VIETNAM MONTHLY REPORT

Performance Data as at 31 August 2019

DRAGON CAPITAL

25 years in Vietnam and beyond

MARKET REVIEW

VNI -0.4% in Aug to close at 984.1

The VN Index retreated 0.4% (TR$) in Aug to close at 984.1 amid volatile global markets and a renewal of trade tensions between the US and China. After the Chinese RMB hit an 11-year low, the US labelled China a "currency manipulator", which prompted China to announce a retaliation to US tariffs. President Trump responded by raising tariffs on $550bn of additional goods from China. Meanwhile, US macro data flashed red due to trade uncertainties: The PMI fell below 50 and the yield curve inverted as investors fled to the perceived safety of Treasuries.

Foreigners are net sellers for first time in 11 months

Liquidity continued to pick up as average daily trading value increased to $192m (+13% mom). Foreign investors turned net sellers in Aug for the first time in 11 months, net selling $74m worth of stocks – most of which withdrawn from ETFs. Foreigners also net sold in other ASEAN markets, mostly Thailand, which experienced a net outflow of over 0.3% of its market capitalization – vs 0.04% for Vietnam. Stocks that saw the largest outflows included VietJet (VJC, -$44m), Hoa Phat (HPG, -$22m), and VFM's local ETF (E1VFVN30, -$20m). Meanwhile, foreigners net bought $45m of Vingroup (VIC), mostly via one big put-through transaction.

Declines driven by ETF selling

Laggards for the month included Bao Viet (BVH, -9.5%), PV Gas (GAS, -7.8%), Vincom Retail (VRE, -6.8%), Masan (MSN, -5.8%), and Vietcombank (VCB, -3.0%), whose combined weight make up around 20% of the VNI. The declines were driven ETF outflows, which exerted selling pressure on the large-caps. By contrast, the best performer, property developer Dat Xanh Group (DXG, +13.7%) rallied strongly after the ex-date of its rights issue, after months of selling. Previously, the company's share price had been weighed down by concerns of dilution by the rights issue, and the Government's tightening of real estate development in Ho Chi Minh City.

New FOL indices propel FOL stocks

The Ho Chi Minh City Stock Exchange (HOSE) announced three new indices that follow FOL stocks, aiming to attract foreign flows and solve the "foreign premium" issue. In anticipation of this development, FOL stocks performed well: Mobile World Group (MWG, +9.5%) and FPT (+11.9%), and FOL banks including Vietnam Prosperity Bank (VPB, +9.4%), Techcombank (TCB, +4.6%), Military Bank (MBB, +4.1%) led the way.

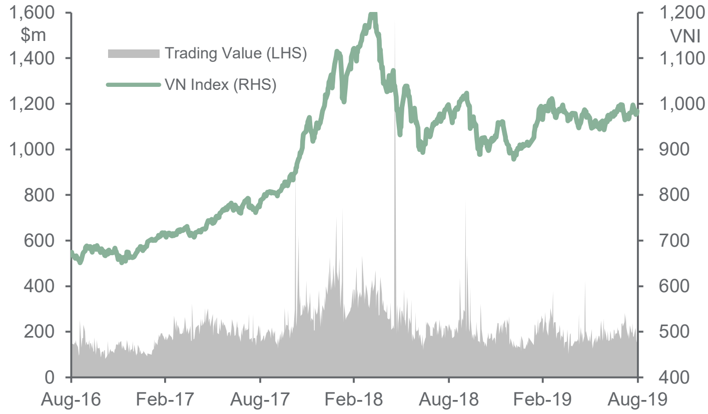
Vietnam equities cheap on 2020F growth and valuation

While foreign selling is a risk in the short term given the current global climate, we see Vietnam as a long-term beneficiary of the current trade turmoil. Per our forecast, earnings growth will accelerate in 2020 to over 18%. At a 2020F PER of 10.8x, Vietnam's market remains attractive.

