VIETNAM MONTHLY REPORT

31 December 2022

DRAGON CAPITAL

MARKET REVIEW AND OUTLOOK

Markets may be down but GDP hits 8%

December was a quiet month for the market when compared to the volatility of November, with the VN Index trading in a narrow band of 5% to close at 1,007, 3.9% down MoM, but up 0.65% in TR$ terms due to the depreciation of the USD.

Foreigners go into bat, locals watch for results

Foreign investors remained very bullish with sustained net buying, the second consecutive month of strong net inflows, further signs of a turnaround in sentiment from that quarter. A total of $572m was net bought, of which $221m originated from institutional funds such as Fubon, VanEck, FTSE, and iShares. Liquidity told a different story, however, drying up in the last two weeks of the month due to the holiday season, but still marginally increasing 4% MoM.

VNI has worst year in over a decade, but P/E remains among cheapest in the region

The VNI closed the year 32.7% down, in step with the decline of global benchmarks due to the all-too-familiar macro headwinds that plagued the markets throughout 2022. Coupled with the domestic factors of credit restraints and regulatory crackdowns spooking the retail market this did indeed make for a tough year. The steep decline and cheap valuation notwithstanding, the market will still need to overcome the liquidity constraints imposed by the frozen bond market in recent months in order to reclaim these losses in the medium-term.

Decree 65 Recurring?

Recognising that the aforementioned liquidity issue is a major concern for both investors and businesses, the Government is proactively considering changes to Decree 65, potentially relaxing the requirements for both bond investors and issuers alike.

Hope springs (cautiously) eternal

This may come in the form of a delay for professional investor status until 2024, subsequently making the bond market immediately more accessible if enacted. This in turn would alleviate pressure from the banking sector to bridge the credit gap and help rejuvenate the faltering real estate and construction markets, which together make up two thirds of the VNI.

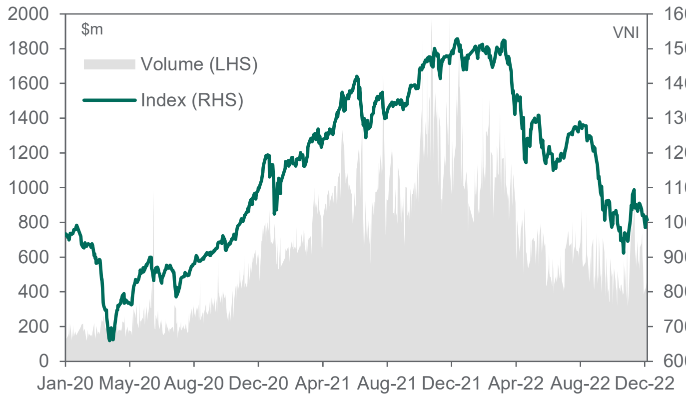
Prudent optimism for the economy as the SBV addresses domestic concerns

With Tet approaching, market liquidity is very likely to remain low in the short term, as retail investors continue to remain on the sidelines until after the holiday to deploy capital, and the Vietnam market will not be immune to the global trends triggered by macro factors such as Fed interest rate decisions, China's reopening and global conflicts. Domestically, 4Q22 earnings will soon be published and are likely to strongly diverge between sectors, potentially underwhelming investors' expectations. Looking ahead to 2023, a judicious approach is advisable, but with encouraging GDP and inflation numbers, coupled with the hoped-for relaxation of Decree 65, 2H23 may well shape up to be something very encouraging.

