



VIETNAM OUTLOOK: STRONG HOLD!

PYN ELITE'S RETURN IS +18% YTD

The NAV of PYN Elite has climbed up by 18% in 2024, outperforming Vietnam's index by a clear margin (VN-Index +12%). In our expectations, we would have assumed much more robust market performance for Vietnam, especially as earnings growth has substantially accelerated towards the end of the year. However, the index has been range bound, trading within the 1,200 - 1,300 points.

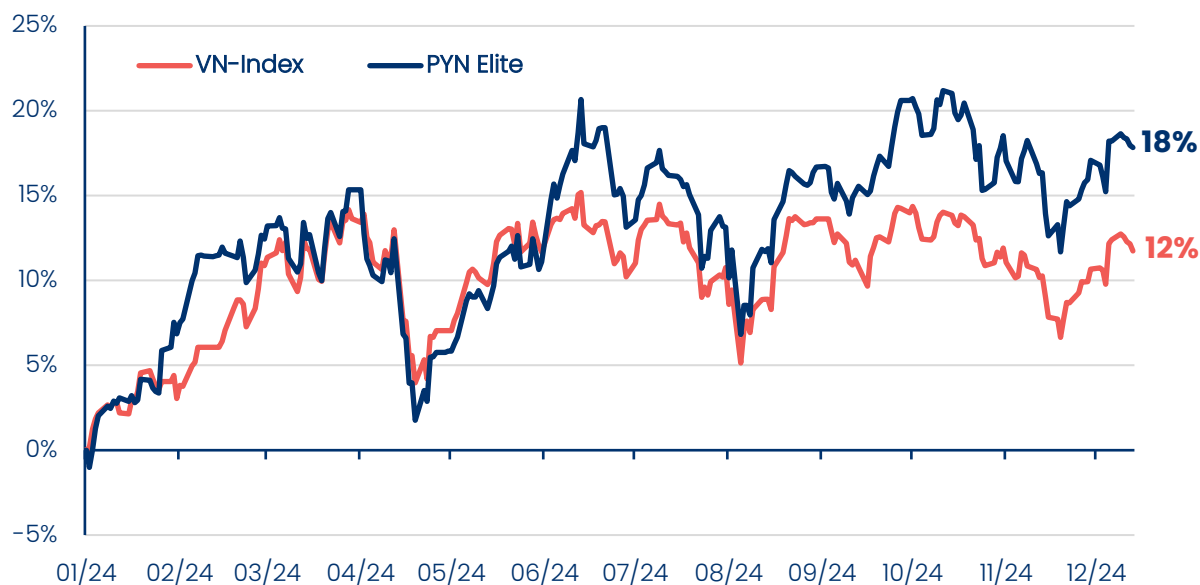
PYN Elite's long-term target for VN-index remains unchanged at 2,500 points. This target is based on the brisk earnings growth to be seen over a period of two to three years and the stock market's valuation at P/E 16. However, instead of being inspired by accelerating earnings growth, investors have focused on the downside risks. During the autumn, the sentiment has been adversely affected by the strong dollar, Trump's potential tariffs and the net outflow of foreign capital from Vietnamese stocks.

PYN Elite's outperformance against the index has been driven by our significant holding in the Vietnamese airport operator ACV and the latest aviation sector addition to the portfolio, HVN - Vietnam Airlines. We invested in HVN in April 2024.

Among the banks in our portfolio, CTG and MBB have also generated solid returns this year, and HDB performed particularly well with a share price gaining approximately 60% over a period of 12 months. We decided to take profits on HDB in the autumn by cashing out our entire position. As economic growth slowed, HDB delivered better results than its peers. Now that economic growth is accelerating, we expect other banks to achieve stronger earnings growth than HDB going forward, as they have recognised more proactive provisions on their loan portfolios over the past two years.

Our holding in the technology sector, FPT, has also performed well during the year, and the same can be said for the smaller IT company CMG, which has been part of our portfolio for several years now. Our purchase price for CMG is low at VND 17,000 per share. With AI theme boosting the outlook this year, technology stocks have seen sharp gains, and CMG jumped to VND 55,000 with healthy volumes. We decided to secure our hefty profits on the stock at that price level and realised the whole position.

