



Endurance Capital performed 10% better than the VNIndex in a tough year for global markets

Historical gross performance (%) in USD 2018-2022 for Endurance Capital Vietnam I (ECVI) vs VNIndex 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	-9.67%		-25.08%		9.62%		38.81%		57.57%		35.45%	
VNINDEX	-10.19%	0.53%	-35.15%	10.07%	-10.93%	20.55%	2.60%	36.20%	10.34%	47.23%	-2.03%	40.84%
ETF	-10.18%	0.52%	-43.76%	18.68%	-31.36%	40.98%	-24.61%	63.41%	-17.72%	75.30%	-31.57%	70.37%

Last Trading Day Scribbles (30/12/2022):

- ✓ After a sharp drop in the stock market in the beginning of October, having the VN Index ending the fourth quarter of 2022 down by "only" 10.2% feels almost soothing.
- ✓ Vietnam managed to grow 8.0% in 2022. This country's ability to handle the outcomes of geopolitical volatility never ceases to impress and will likely continue to serve it well in 2023 as it meets the crossroads of its main customer's recessions and re-openings.
- ✓ Beating the VNIndex for 4 consecutive quarters in a year like 2022 - no words to describe that feeling. Means that a bit more than 4 years into our full portfolio and strategy deployment of our active ownership strategy, Endurance Capital has outperformed the VNIndex 4 years in a row and by on average 9.1% (p.p) per annum. Strategy is working - so immensely proud of our Team!
- ✓ At last - our second fund - Endurance Capital Vietnam II (ECVII) is here! Looking forward to seeing the reactions to Share Class V - our now launched limited-time-offer, allotted on a first-come-first-serve basis in Q1 2023!

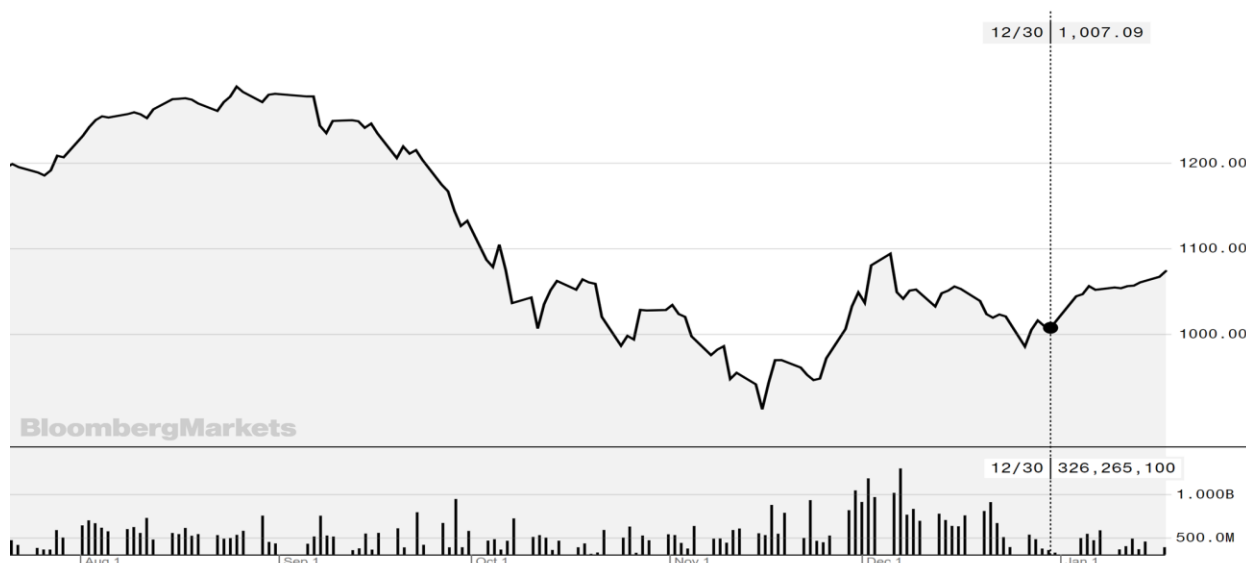


- ✓ Clear on-the-ground signs of Vietnam's gaining of global market share - as the World desperately seeks an alternative to China as a single-country base for manufacturing.
- ✓ Finally - video from due diligence field trip included in this Diary post!
- ✓ "Tet-Tet-Tet-Tet den roi" - the year of the cat is soon upon us!

