

## Market Update

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The VN-Index enjoyed good jumps in May, reaching a fresh 9-year-high at 746.25 pts on May 29<sup>th</sup> from 718.7 pts at the beginning of the month. However, it lost 8.43 pts on the last two trading days due mainly to profit taking and closed May at 737.82 pts. The market liquidity surged strongly with combined average daily trading value on both main bourses up +21.9% MoM to US\$ 245mn. Foreign investors continued net buying for a 5<sup>th</sup> month in a row with US\$ 65mn recorded in May, bringing YTD number to US\$ 355mn. In May, the VN-Index increased +2.8% MoM, while the HNX-Index was up 4.88% MoM, reaching 93.91 pts.

### **The government reaffirmed to adhere to 2017 GDP growth target of 6.7%**

The Government has recently reaffirmed that it would stick to the 6.7% GDP growth target for this year despite the lower-than-expected figure in the first quarter. A government's Directive was issued accordingly on June 2<sup>nd</sup> requesting relevant ministries and government bodies to execute growth-boosting measures and closely manage implementation to ensure the target to be met. Among the measures, the State Bank of Vietnam (SBV) was required to achieve full year credit growth of 18% or above and reduce lending rates. The credit growth, according to the SBV, reached +6.53% YTD through May 25<sup>th</sup> (vs.+5.48% recorded in 5M2016), and lending was focused on manufacturing and business activities, which is good for the economy. Also, concern on inflation is to some extent lessened with the CPI reaching only 0.37% YTD in May and 3.19% YoY. In addition, most key macro-economic indicators released in May were positive. The manufacturing sector kept expanding though at a slower pace as Vietnam PMI in May read at 51.6 from 54.1 in April. Meanwhile, nominal retail sale also grew 11.6% YoY. Total pledged FDI in the first five months remained strong at US\$ 12.13bn, up 10.4% YoY while disbursed FDI was estimated at US\$ 6.15bn, up 6% YoY. However, on trade front, year-to-

date incurred a trade deficit of US\$ 2.7bn. Recent proposal by the government to increase crude oil production output this year by 1mn tons to 13.28mn tons from previously planned 12.28mn tons and recovering exports of smartphones and spare parts will certainly support trade balance in remaining months of the year.

### **PM Nguyen Xuan Phuc pays visits to the U.S. and Japan**

The Prime Minister Nguyen Xuan Phuc had an official visit to the U.S. on May 29<sup>th</sup> – 31<sup>st</sup> and met with President Trump on the last day to enhance trade and investment opportunities between the two nations. A number of deals were signed with total value of approximately US\$ 10bn. The U.S. has been Vietnam's biggest export market (accounting for around 20% of Vietnam's exports). The average trade turnover between the two countries grew 26.6% per annum in 2000 - 2016, from US\$ 1.08bn in 2000 to US\$ 47.15bn in 2016. In 5M2017, Vietnam's exports to the U.S. reached US\$ 16bn (+9.9% YoY). The two countries have reportedly carried out discussions on the Trade and Investment Framework Agreement (US-Vietnam TIFA). If executed, the agreement will further boost trade between Vietnam and the U.S., opening more opportunities for Vietnamese enterprises into the U.S. market. On a similar trip to Japan right after that in early June, the two leaders have committed to strengthen the bilateral relationship between the two na-

tions. Japan is currently the second largest foreign investor in Vietnam with total cumulative FDI of US\$ 43.5bn as of May 2017, accounting for 14.3% of total FDI in Vietnam so far. During the trip, deals worth of US\$ 22bn have been signed, at both government and enterprise level. The Vietnamese PM also attended the Vietnam Investment Promotion Conference held in Tokyo on June 5<sup>th</sup> with the attendance of 1,400 Japanese and 200 Vietnamese businesses, indicating continued great interest of Japanese investors for Vietnam.

