

January 2020

### FUND PERFORMANCE

	NAV/Unit (VND)	Performance (%)			
		1 month	Year-to-date	Annual Average	Since Inception*
SSI-SCA	<b>17,588.95</b>	-2.87%	-2.87%	11.13%	<b>75.89%</b>
VN-Index		-2.54%	-2.54%	8.51%	<b>54.82%</b>

Inception: 26 September 2014



### FUNDAMENTAL METRICS

P/E (12 months)	9.10x
P/B	1.68x
ROE	19.84%
Dividend Yield	2.75%

Source: Bloomberg, SSIAM

### FUND MANAGERS' COMMENT

The VN-Index re-opened in reds after the long holidays which erased all of YTD gains. The benchmark declined 5.5% in just two days after coronavirus outbreak spreading panic selling in the stock markets globally.

In recent days, the Vietnamese government has been very proactive and on high alert towards the mitigation and eradication of this virus. Guidance and directions on how to tackle the public health challenge have been issued at the top level via Directives from both the Politburo and the central government.

It is still challenging to estimate actual impacts on the economy although in the previous case, SARS, the impact on Vietnam economy was muted, while this time the scale is much greater indeed. Some sectors, however, would witness vivid consequences at least in the short run, to name a few: Airlines, Airports, Tourism and Consumer. Some might be beneficiaries such as pharmaceuticals while some should be unharmed including utilities, technology.

In the short term, our fund will certainly be adversely affected. Although we do not have airlines stock in the portfolio and we do have a certain allocation to the pharmaceutical, technology and utilities which are relatively resilient, our large investment in retails and correlation with the whole market will drag down performances. We were down similarly to the benchmark of over 2% in January, MWG, FPT, and ACV were main draggers whilst small allocation to pharmaceutical and PNJ did contributed somewhat positively. We sold PNJ on its strength last month as we believe growth in 2020 onward will be likely

## FUND MANAGERS' COMMENT (CONTINUED)

to slow, the company is benefiting from rising gold prices which are driving stock price to perform relatively well in January. We expect re-rate in valuation. (We also reduce allocation to MBB as we believe asset quality is deteriorating and the bank seems to accept more risk towards short term growth. Overall allocation in bank will be similar as we are looking to another option.)

In the past, there have been panic-like sell offs associate with “black swans” in the past which happened once or twice in a year, to remember some such as the arrest of Mr Kien (ACB) in August 2012 (VNINdex -13% in a week), The East sea incident (May 2014, Vnindex -12% in a week) as well as other events including the US election, Brexit. However, none of those resulted in permanent damage to the stock market, in contrast, those posed great buy opportunities in short and medium terms so we would view this one similarly. Although it would take months for the stock markets to recover, taking more exposure to high quality, sound fundamentals stock when market is irrationally and panickily sold off normally brings decent return afterwards.

Earnings season is coming and we are having access to 4Q and 2019 earnings of listed companies and our holdings.

Market earning growth reach 21% in 4Q and 14% in 2019 yet the growth was attributable to VHM and banks which grew 168% and 43%, respectively. Low base effect of banks earnings in 4Q18 was also one of the reasons, while Vingroup related companies (VHM VRE and VIC) grew 73.3% altogether. Banks grow 40% in 4Q and 29% in 2019. The rest would be well at lower end of single digit-growth. Such data also showed quite divergence of earnings and also stock price performances.

Our top 10 earnings in 4Q were decent although there was some disappointment in FPT, PC1 and especially PHR which we mentioned in the previous report.

