



MARKET REVIEW

VNI +10.6% in Dec and +17.4% for 2020

Record liquidity from massive retail inflows

Foreigners were net sellers again, but the outflow was smoothly absorbed by locals

Market is expanding organically now, based on numerous structural factors

Despite Vietnam being labelled as a currency manipulator by the US Treasury, the VN Index sustained its robust momentum, rising 10.6% (\$TR) in Dec, for a fifth straight monthly gain. The rally was driven by investors' rising confidence in economic recovery amidst all-time low interest rates and the start of vaccine roll-out in many parts of the world. The year-end VNI close of 1,104 was the highest since Apr 2018 and put the benchmark at +17.4% for 2020.

The impressive thing about the market in Dec was how liquidity kept expanding: the average daily traded value for the three exchanges leapt 50% mom to a new record of \$654m. Towards year-end some days were close to \$800m, which caused the system to crash. This was temporarily resolved by consolidating board lots from 10 to 100 – and, more importantly, by accelerating the timetable to bring the new trading system on stream. Activity was driven almost entirely by retail investors, who opened a record 63,021 new accounts during the month, up 54% from Nov. Brokerage stocks tellingly saw the market's best gains in Dec (SSI +72%, VND +64%) as they are now expected to deliver stellar 4Q results.

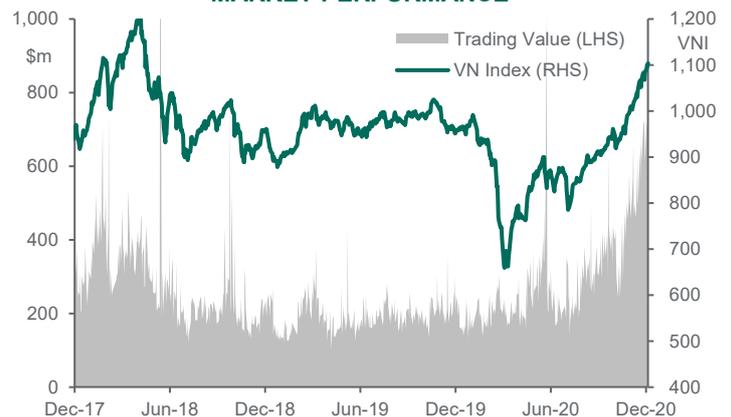
Meanwhile, foreign investors were net sellers again. This was due to four or five block trades rather than daily flow, but it repeated the year-long pattern of foreigners pulling back while locals stepped up to buy. Foreigners withdrew a net \$813m in 2020, or \$1,463m when the big Vinhomes trade is excluded. In previous years they accounted for 15% of trading value, but this figure dropped to just 11% in 2020 and only 7% in Dec.

The relentless local bullishness has sparked concern about an overstretched market like the one that collapsed in Apr 2018 and then flatlined for nearly two years (and was then knocked back again by COVID-19). But there are many differences this time. The market is now expanding organically – precisely without foreigners driving it up on wall-of-money action as in 4Q17-1Q18. Domestic liquidity is more abundant due to low interest rates, which also support equities as the best investment opportunity. Trading is being modernized with new systems and products. Retail investors have become more sophisticated and knowledgeable and remember the 1Q18 melt-down as a cautionary tale. Another downside buffer is valuation – Vietnam remains well below regional peers, with a lower multiple and superior earnings growth. The latter should be confirmed with a robust 4Q earnings season, led by private-sector banks whose net profits may rise ca +50%.

