



VietNam Holding Ltd. (VNH) is a value investor, aiming to generate high risk-adjusted returns by combining rigorous financial analysis with interactive sustainability research. The fund is an attractive opportunity to participate in the further development of one of the world's fastest growing emerging markets. VNH is listed on both the London and the Frankfurt stock exchanges.

Fund Statistics

Total NAV USD 68,469,288

NAV per share USD 1.268

NAV last month 0.09%

NAV last 12 months 9.37%

Equity investments 96.20%

Number of investments 28

Vietnam News

The VNI ended August down 4.45%, and the HNX dropped 11.22% over the month. The main culprit was local investor reaction to the surprise arrest of a well-known business tycoon, Nguyen Duc Kien, and the former CEO of Asia Commercial Bank, Ly Xuan Hai. It is alleged that Kien – who was one of Asia Commercial Bank's founding shareholders – used three Hanoi-based property companies that he controlled as vehicles to illicitly acquire positions in a number of local banks. Hai's arrest a few days later is believed to be in connection with these activities, in what prosecutors are likely to claim was collusion.

Kien is believed to have significant equity stakes in a number of local banks, and some observers have suggested that he may have been involved in the aborted take-over attempt of Sacombank earlier this year. Investors became jittery, although rumours that floated in the market about senior executives at other large firms having also been arrested proved to be unfounded. Nonetheless, many share prices went 'limit-down' in what was a panicky few days for the market.

The blogosphere has spread various speculative theories that Kien's arrest is symptomatic of a much larger 'power play' among Vietnam's senior political leaders. We doubt that any real clarity on these issues will be forthcoming.

Tellingly, however, President Sang used his national day speech to warn of the "degradation of political ideology, morality and lifestyle choices of certain groups of cadres, party members and people in the community".

Such a call for some people to 'clean up their act' will resonate well with those citizens in Vietnam that feel corrupt practices have become excessive of late, and particularly with regard to the SOE sector. The debts accumulated by some of the larger SOEs in particular has become a focal point of contention, as the strategy to develop a dozen or so internationally competitive players in various industries appears to be unwinding. While the aim may have been a valid one, the incoherent way in which it was pursued was not.

Returning to investor business, the news concerning Kien prompted a 10% decline in the VNI over the subsequent three days, with as much as US\$5bn taken out of equity markets that previously had a cumulative capitalization of around US\$37bn.

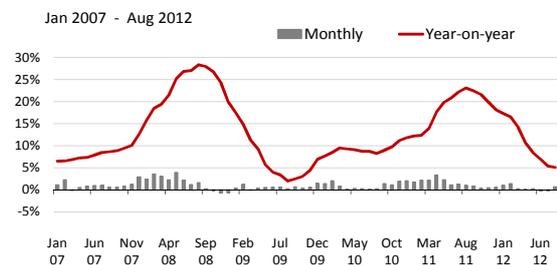
Our portfolio underwent a surprise and severe stress test in August, and came through the experience looking strong.

Regional P/E and Dividend Yield Comparison

	P/E trailing	Dividend Yield
Indonesia	18.27	2.21
Thailand	17.34	3.76
Philippines	16.70	2.54
India	14.96	1.65
Malaysia	14.62	3.54
China Shanghai Comp	11.17	2.81
Vietnam	9.89	4.78

Source: Bloomberg.

Vietnam Consumer Price Index



Source: Bloomberg.

VNH Insights

VietNam Holding's Net Asset Value (NAV) has declined by a modest 0.29%, whereas the NAV per share has remained virtually unchanged, as a result of the share buy backs during the past months. For the first two months of this new business year, the NAV / share decreased by 2.08% compared to a decline of the VNI by 6.23%.

The government has revised its GDP growth target for 2012, from 6.0-6.5% to 5.2%, after witnessing 4.4% growth in 1H2012. The Purchasing Manager's Index (PMI) increased to 47.9 in August from 43.6 in July. This suggests that while business activity is still contracting (i.e. a figure of below 50), the pace of contraction is slowing. The new export orders sub-index of the PMI was 49.3, and the employment sub-index was 49.8, suggesting that the recent trend in layoffs has virtually ended. Inflation of 0.6% MoM in August took the YoY rate to a modest 5%. It appears that Vietnam is on the verge of a recovery period.

Perhaps the single biggest ray of sunshine is to be found in the trade figures, with export earnings still out-pacing imports. In the first eight months of 2012, total exports amounted to US\$73.3bn; an increase of 17.8% on the same period in 2011.

