



*January, 2020*

## NOTE FROM THE CEO'S DESK

# A year brings opportunities for long-term investment!



2019 marked a successful year for the Vietnamese economy while the stock market only advanced modestly. VCBF's open-ended funds' returns did not meet expectations due to moderate movement of the stock markets. However, VCBF continues to believe in the bright prospects of the Vietnamese economy. With the long-term investment strategy, we believe funds under our management will create long-term value to our investors.

The Vietnamese economy has shown its resilience as it has met and exceeded all the targets set by the National Assembly for 2019, particularly in the context of slowing global economic growth and a lot of uncertainties. GDP growth was 7.02% with the manufacturing and services sectors continuing their robust growth while agricultural production growth slumped due to unfavorable weather and the impact of the African swine flu. Despite export growth being lower as a result of softened global demand, Vietnam still reached a record trade surplus of US\$9.9 billion, partly because it was not affected much or even benefited from the US-China trade war. However, domestic consumption is the main driver for the growth with an increase of 7.23% and the real growth of retail sales of goods and services reached 9.2% year-on-year. Strong inflows of foreign currency from the record trade surplus, FDI disbursements (US\$20.4 billion) and overseas' remittances (around US\$16 billion) has allowed the State Bank to build up the foreign exchange reserves, which is estimated to reach US\$79 billion by the end of 2019, equivalent to 3.6 months of import and is reaching the level of IMF's recommendation (4 months of import), and helped the local currency to be stable compared with USD. In line with the trend of global interest rate cuts and because inflation is controlled, the State Bank has also cut policy rates as well as the ceiling rates to help reduce funding costs for businesses. We believe that the Vietnamese economy will continue to maintain its stable growth in 2020. Inflation will also be well controlled and the interest rate will not rise. Besides, the balance of payment is good enough to ensure the purchasing power of the domestic currency.

As you know, long-term investment needs patience. In 2019, the VN-Index increased by only 7.7%, but supported mainly by a few large-cap stocks. The top five Index leaders contributed 138.3% of the increase of VN-Index, while nearly two-thirds of the stocks on the Ho Chi Minh Stock Exchange (HSX) rose by less and half of the stocks actually lost value in 2019. The stock market continues to look for the psychological balance points in the short term. The general growth of the leading enterprises continued to be maintained but the investors continued to suffer from negative sentiment as a result of following: Moody's lowering the credit rating outlook of Vietnam, concern about the rising of inflation, rising pork prices and the signs of declining growth with the purchasing managers' index and industrial production index growth declining in the last months of the year.

The market needs time to balance supply and demand as well as to react to positive macroeconomic conditions to create a new price level. Sideways movements in 2019 will be the basis for forming a new price level when the whole economy is moving strongly ahead.

We believe that the stock market currently has not reflected the long-term growth potential of the Vietnamese economy. With the advantages of the low-cost, young and hard-working labor force, the advantages brought by free trade agreements, especially by the CPTPP and EVFTA; the need to diversify production outside of China, and particularly with Vietnam's ample room for reform and improving productivity as well as for infrastructure investments, the Vietnamese economic growth trajectory will last for many years ahead, not just in this 2020 alone. With the prudent policy of the State Bank, the risk of "boom and bust" cycles will be minimized, and that will attract foreign investment flows to Vietnam. The current level of the stock market in such good economic conditions will mitigate the risk of future declines and open up investment opportunities to benefit from the long-term growth of the Vietnamese economy.

Our two open-ended funds, VCBF Tactical Balanced Fund (VCBF-TBF) and VCBF Blue Chip Fund (VCBF-BCF), did not meet or exceed the benchmarks in 2019 because we either could not or did not invest in several large stocks that contributed most to the index increases in 2019 such as Vietcombank and the Vingroup family of stocks. The return of VCBF-BCF was 3.0% compared to 3.3% of the benchmark (VN100) while the return of VCBF-TBF was 4.0% compared to 6.4% of the benchmark (which has an equal weighting of the VN-Index return and 10-year Government bond yield). Instead we believe we did a good job in holding good stocks at reasonable prices and actively restructuring the portfolio in view of better growth of the entire stock market in 2020 and in the long term. We expect the stock market to grow better in 2020 compared to 2019 and to bring positive results for our valued investors.

In order to widen our product range further to meet the needs of our investors, VCBF completed the establishment of the VCBF Fixed Income Fund (VCBF-FIF) in August 2019. Despite being in the early stages of investment, VCBF-FIF has achieved a return equivalent to the benchmark return of 10-year government bond and reached 1.7% since August 2019. In 2020 VCBF will continue our commitments, to help our valued investors to allocate and manage their assets efficiently, reducing risks in the short term and building wealth and achieving their financial goals in the long term.

In closing I would like to extend best wishes from the VCBF family to your family for the Year of the Rat. May the New Year bring you prosperity, good health, and success.

*Happy New Year! Chúc Mừng Năm Mới!*



**Vũ Quang Đông, Ph.D**  
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