

**In this issue**

- Market update
  - Our view
  - Sector valuation
  - VAM funds
  - Fund factsheet:
- \* [VEMF SICAV \(UCITS – compliant fund\)](#)

**Market Update**

The market in general had an uptrend move through the month except a noticeable drop on June 24<sup>th</sup> following the Brexit vote. In fact, on that Friday, the market was even down more than 5% intraday amidst global market turmoil, but eventually regained some lost ground to close the day with a 1.8% loss. Brexit-triggered panic selling here appeared to be short-lived as investors sentiment significantly recovered in the following week on news of post-Brexit stabilizing measures/policies announced by leaders and central banks (BOE, BOJ, etc). The market edged higher in the last few trading days with the VN-Index closing June up 2.2% MoM while the HNX-Index gained 3.4% MoM. Liquidity also increased by 6% MoM to US\$133.6 mn and foreigners played as net buyers with total value of US\$13.6mn.

**Agriculture affected by prolonged unfavorable weather conditions and lower crude oil output dragged 1H2016 GDP growth, but other sectors looked positive**

1H2016 GDP growth was estimated at 5.52%YoY, a deceleration when compared to 6.28% in 1H2015. Minus growth of Agriculture, Forestry & Fishery sector (-0.18% YoY) caused by prolonged unfavourable weather conditions nationwide and massive fish death in 4 provinces in the country's Central region, and a slowdown in Mining sector due to lower crude oil output during the review period were main culprits. However, other sectors had encouraging results. Namely, Service sector raised by 6.35% YoY, reached a 5-year high thanks to continued resilient domestic consumption. Meanwhile, Construction achieved the highest increase in the last 6 years, up +8.8%YoY, and Manufacturing kept its strong performance, up +10.1% YoY. In addition, FDI investment, a key growth driver, continued to be impressive with registered FDI surging +105.4% YoY to US\$11bn while disbursed capital was US\$7.3bn, up +15.1% YoY. On trade front, Vietnam had a surplus of US\$1.4bn (+2% YoY) from the beginning of the year to mid-June on the back of

strong exports by FDI enterprises. These factors helped the State Bank of Vietnam (SBV) to have nicely built up the foreign reserves in the past months and keep the Dong pretty stable throughout volatility in global currency markets, especially after the Brexit. So even though 1H2016 GDP growth was below expectation, with improving weather conditions and current bright macro-economic outlook, FY2016 growth can well reach 6.2%-6.3%, which will already be significant among regional peers. In fact, the OECD forecasted Vietnam would lead ASEAN-5 in term of GDP growth in 2016 at 6.3%.

**Credit growth YTD reached 5-year high, but CPI also caused concern**

After a slow start in 1Q16, credit growth accelerated in 2Q16. According to local media, a representative of SBV recently announced that credit growth was approximately 7% YTD as at end of June, which is the highest figure for the same period in the last 5 years. This implies the government is keen to pursue 6.7% GDP growth target for this year despite all headwinds. Consequently, credit growth will quite likely reach the target of 17%-18% in FY2016 to spur growth. And interest rates are now in general expected not to

increase in the remaining of the year to support business. Another reason for keeping big rate hikes out of question in the coming months is to control inflation. In June, CPI increased 0.46% MoM – the highest June number since 2012, bringing CPI YTD to 2.35%. If this pace persists, full-year CPI may exceed the government goal of keeping inflation under 5%. This will discourage local consumers, hence impacting domestic consumption and affecting economic activities.

**VNX Allshare Index to be launched in October 2016**

In late June, the Ho Chi Minh Stock Exchange and the Hanoi Stock Exchange co-organized a workshop to introduce a new index named the VNX Allshare Index. The new index, which is scheduled to be launched in coming October, will include 388 selective stocks from both bourses based on each stock's status, free float and liquidity. The VNX Allshare Index will represent 87.55% of Vietnamese total listed equity market capitalization and 83.88% of total market liquidity. By launching this first index that tracks performance of both the exchanges, the regulators aim to provide more options to investors, especially foreign ones, to benchmark the whole Vietnamese equity market. This is expectedly the precursor of new products to be launched in the market in the coming time.

