

# Vietnam Equity (UCITS) Fund (VEF)



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Lead Portfolio Manager

### At a Glance

- VEF's NAV slipped 4.8% vs the VNI's 5.0% decline as cautious sentiment triggered profit-taking ahead of the US election.
- The Fund saw both redemptions and inflows while sector allocation remained almost unchanged.
- The portfolio is on track for c.20% EPS growth in 2024.

### Performance (%)

	Net Assets	NAV/Share	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
VEF A (USD)*	\$245.41mn	\$32.30	14.0	-4.8	1.4	29.5	-17.0	38.5	152.3
VEF B (EUR)*	€67.30mn	€1,691.74	17.7	-1.4	1.6	27.5	-8.9	45.7	N/A
VNI (Reference Index)	N/A	N/A	8.6	-5.0	1.0	21.3	-17.5	25.7	119.6

### Fund Commentary

October presented a challenging environment for both the Vietnam equity market and the Fund, as increased investor caution ahead of the US presidential election led to a market pullback. With the Vietnam Index up 14.4% and the Fund achieving a 19.8% gain in the first nine months of 2024, it was understandable that investors sought to secure profits and mitigate potential election-driven volatility. In response, we focused our portfolio activities on managing redemptions and raising our cash reserves to 3%, slightly above typical levels.

Despite these challenges, VEF benefitted from intermittent inflows that helped offset outflows, allowing us to selectively adjust positions in banks and property stocks while maintaining a consistent overall sector allocation. We reduced on strength stocks that outperformed the market and reallocated capital to names that have lagged but are showing improved business results and potential for recovery and greater upside potential.

Overall, third quarter earnings across the portfolio largely met our expectations, positioning the Fund to achieve an estimated 20% EPS growth by year-end. While we recognise that election-related uncertainties may amplify market sensitivity and dampen sentiment, we remain focused on stocks with strong long-term fundamentals, anticipating that these will rebound as clarity returns. Our confidence is further bolstered by the Vietnamese government's commitment to economic development and improved living standards, highlighted by its goal to increase GDP per capita to \$7,500-8,000 by 2030, from the current \$4,347.

### Stock in Focus: FPT Retail (FRT)

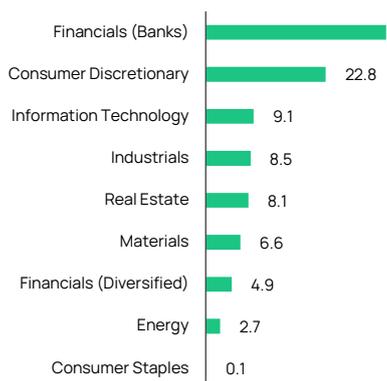
Established in 2012, FPT Retail is a subsidiary of FPT Corporation, initially known for its retail operations in phones and consumer electronics under the "FPT Shop" brand. FRT has grown to become the second-largest retailer in this market segment. In 2018, FRT used profits from this business to acquire Long Chau, a reputable pharmacy chain with a handful of stores in Ho Chi Minh City. FRT has since built Long Chau into a profitable and leading pharmaceutical chain with over 1,800 stores nationwide. In addition to medications and supplements distribution, Long Chau is evolving into a comprehensive healthcare platform, with over 100 vaccination centres and future plans to expand into diagnostics and clinics. With Vietnam's rising middle class and increased spending on healthcare, FRT ties directly into VEF's key investment theme of domestic consumption.

In 9M24, FRT's net revenue reached \$1.1bn, a 24% YoY increase, with NPAT returning to positive territory after last year's losses from the phone and consumer electronics price war. Long Chau continues to thrive with revenue climbing 62.3% on the back of the aggressive expansion of 465 new stores while maintaining monthly revenue per store of approximately \$45,000. FPT Shop also saw significant improvement as the phone and electronics price war subsided, with profit rebounding monthly as sales per store reached VND 2.1bn – a seven-quarter high. Overall, FRT's 3Q24 NPAT hit a nine-quarter high, and we expect strong 2024 earnings on exceptional results at Long Chau and improved profitability at FPT Shop. Looking ahead, we forecast approximately 100% earnings growth for FRT in 2025, driven primarily by Long Chau, with plans to add another 350 stores as it seeks to consolidate Vietnam's fragmented pharmaceutical retail market. An IPO for Long Chau is also anticipated in the near future, providing additional growth potential for FRT.

