

VietNam Holding Ltd. (VNH) is a value investor aiming to achieve long-term capital appreciation by focusing on high-growth companies based primarily in Vietnam that demonstrate strong environmental, social and corporate governance awareness. Its current high conviction investment themes are domestic consumption and urbanization. VNH's ordinary shares are listed on the London Stock Exchange's Alternative Investment Market (AIM).

Portfolio Information

Total Asset Value	USD 235,589,127.1
Shares in Issue	68,699,458
NAV/share	USD 3.429
Cash	3.1%
Number of investments	26
AIM Capitalization (USD m)	199.9
Median Portfolio Company Market Cap (USD m)	457.0
Share Price Discount to NAV	-15.1%
Total Expense Ratio (12M rolling)	2.5%
30-Day Avg Trading Value (USD)	350,058
P/E Ratio (12M Trailing)	16.8x
Dividend Yield	1.6%
PEG (2017-2019)	0.68x
EPS Growth (2017-2019 CAGR)	20.2%

Market Statistics

	VNASTR	VN30TR
Index	1,103.0	1,189.8
Monthly change (USD)	-0.2%	1.0%
YTD change (USD)	10.3%	13.7%
YOY change (USD)	58.9%	71.6%
P/E Ratio (12M Trailing)	17.6	19.8
P/B Ratio	2.4x	3.6x
Dividend Yield	1.9%	1.5%
Market capitalization (USD bn)	115.5	100.6
30-Day Avg Trading Value (USD m)	243.4	171.4
30-Day Avg Trading Value (Shs m)	209.3	94.3

Performance

Figures in %	1M	YTD	1YR	3YR	5YR	5YR CAGR
VNH NAV per share	0.1	9.8	28.2	65.7	139.3	19.1
VNH Share price	-0.7	6.5	36.3	65.8	146.6	19.8
VNAS (USD)	-0.2	10.0	55.5	67.2	99.2	14.8
VN30 (USD)	1.0	13.4	68.7	68.2	86.9	13.3
MSCI EM Index	-4.7	3.2	27.6	20.7	13.3	2.5

Source: Bloomberg, VNH Asset Management Ltd. Data for VNAS Total Return and VN30 Total Return (including dividends) is available after July 24 2015. For consistency, figures reflect the respective simple index and not total return. Total return adds 2-3% to annual index performance reflecting the index dividend yield.

Manager Commentary

Up & down & up again – & more up than down to come

February saw the global mini-crash, followed by quick recovery. Vietnam had its double-digit index rise of the year's first five weeks quickly erased, only to reappear. Overall, then, the Vietnam All Share Index (total return basis) was almost unchanged locally on the month, or down just 0.2% in dollar terms; while the VNH fund rose 0.1% to an NAV per share of USD 3.429. Calendar year to date, the VNH fund's rise of 9.8% nearly matches that of the total-return index in dollars.

We made the point last month that valuations have now become pretty full among many leading stocks. Note that the VNAS, a fairer index than the more widely quoted VN-Index because it adjusts for free float, trades at 17.6x trailing earnings as opposed to the VNI's 20.6x. Also, plenty of value still exists in mid-caps, which are on below 12x. Meanwhile, the long term earnings upcycle remains intact, with the double digit EPS growth of 2017 set to be repeated in 2018. Overall we can no longer point to Vietnam's relative cheapness – it no longer trades at a discount to either frontier markets or ASEAN ones in aggregate. But with the good earnings momentum and the process of it being "discovered" by many global investors still playing out (net foreign buying USD 520m YTD), it remains too early to call time on the country's bull market.

The March 2007 VN-Index record of 1170 is set to be broken very soon. This will be viewed favourably by chartists. More fundamentally, it is worth contrasting the circumstances of now compared with 11 years ago.

At that time Vietnam was a tiny market, barely investable, being chased by a huge wave of new Vietnam funds. It reached a trailing PER of 42x, just as policymakers were beginning to bask in complacency from having successfully joined the WTO. Today, a full but fair 2018 VNAS multiple of around 17x applies to a serious market approaching USD 200bn of market cap, where policymaking is showing increasing technocratic competence. The fair weather on earnings starts with banking. Virtually all listed banks are seeing earnings growth, some spectacular, on the basis of hard provisioning work being mostly done and a buoyant credit and deposit outlook. Healthy banking conditions are normally a critical element to a happy equity market, and this is what Vietnam is set to continue to enjoy.

For the first time we have data for the start of 2018 that is clean in allowing for Tet holiday timing. Export growth remains great, at 23% YoY in the year's first two months, import growth 15%, making a trade surplus of USD 1.1bn. Industrial production (up 15%), retail sales (up 8.7% in real terms), FDI disbursement (up 9.7%), and tourist arrivals (up 30%) are all suggestive of strong first quarter GDP growth, amid reasonable inflation of 3.2% YoY for February.

Trump's likely coming tariffs on steel and aluminium will not much affect Vietnam's economy (though they could of course cloud the global investment environment), because only a tiny percentage of her exports are in these sectors. More than 65% of exports currently are in phones/electronics/PCs (c.31.5%), textiles/garments/footwear (c.20%), and primary commodities (c.15%) – not sectors at the heart of western political focus.

