

MARKET REVIEW

VN Index falls 2.3% in May on renewed trade tensions

The VN Index fell by 2.3% (\$TR) in May as renewed trade tensions between the US and China weighed on global markets. Earlier in the month, investors were caught off guard by President Trump's sudden decision to raise tariffs on Chinese imports as it was expected that an agreement would be reached. Concerns of a trade war drove the oil price down and flattened the US yield curve, further adding to the negative sentiment.

Foreign net inflow positive on Korean purchase of VIC

Nonetheless, liquidity picked up – due to funds rebalancing their portfolios ahead of the 2Q ETF review in early June and in preparation for the launch of covered warrants: Average daily trading value rose to \$171m (+12% mom). Foreign investors were net buyers on the HOSE for the ninth consecutive month, but only because of SK's \$250m put-through transaction into Vingroup (VIC). After many rumors, the Korean conglomerate finally announced the \$1bn investment in VIC for a 6% stake. Excluding this deal, foreigners actually net sold \$85m across the board, mostly in Vietjet (VJC) -\$24m, Vinhomes (VHM) -\$22m, and Hoa Phat (HPG) -\$11m.

Worst performers included VHM, BID, BVH, and GAS

Bellwether sectors were weak despite the absence of any negative news. Property stocks saw sharp declines, led by Dat Xanh (DXG, -14.1%) and Vinhomes (VHM -11.4%). Banks followed suit: BIDV (BID, -9.5%), Techcombank (TCB, -6.4%), and Military Bank (MBB, -5.0%). Worst performers included Bao Viet Holding (BVH), which plunged 13.3% as 20.4 million ESOP shares issued at a deep discount to the current price were unlocked. And driven by the 11% dive of Brent oil, PV Gas (GAS), whose ASP is linked to oil, dropped 8.1%, while Vietnam Airlines (HVN) and VietJet (VJC), indirect beneficiaries of lower oil, gained 7.8% and 7.4%. VJC's performance was also supported by iShare Frontier ETF's purchase of 210,000 of its shares.

Sabeco was the market's bright spot

Meanwhile, Sabeco (SAB) was the bright spot in the market, gaining 10.9% after posting impressive 20% top-line growth and increased market share in 1Q after the new management's extensive efforts in brand investments and cost restructuring.

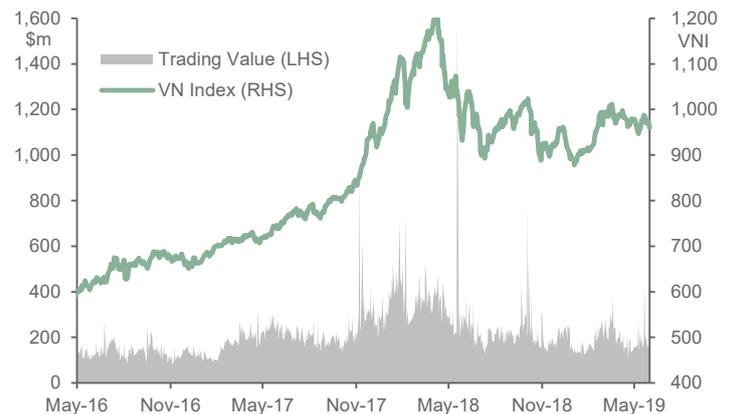
Pockets of the market turn very attractive

With our outlook remaining intact (11% EPS growth for 2019), the disappointing May seemed to have been driven by flows (ETFs, ESOP, etc.) and global sentiment rather than company fundamentals. Pockets of the market turned attractive after the steep declines, with developers such as VHM and DXG, and banks such as MBB being prime examples. As we approach 2Q earnings, we expect fundamentals to drive the market once again, rewarding patient investors.

