



Monthly Report

Unit Price: USD 119.20

TIM Vietnam Actively Managed Certificate – Factsheet

31 Jan 2018

Vietnam's Update - Economy

January 2018 started with encouraging economic figures:

- Retail sales and services remained solid as they grew by 9.5% yoy, equivalent to an estimated VND 361 trillion (~\$15.9 bn). In real terms, they were up by 8.4% yoy. Some major growth drivers were foodstuffs and clothing (both +7.5%), education (+8.7%) and household appliances (+8%). As for services, eating and accommodation posted an advance of 14.7%, while tourism jumped by 39.3%. It is worth to note that the number of foreign tourists soared by 42% yoy to 1.4 million in the reporting month.
- It is estimated that the country's export of goods has expanded by 33.1% yoy to \$19bn in January. Imports are expected to have reached \$19.3bn (+ 47.4% yoy). Exports to China more than doubled to \$4.5bn. They even surpassed Vietnam exports to US (\$3.5bn). The world's second largest economy has become the biggest export market for Vietnam. Meanwhile, imports from China also soared by 45.6% yoy to \$5.7bn, leading to a trade deficit of \$1.2bn during the month. But the trade deficit with China could be reduced by 50% compared to January 2017.

The vivid movement of the Vietnamese import and export activities at the beginning of the year can mainly be attributed to the increasing effectiveness of the ASEAN-China Free Trade Area (ACFTA). Vietnam has committed to this agreement since 2005. About 85% of total normal tariff lines were already removed by 2015, and by January 2018, this number has further increased to 90%.

- The CPI moved up moderately by 2.7% yoy. The currency pair USD/VND was kept stable at 22,727, nearly unchanged compared to the beginning of 2017. By anchoring the local currency to the USD, Vietnamese exports benefited from the USD's weakness against most currencies. However, this policy may eventually drive up inflation as Vietnam has to pay higher import prices. The impact may be reinforced by currently rising oil prices and higher prices of some major products such as foodstuffs and electricity.

Vietnam's update - Financial Market

The Vietnamese stock market started 2018 with a surge in trading volume, driven by strong cash inflows from foreign investors. The average daily trading volume reached \$462bn, up 102% compared to the average of the whole 2017. Foreign investors were active buyers with net purchases of \$ 398mn in January 2018 alone, compared to net purchases of \$1.3bn for the whole 2017. However, the transactions were concentrated on a few names as the top three foreign net purchasing tickers accounted for more than half of the total net purchases. The largest net foreign purchasing ticker was VFMVN30 (net purchases of \$74mn), which is an ETF fund tracking the VN30 index. Some foreign funds have received strong cash inflows from overseas, mostly from Korean and Thai investors at the beginning of the year. We believe that these investors will consider the purchase of an ETF as a transitory solution before potential investment opportunities are found. There are at least four foreign ETFs, tracking a basket of leading large cap stocks in Vietnam so far. The heavy capital inflow inflated the VN-Index, regardless of the stocks' fundamentals. The quick movement of foreign capital inflow also increased the volatility of the index. As a result of the overheated market, the HOSE exchange became overloaded and had to shut down for two days for fixing.

It should be noted that bank stocks contributed for nearly half of the VN-Index performance in January. Trading volume was mainly driven by domestic investors (foreign trading volume in VCB accounted for about 20% of total, while it was below 1% in other bank stocks). The trading passion was accelerated by speculations about the possibility of increasing the limit of foreign ownership at banks to 35% from the current level of 30%. As already mentioned on other occasions, we see a lot of uncertainties in the banking sector: unsolved NPLs, 2017 credit growth fueled by consumer finance with more risk, and lastly the undercapitalization of the banks if Basel II is to apply.

