SSI ASSET MANAGEMENT COMPANY LIMITED (SSIAM)

SSI SUSTAINABLE COMPETITIVE ADVANTAGE

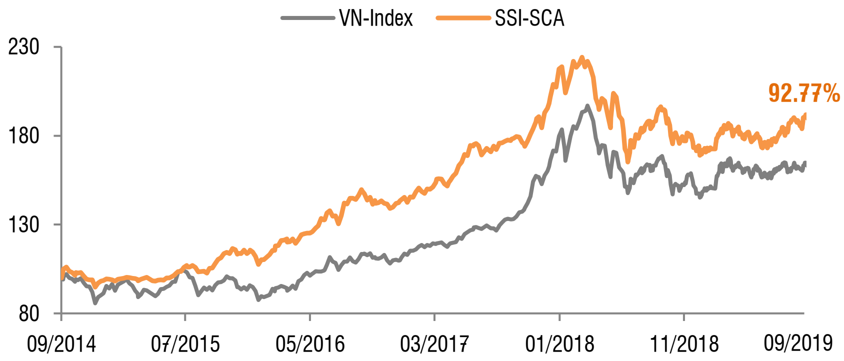
SSI-SCA FUND MONTHLY REPORT

September 2019

FUND PERFORMANCE

	NAV/Unit (VND)	Performance (%)			
		1 month	Year-to-date	Annual Average	Since Inception*
SSI-SCA	**19,277.10**	2.22%	10.61%	13.99%	**92.77%**
VN-Index		1.27%	11.65%	10.47%	**64.73%**

Inception: 26 September 2014



FUNDAMENTAL METRICS

P/E (12 months)	9.79x
P/B	1.97x
ROE	21.52%
Dividend Yield	2.03%

Source: Bloomberg, SSIAM

FUND MANAGERS' COMMENT

Q3 macro data indicated a resilient Vietnamese economy amidst global slowdown and volatility. Vietnam is considered a main beneficiary of the trade war thanks to production re-allocation from China, indicated by buoyant FDI and widened trade surplus. On the other hand, global slow down and protectionism pose downside risks to manufacturing and exports. Despite external volatility, the economy has plenty of room to further accelerate growth as sluggish public investment has been hampering growth for years and interest rate levels remains high. Fiscal expansion has been muted as the aggressive anti-corruption policy has resulted in idling of new projects. Meanwhile, monetary policy management is in a favourable condition thanks to muted inflation pressure and stable local currency. Should the government manage things well, Vietnam can seize this opportunity to exploit its young, active population, coupled with rising income to maintain solid, high economic growth in the coming years.

Vietnam posted robust GDP growth in 3Q19 that was well above expectations. The economy expanded strongly at 7.31% yoy this quarter, higher than that of 3Q18 (6.88%), only lower than the growth in 3Q17 (7.46%). GDP growth in the first 9 months amounted to 6.98%, highest in the past 9 years.

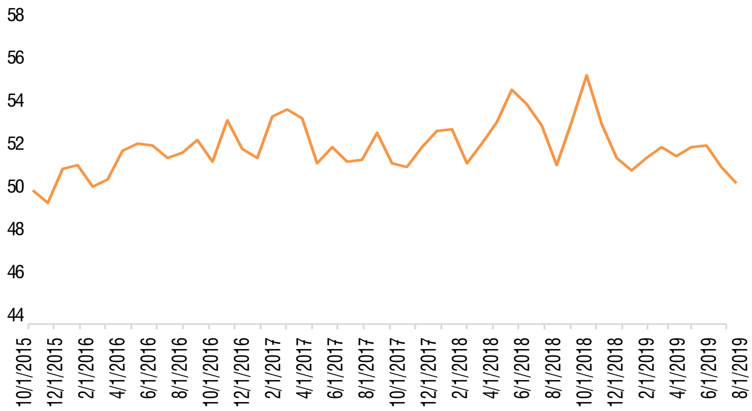
Vietnam real GDP Growth

Source:GSO

FUND MANAGERS' COMMENT (CONTINUED)

Manufacturing continued to lead the remarkable growth rate in 3Q19 with 11.68% yoy, contributing 2.31% to the total growth of 7.31%. Besides that, despite the sluggishness of the property market in Ho Chi Minh City given limited new launches, the construction sector still registered ample growth of 8.99% yoy. The Vietnam Manufacturing Purchasing Managers' Index (PMI), despite remaining in expanding territory, fell to 50.5 in Sept (vs 51.4 in Aug), which is the lowest reading in seven months. This weaker growth was attributed to a slowdown in output and new orders as US-China trade tension affected global demand.

