

15.6.2023

PROMISING MARKET OUTLOOK

Gap needs to narrow

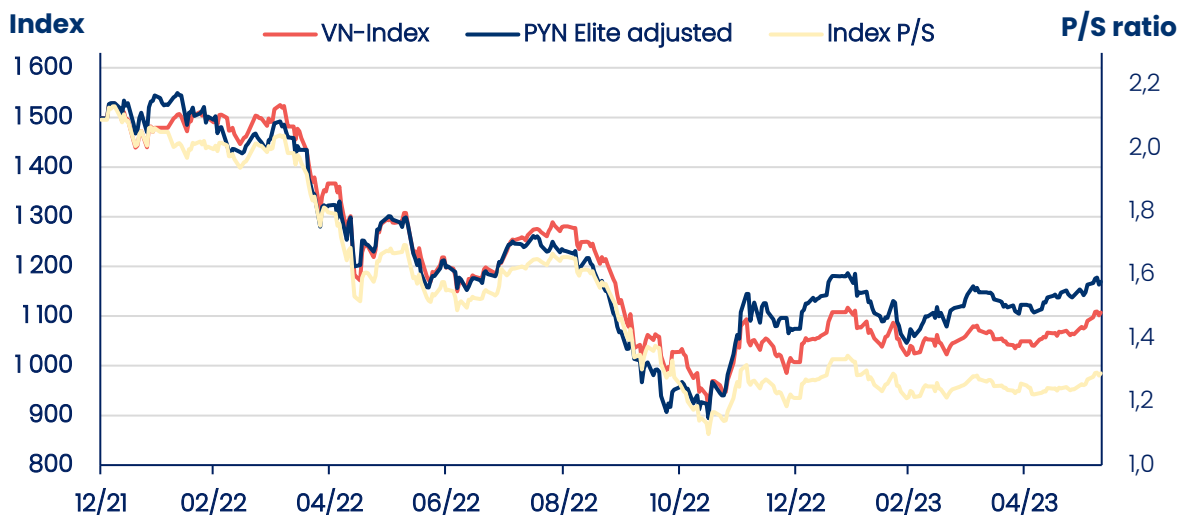
VN-Index	↔	PYN Elite
21.5%	Up from 2022 bottom	30.7%
38.0%	Gap to 2022 high	32.5%
10.0%	YTD per 9.6.2023	8.8%

Source: Bloomberg

Back in business. The PYN Elite’s NAV ticked up during this spring, reflecting the general performance of the Vietnamese stock market. There is reason to believe that the upward momentum in Vietnamese market would continue, as the negative factors behind last year’s decline are beginning to diminish. As the year progresses, the positive expectations should accelerate and give meaningful support into investors’ buying and selling decisions.

PYN Elite’s performance in 2022, which was a weak year on the market, was slightly better than that of the VN-Index. The PYN Elite’s NAV has also outperformed VN-Index since the index bottomed out in November. Both the VN-Index and PYN Elite still have plenty of potential to recover before the levels seen in early 2022 are recaptured. In addition to having confidence into the expected positive returns in the Vietnam stock market in general, we obviously assume the PYN Elite portfolio to outperform the index during the remainder of the year.

