



MARKET REVIEW AND OUTLOOK

VNI steady in Feb, despite Ukraine crisis and global market turmoil

Vietnam outperforms on view it is insulated from the crisis

Crisis broadly neutral for earnings; 15% of stocks are commodity plays, 85% domestic

Steady investor sentiment may see more cash-raising in the market

Vietnam's risks aren't at home but abroad - i.e., external, as usual

The VN Index was flat in February, rising +0.07% to 1490 (TR\$), showing almost no reaction to the Russian invasion of Ukraine. Stocks advanced post-Tet, and then lost some ground to global market turmoil, but they popped back up soon enough and resumed their consolidation around the 1500 mark. Average daily turnover decreased by 16% to \$1,026m on HOSE and to \$1,139m on the combined exchanges. Money flows were supportive. New account openings hit their third-highest monthly number ever, at 210,883, bringing the total to 401,336 ytd, more than in all of 2020. And foreign net selling stabilized to just \$16.4m.

This was a remarkable result given the geostrategic upheaval in Europe and the blow it has delivered to most other stock exchanges. For Jan-Feb, Vietnam declined just 0.4%, compared with the S&P at -8.0%, and the gap has only widened going into Mar. But the economy is seen for now to have a certain natural insulation from the cataclysm abroad (as discussed overleaf). So too the market – which by some estimates may even have a slight positive correlation.

Some 15% of the VNI is commodity plays, in the form of steel, fertilizer and energy, and we have been revising their profit forecasts upwards. Commodities cut both ways, though. Steel giant Hoa Phat has seen selling prices start to move, but it must also contend with skyrocketing costs for metallurgical coal, so its earnings – the biggest in the Index – are a wild card. As for the other 85% of the VNI, it is solidly geared to the domestic sector, which is set to thrive on post-COVID recovery and fiscal stimulus. Banks, property developers and retailing firms are still projected to deliver average earnings growth of more than 30% in 2022. Sectors which may be at risk are quite small in the benchmark, for example utilities and air travel, at under 3%.

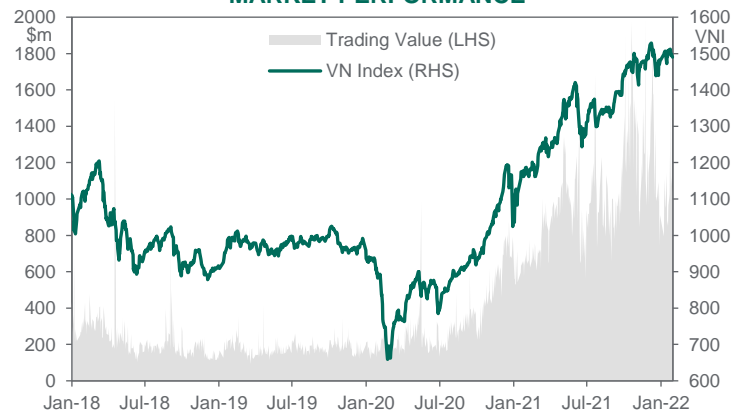
With the mark-up of commodity producers, our Top 60 forecast for 2022 earnings is +22.0% and the PER is 12.0x. The benign economic outlook, and the value/growth underpinning of stocks, explains the steadiness of investor sentiment so far. Companies are looking to tap that for more cash raisings. Rights issues are coming soon for brokers, and we estimate that about one-third of the market's large-cap names are planning to execute deals within the next year – for which they are approaching institutions now. A few IPOs are also being organized for 2H22.

Vietnam's biggest risk is not its own macro/market situation, but the unavoidable spillover effect if the Ukraine crisis drags on and the commodity crunch triggers stagflation in the developed world. Yet even if this worst case played out – by no means implausibly, it must be admitted – the country might still be a relative outperformer given its entrenched positive fundamentals.

