



MARKET REVIEW AND OUTLOOK

Another sharp drop as VNI fell 12.7% on charges against developer

The incident ignited investor panic

Bank run controlled, but bond- and stock-market anxieties are harder to manage

3Q results had no impact on sentiment

Cloudy outlook but exceptionally attractive valuations

The VNI fell 12.7% in Oct to 1028, and briefly touched a low of 986, following charges being brought against senior management of one of the country's top property developers. Average daily turnover fell by 16% on the HOSE to \$477m and by 18% on the combined exchanges, to \$517m. Foreigners sold \$60m worth of equities, bringing the 10-month exodus to \$79m.

The person of interest, Mrs. Truong My Lan, is the Chairwoman of Van Thinh Phat (VTP), which has major real estate projects all over Vietnam, and is a leading bond issuer. The incident stoked investor fears about a property-sector implosion that would suck in the financial sector.

A run started on SCB, but the Government acted quickly to guarantee customer deposits there, and the crisis was stanch. SBV also sent senior managers from SOCBs and private banks to SCB to help it stabilize the situation. A run on corporate bonds, particularly developer bonds, was less easy to control. Liquidity in that market disappeared, and remains non-existent, except when issuers use cash reserves for early buy-backs. Developer stocks were hammered, with small- and mid-cap names falling 20-40%. Banks showed a similar pattern, though a couple majors involved in corporate bond distribution were slammed: TCB -30% and MBB -15%. The concern is anyone involved in selling bonds will now be forced to redeem them. Adding fuel to the fire, some brokers have reduced margin lending for certain property stocks.

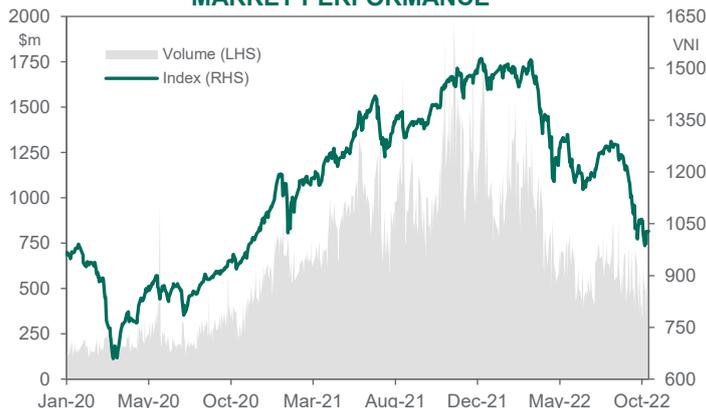
Sentiment was not helped by 3Q results. Our Top 80 NPAT, adjusted for free float, rose 4.2% yoy but fell 9.4% qoq. Banks continued to show good numbers yoy, with NPAT +52%, but their qoq posting was also negative 4.1%. Higher input costs, rising interest expenses and FX losses wiped out robust sales growth. Commodities were hit by fluctuating global prices, with oil retailers and refiners seeing their profit plunge, and steelmakers booking losses. Steel giant HPG was an extreme case, recording the biggest quarterly loss in its history of \$72m. This reflected surging input costs, and translation of USD denominated debt, combined with a downturn in sales driven by falling exports and the slowing property sector at home.

Amid restrictive monetary conditions, we maintain our cautious view on developers and anticipate a subpar outlook for banks. Thus, we expect modest earnings growth next year. However, valuations are close to a 10-year low: 10.7x 2022 trailing PER, and 7.9x 2023. A lot of risk is being priced in. But it remains to be seen how much higher interest rates will go and what sort of further crises may develop globally. And, most importantly, what the Government finally does on financial-sector policy.

