SSI ASSET MANAGEMENT COMPANY LIMITED (SSIAM)

SSI SUSTAINABLE COMPETITIVE ADVANTAGE

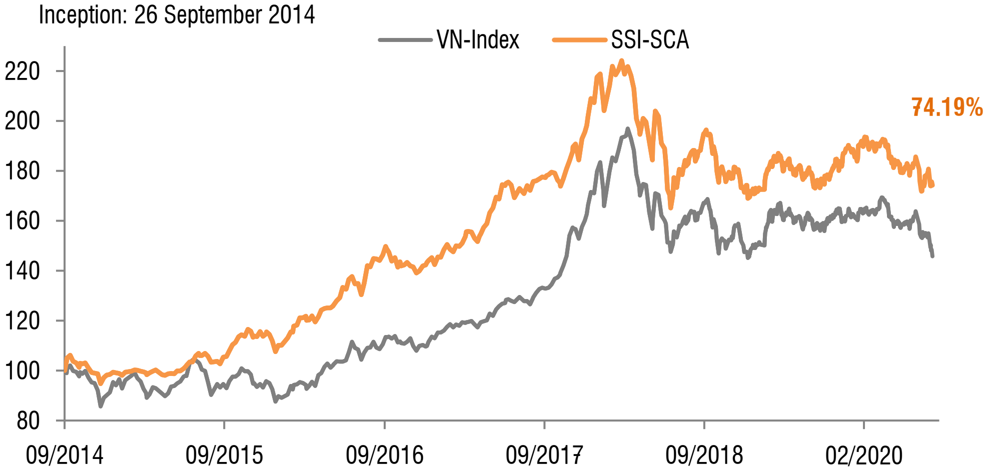
SSI-SCA FUND MONTHLY REPORT

February 2020

FUND PERFORMANCE

	NAV/Unit (VND)	Performance (%)			
		1 month	Year-to-date	Annual Average	Since Inception*
SSI-SCA	**17,419.42**	-0.95%	-3.80%	10.76%	**74.19%**
VN-Index		-5.81%	-8.20%	7.19%	**45.82%**

Inception: 26 September 2014



FUNDAMENTAL METRICS

P/E (12 months)	9.07x
P/B	1.63x
ROE	19.61%
Dividend Yield	2.90%

Source: Bloomberg, SSIAM

FUND MANAGERS' COMMENT

By the time the report is written, Vietnam is in the new round of fighting against the COVID-19 after 22 days of no new infection, as new cases surged to 30 from 16 over the weekend. In recent interview, our Deputy Prime Minister, in charge of Ministry of Healthy, mentioned that Vietnam is capable of handling ~30,000 infection and always put highest level of alert. In fact, Vietnam has been doing well in this regard and hopefully we can keep the situation under control.

The stock market, as a consequence, is expected to be negative in the short term, yet we believe after all, the pandemic is temporary and things will get back to its value in longer term, at least valuation is becoming more attractive as compared to the pre-lunar year level.

Jan-Feb economic readings looked somewhat decent, more on that at the end of the report yet we believe the actual situation is much worse particularly to those sectors that are directly impacted and of course companies with high leverage. We have some conclusions after carrying some unofficial observation at the peak period of the pandemic as some of the sectors are directly link to our investment companies.

- Consumer/Retails/Air Services: Restaurants, hotels and coffee shops may see ~70% decline in sales. Airlines, Handling Services and retails at the airport are also amongst the hardest hit. We do have over 2% of NAV in ACV and the stock collapsed 15% in the last week of February. Worst case estimate showed ~ VND40-45,000/share valuation so downside risk from current level of price is somewhat limited. Mobile sales have been quite resilient however consumer electrics might be weak during the event. Convenient/Grocery stores should do better.

- Industrial/Materials/Manufacturing: a lot of companies in the sectors are facing production disruption due to lack of materials from China. Pharmaceuticals and Textiles are amongst the group that bear the largest risk, We are known that

FUND MANAGERS' COMMENT(CONTINUED)

shipments of materials are being scheduled in March so unless China is getting much worse, these groups will be fine. Those who can control its supply chain or not dependence on Imported Materials from China are having some advantages in export and even gain more domestic market share.

