

## Market Update

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The market had an excellent year in 2017, with the VN-Index reaching a decade-high of 984.24 points at year-end, recording a gain of 48% YoY in local currency. For December, the VN-Index was up 3.6% MoM. Similarly, the HNX-Index also soared 45.9% YoY to close 2017 on a strong note at 116.86 points. Total market capitalization of the HSX, HNX, and UPCoM advanced considerably to around USD155 billion at year-end, which nearly doubled 2016's year-end figure (USD83 billion). This was also supported by several listings of leading enterprises, namely Vincom Retail (VRE), Petrolimex (PLX), Vietjet (VJC), and VPBank (VPB), etc. The market impressive performance in 2017 was largely attributable to a number of large-cap stocks such as VNM (+72%), VIC (+84%), GAS (+70%), and VCB (+57%). Strong foreign inflows, with total net buying value of USD1.2 billion, were another key supporting factor to the market. Market liquidity also surged, as combined average daily trading value (HSX, HNX, UPCoM) moved up to USD223 million this year, from nearly USD140 million in 2016.

### **Vietnam registered an impressive GDP growth of 6.81% in 2017, met and exceeded other major macroeconomic objectives.**

Despite sluggish growth in the first half of the year, Vietnam's GDP saw a strong expansion in the second half (Q1: 5.15% YoY, Q2: 6.28% YoY, Q3: 7.46% YoY, Q4: 7.65% YoY), leading to a remarkable full-year growth of 6.81%. This exceeded the government's initial target of 6.7%, and in fact was the fastest annual pace in 10 years. Such outstanding achievement was driven by solid performance of most economic sectors. Notably, substantial improvements were observed in industrial sector, with a gain of 7.85% YoY compared to 7.06% YoY in 2016, and manufacturing and processing sector, which recorded the biggest jump in 7 years at 14.4% YoY. The Vietnam PMI reinforced manufacturing sector's strength, as the figure posted a three-month high of 52.5 in December vs. 51.4 in November, supported by an accelerated rise in new orders as a result of increasing global and domestic demand. The December reading marked 25 consecutive months of steady expansion of the sector. In addition, retail

sales of goods and services this year also witnessed a growth of 10.9% YoY, which was partly attributable to an all-time high of 12.9 million foreign visitors to Vietnam during the year (+29.1% YoY). As for foreign investments, 2017 saw a significant surge in both registered and disbursed FDI. As of December 20<sup>th</sup>, YTD figures amounted to USD29.7 billion (+44.2% YoY) and USD17.5 billion (+10.8% YoY), respectively. Contributed most by FDI sector, Vietnam's exports hit USD213.8 billion in 2017 (+21.1% YoY), while imports reached USD211.1 billion (+20.8% YoY), resulting in a trade surplus of USD2.7 billion. Regarding inflation, CPI was kept below its target of 4% in 2017, as average CPI rose by 3.53% YoY. Healthy foreign reserves, climbing to USD51.5 billion by year-end thanks to abundant USD inflows, helped maintain the stability of the dong.

### **The market is expected to continue to offer attractive investment opportunities from state divestments, IPOs and listings in 2018.**

In 2017, the government well exceeded its target revenue from equitization and state di-

vestment of VND60 trillion (more than USD2.6 billion), due primarily to notable deals including the sales of 53.59% state stake in Sabeco, and 3.33% state stake in Vinamilk, with the former alone bringing in VND110 trillion (USD4.85 billion) and the latter generating VND8.9 trillion (USD400 million). Following those successful transactions, 2018 is expected to be the peak period of equitization and state divestment as there are respectively 64 and 181 companies up for equitization and state divestment, representing roughly 70% of the overall 2018-2020 plan, as well as those which have missed 2017 deadlines. Big names consist of PV Power, PV Oil, PLX, ACV, Vietnam Engine and Agricultural Machinery Corporation (VEAM), Viglacera (VGC), etc. Furthermore, the market is predicted to welcome a number of new listings with highlights including HDBank (HDB), Techcombank, Taseco Air Services (AST), Truong Hai Motor (THACO), etc. At the time of writing, AST and HDB have already made their impressive debut on the HSX during the first week of 2018 with the closing price on the first trading day reaching ceiling (+20%).

