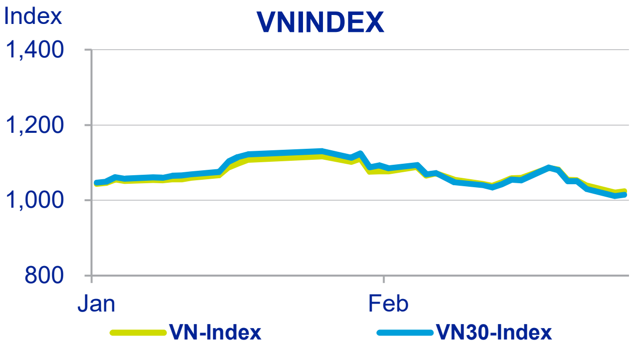
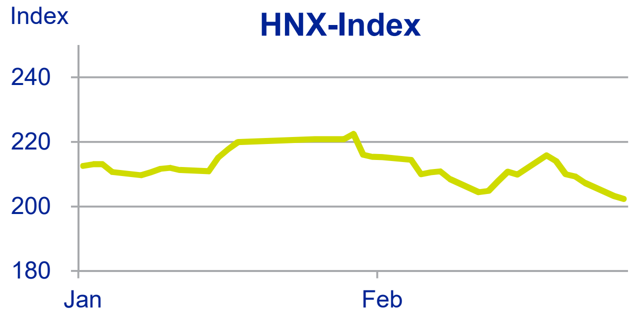
Monthly Recap

February 2023





VN-Index

1,024.68

-86.50 (-7.78%)

Volume: 573.7m

Value: VND10,121 bn

Leading movers in Feb

Tkr	% Chg	Index Impact
VCB	+1.7%	+1.9 pts
PLX	+1.4%	+0.2 pts
VCF	+9.7%	+0.2 pts

Lagging movers in Feb

Tkr	% Chg	Index Impact
VHM	-18.5%	-10.3 pts
MSN	-18.9%	-6.8 pts
VIC	-7.9%	-4.3 pts

HNX-Index

202.38

-20.05 (-9.01%)

Volume: 71.1m

Value: VND1,084 bn

Leading movers in Feb

Tkr	% Chg	Index Impact
TNG	+11.3%	+0.2 pts
DDG	+5.5%	+0.2 pts
DVM	+32.3%	+0.2 pts

Lagging movers in Feb

Tkr	% Chg	Index Impact
KSF	-30.8%	-4.7 pts
NVB	-18.6%	-2.9 pts
SHS	-19.0%	-2.4 pts

MONTHLY RECAP

After recovering well in January thanks to positive foreign capital inflows and the reopening of China, VN-Index corrected down and fluctuated in the range of 1010-1100 points as foreign capital outflows returned while the amount of corporate bonds coming due also put a lot of pressure on the liquidity of the system. At the end of February, VN-Index dropped 7.78% to 1,024.68 points with the average daily trading value falling to 10.1 trillion dong, lower than 14.2 trillion dong in December and much lower than in the first period of 2022 with VND 22.3 trillion in April or VND 27 trillion in January 2022. VHM (-18.5%) pulled the market down the most along with MSN, VIC, VPB and CTG. Most other industry groups also declined, such as real estate, food, construction materials, retail, textile, technology, securities and logistics. On the other side, VCB (+1.7%) continued to be the strongest support along with PLX, VCF and VSH. Meanwhile, foreign investors became the net sellers with a net value of 639 billion dong after a strong net buying of 3,787 billion dong in January or 15,974 billion dong in November. In which, VHM was sold the most with a net value of 800 billion dong along with DXG and DGC.

In general, investor sentiment turned negative with 98 advancers and 311 losers. In addition, market liquidity decreased while foreign investors net sold again. In the early trading sessions of March, although the market received some positive news such as Decree 08 along with the expected increase in foreign capital inflows; market liquidity still needs to be observed further. Therefore, short-term uptrend is expected with a close watch at 1080 and 1100 points

