

Vietnam Equity (UCITS) Fund (VEF)



Quynh Le
Lead Portfolio Manager

At a Glance

- VEF's NAV increased 2.0%, slightly behind the VNI's 2.1% gain due to correction of retail stocks.
- We topped up our banking and brokerage names using proceeds from trimming materials stocks.
- The State Bank of Vietnam is considering removing credit quotas for individual banks, maintaining the overall sector's credit growth guidance.

Performance (%)

	Net Assets	NAV/Share	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
VEF A (USD)	\$251.21mn	\$33.94	19.7	2.0	7.4	19.8	-6.8	44.8	167.3
VEF B (EUR)	€71.44mn	€1,715.93	19.4	1.0	3.1	13.8	-1.7	44.8	N/A
VNI (Reference Index)	N/A	N/A	14.4	2.1	7.9	12.8	-6.4	32.7	131.8

Fund Commentary

We increased our banking holdings to a 34.5% weighting from 32.6% in August following indications from the SBV that it may remove lending quotas for certain banks. This change would provide these banks with enhanced flexibility to manage credit expansion. The SBV also plans to regulate the sector's total credit growth based on inflation and GDP targets, proposing a categorisation of banks into two groups: stronger banks will be allowed to expand without administrative quotas if they meet all safety criteria, while weaker banks will remain under more stringent regulation by both safety ratios and quotas. We believe that if implemented, this change will most benefit Tier-1 banks, all of which in our portfolio are projected to see profit growth increases from approximately 15% in 2024 to 18% in 2025. These banks are currently valued just slightly above their all-time low PB ratios, with private commercial banks at 1.2x PB and state-owned commercial banks (SOCBs) at 2.1x PB.

We increased the portfolio's weighting in brokers to 5.1% from 3.9% in August. The non-prefunding Circular for foreign institutional investors, effective 2 November 2024, marks a pivotal step towards Vietnam's potential upgrade to FTSE secondary EM status. We expect this to draw inflows from both active and passive foreign funds, boosting opportunities for brokers with significant market share in foreign entity transactions.

Our retail holdings have performed exceptionally well year-to-date, returning 42.5% in 9M24. However, September saw increased profit-taking as retail investors shifted their focus to other sectors, particularly banking and brokerages, which netted off some of the portfolio's gains.

Stock in Focus: Phu Nhuan Jewelry (PNJ)

Founded in 1988, PNJ is Vietnam's leading jewellery retailer/manufacturer with a market cap of \$1.3bn. With over 400 stores, it offers a broad spectrum of products from gold bars to high-end fashion. With Vietnam's expanding middle class and consumer preferences shifting toward branded outlets over traditional shops, PNJ is set to capture this evolving demand. This ties directly into VEF's investment focus on domestic consumption growth with PNJ a top-ten holding in the Fund.

PNJ's 8M24 net revenue reached \$1.1 bn, +27% YoY, with NPAT up 3% to \$52.2mn. Retail sales, which account for 53% of PNJ's total revenue, grew by 16% YoY, driven by a double-digit increase in its consumer base. However, margins were squeezed due to a 53% YoY surge in lower-margin gold tael trading, compared to a more modest 16% growth in higher-margin jewellery sales. This shift in sales mix resulted in a 1.7% contraction in PNJ's gross margin, although gold trading is expected to slow toward year-end. Additionally, rising SG&A expenses, mainly from salary and marketing costs, put further pressure on margins as PNJ continues to expand its marketing, design, and tech teams to better analyse and predict consumer behaviour. PNJ's store expansion remains on track, with nine net new stores added in 8M24, bringing the total to 409. The company has consistently gained market share, benefiting from limited competition due to strict regulations on gold sourcing and gold jewellery sales in Vietnam, positioning PNJ to capture even more market share. We expect the retail business to drive future growth, supported by recovering consumer spending, higher margins, and ongoing store expansion. We forecast PNJ's net revenue to reach \$1.7bn and NPAT to grow to \$103mn in 2025, up 12.2% and 17.2%, respectively. PNJ is currently trading at 13.8x 2024F EPS, a 16% discount compared to its three-year average.