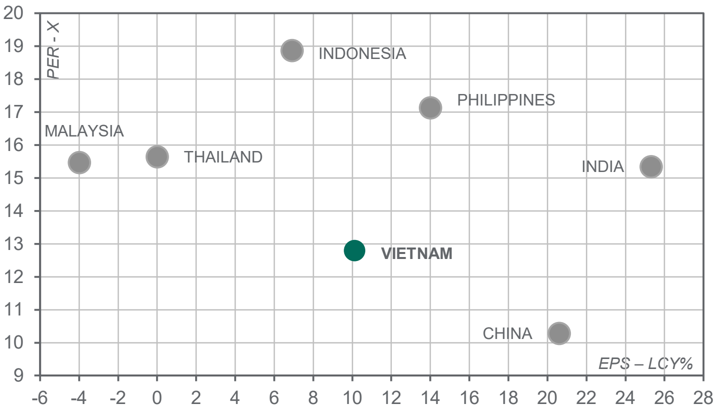
MARKET FORECASTS

31-Aug-19	Unit	2017	2018	2019F	2020F
PER	x	17.7	14.2	12.8	10.8
EPS Growth	%	18.7	19.4	10.1	18.7
PEG	x	0.9	0.7	1.3	0.6
Sales Growth	%	25.0	15.7	14.5	19.8
EBIT Growth	%	20.5	25.4	18.2	25.1
PBT Growth	%	21.5	31.0	9.4	19.6
NPAT Growth	%	23.0	27.9	10.8	19.0
Net DER	x	0.38	0.36	0.34	0.32
Yield	%	2.0	2.1	2.1	2.1

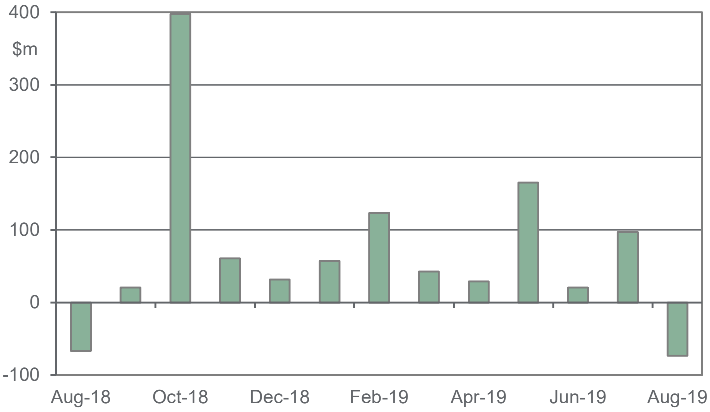
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2019



FIRST MONTH OF NET FOREIGN SELLING IN 11 MONTHS



ECONOMY REVIEW

PMI at six-month low while currency, inflation, trade good

Macroeconomic indicators were mixed in Aug, with the PMI falling to a six-month low. On the positive side, the currency, inflation, and trade are all in good shape. Meanwhile, Government expenditure has been very slow so far this year, which translates into a decent budget surplus but constrains GDP growth somewhat.

PMI experiences largest monthly drop of 2019

The Aug Vietnam PMI came in at 51.4 from 52.6 in July, the biggest monthly drop in 2019. While consumer and intermediate goods producers saw gains, the softening of the expansion was from investment goods producers, i.e. factory machines and equipment. That said, Vietnam is still one of the few countries that had softer, but not negative growth. Regionally, ASEAN manufacturing firms' operating conditions deteriorated at the fastest pace since Nov 2015 on subdued demand. Singapore reported an all-time low reading of 48.7, while Malaysia, Indonesia, and Thailand all experienced manufacturing stagnation as well.

VND stable at 23,200 to the USD on $5.2bn ytd trade surplus

The VND remained flat at 23,200/USD, on decent supply from trade activity. The trade surplus widened from $43m in July to $3.4bn in Aug, for a ytd surplus of $5.2bn. The strong surplus in Aug was due to a 48.1% mom increase in mobile phone exports with the launch of the Samsung Note 10, pushing monthly export growth to 12.6% vs July, while that of imports declined slightly to 2.1%. Notably, there were declines in imports of materials for textiles and footwear, which also saw a slowdown in exports due to rising uncertainty in US-China trade relations.

