

Market Update

In this issue

- Market update
- Our view
- Sector valuation
- VEMF SICAV (UCITS-compliant fund)

The VN-Index had a volatile year and ended 2018 on a negative note amid cautious market sentiment. It plunged to 892.54 points at year-end, -3.7% MoM and -9.3% YoY in local currency. Similarly, the HNX-Index also tumbled 10.8% YoY to wrap up 2018 at 104.23 points, down 0.6% in December. Biggest losses were witnessed from large-cap stocks across banking, consumer, oil & gas, and real estate sectors. However, market liquidity soared this year with combined average daily trading value (HSX, HNX, UPCoM) improving to USD296.4 million from USD223 million in 2017. Aggregate market capitalization of the HSX, HNX, and UPCoM also moved up to approximately USD170 billion at year-end, a gain of 12.7% YoY. This was primarily attributable to several listings of big enterprises such as Binh Son Refinery and Petrochemical Company (ticker: BSR), PetroVietnam Oil Corporation (OIL), PetroVietnam Power Corporation (POW), and Techcombank (TCB). Net foreign inflows stayed strong this year, totaling USD1.9 billion.

Vietnam's 2018 GDP achieved the highest level in 11 years amid controlled inflation.

The country's economy expanded at 7.31% YoY in Q4/2018, leading to a full-year GDP growth of 7.08% in 2018, the fastest pace in 11 years. Remarkable results were observed in all key sectors of the economy. The industry and construction sector grew 8.8% YoY, of which the manufacturing and processing sub-sector remained a bright spot, surging 12.98% YoY. The December PMI reached 53.8 this month, in line with 2018 average, the highest since 2011. It also marked 37 consecutive months of steady expansion of the manufacturing sector. Besides, real retail sales advanced 9.4% YoY, thanks considerably to a sharp increase of 20% YoY in international tourist arrivals this year (15.5 million). Furthermore, the agriculture, forestry, and fishery sector registered the strongest level of growth during 2012-2018 at 3.8% YoY. On trade front, the country recorded a substantial trade surplus of USD7.2 billion this year, driven by both exports (USD244.72 billion, up 13.8% YoY) and imports (USD237.51 billion, up 11.5% YoY), with the U.S. maintaining Vietnam's larg-

est export market in 2018. As for foreign investment, total registered foreign investment this year slid slightly by 1.2% YoY to USD35.46 billion, while FDI disbursement hit USD19.1 billion, up 9.1% YoY. Concerning inflation, December CPI edged down 0.25% MoM, consequently, average CPI for the full year climbed 3.54% YoY, well below the Government's target of 4%.

After a slow 2018, state-owned enterprise (SOE) IPOs and state divestments are expected to accelerate in 2019-2020.

2018 was a rather slow year for privatization. Regarding SOE equitization, while the Government ideally set out a target to complete at least 85 SOEs this year (21 from 2017 plan and 64 from 2018 plan), yet the actual number of equitized SOEs as of December 2018 was only 12. Notable hundred-million-dollar SOE IPO deals in 2018 comprised the USD245.26 million-deal of BSR, the USD184.9 million-deal of OIL, and the USD308 million-deal of POW. Concerning state divestment, 181 SOEs were planned to undergo the divestment process in 2018. Nonetheless, the process was also sluggish in which the State divested capital from only

18 firms in 2018 (16 from 2017 plan, only 2 from 2018 plan). On the positive side, the process for SOE reform going forward is expected to accelerate with a newly-established government authority - Commission for the Management of State Capital at Enterprises (CMSC) which directly represents state ownership of 19 economic groups and state corporations. The process of transferring SOEs to CMSC has progressed more rapidly recently under hard push from the Government to boost reform and effectiveness of SOEs. In addition, a recent drafted regulation by the State Bank of Vietnam would also create more favorable conditions for foreign investors to participate in SOE privatization and state divestment, allowing non-resident foreign investors to use foreign currencies to pay deposits when bidding for stakes in SOEs during these processes.

