



MARKET REVIEW AND OUTLOOK

VNI +5.7% in Aug with improved market liquidity

Broad-based market recovery led by IP developers, brokers, retailers, commodities

Downtrend halted in steelmakers, banks and big-cap property

Vietnamese stocks offer good value and growth, despite external challenges

The VNI recovered in Aug, rising 5.7% to 1281 (TR\$). The possible peaking of US inflation, and rallies across developed stock markets, were positive external drivers, while on the domestic front, the signals of higher credit quotas and finalised regulations on corporate bonds were constructive factors. Average daily turnover rose by 35% mom on the HOSE to \$672m, and by 36% on the combined exchanges to \$751m. Foreigners resumed their buying streak after a short break in Jul, with net inflow of \$51.9m. Retail investor sentiment started to improve, with margin balances rising as Vietnam's market joined major global indices in staging a comeback.

Several sectors rallied strongly in Aug. Retail names climbed 15% on a brighter quarterly sales outlook, with consumer electronics retailers seeing some demand recovery. Energy players posted an 11% gain as the Brent price rebounded to the \$100/bbl level after its sharp correction at the beginning of the month. Industrial property developers rose 10% as lease prices maintained their healthy uptrend due to FDI continuing to roll in. Commodity and export names also delivered 5-10% returns, benefiting from the stabilisation and improvement in prices of their key products, namely pangasius, fertilisers, and chemicals. Brokers gained 4% as more constructive market conditions revitalised their brokerage and margin lending operations.

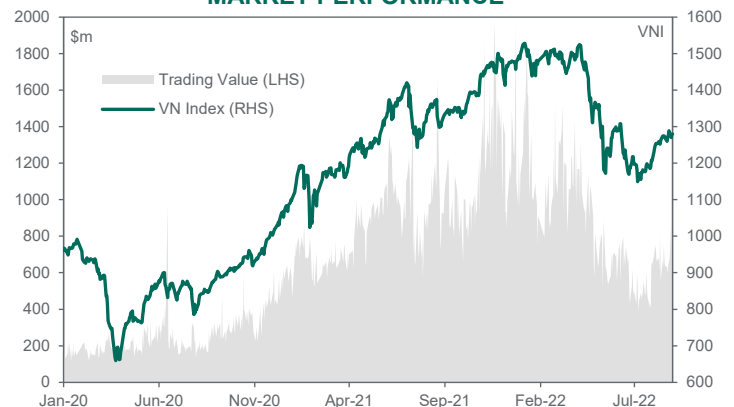
Meanwhile, negative momentum in some hard-hit sectors reversed. Steel producers rose 2%, breaking out from the downtrend of previous months, as they managed to raise selling prices after months of decline. The likelihood of more credit quotas and a sensible Circular 153 on corporate bonds gave a boost to the banking and property sectors. Expanded credit ceilings will allow banks to sustain earnings growth and meet large loan demand from clients. Greater visibility on corporate bond regulations will allow developers to start funding their projects again.

Although it is heartening to see markets rebound, the global inflationary crisis is far from over and the Fed is likely to continue tightening into 2023. Rising dollar rates do not typically favour EMs, and Vietnam is feeling the pressure in terms of slowing trade and currency depreciation, and having to raise rates domestically; but this is through no fault of its own and its travails are many magnitudes less than other EM peers and they are non-structural. It is not one of those countries which is now reeling from a legacy of bad policies. Economic growth is robust for now, on recovery momentum, and then there are the historically low valuations on stocks, at a PER of 10x 2022 earnings, on +17% EPS. Although growth may decelerate next year, we expect it will at worst be reduced rather than eliminated.