Vietnam Manufactoring PMI



Source: IHS Markits

The rebound of the mining sector is also worth watching after 3 straight years of declines. Coal output surprisingly shot up in Q3 with a growth rate of 19.4% yoy. Demand by electricity generators played a decisive role as the water level of hydro power factories was particularly low even at the beginning of the rainy season. Additionally, the basic metal mining activities also surged by 31.2% yoy.

By expenditure, final consumption growth was quite high at 7.46% yoy while capital formation posted even more impressive rate with 8.44% yoy. Total retail sales of goods and services maintained the robust growth momentum with 11.6% yoy in the first 9 months. Excluding the price factor, the average increase was 9.2% yoy, higher than that in the same period in 2018 (9.1%).

Trade surplus widened thanks to production shift from China. According to the GSO's estimate, in 3Q19 exports were estimated to reach USD71.7 bn (+10% yoy) thanks to surging exports of electronics, computers and components (21.4% yoy). Meanwhile, 3Q19 estimated imports increased to USD67.5 bn (+8.9% yoy), mostly driven by the escalation of electronics, computers and components import (+30.3% yoy).

Exports and imports in 9M19 reached USD194.3 bn (+8.2% yoy) and USD188.42 bn (+8.9% yoy), respectively, resulting in a trade surplus of USD5.9 bn that expanded from the USD3.4 bn surplus recorded at end of August. However, the trade deficit with China was still very large and increased sharply (about USD27.7 bn, up about 50% compared to the same period in 2018).

Domestic enterprises have been opportunistic and have utilized the US-China trade war quite well, as shown by the high export and import growth (16.4% and 14% yoy, respectively). So, Vietnamese export growth should be the highest in the Asia, one of the factors confirming that Vietnam is a major beneficiary from the current trade war (not to say the FDI inflow).

Regarding export markets, in the first 9 months of 2019, the US continued to be Vietnam's largest export market with a turnover of USD44.9 bn, up 28.2% yoy; followed by the EU with USD31.1 bn, down 0.7% yoy; China reached USD27.8 bn, down 3.8% yoy; the ASEAN market posted USD19.4 bn, up 4.7% yoy; Japan reached USD15.1 bn, up 10% yoy; South Korea registered USD 14.5 bn, up 8.1% yoy.

Disbursed FDI remained buoyant yet Registered FDI slowed due to a lack of large projects.

Total disbursed FDI rose 7.2% yoy to USD14.22 bn in 9M19. Meanwhile, FDI pledges fell 20% yoy to USD15.8 bn. The reason for this decline was due to a lack of large projects so far this year and weaker property investment. The manufacturing and processing sector attracted USD12.4 bn, +9.6% yoy, accounting for nearly 78.5% of total FDI pledges in 9M19, followed by the real estate sector with USD1.1 bn. The high registered FDI of manufacturing & processing sector is a positive sign and further evidence that Vietnam is benefitting from manufacturing relocation from China. For newly registered FDI, China (including Hong Kong) is still the top investor in Vietnam (USD3.3 bn, 29.8%), followed by Korea (USD2.1 bn, 19.1%) and Japan (USD1.6 bn, 14.4%).

FUND MANAGERS' COMMENT (CONTINUED)

Prolonged trade tension between the US and China should quicken the shifting trend of investment and production from China to neighbouring countries in the region, including Vietnam. Meanwhile, Vietnam's advantages such as its geographic location, macro stability, competitive labour costs and long list of FTAs, among others, should also help Vietnam to attract FDI from other markets.

Sluggish disbursement for investment and development remained bottleneck for growth.

According to the GSO's estimate, as of September 15, State budget revenue amounted to VND 1,029 tn (USD44.7 bn), achieving 72.9% of the FY2019 plan. However, State expenditures inched up to VND 962.2tn (USD41.8 bn); this accomplished just 58.9% of the annual plan due to slow disbursements for investment and development.

