

## MARKET REVIEW

### VNI closes flat in Apr at 980 points

After gaining 10.1% in the first quarter of the year, the VN Index took a breather in Apr, closing the month at 980 points (-0.3% mom). Trading volume dipped as retail investors took money off the table ahead of the long local holiday at the end of the month. As average daily trading value fell 27.3% mom to \$153m, leading brokerage stocks Ho Chi Minh City Securities (HCM), Viet Capital (VCI) and Saigon Securities (SSI) saw their share prices slump by 9.8%, 6.6% and 5.2%. One encouraging story was the announcement from the State Securities Commission (SSC) of a new derivative product, covered warrants, which are set to start trading from 28 June. This will offer investors yet another way to participate in the market.

### Foreign investors remain net buyers for eighth month running

Foreign investors remained net buyers for the eighth consecutive month. Of the \$29m net inflow, Masan (MSN) and PV Gas (GAS) received the bulk, at \$19m and \$14m, while VietJet had a \$17m net outflow on investor fears of increasing competition in the airline industry.

### Stocks generally performed according to their 1Q results

As 1Q19 results rolled out, stock performances diverged according to the quality of the earnings reports. PV Gas rose 14.5% on better-than-expected earnings – up 16% yoy, driven by higher gas prices and increased consumption. In addition, the Government's new pricing mechanism for gas sold to power plants, which went into effect on 20 Mar, is looking to boost GAS's 2019 earnings by over 20% versus previous estimates. And FPT, among the best performers, gained 8.6% thanks to the recent appointment of a young and talented CEO as well as robust 1Q results, with its top line up 19% yoy and its bottom line up 34%.

### Coteccons is biggest loser on much lower than expected profit

Laggards included infrastructure company CII (-7.5%), and Techcombank (TCB, -5.7%). But the worst performer was Coteccons (CTD), which lost 15.8% after its 1Q19 profit came in much lower than expected (-35% yoy) due to delays in major projects and narrower margins resulting from rising competition. Sentiment was further soured by the voidance of the merger proposal with Ricons following a heated debate at the AGM during which major shareholder Kusto, with an 18% stake, voted against the proposal, citing potential conflicts of interest and uncertain value creation by the merger.

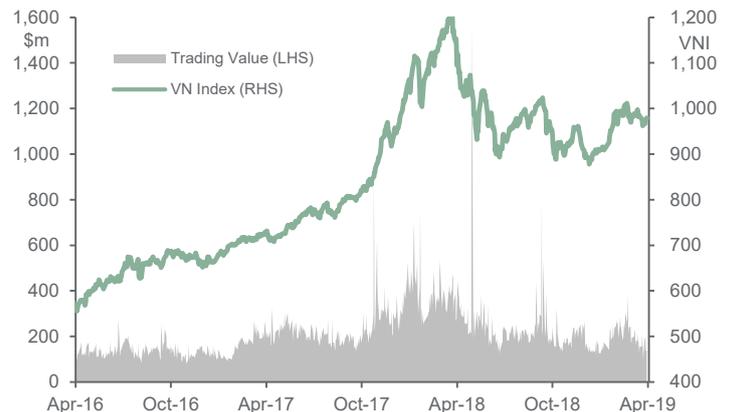
### Market's valuation remains low vs peers at 2019F PER of 12.7x

Vietnam's valuation remains low vs regional peers at a forward 2019 PER of 12.7x. We believe that the valuation gap will narrow as our top 60 companies are forecast to deliver 12% EPS growth in 2019, offering an attractive risk-reward proposition.

### MARKET FORECASTS

30-Apr-19	Unit	2016	2017	2018	2019F
PER	x	22.3	17.4	14.2	12.7
EPS Growth	%	19.1	18.7	19.4	11.9
PEG	x	1.2	0.9	0.7	1.1
Sales Growth	%	17.5	25.0	15.7	17.3
EBIT Growth	%	15.5	20.5	25.4	22.8
PBT Growth	%	22.1	21.5	31.0	10.4
NPAT Growth	%	22.2	23.0	27.9	12.7
Net DER	x	0.4	0.4	0.4	0.3
Yield	%	2.0	1.7	2.1	2.2