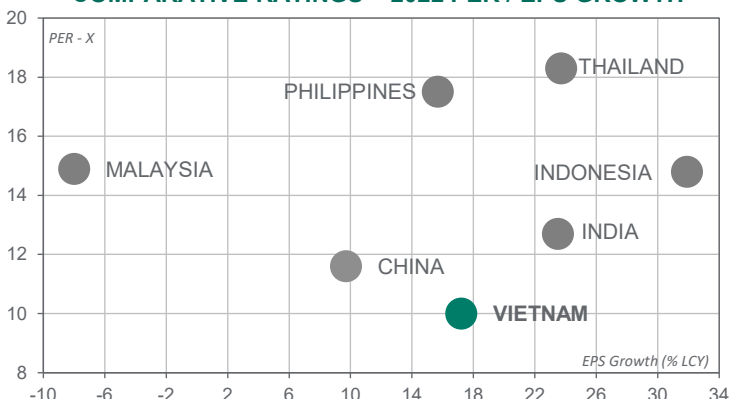
DC TOP-80 FORECASTS

31-Aug-22	Unit	2019	2020	2021	2022F
PER	x	11.9	13.9	14.8	10.0
EPS Growth	%	11.4	5.6	38.8	17.2
PEG	x	1.0	2.5	0.4	0.6
Sales Growth	%	10.0	2.2	22.0	18.9
EBIT Growth	%	15.1	3.2	50.5	16.5
PBT Growth	%	13.2	5.8	38.1	19.9
NPAT Growth	%	12.9	5.9	41.9	18.8
Net DER	x	0.3	0.4	0.3	0.1
Yield	%	1.7	1.4	1.0	1.1

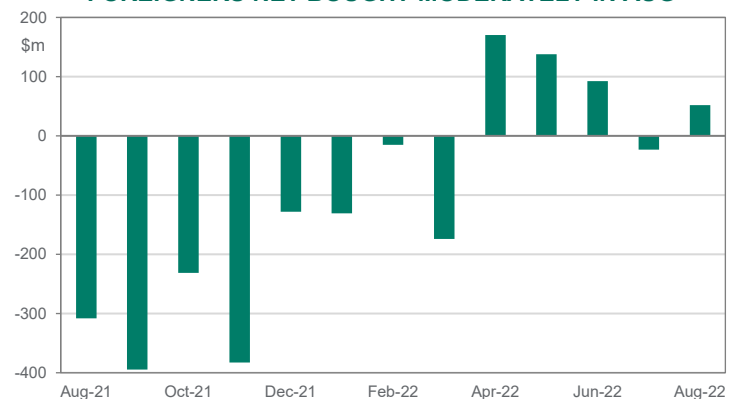
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGNERS NET BOUGHT MODERATELY IN AUG





ECONOMY REVIEW AND OUTLOOK

Economic recovery continues, with impressive retail sales

Higher-than-expected trade surplus of \$5.5bn; electronic exports remain solid

CPI under control, but rates may increase further if US Fed remains hawkish

VND depreciates 1.3% mom, 3.5% ytd, but is still outperforming most other currencies

Moody's raises Vietnam's outlook to Ba2

Vietnam's economy grew strongly in Aug, with industrial production expanding by 15.6% yoy. New orders shot up again, as shown by an increase of 16.2% yoy in manufacturing and a jump by the PMI to 52.7 from 51.2, as global inflation showed signs of easing. Service activity returned to pre-COVID levels as retail sales increased by 50.2% yoy, with sales of goods up 130% (+20% from 2019), and accommodation services up by 290% yoy (+6.7% from 2019).

Vietnam's trade has improved significantly despite concerns of worldwide recession. With imports at \$31.1bn, up 1.7% mom, and exports at \$34.9bn, up 14.1% mom, there was a surplus of \$3.8bn in Aug and \$5.5bn ytd. The trend of FDI-led electronics exports is accelerating strongly and with stable macro conditions, many large enterprises are choosing Vietnam as their new production hub. Production of more sophisticated items like the Apple Watch and MacBook is projected to move to Vietnam, while Synopsys and Samsung intend to start making semiconductor components in the country. Vietnam's strategy now is stabilising its macro situation to attract FDI, which should provide a buffer to support its resilience.

Because local gasoline prices declined in line with the global oil price, inflation has only risen by 2.9% yoy and remained essentially steady mom. Interest rates, however, continued rising. The overnight interbank rate rose to 7.0% pa, the highest level since 2012, while deposit yields increased by 10-25 bps mom or 90-110 bps ytd. The SBV had refrained from granting additional credit quotas to banks for quite some time. It just released small additional quotas to a few banks while the demand for credit is very high, thus driving up lending rates. And because LDRs are currently high, banks also need to attract more deposits, putting upward pressure on deposit rates as well. We think that Vietnam's rates could climb much further if the Fed hikes rates to 4.25-4.50% next year, leading other central banks to lift policy rates to preserve capital flow.