PYN Elite NAV performance vs. the VN-Index, YTD



Source: Bloomberg

THE PROJECTED EARNINGS GROWTH FOR 2025 WOULD BRING THE VIETNAMESE STOCK MARKET'S P/E DOWN TO 10.1

With Vietnamese listed companies maintaining robust earnings growth, the P/E for the Vietnamese stock market will fall to 10.1 at the forecasted earnings for 2025. We believe that the downside risks that concerned investors during the autumn will become less of a factor, and the focus will turn to the strong earnings growth of Vietnamese listed companies and the corresponding extremely attractive valuation in the market.

VN-Index P/E 10.1 at forecasted earnings growth for 2025



Source: Bloomberg

VIETNAM'S MARKET CAP RELATIVE TO GDP IS A MODERATE 57%

The combined market capitalization of the Vietnamese stock exchanges (HoSE, HNX and UPCoM) relative to GDP in 2025 comes out to a very reasonable 57% ratio. The stock market of a rapidly growing economy could easily reach a valuation approaching 100%.

Market capitalization of the Vietnamese stock exchanges relative to next year's GDP



Source: Bloomberg, GSO, PYN Fund Management

EARNINGS FORECASTS FOR PYN ELITE'S TOP HOLDINGS

Bank stocks are still remarkably cheap, even though they have moved moderately in the right direction this year. Going forward, bank stocks would need to rally significantly to reach more justified valuations.

We continue to make adjustments within PYN Elite portfolio, reallocating funds to positions that are more attractive in light of the expectations for 2025. In the late spring of 2024, we discussed the promising outlook of the pork producer Dabaco (DBC) due to the company's development of a ASF vaccine. We have since had to moderate our outlook, although we still expect the company's new vaccine to be approved for sale in January. At the same time, the price of pork has advanced favourably, enabling Dabaco to achieve good earnings growth. However, with a weight of just 2.3%, Dabaco is not among the 10 largest holdings in our portfolio anymore.

OCB Bank is also outside the portfolio's top ten holdings with a weight of 2.6%, and we expect strong earnings growth from OCB in the future. However, contrary to our expectations, OCB has still had to make significant loan loss provisions this year.

Brief descriptions of the 10 largest holdings in our portfolio are provided at the end of this Investor Letter.

PYN Elite portfolio –earnings forecasts and P/E

Company	Weight	Estimated earnings (billion VND)			Forward P/E		
		2024	2025	2026	2024	2025	2026
STB	19.7%	9,186	13,670	16,357	7	4.7	3.9
ACV	10.0%	9,754	10,621	12,308	26.8	24.6	21.2
MBB	9.6%	20,135	25,200	31,500	6.4	5.1	4.1
TPB	9.4%	6,247	8,071	9,592	6.9	5.3	4.5
CTG	6.5%	20,815	27,634	33,055	9.4	7.1	5.9
HVN	5.1%	7,180	6,246	6,459	8.2	9.4	12.7
DSE	4.2%	240	333	492	34.9	25.1	17.0
FPT	4.2%	7,264	9,155	12,103	30.5	24.4	18.6
VHC	3.6%	1,176	1,779	2,263	13.9	9.2	7.2
VCI	3.4%	1,417	2,039	2,386	13.9	12.1	10.4
Average growth rate and P/E		26%	31%	21%	9.3	7.1	5.9

Source: PYN Fund Management

TRUMP'S TARIFFS THREAT

The key drivers for growth of Vietnam's economy have been investments and foreign trade. With this in mind, the potential adverse growth impacts of protectionist economic policy by the United States raise some concerns. Nevertheless, Vietnamese exports to the US grew by +132% during Trump's first term in office, and we do not expect his second term to significantly undermine Vietnam's strong competitive position relative to the United States or in the global export markets.

Vietnamese exports to the US grew by +132% during Trump's first term in office

Year	Exports to US (million USD)
2017	41,531
2018	47,530
2019	61,332
2020	77,077
2021	96,269

