



MARKET REVIEW

VNI plunges 26% in March to 663, a three-year low

Record high foreign outflows, but locals step in to buy

Consumer discretionary retailers hit hardest

Vietnam positioned to recover on bold Gov't measures

Amid the further escalation of the COVID-19 pandemic, the VN Index plunged 26% (\$TR) in Mar, the steepest monthly fall since 2001, to close at 663, a three-year low. Globally, most equity markets saw their worst monthly performance since the Great Financial Crisis on huge volatility as selling pressure intensified on fears surrounding the spread of the virus. As the EU and the US became the new “hot-spots” of infection, Vietnam also experienced an increase in its number of cases, albeit from a very low level. That caused the Government to take stricter, unprecedented measures to contain the spread of the virus, including closing all non-essential businesses, suspending public transportation, and enforcing ‘social distancing’.

Foreign investors dumped \$336m worth of shares across the board, the highest monthly outflow ever. Nonetheless, against deep stock declines and foreign outflows, companies have announced significant share buybacks, currently worth close to \$320m in total. These actions indicate that companies have strong cashflow as a buffer for these tough times, and that that the recent decline has sent most stocks to very attractive levels. By end-Mar, local investors jumped in to support the market at the 650 level. This was mostly fresh money, as the greatest number of new retail accounts were opened since Mar 2018 (near the record high of the VNI) – in anticipation of the Government’s disaster relief and stimulus packages. Trading activity increased as average daily traded value rose to \$190m (+15% mom).

Among the worst hit stocks were consumer discretionary retailers, due to the Government’s directive to shut down all non-essential stores, as well as rising concern of a weaker consumption outlook. Mobile World Group (MWG) and Phu Nhuan Jewelry (PNJ) saw their share prices plunge 45.6% and 43.5%, respectively. And VP Bank (VPB) sank 37.7% due to the negative impact of the shutdown on its consumer finance business. The oil & gas sector tumbled amid the collapse in the oil price, led by PV Drilling (PVD, -42.6%) and PVD Gas (GAS, -27.7%). On the other hand, the best performing stocks were consumer staples: Masan (MSN) was flat, while Vinamilk (VNM) fell “only” 14.3%.

While the short-term outlook is clouded by this unprecedented shutdown of the global economy, the recent market drop certainly offers a good entry point for long-term investors. Given the Government’s effective measures in containing the outbreak, and the fiscal support and stimulus on the way, Vietnam is well positioned to rebound strongly once the COVID-19 crisis fades.

MARKET FORECASTS

31-Mar-20	Unit	2017	2018	2019	2020F
PER	x	16.8	13.3	12.1	8.5
EPS Growth	%	18.7	19.4	15.0	-1.9
PEG	x	0.9	0.7	0.8	Neg
Sales Growth	%	25.0	15.7	11.7	9.9
EBIT Growth	%	20.5	25.4	18.4	8.4
PBT Growth	%	21.5	31.0	17.0	-2.7
NPAT Growth	%	23.0	27.9	16.6	-1.0
Net DER	x	0.38	0.36	0.33	0.22
Yield	%	2.0	2.3	1.6	2.1

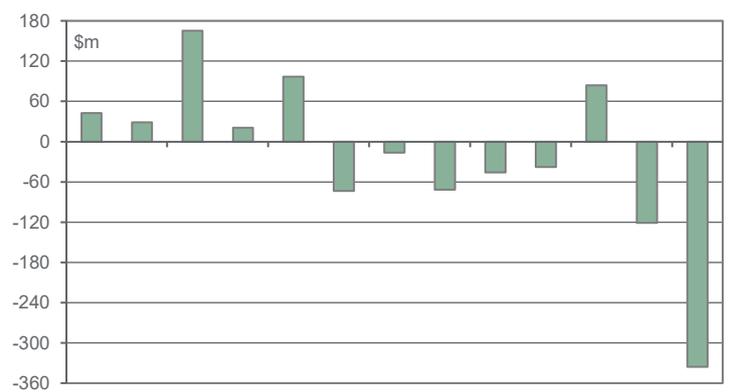
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020

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

HIGHEST FOREIGN SELLING EVER





ECONOMY REVIEW

Influence of COVID-19 on Vietnam's economy will be clearer in 2Q20

The global spread of COVID-19 has exerted a major impact on Vietnam's economy. And while 1Q20 economic data was not so bad, we expect that 2Q numbers will reflect the toll of the nationwide social distancing that has been in place since end-Mar and that could last for another two to four weeks. Nonetheless, Vietnam has been one of the most successful countries in handling the outbreak so far. And we expect that after the virus is contained and the economy is reopened late in 2Q, there will be a robust recovery in the second half of the year.

