



VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

VEIL marginally underperformed the benchmark in February, posting a 10.8% MoM drop, with the VNI itself slipping 9.0% after two months of double-digit returns. The VNI's poor February performance was due to a mixture of uneasiness over recent bond market missed payments and related real estate developments. Sentiment soured on renewed concerns of a higher terminal Fed rate, which may put pressure on the SBV to maintain or even raise rates in line with major state banks.

Investor concern over the property and bond market was pronounced, having a direct knock-on effect to two of our real estate holdings, **VHM** and **KDH**, both unfortunate bystanders to the sector-wide underperformance, losing over 10% MoM as foreign investors turned to full risk-off mode. This was VHM's heaviest foreign outflow in the last ten months. **MWG** was also a laggard due to management giving weak 2023 guidance in its latest call, identifying 3Q23 to 4Q23 for demand recovery.

VCB, **BCM** and **FPT** managed to outperform the VNI's strong 9.0% correction, with VCB ending slightly up. All three names are stable, well managed businesses that have defied the recent market volatility, and we remain very bullish on these picks.

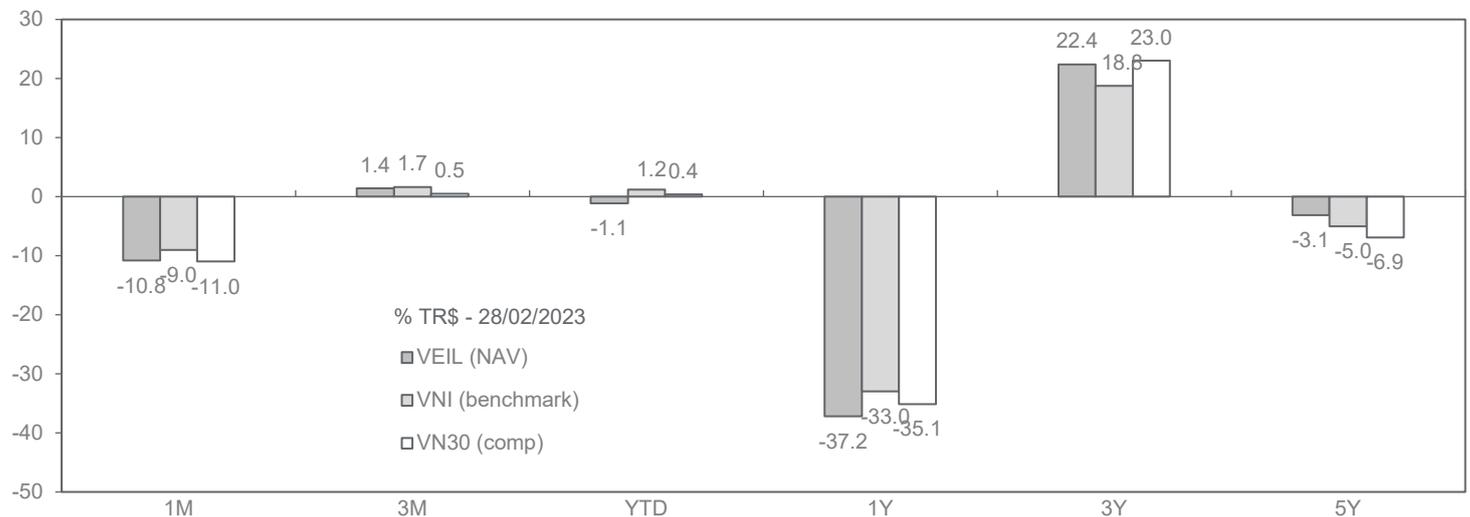
VCB, a proxy name for the banking sector, has extremely low exposure to the property market in its loan book. With excellent asset quality, the bank is a much safer proposition than the sector at large during this current period of volatility. A large portion of BCM's growth comes from FDI into Vietnam, which remains robust, and residential developments with Capital Land provides a strong catalyst in the short-medium term. In a year where weak earnings growth is anticipated, we believe FPT's resilient businesses can deliver 15%+ growth, a standout stock in our portfolio to deliver alpha this year.

