

MARKET REVIEW

VNI slides 0.6% in December to close 2019 up 9.9% at 961

Despite generally buoyant global markets, the VN Index fell 0.6% (\$TR) in Dec to close the year at 961, bringing the 2019 return to 9.9%. The Index hit a 10-month low on 18 Dec before the market recovered thanks to MSCI's confirmation of Kuwait's upgrade to EM status, which means a higher allocation to Vietnam in the Frontier Markets. Positive developments in US-China trade negotiations also helped sentiment. Moody's revision of Vietnam's outlook to negative due to a delay in the repayment of an indirect Government debt was brushed off by both equity and bond markets, as Credit Default Swap (CDS) prices and bond yields continued falling.

Trading volume falls slightly while foreign outflows continue

Average daily traded value fell slightly to \$200m (-1.2% mom). Foreign investors remained net sellers for the fifth consecutive month, withdrawing \$38m from the HOSE. Stocks experiencing the most foreign outflows included Masan (MSN, -\$26m), Vingroup (VIC, -\$19m), and Vinhomes (VHM, -\$16m). By contrast, VFM's local ETF E1VFN30 received the most foreign inflows at \$13m, followed by Hoa Phat Group (HPG, +\$8m).

Most bank stocks outperform but MSN nosedives

Bank stocks were mostly positive, led by BIDV (BID, +14%) and Vietcombank (VCB, +5.7%). On the other hand, MB Bank (MBB) fell 6.1% following its announcement that it would sell 23m (just 49%) of its treasury shares. And the month's worst performer, MSN, plunged 19.1% on news of the planned merger between VinCommerce and Masan Consumer Holdings, giving rise to worries about the impact of VinCommerce's large losses on MSN's P&L.

Banking ETF to be introduced; decree to hit beer consumption

Saigon Securities Corp (SSI) announced plans to introduce an ETF that will track Vietnam's top banks. This reinforces the trend of the creation local ETFs aiming to attract foreign investment and solve the "foreign premium" issue. In other news, the Government introduced a new regulation that significantly tightens drunk driving laws by imposing stricter standards on the limit of blood alcohol content and higher penalties on violations, to go into effect on 1 Jan 2020. This may negatively impact alcohol consumption and hit sales of Sabeco (SAB) in the near term as initial enforcement is expected to be tough.

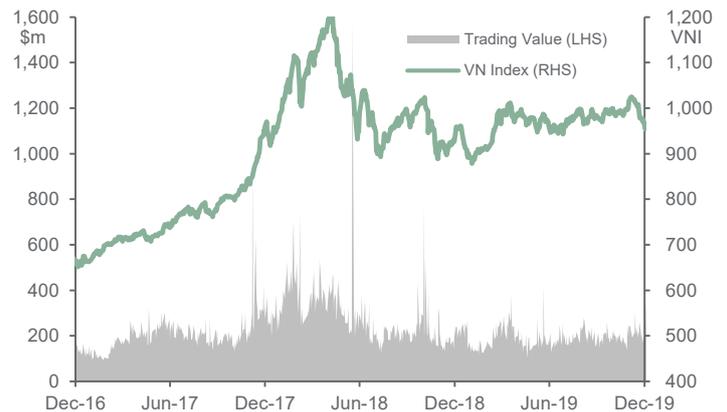
Vietnam becomes more attractive after recent market decline

The market's disappointing recent performance seems to have been driven more by poor retail sentiment rather than by fundamentals. Looking ahead to 2020, as the valuation discount between Vietnam and its peers widens while earnings growth accelerates, Vietnam's market is becoming more and more attractive.

