

MONTHLY NEWSLETTER

December 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: \$4.02 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	157.13%	24.06%
P/E Ratio	17.87	14.08

Performance

	1 Month	YTD	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)
Indochina Capital	2.00%	11.51%	-1.79%	12.51%	12.47%
VN Index	0.94%	6.89%	-8.84%	3.68%	6.89%
MSCI FM	0.04%	4.12%	-7.16%	-1.89%	-1.38%
MSCI EM	10.22%	-4.43%	-0.71%	1.18%	0.71%
S&P 500	21.38%	7.26%	12.73%	11.07%	11.30%

Manager's Comment

- While most global markets stumbled in December, Vietnam's VN Index bucked the trend, edging up to close the year 2024 at 1,267 points under the growing influence of retail investors. **The VN Index registered a monthly gain of 0.94% in USD terms.**
- **Our portfolios posted an average gain of 2.00% in December.** Key contributors included FPT (11M24 PATMI rose an impressive 21.1% YoY), TCB (gaining momentum from the real estate recovery), and DHC (benefiting from rising paper prices). In December, we increased our holdings to 16 and remained fully invested.
- **The outlook for Vietnam's equities market is promising, backed by continued strong economic growth and a potential upgrade to Emerging Market (EM) by FTSE.**

- By removing the prefunding requirement for securities trading in November 2024, Vietnam technically met the requirements for FTSE EM. The evaluation process may take a few months, and an EM upgrade will come as early as in 2025.
- The non-prefunding in securities trading is part of the underway transformative political and regulatory reforms initiated by Vietnam's new leadership who demonstrate a strong commitment to economic growth. They set ambitious targets for 2025, including GDP growth of 8% for 2025 and credit growth of 16%. As FDI inflow is expected to remain resilient, public investments speed up and accommodative policies continue, Vietnam's economic growth is set to be robust, supporting corporate earnings and the equities market.
- Nevertheless, volatility would likely rise with uncertainties from the incoming US trade policies and a stronger USD.

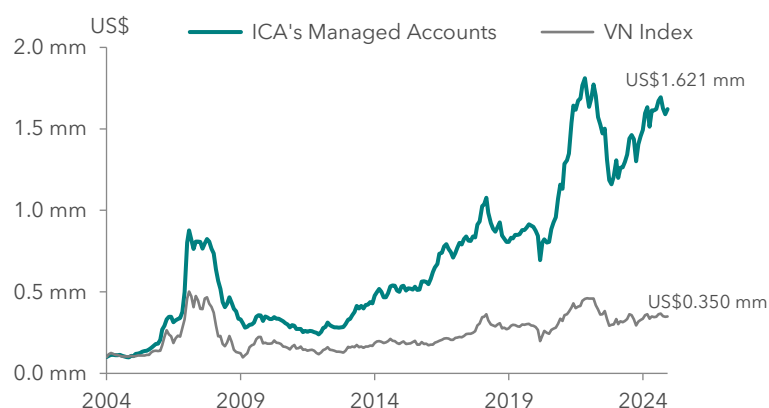
Top 10 Holdings (77% of NAV)

Ticker	Sector	NAV%	VN Index%	% Change	Sector	Weight	VN Index Weight
FPT	Info. Technology	15.62%	4.31%	6.42%	Banks	38.35%	40.38%
IDC	Industrials	9.05%	N/A	0.54%	Materials	11.88%	8.70%
TCB	Financials	8.74%	3.34%	4.45%	Industrials	9.05%	8.99%
MBB	Financials	8.36%	2.56%	3.93%	Info. Technology	15.62%	4.73%
ACB	Financials	7.42%	2.21%	2.38%	Cons. Discretionary	9.61%	3.69%
DHC	Materials	5.97%	0.06%	9.28%	Energy	5.45%	1.46%
HPG	Materials	5.91%	3.27%	-0.37%	Real Estate	1.83%	12.65%
PVD	Energy	5.45%	0.25%	-1.27%	Cons. Staples	2.89%	8.11%
CTG	Financials	5.25%	3.90%	5.73%	Others	4.90%	11.28%
MWG	Con. Discretionary	4.92%	1.71%	0.83%	Cash	0.41%	0.00%

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



* Calculated based on US\$100,000 invested with ICA since inception (2004) versus invested in the 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 closed Q4 on a high note, surpassing expectations with robust growth in manufacturing and services. Record-breaking FDI inflows cemented the country's status as an important link of the global supply chain. Inflation was well-controlled and unemployment remained low, supporting consumer spending.

- **Q4 GDP growth** accelerated to **7.55% YoY**, continuing the upward trajectory from earlier quarters (Q1: 5.66%, Q2: 7.09%, Q3: 7.43%). Growth was driven by robust expansions in services (+8.2% YoY), manufacturing (+9.97% YoY) and construction (+8.3% YoY).
- **Vietnam's economy expanded by 7.09% YoY** in 2024 (2023: 5.05%), exceeding the government's target of 6.5% and consensus estimates of 6.5%-6.7%.
 - Industrial and construction sectors were the primary drivers of growth, accelerating to 8.24% YoY (2023: +3.74%). Manufacturing rebounded strongly, posting 9.83% YoY growth (2023: +3.62%).
 - The service sector expanded by 7.38% YoY (2023: 6.82%), with notable contributions from wholesale and retail trade (+7.96%), transport and warehousing (+10.82%), and accommodation and food services (+9.76%).
 - The agriculture, fishery and forestry sectors expanded by 3.27% YoY in 2023 (2023: +3.83%).
- **Vietnam's Manufacturing PMI** fell to **49.8** in December from November's 50.8 under concern on global market uncertainty.
 - Both output and new orders increased marginally. Domestic new orders continued to rise, but new export orders declined. Business confidence softened and firms scaled back employment.
- **The Index of Industrial Production (IIP)** rose by **0.79% MoM** and **8.84% YoY** in December. For **2024**, IIP rose by **8.35% YoY**.
 - December's manufacturing (+0.81% MoM and +10.24% YoY) expanded, led by growth in food production, rubbers and plastics, and electrical equipment.
 - Power generation and distribution (+0.27% MoM, +5.61% YoY) and water distribution and waste treatment (+0.69% MoM, +16.38% YoY) also recorded growth.
- **Revenue of retail sales and services** improved with **MoM growth reaching 1.92%** (vs. +0.81% MoM in November). For 2024, this number increased by **8.96% YoY**.
 - In December, retail sales of goods (+9.02% YoY) accelerated vs November. The tourism sector grew by +9.85% YoY, accommodation and catering rose by +13.07% YoY, and other services were up by +7.87% YoY.
 - International arrivals (+2.09% MoM and +27.43% YoY) climbed in December, bringing 2024 totals to 17.6 million, a +39.53% YoY increase and just 2.36% below pre-pandemic levels.
- **The Consumer Price Index (CPI)** inched up **0.29% MoM** and **2.94% YoY**.
 - Inflation in 2024 came in well below the National Assembly's target of 4.5% despite the gradual removal of subsidies for power, public healthcare and educational services. Inflationary pressures were partially alleviated by muted costs of transportation and communication.

- The target inflation for 2025 is 4.5%.
- **Vietnam** added a **trade surplus of US\$0.52 billion** in **December**, leading to a **full-year** trade surplus of **US\$24.77 billion**.
 - December's exports increased by 5.32% MoM and 12.85% YoY, the strongest monthly growth in four months. Exports of computers and electronics (+29.10% YoY) hit a six-month high, while textiles and garments (+16.24% YoY) benefited from order shifts to Vietnam, a trend expected to continue into 2025. Imports also rose by 7.16% MoM and 19.23% YoY.
 - For 2024, exports totaled US\$405.53bn (+14.32% YoY), imports US\$380.76bn (+16.67% YoY).
- **2024 registered FDI** was **US\$38.23 billion (-3.0% YoY)**, but **disbursed FDI** set new record at **US\$25.35 billion (+9.36% YoY)**.
 - The manufacturing sector accounted for the bulk of registered FDI at 81.34%, followed by the real estate sector at 7.26%, and the remaining sectors at 11.40%.
- **The USD/VND exchange rate closed the year at 25,550**. The VND depreciated against the USD by 0.36% in December and by 4.66% YoY as the DXY climbed by 7.06% during the year 2024.
- **2024 credit growth** came in at **13.82% YoY (2023: +13.50%)**, slightly below the government's target of 15%.
 - Average lending rates eased by 50 bps YoY to a relatively low range of 6.7% - 9.0% as of the year end.
 - The SBV set a credit growth quota for 2025 of 16% at the beginning of January this year.
- Vietnam's ambitious growth trajectory takes center stage as the National Assembly sets 2025 growth target at 6.5%-7.0% but the government aims for more aggressive rates of 8% - 10%. The country's low debt to GDP should enable policy makers to increase public spending on infrastructure. At the same time, structural reforms are expected to streamline bureaucracy and improve the effectiveness of resources to support growth. Meanwhile, there are opportunities to attract more FDI as Vietnam continues its flexible foreign policies.

Stock Market

- The VN Index closed the month of December at 1,267, registering **a monthly gain of 0.94%** and **a YTD gain of 6.89%** in **USD terms**.
 - Most major sectors advanced in December, including the banking sector (+2.2% MoM), the information and communication technology sector (+6.4% MoM), and the consumer and retail sector (+0.1% MoM), while the real estate sector was flat (0.0% MoM) and the oil & gas sector retreated (-2.8% MoM).
- Liquidity inched up by 2.9% MoM with a combined **average daily trading value** of **US\$608 million** on Ho Chi Minh and Hanoi Stock Exchanges. The full year's average liquidity was US\$783 million, up 13% YoY.
- **Vietnam's listed market capitalization** reached **US\$216 billion** the end of **December**.