



## VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

**VEIL's NAV increased 3.0% (TR\$) in March, driven mainly by a resurgence in the retail (+10.5%) and mid-cap property (+10.7%) sectors. The VNI gained 2.5% (all quoted data in this section is to 28 March due to a public holiday on 29 March).**

A key driver for VEIL was the nascent recovery within the retail sector, which began to rebound after a challenging 2023. Our overweight position in **MWG** (+9.8% MoM) accounted for 0.4% of the total 3% returns in March. Results in the first two months of 2024 surpassed market expectations with a 14% YoY increase in sales to \$860mn. We expect this trend will continue when full Q1 earnings are released and anticipate net profit for the group to rise from \$7m in 2023 to over \$100m in 2024. MWG's grocery arm, **BHX**, was a standout performer, with a 48% YoY sales growth. After appointing a retail operations expert as **BHX** CEO during the 2023 AGM, the focus shifted to increasing profitability over top-line growth. Under his stewardship, **BHX** optimised its store footprint and product mix to increase foot traffic. This led to the closure of over 30 stores in the last 12 months, improving revenue per store to within the profitable range of \$72-80,000.

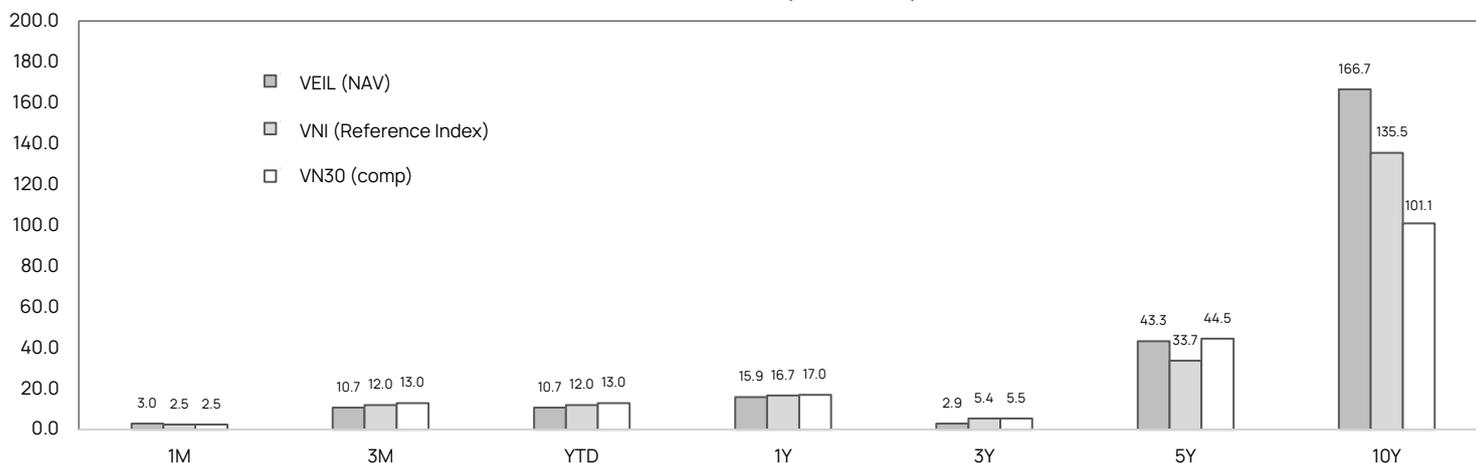
March also saw the new addition of **FPT Retail (FRT)** into our portfolio. We like **FRT** because of the compelling growth prospects of its pharmacy chain Long Chau, aiming to fortify a nationwide healthcare ecosystem. With plans to add 400 new pharmacies to its network of over 1,500 in 2024, it is also aggressively expanding its vaccination centres in response to a nationwide shortage. Offering a wide range of vaccines that are approximately 4% cheaper than competitors, it has grown from just ten centres at the end of 2023 to 49, with a target to increase to 100 by the end of 2024. We expect **FRT's** consumer electronics arm, **FPT Shop**, will revise its product assortment to include a greater number of high-gross profit margin items in small home appliances. This adjustment is expected to stabilise **FPT Shop's** operating profit margin and achieve a sales CAGR of 5% from 2023-2028. We forecast **FRT's** total sales for 2024 to be \$1.5bn, representing a 21% increase, with a profit before tax of \$5mn, compared to a pre-tax loss of nearly \$12mn in 2023.