Source: GSO

VIETNAM'S SHARE OF GLOBAL TRADE CONTINUES TO GROW

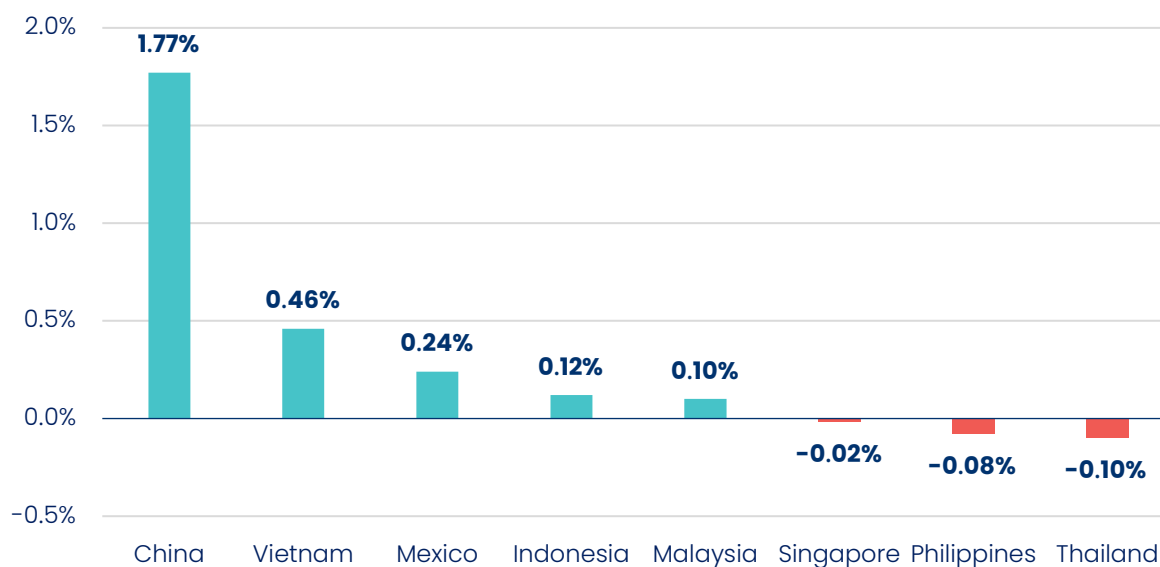
During Trump's first term in office, the US raised arguments, that both the Chinese currency, the renminbi, and the Vietnamese dong should be revalued, as the weakness of the currencies has benefited the countries excessively in the export markets. It remains to be seen whether the same

arguments will be brought up during Trump's second term. In any event, it is certain that the Trump administration will aggressively seek an advantage for the US in trade negotiations.

Over the past seven years, both China and Vietnam have increased their market shares in global trade, and both have strong trade balance surpluses in relation to the US. We expect that the Vietnamese government will seek to avoid tariffs and arguments about currency manipulation by committing to buying LNG and arms from the US, among other things.

China and Vietnam have increased their market shares in the export markets

Change in share of global foreign trade 2017–2023



Source: CEIC, HSC Research

VIETNAM'S PRO-BUSINESS LEADERSHIP TRIO



Source: AP/Lehtikuva

Mr To Lam was appointed as General Secretary of the Communist Party of Vietnam last summer. He has proven to be a leader with a strong focus on the economy with an idea to accelerate growth through government reforms and public investments.

The photo shows the three key politicians in the current Vietnamese regime: newly elected President Luong Cuong (left), Prime Minister Phạm Minh Chính and General Secretary To Lam.

SAME SAME BUT DIFFERENT

The Finnish Prime Minister finds himself having to spend time addressing statements made by his coalition partners and explaining in Parliament the necessary cuts to government expenditure. At the same time, the Vietnamese Prime Minister is enjoying Christmas beers on the streets of Hanoi with NVIDIA CEO Jensen Huang, discussing collaboration and investments in global AI development.

NVIDIA CEO Jensen Huang having a beer with the Prime Minister of Vietnam a week ago.

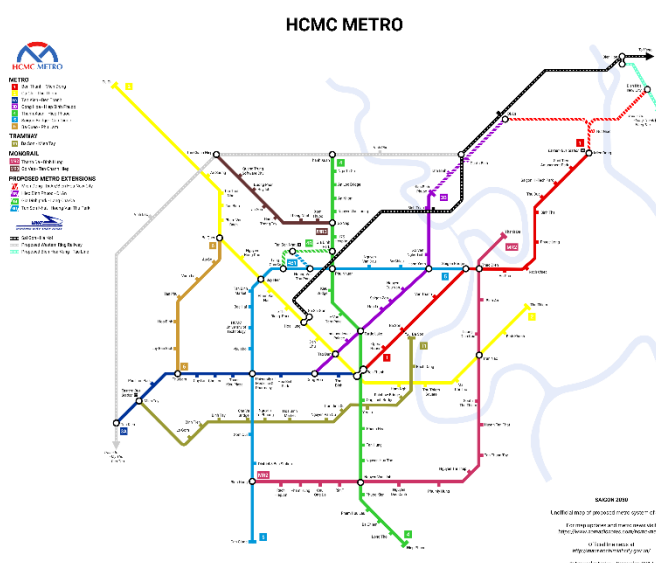


Source: AFP/Lehtikuva

SAIGON METRO TO OPEN ON 22 DECEMBER 2024

The first line of the Saigon metro network, number 1 (shown in red on the map), will start operating just before Christmas. The Opera House metro station is located close to the Caravelle Hotel in the heart of Saigon, providing convenient access to the bustling restaurant hub of District 2 and further afield to the centre of business life, the technology park of District 9. In the coming decades, the metro network will expand to cover the city's main residential and commercial areas.