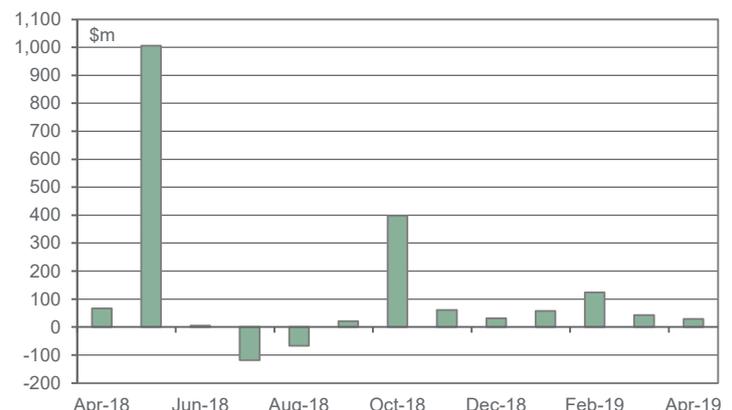
### MARKET PERFORMANCE



### COMPARATIVE RATINGS, 2019



### EIGHTH CONSECUTIVE MONTH OF NET FOREIGN INFLOW



## ECONOMY REVIEW

### Apr economic data stable overall

Apr economic data remained stable overall, with a positive surprise reading of the PMI as it hit a four-month high. If there are any weaknesses in the macro picture, it is that the trade balance turned negative in Apr and the exchange rate had its widest swings ytd - on international issues.

### Retail sales rise strongly while inflation under control

Apr retail sales rose 12.0%, while the CPI was better controlled than we expected, increasing 0.31% mom and 2.93% yoy. Average CPI increased 2.71% yoy, of which core inflation rose 1.84%. Offsetting petroleum price hikes were lower food prices, particularly in pork and rice. And the fiscal surplus was \$0.8m for the month, widening the cumulative figure to \$3.8bn ytd.

### PMI at highest level ytd, well above regional peers at 52.5

The Apr PMI came in at 52.5, the highest reading ytd and significantly higher than Vietnam's ASEAN peers, which averaged 50.4. New orders, export sales, and purchasing activity all continued to rise solidly, thereby boosting sentiment and new employment. It is noted that input cost inflation accelerated sharply to the highest level since Nov 2018. However, manufacturers continued to lower their output prices as part of efforts to boost customer demand.

### YTD trade surplus narrows on faster import growth

Apr trade data came in slightly below expectations with a deficit of \$0.5bn, of which exports grew 11.3% yoy while imports grew significantly faster at 22.0% yoy. As such, the ytd trade surplus narrowed to \$0.75bn vs \$3.89bn in the same period last year. Exports should improve in the coming months, as we expect fisheries to deliver strong growth on the escalation of trade tensions between the US and China. Chinese tilapia incurs a 25% tariff, from 10% previously, while the anti-dumping tax for catfish for the top Vietnamese producers remains at 0%.

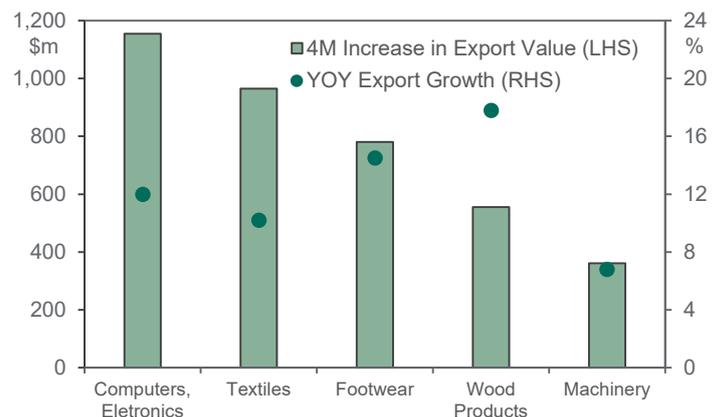
### VND volatile, while Fitch upgrades Vietnam's outlook

Amid rising global uncertainty, Vietnam's exchange rate experienced some of its largest swings since July 2018. The VND gradually depreciated against the USD since the last week of Apr by as much as 0.9% but then made a strong recovery, resulting in a ytd depreciation of only 0.34%. We believe that there is no significant pressure on the dong and this swing was more a case of short-term volatility, as the SBV has been building up massive reserves over the last few months: The SBV announced that it had accumulated \$8.35bn up to 17 April, much more than the previous market estimate of \$6bn. Besides continuously solid FDI disbursement (\$5.7bn ytd, +7.5% yoy), Vingroup's expected private placement of \$1.1bn should also provide some cushion to the dollar supply. Following S&P's upgrade for Vietnam's long-term sovereign credit rating to BB last month, Fitch also revised Vietnam's outlook from "stable" to "positive".

