

## MARKET REVIEW

**VNI edges up by 0.27% in Oct to close at 998.8**

The VN Index edged up by 0.27% (TR\$) in Oct to close at 998.8, supported by positive US-China trade developments and another rate cut by the US Fed, creating easier conditions for the SBV's monetary policy. After hitting the psychological 1,000-point threshold early in the month, the VNI fell back on a lack of supporting news. The gradual release of upbeat 3Q earnings then helped the Index recover towards month end. Our Top-60 companies reported profit growth of 14% yoy, outperforming the 11% growth of the overall market.

**Liquidity weakens as foreign outflows continue**

Liquidity continued to weaken as domestic investors sat on the sidelines amid foreign outflows. Average daily trading value slipped to \$171.6m (-1.6% mom). Foreign investors remained net sellers for the third consecutive month, withdrawing \$72m from the HOSE, mostly from blue-chips like Vingroup (VIC, -\$16.9m), Vinhomes (VHM, -\$11.6m), Masan (MSN, -\$9.4m), and Hoa Phat (HPG, -\$9.1m). On the other hand, the largest state-owned, non-FOL banks attracted the most foreign inflows: Vietcombank (VCB, +\$9.6m) and BIDV (BID, +\$4.3m).

**Banks advance, led by State-owned names**

The inflows, coupled with positive fundamental developments, drove both VCB and BID to be among the best performers, with VCB gaining 6.8% and BID rising 3.1%. VCB reported 51% yoy profit growth in 3Q19, while BID surprised the market with its announcement of a big cash dividend that also includes FY2017 retrospectively. And state-owned Vietinbank (CTG) rose 4.0% on 11% 3Q19 profit growth. Private banks HD Bank (HDB) and Techcombank (TCB) recorded 6.3% and 1.5% gains, respectively, capping off a strong month for the banking sector.

**Blue-chips and property underperform**

Meanwhile, most other sectors in the Index declined, from large-caps such as conglomerate Masan (MSN, -5.5%) and insurer Bao Viet (BVH, -3.6%), to the property and construction sector. Laggards in the property sector included Dat Xanh Group (DXG, -11.5%), DIC Group (DIG, -7.6%), and Novaland (NVL, -6.7%), apart from the bright spot Khang Dien House (KDH, +2.7%). The biggest construction contractor, Coteccons (CTD), was the worst performer of Oct, losing 16.8% on disastrous 9M19 results as profit plunged 60% yoy.

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

While foreign outflows have been a concern in the last few months amid volatile global markets, the 3Q results further solidifies our conviction that Vietnam is currently one of the best value opportunities. At 2020 EPS forecast to grow at over 18%, the market is trading at an undemanding forward PER of 11x, among the cheapest among its peers – on superior growth.

### MARKET FORECASTS

31-Oct-19	Unit	2017	2018	2019F	2020F
PER	x	18.0	14.5	13.1	11.0
EPS Growth	%	18.7	19.4	10.4	18.4
PEG	x	1.0	0.7	1.3	0.6
Sales Growth	%	25.0	15.7	14.5	20.3
EBIT Growth	%	20.5	25.4	17.4	25.8
PBT Growth	%	21.5	31.0	9.3	19.5
NPAT Growth	%	23.0	27.9	11.0	18.8
Net DER	x	0.38	0.36	0.34	0.30
Yield	%	1.9	2.1	1.7	1.7

