



MARKET REVIEW

VNI +1.1% in Sep as market anticipates re-opening but keeps focus on small-caps

Big-caps lacking special themes suffer; property majors, selected banks are hardest-hit

Re-opening and commodity themes drove a few big-caps but a mass of SMEs

Market may just keep consolidating in absence of direction from global economy

The VN Index inched up 1.1% (\$TR) in Sep to 1342, with the dismal Sep macro numbers being virtually ignored. Gains were disproportionately driven by smaller names, as the active trading in second-tier stocks continued. Market volumes consequently slumped: average daily turnover was -9% mom at \$928m for the HOSE and -7% mom at \$1,172m for the combined exchanges. Investors are signaling that they like equities in principle, as they look through the grim 3Q to a better 4Q. But they still prefer trading for the moment, rather than buying for the future, while global macro prospects – and their impact on Vietnam’s economy – remain unsettled.

Big-cap stocks dragged if they lacked special themes, and the disinterest of locals was compounded by yet more foreign outflow, which rose 30% mom to \$395m. Property majors suffered the most, with VinGroup -6.5%, VinHomes -3.0% and NovaLand -2.3%. Most smaller names fell too. Banks did not lag as much, trading mixed after their sharp correction in Jun-Aug. But gainers were mostly fired by their own catalysts, i.e., VP Bank +7.0% on announcement of a large stock dividend, Tien Phong Bank +22.0% on a private placement that opened up FOL room. Banks were otherwise dogged by the Government’s continued pressure not to show “excessive” earnings amid the pandemic. Which ironically underscores that banks have the best structural profitability in the market, as will eventually show through again.

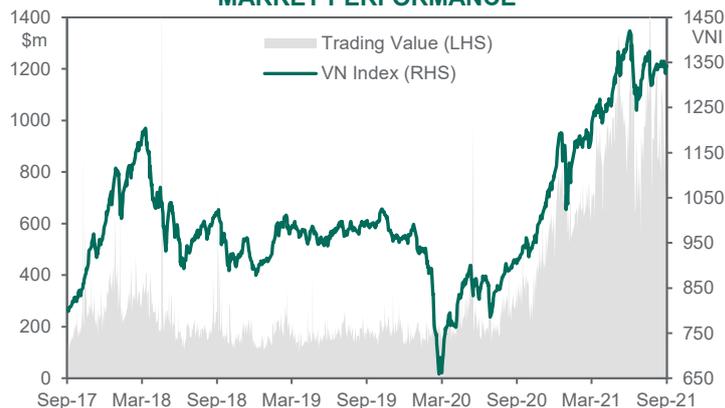
Stocks that moved were primarily driven by the re-opening or the commodities themes. Some big-caps benefitted from this: Sabeco, Vinamilk, VinRetail, Masan, Hoa Phat Group, PV Gas, PLX, which rose 4-16%. But more noticeable were the multitude of lesser names in retail, shipping, sheet steel, building materials, minerals, fertilizers, oil and gas services, etc., that rose 15-60%. One set of smaller-cap stocks that did not do well was the formerly high-flying brokers. With rights issues all coming at once, they fell sharply from their mid-month peaks and ended Sep flat to weaker – though given their earnings outlook, this is likely a one-off.

The market may carry on consolidating for a while, with limited downside risk. The growth/value equation remains compelling. COVID has been beaten back and the lockdown is easing. Brokers are preparing to offer more margin as rights issues end. On the other hand, stocks have had an amazing run, and there is some concern that as the economy re-opens, cash will flow out of the market back into property, working capital and other alternatives. Also, if liquidity does not pick up, and foreigners keep selling, this could dampen prices generally. Direction from the global economy would help, to indicate how soon supply-chain snags can be resolved, relieving the various forms of backlash they could have for Vietnam.