With the market going through a period of consolidation with low liquidity levels, we look beyond the short-term volatility, believing the accumulation of quality stocks is a fundamental principle for medium-to-long-term performance. In a year of market uncertainty, the stock-picking of high-quality names with sound fundamentals remains central to our 2023 strategy.

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		
\$1,602.9m	\$7.76	5.28	-	-10.8%	-1.1%	-13.4%	-4.0%		
£1,324.0m	£6.41		£5.56	-9.3%	-1.8%	-11.9%	-4.6%	-	-

NAV PERFORMANCE (in \$ terms)



TOP 10 HOLDINGS (66.8% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 ACB	Banks	2.0	13.5	-7.7
2 VP Bank	Banks	2.8	12.4	-13.6
3 Hoa Phat	Mat's/Res	2.8	7.0	-10.8
4 Vietcombank	Banks	10.8	6.9	0.3
5 Mobile World	Retail	1.4	6.2	-15.2
6 FPT Corporation	Software	2.2	5.0	-5.0
7 Becamex IDC	Real Estate	2.1	4.6	-2.7
8 PV Gas	Energy	4.8	4.5	-4.0
9 Vinhomes	Real Estate	4.4	3.5	-19.6
10 Khang Dien House	Real Estate	0.4	3.1	-10.4

DISCOUNT TO NAV





ECONOMY REVIEW AND OUTLOOK

A mixed domestic picture, with tourists and manufacturers providing the colour

Macro figures reflected the service sector's resilience as the country welcomed 1.8m arrivals YTD, helping 2M23 retail sales grow 13.0% YoY. With almost one million visitors per month, the 2023 target of 10m international travellers is entirely achievable, boding extremely well for foreign receipts and tourism-related businesses. Standalone February numbers do not tell much of a story due to seasonal holiday effects, but combined with January we can see 2M23 industrial production fell by 6.3% YoY, and total trade decreased 12.6% YoY to \$96.1bn. These may not be stellar numbers, but on a brighter note trade balance remained solid with a surplus of \$2.8bn, and PMI rose to 51.2, its first positive month after a fallow three months of retraction.

Public spending misses the target by some distance

FDI investments slowed in February, with just \$2.6bn of disbursements in 2M23, down by 4.9% YoY. Notwithstanding the improvement in the final months of 2022, public investment only reached 6.6% of the annual target in January and February combined. As infrastructure has been touted as one of the main vehicles for economic growth in 2023, the Government needs to change gears and accelerate spending in order to realise its ambitions of the \$33bn target.

Policy revision to aid real estate and bond market progress

The Government has revised Decree 65 on corporate bond issuance with immediate effect, allowing issuers to renegotiate terms by up to two years, and giving holders the option to receive cash or assets as repayment. The Decree has also delayed until year-end the requirement for professional investor status, professional credit rating requirements, and extends the time between each issuance from 30 to 90 days. While not a panacea for all the difficulties faced by the real estate and corporate bond markets, it shows the Government is aware of the issues and is actively working on solutions to ensure a high-functioning capital market.

Fresh credit quotas do not translate to immediate liquidity

The State Bank of Vietnam (SBV) has granted the first 2023 tranche of credit quotas to banks, with an average allocation of 9.0%, down from 11.0% in 2022. The new credit room announcement will not significantly affect lending activities or the banking system's liquidity. As a result of improving fungibility and weaker borrowing demand, the lending rate has dropped by a moderate 0.4% YTD, and 6M+ deposit rates have been reduced by 0.5% to 1.5% YTD.

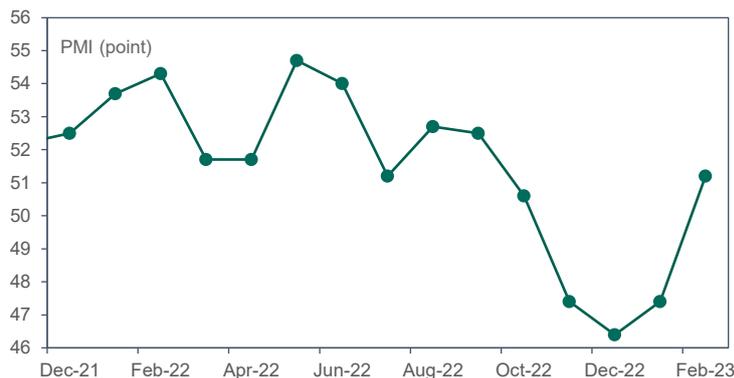
Commentators bullish on rates cuts may need a reality check

However, rates could remain at their current level for months due to inflationary and external pressures. 2M23 CPI increased 4.6% YoY, and may average 4.2%-5.0% in 2023, as baseline items such as electricity and healthcare may be adjusted up, combined with foreign tourist demand. In addition, not only are the Fed and ECB showing no signs of pivoting in 2023, they may indeed raise rates, making it difficult for the SBV to deviate from the major central banks.

