

MONTHLY NEWSLETTER

May 2024

Indochina Capital is one of Vietnam's leading investment firms. Founded in 1999, ICC has two divisions:

Asset management: Exclusive focuses on listed Vietnam equities
Real estate: Property development, investment, and advisory

Indochina Equity Model Portfolio

Portfolio Manager: Diep Nguyen (13 years managing the strategy)
Number of Investments: 16
Median Portfolio Market Cap: \$2.58 bn

Strategy

The firm's long-term active fundamental investment philosophy is supported by bottom-up company analysis complemented by a top-down overlay. The success of ICC's high conviction and disciplined strategy hinges upon close and consistent engagement with its portfolio companies.

| | 2024f | 2025f |
|------------|--------|-------|
| EPS Growth | 179.8% | 22.7% |
| P/E Ratio | 13.2 | 10.7 |

Performance

| | 1 Month | YTD | 3 Year (CAGR) | 5 Year (CAGR) | 10 Year (CAGR) |
|--------------------------|--------------|---------------|---------------|---------------|----------------|
| Indochina Capital | 6.75% | 11.05% | 1.67% | 13.72% | 13.23% |
| VN Index | 4.25% | 6.78% | -4.78% | 3.90% | 6.46% |
| MSCI FM | 2.80% | 3.87% | -5.84% | -0.87% | -2.76% |
| MSCI EM | 0.29% | 2.46% | -8.65% | 1.00% | 0.21% |
| S&P 500 | 4.80% | 10.64% | 7.87% | 13.91% | 10.62% |

Manager's Comment

- The Vietnam stock market continued its rebound and closed the month of May at 1,261.72 points. Overall sentiment was boosted by a weaker USD and softening FX pressures, resilient export growth, and government supportive policies, including the extension of temporary value-added tax cut and bank loan re-financing to support businesses. **The VN Index registered a monthly gain of 4.25% in USD terms.**
- Our portfolios posted an average gain of 6.75% in May.** The primary contributors to performance were IDC (unbilled backlog rising) and MWG (better-than-expected growth and profitability post restructuring and forecast on improving consumption in late 2024). During the month of May, we

raised cash balances from 0.1% in April to 6.86% and reduced the number of holdings from 19 to 16.

- **The Vietnam stock market may face short-term technical pressures but holds remarkable long-term potential at the current attractive valuations.** The VN Index's PE ratio has fallen to 15.8x, below the five-year average of 17.4x. The macro economy has positive developments with returning consumer confidence, rising export orders and improving manufacturing whilst pro-growth policies continue. The new land law coming into effect in Q3 is expected to unblock legal hurdles for quite a few real estate projects. The key challenge remains in the form of continued FX pressures resulting from the divergence in monetary policies between Vietnam and the US.

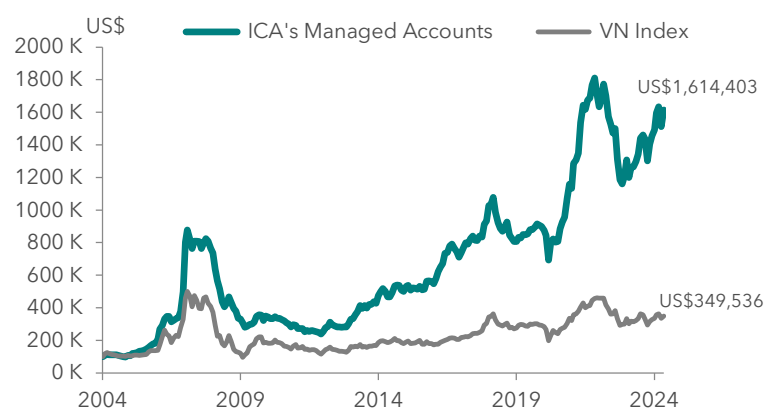
Top 10 Holdings (74% of NAV)

| Ticker | Sector | NAV% | VN Index% | % Change | Sector | Weight | VN Index Weight |
|--------|---------------------|--------|-----------|----------|---------------------|--------|-----------------|
| FPT | Info. Technology | 12.52% | 3.35% | 9.25% | Banks | 25.05% | 37.99% |
| IDC | Industrials | 10.53% | N/A | 13.52% | Materials | 20.16% | 9.40% |
| MWG | Cons. Discretionary | 7.81% | 1.82% | 15.85% | Industrials | 10.53% | 9.41% |
| PVD | Energy | 7.48% | 0.35% | 6.39% | Info. Technology | 12.52% | 3.86% |
| MBB | Banks | 7.35% | 2.25% | -0.09% | Cons. Discretionary | 12.38% | 3.87% |
| ACB | Banks | 7.20% | 1.88% | 9.29% | Energy | 8.66% | 1.70% |
| DHC | Materials | 6.86% | 0.07% | 12.37% | Real Estate | 3.83% | 13.45% |
| DGC | Materials | 5.02% | 0.94% | 6.06% | Cons. Staples | 0.00% | 8.66% |
| HPG | Materials | 4.84% | 3.26% | 10.77% | Others | 0.00% | 11.67% |
| PNJ | Cons. Discretionary | 4.57% | 0.62% | -1.16% | Cash | 6.86% | |

Information

| | |
|--------------------|---------------------------|
| Structure | SMA |
| Strategy Inception | January 2004 |
| NAV Frequency | Monthly |
| Fees | 1.5% + 15% HWM |
| Administrator | Indochina Capital Advisor |
| Custodian | Deutsche Bank AG |

Performance Since Inception vs VN Index



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If you would like to arrange a call with the Management Team, please contact [Diep Nguyen](#).

