



ECONOMY REVIEW AND OUTLOOK

Services on the up, PMI exits stage left, pursued by inflation

Policy to benefit banks, SBV supports healthy Dong

Government waves red flag at infrastructure bull

Bond market not out of the woods but MoF supplies the axe

A smoother road ahead for Vietnam?

The Year of the Cat opened to mixed reviews. New Year festivities helped the services sector's ongoing recovery. Foreign visitors reached 870k, +23.0% MoM, pushing retail sales by +5.2% MoM, 20.0% YoY. However, industrial production decreased by 8.0% YoY due to a decline in new orders, with PMI of 47.4, the third consecutive monthly contraction. Trade reached \$46.6bn in January, +17.3% MoM, while inflation rose 0.5% MoM, the highest January hike since 2016.

The Government continues to loosen monetary policies. The SBV set the 2023 credit growth target of 14-15%. Also released was Circular 26, amending the Loan-to-Deposit (LDR) ratio, including State Treasury bank deposits. With \$5-6bn being considered for deposits into SOE banks, LDR will likely decline by 1-2%, which could incentivise inter-bank lending. The SBV bought approximately \$3bn and injected an equivalent amount of VND into the market, thanks to strong inflows and a stable currency of VND 23,450/USD. As a result of better liquidity, rates cooled down from December by 25-50bps.

On the fiscal side, public investment has risen extensively in recent months, kicking off numerous key projects. Accelerated disbursement in 4Q22 meant total FY22 figures reached \$22.9bn, completing 80.6% of the Government's plan. This is a strong start after 2 years of sluggish momentum, and the 2023 carryover is critical to economic success. A budget of \$32.2bn is an ambitious but achievable target, evidenced by the acceleration in 4Q22.

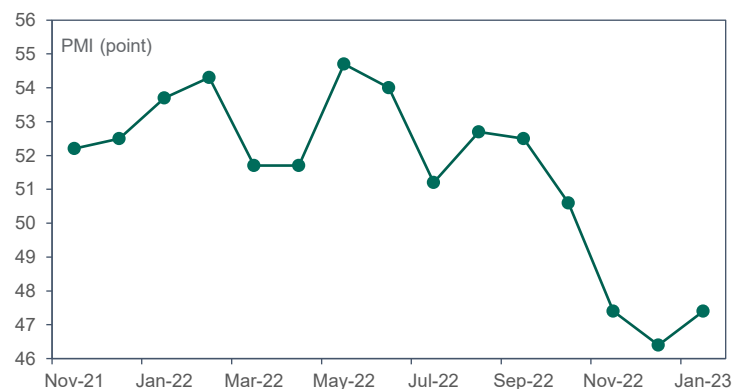
In the fixed income market, there will be roughly \$12.8bn of bonds maturing in 2023, most of which will be in the second and third quarter, raising rollover and default risks, potentially causing slower global demand to filter through to Vietnam. Currently, it appears that the main solutions to the corporate bond issue would be additional credit, deleveraging, and the liquidation of corporate assets. This, however, takes time. The Ministry of Finance has suggested changes to Decree 65, giving bond issuers the flexibility to postpone principal payments by up to two years, and the option to convert bond equivalent value to assets.

2023 will not be without its challenges. However, with the improvement of market liquidity and the relaxation of monetary policy, in sync with ramped-up public spending, we are already seeing more measured retail investor sentiment in the market. While domestic and global risks still remain, loosening Government policies can minimise their impact. This, encouragingly, could create opportunities in a more navigable domestic macro environment.

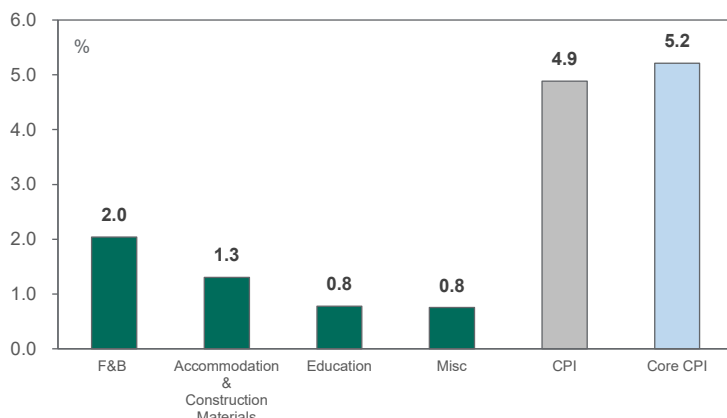
ECONOMIC FORECASTS

31-Jan-22	unit	2020	2021F	2022F	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