Our comment

The bright picture of Vietnam's economy in 2018 could not help much with the country's stock market amid headwinds from overseas markets. Fundamentally, Vietnam's strong economic expansion is forecasted to continue into 2019 with GDP growth at 6.6% - 6.8%. Inflation for next year is also targeted by the Government at around 4%. And stability of the currency (dong) would be maintained in a similar manner of 2018 (depreciated about 2.8% against USD in rate listed at commercial banks) on the back of the country's healthy foreign reserves thanks to influx of the greenbacks from trade surplus, FDI and remittances (Vietnam was among top ten remittance receivers in the world in 2018, with almost USD16 billion). Vietnam has also become an increasingly attractive alternative for foreign manufacturers to relocate their production bases amid the ongoing US-China trade war. Furthermore, the CPTPP and expected EVFTA will help attract more foreign investments and boost trade further. External risks such as global economy slowdown and rising protectionism remain tough. On the stock market, volatility from overseas markets and ongoing uncertainties in global trade will continue to impact on investor sentiment here. Having said that, we keep a positive view on the longer-term outlook of the market as the country's strong macro-economic fundamentals remain intact.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2018 PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	3.8	14.0	10.3	16.5	2.8	1.7	18.2	9.5	3.8
Automobiles & Components	0.3	3.0	13.3	13.0	11.9	1.0	6.3	8.9	2.5	0.8
Banks	21.6	2.5	17.1	-15.1	13.2	1.8	0.9	15.2	12.5	10.6
Capital Goods	2.4	-0.2	12.6	96.3	11.4	1.7	3.1	16.0	7.4	0.6
Commercial Services & Supplies	0.4	-0.8	20.2	-6.5	15.9	2.0	1.0	14.1	6.1	0.5
Consumer Durables & Apparel	0.2	6.9	15.3	11.3	6.2	1.2	3.6	20.2	6.1	0.5
Diversified Financials	3.1	5.4	24.3	6.2	13.4	2.3	0.9	17.4	16.8	1.3
Energy	9.8	5.8	33.9	34.4	12.4	2.5	3.8	20.4	5.6	0.4
Food, Beverage & Tobacco	16.3	-0.9	-1.8	23.1	24.0	6.3	2.9	26.4	13.1	0.3
Household & Personal Products	0.1	1.5	11.2	29.9	8.8	1.0	10.8	12.9	3.6	1.2
Insurance	2.2	7.0	9.5	-25.6	41.5	3.3	1.9	8.2	5.2	0.0
Materials	3.7	5.4	26.6	14.6	9.1	1.5	1.9	17.4	9.7	0.7
Pharmaceuticals & Biotechnology	0.6	0.3	17.3	39.7	18.7	2.8	3.4	15.6	11.5	0.1
Real Estate	21.3	5.8	8.4	-10.2	24.8	4.7	0.1	22.5	14.6	0.8
Retailing	4.0	4.4	16.8	30.2	19.3	2.9	0.7	16.5	4.8	0.4
Software & Services	1.5	1.6	4.9	10.6	11.1	2.5	3.9	24.0	9.6	0.5
Transportation	10.6	-4.2	5.9	13.4	19.0	4.4	1.9	24.3	9.5	0.9
Utilities	1.8	-5.5	4.1	9.2	14.2	1.5	3.5	10.1	8.0	0.9

* It is generated by VAM in-house Company Analysis System - VCAS, based on VAM covered universe comprising of the HSX, HNX and UPCOM, as of Dec 28th 2018