The Opera House metro station and the planned metro network



Source: Petri Deryng and www.nomadicnotes.com

Investment decision approved on the HANOI–HCMC high-speed railway project

In the future, the journey between Vietnam's two most important cities can be covered conveniently with a high-speed train. The journey will take about five and a half hours. The investment decision on the project was made by the recently concluded National Assembly. Vietnam's low public debt enables expensive megaprojects of this kind. In our opinion, it would be reasonable for the Vietnamese government to undertake multiple megaprojects in the years to come. The investment in the high-speed railway project is valued at USD 67 billion. Over the next ten years, the investment will have an estimated annual effect of one percentage point on Vietnam's GDP.

The high-speed railway is an important way to address the need for growth in traffic between Hanoi and Saigon. Hanoi–Saigon is already the fourth-busiest domestic route in the whole world domestic flight comparisons.

Launch of the high-speed railway project – aiming for 2035

Source: Nikkei Asia



STB – SACOMBANK

A well-managed, relatively large commercial bank with a well-recognised brand and a good reputation for its services. STB's shares are trading at very moderate P/E and P/B valuations, and there is significant upside potential.

A decade ago, the badly reputed Southern Bank launched a takeover of STB. The takeover was successful, although Southern's principal owner ended up in jail. These events led to long-term write-offs of the NPL's merged into STB. A cumulative total of VND 37 trillion in liquidations of collateral on these non-performing loans was accumulated in STB's off-balance sheet items during the recently completed restructuring. The recognition of paid-up receivables in the bank's equity will significantly increase STB's equity. According to our calculations, STB's P/B could drop to 0.7.

STB's P/B is very attractive at 1.2 – upcoming entries could bring the P/B down to 0.7

STB P/B



Source: Bloomberg

STB P/E



Source: Bloomberg

ACV – THE AIRPORT OPERATOR

We took a position in the Vietnamese airport operator ACV during the COVID-19 epidemic, when air traffic was largely suspended, and the aviation business slumped. The stock has subsequently performed well. While the stock is no longer undervalued in terms of its P/E ratio, the company's cash flow is developing strongly and operating in the airport business is like having a license to print money. ACV is operating with an extremely high operating margin of 60% and its business position is secure. The modern airport under construction in Saigon will boost the company's sustainable growth from 2027 onwards. The tourism sector is thriving in Vietnam. Passenger volumes in international traffic grew by +30% year-on-year in January–October.

Air traffic in Vietnam (ACV) is growing faster than in Thailand (AOT)

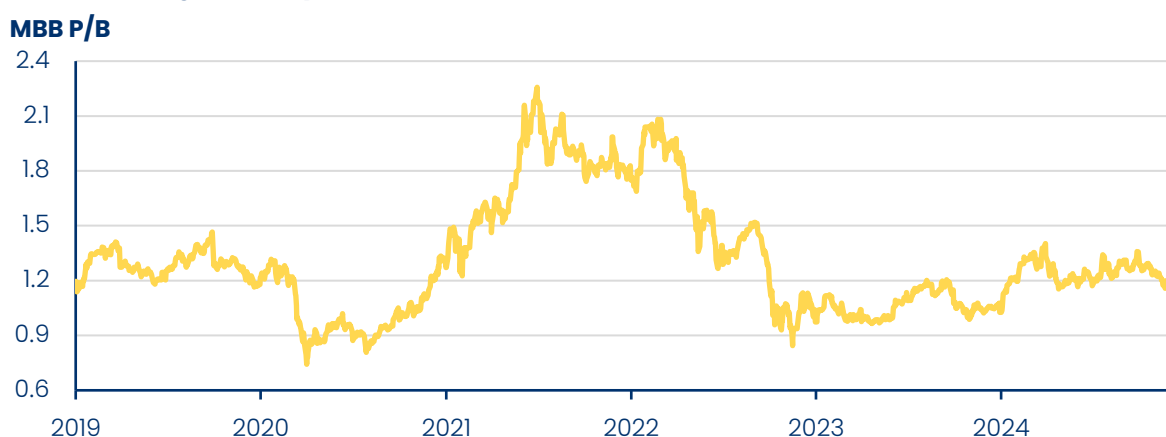
	ACV	AOT
Earnings growth over 10 years	109.4%	30.8%
CAGR	7.7%	2.7%

