

# Vietnam Equity (UCITS) Fund (VEF)



**Quynh Le**  
Lead Portfolio Manager

## At a Glance

- VEF declined 6.7% in April against the VNI's drop of 7.8%, giving an active return of 1.1%.
- We divested from brokerage stocks that have delivered strong returns YTD and have now reached valuations we perceive as high.
- We used those profits to rotate into the retail sector, which has delivered excellent Q1 results and reinforced our conviction in sector recovery for 2024

## Performance

All reporting on this page is in total return US dollar terms from the last business day in Vietnam unless otherwise stated

	Net Assets	NAV/Share	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
VEF A (USD)	\$211.04mn	\$30.17	-6.7	3.6	6.5	18.6	-2.0	35.1	155.2
VEF B (EUR)	€77.44mn	€1,588.45	-5.9	4.9	10.5	22.4	12.2	43.6	N/A
VNI (Reference Index)	N/A	N/A	-7.8	0.3	2.8	8.5	-7.1	23.1	120.8

## Fund Commentary

In Q1 2024, brokerages continued their strong rally, with our holdings in the sector increasing by 21.9%. We capitalised on this by selling on strength due to high valuations. At the end of 2023, brokerages made up 6.4% of the portfolio, reduced to 2.8% by the end of April. We also trimmed our holdings in second-tier banks, which had similarly outperformed, to increase our position in MWG. MWG showed clear margin recovery, profit normalisation in consumer electronics, and improvements in grocery chain BHX. Net revenue increased by 20% QoQ and NPAT rose to \$36mn, a significant increase from just \$1mn in Q1 2023, exceeding local brokerages' forecasts and reinforcing our high conviction for retail sector recovery.

We also topped up in port operator Gemadept (GMD), which has now become a top ten holding after a 5.7% MoM gain. We were encouraged to see Vietnam's 4M24 import-export turnover rise by 15.2% YoY, and total throughput for GMD increased 56% YoY to 908,000 TEUs, a stark contrast to Q1 2023 (-26% YoY). GMD's Q1 2024 results were strong, with revenue of \$40.0mn (+11% YoY) and NPAT of \$22.4mn (+177% YoY). Although a one-off divestment in March contributed \$13.4 million to this profit, it remains impressive and indicative of rising export activity.

Resurgence in tourism YTD (+62% YoY) surpasses FY 2019 levels, helping support recovery in domestic consumption, a key driver in our portfolio strategy. Airports Corporation of Vietnam (ACV) benefitted, up an impressive 26.3% YTD, with Q1 core NPAT of \$103.3mn (+23.8% YoY).

## Stock in Focus: FPT Corporation (FPT)

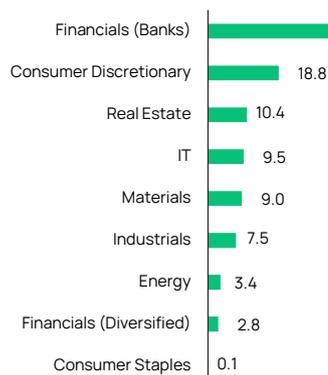
FPT Corporation was founded in 1988 as The Food Processing Technology Company, initially providing IT-related products and services in Vietnam's nascent technology sector. The company was later rebranded as The Corporation for Financing and Promoting Technology (FPT), reflecting its mission to drive technology in Vietnam. Today, FPT is Vietnam's largest technology company by both revenue and employees, valued at \$6.6bn. Representing the country's future AI and semiconductor ambitions, FPT has become the byword for Vietnam's tech industry. As the country's pioneer, FPT is turning Vietnam's golden demographics into dollars by serving the rising global and domestic demand for digital transformation. This has positioned the company as the gateway for international companies to tap into Vietnam's market and workforce.

A recent highlight of FPT's initiatives is the establishment of an AI data centre in partnership with NVIDIA, announced in April with an investment of \$200mn and described by NVIDIA's CEO as an "AI factory". FPT aims to use NVIDIA's chips to boost AI research and become Vietnam's top AI service provider, infrastructure and application developer. The company also plans to grow its IT services business in markets such as Korea and Japan, where it has already seen much success. By 2027, it targets \$1bn in revenue in Japan, up from \$388mn in 2023, and \$5bn in IT services revenue from international markets by 2030. Having already seen a sixfold increase in revenue from digital transformation services over the past five years, FPT consistently attains annual earnings of c.20%, with Q1 2024 delivering net revenue of \$555mn (+20.6% YoY) and NPAT of \$71mn (+20.4% YoY).

