



VIETNAM EQUITY (UCITS) FUND – VEF

The Fund rose 9.8% MoM, beating the VNI's gain of 8.8% by 1.0%, benefitting from the continued uptick in sentiment.

Within the technology and retail sectors, **FPT** and **MWG** continued to build on their momentum. FPT's earnings power remained solid, consistently delivering growth of around 20% per annum. MWG resolved its phone inventory problems through aggressive sales tactics, resulting in a decrease in inventory days for phones & CE from 80 to 61 and an increase in iPhone market share from 31% to 42%, with non-iPhones rising from 52% to 58%, per industry reports. Despite a transitory impact on H1 results, where earnings dwindled to \$1.6m, primarily due to a price war to gain market share and offload inventory, the worst appears to be over. We anticipate earnings for this retailer will recover in step with consumption, and the Fund's alignment with leading companies in this sector positions it to benefit from a recovery.

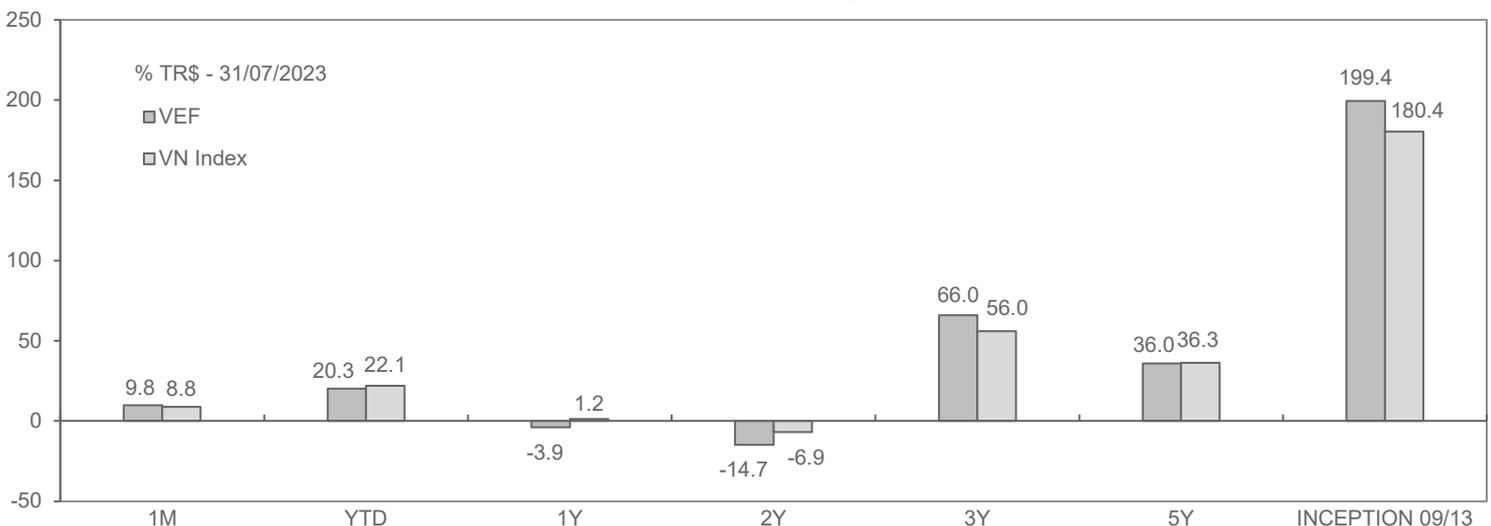
Major jewellery retailer **PNJ** exhibited resilience in its operations, even as sentiment suppressed its stock price by 15.2% in the first half of the year. With the release of 1H23 figures and an improved outlook for retail stocks, PNJ rebounded by 10.2% in July, maintaining flat YoY earnings despite weakened demand. Indications of improved MoM sales provide confidence that the company will achieve its targeted single-digit growth this year. Building on last year's growth from pent-up demand, and with an anticipated recovery in consumer confidence, PNJ is well-positioned to return to positive earnings growth in 2024.

