



VietNam Holding Ltd. (VNH) is a value investor, aiming to generate high risk-adjusted returns by combining rigorous financial analysis with interactive sustainability research. Its current investment themes are agriculture, domestic consumption and urbanization. VNH is listed on both the London and the Frankfurt stock exchanges.

Fund Statistics

Total NAV USD 132,626,265

NAV per share USD 2.182

Shares in issue 60,775,534

Treasury shares 6,761,706

Equity investments 93.21%

Number of investments 22

Vietnam News

For the first ten months of 2014, Vietnam registered a US\$1.9bn trade surplus, thanks primarily to the foreign-invested sector. The domestic business community racked up a US\$11.9bn trade deficit (on exports of US\$40.6bn and imports of US\$52.5bn), while the foreign-invested sector more than compensated with a US\$13.8bn trade surplus on exports of US\$82.5bn.

The number of FDI (foreign direct investment) projects so far this year is up 24% YoY, at just over 1,300. However, the amount of capital pledged is down 24% YoY, at just under US\$10bn. A further US\$3.7bn has been pledged by existing FDI projects, taking the total to US\$13.7bn. More importantly perhaps, actual disbursements of FDI were estimated to be US\$10.2bn in the first ten months of 2014 – an increase of 6% YoY.

The HSBC Purchasing Managers' Index was 51.0 in October, down from 51.7 in September, but still above the critical 50-mark that indicates increasing rates of growth for the 14th month in a row. Job creation was reported to be at a nine-month high, with new orders and output both increasing. Production volumes have risen for the last 13 consecutive months.

The Ministry of Finance has let it be known that it would like to do a US\$1bn sovereign bond issue, primarily to restructure earlier debts. It would be the first such issuance by Hanoi since 2010. In July Moody's raised Vietnam's credit rating

by one notch, to B1, with a stable outlook. Fitch has followed suit with a re-rating of BB- (the same as S&P), also with a stable outlook.

Vietnam Airlines is in the final stages of preparing its IPO for November, and the government plans to try to accelerate the sluggish equitization process by establishing a new working group. Meanwhile the Ministry of Transport has advised the National Assembly (currently in session) that the cost of the controversial new airport for Ho Chi Minh City would cost US\$18.7bn.

Since the Vietnam All Share Index (VNAS) hit another resistance point at 608.5 on October 6, it ended the month at 587.6, down 0.4%. By comparison, the VNI finished the month at 600.8, up 0.3%.

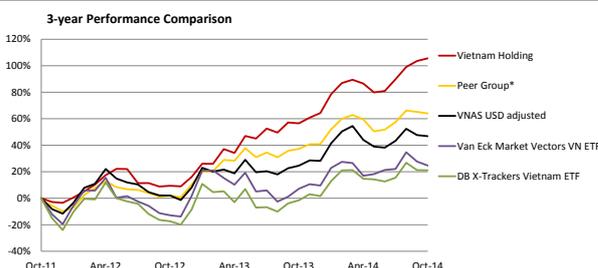
Side note: as previously announced VNH's investment manager VietNam Holding Asset Management (VNHAM) earned a performance fee of over US\$950,000 for the financial year ended 30 June 2014. As agreed VNHAM donated one third of that amount to the VNH Foundation. Since the VNH Foundation was established in 2007, it has accumulated US\$1.67mn in donations, of which US\$1.45mn from VNHAM and US\$226,130 from private donors. This latest donation allows the VNH Foundation to increase its activities in support of marginalized children in Vietnam. The foundation's projects can be found on www.vnhfoundation.com.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Philippines	21.1	2.9	2.1
Indonesia	19.7	2.6	1.9
India	19.3	3.1	1.4
Thailand	18.7	2.3	2.9
Malaysia	16.2	1.9	3.1
Vietnam: VNAS	13.3	1.7	3.4
China	11.5	1.5	2.8

Source: Bloomberg.

NAV Performance vs VNAS, Peer Group and ETFs



Source: Bloomberg. *Weighted average of DW/SVF, PXPVF, VEH and VEIL.

VNH Insights

The readers of this report may have read a copy of the Barron's positive analysis of Vietnam's equity market, published last week. Barron's commented on a commendable performance of the two Vietnam Exchange Traded Funds (ETFs).

ETFs have become the low-hanging fruits for global investors. In many markets ETFs are indeed viable investment options for many investors.

Yet – they do not work in any market. A notable case-study is Vietnam. Over 3 years, the two Vietnam ETFs underperformed the Vietnam All Share Index (VNAS) by 22.2% and 25.7% respectively. The VNI in turn underperformed the VNAS by 5.8%

The Deutsche Bank x-tracker Vietnam has an asset base of US\$410mn. Its expense ratio is 0.85%. The Van Eck Market Vectors Vietnam ETF has a NAV of US\$554mn. Its expense ratio is 0.7%. Most actively-managed Vietnam country funds have a total expense ratio (TER) between 2% and 3%.

