



ECONOMY REVIEW AND OUTLOOK

Exports and services
kindle momentum

Trade activity was a bright spot in October as Vietnam's economy continued to recover. Exports escalated to \$32.3bn, up 5.3% YoY, and imports increased to \$29.3bn, up 2.9% YoY. Thanks to outstanding performance from exporting electronic components and agricultural items, the trade surplus reached \$3bn in October and \$24.6bn YTD. However, some businesses faced a lack of orders, particularly textiles and smartphones, leading to layoffs and shrinking production, reflected by October PMI data inching down to 49.6 from 49.7 in September. The strong foundation for trade performance is industrial production, increasing 5.5% MoM and 4.1% YoY. Services flourished, with retail sales up 1.5% MoM and 7.0% YoY as inbound visitors neared 10 million in 10M23, 4.2 times higher than 10M22.

Inflation and
currency composure

Regional central banks in Thailand, the Philippines, and Indonesia have resumed interest rate hikes to defend FX, but we do not project the same from the SBV. Inflation rose modestly by 0.1% MoM and 3.6% YoY, posing no immediate alarm, with the uptick in rice and fuel prices being offset by a decrease in pork prices. Capital inflows to Vietnam have been resilient on both trade, remittance, and investment, especially after President Biden's state visit; committed FDI investment in October surged to \$5.5bn, doubling the five-year average. We maintain the viewpoint that the VND is fundamentally solid and the SBV will continue its commitment to prioritising growth while securing major economic stabilities.

Foreigners withdrew
amidst rising
FX volatility

Despite a YTD reduction in VND lending rates of 2.0–2.2%, several variables continue to drive up financial costs for businesses. The strengthening dollar triggered capital outflows from Asia, adding volatility in the FX market. As of 31 October, the VND lost 1.1% MoM and 4.4% since end of June, in line with regional currency trends. Furthermore, post the Fed's recent rate-pause, the Fed funds rate remains at 5.25-5.50%, meaning borrowing costs now need to play catchup as floating rates reset. Reassuringly, Vietnam's exposure is relatively low at only 35% of GDP. However, local companies will require prudent cash flow management and debt refinancing as rates adjust, finding an optimal balance of domestic vs. foreign leverage.

Legislative stepping
stones to growth

The National Assembly's ongoing session in Hanoi, setting the socio-economic objectives for 2024 (fig. 4), include a GDP growth rate target of 6.0-6.5%. This translates to a GDP per capita between \$4,700 and \$4,730, while maintaining the State budget deficit under 4% of GDP. Average inflation is set to be kept below 4.0-4.5%, with credit growth at 15+%. Significant regulatory enhancements are also on the docket, with the Land Law, Housing Law, and Real Estate Law poised for substantial amendments, acting as crucial levers in propelling Vietnam towards its 2024 economic growth objectives.