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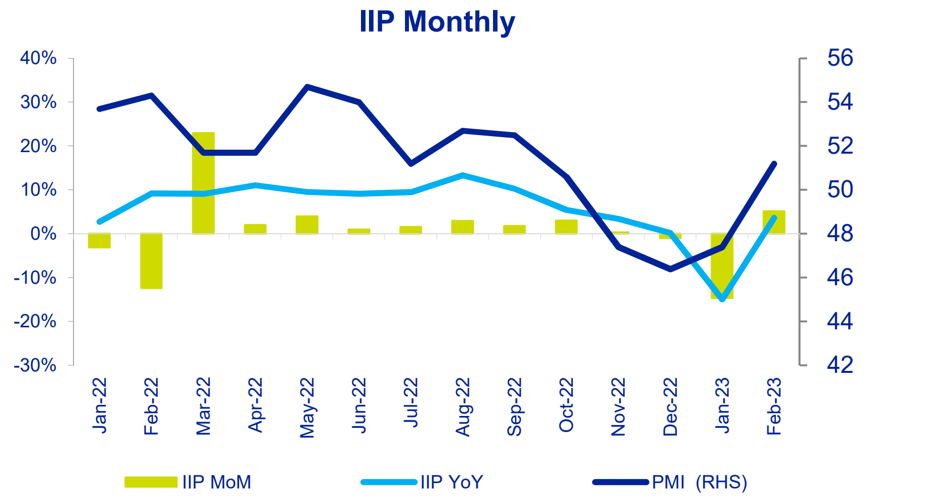
Macro highlight during February

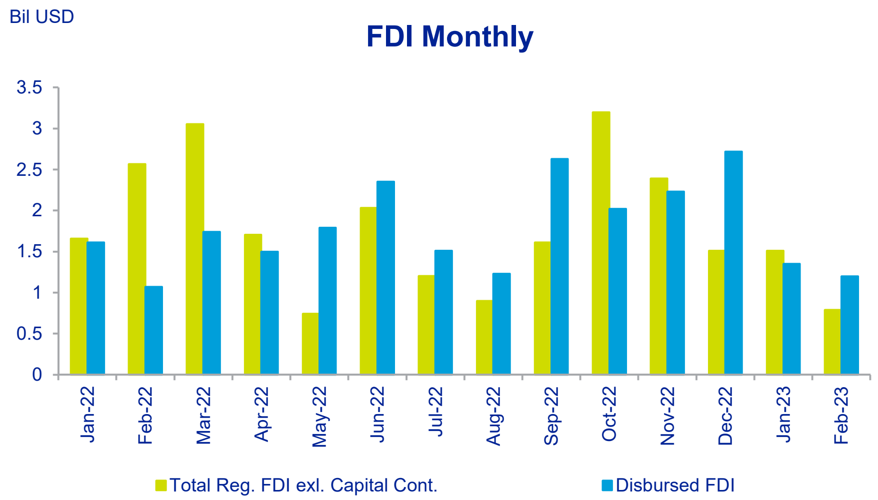
Due to holiday factors in February 2022 and January 2023 so we will combine 2M for comparison in this report.

Industrial activities 2M2023 contracted, in which IIP recorded a decline of 6.3% YoY. Fortunately, February 2023 PMI increased to 51.2 from 47.4 last month, index rose to expansionary territory for first time since Nov 2022. According to the PMI report, the Vietnamese manufacturing sector started to revived with rise in new orders which boost output, employment and purchasing activities increased. In addition, business confidence also recovered follow by rising demand outlook.



Source: GSO

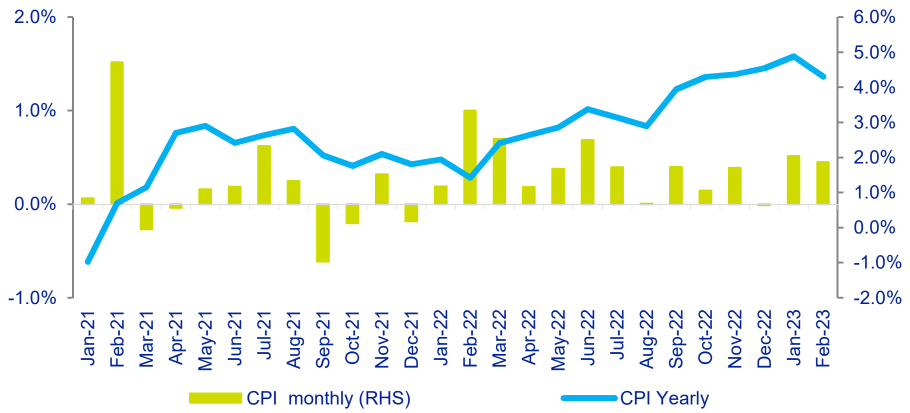
Disbursed FDI declined 4.9% in 2M2023 as Vietnam have big holidays (New Year and Lunar New Year) in January 2023. Registered FDI in 2M2023 also decreased almost 45.6% YoY to USD2.3bn. Besides that, the capital contribution increased over 4%, reach USD800mn. We remain optimistic that FDI inflows will remain strong as Vietnam continues to be an attractive investment destination for FDI firms despite recent macro-economic headwinds.