STB acted as a significant drag on the Fund, retracting 3.3% due to market rumours reported in the local press regarding Bamboo Airways (BAV) potential bankruptcy filing. As BAV has an outstanding loan with STB of \$130m, constituting circa 0.5% of the bank's loan book, or roughly 30% of the bank's expected profit for the year, this negatively affected stock performance. It is worth noting that the banking sector has outperformed the VNI by 4.1% YTD. This performance could have been even stronger if not restrained by sluggish H1 credit growth of 4.7%, especially with valuation multiples still in the lower bounds. However, we believe credit growth is likely to quicken towards year-end with increased public disbursement, rising demand, softening rates, and the SBV's annual credit growth target of 14%; all factors that should bolster our banking picks.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	29.94	9.76	20.26	\$303m	1.24	24.87	0.68
VEF – B	1,524.87	8.46	16.58				

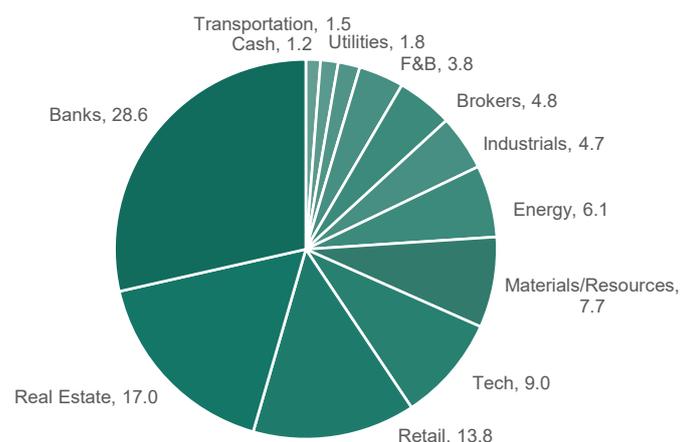
NAV PERFORMANCE



TOP TEN HOLDINGS (54.1% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 FPT Corporation	Software/Svc's	2.2	9.0	15.3
2 MB Bank	Banks	2.0	6.6	6.8
3 Phu Nhuan Jewelry	Retail	0.6	6.4	10.2
4 Vietcombank	Banks	10.5	6.0	7.7
5 Mobile World	Retail	1.6	5.3	24.6
6 VP Bank	Banks	3.1	4.5	11.1
7 Sacombank	Banks	1.1	4.4	-3.3
8 Ha Do Group	Industrials	0.2	4.1	6.8
9 Khang Dien House	Real Estate	0.6	4.0	21.2
10 Hoa Phat Group	Materials	3.4	3.9	7.4

SECTOR BREAKDOWN





ECONOMY REVIEW AND OUTLOOK

Vietnam Tees Up For a Solid Back Nine

July saw a 7.1% YoY rise in retail sales, driven by the ongoing recovery of the tourism sector. Public investment demonstrated a remarkable acceleration, surging over 40% YoY, while July CPI increased 0.5%, primarily driven by food and energy prices. FDI registration reached a three-month high, culminating at \$16.2bn in 7M23, reflecting the continued attractiveness of Vietnam as an investment destination. Despite a contraction in imports/exports, the trade surplus remained resilient at \$15.2bn, positioning the economy well for the anticipated uplift in exports from the upcoming release of Samsung's new phone in August.

A Diplomatic Dance for Korea & Vietnam

In a significant milestone, the newly elected South Korean President chose Vietnam for his inaugural overseas trip, echoing the upgrade to a comprehensive strategic partnership last year. Accompanying the President on this symbolic journey were over 200 leading Korean corporations, resulting in more than 110 Memorandums of Understanding being signed across multiple sectors, fortifying Vietnam and South Korea's economic bond. It is clear the commercial relationship between the two sovereign nations has now become stronger than ever before.

Seoul Kitchen: A Recipe for Success

South Korea continues to lead as the paramount investment partner in Vietnam, with cumulative FDI amassing \$83bn across 9,700 projects. Notably, Samsung constitutes nearly 25% of this figure, equalling \$20bn. In 2022, the company's export turnover reached \$65bn, constituting 17.4% of Vietnam's total exports, creating 96,000 jobs and contributing over \$480m to the State budget. Capital inflow from South Korea further swelled by \$2.3bn in 7M23, adding to the total registered figure of \$16.2bn, an increase of 4.5% YTD and resilient against global fluctuations.

Strategic Overture to Global Manufacturers

Vietnam's stability, geography, and market potential stand as three pivotal reasons motivating global manufacturers to seek exposure within its borders. Over the last 12 years, Vietnam has maintained a consistent policy of integration into global value chains, engaging in over 16 FTAs with 55 territories. The strategic positioning in the heart of the Asia-Pacific hub, with a coastline of 3,260 km, facilitates the maritime transportation of goods to regional markets.

