Ms. Vuong Le Minh

Thank you very much, Ms. Hong, for giving us very insightful and useful information. We have also received a lot of questions from the participants of today's webinar. And as we said at the beginning, please leave your questions in the Q&A box at the bottom of the screen so that at the end of the program we can reply to all of your questions.

Part 2

OVERVIEW OF MUTUAL FUNDS AND A BIGGER VIEW OF VIETNAM'S STOCK MARKET AFTER COVID-19

Ms. Vuong Le Minh

Next, after Ms. Hong shared with us an overview of VinaCapital's mutual funds and long-term investment methods that bring sustainable prosperity to you, we also want to help you have an overview of Vietnam's stock market after COVID-19, as well as forecasts of the market's prospects in 2022. And hereafter, I would like to invite Mr. Dinh Duc Minh, Investment Director, COO of Hung Thinh VinaWealth VEOF Stock Investment Fund, from VinaCapital, to share more details with you on this topic. Please welcome Mr. Minh.

Mr. Dinh Duc Minh

Thank you, Ms. Minh. First, I would like to say hello to all of you, HSBC customers, who attend the webinar this morning. In order to discuss the stock market as well as the prospect of the stock market in the near future, first, I would like to share a little bit about the economy, some events in Vietnam's economy, and Vietnam's stock market in 2022 and beyond. Why is it important to talk about economics first? Because we know that the economy must develop well for the stock market to be good. If the economy is bad, we will immediately see that the stock market will go down.

Now, in the future, what will the economic story of Vietnam be like? The first thing we can clearly see is economic recovery after 2 years of the COVID pandemic. In Vietnam, we have moved from the zero COVID policy to living with COVID. Last year we saw that social distancing was applied almost nationwide, people were not allowed to leave their houses. But now, both economic and people's activities have returned to normal. We have completed inoculation for nearly 100% of the population and we have also completed the 3rd dose soon it will be possible to carry out the 4th dose. Next slide, please.

Well, in terms of economic growth for 2022, from VinaCapital's point of view, we forecast that in 2022, Vietnam will grow somewhere between 7 and 7.5%, after the 2 years 2020 and 2021 are greatly affected by the pandemic. In the past 2 years, we have only grown somewhere between 2.5 and 3%. In 2022, our growth will take off. Another factor very important to support economic growth is the economic recovery support package approved by the National Assembly and the Government at the beginning of the year.

In this package, the two most important parts are infrastructure investment of about VND 114 trillion and the package to support businesses of more than VND 100 trillion. Supporting businesses here means directly reducing taxes and reducing corporate interest rates, and this economic support package totaling up to VND 347 trillion is expected to boost Vietnam's economic recovery extremely fast. And we also expect retail and consumer services to recover very quickly.

Why are retails and services important to economic growth? That's because consumption accounts for somewhere around two-thirds of annual GDP. So in the 2 years of pandemic, we see that every time we opened the economy and locked down, according to consumption statistics, the economy of the 2 pandemic years went down for some periods of time, but now the economy has been reopened again. We saw that the economy reopened in the fourth quarter of 2021 and in the first two months of 2022, we saw an immediate recovery in consumption.

And in the near future, when international routes resume, in fact, international routes have been resumed since March 15, retails and consumption in Vietnam will recover even more strongly to the growth rate in the pre-pandemic period when consumption had always grown at around 10% per year.

The next thing about Vietnam's economy is that of stabilizing our macro-economy. Then, in terms of macroeconomic stability, we often talk about inflation, exchange rates, and monetary policies. First of all, about inflation, inflation in the last 2 years of 2020 and 2021 was at a very low level.

In 2022, we think that inflation will be higher because we all see that recently the price of gasoline, or the price of food, or the price of goods, raw materials, iron, and steel, all have increased quite significantly. So for 2022, we forecast that 2022 inflation will probably be somewhere or around 3%. And if the trend of rising commodity prices continues, it is possible that by the end of the year, Vietnam will see inflation at a higher rate than this 3%. But nevertheless, we think that in the worst case it will be somewhere around 4%.

