

FUND FACTS

Name of the Fund	SSI Sustainable Competitive Advantage Fund
Fund code	SSI-SCA
Nature of the Fund	Open ended fund
Inception date	26/09/2014
Fund size	VND428.97 billion (~USD17.27 million) (As of 31 October 2022)
Fund operating period	Unlimited
Fund Management Company	SSI Asset Management Co., Ltd https://www.ssiam.com.vn
Supervisory Bank	Standard Chartered Bank (Vietnam)
Transfer Agent	Vietnam Securities Depository Centre (VSD)
Distributors	SSIAM, SSI, BVSC, VCBS, ACBS, VNDIRECT, MBS, HSC, VGS
Redemption gate per trading period	10%/ Net Asset Value
Minimum subscription amount	VND10,000 (ten thousand dong)
Expected Return	13% - 15% / year

FUND PERFORMANCE



	NAV/ Unit (VND)	Performance (%)							
		2016	2017	2018	2019	2020	2021	YTD	Since Inceptio
SSI-SCA	23,553.95	24.1	38.2	-12.1	3.9	18.6	49.9	-26.84	135.54
VN-Index		14.8	48.0	-9.3	7.7	14.9	35.7	-31.39	69.91

Data as of 31/10/2022, calculated in VND; since inception date 26/09/2014

INVESTMENT OBJECTIVES

The Fund pursues long-term capital appreciation and regular return through investment in companies with sustainable competitive advantages and fixed income assets.

The Fund shall apply active investment strategy, focusing on listed securities of companies with sustainable competitive advantages, high market share, good corporate governance, healthy financial conditions, good capabilities of operation in disadvantageous market conditions and attractive valuation compared with the potential growth in the future of the company.

The Fund shall also invest in fixed income securities with high credit rating to preserve capital and bring stable income for the Fund.

FEES

Subscription Fee (depends on the total subscription amount)

From VND 1 million to VND 1 billion	0.75%
> VND 1 billion to VND 10 billion	0.50%
> VND 10 billion	0.25%

Redemption Fee (depends on the fund units holding period)

Holding period below 12 months	1.25%
Holding period 12 - 24 months	0.75%
Holding period above 24 months	Free

Switching fee Free

Transfer fee Free

FUND MANAGEMENT COMPANY

SSI Asset Management Company Ltd. (SSIAM)

1C Ngo Quyen, Hoan Kiem District, Hanoi, Vietnam

Email: ssiam@ssi.com.vn

Website: <http://www.ssiam.com.vn>

FUND MANAGERS

Bui Van Tot, CFA

Portfolio Manager

E: totbv@ssi.com.vn

Nguyen Xuan Quynh

Portfolio Manager

E: quynhnx@ssi.com.vn

FUND MANAGER'S COMMENT

As of October 2022 end, VN-Index has decreased by 31.4% YTD, while HNX-Index has dropped by 55.6% YTD. All sectors posted negative YTD return, with the largest contributors being finance (-35.6%), real estate (-42.4%), industry (-47.7%), etc.

All macro indicators show resilience:

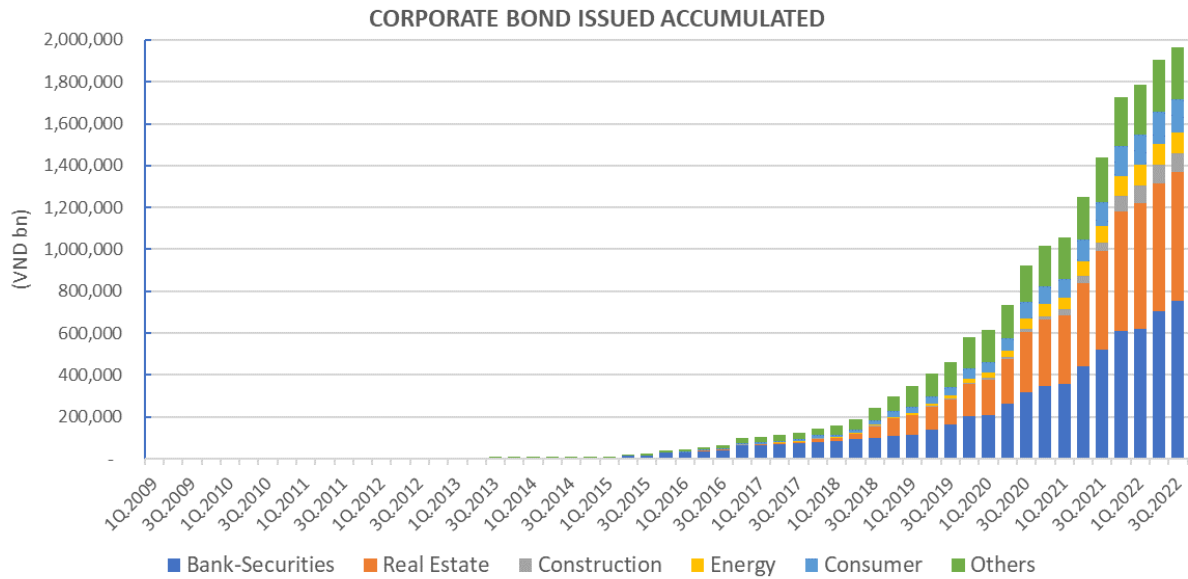
- Q3 GDP growth posted a record high of 13.7% YoY, 9M/2022 GDP rose by 8.8% YoY.
- Retail sales growth remains at a high level (17.1% YoY) in October. Running nominal retail sales growth for Jan-Oct was at 20.2%, or 16.1% YoY in real terms (inflation adjusted).
- Disbursement of FDI in October recorded at USD 2bn, the YTD figure still proves that Vietnam is still doing rather well in general. FDI inflows in the first 10 months of 2022 posted at USD 17.45bn (+15.2% YoY) – well above the average growth pre-Covid.
- Regarding public investment, we don't see much improvement as only 56.6% of the 2022 plan has been completed by October.
- The trade surplus was estimated at USD 9.4bn YTD.
- Headline CPI hit 4.16% YTD at Oct-end, while the average rate is only at 2.89% YoY for the period Jan-Oct '22, well below the government target of 4%.
- Industrial production growth for Jan-Oct remained at 9% YoY.

The data on macro and business results appear positive in the first 9M, but there remain issues that affect market flows and investor's sentiment namely **anti-graft campaign, bond market tightening, FX and interest rate pressure**. In turn, they have led to the crash of equity and fixed-income market.

i) The ongoing anti-graft campaign and high-profile arrests of corporate executives from real estate developers, banks, and securities brokerages including FLC, Tan Hoang Minh, Van Thinh Phat, Saigon Commercial Bank, Tan Viet Securities Inc., as well as other government officials have seriously deteriorated investors' confidence. It is important to note, that most of the investors in both Vietnam's equity and fixed income markets are retail investors, who have just recently participated in the capital markets in the past few years. Hence, they are generally vulnerable with rumors running wild over possible bank runs, corporate insolvency, or next executive and regulator in the arrest list of the ongoing anti-graft campaign.