1Q20 GDP up just 3.8% yoy

1Q economic data partially reflected the impact of the COVID-19 pandemic. Vietnam's GDP advanced by 3.8% yoy - the slowest growth rate since the second quarter of 2009, hampered by weaker manufacturing and plummeting service activity. Schools have been closed since Feb, most flights have been suspended, no new real estate projects have been launched, and recently, all non-essential services were shut down. Still, the manufacturing and services sectors managed to deliver positive yoy growth of 5.28% and 3.27% (1Q19: 9.32% and 6.44% respectively). Agricultural output suffered a triple hit from the temporary closure of cross-border trade, the serious impact of African swine fever, and drought and saline intrusion in the Mekong Delta region, all of which held output in the sector to a rise of just 0.08%.

Most 1Q20 economic data worse than in 1Q19

Other macro data also showed deterioration as well: The PMI fell to 41.9 from 49.0 in Feb and 51.9 in Jan, with sharp declines reported in output, new orders, and employment. Retail sales rose 4.7% yoy vs to 9.3% in 1Q19. And Vietnam welcomed just 3.7m international tourists in 1Q20, down 18.1% from the same period last year, whereas total FDI disbursed in 1Q20 reached \$3.8bn, down 6.6% yoy. On the positive side, the CPI moderated in Mar with a 4.9% yoy increase, down from 6.4% in Jan and 5.4% in Feb. In the coming months, the Government may continue to use policy to reduce pork and electricity prices to keep the CPI under control.

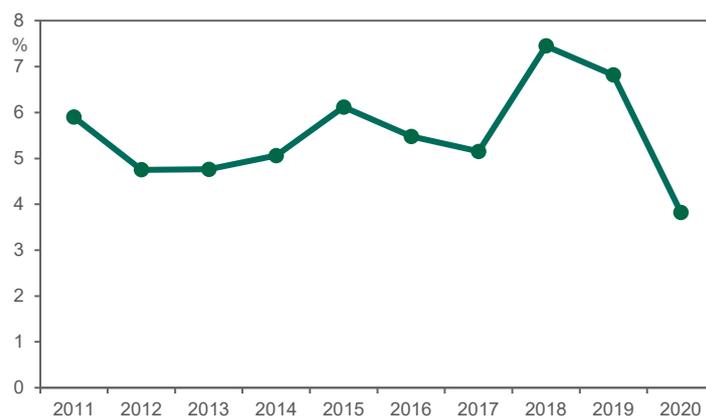
VND depreciates 1.8% against USD while VGB yields spike

The VND depreciated by 1.6% against the USD as the greenback strengthened against most currencies worldwide. Meanwhile, Vietnam Government bond yields skyrocketed by 60-80 bps in all tenors due to profit taking and the expectation of an acceleration in domestic issuance. Vietnam's State Bank immediately employed the "snake in the tunnel" currency regime by lowering the USD offer price and keeping the exchange rate in the range of 23,175 to 23,650 VND to the USD, while intentionally maintaining a low weekly bond calling amount. As a result, the interbank market gradually stabilized and systematic risk was managed.