Top Ten Holdings (59.7% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	CH (%)
FPT Corporation	FPT	Information Technology	9.4	3.7	1.0
Mobile World	MWG	Consumer Discretionary	9.3	1.9	-1.2
FPT Retail	FRT	Consumer Discretionary	7.1	0.5	-0.8
Phu Nhuan Jewelry	PNJ	Consumer Discretionary	6.2	0.6	-2.1
Sacombank	STB	Financials (Banks)	5.0	1.2	10.5
MB Bank	MBB	Financials (Banks)	4.9	2.6	4.7
Vietcombank	VCB	Financials (Banks)	4.6	9.7	1.6
VP Bank	VPB	Financials (Banks)	4.5	3.0	7.4
Asia Com. Bank	ACB	Financials (Banks)	4.4	2.2	5.1
Vietinbank	CTG	Financials (Banks)	4.3	3.8	6.7

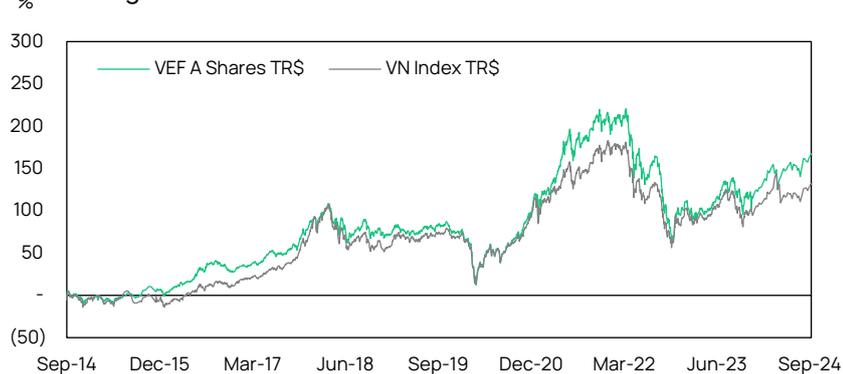
Sector Breakdown

Financials (Banks)	34.5
Consumer Discretionary	22.6
Information Technology	9.4
Industrials	9.0
Real Estate	8.6
Materials	6.9
Financials (Diversified)	5.1
Energy	3.0
Consumer Staples	0.1

Monthly Contribution

Financials (Banks)	1.9
Consumer Discretionary	-0.3
Information Technology	0.1
Industrials	-0.2
Real Estate	0.4
Materials	0.3
Financials (Diversified)	0.2
Energy	0.1
Consumer Staples	0.0

Rolling Ten Year Performance



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

Vietnam achieved 7.4% GDP growth in Q3, on track for the government's full-year 7.0% target despite typhoon Yagi's Impact



Hung Nguyen, CFA
Senior Economist

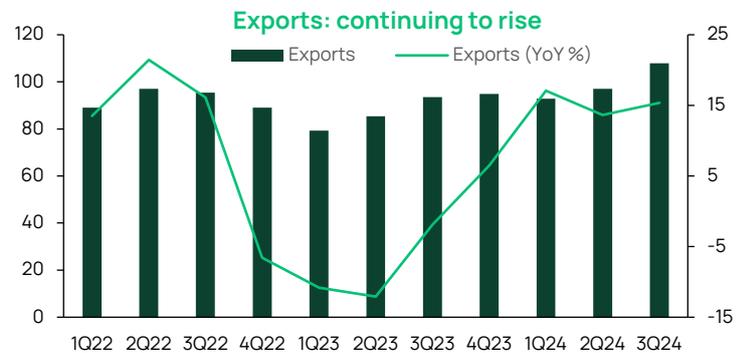
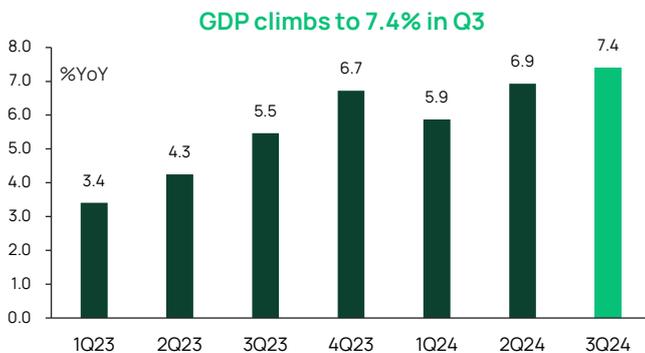
Macroeconomics:

- ▶ Vietnam's GDP growth was led by the industrial and construction sectors, contributing nearly half of the total GDP, a significant increase from earlier quarters.
- ▶ The approval of the \$65-70bn North-South high-speed railway is expected to create millions of jobs and add around 1.0% to annual GDP growth by 2035.
- ▶ Typhoon Yagi's damage may reach \$4-5bn but swift Govt. action is expected to limit GDP impact to ~0.2%.

Stock Market:

- ▶ The VNI rose 2.1% in September and 14.4% YTD (TR\$), still meeting resistance when trying to break 1,300.
- ▶ 3Q24 corporate earnings are projected to grow 16-18% YoY, aligning with expectations. China's unexpected stimulus package, a clearer path to EM status, and the non-prefunding circular approval rallied sentiment.
- ▶ Geopolitical tensions and inconsistent foreign cash flows may lead to potential short-term volatility.

