



MARKET REVIEW AND OUTLOOK

VNI lost 8.9% in April and liquidity declined as the result

Investors spooked by Government actions; real estate mid-caps & brokers worst hit

Earnings growth still excellent at +36% in 1Q22, with +25% projected for 2022

Valuation approaches one of the most attractive level in the last 5 years

After months of insulation from global pressures, the domestic response to arrests for corruption in local bond and equity markets impacted Vietnam's bourses, with the VN Index declining 8.9% in Apr. External concerns, such as the US Fed rate hike, China's lockdown of Shanghai, and the fear of stagflation, also weighed on the market. From a peak of 1525 on 4 Apr, the market hit an intraday low of 1311 during the month, down 18% from the peak, before recovering to close the month at 1361. The decline led to a slowdown in retail investor activity in the market. Average daily turnover decreased by 16% to \$974m on the HOSE and by 18% to \$1,085m on the combined exchanges. Foreigners reversed Mar selling, recording net inflows of \$170m, buying almost every day since the start of the correction, supporting the market from the retail selling.

Investors started showing signs of being unsettled towards end-Mar following the two arrests, concerns then intensified in Apr. The Government made clear its intention to implement a set of measures to build a transparent and efficient financial market, focusing on cracking down on stock manipulation and unregulated bond issuance to retail investors. Corporate bond issuance has been a tool for growth for a whole ecosystem of companies, ranging from real estate developers to brokers to banks. Mid-cap real estate stocks and brokers, closest to the action, declined by around 15%, with many stocks falling more than 30%.

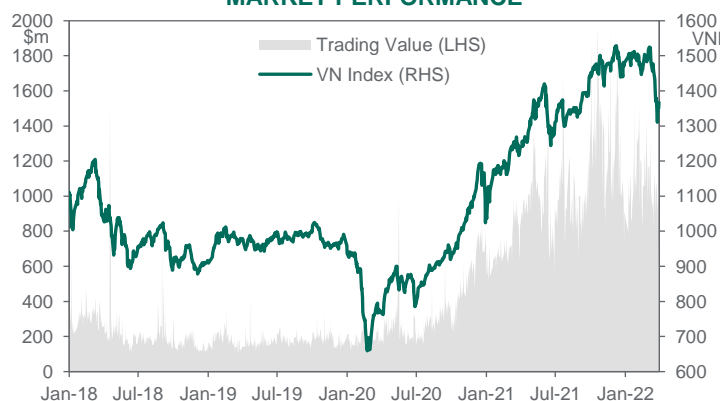
While the market dropped on regulatory worries, quarterly results were excellent and exceeded our forecasts. 1Q22 earnings grew by 36% yoy and 22% qoq, driven by banks (+44% yoy), materials (+38% yoy), and retail (+23% yoy). After initial reviews, we maintain our forecast for 25% EPS growth in 2022 given the buffer of the first quarter and strong underlying fundamentals of businesses. While decelerating from the high base of 2021, 2022 growth is still very high compared to the annual average growth of 12.5% since 2010,. At the sectoral level, we expect that the actions of the Government and the quarterly results will initiate a shift of money flow away from speculative areas towards quality stocks with solid fundamentals, strong earnings and lower regulatory risk.

With falling stock prices and increasing earnings, valuations have become even more attractive. The trailing PER of the VNI declined to 14.5x, one standard deviation below the five-year average. This valuation level has only been experienced twice in the last five years, once at the bottom of the 2018 crash and again during the COVID crisis. Compared to regional peers, the undervaluation of Vietnamese equities is now even more pronounced. While short-term uncertainties exist, from this level the long-term outlook for investors is very compelling.

