



### MARKET REVIEW AND OUTLOOK

**VNI +1.3% in Dec and might have been higher if not for margin clean-up**

**Smaller-cap's kept on going, but must eventually cede to big-cap's to reflect economic reality**

**Market was a global leader in 2021, and made big progress developmentally**

**The economic recovery is just beginning, and stocks are cheap**

The VN Index gained 1.26% (\$TR) in Dec, closing at 1498. Early on it was knocked to 1414 by the omicron variant but recovered its nerve quickly as reports suggested that omicron is far less severe than delta, if more infectious. The benchmark might have notched new highs, except for the fact that lower liquidity set in with the holidays approaching, which saw average daily turnover fall 17% mom to \$1,191m on HOSE, and \$1,446m on the combined exchanges. This coincided with margin clean-up by brokers at the end of the quarter. Also, foreigners continued to be net sellers, offloading \$127m, although this was less than Nov's \$382m.

Second-liners continued to run at the expense of blue chips. The small-cap index was +4.6% and the mid-cap index +7.4%, while the VN30 actually fell -0.1%. The only serious bright spot among heavyweights was that banks were mixed to stronger, in some cases well ahead of the benchmark, putting the sector up 2.1%. This was after months of banks being uniformly weak. The question was whether this might presage an investor move back into the majors after they have now spent fully half a year, since early Jul, being whipped by lesser names. Continuing to dismiss the surge of SMEs as unsustainable – or might one say transitory? – does seem reminiscent of the way the US Federal Reserve until recently discussed inflation. Nonetheless we do think that as the economy returns to its normal growth patterns in 2022, quality big-cap stocks, which reflect the macro drivers best, will come back into their own as leaders.

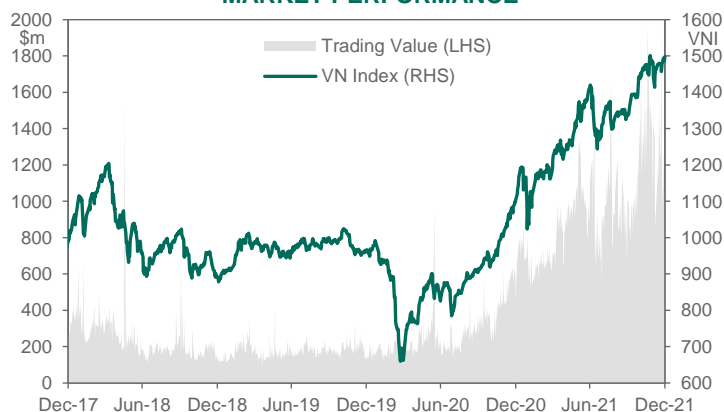
Meanwhile it is worth reflecting that not only did Vietnam have one of the best returns globally in 2021, at +39.1%, it also experienced significant progress in market development. There are now 63 companies with capitalization in excess of \$1bn. Daily turnover has reached a new normal of \$1bn, and often much more, which is above many EM peers. Monthly new-account openings currently surpass all the openings in 2019. As volumes spiraled in 1H21, exchange computers froze up and trading halts plagued the market, but they were full resolved by Aug. Market infrastructure will get another boost with the arrival of a new Korean trading system during 2Q22, which will bring T+0 settlement and scope for yet higher turnover. Futures, options, warrants and other derivative products will also evolve.

The fundamentals point to another positive year in 2022, even after the fabulous gains of 2021. With 72% of the population fully vaccinated, and a fiscal support package about to be launched, the true economic recovery is only just starting. We forecast a market EPS of +22.6%, and expect share prices to follow since that level of earnings leave leaves the forward PER at only 11.8x. That is cheap in its own right, and very inexpensive vs regional peers.