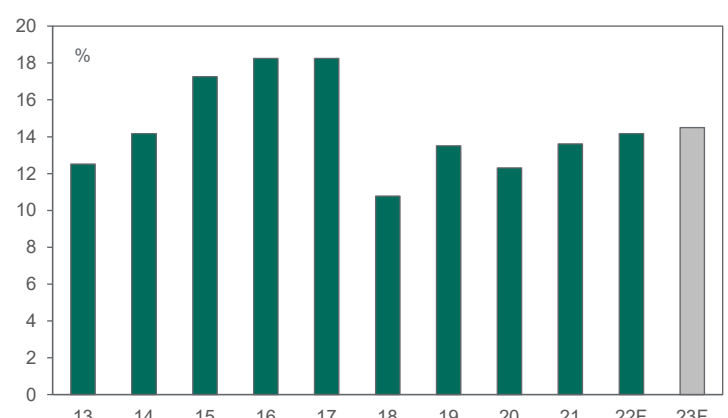
PMI IS UNDER 50 FOR THE THIRD MONTH IN A ROW



CONTRIBUTION BREAKDOWN OF JAN INFLATION



CREDIT IS LIKELY TO GROW BY 14-15% IN 2023





MARKET OUTLOOK AND REVIEW

The Vietnam Index came out swinging

Some sectors hit it out of the park, some struck out

Sector rotation emerges on the back of infrastructure mega-budget

Retail investors found comfort in foreign conviction and China reopening

Political maneuvering not dissuading retail

Reading the tea leaves: More liquidity, less volatility

The VNI rallied 11.2% MoM to 1,111. Market momentum was up across a broad base of sectors on the back of strong foreign inflows, a welcome boost to retail investor confidence.

Earnings saw the banking sector lead the index with earnings growth of 22.2% YoY. However, internal divergence emerged between State and private banks due to private banks' bond exposure, with SOCBs outperforming both the VNI and privates. Energy and Utilities also beat expectations with solid results. Conversely, the property sector posted poor results, as investors are unconvinced that headwinds have sufficiently calmed, evidenced by slow sales.

Public investment is in the spotlight with many important projects making progress, such as the construction of Long Thanh International airport. This quickly became a popular investment theme, helping boost positive sentiment. The main benefactors were infrastructure developers (up 20-35%) and construction materials sectors such as steel and cement (up 15-20%). Moreover, the Government is progressively pushing for the reform of Decree 65 to resurrect the bond market, increasing confidence in the future potential of the property sector.

Foreign net buying continued for the third consecutive month with \$161m (or \$304m excluding Eximbank block deals). Though buying pace was slower, it without doubt contributed to the market rally, despite the strong net selling from individual investors on heavily reduced margin of 30% QoQ. China's reopening will also render an uptick in spending, supporting domestic consumption and feeding through to the tourism and services industries. As travel and demand statistics are slowly released, this will provide an extra layer of comfort.

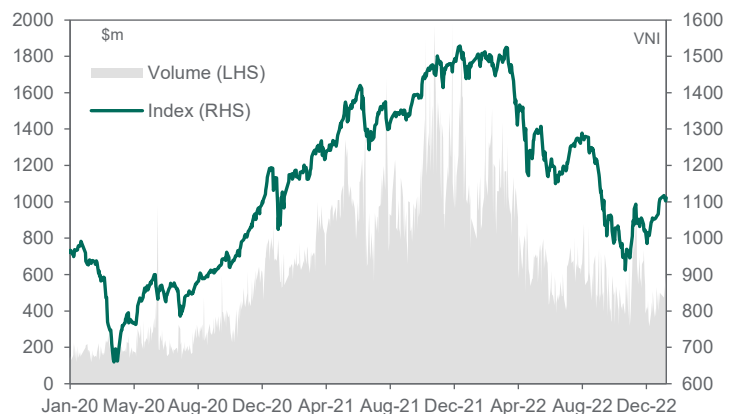
Weak 4Q22 earnings threw up no surprises, but investors chose to look forward believing the worst is behind them, buoyed by the anti-corruption drive finding the top and foreign inflows supporting the market.

