Valverde ASEAN Fund

INVESTOR UPDATE

The HF Valverde ASEAN Fund launched on 30 March 2026 against a backdrop of acute short-term uncertainty, driven by geopolitical conflict, but with a far more constructive medium- to long-term outlook supported by compelling growth prospects and attractive valuations across Southeast Asia.

In March, ASEAN markets declined sharply alongside global markets as conflict erupted in the Persian Gulf and the Strait of Hormuz effectively closed overnight. At launch, we judged that elevated near-term uncertainty warranted maintaining a meaningful cash buffer and deploying capital gradually. Our intention was to reach 50% invested within the first two weeks, followed by incremental deployment of approximately 10% per week, while remaining responsive to evolving conditions.

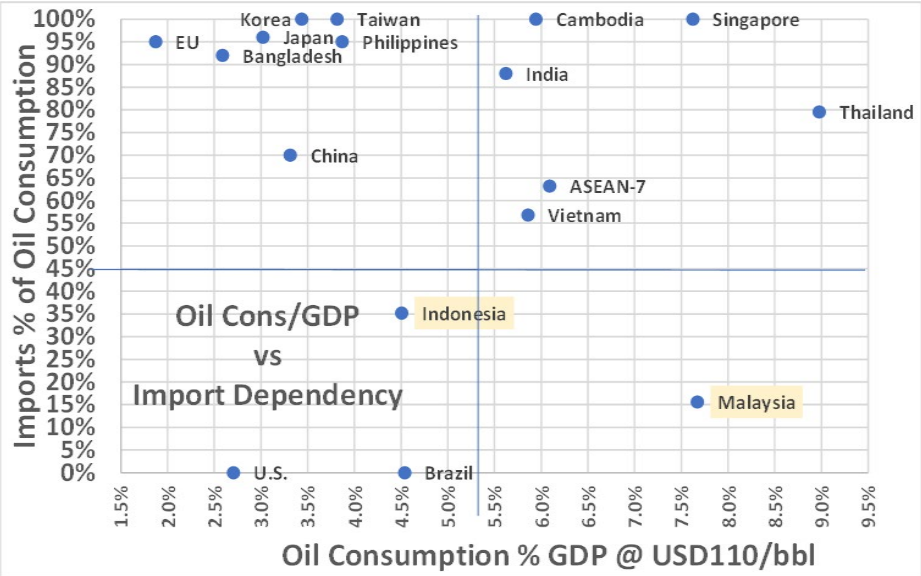
In hindsight, this approach proved overly cautious. Global markets bottomed on the day of the Fund's launch and led by the Nasdaq, staged a strong recovery. As a result, the Fund lagged during the month due to excess cash exposure, remaining only two-thirds invested when markets began to pull back. The Fund declined by 0.63% over the period, compared with a 3.07% gain for the MSCI ASEAN Index.

By month-end, the Fund was 71% invested across 20 stocks in five markets, with cash at 29%. We remain somewhat surprised by the resilience of regional markets given the risks stemming from the Middle East conflict. Southeast Asian economies are particularly vulnerable due to their reliance on energy imports from the Persian Gulf, where oil represents a disproportionately large share of energy consumption (*Chart 1*).

A key component of the investment case for Thailand, the Philippines, and Indonesia is a recovery in consumer spending—now at risk from rising energy costs and the resulting pressure on disposable income. Higher inflation (*Chart 2*) further constrains central banks' ability to ease policy, while increased energy subsidies threaten fiscal discipline and weigh on currencies.

