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Market Update

The Lunar New Year holiday sentiment overwhelmed the market in January and thus caused a slump in the combined average daily trading value on both bourses to only US\$106.6 million (-17.1%MoM) during the month. Despite low liquidity and profit taking pressures from local investors in January, foreign investors played net buyers with the amount of ~US\$32 million, and the VN-Index was still able to rise and ended the month at 697.28 points (+4.9%MoM), moving toward the threshold 700 that the index has not reached in the last 9 years. The HNX-Index also gained 5.4%MoM to 84.46 points in the review period.

The economy continues to be fueled by solid capital influx from FDI and private sector

In the first month of 2017, Vietnam received pledged FDI of US\$1.42 billion for newly registered and supplemental capital (+6.6% YoY), while disbursed FDI reached US\$ 850 million (+6.3% YoY). The fact that the U.S. officially withdrew from the Trans-Pacific Partnership (TPP) did not appear to have a significant impact on FDI investment into Vietnam as previously concerned. One of recent big investments was from Samsung Electronics's display panel subsidiary, which announced its intent of investing another US\$2.5 billion into Vietnam to expand capacity. On domestic side, Vietnam in January recorded 8,990 newly-established enterprises (+8.1% YoY) with VND90.3 trillion (US\$3.99 billion) of registered new capital (+52.3% YoY), not taking into account VND114.6 trillion (US\$5.1 billion) of supplemental capital of existing enterprises. The combined capital of VND204.9 trillion (US\$9.06 billion) was mostly from the private sector. In addition, the country continues to receive ODA from traditional

donor countries. On a visit to Vietnam in mid January, Japanese Prime Minister Shinzo Abe committed an additional JPY123 billion (US\$1.05 billion) in ODA for Vietnam in the coming months to support maritime security, climate change, and sewage treatment.

10 million international visitors in 2016, tourism set as a new driver of the economy

According to Vietnam National Administration of Tourism, the country received more than 10 million international visitors in 2016 (+26.0% YoY) – the highest growth pace in the region (Thailand estimated 11%, Singapore 9%, Indonesia 8.5%, Cambodia 5% and Malaysia 4%). 62 million domestic tourists were also recorded during the period. Altogether, the tourism had a revenue of VND400 trillion (US\$17.6 billion), directly contributed 6.8% to Vietnam's 2016 GDP. If taking into account other sectors significantly driven by tourism such as dining, spa, wellness services, retails, etc., total contribution to 2016 GDP would be around 14%. In the latest publication, Vietnam recorded over 1 million international visitors (+23.6% YoY) in January. If this pace persists, Vietnam's "white" in-

dustry will be another major driver of the economy in coming years. In fact, the Polibureau – Vietnam's most powerful political committee has recently been reported to set tourism as another important growth driver of the country in the time to come, hence more serious investment from the state to develop tourism and related sectors should be coming.

Currency market calmed down; the SBV increased FX reserves

After a depreciation of 1.2% in FY2016 (mostly in few last months of 2016), the Vietnamese Dong (VND) bounced back in January 2017, appreciated 0.8% against the US dollar. With this and continuing foreign capital inflows from FDI, FII, overseas remittances (estimated US\$9 billion in 2016), ODA, etc., the Central Bank has bought roughly US\$1.2 billion since the beginning of the new year to build up the foreign reserves (estimated at US\$41 billion, excluding gold, at end of 2016). The healthy foreign reserves give the Central Bank more room to handle external challenges on the local currency this year.

