



MARKET REVIEW

VNI loses 2.7% in Jan on coronavirus to close at 937

Trading volume slips while foreigners return as net buyers

Bank stocks continue to lead

Coronavirus expected to hit 2020F earnings by around 3%

The VN Index rose steadily throughout the first half of Jan, gaining over 3% before the weeklong Lunar New Year (Tet) holiday. However, when the market reopened after the holiday, the VNI tumbled by 5.5% in the final two remaining trading days of the month on fears surrounding the coronavirus outbreak. The VNI ended the month down 2.7% (\$TR) at 937 points.

Trading volume declined as retail investors exited the market before the holiday, with average daily traded value falling to \$167m (-16% mom). Foreigners, however, were net buyers for the first time after five consecutive months of net selling, injecting \$84m into the HOSE. The bulk of that buying came from a \$44m block deal for 21% of PV Gas Distribution (PGD) by a Japanese strategic investor, followed by a \$25m inflow into Mobile World (MWG) as its foreign room was lifted after an ESOP issuance. Meanwhile, stocks seeing the most outflows included Vietcombank (VCB, -\$6m), Vingroup (VIC, -\$5m), and PV Power (POW, -\$4m).

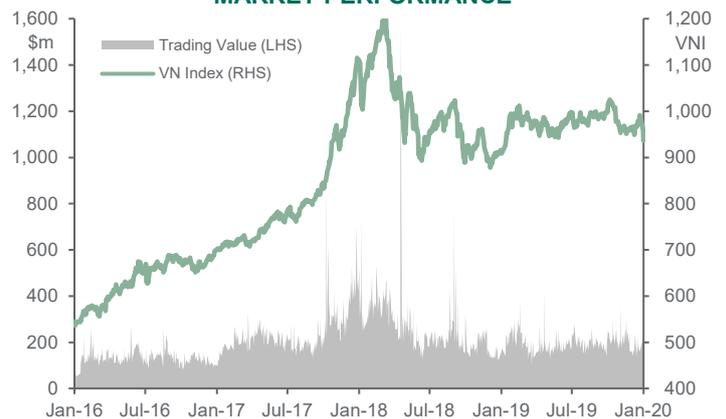
Bank stocks, most notably Vietinbank (CTG) and VP Bank (VPB), outperformed the market. CTG jumped 16.8% after reporting 80% growth in PBT for 2019, while VPB gained 12.3% on news of its 26% growth in 2019 core PBT. Property stocks, most notably Dat Xanh Group (DXG -20.3%) and DIG (-12.3%), were hit hard. Vinhomes (VHM) was the only bright spot in the sector, gaining 3.0% as it reported higher-than-expected 2019 profit, up 49% yoy. Other major laggards included Masan Group (MSN, -11.3%), FPT(-11.0%) and PV GAS (GAS, -7.7%). While MSN continued its slide on doubts about the economics of its deal with Vinmart, FPT reported weaker-than-expected 4Q19 results, with earnings down 4% yoy due to losses at subsidiaries. And GAS led the energy sector lower as the oil price plunged after the virus outbreak.

While uncertainty surrounding the virus remains high, we estimate that the outbreak will negatively impact our Top 60 companies' 2020F earnings by around 3%. The hardest hit sectors are expected to be aviation and tourism, followed by energy and materials. Earnings will be hit in 1Q20 but are expected to recover later in the year, and the market will remain volatile until there is more clarity on the virus. According to the model by Zhong Nanshan, a leading Chinese epidemiologist who discovered SARS and helped control it, the number of new cases should come down rapidly by mid-Feb. If history is any guide, global markets typically deliver solid gains after the containment of disease outbreaks. As such, the recent selloff offers a good entry point for long-term investors, as Vietnam remains cheap vs peers on superior growth.

