



MARKET REVIEW AND OUTLOOK

VNI +1.1% in Dec and might have been higher if not for margin clean-up

Smaller-cap's kept on going, but must eventually cede to big-cap's to reflect economic reality

Market was a global leader in 2021, and made big progress developmentally

The economic recovery may only be starting, and stocks are cheap

The VN Index gained 1.14% (\$TR) in Dec, closing at 1498. Early on it was knocked to 1414 by the Omicron variant but recovered quickly as reports suggested that Omicron is far less severe than Delta, but more infectious. The benchmark came close to a new high, albeit on falling liquidity due to the approaching holidays. Average daily turnover declined 17% mom to \$1,191m on the HOSE, and \$1,446m on the combined exchanges. This coincided with margin clean-up by brokers at the end of the quarter, which hit prices. Foreigners were again net sellers, offloading \$128m, although this was less than Nov's \$383m.

Second-liners continued to run at the expense of blue chips. The small-cap index was +4.6% and the mid-cap index +7.4%, while the VN30 fell 0.1%. The only really bright spot among heavyweights was that banks were mixed, but in some cases well ahead of the benchmark, putting the sector up 2.1%. This was after months of banks being weaker overall. We may see a wholesale move back into blue chips after six months of focus on second-liners by local retail investors. Continuing to dismiss the surge of SMEs as unsustainable – or transitory – does seem reminiscent of the way the US Federal Reserve until recently discussed inflation. But we believe it is more likely that as the economy returns to its normal growth pattern in 2022, quality big-cap stocks, which best reflect the macro drivers, will come back into their own.

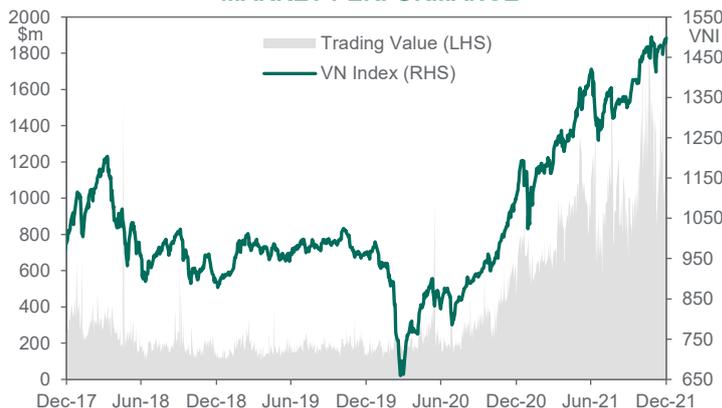
Meanwhile it is worth reflecting that not only did Vietnam have one of the best returns globally in 2021, at +39.0%, it also experienced significant progress in market development. There are now 63 companies with capitalization in excess of \$1bn. Daily turnover has reached a new normal of \$1bn, and often much more, which is above many EM peers. Monthly new-account openings currently surpass all the openings in 2019. As volumes spiraled in 1H21, exchange computers froze up and trading halts plagued the market, but they were fully resolved by Aug. Market infrastructure will get another boost with the arrival of a new Korean trading system during 2Q22, which will bring T+0 settlement, and scope for yet higher turnover. Futures, options, warrants and other derivative products will also evolve in the coming months.

If the Fed manages to tighten in a constructive way, the fundamentals point to another positive year in 2022. With 70% of the population fully vaccinated, and a fiscal support package about to be launched, economic recovery will only just be starting. We forecast a market EPS of +22.6% and expect share prices to follow, since that level of earnings growth would leave the PER at only 11.8x. That is cheap in its own right, and very inexpensive vs regional peers.

