



MARKET REVIEW

VNI -7% in July, but well off bottom and still moving up in Aug

Healthy shake-out of retail traders, while foreigners turned definitive net buyers

Bank stocks led the decline, seconded by property majors, but bright spots appeared

Strong 1H earnings; full-year outlook still superior; sentiment should stay positive

The market's relentless rally finally paused in Jul with the worsening pandemic situation. The VN plunged from its early peak of 1423 and hit a low of 1230, for an inter-month drawdown of 13.5%. But it clawed back a lot of its losses and closed just -6.6% mom at 1310. This seemed to show the underlying resilience of stocks, and going into Aug, they were still trading up..

HOSE turnover was -14.1% from Jun's record level, to \$888m, and for the combined exchanges, turnover was -17.8% at \$1,064m. But this offered some reassurance: rising volume on the downside would not have been a welcome development. As sentiment turned more cautious, margin lending was estimated to decline 10-12% from the record level of \$5.1bn in early July, while new accounts opened by local retail investors dropped to 101,000 – the lowest since Feb.5. Meanwhile, foreigners finally established themselves as definitive net buyers, at \$206m, for the first time in 12 months. Admittedly, \$171m of this was from the Fubon ETF, and that fund has now hit its regulatory cap. But it is enough that foreigners cease to be net sellers.

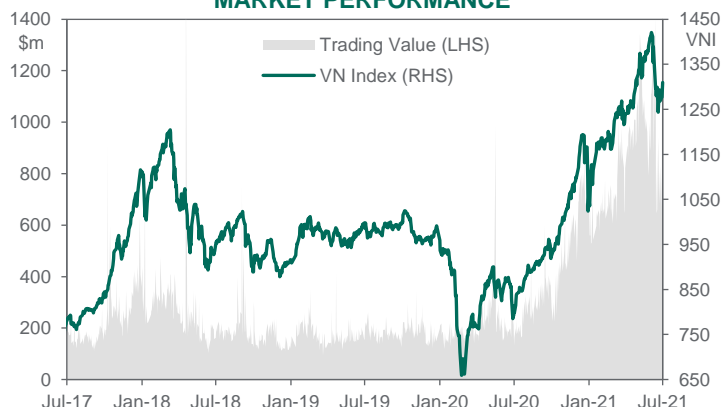
Selected banks led the decline. Banks have become somewhat expensive in terms of their own historic valuations, though not vs regional peers. State banks VCB, BID and CTG plunged on weak 2Q earnings, deliberately lowballed to dampen profitability amidst the pandemic. Private banks were less savaged, but VPB and MBB were -10% on profit-taking. Property heavyweights suffered too: highflyer NVL -14.1%, with its CB deal out of the way; VRE, -12.9% as an obvious lockdown casualty; VHM -8.2% on similar fears; and VIC -9.9%, also hit by fading prospects for a Vinfast IPO. Mid-cap developers with deal prospects held up better: NLG +12.1% and KDH +8.4%. Another bright spot was MSN, +21.4% on its own deal rumors, about MeatLife being on the block. MWG was +8.0% on more robust monthly results, where grocery stores are finally breaking even at the EBITDA level. FPT rose 6.8% as 2Q numbers showcased the powerful dynamic of its operations in international software outsourcing and domestic systems integration.

2Q earnings have been buoyant, at around +60%, from +80% in 1Q, and 1H looks like it will be +67%. Wave4 is casting a big shadow over 2H though. We have reviewed our Top60 names and cut forecasts – but not by very much, from 53% to 45%. The resulting 13x keeps Vietnam low versus peers. For 2022 we are provisionally forecasting +22% and 10.5x. With margin levels down and cash levels up, investor money is waiting for the right moment to fully re-deploy. We expect sentiment to have a good tone on tangible progress on vaccination.