Vietnamese market has been consolidating since bottoming out in November

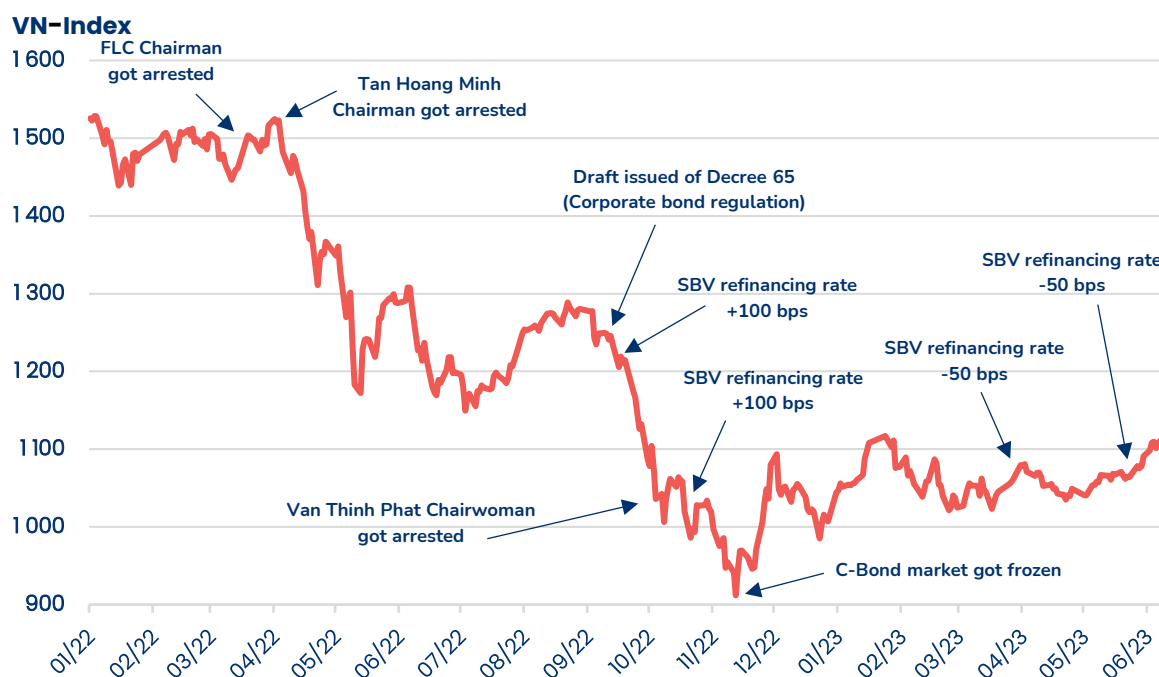


Source: Bloomberg

The deterioration of Vietnamese stocks seen in 2022 bottomed out when the VN-Index hit 911 points in November. The index is currently trading at 1100 levels. When the VN-Index was at 1500 points in early 2022, the market's P/S (Price/Sales) ratio was at 2.0. The P/S ratio is now at 1.29. Expectations for this year market performance are bullish, based on the fact that stock prices got to way too cheap levels last year.

Even if we disregard the positive few years ahead outlook and revenue growth of Vietnamese listed companies, achieving a P/S ratio of 2.0 would be entirely justified on the basis of revenue figures for 2023 alone, especially as interest rates are in decline and liquidity in the market is improving again. In recent weeks, there have been signs of increased buying interest among investors, but the stock market has not yet seen daily gains of 2–4%, instead remaining in the range of 0.5–1%. The daily trading volume in the stock market has also picked up in the past few days, indicating growing interest among investors.

The events of 2022 led to the index bottoming out in November



Source: Bloomberg, Government of Vietnam, SBV

The negative events in the Vietnamese stock market in 2022 were largely caused by actions taken by Vietnam's central administration, which caused concern for investors throughout the year. The actions taken by the government with regard to both political institutions and the financial markets were justified, but they came as a surprise to investors who had become accustomed to a more relaxed regulatory environment. Awareness of regulatory compliance is now higher. The government actions are again playing an important role this year. This time around, however, the key measures are having a positive impact on the direction and strength of the stock market. The decisions made by the government are aimed at accelerating economic growth and restoring investor confidence. Further measures can be expected in the coming months.

