VIETNAM MONTHLY REPORT

Performance Data as at 29 February 2020

DRAGON CAPITAL

MARKET REVIEW

VNI hits 18-month low in Feb, shedding 5.8% to close at 882 points

The global spread of the COVID-19 virus prompted panic stock selling around the world, and Vietnam's market was not spared. The VN Index ended the month down 5.8% ($TR) at 882 after hitting a 19-month intraday low of 872 at one point – amid escalating numbers of infections outside of China as the virus spread more rapidly than expected.

Liquidity thin as foreign outflows accelerate

Liquidity remained thin as average daily traded value fell slightly to $165m (-1% mom). Foreign investors net sold $121m on the HOSE. All emerging Asian markets suffered heavy foreign selling during the month, with the sole exception of India. The selloff was exacerbated by several mid-cap funds in the region divesting from Vietnam in order to shift into their focus to other markets such as China. Vietnam's stock market has lost 11.0% since the beginning of the virus outbreak. This is in line with regional peers such as Thailand, which has lost 11.4%, and Indonesia, which is down 10.8%.

2020 earnings slashed due to virus

Given recent developments, we have cut the 2020 earnings forecasts for our Top 60 companies, though uncertainties linger as the virus and its ultimate impact remain a big question. Our base case assumption is that economic activity will return to normal in late 2Q20. Among the hardest hit sectors will be aviation. Airports Corporation of Vietnam (ACV) saw its share price shed 21% as the company will almost certainly experience a significant profit decline this year because of travel bans. And with the sharp recent plunge in the oil price, energy stocks also suffered: PV Gas (GAS) saw its share price fall 12.4%. Meanwhile the F&B sector, represented by Sabeco (SAB), was also negatively impacted by the virus, on top of the recent decree that caused a decline in the consumption of beer. On these factors, SAB lost 23.6% for the month.

Diamond ETF approval to improve market access

On a positive note, the SSC approved the Diamond ETF, which tracks Vietnam's largest FOL stocks. After years of issues with FOLs, Vietnam seems to be taking a different approach by offering access to these stocks through ETFs, open-ended funds, covered warrants, etc. This will help attract foreign investment into Vietnam and narrow the foreign premium on the stocks.

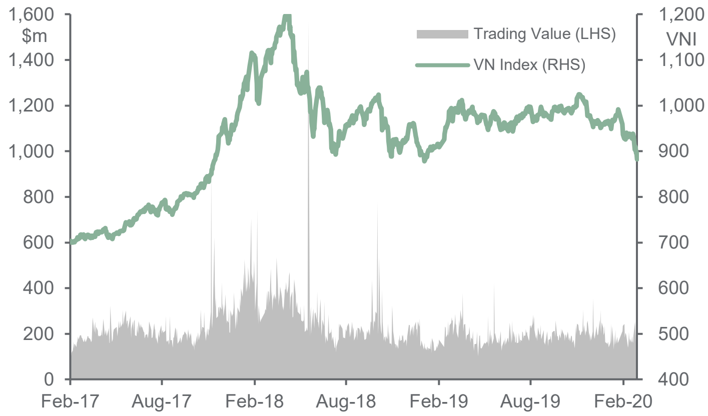
No change in long-term outlook

While short-term fundamentals have been impacted by the virus, Vietnam's long-term growth story remains intact, especially given the Government's strong and effective measures in containing the outbreak. Nobody can call the market bottom, but things will eventually get better. As such, the recent market drop offers investors an attractive entry point for future gains.

MARKET FORECASTS

29-Feb-20	Unit	2017	2018	2019E	2020F
PER	x	15.8	12.9	11.3	10.6
EPS Growth	%	18.7	19.4	15.0	5.8
PEG	x	0.8	0.7	0.8	1.7
Sales Growth	%	25.0	15.7	11.7	20.9
EBIT Growth	%	20.5	25.4	18.3	19.6
PBT Growth	%	21.5	31.0	17.0	7.4
NPAT Growth	%	23.0	27.9	16.6	6.9
Net DER	x	0.38	0.36	0.33	0.22
Yield	%	2.2	2.4	1.7	1.8

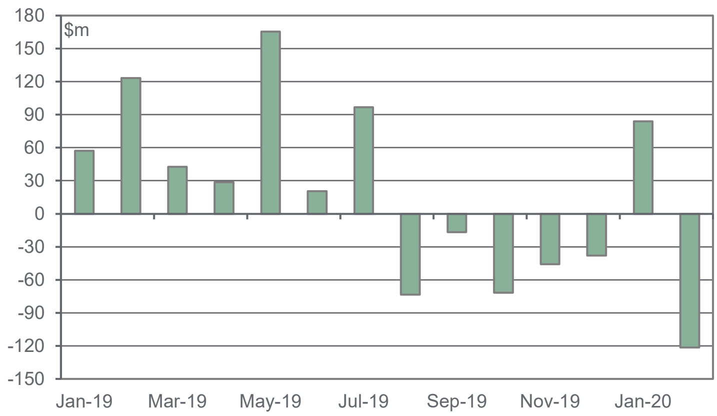
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020

Although we have adjusted our market forecasts in response to the COVID-19 virus, full downward revisions from other countries are not available at this time. Therefore it is not meaningful to include this chart at present.