Fig. 1

ECONOMIC FORECASTS

31-Oct-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

INFLATION IS NOT IMMINENT

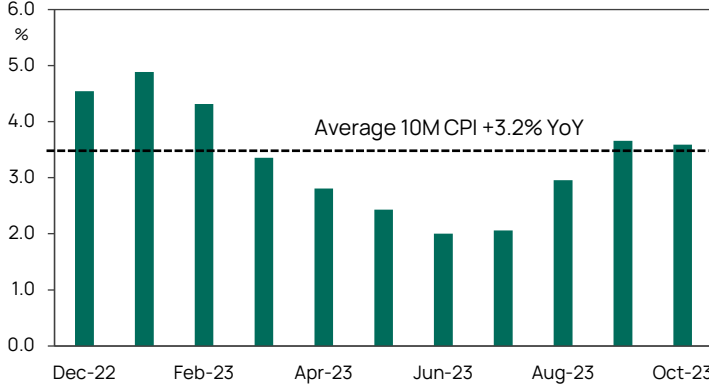


Fig. 3

COMMITTED FDI RECORDED \$5.5BN IN OCTOBER

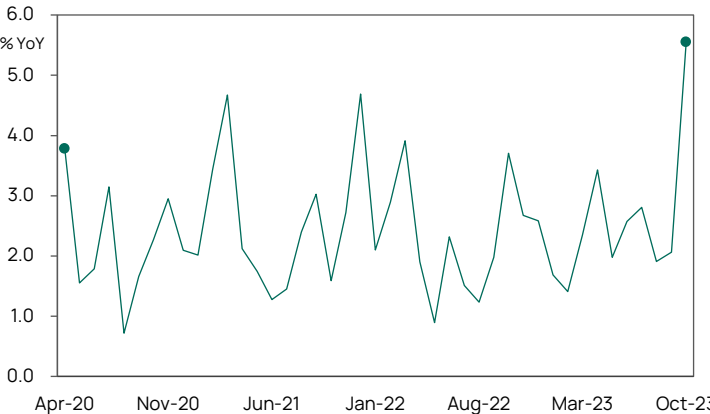


Fig. 4

KEY TARGETS FOR SOCIO-ECONOMIC PERFORMANCE

Items	Unit	2024 Target
Real GDP Growth	%	6.0-6.5%
GDP Per capita	USD	~4,700-4,730
Ratio of manufacturing & processing in GDP	%	24.1 - 24.2
Fiscal Deficit (Govt's plan)	%	Under 4%
Credit Growth (Govt's plan)	%	15+
Unemployment in urban areas	%	< 4
Number of doctors per 10,000 ppl	Doctors	~13.5
Collection & treatment of urban solid waste from households meeting standards	%	95
Industrial parks & export processing zones having concentrated wastewater treatment facilities	%	92



MARKET REVIEW AND OUTLOOK

Sentiment departs from statistics as SBV net injects

October saw the VNI continue to fall from September, dropping 11.7% (TR\$), the worst one-month decline since September 2022. Vietnam was not singular in its negative performance, with most regional peers also withdrawing. Concerns that dampened sentiment in September, such as the money management operations in the form of SBV bills and rising interbank rates, misinterpreted as policy tightening, continued to spook investor sentiment throughout October. During the latter half of October, however, \$4.5bn of the bills expired with new issuances of \$2bn, representing a relative net injection of \$2.5bn.

Potential hedging tipped the scales

The spectre of rising DXY and Fed rate concerns continued to overshadow performance. The VNI found support at the 1,085-1,100 level, still managing to outperform most EM markets, but on 26 October a large volume of VHM sell orders hit the market after parent company Vingroup issued 5-year exchangeable bonds with the option to convert into Vinhomes shares. This triggered another round of panic selling on the VNI, tipping the scales in its final days to close the month from an open of 1,155 to 1,028.

Rising EBIT amid FX drop

All 80 Companies in our coverage universe have now reported Q3 earnings, and the aggregated growth for NPAT remains flat at +0.5% YoY and -7.0% QoQ. Encouragingly, both revenue and EBIT growth are on the rise, with revenue increasing by approximately 5% YoY and EBIT by nearly 9% YoY. However, following the 4.4% currency depreciation since 23 June, the bottom line was affected by increased loan provisions from some large cap stocks with USD denominated debt. This underlines the fact that while we may be exiting the nadir, the road to earnings recovery is not yet clearly signposted.

Financials outshine a mixed picture

Financials, particularly the banking sector, continue to be significant contributors to earnings. Results, however, are slightly behind our quarterly forecast, partially from the impact of earnings sacrifice from State-Owned Commercial Banks to support the economic recovery with preferential rates. IT, energy, metals, and industrials are showing robust results, while consumer, conglomerates, chemicals, and utilities are underperforming. The property sector is in line with expectations, accounting for 12% of overall earnings.

Market's P/B at Covid lows

While we are more cautious on commodity prices and credit growth, the trailing P/B of the total VNI is ~1.5x (fig. 3), levels not seen since Covid. In light of easing monetary policy, we believe the VNI is now oversold, evidenced by the switch from foreign net selling to net buying of \$15.9m from 30 October to 7 November, who are seeing it as a good re-entry point.

Fig. 1

DC TOP-80 FORECASTS

31-Oct-23	Unit	2021	2022	2023E	2024F
PER	x	14.5	9.1	9.9	8.2
EPS Growth	%	37.1	-1.4	0.1	20.3
PEG	x	0.4	Neg	90.0	0.4
Sales Growth	%	22.0	12.3	3.0	11.2
EBIT Growth	%	50.8	2.5	8.4	20.1
PBT Growth	%	38.0	1.5	2.0	20.0
NPAT Growth	%	41.9	0.0	1.8	20.3
Net DER	x	0.2	0.3	0.19	0.14
Yield	%	1.0	1.9	1.6	1.5

