

## IT'S BEEN IGNORED AND IS NOW A BARGAIN

### Visit to Vietnam and the Philippines

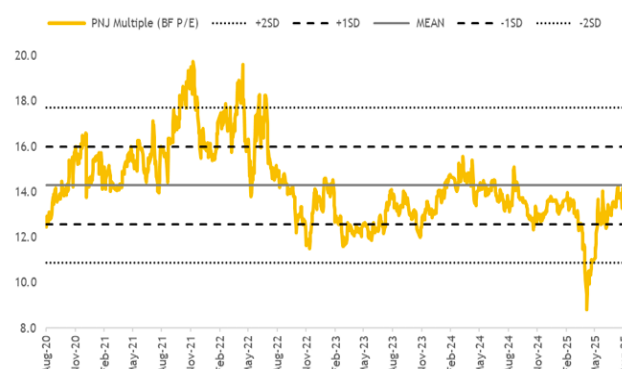
Following my recent trip to Vietnam and the Philippines, I remain perplexed as to why we continue to see consistent foreign outflows from these markets, whilst their economies continue to deliver strong growth. These proceeds are heading to North Asia and the US, where Tech continue ever higher, some justified by the earnings and perhaps some is more about momentum trading and speculative. All these markets are seeing PE multiple expansion, whilst others, particularly in ASEAN witness a PE multiple contraction. Our Fund definitely sits in the alternative of a place to be, if this technology trend ever fades or reverses. The Fund remains cheap on any valuation metric you wish to consider.

### Vietnam

Whilst in Vietnam an IMF economist made the comment that the reforms enacted in the last 12 months were probably more than had been completed in the previous 10 years. This Government under the General Secretary Mr To Lam is serious about reform and growing the GDP by 10% per annum, achieving GDP per capita of \$8,500, which equates to an increase of 70% over next five years. While I may not believe that is achievable, 8% GDP growth certainly is. Talking to the companies, a clear picture is building of a reviving consumer, especially in the affluent part of the market, with comments such as iPhone demand being substantially ahead of last year, or from PNJ, that this is the first time for a long while we are seeing big ticket jewellery items selling well. One area of reform is a change in the tax policy for "Mom and Pop" stores, forcing them to produce "e" invoicing and pay income tax, so making the playing field with the modern trade more equal. This is likely to see an acceleration of the shift from unorganised to organised retail trade. We are now in the middle of the results season and these retail companies are surprising to the upside. PNJ reported Q3 results substantially ahead of market expectations and we shall see upgrades to forecasts. The earnings this year may result in them producing earnings in line with market estimates for 2026. This would put it on 13.5x this year and 12x in 2026. Similarly Mobile World, which is currently the second largest holding in the Fund, has also blown away expectations and again we could see full year 2025 results coming close to matching 2026 consensus forecasts. Mobile World is currently on 18x forward PE. Neither is expensive and trade below their long run average PE multiples, see PNJ below as an example.

Surely there is further potential upside to these stocks? This effectively also applies to the stock market in general.

### PNJ blended forward PE multiple before any upgrades



Source: Bloomberg, Maybank IBG Research

### Philippines

My visit to the Philippines also reinforced my view that the market is totally mispriced. Comments from the companies indicated they are not seeing any slowdown in consumption and the consumer's balance sheet is healthy. Low inflation and rising real wages are seeing consumer confidence pick up. In particular to highlight the market inefficiencies, Robinsons Land, the parent company and the one we hold owns 605 of Robinsons Commercial REIT, and this holding is worth more than the total market capitalisation of Robinsons Land. The REIT is valued at \$2.4bn, trades at 15.8x and has a dividend yield of 6%, with a dividend payout ratio of 90%, as stipulated by the laws of being a REIT. The parent company Robinsons Land is valued at \$1.2bn, Robinsons Land also owns shopping malls, offices and hotels outside the REIT and land for development that is worth over \$1bn on its own based on market value. It trades on a forward PE of 4.7x, yields 5% with a price to book of only 0.4x. The payout ratio is 27%, but in my meeting with the CEO they stated it could be raised to 35%, providing a prospective yield of 6.5%. They have also set out a five-year plan to increase profits by over 80% between now and 2030. This is the cheapest stock in our portfolio and one day the market might be efficient and will price it correctly. The chart I have shown below from Bloomberg shows profits are up 100% since the beginning of 2022 but the share price is down 25%.



This is an extreme example of the mispricing and valuation attractiveness of some of the stocks we own in the portfolio. If you would like a Fund that is not correlated to North Asia or the US market and is showing huge value, perhaps it is time to look at the Halo Asia Growth Fund.

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