

MONTHLY NEWSLETTER

October 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: \$4.54 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	229.50%	24.96%
P/E Ratio	16.09	12.71

Performance

	1 Month	YTD	3 Year (CAGR)	5 Year (CAGR)	10 Year (CAGR)
Indochina Capital	-4.09%	11.76%	-1.25%	12.68%	11.66%
VN Index	-4.45%	7.30%	-5.37%	3.04%	5.85%
MSCI FM	-0.66%	6.08%	-7.94%	-0.62%	-2.16%
MSCI EM	-4.38%	9.36%	-3.98%	1.45%	0.97%
S&P 500	-0.99%	19.62%	7.40%	13.44%	10.95%

Manager's Comment

- October marked the VN Index's fifth failed attempt this year at breaking through the 1300-resistance level. The Vietnam stock market tumbled down under concerns on (i) rising FX pressures which caused the SBV to resume T-bill issuance and tighten liquidity in the system and (ii) increased foreign selling. **The VN Index registered a monthly loss of 4.45% in USD terms.**
- Our portfolios posted an average loss of 4.09% in October.** The primary positive contributors were FPT (3Q24 PATMI grew by 11.4% QoQ and 20.1% YoY), HPG (3Q24 NPAT exceeded expectations, up +51% YoY), and VPB (3Q24 PATMI surged by +66% YoY; valuation remains attractive). During October, we reduced the number of holdings from 17 to 15 and stayed fully invested.

- **Average Q3 earnings growth of listed companies reached 19% YoY, asserting continued business improvement and bringing stock valuations to more attractive levels.** We expect the momentum to continue in Q4 with resilient manufacturing and supportive export demand. Liquidity would likely improve over time as bad debts are gradually resolved and the US Fed rates are further reduced, leading to increased flows in the stock market. In early November, the prefunding requirement for securities trading is effectively removed, which should pave the way for Vietnam's upgrade to Emerging market status by FTSE. While Trump's protectionism requires close attention, Vietnam's new leadership is keen on strengthening ties with its trading partners to maintain the position of an international gateway.

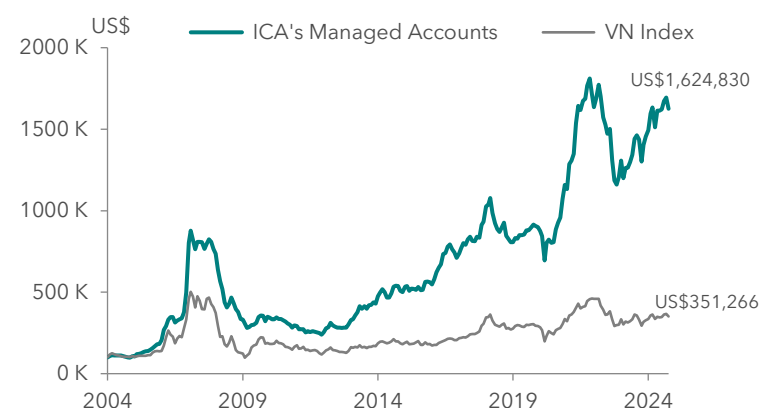
Top 10 Holdings (78% of NAV)

Ticker	Sector	NAV%	VN Index%	% Change	Sector	Weight	VN Index Weight
FPT	Info. Technology	14.02%	3.85%	1.04%	Banks	37.72%	40.39%
IDC	Industrials	9.16%	N/A	-2.78%	Info. Technology	14.02%	4.26%
MBB	Banks	8.40%	2.56%	-2.53%	Cons. Discretionary	12.67%	3.79%
MWG	Cons. Discretionary	8.10%	1.87%	-2.35%	Materials	11.68%	8.91%
TCB	Banks	7.91%	3.24%	-1.24%	Industrials	9.16%	8.63%
ACB	Banks	7.36%	2.18%	-1.36%	Energy	6.01%	1.58%
HPG	Materials	6.01%	3.31%	2.09%	Financials	4.91%	4.78%
PVD	Energy	6.01%	0.27%	-7.40%	Real Estate	2.93%	12.89%
DHC	Materials	5.67%	0.06%	-4.17%	Others	0.00%	14.78%
VPB	Banks	5.23%	3.12%	1.74%	Cash	0.89%	

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

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

Appendix

Macro

Production and exports rebounded in October with backlogs rising after a blip by typhoon Yagi. Retail sales remained resilient. FDI stayed robust. Easing inflation has given the SBV more room to address escalating FX pressures.