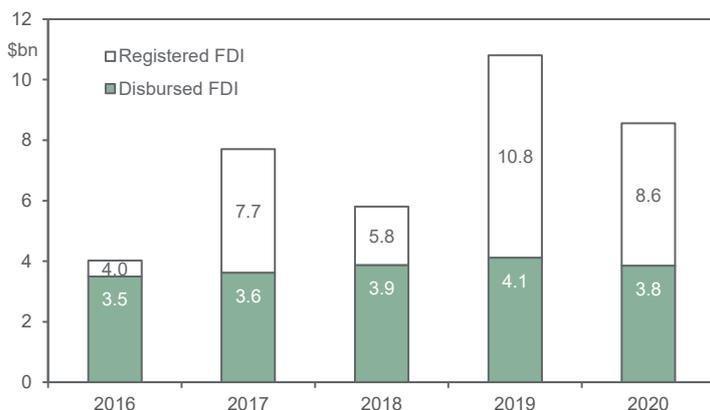
ECONOMIC FORECASTS

	unit	2017	2018	2019	2020F
Real GDP Growth	%	6.8	7.1	7.0	4.9
Nominal GDP	\$bn	220.1	242.4	263.9	276.8
CPI	%	2.6	3.0	5.2	4.5
Export Growth (cif)	%	21.2	13.8	8.5	-1.8
Import Growth (cif)	%	20.8	11.5	6.9	-2.8
Trade Balance (cif)	\$bn	2.9	6.8	11.1	13.5
FX Reserves	\$bn	52.0	61.0	80.0	90.0
FDI Disbursed	\$bn	17.5	19.1	20.4	14.9
VND:\$ (interbank)	1	22,750	23,235	23,175	23,450

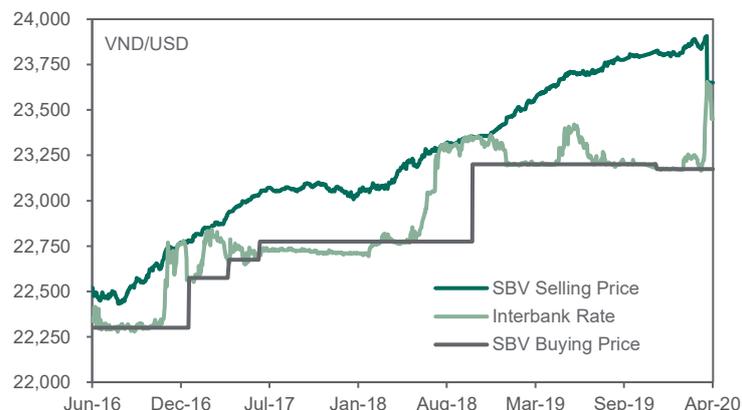
VIETNAM 1Q GDP GROWTH RATE



VIETNAM 1Q FDI BY YEAR



VND/USD EXCHANGE RATE





COVID-19 UPDATE

Vietnam handles pandemic exemplarily

Vietnam has undergone two waves of COVID-19 outbreaks, of which the first was successfully contained before the second one hit. The second wave started on 06 Mar, bringing significant economic and social consequences, and it is still ongoing. Vietnam's officials promptly introduced a series of aid packages to minimize the economic damage caused by the pandemic.

Government takes swift and effective action

Immediately upon the outbreak of the virus, Vietnam implemented measures to prevent its spread. This included the suspension of all international flights until 30 Apr 2020, measures to limit local transmission, and the aggressive tracking down of related contacts. On 01 Apr, the Government implemented the highest level of virus infection prevention - a national partial lockdown and mass social distancing for two weeks.

So far no fatalities from the virus

So far, Vietnam's drastic measures are showing promising results. As of 7 Apr, there were only 127 active cases in the country, and no fatalities yet. We believe Vietnam has the situation under control and expect most cities in the country to resume socio-economic activity fairly soon.

