VIETNAM MONTHLY REPORT

Performance Data as at 31 May 2020

DRAGON CAPITAL

MARKET REVIEW

VNI gains 13.2% in May to 864, up 31% from late-March low

Contrary to the popular adage "sell in May and go away", and despite a 17% gain in April, the VN Index continued powering ahead, gaining a further 13.2% ($TR) in May to close at 864. This was the VNI's best performance ever in May. Thus, from a closing low of 659 in late March, the market has advanced 31% in just two months – against the backdrop of sweeping rallies in global markets driven by re-opening hopes and positive developments on the medical front. Ytd, however, the VNI is still down by some 10%.

Trading surges to two-year high on Gov't measures

Trading activity picked up, with average daily trading value surging to a two-year high of $246m (+33% mom). As social distancing measures were lifted, investor sentiment was further boosted by the SBV's 50 bp policy rate cut, the second in 2020, to help the economy recover from the effects of the virus. And the Government officially passed the European Union Vietnam Free Trade Agreement (EVFTA), then kicked off massive infrastructure spending with an expected budget of over $30bn in the next two years, spanning from metros to highways to airports.

Foreign outflows soften; strong buying of new local ETFs

Foreign outflows softened to only $19m, and the flow would have been positive if not for the $78m outflow in a single stock, Vinhomes (VHM). In contrast, Masan (MSN) received an inflow of over $100m as major shareholder GIC increased its stake. The new local ETFs also attracted significant money. VFM's Diamond ETF, which focuses on top FOL stocks, saw its NAV rise to $30m at end-May, a six-fold growth from its debut on 12 May. And SSI's Finlead ETF, which focuses on top financial stocks, doubled its NAV to $19m since its listing in late March. SSI will also IPO its new ETF that tracks the VN30 Index in the coming months (already approved by the SSC). Positive flows into local ETFs may continue to support the market near term.

Banking sector leads market, cyclicals also perform well

The banking sector led the market higher, with Vietcombank (VCB) and Techcombank (TCB) gaining 26.1% and 21.1%, respectively. Cyclical construction material stocks also performed well: Hoa Phat (HPG) and Hoa Sen (HSG) jumped 28.3% and 36.5% on positive guidance and strong 4M results that handily beat consensus expectations despite the challenging economic environment. And PV Gas (GAS) gained 18.1% on the oil price recovery (WTI +88% in May).

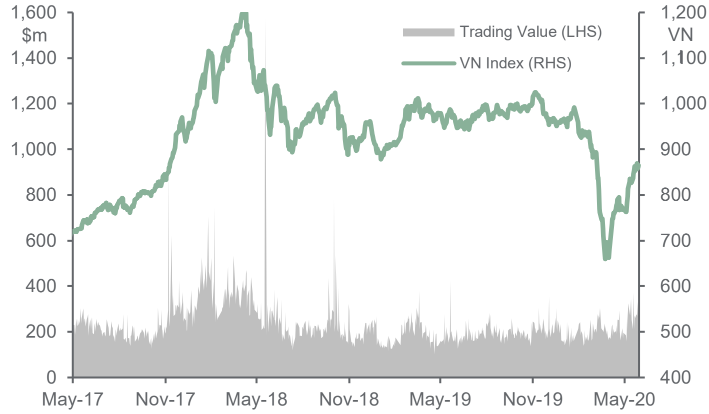
Market still attractive despite recent rebound

Vietnam's stock market was among the best performers globally in May, after the virus was successfully contained in the country. Even after the rise, Vietnam's market remains attractive, especially considering the supportive money flow and the significant Government measures.