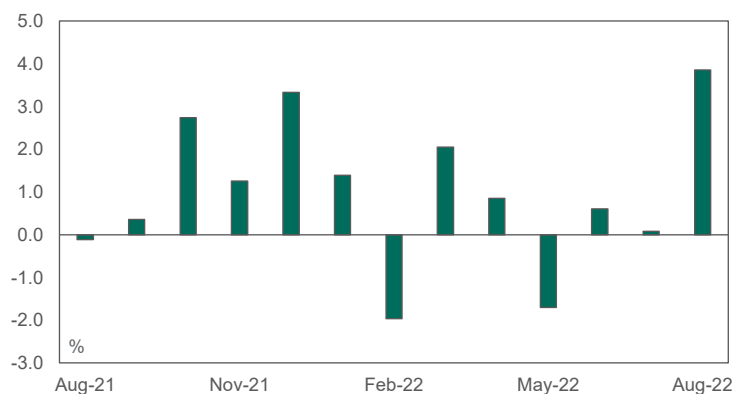
The USD index surpassed 110 and hit its highest level in 20 years, affecting EM currencies - and Vietnam was not spared. Because of this, the SBV changed its USD selling price from 23,400 to 23,700, translating to a 1.3% depreciation mom or 3.5% ytd. This is the biggest VND devaluation since 2015 but is modest compared to other currencies as the EUR fell below parity, the CNY approached 7.0, and the JPY tumbled to the 144 range, a 24-year low.

After S&P's upgrade of Vietnam's outlook to BB+ in May, Moody's has also recognised the strength of the Vietnamese economy, raising its rating to Ba2, two notches below investment grade, with a stable long-term prognosis and is projecting economic growth of 8.5% for 2022.

ECONOMIC FORECASTS

31-Aug-22	unit	2019	2020	2021	2022F
Real GDP Gro	%	7.4	2.9	2.6	7.8
Nominal GDP	\$bn	334.4	346.6	366.1	406.9
CPI	%	2.8	3.2	1.8	4.2
Export Gro (cif)	%	9.0	6.5	19.0	16.0
Import Gro (cif)	%	7.7	3.6	26.7	16.8
Trade Bal (cif)	\$bn	9.4	19.1	3.3	1.2
FX Reserves	\$bn	80.0	98.0	106.5	90
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	24,000

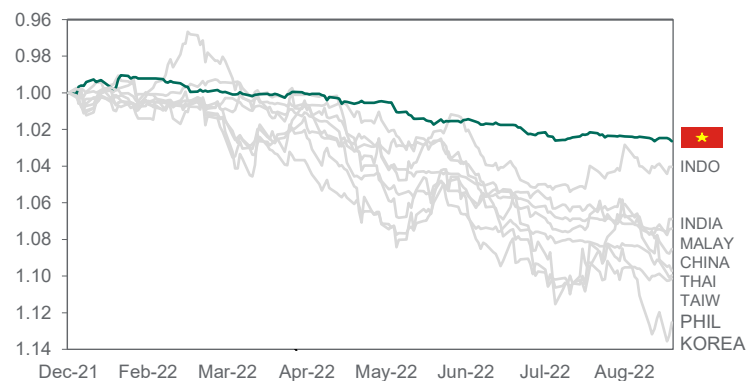
12M TRAILING TRADE BALANCE: \$12BN SURPLUS



CREDIT GROWTH YTD: NEARLY FLAT SINCE JUN



VND REMAINS RESILIENT COMPARED TO NEIGHBOURS





VIETNAM EQUITY (UCITS) FUND – VEF

VEF advanced 8.3% in Aug, vs a 5.7% gain by the VN Index. Most of the Fund's holdings were in the green, with retailer Mobile World (MWG) making the single largest positive contribution as the stock rebounded by 20.7% from the 14.9% drop last month on reports of Bach Hoa Xanh's improved store performance after restructuring: Monthly average revenue/store for Jul hit VND 1.3bn (\$55,000) with some forecasting that based on the current trajectory this figure may even reach VND 1.5bn (\$63,560) by year end. In addition, the response for the newly launched iPhone 14 has been quite positive with almost 30,000 registered buyers after five days of debuting, which is understood to be nearly double that of last year's iPhone 13 figures. This gives further confidence to the company achieving \$1bn in revenue from Apple products in 2023, which would make Mobile World Apple's largest account in ASEAN.