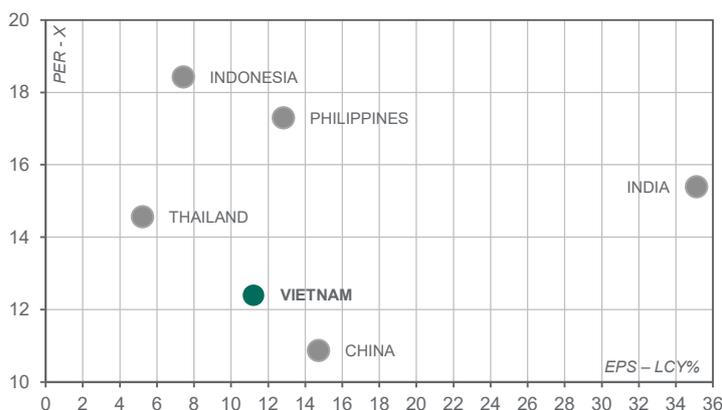
MARKET FORECASTS

31-May-19	Unit	2016	2017	2018	2019F
PER	x	21.9	17.2	13.9	12.4
EPS Growth	%	19.1	18.7	19.4	11.2
PEG	x	1.1	0.9	0.7	1.1
Sales Growth	%	17.5	25.0	15.7	15.9
EBIT Growth	%	15.5	20.5	25.4	19.6
PBT Growth	%	22.1	21.5	31.0	10.5
NPAT Growth	%	22.2	23.0	27.9	11.9
Net DER	x	0.35	0.38	0.36	0.30
Yield	%	2.1	1.7	2.2	2.2

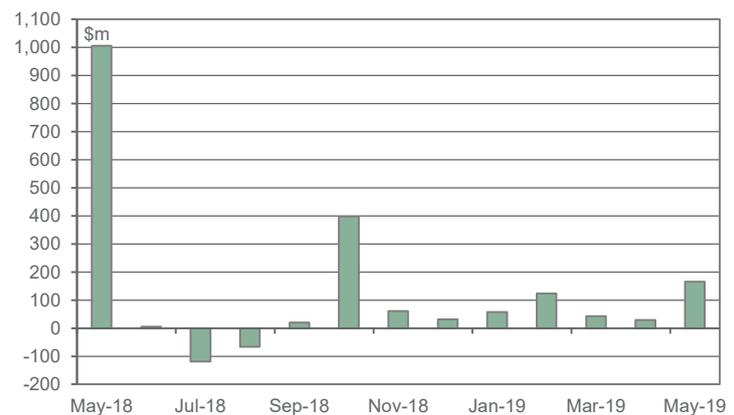
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2019



NINTH CONSECUTIVE MONTH OF NET FOREIGN INFLOW



ECONOMY REVIEW

Economic data solid despite weaker trade

Trade deficit of \$1.3bn on machinery and equipment imports

No pressure yet to depreciate VND despite weaker CNY

Vietnam to crack down on Chinese dodging of US tariffs

Debt well-controlled and much below Government's target

Vietnam's economy remains on solid footing, with the currency stable and Government debt well below projections. Trade was slightly weaker, however, due to strong import demand.

The Government Statistics Office (GSO) estimated a ytd trade deficit of \$550m by end-May, resulting from a 10.3% increase in imports while exports rose by just 6.7%. However, we note that import demand often surges substantially in May while exports often peak in June-Aug. At the same time, with supply chains shifting to Vietnam, there will be a period of investment/construction before production kicks in. Among top import categories, machinery and equipment recorded the second-highest growth at 13.5% yoy. The trade balance of the FDI sector also narrowed from an \$11.4bn surplus for the period from Jan to mid-May 2018 to a \$9.9bn surplus in the same period this year, a decline of 13%.

Vietnam's currency remains relatively stable despite the Chinese yuan trading at a 6-month low. Since President Trump's tweet on 5 May re-ignited US-China trade tensions, the CNY has lost 2.64%, whereas the VND has fallen by only 0.37% in the period. We believe that the VND will not be too pressured to remain competitive unless the CNY falls by another 4-5% to below 7.2.