### **The state ownership in State-Owned Commercial Banks (SOCBs) to be maintained at least at 65%**

According to the SBV, under the Politburo's recently-issued Decision, the State will maintain a minimum ownership ratio of at least 65% in SOCBs, including Vietcombank (VCB), Bank of Investment and Development of Vietnam (BID), Viettinbank (CTG), and Vietnam Bank for Agriculture and Rural Development (Agribank). Exception can be considered with banks going through restructuring. This generally reduces possibility of lifting FOL in SOCBs for the time being, hence narrows options for SOCBs to raise Tier 1 capital via getting new foreign strategic shareholders. Nevertheless, the Politburo approved in principle the capital raising plan for the SOCBs and allowed SOCBs not to pay cash dividend and issue stock dividend instead to increase equity.

## Our view

May was an eventful month with the Vietnamese market. Internally, announcement of growth-boosting measures by the government with a view to achieving the 6.7% growth target for 2017, coupled with positive macro-economic figures in general bolstered investor sentiment. Externally, following Moody's upgrade of outlook for Vietnam from stable to positive at the end of April, Fitch's similar revision of Vietnam's outlook in mid-May did help increase confidence of foreign investors toward Vietnam's economy and the stock market. We expect that concrete actions by the government and the Prime Minister, outcomes of the visits to the U.S. and Japan, on the back of current stable macro environment, should be reflected in a higher economic growth in coming quarters. Another positive note, the National Assembly's ongoing efforts in finalizing a framework to allow for NPLs sale can pave way for a secondary debt trading market formation in Vietnam in a near future. Once put in operation, it will help address NPLs issue more effectively and improve overall health of the banking sector, hence good for the economy. On the stock market, we continued to see the aggregate market capitalization of the VN-Index, the HNX-Index and the UPCoM expanding and surging to US\$ 105bn by the end of May (up 22.7% since the end of 2016). And the market liquidity has also improved strongly with much more active foreign trading activities. Furthermore, Decision No. 707/QĐ-TTg was issued in May by the Prime Minister indicating a steadier step toward future IPOs, equitization and divestment schedules for the 2016-2020 period. With all these, we keep a positive view about the Vietnam's economy and the stock 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	100.00	2.80	3.80	10.97	14.7	11.4	10.1	4.4	4.1	25.5	14.8	3.51
Automobiles & Components	0.78	4.54	2.90	5.17	10.9	7.5	6.5	1.6	8.5	19.9	14.5	0.5
Banks	21.01	7.39	6.47	15.10	17.6	9.0	9.6	1.8	3.3	11.2	9.3	16.5
Capital Goods	8.20	-8.23	-2.27	7.68	10.4	10.0	8.5	2.3	2.8	23.6	14.9	-0.1
Commercial Services & Supplies	0.78	1.04	2.36	4.10	11.6	10.1	8.9	2.5	2.5	23.2	24.5	-0.4
Consumer Durables & Apparel	0.86	7.80	20.77	32.64	13.5	9.9	8.4	-5.6	1.7	-5.3	3.4	2.5
Consumer Services	0.22	-0.46	2.99	-2.58	7.9	7.4	7.0	1.6	0.7	22.0	42.3	-0.6
Diversified Financials	1.43	18.94	26.35	35.02	16.0	13.7	12.6	66.4	3.6	11.5	41.3	0.8
Energy	7.84	-0.02	-6.98	-5.37	15.1	13.6	12.2	2.7	5.5	16.6	10.2	-0.3
Food, Beverage & Tobacco	26.03	-1.06	6.60	9.10	20.5	17.3	14.0	8.4	3.8	41.3	18.3	-0.4
Health Care Equipment & Services	0.02	-8.32	-17.30	-17.73	-	-	-	-	-	-	-	-
Household & Personal Products	0.45	5.71	6.44	1.84	8.6	8.5	7.6	1.5	4.7	18.0	13.9	-0.1
Insurance	3.65	0.19	0.96	2.24	10.9	7.1	6.7	1.2	1.8	12.0	17.0	-0.8
Materials	4.94	3.35	11.21	5.75	6.0	5.1	4.3	1.4	7.0	27.6	14.1	0.3
Pharmaceuticals & Biotechnology	1.64	8.24	25.14	37.13	12.5	11.2	9.4	2.9	2.9	24.0	14.9	-0.2
Real Estate	11.93	-1.03	-4.43	5.96	7.1	6.6	5.7	2.0	5.4	25.8	17.8	0.6
Retailing	2.45	10.17	12.82	20.39	7.5	5.8	4.6	2.7	1.6	43.6	3.5	1
Software & Services	1.50	7.69	9.24	9.50	9.6	9.4	7.3	1.6	4.7	17.4	10.8	-
Technology Hardware & Equipment	0.02	2.25	9.72	0.86	-	-	-	-	-	-	-	-
Telecommunication Services	0.05	-0.83	-9.04	2.27	6.0	5.8	5.5	0.8	-	21.8	7.0	0.2
Transportation	4.58	2.93	2.95	12.18	14.0	13.0	12.4	4.1	3.4	34.2	12.6	0.6
Utilities	1.65	6.61	7.64	8.78	9.2	7.9	6.9	1.4	8.5	16.7	24.6	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 May 31, 2017

