



**PYN ELITE**

Vietnam – Asia's new success story

February 2021

# Vietnam's growth has a solid foundation



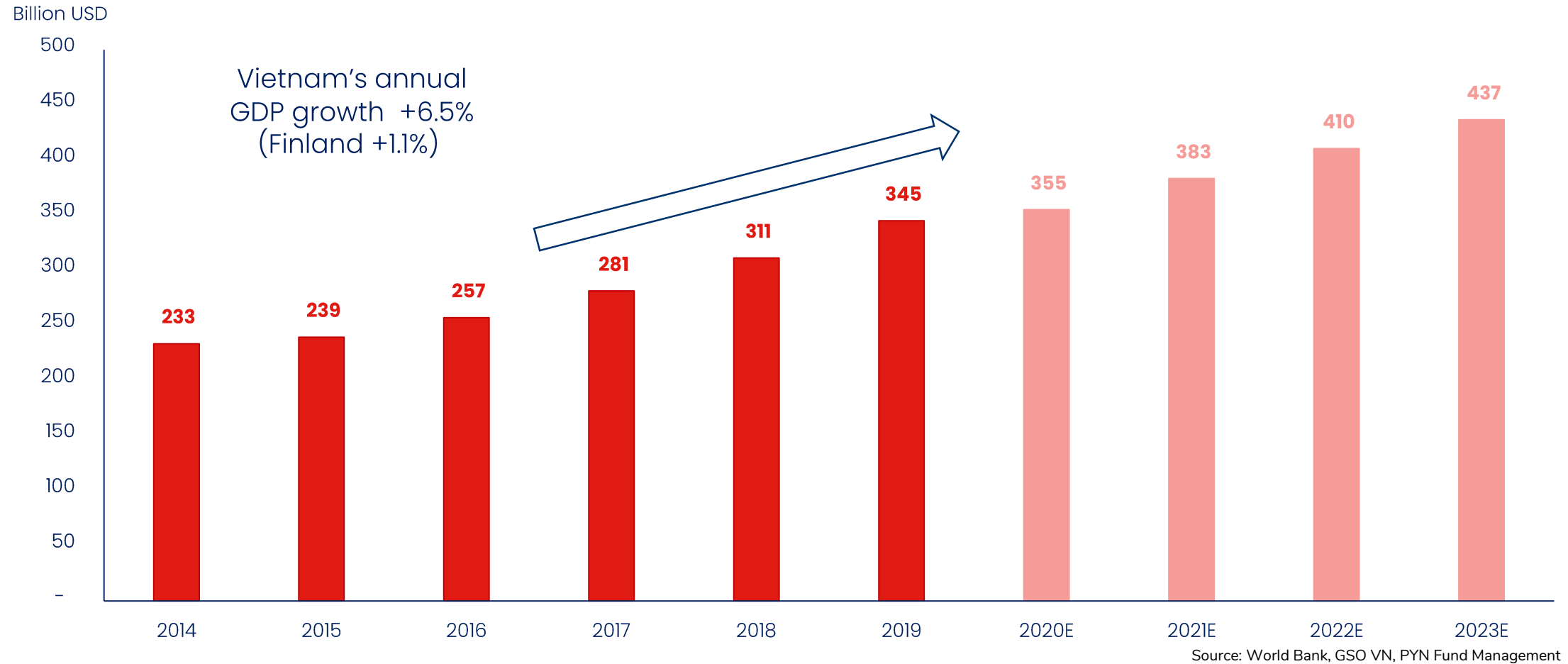
Vietnam's share of world trade has increased in ten years from 0.48% to 1.45%, in 2010 the value of exports was 70 billion USD, now 270 billion USD

Vietnam is investing in the growth of the software industry: approximately 55,000 IT-engineers graduates every year

Diversified exports: cashew nuts USD 2.5 billion, peppercorns for almost USD 1 billion - and 150 million Samsung phones

