

## Market Update

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Negative sentiment kept dominating the market in the first half of July amid stronger US dollar and mounting tensions between the US and China. Increased selling pressure across many sectors, led by banking and brokerage stocks, dragged the VN-Index to its lowest level since last November of 893.16 points on July 11<sup>th</sup>. Nevertheless, the VN-Index was subsequently able to resume its upward trend until month-end, wrapping up July at 956.39 points, down 0.5% MoM in local currency. The HNX-Index, despite its fluctuations over the month, finished July at 106.16 points, which stayed almost the same as its ending level in June (106.17 points). Liquidity experienced further reduction this month, with the combined average daily trading value (HSX, HNX, UPCoM) falling 22.1% MoM to US\$200.6 million. Foreign investors' net outflows were US\$109.3 million this month (versus US\$2.6 million in June).

### Vietnam posted a trade surplus of US\$3.1 billion in 7 months, coupled with continued robust expansion of manufacturing and retail sectors. Inflation eased in July.

Despite a small trade deficit of US\$300 million estimated in July, the country still achieved a remarkable YTD trade surplus of approximately US\$3.1 billion versus a US\$2.53 billion deficit over the same period last year. In 7M2018, while exports registered a solid improvement of 15.3% YoY, amounting to US\$133.7 billion, imports saw a slower growth of 10.2% YoY to US\$130.6 billion, owing primarily to a decline in imports of machinery and equipment (-6.1% YoY). Albeit elevated trade tensions with other trade partners, the US remained Vietnam's largest export market in 7M2018 (US\$25.5 billion, +8.9% YoY). On foreign investment, the first 7 months witnessed total FDI pledges of US\$22.94 billion, up 4.6% YoY, with Japan pouring US\$5.8 billion of newly registered capital during the period, making it the biggest foreign investor in Vietnam. FDI disbursement meanwhile jumped

8.8% YoY to US\$9.85 billion. As regards sector performance, the Industrial Production Index in July advanced 14.3% YoY, of which manufacturing and processing sector remained well in expansionary territory, rising 16.6% YoY. Retail sales also displayed an encouraging real growth rate for 7M2018, up 8.4% YoY, partly thanks to an ongoing surge in international tourist arrivals, up 25.4% YoY in the same period. On another positive note, July CPI eased, down 0.09% MoM, primarily supported by lower healthcare and transportation rates. Average CPI over 7M2018 was recorded at 3.45% YoY.

### Notwithstanding uncertainty over global trade, Asian Development Bank (ADB) keeps their forecast for Vietnam's GDP growth unchanged at 7.1% in 2018.

In relation to the July 2018 Asian Development Outlook Supplement, ADB maintains a positive outlook on Vietnam's economic prospects this year and next, with its projections for the nation's GDP growth remaining unchanged at 7.1% in 2018 and 6.8% in 2019. This was attributable to increasing

global interest in Vietnam as a destination for FDI, as well as recent progress on major trade deals comprising the CPTPP. Besides, Vietnam's inflation is likely to hit 3.7% in 2018 and accelerate to 4.0% in 2019 according to the report. ADB also leaves its growth expectations for developing Asia unaltered, as the regional economy is projected to expand by 6.0% in 2018 and 5.9% in 2019, buoyed by healthy domestic demand amid rising global risks. Nonetheless, while trade tariffs implemented so far this year have not substantially affected the economic expansion, ongoing trade dispute remains a downside risk to the regional outlook.

## Our view

The country continued its favorable performance on key macroeconomic indicators in July, including robust exports, expanding manufacturing and retail sectors, as well as healthy FDI disbursement. On macroeconomic stability, although CPI cooled off in July, the Prime Minister recently warned of rising inflationary pressure amid higher interest rates and exchange rates. VND/USD exchange rate kept surging in the last two months and the VND has depreciated by roughly 2.39% YTD. However, the central bank (SBV) already intervened by selling estimated US\$2 billion to banks at lower-than-open-market rates in the six business days through July 20. In recent days, we see that the SBV seems to reduce its intervention and let the market take its course, and they would only step in again to prevent big shocks in the foreign exchange market if necessary by using some more reserves. On the stock market, after nearly four consecutive months of decline, the VN-Index started to show sign of stability in the second half of July, but liquidity still shrank and therefore a clearer trend needs some more time to be confirmed. Q2/2018 corporate earnings released so far have been mostly positive, especially in key industries such as banking, real estate, aviation, steel and retail. This will further improve overall market sentiment and support investor confidence in coming time.

