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## Market Update

Affected by the “Sell in May, go away” mentality and the reoccurrence of the East Sea tension, the market tumbled to the 5-month low of 528 on 18<sup>th</sup> May. Fortunately, sentiment improved after the sharp correction as the market recovered steadily towards the month-end. Closing the month, the VN-Index and HNX managed to record a modest gain of 1.28% and 0.58% at 569.6 and 83.23, respectively, whilst the VN30 experienced a small drop of 0.65% at 589.3.

### Healthy retail sales growth rate largely driven by low inflation

CPI slightly accelerated from 0.14% MoM in April to 0.16% MoM in May due to several consecutive electricity and gasoline price hikes. Accommodation and construction material sub-index was the leading mover with 1.27% MoM increase, followed by transportation with 1.02% MoM. However, YTD inflation as at end of May still came in low at merely 0.2%, way below the FY2015 inflation target of 5%. Stable nation-wide price level, coupled with improving consumption, has helped 5M2015 real retail sales to advance at four-year-high at 8.2% YoY over the same period last year, much higher than the real growth rate of 6%YoY recorded for 5M2014.

### Manufacturing activities hit new high

Index of Industrial Production advanced 9.2% YoY in 5M2015, significantly surpassing the growth rate of 4.9% YoY and 5.7% YoY in 5M2013 and 5M2014, respectively. Likewise, strong growth of new orders and consequently manufacturing outputs caused the May's HSBC PMI indicator to soar to 54.8, the new series-record high since its first launch in April 2011. This indicates that conditions in manufacturing economy have been improving for 21 consecutive months.

### Real estate sector is gradually warming up

According to the Ministry of Construction, real estate inventories have reduced notably from VND 94trn (USD 4.3bn) as at end of last year to VND 67trn (USD 3.1bn) as at 20<sup>th</sup> May 2015, of which land plot and apartment inventories account for 47% and 29%, respectively. Besides, credit to real estate sector rose

quite rapidly at 10.5% YTD to VND 333trn (USD 15.2bn) as at end of March 2015. These signaled that the real estate market is indeed gradually recovering.

### Credit growth accelerating whilst VAMC rushing to purchase bad debts to meet the deadline

Whilst credit growth was very sluggish at merely 1.11% YoY in 5M2014, it has advanced 4.26% YoY in 5M2015 largely due to (1) increasing borrowing demand, such as from real estate developers, exporters, etc, and (2) raising LDR ceiling from 80% to 90% for state commercial banks and foreign banks' branches under Circular 36. On the other hand, since beginning of the year, VAMC has purchased VND 47trn (USD 2.2bn), completing 59% of the 2015 plan. As VAMC is requested to complete 75% of the 2015 plan by 30<sup>th</sup> June 2015, next month would be a busy month for VAMC.

## Our view

Though experiencing a sharp correction in the first half of the month, the VN-Index and HNX indices ended May up versus last month's closes thanks to improving macro economy, foreign net buying streak and positive news on the progress of TPP. The record high PMI indicator and positive Index of Industrial Production growth once again confirm that consistently improving manufacturing activities are the key driving force for economic recovery. As US Senate passed the Trade Promotion Authority to President Obama, it is one step closer to the agreement conclusion for the Trans-Pacific Partnership and lends hope that the signing could be conducted within this year. We maintain our positive view on the economy and continue to overweight stocks in Real Estate, Construction Material and Consumers sectors that are beneficial from the economic recovery.

## Macro Statistics

	YTD 2015	FY 2014	FY 2013
GDP Y-o-Y (1Q2015)	6.03%	5.98%	5.40%
Credit Growth	4.26%	12.62%	12.51%
Industrial Production Y-o-Y	9.20%	7.60%	5.90%
Real Retail Sales Y-o-Y	8.20%	6.30%	5.50%
CPI	0.20%	1.84%	6%
Trade Balance (USD bn)	-3.00	2	0.86
Disbursed FDI (USD bn)	4.95	12.4	11.5
Exchange rate (USD/VND)	21,840	21,405	21,125
HSBC PMI (in May)	54.7	52.7	51.8
Net foreign buying (USD mn)	158	172	321