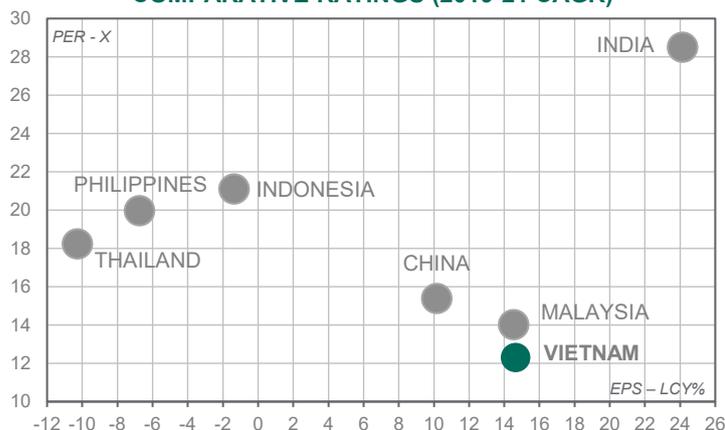
DC TOP-60 FORECASTS

31-Dec-20	Unit	2018	2019	2020F	2021F
PER	x	13.1	12.0	13.7	11.7
EPS Growth	%	24.3	11.7	4.3	26.0
PEG	x	0.5	1.0	3.2	0.5
Sales Growth	%	15.0	10.0	6.8	23.2
EBIT Growth	%	19.7	15.1	8.9	22.9
PBT Growth	%	29.5	13.2	3.5	23.7
NPAT Growth	%	25.8	12.9	4.7	26.1
Net DER	x	0.4	0.3	0.2	0.2
Yield	%	2.3	1.7	1.1	1.3

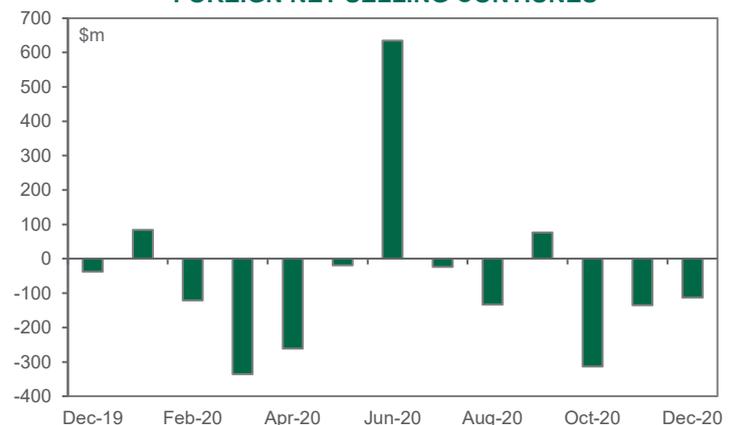
MARKET PERFORMANCE



COMPARATIVE RATINGS (2019-21 CAGR)



FOREIGN NET SELLING CONTIUNES





ECONOMY REVIEW

Vietnam may have had the world's highest GDP growth in 2020 at +2.9%

Trade was where Vietnam really showed its mettle

FX manipulation: no tariff action yet and Vietnam is making some gestures

Monetary / fiscal stimulus, vaccines, international travel = 2021 GDP of +7%

In 2020 Vietnam overcame the pandemic and may have posted the highest GDP growth rate in the world at +2.9%. With virus containment, the domestic economy was able to keep ticking over at a certain minimum level of growth, and meanwhile, exports didn't contract but just expanded less, which further helped the macro situation. After bottoming in 2Q20, GDP steadily accelerated and in 4Q clocked +4.5% – momentum that augurs well for 2021.

Trade was the star of Vietnam's show in 2020. Supply-chain shifts continued and FDI kept rolling in – a 2% decline was, under the circumstances, stellar. There is no evidence that flows will slacken. New names are coming in all the time (Pegatron, Apple, Nintendo) and old ones are investing more (Techtronic, Samsung, LG, Foxconn). This has enabled Vietnam to bring new higher-end products on stream, particularly in tech and machine equipment. At the same time, it has been taking market share from pandemic-stricken competitors in traditional lower-end products like agriculture and textiles. On the back of this, exports rose 6.5% to \$281bn in 2020. This was certainly a drop from previous years but it is remarkable that the number didn't fall into negative territory. Meanwhile imports rose even less, by 3.7%, to \$262bn. The result was a \$19.1bn trade surplus, equal to 5.6% of GDP.