A Solo Movement: Vietnam's Drive Towards Growth

Vietnam possesses key advantages for growth, characterised by its golden demographics and natural resources, most notably an abundance of rare earth minerals which are vital to the microchip industry, ranking second globally per USGS. The Government is incentivising human capital in this sector, intending to nurture 50,000 engineers in the semiconductor industry. We see this as an opportunity for Vietnam to fortify its national standing and foster sustained, long-term growth within the global supply chain.

Fig. 1

ECONOMIC FORECASTS

31-July-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	-6.2	12.0
Import Growth (cif)	%	26.7	8.4	-7.7	11.6
Trade Bal (cif)	\$bn	3.3	12.4	17.1	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

SOUTH KOREAN INVESTMENT IN VIETNAM 2013-2022

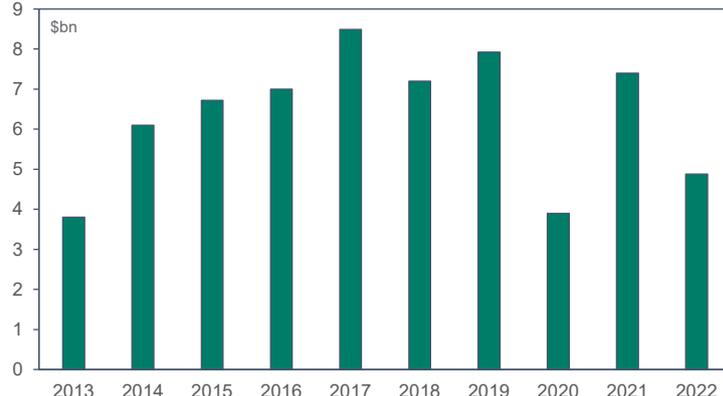


Fig. 3

VIETNAM – SOUTH KOREA BILATERAL TRADE

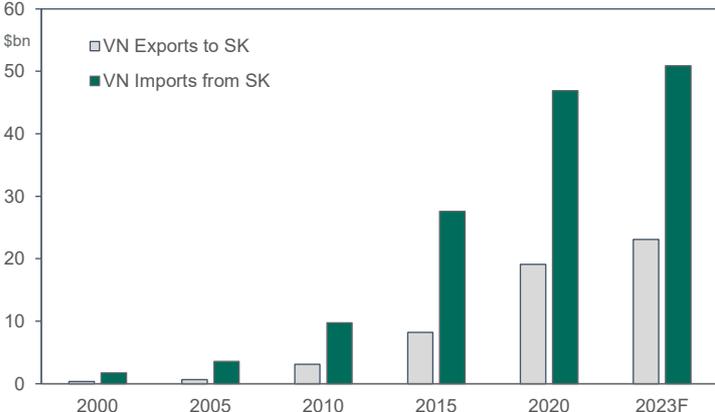
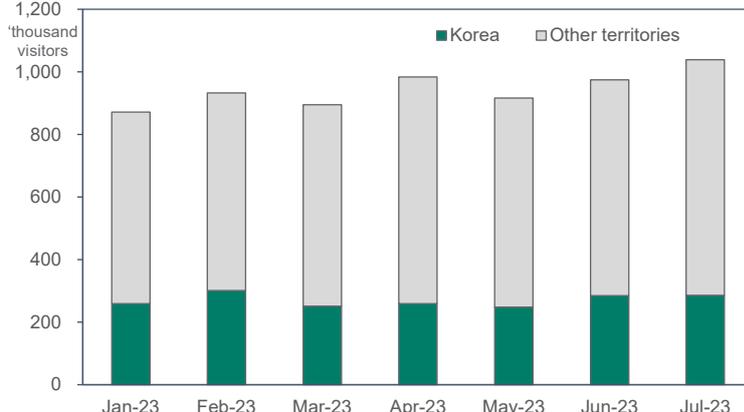


Fig. 4

FOREIGN VISITORS





MARKET REVIEW AND OUTLOOK

VNI Continues its Upward Trajectory

Public Investment Sparks Conviction

Sector Rotation: From Bricks to Clicks

Valuations Rise, But Opportunity Knocks

Pressure Builds For Corporate Delivery

The VNI increased by 8.8% MoM (TR\$) in July, more than doubling June's gains, with average daily turnover reaching its highest level in over a year as domestic investors return.

The rejuvenated investor sentiment can be traced back to an enhanced emphasis on public investments. In July, public disbursement reached an impressive 6.9%, totalling 37.9% of the annual plan in 7M23, far surpassing 2022's figure of 27.4% within the same period, with infrastructure and construction stocks taking centre stage. Trading volume breached \$1bn, with the average MoM turnover swelling by 8% to \$776m/day, underscoring bullish investor expectations. Our analysis also indicates a surge in account deposits and a steady rise in retail investors' margin balances, a firm showing of renewed faith in the market.

July witnessed an intriguing sector pivot, as interest shifted from brokerages and real estate to retail. Companies once playing catch-up are now enjoying improved inflows, aligning with market momentum. The retail segment, having experienced a lull, rebounded convincingly in July, leaping 20.4%. This resurgence can be attributed to the likes of DGW and MWG, underpinned by the prevailing view that the nadir of consumer confidence is behind us. VIC, a top five VNI stock by market cap, also rallied, buoyed by positive US listings news and the commencement of their US factory. Conversely, the banking sector underperformed the index, with investors exhibiting caution in the wake of Circular 06 and its lending limitations.

The buoyant earnings news has been factored into the market, resulting in our top 80 universe TTM PE valuation climbing to 12.8x, just along the 5Y mean. Dive deeper into these stocks, and Q2 results (adjusted for float) paint a picture of mild economic resurgence. We are observing the second successive quarter boasting QoQ profit growth. Even though net profit slid 5% YoY, it surged by 9% QoQ, encapsulating 46% of our annual projection. Banks continue to act as a pillar for the VNI, accounting for 59% of total earnings YTD, remaining flat YoY. Sectors like real estate, insurance, securities, and IT have been standouts, constituting a fifth of market earnings, while the energy, materials, chemicals, and retail sectors trailed this quarter. Forecasts for Q3 should usher in positive momentum, with the expectation that H2 will sustain this recovery.

The increase in PE valuations mirrors robust market expectations of an economic rebound, bolstered by year-to-date macroeconomic support. The spotlight, however, now shifts firmly onto the corporations themselves. With the foundations set, it is incumbent upon these entities to navigate this momentum, ensuring that they match, if not exceed, investors' expectations.

Fig. 1

DC TOP-80 FORECASTS

31-Jul-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	11.1	9.0
EPS Growth	%	37.1	-1.4	3.8	24.4
PEG	x	0.4	Neg	2.9	0.4
Sales Growth	%	22.0	12.3	4.0	14.1
EBIT Growth	%	50.8	2.5	12.3	21.8
PBT Growth	%	38.0	1.5	2.9	24.5
NPAT Growth	%	41.9	0.0	4.0	24.4
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	1.2	1.2

Fig. 3

VNI TRAILING 5Y PE



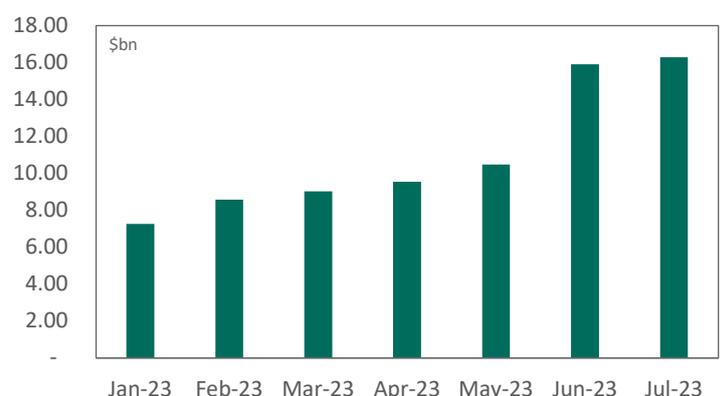
Fig. 2

MARKET PERFORMANCE



Fig. 4

VNI MONTHLY VOLUME



Sources: ICI, Bloomberg, Credit Suisse / Heliinvest – all adjusted for free float



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	12.4	17.1	18.7
Current Account	\$bn	-1.6	5.8	12.2	15.1	-7.8	-1.5	7.5	6.8
Current Account / GDP	%	-0.6	1.9	3.6	4.3	-2.1	-0.4	1.7	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-Jul-22	31-Jul-23	31-Jul-22	31-Jul-23	31-Jul-22	31-Jul-23	31-Jul-22	31-Jul-23
Market Cap (\$m)	205,292	205,777	14,552	12,806	53,223	46,539	273,067	265,122
Number of Stocks	402	393	341	332	857	863	1,600	1,588
Number of Large Cap Stocks (> \$400m)	64	68	10	9	21	19	95	96
Stocks with No Room for Foreigners	50	60	58	91	162	217	270	368
Market Cap of Stocks with No Room (\$m)	37,101	26,564	2,903	1,988	12,517	12,088	52,520	40,640
Share of Market Cap with No Room (%)	18.1	12.9	19.9	15.5	23.5	26.0	19.2	15.3

Top 25 Companies

No	Company	31-Jul 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	91,600	35.2	21,615	9.12	14.4	16.4	14.1	2.8	3.0	2.5	0.9	-	-
2	Vinhomes	63,000	31.3	11,582	5.77	7.2	9.0	8.5	1.4	1.6	1.3	4.5	-	-
3	BIDV	47,200	22.3	10,080	5.02	14.1	14.4	11.8	2.0	2.1	1.8	0.2	-	-
4	Vingroup	55,100	2.4	8,872	4.42	23.4	26.6	28.5	1.9	1.8	1.7	1.7	-	-
5	PV Gas	101,600	0.1	8,210	4.09	13.4	17.3	17.7	3.2	3.0	2.8	3.0	3.5	3.5
6	Airports Corporation VN	80,400	-5.0	7,390	-	29.0	28.3	22.0	4.2	3.5	2.9	-	-	-
7	Hoa Phat Group	28,200	56.7	6,923	3.45	12.6	22.4	14.2	1.1	1.6	1.5	2.2	1.0	1.0
8	Vinamilk	78,000	2.5	6,882	3.43	21.0	21.0	19.6	5.3	5.0	5.0	5.1	3.1	4.9
9	Vietinbank	22,150	23.7	6,278	3.14	6.6	11.2	7.8	1.2	1.0	0.9	-	-	-
10	VP Bank	30,000	10.1	6,087	3.03	9.2	8.9	7.4	1.2	1.2	1.0	2.9	-	-
11	Techcombank	87,300	-6.1	5,274	2.61	37.1	119.4	53.5	5.1	4.5	4.0	1.0	1.0	1.0
12	Masan Group	34,300	32.7	5,093	2.54	4.7	7.2	5.8	0.8	0.9	0.8	0.1	-	-
13	Sabeco	85,600	29.5	4,590	1.99	17.2	18.6	14.9	4.0	4.2	3.6	2.6	3.1	3.6
14	FPT	156,800	-4.7	4,245	2.11	20.6	21.1	19.4	4.6	3.9	3.6	2.3	2.4	2.4
15	Military Bank	18,850	30.0	4,150	1.80	4.5	5.0	4.2	1.0	1.0	0.8	-	-	-
16	ACB	22,950	25.5	3,763	1.87	5.3	5.7	4.7	1.2	1.2	1.0	-	-	-
17	Becamex IDC	81,000	0.5	3,539	1.76	49.5	21.1	19.4	4.9	4.2	3.5	0.9	1.0	1.0
18	Mobile World	53,700	26.4	3,316	1.65	15.2	36.3	12.4	2.6	3.0	2.5	1.2	-	0.9
19	Vincom Retail	29,650	12.7	2,845	1.45	21.5	14.7	14.2	1.8	1.8	1.6	-	-	-
20	Sacombank	19,600	47.4	2,566	-	2.8	10.5	21.4	0.8	1.1	1.1	3.3	5.1	5.1
21	Binh Son Refining	102,000	-6.8	2,332	1.16	neg	39.7	33.5	4.0	3.4	2.9	-	-	-
22	Vietjet Air	28,950	28.7	2,304	1.15	8.4	6.3	4.0	1.1	1.2	0.9	-	-	-
23	VEAM Corp	20,800	40.5	2,228	1.11	4.5	5.5	4.5	1.1	1.3	1.0	-	-	-
24	VIB	41,500	30.9	2,226	1.13	27.8	15.7	15.9	1.6	1.9	2.0	4.3	2.9	7.4
25	Petrolimex	17,350	31.9	2,119	0.92	4.9	5.5	4.5	1.0	1.1	0.9	-	-	-

VIETNAM MONTHLY REPORT

31 July 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
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