Average headline CPI down for third straight month to 2.57%

Inflation has remained stable throughout the year. Average headline CPI was 2.57% in Aug, the third straight month of decline. However, average core inflation inched up to 1.90% yoy, higher than that of Aug 2018 (1.38%) and Aug 2017 (1.47%).

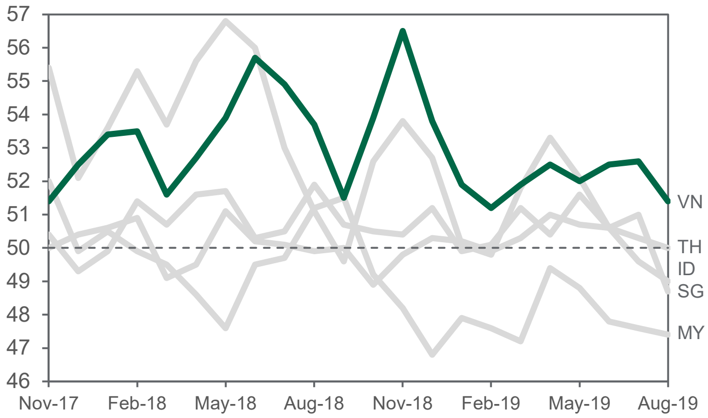
Slower state spending good for budget, not so good for growth

On the fiscal side, state expenditure remains a concern this year as disbursement has been very slow. Cumulative eight-month state expenditure only grew by 2.8% yoy, while revenue increased by 12.4%. With a surplus of roughly $4.1bn ytd, the Government has used some of its extra cash to pay off around $9.15bn of debt (of which $7.7bn was domestic debt and $1.45bn foreign). Netting off with total new issuance of $7.8bn, Government debt was reduced by $1.4bn. Although a lower debt level is hardly a bad thing, we think that given the low interest rate environment both domestically and internationally, the Government could have been more aggressive with its borrowing and investing, thereby benefiting GDP growth.

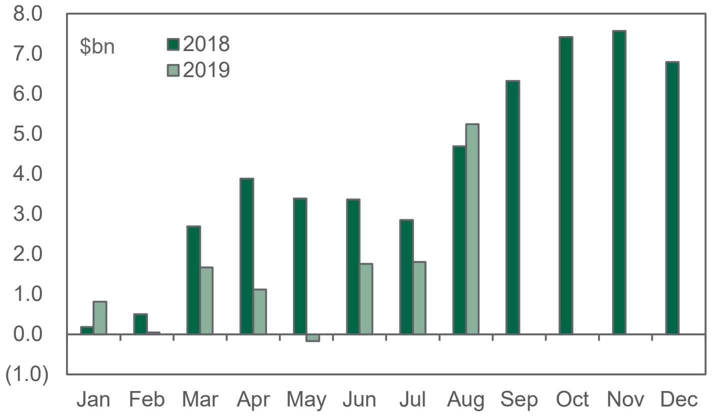
ECONOMIC FORECASTS

	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	3.0
Export Growth (cif)	%	8.6	21.2	13.2	9.3
Import Growth (cif)	%	4.6	20.8	11.1	9.7
Trade Balance (cif)	$bn	1.8	2.9	6.8	6.5
FX Reserves	$bn	41.1	52.0	61	66
FDI Disbursed	$bn	15.8	17.5	19.1	15.3
VND:$ (interbank)	1	22,750	22,750	23,235	23,690