DC TOP-80 FORECASTS

31-Oct-22	Unit	2020	2021	2022F	2023F
PER	x	13.9	14.7	8.3	7.9
EPS Growth	%	5.6	38.9	9.9	5.2
PEG	x	2.5	0.4	0.8	1.5
Sales Growth	%	2.2	22.0	16.2	9.8
EBIT Growth	%	3.2	50.8	12.9	14.3
PBT Growth	%	5.8	38.0	12.6	5.8
NPAT Growth	%	5.9	41.9	11.3	5.2
Net DER	x	0.4	0.3	0.1	0.0
Yield	%	1.4	1.0	1.5	1.5

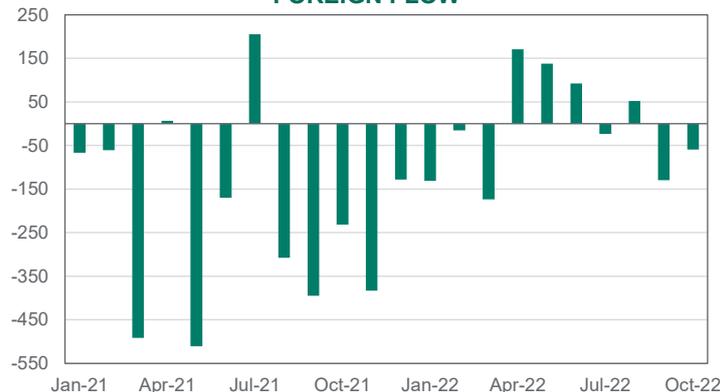
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGN FLOW



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



ECONOMY REVIEW AND OUTLOOK

2022 growth outlook is constructive, but concerns remain

The economy stayed on track for ca 8% growth in 2022. Industrial production increased 6.3% yoy in Oct and retail sales climbed 20.2%. Trade was impressive as 10M exports rose 16.0% yoy to \$312.9bn, while imports were up 12.2% at \$303.4bn, resulting in a surplus of \$9.6bn, compared with \$0.1bn in 10M21. Nov-Dec may be less buoyant, but a full-year surplus of \$7-8bn looks feasible. Inflation ticked up to +4.3% yoy from +3.9% in Sep, so it remains on a rising trend, but no worse than in East Asian peers. The Government wants average inflation to be a maximum 4% in 2022 and that seems realistic. All good, but clouds are present on the horizon.

Underwhelming progress on infrastructure, near-static money supply

Infrastructure investment continues to fall short of targets, reflected in a 10M fiscal surplus of nearly \$10bn. Infrastructure disbursement has amounted to only \$13.7bn ytd, barely 55% of the official plan, and there is still \$43bn of unspent Government money piled up at the State banks. This compounds the contractionary policies resulting from the corporate-bond crackdown and currency defense, with M2 up by just 3.1% ytd.

Still-weakening currency even though official flows appear to be strong

In terms of currency flow, things look robust on paper ytd, with \$17.7bn of disbursed FDI, \$9.0bn of remittances and the \$9.4bn trade surplus. The current account is nonetheless in deficit – some \$4.5bn ytd as of Jun. And errors and omissions were a colossal \$11.4bn in 1H22, most probably continuing into 3Q. Disbursed FDI has a large component of money that is already on-shore, and now inflows are being offset by repatriations. Remittances are well down from last year and are being heavily hoarded. The same is true of trade-surplus proceeds. Hard currency is there, but it is not making its way to the SBV. So the VND staged its biggest monthly drop since 2011, falling 4.1% in Oct to 24,842 against the USD.

Rate hikes and incremental depreciation will likely continue

To stabilize the FX market, the SBV undertook three key measures in Oct: (a) selling FX reserves; (b) widening the FX band from $\pm 3\%$ to $\pm 5\%$; and (c) lifting the VND interbank rate by another 100 bps. The latter move has translated into a 7.5-8.0% rate on 12-month deposits, giving positive real rates of 4-5%, which ought to help the VND. Going forward, the SBV will not be able to rely on liquidation of reserves. Policy from here will have to be a mix of rate hikes and incremental depreciation. If the Fed opts for a terminal 5% (or more), Vietnam will likely follow with another 100-200 bps.

