



MARKET REVIEW

VNI +2.4% in Aug on high turnover, despite COVID, macro and overhang challenges

But there are risk points – buying is still rotational, mostly into smaller-cap's

The buying is margin-funded, and foreign selling has resumed – some from strategics

But as lockdowns ease, trading will rotate back to the blue-chip leaders

The VN Index continued to recover from its sell-off last month and rose 2.4% (\$TR) in Aug to 1331. This showed real resiliency, given the relentless spread of COVID-19, the effect of lockdowns on the economy and a \$1.5bn pipeline of rights issues and placings that is being worked through. The Index even tried a run back towards 1400. It only got as far as 1375, but the attempt showed that there is still positive sentiment for the market. Liquidity was robust: average daily turnover on the HOSE was +13% mom at \$1.02bn, and on the combined exchanges, +19% at \$1.27bn. Investors still seem to be looking through a rocky 3Q to a better 4Q, when lockdowns can probably ease. But the underlying patterns of trade show the confidence is somewhat wary, highlighting the importance of making progress on vaccination.

Buying action continued to be rotational in Aug, led by the retail move into second-line stocks. The small-cap index was +16.5% and the mid-cap index +5.7%, while the VN30 was -1.3%. Banks had foretold the shift in Jun-Jul, when big banks gave way to small ones, and then in Aug the whole sector slumped. Investors are unclear what to expect on bank earnings – lenders are in good shape, but the Government keeps saying that they must not book “excessive” profits during the pandemic. Meanwhile, property majors have yielded to mid-cap developers, especially of industrial parks. In steel, integrated giant HPG peaked back in Jun, while sheet producers have been running ever since. And a whole muddle of generally-ignored sectors have come to the fore: shipping, ports, sugar, fertilizers, pharma, utilities, etc. And brokers continued their incredible run, with gains of 10-55% in Aug, as turnover remained buoyant.

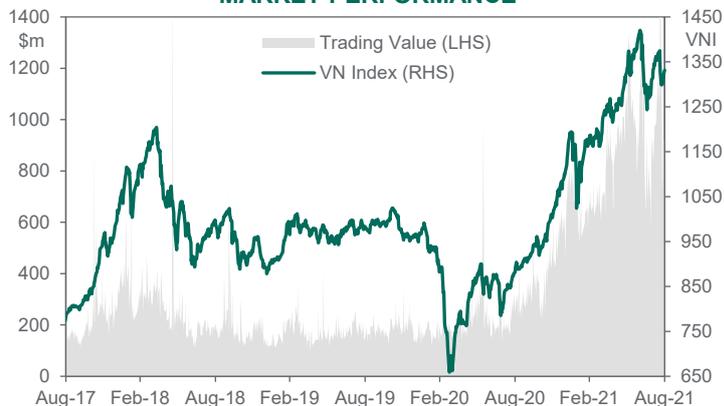
Much of the rotational movement seems to have been funded by margin lending, which returned to near-record levels in Aug as big-caps moved lower. Hopes of foreign institutional flows resuming, sparked by the \$200m of net buying in Jul, were dashed by a \$308m exodus in Aug. Some of this was from foreign strategics who announced that were beginning to unload their stakes – \$150m to come from KKR in VinHomes, \$109m from GIC in Masan, \$90m in Saigon Securities from Daiwa and DBJ.

Investors are hopeful that the market will work out, but they are hedging their bets by trading away from the former leaders. We think the VNI will consolidate at current levels, with a continued interest in smaller names, while indications are awaited on the battle against COVID. If vaccinations accelerate and lockdowns are relaxed in Oct, trading will rotate once again – back into the market's bedrock stocks. They offer superior growth, value and quality for the long term, even with a sequential earnings decline of ca 7% that we now foresee in 2H21.

