

# TIM Vietnam Actively Managed Certificate



## Dealing Contact

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ISIN: CH0374214515

## Certificate Unit Price

**USD 108.74** As of April 30, 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	0.6%	2.2%	2.2%	4.0%
FTSE VN TR	0.2%	9.7%	10.0%	13.4%
VN Index TR	-0.3%	7.5%	8.0%	9.7%

## 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

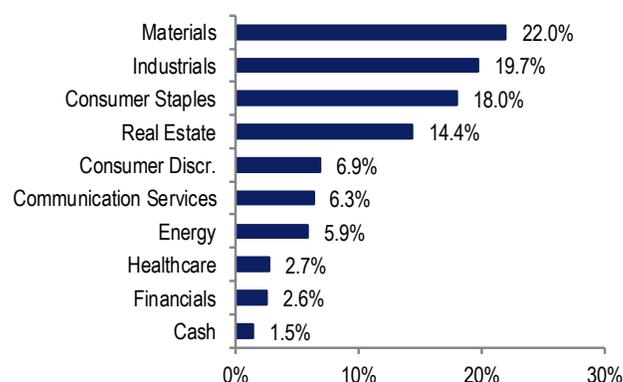
## Certificate Activities

- The portfolio's NAV increased by 0.6% in April. The reference, FTSE Vietnam Index, increased by 0.2% during the same period. The month's best performing stock was industrial kraft paper producer Dong Hai Ben Tre JSC (DHC, +16.3%). On the other hand, shares of port operator Viconship (VSC) declined by 7.5% and were the largest drag on April's performance. DHC's second factory is expected to start commercial operations from H2/2019 and management reported that it has secured large orders, ensuring the sale of its additional capacity. At the end of April, DHC was trading at a 2019F P/E of 9.5x. VSC's net revenue rose by 15% in Q1, but net profit declined by 36% yoy. Q1 is usually the weakest quarter due to the long public holiday. In addition, the company incurred an extraordinary expense in Q1/2019 (without such expense, net profit would have dropped by 15% only). We still estimate full year positive net profit growth in 2019. As Hai Phong City, the location of VSC's ports, remains the vibrant transportation hub of Northern Vietnam, and as Foreign Direct Investments should remain strong, VSC's prospects remain bright.
- During the reporting period, the portfolio initiated a trading position in the securities brokerage firm Viet Capital Securities (VCI).
- Vietnam's main equity indices are dominated by large-cap stocks, which on average are trading at significantly higher valuations than the average stock (the Top 10 have a 2019F P/E of 28.1x vs. 11.0x of the Top 11-100 by market cap). At the end of April, the portfolio was trading at a 2019F P/E and at a P/B of 13.2x and of 1.8x respectively with a concentration in mid and small cap stocks. We have an overweight in the industrial sector, which we think will be the main beneficiary as Vietnam fastens its industrialization.

## Top 5 Holdings

Ticker	Company Name	% Portf
DHC	Dong Hai Ben Tre JSC	14.43%
QNS	Quang Ngai Sugar	10.94%
VSC	Viconship JSC	7.71%
DPM	Phu My Fertilizer	7.57%
DBC	Dabaco JSC	7.04%

## 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	17.0	13.2	23.6	17.9	1.9	1.8	3.6	4.3
FTSE VN	22.0	18.9	4.3	16.6	3.2	2.8	0.9	1.1
Top 100	19.6	17.5	13.5	11.7	2.7	2.4	1.8	1.7

## Vietnam's Update – Economy

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Key April economic data:

- Retails sales and services grew strongly by 12.0% yoy in April, and were up by 11.9% yoy in the first four months of 2019, equivalent to VND 1,584 trillion (~\$ 68bn).
- The trade balance showed a deficit of \$0.7bn in April. But it recorded a surplus of \$0.7 bn year-to-date. Exports have increased by 5.8% yoy in the first four months of 2019, while imports expanded by 10.4% yoy during the same period of time. Exports of mobiles and parts, which is the biggest component (20% of total exports), did not grow. This largely explains why exports remained relatively moderate during the last four months.
- The Nikkei Vietnam Manufacturing Purchasing Managers' Index rose to 52.5 points in April from 51.9 in March, indicating a consistent expansion of manufacturing activities.
- FDI disbursement was USD 5.7bn, +7.5% yoy, while FDI registration surged to USD 14.6bn, up by 81% yoy, which was the largest increase in the last four years. The manufacturing sector was still the main pool of FDI registration, accounting for 72% of the total amount in the first four months.
- Inflation remained moderate at 2.9% yoy. The inflation was very closely monitored due to the recent rally in petroleum prices and as the government decided to raise electricity prices by 8.4% in March. So far, the inflation is still well controlled. Core inflation, which excludes food & foodstuffs, energy as well as government-supported prices such as healthcare and educational services, was up by 1.9% yoy only.
- The state budget continued to show a surplus of \$1.9 bn, up from \$1.0 bn by the end of March, mainly due to slow expenditures for development investments. During the January to April period, state expenditures for development investments only made up 15% of the full year's budget.

## Vietnam's Update – Stock Market

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- The VN-Index as a gauge for the Vietnamese stock market, declined by 0.34% in April. Prices of 190 tickers out of a total of 379 tickers declined. The bank sector was the worst performing sector with a correction of 2.3%, (total index weight 23%). Rather soft first quarter earnings did not bode well for stocks. Q1 financial results are now out and most listed companies have organized Annual General Meeting (AGM) to discuss about this year's financial targets. From our top 100 stocks by market cap, 58 companies had positive earnings growth in Q1/2019, while 42 companies suffered negative growth. We note that the first quarter is usually the slowest period of the year. Hence the opening three months of the year might not properly represent the full year. These rather subdued results also prompt companies to set conservative financial targets, which they communicate during their AGM's. The AGM season is currently in full swing. Our full year expectation is still positive with an EPS growth of 11.7% for the top 100 stocks.
- Trading volume, as measured by the sum of the average daily volumes on all three bourses, was \$182 mn, dropping by 28% compared to the previous month. In the first four months of this year, the average daily volume was \$206 mn, only about half compared to the same period of last year. Foreign investors were net buyers in April with net purchases of \$55.3 mn (\$240 mn ytd in 2019). Low ETF activities might be one of the reasons for the slight market correction and the low volume in April. The three largest ETFs in Vietnam received net inflows of 10.6mn in April, compared to inflows of \$160.7 mn in the first quarter of this year.
- On the back of somewhat soft earnings in the first quarter (while our full year estimates are more positive), ETF flows should be the main performance driver of the general market in coming weeks: Most ETF portfolios consist of large cap companies, which are currently characterized by very thin trading volume; thus any change in ETF flows is likely to cause significant movements not only in single stock prices, but also in the general market. On a positive note, the expected ongoing stock market fluctuations are likely to create good opportunities to accumulate selective stocks of companies, which are undervalued compared to their growth prospects.
- By the end April, 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 were trading at an average 2019F P/E of 9.7x and at an average P/B of 1.4x.

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