**DXG** benefitted from the mid-cap property recovery in March, driven by the anticipated early enactment of the amended Land Law. Our analysis suggests a turning point for the firm, with flagship projects Gem Skyworld and Gem Riverside, collectively comprising ~4,500 units, acting as near-term catalysts. We forecast 2024 pre-sales of approximately \$150mn, a stark contrast to almost zero in 2023. Residential projects are slated to deliver another c.6,000 apartments in the next three years. Together, these projects underpin **DXG's** vision for sustained growth, balancing immediate profitability with long-term value creation.

### 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		
\$1,903.7mn	\$9.60	2.19	-	3.0%	10.7%	0.5%	5.3%	23.96	-0.08
£1,507.0mn	£7.60		£5.92	3.1%	11.7%	0.7%	6.3%	-	-

### NAV PERFORMANCE (in \$ terms)



### TOP TEN HOLDINGS (59.6% of NAV)

COMPANY	SECTOR	NAV %	VNI %	CH %
1 Hoa Phat Group	Materials	9.4	3.4	-2.0
2 ACB	Banks	8.8	2.1	0.7
3 VP Bank	Banks	8.4	3.0	-1.8
4 Vietcombank	Banks	7.0	10.2	-2.2
5 FPT Corporation	Software/Svc's	6.6	2.8	6.8
6 Techcombank	Banks	4.6	3.2	13.1
7 Mobile World	Retail	4.6	1.4	9.8
8 MB Bank	Banks	3.7	2.5	5.0
9 SSI Corporation	Brokers	3.4	1.1	5.2
10 PV Gas	Energy	3.3	3.5	3.2

### DISCOUNT TO NAV



\* All quoted data is to 28 March due to public holidays on 29 March



## ECONOMY REVIEW AND OUTLOOK

**A tale of two sectors: exports outshine domestic as Q1 GDP hits a five-year high**

Vietnam recorded 5.7% GDP growth in 1Q24 (Fig. 2), the highest first-quarter expansion in five years. The industrial sector was a large contributor to this growth, up 6.2%, with exports rising by 14.2% YoY in March, bringing quarterly growth to 17.2%. The services sector rose by 6.1% YoY, revealing dispersion in the economic recovery, with domestic-oriented sectors lagging external-facing export industries. Retail sales of consumer goods and services in Q1 2024 increased 9.2% YoY, but it has not yet reached pre-pandemic levels. As Chinese tourists returned, tourism-related services maintained an upward trajectory as quarterly inbound visitors reached 4.6 million. This is 72% higher YoY and 3.2% above pre-pandemic levels in Q1 2019. Challenges, however, have been posed by the strength of the US dollar.

**Gold and crypto conundrum as VND navigates volatility**

The VND declined 2.2% YTD against the dollar but is relatively stable in comparison to its peers the JPY (-7.5%), THB (-6.8%), KRW (-4.2%), and TWD (-4.4%). The VND continues to be supported by factors including inward remittances, disbursed FDI, and a trade surplus. However, the continuous outflow of the dollar was a result of the persistent USD-VND negative swap rate of over 4%. The unofficial USD market has fluctuated wildly, peaking at 25,750 VND:USD (Fig. 3), as domestic gold prices and cryptocurrencies continue to soar. USD demand is climbing, resulting in a nearly 2-4% premium in the black-market rate and 5-6% on the crypto market. These factors have recently been driving the currency market.

