



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 two main investment themes are agriculture and domestic consumption. VNH is listed on both the London and the Frankfurt stock exchanges.

Fund Statistics

Total NAV USD 123,967,257

NAV per share USD 1.999

Shares in issue 62,024,175

Treasury shares 5,513,065

Equity investments 97.91%

Number of investments 26

Vietnam News

In a bid to accelerate the divestment of non-core assets by large state-owned enterprises (SOEs), the government has issued regulations that will now permit SOEs to sell such assets at below book value, if so needed. In addition, a government regulation now explicitly prohibits SOEs from investing in 'irrelevant' sectors, thereby locking in the drive to get SOEs to focus only on their core mandates and areas of competence. Both moves are to be welcomed.

In addition, the government has issued regulations intended to streamline the share sale process for SOEs undergoing equitization. Previously, strategic investors in SOEs could not acquire shares at a price less than the average successful bidding price of an IPO auction in that same SOE. This effectively prohibited much-needed strategic investments being consummated until after the public share sale. Now, however, strategic investments can proceed before or simultaneous with an IPO. In the coming months, both Vinatex and Vietnam Airlines are expected to enact IPOs.

Microsoft announced in July that it is to relocate much of its recently-acquired Nokia mobile phone manufacturing activity in China to three other locations, including Vietnam. In doing so, it will be joining the likes of Samsung and Intel that have made substantial investments in the country. In addition to having built their biggest-ever chip plant in Vietnam, Intel announced that it is building its

first central processing unit (CPU) plant in Vietnam. The company expects that by year-end, around 80% of its global production in CPUs will be manufactured in the country.

Inflationary forces remain benign. Prices rose just 0.62% MoM in July, taking the YTD figure to 1.62% and the YoY figure to 4.94%. And after the 1% devaluation enacted by the central bank in June, the VND actually appreciated against the USD in July, ending the month at 21,218 to the greenback. Moody's also revised Vietnam's long-term foreign currency credit rating, up from B2 to B1, with a positive outlook, citing improved macro-economic stability, an improving balance of payments, and a lessening of risks in the banking sector.

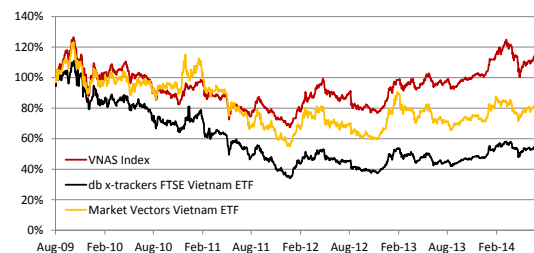
Bilateral relations with the US continue to improve. In July, the Senate Committee on Foreign Relations gave a green light to the export of nuclear information and equipment to Vietnam for civilian energy use. Meanwhile, Hanoi used a visit by Bill Clinton to press for a lifting of the US ban on lethal weapons trade with Vietnam (trade in 'non-lethal defence items' have been permitted, on a case-by-case basis, since 2007).

In mid-July, China withdrew its controversial oil rig from waters claimed by Vietnam, in a de-escalation of recent tensions between Beijing and Hanoi over disputed offshore territories.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Indonesia	20.2	2.7	2.0
Philippines	19.9	2.8	2.2
India	18.3	2.8	1.6
Thailand	17.5	2.2	3.1
Malaysia	16.8	2.0	3.0
Vietnam: VNAS	12.7	1.6	3.7
China	10.7	1.4	3.1

Source: Bloomberg.

VNAS Index vs. Vietnam ETFs Performance Comparison

Source: Bloomberg.

VNH Insights

The Vietnam All Share Index (VNAS) rose by 3.1% in July, to end the month at 571.82. Recent new listings, such as PetroVietnam Gas, have helped take the capitalization of HCM City's stock market to over US\$52bn, despite only being 14 years old. July saw the successful listing of Mobile World, a mobile phone retailer, with a share price that values the company at around US\$240m. It is estimated that Vietnam now has over 98m mobile phones in operation; more than one for every person in a country of 90m citizens.

The two overseas-listed Vietnam exchange traded funds (ETFs) have woefully under-performed the indices, as the chart above shows. This lack of performance is no obstacle to plans to launch the country's first domestic ETF, which is due to list shortly and aims to track the VN30 benchmark index of large cap stocks. As a local entity it will presumably not be subject to the 49% cap on foreign holdings in listed companies, and should therefore be better able to track the index than its overseas-listed peers. This should allow the domestic ETF to perform substantially better than its foreign peers.

