



ECONOMY REVIEW AND OUTLOOK

PMI, exports and tourism rebound as CPI remains in line

Vietnam's January macroeconomic data was encouraging despite difficulties with the seasonal distortions due to the Lunar New Year in January 2023. Export orders began picking up, bringing PMI to 50.3 (Fig. 2), indicating expansion for the first time since August 2023. Exports rebounded to \$33.6bn, the first expansion in five months reinforcing a trend of gradual recovery begun in Q1 2023. The tourism sector has also shown substantial improvement with 1.5 million inbound travellers in January, returning to pre-pandemic levels, driven by Korean visitors, who accounted for 27.5%. Headline inflation remains well controlled at 3.4% YoY, while core inflation has decreased to 2.7% YoY (Fig. 3).

Dollar dynamics on the domestic gold and FX market

Despite the FDI flows, a trade surplus and remittances leading up to Tet all helping to support the VND, the currency saw a depreciation of 0.6% YTD. The dong is still being affected by a strengthening U.S. dollar and persistent VND-USD rate differential. Furthermore, the spread between domestic and global gold prices hit a record high of 25-30%. This led to a rise in gold smuggling and USD speculation among retailers, as seen by the USD on the informal market trading at a near 2% premium over the official market.

Vietnam resilient to China's slowdown

We believe that the performance of the VND demonstrates that Vietnam is less negatively impacted by China's economic slowdown than other nations (Fig. 4). Asian and Oceanian currencies suffered a depreciation of 2.0-3.5% in January, such as the MYR (-3.0%), IDR (-2.6%), THB (-3.0%), AUD (-3.5%), and NZD (-3.3%). These countries provide commodities and materials into China's production supply chain and have had significant trade surpluses for many years. While China is Vietnam's largest trade partner, Vietnam has trade deficits with China. Vietnam's export portfolio is composed of agricultural and electronic products, making it less vulnerable to Chinese manufacturing contractions.

Positive legislative signals from the Government

To help stimulate the economy, the SBV has assigned the entire 15% annual credit quota to banks at the start of the year. The approval of the amended Law on Credit Institutions and the Land Law during the 5th Extraordinary Session of the National Assembly reflects a commitment to legislative reform and economic flexibility. Although the implementation of these laws awaits further circulars, the expedited approval process shows the reformative commitment from the Government to legislative change and overcoming growth bottlenecks. This will potentially open the path for future Extraordinary Sessions and minimise the time needed to discuss and review prospective laws.

Fig. 1

ECONOMIC FORECASTS

31-Jan-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	105.0
FDI Disbursed	\$bn	19.8	22.4	23.2	24.2
VND:\$	1	22,800	23,550	24,500	24,750