**Anticipating the FX flux**

In response, The SBV raised the 1-month VND interbank interest rate from 1.5% to 4.0-4.5% (Fig. 4) by issuing \$6.8bn in SBV-bills to successfully narrow the average USD-VND negative rate differential from over 4% to around 2%. The SBV announced that current foreign exchange reserves are around \$100bn and is considering ways to further intervene, potentially by selling USD into the market. We expect that FX pressure will persist in the coming months, coinciding with the onset of dividend season and worldwide monetary policy reversals, which will further fortify the USD. The VND may depreciate by roughly 3-3.5%, possibly stabilising in the range of 25,000-25,200/USD. However, by the end of 2024, the situation may improve as the Fed pivots towards rate cuts, possibly easing FX pressure.

**Striking the balance between rates and currency**

Vietnam remains on track for 6.0-6.5% of GDP growth in 2024, though not without its hurdles. The balance between foreign exchange stability and interest rates emerges as a crucial challenge. Deposit rates are anticipated to increase by 30-50bps in the coming months after a sharp decline of 70-90bps YTD. We think this mid-cycle adjustment marks a strategic recalibration within the broader context of easing long-term monetary policy.

Fig.1

### ECONOMIC FORECASTS

31-Mar-24	Unit	2021	2022	2023E	2024F
Real GDP Growth	%	2.6	8.0	5.1	6.0
Nominal GDP	\$bn	366.1	408.8	430.0	463.0
CPI (average)	%	1.8	3.2	3.3	4.0
Export Growth (cif)	%	19.0	10.6	-4.4	9.8
Import Growth (cif)	%	26.7	8.4	-9.2	10.2
Trade Bal (cif)	\$bn	3.3	12.4	28.0	29.3
FX Reserves	\$bn	106.5	85.0	89.0	100
FDI Disbursed	\$bn	19.8	22.4	23.2	24.2
VND:\$	1	22,800	23,550	24,500	25,000

Fig.2

### HIGHEST Q1 GDP GROWTH IN LAST 5 YEARS

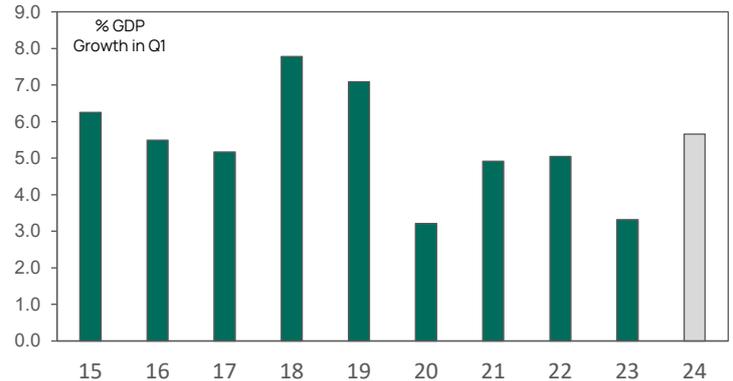


Fig.3

### VOLATILITY IN THE UNOFFICIAL FX MARKET

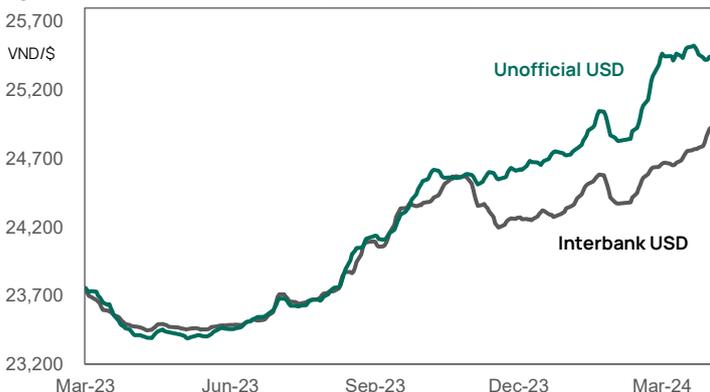
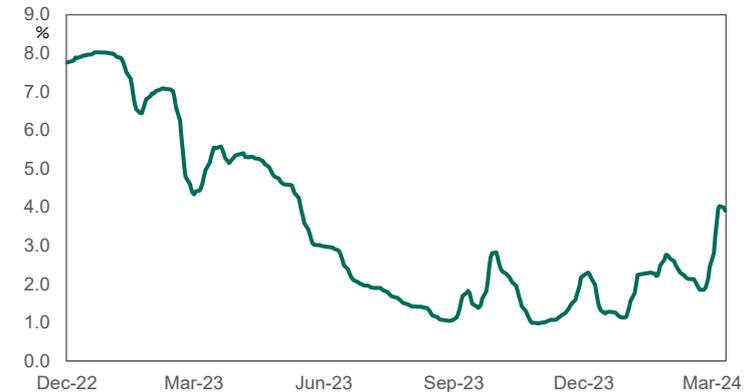


