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## Market Update

Market sentiment recovered fairly well through the month with the good news of finally concluded TPP negotiation in early October. The TPP's effect has added fuel to upheave the market with average daily trading value increasing sharply, up 31% MoM on Ho Chi Minh Stock Exchange and 18% MoM on Ha Noi Stock Exchange. Foreign investors turned net buyers after being net sellers in September. Closing the month, VN-Index successfully passed 600 level and reached 607.4 points, up 8% MoM meanwhile HNX-Index also increased to 82.2 points, up 5.5% MoM.

### **FDI disbursement nearly doubled MoM in October; PMI recovered to 50.1**

TPP's effect has started to show with strong surge of FDI flows to the country in the last few months. Registered FDI in 10M15 jumped by 41% YoY to US\$19.3bn; while FDI disbursement reached US\$11.8bn YTD, up 16.3% YoY. Total disbursed value in October was recorded at US\$2.1bn, nearly doubled September's figure of US\$1.2bn. FDI sector continued their leading position in exports activities, contributed 70.3% to total export turnover of US\$14.4bn in the month. The manufacturing sector also signalled improvement with Nikkei Vietnam Manufacturing PMI reading slightly bouncing back to 50.1 in October indicating the sector returned to its 2-year expansion, after the only month of contraction in September.

### **Budget deficit reached VND158trn YTD (US\$7.1bn)**

The Minister of Finance projected that budget deficit would hit VND226trn in FY2015 (~US\$10bn or 5% of official GDP forecast). Meanwhile, due to unattractive bond yield and long maturity (currently set at 5 years and above), the Government has had a tough time getting new funds via GB issuance to finance the budget and repay matured bonds. In this month, the Government had to urge National Assembly to grant approval for issuance of US\$3bn of new GBs with shorter maturity (less than 5 years) from November to repay matured bonds and restructure outstanding loans. It is possible that the Government may fail to fulfill its 2015 GB issuance plan (issued ~US\$5.7bn in 9M15, meeting only 51% of FY15 plan). To tackle the issue, the Government is also applying other measures such as pushing collection of delayed corporate taxes (mounted up to US\$3.4bn as at end of September 2015) and utilizing

part of State's capital divested from state-owned enterprises.

### **State Capital Investment Corporation (SCIC) to sell stakes in 10 investments including blue chips**

On 8<sup>th</sup> October, the Government directed SCIC to fully divest from 10 enterprises, including some blue chips and full-foreign-room companies. This news immediately caught significant attention of investors given the underlying companies, and also because some of to-be-divested companies were believed to be long-term investment of SCIC based on a restructure plan approved back in December 2013. However, no specific announcement on divestment process and timeline has been made. Total divested value was estimated at about US\$3bn at market price then. This would be used as a funding source for current budget deficit and social programs. We think divestment process will start next year, the earliest.

## Our view

Strong surge of FDI inflows under TPP's effect, improved manufacturing activities, credit growth and GDP growth on track to reach FY15 target of 16.5% - 17% and 6.5% respectively, have consolidated sound fundamentals for the market's uptrend. Major FY2016 targets were set in recent meeting of National Assembly with GDP growth at 6.7% and CPI below 5% while budget deficit narrowed to 4.95%, mildly improved against 5% set for FY2015. For longer term 2016-2020, the Government proposed GDP growth target at 6.5%-7% p.a. This indicated pro-growth policy is expected to continue well after the election early next year given Vietnam's one ruling party system. The Government has also showed strong determination in increasing market liquidity and attractiveness, especially to foreign investors, with several actions taking place such as facilitating implementation of FOL opening, the government divestment plan and a more aggressive privatization schedule for next few years. Though still having concern on the budget deficit issue, with all these factors combined, we keep a positive view on the market in mid to long-term.