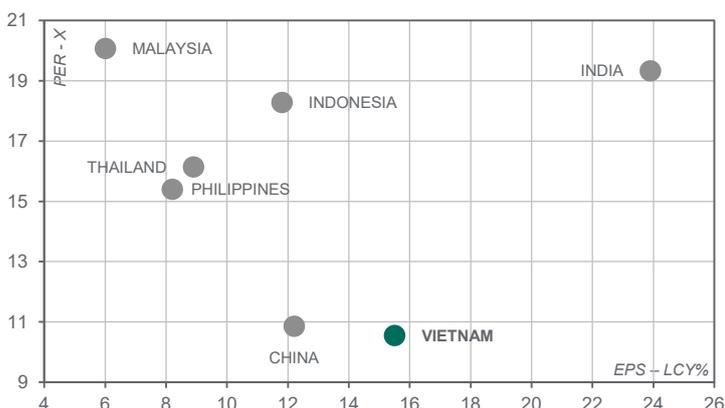
MARKET FORECASTS

31-Dec-19	Unit	2017	2018	2019F	2020F
PER	x	17.0	13.7	12.2	10.6
EPS Growth	%	18.7	19.4	12.4	15.5
PEG	x	0.9	0.7	1.0	0.6
Sales Growth	%	25.0	15.7	14.9	18.3
EBIT Growth	%	20.5	25.4	21.4	20.4
PBT Growth	%	21.5	31.0	13.9	16.7
NPAT Growth	%	23.0	27.9	13.9	16.6
Net DER	x	0.38	0.36	0.34	0.28
Yield	%	2.0	2.2	1.5	1.7

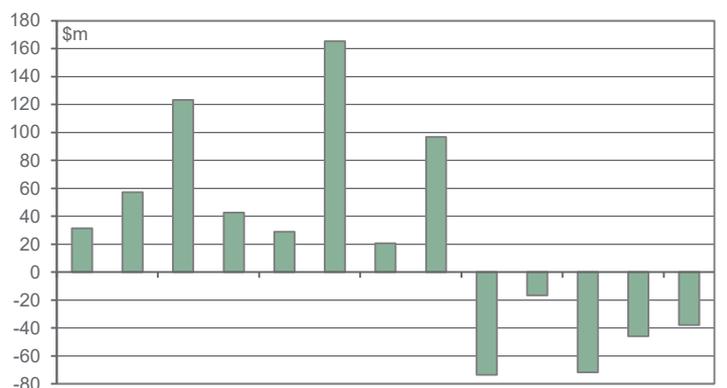
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020



FIFTH CONSECUTIVE MONTH OF NET FOREIGN SELLING



ECONOMY REVIEW

Vietnam's economy powers ahead in 2019

Vietnam achieved solid and sustainable economic growth in 2019, with GDP rising 7.0% yoy despite modest credit growth of just 13%+. The banking sector's NPL level was at a historical low while FX reserves hit an all-time high, although headline inflation was relatively high.

GDP up by 7.0% in 2019, beating Government target

Vietnam's stellar 2019 GDP growth was the result of a solid industrial sector, which grew 8.9% yoy – the same as in 2018, and an improving services sector (+7.3% yoy vs +7.0% in 2018), while the agriculture sector (+2.0% yoy) was a slight drag on growth. The actual result beat the Government's target of 6.8%, which remains the guidance for 2020.

GDP expansion achieved with lower level of credit growth

Previously, the same level of GDP growth would have required credit growth of 15-17% and a significant drop in lending rates. However, actual total outstanding loans in 2019 increased at just 13%+, coupled with a historically low NPL level of 1.89%. Nonetheless, we think it is unhealthy that the spread between the lending rate and bond yields widened. Throughout the year, bond yields consistently made new lows, with the 5Y VGB currently trading at 1.8%. One of the root causes for the gap was the still-high funding cost, resulting from deposit competition from 'less competitive' banks.

Headline CPI ends 2019 at +5.2% yoy, but core inflation just +2.0%

Headline CPI ended 2019 at 5.2% yoy, due to a 9.2% rise in food and foodstuff prices on a pork shortage caused by the African Swine Flu. During 4Q19, the pork price almost doubled due to a spike in demand from the coming Lunar New Year. However, core CPI remained well controlled at 2.0% yoy and average CPI was 2.8% yoy. Unlike in 2011, when the pork price rally led to the CPI going as high as 23%, this time is different thanks to deeper participation of corporates in the livestock industry, which consolidates production and creates large herds. While the CPI should remain high in 1Q20 at ~6.5% yoy, we expect it to average 4.0% for the year. Meanwhile the currency remains unchanged and foreign reserves are at \$80bn, an all-time high.