4Q2019 vs 4Q2018 growth								
	(VND bn)	Revenue	Gross profit	Operating profit	EBIT	EBITDA	PBT	EAT
MWG	2019	25,411	5,365	1,151	1,336	6,420	1,180	860
	Growth	21%	43%	25%	30%	26%	28%	24%
FPT	2019	8,120	3,071	1,035	1,278	5,462	1,157	972
	Growth	17%	19%	22%	7%	27%	4%	5%
HPG	2019	17,975	2,836	2,460	2,555	12,381	2,285	1,923
	Growth	25%	11%	14%	17%	-3%	12%	9%
ACB	2019	0	0	0	1,955	0	1,955	1,549
	Growth				21%		21%	13%
VHM	2019	14,184	10,018	7,785	9,228	23,452	8,645	6,858
	Growth	-14%	266%	339%	73%	198%	92%	168%
PLX	2019	49,340	3,557	1,083	1,604	6,890	1,405	1,132
	Growth	1%	8%	27%	19%	1%	25%	22%
MBB	2019	0	0	0	2,420	0	2,420	1,927
	Growth				38%		38%	39%
TDM	2019	93	44	42	104	265	92	90
	Growth	10%	-23%	-23%	42%	18%	51%	53%
PC1	2019	1,568	172	112	120	756	72	57
	Growth	4%	11%	18%	3%	-7%	-5%	0%
PHR	2019	474	100	59	-127	362	-150	-128
	Growth	-30%	29%	22%	-144%	49%	-155%	-153%



## FUND MANAGERS' COMMENT (CONTINUED)

Y2019 vs Y2018 growth								
	(VND bn)	Revenue	Gross profit	Operating profit	EBIT	EBITDA	PBT	EAT
MWG	2019	102,174	19,488	4,977	5,622	23,727	5,053	3,836
	Growth	18%	27%	29%	33%	30%	33%	33%
FPT	2019	27,717	10,711	4,118	5,031	20,040	4,665	3,912
	Growth	19%	23%	32%	23%	18%	21%	21%
HPG	2019	63,658	11,185	9,743	10,033	49,196	9,097	7,578
	Growth	14%	-4%	-8%	-5%	-4%	-10%	-12%
ACB	2019	0	0	0	7,516	0	7,516	5,997
	Growth				18%		18%	17%
VHM	2019	51,826	27,360	23,111	31,963	60,522	29,658	24,206
	Growth	34%	187%	222%	47%	341%	53%	66%
PLX	2019	189,642	14,390	5,064	6,703	27,642	5,907	4,880
	Growth	-1%	4%	6%	13%	4%	16%	19%
MBB	2019	0	0	0	10,036	0	10,036	8,069
	Growth				29%		29%	30%
TDM	2019	346	183	177	253	1,023	211	204
	Growth	21%	-1%	-1%	21%	30%	35%	36%
PC1	2019	5,842	816	591	601	3,108	431	375
	Growth	15%	-5%	-8%	-16%	12%	-25%	-23%
PHR	2019	1,633	389	274	678	1,162	645	522
	Growth	5%	52%	79%	-14%	20%	-15%	-18%

\*TDM: Raw data from fiipro, unadjusted for changes in Q42018 financial statement.

Source: Fiipro, SSIAM

❖ **MWG:** 2019 results came up in line with our expectation although same store sales growth was a bit slow especially in grocery stores which store counts are growing aggressively. Increasing logistic cost as BHX growing in store counts is expected so sales per store and store counts are still important at this stage given CE and Mobile stores are slowing down. We expect margins to be improved in CE and MW stores though on the back of changes in product mix and increasing purchasing power. The stock is hit short and potentially medium term due to recent corona virus incident which was quite unfortunate given it is our largest weights. Over longer term, we appreciate the execution capability of MWG and believe current valuation is still reasonable for such a large, dominated retailer in Vietnam.

❖ **FPT:** 4Q19 especially Dec 19 results disappointed the market. Slower growth due to high base in 2018 was one of the reasons for slower Y/Y growth yet poor performance of FPT retail and lower-than-expected margins of Software were main contributors, we believe. Core earnings would have grown 26% exclusion of loss of FPT retail and on-off income from TPBank (reversal gain of ~ VND100 bn in 2018). The reported 21% growth seemed to disappoint investors after ~30% growth seen in the first three quarters. We still expect ~20% annual growth from the company in the next few years, long term outlook looks solid.