## 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	100.0	8.0	-3.1	11.3	16.7	14.4	12.2	11.0	2.5	4.3	17.6	35.0	18.5	16.9	4.5
Automobiles & Components	1.2	6.7	0.6	0.8	13.4	8.6	9.3	8.9	2.3	7.1	21.9	27.0	21.7	17.1	0.4
Banks	34.1	8.2	-3.4	48.2	19.1	17.2	14.8	12.9	2.0	3.0	11.4	41.7	16.0	11.3	13.3
Capital Goods	2.5	14.7	8.0	18.4	11.9	10.6	9.3	8.1	1.8	4.6	17.1	32.6	16.6	15.6	0.1
Commercial Services & Supplies	0.7	12.2	14.1	18.1	17.1	10.7	8.7	8.0	2.2	2.8	20.9	27.9	16.4	13.4	-0.2
Consumer Durables & Apparel	0.7	2.4	-3.4	19.0	15.6	8.2	7.7	25.8	2.0	3.3	10.9	16.0	9.1	3.2	0.8
Consumer Services	0.3	8.4	-16.8	-33.5	11.1	10.8	8.9	7.8	2.3	-	25.3	62.0	45.1	35.0	-0.5
Diversified Financials	2.2	2.4	-7.0	-6.2	16.4	14.5	13.4	12.0	1.6	4.5	11.5	61.2	53.5	52.2	-0.7
Energy	11.2	6.5	-16.2	-27.3	6.4	9.1	9.2	8.3	1.9	6.3	22.5	20.1	15.6	12.8	-0.5
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	17.1	9.1	2.8	25.5	24.1	18.5	16.9	14.9	5.9	4.4	31.1	36.3	18.6	16.3	-0.3
Health Care Equipment & Services	0.1	12.6	-32.5	-69.1	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.6	4.1	12.0	14.7	9.8	10.0	8.5	8.0	1.7	3.9	18.2	25.6	13.5	11.3	0.1
Insurance	4.3	32.6	16.3	78.1	16.3	13.2	11.3	11.7	1.6	1.8	12.3	21.7	-0.6	18.9	-0.9
Materials	5.2	7.5	1.7	-8.0	10.5	8.9	7.8	7.2	1.6	6.8	20.3	21.7	14.6	11.3	0.5
Pharmaceuticals & Biotechnology	1.3	3.2	-3.7	-12.3	11.9	10.2	9.0	7.7	2.2	4.4	22.4	46.7	16.4	12.9	-0.2
Real Estate	11.4	8.4	-1.6	-2.7	16.3	13.3	7.2	5.9	1.0	5.7	9.3	44.9	34.8	28.9	0.9
Retailing	1.4	19.0	5.8	-4.1	11.3	11.9	10.5	9.1	3.5	5.3	33.6	12.9	4.6	3.4	0.3
Software & Services	0.2	9.9	19.0	76.4	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.8	7.6	3.9	14.0	10.6	10.0	8.2	7.1	2.2	6.1	23.4	19.4	8.4	5.2	0.1
Transportation	2.1	17.3	15.5	24.4	9.9	11.4	10.6	9.6	2.8	5.0	25.4	32.9	26.4	22.0	-
Utilities	1.9	4.4	-4.0	-5.2	25.4	8.8	7.6	7.5	1.3	4.8	18.8	37.1	27.8	84.0	0.2

\* It is generated by VAM in-house Company Analysis System - VCAS at of 30th October, 2015 comprising of both bourses

## Vietnam Emerging Market Fund (VEMF Cayman)

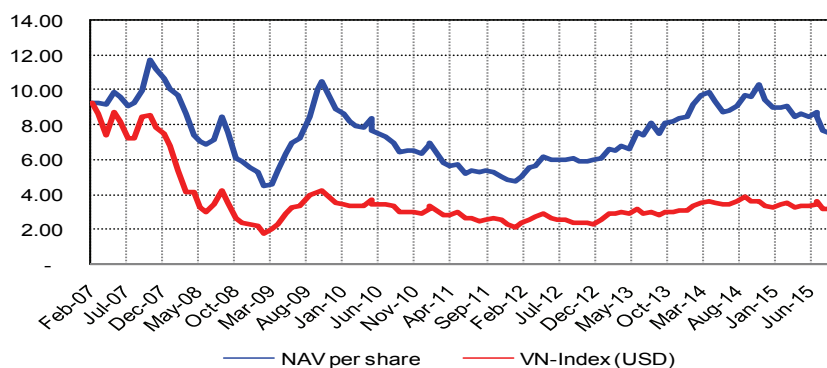
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

In October, the Fund increased 9.7% MoM, outperformed the VN-Index, which was up 8.6% MoM in USD term. This month, the market was excited with a slew of positive news such as signing of TPP deal, strong FDI inflows, government divestment plan and generally good Q3 business results released during the month. Most of TPP-related sectors moved up significantly.

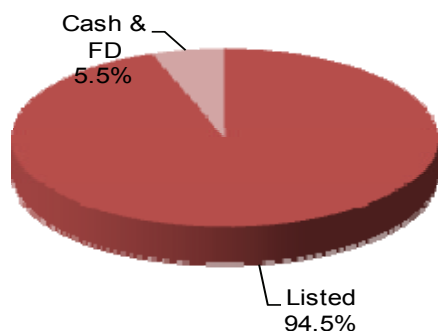
### Fund performance

NAV per share	US\$8.27
Oct-15	9.68%
YTD	-7.91%
Since inception (Feb 07)	-10.69%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

