

MONTHLY NEWSLETTER

August 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: \$4.26 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	254.97%	23.76%
P/E Ratio	15.01	11.98

Performance

	1 Month	YTD	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)
Indochina Capital	3.18%	15.04%	1.10%	13.71%	13.02%
VN Index	4.22%	10.70%	-3.31%	3.79%	6.24%
MSCI FM	1.65%	6.44%	-6.34%	-0.85%	-2.53%
MSCI EM	1.40%	7.44%	-5.63%	2.25%	0.11%
S&P 500	2.28%	18.42%	7.69%	14.06%	10.92%

Manager's Comment

- The VN Index dipped below 1,200 in early August before rebounding to retest the resistance of 1290. The rally was driven by positive sentiment from (i) a potential US Fed rate cut in September alleviating pressure on the VND and (ii) progress in removing prefunding requirements for foreign investors in the Vietnam stock market. FTSE is likely to upgrade Vietnam to Emerging market status in 2025 after non-prefunding is implemented. **The VN Index registered a monthly gain of 4.22% in USD terms.**
- Our portfolios posted an average gain of 3.18% in August.** The primary positive contributors were FPT (July PATMI surged by 24% YoY), MWG (its grocery chains' net sales rose by 26% YoY in July),

and CTG (positive sentiment after a strong 29% YoY growth in 2H24 PBT). During August, we maintained an 8.36% cash allocation and 16 portfolio holdings.

- **The VN Index stands to gain from the State Bank of Vietnam (SBV)'s easing monetary policies and the coming implementation of non-prefunding for stock trading.** While it is also subject to global volatility and rising concern on weakness in the country's key export markets, namely the US, EU, China and Japan, the undemanding valuation of the Vietnam stock market and earnings growth forecast of 20% in 2025 offers attractive upside for investors.

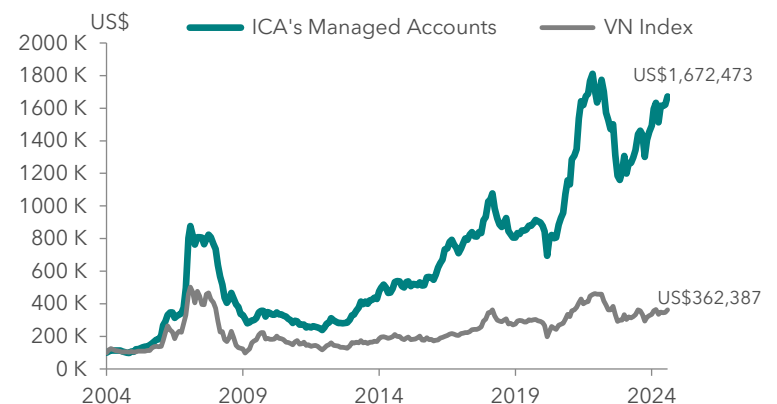
Top 10 Holdings (75% of NAV)

Ticker	Sector	NAV%	VN Index%	% Change	Sector	Weight	VN Index Weight
FPT	Info. Technology	14.17%	3.73%	4.82%	Banks	33.23%	39.00%
IDC	Industrials	9.82%	N/A	2.71%	Materials	12.63%	8.87%
MWG	Cons. Discretionary	8.42%	1.94%	9.40%	Industrials	9.82%	8.62%
MBB	Financials	8.25%	2.50%	1.84%	Info. Technology	14.17%	4.17%
ACB	Financials	7.12%	2.10%	1.02%	Cons. Discretionary	13.30%	3.93%
PVD	Energy	6.37%	0.29%	-0.90%	Energy	7.47%	1.77%
DHC	Materials	6.01%	0.06%	-2.69%	Real Estate	1.02%	13.20%
HPG	Materials	5.06%	3.09%	-6.25%	Cons. Staples	0.00%	8.68%
PNJ	Cons. Discretionary	4.88%	0.65%	5.25%	Others	0.00%	11.77%
CTG	Financials	4.86%	3.57%	9.53%	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

Growth moderated in August, but Vietnam's economic recovery momentum continued. Export growth decelerated MoM but remained double digit, adding to a hefty trade surplus. Industrial production was spurred by robust demand. Retail sales growth stayed resilient. With ebbing inflation and a weakening USD, the SBV is well-positioned to continue its supportive monetary policies.

