VIETNAM MONTHLY REPORT

Performance Data as at 30 November 2019

DRAGON CAPITAL

25 years in Vietnam and beyond

MARKET REVIEW

After early surge, VNI sheds 2.6% in Nov to close at 971

The VNI surged 3% in the first few days of Nov before turning around and grinding steadily lower for the rest of the month to close at 971, down 2.6% in $TR. The early rise was largely due to a surprise announcement of share repurchases from mega-caps Vinhomes (VHM) and Vincom Retail (VRE). Market sentiment then soured on news of Heineken's divestment from Sabeco (SAB) and IFC's divestment from Vietinbank (CTG), where both have been major foreign shareholders for a long time.

Trading value rises while foreign selling continues

Liquidity picked up as average daily traded value increased to $202m (+18% mom). Selling pressure from brokerage proprietary trading intensified during the month, exacerbated by foreign investors, who continued to net sell for the fourth consecutive month, withdrawing a further $46m from the HOSE. Foreign investors withdrew $30m from Vinamilk (VNM) and $25m from CTG. Both stocks were among the worst performers, dropping 6.5% and 7.1%, respectively. Other underperformers included SAB, down 13.2% due to Heineken's divestment, and Mobile World (MWG), down 12.5% from increased uncertainty surrounding the breakeven of its grocery chain.

2019 share buybacks support market

Taking advantage of declining share prices, a number of blue-chip companies have been buying back their shares this year. Throughout 2019, company buybacks (as well as insider purchases in the case of HPG and MWG) in the range of around 2% of total outstanding shares were made by Military Bank (MBB), Vietjet Air (VJC), VPBank (VPB), and more recently, Vinh Hoan (VHC) and HDBank (HDB). This has helped to offset the challenging foreign flow situation. VHM and VRE enjoyed gains of 3.3% and 3.8%, respectively, after the announcement of their buybacks as foreign investors piled into the stocks, making them among the best performers of the month.

M&A deal of the year: Vincommerce and Masan Consumer

In an eventful month for the Vingroup family, 65% of Vincommerce, its retail arm, was sold to Masan Consumer (MCH) in a share swap deal. While details remain unknown, the combined entity will own 2,600+ stores and have 20+ years of experience in consumer goods retailing. While the long-term potential of the venture looks good, we need to stress the short-term challenges facing the business as Vinmart is currently incurring annual losses of over $200m.

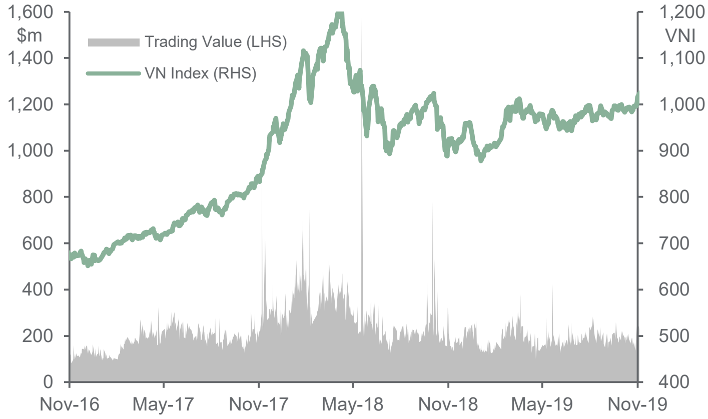
Vietnam cheapest among peers with highest growth

The foreign outflows of the last few months have set up a good buying opportunity for patient investors: Our Top 60 stocks are trading at a 2020F PER of 11.1x, cheapest among regional peers, on 16% EPS growth, highest among regional peers.

