



ECONOMY REVIEW AND OUTLOOK

A slow start to 2023 but nobody told the tourists

After a weak January and February, Vietnam's 1Q23 economic data did not overwhelm, with GDP growing by just 3.3% YoY. Weakening global demand was reflected in exports falling 14.8% YoY in March and 11.9% for 1Q23, while the inventory index surged 19.8% YoY for the quarter. Services offset much of the industrial sector's poor performance, however, with 1Q23 retail sales rising 13.9% YoY. This was helped by inbound travellers reaching 2.7m – 60% of pre-Covid levels – welcome news for the tourism industry and consumption growth prospects.

The spectre of domestic inflation compelled to retreat

March CPI came in at 3.4% YoY, declining 0.23% MoM, its biggest drop since September 2021. This was due to higher mortgage rates impacting local consumption and weakening credit demand (+2.1% YTD), as well as a 4.9% YoY drop in transportation costs. 2023 inflation forecasts from the MOF, GSO, and SBV were revised downwards to 3.8-4.8% from 4.2-5.0%. With decelerating inflation and record low M2 growth of just 0.6% YTD, the SBV has enough breathing room to implement more supportive policies to stimulate economic growth.

SBV unwavering in its commitment to growing the economy with aggressive cuts

Due to recent events surrounding US banks, the Fed may start to soften its tone on rate hikes, potentially resulting in a move away from the USD. This will help diminish currency concerns, allowing for additional relaxation of monetary policy from the SBV, particularly as the VND strengthened 1.4% MoM against the USD. The SBV has also reduced net withdrawals from \$7.2bn to \$4.7bn and injected \$2.5bn, leading to good banking system liquidity. In March, the SBV cut rates twice, reducing all policy rates by 50bps YTD, especially the discount and OMO rates by 100bps. Concurrently, the 6-month deposit cap rate and refinancing rate were both trimmed from 6.0% to 5.5% p.a.

Easing regulatory policies set tone for a brighter 2Q23

In the first two weekends of March, the Government issued two Decrees aimed at solving problems weighing on the corporate bond market and real estate sector. These will allow liquidity to be funnelled into the C-bond market and, by extension, help satiate the real estate sector's thirst for capital. A Circular allowing banks to buy back C-bonds traded within the last 12 months has also been drafted, and the rescheduling of debt for companies with healthy balance sheets is being discussed. Although the volume of C-bonds maturing in 2023 is significant, these measures will increase the chances of a soft landing. Despite the latest GDP figures lagging the 6.0-6.5% target, the good news is that the Government understands the downside risks, evidenced by the various accommodative monetary policies focused on driving the economy forward. We believe the Government will soon provide more specific solutions to support the economy, and given the lacklustre 1Q data, they will be more aggressive in 2Q23.

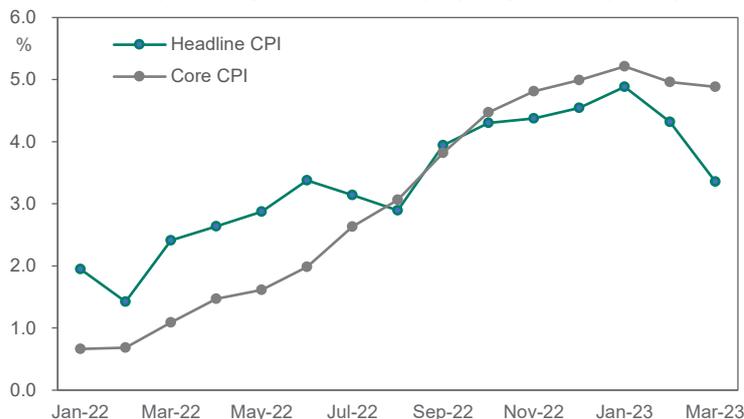
ECONOMIC FORECASTS

31-Mar-23	unit	2020	2021F	2022	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

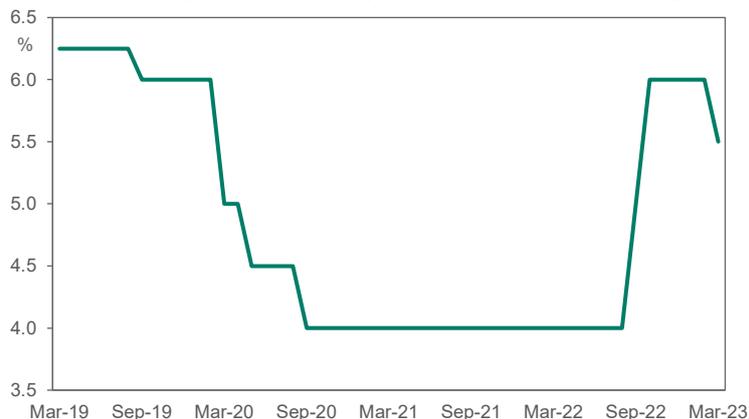
1Q23 GROWTH AT 2ND LOWEST PACE, ONLY HIGHER 1Q20



