

MARKET REVIEW

VN Index falls 0.4% in June on continuing trade issues

The VN Index continued its slide, losing 0.4% (\$TR) in June as investors remained cautious amidst a host of trade developments. At first, the market was supported by the Fed's dovish tone after its June meeting and the G20 announcement of a trade truce between the US and China. But the positive sentiment was immediately soured by President Trump's remarks about potential actions to rein in Vietnam's burgeoning trade surplus with the US. Immediately thereafter, the US imposed tariffs on Vietnamese steel made from materials originating in South Korea and Taiwan, warning Vietnam against facilitating other countries' evasion of US tariffs.

Foreigners remain net buyers for tenth month running

Liquidity weakened slightly as average daily trading value fell 4.2% mom to \$164m. Foreign investors were net buyers for the tenth consecutive month, injecting a net of \$21m into the market. Stocks that attracted the most inflows included the ETF E1VFN30 (+\$34m), and Bao Viet Holdings (BVH, +\$11m). Meanwhile, SBT (-\$22m), Vinhomes (VHM, -\$15m), and Vinamilk (VNM, -\$14m) experienced net outflows, contributing to VHM and VNM falling 2.8% and 3.4%.

Mobile World leads gainers on excellent 5M results

Mobile World Group (MWG) led the market's gainers, rising 8.3% as it released 5M results, with revenue and profit soaring 15% and 39%, respectively. Its grocery chain Bach Hoa Xanh continues to improve and is expected to triple its sales in 2019. By contrast, MWG's retail peer Phu Nhuan Jewelry (PNJ) lost 5.1% on deteriorating sales and profit growth in recent months. And Hoa Phat Group (HPG) dropped 4.4% on concerns of sky-high iron ore prices and negative developments in the trade war, despite insider purchase announcements.

Covered Warrants start trading; EU and VN sign trade deal

On 28 June, Covered Warrants (CW) started trading on the HOSE, attracting high demand from investors. CWs, above all, offer a way for investors to get exposure to foreign-constrained names like MWG, FPT and PNJ, and are indicative of market access improvement. And despite trade wars elsewhere, the EU and Vietnam signed the EVFTA, paving the way for the removal of 99% of tariffs on goods from both sides and an increase in exports of textiles, furniture, and seafood from Vietnam, benefiting names like Vinh Hoan (VHC) and Phu Tai (PTB).

New measures and low valuation make VN market attractive

Despite short-term turbulence, Vietnam has improved its long-term market outlook with the introduction of CWs and the signing of the EVFTA. The market's PER inched down in June while regional peers climbed, widening the valuation gap. That value, combined with an expected 11.1% EPS growth in 2019, makes Vietnam an attractive investment destination now.

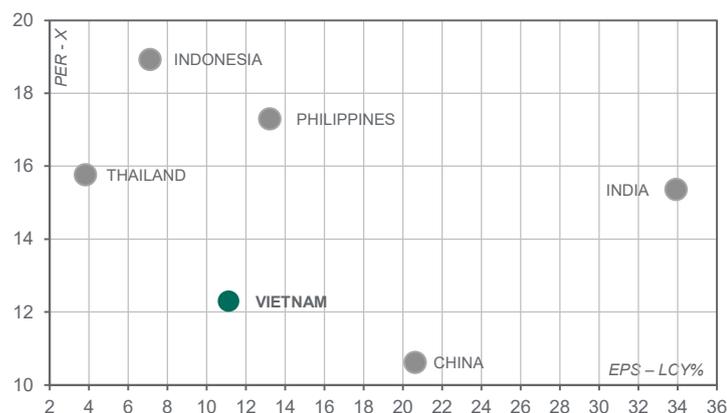
MARKET FORECASTS

30-June-19	Unit	2016	2017	2018	2019F
PER	x	21.1	16.8	13.8	12.3
EPS Growth	%	19.1	18.7	19.4	11.1
PEG	x	1.1	0.9	0.7	1.1
Sales Growth	%	17.5	25.0	15.7	15.7
EBIT Growth	%	15.5	20.5	25.4	20.0
PBT Growth	%	22.1	21.5	31.0	10.7
NPAT Growth	%	22.2	23.0	27.9	11.7
Net DER	x	0.35	0.38	0.36	0.28
Yield	%	2.1	1.8	2.2	2.1

