

Market Update

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After some steep plunges in first trading days of 2019, the VN-Index rebounded and maintained its slight uptrend until the end of January. It wrapped up the month at 910.65 points, up 2% MoM in local currency on the back of global market rally amid hope of progress over US – China trade talks and Fed's possible rate-hike pauses. The VN-Index's gain was largely thanks to stocks across banking, real estate, consumer, textile, and utilities sectors. Conversely, the HNX-Index plummeted 1.3% MoM, finishing January at 102.88 points. Market liquidity remained thin prior to long Lunar New Year (Tet) holidays, as the combined average daily trading value (HSX, HNX, UPCoM) shrank by 32.5% MoM to USD155.1 million. Foreign investors remained net buyers this month, with net inflows advancing to USD73.7 million, compared to last month of USD30.1 million.

Positive data witnessed across major sectors in the first month of 2019.

Vietnam economy had a good start to the new year as positive data continued to show in key sectors. Manufacturing sector kept expanding in the first month, though at a slower pace as January PMI reading at 51.9 (compared to 53.8 in December). It marked the 38th successive month of expansion. Growth of both output and new orders stayed steady amid rising client demand. Retail sector saw robust sales of goods and services thanks to consumers' higher demand in the month prior to Lunar New Year. Real retail sales jumped 9.4% YoY in January (versus 7.7% YoY in January 2018). Tourism kept proving itself an important economic growth driver, as Vietnam attracted around 1.5 million international tourist arrivals during the month, attributable to a surge in the number of overseas Vietnamese returning home to celebrate Tet and soaring travel demand of people from Europe and the Americas during their winter holidays. The country also witnessed increasing for-

eight investment as pledged FDI reached USD1.9 billion, up 51.9% YoY, while disbursed FDI amounted to USD1.55 billion, up 9.2% YoY in January. On trade front, a slowdown in exports (USD20 billion, -1.1% YoY), and an increase in imports (USD20.8 billion, +3.8% YoY) caused a trade deficit of USD800 million. Concerning inflation, despite surging consumer prices ahead of Tet holidays, January CPI edged up only 0.1% MoM and 2.56% YoY, thanks primarily to a decline in domestic fuel prices of 6.98% MoM on average.

The Prime Minister issued new directive urging state-owned enterprise (SOE) restructuring.

The PM on January 5, 2019 issued Directive 01/CT-TTg on strengthening the governance of and urging the restructuring, reforming, equitization and state capital divestment of SOEs. In particular, the cabinet leader requires all restructuring plans with definite schedules to be submitted to competent authorities for approval before January 15, 2019. Besides, information

about the SOE equitization and state capital divestment are requested to be regularly disclosed by ministries, localities, state economic groups and corporations for transparency. If there is any change in the list of SOEs to be equitized as well as equitization schedule, it must be notified to the Ministry of Planning and Investment and subsequently reported to the PM before January 20, 2019, which clearly states the adjusted schedule for approval by the PM. Furthermore, in any case of delayed state capital divestment under the approved list, government bodies are required to transfer the related SOEs to the State Capital Investment Corporation (SCIC) before March 31, 2019 for enforcement. As a result, it is expected that an updated schedule for SOE equitization and divestment might be released soon, possibly next month.

Our comment

Vietnam's bright economic outlook continued to show in the first month of 2019. The country had a remarkable budget surplus of USD2.3 billion, almost doubled the amount recorded in January last year. The foreign reserves have also been built up nicely as it is estimated that the State Bank of Vietnam has bought around USD4 billion from commercial banks during the month, which enables them to support stability of the dong in coming time if needed. Also in January, the PM Nguyen Xuan Phuc led a delegation to the World Economic Forum's annual meeting in Switzerland, promoting Vietnam's recent socio-economic achievements and international integration via multiple FTAs, particularly the already effective CPTPP and expected EVFTA. This should boost Vietnam's trade and foreign investment. On the stock market, corporate earnings in Q4/2018 which has been released are generally positive, supporting market sentiment. Externally, encouraging signals on US- China trade talks and more dovish hints from Fed regarding rate-hike in 2019 have also restored investor confidence, including Vietnam market. Furthermore, the government's strong push toward SOE reform and equitization as well as state capital divestment is expected to provide more investment opportunities to investors this year.

Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	PE	P/B	Dvd Yield	ROE	Net Margin	Net D/E
Vietnam Market	100.0	-2.0	0.5	-2.0	16.7	2.8	1.7	18.2	9.5	3.77
Automobiles & Components	0.3	1.0	4.2	1.0	11.8	1.0	6.3	8.9	2.5	0.78
Banks	21.9	-2.3	0.8	-2.3	13.6	1.9	0.9	15.2	12.5	10.61
Capital Goods	2.2	8.5	8.9	8.5	10.5	1.6	3.3	16.0	7.4	0.58
Commercial Services & Supplies	0.3	1.2	4.1	1.2	14.3	1.8	1.2	14.1	6.1	0.46
Consumer Durables & Apparel	0.2	-6.5	0.2	-6.5	6.6	1.3	3.4	20.2	6.1	0.45
Diversified Financials	2.9	2.0	10.3	2.0	13.2	2.3	1.0	17.4	16.8	1.26
Energy	9.7	-0.7	16.0	-0.7	12.5	2.5	3.8	20.4	5.6	0.35
Food, Beverage & Tobacco	16.2	-1.2	-10.9	-1.2	24.2	6.3	2.9	26.4	13.1	0.28
Household & Personal Products	0.1	0.8	2.5	0.8	8.7	1.0	11.0	12.9	3.6	1.18
Insurance	2.2	-3.2	5.4	-3.2	42.9	3.4	1.9	8.2	5.2	0.02
Materials	3.4	6.3	25.7	6.3	8.5	1.4	2.1	17.4	9.7	0.74
Pharmaceuticals & Biotechnology	0.6	-2.3	0.5	-2.3	19.0	2.9	3.3	15.6	11.5	0.12
Real Estate	22.2	-6.0	-7.6	-6.0	26.4	5.0	0.1	22.5	14.6	0.75
Retailing	4.0	-1.2	2.1	-1.2	19.6	3.0	0.6	16.5	4.8	0.4
Software & Services	1.5	-2.0	-0.3	-2.0	11.4	2.5	3.9	24.0	9.6	0.51
Transportation	10.3	1.2	-2.7	1.2	18.8	4.3	2.0	24.3	9.5	0.88
Utilities	1.9	-6.8	-16.5	-6.8	15.2	1.6	3.2	10.1	8.0	0.85

* 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 Jan 31st 2019

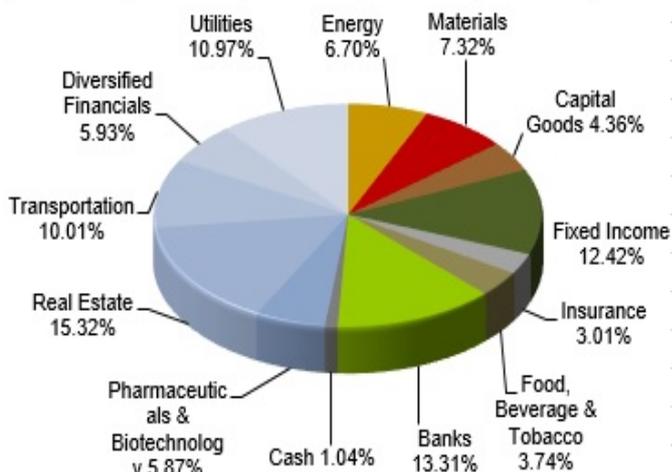
Vietnam Emerging Market Fund SICAV (VEMF SICAV)

	Class A	Class B	Class C
Inception date	19 Jun, 2014	31 Jul, 2014	05 Aug, 2016
NAV per share	EUR 1143.41	EUR 1098.72	USD 991.57
MoM change	0.34%	0.29%	0.54%
YTD change	0.34%	0.29%	0.54%
Since inception	14.34%	9.87%	-0.84%
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.

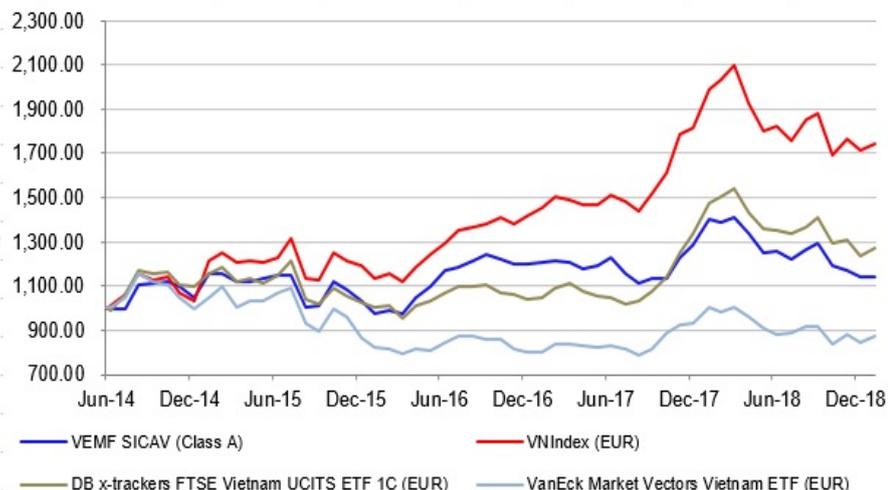
In Jan, the Fund increased 0.34% MoM, underperformed the VN-Index by 1.2% (all in EUR term).

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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