



## MARKET REVIEW

**VNI +2.4% in October on ever-increasing daily volume**

**MSCI-FM rebalancing and strong 3Q20 results were drivers**

**Foreigners remained net sellers at \$313m in October and \$515m ytd**

**But locals seem happy to buy in as foreigners sell out**

**3Q20 results suggest locals are not wrong**

The VNI staged its third straight monthly advance in Oct. It hit a nine-month high of 961, back to pre-virus levels, before it cooled off on profit-taking, a third COVID wave in the EU and nervous markets ahead of the US presidential election. The final close was +2.4% at 925 (TR\$). Daily trading jumped to its highest level since early 2018 at \$357m (+24% mom).

The highlight of the period was MSCI's announcement that it would reclassify Kuwait as an emerging market in the FM100, taking 25.9% out of that index. Vietnam was given half of this, moving its weight from 12.5% to 28.8%, to be phased in over the next year. This makes Vietnam the biggest country in the MSCI-FM100, and the MSCI-FM will be recalibrated soon. We expect up to \$400m of new inflows on these reallocations. A further boost for sentiment was strong 3Q20 results, with a continuing decline in negative earnings growth.

Throughout the market's recovery, foreigners have been inveterate net sellers, mostly in the form of jittery FM funds. Locals have heroically offset. In the plunge to the market low in Mar, and even on the rebound in Apr, FM funds gave an appearance of outright panic-selling, while locals loaded up at the bottom. In Oct, foreigners dumped stock every day, for net outflows of \$313m, the highest since Mar. This brought the foreign exit ytd to \$515m, or \$1,436m if special placements are excluded. Of course, locals can only absorb so much. But one hopeful sign is that EM funds are now coming in as FM funds retreat, which could turn the tide.

And for now locals keep stepping up – both retail and institutional. Foreigners' biggest sales were in Masan (\$127m), Vietinbank (\$32m), and Vinamilk (\$27m). But Masan rose 54% on the back of subsidiaries' headline deals. And Vietinbank gained 8% because of decrees allowing State banks to increase chartered capital via stock dividends. Vinamilk was lower, but only by -0.9%. A sure sign of local bullishness was investors opening 36,346 retail brokerage accounts in Oct, the third-highest ever. Margin lending rates going from 12% to 8% surely helped.

3Q earnings showed that locals' confidence may not be misplaced. Unadjusted for free float, 3Q20 was -10% vs -16% in 2Q20 and -25% in 1Q20. This suggests that economic recovery is well on track. Most earnings weakness has come from a handful of big transport and energy companies with thin floats. When the free-float adjustment is made, and 2020-21 forecasts are assessed, Vietnam clearly offers the region's best value for sustainable growth.

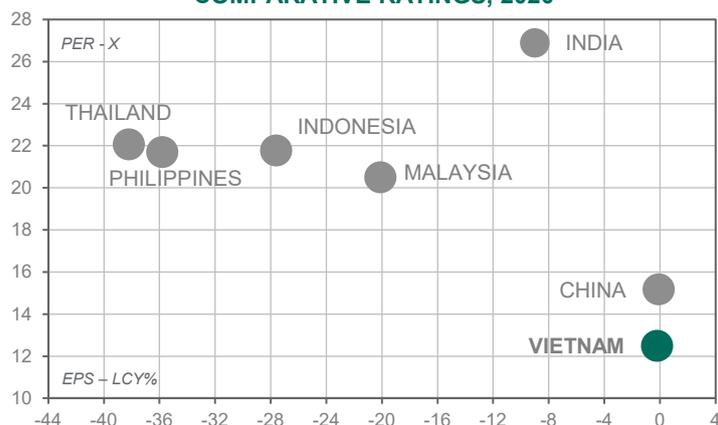
### DC TOP-60 FORECASTS

31-Oct-20	Unit	2018	2019	2020F	2021F
PER	x	13.1	12.0	12.7	10.9
EPS Growth	%	24.3	11.7	-1.1	19.1
PEG	x	0.5	1.0	neg	0.7
Sales Growth	%	15.0	10.0	6.4	19.6
EBIT Growth	%	19.7	15.1	7.0	18.3
PBT Growth	%	29.5	13.2	-0.7	16.5
NPAT Growth	%	25.8	12.9	-0.8	19.1
Net DER	x	0.4	0.3	0.2	0.2
Yield	%	2.3	1.7	1.2	1.5