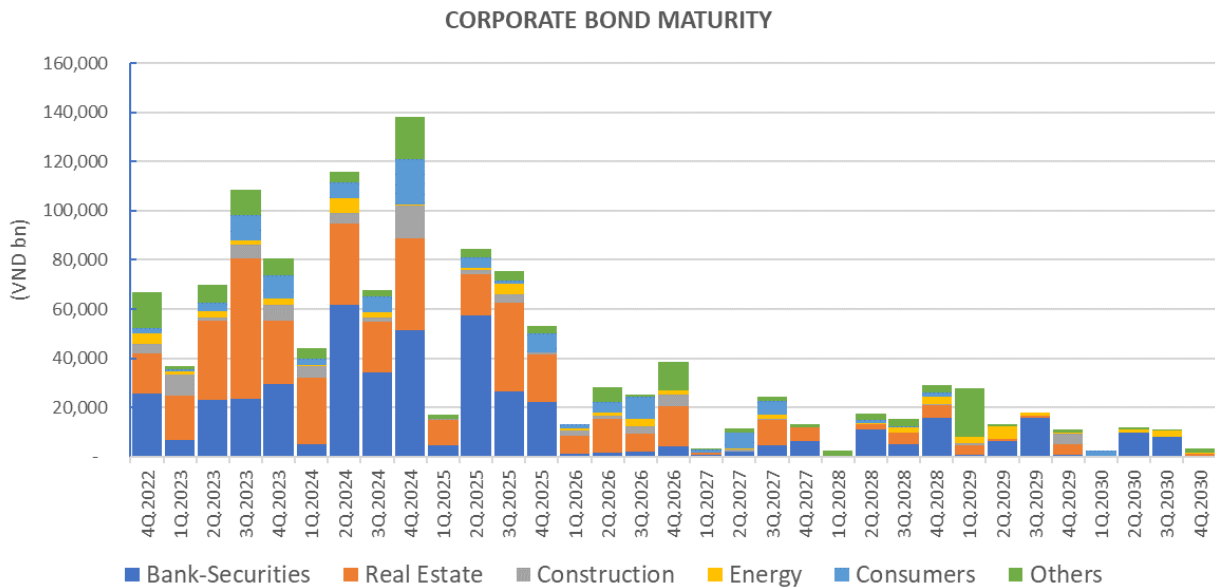
Recent developments: The Ministry of Public Security insists that it does not criminalize economic relations. Also, the authority has just arrested 3 people for creating and spreading fake news about corporate executives. There are usually many fake, negative news around the market when the market witnesses significant downturn. We are aware of that matter and will act based on the economy's and companies' fundamentals. The recent activities of the authority might create negative investor's sentiment in the short-term, but it will help the market operate stably, in a healthy, transparent, safe and sustainable manner, protecting the legitimate interests of the people, investors and businesses in the longer-term.

ii) Bond markets are still under pressure, and new issuance regulations are expected to get strict. The Vietnam bond market has experienced tremendous expansion in recent years, with the real estate industry receiving the majority of debt funding. However, bonds issuance activities have virtually come to a halt since April due to the lack of clarity on the regulatory front, with regulators' increasing scrutiny to protect retail investors.



Source: HNX, SSIAM

Given the low transaction volumes and values since the beginning of this year due to the ongoing anti-graft campaign targeting many real estate developers, the market is doubting real estate developers' ability to service their debt, even though the majority of real estate bonds would typically have tenors of 3-5 years. However, we point out that smaller/boutique real estate developers who have fewer finance options face this problem more frequently. Or to put it another way, it is unlikely to have a big effect on large, well-capitalized corporations and developers of real estate.



Source: HNX, SSIAM

Recent developments: The finalized Decree 65 on bond issuance (issued on Sept 16th, 2022), revising Decree 153, was more cautious than anticipated. Investors have to meet stringent requirements in order to qualify as professionals and take part in private offerings. Additional regulations were implemented for issuers and brokers to improve openness, disclosure and to strictly regulate the use of proceeds. Circulars for guiding are still required. As a result, the corporate bond market has essentially stopped while a more stringent regulatory framework is anticipated. We anticipate a drop in bond issuance in 2023 as a result of rising rates, which will increase the pressure on debt rollover.

