

MARKET REVIEW

VNI +4.8% in July on rising global equities

The VN Index advanced 4.8% (TR\$) in July along with global equities as US stock market indexes hit record highs in anticipation of a Fed rate cut, the first since 2008. Sentiment was further boosted when President Trump toned down trade threats to China, bringing the prospect of a resolution. As earnings season in Vietnam was in full swing, the stock market cheered the overall positive results. Companies in our Top 60 coverage recorded 7.0% NPAT growth in 1H19, outperforming the 4.7% growth recorded by the overall market.

Trading muted but foreign buying continues

Liquidity picked up slightly although it remained low, as average daily trading value increased to \$170m (+4% mom). Foreign investors remained net buyers for the eleventh consecutive month, injecting \$97m into the market. Stocks that attracted the most inflows included Petrolimex (PLX, +\$54m) and Vietcombank (VCB, +\$19m), while Hoa Phat Group (HPG, -\$18m) and Vinamilk (VNM, -\$9m) saw the biggest outflows. A new ETF tracking Vietnam's market was launched in Hong Kong with an initial investment of \$20m, and Korean KEB Hana Bank announced an \$871m deal for a 15% stake in BIDV (BID), pointing to further foreign flows into Vietnam.

Positive 2Q results rewarded

Earnings drove individual stock returns this month, with VCB hitting an all-time high after a 14.2% gain thanks to 41% profit growth for first half of the year, beating the market's expectations. Mobile World (MWG) also stood out, gaining 15.5% as it reported 1H19 profit growth of 38% yoy. Its grocery chain, Bach Hoa Xanh, continued to surprise on the upside, outperforming in both revenue per store (+70% yoy) and the pace of expansion. Vinhomes (VHM) also performed strongly, rising 11.6% after 75% 2Q earnings growth, driven by strong residential apartments sales.

While weak earnings punished

By contrast, HPG continued its downward momentum, dropping another 3.7% for the month. The steel maker reported 1H19 profit down 13% yoy due to the surge in iron ore prices. Similarly, Masan (MSN) was among the worst performers as its share price retreated 3.6% after its 1H19 profit fell 38% yoy, primarily due to a substantial one-off gain last year.

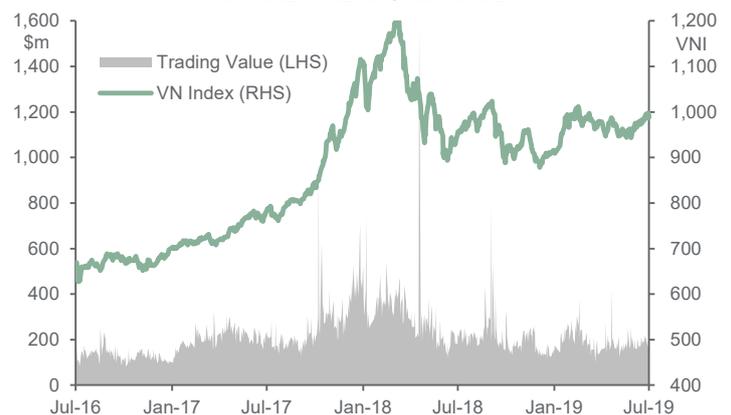
Vietnam equities cheap on 2020F growth and valuation

Looking ahead, earnings growth will accelerate significantly in 2020, reaching 17.8% according to our current forecasts. In a global environment where slowing growth is a recurring theme, Vietnam continues to be a bright spot, especially considering that this growth can be bought for a 2020F PER of just 10.9x, vs regional peers in the high teens.