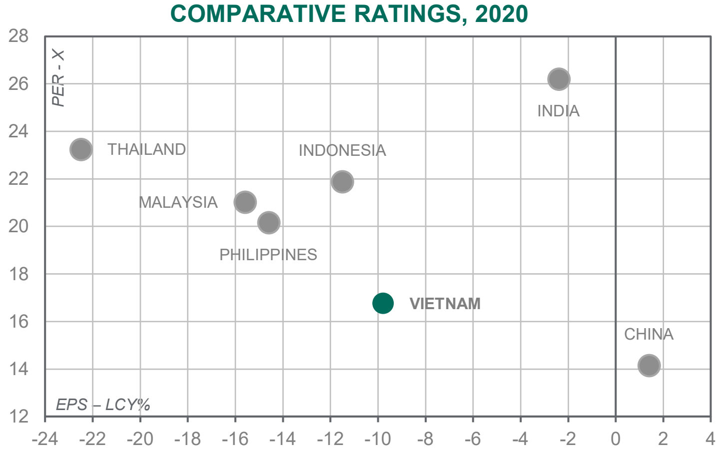
MARKET FORECASTS

31-May-20	Unit	2017	2018	2019	2020F
PER	x	16.8	13.3	12.1	11.0
EPS Growth	%	18.7	19.4	14.4	-0.1
PEG	x	0.9	0.7	0.8	Neg
Sales Growth	%	25.0	15.7	11.4	11.0
EBIT Growth	%	20.5	25.4	17.8	10.2
PBT Growth	%	21.5	31.0	16.2	-0.1
NPAT Growth	%	23.0	27.9	16.0	1.9
Net DER	x	0.38	0.36	0.32	0.21
Yield	%	2.0	2.3	1.7	1.6

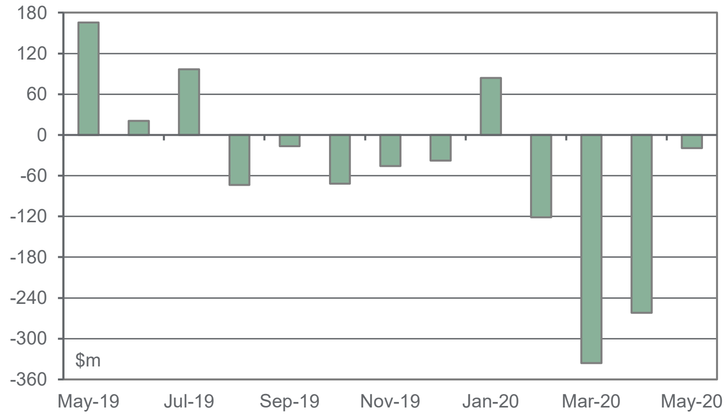
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020



FOREIGN SELLING DOWN DRAMATICALLY IN MAY



VIETNAM MONTHLY REPORT

Performance Data as at 31 May 2020

DRAGON CAPITAL

ECONOMY REVIEW

Vietnam's economy reopens in May as the virus is contained

Vietnam is among the first nations to fully reopen its economy after successfully containing COVID-19. As of 8 June, the country had experienced a 54-day streak of no locally transmitted cases and a total of 324 infections, of which 302 have recovered - and not a single fatality. May economic data recovered strongly vs April but is still lower than that of the same period last year. Regional flights will not be allowed again until July, resulting in a complete lack of international tourism. As other major trading partners closed their economies, Vietnam's Industrial Production Index declined, while trading activity shrank. With stimulus packages from the Government, however, Vietnam's economy is expected to deliver better numbers in 2H20.

Slump in international arrivals offset by rise in domestic travel

In April and May 2020, inbound visitor numbers plunged by 98% yoy as air travel was essentially shut down globally. We believe that the tourism industry will not return to its pre-COVID levels anytime soon. However, domestic travel picked up strongly after the easing of social distancing and will compensate somewhat for the drop in international arrivals.

Manufacturing rebounds nicely

Manufacturing recovered substantially as the PMI spiked up to 42.7 from 32.7 last month while the IIP increased by 11% mom, although it is still down 3.1% vs the same period last year.

Government lowers its 2020 GDP target to 4.5%

Given the slowdown in economic activity, we expect 2Q20 GDP growth to be slightly negative for the first time since 1989. In fact, Vietnam's Government adjusted its 2020 GDP growth target to 4.5% from 6.8%, but it could still reach 5.4% should global demand recover.

Government takes measures to achieve GDP growth target

To ensure that the new growth target is achieved, the Government has introduced new monetary and fiscal support packages. The MoF has approved the lifting of the minimum taxable income threshold by 22% from VND 9m to VND 11m and is planning a $679m cut in corporate taxes for small and medium-sized businesses. And the National Assembly passed the EVFTA and EVIPA (EU-Vietnam Investment Protection Act). As for monetary measures, the SBV has cut the discount rate by another 50 basis points, as well as on deposit rates for terms of less than six months, while pumping $5bn into the banking system to support liquidity.

VND stable in turbulent forex market

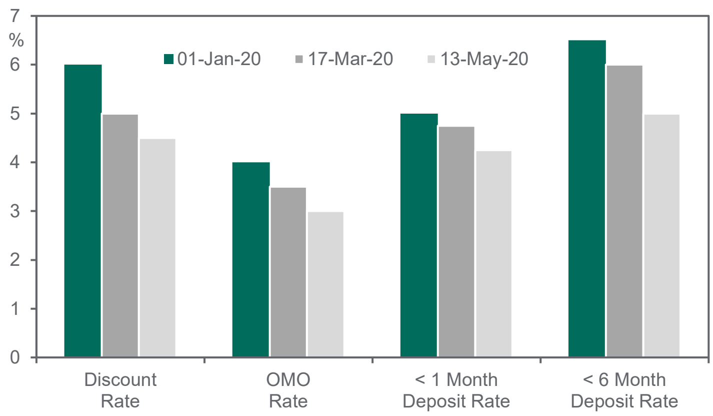
Thanks to constant support from regulators, Vietnam's financial markets remained stable and resilient despite high volatility that saw the CNY touch 7.17 per USD. The VND appreciated by 0.66% against the USD, whereas the interbank interest rate slumped from 2.75% to 1.45%.

ECONOMIC FORECASTS

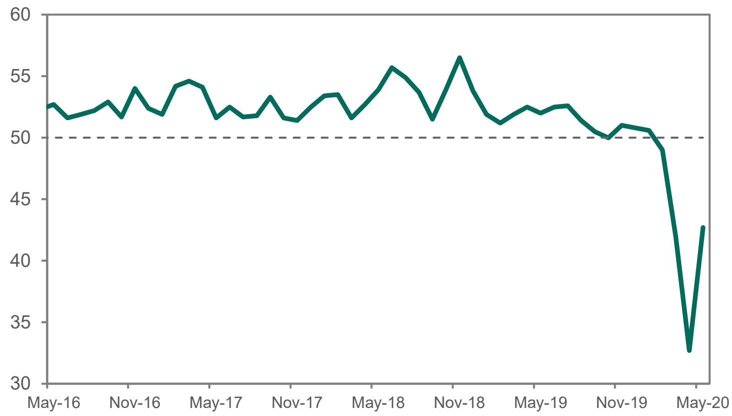
	unit	2017	2018	2019	2020F
Real GDP Growth	%	6.8	7.1	7.0	4.9
Nominal GDP	$bn	220.1	242.4	263.9	276.8
CPI	%	2.6	3.0	5.2	4.5
Export Growth (cif)	%	21.2	13.8	8.2	-1.8
Import Growth (cif)	%	20.8	11.5	7.1	-2.8
Trade Balance (cif)	$bn	2.9	6.8	9.4	13.5
FX Reserves	$bn	52.0	61.0	80.0	90.0
FDI Disbursed	$bn	17.5	19.1	20.4	14.9
VND:$ (interbank)	1	22,750	23,235	23,150	23,450

MONTHLY INBOUND VISITORS STILL AT ZERO

VIETNAM HAS LOWERED RATES TWICE THIS YEAR



PMI REBOUNDS ON ENDING OF LOCKDOWN



VIETNAM EQUITY (UCITS) FUND – VEF

Market sentiment remained buoyant in May as Vietnam's domestic business activity rebounded strongly after the relaxation of social distancing. VEF gained 11.4% for the month while the FTSE VN Index rose 14.2%. Top contributors to the Fund's return included Vietcombank (VCB), Hoa Phat Group (HPG), Vinhomes (VHM) and FPT Corp (FPT).

The Fund's top holding VCB gained 26.1% in May. VCB remains the most solid bank in Vietnam on earnings growth and asset quality. Among Vietnam's banks, it has the lowest NPL ratio at 1.06%, the highest loan loss reserve at 185%, and its high CASA ratio enables it to offer competitive lending rates to top-tier borrowers. VCB is penciling in 10% earnings growth for 2020, driven by credit growth resuming in the 2H and amortization of the banca upfront payment. Thanks to its solid fundamentals and available foreign room, VCB was net bought by $30m in May vs being net sold by $38m in 4M20, contributing to the impressive performance in May.