**Our view**

Impact of the Brexit vote on the Vietnamese stock market was not very significant. However, implications at the macro-economic level needs more time to assess as things unfold. In general, outlook for Vietnam's economy for FY2016 looks bright despite current headwinds. Although 1H GDP growth of 5.52% was below expectation due mainly to the drag of bad weather affected Agriculture and lower crude oil output, other sectors in the economy did well. Service, Construction and Manufacturing all showed good health with significant growth during the period. This was further confirmed by Nikkei's Vietnam PMI in June read at 52.6 points, indicating solid improvement in manufacturing. Another positive sign is continued strong FDI inflows which have been a major growth driver. In addition, the stability of the Dong in 1H16, esp. after the Brexit vote, bodes well for the country's macro picture. We think the State Bank of Vietnam deserves compliment for this. A concern for now is possible return of inflation which stood at 2.35% YTD as at end of June. Inflation usually tends to accelerate in 2H, esp. in 4Q. As the new government is trying to stick with the target 6.7% for full-year GDP growth, high credit growth and more stimulus packages are consequently expected in the coming time. This would impact inflation if not properly managed. On the market side, investors are expecting 1H results from all listed companies in coming days with expectations on positive earnings of manufacturing and retail stocks. Valuation of the market is also attractive. Overall, we keep a bullish view on the Vietnamese market.

## 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	100.00	2.89	10.94	9.19	15.1	13.7	12.9	2.7	4.5	19.4	16.1	3.78
Automobiles & Components	1.04	7.71	14.83	13.21	9.1	10.3	7.9	1.8	7.4	22.3	17.4	0.3
Banks	28.91	-1.48	7.33	-0.57	15.8	13.8	12.3	1.7	3.6	12.5	11.9	13.1
Capital Goods	2.97	7.30	1.31	19.14	11.8	11.3	9.7	2.1	5.1	20.3	13.6	-0.1
Commercial Services & Supplies	0.70	12.72	28.79	23.51	15.9	12.9	11.9	2.7	2.3	21.8	13.7	-0.5
Consumer Durables & Apparel	1.25	11.55	37.30	39.54	34.4	20.7	22.4	3.4	2.5	18.4	4.7	0.8
Consumer Services	0.20	9.08	22.10	27.97	10.2	9.0	8.5	0.9	-	16.1	18.5	0.7
Diversified Financials	1.78	-2.54	1.86	2.31	12.8	15.2	12.0	2.4	4.5	9.3	42.7	0.1
Energy	11.24	8.08	37.84	60.75	13.1	17.5	16.0	2.7	5.1	15.3	11.5	-0.4
Food, Beverage & Tobacco	19.09	0.43	-3.46	-4.77	20.7	18.1	19.1	6.4	3.1	36.9	18.6	-0.3
Health Care Equipment & Services	0.04	5.22	-7.03	-25.98	-	-	-	-	-	-	-	-
Household & Personal Products	0.65	10.87	25.72	54.82	12.6	11.5	9.4	1.7	3.0	16.4	11.8	-
Insurance	4.74	3.84	13.64	10.91	13.0	11.0	11.4	1.4	1.8	14.0	20.6	-0.9
Materials	5.69	9.15	19.35	22.16	11.1	9.2	8.6	1.6	7.2	19.3	12.0	0.4
Pharmaceuticals & Biotechnology	1.46	19.90	15.01	46.98	15.6	14.1	13.2	2.7	3.0	20.4	13.1	-0.3
Real Estate	11.72	2.24	13.49	8.29	12.5	8.8	7.7	0.9	8.0	12.3	24.3	0.6
Retailing	1.49	30.07	40.03	37.91	15.4	12.3	11.6	4.4	1.9	39.8	3.6	0.6
Software & Services	0.19	5.64	2.69	15.07	65.6	20.8	19.2	1.6	5.3	7.8	6.3	0.4
Technology Hardware & Equipment	0.02	30.43	50.32	50.32	-	-	-	-	-	-	-	-
Telecommunication Services	1.66	1.70	2.58	1.91	10.1	9.4	8.2	1.6	4.8	19.7	4.7	0.3
Transportation	2.83	6.24	2.97	2.05	11.4	10.1	9.5	2.6	4.8	28.6	20.8	0.3
Utilities	2.35	3.91	3.71	11.52	9.3	8.9	8.6	1.4	9.2	16.1	26.7	0.6