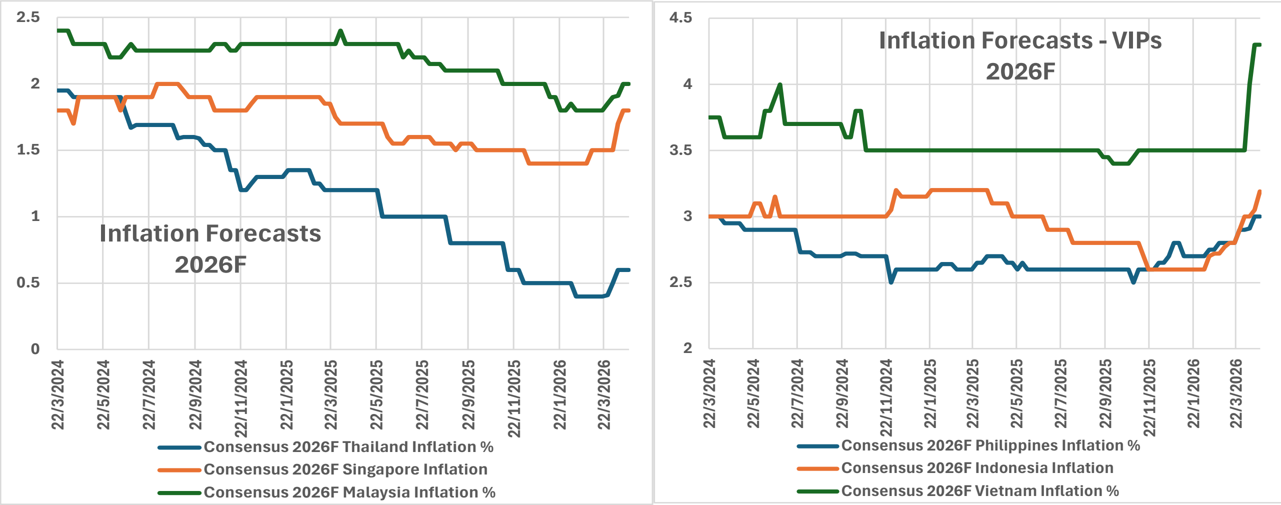
Markets appear to be pricing in a short-lived conflict and a rapid normalization of energy prices. Ten weeks into the crisis, we see a meaningful risk of correction should expectations shift toward a prolonged conflict or a "higher for longer" energy environment. Accordingly, we maintain a 29% cash position.

Chart 1: ASEAN & Oil: Exposed to "High(er) for Longer"



Source: Valverde Investment Partners:

Chart 2: Inflation Expectations on the Rise



Source: Bloomberg, Valverde Investment Partners

Investment Approach

Our caution is tactical rather than structural. Over the longer term, we remain highly constructive on Southeast Asia, underpinned by demographic tailwinds, shifting FDI flows, infrastructure investment, and historically low valuations.

Our objective is to build a concentrated portfolio of 25–30 high-quality companies capable of delivering at least 15% annual EPS and free cash flow growth over a 3–5 year horizon. Where market inefficiencies cause investors to underappreciate such long-term growth in favour of short-term performance, we seek to capitalize on such opportunities.

We are fundamentally bottom-up investors (90% of decision-making), supported by a top-down overlay (10%) for risk management and thematic positioning. Our on-the-ground presence is central to identifying high-conviction opportunities.

At the end of April, the portfolio comprised 20 holdings, with country exposure as follows:

- Vietnam: 27%
- Thailand: 16%
- Singapore: 8%
- Malaysia: 8%
- Indonesia: 6%
- Philippines: 6%

Sector exposure is led by Financials (28%), followed by Consumer Staples (9%), Real Estate (8%), Communications (6%), Healthcare (6%), and Materials (4%).

The portfolio is currently skewed toward large-cap stocks (>$5bn market cap), reflecting our initial focus on liquidity and quality. Over time, we expect to make increasing use of the Fund's all-cap flexibility to capture underappreciated growth opportunities.

The portfolio trades on approximately 9x 2026 earnings with prospective EPS growth of ~11%. This reflects our strategy of targeting 15% growth over a 3–5-year horizon, typically through companies where earnings acceleration is back-end loaded and not yet fully recognised by the market.

The Portfolio

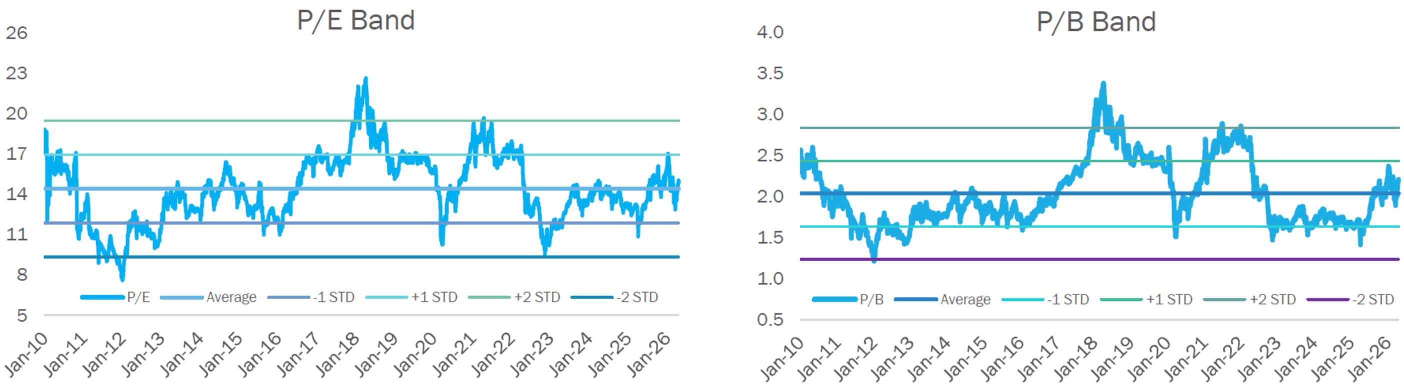
A defining feature of the portfolio is its 27% allocation to Vietnam. From a bottom-up perspective, Vietnam offers a rare combination of strong growth and low valuations, with many companies trading on low-teens or even single-digit earnings multiples.