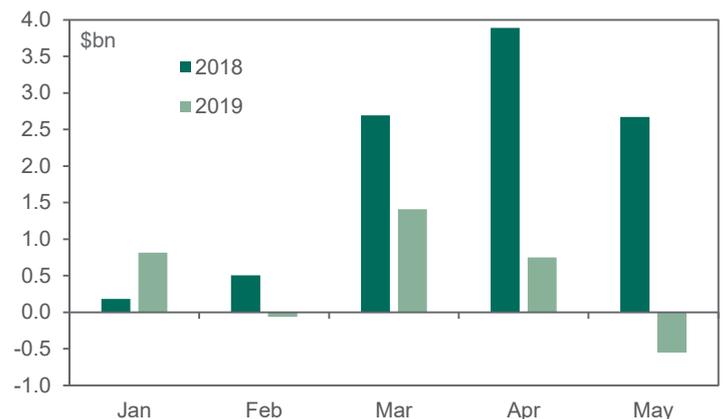
Amid trade tensions, concerns were rising of Chinese exporters illegally re-routing orders through Vietnam to circumvent U.S tariffs. While these "leakages" may be minor compared to total Chinese exports, they may be substantial for Vietnam and partially explain the 40% increase in Vietnam's shipments to the US in 1Q19. In an effort to prevent this "re-labelling", the Ministry of Industry and Trade has decided to impose a temporary anti-dumping tax (ranging from 2.5-35.6%) on several Chinese-origin aluminum extrusions, with effect from 5 June 2019.

In a recent national assembly meeting, the MOF estimated that Vietnam's public debt totaled ~\$139bn at end-2018, equivalent to 58.4% of GDP. This number came out moderately lower than the MOF's previous estimate of 61.3% of GDP at the beginning of the year and is the lowest level since 2015. Of total public debt, Government bonds made up 85% (\$118bn – 50% of GDP), Government-backed bonds made up 13.5% (\$18.8bn – 7.9% of GDP), and municipal bonds made up 1.5% (\$2.2bn – 0.9% GDP). Total foreign debt (including public and private sectors) amounted \$109bn, equivalent to 46% of GDP. Both public and foreign debt were well below the Government's target of 65% and 50% of GDP, respectively.

