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DEAR INVESTORS OF VIETNAM PHOENIX FUND – CLASS A (“VPF-A”),

We are writing to update you on Vietnam’s economy, Vietnam’s equity market, and your portfolio’s performance for 1H 2021 (1 January – 30 June 2021) and YTD 2021 (till end-July 2021).

Vietnam’s economy recovered strongly in 1H 2021, and the country’s economic indicators recorded better performance than its regional peers.

Unfortunately, as this update is being penned, as is happening in most of Asia and the world, Vietnam, particularly in the southern areas, is being ravaged by the Delta variant of the COVID-19 virus.

Vietnam’s fourth wave of the pandemic started at the end of April 2021. As of mid-July 2021, the fourth wave of COVID-19 has caused nearly 34,000 cases of community infections, accounting for 95% of total infection cases in Vietnam over this period. Ho Chi Minh city (“HCMC”) accounted for approximately 50% of total infection cases in this wave. 19 provinces in the south of Vietnam have been placed into the lockdown from 19 July 2021. HCMC city continues to remain under lockdown since 31 May 2021. These provinces account for above 50% of total GDP of Vietnam¹. Further, HCMC authorities have ordered the closure of all factories which are not able to apply COVID-19 preventative measures from 15 July.

The Vietnamese stock market, which was extremely resilient during the first half of 2021, started to correct heavily at the start of July 2021 due to investor concerns over the potential large-scale negative impacts of the emerging fourth wave of COVID-19. For 1H 2021 till the end of June 2021, the VN-Index was up 28.0%. As of the end of July 2021, the index has fallen 6.7% for the month, bringing the VN-Index performance to 19.5% YTD.

We are pleased to report that the VPF-A Portfolio has performed well, managing to outperform the VN-Index during both 1H 2021, and 2021 YTD. In 1H 2021, the VPF-A Portfolio was up +29.8%, outperforming the VN-Index by 1.8%. For YTD 2021 (till end-July 2021), the VPF-A Portfolio was up 26.4%, outperforming the VN-index by 6.9% YTD.

However, as a result of the fourth wave of COVID-19, we expect 2H 2021 to present a far more challenging economic and business environment for Vietnamese corporates, as this fourth wave is proving to be more precarious and consequently potentially more economically disruptive than the previous waves.

Since the middle of June, action has been taken to position the VPF-A portfolio more defensively. We have been progressively increasing our cash holdings by trimming our exposure to stocks which: (1) are potentially subject to higher selling volatility; (2) have already seen their share prices increase strongly in 1H and are likely to see relatively muted share price growth in 2H; and/or (3) have business operations

¹ Source: <https://nongnghiep.vn/19-tinh-phia-nam-dong-gop-637-gdp-ca-nuoc-d249011.html>

that are likely to be more impacted by the pandemic.

That said, we continue to see the upside for the Vietnamese equity markets for 2H 2021 (albeit at a slower pace), which is expected to be driven by the following key factors: (1) inflows from retail investors are expected to remain strong due to low interest rates and increased margin lending by brokerages; and (2) more IPO offerings and state divestments are expected to occur post the election in early 2021. IPO offerings potentially include the IPO of subsidiaries of Vietnam National Coal – Mineral Industries Holding Corporation Limited (Vinacomin) and Vietnam Northern Food Corporation (Vinafood1); while state divestments potentially include the divestment of stakes in Sabeco (SAB), Vinamilk (VNM), FPT Corporation (FPT), and Bao Minh Insurance Corporation (BMI). We continue to rigorously monitor the market for opportunities to add exposure to names that we believe will continue to have upside 2H 2021 onwards, particularly in the banking, infrastructure, and real estate sectors.

The VPF-A investment team continues to adopt a high-conviction, bottom-up fundamental investment approach. We seek to invest in companies that are expected to create shareholder value over the long-term, while selecting stocks that we assess to be trading at prices that do not fully reflect their long-term potential. We emphasize a long-term investment approach, as we believe that the creation of shareholder value takes time to execute over a multi-year horizon.

We remain firm believers and exponents of Vietnam’s multi-year structural growth story, driven by multiple engines of growth, of which urbanization and continued foreign direct investment (“FDI”) inflows remain key drivers.

