



MARKET REVIEW AND OUTLOOK

VNI down a mere 0.5% in Jan, amidst global market upheaval

Smaller-cap mania is reversing, large-cap's are coming back – led by banks

Healthy 4Q earnings gives +41% growth for full year

Expect a constructive market in 2022; key risks are external, from Fed, not ones of VN's own making

The VN Index fell by a marginal 0.49% during Jan (TR\$), closing at 1479. This compared well with the turmoil in global markets. Vietnam had its own fair share of volatility though, falling almost 6% early in the month. But the drawdown was reversed soon enough, and the overall tone was good. Average daily turnover increased 2.9% to \$1,219m on the HOSE and to \$1,358m on the combined exchanges. Foreigners appeared to carry on as net sellers, offloading \$128m, but that included a strategic exit from Masan Group. Adjusting for that, foreigners registered a net buy of \$121m. Support came from the latest Taiwanese fund, Jih Sun Vietnam Opportunity, with an AUM target of \$250m and an IPO raise of \$143m.

The key development, though, was the reversal of the second-liner craze. We have emphasized the unsustainable nature of this trend and it now seems to be burning itself out. In contrast to the VNI's sideways movement, the small-cap index fell 14.8% and the mid-cap index 9.3%, with many speculative favorites plunging 50% from their peak. But large-cap's held their ground. Banks, the market's biggest sector, and the one hardest-hit during the SME boom, climbed 5.1%, with some names rising 15-30%.

Earnings for 4Q21 were healthy; with most results in, listed companies posted EPS growth of +20.6% yoy. This brought the full-year number to +42%, reflecting the rapid pace of recovery in 1H before the lockdown. Among major sectors, the leaders were Banks (+33%, though decelerating through the year), Materials (+140%, mostly on steels' hefty profits) and Energy (+191%, but due factors other than higher oil prices). The laggards were F&B (-1%, thanks to the well-known issues at Vinamilk and Sabeco) and Property (+10%, a very mixed bag).

We foresee a constructive market in 2022. Our Top-60 EPS forecast is robust, at +20%. Whether share prices will fully track earnings is another matter, but the aggregate valuation of 12.4x is hardly demanding, leaving room for upside. We believe growth will be led by Banking, Property, and Retailing stocks as these sectors should benefit most from the reopening of the domestic economy. We anticipate that small- and mid-cap earnings momentum will fade, except on a highly selective basis. As a result, large-cap stocks should return to the leadership role they had in 2020-1H21. Looking at the big picture, Vietnam's main risk is external, in the form of Fed actions. But if they depress stocks globally, that does not mean they would necessarily have damaging impacts on Vietnam's economy. The more likely problem would be Vietnam getting caught up in a foreign exodus from emerging markets, but even then, it might still be a relative outperformer, given its hardy macro/market fundamentals.

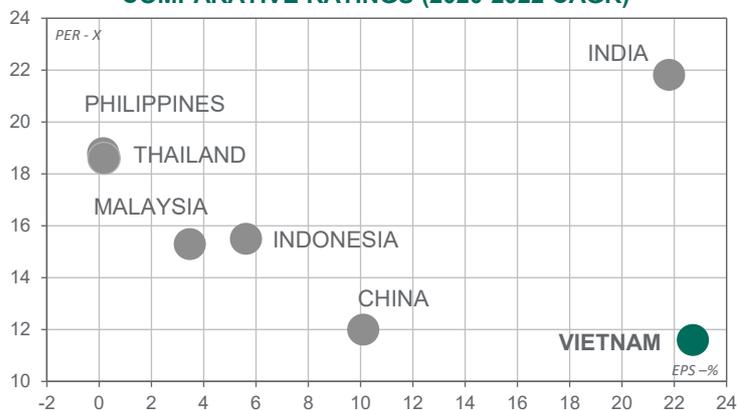
DC TOP-60 FORECASTS

31-Dec-21	Unit	2019	2020	2021	2022F
PER	x	11.9	14.0	14.8	12.4
EPS Growth	%	11.7	5.6	38.9	19.7
PEG	x	1.0	2.5	0.4	0.6
Sales Growth	%	10.0	2.2	23.5	21.3
EBIT Growth	%	15.1	3.1	50.8	21.9
PBT Growth	%	13.2	6.0	40.8	24.2
NPAT Growth	%	12.9	5.6	41.9	19.7
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	0.9