Source: Bloomberg, FinPro

MBB – MILITARYBANK

MBB is one of the major commercial banks in Vietnam. The bank has made timely and significant investments in the digital transformation of customer services. Through its digital channels, MBB receives large amounts of cash management deposits from its corporate customers, which makes the bank's financing costs low. This provides a solid foundation for the bank's competitiveness in lending. Considering MBB's rate of growth, it would be reasonable to assume that its P/B ratio will return to 2.0. MBB has recognised this year technical provisions on loans that customers have not defaulted. While these entries have scared some investors, we can expect reversals of these technical entries as early as the fourth quarter.

MBB is trading at a very attractive P/B ratio



Source: Bloomberg

TPB – TP BANK

To accelerate its growth, TPB expanded on consumer finance business and participated in the high-margin business of distributing real estate bonds. The bond market went into crisis in autumn 2022, and Vietnam's domestic economy entered a clear downturn for two years. TPB has remained profitable in 2023 and 2024, but the recognition of loss provisions has hampered its earnings growth. TPB's earnings growth is now accelerating again, and the next two years look very promising.

TPB's P/B ratio should increase in the wake of earnings growth in 2025

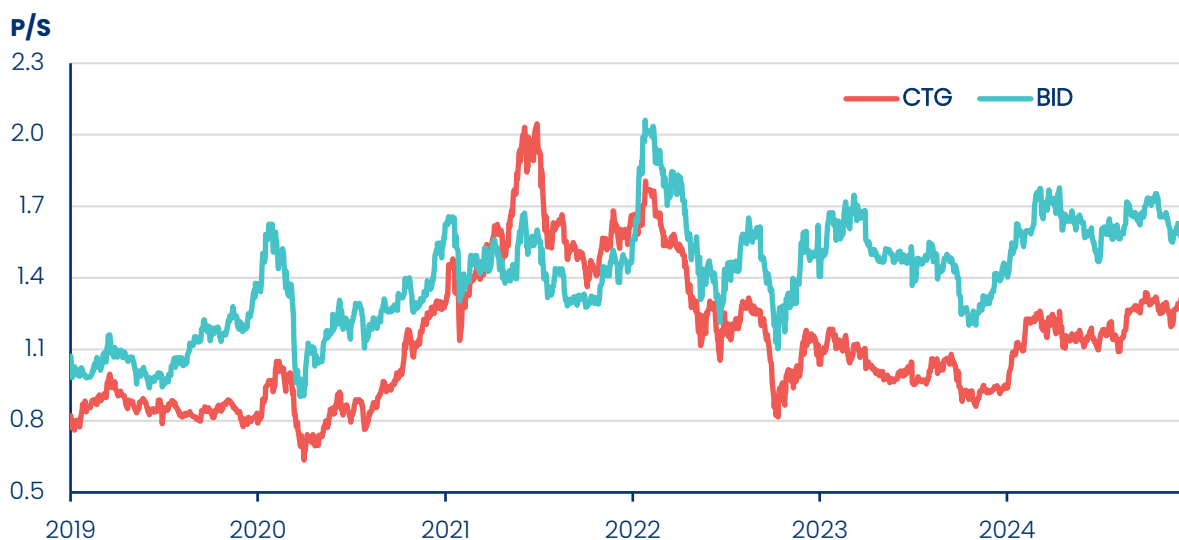


Source: Bloomberg

CTG - VIETINBANK

With the bank having recognised significant loss provisions on its credit portfolio this year, there should be no pressure on CTG to recognise further such entries. The earnings for Q4 may be a positive surprise. CTG is one of three large state-owned commercial banks. Due to inefficiencies over the past couple of years, CTG has traded at a lower valuation than its direct peer BID. The stocks of both banks have plenty of upside, taking into account the favourable outlook of the Vietnamese economy and the stability of the banks' business. In addition, the CTG stock should also close the valuation gap between towards BID.

