VIETNAM MONTHLY REPORT

30 November 2022

DRAGON CAPITAL

MARKET REVIEW AND OUTLOOK

Index hit a ytd low before rallying when foreigners piled in

The market had a volatile Nov, with the Index hitting an intraday low of 872 before recovering to end the month 2.9% higher (TR$) at 1048. Cross-margin calls driven by plunging real estate stocks were the main culprit. Then foreign buying kicked off a sharp recovery. Offshore investors snapped up a net $662m, which was the second-biggest monthly net inflow in the market's history. The Government made positive statements about improving the liquidity situation, and took some modest actions too, prompting locals to join the rally. Average daily turnover rose 0.5% on the HOSE to $470m, and 0.1% on the combined exchanges to $506m.

Margins calls, bond-fund redemptions threatened to create a doom-loop

Fallout from the VTP investigation was acute early in the month as brokers continued reducing their margin exposure to property stocks. Developers like NVL, PDR, and HPX went limit-down for over ten consecutive sessions with no bids, reflecting the uncertain outlook for roll-over of their outstanding bonds. Since brokers could not exit these positions under any circumstances, they were forced to sell margin clients out of other stocks to recover loans. Bond funds also came under heavy redemption pressure, leading secondary yields to hit 30-40%.

Foreigners came to the rescue and developers found solutions

As capital markets were roiled by fears of a doom-loop, foreign investors made their entry to tap valuations which had fallen to 10-year lows. Institutional funds were active, spending cash piles built during the downturn, and they were supported by new money from Taiwan-based ETFs. Troubled developers were able to find solutions to restructure debt repayments and secure new equity capital. Meanwhile the Government mused about revising Decree 65 governing new bond issuance, and it floated the possibility of higher loan-growth quotas. The SBV issued a circular allowing selected corporate valuable papers to be used in its OMO operations. At this point the bond market started to improve, and yields stabilized at 18-20%.

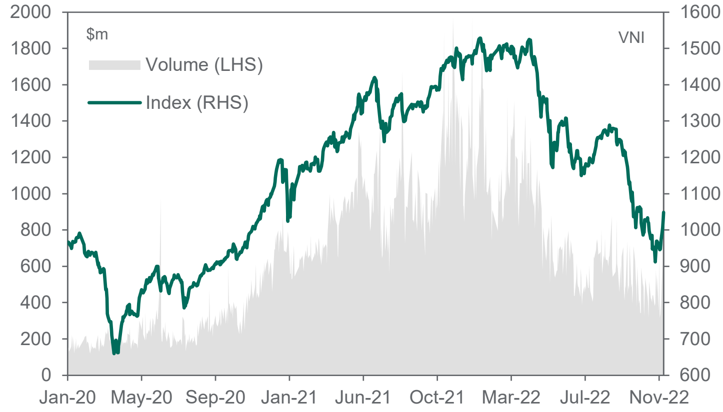
Worst may be over, market is in better shape to consolidate through potential global recession

At this point, peak pessimism has subsided. The Government is looking for ways to help companies through the issues in the corporate-bond market, the margin wash-out is over and China re-opening impends. But sentiment is likely to be vulnerable as the property sector remains depressed and global recession continues to gather force. Vietnam's own macro-indicators point to an export-driven slowdown. And high domestic interest rates have yet to peak, even if flagging dollar strength brings some relief. We have revised earnings lower, but still find ample scope for stock selection, given that some companies will weather the downturn better than others. And with the decline equities have staged, the forward PER is barely 9.4x, well behind peers. If the panic is over, that will be a powerful base to spring from once recessionary forces abate.