\* It is generated by VAM in-house Company Analysis System - VCAS at of 30 June, 2016 comprising of both bourses

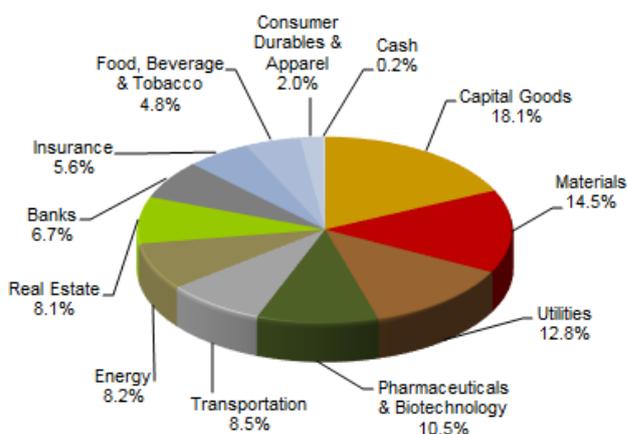
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A:	Class B:
Inception date	19-Jun-14	31-Jul-14
NAV per share	EUR 1,170.6	EUR 1,145.5
Jun-16	6.4%	6.3%
YTD	13.2%	12.9%
Since inception	17.1%	14.6%
Reuters	68266524	68266525
Bloomberg	IPCHEMA LX:	IPCHEMA 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.

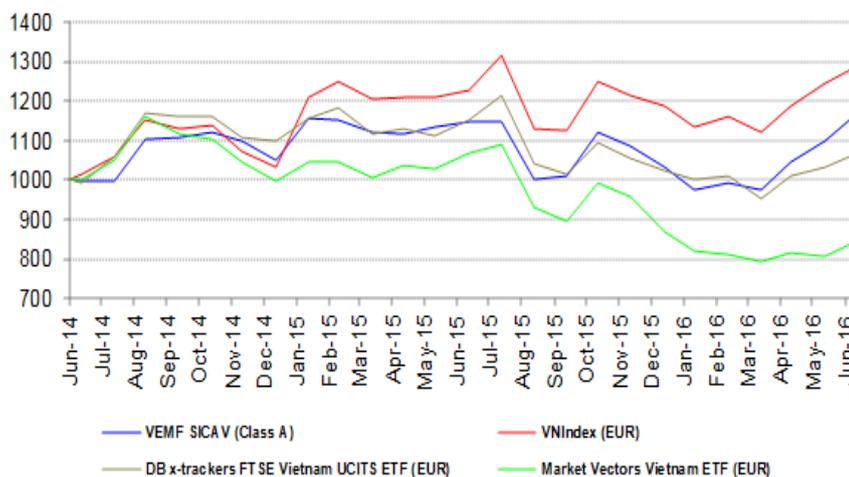
In June, the Fund increased 6.4% MoM, significantly outperformed the VN-Index by 2.7%, the DB x-trackers Vietnam ETF by 2.9% and the Market Vectors Vietnam ETF by 1.4% in EUR term. Year-to-date, the Fund also outperformed the VN-Index and its peers by good margins of 4.6%, 9.0%, and 15.7%, respectively.

## Sector Breakdown



Source: Union Investment Financial Services S.A.