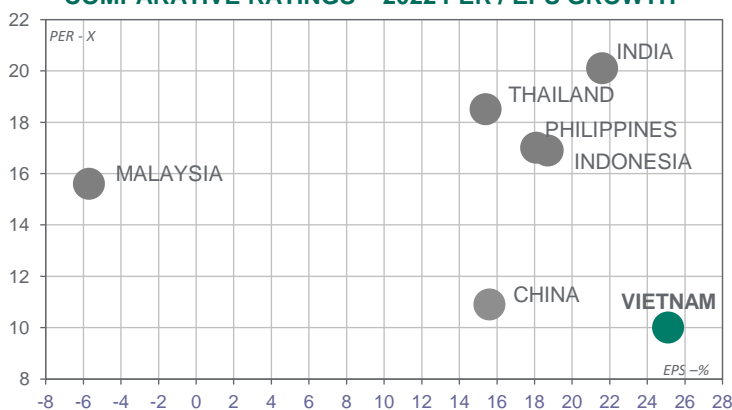
DC TOP-80 FORECASTS

30-Apr-22	Unit	2019	2020	2021	2022F
PER	x	11.9	13.9	14.8	10.0
EPS Growth	%	11.4	5.6	38.8	25.1
PEG	x	1.0	2.5	0.4	0.4
Sales Growth	%	10.0	2.2	22.0	20.1
EBIT Growth	%	15.1	3.2	50.5	21.0
PBT Growth	%	13.2	5.8	38.1	26.2
NPAT Growth	%	12.9	5.9	41.9	25.8
Net DER	x	0.3	0.4	0.3	0.2
Yield	%	1.7	1.4	1.0	1.0

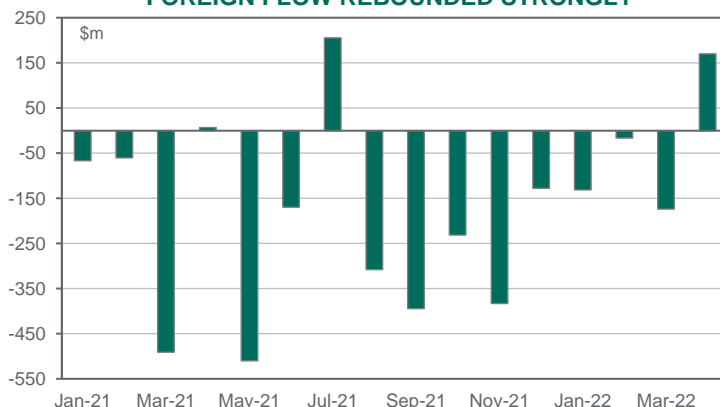
MARKET PERFORMANCE



COMPARATIVE RATINGS – 2022 PER / EPS GROWTH



FOREIGN FLOW REBOUNDED STRONGLY





ECONOMY REVIEW AND OUTLOOK

Broad-based recovery in all econ activities. China is needed to be monitored

Solid VND despite of global volatility. SBV has stronger position to stabilize currency

Rate gradually rises but not too much

Uncertainties also give Vietnam opportunities to lure regionalization trends.

Vietnam's economy exhibited broad-based recovery momentum after passing through the Omicron wave and lifting pandemic-related restrictions. The number of newly registered enterprises climbed to 15,000+, up 12.3% YoY, record high, whereas the number of businesses returned to operation surged +60.6% YoY. In services, retail sales grew +12.1% YoY as tourism revived. The number of the impact of zero-tolerance policy in China, which is Vietnam's biggest trade partner. The stock of purchases level in Apr, decreased slightly, indicating delivery delays owing to lockdown in China's major cities, ports and border gates, which could harm exports. The country's 4M22 trade still appeared to be solid as export +16.4% YoY to \$122.4bn and import +15.5% YoY to \$119.8bn, resulting a surplus of \$2.5bn.

Due to pressures from FED's rate hikes and devaluation of the CNY, VND has depreciated -0.9% YTD. However, we still believe that the prospect of the Dong is optimistic, citing ample USD inflows, robust external position, and, most importantly, the return of tourism receipts after reconnecting to the globe. Besides, the State bank might use its foreign exchange reserves to stabilize the exchange rate, when needed, which has increased 10 times to \$110bn after 10 years. Furthermore, inflation has shown evidence of spillover effects from petroleum to other categories, resulting a modest increase of 2.6% YoY in Apr, prompting State Bank to sustain the exchange rate to prevent imported inflation.

