



ECONOMY REVIEW AND OUTLOOK

Vietnam Tees Up For a Solid Back Nine

July saw a 7.1% YoY rise in retail sales, driven by the ongoing recovery of the tourism sector. Public investment demonstrated a remarkable acceleration, surging over 40% YoY, while July CPI increased 0.5%, primarily driven by food and energy prices. FDI registration reached a three-month high, culminating at \$16.2bn in 7M23, reflecting the continued attractiveness of Vietnam as an investment destination. Despite a contraction in imports/exports, the trade surplus remained resilient at \$15.2bn, positioning the economy well for the anticipated uplift in exports from the upcoming release of Samsung's new phone in August.

A Diplomatic Dance for Korea & Vietnam

In a significant milestone, the newly elected South Korean President chose Vietnam for his inaugural overseas trip, echoing the upgrade to a comprehensive strategic partnership last year. Accompanying the President on this symbolic journey were over 200 leading Korean corporations, resulting in more than 110 Memorandums of Understanding being signed across multiple sectors, fortifying Vietnam and South Korea's economic bond. It is clear the commercial relationship between the two sovereign nations has now become stronger than ever before.

Seoul Kitchen: A Recipe for Success

South Korea continues to lead as the paramount investment partner in Vietnam, with cumulative FDI amassing \$83bn across 9,700 projects. Notably, Samsung constitutes nearly 25% of this figure, equalling \$20bn. In 2022, the company's export turnover reached \$65bn, constituting 17.4% of Vietnam's total exports, creating 96,000 jobs and contributing over \$480m to the State budget. Capital inflow from South Korea further swelled by \$2.3bn in 7M23, adding to the total registered figure of \$16.2bn, an increase of 4.5% YTD and resilient against global fluctuations.

Strategic Overture to Global Manufacturers

Vietnam's stability, geography, and market potential stand as three pivotal reasons motivating global manufacturers to seek exposure within its borders. Over the last 12 years, Vietnam has maintained a consistent policy of integration into global value chains, engaging in over 16 FTAs with 55 territories. The strategic positioning in the heart of the Asia-Pacific hub, with a coastline of 3,260 km, facilitates the maritime transportation of goods to regional markets.

A Solo Movement: Vietnam's Drive Towards Growth

Vietnam possesses key advantages for growth, characterised by its golden demographics and natural resources, most notably an abundance of rare earth minerals which are vital to the microchip industry, ranking second globally per USGS. The Government is incentivising human capital in this sector, intending to nurture 50,000 engineers in the semiconductor industry. We see this as an opportunity for Vietnam to fortify its national standing and foster sustained, long-term growth within the global supply chain.

Fig. 1

ECONOMIC FORECASTS

31-July-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 SOUTH KOREAN INVESTMENT IN VIETNAM 2013-2022



Fig. 3

VIETNAM – SOUTH KOREA BILATERAL TRADE

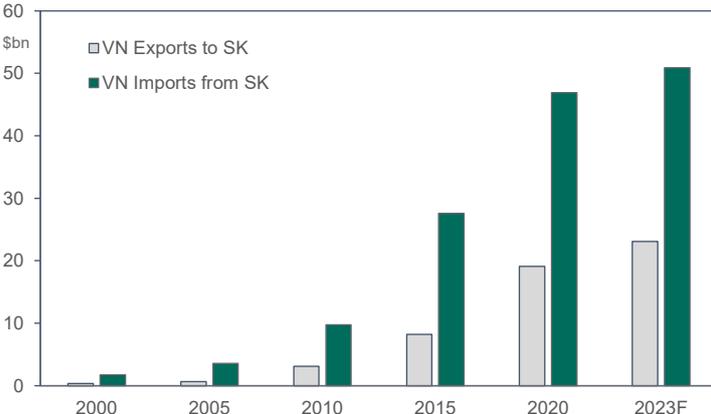
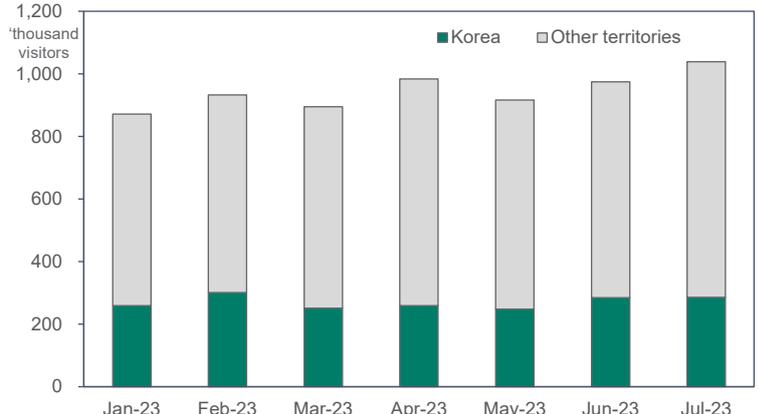