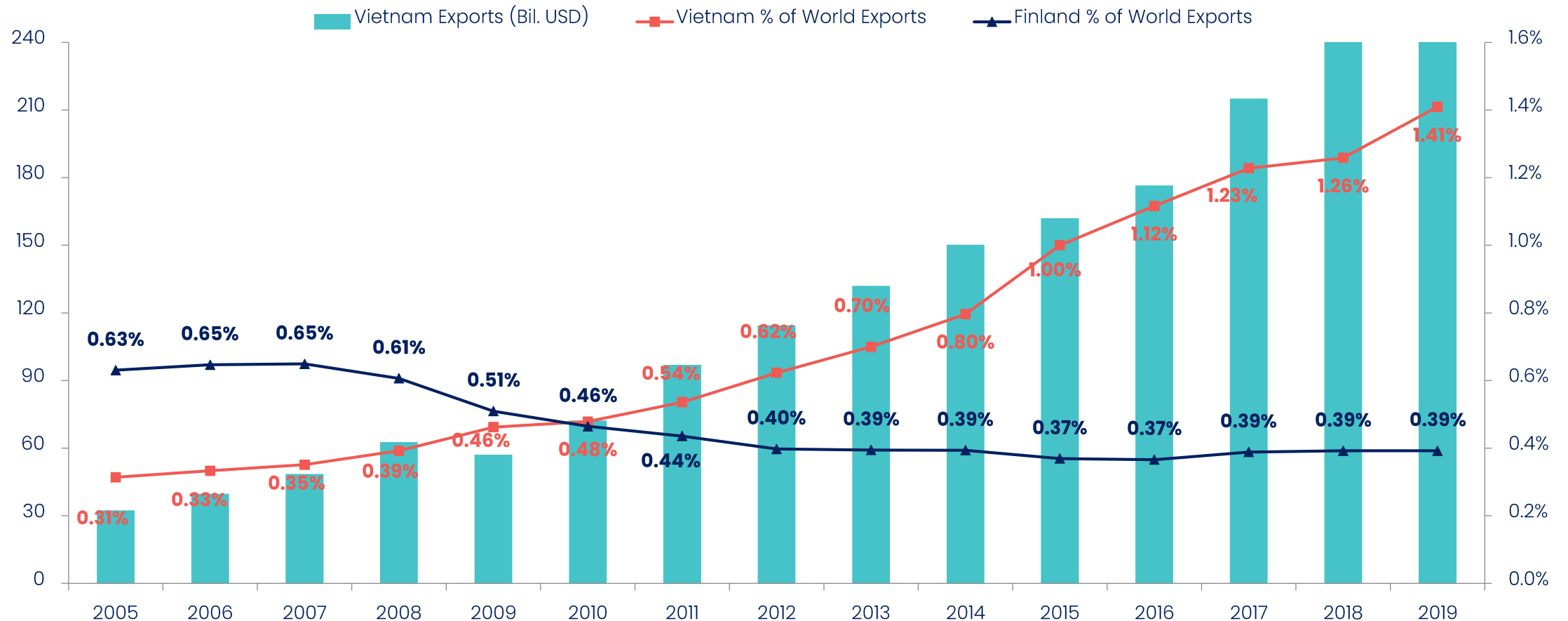
Over the last five years disposable income has had 10.2% annual growth. Pay rises are not a burden to country's competitiveness

# Vietnam's economy is on a strong upward trend



Vietnam's GDP is expected to continue at an excellent annual growth rate of 6%-7% for the next ten years. In 2020 the country's economy expanded by nearly 3% percent despite the corona epidemic.

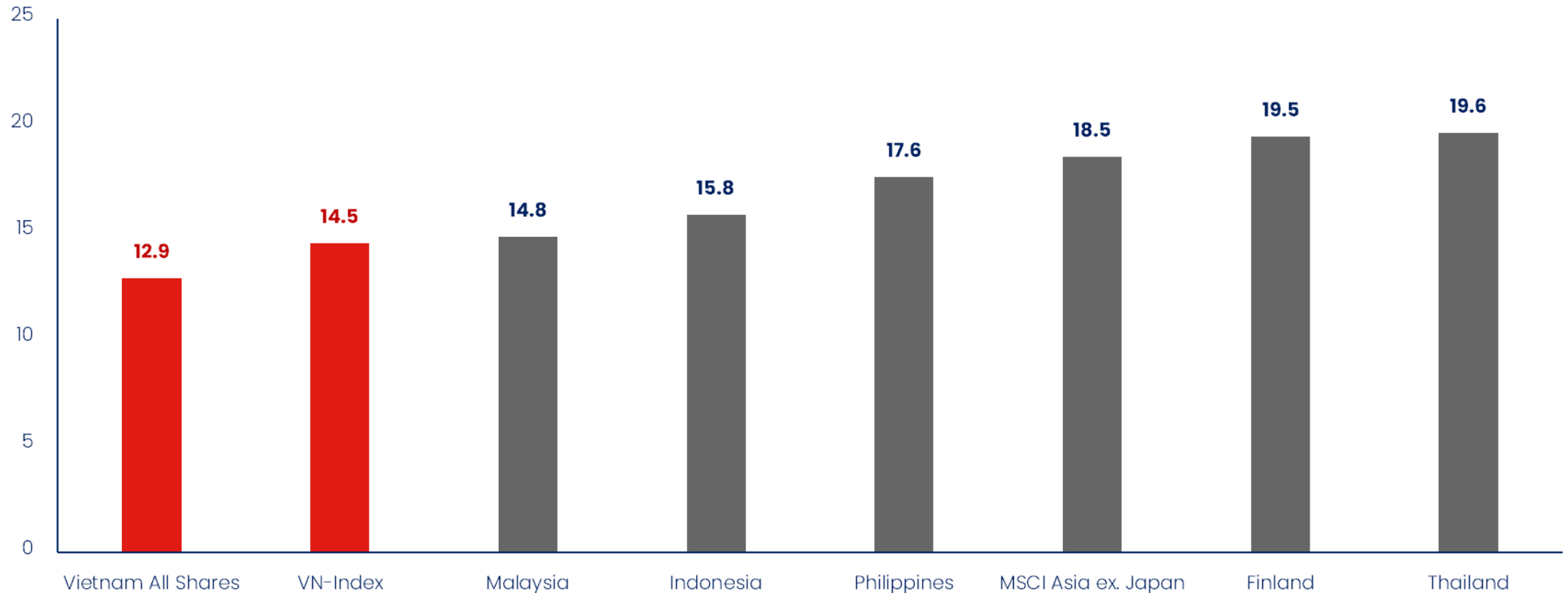
# Vietnamese exports are doing well



Source: IMF DOTS

In recent years Vietnam has attracted a huge amount of foreign direct investments. The competitiveness of the country's industries has been on an astonishing level for a long time, and Vietnam has been constantly gaining market share in foreign trade from other countries.

