

## Market Update

### In this issue

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

“Sell in May and go away” seemed not to work for Vietnamese stock market, which enjoyed a fairly positive movement. The average trading value was almost unchanged MoM at US\$126 mn. Trading in the key bourse Ho Chi Minh stock exchange was quite exciting with a solid uptrend in the first half of May largely driven by the strong rebound of energy stocks. After peaking at 624.8 points, the VN-Index consolidated on profit taking but rebounded again in a few last trading days. Meanwhile, the northern bourse was less active through May with narrow fluctuation. Closing the month, the VN-Index advanced to 618.4 points, +3.3% MoM while the HNX-Index enjoyed a smaller gain of +1.5% MoM to close at 81.9 points.

### Higher Purchasing Managers' Index (PMI) and positive foreign direct investment (FDI) inflows

Vietnam's PMI index reached 52.7 points in May versus 52.3 points last month, thanks to the fastest rate of expansion in new orders in 12 months. This is the sixth consecutive month of expansion of the manufacturing sector, which is a very positive sign of the economy. Furthermore, Vietnam continues to poise it as a FDI magnet. In May, registered FDI increased by 136% YoY to over US\$10bn while disbursed FDI reached US\$5.8bn (+17% YoY). At the beginning of May, a group of 3 America-based investors, Steelman Partners, Cantor Fitzgerald and Weidner Resorts, proposed to invest US\$4bn into Thu Thiem urban area, building a facilities complex area including malls, offices, apartments, etc.

### Government's June meeting relieved concern over inflation

An increase of Consumer Price Index (CPI) at 0.54% MoM and 1.88% YTD this month has caused concern about the return of inflation.

As explained by the General Statistics Office (GSO), the rise in transportation index (+2.39%MoM) due mainly to recent petroleum price hikes (+5.15% MoM), heavy-weighted food and foodstuffs index (0.36% MoM) under serious effects of ongoing drought, saltwater intrusion, environmental disaster related seafood shortage as well as higher export demand, and healthcare subsector (+4.72% MoM) was among main culprits. To address this issue, in the government's monthly meeting on 1 June, the Prime Minister was committed to keep inflation rate below 5% this year and requested relevant ministries to have a strict monitoring and clear implementation on all pricing policies, especially for essential goods, while still applying market mechanism. In particular, he insisted that retail electricity price and build-operate-transfer (BOT) fees would have no further increase in the remaining of 2016.

### Amendments to Circular 36 loosened strict timeline on bank lending to real estate companies

An important circular issued by the State Bank of Vietnam this month was Circular 06 which amends existing Circular 36 on requirements for capital adequacy and liquidity ratios in banking system. Though both circulars have the same purpose of improving banks' financials and controlling real estate loans, Circular 06 eases pressure on banks and real estate markets by lengthening compliance procedure so that the market could have adequate time to adjust. In specific, the new circular, which has effects from 1 Jan 2017, makes three marked changes: (i) risk factor of real estate loans is increased from 150% to 200% to control amount of real-estate loans, which rocketed to VND393,000bn (~US\$ 17.5bn) at the end of 2015 (+26% YoY); (ii) ceiling ratio of short-term funds to medium and long-term lending remains unchanged at 60% until 31 Dec 2016, and will be reduced to 50% from 1 Jan 2017 and 40% from 1 Jan 2018; and (iii) ceiling of short-term funds invested in G-bonds increased from 15% to 35% for foreign banks and 15% to 25% for local banks to raise demand for G-bonds.

