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**Market Update**

The market had a good month in June with both main bourses gaining more than 5% in local currency. Namely, the VN-Index reached 776.47 points at the month end – the highest level since February 2008, and +5.24% MoM. Similarly, the HNX-Index ended at 99.14 points, +5.57% MoM. Such impressive rallies in June were supported by several blue-chips, positive macroeconomic data and sectoral news, especially recent approval of the National Assembly on the Resolution on resolving non-performing loans, which will help address this major issue in the banking sector more effectively going forward. The average daily trading value in June was US\$ 223mn, though still 12% below the record high in the previous month. Foreign investors continued their net buy in the 6<sup>th</sup> month in a row with value of US\$ 85.3mn in June, bringing total net buying value in the first 6 months to nearly US\$ 440mn vs. net outflows of around US\$ 31mn in 1H2016.

**GDP growth significantly accelerated in the second quarter to 6.17% YoY**

After the disappointing GDP growth in the first quarter (5.15% YoY), Vietnam achieved an impressive growth of 6.17% YoY in the second quarter, making the figure of the first half (1H) at 5.73% YoY. Sector-wise, solid growth continued to be seen in the manufacturing and construction sectors (+10.5% YoY and +8.5% YoY in 1H, respectively), while the mining sector was still weak (-8.2% YoY) due to low oil prices. We will probably see improvement in this sector in the second half if the government's proposal of increasing crude oil production output this year by 1mn tons to 13.28mn tons is implemented in the remaining months. Meanwhile, other major macroeconomic data were encouraging. The country attracted increasing FDI flows YTD with total registered and disbursed amount of US\$ 19.2bn (+54.8% YoY) and US\$ 7.7bn (+6.5% YoY), respectively. Both exports (+18.9% YoY) and imports (+24.1%) posted the strongest

growth in recent years, while YTD trade deficit was recorded at US\$ 2.7bn. Tourism, the new strategic growth driver, witnessed a significant jump in the number of international visitors in the first six months (over 6.2mn visitors, +30 YoY). This has put Vietnam in top tourism-growing countries in the world. With inflation almost flat YTD, credit growth is expected to accelerate in the second half to boost growth (government's target of 18% for FY2017). Consensus forecast now points to 6.4-6.5% GDP growth for this year.

**National Assembly approved the Resolution on addressing bad debts and collaterals**

On 21<sup>st</sup> June 2017, the National Assembly approved the Resolution on resolving non-performing loans (NPLs) with effective time from 15<sup>th</sup> August 2017 and valid for 5 years. This is the highest legislation in addressing bad debts and collaterals. It creates a workable mechanism for banks to resolve NPLs with key points such as (i) the right to seize collaterals; (ii) the procedures for settling disputes related

to collaterals; (iii) allowing debts and collaterals to be traded at market prices, which may be higher or lower than book values; (iv) allowing organizations or individuals who are not licensed to deal in debts to purchase bad debts; (iv) allocation of accrued interest, losses on sale of bad debts of credit institutions. The Resolution applies to NPLs which have incurred before 15<sup>th</sup> August 2017. It also stipulates that the state budget will not be used to process bad debts. According to the State Bank, as at the end of 2016, total NPLs in local currency including non-processing loans sold to VAMC were around 5.8% of total outstanding loans. If taking into account on-balance-sheet latent debts too, the figure was 10.08%. Therefore, the Resolution will have a very positive impact on the banking system and the economy. It will facilitate a secondary debt market in Vietnam in coming time and help release the outstanding capital and assets into the economy.

**Our view**

The strong GDP growth of 6.17% in 2Q on the back of positive macroeconomic environment, coupled with supportive news on certain sectors, boosted investors sentiment and the market well this month. Major growth engines such as manufacturing, FDI investments, domestic consumption, trade and tourism all did well. Vietnam's PMI read at 52.5 in June, marked 19 consecutive months of expansion in the manufacturing sector. Significantly, the tourism continued booming with more than 6 million international visitors in the first six months. This non-smoking industry will play a more and more important role in Vietnam's economic growth in coming years. With very low inflation and stable FX rate YTD, the State Bank has room to accelerate credit growth, and maintain or even lower interest rates in the second half to boost growth. Stronger GDP growth can be expected in coming quarters. If Vietnam achieves 6.4 - 6.5% for GDP growth in 2017 as per current consensus, it will already be quite high compared to most other countries. On the market, impact of the fact that Vietnam was not included in the Morgan Stanley Capital International (MSCI)'s watch-list for its emerging market index in June was insignificant and muted after a day or so. Positive corporate earnings results in 1H are widely expected and will be released in July. Overall, the outlook of the economy and the market is bright in the second half.

## 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	5.24	7.50	16.79	15.4	12.4	11.0	5.6	4.2	25.8	15.8	3.21
Automobiles & Components	0.77	8.34	8.70	14.37	11.6	8.3	7.1	1.8	7.8	20.7	15.9	0.5
Banks	21.49	8.54	11.72	24.99	17.2	10.3	11.1	2.1	3.5	12.4	10.7	15.1
Capital Goods	7.82	-15.11	-23.21	-9.02	9.4	9.2	7.8	2.0	3.0	24.8	13.7	-
Commercial Services & Supplies	0.77	6.12	7.51	10.83	13.1	11.5	10.1	2.8	2.4	23.2	25.1	-0.4
Consumer Durables & Apparel	0.95	5.36	24.55	40.06	12.6	10.3	11.5	-4.2	1.6	-2.0	3.7	2.5
Consumer Services	0.20	9.95	10.30	5.89	8.5	7.6	7.1	1.6	0.5	21.3	38.6	-0.3
Diversified Financials	1.55	13.34	29.93	53.24	17.8	15.2	13.9	82.7	3.2	11.6	41.1	0.8
Energy	7.84	3.45	7.11	-0.69	15.9	14.3	12.9	2.7	5.4	16.5	9.8	-0.3
Food, Beverage & Tobacco	25.80	5.71	6.06	15.68	21.6	18.6	14.8	8.9	3.8	41.3	18.4	-0.4
Health Care Equipment & Services	0.02	2.37	-14.06	-16.90	-	-	-	-	-	-	-	-
Household & Personal Products	0.46	-1.92	3.23	-0.26	9.3	9.0	7.9	1.6	4.5	18.2	13.2	-
Insurance	3.59	1.83	-2.43	3.69	11.1	7.4	7.5	1.3	1.8	12.0	17.0	-0.8
Materials	4.83	7.98	9.68	11.05	6.8	6.0	5.0	1.7	7.6	27.7	13.8	0.3
Pharmaceuticals & Biotechnology	1.79	11.41	25.35	54.24	21.7	19.5	17.2	4.7	2.4	23.1	14.7	-0.3
Real Estate	11.78	6.34	2.91	12.49	7.7	7.0	6.1	2.2	5.1	25.3	17.6	0.6
Retailing	2.57	5.31	16.80	26.59	7.7	6.0	4.7	2.8	1.5	44.1	3.5	1
Software & Services	1.52	8.00	14.96	18.27	10.3	10.2	7.9	1.7	4.3	17.4	10.8	-
Technology Hardware & Equipment	0.02	4.10	9.07	1.96	-	-	-	-	-	-	-	-
Telecommunication Services	0.05	1.37	-8.78	2.03	3.7	3.5	3.2	0.8	-	24.8	6.7	0.3
Transportation	4.56	2.66	4.90	15.22	12.6	11.0	10.1	2.5	3.1	23.8	20.2	0.2
Utilities	1.63	4.67	10.85	13.43	9.6	8.9	8.2	1.4	8.2	16.1	26.9	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 June 30, 2017

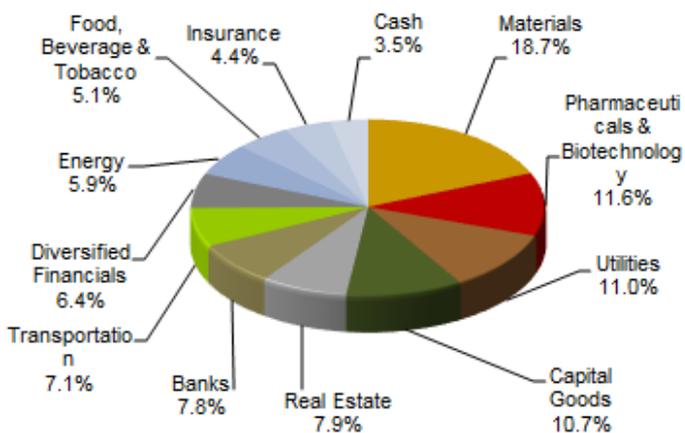
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1224.8	EUR 1189.6	USD 1071.5
MoM change	3.0%	3.0%	4.7%
YTD change	1.8%	1.6%	9.9%
Since inception	22.5%	19.0%	7.2%
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.

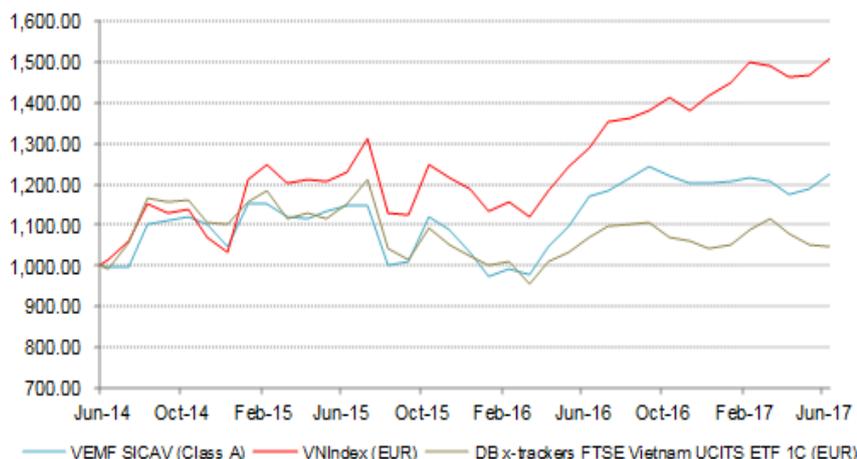
In June, the Fund increased 3% MoM, marginally outperformed the VN-Index by 0.15% in EUR term.

### 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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*c/o: Unit 01-A, 15th Floor, The Landmark, 5B Ton Duc Thang, Dist.1, HCMC, Vietnam,  
T: +84 (28) 3910 3757 - F: +84 (28) 3910 3794 - E: [bd@vietnamam.com](mailto:bd@vietnamam.com) - W: [www.vietnamam.com](http://www.vietnamam.com)*