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**Market Update**

After a strong rally in second half of September, the VN-Index had corrections in October and finished the month down 1.45% MoM, though it did reach an 8.5-year high at 688.88 points on 19 October. Some positive corporate news during the month such as CII's increase in FOL to 70%, the listing of Habeco on the UpCoM and imminent listing of Sabeco on the HSX could not drive away investor concerns on generally weaker-than-expected 3Q16 earnings, which triggered profit taking. Average daily trading value dropped 16.7% MoM to US\$128.5mn. However, foreign investors recorded small net inflow on both bourses (US\$4.96mn) after several months of net outflows. Closing October, the VN-Index dropped to 675.8 points while the HNX-Index ended at 82.25 point (-3.2%MoM).

**State budget deficit reached 5% of GDP and sovereign debt US\$16bn in 9M2016**

Given state budget revenues were up 5.2% YoY at VND718.3 trillion (US\$32.2bn) while state expenditures increased by 5.7% YoY to VND870.5 trillion (US\$39bn) in the first 9 months, the country had a state budget deficit of VND152.2 trillion (US\$6.8bn), equivalent to 5.01% of GDP. A fall in tax collection from the oil industry during this period to VND29.8 trillion (US\$1.3bn), down 41.9% YoY, due to decreasing oil prices was a main reason. Meanwhile, Vietnam's sovereign debt was estimated at US\$16bn for 9M2016 (vs. FY2016 target of US\$20bn) in which US\$11.22bn was from G-bonds issuance and US\$4.88bn from 31 credit contracts signed between the government and foreign countries. The gross figure was exclusive any debt repayment. The public debt is projected to reach 64.5% of GDP in 2016 vs. estimated 62.2% of GDP in 2015. As being seen, the government is pushing harder on SOEs equitisations and selling down state owned stake in many (listed) SOEs to cope with this.

**80% credit capital going into manufacturing and business sectors**

At October monthly cabinet meeting, the State Bank of Vietnam (SBV)'s chairman Le Minh Hung said that 80% credit capital has been going into manufacturing and business sectors, which is a good thing for the economy. As of 20 October, credit growth was estimated at 11.81% YTD versus the target 18-20% for FY2016. The SBV has managed to keep interest rates stably low YTD to support economic activities, especially for priority sectors such as agricultural and rural development, supporting industries, hi-tech businesses, etc. The SBV chairman also added that they would continue to monitor credit growth closely to ensure proper development in the remaining months of the year, and that inflation risk has been taken into account when any further monetary policy is used in the coming months. In October, CPI increased 0.83% MoM and 4.0% YTD mainly due to higher prices of healthcare and transportation.

**From 1 November, shares in IPO auctions will be automatically traded on UpCoM within**

**15 days**

With Circular 115 issued by the Ministry of Finance taking effect from 1 November 2016, shares auctioned through the stock exchanges will automatically be put for registration on the UpCoM system within 15 days. This is an important development for the market as currently many equitised SOEs have not been listed or traded on the UpCoM or above even though they have completed equitisation over a year ago or more. This will ease a major concern of investors in terms of liquidity when they participate in IPOs. The government is seen taking a more serious stance on this matter as Deputy PM Vuong Dinh Hue has requested Ministries, relevant government bodies, cities' and provinces' authority to make a list of such companies under their supervision to speed up the progress. They were also required to report the progress to the PM by 1 November 2016. Concrete results have shown as Habeco already got listed on the UpCoM in late October and Sabeco very likely in November on the HSX. Several other equitised SOEs are expected to follow suit pretty soon.

**Our comment**

October showed mixed macro indicators. At one hand, the country continued to enjoy a steady growth of FDI disbursement with the total amount of US\$12.7bn (+7.6%YoY) in 10M2016. Full-year figure is projected at US\$ 16bn vs. US\$14.5bn in FY2015. Despite a deficit of US\$200mn in October after 3 consecutive months of surplus, Vietnam overall still had YTD trade surplus of US\$3.5bn in 10M2016, which brings an estimate of US\$2.5bn surplus at the year-end. These greenback inflows will facilitate the SBV's task of maintaining VND's stability at least in 2016. Furthermore, the manufacturing kept its expansion mode albeit at a slower pace as Vietnam's PMI in October was read at 51.7 (vs. 52.9 in September). On the other hand, with credit growth targeted at 18-20% for this year and CPI up 0.83% MoM and 4.0% YTD in October, inflation concern resurfaced. And GDP growth this year is now widely revised down to 6.1-6.3%. In early November, the National Assembly approved the government's GDP target of 6.7% for 2017, which implies the government will keep its pro-growth policies in the coming time. On the market side, we have seen positive developments in SOE equitisation process and state divestments. Given current state budget deficit status, more state divestments and SOE equitisations are highly expected in the near future (some already put in a clear timeline). This will enhance the market size and liquidity, and create more investment opportunities for investors. At the time of writing, like markets around the globe, Vietnam market dropped strongly after Trump victory declared. However, it has promptly stabilized and even gained in the next trading day. We do not see significant impact of the US election outcome on Vietnam in the short term, but need to watch for medium and longer terms.