That is the goal set out by the Government initially because the Vietnamese government has many tools and policies to control inflation, for example, electricity and water, or education and healthcare, which account for a large proportion in inflation. The government still has their ways to manage it, and we think that in the worst case, Vietnam's inflation is only around 4% this year.

Next, let's talk about the exchange rate. One very interesting thing in Vietnam is that, as we can see, in the last 2 or 3 years, there has been an increase in the value of the Vietnam dong against the dollar. Something t that never happened, even before 1975. Why did the Vietnam dong appreciate the dollar? First, we have a very strong flow of foreign investment into Vietnam. Second, we have changed from a country of trade surplus to a trade deficit country and this trend will continue in the future. Therefore, we forecast that in the future, the Vietnam dong will remain very stable against the US dollar and may have a slight uptrend.

For the next point about Vietnam's economy, I want to talk about the factors that drive Vietnam's economic growth in the long term. First, it is about foreign direct investment (FDI). Now there is a trend of transferring foreign investment capital from China to Vietnam after the COVID-19 pandemic because international corporations feel that they should decentralize production in China. In addition, in China now, the cost of labor and production has also gone up, so there is a demand for production facilities from China out of other countries. And Vietnam is one of the most suitable destinations for moving production out of China.

We see in Vietnam now, that most all the largest corporations in the world have factories based in Vietnam, from Samsung to LG of Korea or US corporations like Intel, even Apple has built some factories and the companies making Apple products now got their factories in Vietnam. And this trend will also continue in the near future and at an even higher speed.

And another factor that will be the driving force of Vietnam's economy is the fact that import and export growth is very high. We see that in 2021, although it was the year of the pandemic, the economy was affected and many factories had to temporarily stop operating, but Vietnam did achieve very good import and export figures. Exports increased by 19% and imports increased by 26.5%. And especially, in the period before 2015, Vietnam was a country with a regular trade deficit, now we have changed to a country with a trade surplus for many consecutive years.

Why is trade surplus important? Because it helps stabilize the economy and helps Vietnam's currency to be stable against the dollar. Another factor that will boost economic growth, in the long term, is public investment. We can say that our government has never been so focused on public investment as in the current period, especially the economic recovery period after the COVID pandemic.

We see that from the beginning of this year, the Prime Minister and Deputy Prime Minister gave very drastic instructions to ministries and local authorities about speeding up all public investment projects in the whole country, including projects of highways, urban railways, and airports, all must be accelerated.

Well, I would like to move on and share a little bit about the stock market. The Vietnamese stock market for the past 2 years has grown very positively, the VN Index in 2020 increased by 15%, in 2021 it increased by 35.7%, and especially we can see a lot of money pouring into stocks because investors see that stock is a very effective investment channel in terms of accumulating assets and gaining profits.

2 years ago, a transaction session on the Ho Chi Minh City Stock Exchange was only about 3000 or 4000 billion. Now, the transaction amount of 20000 to 25000 billion a session is very common. About the future prospects of the stock market, and the economic events, it is clear that our macro-economy is on a very good recovery trajectory and will go up again like the pre-pandemic period. Macroeconomic recovery is the most basic factor to support the stock market to continue to grow.

Speaking of other factors, there are two basic ones when it comes to the stock market. The first is whether the current stock price is high or low. And the second is what future growth looks like. Because when companies are listed on the stock market, they have grown bigger, so the stock prices of those businesses can increase. First, about expensive or cheap securities in Vietnam, which you can see in the chart on the left. It is the P/E index of the Vietnam stock exchange. The lower this index is, the less expensive the stock market is.

Now, the P/E of the Vietnam stock market is only about 14 times, which means 14 times lower than the average of the past 5 years. Assuming that P/E is 22 times, that wouldn't be cheap, but it's 14 times now and it's lower than the five-year average. Then this is a very reasonable level to invest.

How about growth? Here we have statistics that compare the growth of profits of companies listed on the Vietnam stock market to other markets in the region. In the two years 2022 and 2023, businesses on the Vietnam stock market are forecast to achieve profit growth somewhere between 20 and 25%. This is almost the highest growth rate, the best compared to other stock markets in the ASEAN region. It's about the opportunity, let me stay on the previous slide, please.