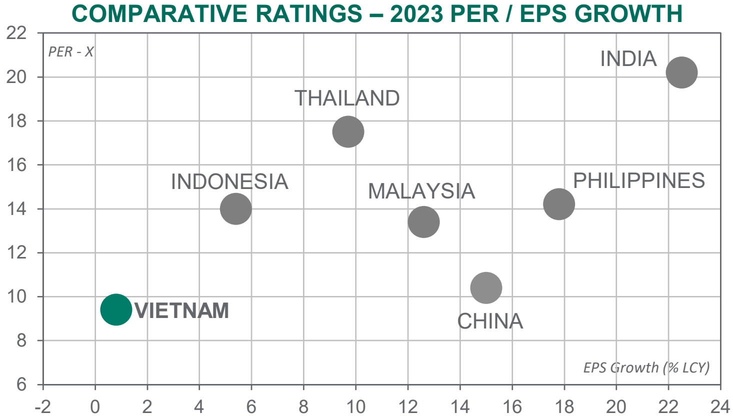
DC TOP-80 FORECASTS

30-Nov-22	Unit	2020	2021	2022	2023F
PER	x	13.9	14.7	9.5	9.4
EPS Growth	%	5.6	38.9	2.7	0.8
PEG	x	2.5	0.4	3.6	12.2
Sales Growth	%	2.2	22.0	14.1	-0.5
EBIT Growth	%	3.2	50.8	8.2	9.8
PBT Growth	%	5.8	38.0	6.1	1.5
NPAT Growth	%	5.9	41.9	4.1	0.8
Net DER	x	0.4	0.3	0.1	0.1
Yield	%	1.4	1.0	1.5	1.6

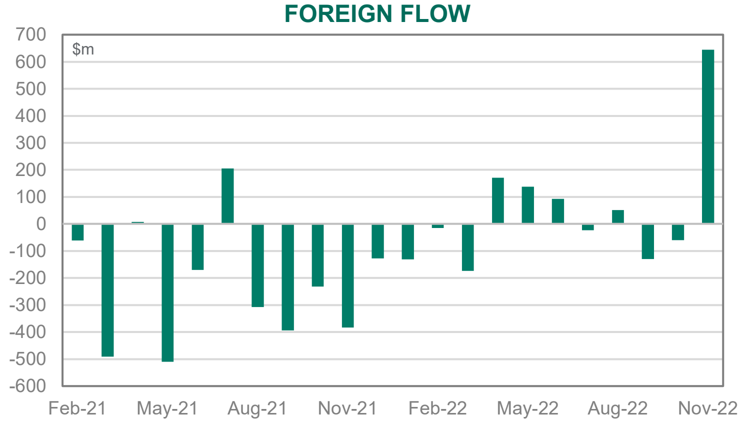
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2023 PER / EPS GROWTH



FOREIGN FLOW



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

ECONOMY REVIEW AND OUTLOOK

Domestic economy maintains recovery but…

The domestic economy kept up its recovery momentum in Nov. Retail sales were +17.5% yoy at $21.4bn. Travel also continued to surge, with air, rail, road and ship passengers reaching 4.5m people, or 96.3m ytd, more than in all of 2019, and equivalent to almost 100% of the country's population. International arrivals were robust too – visitors were +23.2% mom. Meanwhile, inflation stayed under good control at +4.4% yoy, about the same as Oct.

…industrial activity slumps as recession forces build – FDI in robust shape though

The problem was that industrial activity slumped, as global recession forces carried on accelerating. Exports and imports both fell yoy in Nov, by around 8%. They were still up 13.4% and 10.1% ytd, respectively, but that was well off the 15-20% seen in previous months. And there was still a trade surplus of $0.8bn in Nov, making for $10.6bn ytd, but clearly the engine is sputtering. In the same vein, industrial production was only +5.3% yoy and the PMI fell to 47.4, from 50.6 in Oct. There was a silver lining though. Disbursed FDI was estimated to be $19.7bn, a record high. In addition, Vietnam and Korea officially upgraded their relationship to "comprehensive strategic partnership". To mark this, Korean companies immediately pledged to invest $15bn in new plants, including $6bn from LG and Samsung. So top FDI exporters are still bulking up capacity even if right now they are shipping fewer goods.

