



MARKET REVIEW AND OUTLOOK

VNI declines 13.1% in Sep as global recession fears deepen

Rate hikes slammed sentiment on bank and property stocks

Defensive names offered some modest protection

A lot of risk is priced into valuations, but interest rates and global events still need to be watched

The market had a very difficult September, with the VNI falling 13.1% to a 2022 low of 1132 (TR\$). External pressures continued to weigh on stocks as US inflation remained at high levels and the Fed doubled down on hawkish statements. Domestically, the news was not encouraging on banks' loan quotas or on amendments to Decree 153, governing corporate-bond issuance. Despite a reduction in settlement times, from T+3 to T+2½, average daily turnover fell. It slipped by 15.1% on the HOSE to \$570m, and by 16.5% on the combined exchanges, to \$661m. Foreigners became net sellers again, offloading \$136m worth of equities, bringing the 9MO exodus to \$147m.

As the DXY carried on strengthening, and the SBV was forced to defend the VND with higher rates, sentiment rapidly soured in banks and property developers. Investors worried about NIM compression for banks, and higher borrowing costs for developers. Banks collectively fell 13% while most developers lost 15-25%. Developers' woes were increased by Decree 65. This revises Decree 153, and it seemed more conservative than expected. It appeared to put tight curbs on who can buy corporate bonds and on what sort of capital-raising bonds can be used for. This has left issuers waiting for guidance circulars to clarify the decree, and these may take a few more months to appear. For developers needing to fund projects, and hoping to roll over existing obligations, this was sub-optimal news.

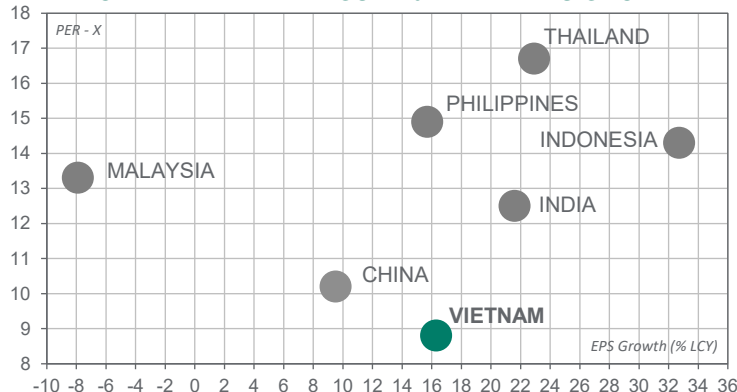
Defensive sectors offered some protection, with health-care and F&B stocks only dropping 2-4%. Insurance companies also fell by much less than the VNI as they will typically benefit from rising rates. Retailers got a boost from high demand for the new iPhone model, whose sales in Vietnam are expected to double even though global demand for the product seems sluggish. This was seen as a proxy for resilient consumer sentiment.

The market has been unable to insulate itself from rising risk overseas, where recession fears are proliferating. Yet despite external pressures, economic growth is robust, with 9MO GDP up 8.8%, the trade surplus hitting \$6.3bn and inflation still below the Government target of 4%. It can be hoped that the authorities will show more flexibility on corporate bond issuance – and on loan quotas – as it becomes clear that too much restrictiveness is harming legitimate borrowers. Meanwhile, after the market's 27% loss ytd, its PER has dropped to a historically low level of 8.8x. The number of stocks above their 50-DMA – barely 2% – is also near an all-time bottom, and the RSI is getting to COVID levels. A lot of risk is now priced in. But it remains to be seen how much higher rates will go and what sort of further crises may develop internationally.

