

Capitalising on Growth Prospects in the Vietnam and Global Markets

Investors seeking to tap into growth opportunities in the Vietnam and global markets may consider investing in PB Vietnam Global 40 Fund (PBVG40F). The Fund focuses its investments in a concentrated portfolio of up to 40 stocks within the Vietnam and global markets to achieve long-term capital growth.

PBVG40F aims to invest at least 20% of its net asset value (NAV) in the Vietnam market, with the balance invested in other markets including the U.S., Europe and Asia Pacific. The Fund will invest 75% to 98% of its NAV in equities, with the balance invested in fixed income securities and liquid assets.



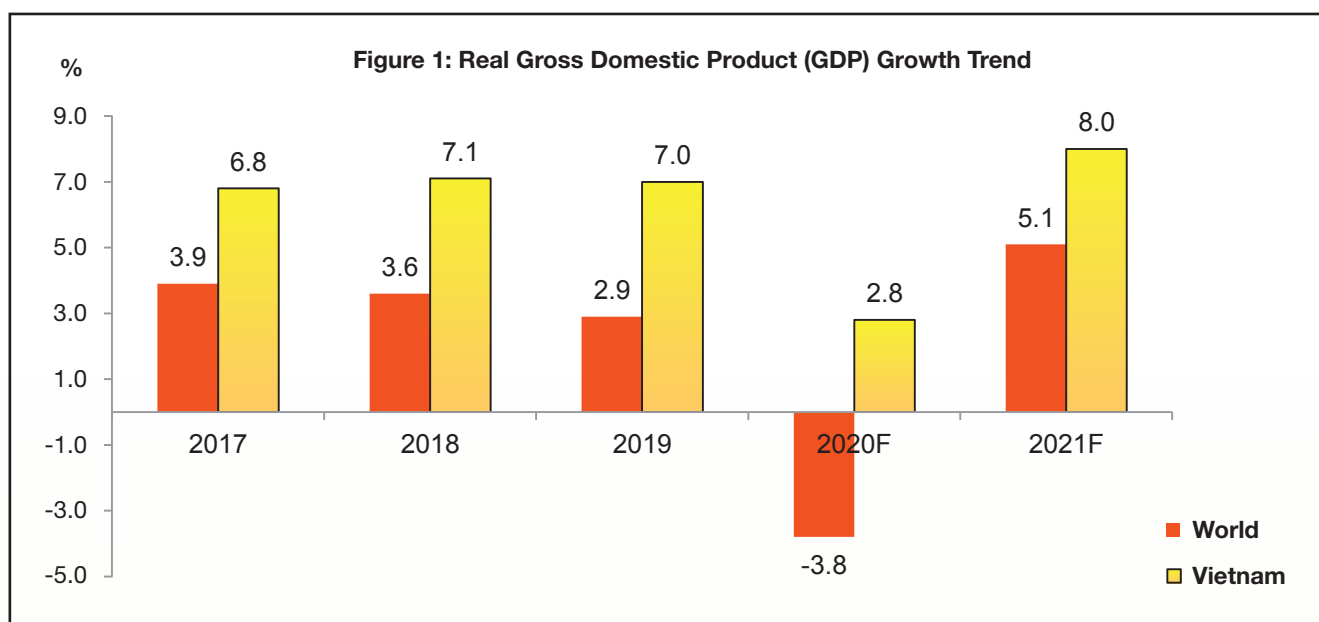
Economic Outlook for the Vietnam and Global Markets

With a total population estimated at 96.5 million in 2019, the Vietnam economy benefits from a young workforce, with those aged 15-39 years accounting for nearly half of the total labour force. Coupled with an improving literacy rate, Vietnam's economy is expected to benefit from a robust and increasingly-educated labour force.

Among the ASEAN economies, Vietnam is one of the key beneficiaries of the ongoing trade tensions between the U.S. and China. As a result of increasing tariffs imposed on Chinese exports to the U.S., companies with manufacturing bases in China are relocating their production facilities to ASEAN countries including Vietnam, driven by the country's business-friendly environment, attractive investment incentives and competitive labour costs. These supportive conditions have enabled Vietnam to attract foreign direct investment (FDI) inflows of US\$16.1 billion in 2019, which was the third-highest within the ASEAN region.

