



Lumen Vietnam Fund – Mid-Month Comments April 2021

Fund Commentary

The Lumen Vietnam Fund (“LVF”) continued its stable performance in the first half of April 2021, generating a positive MTD return of +3.01% for class R in USD, bringing the YTD performance to 16.5% in USD.

Table 1: LVF vs. Indices

Fund/ Index	Performance YTD 2021	Performance from 01.04.2021 to 14.04.2021
Lumen Vietnam Fund	16.5%	3.0%
VN All Share Total Return Index	20.9%	7.4%
MSCI World	8.3%	3.6%
S&P 500	9.8%	3.8%
EuroSTOXX 600	7.3%	3.7%
MSCI Emerging Markets	3.5%	1.5%
MSCI Frontier Markets	5.0%	4.7%
SHCOMP	-1.7%	-0.4%
SENSEX	-1.0%	-4.4%
SET	1.2%	-3.6%
JCI	-2.9%	0.6%
FTSE KLCI	-4.3%	2.0%

Source: Bloomberg

The performance in the first half of April 2021 was disappointing, mainly dragged down by the underperformance of our allocation in the industrial sector, in which an investment continued to suffer from selling pressure of foreign investors. Relating to this investee company, we have carefully reviewed their business and the valuation model. After reporting a flat growth in 2020, the management team of the company has set 2021 business target at 24% YoY growth in revenue and 29% YoY growth in net profit. The company exceeded its Q1 quarterly earnings target by 7%. The management team is confident to complete its full year target by the end of this year. In its upcoming AGM on April 24, the company will, for the first time, propose a plan to move its listing from the UPCoM to the HOSE, to be executed in 2021 or 2022. This will be a big catalyst for this investment as information disclosure will be enhanced, helping to improve the liquidity and access by investors. We remain positive to this investee company and expect a positive re-rating of the stock valuation.

During this period, we reduced the weightings of the banking sector, and increased positions in the consumer, industrials and the energy sector.



Table 2: LVF's top 10 contributors

Company Name	Portfolio Weight	Return YTD	Contribution YTD	Maximum Drawdown
Kinh Bac City Devel. Corp	4.6%	104.7%	3.8%	-7.0%
Dat Xanh Group JSC	1.4%	73.9%	1.9%	-7.0%
Phu Tai Corp	2.2%	64.5%	1.3%	-7.0%
Lien Viet Post Comm. Bank	3.5%	59.0%	1.6%	-13.2%
Vietnam Comm. Bank	2.6%	57.3%	1.0%	-7.0%
Petrovietnam Transp. Corp	4.0%	48.8%	2.2%	-7.0%
FPT Corp	2.2%	44.9%	2.0%	-7.0%
Power Constr. JSC No.1	2.7%	34.9%	1.3%	-7.0%
Song Hong Garment JSC	4.1%	34.1%	0.8%	-7.0%
MB Commercial Bank	4.6%	34.0%	1.8%	-7.0%

Source: VNHAM and Bloomberg

Table 3: Sector performance comparison between LVF and VNAS

	% Average Weight YTD		Total Return YTD (%)		Total Return 01.04 to 14.04 (%)	
	LVF	VNAS	LVF	VNAS	LVF	VNAS
Real Estate	92.02	99.30	17.84	20.92	3.22	7.42
Financials	18.06	25.61	23.99	27.14	3.91	11.22
Consumer Discretionary	17.85	29.66	27.41	27.51	6.90	8.20
Industrials	12.30	5.24	15.28	18.27	3.18	4.01
Consumer Staples	11.19	9.55	-4.19	16.18	-3.45	4.72
Information Technology	9.17	13.84	-3.97	-1.41	0.57	2.50
Energy	8.69	3.58	37.16	35.61	4.24	3.98
Materials	6.83	1.11	19.51	14.74	3.15	0.64
Utilities	5.36	8.83	36.99	27.22	10.23	9.68
	2.57	1.88	-6.83	1.14	-1.13	0.40

Source: VNHAM and Bloomberg



Continued improvement in market access and liquidity

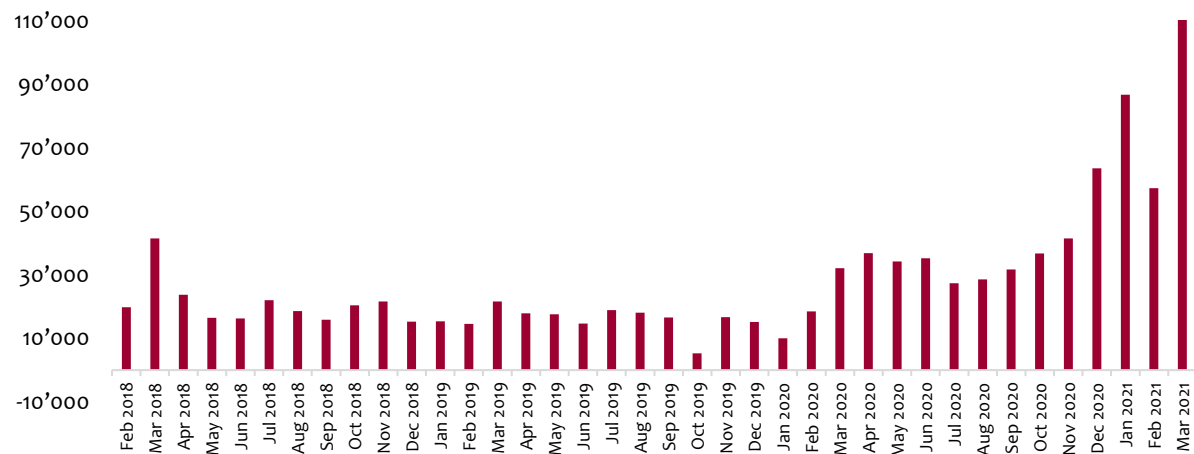
Vietnam to begin its securities market re-organisation

The State Securities Commission (SSC) has released its suggested roadmap for the re-organisation of the country's securities markets including stocks, fund certificates, covered warrants, bonds, derivatives, and other securities. The Ho Chi Minh stock exchange (HSX) will cover trades of stocks, fund certificates, and covered warrants, while the Hanoi bourse will take care of the derivatives and bond trading. The roadmap proposes a timeline until 30 June 2025 for all securities to be settled into their respective trading platforms.

Increasing market participation of domestic investors offsetting foreigners to boost liquidity to record level

Vietnam experienced a record number of stock accounts opened in the first quarter of 2021. Concretely, only for March, the figure was 131,191 new accounts, up +256% YoY, and +99% MoM, beating the previous peak of 86,107 new ones in January 2021. The total daily trading liquidity on all three bourses (HSX, HNX, and the alternative UpCOM) registered its all-time high of VND 28,814.1bn (USD 1.2bn) on 13 April 2021. Since then, the country has experienced its security trading of over USD 1bn per day, at least five times of the average market liquidity compared to April 2020.

Graph 1: Number of new securities trading accounts opened per month



Source: Fiinpro and Bloomberg

The Vietnam Securities Depository (VSD) announced the number of securities accounts as of 31 March 2021 as follows:

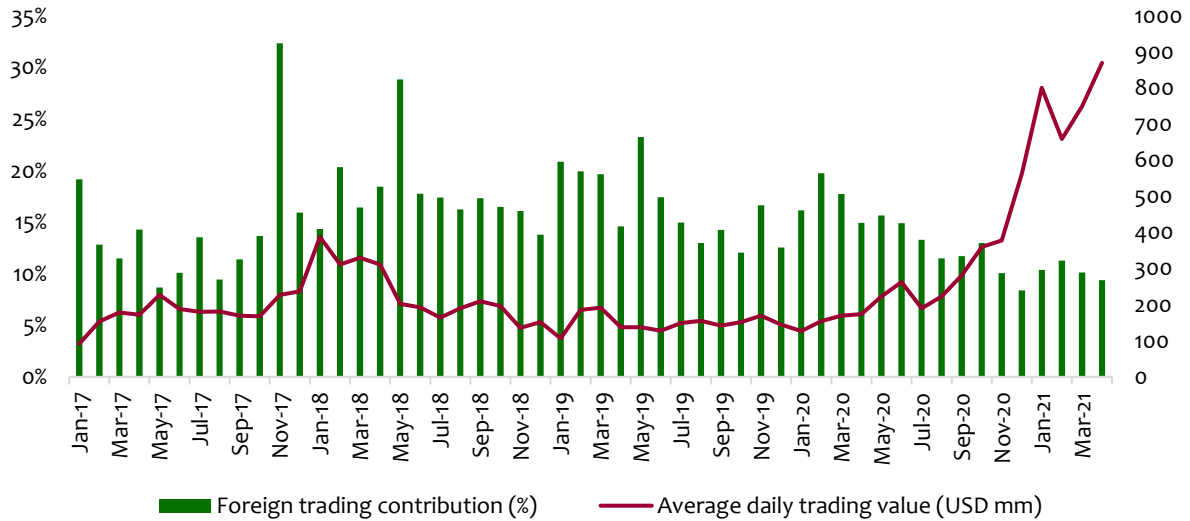
- Number of domestic accounts: 2,993,033, of which:
 - Individual ones: 2,981,403
 - Institutional ones: 11,630.
- Number of foreign accounts: 36,374, of which:
 - Individual ones: 32,391
 - Institutional ones 3,983 .

Domestic money has been poured into the market considerably since 2020 to take advantage of the cheaper valuations of certain stocks, while foreign investors accounted for net selling throughout the entire year. The foreign trading contribution began to drop in January 2020, when COVID-19 emerged, from 20% to around 10% presently. Foreign investors have only started to net



buy again in this month of April. Hence, local investors are expected to continue to maintain the market momentum.

Graph 2: Foreign trading contribution



Source: Finpro and Bloomberg

Ministry of Finance (MoF) studying legal framework for trading cryptocurrencies on exchanges

The MoF’s cryptocurrency initiative has started to pave way for legal cryptocurrency transactions and trading such currencies (on a government-supported/authorized platform). Per MoF, a research group in charge of such program was recently established. This group aims to implement the Prime Minister’s Decision, which approved the project of proposing the legal framework to manage virtual assets, digital currencies, and cryptocurrencies. To be continued.

Green debt swap initiative

International donors such as the Asian Development Bank (ADB), World Bank (WB), International Monetary Fund (IMF), United Nations (UN), and Organization for Economic Co-operation and Development (OECD) are said to work on a green debt swap program, which is essentially a platform for countries to finance their activities on nature conservation and fights against climate changes. Financing services to be offered under such scheme could be also linked to debt reliefs for nations with good portfolios of green projects. The United Nations Climate Change Conference 26 (COP26) to be hosted from 1 to 12 November 2021 should present more details of the initiative.

Vietnam is among harshly affected countries by the global climate changes as the nation has lots of low-lying coastal cities, which suffer from such as typhoons, floods, droughts, and saltwater intrusion. To cope with those negative impacts, on 25 March 2021, the Prime Minister issued Decision on urban development to set up a 2021-2030 action plan, which aims to make Vietnam become more climate change resilient. Therefore, if the above green debt swap platform can be a reality, Vietnam might be a beneficiary with favorable borrowing terms to combat the climate changes.