Generally, in 9M2019, the total social investment capital at current price was estimated at VND 1,378.3tn (USD59.9 bn, up 10.3% yoy), equalling 34.3% of GDP, including: capital of the state sector was USD18.5 bn, up 3% yoy, accounting for 31% of the total capital; the non-state sector reached USD27.1 bn, +16.9% yoy, accounting for 45.3% of total; FDI sector posted USD14.2 bn, up 8.4%, accounting for 23.7%. In the investment capital of the State sector, the capital from the State budget in 9 months was estimated at USD9.74 bn, equalling 59.7% of the full year plan and up 4.8% against the same period last year (the same period of 2018 was equal to 60.7% and increased by 11.4%).

The sluggish disbursement of public investment that has lasted for more than 10 years continued in the first 9 months of 2019. This is one of the major bottlenecks of the economy, causing negative consequences and challenges for economic growth momentum. In fact, it requires more drastic measures in the near future.

Total investment by ownership

Growth	9M2017	9M2018	9M2019
State investment	7%	3.3%	3%
Private investment	16.6%	17.9%	16.9%
Foreign investment	13.5%	9.1%	8.4%
Total	12.3%	10.6%	10.3%

Source: GSO

CPI in September 2019 increased by 0.32% mom and 1.98% yoy, driven by:

(i) the rise of education services given that the provinces are implementing the roadmap to increase tuition for the new school year;

(ii) the price of pork increased due to the impact of the African swine cholera and the price of rice & fresh food rose in some areas affected by floods.

As of Q3-end, CPI has increased 2.2% from the end of 2018. Average CPI in 9M19 posted at 2.5% yoy, lower than the increase of 3.57% in the same period of 2018 and is the lowest level over the past three years.

This increase is mainly fuelled by:

(i) food and catering services contributed 50.06%;

(ii) housing and construction materials accounted for 17.12%;

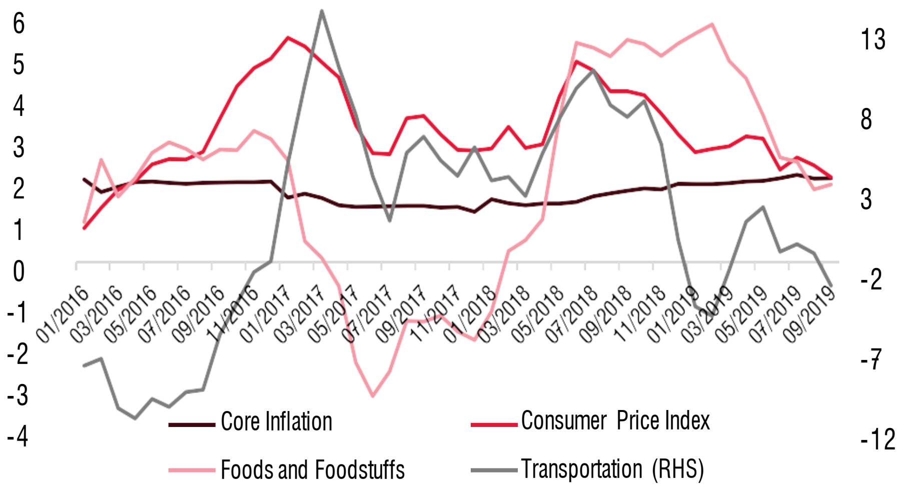
(iii) the educational group contributes 14.48% to the increase. In terms of dampeners, the gasoline price decline helped take the edge off inflationary pressures in the economy.

Acceptable levels of inflation likely explain why the central bank lowered its policy rate by 25 bps two weeks ago, as well as why the government lowered the inflation target from 4% to 3.5% at end of September. With the low level of inflation in 9M19, it is likely that inflation will be controlled at a low level of 3-3.3% in 2019.

The VND remains strong despite weakening the Yuan. Despite the Yuan hitting an 11-year low due to the escalating trade tension, the VND has remained one of the most stable currencies vs the USD thanks to ample foreign inflows. The Dong depreciated by 0.1% against the USD in September. As of Sept 30, the USD/VND central exchange rate was quoted at 23,161; equivalent to a depreciation of 1.47% YTD against the USD.

