



MARKET REVIEW

New Index highs and record volumes, then a sudden correction in early July

Trading was mostly rotational in June, plus deals and special situations

New retail account-openings shot up, as cash balances fell and margin stayed high

Earnings may be vulnerable to COVID, and the market may need a breather

The VN Index rose 6.5% (\$TR) in Jun, for its fifth straight monthly gain, and it closed at a new record of 1409. Average daily turnover on the HOSE increased 8% to \$1,034m, as the preliminary fix of the system kept trade flowing, and the combined exchanges were +13% at \$1,290m. Going into July, the Index continued to rise, marking a new record of 1421, and a further upgrade to the system boosted daily volumes to as much as \$1.5bn. But then social distancing was intensified, focusing minds on how pandemic risks had been ignored on top of rising valuation risks. On 6 July the Index fell 4.0% to 1355, then fluctuated 2-3% the following days, with a bit of a break in the bullish psychology.

Trading in June had already begun to look quite rotational. With the robust market volumes, brokers were again top performers, and the major names were up over 30%. That put market cap of the sector at a near-double for the year, with valuation a bit stretched at 2.7x trailing PBR. Banks were mixed rather than uniformly strong, and only stock-dividend issuers went up very much – except that laggard VCB soared 18%. Laggards in other sectors also suddenly became popular. Thus, PV Fertilizer +45.2%, Novaland +21.9%, PV Gas +16.8%, Vinhomes +15.0%, MobiWorld +9.8%, Sabeco +8.9%, Vin Retail +8.0%, etc. While fundamentals were seen to be improving in certain cases, corporate actions, deals and special situations took on added importance.

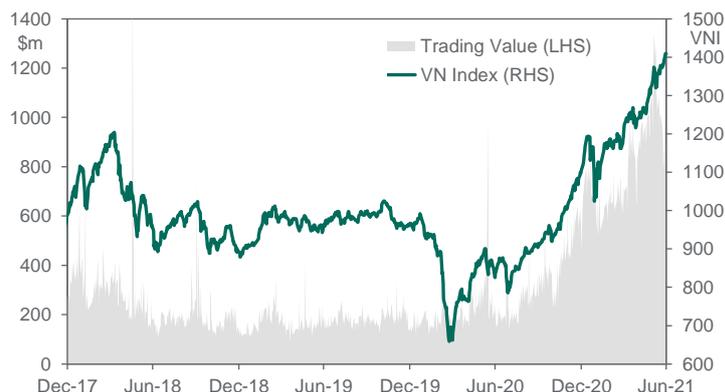
A particular sign of the market starting to stretch was high-flyer Hoa Phat Group, the market's ultimate value-for-growth play, falling 2.3%. In a similar vein, FPT lagged despite a stock split, rising only 4.4%. Meanwhile new retail account-openings continued to surge in June, rising 23% to new record 140,054. Margin stayed at all-time-high levels, with brokers looking to supply more via right issues. But cash balances across the industry tapered off. Encouragingly, foreign outflows fell, to \$170m from \$506m in May, and going into July, they were strongly net positive (over \$188m to July 9). A helpful reversal of trends from the institutions.

Going forward, the key question is earnings. We are still calling for ca +46% in 2021, heavily based on the big bank, property and steel players. Downward revisions may loom, however, given the economic costs which the fourth wave of COVID is imposing. If the full year came in at 35%, that would put the forward PER at 14.1x, using 1350 on the VNI – still very competitive vs peers, though historically a little high for Vietnam. So some consolidation could be in order. But – if the outside world holds up – anything more drastic seems unlikely, given the strong underlying macro fundamentals that we expect to re-emerge in 2022, post-pandemic.