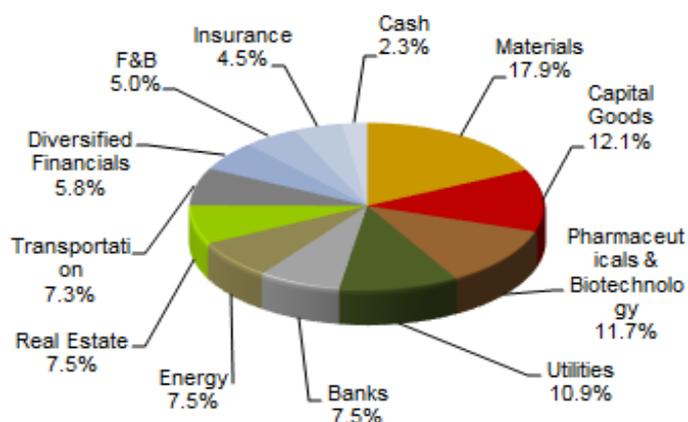
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1189.1	EUR 1155.6	USD 1023.5
MoM change	1.0%	1.0%	3.6%
YTD change	-1.1%	-1.4%	5.0%
Since inception	18.9%	15.6%	2.4%
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.

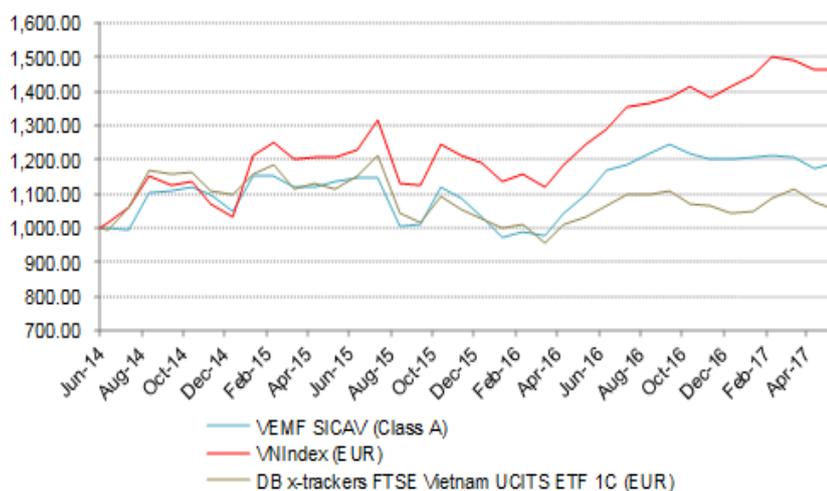
In May, the Fund increased 1.04% MoM, outperformed the VN-Index by 0.92% in EUR term.

### 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

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*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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