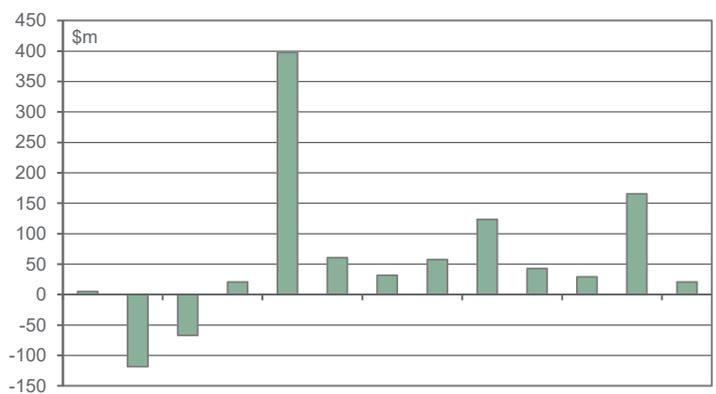
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2019



10TH CONSECUTIVE MONTH OF NET FOREIGN INFLOW



ECONOMY REVIEW

1H19 economic data solid despite trade friction with the US

Vietnam's 1H2019 economic growth remained solid, with leading indicators performing in line with Government targets. And while there might be some concerns about the Vietnam – US relationship due to trade friction, we believe there is limited risk here. Vietnam is clearly a beneficiary of the trade war between the US and China, but that comes at the cost of unwanted attention from the US. Still, we believe Vietnam can manage the situation.

2Q19 GDP grows by 6.71%; average inflation 2.64% yoy

GDP growth maintained its strong momentum in 2Q19, rising 6.71% yoy, compared to 6.79% last quarter and 6.73% in 2Q last year. And cumulatively, six-month GDP grew by 6.76%. Given weaker global demand and Vietnam's high level of trade to GDP, these numbers are encouraging. The industrial sector, and in particular the manufacturing sub-sector, was the main growth driver, posting a 1H increase of 11.18% yoy. The agricultural sector lagged, however, rising just 1.3% yoy due to African Swine Fever, which caused a 4.7% decline in pig production. In addition, the El Nino effect resulted in a lack of water for irrigation, which reduced farm productivity. And average inflation came in at 2.64% yoy, the lowest level in three years.

Credit growth rises to 7.33% in 1H19 while 2Q NPLs fall to 1.91%

Meanwhile credit grew by 7.33% in 1H19, significantly higher than the five-month reading of 5.74%. That higher credit growth could be partially due to "quarter-end booking"; however, we do see the fastest growth of new orders from the June PMI survey, supporting the production outlook going forward. Based on May statistics, the highest lending growth was for the export sector (+13% yoy). Meanwhile, the bad debt situation remains well controlled, with the NPL ratio at 1.91% as of 2Q, compared to 2.02% in 1Q.

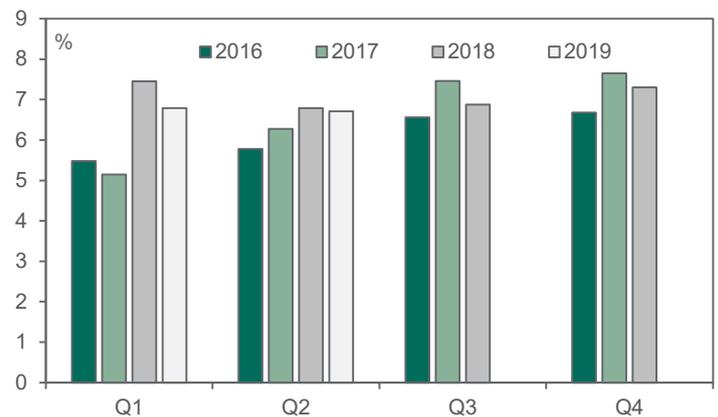
Concerns emerge over rising US trade deficit with Vietnam

During June, concerns emerged about relations with the US when President Trump commented that Vietnam abuses the States more than other countries in trade. This was followed by 400% tariffs on certain Vietnamese steel products. Then came news that Vietnam's 5M19 trade surplus with the US had increased 42.6% yoy to \$21.6bn. Hanoi has taken immediate steps to mitigate the situation by imposing tariffs on certain products coming from China in order to deter transshipment. It is also increasing inspection of products labeled as originating in Vietnam. At the same time, Vietnam is expected to increase imports of certain products from the US, including foodstuffs, gas and fuels, and civilian aircraft. We believe that the risk of a trade war with the US is low. The Americans are just serving up some timely warnings about playing the game, and it is unlikely that Vietnam will be slow to comply.