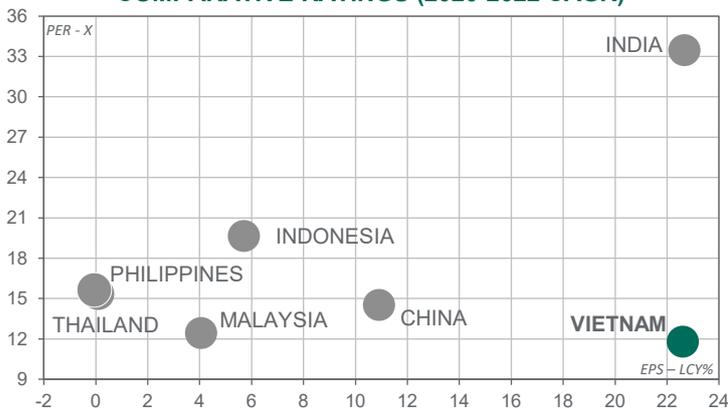
DC TOP-60 FORECASTS

31-Dec-21	Unit	2019	2020	2021F	2022F
PER	x	11.9	14.0	14.5	11.8
EPS Gro	%	11.7	5.6	42.0	22.6
PEG	x	1.0	2.5	0.3	0.5
Sales Gro	%	10.0	2.2	24.3	19.2
EBIT Gro	%	15.1	3.1	46.6	24.1
PBT Gro	%	13.2	6.0	40.3	23.7
NPAT Gro	%	12.9	5.9	45.1	22.6
Net DER	x	0.3	0.4	0.3	0.3
Yield	%	1.7	1.4	1.0	0.9

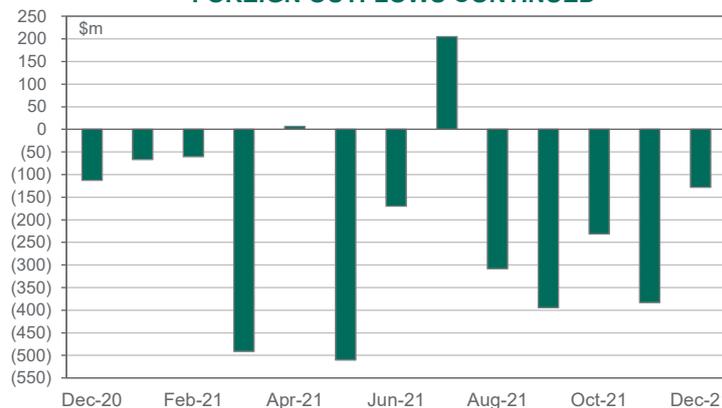
MARKET PERFORMANCE



COMPARATIVE RATINGS (2020-2022 CAGR)



FOREIGN OUTFLOWS CONTINUED





ECONOMY REVIEW AND OUTLOOK

GDP +2.6% in 2021, after +5.2% in 4Q; recovery is now underway

Trade surplus back in place, with FDI still robust and likely to expand in future

Ongoing progress in war on COVID, and it is hoped to open borders within 1Q

Inflation low, currency stable, fiscal support on way; GDP recovery growth might be as much as 9.6% in 2022

The economy continued to give clear indications of recovery in Dec and so 2021 ended on a strong note. After the effective shut-down of the country in 3Q, when GDP fell 6.7%, 4Q has been provisionally estimated at +5.2%, putting full-year growth at +2.6%. Manufacturing has been the clear leader this year, rising +4.1%. Services have lagged, gaining only 1.2%, because domestic and international travel have been heavily controlled. This was bad news for the Retail, Hospitality and Tourism sectors. But the recovery has started.

Manufacturing has been the main driver because an effective vaccination strategy meant workers quickly returned to factories as global demand for Vietnamese exports never faltered. Total trade for 2021 rose 22.6% to \$668.5bn. Imports increased 26.6% to \$332.3bn, heavily pushed by inventory building. This outpaced exports, which gained only +19.1% to \$336.3bn because of pandemic constraints. But that was enough to reverse the cumulative trade deficit of \$2.4bn in Jul to a surplus of \$4.0bn by Dec. The contribution of FDI was as intensive as ever, at nearly 70% of total trade, and this is likely to grow in coming years as the supply-chain shift continues. The RCEP agreement, which started on 1 Jan 2022, could accelerate the process.

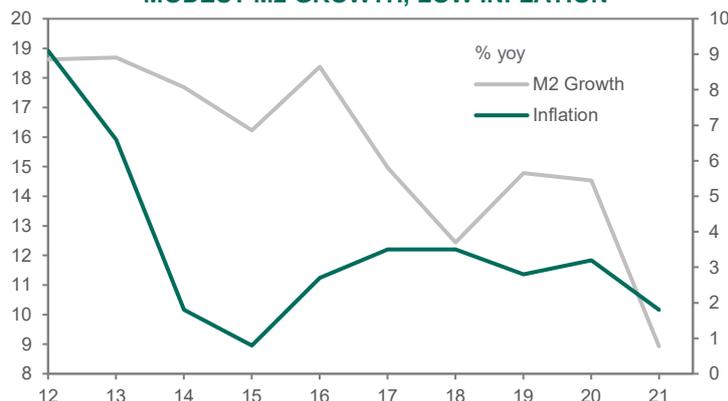
Vietnam has now achieved 71% double vaccination and 79% single, after its emergency inoculation campaign took shots from zero per day in early Jul to as many as 2m doses now. Boosters have started as well. Daily cases have hit new records, at 18,000, as lockdowns end. But cases are more evenly spread across the country, as opposed to being concentrated in Ho Chi Minh City and Hanoi. Prioritising vaccinations in those two high-GDP areas has put them back to work on a timely basis. Also, cases are much less severe now, so hospital systems are not being overwhelmed. It is hoped the country's borders can be opened within 1Q.

Two further signs of Vietnam's good macro health are low inflation and an appreciating currency. The CPI was just +1.8% in 2021, partly because of Vietnam's more basic CPI basket vs the US and Europe, but also because of its restrained fiscal and monetary policies. As for the VND, with the trade surplus, record FX reserves and high real rates – as well as low inflation – it was +1.2% in 2021 and may be slightly stronger this year. Vietnam's economy is well positioned to carry on performing, provided COVID progress continues, and Fed tightening does not derail global growth. The economy will get an extra boost from the 2022-23 fiscal stimulus package, set to be approved by mid-Jan at \$15.3bn, or about 2.3% of GDP per annum. This is lower than the \$33bn once envisioned but will be enough to cement recovery. We expect core GDP growth of +7.3% in 2022, and as much as 9.6% if the stimulus is vigorously executed.

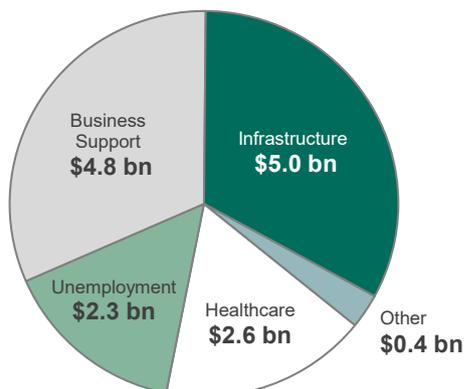
ECONOMIC FORECASTS

31-Dec-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	7.3
Nominal GDP	\$bn	335	343	352	385
CPI	%	2.8	3.2	1.8	3.5
Export Gro (cif)	%	9.0	6.5	29.2	19.1
Import Gro (cif)	%	7.7	3.6	26.8	26.6
Trade Bal (cif)	\$bn	9.4	19.1	4.0	13.2
FX Reserves	\$bn	80.0	98.0	106.5	118.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	22,570

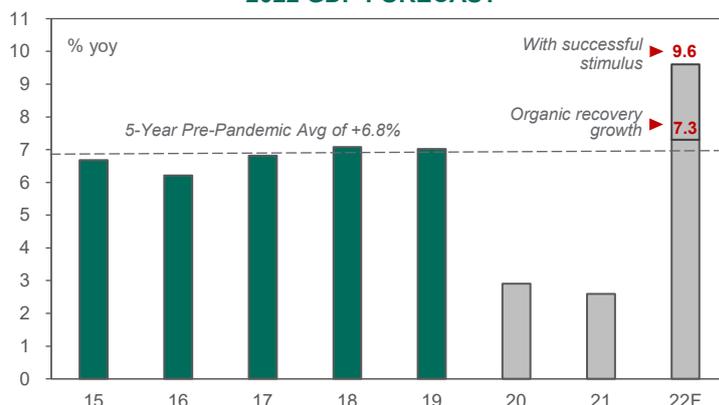
MODEST M2 GROWTH, LOW INFLATION



\$15.3BN 2022-23 FISCAL SUPPORT PACKAGE



2022 GDP FORECAST





VIETNAM EQUITY (UCITS) FUND – VEF

VEF was unchanged in Dec while the VN Index was up by 1.1%. The Fund closed 2021 up 54.1% for the year, vs a 39.0% gain by the Index. This brought the Fund's cumulative return since inception in Sep 2013 to 298.2%. Full-year active return was driven mostly by Banks, Brokers and Steel, while in Dec alone, Property and Brokerage stocks such as Kinh Bac City (KBC), Nam Long Group (NLG) and Khang Dien House (KDH) were the biggest contributors to performance. On the downside, Hoa Phat Group (HPG) and Vietnam Prosperity Bank (VPB) were the main detractors.

Considering the upcoming stimulus package to be finalized by the National Assembly in Jan 2022, the Property sector enjoyed a broad rally in Dec, especially mid- and small-cap developers. The Fund's investees NLG and KDH were among the beneficiaries, gaining 14.6% and 9.3%. Both companies had projects that were ready to launch just after social distancing was lifted in Oct, namely Izumi from NLG and The Classia from KDH. We believe these two developers are amongst the best in the sector in terms of landbanks, execution capabilities, and governance. They both have quality landbanks, which will be rerated given the lack of clear and ready-to-launch inventory by their peers in Ho Chi Minh City.

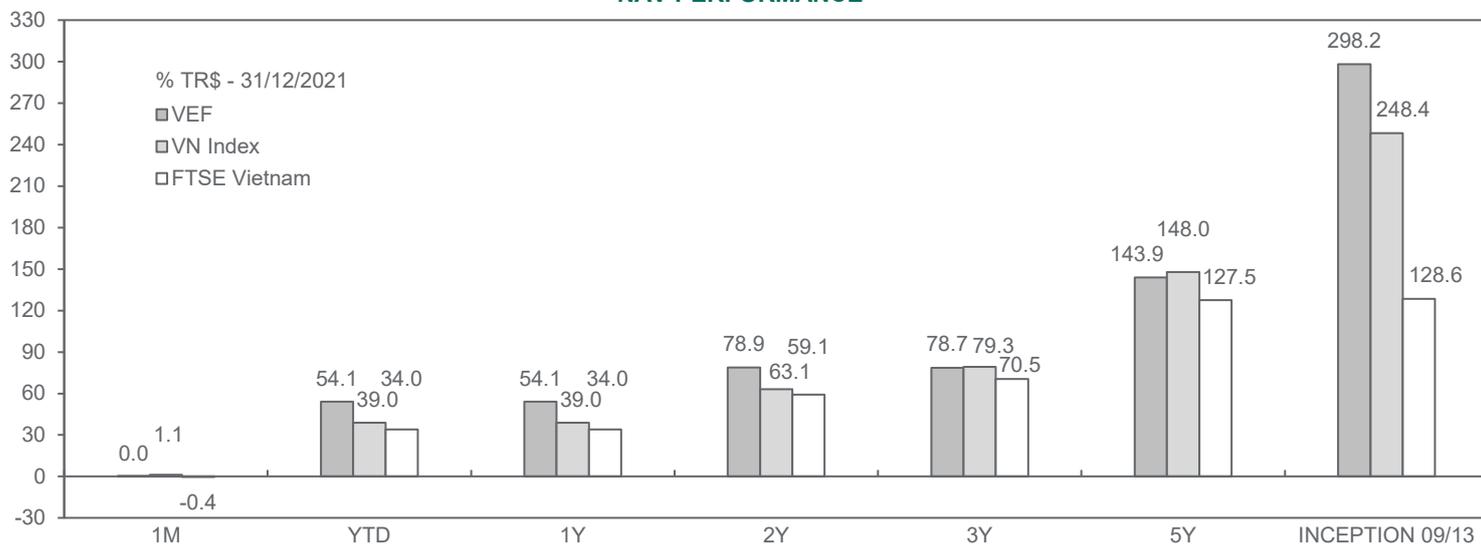
KBC is our play on industrial zone developers. The company has benefited from the strong inflow of FDI into Vietnam during the last two years, and it recently announced an upbeat outlook in for its sizeable Trang Due 3 and Trang Cat projects. KBC recently revealed that it has just inked the contract to lease 115ha of Trang Due 3. Furthermore, its Trang Cat project has obtained a construction permit and it will be ready for bulk sales in 1Q22. Aside from the earnings booking, this is a big milestone for KBC as it can start to monetise its landbank into earnings going forward. We are projecting 53% earnings growth for the company in 2022, translating to a PER of 12.4x and a PBR of 2.5x.

HPG, the leading steel maker, declined 5.6% in Dec on continued selling pressure as global and domestic selling prices were under downward pressure as China ramped up production. We think the share price reflects the worst-case scenario of declining earnings in 2022 while we are projecting 13% yoy growth.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A (US\$)	39.82	0.0	54.1	\$263m	2.44	27.59	0.74
VEF – B (EUR)	1,959.96	-0.8	68.3				

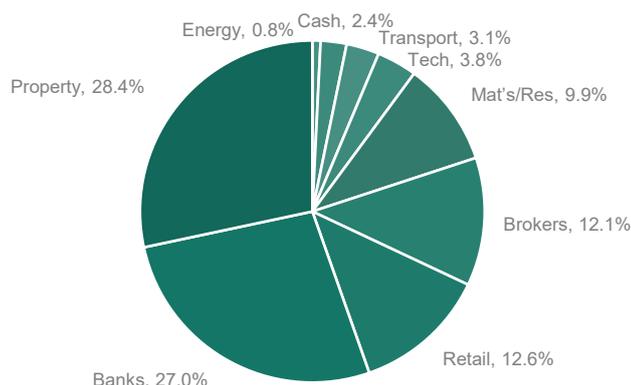
NAV PERFORMANCE



TOP 10 HOLDINGS (55.4% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	1.66	9.37	-2.6
2 MB Bank	Banks	1.87	8.11	-0.8
3 Hoa Phat Group	Mat's/Res	3.55	6.48	-5.6
4 VNDirect Securities	Brokers	0.61	6.01	3.4
5 VN Prosperity Bank	Banks	2.73	5.84	-5.4
6 Vinhomes	Property	6.11	4.42	-3.5
7 Techcombank	Banks	3.01	4.23	-3.9
8 VietCapital Sec	Brokers	0.42	3.86	-7.7
9 FPT Corp	Tech	1.45	3.77	-4.6
10 Ha Do Group	Property	0.22	3.32	7.4

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022F
GDP									
GDP	\$bn	256.5	272.4	290.9	311.5	333.3	343.0	351.8	385.6
Real GDP Growth	%	6.7	6.2	6.8	7.1	7.0	2.9	2.6	9.6
Services Growth	%	6.3	7.0	7.4	7.0	7.3	2.5	1.2	8.6
Agriculture Growth	%	2.4	1.4	2.9	3.8	2.0	2.8	2.9	3.4
Ind'l and Const'n Growth	%	9.6	7.6	8.0	8.9	8.9	3.3	4.1	13.4
Retail Sales Growth	%	9.5	10.2	10.9	11.7	11.8	2.6	-3.8	9.2
Prices									
CPI (year-end)	%	0.6	2.7	3.5	3.5	2.8	3.2	1.8	3.5
Money, FX & Interest Rates									
Money Supply M2	%	16.2	18.4	15.0	12.4	14.8	14.5	8.9	13.0
Average Lending Rate	%	8.6	9.0	9.3	9.5	9.7	8.6	8.5	8.2
5-yr VGB	%	6.6	5.5	4.3	4.5	1.9	1.1	1.0	1.0
VND : \$	\$1	22,540	22,750	22,750	23,235	23,150	23,085	22,800	22,570
External Sector									
Trade Balance	\$bn	-3.5	1.8	2.1	6.8	10.8	19.9	4.0	13.2
Current Account	\$bn	-2.0	0.6	-1.6	5.8	12.2	14.9	-4.9	8.9
Current Account / GDP	%	0.8	0.2	-0.6	1.9	3.7	4.4	-1.4	2.3
FDI Registered	\$bn	22.8	24.4	35.9	35.5	36.0	28.5	31.2	37.7
FDI Disbursement	\$bn	14.5	15.8	17.5	19.1	20.4	20.0	19.8	23.8
FX Reserves	\$bn	31	41.1	52.0	61.0	80.0	98.0	106.5	118
Public Debt & Fiscal Balance									
External Debt	\$bn	78.1	88.5	107.8	111.5	124.3	128.4	136.5	149.1
<i>Government</i>	\$bn	39.6	42.9	46.3	47.7	49.1	51.5	53.5	57.2
<i>Enterprises (incl. FDI)</i>	\$bn	38.5	45.6	61.3	63.8	75.2	76.9	83.0	91.9
External Debt (% GDP)	%	30.3	32.5	37.1	35.8	37.3	37.4	38.8	38.7
Fiscal Balance (% GDP)	%	-3.3	-3.0	-2.6	-2.9	-2.6	-3.9	-4.0	-5.1



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20	31-Dec-21
Market Cap (\$m)	176,634	256,145	10,731	22,403	43,966	65,014	231,330	343,562
Number of Stocks	392	404	353	345	909	892	1,654	1,641
Number of Large Cap Stocks (> \$400m)	51	77	5	13	18	33	74	123
Stocks with No Room for Foreigners	14	16	2	1	5	1	21	18
Market Cap of Stocks with No Room (\$m)	19,124	39,887	25	13	766	662	19,915	40,561
Share of Market Cap with No Room (%)	10.8	15.6	0.2	0.1	1.7	1.0	8.6	11.8

Top 25 Companies

No	Company	31-Dec 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	78,800	4.0	16,357	5.19	22.3	20.0	15.2	3.8	3.2	2.6	0.8	-	-
2	Vingroup	95,100	-1.1	15,872	6.43	67.0	183.0	186.3	4.6	4.5	4.4	-	-	-
3	Vinhomes	82,000	20.8	15,661	6.34	10.6	10.8	10.6	3.4	2.9	2.2	0.1	-	-
4	Hoa Phat Group	46,400	52.3	9,103	3.69	10.7	5.9	5.2	2.3	2.2	1.6	1.0	1.1	2.2
5	Masan Group	171,000	94.3	8,854	3.59	83.9	28.6	54.6	6.5	8.8	8.9	1.4	-	-
6	Airports Corporation VN	87,000	7.4	8,307	-	119.1	195.3	32.2	4.7	4.9	4.2	-	-	-
7	BIDV	37,100	-2.1	8,232	2.65	36.4	23.7	16.3	2.4	2.2	2.0	1.4	-	-
8	PV Gas	96,200	14.6	8,076	3.27	20.9	19.9	17.3	3.3	3.7	3.5	4.3	4.2	4.7
9	Vinamilk	86,400	-17.5	7,920	3.21	21.9	18.5	17.4	7.0	5.8	5.6	3.6	4.6	4.6
10	Novaland	91,000	147.9	7,705	2.38	16.6	41.1	26.9	2.5	5.1	4.3	0.1	-	-
11	Techcombank	50,000	58.7	7,700	3.12	9.2	10.1	7.9	1.5	1.9	1.5	0.1	-	-
12	Vietinbank	33,900	29.7	7,146	2.89	11.5	14.0	10.7	1.5	1.6	1.3	1.5	-	-
13	VP Bank	35,800	98.3	6,980	2.82	7.7	12.7	8.9	1.5	1.8	1.5	-	-	-
14	Military Bank	28,900	71.2	4,789	1.94	7.4	8.7	6.7	1.3	1.8	1.5	-	-	-
15	Mobile World	135,900	72.0	4,249	1.72	13.7	20.1	14.2	3.5	5.0	3.8	1.3	0.7	0.7
16	Sabeco	151,000	-21.9	4,247	1.72	28.0	27.2	23.9	6.2	4.7	4.0	3.0	4.0	4.0
17	ACB	34,500	53.5	4,089	1.66	8.0	9.3	7.0	1.7	2.1	1.6	-	-	-
18	FPT	93,000	84.8	3,702	1.50	14.3	22.2	17.9	2.9	4.8	4.3	4.2	2.5	3.1
19	VIB	47,300	104.4	3,222	1.30	7.7	11.9	9.9	2.0	2.6	2.1	-	-	-
20	Binh Son Refining	23,100	133.3	3,141	-	neg	13.0	11.4	1.0	2.2	1.8	0.0	0.4	0.4
21	Vietjet Air	128,300	2.6	3,048	1.23	954.6	413.3	57.4	4.4	4.0	2.4	-	-	-
22	Petrolimex	53,900	0.8	3,004	1.24	66.3	21.3	18.0	3.1	3.1	3.0	6.1	-	-
23	Vincom Retail	30,100	-4.1	3,000	1.25	30.0	36.7	25.2	2.4	2.3	2.2	-	1.7	3.3
24	Tien Phong Bank	41,050	106.8	2,848	0.85	7.9	13.4	11.2	1.7	2.6	2.1	-	-	-
25	HD Bank	30,850	62.4	2,696	1.10	8.9	9.9	8.1	1.5	2.1	1.7	-	-	-

VIETNAM MONTHLY REPORT

31 December 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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