However, as you know, stocks always have risks involved. About the current risks, the first one is inflation, the second one is the tightening of monetary policies from the US. We see that FED has just raised the interest rates, and from now until the end of the year they will increase interest rates many more times. And the third one is the conflicts between Russia and Ukraine, and there are Western sanctions against Russia, these economic sanctions will more or less affect the market, and the world economy.

I'd like to share more about these risks because we know more about them, and we can be more mentally prepared for them. As for the trend of the stock market in recent years, the Vietnam stock market witnesses almost every year something negative, sometimes it was Brexit, or Britain leaving the European Union. Sometimes it was trade conflicts between the US and China. Sometimes it was China pulling their oil rigs into the East Sea, something happens every year.

When something happens, the stock market is affected, but after that, it recovers very quickly. So when it comes to these short-term risks that happen and affect the market, they could also be seen as good opportunities to invest more in stocks.

With such economic contexts and stock market situations, speaking from the point of view of investment funds like VinaCapital, which industries should we focus our investment on and what can be the main investment theme? I'd like to summarize the main investment topics into economic recovery, the growth of domestic consumption, and as I mentioned earlier, public and infrastructure investment will also develop, and another point is that foreign direct investment will be the mainstream market trend in the long term.

So here, for example, the retail consumer industry, or the real estate industry, will be the industries that benefit from domestic consumption, because people will love to shop more, and will want to buy more houses. Real estate also benefits from public and infrastructure investment. And sectors such as industrial parks and seaports will benefit from foreign direct investment.

Another sector is building materials, which will also directly benefit from real estate development or public investment. And the last industry group is the banking industry and the information technology and digital transformation industries. These groups will benefit from all the economic recovery, from the development of all sectors of the economy.

Let's discuss in more detail, now, what are VinaCapital's investment funds doing with such an investment prospect? So here, I would like to focus on two VinaCapital stock investment funds. The first is the Vietnam Market Access fund, i.e. VESAF, and the second is the Hung Thinh VinaWealth fund, i.e. VEOF.

So here, we can see that more than ¾ of the list of our 2 equity funds are focusing on the industries and investment categories that can benefit from the situation, and they will grow thanks to the fundamental economic driving force of Vietnam in the coming time. Here I want to emphasize that more than ¾ of the funds' investment portfolios are focused on these categories.

Allow me to share a little more about the investment strategy of our 2 equity funds. Here I'm showing you the numbers of our funds' active investment rates. They are all at a high level with VESAF's active investment rate coming at 7.9%, and VEOF fund hitting 63%.

How can these numbers be understood? That is, a high rate of active investment means that when we see stock entering a certain stock that has the potential to go up in price in the future, which means a certain business is doing very well, standing out from other businesses, we would be willing to put a large proportion of the portfolio on that business, for that stock, to create huge growth potential in the list.

So how does this active investment rate give investment results? Then everything can be seen here, it has been turned into specific numbers. For example, the profitability of these two stock funds, calculated for both the short and long terms, is better than the general market even in 2 months, 1 year, 3 years, or since its establishment, all are better than the general market.

Looking at other numbers, like valuation, i.e. the fund is holding stocks that are more expensive or cheaper compared to the market, then the answer is the fund's stocks are generally cheaper than the market and have a higher profit growth rate compared to the market. About the level of risk, here, we have a measure for risk, which is the standard deviation. If we compare the risk level of our funds to such level of the general market, our funds compound a list that shows we are at a lower risk level than the general market.

What's the purpose of that list? Our purpose is that when the market experiences ups and downs, a list like this will help in the case the market goes up, the funds can rise to a higher level than the market. If the market o down, the funds will fall less than the market does, and in the long term, the funds will bring in better long-term returns than the general market.

Well, I've just finished my presentation on the stock market, as well as on the investment prospects in the stock market. Thank you, and let's welcome back our organizer to continue the program.