Prospect of less aggressive Fed hikes spur VND recovery – with uptick in 2023?

Meanwhile, Fed hints that it would reduce the magnitude of rate hikes clipped the wings of the dollar. Money flowed into riskier assets like EM/FM or commodities, and Vietnamese equities got their fair share of this. The VND enjoyed a sharp recovery, rising 4.4% from its low to 23,783:$1, cutting the year's decline to 4.9% from 9.7%. Although the current account is still in deficit, and errors and omission remain elevated, diminishing US rate hikes take some of the pressure off the dong and we think it will keep ticking up in 2023. The SBV should now have greater scope to concentrate on other problems, in the form of Vietnam's constrained liquidity – shown by M2 this is only +3.4% ytd and interest rates that are steadily rising.

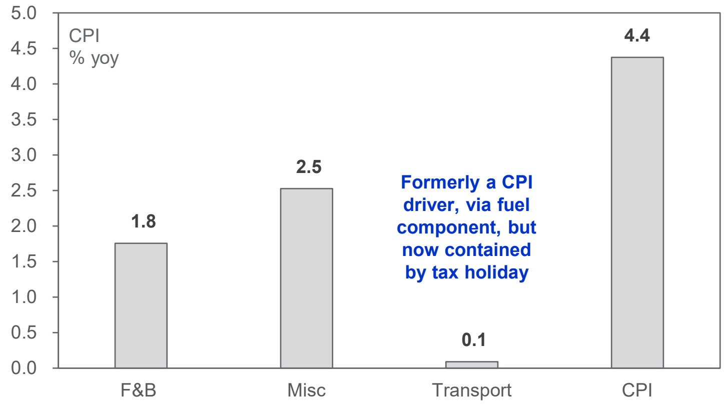
Tight liquidity will aggravate the effects of global recession, but the Government is working on solutions

The Government is searching for ways to resolve the liquidity issue, which largely flows from its crackdown on corporate bonds. It has topped up loan-growth quotas by a further 1.5-2.0%, and talked about other initiatives, such as amending Decree 65, to relax some of its more drastic curbs on bond issuance. Infrastructure spending would be the easiest and most productive way of putting money into the system. Funds marked for public works are piled up at State banks, but local governments are passing resolutions to demand that projects are accelerated. We expect that ways to relieve the liquidity crunch will be found. GDP may slip for a while in 2023, but as external circumstances improve, Vietnam can put its growth policies back into high gear.

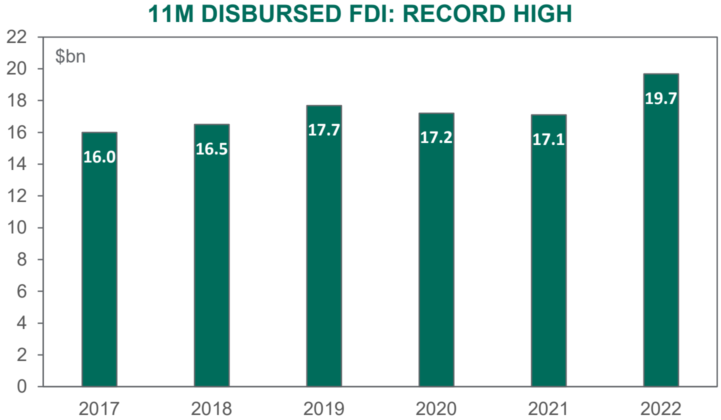
ECONOMIC FORECASTS

30-Nov-22	unit	2020	2021F	2022E	2023F
Real GDP Gro	%	2.9	2.6	7.8	6.5
Nominal GDP	$bn	346.6	366.1	391.3	435.5
CPI (average)	%	3.2	1.8	3.5	4.5
Export Gro (cif)	%	6.5	19.0	10.6	8.7
Import Gro (cif)	%	3.6	26.7	8.4	7.6
Trade Bal (cif)	$bn	19.9	3.3	11.0	12.0
FX Reserves	$bn	98.0	106.5	85.0	95.0
FDI Disbursed	$bn	20.0	19.8	23.8	22.2
VND:$	1	23,085	22,800	23,500	23,000