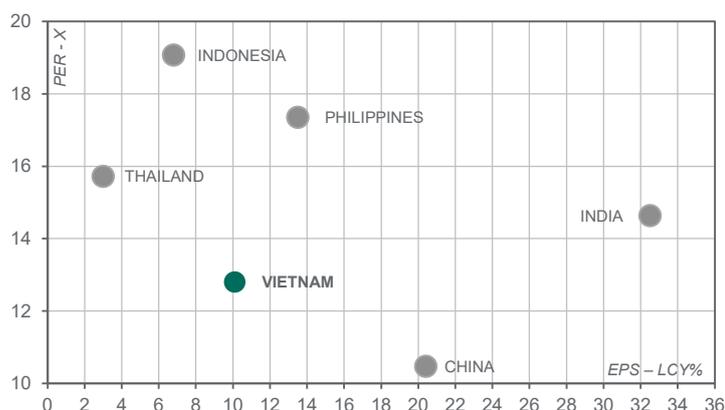
MARKET FORECASTS

31-July-19	Unit	2017	2018	2019F	2020F
PER	x	17.6	14.1	12.8	10.9
EPS Growth	%	18.7	19.4	10.1	17.8
PEG	x	0.9	0.7	1.3	0.6
Sales Growth	%	25.0	15.7	15.4	18.5
EBIT Growth	%	20.5	25.4	19.1	22.3
PBT Growth	%	21.5	31.0	9.5	18.0
NPAT Growth	%	23.0	27.9	10.8	17.9
Net DER	x	0.38	0.36	0.28	0.24
Yield	%	2.0	2.1	2.1	2.1

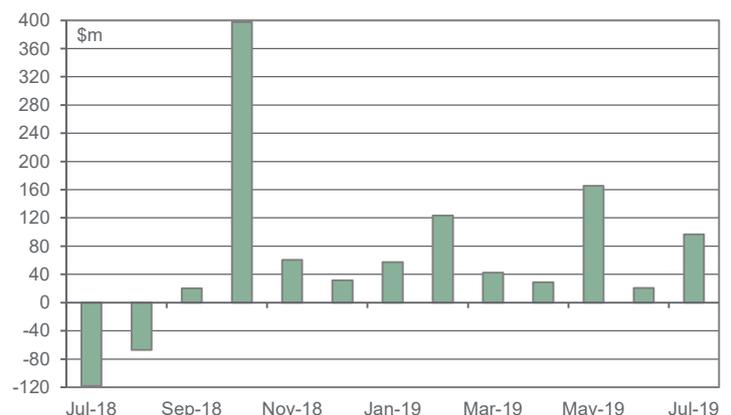
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2019



11TH CONSECUTIVE MONTH OF NET FOREIGN INFLOW



ECONOMY REVIEW

Economy stable despite external headwinds

2019 inflation will likely come in below Govt's 4.0% target

SBV has room to ease monetary policy for the rest of the year

FDI disbursement +7.1% yoy; trade in surplus by \$1.7bn

VND holds firm in face of weakening CNY

July economic data was stable compared to previous months, with low inflation and consistent growth in industrial production and retail sales. At the same time, Vietnam's currency and FDI disbursement were very resilient despite significant headwinds caused by global trade tensions.

With the oil price retreating to multi-month lows and food price rises remaining benign, Vietnam's Government expects inflation to be in the range of 3.2-3.4% this year, lower than the 4.0% target set at the beginning of the year. Average headline inflation has increased 2.6% ytd, while core inflation has risen 1.9% ytd. Meanwhile, retail sales increased by 12.4% yoy in July, higher than the ytd average of 11.6%, while industrial production recorded 9.4% yoy growth, with a pick-up in smartphones, steel, and refinery output.

During July, several state-owned commercial banks started to ease their lending rates for some preferential sectors such as exports, agriculture, industry, and technology. Lending to the real estate sector remains tightly controlled, however. Liquidity in the system is abundant, with yields dropping to 15-month lows in all tenures. In particular, 5-year and 1-year VGBs were quoted at 3.48% (-38 bps mom) and 2.96% (-30 bps mom), respectively. With inflation well under control, and in a low-rate environment, the State Bank of Vietnam has some room to pursue monetary easing measures for the rest of year.

FDI disbursement recorded stable growth at 7.1% yoy, accumulating to \$10.55bn by end-July. In fact, July witnessed the highest single-month disbursement to date at more than \$2bn. Newly registered FDI declined 37.3% to \$8.2bn. However, this number often fluctuates widely due to some large projects. Last year, the registered FDI number surged in June due to a \$4bn smart-city project by Sumitomo, while we observe a much more stable trend this year. On the trade front, Vietnam remains in surplus at \$1.7bn, with exports up 8.2% against a 9.4% rise in imports.

The VND continues to hold strong despite the Chinese yuan breaking through the psychological threshold of 7.0 to the dollar. Since President Trump's announcement on 1 Aug to impose a 10% tariff on an additional \$300bn worth of Chinese imports, the VND has remained relatively flat against the dollar at 23,205. We maintain our view that there will not be significant pressure on the VND unless the CNY drops below 7.2, or another 2% from the current level, and that VND depreciation against the dollar this year will range between 1.5 and 2.0%.

