



## MARKET REVIEW

**VN Index -2.8% in Jul to 798 on unexpected return of COVID-19**

**Government trying to limit disruptions to economic recovery**

**2Q earnings beat expectations but are dragged by Aviation and Oil & Gas losses**

**Corporates in solid position to weather the downturn**

The VN Index's 2.8% (\$TR) decline in Jul does not tell the whole story of the market's volatility during the period. The VNI had surged over 6% in the first 10 days of the month as the SBV announced its intention to cut interest rates further. The market then retreated moderately on profit taking. But by the last week of the month, sentiment suddenly turned bearish as the market was caught totally off guard by reports of new COVID-19 cases in Danang, Vietnam's tourism capital. This marked the beginning of the second wave of the virus in the country, which had gone more than three months without a local transmission. As a result, stocks sold off sharply, breaking through the 800 threshold and hitting a three-month low.

Retail investors turned cautious as social distancing measures were reinstated in areas hit by the virus, though the Government is trying to limit disruptions to the recovering economy. Average daily traded value fell to \$197m (-34% mom) after peaking at a two-year high in Jun. Foreigners also turned to net sellers, withdrawing \$24m from the HOSE for the month.

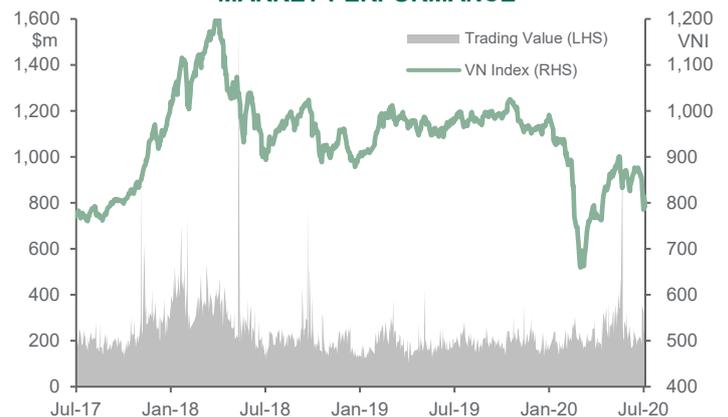
2Q earnings were better than expected as the full lockdown in Apr led investors to expect the quarter to be the worst in terms of business results. Our Top-60 aggregate 2Q profits fell 17% yoy (vs a 25% decline in 1Q), mostly dragged by a few big losses in the Aviation and Oil & Gas sectors. Moreover, these hardest hit companies are mainly State-owned and have very low free float. So on a float-adjusted basis, our Top-60 1H20 earnings came out essentially flat. We are now forecasting a 2% EPS decline for full-year 2020, driven by profit booking of real estate companies in 2H20, and normalized earnings in the Oil & Gas sector as the oil price recovers.

But this may be the time to assess corporate health rather than growth. Airlines, considered by some to be at risk of bankruptcy, actually saw their liquidity improve thanks to the recovery of domestic travel in recent months. Current cash balances are sufficient for airlines to stay afloat for at least another 6-12 months, and the Government is also expected to provide significant support for the national carrier, Vietnam Airlines, soon. Looking beyond airlines, interest coverage multiples are generally at healthy levels as companies look to prioritize cash flows over profits during this challenging macro environment. We are keeping a close watch on the banking sector, especially on the asset quality side. Given their current risk-off mode and prudent provisioning, banks are well prepared to absorb short-term risks while not facing any systemic risk. Overall, companies are in a solid position to weather the current downturn.

### DC TOP-60 FORECASTS

31-Jul-20	Unit	2017	2018	2019	2020F
PER	x	16.4	13.1	12.1	10.2
EPS Growth	%	19.3	24.3	11.7	-1.9
PEG	x	0.8	0.5	1.0	Neg
Sales Growth	%	24.4	15.0	10.0	7.7
EBIT Growth	%	25.8	19.7	15.1	6.3
PBT Growth	%	21.1	29.5	13.2	-3.3
NPAT Growth	%	22.5	25.8	12.9	-1.1
Net DER	x	0.4	0.4	0.3	0.3
Yield	%	2.0	2.3	1.7	1.5

### MARKET PERFORMANCE



### COMPARATIVE RATINGS, 2020



### FOREIGN FLOWS TURN SLIGHTLY NEGATIVE AGAIN





## ECONOMY REVIEW

### Economic recovery interrupted by second wave of coronavirus

Vietnam's economic recovery was accelerating in early Jul before being stopped in its tracks by the return of COVID. Initially, macro data improved as domestic tourism, retail sales and exports surged. Then they plummeted as a new local cluster of the virus was found. Still, the financial situation remains stable as the VND appreciated and the Government took supportive action.