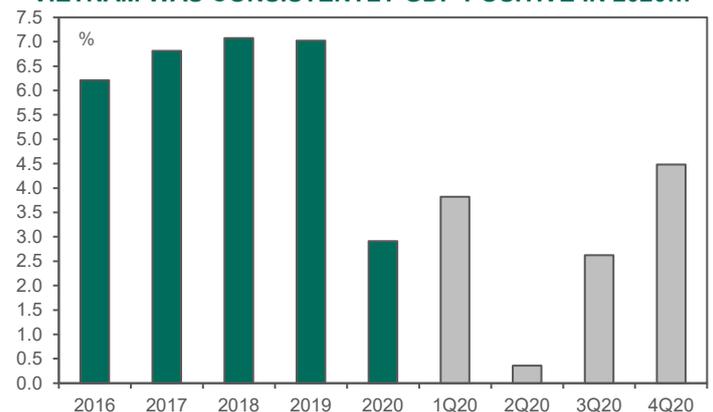
Vietnam may actually have been a bit too successful on the trade front, since the surplus with the US ran up 7.7% to \$63bn. The Americans, having warned Vietnam back in May 2019 by putting it on a currency-manipulation watchlist, followed through and declared it an actual manipulator in Dec. Rumors began to circulate of pre-emptive tariffs being imposed as a last-minute action by the Trump administration, flouting the Section 301 process. However, US industry pushed back hard in public hearings and nothing has yet materialized. Meanwhile, in a gesture to the US, the SBV has stopped purchasing USD at spot rates and has allowed the dong to appreciate by 0.44%. Buying some American goods might lower the temperature more.

The Government has unleashed major monetary stimulus, cutting lending rates by 1.5-2.0%, and putting 6mo depo rates at 3.4%. It may do more. It is also cranking up fiscal stimulus via infrastructure spending – itself long overdue, to sustain high GDP growth. These policies can be run for a while as inflation, ending the year at +3.2%, seems likely to stay around that level well into 2022. Meanwhile vaccines are coming (Vietnam has secured 30m AZ doses) and the Government has plans to resume commercial flights in 2H21. We project GDP at +7% in 2021.

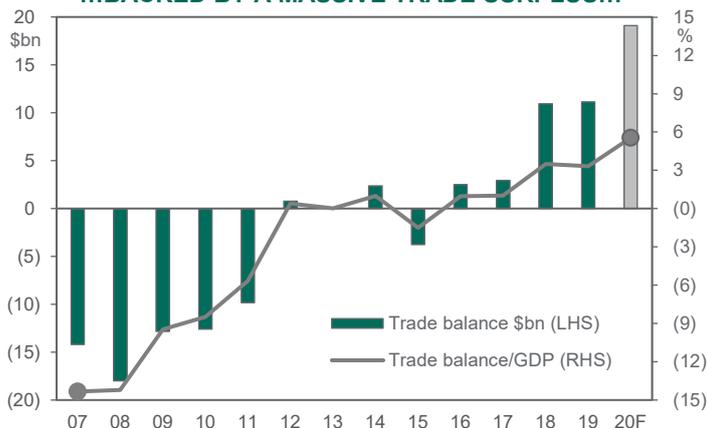
ECONOMIC FORECASTS

	unit	2018	2019	2020F	2021F
Real GDP Growth	%	7.1	7.0	2.9	7.0
Nominal GDP	\$bn	313.3	335.2	344.3	368.4
CPI	%	3.0	5.2	3.23	3.5
Export Growth (cif)	%	13.8	9.1	6.5	6.3
Import Growth (cif)	%	11.5	7.7	3.7	7.8
Trade Balance (cif)	\$bn	6.8	9.4	19.1	18.7
FX Reserves	\$bn	61.0	80.0	98.0	109.0
FDI Disbursed	\$bn	19.1	20.4	20.0	21.7
VND:\$ (interbank)	1	23,235	23,150	23,085	22,655