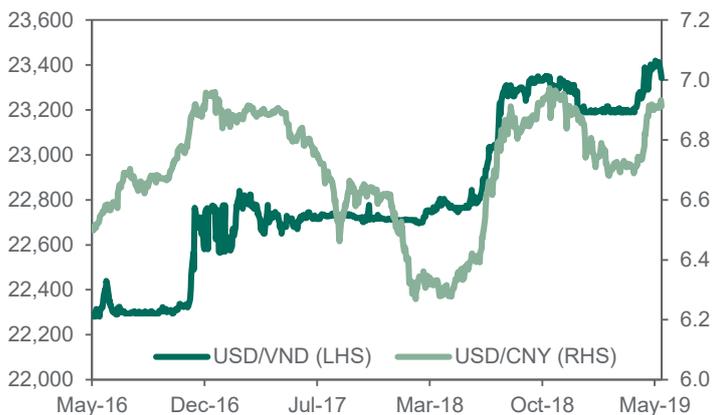
ECONOMIC FORECASTS

	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

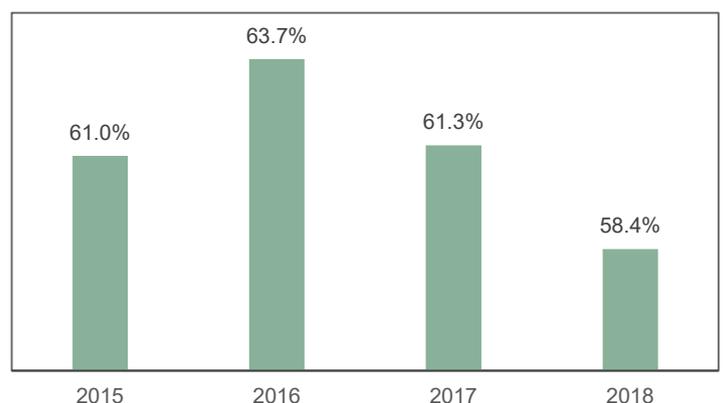
YTD TRADE BALANCE GOES NEGATIVE



VND MORE STABLE THAN CNY AGAINST USD



PUBLIC DEBT TO GDP AT LOWEST LEVEL SINCE 2015



VIETNAM EQUITY (UCITS) FUND – VEF

VEF fell 1.2% in May, outperforming the FTSE VN Index, which lost 2.7%. Amongst the Fund's top 10 holdings, the two consumer stocks, namely Mobile World (MWG) and Phu Nhuan Jewelry (PNJ), and the power generator PV Power (POW), were the biggest contributors to return. By contrast, Vinhomes (VHM) and Hoa Phat (HPG) were the biggest detractors.

MWG continued to report encouraging business results, with 15% yoy growth in revenue and 36% yoy growth in net profit in the first four months of the year. The company's expanding profit margin was attributable to positive same store sales growth and better efficiency at stores and distribution centers. There was also good progress at the grocery chain, which contributed 6.8% of the group's revenue by end-Apr. The total number of grocery stores reached 512, with each store generating an average revenue of \$56,000 per month. Fresh food made up 47% of the revenue, from 40% last year. With the higher revenue, the company expects to have more bargaining power over grocery suppliers, which will further improve profitability.

PNJ's share price rose amid a generally weak market as investors were delighted with its 1Q results and 1:3 bonus share issuance recorded on 4 June. The company posted NPAT growth of +28% yoy in 1Q vs our full-year forecast of +26% yoy, suggesting that the company is well on track to complete its full year target.

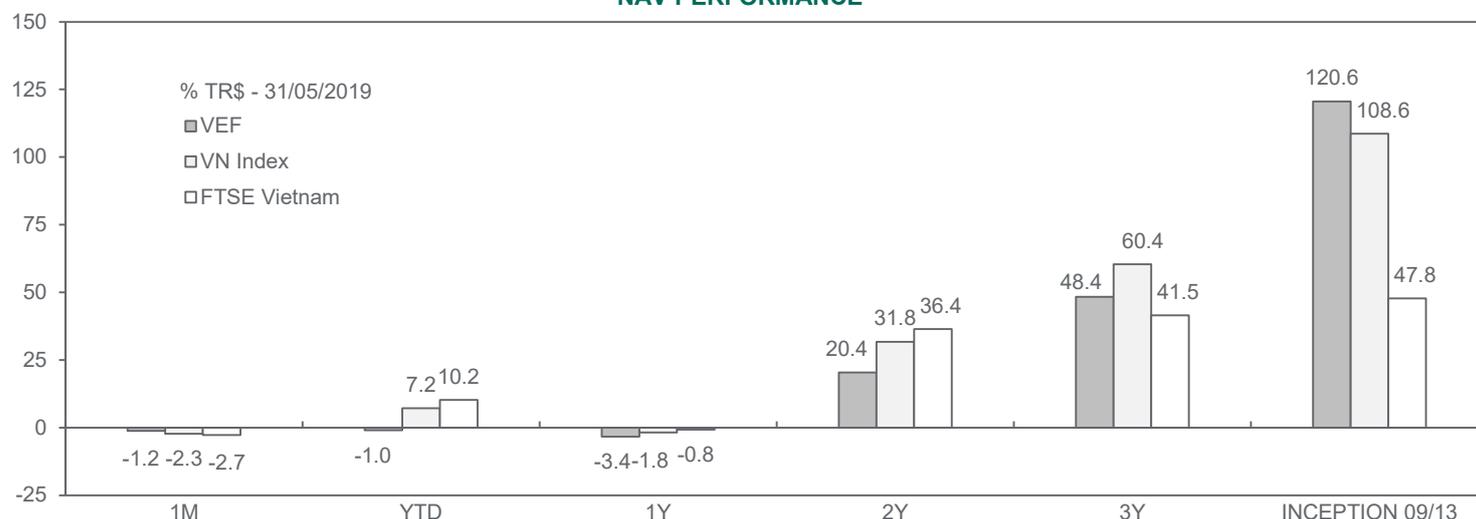
POW likewise bucked the market's decline on strong 1Q results and potential inclusion into ETFs. The company reported a 30% yoy increase in net profit in 1Q. And with six months having passed since its debut on the HOSE, POW qualifies to be included in the FTSE Vietnam Index and is likely to be added into the Vanek Vietnam ETF at the same time and into the VN30 at the next rebalancing.