### Domestic tourism led temporary rebound; VND gains vs USD

Vietnam was able to continue its recovery momentum from Jun in the first three weeks of Jul. Domestic tourism led the way as pent-up travel demand coincided with the summer travel season. At their peak, domestic flights reached 600+ per day, surpassing the 2020 Lunar New Year level and marking the world's strongest recovery in domestic aviation. Consequently, retail sales in the tourism sector surged 29.6% mom, driving total retail sales up 3.3% mom. Outward activity also picked up, with exports up 13.5% yoy, resulting in a trade surplus of \$1bn in Jul. Along with a 3.9% depreciation of the USD Index (DXY), the VND edged 0.07% higher, allowing the SBV to mobilize \$1.2bn in early Aug to further shore up Vietnam's foreign reserves.

### Fast-moving economic data falls on virus comeback

However, the return of domestic tourism also carried a major risk. After 99 worry-free days, on 25 Jul, an untraceable case of the virus surfaced in Danang, the tourism capital, at the peak of travel season. Since then, 384 people have become infected and 13 died. So far, a nationwide lockdown has yet to be implemented in order to limit economic damage, but in epicenters of the virus, strict social distancing was imposed. Fast-moving economic data plummeted: Within a week of the first case, the number of domestic flights fell by 60%, while the Google Mobility Index of Vietnam showed a 30% decrease in traffic to retail and recreation destinations.

### Government accelerates public spending

The sudden return of COVID-19 was the tipping point for Vietnam's authorities to turn decisive and implement stimulus policies to offset the impact of the virus. The SBV proposed to loosen regulations on banking capital ratios and to lower interest on reserves by 50 bps, encouraging reductions in deposit and lending rates. And the Government strongly accelerated the disbursement of investment capital as public investment for 7M20 increased by 29.4% yoy.

### GDP projected to grow 1.5-2.0% this year

With a high level of confidence that the Government will be able to contain the virus as demonstrated by its efforts during the first wave, as well as its efforts to achieve its economic targets, we are forecasting that Vietnam will still be able to grow its GDP by 1.5-2.0% this year from our previous forecast of 3-4%, placing it firmly among the top five countries worldwide.

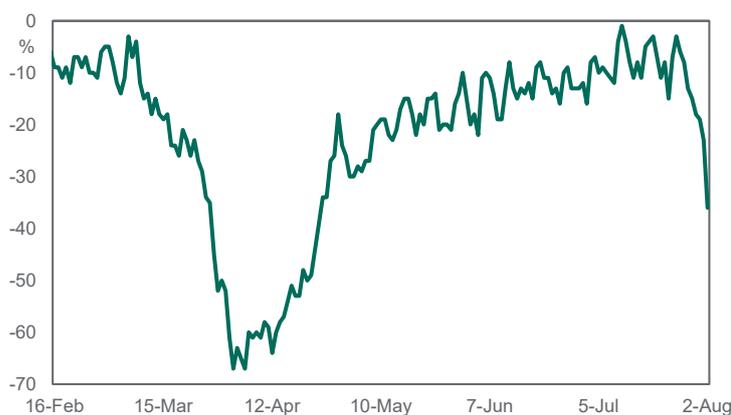
## ECONOMIC FORECASTS

	unit	2017	2018	2019	2020F
Real GDP Growth	%	6.8	7.1	7.0	2.0
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