Fig. 2

PMI ABOVE 50 FOR FIRST TIME SINCE AUGUST

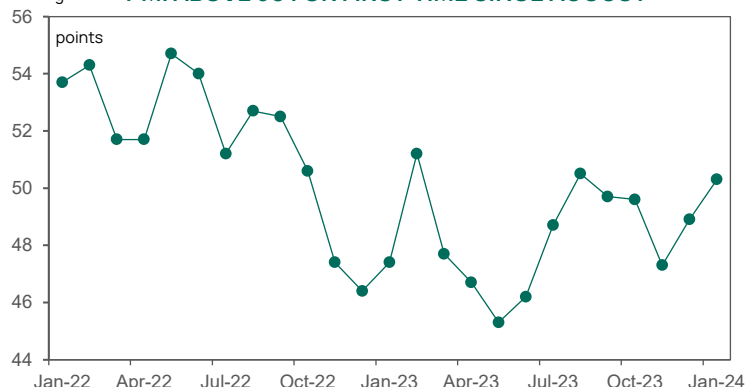


Fig. 3

INFLATION IS STILL WELL MANAGED

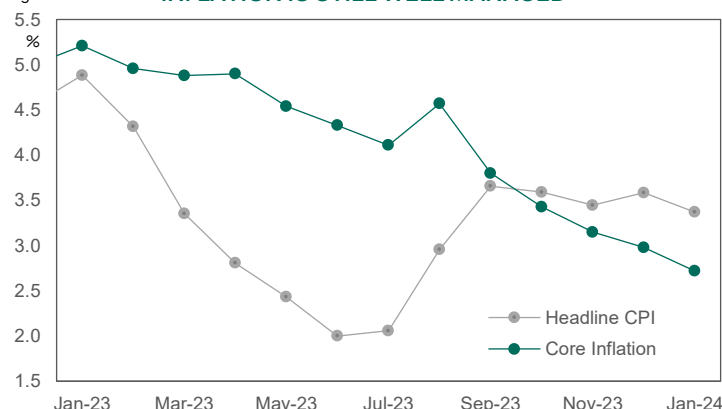
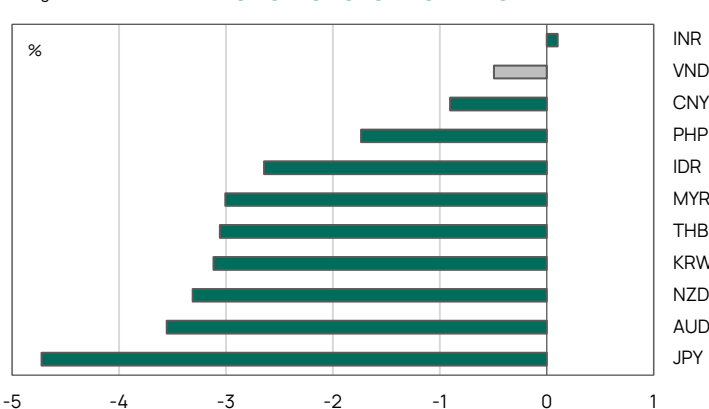


Fig. 4

VND SHOWCASES RESILIENCE





MARKET REVIEW AND OUTLOOK

A New Year's leap of 2.5% for the VNI

Banking on stability through structure

Amended Land Law pairs progress with patience

Retail earnings spark investor confidence

Q4 earnings mixed as banks lead the pack

The VNI increased 2.5% in January (TR\$) due to a strong rally by the banking and retail sectors, achieving +7.1% and +5.6%, respectively. This was due to a combination of the amended Credit and Land Laws, December credit growth increasing to 13.7% from 9.2% in November, and foreign investors net bought (\$48m) for the first time in ten months.

The SBV issued a 15% full-year credit growth target to all banks and the Law on Credit Institutions was approved. The amended law reduces the ownership and borrowing limits of shareholders and the requirement to disclose ownership by individuals with more than a 1% stake, down from 5%. We believe this will help improve the long-term stability and transparency of the banking system.

The amended Land Law shows the Government's commitment to resolve grey areas in property sector regulations. Although the complicated nature of the law means further guidance is needed, this is expected mid-year. The law aims to expedite land clearance processes by enabling the Government to reclaim land for existing projects, including 32 public and residential developments, some substantial. It also aims to align land compensation prices with market value for affected households. Developers holding pre-approved land for commercial housing should benefit from clearer land valuation methods that promise quicker project execution.

The retail sector improved as Q4 earnings came in from key market players. Jewellery retailer PNJ's NPAT was +150% QoQ, MWG's grocery chain BHX turned profitable for the first time in December, and FRT's Long Chau pharmacy chain's net sales surged 33% QoQ. These results indicate a recovery in domestic consumption, leading to the bottom line showing clearer margin improvement and boosting retail investor sentiment for the sector.

Companies in our coverage have released 4Q23 earnings which show circa 40% YoY growth, albeit from a very low base, and 3% QoQ growth, resulting in a full-year net profit decline of around 2%. There were quarterly improvements in various sectors, notably in industrials (+18.8% QoQ), consumer (+12.1% QoQ, in which retail was +100% QoQ as it emerged from the trough), and financials (+4% QoQ). Certain industries exhibited noteworthy profit growth. IT services (+22%), brokerages (+31%), and metals (+24%) stand out as exceptional performers. However, these gains were counterbalanced by significant declines in retail (-70%), chemicals (-65%), conglomerates (-48%), and utilities (-42%).