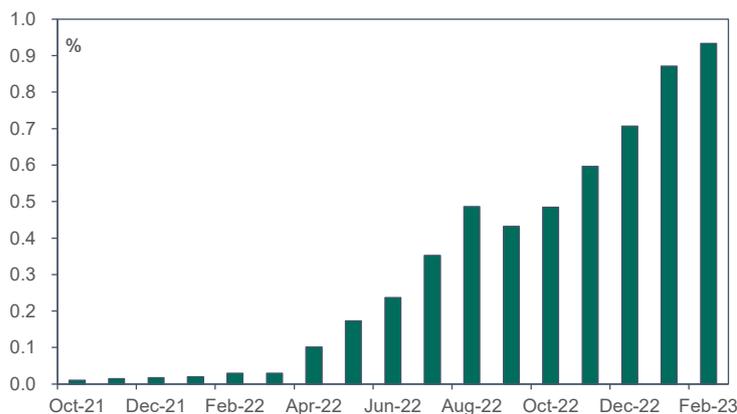
ECONOMIC FORECASTS

28-Feb-22	unit	2020	2021F	2022F	2023F	
Real GDP Gro	%	2.9	2.6	8.0	6.5	
Nominal GDP	\$bn	346.6	366.1	408.8	455.2	
CPI (average)	%	3.2	1.8	3.2	4.5	
Export Gro (cif)	%	6.5	19.0	10.5	2.7	
Import Gro (cif)	%	3.6	26.7	7.8	1.9	
Trade Bal (cif)	\$bn	19.1	3.3	12.4	14.4	
FX Reserves	\$bn	98.0	106.5	85.0	95.0	
FDI Disbursed	\$bn	20.0	19.8	22.4	20.9	
VND:\$		1	23,085	22,800	23,550	23,450

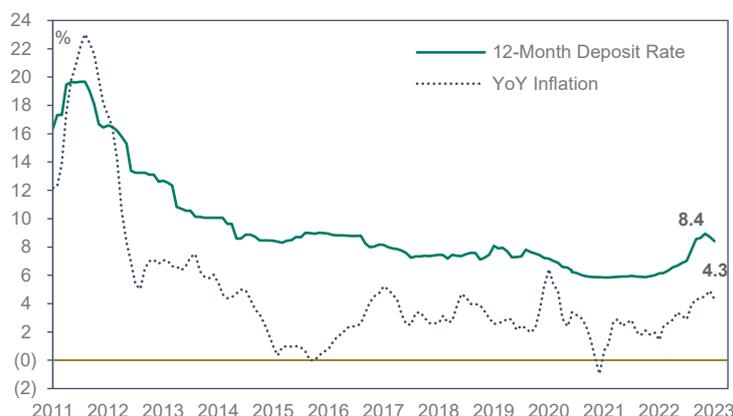
PMI BOUNDED BACK TO EXPANSION TERRITORY



INBOUND VISITORS ARE RETURNING



DEPOSIT RATE COOLED DOWN AS LIQUIDITY IMPROVED





MARKET REVIEW AND OUTLOOK

Homegrown factors depressed sentiment, foreign money awaits Government action

The VNI was unable to repeat January's strong performance, declining 9.0% MoM to 1,024 (TR\$). Liquidity was also down 5.0% as investors voiced concern that the problems in the corporate bond market had yet to resolved, resulting in the first missed payment by a tier one developer, Novaland (**NVL**). This triggered an increase in foreign outflows from blue-chips and real estate developers such as **MSN** and **VIC**-related names, with the real estate sector down 13.5%. Foreign outflows of \$11m from both bourses was symptomatic of investors watching for new developments in the market. However, we expect flow to improve in March due to recent news that Fubon has received approval for another \$160m quota for their fund, and VanEck increasing its Vietnam weight from 75% to 100%, translating to a \$120m injection.

