



Results analysis: Vietnam Enterprise Investments

VEIL delivers strong results in a rebound year...

Update
30 April 2024

- Vietnam Enterprise Investments (VEIL) has reported strong results for the 2023 financial year, ending 31/12/2023. The NAV per share rose 10.5% in dollar terms, marginally behind the 11.1% of the VN Index. In sterling terms, returns were lower, at 4.1% versus 5.3%. Over three years, VEIL has outperformed the index by 2.6%.
- 2023 was a year of recovery following a tumultuous year, in which Vietnam delivered GDP growth of 5.1% with modest inflation of 3.3%. Some volatility in the equity market emerged towards the end of the year as US yields spiked, but the local index has since staged a recovery into early 2024.
- Discounts across the investment trust space were wide over 2023, thanks largely to the impact of interest rates and low risk appetite. VEIL's discount widened from 13.9% to 17.4%. Repurchases totaled c. 2.8% of the shares in issue, and were conducted at an average discount of 17.6%, while adding 0.62% to NAV per share.
- The management fee is being reduced from July 2024 to a flat 1.5% of NAV.
- On 01/02/2024, Le Anh Tuan was appointed Lead Portfolio Manager of VEIL, succeeding Vu Huu Dien, who is transitioning to a new position at Dragon Capital group. The company will also see a new chairman of the board from July, as Sarah Arkle will succeed Gordon Lawson. Gordon has served on the board for ten years as an independent director and as such will be stepping down from the board.
- Chairman of the board Gordon Lawson said: "I remain confident in the company's capacity to identify the most attractive enterprises in terms of sustainable profitability, long-term viability, and good corporate governance, thanks to the in-house research team of our investment manager, one of the nation's largest and most knowledgeable and experienced teams."

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Kepler View

Vietnam Enterprise Investments (VEIL) has delivered a solid year of recovery after Vietnam saw a significant sell off over 2022. Major contributors to relative returns included steel conglomerate Hoa Phat Group, which saw share price appreciation of 51.2% over the year. The management team added to the sector with a new position in Hoa Sen Group, which also delivered strong returns. In these cases underlying revenues and earnings were not particularly strong, but showed signs of an upwards trajectory. Share price gains seem to reflect market recognition that the outlook was improving and a recovery from depressed valuations. In the case of the team's preferred bank ACB, which delivered returns well ahead of the market, strong loan book growth was ahead of peers, while profits also grew ahead of peers'. And in the case of Vietnam's leading software business FPT Corporation, another major contributor to returns, underlying performance was



exceptional. Revenues and profits both grew c. 20%, with double digit pre-tax profit growth across all three areas of business: IT software, telecoms and education. The shares rose 43.1%, and the team note the company has become one of the most sought-after stocks by foreign investors. FPT is an obvious beneficiary of Vietnam's entry into the global semiconductor value chain as a site of outsourced manufacturing of tech products.

These stocks illustrate the variety of opportunities in Vietnam, which continues to have huge attractions in the current global environment. Its young and educated workforce and low labour costs are supporting one of the highest GDP growth rates in the world. Inwards investment is encouraged by the country's strong relations with both China and the USA, which allows it to play significant roles in the manufacturing chains of both of the world's two largest economies. It is government reform and investment that is driving this rapid growth. However, this rapid change is bringing some political volatility too, with the resignation of the President and the chairman of the national assembly in 2024 as a part of Vietnam's ongoing anti-corruption probe. While it seems prudent to expect further such volatility, and for this to affect markets at times, we think this looks like growing pains and not indicative of any change of political direction. The managers note that over the past year authorities have hastened investment in infrastructure, and made moves to loosen banking credit restrictions as well as loosen regulation on credit and on land use. Vietnam is undergoing a significant shift of direction and culture, and while the underlying trajectory towards greater economic freedom and development remains intact, we think it will drive exciting investment returns.

In that light, this looks like an interesting time to be considering an investment in VEIL. The shares have been volatile, like the underlying markets, with exceptional returns in 2021 being followed by a sharp sell off in 2022. Currently, the underlying market looks attractively valued versus regional peers. The team have the largest 80 listed companies on a forward P/E of 9.6x versus 14.4x for Thailand, 13.9x for Indonesia and 13x for Malaysia. Meanwhile they anticipate mid-teens profit growth for 2024. VEIL's shares themselves trade on a discount of 17.2% at the time of writing. All-in-all this looks like an opportunity to buy at cheap valuations a company with a track record of delivering high returns when the trend shifts.

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