Fig. 1

DC TOP-80 FORECASTS

31-Jan-24	Unit	2021	2022	2023	2024F
PER	x	14.3	9.0	11.7	9.9
EPS Growth	%	39.3	-1.6	-4.4	18.6
PEG	x	0.4	Neg	neg	0.5
Sales Growth	%	22.1	12.3	1.4	13.3
EBIT Growth	%	50.8	2.4	1.0	26.8
PBT Growth	%	38.3	1.3	-1.2	19.8
NPAT Growth	%	42.3	-0.2	-2.7	21.2
Net DER	x	0.2	0.3	0.3	0.2
Yield	%	1.0	1.9	2.1	1.5

Fig. 3

VNI TRAILING 5Y PB

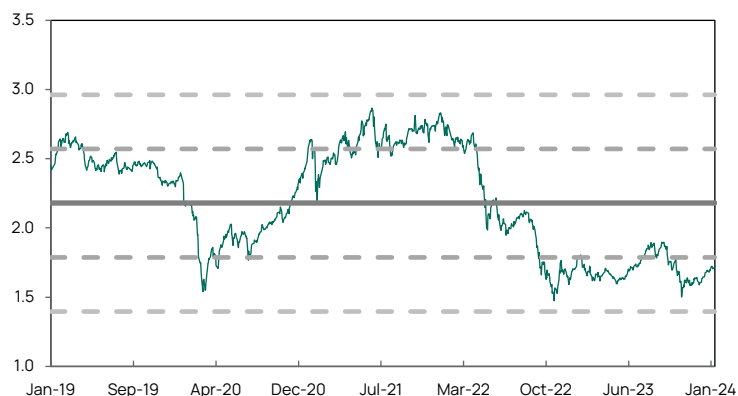


Fig. 2

MARKET PERFORMANCE

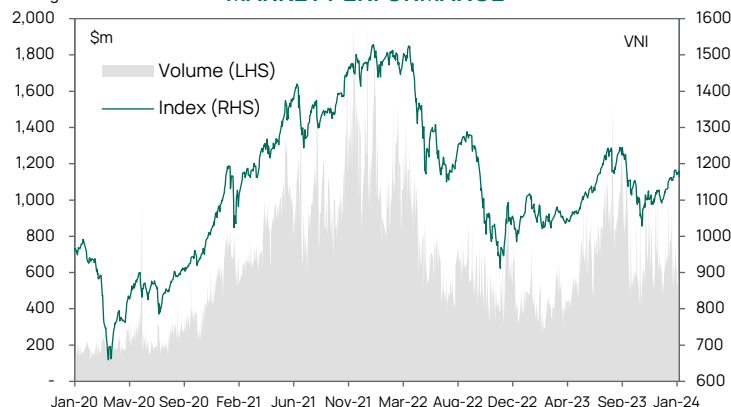
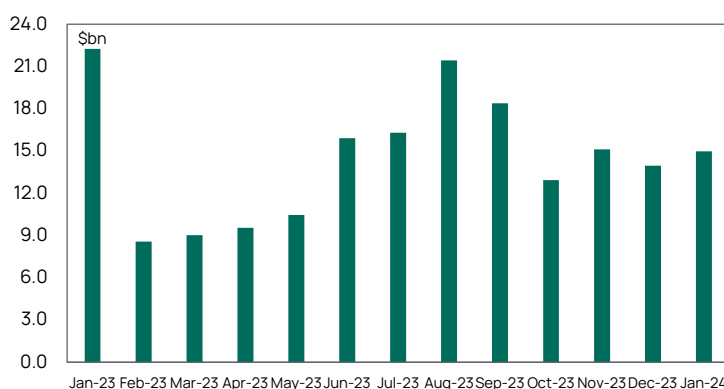


Fig. 4

VNI MONTHLY VOLUME



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



VIETNAM ENTERPRISE INVESTMENTS LIMITED – VEIL

VEIL increased 1.3% in January against the VNI's 2.5% return (TR\$). The strong recovery of 8.2% MoM in VEIL's top five bank holdings strengthened the Fund's position and indicated that the worst is likely over.