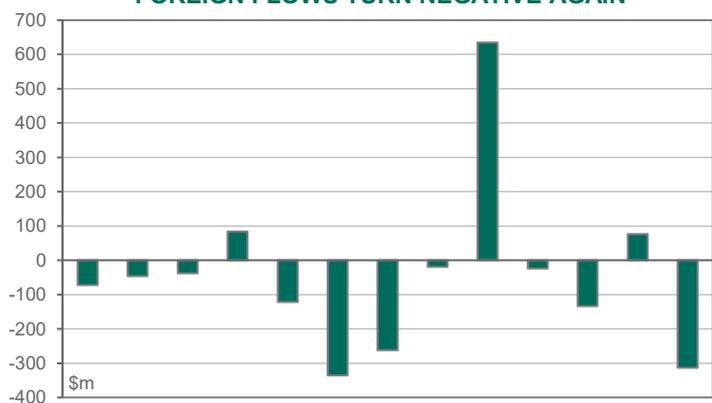
### MARKET PERFORMANCE



### COMPARATIVE RATINGS, 2020



### FOREIGN FLOWS TURN NEGATIVE AGAIN





## ECONOMY REVIEW

**A new era of cheap money and robust infrastructure spending**

**PMI and exports on strong footing despite global weakness**

**Highly supportive rates thanks to controlled inflation**

**Five-year master plan for infrastructure is being rolled out**

**Key regional player in 2021**

Indicators in Oct confirmed our view that the economy is cruising into a good place. Monetary and fiscal policy have been loosened this year to help fight COVID-19 but the ramifications go beyond the virus. We believe Vietnam is entering a historic new era of cheap funds combined with robust infrastructure spending, yet without much prospect of inflation or a lot of pressure on the external accounts. Once the pandemic has finally been overcome, GDP is on track to quickly regain its accustomed pace of +7% pa – or maybe better – and entrench itself there.

One of the main macro results for Oct was the PMI remaining comfortably above 50, at 51.8. This was slightly lower than Sep due to softer export demand in the EU and US, which are both ramping up COVID-19 restrictions. Yet even with weak global consumption, Oct yoy exports were +9.9% and imports were +10.1%, bringing the 10M trade surplus to \$18.7bn, double the number for 10M19. Analysts are remarking that COVID-19 has been good for Vietnam's exports, and we expect a positive resolution of the "currency manipulator" issue with the US.

Meanwhile policy rates were again cut, now slashing the cost of money by 10-15% this year, with more likely to come. Bond yields cluster at 1.5-3.0% and interbank rates are close to 0%. Loan demand is picking up, with credit growth of +6.5% in 10M, from +3.8% in 1H. But the CPI was just 3.7% yoy, and only at that level because of skyrocketing pork prices, which are now falling.