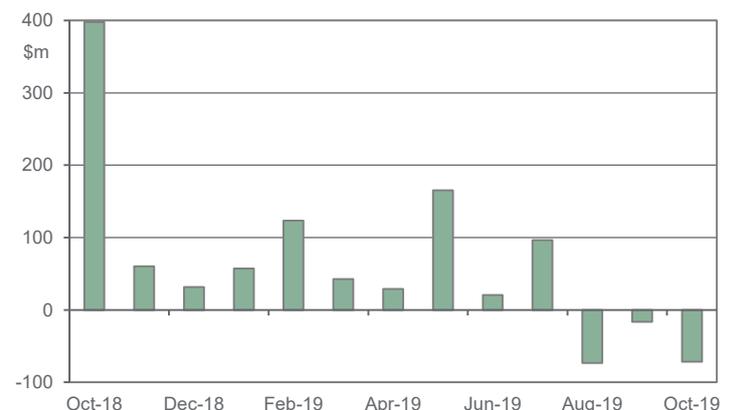
### MARKET PERFORMANCE



### COMPARATIVE RATINGS, 2020



### THIRD CONSECUTIVE MONTH OF NET FOREIGN SELLING



## ECONOMY REVIEW

### Oct economic data on balance strong

Vietnam's Oct economic data were strong although there were contradictory readings between the PMI and the IIP. And the CPI was slightly higher while forex reserves hit an all-time high.

### Manufacturing indicators mixed as growth slows

The Oct PMI slipped to the 50.0-point no-change mark, ending a 46-month run of expansion in the manufacturing sector. While new order volumes continued to rise, the rate of growth was marginal. In contrast to the PMI, the IIP reported by Vietnam's General Statistics Office grew by 9.2%, even faster than the 7.7% recorded in Oct 2018. The Manufacturing IIP led other sectors with 10.8% yoy growth vs 10.1% in the same month last year. As such, what we are likely seeing is a growth slowdown rather than anything more concerning.

### Headline CPI rises 0.59%; forex reserves hit high of \$73bn

The headline CPI rose 0.59% mom on a 7.6% surge in the pork price, which accounted for over half of the rise. Still, average 10-month inflation remains benign at 2.48% yoy. Average core inflation remains more or less unchanged at +1.92% yoy. Meanwhile forex reserves hit an all-time high of \$73bn by end-Oct. The central bank has done a great job in maintaining the dong's stability amid large swings by some regional currencies. With a very low risk of inflation and a stable currency, the Government targets to lower lending rates by 50 bps in 2020.

### 2018 GDP revised up from \$242bn to \$302bn

2018 GDP was revised up from \$242bn to \$302bn, bringing GDP per capita from \$2,600 to \$3,040. The revision will not be officially applied until 2021, however. It might be speculated that GDP was revised up so that the Government could increase borrowing, but this is not the case. Without the revision, Vietnam's 2018 debt/GDP ratio was only 58.4%, down from 63.6% in 2016, and until Sep 2019 the Government even paid off more than \$1.4bn in both domestic and foreign debt. As such, the latest debt/GDP ratio is much lower than the ceiling of 65% imposed by the National Assembly. In fact, in this low-rate environment, we would actually prefer the Government to increase its leverage and accelerate infrastructure spending.

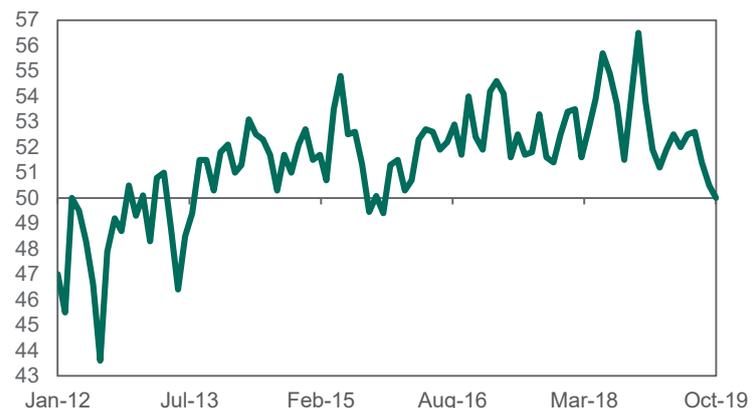
### Moody's puts Vietnam under review though downgrade unlikely

On 9 Oct, Moody's put Vietnam under review for a potential credit rating downgrade, referring to a delayed payment on a Government-guaranteed debt. Moody's noted that there would be "no or minimal losses for creditors" but emphasized "the underlying institutional weaknesses that the delay represents". This could turn out to be a good thing for Vietnam as it could be a wake-up call for the Government to accelerate its clearing of legacy debt and increase institutional strength and transparency in order to foster investor confidence.