INFLATION REDUCED FOR 2 CONSECUTIVE MONTHS



VIETNAM STATE BANK CUT POLICY RATE BY 50BPS





MARKET REVIEW AND OUTLOOK

VNI outperforms economy and peers

The VNI increased 5.5% in March (TR\$), one of the top performing markets in the region, as investors were buoyed by recent changes to monetary policy and regulations, most of which were aimed at upending the persistent negativity surrounding the property and capital markets. Real estate stocks reacted positively to these measures. Conversely, Liquidity declined 8.6% MoM as recently released data shows new retail account openings were very slow in February. Foreign flow was positive, however, with Fubon injecting \$60m with a further \$120m still ready to deploy. Overall, \$117m was net bought by foreigners in March and \$252m in 1Q23. As deposit rates come down, this may herald a transition out of banks and into alternative asset classes, with listed equities an attractive choice for investors.

Market breadth was positive, rate-sensitive stocks excelled

Brokerages led the market with a huge gain of 19.0% as sentiment improved. Interestingly, many brokers are aggressively reducing margin lending rates in a bid to entice more business and increase turnover, but no significant demand has been seen to date. Infrastructure was up 12.7% MoM, closely followed by real estate with an increase of 12.5%. The recent rate cuts did a lot of the heavy lifting here, helped by renewed activity in the corporate bond market, mostly coming from real estate companies, with a total value of ~\$1bn. Banks were also up 4.6% in anticipation of an increase in credit demand after the reduction in lending rates, led by the massive gains of 23.5% from **VPB**. Looking to the downside, retail names underperformed the market with a 4.2% contraction. With heavy focus on ICT retailing, many products are facing price discounts on low demand, triggering the market to price in downward earnings revisions.

Ratings agencies mull future but foreign bulls are here and now

Moody's downgraded **TCB** but upgraded eight other banks, showing there is still interest in Vietnamese banks. If proof were needed, Sumitomo Mitsui Banking Corp bought a 15% stake in **VPB** at a huge valuation of near double its market cap. This allays fears that the issues in the property market have made access to foreign capital more difficult, with M&A transactions clearly possible. FTSE Russell also spoke out regarding Vietnam's market reforms, announcing they may reconsider keeping Vietnam on the EM upgrade watch list, underscoring the importance of implementing the new KRX trading system. Encouragingly, initial testing of the system began in March, with the SSC making it a clear priority to have it operational this year.

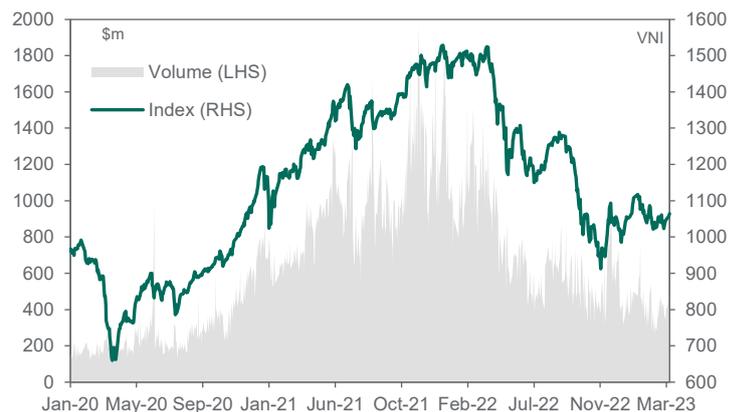
Divergence from Fed direction a boon for domestic markets

The inverse correlation between interest rates and market movements was borne out in March as the VNI took back some of February's losses, however we believe of much greater importance is the significant downside protection this will offer, allowing the market to find firmer footing as investor sentiment gradually returns.

DC TOP-80 FORECASTS

31-Mar-23	Unit	2020	2021	2022	2023F
PER	x	13.7	14.6	9.1	9.3
EPS Growth	%	5.6	39.0	-1.1	5.4
PEG	x	2.5	0.4	Neg	1.7
Sales Growth	%	2.2	22.0	12.3	2.9
EBIT Growth	%	3.2	50.8	2.6	13.3
PBT Growth	%	5.8	38.0	2.0	3.8
NPAT Growth	%	5.9	41.9	0.3	5.4
Net DER	x	0.4	0.3	0.3	0.2
Yield	%	1.4	1.0	1.8	1.5

MARKET PERFORMANCE



VNINDEX PE TRAILING 5Y



FOREIGN FLOW



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



VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

VEIL rose 6.7% and outperformed its reference benchmark, the VNI, by 1.2% in TR\$ terms. Sentiment improved on the Vietnamese Government's swift and decisive policy response to the weakened economy.

