

In this issue

- Market update
- Our comment
- Sector valuation
- [VEMF SICAV \(UCITS-compliant fund\) fact-sheet](#)

Market Update

The market had a strong surge in the first half of July with the VN-Index reaching 8-year high at 675 points on 13th July. It then entered a correction phase and closed the month at 652 points. Circular 203 allowing intraday trading for the first time from 1st July 2016 (although with some restrictions) helped improve liquidity as average daily traded value increased to US\$155mn in July from around US\$130mn in previous months. Noticeably, foreign investors were quite active playing as net buyers with total value of approximately US\$52mn during the month. Closing the review period, the VN-Index gained 3.2%MoM while the HNX-Index decreased 1.2%MoM.

Government suggesting 3 scenarios for 2016 GDP growth with the target of 6.7% unlikely to be reached

On the regular cabinet meeting on 2nd August, the Prime Minister suggested 3 scenarios for 2016 GDP growth with 6.7% as the best scenario while the most conservative one 6.27%. Though the PM decided to keep the target of 6.7%, it is widely viewed unlikely. Even so, with the Government's determination to stick with the target, credit growth is expected to accelerate further in 2H (recently mentioned at 18%-20% for FY2016) and interest rate hikes are unlikely in coming months, to spur economic activities. Latest key macro data showed an encouraging outcome for 7M2016 with Nikkei's Vietnam PMI read 51.9 in July extending its expansion mode to 8th month, registered FDI +46.9%YoY and disbursed FDI +15.5%YoY, robust domestic demand (retail sales up 9.4%YoY). Meanwhile, July CPI recorded lowest since February (+0.13%MoM, +2.39%YoY, and+ 2.48%YTD), which somehow relieved concern on return of high inflation this year. Another positive note is the stability of the Vietnamese dong (VND), backed by YTD trade surplus, increasing for-

ign reserves and of course the good job of the country's State Bank. With current outlook, consensus is pointing to 6%-6.3% for 2016 GDP growth as feasible.

Hague ruling on disputed waters between the Philippines and China having favourable implications for Vietnam

Finally, the 3-year arbitration between the Philippines and China on the East Sea (also referred to as the South China Sea) was ruled by the Permanent Court of Arbitration on 12th July in Hague. Accordingly, the Philippines officially gets international recognition and the international tribunal on the ownership of the disputed areas and China has "breached its obligations" on the United Nation Convention on the Law of Sea and has "no legal basis" and evidence to claim the historic rights or other sovereign rights on the waters and resources on the disputed areas. The ruling apparently had positive implications on the ongoing similar dispute between Vietnam and China in the East Sea. The Vietnamese stock market cheered the news with an increase of 2% on 13th July right after the ruling.

New committee to manage largest SOEs proposed

In 1H of July, the Ministry of Planning and Investment (MPI) released a draft decree which lays out the rights and responsibilities of a new committee proposed to manage the largest SOEs. This new committee will report directly to the Government Office. A list of 30 big SOEs which will be transferred to the new committee was also suggested, and interestingly, the State Capital Investment Corporation (SCIC), originally set up with similar functions to the new committee, was also in the list. With the new committee, the Government aims to (i) separate out the State ownership function from the policy making and market regulation function to avoid conflict in Government's functions (as SCIC current case); (ii) concentrate larger SOEs under a centralized function to manage and monitor them more efficiently, and (iii) improve the State utilization of public capital as well as push SOEs reform faster. Total State equity in those 30 enterprises, according to Ministry of Finance, was about VND1,200trn (US\$57bn) while asset value was worth more than VND3,100trn (US\$148bn) as at end of 2015. The MPI is gathering opinions and the draft decree is expected to be proposed to the National Assembly in 3Q this year.