SBV cuts rates to support banking system and borrowers

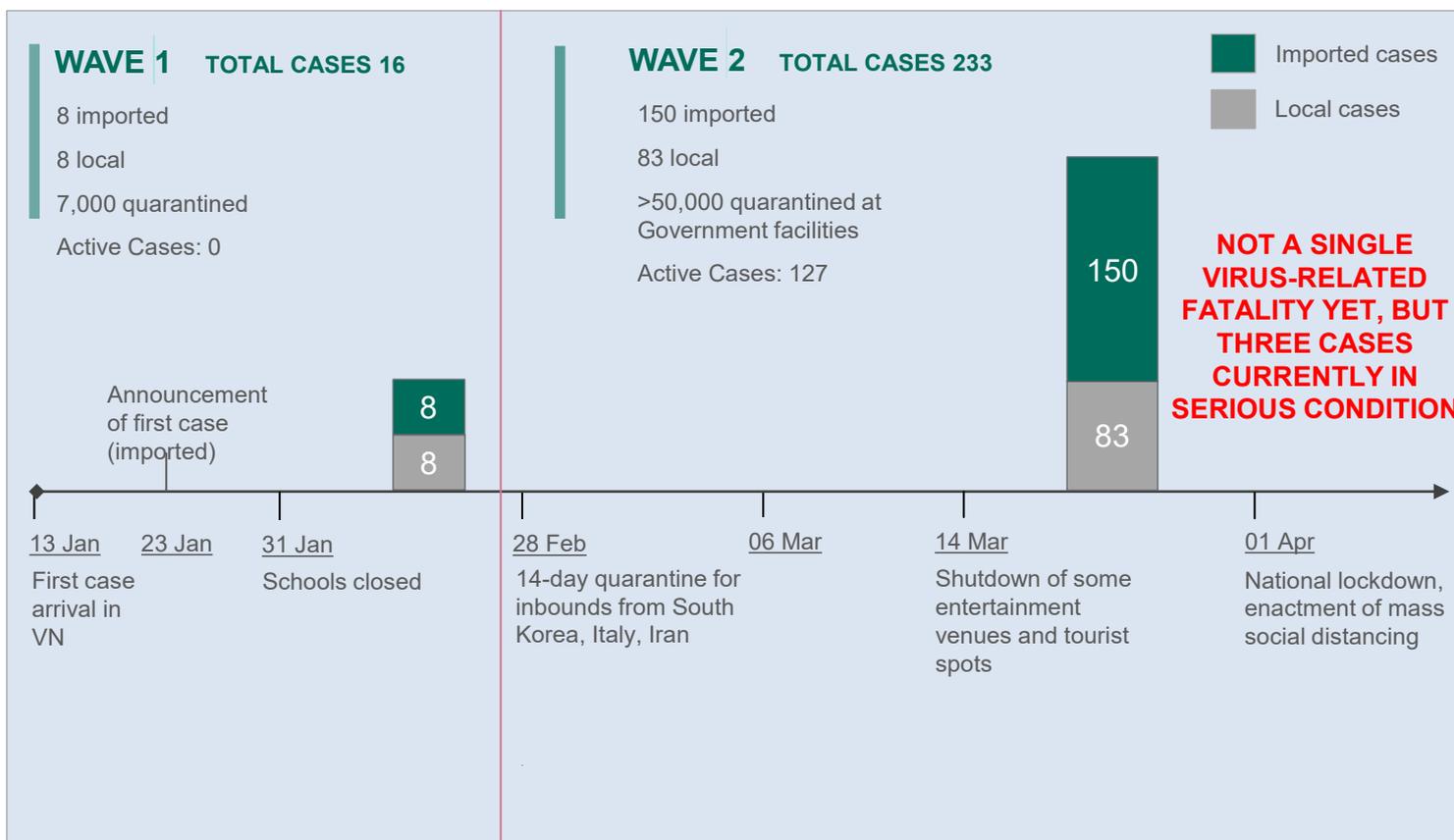
At the same time, the authorities are making efforts to stabilize financial markets. The SBV has lowered a wide range of policy rates by 0.2-1.0%, most notably the OMO rate, which was reduced by 50 bps. It also supported funding when market liquidity dried up. And thanks to SBV support, commercial banks are able to offer 1-2% preferential credit packages, totaling \$14.5bn for tenors of longer than one year, and exercise forbearance for COVID-19-affected borrowers.

Government provides support to households

Besides monetary policy, we expect strong measures from the fiscal side to be a key driver of the recovery. Disbursement of public investment into infrastructure is expected to reach \$30bn for 2020-21, equivalent to 5.5% of annual GDP. At the same time, to secure and maintain the labor force after the outbreak, the authorities announced an unprecedented package of \$2.6bn, giving monthly payments of \$80 to poor and low-earning individual businesses and households in 2Q.

Vietnam stands to gain from post-COVID-19 shift in supply chains

COVID-19 is having a profound negative effect on the global economy. For now, Vietnam's Government is focusing all resources on controlling the spread of the disease, thereby temporarily putting a large part of the economy into a coma. However, the Government will release more large stimulus packages as soon as the epidemic is over, to bring the economy back to normal. When Vietnam contains the pandemic, and the economy rebounds as expected, the country can become an economic bright spot in the world as companies shift production away from what is now recognized as having been an excessive concentration in one country.





