



ECONOMY REVIEW AND OUTLOOK

Services shine as GDP slowly climbs

Vietnam's 3Q23 GDP expanded by 5.3% YoY, showing recovery is gaining momentum on a quarterly basis (+3.3% YoY in 1Q23, +4.1% YoY in 2Q23) (fig. 2). This resurgence can be largely attributed to the services sector, improving 6.3% YoY. Total retail sales in the third quarter rose by 7.3% YoY, while passenger and freight transportation both increased by 13.1% and 14.6%, respectively. International visitors to Vietnam are estimated at 8.9m YTD, and although 4.7 times higher than 9M22, this still only accounts for 69% of 9M19 figures. The industrial construction sector increased by 5.2% as global demand remains weak, the property market slowly recovers, and the financial markets had a shaky third quarter.

USD pitches a swerve ball to Asian banks

Global markets' focus was pulled to the strengthening of the DXY from 103.6 to 107. This increase, coupled with rising 10Y UST yields from 4.1% to 4.8%, came as the Fed signalled rates could remain higher for longer. While most Asian central banks maintain negative rate differentials with the Fed to stimulate economic activities, these external factors led to currency depreciations across the board in Q3, including the THB (-3.5%), JPY (-3.5%), TWD (-3.5%), IDR (-3.1%), and KRW (-2.8%) (fig. 3). In a bid to mitigate further currency depreciation, some banks increased interbank rates, including China's PBoC, Bank of Malaysia, Philippines and Indonesia, or hiked policy rates to narrow the negative gap in the case of the Bank of Thailand.

The SBV steps up to the plate

This also applies to the SBV. Although the fundamentals remain strong, the same factors caused the VND to fall 3.3% in 3Q23 to nearly 24,400 VND, and the SBV issued bills totalling \$5.7bn, leading to the 1-month interbank interest rate increasing from 0.7-0.8% in early September to 2.5-2.7% as of 6 October. We believe the devaluation to maintain competitiveness and bill issuances are normal operations and not a sign of policy change; the SBV has issued numerous bills in the past as a means of money supply management. Excess liquidity in the banking sector is evident, however, as some banks reported a drop in deposit rates of 10-20bps. Despite this, domestic interest rates could become volatile if global market movements continue to fluctuate, particularly in the case of a rising USD and 10Y UST yields setting new records.

Global fluctuations temper growth

Battling the challenges of higher rates and a muted China, global economies, inclusive of Vietnam, need more time to recover. A confluence of external pressures on the VND, compounded by September's inflation uptick of +1.1% MoM (fig. 4), suggests that shifts in the SBV's monetary policy will be minimal. Factoring in these constraints, we've adjusted our FY23 GDP forecast down to 5.0%, before the benefits of recent economic agreements and diplomatic relations bring growth back to its long-term trajectory of 6.0-6.5% next year.

Fig. 1

ECONOMIC FORECASTS

30-Sep-23	Unit	2021	2022E	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.0	6.0
Nominal GDP	\$bn	366.1	408.8	446.4	489.8
CPI (average)	%	1.8	3.2	4.0	4.0
Export Growth (cif)	%	19.0	10.6	-5.5	12.0
Import Growth (cif)	%	26.7	8.4	-9.9	11.8
Trade Bal (cif)	\$bn	3.3	12.4	26.4	30.2
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	24,500	24,300