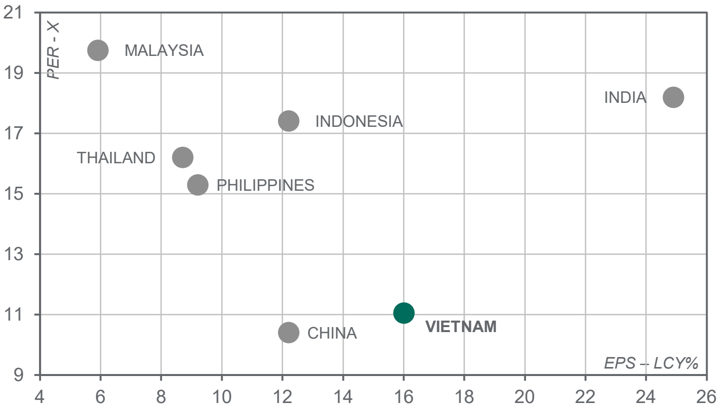
MARKET FORECASTS

30-Nov-19	Unit	2017	2018	2019F	2020F
PER	x	17.3	14.0	12.8	11.1
EPS Growth	%	18.7	19.4	9.2	16.0
PEG	x	0.9	0.7	1.2	0.6
Sales Growth	%	25.0	15.7	14.7	19.9
EBIT Growth	%	20.5	25.4	17.9	25.0
PBT Growth	%	21.5	31.0	10.1	18.3
NPAT Growth	%	23.0	27.9	11.2	18.0
Net DER	x	0.38	0.36	0.36	0.26
Yield	%	2.0	2.2	1.8	1.7

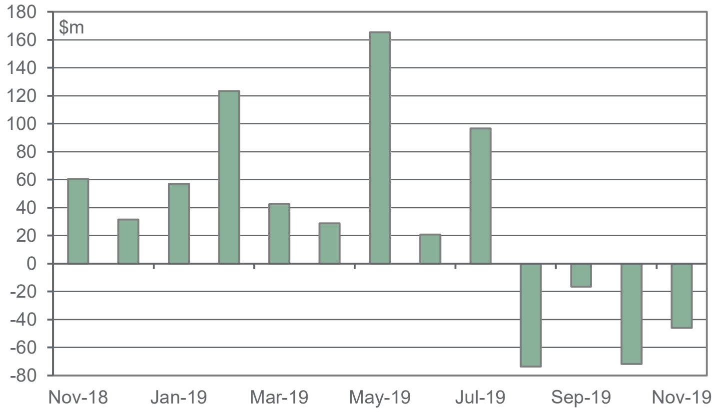
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020



FOURTH CONSECUTIVE MONTH OF NET FOREIGN SELLING



ECONOMY REVIEW

2020 should be another good year for Vietnam's economy

This report provides our economic outlook for Vietnam for 2020, which we think will be another good year. GDP is expected to grow by 7.1%, along with an improvement in trade, a cooling of inflation, and a stable currency. And lending rates are expected to be reduced by 50 bps.

GDP should grow by 7.1% on infrastructure spending and FDI

We believe GDP can continue to grow at around 7%, with a recovery in infrastructure spending and lower lending rates being the strongest drivers. 2019 was a year in which the Government focused on legislation revision, with many new laws set to come into effect in the next 2-3 years. During this period of intensive legislation, disbursement for infrastructure projects essentially came to a standstill. As of 15 Nov 2019, investment and development expenditures had declined 4.6% yoy and fulfilled only 53.3% of the State's full-year plan. We believe that infrastructure spending has troughed and will pick up from here. We also expect a J-curve growth in production from FDI, after 2019 was a year of relocation and setting up of capacity.

Sustained trade balance with improved trade activity

As such, we expect export and import growth to increase slightly to around 9% yoy, with the trade balance remaining at this year's level. We have a slightly different view on FDI disbursement, with our 2020 forecast being lower than this year. Vietnam's FDI inflow to GDP is estimated at 7.5% in 2019, which is the highest rate in the world. In the coming years, Vietnam intends to be more selective in choosing FDI projects with more value addition and skill transfer.