## Our view

The new Prime Minister once again demonstrated that his government would stick to a pro-growth stance in the coming time by just issuing Directive 21 at the beginning of June setting key economic targets for 2017 in which GDP growth planned at 6.8% for next year, slightly higher than 6.7% set for this year. For the current year, growth engine seems in place with continued strong FDI, fairly strong credit growth YTD, robust manufacturing, resilient domestic consumption, controlled inflation and stable currency on the back of trade surplus and improving foreign reserves YTD. Despite headwinds the country is still facing caused by ongoing impact of unfavorable weather conditions, high budget deficit, not taking into account possible external factors such as volatility of oil prices and currencies, Vietnam looks on track to achieve a high economic growth this year, probably slightly lower than the government target. On the stock market, Vinamilk's BODs announced at mid May that they had finalized the plan to open the company's foreign room to 100%. Though it will take time before execution can be seen, this good news remarkably boosted market sentiment. Another news recently that caught investors' attention but at less enthusiasm was that the SCIC (the state capital investment management body) published the list of its divestments within 2016 which did not include long-awaited blue chips such as Vinamilk. Valuation-wise, Vietnam market keeps its attractive edge over regional peers. Overall, we think the outlook for the economy and the market is bright this year.

## Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2015 PE	2016 PE	2017 PE	2018 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0	2.7	9.9	6.1	22.1	14.4	13.6	11.8	3.0	4.3	20.7	34.8	18.8	15.6	3.7
Automobiles & Components	1.2	3.2	10.8	5.1	9.0	8.0	7.7	6.8	1.7	5.8	23.5	28.0	22.5	19.0	0.3
Banks	28.3	4.1	6.7	0.9	16.6	14.5	12.8	11.2	1.8	3.2	12.4	40.5	16.3	11.6	13.4
Capital Goods	3.2	-1.1	11.3	11.0	10.6	9.8	8.7	7.8	1.9	4.5	20.0	30.3	15.3	13.8	-0.1
Commercial Services & Supplies	0.7	6.5	13.1	9.6	13.6	10.6	9.8	8.5	2.1	2.6	21.8	28.5	16.1	14.2	-0.5
Consumer Durables & Apparel	1.0	10.6	21.7	25.1	28.3	17.7	20.1	14.1	2.8	2.8	18.6	14.4	7.6	4.9	0.8
Consumer Services	0.2	0.4	14.8	17.3	11.2	10.0	9.3	8.7	1.2	-	16.7	44.0	22.5	18.8	0.4
Diversified Financials	1.9	2.7	0.9	5.0	12.9	15.5	12.2	10.8	2.3	4.3	9.1	57.8	45.8	41.0	0.1
Energy	10.2	11.1	33.5	48.7	12.4	16.8	15.0	13.7	2.5	5.5	15.1	17.2	12.5	11.2	-0.4
Food, Beverage & Tobacco	19.7	1.0	-5.6	-5.2	20.7	18.5	19.5	17.5	6.4	3.0	36.3	40.7	22.2	18.4	-0.3
Health Care Equipment & Services	0.0	-11.6	-22.5	-29.7	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.7	5.3	25.0	39.6	10.7	9.9	8.1	8.1	1.5	3.4	16.0	27.0	12.1	11.2	0.1
Insurance	4.6	-3.5	8.9	6.8	12.7	10.7	11.2	5.5	1.4	1.8	13.6	22.4	-0.2	20.8	-0.9
Materials	5.8	0.8	13.4	11.9	8.3	8.2	7.8	7.3	1.4	7.2	19.2	22.4	15.2	12.0	0.4
Pharmaceuticals & Biotechnology	1.6	-2.0	0.5	22.6	13.0	11.5	10.9	9.7	2.2	3.8	20.7	38.5	16.7	12.9	-
Real Estate	11.8	2.2	15.9	5.9	70.8	14.5	13.6	11.5	3.5	4.5	18.9	38.6	28.3	17.8	0.4
Retailing	1.5	10.3	8.4	6.0	11.1	7.5	6.5	6.0	2.6	8.0	43.1	15.2	5.7	4.6	0.5
Software & Services	0.2	5.2	4.3	8.9	20.6	15.7	14.8	12.5	1.2	3.4	8.0	34.0	17.3	14.1	-0.3
Technology Hardware & Equipment	0.0	15.3	15.3	15.3	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.8	-1.1	0.2	0.2	8.6	8.2	6.3	5.6	1.7	4.9	19.6	18.8	7.3	4.7	0.3
Transportation	3.0	-1.7	-1.2	-3.9	11.8	11.3	10.3	8.9	2.2	4.5	20.9	34.4	26.8	21.2	-0.1
Utilities	2.6	2.8	10.3	7.3	9.1	7.8	7.7	7.0	1.2	9.2	16.6	32.6	30.3	27.1	0.6