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The VN Index ended 2022 35% down after a volatile 4th quarter

Since we started Endurance Capital, most of the unexpected and most market-driving events in Vietnam have been externally induced – not homegrown Vietnamese issues. Q4 2022 definitely provided an exception to that rule. In the first half of October, a series of events - including a needed but overly hasty regulation of the corporate bond market - led to a temporary freeze in the otherwise rather steadily growing Vietnamese real estate market. The situation caused corporate bond yields to rise sharply which led to a steep plunge in the stock market as investors sold shares while awaiting further clarity on the future implications. After ca 1.5 months, when the government took actions to balance the situation by in essence reversing some of the introduced policies, the market found its feet and recovered to close the quarter down by 10.2%. This still meant a 35.2% drop in USD terms for the VNIndex in 2022 – a cruel result for Investors in a country growing its GDP by a record 8.0% in 2022 and watching a stock market where earnings per share (EPS) for its listed companies in the same year are expected to have grown by approximately 11%.

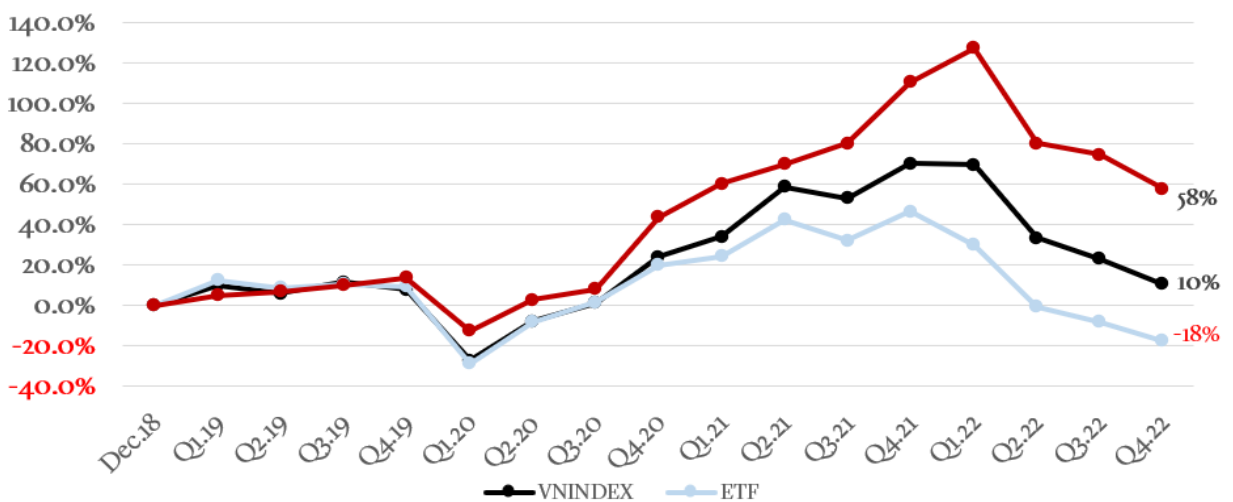


2022 was a trying year for Investors across the globe. Despite being one of the fastest growing economies in the world, the year turned out surprisingly trying also for the Vietnamese stock exchange. This year has however started on a more positive note with the VNIndex rising by just below 9% thus far in Q1 2023.

Endurance Capital outperformed as the VNIndex followed global equities downwards

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Cumulative gross quarterly returns % Q1 2019-2022 Q4, Endurance Capital Vietnam I (ECVI) vs VNIndex, and relevant ETF



Quarterly gross performance (USD) in % 2019-2022 for Endurance Capital Vietnam I vs VNIndex and relevant ETF

	Q1.19	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
ECVI	4.74%	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%
VNIndex	9.82%	-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%
ETF	12.27%	-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%