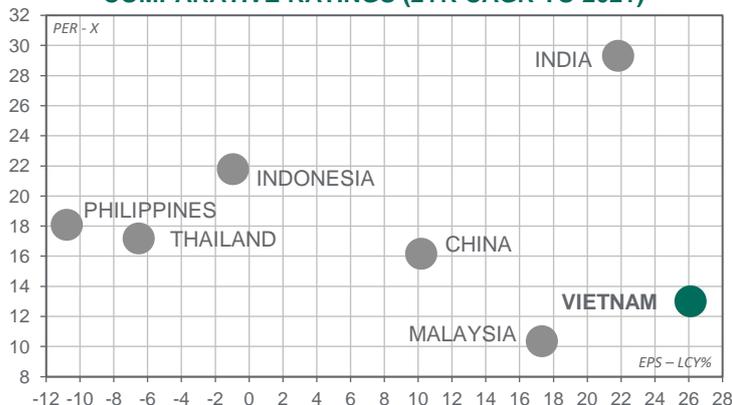
DC TOP-60 FORECASTS

30-Jun-21	Unit	2018	2019	2020	2021F
PER	x	12.8	11.9	14.1	13.6
EPS Gro	%	24.3	11.7	5.5	45.8
PEG	x	0.5	1.0	2.6	0.3
Sales Gro	%	15.0	10.0	2.2	28.1
EBIT Gro	%	19.7	15.1	3.1	46.8
PBT Gro	%	29.5	13.2	6.0	43.0
NPAT Gro	%	25.8	12.9	5.9	48.2
Net DER	x	0.4	0.3	0.3	0.2
Yield	%	2.2	1.7	1.4	1.2

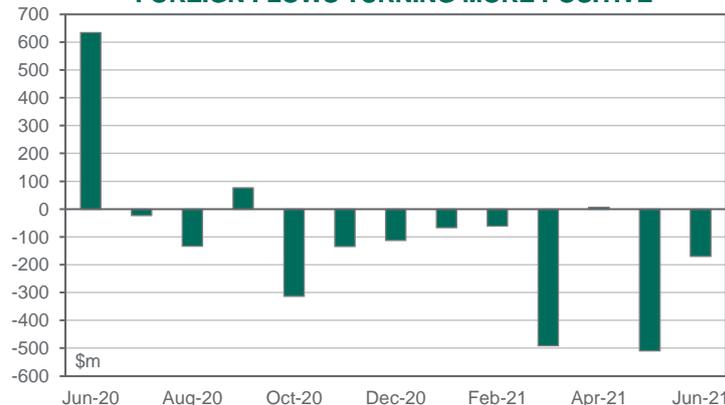
MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR CAGR TO 2021)



FOREIGN FLOWS TURNING MORE POSITIVE





ECONOMY REVIEW

1H GDP solid +5.64%, driven by manufacturing +8.4%

As isolation applied, multiple sectors impacted, but least so manufacturing

Credit increased 5.5% YTD, higher than +2.8% last year

Low price supports holding easing monetary policy

Revise down GDP to 5%, but govt unchanged their forecast with more fiscal aids

Despite a surge of highly contagious COVID-19 since late April, GDP grew +5.64% YoY in 1H, making a jump from 1.82% last year. The country's economy continues to accelerate on robust manufacturing (+8.4% YoY), and shipping of electronic devices, as exports increased +28.5% to \$157.6bn and imports surged +36.3% to \$159.1bn. Meanwhile, services and agriculture grew only by 3.96% and 3.8% YoY, respectively. With cases showing no sign of slowing, the damage to the economy will pick up with time, hence, to maintain the growth momentum in 2H21, the sooner Vietnam contains the disease and bigger supporting packages, the better its recovery is.

Domestic activities took a breather in June due to large-scale social distancing. Mobility declined 40% YoY, where the services & retail sectors came under the biggest hit. Total passenger transportation and retail sales dropped by 13.2% and 2.0% in June. Regarding manufacturing sector, PMI plummeted to 44 from 53.1 in May due to a clusters in industrial zones and disruptions in global value chains, but this decline is modest compared to last March record low of 33. We expect that manufacturing deteriorations won't be as bad as last year because that vaccine supply is prioritized for industrial zones and the reopening of Western economies is good for export-intensive country like Vietnam in 2H21 (US and EU account for 41% of the country's).