- **Revenue of retail sales and services** in October grew by **2.41% MoM** and **7.12% YoY**. YTD, this number increased by **8.53% YoY**.
 - Retail sales of goods (7.36% YoY vs. 7.70% in September) and accommodation and food services (6.51% YoY vs. 7.94% in September) remained strong.
 - International tourism surged 11.38% MoM in October, marking a solid start to a peak season for foreign visitors. For 10M 2024, international arrivals hit 14.1 million, a robust 41% increase YoY and just 2.5% below pre-pandemic levels in 10M2019.
- In **October, the Index of Industrial Production (IIP) increased by 3.99% MoM** and **by 7.02% YoY**, sustaining robust growth. YTD, IIP increased by 8.27% YoY (10M 2023: 0.52% YoY).
 - Key growth drivers in October included automotives (+24.8% YoY), clothes (+18.1% YoY), electronics (+15.4% YoY), and coal (+18.9% YoY).
 - For 10M, manufacturing rose by 9.55% YoY, power generation by 10.32% YoY, and water distribution by 9.45% YoY, while mining contracted by 7.23% YoY.
- Vietnam's **Manufacturing PMI** moved back to expansionary territory with **51.2 in October**, continued the recovery momentum disrupted by typhoon Yagi in the previous month.
 - The sector experienced renewed growth in production and new orders.
 - Some firms are still below full capacity post-typhoon, leading to growing work backlogs and underscoring the need for ramped-up production. Purchasing activity rebounded, driven by rising new orders and expected production growth.
- **CPI rose 0.33% MoM, while YoY inflation eased to 2.89%**.
 - Housing and materials prices rose (+0.11% MoM and +4.21% YoY), largely driven by a 4.21% YoY increase in rental housing. Food and food services prices also climbed (+0.92% MoM and +3.94% YoY) due to supply disruption caused by the recent storms.
 - Decreasing gasoline prices (+0.98% MoM and -13.54% YoY) helped offset YoY inflationary pressures.
- **Vietnam** recorded a **trade surplus of US\$23.31 billion** in **10M 2024** (10M 2023: US\$24.61 billion).
 - October exports maintained strong double-digit growth at 10.1% YoY (vs September's 10.7% YoY), while import growth accelerated to 13.6% YoY (vs September's 11.1% YoY). Given that most imports are production materials, the increase in imports indicates a potential export pickup in Q4.
 - For 10M 2024, exports and imports grew by 14.9% YoY and 16.8% YoY, respectively.

- **10M registered FDI** rose to **US\$27.26 billion (+1.9% YoY)** while **disbursed FDI** reached **US\$19.58 billion (+8.8% YoY)**.
 - Manufacturing led the inflows with \$16.39 billion, representing 69.5% of newly registered FDI. Real estate followed at 18.7%, with other sectors comprising the remaining 11.8%.
- **Credit growth** reached **9.46% YTD** as of October-end (September: 8.53% YTD).
 - Credit growth is on track to meet the full year target of 15% as Q4 is typically the peak lending season. Credit demand is expected to pick up as businesses accelerate production after typhoon Yagi and work through growing order backlogs.
- **The USD/VND exchange rate rose to 25,404 (+2.75% MoM and +4.29% YTD)** as the USD strengthened (DXY +3.17% MoM).
 - In response to rising FX pressures, the SBV withdrew approximately USD 4.7 billion in the open market, resulting in hiking interbank rates.
- Last month, former army general Luong Cuong became Vietnam's fourth President for the term ending 2026. As the last of the **country's key leadership positions is finalized**, decision making is expected to improve, which should help in promoting economic growth

Stock Market

- The VN Index closed the month of October at 1,264.48, registering **a monthly loss of 4.45%** and **a YTD gain of 7.30%** in **USD terms**.
 - All the major sectors of the VN Index retreated. The real estate sector dropped 3.4% MoM, consumer and retail sector 3.2% MoM, oil and gas sector 4.4% MoM, and the banking sector 0.8% MoM.
- Liquidity remained subdued, with the combined **average daily trading value** on the Ho Chi Minh and Hanoi Stock Exchanges amounting to **US\$667.93 million**, down 3.04% MoM, and 17% below L12M average.
- **Vietnam's listed market capitalization** reached **US\$216.61 billion** as at October's end.