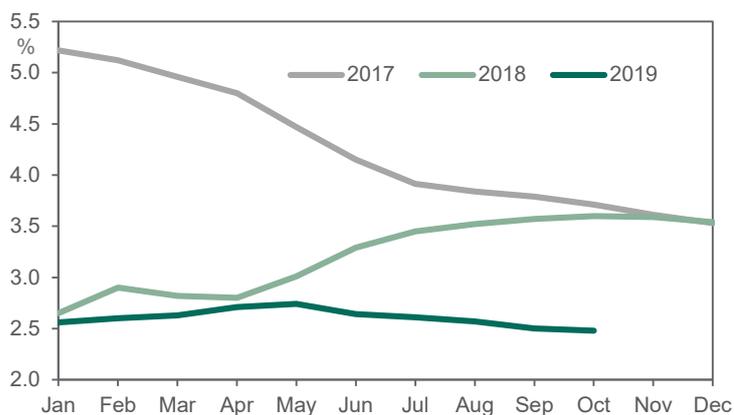
## ECONOMIC FORECASTS

	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

## PMI NEUTRAL AT 50.0



## AVERAGE CPI BY MONTH



## FX RESERVES AT RECORD HIGH



## VIETNAM EQUITY (UCITS) FUND – VEF

VEF lost 0.5% in Oct, slightly outperforming the FTSE VN Index, which fell 0.6%. Following nice gains last month, many of the Fund's strong-conviction names such as Mobile World (MWG), FPT Corp (FPT) and Vinamilk (VNM) corrected slightly or remained flat. Vietcombank (VCB), Phu Nhuan Jewelry (PNJ) and Airport Corp of Vietnam (ACV) were amongst the top contributors to the Fund's performance. By month end, most companies had released their 3Q financial results. The Fund's companies reported profit growth of 14.4% yoy, outpacing the top-60 coverage, which grew profits by 11.0%.

VCB maintained its strong upward momentum, mostly thanks to its solid 9M results, showing 51% growth in profit-before-tax. Aside from the bank's solid core business, market sentiment was supported by the news that it is currently in talks with the well-known insurance company FWD for a bancassurance contract with up to \$400mn in upfront fees. And jewelry maker PNJ bounced back from the correction it had been undergoing since late Aug. After a weak July and Aug due to some hiccups in implementing its new ERP system, the company's Sep results recovered nicely. As a result, PNJ's 9M19 sales and net profit reached VND 11,679bn (+11.1% yoy) and VND 806bn (+16.1% yoy). Retail sales remained the key growth driver with 9M growth of 12%, while wholesale revenue fell by 6% yoy. In the company's recent analyst meeting, management expressed confidence in its ability to maintain its full-year 23% growth target, indicating a good 4Q to come.

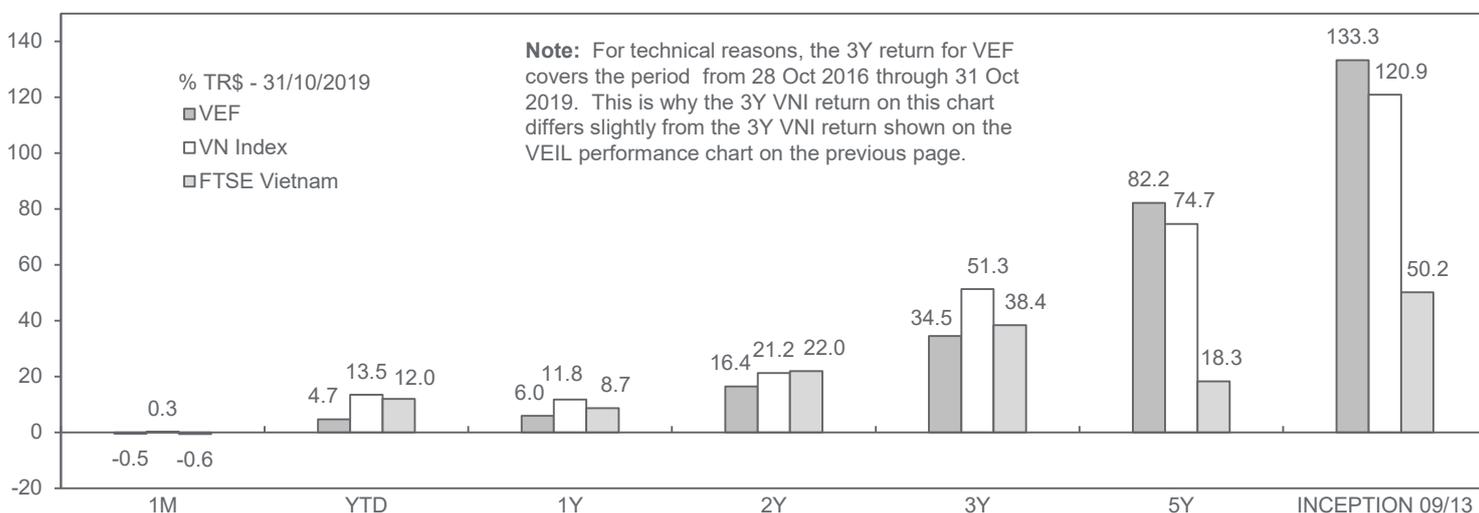
UPCoM-traded ACV bounced back from the miscommunication between the Ministry of Transport to the press on re-nationalizing the company. Moreover, the Government will appoint ACV to be the investor to build the Long Thanh airport without public bidding if the parliament approves its proposal in late Nov. The company released robust 9M19 NPAT results of VND 5.9trn (+19% yoy), beating market consensus expectations, driven by 9% domestic passenger growth.