If the worst is indeed past, the salient question is at what pace earnings will recover, and what the index will look like in 2023? The answer to this lies in the Government's acquiescence to market feedback on Decree 65 and the introduction of Circular 26. This is a positive move for capital markets, allowing the property sector to gain much-needed access to liquidity. This alleviates pressures on banks that now have 2023 credit limits of 14-15%, translating to a more stable systemic environment, pouring oil on the choppy waters of retail investor sentiment.

DC TOP-80 FORECASTS

31-Jan-23	Unit	2020	2021	2022	2023F
PER	x	13.9	14.6	9.1	9.7
EPS Growth	%	5.6	38.9	0.1	4.5
PEG	x	2.5	0.4	64.6	2.2
Sales Growth	%	2.2	22.0	12.2	0.8
EBIT Growth	%	3.2	50.8	3.9	12.6
PBT Growth	%	5.8	38.0	3.0	5.7
NPAT Growth	%	5.9	41.9	1.5	4.6
Net DER	x	0.4	0.3	0.3	0.1
Yield	%	1.4	1.0	1.8	1.6

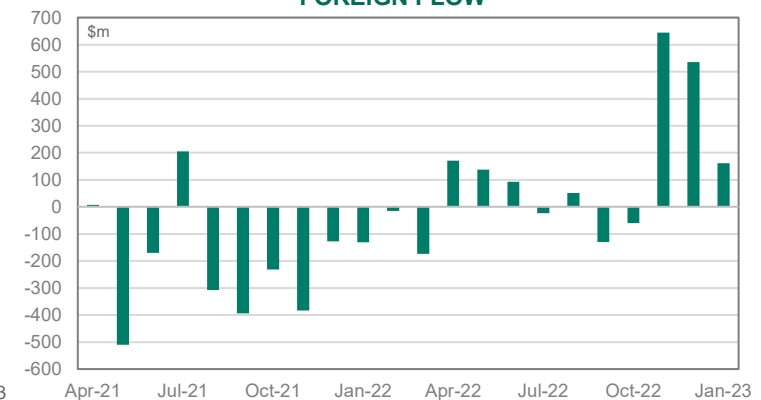
MARKET PERFORMANCE



VNINDEX PE TRAILING 5Y



FOREIGN FLOW



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



VIETNAM EQUITY (UCITS) FUND – VEF

VEF posted an 8.4% increase in January, slightly lagging the VNI. The Fund's uptick was aided largely by our tactical picks in oil & gas services companies. This sector kicked off the year with solid numbers, with **PVD** gaining 18.6% MoM, building on the 17.9% increase it booked in December. This is due to an expected positive shift in fundamentals, which we believe will lead to multifold earnings growth. Demand is growing due to geopolitical tensions, and operators are reactivating cold-stacked rigs in order to accommodate long-term demand.

As liquidity was restored and the Government announced the 2023 banking credit quota of 14-15%, banking stocks continued their rally, with sector performance up 13% MoM. The Fund's best performer was again **STB**. The bank's turnaround story and widely-anticipated 2023 sector-beating EPS growth of 70% helped the stock make great new year strides. Second and third in line were **VCB** and **MBB**. We forecast they will have sound 2023 earnings growth in the mid-teens, given their high-quality assets and responsible risk management practices (Q4 NPL at 0.7% and 1.0%, G2-debt 0.4% and 1.6%, respectively)

