



MARKET REVIEW

VNI +7.3% in May, with records for Index, turnover, margin lending

Net foreign selling also at record level of \$510m but foreigners are a non-issue now

Banks again led the market; valuations are rising but comp's are still favourable

The market has run feverishly, but it's cheap and alternative assets are lacking

Despite a vicious new COVID-19 wave, the market kept advancing in May. It rose for a fourth straight month to a record 1328, posting a TR\$ gain of 7.3%, or +20.9% ytd. Daily turnover also scored a record, rising 19.4% to \$956m on the HOSE, and 16.0% to \$1,138m across the three exchanges. That surpassed Indonesia and even Singapore, indicating that the trading-system fix has been a major improvement. The retail boom continued, as 113,500 new accounts were opened. With that, margin lending too marked a record at ca \$5bn. Many brokers are now at the statutory limit of 2x book but are planning to expand their capital base via rights issues in 3Q.

Foreign net selling resumed in May, to hit \$510m – another record, as it happened. But foreigners have long since become a non-issue at barely 7% of total trading, and locals brushed them aside in the usual way. The foreign exodus in May was the same institutional switching seen in other Asian emerging markets. Korean retail investors were absent from the retreat, perhaps pained by their unsuccessful timing so far. Foreigners have now net-sold \$1,120m ytd.

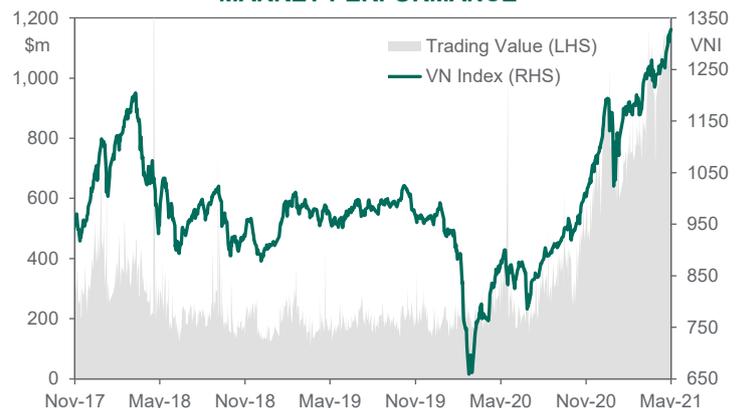
Market activity was heavily monopolized by steel and banks, with price gains of 20-40%. The much smaller brokerage cohort also saw prices soar, by 30-35%, on predictable enthusiasm about their business outlook. But all other sectors lagged or fell away. Steel continues to be an obvious play on voracious demand from the infrastructure / property boom. By contrast, the relentless momentum in banks has curbed the “no-brainer” investment profile they had just a few months ago. They are nonetheless cheap regionally, on superior growth and profitability. The average 2021 PBR of 2.0x is somewhat above immediate peers in SE Asia but ROE of 21%, NPAT of +40% and PER of 11x are all better. We are still calculating numbers, but for 2022 – even with earnings inevitably slowing – it looks as if the relative metrics will remain compelling.

With stocks moving up in a straight line on margin-fueled retail buying, and the sectoral focus narrowing, questions inevitably arise about the sustainability of the market's run. Two things are clear. First, the lack of alternative assets: the yield on term deposits and bonds is generally negligible, and property is becoming a longer-term play. Second, the cheapness of stocks: this is a fact, even if equities are being targeted in a somewhat speculative way. We have upgraded our 2021 forecasts to reflect the sensational results from 1Q, augmented by what we are hearing about likely 2Q numbers from management. Our Top 60 names are now projected to deliver 49% EPS growth and a PER of 12.5x. For 2022, we envision 10x PER on +20% EPS. If our estimates pan out, these valuations are attractive in their own right, not to mention vs peers.

