

TIM Vietnam Actively Managed Certificate



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ISIN: CH0374214515

Certificate Unit Price

USD 108.08 As of March 31, 2019

Actively Managed Certificate that offers investors 100% participation in fundamentally sound and fast growing Vietnamese companies

Swiss strategy manager with a 10-year investment track record and a local presence in Vietnam

Daily liquidity with Helvetische Bank AG as market maker

Investment Objective

- Add value for risk-conscious long-term investors to benefit from future growth in emerging Vietnam, which stands at the beginning of industrialization.
- Our investment approach is based on fundamental analysis of the underlying business and fair price valuation, a leadership position in the local market, strong corporate governance and above average earnings growth prospects compared to its local peers.
- For market timing purposes, we are applying a Technical Trend Following system as a layer to our fundamental analysis.

Performance

All in USD	1 month	3 months	6 months	2019 Ytd
TIM VN Certificate	-1.2%	3.4%	-5.0%	3.4%
FTSE VN TR	0.0%	13.2%	-2.0%	13.2%
VN Index TR	1.7%	10.1%	-2.5%	10.1%

Certificate Facts

Type	Open-end Dynamic Tracker Certificate
Currency	US Dollar
Min. Investment	USD 100
Mgmt-/ Admin Fee	1.0% / 0.5%
Performance Fee	10% with High Water Mark (HWM)
ISIN	CH0374214515
Issuer	Helvetische Bank AG
Inception	14 July 2017
Reference Index	FTSE Vietnam Index
Strategy Manager	Turicum Investment Management AG
Market Maker	Issuer with 1.0% spread
Clearing Institution/ Clearing Code	SIX SIS AG/ CH116589



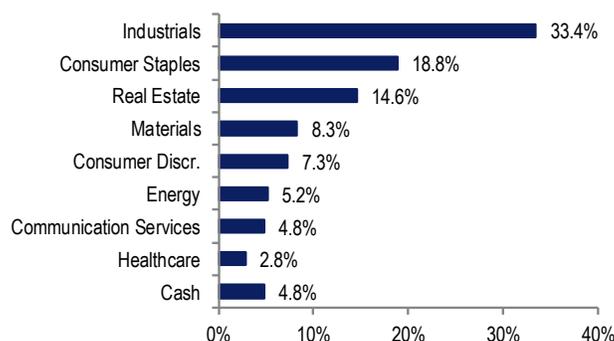
Certificate Activities

- The portfolio's value declined by 1.2% in March. The reference, the FTSE Vietnam Index, was flat. We like to recall that the 3 VIC-related tickers, namely VIC, VRE and VHM, has combined weight of 41% in the FTSE Vietnam Index. Excluding these 3 names, the FTSE Vietnam Index would have declined by 2.4% in March.
- During the month, we sold our entire position in Hau Giang Pharma (DHG). As communicated in the last factsheet, Taisho Pharmaceutical Co. Ltd. made a tender offer for DHG shares at a price of VND120,000/share. After the news, the stock has appreciated swiftly and close to the offered price. We increased your exposure to plastic pipe producer Binh Minh Plastic JSC (BMP). BMP is trading at a 2019F P/E of 9.2x and EPS should increase by 11.5%. The portfolio also initiated a trading position in media producer Yeah1 Group (YEG). YEG has lost 58% of its value in only one month. In early March, Youtube told YEG that it will terminate its relationship with all YEG-related companies due to an incident at Springme, YEG's associate in Thailand. Although this incident definitely harms the prospects of the company, its other businesses (traditional and digital media) were still posting net profit growth of over 40% in 2019, according to HSC's research. We therefore think investors have overreacted to the news. Also, YEG's managers registered to purchase 450k shares (a 1.4% stake) and the Board of Directors passed a resolution to buy back 3.1mn shares (a 9.9% stake). The buyback is still waiting for approval from the State Securities Commission.
- At the end of March, the portfolio is trading at a 2019F P/E and at a P/B of 13.4x and of 1.7x respectively with EPS growth of 17.3%.

Top 5 Holdings

Ticker	Company Name	% Portf
DHC	Dong Hai Ben Tre JSC	12.50%
QNS	Quang Ngai Sugar	11.17%
VSC	Viconship JSC	8.39%
DPM	Phu My Fertilizer	8.30%
DBC	Dabaco JSC	7.66%

Sector Allocation



Valuation

Valuation	P/E		EPS Growth		P/B		Yield	
	2018	2019	2018	2019	2018	2019	2018	2019
	(x)	(x)	(%)	(%)	(x)	(x)	(%)	(%)
TIM VN Certificate	17.2	13.4	21.1	17.3	1.9	1.7	4.1	4.9
FTSE VN	21.7	18.7	5.0	16.4	3.2	2.8	0.9	1.1
Top 100	19.6	17.5	13.5	11.8	2.7	2.4	1.8	1.7

Vietnam's Update – Economy

Q1 macro indicators continued to point to a positive development:

- GDP growth was 6.79%. Although this is slightly lower than in Q1/2018, it is higher than in all Q1's during 2011-2017. A breakdown shows that agriculture grew by 2.7%, manufacturing and construction increased by 8.6%, and the trade and service sector expanded by 6.5%. These three sectors made up 10%, 35% and 44% respectively of total GDP. The remaining 11% of GDP came from taxes.
- Inflation remained muted at 2.7% yoy and at -0.2% m-o-m. In the m-o-m trend, 7 out of 11 sub-categories saw declines due to the after-Lunar New Year effect and as the African swine flu impacted the pork price. The most notable decline was in food and foodstuffs (-1.4%, alone causing the headline inflation to decline by 0.5%). With regard to the categories, which registered higher prices, the transportation price index was up by 2.2% as petroleum prices rose steadily in March. Core inflation, which excludes food & foodstuffs, energy as well as government-supported prices such as healthcare and educational services, was up by 1.8% yoy and down by 0.06% mom. Taking "advantage" from the currently low inflation and in order to reduce its subsidies, the government increased electricity prices by 8.4% with effect from 20 Mar. The average electricity price is currently at 8 US cents/ kwh, amongst the lowest in the world.
- 3M credit growth was 1.9% (2.2% in the same period of last year). Despite lower credit growth and lower core inflation, the country's GDP growth remained robust. This is a healthy sign that Vietnam relies less on credit for its business expansion.
- The March trade balance of goods showed a surplus of \$0.5 bn.
- The US\$VND exchange rate was relatively stable with a mid-rate of VND23,200/USD according to Vietcombank, unchanged ytd and mtd.
- The country's budget balance showed a surplus of \$1.0 bn, mainly because of low public investment (disbursement was \$1.4bn, only 8% of the full year budget). The government's anti-corruption campaign is still in full force

Vietnam's Update – Stock Market

- The VN-Index as a gauge for the Vietnamese stock market, increased by 1.7% in March. Once again, the performance was largely driven by a handful of stocks: the three banks VCB, BID, CTG (total index weight 13.6%) contributed 74% to the VN-Index performance; the three Vingroup-related companies, namely VIC, VHM and VRE (total index weight 23.5%) were responsible for 41% of the index performance. Excluding these 6 tickers, the VN-Index, which consists of 386 companies, would even have declined slightly by 0.5%. With regard to the three-month performance of the VN-Index of +10.1%, the same pattern can be observed: The above-mentioned 3 banks made up 22% of the VN-Index performance, and the 3 Vingroup-related names accounted for 48%. Two other stocks, Vinamilk (VNM) and PetroVietnam Gas (GAS), contributed 10% and 3% respectively to the index performance.
- The performance of the 3 banks was supported by news that strategic investors were purchasing primary shares to recapitalize their balance sheets. The purchase of a 2.5% share in VCB (post-transaction) for \$270 mn by Singapore's GIC was indeed confirmed. Similar transactions in shares of CTG and of BID are still pending, with no indication on when they will be completed. While shares of VCB are quite expensive in our view (2018 P/B of 3.8x), CTG and BID have problematic loan books, and no one really knows their effective NPL size.
- The strong performance of the Vingroup-related companies could be a result of money inflows into ETFs. At this point, we again like to stress their demanding valuations: VIC, a conglomerate with very diverse businesses from property development to smartphones and automobile production, is trading at a 110.6x trailing P/E; VRE, a retail space operator, carries a trailing P/E of 33.5x; and VHM, a property developer, shows a whopping ratio of 7.1x trailing P/B. Please note that Warburg Pincus, a strategic investor in VRE, reduced its holdings by 50 mn shares (\$75 mn) in March, which were sold below the current market price. VNM is also expensive in our view, with a 2019F P/E and a P/B of 24.7x and of 7.7x, respectively. GAS, which is trading at more reasonable valuations (trailing P/E of 15.9x), has only a 4% free-float, which is almost entirely taken up by one or two foreign funds.
- Trading volume, as the sum of the average daily volumes on all three bourses, was USD 259 mn, up by 11% m-o-m. Foreign investors made up 17% of the total volume, and their net purchases amounted to a mere \$ 2.8 mn. Speculation is still at a low level, measured by the respective credit margin that securities firms are offering to domestic retail investors. The margin has fallen by -25% from its Aug 2018 high and even by -36% from its Mar 2018 high, indicating fairly low risk from leveraged trading activities. The 2019 Annual General Shareholder Meeting season has just started and is expected to last till early May. During this time, there will be more information on companies' business performance and their expectations as well as on dividend payments among other topics.
- Meanwhile, global market risks, which are increasingly impacting Vietnam's equity market, remain elevated in our view. In general, foreign inflows to Vietnam are influenced by global market developments. However, many domestic retail investors look at foreign trading activities for their decisions, thereby increasing the correlation.
- By the end March, the top 100 stocks were trading at a 2019F P/E of 17.5x and at a P/B of 2.4x, while the names on our Buy recommendation list are trading at an average 2019F P/E of 9.8x and at an average P/B of 1.4x.



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