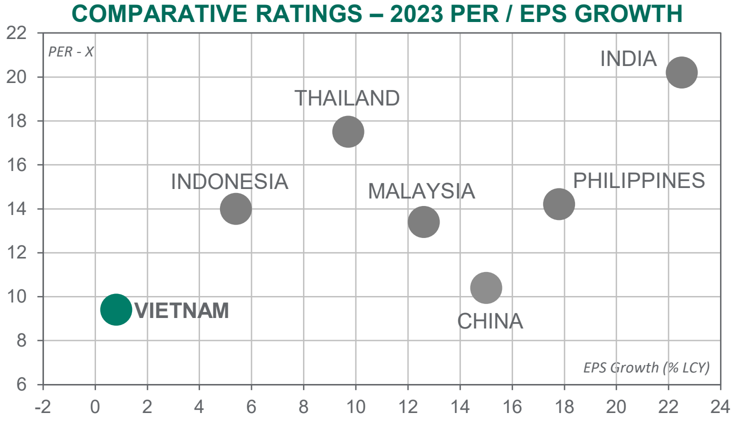
DC TOP-80 FORECASTS

31-Dec-22	Unit	2020	2021	2022	2023F
PER	x	13.9	14.7	8.9	8.7
EPS Growth	%	5.6	38.9	1.8	1.5
PEG	x	2.5	0.4	4.9	5.7
Sales Growth	%	2.2	22.0	14.3	-0.5
EBIT Growth	%	3.2	50.8	8.3	9.2
PBT Growth	%	5.8	38.0	5.2	2.2
NPAT Growth	%	5.9	41.9	3.2	1.5
Net DER	x	0.4	0.3	0.2	0.1
Yield	%	1.4	1.0	1.5	1.7

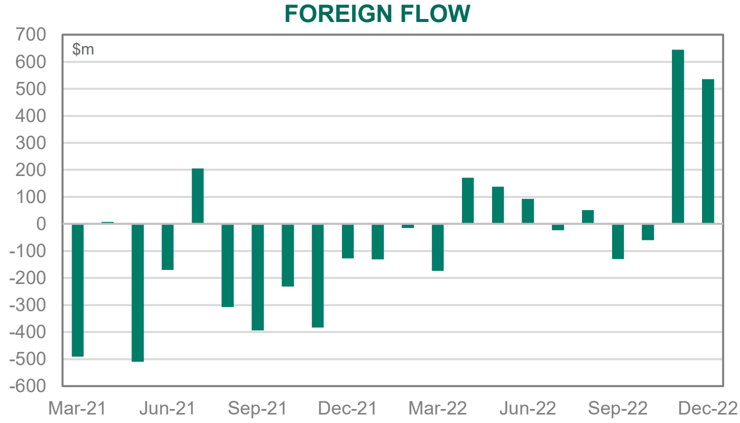
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2023 PER / EPS GROWTH



FOREIGN FLOW



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

ECONOMY REVIEW AND OUTLOOK

Domestic spending provides a strong foundation

The economy rebounded by an impressive 8.0% in 2022, reaching $408.8bn, the fastest growth rate of the last 10 years. With a population of ~100m, Vietnam's GDP per capita hit $4,110, up 10.8% YoY to officially enter the upper middle-income group (>$4,045). Final consumption climbed by 7.2%, accounting for a solid 49.3% of the growth rate, followed by an import-export surplus of 8.0% and asset accumulation of 5.8%, accounting for 28.1% and 22.6%, respectively.

A firm hand on the tiller to steer Vietnam into calmer waters

The macro environment was largely unchanged, benefitting mostly from Government price stabalisation, the SBV's monetary policies, and a stronger-than-expected external position thanks to $22.4bn of disbursed FDI, up 13.5% YoY. A 5.6% increase in remittance of $19bn also helped, while a positive trade balance of $11.2bn vs $4.0bn in 2021 reinforced the overall performance. YoY inflation remained under control at 3.2% and the VND depreciated by just 3.5% against the USD in 2022. With a credit growth increase of 14.5% YoY and the credit-to-GDP ratio cooling down, there will be far less chance of anxiety in the financial markets in 2023 as investor sentiment improves.

As industrials drop anchor, historic FDI projects provide the lifeboat

4Q22 manufacturing growth slowed, demonstrating how a trade-open economy like Vietnam's is sensitive to the downturn of key export markets like China, the EU and the US. New export orders continued to decrease, and several businesses cut staff, resulting in the December PMI dropping below 50 for the second consecutive month to 46.4. Industrial output grew only 3.0% YoY in 4Q22, while the Manufacturing Inventory Index rose by 13.9% YoY. We predict that the impact on Vietnam from the decline in global purchasing power will carry over into 1H23 as central banks maintain their hawkish policies to battle inflation. As a counterpoint to this, however, we also anticipate that the nearly $43.2bn of FDI projects funded in 2021–22 will provide Vietnam with a robust opportunity to attract new orders for Made-in-Vietnam products, helping to overcome a difficult 1H23.

