



ECONOMY REVIEW AND OUTLOOK

Trade openness: a double-edged sword

Vietnam's latest economic data underscores the intricate interplay between global demand and its trade performance, with internal and external factors contributing to the recent slowdown. If proof were needed, 5M23 exports reached \$136.2bn, down 11.6% YoY, while imports stood at \$126.4bn, down 17.8% YoY. May's PMI of 45.3 (see fig. 2) reflected this contractionary trend. The good news is the Government has taken prompt action to address these challenges.

Exporters wait for demand recovery

Post-Covid inventory destocking, a consequence of excessive lockdown orders, has presented challenges to trade dynamics. Notably, the electronic devices sector, constituting nearly 35% of exports, has experienced a substantial decline of 20% YTD. Tighter global lending standards and higher rates have further dampened international purchasing power. Consequently, Vietnam's EU and US exports have respectively decreased by 17% and 20% YoY, significantly impacting export-oriented industries such as fisheries, down 28%, and textiles, down circa 20%.

As businesses wrestle with red tape..

Local enterprises have also had to confront funding difficulties due to elevated financing costs, jumping significantly from 8-9% to 14-16% in 2H22, and delays in receiving VAT refunds have done nothing to help cashflow. At the more granular administrative level, Vietnamese businesses are having to overcome cumbersome day-to-day hurdles. Examples include fire prevention protocols and the adoption of higher import standards designed to promote greener production methods. While important, these higher standards require longer processing times.

..the Government delivers the scissors

Acknowledging these challenges, the Government has proactively taken measures to help soften their impact. The SBV has implemented three policy rate cuts totalling 100bps from March to May 2023 (see fig. 4). The Prime Minister also released an urgent dispatch focussed on addressing administrative obstacles, while incentivising businesses to explore potential markets such as the Middle East, Latin America, and India. These initiatives highlight the Government's commitment to promoting economic growth and enhancing the business environment, and it is our belief that exports will soon improve once those issues are solved.

Strategic rethink: not all FDI is born equal

In our view, now is the time for Vietnam to rethink its FDI structure. The country is transitioning away from accepting labour-intensive manufacturers seeking tax incentives, and is instead prioritising long-term commitment, targetting high value investments aligned with environmental sustainability. Promoting domestic enterprises, protecting local brands, upgrading the legal framework, and fostering technology integration will help ensure Vietnam adapts to international standards, luring in new businesses to realise its long-term vision for economic growth.

Fig. 1

ECONOMIC FORECASTS

31-May-23	Unit	2021	2022E	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.5	6.5
Nominal GDP	\$bn	366.1	408.8	448.5	494.4
CPI (average)	%	1.8	3.2	4.0	4.0
Export Growth (cif)	%	19.0	10.6	-6.0	12.0
Import Growth (cif)	%	26.7	8.4	-7.4	11.6
Trade Bal (cif)	\$bn	3.3	11.2	15.5	18.7
FX Reserves	\$bn	106.5	85.0	95.0	110.0
FDI Disbursed	\$bn	19.8	22.4	20.9	22.0
VND:\$	1	22,800	23,550	23,450	23,300

