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## Market Update

The VN-Index posted its second consecutive month of corrections in May, as increased selling pressure hit a wide-range of large-cap stocks across banking, diversified finance, real estate, oil & gas, consumer, and aviation sectors. Investor sentiment remained negative while liquidity diminished significantly. The VN-index ended the month at 971.25 points, declined 7.5% MoM in local currency which pushed its loss to as much as 19.4% from its peak on April 9<sup>th</sup>, 2018. At the end of May, the VN-Index swept away all its gains from the beginning of the year. Similarly, the HNX-Index decreased 6.3% MoM, closing at 114.91 points. Vinhomes (VHM), one of the leading residential developers, debuted on the HSX on May 17<sup>th</sup> to become the largest listed company by market cap and net raised US\$1.22 billion from foreign institutional investors, yet it failed to support the overall stock market. Excluding VHM transaction, foreign investors net sold nearly US\$230 million on three bourses (HSX, HNX, UPCoM), mainly on blue-chips, owing largely to rising US long-term bond yield and strengthening of the US dollar, which in turn triggered capital flights from emerging and frontier markets. The Vietnam market recovered somewhat in the last trading days in May though.

## Fitch upgraded Vietnam's sovereign credit rating to BB from BB- with a stable outlook.

Fitch Ratings on May 14<sup>th</sup> upgraded Vietnam's long-term foreign-currency Issuer Default Rating (IDR) to 'BB' from 'BB-' with a stable outlook on Vietnam's improving macroeconomic status and growing reserves. The country's five-year average real GDP growth for the period 2012-2017 was 6.2%, far above the 'BB' median of 3.4%. In 2018, Fitch projected Vietnam GDP growth will reach 6.7%, which would bring Vietnam to the fastest-growing economies in the Asia-Pacific region and 'BB' rated peers. Vietnam's foreign reserves have increased significantly from US\$49 billion in 2017 to US\$63 billion at end of April 2018 and are forecast to reach US\$66 billion by the year-end. Healthy reserves enhance Vietnam's ability to absorb external shocks and maintain stability

of the Dong. Fitch also appreciated commitments of Vietnam's government to maintain debts at safe levels and reform state-owned enterprises. As at end of 2017, public debt and government debt declined to 61.4% and 52.4% of GDP from 63.6% and 53.4%, respectively, in 2016.

## Positive performance continued to be observed across key sectors; concern on inflation returns though.

Vietnam's Industrial Production Index increased 9.7% YoY in 5M2018 vs. 6.6% YoY in 5M2017. Manufacturing and processing sector posted a high growth of 11.8% YoY. Accordingly, Vietnam's Purchasing Managers Index (PMI) reading reached 53.9 in May from 52.7 in April. It marked the 30th consecutive monthly expansion of the sector. New orders with rising export demand saw the fastest jump in 14 months. Meanwhile, retail sales of

goods and services showed a 8.3% YoY rise in real term to reach US\$76.3 billion in the period. This was partly driven by booming tourism with foreign visitors up 27.6% YoY. Apart from broadly positive figures, on a cautious note, May's CPI rose 0.55% MoM and 1.61% YTD vs 0.37% for the same period last year. Recent domestic gasoline price hikes were among main causes. The Prime Minister in a recent Cabinet meeting requested relevant bodies to keep average inflation below 4% in 2018 as planned. According to the National Financial Supervisory Commission, total lending of Vietnam banks rose 5.8% as at end of May vs 6.9% for the same period last year.

## Our view

Vietnam's positive macro-economic data in May could not help the stock market as it continued sharp corrections under profit taking, negative (local) investor sentiment affected by foreign outflows, and tighter margin lending to local investors. With Fitch's upgrade on Vietnam's credit rating, the country is now put closer to the investment grade which should help attract more interest from foreign investors for both direct and indirect investments. Fundamentally, outlook for Vietnam's economy remains intact and a strong growth is broadly forecast for 2018. This should support the stock market in a long run. Investor confidence however may take some time to be regained. Currently, market valuation has got to a more reasonable level in comparison with regional peers, with various good stocks now traded at attractive prices. This presents opportunities for long-term investors.

## 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	-7.5	-13.7	-1.3	23.0	27.2	15.6	4.7	2.8	23.9	17.0	4.33
Automobiles & Components	0.4	-2.4	-4.5	-11.8	15.1	16.0	6.2	1.3	10.7	21.2	17.1	0.8
Banks	26.4	-10.8	-21.1	6.4	26.8	19.8	13.5	2.2	2.3	16.6	13.9	15
Capital Goods	3.6	-10.6	-31.7	-34.8	11.7	10.5	8.6	2.7	6.3	3.2	-22.0	0.7
Commercial Services & Supplies	0.6	-7.9	-10.5	8.8	15.3	17.2	11.1	2.4	1.8	20.5	13.8	0.1
Consumer Durables & Apparel	0.9	-2.6	-5.0	8.5	23.5	21.8	16.8	5.0	1.4	39.7	8.9	0.1
Consumer Services	0.2	-1.9	-10.2	-19.4	6.6	15.3	5.9	1.5	-	20.3	32.2	0.3
Diversified Financials	1.9	-10.4	-11.7	14.6	17.0	14.2	13.4	3.9	-0.3	25.3	62.2	0.5
Energy	11.2	-13.1	-21.4	-0.6	25.4	18.7	20.5	4.2	3.5	18.8	10.7	0.2
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	19.3	-4.8	-10.7	-9.9	31.2	26.5	22.2	7.6	2.1	34.9	15.2	0.2
Health Care Equipment & Services	0.0	-23.0	-33.0	-33.0	5.0	18.8	3.4	0.3	-	6.6	13.4	0.4
Household & Personal Products	0.2	-4.4	-6.3	-15.2	4.5	8.4	3.2	0.6	4.9	22.2	3.8	0.5
Insurance	3.0	-4.9	2.9	30.0	24.7	35.4	24.3	2.8	1.9	11.2	6.2	-
Materials	4.6	-3.0	-18.7	9.6	11.6	9.9	10.2	2.5	5.9	27.8	14.9	1
Pharmaceuticals & Biotechnology	1.0	0.2	-5.5	-7.5	-	18.3	-	3.5	3.3	23.9	15.4	0.1
Real Estate	15.5	-8.8	9.6	47.0	18.8	59.4	15.3	7.3	2.2	26.9	16.1	1.3
Retailing	4.9	-3.4	-16.0	0.9	17.7	32.7	7.8	4.2	1.8	26.4	71.8	0.6
Software & Services	1.2	-18.9	-22.6	-11.2	3.4	8.4	2.3	1.5	4.4	31.4	10.0	0.2
Technology Hardware & Equipment	0.0	23.2	1.0	-14.9	-	28.6	-	-	-	-	-	-
Telecommunication Services	0.0	-2.2	-0.7	-3.7	5.0	12.3	4.3	0.6	-	19.8	7.5	0.4
Transportation	4.1	-15.9	-26.5	-4.7	10.5	13.9	7.8	6.1	6.1	26.6	9.1	1.3
Utilities	1.1	-2.8	-5.0	-4.1	9.8	10.6	7.0	1.4	8.7	17.2	28.7	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 May 31st 2018

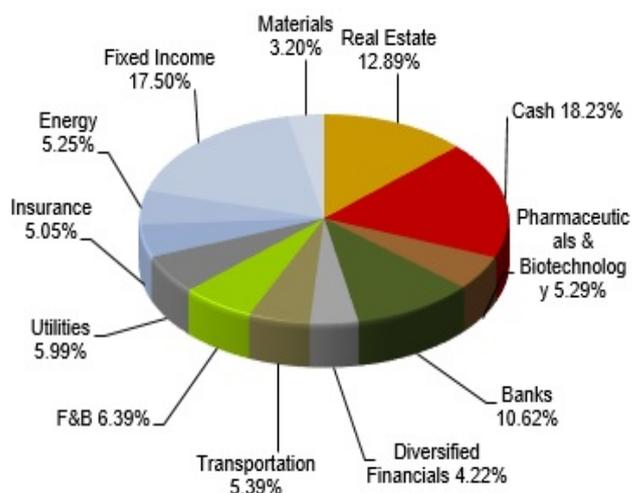
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1247.48	EUR 1202.83	USD 1099.60
MoM change	-6.56%	-6.66%	-10.11%
YTD change	-3.11%	-3.45%	-5.76%
Since inception	24.75%	20.28%	9.96%
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.

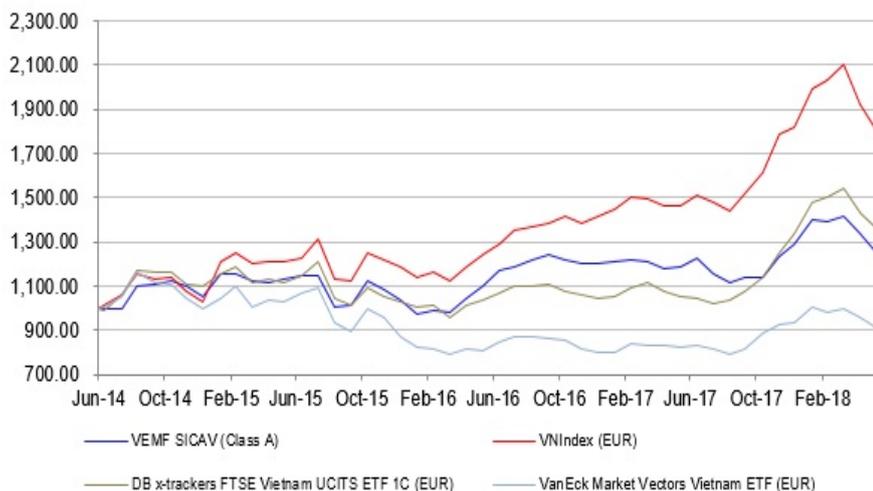
In May, the Fund decreased 6.56% MoM, underperformed the VN-Index by 0.25% (all in EUR term).

### 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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