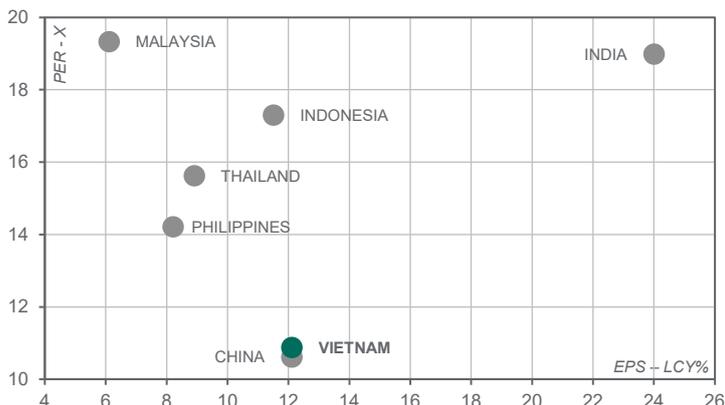
MARKET FORECASTS

31-Jan-19	Unit	2017	2018	2019E	2020F
PER	x	16.5	13.3	12.2	10.9
EPS Growth	%	18.7	19.4	15.0	12.1
PEG	x	0.9	0.7	0.8	0.9
Sales Growth	%	25.0	15.7	11.7	20.3
EBIT Growth	%	20.5	25.4	18.3	20.0
PBT Growth	%	21.5	31.0	17.0	13.4
NPAT Growth	%	23.0	27.9	16.6	13.0
Net DER	x	0.38	0.36	0.33	0.30
Yield	%	2.1	2.3	1.6	1.6

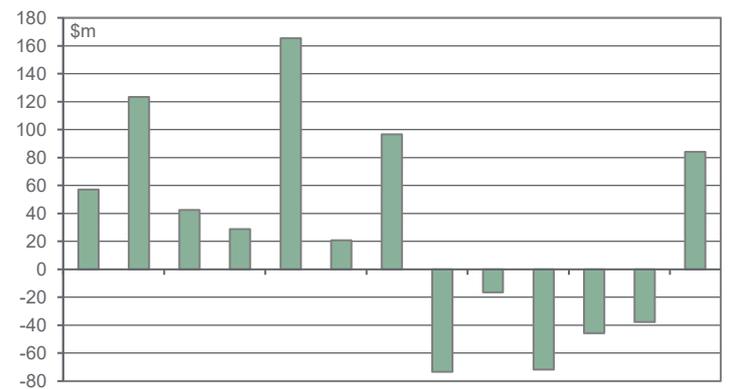
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020



FOREIGNERS RETURN AS NET BUYERS





ECONOMY REVIEW

Chinese coronavirus creates economic uncertainties

The recent outbreak of the coronavirus in China has created uncertainties for Vietnam's economy that are difficult to estimate with any precision just now. Given Vietnam's geographical proximity to China, and with China being its biggest trade partner, Vietnam's 1Q20 macroeconomic numbers could be significantly affected. However, we expect the rebound from the impact will be strong in the following quarters on accumulated demand.

Vietnam closes border with China

Since the first reported case from Wuhan, China, on 31 Dec 2019, Vietnam's Government immediately took measures to control the transmission of the virus. As of 30 Jan 2020, the Civil Aviation Administration of Vietnam imposed travel restrictions between Vietnam and all Chinese cities exposed to the virus. Several border crossings between Vietnam and China in the northern provinces have been closed to trade until 9 Feb. As a result of these measures, companies involved in aviation, tourism, manufacturing, and retail are likely to be negatively affected, especially in 1Q20, depending on how long the virus lasts.

10% of bilateral trade could be hit

In 2019, total trade between Vietnam and China was \$117bn, of which exports were \$41bn (23% of Vietnam's total exports) and imports were \$76bn (roughly 30% of the total). Of that, agriculture accounts for 10% of the bilateral trade and is expected to be the most vulnerable segment due to the border closure. If the virus lasts for 3-4 months, it would likely impact supply chains and the flow of materials, which will result in a disruption of Vietnamese manufacturing of electrical machinery equipment and accessories, footwear, textiles and such.

Coronavirus to impact GDP by -0.5% to -0.7%

While it is too early to accurately estimate its impact, the Ministry of Planning and Investment is projecting that GDP growth could contract by ~0.5% if the virus can be contained within 1Q20 and by ~0.7% if it is not contained until the end of 2Q20. However, the recent Government cabinet meeting did not indicate that it would revise down its growth target of 6.8% for 2020. An economic stimulus package to deal with the virus was discussed, but it remains to be seen exactly what the Government will do.

Virus impact mitigated by Lunar New Year holiday

Fortunately, the outbreak happened during the Lunar New Year holiday, which is typically a low-activity season in Vietnam. As such, the impact on the economy will be less severe than if it had happened at any other time of the year. We will revise our macroeconomic forecasts as soon as the situation becomes clearer.