Actions by the Vietnamese government to accelerate economic growth

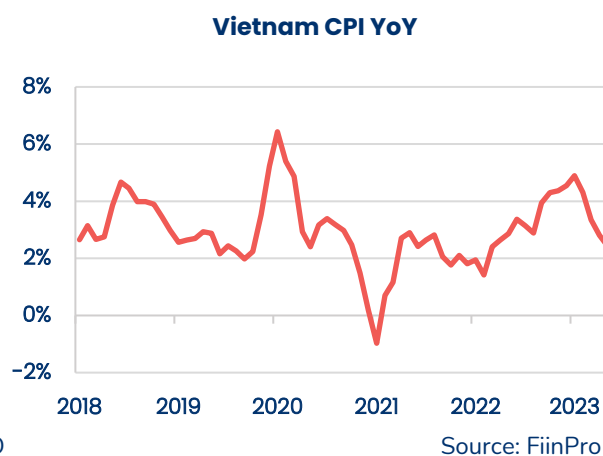
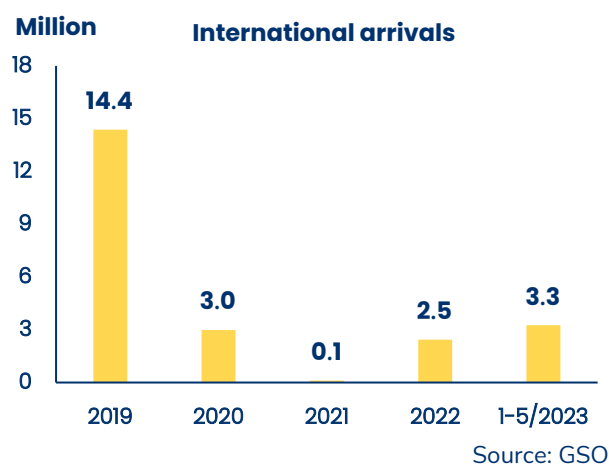
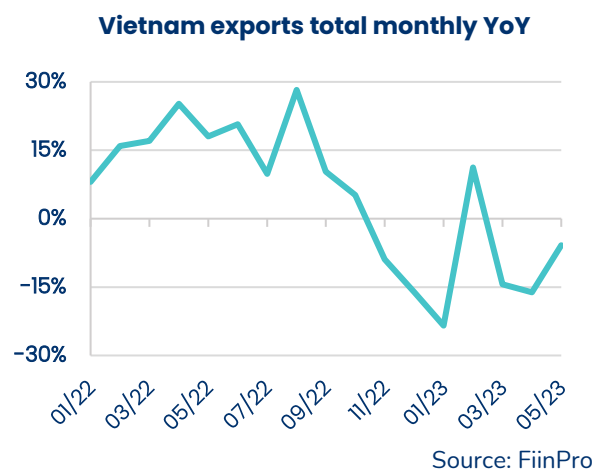
Target	Date	Party	Action taken
Corporate bonds	05.03.2023	PM	Two-year extension to bond terms and payment by assets other than cash.
	23.04.2023	SBV	Banks allowed to buy bonds issued by unlisted companies.
Banks	21.04.2023	SBV	Relaxed capital adequacy ratings for banks concerning loans in the housing sector.
	23.04.2023	SBV	One-year transition period allowed for loan arrangements.
Interest rates	14.03.2023	SBV	Discount rate reduced by 100 basis points.
	31.03.2023	SBV	Reference rate reduced by 50 basis points.
	25.5.2023	SBV	Reference rate reduced by 50 basis points.
Real estates	03.04.2023	PM	Legislation on holiday homes.
	03.04.2023	PM	Mega-plan on housing with regulated prices.
	18.04.2023	PM	Easier access to building permits.
PM = Prime minister SBV = State Bank of Vietnam			

Source: Government of Vietnam, SBV

The outlook of the stock market has already turned positive, but there are still many investors who would like to see macroeconomic hard data pointing to accelerating economic growth. Vietnam's GDP growth in the first quarter was only 3.3%, which is a low figure for a rapidly developing economy such as Vietnam, where economic growth in normal years should reach the level of 6%. Global economic growth has been sustained by the demand for services, but the subdued demand for goods is reflected in weak export figures in Asia, among other regions. Vietnamese exports decreased by 11.6% during the first five months of the year, but export figures improved in May, with the decline being only 5.9% YoY.

In addition to the weakness of exports, Vietnamese listed companies have reported sluggish earnings growth for two consecutive quarters. Consumer demand in Vietnam has been hit by the rapid rise in interest rates late last autumn. The growth of tourism has had a significant impact on retail sales figures in the early part of the year, as domestic tourism has seen brisk growth and the number of international tourists has multiplied. Inflation in Vietnam has remained very moderate, with year-on-year inflation of 2.4% reported in May. Stimulating domestic demand in the Vietnam's economy is now of extremely important, and the government and central bank SBV have been actively working towards that goal.

Vietnam macro



Several of PYN Elite's top holdings companies reported very strong earnings for the first quarter, in spite of earnings growth in the stock market being generally subdued. The mall operator VRE was a particularly strong performer. Thanks to several factors, its earnings growth was 171%, which exceeded even our expectations. The housing company Vinhomes successfully completed block deals for its plot land in spite of the difficult market situation, and this led to earnings growth of 162%. The business of the airport operator ACV will improve as air travel is returning to normal, but earnings growth for the first quarter exceeded expectations at +86%. Sacombank delivered excellent earnings growth of 49%, in line with our expectations. The banks CTG, TPB, HDB and MBB achieved modest earnings growth due to the general slowdown of economic growth in Vietnam and the interest rate environment. The earnings growth outlook for banks will improve further as economic growth accelerates.

