

Vietnam Investment Update

Krung Thai CLMVT Equity Fund (CLMVT)

“This fund’s investments are highly concentrated in Vietnam. The investor should also ensure that one’s own investment portfolio has sufficient risk diversification.”

Source: Conference call with Ho Chi Minh City Securities Corporation (HSC) (on 22 Sep. 2021) and views of the fund managers of (on 27 Sep. 2021)

Summary **Positives (+) Vietnam** remains a country exhibiting high economic growth for 2021 and 2022. Furthermore, "Vietnam is the only country in the region that achieved economic growth in 2020" and HSC believes the central bank of Vietnam will continue to relax monetary policy going forwards to support economic recovery throughout the remainder of this year. **Negatives (-)** The latest wave of Covid-19 infections may impact Vietnam's economy more heavily than previous waves.

Views from KT-CLMVT fund managers The year-to-date performance of the Vietnam index ranks among the best compared with many other countries, as very low interest rates encouraged local investors to seek better returns available in the equity market. **This is evidenced by continued growth of new retail brokerage account openings and daily trading volumes now reaching the US\$1 billion level.**



In addition, **the government is accelerating spending through public investments and infrastructure projects to stimulate the economy from Q4 2021 onwards.** Also included are supporting measures such as low interest credit, tax breaks, and cuts in various public service fees. These factors are expected to help boost the index beyond the 1,450 level by the end of the year for an upside of about 7%. **In the short term, we may see some market volatility when infection numbers, economic data, and Q3 corporate earnings are released. Expect some weakness as many businesses are affected by Social Distancing measures** which suspended business activities or reduced output at factories to curb infection numbers. These factors, however, are **likely short-term as Vietnam’s overall economy is on solid footing and capable of making a sharp recovery when conditions improve as we saw in the quick rebound after the first wave. Vietnam remains an attractive long-term investment.**

Vietnam's Macro Economic

This latest wave of Covid-19 infections may have a bigger impact on the economy than previous waves. The new Delta variant is more infectious while Vietnam has a relatively low vaccination rate compared to other countries in the region. This means Vietnam may take longer to deal with this current wave and we may see some impact on its GDP this time. **HSB has revised down its economic growth forecasts for 2021 and 2022, from previous levels of 5.89% and 7.70%, to 4.46% and 6.80%, respectively.** The latest level of lockdown is strictest, at a time when global economic growth is losing some momentum. Vietnam's retail sales and exports have begun to slow down noticeably in August.

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
CPI (y/y%)	3.17	3.39	3.18	2.98	2.47	1.48	0.19	-0.97	0.70	1.16	2.70	2.90	2.41	2.64	2.82
Retail Sales (y/y%)	0.2	3.2	10.9	4.7	6.8	7.9	7.0	3.1	3.9	7.5	29.9	-2.1	-9.8	-26.1	-33.7
Export (y/y%)	5.4	8.6	7.1	16.6	12.0	10.6	22.7	55.1	-3.8	23.5	50.8	36.6	20.4	11.9	-1.7
Import (y/y%)	5.9	-2.6	1.5	12.5	8.9	15.6	24.5	41.3	9.9	29.0	47.7	57.9	34.3	31.8	20.4
Indust. Prod. (y/y%)	7.0	1.1	-0.6	3.8	5.4	9.2	9.5	22.2	-7.2	3.9	24.1	11.8	4.9	2.2	-7.4
Markit PMI Index	51.1	47.6	45.7	52.2	51.8	49.9	51.7	51.3	51.6	53.6	54.7	53.1	44.1	45.1	40.2
Interbank Rate (ON)	0.15	0.21	0.16	0.13	0.11	0.10	0.15	0.33	0.34	0.26	0.90	1.54	1.13	0.97	0.63
Currency (VND:USD) (y/y%)	-0.54	-0.15	-0.11	-0.11	-0.13	-0.26	-0.30	-0.67	-0.99	-2.37	-1.58	-1.01	-0.82	-0.99	-1.77
VN-Index (y/y%)	-13.14	-19.49	-10.41	-9.17	-7.34	3.33	14.87	12.81	32.45	79.83	61.15	53.63	70.71	64.09	51.02
Currency (VND:USD)	23,195	23,165	23,165	23,175	23,165	23,125	23,085	23,035	22,995	23,065	23,035	23,030	23,005	22,935	22,755
VN-Index	825.11	798.39	881.65	905.21	925.47	1,003.08	1,103.87	1,056.61	1,168.47	1,191.44	1,239.39	1,328.05	1,408.55	1,310.05	1,331.47