Our comment

Despite being a shorter month as Tet came early, January kicked off the year 2017 with a generally positive macroeconomic picture: i) January PMI reading at 51.9 - the 14th month of above 50 PMI reading in a row, indicating a good shape of Vietnam manufacturing sector, ii) an increase of 6.6% YoY in registered FDI and 6.3% in disbursed FDI, iii) Retail sales of goods and services up 9.9% YoY, and iv) lowering USD/VND exchange rate after remarkable surges in the last two months of 2016 offset a small trade deficit of US\$100 million during the month. A highlighting event of the month was President Trump's decision to withdraw the U.S. from TPP, washing away negotiation efforts of 11 other members (including Vietnam) for the past years. However, Vietnam continues to attract foreign investments thanks to its sound fundamentals and the government's explicit support. In terms of trade, without TPP, Vietnam still has alternative opportunities from other FTAs and the expected RCEP. Besides, banking restructuring and SOE reform remain shining spots in 2017. We are expecting to see more M&A in the banking system and state divestments from big (listed) companies in coming months. Listing of big companies such as Vietnam Airlines (HVN), Vinatex (VGT), Masan Consumer (MCH), Vietnam International Bank (VIB) and FPT Telecom (FOX) on the UpCom in January added US\$4.7 billion of market capitalization to this trading platform, increased its size by 40.8% MoM to US\$17.6 billion at the month end. As at end of January, combined market capitalization of the HSX, the HNX and the UpCom was US\$95.3 billion. With current busy pipeline of IPOs, listings and state divestments, we believe total size of Vietnam market will continue to be enhanced significantly, and thus more investment opportunities and liquidity improvement for investors in 2017.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2016 PE	2017 PE	2018 PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	4.9	3.2	4.9	14.6	12.7	11.6	2.9	4.1	22.1	15.2	3.47
Automobiles & Components	1.0	-0.3	-13.1	-0.7	8.6	8.5	7.2	1.5	8.8	18.7	8.6	0.3
Banks	24.3	15.6	8.8	10.2	14.2	10.0	9.2	1.4	3.6	14.6	13.2	14.1
Capital Goods	4.3	5.3	6.0	3.8	11.3	10.5	10.0	2.2	3.7	21.9	15.5	-0.2
Commercial Services & Supplies	0.9	-2.1	-4.3	-1.8	15.4	11.4	10.2	2.4	2.2	22.6	26.8	-0.5
Consumer Durables & Apparel	1.0	-0.9	-7.8	0.1	11.0	8.5	7.2	2.4	2.2	30.1	7.5	0.4
Consumer Services	0.2	-1.7	0.0	-2.2	10.1	9.3	8.9	1.5	-	20.2	25.1	0.3
Diversified Financials	1.5	4.6	-1.9	0.8	15.7	12.2	10.6	3.8	4.7	11.2	39.9	0.5
Energy	11.5	-2.0	-8.6	0.4	17.9	15.5	14.3	2.4	5.3	15.6	11.1	-0.5
Food, Beverage & Tobacco	21.3	3.1	-5.7	1.2	18.7	17.9	17.7	6.2	3.2	36.0	17.5	-0.3
Health Care Equipment & Services	0.0	3.8	12.4	-0.2	-	-	-	-	-	-	-	-
Household & Personal Products	0.6	0.5	-0.4	-2.2	9.7	7.6	7.7	1.4	4.4	18.7	13.4	-
Insurance	4.6	3.8	-4.9	3.8	11.4	11.6	6.4	1.3	1.7	11.6	17.0	-0.8
Materials	6.0	-2.2	2.4	-2.6	8.0	7.6	7.1	1.4	6.6	21.2	10.8	0.4
Pharmaceuticals & Biotechnology	1.8	7.3	4.8	5.7	16.1	13.8	12.4	2.7	3.1	22.3	13.1	0.1
Real Estate	11.8	0.8	-3.4	1.2	13.8	12.6	10.8	3.1	5.1	25.0	15.9	1.8
Retailing	2.5	2.3	8.0	1.6	16.3	14.8	13.6	4.4	1.1	33.9	4.0	0.6
Software & Services	1.9	3.5	2.5	-0.9	10.4	9.1	8.7	1.6	4.4	17.8	10.7	0.1
Technology Hardware & Equipment	0.0	22.0	52.9	0.7	-	-	-	-	-	-	-	-
Telecommunication Services	0.1	14.6	-11.2	7.0	4.9	4.2	3.9	0.5	-	16.8	9.9	-
Transportation	2.8	3.8	-1.7	1.9	11.0	10.2	9.1	2.0	4.9	22.1	21.4	-
Utilities	2.0	2.9	-2.4	1.7	9.8	9.3	8.5	1.3	8.8	15.4	26.1	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 25 Jan, 2017.

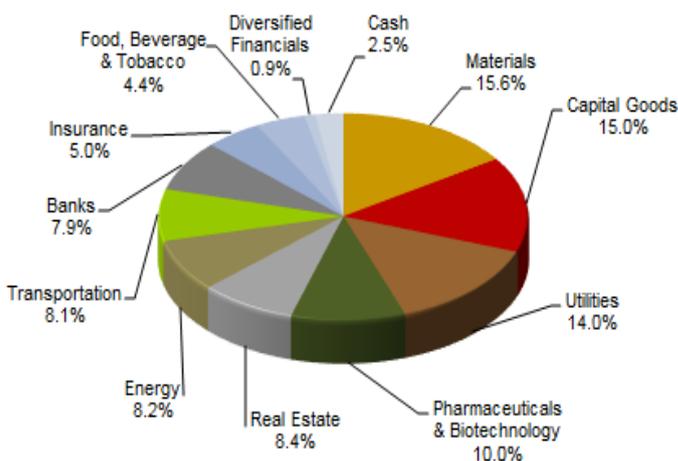
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1206.45	EUR 1174.5	USD 996.93
MoM change	0.31%	0.27%	2.24%
YTD change	0.31%	0.27%	2.24%
Since inception	20.7%	17.5%	-0.3%
Bloomberg	IPCVEMA LX	IPCVEMB LX	IPCVEMC 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.

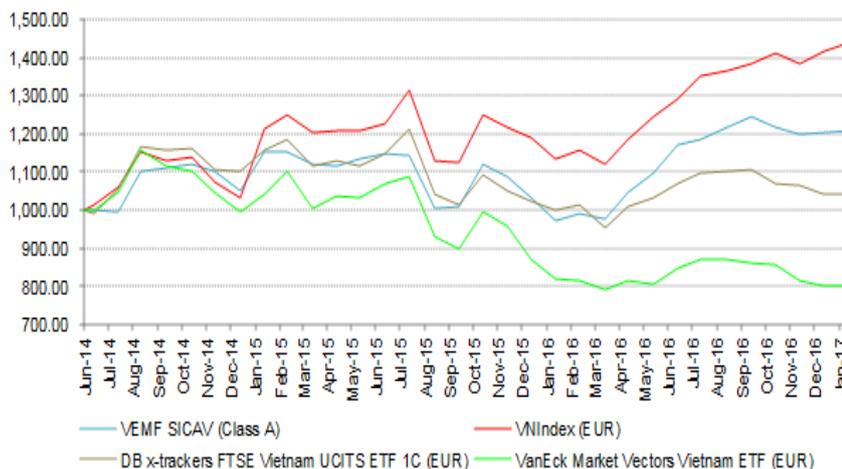
In January, the Fund increased 0.31% MoM, underperformed the VN-Index by 1.27% and outperformed the Van Eck Market Vectors Vietnam ETF by 0.51% (all in EUR term).

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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