

# Vietnam Phoenix Fund Limited

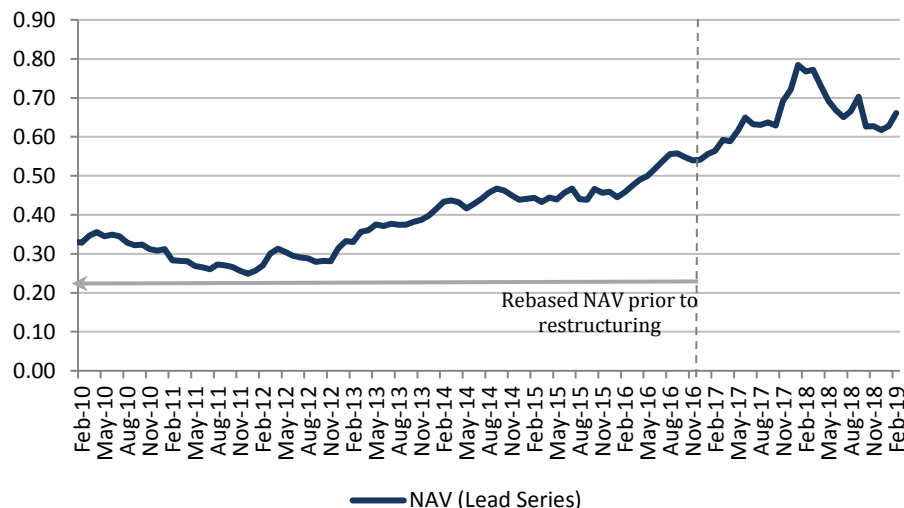
## Monthly Factsheet

28<sup>th</sup> February 2019



### CLASS A – Continuation Shares

NAV Performance (USD)



**Total Net Assets: \$42.38 million**

#### NAV/Share

**Lead Series: \$0.6611**

**Series 3: \$0.9546**

**Structure: Open-End Fund**

**Liquidity: Monthly**

#### Identifiers

ISIN Code KYG9363R1056

Bloomberg Ticker VTNPHXA KY

Sedol BDHXLD2

**Fund Manager:** Benjamin Lim

#### Website:

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

#### Top 10 Holdings (%)

Vinamilk	16.6
FPT Corp	11.3
Hoa Phat Group	9.8
Vinhomes	8.3
Khang Dien House	8.2
Mobile World	4.7
Kinh Bac City	4.6
PV Power	4.6
Vietnam Enterprise Inv Ltd	4.5
HDBank	4.5
<b>Total</b>	<b>77.1</b>

#### Sector Allocation (%)

Real Estate	26.4
Consumers	26.1
Financials	14.4
Information Technology	11.3
Building Materials	9.8
Energy Equip & Svcs	6.4
Others*	5.6
<b>Total</b>	<b>100.0</b>

\*Includes Cash & Accruals

#### Asset Breakdown (%)

Listed Equities	99.6
Cash and accruals <sup>^</sup>	0.4
<b>Total</b>	<b>100.0</b>

<sup>^</sup>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 28<sup>th</sup> February 2019, the aggregate voting rights are 189,739,614.

USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF A</b> (Lead Series)	5.42	5.34	-0.72	7.10	-13.9	13.2	8.9	13.7
<b>VNIndex</b>	5.98	4.76	-2.05	8.13	-15.6	18.4	8.4	10.8
<b>VHIndex</b>	2.70	1.56	-5.79	1.56	-19.0	8.9	3.0	4.7

\* 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
Hoa Phat Group (HPG)	+ 21.3%	+ 1.75%
Vinamilk (VNM)	+4.5%	+ 0.73%
Vinhomes (VHM)	+ 9.4%	+ 0.72%

#### Top 3 Laggards

	Price Change	Contribution to NAV Return
PV Power (POW)	- 2.1%	- 0.10%
HDBank (HDB)	- 1.6%	- 0.08%
Coteccons Construction (CTD)	- 0.7%	- 0.01%

### CLASS A – Continuation Shares

All opinions expressed in the Fund Manager's report are those of the Fund Manager at the time of writing, and are subject to change, dependent on future changes in the market. Any prediction, projection or forecast on the economy, stock or the economic trends of the markets is not necessarily indicative of the future or likely performance.