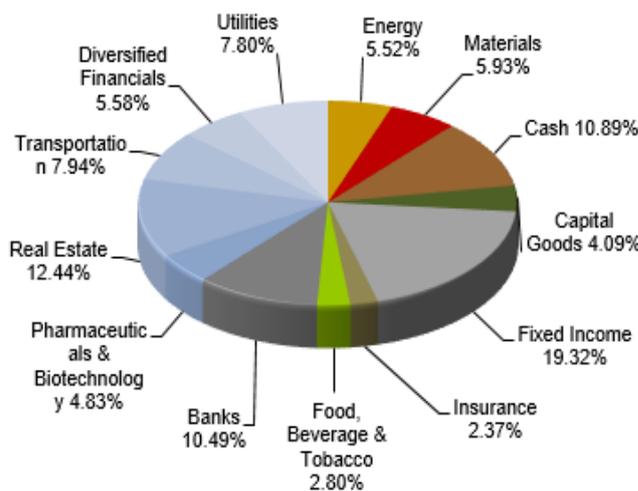
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1139.59	EUR 1095.55	USD 986.27
MoM change	-2.84%	-2.88%	-2.71%
YTD change	-11.49%	-12.06%	-15.47%
Since inception	13.96%	9.56%	-1.37%
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.

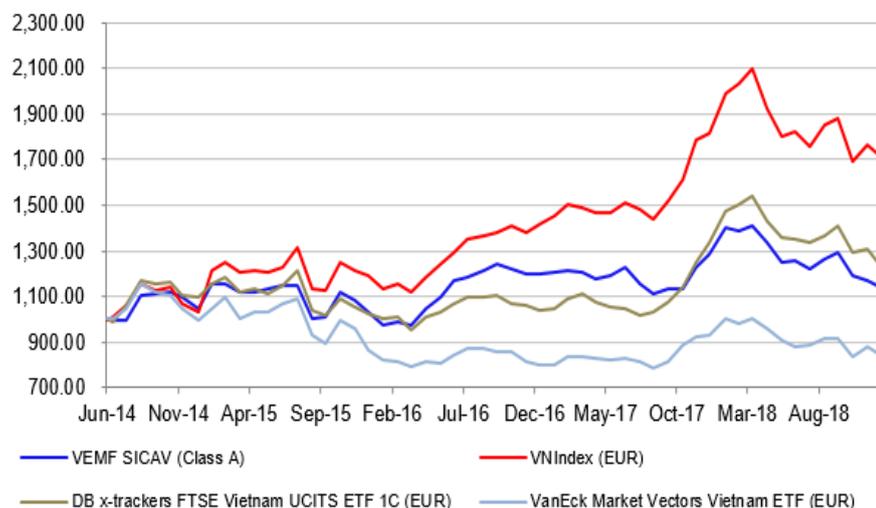
In Dec, the Fund decreased 2.84% MoM, underperformed the VN-Index by 0.35%, outperformed the DB x-trackers FTSE Vietnam UCITS ETF 1C by 2.69% and outperformed the Van Eck Market Vectors Vietnam ETF by 0.85% (all in EUR term).

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

This document is prepared by Vietnam Asset Management Ltd ("VAM") on the basis of information obtained from sources VAM considered to be reliable, but VAM does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. The information contained in this document is for background purposes only and is subject to updating, revision and amendment, and no liability whatsoever is accepted by VAM or any other person, in relation thereto. Please refer to the Fund's prospectus for more information on the Fund and its risks. This document is neither a prospectus nor an offer or invitation to apply for shares and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. Past performance is not necessarily a guide to the future. The value of shares in the Fund and the income derived there from may go down as well as up. You are advised to exercise caution in relation to this document. If you are in any doubt about this document or any information contained in this document, you should obtain independent professional advice. This report shall not be a substitute for the exercise of the recipient's judgment in making an investment decision and VAM accepts no liability for investment losses.

VAM, its affiliates, related companies and its respective directors and employees accept no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein or further communication thereof, even if VAM or any other person has been advised of the possibility thereof. No part of this report may be reproduced or distributed without the prior consent of Vietnam Asset Management Limited. This report may only be distributed as permitted by applicable law.

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