

## Market Update

### In this issue

- Market update
- Our view
- Sector valuation
- VAM funds
- Upcoming trip to European countries.
- Fund factsheets:
  - [VEMF Cayman](#)
  - [VEMF SICAV \(UCITS-compliant fund\)](#)

Vietnam stock market had an eventful month in August. Disappointment by TPP talks in Hawaii not reaching final deal dragged the VN-Index slightly down in the first couple of trading days. But it was the meltdown of China market and the devaluation of Chinese RMB that rocked global markets including Vietnam's. Subsequent aggressive moves by the State Bank of Vietnam (SBV) to devalue VND by 3%, coupled with increasing uncertainty in global markets and volatility in FX rates, sent the two main bourses to a flash crash on "Black Monday" of 24<sup>th</sup> August, on which VN-Index lost 5.3% to 526.9 points while HNX-Index went bungee jump at -5.8% to 73.1 points. Nonetheless, the market rebounded significantly during the last week of the month thanks to positive news such as perceived stabilization in FX rates, increasing oil prices, and forthcoming effectiveness of FOL opening. VN-Index ended August at 564.8 points, a decrease of 9.1% MoM, in line with HNX-Index's drop of 9.7% MoM to 76.9 points.

### VND devalued to preserve export competitiveness

Within one week at mid-August, in response to the devaluation of Chinese RMB, VND's value was adjusted 2 times by the SBV, implied a total devaluation of 3% with trading band widened from +/- 1% to +/- 3% and reference rate increased by 1% to VND21,890 per US\$. VND's devaluation aims to support the country's exports whose turnover reached US\$14.5bn in August, + 9% YoY. However, the VND's devaluation may hurt companies whose operations depend mainly on imported goods. In August, import turnover was nearly US\$14.6bn, +16.7% YoY and China continued to be the largest import market of Vietnam with an import turnover of US\$32.7bn in 8M2015. The country recorded a trade deficit of US\$3.6bn YTD. To protect VND's stability, the SBV has actively worked with commercial banks to stop hoarding foreign currencies and reaffirmed that it would not plan to devalue VND

further for the rest of the year. Such actions helped both US\$/VND bid and ask rates gradually decrease from their peaks.

### Government tackled budget deficit in the context of oil price plunge

Up to 15<sup>th</sup> August, the Government incurred a budget deficit of VND 112.6trn YTD (approximately US\$5.1bn), due mainly to (i) plummeting oil price (the Government set reference price of US\$100 per barrel when planning for yearly budget, with which crude oil exports would contribute 10.2% of total government revenue in 2015, according to Ministry of Finance-MOF), and (ii) slow pay of tax obligations of corporate (in 1H2015, total amount of taxes owed by companies was VND 74.5trn, equivalent to US\$3.3bn). To tackle the budget deficit, MOF proposed some solutions including issuing government bonds worth VND 250trn (US\$11.1bn) in 2015, seeking additional financing of about VND 30trn (US\$1.3bn) from the SBV as

well as applying stricter enforcement to those companies with unpaid taxes.

### FTA with EU successfully attained

On 4<sup>th</sup> August, the EU and Vietnam reached an in-principle agreement for an FTA after nearly 3 years of negotiation. Though the FTA would take some more time to be fully proceeded, this news has compensated for the failure of TPP agreement last month. The EU is one of the biggest trading partners of Vietnam and accounts for 19% of the country's total export turnover in 8M2015. The FTA aims to eliminate over 99% of tariffs between the two signing partners. Vietnam will liberalize 65% of its import duties on EU exports to Vietnam after the agreement comes into force. The remainder will be gradually eliminated over a 10-year period. In exchange, EU duties will be eliminated over a 7-year period. The agreement is one of the steps helping Vietnam reduce its economic dependence on China.

