

June 2019

FUND PERFORMANCE

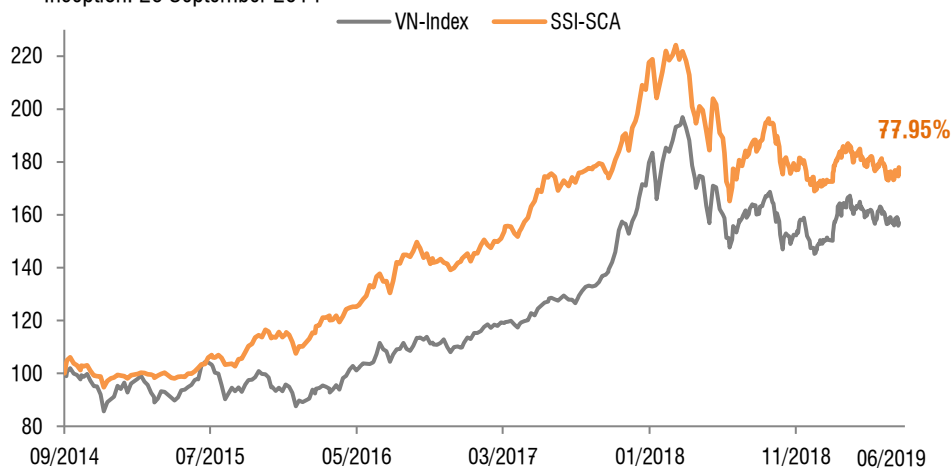
	NAV/Unit (VND)	Performance (%)			
		1 month	Year-to-date	Annual Average	Since Inception*
SSI-SCA	17,795.28	0.84%	2.11%	12.88%	77.95%
VN-Index		-1.04%	6.43%	9.95%	57.02%

FUNDAMENTAL METRICS

P/E (12 months)	8.37x
P/B	1.72x
ROE	21.91%
Dividend Yield	2.55%

Source: Bloomberg, SSIAM

Inception: 26 September 2014



FUND MANAGERS' COMMENT

2Q2019 economic readings continued showing Vietnam is a resilient economy amidst global volatility. 2Q GDP growth reached 6.71%, similar to last year (6.73%). 1H2019 GDP growth was maintained at 6.76%, lower than 1H2018 yet higher than 2011-2017. Manufacturing remained a key contributor with 11.18% yoy growth in 2Q19 (thanks to steel and mobile phones) followed by retail sales (+8.7% yoy) and construction (+7.85% yoy).

CPI in 2Q19 increased 1.41% YTD and 2.65% yoy. Core inflation remained muted with 1.87% yoy increase (on an average basis).

Registered FDI was \$10.3 bn, down 36% yoy due to a high base last year, 78% of which is manufacturing, followed by real estate (6.5%) and others. Disbursed FDI remained buoyant reaching \$9.1 bn (+8.1% yoy).

We increased Mobile World Investment Group (MWG) holding in the portfolio based on positive signals from new business lines, which can create long-term growth and increase stock price. MWG has many competitive advantages compared to its peers, such as an outstanding retail platform, overwhelming market share and a dynamic enthusiastic management team.

Bachhoaxanh (BHX) chain is growing successfully and becoming a key growth driver for MWG in the coming years

- **Average revenue per store continues to grow strongly**, thanks to improved selection capacities of stores location, store display, ranges of goods, logistics, etc. By the end of May 2019, BHX expanded to 545 stores, average store revenue reached VND1.4 billion/store/month (+75% yoy).



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

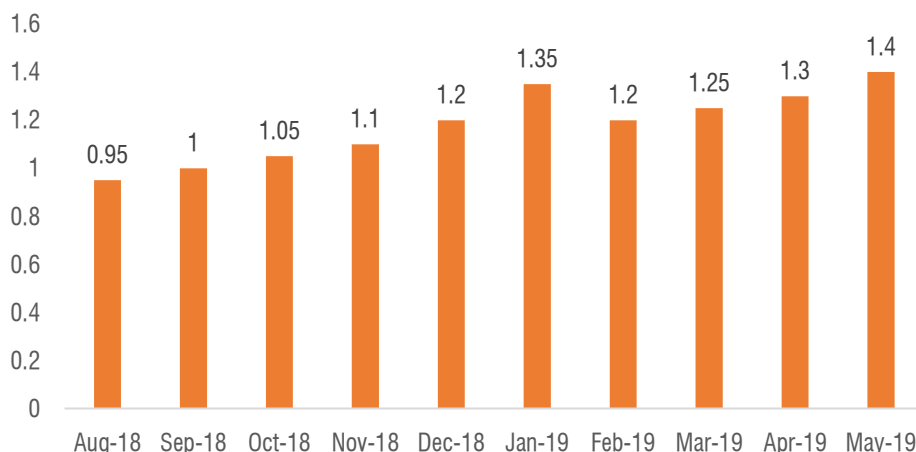


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2015, 2016, 2017, 2018

FUND MANAGERS' COMMENT (CONTINUED)