CHART OF THE MONTH



Monthly Insights

Vietnam's economy grew by 7.4% YoY in Q3, accelerating from 6.9% in Q2 and 5.7% in Q1, with some northern provinces growing as much as 13.9%. The industrial and construction sectors were key contributors, expanding 9.1% YoY and accounting for 48.9% of total GDP. Within this, the processing and manufacturing sector increased 11.4%. Vietnam's export-import turnover also saw substantial gains, reaching \$212.4bn in Q3, +19.1% YoY. Key drivers of this growth include the ongoing strike in Bangladesh (the world's second-largest textile exporter), climate change impacts on agricultural markets, and the continued trend of manufacturers shifting production to Vietnam. The recovery of domestic consumption also contributed 47.0% to Q3's growth; September retail sales increased by 7.6% YoY and 8.8% in 9M24, driven by growth in accommodation and food services (+13.6% YoY) and travel services (+16.7% YoY). Credit growth improved by an estimated 8.5% YTD, compared to 6.6% over the same period in 2023, reflecting a more positive consumer outlook.

The Central Committee approved the investment policy for the North-South high-speed railway project in September. This ambitious project, with a total investment of \$65-70bn, will span 1,541 km from Hanoi to Ho Chi Minh City and reach speeds of 350km/hr. The investment is expected to create a construction market worth approximately \$33.5bn, creating significant opportunities for the sector. Including additional investments in rail infrastructure and equipment, this could swell to \$75.6bn, with vehicles and equipment worth \$34.1bn. Set for completion in 2035, the project is expected to create millions of jobs and add approximately 1.0% to annual GDP growth.

The fly in the ointment is public investment, with disbursement reaching 42.9% of the 2024 target, indicating projects await the amended Public Investment Law in October's National Assembly meeting. In contrast, private investment is making a strong comeback; 9M24 investment reached \$54.6bn, +7.1% YoY, accounting for 55.3% of total social investment. The agriculture, forestry, and fishery sectors were badly impacted by typhoon Yagi, growing by just 2.6% YoY in Q3. Economic damage from the typhoon is estimated at \$3.3bn, though this may rise to \$4-5bn. Thanks to the government's disaster relief plan of \$1-2bn to mitigate damage and accelerate infrastructure reconstruction, overall impact on GDP is forecast at 0.15-0.2%. Given Q3's strong GDP growth, FY24 GDP is on target to reach 6.8-7.0%.

Underlying drivers have exhibited significant improvement for the VNI, primarily buoyed an enhanced macroeconomic outlook and appealing valuations (2025F PE and EPS growth for our top-80 universe is 10.1x and 17%, respectively). Despite these positive indicators, we believe short-term volatility will return, influenced in part by ongoing global conflicts and potential erratic foreign capital flows (foreign net selling was down from \$152mn in August to \$67.7mn in September). 3Q24 corporate earnings are projected at +16-18% YoY, aligning with expectations and no major surprises. The outlook for the medium-term remains optimistic; political and regulatory frameworks are crystallising, providing clearer direction for market participants, with the National Assembly expected to discuss the Securities Law in October aimed at enhancing efficiency and transparency. Additionally, the 2025 forward PE may not alone reflect the market's potential, particularly as Vietnam edges closer to emerging market reclassification. With this upgrade expected to create substantial interest and investment, we are seeing some emerging market investors such as Mobius Capital already increasing their exposure to Vietnam.

Key Indicators

Item	Unit	2019	2020	2021	2022E	2023E	2024F
GDP	\$bn	334.4	346.6	366.1	408.8	430.0	465.6
Real GDP Growth	%	7.4	2.9	2.6	8.0	5.1	6.8
Services Growth	%	7.3	2.5	1.2	10.0	6.9	7.5
Agriculture Growth	%	2.0	2.8	2.9	3.4	2.6	3.0
Ind'l and Const'n Growth	%	8.9	3.3	4.1	7.8	3.5	7.8
Retail Sales Growth	%	11.8	2.6	-3.8	10.2	8.3	6.4
Prices							
CPI (Average YoY)	%	2.8	3.2	1.8	3.2	3.3	4.0
Money, FX and Interest Rates							
Money Supply M2	%	14.8	14.5	8.9	6.2	12.5	12.7
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	25,500
External Sector							
Trade Balance	\$bn	10.8	19.9	3.3	12.4	28.0	25.1
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	4.4
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	86.0
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	30.1
Fiscal Balance (% GDP)	%	-2.6	-3.4	-4.0	-3.6	-4.0	-3.6