#### Fund Manager's Report

In February 2019, Class A Shares Portfolio posted return of 5.4%. Largest contributors are HPG (+21.3%), VNM (+4.5%) and VHM (+9.4%) while the laggard this month includes POW (-2.1%), HDB (-1.6%) and CTD (-0.7%). VNIndex returned 6.0% in USD terms, driven mainly by blue chips

**Hoa Phat** (HPG +21.3%) staged a recovery after falling 10% last month. By the mid of February, the steel price rose 5% from VND 12.5 million per ton to VND 13.1 million per ton (excluding 10% VAT)<sup>1</sup>. The company announced that in January, Hoa Phat sold 250,000 tons of construction steel, up 27% YoY and 59,600 tons of steel pipes, up 15.2% YoY. Of which, the export volume was 34,600 tons including 12,000 tons to US, 11,772 tons to Cambodia and 7,300 tons to Japan. According to Vietnam Steel Association, Hoa Phat's market share reached 26.8% in construction steel and 29.5% in steel pipes for Jan 2019. That means Hoa Phat gained 3% market share in construction steel and 2% market share in steel pipe during the period. For FY2019, Hoa Phat estimates a growth of 37.5% YoY in construction steel sale volume to 3.3 million tons<sup>2</sup>. The commencement of operation of two Blast Oxygen Furnaces (BOFs) of Dung Quat Steel Complex in Q2-Q3 this year will roughly double Hoa Phat's current designed capacity to 4 million tons of constructional steel per year. We believe Hoa Phat will continue to gain more market share from small domestic players thanks to its scale, and it stands to benefit from infrastructure improvements and real estate developments in Vietnam.

**Vinamilk** (VNM) posted positive 4.5% return in February. For FY2019, the company is guiding for 5% growth in sales volume, generating 7-8% growth in revenue. A draft protocol which will allow Vietnamese dairy products to be exported to China is expected to be signed in April 2019 and VNM has made preparations to enter the Chinese market later this year. VNM is expected to benefit from this as one of its strategic shareholder (Jardine Matheson) could possibly help to distribute VNM products via the Dairy Farm/Yonghui retail chains in China. Moreover, Vinamilk plans to open one dairy plant in Myanmar in 2019. We see a modest growth in Vietnam dairy industry as urbanisation and rising incomes continue to support dairy consumption. Moreover, we expect increasing VNM own milk farms' output plus improving products structure will expand VNM's profit margin.

**PV Power** (POW) was the main laggard, falling 2.1% in February. For FY2018, they delivered net sales of VND 33,663 billion (+10% YoY) and NPATMI of VND 1,676 billion (-25% YoY). The earnings fall came from lower volume sales under PPA (Power Purchase Agreement) contracts and higher input prices<sup>3</sup>. For FY2019, POW set a sales target of VND 32,769 billion (-3% YoY) and NPAT of VND 2,275 billion (+11% YoY) as they target to generate 21.6 billion kWh (+3% YoY). As the second largest power generator in Vietnam with 12% market share of Vietnam's power generating capacity, PV Power is well placed to benefit from the growth in electricity demand in Vietnam. Moreover, the operation of Vietnam competitive wholesale market would be strong driver for POW's earning growth due to their favourable location of power plants.

1 Source: Vietnam Steel Association

2 Source: HPG Management

3 Source: PV Power Management

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### CLASS C – Private Equity Shares

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USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF C</b>	-1.04	8.15	5.86	-1.12	-2.5	5.0	4.1	10.1

\* 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.

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 December 2018. The Investment Manager is mandated to realize the assets of the Private Equity pool prior to 31 December 2020, and to seek a balance between maximizing value and returning cash to shareholders promptly.

#### Fund Manager's Report

The NAV per share of the Class C Shares decreased by 1.04% in February.