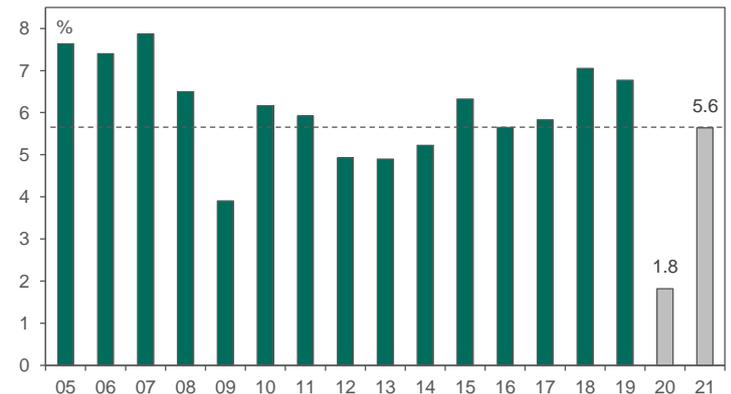
Credit grew well as of mid June (+5.5% YTD), while M2 increased 3.5% YTD. The average 6M inflation rose +1.47% YoY, quite low given that inflationary backdrop of the world, allowing Vietnam to maintain its loose monetary policy, targeting 12-14% growth in new loan, to support the economy during this critical period. As a side note, credit's growth is accelerating faster than deposit's (+3.1% YTD), putting banks under minor pressure to mobilize money. The State Bank will inject around \$5-6bn in 3Q21 through settlement of purchase of USD, which should provide the banking system with ample liquidity.

Because of complications of the delta variant, we revised down this year's GDP growth to 5%. However, from the government's view, instead of adjusting the growth target, they run 2 scenarios for the economic growth of 6% and 6.5% for 2021. The PM has signed a financial aid package of \$1.1bn (~0.3% of GDP) and is preparing another tax forbearance package of \$5.0bn (~1.3% of GDP). With nearly 10% of fiscal space to 65% public debt-to-GDP ceiling, we expect upside risk to our GDP forecast with more support packages and speeding up disbursement of public investment focusing on infrastructure development in the rest of the year.

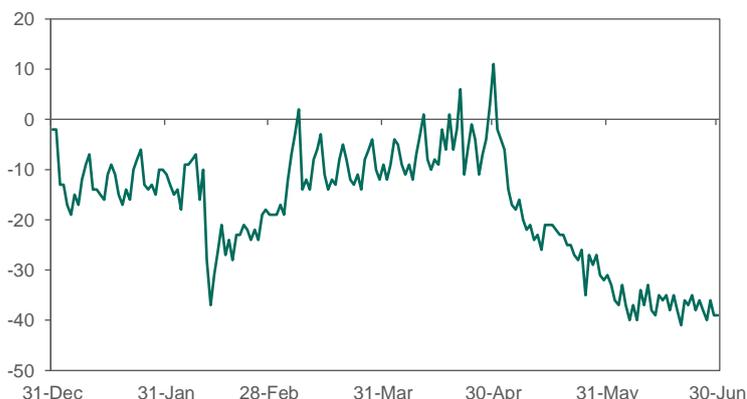
ECONOMIC FORECASTS

31-May-21	unit	2018	2019	2020	2021F
Real GDP Gro	%	7.1	7.0	2.9	5.0
Nominal GDP	\$bn	313.3	335.2	343.1	360.2
CPI	%	3.0	5.2	3.2	3.5
Export Gro (cif)	%	13.8	9.1	6.5	22.1
Import Gro (cif)	%	11.5	7.7	3.7	25.4
Trade Bal (cif)	\$bn	6.8	9.4	19.1	15.6
FX Reserves	\$bn	61.0	80.0	98.0	110.0
FDI Disbursed	\$bn	19.1	20.4	20.0	21.7
VND:\$	1	23,235	23,150	23,085	22,735

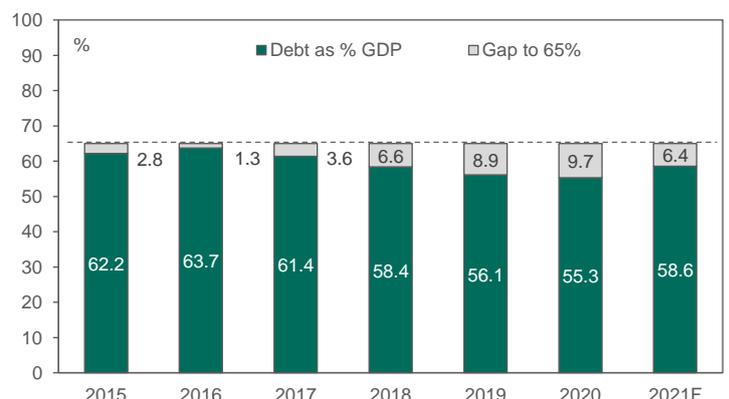
STRONG ECONOMIC RECOVERY IN FIST HALF OF 2021



SOCIAL DISTANCING CAUSED MOBILITY DROP 40% YOY



ENOUGH FISCAL SPACE FOR AMBITIOUS PACKAGES





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