Fig. 3

VNI TRAILING 5Y PB

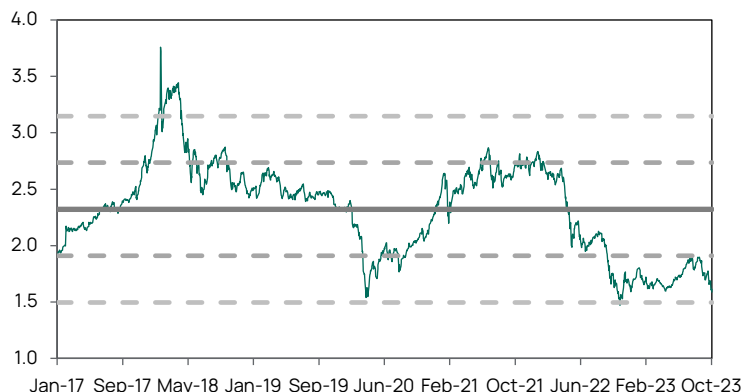


Fig. 2

MARKET PERFORMANCE

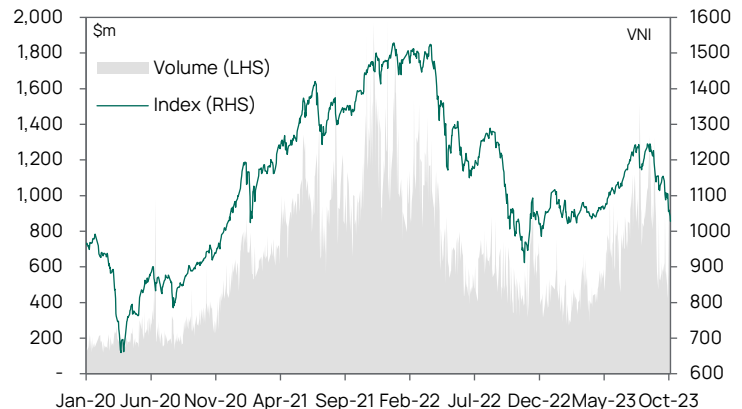
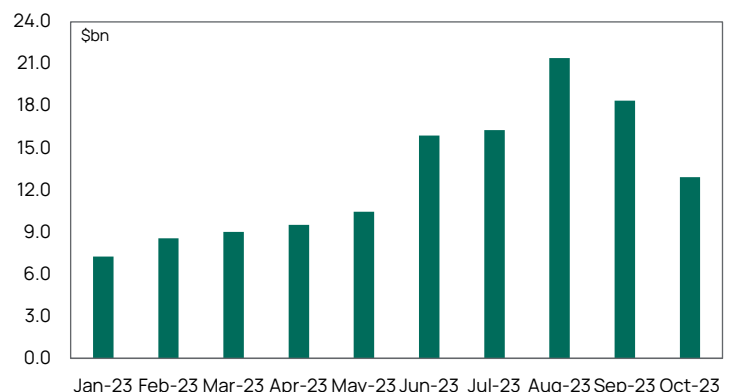


Fig. 4

VNI MONTHLY VOLUME



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



VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

VEIL retracted 13.0% in October, trailing the VNI's fall of 11.7% (TR\$). The VNI's decline of 17.5% in the last two months has wiped out the market's YTD gains. However, we observe no substantial deterioration in the core fundamentals of VEIL's holdings and believe the drop in price across the portfolio is sentiment-driven.

MWG declined 29.0% as 9M23 revenue declined 16% YoY to \$3.5bn, but Q3 revenue inched up 3% to \$1.2bn. MWG's 2023 revenue is less of a concern, however, as we expected lower earnings due to H1 destocking and a successful drive to increase market share via lower retail prices. As the grocery and ICT chains start to perform with normalised product pricing and an increase in domestic consumption, 2024 top and bottom-line performance will recover. We believe the October fall in share price was more influenced by concern over its potential exclusion from the \$665m Diamond ETF, of which it makes up 12.5% by weighting. It is worth noting, however, that the next Diamond ETF review is not due until April 2024.

GAS's 16.3% share price decline came as near double digit falls in global oil prices in October dampened investor enthusiasm for energy stocks. The real estate sector was not insulated from the prevailing risk-off environment either, with **VHM** experiencing a 15.1% sell-off due to the potential hedging by a group of investors against its parent company VIC's bond placement, causing risk aversion to intensify and liquidity to dry up.