The CTG stock should close the valuation gap relative to the revenue stream of BID's business



Source: Bloomberg

HVN – Vietnam Airlines

Vietnam Airlines was badly hit by the COVID-19 epidemic and has reported losses for the past four years. The company has shown signs of a turnaround in 2024. It has recognised non-recurring income items and improved the efficiency of its operations. As a result, HVN has returned to profitability. We have achieved a fairly good return on our position in a short period of time, but we expect further positive developments from the company going forward. The company will turn its equity to positive territory and remain profitable in the years to come. The company will also continue to recognise non-recurring gains on the sale of aircraft, the restructuring of its subsidiary and warranty repairs by the engine manufacturer Pratt & Whitney, amongst other things. The company may also generate additional income in the future through IPOs of its subsidiaries, such as the logistics company TCS or the aviation fuel company Skypec. Shareholdings will be diluted to some degree in 2025 due to the company's upcoming recapitalisation, but the impact will be moderate. The decreased price of oil could further boost the company's projected profitability.

Vietnam Airlines, a turnaround company



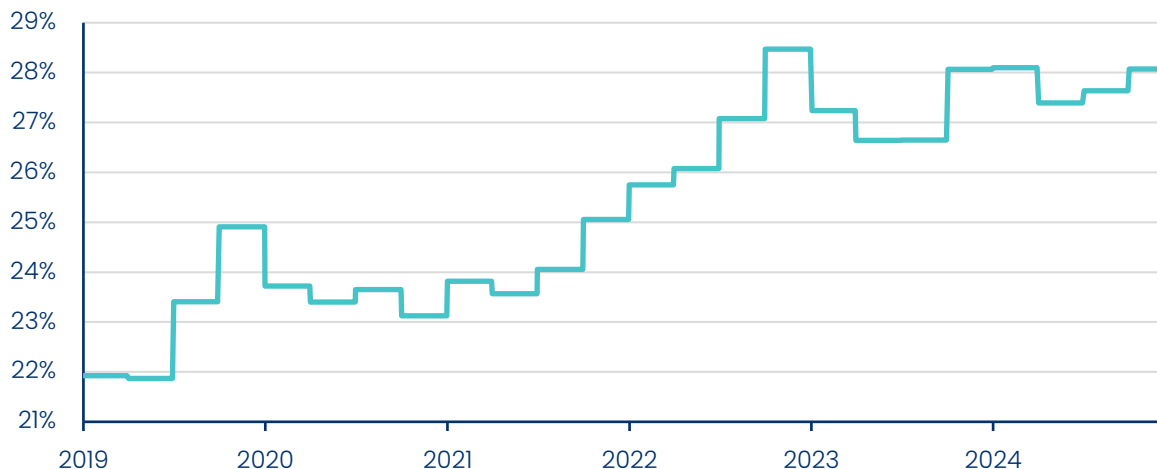
Source: Bloomberg

FPT – A LEADER IN VIETNAM'S IT SECTOR

FPT is a major player in the IT sector in Southeast Asia. FPT's Global Operations unit is one of its most interesting business lines, as the company sells its coding expertise to target markets that include European countries, the United States and Japan. The Global Operations unit is on the verge of achieving USD 1 billion in annual revenue. While FPT is still small compared to its peers in India, it is outperforming them in terms of growth. FPT is NVIDIA's only partner in Southeast Asia. The companies are in the process of making joint investments in AI development and the production of semiconductors necessary for AI applications. FPT has consistently won larger projects and its profitability is on an upward trajectory. The company's share price has risen faster than its earnings but, at the same time, the outlook for the remainder of the decade has strengthened further.

