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Market Update

The market had a volatile month in August. The VN-Index continued its rally in the first week and closed at 792.98 points on August 7th. However, negative sentiment owing to some rumor related to the banking sector, escalating geopolitical tension between the US and North Korea, and profit-taking on large-cap stocks caused the VN-Index to fall sharply by 2.3% to 773.66 points on August 9th, marking its worst single-session drop in the past 20 months. The retreat lasted in the next two weeks before the index rebounded steadily until the month-end. The VN-Index closed the month at 782.76 points, down slightly 0.1% MoM in local currency. Meanwhile, the HNX-Index, after some corrections, enjoyed a strong rally throughout the last trading week and reached 103.88 points at the month-end, up 2.67% MoM. Regarding market liquidity, the combined average daily trading value on the HSX, HNX and UPCoM declined by 3.72% MoM to USD200 million. Foreign investors continued being net buyers with net buying value recorded at around USD120 million in August, a surge of nearly 19% MoM.

Major sectors performed well in 8M2017

The country's major economic data continued to show positive results in August. The manufacturing sector posted a strong growth of 12.4% YoY for the month (vs. 10.6% YoY in August 2016). Accordingly, Vietnam's PMI in August read at 51.8 points, surpassing regional peers such as Singapore (51), Indonesia (50.7), and the Philippines (50.6), etc. This marks the 21st month in a row above 50 threshold for Vietnam. Similarly, the retail sector increased 11.7% YoY in August and 10.3% YoY for 8M2017. According to Nielsen, Vietnam is now ranked the fifth most optimistic country globally in consumption as its Consumer Confidence Index reached 5-year high at 117 points in Q2 2017, only after the Philippines (130), India (128), Indonesia (121) and the US (118). This has been supported by increasing number of international visitors during the month (1.23 million), bringing YTD number to 8.47 million, up 29.7% YoY. On trade front, both exports and imports recorded robust growth

of 18% YoY (at USD135 billion) and 22.3% YoY (at USD135.9 billion), respectively for 8M2017, resulting in YTD trade deficit of nearly USD0.9 billion. The country continued to attract more foreign investments with registered FDI in the first eight months amounting to USD19.9 billion (+38.3% YoY) and disbursed FDI at USD10.3 billion (+5.1% YoY). At the same time, FII remained a bright spot with accumulated buying value of foreign investors for shares in local companies reaching USD3.5 billion (+101.3% YoY). The Government remains confident that GDP growth rate of 6.7% can be met this year.

Credit growth revised up to 21–22% to boost economic growth further

Following the call for increasing credit growth to boost economic activities in remaining months of the year from PM Nguyen Xuan Phuc at the Government's August regular meeting, official credit growth has been recently revised up to 21-22% for FY2017 (vs. initial target of 18%). According to the National Financial Supervisory Commission, as at the end of August,

credit growth rose 11.5% YTD (vs. 10.2% for 8M2016), while deposit growth was up 9.1% YoY. Credit in VND increased 11% YTD, accounted for 91% of total outstanding loans while credit in USD was up 11.5%. To support banks to expand lending activities until the year-end, the State Bank has extended the timeline for implementing stricter prudential ratios by 12 months to FY2019. For instance, the ceiling of short term funding for medium and long term lending ratio will be reduced to 40% from 50% from FY2019 instead of from FY2018. And they will apply a ratio of 45% for FY2018. With inflation kept at 1.23% YTD and stable FX rate so far this year (at the end of August, USD/VND rate was +0.02% MoM and -0.11% YTD), the State Bank has room to implement higher credit growth but will need to oversee the sector weight in credit activities very closely in coming months to ensure that expanded credit will go to contributing-most-to-GDP sectors such as the manufacturing.