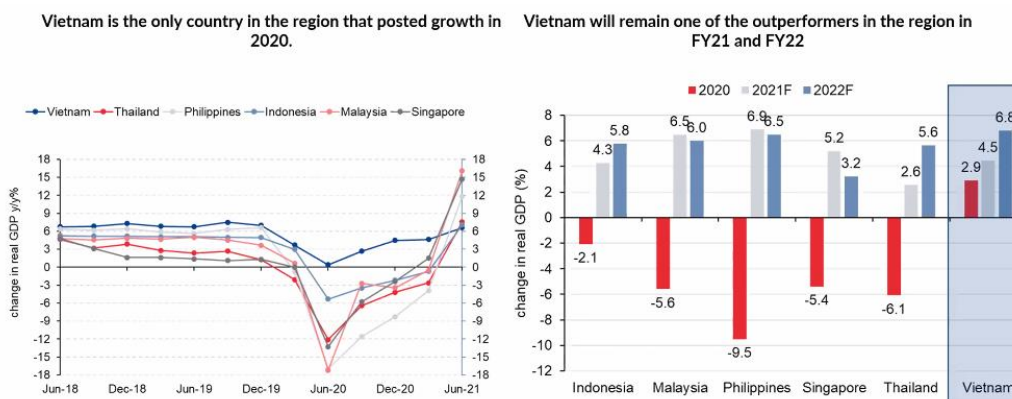
"Past performance does not guarantee future performance"

Source: HSC (as of 31 August 2021)

Real GDP Growth for Vietnam in the first half of 2021 stood at **+5.64% YoY** slightly below the government's official forecast of **+5.8% YoY** (source: HSC, data as of 31 August 2021).

However, if we compare Vietnam's economic growth against countries in the same region,

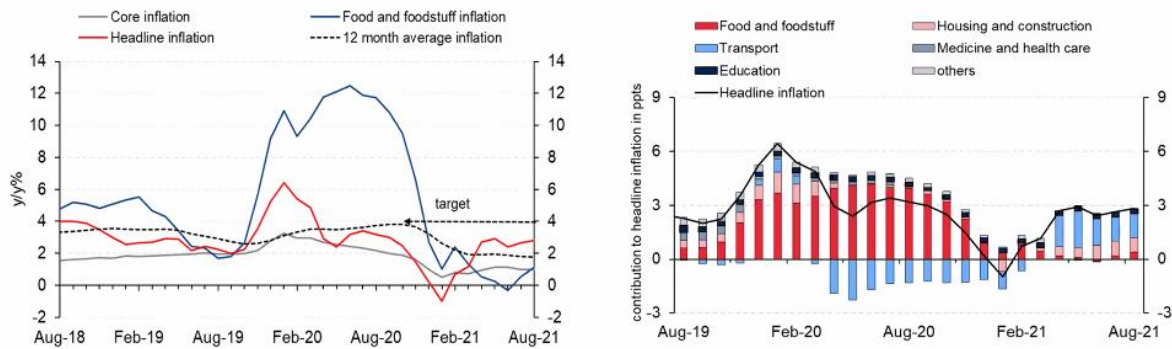
Vietnam still ranks high in terms of economic growth for 2021 and 2022 and "Vietnam remains the only nation with positive economic growth in 2020."