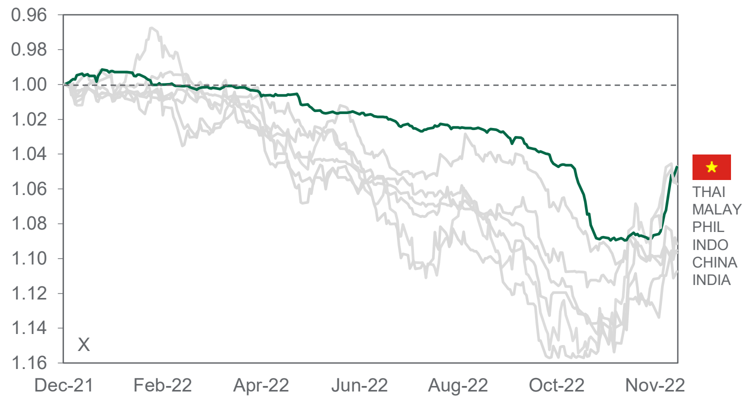
CPI WELL-CONTROLLED IN NOV



11M DISBURSED FDI: RECORD HIGH



VND VS PEERS



VIETNAM EQUITY (UCITS) FUND – VEF

The VN Index rose 2.9% in Nov on unusually strong foreign inflows. The buying was spearheaded by major ETFs, which resulted in many big cap names rising significantly. For example, Vingroup (VIC) was up 26.6% and Masan (MSN) gained 20.1%. The Fund, on the other hand, lagged the Index, losing 2.7% due to having minimal exposure to these stocks.

Within the Fund's top ten holdings, three names outperformed the VN Index. First, PNJ rose 10.7%, supported by the release of monthly reports showing strong sales momentum: Retail sales for Oct were up 36% yoy, beating expectations, while Nov numbers are expected to show growth of 10-15% yoy and full-year earnings are looking to be +50% yoy. Second, VP Bank (VPB) recovered by 3.5% after falling 12.7% last month and becoming oversold. The bank was also rumored to be in a plausible position to pick up good distressed assets as the temporary credit crunch creates turmoil in the property sector. Third, Ha Do Group (HDG) likewise rebounded by 7.2% after plummeting 31.3% last month amidst the margin call and property sell-off craze.