VIETNAM EQUITY (UCITS) FUND – VEF

Almost all asset classes globally experienced record high volatility and losses in Mar, and Vietnam's stock market was not spared the selling: The VN Index experienced its steepest monthly loss since Sep 2001. With panic selling across the board, VEF's portfolio was hit hard as well, losing 29.4% while the FTSE VN Index closed the month 23.2% lower. The performance shortfall was mostly due to heavy drops by retail-centric companies Mobile World (MWG) and Phu Nhuan Jewelry (PNJ), which had performed quite well in Feb.

The shutdown of non-essential services by the Government in Mar to combat the spread of Covid-19 triggered the fear that retailers with vast physical store networks would have to close all their stores. An overreaction to this news, together with the overall market rout, sent MWG and PNJ down 45.6% and 43.5%, respectively. To address investors' worries, MWG organized a webinar on 1 Apr and affirmed their preparation for possible store closures. However, store closure does not mean a business shutdown because the company has been selling both online and offline for years. Though total sales of cellphones and consumer electronics could decline for the year due to lower disposable incomes, MWG sees this as an opportunity to gain market share from smaller players. Meanwhile the company's new grocery chain Bachhoaxanh will benefit from the outbreak as consumers switch from wet markets to modern stores and online shopping. In Mar 2020, the chain contributed about VND 1.8-1.9trn of sales (nearly double yoy), or close to 25% of MWG's total sales, with over 100 new stores opened. MWG is doing its best to adjust expenses by cutting salaries and renegotiating buying prices and rents.

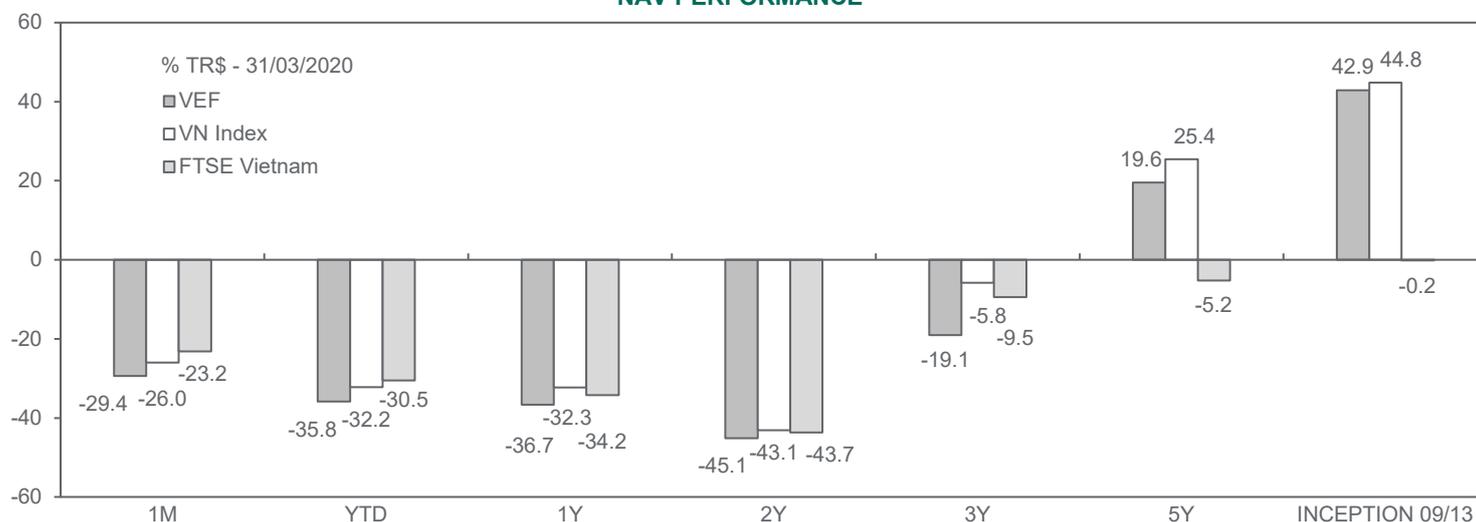
Unlike MWG, PNJ had to close about 150 of its 320 stores because jewelry is considered a non-essential product. Though PNJ also offers delivery, it is understandable that demand, except for gold bars, would be weak during the outbreak. The company instead looks forward to a strong pickup in late 2Q and an extremely active wedding season from 3Q onward as most weddings will be postponed until 3Q or 4Q.