Cooling inflation and stable currency

We project inflation at 3.5% for 2020, down from end-2019, as the impact of higher pork prices has already been factored in. And although net FX reserves are not expected to increase as much as in 2019 when a lot of major equity deals took place, we believe that the trade balance and FDI inflows will still support the currency at a stable VND/USD rate of 23,300.

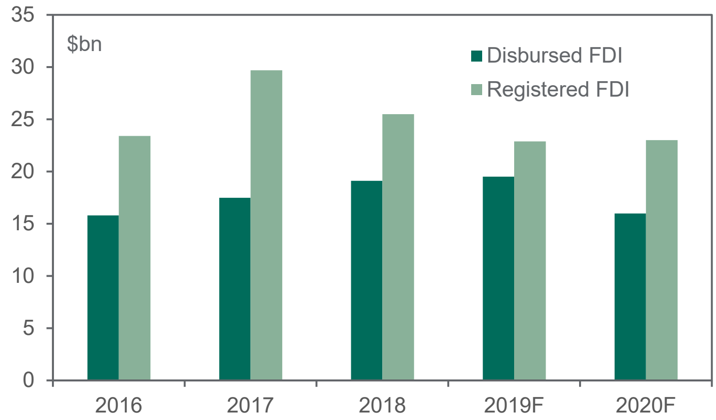
Lending rate expected to fall by 50 bps while VGB yields inch up

The lending rate is expected to be lowered by 50 bps, reflecting the monetary easing measures - after a period of lagging them. During 2019, the rate of the 5-year VGB fell by 250 bps but lending rates actually increased slightly. The VGB rate decline resulted from ample liquidity in the system resulting from slow public spending, new banking regulations with stricter risk asset weightings triggering banks to buy more Government bonds, and significantly lower net issuance of VGBs. Monetary easing was also indicated by the Central Bank cutting its policy rate, but this was not immediately reflected in the economy. We believe that the issue is recognized and there is a strong intention by the Government to lower the lending rate by at least 50 bps.

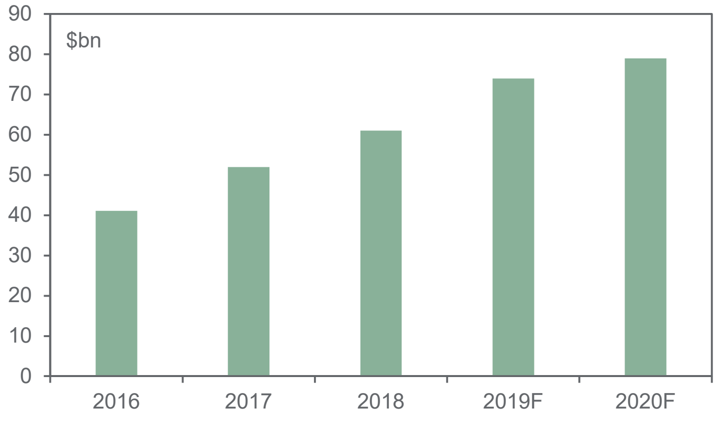
ECONOMIC FORECASTS

	unit	2017	2018	2019F	2020F
Real GDP Growth	%	6.8	7.1	7.0	7.1
Nominal GDP	$bn	220.1	242.4	263.9	289.3
CPI	%	2.6	3.0	4.0	3.5
Export Growth (cif)	%	21.2	13.8	8.5	9.0
Import Growth (cif)	%	20.8	11.5	8.3	9.2
Trade Balance (cif)	$bn	2.9	6.8	7.9	8.1
FX Reserves	$bn	52.0	61.0	74.0	79.0
FDI Disbursed	$bn	17.5	19.1	19.5	16.0
VND:$ (interbank)	1	22,750	23,235	23,150	23,300