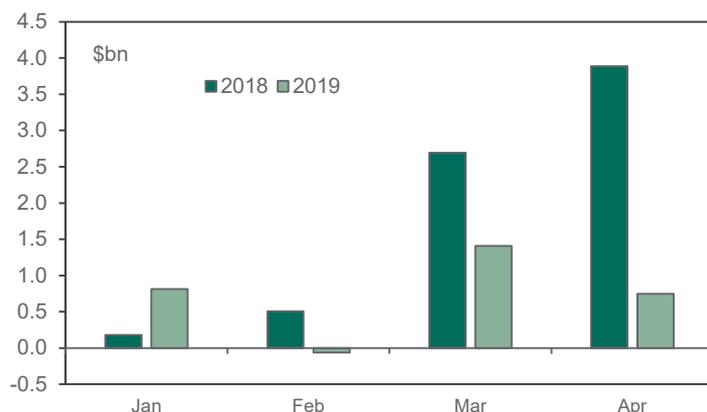
## ECONOMIC FORECASTS

	unit	2016	2017	2018E	2019F
Real GDP Growth	%	6.2	6.8	7.1	6.7
Nominal GDP	\$bn	197.6	220.1	242.4	263.9
CPI	%	4.7	2.6	3.5	4.0
Export Growth (cif)	%	8.6	21.2	13.8	12.7
Import Growth (cif)	%	4.6	20.8	11.5	13.5
Trade Balance (cif)	\$bn	1.8	2.9	7.2	6.5
FX Reserves	\$bn	41.1	52.0	61.0	66.0
FDI Disbursed	\$bn	15.8	17.5	19.1	15.3
VND:\$ (interbank)	1	22,750	22,750	23,235	23,690

## TOP-5 EXPORT GROWTH CATEGORIES 4M2019



## TRADE SURPLUS NARROWS IN APR



## DONG DIPS AGAINST DOLLAR



## VIETNAM EQUITY (UCITS) FUND – VEF

By end Apr, most companies had released their 1Q results, and we are pleased that the Fund's companies reported strong profit growth of 25.5% on average, largely on track with our current forecasts. By comparison, the market's top 60 companies posted only 2.9% profit growth, dragged down by banks and property companies. But despite these superior earnings results, the Fund's NAV fell 1.0% for the month, slightly lagging both the FTSE Vietnam Index and the VN Index.

Top holding Vinh Hoan (VHC) rose on upbeat 1Q results, with net earnings up 217%. Net margins expanded significantly from 5.4% in 1Q2018 to 17.2% in 1Q2019, mostly driven by a 19% higher fish fillet selling price, while input costs declined 4% yoy. The company held its AGM in late Apr, during which it approved a cash dividend of VND 4,000/sh (a payout ratio of 26% and a yield of 4.3%) and a 1:1 stock split for 2019. Management set out a 2019 earnings target 13% lower yoy. We view this guidance as quite conservative given VHC's clear advantage in US market, with a 0% anti-dumping tariff announced by the US Department of Commerce on 29 Apr. According to VHC, it has a 0% tariff, while its Vietnamese peers have anti-dumping tariffs of between \$0.19 and \$3.87 per kilo. We are currently positive about the earnings outlook and maintain our forecast of 17% growth. VHC is trading at an attractive PER of 5.3x 2019F EPS.