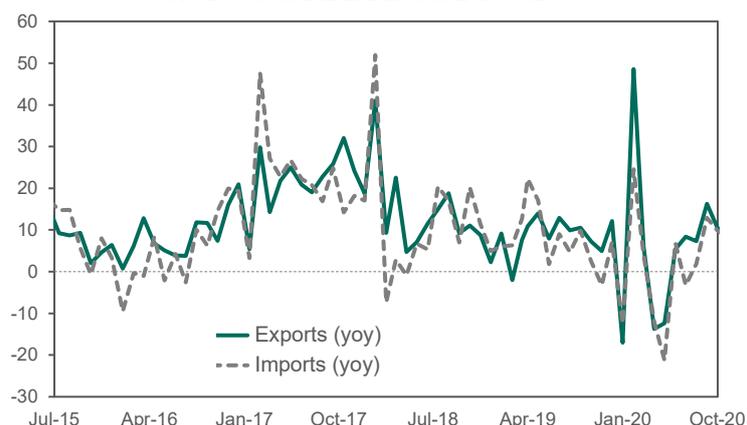
Cheap money makes it that much more feasible to launch long-overdue spending on infrastructure. This has been stalled for three years because of anti-corruption probes following the leadership reshuffle of 2016. Some \$15bn in idle funds have piled up in the interim and foreign debt remains low at 35% of GDP. The apparent playing-out of investigations, and the need for anti-COVID stimulus, is all the incentive that the Government needs to refocus. It is now proposing to invest \$118.5bn during 2021-25, or 3% of GDP pa. The program would be concentrated on Vietnam's big bottleneck of transport and logistics – e.g., a new HCMC airport, North-South trunk roads, urban railways – and would also target telecommunications and energy, especially LNG. Funds for selected projects have already been disbursed in 2020, and action will get underway in earnest after the Five-Year Party Congress in Jan/Feb 2021.

Vietnam is building a powerful long-term growth model. As progress on vaccines fuels hope for a re-start of the global economy, Vietnam will be a key country to watch in Asia during 2021.

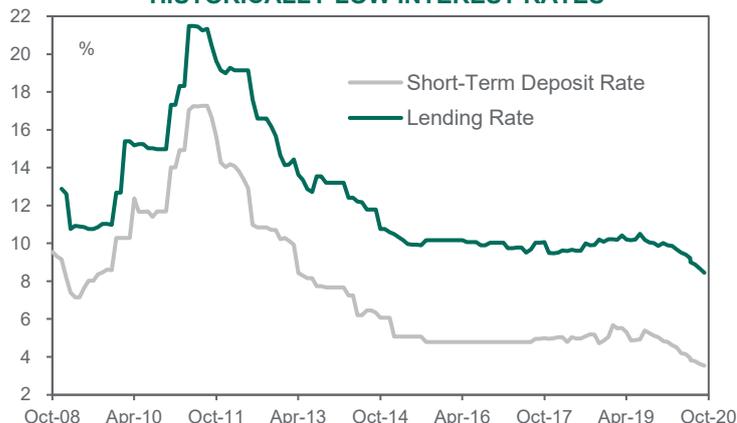
### ECONOMIC FORECASTS

	unit	2018	2019	2020F	2021F
Real GDP Growth	%	7.1	7.0	2.7	7.0
Nominal GDP	\$bn	313.3	335.2	344.3	368.4
CPI	%	3.0	5.2	3.5	3.5
Export Growth (cif)	%	13.8	9.1	5.3	6.3
Import Growth (cif)	%	11.5	7.7	1.5	7.8
Trade Balance (cif)	\$bn	6.8	9.4	21.3	18.7
FX Reserves	\$bn	61.0	80.0	98.0	110.0
FDI Disbursed	\$bn	19.1	20.4	18.9	21.7
VND:\$ (interbank)	1	23,235	23,150	23,150	22,655

