



ECONOMY REVIEW AND OUTLOOK

Zen and the art of macroeconomic maintenance

Expansionary mechanisms needed for momentum

Shrewd diplomacy bolsters inflows and currency

Harmonised global policy to fuel recovery

Marrying money and policy required for full-scale growth

Vietnam's economy saw a growth rate of 3.7% in 1H23, marking a low in the country's recent positive trajectory, bar the impact of Covid in 2020. A rise in GDP of 4.1% in 2Q23, from 3.3% in 1Q23, was prompted by swift supportive policies, including four rate cuts totalling 150bps since March. The big question, however, is whether Vietnam can continue to maintain its loose monetary policies in the face of global market complexities and contrarian policy movements.

Firstly, we believe that leveraging monetary policy to boost the economy will not precipitate significant inflationary pressure. Headline inflation edged up by just 2.0% YoY in H1, with average 2023 CPI projected to hover between 3.5%-4.0% YoY. Additionally, borrowing demand and total money supply remain weak, with total credit and M2 expanding by a mere 4.7% and 3.2% YTD, respectively. These figures underscore the necessity for incentive mechanisms, as a weakened money cycle presents significant obstacles for an economy to regain its momentum.

Secondly, the VND's strong performance is thanks to consistent inflows. With the influx of foreign receipts from an expected 12 million inbound tourists this year, the current account surplus is projected to rebound to \$7.5bn, or 1.7% of GDP (fig. 3). Meanwhile, flow from trade, remittances, and especially FDI, remain strong. Vietnam's effectiveness in FDI diplomacy is evident in the steady disbursement figures of \$10bn, flat YoY, underpinned by a series of high-level visits from key partners, including 50 major US and 200 major Korean companies in H1.

Finally, the synchronisation with global monetary policy is vital for a sustainable economic recovery. As the world's leading central banks continue to tighten monetary policy and raise interest rates, policy divergence could instigate short-term exchange rate volatility, and in turn, compromise the effectiveness of Vietnamese supportive measures. This is particularly relevant in the context of the CNY retesting 7.3, while the VND-USD interest rate differentials are leaning negative. Should other central banks adopt a more accommodative stance next year, we predict a surge in both global and Vietnamese product demand, leading to an increase in export orders.

Vietnam, therefore, can maintain loose monetary policy in order to provide a temporary tonic for the economy. Full-scale economic revival, however, necessitates a relaxation in fiscal policy, primarily in public investment. In 1H23, disbursement only reached 30.5% of the annual target, marginally higher than 1H21 and 1H22. Typically, the majority of public investment is distributed in the second half of the year, and in difficult years such as Covid (see fig. 4) this rate is often much higher than expected, as the Government uses this as a tool for fiscal stimulus.

Fig. 1

ECONOMIC FORECASTS

30-June-23	Unit	2021	2022E	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.5	6.5
Nominal GDP	\$bn	366.1	408.8	448.5	494.4
CPI (average)	%	1.8	3.2	4.0	4.0
Export Growth (cif)	%	19.0	10.6	-6.2	12.0
Import Growth (cif)	%	26.7	8.4	-7.7	11.6
Trade Bal (cif)	\$bn	3.3	12.4	17.1	18.7
FX Reserves	\$bn	106.5	85.0	95.0	110.0
FDI Disbursed	\$bn	19.8	22.4	20.9	22.0
VND:\$	1	22,800	23,550	23,450	23,300