### Our view

Investors' sentiment was deteriorated by the great fall of China market coupled with its RMB devaluation, leading to panic selling across global markets in the last weeks and Vietnam was no exception. VND's devaluation is still a hanging threat when YTD trade deficit stood at US\$3.6bn, slightly increase from US\$3.5bn by July-end number. In addition, the new more market-driven mechanism for Chinese RMB may exert some pressure on stability of VND in the time to come. Nonetheless, Vietnam market may stand firm on its feet as it has been supported by Vietnam's positive macro theme. The country's PMI came at 51.3 in August, given 23th month above 50-threshold in a row, though slightly down from 52.6 read in July. CPI YTD as of August was at only 0.83%, making FY estimate at around 2%. On valuation, we see the market is going deep into buying range when average valuation of Ho Chi Minh stock exchange is at trailing P/E of 11.0 times in line with trailing P/B at 1.7 times. Comparing with average trailing level of the regional markets including Indonesia, Thailand and Philippines, the ratios are 46% and 18% lower in terms of P/E and P/B respectively. Moreover, we believe aggregated 2015 EPS maintains its two digit growth; this will drive forward valuation cheaper. These valuations continue to define Vietnam as an attractive frontier market. Having said that, we still keep a cautious stance for the time being given ongoing global uncertainty and risks on FX rates.

## Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2014 PE	2015 PE	2016 PE	2017 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.00	-9.07	-0.84	3.50	17.8	12.4	10.5	9.2	2.0	4.9	16.7	34.5	9.9	6.1	4.46
Automobiles & Components	1.26	-9.11	-17.60	-8.97	11.9	8.7	8.2	7.2	1.7	3.9	21.6	33.2	26.4	21.9	0.5
Banks	34.40	-12.59	0.71	32.41	29.0	16.8	13.9	11.7	1.8	3.4	9.9	40.6	-9.6	-14.1	13.1
Capital Goods	2.32	-6.10	3.73	1.76	14.0	8.0	7.4	6.5	1.3	6.0	18.0	35.2	19.4	18.7	0.1
Commercial Services & Supplies	0.60	-0.07	-0.54	3.24	14.4	10.8	7.1	6.5	1.9	2.9	30.1	27.5	17.1	10.4	-
Consumer Durables & Apparel	0.65	-6.83	2.09	12.51	12.0	7.9	6.6	17.7	1.6	4.5	19.6	16.4	9.0	5.0	0.8
Consumer Services	0.45	-9.23	-13.50	-27.87	35.7	11.0	9.7	8.8	1.6	-	17.8	53.0	32.9	26.8	-
Diversified Financials	2.17	0.38	16.70	0.34	16.7	14.7	13.8	12.2	1.6	4.2	11.1	59.1	52.0	50.4	-0.6
Energy	12.93	-16.26	-20.62	-27.92	6.4	8.4	7.6	6.7	2.0	6.1	24.8	20.4	16.2	13.6	-0.4
Food, Beverage & Tobacco	16.49	-2.99	8.21	18.27	16.9	14.8	13.3	11.8	4.1	5.0	28.0	36.5	18.5	15.0	-0.3
Health Care Equipment & Services	0.08	-37.84	-76.93	-70.86	2.6	2.0	2.2	2.1	0.3	-	14.3	40.2	35.9	23.6	-0.2
Household & Personal Products	0.45	-0.26	-0.49	2.47	7.1	10.3	7.3	6.9	0.9	5.2	50.7	28.2	10.4	-7.8	0.1
Insurance	4.32	-7.93	22.89	35.43	12.4	7.0	5.2	5.6	0.6	3.7	9.1	34.9	6.3	19.7	-0.8
Materials	4.69	-3.17	7.69	-14.20	9.7	9.0	8.5	7.6	1.6	6.3	19.6	21.2	13.6	10.4	0.5
Pharmaceuticals & Biotechnology	1.28	-3.76	-5.52	-13.43	11.5	10.1	8.8	7.7	2.0	4.5	22.0	46.1	16.4	12.5	-0.2
Real Estate	11.10	-9.19	-5.66	-10.93	13.1	9.2	6.2	5.5	0.8	7.7	10.0	44.2	35.2	26.2	0.9
Retailing	1.37	-6.52	-10.53	-16.19	10.4	11.0	9.0	8.0	3.5	6.0	31.0	13.1	4.7	3.0	0.3
Software & Services	0.15	-1.20	-3.37	45.57	26.5	28.4	20.2	19.5	1.6	7.4	5.4	14.4	3.2	1.1	1.1
Telecommunication Services	1.66	-4.71	0.05	4.50	9.5	8.9	7.3	6.3	2.0	6.8	27.1	19.4	8.4	-55.5	0.1
Transportation	1.87	-5.81	0.73	1.15	9.2	9.5	11.0	7.8	1.9	5.9	21.2	28.0	21.4	17.5	0.1
Utilities	1.77	-6.39	-4.51	-8.18	21.8	8.3	7.0	6.9	1.3	5.2	17.9	36.6	28.6	69.2	0.1