Source: Bloomberg, Trustmoore

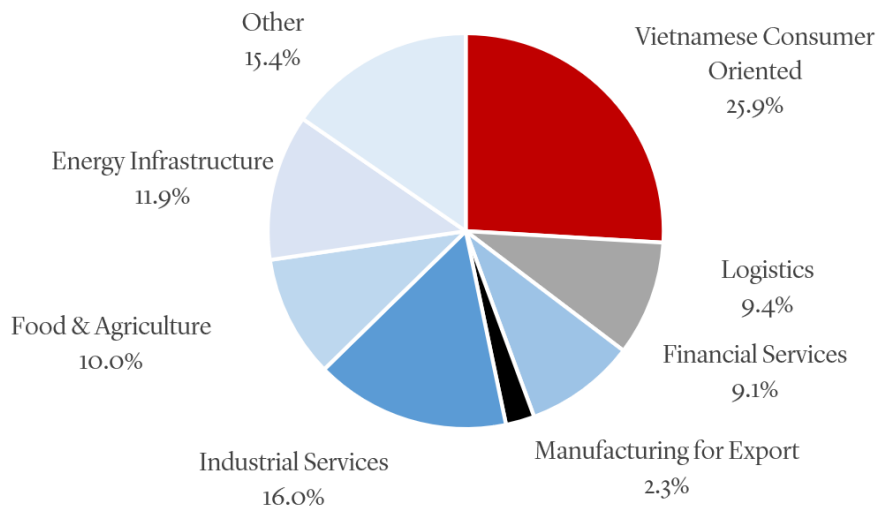
One benefit of having a long-term capital structure with lock-ups is the strategic advantage of having liquidity when the market hits a trough. We used this advantage during the 4th quarter to start building attractive consumer-oriented positions within healthcare and retail. As a result, the Endurance Capital portfolio now holds 13 positions with a weighted average net margin of 25.4% and a weighted estimated sales growth of 21.4%. The weighted average expected annualized return of the portfolio at the close of Q4 was 38% and the Price/Earnings ratio was 11x - which is ~30% lower than the market's historical average valuation multiple.

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Weighted Portfolio KPIs Endurance Capital Vietnam I

# of public holdings	13
Market cap range MUSD	20-4,500
Sales range MUSD (2022E)	20-5,700
Sales growth (2022E)	21.4%
Net margin (2022E)	25.4%
ROCE (2022E)	14.2%
Dividend yield (2022E)	3.1%
Price earnings ratio (2022E)	11.1X