The weighted average of the VNH peer group did substantially better and outperformed the VNAS by 17.2%, despite their higher annual expenses. That is 39.4% higher than the "less bad" of the two ETFs, and of course fully accounts for the higher TER. Active management indeed justifies the higher costs!

VNH's three year outperformance of the VNAS was 58.8%. VNH has outperformed the better of the two ETFs by a full 81% over the same period.

There are several reasons why ETFs do not work in Vietnam:

- They are limited to a selection of high-liquidity shares. DB's diversification reflects this: 83% of their assets are invested in only 10 positions.
- The ETFs are unable to invest in the best shares, namely those where the foreign ownership limit of 49% has been reached.
- They are a victim of their size. Their combined size is more than 15% of the free float. When they buy shares, they inflate the share prices. When they sell, they drive the prices down.

Fund Facts

Domicile	Cayman Islands
Admission	15 June 2006
Exchanges	London AIM Frankfurt Entry Standard
Management Fee	2.00% for NAV < \$100M 1.75% for NAV > \$100-150M 1.50% for NAV > \$150M
Performance Fee	15% (hurdle rate 5%)
LSE Ticker	VNH
Bloomberg Ticker	VNH LN Equity
ISIN	KYG9361X1043

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Net Asset Value / Portfolio

NAV per Share Performance

Last month	0.97%
Year-to-date	25.11%
Last 12 months	31.29%

Portfolio Statistics

P/E (trailing)	11.6x
Dividend yield	3.15%
PEG (trailing)	1.02
PEG (forward)	0.96
Beta	0.86

Median market cap / investment (USD million)	143.79
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Share Price / Discount

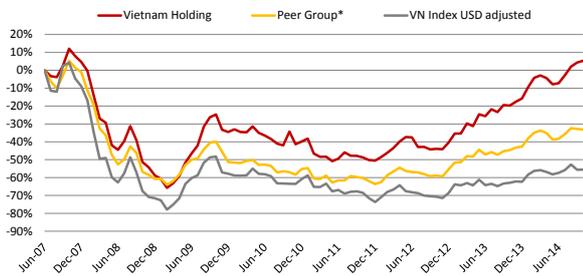
Share Price Performance

Last month	-4.78%
Year-to-date	32.16%
Last 12 months	43.34%
Sharpe ratio	3.14
Alpha	0.51
Beta	0.44
Market capitalisation (USD million)	103.01

Share Price Discount to NAV

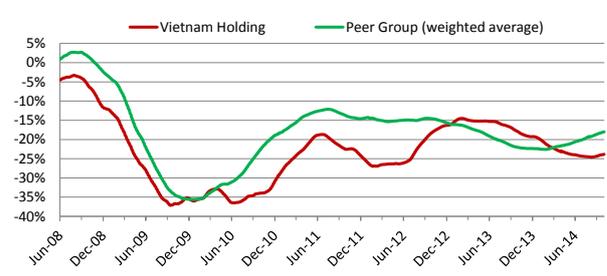
VNH 52 weeks average	23.85%
Peer Group 52 weeks weighted average	18.00%
Operating Expense Ratio (12 month rolling)	3.02%

NAV Performance vs. VN Index and Peer Group



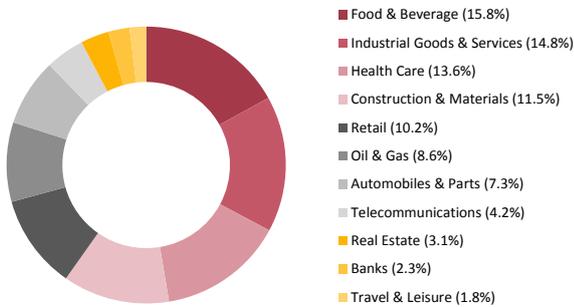
Source: Bloomberg. *Weighted average of DWSVF, PXPVF, VEI and VEIL.

52-week average Share Price Discount to NAV per Share



Source: Bloomberg and Morningstar. Peer Group: Dragon's VEIL, PXPVF, VEI.

Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
PetroVietnam Drilling	HOSE	8.64%
Hoa Phat Group	HOSE	8.38%
Hau Giang Pharma	HOSE	7.72%
Thien Long Group	HOSE	6.00%
Viconship	HOSE	5.94%
Traphaco	HOSE	5.85%
Vinamilk	HOSE	5.61%
Binh Minh Plastic	HOSE	5.54%
Danang Rubber	HOSE	5.24%
Phu Nhuan Jewelry	HOSE	4.23%

London Stock Exchange Market Makers

Winterflood	Richard Browne +44 203 100 0251	Oriel Securities	Shayne Barge +44 207 710 7665
Jefferies	Michele White +44 207 898 7127	Numis Securities	David Cumming +44 207 260 1376
JPM Cazenove	Steven Cheshire +44 207 155 8063	LCF Rothschild	Johnny Hewitson +44 207 845 5960
Investec	Peter Brown +44 207 597 5063	finnCap	James Simpson +44 207 220 0558

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