



## MARKET REVIEW

**VNI +10.8% but 1200 still offers resistance, but with good support in mid-1100's**

**Foreigners remain net sellers, but outflow is declining and locals continue to absorb**

**Concerns exist: global inflation scare, vaccine uncertainty, HOSE trading system**

**But the value / growth play remains peerless**

Following the sell-off in late Jan due to a COVID-19 episode in the north, the VN Index rebounded by 10.8% (TRS) in Feb to close at 1168. The Government took its usual decisive measures to contain the virus and the market rallied. Strong 4Q20 results provided a further boost as earnings growth finally turned positive at +15% yoy. But 1200 remained a formidable resistance level, as shown by the futures premium falling from 40 points in mid-Jan to five points by late Feb when the peak was re-approached. Going into Mar, the Index was clearly hanging back. Abroad, inflation anxieties are mounting; at home, it is unclear when mass vaccination will start, and the overloaded trading system keeps freezing up. We look for healthy consolidation in the mid-1100's, where stocks are under-valued, but immediate upside catalysts may be lacking.

One obvious drag on the market is that foreigners continue to be net sellers. Their outflow has been declining since Oct but remains negative. It looked as if buying might win out this month, with foreigners having scooped up a net \$63m by 19 Feb. But redemptions from EM and FM funds resumed, and then Korean retailers started piling out again. Some are taking profit, others are recovering money they invested near the 1204 top in early 2018, but in both cases, they are part of a global movement by Koreans to redeploy capital into their booming domestic market. By month's end, foreigners had net-sold \$61m. Compared to \$67m in Jan, that at least kept up the declining trend. And the foreign selling was smoothly absorbed by local retailers. When the foreign exodus finally abates, one can imagine the impact on stock prices, if locals stay strong.

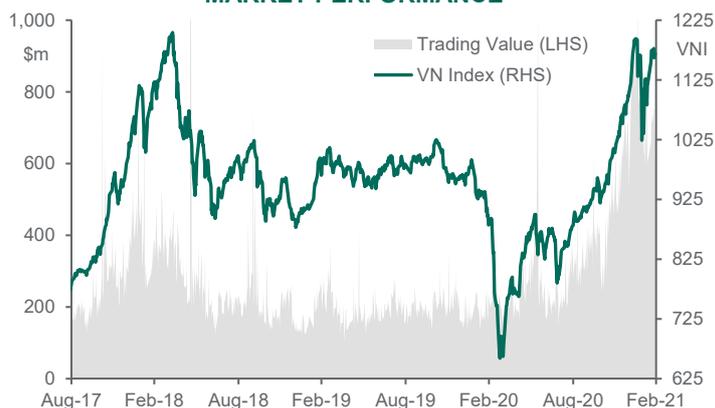
The plunge of markets overseas, as bond yields rise on inflation concerns, has not dented Vietnamese equities very much – though they will not remain uncorrelated if this trend continues. Closer to home, the vaccination story awaits developments. Of course, it is early days, but while contracts for 30-60m doses have been signed, and some down payments have been made, deliveries are proving more complicated (see overleaf). And then there is the daily logjam on the HOSE trading system as it is swamped by accelerating volume. A new system is being installed but probably won't be in place before year-end, and in the meantime, market authorities are trying to find a fix that will help more than it hinders. Simplistic proposals for a blanket increase in trading-lot size, which would have put off retail players, was rejected. This was a positive sign.

The most positive sign, though, is that as Vietnam's economy moves towards reopening, the market retains its exceptionally strong earnings outlook, combined with its low forward valuation.

### DC TOP-60 FORECASTS

28-Feb-21	Unit	2018	2019	2020F	2021F
PER	x	12.8	11.9	14.1	11.6
EPS Gro	%	24.3	11.7	5.6	34.0
PEG	x	0.5	1.0	2.5	0.3
Sales Gro	%	15.0	10.0	2.2	30.6
EBIT Gro	%	19.7	15.1	2.7	33.5
PBT Gro	%	29.5	13.2	6.2	30.1
NPAT Gro	%	25.8	12.9	6.0	34.4
Net DER	x	0.4	0.3	0.3	0.2
Yield	%	2.3	1.7	1.2	1.2