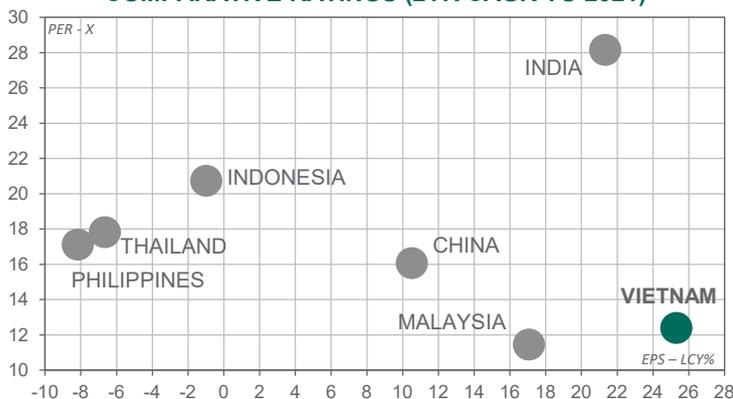
DC TOP-60 FORECASTS

31-May-21	Unit	2018	2019	2020	2021F
PER	x	12.8	11.9	14.1	12.5
EPS Gro	%	24.3	11.7	5.5	48.8
PEG	x	0.5	1.0	2.6	0.3
Sales Gro	%	15.0	10.0	2.2	30.3
EBIT Gro	%	19.7	15.1	3.1	48.0
PBT Gro	%	29.5	13.2	6.0	44.8
NPAT Gro	%	25.8	12.9	5.9	49.8
Net DER	x	0.4	0.3	0.3	0.2
Yield	%	2.5	2.0	1.8	1.8

MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR CAGR TO 2021)



FOREIGN OUTFLOWS RESUME





ECONOMY REVIEW

Vietnam's economy not too heavily affected yet by latest COVID-19 wave

Domestic inflation well contained; the risk remains imported inflation

A small 5mo trade deficit has developed, driven by passing external factors

2021 GDP forecast slightly reduced to 6%, but vaccinations are coming

The fourth wave of COVID-19 has so far had a very modest impact on the economy. Although May retail sales took an immediate -3% hit mom, due to social distancing, the 5mo number of +7.6% yoy is more representative of the underlying trend. Industrial production rose 11.6%, and workers in industrial parks have now been added to the priority list for COVID-19 inoculation. This will keep FDI flowing, and it clocked a healthy +6.7% or \$6.7bn (disbursed) in Jan-May. Inflation appeared to stay under firm control, at +0.15% mom and +2.9% yoy, based on good monetary and fiscal discipline at home – though analysts are closely watching for risks of imported inflation. By contrast trade numbers did raise some eyebrows, as the trade balance turned to a deficit of \$0.4bn for 5M21 vs a \$4.1bn surplus in 5M20.

Inflation ticked up in Apr-May because of higher fuel prices hitting the transportation component, which is almost 10% of the basket and surged 21.2%. But this was an obvious low-base effect, and other components were mostly flat, with a definite absence of any demand-pull pressure. Meanwhile, anti-pandemic fiscal support has been kept at 3% of GDP, given successful containment of the virus, while the fiscal deficit itself is likely to be just 4% this year. And the VND, completely stable for a decade now, can be appreciated to combat rising import prices. Of course, if rising import prices come, and they are material, Vietnam will only be able to do so much damage control. But otherwise, we think inflation may already be nearing its peak.

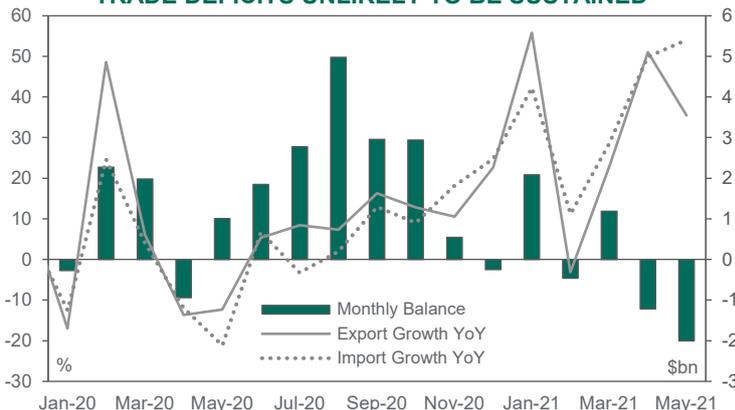
As for trade, 5mo exports were +30.8% yoy at \$130.9bn, but the -10.5% mom seen last Apr was followed by -2.1% mom in May. This reflected a sharp deceleration in electronic goods due to semiconductor shortages, shipping constraints and COVID resurgence in key trading partners (Taiwan and Korea especially). These are transitory factors that should be sorted out in the next few months. However, 5mo import growth was 36.8%, at \$131.3bn, due to overdue inventory replacement and a certain level of higher costs. So a move to deficit could not be avoided.