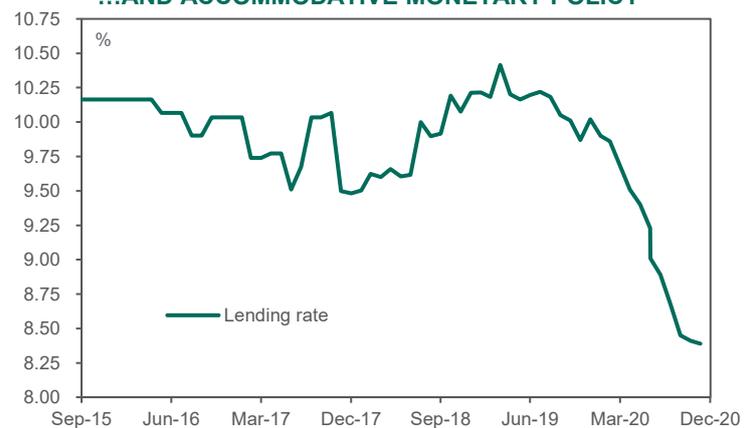
VIETNAM WAS CONSISTENTLY GDP-POSITIVE IN 2020...



...BACKED BY A MASSIVE TRADE SURPLUS...



...AND ACCOMMODATIVE MONETARY POLICY





VIETNAM EQUITY (UCITS) FUND – VEF

After a bumpy 1Q20 due to COVID, the Fund strongly outperformed its benchmark in 2Q and 3Q before slightly underperforming it in 4Q. For the whole year, VEF was up 16.1% while the FTSE Index gained 18.7%. Contributing the most to full-year performance were the banking and materials sectors, which were amongst the sectors with the highest earnings growth in 2020. For Dec only, VEF gained 8.6%, driven by Hoa Phat Group (HPG), Military Bank (MBB) and insurance company Bao Viet Holding (BVH).

The steel leader HPG gained 16.9% in Dec and ended the year 116.4% higher. 2020 was a big year for HPG as the company successfully ramped up its new steel complex, which doubled its production capacity and also expanded its product line from only long construction steel to include hot-rolled-coil (HRC). Consequently, we estimate that HPG's 2021 construction steel volume will increase 26% to 3.5m tons and HRC volume to 2.2m tons, four times higher than in 2020. HPG will likely beat the consensus estimates for 2020 earnings by a significant margin.