Fig. 2

PMI

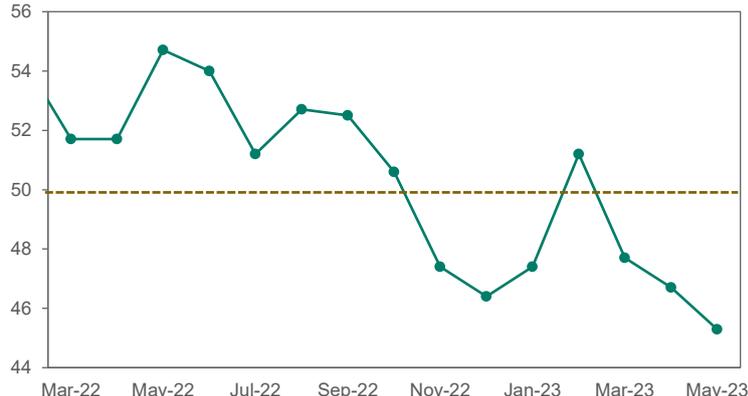


Fig. 3

EXPORTS GAINING MOMENTUM

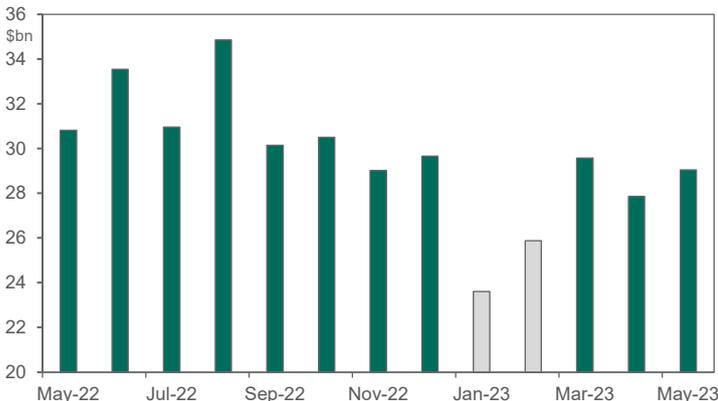
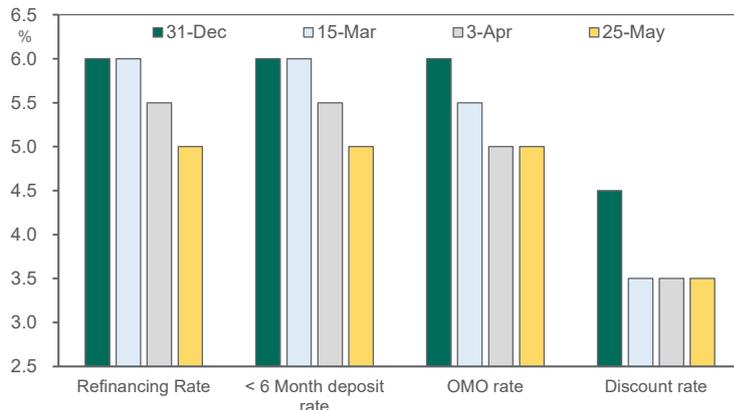


Fig. 4

VIETNAM POLICY RATES





MARKET REVIEW AND OUTLOOK

Who dares buys as VNI rallies

Will 3Q23 fire the starting pistol for normalisation?

Government helps stimulate the property market

An early Tet bonus for the equities market?

Accumulation doesn't mean lack of upside

The VNI rallied by 2.5% (TR\$) in May after another 50bps policy rate cut. Despite foreign net selling of \$131m, retail investor confidence was exceptional, believing the worst has passed. This led to an increase in average daily liquidity on both exchanges of \$591m, up 10.6% MoM.

Given strong macro policy support, we see the beginnings of a recovery phase, with four out of five criteria turning positive: declining interest rates, stable FX, improving liquidity, and solutions for troubled real estate companies. Conspicuous in its absence is earnings improvement, but we believe quarterly earnings for our top 80 companies already bottomed out in 4Q22, and positive earnings growth should start to come back in 2H23, with recovery of over 20% possible in 2024.

Resolving the recent real estate issues remains a key objective for the Government, and the special working group created to support Novaland (NVL) is starting to bear fruit, with the company resuming of one of its key projects in Phan Thiet. Banks are also starting to finance NVL projects again, leading to buyers resuming their mortgages. Another positive sign is the uptick in real estate activity, both in the secondary and primary markets, as developers tentatively begin launching projects, with mid-segment developments attracting owner-occupier purchasers. Despite high mortgage rates, we are cautiously optimistic for the thawing of the property market, but patience is key as market consolidation can take time, often 18-24 months.

Over to Corporate bonds, negotiations are still ongoing between issuers and buyers, importantly with no further deterioration. Maturities will peak from June-August, and while continuing to monitor the situation, we are hopeful that the major bottlenecks are now mostly resolved.