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Sep-23	30-Sep-24	30-Sep-23	30-Sep-24	30-Sep-23	30-Sep-24	30-Sep-23	30-Sep-24
Market cap (\$m)	190,379	214,770	13,035	13,453	44,568	58,411	247,982	286,634
Number of stocks	394	394	330	311	859	884	1,583	1,589
Number of large cap stocks (> \$400m)	67	76	11	11	18	17	96	104
Stocks with no room for foreigners	61	60	94	93	223	269	378	422
Market cap of stocks with no room (\$m)	23,323	17,504	2,026	1,900	13,082	19,802	38,431	39,206
Share of Market Cap with No Room (%)	12.3	8.1	15.5	14.1	29.4	33.9	15.5	13.7

Top 25 Companies by Market Cap

No	Company	30-Sep 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	92,000	14.6	20,895	9.70	14.4	15.6	16.7	2.8	2.7	2.6	0.9	-	-
2	BIDV	49,700	14.5	11,513	5.40	14.1	15.2	15.0	2.0	2.1	2.1	0.2	0.1	-
3	Airports Corporation VN	103,800	57.3	9,182	-	32.8	22.1	28.1	4.2	2.9	3.7	-	-	-
4	Vietinbank	36,950	36.3	8,063	3.80	9.2	8.5	9.6	1.2	1.2	1.3	2.9	-	-
5	FPT	134,500	62.1	7,982	3.70	16.9	20.6	27.9	3.9	4.9	6.6	2.6	2.4	2.0
6	Vinhomes	42,800	-0.9	7,573	3.50	7.2	5.6	6.6	1.4	1.0	0.9	4.5	-	-
7	PV Gas	73,200	6.5	6,968	3.20	12.0	14.2	16.9	2.9	2.5	2.5	3.0	4.1	4.0
8	Techcombank	24,200	56.9	6,928	3.20	4.5	6.2	7.7	0.8	0.8	1.2	0.1	-	3.1
9	Hoa Phat Group	26,350	3.7	6,849	3.20	12.6	24.3	14.3	1.1	1.6	1.5	2.2	-	1.3
10	Vingroup	42,000	-5.8	6,526	3.00	23.4	79.1	546.9	1.9	1.5	1.3	1.7	-	-
11	VP Bank	20,100	10.3	6,480	3.00	6.0	14.5	11.3	1.1	1.1	1.1	-	5.2	2.7
12	Vinamilk	70,100	8.7	5,953	2.80	19.2	17.0	16.3	4.9	4.3	4.5	5.1	5.8	5.5
13	Masan Consumer	199,000	153.4	5,860	-	8.4	7.9	17.8	2.1	2.2	4.3	0.2	0.4	-
14	Military Bank	25,700	40.8	5,542	2.60	4.4	4.7	6.2	1.0	1.0	1.2	-	2.3	-
15	ACB	25,750	28.3	4,674	2.20	5.1	5.7	6.4	1.2	1.3	1.3	-	3.6	1.6
16	Masan Group	75,700	13.0	4,425	2.10	37.1	229.0	68.3	5.1	3.6	3.9	1.0	0.3	0.2
17	Mobile World	68,100	60.4	4,046	1.90	15.0	370.4	24.4	2.6	2.7	3.6	1.2	1.2	0.8
18	HD Bank	28,200	44.6	3,338	1.60	4.7	5.6	6.9	1.0	1.3	1.5	-	4.3	-
19	LienViet Post Bank	31,950	102.9	3,321	1.50	5.0	7.2	13.6	0.9	1.2	2.2	-	-	-
20	Binh Son Refining	24,100	29.6	3,036	-	2.7	6.7	16.2	0.8	1.0	1.3	3.3	3.8	2.9
21	Sabeco	57,800	-2.8	3,012	1.40	19.5	18.9	17.5	4.3	3.2	3.1	2.3	4.2	6.1
22	Becamex IDC	70,200	11.6	2,953	1.40	48.8	26.9	30.0	4.9	3.5	3.5	0.9	1.3	-
23	Sacombank	33,350	19.3	2,555	1.20	8.4	6.8	7.1	1.1	1.2	1.2	-	-	-
24	VEAM Corp	44,800	30.2	2,419	-	6.4	7.4	10.1	1.9	1.8	2.4	11.5	12.3	11.2
25	VIB	19,300	22.1	2,336	1.10	4.3	5.6	7.5	1.1	1.2	1.2	-	6.4	-

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

Price Providers	Funds	Bloomberg	Contact
Jefferies International	VEIL	JCEF	Michele White / Trevor Hunt +44 207 898 7127 invcos@jefferies.com
SEI Investments	VEF	-	Transfer Agency Department TADublin@seic.com

VEF
Subscription & Withdrawals Daily
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Marketing / Investor Relations	
Will Ross	willross@dragoncapital.com
Rachel Hill	rachelhill@dragoncapital.com
Ailsa Cuthbert	ailsacuthbert@dragoncapital.com
Kenji Hamada	kenjiamada@dragoncapital.com
Steven Mantle	stevenmantle@dragoncapital.com
Thanh Le	thanhle@dragoncapital.com

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