

Market Update

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The market extended its rallies for the second successive month in September. Despite some corrections during the first few trading sessions, the VN-Index regained its strength and maintained an upward trend until month-end, wrapping up September at 1017.13 points, advancing 2.8% MoM in local currency. The market's improvement was considerably supported by different sectors including oil & gas, securities, materials, and textile, etc. Likewise, the HNX-Index also performed favorably, moving up to 116.28 points at month-end and delivering a monthly gain of 3.1%. Market liquidity continued to strengthen this month, as the combined average daily trading value (HSX, HNX, UPCoM) accelerated to USD249.6 million, up 9.7% MoM. After three consecutive months of net foreign outflows, foreign investors returned as net buyers in September, with net buying value amounting to USD10.2 million, bringing YTD net foreign inflows to USD1.4 billion.

Vietnam recorded the highest nine-month GDP growth rate since 2011.

The Vietnam economy expanded 6.88% YoY in Q3/2018, following some downward adjustments applying to previous periods including Q3/2017 (from 7.46%YoY to 7.38% YoY) and 1H2018 (from 7.08% YoY to 7.04% YoY). Accordingly, GDP growth rate over the first 3 quarters this year was estimated to reach 6.98% YoY, posting the highest level in the same period since 2011. The uptick in growth reflected solid performance of all major sectors. The industry and construction sector remained the primary driving force, led by manufacturing and processing sub-sector, which soared 12.65% YoY and contributed 2.56 percentage points to the overall growth. Having said that, Vietnam's September PMI showed a slowdown in expansion pace of manufacturing sector, as the figure dropped to 51.5 this month from 53.7 in August, owing to weaker increases in both output and new orders. The agriculture/forestry/fishery sector contin-

ued its strong rebound, rising at a multi-year high level of 3.65% YoY in 9M2018, indicating the effectiveness of sector restructuring coupled with the expansion of export markets. Upbeat results were also observed in the service sector, which jumped 6.89% YoY in 9M2018, largely supported by buoyant real retail sales, up 8.8% YoY. On another positive note, Vietnam recorded a YTD trade surplus of USD5.39 billion, attributable to steady rises in both exports (USD178.9 billion, up 15.4% YoY) and imports (USD173.5 billion, up 11.8% YoY). Regarding foreign investment, the country attracted aggregate FDI pledges of USD25.37 billion in the first nine months, slightly lower than last year's figure (USD25.5 billion), yet FDI projects disbursed USD13.25 billion YTD, climbing 6% YoY.

FTSE Russell added Vietnam to its Secondary Emerging Market watch list.

On September 26, 2018, the UK-based financial and business information firm FTSE Russell officially added Vietnam to its watch list for a

possible reclassification as Secondary Emerging Market. In particular, Vietnam's equity market satisfied a number of FTSE Russell's requirements for Secondary Emerging Market, including regulatory environment, infrastructure and quality of the capital market, as well as depository and clearing system. In order to be promoted as a Secondary Emerging Market, the country has to maintain and further improve its current market status. FTSE Russell's next review will be in September 2019. The addition of Vietnam to FTSE Russell's watch list is an international acknowledgement of remarkable progress of the national capital market and will potentially create positive impacts on the Vietnam market, especially in terms of increasing interest from foreign investors.

Our view

Notwithstanding rising uncertainties in the global trade environment, the Vietnam economy was able to keep its growth momentum, expanding remarkably at the highest nine-month GDP growth rate of almost 7% YoY since 2011. The economy was on track to achieve the Government's growth target of 6.7% for this year. The overall macroeconomic environment looked stable and positive. Concern on inflation remained though. September CPI edged up 0.59% MoM and average 9M2018 figure rose 3.57% YoY. Although the Government's inflation target of 4% this year could be fulfilled, surging oil prices and seasonal factors might affect domestic prices negatively in the remaining months of the year. The State Bank of Vietnam (SBV) accordingly remains watchful and will likely continue curbing credit growth until year-end. As for the stock market, the recent inclusion of Vietnam to the FTSE Russell's watch list is expected to help attract more foreign capital inflows, further improve market liquidity and the regulatory framework in coming time. In addition, Q3 business results, generally expected positive on the back of strong economic growth, will enhance investors 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	2.2	6.2	3.3	27.9	25.7	14.4	16.4	2.7	24.3	16.4	4.54
Automobiles & Components	0.4	4.3	7.3	-5.6	15.1	18.5	6.2	1.4	9.3	22.3	20.5	0.8
Banks	24.9	2.1	9.3	8.5	25.9	20.0	13.1	2.1	2.3	17.2	14.5	14.7
Capital Goods	2.8	1.2	2.5	-40.9	12.0	13.1	8.9	378.5	5.2	0.5	-22.8	0.5
Commercial Services & Supplies	0.5	-5.2	-7.3	3.4	13.0	14.8	9.4	2.0	2.2	19.9	13.7	0.1
Consumer Durables & Apparel	0.3	15.2	18.8	-14.3	-	10.7	-	2.1	4.9	40.2	9.3	0.1
Consumer Services	0.2	-1.4	-4.9	-20.4	6.7	16.1	5.9	1.6	-	17.8	30.9	0.3
Diversified Financials	3.9	3.3	3.4	7.7	42.3	26.6	25.9	5.4	-0.2	21.2	31.1	1.1
Energy	10.1	10.4	30.9	25.7	31.8	26.2	25.1	5.0	2.9	18.4	10.4	0.2
Food & Staples Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	14.5	-5.9	-7.8	-17.7	24.7	23.2	18.5	6.8	2.3	36.9	16.4	0.1
Health Care Equipment & Services	0.0	-5.4	-9.3	-37.7	4.5	17.5	3.1	0.2	-	6.6	13.4	0.4
Household & Personal Products	0.2	7.4	0.8	-19.1	4.6	7.8	3.3	0.6	5.4	22.0	3.6	0.5
Insurance	2.7	7.4	16.1	42.2	40.0	40.2	39.2	4.5	1.2	11.2	6.2	-
Materials	4.1	7.7	10.8	-6.0	9.0	7.0	6.0	2.1	6.1	29.8	17.1	1
Pharmaceuticals & Biotechnology	0.8	8.5	1.3	-10.9	-	17.3	-	3.4	3.4	24.4	15.7	0.1
Real Estate	23.5	-3.9	-3.6	34.2	47.5	48.9	8.9	11.1	2.4	30.5	17.3	1.1
Retailing	5.0	2.6	11.2	3.3	16.4	29.0	-	5.3	1.4	33.8	60.7	0.5
Software & Services	1.1	6.2	-1.7	-19.0	3.5	13.7	2.4	1.5	4.4	31.2	9.9	0.2
Technology Hardware & Equipment	0.0	-12.8	-21.4	-33.6	-	22.3	-	-	-	-	-	-
Telecommunication Services	0.0	-2.5	-8.8	-12.7	4.7	11.2	4.2	0.6	-	19.8	7.4	0.4
Transportation	3.9	-2.2	7.6	-3.1	10.6	10.4	8.1	4.7	6.1	29.2	10.1	1.3
Utilities	1.0	3.5	4.7	0.2	11.9	9.3	8.3	1.4	8.4	15.8	28.6	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 Sep 28th 2018

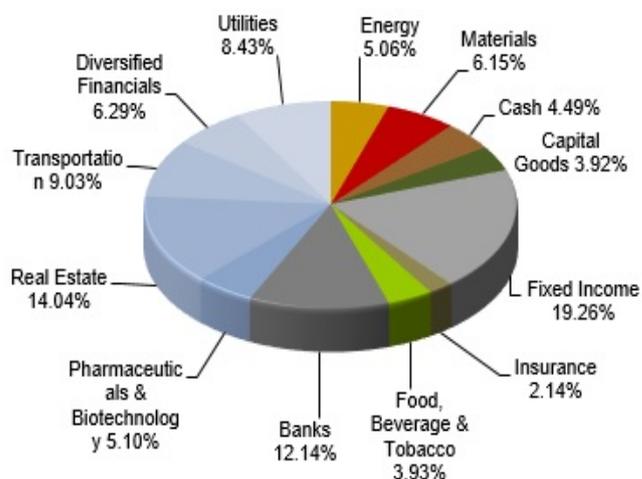
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1292.82	EUR 1244.42	USD 1145.87
MoM change	2.32%	2.28%	2.50%
YTD change	0.41%	-0.11%	-1.79%
Since inception	29.28%	24.44%	14.59%
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.

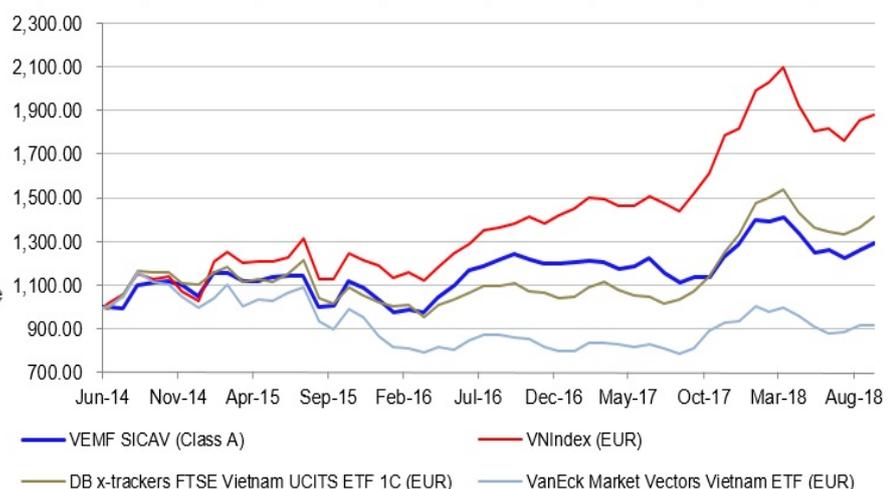
In Sep, the Fund increased 2.32% MoM, outperformed the VN-Index by 0.95% and outperformed the Van Eck Market Vectors Vietnam ETF by 2.12% (all in EUR term).

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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