With the latest pandemic wave, we have cut our GDP forecast from 6.5-7.0% to 6.0%. Meanwhile, Vietnam is making good progress on assembling vaccines. It has contracted for 170m doses, covering 80% of the population. Deliveries have been slow – only 2.9m doses so far – but the Government is trying to speed them up by letting the private sector get involved in importation, and in providing vaccine services. The Government is also negotiating for technology transfer to produce 5m doses locally per month. Many front-line workers have now received shots as well. We believe mass vaccinations can start in Jul and get the country fully inoculated by 1Q22, and international flights back on track by mid-2022 latest.

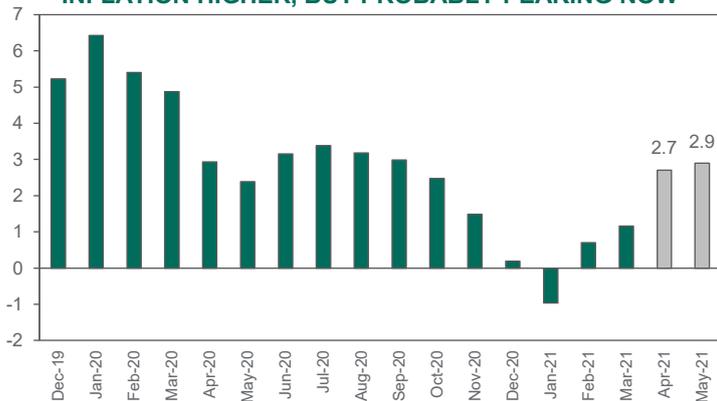
ECONOMIC FORECASTS

31-May-21	unit	2018	2019	2020	2021F
Real GDP Gro	%	7.1	7.0	2.9	6.0
Nominal GDP	\$bn	313.3	335.2	343.1	363.7
CPI	%	3.0	5.2	3.2	3.5
Export Gro (cif)	%	13.8	9.1	6.5	22.1
Import Gro (cif)	%	11.5	7.7	3.7	25.4
Trade Bal (cif)	\$bn	6.8	9.4	19.1	15.6
FX Reserves	\$bn	61.0	80.0	98.0	110.0
FDI Disbursed	\$bn	19.1	20.4	20.0	21.7
VND:\$	1	23,235	23,150	23,085	23,050

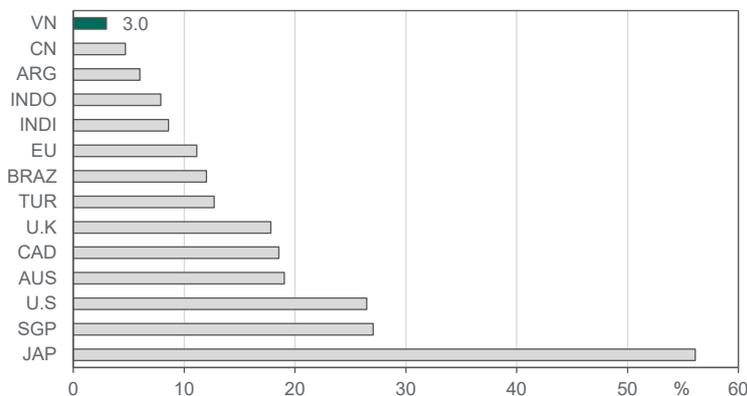
TRADE DEFICITS UNLIKELY TO BE SUSTAINED



INFLATION HIGHER, BUT PROBABLY PEAKING NOW



COVID-19 FISCAL RESPONSE / GDP IN 2020





VIETNAM EQUITY (UCITS) FUND – VEF

Ignoring the Wall Street adage “sell in May and go away”, VEF had one of its best months since its inception in May, gaining 12.1% while the FTSE-VN Index rose 4.8%. This good month has enabled VEF to extend its ytd outperformance to 12.5% in 5M21. Banking, steel, and tech stocks were the largest contributors, while the retail sector experienced a slight loss.

