



## MARKET REVIEW AND OUTLOOK

**VNI steady in Mar, despite Ukraine crisis and global market volatility**

**More SME/big-cap divergence, except for a few FOL names in Diamond ETF**

**Arrest of two senior property execs may fluster investors, but is positive for market development**

**AGMs confirm positive outlook for 2022 earnings**

The VN Index flatlined in Mar, rising just +0.1% to 1492 (TR\$). Stocks continued to show little reaction to the volatility of global markets, but neither did they register the excellent two-month macro numbers that were released. Flows were broadly supportive as average daily turnover increased by 13% to \$1,163m on the HOSE and by 17% to \$1,328m on the combined exchanges. Foreign net selling intensified to \$174m, but was mostly offset by local buying, and the ytd exit of \$313m was barely half the level of 1Q21. New-account openings hit an all-time monthly record of 270,217, 20% above the previous peak in Dec 2021. Local sentiment now dominates, and it is not bearish, given the obvious recovering trend in the domestic economy. But a consensus is still developing on how immune to external events Vietnam can remain.

Hence the dichotomy between SME and heavyweight stocks persisted in Mar, leaving the small-cap index at +5.7%, the mid-cap index at +2.8% and the VN30 at -0.6%. With the cautious view investors seem to have, they are favoring companies with shorter-term upside, particularly exporters and materials manufacturers, as well as selected medium-scale developers. These names do have immediate visibility on earnings, and that fueled their prices. By contrast, banks were lower, as were property and industrial majors. The exceptions were a few bigger names in the Diamond ETF, which tracks companies at their foreign ownership limits. The fund listed in Thailand late in Mar and raised over \$60m in new capital. This put the Diamond Index up almost 9% from its mid-month low. Key beneficiaries were FPT, rising 14.6%, along with MobiWorld, PNJ and REE, which gained 7-8% each.

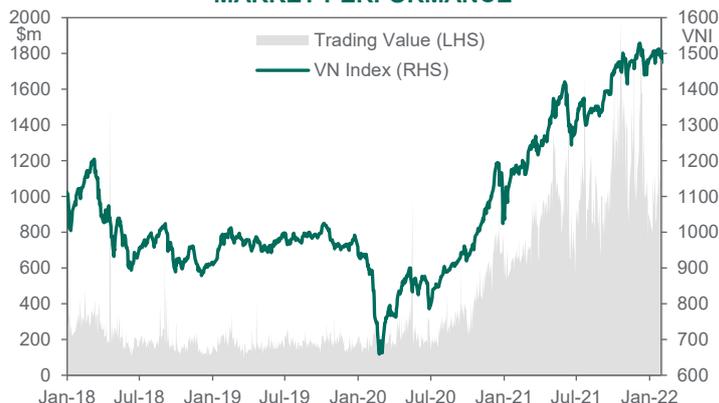
Investors were a bit unsettled towards the end of the month by two high-profile arrests in the property sector: the Chairman of FLC Group, on charges of stock manipulation, and the Chairman of Tan Hoang Minh Group, on charges of falsifying information in private bond sales. The market is waiting to see if other individuals follow. These events could affect sentiment in the next few weeks, especially in the more speculative real-estate names. But we do not expect a lasting impact. In fact, the arrests could help to promote transparency and shareholder protection, and it may move investors towards more fundamentally-based stocks.

AGMs set a positive tone for 2022, with studiously conservative earnings guidance as usual, but even so averaging ca +15%. Banks indicated 20-25%, highlighting the paradox of their unloved status. Our own Top-80 forecast is 23%, based on the strength of the domestic economy and the natural insulation it seems to have from the Russia-Ukraine conflict. And we believe that stock prices can capture a significant portion of this upside, given a PER that is only 11-12x.

### DC TOP-80 FORECASTS

31-Mar-22	Unit	2019	2020	2021	2022F
PER	x	11.9	13.9	14.8	11.4
EPS Growth	%	11.4	5.6	38.8	23.2
PEG	x	1.0	2.5	0.4	0.5
Sales Growth	%	10.0	2.2	22.0	21.4
EBIT Growth	%	15.1	3.2	50.5	22.2
PBT Growth	%	13.2	5.8	38.1	24.7
NPAT Growth	%	12.9	5.9	41.9	23.7
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	0.9

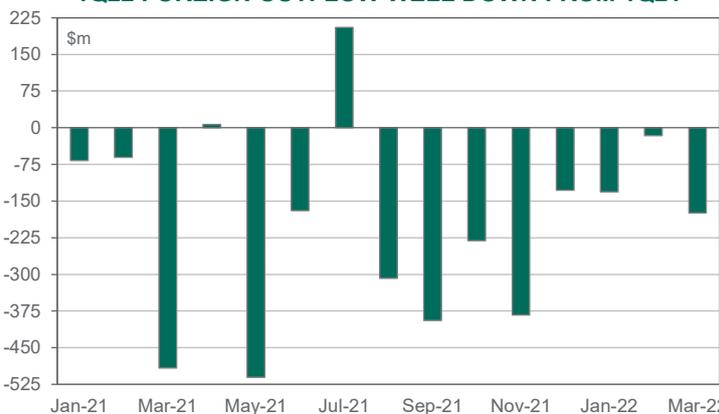
### MARKET PERFORMANCE



### COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



### 1Q22 FOREIGN OUTFLOW WELL DOWN FROM 1Q21





## ECONOMY REVIEW AND OUTLOOK

**1Q22 GDP growth hits +5.0%; manufacturing leads, with services starting to follow**

**Omicron wave crimped 1Q growth but only modestly and is now subsiding**

**Threats to growth remain external; inflation is being managed well**

**Fade-out of Omicron, ramp-up of trade and services should drive 7% GDP growth**

The economy continued to power ahead in 1Q22, with GDP at +5.0% yoy, beating +4.7% in 1Q21, and from a much higher base. Manufacturing continued to be the key growth driver, rising 7.8% yoy, underpinned by rapidly-expanding trade. Exports were up 13.4% in 1Q22 at \$89.1bn and imports 15.2% at \$87.6bn, making for a surplus of \$1.5bn. But the more interesting feature, was how trade suddenly accelerated in Mar, with exports +48.2% and imports +28.7%. This gave a one-month surplus of \$2.1bn. Meanwhile services were +4.6% yoy, sustaining their remarkable comeback since last Oct. They will get a big lift from the easing of international travel restrictions that started in mid-Mar and should accelerate in coming months.

The recovery would have been even more vigorous if Omicron cases had not surged in Mar, with up to 270,000 per day, before starting to subside at month's end. Since infections were largely benign, worker absences caused only temporary disruptions to economic activity, rather than serious halts. Nonetheless, the PMI did drop from 54.3 to 51.7. In response, the authorities have raised monthly overtime limits from 40 to 60 hours and relaxed quarantine requirements for fully-vaccinated workers. This was necessary to accommodate the huge export-order backlogs into 4Q22. Omicron also cut into registered FDI, which was -12.1% in 1Q22 at \$8.9bn, although disbursed FDI was +10.2% at \$4.4bn. Delayed projects will be moved to 2Q.

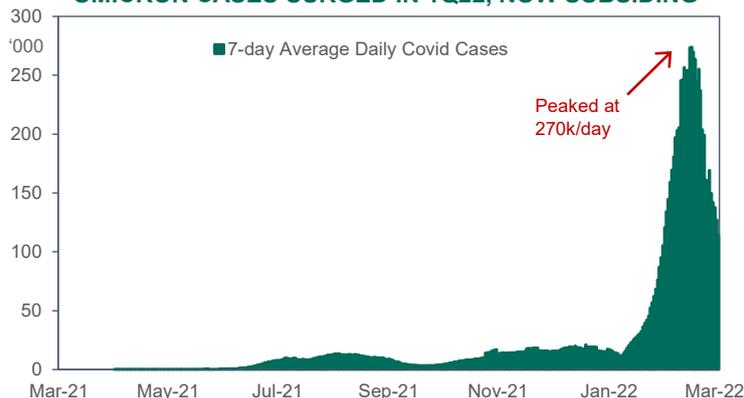
Threats to growth are external: geopolitical tensions and, heavily aggravating them, renewed lockdown in China – by far Vietnam's biggest supplier of raw materials and semi-finished goods. These twinned crises only increase the risks of more supply-chain disruption and more commodity-price escalation, possibly crimping international trade and boosting inflationary pressures. Inflation is indeed ticking up in Vietnam, with the headline CPI at +2.40% yoy in Mar from +1.48% in Feb. That is still a far cry from the US and Europe. But the Government has decided to halve the environmental tax on petrol (cutting 6.7% off the final price), and to reduce VAT from 10% to 8%. We believe that the CPI will rise by around 4% in 2022.

Despite global headwinds, Vietnam has had a solid start to 2022 in the first quarter. Its healthy prospects have been recognized by Fitch and Moodys, which recently re-confirmed their "positive" outlook and their respective ratings of BB and Ba3. The World Bank has forecast 5.5% GDP growth for Vietnam, but this is below many other banks and multilaterals that are targeting 6.5-6.7%. With Omicron fading, we can see 7% if trade continues to accelerate and services pick up momentum on the back of re-opening borders. And this is before factoring in the effects of the impending fiscal stimulus, which we think could take growth as high as 8.6%.

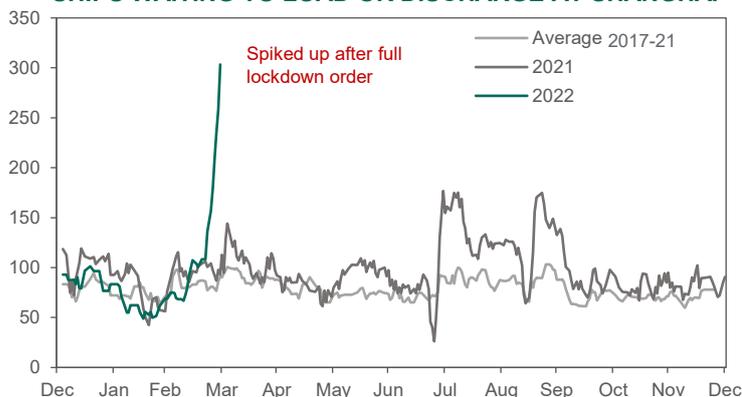
### ECONOMIC FORECASTS

31-Mar-21	unit	2019	2020	2021	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

### OMICRON CASES SURGED IN 1Q22, NOW SUBSIDING



### SHIPS WAITING TO LOAD OR DISCHARGE AT SHANGHAI



### ROBUST 1Q RECOVERY PRESAGES STRONG 2022





## VIETNAM EQUITY (UCITS) FUND – VEF

VEF fell -0.6% in Mar, while the VN Index was essentially flat at +0.1%. Seven of the Fund's top-10 holdings fell, with Military Bank (MBB), VN Direct Securities (VND) and Hoa Phat Group (HPG) being the biggest laggards. On the upside, top contributors were Mobile World (MWG), Dat Xanh Group (DXG) and FPT Corporation (FPT).

The Government's investigation into FLC Group and Tan Hoang Minh, though positive for the long-term, cast a shadow over both the Banking and Brokerage sectors as Mar came to an end. Stocks retreated while investors wrestled with rumors to verify information and attempted to determine exactly what would be affected. Much positive sectoral and corporate news was overlooked amidst the chaos. MBB, the Fund's top bank holding, slumped 4.3% despite having minimal exposure to the issue and a robust growth trajectory in 2022. The bank posted a striking 13% ytd credit growth (the strongest amongst banks) and released AGM guidance for 23% pre-tax earnings growth, which they normally exceed. In similar fashion, VND, the Fund's top brokerage holding, fell -4.7% despite strong preliminary 1Q earnings and it continuing to capture more of the brokerage market share, edging up 34 bps to 8.1% and maintaining its third-place ranking in the sector.

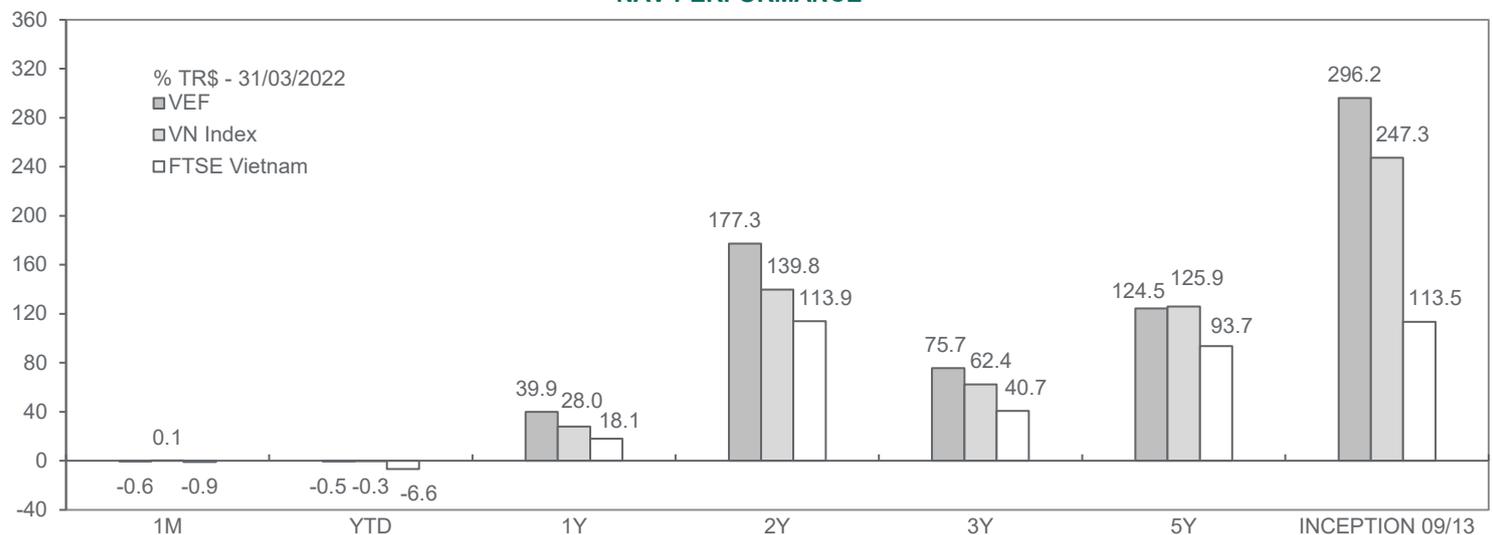
Another laggard for the Fund was HPG. Strong sales of +57% yoy for construction steel and +15% yoy for HRC did little to compensate for the gloomy sentiment as investors digested this year's earnings prospects and the degree of margin compression in the context of coking coal spot prices momentarily surging to over \$600/ton intra-month before returning to the pre-Russia/Ukraine conflict level of circa \$400/ton as of now.

On the positive side, two of the Fund's top contributors, MWG and FPT, apart from possessing tip-top fundamentals, are constituents of the Diamond ETF and hence benefitted from the substantial \$30m net inflow. Both companies are expected to deliver good 1Q numbers, in the vicinity of 20-28% earnings growth yoy, and yet another nod to our investment thesis of burgeoning domestic demand and expanding market shares. MWG is working relentlessly on refining their grocery chain Bach Hoa Xanh as well as expanding into other retail segments (sports, fashion, mother and children's products).

### PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	39.62	-0.58	-0.51	\$359m	3.03	27.63	0.72
VEF – B	1,981.56	0.19	1.10				

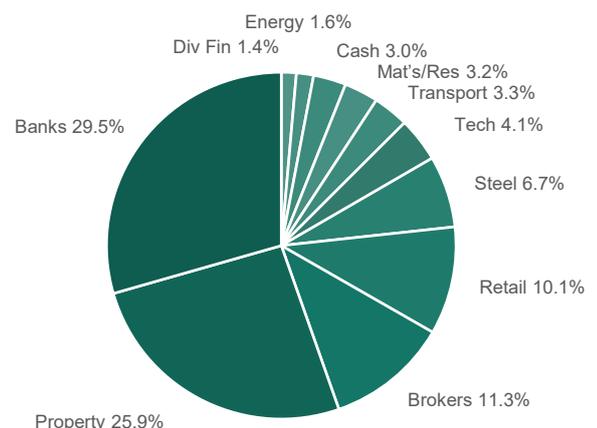
### NAV PERFORMANCE



### TOP 10 HOLDINGS (54.7% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	1.81	9.25	7.1
2 MB Bank	Banks	2.11	8.73	-4.3
3 VN Direct Securities	Brokers	0.63	7.08	-4.7
4 VP Bank	Banks	2.80	5.60	-2.2
5 Hoa Phat	Steel	3.41	5.17	-4.5
6 Dat Xanh	Property	0.48	4.72	10.1
7 FPT Corporation	Tech	1.64	4.13	14.6
8 Vietcombank	Banks	6.58	3.61	-2.9
9 Kinh Bac City	Property	0.52	3.24	-7.6
10 Techcombank	Banks	2.94	3.20	-1.8

### SECTOR BREAKDOWN





## APPENDIX 1: MACRO

### Key Indicators

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022F
<b>Economic Growth</b>									
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
<b>Prices</b>									
CPI (year-end)	%	0.6	2.7	3.5	3.5	2.8	3.2	1.8	4.2
<b>Money, FX &amp; Interest Rates</b>									
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
<b>External Sector</b>									
Trade Balance	\$bn	-3.5	1.8	2.1	6.8	9.4	19.1	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
<b>Public Debt &amp; Fiscal Balance</b>									
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-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
Market Cap (\$m)	193,730	258,748	14,697	21,907	47,262	66,603	255,689	347,257
Number of Stocks	397	409	356	348	907	883	1,660	1,640
Number of Large Cap Stocks (> \$400m)	61	80	6	13	18	30	85	123
Stocks with No Room for Foreigners	15	16	2	1	1	0	18	17
Market Cap of Stocks with No Room (\$m)	25,670	43,870	32	14	361	0	26,064	43,884
Share of Market Cap with No Room (%)	13.3	17.0	0.2	0.1	0.8	0.0	10.2	12.6

### Top 25 Companies

No	Company	31-Mar	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	82,100	4.2	17,014	6.63	22.3	19.6	16.0	3.8	3.6	2.9	0.8	0.5	-
2	Vinhomes	75,800	-7.6	14,453	5.63	10.6	9.2	8.5	3.4	2.6	1.9	0.1	1.5	-
3	Vingroup	81,200	-14.6	13,561	5.28	67.0	neg	868.4	4.6	3.1	4.0	-	0.5	-
4	BIDV	43,500	17.3	9,635	3.75	36.4	23.7	17.0	2.4	2.6	2.3	1.4	0.7	-
5	PV Gas	108,300	12.6	9,077	3.53	20.9	21.7	19.1	3.3	4.1	3.7	4.3	3.2	3.2
6	Airports Corporation VN	92,700	6.6	8,837	-	119.1	253.5	49.7	4.7	5.4	4.7	-	-	-
7	Hoa Phat Group	45,100	-2.8	8,833	3.44	10.7	6.3	7.1	2.3	2.2	1.7	1.0	0.8	2.2
8	Techcombank	49,550	-0.9	7,618	2.97	9.2	10.0	8.0	1.5	1.9	1.5	0.1	-	-
9	Vinamilk	80,900	-4.8	7,404	2.88	21.5	18.8	19.3	6.9	5.1	5.5	3.7	4.3	5.3
10	Masan Group	142,200	-16.8	7,351	2.86	83.8	23.6	26.4	6.5	5.1	4.3	1.4	1.7	-
11	VP Bank	37,200	3.9	7,241	2.86	7.7	13.6	10.9	1.5	2.1	2.1	-	-	-
12	Vietinbank	32,450	-4.3	6,829	2.66	11.2	13.5	10.4	1.5	1.7	1.3	1.5	0.0	-
13	Novaland	80,100	-12.0	6,771	2.64	16.6	54.5	29.5	2.5	4.4	4.0	0.1	-	-
14	Military Bank	32,950	14.0	5,451	2.12	8.1	8.9	6.9	1.3	2.1	1.4	-	-	-
15	Mobile World	145,800	7.3	4,674	1.77	13.7	19.8	15.6	3.5	5.2	4.2	1.3	0.3	0.7
16	Sabeco	159,000	7.6	4,465	1.74	27.4	25.8	25.1	6.1	4.8	4.2	3.1	1.2	3.8
17	FPT	107,000	15.1	4,252	1.66	14.3	21.6	19.6	2.9	5.4	4.9	4.2	2.7	2.9
18	ACB	33,050	-4.2	3,910	1.52	8.1	9.9	6.9	1.7	2.0	1.6	-	-	-
19	Binh Son Refining	26,100	13.0	3,544	-	neg	11.5	14.7	1.0	2.2	2.1	0.0	0.7	0.4
20	Vietjet Air	140,500	9.5	3,332	1.30	954.6	293.6	68.9	4.4	4.3	2.7	-	-	-
21	Vincom Retail	33,450	11.1	3,328	1.33	30.0	52.0	31.2	2.4	2.5	2.3	-	-	-
22	VIB	47,050	-0.5	3,200	1.25	8.0	11.8	8.7	2.0	3.0	2.2	-	-	-
23	Petrolimex	55,200	2.4	3,071	1.22	66.3	24.2	20.1	3.1	2.8	3.4	6.1	2.2	5.0
24	VEAM Corp	47,900	7.9	2,787	-	10.5	10.3	11.2	2.3	2.7	2.8	19.5	13.7	10.0
25	Tien Phong Bank	40,150	-2.2	2,781	1.08	7.9	13.4	11.0	1.7	2.4	1.8	-	-	-

# VIETNAM MONTHLY REPORT

31 March 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 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
SEI Investments	VEF	-	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

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
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