

Market Update

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Most ASEAN countries encountered currency depreciation against US dollar and significant market downtrend right after Trump's election victory on November 8th, whereas Vietnam managed to keep the VND less instable and its stock market (measured by the VN-Index) also experienced less volatility. However, the VN-Index started to turn south from November 24th and only slightly recovered in the last trading day thanks to strong foreign buy of some blue chips under impact of iShare MSCI Frontier Markets 100 ETF's rebalancing. Amid noticeable outflows from EMs/FMs as US dollar has strengthened on the back of high possibility of Fed rate hike in December and outlook of the U.S's economic growth with Trump's policies, Vietnam market had a net foreign outflow of US\$70.3mn during the month. Closing November, the VN-Index dropped to 665.07 points (-1.59%MoM), while the HNX-Index retreated to 82.25 points (-1.97%MoM).

Government has room to handle forex turbulence

Like most other currencies in the region, the VND was under increasing pressure of depreciation in November with strengthening US dollar. As at the month-end, the VND depreciated 1.5% against the US dollar since the U.S election. Having said that, the State Bank of Vietnam (SBV) has managed to keep the VND's depreciation among the lowest level in the region. And they look confident that they will be able to continue the nice job thanks to current foreign reserves of around US\$41bn (vs. ~US\$30bn at the end of 2015) and continued Greenback inflows (In 11M2016: disbursed FDI of US\$14.3bn, +8.3%YoY; trade surplus of US\$2.84bn; ODA disbursements of US\$3.25bn. Big state divestments from listed SOEs in December and 2017 also bring in a significant amount of US\$). Furthermore, to lessen pressure on the VND, especially in the last month when US\$ demand increases, the SBV recently extended banks' foreign currency lending activities for another year to 31 December 2017. At the same time, they also issued a large amount of T-bills to reduce VND liquidity in the banking

system to strengthen the VND. All in all, the VND is expected to continue this less fluctuating pattern under the SBV's management when compared to other currencies in the coming months.

Vietnam's PMI tops regional peers' in November

Vietnam's Purchasing Managers' Index (PMI) in November reached 54.0, the highest level in 18 months. This was encouraging as ASEAN's PMI recorded at only 49.4 while China's PMI declined from 51.2 in October to 50.9 in November, indicating a contraction in their manufacturing. The solid expansion of Vietnam's manufacturing this month was largely thanks to a jump in new orders driven by stronger domestic and external demand. Retail sales of goods and services increased 9.5% YoY in 11M2016 (vs. an 8.3% growth in 11M2015) to USD142.3 billion. Augmenting new orders should have a positive effect on manufacturing and processing sector in the coming months.

CISG Convention to be effective with Vietnam from 1 January 2017

The United Nations Convention on Contracts for International Sale of Goods (Vienna, 1980)

(CISG) is one of the most popular trade conventions with more than 80 participants. Notably, Vietnam is the second country in the ASEAN to join this convention since December 2015 after Singapore. The convention is automatically applied to commercial contracts between the participants. Vietnamese entrepreneurs will benefit from CISG in terms of reducing transaction cost and negotiation time as most of Vietnam's largest trading partners are the participants of this convention. On a related note, the Regional Comprehensive Economic Partnership (RCEP) concluded its 14th negotiation round in Vietnam in August 2016. RCEP will cover a huge economic bloc accounting for 50% of the world's population, 30% of the world GDP and 40% of world trades. The participants include the 10 ASEAN members and 6 other countries with which ASEAN has existing FTAs (India, China, Japan, South Korea, Australia and New Zealand). RCEP is expected to finish negotiations in 2017, but no official documents have been published. If implemented, RCEP would certainly further facilitate Vietnam's trades with other countries.

Our comment

The U.S election outcome apparently affected Vietnam's currency and the stock market in November, though at a lesser extent when compared to other regional countries. Impact in the longer term will need more time to be reasonably assessed when more details of Trump's policies unfold. On the economy, Vietnam is doing fine with main economic growth drivers keeping their momentum (expanding manufacturing, increasing FDI inflows, strong domestic consumption, trade surplus, etc.). GDP growth for this year is now projected at 6.2-6.3% at an inflation of ~5%. With recent fluctuations, the VND is projected to have a depreciation of 2% for FY2016, unless there will be significant overseas events in the last month, which will be totally out of the SBV's control. On the stock market, total market size has been remarkably increased. Recent listings of big companies such as Airports Corporation of Vietnam (ACV, current market cap ~US\$3.9bn), Sabeco (SAB, ~US\$4.3bn), Habeco (BHN, ~US\$1.3bn) etc., have brought the market cap of the UpCom to US\$11.3bn, overtook the main bourse in the north – HNX with a market cap of US\$6.8bn. With current stronger push from the Government in getting more equitised SOEs listed on the UpCoM (and they would eventually be listed on the main bourses) and big coming state divestments from listed SOEs in December and 2017, transparency and liquidity in the market will certainly improve. Also, a busy IPO pipeline of big companies (Novaland, Vietjet Air, etc.) in the coming months will also create more investment opportunities for investors.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2016 PE	2017 PE	2018 PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	-1.6	-1.4	14.9	14.3	12.8	11.8	3.4	4.3	22.5	16.2	3.26
Automobiles & Components	1.1	-8.0	-12.2	-13.3	7.8	7.7	6.5	1.4	9.4	24.0	18.2	0.4
Banks	24.3	-4.9	-9.0	-4.5	12.3	8.6	8.0	1.3	4.4	11.6	11.3	13.8
Capital Goods	4.1	-1.0	5.8	37.5	10.9	10.8	10.3	2.3	3.8	22.4	17.0	0.1
Commercial Services & Supplies	0.9	-1.7	1.4	32.2	13.9	11.8	10.6	3.0	2.1	22.8	23.5	-0.2
Consumer Durables & Apparel	1.0	-9.4	-21.4	-24.9	10.4	8.2	9.1	2.8	2.2	27.7	6.3	0.7
Consumer Services	0.2	-3.1	3.6	23.2	9.7	9.0	8.6	1.9	-	18.6	24.7	-0.1
Diversified Financials	1.6	-4.2	-3.3	-1.5	15.7	12.2	10.4	2.6	4.8	9.3	37.2	0.3
Energy	11.9	-6.3	-1.7	61.1	16.9	15.5	14.6	2.7	4.9	15.9	11.9	-0.4
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	21.6	-3.2	-7.4	9.0	19.8	19.6	19.1	7.7	3.1	39.9	22.1	-0.3
Health Care Equipment & Services	0.0	16.3	12.0	-31.6	-	-	-	-	-	-	-	-
Household & Personal Products	0.7	-2.0	-2.6	47.7	11.1	8.5	8.7	1.8	4.1	17.3	13.0	-
Insurance	4.9	-8.3	-3.4	15.7	11.1	11.2	5.8	1.4	1.8	13.6	20.5	-0.8
Materials	5.6	3.9	0.3	30.7	8.2	7.8	7.3	1.7	6.6	21.7	12.1	0.4
Pharmaceuticals & Biotechnology	1.8	-0.5	-0.9	48.9	14.0	13.1	11.7	3.1	3.0	24.5	12.5	-
Real Estate	11.4	-2.4	5.1	10.7	13.4	12.1	10.3	3.2	5.4	18.8	17.0	0.4
Retailing	2.2	7.3	9.0	59.9	16.5	14.7	13.6	5.9	1.1	47.6	1.5	0.7
Software & Services	1.7	-1.0	2.4	23.0	10.1	8.9	8.4	1.7	4.6	17.7	4.9	0.2
Technology Hardware & Equipment	0.0	14.4	-30.5	18.4	-	-	-	-	-	-	-	-
Telecommunication Services	0.1	-17.0	-9.3	-14.7	4.0	3.1	2.9	0.4	-	17.1	9.3	0.4
Transportation	2.8	-5.7	-7.7	0.4	10.3	9.5	8.5	2.5	5.1	27.0	23.1	0.3
Utilities	2.1	-1.9	-1.8	13.6	8.7	9.0	8.1	1.4	8.4	16.7	23.5	0.7

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of 30 Nov, 2016.

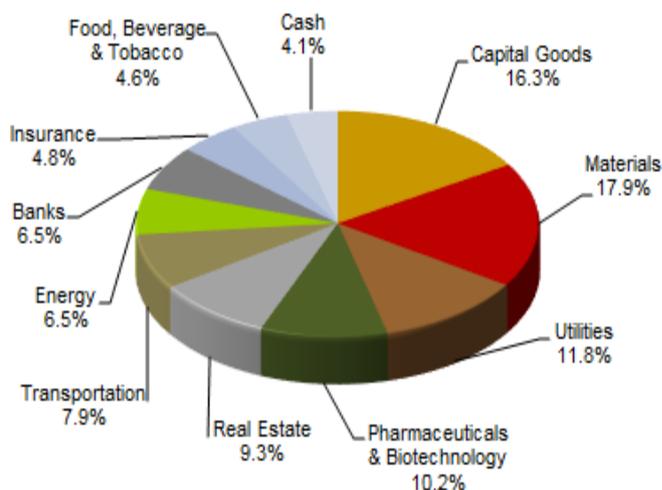
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

As of 30 Nov	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1200.7	EUR 1170.1	USD 987.1
Nov-16	-1.5%	-1.6%	-4.2%
YTD	16.1%	15.3%	-1.3%
Since inception	20.1%	17.0%	-1.3%
Bloomberg	IPCHEMA LX	IPCHEMA LX	IPCHEMA LX
ISIN	LU1042536018	LU1042536281	LU1218444351
Securities No.	A1XE8U	A1XE8V	A14RPQ

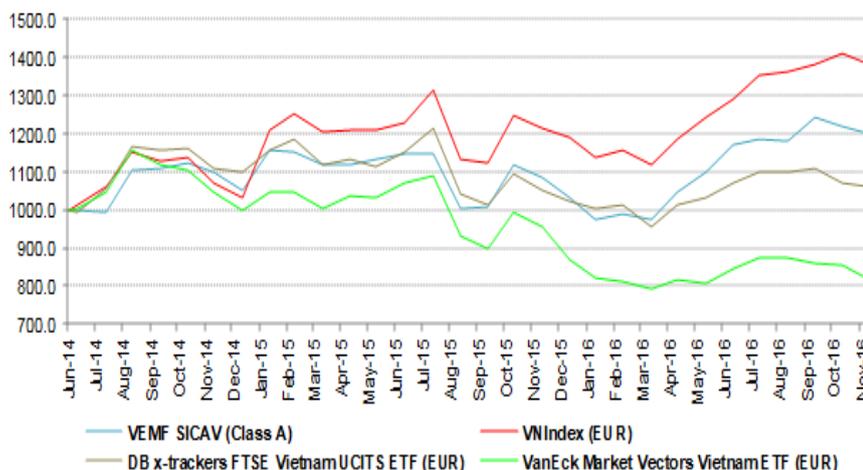
VEMF SICAV is a Luxembourg-incorporated UCITS compliant open-ended fund with daily subscription and redemption. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

In November, the Fund decreased 1.5% MoM, slightly outperformed the VN-Index by 0.62% and strongly outperformed the Van Eck Vectors Vietnam ETF by 4.17% (all in EUR term). Year-to-date, the Fund gained 16.12%, in line with the VN-Index and significantly outperformed the Van Eck Market Vectors Vietnam ETF by 23.22% and the DB x-trackers FTSE Vietnam UCITS ETF by 11.78%.

Sector Breakdown



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



Source: Union Investment Financial Services S.A.

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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