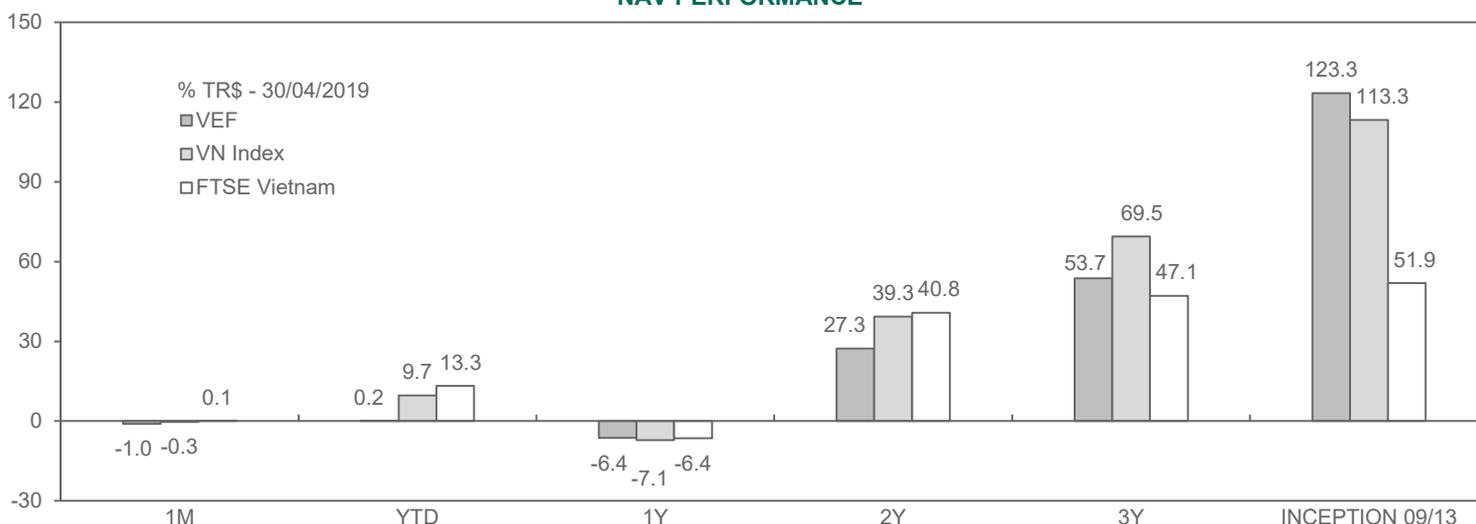
FPT rose on 23% 1Q earnings growth, driven by healthy expansion of its core segments Software Outsourcing (SO), and Telecoms, which together contributed about 67% of the company's 1Q before-tax profit. The steel maker Hoa Phat (HPG) rose on better-than-expected 1Q2019 earnings of VND 1,800bn, down 18% yoy but 6% above management's guidance given at the AGM. Sales remained solid in 1Q, with construction steel volume up 29% yoy while steel pipe volume rose 16%.

Meanwhile, Airports Corporation of Vietnam (ACV) reported 105.1% yoy profit growth, Mobile World (MWG) reported 28.9% growth and PV Power (POW) reported 30.1% growth, all significantly exceeding analysts' consensus estimates. But their share prices hardly moved: MWG edged 0.2% lower while ACV and POW fell by 2.3% and 2.6% respectively. We are confident, however, that the market will eventually reward these stocks for their superior operating results.

### PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$22.3	-1.0	+0.2	\$95.7m	8.3	14.84	0.94

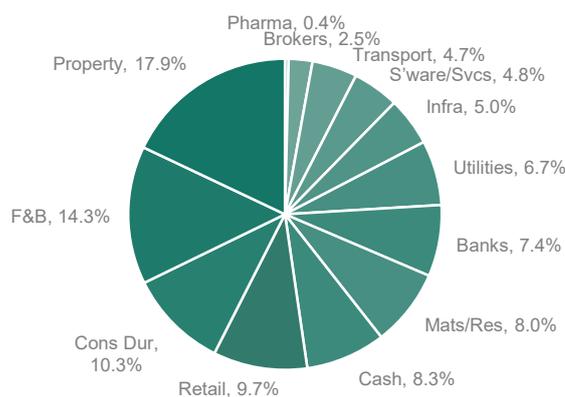
### NAV PERFORMANCE



### TOP 10 HOLDINGS (57.6% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vinh Hoan	F&B	-	8.92	4.2
2 Phu Nhuan Jewelry	Cons Dur	-	8.35	0.3
3 Mobile World	Retail	-	8.18	-0.2
4 Hoa Phat Group	Mats/Res	8.96	6.99	4.1
5 FPT Corp	S'ware/Svcs	-	4.79	8.6
6 Airports Corp VN	Transport	-	4.66	-2.3
7 Vinhomes	Property	15.34	4.46	0.3
8 PV Power	Utilities	-	3.94	-2.6
9 Vincom Retail	Property	10.53	3.79	3.8
10 MB Bank	Banks	-	3.54	-0.3