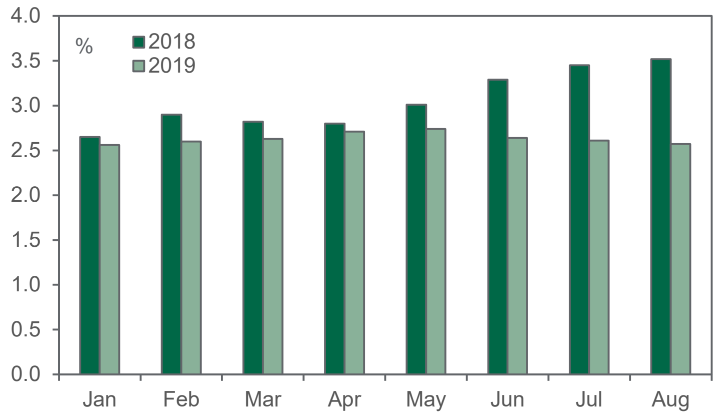
VIETNAM AUG PMI DOWN, BUT STILL HIGHEST IN REGION



AUG TRADE SURPLUS AT 2019 HIGH



HEADLINE CPI CONTINUES DOWNTREND



VIETNAM EQUITY (UCITS) FUND – VEF

VEF fell 0.4% in Aug vs a 1.1% drop by its reference index, the FTSE VN Index. The Fund's strong-conviction positions such as Mobile World (MWG), FPT Corp (FPT) and Phu Nhuan Jewelry (PNJ) continued to perform well, contributing the most to the Fund's active return versus the Index.

MWG's share price remained resilient on solid 7M results showing revenue up 18% yoy and net earnings up 37% yoy. It is worth noting that in July the company launched a big promotion campaign to celebrate its 15th anniversary, pushing revenue and net profits up 31% and 37% yoy. Net margin in July was 3.1% vs 4.1% for 1H19 due to the promotions. During the last three months, the top retailer continued to add more SKUs to current chains and has actively introduced new business ideas to generate new revenue streams. Recently MWG launched "dienthoaisieure.com", focusing on the low-end segment of the mobile phone market. Preliminary numbers seem encouraging, with monthly revenue per store of VND 400m ($17,000) vs the ordinary portable electronics chain The Gio Di Dong (TGDD) of VND 4.6bn ($200m).

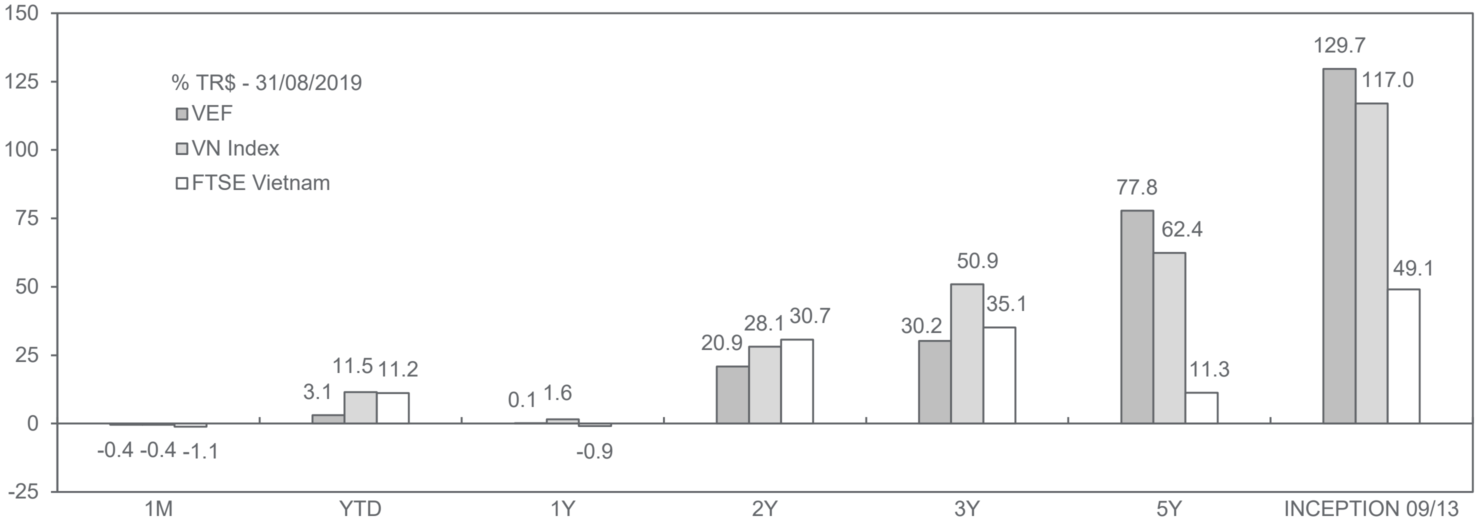
FPT rose on persistently strong sentiment over the company's bright outlook for 2019 and 2020. The key growth drivers are Software Outsourcing (SO) and Telecom, which together contribute about 67% of FPT's earnings. While SO is seeing upbeat growth across key markets, Telecom's broadband revenue advanced 14% yoy, mainly thanks to estimated double-digit subscriber growth. Furthermore, FPT is among the popular stocks that have covered warrants issued by many brokers, which has also supported the share price during the upswing in its business operations.

