

## Market Update

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Despite facing intense turbulence early in February, down nearly 10% in local currency, the VN-Index managed to rebound considerably afterwards, generating a monthly advancement of 1.0% MoM. Such significant losses over the first few trading sessions, particularly a steep one-day plunge of 5.1% (-56.33 points) on February 5<sup>th</sup>, were triggered by global sell-off starting with a substantial plummet of Dow Jones on February 2<sup>nd</sup>, as well as profit taking pressure after consecutive days of rapid gains in the local market. Nevertheless, strong rallies over the second half of the month, which were supported by several banking and real estate stocks, have led the VN-Index to finish the month on a high note, at 1,124.54 points. Likewise, albeit suffering similar corrections, the HNX-Index also rose 1.7% MoM, reaching 128.05 points at month-end. The combined average daily trading value (HSX, HNX, UPCoM) declined to USD366.4 million, down 19.2% MoM. Foreign investors continued acting as net buyers but with markedly lower net inflows of USD121.8 million (-69.3% MoM).

### **Vietnam enjoyed a trade surplus of USD1.08 billion in the first two months of 2018. The PMI reached 10-month high in February.**

While February witnessed a slowdown in trade revenue owing to the week-long Lunar New Year holiday that ended on February 21<sup>st</sup>, the YTD figures were encouraging. During this two-month period, export and import turnovers jumped to USD33.62 billion (+22.9% YoY) and USD32.54 billion (+15.3% YoY), respectively, leading to a YTD trade surplus of USD1.08 billion, compared to a USD890 million deficit in the same period last year. Notably, in addition to a solid rise in exports of mobile phones and spare parts (+41.7% YoY) and electronics, PCs & spare parts (+19.2% YoY), textile and garment exports also posted a strong growth of 22.3% YoY. China remained the top trading partner of Vietnam in terms of both exports and imports over the reviewed period. As regards the manufacturing sector, the PMI hit a new high of 53.5 in February from January's 53.4, indicating strength-

ened business conditions in the sector. The growth rate of manufacturing output accelerated to a 10-month high during February, while a sharp expansion in purchasing activity was also observed. This was suggestive of manufacturers being optimistic regarding near-term prospects for customer demand. Besides, the tourism sector continued to display robust development as international tourist arrivals soared by 19.4% YoY this month.

### **The Government recently approved adjustments to the master plan on the national aviation transport development till 2020 with a vision to 2030, in an aim to help Vietnam achieve ASEAN's top 4 leading nations in air traffic.**

According to the plan, Vietnam's air transport market targets to be among top four in ASEAN by 2030 in terms of volume and with a fleet of modern aircraft. Under Decision No.236/QĐ-TTg signed on February 23<sup>rd</sup>, Vietnam will put 13 domestic and 10 international airports into operation by 2020, of which Noi Bai,

Danang, Tan Son Nhat and Cam Ranh will be international gateways. The country will focus on upgrading three aviation transport centers of Noi Bai, Tan Son Nhat and Danang to meet ASEAN standards as well as establishing three more supporting logistics hubs of Van Don, Chu Lai and Long Thanh. The number of air passengers are forecasted to surge by 16% annually until 2020 and 8% annually over 2020 – 2030, while the respective figures for the volume of cargo are 18% per year until 2020 and 12% for 2020 – 2030 period. Annual passenger loads are expected to reach 64 million in 2020 and 131 million in 2030. Vietnam intends to expand the fleet of aircraft to 220 by 2020, and 400 by 2030, an increase of 70 – 100 units compared to the previous plan. Total airport investment is estimated to be VND84.4 trillion (USD3.71 billion) by 2020 and VND266.1 trillion (USD11.7 billion) by 2030.

## Our view

The country maintained its solid start to the year, as February's macroeconomic data kept signaling the economy's strengths. Surging remittances of USD13.8 billion (+16% YoY) in 2017 and foreign reserves estimated to record high at USD58.5 billion as of February 7<sup>th</sup> will continue to support stability of the dong against the US dollar. However, inflation accelerated as it climbed 0.73% MoM in February and 1.24% YTD, mainly attributable to higher consumer demand amid the week-long Lunar New Year holiday. In a regular Cabinet meeting on March 1<sup>st</sup> in Hanoi, the PM acknowledged inflation pressure this year and requested relevant government bodies to maximize efforts to curb inflation and maintain macroeconomic stability. With fluctuations of crude oil and commodity prices, as well as ongoing liquidity and foreign investment inflows into the economy, inflation needs to be watched closely. Concerning the stock market, the sharp corrections early this month deemed necessary following a period of rapid gains. Long-term fundamental view remained positive though. The planned listings of several SOEs including big names like Binh Son Refinery, PV Oil and PV Power during March will help market sentiment.