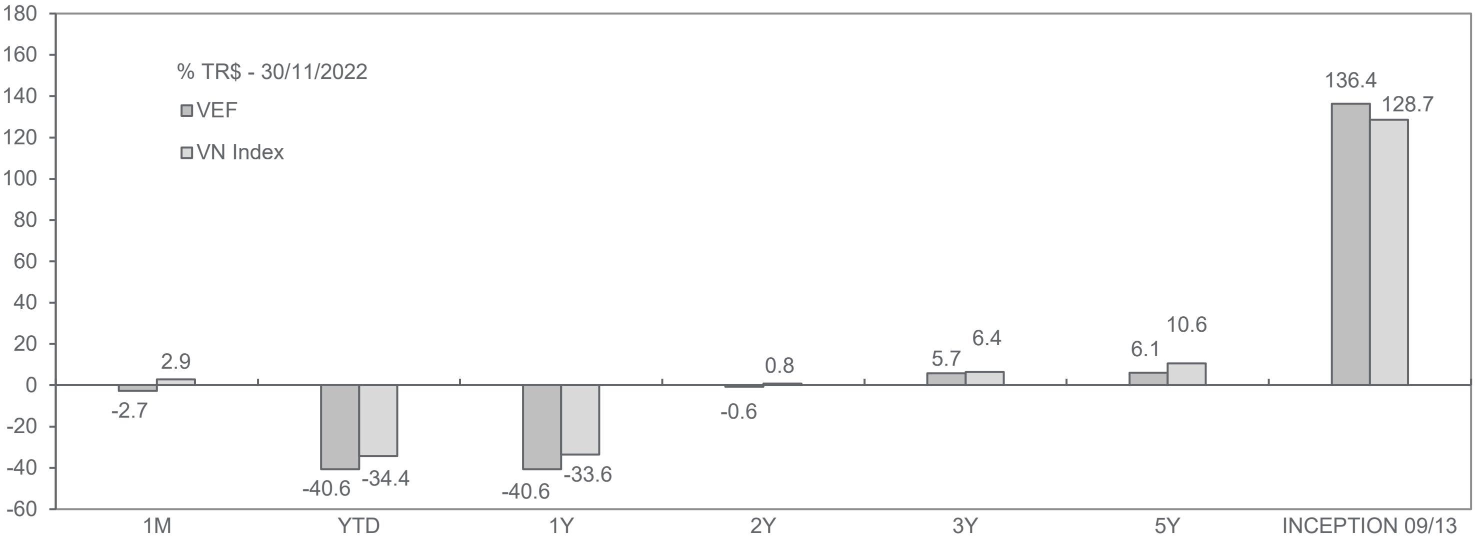
Notable decliners included Duc Giang Chemicals (DGC) and Mobile World (MWG). DGC, which makes yellow phosphorous that is used in semi-conductors that are used in smartphones, fell 20.2% as the demand outlook for smartphones and other consumer electronics products dims. And MWG fell 13.9% as weaker-than-expected numbers from its grocery chain BHX came out along with management saying that full-year earnings may drop 10% this year given the unfavorable outlook in the CE/ICT segment. With regards to the ongoing restructuring of BHX, we do see gradual improvements as monthly revenue per store has increased from VND 1.14bn (USD 48,300) at the beginning of the year to VND 1.39bn (USD 58,400) currently. We believe MWG's profit will jump significantly as BHX's losses progressively diminish.

The market appears to have found its footing for now as positive news gains friction: (1) Currency concerns and rate pressures eased significantly with the recent DXY drop; (2) the SBV is signaling new credit grants that turned out to be even more than initially communicated; and (3) robust foreign inflows are raising confidence among local retail investors.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	23.64	-2.7	-40.6	$239m	9.86	32.49	0.03
VEF – B	1,278.74	-6.1	-34.8				

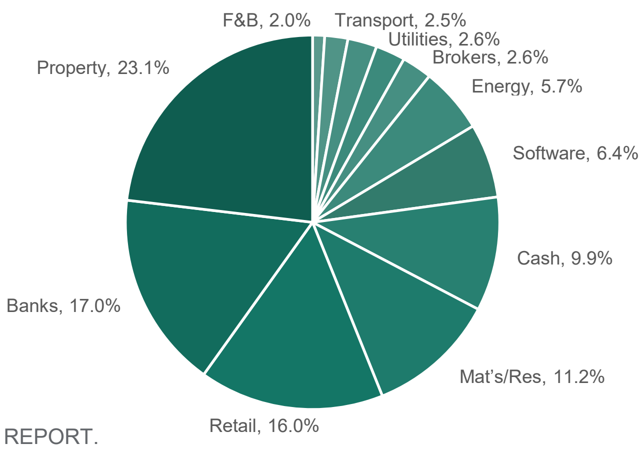
NAV PERFORMANCE



TOP 10 HOLDINGS (51.9% of NAV)

