

## MARKET REVIEW

**VNI gains 1.5% on SBV rate cut to close at 997 points**

**Trading value falls, foreign outflow continues**

**Banks, brokerages, FOL stocks lead; Vingroup-related stocks lag**

**Deal activity picks up on purchase of big Vincommerce stake**

**FTSE declines to upgrade VN market**

**Vietnam equities cheap on 2020F growth and valuation**

Following the State Bank of Vietnam (SBV)'s rate cut amid synchronized global monetary easing, the VN Index advanced 1.5% (\$TR) in Sep. While the Index was lower in the first half of the month despite easing by the US Fed, by month end it managed to surpass the psychological 1,000-point threshold during intraday trading before pulling back slightly to close at 997 points.

Despite quarterly ETF rebalancing, average daily trading value fell to \$174m (-9.3% mom). Foreign investors remained net sellers for the second consecutive month, withdrawing \$17m from the HOSE. VietJet (VJC) was net bought the most by foreigners (\$39m) as it was officially added to offshore ETFs, while Vincom Retail (VRE) was the most net sold (\$16m). The theme of foreign outflow was also observed in other regional markets, including Thailand (-\$381m), and Indonesia (-\$519m), as foreign investors continue to divert money towards safe havens.

Banking stocks recorded strong gains, with Vietcombank (VCB) +5.7%, Techcombank (TCB) +8.6%, and VP Bank (VPB) +8.6%. And brokerage stocks rebounded sharply after months of underperformance, led by HCM +16.0%, SSI +7.0%, and VCI +4.4%. FOL stocks continued to deliver solid performance as FPT Group (FPT) and Mobile World (MWG) gained 8.7% and 7.9%, respectively. Vinamilk (VNM) advanced 7.2% on the announcement that its first batch of dairy products will be exported to China in mid-Oct 2019. On the downside, Vingroup-related stocks were among the biggest laggards, with Vingroup (VIC) -3.0%, and VRE -3.9%.

Deal activity picked up despite subdued trading. A GIC-led consortium invested \$500m into Vincommerce, the retail arm of Vingroup that operates over 2,200 outlets of minimarts and supermarkets, valuing the business at a massive \$3bn. In other news, Vietcombank is within reach of finalizing an exclusive insurance distribution deal with Hong Kong-based insurer FWD Group, bringing \$400m of upfront fee income to be booked in the next few years.

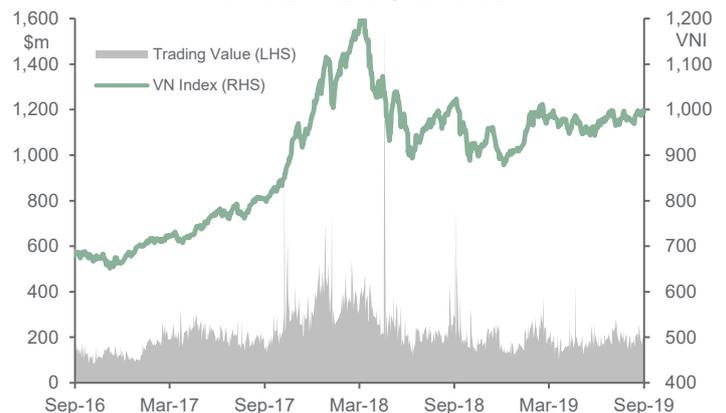
In the latest FTSE review, Vietnam remained just a "candidate" for reclassification from Frontier to Emerging Market status, as criteria on FOLs and clearing and settlement were not met yet.

While outflow continues to be a risk in the short term given the current global climate, we look at Vietnam as a long-term beneficiary of current trade turmoil. Looking to 2020, Vietnam continues to offer attractive value for investors at a 2020F PER of 11x on ca 20% estimated EPS growth.