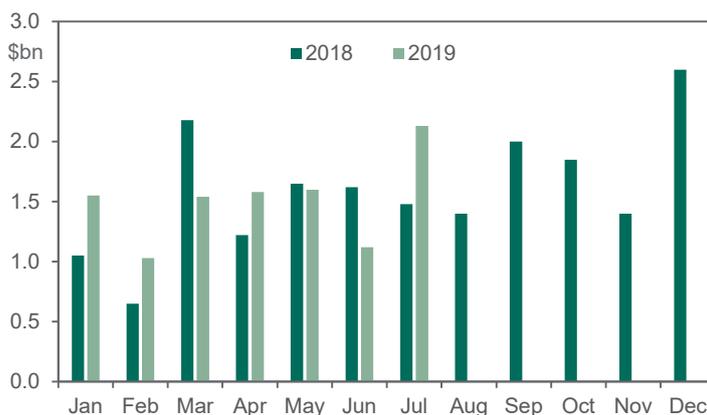
ECONOMIC FORECASTS

	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

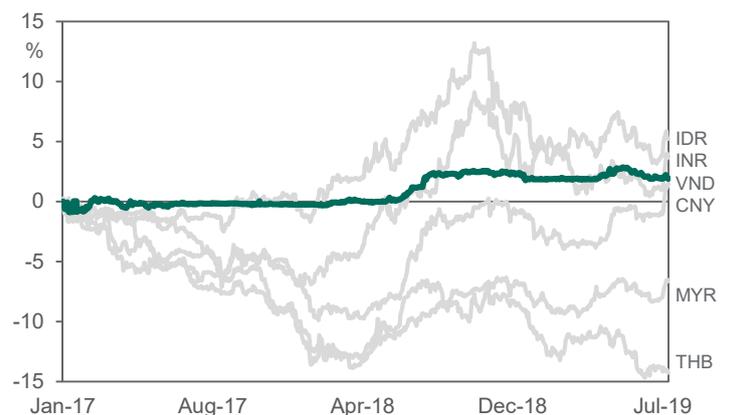
SELECTED GOVERNMENT BOND YIELDS



FDI DISBURSMENT BY MONTH



VIETNAM'S CURRENCY MOST STABLE IN REGION



VIETNAM EQUITY (UCITS) FUND – VEF

VEF gained 2.6% (TR\$) in July, while its benchmark, the FTSE VN Index, rose 3.5%. Strong gains by top holdings MobiWorld (MWG), Vinhomes (VHM) and FPT were the key performance drivers, thanks to their positive interim earnings announcements. By end-July, most companies had released their 1H19 results; the Fund's holdings reported profit growth of 13% yoy, largely on track with our current forecast, and outpacing the Top-60 Index profit growth rate of 7%.

MWG's upward momentum accelerated on good 6M19 results. Local investors have finally bought in the potential of its grocery retail business under the Bach Hoa Xanh brand. MWG's 6M revenue rose 16% yoy while net profit soared 39%. The top line was driven by 22% yoy growth of its Consumer Electronics retail business. In addition, better operating cost optimization led to margin expansion.

