



MARKET REVIEW

VNI -4.0% in Jan as a technical correction was aggravated by a COVID-19 outbreak

Volumes nonetheless continued to surge, and foreigners did some net buying

Retail-driven market expansion is clearly not without risks

But corporate and macro fundamentals are attractive – and so are valuations

The VNI fell 4.0% in Jan (TR\$) to 1057, when a technical correction was aggravated by discovery in the north of the country of British-variant COVID-19 cases. The technical correction was probably inevitable. After five consecutive monthly gains, the benchmark had reached an intraday 1200 on 15 Jan, near the record close of 1204 in Apr 2018. At the same time, margin-lending limits were hit for practically all brokers. Profit-taking set in, and Korean investors chose that moment to accelerate the exit they had already been making in favor of the US and China and their own market. Margin calls ensued, and by 19 Jan the Index had slumped to 1131. A rebound started, but it was not to be. The COVID-19 outbreak touched off immediate retail panic selling to an intra-day low of 998 on 28 Jan. At times, there were no buyers for top blue chips. But in due course the virus was seen to be once again contained. The market closed well off its bottom and was showing good momentum into Feb.

None of these gyrations stopped trading activity. Average daily turnover for the three exchanges jumped to a record \$900m, with active retail investing bringing a few billion-dollar days, and the usual periodic crashes of the trading system. Although foreign investors net-sold for the fourth straight month, dumping \$75m, they turned into net buyers in the last three trading days, when stocks were at their low. Evidently looking to invest on weakness, they scooped up \$75m of shares – half of which were MWG, as foreign room opened on ESOP issuance.

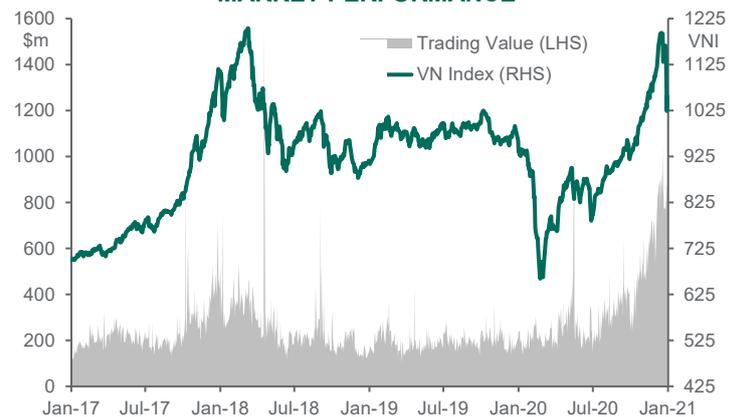
The market's volatility directly reflected the entrance of mass retail investors in the past several months, amping up their bets with margin buying. Leverage was \$4bn by late Jan, or 1.6% of market cap, and perhaps 5% of the float. Although the Index was -17% on the intraday peak-to-trough, many stocks fell 25-30% during that same interval. But the market's expansion will inevitably include active participation from retail investors. The offsetting factor is that corporate and macro fundamentals remain attractive – as do valuations.

Among peers, Vietnam has the lowest PER and the highest EPS growth. Our Top 60 companies so far have seen 4Q20 earnings growth of +6% yoy, after the previous three declining quarters in 2020. Full-year 2020 looks to be +5% and even from this relatively high base compared to peers, we are projecting over +30% EPS for 2021. If anything, the recent incidence of COVID-19 is likely to see a further loosening of monetary and fiscal policy as the Government strives to counter the effect of the virus on the all-important imminent Tet holiday.

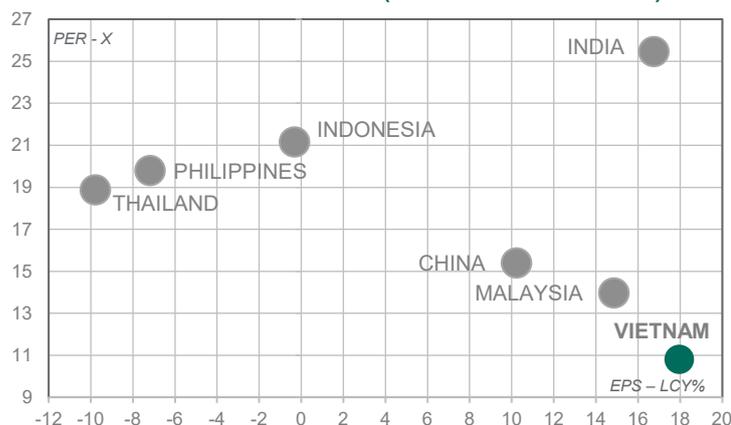
DC TOP-60 FORECASTS

31-Jan-21	Unit	2018	2019	2020F	2021F
PER	x	12.8	11.9	14.2	10.8
EPS Growth	%	24.3	11.7	5.1	32.4
PEG	x	0.5	1.0	2.8	0.3
Sales Growth	%	15.0	10.0	6.0	26.2
EBIT Growth	%	19.7	15.1	10.2	27.2
PBT Growth	%	29.5	13.2	5.2	28.5
NPAT Growth	%	25.8	12.9	5.5	32.9
Net DER	x	0.4	0.3	0.2	0.2
Yield	%	2.3	1.7	1.2	1.2

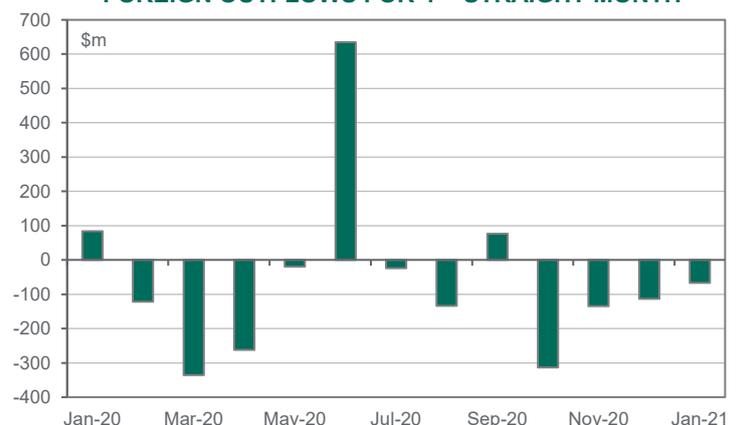
MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR GROWTH TO 2021)



FOREIGN OUTFLOWS FOR 4TH STRAIGHT MONTH





ECONOMY REVIEW

Robust macro backdrop for Five-Year Party Congress setting 2021-25 policy

Party boldly declares private sector to be the main force for economic growth

Leadership line-up prompts comment in international media

But focus on private sector, supported by infrastructure revival, is policy dynamism

Headline macro numbers showed that the economy moved into 2021 in good shape. GDP growth of +2.9% last year was among the world's highest, while Jan retail sales were +6.4% yoy and freight transportation +9.4%. Inflation was -0.97% yoy and the VND is gradually ticking higher. This was an encouraging backdrop for the Five-Year Party Congress that met in late Jan and has just wound up. Only a few major decisions have been formally announced so far, but they are enough to indicate what policy may be like in the half-decade to come.

The key development was the Party's stunning official declaration that the private sector is the foundation for economic growth and no longer the State – which is being told instead to concentrate on restructuring of SOEs. The Party has considered making this pivot before but has always shied away at the last minute. No longer. Putting the private sector at the forefront of policy is seen as the best way to sustain GDP expansion at 6.5-7.0% in 2021-25 and power Vietnam through the ranks of emerging nations. Communiques call for Vietnam to be “a developing country with modern industry, surpassing the low-middle-income level by 2025”.

To implement these targets, the leadership has been reshuffled, with a combination of new faces and familiar ones. Most importantly, the Party General Secretary, Mr Nguyen Phu Trong, was reappointed to what is effectively the top position in Government. Given that Mr Trong exceeds both age limits (76 vs 65) and term limits (three vs two), this has led to comments in the international media that Vietnam's old guard is clinging to power. Although Mr Trong is known as a staunch anti-corruption crusader, who rooted out many wrong-doing elements in his 2016-20 term, a byproduct of this was a slowdown in infrastructure spending, a logjam on property-project approvals and a halt to SOE privatization.

However, many dynamic policies went ahead at the same time despite these blockages, resulting in Vietnam's strong growth performance and its success in containing COVID-19. Positioning the private sector as the country's economic engine is not an example of hidebound Marxist-Leninist ideology. Mr Trong is likely to be a transitional figure. Infrastructure activity is already picking up in Vietnam, particularly on transport projects that had been languishing, and the Government has just announced a \$120bn program to keep up the momentum. Cash in hand, easy money and a sound fiscal position will make this program easy to finance. Property project approvals have long since resumed and privatization is likely to regain steam in 2022. Assuming the outside world cooperates, we are confident about Vietnam's five-year prospects.

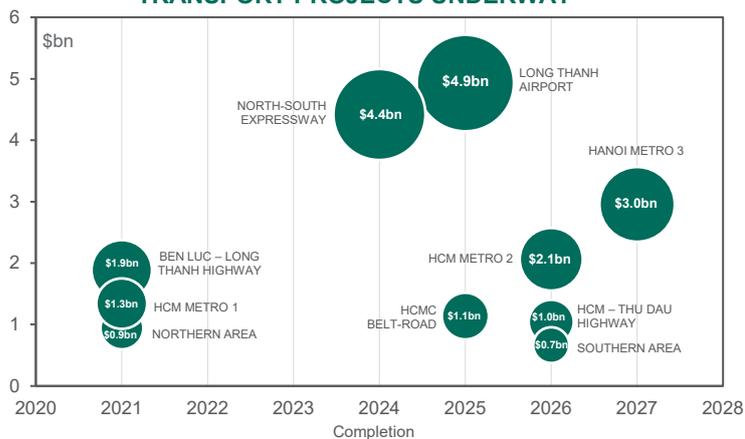
ECONOMIC FORECASTS

	unit	2018	2019	2020	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

FIVE-YEAR PARTY CYCLES

2006	Global Integration	Admission to WTO, and gearing up for export growth driven by FDI
2011	Stabilization	Work-out from the bubble economy, curbing inflation, anchoring the currency, laying the base for an official policy of “growth with stability”
2016	Private Sector: Empowerment	Exemplified by SOE privatization, while it lasted, and with full encouragement for the private sector itself to take off, which it did
2021	Private Sector: Growth Leader	Private sector recognized as the main engine for national growth, supported by aggressive spending on infrastructure

TRANSPORT PROJECTS UNDERWAY



2121-25 FIVE-YEAR PLAN TARGETS

	unit	2011-15	2016-20	2021-25F
Real GDP Growth	%	5.9	5.9	6.5-7.0
GDP per Capita*	\$	2,097	2,750	4,800-5,000
Investment/GDP	%	31.7	33.4	32-34
Manufacturing/GDP	%	15.93	16.6	25
Budget Deficit/GDP	%	5.4	3.79	3.7
Private Sector/GDP	%	43.5	44.0	55
Urbanization Rate	%	35.7	39.3	45

* Old-series numbers; new-series to come later in 2021



VIETNAM EQUITY (UCITS) FUND – VEF

The market's upward momentum from late 2020 continued into Jan 2021, with the VN Index rising almost 9% in the first half of the month. However, a spike in the number of new COVID-19 cases in the north of the country triggered heavy selling, with the market falling into negative territory in the latter half of the month. By the end of Jan, VEF was down 1.3%, compared to a 1.7% decline in its reference benchmark, the FTSE. Contributing the most to the Fund's performance during the period were Mobile World (MWG), FPT Corp (FPT), and Military Bank.

The Fund's top holding MWG rose 11.8% on better-than-expected 2020 results, with net earnings advancing by 2% yoy to VND 9.3trn, or \$168m. This growth in such a difficult year was exceptional, while most of other retail companies posted declining earnings. In 2020, the cell phone and consumer electronics retail businesses continued to be growth drivers for MWG, thanks to an expanding gross profit margin (GPM) and operating expense optimization. GPM improved by 2% in 2020 to 22.1% across the three businesses. In particular, in the grocery retail segment (BHX), GPM increase from 19% to 24% thanks to the company having negotiated better terms with suppliers. However, this pivotal business segment has not contributed positively to the bottom line yet, due to heavy upfront capex in distribution centers during the year. All in all, we are projecting EPS to grow by 22% in 2021, translating into a forward PER of 12.4x.

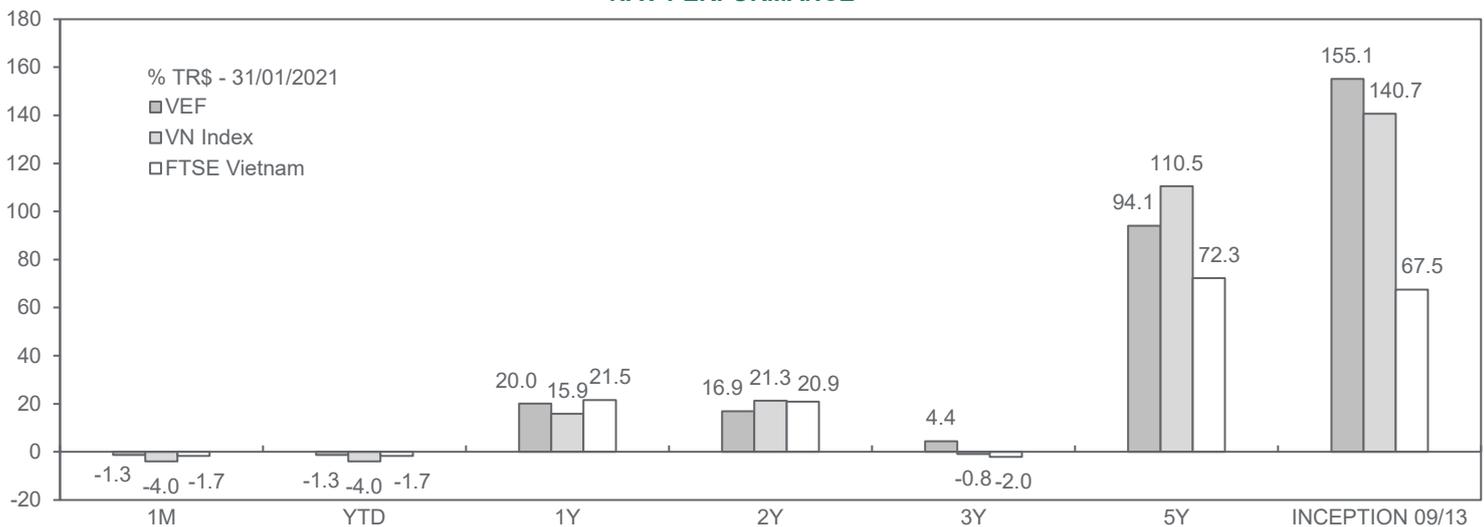
FPT rose 6.3% following the release of strong 2020 results. Despite the unprecedented challenges presented by COVID, FPT's profit before tax (PBT) grew 13% to VND 5,261bn, or \$228m. Management revealed during the last analyst meeting that FPT is targeting 18% growth in 2021, with the main drivers remaining its Software Outsourcing, Telecom, and Education divisions. FPT's conservative management usually delivers above its projections, and we think 2021 will not be an exception. As such, we are penciling in 22% growth for 2021.

Aside from their solid fundamentals, MWG, FPT and MBB also benefited from the strong inflows into the Diamond ETF, which consists of only FOL stocks. MWG, FPT and MBB account for 13.6%, 13.9% and 9.5% of the ETF, respectively. The ETF attracted around \$57m in Jan, pushing its AUM to \$288m by month end.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$25.51	-1.3	-1.3	\$125.6m	3.7	27.14	0.01

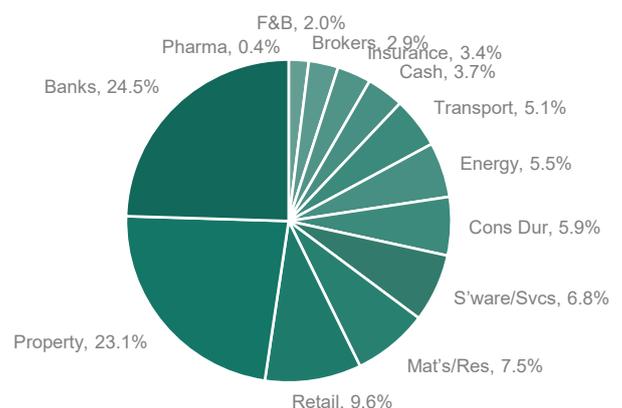
NAV PERFORMANCE



TOP 10 HOLDINGS (60.1% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	-	9.58	11.8
2 Vietcombank	Banks	5.49	8.09	-4.8
3 Hoa Phat Group	Mat's/Res	12.82	7.51	-5.3
4 MB Bank	Banks	-	6.86	3.1
5 FPT Corp	S'ware/Svcs	-	6.82	6.3
6 Vinhomes	Property	15.71	4.65	4.7
7 Phu Nhuan Jewelry	Cons Dur	-	4.59	2.8
8 Khang Dien House	Property	-	4.10	9.1
9 Airports Corp VN	Transport	-	3.99	-13.3
10 Vietinbank	Banks	-	3.89	-11.5

