

Market Update

In this issue

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

Despite a two-day halt in operations of the HSX on January 23rd – 24th due to technical issues, the VN-Index made a favorable start to the year 2018, sustaining its pace of gains into January with a monthly return of 12.8% in local currency. Although it was adversely impacted by high profit taking on some trading days, particularly on January 17th as investors reacted to the State Securities Commission's proposed change in margin policy, it subsequently bounced back and ended January at 1,110.36 points. The HNX-Index also moved upwardly, reaching 125.9 points at month-end, up 7.7% MoM. A number of large-cap stocks across banking, oil & gas, and securities sectors led the market's advancement this month, on the back of positive Q4/2017 corporate earnings and the IPOs of large enterprises (PV Oil, Binh Son Refinery, PV Power). The combined average daily trading value (HSX, HNX, UPCoM) rocketed to USD453.6 million, up 48.7% MoM. Foreign investors net bought an outstanding high value of USD397.1 million this month (+344.1% MoM).

Major macroeconomic indicators remained positive, notably strong growth in both exports and imports, as well as robust development of manufacturing and tourism sectors.

January's data continued to signal economic growth. Remarkably, export and import turnovers recorded impressive increases of 33.1% YoY (USD19 billion) and 47.4% YoY (USD19.3 billion), respectively, leading to a trade deficit of USD300 million in the first month of the year. China exceeded the US to top Vietnam's largest export markets this month, at a value of USD4.5 billion, 2.5 times higher than the same period last year. Vietnam's imports from China also soared by 45.6% YoY to reach USD5.7 billion, bringing about a bilateral trade deficit of USD1.2 billion over the month, equivalent to only half of the deficit in January 2017. Such improvements in trade between the two countries were potentially attributable to the ASEAN - China Free Trade Agreement (ACFTA), under which Vietnam and Chi-

na committed to reduce rates for a number of tariff lines by 2018. As regards FDI, disbursement surged to USD1.05 billion (+10.5% YoY), yet total newly registered and additional capital dropped to USD899.4 million, down 36.8% YoY. Among sectors, tourism remained a bright spot with over 1.4 million foreign visitors to Vietnam in January, a significant rise of 42% YoY. The country aims to welcome on average over 1.3 million international arrivals every month this year, and has actively promoted its tourism potentials by participating in several international tourism fairs held in Spain and Thailand during the month. Furthermore, the Vietnam PMI reached its peak since April 2017, with the seasonally adjusted business activity index standing at 53.4 this month, demonstrating a solid expansion of manufacturing sector.

Despite the US's withdrawal in early 2017, the remaining 11 Trans-Pacific Partnership (TPP) members have reached an agreement to sign a revised deal by March.

The original 12-member TPP has officially been renamed as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after the US's departure, with 11 members including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. A recent two-day meeting in Tokyo in late January among senior officials from the 11 nations has led to completion of legal verification of the CPTPP. Accordingly, the 11 countries have officially concluded negotiations and planned to sign the CPTPP in March in Chile. Excluding the US, the CPTPP still covers approximately USD12.6 trillion, or 15.8% of global GDP. According to Vietnam's National Center for Socio-economic Information and Forecast, the involvement in the CPTPP could bolster Vietnam's exports by 4% and imports by 3.8% (compared with +15% and +10.5%, respectively, under the original TPP).

Our view

The first month of 2018 continued to show encouraging data of the economy. But we should bear in mind that some of the YoY growth figures looked quite positive as last year's Lunar New Year holiday fell in January, while it will take place in February this year. Therefore, numbers in February may show a slowdown. Another good news was that the CPTPP is back on track and expected to be signed in March, which will help Vietnam boost imports – exports, have better access to larger markets including Japan and Canada, and attract more foreign investments. On a cautious note, inflation witnessed a monthly hike of 0.51% MoM in January owing primarily to soaring consumer demands ahead of the Lunar New Year holiday and increasing commodities prices, especially oil. Banks' credit expansion and interest rates, consequently, will need to be monitored closely. On the stock market, positive investor sentiment was supported by successful IPOs of PVN's subsidiaries, and overall good Q4/2017 corporate earnings, with leading sectors, as expected, being banking, real estate, and securities. Meanwhile, lagging sectors comprised of port, and power, etc. As the stock market has rallied quite strongly in recent months, some corrections are expected, yet longer-term positive outlook remains intact.

