



## Lumen Vietnam Fund – Monthly Comment October 2021

### Fund Commentary

The Lumen Vietnam Fund (LVF) finished October with a positive performance of +8.08% outperforming the Vietnam All Share Index (VNAS), which finished +6.87%. In terms of year-to-date performance, the fund's NAV increased by 51.78%, outperforming the VNAS Index with YTD 46.07%, global markets, emerging markets and frontier markets.

### Asset Classes Performance in October 2021

Equities	Oct	YTD	Fixed Income (Bloomberg indices)	Oct	YTD
		2021			2021
Global Equity (USD)	5.1%	16.8%	US Gov bonds	0.0%	-1.6%
US (S&P 500)	7.0%	24.0%	EU Gov bonds	-0.9%	-2.0%
Eurozone (EURO STOXX 50)	4.3%	15.0%	US Corp bonds	0.2%	-1.1%
Switzerland (SMI)	6.2%	12.3%	EU Corp bonds	-0.9%	-6.4%
UK (FTSE 100)	4.0%	16.7%	US high yield	-0.2%	4.5%
Japan (Nikkei 225)	-3.4%	2.3%	EU high yield	-0.6%	3.1%
EM (USD)	1.0%	-0.3%			
China (CSI 300)	3.2	-14.0%			

Commodities (spot)	Oct	YTD
		2021
Gold	1.6%	-6.5%
Oil (Brent)	6.1%	60.0%

Source: Bloomberg

The Lumen Vietnam Fund's outstanding performance in October 2021 was attributed by the strong performance of Utilities, Real estate, Financials (Insurance) and Consumer Staple sectors:

- Over-weighting the Utilities sector continues to bring a good performance during the month. This sector which accounts for 6.1% in the fund but only 1.6% in the VNAS, delivered return of 22.0% in the LVF's portfolio and 16.2% in the VNAS during October.
- The real estate sector was increased significantly in October, delivering a return of 12.2% in the VNAS. The LVF has two out-performing stocks, that generated growth of 38.3% and 17.2% during the month.
- Insurance stocks, which is part of the financial sector, in the portfolio delivered performance at 10%-12%, compared to average return of 3.0% of the Financials sector in the VNAS.
- A food exporter stock in the portfolio increased by 21.9% in th share price during the month, out-performing the average of the sector.



During the month, the LVF continued to partially take profit from the Real Estate and the Utilities sector, while selectively accumulating stocks in the Financials and Industrials sectors. The LVF’s portfolio valuation is attractive at forward 2022 PE of 13.3x and 2022 EPS growth of 31.2% providing plenty of upside potential for existing and new investors.

## Market Overview

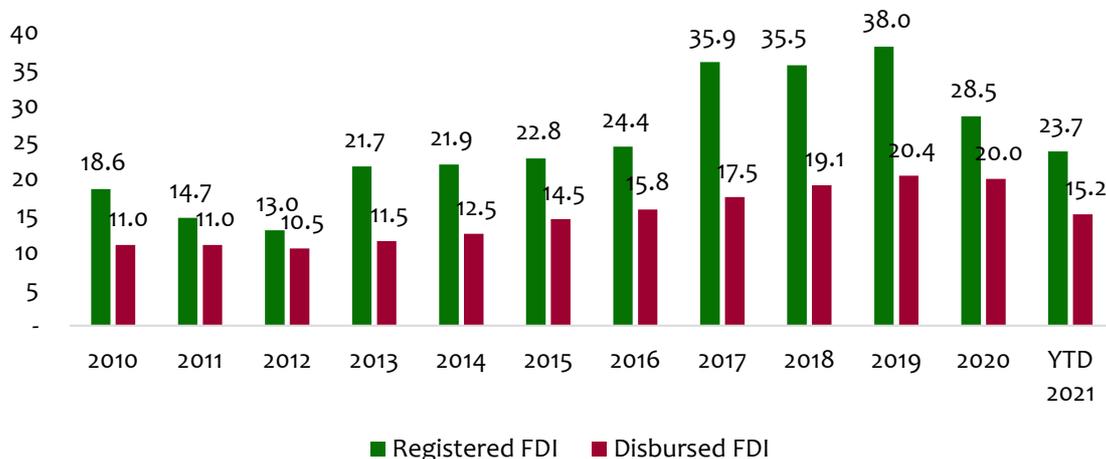
### The macro picture in October – Bright spotlights send signals about the recovery

From October onwards, production and business activities were gradually restored to a new normal after social distancing measures were eased in Vietnam. As a result, the Index of Industrial production (IP) posted a MoM increase of 6.9%. In the similar pattern, the Vietnam Manufacturing Purchasing Managers’ Index (PMI) was back to above 50 level at 52.1, ending a four-month sequence of decline. Cumulatively, for the first 10 months of 2021, IP has increased by 3.3% YoY, driven by the manufacturing sector (+4.5% YoY) and electricity production (+4.1% YoY).