Fig. 2

GDP H1 IN 2011-2023

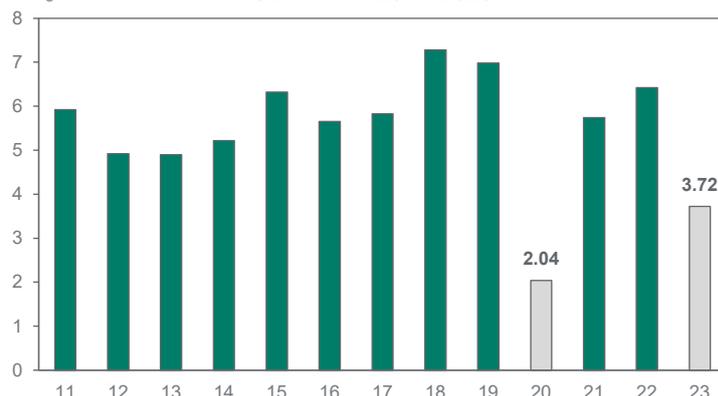


Fig. 3

CURRENT ACCOUNT BACK TO SURPLUS

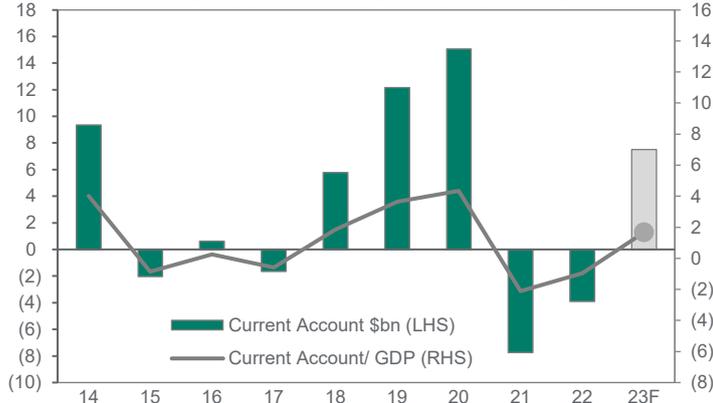
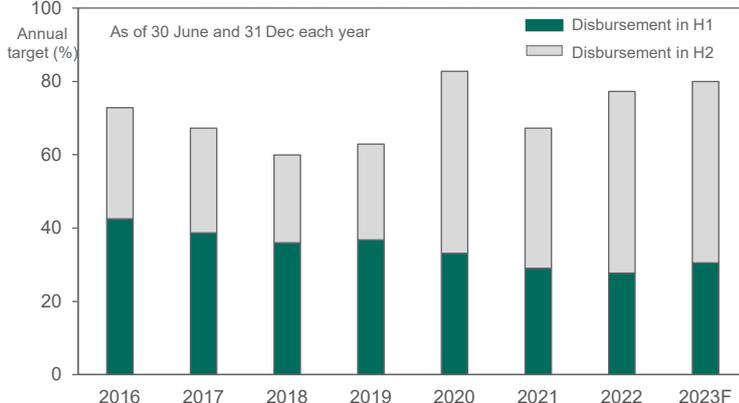


Fig. 4

MOST OF PUBLIC INVESTMENT IN H2





MARKET REVIEW AND OUTLOOK

VNI best performing ASEAN market YTD

Liquidity surges as investors turn bullish

Sleeping property giants wake up

Banks rise as rates fall

The VNI maintained its upward momentum in June, marking a 4.1% (TR\$) increase, making it one of the best in Asia YTD. This robust showing can largely be attributed to the SBV's fourth interest rate cut since March, prompting a bullish resurgence from retail investors.

The sense of optimism that started to build in May found greater traction in June, evident from the significant surge in combined daily turnover to \$843m, a MoM increase of 36.0%. This was helped by the SSC's commitment to accelerate the new KRX trading system upgrade. We cannot predict if the SSC will reach its goal for implementation by year-end or its immediate impact, but the news was received positively, nonetheless. As market sentiment begins to improve, our hypothesis in last month's report that retail investors may potentially seek riskier assets as their high-interest bank deposits matured seems to be playing out, with over \$100m net bought by local participants in June.

We have seen activity in both primary and secondary property markets pick up since May. The Government's efforts in resolving legal bottlenecks have started to bear fruit with one clear example in Novaland. The special working group led by the Deputy Prime Minister has worked with NVL, Ministries, and provincial Governments to tackle the root cause of the impediments, pushing for solutions for its projects. Developers have started tiptoeing back into the primary market to launch new projects, and once again Vinhomes is leading the charge with Vinhomes Glory Height, with 80% of units already finding deposits, aided by attractive payment options. The consecutive rate cuts over the past four months have helped alleviate the burden of high mortgage payments, and we are hopeful it will continue to drop to around 10% to further encourage mortgage demand. The real estate market is now showing signs of defrosting, with all parties firmly committed to its revival in 2H23.

The banking sector put in a strong performance in June, with the private sector leading the way, up 5.9% MoM. The easing of monetary policy has played a significant role in driving the increase, particularly for the private banks, which boast a higher risk appetite than SOEs. The positive trend is expected to continue in the second half of 2023, with favourable factors such as higher credit growth in 2H23 supporting both interest income and investment income. We believe banks will remain proactive in their provisioning for potential bad debts, providing further stability in the face of potential issues. Overall, our outlook for the banking sector remains positive, anticipating EPS growth for 2023 of around 10%.

