

TIM Vietnam Actively Managed Certificate



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ISIN: CH0374214515

Certificate Unit Price

USD 184.62 As of April 30, 2021

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 apply a Technical Trend Following system as a layer to our fundamental analysis.

Performance

All in USD	1 month	2021 Ytd	6 months	1 year	2 years	3 years
TIM VN Certificate	2.5%	19.4%	45.2%	88.4%	69.8%	69.1%
FTSE VN TR	8.9%	15.6%	34.8%	70.3%	29.6%	21.3%
VN Index TR	4.2%	12.7%	35.5%	66.7%	32.6%	23.1%

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



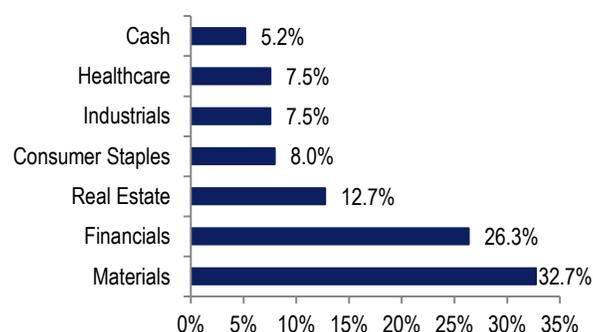
Certificate Activities

- The portfolio increased by 2.5% in April vs. an increase of 8.9% of the referenced FTSE Vietnam Index. The increase of the FTSE Vietnam was mainly constituted by some large caps: Vingroup (VIC, +11.1%), Hoa Phat (HPG, +25.2%), Novaland (NVL, +63.2%), which account for around 30% weighting of the reference index. In our view, VIC and NVL are overpriced, and the price surged was mainly because of some special events, which do not materially change the fundamentals. In April, the best performing stock in our portfolio was Hoa Phat Group (HPG) thanks to superior Q1/2021 results, which was above expectation. Specifically, revenue increased by 59.4% y/y, while profit tripled thanks to the significant rally in steel prices, which more than offset rising input material prices. The second-best performer was Dong Hai Ben Tre (DHC, +10.2%), as the company reported strong Q1/2021 results as revenue and net profit increased by 52% y/y and by 94% y/y respectively. Besides, the company's management continued to register to buy these shares, which supported the stock price.
- During the month, the portfolio increased its exposure to Ho Chi Minh Securities (HCM), one of the leading securities brokerage companies. The firm is benefitting from the development of the market, especially in terms of trading value, margin lending and prop trade activities.
- Going forward, we maintain our long-term positive view, as we believe that Vietnam's equity market is at the inflection point. Market volatility may increase in the shorter term since the market is entering the summer season, a period of time when significant fundamental news is usually not available, and the historically high margin lending balance. Nevertheless, we think that any potential correction is a buying opportunity for stocks, which have sound financials and a solid earnings outlook. All companies in the portfolio meet these criteria, expecting to achieve a good return in the medium- to longer-term.
- At the end of April, the portfolio is trading at a 2021F P/E and at a P/B of 12.4x and of 2.2x respectively.

Top 5 Holdings

Ticker	Company Name	% Portf
DHC	Dong Hai Ben Tre JSC	13.97%
DXG	Dat Xanh Group	10.61%
HPG	Hoa Phat Group	10.04%
DPM	Phu My Fertilizer	8.71%
TCB	Techcombank	8.41%

Sector Allocation



Valuation

Valuation	P/E			EPS Growth			P/B			Yield		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
TIM VN Certificate	20.3 (x)	13.8 (x)	12.4 (x)	-0.7 (%)	36.6 (%)	18.9 (%)	2.9 (x)	2.5 (x)	2.2 (x)	2.6 (%)	3.1 (%)	3.3 (%)
FTSE VN	22.8	24.6	19.1	15.6	-7.3	29.0	3.7	3.3	2.9	1.2	1.4	1.3
Top 100	21.1	21.9	17.1	16.3	-3.7	28.3	3.1	2.7	2.4	1.3	1.1	1.2

Vietnam's Update – Economy

April 2021 macroeconomic highlights:

- Vietnam reported one new positive case of Covid-19 in Ha Nam province, the Northern of Vietnam on 29 April, ending a one-month period without community infected cases. The patient flew from Japan to Vietnam and finished the compulsory 14 days quarantine with all negative test results but then was tested again with positive result after being discharged. In addition, on 2 May, Vinh Phuc province's health department reported other 6 positive cases related to some Chinese expats who reported to have positive tests for Covid-19 after flying back to China. As several close contacts to these cases were tested positive shortly after, the authorities in some provinces (mostly in the North) have initiated some social-distancing policies. Overall, given that Vietnam's government has a very good track record of containing the spread of the coronavirus, these new cases of COVID-19 should not pose a risk of widespread infection. We expect the new wave to be contained soon.
- In April, Vietnam's parliament elected the new Prime Minister – Mr. Pham Minh Chinh, replacing Mr. Nguyen Xuan Phuc who was elected as the country's new president. The new leadership team already took office and is expected to remain in power for the next five years.
- Foreign trade activities remained very dynamic in April as exports rose by 44.9% y/y, while imports advanced by 43.5% y/y. As for 4M/2021, exports expanded by 28.3% y/y to \$103.9bn (versus an increase of only 4.7% y/y in the same period of last year), while imports went up by 30.8% y/y to \$102.6bn (versus a modest increase of 2.1% in 4M/2020). Some major export products with impressive growth in 4M/2021 included electronic and computers devices (+30.8% y/y), mobile phones & accessories (+19.4% y/y), machines and equipment (+76.9% y/y), as well as wood and wood products (+50.5% y/y). The robust export activity was driven by the strong recovery in some major export markets for Vietnam such as the U.S. (+50.1% y/y), China (+32.4% y/y), and Europe (+18.1%), while some other markets posted slower, but still positive growth.
- Retail sales and services rebounded by 30.9% y/y in April from a low base of nationwide distancing in April 2020, causing them to advance by 10.0% y/y to \$73.0bn in 4M/2021 (versus a decline of 2.8% y/y in the same period of last year).
- Vietnam's Manufacturing Purchasing Managers Index (PMI) recorded 54.7 in April, compared to 53.6 in March, pointing to a significant improvement in operating conditions in the manufacturing sector. The latest figure is the strongest since November 2018.
- FDI disbursement continued to rise by 7.7% y/y to \$1.4bn in April, leading to an increase of 6.8% y/y to \$5.5bn in 4M/2021. Meanwhile, total registered FDI reached \$12.2bn, nearly unchanged compared to the same period of last year. The manufacturing sector was still the main pool of FDI registration, accounting for 41.3% of the total amount in the first four months.
- The April Consumer Price Index (CPI) rose by 2.7% y/y, mainly driven by the transportation segment, where prices advanced by 11.7% y/y, while its weighting in the CPI basket is around 10%. There were some upward adjustments in gasoline prices and transportation services in April, which we expected however. We forecast the CPI to rise by 3.8% in 2021. Prices may increase even faster in coming months, mainly due to increasing construction material prices such as steel and plastics. We also expect transportation services prices to rise towards the end of this year as international travel will be re-opened.

Vietnam's Update – Stock Market

- The VN-Index as a gauge for the Vietnamese stock market slightly rose by 4.1% in April, with 182 out of 401 stock were up. Real estate (+9.7% MTD), materials (+5.1%), and financials (+3.7%) continued to lead the gains. The real estate sector was driven mainly by Vingroup (VIC, +11.1%) and by Novaland (NVL, +63.2%). Investors were excited after Vingroup shared its plan to list its still unprofitable car making business (Vinfast) on the U.S stock market. One possible path mentioned was to list Vinfast via a Special Purpose Acquisition Company (SPAC). As for NVL, there was no specific news on its core business except for its disclosed plan to buy back existing convertible bonds, then issue them again with a larger volume. Meanwhile, financials were supported by VPB (+31.0%), STB (+11.4%) and VCB (+5.5%). In contrast, energy (-9.5%) and utilities (-7.2%) sectors were the laggards. Amongst regional markets, the VN-Index (+12.7%) outperformed most of its ASEAN peers such as Thailand (+9.7% YTD), the Philippines (-9.1% YTD), Indonesia (+0.6% YTD) and Malaysia (-1.2% YTD).
- Foreign investors turned into net-buyers for the first time in 2021, net purchases amounted to \$3.1 million in April. Stocks that saw largest inflows were VIC (\$48.5 million), VHM (\$45.0 million) and NVL (\$39.3 million). The market witnessed strong inflows from ETF funds, mostly into the VN Diamond fund and into the Fubon FTSE Vietnam fund with a net inflow of \$27.8 million and of \$126.0 million, respectively.
- The combined average daily trading volume on the three bourses surged to \$966mn, up by 16.4% m/m. The rally continued to be driven mainly by domestic individuals, which accounted for around 80% of the total trading volume. We think that trading volume will continue to increase in coming months, backed by possible additional inflows from foreign investors including ETF funds and the resolution of technical congestion issues on the HOSE.
- Most of the listed companies have released Q1/2021 earnings or announced them via Annual General Meetings. In general, most of the companies managed to grow both their sales and earnings. Banks again were the standout with strong profit increases, mainly thanks to the expansion of the net-interest-margin. Real estate companies also achieved good sales and profits thanks to more projects for booking and higher selling prices. Companies in the materials sector benefited from increasing selling prices. However, some companies in the industrial sector are affected by rising input prices, while they could not raise output prices as fast as rising input prices.
- As the market is mostly driven by domestic individual investors, the margin lending level continued to rise to a new record level. By the end of Q1/2021, the total margin loan balance of the top 20 securities firms reached VND98.4trillion, which was a fresh all-time high. Thus, we think that market volatility will increase in coming weeks, and the risk of a short-term correction cannot be ruled out. Longer term, however, we maintain our positive view for the stock market: (i) The low deposit rates will continue to force domestic investors to purchase shares. (ii) Foreign investors may return as the valuation of Vietnam's market is still attractive, while economic prospects are sound. As of 30 April 2021, the trailing P/E of the VN-Index was 18.0x, which was significantly lower than the valuation of other peers such as Thailand (39.3x), Indonesia (25.1x), and Malaysia (20.8x).
- At the end of April, Vietnam's Top 100 stocks are trading at a 2021F P/E of 17.1x, at a P/B of 2.4x, and have a 2021F EPS growth of 28.3% (-3.7% in 2020). Meanwhile, the stocks on our buy recommendation list are trading at a 2021F P/E of 12.5x, at an average P/B of 2.4x and have an EPS growth of 13.6% (+12.7% in 2020).

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