FIFTH CONSECUTIVE MONTH OF NET FOREIGN SELLING



ECONOMY REVIEW

Feb economic data downbeat on COVID-19 spread

With the COVID-19 outbreak intensifying in Feb, Vietnam's economic data was predictably downbeat. The PMI hit a multi-year low, retail sentiment was weak, FDI was down, and Government bond yields continued to hit new lows. On the positive side, the CPI cooled slightly from last month.

PMI below 50 while retail sales hit multi-year low

The PMI fell to 49 in Feb. As Vietnam relies more on China for its supply chain, its PMI was slightly lower than that of regional peers. New orders plunged for the first time since Nov 2015 while output fell at the fastest pace in the last six and a half years. The virus outbreak will likely continue to hamper activity in the near-term, and we expect the PMI to hover below the 50-point threshold for the next several months. Regarding consumer sentiment, total retail sales for the first two months of the year increased by 8.3%, the lowest growth rate in six years. Compared with Jan, retail spending declined 7.9% mom from the high base of the Tet holiday in Jan.

Temporary negative FDI impact

2M pledged FDI was ca $6.47bn, down 23.6% yoy. Of this, a single LNG megaproject contributed roughly $4bn. Disbursed FDI fell 5% to $2.45bn. While the virus negatively affected FDI, it will likely boost it for the next 3-5 years as diversification away from China accelerates.

VGB yields continue lower on global rate cutting

The 10-year VGB is yielding a historically low 2.3%. However, the bond market could continue rallying in the short term, as (1) banks have no other options than to buy VGBs to meet Basel II, (2) there is high reinvestment pressure coming from the $2bn maturing in 1Q20, and (3) supply from State Treasury is low amid low disbursement of public investment. Medium to long term, the rate should gradually increase as the Government will likely use fiscal stimulus to boost the economy. As such, an increase in VGB issuance should offset the current demand imbalance.

Inflation moderates from Jan and should continue easing

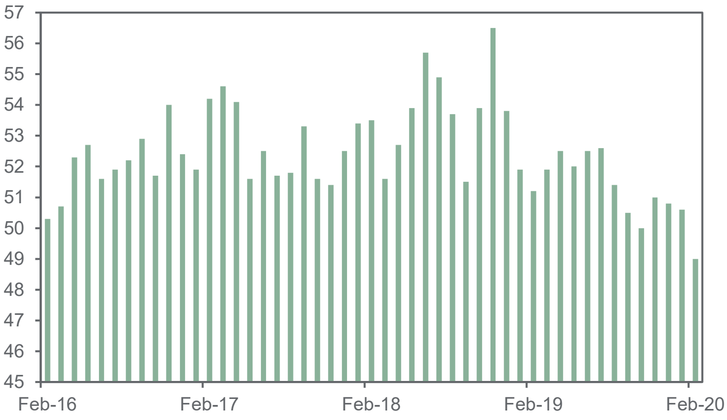
Feb headline inflation came in at 5.4%, led by food and foodstuffs, housing, and education. Although still high, this was expected, as the pork price is still much higher yoy. This is a decline from the 6.4% in Jan, and the trend is expected to continue lower in the coming months. Core inflation also fell from 3.25% yoy in Jan to 2.94% yoy in Feb. Given weakening demand, the collapse of the global oil price, and most importantly, Vietnam's ability to self-supply food products, there will be no impact from a supply shock. As such, inflation should not reignite. Furthermore, the Government is determined to keep inflation low and can control key components by delaying raising healthcare, education and electricity prices.