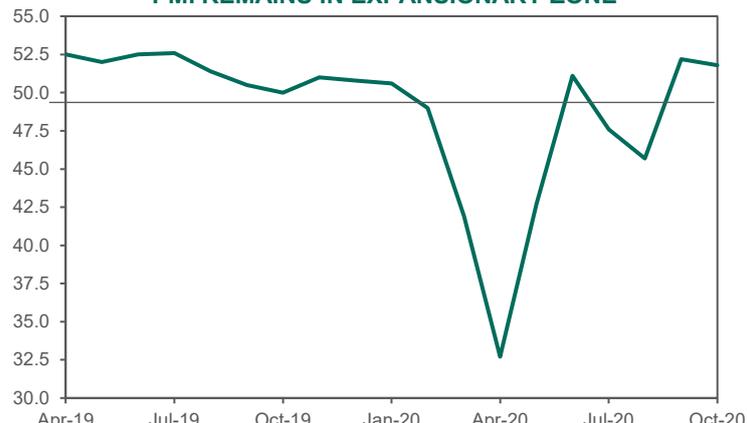
### ROBUST TRADE DESPITE COVID-19



### HISTORICALLY LOW INTEREST RATES



### PMI REMAINS IN EXPANSIONARY ZONE





## VIETNAM EQUITY (UCITS) FUND – VEF

VEF gained 1.9% in Oct while the FTSE VN Index added 6.5%. Hoa Phat Group (HPG) and Phu Nhuan Jewelry (PNJ) contributed the most the Fund's performance. It is worth noting that the Index's performance was significantly skewed by gains in Vingroup (VIC) and Masan (MSN) that together make up 24.4% of the Index and contributed 98.5% of its active return in Oct. This accounts for the performance gap between VEF and the Index in Oct.

HPG surged 15.7% on continuing impressive sales volume during the month and largely above-consensus 3Q earnings. HPG delivered record-high earnings of VND 3.8trn (\$164m, +115% yoy) in 3Q. Cumulatively, in 9M20, HPG had net earnings of VND 8.8trn (\$383m, +57% yoy). The strong growth in 2020 is being driven by: (1) expanding capacity and larger market share of 32.4% vs 26% at end-2019, (2) higher margins as HPG started self-supplying input of hot rolled coil (HRC) to its steel pipe business, and (3) strong growth of the agriculture business, whose earnings are up 57% yoy. We expect the growth momentum to remain strong into 2021, underpinned by continuing strong volume and a larger contribution from HRC.

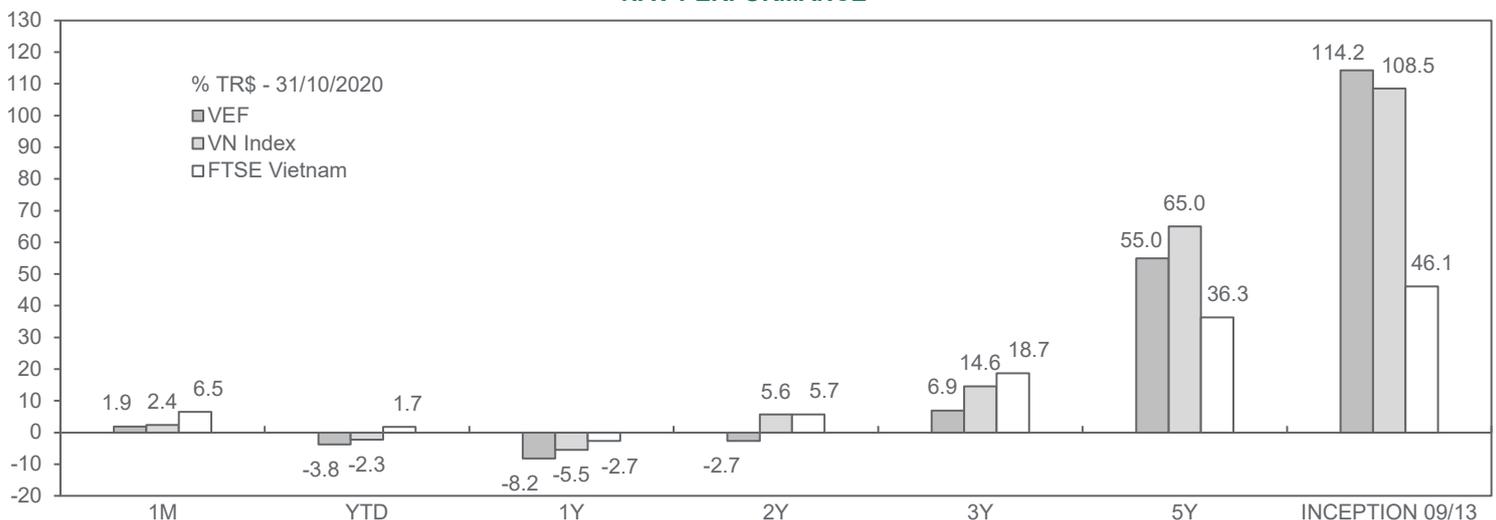
Shares of leading jewelry retailer PNJ gained 14.2% as its business showed signs of recovery in Sep. PNJ announced Sep retail sales growth at 18% yoy, signaling that domestic demand for jewelry has started to pick up after the second wave of COVID-19 was brought under control. 3Q earnings were essentially flat, which was well above expectations amidst worries that COVID would have taken a heavier toll on demand for luxury goods like jewelry.