On the downside, VHC was the biggest laggard. The leading pangasius exporter announced July export value of $28m, down 23% yoy and 30% mom. However, this was due to 3Q18 having been exceptionally good thanks to a surge in selling prices. Though we expect 3Q19 will be much slower than 3Q18, it will still be a strong quarter in absolute terms. We think VHC will be able to keep its full-year 2019 profit unchanged despite the high 2018 base, thanks to much more significant contributions by fish skin gelatin and collagen. The company has announced its intention to buy back 2m shares in Sep, suggesting that management considers the stock to be undervalued – and indicating its confidence in the outlook.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
$22.9	-0.4	3.1	$102.5m	3.9	14.10	0.54

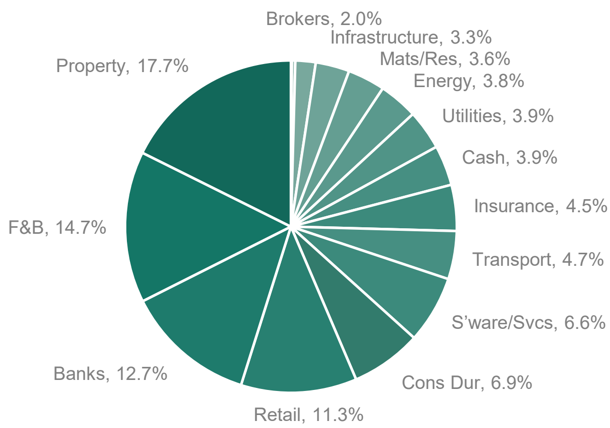
NAV PERFORMANCE



TOP 10 HOLDINGS (58.3% of NAV)

	COMPANY	SECTOR	FTSE %	NAV %	CH %
1	Mobile World	Retail	-	9.39	9.5
2	Vietcombank	Banks	5.73	7.20	-3.0
3	Vinh Hoan	F&B	-	6.71	-9.7
4	FPT Corp	S'ware/Svcs	-	6.57	11.9
5	Vinhomes	Property	16.03	6.47	0.8
6	Airports Corp VN	Transport	-	4.69	-0.8
7	Vinamilk	F&B	14.58	4.66	-0.1
8	Phu Nhuan Jewelry	Cons Durs	-	4.57	7.1
9	Bao Viet Holding	Insurance	-	4.48	-9.5
10	MB Bank	Banks	-	3.52	4.1

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	3.0
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	6.8	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
Government	$bn	33.2	36.2	38.1	39.6	42.9	46.3	49.7	53.5
Enterprises (incl. FDI)	$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-Aug-18	31-Aug-19	31-Aug-18	31-Aug-19	31-Aug-18	31-Aug-19	31-Aug-18	31-Aug-19
Market Cap ($m)	135,726	143,248	8,731	8,097	36,707	44,288	181,164	195,633
Number of Stocks	366	379	378	366	771	850	1515	1595
Number of Large Cap Stocks (> $400m)	38	36	4	4	16	18	58	58
Stocks with No Room for Foreigners	21	19	12	8	22	20	55	47
Market Cap of Stocks with No Room ($m)	20,020	18,383	2,195	1,594	2,158	977	24,374	20,954
Share of Market Cap with No Room (%)	14.8	12.8	25.1	19.7	5.9	2.2	13.5	10.7