Source: GSO

Consumer Price Index (CPI) in February 2023 increased 0.45% MoM and 4.31% YoY due to rising retail gas & gasoline price and housing rental price. Average inflation rate in 2M2023 stood at 4.6% over the same period, (higher than the Government's target of 4.5%) with 2 major contributing from housing and construction materials sector (+ 7.4%) and food and foodstuff sector (+5.2%). It will be important to also monitor core inflation in the coming months to see if the recent pickup (avg. +5.1% YoY in 2M2023) are a temporary spike or the start of a longer trend. In addition, although CPI has shown some signs of cooling down in both core and overall inflation, we expect that some challenges, which we think could put upward pressure on CPI in upcoming months of 2023, still remain as goods and services price under government management (electricity price, medicine & medical services fee and water price) have not been adjusted yet.

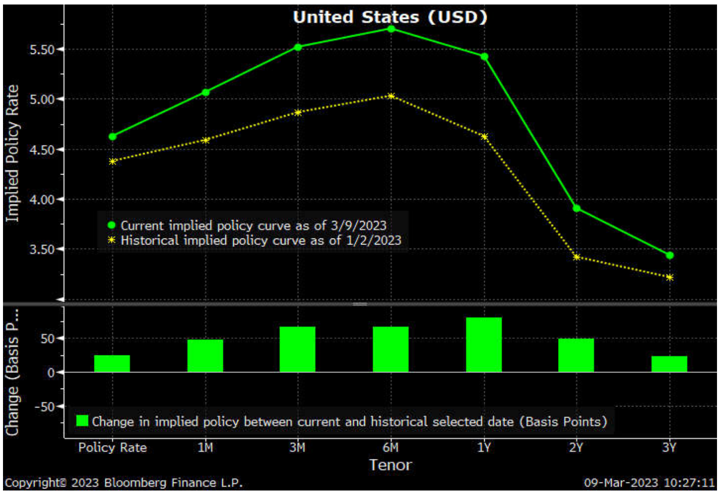
CPI

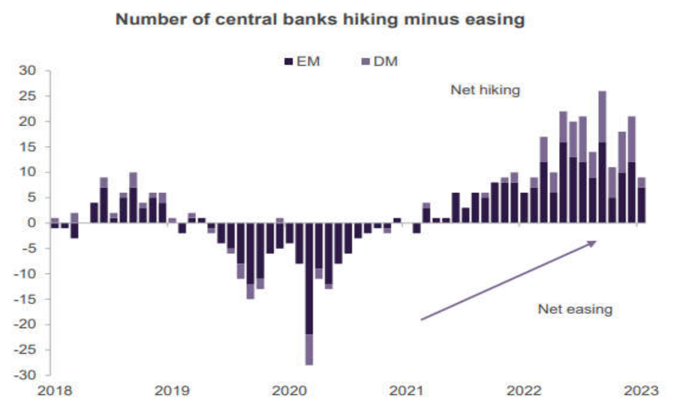


Source: GSO

There are several exogenous risk factors to watch in 2023 which may bring uncertainties to Vietnam's economic growth prospects, include:

(1) Moving to 2023, we expect that while inflationary pressures will remain in the early parts of the year, FED and other major central banks continue to raise rate as planned. And if the actions of central banks have the intended effects and inflation is brought under control, we could see neutral monetary policies in the second half as encouraging economic growth will return to the forefront of policy makers minds. In addition, market implied federal funds rate rose compared with start of 2023 as market firmed up expectations for more rate hikes or higher peak rate. Overall, we expect the high interest rate environment to continue at least until the end of 2023;