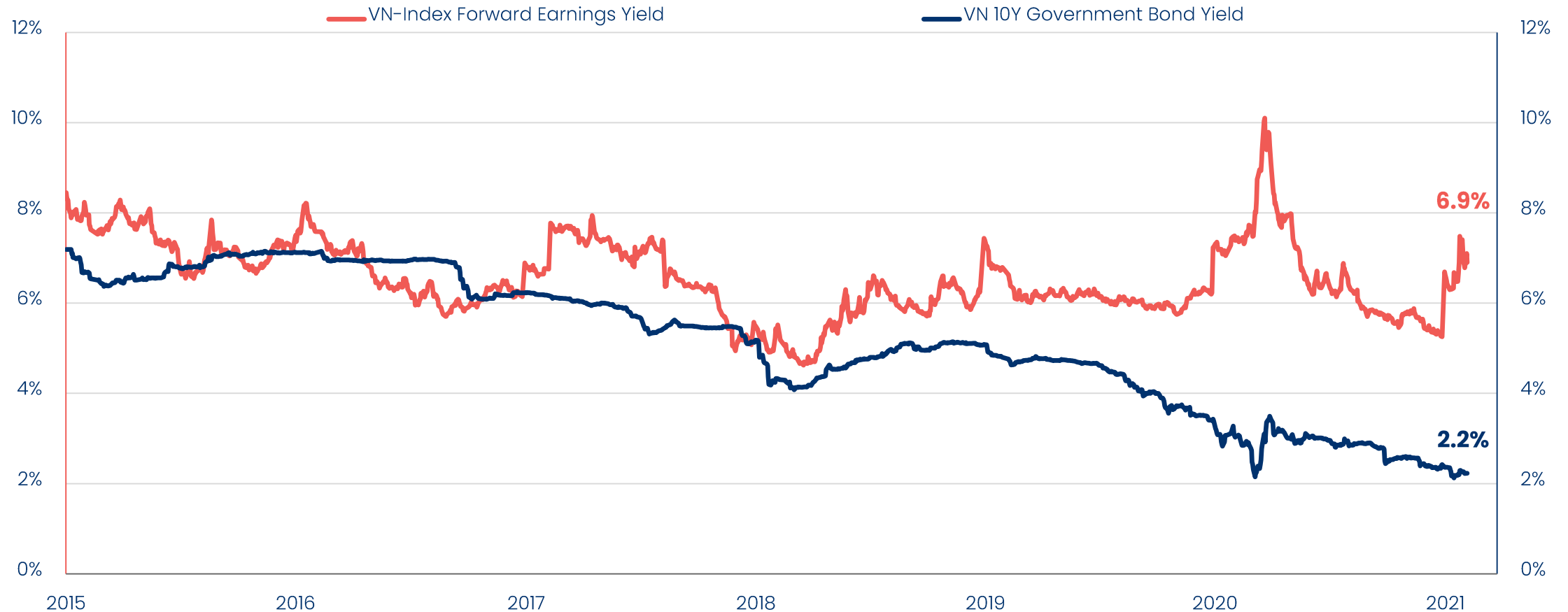
# The market offers attractively priced shares



Per 10.02.2021, Source: Bloomberg

The VN index trades at P/E 14.5 for this year and P/E 11.9 for 2022 (VN all shares PE for this year 12.9 and 2022 10.8). Outlook for earnings growth for next 3 years is very strong in Vietnam and even 2021 earnings numbers may give a positive surprise to current consensus estimates.

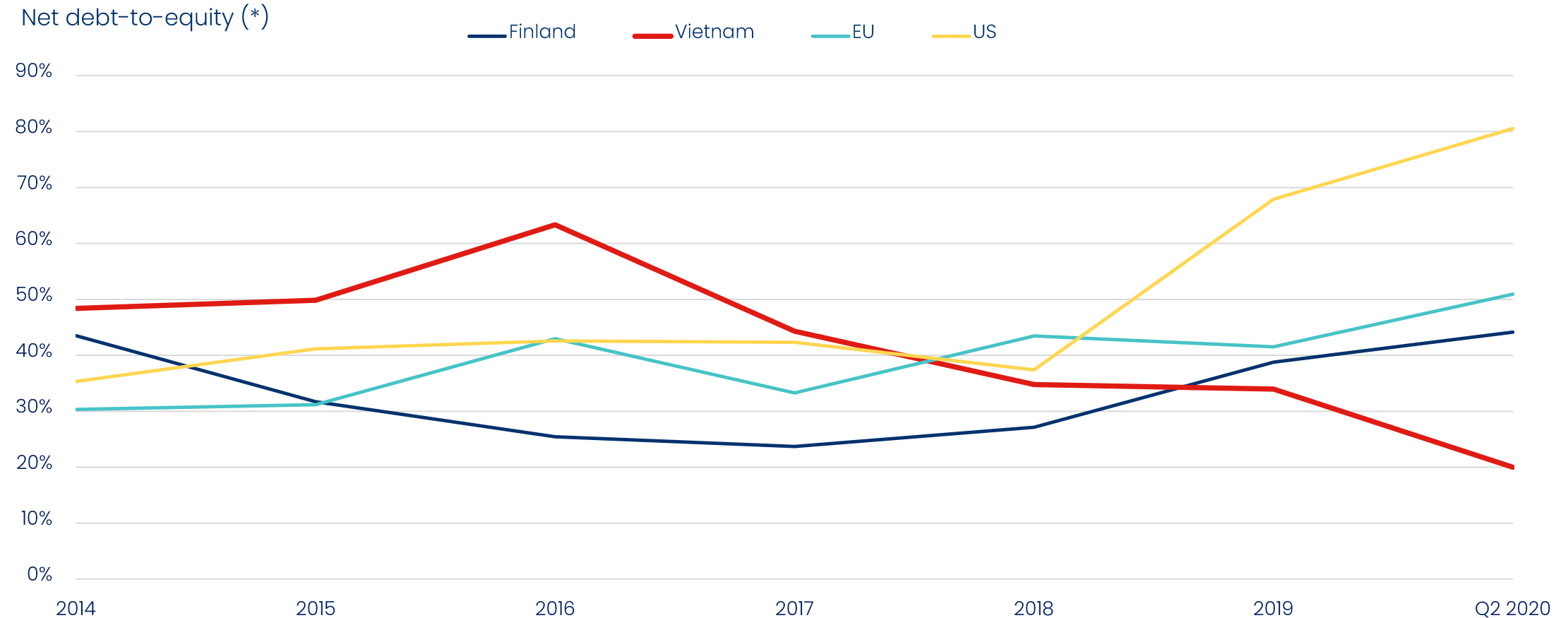
# Vietnam forward earnings yield on stocks vrs 10Y bond yield