This contrasts with the Information Technology sector, where listed opportunities are limited and valuations are elevated, particularly for companies with perceived AI exposure. Stocks such as Delta Electronics (Thailand) and ST Engineering (Singapore) trade at levels we consider unattractive, with much of their upside already priced in.

In Vietnam, however, we have been able to acquire high-growth companies at compelling valuations (*Chart 3*). Key holdings include:

- **Ho Chi Minh City Development Bank (HDB VN)**: trading at 6.0x 2026E earnings, with 34% expected earnings growth and ROE above 20%
- **Hoa Phat Group (HPG VN)**: trading at 9.8x 2026E earnings, with 40% expected earnings growth
- **Mobile World Investment (MWG VN)**: trading at 13.9x 2026E earnings, with 25% expected earnings growth

Chart 3: Vietnam Equity Market – P/E & P/B Trading at 15Y Average

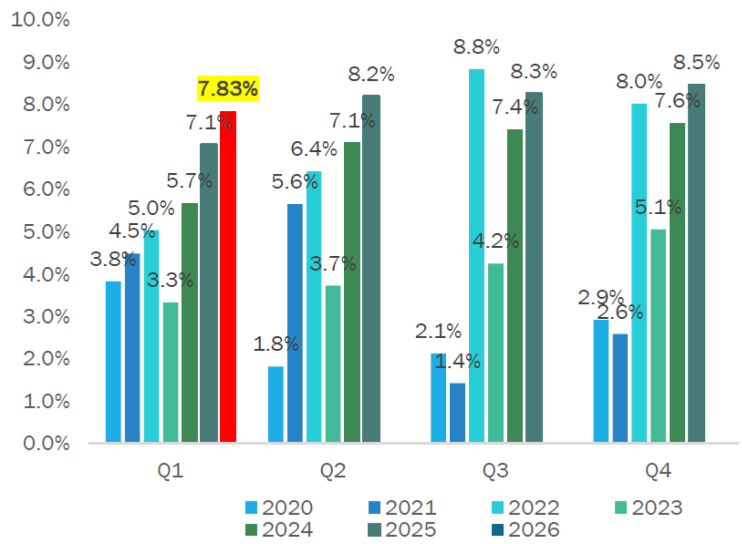


Source: Bloomberg, Valverde Investment Partners

The Opportunity in Vietnam

Vietnam's Q1 2026 GDP growth of 7.8% (*Chart 4*), achieved despite external headwinds, reinforces its position as the most resilient economy in Southeast Asia. Growth is being driven by strong FDI inflows, export momentum, infrastructure spending, domestic consumption, and tourism recovery.

Chart 4: Vietnam GDP Growth Momentum



Source: General Statistics Office of Vietnam, Valverde Investment Partners

The government has set an ambitious target of 10% annual GDP growth for 2026–2030. While this may not be fully achieved in the near term due to energy-driven inflation pressures, Vietnam is still expected to significantly outperform regional peers (*Chart 5*).

We do not assume that GDP growth directly translates into equity returns. However, the combination of strong earnings growth and low valuations provides a favourable backdrop.

Key supporting factors include:

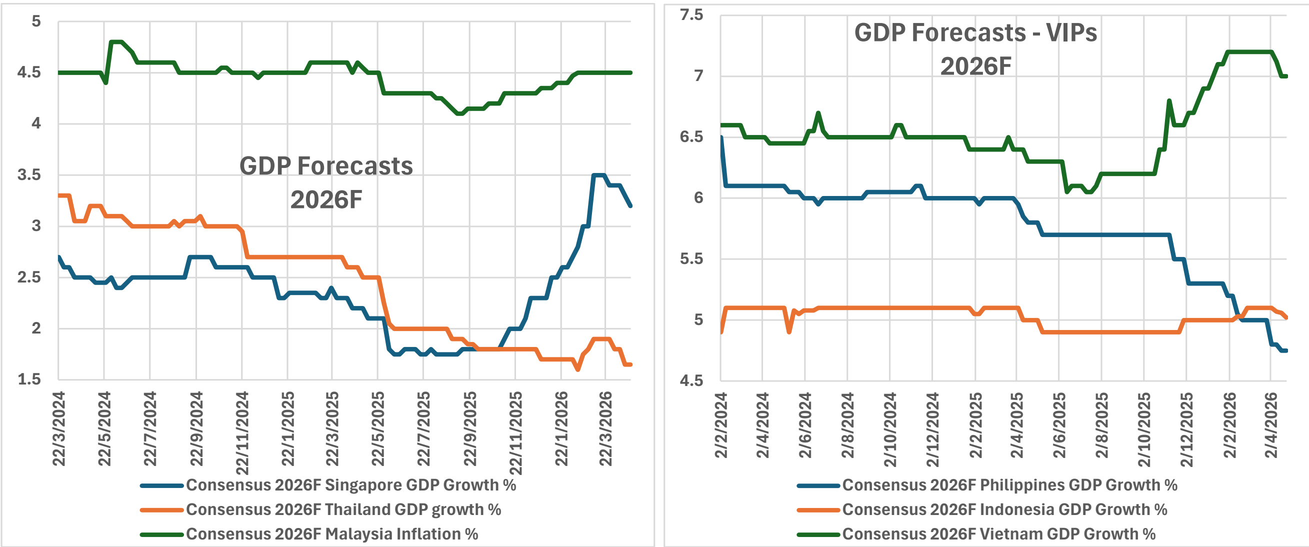
- **Policy shifts under new leadership**: The newly appointed government is pursuing pro-growth policies following a period of disruption caused by aggressive anti-corruption measures. Prime Minister Le Minh Hung brings strong economic credentials, and early actions include lowering lending rates and significantly increasing public investment. With public debt at just 33% of GDP, fiscal capacity remains substantial.

- **Structural FDI tailwinds:** Vietnam continues to benefit from the "China+1" supply chain shift. In Q1 2026, FDI disbursements rose 9.1% to $5.4bn, while registrations surged 42.9% to $15.2bn (*Chart 6*). Competitive labour costs, a skilled workforce, and geopolitical positioning reinforce its attractiveness.

- **Index inclusion catalyst**: FTSE Russell is expected to upgrade Vietnam to Emerging Market status in September 2026, driving at least $2bn in passive inflows, with additional active flows likely. MSCI is expected to follow in due course. This should provide sustained structural support for equity markets.

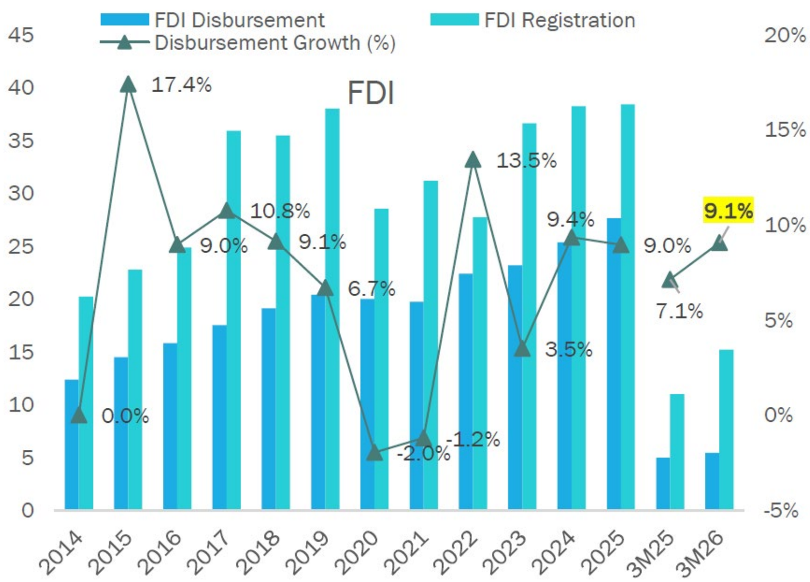
While near-term risks persist due to energy price volatility, we believe Vietnam is uniquely positioned within ASEAN to sustain high growth, attract capital, and deliver strong corporate earnings.

Chart 5: ASEAN GDP Forecasts - Consensus has just Woken Up



Source: Bloomberg, Valverde Investment Partners

Chart 6: Vietnam FDI Registrations and Disbursements



Source: General Statistics Office of Vietnam, Valverde Investment Partners

Conclusion

Given continued disruption to global energy markets, we remain cautious in the near term and are maintaining a 29% cash position. Indonesia and the Philippines appear most vulnerable to a prolonged high-energy-price environment. While the Philippine market has been relatively resilient (-2.4% YTD), Indonesian equities have declined sharply (-24.7% YTD), with both currencies under pressure.

Although bottom-up opportunities are beginning to emerge, both economies are structurally inflation-prone. Should inflation accelerate further, and fiscal pressures intensify, central banks may be forced to tighten policy — raising the risk of capital outflows and currency instability. Accordingly, we prefer to preserve liquidity at this stage, anticipating more attractive entry points in the months ahead.