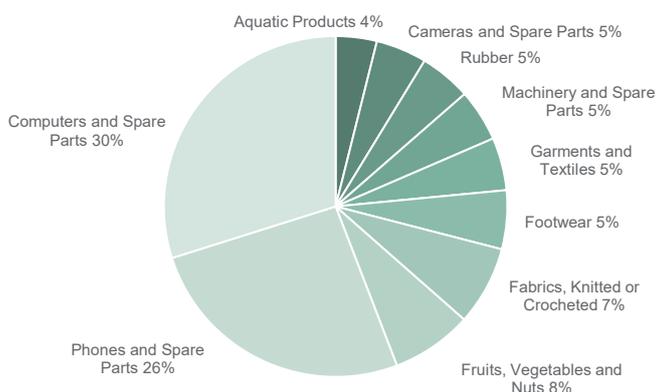
ECONOMIC FORECASTS

	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	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

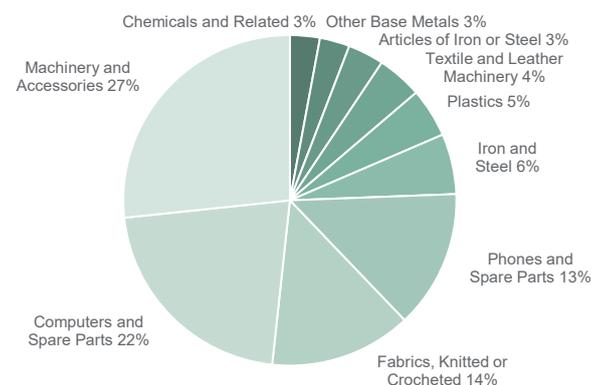
CHINESE VISITORS TO VIETNAM



TOP 10 PRODUCTS EXPORTED TO CHINA



TOP 10 PRODUCTS IMPORTED FROM CHINA





VIETNAM EQUITY (UCITS) FUND – VEF

VEF started the new year on a positive note, gaining 1.8% (TR\$) in the weeks leading up to the Tet holiday. However, the outbreak of the coronavirus during the holiday sent the market into a tailspin when trading resumed. When all was said and done, the FTSE Index ended the month down 4.0% while the Fund closed 4.5% lower. In reaction to the virus, aviation, insurance, and export stocks sold off sharply, resulting in double-digit losses by several of the Fund's top-10 holdings, including Airport Corporation of Vietnam (ACV), Bao Viet Holding (BVH) and Vinh Hoan Corporation (VHC).

The travel ban between Vietnam and China will certainly affect ACV's business results given that the Chinese accounted for 32.2% of international tourists visiting Vietnam in 2019. The final impact on ACV will depend on when the disease can be brought under control. Given the declining growth rate of infections, we forecast that the disease can peak in mid-to-late Feb. If that is the case, transportation should return to normal levels in 2Q20.

BVH, Vietnam's largest insurance company, may be impacted through travel insurance for Vietnamese travelers due to the travel ban, but that is not a big part of the company's operations. Health and life insurance may not be impacted because up to now, the number of confirmed cases in Vietnam is just 14, of which three are foreigners, and there have been no deaths yet. In 2019, BVH reported an 18.3% increase in life insurance fee revenue and a 4.5% increase in non-life insurance fee revenue. Overall, the sector still has a lot of room to grow due to a low penetration rate of 1.3%, compared to 3.6% in Thailand and 3.3% in Malaysia.