### MARKET FORECASTS

30-Sep-19	Unit	2017	2018	2019F	2020F
PER	x	18.1	14.5	13.2	11.0
EPS Growth	%	18.7	19.4	9.5	19.6
PEG	x	1.0	0.7	1.4	0.6
Sales Growth	%	25.0	15.7	14.2	20.2
EBIT Growth	%	20.5	25.4	17.5	25.9
PBT Growth	%	21.5	31.0	8.8	20.5
NPAT Growth	%	23.0	27.9	10.2	20.0
Net DER	x	0.38	0.36	0.35	0.26
Yield	%	1.9	2.1	1.7	1.7

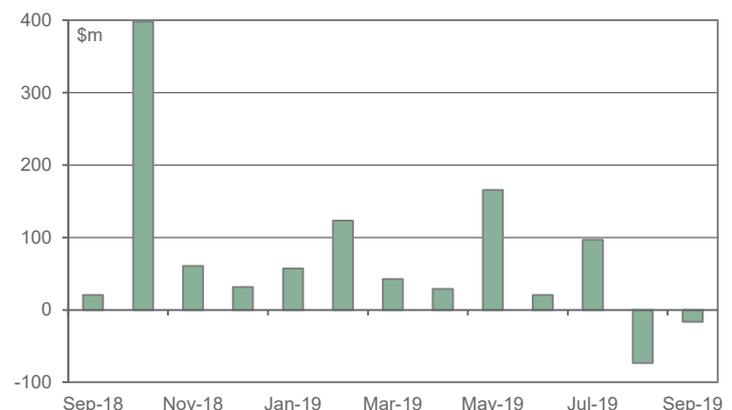
### MARKET PERFORMANCE



### COMPARATIVE RATINGS, 2019



### SECOND CONSECUTIVE MONTH OF NET FOREIGN SELLING



## ECONOMY REVIEW

### Economic indicators suggest Vietnam is dodging headwinds

**3Q GDP +7.31% yoy, beating expectations**

**SBV cuts interest rates, but credit growth still lags**

**9M19 trade shows \$7.2bn surplus vs \$6.3bn in 9M18**

Vietnam's economic indicators improved in 3Q, with strong GDP growth and a decent trade position. Overall, growth with stability is well anchored, and Vietnam seems, at least for now, to be shielded from the headwinds facing many of the world's economies.

3Q GDP grew faster than expected at +7.31% yoy, from 6.82% in 1Q and 6.73% in 2Q. As such, cumulative 9M GDP is +6.98% yoy, the same as that of 2018, but much higher than in 9M17 when it came in at +6.41%. The stronger-than-expected GDP growth was mostly driven by manufacturing, which rose 12.7% yoy, accounting for around a third of the rise, followed by construction (+9.71% yoy) and trade and retail (+7.49% yoy). And while the reported number was a positive surprise, we should not get overly excited about it – given that the PMI has fallen for the last two months and came in at just 50.5 in Sep.

The SBV cut repo rates by 25 bps in Sep, and there were another two 25 bps cuts in 7-day treasury bills, which now stand at 2.25%/annum vs 3.0% at the beginning of the year. While the first move was more of a validation of the SBV's intention to ease monetary policy since there is no actual OMO activity, the latter will have more real impact as it is 8-10 bps lower than the current 1-week interbank rate. Nonetheless, actual lending and deposit rates have not come down accordingly, as the need to comply with tougher regulations forces prudent leverage ratios on banks, i.e. short-term deposits as percentage of long-term lending (from 40% down to 30%). Because of this, credit growth has not shown any signs of picking up, with estimated 9M credit growth of 8.64%, far behind the full-year target of 14%. We do expect, however, that over 6-9 months, there will be further cuts by the SBV and a reduction in actual deposit and lending rates.

On the trade front, 9M numbers came in much better than we expected, with a ytd surplus of \$7.2bn vs \$6.3bn in 2018. We expect a decent trade balance for 2019 but don't expect it to be better than it was in 2018. Vietnam has risen to being the seventh-largest exporter to the US, from number 12 last year. This resurrects concern that President Trump might go after Vietnam for unfair trade practices. In Sep, Vietnam's Minister of Industry and Trade, Mr. Tran Tuan Anh, visited the US for trade talks, and most of the US Department of Commerce's demands were met at the negotiating table. Vietnam is also doing a \$5bn LNG project with the US, making it clear that it is serious about meeting US concerns about the trade imbalance between the two countries. So we think the risk of the US targeting Vietnam for trade issues is low.