On the downside, FRT was amongst the biggest laggards. Vietnam's second-largest cellphone retailer fell on a 9% 3Q19 profit decline. FRT's key cellphone retail business posted 1% SSSG amidst an industry-wide decline, which should be considered a good effort by the management. The poor 3Q result was mostly due to provisioning expense for its F-Friends programme (providing consumer financing to clients). Excluding this, 3Q profit would have been flat yoy.

### PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$23.3	-0.49	4.7	\$102.9m	3.2	13.90	0.62

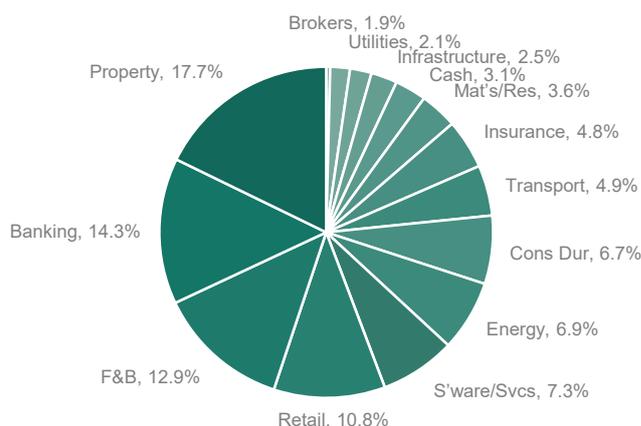
### NAV PERFORMANCE



### TOP 10 HOLDINGS (58.8% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	-	9.03	-1.2
2 Vietcombank	Banking	6.10	8.08	6.8
3 FPT Corp	S'ware/Svcs	-	7.34	0.3
4 Vinhomes	Property	14.78	6.52	-0.3
5 Airports Corp VN	Transport	-	4.93	3.9
6 Vinamilk	F&B	15.61	4.90	0.2
7 Bao Viet Holding	Insurance	-	4.83	-3.6
8 Vinh Hoan	F&B	-	4.74	-0.7
9 Phu Nhuan Jewelry	Cons Dur	-	4.61	3.6
10 MB Bank	Banking	-	3.83	0.9

### 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	
	31-Oct-18	31-Oct-19	31-Oct-18	31-Oct-19	31-Oct-18	31-Oct-19	31-Oct-18	31-Oct-19
Market Cap (\$m)	125,872	145,698	8,168	8,127	39,161	42,390	173,201	196,216
Number of Stocks	369	377	374	367	794	857	1537	1601
Number of Large Cap Stocks (> \$400m)	35	36	2	3	18	18	55	57
Stocks with No Room for Foreigners	18	23	8	8	21	22	47	53
Market Cap of Stocks with No Room (\$m)	17,217	19,689	1,951	1,772	1,227	1,275	20,395	22,737
Share of Market Cap with No Room (%)	13.7	13.5	23.9	21.8	3.1	3.0	11.8	11.6