Fig. 2

3Q23 GDP EXPANDED 5.3% YOY

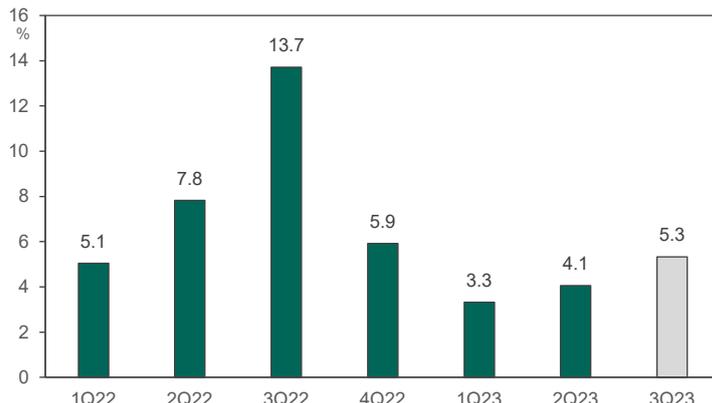


Fig. 3 VND DECLINED IN LINE WITH ASIAN CURRENCIES

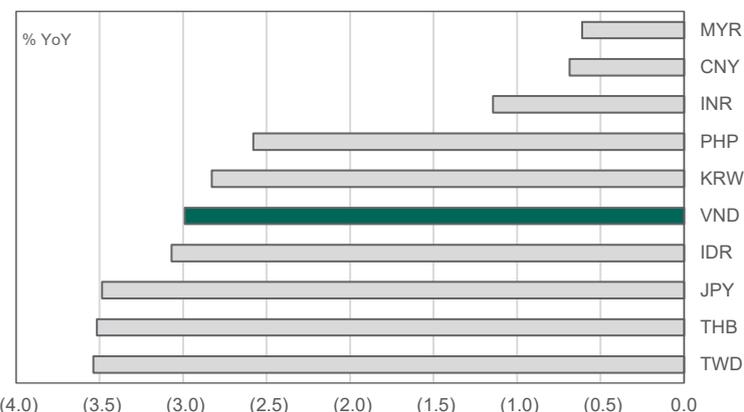
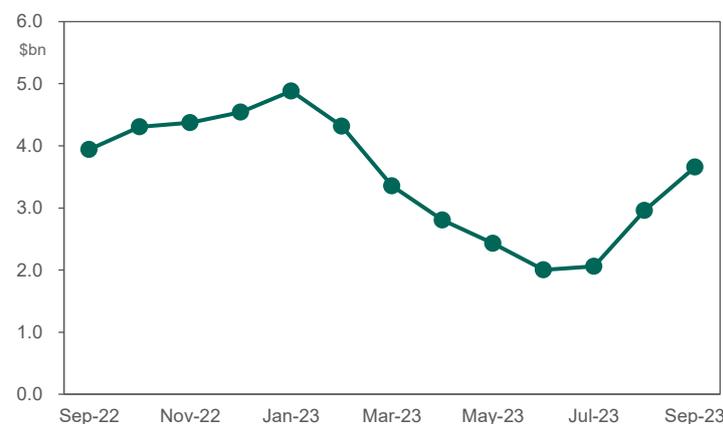


Fig. 4

VIETNAM CPI TICKS UP SLIGHTLY





MARKET REVIEW AND OUTLOOK

VNI sold off from a one-year high

Emerging markets see increase in outflows

Macro factors drive market mood

Sectors muted ahead of Q3 earnings

The good, the bad, and the Fed

September proved a challenging month for the VNI, dropping 6.6% in TR\$ terms. The early positive momentum, which peaked at a near one-year high of 1,245.5 in the first week, succumbed to a blend of domestic and international pressures, prompting heavy profit taking.

The negative return was triggered by the Fed hinting there could be more hikes down the road to combat inflation. As a result, bond yields surged to break 15-year resistance levels as the market tried to play catch up with the 'higher for longer' narrative. Vietnam, as observed in other EM markets, immediately saw an increase of foreign selling as the DXY strengthened. For the whole of September, foreigners net sold \$185m on the VNI, up 72.9% MoM, whereas Thailand, Indonesia and South Korea saw outflows of \$616m, \$263m and \$1.7bn, respectively.

During such macro-driven selling, Vietnam's equity markets tend to strongly correlate with the US. With the exception of energy, all sectors were down for the month, as local investors feared that the easing of domestic monetary conditions could not be sustained, and chose to cut down risk. This is typical momentum-driven behaviour rather than any particular market or sectoral concern. Market sentiment was not helped by the SBV's bill issuance, and major brokers scaled back on margin lending, leading to volume trailing off at the end of the month.