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

## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

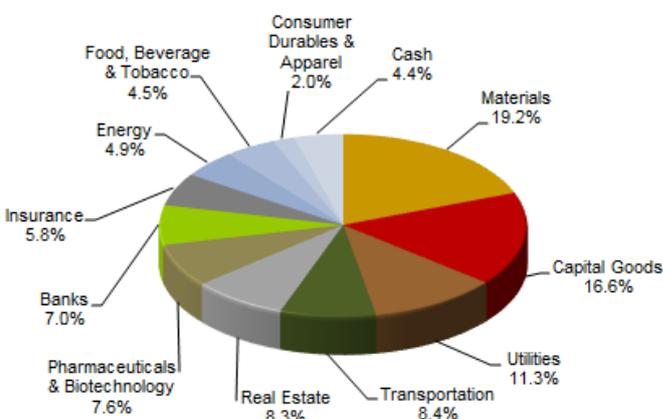
	Class A:	Class B:
Inception date	19-Jun-14	31-Jul-14
NAV per share	EUR 1,099.9	EUR 1,077.6
May-16	5.1%	5.1%
YTD	6.4%	6.2%
Since inception	10.0%	7.8%
Reuters	68266524	68266525
Bloomberg	IPCHEMA LX	IPCHEMA LX
ISIN	LU1042536018	LU1042536281
Securities No.	A1XE8U	A1XE8V

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 May, the Fund increased 5.1% MoM, outperformed the VN-Index which has a return of 4.9% MoM in EUR term. Year to day, the Fund outperformed the VN-Index by 1.7%. The Fund also significantly outperformed the Market Vectors Vietnam ETF by 6.5%MoM in EUR term and the DB x-trackers Vietnam ETF by 3.1%MoM.

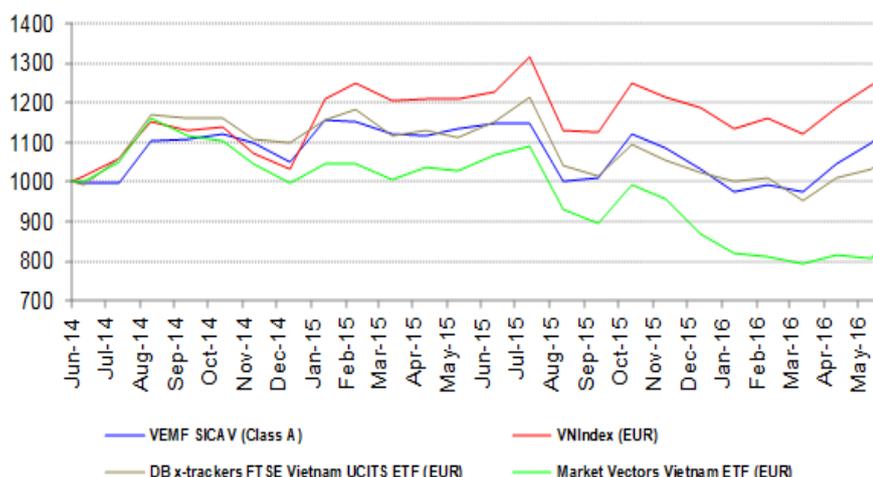
During the month, foreign investors made a net buying of approximately \$36m, the highest monthly figure since the beginning of the year.