Share of Assets Under Management - Endurance Capital Vietnam I YTD Q4 2022

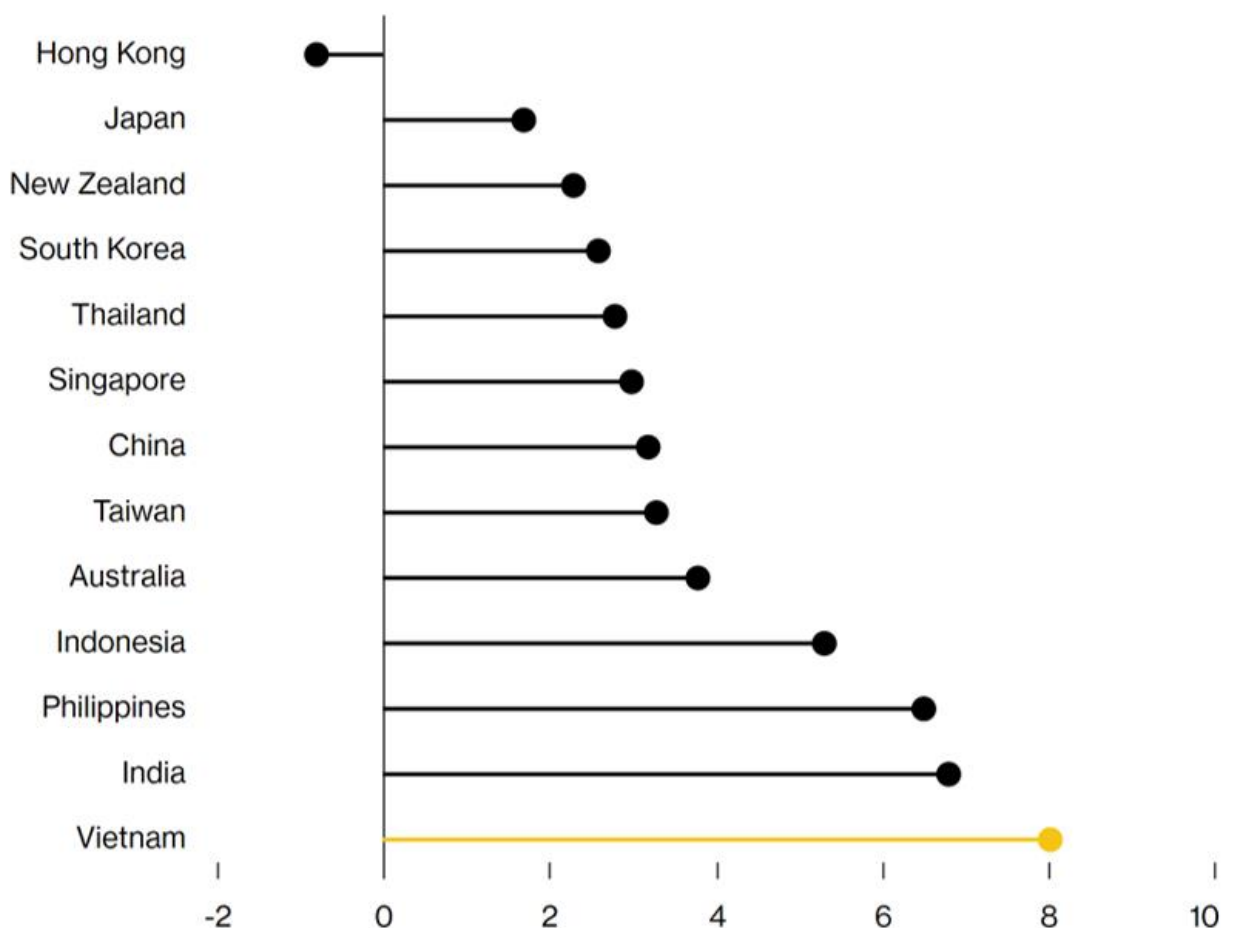


The Flower Village in Sa Dec in Dong Thap province in the Mekong Delta, a popular tourist attraction. Flowers, normally in the hues of yellow and purple, are an important part of the Lunar New Year celebrations.

Vietnam finished 2022 comparatively well and is gaining market share as the World desperately seeks a stable manufacturing alternative to China

Vietnam did not have an easy 2022, but compared to most economies it ended an eventful year comparatively well. GDP grew by 8.0% in 2022 which is significantly higher than the 6.5% expected in the beginning of the year. It is also likely to be the fastest growth among the major Asian-Pacific economies in 2022. Despite partly benefitting from a low base from the lockdown during mid-2021, this result still has to be seen as a remarkable achievement and an example of the Vietnamese economy's resilience. Growth came from manufacturing (which posted an 8.1% growth for the year) and from a rapidly recovering domestic economy (exemplified by retail sales being up by 17.1% vs the prior year).

Overview of GDP growth in % 2022 for Asian-Pacific Economies



Source: Vietnam's GSO, IMF

Note: All numbers except Vietnam's are IMF estimates

Disbursed Foreign Direct Investment (FDI) grew by 13.5% partly as Vietnam kept being a benefactor from the move out of China within a flora of sectors. Average CPI for 2022 was 3.2%. The Vietnamese Dong (VND) ended the year 3.5% down vs the USD (making it among the strongest currencies in the region) – underpinned by stable state finances and strong net trade inflows. Lastly, we see a significant pickup in Investor interest in Vietnam and an increasing number of Investors arriving in country. In 2023 – we expect the tourists to follow.

Both the GDP growth and the generation of trade surpluses are expected to continue going forward. Consensus expects Vietnam to grow its GDP by ca 6.5% in 2023 and the trade surplus is expected at around 10 bn for the year. The growth will likely benefit from the opening up of China, which Vietnam is taking manufacturing market share from a faster pace than ever before since producing in China has fallen out of favor. That said, it is likely that 2023 will also bring some weakening in trade with the west as consumers pull back on spending as they adapt to higher costs for loans, energy, and other goods.

This effect is sometimes mixed up with the effect from re-shoring – the phenomenon of companies moving supply chains closer to home. While re-shoring is definitely happening, it also has a tendency to get outsized attention in media, partly as executives and politicians like to emphasize such decisions when playing to their customers/electorates. But at a closer look re-shoring is in fact a sub-trend to the bigger phenomenon of diversification of supply chains – much brought about as the pandemic made companies re-assess the risks of having too concentrated manufacturing bases. Being able to source an item from several locations globally has never been more key – but the impact of this trend is not getting the same attention.