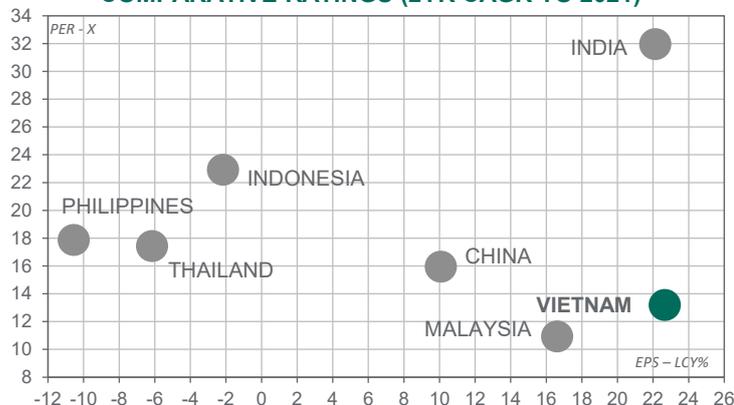
DC TOP-60 FORECASTS

31-Aug-21	Unit	2018	2019	2020	2021F
PER	x	12.8	11.9	14.1	13.2
EPS Gro	%	24.3	11.7	5.5	42.6
PEG	x	0.5	1.0	2.6	0.3
Sales Gro	%	15.0	10.0	2.2	24.2
EBIT Gro	%	19.7	15.1	3.2	44.8
PBT Gro	%	29.5	13.2	5.8	39.8
NPAT Gro	%	25.8	12.9	5.9	44.4
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	2.2	1.7	1.4	0.8

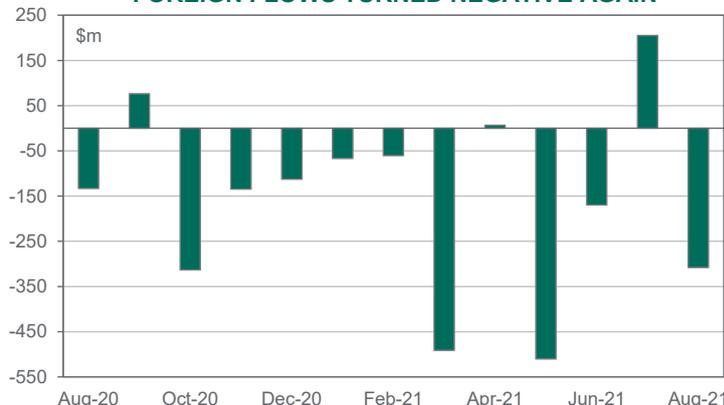
MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR CAGR TO 2021)



FOREIGN FLOWS TURNED NEGATIVE AGAIN





ECONOMY REVIEW

More grim macro numbers in Aug, led by trade- and current-account deficits

FDI flows intact; LG and Samsung expand investments, Apple steps up recruitment

VND also intact; no further rate cuts, but continued liquidity support

Wave4 still rages, but vaccination is picking up; re-opening could start from early Oct

Vietnam's pandemic-hit macro numbers for Aug were as dismal as Jul. Exports continued to heavily lag imports, with the former +21.2% ytd at \$212.6bn and the latter +33.8% at \$216.3bn, bringing the 8MO trade deficit to \$3.6bn. This in turn put the current account ca \$2bn in deficit. The trend is strictly non-structural, but no less discomfiting for that. And external-account gaps for the full year now look unavoidable. On the home front, Aug retail sales were -33.7% yoy, the third month in a row of deep slump, while Aug IP was -7.4% yoy due to stay-at-home orders.

FDI remains a key bright spot in the macro picture, showing no signs of abating. Even with travel restrictions, 8MO disbursed FDI was +2% yoy at \$11.6bn and registered FDI was -2.0% at \$19.5bn. MNCs are periodically heard to grumble that after Wave4, they may have to re-think their investment plans, but if pandemic containment proceeds in a timely way, such an outcome is very unlikely. Vietnam fully retains all its crushing competitive advantages for FDI. On 31 Aug, LG confirmed it would invest \$1.4bn to expand production of OLED screens by 40% at its plant in Haiphong. The same day, Samsung said it planned to increase output of foldable devices by 50% at its plant in Bac Ninh. Also, Apple is now recruiting very actively for management staff.

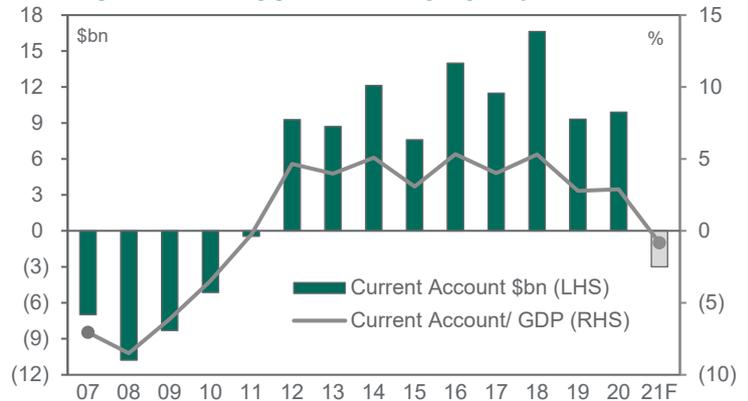
The currency is also in good shape. There are more than enough reserves with which to cover modest external deficits, and domestic inflation is dormant. The VND has appreciated 1.4% against the USD ytd and the Government will want to keep it there to ensure that the "currency manipulation" dispute with the US does not recur. And if the US starts tapering soon, this should not be a problem given how lightly borrowed Vietnam is in hard currency (and the VND too). Just to be doubly sure on the VND, the State Bank may avoid cutting rates again, while keeping liquidity abundant by continued interbank injections, like the \$6bn it did in Jul-Aug.

Wave4 is nonetheless still raging and as of 6 Sep, the country had 536,788 confirmed cases and 13,385 fatalities, mainly concentrated in HCMC and the 18 Southern provinces. But vaccination is starting to ramp up. Vietnam has received 33m vaccine doses and inoculated 20m people (of which about 3m twice). It is projected that 4Q21 deliveries will approach 20m/mo, allowing the authorities to accelerate shots to 1.5-2.0m/day, a rate which Vietnam achieved in mid-Aug when supplies were more plentiful. COVID-19 strategies in neighboring countries suggest that 90-100% first-shot coverage will be the threshold for relaxing lockdowns. HCMC and Hanoi will be at this level by mid-month, and their surrounding industrial zones might follow a couple weeks later. These conurbations account for 60% of GDP growth. As they unlock, a national re-opening could begin to phase in from early Oct.

ECONOMIC FORECASTS

31-Aug-21	unit	2018	2019	2020	2021F	
Real GDP Gro	%	7.1	7.0	2.9	3.7	
Nominal GDP	\$bn	313	335	343	357	
CPI	%	3.0	5.2	3.2	3.1	
Export Gro (cif)	%	13.8	9.1	6.5	17.5	
Import Gro (cif)	%	11.5	7.7	3.7	28.3	
Trade Bal (cif)	\$bn	6.8	9.4	19.1	(5.2)	
FX Reserves	\$bn	61.0	80.0	98.0	101.0	
FDI Disbursed	\$bn	19.1	20.4	20.0	18.7	
VND:\$		1	23,235	23,150	23,085	22,735

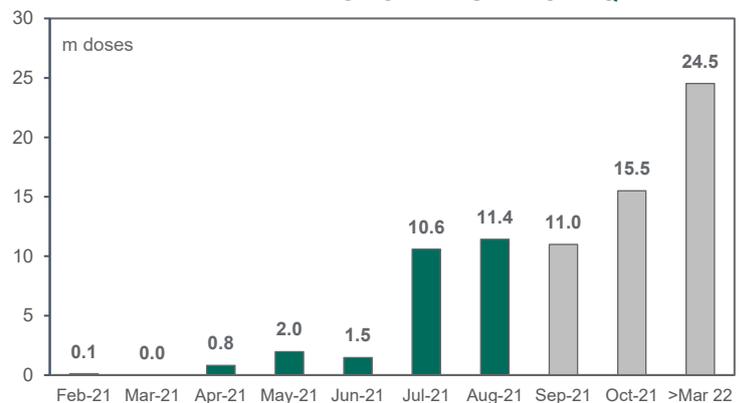
CURRENT ACCOUNT HEADING FOR 2021 DEFICIT



VN STILL ATTRACTIVE FOR FDI DESPITE COVID



VACCINE ARRIVALS TO PICK UP FROM 4Q





VIETNAM EQUITY (UCITS) FUND – VEF

VEF rose 1.6% in Aug while the VN Index gained 2.4%. Ytd the Fund is ahead of its benchmark by 15.0 pps. Contributing the most to the Fund's performance this month were brokerage stocks such as Viet Capital Securities (VCI) and VN Direct Securities (VND), as well as the leading steel maker Hoa Phat Group (HPG). On the downside, main detractors were banking stocks, particularly Military Bank (MBB) and Sacombank (STB).

Many of the Fund's brokerage positions performed well as sentiment in the sector remained strong thanks to consistently high trading volumes and impressive 3Q earnings outlooks. Average daily trading value on the main bourse HSX was above \$1bn/day. VCI surged 21.7%, breaking through its July peak. Aside from earnings from its traditional brokerage business, VCI is perceived as being one of the strongest investment banking (IB) houses, and it has not recorded any of its earnings from its recent successful IB deals. This leaves it a sizable earnings pool to be booked in 2H21. VCI also has a strong backlog of M&A, IPO, and capital raising deals that will resume after the pandemic eases. VND also performed well, gaining 10.5%. Accounting for approximately 30% of newly opened accounts in the last twelve months, VND has benefited greatly from the booming trading activity. After reporting 2Q net earnings up almost four-fold yoy, the company has recently made a proposal to investors to double its full-year earnings target to VND 2,000bn, which is in line with our current forecast. Given our analysis of the company, we believe that this target is largely in hand, even with some buffer left for 2022.

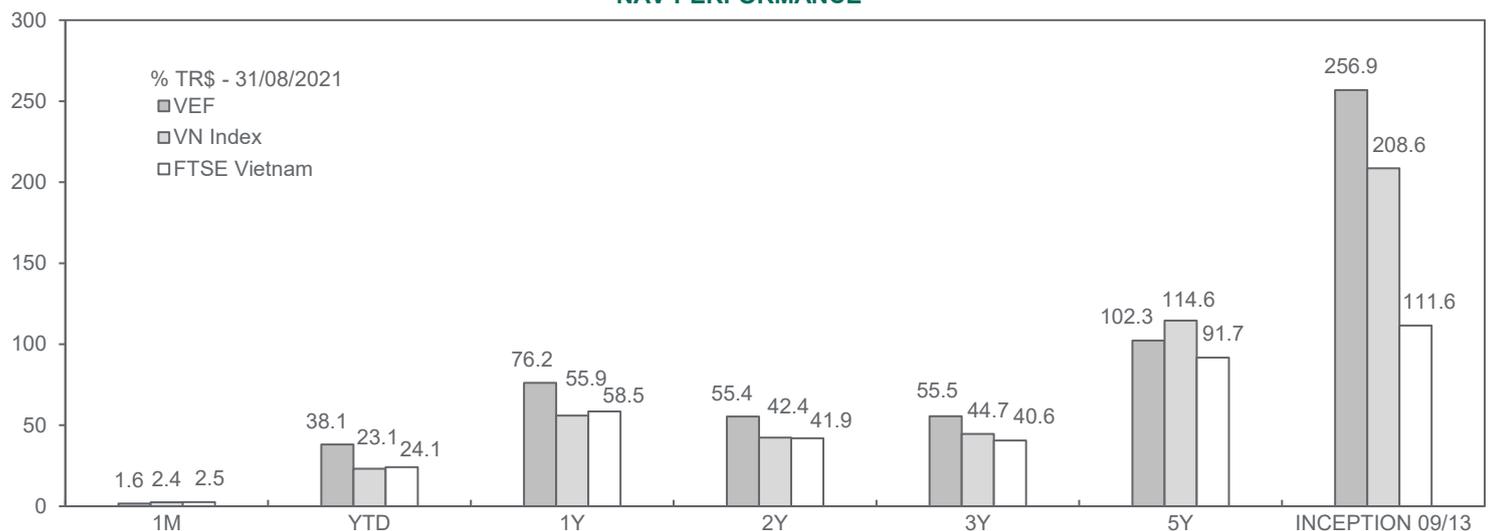
Shaking off the selling pressure from last month, HPG recovered by 5.0%. Aug sales volume showed a recovery in hot rolled coil (HRC), while construction steel demand remained soft due to the ongoing social distancing mandate. We expect volume to recover in Sep after the Government eases the COVID containment measures.