Banks not immune to bond woes but have appropriate vaccinations

The NVL missed payment was cause for concern among investors in private commercial banks which held NVL corporate bonds, explaining the negative sentiment seen in certain names such as **VPB** and **MBB**. It should be noted that the Decree 65 amendment is welcome news and a step in the right direction, but it is by no means an overnight fix. The banking system in general, however, is in a much stronger position than the downcycle of 2012. Satisfied international standard capital adequacy ratios, sound corporate governance, solid fundamentals, and higher provision buffers make for a much more resilient banking sector than that of ten years ago.

Lower margin rates to incentivise investor trading

Brokers are reducing their margin lending rate from 14-15% to 13-14% to attract investors back to the market. Total outstanding margin has dropped significantly from its peak, indicating that retail investors are still in defensive mode, preferring to wait on the sidelines. We believe with time, as market noise reduces, retail investors will return, bringing stronger liquidity with them.

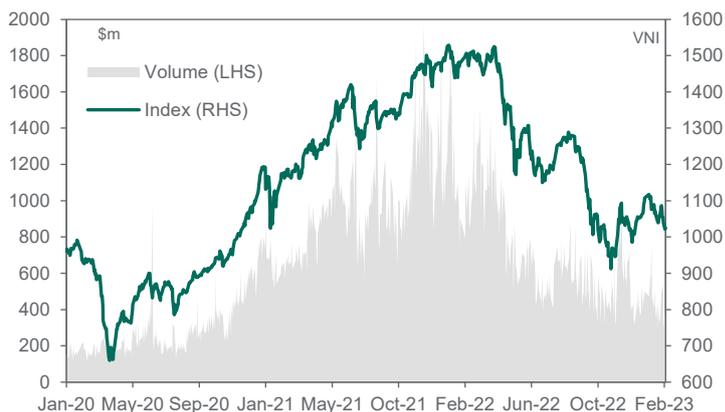
Government drive helps restore market confidence via updated decrees

The Prime Minister held a meeting with various agencies and real estate companies in February, focusing on resolving corporate bond issues and relieving legal bottlenecks. The resulting amendment to Decree 65, in the form of Decree 8, should help developers accelerate sales and restructure their balance sheets, giving much needed breathing room. The real-world changes this will bring are hard to predict, but an example can be seen in the current review of seven key projects in HCMC, a welcome sign of progress. The Government is also trying to push for more social housing initiatives with an expected package of \$4.5bn. This will prove to be a popular move with the lower income bracket, encouraging developers to focus more on this segment with its huge untapped demand. Overall, the market sees the amendment to Decree 65 as a very positive step forward, creating a legal framework for developers to renegotiate bonds, thereby helping relieve the broader systemic liquidity pressure.

DC TOP-80 FORECASTS

28-Feb-23	Unit	2020	2021	2022	2023F
PER	x	13.9	14.6	9.2	8.6
EPS Growth	%	5.6	38.9	-1.2	6.2
PEG	x	2.5	0.4	Neg	1.4
Sales Growth	%	2.2	22.0	12.3	3.1
EBIT Growth	%	3.2	50.8	2.4	16.0
PBT Growth	%	5.8	38.0	2.0	5.9
NPAT Growth	%	5.9	41.9	0.2	6.2
Net DER	x	0.4	0.3	0.3	0.1
Yield	%	1.4	1.0	1.8	1.6

