7 Source: Bloomberg, 31/07/18

8 Source: Viet Capital Securities (VCSC)

9 Source: General Statistics Office of Vietnam

10 Source: Nikkei

11 Source: State Bank of Vietnam.

# Vietnam Phoenix Fund Limited

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31<sup>st</sup> July 2018



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Duxton Asset Management is a boutique asset manager with a dual focus: Agriculture and Asian Emerging Markets. A carve-out from one of the world's foremost financial institutions, Duxton is regulated by the Monetary Authority of Singapore as a holder of a Capital Markets Services License to conduct the regulated activity of fund management for accredited investors and institutional investors. The Duxton Group has approximately USD 846 million worth of assets under management and advice as of Jul 2018.

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\*Formerly known as DWS Vietnam Fund Limited. The Fund was renamed to Vietnam Phoenix Fund Limited following the resignation of Deutsche Asset Management (Asia) Limited as Investment Manager on 30 September 2016. Duxton Asset Management has since been appointed the Investment Manager of Vietnam Phoenix Fund Limited.

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