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	12.8	32.6	12.8	26.7	21.5	18.8	5.7	2.4	30.2	18.6	3.97
Automobiles & Components	0.5	-1.0	11.2	-2.4	11.9	8.9	8.0	1.7	8.9	20.2	14.4	0.8
Banks	22.2	24.1	49.8	19.9	31.2	18.7	16.6	2.6	2.0	15.7	13.5	14.9
Capital Goods	6.2	-2.3	-5.2	0.9	11.0	10.5	9.1	1.7	3.4	19.3	14.6	0.6
Commercial Services & Supplies	0.5	11.6	15.0	9.1	13.1	11.6	10.2	2.3	2.0	21.7	11.2	0.2
Consumer Durables & Apparel	0.8	5.0	25.5	6.5	18.6	14.2	12.8	4.5	1.7	42.5	8.3	0.2
Consumer Services	0.3	-7.4	24.0	-7.6	7.1	6.9	6.5	1.1	-	16.0	27.9	1.6
Diversified Financials	1.7	27.0	64.9	25.4	23.0	20.9	19.6	3.1	2.3	15.3	36.9	0.6
Energy	11.8	36.5	88.7	38.5	34.3	30.5	26.5	14.2	2.7	18.0	10.3	0.1
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	22.9	7.4	41.5	5.5	34.0	28.4	24.1	8.7	1.7	35.1	15.5	0.2
Health Care Equipment & Services	0.0	13.0	11.1	5.8	7.7	6.3	5.3	0.4	-	6.6	13.4	0.4
Household & Personal Products	0.3	-3.9	0.2	-3.7	427.7	12.8	10.7	1.5	4.0	12.3	6.5	0.4
Insurance	2.6	26.8	53.5	23.7	24.7	25.8	24.3	2.8	1.9	11.2	6.2	-
Materials	4.5	34.1	60.1	31.9	13.2	11.8	11.3	2.6	4.9	25.2	12.9	0.7
Pharmaceuticals & Biotechnology	1.3	-11.7	-4.6	-11.4	17.9	16.2	14.9	3.3	3.0	23.1	14.9	0.2
Real Estate	11.6	17.4	44.1	16.2	17.3	17.3	14.5	3.7	2.5	70.3	51.0	1.3
Retailing	5.7	6.7	10.8	6.2	11.4	9.0	7.5	2.0	1.4	34.3	3.4	0.6
Software & Services	1.3	15.1	29.0	10.5	16.4	16.2	12.5	2.5	3.3	16.4	9.2	0.4
Technology Hardware & Equipment	0.0	-17.6	-22.1	-15.7	-	-	-	-	-	-	-	-
Telecommunication Services	0.0	-5.7	26.1	-2.7	5.4	5.2	4.7	0.7	-	18.4	6.4	0.4
Transportation	4.6	23.1	50.0	22.6	19.2	19.0	17.8	5.0	3.3	716.1	387.4	1.1
Utilities	1.3	-5.7	6.1	-6.8	11.1	10.2	9.1	1.5	7.9	16.3	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 Jan 31st, 2018

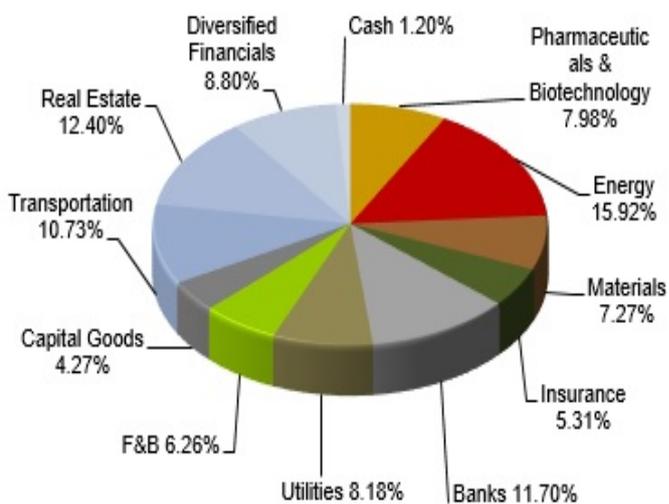
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1399.10	EUR 1353.03	USD 1310.41
MoM change	8.66%	8.60%	12.31%
YTD change	8.66%	8.60%	12.31%
Since inception	39.91%	35.30%	31.04%
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.

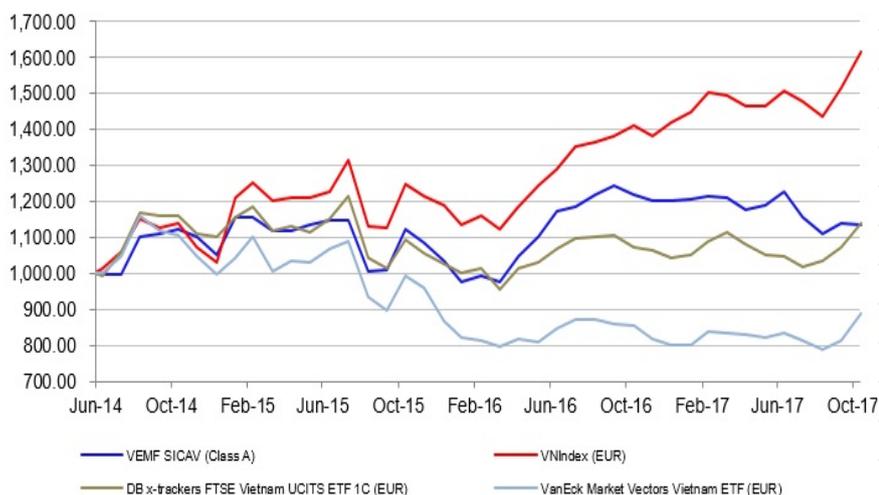
In January, the Fund increased 8.66% MoM, underperformed the VN-Index by 0.71% and outperformed the Van Eck Market Vectors Vietnam ETF by 1.03% (all in EUR term).

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).

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