VIETNAM MACROECONOMIC REVIEW – 1H 2021

GDP GROWTH WAS REGIONALLY HIGH – Vietnam achieved year-on-year GDP growth of 5.6% in 1H 2021. The actual number is slightly lower compared to the Vietnamese government forecast of 5.8% for 1H 2021.² This is largely attributed to the detrimental impact of the fourth wave of COVID-19 on Vietnam’s economy, particularly in June. During H1 however, the country’s economy has performed better than its regional peers. The relatively strong performance of the Vietnam economy in 1H 2021 can be attributed to the following factors: (1) the pandemic was relatively under good control in Vietnam until early June 2021; (2) domestic consumption remained strong and domestic businesses were more proactive in preventing operational disruptions caused by the COVID-19 pandemic in 1H 2021; (3) recovery of Vietnam’s key trading partners, including the US and the EU, assisted in boosting trade flows.

The largest contributor to Vietnam’s GDP growth in 1H 2021 was the industrial and construction sector with growth of 8.4%, contributing 59% to total GDP. This is followed by the services sector with growth of 4.0%, contributing 33% to total GDP growth, and the agriculture, forestry, and fishery sector with growth of 3.8%, contributing 8%².

INFLATION WAS WELL MANAGED – For 1H 2021, Vietnam’s average consumer price index (CPI) rose 1.5% YoY – the lowest level in last 6 years.² Although there was an increase in construction material prices and oil prices, Vietnam’s CPI remained low due to a decrease in pork prices and telecom services prices.

FDI DISBURSEMENT RECOVERED – As of 20 June 2021, Vietnam YTD has attracted USD 13.7 billion (+12% YoY) of total newly registered FDI and additional FDI from existing investors². The manufacturing sector remained the most attractive sector, accounting for 46% of newly registered FDI, followed by the electricity and gas sector and the real estate sector, accounting for 35% and 7% of newly registered FDI, respectively. Disbursed FDI increased by 7% YoY to USD 9.24 billion².

TRADE WAS STRONG – According to Vietnam Customs, the country exported USD 158.3 billion (+29% YoY) and imported USD 159.3 billion (+36% YoY) in 1H 2021, generating a trade deficit of USD 1.0 billion versus a trade surplus of USD 5.9 billion in the same period last year. Mobile phones and mobile phone components remained the largest contributor to Vietnam’s exports with total exports of USD 25.0 billion (+14% YoY), followed by computers, electronics, and electronic components with total exports of USD 23.9 billion (+23% YoY). In terms of imports, computers, electronics, and electronic components were the

² Source: Vietnam General Statistics Office

largest contributors with total imports of USD 33.6 billion (+24% YoY), followed by machinery with total imports of USD 22.9 billion (+37% YoY).

Most of Vietnam's key trading partners recovered strongly in 1H 2021. The total export value to the US and the EU increased by 45% YoY and 14% YoY, respectively. China remained the second largest export destination for Vietnam with total value of USD 24.5 billion and the largest import source with total value of USD 53.4 billion (+53% YoY). The imports from other key partners, including South Korea and ASEAN, also increased strongly by +21% YoY and +48% YoY, respectively.

HEALTHY CREDIT GROWTH – As of 15 June 2021, Vietnam's total credit increased by 5.1% YTD – doubling the growth rate of 2.3% in the same period last year.³ We see that the credit structure is healthier as new credit is focused on high growing sectors including high-tech companies with a credit growth of 14.5% YTD, exports sector with credit growth of 9% YTD, and supporting industrial sector with credit growth of 6.9% YTD. Total loans for the real estate sector and securities sector increased by 6% YTD and 3% YTD, respectively. In contrast, the total loans for build-operate-transfer, build-transfer projects decreased by 1.65% YTD. The interest rates were reduced by around 0.3% YTD.⁴

VIETNAM WAS THE SECOND-BEST PERFORMING STOCK MARKET – In 1H 2021, VN-Index increased by 28.0% YTD (in USD terms). It was the second-best performing stock market globally, behind the Abu Dhabi Index with a growth of 34.05%. The strong performance of the stock market was driven by (1) the COVID-19 pandemic situation being relatively well managed while local companies have been trained to operate normally without disruptions caused by the lockdown or social distancing measures; (2) strong inflows from domestic retail investors, partly given by low interest rates. In 1H 2021, domestic investors opened 620,000 new trading accounts (+58% YoY) while the average trading value for 1H 2021 reached USD 816 million, up 299% YoY⁵; (3) new inflows from ETFs.

VPF-A PORTFOLIO REVIEW – 1H2021

As at the end of 1H 2021, the Net Asset Value per share for VPF-A increased by 29.8% YTD (in USD terms), outperforming the VN-Index benchmark by 1.8%.

The outperformance was mainly due to the portfolio's top holdings being overweight compared to the VN-Index, including FPT (+73% YTD), HPG (+69% YTD), KBC (+57% YTD), MBB (+90% YTD), and SSI (+69% YTD).