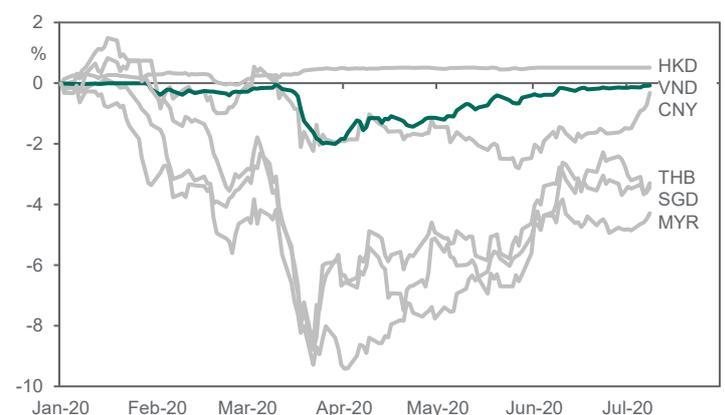
## COVID SECOND WAVE: SERIOUS BUT CONTROLLABLE



## GOOGLE MOBILITY: RETAIL AND RECREATION PLUMMET



## VND AMONG MOST STABLE CURRENCIES IN ASIA





## VIETNAM EQUITY (UCITS) FUND – VEF

VEF ended Jul down 3.1% while the FTSE VN Index lost just 2.0%. Similar to what happened in Mar when worry about COVID-19 dominated investors' minds, stocks that are sensitive to social distancing fell significantly, such as VEF's 15<sup>th</sup>-largest holding Airports Corporation of Vietnam (ACV), as well as Mobile World (MWG) and Phu Nhuan Jewelry (PNJ). These three stocks were the main cause of VEF's underperformance against its benchmark in Jul, while Vinhomes (VHM) was the only gainer among the Fund's top-10 holdings.

Vinhomes (VHM) bucked the overall market sell-off. Along with the rest of the market, the stock was also hit hard when the new outbreak of the virus was announced, but it quickly rebounded from a low of VND 70,900/sh to VND 77,700/sh, which is around the potential price for an upcoming secondary stake sale. After successfully launching Vinhomes Grand Park, VHM is going to launch its second phase, called "The Origami". Initial bookings suggest a good take-up rate at launch.

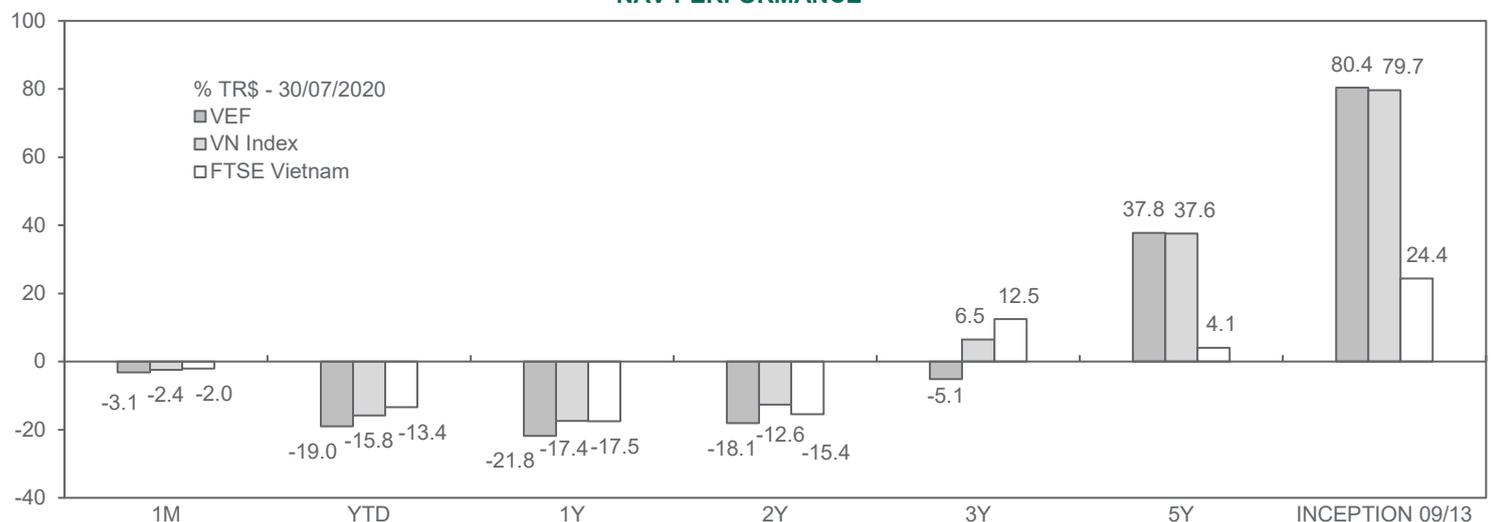
ACV's share price was relatively stable during Jul - until the new cases of the virus appeared in Danang, which led to the stock losing 11.0% for the month. After domestic flights were allowed again, air traffic rebounded strongly from May to Jul. At peak time, the total number of flights even exceed the level of the pre-Tet season, which is the busiest time of the year for travel in Vietnam. ACV still recognized a 2Q20 loss of VND 345bn, but this was in line with expectations. Looking into the details, excluding a net FX loss of VND 360bn from its JPY-denominated debt, ACV should have reported a marginal profit in 2Q20. Given the lower-than-usual traffic throughout the year, the Government quickly approved the maintenance of one of the existing runways as well as the construction of Terminal 3 at the Tan Son Nhat Airport, and the construction of the new Long Thanh Airport. This will pave the way for ACV's future growth once the virus is successfully contained.