On a positive note, the management of various companies, including MWG and PNJ, registered to buy back their shares as valuations dropped to historical lows.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$14.29	-29.4	-35.8	\$63.4m	8.9	22.15	-0.39

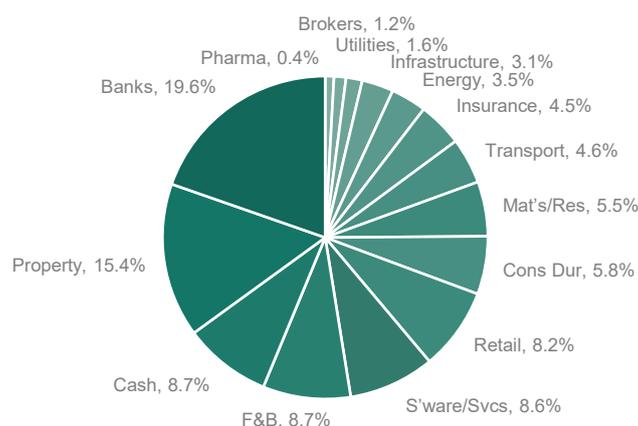
NAV PERFORMANCE



TOP 10 HOLDINGS (61.8% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vietcombank	Banks	6.48	9.54	-26.0
2 FPT Corp	S'ware/Svcs	-	8.56	-26.6
3 Mobile World	Retail	-	7.47	-45.6
4 MB Bank	Banks	-	7.23	-34.6
5 Vinhomes	Property	13.19	6.44	-32.7
6 Vinamilk	F&B	16.94	4.75	-14.3
7 Airports Corp VN	Transport	-	4.59	-19.1
8 Hoa Phat Group	Mat's/Res	8.14	4.56	-25.8
9 Bao Viet Holding	Insurance	-	4.45	-33.7
10 Phu Nhuan Jewelry	Cons Dur	-	4.24	-43.5

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	276.8
Real GDP Growth	%	5.4	6.0	6.7	6.2	6.8	7.1	7.0	4.9
Services Growth	%	6.7	6.2	6.3	7.0	7.4	7.0	7.3	3.6
Agriculture Growth	%	2.6	3.4	2.4	1.4	2.9	3.8	2.0	1.6
Ind'l and Const'n Growth	%	5.1	6.4	9.6	7.6	8.0	8.9	8.9	7.4
Retail Sales Growth	%	13.5	10.6	9.5	10.2	10.9	11.7	11.8	7.8
Prices									
CPI (year-end)	%	6.0	1.8	0.9	4.7	2.6	3.0	5.2	4.5
Money, FX & Interest Rates									
Money Supply M2	%	18.0	16.0	18.0	18.0	18.0	11.3	13.1	12.5
Average Lending Rate	%	13.2	9.7	8.6	9.0	9.3	9.5	9.7	9.0
5-yr VGB	%	8.2	5.2	6.6	5.5	4.3	4.5	1.9	3.0
VND : \$	\$1	21,250	21,390	22,540	22,750	22,750	23,235	23,150	23,450
External Sector									
Trade Balance	\$bn	0.0	1.9	(3.5)	1.8	2.9	6.8	9.4	13.5
Current Account	\$bn	6.8	6.0	3.0	3.8	6.0	9.4	7.1	7.9
Current Account / GDP	%	4.0	3.2	1.5	1.9	2.7	3.8	2.7	2.9
FDI Registered	\$bn	21.6	20.3	22.8	23.4	29.7	25.5	22.5	19.9
FDI Disbursement	\$bn	11.5	12.5	14.5	15.8	17.5	19.1	20.4	14.9
FX Reserves	\$bn	32.1	34.2	31.0	41.1	52.0	61.0	80.0	90.0
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	68.5
External Debt (% GDP)	%	37.3	38.3	42.0	44.8	48.9	46.0	45.8	44.6
Fiscal Balance (% GDP)	%	(5.0)	(4.7)	(4.6)	(4.2)	(3.5)	(3.7)	(3.6)	(5.6)



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20	31-Mar-19	31-Mar-20
Market Cap (\$m)	138,457	97,645	8,776	7,568	43,387	28,721	190,620	133,934
Number of Stocks	376	381	379	367	812	886	1567	1634
Number of Large Cap Stocks (> \$400m)	36	32	4	3	18	14	58	49
Stocks with No Room for Foreigners	18	18	10	7	24	32	52	57
Market Cap of Stocks with No Room (\$m)	17,176	10,301	2,035	1,265	962	1,135	20,173	12,702
Share of Market Cap with No Room (%)	12.4	10.5	23.2	16.7	2.2	4.0	10.6	9.5