VEIL's outperformance in March was helped in no small part by **VPB**, the fund's largest holding. VPB was the best performing bank in the sector, rising 25.1% as the share price reacted to news regarding long-awaited announcement of the strategic placement by Sumitomo Mitsui Banking Corporation. SMBC's 15% acquisition of VPB for circa \$1.5bn values the bank at a huge premium to market cap at over \$10bn. The transaction, once completed, will see VPB become one of the biggest banks in Vietnam by charter capital.

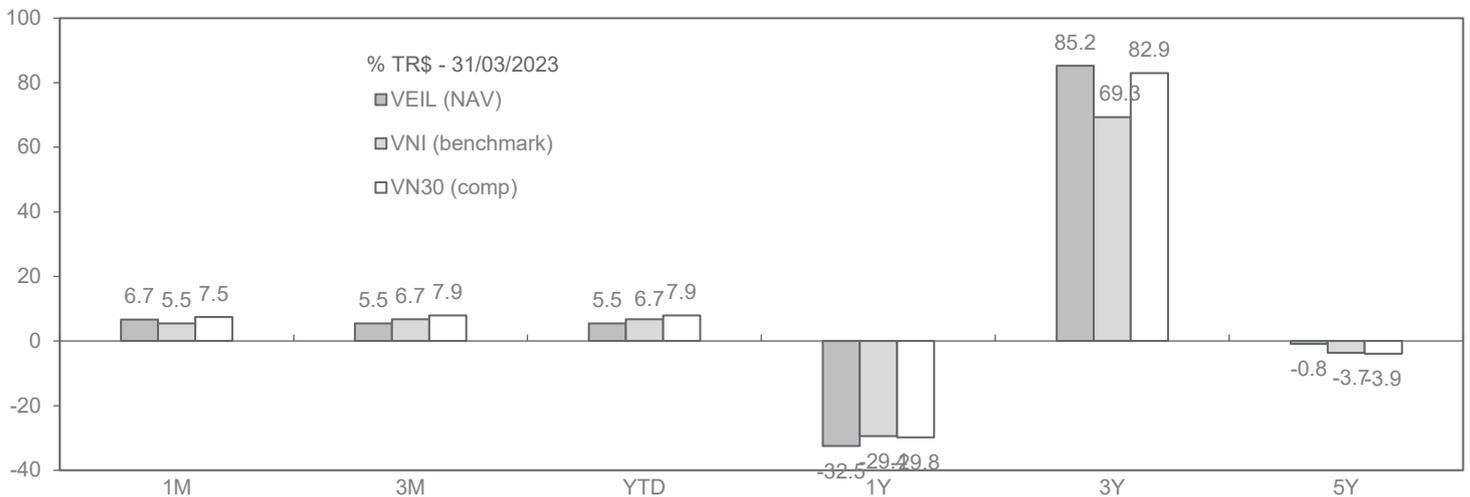
Within VEIL's real estate holdings, **VHM** led the revival of the real estate sector as investors were drawn to down-beaten names in hopes that the Government's actions will spark a sector-wide turnaround. VHM was up an impressive 25.8% with **VRE** also rising 12.2%. Beyond the general upbeat sentiment due to the supportive measures aimed at helping sector liquidity, VHM's share price also benefited from news that the company is in talks to divest some of its assets to a Singaporean developer, at a valuation of over US \$1bn. Similarly, VRE's share price reacted to the positive news that Thailand's Central Group is looking to potentially acquire a majority stake in the company.

VEIL's other significant holdings in the property sector also did well, with **KDH** and **DXG** up 9.9% and 27.2%, respectively. Both benefited from the reversal in sector sentiment after the recent policy changes. In the case of KDH, whilst there was no specific news, the company remained a solid proposition that has been largely insulated from the current market turbulence. DXG's impressive returns came as they completed the repayment of a \$15m bond due in March, a sign that the company is not falling into the liquidity trap like many of its peers. This is in line with our current investment thesis of selective stock picking, as companies with sound fundamentals and strong corporate governance can deliver market beating returns, particularly during the recent turmoil in the property market.

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		
\$1,705.8m	\$8.28	0.78	-	6.7%	5.5%	5.6%	1.4%	27.09	0.79
£1,379.6m	£6.70		£5.75	4.5%	2.6%	3.4%	-1.4%	-	-

NAV PERFORMANCE (in \$ terms)



TOP 10 HOLDINGS (66.8% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 VPBank	Banks	3.3	14.60	25.1
2 ACB	Banks	2.0	13.16	3.9
3 Hoa Phat	Mat's/Res	2.8	7.42	5.4
4 Vietcombank	Banks	10.2	6.11	-0.9
5 Mobile World	Retail	1.3	5.40	-2.3
6 Vinhomes	Real Estate	5.3	5.23	25.8
7 FPT	Software/Svc's	2.0	4.63	-0.4
8 Becamex IDC	Real Estate	2.0	4.58	0.4
9 PV Gas	Energy	4.6	4.35	-0.1
10 Khang Dien House	Real Estate	0.5	3.28	9.9

