

## In this issue

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

## Market Update

After steady gains over the first several trading sessions, the VN-Index tumbled in the second half of June, closing the month at 960.78 points, dropping 1.1% MoM in local currency. Notwithstanding ongoing improvements in the domestic economy, investor sentiment stayed bearish in the backdrop of escalating trade war concerns and capital flight from emerging markets. Selling pressure was seen across almost all sectors, led by banking and brokerage stocks. The HNX-Index also suffered considerable declines, wrapping up June at 106.17 points, down 7.6% MoM. Liquidity continued to shrink this month, as the aggregate average daily trading value (HSX, HNX, UPCoM) reduced by 21.2% MoM to US\$257.5 million. Foreign investors net sold slightly US\$2.6 million in June.

### Vietnam's 1H2018 GDP reached its highest expansion rate since 2011.

GDP growth in Q2/2018 was recorded at 6.79% YoY, following an upward revision of Q1 figure from 7.38% to 7.45% YoY, thus GDP growth in the first half of 2018 accelerated to an 7-year high of 7.08% YoY. The solid economic expansion was fueled by positive performance of major sectors, with industry and construction remaining a key pillar of the economy. This sector exhibited the strongest rise at 9.07% YoY (versus 5.81% YoY in H1 2017), contributing 48.9% to the overall GDP, owing primarily to the manufacturing sub-sector's remarkable surge of 13.02% YoY. The Vietnam PMI accordingly displayed a substantial monthly improvement in the health of manufacturing sector, as it soared to 55.7 in June (from 53.9 in May), the highest expansion since March 2011 and the strongest in the ASEAN. It was driven by a sharp increase of new orders and robust client demand. Impressive growth was also observed in the service sector, which jumped 6.9% YoY, the best results in 7 years, thanks

largely to stable consumer demand and a continued boost in international visitor arrivals, up 27.2% YoY. Besides, the agriculture/forestry/fishery sector posted a favorable recovery of 3.93% YoY. Regarding foreign investment, disbursed FDI in H1 2018 was estimated at US\$8.4 billion (+8.4% YoY), while total FDI pledges in June reached US\$10.4 billion, exceeding the entire amount registered in 5M2018 (US\$9.9 billion) and leading to a H1 2018 figure of US\$20.3 billion (+5.7% YoY). This was mainly supported by a number of mega projects announced this month, notably the US\$4.2 billion Smart City project by the JV between Japan's Sumitomo and Vietnam's BRG. On trade front, although June recorded an estimated modest trade deficit of US\$100 million, YTD experienced a trade surplus of US\$2.71 billion (vs. a trade deficit of US\$2.7 billion for the same period last year).

### The VND lost around 1% against the USD year to date. Inflation edged up in June.

After remaining relatively stable for more than 2 years, the USD/VND exchange rate has

climbed recently. The continuing strengthening of the USD in international markets has put stronger pressure on the VND, coupled with recent small net outflow of the greenback from the country due to trade deficit and foreign net selling in the local stock market. However, the VND's YTD depreciation of 1% against the USD is still manageable for the central bank (SBV), who with the record-high foreign reserves of US\$63.5 billion is willing to interfere in the local foreign exchange market to keep its VND depreciation target of around 2% for the whole year. That being said, if the USD continues to strengthen against other hard currencies, the SBV's task will be much more challenging. Another concern was on inflation, as June CPI inched up 0.61% MoM and average CPI in 6M2018 was up 3.29% YoY, mainly attributable to higher food, fuel and utility prices. The Government has explicitly determined to keep inflation in check and below 4% for 2018.

## Our view

The Vietnam economy continued to show resilient growth in the second quarter with significant expansion in key sectors. Growth drivers (domestic consumption, external demand, FDI investment, tourism,...) remained robust. According to Nielsen, Vietnam consumer confidence reached new high in Q1/2018, making Vietnam the 4<sup>th</sup> most optimistic country globally, after India, the Philippines, and Indonesia. Though concerns on VND depreciation and inflation have mildly increased, we think the Government has room to keep the targets for 2018, unless there are significant external shocks in the coming months. On the stock market, bearish investor sentiment remained and was mainly driven by external factors despite domestic sound fundamentals. We think external events (US-China escalating trade tensions, USD appreciation and the Fed's rate hike policy, the plummeted yuan, capital flight from emerging markets,...) will probably continue to affect investor sentiment, hence the stock market volatility may continue for some more time. But our long-term view on the market remains intact and positive on Vietnam sound fundamentals. With the strong economic growth in the second quarter, corporate earnings in Q2 which will be released in July is generally expected to be good, which should help regain investor confidence.

