

## Market Update

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The market retreated in August in tandem with regional markets amid concern about escalating trade tensions. The VN-Index closed the month at 984.06 points, down 0.77% MoM. Meanwhile, the HNX-Index fell 2.02% MoM, closing at 102.32 points. The correction of Oil & Gas sector (GAS, PVS, PLX), Vingroup tickers (VIC, VHM, VRE) and some blue-chips (BVH, MSN, VCB, VJC, etc.) was the drive of the decline. Banking was the most stable sector with some tickers performing well (MBB, VPB, TCB) while the others moved sideways (CTG, ACB, HDB). Market liquidity improved significantly with the combined average daily trading value (HSX, HNX, UpCom) reaching US\$221.6 million, up 10.2% MoM. Foreign investors halted their 11 consecutive months of net-buying position with the net-selling value of US\$72.4 million in August.

### **Vietnam's economic growth continued amid external headwinds; YTD trade surplus doubled in August; Manufacturing expansion decelerated though.**

At a cabinet meeting in Hanoi on September 4<sup>th</sup>, Prime Minister Nguyen Xuan Phuc said Vietnam's economy maintained growth across sectors despite global economic challenges. Remarkable growth was seen in several key sectors, especially tourism with total year-to-date international tourist arrivals reaching 11.3 million pax, up 8.7% YoY. Real growth for retail sales in 8M2019 increased 9.03% YoY vs. 8.98% YoY in the same period last year. On trade front, Vietnam recorded a doubled YTD trade surplus of US\$3.4 billion through August thanks to a strong surge in exports. However, manufacturing sector posted slower pace of expansion as Vietnam's Manufacturing Purchasing Managers' Index (PMI) dropped to 51.4 in August from 52.6 in the previous month due to a slowdown in new orders and output under impact of the US-China's escalating trade tensions. The

figure still indicated the 44<sup>th</sup> month of expansion of the country's manufacturing sector in a row while many other regional countries have experienced a contraction in their manufacturing. In regard to macro-economic stability, August's CPI increased 0.28% MoM and the average CPI in 8M2019 was up 2.57% YoY - the lowest figure in the last three years. Year-to-date CPI was recorded at 1.87%. Meanwhile, the USD/VND exchange rate has nearly unchanged compared to the beginning of the year while other currencies, especially the Chinese Yuan experienced strong depreciation against the dollar recently.

### **Vietnam's GDP scale would exceed US\$300 billion as of the end of June 2019 after revision.**

Vietnam's General Statistics Office (GSO) has recently conducted a review of GDP calculation and announced that the country's revised GDP as of the end of 2017 would increase to US\$275 billion from US\$220 billion, and the figure exceeded US\$300 billion as of the end of June 2019. Accord-

ing to GSO chief Nguyen Bich Lam, the revision would bring Vietnam's GDP calculation more in line with international standards. This is the second time the GSO has done this after its first review in 2013. The revision would bring the GDP per capita to US\$3,000 instead of the previous \$2,590 and Vietnam would approach the upper-middle income level. The revision if approved by the Government will have impact on economic/administrative indicators such as public debt, public investment, state budget in the future as current figures of these indicators will decrease on expanded GDP, giving the Government more room for borrowing, making public investments, etc. A prudent approach should be taken by the Government to maintain the country's sustainable growth and stability.

## Our comment

Main indicators continued to point to a robust economic growth for Vietnam amid rising global uncertainties. In the context of escalating trade tensions between the US and China, more and more foreign and even Chinese manufacturers are moving their factories out of China to Vietnam. This gives Vietnam both opportunities and challenges. FDI sector has always been one of Vietnam's main growth drivers as it has contributed around two thirds of the country's total export value in the last decades. However, the Government has become more selective in approving FDI investment projects as they want to reduce the number of small-scaled, low-tech, labor-intensive projects that accounted for a significant portion of FDI investment projects in the nation. On August 20<sup>th</sup>, 2019, the Politburo (the highest body of the ruling party) issued Resolution No. 50 that aims to improve quality of FDI projects, increase the localization rate, offer tax and other incentives for technology transfer, and create a better investment environment. With a proper implementation, this will help Vietnam manage FDI investment more effectively in coming time. The ongoing positive macro-economic picture and expected good corporate business results in Q3 in general hopefully will help support investor sentiment which was dampened by rising concerns about external headwinds.

## Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
<b>Vietnam Market</b>	<b>100.0</b>	<b>-0.8</b>	<b>2.5</b>	<b>10.3</b>	<b>15.9</b>	<b>2.4</b>	<b>1.9</b>	<b>16.1</b>	<b>9.1</b>	<b>3.47</b>
Automobiles & Components	2.4	-8.6	4.4	35.1	9.7	2.2	0.7	25.4	20.6	0.2
Banks	22.7	0.8	8.7	14.6	8.4	1.2	0.3	14.7	12.3	10.35
Capital Goods	1.8	0.6	-1.0	-12.3	11.6	1.4	2.8	12.6	6.2	0.63
Commercial Services & Supplies	0.3	-4.6	-0.1	-7.7	12.5	1.6	1.4	14.5	5.7	0.43
Consumer Durables & Apparel	0.2	-2.5	-7.1	10.3	6.7	1.3	5.7	19.3	6.1	0.4
Diversified Financials	2.5	-5.5	-11.1	-7.5	20.9	1.9	1.2	10.0	11.4	0.93
Energy	9.6	-5.8	-5.3	11.4	17.8	2.4	4.5	14.0	4.0	0.25
Food, Beverage & Tobacco	14.5	-1.7	-2.4	0.7	21.7	5.6	3.7	27.3	13.6	0.26
Household & Personal Products	0.1	0.3	0.3	8.1	7.2	1.0	5.9	14.1	4.1	1.26
Insurance	1.8	-8.7	-1.8	-11.7	37.3	2.8	1.9	7.5	4.4	0.03
Materials	3.3	-0.7	-6.8	-0.8	10.8	1.4	1.5	13.2	8.1	0.8
Pharmaceuticals & Biotechnology	0.6	-3.6	-11.6	8.1	18.2	2.9	3.7	16.4	12.7	0.15
Real Estate	23.3	1.7	7.6	21.8	26.9	4.3	0.5	19.3	13.6	0.68
Retailing	4.4	-0.6	10.0	27.0	21.3	3.4	2.4	16.9	5.0	0.42
Software & Services	1.6	10.2	14.8	16.5	13.2	2.5	2.3	20.7	9.3	0.52
Transportation	9.4	-2.2	0.2	-0.7	17.7	2.7	1.9	17.9	8.3	0.69
Utilities	1.5	-5.5	-11.7	-7.5	13.4	1.3	3.2	9.7	7.7	0.64

\* It is generated by VAM in-house Company Analysis System - VCAS, based on VAM covered universe comprising of the HSX, HNX and UPCOM, as of Aug 30th 2019

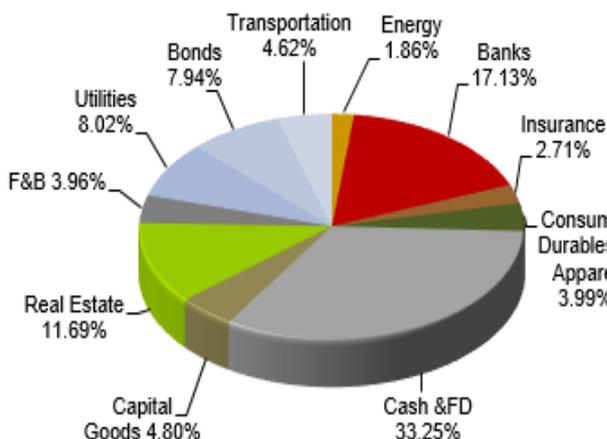
## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1152.39	EUR 1104.15	USD 967.96
MoM change	-1.50%	-1.54%	-2.15%
YTD change	1.12%	0.78%	1.86%
Since inception	15.24%	10.42%	-3.20%
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.

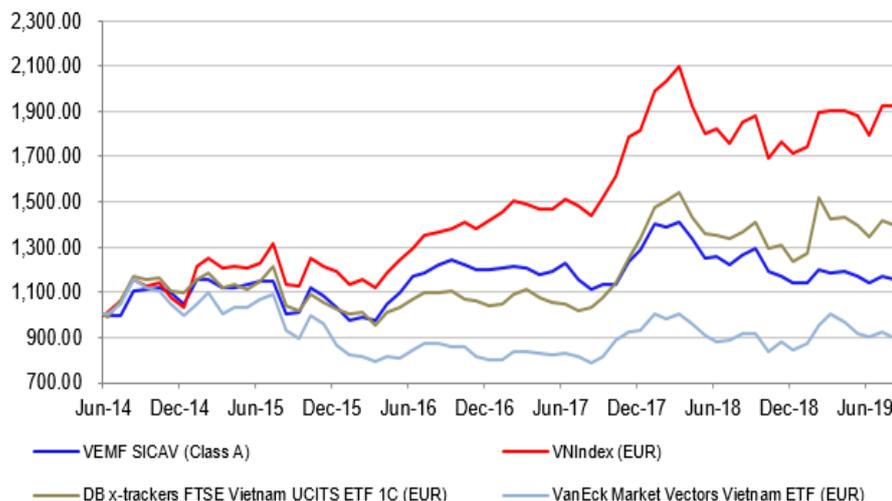
In Aug, the Fund decreased 1.5% MoM, underperformed the VN-Index by 1.43% in EUR term.

### 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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