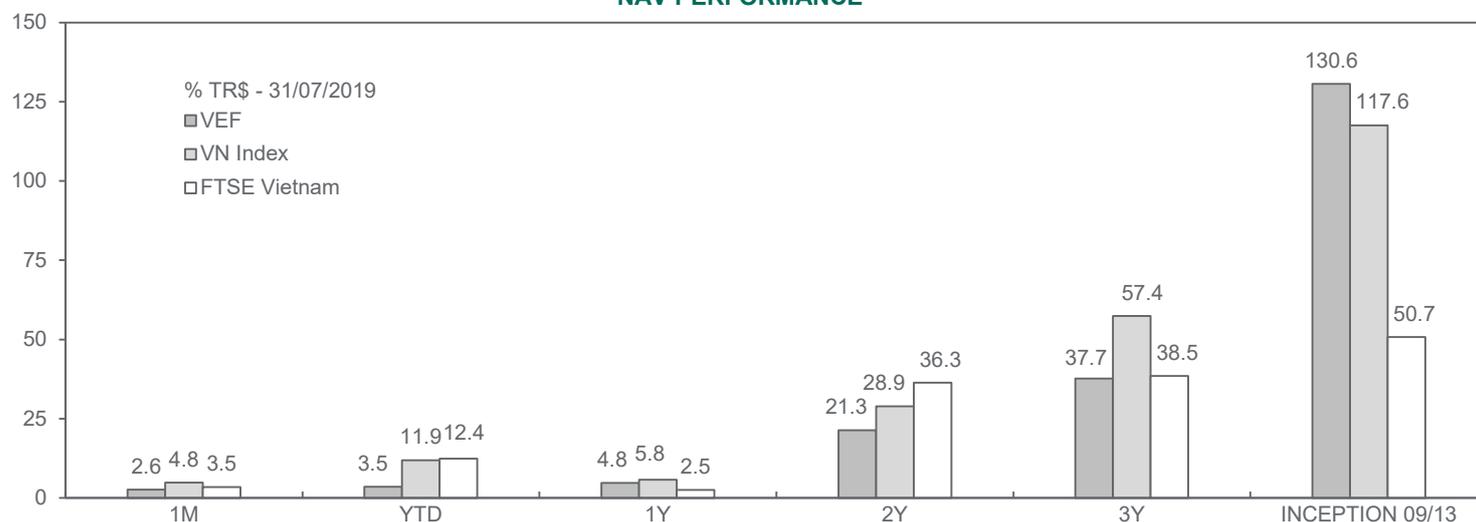
VCB also continued its upward trajectory from June, rising 14.2% in July after releasing strong 1H19 results. Interim net earnings reached VND 9.1trn (\$391m, +41.0% yoy), achieving 51% of our 2019 full-year forecast. The bank's annualized 1H19 ROA and ROE were 1.7% and 25.7%, respectively. Sentiment in the stock was also boosted by the possibility of the bank signing a lucrative, exclusive insurance distribution contract with either Prudential or Hong Kong billionaire Richard Li's FWD Group. Meanwhile, VHM rose on positive interim results as 1H19 earnings rose by 22% yoy, driven mainly by stronger scheduled deliveries and margin expansion.

On the downside, ACV fell 13.9% in July. The monopoly airport manager has just released 1H results, with revenue up 12% yoy and profits up 20%. ACV's valuation is attractive at an EV/EBITDA of 14x compared to the Airport of Thailand's 23x, while its PER dropped to 28x versus a historical average valuation of 33x. As the current Tan Son Nhat airport in HCMC is running near its maximum capacity, ACV has been given approval to build an additional terminal, T3, with the capacity of 20m passengers a year, expected to be completed in 2022. Longer term, ACV is proposing to undertake the Long Thanh International Airport project, which will be done in three phases. Total investment for the first phase is estimated at \$5.5bn, for a capacity of 25m passengers and 1.2m tons of cargo in 2025.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$23.1	2.6	3.5	\$101.9m	6.1	14.30	0.68

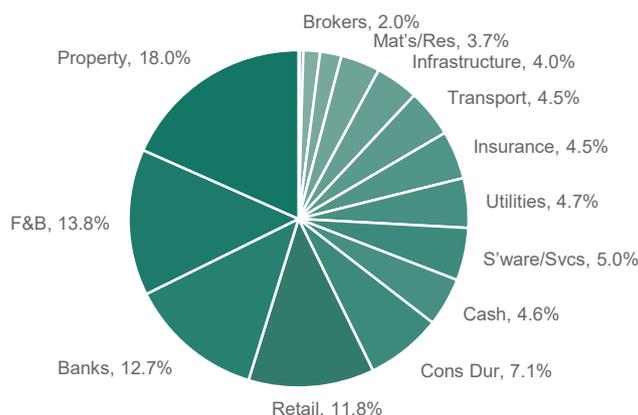
NAV PERFORMANCE



TOP 10 HOLDINGS (57.6% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	-	9.70	15.5
2 Vinh Hoan	F&B	-	7.51	1.4
3 Vietcombank	Banks	5.83	7.46	14.2
4 Vinhomes	Property	15.87	6.53	11.6
5 FPT Corp	S'ware/Svcs	-	4.97	6.8
6 Bao Viet Holding	Insurance	-	4.55	4.3
7 Phu Nhuan Jewelry	Cons Dur	-	4.55	6.7
8 Airports Corp VN	Transport	-	4.50	-13.9
9 Vinamilk	F&B	14.39	4.46	0.5
10 MB Bank	Banks	-	3.39	6.6