The real estate sector was the worst performer on the VNI, down 15.6% MoM in September, as (1) a major developer continued to struggle with bond restructuring, a stark reminder that it will not be an overnight process, and (2) investors started swapping from turnaround stories driven by policy support towards stronger asset quality and clearer earnings visibility.

In our coverage universe, preliminary Q3 results are weaker than expected. The banking sector is finding it difficult to increase credit growth, but NPLs are anticipated to decrease from Q4 after peaking in Q3, and companies with foreign loans battle with FX loss due to a falling VND. The silver lining is positive QoQ momentum in retail, brokerages, steel, and chemicals.

With the Fed nearing the end of its hiking cycle and global economic conditions showing signs of weakness, we anticipate a lot of volatility both globally and domestically. Nonetheless, we believe that Vietnam's supportive monetary setting will remain in place. Our tracking systems of interbank rates, deposit rates, and corporate bond rates have yet to show signs of any red flags. Therefore, we believe that once Q3 earnings results are released and the global landscape calms, the VNI will return to its normalised alpha-driven direction.

Fig. 1

DC TOP-80 FORECASTS

30-Sep-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	10.8	8.7
EPS Growth	%	37.1	-1.4	2.8	24.1
PEG	x	0.4	Neg	3.9	0.4
Sales Growth	%	22.0	12.3	2.5	13.8
EBIT Growth	%	50.8	2.5	8.7	23.7
PBT Growth	%	38.0	1.5	2.4	24.6
NPAT Growth	%	41.9	0.0	3.2	24.1
Net DER	x	0.2	0.3	0.2	0.2
Yield	%	1.0	1.9	1.4	1.3

Fig. 3

VNI TRAILING 5Y PE

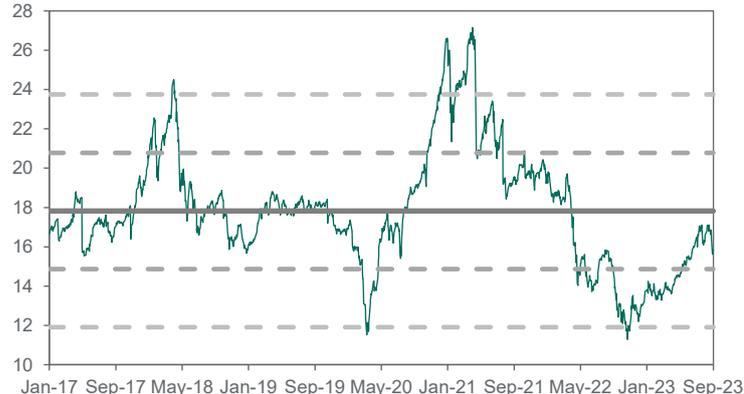


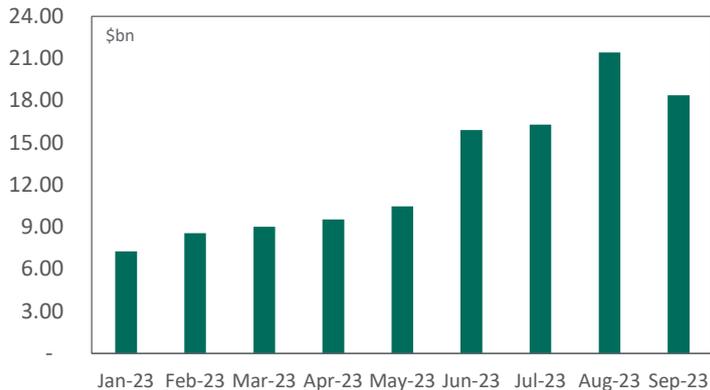
Fig. 2

MARKET PERFORMANCE



Fig. 4

VNI MONTHLY VOLUME





VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

VEIL retracted by 5.5% in September, outpacing the VNI by 1.1%. Dominating market sentiment were the global factors of escalating oil prices and fluctuations in the DXY.