Per 10.02.2021, Source: Bloomberg

Vietnam market is trading at the moment with 4.7% gap between the yields. This gap is likely to narrow during 2021. Earnings growth may surprise positively current forecasts, which would lead to even more pressure for stocks upside in 2021.

# Vietnamese listed companies' D/E ratios are low

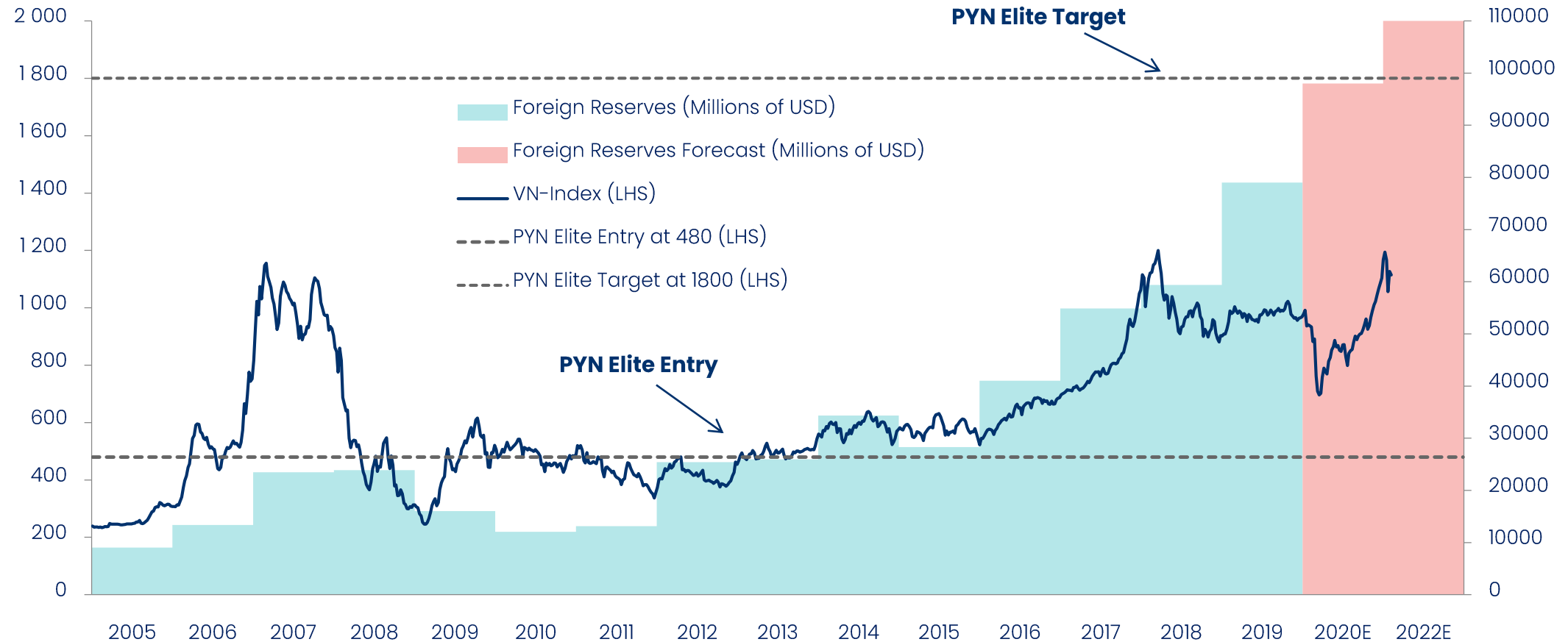


(\*) Figures are excluding banks

Source: Bloomberg, FinPro, PYN Fund Management

The 50 largest listed companies and their net debt-to-equity in comparison. Thanks to their light debt burden, Vietnamese businesses can continue to grow strongly, even if the capital markets face more challenges in the coming years.

# PYN Elite target: 1800 points



VNIndex per 10.02.2021 Source: ADB, Bloomberg, PYN Fund Management

Vietnam's foreign exchange reserves have accumulated rapidly. The current level significantly lowers the country risk in Vietnam. Lower risk should correlate with the stock market and support a higher valuation level on the stock exchange in the future.

