

Market Update

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Following the market uptrend in late August, the VN-Index enjoyed impressive rallies in the first half of September, primarily supported by some large-cap stocks. It advanced to a new nine and a half year high of 807.87 points on September 18th before retreating a little during remaining trading days of the month under profit-taking pressure. The VN-Index wrapped up September at 804.42 points, up 2.8% MoM in local currency. The HNX-Index also had good jumps in September, finished at record 107.66 points, and produced a monthly rise of 3.64%. The market liquidity declined at a lesser degree than in previous months, with aggregate average daily trading value (HSX, HNX, UPCoM) down -2.7% MoM to USD194.7 million. After eight consecutive months playing net buyers, foreign investors net sold slightly USD20.5 million in September, leading to a total net inflow of USD638.9 million in 9M2017.

Strong GDP growth recorded in Q3 on robust expansion of the manufacturing, construction and service sectors. Possible return of inflation though

Vietnam achieved an impressive acceleration in GDP growth in third quarter at +7.46%, leading to +6.41% for 9M2017. In the first 3 quarters, manufacturing (+12.77% YoY), construction (+8.3% YoY) and real retail sales (+9.2% YoY) continued to drive growth. The Vietnam PMI hit the highest score in the past five months at 53.5 points in September, marking the 22nd consecutive month of manufacturing expansion. Rising new orders on stronger domestic consumption and higher external demand was a main driver to September PMI. Furthermore, encouraging recovery of the agriculture (+1.96% YoY) and fishery sectors (+5.14% YoY) also helped the GDP growth. However, the mining sector continued to be sluggish (-8.08% YoY), taking away 57 basis points from the growth rate in the reviewed period. On

trade front, both exports (USD154 billion) and imports (USD154.5 billion) kept growing at +19.8YoY and +23.1% YoY, respectively, bringing YTD deficit to USD442 million. A note of concern, inflation has picked up in recent months (+0.92% MoM in August and +0.59% MoM in September) and increased by 1.83% YTD through September.

The business environment has been improved; Vietnam was upgraded in the global competitiveness ranking

In mid-September 2017, the Ministry of Industry and Trade (MOIT) officially approved elimination of 675 unnecessary business requirements, bringing down the number of regulations to 541 across 27 different industries under its management. This aggressive move by the MOIT was naturally applauded by the business community, and hopefully will trigger similar moves by other ministries in coming time to reduce the country's currently heavy business regulations/requirements across the

board with many being seen unnecessary or overlapped. On a related note, the authorities' efforts in improving the business and investment environment have been paid off as, according to the World Economic Forum's 2017-2018 global competitiveness report released on September 27th, 2017, Vietnam jumped 5 steps from last year ranking to the 55th position. Meanwhile, other countries in the region moved up only one or two steps, such as Malaysia (at the 23rd position now), China (the 27th), Thailand (the 32nd) and the Philippines (the 56th). The upgrade will support the country in attracting more FDI. According to the General Statistics Office, registered FDI hit USD21.3 billion (+29.7% YoY) while disbursed FDI was USD12.5 billion (+13.4% YoY) in 9M2017. From the private sector, VND2,144 trillion (USD94.2 billion), including newly-registered and supplemented capital, was put into the economy during this period (+19.81% YoY).

Our view

With the strong GDP growth in third quarter, the Government's FY growth target of 6.7% no longer looks out of reach. However, we think a more feasible figure would be 6.4-6.5%. Though key growth drivers such as manufacturing, construction, domestic consumption, tourism, etc. have done well, the State Bank needs to monitor rising credit growth very closely on possible return of inflation. Average nine-month CPI already reached 3.79%, shy of the Government's target of 4% for FY2017. Another month of above average inflation in October would cast doubt on the rapid increase in banks' lending activities. This year's growth and stability in a longer run should be placed equally. On the stock market, notwithstanding slightly lower market liquidity and a small net foreign outflow, we saw total market capitalization of the HSX, HNX, and UPCoM at the month-end advancing to USD119.7 billion, a gain of 3.8% MoM. Corporate earnings in Q3 will be released in October and are generally expected to show positive results on the back of upbeat economic data.