### Top 25 Companies

No	Company	31-Oct 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	119,000	24.9	17,160	11.73	93.7	114.6	39.6	7.1	6.7	5.8	-	-	-
2	Vietcombank	87,700	63.9	14,018	9.58	24.8	19.7	15.1	5.1	3.8	3.0	1.1	1.1	1.1
3	Vinhomes	89,000	22.7	12,848	8.78	20.9	14.6	12.6	6.9	4.7	3.4	-	-	-
4	Vinamilk	130,000	11.4	9,757	6.67	24.6	23.0	21.5	8.6	8.2	7.7	4.6	4.6	3.8
5	PV Gas	103,500	24.7	8,537	5.84	17.6	13.6	13.1	4.4	4.3	4.2	5.1	5.2	5.0
6	Airports Corporation VN	80,000	-11.1	7,506	-	31.2	27.0	21.4	5.7	4.9	4.1	1.1	1.1	1.1
7	Sabeco	260,500	-2.1	7,200	4.92	42.1	35.8	31.0	11.1	11.2	10.0	1.9	2.3	2.3
8	BIDV	40,600	18.0	5,982	4.09	23.6	20.4	18.2	2.7	2.4	1.9	-	-	-
9	Masan Group	74,200	-4.3	3,738	2.56	17.5	15.1	17.9	2.9	2.4	2.1	-	-	-
10	Techcombank	23,700	-8.3	3,575	2.44	9.3	8.4	6.8	1.5	1.3	1.1	-	-	-
11	Vietinbank	22,000	14.0	3,530	2.41	18.5	13.0	10.5	1.2	1.1	1.0	-	-	-
12	Vincom Retail	33,200	22.5	3,332	2.28	32.2	28.2	24.9	2.7	2.5	2.3	-	-	-
13	Vietjet Air	145,000	21.9	3,274	2.31	15.1	14.3	12.1	6.1	4.9	3.9	2.8	3.4	3.4
14	Petrolimex	59,300	16.4	2,992	2.26	19.0	14.7	16.2	3.4	3.1	2.9	5.1	5.1	5.1
15	VEAM Corp	49,000	25.6	2,806	-	9.2	8.2	7.5	2.6	3.0	2.7	7.8	11.2	12.3
16	Hoa Phat Group	21,800	-8.4	2,594	1.77	7.4	8.1	6.9	1.5	1.3	1.1	-	-	-
17	Novaland	59,500	-7.3	2,386	1.63	17.3	18.3	17.4	2.9	2.5	2.2	-	-	-
18	Mobile World	124,600	45.7	2,377	1.63	19.2	15.1	12.5	6.2	4.7	3.7	1.2	1.2	1.2
19	Military Bank	23,000	31.2	2,305	1.58	8.5	6.7	5.7	1.5	1.2	1.0	2.6	2.6	2.6
20	VP Bank	21,500	7.8	2,230	1.56	6.8	6.3	5.5	1.5	1.3	1.0	-	-	-
21	Bao Viet Holding	72,100	-19.0	2,178	1.49	46.0	37.4	35.2	3.4	3.3	3.2	1.4	1.4	1.4
22	Vietnam Airlines	35,000	8.5	2,139	1.46	21.3	19.3	21.1	2.7	2.5	2.3	2.3	2.3	2.3
23	FPT	57,900	56.9	1,693	1.16	15.1	11.9	9.5	2.8	2.6	2.3	3.3	4.1	5.2
24	ACB	24,100	5.8	1,684	-	7.8	6.8	5.8	1.8	1.4	1.1	-	-	-
25	PVPower	13,050	-18.4	1,317	0.90	16.3	12.4	10.3	1.3	1.2	1.1	2.3	4.6	4.6

# VIETNAM MONTHLY REPORT

Performance Data as at 31 October 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
Jefferies International	VEIL	JCEF	n/a	Michele White / Trevor Hunt +44 207 898 7127 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
SEI Investments	VEF	-	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

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
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