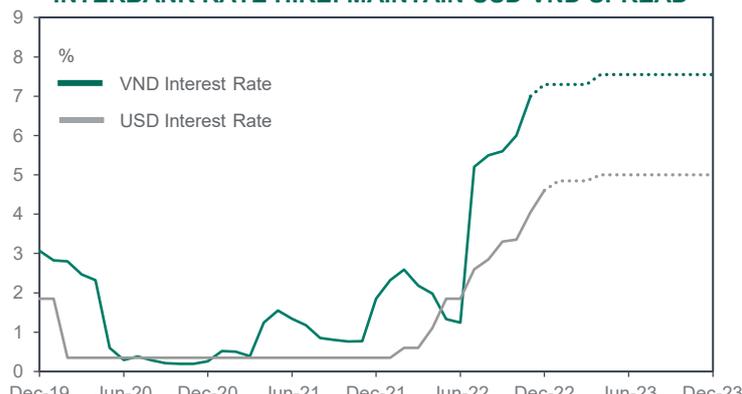
Fed's pause could ease liquidity in 1H23

Liquidity remains tight, due to external and domestic factors, and the pressure is not over yet. But there should be some let-up once the Fed pauses, presumably sometime in early 2023. This will open the way for GDP to achieve the Government's target of 6.5% growth.

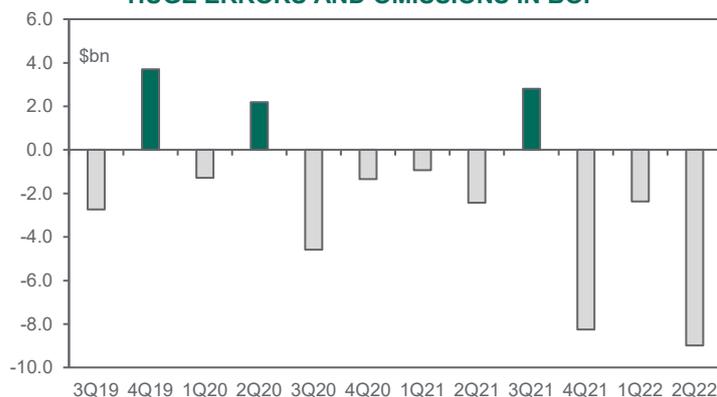
ECONOMIC FORECASTS

31-Oct-22	unit	2020	2021F	2022F	2023F
Real GDP Gro	%	2.9	2.6	7.8	6.5
Nominal GDP	\$bn	346.6	366.1	373.3	403.4
CPI (average)	%	3.2	1.8	3.5	4.5
Export Gro (cif)	%	6.5	19.0	11.3	8.7
Import Gro (cif)	%	3.6	26.7	10.2	7.6
Trade Bal (cif)	\$bn	19.1	3.3	7.4	12.0
FX Reserves	\$bn	98.0	106.5	85.0	80.0
FDI Disbursed	\$bn	20.0	19.8	21.8	22.2
VND:\$	1	23,085	22,800	25,500	26,265

INTERBANK RATE HIKE: MAINTAIN USD-VND SPREAD



HUGE ERRORS AND OMISSIONS IN BOP



VND VS PEERS





VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

The market's sharp fall in Sep carried over into Oct as investors continued selling on concerns of liquidity issues facing local corporates. Against that backdrop, VEIL fell 14.6%, lagging the VN Index by 1.9%. For the second month in a row, all of VEIL's top-10 holdings ended the month lower. And five of the top-10 holdings fell by double digits although only three actually underperformed the market's 12.7% fall.

Mobile World Group's (MWG) 22.5% fall made it the biggest decliner of the Fund's top-10 holdings. Whilst there was nothing that stood out from its Sep monthly report as being particularly bad, the share price fell significantly from the beginning of the month on concerns and speculation that MWG is exposed to sizable bond holdings of Van Thinh Phat. The company had to, via a public announcement on its website, clarify the size of its bond holdings (only around 10% of its total cash and short-term investments). Additionally, all the bonds are of short duration (three months or less), spread out across 10 issuers, 80% are non-property and none of them is related to any of the troubled issuers that have been mentioned in the media.