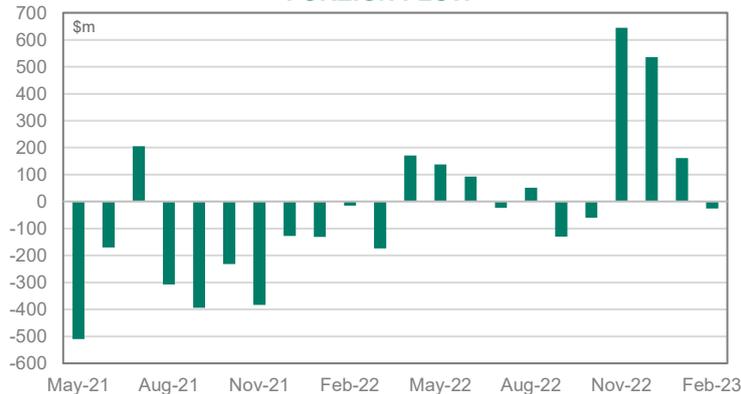
MARKET PERFORMANCE



VNINDEX PE TRAILING 5Y



FOREIGN FLOW



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



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2016	2017	2018	2019	2020	2021	2022E	2023F
GDP									
GDP	\$bn	257.1	281.4	310.1	334.4	346.6	366.1	408.8	455.2
Real GDP Growth	%	6.7	6.9	7.5	7.4	2.9	2.6	8.0	6.5
Services Growth	%	7.0	7.4	7.0	7.3	2.5	1.2	10.0	7.6
Agriculture Growth	%	1.4	2.9	3.8	2.0	2.8	2.9	3.4	3.2
Ind'l and Const'n Growth	%	7.6	8.0	8.9	8.9	3.3	4.1	7.8	6.2
Retail Sales Growth	%	10.2	10.9	11.7	11.8	2.6	-3.8	10.2	8.9
Prices									
CPI (Average YoY)	%	2.7	3.5	3.5	2.8	3.2	1.8	3.2	4.5
Money, FX & Interest Rates									
Money Supply M2	%	18.4	15.0	12.4	14.8	14.5	8.9	5.2	9.0
Average Lending Rate	%	9.0	9.3	9.5	9.7	8.6	8.5	13.7	14.0
5-yr VGB	%	5.5	4.3	4.5	1.9	1.1	0.9	4.7	4.2
VND : \$	\$1	22,750	22,750	23,235	23,150	23,085	22,800	23,550	23,450
External Sector									
Trade Balance	\$bn	1.8	2.1	6.8	10.8	19.9	3.3	12.4	14.4
Current Account	\$bn	0.6	-1.6	5.8	12.2	14.9	-4.9	1.3	2.5
Current Account / GDP	%	0.2	-0.6	1.9	3.6	4.3	-1.0	0.3	0.1
FDI Registered	\$bn	24.4	35.9	35.5	36.0	28.5	38.5	27.7	25.2
FDI Disbursement	\$bn	15.8	17.5	19.1	20.4	20.0	19.8	22.4	20.9
FX Reserves	\$bn	41.1	52.0	61.0	80.0	98.0	106.5	85.0	95.0
Public Debt & Fiscal Balance									
External Debt	\$bn	91.4	109.2	112.1	122.8	130.1	138.8	141.2	147.0
<i>Government</i>	\$bn	42.9	46.3	47.0	47.7	49.0	47.9	48.8	52.4
<i>Enterprises (incl. FDI)</i>	\$bn	48.5	62.9	65.1	75.0	81.1	90.9	92.4	94.6
External Debt (% GDP)	%	35.6	38.8	36.2	36.7	37.5	37.9	34.5	33.8
Fiscal Balance (% GDP)	%	-3.0	-2.6	-2.9	-2.6	-3.4	-4.0	-4.3	-4.4



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	28-Feb-22	28-Feb-23	28-Feb-22	28-Feb-23	28-Feb-22	28-Feb-23	28-Feb-22	28-Feb-23
Market Cap (\$m)	258,277	171,799	21,451	10,789	63,990	41,027	343,717	223,616
Number of Stocks	409	402	348	342	882	857	1,639	1,601
Number of Large Cap Stocks (> \$400m)	80	59	15	6	31	15	126	80
Stocks with No Room for Foreigners	44	57	38	80	118	204	200	341
Market Cap of Stocks with No Room (\$m)	43,969	27,305	3,344	2,056	14,343	10,346	61,656	39,707
Share of Market Cap with No Room (%)	17.0	15.9	15.6	19.1	22.4	25.2	17.9	17.8