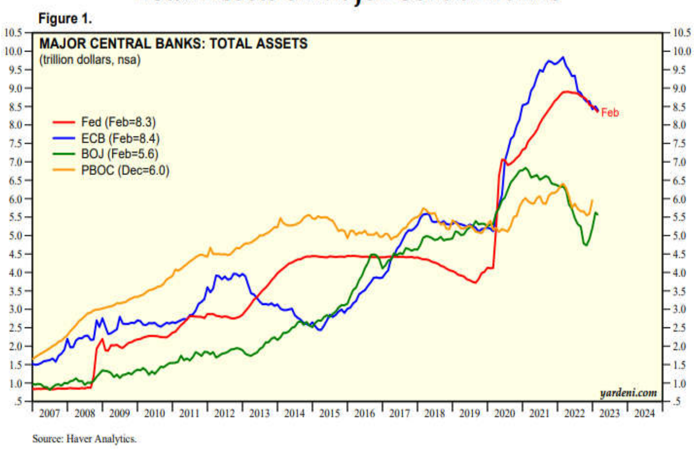


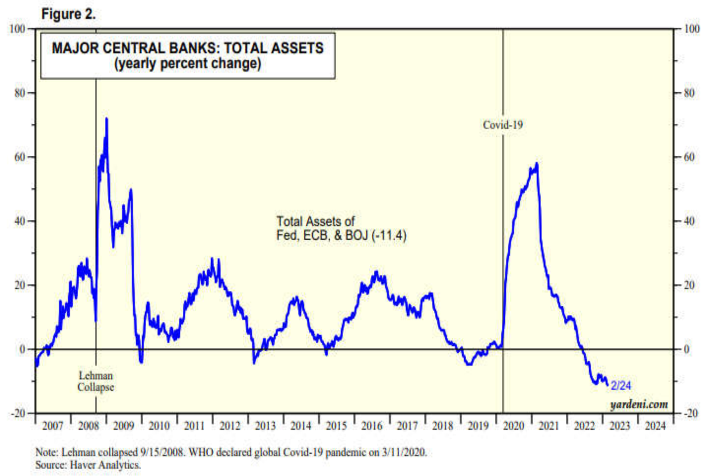
Data source: Truist IAG, Haver. Series constructed using predominantly countries in the MSCI All Country World Index
EM = Emerging markets; DM = Developed markets
Past performance does not guarantee future results.

(2) The FED, along with the BOE and ECB are stopping reinvesting maturing assets and starting to sell assets on their balance sheet (also known as Quantitative Tightening program). Morgan Stanley, an investment bank, estimated that the balance sheets of the heaviest-hitting central banks will shrink by roughly USD4tn by the end of next year. According to new paper "How Many Rate Hikes Does Quantitative Tightening

Equal?" from The Federal Reserve Bank of Atlanta's Policy Hub suggest that a $2.2trn passive roll-off of nominal US Treasuries from the Federal Reserve's balance sheet over three years is equivalent to an increase of 29bps in the current FED funds rate in normal times, but 74bps during crisis periods. Those events will put upward pressure on rates which could be difficult to lower rates and in turn will badly affect economic growth;