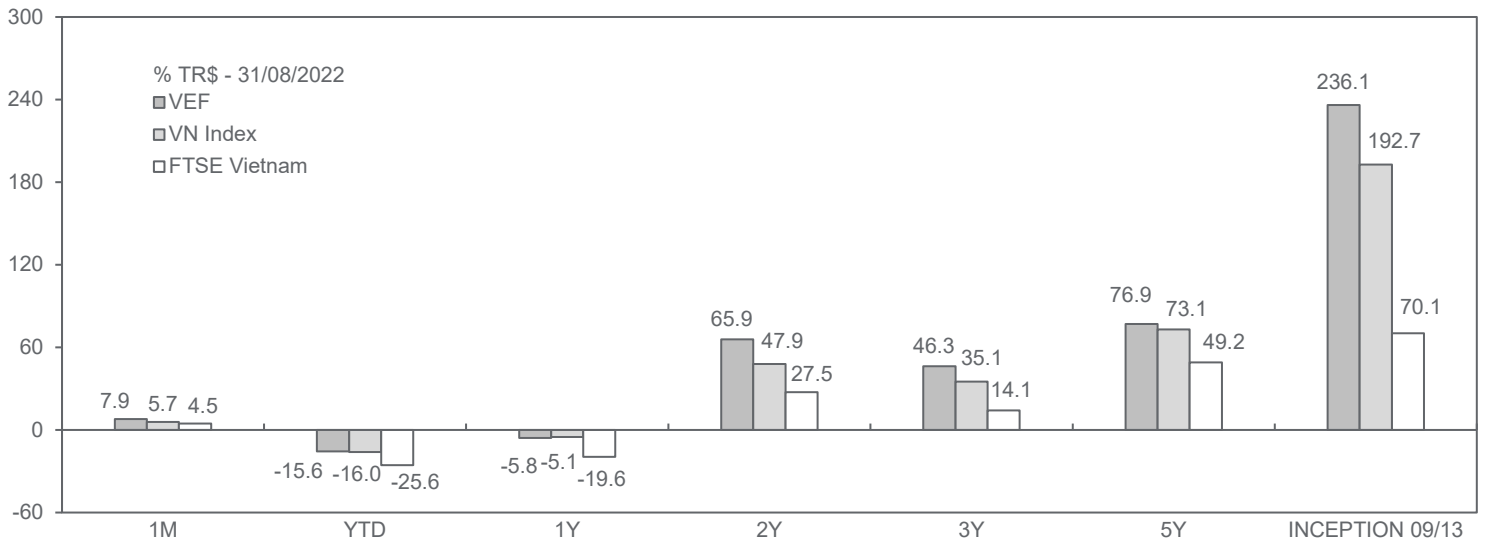
Elsewhere, Banks, Materials and Brokerages made notable advances as well. Banks continued their recovery momentum from last month as rumors of additional credit grants circulated. MB Bank (MBB) rose 10.6% mom and VP Bank (VPB) 10.3%, with accumulated credit grants so far at +18.0% and +15.7% respectively (higher than the sector average of ~13%). In Materials, Duc Giang Chemicals (DGC) gained 10.9% as the drought in China threatens supplies of yellow phosphorus which in turn caused prices to shoot up by 20% in Aug and continue to climb another 5% in early Sep. Brokers at 7.5% of AUM helped generate additional alpha as holdings in the sector rose substantially after being oversold in the past few months. Daily market turnover is now at the \$700m level, not quite near the highs yet but some 30% better than last month.