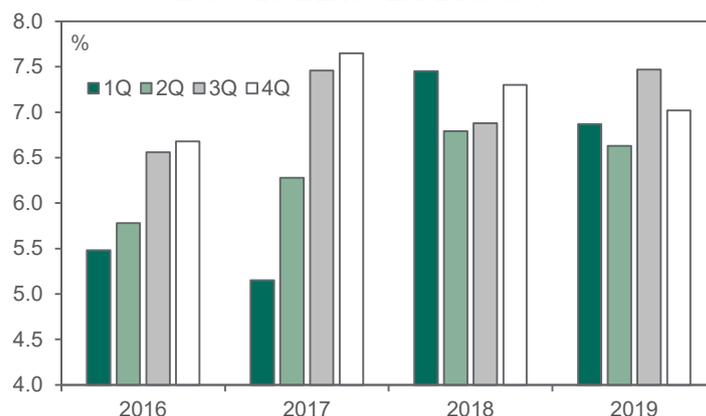
Moody confirms sovereign rating at Ba3 but changes outlook to negative

In Dec, Moody's confirmed Vietnam's rating at Ba3, but changed the outlook to negative. As this was not a downgrade, it will not have a material impact on Vietnam's offshore funding cost. In fact, there was muted reaction to this news and Vietnam's CDSes now stands at 98 – an all-time low level. Even so, the outlook change should be a wake-up call for the Government to resolve its authority complications, similar to the Vinashin default in 2010 that triggered a change in Vietnam's economic model from SOE-led to private sector-empowered.

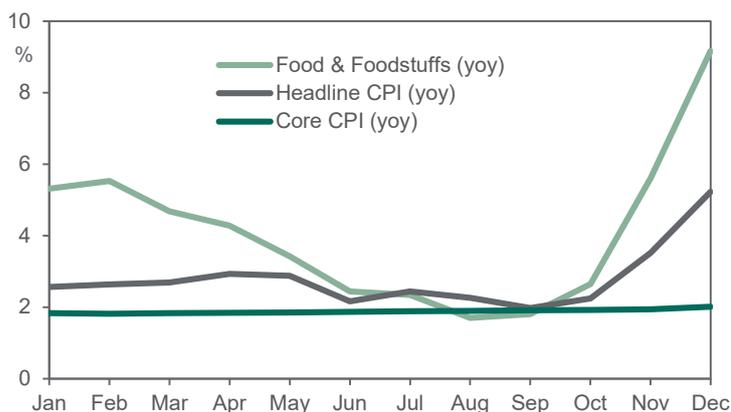
ECONOMIC FORECASTS

	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	3.5	5.2	4.0
Export Growth (cif)	%	21.2	13.8	8.2	9.0
Import Growth (cif)	%	20.8	11.5	7.1	9.2
Trade Balance (cif)	\$bn	2.9	6.8	9.4	8.1
FX Reserves	\$bn	52.0	61.0	80.0	79.0
FDI Disbursed	\$bn	17.5	19.1	20.4	16.0
VND:\$ (interbank)	1	22,750	23,235	23,150	23,300

2019 GDP BEATS EXPECTATIONS



CORE CPI STABLE DESPITE SURGE IN FOOD PRICES



5YR VGB YIELD AND CDS AT RECORD LOW



VIETNAM EQUITY (UCITS) FUND – VEF

In Dec, VEF fell by 0.4%, while its benchmark, the FTSE VN Index, lost 3.2%. For the whole year, the Fund was essentially flat (-0.1%) while the Index was up 7.1%. Contributing the most to the Fund's Dec performance were Vietcombank (VCB), retail-centric Mobile World (MWG) and Phu Nhuan Jewelry (PNJ), and FPT Corp (FPT). Additionally, having no Masan Group (MSN) while it was 7.5% of the FTSE also supported VEF's outperformance as the stock fell hard.