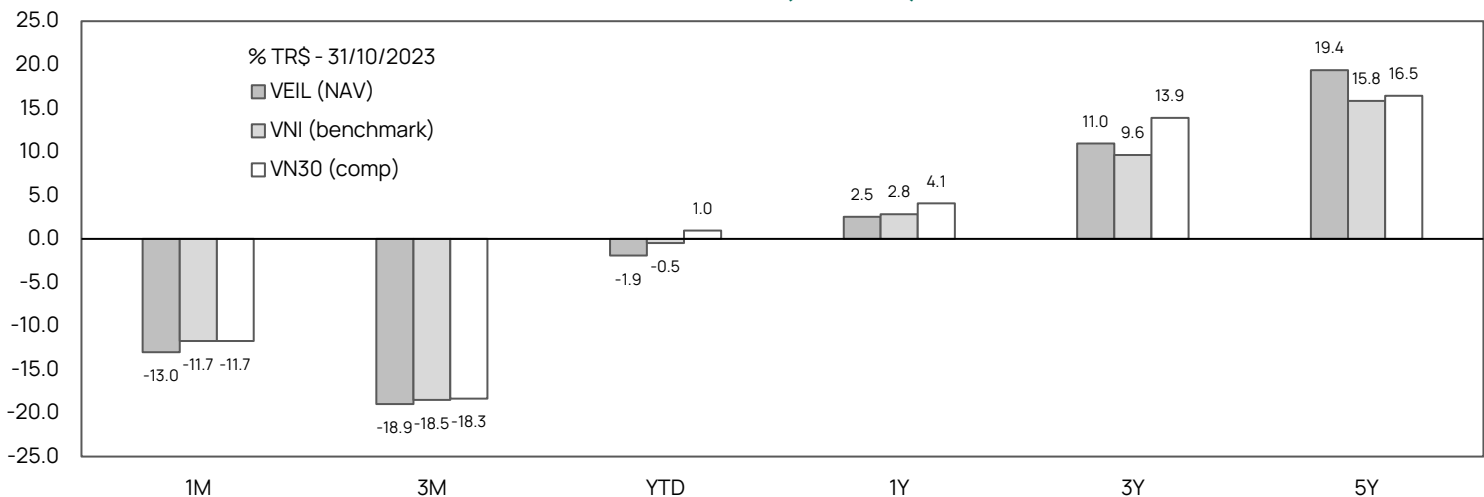
HPG's October sales grew by +23.7% YoY and +7.4% MoM as rising steel prices in China had a positive impact on demand and sales volume, beating market expectations. Sales momentum will continue at a steady rate, supported by the Governments infrastructure drive, having disbursed \$16.5bn YTD, up 5.5% YoY, and the gradual recovery of the property market. With clear signs of earnings improvement and HPG's furnaces now operating at 85% capacity, we maintain high conviction for the stock.

Within VEIL's banking holdings, VCB and ACB outperformed the VNI by 10.0%, and 8.7% respectively. Notably, despite increased provisioning, sector earnings remained relatively steady QoQ and YoY, at -1.2% and +2.2%, respectively. We expect double digit EPS growth for the sector in 2024, with VEIL's top three holdings forecast to average 18.7%.

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		
\$1,554.9m	\$7.70	0.49	-	-13.0%	-1.9%	-13.1%	-10.3%	25.23%	0.05
£1,281.4m	£6.35		£5.18	-12.4%	-2.8%	-12.6%	-11.1%	-	-

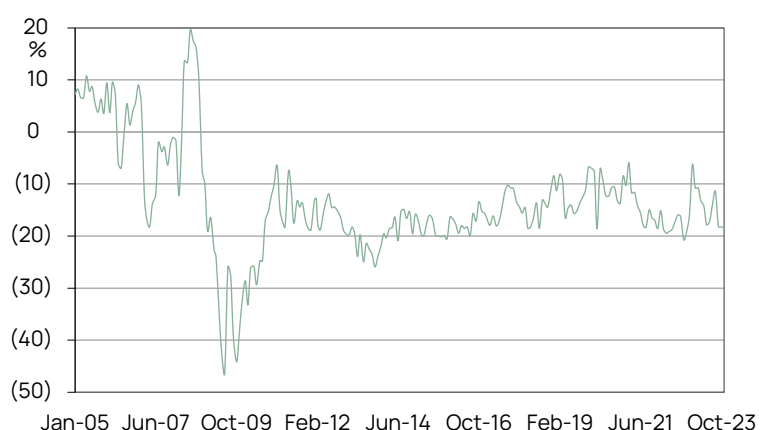
NAV PERFORMANCE (in \$ terms)



TOP TEN HOLDINGS (62.6% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 VP Bank	Banks	3.3	11.4	-8.7
2 Hoa Phat	Mat's/Res	3.3	8.6	-13.4
3 Vietcombank	Banks	11.9	8.5	-1.7
4 ACB	Banks	2.0	8.3	-3.0
5 FPT Corporation	Software/Svc's	2.6	5.9	-11.4
6 Mobile World	Retail	1.4	5.2	-29.0
7 PV Gas	Energy	3.6	4.2	-16.3
8 Vinhomes	Real Estate	4.2	3.8	-15.1
9 Vinamilk	F&B	3.5	3.4	-9.2
10 Khang Dien House Real Estate	Real Estate	0.6	3.4	-4.6