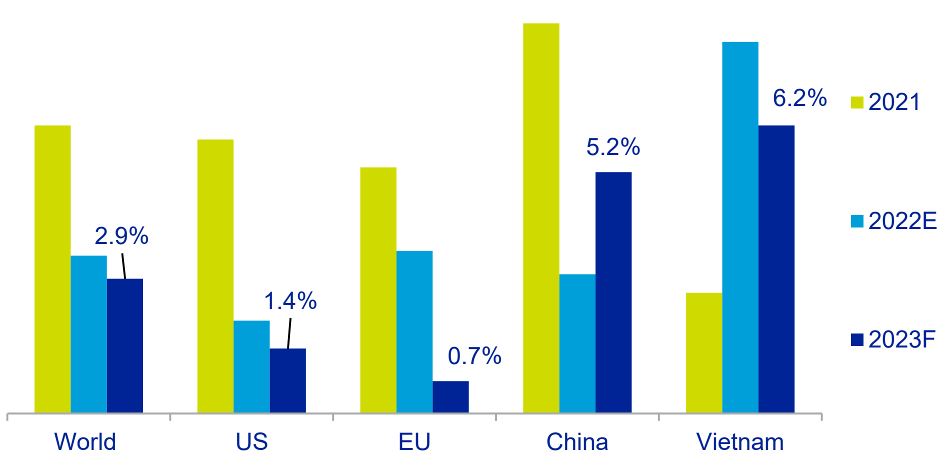
Total Assets of Major Central Banks



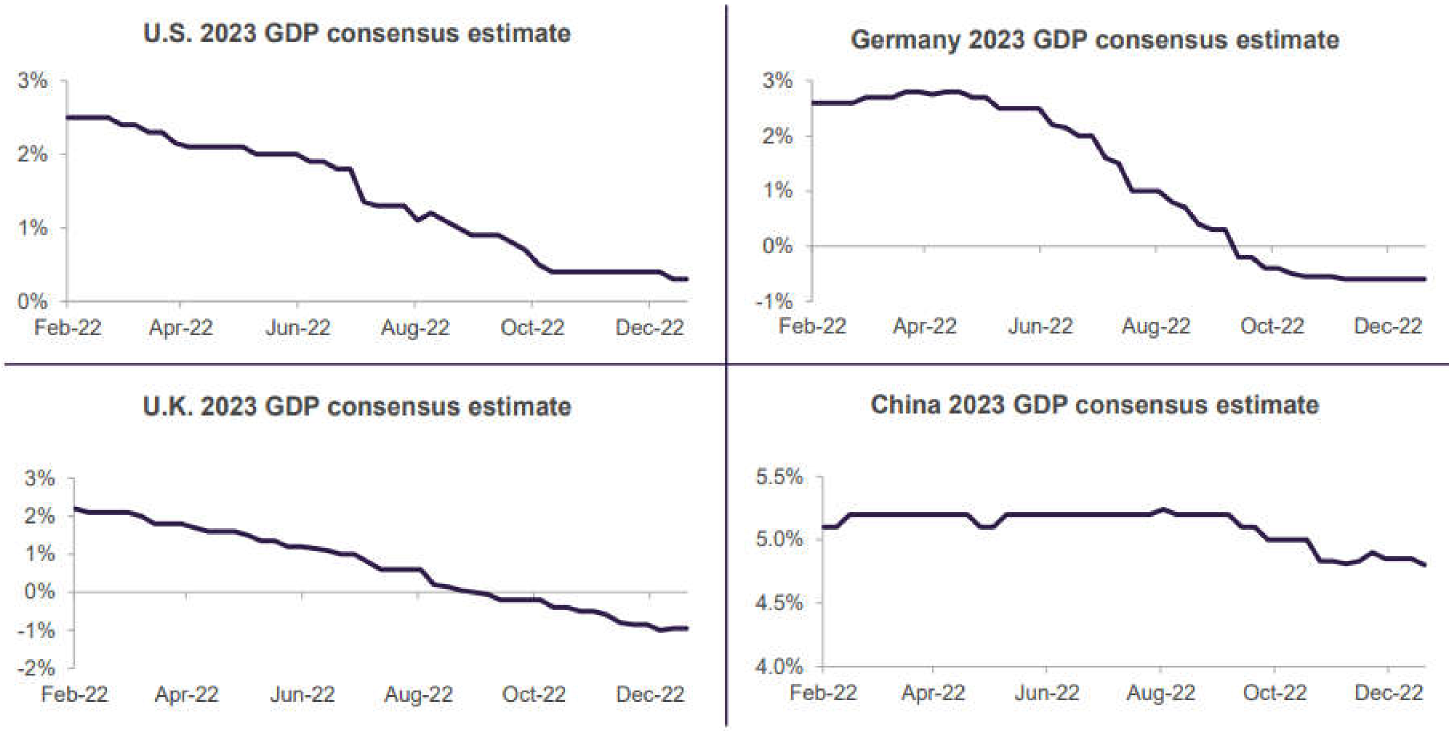


(3) Many large financial institutions (BoA, BNY Mellon, Credit Suisse, Fidelity ...) predicted that EU's economy will have a deep recession and a slow recovery. While the US's economy facing a dilemma in which FED will continue to prioritize controlling inflation with its rate hike plan, and on the other hand, the government will put forward stimulus package to keep the economic growth momentum or at least keep the economy from falling into recession. EU and US are Vietnam's major trading partners, so production and trade activities, which are still the main growth drivers of the Vietnamese economy, are expected to slow in 2023;