DISCOUNT TO NAV





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	6.2	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	-7.8	-1.5	3.0
Current Account / GDP	%	0.2	-0.6	1.9	3.6	4.3	-2.1	-0.4	0.7
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	
	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23
Market Cap (\$m)	258,748	180,881	21,907	11,061	66,603	41,588	347,257	233,530
Number of Stocks	409	402	348	342	883	857	1,640	1,601
Number of Large Cap Stocks (> \$400m)	80	61	13	6	30	15	123	82
Stocks with No Room for Foreigners	44	57	42	83	126	207	212	347
Market Cap of Stocks with No Room (\$m)	44,940	24,796	3,470	2,164	16,513	10,350	64,922	37,309
Share of Market Cap with No Room (%)	17.4	13.7	15.8	19.6	24.8	24.9	18.7	16.0

Top 25 Companies

No	Company	31-Mar	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	91,400	14.3	18,425	10.18	19.6	14.4	13.7	3.4	2.7	2.6	0.5	0.9	-
2	BIDV	46,200	19.7	9,955	5.50	23.8	14.1	13.9	2.3	2.0	2.1	0.7	0.1	-
3	Vinhomes	51,500	7.3	9,552	5.28	8.9	7.2	7.9	2.8	1.4	1.3	1.5	4.5	-
4	Vingroup	55,000	2.2	8,935	4.94	0.0	24.6	46.0	3.6	1.9	1.9	0.5	1.7	-
5	PV Gas	102,000	0.5	8,316	4.59	21.1	13.4	17.3	3.5	3.2	3.0	3.2	3.0	3.4
6	Airports Corporation VN	82,000	-3.1	7,604	-	268.2	28.8	22.6	5.0	4.2	3.3	-	-	-
7	Vinamilk	74,400	-2.2	6,624	3.66	17.9	21.0	19.2	5.1	5.3	4.7	4.2	5.1	3.3
8	VP Bank	21,050	17.6	6,020	3.34	13.6	6.6	9.4	2.0	1.2	1.3	-	-	-
9	Vietinbank	29,200	7.2	5,978	3.30	13.5	9.1	8.7	1.8	1.2	1.1	-	2.9	-
10	Hoa Phat Group	20,800	15.6	5,152	2.85	6.2	12.6	15.0	2.3	1.1	1.2	0.8	2.2	3.7
11	Sabeco	184,700	11.2	5,045	2.79	26.1	20.8	24.9	4.4	4.6	4.6	1.1	2.3	2.0
12	Masan Group	77,800	-16.3	4,718	2.61	23.4	37.1	47.8	6.1	5.1	3.8	1.7	1.0	1.1
13	Techcombank	28,350	9.7	4,248	2.35	10.0	4.7	5.9	1.9	0.8	0.8	-	0.1	-
14	FPT	79,100	2.9	3,696	2.04	21.1	17.7	15.2	4.6	4.0	3.6	2.7	2.6	3.4
15	Becamex IDC	82,900	2.9	3,655	2.02	46.8	49.5	21.6	4.1	4.9	4.3	1.3	1.1	1.0
16	ACB	25,000	14.2	3,597	1.99	9.9	5.5	5.3	2.1	1.3	1.1	-	-	-
17	Military Bank	18,250	6.7	3,525	1.95	8.9	4.6	4.2	1.8	1.0	0.9	-	-	-
18	Vincom Retail	29,550	12.4	2,860	1.62	52.0	21.5	19.9	2.2	1.8	1.8	-	-	-
19	Vietjet Air	105,100	-4.0	2,425	1.34	931.7	0.0	35.6	4.1	4.2	3.0	-	-	-
20	Mobile World	38,550	-10.1	2,403	1.33	19.6	15.3	14.1	4.7	2.6	2.0	0.3	1.2	-
21	VEAM Corp	37,600	-7.8	2,128	-	9.3	7.2	7.5	2.3	2.2	1.9	13.7	11.1	11.7
22	Sacombank	26,200	16.4	2,104	1.16	17.4	8.4	5.4	1.7	1.1	1.0	-	-	-
23	HD Bank	19,250	20.7	2,063	1.15	10.2	5.2	5.2	2.1	1.1	1.0	-	-	-
24	Binh Son Refining	15,500	16.5	2,047	-	11.3	2.8	7.6	1.9	0.8	0.9	0.7	3.3	5.2
25	Petrolimex	37,450	18.1	2,027	1.14	23.1	27.2	17.0	2.6	1.6	1.8	2.4	3.8	3.3

VIETNAM MONTHLY REPORT

31 March 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
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