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Market Update

After certain volatility seen in the first half of August, the VN-Index had in general an uptrend move in the second half and closed the month at 674.63 points, slightly lower than the 8-year high of 675.12 points reached on 13 July 2016. Investor sentiment was brightened with news on clearer plans for state divestments and expected-to-speed-up large SOE IPOs in the coming time. Positive macro data for 8M2016 also helped. Though overall liquidity decreased 16% MoM in August with daily average trading value at US\$130mn, the VN-Index recorded an increase of 3.4% MoM while the HNX-Index gained 0.8% MoM to 84.38 points.

Government approved investment plan for 21 big state-level programs for 2016-2020

The Government recently approved an investment plan for 21 major state-level programs targeting priorities for the 2016-2020 period, such as sustainable development for rural area and agriculture; upgrading infrastructure, especially for economic zones and industrial parks; dealing with climate changes and environment protection; improving education access and electricity distribution for rural and remote areas; etc. Noteworthy, out of the 21 programs, the Ministry of Agriculture and Rural Development manages 3 with total investment budget of US\$29bn. The Ministry of Planning and Investment comes next with 2 programs at combined budget of US\$12.8bn. Meanwhile, the Ministry of Culture, Sports and Tourism manages 2 smaller ones at US\$2.2bn in total and the Ministry of Health also has 2 under management at nearly US\$2bn for both. In addition, the Ministry of Industry and Trade receives US\$1.4bn for 1 program and the Ministry of Defense gets US\$1.2bn. Two environment related programs under management of the Ministry of Natural Resources and Environment gets US\$930mn. Big part of the funding for the programs is from non-state sources and ODA.

Large SOE IPOs and state divestments boosted stronger by the Prime Minister

A series of announcements by Government officials following the PM's directive in the latest regular monthly cabinet meeting on 29 August regarding state divestments and large SOE equitisation have been eagerly echoed in media recently. The PM again urged regulatory bodies to speed up planned state divestments from the 10 SOEs including BMI, VNM, FPT, BMP, etc. On the same note, the Ministry of Industry and Trade (MOIT) as directed announced a couple of days back its divestment plans from Sabeco and Habeco – the No.1 and No.3 breweries in Vietnam (both had IPO in 2008 and the stocks have been inactively traded in OTC market). The divestments from Sabeco would be in 2 tranches. 1st divestment would be in 2016 with 53.59% of stake (value estimated at ~US\$1.2bn) and its remaining holding of 36% of stake would be divested in 2017 after the stock is listed on an exchange. As for Habeco, MOIT plans to fully divest its holding of 81.79% of stake (estimated at ~US\$404mn) within 2016. If listed, Sabeco would join VNM and MSN as top 3 largest consumer stocks in the market. Furthermore, the Ministry of Finance has also been assigned to propose pilot cases of engaging international valuation

services operating in Vietnam in the process of coming large SOE IPOs. Deadline of the assignment is mid September 2016, indicating that the Government is taking a much more serious stance on large SOE equitisation and a sense of urgency.

New trading rules on both bourses from 12 September 2016

Some new trading rules were officially announced by both main bourses in late August and will become effective from 12 September 2016. Key takeaways are (1) maximum number of trading shares/fund units per order will be 500,000 from currently 19,990; (ii) step prices for shares and close-ended fund units will be tenfold smaller to VND10, 50 and 100 while step prices for ETF on HOSE will be VND10 and on HNX VND1 for all of prices; (iii) investors will not be allowed to cancel/amend orders in the periodical trading sessions on HOSE, and orders in closing periodical trading session (including orders that are unmatched and still effective in previous continuous trading session) on HNX; (iv) suspended stocks will be traded after 25 days (currently 45 days); and (v) trading band of suspended stocks in the first trading day will be +/-20% (currently stipulated by respective bourse with SSC approval on a case basis). These changes aim to increase trading flexibility, efficiency and liquidity for the market.