MBB is one of Vietnam's leading commercial banks and aims to cement this position through high growth in its customer base. Mobile banking users increased 30% YoY, and this low-cost acquisition is reflected in the company's results, with PBT in 4Q23 reaching \$258m (+38.6% YoY) and FY23 PBT of \$1.1bn (+15.7% YoY). Deposit growth expanded 28.0% YoY and the CASA ratio grew to 40.2%, the highest among peers and indicating strong liquidity. We are encouraged by MBB's strategy of diversifying its loan book and focusing on high-growth sectors such as wholesale & retail trade and manufacturing & processing, which we believe positions it well for future growth. **TCB** is the largest player in the corporate bond market, with real estate making up 62.3% of its loan book. We expect it will perform well in 2024 due to a normalised bond market and in line with our belief of a property sector recovery. TCB rose 8.0% after Q4 PBT increased 21.6%, credit growth improved 7.3% QoQ and 23.3% YoY, and deposits were up 14.6% QoQ and 37.4% YoY. Results for the broader sector hint at aggressive provisioning by banks, and our discussions with representatives have reaffirmed our view that the sector is poised for recovery. The forward PB of our top four commercial banking names remains attractive at 0.8x – 1.1x.

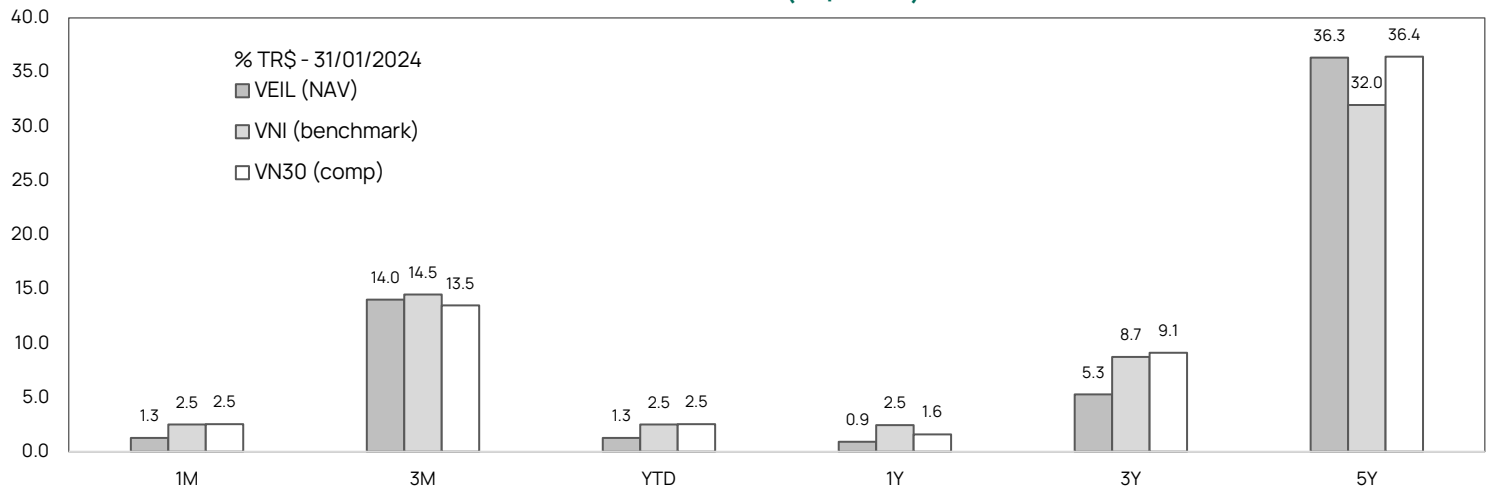
The retail sector showed resilience, with **PNJ** (+6.4%) and **MWG** (+4.5%) both outperforming the VNI. MWG was helped by the announcement of a 5% pre-IPO transaction for its grocery chain Bach Hoa Xanh (BHX), valuing it at \$1.5bn. Revenue per store surpassed \$73k, up 7.4% from \$68k in September, helping MWG's Q4 revenue increase by 3% YoY and implying BHX could achieve profitability by year-end. MWG is gearing up for further restructuring across its store networks, anticipating better results from improved consumer demand, particularly from electronics arms. It has set its sights on a 6% YoY increase in net sales to \$5.1bn.