Moving away from bonds to cash, there will be VND bank deposits maturing in 2H23 equivalent to hundreds of millions of Dollars, which will likely be reinvested soon after maturity. Our own brokerage surveys show a growing desire for margin. With 100,000 newly opened trading accounts in May and an uptick in turnover, we see an increase in appetite for riskier assets, especially as cheap valuations offer attractive yields vs the recent decline in deposit rates.

We maintain our view that 2023 is a year for accumulating good stocks. While investors may favour a cautious approach, they should also be prepared to take advantage of buying the dip if the opportunity arises. If looking for reassurance, during years when interest rates decline but strong growth has yet to appear, the VNI's historical expected return is 15-17%.

Fig. 1 DC TOP-80 FORECASTS

31-May-23	Unit	2021	2022	2023E	2024F
PER	x	14.6	9.2	9.6	7.7
EPS Growth	%	38.9	-1.4	2.8	24.7
PEG	x	0.4	Neg	3.4	0.3
Sales Growth	%	22.0	12.3	4.9	13.5
EBIT Growth	%	50.8	2.5	12.3	19.4
PBT Growth	%	38.0	1.5	1.9	24.5
NPAT Growth	%	41.9	0.0	2.8	24.7
Net DER	x	0.3	0.3	0.2	0.2
Yield	%	1.0	1.8	1.4	1.3

Fig. 3 VNI TRAILING 5Y PE



Fig. 2 MARKET PERFORMANCE

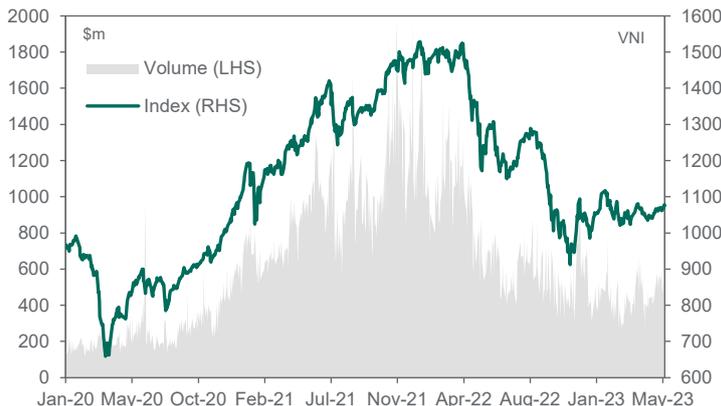


Fig. 4 FOREIGN FLOW



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



VIETNAM EQUITY (UCITS) FUND – VEF

The Fund continued to rise by 2.1% MoM in May as market conditions improved. Disappointing 1Q23 numbers have been priced in and views for better overall earnings for the rest of the year are starting to be articulated in the market.

Major contributors to the Fund's performance continue to be **FPT (+8.4%)**, **HDG (+8.8%)**, and **PVD (+15.4%)**, whose investment thesis and 1Q23 results have been addressed in previous reports. Additionally, **STB's (+9.3%)** 1Q23 earnings came in strong at +49.1% YoY with a robust top line at +32.7% YoY. Asset quality remains healthy with NPLs at 1.2% and LLR of 104%. The bank's prudent lending practices have paid off in the form of low exposure to underperforming corporate bonds, particularly against the backdrop of cleaning up legacy assets after the 2015 merger. The bank is trading at an undemanding 2023E PBR valuation of 1.1x, lower than the overall sector but at a slight premium to its private peers; with stellar profits and ROE coming back up to circa 20% as its restructuring plan nears completion, it is easy to understand why.

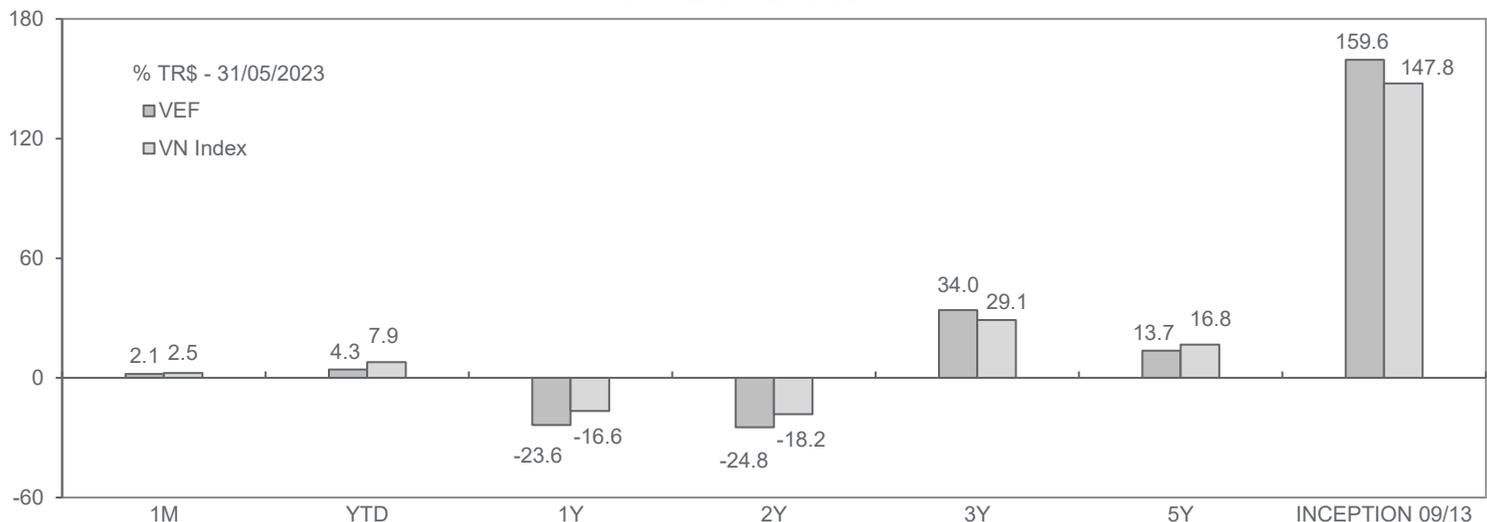
After its excellent performance in 2022, **PNJ (-8.0%)** fell due to a downturn in discretionary spending. PNJ's top and bottom line both retracted by 6.6% and 0.7% YTD, respectively. Earnings are expected to be in the single digits this year, but Vietnam's largest jewellery retailer will likely focus on expanding its market share from 20% to 25%. Taking advantage of the weaker demand environment by strengthening their long-term position through market consolidation, the company plans to open 20-25 new stores in 2023 (of which twelve are complete), fortifying market presence and driving out smaller players.

Looking ahead, a near-term increase in money supply may benefit the Funds portfolio. The domestic investors that took advantage of 6-month term deposits when rates shot up, due to global hikes and scarce liquidity in the domestic banking system, will soon see those funds maturing. Given bank deposit rates have softened lately, investors may look to the stock market as an alternative option to less attractive fixed terms. Moreover, small-caps have been far outperforming their larger peers, and with this potential injection of cash into the equities market we may see some profit-taking from small caps and a rotation into mid-large-caps, which can handle the higher volume, and make up the majority of the Funds portfolio.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	25.96	2.06	4.27	\$267m	1.52	24.67	0.36
VEF – B	1,358.96	4.80	3.89				

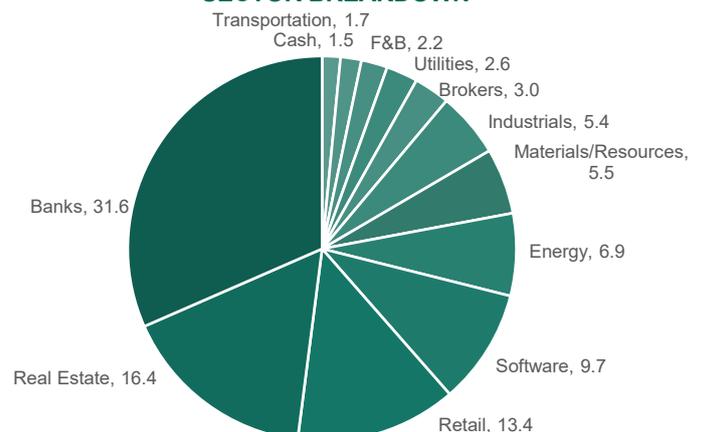
NAV PERFORMANCE



TOP TEN HOLDINGS (57.5% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 FPT Corporation	Software/Svc's	2.2	9.7	8.4
2 Phu Nhuan Jewelry	Retail	0.5	6.9	-8.0
3 Sacombank	Banks	1.2	6.3	9.3
4 MB Bank	Banks	2.0	6.3	0.7
5 VP Bank	Banks	3.0	6.0	-3.1
6 Ha Do Group	Industrials	0.2	4.8	8.8
7 Vietcombank	Banks	10.4	4.7	3.7
8 Mobile World	Retail	1.3	4.6	-0.1
9 PV Drilling	Energy	0.3	4.1	15.4
10 Vietinbank	Banks	3.1	3.7	-3.1

SECTOR BREAKDOWN





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024F
GDP									
GDP	\$bn	281.4	310.1	334.4	346.6	366.1	408.8	448.5	494.4
Real GDP Growth	%	6.9	7.5	7.4	2.9	2.6	8.0	5.5	6.5
Services Growth	%	7.4	7.0	7.3	2.5	1.2	10.0	7.5	8.2
Agriculture Growth	%	2.9	3.8	2.0	2.8	2.9	3.4	2.6	3.0
Ind'l and Const'n Growth	%	8.0	8.9	8.9	3.3	4.1	7.8	4.1	6.1
Retail Sales Growth	%	10.9	11.7	11.8	2.6	-3.8	10.2	8.9	9.0
Prices									
CPI (Average YoY)	%	3.5	3.5	2.8	3.2	1.8	3.2	4.0	4.0
Money, FX & Interest Rates									
Money Supply M2	%	15.0	12.4	14.8	14.5	8.9	6.2	7.8	10.5
Average Lending Rate	%	9.3	9.5	9.7	8.6	8.5	13.7	10.5	9.2
5-yr VGB	%	4.3	4.5	1.9	1.1	0.9	4.7	2.2	2.5
VND : \$	\$1	22,750	23,235	23,150	23,085	22,800	23,550	23,450	23,300
External Sector									
Trade Balance	\$bn	2.1	6.8	10.8	19.9	3.3	11.2	15.5	18.7
Current Account	\$bn	-1.6	5.8	12.2	15.1	-7.8	-1.5	3.0	6.8
Current Account / GDP	%	-0.6	1.9	3.6	4.3	-2.1	-0.4	0.7	1.4
FDI Registered	\$bn	35.9	35.5	36.0	28.5	38.5	27.7	25.2	28.0
FDI Disbursement	\$bn	17.5	19.1	20.4	20.0	19.8	22.4	20.9	22.0
FX Reserves	\$bn	52.0	61.0	80.0	98.0	106.5	85.0	95.0	110.0
Public Debt & Fiscal Balance									
External Debt	\$bn	109.2	112.1	122.8	130.1	138.8	141.2	147.0	151.3
<i>Government</i>	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	52.4	56.7
<i>Enterprises (incl. FDI)</i>	\$bn	62.9	65.1	75.0	81.1	90.9	92.4	94.6	94.6
External Debt (% GDP)	%	38.8	36.2	36.7	37.5	37.9	34.5	32.6	30.6
Fiscal Balance (% GDP)	%	-2.6	-2.9	-2.6	-3.4	-4.0	-4.3	-6.0	-4.5



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-May-22	31-May-23	31-May-22	31-May-23	31-May-22	31-May-23	31-May-22	31-May-23
Market Cap (\$m)	221,078	182,509	15,972	11,870	55,924	44,163	292,974	238,542
Number of Stocks	404	396	348	333	863	869	1,615	1,598
Number of Large Cap Stocks (> \$400m)	70	63	11	7	23	19	104	89
Stocks with No Room for Foreigners	46	56	48	87	138	213	232	356
Market Cap of Stocks with No Room (\$m)	36,987	25,616	2,688	2,308	13,070	11,222	52,744	39,147
Share of Market Cap with No Room (%)	16.7	14.0	16.8	19.4	23.4	25.4	18.0	16.4

Top 25 Companies

No	Company	31-May Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2022 (x)	2023E (x)	2024F (x)	2022 (x)	2023E (x)	2024F (x)	2022 (%)	2023E (%)	2024F (%)
1	Vietcombank	94,000	17.5	18,936	10.38	14.4	14.3	12.3	2.8	2.6	2.2	0.9	-	-
2	Vinhomes	53,500	11.5	9,916	5.44	7.2	7.7	7.2	1.4	1.3	1.1	4.5	-	-
3	BIDV	44,000	14.0	9,474	5.19	14.1	13.2	11.0	2.0	2.0	1.7	0.2	-	-
4	Vingroup	52,000	-3.3	8,442	4.63	23.4	43.5	28.1	1.9	1.8	1.6	1.7	-	-
5	PV Gas	92,800	-8.6	7,560	4.14	13.4	15.8	16.1	3.2	2.8	2.6	3.0	3.8	3.7
6	Airports Corporation VN	77,900	-7.9	7,219	-	29.0	27.4	21.4	4.2	3.3	2.9	-	-	-
7	Vinamilk	66,100	-13.1	5,880	3.22	21.0	18.0	17.2	5.3	4.3	4.3	5.1	3.7	5.8
8	Vietinbank	28,000	2.8	5,728	3.14	9.2	8.3	6.9	1.2	1.1	0.9	2.9	-	-
9	VP Bank	19,300	7.8	5,515	3.04	6.6	9.8	6.8	1.2	0.9	0.8	-	-	-
10	Hoa Phat Group	21,200	17.8	5,247	2.88	12.6	16.8	10.7	1.1	1.2	1.1	2.2	1.4	1.4
11	Techcombank	29,950	15.9	4,484	2.46	4.7	6.3	5.1	0.8	0.8	0.7	0.1	-	-
12	Masan Group	72,000	-22.6	4,363	2.39	37.1	44.2	27.0	5.1	3.5	3.0	1.0	1.2	1.2
13	Sabeco	158,000	-4.8	4,313	2.36	20.8	21.3	19.5	4.6	4.0	3.6	2.3	2.4	2.4
14	FPT	84,100	9.4	3,953	2.17	17.4	16.0	12.6	4.0	3.8	3.2	2.6	3.2	3.6
15	ACB	25,400	16.0	3,652	2.00	5.5	5.5	5.2	1.3	1.2	1.1	-	-	-
16	Military Bank	18,600	8.8	3,590	1.97	4.6	4.3	3.6	1.0	0.9	0.7	-	-	-
17	Becamex IDC	78,000	-3.2	3,436	1.88	49.5	20.3	18.7	4.9	4.0	3.4	0.9	1.0	1.0
18	Vincom Retail	27,100	3.0	2,621	1.47	21.5	15.6	16.1	1.8	1.6	1.5	-	-	-
19	Mobile World	39,200	-8.6	2,441	1.34	15.3	26.5	9.1	2.6	2.2	1.8	1.2	-	1.2
20	Vietjet Air	97,500	-11.0	2,248	1.23	neg	37.9	32.0	4.0	3.2	2.8	-	-	-
21	Binh Son Refining	17,000	27.8	2,244	-	2.8	8.3	10.9	0.8	1.0	0.9	3.3	4.6	4.6
22	Sacombank	27,700	23.1	2,223	1.22	8.4	5.7	3.6	1.1	1.1	0.8	-	-	-
23	VEAM Corp	38,000	-6.9	2,149	-	7.2	7.6	6.9	2.2	2.0	2.0	11.1	11.5	15.0
24	Petrolimex	37,500	18.3	2,028	1.13	27.8	14.2	14.4	1.6	1.7	1.8	4.3	3.2	7.9
25	HD Bank	18,400	21.6	1,970	1.09	4.9	5.0	4.1	1.0	1.0	0.8	-	-	-

VIETNAM MONTHLY REPORT

31 May 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

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 depository. 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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