\* It is generated by VAM in-house Company Analysis System - VCAS at of 31st August, 2015 comprising of both bourses

## Vietnam Emerging Market Fund (VEMF Cayman)

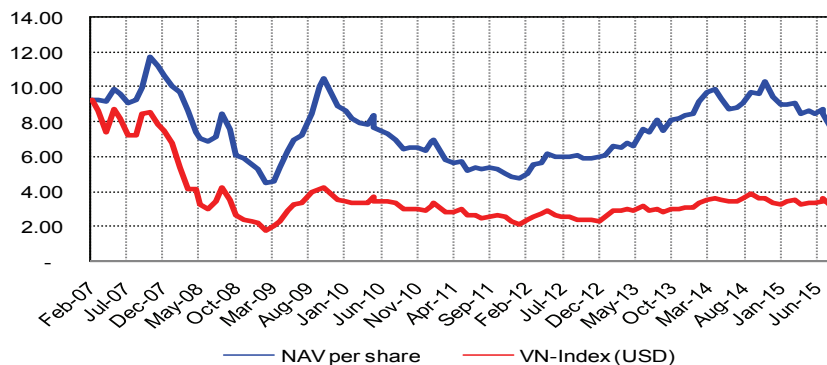
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

In this eventful August, VN-Index dropped 11.8% MoM in USD term due to increasing volatility caused by the unprecedented devaluation of Chinese RMB, followed by significant devaluation of VND against USD. Accordingly, our fund lost 9.4% but outperformed the market by 2.4%.

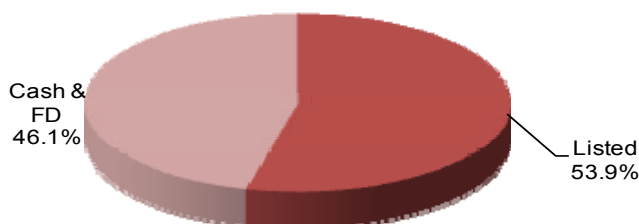
### Fund performance

NAV per share	US\$7.65
Aug-15	-9.36%
YTD	-14.81%
Since inception (Feb 07)	-17.39%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

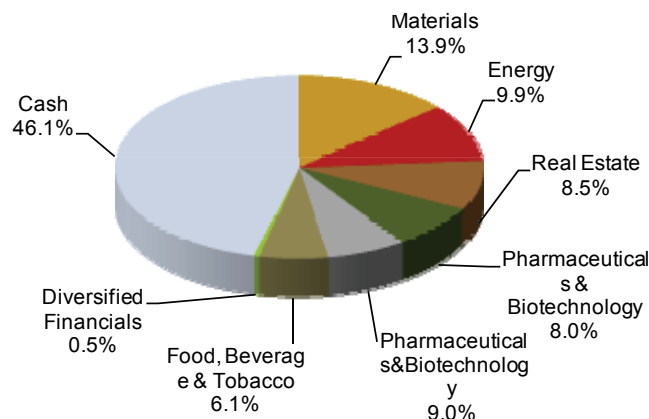
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