Fig.4

### 1-MONTH INTERBANK RATE HAS INCREASED TO 4-4.5%





## MARKET REVIEW AND OUTLOOK

### An uphill March: VNI overcomes obstacles to finish +2.0%

Despite facing a series of obstacles in March, the VNI rose by 2.0% in TR\$ terms. Net foreign selling surged to \$452mn from \$112mn in February, owing to a stronger dollar and increased profit-taking, the highest monthly amount since May 2021. A cybersecurity breach at a large brokerage saw its trading services suspended but was operational within a week. Despite this, daily liquidity across Vietnam's markets averaged \$1.2bn, the highest level in two years and the third consecutive month of increases (Fig. 4). The resumption of SBV-bill issuances led to a brief market drop of 2.5% between 8 and 11 March. On 18 March, the market faced a lesser decline of 1.6% due to the rumoured resignation of the President due to Party regulatory violations, which was confirmed on the 21<sup>st</sup>. Historically, domestic investors typically do not overreact to personnel changes, or if they do, it is only in the short term. The market quickly brushed this event aside to end the month positively, finding strong support at the 1240 level on 18 March, quickly rebounding to end the month at 1,284.

### SSC paves the way to solve pre-funding

FTSE Russell published its interim country review, spotlighting the issue of pre-funding as a key criterion for inclusion. FTSE acknowledged the Prime Minister's commitment to market reform, noting it has "remained resolute". This marked a significant improvement in tone from just one year ago when Vietnam's place on FTSE's watch list was being questioned. To address this challenge, the SSC published a draft circular proposing to remove prefunding requirements and satisfy FTSE benchmarks. It also mandated English language disclosures for large public companies by January 2025, a significant step towards transparency. This initiative has garnered preliminary approval from both the World Bank and FTSE for its potential to ease market frictions and attract international capital.

### Land Law leapfrog to catalyse the property market

The property sector looks set to benefit after the government brought forward the planned implementation of the new Land Law from January 2025 to July 2024. Covered in our January report, this promises to expedite land clearance processes for existing projects, with developers holding pre-approved land for commercial housing benefitting from land valuation methods that promise quicker project execution. The government also submitted a landmark resolution permitting the reclassification of land types for commercial development, set for implementation in May. Put simply, it means that land previously locked up in legal bottlenecks due to zoning and usage rights will become commercially available to developers. Once fully enforced, these two pieces of legislation have the potential to unlock a large supply of land into the market, enabling a large-scale resumption of stalled projects and reviving top-line growth for property companies.

Fig.1 DC TOP-80 FORECASTS

31-Mar-24	Unit	2021	2022	2023	2024F
PER	x	14.3	9.0	11.7	11.3
EPS Growth	%	39.3	-1.5	-4.7	18.6
PEG	x	0.4	Neg.	Neg.	0.6
Sales Growth	%	22.1	12.3	1.4	12.1
EBIT Growth	%	50.8	2.5	1.0	22.2
PBT Growth	%	38.3	1.4	-1.6	19.2
NPAT Growth	%	42.3	-0.2	-3.1	19.5
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	2.2	1.5