## 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	0.9	-17.7	-2.4	21.4	26.0	14.9	4.1	2.9	24.0	17.0	4.28
Automobiles & Components	0.4	1.6	-10.3	-11.5	14.3	17.6	5.9	1.2	9.8	23.4	21.8	0.8
Banks	23.0	-1.1	-28.9	-0.7	23.8	19.0	12.4	2.0	2.6	16.5	13.9	14.8
Capital Goods	2.9	-5.1	-38.0	-42.4	10.9	10.4	8.0	2.7	6.4	4.9	-17.3	0.7
Commercial Services & Supplies	0.6	3.7	-5.3	11.5	14.8	17.6	10.8	2.3	1.8	20.4	13.7	0.1
Consumer Durables & Apparel	0.9	-34.7	-44.6	-29.8	11.2	12.0	8.0	2.4	2.4	37.6	8.9	0.2
Consumer Services	0.2	1.4	-2.1	-17.0	9.2	24.6	7.9	1.7	-	18.2	30.9	0.3
Diversified Financials	1.6	-4.8	-26.6	3.4	14.7	13.0	11.8	3.4	-0.3	25.2	62.2	0.5
Energy	9.4	-6.0	-28.2	-3.4	24.1	18.3	19.4	4.0	3.7	18.8	10.6	0.2
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	18.0	-0.5	-16.1	-10.3	30.3	26.4	21.7	7.5	2.0	34.4	15.0	0.2
Health Care Equipment & Services	0.0	1.0	-30.6	-31.3	4.8	19.3	3.3	0.2	-	6.6	13.4	0.4
Household & Personal Products	0.2	-2.7	-8.2	-19.5	4.5	7.7	3.2	0.6	5.3	20.8	4.0	0.6
Insurance	2.8	-3.0	-13.4	22.3	40.0	33.1	39.2	4.5	1.2	11.2	6.2	-
Materials	4.4	-19.7	-34.7	-16.2	8.7	8.1	7.2	1.8	7.0	28.0	14.7	1
Pharmaceuticals & Biotechnology	1.0	-2.1	-8.9	-11.4	-	17.6	-	3.4	3.4	24.2	15.6	0.1
Real Estate	24.6	-0.5	-8.6	40.5	16.9	56.0	14.0	4.2	2.2	27.3	16.3	1.3
Retailing	4.9	-6.6	-16.6	-6.2	10.6	29.8	4.7	4.1	2.0	26.9	69.9	0.6
Software & Services	1.0	-11.7	-29.6	-19.3	3.2	7.6	2.2	1.3	5.1	31.5	10.0	0.2
Technology Hardware & Equipment	0.0	4.2	29.3	-15.6	-	28.4	-	-	-	-	-	-
Telecommunication Services	0.0	-0.2	3.0	-4.6	4.9	12.0	4.3	0.6	-	20.2	7.4	0.4
Transportation	3.3	-5.5	-35.4	-8.7	9.6	13.2	7.1	5.2	6.1	26.2	9.4	1.3
Utilities	1.1	0.0	-2.8	-4.8	9.8	10.4	7.0	1.3	8.7	17.0	29.2	0.8

\* It is generated by VAM in-house Company Analysis System - VCAS, comprising of both bourses and based on VAM covered universe, as of Jun 29th 2018

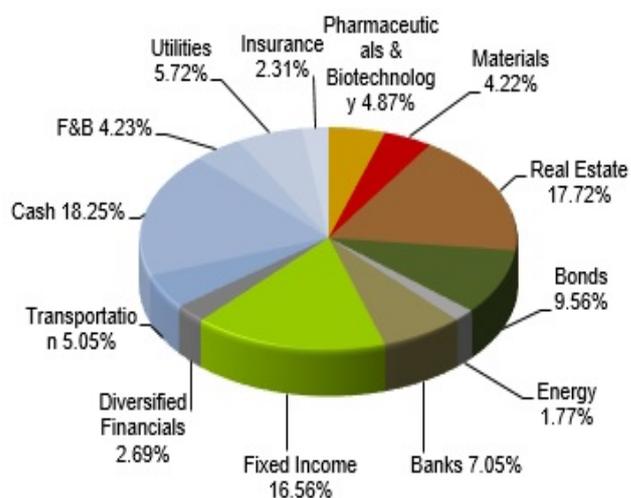
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1260.19	EUR 1214.53	USD 1107.48
MoM change	1.02%	0.97%	0.72%
YTD change	-2.12%	-2.51%	-5.08%
Since inception	26.02%	21.45%	10.75%
Bloomberg	IPCHEMA LX	IPCHEMA LX	IPCHEMA 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.

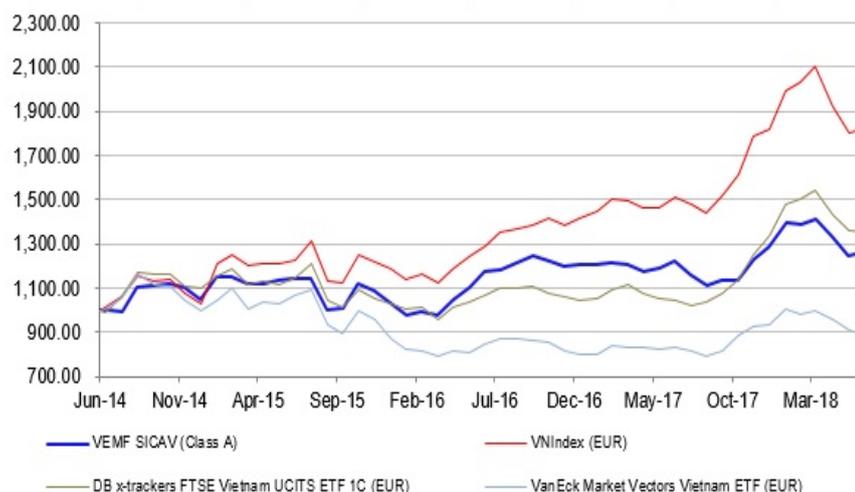
In Jun, the Fund increased 1.02% MoM, outperformed the VN-Index by 0.11%, outperformed the DB x-trackers FTSE Vietnam UCITS ETF 1C by 1.97% and outperformed the Van Eck Market Vectors Vietnam ETF by 4.21% (all in EUR term).

### 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)).

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](mailto:bd@vietnamam.com) - W: [www.vietnamam.com](http://www.vietnamam.com)