



MARKET REVIEW AND OUTLOOK

VNI steady in Mar, despite Ukraine crisis and global market volatility

More SME / big-cap divergence, except for a few FOL names in Diamond ETF

Arrest of two senior property exec's may fluster investors, but is positive for market development

AGMs confirm positive outlook for 2022 earnings

The VN Index flatlined in March, rising just +0.1% to 1492 (TR\$). Stocks continued to show little reaction to the volatility of global markets, but neither did they register the excellent two-month macro numbers that were released. Flows were broadly supportive. Average daily turnover increased by 13% to \$1,163m on HOSE and by 17% to \$1,328m on the combined exchanges. Foreign net selling intensified to \$174m, but was mostly offset by local buying, and the ytd exit of \$313m was barely half the level of 1Q21. New-account openings hit an all-time monthly record of 270,217, 20% above the previous peak in Dec 2021. Local sentiment now dominates, and it is not bearish, given the obvious recovering trend in the domestic economy. But a consensus is still developing on how immune to external events Vietnam can remain.

Hence the dichotomy between SME and heavyweight stocks persisted in Mar, leaving the small-cap index at +5.7%, the mid-cap index at +2.8% and the VN30 at -0.6%. With the cautious view investors seem to have, they are favoring companies with shorter-term upside, particularly exporters and materials manufacturers, as well as selected medium-scale developers. These names do have immediate visibility on earnings, and it fueled their prices. By contrast, banks were lower, as were property and industrial majors. The exceptions were a few bigger names in the Diamond ETF, which tracks companies at their foreign ownership limits. The fund listed in Thailand late in Mar and raised over \$60m in new capital. This put the Diamond index up almost 9% from its mid-month low. Key beneficiaries were FPT, rising 14.1%, along with MobiWorld, PNJ and REE, which gained 7-8% each.

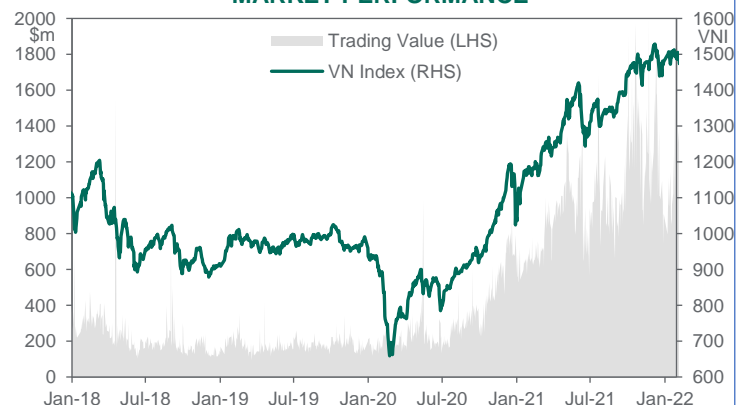
Investors were a bit unsettled towards the end of the month by two high-profile arrests in the property sector: the Chairman of FLC Group, on charges of stock manipulation, and the Chairman of Tan Hoang Minh Group, on charges of falsifying information in private bond sales. These events could affect sentiment in the next few weeks, especially in the more speculative real-estate names. But we do not expect a lasting impact. In fact, the arrests of these individuals could do a lot to promote transparency and shareholder protection and may help to move investors towards more fundamentally-based stocks.

AGMs set a positive tone for 2022, with studiously conservative earnings guidance as usual, but even so averaging ca 15%. Banks indicated 20-25%, highlighting the paradox of their unloved status. Our own Top80 forecast is 23%, based on the strength of the domestic economy and the natural insulation it seems to have from the Russia-Ukraine conflict. And we believe that stock prices can capture a significant portion of this upside, given a PER that is only 11-12x.