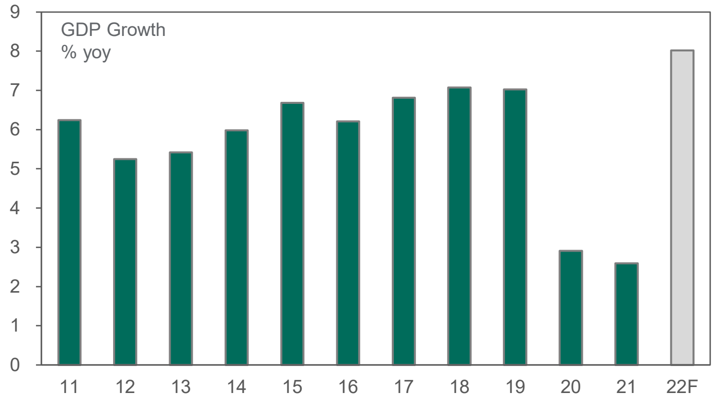
Monetary policy will have helping hands in 2023

The tourism and public investment sectors might be among the strongest growth drivers in 2023, with the 3.7m visitors in 2022 a mere fraction of the 18.5m before the outbreak. The now reopening China, accounting for 32% of Vietnam's tourists, as well as new markets being targeted such as India and Pakistan, will be a huge boon for this sector. Another factor that may bring a lot of favourable changes is public investment; with a total budget of nearly $30bn, Vietnam has set the bar high for 2023. In addition to helping Vietnam achieve its growth target of 6.0–6.5%, a surge in foreign tourism and the distribution of public funds is a powerful tool to be used in conjunction with monetary measures.

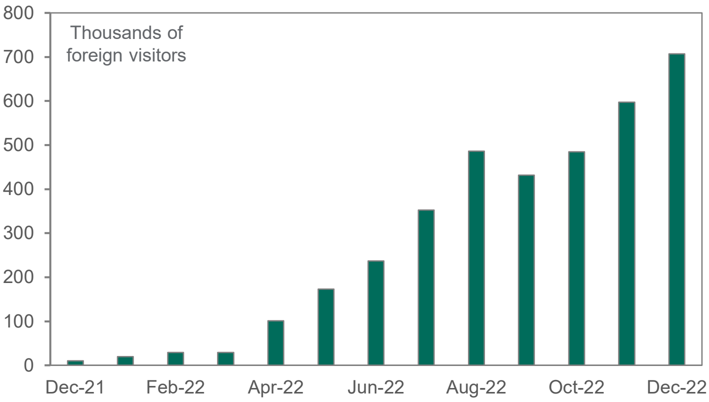
ECONOMIC FORECASTS

31-Dec-22	unit	2020	2021F	2022	2023F
Real GDP Gro	%	2.9	2.6	8.0	6.5
Nominal GDP	$bn	346.6	366.1	408.8	455.2
CPI (average)	%	3.2	1.8	3.2	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	19.1	3.3	11.2	16.1
FX Reserves	$bn	98.0	106.5	85.0	95.0
FDI Disbursed	$bn	20.0	19.8	22.4	22.2
VND:$	1	23,085	22,800	23,550	23,200

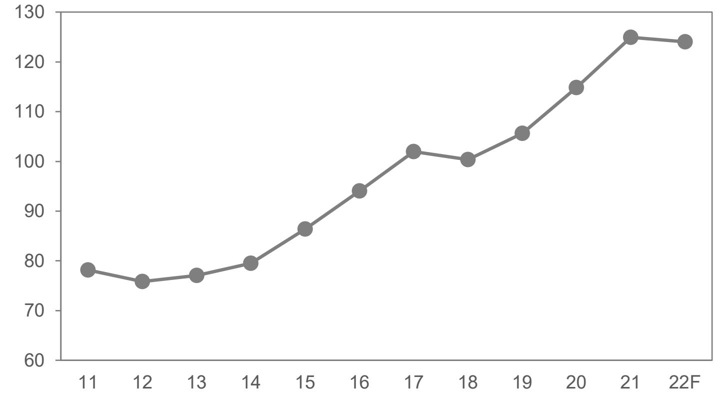
HIGHEST GDP GROWTH FROM 2011-22



THE RETURN OF FOREIGN VISITORS



CREDIT-TO-GDP RATIO HAS STARTED DECELERATING



VIETNAM EQUITY (UCITS) FUND – VEF

December was favourable for the Fund as liquidity was restored on the credit market with no significant corporate bond defaults making headlines, signaling a lower risk of spillover to banks, with companies likely to return to traditional lending practices due to the difficult bond market. As such, all banks recovered strongly, and given banking is the Fund's top weighted sector at 25%, it benefitted from a 5.3% rise ahead of the VN Index's gain of 0.4%. The benchmark was primarily dragged down by real estate giants Novaland and Vingroup related stocks. Notable bank gainers for the fund were Sacombank (**STB)** and Vietinbank (**CTG**).

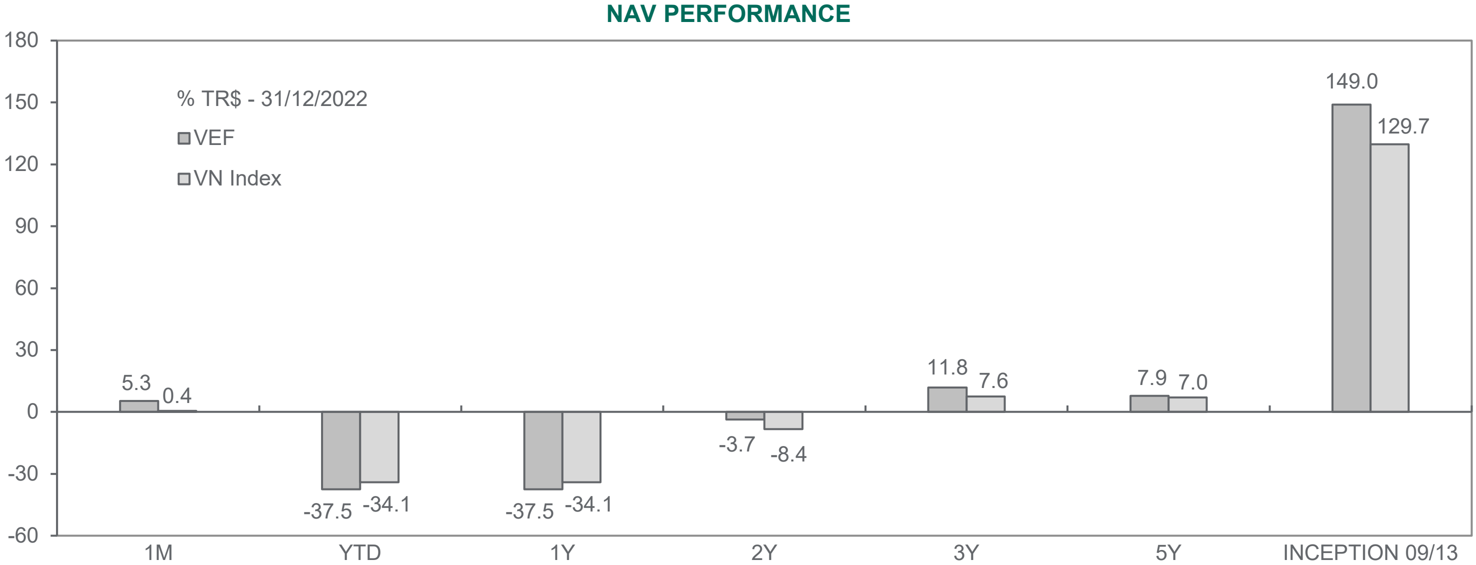
STB had the strongest gain amongst the Fund's bank holdings, ending 17.4% up MoM, while CTG rose 4.5%. STB is a unique case in the banking sector, as it has been tasked with resolving bad debt for several years from the previous credit cycle. The bank has done exceptionally well in this area, with legacy accruals fully booked, and bad debts and legacy assets aggressively purged. Core business activities were strong in Q3 with total operating income up 68% YoY, and asset quality is much better and highly provisioned, with a LLR of 154%. NPLs have also improved significantly and now stand at only 0.9% versus the sector average of 1.5%. With legacy assets fully resolved, we are expecting very strong earnings growth for this year and the next. Meanwhile, valuation is attractive at a PBR of 1.0x on ROE of 19.6% for 2023.

