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Market Update

Following the upward trend in June, the VN-Index surpassed the 780 level on July 6th. However, profit-taking hit the market quite strongly in the next two trading days, washing away gains of previous weeks. The market faced further corrections during the next two weeks, but started to recover in the last week of July with the support of large-cap and banking stocks. The VN-Index closed the month at 783.55 points, up 0.91% MoM in local currency. Similarly, the HNX-Index, after reaching the 6-year high of 102.6 points on July 6th, experienced two-week-long adjustments, but then rebounded to 101.18 points at the month-end, up 2.06% MoM. Compared to June's liquidity, the combined average daily trading value in July (HSX, HNX, UpCOM) was down by 6.6% to USD207.8 million. Foreign investors continued to play net buyers with net buying value of USD100.9 million in July (+7.7% MoM).

Government continues to show support to the private sector

At 2017 Vietnam Private Sector Forum (a platform initiated in 2016 by the new government to exchange direct dialogues between the Prime Minister and the private sector in Vietnam) held in Hanoi on July 31st 2017, PM Nguyen Xuan Phuc again manifested firm commitment to support the private sector, which currently contributes approximately 43% to the country's GDP growth. At the event, the PM called for a higher contribution from the private sector to the GDP growth in coming years with target at 50 – 60%. The PM has demonstrated continuous efforts to improve Vietnam's investment environment and implement his pro-business policy. However, progress has not been as desired so far, though it is generally encouraging sentiment among the entrepreneur community in Vietnam. In 7M 2017, the country has nearly 73,000

newly established enterprises (+13.8% YoY) with total registered capital of VND690 trillion (approximately USD30.3 billion) (+39% YoY). On a related note, on July 10th, the State Bank of Vietnam (SBV), in response to the PM's direction to reduce interest rates to support business, reduced both policy rates (discount rate and refinancing rate) by 0.25% to 4.25% and 6.25%, respectively. The lending rate cap for VND short-term bank loan to some priority sectors/businesses was also reduced by 0.5% to 6.5% p.a. Most recently, official target for FY2017 credit growth has been revised up to 20% from 18%, and this is likely to be achieved given banks' accelerating lending activities being seen.

Foreign reserves reached a new high upon stable foreign investment inflows into the country

On 21st June 2017, the National Assembly approved the Resolution on resolving non-Stable foreign investment

inflows into Vietnam year-to-date and a relatively stable USD/VND exchange rate provided room for the SBV to add USD1 billion to the foreign reserves and brought them to a new high at estimated USD42 billion at end of the first half. As of July 20th, registered and additional FDI continued to accelerate to USD21.9 billion (+52% YoY), in which USD3.12 billion received via foreigners' purchasing stakes and shares of local companies (+109.7% vs. 7M 2016). Meanwhile, disbursed FDI increased modestly at +5.8% YoY to USD9.1 billion. Remarkably, in the first seven months, foreign investors net bought USD700 million in bonds and USD530 million in equities, making their total net buying value to USD1.23 billion on Vietnam stock market. This shows increasing confidence of foreign investors in the country's growth outlook.

Our view

The move of the State Bank on July 10th to slash two official interest rates by 25 bps (the latest cut for these two rates was in March 2014) and reduce the lending rate cap for VND short-term bank loan to selective sectors/businesses by 50 bps, coupled with recent revision of credit growth target to 20%, reaffirms that the government maintains very determined to achieve its 6.7% target for GDP growth this year. Though main growth drivers are doing well, we think a little lower figure at 6.4-6.5% will be more realistic. In July, Vietnam was one of the two ASEAN countries experiencing expansion in their manufacturing sector (Vietnam's PMI in July read at 51.7 and the Philippines 52.8), while other peers in the bloc saw a contraction in their manufacturing. This marks the 20th consecutive month of expansion of Vietnam's manufacturing. With subdued inflation YTD and ongoing pro-growth measures by the government, we expect a higher growth rate in the last two quarters. On a note related to the stock market, the government on July 10th issued a Decision on SCIC's enterprise classification until 2020, which aims to further accelerate equitization progress and state divestments in coming time. Some sizeable state divestments are expected in remaining months of the year. Overall, the outlook for the economy and the market remains positive.

