



VN equities finished the first quarter +6.4%, and Endurance Capital Vietnam II was approved for launch!

Historical gross performance (%) in USD 2018 Q2-2023 Q1 for Endurance Capital Vietnam I (ECVI) vs VN Index and relevant ETF

| | 1 Quarter | vs benchmark | 1 Year | vs benchmark | 2 Years | vs benchmark | 3 Years | vs benchmark | 4 Years | vs benchmark | 5 Years | vs benchmark |
|----------|-----------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|
| ECVI | 2.06% | | -29.27% | | 0.38% | | 83.83% | | 53.55% | | 36.43% | |
| VN INDEX | 6.44% | -4.38% | -30.66% | 1.38% | -12.26% | 12.64% | 61.64% | 22.19% | 6.95% | 46.60% | -12.24% | 48.67% |
| ETF | 0.51% | 1.55% | -34.88% | 5.60% | -31.77% | 32.15% | 18.79% | 65.05% | -24.61% | 78.16% | -35.65% | 72.08% |

*As Endurance Capital is holding a highly concentrated portfolio of ca 10 of what we deem to be Vietnam's future public large caps, the VN Index does not offer an optimal benchmark and should hence be seen more as the existing index that is least far away from our portfolio and hence our selected comparison. Due to laws and trading regulations in Vietnam it is harder for an ETF to follow the index than in less regulated markets.

Quarterly closing day reflections / Q1 2023

✓ Q1 2023 meant a nice breather for the market as the VN Index closed +6.4%.

✓ Keeping defensive positions and a slightly larger than average cash position during the quarter - mainly as a response to the observed economic and political uncertainty globally - resulted in Endurance Capital lagging the VN Index by 4.4% in Q1 before catching it back again in early Q2. In the past 4 years Endurance Capital has now outperformed the VN Index by 47% (p.p), while keeping portfolio risk at an average 10% (p.p) lower than market standard deviation. The expected IRR of Endurance Capital's portfolio is now 36.6% .

✓ Although GDP growth suffered from lowered exports as Vietnam's main trading partners battled inflation and potentially moved closer to outright recessions, strong domestic consumption helped keep GDP growth at +3.2% for the quarter. While clearly a low number, Q1 numbers are normally hard to read due to their heavy dependency on the exact and annually moving dates of Tet (The Vietnamese Lunar Year). GDP estimates for the full year now range between +6-6.5% - numbers hard to beat for most countries.

✓ Impressive to see the State Bank of Vietnam lowering its key benchmark rates by 0.5-1.0%, on the back of well-controlled 3-4% inflation and a stabilized currency.

- ✓ The “Blasting Furnace” campaign against corruption among state and business officials stepped up a notch, again sending the signal that corruption won't be tolerated. While short term causing some painful effects such as increased uncertainty in markets, the long term impact is likely to be in line with the past 5 year's trend as Vietnam has been climbing upwards in easy-of-doing-business and anti-corruption indices.
- ✓ By the end of the first quarter, Vietnamese valuations are still attractive at a forward P/E of ~ 10x.
- ✓ A GREAT feeling to finally launch our second fund - the Luxembourg-based Endurance Capital Vietnam II SICAV RAIF, with our attractive “early bird” share class.
- ✓ Saving the best for last - the Vietnamese Acrobatic Brothers new jaw-dropping world record got people talking!

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The State Bank of Vietnam's lowered rates allows first stimulus into the economy on the back of a weak USD and low inflation

Seeing the VN Index rise by +6.4% in Q1 came as a welcome, but not unexpected, breather for many market participants having experienced a -35% drop in 2022 (in spite of earnings per shares growing at ~10% for the year). The quarter offered a mixed bag of macro data with the domestically driven sectors of the economy powering on as more export driven parts of the economy experienced headwinds, primarily from the US.

Total GDP for the first quarter grew by +3.2% - a low number for Vietnam in Q1, which was heavily affected by manufacturing decreasing as a result of weaker demand from mainly US export clients.

At the same time, the domestic economy showed much greater resilience. Retail sales grew by +13.9% in Q1, partly powered by household incomes growing by +9.9% YoY and inflation coming in at around 4% for the quarter. Unemployment decreased to 2.0% - the lowest level since Q3 2019. In addition, the VND appreciated +0.5% against the USD and the country continued to register a strong trade surplus - coming in at an impressive 4.1 Bn USD for the quarter. In addition, foreign investors net bought Vietnamese equities as forward P/E valuations approached ~10x. Indonesia and Vietnam were the only Southeast Asian markets experiencing inflows during the quarter, likely driven by these economies being relatively bigger benefactors from the re-opening of China's economy.