"Past performance does not guarantee future performance"

Source: HSC (as of 31 August 2021)

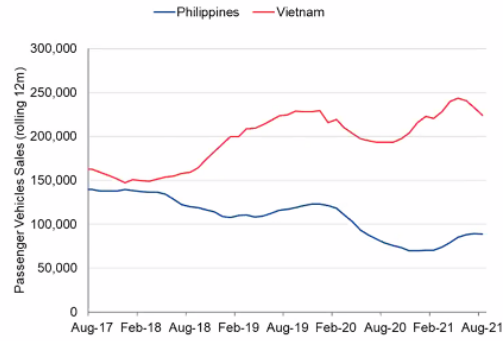
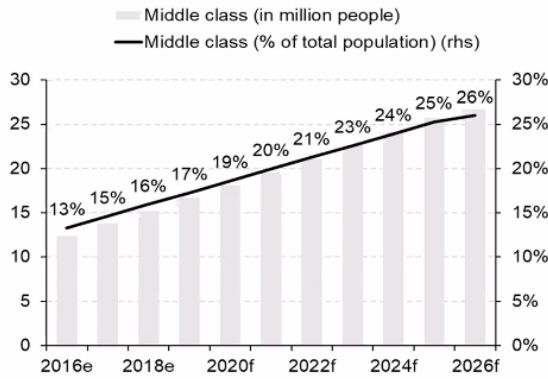
Inflation and monetary policy outlook for Vietnam HSC expects Vietnam’s inflation for 2021 at 2.3% which is in-line with the government’s official forecast, but markedly lower than the figure estimated by the central bank (State Bank of Vietnam or SBV) of 4%. HSC therefore views that the central bank will apply loose monetary policy going forwards to support economic recovery for the rest of this year.



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Source: HSC (as of 31 August 2021)

Economic drivers for period ahead

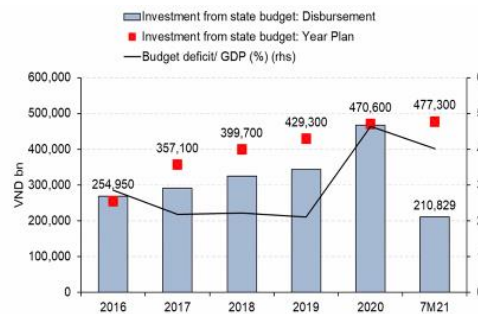
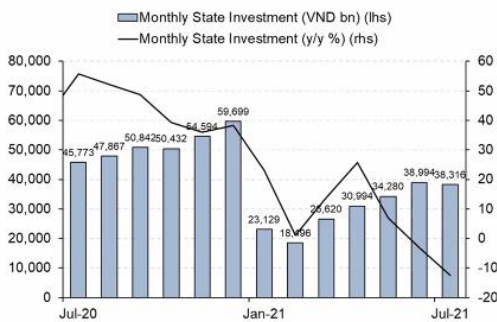
1. **Easing of lockdown measures in several parts of Vietnam** such as Hanoi will help private consumption, a major pillar for Vietnam’s economy which is poised to rebound in the coming months. Although Vietnam will be affected by the new wave of Covid-19 infections, **consumption growth remains strong for the middle class**, estimated at 20% of the population in 2021, rising to 26% by 2026. When compared to other nations with a similar population size and per capital income such as the Philippines, private automobile sales in Vietnam has already outpaced the Philippines, thereby illustrating the strong purchasing power of Vietnam’s middle class.



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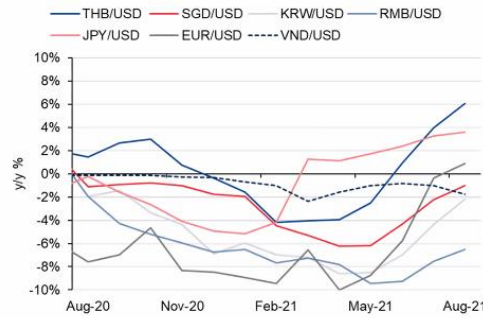
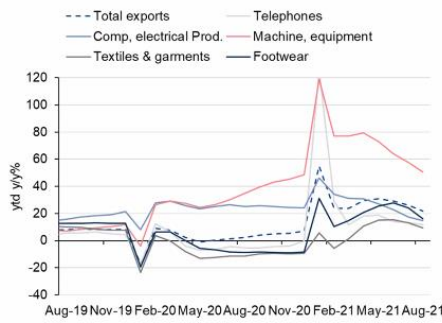
- Fiscal policies to stimulate growth** include extensions to tax payment deadlines, such as for VAT, personal income, corporate tax, and property taxes. The government is also targeting to accelerate spending to achieve 95-100% of the budget for the year. In the first 8 months of the year, the government has only spent 51.1% of its budget (244.9 trillion VND compared with the budget of 477.3 trillion VND).