## 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	-0.8	-9.3	-3.2	28.7	46.8	11.8	5.6	2.9	33.6	25.8	3.94
Automobiles & Components	0.4	0.1	-1.9	-11.4	13.9	16.6	5.7	1.2	10.3	22.9	21.6	0.8
Banks	24.0	-1.3	-17.8	-2.0	22.2	18.9	11.8	1.9	2.6	17.3	14.7	14.3
Capital Goods	2.6	-0.3	-21.2	-42.5	12.0	13.4	8.8	3.5	6.0	0.2	-27.0	0.6
Commercial Services & Supplies	0.5	-3.5	-8.9	7.6	14.3	16.9	10.4	2.2	1.9	23.8	10.3	0.1
Consumer Durables & Apparel	0.3	2.6	-35.4	-28.0	-	8.6	-	1.6	5.2	38.4	9.3	0.1
Consumer Services	0.2	-5.1	-4.0	-21.2	8.1	17.1	6.9	1.6	-	17.8	31.2	0.3
Diversified Financials	3.8	-7.3	-25.1	-4.1	35.7	24.5	22.0	29.1	2.9	32.9	28.0	1.1
Energy	9.1	3.3	-12.8	-0.2	24.3	20.5	19.2	3.9	3.7	18.4	10.4	0.2
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	15.2	-2.1	-7.3	-12.2	26.1	24.4	19.0	7.4	2.1	37.5	16.7	0.1
Health Care Equipment & Services	0.0	-3.5	-23.8	-33.7	4.8	18.6	3.3	0.2	-	6.6	13.4	0.4
Household & Personal Products	0.2	-4.7	-13.5	-23.2	4.4	7.5	3.2	0.6	5.7	22.6	3.7	0.5
Insurance	2.5	-2.6	-12.8	19.1	40.0	31.8	39.2	4.5	1.2	11.2	6.2	-
Materials	4.1	-0.6	-26.3	-16.7	8.3	10.0	5.3	1.8	6.9	30.0	16.8	1
Pharmaceuticals & Biotechnology	0.9	-2.5	-6.4	-13.6	-	17.1	-	3.4	3.5	24.4	15.7	0.1
Real Estate	25.2	-1.2	-13.9	38.8	50.9	123.4	7.3	6.9	2.1	61.1	51.6	1.1
Retailing	5.2	4.4	-6.3	-2.1	14.6	28.9	-	4.7	1.5	33.4	62.2	0.5
Software & Services	1.1	-9.4	-33.3	-27.0	3.0	7.7	2.1	1.3	4.9	31.4	10.0	0.2
Technology Hardware & Equipment	0.0	-2.1	19.7	-17.3	-	27.8	-	-	-	-	-	-
Telecommunication Services	0.0	-2.9	-5.9	-7.4	4.9	11.8	4.2	0.6	-	20.1	7.4	0.4
Transportation	3.9	1.3	-18.3	-7.4	10.0	14.2	7.7	4.5	6.1	29.1	10.2	1.3
Utilities	1.1	1.2	-2.4	-3.7	11.3	9.3	7.8	1.4	8.6	15.9	28.8	0.7

\* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of Jul 31st 2018

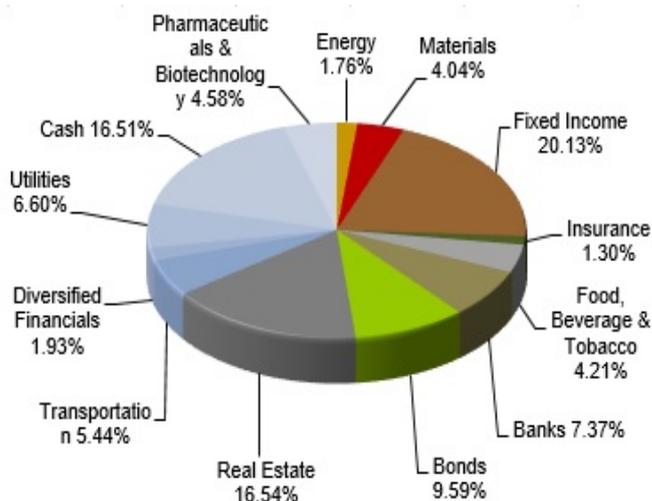
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1224.05	EUR 1179.17	USD 1088.07
MoM change	-2.87%	-2.91%	-1.75%
YTD change	-4.93%	-5.35%	-6.75%
Since inception	22.41%	17.92%	8.81%
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.

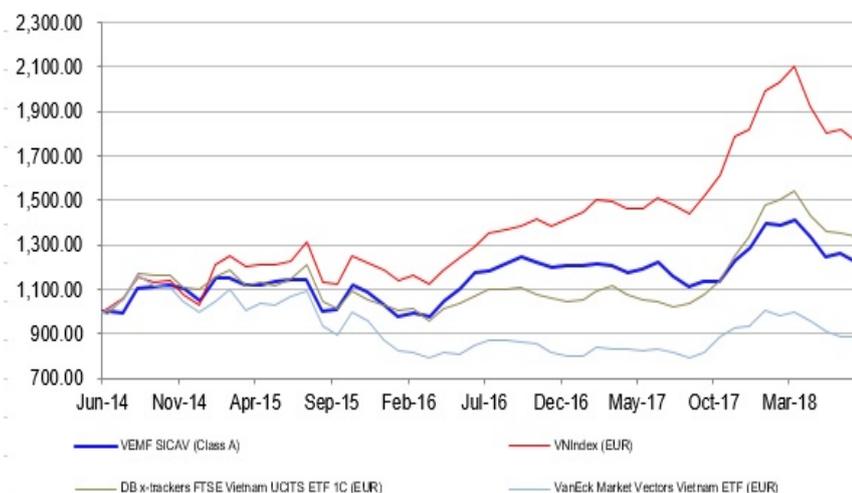
In Jul, the Fund decreased 2.87% MoM, outperformed the VN-Index by 0.4% (all in EUR term).

### 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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