Top 25 Companies

No	Company	28-Feb	Price	Mkt	Wt	PER			PBV			Yield		
		Price	YTD	Cap	in VNI	2021	2022	2023E	2021	2022	2023E	2021	2022	2023E
		(VND)	(%)	(\$m)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
1	Vietcombank	93,500	16.9	18,604	10.84	19.6	14.4	14.0	3.4	2.7	2.7	0.5	0.9	-
2	BIDV	44,100	14.2	9,379	5.46	23.8	14.1	13.3	2.3	2.0	1.9	0.7	0.1	-
3	Vingroup	52,600	-2.2	8,434	4.91	neg	24.6	44.0	3.6	1.9	1.8	0.5	1.7	-
4	PV Gas	103,500	2.0	8,329	4.85	21.1	13.4	17.7	3.5	3.2	3.1	3.3	3.0	3.3
5	Airports Corporation VN	84,200	-0.5	7,707	-	268.2	28.8	23.2	5.0	4.2	3.4	-	-	-
6	Vinhomes	41,500	-13.5	7,598	4.43	8.9	7.3	7.0	2.8	1.4	0.9	1.5	4.5	-
7	Vinamilk	75,500	-0.8	6,634	3.87	17.9	21.0	19.5	5.1	5.3	4.8	4.5	5.1	3.3
8	Vietinbank	27,400	0.6	5,536	3.23	13.5	9.1	8.2	1.8	1.2	1.1	-	2.9	-
9	Sabeco	188,000	12.6	5,069	2.95	25.4	20.9	22.8	4.4	4.6	4.4	1.2	2.3	1.9
10	Masan Group	82,000	-11.8	4,908	2.86	23.4	37.1	33.0	6.1	5.1	2.9	1.7	1.0	1.1
11	Hoa Phat Group	20,000	11.1	4,890	2.85	6.2	12.6	14.4	2.3	1.1	1.2	0.8	2.2	3.7
12	VP Bank	17,050	-4.7	4,812	2.82	13.6	6.6	6.9	2.0	1.2	1.0	-	-	-
13	Techcombank	26,500	2.5	3,919	2.28	10.0	4.7	5.9	1.9	0.8	0.7	-	0.1	-
14	FPT	80,500	4.7	3,713	2.16	21.1	17.7	15.5	4.6	4.0	3.6	2.7	2.6	3.3
15	Becamex IDC	83,700	3.8	3,642	2.12	46.8	49.5	21.8	4.1	4.9	4.3	1.3	1.1	1.0
16	ACB	24,400	11.4	3,465	2.02	9.9	5.5	5.2	2.1	1.3	1.1	-	-	-
17	Military Bank	17,250	0.9	3,288	1.92	8.9	4.6	4.0	1.8	1.0	0.8	-	-	-
18	Vincom Retail	26,700	1.5	2,551	1.52	52.0	21.9	18.1	2.2	1.8	1.8	-	-	3.8
19	Mobile World	40,000	-6.8	2,461	1.43	19.6	15.3	11.8	4.7	2.6	2.3	0.3	1.2	3.6
20	Vietjet Air	100,000	-8.7	2,277	1.33	931.7	neg	33.9	4.1	4.2	2.9	-	-	-
21	VEAM Corp	38,000	-6.9	2,123	-	9.3	7.2	7.6	2.3	2.2	2.0	15.2	11.1	11.4
22	Binh Son Refining	15,700	18.0	2,047	-	11.3	2.9	7.7	1.9	0.8	0.9	0.7	1.0	4.9
23	Petrolimex	37,300	17.7	1,993	1.18	23.1	27.2	16.9	2.6	1.6	1.8	2.5	3.8	3.2
24	Sacombank	23,750	5.6	1,882	1.10	17.4	8.4	4.9	1.7	1.1	0.9	-	-	-
25	VIB	20,550	13.0	1,821	1.06	11.3	4.6	4.8	2.9	1.2	1.1	-	-	-

VIETNAM MONTHLY REPORT

28 February 2023

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
The Fund has appointed SEI Investments – Global Fund Services Limited as its fund administrator and transfer agent, and SEI Investments – Depositary and Custodial Services (Ireland) Limited as its depository. A range of third-party fund platforms also include VEF in their product offerings, including Clearstream (www.clearstream.com), Fundsettle (www.euroclear.com), Banco Inversis (www.inversis.com), IFSAM (www.ifsam.lu), Pareto Securities (www.paretosec.com), Attrax (www.attrax.lu), MFEX (www.mfex.com), and Allfunds (www.allfunds.com).	

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