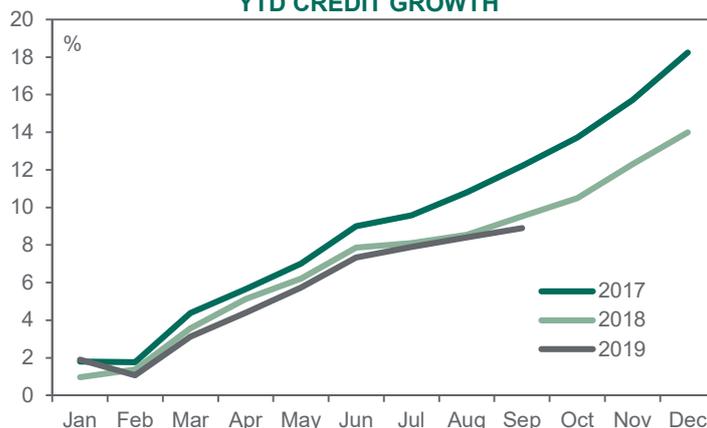
## ECONOMIC FORECASTS

	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



## VN EXPORTS TO US BY CATEGORY (TOP 10)



## VIETNAM EQUITY (UCITS) FUND – VEF

VEF gained 2.1% in Sep while the FTSE VN Index rose 1.4%. Strong gains by several of the Fund's top holdings, including Mobile World (MWG), FPT Corp (FPT), Vietcombank (VCB) and Vinamilk (VNM), contributed to the outperformance. Aside from these gainers, the Fund's underweightings in Vingroup (-3.0%) and Vincom Retail (-3.9%), which together account for 23% of the Index, also contributed to the Fund's outperformance.

MWG and FPT continued their strong momentum thanks to continuing positive operating results. For MWG, 8M net earnings increased 37%, driven by good sales growth by its consumer electronics division, as well as net margin expansion. Of note, the blended net margin recovered to 3.6% from 3.1% in Aug after the sales promotion campaign celebrating the company's 15th anniversary ended. And FPT rose on positive sentiment over its 2019-20 outlook. The company's shares are currently trading at a modest 9.5x PER for 2020, on 25% EPS growth, a 28% ROE, and a 5.2% cash dividend yield.

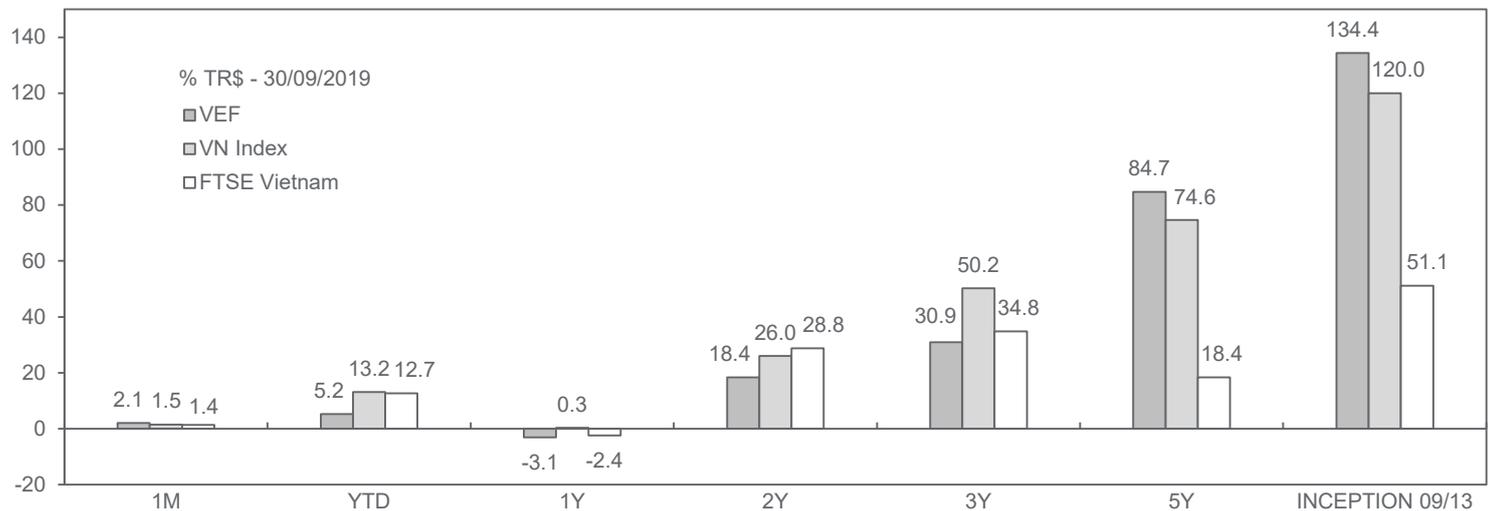
VCB is known as one of the best banks in Vietnam in terms of earnings and asset quality, despite being State-owned. The bank has the highest loan loss reserve and the lowest level of NPLs in the sector. Aside from the current estimated earnings growth of 22% for 2020, there is further earnings potential from divestments – and from a possible exclusive bancassurance deal that is currently being negotiated. At the current estimate, VCB is trading at a PBR of 3.2x for 2020, which is higher than other Vietnamese banks. However, we have observed that the top banks in other markets in the region are generally valued at a premium to the rest. Examples include BCA Bank of Indonesia (3.8x PBR vs a sector average of 1.5x) or Indian HDFC Bank (4.0x PBR) and Kotak (3.6x PBR) vs sector average of 2.0x.