### MARKET PERFORMANCE

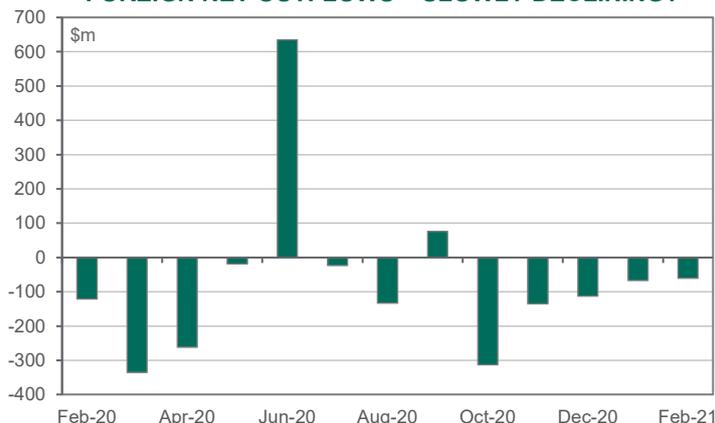


### COMPARATIVE RATINGS (2YR CAGR TO 2021)



Note: All market numbers adjusted for free float

### FOREIGN NET OUTFLOWS – SLOWLY DECLINING?





## ECONOMY REVIEW

**Economy ticking overly nicely in 2M21, Government projects +6.5% GDP growth**

**Vaccines seem to be falling into place contractually, for mid-2022 immunization**

**But deliveries may not be quite as straightforward**

**So Vietnam is working on its own vaccines, with Phase 2 trials now starting**

Macro numbers continued to paint a satisfactory picture of the economy in Jan-Feb. Total trade was +24.5% yoy, with a \$1.3bn surplus, reflecting rising international demand, and this was a meaningful result since 2020's low base of trade only started in Mar-Apr. Despite COVID-19 resurgence that caused lockdowns in some northern areas, retail sales were +5.5%. The PMI rebounded to 51.6 from 51.3 in Jan, signaling an improvement in business conditions. Inflation was essentially unchanged; observers warned it might jump in Mar, but mostly because of the low base commodity prices formed in Mar last year, led by oil. The Government continues to forecast GDP growth of 6.5% in 2021, at the low end of a 6.5-7.5% consensus range.

The key factor in achieving growth targets will be effective mass vaccinations. The view of epidemiologists seems to be that Vietnam could get fully inoculated by mid-2022, and in theory, the country has already made strong progress in this direction. It has negotiated to receive 30m vaccine doses from Astra-Zeneca during 1H21, with a down payment of \$30m to secure an immediate batch of 1.3m for front-line workers. It has also arranged for the COVAX Facility to ship a further 30m doses in 2H21. And it is talking to Pfizer, Moderna, Sinovac and Sputnik V about a further 150m doses. Thus, 210m doses are planned, of which 60m appear to be contractually in hand. With immunization programs proceeding faster than expected in the US and Europe, it might be reasonable to expect wide vaccination well before mid-2022.

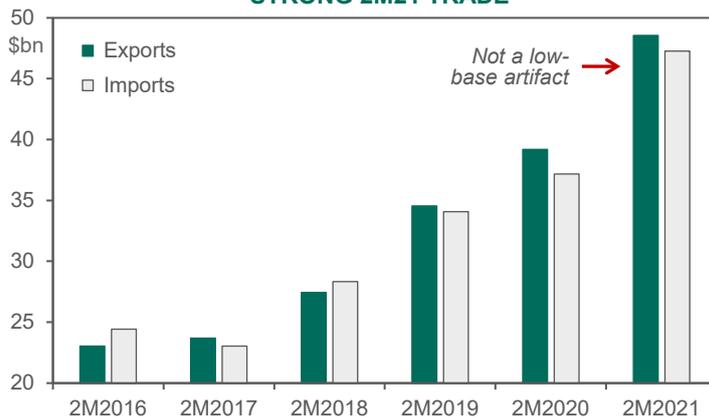
But with the well-known manufacturing and distribution problems that suppliers are starting to have – and the priority that is being given to patients in US/Europe – deliveries are turning out to be less straightforward. On Vietnam's upfront 30m AZ doses that have been formally contracted and down-paid, company sources say that shipments may be strung out in 1-2m dose batches, at significant intervals. For the emergency batch, 117,000 doses have arrived so far, and they will start to be administered in Mar – a good start, but not necessarily a rapid one.

The Government is therefore pressing local bio-tech firms to come up with a Vietnamese vaccine. One company, Nanogen, has had highly successful Phase 1 trials. It is carrying out Phase 2 now and expects to move to Phase 3 in May. If tests pan out, the Government will subsidize the product, Nanocovax, at \$5/dose and authorize immediate injections in 2H21 to speed up herd immunity. If this effort succeeds, the pandemic will provide another example of how Vietnam's challenges are largely external, but the country is capable of rising to them.