Many of the Fund’s banking positions rose sharply in May, driven by both fundamentals and flow. The banking sector, the largest component of the VN Index, attracted a lot of buying by retail investors thanks to outstanding 1Q results and news of dividend payments. In 1Q, banks reported a 78% yoy growth in PBT, driven by (1) net interest margin expansion of around 40 bps yoy as funding cost dropped at a faster pace than lending rates, (2) solid fee income coming from banca, card services, etc., and (3) a lowering of cost to income thanks to digitalization. Asset quality remained solid, with a non-performing-loan ratio of 1.3% (unchanged vs. end-2020) and a loan-loss-coverage ratio improving to 118% (from 110% at end-2020).

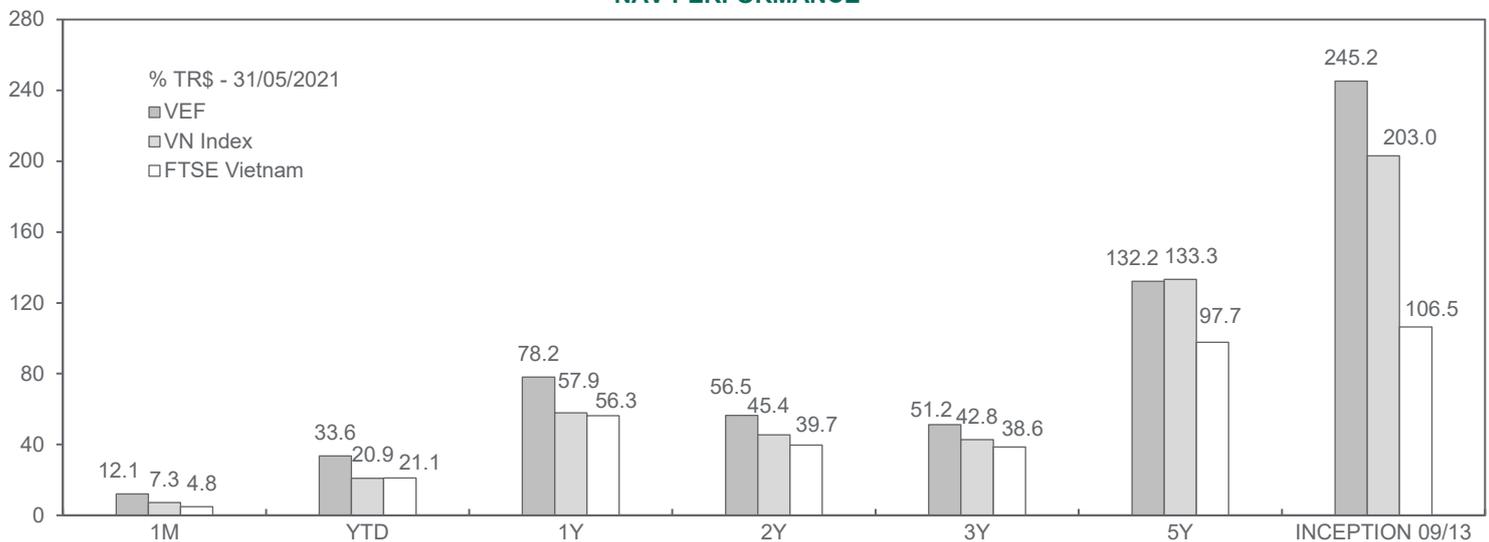
The Fund’s largest position, HPG, maintained its strong momentum in May, rising another 23.3%. The stock rose on news of a cash dividend and a hefty stock dividend (owners of 20 shares will receive seven new shares), in addition to better-than-expected 1Q earnings. We expect the company’s growth momentum to remain strong for the rest of 2021, underpinned by continuing strong steel sales volumes and a sustainable selling price at higher levels than in previous years, despite the possibility of short-term softening from peak levels.