Fig. 4

FOREIGN VISITORS





MARKET REVIEW AND OUTLOOK

VNI Continues its Upward Trajectory

Public Investment Sparks Conviction

Sector Rotation: From Bricks to Clicks

Valuations Rise, But Opportunity Knocks

Pressure Builds For Corporate Delivery

The VNI increased by 8.8% MoM (TR\$) in July, more than doubling June's gains, with average daily turnover reaching its highest level in over a year as domestic investors return.

The rejuvenated investor sentiment can be traced back to an enhanced emphasis on public investments. In July, public disbursement reached an impressive 6.9%, totalling 37.9% of the annual plan in 7M23, far surpassing 2022's figure of 27.4% within the same period, with infrastructure and construction stocks taking centre stage. Trading volume breached \$1bn, with the average MoM turnover swelling by 8% to \$776m/day, underscoring bullish investor expectations. Our analysis also indicates a surge in account deposits and a steady rise in retail investors' margin balances, a firm showing of renewed faith in the market.

July witnessed an intriguing sector pivot, as interest shifted from brokerages and real estate to retail. Companies once playing catch-up are now enjoying improved inflows, aligning with market momentum. The retail segment, having experienced a lull, rebounded convincingly in July, leaping 20.4%. This resurgence can be attributed to the likes of DGW and MWG, underpinned by the prevailing view that the nadir of consumer confidence is behind us. VIC, a top five VNI stock by market cap, also rallied, buoyed by positive US listings news and the commencement of their US factory. Conversely, the banking sector underperformed the index, with investors exhibiting caution in the wake of Circular 06 and its lending limitations.

The buoyant earnings news has been factored into the market, resulting in our top 80 universe TTM PE valuation climbing to 12.8x, just along the 5Y mean. Dive deeper into these stocks, and Q2 results (adjusted for float) paint a picture of mild economic resurgence. We are observing the second successive quarter boasting QoQ profit growth. Even though net profit slid 5% YoY, it surged by 9% QoQ, encapsulating 46% of our annual projection. Banks continue to act as a pillar for the VNI, accounting for 59% of total earnings YTD, remaining flat YoY. Sectors like real estate, insurance, securities, and IT have been standouts, constituting a fifth of market earnings, while the energy, materials, chemicals, and retail sectors trailed this quarter. Forecasts for Q3 should usher in positive momentum, with the expectation that H2 will sustain this recovery.

The increase in PE valuations mirrors robust market expectations of an economic rebound, bolstered by year-to-date macroeconomic support. The spotlight, however, now shifts firmly onto the corporations themselves. With the foundations set, it is incumbent upon these entities to navigate this momentum, ensuring that they match, if not exceed, investors' expectations.