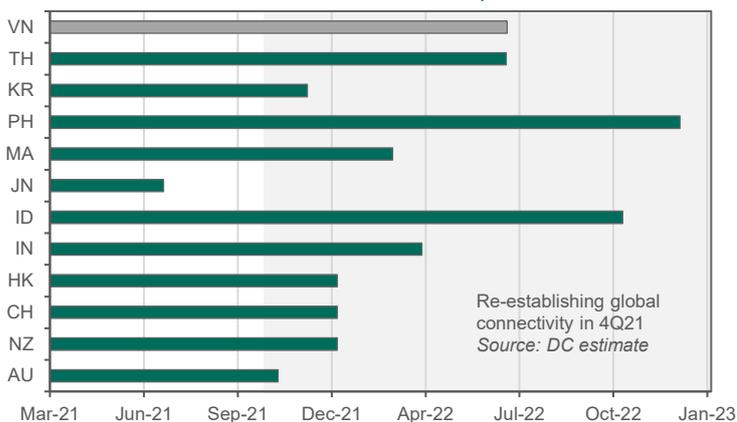
### ECONOMIC FORECASTS

	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

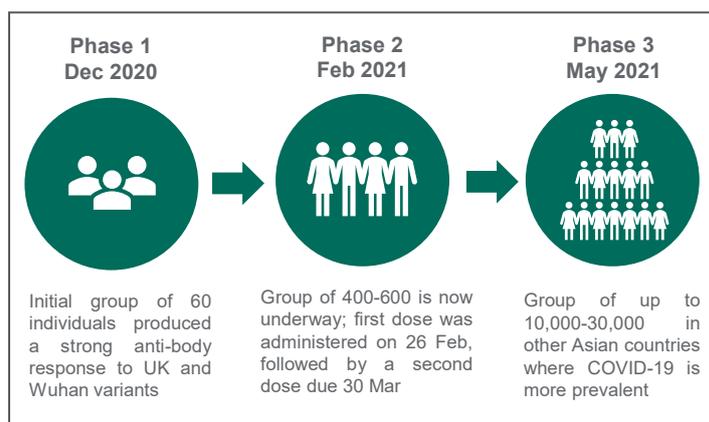
### STRONG 2M21 TRADE



### TIMELINES TO IMMUNIZATION, EX-US/EUR



### VIETNAM'S OWN: NANOCOAX





## VIETNAM EQUITY (UCITS) FUND – VEF

The stock market perked up In Feb as the Jan wave of COVID was brought under control. VEF gained 10.0% for the month while the FTSE VN Index rose 8.2%. The Fund's strong performance in Feb and ytd was driven by primarily by its bank, property, and IT holdings, as well as by materials. In terms of individual positions, the usual strong conviction names such as FPT Corp (FPT), Hoa Phat Group (HPG) and Military Bank (MBB) were amongst the top contributors to return.

FPT surged 21.7% on management's reaffirmed double-digit growth projected for 2021 in an analyst meeting earlier in the month. Demand for the company's outsourcing business started to pick up in late 2020 and is expected to recover even more strongly in 2021 as companies adapt to the "new normal". Regarding its education business, FPT Education's reputation has improved markedly in recent years, drawing a lot of enrollment. Its Education division plays an important strategic role for FPT as a place to recruit talent. We are projecting 22% earnings growth for the company in 2021, translating to an undemanding PER of 15.7x with a decent combination of a 28% ROE and a 4% dividend yield.