Top 25 Companies

No	Company	31-Aug Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in VNI (%)	PER 2018 (x)	PER 2019F (x)	PER 2020F (x)	PBV 2018 (x)	PBV 2019F (x)	PBV 2020F (x)	Yield 2018 (%)	Yield 2019F (%)	Yield 2020F (%)
1	Vingroup	123,500	29.6	17,811	12.40	97.2	118.9	41.1	4.0	3.8	3.4	-	-	-
2	Vinhomes	87,800	21.0	12,676	8.82	20.6	16.0	12.4	6.8	4.8	3.5	-	-	-
3	Vietcombank	77,700	45.2	12,421	8.65	22.0	17.4	14.3	4.5	3.5	3.0	1.3	1.3	1.3
4	Vinamilk	123,000	3.7	9,232	6.43	23.3	21.5	20.2	8.2	7.7	7.2	4.9	4.9	4.1
5	PV Gas	100,600	21.2	8,299	5.78	17.2	13.3	12.7	4.3	4.2	4.0	5.3	5.4	5.2
6	Airports Corporation VN	82,500	-8.3	7,741	-	32.2	27.8	22.0	5.9	5.0	4.2	1.1	1.1	1.1
7	Sabeco	273,000	2.1	7,546	5.25	44.1	37.5	32.5	11.6	11.7	10.4	1.8	2.2	2.2
8	BIDV	38,750	12.6	5,710	3.97	22.5	19.5	17.4	2.6	2.3	1.8	-	-	-
9	Masan Group	75,400	-2.7	3,799	2.64	17.7	17.9	16.2	3.0	2.6	2.2	-	-	-
10	Vincom Retail	34,450	27.1	3,458	2.41	33.4	29.2	25.9	2.8	2.6	2.3	-	-	-
11	Vietinbank	20,200	4.7	3,242	2.26	16.9	11.9	9.7	1.1	1.0	0.9	-	-	-
12	Techcombank	21,500	-16.8	3,240	2.26	8.5	7.6	6.2	1.4	1.2	1.0	-	-	-
13	VEAM Corp	55,200	41.5	3,161	-	10.4	9.2	8.4	3.0	3.4	3.0	6.9	10.0	11.0
14	Petrolimex	61,500	20.7	3,104	2.39	19.7	15.2	16.8	3.5	3.2	3.0	4.9	4.9	4.9
15	Vietjet Air	132,000	11.0	2,980	2.15	13.7	13.0	11.0	5.6	4.5	3.6	3.0	3.8	3.8
16	Hoa Phat Group	22,200	-6.8	2,642	1.84	7.5	8.3	7.1	1.5	1.3	1.1	-	-	-
17	Novaland	62,300	-3.0	2,498	1.74	18.1	19.1	18.2	3.0	2.6	2.3	-	-	-
18	Bao Viet Holding	76,000	-14.6	2,296	1.60	48.5	39.4	37.1	3.6	3.5	3.4	1.3	1.3	1.3
19	Mobile World	116,900	36.7	2,231	1.56	18.0	14.2	11.7	5.8	4.4	3.4	1.3	1.3	1.3
20	Vietnam Airlines	36,250	12.4	2,216	1.54	22.0	20.0	21.8	2.8	2.6	2.4	2.2	2.2	2.2
21	VP Bank	20,300	1.8	2,150	1.50	6.4	6.0	5.2	1.4	1.2	1.0	-	-	-
22	Military Bank	23,100	22.0	2,104	1.50	8.5	6.7	5.8	1.5	1.3	1.0	2.6	2.6	2.6
23	FPT	53,100	43.9	1,552	1.08	13.8	11.0	8.8	2.6	2.4	2.1	3.6	4.5	5.6
24	ACB	22,200	-2.5	1,551	-	7.1	6.1	5.2	1.7	1.3	1.0	-	-	-
25	PVPower	12,900	-19.4	1,302	0.91	16.1	12.2	10.2	1.2	1.1	1.1	2.3	4.7	4.7

VIETNAM MONTHLY REPORT

Performance Data as at 31 August 2019

DRAGON CAPITAL

25 years in Vietnam and beyond

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
Jefferies International	VEIL	JCEF	n/a	Michele White / Trevor Hunt +44 207 898 7127 invcos@jefferies.com
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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