Other notable positive contributions came from Phu Nhuan Jewelry (**PNJ),** climbing 10.2% MoM, Phu My Fertilizer (**DPM)** up 9.6% MoM and PV Drilling (**PVD**), gaining an impressive 17.9% MoM. PNJ continues to solidify its position as a leading jewellery retailer with strong earnings and EPS growth of 55% YoY, thanks to the robust pent-up demand sales. Internal planning for 2023 is also forecast to be encouraging despite a weaker consumption outlook. For DPM, the EGM announcement to increase the 2022 dividend from 50% of par value (equivalent to a 12% yield), to 70% (equivalent to a 16% yield) helped with the upward share price momentum despite weakening demand in the sector. Finally, PVD is another exciting turnaround story with jack up day rates rising from $60k to $80k, resulting in quarterly earnings shifting from negative to positive NPAT.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	24.90	5.31	-37.49	$263m	2.83	32.60	0.09
VEF – B	1,308.05	2.29	-33.26				

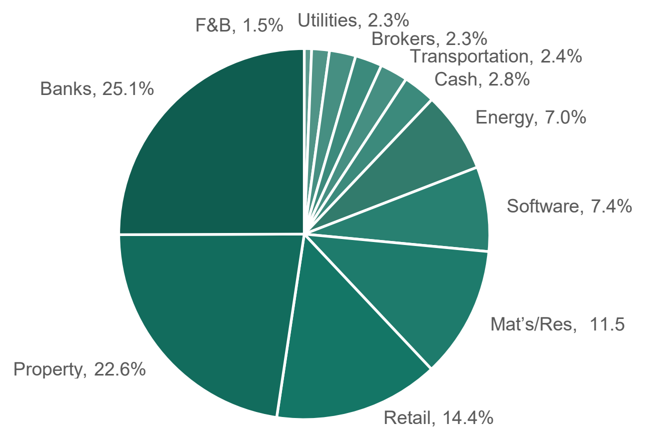
NAV PERFORMANCE



TOP 10 HOLDINGS (54.8% of NAV)

	COMPANY	SECTOR	VNI %	NAV %	CH %
1	Phu Nhuan Jewelry	Retail	0.7	8.5	10.2
2	FPT Corporation	Software	2.1	7.4	7.5
3	VP Bank	Banks	3.0	6.2	11.3
4	MB Bank	Banks	1.9	5.7	2.5
5	Sacombank	Banks	1.1	5.2	17.4
6	Phu My Fertilizers	Materials	0.4	4.8	9.6
7	Ha Do Group	Property	0.2	4.7	3.7
8	Vietinbank	Banks	3.3	4.2	4.3
9	PV Drilling	Energy	0.2	4.0	17.9
10	Duc Giang Chem	Materials	0.6	3.9	5.7

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	408.8	455.2
Real GDP Growth	%	6.7	6.9	7.5	7.4	2.9	2.6	8.0	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	3.2	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	23,550	23,200
External Sector									
Trade Balance	$bn	1.8	2.1	6.8	10.8	19.9	3.3	11.2	16.1
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	22.4	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	
	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22
Market Cap ($m)	256,145	170,370	22,403	10,725	65,014	40,750	343,562	221,845
Number of Stocks	404	402	345	341	892	856	1,641	1,599
Number of Large Cap Stocks (> $400m)	77	59	13	7	33	14	123	80
Stocks with No Room for Foreigners	16	20	1	0	1	1	18	21
Market Cap of Stocks with No Room ($m)	39,887	30,561	13	0	662	8	40,561	30,568
Share of Market Cap with No Room (%)	15.6	17.9	0.1	0.0	1.0	0.0	11.8	13.8