Fig.3 VNI TRAILING 5Y PB



Fig.2 MARKET PERFORMANCE

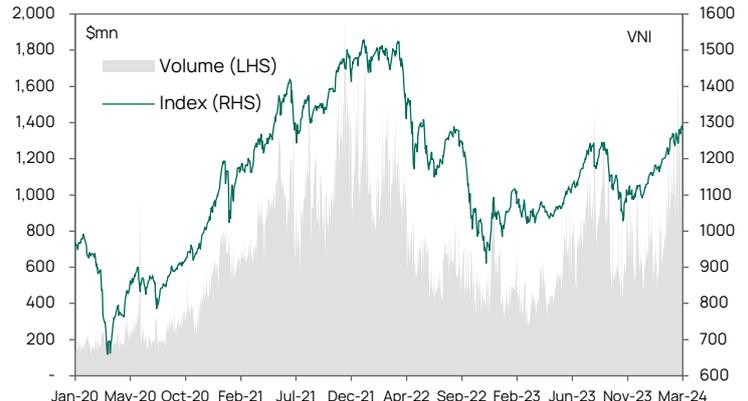


Fig.4 AVERAGE DAILY LIQUIDITY



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



## 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	430.0	463.0
Real GDP Growth	%	6.9	7.5	7.4	2.9	2.6	8.0	5.1	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	3.3	4.0
Money, FX & Interest Rates									
Money Supply M2	%	15.0	12.4	14.8	14.5	8.9	6.2	10.0	11.5
Average Lending Rate	%	9.3	9.5	9.7	8.6	8.5	13.7	8.7	8.2
5-yr VGB	%	4.3	4.5	1.9	1.1	0.9	4.7	1.6	1.4
VND : \$	\$1	22,750	23,235	23,150	23,085	22,800	23,550	24,250	25,000
External Sector									
Trade Balance	\$bn	2.1	6.8	10.8	19.9	3.3	12.4	28.0	29.3
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	4.0	4.5
FDI Registered	\$bn	35.9	35.5	36.0	28.5	38.5	27.7	36.6	38.0
FDI Disbursement	\$bn	17.5	19.1	20.4	20.0	19.8	22.4	23.2	24.2
FX Reserves	\$bn	52.0	61.0	80.0	98.0	106.5	85.0	89.0	100.0
Public Debt & Fiscal Balance									
External Debt	\$bn	109.2	112.1	122.8	130.1	138.8	141.2	138.0	140.3
Government	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	44.4	44.5
Enterprises (incl. FDI)	\$bn	62.9	65.1	75.0	81.1	90.9	92.4	93.6	95.8
External Debt (% GDP)	%	38.8	36.2	36.7	37.5	37.9	34.5	32.1	30.3
Fiscal Balance (% GDP)	%	-2.6	-2.9	-2.6	-3.4	-4.0	-3.6	-4.0	-3.6



## APPENDIX 2: MARKET

### Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24	31-Mar-23	31-Mar-24
Market Cap (\$mn)	180,881	210,814	11,061	13,227	41,588	48,976	233,530	273,016
Number of Stocks	402	398	342	322	857	870	1,601	1,590
Number of Large Cap Stocks (>\$400mn)	61	75	6	11	15	17	82	103
Stocks with No Room for Foreigners	57	67	83	94	207	253	347	414
Market Cap of Stocks with No Room (\$mn)	24,796	33,251	2,164	1,900	10,350	15,830	37,309	50,981
Share of Market Cap with No Room (%)	13.7	15.8	19.6	14.4	24.9	32.3	16.0	18.7

