



MARKET REVIEW AND OUTLOOK

VNI -7.6% in June, with muted response to stellar 2Q macro no's going into July

F&B and retail sectors shrug off market plunge

But brokers, mid-cap developers, steel-makers, commodity producers hammered

Credit quotas weigh on sentiment, but 2Q results will confirm bullish earnings forecasts for full year

The VNI continued to decline in June, falling 7.6% to 1198 (TR\$). Global issues were the key drivers – accelerating inflation, Fed tightening, the rising possibility of a US recession, the sell-off across developed stock markets. The Government's refusal to expand credit quotas, and the growing probability of rate hikes, were negative factors from the domestic side. Average daily turnover declined by 4% mom: on the HOSE to \$630m, and on the combined exchanges to \$707m. One bright spot was that foreigners maintained their buying streak for the third month in a row, making them net buyers of \$93m in June and \$87m in 1H22. Also, the Index did rebound when it hit the support level of 1170. But investor sentiment remained shaky, and going into July, there was little response to the impressive 2Q22 macro numbers.

A couple sectors withstood the bearish trend. F&B stocks inched up as these names were shielded from market volatility by the defensive nature of their business. Retailers got some help from 5M22 results that beat expectations, and indicated a promising outlook for 2H22 earnings, given the vigorous re-opening of the economy and the low base from 2H21.

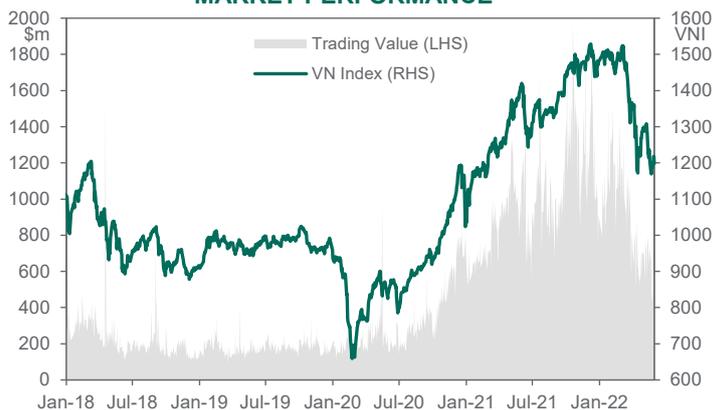
But less-favored sectors kept on suffering. Brokers lost another 25% on the prolonged decline in trading volumes and margin lending. Property majors tracked the VNI as project credit dried up, from banks and corporate bond issuance, while the frozen legal process and rising mortgage rates were further depressants. Mid-cap developers were savaged, falling a collective 15%. Steelmakers pulled back by about 14% as falling demand and prices continued to dog their sales, both export and domestic. The formerly hot commodity space was not spared either. Fertilisers plunged 17% as farmers cut back on usage and domestic urea prices cooled off. Energy stocks gave up 6% as recessionary fears dragged world oil prices off their peak.

The SBV has reiterated its guidance of 14% credit growth for 2022, as 1H22 loan expansion of over 9.3% hit its fastest pace since 2011. The regulators are showing their determination to control inflation, especially by forestalling bubbles in the property market. Rate hikes might be in the cards as well, not just to contain the CPI but as one of several actions to help defend the currency. Earnings, though, are still in good shape. Preliminary guidance from numerous key investees that we have spoken to, in finance, commerce and industry, fully support our +21% forecast for 2022. Investees are positive about 2Q22 as well as the subsequent quarters. Profit growth flows from the robust domestic economy. The question is how the domestic economy holds up if the outside world is drawn into recession. But if this is avoided, Vietnamese equities offer compelling value at just 9.5x for the +21% earnings we project.

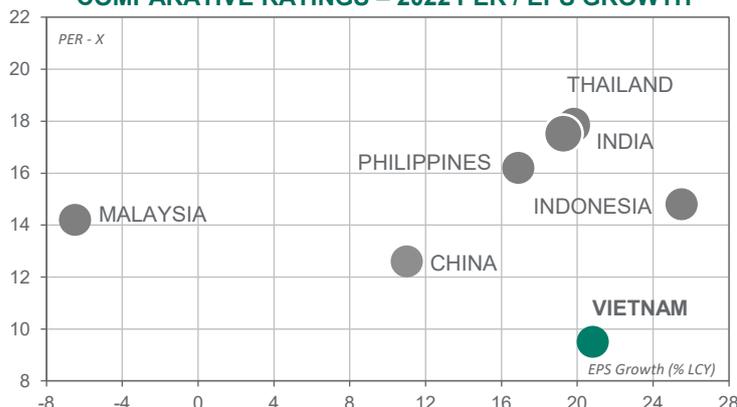
DC TOP-80 FORECASTS

30-June-22	Unit	2019	2020	2021	2022F
PER	x	11.9	13.9	14.8	9.5
EPS Growth	%	11.4	5.6	38.8	20.8
PEG	x	1.0	2.5	0.4	0.5
Sales Growth	%	10.0	2.2	22.0	20.7
EBIT Growth	%	15.1	3.2	50.5	18.3
PBT Growth	%	13.2	5.8	38.1	23.2
NPAT Growth	%	12.9	5.9	41.9	21.9
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	1.2