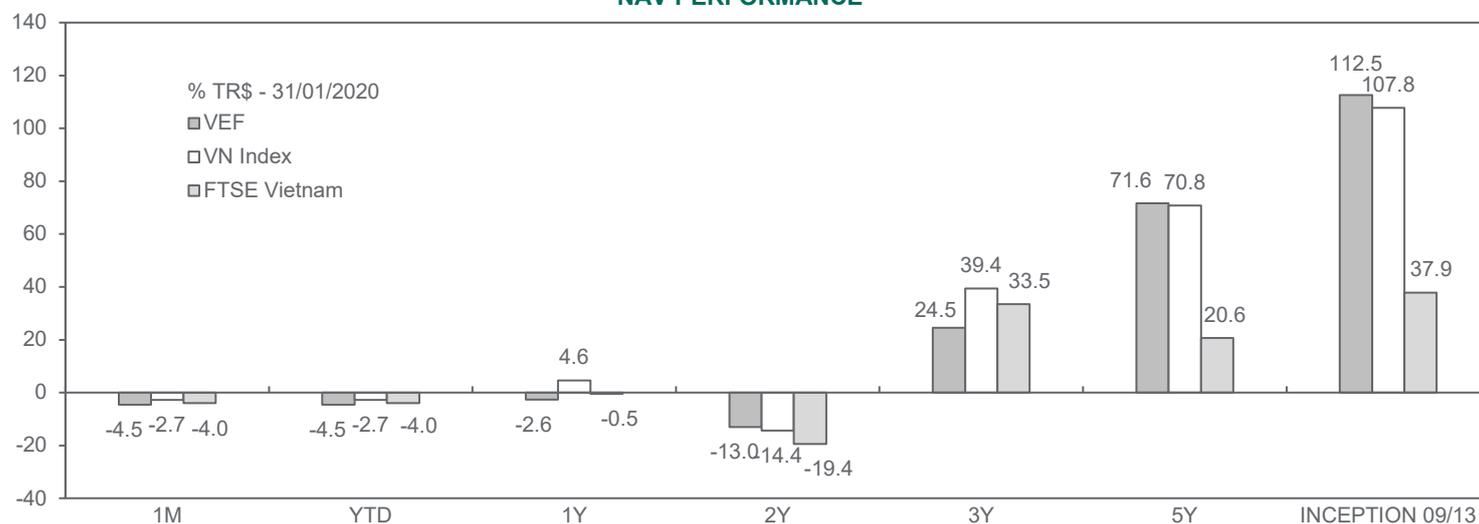
VHC had approximately 15% of its revenue from China in 2019. Normally, fish orders from China are low after the Lunar New Year holidays as buyers already stock up in advance in preparation for the long break. The coronavirus outbreak should cause a longer break this year, but demand should recover strongly after the disease is brought under control.

Finally, FPT fell on a 4% decline in 4Q19 earnings vs 4Q18. For the whole year, the company still reported a 19.4% increase in revenue and 19.8% in net profit. The 4Q19 decline was due to retail division FRT booking a one-off provision for bad debts.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$21.25	-4.5	-4.5	\$104.2m	12.6	14.06	0.41

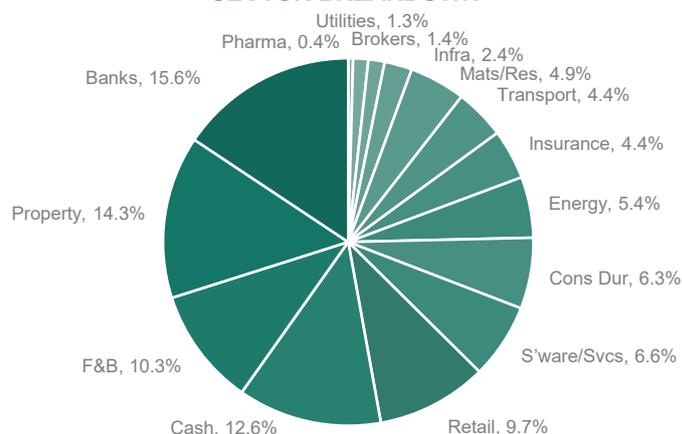
NAV PERFORMANCE



TOP 10 HOLDINGS (57.1% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vietcombank	Banks	6.8	9.2	-1.9
2 Mobile World	Retail	-	9.0	-3.0
3 FPT Corp	S'ware/Svcs	-	6.6	-11.0
4 Vinhomes	Property	15.1	6.3	3.0
5 Phu Nhuan Jewelry	Cons Dur	4.7	4.4	-2.2
6 Airports Corp VN	Transport	-	4.4	-14.0
7 Bao Viet Holding	Insurance	-	4.4	-14.5
8 Hoa Phat Group	Materials	8.6	4.2	2.4
9 Vinh Hoan	F&B	-	4.2	-12.2
10 MB Bank	Banks	-	4.1	-0.2

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019E	2020F
GDP									
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
Prices									
CPI (year-end)	%	6.0	1.8	0.9	4.7	2.6	3.5	5.2	4.0
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	1.9	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	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-Jan-19	31-Jan-20	31-Jan-19	31-Jan-20	31-Jan-19	31-Jan-20	31-Jan-19	31-Jan-20
Market Cap (\$m)	128,474	138,161	8,242	8,199	40,865	38,283	177,582	184,643
Number of Stocks	375	378	378	367	811	879	1564	1624
Number of Large Cap Stocks (> \$400m)	35	35	3	3	18	17	56	55
Stocks with No Room for Foreigners	16	20	11	9	20	32	47	61
Market Cap of Stocks with No Room (\$m)	14,572	15,246	2,408	1,705	846	1,468	17,827	18,418
Share of Market Cap with No Room (%)	11.3	11.0	29.2	20.8	2.1	3.8	10.0	10.0

