

Spotlight on Alternatives Platform

Q3-2024





CLEAN ENERGY & INFRASTRUCTURE

Vietnam's energy sector is at an inflection point. The country is focused on developing sustainable energy solutions, and VinaCapital is at the forefront of private sector investment across a diverse portfolio of energy projects, providing both transitory and long-term solutions for Vietnam.

The Energy team continued to see positive momentum on various fronts in the second quarter of 2024.

Just after the quarter ended, on 3rd July, the government issued the Direct Power Purchase Agreement (DPPA) Decree (Decree 80/2024/ND-CP), a major step towards green power development in Vietnam. This landmark policy will be the steppingstone to allow large electricity consumers to purchase renewable energy directly from power generation companies. It also signifies the government's determination to pave the way for clean energy growth, endorse a more dynamic energy market, and foster a business-friendly environment for FDI enterprises to thrive. We have been closely watching the development of the DPPA over the last two years, as we believe it is a critical driver of growth for renewable energy in Vietnam before 2030. As such, we have worked to secure partnerships with some of the largest FDI enterprises in Vietnam to supply clean energy to their factories.

Nevertheless, we still need further guidance from relevant authorities on the implementation of the DPPA program in order to bring it to fruition, including instructions for renewable energy projects to attend the Competitive Electricity Market, the publication of EVN's wheeling charge, and so on. We expect these subsequent documents will follow in the next six months, but development work can be done simultaneously as we await detailed guidelines.

In April, the government unveiled a draft LNG Decree that underpins market reforms for LNG development. There are several important proposals in the draft: 1) the government has planned to allow the cost of LNG to be passed through to consumers in electricity prices 2) a purchase guarantee of a minimum contract quantity of 70% of the total LNG output during a project's debt repayment period, between now and 2030; 3) the participation of an LNG project in the Competitive Electricity Market, and; 4) the USD-pegged feature of the contract.

The current draft LNG Decree will require further refinement and input from major LNG investors for it to become financeable, and as an investor of the Long An LNG project, VinaCapital, together with our partner, have submitted to the Ministry of Industry and Trade our recommendations. That said, the draft decree demonstrates the government's commitment to continuously improving the regulations on new technology to make them realizable in Vietnam. It is pivotal that developers and regulators continue to work closely together to bring about commercially feasible and bankable PPAs so that LNG projects can start commercial operations in time with the PDP8 schedule.

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The DPPA Decree will accelerate Vietnam's clean energy transition and provide a realistic pathway to achieve the country's net zero target by 2050.
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REAL ESTATE

VinaLiving is Vietnam's first lifestyle and tailored-living brand that caters to the new generation of Vietnamese homeowners. The VinaLiving collection of properties delivers customized living environments across a range of developments situated in premium locations. Our properties are developed to meet the growing demand in Vietnam for something "above the normal". It's not simply about building houses, but about designing a lifestyle and a vision for the future.

The VinaLiving team had a busy second quarter of 2024, with progress made across all our key projects. Highlights included:

The Ocean Quy Nhon Resort

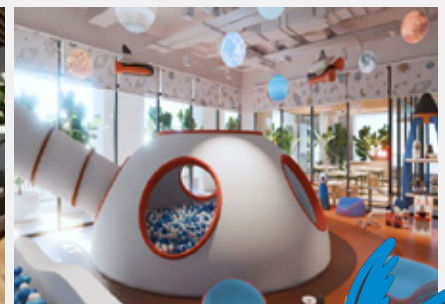
We have signed 237 SPAs, with 166 villas handed over to buyers and 130 joining the rental pool. The resort continues to focus on inventory sales with plans to complete The Ocean Studio by late 2024.