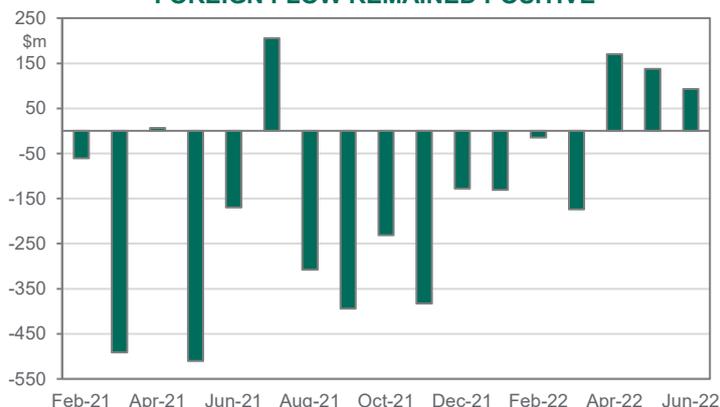
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGN FLOW REMAINED POSITIVE



Sources: DC, Bloomberg, CS / Refinitiv – all adjusted for free float



ECONOMY REVIEW AND OUTLOOK

7.7% GDP growth in 2Q; robust recovery growth in all sectors

Both services and manufacturing on a roll, and travel is booming

Satisfactory trade results and surplus ticks back up

June CPI only +3.4%, mostly due to single factor of petrol prices

Likelihood of rate hike is increasing, to help manage inflation and currency

Vietnam's GDP soared 7.7% yoy in 2Q22, the highest since 2011, giving 6.4% for 1H22. There was robust activity in almost all business sectors, while FDI continued to roll, trade results were satisfactory, inflation stayed at moderate levels. The numbers confirm our expectation for strong but stable recovery growth in 2022, while prospects for 2023 are assessed.

Services grew 8.6% in 2Q and 6.6% in 1H22, thanks to strong local consumption, with retail sales up 19.7% and 11.4%. Consumption got an especially powerful boost from the re-start of travel. Post-Omicron, local passenger departures rose 140% vs 1H19, to 60.8m. And inbound arrivals have hardly gotten started, at just 600,000 since foreigner visitors were allowed back from mid-Mar. As for manufacturing, IP climbed 8.5% yoy in 1H22 and the PMI clocked 54. Disbursed FDI rose 8.9% to \$10.1bn, showing that Vietnam remains a top destination for supply-chain relocation and diversification strategies.

On the trade front, 1H22 exports rose a healthy 17.5% to \$186bn and imports were only +16.1% at \$184.9bn. The resulting surplus improved to \$1.1bn, from \$0.4bn in 5M22. In 2H22, global demand is likely to weaken, hitting demand for exports. But imports will be better coordinated with them as old inventories of intermediate goods and raw materials clear, cost/price trends normalise and supply chains rebuild. This should bring a bigger trade surplus in 2H22.

Despite the strong growth, inflation has stayed mild. The headline CPI rose by +0.69% mom to +3.4% yoy, with more than half of the increase attributed to petrol, which rose 62%. Since taxes and fees are 36.8% of petrol's final price, the Ministry of Finance has proposed to cut several of them, and this could reduce the price by 8-10%, which would bring significant relief.

To balance inflation and growth, the Government is maintaining its 14% credit quotas. This will be restrictive if, post crack-down, banks have to do corporate bond buy-backs and count them towards the quotas. The SBV may relent, but bank loans motored in 1H22, increasing by 9.4% in 1H22, the fastest since 2011. Momentum for higher rates is building, and not just to control inflation but to help support the currency. The Dong has now slipped 2.5% ytd, which is better than peer currencies, and it reflects USD strength rather than VND weakness. But the SBV wants to hold the line. It has forward-sold \$13.5bn of FX reserves and may do some more in 2H22. A certain toll on the hard-currency stockpile will have to be accepted. The SBV is also issuing bills to draw money out of the oversupplied interbank market. And if the Fed hikes aggressively, 50 bps will be on the table for Vietnam. With this mix of incremental moves, we would expect at most another 100-150 dong of depreciation by year-end, to ca VN 23,500.