## 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	1.3	18.4	14.3	27.0	20.7	18.3	5.5	2.4	23.7	14.5	4.38
Automobiles & Components	0.4	-8.6	-4.0	-7.6	10.0	7.2	6.4	1.3	9.5	18.0	15.3	0.9
Banks	27.3	12.4	48.9	34.7	33.8	19.8	17.6	2.8	2.0	16.3	13.9	14.7
Capital Goods	2.8	-1.9	-10.0	-4.6	16.7	13.4	11.6	1.7	3.7	18.2	14.9	0.6
Commercial Services & Supplies	0.6	11.5	27.9	21.6	13.4	11.5	10.2	2.2	1.8	22.3	20.7	0.2
Consumer Durables & Apparel	0.8	9.0	24.5	14.2	19.9	15.3	15.7	4.8	1.5	41.8	8.2	0.3
Consumer Services	0.2	-2.9	-8.9	-10.3	19.9	16.4	15.2	2.3	-	15.9	22.8	1.4
Diversified Financials	1.7	5.3	48.5	29.8	18.6	13.8	14.1	4.2	0.1	24.3	60.7	0.7
Energy	10.5	-6.7	51.8	26.6	31.5	28.0	24.5	14.0	2.9	18.1	10.4	0.1
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	23.1	-7.9	0.9	0.9	33.1	27.5	23.3	8.3	1.7	34.6	15.2	0.2
Health Care Equipment & Services	0.0	1.1	9.4	-0.1	7.3	5.9	5.0	0.4	-	6.6	13.4	0.4
Household & Personal Products	0.3	-8.5	-11.8	-9.5	327.3	10.4	8.7	1.3	3.9	16.9	6.4	0.5
Insurance	2.7	1.8	42.5	26.4	24.7	25.8	24.3	2.8	1.9	11.2	6.2	-
Materials	5.6	0.5	55.1	34.8	13.5	11.9	11.6	2.8	4.7	26.1	13.2	1.1
Pharmaceuticals & Biotechnology	1.2	9.0	0.4	-2.1	18.1	16.1	14.8	3.3	3.0	23.1	14.5	0.2
Real Estate	13.2	15.4	36.7	34.1	17.5	14.4	12.7	3.7	2.7	24.2	16.0	1.3
Retailing	1.8	13.1	19.6	20.2	11.3	8.9	7.4	2.0	1.4	34.2	3.4	0.6
Software & Services	1.4	7.3	17.4	14.8	15.5	15.3	11.8	2.3	3.4	16.4	9.2	0.4
Technology Hardware & Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	0.0	-0.5	-1.5	-3.0	4.4	4.2	3.8	0.6	-	19.6	6.7	0.5
Transportation	5.2	7.2	41.2	29.6	22.4	21.7	20.4	5.2	3.3	27.8	11.0	1.1
Utilities	1.2	5.9	5.7	1.0	11.4	10.4	9.3	1.5	8.0	15.9	26.7	0.9

\* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of Feb 28th 2018

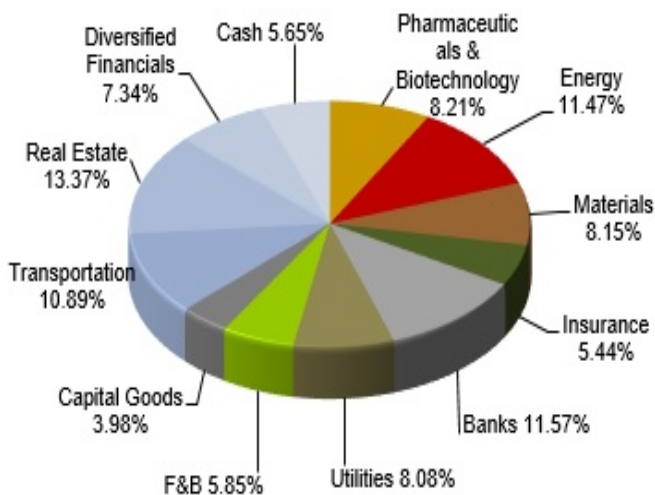
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1389.42	EUR 1343.76	USD 1284.60
MoM change	-0.69%	-0.69%	-1.97%
YTD change	7.91%	7.86%	10.1%
Since inception	38.94%	34.38%	28.46%
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.

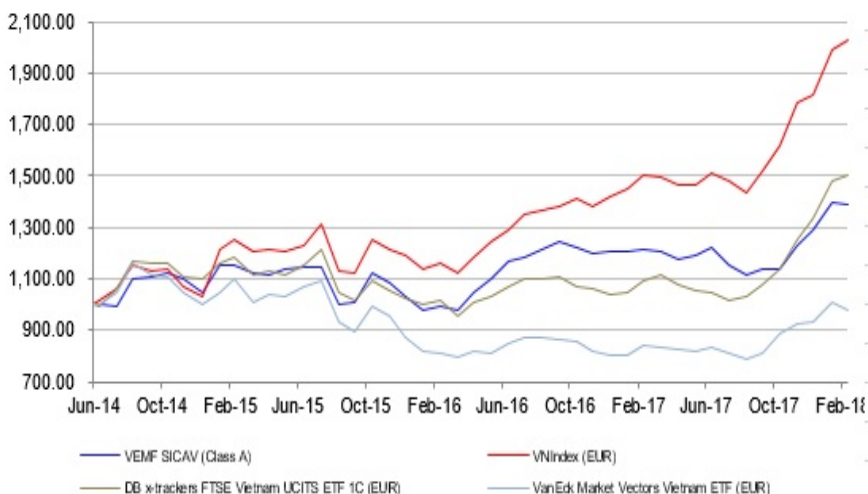
In February, the Fund decreased -0.69% MoM, underperformed the VN-Index by 2.74% and outperformed the Van Eck Market Vectors Vietnam ETF by 1.89% (all in EUR term).

### 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](http://www.vietnamam.com)) and the Management Company's website ([www.ipconcept.com](http://www.ipconcept.com)).

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