ECONOMIC FORECASTS

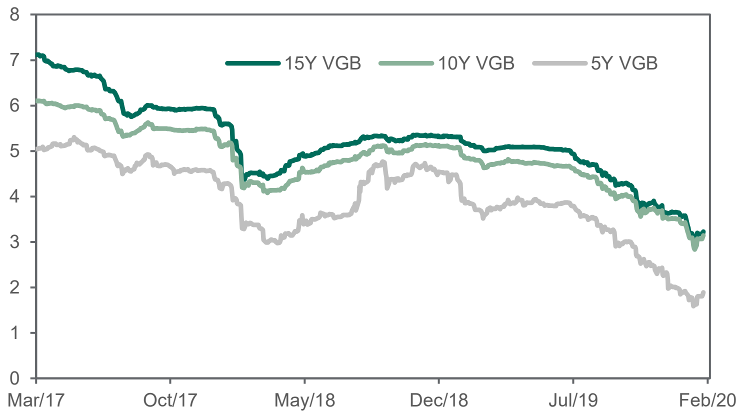
	unit	2017	2018	2019E	2020F*
Real GDP Growth	%	6.8	7.1	7.0	7.1
Nominal GDP	$bn	220.1	242.4	263.9	289.3
CPI	%	2.6	3.0	5.2	4.0
Export Growth (cif)	%	21.2	13.8	8.2	9.0
Import Growth (cif)	%	20.8	11.5	7.1	9.2
Trade Balance (cif)	$bn	2.9	6.8	9.4	8.1
FX Reserves	$bn	52.0	61.0	80.0	79.0
FDI Disbursed	$bn	17.5	19.1	20.4	16.0
VND:$ (interbank)	1	22,750	23,235	23,150	23,300

*Subject to revision due to COVID-19 pandemic.

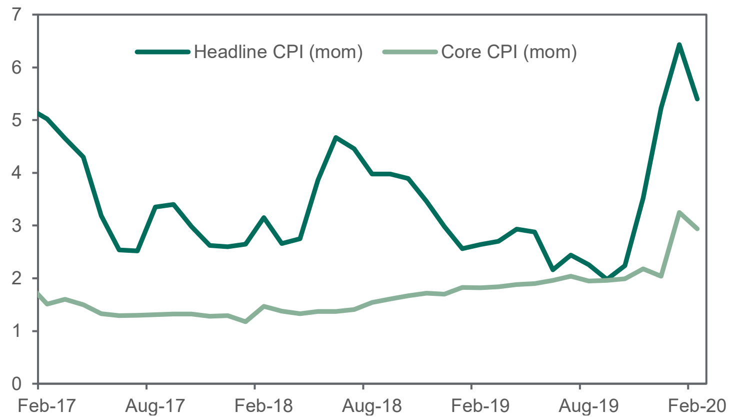
PMI AT LOWEST LEVEL SINCE 2015



VGB YIELDS AT HISTORIC LOWS



INFLATION MODERATES IN FEB



VIETNAM EQUITY (UCITS) FUND – VEF

VEF lost 4.8% in Feb while the FTSE VN Index closed 5.8% lower. Not having Vingroup (VIC) and being underweight Vinhomes (VHM), which account for some 30% of the FTSE VNI, contributed the most to the Fund's outperformance. During Feb, some IT and retail-centric companies such as Mobile World (MWG) and Phu Nhuan Jewelry (PNJ) announced better-than-expected Jan results, which made them less vulnerable to the market selloff.

VIC, which is the largest stock in the Index, declined 15.4% in Feb, though there was still some local support occasionally. VIC's fundamentals are deteriorating as the auto manufacturing division of the company, Vinfast, made a bigger loss than analysts were projecting, while the most attractive business from foreign investors' point of view, Vincommerce, was sold to Masan (MSN) in Dec 2019. VIC and MSN merged VinCommerce and Masan Consumer to form a new company that MSN will manage and hold a major stake in. The merger allowed VIC to revalue VinCommerce and record $376m in non-cash financial income. Without the one-off non-cash profit, VIC would have made a loss of $35m for 2019.