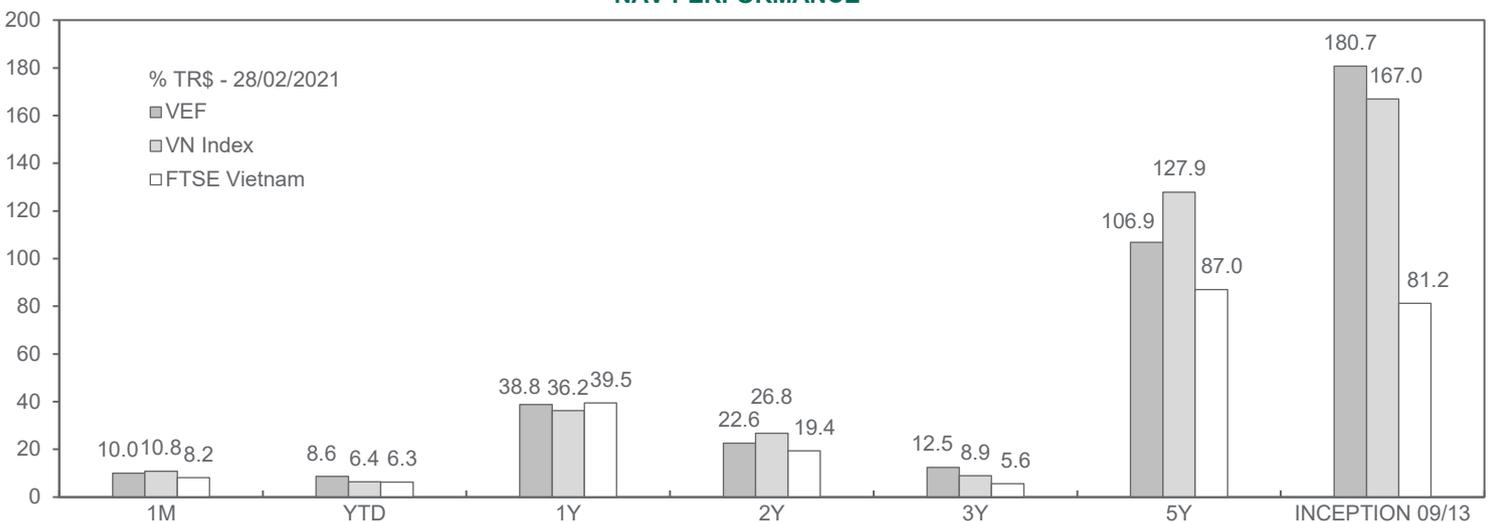
Vietnam's leading steel company HPG rose 16.6%, mostly thanks to continuing strong business performance in the first two months of 2021. The recent dynamics of input material costs and steel consumption suggest that average selling prices will be able to be maintained, thereby keeping the margin expansion momentum intact in 1Q21. As a result, we are expecting very strong 1Q earnings for the company.

Also of note was Vietnam Prosperity Bank's (VPB) 33.5% gain, which catapulted it into the Fund's top 10 holdings. VPB posted strong profit growth for 2020 (+25.2% yoy) driven by very good performance by the parent bank (profit +60% yoy) while its subsidiary FE Credit's profit dropped by 17% yoy due to COVID-19. The parent bank's resilient performance can be attributed to NIM expansion, healthy fee income growth and cost savings from digitalization. We currently forecast 23.5% profit growth for the bank for 2021, with continuing good performance of the parent bank and recovery of FE Credit post-COVID. The potential divestment of FE Credit, which is now under negotiation, should provide a further catalyst for the stock's performance this year. VPB now trades at a reasonable 2021 PBR of 1.6x and PER of 7.9x.

### PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$28.07	10.1	8.6	\$143.9m	1.4	27.68	0.09

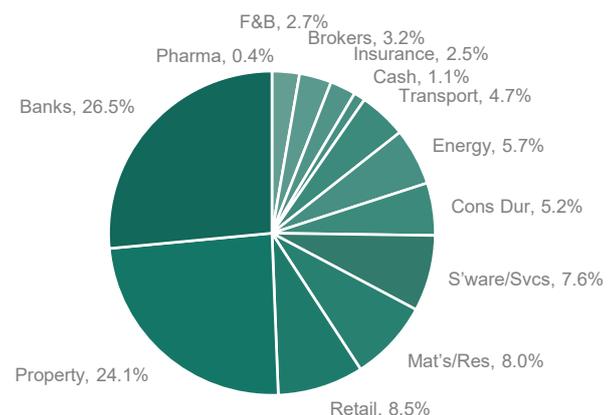
### NAV PERFORMANCE



### TOP 10 HOLDINGS (59.6% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	-	8.52	1.9
2 Hoa Phat Group	Mat's/Res	13.82	8.05	16.6
3 FPT Corp	S'ware/Svcs	-	7.59	21.7
4 MB Bank	Banks	-	7.49	18.1
5 Vietcombank	Banks	5.37	7.32	5.7
6 Vinhomes	Property	15.80	4.41	8.8
7 Vietinbank	Banks	-	4.16	22.3
8 VN Prosperity Bank	Banks	-	4.10	33.5
9 Phu Nhuan Jewelry	Cons Dur	-	4.10	2.3
10 Airports Corp VN	Transport	-	3.81	6.1