Vinamilk's (VNM) dairy farm in Nghe An province is the first business in all of Southeast Asia to receive a Global Good Agriculture Practice certificate. In addition, the company is commissioning one of the world's most advanced dairy processing installations, details of which can be found [here](#).

VNH has been a shareholder of Vinamilk ever since December 2006. At the beginning of the fiscal year 2013/2014, VNH held 8.5% of its NAV in Vinamilk shares. Since then VNH has further reduced its VNM exposure to 6.5% of the July 31, 2014 NAV – less than all its peers, who as of their most recent reports are holding between 8.4% and 23.8% of VNM in their respective funds. Since June 30, 2013 VNM has under-performed the VNAS by 13.4%. This rebalancing does not suggest that we think Vinamilk has lost its Midas touch. It is a reflection of our conviction that VNM's valuations have reached levels which no longer reflected reasonable value. If and when VNM is more realistically valued, we may well increase Vinamilk's weighting in the VNH portfolio again.

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	4.06%
Last 3 months	0.94%
Year-to-date	14.62%
Last 12 months	23.40%

Portfolio Statistics

P/E (trailing)	11.03x
Dividend yield	3.46%
PEG (forward)	0.74
Beta	0.92
Median market cap / investment (USD million)	133.51

Total Expense Ratio (unaudited) 3.22% (FY 2014)

Share Price / Discount

Share Price Performance

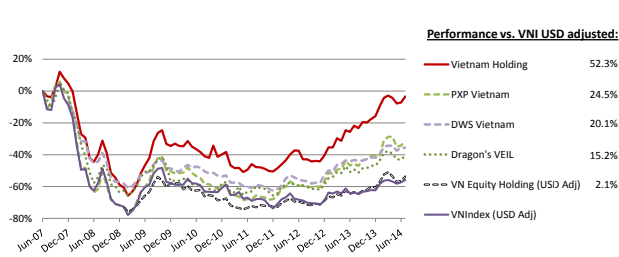
Last month	7.69%
Last 3 months	3.36%
Year-to-date	22.81%
Last 12 months	21.39%

Market capitalisation USD 97.69M

Share Price Discount to NAV

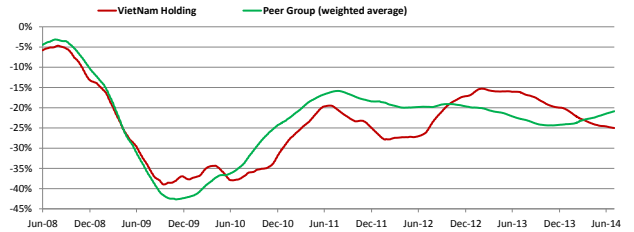
VNH 52 weeks average	25.02%
Peer Group 52 weeks weighted average	20.87%

NAV Performance vs. VN Index and Peer Group



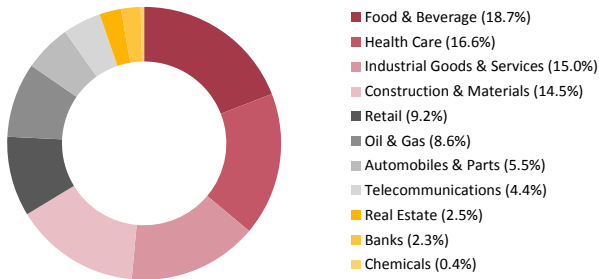
Source: Bloomberg and LCF Rothschild.

52 Weeks average Share Price Discount to NAV per Share



Source: Bloomberg and LCF Rothschild. Peer Group: Dragon's VEIL, PXPVF, VEH.

Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
Hoa Phat Group	HOSE	8.70%
PetroVietnam Drilling	HOSE	8.65%
Hau Giang Pharma	HOSE	8.19%
Vinamilk	HOSE	6.48%
Binh Minh Plastic	HOSE	6.23%
Traphaco	HOSE	6.06%
Viconship	HOSE	5.87%
Danang Rubber	HOSE	5.36%
Hung Vuong Corporation	HOSE	5.29%
FPT Corporation	HOSE	4.43%

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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