Meanwhile FPT continued its ascent, rising a further 21.0% in May. The stock is now up 67% ytd on (1) continued strong earnings, (2) upcoming cash and stock dividends, and (3) a significant re-rating for the technology star of Vietnam. A recent M&A deal with Base.vn, while small in scale, also put FPT into the heart of the local market - SME customers. After years of going global, FPT is beginning to re-explore the domestic market as the demand for digital transformation at local companies soars. The move not only helps FPT penetrate a market with huge potential but also increases awareness of local retail investors of the stock.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$34.52	12.1	33.6	\$175.0m	1.4	27.98	0.48

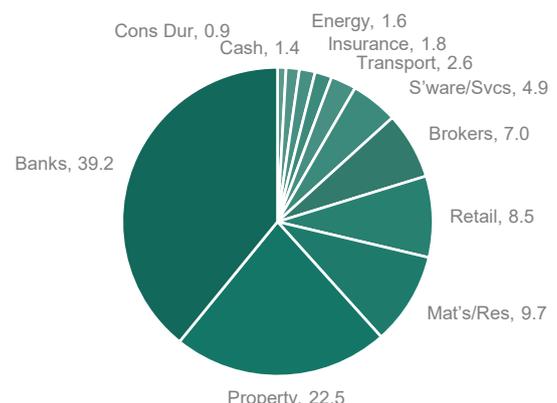
NAV PERFORMANCE



TOP 10 HOLDINGS (61.3% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Hoa Phat Group	Mat's/Res	17.61	9.67	23.3
2 VP Bank	Banks	-	9.09	18.3
3 MB Bank	Banks	-	7.47	25.2
4 Vingroup	Property	13.33	6.12	-10.3
5 Asia Comm'l Bank	Banks	-	5.06	19.5
6 FPT Corp	S'ware/Svcs	-	4.90	21.0
7 Novaland	Property	7.42	4.83	2.5
8 Techcombank	Banks	-	4.79	31.0
9 Vietinbank	Banks	-	4.74	30.2
10 Vietcombank	Banks	4.40	4.63	-1.4

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2014	2015	2016	2017	2018	2019	2020	2021F
GDP									
GDP	\$bn	241.7	257.9	273.9	292.5	313.3	335.2	343.1	363.7
Real GDP Growth	%	6.0	6.7	6.2	6.8	7.1	7.0	2.9	6.0
Services Growth	%	6.2	6.3	7.0	7.4	7.0	7.3	2.5	7.8
Agriculture Growth	%	3.4	2.4	1.4	2.9	3.8	2.0	2.8	2.9
Ind'l and Const'n Growth	%	6.4	9.6	7.6	8.0	8.9	8.9	3.3	10.5
Retail Sales Growth	%	10.6	9.5	10.2	10.9	11.7	11.8	0.8	12.5
Prices									
CPI (year-end)	%	1.8	0.9	4.7	2.6	3.0	5.2	3.2	3.5
Money, FX & Interest Rates									
Money Supply M2	%	16.0	18.0	18.0	18.0	11.3	13.1	13.2	12
Average Lending Rate	%	9.7	8.6	9.0	9.3	9.5	9.7	8.6	9.0
5-yr VGB	%	5.2	6.6	5.5	4.3	4.5	1.9	1.1	1.3
VND : \$	\$1	21,390	22,540	22,750	22,750	23,235	23,150	23,085	23,050
External Sector									
Trade Balance	\$bn	1.9	-3.5	1.8	2.9	6.8	9.4	19.1	15.6
Current Account	\$bn	6.0	3.0	3.8	6.0	9.4	7.1	9.9	9.0
Current Account / GDP	%	2.5	1.2	1.4	2.1	3.0	2.1	2.9	2.4
FDI Registered	\$bn	20.3	22.8	24.3	35.9	35.5	36.0	28.5	34.2
FDI Disbursement	\$bn	12.5	14.5	15.8	17.5	19.1	20.4	20.0	21.7
FX Reserves	\$bn	34.2	31	41.1	52.0	61.0	80.0	98.0	110.0
Public Debt & Fiscal Balance									
External Debt	\$bn	70.5	78.1	88.5	107.6	111.5	110.0	112.0	113.5
<i>Government</i>	\$bn	38.1	39.6	42.9	46.3	47.7	49.1	51.5	53.5
<i>Enterprises (incl. FDI)</i>	\$bn	32.4	38.5	45.6	61.3	63.8	60.9	60.5	60.0
External Debt (% GDP)	%	29.2	30.3	32.3	36.8	35.6	32.8	32.5	30.8
Fiscal Balance (% GDP)	%	-3.6	-3.3	-3.0	-2.6	-2.9	-2.6	-3.9	-4.0



