

# Vietnam Phoenix Fund Limited

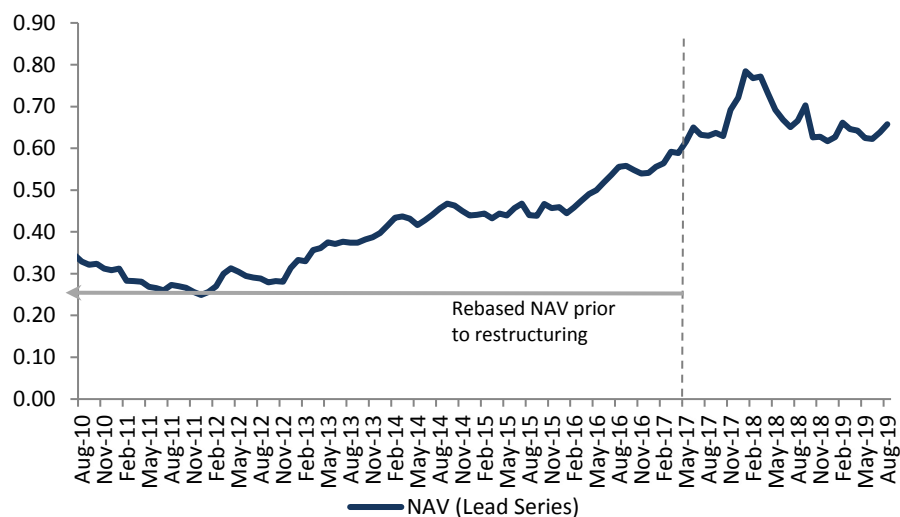
## Monthly Factsheet

31<sup>st</sup> August 2019



### CLASS A – Continuation Shares

NAV Performance (USD)



**Total Net Assets: \$35.72 million**

#### NAV/Share

**Lead Series: \$0.6573**  
**Series 3: \$0.9492**  
**Series 4: \$1.0446**  
**Structure: Open-End Fund**  
**Liquidity: Monthly**

#### Identifiers

ISIN Code: KYG9363R1056  
 Bloomberg Ticker: VTNPXA KY  
 Sedol: BDHXLD2

**Fund Manager:** Benjamin Lim

#### Website:

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

#### Top 10 Holdings (%)

FPT Corp	17.4
Vinamilk	14.4
Vinhomes	8.7
Hoa Phat Group	7.6
Khang Dien House	7.5
Mobile World	7.4
Kinh Bac City	6.0
Vietcombank	5.3
REE Corp	4.5
PV Power	4.3
<b>Total</b>	<b>83.1</b>

#### Sector Allocation (%)

Real Estate	28.0
Consumers	23.9
Information Technology	17.4
Financials	14.2
Building Materials	7.6
Energy Equip & Svcs	6.5
Others*	2.4
<b>Total</b>	<b>100.0</b>

\*Includes Cash & Accruals

#### Asset Breakdown (%)

Listed Equities	100.1
Cash and accruals^	-0.1
<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> August 2019, the aggregate voting rights are **122,285,219**.

USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF A</b> (Lead Series)	2.98	5.24	-0.57	6.48	-1.29	5.96	7.70	12.60
<b>VNIndex</b>	-0.70	3.44	1.90	10.18	-0.19	11.92	7.15	12.12
<b>VHIndex</b>	-2.00	-1.12	-3.29	-1.78	-8.88	5.27	1.42	5.91

\* 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
FPT Corp (FPT)	+ 9.7%	+ 1.86%
Mobile World (MWG)	+9.5%	+0.64%
Khang Dien House (KDH)	+ 8.3%	+ 0.62%

Top 3 Laggards	Price Change	Contribution to NAV Return
PV Power (POW)	- 8.5%	- 0.38%
Coteccons (CTD)	-16.2%	- 0.28%
Vietcombank (VCB)	- 3.1%	- 0.15%

### 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

For the month of August in 2019, VPF A's NAV returned 2.98%. FPT Corp (FPT) [+9.71% MoM] became the largest contributor during said period, followed by Mobile World (MWG) [+9.46% MoM] and Khang Dien House (KDH) [+8.33% MoM]. The portfolio's main detractors were PV Power (POW) [-8.51% MoM], Cotecons (CTD) [-16.19% MoM] and Vietcombank (VCB) [-3.12% MoM]. The VN-Index lost 0.7% during the same period; main detractors were PetroVietnam Gas (GAS) [-5.67%], Vietcombank (VCB) [-3.10%] and Vietnam Airlines (HVN) [-12.95%].

**FPT Corp (FPT)** returned 9.71% in Aug-2019. FPT posted strong results for 7M2019 showing net sales of VND 14,742 billion (+21% YoY), PBT of VND 2,538 billion (+27% YoY) and NPAT of VND 2,114 billion (+27% YoY). In August 2018, FPT signed a digital transformation agreement with DPDgroup<sup>1</sup>. DPDgroup is Europe's second largest parcel delivery operator. The deal is a testament to FPT's capabilities in terms of operating at the highest end of the IT value chain, and this latest deal aligns with its goal of becoming a world's leading provider of digital transformation services<sup>1</sup>. Over the FY2019-2021 period, FPT's management team is targeting to achieve CAGR of 18% in revenue and 20% in PBT. Of which, technology segment is expected to grow by 40-45% per year and contribute 45% to total PBT by 2021<sup>2</sup>. Based on 7M2019 results, we are encouraged that FPT is on track with its growth plans.

**Mobile World (MWG)** rose 9.46% during Aug-2019. MWG's share price was boosted by strong financial results for 7M2019. MWG posted net sales of VND 60,929 billion (+18% YoY) and NPAT of VND 2,411 billion (+37% YoY) in 7M2019. It completed 56% of its full-year sales target of VND 108,468 billion (+25%YoY) and 68% of its full-year NPAT target of VND 3,571 billion (+57% YoY), based on the accumulated 7M2019 results. Drivers for MWG's top line were Dien May Xanh consumer electronics chain (DMX) with a growth of 24% YoY in revenue to VND 35,704 billion and Bach Hoa Xanh grocery chain (BHX) with a growth of 159% YoY in revenue to VND 5,507 billion<sup>3</sup>. In addition, the higher growth rate for the bottom-line was mainly due to higher profit margin recorded in the BHX grocery segment<sup>3</sup>. As of end Jul-2019, MWG operated 659 BHX grocery stores with the monthly average sale per store of VND 1.5 billion (+67% YoY)<sup>3</sup>. Over the longer term, we expect continued gradual transformation for MWG as a pure mobile phone retailer into a mixed consumer electronics player. Its consumer discretionary base will also be supplemented by a growing consumer staples goods presence.

**PV Power (POW)** declined 8.51% in Aug-2019. The poor share price performance was partly due to concerns over NT2's Power Purchase Agreement (PPA) renegotiation. In terms of financial results, POW posted strong results for 1H2019 - showing net sales of VND 18,317 billion (+3% YoY) and NPAT of VND 1,701 billion (+36% YoY). Top line growth was driven by an increase of 4.5% YoY in ASP (average selling price) due to higher input price coupled with higher selling price in the segmented competitive generation market (CGM). We understand that under PPA contract, all input expenses are passed on selling price to EVN (Vietnam Electricity). Moreover, there was also limited competition from hydropower plant (lower-than-expected levels of rainfall) which led to an increase in selling price in the CGM for thermal power plants<sup>4</sup>. However, sales volume dipped by 2% YoY to 11,524 million kWh due to the lower volume for Nhon Trach 2 and lower-than-expected levels of rainfall for hydropower plants<sup>4</sup>. The gross-profit margin expanded slightly from 13.9% to 14.6% thanks to lower depreciation expense reported for Ca Mau thermal power plants<sup>4</sup>. PV Power remains the second largest power generator in Vietnam with roughly 12% market share<sup>4</sup>. As POW's plants are located near to key industrial zones in the south of Vietnam, POW will likely benefit from the implementation of competitive pricing in the wholesale electricity market. As POW continues to pare down debt on its balance sheet, we expect lower interest expense outlay will also help to improve POW's profit margin.

1. Source: <https://fpt.com.vn/en/ir/news/fpt-signs-digital-transformation-deal-with-europe%E2%80%99s-delivery-expert-dpdgroup>
2. Source: FPT Management
3. Source: MWG Management
4. Source: POW Management

# Vietnam Phoenix Fund Limited

## Monthly Factsheet

31<sup>st</sup> August 2019



### CLASS C – Private Equity Shares

USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
<b>VPF C</b>	0.04	-22.21	-21.98	-22.86	-17.4	-9.3	-1.9	5.3

\* 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 June 2019.

#### Fund Manager's Report

The NAV per share of the Class C Shares increased 0.04% in July due to fluctuations in the USDVND exchange rate.

The Fund Manager had successfully divested the Fund's stake in **Greenfeed** on 11 September 2019. The Fund's interest in the company was sold back to the Sponsor for a gross consideration of VND 930bn, implying a deal valuation of 9.7x EV/2018A EBITDA and 16.0x 2018A P/E. The Fund is expected to pay VND 148.6bn in taxes pertaining to this divestment. Net proceeds is estimated to be VND 781.4bn (USD 33.7mn, based on the USDVND exchange rate as of 12 September 2019).

Together with the dividends received to date, at the current exchange rate, the Fund is expected to have achieved a post-tax return multiple in US dollars of 4.8x and an internal rate of return on investment of 23.6%.

The sales process for **Anova** continues to progress well. The Fund Manager expects non-binding bids to be submitted by the end of September, which will be followed by an initial selection of investors who will move on to an advanced due diligence stage.

**Net Assets:** \$86.58 million  
**NAV/Share:** \$0.2609  
**Shares Out:** 331,796,257

#### 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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#### Top 10 Holdings (%)

Greenfeed	46.1
Anova Corp	21.6
Corbyns International	18.8
VTC Online	4.3
SSG Group	1.5
<b>Total</b>	<b>92.3</b>

#### Asset Breakdown (%)

Invested Securities	92.3
Cash and accruals	7.7
<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>th</sup> August 2019, the aggregate voting rights are **122,285,219**.

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### CLASS C – Private Equity Shares

On **Corbyns**, the Sponsor updated that the company is currently following up with a potential replacement lender on due diligence post their site visit during the first week of September 2019.

The Fund manager is simultaneously pursuing other exit options, including appointing a receiver to sell VII's shares in the event a replacement lender cannot be sourced within the stipulated time frame. The Fund Manager does not rule out extending the maturity of the convertible loan if the above-mentioned replacement lender remains committed.

For 1H2019, Corbyns updated that of sales tonnage increased 16.1% YoY to 357,835 tons while revenue increased 28.5% YoY. The company recorded NPATMI of AUD 0.784mn vs loss of AUD1.59mn for the same period last year. The increase in sales was mainly due to overall increased in demand of construction projects in Vietnam. The increase in gross margin was due to the company's ability to reduce costs while continuing to source good quality billets.

The arrangement with the local strategic partner Nam Thuan Investment Development Company (NTC) has brought positive improvements in terms of production capacity and reduction in production costs. On May 2019, the company announced that the second phase of the project – to enable the rolling mill to produce rebars by hot charging billets, had been successfully commissioned. The hot charging has been effectively implemented, and the mill is producing an average of 500 tonnes per day. The production of hot charged billets is a key factor in the company's supply arrangement and is expected to result in future production cost savings.

On **VTC Online**, the Fund Manager is conducting a valuation exercise to appraise for an updated value of the 18 Tam Trinh building and expects the valuation to be finalised by mid October 2019. The Fund manager is simultaneously pursuing a potential sale of the building, as well as a potential sale of the Fund's stake in the company concurrently.

The Fund has conducted two redemption exercises to return capital to investors post restructuring of the Fund in January 2017. 10% of June 2018's NAV and 13% of March 2019's NAV were distributed on July 2018 and May 2019 respectively.

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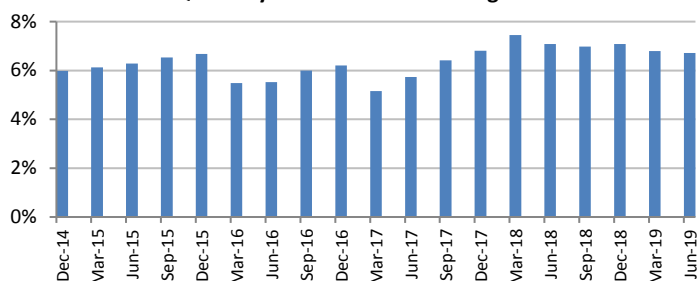
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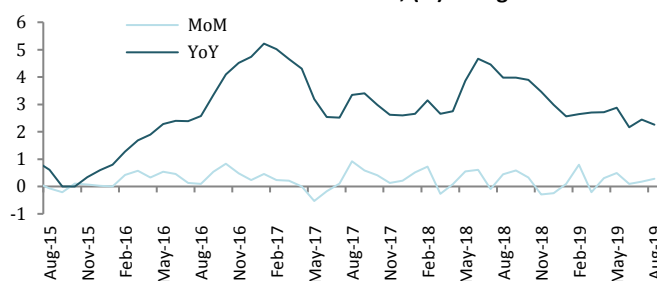


### Market Update

Quarterly GDP Growth - % change YoY



Consumer Price Index, (%) change



Vietnam Economic Indicators

		2016	2017	2018	2019F
Real GDP Growth	%	6.2	6.7	7.08	6.80
CPI	%	4.7	2.6	3.54	3.50
Export Growth	%	9.0	20.6	13.8	8.8
Import Growth	%	5.2	21.3	11.5	11.7
Trade Balance	\$bn	2.7	2.3	7.2	0.62
Registered FDI	\$bn	21.0	35.9	25.6	20.0
FX Reserve	\$bn	41.0	52.0	60.0	60.0
USDVND	VND	22,761	22,968	23,245	23,942

Mkt Cap

(USD bn)

2019

Forward P/E

PEG

Div Yield

ROE

		Mkt Cap (USD bn)	2019 Forward P/E	PEG	Div Yield	ROE
Indonesia	JCI	513	21.7	1.8	0.5%	25.9%
Thailand	SET	556	21.2	2.3	3.5%	15.2%
Singapore	FSSTI	389	13.2	4.1	3.0%	10.4%
Malaysia	FBMKLCI	245	21.5	3.7	3.2%	17.8%
Philippines	PCOMP	192	18.2	7.6	1.4%	13.5%
<b>Vietnam</b>	<b>VNINDEX</b>	<b>143</b>	<b>21.3</b>	<b>1.4</b>	<b>1.9%</b>	<b>22.3%</b>

On the macroeconomics front, Vietnam's Consumer Price Index (CPI) reading recorded the slowest pace of increase for an eight-month period seen over the past three years - CPI rose 2.57% in 8M2019. For Aug-2019 only, CPI rose 0.28% MoM and 2.26% YoY. The hike in healthcare services prices and education services prices were still the main factors behind CPI reading increase<sup>5</sup>.

Index of Industrial Production (IIP) readings rose by 9.5% YoY over the period of 8M2019. The main contributor was manufacturing sector with a growth of 10.6% YoY and followed by the electricity generation and distribution sector with a growth of 10.2% YoY. The mining and quarrying sector rounded off the top three, with a growth of 2.5%.

By end of August 20th, 2019, total new registered Foreign Direct Investment (FDI) and additional FDI reached USD 13.1 billion (-31.2% YoY due to the high base last year). However, capital contribution and share purchase by foreign investors rose by 80% YoY to USD 9.51 billion with a big part came from Sabeco deal (USD 4.8 billion). During the period of first eight months of 2019, China was the biggest investor into Vietnam with total new registered investment of USD 1.8 billion, followed by South Korea with USD 1.7 billion and Japan with USD 1.1 billion<sup>6</sup>.

Vietnam maintained its trade surplus position over 8M2019. During said period, the General Statistics Office (GSO) of Vietnam estimated that Vietnam exported USD 170.0 billion (+7.3% YoY) while imports totaled USD 166.6 billion (+8.5% YoY), thus generating trade surplus of USD 3.4 billion. The largest import market – US witnessed a strong growth of 25.3% YoY to USD 38.6 billion while the second largest export market - UK witnessed a dip of 0.5% YoY to USD 27.7 billion. On the imports side, China remained the largest source market as Vietnam reported total imports value of USD 49.2 billion (+18.2% YoY) from China. This was followed by South Korea with USD 31.0 billion (-0.3% YoY).

5. Source: <https://vietnamnews.vn/economy/534753/cpi-rises-028-in-august.html>

6. Source: <http://www.hanoitimes.vn/economy/2019/08/81e0db16/fdi-disbursement-up-7-1-to-us-12-billion-in-jan-aug/>

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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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