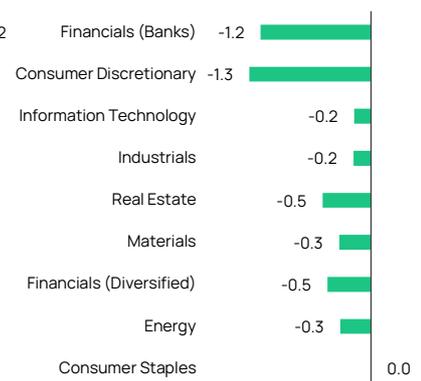
### Top Ten Holdings (59.7% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	CH (%)
Mobile World	MWG	Consumer Discretionary	9.3	1.9	-5.9
FPT Corporation	FPT	IT	9.1	3.9	-1.9
FPT Retail	FRT	Consumer Discretionary	7.3	0.5	-6.6
Phu Nhuan Jewelry	PNJ	Consumer Discretionary	6.2	0.6	-4.8
VP Bank	VPB	Financials (Banks)	5.2	3.1	-2.1
Vietcombank	VCB	Financials (Banks)	4.7	9.9	-3.2
MB Bank	MBB	Financials (Banks)	4.7	2.6	-5.5
Sacombank	STB	Financials (Banks)	4.6	1.3	1.3
Asia Com. Bank	ACB	Financials (Banks)	4.4	2.2	-5.3
Vietinbank	CTG	Financials (Banks)	4.2	3.6	-8.7

### Sector Breakdown



### Monthly Contribution



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## Weathering typhoons and tariffs; Vietnam's scenarios and strategies under Trump 2.0



**Hung Nguyen, CFA**  
Senior Economist

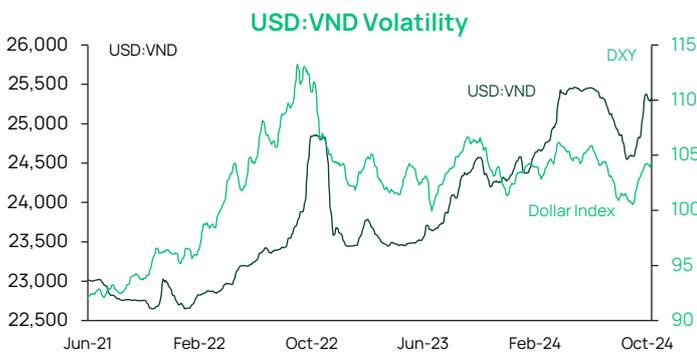
### Macroeconomics:

- ▶ PMI improved to 51.2 in October from 47.3 in September, indicating economic recovery post-Typhoon Yagi.
- ▶ The Vietnamese dong depreciated by 2.9%, the most significant decline in two years, amidst global currency shifts ahead of Trump 2.0.
- ▶ Potential exchange rate volatility may limit the scope for further monetary easing, emphasising the need for enhanced fiscal policy implementation.

### Stock Market:

- ▶ Foreign outflows from the VNI persisted, totalling \$388.8mn in October and \$3.0bn YTD, ahead of the non-prefunding circular implemented in early November.
- ▶ The VNI declined 4.5% in October and 9.2% YTD in TR\$ terms, driven by foreign selling, domestic profit-taking, and a strengthening DXY.
- ▶ 3Q24 net profit for our Top-80 universe was 19.0% YoY, in line with our full-year 2024 target of 16-18%.

## CHARTS OF THE MONTH



## Monthly Insights

Vietnam's economic indicators recovered well following September's Typhoon Yagi. PMI rebounded to 51.2 from 47.3 in September and the trade sector showed positive activity; exports reached approximately \$35.6bn, +10.1% YoY, and imports rose to \$33.6bn, +13.8% YoY. Trade activity is also expected to increase in the coming months, influenced by the year-end holiday season and potential stockpiling efforts by manufacturing companies. Consequently, Vietnam's total trade could reach \$780bn in 2024, up 15.5% YoY, with the trade surplus potentially reaching \$25bn.