In Property, Becamex (BCM) made a significant +24.6% charge as Lego announced the construction of their \$1bn investment in Vietnam at VSIP III, a joint venture between Vietnam's Becamex and Singapore's Sembcorp. On the downside, Kinh Bac City (KBC) fell 8% after a 15% surge last month on news of auditors eliminating revaluation gains, without which earnings would fall 75% yoy instead of rising 271% yoy. Company representatives have said that the situation is only temporary as the auditors requested more time to evaluate the independent valuer's report; rectification is expected to be made in 2H22.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	33.61	7.85	-15.61	\$317m	1.21	29.26	0.44
VEF – B	1,882.57	9.71	-3.95				

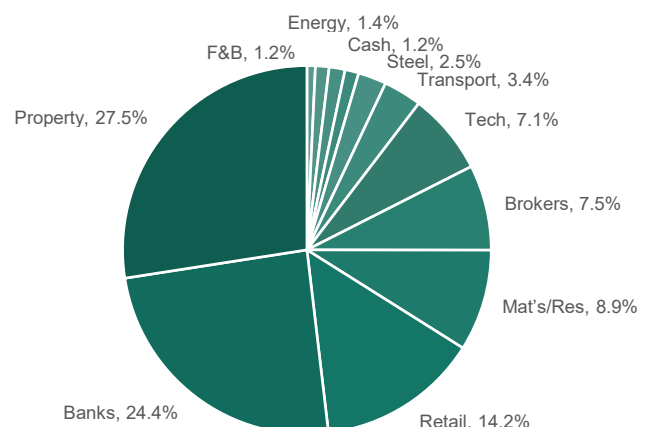
NAV PERFORMANCE



TOP 10 HOLDINGS (56.0% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 MB Bank	Banks	2.1	9.5	10.6
2 Mobile World	Retail	2.1	9.4	20.8
3 FPT Corp	Tech	1.9	7.1	4.4
4 VP Bank	Banks	2.8	5.5	10.3
5 Phu Nhuan Jewelry	Retail	0.6	4.8	0.2
6 Duc Giang Chem	Materials	0.7	4.5	10.9
7 Ha Do Group	Property	0.3	4.1	2.6
8 Sacombank	Banks	0.9	3.9	-0.1
9 Kinh Bac City	Property	0.5	3.6	-8.4
10 Becamex	Property	1.9	3.6	24.6

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022F
GDP	\$bn	239.5	257.1	281.4	310.1	334.4	346.6	366.1	406.9
Real GDP Growth	%	7.0	6.7	6.9	7.5	7.4	2.9	2.6	7.8
Services Growth	%	6.3	7.0	7.4	7.0	7.3	2.5	1.2	8.8
Agriculture Growth	%	2.4	1.4	2.9	3.8	2.0	2.8	2.9	2.8
Ind'l and Const'n Growth	%	9.6	7.6	8.0	8.9	8.9	3.3	4.1	8.1
Retail Sales Growth	%	9.5	10.2	10.9	11.7	11.8	2.6	-3.8	10.8
Prices									
CPI (Average YoY)	%	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	8.5
Average Lending Rate	%	8.6	9.0	9.3	9.5	9.7	8.6	8.5	9.7
5-yr VGB	%	6.6	5.5	4.3	4.5	1.9	1.1	0.9	3.8
VND : \$	\$1	22,540	22,750	22,750	23,235	23,150	23,085	22,800	24,000
External Sector									
Trade Balance	\$bn	-3.5	1.8	2.1	6.8	9.4	19.1	3.3	1.2
Current Account	\$bn	-2.0	0.6	-1.6	5.8	12.2	14.9	-4.9	-1.7
Current Account / GDP	%	-0.9	0.2	-0.6	1.9	3.6	4.3	-1.0	-0.4
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	90.0
Public Debt & Fiscal Balance									
External Debt	\$bn	80.9	91.4	109.2	112.1	122.8	130.1	138.8	146.0
<i>Government</i>	\$bn	39.6	42.9	46.3	47.0	47.7	49.0	47.9	49.5
<i>Enterprises (incl. FDI)</i>	\$bn	41.2	48.5	62.9	65.1	75.0	81.1	90.9	96.5
External Debt (% GDP)	%	33.8	35.6	38.8	36.2	36.7	37.5	37.9	36.0
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-Aug-21	31-Aug-22	31-Aug-21	31-Aug-22	31-Aug-21	31-Aug-22	31-Aug-21	31-Aug-22
Market Cap (\$m)	220,389	217,254	17,600	14,610	57,494	53,823	295,482	285,687
Number of Stocks	385	401	343	341	901	858	1,629	1,600
Number of Large Cap Stocks (> \$400m)	60	70	11	10	23	22	94	102
Stocks with No Room for Foreigners	16	15	1	1	1	0	18	16
Market Cap of Stocks with No Room (\$m)	33,379	37,872	11	11	509	0	33,899	37,883
Share of Market Cap with No Room (%)	15.1	17.4	0.1	0.1	0.9	0.0	11.5	13.3

