



MARKET REVIEW

VNI +10.1% to 882 as virus fears fade; ytd loss narrows to 7.4%

Following its slump in Jul due to the unexpected return of COVID-19, the VN Index rebounded in Aug, surging 10.1% (\$TR). Virus fears faded as Vietnam's Government acted swiftly and decisively to contain the outbreak during a global equity rally that also improved sentiment. The VNI closed the month at 882, narrowing its ytd loss to just 7.4%.

Foreign outflows accelerate as locals step up their buying

Daily traded value rose to \$220m (+12% mom). The market recovered despite foreign investors being net sellers for the second month in a row. But the \$133m of foreign outflows were absorbed smoothly by local institutions and retail investors returning to the market.

Diamond ETF bucks foreign outflow trend, attracting \$9m in Aug

In contrast to the general trend of foreign outflows, the Diamond ETF attracted \$9m in Aug, bringing its ytd inflow to \$76m and making it the second-most bought ticker in 2020, only behind Vinhomes (VHM). As a result, Diamond's top holdings outperformed, led by retail giant Mobile World (MWG, +25.3%), Techcombank (TCB, +17.4%), and VP Bank (VPB, +15.6%).

Sentiment boosted by new vehicle for Taiwanese investors

Sentiment was further boosted by the launch of a new Vietnam fund by CTBC, one of Taiwan's leading asset managers. It is the first vehicle for Taiwanese retail investors to invest in Vietnam. Dragon Capital will provide research to the fund and advise it on portfolio construction.

Positive developments for Vietnam's equity market

The market was also supported by the latest MSCI review, which made no changes in its Frontier Markets (FM) category. It had been feared that Argentina would be downgraded to a FM, which would have lowered Vietnam's weighting and led to an outflow. Our current analysis suggests that Kuwait will be upgraded to Emerging Market status in Nov, which would result in an inflow of roughly \$200m into Vietnam's market. In addition, the Ministry of Finance released a draft circular that would allow T+0 trading, short selling, and margin lending on UPCoM, all of which are good stepping-stones for the future upgrade of Vietnam to Emerging Market status.

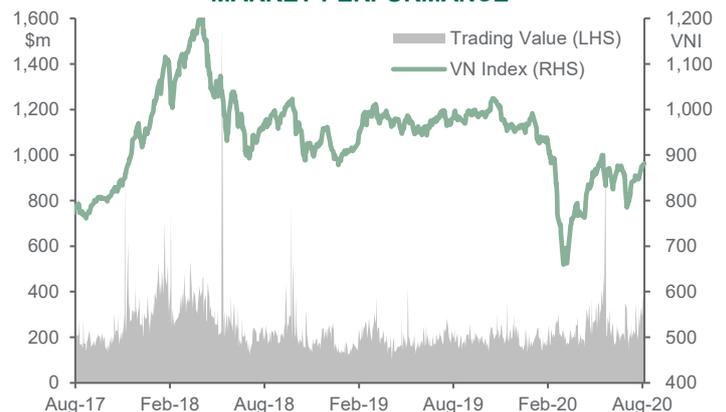
Vietnam's market remains attractive at a 2020F PER of 11.6x

As the VNI approaches the psychologically significant 900-point level, volatility might increase considering that local investors were the main market driver and margin lending had picked up materially from the late-Jul low. But at a current 2020F PER of 11.6x and declining uncertainty surrounding the second wave of the coronavirus, Vietnam's equity market remains attractive as the economy continues to recover.

DC TOP-60 FORECASTS

31-Aug-20	Unit	2017	2018	2019	2020F
PER	x	16.3	13.1	12.1	11.6
EPS Growth	%	19.3	24.3	11.7	-0.5
PEG	x	0.8	0.5	1.0	neg
Sales Growth	%	24.4	15.0	10.0	7.2
EBIT Growth	%	25.8	19.7	15.1	9.0
PBT Growth	%	21.1	29.5	13.2	-0.8
NPAT Growth	%	22.5	25.8	12.9	-0.3
Net DER	x	0.4	0.4	0.3	0.3
Yield	%	2.0	2.3	1.7	1.4

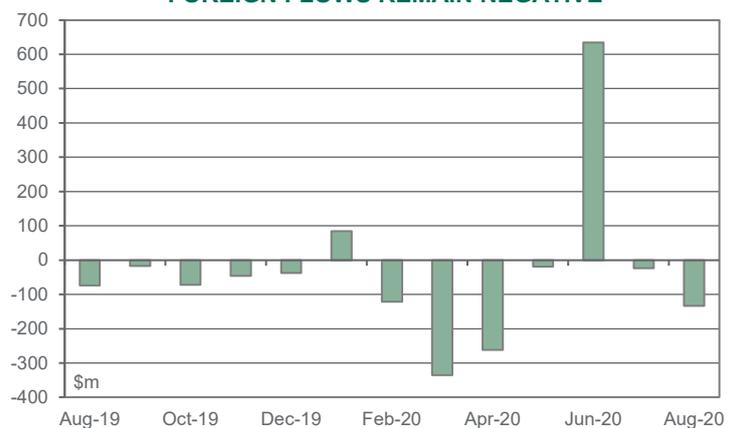
MARKET PERFORMANCE



COMPARATIVE RATINGS, 2020



FOREIGN FLOWS REMAIN NEGATIVE





ECONOMY REVIEW

Sudden second wave surmounted

After a month of decisive action, Vietnam successfully contained the second outbreak of the virus, quashing local transmissions. The resurgence of the virus served as a test of the Government's ability to manage the health of people – and the economy. The latter remained resilient: businesses are beginning to rebound, and the trade surplus is drifting upward. However, some economic indicators are lagging, such as FDI.

Trade surplus and market share in global chain bulk up

During the COVID-induced turmoil, Vietnam has been able to take market share from other countries in global value chains and trade. After eight months of 2020, exports grew 1.6% yoy and imports declined 2.5%, all while global trade dropped by 22%. As the result, Vietnam posted a record trade surplus of \$12bn for 8M20 from just \$5.5bn in the same period in 2019. Local firms are at the forefront of export growth, establishing Vietnam's position in global markets. With the latest data up to Jul 2020, exports from local firms grew 13.8% yoy, led by steel and agricultural products, while FDI firms saw exports decline by 4.3%. The EVFTA, which went into effect in Aug, will catalyze the entrance of Vietnam's local firms into global markets.

Economy bolstered by favourable money supply

Due to the extraordinary current account surplus, the State Bank of Vietnam bought nearly 12bn US dollars ytd and injected an equal amount of VND into the market. As a result, the money supply has increased by 8.5% ytd, allowing the bank to cut deposit rates by a further 20-50 bps across all terms, supporting the economy. Vietnam's foreign exchange reserves have hit a new record high of \$92bn, and we expect they will reach \$95-100bn by the end of this year. However, the large foreign currency purchases by the State Bank could attract unwanted attention, especially from the US Treasury Department, which may designate Vietnam a "currency manipulator" in its next report.

FDI sees temporary setback

FDI disbursement was at a nearly four-year low in Aug, falling sharply to \$0.72bn because of the restrictions on international travel. However, under the positive backdrop of market share gain in trade and FX stability, FDI should pick up soon as the Government allows the resumption of international flights into Vietnam.

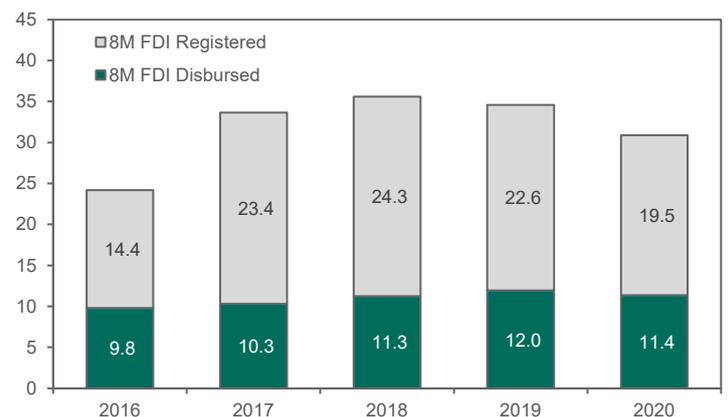
GDP expected to grow 2% this year

Vietnam is prepared for "the new normal," whether that involves pushing back the pandemic or maintaining economic performance. Looking outward to the world's steady recovery and revived robust demand, we expect Vietnam will outshine the region with a 2% GDP growth this year.

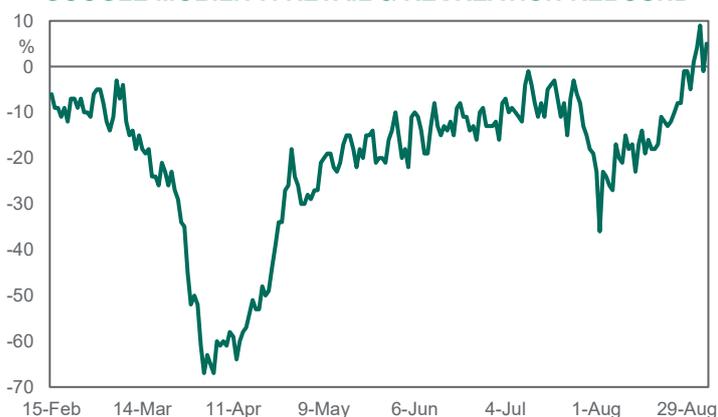
ECONOMIC FORECASTS

	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	4.0
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	95.0
FDI Disbursed	\$bn	17.5	19.1	20.4	14.9
VND:\$ (interbank)	1	22,750	23,235	23,150	23,200

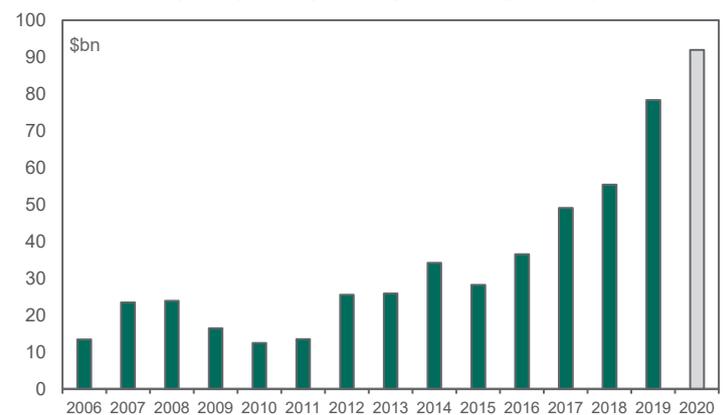
DISBURSED AND REGISTERED FDI DECLINE



GOOGLE MOBILITY: RETAIL & RECREATION REBOUND



FOREIGN RESERVES AT RECORD HIGH





VIETNAM EQUITY (UCITS) FUND – VEF

VEF massively outperformed its benchmark in Aug, gaining 12.3% while the FTSE-VN Index rose 7.3%. The stock market had a good month as investor sentiment recovered on the country's successful containment of its second wave of COVID-19. VEF's outperformance vs the Index was mainly due to Mobile World (MWG), FPT Corp (FPT), and Bao Viet Holding (BVH).

MWG surged 25.3% for the month after Jul results showed improvement across all chains, indicating that slightly positive full-year growth remains achievable despite COVID. Jul sales declined 7% yoy but net margins were impressive at 3.8%. Cumulative 7M20 total revenue rose 5.5% yoy while net earnings fell 2.4%. As at end-Jul, MWG had a total of about 3,600 stores across all three of its retail chains. Of those, grocery retailer Bachhoaxanh had the highest growth in terms of store count, from 1,008 to almost 1,600 stores. MWG recently initiated a new concept of bigger BHX stores with a total area above 500 sqm and the number of SKUs double that of the standard format. Currently, MWG has 12 of these stores and targets to roll out more in key areas. This movement is expected to enhance usage of the central depot network, improving profitability.

The Fund's third-largest holding, FPT, rose 13.6% as its growth momentum remained solid in Jul. FPT reported Jul net earnings up 14% yoy, driven by Software Outsourcing, Telecoms and Education. FPT has been demonstrating its immunity during the pandemic even though in recent months its software business has experienced slower growth due to tightening global IT spending and project delivery. The telecom business registered a very healthy growth of subscribers as FPT is aggressively penetrating Vietnam's second and third-tier cities, at the cost of lower margins.

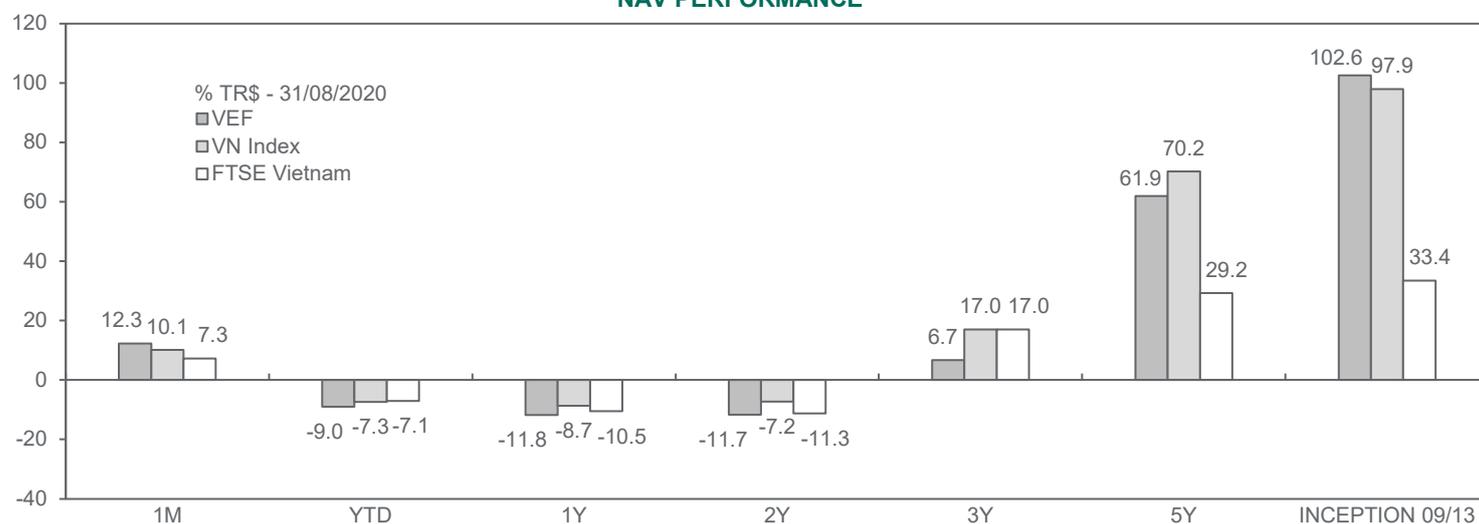
Aside from the solid fundamentals that they maintained during the pandemic, MWG and FPT also benefited from the strong inflow into the recently launched Diamond ETF. In Aug, the ETF received about \$9m of subscriptions, and MWG and FPT are among the highest weightings in the Diamond Index.

BVH gained 23.5% on impressive 2Q20 earnings. Thanks to a sizable profit in bond selling, 2Q earnings doubled to VND 519bn. The better-than-expected 1H results together with a share price hovering around its historical low triggered the rally.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$20.26	12.3	-9.01	\$101.2m	1.75	26.98	0.02

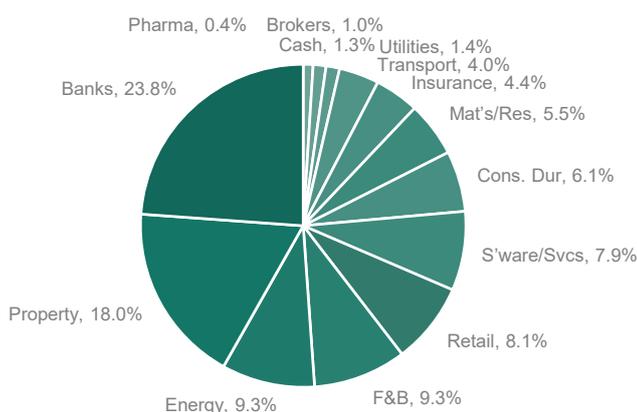
NAV PERFORMANCE



TOP 10 HOLDINGS (62.1% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Vietcombank	Banks	6.67	8.21	8.6
2 MB Bank	Banks	-	8.04	13.9
3 FPT Corp	S'ware/Svcs	-	7.89	13.6
4 Vinhomes	Property	15.41	7.70	1.0
5 Mobile World	Retail	-	7.03	25.3
6 Vietinbank	Banks	-	4.77	21.2
7 Vinamilk	F&B	15.40	4.75	13.0
8 PV Gas	Energy	-	4.61	13.1
9 Petrolimex	Energy	2.62	4.61	24.4
10 Hoa Phat Group	Mat's/Res	10.94	4.50	13.1

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	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	4.0
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	23,200
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	95.0
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-Aug-19	31-Aug-20	31-Aug-19	31-Aug-20	31-Aug-19	31-Aug-20	31-Aug-19	31-Aug-20
Market Cap (\$m)	143,248	134,637	8,097	9,663	44,288	35,867	195,633	180,166
Number of Stocks	379	381	366	354	850	905	1,595	1,640
Number of Large Cap Stocks (> \$400m)	36	38	4	4	18	16	58	58
Stocks with No Room for Foreigners	19	15	8	9	20	37	47	61
Market Cap of Stocks with No Room (\$m)	18,383	14,307	1,594	2,051	977	1,888	20,954	18,246
Share of Market Cap with No Room (%)	12.8	10.6	19.7	21.2	2.2	5.3	10.7	10.1

Top 25 Companies

No	Company	31-Aug 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	Vietcombank	83,000	-8.0	13,283	9.82	15.9	20.9	17.1	3.1	4.1	2.9	1.5	0.7	-
2	Vingroup	90,000	-21.7	13,136	9.71	79.5	51.3	51.1	5.7	5.1	3.8	0.4	0.6	0.5
3	Vinhomes	78,500	-7.4	11,142	8.38	17.0	12.8	9.4	5.6	5.0	2.8	0.4	1.3	-
4	Vinamilk	121,000	5.2	9,092	6.72	22.7	21.3	21.4	8.1	7.4	7.2	3.6	3.9	5.0
5	BIDV	40,950	-11.3	7,107	5.25	20.3	29.3	29.1	2.1	2.4	2.0	0.1	2.6	-
6	PV Gas	74,100	-17.0	6,120	4.52	13.5	14.7	17.2	3.4	3.5	2.7	4.8	4.6	4.1
7	Airports Corporation VN	58,000	-22.7	5,448	-	35.1	22.2	172.2	6.3	4.4	3.4	1.0	1.2	-
8	Sabeco	191,500	-14.4	5,299	3.92	42.8	30.1	31.0	11.1	7.6	6.9	2.3	0.8	3.1
9	Vietinbank	25,700	23.0	4,129	3.05	20.1	10.2	11.3	1.1	1.0	1.1	-	0.0	-
10	Hoa Phat Group	24,550	27.7	3,510	2.59	7.9	8.9	8.8	1.6	1.3	1.5	0.0	0.0	1.7
11	Techcombank	21,300	-9.6	3,217	2.38	10.7	8.2	6.7	1.7	1.3	1.0	-	-	-
12	Masan Group	55,000	-2.7	2,788	2.05	18.3	11.9	46.3	3.1	1.5	2.6	1.5	0.6	-
13	Petrolimex	52,500	-1.3	2,732	2.17	15.4	15.3	87.0	2.8	2.7	2.7	6.6	5.3	2.8
14	Novaland	63,800	7.2	2,673	1.97	18.4	16.5	17.8	3.1	2.5	2.4	0.0	0.0	-
15	Vincom Retail	27,000	-20.6	2,647	2.00	26.2	27.1	25.2	2.2	2.9	2.1	-	3.2	-
16	VEAM Corp	45,000	0.0	2,580	-	6.8	8.2	10.5	1.9	2.2	2.4	1.2	0.0	-
17	VP Bank	23,350	16.8	2,456	1.83	6.7	5.9	6.0	1.4	1.2	1.1	0.3	-	-
18	Vietjet Air	103,000	-29.5	2,328	1.78	12.1	20.1	neg	4.6	5.1	4.3	3.1	0.7	4.9
19	ACB	21,200	20.9	1,977	-	7.2	6.3	7.1	1.8	1.4	1.4	0.3	-	-
20	Military Bank	17,950	-13.7	1,868	1.39	7.0	6.6	5.6	1.2	1.2	0.9	2.7	2.7	-
21	Mobile World	93,400	-18.1	1,824	1.35	12.8	13.2	11.0	4.1	4.2	2.8	1.3	1.3	1.6
22	FPT	49,500	1.6	1,674	1.24	10.1	13.5	12.2	1.9	2.7	2.5	6.6	3.8	4.6
23	Bao Viet Holding	49,900	-27.3	1,598	1.18	61.3	46.3	30.9	4.2	2.7	1.9	1.2	1.4	-
24	Vietnam Airlines	25,700	-23.9	1,573	1.16	23.7	25.3	neg	2.2	2.6	5.0	3.3	3.6	-
25	HD Bank	28,350	2.9	1,182	0.89	10.5	7.5	6.5	1.8	1.3	1.2	4.3	0.6	-

VIETNAM MONTHLY REPORT

Performance Data as at 31 August 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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