Detracting the most from the Fund's active return were VIC and MSN. VIC gained 16%, mostly thanks to MSCI's proposal to increase Vietnam's weight in the MSCI Frontier Market (FM) 100 Index from currently 12.5% to 28.8%. The change will be delayed, however, as it will be implemented in five tranches over 12 months. Given the modest size of FM ETFs, we think the actual inflow into stocks like VIC will not be that significant, but the news itself was exciting to local investors. It is also good news for Vietnam in general because active fund managers will find it easier to overweight Vietnam. MSN, meanwhile, rose 54% despite heavy foreign net selling, solely because management revealed the possible divestment of a minor stake in a subsidiary at a high valuation, albeit at the same high valuation at which they acquired that subsidiary some months ago.

### PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$21.42	1.9	-3.8	\$106.7m	2.7	26.97	0.02

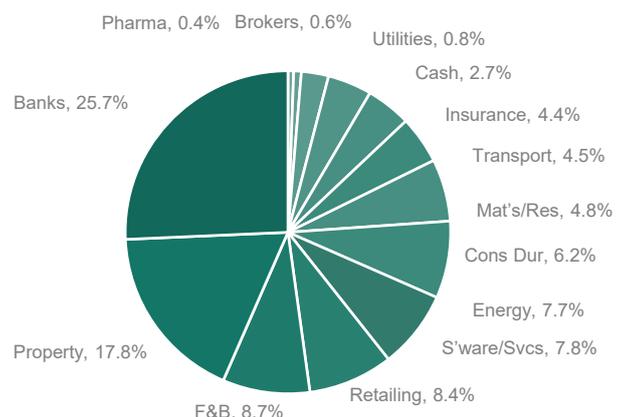
### NAV PERFORMANCE



### TOP 10 HOLDINGS (61.1% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 MB Bank	Banks		8.22	3.7
2 FPT Corp	S'ware/Svcs		7.79	3.0
3 Vietcombank	Banks	5.98	7.79	-1.3
4 Mobile World	Retailing		7.56	1.8
5 Vinhomes	Property	13.41	6.73	0.7
6 Phu Nhuan Jewelry	Cons Dur		4.80	14.2
7 Hoa Phat Group	Mat's/Res	12.22	4.76	15.7
8 Vinamilk	F&B	14.63	4.54	-0.8
9 Airports Corp VN	Transport		4.48	-7.9
10 Bao Viet Holding	Insurance		4.39	5.3

### SECTOR BREAKDOWN





## APPENDIX 1: MACRO

### Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019	2020F
GDP									
GDP	\$bn	228.0	241.7	257.9	273.9	292.5	313.3	335.2	344.3
Real GDP Growth	%	5.4	6.0	6.7	6.2	6.8	7.1	7.0	2.7
Services Growth	%	6.7	6.2	6.3	7.0	7.4	7.0	7.3	2.5
Agriculture Growth	%	2.6	3.4	2.4	1.4	2.9	3.8	2.0	2.8
Ind'l and Const'n Growth	%	5.1	6.4	9.6	7.6	8.0	8.9	8.9	3.3
Retail Sales Growth	%	13.5	10.6	9.5	10.2	10.9	11.7	11.8	0.8
Prices									
CPI (year-end)	%	6.0	1.8	0.9	4.7	2.6	3.0	5.2	3.5
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	8.6
5-yr VGB	%	8.2	5.2	6.6	5.5	4.3	4.5	1.9	1.5
VND : \$	\$1	21,250	21,390	22,540	22,750	22,750	23,235	23,150	23,150
External Sector									
Trade Balance	\$bn	0	1.9	-3.5	1.8	2.9	6.8	9.4	21.3
Current Account	\$bn	6.8	6.0	3.0	3.8	6.0	9.4	7.1	9.9
Current Account / GDP	%	3.0	2.5	1.2	1.4	2.1	3.0	2.1	2.9
FDI Registered	\$bn	21.6	20.3	22.8	23.4	29.7	25.5	22.5	20.9
FDI Disbursement	\$bn	11.5	12.5	14.5	15.8	17.5	19.1	20.4	18.9
FX Reserves	\$bn	32.1	34.2	31.0	41.1	52.0	61.0	80.0	98.0
Public Debt & Fiscal Balance									
External Debt	\$bn	63.3	70.5	78.1	88.5	107.6	111.5	110.0	112.0
<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	32.4	38.5	45.6	61.3	63.8	60.9	62.9
External Debt (% GDP)	%	27.8	29.2	30.3	32.3	36.8	35.6	32.8	32.5
Fiscal Balance (% GDP)	%	-3.7	-3.6	-3.3	-3.0	-2.6	-2.9	-2.6	-3.9



## APPENDIX 2: MARKET

### Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Oct-19	31-Oct-20	31-Oct-19	31-Oct-20	31-Oct-19	31-Oct-20	31-Oct-19	31-Oct-20
Market Cap (\$m)	145,698	143,063	8,127	10,517	42,390	35,628	196,216	189,207
Number of Stocks	377	386	367	353	857	902	1,601	1,641
Number of Large Cap Stocks (> \$400m)	36	39	3	4	18	15	57	58
Stocks with No Room for Foreigners	23	17	8	10	22	36	53	63
Market Cap of Stocks with No Room (\$m)	19,689	12,924	1,772	2,415	1,275	637	22,737	15,976
Share of Market Cap with No Room (%)	13.5	9.0	21.8	23.0	3.0	1.8	11.6	8.4

### Top 25 Companies

No	Company	31-Oct	Price	Mkt	Wt	PER			PBV			Yield		
		Price	YTD	Cap	in VNI	2019	2020F	2021F	2019	2020F	2021F	2019	2020F	2021F
		(VND)	(%)	(\$m)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
1	Vingroup	106,500	-7.4	15,542	11.08	51.3	60.5	61.5	5.1	4.5	4.2	0.6	0.5	0.5
2	Vietcombank	83,000	-8.0	13,281	9.47	20.9	17.1	14.1	4.1	2.9	2.3	0.7	-	-
3	Vinhomes	76,000	-10.4	10,786	7.83	12.8	9.1	8.8	5.0	2.7	2.1	1.3	-	-
4	Vinamilk	108,000	14.5	9,737	5.79	20.7	23.0	21.5	7.2	7.7	7.1	4.0	4.7	4.7
5	BIDV	38,500	-16.6	6,681	4.76	29.3	33.1	25.2	2.5	1.9	1.8	2.6	2.1	-
6	PV Gas	70,400	-21.2	5,813	4.14	14.7	16.3	14.7	3.5	2.6	2.4	4.8	4.2	4.2
7	Airports Corporation VN	61,600	-17.9	5,786	-	22.2	122.7	29.5	4.4	3.5	3.1	1.2	-	-
8	Sabeco	184,300	-17.7	5,099	3.64	30.1	29.9	25.5	7.6	6.6	5.7	0.8	3.3	3.3
9	Vietinbank	29,000	38.8	4,659	3.32	10.2	12.8	11.2	1.0	1.2	1.1	0.0	-	-
10	Hoa Phat Group	30,550	58.9	4,367	3.11	8.9	10.1	8.1	1.3	1.8	1.5	0.0	1.6	3.3
11	Masan Group	84,000	48.7	4,257	3.03	11.9	70.7	48.4	1.5	3.9	3.9	0.6	-	-
12	Techcombank	21,350	-9.3	3,224	2.30	8.2	6.7	6.0	1.3	1.0	0.9	-	-	-
13	Novaland	62,000	4.2	2,636	1.88	16.5	17.5	16.2	2.5	2.4	2.1	0.0	-	-
14	Petrolimex	49,000	-6.1	2,577	1.95	15.0	55.8	17.1	2.7	2.5	2.5	5.4	2.1	6.2
15	VP Bank	23,600	18.0	2,482	1.78	5.9	6.1	5.4	1.2	1.1	0.9	-	-	-
16	Vincom Retail	25,300	-25.6	2,480	1.81	27.1	23.6	19.6	2.9	2.0	1.8	3.2	-	2.0
17	VEAM Corp	42,200	-6.2	2,419	-	8.2	9.8	8.2	2.2	2.2	2.3	0.0	-	-
18	Vietjet Air	101,200	-30.8	2,287	1.69	20.1	neg	46.6	5.1	3.5	3.2	0.7	-	-
19	ACB	24,100	37.4	2,248	-	6.3	8.0	6.7	1.4	1.6	1.3	-	-	-
20	Military Bank	17,800	-1.6	2,130	1.33	6.6	6.4	5.7	1.3	1.0	0.9	2.7	-	-
21	Mobile World	104,700	-6.9	2,045	1.46	13.0	12.3	10.4	4.1	3.1	2.5	1.3	1.5	1.5
22	FPT	51,500	5.7	1,742	1.24	13.5	12.7	10.4	2.7	2.6	2.3	3.9	4.4	5.4
23	Bao Viet Holding	50,500	-25.3	1,617	1.15	45.7	31.3	27.9	2.6	1.9	1.8	1.5	-	-
24	Vietnam Airlines	24,850	-26.4	1,521	1.08	25.3	neg	neg	2.6	6.1	18.8	3.6	-	-
25	HD Bank	24,200	14.2	1,311	0.73	7.5	7.2	6.2	1.4	1.3	1.1	0.6	-	-