## VNIndex (VND)



Sources: GSO, Vietcombank, HOSE

## 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
Automobiles & Components	0.8	3.2	4.5	9.2	15.7	11.1	9.4	8.0	2.0	3.0	24.8	31.7	24.7	20.8	0.7
Banks	28.0	10.3	5.7	31.5	17.8	16.0	13.9	11.9	1.6	3.6	10.5	40.7	15.2	10.6	11
Capital Goods	2.5	-3.2	-2.3	-1.9	16.4	8.1	7.1	7.0	1.4	6.3	18.5	33.4	16.4	19.1	0.1
Commercial Services & Supplies	0.6	0.6	2.8	3.8	17.2	10.2	8.1	7.6	1.7	2.9	18.8	28.1	16.3	13.5	-0.2
Consumer Durables & Apparel	0.7	2.7	9.0	10.2	14.3	11.3	8.1	11.2	2.0	3.0	19.7	15.6	8.7	4.6	0.8
Consumer Services	0.4	-2.8	-10.7	-16.6	17.6	11.7	10.0	9.0	1.9	-	20.3	58.9	39.0	32.1	-
Diversified Financials	1.9	2.0	-15.0	-14.0	12.3	10.8	10.1	9.1	1.2	5.2	11.0	59.3	52.2	50.4	-0.6
Energy	15.6	-4.9	-18.3	-9.2	8.0	10.7	9.6	8.5	2.5	4.8	25.0	20.5	16.4	13.8	-0.4
Food, Beverage & Tobacco	19.3	-0.5	2.1	9.3	16.5	14.2	12.7	11.1	4.1	4.5	30.0	36.0	18.1	16.2	-0.3
Health Care Equipment & Services	0.1	4.3	2.8	26.3	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.5	1.6	-0.7	3.0	7.3	10.1	7.0	6.5	1.9	5.1	22.9	26.5	10.1	-4.4	0.1
Insurance	3.4	2.1	-0.1	10.2	10.7	8.3	7.1	7.1	1.0	2.9	12.2	22.8	-0.2	18.9	-0.9
Materials	5.0	-12.1	-15.8	-20.3	9.4	8.4	7.8	7.1	1.4	6.4	19.4	21.2	13.2	10.2	0.6
Pharmaceuticals & Biotechnology	1.5	-6.4	-8.4	-8.4	13.0	11.5	10.4	9.2	2.3	4.2	21.9	44.9	16.2	12.5	-0.2
Real Estate	12.1	-3.6	-8.0	-5.6	17.1	12.3	6.6	6.3	1.0	6.0	9.7	44.3	35.2	26.4	0.9
Retailing	1.7	-9.3	-21.9	-6.3	11.7	10.2	8.7	7.8	3.4	5.6	32.5	13.7	4.9	3.3	0.1
Software & Services	0.2	11.8	36.7	50.7	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.8	-12.1	-10.0	-8.5	7.7	6.1	5.0	4.2	1.6	6.7	32.1	19.4	9.9	-69.7	-0.2
Transportation	2.0	-0.3	-2.7	0.4	9.3	11.6	10.6	9.7	1.9	5.5	22.2	28.0	21.6	18.1	-
Utilities	2.1	-1.2	-1.1	-3.9	7.9	9.4	7.4	7.7	1.3	4.9	14.8	34.2	30.5	29.4	-0.1

As at 29 May 2015

\* It is generated by VAM in-house Company Analysis System - VCAS at of 29 May, 2015 comprising of both the HOSE and the HSX