Disbursed FDI (Foreign Direct Investment) was recorded at USD 1.87bn in October (+10.0% MoM), implying an improvement in execution after months of slowing down due to impacts of Covid-19. Cumulatively, Vietnam received \$15.15 bn, still down by -4.1% YoY but the figure was good enough given restrictions in international travel among countries. Big projects reported during the first 10 months of the year include LNG power plant in Long An (Singapore - USD 3.1bn), O Mon 2 thermal power plant in Can Tho (Japan - USD 1.3bn) and photovoltaic cell plant in Quang Ninh province (Hong Kong – USD 498mn). Noticeably, the additional capital from existing FDI enterprises has increased by 24% YoY, showing the trust and confidence of the FDI players after years of operation in Vietnam.

In terms of registered FDI, the country has only reported half of September value with USD 1.6bn, down -29% YoY. While the numbers show that the latest outbreak had hit foreign investor sentiment to a degree, we should have to wait for November data to have a better view about the spectrum of recovery.

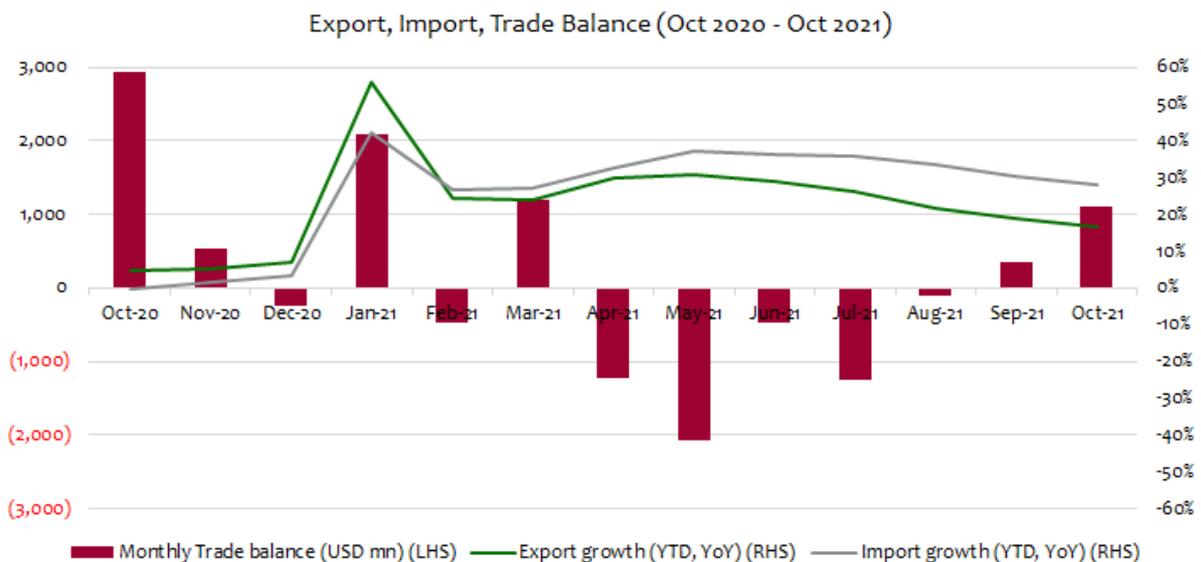
Registered and Disbursed FDI (USD bn)





The trade balance data was quite encouraging with the export value at USD 27.03bn (up 0.3% YoY) and import value at USD 26.2bn (up 8.1% YoY), resulting in a trade surplus of USD 1.1bn during the month and helping to narrow the YTD trade deficit to USD 1.5bn. Top exporting goods include mobile phones and accessories, followed by computers, electronics, machinery, equipment, and spare parts.

### Trade activities remains solid



Despite several gasoline price hikes in September and October, inflationary pressure remains low because of weak demand for food and foodstuffs and lower housing rental fee. The average inflation was 1.81% in 10M 2021, the lowest level since 2016 and well below the government target at 4%. Low CPI number would allow the State Bank of Vietnam to follow a flexible monetary policy to support the economy in different ways.

### Market Outlook for 2022 and Beyond

The Vietnamese government has outlined 16 economic, social, and environmental targets for 2022, in which the GDP growth was aimed at the range from 6% to 6.5%, CPI at 4%, and the state budget deficit at 4% of GDP. To realize those goals, the government would prioritize the people’s safety while drawing up a roadmap on a flexible approach to effectively control the pandemic to deal with its consequences and boost economic growth. It is important to note that the revision of regulations, the upgrade of infrastructure and the improvement of human resource quality are also emphasized among other tasks.