Earnings growth for the key holdings in the PYN Elite portfolio

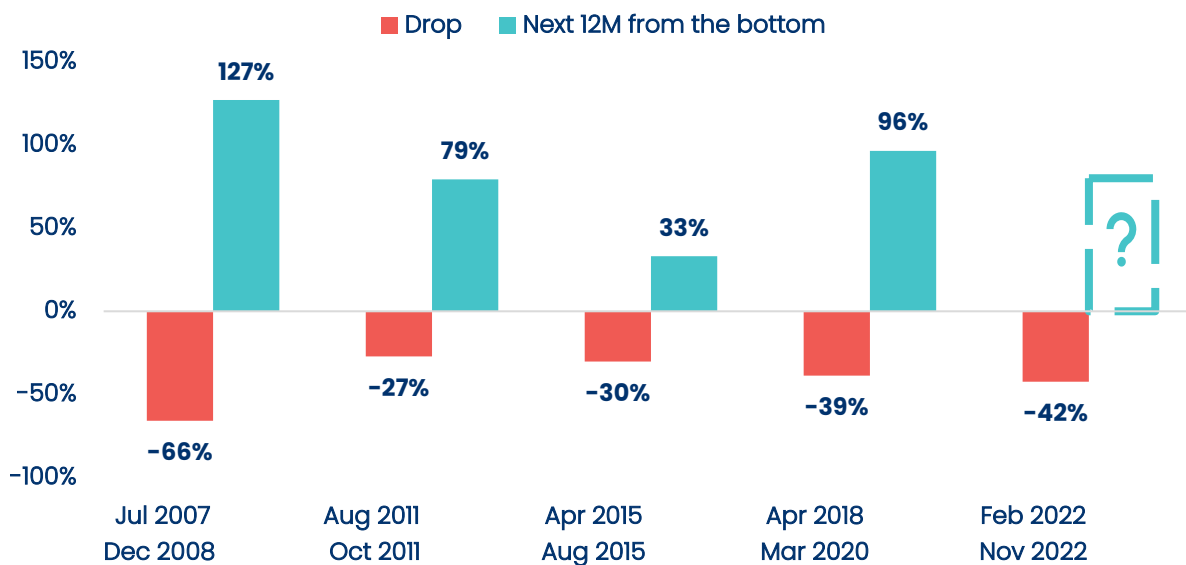
Company	Earnings (million €)		Change %	Q1/2023	
	2021	2022		Earnings (million €)	YoY %
CTG	558	665	19%	190	3%
VHM	1 538	1 142	-26%	472	162%
STB	135	200	48%	75	49%
ACV	19	245	1 191%	52	86%
VRE	52	110	111%	41	171%
TPB	191	248	30%	56	9%
MBB	503	693	38%	199	11%
VEA	228	301	32%	54	-7%
HDB	240	307	28%	83	9%
SCS	22	26	15%	4	-40%
CMG	9	12	27%	2	32%
Average			30%		11%

Source: FiinPro

The historical data we have collected over the past 15 years indicates that, after bottoming out, PYN Elite has had consistent periods of strong returns. The table below shows the depth of decline from the highs to the lows during individual periods, as well as the subsequent 12-month returns. Over the past six months, the NAV has now increased by 31% from the lows seen in November. It remains to be seen whether a similar strong performance will be repeated over the 12 months since the bottom.

I also want to point out that the high-water mark of PYN Elite NAV is 566,152 from January 2022, and the fund manager can only collect performance-based fee from the fund after that level has been achieved. Until then, the portfolio's returns increase the NAV without the expense of performance-based fee.

PYN Elite Drops and Pops in the last 15 years



Source: PYN Fund Management

Despite the fact that no one can predict the weekly and monthly returns in the stock market, we can enjoy our summer vacations with peace of mind and even look forward to the next Christmas.

PYN Elite's next subscription date is 30 June 2023.

PYN Elite

Petri Deryng

Portfolio Manager

Important information regarding investor letter and the fund

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PYN Elite

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The PYN Elite Fund invests in a concentrated portfolio of companies of a small to medium market capitalisation located in the Asian region. Share prices of such companies may be much more volatile and their trading liquidity much lower than those of the shares of larger companies. The Fund must therefore be considered as a high-risk investment. The value of an investment may either rise or fall and investors are therefore at risk of losing part or all of the assets invested in the Fund.

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