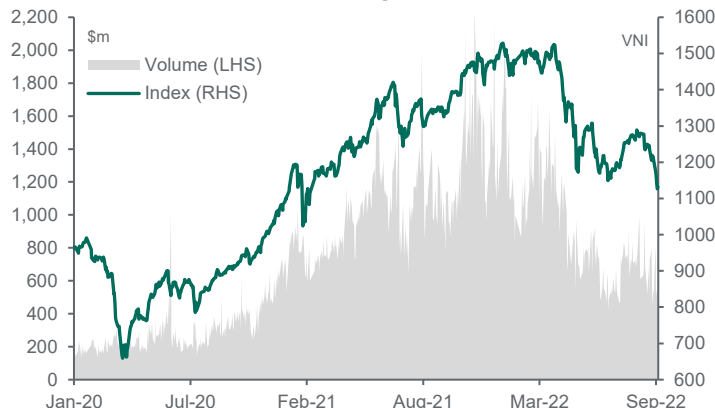
DC TOP-80 FORECASTS

30-Sep-22	Unit	2019	2020	2021	2022F
PER	x	11.8	13.9	14.7	8.8
EPS Growth	%	11.4	5.6	38.9	16.3
PEG	x	1.0	2.5	0.4	0.5
Sales Growth	%	10.0	2.2	22.0	19.4
EBIT Growth	%	15.1	3.2	50.8	15.8
PBT Growth	%	13.2	5.8	38.0	19.7
NPAT Growth	%	12.9	5.9	41.9	17.9
Net DER	x	0.3	0.4	0.3	0.1
Yield	%	1.7	1.4	1.0	1.3

COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



MARKET PERFORMANCE



RSI APPROACHES COVID BOTTOM



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



ECONOMY REVIEW AND OUTLOOK

Economy grew robustly in 3Q, and trade surprises on the upside

Inflation nearing 4% but that is an acceptable result

Bond markets still under pressure; new rules on issuance likely to be tough

Loan quotas may be raised, mitigating bond-market freeze

But rates will carry on rising, and can only partly offset the USD rampage

The economy performed well in September. GDP for 3Q22 was a record +13.7%, bringing the 9MO result to +8.8%. Domestic indicators were all strong, but of particular interest was trade: 9MO exports were +17.3% yoy, led by FDI-type products, while imports were +13.0%, giving a surplus of \$6.5bn. This was a stunning reversal from the deficit of \$1.9bn last year. It showed that inventories of input goods have been cleared, that supply-chain snags have been minimised, and that demands for Vietnam's increasingly higher-value manufactures is steady.

Less encouragingly, the CPI increased 3.94% yoy, with the second-round effects of energy prices pumping up food and services. Year-end inflation is going to exceed the Government's sub-4% target, and many think it is under-reported even so. But inflation is being managed at moderate levels, as elsewhere in Asia, and it remains strictly imported, not home-grown.

Decree 65 on bond issuance, amending Decree 153, was finally released and was more conservative than expected. Strict criteria were imposed for investors to be considered as professionals and thereby eligible for participation in private offerings. For issuers and brokers, further rules were applied to increase transparency and disclosure, and to tightly govern use of proceeds. Guiding circulars are also still needed. So the corporate bond market has now ground to a halt while a tougher regulatory regime is awaited. With further pressure from rising rates, we expect bond issuance to decline in 2023, putting pressure on debt rollover.

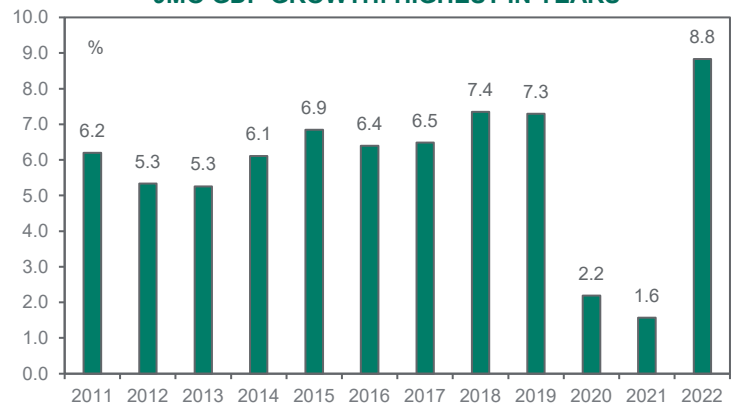
Meanwhile, banks got ever closer to the 14% loan quotas set for 2022, with only about 2.5% left. More will be given to banks that have helped the Government on restructuring bankrupt peers, specifically MBB, VPB, VCB and HDB. They are major lenders, so this could help mitigate the liquidity issue caused by lower bond market activity. But lending rates will continue rising, to forestall inflation and protect the currency.

In Sep, the SBV hiked its policy rate by 100 bps, the first time since 2011. Overnight interbank rates touched 8% and then fluctuated around 6-7%. The differential with the Fed Funds rate went to 3-4%, more appropriate than -2% at the beginning of the tightening cycle, so the SBV injected some liquidity. Nonetheless, depo rates have been pulled up by 180-200 bps ytd and lending rates by 200-220 bps. We expect rate hikes of 100 bps in Q4 and maybe as much again in 1Q23. This may only be damage control against the USD. The VND was depreciated by 1% to 23,925 at mid-month, nearly 5% ytd, and the SBV may take it down more by year-end. The problem is not one of Vietnam's own making, but bites no less hard for that.