As of the end of June 2021, the top 3 holdings were FPT, HPG and MWG.

FPT Corporation – FPT

FPT is a leading technology company in Vietnam with dominant positions across all its core businesses including information technology, telecommunication, and education. FPT benefited from the acceleration in IT services demand amidst the COVID-19 pandemic, especially digital transformation demand from the government and local corporates. In 1H 2021, FPT's IT revenue increased by 15% YoY, of which digital transformation revenue rose by 19% YoY.⁶ Signed new contract values increased by 37% YoY in 1H 2021, with FPT winning a significant contract of USD 100 million with an ASEAN-based insurer in early 2021.

In May 2021, the company also announced a strategic majority investment in Base.vn, a leading management software platform for small and medium enterprises in Vietnam, which is deemed complementary to FPT's existing software suite offering.

We believe the company's strong backlog will support its growth over the medium term while FPT's digital transformation (focusing on artificial intelligence, cloud computing, hyper network, cybersecurity) will be a key growth driver for the company over the long-term due to accelerating demand of digital transformation projects from corporate clients domestically and internationally.

³ Source: <https://e.vnexpress.net/news/business/economy/vietnam-s-credit-growth-doubles-4297365.html>

⁴ Source: <https://vtv.vn/kinh-te/infographic-6-thang-nam-2021-tin-dung-tang-51-20210626064202331.htm>

⁵ Source: <http://baochinhphu.vn/Kinh-te/6-thang-so-nha-dau-tu-moi-tai-khoan-tang-58-so-cung-ky/437610.vgp>

⁶ Source: https://fpt.com.vn/Images/files/cong-bo/2021/Earning-report-H1_2021.pdf

Hoa Phat Group – HPG

HPG is the dominant steel producer in Vietnam, with a market share of 34.6% as at the end of 1H 2021.⁷ In 1H 2021, HPG sold 4.3 million tonnes of steel, up 56% YoY, including 1.8 million tonnes of construction steels (+21% YoY) and 1.3 million tonnes of hot rolled coil (vs nil. last year).⁸ HPG exported around 20% of its total sale volume in 1H 2021.⁸

In May 2021, HPG announced the purchase of an iron ore mine based in the Roper Valley in Australia, which is estimated to have reserves of approximately 320 million tonnes.⁸ We expect HPG to make additional upstream investments over time, as these upstream investments are expected to enable HPG to have increased control and visibility over its' input costs, allowing for a potential expansion in profitability over time. These upstream investments are also expected to contribute to the company's sustainable development over the long-term.

The new wave of the COVID-19 pandemic is expected to continue to negatively impact HPG's domestic sales in the short-term due to disruptions to the operations of the construction and real estate development sectors. However, we expect domestic demand to recover from late Q3 2021 as the COVID-19 vaccination ramps up nationwide and Vietnam's business environment starts to normalise. Over the long-term, as the dominant steel manufacturer domestically, we expect HPG to benefit from the strong demand in the infrastructure and construction sectors in Vietnam, supported by robust public investment and a recovering real estate sector. In addition, HPG's production cost advantage over competitors is expected to strengthen as utilisation at its new Dung Quat Steel Complex continues to increase.

Mobile World Investment Corporation– MWG

Mobile World is one of the largest retailers of electronic products and groceries in Vietnam. MWG has a dominant market share in Vietnam in its main businesses. These include its mobile phone retail chain Thegioididong ("TGDD"), which had approximately 48% market share, and Dienmayxanh ("DMX"), its consumer electronic retail chain which had approximately 44% market share as at the end of 2020.⁹ MWG launched its grocery store chain Bachhoaxanh ("BHX") in 2018, which has grown significantly to become one of the core growth drivers for MWG.

The COVID-19 pandemic has had both negative and positive impacts on MWG's businesses. MWG experienced weaker performance in its mobile phone and consumer electronic retail chains due to store closures during the lockdown and an environment of weaker discretionary spending. In contrast, its grocery store chain BHX has grown strongly during the COVID-19 pandemic, being deemed as an essential goods supplier. In 1H 2021, the revenue from BHX increased by 42% YoY while total revenue from TGDD and DMX increased by only 6% YoY.¹⁰

Due to the worsening COVID-19 situation in Vietnam with stricter social distancing measures from June 2021 onwards, we expect a weaker performance in Q3 2021. In July 2021, MWG had to temporarily close almost 2,000 TGDD and DMX stores while BHX had faced some difficulties in logistics.¹¹ However, in the long-term, we maintain our positive view on MWG as we expect the company to emerge in a stronger position after the COVID-19 pandemic subsides. Due to its experienced management team and continued strong cash flows, we expect MWG to capture market share from smaller competitors over time, allowing it to build a durable franchise of multiple stores combined with a strong online presence that can further withstand competitive pressure.