# VIETNAM MONTHLY REPORT

Performance Data as at 31 October 2020

DRAGON CAPITAL



Fund	Bloomberg	ISIN	SEDOL	CUSIP	Listed
VEIL	VEIL LN	KYG9361H1092	BD9X204	G9361H109	London (Main Market)
VEF-A	VIETNAM ID	IE00BD5HPH84	n/a	n/a	n/a
VEF-B	VIETEUR ID	IE00BV8WVB25	n/a	n/a	n/a
VDeF-B	VNDEBTB	KYG936151136	B3K9234	G93615113	Ireland

Price Providers	Funds	Bloomberg	Reuters	Contact
Jefferies International	VEIL	JCEF	n/a	Michele White / Trevor Hunt +44 207 898 7127 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
SEI Investments	VEF	-	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

Operational VEIL	
Trading	Shares trade as depositary interests on the London Stock Exchange
Clearing	CREST Participant ID 393 (UK Equity)
Settlement	BIC Code: JEFFGB2X
Legal Entity Identifier (LEI)	213800SYT3T4AGEVW864

VEF	
Subscription & Withdrawals	Daily
The Fund has appointed <b>SEI Investments – Global Fund Services Limited</b> as its fund administrator and transfer agent, and <b>SEI Investments – Depositary and Custodial Services (Ireland) Limited</b> as its depositary. A range of third-party fund platforms also include VEF in their product offerings, including Clearstream ( <a href="http://www.clearstream.com">www.clearstream.com</a> ), Fundsettle ( <a href="http://www.euroclear.com">www.euroclear.com</a> ), Banco Inversis ( <a href="http://www.inversis.com">www.inversis.com</a> ), IFSAM ( <a href="http://www.ifsam.lu">www.ifsam.lu</a> ), Pareto Securities ( <a href="http://www.paretosec.com">www.paretosec.com</a> ), Attrax ( <a href="http://www.attrax.lu">www.attrax.lu</a> ), MFEX ( <a href="http://www.mfex.com">www.mfex.com</a> ), and Allfunds ( <a href="http://www.allfunds.com">www.allfunds.com</a> ).	

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