Top 25 Companies

No	Company	31-Jan 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	114,800	-0.2	16,752	12.03	90.4	46.6	69.2	6.8	5.0	4.6	0.3	0.4	0.4
2	Vietcombank	88,700	-1.7	14,193	10.24	25.1	20.4	15.2	5.1	3.8	3.0	0.9	1.1	1.1
3	Vinhomes	87,500	3.2	12,418	9.12	20.5	13.8	11.9	6.8	5.3	3.3	0.3	-	-
4	BIDV	51,500	11.6	8,936	6.44	29.9	25.9	25.1	3.4	2.4	2.5	0.1	-	-
5	Vinamilk	108,500	-6.9	8,151	5.88	20.5	19.8	18.0	7.3	6.9	7.5	3.5	5.5	5.5
6	PV Gas	86,500	-7.7	7,143	5.15	14.7	14.1	14.5	3.7	3.4	3.6	4.1	5.3	5.3
7	Airports Corporation VN	64,600	-13.9	6,067	-	25.5	18.8	16.9	4.6	3.8	3.2	1.2	1.2	1.2
8	Sabeco	212,000	-7.0	5,865	4.23	34.6	28.6	23.0	9.0	7.2	7.6	2.6	2.6	2.6
9	Vietinbank	24,400	16.7	3,920	2.83	20.5	11.7	11.1	1.4	1.2	1.1	-	-	-
10	Techcombank	21,600	-8.3	3,262	2.35	8.5	7.5	6.9	1.5	1.2	1.0	-	-	-
11	Vincom Retail	30,050	-11.6	2,946	2.18	29.1	24.6	21.9	2.5	2.6	2.0	-	-	-
12	Vietjet Air	130,200	-10.9	2,942	2.19	13.2	16.7	10.8	5.0	4.6	3.4	2.6	3.4	3.4
13	Hoa Phat Group	24,100	2.6	2,871	2.07	8.1	9.3	7.7	1.3	1.4	1.2	0.0	-	-
14	Petrolimex	53,000	-5.4	2,677	2.13	17.0	14.6	13.6	3.0	2.7	2.5	5.7	5.4	5.4
15	Masan Group	50,100	-11.3	2,527	1.82	11.8	10.4	39.9	2.0	1.4	1.6	2.1	-	-
16	VEAM Corp	44,000	-2.2	2,522	-	8.3	8.0	7.4	2.4	2.2	2.1	0.8	8.1	11.5
17	VP Bank	22,450	12.3	2,361	1.72	7.3	6.5	5.7	1.6	1.3	1.1	0.3	-	-
18	Novaland	55,100	-7.4	2,305	1.63	16.0	15.4	16.2	2.7	2.4	2.1	0.0	-	-
19	Mobile World	110,800	-2.8	2,166	1.53	17.1	13.2	10.7	5.3	4.0	3.0	1.0	1.4	1.4
20	Military Bank	20,800	0.0	2,087	1.54	8.4	6.6	5.8	1.4	1.3	1.0	2.4	4.5	5.2
21	Bao Viet Holding	58,800	-14.3	1,883	1.36	37.4	38.3	27.8	2.8	2.2	2.4	1.4	-	-
22	Vietnam Airlines	28,450	-15.7	1,741	1.26	17.3	17.4	17.1	2.2	2.2	1.9	3.0	2.3	2.3
23	ACB	23,000	0.9	1,644	-	7.8	6.7	5.8	1.4	1.4	1.1	0.4	-	-
24	FPT	52,000	-10.8	1,522	1.10	12.2	10.2	7.7	2.6	2.3	2.1	4.9	4.9	6.2
25	HD Bank	27,000	-2.0	1,121	0.82	9.3	7.3	7.2	1.7	1.4	1.2	5.0	-	-

VIETNAM MONTHLY REPORT

Performance Data as at 31 January 2020

DRAGON CAPITAL



Fund	Bloomberg	ISIN	SEDOL	CUSIP	Listed
VEF-A	VIETNAM ID	IE00BD5HPH84	n/a	n/a	n/a
VEF-B	VIETEUR ID	IE00BV8WVB25	n/a	n/a	n/a

Price Providers	Funds	Bloomberg	Reuters	Contact
SEI Investments	VEF	-	-	Transfer Agency Department TADublin@seic.com

VEF

Subscription & Withdrawals Daily

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