FPT is growing and its relative profitability is improving

FPT ROE



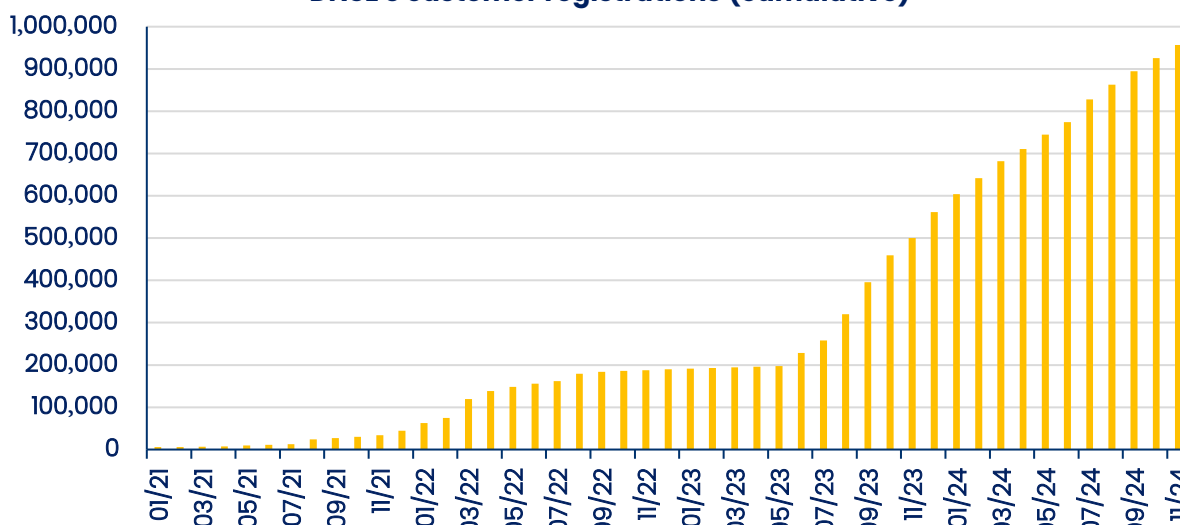
Source: Bloomberg

DSE - DNSE (ONLINE BROKER)

We invested in this technologically advanced online broker in autumn 2023, before the IPO in 2024. Our investment is already profitable, but DNSE has not generated returns to the extent that we expected. Trading volumes on the stock exchange have been low and the much-awaited launch of the stock exchange's new trading system KRX is yet to be completed. DNSE has significantly increased its customer volumes, but customer-specific trading volumes have been modest. The company is extremely innovative and a pioneer in digital trading. We believe that the company will achieve better earnings growth going forward.

DNSE's customer volumes show brisk growth

DNSE's customer registrations (cumulative)

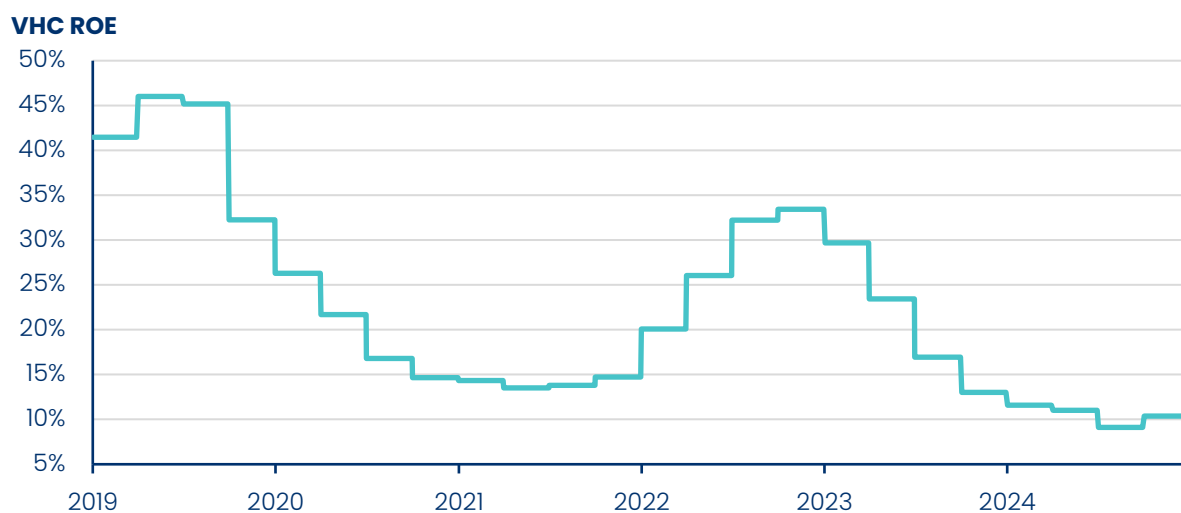


Source: DNSE

VHC – VINH HOAN (FISH PROCESSING)

VHC is Vietnam's largest producer of pangasius fish fillets. Its most important export market is the United States. Alongside the fish fillet business, the company has built up a fairly large wellness product business using the side streams of fish processing. The company produces collagen and peptides for the cosmetics and healthcare industries. The price cycle of pangasius fillets bottomed out at the end of 2023, but prices are now recovering. Due to technical reasons associated with sales contracts, many of the cyclical changes are reflected in VHC's earnings with a delay. VHC's net margins have already increased from 2–3% to over 10% and profitability is continuing to show a rising trend. Pangasius fillets are very inexpensive. The wholesale price is less than USD 4 per kg. Potential tariffs introduced by the Trump administration could improve Vietnam's competitive position in the US market in relation to Chinese fish fillet producers.