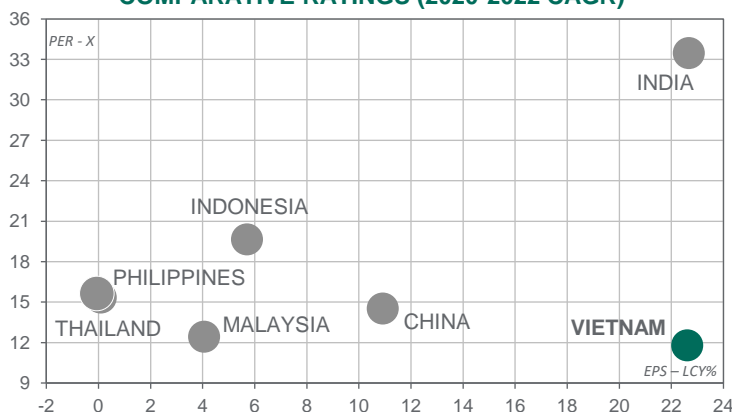
#### DC TOP-60 FORECASTS

31-Dec-21	Unit	2019	2020	2021F	2022F
PER	x	11.9	14.0	14.5	11.8
EPS Gro	%	11.7	5.6	42.0	22.6
PEG	x	1.0	2.5	0.3	0.5
Sales Gro	%	10.0	2.2	24.3	19.2
EBIT Gro	%	15.1	3.1	46.6	24.1
PBT Gro	%	13.2	6.0	40.3	23.7
NPAT Gro	%	12.9	5.9	45.1	22.6
Net DER	x	0.3	0.4	0.3	0.3
Yield	%	1.7	1.4	1.0	0.9

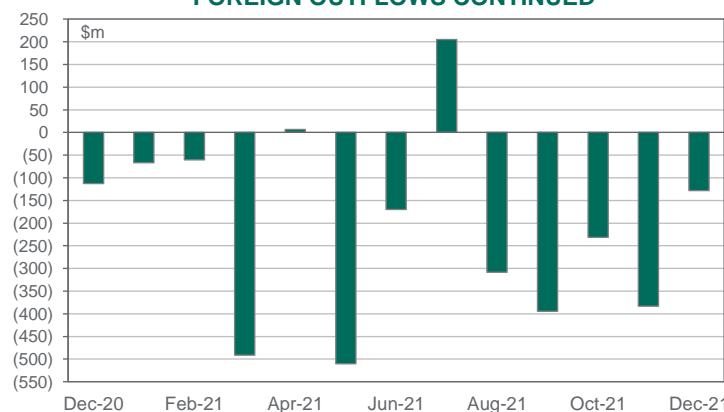
#### MARKET PERFORMANCE



#### COMPARATIVE RATINGS (2020-2022 CAGR)



#### FOREIGN OUTFLOWS CONTINUED





## ECONOMY REVIEW

**GDP grew 2.59% in 2021, driven by manufacturing +4.1%**

**Impressive trade in 4Q21 made total trade close above \$668bn and \$4.0bn of surplus**

**Subdued inflation at 1.8% could create more room for monetary policies**

**2022 growth around 7.3% depends on execution of \$15.3bn of stimulus package**

2021 is really a big challenge year for Vietnam's economy and newly-elected politburo, but they have successfully overcome all. On the Covid-19 battle front, Vietnam has flexibly switched from Zero-covid to Learn-to-live with Covid strategy and outstandingly implemented the biggest vaccination campaign in history in just 7 months. On the economic side, although the econ was close for most of Q3, GDP was quickly recovered and accelerated in Q4, clocked +5.2% YoY to end the year at +2.59% growth with the locomotive driver from manufacturing sector advanced +4.1% YoY, followed by agriculture by +2.9% and services sectors by +1.2% YoY. By the end of 2021, Vietnam did not really return to its normal as retail sales dropped -3.8% YoY and foreign tourist are not freely to travel, but what the country has done is the foundation for brighter 2022.

Trade had a wonderful year-end sprint, pulling the total import-export turnover to \$668.5bn, +22.6% YoY. Imports reached \$332.3bn, +26.6% YoY, mainly from building inventories, +21.9% YoY, while exports grew at lower tempo due to pandemic curbs, +19.1% YoY to \$336.3bn. However, that was enough to U-turn the YTD balance from negative territory of \$2.4bn in July to a positive of \$4.0bn at year end, marking the sixth consecutive year of surplus. The contribution of FDI enterprises is still undeniable with nearly 70% of total trade and this is expected to continue in upcoming years thanks to stronger supply-chain shift, especially when the RCEP agreement taking effect from 1st Jan 2022 with numerous preferential terms and principles.