The State Bank of Vietnam surprised the market by being one of the first Central Banks globally to start lowering benchmark rates by 0.5-1% – a decision likely underpinned by low domestic inflation and local currency strength vs. the USD, enabling an early stimulus to the economy.

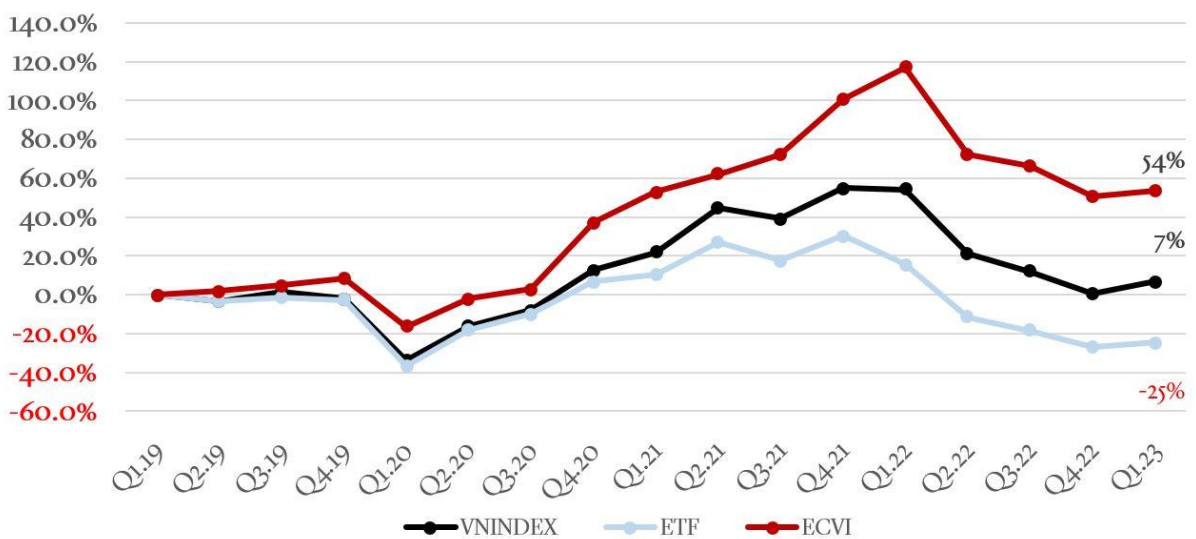
VN Index development Q2 2022-Q1 2023



The VN Index started 2023 with a careful upward movement of +6.4% in USD terms.

While consumers drove the economy in Q2, rate cuts from the State Bank drove the stock market

Cumulative gross quarterly returns % Q2 2019-2023 Q1, Endurance Capital Vietnam I (ECVI) vs VNINDEX, and relevant ETF



Source: Bloomberg, Trustmoore

By end of Q1 we proudly finalized the formal launch of Endurance Capital Vietnam II SICAV RAIF – our new fund, based in Luxembourg. We want to thank all those Investors who trusted us a second time by joining in our second fund launch. Moreover, we are very glad to say a great warm

welcome to our new anchor Investors who saw our track record and joined us believing in our strategy and our team.

Endurance Capital Vietnam II (ECVII) is set up with two regular share classes and purposed for professional and institutional investors. It's launched with the highly attractive and temporary share class V which offers lower fees for Investors joining ECVII early in its journey. Both funds will co-exist with the same strategy and be run by the same team as well as over time invest pro-rata in the same portfolio holdings. Both funds are open once per month for investment. Investors who wish to have more information can just click the "Contact us" button below.

[Click here to contact us](#)