	COMPANY	SECTOR	VNI %	NAV %	CH %
1	Phu Nhuan Jewelry	Retail	0.7	8.3	10.7
2	FPT Corporation	Software	2.0	6.4	-0.6
3	MB Bank	Banks	1.9	6.0	-1.0
4	VP Bank	Banks	2.7	5.4	3.5
5	Mobile World	Retail	1.5	5.3	-13.9
6	Duc Giang Chem	Materials	0.6	4.7	-20.2
7	Ha Do Group	Property	0.2	4.4	7.2
8	Phu My Fertilizers	Materials	0.4	4.2	-4.8
9	Hung Thinh Land	Property	-	3.9	-
10	Becamex IDC	Property	2.0	3.3	-0.5

SECTOR BREAKDOWN



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2016	2017	2018	2019	2020	2021	2022E	2023F
GDP	$bn	257.1	281.4	310.1	334.4	346.6	366.1	391.3	435.5
Real GDP Growth	%	6.7	6.9	7.5	7.4	2.9	2.6	7.8	6.5
Services Growth	%	7.0	7.4	7.0	7.3	2.5	1.2	9.3	7.6
Agriculture Growth	%	1.4	2.9	3.8	2.0	2.8	2.9	2.8	2.8
Ind'l and Const'n Growth	%	7.6	8.0	8.9	8.9	3.3	4.1	8.4	6.8
Retail Sales Growth	%	10.2	10.9	11.7	11.8	2.6	-3.8	11.9	8.8
Prices									
CPI (Average YoY)	%	2.7	3.5	3.5	2.8	3.2	1.8	3.5	4.5
Money, FX & Interest Rates									
Money Supply M2	%	18.4	15.0	12.4	14.8	14.5	8.9	8.5	9.0
Average Lending Rate	%	9.0	9.3	9.5	9.7	8.6	8.5	13.7	14.0
5-yr VGB	%	5.5	4.3	4.5	1.9	1.1	0.9	5.8	4.5
VND : $	$1	22,750	22,750	23,235	23,150	23,085	22,800	23,500	23,000
External Sector									
Trade Balance	$bn	1.8	2.1	6.8	10.8	19.9	3.3	11.0	12.0
Current Account	$bn	0.6	-1.6	5.8	12.2	14.9	-4.9	-9.5	-2.5
Current Account / GDP	%	0.2	-0.6	1.9	3.6	4.3	-1.0	-2.3	-0.1
FDI Registered	$bn	24.4	35.9	35.5	36.0	28.5	31.2	37.7	29.2
FDI Disbursement	$bn	15.8	17.5	19.1	20.4	20.0	19.8	23.8	22.2
FX Reserves	$bn	41.1	52.0	61.0	80.0	98.0	106.5	85.0	95.0
Public Debt & Fiscal Balance									
External Debt	$bn	91.4	109.2	112.1	122.8	130.1	138.8	135.0	147.0
Government	$bn	42.9	46.3	47.0	47.7	49.0	47.9	48.8	52.4
Enterprises (incl. FDI)	$bn	48.5	62.9	65.1	75.0	81.1	90.9	86.2	94.6
External Debt (% GDP)	%	35.6	38.8	36.2	36.7	37.5	37.9	34.5	33.8
Fiscal Balance (% GDP)	%	-3.0	-2.6	-2.9	-2.6	-3.4	-4.0	-5.1	-4.3

APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Nov-21	30-Nov-22	30-Nov-21	30-Nov-22	30-Nov-21	30-Nov-22	30-Nov-21	30-Nov-22
Market Cap ($m)	253,232	169,077	21,694	10,184	65,889	40,388	340,816	219,648
Number of Stocks	404	402	346	341	890	859	1,640	1,602
Number of Large Cap Stocks (> $400m)	76	56	14	7	31	14	121	77
Stocks with No Room for Foreigners	16	17	1	0	1	1	18	18
Market Cap of Stocks with No Room ($m)	40,345	29,201	13	0	670	7	41,028	29,208
Share of Market Cap with No Room (%)	15.9	17.3	0.1	0.0	1.0	0.0	12.0	13.3