## Our view

Vietnam fulfilled and surpassed major economic goals in 2017 with GDP growth rate among the highest globally. The government's target of 6.5-6.7% GDP growth for 2018 looks feasible as the stable macroeconomic environment will be expectedly continued into next year. Confidence of both foreign and local investors as well as domestic consumers have been strong, boosting investment and economic activities. Externally, the steady recovery and improvement of major economies including the US, China, Japan, South Korea, etc. also helped. Though inflation was kept below the target in 2017, we still need to watch it in 2018 given anticipated continued loose fiscal policy and rising price of commodities. As for the stock market, it consequently had an impressive performance in 2017, with total market capitalization by year-end being equal to 70.2% of GDP this year, exceeding the Government's target of 70% set for 2020. Liquidity also surged strongly. New state divestments, IPOs, and listings are expected to continue bolstering the market and investor sentiment in 2018 on the back of the supportive macroeconomic environment. We keep our positive view on the economy and the market for the coming year.

## 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                   | 100.0    | 3.6  | 22.4 | 48.0  | 28.6    | 27.4    | 29.8    | 5.6  | 3.0       | 23.3 | 13.6       | 4.05    |
| Automobiles & Components         | 0.5      | 2.2  | 2.6  | -4.2  | 11.7    | 9.0     | 8.0     | 1.7  | 8.6       | 15.8 | 14.2       | 0.9     |
| Banks                            | 22.8     | 4.5  | 26.9 | 58.4  | 21.5    | 13.6    | 12.1    | 2.5  | 2.6       | 12.2 | 10.5       | 15.9    |
| Capital Goods                    | 6.6      | 0.6  | 26.0 | 28.4  | 102.7   | 138.4   | 203.7   | 8.9  | 2.8       | 14.6 | 12.3       | 0.2     |
| Commercial Services & Supplies   | 0.6      | 3.7  | 0.1  | 12.5  | 11.0    | 9.7     | 8.6     | 2.4  | 2.5       | 23.6 | 21.4       | 0.2     |
| Consumer Durables & Apparel      | 0.8      | 10.4 | 13.7 | 67.2  | 16.8    | 13.4    | 14.7    | 4.6  | 1.7       | 30.6 | 7.0        | 1.1     |
| Consumer Services                | 0.3      | 1.4  | 27.8 | 17.4  | 7.6     | 7.0     | 6.6     | 1.3  | 0.5       | 17.6 | 28.3       | 0.2     |
| Diversified Financials           | 1.7      | 11.6 | 24.4 | 107.0 | 18.5    | 17.3    | 16.3    | 2.9  | 2.8       | 15.5 | 35.8       | 0.7     |
| Energy                           | 7.4      | 21.4 | 41.7 | 59.0  | 26.9    | 24.0    | 20.9    | 4.4  | 3.4       | 16.0 | 9.7        | 0.2     |
| Food & Staples Retailing         | -        | -    | -    | -     | -       | -       | -       | -    | -         | -    | -          | -       |
| Food, Beverage & Tobacco         | 25.1     | -4.3 | 36.2 | 70.9  | 33.5    | 28.4    | 24.4    | 10.6 | 2.2       | 34.0 | 14.7       | 0.3     |
| Health Care Equipment & Services | 0.0      | 0.3  | -0.8 | 13.7  | 6.3     | 5.1     | 4.3     | 0.3  | -         | 5.7  | 12.0       | 0.4     |
| Household & Personal Products    | 0.3      | -1.7 | -1.1 | -10.6 | 11.3    | 10.2    | 8.9     | 1.5  | 4.0       | 14.9 | 7.0        | 0.9     |
| Insurance                        | 2.6      | 5.6  | 12.9 | 16.2  | 24.7    | 25.8    | 24.3    | 3.0  | 2.0       | 12.3 | 7.4        | -       |
| Materials                        | 4.4      | 13.2 | 11.4 | 29.5  | 10.6    | 9.4     | 8.7     | 2.4  | 6.1       | 26.8 | 14.0       | 0.6     |
| Pharmaceuticals & Biotechnology  | 1.4      | 3.0  | 5.6  | 40.9  | 19.8    | 18.0    | 16.6    | 4.2  | 2.7       | 22.2 | 14.6       | 0.1     |
| Real Estate                      | 12.1     | 0.5  | 31.1 | 59.6  | 14.8    | 14.7    | 12.4    | 3.8  | 3.2       | 24.2 | 17.6       | 0.9     |
| Retailing                        | 6.2      | -2.3 | 9.5  | 44.3  | 10.6    | 8.4     | 7.0     | 1.6  | 1.3       | 44.2 | 3.4        | 1.2     |
| Software & Services              | 1.4      | -4.3 | 14.3 | 42.1  | 15.0    | 14.8    | 11.5    | 2.4  | 3.6       | 17.2 | 10.4       | 0.8     |
| Technology Hardware & Equipment  | 0.0      | -1.6 | 16.2 | 77.9  | -       | -       | -       | -    | -         | -    | -          | -       |
| Telecommunication Services       | 0.0      | 5.0  | 42.4 | 31.4  | 6.5     | 6.3     | 5.7     | 1.0  | -         | 20.6 | 6.9        | 0.9     |
| Transportation                   | 4.6      | 7.5  | 23.7 | 60.1  | 16.0    | 15.1    | 14.3    | 5.0  | 4.4       | 36.5 | 13.5       | 1.1     |
| Utilities                        | 1.4      | 2.1  | 17.5 | 25.4  | 11.4    | 10.6    | 9.4     | 1.6  | 7.5       | 15.5 | 28.2       | 0.8     |

\* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of Dec 29th, 2017

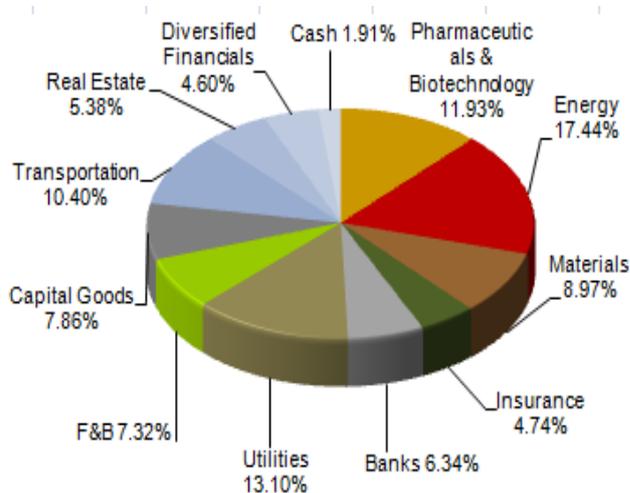
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

|                 | Class A      | Class B      | Class C      |
|-----------------|--------------|--------------|--------------|
| Inception date  | 19 Jun, 2014 | 31 Jul, 2014 | 05 Aug, 2016 |
| NAV per share   | EUR 1287.55  | EUR 1245.85  | USD 1166.78  |
| MoM change      | 4.52%        | 4.27%        | 4.6%         |
| YTD change      | 7.06%        | 6.36%        | 19.66%       |
| Since inception | 28.76%       | 24.59%       | 16.68%       |
| 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.

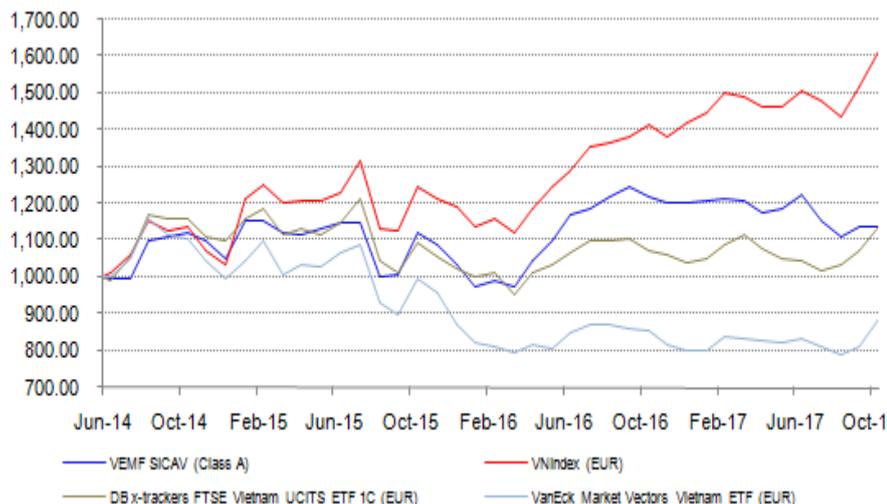
In December, the Fund increased 4.52% MoM, outperformed the VN-Index by 2.65% and outperformed the Van Eck Market Vectors Vietnam ETF by 3.76% (all in EUR term).

### Sector Breakdown



Source: Union Investment Financial Services S.A.

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



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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