

Market Update

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The VN-Index was able to maintain its upward trend in October. It faced profit taking in some trading days during the second half, but eventually hit 10-year peak at 845.2 points on October 30th. The VN-Index ended October at 837.28 points, up 4.08% MoM in local currency. It should be noted that October's market performance was significantly driven by the stock ROS and only a few blue chips, while the majority of stocks on Hochiminh Stock Exchange underperformed the VN-Index. The HNX-Index, however, suffered a downward movement, closing the month at 105.16 points, down -2.3% MoM. The combined average daily trading value increased by 9.2% MoM to USD214.7 million, reflecting an advancement in market liquidity. Foreign investors returned as net buyers with total net buying value of USD16.3 million.

Trade surplus expanded in 10M2017; FDI remained robust

According to the General Statistics Office (GSO)'s estimates, export and import turnovers in October were recorded at USD19.4 billion and USD18.5 billion, a strong surge of 26.2% YoY and 16.6% YoY, respectively. In 10M2017, Vietnam achieved USD173.7 billion (+20.7% YoY) of exports and USD172.5 billion (+22% YoY) of imports. As a result, the country enjoyed a trade surplus of USD1.23 billion YTD, of which October accounted for USD900 million. The US continued to be Vietnam's biggest export market with a value of USD34.7 billion and a trade surplus of USD27.1 billion over 10M2017. Meanwhile, FDI inflows showed another month of improvement, with registered and added FDI reaching USD28.2 billion YTD (+37.4% YoY), and disbursement jumping 11.8% YoY to USD14.2 billion. Furthermore, recent abundant USD inflows have enabled the SBV to set record-high foreign reserves at USD45 billion this month, which gives them more room in keeping the stability of the dong in the coming time. Notably, thanks to such a healthy level of reserves, on October 10th, the

SBV lowered the USD bid rate to 22,720 for the first time this year.

Vietnam achieved a higher position in World Bank's ease of doing business ranking

Vietnam jumped 14 positions to rank 68 among 190 countries in the World Bank's Doing Business 2018 report, which compares business regulations for domestic firms as well as ease of doing business in 190 nations. The country's significant progress in credit access and tax reforms has been acknowledged. In particular, access to credit was improved thanks to a new civil code coming into effect to extend the scope of assets being used as collateral. Additionally, payment of taxes was made easier as the country eliminated the 12-month obligatory carry forward period for VAT credit and developed online tax filing and payment systems. Other areas including power supply, cross-border trading and contract enforcement were also recognized in this report.

Moody's has upgraded its outlook for Vietnam's banking system

In a report released by Moody's during October, the outlook for Vietnam's banking system,

which indicates Moody's expectation of the enhancement of bank creditworthiness over the next 12-18 months, was changed from stable to positive. This reflects Vietnam's robust economic growth and positive prospects for most rated banks. Moody's forecasts the problem loan ratio, which stood at 7.1% at end-2016, to further reduce to 5.8% in 2018, supported by a higher credit growth rate compared to the formation of problem loans, in conjunction with a recovery in the real estate sector. Moreover, customer deposits are projected to see a healthy improvement, yet at a lower rate relative to loan growth, and hence system liquidity will potentially be slightly tighter. Such solid credit growth is expected to result in stable profitability for banks with their pre-provision income witnessing a steady rise in the next 12-18 months. Nevertheless, high credit costs might hinder such advancement, and net interest margin is forecasted to experience a further drop owing to fiercer competition and a decline in bank lending rates directed by the Government.

Our view

The Vietnam economy showed a continuation of positive growth signals coming from strong exports, solid FDI disbursement, and a high-level of foreign reserves. Moody's recent upgrade on the banking sector's outlook and Vietnam's higher place in World Bank's ease of doing business ranking reflected international acknowledgement of its encouraging economic performance and the Government's efforts in improving business climate. However, inflation still remains a key factor to watch, as average 10-month CPI already soared to 3.71% YoY, the highest rate for the last three years. Banks' lending activities and interest rates will therefore need to be watched closely too in coming months. On the market, though the VN-Index had a strong rally in October, its performance was distorted by the stock ROS. At a deeper look, about 65% of stocks on Hochiminh Stock Exchange lost their value in the month. The macro-economic environment is expected to continue being supportive to the market, but some consolidation and further profit taking may take place as well. On another note, we will likely see more state divestments (some in big names like VNM, SAB, etc.) in coming months.