LSE Market Maker

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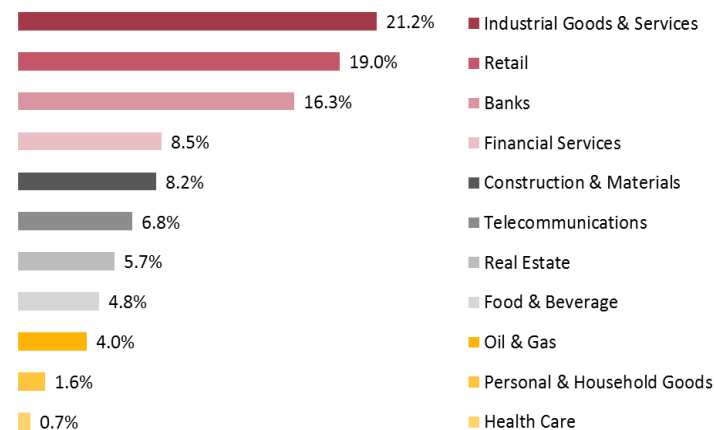
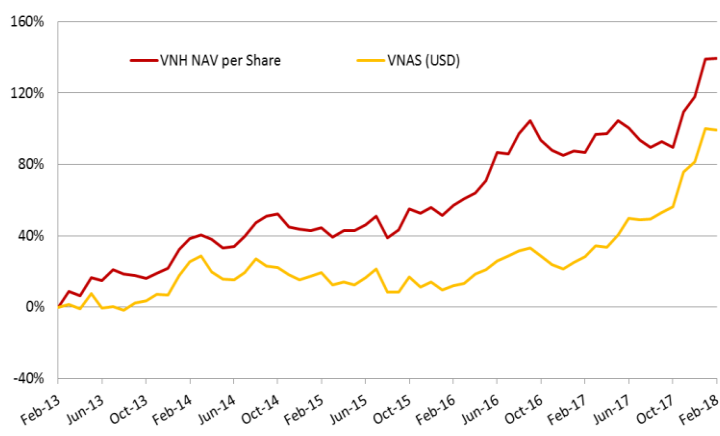
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Sector Weights

Rolling 5YR

Vietnam Macro

	2017	YTD
GDP Growth	6.8%	N/A
CPI (YOY)	2.6%	3.2%
FX Rate (USD/VND)	22,709	22,757
FX Rate YTD Change (%)	-0.3%	0.21%
Export (USD bn)	214.0	33.6
Import (USD bn)	211.1	32.5
Trade Balance (USD bn)	2.9	1.1
FDI commitments (USD bn)	35.9	3.3
FDI disbursement (USD bn)	17.5	1.7
FDI no. of new project approvals	2,591	411
	Dec 2017	Feb 2018
Retail sales growth (Nominal YOY)	10.9%	13.2%
Purchasing Managers' Index (Nikkei)	52.5	53.5

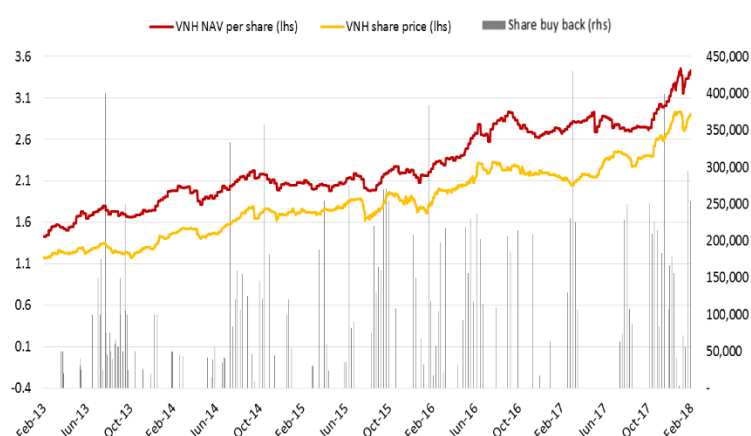
Source: GSO, Customs, Bloomberg, FiinPro

DISCLAIMER

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Top 10

Company	Sector	NAV (%)
Phu Nhuan Jewelry	PNJ Retail	10.8%
Hoa Phat Group	HPG Industrial	10.8%
Viet Capital Securities	VCI Financial Services	8.5%
Sai Gon Cargo Service	SCS Industrial	7.4%
FPT Corp	FPT Telecommunications	6.8%
Khang Dien House	KDH Real Estate	5.4%
Bank for Foreign Trade	VCB Banks	5.0%
MB Bank	MBB Banks	4.8%
Vinamilk	VNM Food & Beverage	4.1%
Thien Long Group	TLG Retail	4.1%
Total		67.7%

Share Price – NAV per Share – Buybacks

Fund Information

Structure	Closed-end fund
Listed	London Stock Exchange
LSE Ticker	VNH LN
Inception Date	30 June 2006
NAV Frequency	Daily starting from Jan 2018
Management fee	2.00% on NAV below USD 100m 1.75% on NAV between USD 100-150m 1.50% on NAV above USD 150m
Performance fee	15% (hurdle rate 5%)
AIM Nominated Advisor	finnCap
Administrator & Custodian	Standard Chartered Bank
ISIN	KYG9361X1043
Bloomberg Ticker	VNH LN Equity
Clearing	CREST / Euroclear / Clearstream
Settlement	BIC Code: SCBLSGSG
Quotation	LSE direct feed VNH LN
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