HPG declined 1.3% MoM but is up 20.6% YoY. We continue to see a robust recovery in the steel sector driven by a reviving property market and the Government's infrastructure drive. HPG should profit from these catalysts through manufacturing and sales expansion as Dung Quat 2 refinery is expected to come online this year. Despite iron ore prices rising by >10% in Q4, HPG expanded its gross margin through higher sales volumes and stocking input materials at lower prices earlier in the year. HPG's strategic inventory management was reflected in Q4 results, in which revenue reached \$1.4bn, up 21% QoQ and 33% YoY. NPAT surged to \$121m, up 48% QoQ, in stark contrast with a net loss of \$81m 4Q22.

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		
\$1,761.6m	\$8.78	1.62	-	1.3%	1.3%	2.4%	2.4%	24.65	-2.86
£1,383.3m	£6.89		£5.71	1.3%	1.3%	2.5%	2.5%	-	-

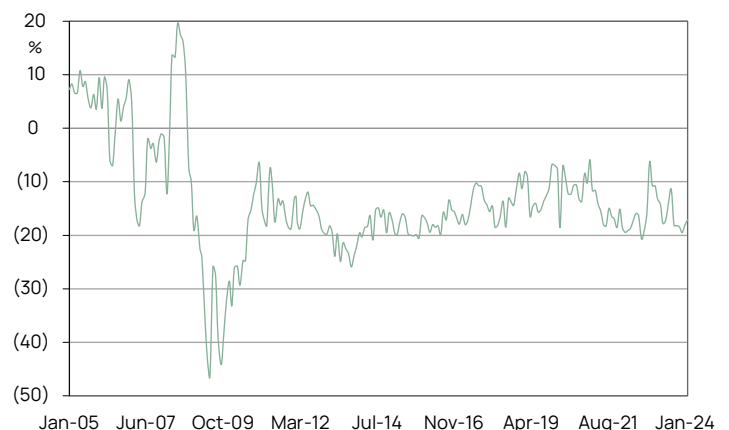
NAV PERFORMANCE (in \$ terms)



TOP TEN HOLDINGS (59.0% of NAV)

COMPANY	SECTOR	VNI %	NAV %	CH %
1 Hoa Phat Group	Mat's/Res	3.4	9.5	-1.3
2 VP Bank	Banks	3.3	9.1	0.4
3 ACB	Banks	2.1	8.8	7.1
4 Vietcombank	Banks	10.5	7.1	9.5
5 FPT Corporation	Software/Svc's	2.6	6.0	-1.0
6 Mobile World	Retail	1.4	4.7	4.5
7 Techcombank	Banks	2.6	3.5	8.0
8 MB Bank	Banks	2.4	3.4	15.9
9 PV Gas	Energy	3.7	3.4	-0.8
10 Vinhomes	Real Estate	3.9	3.3	-4.6

DISCOUNT TO NAV



APPENDIX 1: MACRO

Key Indicators

Item	Unit	2017	2018	2019	2020	2021	2022E	2023E	2024F
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	24,750
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-Jan-23	31-Jan-24	31-Jan-23	31-Jan-24	31-Jan-23	31-Jan-24	31-Jan-23	31-Jan-24
Market Cap (\$m)	189,076	192,772	11,541	12,590	43,152	45,776	243,769	251,139
Number of Stocks	403	396	341	322	859	868	1,603	1,586
Number of Large Cap Stocks (>\$400m)	61	72	7	10	15	18	83	100
Stocks with No Room for Foreigners	60	66	78	94	202	249	340	409
Market Cap of Stocks with No Room (\$m)	32,893	27,627	2,152	1,866	10,182	14,070	45,227	43,563
Share of Market Cap with No Room (%)	17.4	14.3	18.6	14.8	23.6	30.7	18.6	17.3