The Oil and Gas sector showcased strength, largely credited to the ascending trajectory of oil prices, leading to **GAS** surging 9.5%. Following the recent rally in the property sector, spurred on by supportive Government policies, property names including **VHM** and **KDH** were notable laggards. Pronounced selling was triggered in the rate sensitive sector as worries of what a higher for longer Fed rate may do to local mortgage rates, and the slow progress of bond restructuring by **NVL**. As we approach 4Q23, prominent names within the sector are gearing up for forthcoming launches. Future performance may diverge as investors' focus will be on those that have better execution capability and can bring new supply into the market in the coming quarters. VEIL heads into 4Q23 with a sense of optimism as we expect the recovery of economic activities to gain steam in 4Q23, and certain sectors are ready to capture this growth:

Construction & materials: As Infrastructure spending takes centre stage in the drive to boost the economy, these sectors are poised to do well. The fund's biggest representative in the sector, **HPG**, has seen consistent increase in sales volume since April-23, culminating in a YTD high in September, and we expect this trend to continue into 4Q23.

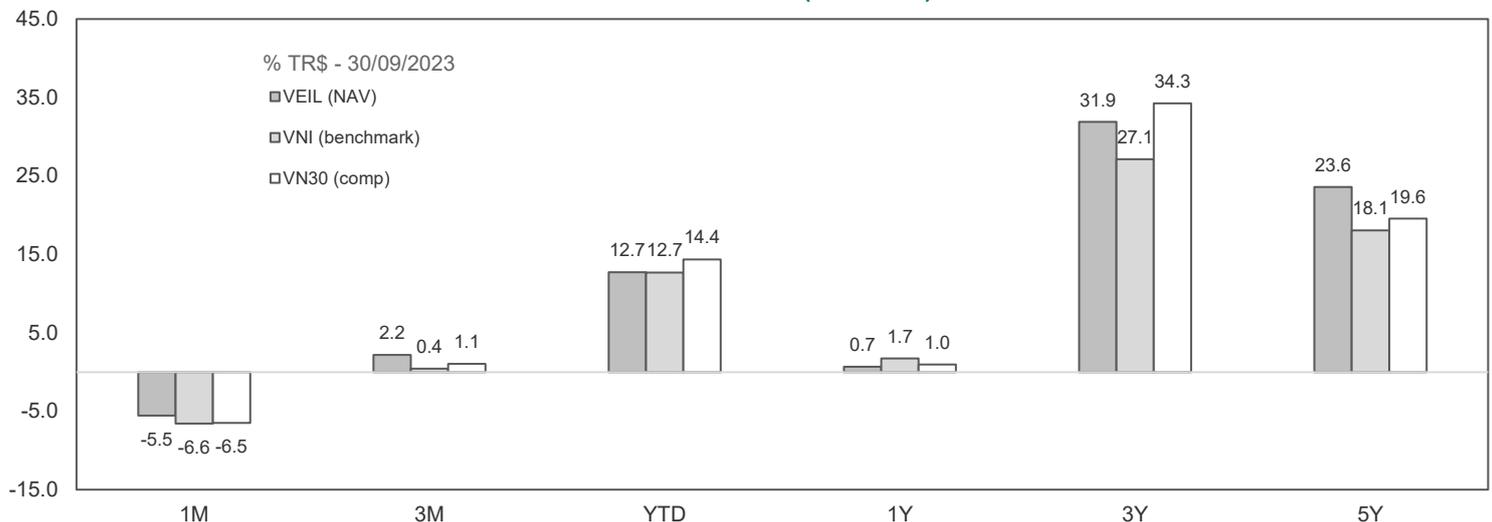
Banking: Valuation for the banking sector is approaching an all time low as concerns over asset quality remain. We expect 3Q23 will mark the nadir in terms of NPLs and provisions, with signs of resilience in both earnings and margins. The sector will play a central role in the recovery of overall economic activities in 4Q23 with credit demand expected to strongly recover.

Consumer: In F&B, the recent rebranding of **VNM** is expected to reflect positively in its bottom line from 3Q23 into 4Q23. We also expect to see increased spending in the retail space, benefitting **MWG** & **PNJ**.