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	2.8	3.6	21.0	15.1	13.1	11.4	3.8	3.9	24.8	14.7	3.4
Automobiles & Components	0.7	-7.1	-18.8	-6.7	10.6	8.2	7.3	1.6	9.4	20.0	21.7	0.4
Banks	21.8	3.0	0.2	24.8	15.1	11.7	10.3	2.0	3.5	13.4	12.3	15.2
Capital Goods	6.3	1.9	12.7	1.9	9.3	8.9	7.8	1.8	3.1	23.3	13.3	-
Commercial Services & Supplies	0.8	-0.1	0.7	12.4	11.1	10.0	8.8	2.4	2.7	21.7	22.3	-0.3
Consumer Durables & Apparel	0.9	6.7	5.5	47.1	14.1	11.4	11.8	-2.5	1.3	3.9	4.2	2.3
Consumer Services	0.4	-6.2	-14.4	-8.2	7.2	6.8	6.4	1.1	0.6	15.8	26.6	-0.4
Diversified Financials	2.0	2.6	8.9	66.3	14.9	13.5	12.8	2.3	3.4	16.0	36.8	0.4
Energy	8.0	7.1	14.5	12.2	19.0	16.9	14.7	3.1	4.7	15.9	9.5	-0.3
Food, Beverage & Tobacco	26.2	5.6	9.6	25.5	20.4	17.5	14.4	7.9	3.8	39.4	17.8	-0.3
Health Care Equipment & Services	0.0	10.7	30.5	14.6	-	-	-	-	-	-	-	-
Household & Personal Products	0.5	3.6	-8.1	-9.6	10.1	10.0	8.7	1.5	5.5	14.4	9.4	-
Insurance	3.3	2.3	-0.5	2.9	24.7	25.8	24.3	3.0	2.0	12.3	7.4	-
Materials	5.3	7.1	6.7	16.3	8.1	7.9	7.5	2.1	6.7	28.3	14.7	0.2
Pharmaceuticals & Biotechnology	2.0	-8.7	-13.2	33.4	19.1	16.6	15.2	3.9	2.8	14.6	11.0	-0.2
Real Estate	11.5	7.2	8.6	21.8	8.7	7.9	7.0	2.6	4.5	25.6	18.1	0.6
Retailing	2.7	3.8	5.7	31.7	8.8	7.0	5.6	3.1	1.3	40.9	3.7	0.9
Software & Services	1.6	1.9	5.6	24.3	12.3	12.0	9.3	2.1	4.2	17.5	10.6	-
Technology Hardware & Equipment	0.0	15.2	53.6	53.2	-	-	-	-	-	-	-	-
Telecommunication Services	0.0	-8.5	-11.5	-7.7	3.8	3.6	3.3	0.7	-	22.5	5.7	0.3
Transportation	4.4	11.4	12.9	29.4	13.2	12.2	11.5	3.9	2.6	35.4	13.7	0.6
Utilities	1.7	-5.7	-5.6	6.8	9.5	8.8	7.6	1.4	8.4	14.9	27.1	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 Sept 30th, 2017

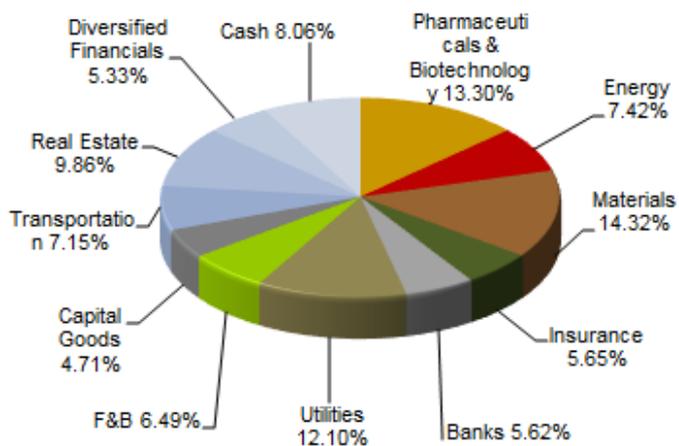
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1137.52	EUR 1104.25	USD 1036.27
MoM change	2.33%	2.29%	1.20%
YTD change	-5.42%	-5.73%	6.28%
Since inception	13.75%	10.42%	3.62%
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.

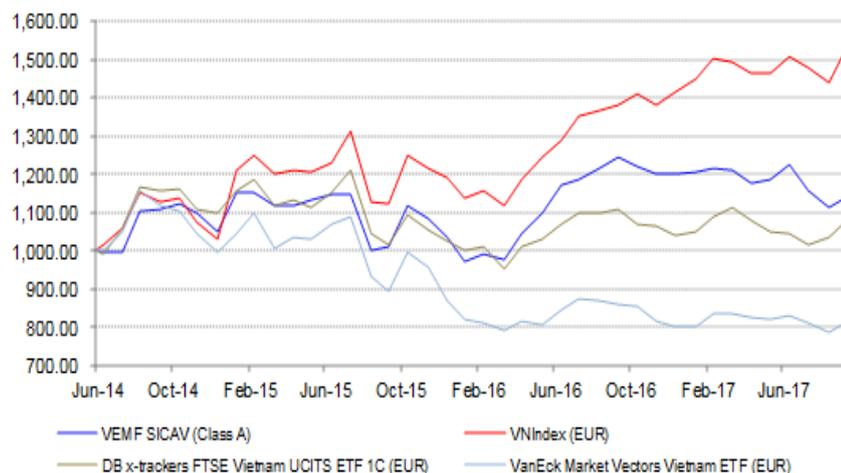
In September, the Fund had a decent return of 2.3% versus 4.5% of the VN-Index in Euro term.

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) and the Management Company’s website (www.ipconcept.com).

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