### SECTOR BREAKDOWN



## APPENDIX 1: MACRO

### Key Indicators

Item	Unit	2012	2013	2014	2015	2016	2017	2018	2019F
<b>Top-Down</b>									
GDP	\$bn	155.6	169.7	184.0	186.0	197.6	220.1	242.4	263.9
Real GDP Growth	%	5.2	5.4	6.0	6.7	6.2	6.8	7.1	6.7
Services Growth	%	6.7	6.7	6.2	6.3	7.0	7.4	7.0	7.0
Agriculture Growth	%	2.9	2.6	3.4	2.4	1.4	2.9	3.8	3.6
Ind'l and Const'n Growth	%	7.4	5.1	6.4	9.6	7.6	8.0	8.9	8.2
Retail Sales Growth	%	16.0	13.5	10.6	9.5	11.0	10.9	12.4	11.0
<b>Prices</b>									
CPI	%	6.8	6.0	1.8	0.9	4.7	2.6	3.5	4.0
<b>Money, FX &amp; Interest Rates</b>									
Money Supply M2	%	24.5	18.0	16.0	18.0	18.0	18.0	11.3	13.5
Average Lending Rate	%	17.9	13.2	9.7	8.6	9.0	9.3	9.5	9.7
5-yr VGB	%	9.8	8.2	5.2	6.6	5.5	4.3	4.5	4.6
VND : \$	\$1	20,850	21,250	21,390	22,540	22,750	22,750	23,235	23,690
<b>External Sector</b>									
Trade Balance	\$bn	0.8	0.0	1.9	(3.5)	1.8	2.9	7.2	6.5
Current Account	\$bn	9.1	6.8	6.0	3.0	3.8	6.0	9.4	7.1
Current Account / GDP	%	5.8	4.0	3.2	1.5	1.9	2.7	3.8	2.7
FDI Registered	\$bn	13.2	21.6	20.3	22.8	23.4	29.7	25.5	22.9
FDI Disbursement	\$bn	10.5	11.5	12.5	14.5	15.8	17.5	19.1	15.3
FDI Net Disbursement	\$bn	8.4	8.3	7.9	9.1	9.9	10.6	11.3	9.7
FX Reserves	\$bn	25.6	32.1	34.2	31.0	41.1	52.0	61.0	66.0
<b>Public Debt &amp; Fiscal Balance</b>									
External Debt	\$bn	58.4	63.5	71.0	80.8	91.4	109.1	120.1	131.8
<i>Government</i>	\$bn	33.2	36.2	38.1	39.6	42.9	46.3	49.7	53.5
<i>Enterprises (incl. FDI)</i>	\$bn	25.2	27.1	32.8	41.2	48.5	62.8	70.4	78.3
External Debt (% GDP)	%	37.5	37.4	38.5	43.4	46.2	49.5	49.7	49.9
Fiscal Balance (% GDP)	%	(3.4)	(5.0)	(4.7)	(4.6)	(4.2)	(3.5)	(3.6)	(3.5)

## APPENDIX 2: MARKET

### Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Apr-18	30-Apr-19	30-Apr-18	30-Apr-19	30-Apr-18	30-Apr-19	30-Apr-18	30-Apr-19
Market Cap (\$m)	126,430	138,303	9,961	8,822	38,957	40,227	175,348	187,352
Number of Stocks	353	375	385	377	734	814	1472	1566
Number of Large Cap Stocks (> \$400m)	36	34	4	5	17	17	57	56
Stocks with No Room for Foreigners	22	20	9	10	16	24	47	54
Market Cap of Stocks with No Room (\$m)	17,653	16,799	2,371	2,178	2,513	961	22,538	19,938
Share of Market Cap with No Room (%)	14.0	12.1	23.8	24.7	6.5	2.4	12.9	10.6