### Top 25 Companies

No	Company	31-Mar Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2022 (x)	2023 (x)	2024F (x)	2022 (x)	2023 (x)	2024F (x)	2022 (%)	2023 (%)	2024F (%)
1	Vietcombank	94,900	18.2	21,391	10.20	14.4	15.6	16.3	2.8	2.7	2.6	0.9	-	-
2	BIDV	52,100	20.0	11,977	5.70	14.1	15.2	14.8	2.0	2.1	2.2	0.2	0.1	-
3	Vietinbank	35,550	31.2	7,699	3.70	9.2	8.4	9.2	1.2	1.1	1.3	2.9	-	-
4	Vinhomes	42,850	-0.8	7,525	3.60	7.2	5.6	6.0	1.4	1.0	0.9	4.5	-	-
5	Airports Corporation VN	84,800	28.5	7,445	-	32.8	22.1	22.5	4.2	2.8	3.0	-	-	-
6	PV Gas	80,200	6.2	7,429	3.50	12.9	15.3	18.2	3.1	2.7	2.7	3.0	4.1	3.7
7	Vingroup	47,650	6.8	7,348	3.50	23.4	82.7	980.5	1.9	1.4	1.5	1.7	-	-
8	Hoa Phat Group	30,250	8.2	7,094	3.40	12.6	24.3	14.7	1.1	1.6	1.6	2.2	-	1.3
9	Techcombank	47,550	49.5	6,755	3.20	4.7	6.4	7.6	0.8	0.9	1.1	0.1	-	3.1
10	VP Bank	19,750	2.9	6,319	3.00	6.3	15.2	11.1	1.2	1.1	1.1	-	5.2	2.7
11	FPT	116,500	21.2	5,967	2.80	17.0	20.7	21.0	3.9	4.9	5.0	2.6	2.4	2.6
12	Vinamilk	67,600	1.3	5,698	2.70	19.9	17.6	17.0	5.1	4.4	4.4	5.1	5.8	5.7
13	Military Bank	25,400	36.2	5,416	2.50	4.5	4.8	5.6	1.0	1.0	1.2	-	2.3	-
14	ACB	28,500	19.2	4,464	2.10	5.3	5.9	5.9	1.2	1.3	1.3	-	3.6	1.7
15	Masan Group	74,200	10.7	4,282	2.00	37.1	229.0	78.2	5.1	3.6	3.8	1.0	0.3	0.2
16	Mobile World	51,100	19.4	3,013	1.40	15.2	373.3	28.6	2.6	2.7	3.0	1.2	1.2	1.0
17	Sabeco	56,700	-7.8	2,933	1.40	20.1	19.6	18.1	4.5	3.3	3.1	2.3	4.2	6.9
18	HD Bank	24,100	18.7	2,831	1.30	4.9	5.8	5.8	1.0	1.3	1.2	-	4.3	-
19	Becamex IDC	64,900	3.2	2,709	1.30	48.8	26.7	39.6	4.9	3.6	3.5	0.9	1.6	1.1
20	VIB	24,600	29.1	2,517	1.20	4.4	5.8	6.4	1.1	1.3	1.3	-	6.4	-
21	Binh Son Refining	19,300	3.8	2,413	-	2.7	6.7	10.4	0.8	1.0	1.0	3.3	3.8	5.2
22	Sacombank	31,600	13.1	2,403	1.10	8.4	6.8	6.1	1.1	1.2	1.1	-	-	-
23	Vincom Retail	25,850	10.9	2,369	1.20	21.5	12.0	12.6	1.8	1.4	1.4	-	-	-
24	SSI	38,500	17.4	2,328	1.10	15.4	21.9	21.2	1.1	2.1	2.3	3.8	3.0	-
25	Vietjet Air	103,000	-4.6	2,250	1.10	neg	170.5	110.4	4.0	3.7	3.3	-	-	-

Fund	Bloomberg	ISIN	SEDOL	CUSIP	Listed
<b>VEIL</b>	VEIL LN	KYG9361H1092	BD9X204	G9361H109	London (Main Market)
<b>VEF-A</b>	VIETNAM ID	IE00BD5HPH84	n/a	n/a	n/a
<b>VEF-B</b>	VIETEUR ID	IE00BV8WVB25	n/a	n/a	n/a
<b>VDeF-B</b>	VNDEBTB	KYG936151136	B3K9234	G93615113	Ireland

Price Providers	Funds	Bloomberg	Reuters	Contact
<b>Jefferies International</b>	VEIL	JCEF	n/a	Michele White / Trevor Hunt +44 207 898 7127 <a href="mailto:invcos@jefferies.com">invcos@jefferies.com</a>
<b>SEI Investments</b>	VEF	-	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

Operational VEIL	
<b>Trading</b>	Shares trade as depositary interests on the London Stock Exchange
<b>Clearing</b>	CREST Participant ID 393 (UK Equity)
<b>Settlement</b>	BIC Code: JEFFGB2X
<b>Legal Entity Identifier (LEI)</b>	213800SYT3T4AGEVW864

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