- **BHX has a strong position in the provinces:** BHX currently has 173 stores at 12 provinces in the Southern region outside Ho Chi Minh city (accounting for 30% total BHX stores compared to 8% as of 2018 year end). The outlook for BHX in provincial market is bright, many stores have revenue exceeding VND4 billion/month, serving an average of 1,000 to 1,200 customers.
- **Gross profit margin is improving continuously:** With the advantage of scale, MWG aims to increase gross profit margin for FMCG line by 1-1.5% at the end 2019 via negotiating with suppliers. Large scale and better management will both reduce damaged rate and improve gross profit margin.
- **BHX is going to be scaled up nationwide:** With positive results in both provincial and urban market, BHX might expand across the country since 2020. Despite small contribution to MWG's total revenue, the food and consumer goods are expected to achieve the highest growth rate and will become the primary growth driver of MWG in the next few years.

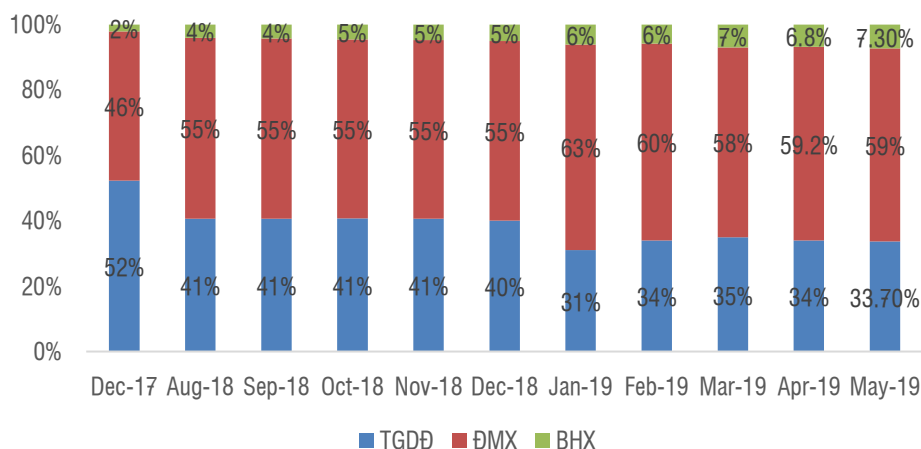
Average revenue/BHX store (VND bn)



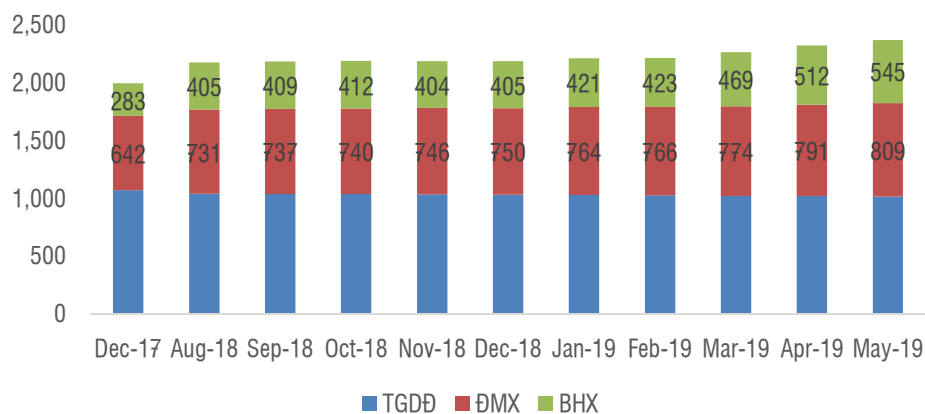
Positive result from business restructuring: converting Thegioididong (TGDD) stores into mini Dienmayxanh (DMX)/ DMX and change mini DMX layout.

- Converting TGDD stores with high revenue into mini DMX stores: Thanks to this, the predicted number of mini DMX and DMX new stores will increase to 150 in 2019. The post-conversion stores are expected to achieve an average revenue growth of 50% compared to that before conversion.
- Changing mini DMX layout to maximize capacity and area of product display. In April and May, MWG has successfully redesigned 177 mini DMX stores with new layout. The upgraded stores recorded a revenue growth over 30% compared to that of pre-upgrade stage, while rental costs and other operating costs remained nearly unchanged.

Revenue breakdown by chain



Number of stores breakdown by chain

**Potential watch sector:**

With a market size of about VND17,000 billion, the fragmented retail watch market seems very potential. The testing sale of watches in a shop-in-shop model at 18 TGDD and DMX stores is quite good up to now. On average, each store sells 500 watches, equivalent to revenue of VND600 million to VND1 billion (targeting low-medium income customers, mass market). Gross profit margin of this sector is quite high (~30%), while MWG does not incur much Capex and sales staff expenses but only needs to invest more shelves at the existing store chain. The company will continue to expand the number of stores selling watches in the future.

MWG retail management and operation team has always been highly valued in the market

- MWG board of directors has been successfully building number-one retail platform in different product lines, which helps MWG to maintain high growth in the long-term. MWG's R&D team also developed ERP system to follow closely business operation at every product line and constantly update inventory management, storage, logistics, sales and customer service effectively.
- Management style has been always flexible and innovative to satisfy customer demand. MWG is an experimental leader in all aspects: store model, production diversity, layout design, etc. to fulfill market demand and maximize revenue per store/ profit ratios.
- Enthusiastic and professional board of directors is also a plus for MWG.

Operating results of the first 5 months in 2019 is very positive

Revenue increased 15.4% yoy, underpinned by growth from DMX and BHX. Gross margin profit reached 4.2%, the highest level since 2017 (first 5 months in 2018 reached 3.5%, the whole 2018 achieved 3.3%). As a result, net profit for shareholders in the first 5 months reached VND1,792 billion (+39% yoy, 50.2% annual plan). Gross profit margin is improving thanks to two reasons: (i) improved average revenue per store and (ii) productivity increased at both store and warehouse level, leading to lower operating expenses margin.

MWG valuation is becoming attractive

- For a long time MWG has been traded at the lowest P/E in history (~10x) due to investors' concern about slowing growth in telephone and electricity sectors, while BHX might be not strong enough to be the main growth driver. In addition, investors also have worries about the business model, when offline retailers will be quickly replaced by online competitors. MWG has neither big advantage nor better platform compared to big online retails such as Amazon, Alibaba. However, in our opinion MWG will still be able to maintain minimum growth rate of 20% annually in the next 1–2 years, then it is expected to reach higher growth stage thanks to the expansion of BHX chain. The business model is not only offline sales, but also a combination of advanced inventory management technology and online channel. In fact, the online sector contributed 16% of MWG's total revenue, growing 52% yoy in the first 5 months in 2019. We believe that MWG will be able to maintain competitive advantages whilst increase market share in the future. The company is the leading retail business in Vietnam with the dominant market share in telephone sector (47%), electronics (40%), and the company will increase market share in FMCG quickly. The leaders are enthusiastic, knowledgeable, transparent and professional.
- At the price around VND 90,000/share, MWG is trading at 2019 P/E of 10.8x, ROE 36%, 2019 PEG of 0.45-0.5x.

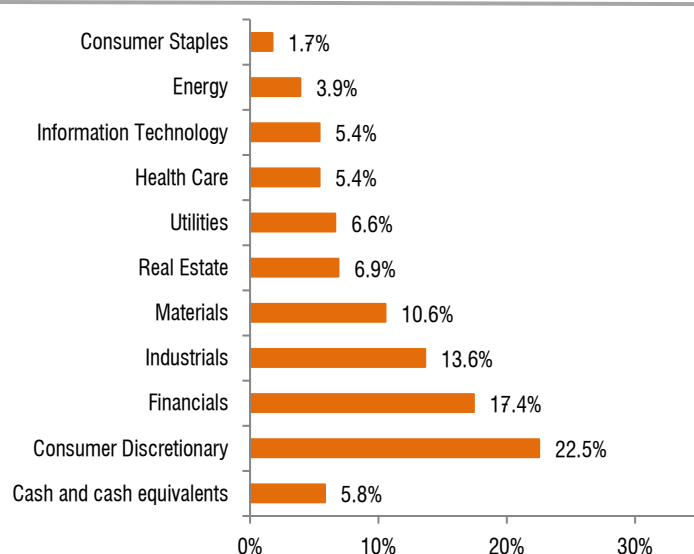


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ASSET ALLOCATION BY SECTORS (% NAV)



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.ssi.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

TOP HOLDINGS AS OF 30/06/2019

Stock	Company Name	Sector	% NAV
HPG	Hoa Phat Group JSC	Materials	9.3%
MBB	Military Commercial JSC	Financials	8.4%
MWG	Mobile World Investment Corporation	Consumer Discretionary	7.8%
FPT	FPT Corporation	Information Technology	5.4%
ACV	Airport Corporation of Vietnam	Industrials	4.7%

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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