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		
\$1,797.8m	\$8.85	2.53	-	-5.5%	12.7%	-5.6%	3.3%	23.96	0.32
£1,472.9m	£7.25		£5.93	-1.8%	11.0%	-2.0%	1.7%	-	-

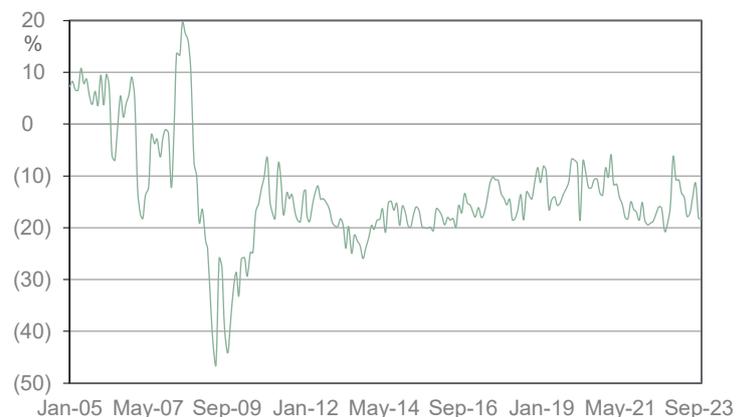
NAV PERFORMANCE (in \$ terms)



TOP TEN HOLDINGS (61.6% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 VP Bank	Banks	3.2	11.1	2.8
2 Hoa Phat	Mat's/Res	3.4	8.7	-5.5
3 Vietcombank	Banks	10.9	7.6	-2.6
4 ACB	Banks	1.9	7.4	-4.1
5 Mobile World	Retail	1.7	6.2	-3.0
6 FPT Corporation	Software/Svc's	2.6	5.7	-4.8
7 PV Gas	Energy	3.9	4.4	9.5
8 Vinhomes	Real Estate	4.4	3.9	-17.5
9 Vinamilk	F & B	3.4	3.5	-5.4
10 Khang Dien House	Real Estate	0.5	3.1	-12.4

DISCOUNT TO NAV





APPENDIX 1: MACRO

Key Indicators

Item	Unit	2017	2018	2019	2020	2021	2022E	2023F	2024F
GDP									
GDP	\$bn	281.4	310.1	334.4	346.6	366.1	408.8	446.4	489.8
Real GDP Growth	%	6.9	7.5	7.4	2.9	2.6	8.0	5.0	6.0
Services Growth	%	7.4	7.0	7.3	2.5	1.2	10.0	6.9	8.0
Agriculture Growth	%	2.9	3.8	2.0	2.8	2.9	3.4	2.6	2.8
Ind'l and Const'n Growth	%	8.0	8.9	8.9	3.3	4.1	7.8	3.5	5.0
Retail Sales Growth	%	10.9	11.7	11.8	2.6	-3.8	10.2	8.3	8.5
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	9.0	10.5
Average Lending Rate	%	9.3	9.5	9.7	8.6	8.5	13.7	10.5	10.0
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	24,500	24,300
External Sector									
Trade Balance	\$bn	2.1	6.8	10.8	19.9	3.3	12.4	26.4	30.2
Current Account	\$bn	-1.6	5.8	12.2	15.1	-7.8	-1.5	17.4	20.7
Current Account / GDP	%	-0.6	1.9	3.6	4.3	-2.1	-0.4	3.9	4.2
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	132.0	140.3
<i>Government</i>	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	41.4	44.5
<i>Enterprises (incl. FDI)</i>	\$bn	62.9	65.1	75.0	81.1	90.9	92.4	90.6	95.8
External Debt (% GDP)	%	38.8	36.2	36.7	37.5	37.9	34.5	29.1	28.6
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-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23	30-Sep-22	30-Sep-23
Market Cap (\$m)	188,726	190,397	12,648	13,035	48,222	44,568	249,596	247,982
Number of Stocks	400	394	341	330	857	859	1,598	1,583
Number of Large Cap Stocks (> \$400m)	65	67	8	11	19	18	92	96
Stocks with No Room for Foreigners	52	61	66	94	177	223	295	378
Market Cap of Stocks with No Room (\$m)	34,046	23,323	2,592	2,026	11,991	13,082	48,629	38,431
Share of Market Cap with No Room (%)	18.0	12.3	20.5	15.5	24.9	29.4	19.5	15.5

