

MONTHLY NEWSLETTER

June 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: 15
Median Portfolio Market Cap: \$3.58 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	185.4%	23.8%
P/E Ratio	14.8	11.9

Performance

	1 Month	YTD	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)
Indochina Capital	-0.08%	10.95%	-0.63%	13.55%	13.18%
VN Index	-1.30%	5.39%	-7.09%	3.73%	6.09%
MSCI FM	-0.61%	3.23%	-6.80%	-1.33%	-2.77%
MSCI EM	3.55%	6.11%	-7.55%	0.59%	0.33%
S&P 500	3.47%	14.48%	8.31%	13.17%	10.79%

Manager's Comment

- The VN Index retreated to 1,245 at the end of June after surging past the psychological barrier of 1,300. Market sentiment turned negative as concerns rose on VND depreciation pressures (due to a strengthening USD) and on the rumored discard of KRX, a new trading system of the Ho Chi Minh Stock Exchange having been under development for more than a decade. **The VN Index registered a monthly loss of 1.30% in USD terms.**
- Our portfolios posted an average loss of 0.08% in June.** The primary positive contributors to performance were FPT (robust global IT services sales growth in May) and GDA (attractive valuation metrics and positive results in April and May). During June, we increased cash balances from 6.86% in May to 12.17% and reduced the number of holdings from 16 to 15.

- **Vietnam's stock market outlook remains positive, underpinned by robust economic fundamentals.** Pro-growth policies and strengthening overseas demand led to higher-than-expected GDP growth in Q2 2024 and improving corporate earnings. Additionally, rising interest rates, high FDI disbursement, and a trade surplus indicate decent counterbalances to FX pressures, contributing to a stable investment climate.

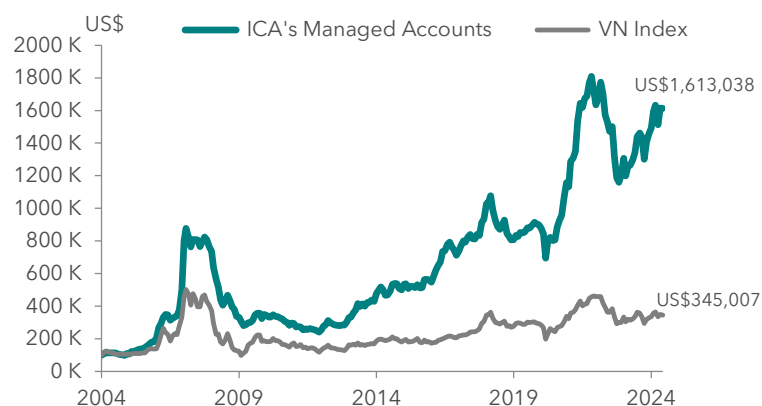
Top 10 Holdings (73% of NAV)

Ticker	Sector	NAV%	VN Index%	% Change	Sector	Weight	VN Index Weight
FPT	Info. Technology	13.95%	3.75%	12.26%	Banks	28.19%	37.60%
IDC	Industrials	9.84%	N/A	-2.61%	Materials	15.65%	9.59%
MWG	Cons. Discretionary	7.66%	1.79%	-1.11%	Industrials	9.84%	9.57%
MBB	Banks	7.50%	2.32%	2.07%	Info. Technology	13.95%	4.23%
ACB	Banks	6.95%	2.09%	-3.45%	Cons. Discretionary	12.30%	3.87%
PVD	Energy	6.80%	0.31%	-9.00%	Energy	7.91%	1.65%
DHC	Materials	6.28%	0.06%	-6.30%	Real Estate	0.00%	13.05%
TCB	Banks	4.87%	3.24%	-0.64%	Cons. Staples	0.00%	8.56%
HPG	Materials	4.78%	3.56%	-1.05%	Others	0.00%	11.88%
PNJ	Cons. Discretionary	4.64%	0.63%	1.70%	Cash	12.17%	

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



If you are not already subscribed to the ICC Monthly Newsletter and would be interested in receiving it each month, please click [HERE](#).

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

Appendix

Macro

Vietnam's economy flourished in Q2 2024, achieving higher-than-expected GDP growth on the back of a broad-based acceleration of business activities. Improving external demand, robust foreign direct investments and resilient domestic consumption underscored a promising economic trajectory despite slowing tourism growth. Rising inflation and FX pressures on the VND were the key drawbacks but are expected to be transient.