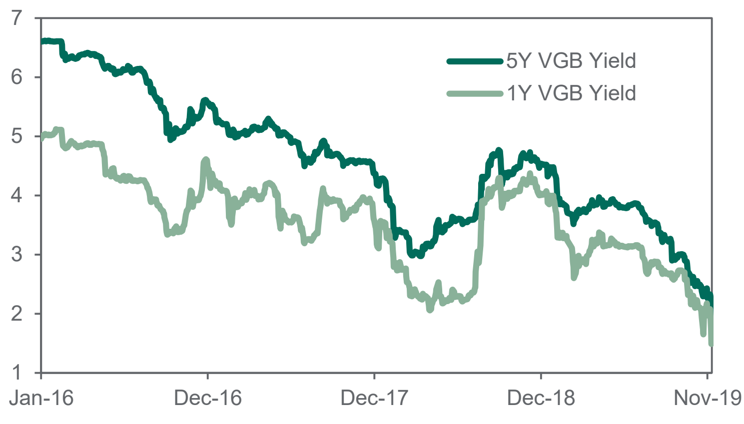
2020 DISBURSED FDI EXPECT LOWER



2020 FX RESERVIES PROJECTED SLIGHTLY HIGHER



GOVERNMENT BOND YIELDS AT RECORD LOWS



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VIETNAM EQUITY (UCITS) FUND – VEF

VEF fell 4.1% in Nov while its benchmark, the FTSE VN Index, was down 1.2%. Vinhomes (VHM) and Hoa Phat Group (HPG) were the largest contributors to the Fund's return. However, VHM's gain was more than offset by large declines in Mobile World (MWG, -12.5%) and FPT Retail (FRT, -34.2%), which are not in the Index.

VHM rose 3.3% on better-than-expected 3Q earnings and the announcement of a share buyback. The company announced 3Q net earnings of VND 5.4trn (+42% yoy), driven by strong bulk sales in some key projects. The company also released a BOD resolution approving the buyback of up to 60m treasury shares, equivalent to 1.8% of the current outstanding shares. And HPG rose 4.8% on a record high sales volume of 300,000 tons (+36% yoy). 2019 has been a tough year for the leading steel maker, with many headwinds, such as rising input costs, the delayed inauguration of new capacity, and falling steel prices. Therefore, with capacity set to double by year end, the market has been keeping a close watch on how HPG manages to push sales volume to reach optimal utilization.

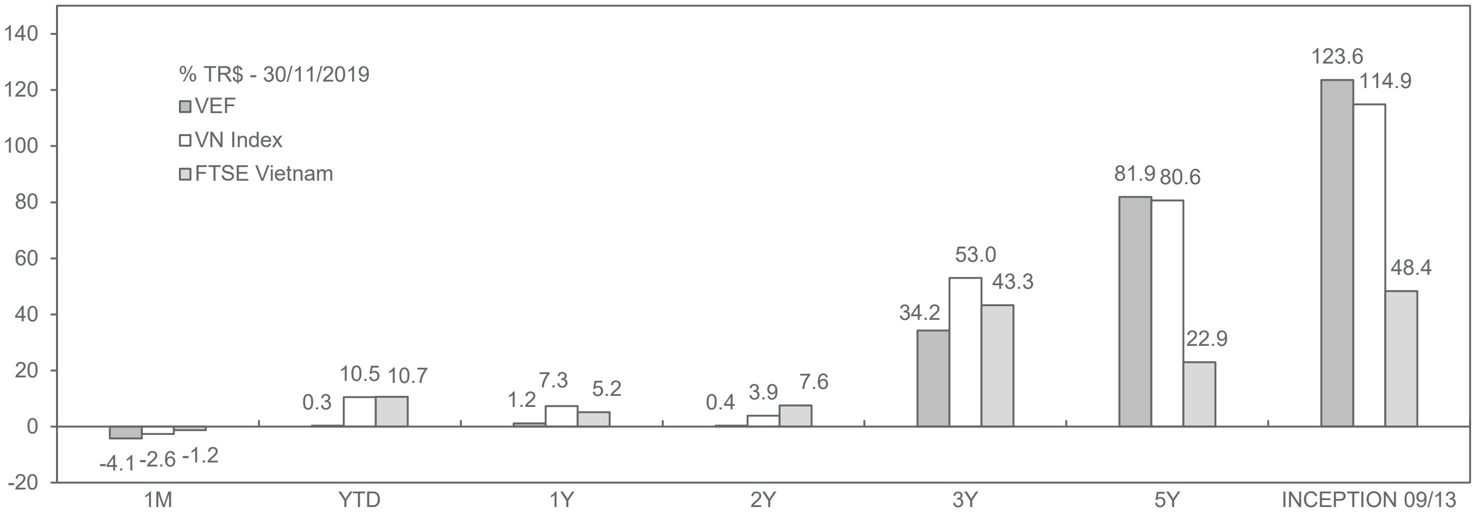
MWG fell 12.5% as the market overreacted to the slight decline of its grocery chain's revenue per store (RPS) in Oct due to an undersupply of fresh products, which was mostly caused by BHX's excessive focus on minimizing its fresh produce wastage and spoilage rate. The RPS was VND 1.26bn in Oct vs VND 1.32bn in Sep 2019. Management already rectified this problem by mid-Oct and the RPS has recovered to normal levels in early Nov. Stepping back for a broader perspective, the 10M2019 average RPS was VND1.45bn, 45% higher than the full-year 2018 figure.