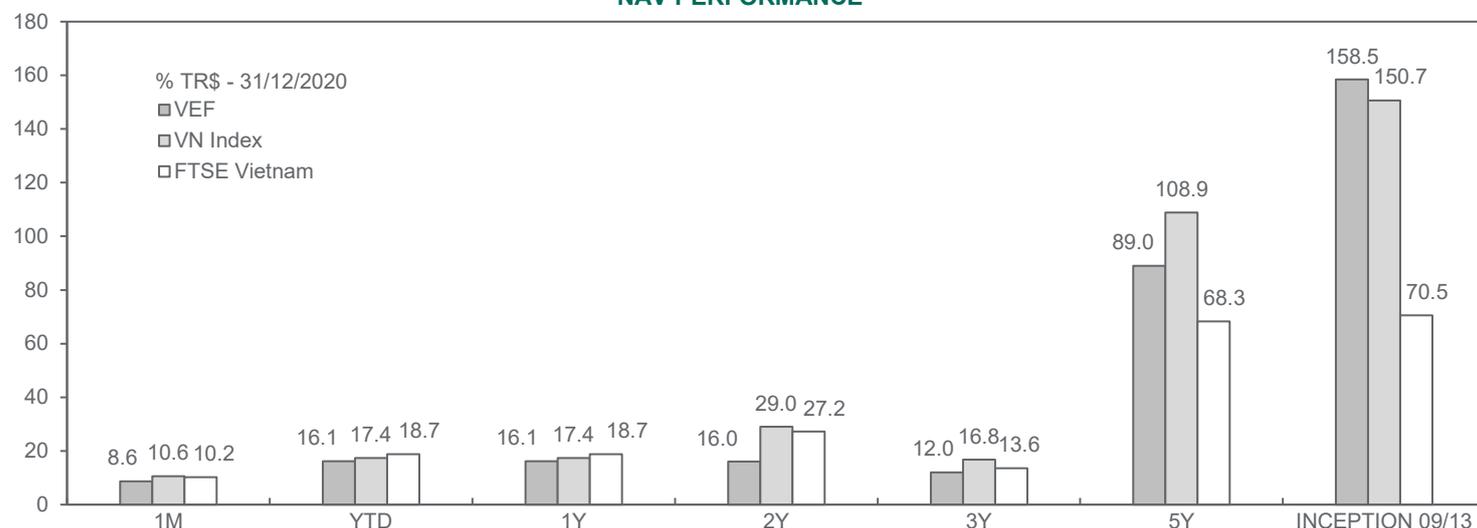
MBB rose 13.2% in Dec and 27.6% for the full year and was one of the top contributors to the Fund's performance. We estimate that MBB may post 5-7% profit growth for 2020, driven by strong credit growth of 23% yoy. Earnings appear to be understated due to the aggressive provision expense booking (+30% yoy) despite an already high loan loss coverage ratio of 160%. The NPL ratio of the parent bank remained under control at less than 1% despite COVID-19. At end-3Q20, MBB restructured about 1.9% of its loans due to COVID, down from 2.8% at end-2Q and lower than the industry average of more than 3%. Despite the stock's strong performance in Dec, its valuation still looks very undemanding at a 2020 PBR of 1.2x and a PER of 7.8x, which is cheaper than its peers.

BVH gained 20.2% in Dec but still underperformed the Index for the whole year by falling 2.0% for the period. It's share price accelerated strongly in 4Q due to: (1) a potential new formula to calculate mathematical provisions that could significantly boost BVH's earnings, and (2) the potential inclusion in the VN30 Index in early 2021.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$25.85	8.6	16.1	\$123.1m	3.4	27.61	0.08

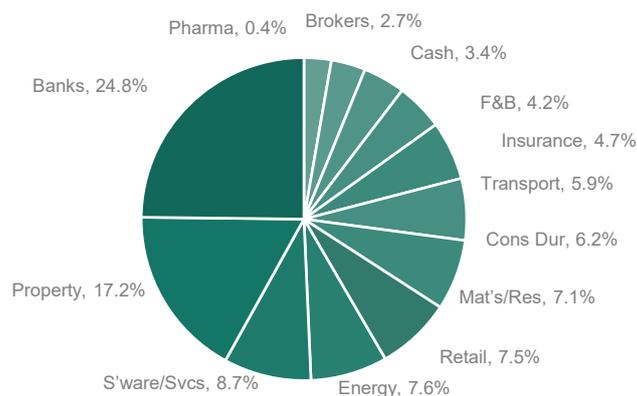
NAV PERFORMANCE



TOP 10 HOLDINGS (60.9% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 FPT Corp	S'ware/Svcs	-	8.71	6.8
2 Vietcombank	Banks	5.68	7.99	6.3
3 Mobile World	Retail	-	7.47	2.7
4 Hoa Phat Group	Mat's/Res	13.34	7.07	16.9
5 MB Bank	Banks	-	6.83	13.2
6 Bao Viet Holding	Insurance	-	4.74	20.2
7 Airports Corp VN	Transport	-	4.70	12.2
8 Vinhomes	Property	14.78	4.66	8.5
9 Phu Nhuan Jewelry	Cons Dur	-	4.56	4.9
10 PV Gas	Energy	-	4.19	3.9