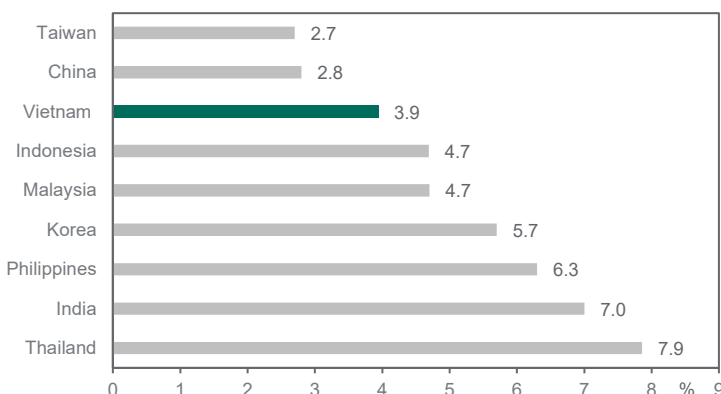
ECONOMIC FORECASTS

30-Sep-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	16.1
Import Gro (cif)	%	7.7	3.6	26.7	16.0
Trade Bal (cif)	\$bn	9.4	19.1	3.3	4.2
FX Reserves	\$bn	80.0	98.0	106.5	85.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	24,000

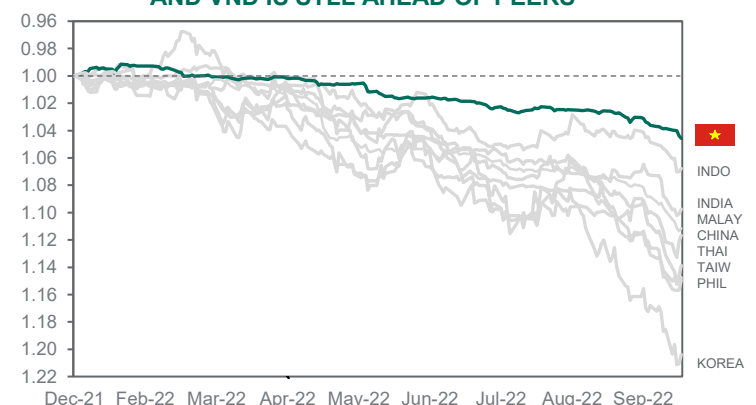
9MO GDP GROWTH: HIGHEST IN YEARS



VIETNAM'S INFLATION WELL WITHIN REGIONAL RANGE



AND VND IS STILL AHEAD OF PEERS





VIETNAM EQUITY (UCITS) FUND – VEF

The VN Index fell 13.1% in Sep after the State Bank of Vietnam announced a policy rate hike of 1%. VEF underperformed the Index, falling 14.8%, with all Top-10 holdings declining significantly.

Banks and Property stocks were hit especially hard, being the most sensitive sectors to interest rate increases. The Fund's key bank holdings Military Bank (MBB), Vietnam Prosperity Bank (VPB) and Sacombank (STB), all fell more than the VN Index. Most residential property stocks also recorded double-digit slumps. Leading industrial park developer Becamex managed to decline by only 3% on an array of positive news on FDI disbursement, trade flows and tenant attraction.

Given current uncertainties in global markets and weak sentiment for equities in general, there was a strong incentive for investors to take profits on stocks that had risen a lot lately. This was evident in the materials sector: Duc Giang Chemicals (DGC) tumbled 23.4% after a 10.9% increase last month; Phu My Fertilizer (DPM) dropped 15.5% after a 21.6% Aug rally. Mobile World also fell into this category, sliding 15.0% after a 20.8% run.