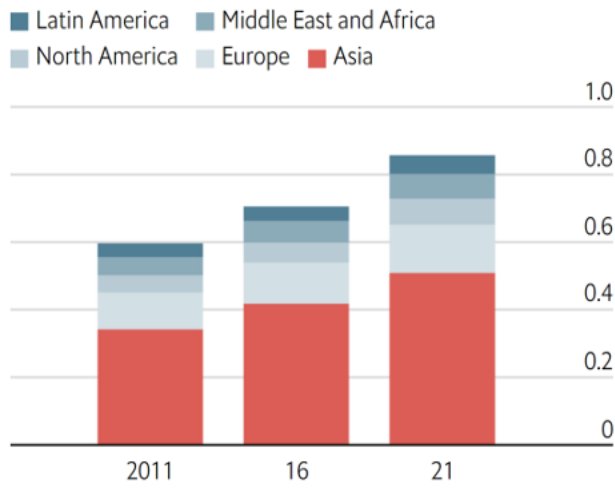


Heineken has already invested 1 BnUSD in Vietnam and on the 26th of November announced an additional investment of 500 MUSD in its Ba Ria - Vung Tao plant - the largest in South-East Asia. The Vietnamese drink 2.2% of the World's beer - the 9th biggest market share on the planet.

In Vietnam we see the two effects play out simultaneously, and it is very clear which one is bigger in volume. Simplified, there is more trade potential in incoming trade from foreign companies who see Vietnam as an attractive destination for a second production hub, than there is potential trade loss from companies already based here considering re-shoring. At the same time that equation looks very different for China.

A good practical example of this is Samsung which after a post-pandemic review of their mobile handset production in Vietnam decided to move 10% of the total 60% of its global manufacturing capacity that is based in Vietnam, while simultaneously deciding to setup semi-conductor manufacturing in Vietnam. Samsung is Vietnam's biggest exporter so the effect of the loss of some of their trade is not minor, but the gain from the the long row of high-value manufacturers who have recently announced their increased investment into Vietnam, including technology companies like Apple, Google and Nintendo - to just name a few – is much greater.

Worldwide port container throughput, TEU's*, bn



*Twenty-foot equivalent units
Source: Drewry Maritime Research

This A longer perspective offers an even more interesting picture. As can be seen in the graph above, Asia keeps gaining share of global containerized trade. But what is not seen in it is how different that trade is vs just a few decades ago. In 1990, a full 70% of Asia's exports were westwards bound while today a total of 60% is traded within the Asian region.



With 6 team members managing a portfolio of ca 10 public holdings there is enough capacity for deep first-hand research on each and every holding. By now, the Team has met ca 80% of the ca 400-500 public companies in its target investment universe.

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Both This is changing the demand on the region's port and logistics infrastructure, not least in Vietnam where significant investments into this sector are underway. In the past years new investments have been made in both Hai Phong and Vung Tau ports areas so that they are now able to receive the biggest shipping vessels (Motherships of 200 000 DWTs). The biggest port on the southern tip of the Cai Mep-Thi Vai port system in Vung Tau is already doubling its capacity and will when ready become the World's 19th largest port. (See video above). In parallel, Ho Chi Minh City and MSC – one of the World's biggest shipping lines - is investing 6 Bn USD in an even bigger port system in Can Gio at the mouth of the Saigon River which is to be ready by 2027. For more input on how trade flows and technology are changing trade and ports – not only in Asia - we recommend the very insightful article from the Economist at:

<https://www.economist.com/interactive/business/2023/01/14/investments-in-ports-foretell-the-future-of-global-commerce>

Tet is coming!



Tet is the name for the Lunar New Year in Vietnam. Commencing at the end of January, it's the biggest Vietnamese holiday of the year.



At the time of writing, we are happy to confirm: Vietnam IS READY for the year of the cat.

So - here we are - less than three weeks into the New Year and already preparing for another New Year's celebration. We have read our research, calibrated our allocations and balanced our risk, well aware of that the year of the cat might be harder to anticipate than most of the ones before. We expect Vietnam to continue to grow steadily in 2023. We know exports are likely to suffer from the economic slowdown in the west, but also believe that this trend is likely to be counterweighted by a) the opening of China, b) Vietnam's persistent gains in global manufacturing market share from China as the world desperately seeks a stable alternative to a single-country Chinese manufacturing base, and c) the increasing implementation of the Vietnam-EU free trade agreement. We of course don't know if the war in Ukraine will develop to the worse or to the better, or if potentially decreasing US Fed reference rates will help spur global recovery towards end of the year. In short, we enter 2023 with lower visibility but very well-researched and with liquidity and flexibility to be ready to act as the opportunities arise. Undeterred by the heightened uncertainty, we feel confident that it plays to the advantage of a team like us - based on the ground in Vietnam - a country practically self-sufficient in food and energy, with a fast growing economy and positive real yields.