Fig. 1

DC TOP-80 FORECASTS

31-Jul-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	11.1	9.0
EPS Growth	%	37.1	-1.4	3.8	24.4
PEG	x	0.4	Neg	2.9	0.4
Sales Growth	%	22.0	12.3	4.0	14.1
EBIT Growth	%	50.8	2.5	12.3	21.8
PBT Growth	%	38.0	1.5	2.9	24.5
NPAT Growth	%	41.9	0.0	4.0	24.4
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	1.2	1.2

Fig. 3

VNI TRAILING 5Y PE



Fig. 2

MARKET PERFORMANCE

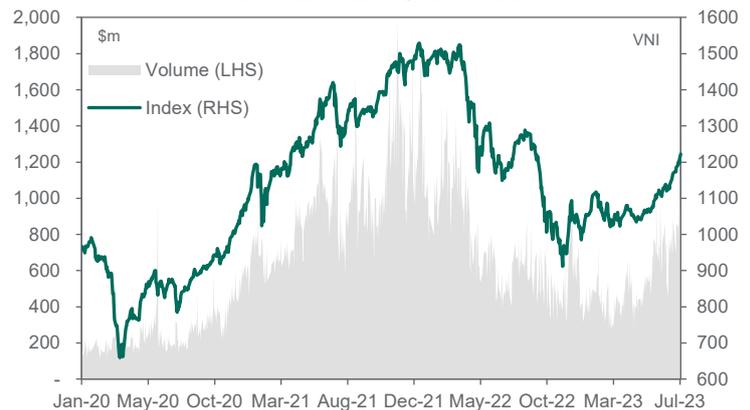
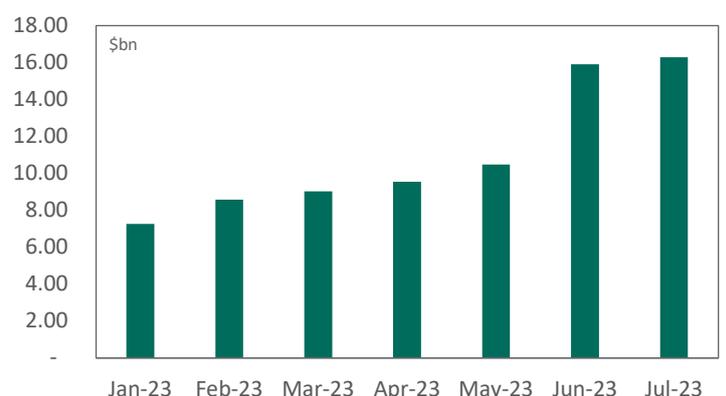


Fig. 4

VNI MONTHLY VOLUME



Sources: ICI, Bloomberg, Credit Suisse / Heliinvest – all adjusted for free float



VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

As the market rally continued into July, VEIL rose 9.7% MoM, outperforming the VNI's 8.8% return by 1.1%, with half of the Fund's top ten holdings achieving double digit returns, as earnings season provides much to consider.

FPT was one of the first major corporates to post their Q2 earnings in July, bringing H1 earnings growth to 19.7% YoY. The company also issued a stock dividend, a popular move with retail investors. The combination of FPT's sound fundamentals, consistent delivery of earnings growth, and a rotation into large cap stocks were the driving forces behind this sizeable gain.

VPB and MWG performed well, despite modest 2Q23 results. VPB's quarterly expansion was the most significant QoQ earnings growth within VEIL's banking names, and its 15% strategic placement to SMBC slated for Q3 is projected to bolster capital reserves, explaining the strong uptick and fostering long-term growth. Despite MWG contending with constrained demand, it is preparing its own private placement for grocery subsidiary BHX, heralding promising near-term expansion.