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Source: HSC (as of 31 August 2021)

- Foreign direct investment (FDI)** for the first 8 months of 2021 grew by +2.0% YoY, in comparison to -5.1% YoY in the same period last year. Newly registered FDI capital increased by +16.3% YoY in the first 8 months of 2021, up from +6.6% in the same period last year.
- The export sector is likely to expand again along with global recovery.** Although exports for the latter half of 2021 will moderate to single-digit levels due to lockdown measures disrupting output, HSC views that a global recovery will help restore vibrancy to Vietnam's exports. Furthermore, recent trends in Vietnam's currency suggests that it will weaken slightly, hence positive for exports.



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Source: HSC (as of 31 August 2021)





Investment policy of KT-CLMVT The fund invests in companies listed on the stock exchanges of Cambodia, Laos, Myanmar, Vietnam, and Thailand (CLMVT), including companies located elsewhere that has a business operation and/or benefits from economic growth of these countries, or a majority of its assets derive growth from the economic success of these countries. Investment allocation across these CLMVT countries are subjected to the discretion of the fund managers to suit the prevailing investment climate or outlook

Investment portfolio of KT-CLMVT At present, the **KT-CLMVT investment portfolio breakdown comprises of 70% Vietnam and 30% Thailand**, as deemed suitable for prevailing market conditions. Investments in Vietnam will **focus on sectors that will grow with the Vietnam economy over the long term such as (1) banking sector** as access to banking services are still small and banks will benefit from the economy’s expansion, especially consumer finance and upside for fee income as the financial system becomes more developed there (i.e. Bancassurance and bond/investment securities trading), **(2) property sector** as rising income and urbanization rates, coupled with smaller average household sizes, will increase demand for residential properties, **(3) food and beverage sector** will benefit from favorable demographics given the majority of the population are under 30 years old and constitute the middle class. This means purchasing power looks strong going forwards, especially the premiumization of goods consumed as well-being improves. **(4) energy and infrastructure sectors** will ride the growth in demand for energy and electricity. Existing transmission lines and power plant capacity are lagging demand; likelihood of power shortages is growing. Furthermore, the government is promoting Renewable Energy which will play an increasing role. **(5) steel sector** will benefit from infrastructure development in the



country, including economic stimulus programs involving public investment in infrastructure projects. The fund will select companies which are sector leaders with strong financial standing and use the VN30 as a benchmark.

Examples of Top Holdings in Vietnam

Company	Weight	Highlights
	6.82%	A leading steel producer with a market capitalization among the Top 50 on the Vietnam stock exchange. Revenue is derived from 4 products namely construction steel (main revenue source), building materials, property, and agriculture.
	5.32%	One of Vietnam's leading banks and a major player in the credit card business with 18% market share of transactions (data as of 2018)
	5.04%	A company specializing in food and beverage, including agricultural products. Meat production and distribution account for 70% of total revenue. Subsidiaries include companies in banking and mining.
	4.13%	The largest milk and dairy product producer in Vietnam with a factory network spanning 15 locations across Vietnam, Cambodia, and the US. The company produces over 250 products such as drinking milk, powdered milk, yoghurt, sweetened condensed milk, condensed mock cream, ice-cream, cheese, soybean milk, etc. Currently its products are sold in 55 countries globally.

“Contents provided are for information purposes. This report is not an advice to purchase or sell investment products in any way”

Source: KTAM (data as of 31 August 2021)

More details about the fund is available at

<https://www.ktam.co.th/mutual-fund-detail-document.aspx?IdF=212>

“The investor should familiarize oneself with the product's features, conditions regarding returns and risks, before making a decision.”

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“The investor will be exposed to foreign currency risk and the exchange rate of the local currency against the Thai Baht. This may result in your ending balance to be lower than the original sum invested when the fund is redeemed. This fund hedges against foreign currency risk but at the discretion of its fund managers. When the fund is not fully hedged against all foreign currency risks, the investor may incur a loss or gain from the exchange rate, or may have an ending balance lower than the original sum invested”

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