IMF's GDP Projection 2023

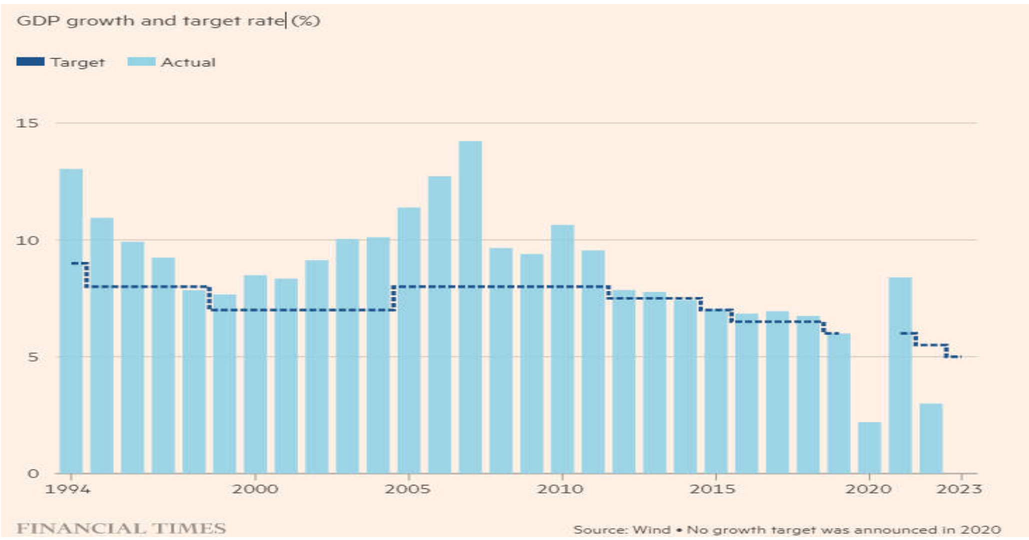


Source: IMF WEO



Data source: Truist IAG, Bloomberg

(4) China is very cautious towards ending its zero-COVID strategy, however recent signs point to material moves being made to ease restrictions, including removing the quarantine requirement for inbound travelers, starting January 8, 2023, scrapping the use of the COVID tracking app and lifting domestic travel restrictions. The path to a full resumption of economic activities could take a few months with potential surging COVID infections amidst the relaxation of restrictions. These changes make travel domestically easier, keep businesses operating and allow COVID patients to quarantine at home. In addition, policymakers at the annual meeting of China's parliament in Beijing has set a growth target of just 5% for 2023, its lowest growth target ever after missing growth's target in 2022. Given potential hiccups during the reopening phase and growth rate projection from Chinese's government, we expect economic activities to continue at a relatively weak pace in 1H2023, but expect strong recovery in 2H2023;



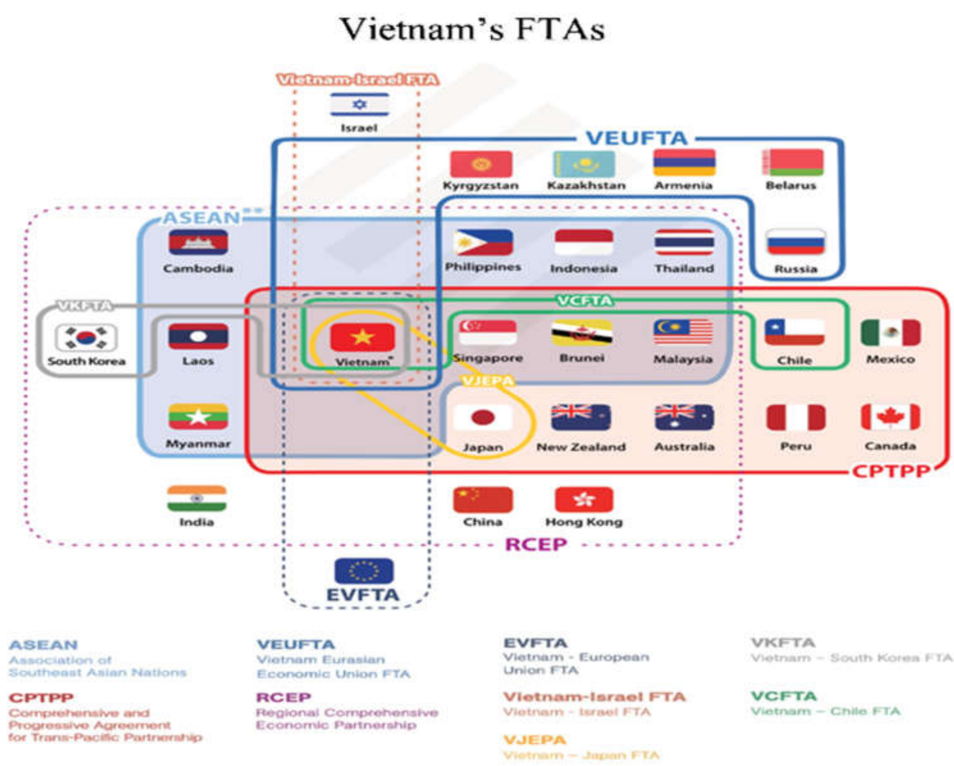
(5) We are also keeping a keen eye on the Chinese property sector and its chances of revival as it's a key sector in the Chinese economy. There are signs that China may remove the 'three red lines' policy that has hampered the real estate sector since its introduction nearly two years ago;

(6) Industrial activities in February started to recover but the growth rate remain weak and overall 2M2023 still remain in contract. It will be important to monitor key industrial activities in the coming months to see if the recent recovery in some metrics (exports grew again after declining for 3 consecutive months, PMI reach expansionary territory after 3 consecutive months fell into contractionary stage) are a temporary or the start of a longer recovery.