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



Source: Bloomberg, HOSE, VAM, HSBC exchange rate

## Vietnam Emerging Market Fund (VEMF Cayman)

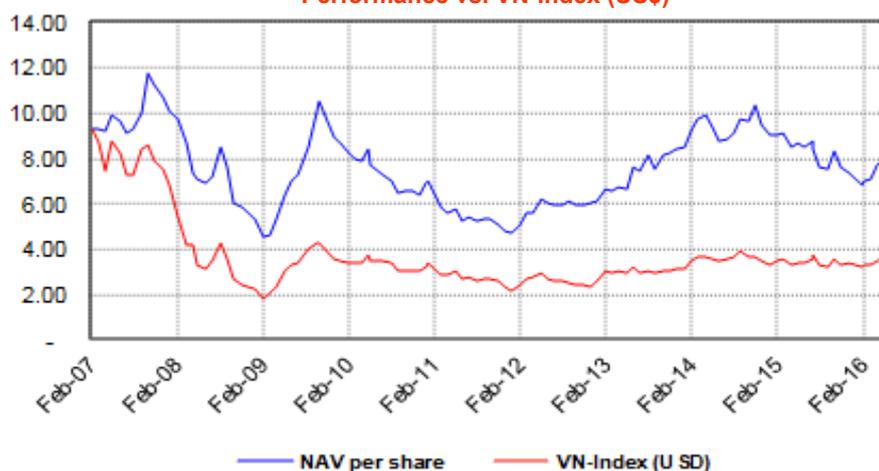
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

In June, the Fund increased 0.8% MoM versus +2.6% MoM of the VN-Index in USD term. High cash level was the main reason for the underperformance.

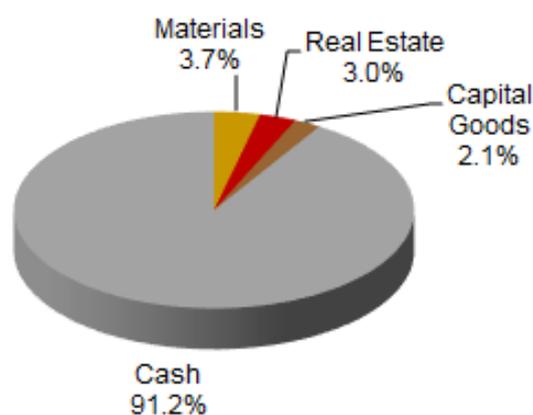
### Fund performance

NAV per share	US\$7.99
Jun-16	0.8%
YTD	8.9%
Since inception (Feb 07)	-13.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

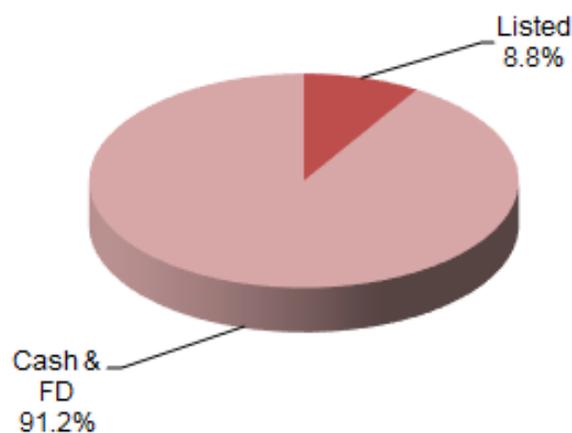
### Performance vs. VN-Index (US\$)



### Sector Breakdown



### Fund Breakdown



Source: VAM, HOSE, HSBC FX 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](http://www.vietnamam.com)) and the Management Company's website ([www.ipconcept.com](http://www.ipconcept.com)) the source of NAV.

This document is prepared by Vietnam Asset Management Ltd ("VAM") on the basis of information obtained from sources VAM considered to be reliable, but VAM does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. The information contained in this document is for background purposes only and is subject to updating, revision and amendment, and no liability whatsoever is accepted by VAM or any other person, in relation thereto. Please refer to the Fund's prospectus for more information on the Fund and its risks. This document is neither a prospectus nor an offer or invitation to apply for shares and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. Past performance is not necessarily a guide to the future. The value of shares in the Fund and the income derived there from may go down as well as up. You are advised to exercise caution in relation to this document. If you are in any doubt about this document or any information contained in this document, you should obtain independent professional advice.

This report shall not be a substitute for the exercise of the recipient's judgment in making an investment decision and VAM accepts no liability for investment losses. VAM, its affiliates, related companies and its respective directors and employees, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities, referred to in this research. VAM, its affiliates, related companies and its respective directors and employees accept no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein or further communication thereof, even if VAM or any other person has been advised of the possibility thereof. Copyright 2015 Vietnam Asset Management Limited. No part of this report may be reproduced or distributed without the prior consent of Vietnam Asset Management Limited. All rights reserved. This report may only be distributed as permitted by applicable law.