Ben Luc Waterfront

A significant step forward was made with the approval of the Master Plan 1/2000. We anticipate the approval of the 1/500 Planning Mission by early July following its submission in May. Key milestones such as the completion of 3D sketches for the VinaLiving Lifestyle Club and Community Club, along with final layouts and facade designs for the resort villas, highlight our meticulous planning and attention to detail. Our strategic focus in the second half of 2024 includes landfilling and securing necessary construction permits. We are also planning for a soft launch of select units in Q4/2024 – Q1/2025.

Phu My Estates

In June, we kicked off training activities with agencies for Phu My Estates and received positive feedback from the market on design and product quality. Rumours of recent sales have generated considerable interest from clients in Ba Ria - Vung Tau and Ho Chi Minh City. Phu My Estates is VinaLiving's first project to feature the VinaLiving Lifestyle Club concept, an upscale clubhouse with top-notch amenities such as a swimming pool, kids club, dining hall, game zone, golf simulator, and more, all of which are for the exclusive use of VinaLiving customers and residents of Phu My Estates. While the official sales launch is scheduled for September, we have received deposits for 12% of Phase 1, marking a promising start to our sales efforts through the end of the year.





VENTURE CAPITAL

VinaCapital Ventures is a Vietnam-focused venture capital platform that invests in and builds world-class technology companies with the goal of incorporating them into a full digital ecosystem. Its mission is to help entrepreneurs build companies that make a significant impact on the lives of people in Vietnam and beyond.

Portfolio company updates

LOGIVAN receives Great Tech & Innovation Award – Logivan has been honored with the prestigious Great Tech & Innovation Award by the British Chamber of Commerce, alongside other winners including Unilever, AstraZeneca, Pon Phu Thai Mobility, and Freshfields Bruckhaus Deringer. This award recognizes Logivan's relentless dedication to transforming the logistics industry through its proprietary pricing and matching AI algorithms and the power of network effects.

UrBox – During the Shopee Brands Conference 2024 organized in June 2024, UrBox was honored as the partner with the Fastest Growing Performance. Additionally, UrBox successfully onboarded 2 renowned merchants in Vietnam: Long Chau, Vietnam's largest pharmacy chain, and PNJ, the leading jewelry manufacturer and retailer. These merchants enhance the choices of UrBox's users and corporate clients' employees & customers.

Global Care – VinaCapital Ventures is finalizing an upside divestment from Global Care, a digital insurance aggregation platform. The acquirer is a NASDAQ-listed company, and the transaction is expected to be complete in early Q3/2024.

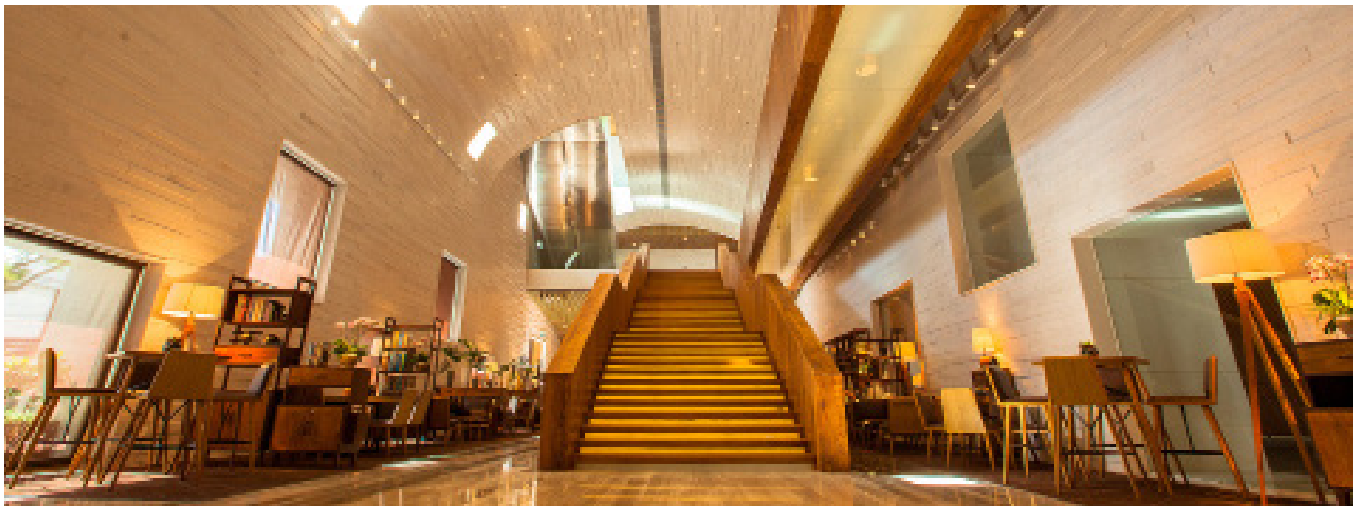
Protos Labs ("PL") - PL announced the soft launch of Protos Cover, its new insurance arm, enabling it to officially provide cyber insurance to businesses in Singapore. This is a big step for PL in its mission to provide holistic cyber risk management and raise Asia's cyber resilience. This also marks the launch of ProtectsME, PL's free cyber risk assessment tool for SMEs. ProtectsME allows companies to identify their external cyber risks, better understand how those risks translate to potential financial loss, and the estimated insurance coverage to buy.