At the end 2017, the top 50 market cap stocks were trading at a 2018F P/E of 22.4x, based on an EPS growth of 16.2%. However, the index's multiple is distorted by big cap stocks, which are overbought by foreign ETF funds, and state-owned companies which have a divestment plan. In sharp contrast, the stocks of our recommendation list are carrying a 2018F P/E of 11.6x and an EPS growth of 21.7%. Though hot and large cap stocks have kept going up, the risk of a correction is increasing: (i) passive investment inflows can be quickly injected or withdrawn, leading to increasing volatility; (ii) 86% of the trading volume is from domestic investors, whose investments are fed by low-interest margin loans; (iii) last but not least, the State Securities Commission has suggested to brokers to

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	Neue 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

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Top 5 holdings

Ticker	Company Name	% Portf
DPM	Phu My Fertilizer	14.74%
DHC	Dong Hai Ben Tre JSC	12.43%
DRC	Da Nang Rubber JSC	10.11%
VSC	Viconship JSC	7.16%
DBC	Dabaco JSC	6.06%

Performance (*) Since inception 14 July 2017

All in USD	1 month	3 months	6 months	2018 Ytd	Since inception
TIM VN Certificate	6.4%	26.3%	18.8%	6.4%	19.2%
FTSE VN TR	13.9%	38.9%	54.6%	13.9%	54.3%
VN Index TR	13.1%	33.4%	43.8%	13.1%	45.4%



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increase their margin requirement from 50% actual to at least 60%. We remind our readers that the Vietnamese government is running quite a tight budget, and the debt repayment schedule is also quite challenging. In order to finance the deficit, the government has to continue with their divestment plan over the coming years, and an overheating market might pose additional challenges. Therefore, we expect the authorities to be vigilant, taking some measures to prevent heavy speculation rather sooner than later.

We therefore continue our value investing approach by focusing on stocks of fundamentally sound companies, which we believe will provide healthy returns in the longer run.

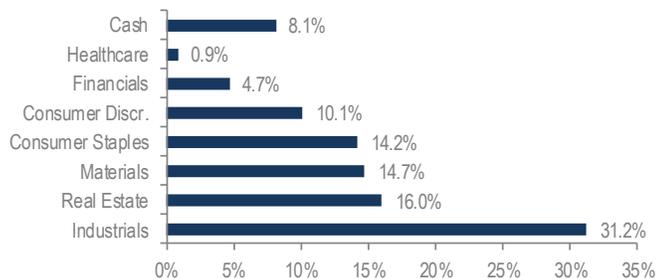
Fund Activities

The portfolio value increased by 6.4% in January. The portfolio increased exposure to Phu My Fertilizer (DPM), the leading Vietnamese urea producer with a market share of over 40%. At the January closing price, DPM was trading at an EV/EBITDA of 4.2x, still rather undemanding. In addition, DPM has been paying regular dividends and at the current price, its 2018F dividend yield is estimated at 8.2%. DPM shares rose 13% in January.

The portfolio exited from PetroVietnam Drilling (PVD), from PetroVietnam Technical Services (PVS), and reduced its position in Dat Xanh Group (DXG), a property developer and broker. In the last 3 months, these shares have rallied 84%, 82%, and 71% respectively and have now exceeded our fair valuation target by a moderate margin.

At the end of January, the portfolio was trading at a 2018F P/E of 11.9x vs. 22.4x for the VN-Index.

Sector Allocation



Valuation

Valuation	P/E		EPS Growth		P/B		Yield	
	2017 (x)	2018 (x)	2017 (%)	2018 (%)	2017 (x)	2018 (x)	2017 (%)	2018 (%)
TIM VN Certificate	14.4	11.9	-17.2	19.9	1.7	2.1	3.8	3.7
FTSE VN TR	23.5	20.4	9.3	15.2	3.4	3.1	1.1	1.5
VN Index TR	26.1	22.4	15.9	16.2	3.6	3.3	1.6	1.7

Investment Objective and Strategy

Objective: Add value for risk-conscious long-term investors to benefit from future growth in emerging Vietnam, which stands at the beginning of industrialization.

Strategy: A pure bottom-up stock picking approach, based on fundamental analysis of the underlying business and fair price valuation. All assessments are reviewed at least on a quarterly basis or when there is new information deemed to have material impact on valuation. This approach provides us with a high level of confidence, which is especially valuable in times of market overreactions.

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