The appreciation of the USD in October, driven by expectations of policy changes under a second Trump term, exerted additional pressure on emerging market currencies, which saw the VND depreciate 2.9%, its sharpest monthly decline in two years. Total USD deposits in Vietnam's banking system fell from approximately \$42bn in 2022 to \$39.5bn in 2024, corresponding to a drop from 12.1% of GDP to 8.6%. This reduction, alongside a drawdown of more than \$20bn from foreign reserves from a peak of \$110bn, has increased the VND's sensitivity to global dollar fluctuations. The impending maturity of a USD-denominated offshore government bond with a value of \$1.1bn, and a renewed preference among local businesses and citizens to hold USD, has added short-term pressure.

FDI flows into Vietnam remain consistently strong, indicating recent fluctuations in the exchange rate were partly driven by local speculative activities, which are expected to remain in the short term. To stabilise the market the State Bank of Vietnam (SBV) responded swiftly, issuing SBV-bills to keep interbank rates above 4.0% p.a. and manage the USD-VND differential, an effective strategy that has been used on several occasions to drain excess liquidity from the banking system. The central bank also committed to direct FX interventions from its reserves as required. Following these interventions, the VND's depreciation has eased, with the exchange rate currently trading around 25,300-25,400 VND per USD, close to the SBV's selling rate. We believe the exchange rate will likely experience continued volatility as global market and exchange rate dynamics unfold, indicating limited scope for further monetary easing and necessitating greater emphasis on fiscal policy implementation.

The potential for substantial global economic and financial market fluctuations under Trump 2.0 poses two scenarios for Vietnam. The first involves intensified US protectionist measures, potentially applying a broad spectrum of tariffs on US imports, which could reduce global merchandise trade volumes, impacting Vietnam's \$400bn of exports, of which nearly \$100bn go to the US. This scenario could reduce Vietnam's GDP growth by 0.9-1.1% to around 6.0% in 2025 and slow corporate earnings growth to mid-single digits from the current forecast of 16-18%. The second and more probable scenario involves selective tariffs on specific countries or products, which could ultimately benefit Vietnam through tariff differentials with China as foreign firms look to relocate supply chains to the region, helping to realise the 7.0% GDP growth target.

Overall, Vietnam's economic and trade outlook remains relatively positive, strengthened by a pro-growth leadership that could potentially bring more opportunities than risks. On the downside, the strengthening of the dollar could continue to drive foreign outflows from Vietnam's equity markets, which are already at \$3.0bn YTD. Nonetheless, Vietnam's Q3 earnings season closed on a high note, with our Top-80 universe achieving net profit increases of 19.0% YoY. These results underscore the resilience of Vietnam's equity market and support our growth expectations of 16-18% in 2025. With our Top-80 universe trading at a forward PE of 11.6x based on projected 2024 earnings, compared to the five-year historical average of 13.9x, the market appears well-supported by value-focused domestic investors, suggesting limited scope for further de-rating.

## 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
<b>Prices</b>							
CPI (Average YoY)	%	2.8	3.2	1.8	3.2	3.3	4.0
<b>Money, FX and Interest Rates</b>							
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
<b>External Sector</b>							
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
<b>Public Debt Fiscal Balance</b>							
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	
	31-Oct-23	31-Oct-24	31-Oct-23	31-Oct-24	31-Oct-23	31-Oct-24	31-Oct-23	31-Oct-24
Market cap (\$m)	168,566	205,575	11,373	12,623	41,090	58,193	221,029	276,392
Number of stocks	394	394	330	312	860	881	1,584	1,587
Number of large cap stocks (> \$400m)	64	75	9	10	17	17	90	102
Stocks with no room for foreigners	62	65	94	94	227	266	383	425
Market cap of stocks with no room (\$m)	20,715	18,865	1,825	1,792	12,821	19,899	35,361	40,556
Share of Market Cap with No Room (%)	12.3	9.2	16.1	14.2	31.2	34.2	16.0	14.7