Our comment

Major growth drivers continued to do well this month as Manufacturing sector has been in expansion mode for 8 consecutive months through July, FDI influx continued, and domestic demand remained impressive. Some apparent signs are a very rapid growth of convenient stores in cities across the country by both foreign and local players as well as fast-increasing number of cars in the street in the past few years. Domestic consumption will continue to be an important driver in the coming time amidst external demand slowdown. Furthermore, trade balance kept enjoying an estimated surplus of US\$1.8bn for 7M2016 (vs. a deficit of US\$4.4bn in 7M2015), which played a part in the currency stability YTD. Also, concerns on inflation were relieved to some extent by 6-month-low CPI in July. However, this cannot be ruled out given 2H is historically high season for CPI. In addition, anticipated short-fall of GDP growth in 2016 increased concerns on public debt and budget deficit. On the market side, we see liquidity having improved remarkably after the intraday trading was allowed from the beginning of July. With the strong determination of the new Government to support business and spur growth, we expect to see more meaningful IPOs and State divestments in the time to come, hence enhance the market's size and depth.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2016 PE	2017 PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	5.6	10.5	13.3	17.7	13.4	3.1	4.4	18.9	14.5	3.92
Automobiles & Components	1.2	-8.2	4.9	7.5	8.0	7.1	1.9	8.4	26.8	20.6	0.4
Banks	28.2	8.7	11.3	6.9	24.2	10.8	2.0	3.3	8.8	8.2	14.1
Capital Goods	3.4	7.6	12.2	25.1	13.7	11.1	2.3	4.5	19.4	13.4	0.1
Commercial Services & Supplies	0.7	2.4	25.3	23.4	16.8	11.3	2.9	2.2	21.9	11.7	-0.1
Consumer Durables & Apparel	1.5	-16.9	2.8	14.8	19.0	19.4	2.7	2.8	16.9	4.8	0.7
Consumer Services	0.2	1.6	7.3	25.6	7.6	7.0	2.0	-	24.1	26.8	-
Diversified Financials	1.8	8.1	4.8	8.2	16.5	13.0	2.5	4.2	9.3	42.4	0.1
Energy	11.5	-1.3	16.2	54.2	15.8	14.4	2.4	5.3	14.9	11.5	-0.4
Food, Beverage & Tobacco	19.6	10.3	9.7	3.0	20.3	21.4	7.4	2.5	38.3	18.9	-0.3
Health Care Equipment & Services	0.0	-7.8	-16.4	-33.4	-	-	-	-	-	-	-
Household & Personal Products	0.7	1.5	15.0	53.0	18.7	10.2	4.1	3.0	1.8	7.5	0.1
Insurance	4.5	5.4	9.4	15.4	11.2	11.4	1.4	1.8	13.6	20.7	-0.8
Materials	5.7	3.8	14.9	26.2	8.7	8.3	1.7	6.8	20.8	12.6	0.4
Pharmaceuticals & Biotechnology	1.5	4.2	12.5	41.8	13.5	12.6	3.0	3.3	24.3	12.5	-
Real Estate	11.5	5.2	6.9	11.6	13.5	11.8	0.9	9.2	9.6	20.8	0.3
Retailing	1.7	3.2	44.0	40.0	17.0	14.1	5.3	1.8	43.7	1.5	0.6
Software & Services	1.7	4.9	8.4	14.2	9.4	8.2	1.6	4.7	18.3	5.0	0.3
Technology Hardware & Equipment	0.0	16.3	67.0	67.0	-	-	-	-	-	-	-
Telecommunication Services	0.0	3.5	4.5	4.0	4.2	3.3	0.5	-	23.8	8.6	0.6
Transportation	2.7	2.9	5.4	2.5	11.1	9.7	2.4	4.8	25.7	20.6	0.2
Utilities	2.2	2.3	9.3	12.6	9.0	9.4	1.5	8.7	14.8	26.0	0.6

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses, as of 29 July, 2016

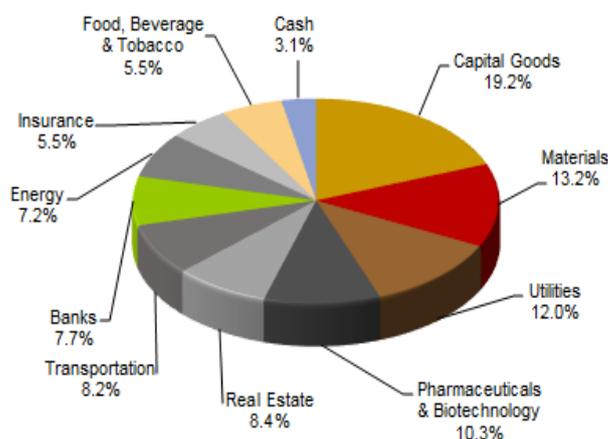
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

As of 29 July, 2016	Class A	Class B
Inception date	19-Jun-14	31-Jul-14
NAV per share	EUR 1185.21	EUR 1159.34
Jul-16	1.3%	1.2%
YTD	14.6%	14.2%
Since inception	18.5%	15.9%
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 subscription and redemption. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

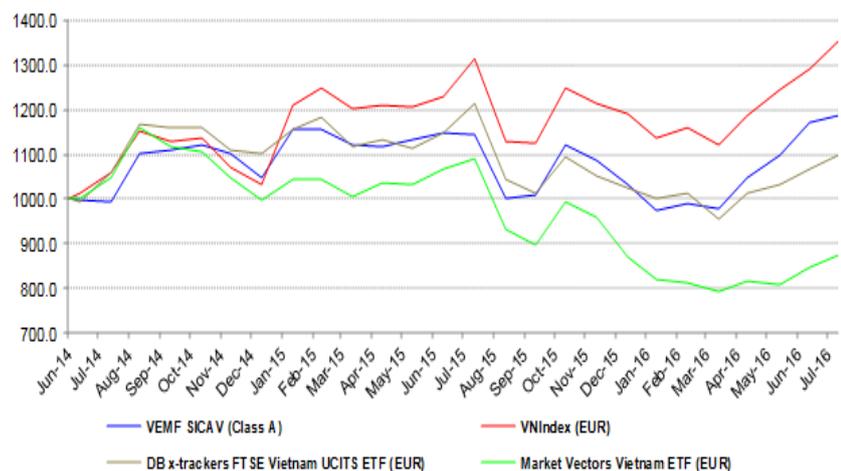
In July, the Fund advanced 1.3% MoM versus an increase of 4.8% MoM of the VN-Index in EUR term. The underperformance was due mainly to the correction of Energy sector in the portfolio as global oil price lost nearly 15% since the end of June. During the month, foreign investors noticeably made a net buy of approximately US\$ 52mn, highest monthly net buy YTD.

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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