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019	2020
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-Jan-20	31-Jan-21	31-Jan-20	31-Jan-21	31-Jan-20	31-Jan-21	31-Jan-20	31-Jan-21
Market Cap (\$m)	138,161	171,959	8,199	11,034	38,283	42,207	184,643	225,200
Number of Stocks	378	396	367	353	879	912	1,624	1,661
Number of Large Cap Stocks (> \$400m)	35	50	3	4	17	18	55	72
Stocks with No Room for Foreigners	20	14	9	3	32	3	61	20
Market Cap of Stocks with No Room (\$m)	15,246	17,327	1,705	29	1,468	321	18,418	17,678
Share of Market Cap with No Room (%)	11.0	10.1	20.8	0.3	3.8	0.8	10.0	7.8

Top 25 Companies

No	Company	31-Jan Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2019 (x)	2020E (x)	2021F (x)	2019 (x)	2020E (x)	2021F (x)	2019 (%)	2020E (%)	2021F (%)
1	Vietcombank	93,000	-5.0	14,965	8.73	20.7	19.7	16.9	4.1	3.7	2.8	0.7	0.8	-
2	Vingroup	99,400	-8.1	14,587	8.51	51.3	71.4	57.4	5.1	4.6	4.0	0.6	-	0.4
3	Vinhomes	93,500	4.5	13,344	7.92	12.8	10.6	10.2	5.0	3.4	2.6	1.3	0.1	-
4	Vinamilk	102,800	-4.6	9,320	5.44	20.5	20.3	19.9	7.1	7.2	6.5	4.0	3.5	5.6
5	BIDV	39,900	-16.7	6,962	4.06	28.8	27.0	22.4	2.4	2.4	1.9	2.7	1.4	-
6	Airports Corporation VN	70,100	-13.5	6,621	-	22.2	102.6	55.9	4.4	4.7	3.7	1.2	-	-
7	PV Gas	76,300	-11.9	6,336	3.69	14.7	21.2	16.1	3.5	3.4	2.8	4.8	4.1	4.6
8	Hoa Phat Group	39,150	-5.5	5,628	3.28	8.9	10.2	5.4	1.3	2.3	1.6	0.0	1.0	2.5
9	Vietinbank	30,500	-11.7	4,927	2.87	10.1	9.4	8.9	1.0	1.5	1.1	0.0	1.5	-
10	Techcombank	32,000	1.6	4,866	2.84	8.2	9.0	7.5	1.3	1.5	1.3	-	0.1	-
11	Sabeco	161,700	-17.1	4,499	2.62	29.8	26.5	19.0	7.6	6.3	5.0	0.8	3.0	3.4
12	Masan Group	85,500	-3.8	4,357	2.54	11.7	84.7	49.3	1.5	6.6	3.7	0.6	1.3	-
13	Novaland	80,200	22.9	3,702	2.00	16.5	16.7	14.2	2.5	2.5	2.7	0.0	0.1	-
14	VP Bank	30,000	-7.7	3,195	1.86	5.9	7.7	5.9	1.2	1.5	1.2	-	-	-
15	Vincom Retail	32,050	2.1	3,160	1.89	27.1	30.0	24.9	2.9	2.4	2.3	3.2	-	1.6
16	Vietjet Air	125,800	0.6	2,859	1.72	20.1	935.7	57.9	5.1	4.4	4.0	0.7	-	-
17	Military Bank	23,450	2.0	2,847	1.66	6.6	7.7	6.1	1.2	1.3	1.1	2.7	-	-
18	Mobile World	132,700	11.6	2,684	1.52	13.0	13.7	12.9	4.1	3.5	3.2	1.3	1.3	1.2
19	Petrolimex	49,000	-10.3	2,591	1.60	15.0	64.6	15.7	2.7	2.8	2.5	5.4	1.9	6.0
20	ACB	26,800	-4.6	2,513	1.47	6.3	7.9	6.3	1.4	1.7	1.4	-	-	-
21	VEAM Corp	43,500	-12.7	2,508	-	7.4	11.8	8.4	2.0	2.6	2.3	0.0	17.1	-
22	FPT	62,700	6.1	2,132	1.24	13.5	13.1	12.7	2.7	2.9	2.8	3.9	4.1	4.2
23	Bao Viet Holding	56,500	-14.4	1,820	1.06	45.7	31.7	31.2	2.6	2.4	2.0	1.5	2.7	-
24	Vietnam Airlines	25,850	-8.7	1,591	0.93	25.3	neg	neg	2.6	7.0	19.6	3.6	-	-
25	HD Bank	22,300	-6.1	1,542	0.91	7.5	8.9	7.2	1.3	1.5	1.3	0.6	-	-

VIETNAM MONTHLY REPORT

Performance Data as at 31 January 2021

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).	

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