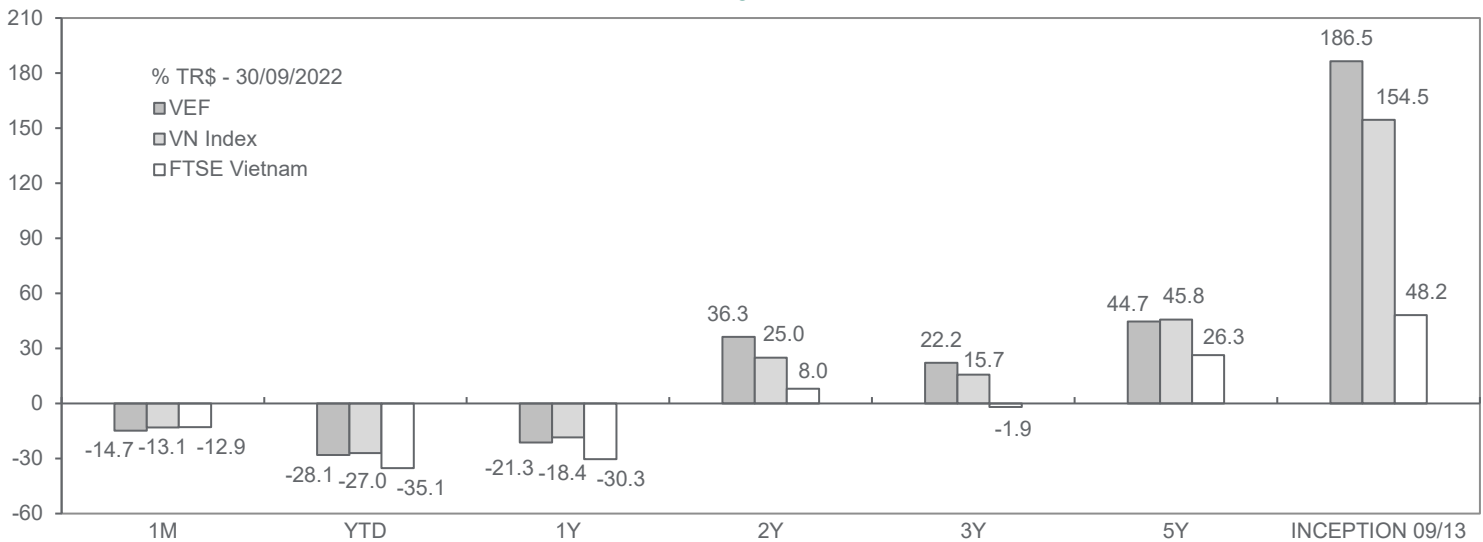
A handful of stocks held up relatively well. FPT and Phu Nhuan Jewelry (PNJ) were resilient on solid fundamentals. FPT's 8M22 revenue climbed 24% yoy to VND 27.1trn (\$1.13bn) while net profit rose 28% yoy to VND 4.2trn (\$175.5m). PNJ also recorded positive results with 8M22 revenue +88% yoy, and September's numbers continue to shine with revenue +11% mom. As 3Q earnings season approaches, we may see rotation towards stocks that have good earnings momentum and away from cyclical, particularly those vulnerable to higher interest rates.

The world is now facing a challenging period, but Vietnam is currently a brighter spot in the overall gloomy global economy. Stock market volatility will probably continue, as seen in 3Q22, with weak performance in Jul, a strong rebound in Aug, and then a sharp sell-off again in Sep. Long-term investors may consider gradual accumulation as valuations have dropped to compellingly low levels and key drivers facilitating high economic growth remain largely intact.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	28.65	-14.74	-28.05	\$268m	5.84	31.18	0.20
VEF – B	1,642.16	-12.77	-16.21				

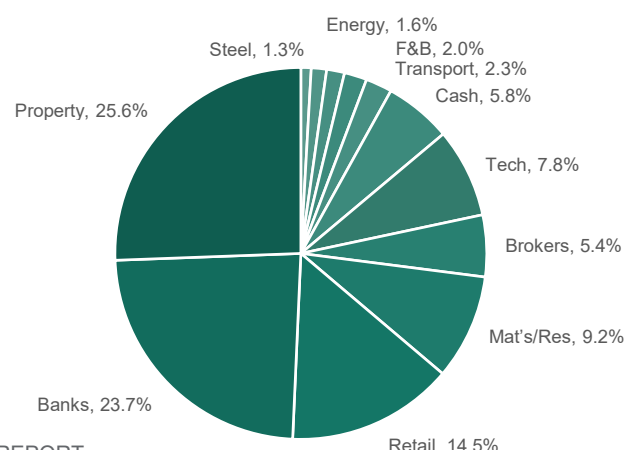
NAV PERFORMANCE



TOP 10 HOLDINGS (56.3% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 MB Bank	Banks	2.0	9.2	-17.3
2 Mobile World	Retail	2.1	8.7	-15.0
3 FPT Corporation	Tech	2.0	7.8	-8.7
4 PNJ Jewelry	Retail	0.6	5.8	-8.4
5 VP Bank	Banks	1.8	5.4	-16.6
6 Duc Giang Chem	Materials	0.6	4.3	-23.4
7 Becamex IDC	Property	2.1	4.1	-3.2
8 Sacombank	Banks	0.9	3.8	-18.4
9 Hung Thinh Land	Property	-	3.6	-
10 Phu My Fertilizer	Materials	0.4	3.6	-15.5