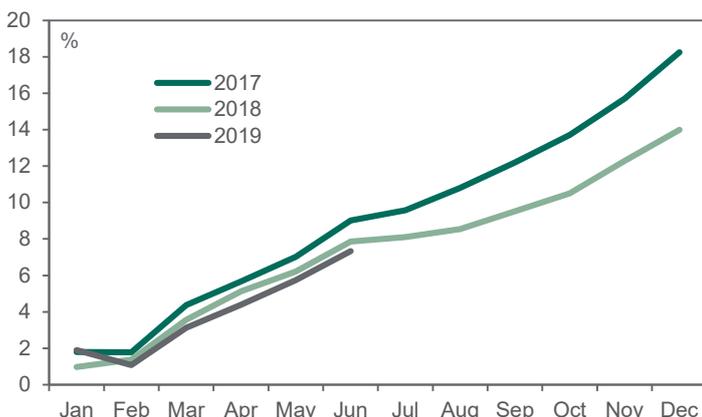
ECONOMIC FORECASTS

	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

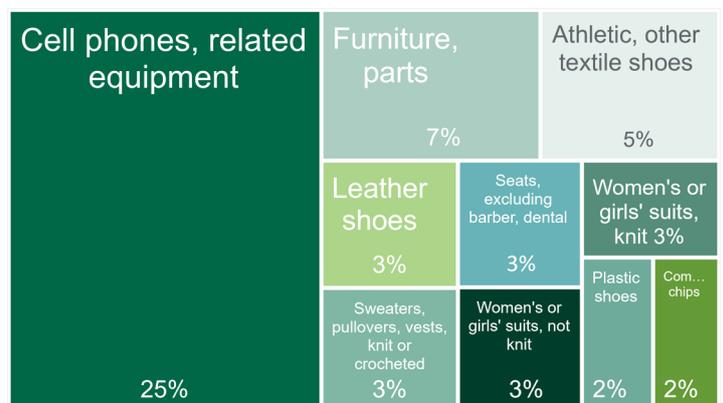
GDP GROWTH BY QUARTER



YTD CREDIT GROWTH



TOP 10 VIETNAMESE EXPORT CATEGORIES TO US



VIETNAM EQUITY (UCITS) FUND – VEF

VEF rose 1.9% in June while the FTSE VN Index fell 1.4%. The Fund's strong outperformance vs the Index was due to the good performance of overweight positions such as Airports Corporation of Vietnam (ACV), Mobile World (MWG), and FPT Corp (FPT). Having less or no exposure to Index laggards such as Vinamilk (VNM), Vinhomes (VHM) and Masan (MSG) further supported relative performance.

ACV surged 20.2% after its valuation had reached an attractive level. Its EV/EBITDA had dropped to 15x, which is significantly lower than the closest comparable peer Airport of Thailand's 23x. We think the valuation remains attractive considering that ACV still has lots of room to grow. The mix between international and domestic passenger revenues and between aeronautical and non-aeronautical revenues are sub-optimal versus developed airports. As the current Tan Son Nhat Airport is running near its maximum capacity, a new terminal will be added in the next few years, while ACV's longer-term growth driver is the Long Thanh airport, Ho Chi Minh City's planned future airport some 40km east of the city.

