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Market Update

After declining in the first two weeks of September, the VN-Index rebounded strongly in the second half of the month, reaching 8-and-half-year high at 688.55 points on 29 September. Buoyant sentiments helped increase market liquidity by 19% MoM to an average daily trading value of US\$154.3mn. However, foreign investors net sold US\$126.9mn on both bourses, which was due largely to ETF's Q3 rebalancing finished in mid-September, and also the fact that coming state divestments from big names in the Consumer sector such as VNM, Sabeco, Habeco might have driven foreign investors to divest from other blue chips (VIC, MSN, VCB, PVD, etc.) to prepare capital to acquire shares of these three more appealing consumer players. The VN-Index ended September with a slight downward adjustment to 685.73 points, up 1.65% MoM, while the HNX-Index reached the peak of the month at 85.07 points, up 0.73% MoM.

FY2016 GDP growth suggested to cut to 6.3-6.5%; Interest rate lowest in recent years to spur growth

At the latest monthly cabinet meeting on 3rd and 4th October, the PM suggested to lower 2016 GDP growth target to 6.3-6.5% as the original 6.7% now looks impossible, given 9M16 GDP reached 5.93%. To achieve the revised target, Q4 GDP would have to reach 7.1-7.6%, which seems quite challenging but attainable. Significant slowdown of the Agriculture and the Mining sectors in 1H were main culprits. However, improving weather conditions are expected to help agriculture in coming months. Also, the Mining sector should show some improvement in Q4 as Petro Vietnam was reportedly instructed to increase crude oil exploitation volume in the remaining months of the year. Meanwhile, the largest state-owned banks under the urge of the State Bank (SBV) have recently reduced interest rate to the lowest level seen in recent years to spur growth too. As of 20 September, credit growth stood at 10.46% YTD (vs. 8.88% in the same period last year) and can well meet 18-20% for FY2016 as per the SBV target.

67 sectors proposed to be

removed from the restricted businesses list which is subject to foreign ownership limit

The Ministry of Planning and Investment in early September published a draft circular in relation to Investment Law for public opinions before submitting it to the National Assembly in October. Among proposed amendments, an important one is to take out 67 sectors and add 12 new sectors to the list of restricted businesses. This will bring down the total number of restricted business lines to 212 from 267 previously. Public companies in sectors that are not in the list are allowed to have 100% foreign ownership. To-be-removed sectors include trading coal, debt purchasing services, insurance agents, car maintenance, driving test services, television at request, gold bar production, cash printing, etc.; while to-be-added sectors include construction testing services, trading services for apartment management and operation, overseas studying consultancy services and energy auditing, etc. On the same theme, the SCIC (state capital management agency) announced that it would sell 10% stake in Vinamilk in the 1st tranche by the year-end (it currently holds 45% stake of VNM). Furthermore, Sabeco, the country's largest beer pro-

ducer was reported to get listed on the HOSE in 4Q16 or 1Q17 the latest, followed by state divestments from the company.

Covered warrants to be traded from 1 January 2017

The Ministry of Finance on 29 September published Circular 107/2016/TT-BTC giving guidelines on the offering, listing, and trading of covered warrants with effect date from 1 January 2017. Some noteworthy points are (i) the underlying stocks must be listed on a stock exchange and meet criteria in terms of market capitalization, liquidity, free float, business performance, etc.; (ii) the issuer is not allowed to offer warrants based on its and/or related party' underlying assets; (iii) the issuer of the underlying stock is not allowed to trade the underlying warrants; (iv) the issued warrants must be listed and traded on a stock exchange in Vietnam; (v) the initial collateral value must be at least 50% of the warrants offering, and collaterals can be cash, certificates of deposit or payment guarantees issued by custodian banks; (vi) the investor is not allowed to use leverage in trading warrants; and (vii) foreign ownership limit is not applied to trading of warrants. This is an important step towards establishing derivatives markets in Vietnam.

Our comment

The market received supporting news both externally and internally in September. Uncertainty on the U.S. Fed making any rate hike or BOJ adjusting its benchmark interest rates or using helicopter money was removed after their respective September meeting with favourable outcome for global equity markets. Domestically, Q3 GDP came in strong at 6.4% YoY (vs. 5.5% and 5.8% in Q1 and Q2 respectively), though it was not sufficient to help achieve the original target of 6.7% for the whole year. The revised target of 6.3-6.5% looks more feasible with our bias on the lower end. Manufacturing continued to show its leading role in driving the growth, with PMI in September reaching 16-month high at 52.9. US\$11bn of disbursed FDI (+12.4% YoY) and US\$2.8bn of the trade surplus in 9M16 surely helped the currency. In addition, the State Bank managed to buy US\$500mn during the month to increase the foreign reserves to a record high of US\$40bn at the month-end. The VND looks to remain stable at least for the rest of the year. With encouraging macro indicators, positive corporate earnings for Q3 are widely expected. Though the market has run up YTD but the current valuation is still attractive when compared to that of regional peers.