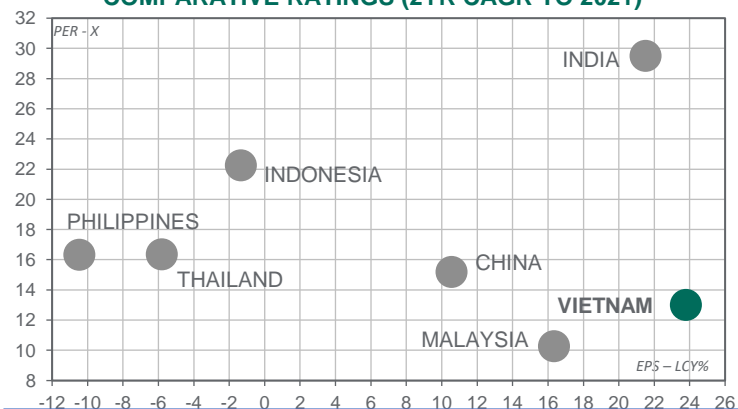
DC TOP-60 FORECASTS

30-Jul-21	Unit	2018	2019	2020	2021F
PER	x	12.8	11.9	14.1	13.0
EPS Gro	%	24.3	11.7	5.5	45.2
PEG	x	0.5	1.0	2.6	0.3
Sales Gro	%	15.0	10.0	2.2	28.2
EBIT Gro	%	19.7	15.1	3.1	47.4
PBT Gro	%	29.5	13.2	6.0	42.2
NPAT Gro	%	25.8	12.9	5.9	46.7
Net DER	x	0.4	0.3	0.3	0.3
Yield	%	2.2	1.7	1.4	1.2

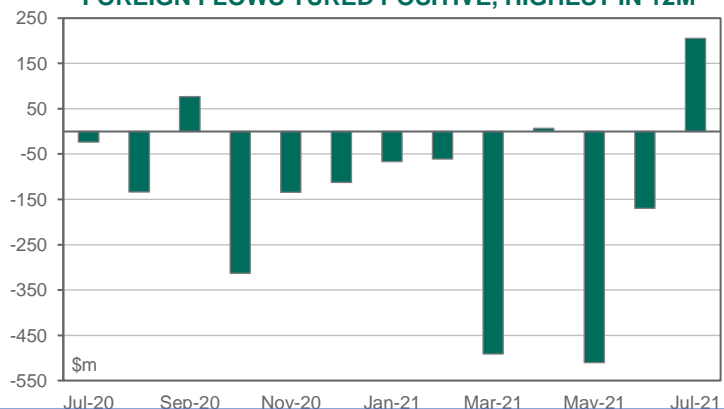
MARKET PERFORMANCE



COMPARATIVE RATINGS (2YR CAGR TO 2021)



FOREIGN FLOWS TURED POSITIVE, HIGHEST IN 12M





ECONOMY REVIEW

Vietnam extended restriction measures to mid Aug

All worst news will be reflected in this quarter econ number

Vietnam has been accelerating vaccination process

Reached agreement with US about monetary policy, eased external risks

Our GDP forecast cut to 3.7% but growth may surprise, especially once vaccines kick in

Vietnam has identified to switch from zero-Covid to coping-with-Covid strategy by applying social distancing and speeding up vaccination. The authorities have imposed stricter restrictions, Directive 16, which requires residents not to go out (and only when necessary) and non-essential sectors to close. Those have started to work as number of daily infections is hovering around 6,000-8,000 cases and downs in some areas.

The subsequent tightening of restrictions are clouding economic activities in July. Mobility dropped significantly by 80%, leading to a decrease of 19.8% YoY in retail sales, the 2nd consecutive double-digit decline. In manufacturing sector, because of clusters in industrial zones, the output only rose +1.8% MoM and +2.2% YoY while PMI continued below 50 threshold, reached 45.1 in July vs 44.1 in June. Supply chain bottlenecks and production disruption may be curbing trade as export only rose +8.4% YoY but import was sustained at +29.9 YoY, resulted in deeper deficit at \$2.7bn. This 3Q will probably the lowest GDP quarter in many years, but because of reflection of all COVID worst news.

On the other hand, with more than 17mn doses arrived in, Vietnam keeps attempting to accelerate vaccination to soon resume the economy. Currently, the country daily injection rate is approximately 350,000-400,000 jabs, equaled to that in developed Europe countries such as France, Italy and Spain. Besides, vaccines are also being prioritized for frontline workers, factory workers in areas considered as the economic locomotive, with a high contribution to GDP, to minimize adverse effects on growth. We forecast by early Sep, as 50% of residents in major cities receives at least 1 dose, the authority may step-by-step relax distancing measures.