However, despite fears that these events could slow Vietnam's growth prospects in 2023, we expect that Vietnam's economy could still maintain solid growth in 2023, supported by:
Policymakers at the annual meeting of China's rubber-stamp parliament in Beijing set a growth target of just 5 per cent for 2023, the lowest in decades and trailing last year's Covid-era figure of 5.5 per cent, which it failed to reach.

(1) Vietnam's manufacturers remain a 'low-cost manufacturer', stability in the macro economy and with more competitive labor costs in the region could be attractive for firms to invest and establish production plants, which in turn will push industrial activities;

(2) Vietnam, with a long list of Free Trade Agreements (FTAs) achieved to date such as the EU-Vietnam Free Trade Agreement (EVFTA), the UK-Vietnam Free Trade Agreement (UKVFTA), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), also strengthens Vietnam's competitiveness as a low-cost manufacturing export hub;



Source: Vietnam Briefing

(3) the trade war between US and China continued, especially in semiconductor area. And operations diversification waves of companies into other parts of Asia (including

Vietnam) will continue not just to avoid the impact of the trade war but also to lower production costs;

(4) The strong recovery of the service sector, after relaxing all COVID-19 related restrictions on service businesses, coming from (1) improvement of domestic consumption (total retail sales of goods and services in 2M2023 increased 13% YoY and 2022 increased 19.8% YoY), (2) reopening international tourism (retail sales of travelling services continued to increase 271% YoY in 2022 and increased 124% YoY in 2M2023); (3) normalization of transportation of goods help push trading activities especially export from FDI sector; and (4) number of foreign tourists from China surge again after China reopen its economy (the number of tourists from China accounted for 40% before the COVID-19 while 2M2023 accounted for over 4%).

(5) Furthermore, the fiscal and monetary stimulus package, worth VND347tn (VND291tn for fiscal package and VND56tn for monetary package), to support the socio-economic recovery and development program after the impact of the COVID-19 only disbursed 16%, which remain around VND290tn need to disbursed in 2023. Along with Capital under State Budget needed to disbursed in 2023 (planned to disburse VND680tn in 2023, +17% YoY vs 2022's plan), which will push socio-economic recovery in 2023.

Overall, we estimated that Vietnam's GDP will grow in range between 5.9% - 6.4% YoY in 2023 as in our latest 4Q2022 Macro Updated Report.

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Technical View

Positive signal out from march 2023, correction pressure starts declining

In February 2023, VN-INDEX continued to follow the short-term correcting trend with the highest price area near the previous peak at 1100 points. The trading range of VN-INDEX in February was quite narrow, only from 1010 points to 1100 points, showing the cautious sentiment of the general market. Another signal of bearish sentiment is that the liquidity of trading sessions in the month became exhausted, returning to the lowest level in the past 3 months, even lower than the month with Tet holiday of 2023.

However, the decreasing volatility, exhausted liquidity together with a not too large decrease range also showed that VN-INDEX still maintained its momentum,showing that this is the correction period of the up-trend phase from December 2022. Therefore, in case VN-INDEX successfully tests support price zones as in early March 2023, it will likely return to the short-term uptrend, with the resistance target to overcome at 1060-1080 and then 1100 points.