# The next BIG YEAR – Vietnam qualifies for a candidate



## PYN Elite performance in 5 years periods

	1999 – 2004	2005 – 2009	2010 – 2014	2015 – 2019	2020 – Present	Cumulative return
PYN Elite Fund (EUR)	398 % *	31 %	267 % *	23 % **	32 %	3 756 %
MSCI Asia Ex Japan (EUR)	21 %	57 %	38 %	32 %	26 %	335 %

YTD 10.02.2021 Source: Bloomberg, PYN Fund Management

## Fund characteristics

We have always been very determined to stick with our focus market until it reaches our targets. This stubborn style has delivered to the fund the overall historically excellent returns, but it has also taught a lot of patience.

\* When breaking the returns history into four five-year periods, one can observe, that two of those periods have been key to our success and two of those periods have been dismal by their performance. In 21 years of action, we have witnessed so called BIG YEARS in 1999, 2003, 2009 and 2012 with yearly gains of 64 -199%. Year 2003 has been so far our biggest with a gain of 199%.



## MY TAKE

*So called BIG YEARS can happen, when market has had a lacklustre performance for several years, while companies outlook for earnings growth has been kept intact \*\*. Additional reasons to drive sudden market performance can be radical changes to market mechanism and finance policies. Vietnam has all the reasons to experience one BIG YEAR during the current 5 years period of 2020-2024.*

# PYN Elite has a distinctive investment strategy



## Fund

- **PYN Elite is**
  - Long term
  - Actively managed
  - Long-only
  - Asia, currently Vietnam focused allocation

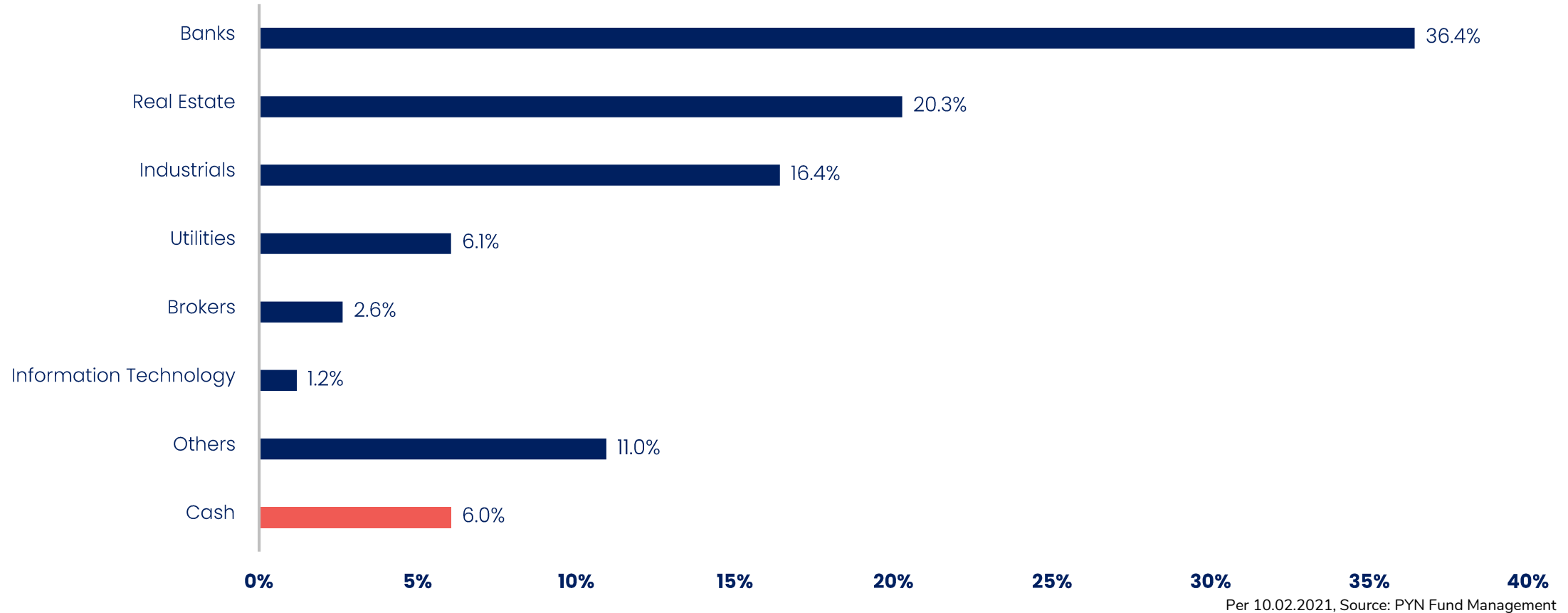
## Markets

- **We invest in**
  - Underperforming or undervalued markets in comparison to markets' historical fair valuation
  - Improving macroeconomic/demographic trends
  - Industries and companies that are overlooked, contrarian and correction potential on valuation of share

## Research

- **Key Characteristics**
  - Regular company visits by portfolio manager and research team
  - Long term undervalue entry levels and fair value exit targets
  - Deep fundamental research and modeling

# Banks play a big role in PYN Elite's portfolio



Bank shares are underpinned by a sluggish share price trend that has lasted for a couple of years. During that time, we have increased their share of the portfolio to nearly 40 %. We believe in banks as they will expand their business briskly in the next few years, and along with that the earnings growth will also be strong. The cash in the portfolio includes our buffering in currency hedging agreements.