MWG fell 7.9% in Jul but eventually stabilized and recovered its momentum as Vietnam is handling the new virus outbreak well. Regarding its fundamentals, MWG released 1H results, with revenue up 8% yoy while net earnings slid 4% yoy. Taking advantage of lower leasing prices during COVID-19, MWG accelerated its store expansion for Bach Hoa Xanh in May and Jun, opening a total of 252 new stores vs 170 stores in Mar and Apr.

### PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$18.04	-3.12	-18.98	\$91.0m	3.3	26.08	-0.14

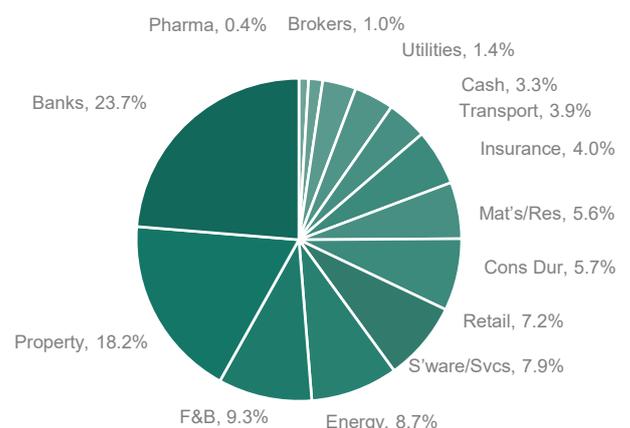
### NAV PERFORMANCE



### TOP 10 HOLDINGS (61.6% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vietcombank	Banks	6.67	8.54	-3.5
2 FPT Corp	S'ware/Svcs	7.93	-1.0	
3 MB Bank	Banks	7.92	-4.4	
4 Vinhomes	Property	16.13	7.87	1.6
5 Mobile World	Retail	6.17	-7.9	
6 Vinamilk	F&B	14.88	4.77	-3.2
7 Hoa Phat Group	Mat's/Res	10.57	4.67	1.0
8 Vietinbank	Banks	4.60	-0.8	
9 Vinh Hoan	F&B	4.56	-0.7	
10 PV Gas	Energy	4.55	-0.4	

### SECTOR BREAKDOWN





## APPENDIX 1: MACRO

### Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019	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	2.0
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-Jul-19	31-Jul-20	31-Jul-19	31-Jul-20	31-Jul-19	31-Jul-20	31-Jul-19	31-Jul-20
Market Cap (\$m)	144,062	120,537	8,123	8,438	43,724	34,821	195,909	163,797
Number of Stocks	380	380	366	356	849	904	1,595	1,640
Number of Large Cap Stocks (> \$400m)	36	33	4	3	17	17	57	53
Stocks with No Room for Foreigners	23	20	8	9	20	36	51	65
Market Cap of Stocks with No Room (\$m)	18,068	15,921	1,625	1,687	913	1,713	20,605	19,322
Share of Market Cap with No Room (%)	12.5	13.2	20.0	20.0	2.1	4.9	10.5	11.8