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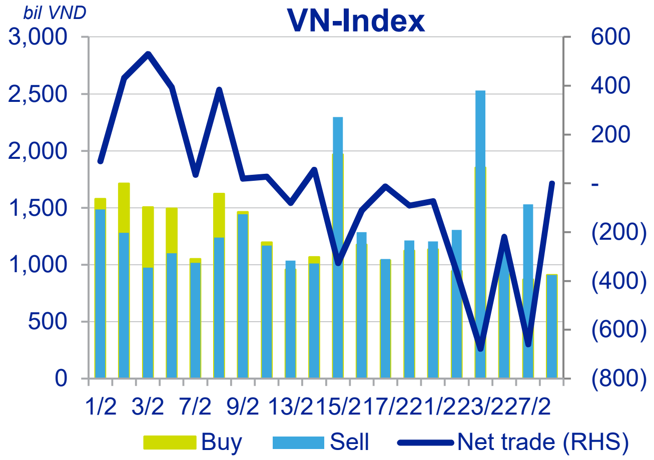
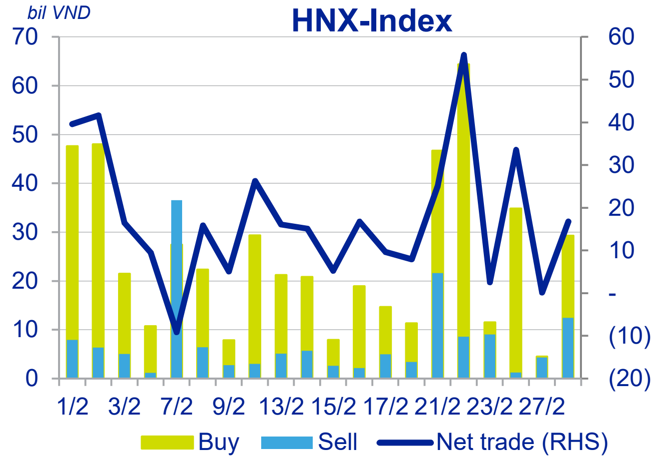
MARKET OVERVIEW

Foreign Transactions in February





Sector	# of tickers	Market Cap (Tr VND)	Index Weight	1 Month Return	YTD Return	ROE	T. P/B	T. P/E
Banks	17	1525.2	37.3%	-5.5%	7.9%	21.6%	2.0	9.9
Real Estate	49	676.8	16.6%	-13.0%	-5.5%	11.8%	2.0	27.7
Food, Beverage & Tobacco	32	485.7	11.9%	-8.7%	-0.4%	18.4%	4.4	23.6
Utilities	28	314.7	7.7%	-2.4%	4.1%	22.4%	2.6	12.8
Materials	64	288.5	7.1%	-8.9%	5.5%	15.2%	1.2	13.3
Transportation	28	156.0	3.8%	-9.0%	-3.6%	5.5%	2.9	15.5
Capital Goods	76	155.9	3.7%	-8.7%	3.0%	11.8%	1.3	33.8
Software & Services	3	95.2	2.3%	-4.3%	4.7%	23.9%	4.1	17.0
Diversified Financials	17	92.9	2.3%	-11.9%	3.5%	8.8%	1.3	14.8
Retailing	9	74.4	1.8%	-11.3%	-6.0%	18.7%	2.6	17.7
Energy	9	69.0	1.7%	-1.7%	14.9%	5.8%	1.6	28.8
Insurance	5	47.3	1.2%	-4.2%	4.2%	8.3%	1.7	20.9
Consumer Durables & Apparel	17	41.1	1.0%	-13.4%	-8.6%	21.5%	2.5	17.8
Pharma, Biotechnology & Life Sciences	10	28.9	0.7%	0.5%	5.3%	19.2%	2.4	13.3
Automobiles & Components	6	8.2	0.2%	7.8%	11.7%	13.2%	1.8	13.8
Technology Hardware & Equipment	1	6.1	0.1%	-16.3%	-3.3%	32.8%	2.5	8.6
Commercial & Professional Services	6	6.1	0.1%	-2.5%	17.1%	22.2%	1.8	9.9
Consumer Services	8	5.4	0.1%	-5.4%	-2.3%	8.9%	3.9	116.3
N/A	10	2.7	0.1%	-8.3%	-6.6%	2.1%	0.6	21.2
Health Care Equipment & Services	3	2.6	0.1%	-3.2%	5.2%	13.1%	1.8	13.0
Telecommunication Services	1	1.8	0.0%	-13.4%	-21.4%	8.5%	0.5	8.3
Household & Personal Products	1	1.4	0.0%	1.6%	5.2%	26.7%	1.6	6.8
Media & Entertainment	2	0.9	0.0%	-0.9%	12.5%	12.4%	1.3	13.2
VN-Index	**402**	**4086.6**	**100%**	**-7.8%**	**1.7%**	**14.0%**	**1.7**	**13.5**

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Our Recommendation System

BUY:where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD:where we believe it will be -15% to 15%.

SELL:where we believe it will be lower than -15%.

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