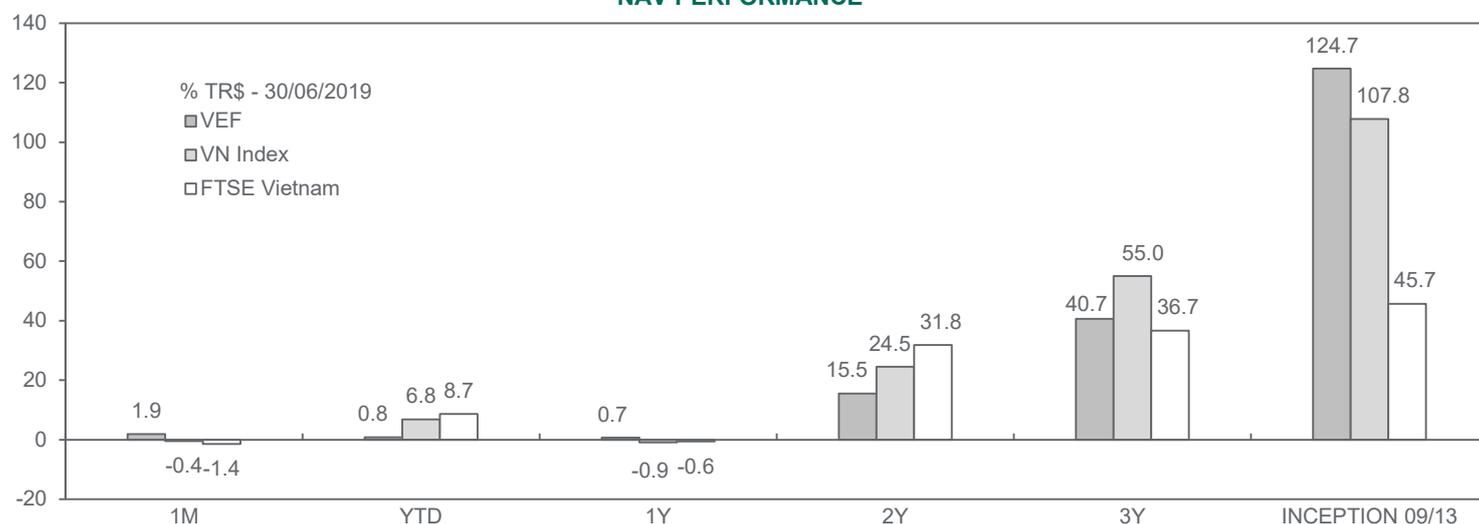
MWG gained on its strong 5M2019 earnings growth momentum. Cumulative 5M revenue and profits rose 15% and 39% yoy, respectively, mainly driven by robust performance of DMX (consumer electronics) and BHX (retail grocery). Closely-watched BHX maintained its healthy growth trajectory, with average revenue/store/month at VND 1.4bn (+75% yoy). In the recent analyst meeting, management expressed confidence that BHX, which is and will continue to be the main driver for share price appreciation, would be profitable at the store and distribution center levels by year end. Thanks to recent active IR activity, local investor sentiment has improved significantly while the foreign premium remains at 40% above the local price.

VHC was among the main detractors from VEF's performance. The company's export revenue softened in Apr and May, mostly due to buyers in its main US market being in a "wait and see" mode before the final decision on anti-dumping taxes on other Vietnamese fish exporters. In late Apr, the US announced its decision to maintain a tariff of \$1.37-\$3.87/kg while the selling price in the US market is around \$4/kg. As the only Vietnamese fish exporter with zero tariff, VHC remains in a strong position, and exports started picking up quickly from mid-May. The stock is trading at a PER of 5.8x on an ROE of 32%.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$22.47	+1.86	+0.83	\$97.22m	8.85	14.45	0.73

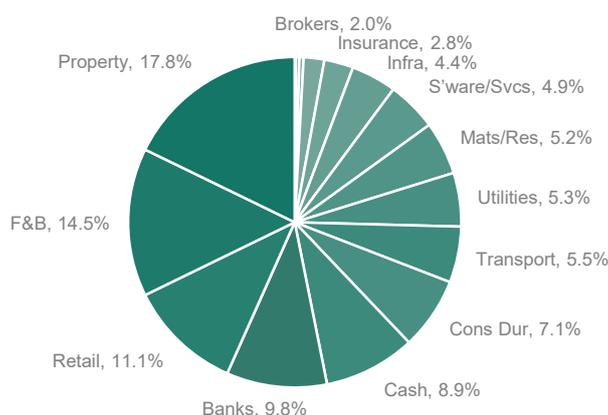
NAV PERFORMANCE



TOP 10 HOLDINGS (54.7% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	-	8.79	8.3
2 Vinh Hoan	F&B	-	8.23	-2.8
3 Vinhomes	Property	14.72	5.95	-2.8
4 Airports Corp VN	Transport	-	5.48	20.2
5 FPT Corp	S'ware/Svcs	-	4.87	3.7
6 Vietcombank	Banks	5.29	4.67	5.4
7 Phu Nhuan Jewelry	Cons Dur	-	4.51	-5.1
8 Hoa Phat Group	Mats/Res	8.15	4.45	-4.4
9 Vinamilk	F&B	14.82	4.38	-3.4
10 Military Bank	Banks	-	3.33	0.7