On the downside, VHM shed 11.4%, mostly on foreign selling on concerns of a lower gross margin from wholesaling its long-awaited Vinhomes Grand Park project (formerly known as VinCity D9) rather than selling to end-buyers, as had previously been planned. However, the launch of the project itself will be more significant – after a long delay due to the anti-corruption campaign of the Government, which disrupted almost all projects that were awaiting approval.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$22.1	-1.2	-1.0	\$95.9m	9.9	14.90	0.84

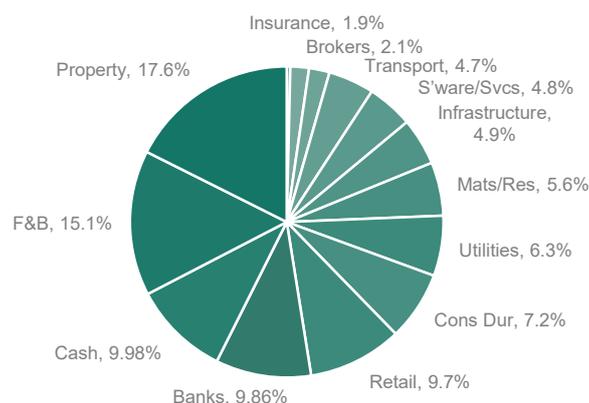
NAV PERFORMANCE



TOP 10 HOLDINGS (53.8% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vinh Hoan	F&B	-	8.59	-1.5
2 Mobile World	Retail	-	8.23	2.5
3 Phu Nhuan Jewelry	Cons Dur	-	4.82	2.5
4 Vietcombank	Banks	5.17	4.79	-1.7
5 FPT Corp	S'ware/Svcs	-	4.76	-0.7
6 Vinhomes	Property	14.04	4.75	-11.4
7 Airports Corp VN	Transport	-	4.73	-2.9
8 Hoa Phat Group	Mats/Res	8.79	4.72	-5.1
9 Vinamilk	F&B	14.27	4.65	-0.9
10 PV Power	Utilities	-	3.77	2.4

SECTOR BREAKDOWN



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2012	2013	2014	2015	2016	2017	2018	2019F
Top-Down									
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
Prices									
CPI	%	6.8	6.0	1.8	0.9	4.7	2.6	3.5	4.0
Money, FX & Interest Rates									
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
External Sector									
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
Public Debt & Fiscal Balance									
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	
	31-May-18	31-May-19	31-May-18	31-May-19	31-May-18	31-May-19	31-May-18	31-May-19
Market Cap (\$m)	129,237	137,922	9,426	8,063	35,736	39,791	174,399	185,776
Number of Stocks	356	376	384	370	739	822	1479	1568
Number of Large Cap Stocks (> \$400m)	34	36	4	4	15	17	53	57
Stocks with No Room for Foreigners	22	21	9	10	17	24	48	55
Market Cap of Stocks with No Room (\$m)	16,385	16,213	2,247	2,075	2,337	895	20,969	19,183
Share of Market Cap with No Room (%)	12.7	11.8	23.8	25.7	6.5	2.2	12.0	10.3