More than anything else we are looking forward to seeing many of you in 2023. Here in Saigon, elsewhere in the World, or even online - we are always happy to discuss Vietnam and our way of investing into it. We are also immensely happy to start the year with the launch of our second investment vehicle - Endurance Capital Vietnam II. With the same strategy and team, the second fund should mainly be seen as parallel structure to ECVI (which also remains open for investment). The new fund is domiciled in Luxembourg and fronts an attractive early bird offer with of a significant fee discount. As it is a limited-time-offer and allotted on a first-come-first-serve-basis - we look forward to hearing from you! Should you be interested in learning more on this topic, please send an email to johan.degeer@endurance-group.com.

Click here to contact us



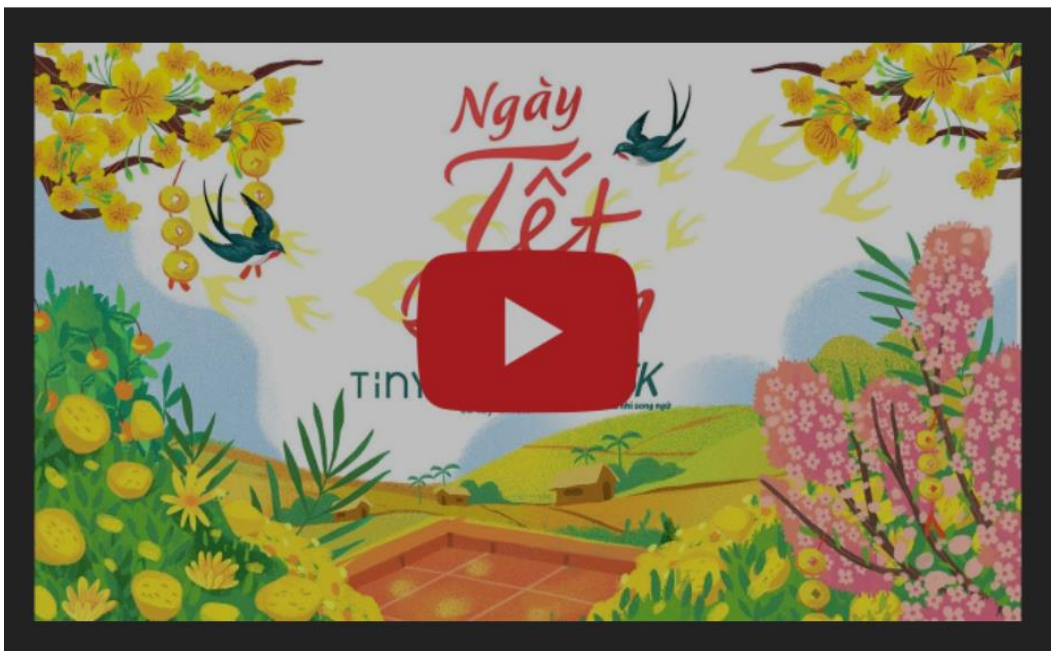
We would like to end this edition by expressing an enormous thank you to those of you who in 2022 offered your wise thoughts, lent your ears and ideas and stood there rock solid as volatility roamed the markets. We are proud to have so engaged, long term and impactfully contributing Investors and we thank you for the trust and the confidence extended and shared. We wish all of you, as well as other friends of Endurance Capital a joyful and prosperous year ahead!

On behalf of the Team/

Johan De Geer

Founding Partner

PS. For those of you who plan to come and visit us in Vietnam during the year of the cat (and we hope you will!) the catchy and popular Children's Tet song below offers an excellent opportunity to sharpen your Vietnamese in prior :) English version comes halfway in the clip! DS.



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Fund Information**Endurance Capital Vietnam I Ltd. - Fund Structure & Terms**

Name	Endurance Capital Vietnam I Ltd.
Denomination	US Dollars
AUM	~40 MUSD
Fund Administrator	Trustmoore Singapore Pte Ltd.
Fund Manager	Endurance Capital Advisors Ltd.
Fund Custodian	Bank for Investment and Development of Vietnam
Fund Auditor	Grant Thornton
Fund Structure	Evergreen with monthly subscriptions towards end of each month and then 18-48 months lock-up depending on share class
Liquidity	Quarterly redemptions after lock-up and with 90 days notice
Management Fee	0.85-2.0% per annum depending on share class
Performance Fee	15-20% depending on share class counted and on returns above net 8% in USD with high watermark
Minimum Investment	100 000 – 3 000 000 USD depending on share class
Website	www.endurance-group.com
Contact us	Johan.degeer@endurance-group.com

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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Our mailing address is:

info@endurance-group.com