FRT, although accounting for just 1.5% of the Fund, was the second largest detractor from return in Nov as it fell 34.2% after reporting a 10.6% decline in profits despite an 11.8% jump in 10M2019 revenue. The stock's low liquidity exacerbated the sell-off. The divergence between revenue and profits was caused by an unexpected provision from the company's F-Friends initiative, which was the program through which FRT sold its products to buyers on credit based on their salary. Despite the higher-than-expected provision, the program still generated positive net profit and management has reviewed and strengthened the process to minimize future bad debts.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
$22.4	-4.1	0.3	$99.3m	6.9	14.00	0.61

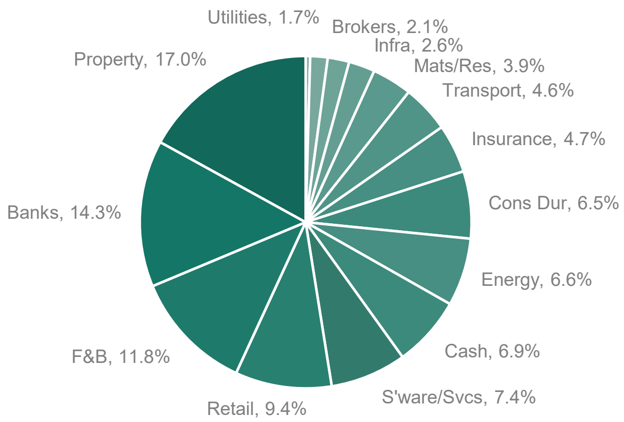
NAV PERFORMANCE



TOP 10 HOLDINGS (57.8% of NAV)

	COMPANY	SECTOR	FTSE %	NAV %	CH %
1	Mobile World	Retail	-	8.20	-12.5
2	Vietcombank	Banks	6.01	8.16	-2.7
3	FPT Corp	S'ware/Svcs	-	7.42	-2.6
4	Vinhomes	Property	15.47	6.99	3.3
5	Bao Viet Holding	Insurance	-	4.74	-1.2
6	Phu Nhuan Jewelry	Cons Dur	-	4.66	-2.5
7	Airports Corp	Transport	-	4.64	-5.7
8	Vinh Hoan	F&B	-	4.63	-5.8
9	Vinamilk	F&B	14.79	4.54	-6.5
10	MB Bank	Banks	-	3.85	-3.7

SECTOR BREAKDOWN



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019F	2020F
GDP	$bn	169.7	184.0	186.0	197.6	220.1	242.4	263.9	289.3
Real GDP Growth	%	5.4	6.0	6.7	6.2	6.8	7.1	7.0	7.1
Services Growth	%	6.7	6.2	6.3	7.0	7.4	7.0	6.8	6.8
Agriculture Growth	%	2.6	3.4	2.4	1.4	2.9	3.8	1.9	1.9
Ind'l and Const'n Growth	%	5.1	6.4	9.6	7.6	8.0	8.9	9.4	9.5
Retail Sales Growth	%	13.5	10.6	9.5	10.2	10.9	11.7	11.9	11.5
Prices									
CPI (year-end)	%	6.0	1.8	0.9	4.7	2.6	3.0	4.0	3.5
Money, FX & Interest Rates									
Money Supply M2	%	18.0	16.0	18.0	18.0	18.0	11.3	13.1	14.0
Average Lending Rate	%	13.2	9.7	8.6	9.0	9.3	9.5	9.7	9.2
5-yr VGB	%	8.2	5.2	6.6	5.5	4.3	4.5	2.0	2.5
VND : $	$1	21,250	21,390	22,540	22,750	22,750	23,235	23,150	23,300
External Sector									
Trade Balance	$bn	0.0	1.9	(3.5)	1.8	2.9	6.8	7.9	8.1
Current Account	$bn	6.8	6.0	3.0	3.8	6.0	9.4	7.1	7.2
Current Account / GDP	%	4.0	3.2	1.5	1.9	2.7	3.8	2.7	2.5
FDI Registered	$bn	21.6	20.3	22.8	23.4	29.7	25.5	22.9	23.0
FDI Disbursement	$bn	11.5	12.5	14.5	15.8	17.5	19.1	19.5	16.0
FX Reserves	$bn	32.1	34.2	31.0	41.1	52.0	61.0	74.0	79.0
Public Debt & Fiscal Balance									
External Debt	$bn	63.3	70.5	78.1	88.5	107.6	111.5	120.9	123.5
Government	$bn	36.2	38.1	39.6	42.9	46.3	47.7	49.1	50.6
Enterprises (incl. FDI)	$bn	27.1	32.8	41.2	48.5	62.8	63.8	71.8	72.9
External Debt (% GDP)	%	37.3	38.3	42.0	44.8	48.9	46.0	45.8	42.7
Fiscal Balance (% GDP)	%	(5.0)	(4.7)	(4.6)	(4.2)	(3.5)	(3.7)	(3.6)	(3.4)

APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Nov-18	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18	30-Nov-19	30-Nov-18	30-Nov-19
Market Cap ($m)	127,849	142,654	8,198	8,007	39,591	40,739	175,639	191,401
Number of Stocks	372	377	374	366	799	861	1545	1604
Number of Large Cap Stocks (> $400m)	36	37	2	3	18	18	56	58
Stocks with No Room for Foreigners	15	22	10	8	24	29	49	59
Market Cap of Stocks with No Room ($m)	15,991	15,405	1,945	1,726	1,208	1,342	19,143	18,473
Share of Market Cap with No Room (%)	12.5	10.8	23.7	21.6	3.1	3.3	10.9	9.7