VHC's profitability has bottomed out and is now trending upwards

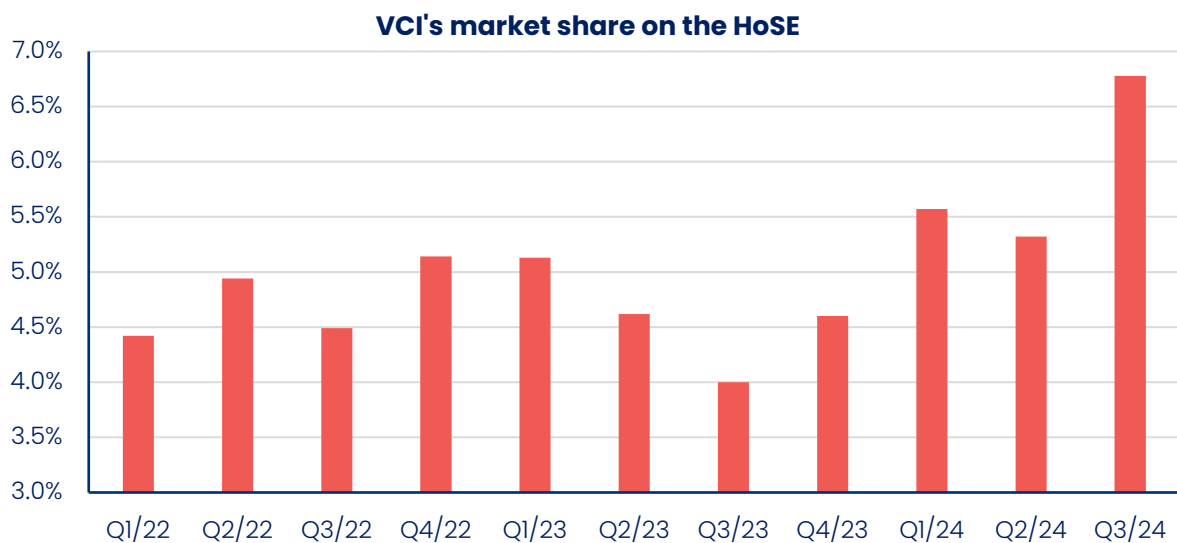


Source: Bloomberg

VCI – VIETCAP (BROKER COMPANY)

Several brokerage companies are listed on the Vietnamese stock exchange. Among the large brokerage companies, Vietcap has increased its market share and profitability the most. The modernisation of the stock exchange and Vietnam's stock market's potential upgrade to emerging market (EM) status creates a generally favourable outlook for brokerage companies. Vietcap has previously been particularly strong in its investment banking operations, but the past couple of years have been quieter, with only a few new IPOs. VCI is looking to accelerate its businesses, which is why the company issued a small private placement in September. Due to the weak overall market situation, the issue was sold at a 20% discount relative to the market price. We decided to participate in the issue and we now hold VCI in our portfolio with a weight of 3.5%. The terms of the placement included a one-year lock-up period, during which the price discount received is accrued in PYN Elite portfolio daily in addition to a possible positive performance in the share price.

Vietcap has captured market share



Source: HoSE

RISKS AND OPPORTUNITIES

The Vietnamese stock market may be adversely affected by global events in future, as the USD-dominated global financial markets also affect the management of the VND exchange rate and the domestic interest rates.

The valuations of tech stocks, the indefinite range of crypto prices and right value of Bitcoin, the upward trend of the S&P 500, the highly polarised investment flows in the markets and potential sudden changes in momentums of these factors create risks for global equity investing.

Major escalations of armed conflicts around the world pose a risk to global trade.

The year 2025 and the subsequent years look very promising in terms of strong economic growth in Vietnam and, consequently, favourable performance of the Vietnamese stock market. Nevertheless, the unwinding of individual external risk factors may, at times, emerge as more significant drivers of stock market sentiment than events in Vietnam itself.

The next subscription day for PYN Elite will be on 31st December 2024.

Wishing you a Merry Christmas!

PYN ELITE
Petri Deryng
Portfolio Manager

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