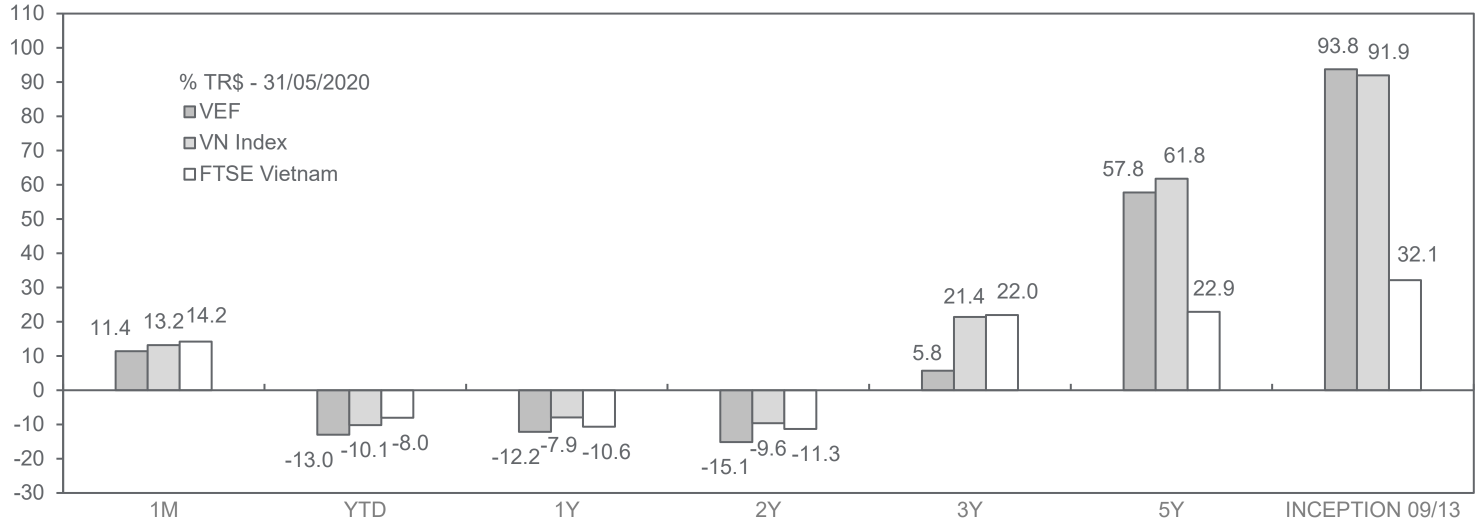
FPT added 11.2% as its business remained resilient amidst COVID-19. The company announced positive 4M20 revenue of $379m (+14% yoy) and net earnings of $45m (+17% yoy), mostly driven by FPT's three core pillars: Software Outsourcing, Telecom Services, and Education, which contributed approximately 70% of total profits. FPT was the largest weighting in the recently launched Diamond ETF, which has grown its AUM by almost six times to $30m as of end-May. And the largest steel maker HPG surprised the market with strong volume even in the peak of social distancing. In April, HPG reported better than expected April sales volume of construction steel of 270,000 tonnes (+14.0% yoy). The strong sales continued into May with 258,000 tonnes (+14.3% yoy). Ytd HPG has sold 1.26m tonnes of construction steel (+8.7% yoy) and 643,000 tonnes of billet, up from zero in the same period last year.

VHM rose 21.2% thanks to the company's higher-than-expected 2020 earnings forecast. The company proposed and got approval at the AGM for its 29% growth target for this year, driven by strong delivery of VinCity products and continuing bulk sales to secondary developers. Additionally, on 6 May there was ca $92m of VHM sold by a foreign investor to an unknown local one. This has helped alleviate the selling pressure that had been weighing on the stock since the beginning of 2020.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
$19.38	11.4	-12.9	$94.1m	5.9	26.16	0.01

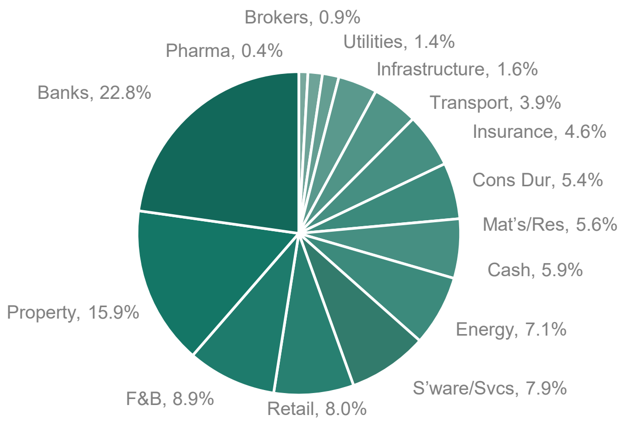
NAV PERFORMANCE



TOP 10 HOLDINGS (61.2% of NAV)

	COMPANY	SECTOR	FTSE %	NAV %	CH %
1	Vietcombank	Banks	6.82	9.54	26.1
2	FPT Corp	S'ware/Svcs		7.95	11.2
3	MB Bank	Banks		7.43	8.6
4	Vinhomes	Property	14.08	7.00	21.2
5	Mobile World	Retail		6.75	4.2
6	Hoa Phat Group	Mat's/Res	10.15	4.76	28.3
7	Vinamilk	F&B	16.41	4.60	16.9
8	Bao Viet Holding	Insurance		4.57	8.8
9	Petrolimex	Energy	2.30	4.34	15.3
10	Vinh Hoan	F&B		4.30	13.9