## 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)

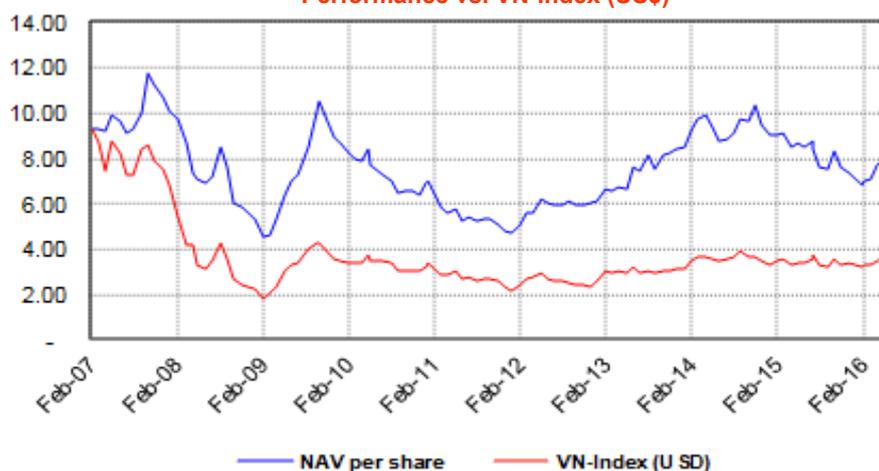
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

In May, the Fund increased 3.5% MoM, outperformed the VN-Index which has a return of 2.9% MoM in USD term. The Fund also significantly outperformed the Market Vectors Vietnam ETF by 3.6%MoM and the DB x-trackers Vietnam ETF by 2.5% MoM in USD term.

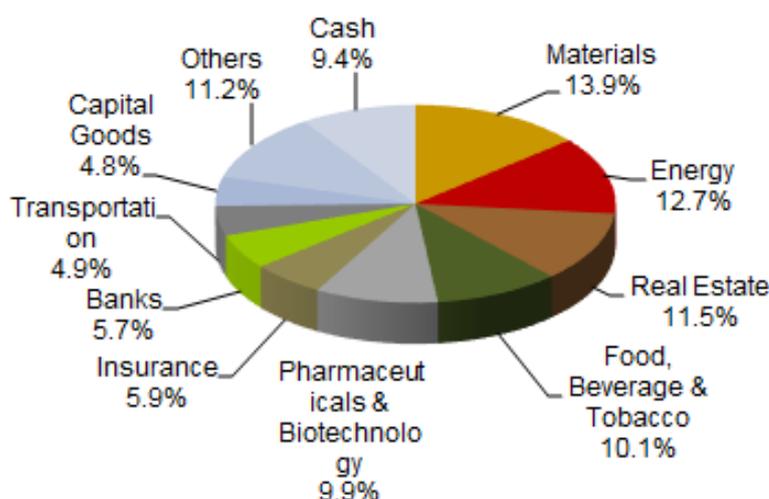
### Fund performance

NAV per share	US\$7.93
May-16	3.5%
YTD	8.0%
Since inception (Feb 07)	-14.4%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

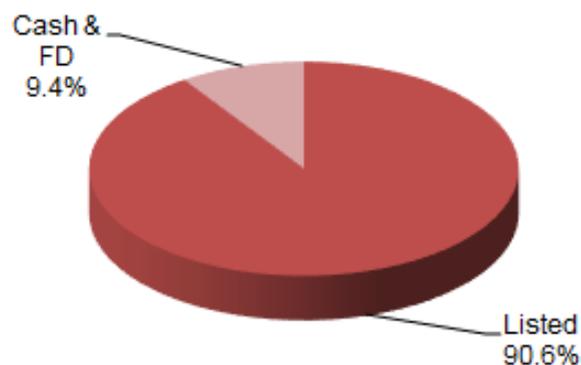
### Performance vs. VN-Index (US\$)



### 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)).

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.