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-Jul-18	31-Jul-19	31-Jul-18	31-Jul-19	31-Jul-18	31-Jul-19	31-Jul-18	31-Jul-19
Market Cap (\$m)	130,675	144,062	8,373	8,123	35,377	43,724	174,426	195,909
Number of Stocks	360	380	378	366	763	849	1501	1595
Number of Large Cap Stocks (> \$400m)	35	36	3	4	15	17	53	57
Stocks with No Room for Foreigners	21	23	11	8	21	20	53	51
Market Cap of Stocks with No Room (\$m)	19,595	18,068	1,987	1,625	2,159	913	23,741	20,605
Share of Market Cap with No Room (%)	15.0	12.5	23.7	20.0	6.1	2.1	13.6	10.5

Top 25 Companies

No	Company	31-Jul Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2018 (x)	2019F (x)	2020F (x)	2018 (x)	2019F (x)	2020F (x)	2018 (%)	2019F (%)	2020F (%)
1	Vingroup	122,000	28.0	17,580	12.17	96.0	90.2	44.2	3.9	3.7	3.4	-	-	-
2	Vietcombank	80,200	49.9	12,810	8.87	22.7	20.4	17.3	4.6	3.7	3.3	1.2	1.2	1.2
3	Vinhomes	88,200	20.2	12,723	8.81	20.7	16.6	13.1	6.8	4.8	3.5	-	-	-
4	Vinamilk	123,200	3.9	9,239	6.40	23.3	21.5	20.3	8.2	7.7	7.2	4.9	4.9	4.1
5	PV Gas	109,100	28.5	8,993	6.22	18.6	14.4	13.8	4.6	4.5	4.4	4.9	4.9	4.8
6	Airports Corporation VN	83,200	-7.6	7,801	-	32.4	28.1	22.2	5.9	5.1	4.2	1.1	1.1	1.1
7	Sabeco	279,000	4.3	7,705	5.33	45.3	40.2	35.8	11.9	9.3	7.9	1.3	1.3	1.3
8	BIDV	35,500	3.2	5,227	3.62	20.6	18.0	14.6	2.3	2.0	2.0	-	-	-
9	Masan Group	80,000	3.2	4,027	2.79	18.8	19.0	17.2	3.2	2.7	2.4	-	-	-
10	Vincom Retail	36,950	36.3	3,706	2.56	35.8	31.4	27.8	3.0	2.8	2.5	-	-	-
11	VEAM Corp	61,000	56.4	3,491	-	11.5	10.2	9.3	3.3	3.7	3.4	6.2	9.0	9.9
12	Vietinbank	20,750	7.5	3,327	2.30	14.3	11.4	9.3	1.2	1.1	1.0	4.8	4.8	4.8
13	Petrolimex	65,500	28.5	3,303	2.53	21.0	16.2	17.9	3.7	3.4	3.2	4.6	4.6	4.6
14	Vietjet Air	133,400	12.1	3,112	2.15	13.8	13.2	11.1	5.7	4.5	3.6	3.0	3.7	3.7
15	Techcombank	20,550	-20.5	3,095	2.14	8.1	7.2	6.1	1.3	1.2	1.0	5.8	5.8	5.8
16	Hoa Phat Group	22,550	-5.3	2,681	1.86	7.6	8.4	7.2	1.5	1.3	1.1	-	-	-
17	Vietnam Airlines	41,650	29.1	2,544	1.76	25.3	23.0	25.1	3.3	3.0	2.8	1.9	1.9	1.9
18	Bao Viet Holding	84,000	-5.6	2,536	1.75	53.6	43.6	41.0	4.0	3.9	3.7	1.2	1.2	1.2
19	Novaland	57,700	-10.1	2,312	1.60	16.8	17.5	15.7	2.8	2.4	2.1	-	-	-
20	Mobile World	106,800	24.9	2,037	1.41	16.5	13.1	10.7	5.3	4.1	3.1	1.4	1.4	1.4
21	Military Bank	22,200	17.2	2,021	1.43	8.2	6.5	5.5	1.5	1.2	1.0	2.7	2.7	2.7
22	VP Bank	18,550	-7.0	1,963	1.36	5.9	5.5	4.8	1.3	1.1	0.9	-	-	-
23	ACB	22,800	0.1	1,592	-	7.3	6.3	5.3	1.7	1.3	1.1	-	-	-
24	Binh Son Refining	10,900	-19.9	1,455	-	9.4	7.2	8.5	1.1	1.0	1.0	2.8	3.7	3.7
25	PVPower	14,100	-11.9	1,422	0.98	20.3	13.4	11.2	1.4	1.3	1.2	2.1	4.3	4.3

VIETNAM MONTHLY REPORT

Performance Data as at 31 July 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
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SEI Investments	VEF	–	–	Transfer Agency Department TADublin@seic.com

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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