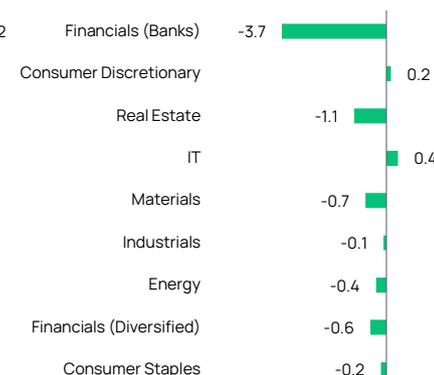
## Top Ten Holdings (58.6% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	CH (%)
FPT Corporation	FPT	IT	9.5	3.2	3.5
MB Bank	MBB	Financials (Banks)	7.6	2.4	-14.3
Mobile World	MWG	Consumer Disc.	7.3	1.6	5.1
Phu Nhuan Jewelry	PNJ	Consumer Disc.	6.2	0.6	-6.0
FPT Retail	FRT	Consumer Disc.	5.3	0.4	1.0
Sacombank	STB	Financials (Banks)	4.7	1.1	-12.7
Vietcombank	VCB	Financials (Banks)	4.6	10.4	-6.0
Hoa Phat Group	HPG	Materials	4.6	3.4	-8.1
Gemadept	GMD	Industrials	4.4	0.5	3.4
Techcombank	TCB	Financials (Banks)	4.4	3.3	-4.1

## Sector Breakdown



## Monthly Contribution



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## Q1 results suggest recovery, but currency pressures and short-term volatility warrant continued caution



**Dr. Tuan Le Anh**  
Chief Investment Officer

### Macroeconomics:

- ▶ Total 4M24 import-export turnover rose by 15.2% YoY with an estimated YTD trade balance of \$8.4bn
- ▶ Tourism is undoubtedly recovering: overseas visitors totalled 6.2 million YTD, +68.3% YoY and +3.9% compared to pre-pandemic levels of FY 2019
- ▶ Public investment in 4M24 climbed modestly by 5.5% YoY with signs of a slowdown in March and April

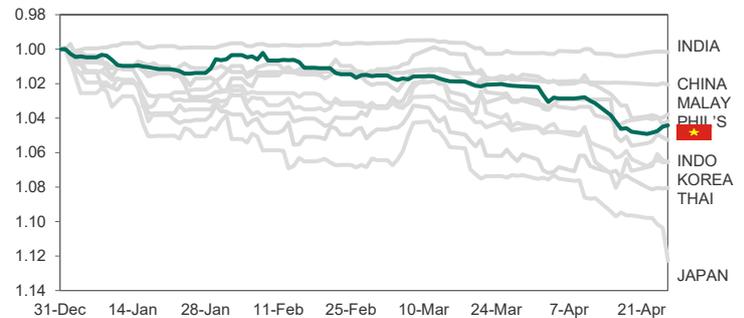
### Stock Market:

- ▶ The VNI declined 7.8% due to FX volatility, policy rate hike speculation, and government personnel changes.
- ▶ It rebounded by month-end based on strong Q1 2024 results, with NPAT up 22.1% YoY for our top-80 universe, marking the most profitable quarter since Q1 2022.
- ▶ Market risk-reward profile improved on attractive valuations and margin lending reached healthy levels

## CHART OF THE MONTH

- Asian currencies had the worst month since September 2023 after the negative impact of delayed Fed cuts and central banks' monetary policy direction diverged
- Gold arbitrage and crypto outflow were internal factors along with corporate repatriation season, large VND/USD yield disadvantages, and strong USD hoarding activities
- This resulted in the VND depreciating 2.2% in April and 4.4% YTD, prompting the SBV to take action by narrowing interest rate differences and intervening in the gold market

Asian Currencies Slide



## Monthly Insights

April proved to be a challenging period for the VNI, unfolding against a backdrop of ongoing economic recovery juxtaposed with waning local sentiment amid a slew of negative news. The month began with indications that the Fed might maintain its rates longer than anticipated, exerting strong pressure on Asian currencies. In response, regional central banks have taken countermeasures; notably, the SBV increased the OMO rate by 25bps with the dong having depreciated by 4.4% YTD. Additionally, the resignation of the National Assembly Chairman left half of the top four positions unfilled, potentially hindering short-term policy implementation and weakening investor confidence. This sentiment was reflected in the VNI's 4.7% drop on 15 April, following rumours of the resignation which was confirmed on 26 April

Despite these challenges, the market downturn gradually subsided as investors shifted focus to more optimistic developments. As the VNI reached a low of 1,174 from its 2024 peak of 1,290, the risk-reward ratio became favourable, particularly in sectors such as IT, retail, industrial property, materials, and banking, where valuations became increasingly attractive. This renewed interest was supported by first-quarter results that exceeded expectations, showcasing consistent sales growth, improved gross margins, and reduced interest expenses. Last but not least, the rationale for bottom-fishing activities was strengthened by the restoration of healthier margin lending levels at brokers, compared to the elevated levels seen at the end of March.

Net profit growth for our Top-80 universe increased by an encouraging 22.1% YoY (15.4% on a non-float adjusted basis). The uplift was broad-based, with the most significant recoveries observed in materials (increasing 5x), transportation (3.5x), and retail (2x). These turnarounds were built into our expectations, which assumed an improved business environment, completed inventory clearance, and successful restructuring efforts.

The banking sector performance was in line with our expectations, with a 16% YoY profit increase. Although state-owned banks reported rather flat profit growth, private commercial banks achieved an average rise of 17%. In contrast, the real estate recovery is yet to be reflected in numbers, with a subdued performance primarily due to delays in product handover impacting revenue recognition. Average NPAT across residential property declined 66% YoY and industrial property by 53% YoY.

As the market seeks equilibrium, we expect some short-term volatility to persist. Nonetheless, we remain confident that the earnings rebound will serve as the primary catalyst for market growth. Early developments in May support this outlook as we observe a divergence in performance between companies reporting strong earnings and those delivering disappointing results.

## Key Indicators

Item	Unit	2019	2020	2021	2022E	2023E	2024F
GDP	\$bn	334.4	346.6	366.1	408.8	430.0	463.0
Real GDP Growth	%	7.4	2.9	2.6	8.0	5.1	6.0
Services Growth	%	7.3	2.5	1.2	10.0	6.9	8.0
Agriculture Growth	%	2.0	2.8	2.9	3.4	2.6	2.8
Ind'l and Const'n Growth	%	8.9	3.3	4.1	7.8	3.5	5.0
Retail Sales Growth	%	11.8	2.6	-3.8	10.2	8.3	8.5
Prices							
CPI (Average YoY)	%	2.8	3.2	1.8	3.2	3.3	4.0
Money, FX & Interest Rates							
Money Supply M2	%	14.8	14.5	8.9	6.2	10.0	11.5
Average Lending Rate	%	9.7	8.6	8.5	13.7	8.7	8.2
5-yr VGB	%	1.9	1.1	0.9	4.7	1.6	1.4
VND : \$	\$1	23,150	23,085	22,800	23,550	24,250	25,000
External Sector							
Trade Balance	\$bn	10.8	19.9	3.3	12.4	28.0	29.3
Current Account	\$bn	12.2	15.1	-7.8	-1.5	17.4	20.7
Current Account / GDP	%	3.6	4.3	-2.1	-0.4	4.0	4.5
FDI Registered	\$bn	36.0	28.5	38.5	27.7	36.6	38.0
FDI Disbursement	\$bn	20.4	20.0	19.8	22.4	23.2	24.2
FX Reserves	\$bn	80.0	98.0	106.5	85.0	89.0	100.0
Public Debt & Fiscal Balance							
External Debt	\$bn	122.8	130.1	138.8	141.2	138.0	140.3
Government	\$bn	47.7	49.0	47.9	48.8	44.4	44.5
Enterprises (incl. FDI)	\$bn	75.0	81.1	90.9	92.4	93.6	95.8
External Debt (% GDP)	%	36.7	37.5	37.9	34.5	32.1	30.3
Fiscal Balance (% GDP)	%	-2.6	-3.4	-4.0	-3.6	-4.0	-3.6

## Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Apr-23	30-Apr-24	30-Apr-23	30-Apr-24	30-Apr-23	30-Apr-24	30-Apr-23	30-Apr-24
Market Cap (\$mn)	178,346	194,324	11,082	12,159	41,731	49,706	231,159	256,189
Number of Stocks	400	398	338	322	856	871	1,594	1,591
Number of Large Cap Stocks (>\$400mn)	62	72	6	9	16	16	84	97
Stocks with No Room for Foreigners	57	67	85	95	210	254	352	416
Market Cap of Stocks with No Room (\$mn)	24,938	30,295	2,199	1,781	10,526	18,047	37,662	50,123
Share of Market Cap with No Room (%)	14.0	15.6	19.8	14.6	25.2	36.3	16.3	19.6

## Top 25 Companies by Market Cap

No	Company	30-Apr Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2022 (x)	2023 (x)	2024F (x)	2022 (x)	2023 (x)	2024F (x)	2022 (%)	2023 (%)	2024F (%)
1	Vietcombank	91,200	13.6	20,117	10.40	14.4	15.6	16.0	2.8	2.7	2.5	0.9	-	-
2	BIDV	49,200	13.4	11,069	5.70	14.1	15.2	14.2	2.0	2.1	2.0	0.2	0.1	-
3	Airports Corporation VN	83,400	26.4	7,165	-	32.8	22.1	22.1	4.2	2.9	3.0	-	-	-
4	Vinhomes	40,800	-5.6	7,012	3.60	7.2	5.6	5.7	1.4	1.0	0.9	4.5	-	-
5	Vietinbank	32,800	21.0	6,951	3.60	9.2	8.5	8.5	1.2	1.2	1.2	2.9	-	-
6	Vingroup	44,450	-0.3	6,708	3.50	23.4	79.1	914.6	1.9	1.5	1.4	1.7	-	-
7	PV Gas	73,500	-2.6	6,662	3.40	12.9	15.3	16.6	3.1	2.7	2.5	3.0	4.1	4.1
8	Hoa Phat Group	28,400	1.6	6,518	3.40	12.6	24.3	13.8	1.1	1.6	1.5	2.2	-	1.4
9	Techcombank	46,600	46.5	6,478	3.30	4.7	6.4	7.5	0.8	0.9	1.1	0.1	-	3.2
10	FPT	123,200	28.2	6,175	3.20	17.0	20.7	22.2	3.9	4.9	5.2	2.6	2.4	2.5
11	VP Bank	18,550	-3.4	5,808	3.00	6.3	15.3	10.4	1.2	1.1	1.0	-	5.2	2.9
12	Vinamilk	65,000	-2.6	5,361	2.80	19.9	17.6	16.3	5.1	4.4	4.2	5.1	5.8	5.9
13	Military Bank	22,250	19.3	4,643	2.40	4.5	4.8	5.4	1.0	1.0	1.0	-	2.3	-
14	ACB	26,850	12.3	4,116	2.10	5.3	5.9	5.7	1.2	1.3	1.2	-	3.6	1.8
15	Masan Consumer	140,000	60.6	3,964	-	9.3	8.8	12.9	2.3	2.4	3.0	0.2	0.4	-
16	Masan Group	67,200	0.3	3,795	2.00	37.1	229.0	70.8	5.1	3.6	3.5	1.0	0.3	0.3
17	Mobile World	54,900	28.3	3,168	1.60	15.2	373.3	25.0	2.6	2.7	3.1	1.2	1.2	0.9
18	Sabeco	54,400	-11.6	2,754	1.40	20.1	19.6	18.5	4.5	3.3	3.0	2.3	4.2	6.4
19	HD Bank	23,600	16.3	2,713	1.40	4.9	5.8	5.7	1.0	1.3	1.2	-	4.3	-
20	Vietjet Air	104,000	-3.7	2,223	1.10	neg	253.7	39.8	4.0	3.8	3.2	-	-	-
21	Binh Son Refining	18,100	-2.7	2,215	-	2.7	6.7	9.8	0.8	1.0	0.9	3.3	3.8	5.5
22	Becamex IDC	52,400	-16.7	2,140	1.10	48.8	26.9	32.0	4.9	3.5	2.8	0.9	1.3	1.3
23	VIB	21,100	14.0	2,113	1.10	4.3	5.6	5.7	1.1	1.2	1.1	-	6.4	-
24	LienViet Post Bank	20,900	32.7	2,110	1.10	5.0	7.2	10.7	0.9	1.2	1.5	-	-	-
25	Sacombank	28,200	0.9	2,098	1.10	8.4	6.8	6.0	1.1	1.2	1.0	-	-	-

Fund	Bloomberg	ISIN	LEI	SEDOL	CUSIP	Listed
VEIL	VEIL LN	KYG9361H1092	213800SYT3T4AGEVW864	BD9X204	G9361H109	London (Main Market)
VEF-A	VIETNAM ID	IE00BD5HPH84		N/A	N/A	N/A
VEF-B	VIETEUR ID	IE00BV8WVB25	254900EVTJZ4VAUG4M43	N/A	N/A	N/A
VEF-C	VIETGBP ID	IE000LEKRJK0		N/A	N/A	N/A

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>

VEF
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