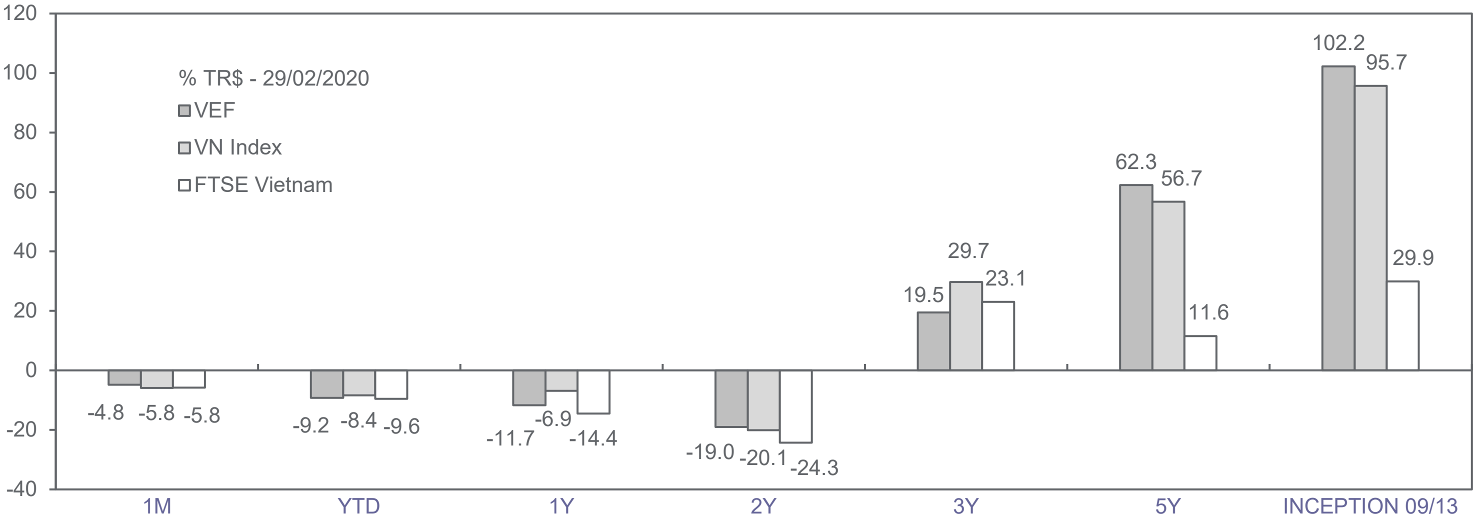
Some consumer companies, including MWG and PNJ, announced better-than-expected Jan results, which helped them outperform the market. MWG announced Jan revenue up 21% yoy and net earnings up 22% yoy while PNJ reported flat revenue and a 9% increase in net profits. Moreover, these two names are the top holdings of a local ETF that was approved in late Feb. This FOL-stock-tracking ETF should help narrow foreign premiums and improve market efficiency.

On the downside, the airport operator Airports Corporation of Vietnam (ACV) and the fish exporter Vinh Hoan Corporation (VHC) continued to suffer repercussions from the rapid spread of the COVID-19 virus. The two stocks fell 20.8% and 11.4% respectively in Feb to historical low valuations. We think they can rebound strongly when transportation and trade activities resume. Both have strong balance sheets and therefore should have low insolvency risk. In addition, the Vietnamese Government has decided to support COVID-19-affected companies by requesting banks to lower lending rates for these companies and to extend loan repayment periods.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
$20.22	-4.8	-9.2	$93.5m	9.7	14.39	0.30

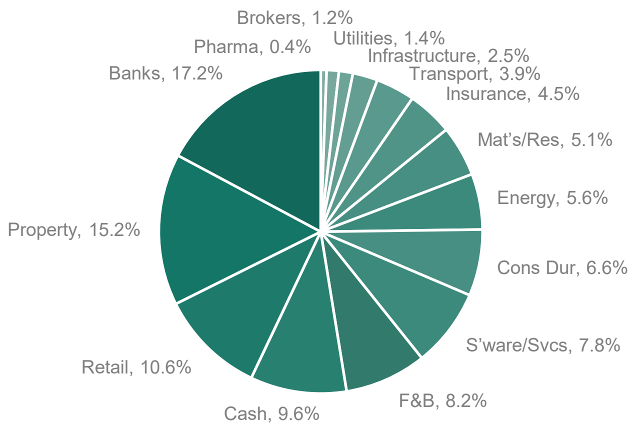
NAV PERFORMANCE



TOP 10 HOLDINGS (60.1% of NAV)

	COMPANY	SECTOR	FTSE %	NAV %	CH %
1	Mobile World	Retail	-	9.58	-4.0
2	Vietcombank	Banks	6.71	9.48	-7.2
3	FPT Corp	S'ware/Svcs	-	7.84	5.9
4	Vinhomes	Property	14.76	6.48	-8.2
5	Phu Nhuan Jewelry	Cons Dur	-	5.09	-3.2
6	MB Bank	Banks	-	4.58	-2.0
7	Bao Viet Holding	Insurance	-	4.55	-6.7
8	Hoa Phat Group	Mat's/Res	8.42	4.32	-7.3
9	Vinh Hoan	F&B	-	4.14	-11.2
10	Vinamilk	F&B	15.18	4.04	-3.8

SECTOR BREAKDOWN



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019E	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	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	3.0	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
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)

*Subject to revision due to COVID-19 pandemic.

APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	28-Feb-19	28-Feb-20	28-Feb-19	28-Feb-20	28-Feb-19	28-Feb-20	28-Feb-19	28-Feb-20
Market Cap ($m)	136,264	129,833	8,571	8,852	41,846	37,111	186,681	175,796
Number of Stocks	376	377	378	368	811	883	1565	1628
Number of Large Cap Stocks (> $400m)	36	34	5	4	18	16	59	54
Stocks with No Room for Foreigners	19	18	10	9	25	32	54	59
Market Cap of Stocks with No Room ($m)	14,800	15,442	1,969	1,845	960	1,393	17,729	18,680
Share of Market Cap with No Room (%)	10.9	11.9	23.0	20.8	2.3	3.8	9.5	10.6

Top 25 Companies

No	Company	28-Feb Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in VNI (%)	PER 2018 (x)	PER 2019 (x)	PER 2020F (x)	PBV 2018 (x)	PBV 2019 (x)	PBV 2020F (x)	Yield 2018 (%)	Yield 2019 (%)	Yield 2020F (%)
1	Vingroup	105,400	-8.3	15,345	11.75	83.0	43.9	63.6	6.3	4.6	4.2	0.3	0.6	0.4
2	Vietcombank	82,400	-8.6	13,154	10.07	20.3	16.5	12.9	4.8	3.6	2.9	0.9	-	0.9
3	Vinhomes	80,400	-5.2	11,384	8.88	18.9	12.4	10.7	6.2	4.8	3.0	0.3	1.3	-
4	BIDV	45,500	-1.4	7,877	6.03	26.4	27.0	22.2	3.0	2.5	2.2	0.1	2.7	-
5	Vinamilk	104,500	-10.3	7,833	6.00	19.7	19.1	18.1	7.1	6.6	7.5	3.5	4.1	5.6
6	PV Gas	75,800	-19.1	6,244	4.78	12.9	12.4	15.5	3.2	3.0	2.9	4.1	5.0	5.8
7	Airports Corporation VN	51,300	-31.6	4,807	-	20.2	14.9	19.9	3.6	3.0	2.7	1.2	1.6	1.5
8	Sabeco	162,000	-27.6	4,472	3.42	26.4	21.9	26.7	6.9	5.5	6.2	2.6	-	3.4
9	Vietinbank	25,750	23.2	4,127	3.16	24.0	13.5	11.7	1.4	1.2	1.1	-	-	-
10	Techcombank	22,250	-5.5	3,352	2.57	9.2	7.7	6.8	1.5	1.3	1.1	-	-	-
11	VP Bank	27,200	36.0	2,854	2.20	9.4	8.1	6.4	1.9	1.6	1.2	0.2	-	-
12	Vincom Retail	28,500	-16.2	2,787	2.19	27.5	21.3	18.7	2.3	2.3	2.0	-	3.5	-
13	Vietjet Air	121,900	-16.6	2,749	2.18	12.4	15.1	506.8	4.7	4.2	5.0	2.6	-	3.9
14	Hoa Phat Group	22,350	-4.9	2,656	2.03	7.5	8.6	7.9	1.5	1.3	1.1	-	-	-
15	Petrolimex	51,600	-7.9	2,645	2.20	16.6	14.2	13.3	3.0	2.6	2.5	5.7	5.1	5.4
16	Masan Group	49,000	-13.3	2,465	1.89	11.5	10.2	39.0	1.9	1.3	1.6	2.1	0.7	-
17	VEAM Corp	40,000	-11.1	2,288	-	7.6	7.3	6.7	2.2	2.0	1.9	0.8	-	11.5
18	Novaland	53,500	-10.1	2,233	1.67	15.5	15.5	16.8	2.6	2.3	2.1	-	-	-
19	Mobile World	106,500	-6.6	2,078	1.59	16.4	12.6	10.0	5.3	4.0	3.0	1.0	1.4	1.4
20	Military Bank	20,400	-1.9	2,061	1.60	8.1	6.4	5.4	1.5	1.2	1.0	2.3	2.6	2.9
21	ACB	25,200	10.5	1,797	-	8.2	7.0	6.1	1.5	1.5	1.2	0.3	-	-
22	Bao Viet Holding	54,900	-20.0	1,754	1.34	38.3	40.8	37.0	2.6	2.1	2.1	1.4	1.8	1.8
23	FPT	55,100	-5.5	1,609	1.23	14.3	13.2	10.7	2.7	2.7	2.5	4.9	6.3	5.2
24	Vietnam Airlines	23,000	-31.9	1,404	1.08	14.0	14.0	-151.9	1.8	1.8	1.8	3.0	4.4	-
25	HD Bank	27,800	0.9	1,152	0.90	9.6	7.6	6.0	1.7	1.4	1.2	4.6	0.6	-

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

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