

Market Update

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The market resumed active after Tet holiday with the VN-Index surpassing the 700 level for the first time in 9 years on the first trading day of February and maintaining above that level throughout the month. The market liquidity also improved significantly as combined average daily trading value on the VN-Index and the HNX-Index was up 48.3%MoM to US\$158.1 mn, and +50.3%MoM to US\$9 mn on the UpCOM. Foreign investors continued to net buy for the second consecutive month with a total amount of US\$ 28.2 mn on both bourses during February, after US\$31.9 mn recorded in January. Even though the VN-Index moved upward to the highest level of 717.44 points on 27 February, profit taking pressure spread widely on the last trading day, causing the VN-Index to drop to 710.79, up 1.94% MoM, whilst the HNX-Index closed the month at 86.83 points, +2.81% MoM.

State divestments speeded up in the first two months of the year

The Ministry of Finance (MoF) reportedly received nearly VND14.2 trillion (US\$ 622.7 mn) from selling state stakes in SOEs in the first two months of 2017, in which divestments made by the State Capital Investment Corporation (SCIC) accounted for VND12 trillion (US\$ 530.7 mn), including its divestment from Vinamilk in the first tranche. It was remarkable when comparing to SCIC's total divestment revenue of VND16 trillion (US\$ 706 mn) in FY2016. This will give the Government more room in dealing with the budget deficit. Also, according to the MoF, the country had a slight budget surplus of ~US\$0.44 bn at end of February (vs. US\$1.1 bn deficit for the same period last year) as revenue increased 15.8% YoY (thanks partly to increasing revenue from crude oil) while expenditure was only up 8.4% YoY. ODA also showed a positive sign with total disbursement reaching

US\$ 260.5mn as of 22 February 2017.

Vietnam's PMI Index reached 21-month high in February

According to Nikkei's report, Vietnam's PMI Index in February read at 54.2, an incredible jump from 51.9 in January. It topped regional markets (Singapore - 48.6, Malaysia - 49.4, Thailand - 50.6, the Philippines - 53.6, etc.), and was the country's 21-month high. The impressive outcome was mainly due to increase of new orders and improving business environment. In fact, according to the World Bank's ease of doing business report, Vietnam leaped 9 notches to get to the 82th position in the business environment ranking in 2016. Another bright note came from consumption side. Nielsen reported that Vietnam was ranked the 5th most optimistic country in the world in 4Q2016 from the 7th position in the previous quarter after its Consumer Confidence Index (CCI) increased 5 points to 112 in the last quarter of 2016. This shows Vietnamese

consumers remain optimistic about the economic outlook, and hence consumption spending is expected to remain strong this year despite domestic challenges and global uncertainties.

Lending rate will be kept floating from 15 March 2017

Circular 39/2016/TT-NHNN, issued by the Central Bank in late 2016 and stipulating lending activities of financial institutions (FIs) and foreign bank branches, will come into force from 15 March 2017. A prominent point is lending rate cap will be removed (currently capped at 20%) and will be kept floating based on market demand and client's credit ranking. However, this will not apply to short-term VND lending activities in 5 priority areas, namely agricultural and rural development, exporting businesses, SMEs, supporting industry and high-tech enterprises. The new regulation will expectedly bring Vietnam's lending activities to international practices.

Our view

Vietnam's economy continued to show positive signs in February with key growth engines keeping their steam. The manufacturing and processing sector enjoyed the most remarkable improvement as February PMI reading jumped to 21-month high at 54.2 point. This sector also received the biggest portion of FDI investment in the first two months (accounting for 73.5% of total registered capital). FDI investment saw a surge in both registered and disbursed figures (+21.5%YoY and +3.3%YoY, respectively). Meanwhile, indirect foreign investment into the stock market also recorded two months in a row of net inflow. Domestic consumers share the optimistic view on the country's economic outlook as the CCI added 5 points in 4Q 2016, bringing Vietnam to the 5th most optimistic country globally. Pressure on the budget deficit has reduced to some extent with a small budget surplus at end of February. Besides, capital from more active state divestments should also help, at least this year. Having said that, this concern remains and still needs to be watched in a longer run. On the stock market, the listing of Vietjet Air (market cap of ~US\$1.4 bn) on the last trading day of the month and upcoming listings and IPOs of other big names have buoyed investors' sentiment, and hence improved market liquidity. If the pipeline is adhered to, the Vietnam market will continue to increase size and liquidity significantly this year, which will shorten the time for Vietnam market to be upgraded to emerging market status. We keep our positive view on the economy and the market.