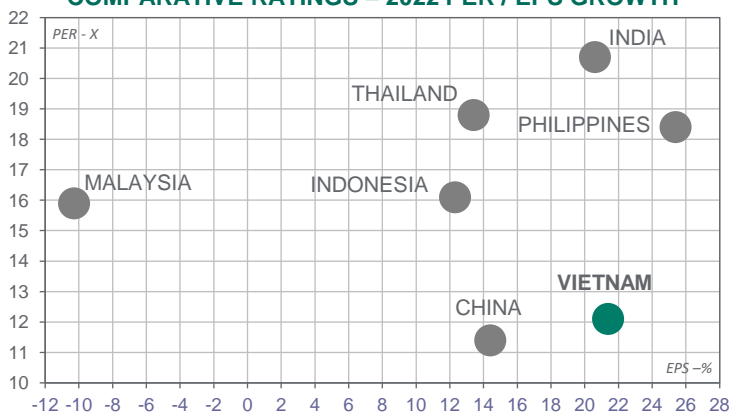
DC TOP-60 FORECASTS

28-Feb-22	Unit	2019	2020	2021	2022F
PER	x	11.9	14.0	14.8	12.0
EPS Growth	%	11.7	5.6	38.9	22.0
PEG	x	1.0	2.5	0.4	0.5
Sales Growth	%	10.0	2.2	22.0	22.5
EBIT Growth	%	15.1	3.1	5.04	21.0
PBT Growth	%	13.2	6.0	38.2	23.4
NPAT Growth	%	12.9	5.9	41.9	22.1
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	0.9

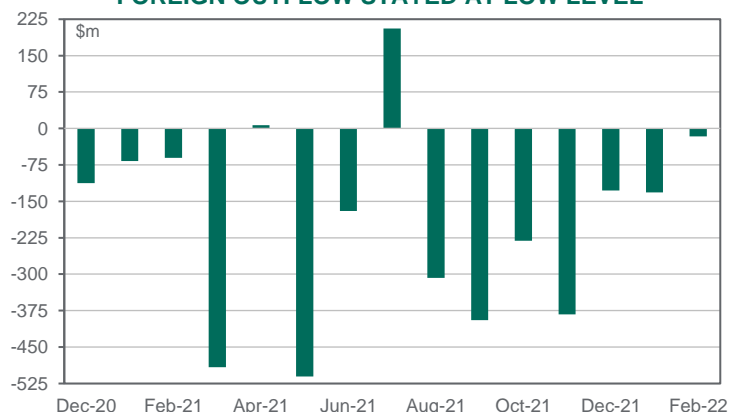
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGN OUTFLOW STAYED AT LOW LEVEL





ECONOMY REVIEW AND OUTLOOK

Recovery kicks off in Jan-Feb; growth appears modest due to high base in 2021

COVID a non-issue: omicron spike has limited macro effects

Inflation is the big issue; we see it being under control in 2022

We are adjusting our forecasts but do not expect drastic effects on Vietnam from the Ukraine crisis

Vietnam's economy chugged along in Jan-Feb, with the Ukraine crisis having little impact so far. Growth numbers were modest, but they reflected the high base of early 2021. On the services side, retail sales rose 1.7% yoy. On the industrial side, production was +5.4%, helped by exports rising 13.2%. Imports greatly outpaced at +21.9%, but mostly for the purpose of manufacturing more exports, so the gap will not persist. Nonetheless it generated a trade deficit of \$0.9bn for the two-month period. And with the dollar strengthening everywhere on the Ukraine crisis, the VND pulled back a bit to 22,800, giving up its 0.6% gain from Jan.

Though COVID cases have continued to increase – exceeding 200,000 on some days recently – they are mostly omicron ones. With low hospitalization and brief self-isolation, the macro effects are minimal. The pandemic is a non-issue now and one can easily see, from bustling street activity, the unshuttering of shops and restaurants, and the return to offices, that Vietnam is rapidly re-opening. International travel bans will be lifted from mid-Mar, completing the process.