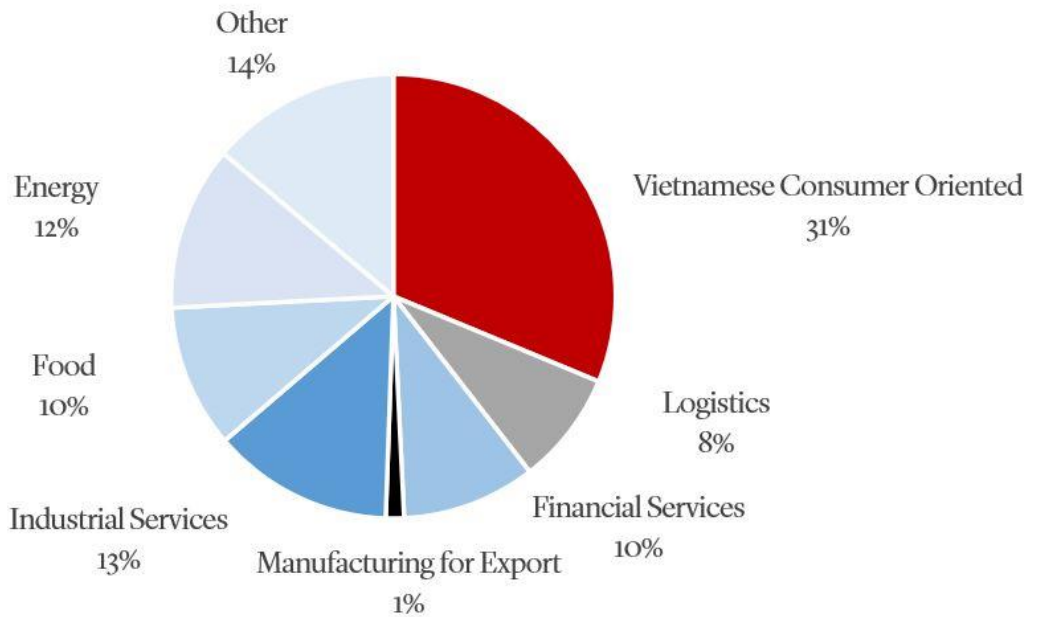
Weighted Portfolio KPIs Endurance Capital Vietnam I

| | |
|------------------------------|-------------|
| # of public holdings | 11 |
| Market cap range MUSD | c. 20-5,000 |
| Sales range MUSD (2022E) | c. 20-6,000 |
| Sales growth (2023E) | +13% |
| Net margin (2022E) | 26% |
| ROCE (2022E) | 13% |
| Dividend yield (2022E) | 3% |
| Price earnings ratio (2022E) | 11X |

Quarterly gross performance (USD) in % Q2 2019-Q1 2023 for Endurance Capital Vietnam I vs VNIndex and relevant ETF

| | Q2-19 | Q3-19 | Q4-19 | Q1-20 | Q2-20 | Q3-20 | Q4-20 | Q1-21 | Q2-21 | Q3-21 | Q4-21 | Q1-22 | Q2-22 | Q3-22 | Q4-22 | Q1-23 |
|---------|--------|-------|--------|---------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|---------|-------|
| ECVI | 1.88% | 2.98% | 3.31% | -22.94% | 17.22% | 5.21% | 33.23% | 11.46% | 5.93% | 6.18% | 16.71% | 8.12% | -20.75% | -3.20% | -9.67% | 2.06% |
| VNIndex | -3.61% | 5.35% | -3.56% | -32.44% | 26.86% | 9.76% | 22.44% | 8.05% | 18.57% | -3.70% | 11.32% | -0.46% | -21.30% | -7.82% | -10.19% | 6.44% |
| ETF | -3.26% | 1.81% | -1.31% | -34.71% | 28.74% | 10.49% | 18.27% | 3.49% | 14.86% | -7.31% | 10.77% | -11.16% | -23.69% | -7.64% | -10.18% | 2.87% |

Share of Assets Under Management - Endurance Capital Vietnam I YTD Q1 2023



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PHARAO 64% Return / 33% IRR

PHARAO is the leading jewelry company in Vietnam with market share of ca. 56.5% in 2021 (in mid- to high-end jewelry market) and with the distribution network of 346 stores as of May 2022. The company specializes in producing and retailing gold jewelry, silver jewelry, and gold bars under their own brands. In addition, the company has 3,000 wholesale customers and exports to 11 countries including Australia, EU, USA, and Japan. PHARAO provides a wide variety of products for women via several well-known brands and sub-brands each targeting a specific target audience. PHARAO's latest jewelry-accessory concept which targets young consumers with products being designed to match consumers' characteristics has been well-received by the markets and delivered positive results. PHARAO also applies an ERP system and a digitalisation program to optimize business processes.



BLUE 61% Return / 32% IRR

BLUE is the leading utilities company in Vietnam with main businesses consisting of distributing clean water and providing waste and wastewater treatment services to households and enterprises in Binh Duong province, one of the fastest-growing regions in the South of Vietnam. The company holds a monopoly position in water distribution business in Binh Duong through an extensive pipeline system that covers more than 5,300 km and supplies water to more than 325,000 customers. Moreover, BLUE is also the most efficient water company in the country with a loss ratio of only 5.0% as compared to the national average of ca. 18%.



Vietnam can expect a double growth injection from China in the years ahead

Over the years we have grown accustomed to Vietnam getting put in the same corner as China in investment discussions, in spite of the fact that the countries are rather different from each other and far from always trust each other. They even fought a war as recently as 1979 – won by Vietnam.