Top 25 Companies

No	Company	30-Nov 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	115,700	21.4	16,683	11.73	91.1	111.4	38.5	6.9	6.5	5.7	-	-	-
2	Vietcombank	85,300	59.4	13,634	9.59	24.1	19.1	14.7	4.9	3.7	2.9	1.2	1.2	1.2
3	Vinhomes	91,900	26.7	13,265	9.33	21.6	15.1	13.0	7.1	4.8	3.5	-	-	-
4	Vinamilk	121,500	4.1	9,118	6.41	23.0	21.5	20.1	8.1	7.6	7.2	4.9	4.9	4.1
5	PV Gas	100,500	21.0	8,289	5.83	17.1	13.2	12.7	4.3	4.2	4.0	5.3	5.4	5.2
6	BIDV	40,500	21.7	7,020	4.20	23.5	21.4	19.8	2.7	2.4	1.9	-	-	-
7	Airports Corporation VN	74,600	-16.1	6,999	-	29.1	25.0	21.5	5.3	4.5	3.9	1.2	1.2	1.2
8	Sabeco	226,000	-15.0	6,246	4.39	36.9	29.6	25.9	9.6	9.5	8.4	2.2	2.7	2.7
9	Masan Group	70,000	-9.7	3,526	2.48	16.5	14.3	16.9	2.7	2.3	2.0	-	-	-
10	Vincom Retail	34,450	27.1	3,457	2.43	33.4	29.2	25.9	2.8	2.6	2.3	-	-	-
11	Techcombank	22,900	-11.4	3,454	2.43	9.0	8.2	7.1	1.5	1.3	1.1	-	-	-
12	Vietinbank	20,450	6.0	3,281	2.31	17.2	11.2	9.3	1.1	1.0	0.9	-	-	-
13	Vietjet Air	144,900	21.8	3,271	2.38	15.0	14.3	12.1	6.1	4.9	3.9	2.8	3.5	3.5
14	Petrolimex	57,600	13.0	2,906	2.26	18.5	14.3	15.7	3.3	3.0	2.8	5.2	5.2	5.2
15	Hoa Phat Group	22,850	-4.0	2,719	1.91	7.7	8.5	7.3	1.6	1.3	1.1	-	-	-
16	VEAM Corp	46,800	20.0	2,680	-	8.9	8.4	8.0	2.5	2.3	2.2	8.1	11.8	11.8
17	Novaland	56,800	-11.5	2,277	1.60	16.5	17.4	16.6	2.7	2.4	2.1	-	-	-
18	Military Bank	22,150	26.3	2,220	1.56	8.3	6.7	5.7	1.5	1.2	1.0	2.7	2.7	2.7
19	Vietnam Airlines	34,950	8.3	2,136	1.50	21.2	19.3	21.1	2.7	2.5	2.3	2.3	2.3	2.3
20	Bao Viet Holding	70,300	-19.9	2,123	1.49	44.9	36.5	34.3	3.3	3.3	3.1	1.4	1.4	1.4
21	VP Bank	20,150	1.0	2,090	1.50	6.4	6.1	5.1	1.3	1.2	0.9	-	-	-
22	Mobile World	109,000	27.4	2,079	1.46	16.8	13.2	10.9	5.4	4.1	3.2	1.4	1.4	1.4
23	ACB	23,100	1.5	1,649	-	7.5	6.5	5.5	1.7	1.4	1.1	-	-	-
24	FPT	56,400	52.9	1,649	1.16	14.7	11.6	9.3	2.8	2.5	2.2	3.4	4.3	5.3
25	PVPower	12,800	-20.0	1,292	0.91	16.0	12.1	10.1	1.2	1.1	1.0	2.3	4.7	4.7

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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

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), MFEX (www.mfex.com) , and Allfunds (www.allfunds.com).

VDeF

Subscription & Withdrawals	Monthly	Contact: info@dragoncapital.com

Information specific to UK investors in VEIL: According to an analysis performed on behalf of VEIL by KPMG, VEIL does not meet the definition of an "offshore fund" for the purposes of the Offshore Fund Regulations in the UK. On the basis of this analysis, the Offshore Fund Regulations do not apply to VEIL, and therefore the reporting fund status regime is not relevant to VEIL or its UK investors. Please contact a member of the client group if you require the full analysis from KPMG.

Representative and Paying Agent in Switzerland: The representative and paying agent for VEF in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The VEF prospectus, the key investor information documents (KIIDs), the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

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