

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 212,961,423
Shares in Issue	70,906,595
NAV/share	USD 3.003
Cash	5.7%
Number of investments	27
AIM Capitalization (USD m)	185.3
Median Portfolio Company Market Cap (USD m)	376.6
Share Price Discount to NAV	13.0%
Total Expense Ratio (12M rolling)	2.6%
30-Day Avg Trading Value (USD)	420,200
P/E Ratio (12M Trailing)	15.4x
Dividend Yield	1.9%
PEG (2017-2019)	0.6x
EPS Growth (2017-2019 CAGR)	19.3%

Market Statistics

	VNASTR	VN30TR
Index	966.3	1,008.2
Monthly change (USD)	12.6%	13.5%
YTD change (USD)	48.5%	53.9%
YOY change (USD)	45.8%	52.7%
P/E Ratio (12M Trailing)	16.5	18.6
P/B Ratio	2.2x	2.8x
Dividend Yield	2.1%	1.7%
Market capitalization (USD bn)	91.4	77.7
30-Day Avg Trading Value (USD m)	154.9	94.5
30-Day Avg Trading Value (Shs m)	153.5	52.6

Performance

Figures in %	1M	YTD	1YR	3YR	5YR	5YR CAGR
VNH NAV per share	10.5	13.3	11.6	44.5	142.4	19.4
VNH Share price	8.7	17.7	18.2	49.7	175.1	22.4
VNAS (USD)	12.6	45.0	42.1	48.5	113.9	16.4
VN30 (USD)	13.4	50.5	48.9	44.9	95.1	14.3
MSCI EM Index	0.2	30.0	29.9	11.6	11.3	2.2

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

Goldilocks gets effervescent

After invoking the most famous character of the writer Robert Southey on this page two months ago, in describing the moderate, sustainable-looking characteristics of Vietnam's five year old bull market, it is only responsible for us to report that this is the month that the blond-haired girl turned ebullient. The Vietnam All Share Index (total return, dollars) put on 12.6% in the month, bringing the year-to-date rise to a near-top-of-world 48.5%. Thus, at 16.5x trailing earnings, suddenly Vietnam as a whole has decisively left territory that can be described as "unambiguously cheap". The VNH fund's **NAV per share rose 10.5% in the month to USD 3.003**, putting its year-to-date rise at 22.8% excluding share capital corporate actions and 13.3% including them.

Valuations in Vietnam have in total risen by over half in the past five years, prompting the reasonable question "Can they go higher and is the Vietnam bull market over?"

Our answer is that, given the continued double-digit earnings per share growth that we foresee for the market, valuations can probably expand further, perhaps even into the twenties in terms of trailing price/earnings ratio. However, such a level would be quite far enough for a sober-minded fundamental investor, suggesting that the "rerating" of the Vietnam stock market is now at least half-over. We expect continued good market sentiment for Vietnam into and through 2018, but in the background, as and if this happens, we point to the decreasing scope for further aggregate valuation uplift – which will put the burden for further gains beyond that

squarely on the shoulders of sustainable earnings per share growth.

Under such circumstances, tight stock selectivity will become more important, as easy index gains – from the second part of 2018 - become a dimmer prospect in the coming few years. The good news is that, with an unusually high number of listed stocks (circa 1300) to choose from for its comparably still-modest overall market cap size (circa USD 125 billion), there is still plenty of value to be found in Vietnam for a fund that searches for it outside the largest stocks. The VN70 (the next 70 stocks outside the top 30 on the southern bourse) trade at about a 37% trailing P/E discount to the leading VN30, at a multiple of 11-12x. It is here that a new batch of quantum gains will be achievable in the coming three to five years, and it is here that VNH will be concentrating its efforts. It is noteworthy that our relatively modest size of USD213 million makes this an achievable strategy for us.

The government's privatization program, as ever slower than its targets, is nevertheless proceeding much better than at any point in the past decade, with over USD 1 billion raised so far this year. The forthcoming auction – scheduled for 18 December - of a majority stake in leading local brewer Sabeco will be a key event: is there a global brewer out there prepared to pay an eye-watering 48x earnings for a major piece of Vietnam's big and still-growing beer market? If so, Goldilocks will stay effervescent and might even show signs of having discovered recreational drugs. If not, a near-term pause to her bubbly sentiment might take hold. In general, more stock supply, sensibly priced, from the government will engender still-greater investor demand for Vietnam.