## 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	-1.5	3.6	16.7	22.2	15.3	13.7	3.4	3.9	20.9	15.0	3.45
Automobiles & Components	1.1	-11.8	-11.0	-7.3	10.4	8.7	8.7	1.6	8.3	23.8	17.6	0.5
Banks	24.5	-2.6	-6.6	-0.7	14.7	12.2	10.2	1.6	3.4	12.8	12.5	14.3
Capital Goods	4.0	-1.3	11.7	40.7	14.0	11.3	11.2	2.4	3.8	22.2	17.7	-
Commercial Services & Supplies	0.9	-1.6	9.9	34.9	21.7	14.5	12.1	3.1	2.0	23.2	25.1	-0.2
Consumer Durables & Apparel	1.1	-8.8	-25.1	-18.2	30.6	10.5	8.1	2.8	2.1	28.0	6.5	0.7
Consumer Services	0.2	-6.1	-0.1	24.0	8.1	9.8	9.1	1.8	-	18.4	24.5	-0.1
Diversified Financials	1.6	-2.7	-5.7	3.2	12.9	16.3	12.7	2.7	4.6	9.2	35.9	0.3
Energy	11.3	-6.4	11.1	66.4	14.0	17.3	16.1	2.8	4.8	16.0	11.7	-0.4
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	21.8	-0.1	9.2	11.8	26.6	24.4	21.5	7.2	2.9	33.8	16.2	-0.1
Health Care Equipment & Services	0.0	-11.1	-11.7	-41.2	-	-	-	-	-	-	-	-
Household & Personal Products	0.7	-1.1	-2.1	50.6	12.0	12.3	9.2	3.9	3.8	1.4	9.4	-0.1
Insurance	4.7	-8.0	7.5	22.4	13.9	11.7	11.9	1.5	1.7	13.9	20.6	-0.9
Materials	6.0	-8.2	-0.2	26.7	8.8	8.0	7.7	1.6	6.4	21.7	11.9	0.5
Pharmaceuticals & Biotechnology	1.8	-7.6	4.6	48.6	16.2	14.0	13.2	3.1	3.2	24.5	12.8	0.1
Real Estate	11.2	-2.9	0.8	12.5	63.9	13.8	12.6	3.2	5.4	18.3	17.7	0.4
Retailing	2.2	1.2	2.8	46.3	17.5	14.6	13.0	5.2	1.2	47.5	1.5	0.7
Software & Services	1.8	-5.1	9.3	24.2	10.3	10.1	9.0	1.7	4.6	17.7	4.9	0.2
Technology Hardware & Equipment	0.0	-5.5	-39.2	3.5	-	-	-	-	-	-	-	-
Telecommunication Services	0.1	14.6	-6.4	-2.4	8.8	4.0	3.1	0.4	-	18.2	9.1	0.4
Transportation	2.8	-5.4	1.6	5.5	13.4	10.8	9.6	2.2	5.0	23.5	19.4	0.2
Utilities	2.2	-3.7	1.6	14.9	9.4	9.0	9.5	1.6	8.4	14.9	24.6	0.7

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

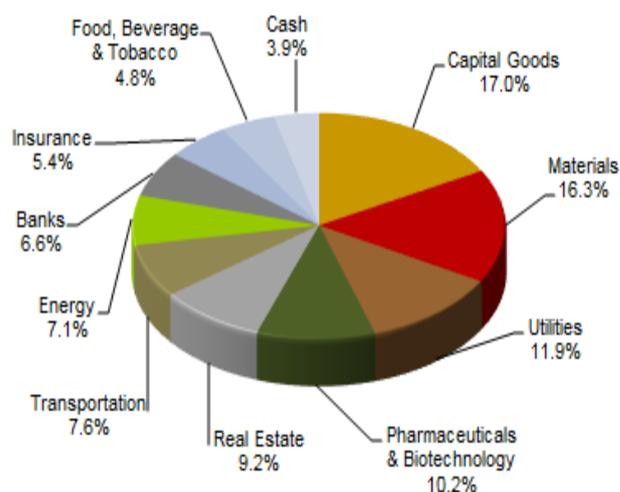
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

As of 31 Oct	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1218.9	EUR 1188.7	USD 1030.9
Oct-16	-2.1%	-2.3%	-4.4%
YTD	17.9%	17.1%	3.1%
Since inception	21.9%	18.9%	3.1%
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.

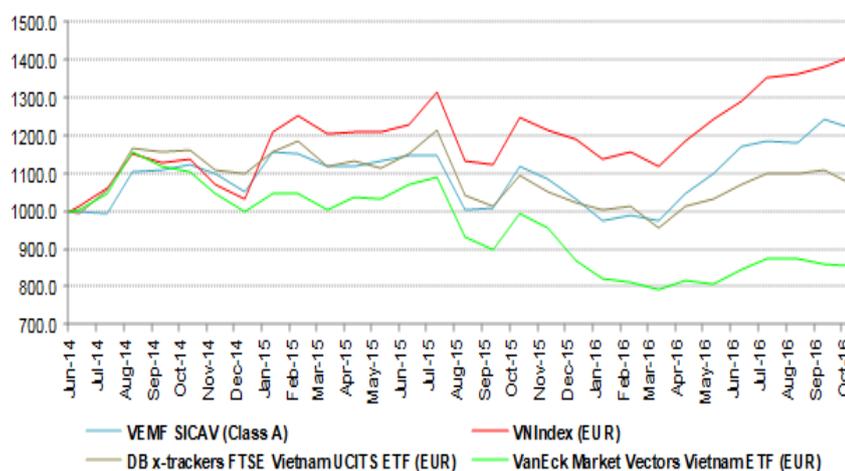
In October, the Fund decreased 2.07% MoM, underperformed the VN-Index by 3.58%, but slightly outperformed the DB x-trackers FTSE Vietnam UCITS ETF by 1.09% (all in EUR term). Year-to-date, the Fund continued to significantly outperform the Van Eck Market Vectors Vietnam ETF by 19.41% and the DB x-trackers FTSE Vietnam UCITS ETF by 13.31%.

### 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](http://www.vietnamam.com)) and the Management Company’s website ([www.ipconcept.com](http://www.ipconcept.com)).*

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