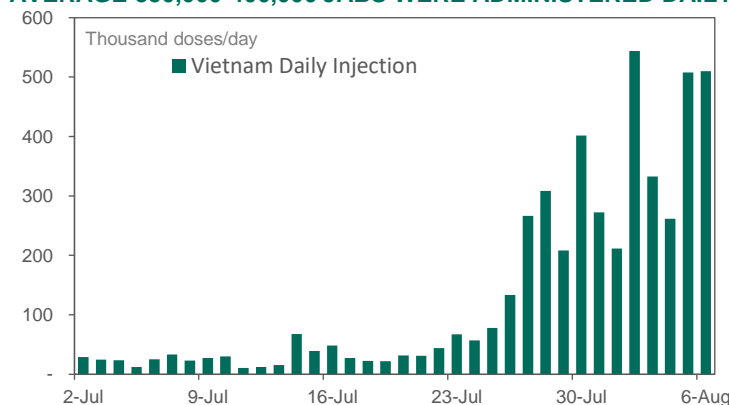
Vietnam and the US have reached an agreement on currency manipulation in late July. This is glad tidings as it not only reduces the risk of tariff imposition, but also supports Vietnam's macroeconomic resilience. Given no external concerns, and well-managed inflation (+2.3% YoY), the State Bank has space to maintain easing monetary policy or gets even more dovish.

Despite short-term challenges, Vietnam's economic prospects are still rosy with sustainable fundamental. Once the historic vaccination program is completed successfully (120mn doses for 70% of the population), Vietnam's economy will soon return to its trajectory and given large export order and pent-up local demand during the blockade, manufacturing activities in Vietnam in Q4 are expected to rehabilitate robustly.

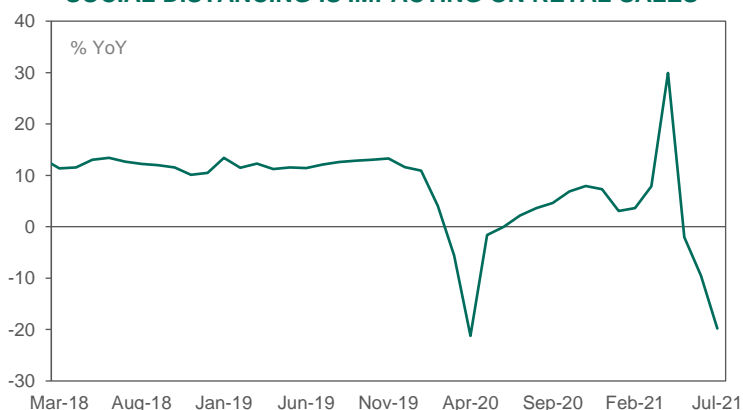
ECONOMIC FORECASTS

30-Jul-21	unit	2018	2019	2020	2021F
Real GDP Gro	%	7.1	7.0	2.9	3.7
Nominal GDP	\$bn	313	335	343	357
CPI	%	3.0	5.2	3.2	3.5
Export Gro (cif)	%	13.8	9.1	6.5	27.6
Import Gro (cif)	%	11.5	7.7	3.7	35.1
Trade Bal (cif)	\$bn	6.8	9.4	19.1	5.6
FX Reserves	\$bn	61.0	80.0	98.0	102.0
FDI Disbursed	\$bn	19.1	20.4	20.0	18.7
VND:\$	1	23,235	23,150	23,085	22,835

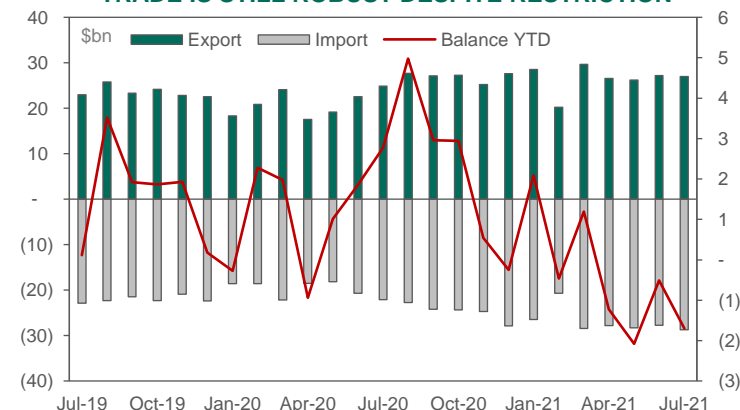
AVERAGE 350,000-400,000 JABS WERE ADMINISTERED DAILY



SOCIAL DISTANCING IS IMPACTING ON RETAIL SALES



TRADE IS STILL ROBUST DESPITE RESTRICTION





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