Our view

Despite escalating tensions between the US and North Korea affecting global markets during the month, the Vietnam economy continued to show a robust growth in August, as underpinned by strong manufacturing activities, retail sales and tourism, coupled with rising exports and FDI, and a stable monetary situation. The Government recently restated that its GDP growth target of 6.7% will be achieved, with conditions to expand credit growth for this year to 21-22% and possibly further decreases of 0.5% in lending rates in coming months. GDP growth in third and fourth quarter will correspondingly be higher. However, the State Bank needs to supervise allocation of to-be-added credit and inflation very closely in the next 4 months to maintain current stability and in longer term. Concerning the stock market, while some short-term adjustments were observed, the aggregate market capitalization of the HSX, HNX, and UPCoM still kept rising by 2.5% MoM to USD115 billion by the end of August. In addition, state divestments and upcoming IPOs are expected to be more active in the coming time. In a nutshell, the economy and the market still look positive in the remaining months of 2017.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2017 PE	2018 PE	2019 PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.00	-0.10	6.09	17.73	17.3	13.1	11.3	3.7	4.1	24.2	14.0	3.61
Automobiles & Components	0.78	-5.58	-4.35	0.59	10.9	8.1	7.3	1.7	9.1	16.8	7.3	0.4
Banks	22.02	-2.34	7.19	23.37	23.4	10.5	9.5	1.8	3.1	11.1	9.6	15.8
Capital Goods	6.22	7.64	-5.70	1.54	10.2	9.6	8.1	2.1	3.0	24.1	13.5	-
Commercial Services & Supplies	0.81	-1.48	8.63	13.09	11.3	10.2	8.9	2.4	2.6	22.0	22.0	-0.3
Consumer Durables & Apparel	0.93	0.99	5.49	39.93	12.9	10.5	11.1	-2.7	1.5	2.6	4.1	2.3
Consumer Services	0.22	2.88	2.86	0.20	8.8	7.9	7.4	1.6	0.5	19.8	41.0	-0.3
Diversified Financials	2.06	-2.15	20.47	62.66	14.7	13.3	12.6	2.2	3.5	15.9	36.8	0.4
Energy	7.93	0.18	10.77	4.83	16.9	15.3	13.7	2.9	5.2	16.6	9.8	-0.3
Food, Beverage & Tobacco	26.01	1.01	9.84	19.84	22.1	18.7	15.2	7.9	4.4	37.4	16.6	-0.1
Health Care Equipment & Services	0.02	-3.98	21.13	-0.34	-	-	-	-	-	-	-	-
Household & Personal Products	0.42	-4.12	-13.04	-11.44	9.9	9.9	8.6	1.4	5.5	14.3	9.3	-
Insurance	3.39	-4.93	-1.53	0.67	24.7	25.8	24.3	3.0	2.0	12.3	7.4	-
Materials	5.35	3.29	3.85	9.83	8.6	8.2	7.2	1.8	7.1	26.7	13.7	0.3
Pharmaceuticals & Biotechnology	2.00	-4.90	5.27	44.35	17.2	15.5	13.9	4.0	3.0	23.9	16.5	-0.2
Real Estate	11.52	2.93	10.86	17.47	8.4	7.7	6.7	2.5	4.7	25.9	18.4	0.6
Retailing	2.62	4.31	7.12	28.96	8.3	6.7	5.3	3.0	1.4	42.2	3.4	1
Software & Services	1.63	1.97	13.33	24.09	12.3	12.1	9.4	2.0	4.2	17.5	10.7	-
Technology Hardware & Equipment	0.02	11.81	31.82	32.95	-	-	-	-	-	-	-	-
Telecommunication Services	0.04	-1.13	-1.70	0.53	4.0	3.7	3.4	0.8	-	24.7	6.7	0.3
Transportation	4.38	-0.56	3.27	15.85	13.3	12.3	11.6	3.8	3.7	33.3	15.2	0.5
Utilities	1.65	-7.18	3.86	12.98	10.0	9.1	8.1	1.4	8.5	15.2	25.6	0.5

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of Aug 31st, 2017

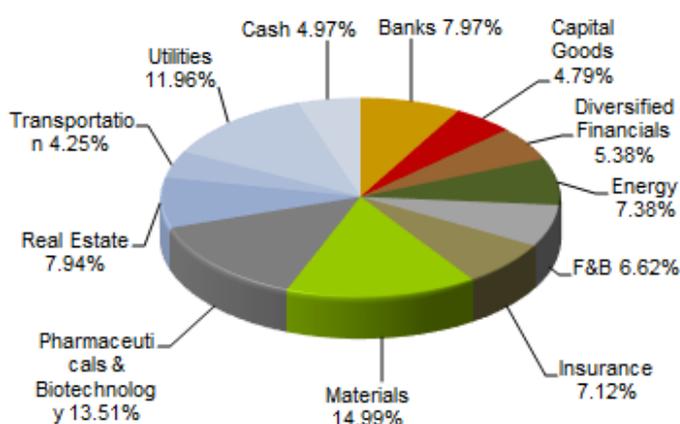
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1111.7	EUR 1079.6	USD 1024.0
MoM change	-3.87%	-3.91%	-2.20%
YTD change	-7.57%	-7.83%	5.02%
Since inception	11.2%	8.0%	2.40%
Bloomberg	IPCVEMA LX	IPCVEMB LX	IPCVEMC LX
ISIN	LU1042536018	LU1042536281	LU1218444351
Securities No.	A1XE8U	A1XE8V	A14RPQ

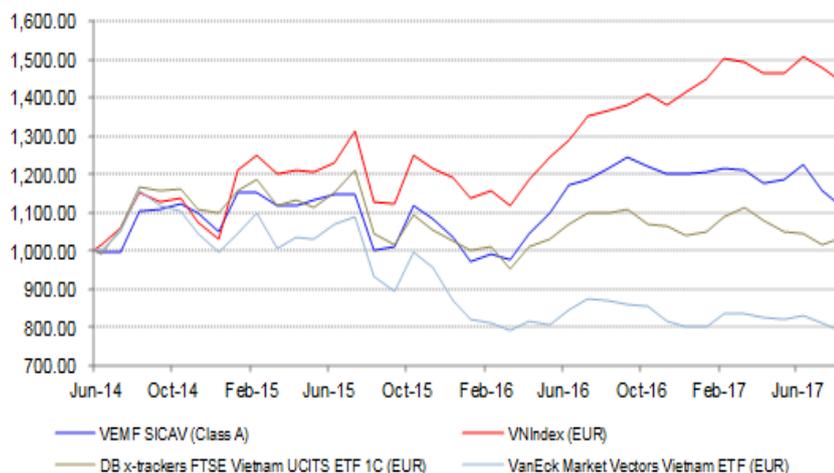
VEMF SICAV is a Luxembourg-incorporated UCITS compliant open-ended fund with daily subscription and redemption. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

In August, the Fund decreased 3.9% MoM vs. -2.8% of the VN-Index in EUR term.

Sector Breakdown



Performance of VEMF SICAV Class A vs. VN-Index (EUR)



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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