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	1.9	6.9	6.9	11.5	10.4	9.7	2.0	4.3	18.0	13.5	3.96
Consumer Durables & Apparel	1.0	9.7	11.1	9.8	13.8	8.6	6.8	2.3	2.1	34.7	5.6	-0.3
Real Estate	11.7	9.6	6.3	10.9	8.1	7.5	6.4	2.6	4.9	27.9	18.1	0.6
Transportation	2.8	6.9	9.5	9.0	10.3	9.2	8.4	2.4	4.6	26.0	24.3	-
Capital Goods	4.3	6.1	12.7	10.2	10.3	9.0	8.2	2.0	4.8	21.5	14.8	-0.1
Diversified Financials	1.6	6.0	9.9	6.9	12.7	11.2	10.4	3.8	4.4	11.0	39.0	0.5
Telecommunication Services	0.1	5.1	12.7	12.4	3.0	2.9	2.6	0.5	-	19.3	9.9	0.1
Retailing	2.5	5.0	3.9	6.7	13.6	13.5	11.4	4.3	1.1	34.9	3.5	1.1
Pharmaceuticals & Biotechnology	1.8	3.6	7.4	9.6	13.0	11.6	10.1	2.9	2.7	23.6	14.3	0.1
Commercial Services & Supplies	0.9	3.5	0.2	1.7	12.3	26.4	26.1	2.7	2.2	15.3	51.6	-0.2
Automobiles & Components	1.0	2.9	-3.0	2.2	9.8	8.3	7.2	1.7	8.4	18.1	15.3	0.4
Energy	10.9	1.3	-5.5	1.7	16.2	14.5	13.1	2.9	5.3	17.0	10.0	-0.3
Software & Services	1.9	1.1	4.1	0.2	9.2	8.7	6.9	1.6	4.4	17.9	10.7	-
Food, Beverage & Tobacco	19.7	1.1	2.0	2.4	13.9	12.5	11.7	1.7	4.2	13.1	6.7	0.9
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Health Care Equipment & Services	0.0	-0.3	-5.6	-0.5	-	-	-	-	-	-	-	-
Utilities	2.1	-0.6	-1.9	1.1	8.2	7.9	6.9	1.5	9.0	14.1	22.8	0.5
Banks	26.3	-2.0	11.2	8.1	9.9	9.2	9.7	1.4	3.5	14.6	13.2	14.3
Household & Personal Products	0.6	-2.2	2.3	-4.3	11.4	11.1	10.0	1.5	4.7	17.2	12.9	-0.1
Materials	5.9	-2.4	-3.7	-4.9	7.9	7.1	6.2	1.4	6.5	21.2	10.2	0.4
Insurance	4.8	-2.4	1.7	1.3	11.3	6.4	5.8	1.2	1.8	11.6	17.0	-0.8
Consumer Services	0.2	-3.3	-3.1	-5.4	8.5	8.1	7.7	1.5	-	20.1	25.1	0.3

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of 28 Feb, 2017.

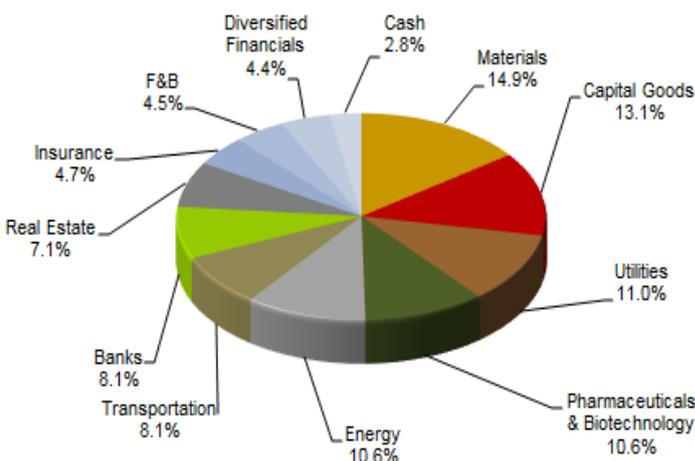
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1215.17	EUR 1182.59	USD 996.80
MoM change	0.72%	0.69%	0.0%
YTD change	1.04%	0.96%	2.23%
Since inception	21.52%	18.26%	-0.32%
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.

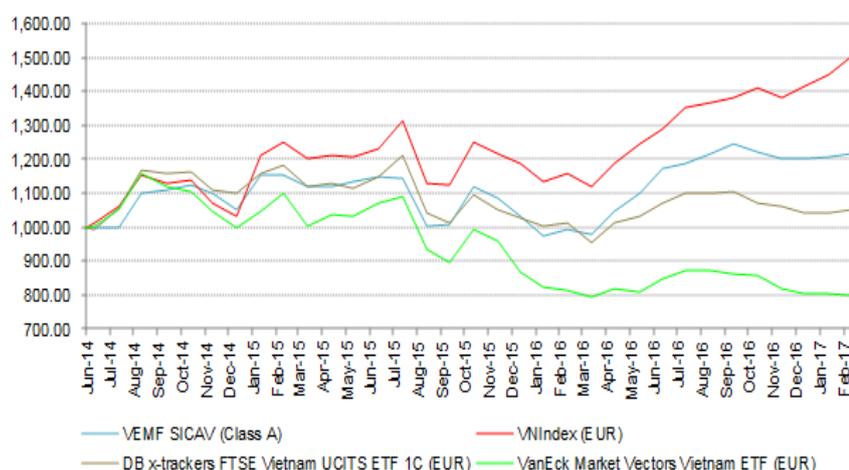
In February, the Fund increased 0.7% MoM, underperformed the VN-Index by 2.9% in EUR term.

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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