**Greenfeed** reported unaudited results for FY 18 with revenue of VND 10,031bn (+3.1% YoY) and profit after tax (PAT) of VND 328.6bn (-0.84% YoY) for FY 2018. The price of pigs averaged at VND 50,000/kg<sup>4</sup> in Feb 19 and remained relatively stable despite the outbreak of the African Swine Fever in China and some parts of Vietnam since Aug 18<sup>5</sup>. Negotiations on the exit of our stake in Greenfeed continue to progress.

On **Anova**, the company reported unaudited results for FY 18 with revenue of VND 4,960bn (+9.3% YoY) and PAT of VND 186.4bn (+58.3% YoY) for FY 2018. Similar to Greenfeed, Anova has seen an improvement in profitability after pig prices in Vietnam increased steadily from the lows of VND 30,000 – 35,000/kg in Q1 18<sup>6</sup>. A formal sales process for the Manager's stake will commence in April, post the release of the company's full-year audited results.

On **Corbyns**, the company reported unaudited results for FY 18 with revenue of AUD 560.94mn (+46.3%) and a net loss of AUD 1.23mn (vs PAT of AUD 3.4mn in 2017) for FY 2018. The increase in revenues was due to a combination of an increase in sales volumes (to 620,254 tons, +11% YoY) and increased sales price. We note that the 2H 2018 result is an improvement to their 1H 2018 results of net loss of AUD 1.39mn. The company managed to turn around in the second half of the year to produce PAT of AUD 161k. We believe that profitability will continue to improve once the arrangement with the new supplier, Nam Thuan Company (NTC), ramps up to a more meaningful level in 2019, allowing the company to benefit from a stable supply of billets at relatively controlled prices. We expect progress in the restructuring of the company over the next few months.

4 Source: <https://thepigsite.com/news/2019/02/genesus-global-market-report-se-asia>

5 Source: <https://www.porkbusiness.com/article/cases-keep-coming-african-swine-fever-vietnam-china>

6 Source: <http://www.greenfeed.com.vn/vi/dien-bien-gia-san-pham-chan-nuoi-thang-062018/>

**Net Assets:** \$128.87 million  
**NAV/Share:** \$0.3344  
**Shares Out:** 381,375,002

#### Identifiers

ISIN Code KYG2886W1078  
Bloomberg Ticker VTNPFXC KY  
Sedol B1FHXT2

**Fund Manager:** Sharon Seet

#### Website:

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

#### Market Makers

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FinnCap  
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#### Top 10 Holdings (%)

Greenfeed	36.5
Corbyns International	18.0
Anova Corp	16.4
NBB Investment Corp	9.5
An Phat Plastic	6.5
VTC Online	4.8
Tien Phong Plastic	1.7
SSG Group	1.2
Dinh Vu Port Investment	0.4
Total	95.0

#### Asset Breakdown (%)

Invested Securities	95.0
Cash and accruals	5.0
Total	100.0

#### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 28<sup>th</sup> February 2019, the aggregate voting rights are 189,739,614.

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### CLASS C – Private Equity Shares

**An Phat** was the biggest contributor to the portfolio's performance with an increase in share price of 3.8% in February. The company has reported that they have exported 9,100 tons (+137% YoY) of high-quality environmentally friendly packaging films and micro-biodegradable bags to markets in EU and Japan in Jan 19. This is in line with the Fund Manager's view of the improved outlook for An Phat in FY 19. We continue to believe that the improved performance of the company will lead to a re-rating of its business and provide a better exit price for the portfolio.

On the listed equities positions within the portfolio, the Fund Manager has managed to sell down some of our stakes in February and early March. As of the day of writing, the Fund has a net cash position of over 8% of NAV.