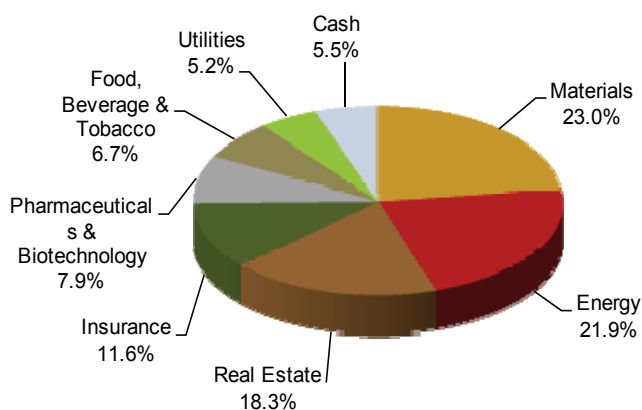
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

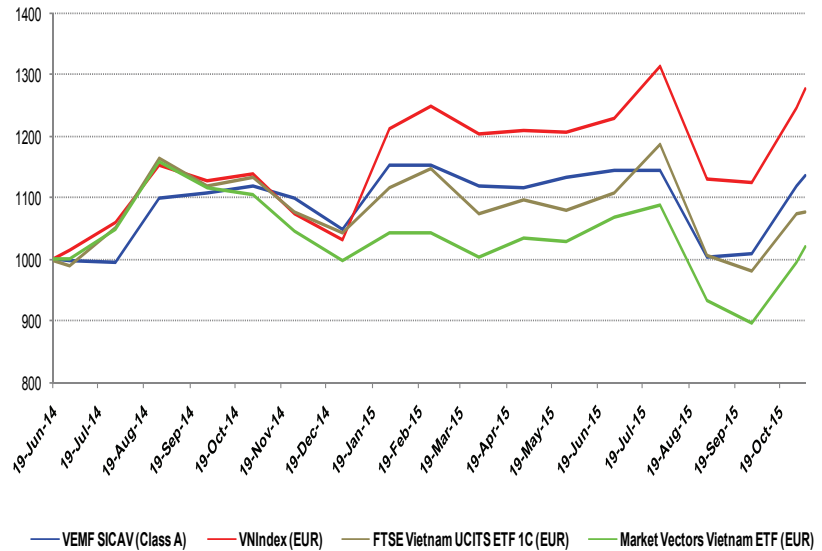
VEMF SICAV is a Luxembourg-incorporated UCITS compliant open-ended fund with daily liquidity for European investors. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

The Fund increased 11% MoM, slightly outperforming the VN-Index, which was up 10.9% MoM in EUR term this month.

### Fund performance

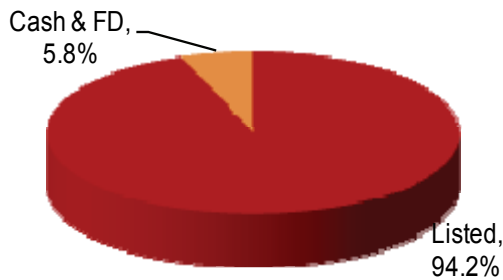
	Class A	Class B
NAV per share	EUR 1,120.40	EUR 1,101.94
30-Oct-15	10.98%	11.03%
YTD	6.74%	6.70%
Since inception (Jun 19, 2014)	12.04%	10.19%
Reuters	68266524	68266525
Bloomberg	IPCVEMA LX	IPCVEMB LX
ISIN	LU1042536018	LU1042536281
Securities No.	A1XE8U	A1XE8V

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

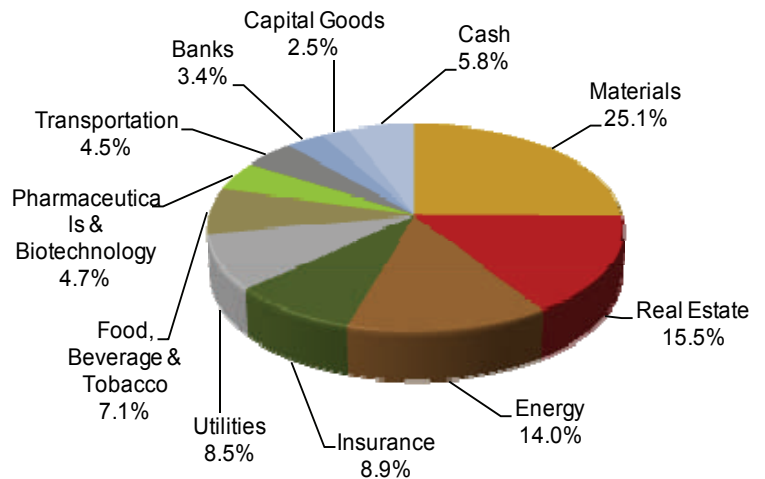


Source: Bloomberg, HOSE, VAM, HSBC exchange rate

### Fund Breakdown



### Sector Breakdown



Source: Union Investment Financial Services S.A.

#### 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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