The reason for this unfortunate grouping of the two countries is often optical in nature. Both are East Asian, both have flags with stars and use similar colors, both countries have a Communist Party and they both have campaigns against corruption with bombastic names. Vietnam's "Blasting Furnace" campaign against corruption among state and business officials stepped up a notch as the country's President and former Prime Minister Nguyen Xuan Phuc handed in his resignation in Q1. It was the first time one of the country's so called "Four Pillars" was implicated in such a crack-down and hence gave the clear signal that corruption won't be tolerated among the country's leaders.

But for anyone who has been to both countries, Vietnam has a lot of important differences vs China – many any of which clearly constitute more positive economic and political development trajectories. Some of these are obvious: Vietnam has a 50-70% lower cost of labor, a much less debt-laden/driven economy, a higher degree of global geopolitical non-alignment, and more signed trade agreements. Others are less known, as for instance having a political system with more checks-and-balances than its bigger neighbor, and the absence of minorities claiming to be actively oppressed.

Regardless of opinion on the above matters, the following two strong trends are clearly visible here on-the-ground, from our base in Saigon:

1) There is a significant increase in factories and businesses moving from China to Vietnam – Apple moving its MacBook production is just the latest example. The emergence of a semiconductor industry in Vietnam is another more indirect effect of the same phenomenon.

2) China's re-opening is clearly boosting the growth of its sixth biggest trading partner, Vietnam.

We believe these accelerating trends, in combination with the lowering of the local Vietnamese benchmark rates, as well as a healthy and confident local Vietnamese middle class, will continue to underpin Vietnamese markets short and long term.

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Saving the best for last

In keeping with the Vietnamese much liked tradition of saving the best for last – this photo says most things about the level of the Vietnamese Acrobatic Brother's impressive world record performance on February the 3rd in Rome:



Source: VnExpress

Vietnamese acrobatic brothers Quoc Co and Quoc Nghiep crowned a long and successful career by saving the best for last as they walked into the Guinness World Book of Records in Head-to-Head Balancing Walk in their final performance. Having failed three times during practice ahead of the event, they performed their test by walking a 50 cm wide and 10 m long bar in only 1 minutes and 55 seconds. Hats off!

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PS. For those of you who would like a reflection of how Vietnam has developed over the past 100 years we recommend this 2 min read gallery of autochrome pictures of early 20th century Hanoi as exhibited by French photographer Leon Busy. If you are visiting Hanoi in the coming months, it is on display until the 15th of June.

<https://e.vnexpress.net/photo/culture/autochrome-photographs-immortalize-early-20th-century-hanoi-4596454.html>. DS.

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Endurance Capital THE ACTIVIST DIARIES

First Quarter 2023

Management Team – Endurance Capital Vietnam I

Christopher Beselin

Founding Partner



- Swedish (Vietnam resident from 2012).
- Co-Founder & CEO of Lazada.vn, Vietnam's largest e-commerce company. Lazada group was sold to Alibaba for 3.2B USD in 2017.
- Investment background from active ownership at Europe's largest active ownership fund Cevian Capital (ca. 15B USD of AUM).
- MSc in Finance, Stockholm School of Economics (Sweden) & Tsinghua University (China).
- Speaks four languages plus basic Vietnamese.

Johan De Geer

Founding Partner



- Swedish (Vietnam resident from 2012).
- More than 15 years emerging market experience in CIS and Asia:
- CEO of Oriflame Vietnam & Oriflame Latvia.
- Management consultant from Boston Consulting Group.
- MSc in Finance and Marketing from Stockholm School of Economics (Sweden) & St. Petersburg State University (Russia).
- 2nd Lieutenant in the Swedish Armed Forces Reserve.
- Speaks five languages including intermediate Vietnamese.

Minh Tran

Partner



- Vietnamese.
- More than 15 years of extensive experience in both buy-side and sell-side advisory involving landmark deals in Vietnam.
- Investment Banking Director in VNDirect.
- Lead Advisory Service (M&A) Director at Ernst & Young Vietnam.
- Investment Banker at JP Morgan Investment Bank.
- The 1st Vietnam-based Certified Analyst at JP Morgan.
- Analyst at Dragon Capital.
- Educated in USA.

Hoa Nguyen

Partner



- Vietnamese.
- Generally seen as one of the best equity analysts in Vietnam.
- Deep experience from investments, equity research and financial analysis in Vietnam.
- Finance Manager at Vinamilk.
- Sr. Investment Professional at Vinacapital.
- Dep. Head of Equity research at Maybank Vietnam.
- Educated in Australia.

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