



## VIETNAM EQUITY (UCITS) FUND – VEF

**VEF retracted 0.7% MoM, outperforming the benchmark VNI as it pulled back by 1.2% in TR\$ terms.**

**FPT** had a stellar month due to anticipation of an upgrade to US and Vietnam's trade status and the impact it would have on technology and semiconductors in Vietnam. FPT Semiconductors, launched in late 2022, has successfully released their premier integrated circuits, designed in Vietnam and manufactured in South Korea. FPT's core business continues to perform, with the company envisaging a growth of 20% per annum in their Global IT Services segment. While emphasising Japan as a key market in this sector, FPT also plan to grow their presence in the US, which constituted 35% of their 2022 global IT services revenue, marking a 50% YoY growth.

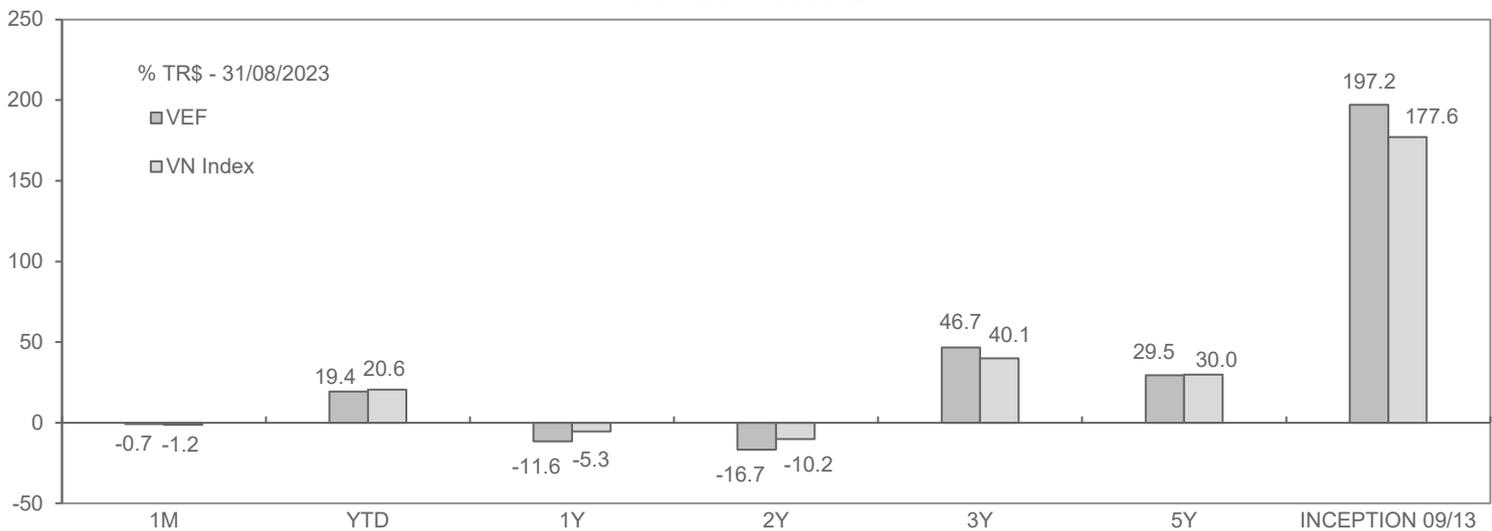
Despite the overall banking sector decreasing 1.3%, **STB** recovered 10.9% from its 3.3% drop in July, with sentiment improving due to clarity being provided on the magnitude of Bamboo Airways' alleged burden. Sentiment was further supported when the bank announced an auction of legacy assets worth \$336m. The loans collateralised by this vehicle have been fully provisioned by the bank and can therefore bring about a one-off return if this catalyst is realised. The turnaround investment thesis is playing out with the bank forecast to deliver approximately 50% earnings growth in 2023, driven by NIM normalisation, and a further 50-60% growth in 2024 given the big drop in provisioning from the expected clearance of legacy assets. H1 NPAT was \$163m, +84% YoY with provisioning expenses down 20% YoY.

Vinamilk (**VNM**) climbed into the Fund's top-ten holdings following a 10.9% price rise since June. The market anticipates higher top line sales growth in 2H23 as a branding revamp initiative kicks in. New packaging for fresh milk hit shelves mid-August, and nationwide rollout across more products is expected from September, supported by a strong marketing campaign. Bottom line growth should be even stronger with a c.30% YoY drop in raw material prices.

### PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	29.72	-0.73	19.38	\$291m	1.76	23.94	0.49
VEF – B	1,529.32	0.29	16.92				

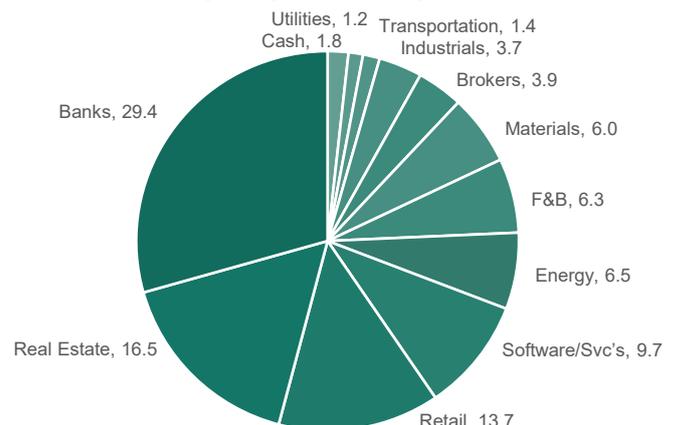
### NAV PERFORMANCE



### TOP TEN HOLDINGS (53.6% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 FPT Corporation	Software/Svc's	2.5	9.7	12.3
2 MB Bank	Banks	2.0	6.7	-3.5
3 Phu Nhuan Jewelry	Retail	0.5	5.7	-4.6
4 Sacombank	Banks	1.3	5.6	10.9
5 Mobile World	Retail	1.6	5.4	-1.5
6 Vietcombank	Banks	10.2	5.0	-4.3
7 VP Bank	Banks	2.9	4.2	-7.0
8 Khang Dien House	Real Estate	0.5	4.2	-3.0
9 Ha Do Group	Industrials	0.2	3.7	-8.2
10 Vinamilk	F&B	3.3	3.6	1.4

### SECTOR BREAKDOWN





## ECONOMY REVIEW AND OUTLOOK

### A prelude to recovery

August data showed a modest improvement in Vietnam's economic activities with the manufacturing sector venturing into positive territory, increasing 2.6% YoY, and PMI tip-toed back into expansion territory at 50.5, indicating that businesses are slowly restocking for the anticipated year-end export orders. The 8M trade balance continued to grow to an all time high of \$19.9bn (fig. 4), with exports of \$228.2bn, down 9.8% YoY, outpacing imports of \$208.3bn, down 15.9% YoY. In the service sector, total retail sales were up 7.6% YoY and 10% YTD, while Vietnam welcomed 1.2 million visitors, nearly reaching 80% of the pre-Covid levels.

### Vietnam's monetary metrics outshine

Despite regional currencies depreciating by an average of 4-7% in August, noteworthy is the resilience of the VND, declining by a comparatively modest 1.8% (fig. 3). The currency remains structurally sound, fortified by continual inflows of foreign capital from a \$20bn YTD trade surplus (fig. 4) and a resurgence in the tourism sector. The marginal fluctuation in exchange rates and slight escalation of inflation were not at a level to give cause for concern, however. CPI inched up by 0.9% MoM, or 3.0% YoY, propelled by increases in local gasoline and rice prices, the latter reaching a multi-year pinnacle following export prohibitions by several nations.

### Don't worry, be CPI happy

In spite of this marginal MoM increase, we believe that inflation will anchor around the 3.5%-4.0% mark for the year. Ripples from the global markets may instigate short-term vacillations in the VND exchange rate, but we believe the implications on the SBV's monetary policy will be limited in the context its overarching strategy, inclined as it is towards reducing financial burdens on enterprises and supporting the economy. Deposit rates continued to decrease by an average of 0.3-0.4% in August and we expect will be easily maintained at affordable levels in the coming months.

### Biden fires the starting pistol on Vietnam's new technological epoch

Following much speculation in August, September crafted the framework for Vietnam's geopolitical canvas. US President Joe Biden visited Hanoi to announce the elevation of diplomatic relations to Vietnam's highest level of 'Comprehensive Strategic Partnership', aligning Vietnam with the ranks of China, India, South Korea, and Russia. This historic upgrade, reaffirming sentiments shared by US Treasury Secretary Yellen during her visit in July, underscores Vietnam's potential in its role within the global semiconductor supply chain, and ushers in a new phase opportunity for further sophistication and expertise within its economy. This collaborative enrichment, signifies a promising step forward, which we believe can project Vietnam as an important high-tech player within the global value chain.

Fig. 1

### ECONOMIC FORECASTS

31-Aug-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	-5.5	12.0
Import Growth (cif)	%	26.7	8.4	-9.9	11.8
Trade Bal (cif)	\$bn	3.3	12.4	26.4	30.2
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. 3 VND DECLINED IN LINE WITH OTHER ASIA CURRENCIES

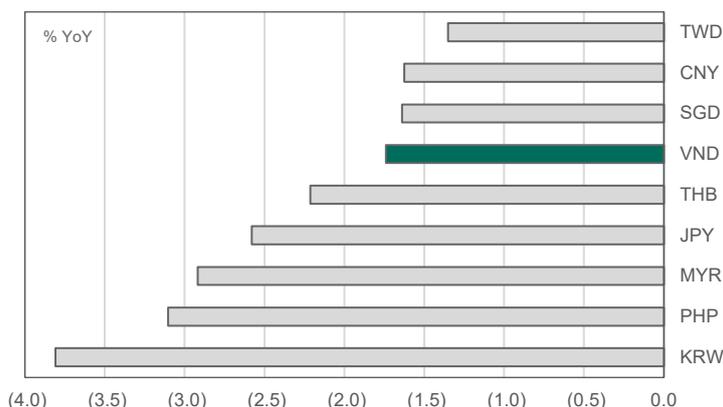


Fig. 2

### IIP MARGINALLY INCREASED IN AUG

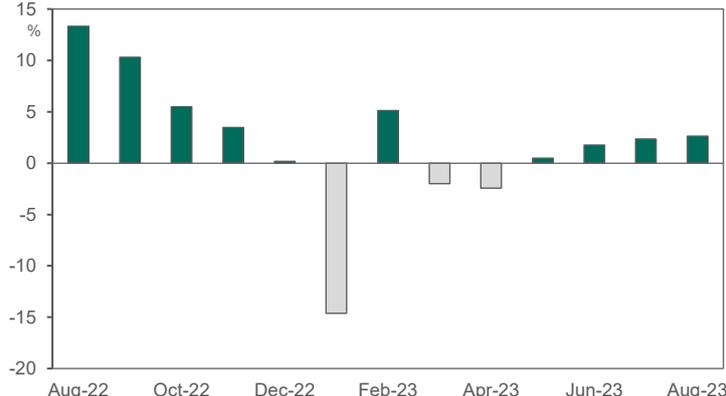
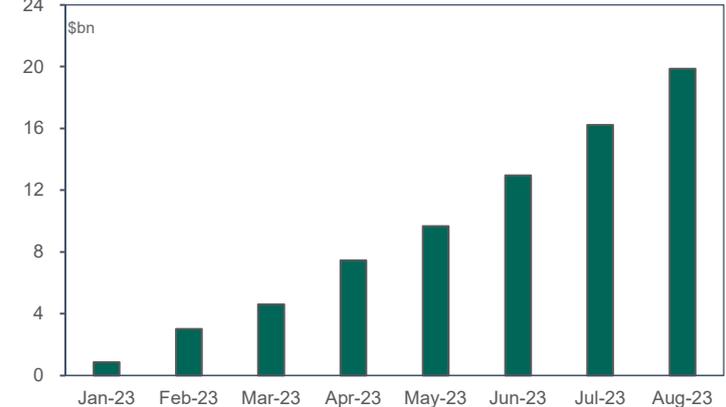


Fig. 4

### TRADE BALANCE AT RECORD HIGH SURPLUS





## MARKET REVIEW AND OUTLOOK

**VNI closes down in line with VND**

**Spooky transactions at a distance**

**The VNI rope-a-dope: retail-selling lacked stamina**

**Solid foundations: Vietnam's stance in the property sector**

**Target fixation: a clear roadmap required for market pathway**

The VNI declined by 1.2% MoM (TR\$) in August, despite a marginal 0.1% appreciation in local currency terms, shadowing the VND's depreciation against the USD of 1.8%.

VIC subsidiary Vinfast (VFS) became the first Vietnamese company to list overseas on 15 August with a free float of 1%, trading with extreme volatility. This spilled into VIC's family of stocks in the VNI, creating a transpacific riptide as domestic investors navigated the market undercurrents. VIC itself rallied 10.9% in August and contributed 10.6 points to the VNI.

Soon after the VFS listing, increased volatility in the VNI prompted a major broker to cut margin lending as the market overheated. This initiated a knee-jerk sell-off of 4.3%, the largest one-day drop YTD. The market quickly found solid footing, however, with combined average daily liquidity climbing above \$1bn, the first time since April 2022. This was underpinned by the announcement of US President Joe Biden's visit, with speculation of a US trade upgrade buoying sentiment.

Foreigners, however, net sold \$107m. This can be attributed to overall EM outflows and growing apprehensions surrounding China's real estate conundrum and economic concerns. In juxtaposition to China, the Government has strongly committed to supporting the real estate sector since February 2023, with ongoing policy changes and monetary stimulus packages to revive the property market. Only major developers can access international financing, with the majority of listed property companies having a net debt to equity ratio of 0.7x or below. Issued on 23 August, Circular 10 eliminates restriction clauses introduced by Circular 06 and reinstates the prevailing lending criteria, thereby guaranteeing accessible credit for both real estate and M&A operations.

The SSC chaired a meeting jointly organised with the Asia Securities Industry & Financial Markets Association (ASIFMA) with the support by the World Bank in Hong Kong to discuss solutions aimed at upgrading the Vietnam stock market to EM. The Government is committed to resolving the pre-funding issue by revising select MoF Circulars, with brokerages potentially able to guarantee trades. We welcome the short-term proposed solution. With brokers capable of bridging the financing gap between T0 and T2, foreign investors can enjoy significantly more convenient transactions. For a long-term solution, the implementation of a central counterparty (CCP) mechanism is essential. Nonetheless, these measures must come with a clearly defined implementation timeline. Additionally, avenues must be created for foreign investors to gain access to FOL stocks. In alignment with the World Bank, we believe that the NVDR (Non-Voting Depository Receipts) solution is the most practical approach to pursue.

Fig. 1

### DC TOP-80 FORECASTS

31-Aug-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	11.5	9.3
EPS Growth	%	37.1	-1.4	2.6	24.0
PEG	x	0.4	Neg	4.5	0.4
Sales Growth	%	22.0	12.3	2.6	13.8
EBIT Growth	%	50.8	2.5	9.2	23.7
PBT Growth	%	38.0	1.5	2.1	24.7
NPAT Growth	%	41.9	0.0	3.0	24.0
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	1.1	1.2

Fig. 3

### VNI TRAILING 5Y PE



Fig. 2

### MARKET PERFORMANCE

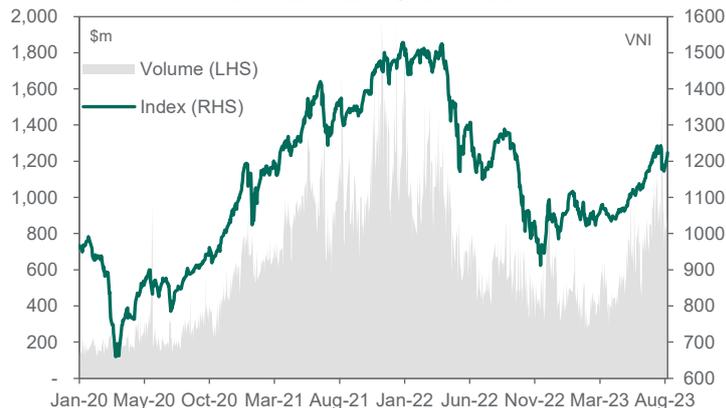
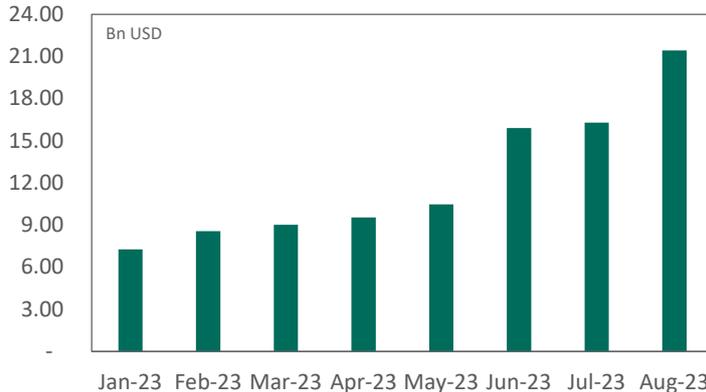


Fig. 4

### VNI MONTHLY VOLUME



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



## APPENDIX 1: MACRO

### Key Indicators

Item	Unit	2017	2018	2019	2020	2021	2022E	2023F	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	26.4	30.2
Current Account	\$bn	-1.6	5.8	12.2	15.1	-7.8	-1.5	17.4	20.7
Current Account / GDP	%	-0.6	1.9	3.6	4.3	-2.1	-0.4	3.9	4.2
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
Government	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	52.4	56.7
Enterprises (incl. FDI)	\$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-Aug-22	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22	31-Aug-23	31-Aug-22	31-Aug-23
Market Cap (\$m)	217,254	203,136	14,610	13,015	53,823	45,796	285,687	261,947
Number of Stocks	401	394	341	331	858	860	1,600	1,585
Number of Large Cap Stocks (> \$400m)	70	69	10	9	22	12	102	90
Stocks with No Room for Foreigners	50	61	61	92	165	222	276	375
Market Cap of Stocks with No Room (\$m)	38,466	24,142	3,043	1,963	12,770	13,803	54,279	39,908
Share of Market Cap with No Room (%)	17.7	11.9	20.8	15.1	23.7	30.1	19.0	15.2

### Top 25 Companies

No	Company	31-Aug 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	89,100	31.5	20,663	10.19	14.4	16.0	13.8	2.8	2.9	2.4	0.9	-	-
2	Vinhomes	54,700	14.0	9,883	4.87	7.2	7.8	7.4	1.4	1.4	1.2	4.5	-	-
3	BIDV	46,950	21.6	9,855	4.86	14.1	14.4	11.7	2.0	2.1	1.8	0.2	-	-
4	Vingroup	62,100	15.4	9,828	4.85	23.4	37.2	32.2	1.9	2.0	1.9	1.7	-	-
5	PV Gas	98,600	0.7	7,831	3.86	12.9	16.8	17.2	3.1	2.9	2.7	3.0	3.6	3.6
6	Airports Corporation VN	75,000	-11.3	6,775	-	29.0	26.4	20.6	4.2	3.2	2.7	-	-	-
7	Vinamilk	77,800	5.6	6,747	3.33	20.3	21.0	19.0	5.2	5.0	4.9	5.1	3.2	5.0
8	Hoa Phat	27,600	53.3	6,659	3.28	12.6	19.4	11.7	1.1	1.6	1.4	2.2	1.1	1.1
9	Vietinbank	32,450	19.1	6,471	3.19	9.2	9.7	8.0	1.2	1.3	1.1	2.9	-	-
10	VP Bank	20,950	17.0	5,836	2.89	6.6	11.4	8.2	1.2	1.0	0.9	-	-	-
11	FPT Corporation	96,700	48.0	5,096	2.51	17.0	21.0	16.8	3.9	4.7	4.1	2.6	2.7	3.2
12	Techcombank	34,500	33.5	5,035	2.48	4.7	7.2	5.8	0.8	0.9	0.8	0.1	-	-
13	Masan Group	81,500	-12.4	4,839	2.39	37.1	111.4	50.0	5.1	4.2	3.8	1.0	1.1	1.1
14	Sabeco	158,000	-3.9	4,204	2.07	20.6	23.6	20.3	4.6	4.1	3.7	2.3	2.4	2.4
15	MB Bank	18,500	27.6	4,003	1.97	4.5	4.9	4.1	1.0	1.0	0.8	-	-	-
16	ACB	22,600	23.5	3,642	1.80	5.3	5.4	4.6	1.2	1.2	1.0	-	-	-
17	Mobile World	53,800	26.6	3,265	1.61	15.2	59.1	16.7	2.6	3.1	2.7	1.2	-	1.0
18	Becamex IDC	72,200	-10.4	3,101	1.53	49.5	18.8	17.3	4.9	3.7	3.2	0.9	1.1	1.1
19	Vincom Retail	30,300	15.2	2,857	1.44	21.5	15.0	14.5	1.8	1.8	1.6	-	-	-
20	Sacombank	32,650	45.1	2,554	1.26	8.4	7.7	5.2	1.1	1.3	1.1	-	-	-
21	Binh Son Refining	19,600	52.9	2,522	-	2.7	10.5	21.4	0.8	1.1	1.1	3.3	5.1	5.1
22	Vietjet Air	98,000	-10.5	2,202	1.09	neg	38.1	32.2	4.0	3.2	2.8	-	-	-
23	VIB	20,350	37.4	2,142	1.06	4.5	5.4	4.4	1.1	1.3	1.0	-	-	-
24	SSI	33,400	96.1	2,078	1.03	15.4	22.3	18.6	1.1	2.1	2.0	3.8	2.5	-
25	VEAM Corp	37,500	-8.1	2,068	-	7.2	7.5	6.8	2.2	1.9	2.0	11.1	11.7	15.3

# VIETNAM MONTHLY REPORT

31 August 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 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
SEI Investments	VEF	-	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

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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