# PYN Elite top holdings



CTG is the largest bank when measured by the number of branches and the second-largest by balance sheet in Vietnam. The major shareholders are the State Bank of Vietnam and MUFG Bank, the largest bank in Japan. Stock's rerating is on its way and will continue to boost the valuation. Bank-assurance fees will add also profitability in 2021 and 2022.

Revenue growth	15.2%	Market cap	4 719
Net profit growth	13.5%	Market cap target	8 000
Revenue 2019	1 278	Target valuation	P/B 2.0
Net profit 2019	364	Upside potential	70%



Vinhomes is the No. 1 housing developer with a 22% market share in Vietnam with the vast land bank of 164 million m<sup>2</sup> in residential GFA. Two Key cities Hanoi and HCMC will be company's main growth drivers in the next 10 years. Additional growth from industrial real estate. Construction permitting processes are likely to ease for 2021-2023 to stimulate growth.

Revenue growth	80.0%	Market cap	11 400
Net profit growth	128.7%	Market cap target	25 000
Revenue 2019	1 987	Target valuation	P/E 12
Net profit 2019	837	Upside potential	119%



A small-sized bank, a pioneer in digital services. A key market share in car financing. Major shareholders also include Japan's Softbank and Vietnam's leading IT technology company FPT. Grows intensely and valuation is attractive. The most challenging are the value ratios for of a small bank and the risk of unpredictable events.

Revenue growth	41.6%	Market cap	992
Net profit growth	53.2%	Market cap target	2 100
Revenue 2019	217	Target valuation	P/B 2.0
Net profit 2019	119	Upside potential	112%



Listed holding company. The business consists of the manufacture of cars and mopeds with joint ventures of Ford, Toyota and Honda. The company is net cash and pays an excellent dividend, the dividend yield now 12 percent. Maintaining growth is the biggest challenge. Car penetration still very low in Vietnam and offers potential, but the moped business has limitations.

Revenue growth*	12.4%	Market cap	2 093
Net profit growth	10.8%	Market cap target	4 000
Revenue 2019	6 936	Target valuation	P/E 12
Net profit 2019*	274	Upside potential	91%



Diamond fund portfolio is based on the basket of VN Diamond 13 stocks selected by the HOSE stock exchange. Fund value follows the VN Diamond index. Target companies in the basket are FOL full companies, which foreigners are prohibited to purchase from normal trading with local prices. Diamond ETF can buy and hold local shares and foreigners are allowed to hold Diamond ETF.

P/E forecasts		Target valuation	P/E 15
2020 P/E (F)	14.0		
2021 P/E (F)	11.7		
2022 P/E (F)	9.8		
2023 P/E (F)	8.4		

All revenue and net profit growth figures CAGR % 2015-2019  
All revenue, net profit and market value figures in millions of EUR  
\*VEAM growth and revenue figures are holding company's 2019 readings

# PYN Elite top holdings



Weight 8.7%

A medium-sized bank focusing on general banking, consumer credit and SME financing. In steering position is Madam Thao, the richest Lady in Vietnam, the founder of the airline company VietJet. High-quality bank and modest valuation. Prudent style to manage risks. Whether it can keep up the fast growth is the biggest challenge as well consumer credit company's client risks.

Revenue growth	31.6%	Market cap	1 375
Net profit growth	62.8%	Market cap target	3 000
Revenue 2019	375	Target valuation	P/B 2.5
Net profit 2019	139	Upside potential	118%



Weight 6.6%

MBB is the 5th largest bank by balance sheet and has a full-fledged banking platform including retail/SME lending, insurance, and brokerage. MBB is a well-run quality bank but its valuation is well below peers, due to setbacks of its new move into consumer finance, which caused a stock price slump and gave an opportunity to build our positions. The bank is rather conservative, therefore the biggest challenge is to strive for satisfying loan growth. Bank's IR operations would need modernization.

Revenue growth	25.2%	Market cap	2 480
Net profit growth	33.1%	Market cap target	4 200
Revenue 2019	693	Target valuation	P/B 2.0
Net profit 2019	301	Upside potential	69%



Weight 5.5%

POW is one of the largest energy companies in Vietnam. Generates about ten percent of Vietnam's electricity. We started buying the company at a low price in the spring of 2020. Problems with EVN seem to be solved and it has boosted the share price recently. Strong revenue growth is capped by new investments, which always take time to come operational.

Revenue growth	11.1%	Market cap	1 035
Net profit growth	3.7%	Market cap target	1 500
Revenue 2019	1 362	Target valuation	P/E 12
Net profit 2019	97	Upside potential	45%



Weight 4.3%

VRE is Vietnam's biggest mall operator. Huge potential still ahead, because retail and services businesses are still behind to be modernized. In the next 5-10 years much bigger share of those revenues will take place thru modern malls. IFRS implementation will bring VRE's valuation ratios much lower once it becomes a standard in Vietnam. MoF plans to do so in 2022. Currently all ratios in here under the Vietnamese accounting standards.

Revenue growth	11.7%	Market cap	2 567
Net profit growth	27.2%	Market cap target	5 000
Revenue 2019	356	Target valuation	P/E 25
Net profit 2019	110	Upside potential	95%



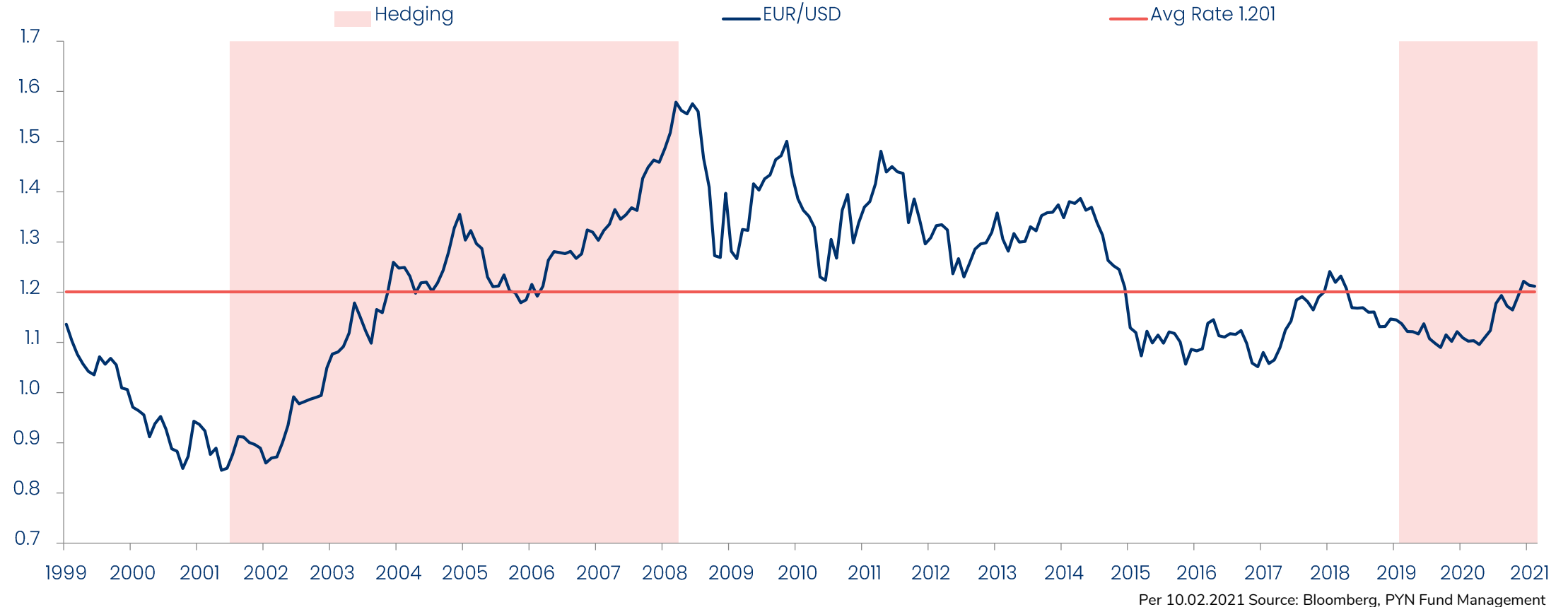
Weight 4.2%

ACV manages eight international and thirteen domestic airports in Vietnam. In the balance sheet, there is a huge valuation difference, because the investments made by the company are still at the acquisition prices. Covid-19-crisis enabled us to enter the stock at low levels. In 2021 ACV will apply for HOSE-listing and the Covid-burden will ease.

Revenue growth	8.6%	Market cap	5 650
Net profit growth	47.9%	Market cap target	11 000
Revenue 2019	706	Target valuation	P/RNAV 1.5
Net profit 2019	316	Upside potential	95%

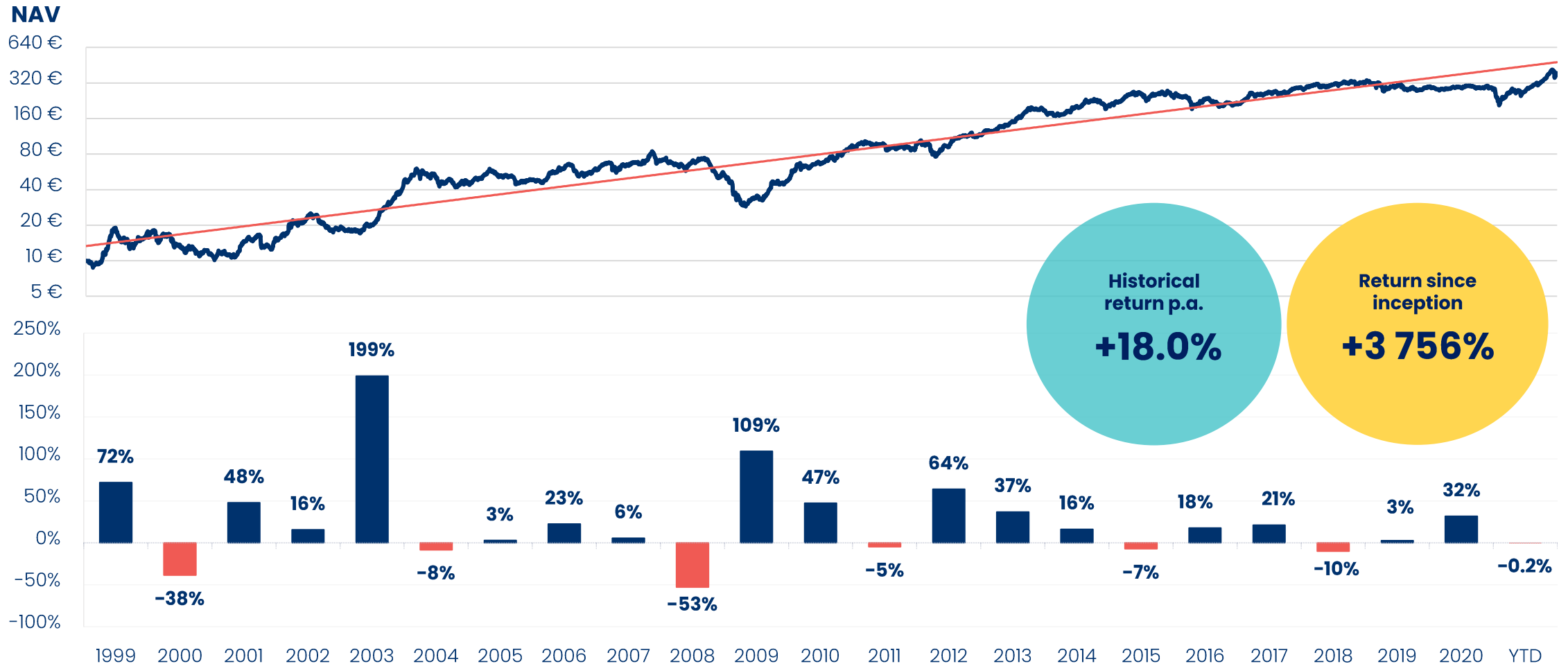
All revenue and net profit growth figures CAGR % 2015-2019  
All revenue, net profit and market value figures in millions of EUR