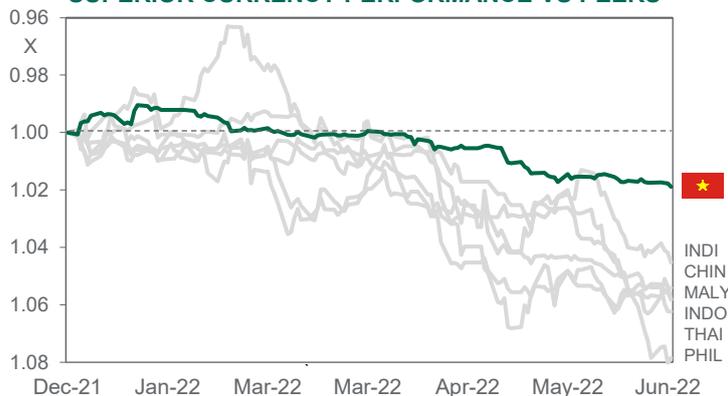
ECONOMIC FORECASTS

30-Jun-22	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	100.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	23,500

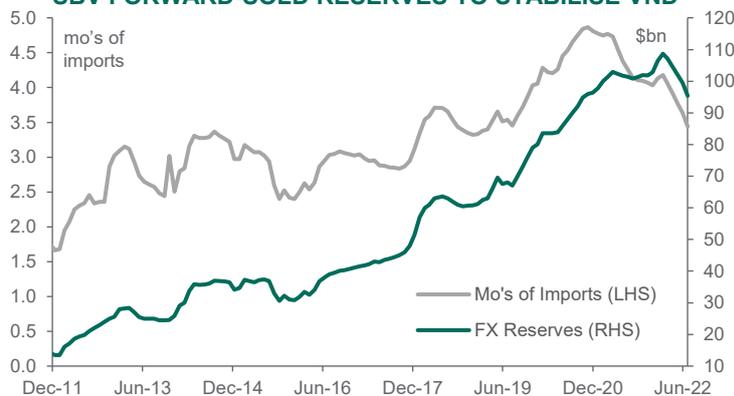
HIGHEST 2Q GDP GROWTH IN 11 YRS



SUPERIOR CURRENCY PERFORMANCE VS PEERS



SBV FORWARD-SOLD RESERVES TO STABILISE VND





VIETNAM EQUITY (UCITS) FUND – VEF

VEF lost 7.8% in June, underperforming the VN Index 0.2%. For the first half of the year, VEF is trailing the Index by the same amount, falling 21.4% vs a 21.6% decline by the VNI. Banking stocks remained depressed across the board, albeit to widely varying degrees, dropping in the range of 4.0-20.1% for the month. The Fund's second largest holding, MB Bank (MBB), fell -13.1% despite sound preliminary operating results of 1H earnings +50% yoy and its valuation being more than reasonable at a PBR of 1.2x for 2022. Other top banking names in the portfolio, such as VP Bank (VPB) and Sacombank (STB), suffered the same fate, declining 6.8% and 4.2%, respectively. Another top-10, but non-bank, holding that fell by double digits was Hoa Phat Group (HPG), which lost 15.4% in June and is down 37.7% ytd. In general, Vietnam's leading steel producer is having a tough year, with 1H sales numbers subpar at +5.6% yoy, an unfavorable selling price vs input cost dynamic still dragging on, which in turn led to talks of 1H22 profits dropping by some 15-20% yoy.