❖ **HPG:** HPG has been performing decently well in the past Quarter as earnings seemed to bottom out after suffering from Iron Ore price hike last year. 4Q earnings came out with overall number in line with our expectation (Sales +25% Y/Y, NI +8.8% Y/Y). However, steel business result was a bit lower than our expectation with profit declining 10.2% amidst 20% growth in top lines. Digging further, ~USD1 bn capex of phase 1 of Dung Quat was expensing in 4Q19 instead of 1Q20 we had assumed, depreciation and interest expense hurt margins especially in the first few months of operation where utilization rate had been low. Apart from that, everything seems to be in line with our expectation. Absolute competitive production cost, strong brand name, healthy balance sheet continues helping HPG rapidly gaining market



"Best Asset Management Company in Vietnam"  
2015, 2016, 2017, 2018



The Asset - "Fund Management Company of the Year (Onshore)"  
2015, 2016, 2017, 2018

## FUND MANAGERS' COMMENT (CONTINUED)

share especially in the South of Vietnam.

❖ **VHM:** delivered strong 4Q earnings as expected with Revenue declining 31% while NI to majority shareholders surging 152%. The whole year top line fell short of target (29% lower and -13% YoY) yet Earnings well surpassed target and increased robustly 49% Y/Y. Lower top line was attributable to higher recognition of bulk sales (lower value yet higher margins) in Vinhomes Central Park and Vinhomes Smart City. The bulk sales contributed to 52% to total sales of inventories in 2019. Legal procedures have preventing new launches in the market in 2019 and Vinhomes has been direct beneficiaries since it is amongst very few players to have abundant supply. The company delivered growth in buoyant pre-sales (new pre-sales and deposits secured + 295% Y/Y, unbilled pre-sales + 31% Y/Y). 2020 outlook remains robust as the company eyes 30% Y/Y presales in 2020 (VND120 tn), 36% Y/Y growth in sales (30% contributed by bulk sales) and 15% Y/Y growth in Net income. We still like VHM for its unrivalled position in the market and reasonable valuation. Future strategy to expand to industrial park seems reasonable given Currently very strong cashflow from operation yet it does bring some associated risk to watch.

❖ **ACB:** issued another solid 4Q19 results (+21.3% Y/Y to VND1,954 bn). Profit before tax for the full year was VND7,516 bn (+17.65%Y/Y) which completed 103.2% of their AGM plan and in line with our expectation. Customer loans grew by 16.56% Y/Y and was strongly focused in 4Q. NIMs were stable at 3.69%, therefore Net Interest Income (NII) growth was in line with asset growth (+16.88% Y/Y). Bottom line was supported by lower than expected provision expenses (-70.63% Y/Y). Assets quality was remained good (NPLs of 0.54%) and other prudential ratios were controlled.

Non-Net Interest Income (NNII) increased +8.58% Y/Y with major contribution came from better FX gains (+78.3% Y/Y to VND430.3 bn) and strong other income despite lower than a year ago (-17.34% Y/Y to VND1,500 bn). ACB received VND600 bn of recovery income from G6 (the group of 6 companies related to Bau Kien) legacy assets in 2019.

ACB achieved 26.6% Y/Y growth in net service income of VND1,896 bn. Of which, bancassurance commission increased by 151% Y/Y and contributed VND558 bn to total Net Fee Income (NFI).

Operating expenses surged 23.77% as a result of more cost allocation for technology development. The bank has set aside VND1,100 bn for digital transformation projects, as needed. Excluding the technology costs mentioned above, core operating expenses of ACB also increased by 24.1% Y/Y. 2019's CIR was 51.6% vs. 47.8% in 2018. However, core CIR was only 46.1% vs. 45.3% in 2018.

ACB has excellent asset quality with Non-Performing Loan (NPLs) of only 0.54% as at the end of 2019 vs 0.73% as at the end of 2018, implying the reduction of VND225.6 bn in NPLs as of end 2019. Loan Loss Reserve (LLR) ratio is at 175%, highest among private commercial banks.

FY 2020, for the base-case situation, the bottom line is expected to grow 15% Y/Y which is driven by 15% of NII, 30% growth of net fee income and about VND400 bn recovery from G6. After setting up the selling model, the bancassurance fee is targeted to rise 50% to VND900 bn. ACB's BOD mentions that they are going to choose an exclusive partner which can bring high amount of upfront fee from 2021. ROE, ROA will stand at high level of over 20% and 1.7% respectively. We see that ACB at 2020 PB of 1.1x is rather low compared to its historical valuation and can outperform with the catalysts of prudent growth, high ROE and huge up-front fee from bancassurance deal.