Fig. 1

DC TOP-80 FORECASTS

30-Jun-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	10.1	8.1
EPS Growth	%	37.1	-1.4	3.9	24.4
PEG	x	0.4	Neg	2.6	0.3
Sales Growth	%	22.0	12.3	4.1	13.8
EBIT Growth	%	50.8	2.5	12.0	21.8
PBT Growth	%	38.0	1.5	2.7	24.2
NPAT Growth	%	41.9	0.0	4.0	24.4
Net DER	x	0.2	0.3	0.2	0.2
Yield	%	1.0	1.8	1.4	1.3

Fig. 3

VNI TRAILING 5Y PE



Fig. 2

MARKET PERFORMANCE

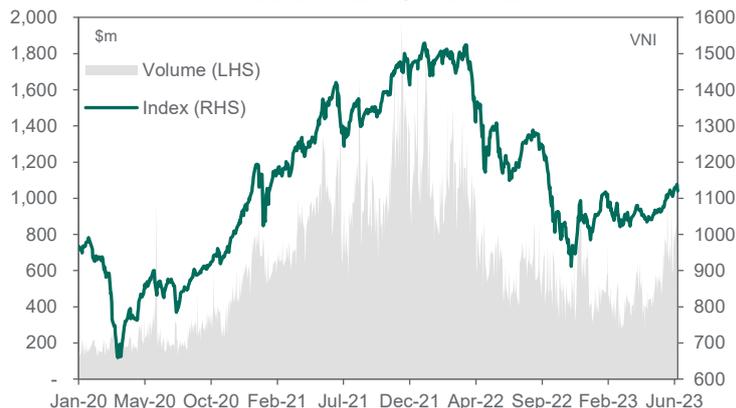


Fig. 4

FOREIGN FLOW





VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

VEIL recorded a 5.1% (TR\$) increase MoM, outperforming the VNI by 1.0%, returning 10.3% for the first half of 2023.

The recent trend of policy actions aimed at stimulating the economy has reignited interest in high beta and cyclical sectors. This, combined with the renewed surge in market liquidity, triggered a revaluation of the brokerage sector, helping **SSI** and **VND** book impressive returns, with year-to-date gains now standing at 51.5% and 40.0%, respectively.

The market upswing helped drive a resurgence in sectors that had been out of favour since late 2022, such as steel and retail. VEIL's overweight holdings in the steel sector, namely **HPG** and **HSG**, have performed remarkably well year-to-date, with respective gains of 45.3% and 46.6%. Another strong performer was retail giant **MWG**, posting a 10.0% MoM upside in June, previously a laggard for the fund in 5M23. We expect that the combination of the 2% reduction in VAT and the anticipated resurgence in consumer demand will serve to enhance the earnings trajectory for our retail investments in H2.

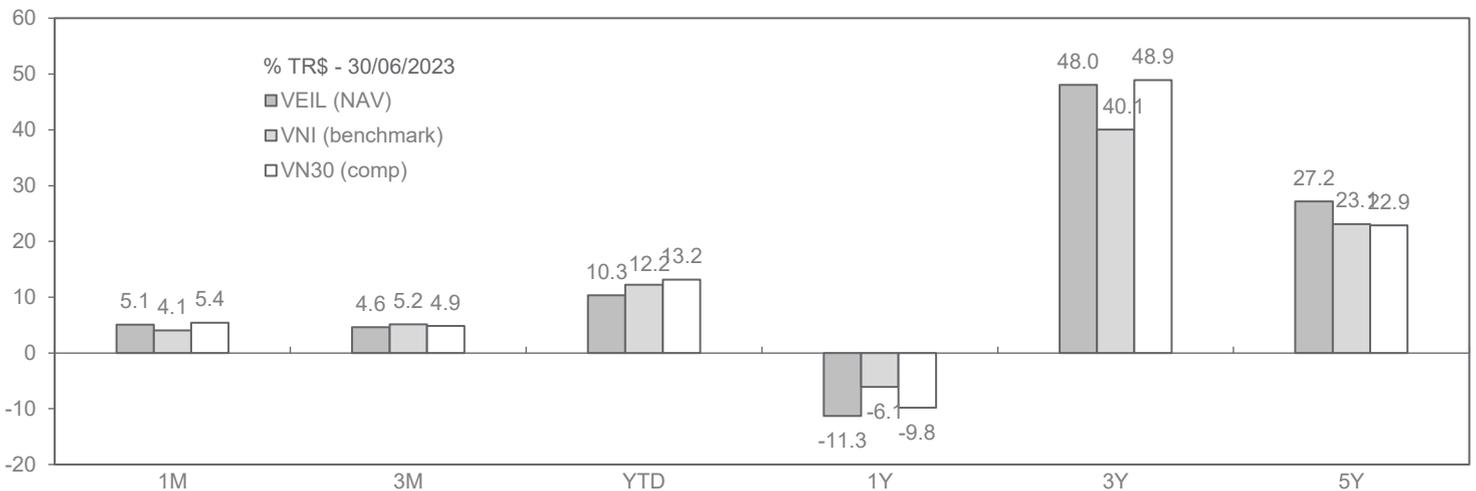
We believe the Fund's banking and real estate names should benefit from the continued decline in interest rates, the latter coming out stronger as the sector starts to find momentum. Our property investments selectively target companies with the financial strength to endure the current period of consolidation, with holdings split between residential and industrial parks. The residential segment is a classic case of quality and prospective growth, while our IP names remain financially robust.