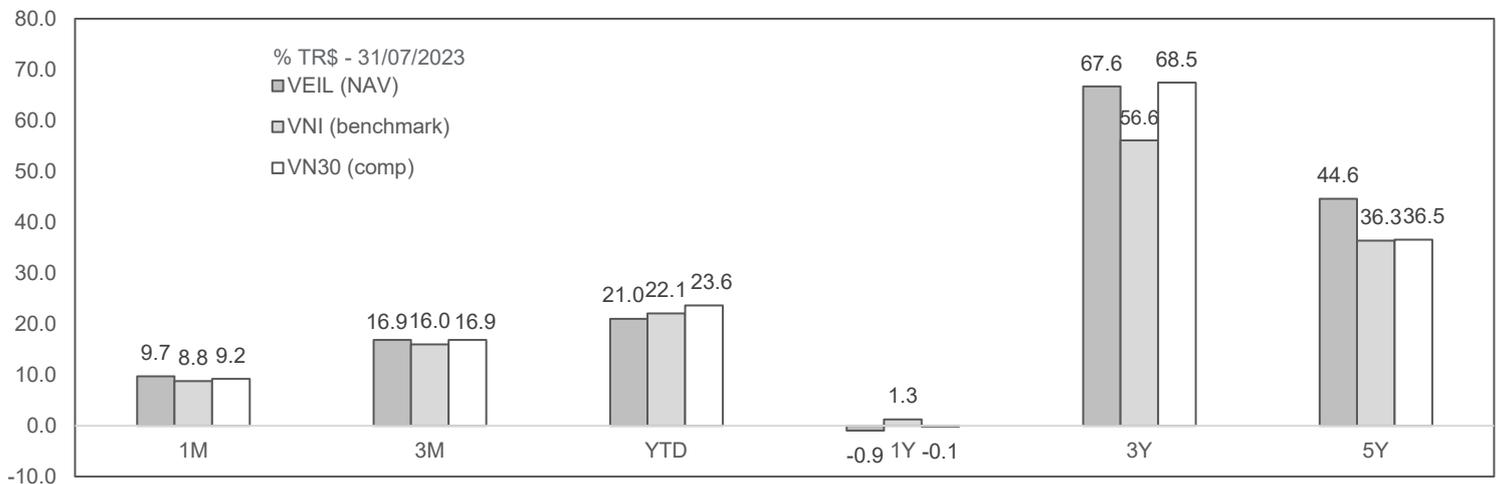
July signalled the beginning of the revival for the residential property sector as strides are taken to address legal challenges, with VEIL's key holdings VHM and KDH posting solid double-digit returns. VHM's MoM results were nearly twice that of the VNI's return, as the company's major sales launch in July exhibited strong absorption rates. KDH's considerable increase of 21.2% benefitted from market expectations of a new major project launch, and has one of the largest land banks in Ho Chi Minh City with legal paperwork already approved. DXG also rose 27.4% due to a modest profit in Q2, meaning H1 earnings were positive, a small but important factor; if negative, they would no longer be eligible for margin lending. This signalled to the market the worst for the company has likely passed, with new projects now the focus and increased optimism the result.

The overarching sentiment echoed previously remains unaltered: confidence in both the market and the broader economic trajectory for H2 is positive. While there may be moments when market exuberance runs ahead of fundamentals, the broader economic recovery and earnings outlook inspire confidence as we head into the latter half of the year. We believe the stage is now primed for stock selection and tactical allocation to truly prevail as we look beyond H2 and into 2024.

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		
\$1,944.6m	\$9.50	1.03	-	9.7%	21.0%	12.9%	20.0%	24.58	0.69
£1,511.3m	£7.38		£6.54	8.4%	13.0%	11.6%	12.2%	-	-

NAV PERFORMANCE (in \$ terms)



TOP TEN HOLDINGS (66.7% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 ACB	Banks	1.9	12.1	3.6
2 VP Bank	Banks	3.1	11.7	11.1
3 Hoa Phat	Mat's/Res	3.4	8.5	7.4
4 Vietcombank	Banks	9.1	7.4	7.7
5 Mobile World	Retail	1.7	6.0	24.6
6 FPT Corporation	Software/Svc's	2.0	5.0	15.3
7 Vinhomes	Real Estate	5.8	5.0	14.0
8 Becamex IDC	Real Estate	1.8	3.9	1.8
9 PV Gas	Energy	4.1	3.6	8.8
10 Khang Dien House	Real Estate	0.6	3.5	21.2

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	
	31-Jul-22	31-Jul-23	31-Jul-22	31-Jul-23	31-Jul-22	31-Jul-23	31-Jul-22	31-Jul-23
Market Cap (\$m)	205,292	205,777	14,552	12,806	53,223	46,539	273,067	265,122
Number of Stocks	402	393	341	332	857	863	1,600	1,588
Number of Large Cap Stocks (> \$400m)	64	68	10	9	21	19	95	96
Stocks with No Room for Foreigners	50	60	58	91	162	217	270	368
Market Cap of Stocks with No Room (\$m)	37,101	26,564	2,903	1,988	12,517	12,088	52,520	40,640
Share of Market Cap with No Room (%)	18.1	12.9	19.9	15.5	23.5	26.0	19.2	15.3