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019	2020E
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	2.9
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	3.2
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	23,085
External Sector									
Trade Balance	\$bn	0.0	1.9	-3.5	1.8	2.9	6.8	9.4	19.1
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	20.0
FX Reserves	\$bn	32.1	34.2	31	41.1	52	61	80	98.0
Public Debt & Fiscal Balance									
External Debt	\$bn	63.3	70.5	78.1	88.5	107.6	111.5	110	112
<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-Dec-19	31-Dec-21	31-Dec-19	31-Dec-21	31-Dec-19	31-Dec-21	31-Dec-19	31-Dec-21
Market Cap (\$m)	141,618	176,634	8,310	10,731	40,203	43,966	190,130	231,330
Number of Stocks	378	392	367	353	872	909	1,617	1,654
Number of Large Cap Stocks (> \$400m)	36	51	3	5	17	18	56	74
Stocks with No Room for Foreigners	21	14	8	2	30	5	59	21
Market Cap of Stocks with No Room (\$m)	15,578	19,124	1,683	25	1,349	766	18,611	19,915
Share of Market Cap with No Room (%)	11.0	10.8	20.3	0.2	3.4	1.7	9.8	8.6

Top 25 Companies

No	Company	31-Dec Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2019 (x)	2020F (x)	2021F (x)	2019 (x)	2020F (x)	2021F (x)	2019 (%)	2020F (%)	2021F (%)
1	Vingroup	108,200	-5.9	15,851	8.93	51.3	61.5	62.5	5.1	4.5	4.3	0.6	0.4	0.4
2	Vietcombank	97,900	9.4	15,726	8.86	20.7	25.6	18.0	4.1	3.7	3.0	0.7	-	-
3	Vinhomes	89,500	5.5	12,751	7.31	12.8	11.4	9.8	5.0	3.3	2.5	1.3	-	-
4	Vinamilk	108,800	15.3	9,847	5.55	20.7	21.8	21.0	7.2	7.2	6.9	4.0	5.5	5.5
5	BIDV	47,900	5.5	8,344	4.70	28.8	41.2	31.4	2.4	2.4	2.2	2.7	1.7	-
6	Airports Corporation VN	81,000	8.0	7,637	-	22.2	106.8	38.2	4.4	4.6	4.0	1.2	-	-
7	PV Gas	86,600	-3.0	7,179	4.04	14.7	20.5	17.5	3.5	2.9	2.5	4.8	-	-
8	Hoa Phat Group	41,450	115.6	5,948	3.35	8.9	10.9	8.0	1.3	2.3	1.8	0.0	1.2	2.4
9	Vietinbank	34,550	67.7	5,572	3.14	10.1	18.8	14.4	1.0	1.5	1.3	0.0	-	-
10	Sabeco	195,000	-12.0	5,416	3.05	29.8	27.7	22.9	7.6	7.0	6.1	0.8	3.1	3.1
11	Techcombank	31,500	33.8	4,782	2.69	8.2	9.5	8.1	1.3	1.5	1.3	-	-	-
12	Masan Group	88,900	59.2	4,523	2.55	11.7	74.9	51.3	1.5	4.1	0.0	0.6	-	-
13	VP Bank	32,500	62.5	3,455	1.95	5.9	8.5	7.1	1.2	1.6	1.3	-	-	-
14	VEAM Corp	55,100	22.4	3,171	-	8.2	12.8	10.7	2.2	2.9	3.0	0.0	-	-
15	Vincom Retail	31,400	-7.6	3,090	1.78	27.1	31.0	24.4	2.9	2.4	2.3	3.2	-	1.6
16	Petrolimex	54,600	4.7	2,882	1.72	15.0	62.2	19.0	2.7	2.8	2.8	5.4	1.8	5.4
17	Vietjet Air	125,000	-14.5	2,836	1.65	20.1	neg	57.5	5.1	4.3	4.0	0.7	-	-
18	Novaland	66,000	10.9	2,819	1.59	16.5	18.4	10.9	2.5	2.5	2.0	0.0	-	-
19	Military Bank	23,000	27.2	2,762	1.57	6.6	7.6	6.7	1.3	1.3	1.1	2.7	-	-
20	ACB	28,100	60.2	2,631	1.48	6.3	8.1	6.6	1.4	1.8	1.4	-	-	-
21	Mobile World	118,900	5.8	2,331	1.31	13.0	14.0	11.8	4.1	3.5	2.8	1.3	1.3	1.3
22	Bao Viet Holding	66,000	-2.4	2,122	1.20	45.7	40.9	36.5	2.6	2.5	2.4	1.5	-	-
23	FPT	59,100	21.3	2,007	1.13	13.5	14.5	11.9	2.7	3.0	2.7	3.9	3.8	4.7
24	Vietnam Airlines	28,300	-16.1	1,738	0.98	25.3	neg	neg	2.6	7.0	21.4	3.6	-	-
25	HD Bank	23,750	42.2	1,639	0.93	5.9	9.0	7.7	1.4	1.6	1.3	0.6	-	-