- **Revenue for retail sales and services** in August **grew** by **0.43% MoM** and **7.89% YoY**. YTD, this number increased by **8.46% YoY**.
 - Retail sales of goods (7.46% YoY vs. 8.60% in July) and accommodation and food services (9.71% YoY vs. 13.90% in July) slowed, partly due to easing inflation.
 - Tourism improved, with a 7.12% YoY increase (vs. 6.84% in July), driven by a 24.45% MoM surge in international arrivals. For 8M2024, international arrivals rose 45.79% YoY to 11.4 million, surpassing pre-pandemic levels by 0.95%.
- In **August, the Index of Industrial Production (IIP) increased by 2.00% MoM** and **rose by 9.50% YoY**, sustaining strong growth. YTD, IIP increased by 8.60% YoY (8M 2023: -0.45% YoY).
 - Key growth drivers in August included the textiles sector (+14.6% YoY), chemicals (+22.6% YoY), electricity (+9.8% YoY), and iron & steel (+18.4% YoY).
 - YTD, manufacturing rose by 9.70% YoY, power generation by 11.60% YoY, and water distribution by 7.80% YoY, while mining contracted by 6.00% YoY.
- Vietnam's **Manufacturing PMI** stayed in expansionary territory of **52.4 in August**, indicating a solid improvement trend in business conditions for five consecutive months.
 - The uptick in customer demand, both domestically and internationally, fueled rapid growth in output and new orders.
 - The strong growth in new orders, along with easing cost pressures, led manufacturers to ramp up purchasing activity in August. Inventories continued to decrease, and outstanding order backlogs expanded for the third consecutive month.
- **CPI stayed unchanged MoM**, while **YoY inflation** eased to **3.45%**.
 - Inflation in food and food services eased to 3.75% YoY, down from 4.27% in July. Meanwhile, transport costs fell sharply by 1.47% YoY vs an increase of 4.39% in July, driven by declining gasoline and diesel prices.
- **Vietnam** recorded a **trade surplus** of **US\$19.07 billion in 8M 2024** (8M 2023: US\$20.19 billion).
 - August export growth slowed to 14.5% YoY (from 19.1% in July), while import growth eased to 12.4% YoY (from 24.7% in July). Export growth was driven by computers and electronics (+30.3% YoY), machinery (+23.3% YoY), vegetables and fruits (+81.8% YoY), and garments (+17.0% YoY). However, computers and electronics saw a decline of 8.8% YoY post Samsung's foldable smartphone launch.
 - For 8M 2024, exports and imports grew by 15.8% YoY and 17.7% YoY, respectively.

- **8M registered FDI** rose to **US\$20.52 billion (+7.0% YoY)** while **disbursed FDI** reached **US\$14.15 billion (+8.0% YoY)**.
 - Manufacturing led with US\$14.17 billion, accounting for 69.1% of newly registered FDI. Real estate accounted for 16.4%, and the remaining sectors 14.6%.
- **YTD credit growth picked up** to **6.63%** as of August-end (vs 5.66% as of July), while **deposit growth** remained sluggish at **2.67% YTD**.
 - Credit demand is expected to pick up in the remainder of the year, driven by low interest rates and higher capital needs for exports and real estate in Q4. The average interest rate for new loans currently stands at 6.23% (-86 bps vs. YE2023), despite a slight rise in the average deposit rate, which increased by 23 bps to 3.84%.
 - **The USD/VND exchange rate dropped to 25,002 (-1.57% MoM and +2.64% YTD)** as the USD weakened (DXY: -2.30% MoM), driven by cooling inflation and a softer U.S. labor market.
 - The weakening of the USD vs VND exchange rate has enabled the SBV to maintain its easing policy. In August, the SBV lifted credit quotas for institutions meeting 80% of their 2024 targets and injected about USD 2.5 billion via open market operations.

Stock Market

- The VN Index closed the month of August at 1,283.87, registering **a monthly gain of 4.22%** and **a YTD gain of 10.70%** in **USD terms**.
 - The market uptrend was driven by strong performances in the real estate sector (+5.8% MoM), consumer and retail sector (+4.2% MoM), information and communication technology sector (+4.8% MoM), and oil and gas sector (+3.7% MoM). Meanwhile, the banking sector recorded a modest gain of 1.3% MoM.
- Liquidity **decreased slightly by 0.85% MoM** in August, with the combined **average daily trading value** on the Ho Chi Minh and Hanoi Stock Exchanges amounting to **US\$708.41 million**.
- **Vietnam's listed market capitalization** reached **US\$223.39 billion** as at August's end.