There is much to look forward to in 2H23. Sectors that play into the twin themes of investment recovery (both public and private) and consumption uptick, such as steel and retail, stand to yield positive results from these drivers. The upcoming earnings season promises to shed light on the resilience of individual names, spotlighting those equipped to emerge stronger in 2H23 despite economic uncertainties. While acknowledging the inherent market risks, we believe the synergy of accommodative policies, enhanced liquidity, fiscal support, and an anticipated H2 consumption revival, aligns well with the strengths of the Fund, thus laying a sound foundation for sustained performance into the year's second half.

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		
\$1,773.7m	\$8.66	0.48	-	5.1%	10.3%	9.1%	6.3%	24.25	0.51
£1,395.2m	£6.81		£5.86	2.4%	4.3%	6.4%	0.5%	-	-

NAV PERFORMANCE (in \$ terms)



TOP TEN HOLDINGS (67.1% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 ACB	Banks	1.7	12.8	3.5
2 VP Bank	Banks	3.0	12.3	2.4
3 Hoa Phat	Mat's/Res	3.4	8.3	22.9
4 Vietcombank	Banks	10.7	7.2	6.0
5 Mobile World	Retail	1.4	5.4	10.0
6 Vinhomes	Real Estate	5.4	5.0	2.4
7 FPT Corporation	Software/Svc's	2.1	4.8	1.8
8 Becamex IDC	Real Estate	1.9	4.2	1.1
9 PV Gas	Energy	4.0	3.7	-0.2
10 Khang Dien House	Real Estate	0.5	3.5	3.3

DISCOUNT TO NAV





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024F
GDP									
GDP	\$bn	281.4	310.1	334.4	346.6	366.1	408.8	448.5	494.4
Real GDP Growth	%	6.9	7.5	7.4	2.9	2.6	8.0	5.5	6.5
Services Growth	%	7.4	7.0	7.3	2.5	1.2	10.0	7.5	8.2
Agriculture Growth	%	2.9	3.8	2.0	2.8	2.9	3.4	2.6	3.0
Ind'l and Const'n Growth	%	8.0	8.9	8.9	3.3	4.1	7.8	4.1	6.1
Retail Sales Growth	%	10.9	11.7	11.8	2.6	-3.8	10.2	8.9	9.0
Prices									
CPI (Average YoY)	%	3.5	3.5	2.8	3.2	1.8	3.2	4.0	4.0
Money, FX & Interest Rates									
Money Supply M2	%	15.0	12.4	14.8	14.5	8.9	6.2	7.8	10.5
Average Lending Rate	%	9.3	9.5	9.7	8.6	8.5	13.7	10.5	9.2
5-yr VGB	%	4.3	4.5	1.9	1.1	0.9	4.7	2.2	2.5
VND : \$	\$1	22,750	23,235	23,150	23,085	22,800	23,550	23,450	23,300
External Sector									
Trade Balance	\$bn	2.1	6.8	10.8	19.9	3.3	12.4	17.1	18.7
Current Account	\$bn	-1.6	5.8	12.2	15.1	-7.8	-1.5	7.5	6.8
Current Account / GDP	%	-0.6	1.9	3.6	4.3	-2.1	-0.4	1.7	1.4
FDI Registered	\$bn	35.9	35.5	36.0	28.5	38.5	27.7	25.2	28.0
FDI Disbursement	\$bn	17.5	19.1	20.4	20.0	19.8	22.4	20.9	22.0
FX Reserves	\$bn	52.0	61.0	80.0	98.0	106.5	85.0	95.0	110.0
Public Debt & Fiscal Balance									
External Debt	\$bn	109.2	112.1	122.8	130.1	138.8	141.2	147.0	151.3
<i>Government</i>	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	52.4	56.7
<i>Enterprises (incl. FDI)</i>	\$bn	62.9	65.1	75.0	81.1	90.9	92.4	94.6	94.6
External Debt (% GDP)	%	38.8	36.2	36.7	37.5	37.9	34.5	32.6	30.6
Fiscal Balance (% GDP)	%	-2.6	-2.9	-2.6	-3.4	-4.0	-4.3	-6.0	-4.5



APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Jun-22	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22	30-Jun-23
Market Cap (\$m)	204,369	189,436	14,082	12,090	51,942	44,520	270,392	246,046
Number of Stocks	403	395	347	332	861	866	1,611	1,593
Number of Large Cap Stocks (> \$400m)	64	66	8	8	21	18	93	92
Stocks with No Room for Foreigners	47	59	54	90	154	215	255	364
Market Cap of Stocks with No Room (\$m)	31,750	25,487	2,754	1,873	11,950	11,313	46,454	38,673
Share of Market Cap with No Room (%)	15.5	13.5	19.6	15.5	23.0	25.4	17.2	15.7

Top 25 Companies

No	Company	30-Jun Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2022 (x)	2023E (x)	2024F (x)	2022 (x)	2023E (x)	2024F (x)	2022 (%)	2023E (%)	2024F (%)
1	Vietcombank	100,000	25.0	20,070	10.70	14.4	15.2	13.1	2.8	2.8	2.3	0.9	-	-
2	Vinhomes	55,000	14.6	10,157	5.42	7.2	7.9	7.4	1.4	1.4	1.2	4.5	-	-
3	BIDV	43,350	12.3	9,300	4.96	14.1	13.0	10.8	2.0	1.9	1.6	0.2	-	-
4	Vingroup	51,000	-5.2	8,249	4.40	23.4	27.7	27.5	1.9	1.7	1.6	1.7	-	-
5	PV Gas	93,000	-8.4	7,549	4.02	13.4	15.8	16.2	3.2	2.8	2.6	3.0	3.7	3.7
6	Airports Corporation VN	73,500	-13.1	6,786	-	29.0	25.9	20.1	4.2	3.2	2.7	-	-	-
7	Hoa Phat Group	26,150	45.3	6,449	3.44	12.6	20.8	13.2	1.1	1.5	1.4	2.2	1.1	1.1
8	Vinamilk	71,000	-6.7	6,293	3.36	21.0	18.4	17.4	5.3	4.5	4.5	5.1	3.4	5.4
9	Vietinbank	29,500	8.3	6,012	3.21	9.2	8.8	7.3	1.2	1.1	1.0	2.9	-	-
10	VP Bank	19,850	10.9	5,651	3.03	6.6	10.0	7.0	1.2	0.9	0.8	-	-	-
11	Techcombank	32,350	25.1	4,825	2.57	4.7	6.8	5.5	0.8	0.9	0.8	0.1	-	-
12	Masan Group	75,200	-19.1	4,541	2.42	37.1	98.9	45.3	5.1	3.8	3.5	1.0	1.2	1.2
13	Sabeco	153,600	-6.6	4,177	2.23	20.6	20.7	19.0	4.6	3.9	3.5	2.3	2.5	2.5
14	FPT	86,000	11.8	4,028	2.15	17.4	16.3	12.9	4.0	3.8	3.2	2.6	3.1	3.5
15	Military Bank	20,200	21.1	3,884	2.07	4.5	4.7	3.9	1.0	1.0	0.8	-	-	-
16	ACB	22,050	20.5	3,632	1.68	5.3	5.4	4.6	1.2	1.2	0.9	-	-	-
17	Becamex IDC	79,200	-1.7	3,476	1.85	49.5	20.6	19.0	4.9	4.1	3.5	0.9	1.0	1.0
18	Mobile World	43,300	0.9	2,687	1.43	15.3	29.3	10.0	2.6	2.4	2.0	1.2	-	1.2
19	Vincom Retail	26,800	1.9	2,583	1.41	21.5	14.3	16.0	1.8	1.6	1.5	-	-	-
20	Sacombank	29,800	32.4	2,383	1.27	8.4	6.1	3.9	1.1	1.2	0.9	-	-	-
21	Binh Son Refining	17,300	30.1	2,275	-	2.8	9.3	18.9	0.8	1.0	1.0	3.3	5.8	5.8
22	Vietjet Air	94,300	-13.9	2,166	1.15	neg	36.7	31.0	4.0	3.1	2.7	-	-	-
23	VEAM Corp	37,800	-7.4	2,130	-	7.2	7.5	6.9	2.2	1.9	2.0	11.1	11.6	15.2
24	VIB	19,650	32.7	2,108	0.94	4.5	5.1	4.3	1.1	1.3	1.0	-	6.3	-
25	Petrolimex	37,350	17.8	2,013	1.09	27.8	14.1	14.3	1.6	1.7	1.8	4.3	3.3	8.1

VIETNAM MONTHLY REPORT

30 June 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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