Appendix

Macro

Vietnam's economy recorded improvements in various aspects. Retail sales gained momentum, driven by increased domestic expenditure. Industrial production and exports accelerated, encompassing sectors ranging from electronics and machinery to agriculture. FDI remained robust. Meanwhile, inflation stayed under control despite electricity price hikes and higher food prices.

- **Revenue of retail sales and services growth** accelerated to **9.48% YoY** thanks to stronger spending on goods. For 5M, this number increased by **8.65% YoY**.
 - Retail sales of goods grew by 8.20% YoY (April: +7.16% YoY), driving overall growth. Monthly tourism revenue increased by 34.30% YoY, and accommodation and catering services rose by 16.96% YoY, though growth slowed post-holidays. Other services grew by 9.46% YoY.
 - In May, international arrivals decreased by 11.10% MoM. YTD, international arrivals reached 7.6 million, a 51% increase YoY and surpassing pre-pandemic levels in 5M 2019 by 4.3%. Chinese visitors have returned at 83.5% of pre-Covid levels.
- **The Index of Industrial Production (IIP) rose 3.85% MoM** and **accelerated to 8.87% YoY** in **May**. YTD, IIP **increased by 6.76% YoY**.
 - YTD, all the major sectors expanded YoY including manufacturing (+7.27% YoY), power generation & distribution (+12.65% YoY), and water distribution & waste treatment (+6.26% YoY), except mining (-5.24% YoY).
- Vietnam's **Manufacturing PMI was at 50.3** in May, signaling a second consecutive marginal monthly improvement in business conditions of the sector.
 - New orders increased solidly in May as firms capitalized on a strengthening demand to acquire new customers and generate fresh business.
 - Sentiment remained unchanged from April, signaling relatively muted optimism. However, confidence in next year's production outlook was boosted with plans for factory expansion, new product launches, and the expectation of continued business growth.
- **CPI rose by 0.05% MoM** and **4.44% YoY**.
 - Higher electricity prices (+2.11% MoM) contributed to the rising housing & construction materials inflation (+0.38% MoM & +5.30% YoY). Meanwhile, food & food services (+0.38% MoM & +4.47% YoY) climbed due to higher pork prices (+1.94% MoM) driven by African swine fever outbreaks in Q4 2023.
 - In contrast, transportation (-1.73% MoM and +5.58% YoY) fell from the preceding month due to lower gasoline prices (-4.72% MoM and +9.03% YoY) but increased annually due to the low base effect.
- **Vietnam** recorded a **trade surplus of US\$8.01 billion** in **5M 2024** (5M 2023: US\$9.80 billion).
 - In May, export value increased to USD 32.81 billion (+6.0% MoM, +15.8% YoY), with notable strength in computers and electronics (+33.4% YoY), telephones and components (+11.6% YoY), and machinery (+11.8% YoY). Import value reached USD 33.81 billion (+11.7% MoM, +29.9%

YoY), driven by a substantial rise in electronics components, suggesting manufacturers remain optimistic about the recovery.

- For 5M 2024, export and import values rose by 15.2% YoY and 18.2% YoY, respectively. Key growth areas included computers and electronics (+33.4% YoY), coffee (+43.9% YoY), and wood (+23.5% YoY).
- **5M registered FDI** rose to **US\$11.07 billion (+2.0% YoY)** while **disbursed FDI** reached **US\$8.25 billion (+7.8% YoY)**.
 - Manufacturing led with US\$7.43 billion, accounting for 67.1% of total FDI. Real estate followed at US\$1.98 billion, accounting for 17.9%.
- **The USD/VND exchange rate rose slightly to 25,474 (+0.07% MoM and +4.58% YTD) in May**, although DXY fell by 1.46% MoM.
 - High short-term demand for USD, driven by the lower interest rates of the VND vs the USD and profit repatriation of multinational corporations, kept the USD/VND FX rate near the ceiling of the trading band. Deposit rates for tenures less than 12 months have gone up by 30 - 50 bps vs last month. VND interest rate levels are expected to rise further in the coming months to narrow the interest rate gap between the USD and the VND and alleviate FX pressures. Even with further rises, VND rates would still be near the historical low levels and remain growth supportive.

Stock Market

- The VNIndex closed the month of May at 1,261.72, registering **a monthly gain of 4.25%** and **a YTD gain of 6.78%** in **USD terms**.
 - The rise was driven by the consumer and retail sector (+6.5% MoM), the oil and gas sector (+11.2%), and the information and communications technologies sector (+9.3% MoM).
- **May's liquidity was stable (+0.20% MoM)** with a combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$928.40 million**.
- **Vietnam's listed market capitalization** rose to **US\$215.25 billion** by the end of **May**.