



MARKET REVIEW

VNI +7.7% in Oct as lockdown eases and fiscal stimulus looms

Retail investors carry on chasing small-cap's as foreigners carry on exiting

Second-liners indiscriminately bought, big-cap's lag, banks hardly move

If 2022 sees a broad-based recovery, bedrock stocks can make their comeback

The VN Index rallied 7.7% (\$TR) in October to close at an all-time high of 1444. The surge came in two phases: one in the first week of the month, into the 1390s, as lockdowns eased; and the other in the final week, as rumors began to circulate of a \$35bn fiscal stimulus program. Liquidity returned to form, with average daily turnover increasing 6% to \$977m on the HOSE, and 3% to \$1,203m on the combined exchanges.

Whatever the quality of trading, it was certainly boisterous, as retail investors continued to focus on second-line stocks. The small-cap index was +16.5% mom, the mid-cap index +9.5% and the VN30 only +5.4%. Much of the rotational movement was funded by margin lending, which returned to record levels as brokers completed right issues and were able to offer more leverage to clients. But foreigners were still pulling out. They withdrew \$231m from HOSE, although that was down from \$395 in Sep and \$308m in Aug. And almost half of the outflows were concentrated in a single name – HPG, with \$96m of net sell – where there may have been some understandable profit-taking as global steel-price futures slipped.

Gains were driven by the usual mass of lesser companies. Names in machinery, furniture, plastic products, agri-products, building materials, mining, water supply, pharma, fertilizers, ports, etc., were indiscriminately bought, and price increases of 20-55% were not uncommon. Brokers also ran, though less feverishly. Among mid-cap's, property developers such as KDH, DXG and NLG led, rising an average 25%. Big-cap's, for the most part, modestly trailed the VNI, rather than gapping out against it. The exception to this, as usual, was banks. They collectively rose just 3.3% in Oct thanks to concern about pandemic NPLs – even if these have been largely driven by Government warnings against “excessive” pandemic profits.

As it turned out, banks did not fare that badly in 3Q yoy earnings, which showed good resiliency for the market at large. Even with elevated provisioning, banks were +18.2% vs the market's +20.4%. For 9M21, they were +43.1% vs +55.5%. A bit of a lag, but still robust. In 2022, banks have a good chance to be leaders, based on superior value/growth metrics, as credit expansion accelerates, and provisions unwind. This presupposes that our forecast of a broad-based macro recovery pans out, helped by fiscal stimulus. Whatever magnitude of stimulus ultimately comes, it will be positive for equities. And we think its effects would tend to encourage retail investors to shift rotational trading back into bedrock stocks. History suggests that smaller-cap's cannot rocket forever, even if they develop momentum while cheap money flows and the economy looks for its footing.

DC TOP-60 FORECASTS (FREE-FLOAT ADJUSTED)

31-Oct-21	Unit	2019	2020	2021F	2022F
PER	x	11.9	14.0	14.2	11.3
EPS Gro	%	11.7	5.6	42.0	25.5
PEG	x	1.0	2.5	0.3	0.4
Sales Gro	%	10.0	2.2	24.9	20.1
EBIT Gro	%	15.1	3.1	49.8	23.2
PBT Gro	%	13.2	6.0	39.7	26.7
NPAT Gro	%	12.9	5.9	44.6	22.5
Net DER	x	0.3	0.4	0.3	0.3
Yield	%	1.7	1.4	1.1	0.9

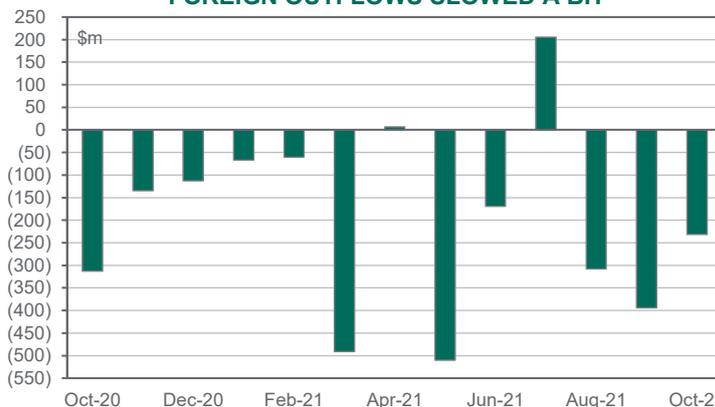
MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR CAGR TO 2021)



FOREIGN OUTFLOWS SLOWED A BIT





ECONOMY REVIEW

Economy is picking up though full normalization will take a while

COVID still raging in a few places, but vaccination is rapidly beating it back

Recovery is underway and the appreciating VND says it all

Gov't preparing a major fiscal package to definitively throw off the pandemic

The economy showed clear signs of recovery in Oct as lockdowns eased, although leading indicators were still mixed, so full normalization will not be immediate. The PMI hit 52.1, but IP was still -1.6% yoy. And total trade rose only +0.4% mom, with exports +1.0% at \$27.3bn and imports -1.8% at \$26.2bn. However, that resulted in a trade surplus of \$1.1bn, so the trade deficit ytd narrowed to \$1.5bn. The service sector is still depressed, with the retail index at -18.8% yoy. But restaurants have started to open and other non-essential services will follow soon. To support tourism, Vietnam has resumed local flights and recognized COVID-19 vaccine passports from 72 countries. Another concern is labor shortages, as only 70-75% of employees have returned to work. But that is an encouraging start.

COVID is not over everywhere. In the Mekong Delta and Central Highlands, cases are actually increasing, and this has pushed Vietnam's daily infections from 3,000 in mid-Oct to 7,500 now. But the resurgence is in lower-GDP regions and is likely to be contained as vaccination keeps expanding. Already the national death rate has dropped from 2.5% to 0.8% thanks to shots. As of 31 Oct, shots had been given to 60% of the population, of which 26% were double, and 1.3-1.5m doses are being administered daily. Under-18's are also being inoculated and high-risk groups are getting boosters. The 70% double-vaxxed target may be reached sooner than expected, and the Government is heavily reinforcing vaccinations with antiviral medicines.

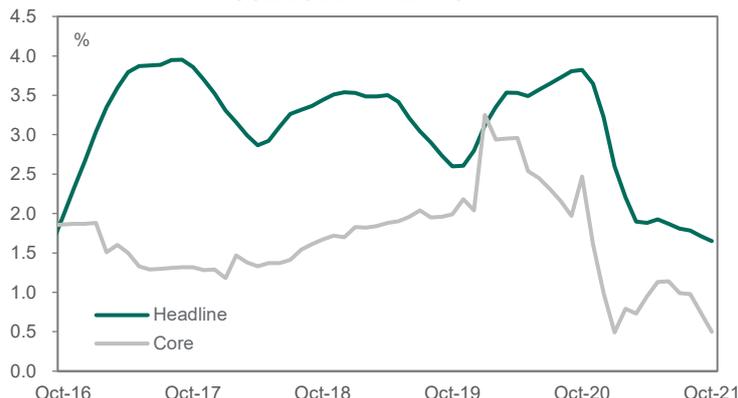
So the recovery is underway, and what may serve as a litmus test for the economy is the robust VND, up 0.55% in Oct. FDI has continued to flood into the country, rising 10% mom in Oct to \$1.87bn, which makes our full-year target of \$19bn look quite realistic, from \$20bn last year. Remittances will top last year's \$17bn. Although the trade-account surplus is much reduced, any current-account deficit will be minimal, and reserves are steady above \$100bn. Meanwhile, 5-year CDS's are at a record low of 105 bps and headline inflation is just +1.8% ytd. Result: The VND has appreciated +1.89% in 2021, making it one of Asia's best-performing currencies.

And the Government is at last readying its fiscal-stimulus package. A \$35bn outlay has been rumored for 2022-23, or ca 10% of one year's GDP. The final number has yet to be confirmed, but it will be substantial. There are likely to be generous provisions for interest rate subsidies, which will power a lot of new lending; for further rounds of infrastructure spending; and for household and business relief. The feasibility of the package seems high, given Vietnam's skimpy support spending ytd, at barely 2.9% of GDP. Not to mention its low public debt and muted inflation. Whatever materializes will a potent boost for growth in 2022-23.

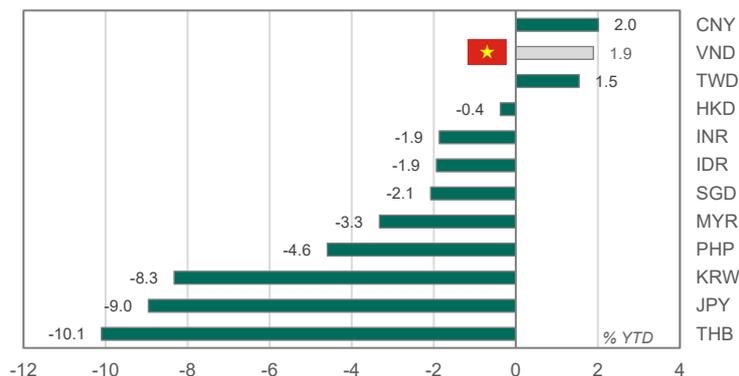
ECONOMIC FORECASTS

31-Oct-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	15.7
Import Gro (cif)	%	11.5	7.7	3.7	24.4
Trade Bal (cif)	\$bn	6.8	9.4	19.1	0.1
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	22,650

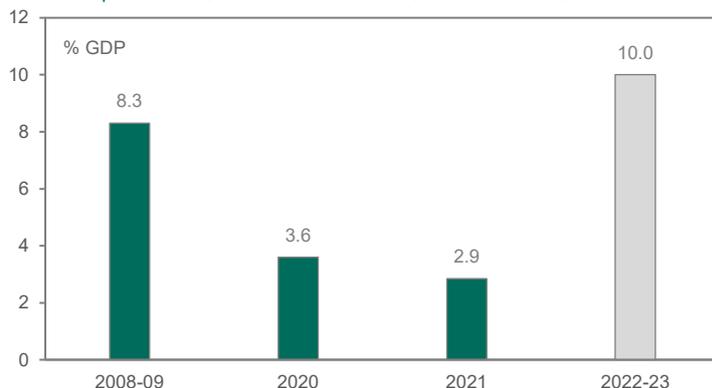
SUBDUED INFLATION



VND ONE OF STRONGEST CURRENCIES IN ASIA



\$35BN FISCAL PACKAGE IS FINALLY COMING





VIETNAM EQUITY (UCITS) FUND – VEF

VEF gained 7.0% in Oct while the VN Index rose 7.7%. The market was buoyant on the resumption of economic activity as the Government further relaxed social distancing restrictions. Property and material stocks were in the spotlight. Contributing the most to the Fund's performance were holdings such as Nam Long Group (NLG), Khang Dien House (KDH), Hoa Phat Group (HPG) and Phu My Fertilizer (DPM). On the downside, Vietinbank was the biggest detractor.

The property sector performed outstandingly in Oct as the market was excited about how quickly and aggressively developers were able to ramp up new launches after three months of lockdown. Companies with ready-to-sell projects such as NLG and KDH were the biggest gainers as they were amongst the first companies to relaunch their projects just after the lockdown ended. NLG's share price rocketed by 38.3% thanks to: (1) a successful capital raising in Sep, which will be used for landbank expansion; and (2) its upcoming launch of a new project named Izumi, in Dong Nai province. It seems that the market is looking beyond the weak economy in 3Q and is looking forward to 2022, with better presales and profit booking. We are projecting 36% earnings growth for NLG in 2021, translating into a PER of 18.6x and a PBR of 2.3x.

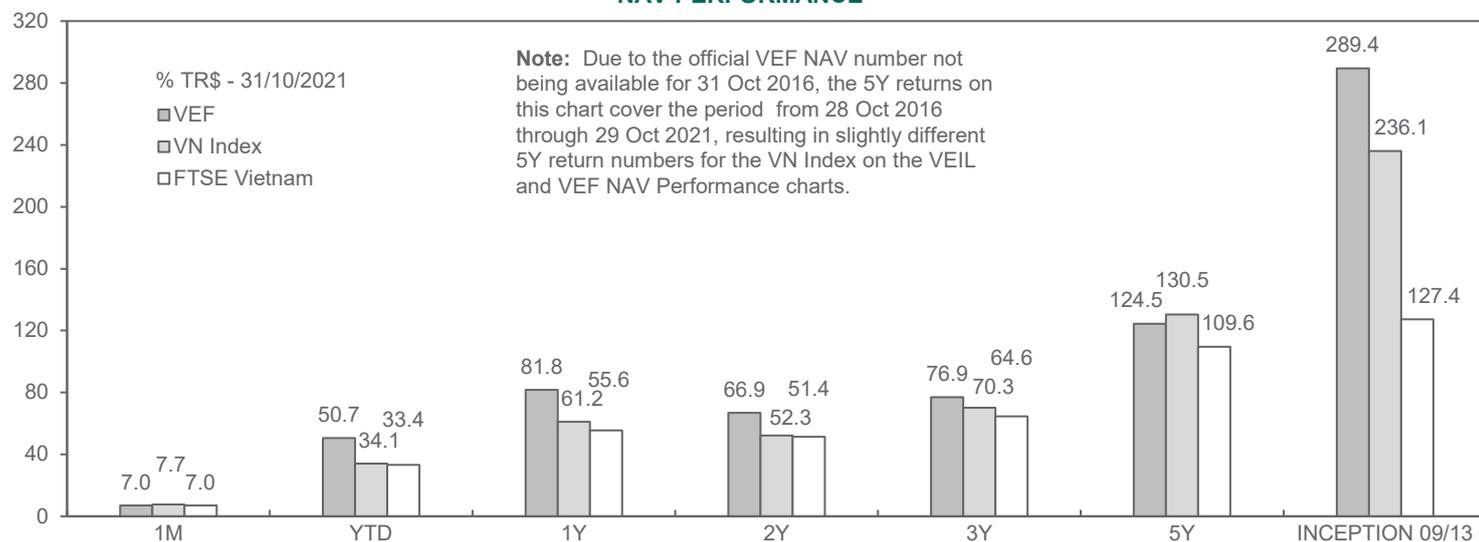
HPG extended its rally to a third consecutive month, rising a further 8.0% in Oct. The company reported higher-than-expected 3Q profits, driven by resilient steel sales volumes and selling prices, especially for hot-rolled-coil products. The company reported 64% yoy revenue growth and a tripling of earnings in 9M21, fulfilling 71% of our current full-year forecast. We remain positive for the company's 4Q outlook as steel demand and selling prices will be supported by the Government's infrastructure push while China's reduction in heavy industrial output should be supportive for steel prices into 2022. Early estimates for Oct affirm that view, with the company's 3Q sales being 30% higher than average for the period.

Sentiment for the brokerage sector got a boost as average trading volumes rose above \$1bn and hit a new record high of \$1.8bn in early Nov. VN Direct was the top performer in the sector, rising 11.8% on strong 3Q results, with earnings +122% yoy and +28% qoq, which was nearly double the sector average qoq growth of 15%. We estimate that the brokerage sector will have the second highest earnings growth in 4Q, which bodes well for the stocks in the sector going forward.

PRICE AND NAV DATA

NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
	Monthly	YTD	Total	Net Cash (% of NAV)		
\$38.94	6.99	50.65	\$252m	2.7	27.59	0.72

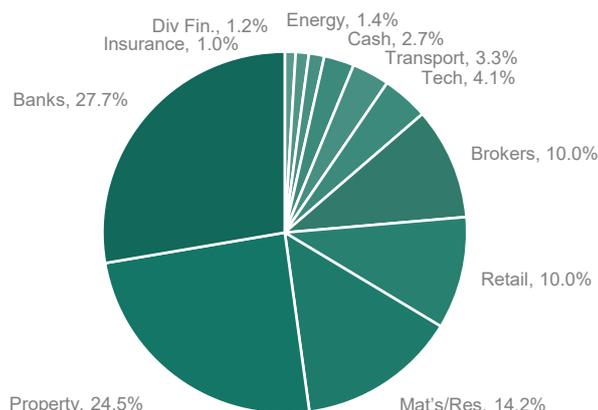
NAV PERFORMANCE



TOP 10 HOLDINGS (56.4% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Hoa Phat Group	Mat's/Res	4.56	8.97	8.0
2 MB Bank	Banks	1.92	8.27	2.4
3 Mobile World	Retailing	1.67	8.23	2.9
4 VN Prosperity Bank	Banks	3.02	6.52	4.0
5 Vinhomes	Property	6.65	5.02	9.2
6 VNDirect Securities	Brokers	0.44	4.39	11.8
7 Techcombank	Banks	3.23	4.17	4.1
8 FPT Corp	Tech	1.57	4.13	4.2
9 VietCapital Sec	Brokers	0.38	3.57	7.8
10 Vietcombank	Banks	6.49	3.14	0.9

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	22,650
External Sector									
Trade Balance	\$bn	1.9	-3.5	1.8	2.9	6.8	9.4	19.1	0.1
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	
	31-Oct-20							
Market Cap (\$m)	143,063	246,214	10,517	19,445	35,628	64,842	189,207	330,501
Number of Stocks	386	402	353	342	902	896	1,641	1,640
Number of Large Cap Stocks (> \$400m)	39	71	4	12	15	27	58	110
Stocks with No Room for Foreigners	17	16	10	1	36	1	63	18
Market Cap of Stocks with No Room (\$m)	12,924	40,044	2,415	13	637	540	15,976	40,597
Share of Market Cap with No Room (%)	9.0	16.3	23.0	0.1	1.8	0.8	8.4	12.3

Top 25 Companies

No	Company	31-Oct 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	Vinhomes	85,500	26.0	16,363	6.81	10.6	11.5	10.0	3.4	3.0	2.3	0.1	-	-
2	Vingroup	95,800	-0.4	16,022	6.66	67.0	173.8	79.0	4.6	4.5	4.3	-	-	-
3	Vietcombank	98,000	0.1	15,975	6.64	22.6	19.8	14.9	3.9	3.1	2.6	0.8	-	-
4	Hoa Phat Group	57,100	87.4	11,226	4.67	10.7	7.1	5.9	2.3	2.7	1.9	1.0	0.9	1.8
5	PV Gas	124,500	48.3	10,473	4.36	20.9	25.7	22.4	3.3	4.7	4.5	4.3	3.2	3.6
6	Airports Corporation VN	87,100	7.5	8,334	-	119.1	195.5	32.2	4.7	4.9	4.2	-	-	-
7	Vinamilk	90,700	-13.3	8,332	3.47	21.9	19.1	17.9	7.0	6.0	5.8	3.6	4.4	4.4
8	Techcombank	51,600	63.8	7,963	3.31	9.2	10.6	8.6	1.5	2.0	1.6	0.1	-	-
9	Masan Group	150,900	71.2	7,830	3.26	83.9	58.1	48.1	6.5	9.4	7.8	1.4	-	-
10	VP Bank	38,050	110.7	7,435	1.71	7.7	13.1	9.6	1.5	1.9	1.6	-	-	-
11	BIDV	41,500	-13.4	7,336	3.05	36.6	21.1	14.5	2.4	2.0	1.7	1.4	-	-
12	Novaland	109,300	127.3	7,079	2.94	16.6	25.7	20.2	2.5	4.4	3.6	0.1	-	-
13	Vietinbank	31,500	17.7	6,654	2.77	11.5	13.1	10.3	1.5	1.5	1.2	1.5	-	-
14	Military Bank	28,500	68.8	4,733	1.97	7.4	9.4	7.9	1.3	1.8	1.5	-	-	-
15	Sabeco	160,500	-17.0	4,524	1.88	28.0	28.9	25.4	6.2	5.0	4.3	3.0	3.7	3.7
16	Mobile World	131,400	66.3	4,117	1.71	13.7	19.4	13.7	3.5	4.8	3.7	1.3	0.8	0.8
17	ACB	33,000	46.8	3,919	1.63	8.0	8.8	7.1	1.7	2.0	1.6	-	-	-
18	FPT	96,900	92.5	3,865	1.61	14.3	23.1	18.6	2.9	5.0	4.5	4.2	2.4	3.0
19	Binh Son Refining	24,800	150.5	3,380	-	neg	13.9	12.2	1.0	2.3	2.0	0.0	0.4	0.4
20	Vietjet Air	132,000	5.6	3,142	1.31	954.6	546.2	32.9	4.4	4.7	4.1	-	-	-
21	Vincom Retail	31,200	-0.6	3,116	1.33	30.0	38.0	26.1	2.4	2.4	2.3	-	1.6	3.2
22	Petrolimex	54,100	1.2	3,021	1.28	66.3	21.4	18.1	3.1	3.2	3.0	6.1	-	-
23	VEAM Corp	43,500	-0.8	2,541	-	10.5	12.2	10.5	2.3	2.5	2.5	19.5	11.5	10.3
24	VIB	37,000	59.9	2,526	1.05	7.7	9.3	7.4	2.0	2.4	1.8	-	-	-
25	Vietnam Airlines	24,800	10.8	2,414	0.64	neg	neg	neg	6.3	neg	neg	1.0	-	-



Fund	Bloomberg	ISIN	SEDOL	CUSIP	Listed
VEF-A	VIETNAM ID	IE00BD5HPH84	n/a	n/a	n/a
VEF-B	VIETEUR ID	IE00BV8WVB25	n/a	n/a	n/a

Price Providers	Funds	Bloomberg	Reuters	Contact
SEI Investments	VEF	-	-	Transfer Agency Department TADublin@seic.com

VEF

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