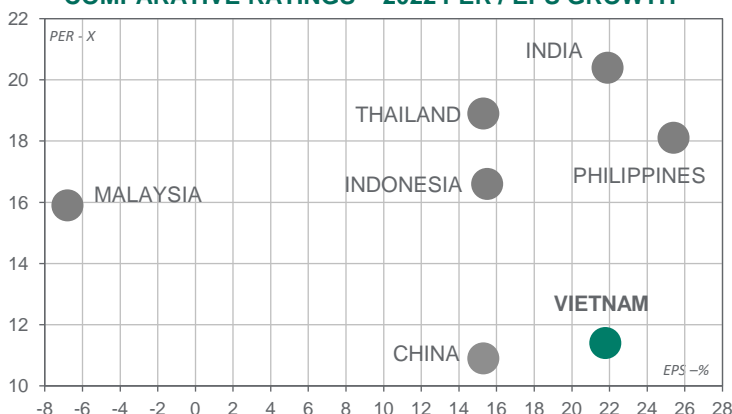
DC TOP-80 FORECASTS

31-Mar-22	Unit	2019	2020	2021	2022F
PER	x	11.9	13.9	14.8	11.4
EPS Growth	%	11.4	5.6	38.8	23.2
PEG	x	1.0	2.5	0.4	0.5
Sales Growth	%	10.0	2.2	22.0	21.4
EBIT Growth	%	15.1	3.2	50.5	22.2
PBT Growth	%	13.2	5.8	38.1	24.7
NPAT Growth	%	12.9	5.9	41.9	23.7
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	0.9

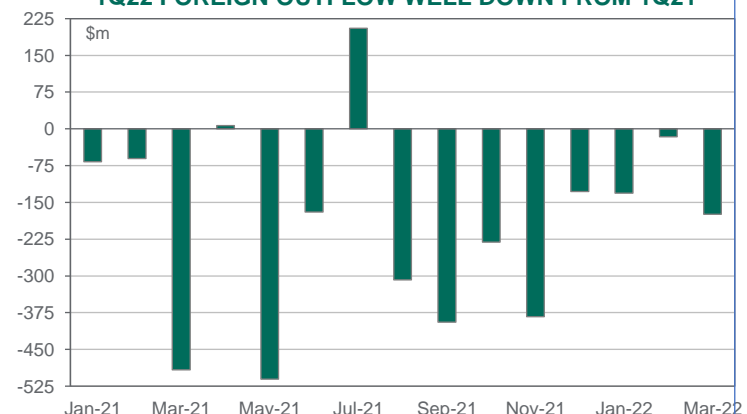
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



1Q22 FOREIGN OUTFLOW WELL DOWN FROM 1Q21





ECONOMY REVIEW AND OUTLOOK

1Q22 GDP growth hits +5.0%; manufacturing leads, with services starting to follow

Omicron wave crimped 1Q growth but only modestly and is now subsiding

Threats to growth remain external; inflation is being managed well

Fade-out of omicron, ramp-up of trade and services would enable 7% GDP growth

The economy continued to power ahead in 1Q22, with GDP at +5.0% yoy, beating +4.7% in 1Q21, and from a much higher base. Manufacturing continued to be the key growth driver, rising 7.8% yoy, underpinned by rapidly-expanding trade. Exports were up 13.4% in 1Q22 at \$89.1bn and imports 15.2% at \$87.6bn, making for a surplus of \$1.5bn. But the more interesting feature, was how trade suddenly accelerated in Mar, with exports +48.2% and imports +28.7%. This gave a one-month surplus of \$2.1bn. Meanwhile services were +4.6% yoy, sustaining their remarkable comeback since last Oct. They will get a big lift from the easing of international travel restrictions that started in mid-Mar and should accelerate in coming months.

The recovery would have been even more vigorous if omicron cases had not surged in Mar, with up to 270,000 per day, before starting to subside at month's end. Since infections were largely benign, worker absences caused only temporary disruptions to economic activity, rather than serious halts. Nonetheless, the PMI did drop from 54.3 to 51.7. In response, the authorities have raised monthly overtime limits from 40 to 60 hours and relaxed quarantine requirements for fully-vaccinated workers. This was necessary to accommodate the huge export-order backlogs into 4Q22. Omicron also cut into registered FDI, which was -12.1% in 1Q22 at \$8.9bn, although disbursed FDI was +10.2% at \$4.4bn. Delayed projects will be moved to 2Q.

