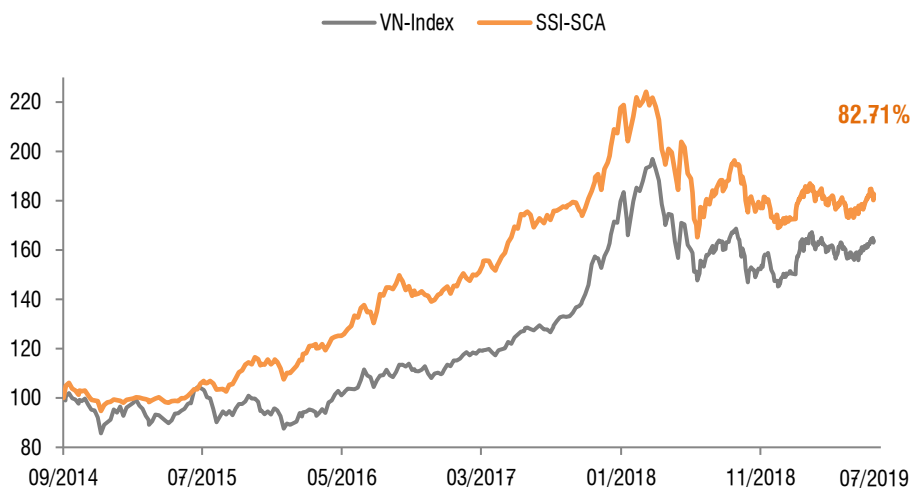


July 2019

FUND PERFORMANCE

	NAV/Unit (VND)	Performance (%)			
		1 month	Year-to-date	Annual Average	Since Inception*
SSI-SCA	18,271.16	2.67%	4.84%	13.24%	82.71%
VN-Index		4.39%	11.11%	10.73%	63.92%

Inception: 26 September 2014



FUNDAMENTAL METRICS

P/E (12 months)	8.76x
P/B	1.77x
ROE	21.64%
Dividend Yield	2.56%

Source: Bloomberg, SSIAM

FUND MANAGERS' COMMENT

The A1 share class of the fund decreased 2.45% in July.

Please see below an update on HPG. The company has just put the 1st blast furnace of Dung Quat project into operation in July and the 2nd one will be run in end-2019 which in total will increase production capacity of long steel by 85%. As you will recall, HPG is the largest steel producer in Vietnam. It trades on a PE forward of 6.5x, ROE of 19%; we believe it is substantially undervalued compared to regional peers.

HPG has just released Q2 2019 results which were ahead of our expectations despite unfavorable iron ore prices. In Q2 2019, revenue reached \$656.4 mn, +6% y/y and NPAT-MI reached \$88.5 mn, -7% y/y. For H1 2019, revenue and NPAT-MI posted \$1.3 tn, +10% y/y and \$166.8 mn, -13% y/y, which fulfilled 43.5% and 58% of the whole year's profit target, respectively.

The gross margin in 2Q2019 also recovered to 20% compared to 17.8% in 4Q2018 and 17.5% in 1Q2019. Margin improvement can be attributed to a 2% q/q price recovery for construction steel, whereas the effect from an increase in the input iron ore price was mitigated thanks to the inventory reserve being at a lower cost (iron ore accounted for approximately 30% of construction steel production costs in 2Q2019). In addition, earnings in 2Q2019 were also supported by the steel pipe business, given the 5% fall in terms of HRC input price from March to June. However, management thinks that the surge in the iron ore price may have more negative effects in the upcoming quarter due to the depletion of low-cost inventory.



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FUND MANAGERS' COMMENT (CONTINUED)

USD '000	Q2 2018	Q2 2019	% y/y	H1 2018	H1 2019	% y/y
Net revenue	620,043	656,391	5.9%	1,185,304	1,307,000	10.3%
Gross profit	125,261	131,609	5.1%	254,217	245,565	-3.4%
SG&A expenses	-9,609	-16,304	69.7%	-20,826	-30,000	44.1%
EBIT	115,652	115,304	-0.3%	233,391	215,565	-7.6%
Financial income	3,435	5,130	49.4%	6,217	9,130	46.9%
Financial expense	-6,913	-13,043	88.7%	-14,391	23,522	-263.4%
PBT	112,043	107,826	-3.8%	225,478	202,217	-10.3%
NPAT	95,739	89,130	-6.9%	192,391	167,826	-12.8%
NPAT-MI	95,478	88,478	-7.3%	191,609	166,783	-13.0%
<i>Gross margin</i>	<i>20.2%</i>	<i>20.0%</i>		<i>21.4%</i>	<i>18.8%</i>	
<i>SG&A /Sales</i>	<i>1.5%</i>	<i>2.5%</i>		<i>1.8%</i>	<i>2.3%</i>	
<i>EBIT margin</i>	<i>18.7%</i>	<i>17.6%</i>		<i>19.7%</i>	<i>16.5%</i>	
<i>NPAT margin</i>	<i>15.4%</i>	<i>13.5%</i>		<i>16.2%</i>	<i>12.8%</i>	