Top 25 Companies

No	Company	31-Dec 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	80,000	1.5	16,056	9.45	19.6	16.4	13.2	3.4	2.8	2.3	0.5	-	-
2	Vinhomes	48,000	-39.8	8,864	5.22	8.9	7.3	9.2	2.8	1.2	1.1	1.5	-	-
3	Vingroup	53,800	-43.4	8,702	5.12	neg	33.6	45.1	3.6	1.9	1.9	0.5	-	-
4	BIDV	38,600	4.0	8,281	4.88	23.8	14.5	10.8	2.2	2.0	1.7	0.7	-	-
5	PV Gas	101,500	8.4	8,239	4.85	21.1	14.5	19.9	3.5	3.3	3.1	3.3	3.5	3.5
6	Airports Corporation VN	84,600	-2.8	7,810	-	268.2	27.7	23.3	5.0	4.1	3.4	-	-	-
7	Vinamilk	76,100	-5.7	6,745	3.97	17.9	20.3	17.4	5.1	4.8	4.7	4.5	5.1	5.1
8	Masan Group	93,000	-34.3	5,615	3.31	23.4	35.5	37.4	6.1	3.6	3.3	1.7	0.9	1.0
9	Vietinbank	27,250	-19.6	5,554	3.27	13.5	8.7	8.3	1.7	1.2	1.1	-	-	-
10	VP Bank	17,900	-25.0	5,096	3.01	13.6	6.1	7.4	1.8	1.2	1.0	-	-	-
11	Sabeco	166,900	14.6	4,539	2.67	25.4	19.1	16.4	4.4	4.4	3.7	1.2	2.1	2.1
12	Hoa Phat Group	18,000	-48.7	4,439	2.61	6.2	10.8	9.5	2.3	1.1	1.0	0.8	4.3	4.3
13	Techcombank	25,850	-48.3	3,856	2.27	10.0	4.6	5.5	1.9	0.8	0.7	-	-	-
14	FPT	76,900	1.3	3,578	2.11	21.1	17.0	14.3	4.6	4.0	3.4	2.7	3.0	3.5
15	Becamex IDC	80,600	26.9	3,538	2.08	46.8	33.5	21.2	4.1	4.7	4.0	1.3	1.0	1.0
16	Military Bank	17,100	-29.0	3,288	1.94	8.9	4.6	4.5	1.7	1.0	0.8	-	-	-
17	ACB	21,900	-20.7	3,137	1.85	9.9	5.6	4.8	2.1	1.3	1.0	-	-	-
18	Mobile World	42,900	-36.5	2,662	1.57	19.6	14.0	11.2	4.7	2.7	2.4	0.3	3.5	3.6
19	Vincom Retail	26,300	-12.6	2,534	1.53	52.0	21.6	17.1	2.2	1.8	1.7	-	-	3.8
20	Vietjet Air	109,500	-14.7	2,515	1.48	931.7	104.0	37.1	4.1	3.4	3.1	-	-	-
21	VEAM Corp	40,800	2.4	2,299	-	9.3	7.6	8.6	2.3	2.2	2.2	15.2	11.0	10.8
22	Sacombank	22,500	-28.6	1,799	1.06	17.4	10.0	7.0	1.7	1.1	1.0	-	-	-
23	Binh Son Refining	13,300	-41.7	1,749	-	11.3	3.4	10.0	1.9	0.9	0.8	0.7	6.0	6.0
24	Petrolimex	31,700	-38.7	1,708	1.02	23.1	86.5	14.4	2.6	1.6	1.5	2.5	-	3.9
25	HD Bank	15,950	-35.4	1,701	1.01	10.2	5.2	4.9	2.0	1.1	0.9	-	-	-

VIETNAM MONTHLY REPORT

31 December 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).

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