



MARKET REVIEW AND OUTLOOK

VNI steady in Feb, despite Ukraine crisis and global market turmoil

Vietnam outperforms on view it is insulated from the crisis

Crisis broadly neutral for earnings; 15% of stocks are commodity plays, 85% domestic

Vietnam's risk is not its own macro/market situation, but an intensifying global economic crisis

The VN Index was flat in Feb, rising +0.07% to 1490 (TR\$), showing almost no reaction to the Russian invasion of Ukraine. Stocks advanced post-Tet, and then lost some ground to global market turmoil, but they popped back up soon enough and resumed their consolidation around the 1500 mark. Average daily turnover decreased by 16% to \$1,026m on the HOSE and to \$1,139m on the combined exchanges. Money flows were supportive. New account openings hit their third-highest monthly number ever at 210,883, bringing the total to 401,336 so far this year, more than in all of 2020. And foreign net selling stabilized to \$16.4m, moderate versus 2021.

This was a remarkable result given the geostrategic upheaval in Europe and the blow it has delivered to most other stock exchanges. For Jan-Feb, Vietnam declined just 0.4%, compared with the S&P falling 8.0%, and the gap has only widened going into Mar. But the economy is seen for now to have a certain natural insulation from the cataclysm abroad (as discussed overleaf). And the market benefits by extension.

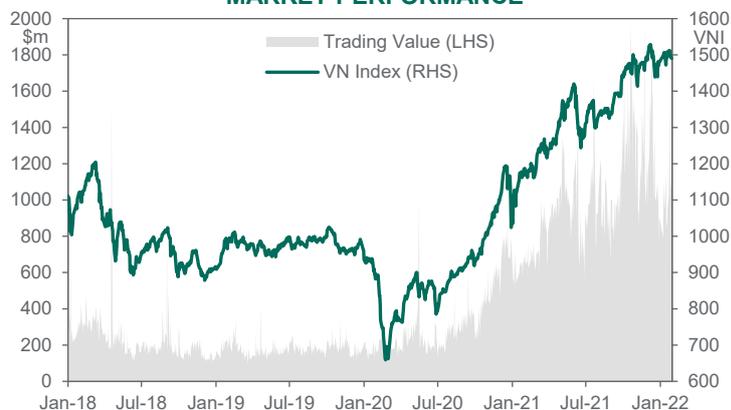
Some 15% of the VNI is commodity plays, in the form of steel, fertilizer and energy, and we have been revising their profit forecasts upwards. Commodities cut both ways, though. Steel giant Hoa Phat has seen selling prices start to rise, but it must also contend with skyrocketing costs for metallurgical coal, so its earnings – the biggest in the Index – are a wild card. As for the other 85% of the VNI, it is solidly geared to the domestic sector, which is set to thrive on post-COVID recovery and fiscal stimulus. Banks, property developers and retailing firms are projected to deliver average earnings growth of more than 30% in 2022. Sectors which may be at some risk are quite small in the benchmark, for example utilities and air travel, at under 3%.

With our mark-up of commodity producers, the DC Top-60 forecast for 2022 earnings is +22.0% and the PER is 12.0x. The benign economic outlook, and the value/growth underpinning of stocks, explains the steadiness of investor sentiment so far. And companies are looking to tap that for more cash raisings. Rights issues are coming soon for brokers, and we estimate that about one-third of the market's large-cap names will be looking to execute deals within the next one year – for which they are approaching institutions now. A few IPOs are also being organized for 2H22. We believe that Vietnam's biggest risk is not its own macro/market situation, but the unavoidable spillover effect if the Ukraine crisis drags on and the rise in commodity prices triggers stagflation in the developed world. So far Vietnam has offered impressive safe-haven refuge. But even if the worst case were to play out, the country would likely be a relative outperformer given its entrenched positive fundamentals.

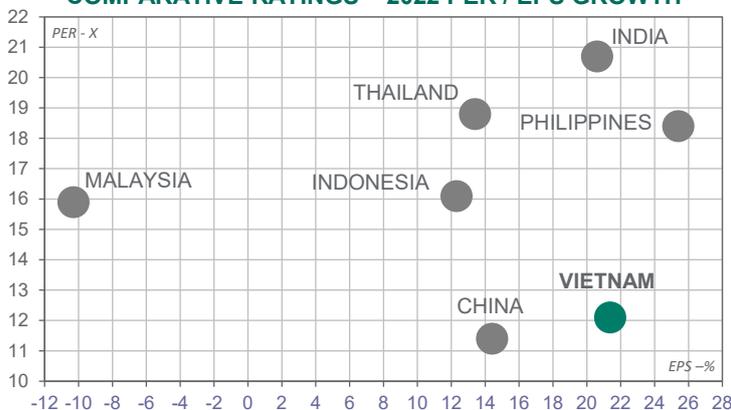
DC TOP-60 FORECASTS

28-Feb-22	Unit	2019	2020	2021	2022F
PER	x	11.9	14.0	14.8	12.0
EPS Growth	%	11.7	5.6	38.9	22.0
PEG	x	1.0	2.5	0.4	0.5
Sales Growth	%	10.0	2.2	22.0	22.5
EBIT Growth	%	15.1	3.1	50.4	21.0
PBT Growth	%	13.2	6.0	38.2	23.4
NPAT Growth	%	12.9	5.9	41.9	22.1
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	0.9

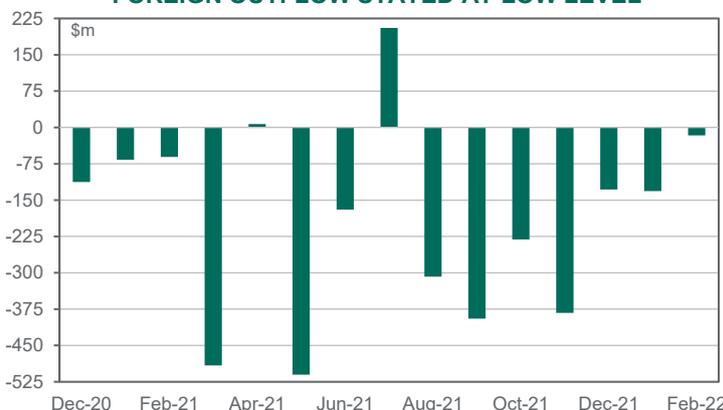
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGN OUTFLOW STAYED AT LOW LEVEL





ECONOMY REVIEW AND OUTLOOK

Recovery kicks off in Jan-Feb; growth appears modest due to high base in 2021

COVID a non-issue: Omicron spike has limited macro effects

Inflation is the big issue; we see it being under control in 2022

We are adjusting our forecasts but do not expect drastic effects on Vietnam from the Ukraine crisis

Vietnam's economy chugged along in Jan-Feb, with the Ukraine crisis having little impact so far. Growth numbers were modest, but they reflected the high base of early 2021. On the services side, retail sales rose 1.7% yoy. On the industrial side, production was +5.4%, helped by exports rising 13.2%. Imports greatly outpaced at +21.9%, but mostly for the purpose of manufacturing more exports, so the gap will not persist. Nonetheless it generated a trade deficit of \$0.9bn for the two-month period. And with the dollar strengthening everywhere on the Ukraine crisis, the VND pulled back a bit to 22,800, giving up its 0.6% gain from Jan.

Though COVID cases have continued to increase – exceeding 200,000 on some days recently – they are mostly Omicron ones. With low hospitalization and brief self-isolation, the macro effects are minimal. The pandemic is a non-issue now and one can easily see, from bustling street activity, the unshuttering of shops and restaurants, and the return to offices, that Vietnam is rapidly re-opening. International travel bans will be lifted from mid-Mar, completing the process.

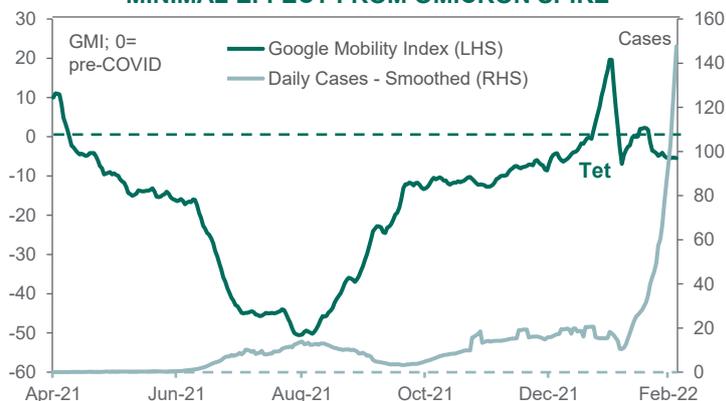
Inflation is a real concern now. The CPI was +1.49% yoy in Feb, still minimal compared to US/Europe, but the question is where it goes from here. Oil single-handedly drove the CPI in Feb. Entering the CPI as fuels, oil is just 3.6% of the basket directly, but \$100/bbl for crude at end-Feb has become \$130/bbl since. Fuel could quickly spill over into other components of the basket, and then there is the whole issue of non-fuel commodities. Still, fuel prices can be managed through subsidies and, especially, tax cuts. The Government will use those levers if inflation looks like it might take off. Officials can control many other prices as well, such as telecommunications, healthcare, and education. Also, the main component of the CPI is not oil but food, taking 35%. And here the key prices – pork and rice – are stable or lower. Further, Vietnam gets most of its power from hydro, domestic coal and renewables, not oil.

We have adjusted our 2022 inflation forecast from 3.5% to 4.2%, to reflect oil at \$120/bbl. The Government will do its best to get Vietnam through the year at that level of CPI and leave any new policy actions – such as rate hikes – to 2023. We have also reduced our trade-surplus projection from \$13bn to \$10bn to make room for higher import prices (led by oil), and perhaps some fall-off in export volumes (due to demand and supply-chain factors). But the new number is still sizeable. Currency risk seems limited given external account surpluses, rising reserves, low foreign debt and ongoing FDI. And finally, we have penciled down our GDP growth target from 7.3-9.6% to 7.0-8.6%, depending on how vigorously the fiscal stimulus is executed. Overall, the economy still looks very healthy even with our less bullish expectations.

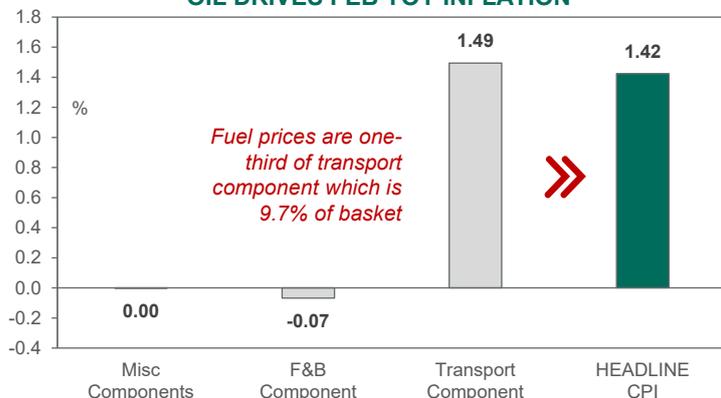
ECONOMIC FORECASTS

28-Feb-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	8.6
Nominal GDP	\$bn	335	343	352	382
CPI	%	2.8	3.2	1.8	4.2
Export Gro (cif)	%	9.0	6.5	19.1	27.5
Import Gro (cif)	%	7.7	3.6	26.8	26.0
Trade Bal (cif)	\$bn	9.4	19.1	4.0	10.1
FX Reserves	\$bn	80.0	98.0	106.5	113.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	22,686

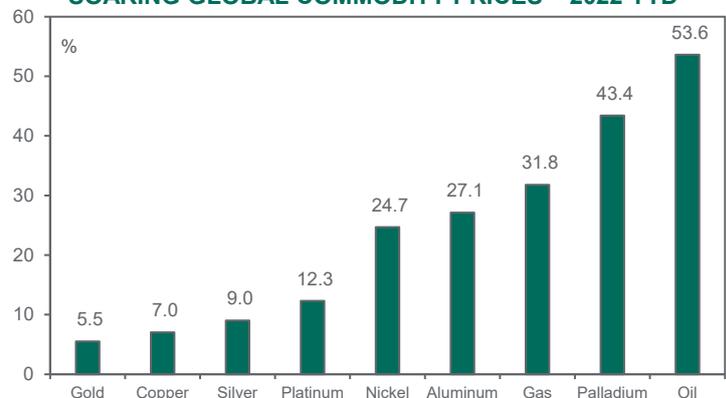
MINIMAL EFFECT FROM OMICRON SPIKE



OIL DRIVES FEB YOY INFLATION



SOARING GLOBAL COMMODITY PRICES – 2022 YTD





VIETNAM EQUITY (UCITS) FUND – VEF

VEF gained 3.1% in Feb, while the VN Index was essentially flat at +0.1%. Top contributors to the Fund's performance were real estate developer Dat Xanh Group (DXG) and brokerage firm VN Direct (VND).

A flurry of positive news reports propelled DXG 24.1% higher. Its Gem Riverside project will be relaunched and is expected to boost 2022 pre-sales significantly. Meanwhile, other substantial deals are currently underway, including a 152ha project in adjacent Dong Nai Province. The company's outlook is bright while its shares appear to be more reasonably priced than most peers. Another developer in the Fund's portfolio, Kinh Bac City (KBC), has been rising steadily and gained another 6.2% in Feb. We expect two of their new industrial parks, 200ha in Long An and 200ha in Hung Yen, to break ground this year. In general, recent improvements in Vietnam's legal process will likely benefit the Fund's property holdings.

The Fund's top brokerage holding, VN Direct (VND), rebounded 13.4% from last month's 15.2% drop as negative rumors dissipated and the State Securities Commission approved the company's capital raising plan. High stock market trading turnover (\$1.2bn per day), high margin lending and a strong investment banking pipeline are all catalysts underpinning an expected +42% yoy growth for the company's PBT this year.

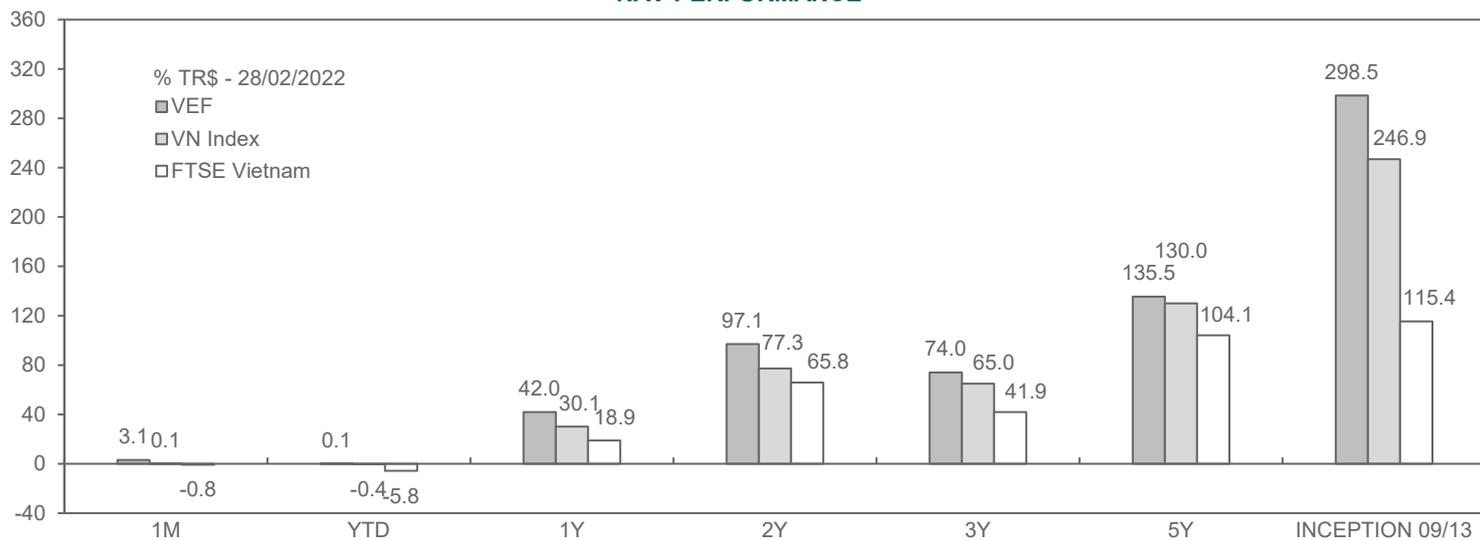
Other notable mentions are Hoa Phat Group (HPG) and Mobile World (MWG). Vietnam's #1 steel company HPG rebounded by 11.1% as steel selling prices increased 6% after the start of the post-Tet-holiday construction season. Concurrently, Vietnam's #1 retailer MWG rose 1.9% after posting Jan sales +30% for their mobile/CE business versus an already high 4Q21. We believe MWG's management guidance of a +30% yoy increase in net income for 2022 is attainable.

On the downside, banking stocks lost their momentum, with the majority of them retreating, except for Military Bank (MBB) and VN Prosperity Bank (VPB), as money started to flow out of the sector and into commodity-related stocks as the Ukraine – Russia conflict broke out.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	39.9	3.1	0.1	\$373m	6.29	27.66	0.70
VEF – B	1,977.9	2.3	0.9				

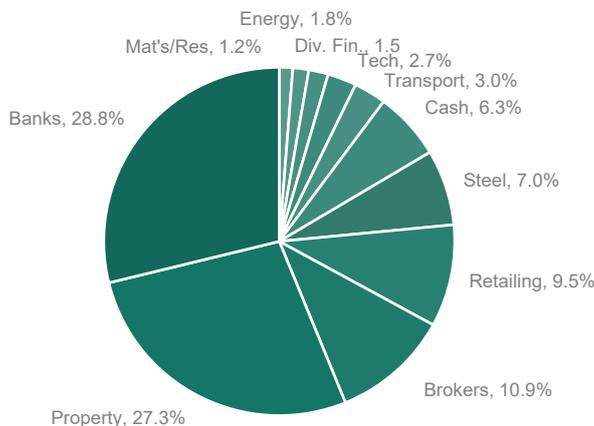
NAV PERFORMANCE



TOP 10 HOLDINGS (54.0% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retailing	1.64	8.40	1.9
2 Military Bank	Banks	2.21	8.32	1.4
3 Hoa Phat Group	Steel	3.58	6.65	11.1
4 VN Direct Securities	Brokers	0.58	6.49	13.4
5 Vietcombank	Banks	6.78	5.02	-5.7
6 Dat Xanh Group	Property	0.43	4.47	24.1
7 VP Bank	Banks	2.87	4.37	3.0
8 Vinhomes	Property	5.73	3.86	-4.2
9 Kinh Bac City Dev'	Property	0.55	3.37	6.2
10 Techcombank	Banks	3.00	3.09	-5.2

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	335.0	343.0	351.8	382.0
Real GDP Growth	%	6.7	6.2	6.8	7.1	7.0	2.9	2.6	8.6
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	4.2
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	22,686
External Sector									
Trade Balance	\$bn	-3.5	1.8	2.1	6.8	9.4	19.9	4.0	10.1
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	113.0
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	
	28-Feb-21	28-Feb-22	28-Feb-21	28-Feb-22	28-Feb-21	28-Feb-22	28-Feb-21	28-Feb-22
Market Cap (\$m)	189,627	258,277	12,487	21,451	45,107	63,990	247,222	343,717
Number of Stocks	399	409	353	348	908	882	1,660	1,639
Number of Large Cap Stocks (> \$400m)	57	80	5	15	19	31	81	126
Stocks with No Room for Foreigners	11	16	3	1	3	0	17	17
Market Cap of Stocks with No Room (\$m)	17,563	41,977	31	15	325	0	17,919	41,991
Share of Market Cap with No Room (%)	9.3	16.3	0.3	0.1	0.7	0.0	7.2	12.2

Top 25 Companies

No	Company	28-Feb	Price	Mkt	Wt	PER			PBV			Yield		
		Price	YTD	Cap	in VNI	2020	2021	2022E	2020	2021	2022E	2020	2021	2022E
		(VND)	(%)	(\$m)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
1	Vietcombank	84,500	7.2	17,524	6.87	22.3	19.6	16.3	3.8	3.6	2.8	0.8	0.5	-
2	Vinhomes	77,500	-5.5	14,788	5.80	10.6	9.2	8.6	3.4	2.6	2.0	0.1	1.5	-
3	Vingroup	77,000	-19.0	12,869	5.04	67.0	neg	823.5	4.6	2.9	3.8	-	0.5	-
4	PV Gas	118,000	22.7	9,897	3.88	20.9	21.7	18.7	3.3	4.4	4.1	4.3	3.2	3.0
5	BIDV	43,700	17.8	9,687	3.02	36.4	23.7	19.2	2.4	2.7	2.3	1.4	0.7	-
6	Hoa Phat Group	47,200	1.7	9,252	3.63	10.7	6.3	7.2	2.3	2.3	1.8	1.0	0.8	2.1
7	Airports Corporation VN	95,900	10.2	9,149	-	119.1	253.5	51.4	4.7	5.5	4.9	-	-	-
8	Masan Group	156,000	-8.8	8,070	3.16	83.9	23.6	29.0	6.5	5.6	4.7	1.4	1.7	-
9	Techcombank	50,400	0.8	7,754	3.04	9.2	10.0	7.8	1.5	1.9	1.5	0.1	-	-
10	VP Bank	38,000	6.1	7,403	2.89	7.7	13.5	11.1	1.5	2.2	2.1	-	-	-
11	Vinamilk	78,400	-7.7	7,180	2.81	21.5	18.8	17.2	6.9	5.0	5.2	3.7	4.3	5.1
12	Vietinbank	33,150	-2.2	6,981	2.74	11.5	13.5	10.6	1.5	1.7	1.3	1.5	0.0	-
13	Novaland	75,300	-17.3	6,370	2.50	16.6	54.4	27.7	2.5	4.1	3.7	0.1	-	-
14	Military Bank	34,400	19.0	5,696	2.23	8.1	8.9	7.2	1.3	2.2	1.4	-	-	-
15	Sabeco	169,800	13.9	4,772	1.87	27.6	26.0	26.8	6.1	5.1	4.5	3.1	1.2	3.5
16	Mobile World	136,000	0.1	4,248	1.67	13.7	19.8	14.1	3.5	4.8	3.8	1.3	0.3	0.7
17	ACB	33,900	-1.7	4,014	1.57	8.1	9.9	7.1	1.7	2.0	1.6	-	-	-
18	Binh Son Refining	28,000	21.2	3,804	-	neg	11.5	22.5	1.0	2.3	2.4	0.0	-	0.4
19	FPT	93,300	0.3	3,711	1.45	14.3	21.6	17.9	2.9	4.7	4.3	4.2	2.7	3.1
20	Petrolimex	62,300	15.6	3,469	1.38	66.3	24.2	22.7	3.1	3.2	3.8	6.1	2.2	4.5
21	Vincom Retail	33,500	11.3	3,336	1.34	30.0	52.0	31.3	2.4	2.5	2.3	-	-	-
22	Vietjet Air	140,100	9.2	3,325	1.30	954.6	293.6	68.7	4.4	4.3	2.7	-	-	-
23	VIB	46,900	-0.8	3,192	1.25	7.7	11.1	9.1	2.0	3.0	2.0	-	-	-
24	Tien Phong Bank	42,250	2.9	2,929	1.15	7.9	13.4	11.6	1.7	2.6	1.9	-	-	-
25	VEAM Corp	44,000	-0.9	2,562	-	10.5	10.3	10.3	2.3	2.5	2.5	19.5	13.7	10.2

VIETNAM MONTHLY REPORT

28 February 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).	

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