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Market Update

The market had a slight gain in March in local currency term. Foreign capital inflow saw a record high since June 2014 to US\$93.5mn. This is the third consecutive month of foreign net buy, bringing the YTD number to US\$ 153.9mn. Investor sentiment was buoyed up by IPOs and listings of large companies as well as state divestments, and the anti-dumping tariff issued on 30th March 2017 on imported galvanized steels from China (including Hongkong) and South Korea. Expectation for positive corporate earnings in general in Q1 also helped. The VN-Index reached 723.86 points on March 30, the highest level in 9 years, then retreated slightly to 722.31 points on March 31 to close the month up 1.6%MoM. Meanwhile, the HNX-Index ended at 90.82 points, up 4.6%MoM.

Lower-than-expected GDP growth in the first quarter as industry and construction sector slowed down; other sectors performed well though

Vietnam's Q1 GDP growth was estimated at 5.1% YoY (vs. 6.12% YoY in Q1 2015 and 5.48% YoY in Q1 2016). The disappointing figure was due mainly to a significant slowdown in growth of the industry and construction sector. Despite rising average oil price during the period, reduction of crude oil's production volume (-14.9% YoY) led to a negative growth of 10% YoY in the mining sub-sector, hence resulted in a seven-year-low growth of the industry sector at 3.85% YoY. Meanwhile, the construction sector's growth decreased to 6.1% YoY vs. 9.9% YoY in Q1 2016. However, other sectors showed positive signals. The service sector posted the highest growth rate since 2010 at 6.52% YoY, while the manufacturing sub-sector strongly grew by 8.3% YoY. As expected, the agriculture, forestry, and fishery sector remarkably rebounded to 2.03% YoY from -1.31% YoY growth in the same period last year. The Q1 number makes it challenging for the country to achieve the Government target of 6.7% GDP growth for Y2017. Concerning inflation, CPI in

March edged up 0.21% MoM and 0.9% YTD due to the increasing fuel and gas prices in the previous month and rising cost of healthcare and education. A noteworthy point, international visitors to Vietnam strongly surged by 29% YoY in the first three months, further confirming that tourism has gradually become an increasingly important driver for the economy.

Strong FDI investments YTD reaffirms Vietnam's attractiveness as an investment destination despite TPP failure

According to the Ministry of Planning and Investment, FDI commitments in Q1 impressively surged 78% YoY to US\$ 7.7bn. The most noteworthy project which was approved in February was US\$ 2.5bn Samsung Display Vietnam factory in Bac Ninh province. This has brought Samsung's total investments into Vietnam to approximately US\$ 17bn over the past decade. Manufacturing and processing industry continued to be the magnet, attracting 84.9% of the total pledged FDI. Meanwhile, FDI disbursements modestly rose 3.4% to US\$ 3.6bn, a consequence of the slower growth in FDI commitments in 2H 2016 with uncertainty around the globe at the time. Strong pledged FDI in the first quarter should be reflected in accelerated disbursements in the second half or so.

With the importance of FDI investments to the economy, improving infrastructure has remained a priority to lure foreign investors. According to Asia Development Bank, Vietnam has invested an average of 5.7% of GDP on infrastructure in recent years, only after China (6.8%) in Asia.

Credit growth in Q1 reached the highest level in the past six years

According to the General Statistics Office, credit growth in the banking system increased 2.81% in the first quarter – the highest level since 2012. Rising capital demand and stable interest rates led to the impressive credit growth. Also, commercial banks under Central Bank's direction have boosted lending from the start of the year instead of speeding it up in the last quarters to achieve the target as in previous years. Lending breakdown by sector has not been released yet, but commercial banks are seen to have pushed lending to individual borrowers, especially homebuyers. The real estate market is apparently benefiting from this. With lower-than-expected GDP growth in Q1, lending activities expectedly remain strong in coming quarters to support business and economic growth. The Central Bank will need to make the 18% credit growth target to be met while still keeping inflation in check.

Our view

The first quarter ended with a disappointing GDP growth and a widening trade deficit of US\$ 1.9bn. However, when examining deeper, we saw several key sectors were still doing well. Pledged FDI posted an impressive number showing increasing confidence of foreign investors in Vietnam's investment environment, and it should turn into accelerated disbursements in later time. Meanwhile, internally driving factors remained robust with continued resilient domestic consumption and strong expansion in manufacturing. Vietnam's MPI in March reached 22-month high at 54.6 points, the highest in the region. Furthermore, tourism has emerged as another driving force to the economic growth in 2017 and later years. The Vietnamese dong has also been relatively stable against the dollar YTD. Trump's protectionism may set certain headwind on Vietnam's exports to the US (probably from Q4 2017 the soonest, if any), but other signed and expecting FTAs with other large trade partners will facilitate Vietnam's trade. On the stock market, market size and liquidity continued to increase since the start of the year with SOE divestments, IPOs and listings of large companies. We see Vietnam market will give investors more investment opportunities in the coming time and keep a positive view for this 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	100.00	1.62	8.64	8.64	14.5	11.9	11.2	2.9	3.8	21.6	13.9	3.75
Automobiles & Components	0.86	2.10	3.59	4.35	10.9	7.4	6.5	1.6	8.7	17.9	13.3	0.5
Banks	24.16	2.53	16.02	10.83	18.0	11.1	11.9	1.6	3.1	10.8	10.8	15.3
Capital Goods	8.23	8.34	20.36	19.37	10.7	10.1	8.8	2.3	2.9	23.3	14.3	-
Commercial Services & Supplies	0.81	3.02	3.33	4.78	14.1	12.8	11.3	3.4	2.1	26.8	16.3	-0.4
Consumer Durables & Apparel	0.88	2.49	13.73	12.56	9.7	10.1	7.2	2.6	2.0	31.5	5.3	-0.2
Consumer Services	0.19	2.32	-6.51	-3.21	28.4	26.5	24.8	2.5	0.7	17.7	22.1	0.3
Diversified Financials	1.46	10.19	20.08	17.75	14.1	12.5	11.6	4.3	4.0	11.2	40.0	0.5
Energy	9.73	-8.15	-7.12	-6.56	14.8	13.2	11.9	2.5	5.8	16.7	9.8	-0.3
Food, Beverage & Tobacco	19.84	6.17	9.80	8.67	20.5	19.8	18.6	6.2	2.9	33.7	16.0	-0.1
Health Care Equipment & Services	0.03	-3.36	-3.59	-3.86	-	-	-	-	-	-	-	-
Household & Personal Products	0.53	0.85	-2.64	-3.51	7.8	7.8	7.0	1.4	4.7	18.8	14.7	-0.1
Insurance	4.30	3.33	6.10	4.64	11.4	7.5	7.1	1.3	1.8	12.1	17.0	-0.8
Materials	5.37	-9.32	-12.98	-13.78	7.3	6.8	5.7	1.2	7.0	19.7	10.1	0.3
Pharmaceuticals & Biotechnology	1.71	12.94	23.87	23.76	14.8	13.6	11.7	3.6	2.5	24.2	15.0	-0.2
Real Estate	13.35	-1.97	7.94	8.68	7.0	6.7	5.5	2.2	4.8	28.3	18.2	0.6
Retailing	2.26	1.74	8.62	8.56	12.1	9.6	7.7	4.3	0.9	41.1	3.4	1
Software & Services	1.67	2.86	4.61	3.10	10.3	10.1	7.9	1.7	4.3	17.4	10.8	-
Technology Hardware & Equipment	0.03	8.28	-0.47	-0.47	-	-	-	-	-	-	-	-
Telecommunication Services	0.07	-1.97	11.66	10.23	3.7	3.4	3.1	0.6	-	18.1	9.8	0.1
Transportation	2.61	0.87	9.51	9.91	15.1	9.2	8.5	2.1	4.1	21.1	17.6	0.3
Utilities	1.91	1.12	2.76	2.20	9.7	8.7	7.7	1.5	8.5	14.2	21.1	0.6

* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of 31 Mar, 2017.

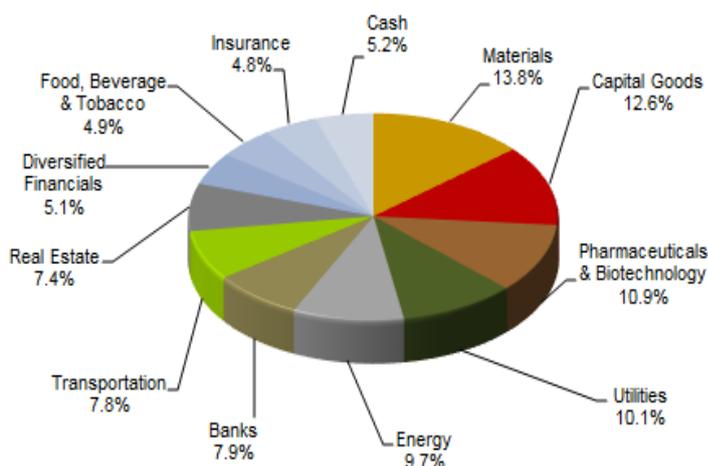
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 14	31 Jul, 14	05 Aug, 16
NAV per share	EUR 1208.9	EUR 1175.8	USD 1002.9
MoM change	-0.52%	-0.58%	0.61%
YTD change	0.51%	0.38%	2.85%
Since inception	20.90%	17.58%	0.29%
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.

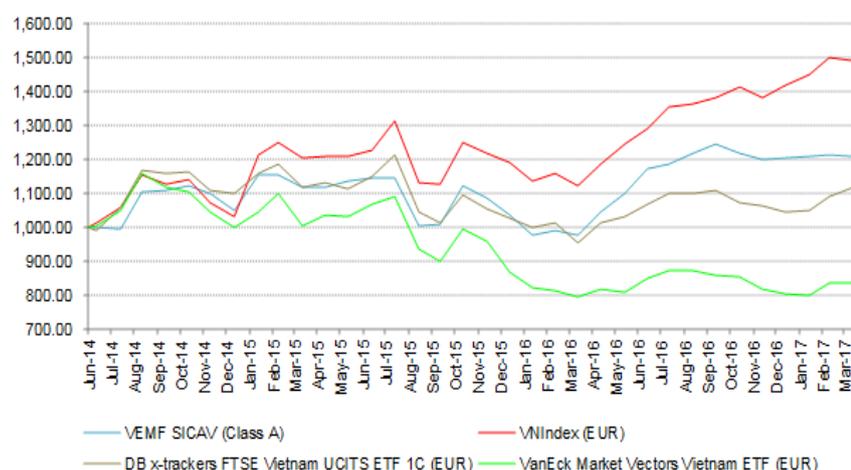
In March, the Fund slightly decreased 0.52% MoM, moved in-line with the market as VN-Index dropped -0.62% MoM in EUR term.

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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