VCB's stock continued its strong momentum, driven by exceptional performance in 2019. The bank stands out amongst its peers in earnings growth and asset quality. Its 2019 earnings growth of 30% was ahead of market expectations. Next year's target is 15% yoy, driven by expected healthy core banking growth and allocation of the upfront bancassurance fee. VCB has the tradition of setting prudent targets, but we believe that it has room to surpass its target. Given its outstanding earnings and asset quality, as well as growth prospects, we believe VCB's premium valuation is justified.

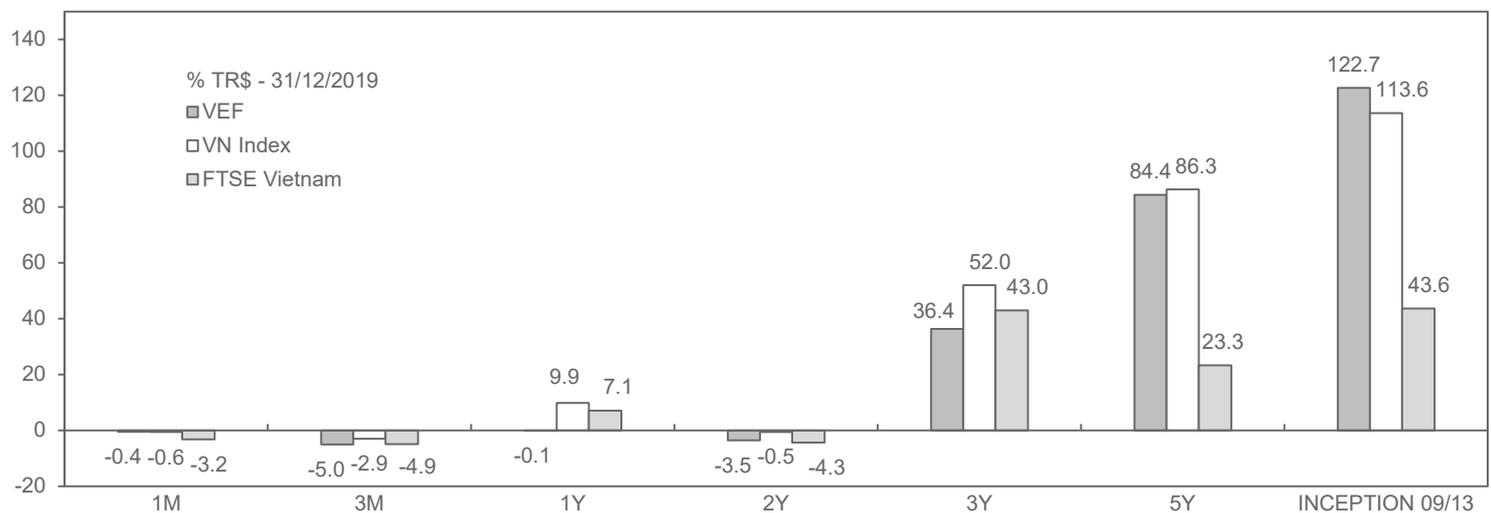
MWG recovered by 4.7% in Dec after a weak Nov thanks to solid Nov business results showing 18% yoy growth in revenue and 34% growth in net earnings. Recently, MWG issued a BOD resolution regarding its 2020 business plan in which the company targets revenue of VND 122.4trn (\$5.3bn) and NPAT of VND 4.8trn (\$208m). The company's target is in line with our current projection, implying 26.3% growth. And PNJ rose 6.0% as 4Q business results recovered after the hiccups in implementing the new ERP system in the second and third quarters. PNJ's retail sales growth continued to step up, coming in at 34% yoy in Nov. The company is on track to finish 2019 with 23% growth in profit.