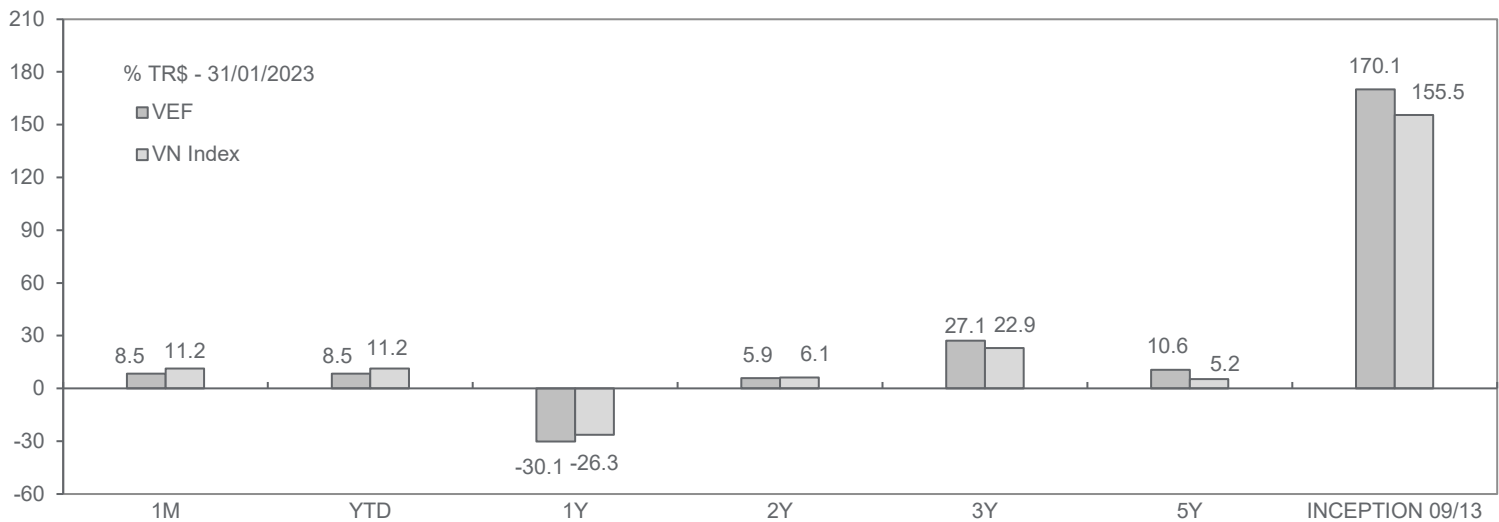
A negative contributor to Fund performance was **PNJ**, retracting after an 18.0% rise in November/December. We feel this is a short-term correction, however. With 2022 retail sales of 70% YoY, the company is well positioned to consolidate this highly fragmented sector with a notorious high barrier to entry. Materials stocks in the portfolio also lagged the VNI, as fertiliser selling prices continue to soften, diminishing investor enthusiasm for dividend pay outs. This was the main factor that caused the underperformance against the index in January.

In the property sector, which makes up one fifth of the portfolio, the Fund's largest property holding, **HDG**, managed a 9.8% MoM return. Interestingly, HDG had more revenue and profit from renewable energy than property in 2022, which should continue into 2023. As the company ramps up utilisation of its power plants, healthy cash inflows help to rapidly reduce its debt. The ready-to-sell property project, namely Phase Three of the Charm Villas, is expected to launch in 2Q23, a lucrative source of revenue for the company.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	27.01	8.48	8.48	\$296m	2.83	32.74	0.22
VEF – B	1,392.96	6.49	6.49				

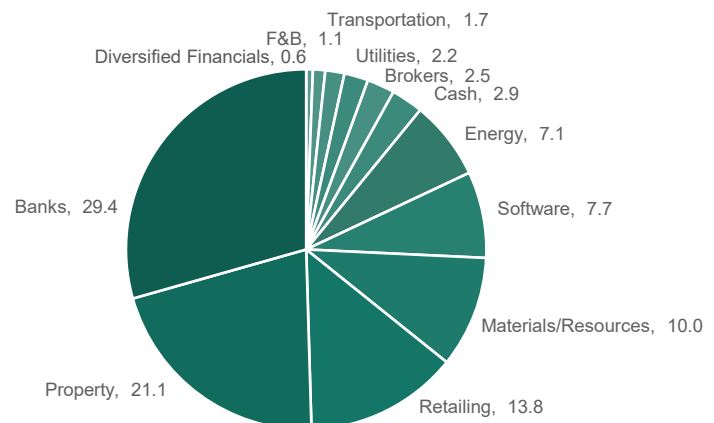
NAV PERFORMANCE



TOP 10 HOLDINGS (54.9% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 FPT Corporation	Software	2.1	7.7	9.4
2 Phu Nhuan Jewelry	Retail	0.7	7.7	1.8
3 VP Bank	Banks	2.9	6.6	9.5
4 MB Bank	Banks	2.0	5.9	15.2
5 Sacombank	Banks	1.2	5.7	21.4
6 Ha Do Group	Property	0.2	4.6	9.8
7 PV Drilling	Energy	0.3	4.4	18.6
8 Vietinbank	Banks	3.3	4.3	12.8
9 Phu My Fertilizers	Materials	0.4	4.3	2.5
10 Vietcombank	Banks	9.8	3.8	15.8

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
<i>Government</i>	\$bn	42.9	46.3	47.0	47.7	49.0	47.9	48.8	52.4
<i>Enterprises (incl. FDI)</i>	\$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-Jan-22	31-Jan-23	31-Jan-22	31-Jan-23	31-Jan-22	31-Jan-23	31-Jan-22	31-Jan-23
Market Cap (\$m)	255,516	189,076	20,469	11,541	61,500	43,152	337,485	243,769
Number of Stocks	407	403	348	341	885	859	1,640	1,603
Number of Large Cap Stocks (> \$400m)	73	61	13	7	30	15	116	83
Stocks with No Room for Foreigners	18	22	1	0	0	1	19	23
Market Cap of Stocks with No Room (\$m)	42,734	31,571	12	0	0	7	42,746	31,578
Share of Market Cap with No Room (%)	16.7	16.7	0.1	0.0	0.0	0.0	12.7	13.0

Top 25 Companies

No	Company	31-Jan	Price	Mkt	Wt	PER			PBV			Yield		
		Price	YTD	Cap	in VNI	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E
		(VND)	(%)	(\$m)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
1	Vietcombank	91,900	14.9	18,547	9.84	19.6	14.4	14.5	3.4	2.7	2.6	0.5	0.9	-
2	BIDV	45,100	16.8	9,729	5.16	23.8	14.1	13.9	2.2	2.0	2.0	0.7	0.1	-
3	Vinhomes	50,900	6.0	9,452	5.01	8.9	7.3	9.6	2.8	1.4	1.2	1.5	4.5	-
4	Vingroup	57,100	6.1	9,287	4.92	0.0	24.6	47.8	3.6	1.9	2.0	0.5	1.7	-
5	PV Gas	106,300	4.7	8,676	4.60	21.1	13.4	20.8	3.5	3.2	3.2	3.3	3.0	3.3
6	Airports Corporation VN	85,000	0.5	7,891	-	268.2	28.8	23.5	5.0	4.2	3.4	-	-	-
7	Vinamilk	77,100	1.3	6,872	3.64	17.9	21.0	17.6	5.1	5.3	4.7	4.5	5.1	5.0
8	Vietinbank	30,500	11.9	6,251	3.31	13.5	9.1	8.5	1.7	1.2	1.2	-	2.9	-
9	Masan Group	101,100	8.7	6,138	3.26	23.4	37.1	40.7	6.1	5.1	3.6	1.7	1.0	0.9
10	VP Bank	19,450	8.7	5,568	2.97	13.6	6.6	8.1	1.8	1.2	1.1	-	-	-
11	Hoa Phat Group	22,100	22.8	5,480	2.91	6.2	12.6	11.7	2.3	1.1	1.2	0.8	2.2	3.5
12	Sabeco	189,000	13.2	5,169	2.74	25.4	20.9	22.2	4.4	4.6	4.4	1.2	2.3	1.9
13	Techcombank	29,400	13.7	4,410	2.34	10.0	4.7	6.5	1.9	0.8	0.8	-	0.1	-
14	FPT	83,500	8.6	3,906	2.07	21.1	17.7	16.0	4.6	4.0	3.8	2.7	2.6	3.2
15	Military Bank	19,550	14.3	3,780	2.00	8.9	4.6	4.6	1.7	1.0	0.9	-	-	-
16	ACB	26,050	18.9	3,752	1.99	9.9	5.5	5.7	2.1	1.3	1.2	-	-	-
17	Becamex IDC	84,800	5.2	3,743	1.98	46.8	33.5	22.3	4.1	4.7	4.2	1.3	1.0	0.9
18	Mobile World	46,500	8.4	2,902	1.54	19.6	15.3	13.7	4.7	2.6	2.7	0.3	1.2	3.2
19	Vincom Retail	29,700	12.9	2,878	1.56	52.0	21.9	20.1	2.2	1.8	2.0	-	-	3.4
20	Vietjet Air	116,300	6.2	2,686	1.42	931.7	104.1	39.4	4.1	3.4	3.3	-	-	-
21	VEAM Corp	41,100	0.7	2,329	-	9.3	7.2	8.2	2.3	2.2	2.1	15.2	11.1	10.7
22	Binh Son Refining	16,900	27.1	2,235	-	11.3	2.9	12.7	1.9	0.8	1.1	0.7	1.0	4.7
23	Sacombank	27,100	20.4	2,179	1.16	17.4	8.4	6.0	1.7	1.1	1.1	-	-	-
24	VIB	23,550	23.9	2,117	1.12	11.8	4.8	5.4	3.0	1.2	1.1	-	-	-
25	HD Bank	18,650	16.9	2,001	1.07	10.2	5.2	5.8	2.0	1.1	1.0	-	-	-

VIETNAM MONTHLY REPORT

31 January 2023

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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