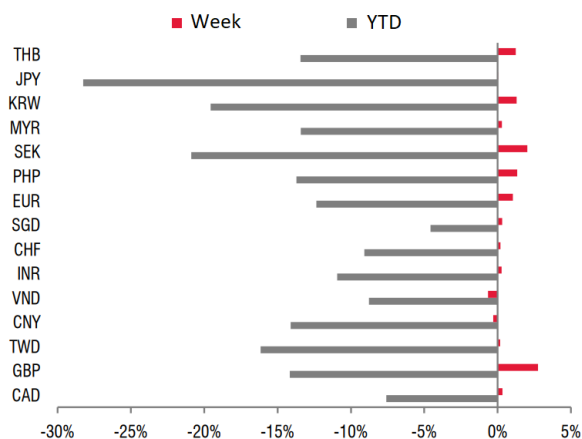
In the context that companies cannot raise fund from equity market given this unfavorable condition, bank loan is a substitution source. Banks, however, were only left with around 2.5% of the 14% loan quotas established for 2022. Banks including MBB, VPB, VCB, and HDB will receive more money because they assisted the government with restructuring bankrupt peers. Since they are significant lenders, this may help to alleviate the liquidity problem brought on by a decline in bond market activity. However, lending rates will be kept high in order to fight inflation and safeguard the currency. The positive thing is that we have 2 months left until 2023 when a new credit quota for banking system will be introduced.

iii) Liquidity, FX, Interest rate

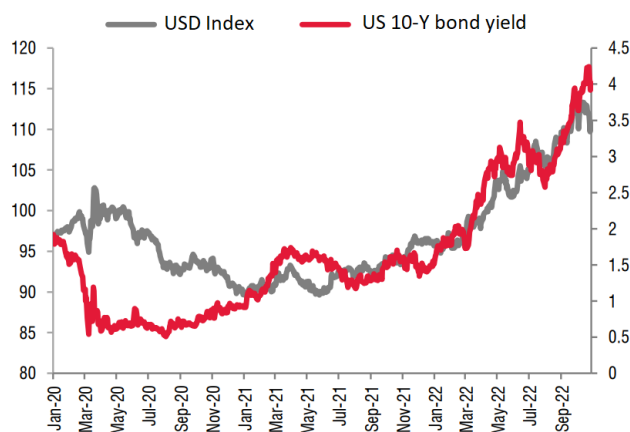
Liquidity: M2 growth as of Sept 20th was just 2.49% YTD (2021: +4.95% YTD), while credit growth hit 10.54% YTD (2021: +7.17% YTD), much faster than deposit growth (4.04% YTD – similar to 2021 level of 4.28%). It reflected that ample liquidity is the story of the past for the banking system, and it also applies to the equity market, where daily trading volume dropped -14.5% YoY in the first 3 quarters of 2022. We attribute low M2 growth mostly to the FX intervention of SBV given roughly USD 25bn has been pumped into the market to cope with USD liquidity pressure, corresponding to a large VND being withdrawn from the system, aligned with the effort of FX stability which is considered the most vital at the moment. We will closely monitor these indicators as the performance of stock market is highly correlate with M2 growth and balance of payment (and in turn FX stability).

FX: VND has lost -8.9% of its value against USD as of October 25th, with the majority of that loss occurring in the previous month, about in line with regional currencies. Depreciating pressure on VND is to be expected given the generationally strong dollar. Up to the middle of the year, VND outperformed other Asian rivals by a wide margin when compared to the USD. But in recent months, pressure on the local currency has increased. The State Bank of Vietnam (SBV) did use various ways to mitigate the depreciation of VND including selling about USD 25bn from FX reserves to the market, rising reference exchange rate, widen the trading band in FX market and increase policy interest rate 2 times in Sept and Oct.

% Change of currencies against USD



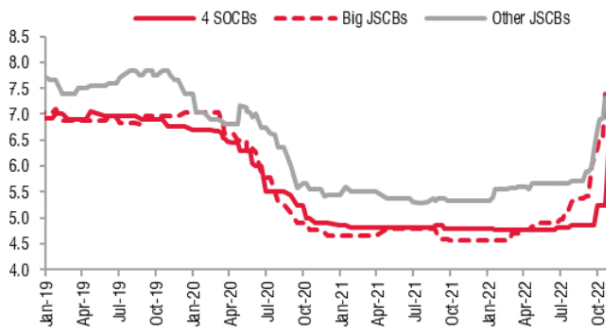
DXY movement and US government bond yield