DISCOUNT TO NAV



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2017	2018	2019	2020	2021	2022E	2023F	2024F
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
Government	\$bn	46.3	47.0	47.7	49.0	47.9	48.8	41.4	44.5
Enterprises (incl. FDI)	\$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	
	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23
Market Cap (\$m)	165,139	168,566	10,309	11,373	41,844	41,090	217,292	221,029
Number of Stocks	401	394	341	330	860	860	1,602	1,584
Number of Large Cap Stocks (> \$400m)	57	64	5	9	14	17	76	90
Stocks with No Room for Foreigners	52	62	70	94	186	227	308	383
Market Cap of Stocks with No Room (\$m)	25,799	20,715	2,295	1,825	9,712	12,821	37,807	35,361
Share of Market Cap with No Room (%)	15.6	12.3	22.3	16.1	23.2	31.2	17.4	16.0

Top 25 Companies

No	Company	31-Oct 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	86,800	28.1	19,749	11.93	14.4	16.7	14.7	2.8	2.9	2.4	0.9	-	-
2	BIDV	40,200	4.1	8,278	5.00	14.1	12.3	10.1	2.0	1.8	1.5	0.2	-	-
3	PV Gas	76,600	-6.2	7,162	3.61	12.9	15.6	16.0	3.1	2.7	2.5	3.0	3.8	3.8
4	Vinhomes	39,000	-18.8	6,913	4.18	7.2	5.7	5.8	1.4	1.0	0.8	4.5	-	-
5	VP Bank	20,000	11.7	6,460	3.32	6.6	12.6	10.2	1.2	1.0	1.1	-	5.0	2.9
6	Vingroup	40,500	-24.7	6,288	3.80	23.4	39.1	42.2	1.9	1.4	1.3	1.7	-	-
7	Airports Corporation VN	69,800	-17.5	6,186	-	29.0	17.7	15.9	4.2	2.9	2.4	-	-	-
8	Vinamilk	68,000	-7.7	5,785	3.49	20.3	18.3	16.6	5.2	4.4	4.3	5.1	3.6	5.7
9	Hoa Phat Group	23,000	27.8	5,444	3.29	12.6	25.4	16.4	1.1	1.3	1.2	2.2	-	-
10	Vietinbank	27,700	1.7	5,419	3.27	9.2	8.2	7.1	1.2	1.1	0.9	2.9	-	-
11	FPT	83,000	27.0	4,291	2.59	17.0	18.0	15.0	3.9	4.1	3.5	2.6	3.2	3.7
12	Techcombank	27,700	7.2	3,966	2.40	4.7	5.9	5.0	0.8	0.8	0.7	0.1	-	-
13	Military Bank	17,100	17.9	3,630	2.19	4.5	4.5	3.8	1.0	0.9	0.8	-	-	-
14	Masan Group	58,200	-37.4	3,390	2.05	37.1	110.8	47.2	5.1	3.0	2.8	1.0	1.5	1.5
15	ACB	21,400	17.0	3,384	2.04	5.3	5.2	4.3	1.2	1.1	0.9	-	-	-
16	Sabeco	56,700	-31.1	2,960	1.79	20.6	17.3	15.3	4.6	2.9	2.7	2.3	3.3	3.3
17	Becamex IDC	58,600	-27.3	2,469	1.49	49.5	43.7	24.6	4.9	3.4	3.1	0.9	1.2	1.2
18	Mobile World	37,700	-11.3	2,245	1.36	15.2	41.4	11.7	2.6	2.2	1.9	1.2	-	1.4
19	Binh Son Refining	17,400	35.8	2,196	-	2.7	6.5	9.4	0.8	1.0	0.9	3.3	5.8	5.8
20	Vietjet Air	99,000	-9.6	2,183	1.32	neg	38.5	32.5	4.0	3.3	2.8	-	-	-
21	Sacombank	27,000	20.0	2,072	1.25	8.4	6.4	4.3	1.1	1.1	0.9	-	-	-
22	Vincom Retail	22,200	-15.6	2,054	1.27	21.5	11.0	10.8	1.8	1.3	1.2	-	-	-
23	HD Bank	17,200	30.7	2,025	1.23	4.9	5.7	4.9	1.0	1.1	0.9	-	-	-
24	VEAM Corp	35,800	-12.3	1,937	-	7.2	7.1	6.5	2.2	1.8	1.9	11.1	12.3	16.0
25	VIB	17,900	20.9	1,849	1.12	4.5	4.7	3.9	1.1	1.2	0.9	-	-	-



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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