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	100.0	4.1	6.9	25.9	15.4	13.6	11.8	3.8	3.9	24.7	14.5	3.15
Automobiles & Components	0.6	-8.6	-19.9	-14.7	9.6	7.6	6.6	1.4	10.5	20.8	21.4	1
Banks	23.1	5.1	3.8	31.1	16.2	12.7	11.2	2.2	3.2	13.5	12.4	15.2
Capital Goods	6.2	29.8	40.2	32.3	9.1	8.8	7.6	1.8	3.2	23.2	12.9	0.6
Commercial Services & Supplies	0.7	-2.9	-4.9	9.2	10.7	9.4	8.2	2.3	2.5	22.9	23.2	0.2
Consumer Durables & Apparel	0.9	-4.9	0.9	39.8	13.1	10.6	10.8	-1.9	1.4	4.6	4.3	2.4
Consumer Services	0.4	-4.5	-10.0	-12.3	6.9	6.4	6.0	1.2	0.5	17.4	28.7	0.2
Diversified Financials	1.8	-4.2	-4.1	59.4	14.5	13.3	12.6	2.3	3.7	16.0	36.8	0.7
Energy	8.0	2.5	9.9	15.0	20.1	17.9	15.8	3.3	4.6	16.0	9.6	0.2
Food, Beverage & Tobacco	25.4	3.4	9.4	29.8	20.7	17.7	14.5	8.1	3.7	39.1	17.7	0.2
Health Care Equipment & Services	0.0	0.9	11.5	15.7	6.0	4.9	4.1	0.3	-	5.7	12.0	0.4
Household & Personal Products	0.4	-5.1	-7.1	-14.2	10.4	10.2	8.8	1.5	5.5	14.6	9.4	0.7
Insurance	3.0	-6.7	-9.3	-4.0	24.7	25.8	24.3	3.0	2.0	12.3	7.4	-
Materials	5.4	-6.7	2.0	8.5	8.2	7.7	6.9	1.9	7.3	27.7	14.3	0.6
Pharmaceuticals & Biotechnology	1.7	-2.2	-14.0	30.5	18.2	16.5	15.1	3.8	3.0	22.4	15.0	0.1
Real Estate	11.6	6.8	14.0	30.1	9.8	9.0	7.9	3.0	4.0	25.9	18.0	0.8
Retailing	2.6	5.5	12.4	39.0	9.3	7.3	5.8	3.4	1.2	43.1	3.5	1.2
Software & Services	1.5	2.0	4.2	26.8	13.0	12.7	9.9	2.2	4.0	17.4	10.6	0.8
Technology Hardware & Equipment	0.0	23.0	58.4	88.4	-	-	-	-	-	-	-	-
Telecommunication Services	0.0	6.5	-3.3	-1.7	4.1	3.9	3.5	0.9	-	22.5	5.7	0.9
Transportation	4.9	1.5	12.8	31.4	13.5	12.5	11.9	4.1	2.9	36.2	13.0	1.1
Utilities	1.6	4.5	-8.4	11.5	10.8	9.8	8.5	1.6	8.1	15.5	29.7	0.8

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

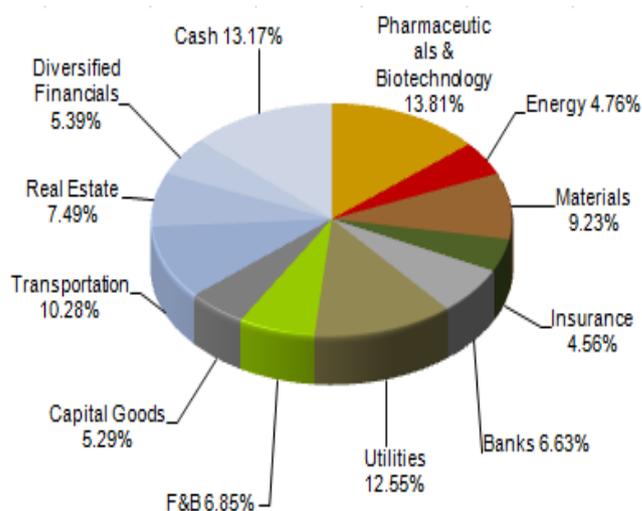
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1136.71	EUR 1102.98	USD 1021.76
MoM change	-0.07%	-0.12%	-1.4%
YTD change	-5.49%	-5.84%	4.79%
Since inception	13.67%	10.3%	2.18%
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.

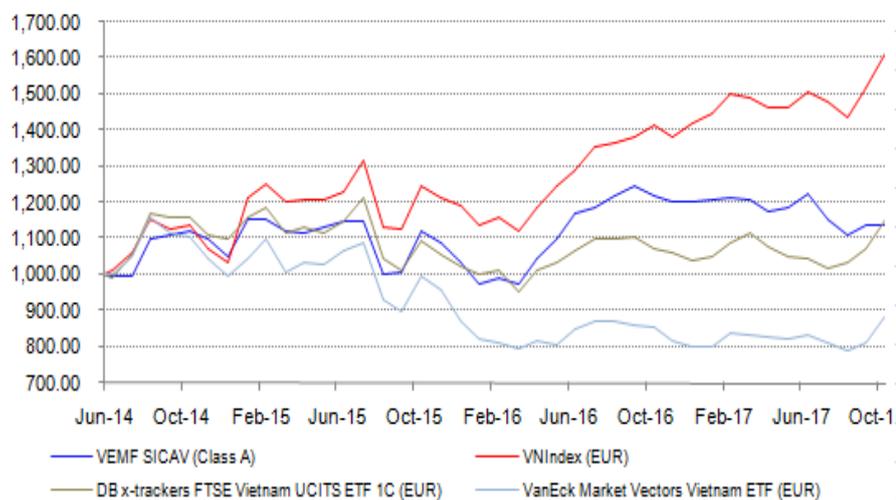
In October, the Fund was also flat, down slightly 0.07% MoM in term of Euro.

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) and the Management Company's website (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 - W: www.vietnamam.com*