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	
	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19
Market Cap (\$m)	132,803	137,203	8,439	8,031	36,131	43,142	177,374	188,376
Number of Stocks	360	377	377	366	757	839	1494	1582
Number of Large Cap Stocks (> \$400m)	34	35	4	4	15	17	53	56
Stocks with No Room for Foreigners	24	19	9	9	18	19	51	47
Market Cap of Stocks with No Room (\$m)	20,596	12,772	1,989	2,075	2,211	808	24,796	15,655
Share of Market Cap with No Room (%)	15.5	9.3	23.6	25.8	6.1	1.9	14.0	8.3

Top 25 Companies

No	Company	30-Jun 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	115,700	21.4	16,602	12.11	63.7	91.1	67.9	5.8	3.7	3.5	-	-	-
2	Vinhomes	79,300	8.0	11,391	8.31	28.1	18.6	14.6	5.7	6.1	4.3	-	-	-
3	Vietcombank	70,500	31.8	11,213	8.18	32.1	20.0	17.9	4.7	4.1	3.3	1.4	1.4	1.4
4	Vinamilk	123,000	3.7	9,186	6.70	23.1	23.3	21.5	9.0	8.2	7.8	5.3	4.9	4.9
5	Airports Corporation VN	97,000	7.8	9,056	-	57.2	37.8	31.0	7.7	6.9	5.9	0.6	0.9	0.9
6	PV Gas	97,500	14.8	8,003	5.84	19.7	16.6	12.9	4.5	4.1	4.0	3.1	5.4	5.5
7	Sabeco	275,000	2.8	7,563	5.52	39.8	44.6	39.6	13.2	11.7	9.2	1.3	1.3	1.3
8	BIDV	31,700	-7.8	4,648	3.39	20.0	18.4	16.0	2.4	2.1	1.8	2.2	-	-
9	Masan Group	83,000	7.1	4,161	3.02	31.0	19.5	19.7	6.5	3.3	2.8	-	-	-
10	Vincom Retail	33,800	24.7	3,376	2.46	38.8	32.7	28.7	3.0	2.8	2.5	-	-	-
11	VEAM Corp	57,800	48.2	3,294	-	15.2	10.9	9.6	4.1	3.1	3.4	0.6	4.8	5.2
12	Vietinbank	19,500	1.0	3,114	2.27	9.8	13.4	10.7	1.1	1.1	1.0	5.1	5.1	5.1
13	Techcombank	20,350	-21.3	3,052	2.23	3.3	8.0	7.2	0.8	1.3	1.2	5.9	5.9	5.9
14	Petrolimex	59,500	16.8	2,988	2.41	19.7	19.1	14.7	3.3	3.4	3.1	5.4	5.0	5.0
15	Vietjet Air	128,000	7.6	2,973	2.17	13.7	13.3	12.6	8.8	5.4	4.3	2.3	3.1	3.9
16	Hoa Phat Group	23,500	-1.3	2,783	2.03	7.7	7.9	8.8	2.0	1.6	1.3	-	-	-
17	Vietnam Airlines	42,000	30.2	2,555	1.86	21.7	25.5	23.2	3.1	3.3	3.0	1.7	1.9	1.9
18	Bao Viet Holding	80,800	-9.2	2,429	1.77	35.3	51.6	41.9	4.0	3.7	3.6	1.2	1.2	1.2
19	Novaland	59,600	-7.2	2,378	1.73	24.9	17.3	18.1	4.0	2.9	2.5	-	-	-
20	VP Bank	18,900	-5.3	1,991	1.45	6.5	6.0	5.3	1.0	1.3	1.1	-	-	-
21	Military Bank	20,900	10.4	1,894	1.41	13.4	7.7	6.1	1.3	1.4	1.1	2.4	2.9	2.9
22	Mobile World	92,800	8.5	1,762	1.29	17.9	14.3	11.4	6.7	4.6	3.5	1.6	1.6	1.6
23	Binh Son Refining	12,900	-5.1	1,715	-	5.2	11.1	8.6	1.2	1.3	1.2	5.4	2.3	3.1
24	ACB	28,900	-2.4	1,546	-	17.3	7.1	6.1	2.2	1.7	1.3	-	-	-
25	PVPower	15,200	-5.0	1,527	1.11	16.3	21.8	14.4	1.4	1.5	1.4	-	2.0	3.9

VIETNAM MONTHLY REPORT

Performance Data as at 30 June 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 SEI Investments – Global Fund Services Limited as its fund administrator and transfer agent, and SEI Investments – Depositary and Custodial Services (Ireland) Limited as its depositary. 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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