## Vietnam Emerging Market Fund (VEMF Cayman)

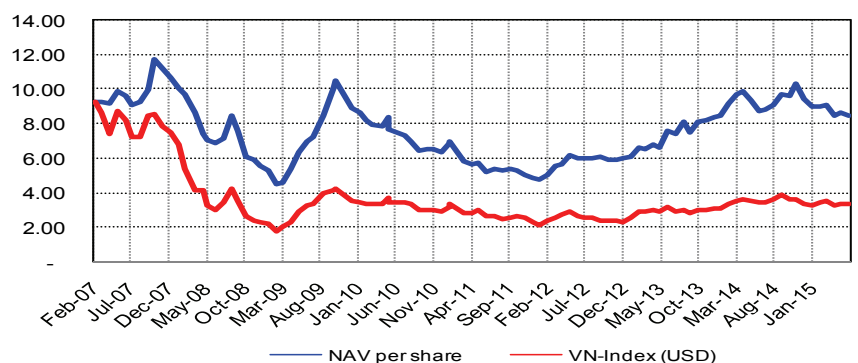
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end May, the Fund's NAV was at \$8.45 per unit, down 2.4% MoM. VEMF underperformed the index by 2.6% MoM due mainly to the fact that we are still underweighting the banking sector, that we are still remaining cautious over its on-going consolidating and restructuring process. Year-to-date, the Fund underperformed the index by 8.24%. During the month, we marginally increased our weighting in real estate sector. As at end of May, the Fund was 98% invested.

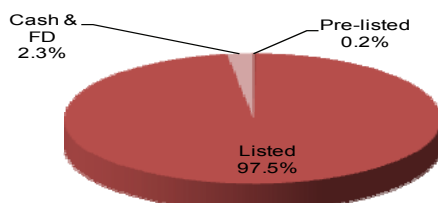
### Fund performance

NAV per share	US\$8.45
May-15	-2.4%
YTD	-5.9%
Since inception (Feb 07)	-8.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

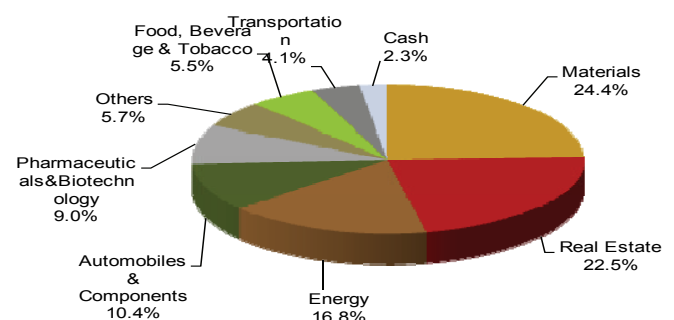
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



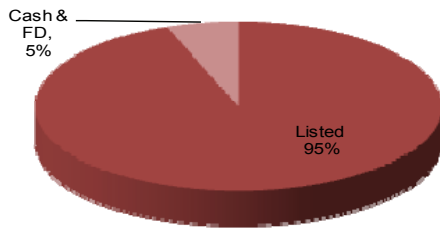
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B
NAV/share at inception (Jun 19, 2014)	EUR 1,000.00	EUR 1,000.00
NAV/share May 29, 2015	EUR 1,135.16	EUR 1,117.73
Reuters	68266524	68266525
Bloomberg	IPCVEMA LX	IPCVEMB LX
ISIN	LU1042536018	LU1042536281
Securities No.	A1XE8U	A1XE8V

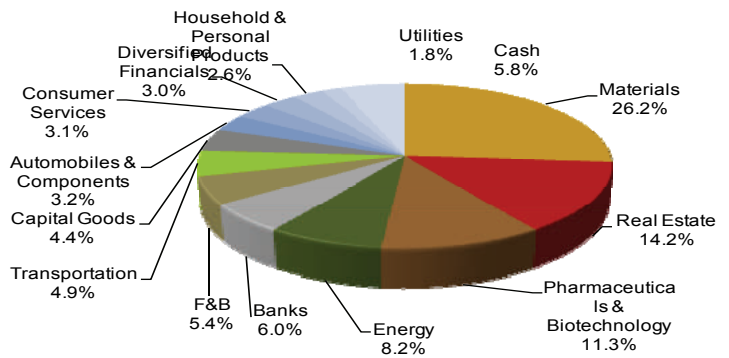
VEMF SICAV is a Luxemburg-incorporated UCITS compliant open-ended fund with daily liquidity for European investors. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

Kindly note that this UCITS Fund does not have sufficient performance data for one complete calendar year in order for the fund manager to provide a useful indication of past performance to investors. We shall only provide the Fund's performance data after its first twelve months of operation, in accordance with the Commission Regulation (EU) No. 583/2010 of 01 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council.

### Fund Breakdown



### Sector Breakdown



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