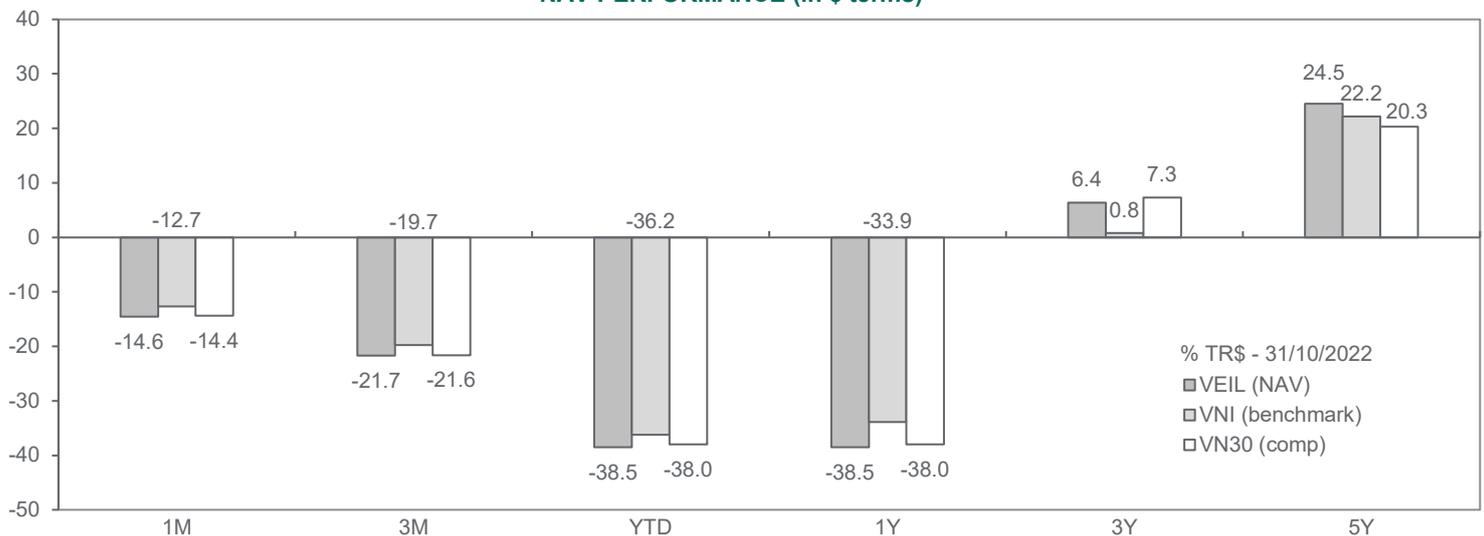
Vinhomes (VHM) sold off along with the rest of the property sector despite posting a record quarterly profit in 3Q22. Indeed, VHM's \$583m net profit after minority interest was the highest quarterly profit ever recorded by any listed company in Vietnam. VHM is also in a very strong financial position with a net debt to equity ratio of only 0.17 at end-3Q22. Similarly, MBB, the last of the Fund's three top-10 holdings that underperformed the market this month, also posted the highest quarterly profit level in its history. Nevertheless, in a volatile market, quarterly earnings sometimes can be seen as a lagging indicator, whilst short-term share prices are more susceptible to rumours and sentiment-driven selling.

On a more positive note, investors continue to focus on companies that historically have been perceived as being more conservative. In the banking sector, Asia Commercial Bank and Vietcombank both held up remarkably well. And FPT Corp. (FPT) and Phu Nhuan Jewelry (PNJ) also outperformed the market in this difficult time, as well as PVGas, a company that is seen as a big beneficiary of high oil prices.