On the corporate governance front, the Ministry of Finance has issued a new Circular, which becomes active in September, stating that at least one third of the members on the management board (i.e. the Board of Directors) of large-scale public and/or listed companies must be non-executive. It also gives guidance on the audit committee function and that at least one member of the committee must be an accredited accountant or auditor. This is basic stuff, but is welcome nonetheless, issued only one month after SOEs were instructed to start disseminating their financial statements on their company websites. It is a process of many small steps leading in the right direction.

Fund Facts

Domicile	Cayman Islands
Admission	15 June 2006
Exchanges	London AIM Frankfurt Entry Standard
Management Fee	2%
Performance Fee	20% (hurdle rate 5%)
Shares in issuance	54,013,112
LSE Ticker	VNH
Bloomberg Ticker	VNH LN Equity
Reuters RIC	VNHq.L
ISIN	KYG9361X1043

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Net Asset Value

Lowest NAV per Share since inception	USD 0.76
Highest NAV per Share since inception	USD 2.49
Positive Months	44.59%
Worst Month	-20.23%
Best Month	18.32%
Maximum Drawdown	-69.42%
Volatility p.a.	25.68%

Performance NAV per Share

Last 3 Months	-2.16%
Year-to-Date	15.44%
Since inception annualized	-6.52%

Share Price

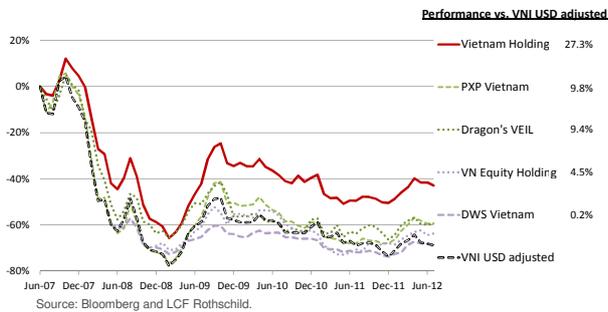
Share Price	USD 1.02
Discount to Net Asset Value	-19.54%
Market Capitalisation	USD 55.09M
Lowest Share Price since inception	USD 0.24
Highest Share Price since inception	USD 2.85

Performance

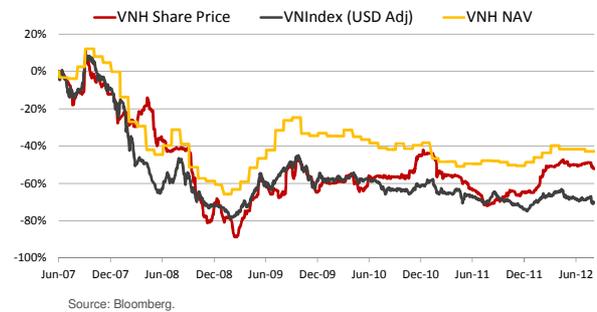
Last Month	-5.15%
Last 3 Months	-6.25%
Year-to-Date	35.45%
Last 12 Months	65.31%

Portfolio TER	PEG (forward): 0.52	Beta: 0.68	P/E (trailing): 6.95x
	3.89% (FY 2012)		

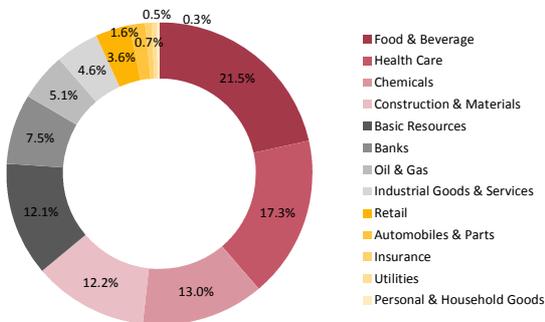
NAV Performance vs. VN Index and Peer Group



Share Price vs. NAV and VN Index



Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
AnGiang Plant Protection	OTC	11.54%
Vinamilk	HOSE	9.80%
Hau Giang Pharma	HOSE	8.38%
Hung Vuong Corporation	HOSE	6.45%
Binh Minh Plastic	HOSE	5.13%
Eximbank	HOSE	4.97%
Dong Phu Rubber	HOSE	4.95%
Dabaco Group	HNX	4.44%
Viconship	HOSE	3.71%
Petrovietnam Drilling	HOSE	3.59%

London Stock Exchange Market Makers

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