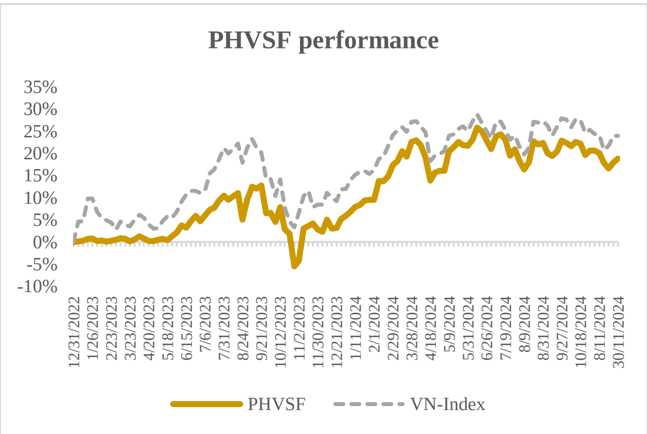
Investment Objectives

The Fund's investment objective is to obtain stable asset appreciation for the Investors in the medium and long term. Most of the Fund's investment will be focused on securities currently and to be listed on the Vietnamese stock market.

Fund Details

Fund name	**PHU HUNG VIETNAM SELECT INVESTMENT FUND**
Fund code	PHVSF
Type of Fund	Open-ended fund
Fund Management Company	Phu Hung Fund Management JSC.
Fund Managers	Nguyen Hoai Son Ho Thuy Ai
Custodian Bank	Bank for Investment and Development of Vietnam JSC (BIDV)
Transfer Agent	Vietnam Securities Depository
Trading Day (T Day)	Every day, from Monday to Friday (T Day)
Cut-off time	14:30 on T-1 Day (the last working day before the T Day)
Minimum Investment	VND 100,000/ transaction
Subscription fee	0.0%
Redemption Fee	Calculated for each investment, according to FIFO (based on holding period of the fund units) • Less than 182 days: 2% redemption amount • From 182 days to less than 365 days: 1.5% redemption amount • From 365 days to less than 730 days: 0.5% redemption amount • From 730 days or more: 0% Redemption fees apply to both Normal and SIP products
Management fee	1.5% NAV/ year

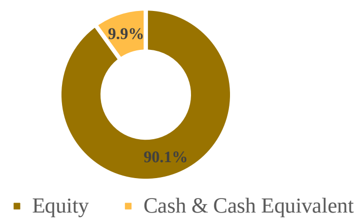
Fund Performance



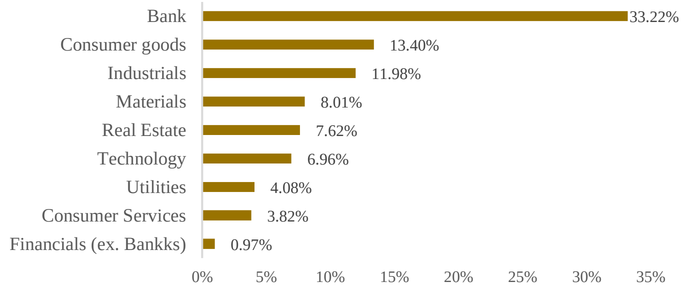
Trading Day	1M Return	3M Return	6M Return
30/11/2024	-1.44%	-2.85%	-2.33%

Asset Allocation

Portfolio by Asset Class



Sector Allocation (% of NAV)



Top Holdings

Company	% of NAV
FPT Corporation	5.99%
Asia Commercial Joint Stock Bank	4.92%
Vietnam Prosperity Joint Stock Commercial Bank	4.45%
Bank for Foreign Trade of Vietnam	4.43%
Military Commercial Joint Stock Bank	4.23%

Data as of November 30, 2024.