PRICE AND NAV DATA

Net Assets	NAV/Share	Cash (% of AUM)	Price	NAV Change (%)		Price Change (%)		Std. Dev.	Sharpe Ratio
			EOD	Monthly	YTD	Monthly	YTD		
\$1,552.9m	\$7.51	10.36	-	-14.6	-38.5	-11.0	-39.0	31.48	0.04
£1,348.8m	£6.52		£5.49	-17.2	-27.6	-13.7	-28.2	-	-

NAV PERFORMANCE (in \$ terms)



TOP 10 HOLDINGS (62.7% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 ACB	Banks	1.9	12.2	-3.1
2 VP Bank	Banks	2.7	11.6	-12.7
3 Mobile World	Retail	1.9	10.6	-22.5
4 FPT Corporation	Software	2.0	5.2	-9.8
5 PV Gas	Energy	5.2	4.6	-3.0
6 Vietcombank	Banks	8.5	4.5	-3.5
7 Becamex IDC	Property	2.1	4.0	-12.5
8 Vinhomes	Property	4.8	3.8	-14.7
9 Phu Nhuan Jewelry	Retail	0.6	3.1	-6.5
10 Military Bank	Banks	2.0	3.1	-15.0

DISCOUNT TO NAV





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2015	2016	2017	2018	2019	2020	2021	2022F
GDP									
GDP	\$bn	239.5	257.1	281.4	310.1	334.4	346.6	366.1	373.3
Real GDP Growth	%	7.0	6.7	6.9	7.5	7.4	2.9	2.6	7.8
Services Growth	%	6.3	7.0	7.4	7.0	7.3	2.5	1.2	8.8
Agriculture Growth	%	2.4	1.4	2.9	3.8	2.0	2.8	2.9	2.8
Ind'l and Const'n Growth	%	9.6	7.6	8.0	8.9	8.9	3.3	4.1	8.1
Retail Sales Growth	%	9.5	10.2	10.9	11.7	11.8	2.6	-3.8	10.8
Prices									
CPI (Average YoY)	%	0.6	2.7	3.5	3.5	2.8	3.2	1.8	3.5
Money, FX & Interest Rates									
Money Supply M2	%	16.2	18.4	15.0	12.4	14.8	14.5	8.9	8.5
Average Lending Rate	%	8.6	9.0	9.3	9.5	9.7	8.6	8.5	9.7
5-yr VGB	%	6.6	5.5	4.3	4.5	1.9	1.1	0.9	3.8
VND : \$	\$1	22,540	22,750	22,750	23,235	23,150	23,085	22,800	25,500
External Sector									
Trade Balance	\$bn	-3.5	1.8	2.1	6.8	9.4	19.1	3.3	7.4
Current Account	\$bn	-2.0	0.6	-1.6	5.8	12.2	14.9	-4.9	-1.7
Current Account / GDP	%	-0.9	0.2	-0.6	1.9	3.6	4.3	-1.0	-0.4
FDI Registered	\$bn	22.8	24.4	35.9	35.5	36.0	28.5	31.2	37.7
FDI Disbursement	\$bn	14.5	15.8	17.5	19.1	20.4	20.0	19.8	21.8
FX Reserves	\$bn	31	41.1	52.0	61.0	80.0	98.0	106.5	85.0
Public Debt & Fiscal Balance									
External Debt	\$bn	80.9	91.4	109.2	112.1	122.8	130.1	138.8	146.0
<i>Government</i>	\$bn	39.6	42.9	46.3	47.0	47.7	49.0	47.9	49.5
<i>Enterprises (incl. FDI)</i>	\$bn	41.2	48.5	62.9	65.1	75.0	81.1	90.9	96.5
External Debt (% GDP)	%	33.8	35.6	38.8	36.2	36.7	37.5	37.9	36.0
Fiscal Balance (% GDP)	%	-3.3	-3.0	-2.6	-2.9	-2.6	-3.4	-4.0	-5.1



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Oct-21	31-Oct-22	31-Oct-21	31-Oct-22	31-Oct-21	31-Oct-22	31-Oct-21	31-Oct-22
Market Cap (\$m)	246,214	165,139	19,445	10,309	64,842	41,844	330,501	217,292
Number of Stocks	402	401	342	341	896	860	1,640	1,602
Number of Large Cap Stocks (> \$400m)	71	57	12	5	27	14	110	76
Stocks with No Room for Foreigners	16	16	1	1	1	1	18	18
Market Cap of Stocks with No Room (\$m)	40,044	29,188	13	9	540	7	40,597	29,204
Share of Market Cap with No Room (%)	16.3	17.7	0.1	0.1	0.8	0.0	12.3	13.4