Sources: HPG, SSIAM

Sales volume maintained robust growth as management continues to focus on taking more market share. Robust sales volume growth YTD continues to solidify HPG's position as Vietnam's largest steel producer. In H1 2019, Hoa Phat construction steel output supplied to the market reached more than 1.34 mn tons (+23% y/y vs +9% y/y growth for the industry). Exports of construction steel posted +35% y/y increase. With this result, Hoa Phat steel maintained its leading position in the steel market with market share of 25%. On the other hand, Hoa Phat sold 363,200 tons of steel pipes, up 15.6% y/y, holding the leading market share in Vietnam with nearly 30%. It is expected that in October, Hoa Phat will start offering large size steel pipes up to 325mm, the largest in the market.

	H1 2018	H1 2019	% y/y
Construction steel	1,094,479	1,345,606	22.9%
Export	91,432	121,209	32.6%
Northern sales	821,867	837,760	1.9%
Central sales	113,007	202,513	79.2%
Southern sales	68,173	184,124	170.1%
Steel pipe	314,200	363,200	15.6%
ASP of construction steel (VND/kg)	13,215	12,717	-3.8%

Sources: VSA, HPG, SSIAM

The Dung Quat Integrated Steel complex is basically on track. The first blast furnace of Dung Quat Complex (out of 4 furnaces) has been running its pilot phase. Management expects the project to generate profit after completing its testing phase. As the 2 furnaces in Phase I of Dung Quat will be fully operational by end-2019, management believes that sales volume of construction steel can increase to 4.0 mn tons in 2020, compared to just around 3.0-3.3 mn tons in 2019. HPG will continue focus on the Southern market. With this outlook for growth, HPG has already bought two ports – one in Dong Nai, which covers the Southern market, and one in Can Tho, which covers Mekong Delta and Cambodia markets. 'In-house' transportation and logistics capabilities should allow HPG to minimize the delivery time and save transportation costs. For the second phase, expected to commence operation in 1H2020, management is also confident in the output market for HRC products given the demand of over 10 mn tons per year, compared to the supply of over 7 mn tons from Formosa and HPG.



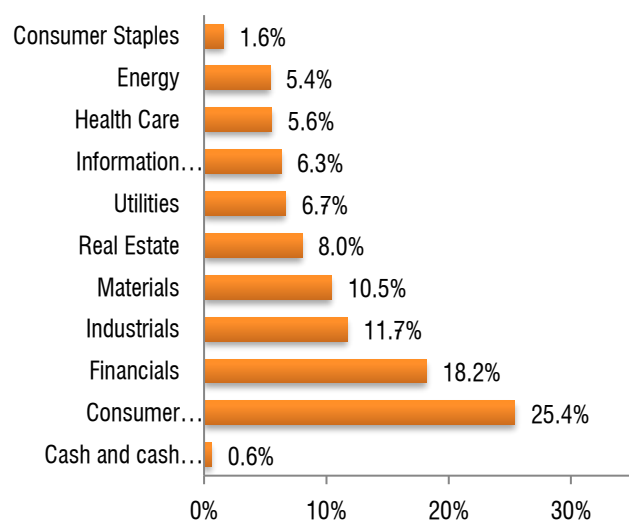
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Short-term prospects look mixed as iron ore still remains at a very high level of \$115 per ton, and this isn't being reflected in average selling price. Demand for construction steel appears to have been picking up in July from the low levels seen in June, as we have expected, on seasonal factors. Moreover, the long-term growth story – based on capacity expansion of existing products, and a move into high quality products and pre-tensioned steels as an import substitution policy remains intact. HPG is the main beneficiary of Vietnam's steady expansion of its industrial base given its position as the lowest cost steel producer with the largest market share. Finally, we expect a 4.5% cash dividend yield to be paid out in FY2020.

ASSET ALLOCATION BY SECTORS (% NAV)



TOP HOLDINGS AS OF 31/07/2019

Stock	Company Name	Sector	% NAV
MWG	Mobile World Investment Corporation	Consumer Discretionary	10.4%
MBB	Military Commercial JSC	Financials	9.1%
HPG	Hoa Phat Group JSC	Materials	9.1%
FPT	FPT Corporation	Information Technology	6.3%
PHR	Phuoc Hoa Rubber JSC	Consumer Discretionary	5.4%

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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