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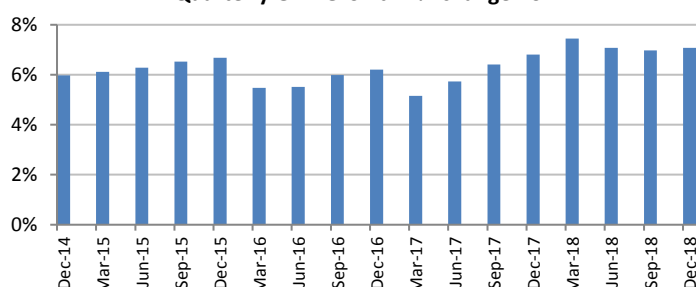
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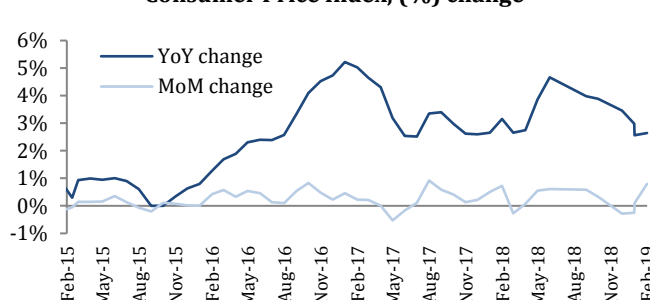


### Market Update

Quarterly GDP Growth - % change YoY



Consumer Price Index, (%) change



Vietnam Economic Indicators

	2015	2016	2017	2018		Mkt Cap (USD bn)	2019 Forward P/E	PEG	Div Yield	ROE		
Real GDP Growth	%	6.7	6.2	6.7	7.08	Indonesia	JCI	519	20.5	2.1	0.7%	24.1%
CPI	%	0.9	4.7	2.6	3.54	Thailand	SET	536	19.3	2.0	6.9%	15.7%
Export Growth	%	8.1	9.0	20.6	13.8	Singapore	FSSTI	419	13.7	3.4	2.4%	9.6%
Import Growth	%	12.0	5.2	21.3	11.5	Malaysia	FBMKLCI	266	20.3	3.2	2.5%	21.4%
Trade Balance	\$bn	-3.5	2.7	2.3	7.2	Philippines	PCOMP	187	18.6	1.6	1.5%	13.0%
Registered FDI	\$bn	15.6	21.0	35.9	25.6	<b>Vietnam</b>	<b>VNINDEX</b>	<b>136</b>	<b>20.4</b>	<b>0.7</b>	<b>2.1%</b>	<b>23.5%</b>
FX Reserve	\$bn	31.0	41.0	52.0	60.0							
USDVND		22,540	22,761	22,968	23,245							

Vietnam Feb-2019 CPI rose of 2.6% YoY mainly driven by foodstuffs and education costs. The index of Industry Productions (IIP) increased of 10.3% for Feb-2019. The strongest growth came from manufacturing sector with 12.8% YoY, followed by electricity, gas sector and water supply sector with a growth of 10.9% YoY and 7.2% YoY in respectively. We noted that Feb-2019 included 9 days of Tet Holiday. This implies a positive start to 2019.

The total registered Foreign Direct Investment (FDI) YTD was estimated at USD 8.47 billion, up 2.5 times YoY. FDI disbursement reached USD 2.58 billion, up 9.8% YoY. The manufacturing sector continued to lead FDI flows, representing 82% of total FDI, followed by the real estate sector with 6%.

However, the Nikkei Purchasing Manager's Index (PMI) decreased from 51.9 in Jan to 51.2 in Feb. This is the weakest growth in manufacturing sector since March 2016. The same month also witnessed the first reduction in employment rate in almost 3 years as weak new order growth in recent months<sup>7</sup>.

Vietnam also reported trade deficit of USD 64 million for 2M2019. The imports grew faster than exports (+5.8% vs 4.2% YoY) due to longer TET holiday. Telephones, mobile phones and parts thereof remain the largest export products category with a value of USD 6.75 bn (-7.9% YoY) while Plastic and Fabrics witnessed strongest growth (86% YoY and 63% YoY respectively). Meanwhile, computers and electronics was the largest import category with a value of USD 7.3 bn (+8.5% YoY)

The domestic stock market was positive as US delayed further tariff hike on Chinese goods while the investors was attracted by US- North Korea summit. Unfortunately, no agreement was reached.

7. Source: <https://asia.nikkei.com/Business/Markets/Nikkei-PMI/Vietnam-manufacturing-PMI-remains-at-softer-growth-in-February>

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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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