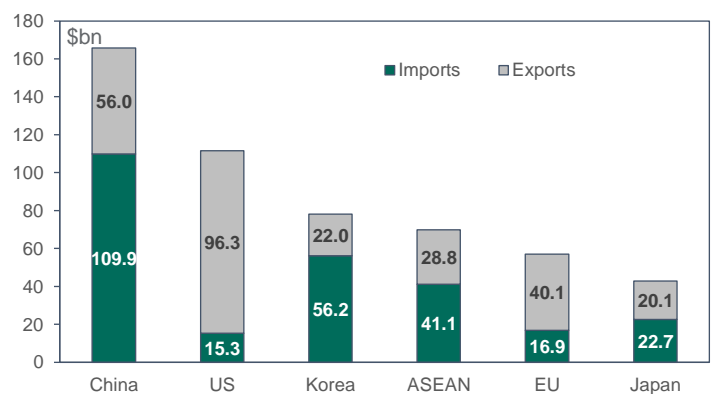
Rates have bottomed out in 2021. The interbank rate rose by 100-120bps, leading to an increase of 80-100bps in Gov bond yields. Meanwhile, deposit rate climbed marginally by 30-50bps YTD as banks competed to mobilize capital after 15 months credit outpaced deposit growth. We believe that the rates may continues to accelerate modestly in coming months, but not significantly if SBV does not adjust the policy rates, which is currently establishing the deposit ceiling and central bank liquidity support rates.

Uncertainties are making the globalization trend likely to be reversed. Vietnam has a very favorable geographical position as it is a bridge between two dynamic and populous economic regions, China and Southeast Asia. This, together with a series of free trade agreements signed over the years, gives Vietnam an advantage in attracting regionalization trends. If successfully leveraged, Vietnam can continue to maintain its 6.50-7.0% of growth and stability momentum in the next 4 years.

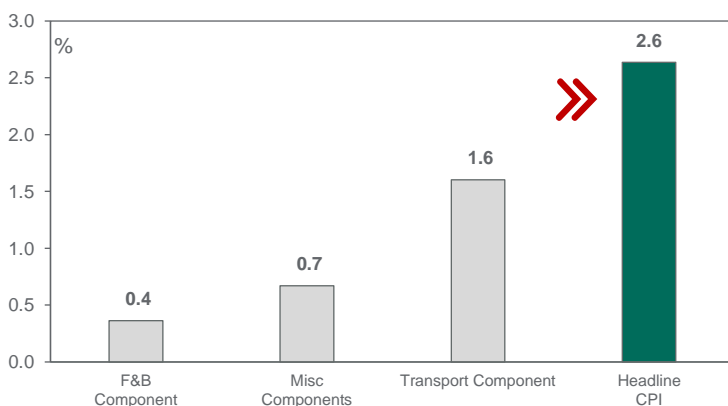
ECONOMIC FORECASTS

31-Dec-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	7.0
Nominal GDP	\$bn	335	343	352	376.5
CPI	%	2.8	3.2	1.8	4.2
Export Gro (cif)	%	9.0	6.5	19.1	22.3
Import Gro (cif)	%	7.7	3.6	26.8	20.9
Trade Bal (cif)	\$bn	9.4	19.1	4.0	9.5
FX Reserves	\$bn	80.0	98.0	106.5	117.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	22,800

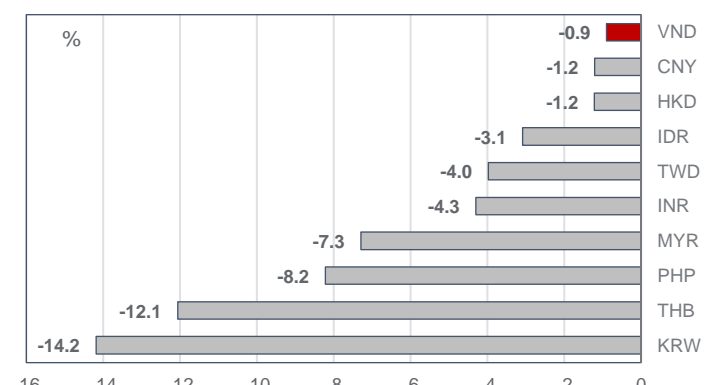
CHINA'S LOCKDOWN COULD IMPACT VIETNAM'S TRADE



INFLATION STILL LOW DESPITE OF SPILLOVER EFFECT



VND IS AMONG THE STRONGEST CURRENCIES IN REGIONS





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