- Banks would have been hardly hit in 1Q and 2Q earnings as we estimated ~15% direct and ~20-25% indirect impact on their loan book are affected by the COVID-19 event. Consequently, bad debt would have eroded earnings if the SBV had not allowed debt restructuring to impacted companies. The banks are doing fine for the time being as long as the pandemic would not last too long, leading to several bankruptcy.

- Utilities are also hampered by less energy and water consumed by manufacturers, although demand from residential remain solid.

- Other cyclical sectors might be hampered by stagnant economic activities, as an ultimate result of long-lasting pandemic. Vietnam has certain room for some stimulus and easing. The government recently announced ~$10bn preferential loan package, coupled with debt restructuring for impacted sector, also ~USD1.2 bn on fiscal side for tax break (delay VAT, CIT payment and/or land lease) for sectors that are hampered by the pandemic. The government also pushed to accelerate public investment and covert the delayed BT, BOT projects to public investment project to quicken the disbursement.

With regards to the stock market: The Vn-Index closed February in negative note, the market fell 5.8% in February and 8.3% YTD. Healthcare was the only sector that had positive return in the first 2 months (communication service was positive also, yet it consists only 2 companies YEG and SGT), although the increase in the sector might not all fundamentals. Financials surprisingly had the most defensive performance to date, -2,54%. Banks increased decently as valuation looked cheap at the end of 2019 going with several positive catalysts and the sector even contributed positively to the fund's performance in the first two months.

Our fund did better than the market, only declined 0.8% yet YTD still down -3.8%

Going through our top weights, besides FPT which should be the one with the least harm although stock price still fell 6% to date, the remaining top 5 are all hampered by the slowing down in consumption. We had expected MWG was weak in the short term as retailers are amongst the hardest hit by the COVID-19 at least everyone thinks so, medium term outlook of course is depending on how long the pandemic will last. The company seems to be running out of stocks of some of its products and demand for consumer electric might be weak during the pandemic. Mobile chain would be more defensive and grocery store is expected to do well in this situation. In recent analyst meeting, the company is determined to keep its 2020 plan unchanged, we have always known about the company's execution capability so decide to keep the position for the time being, despite short term impact on the fund's NAV.

HPG is also having negative impact as domestic demand seems slow and the operation of the second phase of Dung Quat might be delayed due to the absence of Chinese expats. However, February volume looked decent and the fact that the company is not depended on Chinese materials, it sustained production and increased export volume. Domestic sales volume of construction steel only increased modestly at 205,000 tonnes (+2.3% y/y) as a result of the Coronavirus epidemic. However, it has still managed to deliver a 16.6% m/m growth post Tet-holiday. Billet sales volume in February is a highlight of the month. HPG sold at least 110,000 tonnes of billet in February 2020, up from zero in February last year. 70% of its billet was exported.

ACB and MBB were amongst the few that contributed positively to the fund's total return in the first two months. We had sold MBB and bought back as the bank appeared to be cheap, traded under book value. ACB, on the other hand, gained 10% YTD, thanks to its low risk appetite (strong balance sheet), reasonable valuation and several positive catalysts ahead.

The market at the time like this is normally volatile, we had~15% cash before the crash after Tet holidays. The strategy is still consistent with the previous note, short term panic usually brings opportunities to buy at discount. We believe such event would be temporary, the effect might be end of 1Q, 2Q or 3Q and we would expect decent recovery once the pandemic is over,

FUND MANAGERS' COMMENT(CONTINUED)

couple with stimulus and monetary easing. The key is sticking to companies with strong fundamentals at reasonable valuation and avoiding risky holdings in companies with direct impact of the pandemic and having high leverage. After all, we believe we will get the fair value of the companies.

Below are economic readings in the first two months of 2020, Jan-Feb y/y comparison is more meaningful because of the long Tet holidays, yet as we mentioned, the actual impact on the economy is expected to be worse than that Inflation.

February CPI diminished by just -0.17% MoM, drove by transportation (-2.5% MoM – as the gasoline price dropped about -5.2%). Lower fuel costs additionally prompted a 0.03% MoM decline in housing & construction materials. Food & foodstuff prices are yet rising, yet the pork price diminished somewhat (-1.42%). Along these lines, on average 2-month CPI jumped by 5.91% YoY, and core inflation remained high at 3.1% YoY. We expect subdued inflation pressure from those elements to continue in coming months and maintain at 4.0% average inflation target for 2020.