- Vietnam's **real GDP expanded by 6.93% in Q2 2024**, demonstrating robust economic performance. **1H GDP growth was 6.42% YoY** (1H 2023: 3.84% YoY). Growth accelerated in multiple sectors on both YoY and QoQ basis
 - The agriculture, fishery and forestry sectors grew 3.34% YoY (Q2 2023: +3.25%).
 - The industrial and construction sectors were the main growth engines, expanding by 8.29% (Q2 2023: 2.50%). The manufacturing sub-sector soared by 10.04% YoY (Q2 2023: 1.18%). Electricity production and distribution grew at an exceptional rate of 14.15% YoY (Q2 2023: 3.70%). The construction industry grew by 7.07% YoY, the highest increase compared to the same period in the years 2020-2024.
 - The service sector showed substantial growth at 7.06% YoY (Q2 2023: 6.11%), with notable contributions from wholesale and retail sales (+7.62% YoY), transportation (+11.51% YoY), and accommodation and food services (+11.26% YoY). The growth of real estate was still soft at 3.12% but was the highest in six quarters, indicating an early recovery of the sector.
 - In July's Cabinet meeting, the Minister of Planning and Investment **revised forecast for 2024 GDP growth up by 50 bps to 7.0%**. **Consensus analyst forecast** was also **revised** from circa 6.0% to 6.5%.
- In June, the **Index of Industrial Production (IIP) rose 0.67% MoM and accelerated to 10.92% YoY**, up from May's 8.87% YoY. YTD, IIP increased by 7.72% YoY (1H 2023: -1.2% YoY)
 - In 1H, most major sectors expanded vs last year, including manufacturing (+8.45% YoY), power generation & distribution (+13.01% YoY), and water distribution & waste treatment (+6.26% YoY). Only mining contracted by 5.47% YoY.
- Vietnam's **Manufacturing PMI rose to 54.7** in June, indicating a consistent improvement in business conditions in three consecutive months.
 - New orders surged at their highest pace since March 2011, leading to rising employment at a solid pace.
 - Favorable business conditions boosted confidence in the coming year's outlook for manufacturing output, with sentiment reaching a three-month high.
- **Exports rose by 14.5% YoY** (1H 2023: -18.2%), **imports 17.0% YoY** (Q1 2023: -13.1%). **Trade surplus** was **US\$11.6 billion** (1H 2023: US\$12.3 billion)
 - In June, export value increased 2.6% MoM and 10.5% YoY with strong growth in computers and electronics (+16.3% YoY), telephones and components (+12.7% YoY), and machinery (+27.9% YoY). Import value eased 7.9% MoM but still increased 13.1% YoY.
 - Exports to the US, Vietnam's largest export market, soared by 22% YoY. Imports from China, Vietnam's largest trade partner, increased by 35% YoY.

- **Revenue of retail sales and services** in June **grew** by **1.11% MoM and 9.15% YoY**. For 1H, this number increased by 8.60% YoY.
 - June's retail sales of goods (8.09% YoY vs. 8.20% YoY in May), accommodation and food services (16.86% YoY vs. 16.96% YoY in May), and other services (9.12% YoY vs. 9.46% in May), advanced resiliently despite a slight deceleration vs May.
 - International arrivals fell 9.72% MoM in June, yet the first half of 2024 saw a 158.43% YoY increase to 8.8 million, surpassing pre-pandemic levels by 4.14%.
- **CPI rose by 0.17% MoM**, raising **YoY inflation to 4.34% YoY**.
 - Food & food services (+0.75% MoM & +4.66% YoY) saw the highest MoM rise due to higher pork prices caused by African swine fever in some regions. Medicine and healthcare services (+0.60% MoM & +8.04% YoY) picked up mainly due to the hike in prices of public healthcare services.
 - Transportation (-2.27% MoM & +3.03% YoY) declined compared to May, primarily due to a 5.86% decrease in gasoline prices.
 - Inflationary pressures would likely rise in the coming months as a 30% increase in base salary of state employees from July is expected to induce an overall price increase. Besides, continued FX pressures on the VND and higher interest rates may potentially drive prices higher.
- **6M registered FDI rose** to US\$15.19 billion (**+13.1% YoY**) while **disbursed FDI** reached US\$10.84 billion (**+8.2% YoY**).
 - Manufacturing led with US\$7.43 billion, accounting for 67.1% of newly registered FDI. Real estate accounted for 17.9%, and the remaining sectors 15.0%.
- The **USD/VND exchange rate** was stable at 25,473 (+0.00% MoM and +4.51% YTD) despite the DXY having risen by 1.14% MoM.
 - The SBV sold USD and increased bill issuance to support the VND, leading to rising OMO rates. These measures would likely continue in the coming months to alleviate FX pressure on the VND until the Fed cuts rates.
- **Credit growth accelerated to 4.45% YTD** (May: 2.41% YTD).
 - Credit growth surged in June after the excessive bank lending in Q4 2023 was completely unwound. At the same time, improved business conditions, marked by rising orders, incentivize corporations to capitalize on relatively inexpensive funding.

Stock Market

- The VNIndex closed the month of June at 1,245.32, registering **a monthly loss of 1.30%** and **a YTD gain of 5.39%** in **USD terms**.
 - All the major sectors of the VN Index declined in the month, including the real estate sector (-3.5% MoM), the consumer and retail sector (-0.9% MoM), the banking sector (-1.9% MoM) and the oil and gas sector (-3.4% MoM).
- **Liquidity rose 4.09% MoM** with a combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$966.38 million**.
- **Foreign investors net sold US\$ 648.50 million**, raising **YTD net foreign selling to US\$2.02 billion**.
- **Vietnam's listed market capitalization** fell to **US\$212.00 billion** by the end of **June**.