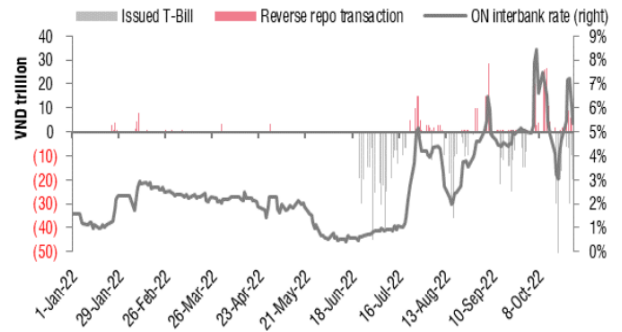
Source: SSI

Interest rate: In reaction to recent exchange rate depreciation pressure, front-loading the Fed's raise in November-December, and recent depreciation pressure from the exchange rate, the SBV continued to provide another significant policy rate hike (by 100 bps this time), unrelated to inflation. The discount rate and refinancing rate specifically increased to 6% and 4.5%, respectively. The cap on 6-month deposit rate will increase to 6%, while a 100-bps increase was also made to the short-term lending cap for priority sectors. At these levels, policy rates reflect a greater inflation environment and a weaker VND and are all now 50 to 100 basis points or more above pre-Covid levels, depending on the rate category.

Interbank interest rates, Open market transactions



12-month term deposit interest rate



Source: SBV, SSI

Recent developments: In the past week, the movements in the global financial market were quite positive with all major stock indexes recording good gains. As for economic data, the preliminary report shows that US GDP in Q3 increased by 2.6% compared to Q2 and ended the consecutive decline in the first 2 quarters of 2022. Most importantly, the market is currently pricing in the possibility that the Fed will begin to decelerate the pace of rate hikes from its December meeting (up only 50 basis points, and another 25 basis point increase in Q1/2023). Meanwhile, as expected, the European Central Bank ECB continued to raise the base interest rate by 75 basis points in the last meeting. This helped the DXY index drop 0.9% from the previous week, and other major currencies all gained against the USD such as GBP +1.87%, EUR +0.83% and JPY +0.1%. Emerging currencies in Asia also improved, such as THB +1.32%, KRW +1.29%, MYR +0.26%, INR +0.26%, etc.

Domestic fundamentals were still positive (FDI disbursement grew well in 10 months of 2022 or trade balance had a surplus of USD 9.4 bn). Regarding foreign currency supply, the State Bank also committed to ensure supply in the next 10 months to stabilize domestic production.

Our view and strategy

The market hasn't been able to protect itself from escalating global risks, where recession fears are spreading. However, despite outside challenges, the economy is expanding strongly, with 9M GDP up 8.8%, and inflation that is still below the government's aim of 4%. We hope that the government would be more accommodating when it comes to the issuing of corporate bonds. As it becomes evident that excessive restriction is hurting legitimate borrowers. The market's 2023 PER has also decreased to a historically low level of below 9.x following its 31.4% YTD loss. Now, we believe a lot of risks has been factored in and recent developments in both liquidity, FX market and information clarity will bring positive sentiment to equity market in the coming months.

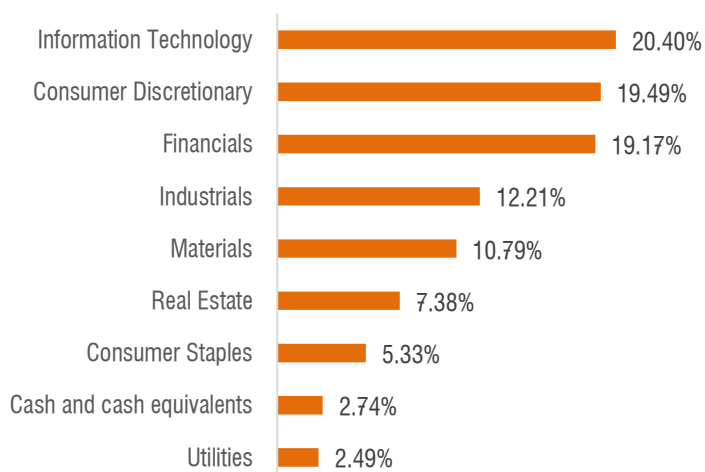


Source: FiiTrade

SSI-SCA still outperformed VN-Index YTD after a successful year last year. We are also among very few funds in the market that can keep significant different return with VN-Index since the beginning of 2021.

Regarding stocks in our portfolio and watchlist, we do not see significant changes in these stocks' fundamentals, businesses maintaining stable growth rates and earning results; yet facing short-term selling pressure from the market. We will continue to monitor and follow our investment themes to increase weights in promising stocks (stocks expected to outperform the overall market and its own sector).

ASSET ALLOCATION BY SECTORS (% NAV)



TOP HOLDINGS AS OF 31/10/2022

Stock	Company Name	Sector	% NAV
FPT	FPT Corp	Information Technology	20.40%
MWG	Mobile World Investment Corp	Consumer Discretionary	15.13%
QNS	Quang Ngai Sugar JSC	Consumer Staples	5.28%
HPG	Hoa Phat Group JSC	Materials	5.00%
CTG	VietinBank	Financials	4.87%

TRADING OVERVIEW

Dealing date: Every Working day (Day T)

Cut-off time: 2:30 pm on Day T-1

Trading confirmation: Day T+1

Determine NAV

Day T-1	Day T	Day T+1	Day T+2
3:00 pm: Cut-off time	Fund Certificates Dealing Date	Receive the trade confirmation	Redemption payment
SUBSCRIPTION ORDER			
Subscription amount	Minimum VND 10,000 (not including transfer fee)		
Cut-off time	Cut off time to submit subscription/ redemption orders to Distributor: 3:00 pm on Day T-1. Cut off time to make fund transfer: 5:00 pm on Day T-1. If subscription payment is transferred from bank account of others not investor, the valid documents of payment confirmation must clearly state full name, SSI-SCA trading account, and payment amount of the beneficiary.		
Money transfer	Account name: SSISCA Bank: Standard Chartered Bank (Vietnam) Ltd Number account: 90275350205 Description: [Name] [Account Number] buy SSISCA		
Confirmation of money transfer	SSIAM will send the confirmation of money transfer to investors within 01 working day from the date the money is credited to the Fund.		
Trade Confirmation	Distributor will provide investors with the Trade Confirmation within 01 working days from the Dealing Date.		
REDEMPTION ORDER			
Trade Confirmation	Distributor will provide investors with the Trade Confirmation within 01 working days from the Dealing Date. E.g.: Trading day is Tuesday, investors will be received the Trade Confirmation on Wednesday.		
Redemption payment	Redemption payments (after tax and fees) shall be made directly to Investors' bank accounts within two (02) days from the Dealing Date.		
SWITCHING ORDER			
Investor can place switching orders between SSIBF, SSI-SCA and VLG Fund managed by the Fund Management Investor can choose to switch a portion or their entire outstanding Fund Units.			
TRANSFER ORDER			
Non-commercial transactions for an institution/individual shall be executed at Distributors and Investor must pay all the applicable fees and taxes related to the non-commercial transfer according to applicable regulations. Details on transfer order shall be advised by SSIAM			

DISCLAIMER

Investors should carefully read the Prospectus, Fund Charter and relevant documents before making investment decisions and pay attention to fees when trading fund certificates.

Please update us as soon as possible on any change of the Investor's information in the Part A of the Investor Profile provided to SSIAM.

Fund certificates are not certificates of deposits, negotiable instruments or valuable papers as prescribed in the banking sector, fixed income assets or guaranteed investment income assets.

The price of fund certificates may fluctuate according to market movements and investors may incur losses on their initial investment given unfavorable market conditions. This document should not be used for the purpose of accounting and tax recording or to make investment decisions. Please note that the past performance of investments is not necessarily indicative of future performance. The NAV per unit and the Fund's income can increase or decrease and could not be guaranteed by SSIAM. Investors should do their own research and/or consult experts' advices to make appropriate investment decisions.