Top 25 Companies

No	Company	31-Jul 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	91,600	35.2	21,615	9.12	14.4	16.4	14.1	2.8	3.0	2.5	0.9	-	-
2	Vinhomes	63,000	31.3	11,582	5.77	7.2	9.0	8.5	1.4	1.6	1.3	4.5	-	-
3	BIDV	47,200	22.3	10,080	5.02	14.1	14.4	11.8	2.0	2.1	1.8	0.2	-	-
4	Vingroup	55,100	2.4	8,872	4.42	23.4	26.6	28.5	1.9	1.8	1.7	1.7	-	-
5	PV Gas	101,600	0.1	8,210	4.09	13.4	17.3	17.7	3.2	3.0	2.8	3.0	3.5	3.5
6	Airports Corporation VN	80,400	-5.0	7,390	-	29.0	28.3	22.0	4.2	3.5	2.9	-	-	-
7	Hoa Phat Group	28,200	56.7	6,923	3.45	12.6	22.4	14.2	1.1	1.6	1.5	2.2	1.0	1.0
8	Vinamilk	78,000	2.5	6,882	3.43	21.0	21.0	19.6	5.3	5.0	5.0	5.1	3.1	4.9
9	Vietinbank	22,150	23.7	6,278	3.14	6.6	11.2	7.8	1.2	1.0	0.9	-	-	-
10	VP Bank	30,000	10.1	6,087	3.03	9.2	8.9	7.4	1.2	1.2	1.0	2.9	-	-
11	Techcombank	87,300	-6.1	5,274	2.61	37.1	119.4	53.5	5.1	4.5	4.0	1.0	1.0	1.0
12	Masan Group	34,300	32.7	5,093	2.54	4.7	7.2	5.8	0.8	0.9	0.8	0.1	-	-
13	Sabeco	85,600	29.5	4,590	1.99	17.2	18.6	14.9	4.0	4.2	3.6	2.6	3.1	3.6
14	FPT	156,800	-4.7	4,245	2.11	20.6	21.1	19.4	4.6	3.9	3.6	2.3	2.4	2.4
15	Military Bank	18,850	30.0	4,150	1.80	4.5	5.0	4.2	1.0	1.0	0.8	-	-	-
16	ACB	22,950	25.5	3,763	1.87	5.3	5.7	4.7	1.2	1.2	1.0	-	-	-
17	Becamex IDC	81,000	0.5	3,539	1.76	49.5	21.1	19.4	4.9	4.2	3.5	0.9	1.0	1.0
18	Mobile World	53,700	26.4	3,316	1.65	15.2	36.3	12.4	2.6	3.0	2.5	1.2	-	0.9
19	Vincom Retail	29,650	12.7	2,845	1.45	21.5	14.7	14.2	1.8	1.8	1.6	-	-	-
20	Sacombank	19,600	47.4	2,566	-	2.8	10.5	21.4	0.8	1.1	1.1	3.3	5.1	5.1
21	Binh Son Refining	102,000	-6.8	2,332	1.16	neg	39.7	33.5	4.0	3.4	2.9	-	-	-
22	Vietjet Air	28,950	28.7	2,304	1.15	8.4	6.3	4.0	1.1	1.2	0.9	-	-	-
23	VEAM Corp	20,800	40.5	2,228	1.11	4.5	5.5	4.5	1.1	1.3	1.0	-	-	-
24	VIB	41,500	30.9	2,226	1.13	27.8	15.7	15.9	1.6	1.9	2.0	4.3	2.9	7.4
25	Petrolimex	17,350	31.9	2,119	0.92	4.9	5.5	4.5	1.0	1.1	0.9	-	-	-

VIETNAM MONTHLY REPORT

31 July 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

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