### Top 25 Companies

No	Company	30-Apr Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2017 (x)	2018 (x)	2019F (x)	2017 (x)	2018 (x)	2019F (x)	2017 (%)	2018 (%)	2019F (%)
1	Vingroup	113,700	19.3	15,640	11.29	62.6	89.5	85.1	5.7	3.7	3.5	-	-	-
2	Vinhomes	92,000	25.3	13,281	9.59	32.6	21.6	19.2	6.7	7.1	5.2	-	-	-
3	Vietcombank	67,900	26.9	10,854	7.83	31.0	19.2	17.2	4.5	3.9	3.1	1.5	1.5	1.5
4	Vinamilk	129,800	8.2	9,742	7.03	24.4	24.6	23.4	9.5	8.6	8.2	5.0	4.6	4.6
5	PV Gas	112,800	32.8	9,305	6.72	22.7	19.2	18.3	5.2	4.8	4.7	2.7	4.7	4.7
6	Airports Corporation VN	83,000	-7.8	7,788	-	49.0	32.4	26.9	6.6	5.9	5.0	0.7	1.1	1.1
7	Sabeco	239,200	-10.6	6,611	4.77	34.6	38.8	36.7	10.6	9.5	7.4	1.5	1.5	1.5
8	BIDV	34,800	1.2	5,128	3.70	21.9	20.2	17.3	2.6	2.3	2.0	2.0	-	-
9	Masan Group	86,900	12.1	4,356	3.14	32.4	20.5	20.6	6.8	3.4	4.1	-	-	-
10	Techcombank	24,150	-6.6	3,639	2.63	3.9	9.5	8.6	0.9	1.6	1.4	5.0	5.0	5.0
11	Vincom Retail	36,000	29.0	3,613	2.61	41.4	34.9	30.6	3.2	2.9	2.7	-	-	-
12	Vietinbank	21,250	10.1	3,410	2.46	10.6	14.6	13.7	1.2	1.2	1.2	4.7	4.7	4.7
13	Petrolimex	62,300	17.5	3,144	2.51	20.7	19.6	15.4	3.5	3.6	3.2	5.1	4.8	4.8
14	Hoa Phat Group	33,600	8.6	3,076	2.22	8.7	8.5	8.1	2.2	1.8	1.5	-	-	-
15	VEAM Corp	49,200	26.2	2,818	-	13.0	9.2	8.2	3.5	2.6	2.9	0.8	5.7	6.1
16	Vietjet Air	115,900	-2.6	2,705	1.95	12.4	12.0	11.4	8.0	4.9	3.9	2.6	3.5	4.3
17	Bao Viet Holding	88,600	-0.4	2,676	1.93	38.7	56.6	55.2	4.4	4.4	4.4	1.1	1.1	1.1
18	Novaland	59,100	-7.9	2,370	1.71	24.7	17.2	17.9	4.0	2.8	2.5	-	-	-
19	VP Bank	19,050	-4.5	2,017	1.46	6.6	6.0	5.2	1.0	1.3	1.1	-	-	-
20	Military Bank	21,800	15.1	1,986	1.47	14.0	8.0	6.3	1.4	1.4	1.2	2.3	2.8	2.8
21	Binh Son Refining	14,100	3.7	1,884	-	5.7	12.1	10.8	1.3	1.4	1.3	5.0	2.8	3.5
22	Mobile World	84,900	-2.4	1,621	1.17	16.3	13.1	10.6	6.1	4.2	3.2	1.8	1.8	1.8
23	ACB	30,100	1.7	1,618	-	18.0	7.4	6.3	2.3	1.7	1.4	-	-	-
24	PVPower	14,800	-7.5	1,494	1.08	15.9	21.3	14.0	1.4	1.4	1.3	-	2.0	4.1
25	FPT	49,550	17.4	1,317	0.95	11.5	12.9	11.3	2.6	2.4	2.2	4.4	3.6	4.2

# VIETNAM MONTHLY REPORT

Performance Data as at 30 April 2019

DRAGON CAPITAL



Fund	Bloomberg	ISIN	SEDOL	CUSIP	Listed
<b>VEIL</b>	VEIL LN	KYG9361H1092	BD9X204	G9361H109	London (Main Market)
<b>VEF-A</b>	VIETNAM ID	IE00BD5HPH84	n/a	n/a	n/a
<b>VEF-B</b>	VIETEUR ID	IE00BV8WVB25	n/a	n/a	n/a
<b>VDeF-B</b>	VNDEBTB	KYG936151136	B3K9234	G93615113	Ireland
<b>VPF</b>	VPF ID	KYG9362H1083	B9JL3Q3	G9362H108	Ireland

Price Providers	Funds	Bloomberg	Reuters	Contact
<b>Dragon Capital Markets</b>	VPF	DGCP	DRAGON1	Nick Ainsworth +84 28 3823 9355
<b>Jefferies International</b>	VEIL,VPF	JCEF	n/a	Michele White / Trevor Hunt +44 207 898 7127 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
<b>BNP Paribas</b>	VEF	-	-	Transfer Agency Department +353 1 612 5379

Operational VEIL	
<b>Trading</b>	Shares trade as depositary interests on the London Stock Exchange
<b>Clearing</b>	CREST Participant ID 393 (UK Equity)
<b>Settlement</b>	BIC Code: JEFFGB2X
<b>Legal Entity Identifier (LEI)</b>	213800SYT3T4AGEVW864

VEF	
<b>Subscription &amp; Withdrawals</b>	Daily
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VDeF	
<b>Subscription &amp; Withdrawals</b>	Monthly

Operational VPF	
<b>Trading</b>	Shares trade OTC on a matched-market basis on the Irish Stock Exchange
<b>Clearing</b>	Euroclear or Clearstream
<b>Settlement</b>	Standard Chartered Bank Singapore, Clearstream No. 73418

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