LSE Market Maker

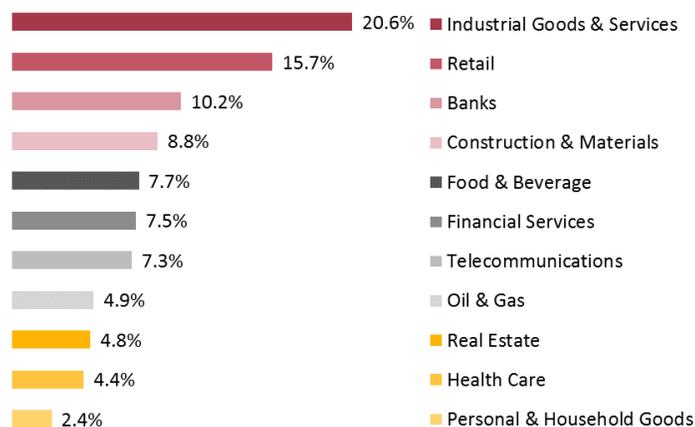
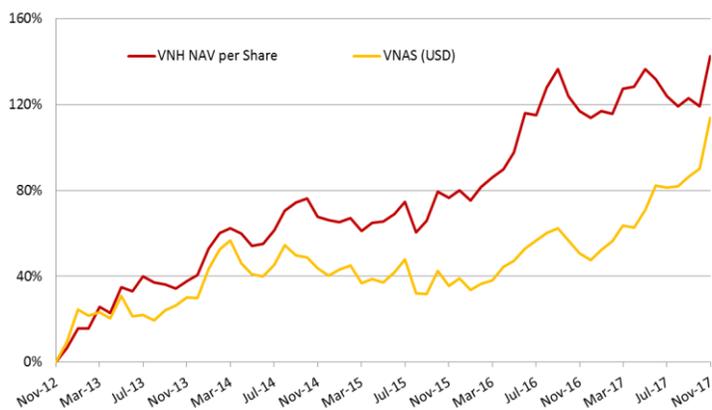
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Sector Weights

Rolling 5YR

Vietnam Macro

	2016	YTD
GDP Growth	6.2%	6.4%
CPI (YOY)	4.7%	2.6%
FX Rate (USD/VND)	22,771	22,719.5
FX Rate YTD Change (%)	1.3%	-0.2%

Export (USD bn)	176.6	194.5
Import (USD bn)	174.1	191.3
Trade Balance (USD bn)	2.5	3.2

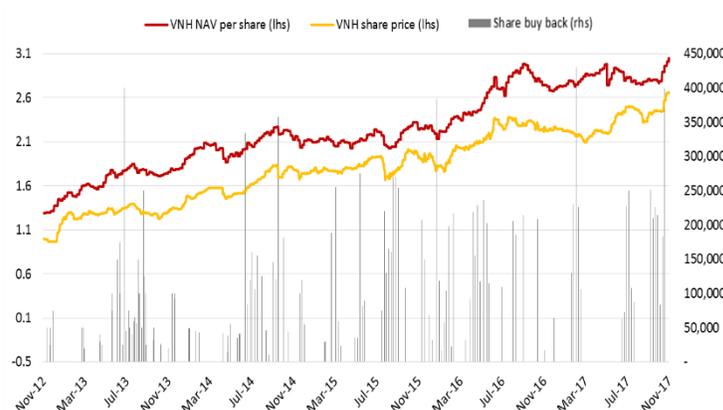
FDI commitments (USD bn)	24.4	33.1
FDI disbursement (USD bn)	15.8	16.0
FDI no. of new project approvals	2,556	2,293

	Dec 2016	Nov 2017
Retail sales growth (Nominal YOY)	10.2%	10.7%
Purchasing Managers' Index (Nikkei)	52.4	51.4

Source: GSO, Customs, Bloomberg, FiiPro

Top 10

Company	Sector	NAV (%)
Phu Nhuan Jewelry	PNJ Retail	9.0%
Viet Capital Securities	VCI Financial Services	7.5%
Hoa Phat Group	HPG Industrial	7.5%
FPT Corporation	FPT Telecommunications	7.3%
Sai Gon Cargo Service	SCS Industrial	5.8%
PV Transportation	PVT Oil & Gas	4.9%
Khang Dien House	KDH Real Estate	4.8%
Power Construction 1	PC1 Construction	4.5%
Vinamilk	VNM Food & Beverage	4.4%
Thien Long Group	TLG Retail	4.3%
Total		59.9%

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	Weekly
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
	www.vietnamholding.com

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