Fund Managers' Commentary

In November, the VNI declined 1.1%. The VN-Index declined for the second consecutive month: The VNI declined 4.7% from end of October to November 19th to approach the support threshold of 1,200 points. Supportive factors such as October's strong macro results, the rallies of US stock equities and the US Fed's rate cut were unable to easy the decline of the VNI due to: (1) ongoing foreign outflows (foreign investors net sold non-stop in October with a total value of USD565.3mn), and (2) lack of "new" support factors. However, in the last eight trading sessions, the VNI made an effort to bounce back, increasing 3.8% from November 19th to the end of the month, supported by: (1) buying force returned strongly from the support threshold of 1,200 points; (2) foreign investors returned to net buying from November 22nd to the month-end; and (3) investors were anticipating a long list of amended Laws and Regulations and the North-South High-Speed Railway to be approved by the National Assembly at the end of November.

PHVSF declined 1.44% in November, underperforming the VN Index by 33 basis points. Some big-cap holdings such as VPB, MWG, HDB, MSN suffered from heavy selling pressure in November and became major draggers of the fund.

In November, the insurance sector (+8.5%) recorded the strongest gain amongst all sectors, which was mainly driven by BVH (+13.1%) and PGI (+10.3%). The insurance sector was followed by the technology sector, increasing 6.1%, which was led by CMG (+9.4%) and FPT (+6.2%). In contrast, financial services (-5.1%), oil & gas (-4.6%), and banks (-2.1%) declined for the second month running and were the top lagging sectors.

Economic Overview

Economic Review

Vietnam's economy showed signs of improvement in the third quarter of 2024, as the GDP growth rate accelerated to 7.4% yoy despite the impact of the Yagi typhoon. The Industry & Construction sector played a pivotal role in driving economic growth, recording a 9.1% yoy increase in Q3 2024 and 8.2% yoy growth in 9M 2024. The significant expansion in the manufacturing and processing sector, which grew by 11.4% yoy in Q3 2024, contributed substantially to this performance. The robust industrial production, highlighted by an 8.9% annual increase in the Industrial Production Index (IIP) in 11M 2024, underpinned export activities, with exports rising by 14.4% yoy in 11M 2024. This growth in industrial output not only bolstered export turnover but also supported trade surplus maintenance. On the other hand, the retail sector experienced a modest increase, with total retail sales of goods and consumer services rising by 8.8% yoy in the first 11 months of 2024. However, this remains below the pre-COVID average growth rate of 10-11%, indicating that consumption has not yet fully recovered. Notably, retail sales of goods increased by 8.1% yoy for 11M24, while accommodation, dining, and tourism services surged by 13.0% yoy and 17.3% yoy, respectively, driven by the recovery in international tourism. This vibrant retail performance further complements the overall economic recovery, indicating balanced growth in both industrial and consumer segments. However, the Agriculture, Forestry, and Fisheries sector, heavily impacted by Typhoon Yagi, grew by only 2.6% yoy in Q3 and 3.2% yoy in 9M 2024, contributing 5.4% to total GDP growth.

Economic Outlook

We forecast Vietnam's GDP growth to be 6.8% in 2025, driven by the following factors:

1) Manufacturing and export activities are expected to remain robust despite the implementation of U.S. tariffs, as the U.S. remains a major consumer that import significant volumes from other countries annually.

2) The real estate market is expected to recover as the government and local authorities work to address legal issues surrounding real estate projects. Lower than historical lending rates are anticipated to stimulate both demand and supply in the real estate sector in 2025. Notably, real estate segment began to rebound in the second half of 2024 in Hanoi and Ho Chi Minh.

3) Private investment is expected to recover, and recent economic figures indicate an expansion in production. While domestic consumption in 2024 emerged from its lowest point, it has yet to show significant recovery, we expect 2025 the demand will modestly rebound. The relatively low lending rates compared to the historical level, and the recovery of the real estate market will also spur a new wave of private investment in 2025. Public investment is expected to gain momentum in 2025 as the government emphasizes infrastructure development, aligning with the conclusion of the current five-year public investment cycle.