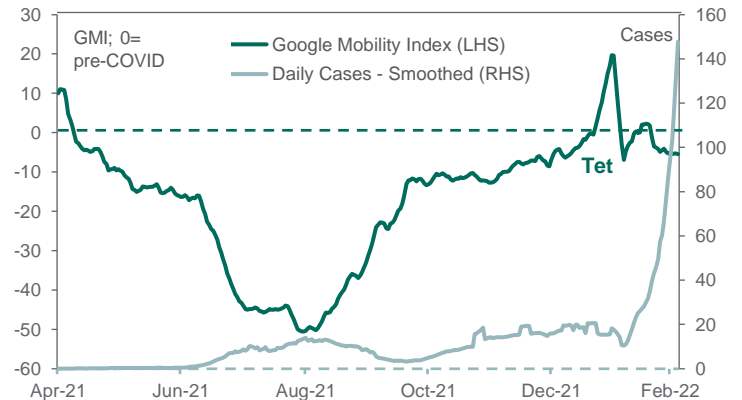
Inflation is a real concern now. The CPI was +1.49% yoy in Feb, still minimal compared to US/Europe, but the question is where it goes from here. Oil single-handedly drove the CPI in Feb. Entering the CPI as fuels, oil is just 3.6% of the basket directly, but \$100/bbl for crude at end-Feb has become \$130/bbl since. Fuel could quickly spill over into other components of the basket, and then there is the whole issue of non-fuel commodities. Still, fuel prices can be managed through subsidies and, especially, tax cuts. The Government will use those levers if inflation looks like it might take off. Officials can control many other prices as well, such as telecommunications, healthcare and education. Also, the main component of the CPI is not oil but food, taking 35%. And here the key prices – pork and rice – are stable or lower. Further, Vietnam gets most of its power from hydro, domestic coal and renewables, not oil.

We have adjusted our 2022 inflation forecast from 3.5% to 4.2%, to reflect oil at \$120/bbl instead of our previous \$85/bbl. The Government will do its best to get Vietnam through the year at that level of CPI and leave any new policy actions – such as rate hikes – to 2023. We have also reduced our trade-surplus projection from \$13bn to \$10bn to make room for higher import prices (led by oil), and perhaps some fall-off in export volumes (due to demand and supply-chain factors). But the new number is still sizeable. Currency risk seems limited given external account surpluses, rising reserves, low foreign debt and ongoing FDI. We have penciled down our GDP growth target from 7.3-9.6% to 7.0-8.6%, depending on vigorously the fiscal stimulus is executed. Overall, the economy still looks very healthy even with our lowered expectations.

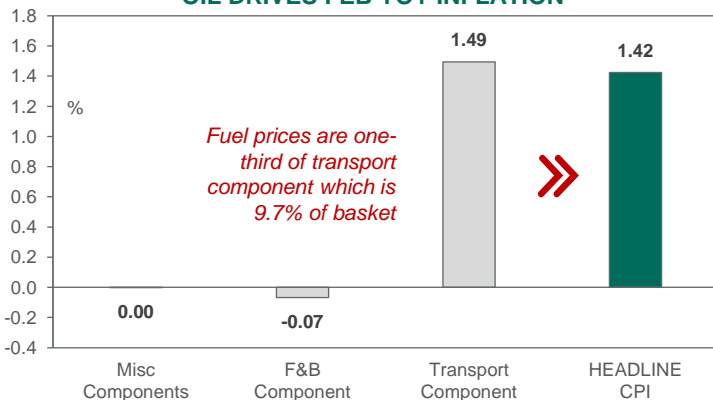
ECONOMIC FORECASTS

31-Dec-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	8.6
Nominal GDP	\$bn	335	343	352	382
CPI	%	2.8	3.2	1.8	4.2
Export Gro (cif)	%	9.0	6.5	19.1	27.5
Import Gro (cif)	%	7.7	3.6	26.8	26.0
Trade Bal (cif)	\$bn	9.4	19.1	4.0	10.1
FX Reserves	\$bn	80.0	98.0	106.5	113.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	22,686

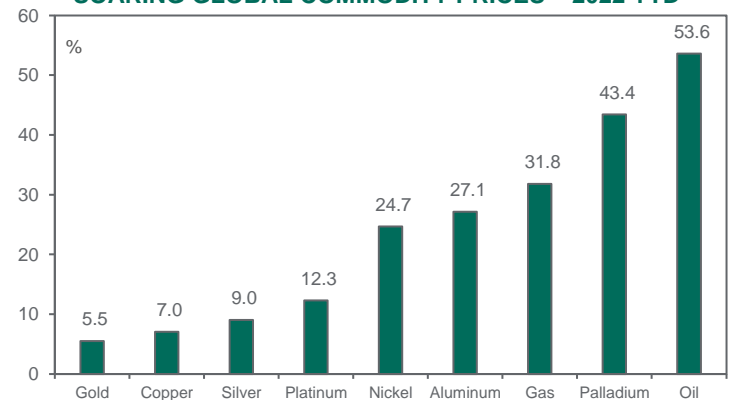
MINIMAL EFFECT FROM OMICRON SPIKE



OIL DRIVES FEB YOY INFLATION



SOARING GLOBAL COMMODITY PRICES – 2022 YTD





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