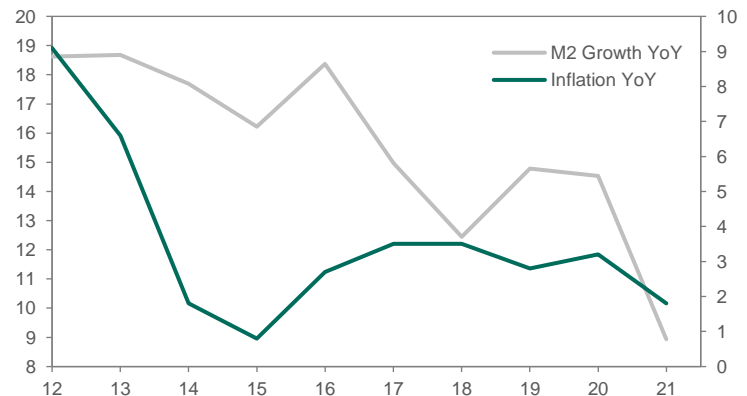
Vietnam consumer price index only rose by 1.8% in 2021, showing that inflation is not as badly as it in Western countries. The modest M2 growth that gained +8.9% YoY, significantly lower than the 5-year average of 14% will reduce inflationary pressure from money supply, meanwhile, PPI accelerated by +2.2% YoY, indicating that Vietnam did not import much inflation from other countries. We also believe that the divergence in monetary policies of the U.S and China will partially offset each other and reduce the spillover effect on emerging market as Vietnam. Hence, in case of inflation in 2022 is remained subdued, below 3.5% as we forecast, Vietnam State Bank will have more space to implement further losing monetary policies.

Given arrival of 195mn and 154mn doses of vaccine administered (80% of population received once, and 58% twice), residents are basically equipped enough to adapt-to-new-normal, and Gov will fixate on other fronts. The policymaker's primary objective in 2022 is economic recovery. The stimulus packages of \$15.3bn, 4.7% of GDP, which was discussed at the extraordinary National Assembly meeting and will be finalized in mid-Jan, is assumed to create another 2.3% GDP growth on top of 7.3% in our base-case scenario in 2022.

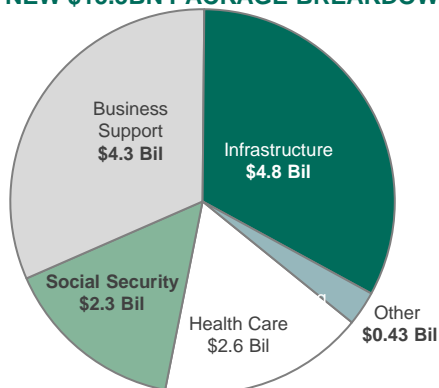
### ECONOMIC FORECASTS

31-Dec-21	unit	2019	2020	2021F	2022F
Real GDP Gro	%	7.0	2.9	2.6	9.6
Nominal GDP	\$bn	335	343	352	385
CPI	%	2.8	3.2	1.8	3.5
Export Gro (cif)	%	9.0	6.5	29.2	19.1
Import Gro (cif)	%	7.7	3.6	26.8	26.6
Trade Bal (cif)	\$bn	9.4	19.1	4.0	13.2
FX Reserves	\$bn	80.0	98.0	106.5	118.0
FDI Disbursed	\$bn	20.4	20.0	19.8	23.8
VND:\$	1	23,150	23,085	22,800	22,570

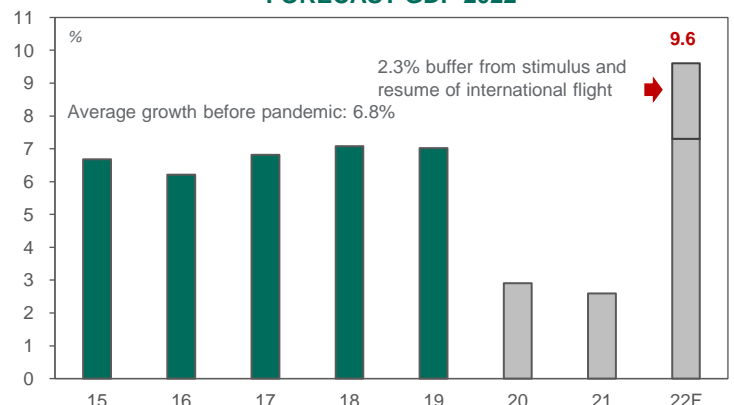
### MODEST M2 GROWTH REDUCED PRESSURE ON INFLATION



### NEW \$15.3BN PACKAGE BREAKDOWN



### FORECAST GDP 2022





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