Top 25 Companies

No	Company	31-Jan 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	88,500	10.2	20,251	10.50	14.4	15.6	15.1	2.8	2.7	2.5	0.9	-	-
2	BIDV	47,700	9.9	11,133	5.80	14.1	15.2	13.8	2.0	2.1	2.0	0.2	0.1	-
3	Vinhomes	41,500	-3.9	7,398	3.90	7.2	5.7	5.1	1.4	1.1	0.9	4.5	-	-
4	PV Gas	75,400	-0.1	7,090	3.70	12.9	15.3	16.1	3.1	2.7	2.6	3.0	4.1	4.0
5	Vietinbank	31,600	16.6	6,948	3.60	9.2	8.4	9.3	1.2	1.1	1.2	2.9	-	-
6	Airports Corporation VN	77,400	17.3	6,899	-	29.0	18.9	17.7	4.2	2.8	2.6	-	-	-
7	Vingroup	42,500	-4.7	6,653	3.50	23.4	82.7	53.9	1.9	1.4	1.4	1.7	-	-
8	Hoa Phat Group	27,750	-0.7	6,606	3.40	12.6	24.3	18.1	1.1	1.6	1.4	2.2	-	-
9	VP Bank	19,400	1.0	6,302	3.30	6.3	15.2	10.3	1.2	1.1	1.1	-	5.2	2.9
10	Vinamilk	67,000	-0.9	5,733	3.00	20.1	17.8	16.9	5.1	4.5	4.3	5.1	5.8	5.8
11	Techcombank	34,550	8.6	4,983	2.60	4.7	6.4	6.1	0.8	0.9	0.8	0.1	-	-
12	FPT	95,700	-0.4	4,976	2.60	17.0	20.7	17.1	3.9	4.9	4.1	2.6	2.4	3.2
13	Military Bank	21,750	16.6	4,643	2.40	4.5	4.8	4.8	1.0	1.0	1.0	-	2.3	-
14	ACB	25,750	7.7	4,095	2.10	5.3	5.9	5.2	1.2	1.3	1.1	-	3.6	1.9
15	Masan Group	64,400	-3.9	3,773	2.00	37.1	229.0	65.1	5.1	3.6	3.1	1.0	0.3	1.4
16	Sabeco	56,300	-8.5	2,956	1.50	20.1	19.6	17.1	4.5	3.3	2.8	2.3	4.2	5.0
17	Becamex IDC	65,300	3.8	2,767	1.40	48.8	26.7	31.8	4.9	3.6	3.4	0.9	1.6	1.1
18	Mobile World	45,000	5.1	2,694	1.40	15.2	373.3	22.8	2.6	2.7	2.5	1.2	1.2	1.2
19	HD Bank	21,800	7.4	2,582	1.40	4.9	5.8	5.1	1.0	1.3	1.1	-	4.3	-
20	Binh Son Refining	18,700	0.5	2,374	-	2.7	6.8	10.1	0.8	1.0	1.0	3.3	3.8	5.4
21	Vietjet Air	104,600	-3.1	2,319	1.20	neg	170.5	112.1	4.0	3.7	3.3	-	-	-
22	Sacombank	29,900	7.0	2,308	1.20	8.4	6.8	5.5	1.1	1.2	1.0	-	-	-
23	VIB	20,750	8.9	2,155	1.10	4.4	5.8	5.1	1.1	1.3	1.2	-	6.4	6.9
24	SSI	34,400	4.9	2,111	1.10	15.4	21.9	19.0	1.1	2.1	2.1	3.8	3.0	-
25	Vincom Retail	22,450	-3.6	2,089	1.10	21.5	12.0	11.0	1.8	1.4	1.2	-	-	-

VIETNAM MONTHLY REPORT

31 January 2024

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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