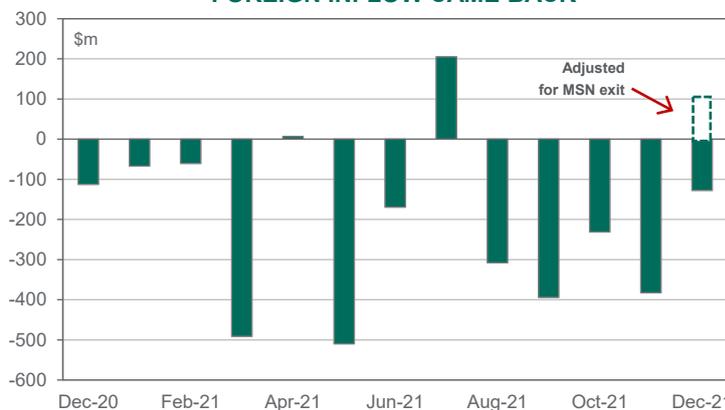
MARKET PERFORMANCE



COMPARATIVE RATINGS (2020-2022 CAGR)



FOREIGN INFLOW CAME BACK





ECONOMY REVIEW AND OUTLOOK

Economy resurgent, thanks to the vaccination drive

Manufacturing / industrial recovery is gathering pace

Services look as if they may finally be on the rise too

Fed rate hikes likely to have a more benign impact on Vietnam than on other EMs

Government guides for 6.5-7.0% average GDP growth in 2021-25

The economy showed it was returning to form in Jan. Manufacturing continued its recovery and services looked as if they might be starting their own come-back. Underlying the turnaround has been the successful vaccination campaign, which has taken Vietnam from almost zero shots per day in Jun, to as many as 2.5m since, and put the country in the global Top-10 for adult COVID inoculation. Double vaccination has been effectively achieved, and the new goal is to have all adults boosted by Mar. Vietnam says it is fully confident of hosting the SE Asian Games in May.

Industrial output in Jan was +2.4% yoy, a healthy post-pandemic result when the pause in momentum from Tet is factored in. Exports of \$30.8bn rose +8.0% yoy, while imports of \$29.5bn leapt +11.5%, creating a \$1.3bn trade surplus, although a significant export order backlog is known to be in place, driving the PMI up to 53.7, from 52.5 in Dec. And imports were heavily skewed towards raw materials and semi-finished goods, making it evident what is in the pipeline. Meanwhile registered FDI rose 4% to \$2.1bn, on track to hit record levels.

Services was the really encouraging area, with retail sales +6.7% mom and +1.3% yoy. We see any growth being positive – and foreign visitors increased 11.2% after Vietnam piloted the resumption of some international flights. We believe services will rebound sharply in coming months. VAT is being cut from 10% to 8%, which will pump up domestic demand. Students will go back to school, with preventive measures in place, from mid-Feb. And Vietnam plans to fully reopen its borders from 2Q22, priming the long-depressed tourism and hospitality industry.

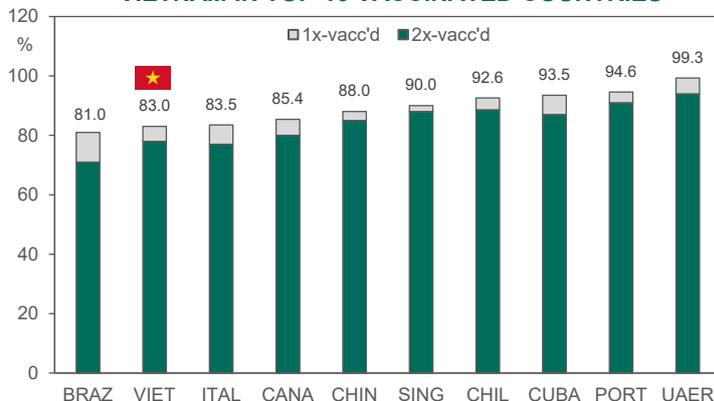
US economic data shows that recovery is underway in the States, but with its inflationary toll, and global markets are bracing for at least five Fed rate hikes this year. This will pressure emerging-market yields, so Vietnam's Government – already set to spend a bit more in 2022 – may see its domestic borrowing costs rise. This could feed through the system and put rates up by a non-threatening 50 bps. The currency will be unaffected because of Vietnam's conservative fiscal/monetary policies, low foreign debt, buoyant reserves and external-account surpluses. With Tet remittances, the SBV actually appreciated the VND by 0.6% against the USD in Jan.

The Government has laid out guidelines for execution of the Five-Year Plan, which calls for average GDP growth of 6.5-7.0% pa in 2021-25. After just 2.6% in 2021, this implies exceptional gains in 2022, and we are projecting 7.3-9.6%, depending on how forcefully the stimulus package is implemented. We think that Vietnam can remain somewhat self-contained as a growth engine even with various pressures that might come from the outside world.

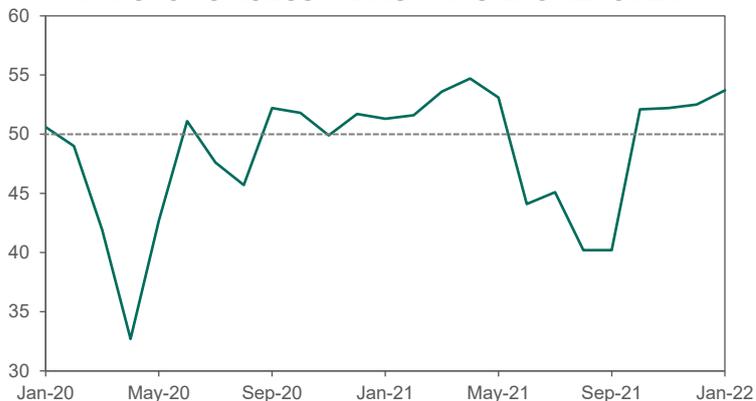
ECONOMIC FORECASTS

31-Dec-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	9.6
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

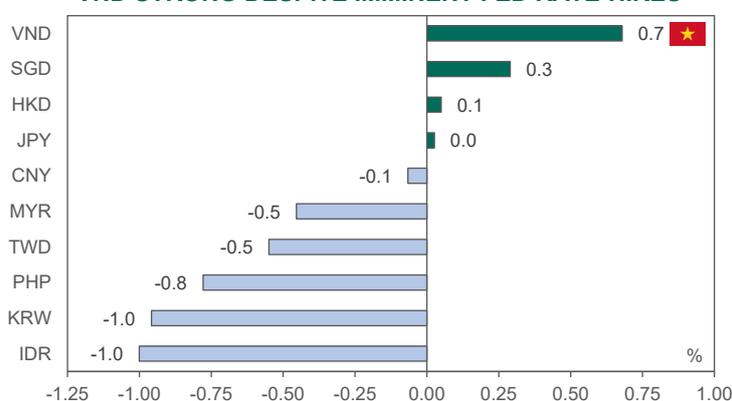
VIETNAM IN TOP-10 VACCINATED COUNTRIES



PMI SHOWS ROBUST MANUFACTURING RECOVERY



VND STRONG DESPITE IMMINENT FED RATE-HIKES





VIETNAM EQUITY (UCITS) FUND – VEF

VEF was down 2.9% in Jan while the VN Index lost 0.5%. The market corrected in early Jan after having risen for five consecutive months from Aug. The correction was triggered by the plunge of highly speculative stocks, which had risen significantly without regard for fundamentals. We think the correction was healthy and necessary to cool down the exuberance, especially in those speculative names, and to shift investment into more fundamentally sound stocks. The market PER has corrected back to the 5-year average level of 16.6x. With our projected earnings growth of 20% for 2022, we see the recent pullback as an opportunity to add more good stocks.

Military Bank (MBB) and Vietnam Prosperity Bank (VPB) were amongst the top contributors to the Fund's return in Jan, while the Brokerage sector was hit hard on worries that some companies in the sector would experience non-performing margin loans. Against that backdrop, VEF's performance for the month was weighed down the most by brokerage stocks VNDirect (VND) and Viet Capital Securities (VCI), followed by property developer Nam Long Group (NLG).

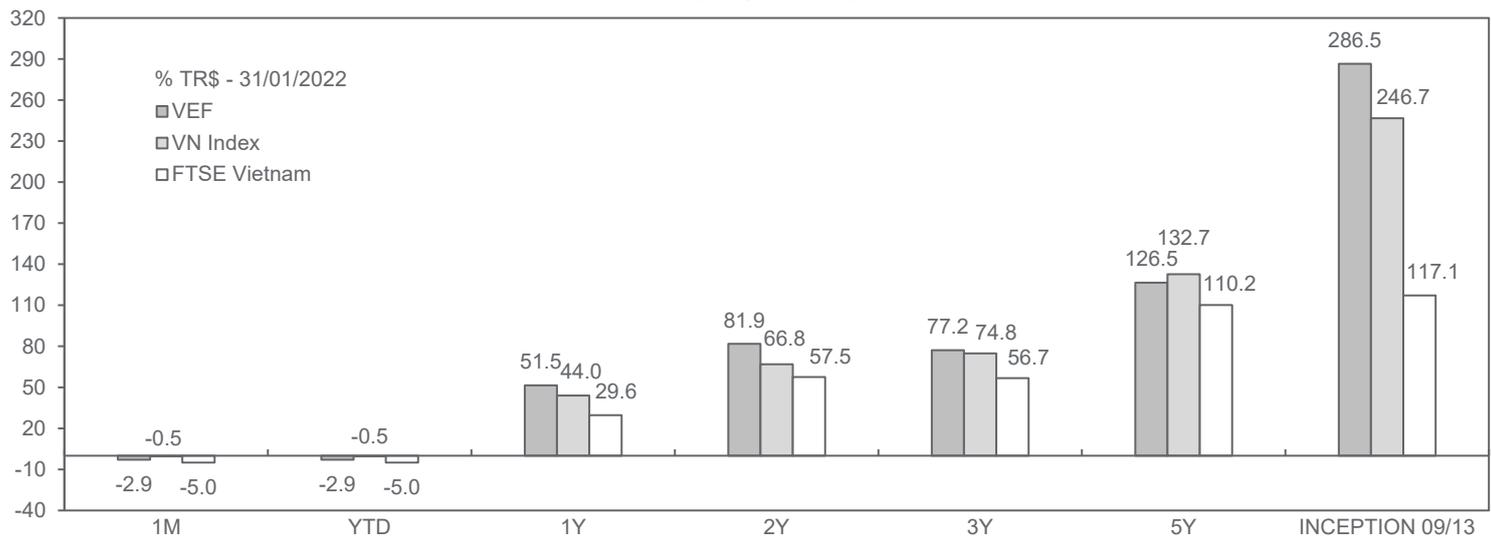
The Fund's top holding MBB rose 17.4% on impressive 2021 earnings, which were up 54% yoy on strong credit growth and expanding NIM and fee income. And its asset quality is amongst the top in the sector, with loan loss reserve coverage of 268%, second after Vietcombank's 424%. We are projecting 28% earnings growth for the bank in 2022.

VND fell 15.2% despite impressive 4Q21 earnings that were +41% qoq and +228% yoy. The correction in its stock price was caused by: (a) the mistaken belief about potential NPLs; and (b) the rejection by the State Securities Commission (SSC) of its capital raising plan. However, the company announced that it does not provide margin loans on speculative stocks and that it is confident that it will get the SSC's approval within 2Q. That resulted in the stock bouncing back by some 22% from its mid-Jan low. And NLG fell 22% as the entire sector was brought down by the panic selling of highly speculative property stocks. We believe, however, that NLG is amongst the best developers in the sector in terms of landbank, execution capabilities, and governance, and that its stock will thus be rerated based on those factors.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	38.65	-2.95	-2.95	\$354m	14.11	27.69	0.71
VEF – B	1,934.02	-1.32	-1.32				

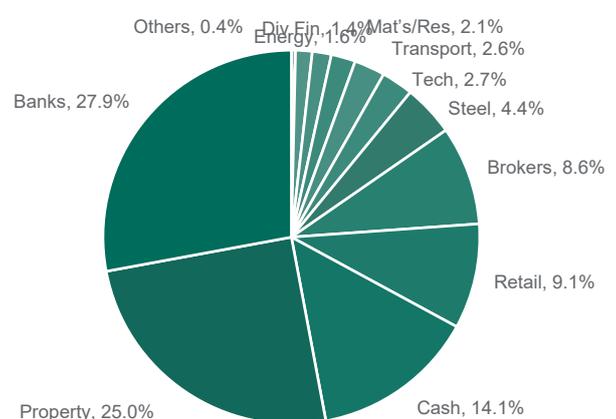
NAV PERFORMANCE



TOP 10 HOLDINGS (46.3% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 MB Bank	Banks	2.20	8.09	17.4
2 Mobile World	Retail	1.63	7.92	-1.8
3 VNDirect Securities	Brokers	0.52	4.75	-15.2
4 VN Prosperity Bank	Banks	2.82	4.49	3.1
5 Hoa Phat Group	Steel	3.26	4.43	-8.4
6 Vinhomes	Property	6.04	4.25	-1.4
7 Vietcombank	Banks	7.28	3.49	13.8
8 Techcombank	Banks	3.20	3.40	6.4
9 Dat Xanh Group	Property	0.35	2.75	-2.6
10 FPT Corp	Tech	1.40	2.73	-3.1

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022F
Economic Growth									
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	9.4	19.1	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	118.0
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-Jan-21	31-Jan-22	31-Jan-21	31-Jan-22	31-Jan-21	31-Jan-22	31-Jan-21	31-Jan-22
Market Cap (\$m)	171,959	255,516	11,034	20,469	42,207	61,500	225,200	337,485
Number of Stocks	396	407	353	348	912	885	1,661	1,640
Number of Large Cap Stocks (> \$400m)	50	73	4	13	18	30	72	116
Stocks with No Room for Foreigners	14	18	3	1	3	0	20	19
Market Cap of Stocks with No Room (\$m)	17,327	42,734	29	12	321	0	17,678	42,746
Share of Market Cap with No Room (%)	10.1	16.7	0.3	0.1	0.8	0.0	7.8	12.7

Top 25 Companies

No	Company	31-Jan	Price	Mkt	Wt	PER			PBV			Yield		
		Price (VND)	YTD (%)	Cap (\$m)	in VNI (%)	2020 (x)	2021 (x)	2022E (x)	2020 (x)	2021 (x)	2022E (x)	2020 (%)	2021 (%)	2022E (%)
1	Vietcombank	89,000	12.9	18,596	7.44	22.3	19.4	17.1	3.8	3.6	3.0	0.8	-	-
2	Vingroup	97,000	2.0	16,296	6.52	67.0	neg	4,586.2	4.6	5.0	5.0	-	-	-
3	Vinhomes	80,300	-2.1	15,437	6.18	10.6	9.2	10.1	3.4	2.7	2.1	0.1	1.5	-
4	BIDV	47,950	29.2	10,709	3.41	36.4	22.5	21.1	2.4	2.9	2.5	1.4	-	-
5	PV Gas	109,000	13.3	9,211	3.68	20.9	21.7	17.3	3.3	4.1	3.7	4.3	3.2	3.2
6	Airports Corporation VN	87,000	0.0	8,362	-	119.1	252.1	46.6	4.7	4.9	4.4	-	-	-
7	Hoa Phat Group	42,200	-9.1	8,334	3.33	10.7	5.9	4.8	2.3	2.0	1.4	1.0	1.1	2.4
8	Techcombank	52,800	5.6	8,184	3.27	9.2	10.0	8.2	1.5	2.0	1.6	0.1	-	-
9	Vietinbank	36,900	8.8	7,829	3.13	11.5	14.0	11.8	1.5	1.7	1.5	1.5	-	-
10	Vinamilk	83,100	-2.2	7,668	3.07	21.5	18.8	15.8	6.9	5.2	5.2	3.7	4.7	4.8
11	Masan Group	143,000	-16.4	7,453	2.98	83.9	23.6	29.1	6.5	5.1	7.4	1.4	1.7	-
12	VP Bank	36,650	2.4	7,193	2.87	7.7	13.5	10.0	1.5	2.1	1.6	-	-	-
13	Novaland	79,900	-12.2	6,810	2.08	16.6	41.1	23.6	2.5	4.4	3.7	0.1	-	-
14	Military Bank	33,700	16.6	5,622	2.25	8.1	8.9	8.2	1.3	2.1	1.7	-	-	-
15	Sabeco	148,700	-0.2	4,210	1.68	27.6	26.0	23.4	6.1	4.5	4.0	3.1	1.2	4.0
16	Mobile World	132,500	-2.5	4,170	1.67	13.7	19.8	13.9	3.5	4.6	3.7	1.3	0.3	0.8
17	ACB	34,550	0.1	4,122	1.65	8.1	9.9	7.3	1.7	2.1	1.6	-	-	-
18	FPT	89,500	-3.8	3,586	1.43	14.3	21.6	17.2	2.9	4.5	4.1	4.2	2.7	3.2
19	Vincom Retail	34,950	16.1	3,506	1.44	30.0	52.0	32.6	2.4	2.6	2.7	-	-	2.9
20	Binh Son Refining	24,500	6.1	3,354	-	neg	11.5	19.7	1.0	2.0	2.1	0.0	-	0.4
21	VIB	47,550	0.5	3,261	1.30	7.7	11.1	9.2	2.0	3.0	2.0	-	-	-
22	Petrolimex	56,100	4.1	3,147	1.28	66.3	24.2	20.4	3.1	3.5	3.5	6.1	5.2	5.0
23	Tien Phong Bank	41,950	2.2	2,930	1.17	7.9	13.4	11.5	1.7	2.6	1.9	-	-	-
24	Vietjet Air	121,900	-5.0	2,915	1.17	954.6	413.3	54.5	4.4	3.8	2.3	-	-	-
25	HD Bank	30,900	0.2	2,745	1.10	8.9	10.2	8.2	1.5	2.1	1.7	-	-	-

VIETNAM MONTHLY REPORT

31 January 2022

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).

VDeF

Subscription & Withdrawals Monthly Contact: info@dragoncapital.com

DISCLAIMER

This is an advertising document. It has been prepared by Dragon Capital Markets Limited ("Dragon Capital") on behalf of: Dragon Capital Management (HK) Limited (for VEIL, VEF and VDeF), for the information of their respective shareholders and other eligible recipients.

This document contains a review of the investment case for Vietnam and is neither a prospectus nor an offer or a solicitation to sell or buy or subscribe for securities, investment products or other financial instruments, nor does this document contain any advice or recommendation with respect to such securities, investment products or other financial instruments.

You are advised to exercise caution in relation to this document. Past performance is no guarantee of future performance, and the value of shares in the funds (and any income derived therefrom) may go down as well as up. The NAV of the funds are calculated by reference to the closing price of the relevant shares on the Vietnamese stock exchanges. Funds domiciled outside of Vietnam are subject to certain foreign ownership limits, therefore the price at which the funds can trade shares may be different from the price at which shares are traded locally. If you have any doubt about any information contained in this document, then you should obtain independent professional advice.

All information in this document remains subject to revision and amendment at any time. Dragon Capital makes no representation or warranty as to the accuracy, completeness or context of the document, and expressly disclaims all liability whatsoever arising from reliance upon this document or any part of it.

All rights reserved. The information contained in this document may be confidential and must not be distributed or otherwise made available to third parties without the consent of Dragon Capital, and then only to such recipients who have confirmed that distribution of such information is in compliance with all securities laws and regulations which apply to them.

Information specific to UK investors in VEIL: According to an analysis performed on behalf of VEIL by KPMG, VEIL does not meet the definition of an "offshore fund" for the purposes of the Offshore Fund Regulations in the UK. On the basis of this analysis, the Offshore Fund Regulations do not apply to VEIL, and therefore the reporting fund status regime is not relevant to VEIL or its UK investors. Please contact a member of the client group if you require the full analysis from KPMG.

Representative and Paying Agent in Switzerland: The representative for VEF in Switzerland is Waystone Fund Services (Switzerland) SA, Av. Villamont 17, 1005 Lausanne, Switzerland, and the paying agent is Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich, Switzerland. The VEF prospectus, the key investor information documents (KIIDs), the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE.