



ECONOMY REVIEW AND OUTLOOK

**From turtle to hare:
GDP's quarterly climb**

**430 billion reasons
to celebrate
Vietnam's economy**

**Balanced economic
management spurs
credit growth**

**Record FDI in wake of
diplomatic upgrades**

**Global demand key
to re-stock the
shelves for growth**

In 2023, Vietnam's economy grew by 5.1%, one of the highest growth rates globally. The year overcame a challenging Q1 and culminated in a robust 6.7% GDP growth rate in Q4 (fig. 2), outpacing the earlier quarters of 3.4%, 4.3%, and 5.5% respectively.

The size of the economy has reached \$430bn and Vietnam's GDP per capita increased to \$4,284, approaching the upper middle-income threshold. Despite the negative impact of the local corporate bond and property markets, final consumption improved modestly, growing by 3.5% YoY, contributing 2.1% to the overall GDP growth. Fixed asset formation added another 1.3% to the growth, increasing by 4.1%. Furthermore, a record trade surplus of almost \$28bn (fig. 3) helped contribute to maintaining the Vietnamese dong's resilience.

Q4 witnessed a significant surge in credit growth, rising from 5.9% at the end of Q3 to 13.7% by year-end. The promotion of public investment resulted in a Q4 increase of 21.2% YoY. Trade also recovered on higher export activities driven by the resurgence of global demand. Vietnam's economic progress is accompanied by the sound management of key macroeconomic factors; CPI remained stable at an average of 3.3% YoY, while the exchange rate declined 3.0%, modest for a year of high volatility globally. There were four interest rate cuts in 2023, totalling 150 basis points, along with the implementation of other measures to stimulate the economy, including Decrees on debt restructuring and pushing credit disbursement to stimulate the economy. As a result, interest rates for bank loans have decreased significantly from a range of 14-16% to 8-9% in December 2023.

Vietnam witnessed strong manufacturing FDI flows and tourism in 2023. Total registered FDI reached \$36.6bn, +32.1% YoY, and disbursed capital was \$23.2bn (fig. 4), +3.5% YoY. These figures are a testament to Vietnam's growing appeal following its recent 'Comprehensive Strategic Partnership' agreements with the United States, South Korea, and Japan. The total number of visitors reached 12.4m in 2023 vs 3.7m in 2022, increasing on a monthly basis.

2023 was marred with unexpected developments including large US banks defaulting, escalated Middle-Eastern tensions, higher-than-expected Fed rate hikes, and a dampened worldwide demand. We believe the Fed's mid-cycle rate adjustment and a recovery in global demand will be key for Vietnam to continue its economic stimulus across both fiscal and monetary policies. The US and EU import markets will need to pivot from destocking to restocking for Vietnam's exports to recover, setting the stage for domestic growth in 2024.

Fig. 1

ECONOMIC FORECASTS

31-Dec-23	Unit	2021	2022	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.1	6.0
Nominal GDP	\$bn	366.1	408.8	430.0	463.0
CPI (average)	%	1.8	3.2	3.3	4.0
Export Growth (cif)	%	19.0	10.6	-4.4	9.8
Import Growth (cif)	%	26.7	8.4	-9.2	10.2
Trade Bal (cif)	\$bn	3.3	12.4	28.0	29.3
FX Reserves	\$bn	106.5	85.0	89.0	105.0
FDI Disbursed	\$bn	19.8	22.4	23.2	24.2
VND:\$	1	22,800	23,550	24,500	24,750

Fig. 2

VIETNAM'S GDP BY QUARTER

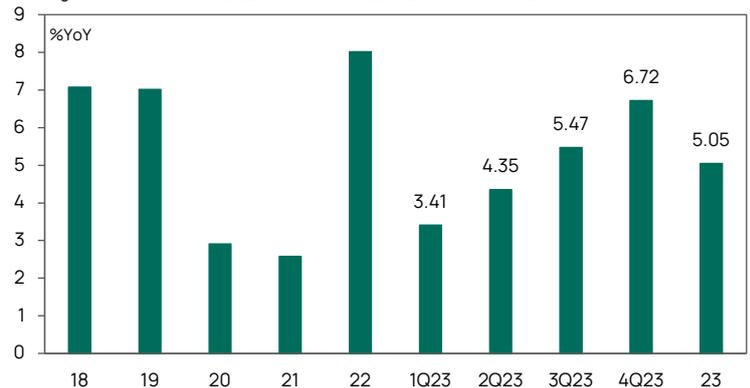


Fig. 3

RECORD TRADE SURPLUS IN 2023

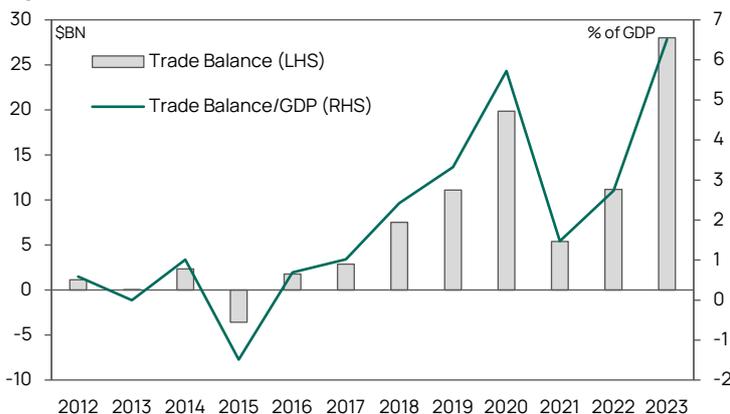
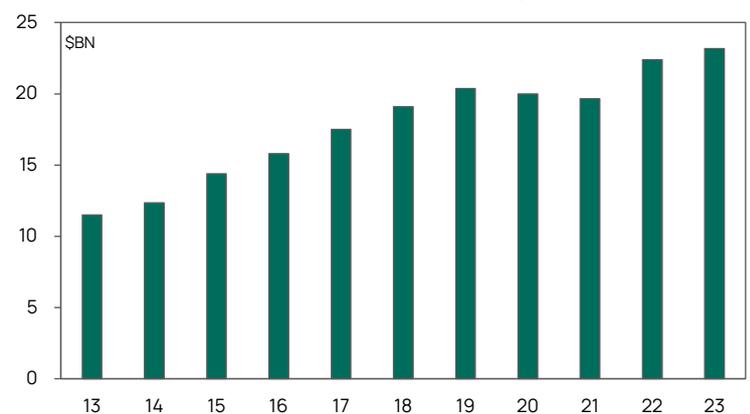


Fig. 4

RECORD FDI INVESTMENT OF \$23.2BN





MARKET REVIEW AND OUTLOOK

Cyclical turning point against stable economic backdrop

2023 marked the initiation of a recovery market cycle as Vietnam emerges from the turbulence of bond market reform. Our monthly indicators monitoring real economic activities, including consumption metrics (air travel, grocery and discretionary spending), manufacturing parameters (container throughput, power usage), and real estate activities, collectively signalled a positive shift, with clearer recovery toward year-end. Equity markets, which often price forward the real economy by 4-6 months, benefitted from a favourable setting, with easing macro policies and stability in inflation and FX rates. Government support in the real estate and banking sectors propelled the market to a peak return of 23% by mid-September. Despite a solid foundation and positive catalysts, the year was marked by a lack of meaningful earnings growth. Global volatility, stemming from surging US Treasury yields in September, prompted the VNI to retreat from its year-high, resulting in a more modest full-year return of 11.1% (TR\$). Nonetheless, in comparison to regional markets like Thailand's election affected SET (-11.45%), the Philippines PCOMP (+1.5%), and China's SHCOMP (-3.9%), Vietnam demonstrated relatively robust performance. As the VNI may now be exiting the Contraction phase and into Recovery, cyclicals, mid-caps, and cheap P/B (fig. 3) emerged as the best-performing factors in 2023.

Equities set to offer better returns in 2024 than alternative asset classes

Looking ahead to 2024, challenges persist in the context of a global slowdown. Nonetheless, a more robust recovery is expected as Vietnam's historically low interest rates penetrate the economy, stimulating demand and attracting increased participation from both corporates and investors. The Government's commitment to fiscal measures and flexible monetary policy management is critical to reinforce the private sector's confidence. We anticipate 16-18% profit growth for our Top-80 universe in 2024. Notably, Vietnam's equity market is 88% driven by domestic retail investors, for whom investment channels are limited. Bank deposits, offering unattractive average returns of around 4.7% for 12-month deposits, make the equity markets a much more appealing asset class with a 2024F PER of 9.1x. Real estate investment, while offering opportunities, comes with drawbacks compared to equity for retail investors, such as larger investment sizes, lower liquidity, and challenges in assessing legal status. Consequently, the equity market could potentially benefit from positive inflows. On the other hand, any market developments, such as the removal of pre-funding or further advancements related to the FTSE EM upgrade, could potentially trigger foreign inflows.

Fig. 1 DC TOP-80 FORECASTS

31-Dec-23	Unit	2021	2022	2023E	2024F
PER	x	14.4	9.0	11.3	9.1
EPS Growth	%	38.9	-1.4	-1.5	18.6
PEG	x	0.4	neg	neg	0.5
Sales Growth	%	22.0	12.3	2.3	11.3
EBIT Growth	%	50.8	2.5	5.8	21.5
PBT Growth	%	38.0	1.5	1.1	17.8
NPAT Growth	%	41.9	0.0	0.3	18.6
Net DER	x	0.2	0.3	0.2	0.2
Yield	%	1.0	1.9	1.5	1.5

Fig. 3 VNI TRAILING 5Y PB



Fig. 2 MARKET PERFORMANCE

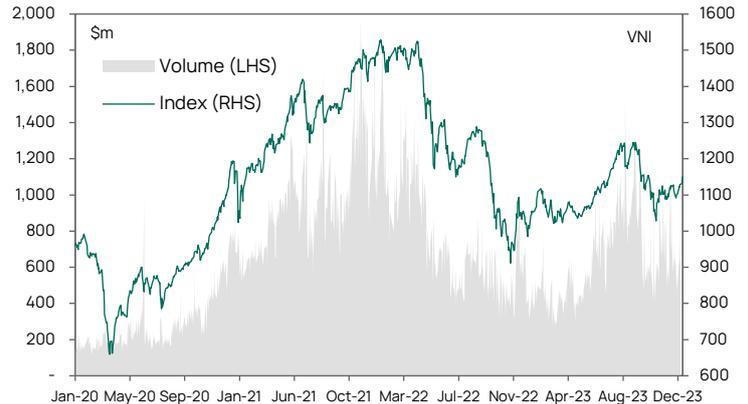
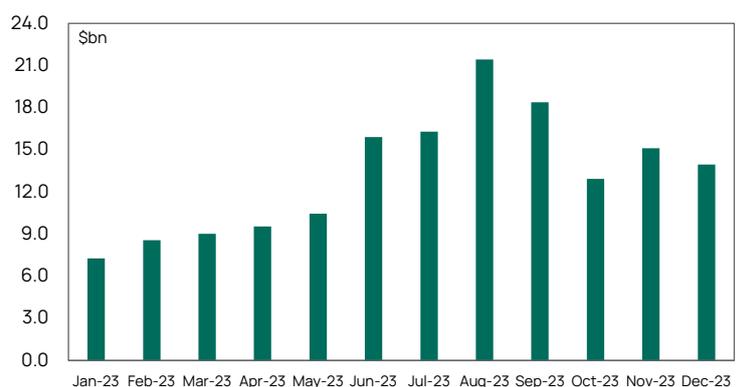


Fig. 4 VNI MONTHLY VOLUME



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



VIETNAM EQUITY (UCITS) FUND – VEF

VEF ended 2023 2.7% ahead of the VNI, returning 13.8% for the year and 3.0% in December. For 2024, the outlook is promising with the Fed expected to pivot to a “lower and faster” narrative, while the Vietnamese Government is continuing to adopt supportive monetary policy and ramping up fiscal with accelerated infrastructure investment.

This month, steelmaker **HPG** comes into the spotlight with sales rising MoM, with the latest numbers coming in for December being the highest in the past 20 months at 852k tons (+4% MoM and +31% YoY) led by construction steel products at the heels of strong infrastructure disbursement and the revival of residential property. Real estate sales transactions are starting to pick up; the gradual thawing of the sector will directly benefit not only developers but other companies in the value chain. **KDH**'s high take-up rate of 90% in their recent launch in November supports our conviction for the company's profitability in 2024.

We believe banking, the largest sector in the portfolio, will do well given the historically low valuation multiples of trailing PBR of 1.5x on ROE of 18%, one standard deviation below their five-year average. 2024 earnings growth forecast looks promising at 15-20% YoY and is attributable to credit gaining momentum and NPL formation decelerating. Our top three holdings **VCB**, **MBB**, and **STB** are forecast to deliver 2023 earnings growth of 10%, 17%, and 50%, respectively.

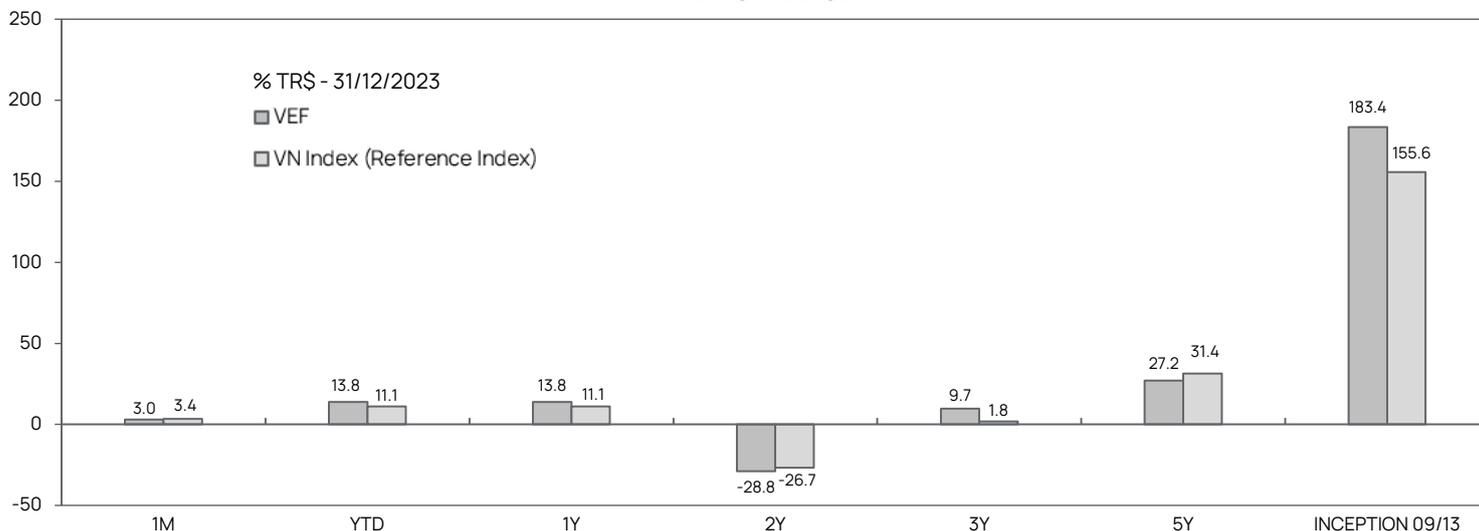
MBB is the largest private bank by total assets at \$38.9bn and maintains strong asset quality, with low NPLs of 1.6%, LLR of 122%, and capital adequacy ratio (CAR) of 11.1%. Its aggressive digital transformation over the past three years has attracted the highest number of e-bank users totalling 22 million, thereby accelerating its customer base growth. MBB has consistently enhanced its net interest margin (NIM) through increasing cash accounts/savings accounts (CASA), coupled with a significant reduction in its cost to income ratio to 32.5%, a testament to the efficiencies gained from digitalisation.

The retail sector is likely to encounter a positive turnaround with consumer sentiment set to improve as business activities recover. Earnings will rebound from 2023's low base for companies like **MWG** and **FRT** as destocking issues subside and margins expand. Jewellery retail leader **PNJ** ended 2023 with expectations of strong earnings results of 28% QoQ and 7% YoY, despite general economic challenges as they continue to consolidate the market.

PRICE AND NAV DATA

	NAV/Share	NAV Change (%)		Net Assets		Std. Dev.	Sharpe Ratio
		Monthly	YTD	Total	Net Cash (% of NAV)		
VEF – A	28.34	3.03	13.83	\$255m	2.62	21.86	0.42
VEF – B	1,437.12	1.86	9.87				

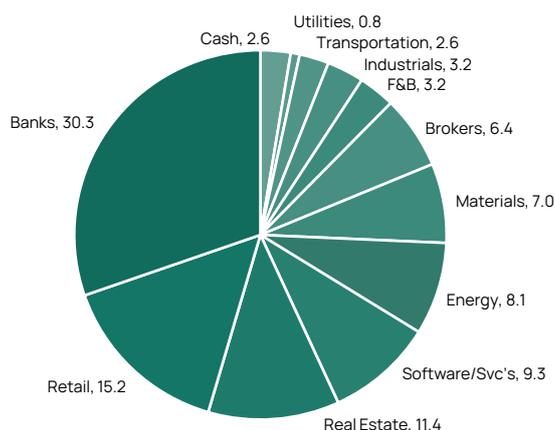
NAV PERFORMANCE



TOP TEN HOLDINGS (55.7% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 FPT Corporation	Software/Svc's	2.7	9.3	4.5
2 MB Bank	Banks	2.1	7.9	4.7
3 Phu Nhuan Jewelry	Retail	0.6	7.2	6.8
4 Vietcombank	Banks	9.9	5.8	-5.2
5 Sacombank	Banks	1.2	5.7	1.6
6 FPT Retail	Retail	0.3	4.4	4.5
7 PV Drilling	Energy	0.3	4.4	1.0
8 PV Services	Energy	N/A	3.7	-1.6
9 Khang Dien House	Real Estate	0.6	3.6	0.6
10 Hoa Phat Group	Materials	3.6	3.6	5.2

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	430.0	463.0
Real GDP Growth	%	6.9	7.5	7.4	2.9	2.6	8.0	5.1	6.0
Services Growth	%	7.4	7.0	7.3	2.5	1.2	10.0	6.9	8.0
Agriculture Growth	%	2.9	3.8	2.0	2.8	2.9	3.4	2.6	2.8
Ind'l and Const'n Growth	%	8.0	8.9	8.9	3.3	4.1	7.8	3.5	5.0
Retail Sales Growth	%	10.9	11.7	11.8	2.6	-3.8	10.2	8.3	8.5
Prices									
CPI (Average YoY)	%	3.5	3.5	2.8	3.2	1.8	3.2	3.3	4.0
Money, FX & Interest Rates									
Money Supply M2	%	15.0	12.4	14.8	14.5	8.9	6.2	10.0	11.5
Average Lending Rate	%	9.3	9.5	9.7	8.6	8.5	13.7	8.7	8.2
5-yr VGB	%	4.3	4.5	1.9	1.1	0.9	4.7	1.6	1.4
VND : \$	\$1	22,750	23,235	23,150	23,085	22,800	23,550	24,250	24,750
External Sector									
Trade Balance	\$bn	2.1	6.8	10.8	19.9	3.3	12.4	28.0	29.3
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	4.0	4.5
FDI Registered	\$bn	35.9	35.5	36.0	28.5	38.5	27.7	36.6	38.0
FDI Disbursement	\$bn	17.5	19.1	20.4	20.0	19.8	22.4	23.2	24.2
FX Reserves	\$bn	52.0	61.0	80.0	98.0	106.5	85.0	89.0	100.0
Public Debt & Fiscal Balance									
External Debt	\$bn	109.2	112.1	122.8	130.1	138.8	141.2	138.0	140.3
Government	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	44.4	44.5
Enterprises (incl. FDI)	\$bn	62.9	65.1	75.0	81.1	90.9	92.4	93.6	95.8
External Debt (% GDP)	%	38.8	36.2	36.7	37.5	37.9	34.5	32.1	30.3
Fiscal Balance (% GDP)	%	-2.6	-2.9	-2.6	-3.4	-4.0	-3.6	-4.0	-3.6



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22	31-Dec-23
Market Cap (\$m)	170,370	187,799	10,725	12,738	40,750	43,775	221,845	244,313
Number of Stocks	402	394	341	327	856	861	1,599	1,582
Number of Large Cap Stocks (> \$400m)	59	70	7	10	14	19	80	99
Stocks with No Room for Foreigners	59	63	76	92	195	237	330	392
Market Cap of Stocks with No Room (\$m)	31,856	23,620	2,124	1,904	9,353	13,446	43,333	38,970
Share of Market Cap with No Room (%)	18.7	12.6	19.8	15.0	23.0	30.7	19.5	16.0

Top 25 Companies

No	Company	31-Dec 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	80,300	18.5	18,496	9.90	14.4	15.6	13.7	2.8	2.7	2.3	0.9	-	-
2	BIDV	43,400	26.7	10,196	5.50	14.1	15.0	12.5	2.0	2.2	1.9	0.2	-	-
3	Vinhomes	43,200	-10.0	7,752	4.20	7.2	4.7	5.3	1.4	1.0	0.9	4.5	-	-
4	PV Gas	75,500	-7.5	7,146	3.80	12.9	16.1	16.1	3.1	2.7	2.6	3.0	6.2	4.0
5	Vingroup	44,600	-17.1	7,028	3.80	23.4	44.1	56.6	1.9	1.5	1.5	1.7	-	-
6	Hoa Phat Group	27,950	55.3	6,698	3.60	12.6	30.9	19.9	1.1	1.6	1.5	2.2	-	-
7	VP Bank	19,200	12.5	6,278	3.40	6.3	12.4	10.2	1.2	1.0	1.0	-	5.2	3.0
8	Vietinbank	27,100	11.1	5,997	2.90	9.2	9.4	8.1	1.2	1.2	1.0	2.9	-	-
9	Airports Corporation VN	66,000	-22.0	5,921	-	29.0	16.8	15.1	4.2	2.7	2.2	-	-	-
10	Vinamilk	67,600	-7.5	5,822	3.10	20.1	18.3	17.1	5.1	4.4	4.3	5.1	3.6	5.7
11	FPT	96,100	47.1	5,030	2.70	17.0	20.8	17.3	3.9	4.7	4.1	2.6	2.8	3.2
12	Techcombank	31,800	23.0	4,616	2.50	4.7	6.4	5.6	0.8	0.9	0.7	0.1	-	-
13	Military Bank	18,650	28.6	4,008	2.10	4.5	4.9	4.1	1.0	1.0	0.8	-	-	-
14	Masan Group	67,000	-28.0	3,951	2.10	37.1	169.6	67.8	5.1	3.5	3.2	1.0	1.3	1.3
15	ACB	23,900	30.6	3,826	2.10	5.3	5.8	4.8	1.2	1.3	1.0	-	1.8	2.1
16	Sabeco	63,000	-23.4	3,330	1.80	20.6	19.7	19.2	4.6	3.3	3.2	2.3	3.0	4.5
17	Becamex IDC	62,900	-20.9	2,683	1.40	48.8	29.2	30.7	4.9	3.5	3.3	0.9	1.1	1.1
18	Mobile World	42,800	0.7	2,580	1.40	15.2	387.3	21.8	2.6	2.6	2.4	1.2	-	1.2
19	HD Bank	20,300	54.3	2,420	1.30	4.9	6.6	5.7	1.0	1.3	1.0	-	-	-
20	Vietjet Air	108,000	-1.4	2,411	1.30	neg	126.1	115.8	4.0	3.8	3.4	-	-	-
21	Binh Son Refining	18,600	45.1	2,377	-	2.7	6.9	10.0	0.8	1.0	1.0	3.3	5.4	5.4
22	Vincom Retail	23,300	-11.4	2,182	1.20	21.5	11.5	11.4	1.8	1.4	1.2	-	-	-
23	Sacombank	27,950	24.2	2,172	1.20	8.4	6.7	4.7	1.1	1.1	0.9	-	-	-
24	VIB	19,600	32.4	2,049	1.10	4.5	5.2	4.3	1.1	1.3	1.0	-	-	-
25	SSI	32,800	92.6	2,026	1.10	15.4	21.3	18.1	1.1	2.1	2.0	3.8	2.6	-



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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