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-May-20	31-May-21	31-May-20	31-May-21	31-May-20	31-May-21	31-May-20	31-May-21
Market Cap (\$m)	129,270	216,381	8,797	17,184	35,897	46,918	173,964	280,484
Number of Stocks	381	386	360	363	894	922	1,635	1,671
Number of Large Cap Stocks (> \$400m)	34	62	4	7	16	21	54	90
Stocks with No Room for Foreigners	19	15	8	1	34	1	61	17
Market Cap of Stocks with No Room (\$m)	13,801	34,766	1,702	10	628	620	16,131	35,396
Share of Market Cap with No Room (%)	10.7	16.1	19.4	0.1	1.7	1.3	9.3	12.6

Top 25 Companies

No	Company	31-May 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	117,500	8.6	17,244	8.06	51.3	67.0	62.7	5.1	4.6	4.7	0.6	-	-
2	Vietcombank	98,600	0.7	15,867	7.41	20.7	22.6	16.4	4.1	3.9	3.0	0.7	0.8	-
3	Vinhomes	102,600	14.6	14,644	6.97	12.8	10.8	10.2	5.0	3.4	2.7	1.3	0.1	-
4	Hoa Phat Group	52,700	72.9	10,228	3.54	8.9	9.7	6.0	1.3	2.3	2.5	0.0	1.0	1.3
5	Vietinbank	53,100	53.7	8,578	4.01	10.1	11.5	12.2	1.0	1.5	1.8	0.0	1.5	-
6	BIDV	48,700	1.7	8,498	3.97	17.6	22.1	15.1	2.4	2.4	2.3	2.7	1.4	-
7	Vinamilk	90,500	-16.1	8,206	3.83	20.5	22.5	18.5	7.1	7.2	5.8	4.0	3.5	4.5
8	Techcombank	53,700	70.5	8,166	3.82	7.9	8.7	10.1	1.3	1.5	2.0	-	0.1	-
9	VP Bank	69,200	112.9	7,370	3.45	5.9	7.7	11.0	1.2	1.5	1.9	-	-	-
10	PV Gas	82,600	-4.6	6,859	3.21	14.7	21.6	16.8	3.5	3.4	3.0	4.8	4.1	4.2
11	Novaland	134,600	106.3	6,317	2.93	16.5	16.6	24.3	2.5	2.5	4.0	0.0	0.1	-
12	Airports Corporation VN	66,800	-17.5	6,309	-	22.2	119.1	43.6	4.4	4.7	3.5	1.2	-	-
13	Masan Group	110,100	23.8	5,611	2.62	11.7	84.6	42.2	1.5	6.6	6.8	0.6	1.3	-
14	Military Bank	38,000	65.2	4,614	2.16	5.9	7.4	8.2	1.2	1.3	1.8	2.7	-	-
15	Sabeco	155,500	-19.6	4,327	2.02	29.5	28.0	20.4	7.5	6.2	4.8	0.8	3.0	3.9
16	ACB	41,400	47.3	3,883	1.81	6.6	7.9	9.0	1.4	1.7	2.0	-	-	-
17	FPT	97,900	92.5	3,855	1.57	13.5	14.6	22.5	2.7	2.9	5.1	3.9	4.1	2.8
18	VIB	68,500	111.4	3,297	1.54	4.9	7.7	12.3	1.2	2.0	3.1	2.7	-	-
19	Petrolimex	54,600	0.0	2,947	1.43	15.0	67.7	18.7	2.7	3.1	3.2	5.4	6.0	5.2
20	Vincom Retail	29,400	-6.4	2,899	1.39	27.1	30.0	24.3	2.9	2.4	2.2	3.2	-	1.6
21	Mobile World	138,500	16.5	2,857	1.33	13.0	13.7	13.7	4.1	3.5	3.4	1.3	1.3	1.1
22	Vietjet Air	110,000	-12.0	2,585	1.21	20.1	954.6	713.3	5.1	4.4	4.0	0.7	-	-
23	VEAM Corp	42,500	-14.7	2,450	-	7.4	11.8	8.2	2.0	2.6	2.3	0.0	17.1	-
24	HD Bank	33,800	42.3	2,337	1.10	7.5	8.9	9.6	1.3	1.5	1.9	0.6	-	-
25	Binh Son Refining	17,200	73.7	2,314	-	9.6	neg	9.1	0.7	1.0	1.6	2.0	0.0	0.6

VIETNAM MONTHLY REPORT

31 May 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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