On the downside, the correction in the banking stocks continued after the sector's strong performance year to date. The Fund's second largest holding, MBB, lost 2.8% in Aug. The bank's fundamentals remain solid, with 1H earnings fulfilling 60% of our full-year forecast. It is worth noting that MBB has built up its reserve for loan losses significantly, lifting their loan-loss-reserve ratio to almost 240%, which will help the bank remain safe through the turbulence from Wave 4 of COVID.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$35.69	1.64	38.07	\$215m	2.8	28.20	0.43

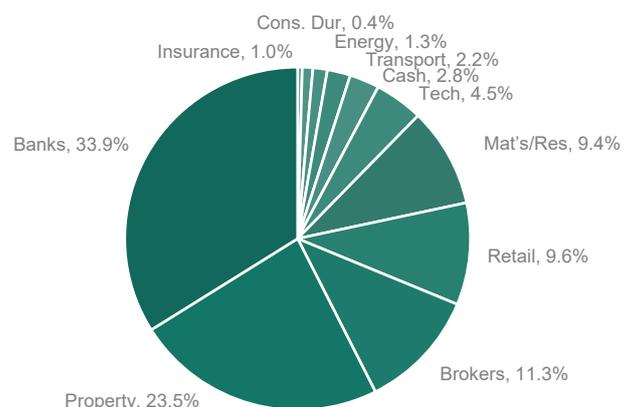
NAV PERFORMANCE



TOP 10 HOLDINGS (57.4% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Hoa Phat Group	Mat's/Res	4.39	9.37	5.0
2 MB Bank	Banks	2.10	8.68	-2.8
3 VN Prosperity Bank	Banks	3.03	6.86	1.7
4 Mobile World	Retail	1.58	6.81	2.5
5 VNDirect Securities	Brokers	-	4.56	10.5
6 FPT Corp	Tech	1.67	4.54	0.0
7 Techcombank	Banks	3.39	4.47	-4.4
8 Vinhomes	Property	7.10	4.28	-1.1
9 VietCapital Sec	Brokers	0.40	3.92	21.7
10 Sacombank	Banks	1.03	3.91	-7.9

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	343.0	357.0
Real GDP Growth	%	6.0	6.7	6.2	6.8	7.1	7.0	2.9	3.7
Services Growth	%	6.2	6.3	7.0	7.4	7.0	7.3	2.5	2.1
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	6.0
Retail Sales Growth	%	10.6	9.5	10.2	10.9	11.7	11.8	2.6	-2.2
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	12.0
Average Lending Rate	%	9.7	8.6	9.0	9.3	9.5	9.7	8.6	8.5
5-yr VGB	%	5.2	6.6	5.5	4.3	4.5	1.9	1.1	1.0
VND : \$	\$1	21,390	22,540	22,750	22,750	23,235	23,150	23,085	22, 835
External Sector									
Trade Balance	\$bn	1.9	-3.5	1.8	2.9	6.8	9.4	20.0	5.6
Current Account	\$bn	6.0	3.0	3.8	6.0	9.4	7.1	9.9	3.0
Current Account / GDP	%	2.5	1.2	1.4	2.1	3.0	2.1	2.9	0.8
FDI Registered	\$bn	20.3	22.8	24.3	35.9	35.5	36.0	28.5	28.2
FDI Disbursement	\$bn	12.5	14.5	15.8	17.5	19.1	20.4	20.0	18.7
FX Reserves	\$bn	34.2	31	41.1	52.0	61.0	80.0	98.0	105.0
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-Aug-20	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20	31-Aug-21	31-Aug-20	31-Aug-21
Market Cap (\$m)	134,637	220,389	9,663	17,600	35,867	57,494	180,166	295,482
Number of Stocks	381	385	354	343	905	901	1,640	1,629
Number of Large Cap Stocks (> \$400m)	38	60	4	11	16	23	58	94
Stocks with No Room for Foreigners	15	16	9	1	37	1	61	18
Market Cap of Stocks with No Room (\$m)	14,307	33,379	2,051	11	1,888	509	18,246	33,899
Share of Market Cap with No Room (%)	10.6	15.1	21.2	0.1	5.3	0.9	10.1	11.5

Top 25 Companies

No	Company	31-Aug 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	Vietcombank	99,400	1.5	16,181	7.51	20.7	22.6	19.1	4.1	3.9	3.1	0.7	0.8	-
2	Vingroup	94,100	-2.2	15,716	6.48	51.3	67.0	156.5	5.1	4.6	4.4	0.6	-	-
3	Vinhomes	106,400	18.9	15,642	7.26	12.8	10.8	10.8	5.0	3.4	2.8	1.3	0.1	-
4	Hoa Phat Group	49,300	61.8	9,679	4.49	8.8	10.7	6.5	1.3	2.3	2.4	0.0	1.0	1.0
5	Vinamilk	87,400	-17.9	8,017	3.72	20.2	22.2	18.4	7.0	7.1	5.8	4.1	3.6	4.6
6	PV Gas	89,400	6.5	7,510	3.49	14.3	20.9	18.5	3.4	3.3	3.4	5.0	4.3	4.5
7	Techcombank	48,500	54.0	7,461	3.46	8.4	9.2	9.9	1.3	1.5	1.9	-	0.1	-
8	Airports Corporation VN	77,500	-4.3	7,405	-	22.2	119.1	93.9	4.4	4.7	4.3	1.2	-	-
9	Masan Group	135,000	53.2	6,995	3.25	11.6	83.9	52.0	1.5	6.5	8.4	0.6	1.4	-
10	BIDV	38,950	-18.7	6,876	3.19	28.8	36.6	19.8	2.4	2.4	1.9	2.7	1.4	-
11	Novaland	104,400	117.1	6,752	3.13	16.5	16.6	24.5	2.5	2.5	4.2	0.0	0.1	-
12	Vietinbank	31,800	18.8	6,707	3.11	10.1	11.5	10.5	1.0	1.5	1.4	0.0	1.5	-
13	VP Bank	61,600	89.5	6,677	3.08	5.9	7.7	10.3	1.2	1.5	1.7	-	-	-
14	Military Bank	27,900	65.3	4,627	2.15	5.9	7.4	9.2	1.2	1.3	1.8	2.7	-	-
15	Sabeco	150,000	-22.5	4,222	1.96	29.5	28.0	27.0	7.5	6.2	4.7	0.8	3.0	4.0
16	ACB	32,000	42.3	3,795	1.76	6.4	8.0	8.5	1.4	1.7	1.9	-	-	-
17	FPT	92,400	83.6	3,680	1.71	13.2	14.3	21.3	2.7	2.9	4.8	4.0	4.2	2.6
18	Mobile World	111,000	40.5	3,473	1.07	12.9	13.7	19.4	4.1	3.5	4.2	1.3	1.3	0.9
19	Vietjet Air	126,500	1.2	3,007	1.40	20.1	954.6	523.5	5.1	4.4	4.5	0.7	-	-
20	Petrolimex	49,700	-7.1	2,768	1.31	14.7	66.3	19.2	2.6	3.1	2.8	5.5	6.1	-
21	Vincom Retail	27,300	-13.1	2,723	1.29	27.1	30.0	30.8	2.9	2.4	2.1	3.2	-	1.8
22	VEAM Corp	43,200	-13.3	2,519	-	7.4	11.9	11.5	2.0	2.6	2.5	0.0	17.1	-
23	Binh Son Refining	18,400	85.9	2,504	-	9.6	neg	11.8	0.7	1.0	1.8	2.0	0.0	0.5
24	VIB	36,250	56.6	2,471	1.15	4.9	7.7	9.1	1.2	2.0	2.3	2.7	-	-
25	HD Bank	25,950	36.6	2,269	0.85	7.5	8.9	9.4	1.3	1.5	1.8	0.6	-	-

VIETNAM MONTHLY REPORT

31 August 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 depositary. 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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