Top 25 Companies

No	Company	31-Mar Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2018 (x)	2019 (x)	2020F (x)	2018 (x)	2019 (x)	2020F (x)	2018 (%)	2019 (%)	2020F (%)
1	Vingroup	83,400	-27.5	11,950	12.16	75.0	47.9	54.0	5.7	5.1	3.5	0.4	0.6	0.7
2	Vietcombank	62,000	-31.3	9,741	9.91	13.0	18.1	10.7	3.1	3.9	2.2	1.5	-	1.3
3	Vinhomes	55,000	-35.1	7,664	7.94	17.0	13.1	8.9	5.6	5.0	2.1	0.4	1.3	-
4	Vinamilk	91,000	-21.9	6,713	6.83	21.8	21.3	15.7	7.8	7.4	5.4	3.5	3.9	5.7
5	BIDV	30,850	-33.2	5,256	5.35	19.3	27.3	16.2	2.2	2.5	1.4	0.1	2.6	-
6	PV Gas	54,800	-41.5	4,443	4.52	14.2	15.3	15.0	3.5	3.7	2.4	4.6	4.7	9.3
7	Airports Corporation VN	42,200	-43.7	3,892	-	35.1	21.8	18.0	6.3	4.4	2.3	1.0	1.2	1.6
8	Sabeco	123,000	-45.0	3,341	3.40	42.6	30.2	22.9	11.1	7.6	4.4	2.3	-	5.1
9	Vietinbank	17,200	-17.7	2,713	2.76	18.0	11.0	7.8	1.1	1.0	0.7	-	0.0	-
10	Masan Group	49,000	-13.3	2,426	2.47	18.2	11.8	34.8	3.1	1.5	1.3	1.4	0.6	-
11	Techcombank	15,000	-36.3	2,224	2.26	10.7	8.2	4.7	1.7	1.3	0.7	-	-	-
12	Vietjet Air	97,200	-33.5	2,157	2.27	12.1	18.2	neg	4.6	5.0	4.0	3.1	-	5.2
13	Novaland	51,900	-12.8	2,132	2.17	18.6	17.2	16.3	3.1	2.6	2.0	0.0	-	-
14	Hoa Phat Group	16,850	-28.3	1,971	2.01	8.0	9.1	6.4	1.6	1.4	0.8	0.0	0.0	-
15	Vincom Retail	19,150	-43.7	1,843	1.92	26.2	25.4	15.5	2.2	2.7	1.4	-	3.2	-
16	Petrolimex	36,500	-34.8	1,841	2.04	16.3	15.4	13.2	2.9	2.8	1.9	6.0	4.6	7.9
17	VP Bank	16,950	-15.3	1,750	1.79	6.7	5.9	4.3	1.4	1.2	0.8	0.3	-	-
18	VEAM Corp	28,000	-37.8	1,576	-	6.8	8.2	4.9	1.9	2.2	1.4	1.1	0.0	-
19	Military Bank	13,550	-34.9	1,384	1.39	7.0	6.6	4.0	1.2	1.3	0.7	2.6	2.7	3.8
20	ACB	17,800	-21.9	1,249	-	7.4	6.3	4.5	1.4	1.4	0.9	0.3	-	-
21	FPT	41,100	-29.5	1,181	1.20	9.6	14.0	8.9	1.8	2.8	1.9	6.6	5.7	5.8
22	Bao Viet Holding	37,000	-46.1	1,164	1.18	61.3	51.4	25.0	4.2	2.7	1.4	0.0	0.0	-
23	Mobile World	58,900	-48.3	1,130	1.15	13.2	13.5	6.3	4.2	4.3	1.7	1.3	1.3	2.0
24	Vietnam Airlines	17,800	-47.3	1,069	1.09	19.6	20.6	neg	2.5	2.6	2.0	2.8	3.6	-
25	HD Bank	17,800	-35.4	726	0.75	10.5	7.5	4.0	1.9	1.4	0.7	4.3	0.6	-

VIETNAM MONTHLY REPORT

Performance Data as at 31 March 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

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