Industrial production index (IPI) and Purchasing Managers' Index (PMI)

IPI showed a 6.2% YoY rise, very small at first glance (13.7% in 2018 and 9.2% in 2019). Covid-19's effect is there, of course, but we don't have the one-off events that drove last year's sector growth, such as the launch of Samsung or Formosa's mega-factories, or the Nghi Son refinery factory. It is also worth noting that inventory for raw materials is still adequate for the industrial sector to operate for one or two months, and that is why there were no significant disturbances in the supply chain within Vietnam as people had initially feared. In addition, all the border gates between Vietnam and China have all been reopened, and production has slowly resumed in Chinese factories. Hence, economically speaking, in March or April we are not anticipating a sudden event of death.

We have not seen any particularly large negative signals overall to date. Mobile phones and spare parts (25.5-28.9% YoY), construction steel (+28.8% YoY), coal (+10.3% YoY), natural fabrics (+8.9% YoY), energy (+8.6%) and petroleum products (+8.3% YoY) are what do well for main industrial products. While, the laggards include TV (-16.1% YoY), sugar (-11.8% YoY), cars (-11.5% YoY), beer (-9.9% YoY), NPK fertilizer (-9.8% YoY), crude oil (-8.1% YoY), and raw steel (-4.7% YoY).

The PMI index dropped to 49 from 50.6 in the previous month and below the 2019 average level of 51.5. The latest data signals in business conditions are deteriorating-for the first time since Nov 2015:

- Production output dropped at the fastest pace since Jun 2013.
- New orders fell for the first time since Nov 2015, partly due to a drop in new export orders.
- Weakening consumer demand, leading to a decline in business buying practices (of which consumer goods and intermediate products have had the greatest impact).
- Negative effects of the epidemic on the supply chain contribute to shortages of raw materials and increased production costs. At the same time consumer demand has decreased, the output price remained low.

FDI

It jumped 71% YoY to USD5.64 bn for registered FDI, mainly thanks to the USD4.0 bn mega-project of Delta Offshore Energy (American investment via a Singapore vehicle) during Jan. The biggest projects for Feb are all from China to manufacture truck and bus radial tyres (TBR) in Tay Ninh (new and additional investment totalling USD438 mn from Jinyu Vietnam Tyre Ltd.

During the time, however, disbursed FDI is quite small, at only USD2.45 bn, or 5% lower YoY. This data could indicate the early impact of the coronavirus outbreak, so we need to look closely at the data in the months ahead to see if it will significantly improve after containing.

Trade

Exports were valued at USD36.92 bn in the first two months of 2020, up 2.4% YoY, of which the domestic sector reached

FUND MANAGERS' COMMENT (CONTINUED)

USD11.4 bn, up 6% YoY; the FDI sector reached USD25.5 bn, up 0.9% YoY. Most export data for agriculture turned out to be weak, but main exports such as mobile phones (+2.1% YoY), electronics (+29.7% YoY), and machinery (+15.9% YoY) stayed strong. Meanwhile, exports of textile & garments during the time were low (-1.8% YoY) with the reason explained below.

Import of products was valued at USD37.1 bn in the first two months of 2020, up 2.4% YoY. The domestic economic sector has been valued at USD15.4 bn, a rise of 2.7%. The foreign-investment sector hit USD21.8 bn, a rise of 2.2% YoY. Among other things, we might have reason to be concerned about the decrease in both textile imports (-10.5% YoY), as well as apparel, clothing and footwear raw materials (-10.8% YoY). It could be an early indicator of slower growth or even contraction in some of Vietnam's main exports, such as textiles & clothes, or footwear.

Exchange rate

The average central rate was 23,280 USD/VND in Feb. The rate was 23,224 USD/VND on February 28th, up 0.29% YTD and 1.38% YoY.

The dollar index grew by 0.6% in Feb compared with the end of January and increased by 0.96% YoY. The index ranges from 96.7 to 99.9 points, with 98.8 points on the monthly average. The index gained 98.13 points on February 28th.

Government supporting measures

So far, the Covid-19 outbreak has been well controlled in Vietnam, with a small count of 16 infections. In addition, all of them were discharged from hospital. Although no death toll has been reported in Vietnam, Covid-19 has taken its impact on the Vietnamese economy and the effect could be the hardest in the 1Q2020.