FUND MANAGERS' COMMENT (CONTINUED)

Vietnam Consumer Price Index



Source: GSO

Given the trade surplus of USD5.9 bn, current account surplus (around USD10 bn by now, >3% GDP), and a budget surplus (as public investment is slow), pressure on the local currency is minimal. As a result, we expect that the VND will maintain its stability for the foreseeable future.

Deposit rates increased slightly in 3Q19. In the first several months of the year, deposit rates tended to increase at various terms. By the end of August, deposit rates reached the level of 10% at their peak (5-year deposit certificates of some small and medium-sized commercial banks).

The reasons for the recent 3-month deposit interest rate increase are:

(i) meeting the demand for credit growth, which often increases at the end of the year;

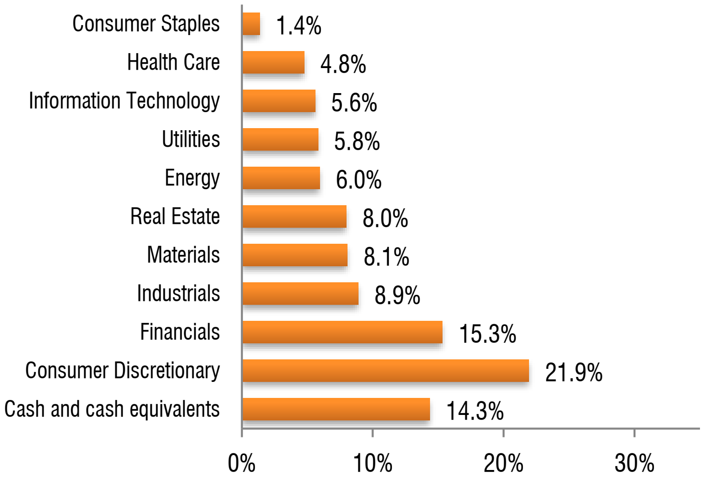
(ii) meeting the requirements of capital adequacy ratios according to Basel II standards from 2020 and gradually reducing the amount of short-term capital used for medium & long term lending; and

(iii) competition from the corporate bond market.

Lending rates are generally stable. The SBV's decision (September 13) to reduce the operating rate (refinancing rate, rediscount interest rate, open market interest rate, etc.) is expected to support liquidity, helping stabilize lending interest rates in the context that deposit rate has increased recently.

Credit growth is slow, year-end forecast is at 13-14%. According to the latest figures of the SBV, as of September 20, 2019 the credit increased by 8.4% YTD, which is the lowest increase in the last 3 years. However, in the context of more and more additional sources of funding (private, FDI, bonds, stocks, etc.) and the fact that the credit structure is getting better monitored, this increase is quite reasonable. With the seasonal factors, credit growth will be better from now to the end of the year and the whole year may reach 13-14% according to the plan. On the other hand, deposit growth posted at 8.68% YTD.

ASSET ALLOCATION BY SECTORS (% NAV)



TOP HOLDINGS AS OF 30/09/2019

Stock	Company Name	Sector	% NAV
MWG	Mobile World Investment Corporation	Consumer Discretionary	13.6%
HPG	Hoa Phat Group Joint Stock Company	Materials	7.6%
MBB	Military Commercial JSC	Financials	7.4%
FPT	FPT Corporation	Information Technology	7.2%
PHR	Phuoc Hoa Rubber JSC	Consumer Discretionary	3.4%

FUND FACTS

Name of the Fund	SSI Sustainable Competitive Advantage Fund
Fund code	SSI-SCA
Nature of the Fund	Open ended fund
Inception date	26/09/2014
Fund operating period	Unlimited
Fund Management Company	SSI Asset Management Co., Ltd. www.ssiam.com.vn
Supervisory Bank	Standard Chartered Bank (Vietnam)
Distributors	SSIAM, SSI, BVSC, VCBS, ACBS, VNDIRECT, MBS, HSC, VGS
Dealing date	Daily (Day T)
Cut-off time	Before 15:00 pm on Day T-1
Minimum subscription amount	VND 2,000,000

INVESTMENT OBJECTIVES

The Fund pursues long-term capital appreciation and regular return through investment in companies with sustainable competitive advantages and fixed income assets.

The Fund shall apply active investment strategy, focusing on listed securities of companies with sustainable competitive advantages, high market share, good corporate governance, healthy financial conditions, good capabilities of operation in disadvantageous market conditions and attractive valuation compared with the potential growth in the future of the company.

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