Top 25 Companies

No	Company	30-Sep 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	87,500	29.2	20,150	10.85	14.4	15.7	13.5	2.8	2.9	2.4	0.9	-	-
2	BIDV	44,350	14.9	9,244	4.98	14.1	13.6	11.1	2.0	2.0	1.7	0.2	-	-
3	PV Gas	90,700	11.1	8,583	3.85	12.9	18.5	18.9	3.1	3.2	3.0	3.0	3.2	3.2
4	Vinhomes	45,500	-5.2	8,163	4.40	7.2	6.5	6.1	1.4	1.1	1.0	4.5	-	-
5	Vingroup	46,850	-12.9	7,362	3.96	23.4	28.0	24.3	1.9	1.5	1.4	1.7	-	-
6	Airports Corporation VN	74,900	-11.5	6,718	-	29.0	26.4	20.5	4.2	3.2	2.7	-	-	-
7	Vinamilk	74,200	0.7	6,390	3.44	20.3	20.0	18.1	5.2	4.8	4.7	5.1	3.3	5.2
8	Hoa Phat	26,300	46.1	6,301	3.39	12.6	19.5	11.2	1.1	1.5	1.3	2.2	-	-
9	VP Bank	21,700	21.2	6,002	3.25	6.6	11.8	8.5	1.2	1.1	1.0	-	5.6	3.6
10	Vietinbank	30,050	10.3	5,950	3.20	9.2	8.9	7.4	1.2	1.2	1.0	2.9	-	-
11	Techcombank	33,650	30.2	4,877	2.63	4.7	7.1	5.7	0.8	0.9	0.8	0.1	-	-
12	FPT Corporation	92,800	42.0	4,856	2.61	17.0	20.2	16.1	3.9	4.5	3.9	2.6	2.8	3.3
13	Masan Group	76,300	-18.0	4,498	2.42	37.1	104.3	46.8	5.1	3.9	3.5	1.0	1.1	1.1
14	MB Bank	18,500	27.6	3,975	2.14	4.5	4.8	4.0	1.0	1.0	0.8	-	-	-
15	Sabeco	72,500	-11.8	3,831	1.03	20.6	21.6	18.6	4.6	3.7	3.4	2.3	2.6	2.6
16	ACB	21,850	19.4	3,497	1.88	5.3	5.2	4.4	1.2	1.1	0.9	-	-	-
17	Mobile World	52,600	23.8	3,170	1.71	15.2	57.8	16.3	2.6	3.0	2.6	1.2	-	1.0
18	Becamex IDC	69,500	-13.8	2,964	1.60	49.5	51.8	29.2	4.9	4.1	3.7	0.9	1.0	1.0
19	Binh Son Refining	21,800	70.1	2,785	-	2.7	8.1	11.8	0.8	1.2	1.1	3.3	4.5	4.5
20	Vincom Retail	26,100	-0.8	2,444	1.35	21.5	12.9	12.5	1.8	1.6	1.4	-	-	-
21	Sacombank	30,650	36.2	2,381	1.28	8.4	7.2	4.9	1.1	1.2	1.0	-	-	-
22	Vietjet Air	99,300	-9.3	2,216	1.19	neg	38.6	32.6	4.0	3.3	2.8	-	-	-
23	HD Bank	17,350	31.9	2,068	1.12	4.9	5.8	4.9	1.0	1.1	0.9	-	-	-
24	VEAM Corp	37,500	-8.1	2,053	-	7.2	7.5	6.8	2.2	1.9	2.0	11.1	11.8	15.4
25	VIB	19,350	30.7	2,023	1.09	4.5	5.1	4.2	1.1	1.2	1.0	-	-	-

VIETNAM MONTHLY REPORT

30 September 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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