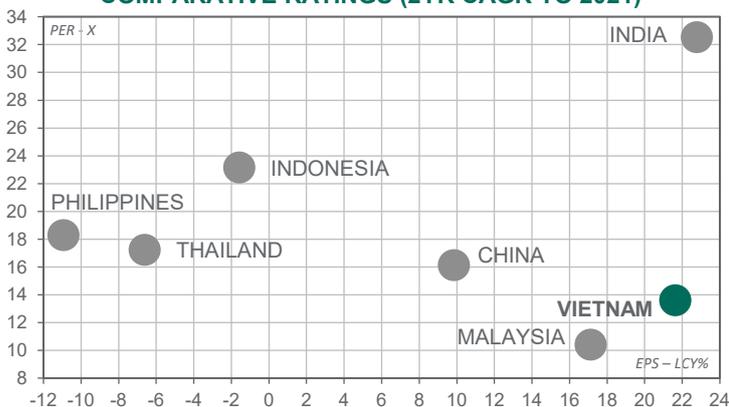
DC TOP-60 FORECASTS

30-Sep-21	Unit	2018	2019	2020	2021F
PER	x	12.8	11.9	14.1	13.6
EPS Gro	%	24.3	11.7	5.5	40.2
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	3.1	47.1
PBT Gro	%	29.5	13.2	6.0	37.9
NPAT Gro	%	25.8	12.9	5.9	42.4
Net DER	x	0.4	0.3	0.3	0.3
Yield	%	2.2	1.7	1.4	1.1

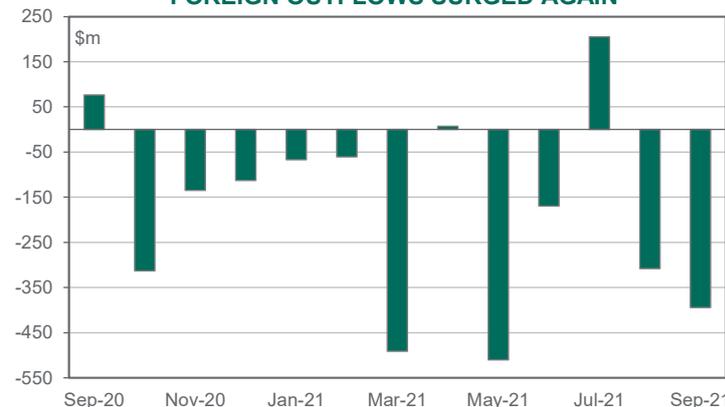
MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR CAGR TO 2021)



FOREIGN OUTFLOWS SURGED AGAIN





ECONOMY REVIEW

3Q GDP hit -6.2%, but obviously plumbing the bottom as re-opening commences

Despite depressed GDP, some of the macro numbers were encouraging

COVID in retreat as vaccinations pick up; Gov't targets back-to-normal by Jan 22

2022 GDP could be +10% off the low 2021 base, though risks to that outcome do exist

The headline macro number for Sep was a grim one: 3Q GDP of -6.2%. But this is now history. Wave4 of the pandemic is being contained at last, thanks to lockdowns and accelerating vaccination, and re-opening of the economy is firmly underway. 3Q will likely be the bottom and even with the -6.2% result, 9MO GDP was +1.4%, showing the momentum that was building in 1H and should be able to renew itself. GDP for Oct-Dec will turn around sharply qoq, not to mention whatever it might do in 2022.

And the GDP number, while depressed, was attended by a few positive readings. With some sectors starting to unlock as early as mid-Sep, industrial output was +5.0% mom (albeit still -5.5% yoy). Also, exports were only -0.8% mom at \$27bn, but imports were -3.9% at \$26.5bn, as inventory restocking finally ended. This generated a \$0.5bn surplus that cut the trade deficit to \$2.0bn ytd. Meanwhile, domestic freight volumes increased by 26% mom, and retail sales rose 6.5% mom, as the Government rationalized COVID paperwork to facilitate in intra-city travel.

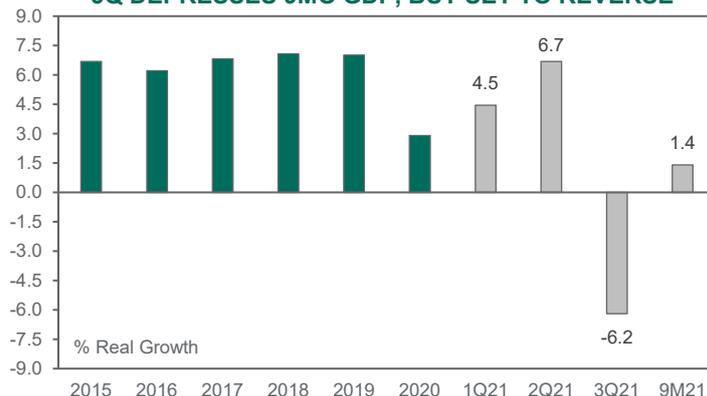
The retreat of COVID is shown in the dwindling daily caseload (an average 4,300 new patients during 1-5 Oct, versus a peak of 13,500 in early Sep), and in lower deaths (130 vs 390 during the same periods). In HCMC, the epicenter of the pandemic, vaccination has reached critical mass, with 100% of the adult population jabbed – of which an impressive 65% twice. The Government was slow off the mark to organize shots, but it remedied matters quickly. A monthly supply of 15-20m doses seems to be feasible, bringing 70% double-vaccination by Mar 2022. HCMC and neighboring provinces are allowing factories, businesses and shops to resume normal operations on a progressively widening basis, with a plan to return to full normalcy by mid-Jan 2022. This seems to factor in the key challenge of re-opening, which is ongoing labor shortages aggravated by incomplete vaccination outside of key cities and provinces.

We expect 4Q21 GDP to reach ca +4%, putting the full year at +2.4%. From that low base, GDP could surge mightily in 2022 and we tentatively project +9.6%. Manufacturing will lead as factories mobilize to fill export demand, while services are likely to stay below pre-lockdown levels until air travel fully resumes, which is probably a 2H22 story. Risks to this scenario do exist. It remains to be seen how global supply-chain disruptions will affect Vietnam if they persist beyond the next few months. FED tapering may also induce over-cautiousness on monetary stimulus. And infrastructure spending needs to pick up – public investment at 48% of this year's plan is sub-optimal. But this reflects COVID work stoppages to a large extent, and if infrastructure does accelerate as we expect, this will make up for a lot of slack elsewhere.

ECONOMIC FORECASTS

30-Sep-21	unit	2018	2019	2020	2021F
Real GDP Gro	%	7.1	7.0	2.9	2.4
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

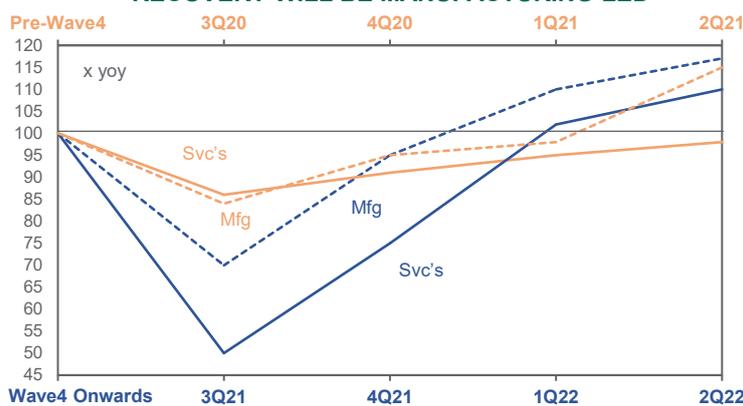
3Q DEPRESSES 9MO GDP, BUT SET TO REVERSE



LABOR SHORTAGE BY ZONES



RECOVERY WILL BE MANUFACTURING-LED





VIETNAM EQUITY (UCITS) FUND – VEF

VEF rose 2.0% in Sep, mostly driven by holdings in sectors that are expected to benefit from the reopening of the economy post-lockdown, such as retailing, steel, transportation and brokers. The Fund outperformed the VN Index by 89 bps for the month, extending its ytd outperformance to 16.3 pps. VEF celebrated its 8-year anniversary on 30 Sep with an annualized return of 17.5% in USD since inception.

Mobile World (MWG) contributed the most to the Fund's return this month, rising 15.3%. MWG led the retail sector in 3Q with its gain of 27.9% on better-than-expected profits despite the strictest lockdown ever. The vast store network of its grocery chain Bachhoaxanh and its excellent online sales capability enabled MWG to achieve record revenue during the last three months while Ho Chi Minh City was under lockdown. Cost optimization to reduce operating expenses in the same period resulted in 3Q earnings that were triple what the market was expecting. Ho Chi Minh City and other southern provinces started to gradually reopen from early Oct, allowing MWG to start serving walk-in customers again. This will further support recovery in 4Q. We are now forecasting 2021 full-year earnings to grow by 5%.

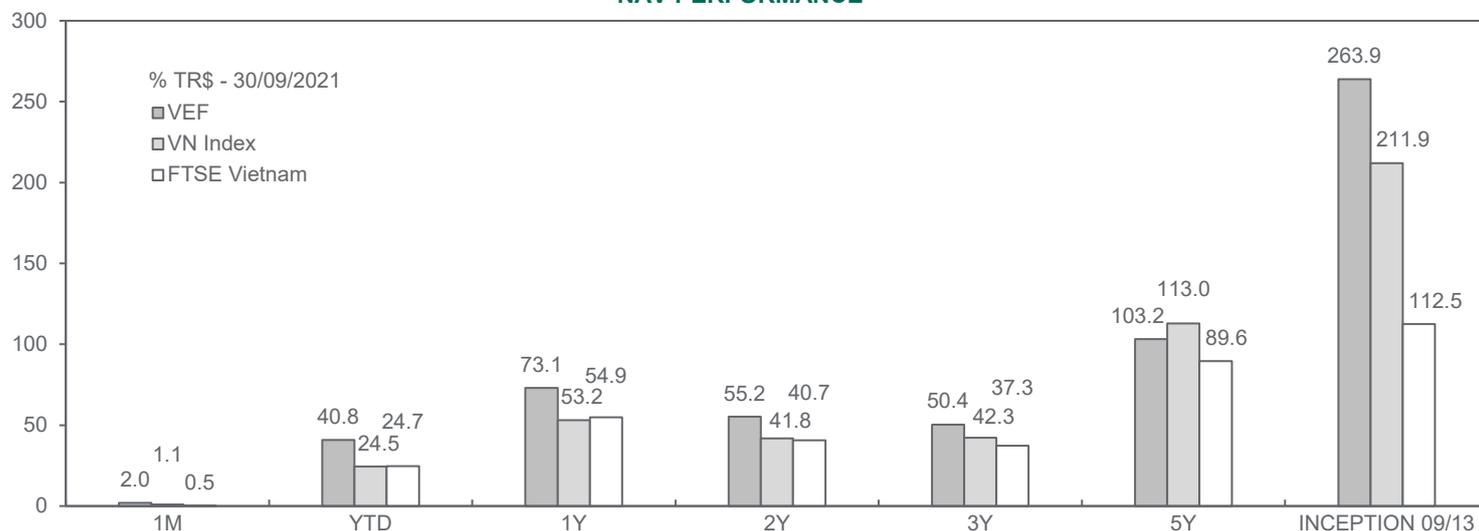
Leading steel maker Hoa Phat continued its upward momentum, rising 7.4% on recovering sales volumes as lockdowns were eased. Sep construction steel volume rose by 22% mom. Aside from domestic demand, exports were also in the spotlight, with billet exports up 78% mom and steel sheet up 82% mom. In early Oct, HPG finally increased its selling prices after many smaller producers raised their prices recently. We are confident that the Government's infrastructure push will continue to support steel consumption while prices should remain high into 2022 due to China's slashing of heavy industrial production due to energy shortages.

Following a strong Aug, brokers were little changed in Sep. Sentiment for the sector remained positive, however, as average daily trading value was consistently around \$800m-\$1bn. Our projections indicate that brokerages will have the second-highest earnings growth rate of all sectors in 4Q, just after materials, both of which are among the Fund's biggest holdings. Therefore, we believe that the sector is nicely positioned for another leg up in 4Q. The Fund's brokerage positions offer a good mix of companies with different areas of strength, all of which should benefit from the rising market trend in 4Q.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$36.39	2.01	40.80	\$220m	1.7	28.11	24.45

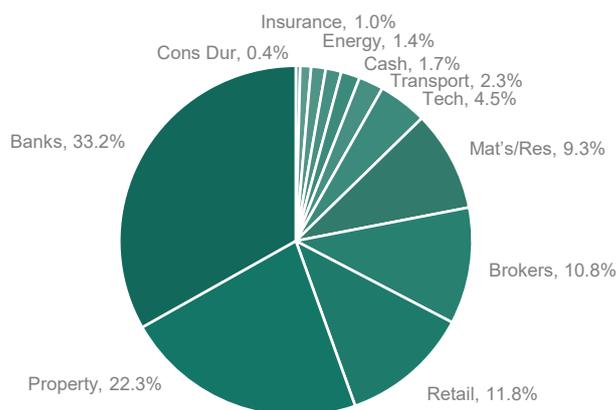
NAV PERFORMANCE



TOP 10 HOLDINGS (58.4% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Hoa Phat Group	Mat's/Res	4.61	9.29	7.4
2 Mobile World	Retail	1.77	8.69	15.3
3 MB Bank	Banks	2.05	8.46	-0.1
4 VN Prosperity Bank	Banks	3.17	7.17	7.1
5 VNDirect Securities	Brokers	0.43	4.49	0.9
6 FPT Corp	Tech	1.64	4.48	0.8
7 Techcombank	Banks	3.39	4.47	2.4
8 Vinhomes	Property	6.64	4.00	-2.9
9 VietCapital Sec	Brokers	0.39	3.79	-1.1
10 Sacombank	Banks	0.94	3.59	-5.9

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	2.4
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	3.1
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	22,735
External Sector									
Trade Balance	\$bn	1.9	-3.5	1.8	2.9	6.8	9.4	19.1	(5.2)
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	101.0
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	
	30-Sep-20	30-Sep-21	30-Sep-20	30-Sep-21	30-Sep-20	30-Sep-21	30-Sep-20	30-Sep-21
Market Cap (\$m)	138,526	225,635	10,224	18,511	37,271	59,843	186,020	303,989
Number of Stocks	383	401	353	341	904	904	1,640	1,646
Number of Large Cap Stocks (> \$400m)	40	67	4	10	17	24	61	101
Stocks with No Room for Foreigners	15	16	9	1	36	1	60	18
Market Cap of Stocks with No Room (\$m)	18,472	35,228	2,177	12	2,276	530	22,925	35,770
Share of Market Cap with No Room (%)	13.3	15.6	21.3	0.1	6.1	0.9	12.3	11.8

Top 25 Companies

No	Company	30-Sep Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2020 (x)	2021E (x)	2022E (x)	2020 (x)	2021E (x)	2022E (x)	2020 (%)	2021E (%)	2022E (%)
1	Vietcombank	97,200	-0.7	15,839	7.22	22.6	19.6	14.8	3.9	3.1	2.5	0.8	-	-
2	Vinhomes	78,300	15.3	14,979	5.26	10.6	10.6	9.2	3.4	2.7	2.1	0.1	-	-
3	Vingroup	88,000	-8.5	14,712	6.71	67.0	159.7	72.6	4.6	4.1	3.9	-	-	-
4	Hoa Phat Group	52,900	73.6	10,396	4.74	10.7	7.0	5.8	2.3	2.6	1.8	1.0	1.0	1.9
5	Vinamilk	89,600	-14.4	8,227	3.75	21.9	18.9	17.7	7.0	5.9	5.8	3.6	4.5	4.5
6	PV Gas	97,000	15.5	8,157	3.72	20.9	20.0	17.4	3.3	3.7	3.5	4.3	4.1	4.6
7	Airports Corporation VN	83,100	2.6	7,948	-	119.1	100.7	56.2	4.7	4.6	4.2	-	-	-
8	Techcombank	49,600	57.5	7,651	3.48	9.2	10.1	8.3	1.5	1.9	1.5	0.1	-	-
9	Masan Group	142,600	61.8	7,396	3.37	83.9	54.9	45.5	6.5	8.9	7.4	1.4	-	-
10	VP Bank	65,900	102.8	7,151	3.24	7.7	12.6	9.2	1.5	1.8	1.5	-	-	-
11	BIDV	39,450	-17.6	6,971	3.18	36.6	20.1	13.8	2.4	1.9	1.7	1.4	-	-
12	Novaland	102,000	112.1	6,604	3.01	16.6	24.0	18.8	2.5	4.1	3.4	0.1	-	-
13	Vietinbank	30,400	13.6	6,419	2.93	11.5	12.6	9.9	1.5	1.4	1.2	1.5	-	-
14	Military Bank	27,850	65.0	4,623	2.11	7.4	9.2	7.7	1.3	1.8	1.4	-	-	-
15	Sabeco	156,400	-19.1	4,407	2.01	28.0	28.2	24.8	6.2	4.9	4.2	3.0	3.8	3.8
16	Mobile World	127,800	61.7	4,003	1.83	13.7	22.3	15.8	3.5	4.9	3.8	1.3	0.8	0.8
17	ACB	31,550	40.3	3,745	1.71	8.0	8.4	6.8	1.7	1.9	1.5	-	-	-
18	FPT	93,000	84.8	3,708	1.69	14.3	21.4	17.6	2.9	4.8	4.3	4.2	2.6	3.2
19	Vietjet Air	127,900	2.3	3,043	1.39	954.6	529.3	31.8	4.4	4.6	4.0	-	-	-
20	Vincom Retail	29,100	-7.3	2,905	1.36	30.0	35.5	24.3	2.4	2.2	2.2	-	1.7	3.4
21	Petrolimex	51,600	-3.5	2,880	1.34	66.3	20.4	17.2	3.1	3.0	2.9	6.1	-	-
22	Binh Son Refining	19,800	100.0	2,697	-	neg	14.6	14.0	1.0	1.9	1.7	0.0	-	-
23	Vietnam Airlines	25,000	11.7	2,437	0.71	neg	neg	neg	6.3	neg	neg	1.0	-	-
24	VEAM Corp	41,500	-16.7	2,423	-	11.9	11.7	10.0	2.6	2.4	2.4	17.1	12.1	10.8
25	VIB	35,350	52.7	2,412	1.10	7.7	8.9	7.1	2.0	2.3	1.7	-	-	-

VIETNAM MONTHLY REPORT

30 September 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

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