Top 25 Companies

No	Company	30-Nov Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in VNI (%)	PER 2021 (x)	PER 2022E (x)	PER 2023E (x)	PBV 2021 (x)	PBV 2022E (x)	PBV 2023E (x)	Yield 2021 (%)	Yield 2022E (%)	Yield 2023E (%)
1	Vietcombank	81,000	2.8	15,488	9.19	19.6	16.6	13.3	3.4	2.9	2.4	0.5	-	-
2	Vingroup	69,600	-26.8	10,725	6.36	neg	42.7	72.4	3.6	2.5	2.4	0.5	-	-
3	Vinhomes	54,500	-31.6	9,588	5.69	8.9	8.3	10.5	2.8	1.4	1.2	1.5	-	-
4	PV Gas	110,200	17.7	8,522	5.06	21.1	15.8	21.6	3.5	3.5	3.3	3.3	3.1	3.1
5	BIDV	41,100	10.8	8,400	4.98	23.8	15.4	11.5	2.2	2.2	1.8	0.7	-	-
6	Airports Corporation VN	84,500	-2.9	7,432	-	268.2	27.7	23.3	5.0	4.1	3.4	-	-	-
7	Vinamilk	82,800	0.8	6,992	4.15	18.2	22.1	18.9	5.2	5.3	5.1	4.4	4.6	4.6
8	Masan Group	102,000	-27.9	5,867	3.48	23.4	36.9	30.6	6.1	3.9	3.5	1.7	0.9	0.9
9	Vietinbank	27,250	-19.6	5,291	3.14	13.5	8.7	8.3	1.7	1.2	1.1	-	-	-
10	Sabeco	180,000	21.8	4,664	2.77	25.8	20.6	17.6	4.5	4.7	4.0	1.2	2.0	2.0
11	VP Bank	16,800	-29.6	4,557	2.72	13.6	5.6	6.0	1.8	1.1	0.9	-	-	-
12	Hoa Phat Group	18,400	-47.6	4,323	2.56	6.2	13.3	14.4	2.3	1.1	1.1	0.8	4.4	4.4
13	Techcombank	25,900	-48.2	3,681	2.18	10.0	4.6	5.5	1.9	0.8	0.7	-	-	-
14	Becamex IDC	80,800	27.3	3,379	2.00	46.8	21.1	20.6	4.1	4.3	3.7	1.3	1.0	1.0
15	FPT	74,600	-1.7	3,307	1.96	21.1	16.5	13.8	4.6	3.9	3.3	2.7	3.1	3.6
16	Military Bank	17,400	-27.8	3,187	1.89	8.9	4.7	4.6	1.7	1.0	0.8	-	-	-
17	ACB	22,100	-19.9	3,016	1.79	9.9	5.7	4.9	2.1	1.3	1.0	-	-	-
18	Vincom Retail	30,550	1.5	2,805	1.71	52.0	25.8	20.6	2.2	2.1	1.9	-	-	-
19	Mobile World	44,100	-34.7	2,608	1.55	19.6	14.4	11.5	4.7	2.8	2.5	0.3	3.5	3.6
20	Vietjet Air	103,000	-19.7	2,254	1.34	931.7	82.9	25.7	4.1	2.0	1.9	-	-	-
21	VEAM Corp	39,400	-1.1	2,115	-	9.3	7.4	8.3	2.3	2.1	2.1	15.2	11.7	11.4
22	Binh Son Refining	14,800	-35.1	1,854	-	11.3	3.2	6.7	1.9	0.9	0.9	0.7	5.5	5.5
23	Novaland	23,350	-74.3	1,840	1.09	54.5	18.1	45.8	5.0	1.2	1.2	-	-	-
24	VIB	20,250	-42.2	1,724	1.02	11.8	6.2	6.0	3.0	1.4	1.1	-	-	-
25	HD Bank	15,550	-37.0	1,580	0.94	10.2	5.1	4.7	2.0	0.9	0.8	-	-	-

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30 November 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

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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

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