### SECTOR BREAKDOWN





## APPENDIX 1: MACRO

### Key Indicators

Item	Unit	2013	2014	2015	2016	2017	2018	2019	2020
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	52.0	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	
	28-Feb-20	28-Feb-21	28-Feb-20	28-Feb-21	28-Feb-20	28-Feb-21	28-Feb-20	28-Feb-21
Market Cap (\$m)	129,833	189,627	8,852	12,487	37,111	45,107	175,796	247,222
Number of Stocks	377	399	368	353	883	908	1,628	1,660
Number of Large Cap Stocks (> \$400m)	34	57	4	5	16	19	54	81
Stocks with No Room for Foreigners	18	11	9	3	32	3	59	17
Market Cap of Stocks with No Room (\$m)	15,442	17,563	1,845	31	1,393	325	18,680	17,919
Share of Market Cap with No Room (%)	11.9	9.3	20.8	0.3	3.8	0.7	10.6	7.2

### Top 25 Companies

No	Company	28-Feb Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2019 (x)	2020 (x)	2021F (x)	2019 (x)	2020 (x)	2021F (x)	2019 (%)	2020 (%)	2021F (%)
1	Vingroup	109,000	0.7	16,017	8.42	51.3	71.4	62.9	5.1	4.6	4.3	0.6	-	0.4
2	Vietcombank	98,200	0.3	15,822	8.32	20.7	22.6	17.4	4.1	3.7	3.0	0.7	0.8	-
3	Vinhomes	101,600	13.5	14,519	7.77	12.8	10.6	10.9	5.0	3.4	2.7	1.3	0.1	-
4	Vinamilk	104,800	-2.8	9,515	5.00	20.5	22.5	21.3	7.1	7.2	6.8	4.0	3.5	5.7
5	BIDV	43,600	-9.0	7,618	4.01	17.6	21.7	13.5	2.4	2.4	2.1	2.7	1.4	-
6	PV Gas	89,300	3.1	7,425	3.90	14.7	21.7	18.2	3.5	3.4	3.3	4.8	4.1	3.9
7	Airports Corporation VN	74,300	-8.3	7,027	-	22.2	113.6	59.2	4.4	4.7	3.9	1.2	-	-
8	Hoa Phat Group	45,600	10.0	6,564	3.45	8.9	10.8	6.3	1.3	2.3	1.8	0.0	1.0	2.2
9	Vietinbank	37,250	7.8	6,025	3.17	10.1	11.5	10.9	1.0	1.5	1.3	0.0	1.5	-
10	Techcombank	39,250	24.6	5,976	3.14	7.9	8.7	8.5	1.3	1.5	1.5	-	0.1	-
11	Sabeco	188,000	-3.6	5,237	2.75	29.8	28.2	22.1	7.6	6.3	5.8	0.8	3.0	3.2
12	Masan Group	90,300	1.6	4,608	2.42	11.7	84.7	52.1	1.5	6.6	5.9	0.6	1.3	-
13	VP Bank	40,000	23.1	4,266	2.24	5.9	7.7	7.6	1.2	1.5	1.5	-	-	-
14	Novaland	79,600	22.0	3,679	1.79	16.5	16.7	14.1	2.5	2.5	2.7	0.0	0.1	-
15	Military Bank	27,650	20.2	3,362	1.77	5.9	7.4	6.4	1.2	1.3	1.3	2.7	-	-
16	Vincom Retail	33,200	5.7	3,277	1.77	27.1	30.0	23.9	2.9	2.4	2.4	3.2	-	1.5
17	ACB	33,050	17.6	3,104	1.63	6.6	7.9	7.2	1.4	1.7	1.6	-	-	-
18	Petrolimex	58,200	6.6	3,082	1.72	15.0	68.9	18.6	2.7	3.1	2.9	5.4	3.6	5.2
19	Vietjet Air	135,100	8.1	3,074	1.67	20.1	935.7	62.2	5.1	4.4	4.3	0.7	-	-
20	Mobile World	135,000	13.5	2,734	1.44	13.0	13.7	13.1	4.1	3.5	3.2	1.3	1.3	1.1
21	FPT	76,200	28.9	2,595	1.36	13.5	14.6	15.4	2.7	2.9	3.4	3.9	4.1	3.6
22	VEAM Corp	44,700	-10.3	2,580	-	7.4	11.8	8.7	2.0	2.6	2.4	0.0	17.1	-
23	VIB	39,700	22.5	1,913	1.01	4.9	7.7	7.1	1.2	2.0	1.8	2.7	-	-
24	Bao Viet Holding	59,100	-10.5	1,906	1.00	45.7	33.8	32.6	2.6	2.4	2.1	1.5	2.7	-
25	Vietnam Airlines	29,950	5.8	1,845	0.97	25.3	neg	neg	2.6	6.3	22.7	3.6	1.0	-

# VIETNAM MONTHLY REPORT

28 February 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 <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>

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Clearing	CREST Participant ID 393 (UK Equity)
Settlement	BIC Code: JEFFGB2X
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