4) The Vietnamese government is actively addressing key concerns of foreign investors by focusing on enhancing infrastructure, legal frameworks, and administrative procedures.

Vietnam economic projections by IMF

Category	2025F	2026F
GDP growth (%)	6.8	5.8
GDP per capita (US$ 1,000)	4.8	5.0
Inflation rate (%)	3.8	3.5
Unemployment (%)	2.0	2.0

Source: IMF

2025 Stock Market Outlook

Summary

The outlook for Vietnam's stock market remains promising in 2025. Although there are existing uncertainties, with a broad-based recovery on the horizon and an array of compelling catalysts in play, we still anticipate upside potential from current levels and believe that VN Index would post a return rate at lease comparable to the historical average return (8%). This is our worst case. Domestical brokers' 2025 index targets range from 1450 to 1500. Given they tend to make over-optimistic forecasts historically, we can set 1500 as the blue-sky scenario. EM upgrade is a wild card for the forecast. VN Index can go further if the optimistic expectation does take place in next September, though it's not our basic case. In summary, we expect the total return including (dividend yields) to range from 10-17% for year 2025.

For Vietnam's local market, the primary areas of focus for the upcoming year, considering both domestic and global dimensions, are as follows:

Domestic factors: (1) Political stability: Expectations of finalized top leadership appointments for the next term, signaling greater political clarity; (2) Policy reforms: Tangible outcomes from ongoing reforms and the fruits of recent global diplomatic initiatives by the new leadership; (3) Market upgrades: Progress on the market upgrades and the long-awaited implementation of the new trading system; (4) macroeconomic recovery: A stronger recovery in corporate earnings, further supporting market sentiment.

Global factors: (1) US' economic status: Signs of a soft landing in the US economy, which could reverse fund flow trends and renew interest in riskier assets like Vietnam; (2) Trump's policies: Clarity on the potential policies and tariffs of Trump's administration, particularly regarding Vietnam; (3) Exchange rate stabilization: A normalization of the USD, easing pressures on the VND and reducing FX-driven risks. We expect the VND to depreciate next year to the same extent as the historical average.

Wild card: The US - Vietnam Trade Outlook

Because Trump is not yet in office and he is an unpredictable man, it is now impossible to reasonably predict what is likely to happen. During his first presidency, Vietnam benefited from its trade war with China and Vietnam's exports to the US have increased every year since then, except for 2023. As a result, many locals are optimistic on Trump's second presidency. But we note several differences between Trump's second term and his first: 1) The future U.S. government and legislature will be dominated by Republican parties, so the resistance for bill passage is much lower than his first term. Moreover, this is Trump's last presidency, so he has no pressure to be re-elected and can do what he wants to shape his position in history with less scruples. 2) Vietnam's share of the U.S. trade deficits in 2018 was lower than it is today. 3) Trump's first term did not focus much on the sources of China's secondary trade deficits, but this time he used fentanyl as an excuse to criticize Mexico and Canada. shortly after he became President-elect. Apparently, he had noticed that other countries had reinvested in Mexico and re-exported to the United States. Therefore, we cannot be naïve to assume that Vietnam will benefit from his trade policy this time.

Three scenarios for US tariff under Trump's 2nd administration

Scenario	1	2	3
Description	Blanket tariffs on all countries	Higher tariffs on China	Higher tariffs on top trade deficit partner
Possible tariff rate	10% - 20%	China 60% - 100% Other countries 10–20%	Higher tariffs on Vietnam vs other countries (only lower than China)
Impact on Vietnam's exports	Slightly negative	Slightly positive	Negative
Impact on Vietnam's FDI inflows	Neutral	Positive	Negative

While Vietnam could attempt to mitigate the effects of tariffs by increasing imports from the US - such as LNG or aircraft - such measures may fall short due to the structural realities of a global economy characterized by high-income consumption economies and export-oriented manufacturing hubs. In addition, these procurements to balance trade deficits may crowd out funds needed for other domestic public expenditure items. However, the low value-added nature of Vietnam's exports makes the country less possible to be targeted by the US. The US trade deficit with Vietnam is mainly driven by labor-intensive, and low value-added industries, which are unfit for reshoring.

Vietnam's export structure remains largely dominated by low value-added industries. In 2023, the country's exports were heavily reliant on products such as textiles, electronics, and agricultural goods. While the probability of US-imposed tariffs targeting Vietnam remains relatively low, the downside risks are significant and warrant close monitoring. We believe the issue not only affects exports, but it will also affect multiple aspects such as FDI, employments, wage growth, and consumption. Greater clarity will be essential to assessing Vietnam's economic prospects in 2025. Until then, this remains a key area of uncertainty requiring careful attention and continue to be the source for market volatility in 2025.

Earnings Growth Forecasts by Sector for The Stock Within Our Stock Pool

	2023 EPS GR (%)	2024 EPS GR (%)	2025 EPS GR (%)
Banks	14.72	21.77	20.78
Basic Resources	480.49	89.07	23.43
Chemicals	(30.52)	50.83	25.23
Automobiles & Parts	(59.23)	62.45	49.66
Food & Beverage	95.78	347.79	25.23
Personal & Household Goods	(36.37)	29.70	98.61
Retail	(52.24)	782.40	84.48
Travel & Leisure	119.85	310.47	6.81
Financial Services	58.54	53.89	12.94
Insurance	33.94	(2.58)	17.04
Real Estate	19.97	20.41	38.28
Health Care	96.57	8.77	19.37
Construction & Materials	47.03	104.17	52.03
Industrial Goods & Services	0.43	32.15	10.99
Oil & Gas	(92.18)	66.13	209.73
Technology	294.73	28.08	23.38
Utilities	(20.74)	4.41	26.91

Source: FiinPro, Bloomberg.

Banking, real estate and consumer-related industries are the dominate sectors of Vietnam's equity market. From the above chart, we can see the earnings growth for consumer and real estate are expected to improve significantly in 2025. Growth for banks is expected to remain above 20%. Therefore, we believe the higher profit to fuel VN Index to post positive return in 2025.

The long-term average return rate of VN Index is 8%. Since we expect the economy to continue to recover in the next year, we believe the Index can at least post 8% return. This is our worst scenario. Local brokers estimate VN Index to reach 1450 – 1500 in 2025. We use their forecasts as base scenarios. EM upgrade is a wild card for the forecast. VN Index can go further if the optimistic expectation on upgrade does take place in next September, though it's not our basic case. In summary, we expect the total return including 2% dividend yield range from 13.5 - 17% for the year 2025.

Top Contributor and Dragger of The Month

Top Contributor: FPT Corp (FPT)

FPT contributed 35 basis points of return to PHVSF in November. FPT is the largest technology company in Vietnam with three main businesses: IT, telecom, and education. FPT is also Vietnam's third largest telecommunications services company and is among a handful of firms that have established educational facilities to support a skilled workforce. We like the company's balanced business lines which combine both defensive (Telecom) and growing (IT service) natures. The stock is the largest holding and a core position of PHVSF.

Top Dragger: VPBank (VPB)

VPB contributed 30 basis points of loss in November. Founded in 1993, VPB is now the eighth largest JSC bank in terms of assets. The bank's recent fast growth pace is due to its subsidiary, consumer finance company FE Credit. We expect the bank's consolidated NPL ratio to improve as FEC addresses legacy delinquencies. The expected gradual recovery of the real estate market from 4Q24 and into 2025 should help improve asset quality. We anticipate that new loans disbursed amid the recovering economy and real estate market in late 2024 and FY25 will exhibit better quality, thereby reducing provisioning costs in FY25. We are reviewing our allocation on this stock and will adjust its weight if it's necessary.

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