

## MONTHLY NEWSLETTER

September 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: 17

Median Portfolio Market Cap: \$4.04 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	236.29%	24.82%
P/E Ratio	16.45	13.00

### Performance

	1 Month	YTD	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)
<b>Indochina Capital</b>	<b>1.19%</b>	<b>11.32%</b>	<b>0.36%</b>	<b>13.99%</b>	<b>12.23%</b>
VN Index	1.44%	6.22%	-3.62%	4.24%	5.68%
MSCI FM	0.32%	6.78%	-6.52%	-0.33%	-2.54%
MSCI EM	6.45%	14.37%	-2.24%	3.18%	1.54%
S&P 500	2.02%	20.81%	10.19%	14.12%	11.32%

### Manager's Comment

- The VN Index advanced in September to approach its strong resistance of 1300 for the fifth time this year. Anxiety on weak global economy and the damage of typhoon Yagi in northern Vietnam gradually gave way to positive sentiment from the US Fed pivot, Vietnam's removal of prefunding requirement for foreigners in securities trading, and China's stimulus plan. **The VN Index registered a monthly gain of 1.44% in USD terms.**
- Our portfolios posted an average gain of 1.19% in September.** The primary positive contributors were MBB, VPB, and ACB, each benefitting from compelling valuations and strong growth prospects. During September, we reduced cash balances from 8.36% in August to 3.41% and increased the number of holdings from 16 to 17.

- **Q3 GDP growth came in strong as expected, confirming a positive outlook for the coming months, backed by overseas demand and resilient domestic consumption.** As US interest rates gradually head south and domestic inflation remains under control, the SBV has more tools at hand to play its role of supporting economic growth. System liquidity should be enhanced and money flow to the stock market should increase. This, coupled with improving corporate earnings and FTSE potential upgrade, is the recipe for stock market take off. However, potential market blips may arise as concerns heighten on (i) domestic consumption, (ii) bad debts, and (iii) global uncertainties concerning geopolitical tensions in the Middle East and China's economy.

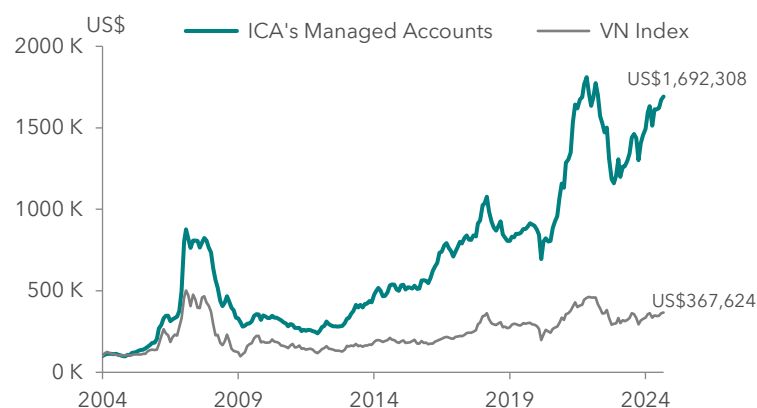
## Top 10 Holdings (75% of NAV)

Ticker	Sector	NAV%	VN Index%	% Change	Sector	Weight	VN Index Weight
FPT	Info. Technology	13.71%	3.72%	-0.22%	Banks	34.42%	40.05%
IDC	Industrials	9.31%	N/A	-4.95%	Info. Technology	13.71%	4.14%
MBB	Banks	8.51%	2.58%	3.42%	Cons. Discretionary	12.90%	3.83%
MWG	Cons. Discretionary	8.19%	1.88%	-2.44%	Materials	11.06%	9.00%
ACB	Banks	7.37%	2.18%	3.83%	Industrials	9.31%	8.49%
PVD	Energy	6.41%	0.29%	0.91%	Energy	7.50%	1.66%
DHC	Materials	5.85%	0.06%	-2.37%	Real Estate	3.92%	13.05%
HPG	Materials	5.21%	3.19%	3.33%	Financials	3.76%	4.83%
CTG	Banks	5.11%	3.75%	5.42%	Others	0.00%	6.59%
TCB	Banks	4.95%	3.23%	3.64%	Cash	3.41%	

## 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 accelerated in Q3 despite the devastating damage of typhoon Yagi, led by strong exports and tourism recovery. FDI reached a new high while inflation remained tame and FX pressures abated.

- **Vietnam's real GDP expanded by 7.40%** in Q3 2024, strongest result over last 8 quarters. 9M GDP growth registered at 6.82% YoY (9M 2023: 4.24%).
  - The industrial and construction sectors accelerated sharply, recording growth of 9.11% YoY (Q3 2023: 5.19%). The manufacturing sub-sector stood out with an impressive 11.41% YoY increase (Q3 2023: 5.61%), the fastest pace in 13 quarters. Electricity production also grew by 8.06% YoY (Q3 2023: 5.99%), while construction grew by 7.09% YoY (Q3 2023: 7.97%), highlighting the broad-based momentum.
  - Typhoon Yagi debilitated the agriculture, fishery, and forestry sectors and reduced the sectors' growth to 2.58% YoY (Q3 2023: 3.72%).
  - The service sector expanded by 7.51% YoY (Q3 2023: 6.24%), with wholesale and retail trade rising by 7.97% YoY, transportation by 11.07% YoY, and accommodation and food services by 8.75% YoY. Growth of the real estate sector in Q3 was still soft at 3.89% YoY but had picked up in two consecutive quarters and reached a seven-quarter high.
- **Revenue for retail sales and services in September** grew by **1.23% MoM** and **7.63% YoY**. For 9M, this number increased by **8.77% YoY**.
  - September's retail sales of goods (7.70% YoY vs. 7.46% YoY in August), accommodation and food services (7.94% YoY vs. 9.71% YoY in August), and other services (7.36% YoY vs. 9.11% in August), advanced resiliently.
  - International arrivals fell 11.89% MoM in September, mainly due to typhoon Yagi. For 9M 2024, international arrivals reached 12.7 million, up 43% YoY and 1.2% below pre-pandemic levels in 9M2019.
- In **September, the Index of Industrial Production (IIP) fell 0.19% MoM** and **rose 10.84% YoY**. YTD, IIP increased by 8.64% YoY.
  - Manufacturing posted a 13.10% YoY growth last month, the strongest in six years, driven by motor vehicles (+25.67%), rubber and plastics (+24.85%), and apparel (+19.73%).
  - YTD, all major sectors expanded, including manufacturing (+9.87% YoY), power generation and distribution (+11.08% YoY), and water distribution and waste treatment (+9.91% YoY), except for mining, which declined by 6.45% YoY.
- Typhoon Yagi disrupted Vietnamese manufacturing's streak of solid growth with the Manufacturing PMI dropping to 47.3 in September after five consecutive months in expansionary mode.
  - Output, new orders, purchasing and stocks of inputs all declined.
  - Backlogs surged due to storm-related delays, prompting expectations of a swift recovery. Firms remain optimistic and are boosting employment despite the temporary disruption.

- **CPI rose by 0.29% MoM**, but **YoY inflation** slowed to **2.63% YoY**.
  - The food and food services (+0.92% MoM & +3.94% YoY) saw a notable rise, driven by heightened demand during the National Day holiday and disruption from typhoon Yagi.
  - Transportation (-2.77% MoM & -5.33% YoY) decreased mainly due to a significant drop in gasoline prices (-6.86% MoM and -18.31% YoY).
- **Vietnam** recorded a **trade surplus** of **US\$20.78 billion** in **9M 2024** (9M 2023: US\$21.68 billion).
  - In September, export value dropped 9.4% MoM, likely due to supply chain disruption from the typhoon, but sustained strong YoY growth of 10.7%. Key contributors were computers and electronics (+16.2% YoY), machinery (+23.0% YoY), garments (+15.9% YoY), and vegetables and fruits (+37.6% YoY). Import value declined 3.9% MoM but rose 11.1% YoY.
  - For 9M 2024, export and import values rose by 15.4% YoY and by 17.3% YoY, respectively.
- **9M registered FDI** rose to **US\$24.78 billion (+11.6% YoY)** while **disbursed FDI** reached **US\$17.30 billion (+8.9% YoY)**.
  - YTD, manufacturing led with US\$15.64 billion, accounting for 63.1% of newly registered FDI. Real estate accounted for 17.7%, and the remaining sectors 19.2%.
- **Credit growth** accelerated to **8.53% YTD** (August: 6.63% YTD), while **deposit growth** improved to **4.80% YTD** (August: 2.67% YTD).
  - Low domestic interest rates coupled with a resilient US economy – Vietnam’s key export market, and the gradual recovery real estate are bolstering credit demand in Vietnam.
- **The USD/VND exchange rate** fell to **24,473 (-1.11% MoM and +1.50% YTD)**, following the Fed's 50bps rate cut (DXY: -0.90% MoM).
  - As inflationary and FX pressures subdued, the SBV increased liquidity injections to the system via OMO channel and the rebuilding of its dollar reserves.

## Stock Market

- The VN Index closed the month of September at 1,287.94, registering **a monthly gain of 1.44%** and **a YTD gain of 12.30%** in **USD terms**.
  - The banking sector (+2.4%) led the market upward trend, while most of the major sectors declined this month, including the real estate sector (-0.7% MoM), the oil and gas sector (-8.9% MoM), and the consumer and retail sector (-2.9% MoM).
- Liquidity **fell by 2.76% MoM** in **September** with a combined **average daily trading value** on Ho Chi Minh and Hanoi Stock Exchanges of **US\$688.84 million**.
- **Vietnam’s listed market capitalization** reached **US\$226.95 billion** as at September’s end.