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	0.91	9.17	17.85	14.7	12.5	10.6	3.8	4.2	26.2	16.2	3.18
Automobiles & Components	0.77	-6.84	5.91	6.54	10.5	7.7	6.9	1.6	8.9	20.9	15.7	0.5
Banks	21.49	1.07	17.87	26.32	14.5	11.0	9.7	1.9	3.6	13.8	12.4	15
Capital Goods	7.82	3.69	-19.60	-5.66	9.5	9.2	7.8	2.0	3.0	24.8	13.7	-
Commercial Services & Supplies	0.77	3.57	11.41	14.79	11.0	9.6	8.5	2.3	2.7	23.2	25.1	-0.4
Consumer Durables & Apparel	0.95	-1.07	12.60	38.56	12.6	10.3	11.1	-4.0	1.5	-2.0	3.7	2.5
Consumer Services	0.20	-8.02	-0.48	-2.60	7.7	6.9	6.5	1.4	0.9	21.3	38.6	-0.3
Diversified Financials	1.55	8.47	46.44	66.23	14.5	12.0	10.4	1.8	3.3	13.0	36.7	0.5
Energy	7.84	5.36	10.55	4.64	16.9	15.2	13.7	2.9	5.2	16.5	9.8	-0.3
Food, Beverage & Tobacco	25.80	2.56	7.58	18.63	21.1	18.2	14.4	8.6	3.8	41.3	18.4	-0.4
Health Care Equipment & Services	0.02	24.90	15.65	3.79	-	-	-	-	-	-	-	-
Household & Personal Products	0.46	-7.40	-4.13	-7.64	10.8	10.8	9.4	1.5	5.2	14.2	9.5	-
Insurance	3.59	2.12	3.77	5.89	11.4	7.6	7.7	1.3	1.7	12.0	17.0	-0.8
Materials	4.83	-4.25	3.91	6.33	7.0	6.2	6.0	1.8	7.8	28.6	14.2	0.3
Pharmaceuticals & Biotechnology	1.79	-1.59	19.81	51.79	20.7	18.7	16.5	4.4	2.5	23.1	14.7	-0.3
Real Estate	11.78	1.46	6.60	14.13	7.8	7.0	6.2	2.3	5.0	25.5	18.3	0.6
Retailing	2.57	-2.34	13.13	23.63	7.7	6.0	4.7	2.8	1.5	44.1	3.5	1
Software & Services	1.52	2.90	19.69	21.70	10.7	10.5	8.2	1.7	4.1	17.4	10.8	-
Technology Hardware & Equipment	0.02	16.62	20.55	18.91	-	-	-	-	-	-	-	-
Telecommunication Services	0.05	-0.34	-1.40	1.69	3.7	3.5	3.2	0.8	-	24.8	6.7	0.3
Transportation	4.56	1.11	6.90	16.50	12.0	10.4	9.7	2.3	3.2	23.8	20.2	0.2
Utilities	1.63	7.31	19.29	21.72	10.8	9.8	8.7	1.5	7.6	15.3	25.7	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 July 31, 2017

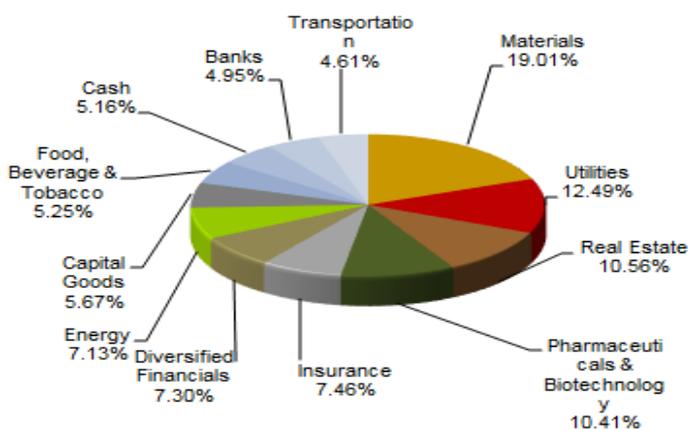
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1156.39	EUR 1123.5	USD 1047.06
MoM change	-5.6%	-5.6%	-2.3%
YTD change	-3.9%	-4.1%	7.4%
Since inception	15.6%	12.4%	4.7%
Bloomberg	IPCVEMA LX	IPCVEMB LX	IPCVEMC LX
ISIN	LU1042536018	LU1042536281	LU1218444351
Securities No.	A1XE8U	A1XE8V	A14RPQ

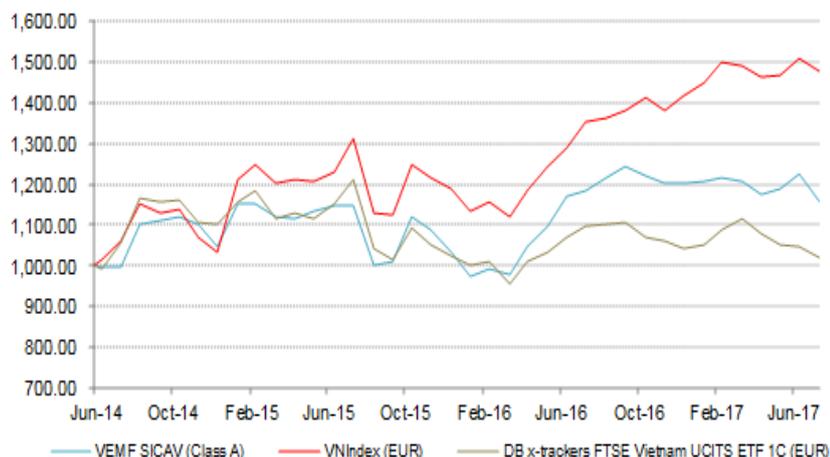
VEMF SICAV is a Luxembourg-incorporated UCITS compliant open-ended fund with daily subscription and redemption. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

In July, the Fund decreased 5.59% MoM while the VN-Index was down 1.9% 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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