Top 25 Companies

No	Company	31-Oct	Price	Mkt	Wt	PER			PBV			Yield		
		Price	YTD	Cap	in VNI	2021	2022E	2023E	2021	2022E	2023E	2021	2022E	2023E
		(VND)	(%)	(\$m)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
1	Vietcombank	73,500	-6.7	13,999	8.51	19.6	15.0	12.1	3.4	2.6	2.1	0.5	-	-
2	PV Gas	111,100	18.6	8,558	5.20	21.1	15.9	21.7	3.5	3.6	3.4	3.3	3.2	3.2
3	Vingroup	55,400	-41.7	8,504	5.17	neg	34.0	57.6	3.6	2.0	1.9	0.5	-	-
4	Vinhomes	45,000	-43.5	7,886	4.79	8.9	6.5	7.5	2.8	1.1	1.0	1.5	-	-
5	BIDV	34,550	-6.9	7,034	4.27	23.8	12.9	9.6	2.2	1.8	1.5	0.7	-	-
6	Vinamilk	78,500	-4.4	6,603	4.01	18.2	20.1	17.1	5.2	5.3	5.2	4.4	4.9	4.9
7	Airports Corporation VN	74,500	-14.4	6,527	-	268.2	24.5	22.7	5.0	3.6	3.1	-	-	-
8	Novaland	70,000	-23.1	5,493	3.34	54.5	32.2	44.5	5.0	3.6	3.3	-	-	-
9	Masan Group	85,500	-39.6	4,899	2.98	23.4	25.8	21.0	6.1	3.2	2.8	1.7	-	-
10	Sabeco	185,300	25.4	4,782	2.91	25.8	20.4	17.1	4.5	4.8	4.0	1.2	1.9	1.9
11	Vietinbank	24,600	-27.4	4,758	2.89	13.5	7.8	7.5	1.7	1.2	1.0	-	-	-
12	VP Bank	16,350	-31.5	4,418	2.70	13.6	5.3	6.2	1.8	1.0	0.9	-	-	-
13	Hoa Phat Group	15,650	-55.4	3,663	2.23	6.2	6.3	5.4	2.3	0.9	0.8	0.8	4.9	4.9
14	Techcombank	24,600	-50.8	3,482	2.11	10.0	4.4	4.6	1.9	0.8	0.7	-	-	-
15	Becamex IDC	81,800	28.8	3,407	2.07	46.8	21.4	20.9	4.1	4.4	3.8	1.3	1.0	1.0
16	FPT	75,600	-0.4	3,338	2.03	21.1	17.1	13.7	4.6	3.9	3.3	2.7	3.0	3.5
17	Military Bank	17,700	-26.5	3,230	1.96	8.9	4.7	4.3	1.7	1.0	0.8	-	-	-
18	ACB	22,400	-18.8	3,045	1.85	9.9	5.6	5.0	2.1	1.3	1.0	-	-	-
19	Mobile World	51,600	-23.6	3,039	1.85	19.6	14.0	8.6	4.7	3.1	2.5	0.3	2.9	3.0
20	Vietjet Air	107,600	-16.1	2,345	1.43	931.7	86.6	26.9	4.1	2.1	2.0	-	-	-
21	Vincom Retail	24,600	-18.3	2,250	1.40	52.0	22.6	16.6	2.2	1.7	1.5	-	-	-
22	Binh Son Refining	17,700	-22.4	2,209	-	11.3	3.8	8.0	1.9	1.1	1.0	0.7	4.5	4.5
23	VEAM Corp	39,000	-2.1	2,086	-	9.3	7.9	7.0	2.3	2.1	2.0	15.2	10.4	11.3
24	VIB	19,600	-44.1	1,663	1.01	11.8	5.3	4.7	3.0	1.3	1.0	-	-	-
25	HD Bank	16,400	-33.5	1,660	1.01	10.2	5.4	5.0	2.0	1.0	0.8	-	-	-

VIETNAM MONTHLY REPORT

31 October 2022

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 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

VEF	
Subscription & Withdrawals	Daily
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