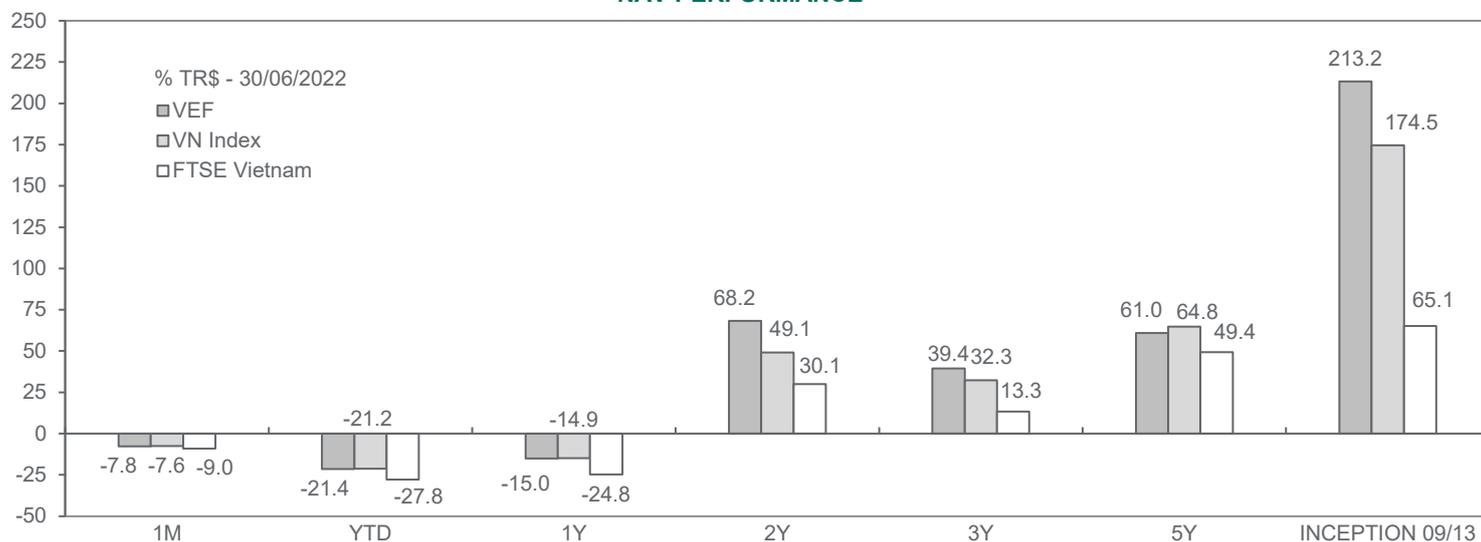
There were a few bright spots in the names of Duc Giang Chemicals (DGC), Phu Nhuan Jewelry (PNJ) and Ha Do Group (HDG). DGC gained 12.6% as their selling price for yellow phosphorus (used in semiconductors) is still relatively high compared to last year, which should lead to robust earnings going forward. PNJ climbed 11.9% as pent-up retail demand gathers momentum, evident through 5M sales and earnings both being up by 47% yoy. And HDG was up 9.5%, a sturdy rebound after the real estate sector as a whole took a massive hit and the stock itself was heavily oversold, plummeting ~50% from its all-time high. The company's business outlook, meanwhile, is quite appealing, with earnings set to grow ~20% per annum for the next five years from a mix of property bookings and income from renewable energy. 1H22 earnings are expected to be on track, delivering 46% of FY forecasts, which would translate to 18% growth for FY22 vs FY21. Valuation is fairly undemanding at a PER of 8.3x and PBR of 2.0 for 2022.

As the overall market sell-off gradually subsides and the 1H earnings season approaches, we hope to hear some more good news at the corporate level and maybe a few positive updates from governing bodies for the much-needed boost in sentiment to support the overall market going into the second half of the year.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	31.32	-7.8	-21.4	\$298m	2.66	29.02	0.38
VEF – B	1,670.90	-5.1	-14.8				

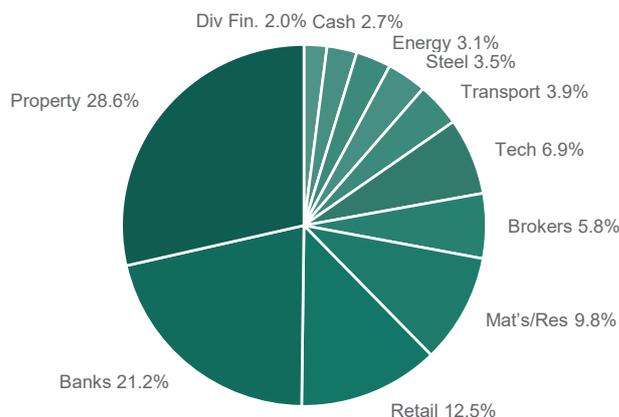
NAV PERFORMANCE



TOP 10 HOLDINGS (52.9% of NAV)

COMPANY	SECTOR	FTSE %	NAV %	CH %
1 Mobile World	Retail	2.20	9.07	-1.1
2 MB Bank	Banks	1.92	7.63	-13.1
3 FPT Corporation	Technology	1.99	6.86	-5.4
4 VN Prosperity Bank	Banks	2.71	5.68	-6.8
5 Duc Giang Chem	Materials	0.91	5.45	12.6
6 Kinh Bac City Dev'	Property	0.53	3.88	-2.4
7 Ha Do Group	Property	0.24	3.81	9.5
8 Sacombank	Banks	0.85	3.59	-4.2
9 Hoa Phat Group	Steel	2.73	3.53	-15.4
10 PNJ Jewelry	Retail	0.65	3.42	11.9