Having no MSN contributed greatly to VEF's outperformance when the stock fell 19.1% in Dec after the news about its merger with VinCommerce of Vingroup (VIC) became known. VIC and MSN announced plans to merge VinCommerce, which owned VIC's supermarket and convenience store chain, with Masan Consumer, which is the main source of income for MSN, producing fish sauce, instant noodles, and other dipping sauces. The market was concerned that the annual loss of VinCommerce of \$150m would negatively impact MSN's profits as details of the deal have not been divulged yet.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$22.4	-0.43	-0.09	\$105.6m	11.2	13.88	0.66

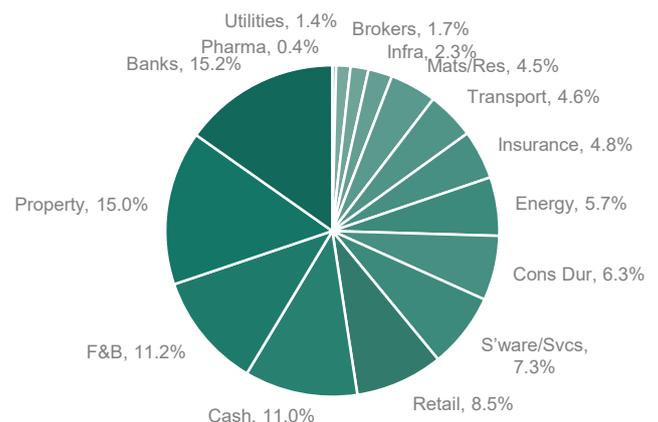
NAV PERFORMANCE



TOP 10 HOLDINGS (56.8% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vietcombank	Banks	6.66	8.78	6.8
2 Mobile World	Retail	-	7.61	4.7
3 FPT Corp	S'ware/Svcs	-	7.31	3.5
4 Vinhomes	Property	14.12	6.08	-7.6
5 Bao Viet Holding	Insurance	-	4.78	-2.3
6 Phu Nhuan Jewelry	Cons Dur	-	4.76	6.0
7 Vinh Hoan	F&B	-	4.71	4.3
8 Airports Corp VN	Transport	-	4.64	0.7
9 MB Bank	Banks	-	4.07	-6.0
10 Vinamilk	F&B	15.34	4.01	-3.2

SECTOR BREAKDOWN



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019E	2020F
Prices									
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	7.3	6.8
Agriculture Growth	%	2.6	3.4	2.4	1.4	2.9	3.8	2.0	1.9
Ind'l and Const'n Growth	%	5.1	6.4	9.6	7.6	8.0	8.9	8.9	9.5
Retail Sales Growth	%	13.5	10.6	9.5	10.2	10.9	11.7	11.8	11.5
Money, FX & Interest Rates									
CPI (year-end)	%	6.0	1.8	0.9	4.7	2.6	3.5	5.2	4.0
External Sector									
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	1.9	2.5
VND : \$	\$1	21,250	21,390	22,540	22,750	22,750	23,235	23,150	23,300
Trade Balance	\$bn	0.0	1.9	(3.5)	1.8	2.9	6.8	9.4	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	22.5	23.0
FDI Disbursement	\$bn	11.5	12.5	14.5	15.8	17.5	19.1	20.4	16.0
FX Reserves	\$bn	32.1	34.2	31.0	41.1	52.0	61.0	80.0	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
<i>Government</i>	\$bn	36.2	38.1	39.6	42.9	46.3	47.7	49.1	50.6
<i>Enterprises (incl. FDI)</i>	\$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	
	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19
Market Cap (\$m)	124,109	141,618	8,311	8,310	40,104	40,203	172,524	190,130
Number of Stocks	373	378	376	367	803	872	1552	1617
Number of Large Cap Stocks (> \$400m)	34	36	3	3	18	17	55	56
Stocks with No Room for Foreigners	17	21	11	8	25	30	53	59
Market Cap of Stocks with No Room (\$m)	13,397	15,578	2,395	1,683	1,321	1,349	17,113	18,611
Share of Market Cap with No Room (%)	10.8	11.0	28.8	20.3	3.3	3.4	9.9	9.8