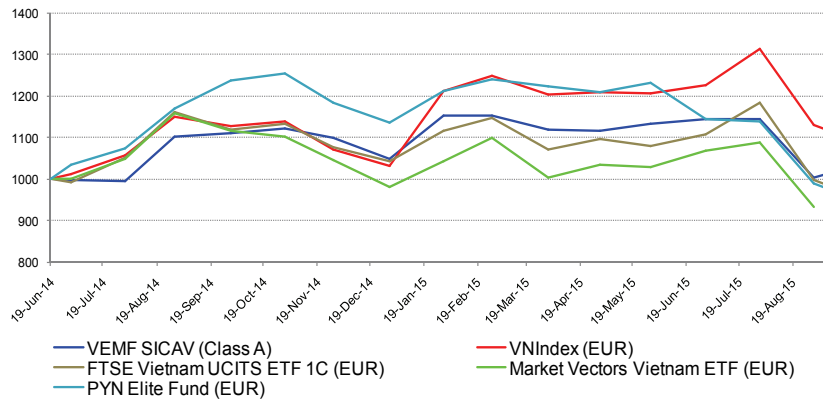
VEMF SICAV is a Luxembourg-incorporated UCITS compliant open-ended fund with daily liquidity for European investors. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

In August, VN-Index dropped 14% MoM in EUR term due to increasing volatility and 5.4% strengthening of EUR against VND. Accordingly, our fund lost 12.4%, but outperformed the market by 1.6%.

### Fund performance

	Class A	Class B
NAV per share	EUR 1,020.06	EUR 1,003.21
Aug-15	-12.40%	-12.44%
YTD	-6.33%	-6.37%
Since inception (Jun 19, 2014)	2.00%	0.30%
Reuters	68266524	68266525
Bloomberg	IPCVEMA LX	IPCVEMB LX
ISIN	LU1042536018	LU1042536281
Securities No.	A1XE8U	A1XE8V

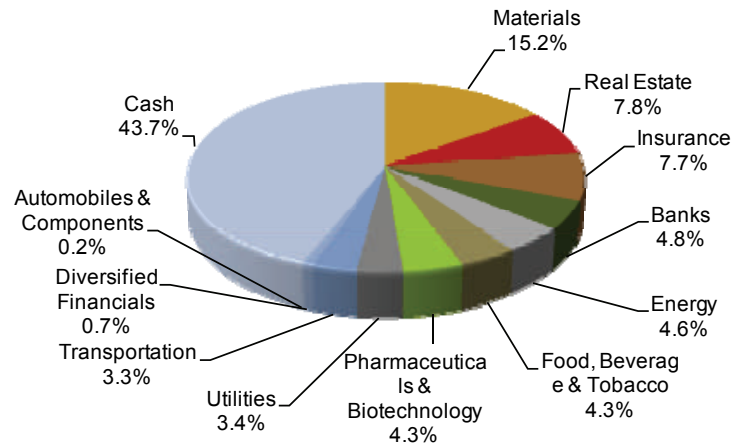
### Performance of Class A vs. VN-Index (EUR) and ETFs (EUR)



### Fund Breakdown



### Sector Breakdown



### VAM upcoming trip

Mr. Minh Nguyen, our Fund Manager, will be making a roadshow trip to Europe on 14th - 18th September, 2015 (please refer to the schedule herewith). If you have an interest in our funds and would like to meet with Mr. Nguyen, please contact us at [bd@vietnamam.com](mailto:bd@vietnamam.com).

### Itinerary

14th September	Helsinki
15th September	Luxemburg
16th - 17th September	Stockholm
18th September	Antwerp and Amsterdam

### Disclaimer:

The current Sales Prospectus, the Key Investor Information Document (KIID), the Articles of Association as well as the annual and semi-annual reports of the Vietnam Emerging Market Fund SICAV ("the Fund") are the sole binding basis for the purchase of fund shares. These documents can be obtained in English and free of charge from the Fund Manager's website ([www.vietnamam.com](http://www.vietnamam.com)) and the Management Company's website ([www.ipconcept.com](http://www.ipconcept.com)), the source of NAV.

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