Our comment

August received several pieces of supporting news from both the economy and the market. On macro level, the country attracted nearly US\$10bn of disbursed FDI for 8M2016, up 8.9% YoY. Trade balance recorded a surplus of US\$2.45bn for the same period, which made initial forecasts of FY2016 deficit of US\$4-5bn by several organizations outdated. These factors apparently support VND stability at least to the yearend. Manufacturing also sent encouraging signals with August PMI read at 52.2 from 51.9 in July, showing a slightly faster expansion pace. Meanwhile, CPI in August was almost flat at +0.1% MoM (vs. 0.13% in July), bringing YTD figure to 2.58%. This further confirmed inflation risk for this year has diminished. On the market side, we think market attractiveness will be enhanced significantly if announced plans by the state are executed properly and adhere to the schedule. Noteworthy, DMC has become the first pharmaceutical company officially opening foreign room to 100% giving hope that other major players in the sector would follow suite (DHG has already voiced out that they were monitoring DMC for their own case). Albeit some external risks such as oil price fluctuations, Fed rate hike and delay or failure of TPP hovering over the market (as in elsewhere), we keep a positive view on Vietnam market on solid fundamentals and ongoing improvements.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2015 PE	2016 PE	2017 PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	1.7	8.0	14.1	15.9	14.5	12.8	2.9	4.4	20.0	16.3	3.8
Automobiles & Components	1.3	-8.3	-5.1	-1.3	9.9	7.8	6.9	1.6	8.0	27.2	19.7	0.6
Banks	26.7	-1.1	3.9	3.3	16.0	16.1	11.9	1.8	3.5	11.5	11.2	14.0
Capital Goods	3.8	2.3	14.2	28.3	14.1	10.9	11.5	2.3	4.1	22.0	17.7	0.1
Commercial Services & Supplies	0.9	8.1	25.4	32.1	20.5	13.5	11.3	2.8	2.0	22.5	26.2	-0.2
Consumer Durables & Apparel	1.4	-27.2	-26.6	-9.5	24.3	14.5	15.6	2.6	2.7	17.3	4.7	0.7
Consumer Services	0.2	-5.1	2.5	22.1	8.9	9.1	8.4	1.8	-	23.9	29.4	-0.2
Diversified Financials	1.8	-4.7	2.2	3.2	12.7	15.4	12.3	2.4	4.5	9.1	40.8	0.1
Energy	11.3	3.6	10.1	62.3	13.3	16.4	14.9	2.6	4.8	15.3	11.7	-0.3
Food, Beverage & Tobacco	20.1	8.8	15.3	11.3	21.1	17.5	17.5	6.5	2.9	38.8	21.9	-0.3
Health Care Equipment & Services	0.0	-26.3	-30.1	-48.2	-	-	-	-	-	-	-	-
Household & Personal Products	0.8	4.0	11.5	55.7	12.0	12.2	9.1	4.2	3.7	0.4	9.2	-0.1
Insurance	4.5	-0.3	4.4	13.8	13.0	11.0	11.2	1.4	1.8	13.6	20.8	-0.8
Materials	5.8	6.2	17.4	30.1	10.3	9.2	8.8	1.8	6.1	21.7	12.3	0.4
Pharmaceuticals & Biotechnology	1.7	8.1	22.2	50.7	15.8	14.0	13.1	3.1	3.0	24.2	12.5	-
Real Estate	10.8	-4.1	2.9	5.9	16.7	12.0	10.2	1.0	9.0	9.8	21.8	0.4
Retailing	2.2	2.7	41.1	47.9	17.2	14.8	13.2	5.1	1.2	45.9	1.7	0.6
Software & Services	1.7	4.4	8.9	18.7	10.0	9.7	8.7	1.6	4.8	17.6	5.0	0.2
Technology Hardware & Equipment	0.0	6.5	67.7	70.4	20.2	-	-	-	-	-	-	-0.5
Telecommunication Services	0.1	-10.4	-5.0	-5.9	8.7	5.1	4.2	0.4	-	14.5	9.4	0.2
Transportation	2.8	6.8	6.5	8.3	14.0	11.8	10.5	2.4	4.5	23.5	19.8	0.1
Utilities	2.2	1.3	5.8	13.7	8.9	9.1	9.2	1.5	8.7	16.9	26.0	0.6

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses, as of 31 August, 2016

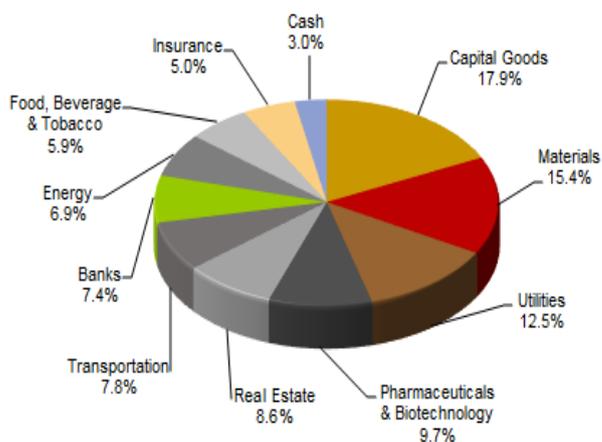
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

As of 31 Aug	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1,217.35	EUR 1,190.1	USD1048.74
Aug-16	2.7%	2.7%	4.9%
YTD	17.7%	17.3%	-
Since inception	21.7%	19.0%	4.9%
Bloomberg	IPCHEMA LX	IPCHEMA LX	IPCHEMA LX
ISIN	LU1042536018	LU1042536281	LU1218444351
Securities No.	A1XE8U	A1XE8V	A14RPQ

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

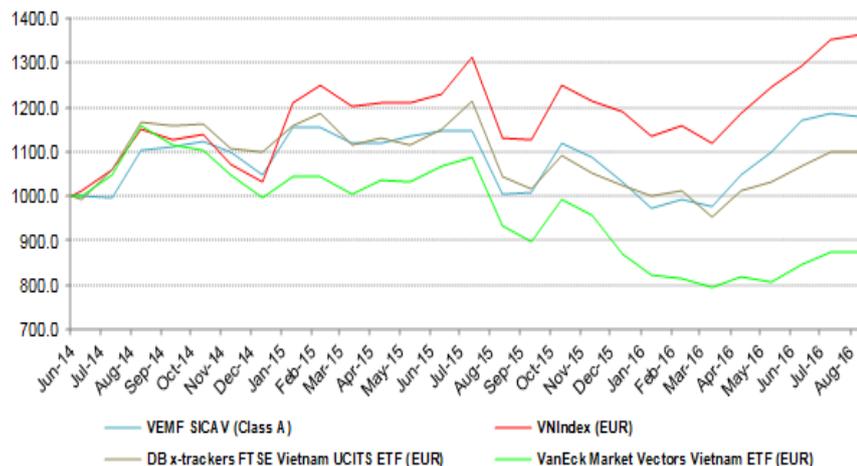
In August, the Fund increased 2.7% MoM, significantly outperformed the VN-Index by 1.8%, the DB x-trackers Vietnam ETF by 2.5% and the VanEck Market Vectors Vietnam ETF by 2.8% (all in EUR term). Year-to-date, the Fund also outperformed the VN-Index and the peers by 2.9%, 10.3% and 17.3%, respectively.

Sector Breakdown



Source: Union Investment Financial Services S.A.

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



Source: Bloomberg, HOSE, VAM, HSBC exchange rate

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) and the Management Company’s website (www.ipconcept.com).

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