Top 25 Companies

No	Company	31-Aug	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	84,000	6.6	16,956	7.86	22.3	19.6	16.8	3.8	3.4	2.9	0.8	0.5	-
2	Vinhomes	61,000	-23.4	11,329	5.26	10.3	8.9	8.7	3.3	2.8	1.5	0.1	1.5	-
3	Vingroup	63,700	-33.0	10,363	4.81	67.0	neg	27.8	4.6	3.6	2.2	-	0.5	-
4	PV Gas	117,100	25.0	9,560	4.43	20.4	21.2	17.5	3.2	3.5	3.9	4.4	3.3	3.0
5	BIDV	40,000	7.8	8,631	4.00	36.4	23.8	15.6	2.4	2.2	2.1	1.4	0.7	-
6	Airports Corporation VN	86,000	-1.1	7,985	-	119.1	268.2	27.5	4.7	5.0	4.1	-	-	-
7	Masan Group	114,500	-19.1	6,953	3.23	83.2	23.4	25.7	6.4	6.1	4.1	1.4	1.7	-
8	Novaland	81,900	-10.0	6,811	3.16	16.6	54.5	30.4	2.5	5.0	4.1	0.1	-	-
9	Vinamilk	75,500	-8.0	6,730	3.12	20.8	18.2	19.4	6.6	5.2	5.1	3.8	4.4	5.1
10	VP Bank	31,800	-11.2	6,070	2.83	7.7	13.6	7.3	1.5	1.8	1.5	-	-	-
11	Techcombank	38,950	-22.1	5,833	2.71	9.2	10.0	6.5	1.5	1.9	1.2	0.1	-	-
12	Vietinbank	28,250	-16.7	5,791	2.69	11.2	13.5	9.1	1.5	1.7	1.1	1.5	-	-
13	Hoa Phat Group	23,000	-34.5	5,704	2.65	10.5	6.2	7.0	2.3	2.3	1.3	1.1	0.8	3.3
14	Sabeco	187,900	27.2	5,140	2.38	27.4	25.8	20.7	6.1	4.5	4.9	3.1	1.2	1.9
15	Mobile World	74,000	9.6	4,620	2.14	13.6	19.6	18.9	3.4	4.7	4.5	1.3	0.3	2.1
16	Military Bank	23,750	-1.4	4,593	1.78	8.1	8.9	6.4	1.3	1.7	1.3	-	-	-
17	Becamex IDC	92,000	43.8	4,061	1.88	21.1	47.2	22.8	2.6	4.1	5.0	1.0	1.3	0.9
18	FPT	86,600	14.1	4,052	1.88	14.0	21.1	19.6	2.8	4.6	4.6	4.3	2.7	2.7
19	ACB	24,650	-10.7	3,551	1.65	8.1	9.9	6.3	1.7	2.1	1.4	-	-	-
20	Binh Son Refining	25,700	12.7	3,399	-	neg	11.3	4.7	1.0	1.9	1.5	-	0.7	3.1
21	Vietjet Air	121,600	-5.2	2,809	1.30	954.6	931.7	59.6	4.4	4.1	2.3	-	-	-
22	Vincom Retail	27,700	-8.0	2,685	1.28	30.0	52.0	25.4	2.4	2.2	1.9	-	-	-
23	VEAM Corp	45,300	2.0	2,568	-	10.6	10.3	9.2	2.3	2.5	2.4	19.5	13.7	8.9
24	HD Bank	26,700	-13.5	2,292	1.07	8.9	10.2	6.8	1.5	2.0	1.5	-	-	-
25	Petrolimex	42,200	-21.7	2,287	1.08	66.3	24.1	21.0	3.1	2.7	2.6	6.1	2.4	6.6

VIETNAM MONTHLY REPORT

31 August 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
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