

MONTHLY NEWSLETTER

July 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: \$4.00 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	180.22%	23.61%
P/E Ratio	14.74	11.92

Performance

	1 Month	YTD	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)
Indochina Capital	0.33%	11.32%	-0.52%	13.62%	13.21%
VN Index	0.78%	6.22%	-6.85%	3.90%	6.17%
MSCI FM	1.42%	4.70%	-6.15%	-1.50%	-2.79%
MSCI EM	-0.14%	5.96%	-5.31%	0.90%	0.18%
S&P 500	1.13%	15.78%	7.91%	13.13%	11.08%

Manager's Comment

- The VN Index approached the 1,300 level in July but weakened afterwards and closed the month at 1,252. The market opened with excitement, fueled by an 8.57% year-over-year growth in total earnings. However, concerns about bad debts, high margin loans, certain negative impacts of the amended Land Law, and rising deposit rates pushed the market down. **The VN Index registered a monthly gain of 0.78% in USD terms.**
- Our portfolios posted an average gain of 0.33% in July.** The primary positive contributors to performance were MBB (2Q24 PATMI surged by +23% YoY), ACB (2Q24 PATMI grew by 15.6% YoY) and MWG (2Q24 revenues increased by +16% YoY and EBIT of MWG's grocery chains turned

positive at VND7bn). During July, we reduced cash balances from 12.17% in June to 8.36% and increased the number of holdings from 15 to 16.

- **Attractive valuations combined with an optimistic macroeconomic outlook present a compelling opportunity.** With robust earnings growth, market valuations have become more appealing for long-term investors. The VN Index's PE ratio has declined to 14.4x, nearly one standard deviation below the 5-year average of 17.3x. Looking ahead, resilient export demand and the ensued vigorous industrial production should generate a spillover effect on the economy by the year-end. The listed corporate earnings outlook for H2 2024 remains optimistic. Progresses in getting Vietnam equities market upgraded to Emerging status by 2025 and expectation on lower global interest rate environment should provide ample support for Vietnam's stock market in the coming months. However, as concern rises over a weakening global economy and foreign outflow continues in Asian markets, Vietnam would not be an exception to short-term negative sentiment.

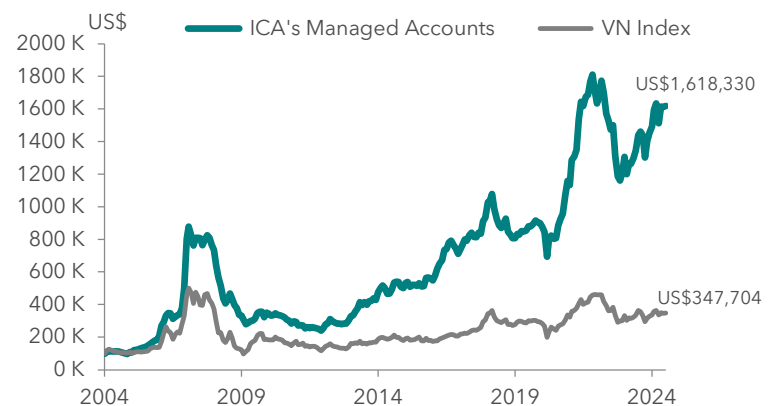
Top 10 Holdings (74% of NAV)

Ticker	Sector	NAV%	VN Index%	% Change	Sector	Weight	VN Index Weight
FPT	Info. Technology	13.72%	3.67%	-1.46%	Banks	32.98%	39.06%
IDC	Industrials	9.71%	N/A	-1.17%	Materials	15.06%	9.20%
MBB	Banks	8.23%	2.53%	9.91%	Industrials	9.71%	8.75%
MWG	Cons. Discretionary	7.82%	1.82%	2.24%	Info. Technology	13.72%	4.11%
ACB	Banks	7.15%	2.14%	3.15%	Cons. Discretionary	12.53%	3.84%
PVD	Energy	6.53%	0.30%	-3.82%	Energy	7.64%	1.75%
DHC	Materials	6.27%	0.06%	0.00%	Real Estate	0.00%	12.82%
TCB	Banks	4.84%	3.20%	-0.43%	Cons. Staples	0.00%	8.71%
PNJ	Cons. Discretionary	4.71%	0.63%	1.68%	Others	0.00%	11.77%
HPG	Materials	4.59%	3.40%	-3.89%	Cash	8.36%	

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 Portfolio Team, please contact [Diep Nguyen](#).

Appendix

Macro

Vietnam's economy continued its strong expansion into July, fueled by robust industrial production, solid retail sales, and increasing foreign direct investments. The thriving manufacturing sector benefits from both rising external demand and dynamic domestic consumption. While inflation is elevated, it remains under control.

- **Revenue of retail sales and services** in July grew by **1.35% MoM** and **9.41% YoY**. YTD, this number increased by **8.68% YoY**.
 - July's retail sales of goods (8.60% YoY vs. 8.09% YoY in June) grew at the fastest pace since the start of 2024, highlighting robust domestic demand.
 - Accommodation and food services (13.90% YoY vs. 16.86% YoY in June), and tourism (6.84% YoY vs. 7.99% in June) experienced a deceleration, probably due to lower international arrivals (-7.83% MoM). However, 7M2024 international arrivals have surpassed pre-pandemic level in 2019 by 1.91%.
- In **July, the Index of Industrial Production (IIP) increased by 0.69% MoM** and **surged to 11.23% YoY**, compared to 10.92% YoY in June. YTD, IIP increased by 8.47% YoY (7M 2023: -0.67% YoY).
 - YTD, most major sectors expanded vs last year, including manufacturing (+9.53% YoY), power generation & distribution (+12.36% YoY), and water distribution & waste treatment (+7.23% YoY). Only mining contracted by 6.18% YoY.
- Vietnam's **Manufacturing PMI was unchanged at 54.7 in July**, maintaining a strong expansion streak.
 - New orders increased for the fourth consecutive month in July, driven by stronger market demand and an increase in customer numbers.
 - Despite increased production, firms had to use warehouse stocks to meet new orders, causing record inventory depletion. To sustain this trend, manufacturers will likely expand their workforce and secure more materials in the coming months.
- **CPI rose by 0.48% MoM**, raising **YoY inflation to 4.36% YoY**.
 - The impact of the new base salary is starting to reflect in inflation with compulsory health insurance premium adjusted upwards, resulting in a 6.93% YoY increase in other goods and services prices. Meanwhile, higher fuel prices have led to a 4.40% YoY rise in transport costs, and increased domestic electricity demand has caused a 5.59% YoY hike in housing and construction materials costs.
- **Vietnam** recorded a **trade surplus of US\$14.08 billion in 7M 2024** (7M 2023: US\$15.23 billion).
 - In July, export value grew significantly by 8.6% MoM and 19.1% YoY, while import value surged by 12.1% MoM and 24.7% YoY. The export increase was driven by telephones and components (+19.1% YoY), computers and electronics (+22.5% YoY), machinery (+28.5% YoY), and wood & wooden products (+24.4% YoY). The rise in telephones and components exports may have been boosted by the launch of Samsung's Z Fold6 and Z Flip6 smartphones on July 24.
 - For 7M 2024, export and import values rose by 15.7% YoY and 24.7% YoY, respectively.

- **7M registered FDI** rose to **US\$18.00 billion (+10.8% YoY)** while **disbursed FDI** reached **US\$12.55 billion (+8.4% YoY)**.
 - Manufacturing led with US\$12.65 billion, accounting for 70.3% of newly registered FDI. Real estate accounted for 15.9%, and the remaining sectors 13.8%.
- **The USD/VND exchange rate** fell to **25,401 (-0.28% MoM and +4.28% YTD)** thanks to a weakening USD (DXY: -1.67% MoM).
 - The USD/VND exchange rate cooled in both official and unofficial markets.
 - In July, the SBV sold USD on a small scale only in the first few days, indicating low short-term pressure on foreign currency supply and demand.

Stock Market

- The VN Index closed the month of July at 1,251.51, registering **a monthly gain of 0.78%** and **a YTD gain of 6.22%** in **USD terms**.
 - The banking sector (+4.5% MoM), the oil and gas sector (+4.7% MoM), and the consumer and retail sector (+1.3%) lead the market recovery. Meanwhile, the real estate sector (-0.4% MoM), and the information and communication technology sector (-1.5% MoM) posted slight losses.
- Liquidity **decreased by 26.07% MoM** in July, with the combined **average daily trading value** on the Ho Chi Minh and Hanoi Stock Exchanges amounting to **US\$714.46 million**.
- **Vietnam's listed market capitalization** reached **US\$214.02 billion** as at July's end.