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	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	23,500
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	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	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	-3.9	-4.0	-5.1



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22
Market Cap (\$m)	229,550	204,369	18,015	14,082	50,509	51,942	298,074	270,392
Number of Stocks	385	403	359	347	907	861	1,651	1,611
Number of Large Cap Stocks (> \$400m)	62	64	10	8	20	21	92	93
Stocks with No Room for Foreigners	15	13	2	1	2	0	19	14
Market Cap of Stocks with No Room (\$m)	35,116	30,130	40	12	586	0	35,742	30,141
Share of Market Cap with No Room (%)	15.3	14.7	0.2	0.1	1.2	0.0	12.0	11.1

Top 25 Companies

No	Company	30-Jun	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	74,800	-5.1	15,205	7.75	22.3	19.6	15.1	3.8	3.4	2.6	0.8	0.5	-
2	Vingroup	73,500	-22.7	12,040	6.14	67.0	neg	46.7	4.6	3.6	3.4	-	0.5	-
3	Vinhomes	62,100	-22.1	11,614	5.92	10.3	8.9	9.1	3.3	2.8	1.7	0.1	1.5	-
4	PV Gas	115,500	20.1	9,495	4.84	20.9	21.7	17.3	3.3	3.6	3.9	4.3	3.2	3.0
5	Airports Corporation VN	79,000	-9.2	7,387	-	119.1	268.2	42.3	4.7	5.0	4.0	-	-	-
6	BIDV	33,500	-9.7	7,279	3.71	36.4	23.8	13.6	2.4	2.2	1.8	1.4	0.7	-
7	Masan Group	112,000	-21.4	6,849	3.49	83.8	23.6	25.1	6.5	6.2	4.1	1.4	1.7	-
8	Vinamilk	72,200	-15.0	6,481	3.30	21.5	18.8	17.6	6.9	5.4	5.0	3.7	4.3	5.5
9	Novaland	74,500	-18.1	6,239	3.18	16.6	54.5	27.7	2.5	5.0	3.7	0.1	-	-
10	Hoa Phat Group	22,300	-36.5	5,570	2.18	10.5	6.2	5.4	2.3	2.3	1.2	1.1	0.8	3.5
11	VP Bank	29,000	-19.0	5,537	2.86	7.7	13.6	6.6	1.5	1.8	1.5	-	-	-
12	Vietinbank	26,150	-22.9	5,398	2.75	11.2	13.5	8.4	1.5	1.7	1.0	1.5	-	-
13	Techcombank	35,550	-28.9	5,361	2.73	9.2	10.0	5.9	1.5	1.9	1.1	0.1	-	-
14	Mobile World	71,500	5.9	4,495	1.15	13.6	19.6	16.4	3.4	4.7	4.1	1.3	0.3	0.7
15	Sabeco	154,600	4.6	4,258	2.17	27.4	25.8	19.9	6.1	4.5	4.1	3.1	1.2	2.3
16	FPT	86,200	12.2	4,062	1.73	14.1	21.4	19.1	2.9	4.7	4.7	4.2	2.7	2.9
17	Military Bank	24,200	-16.3	3,927	2.00	8.1	8.9	5.4	1.3	1.7	1.2	-	-	-
18	Binh Son Refining	28,500	23.4	3,795	-	neg	11.5	4.2	1.0	1.9	1.6	-	0.7	2.8
19	ACB	24,000	-13.0	3,482	1.42	8.1	9.9	6.2	1.7	2.1	1.4	-	-	-
20	Vietjet Air	130,000	1.3	3,024	1.54	954.6	931.7	63.7	4.4	4.1	2.5	-	-	-
21	Becamex IDC	67,000	4.7	2,979	1.52	21.1	47.2	16.6	2.6	4.1	3.6	1.0	1.3	1.2
22	Vincom Retail	28,550	-5.1	2,787	1.46	30.0	52.0	28.0	2.4	2.2	2.0	-	-	-
23	VEAM Corp	44,900	1.1	2,563	-	10.5	10.3	10.5	2.3	2.5	2.6	19.5	13.7	10.0
24	Petrolimex	40,300	-25.2	2,199	1.14	66.3	24.1	20.0	3.1	2.7	2.5	6.1	2.4	7.0
25	HD Bank	24,000	-22.2	2,074	1.05	8.9	10.2	6.3	1.5	2.0	1.3	-	-	-

VIETNAM MONTHLY REPORT

30 June 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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