Community Activities

Navigating the Future with Generative AI – In June 2024, VinaCapital Venture Capital co-organized a Generative AI event with Google Cloud, focusing on applications for VinaCapital Group's portfolio and the business community. The event featured in-depth discussions on the latest advancements in Generative AI, its integration into business strategies, and practical solutions for leveraging AI to enhance operational efficiency and drive innovation.

Founder Gathering 2024 – VinaCapital Venture Capital hosted Founder Gathering 2024 for our portfolio companies to connect with fellow founders, partners, leading technology companies, financial institutions, and investors. The event explored the challenges and opportunities that start-ups are encountering in today's market, as well as discussed critical areas such as compliance, governance, fundraising, and exit strategies. The event featured two guest speakers: Nguyen, CEO of InCorp Vietnam, and Dang Pham, Director at CDI Global, who shared their expertise.



PRIVATE EQUITY

The VinaCapital Co-Investment Fund focuses on making private equity investments in Vietnam by co-investing with VinaCapital Vietnam Opportunity Fund, which is listed on the Main Market of the London Stock Exchange. Investments are in companies across a range of sectors benefitting from Vietnam's domestic growth story, such as healthcare, education, consumer staples, real estate, and materials. Its strategy is to seek alignment with strong management teams, to obtain performance commitments and downside protections, and to achieve exits via strategic sales or IPOs over a 4–6-year horizon.

Investment Highlights

Andy Ho, VinaCapital's Chief Investment Officer, sadly passed away in June 2024. He led VinaCapital's private equity strategy for many years. Andy will be remembered for his deal-making talent, relentless curiosity about the world, and a natural ability to connect with people. His teachings will continue to guide our team.

2024 has been a year of strong manufacturing recovery driven by FDI into Vietnam. If we look deeper at the impact on domestic consumption and consumer confidence, factories have been re-hiring workers since late 2023 to meet manufacturing demand and retail sales are now ticking up in the last two months. The expectation from our portfolio is that demand will continue to recover but slowly. The focus is now more on cost control and tailoring offerings to cost-conscious consumers. That being said, VinaCapital's strategic partners have not altered their long-term business case for Vietnam and continue to build out new sites.

Against this backdrop, the co-investment fund is participating in an F&B manufacturing investment with a sponsor with whom VinaCapital has nurtured a relationship over nearly two decades. The ready-to-cook food products made by this business target mass market customers and are distributed via local grocery chains and supermarkets. The company has developed a diversified array of products and uses fintech to manage its orders, deliveries and overdraft facilities for distribution partners. This transaction exemplifies the kind of investments that VinaCapital's growth private equity strategy targets - stable enterprises that still face funding gaps.





LOGISTICS

A.P. Moller Capital and VinaCapital Partner have launched a Vietnam-focused transportation and logistics infrastructure platform in 2023, with the intent to co-invest in opportunities in seaport terminals, in-land ports, cold storage and distribution, bonded warehouses, and integrated logistics. A.P. Moller Capital, which is part of the A.P. Moller Group, is a value-add infrastructure fund manager with unique expertise, networks, and people focused on the logistics and transportation sectors.

Investment Highlights

VinaCapital's Chief Economist noted at the start of June 2024 that a surge in high-tech exports is driving air cargo volumes in Vietnam ([link here](#)), partly due to the global boom in artificial intelligence and other factors like Asian manufacturers shipping early to avoid delays caused by the Red Sea crisis and avoid the imposition of USA government tariffs later in 2024.



On the back of strong FDI (+8% yoy) and exports (+14.5% yoy) in H1 2024, the key deep seaport region of Cai Mep just outside Ho Chi Minh City (rated world's seventh most efficient by the World Bank) achieved 36% yoy volume growth. Further inland, the industrial land sector is currently experiencing high demand with occupancy rates of c90% in southern Vietnam and c80% in the north. This has spurred logistics businesses owning seaports, ecommerce warehouses, and industrial parks to invest in new capacity.

There is much interest in and competition for logistics assets in Vietnam, and the logistics platform is currently in discussions with businesses that present exclusive opportunities to build scale in supply chains and to deliver high specification logistics facilities to global clients. We are entering the due diligence phase on several transactions. Our value proposition is clear: we believe that a combination of real assets and the application of A.P. Moller Capital's deep transport infrastructure knowledge can deliver attractive returns for investors.



VinaCarbon Climate Impact Platform

VinaCarbon was established in 2023 to invest in a diversified carbon projects portfolio with an aim of creating a bank of high integrity carbon credits and positively impacting the community and the environment.



The VinaCarbon team is excited to share the latest updates on our projects, activities, and achievements over the past three months as well as what is underway for the upcoming months.

Our deal sourcing endeavors have opened up new opportunities for a new project: solid waste management. Additionally, we have established close partnerships with local forestry companies, and rice and coffee husk producers after completing preliminary assessments. We are also working with international partners to co-develop bio-energy projects in short term.

With VinaCarbon on track to add more quality projects into its pipeline, we are ready to launch the formal marketing phase in early 2025, with the fund's first close target date in 2Q2025. Our initial phase will focus on having established anchor investors such as DFIs, philanthropic organizations and foundations, and major carbon credit buyers.



Pipeline Projects

- **Biochar:** We have already signed a term sheet with our technical project partner from Australia, and the kick-off meeting was held in mid-June. Our local forestry company partner has submitted the project to the local authority for approval. Additionally, we are proceeding with a survey on the amount of wood residue and biomass quality to evaluate overall project feasibility. In parallel, we are in discussion with other pyrolysis system providers for developing separate biochar projects.
- **Sustainable Forestry:** After signing an MOU with a global investment manager, we continue to work to finalize our collaboration structure. We are scheduled to have an on-site visit plan with them at the beginning of August.
- **Plastic collection and recycling:** We have already signed MOU with one leading company in the collection sector for plastic credit generation and recycling factory investment. We are in process of evaluating the financial feasibility of project before going forward.
- **Solid waste management:** We are in discussions with an international non-governmental organization about a potential collaboration structure, grant and funding application and financial structure.

Looking Ahead

In Q3 2024, we expect to receive approval from the local authority for the biochar project development and will apply for investment/construction and environmental permits. We are looking forward to signing MOU with other local partners to expand our biochar project development with a wider range of biomass type. We are also aiming to finalize the collaboration structure with our partner in solid waste management and sustainable forestry development project by end of this quarter.

We continue to explore opportunities with key carbon credit buyers (predominantly in the transport, oil & gas services sectors) who have global track records for supporting carbon credit projects at an early stage.



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