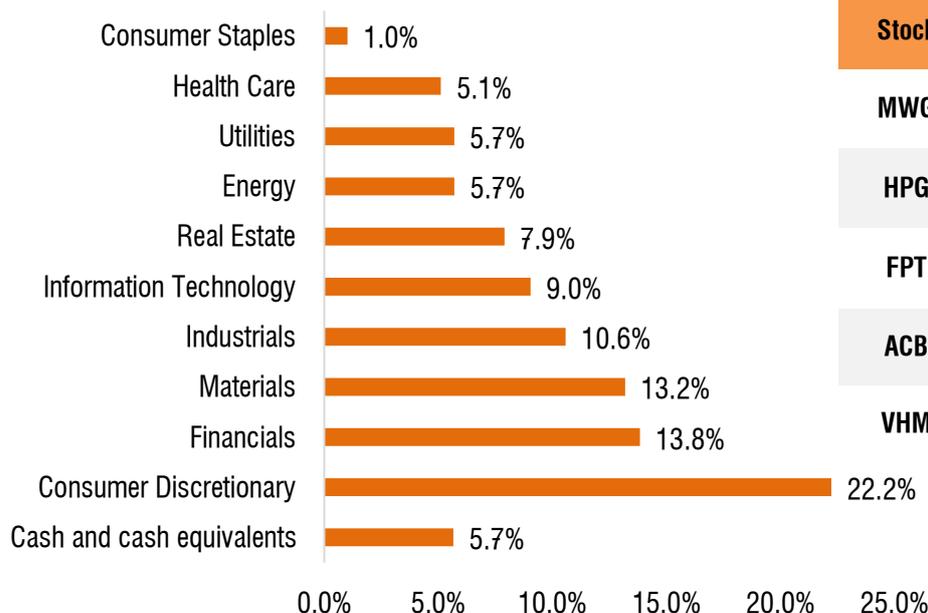


"Best Asset Management Company in Vietnam"  
2015, 2016, 2017, 2018



The Asset - "Fund Management Company of the Year (Onshore)"  
2015, 2016, 2017, 2018

## ASSET ALLOCATION BY SECTORS (% NAV)



## TOP HOLDINGS AS OF 31/01/2020

Stock	Company Name	Sector	% NAV
MWG	Mobile World Investment Corporation	Consumer Discretionary	14.5%
HPG	Hoa Phat Group Joint Stock Company	Materials	9.9%
FPT	FPT Corporation	Information Technology	9.1%
ACB	Asia Commercial Bank	Financials	4.5%
VHM	Vinhomes JSC	Real Estate	4.4%

## FUND FACTS

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

## FUND MANAGERS

**Nguyen Duc Minh**

Portfolio Manager

E: [minhnd@ssi.com.vn](mailto:minhnd@ssi.com.vn)

**Nguyen Ba Huy**

Associate Portfolio Manager

E: [huy nb@ssi.com.vn](mailto:huy nb@ssi.com.vn)

## DISCLAIMER

This document is issued by SSI Asset Management Co., Ltd. (SSIAM). Expressions of opinion contained herein are only for references and are subject to change without notice. This document is neither a Prospectus nor an offer or any commitment of SSIAM. SSIAM does not have any obligation to update, revise this document in any form in the case the opinions, forecasts and estimations in this document changes or becomes inaccurate.

This document should not be used for the purpose of accounting and tax recording or to make investment decisions. Please note that the past performance of investments is not necessarily indicative of future performance. The NAV per unit and the Fund's income can increase or decrease and could not be guaranteed by SSIAM. Investors should do their own research and/or consult experts' advices to make appropriate investment decisions.



"Best Asset Management Company in Vietnam"  
2015, 2016, 2017, 2018



The Asset - "Fund Management Company of the Year (Onshore)"  
2015, 2016, 2017, 2018