Top 25 Companies

No	Company	31-Dec Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	2018 (x)	2019F (x)	2020F (x)	2018 (x)	2019F (x)	2020F (x)	2018 (%)	2019F (%)	2020F (%)
1	Vingroup	115,000	20.7	16,783	11.76	90.5	89.0	69.3	6.8	4.8	4.6	0.3	0.4	0.4
2	Vietcombank	90,200	70.1	14,436	10.16	25.5	20.2	15.5	5.2	3.9	3.1	0.9	1.2	1.2
3	Vinhomes	84,800	16.9	12,037	8.63	19.9	13.6	11.6	6.6	4.4	3.2	0.3	-	-
4	Vinamilk	116,500	0.7	8,754	6.16	22.0	20.6	19.3	7.9	8.1	8.1	3.5	5.1	5.1
5	BIDV	46,150	38.7	8,010	5.64	26.8	24.4	22.5	3.1	2.9	2.2	0.1	-	-
6	PV Gas	93,700	12.9	7,739	5.45	16.0	15.5	17.9	4.0	4.1	4.0	4.1	5.2	5.2
7	Airports Corporation VN	75,000	-15.7	7,046	-	29.6	23.6	21.8	5.3	4.5	3.8	1.2	1.2	1.2
8	Sabeco	228,000	-14.3	6,309	4.44	37.2	28.6	24.8	9.7	9.5	8.2	2.6	2.6	2.6
9	Techcombank	23,550	-8.9	3,557	2.50	9.3	8.7	7.6	1.6	1.3	1.1	-	-	-
10	Vietinbank	20,900	8.3	3,358	2.36	17.5	11.5	9.5	1.2	1.1	1.0	-	-	-
11	Vincom Retail	34,000	25.4	3,334	2.40	32.9	28.3	24.7	2.8	2.5	2.3	-	-	-
12	Vietjet Air	146,200	22.9	3,305	2.40	14.8	14.4	12.2	5.6	4.7	3.9	2.6	3.4	3.4
13	Masan Group	56,500	-27.1	2,850	2.01	13.3	11.5	13.6	2.2	1.9	1.6	2.1	-	-
14	Petrolimex	56,000	9.9	2,829	2.20	18.0	15.3	14.4	3.2	2.9	2.7	5.7	5.4	5.4
15	Hoa Phat Group	23,500	-1.3	2,800	1.97	7.9	8.8	7.5	1.2	1.4	1.1	0.0	-	-
16	VEAM Corp	45,000	25.6	2,580	-	8.5	8.1	7.5	2.4	2.2	2.2	0.8	8.1	11.5
17	Novaland	59,500	-7.3	2,489	1.71	17.3	18.3	17.5	2.9	2.5	2.3	0.0	-	-
18	Bao Viet Holding	68,600	-21.9	2,197	1.46	43.6	37.6	32.5	3.3	3.0	2.8	1.4	-	-
19	Mobile World	114,000	33.3	2,178	1.54	17.6	13.5	11.0	5.5	4.2	3.1	1.0	1.4	1.4
20	VP Bank	20,000	0.3	2,104	1.49	6.5	6.0	5.0	1.4	1.2	0.9	0.3	-	-
21	Military Bank	20,800	18.6	2,087	1.50	8.4	6.7	5.8	1.4	1.2	1.0	2.4	4.5	5.3
22	Vietnam Airlines	33,750	4.6	2,066	1.45	20.5	16.7	20.3	2.6	2.4	2.2	3.0	2.3	2.3
23	FPT	58,300	58.0	1,706	1.20	15.2	10.8	8.6	2.9	2.7	2.4	4.9	4.9	6.2
24	ACB	22,800	0.1	1,630	-	7.7	6.7	5.7	1.4	1.4	1.1	0.4	-	-
25	HD Bank	27,550	-9.1	1,166	0.82	9.5	8.4	7.3	1.7	1.5	1.3	5.0	-	-

VIETNAM MONTHLY REPORT

Performance Data as at 31 December 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

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 depository. 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).	

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