⁷ Source: <https://www.hoaphat.com.vn/news/hoa-phat-group-achieved-vnd9-745-billion-after-tax-profit-in-q2--.html>

⁸ Source: <https://www.reuters.com/article/vietnam-hoa-phat-group-iron-idUSL3N2N1A7>

⁹ Source: MWG's Management

¹⁰ Source: https://mwg.vn/uploads/eng/2021/7/monthly-report--6m2021_en_final.pdf

VIETNAM 2H 2021 MACROECONOMIC OUTLOOK

We expect 2H 2021 to present a more challenging macroeconomic outlook for Vietnamese corporates due to the worsening surge in the new wave of COVID-19 infections.

The total COVID-19 infection cases in Vietnam increased from 1,465 cases as of 31 December 2020 to 141,122 cases as of 31 July 2021. Of which, starting from 27 April 2021, the fourth wave of COVID-19 pandemic has caused 137,317 case of community infections in 58/62 cities and provinces and most of them are Delta variant infected¹¹. In last week of July 2021, Vietnam recorded an average of 5,000 cases per day. 19 provinces in the south have been put under lockdown from 19 July 2021, of which HCMC remained under lockdown since 31 May 2021. Moreover, Hanoi – the capital of Vietnam went into lockdown on 24 July 2021.

Nationwide COVID-19 vaccination program is ramping up but remains slow – as of 19 July 2021, Vietnam has received 9.0 million doses of COVID-19 vaccine including AstraZeneca, Moderna, Sinopharm and Pfizer. The vaccination rate increased from 1.1% as of 31 May to 5.8% as of 31 July 2021. However, the vaccination rate remained the second lowest in Southeast Asia. The country has ordered 110 million doses of COVID-19 vaccines, including 69 million AstraZeneca doses and 31 million Pfizer doses. Vietnam expects to purchase 150 million doses of COVID-19 vaccines, covering 70-75% of its population. With the current pace of vaccinations at ~100,000 doses per day, it might take Vietnam more than 2 years to achieve herd immunity.

Lower GDP growth expected – for full-year 2021, Vietnam’s government is targeting a GDP growth of 6.5%. That implies a GDP growth of 7.2% for 2H 2021. We predict the emerging new wave of the COVID-19 pandemic to be more precarious and consequently more economically disruptive than the previous waves as the locked down provinces accounted for over 70% of total GDP of Vietnam in 2020. We see the government’s GDP growth target for 2H 2021 as very challenging. Moreover, the slow vaccination is expected to cause the delays in re-opening borders and external economic activities.

Inflation is expected to remain low – as consumption will be tightening during the new wave of COVID-19 pandemic, we expect the inflation rate to remain low in 2H 2021. Moreover, the decrease in food prices is expected to partially net off the increase in transportation costs and construction expenses.

Increasing unemployment rate – Vietnam’s unemployment rate increased from 2.4% in Q4 2020 to 2.6% in Q2 2021¹². Vietnam’s General Statistic Office estimated that there were 12.8 million people aged 15 and over negatively impacted by the fourth wave of COVID-19 pandemic, accounting for 25% of Vietnam’s total labour force as of Q2 2021, of which 0.5 million people lost their jobs, 4.1 million people were stood down from employment, and 8.5 million people had their income reduced. As several provinces have been in lockdown with the closure of non-essential enterprises for longer time than previous waves, this outbreak is expected to hit the labour market harder, especially with informal workers who have no binding obligation with employers. As end of Q2 2021, informal workers accounted for 57% of total Vietnam’s labor force.

¹¹ Source: https://moh.gov.vn/tin-tong-hop/-/asset_publisher/k206Q9qkZOqn/content/ban-tin-dich-covid-19-sang-31-7-co-4-060-ca-mac-covid-19-gan-6-trieu-lieu-vac-xin-a-uoc-tiem-chung

¹² Source: <https://www.gso.gov.vn/en/data-and-statistics/2021/07/report-on-impact-of-covid-19-pandemic-on-labour-and-employment-of-the-second-quarter-of-2021/>

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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. Following the resignation of Deutsche Asset Management (Asia) Limited Duxton Asset Management Pte Ltd was appointed the Investment Manager of Vietnam Phoenix Fund Limited. On 1 May 2020 Duxton Asset Management Pte Ltd resigned as Investment Manager and Duxton Capital (Australia) Pty Ltd was appointed.

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