## Top 25 Companies by Market Cap

No	Company	31-Oct Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2023 (x)	2024E (x)	2025E (x)	2023 (x)	2024E (x)	2025E (x)	2023 (%)	2024E (%)	2025E (%)
1	Vietcombank	93,600	16.6	20,686	10.10	15.6	17.1	15.5	2.7	2.6	2.2	-	-	-
2	BIDV	47,750	10.0	10,763	5.20	15.2	15.2	13.2	2.1	2.0	1.7	0.1	-	-
3	Airports Corporation VN	118,000	78.8	10,158	-	22.1	31.9	26.3	2.9	4.2	3.5	-	-	-
4	FPT Corporation	135,900	63.7	7,905	3.80	20.6	28.4	23.7	4.9	6.7	5.8	2.4	2.0	2.3
5	Vietinbank	35,700	31.7	7,581	3.70	8.5	9.3	7.4	1.2	1.3	1.1	-	-	-
6	Vinhomes	41,500	-3.9	7,146	3.50	5.6	6.4	6.2	1.0	0.9	0.8	-	-	-
7	Hoa Phat Group	26,900	5.9	6,804	3.30	24.3	13.9	11.0	1.6	1.5	1.4	-	1.3	1.7
8	Techcombank	23,900	55.0	6,658	3.20	6.2	7.6	6.4	0.8	1.1	1.0	-	3.2	3.3
9	PV Gas	70,500	2.6	6,531	3.20	14.2	16.3	16.8	2.5	2.4	2.3	4.1	4.2	4.2
10	VP Bank	20,450	12.2	6,416	3.10	14.5	10.7	9.1	1.1	1.1	1.0	5.2	2.9	3.4
11	Vingroup	41,550	-6.8	6,282	3.10	79.1	541.0	559.2	1.5	1.3	1.3	-	-	-
12	Masan Consumer	209,700	167.0	6,009	-	7.9	18.8	16.8	2.2	4.4	3.5	0.4	-	-
13	Vinamilk	66,100	2.5	5,463	2.70	17.0	15.9	15.3	4.3	4.3	4.1	5.8	5.9	5.9
14	MB Bank	25,050	37.3	5,256	2.60	4.7	6.1	5.0	1.0	1.2	1.0	2.3	-	-
15	Asia Commercial Bank	25,400	26.5	4,486	2.20	5.7	6.7	5.9	1.3	1.3	1.1	3.6	1.6	1.8
16	Masan Group	76,600	14.3	4,357	2.10	229.0	51.0	27.7	3.6	3.8	3.4	0.3	0.2	0.2
17	Mobile World	66,500	56.6	3,844	1.90	370.4	23.8	17.6	2.7	3.5	3.1	1.2	0.8	1.6
18	LienViet Post Bank	32,950	109.2	3,332	1.60	7.2	10.6	9.4	1.2	2.0	1.7	-	-	-
19	HD Bank	26,900	38.0	3,098	1.50	5.6	6.0	5.0	1.3	1.4	1.1	4.3	-	-
20	Sabeco	55,200	-7.2	2,800	1.40	18.9	16.7	15.9	3.2	3.0	3.0	4.2	6.3	6.3
21	Becamex IDC	67,100	6.7	2,746	1.30	26.5	28.7	27.0	3.5	3.4	3.3	1.3	-	-
22	Sacombank	35,200	25.9	2,624	1.30	6.8	7.5	6.2	1.2	1.2	1.0	-	-	-
23	Binh Son Refining	21,200	17.3	2,599	-	6.5	57.3	27.7	1.0	1.2	1.2	3.8	3.4	3.4
24	VEAM Corp	45,300	31.7	2,380	-	7.4	9.4	9.1	1.8	2.4	2.4	12.3	11.1	10.3
25	Vietjet Air	105,000	-2.8	2,249	1.10	253.7	26.2	21.3	3.8	3.3	2.9	-	-	-

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

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