VIETNAM MONTHLY REPORT

Performance Data as at 31 December 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 invcos@jefferies.com
SEI Investments	VEF	-	-	Transfer Agency Department TADublin@seic.com

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 SEI Investments – Global Fund Services Limited as its fund administrator and transfer agent, and SEI Investments – Depositary and Custodial Services (Ireland) Limited as its depository. A range of third-party fund platforms also include VEF in their product offerings, including Clearstream (www.clearstream.com), Fundsettle (www.euroclear.com), Banco Inversis (www.inversis.com), IFSAM (www.ifsam.lu), Pareto Securities (www.paretosec.com), Attrax (www.attrax.lu), MFEX (www.mfex.com), and Allfunds (www.allfunds.com).	

VDeF	
Subscription & Withdrawals	Monthly
Contact:	info@dragoncapital.com

DISCLAIMER

This is an advertising document. It has been prepared by Dragon Capital Markets Limited ("Dragon Capital") on behalf of: Enterprise Investment Management Limited (for VEIL); Dragon Capital Management (HK) Limited (for VEF and VDeF), for the information of their respective shareholders and other eligible recipients.

This document contains a review of the investment case for Vietnam and is neither a prospectus nor an offer or a solicitation to sell or buy or subscribe for securities, investment products or other financial instruments, nor does this document contain any advice or recommendation with respect to such securities, investment products or other financial instruments.

You are advised to exercise caution in relation to this document. Past performance is no guarantee of future performance, and the value of shares in the funds (and any income derived therefrom) may go down as well as up. The NAV of the funds are calculated by reference to the closing price of the relevant shares on the Vietnamese stock exchanges. Funds domiciled outside of Vietnam are subject to certain foreign ownership limits, therefore the price at which the funds can trade shares may be different from the price at which shares are traded locally. If you have any doubt about any information contained in this document, then you should obtain independent professional advice.

All information in this document remains subject to revision and amendment at any time. Dragon Capital makes no representation or warranty as to the accuracy, completeness or context of the document, and expressly disclaims all liability whatsoever arising from reliance upon this document or any part of it.

All rights reserved. The information contained in this document may be confidential and must not be distributed or otherwise made available to third parties without the consent of Dragon Capital, and then only to such recipients who have confirmed that distribution of such information is in compliance with all securities laws and regulations which apply to them.

Information specific to UK investors in VEIL: According to an analysis performed on behalf of VEIL by KPMG, VEIL does not meet the definition of an "offshore fund" for the purposes of the Offshore Fund Regulations in the UK. On the basis of this analysis, the Offshore Fund Regulations do not apply to VEIL, and therefore the reporting fund status regime is not relevant to VEIL or its UK investors. Please contact a member of the client group if you require the full analysis from KPMG.

Representative and Paying Agent in Switzerland: The representative for VEF in Switzerland is Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland, and the paying agent is Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich, Switzerland. The VEF prospectus, the key investor information documents (KIIDs), the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE.