



MARKET REVIEW AND OUTLOOK

VNI -6.1% in May as global and domestic pressures converge

Energy, F&B, export and retail sectors held up well

But steel producers, brokers and mid-cap developers were hammered

If corporate-bond crisis is resolved, stocks offer good value, even with global challenges

The market continued to decline in May, falling 6.1% (TRS) to close at 1293. Coupled with global market weakness on Fed tightening and the ongoing conflict in Ukraine, worries about tighter bond market scrutiny and forced deleveraging sent the VNI to a 1-year low of 1172 during the month. The Index did close well above the low, but investors remained cautious. On the HOSE, turnover fell 32% mom to \$659m, and on the combined exchanges, also by 32% to \$734m. At least foreigners were once again net buyers, and their inflows of \$139m brought cumulative net selling for the year down to \$7m, from \$422m as at mid-Mar.

Some sectors were insulated from the sell-off. Energy stocks were actually higher, by about 9%, on the back of the ever-rising oil price. And certain other sectors only fell 2-3%. Utilities and F&B companies were protected by the defensive nature of their business. Export-oriented names avoided pain thanks to soaring product prices and sustained demand. Retailers got some help from 4M22 results that beat expectations, with healthy sales gains and a bright outlook for 2H22 earnings, given the low base of 2H21.

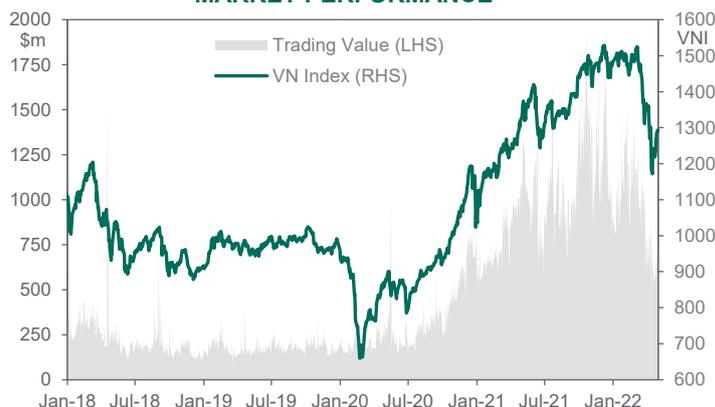
But less-favored sectors were hit hard. Steel producers lost about 14% on their unfortunate combination of lower selling prices and skyrocketing input costs. Brokers fell an average of 10% on the slippage in trading volumes and margin lending, which greatly undercuts their investment case of the past 18 months. And mid-cap property developers were down a collective 8%. They are seen as being particularly vulnerable to developments in the corporate-bond market, where they were the biggest issuers, and their situation has been further complicated by project approvals starting to get delayed again, at the same time as mortgage rates tick higher.

The corporate-bond crunch is weighing more heavily on stocks than expected, and it has caused Vietnam to underperform its peers recently. New issuance has tapered off, the outlook for roll-overs has been clouded and there is concern that banks might exhaust loan quotas if they have to buy back bonds they helped to distribute. The Government launched its clean-up to forestall a property bust, and on that view, it was a timely intervention. The lightly-regulated \$51bn market in corporate bonds, with 45% of the paper sold to retail investors, could have created serious risks if left unchecked. The question is how the Government will resolve the uncertainties its actions have unleashed. But it has a window in which to sort out policy, and assuming it does that, stocks offer a lot of value – even with the negative externalities that remain. The forward multiple for 2022 is just 10x, for earnings growth of 22.5%. And results for 1Q22 indicate that our forecast is realistic, based on the recovering domestic economy.

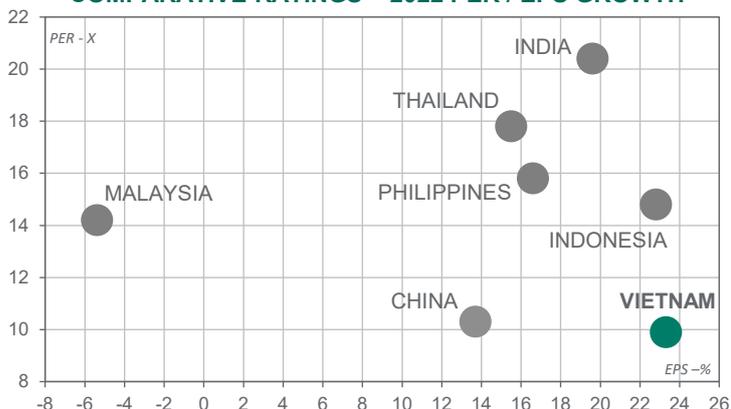
DC TOP-80 FORECASTS

31-May-22	Unit	2019	2020	2021	2022F
PER	x	11.9	13.9	14.8	10.0
EPS Growth	%	11.4	5.6	38.8	22.5
PEG	x	1.0	2.5	0.4	0.4
Sales Growth	%	10.0	2.2	22.0	19.3
EBIT Growth	%	15.1	3.2	50.5	18.4
PBT Growth	%	13.2	5.8	38.1	24.0
NPAT Growth	%	12.9	5.9	41.9	23.1
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	1.0

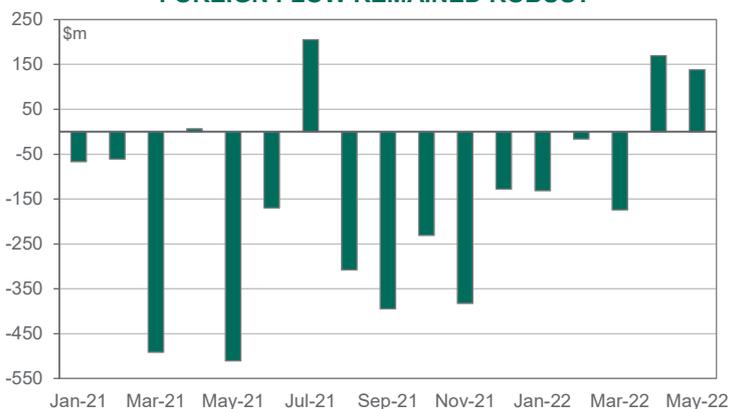
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGN FLOW REMAINED ROBUST





ECONOMY REVIEW AND OUTLOOK

Recovery accelerated in May; retail sales hit +22% yoy, and PMI highest in ASEAN

But trade slowed, with a \$1.8bn May deficit and a big cut in the 5M surplus to \$0.5bn

Moderate inflation indicates currency depreciation should remain incremental

Infrastructure will be a big driver in 2H22

Growth indicators were bullish in May. Industrial output climbed by +10.4% yoy, while the PMI recorded 54.7, the highest in ASEAN, and a big gain from 51.7 in Apr. This indicated strong order flow, and disbursed 5M FDI duly increased 7.7% to \$7.8bn. Apple said it would relocate iPad manufacturing to Vietnam, and Xiaomi commenced production of smart phones to get around global logistical bottlenecks. Meanwhile, May retail sales gained 22% yoy, helped by strong travel demand, with the number of commercially-transported passengers rising 34% yoy and 5M domestic tourist numbers up 68%. The recovery scenario is in no doubt and to cap it all, S&P upgraded Vietnam's credit rating from BB to BB+, one notch below investment grade.

But trade was under pressure. Though up yoy, it has recently been declining mom, first in Apr, now in May. China's lockdown has restricted imports of raw materials and intermediate goods, in turn holding back exports, and there are some indications that export demand has weakened too. Also, import prices are rising across the board, led by oil – at a time when Vietnam's refineries are not operating at peak efficiency. Thus, it has had to buy more foreign-produced distillates than in previous years. These trends saw exports fall 8.5% in May, while imports only slipped 0.8%, leading to a \$1.8bn deficit and a cut in the 5M22 surplus to \$0.5bn. But China is showing signs of re-opening and Vietnam has made progress in sourcing more semi-finished products from Korea, Japan and SE Asia. And as time goes by, it will be able to fully pass on higher import costs. So, if oil stays near our projected \$120/bbl, trade patterns can normalise soon enough. We still anticipate a surplus by year-end, though of \$3.0bn, vs \$7.4bn previously.

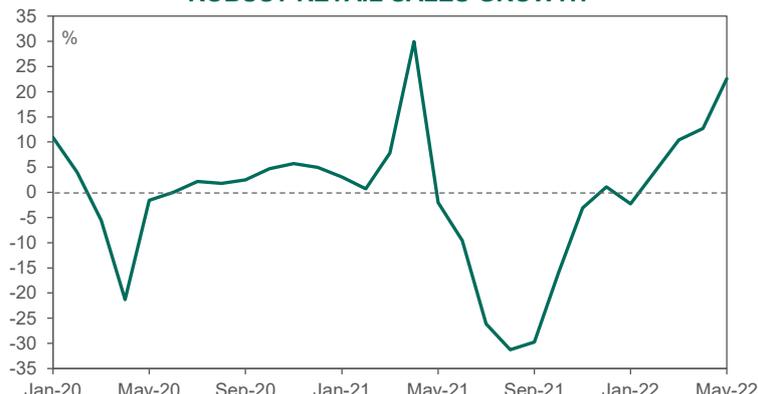
Inflation has stayed under control, rising 0.38% mom and 2.9% yoy. Oil remains the culprit, pushing the transport component of the CPI up by 18.4% yoy, which accounted for almost two-thirds of the increase. Some mitigation will come from tax cuts on energy products. Other components of the very basic CPI basket are increasing more gradually, especially food, where the stable domestic price of rice has been a huge boon to the country. Unless oil breaks out, inflation should be around 4.0% this year. With inflation under control, solid external accounts and reserves at high levels, we think the currency will see only modest depreciation.

Meanwhile we look for infrastructure spending to push growth in 2H22. Public investment was only 28% of the full-year target in Jan-May, when Omicron, land clearance, and contractor selection were big issues. But the Prime Minister has now made infrastructure a top KPI of his administration, so works will accelerate from here. Progress on national trunk roads has been rapid; other projects will follow. We maintain our 2022 GDP forecast at 7%, from 5% in 1Q22.

ECONOMIC FORECASTS

31-May-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	7.0
Nominal GDP	\$bn	335	343	352	376.5
CPI	%	2.8	3.2	1.8	4.2
Export Gro (cif)	%	9.0	6.5	19.1	15.9
Import Gro (cif)	%	7.7	3.6	26.8	16.4
Trade Bal (cif)	\$bn	9.4	19.1	4.0	3.0
FX Reserves	\$bn	80.0	98.0	106.5	110.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	23,485

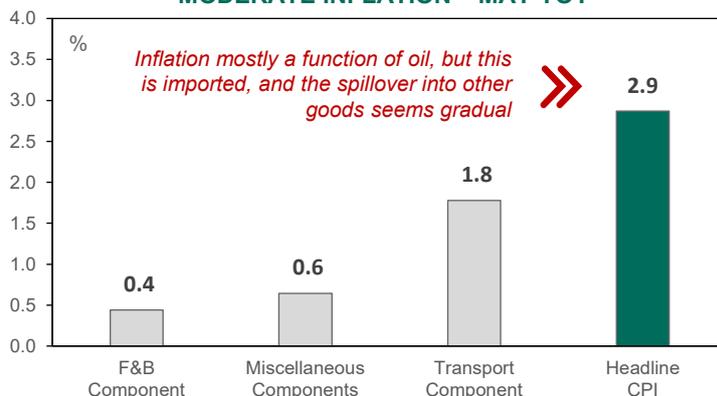
ROBUST RETAIL SALES GROWTH



RECENT TRADE HEADWINDS



MODERATE INFLATION – MAY YOY





VIETNAM EQUITY (UCITS) FUND – VEF

VEF fell 7.9% in May vs a 6.1% decline by the VN Index, as seven of the Fund's top-10 holdings fell by more than the Index. Hardest hit were the Banking and Property sectors, as turmoil ensued following the Government's probe into corporate bond issuance, sparking concerns about credit, NPLs, earnings growth and developers' solvency. Military Bank (MBB) was down 7.8%, Vietnam Prosperity Bank (VPB) slumped 16.3%, and Dat Xanh Group (DXG) lost 25.2%.

The Steel sector also suffered on surging input costs and declining selling prices. With Apr sales volumes weaker than expected at -31% yoy for construction steel and +20% yoy for HRC, HPG's stock price fell 20.6%. Meanwhile the Brokerage sector tumbled on investigations into stock manipulation. VN Direct Securities (VND), one the Fund's top-10 holdings, suffered a 17.7% loss which, while less than most of its peers, was nevertheless still significant for the Fund.

A few holdings bucked the downtrend, most notably FPT, which gained 3.7% on solid fundamentals. Its 4M22 results came in strong, with double-digit revenue growth across all business segments and consolidated net profit +32% yoy to \$89.7m.

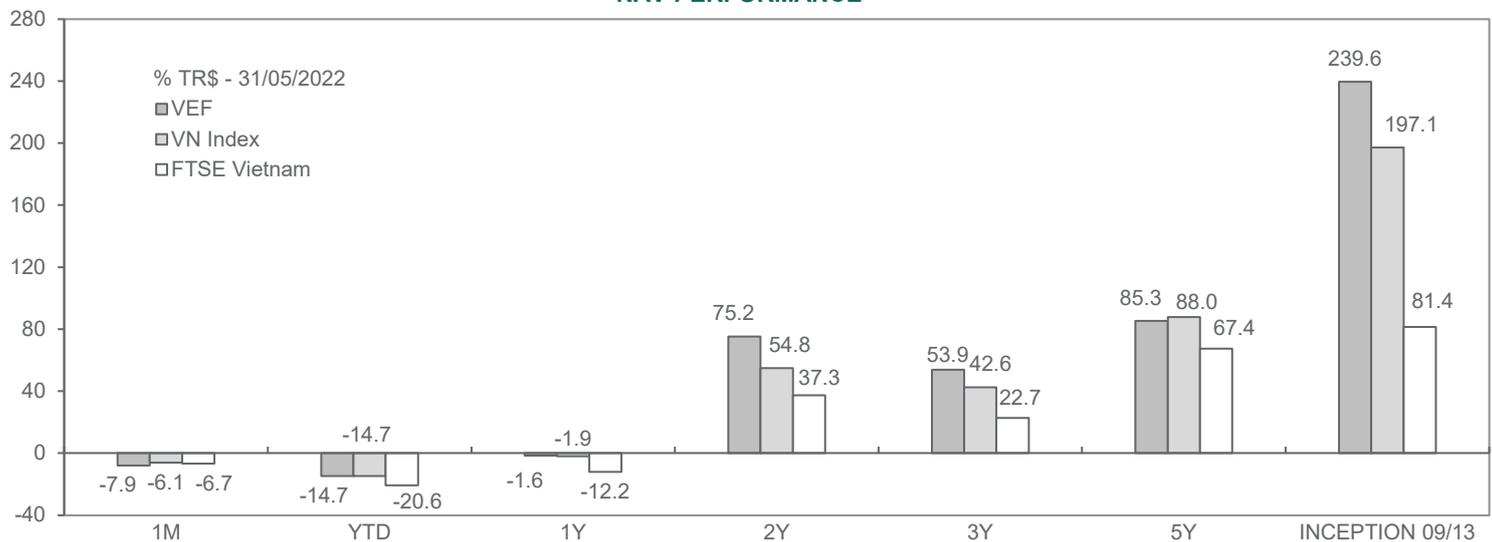
As noted in the Fund's previous monthly report, the sell-off presented an opportunity to accumulate stocks that were deeply oversold yet fundamentally sound. The Fund took advantage of the situation to add to positions in commodity stocks that were clearly very cheap. Fertilizer companies Phu My Fertilizers (DPM) and Ca Mau Fertilizers (DCM) are obvious beneficiaries of the global fertilizer shortage and price surge, and they were trading at trailing PER of circa 5x on an expected doubling of their EPS in 2022. Q1 numbers were already robust, with DPM's earnings +28% qoq and DCM's +38% qoq.

We believe the market will gradually regain its footing, as our in-house assessments reveal banking credit risks are manageable and property developers are financially quite sound. In the meantime, the Fund will strive to make the most of the current market turmoil by engaging in selective stock picking and fine-tuning the portfolio to best benefit from the market's high growth and attractive valuation.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	34.0	-7.9	-14.7	\$319m	4.92	28.54	0.52
VEF – B	1,760.3	-10.1	-10.2				

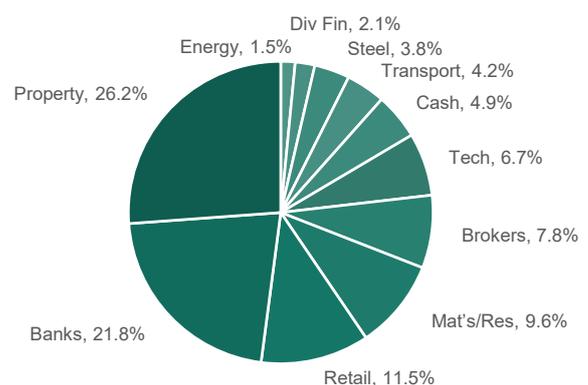
NAV PERFORMANCE



TOP 10 HOLDINGS (53.1% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	2.07	9.35	-3.8
2 Military Bank	Banks	2.04	8.28	-7.8
3 FPT Corporation	Technology	1.96	6.71	3.7
4 VP Bank	Banks	2.69	5.70	-16.3
5 Duc Giang Chem	Materials	0.75	4.53	-8.1
6 VN Direct Securities	Brokers	0.60	4.31	-17.7
7 Hoa Phat Group	Steel	3.03	3.75	-20.6
8 Dat Xanh Group	Property	0.33	3.55	-25.2
9 Phu My Fertilizers	Materials	0.45	3.55	-12.4
10 Nam Long Group	Property	0.36	3.36	1.4

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	376.5
Real GDP Growth	%	6.7	6.2	6.8	7.1	7.0	2.9	2.6	7.0
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	9.5
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	23,485
External Sector									
Trade Balance	\$bn	-3.5	1.8	2.1	6.8	9.4	19.1	4.0	3.0
Current Account	\$bn	-2.0	0.6	-1.6	5.8	12.2	14.9	-4.9	1.8
Current Account / GDP	%	0.8	0.2	-0.6	1.9	3.7	4.4	-1.4	0.5
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	100.0
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	-3.4	-4.0	-5.1



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-May-21	31-May-22	31-May-21	31-May-22	31-May-21	31-May-22	31-May-21	31-May-22
Market Cap (\$m)	216,381	221,078	17,184	15,972	46,918	55,924	280,484	292,974
Number of Stocks	386	404	363	348	922	863	1,671	1,615
Number of Large Cap Stocks (> \$400m)	62	70	7	11	21	23	90	104
Stocks with No Room for Foreigners	15	13	1	1	1	0	17	14
Market Cap of Stocks with No Room (\$m)	34,766	36,819	10	13	620	0	35,396	36,832
Share of Market Cap with No Room (%)	16.1	16.7	0.1	0.1	1.3	0.0	12.6	12.6

Top 25 Companies

No	Company	31-May	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	78,900	0.1	16,098	7.33	22.3	19.6	15.9	3.8	3.4	2.8	0.8	0.5	-
2	Vinhomes	69,600	-12.6	13,066	5.95	10.6	9.2	10.2	3.4	2.4	1.9	0.1	1.5	-
3	Vingroup	78,800	-17.1	12,957	5.90	67.0	0.0	50.0	4.6	3.0	3.6	-	0.5	-
4	PV Gas	117,700	22.3	9,712	4.42	20.9	21.7	20.7	3.3	4.4	4.1	4.3	3.2	3.3
5	Airports Corporation VN	86,900	-0.1	8,156	-	119.1	268.2	46.6	4.7	5.0	4.4	-	-	-
6	BIDV	35,300	-4.9	7,698	3.50	36.4	23.8	14.3	2.4	2.1	1.9	1.4	0.7	-
7	Masan Group	112,400	-21.1	6,865	3.13	83.8	23.6	25.1	6.5	4.9	4.0	1.4	1.7	-
8	Hoa Phat Group	34,700	-25.2	6,692	3.05	10.7	6.3	5.9	2.3	1.7	1.4	1.0	0.8	2.9
9	Novaland	78,000	-14.3	6,557	2.96	16.6	54.5	29.0	2.5	4.3	3.9	0.1	-	-
10	Vinamilk	71,700	-15.6	6,460	2.94	21.5	18.8	17.5	6.9	4.5	4.9	3.7	4.3	5.6
11	VP Bank	31,000	-13.4	5,941	2.74	7.7	13.6	7.1	1.5	1.8	1.6	-	-	-
12	Vietinbank	27,900	-17.7	5,781	2.63	11.2	13.5	9.0	1.5	1.4	1.1	1.5	0.0	-
13	Techcombank	37,150	-25.7	5,623	2.56	9.2	10.0	6.2	1.5	1.4	1.1	0.1	-	-
14	Mobile World	144,900	6.6	4,572	2.08	13.7	19.8	16.6	3.5	5.2	4.1	1.3	0.3	0.7
15	Military Bank	27,750	-4.0	4,520	2.06	8.1	8.9	5.9	1.3	1.8	1.3	-	-	-
16	FPT	109,900	18.2	4,332	1.96	14.3	21.6	20.3	2.9	5.6	5.0	4.2	2.7	2.9
17	Sabeco	153,500	3.9	4,244	1.93	27.4	25.8	24.2	6.1	4.6	4.1	3.1	1.2	3.9
18	ACB	31,550	-8.6	3,675	1.67	8.1	9.9	6.6	1.7	1.9	1.5	-	-	-
19	Binh Son Refining	26,600	15.2	3,556	-	0.0	11.5	11.1	1.0	2.2	1.9	0.0	0.7	0.4
20	Becamex IDC	73,100	14.2	3,262	1.48	21.1	47.2	18.1	2.6	4.7	4.0	1.0	1.3	1.1
21	Vietjet Air	130,900	2.0	3,057	1.39	954.6	730.1	64.1	4.4	4.2	2.5	-	-	-
22	Vincom Retail	30,150	0.2	2,954	1.38	30.0	52.0	29.6	2.4	2.2	2.1	-	-	-
23	VEAM Corp	44,200	-0.5	2,532	-	10.5	10.3	10.3	2.3	2.5	2.6	19.5	13.7	10.3
24	VIB	26,800	-23.5	2,423	0.82	8.0	11.8	7.0	2.0	2.3	1.7	-	-	-
25	Petrolimex	44,000	-18.4	2,410	1.12	66.3	24.1	16.0	3.1	2.2	2.7	6.1	2.4	6.6

VIETNAM MONTHLY REPORT

31 May 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 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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