

**February, 2021**

NOTE FROM THE CEO'S DESK

A remarkable year for Vietnam despite the most adverse conditions



2020 has been a remarkable year. Globally the disastrous Covid-19 pandemic has cost many lives, has overstretched many health care systems and overturned many economies all over the world. Many countries are still struggling to contain the pandemic and its new mutations.

In this light, Vietnam is one of the few countries that has managed to contain the pandemic and also achieve positive economic growth. We can be proud that with good governance, life has continued throughout the year with few personal limitations, without great loss of life and with the economy still running well.

In fact, the economy has performed much better than expected and most other economies despite the global recession. Vietnam is still a very open economy with total trade equivalent to just over 200% of GDP. Consequently although the growth rate of 2.9% for the whole year and 4.5% yoy for the 4Q 2020 is the lowest since the start of the doi moi policy in 1986, it is a resounding achievement, signaling Vietnam's resilience and economic vibrancy to the world.

All sectors developed positively. Though all were hit in the 2Q by the pandemic, all recovered and regained pace in the 3rd and 4th quarters. The Manufacturing sector was the key driver to bring Industrial growth to 4.0%, and, with the African swine flu largely overcome, Agriculture had a good year and grew by 2.6%. The Services sector was worst hit by the pandemic but despite the lack of foreign tourists still grew respectably by 2.3% with strong domestic demand.

Notable are that exports recovered well in the year while imports increased at a lesser pace so that the merchandise trade surplus was a resounding record US\$20bn. This compensated the eight-fold rise of the trade deficit of services to US\$12.0bn again due to the lack of foreign tourists.



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The positive side is that the exchange rate thus stayed very stable and international reserves rose by around 25% to an estimated US\$100bn. The negative side is that the US Government has accused Vietnam as being a currency manipulator because of the trade surplus and the increase in reserves, but we think Vietnam has a good case in defense.

Consequently Vietnam has emerged from the pandemic as a model, both in terms of controlling the pandemic and in managing the economy. Despite the additional measures that the Government introduced to support companies, workers as well as tax rebates, the budget deficit has stayed at around 4% of GDP, again much lower than expected and other countries.

They say the stock markets, by summing up all the relevant facts and figures, presage future developments. This certainly bodes well for 2021. The market has shown an incredible recovery, rising 67% from its low point in the 1Q and to close the year up 15% against 2019. Admittedly much of this has been in a huge surge from new retail investors pushing the market to unprecedented trading volumes in December 2020. Other countries have also had similarly strong stock market performances, driven by huge cash stimuluses and zero interest rates. In comparison, the Vietnamese market is however still more in touch with fundamentals. Given the strong performance of manufacturing and growing exports, the corporate earnings' outlook is good and consequently current valuations at the end of last year have some basis in the context of corporate growth in 2021 and the coming years.

In this respect, we believe we have managed your funds well during all the uncertainties of 2020. We restructured the portfolios of VCBF-BCF and -TBF early in the year to take a defensive position. As the economy recovered and market confidence grew, we revised course, still taking care to obtain good valuations. Consequently VCBF-BCF and -TBF did not outperform their respective benchmarks. But this was only because of the higher cash holdings earlier in the year.



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Now we believe we are well positioned to benefit from further developments. Of course our fixed income fund, VCBF-FIF, performed well; its yield has provided a good alternative to investors looking for stable returns while interest rates declined.

I am glad to say that many investors did use the fee rebates we provided during the year. We have come through some turbulent years and Vietnam definitely proved itself as a prime investment destination in 2020. We certainly have a positive outlook for 2021 so we very much appreciate the trust you, as our investors, have placed in our long-term investment strategy over the years. Now is the time to build the basis for strong returns in the future.

In closing I would like to extend best wishes from VCBF to your family for the Year of the Buffalo. May the New Year bring you prosperity, good health and success.

Happy New Year! Chúc mừng năm mới!

A handwritten signature in blue ink, consisting of stylized initials and a horizontal line extending to the right.

**Vu Quang Dong, Ph.D.
CEO**