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	4.2
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	85.0
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	
	30-Sep-21	30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21	30-Sep-22	30-Sep-21	30-Sep-22
Market Cap (\$m)	225,635	188,726	18,511	12,648	59,843	48,222	303,989	249,596
Number of Stocks	401	400	341	341	904	857	1,646	1,598
Number of Large Cap Stocks (> \$400m)	67	65	10	8	24	19	101	92
Stocks with No Room for Foreigners	16	16	1	1	1	1	18	18
Market Cap of Stocks with No Room (\$m)	35,228	34,357	12	9	530	8	35,770	34,373
Share of Market Cap with No Room (%)	15.6	18.2	0.1	0.1	0.9	0.0	11.8	13.8

Top 25 Companies

No	Company	30-Sep	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	73,200	-7.1	14,513	7.80	22.3	19.6	14.6	3.8	3.4	2.6	0.8	0.5	-
2	Vinhomes	50,700	-36.4	9,249	4.97	10.3	8.9	7.3	3.3	2.8	1.3	0.1	1.5	-
3	PV Gas	110,000	17.5	8,820	4.74	20.4	21.1	16.5	3.2	3.5	3.7	4.4	3.3	3.3
4	Vingroup	55,000	-42.2	8,788	4.72	67.0	neg	36.1	4.6	3.6	2.0	-	0.5	-
5	BIDV	33,900	-8.6	7,184	3.86	36.4	23.8	13.2	2.4	2.2	1.8	1.4	0.7	-
6	Novaland	84,900	-6.7	6,935	3.73	16.6	54.5	33.0	2.5	5.0	4.3	0.1	-	-
7	Airports Corporation VN	75,000	-13.8	6,840	-	119.1	268.2	24.7	4.7	5.0	3.6	-	-	-
8	Vinamilk	72,300	-11.9	6,331	3.40	20.8	18.2	18.5	6.6	5.2	4.8	3.8	4.4	5.3
9	Masan Group	99,000	-30.0	5,905	3.17	83.2	23.4	29.9	6.4	6.1	3.7	1.4	1.7	-
10	Hoa Phat Group	21,200	-39.6	5,165	2.78	10.5	6.2	6.4	2.3	2.3	1.2	1.1	0.8	3.6
11	VP Bank	18,000	-24.6	5,063	1.83	7.7	13.6	6.2	1.5	1.8	1.3	-	-	-
12	Sabeco	185,000	25.2	4,970	2.67	27.4	25.8	20.4	6.1	4.5	4.8	3.1	1.2	1.9
13	Techcombank	32,500	-35.0	4,789	2.57	9.2	10.0	5.3	1.5	1.9	1.0	0.1	-	-
14	Vietinbank	23,200	-31.6	4,671	2.51	11.2	13.5	5.9	1.5	1.7	0.9	1.5	-	-
15	Becamex IDC	90,600	41.6	3,929	2.11	21.1	47.2	23.7	2.6	4.1	4.9	1.0	1.3	0.9
16	Mobile World	64,000	-5.2	3,924	2.11	13.6	19.6	17.4	3.4	4.7	4.0	1.3	0.3	2.4
17	Military Bank	20,000	-17.0	3,799	2.04	8.1	8.9	5.4	1.3	1.7	1.1	-	-	-
18	FPT	80,500	6.0	3,700	1.99	14.0	21.1	18.2	2.8	4.6	4.2	4.3	2.7	3.0
19	ACB	22,200	-19.6	3,141	1.69	8.1	9.9	5.7	1.7	2.1	1.3	-	-	-
20	Vincom Retail	28,000	-7.0	2,666	1.47	30.0	52.0	25.7	2.4	2.2	1.9	-	-	-
21	Binh Son Refining	20,100	-11.9	2,611	-	neg	11.3	4.3	1.0	1.9	1.3	-	0.7	3.9
22	Vietjet Air	110,900	-13.6	2,516	1.35	954.6	931.7	89.2	4.4	4.1	2.2	-	-	-
23	VEAM Corp	44,500	0.2	2,477	-	10.6	10.3	9.0	2.3	2.5	2.4	19.5	13.7	9.2
24	HD Bank	19,150	-22.4	2,018	0.87	8.9	10.2	6.1	1.5	2.0	1.3	-	-	-
25	VIB	22,000	-37.2	1,943	1.04	8.0	11.8	5.5	2.0	3.0	1.4	-	-	-

VIETNAM MONTHLY REPORT

30 September 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

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