Top 25 Companies

No	Company	31-May 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	114,600	20.3	16,377	11.38	63.1	90.2	67.3	5.8	3.7	3.4	-	-	-
2	Vinhomes	82,000	11.7	11,731	8.55	29.1	19.2	15.1	5.9	6.4	4.5	-	-	-
3	Vietcombank	67,200	25.6	10,645	7.75	30.6	19.0	17.0	4.5	3.9	3.1	1.5	1.5	1.5
4	Vinamilk	129,500	7.9	9,631	7.02	24.3	24.5	23.3	9.4	8.6	8.2	5.0	4.6	4.6
5	PV Gas	104,300	22.8	8,526	6.21	21.0	17.8	13.7	4.8	4.4	4.3	2.9	5.1	5.2
6	Airports Corporation VN	81,100	-9.9	7,541	-	47.8	31.6	26.3	6.4	5.8	4.9	0.7	1.1	1.1
7	Sabeco	267,000	-0.2	7,313	5.33	38.6	43.3	38.4	12.8	11.4	8.9	1.3	1.3	1.3
8	BIDV	31,500	-8.4	4,599	3.35	19.8	18.3	15.7	2.3	2.1	1.8	2.2	-	-
9	Masan Group	85,800	10.7	4,262	3.10	32.0	20.2	20.4	6.7	3.4	4.1	-	-	-
10	Vincom Retail	34,800	28.4	3,461	2.52	40.0	33.7	29.5	3.1	2.8	2.6	-	-	-
11	Techcombank	22,600	-12.6	3,375	2.46	3.6	8.9	8.1	0.9	1.5	1.3	5.3	5.3	5.3
12	Vietinbank	20,300	5.2	3,228	2.35	10.2	14.0	12.7	1.2	1.1	1.0	4.9	4.9	4.9
13	Petrolimex	63,100	23.8	3,155	2.54	20.9	20.2	15.6	3.5	3.6	3.3	5.1	4.8	4.8
14	VEAM Corp	52,500	34.6	2,979	-	13.8	9.9	8.7	3.8	2.8	3.1	0.7	5.3	5.7
15	Hoa Phat Group	32,100	3.7	2,912	2.12	8.1	8.3	8.5	2.0	1.7	1.4	-	-	-
16	Vietjet Air	124,500	4.7	2,880	2.10	13.3	12.9	12.3	8.6	5.3	4.2	2.4	3.2	4.0
17	Vietnam Airlines	43,450	34.7	2,632	1.92	22.5	26.4	24.0	3.2	3.4	3.1	1.6	1.8	1.8
18	Novaland	60,200	-6.2	2,392	1.74	25.2	17.5	18.3	4.1	2.9	2.5	-	-	-
19	Bao Viet Holding	76,800	-13.7	2,299	1.67	33.5	49.0	39.9	3.8	3.8	3.8	1.3	1.3	1.3
20	VP Bank	18,200	-8.8	1,910	1.39	6.3	5.7	5.1	0.9	1.3	1.1	-	-	-
21	Military Bank	20,850	10.1	1,882	1.40	13.4	7.7	6.1	1.3	1.4	1.1	2.4	2.9	2.9
22	Binh Son Refining	13,500	-0.7	1,788	-	5.4	11.6	9.0	1.2	1.3	1.3	5.2	2.2	3.0
23	Mobile World	86,100	0.7	1,628	1.19	16.6	13.3	10.5	6.2	4.3	3.3	1.7	1.7	1.7
24	ACB	29,000	-2.0	1,545	-	17.4	7.2	6.1	2.2	1.7	1.3	-	-	-
25	PVPower	15,250	-4.7	1,525	1.11	16.4	21.9	14.5	1.4	1.5	1.4	-	2.0	3.9

VIETNAM MONTHLY REPORT

Performance Data as at 31 May 2019

DRAGON CAPITAL



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

Price Providers	Funds	Bloomberg	Reuters	Contact
Dragon Capital Markets	VPF	DGCP	DRAGON1	Nick Ainsworth +84 28 3823 9355
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BNP Paribas	VEF	-	-	Transfer Agency Department +353 1 612 5379

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

VEF	
Subscription & Withdrawals	Daily
The Fund has appointed BNP Paribas as its transfer agent, depository and fund administrator. A range of third party fund platforms also include VEF in their product offerings, including Clearstream (www.clearstream.com), Fundsettle (www.euroclear.com), Banco Inversis (www.inversis.com), IFSAM (www.ifsam.lu), Pareto Securities (www.paretosec.com), Attrax (www.attrax.lu) and MFEX (www.mfex.com)	

VDeF	
Subscription & Withdrawals	Monthly

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

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