### Top 25 Companies

No	Company	31-Jul 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	87,500	-23.9	12,764	10.58	79.5	51.3	60.9	5.7	5.1	3.7	0.4	0.6	0.6
2	Vietcombank	76,400	-15.3	12,221	10.13	16.0	20.2	15.9	3.1	4.1	2.7	1.5	0.7	-
3	Vinhomes	77,700	-8.4	11,023	9.30	17.0	12.8	9.5	5.6	5.0	2.8	0.4	1.3	-
4	Vinamilk	107,000	-7.0	8,036	6.66	22.7	21.3	19.0	8.1	7.4	6.4	3.6	3.9	5.5
5	BIDV	36,650	-20.6	6,357	5.27	20.3	29.3	26.0	2.1	2.4	1.8	0.1	2.6	-
6	PV Gas	65,500	-26.7	5,407	4.48	13.5	14.7	15.2	3.4	3.5	2.4	4.8	4.6	4.6
7	Airports Corporation VN	51,700	-31.1	4,854	-	35.1	22.2	101.3	6.3	4.4	3.0	1.0	1.2	-
8	Sabeco	168,000	-24.9	4,646	3.85	42.8	30.1	27.2	11.1	7.6	6.0	2.3	0.8	3.5
9	Vietinbank	21,200	1.4	3,404	2.82	18.6	11.0	8.3	1.1	1.0	0.9	-	0.0	-
10	Hoa Phat Group	21,700	12.9	3,101	2.14	7.9	8.9	7.8	1.6	1.3	1.3	0.0	0.0	1.9
11	Techcombank	18,150	-22.9	2,740	2.27	10.7	8.2	5.7	1.7	1.3	0.9	-	-	-
12	Novaland	65,100	9.4	2,722	2.26	18.4	16.5	20.0	3.1	2.5	2.5	0.0	0.0	-
13	Masan Group	50,500	-10.6	2,546	2.11	18.3	11.9	30.4	3.1	1.5	1.3	1.5	0.6	-
14	Vincom Retail	25,100	-26.2	2,460	2.09	26.2	27.1	22.2	2.2	2.9	1.9	-	3.2	-
15	VEAM Corp	41,500	-7.8	2,378	-	6.8	8.2	8.2	1.9	2.2	2.1	1.2	0.0	-
16	Petrolimex	42,200	-20.6	2,195	1.95	15.4	15.3	43.2	2.8	2.7	2.2	6.6	5.3	3.5
17	Vietjet Air	94,500	-35.4	2,135	1.83	12.1	20.1	neg	4.6	5.1	4.0	3.1	0.7	5.2
18	VP Bank	20,200	1.0	2,124	1.77	6.7	5.9	5.5	1.4	1.2	1.0	0.3	-	-
19	Military Bank	15,750	-24.3	1,638	1.37	7.0	6.6	4.9	1.2	1.2	0.8	2.7	2.7	-
20	ACB	22,500	-1.3	1,613	-	7.2	6.3	5.6	1.8	1.4	1.1	0.3	-	-
21	FPT	44,500	-10.6	1,504	1.25	11.0	14.0	10.9	2.1	2.8	2.2	6.6	3.8	4.9
22	Mobile World	74,500	-34.6	1,455	1.21	12.8	13.2	8.3	4.1	4.2	2.2	1.3	1.3	2.0
23	Vietnam Airlines	21,700	-35.7	1,327	1.10	23.7	25.3	neg	2.2	2.6	4.2	3.3	3.6	-
24	Bao Viet Holding	40,400	-41.1	1,293	1.07	61.3	46.3	25.0	4.2	2.7	1.5	1.2	1.4	-
25	HD Bank	23,950	-13.1	998	0.84	10.5	7.5	6.1	1.8	1.3	1.0	4.3	0.6	-

# VIETNAM MONTHLY REPORT

Performance Data as at 30 July 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 <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

## VEF

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