The Vietnam economy has registered a robust average growth rate of 6.3% per annum over the 2010-2019 period. During the initial outbreak of Covid-19 in early 2020, Vietnam fought to contain the pandemic early and became one of the countries in South-East Asia that successfully suppressed the spread of the virus domestically. This puts the country's economy in a better position to recover from the slowdown caused by the pandemic.

The Vietnamese government has also undertaken various fiscal and monetary measures such as credit support and fiscal packages to support the economy. As such, the country's economic growth is envisaged to remain in positive territory for 2020, with a projected gross domestic product (GDP) growth of 2.8%. For 2021, its GDP growth is expected to rebound to 8.0%, led by a recovery in the services and manufacturing sectors (see *Figure 1*).



Source: Bloomberg consensus

On the international front, the global economy is anticipated to contract by 3.8% in 2020 due to the worldwide economic disruption caused by the Covid-19 pandemic. Nevertheless, the global economy is expected to rebound to register a growth of 5.1% in 2021, supported by the coordinated monetary easing and fiscal stimulus measures undertaken by governments globally as well as the gradual reopening of economic sectors around the world.



Long-Term Prospects of the Vietnam and Global Markets

The Vietnam equity market, as proxied by the Vietnam Ho Chi Minh Stock (VN30) Index, has registered an annualised return of +5.5% (in Ringgit terms) over the 10-year period ended mid-July 2020, underpinned by a robust economy and strong FDI inflows.

Meanwhile, the regional and U.S. equity markets, as proxied by the MSCI AC Far-East Ex-Japan (MXFEJ) Index and Dow Jones Industrial Average (DJIA) respectively, have registered annualised returns of +7.3% and +13.2% (in Ringgit terms) respectively over the 10-year period ended mid-July 2020 (see Table 1).

Vietnamese equities are underpinned by below-trend valuations, with the VN30 Index trading at a prospective price-to-earnings (P/E) ratio¹ of 10.0x as at 15 July 2020, which is at a 23.1% discount to its 7-year historical average. Meanwhile, the MXFEJ Index and DJIA were trading at prospective P/E ratios¹ of 13.7x and 18.3x respectively, which are at premia of 9.6% and 22.0% to their 10-year averages.

¹ Based on 2021 earnings

Table 1: Historical Returns of Selected Markets

Indices	Annualised Return in Ringgit (%)			
	1-Year	3-Year	5-Year	10-Year
VN30	-3.7	1.2	5.5	5.5
MSCI AC Far-East Ex-Japan	13.2	3.1	7.1	7.3
Dow Jones Industrial Average	1.9	7.2	10.7	13.2

Source: Lipper, data as at 15 July 2020

Note: Historical performance is not an indication of future performance.

Sectors that PBVG40F may Focus on



PBVG40F will look to invest in a portfolio of selected banking, consumer, industrial, technology, healthcare and retail property stocks within the Vietnam and global markets which are likely to offer long-term growth opportunities.

Exposure to the Vietnamese Dong and the U.S. Dollar



As the Fund will invest mainly in the Vietnam and global markets, it will be largely exposed to the Vietnamese Dong and U.S. Dollar. Over the last 5 years, the Vietnamese Dong has appreciated by 5.3% against the Ringgit, while the US\$ has strengthened by 12.0% against the Ringgit over the same period.

Table 2: Historical Trend of the Ringgit

	Change* (%)		
	1-Year	3-Year	5-Year
Change in Vietnamese Dong against Ringgit	3.8	-2.6	5.3
Change in US\$ against Ringgit	3.7	-0.7	12.0

Source: Lipper, data as at 15 July 2020

* Positive change indicates the U.S. Dollar/ Dong's appreciation against the Ringgit

Investors are advised to read and understand the contents of the Prospectus of PB Vietnam Global 40 Fund dated 18 September 2020 and the fund's Product Highlights Sheet (PHS) before investing. Investors should understand the risks of the fund and compare and consider the fees, charges and costs involved in investing in the fund. A copy of the Prospectus and PHS can be viewed at our website www.publicmutual.com.my. Investors should make their own assessment of the merits and risks of the investment. If in doubt, investors should seek professional advice. Please refer to www.publicmutual.com.my for our investment disclaimer.