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	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
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	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-May-19	31-May-20	31-May-19	31-May-20	31-May-19	31-May-20	31-May-19	31-May-20
Market Cap ($m)	137,922	129,270	8,063	8,797	39,791	35,897	185,776	173,964
Number of Stocks	376	381	370	360	822	894	1,568	1,635
Number of Large Cap Stocks (> $400m)	36	34	4	4	17	16	57	54
Stocks with No Room for Foreigners	21	19	10	8	24	34	55	61
Market Cap of Stocks with No Room ($m)	16,213	13,801	2,075	1,702	895	628	19,183	16,131
Share of Market Cap with No Room (%)	11.8	10.7	25.7	19.4	2.2	1.7	10.3	9.3

Top 25 Companies

No	Company	31-May 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	97,000	-15.7	14,092	10.85	80.5	51.3	67.5	5.7	5.1	4.1	0.4	0.6	0.5
2	Vietcombank	85,200	-5.5	13,573	10.45	13.2	18.1	15.6	3.1	4.1	2.7	1.5	0.7	1.0
3	Vinhomes	76,600	-9.7	10,823	8.49	17.2	12.8	10.0	5.7	5.0	2.8	0.4	1.3	-
4	Vinamilk	115,000	-1.3	8,601	6.62	22.7	21.3	20.4	8.1	7.4	6.9	3.5	3.9	5.2
5	BIDV	40,100	-13.1	6,927	5.33	20.0	27.7	21.0	2.3	2.5	1.9	0.1	2.6	-
6	PV Gas	74,400	-20.6	6,116	4.71	14.8	15.4	21.6	3.7	3.7	3.2	4.6	4.6	4.1
7	Airports Corporation VN	59,000	-23.2	5,517	-	35.5	22.1	25.2	6.4	4.4	3.2	1.0	1.2	1.5
8	Sabeco	176,400	-21.2	4,859	3.74	43.7	30.8	32.8	11.4	7.8	6.3	2.3	0.8	3.4
9	Vietinbank	22,500	7.7	3,598	2.77	18.0	11.0	11.9	1.1	1.0	1.0	-	0.0	-
10	Hoa Phat Group	27,400	16.6	3,249	2.50	8.0	9.0	8.1	1.6	1.4	1.3	0.0	0.0	-
11	Masan Group	62,700	11.0	3,148	2.42	18.3	11.9	45.0	3.1	1.5	1.7	1.4	0.6	-
12	Techcombank	20,700	-12.1	3,112	2.40	10.7	8.2	6.6	1.7	1.3	1.0	-	-	-
13	Vincom Retail	27,500	-19.1	2,684	2.12	27.0	27.1	23.7	2.3	2.9	2.1	-	3.2	-
14	Vietjet Air	113,000	-22.7	2,542	2.02	12.2	20.1	neg	4.6	5.1	4.7	3.1	0.7	4.4
15	VP Bank	23,350	16.8	2,445	1.90	6.7	5.9	6.7	1.4	1.2	1.1	0.3	-	-
16	Petrolimex	46,150	-13.2	2,360	1.97	16.8	16.0	24.5	3.0	2.9	2.3	6.0	5.1	3.2
17	VEAM Corp	40,200	-11.2	2,294	-	7.4	8.2	7.9	2.1	2.2	2.0	1.1	0.0	-
18	Novaland	53,700	-9.7	2,236	1.72	18.5	16.5	16.5	3.1	2.5	2.0	0.0	0.0	-
19	Military Bank	17,200	-17.3	1,781	1.39	7.2	6.6	5.1	1.3	1.3	0.9	2.6	2.7	3.5
20	Vietnam Airlines	27,500	-18.5	1,675	1.29	17.3	20.4	neg	2.2	2.6	3.0	2.8	3.6	-
21	Mobile World	84,600	-25.8	1,645	1.27	13.0	13.2	9.0	4.2	4.2	2.4	1.3	1.3	1.8
22	ACB	22,900	0.4	1,635	-	7.2	6.3	5.7	1.8	1.4	1.2	0.3	-	-
23	FPT	47,950	-3.6	1,614	1.08	11.0	14.0	12.1	2.1	2.8	2.6	6.6	3.8	4.6
24	Bao Viet Holding	49,950	-27.2	1,593	1.23	62.1	51.4	33.7	4.2	2.7	1.9	0.0	0.0	-
25	PVPower	10,250	-10.5	1,031	0.79	19.5	10.7	9.4	1.5	1.0	0.9	0.9	2.8	2.9

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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