On the downside, the monopoly airport operator Airport Corp of VN (ACV) fell on news that the Government might reacquire the IPO'ed stake, in effect re-nationalizing the company. It turns out, however, that the media quoted only a part of the Government's proposals, which triggered panic selling. The full proposal by the MOT is that ACV will be responsible for collecting revenues from the runways and paying for their repairs and maintenance. We expect the mechanism of runways will be finalized in Dec 2019 and ACV will be listed in June 2020. All fundamentals remain unchanged and intact.

### PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$23.4	2.1	5.2	\$104.0m	4.2	14.11	0.55

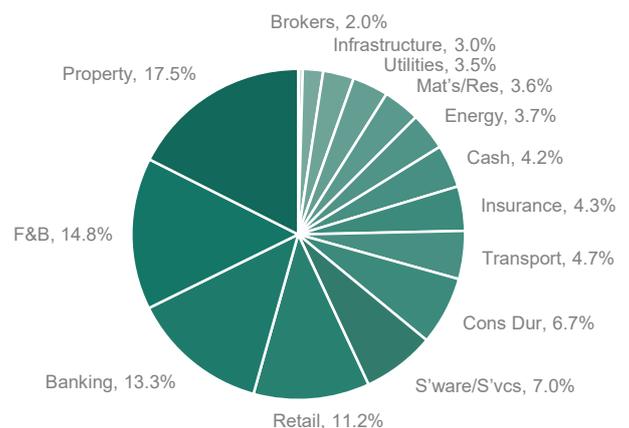
### NAV PERFORMANCE



### TOP 10 HOLDINGS (59.0% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	-	9.31	7.9
2 Vietcombank	Banking	5.67	7.49	5.7
3 FPT Corp	S'ware/Svcs	-	7.05	8.7
4 Vinh Hoan	F&B	-	6.70	1.5
5 Vinhomes	Property	14.73	6.48	1.7
6 Vinamilk	F&B	15.47	4.84	7.2
7 Airports Corp VN	Transport	-	4.69	-6.7
8 Phu Nhuan Jewelry	Cons Dur	-	4.40	-2.2
9 Bao Viet Holding	Insurance	-	4.34	-1.6
10 MB Bank	Banking	-	3.69	6.6

### 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-Sep-18	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18	30-Sep-19
Market Cap (\$m)	139,471	145,250	8,906	8,237	41,761	42,533	190,139	196,020
Number of Stocks	365	377	374	366	778	856	1517	1599
Number of Large Cap Stocks (> \$400m)	37	36	4	4	17	17	58	57
Stocks with No Room for Foreigners	19	23	12	9	20	21	51	53
Market Cap of Stocks with No Room (\$m)	20,505	19,549	2,255	2,212	1,379	1,266	24,140	23,026
Share of Market Cap with No Room (%)	14.7	13.5	25.3	26.9	3.3	3.0	12.7	11.7