# The portfolio is hedged against the strengthening of the US dollar



PYN Elite's return is affected by changes in the euro FX rate. We have used currency hedging against the strengthening of the euro in 2001-2008 and again from 26 February 2019

# PYN Elite has excellent track record



Per 10.02.2021 Source: PYN Fund Management

The PYN Elite Fund was established in February 1999 when the value of the share was ten euros. Since then, its value has increased by 38-fold. The annual return is now at 18.0 percent. However, recent years have been sluggish, so a sharp jump is needed to return to the trend line

# Market modernization outlook in Vietnam

## Vietnam in MSCI Index

### Current status

Vietnam's Frontier Markets Index weighting: 29.61% and the biggest in the Index.

### May 2021 or May 2022

Enter Watchlist for Emerging Market.

### 2023-2025

Upgrade to Emerging Market status.

## Two issues need to be solved before Vietnam emerging market upgrade

### FOL

### Vietnam to rewrite the regulations aiming to two alternative solutions:

- Ease restriction on FOL by automatically lifting a 100% FOL in public companies, exception only for restricted businesses e.g. banks, defense, telecom related.
- Extend the definition of deposit receipt (DR) and the provisions on non-voting depositary receipt (NVDR)

### Pre-funding

### Establish a Central Counterparty (CCP) based clearing system for a platform to:

- Allow short sales and day trading (T+0)
- Let investors to deposit only 10-20% of trading value instead of 100% as the current practice of the stock market
- Ultimately enable trading without any deposit requirements

# PYN Elite Portfolio management team



**Petri Deryng**  
**Portfolio Manager**

Founder of PYN Fund Management. Petri lives in Asia and has been the portfolio manager of the PYN Elite Fund from the start. Petri has often been listed as one of the most successful portfolio managers in Finland and Europe in the reviews of Citywire, Morningstar, and Arvopaperi-magazine, among others.



**Maggie Yi**  
**Analyst**

Maggie is based in Bangkok, Thailand. She has worked for PYN Elite since 2013. In the past, Maggie has been monitoring the Chinese and Hong Kong stock markets, and now her areas of in Vietnam include banking and the financial sector. Maggie holds a bachelor's degree in economics from Zhongnan University in China. In addition, she is a CFA charter holder.



**Mai Le**  
**Analyst**

Mai Le works in Ho Chi Minh City, Vietnam. She joined PYN Elite in 2013. Before that Mai Le worked for the World Bank and VNDirect Securities, among others. She holds a Master's degree in Finance and Investment from Durham University in the UK and a bachelor's degree in Business Management from the University of The Hague in the Netherlands.



**Huy Tang**  
**Analyst**

Huy works in Ho Chi Minh City and started at PYN Elite two years ago. VEA is Huy's main portfolio company. Huy holds an MBA from University College Dublin, Ireland.



**Hoang Do**  
**Analyst**

Hoang joined PYN Elite in 2020 and works in Bangkok, Thailand. He used to work for EY Consulting Vietnam as a consultant in finance and banking sector. Hoang holds a bachelor's degree in Commerce from Griffith University, Brisbane, Australia.

# PYN Elite – Facts



## PYN Elite Fund (non-UCITS)

Allocation	Asia ex Japan
Fund Manager	Petri Deryng
Founded	1999
Subscription/redemption	Monthly
Min. investment	10 000 EUR
Currency	Euro
Subscription/redemption fee	0 %*
Management fee	1.0 %
Performance fee	12.0 % (HWM **)
Assets (10.02.2021)	603 m EUR

Open-ended, Finland Domicile and licensed mutual equity fund (AIF) under EU regulations.

\* The subscription fee for subscriptions of 3M EUR or more is 5 %.

\*\* A fund-specific high watermark calculation is used in the calculation of the performance-based fee.