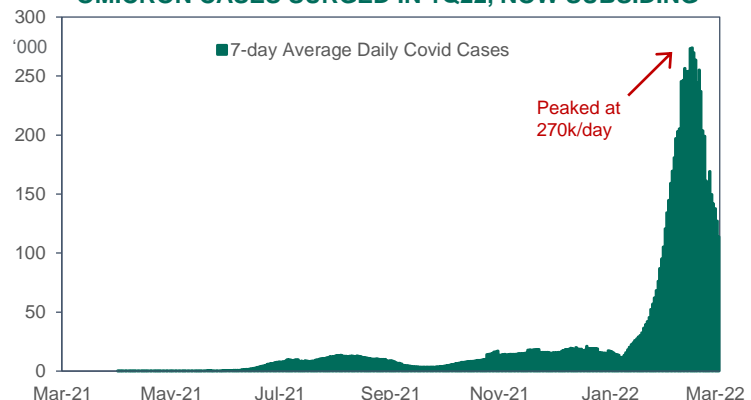
Threats to growth are external: geopolitical tensions and, heavily aggravating them, renewed lockdown in China – by far Vietnam's biggest supplier of raw materials and semi-finished goods. These twinned crises only increase the risks of more supply-chain disruption and more commodity-price escalation, possibly crimping international trade and boosting inflationary pressures. Inflation is indeed ticking up in Vietnam, with the headline CPI at +2.4% yoy in Mar from +1.48% in Feb. That is still a far cry from the US and Europe. But the Government has decided to halve the environmental tax on petrol (cutting 6.7% off the final price), and to reduce VAT from 10% to 8%. We believe that the CPI will be around 4% in 2022.

Despite global headwinds, Vietnam has had a solid start to 2022 in the first quarter. Its healthy prospects have been recognized by Fitch and Moodys, which recently re-confirmed their "positive" outlook and their respective ratings of BB and Ba3. The World Bank has forecast 5.5% GDP growth for Vietnam, but this is below many other banks and multilaterals that are targeting 6.5-6.7%. Omicron is fading and if trade continues to accelerate, while services pick up momentum on the back of re-opening borders, we can see 7.0%. And this is before factoring in the effects of the impending fiscal stimulus, which we think could take growth as high as 8.6%.

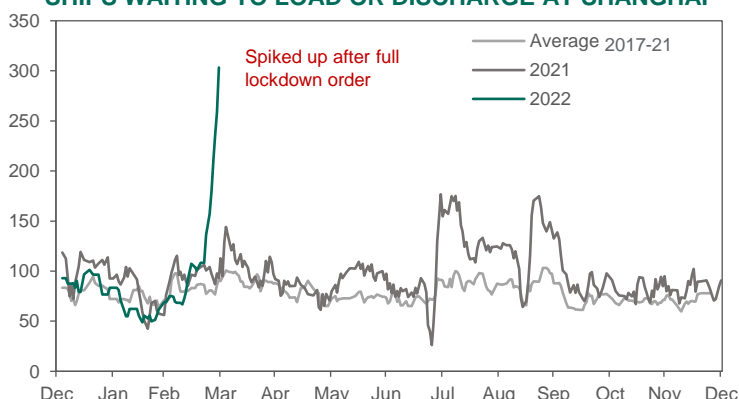
ECONOMIC FORECASTS

31-Mar-22	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

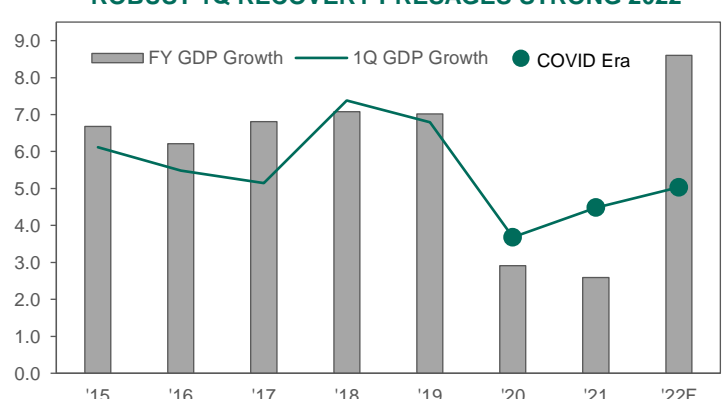
OMICRON CASES SURGED IN 1Q22, NOW SUBSIDING



SHIPS WAITING TO LOAD OR DISCHARGE AT SHANGHAI



ROBUST 1Q RECOVERY PRESAGES STRONG 2022





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