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	1.7	8.5	18.4	15.7	15.6	13.7	3.3	4.5	20.9	16.0	3.33
Automobiles & Components	1.2	6.5	-7.2	5.1	11.6	11.0	10.9	2.1	7.2	22.8	9.0	0.7
Banks	23.9	-2.9	2.6	2.0	12.2	13.6	9.4	1.5	4.0	11.1	10.7	14.1
Capital Goods	3.9	9.7	19.6	42.5	16.3	12.6	12.1	2.7	3.7	21.7	16.9	0.1
Commercial Services & Supplies	0.9	5.0	11.0	37.0	22.9	18.5	13.1	3.3	2.0	20.2	11.1	-0.1
Consumer Durables & Apparel	1.1	-6.0	-35.7	-10.2	33.9	17.4	18.9	3.5	2.6	21.9	4.7	0.9
Consumer Services	0.2	11.1	3.2	32.0	9.8	8.2	7.5	2.3	-	28.7	29.3	-0.3
Diversified Financials	1.6	4.2	3.7	6.1	13.9	17.5	13.6	2.9	4.3	9.3	37.2	0.3
Energy	11.5	8.4	10.6	77.7	14.9	21.7	18.5	2.9	4.6	14.9	11.1	-0.4
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	22.1	-4.9	17.5	11.9	20.4	20.0	19.9	7.7	3.0	39.5	21.8	-0.3
Health Care Equipment & Services	0.0	8.4	-10.6	-33.8	-	-	-	-	-	-	-	-
Household & Personal Products	0.8	0.4	-1.6	52.3	18.8	14.5	10.9	1.9	3.6	14.5	10.3	-
Insurance	4.6	11.1	20.0	33.1	15.3	13.0	13.1	1.7	1.6	13.9	20.7	-0.9
Materials	6.0	5.9	13.0	38.0	11.3	9.3	8.8	1.7	6.2	21.0	11.9	0.5
Pharmaceuticals & Biotechnology	1.8	7.0	9.4	60.8	17.4	15.3	14.4	3.4	3.1	24.2	12.7	0.1
Real Estate	11.3	10.0	6.9	15.8	15.3	12.0	9.6	1.1	8.6	11.0	19.8	0.4
Retailing	2.3	-1.4	4.9	44.6	16.9	14.1	12.9	5.0	1.3	40.9	4.1	0.6
Software & Services	1.7	8.8	13.6	30.8	11.0	10.7	9.4	1.8	4.3	17.8	4.9	0.2
Technology Hardware & Equipment	0.0	-35.7	-27.1	9.6	13.0	-	-	-	-	-	-	-0.5
Telecommunication Services	0.1	-9.4	-16.4	-14.9	7.8	3.5	2.7	0.4	-	17.6	9.2	0.4
Transportation	2.9	2.5	9.2	11.5	14.3	12.2	10.8	2.6	4.6	24.1	23.0	0.1

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

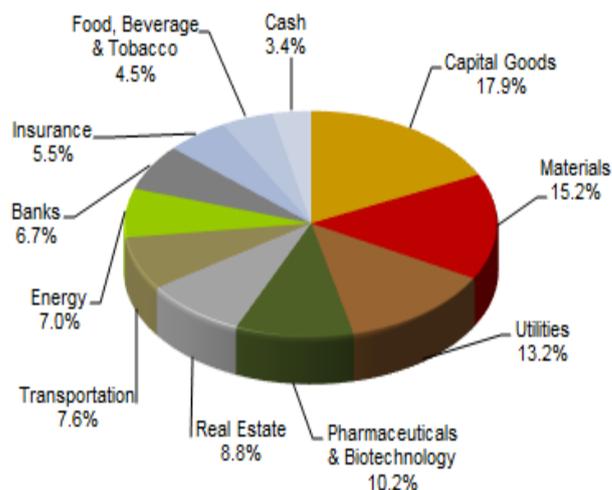
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

As of 30 Sept	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1244.7	EUR 1216.6	USD1078.8
Aug-16	2.2%	2.2%	2.9%
YTD	20.4%	19.9%	-
Since inception	24.5%	21.7%	7.9%
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.

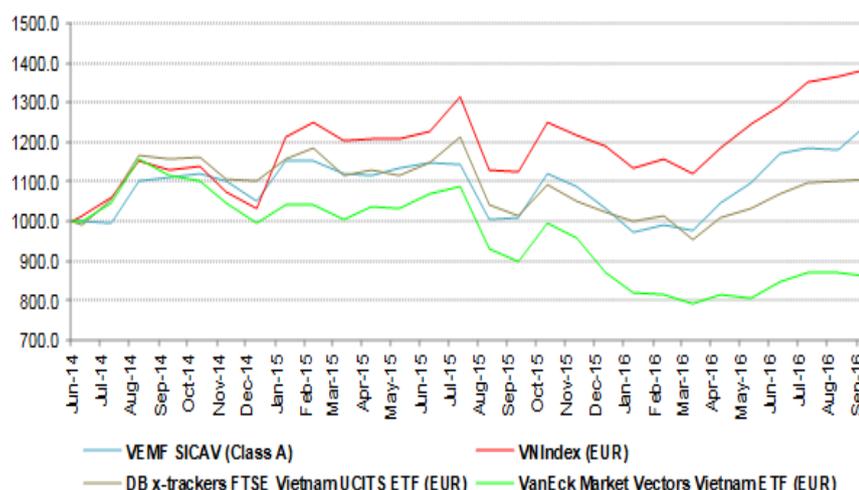
In September, the Fund continued to increase 2.2% MoM, slightly outperformed the VN-Index by 0.3%, the DB x-trackers Vietnam ETF by 1.6% and the VanEck Market Vectors Vietnam ETF by 3.7% (all in EUR term). Year-to-date, the Fund significantly outperformed the VN-Index and the peers by 3.4%, 12.4% and 21.4%, respectively.

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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