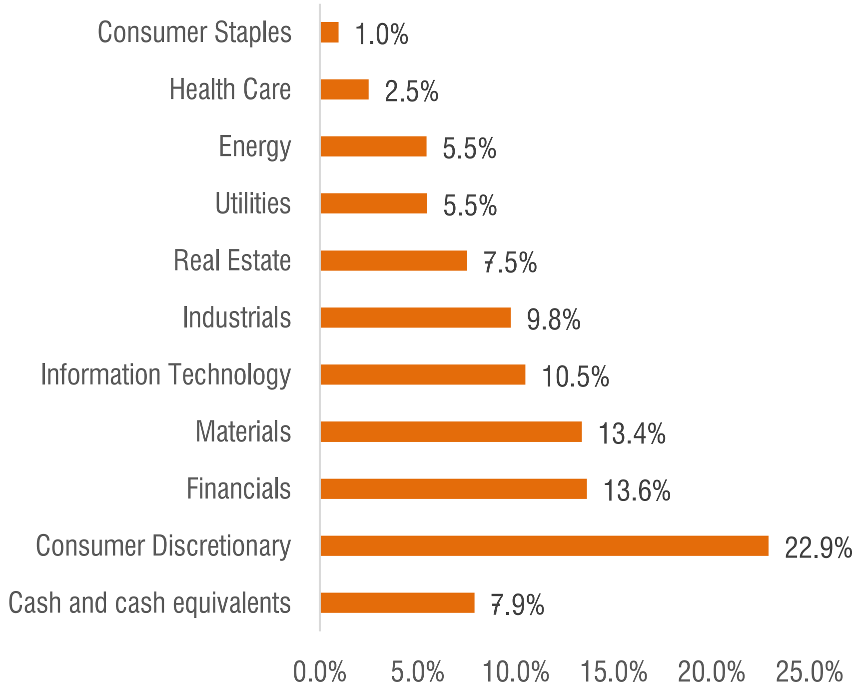
Because the government has not decided to make any revisions to its 2020 growth target (6.8-7% YoY for real growth in GDP). We assume the impact calculation will be reasonably pronounced by now. Regardless, there might not be robust supporting measures in place and the government would wait until all February data released. Accordingly, following the cabinet meeting in early March, the government could announce supporting measures via the format of the Prime Minister's directive. The debates on it up to now are as below:

Regarding monetary policy, central bank (as demanded by the government) is considering a credit package of approx. USD10.9 bn to help potentially impacted industries, such as SMEs, for farmers and cooperatives, etc. The details for this package should be submitted to the Prime Minister before March 10th. As of now, many commercial banks (such as VCB: HOSE, BID: HOSE, among others) are already offering rate cuts (100-150 bps) to impacted sectors for existing short-term lending. A wider rate cut cannot be ruled out, but the central bank may want first to see the effect of Covid-19. In order to keep inflation under control, the government has also postponed (no clear timeline given) all price hikes for electricity, healthcare, and education, etc.

On fiscal policy, there may usually be some negative impact on income from the state budget, but the government could use the increase in revenue from 2019 to fill that gap. The overall impact in that situation could be small. In addition, there are many enabling steps on the table, as follows:

- The Ministry of Finance will work out some tax incentives (tax cuts, tax breaks, no late payment fines, etc.) for the companies / farmers that are affected. Supporting measures could also be introduced in the form of lower fees or other forms of lowering the business costs.
- Aid could be used to raise demand by reducing personal income tax rates, increasing personal allowance and dependent allowance.
- Acceleration of public investment is among the steps needed to introduce growth solutions. A fiscal package of about USD1.2 bn will soon be launched.

ASSET ALLOCATION BY SECTORS (% NAV)



TOP HOLDINGS AS OF 29/02/2020

Stock	Company Name	Sector	% NAV
MWG	Mobile World Investment Corporation	Consumer Discretionary	14.3%
FPT	FPT Corporation	Information Technology	10.5%
HPG	Hoa Phat Group Joint Stock Company	Materials	9.7%
ACB	Asia Commercial Bank	Financials	4.4%
VHM	Vinhomes JSC	Real Estate	4.1%

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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