### Top 25 Companies

No	Company	30-Sep 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	119,800	25.7	17,276	11.87	94.3	115.4	39.9	7.1	6.8	5.9	-	-	-
2	Vietcombank	82,100	53.5	13,124	9.02	23.2	18.3	15.1	4.8	3.7	3.2	1.2	1.2	1.2
3	Vinhomes	89,300	23.1	12,892	8.86	20.9	16.3	12.6	6.9	4.9	3.5	-	-	-
4	Vinamilk	129,700	11.2	9,734	6.69	24.5	23.0	21.5	8.6	8.2	7.7	4.6	4.6	3.9
5	PV Gas	106,300	28.0	8,769	6.03	18.1	14.0	13.4	4.5	4.4	4.3	5.0	5.1	4.9
6	Sabeco	263,600	-0.9	7,286	5.01	42.6	36.2	31.4	11.2	11.3	10.1	1.9	2.3	2.3
7	Airports Corporation VN	77,000	-14.4	7,225	-	30.0	26.0	20.6	5.5	4.7	3.9	1.2	1.2	1.2
8	BIDV	39,400	14.5	5,805	3.99	22.9	19.8	17.6	2.6	2.3	1.8	-	-	-
9	Masan Group	78,500	1.3	3,955	2.72	18.5	21.6	17.1	3.1	2.7	2.3	-	-	-
10	Techcombank	23,350	-9.7	3,519	2.42	9.2	8.3	6.7	1.5	1.3	1.1	-	-	-
11	Vietinbank	21,150	9.6	3,394	2.33	17.7	12.5	10.1	1.2	1.1	1.0	-	-	-
12	Vincom Retail	33,100	22.1	3,322	2.28	32.1	28.1	24.9	2.7	2.5	2.2	-	-	-
13	VEAM Corp	54,900	40.8	3,144	-	10.3	9.2	8.4	2.9	3.4	3.0	6.9	10.0	11.0
14	Vietjet Air	137,700	15.8	3,109	2.21	14.3	13.6	11.5	5.8	4.7	3.7	2.9	3.6	3.6
15	Petrolimex	60,500	18.7	3,053	2.32	19.4	15.0	16.5	3.4	3.1	3.0	5.0	5.0	5.0
16	Hoa Phat Group	21,950	-7.8	2,612	1.79	7.4	8.2	7.0	1.5	1.3	1.1	-	-	-
17	Novaland	63,800	-0.6	2,559	1.76	18.5	19.6	18.7	3.1	2.7	2.4	-	-	-
18	Mobile World	126,100	47.4	2,406	1.66	19.4	15.3	12.6	6.2	4.8	3.7	1.2	1.2	1.2
19	VP Bank	22,050	10.5	2,335	1.60	7.0	6.5	5.7	1.5	1.3	1.0	-	-	-
20	Bao Viet Holding	74,800	-16.0	2,260	1.55	47.8	38.8	36.5	3.6	3.5	3.3	1.3	1.3	1.3
21	Military Bank	22,800	30.0	2,243	1.46	8.4	6.6	5.7	1.5	1.2	1.0	2.6	2.6	2.6
22	Vietnam Airlines	33,600	4.2	2,054	1.41	20.4	18.6	20.2	2.6	2.4	2.2	2.4	2.4	2.4
23	FPT	57,700	56.4	1,687	1.16	15.0	11.9	9.5	2.8	2.6	2.3	3.3	4.2	5.2
24	ACB	23,400	2.8	1,635	-	7.5	6.5	5.5	1.7	1.4	1.1	-	-	-
25	PVPower	12,900	-19.4	1,302	0.89	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 30 September 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>Jefferies International</b>	VEIL	JCEF	n/a	Michele White / Trevor Hunt +44 207 898 7127 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
<b>SEI Investments</b>	VEF	-	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

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
The Fund has appointed <b>SEI Investments – Global Fund Services Limited</b> as its fund administrator and transfer agent, and <b>SEI Investments – Depositary and Custodial Services (Ireland) Limited</b> as its depositary. A range of third-party fund platforms also include VEF in their product offerings, including Clearstream ( <a href="http://www.clearstream.com">www.clearstream.com</a> ), Fundsettle ( <a href="http://www.euroclear.com">www.euroclear.com</a> ), Banco Inversis ( <a href="http://www.inversis.com">www.inversis.com</a> ), IFSAM ( <a href="http://www.ifsam.lu">www.ifsam.lu</a> ), Pareto Securities ( <a href="http://www.paretosec.com">www.paretosec.com</a> ), Attrax ( <a href="http://www.attrax.lu">www.attrax.lu</a> ), MFEX ( <a href="http://www.mfex.com">www.mfex.com</a> ), and Allfunds ( <a href="http://www.allfunds.com">www.allfunds.com</a> ).	

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<b>Clearing</b>	Euroclear or Clearstream
<b>Settlement</b>	Standard Chartered Bank Singapore, Clearstream No. 73418

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