



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 62,411,550	NAV per share	USD 1.143
NAV p/s last month	4.13%	NAV p/s last 12 mths	-16.56%
Equity investments	89.10%	Number of investments	29

Vietnam News

Goodbye to the lunar year of the Rabbit, and welcome to the year of the Dragon. January was an unusually short month for Vietnam, as the lunar new year holiday ('Tet') came early. Nonetheless, both the VND and the equity markets rallied slightly in January, ahead of the holiday. The benchmark VNI ended January at 388, on relatively strong trading volumes. There was also some good news on the trade front, with a deficit of just US\$100m recorded for the month, according to preliminary figures, on exports of US\$6.5bn and imports of US\$6.6bn.

But perhaps the most welcome news was the announcement that MoM inflation was just 1% in January (the lowest monthly rise in January for over a decade), taking the YoY inflation figure down to 17.3%, compared with 18.1% in December. The struggle against high inflation seems to be gaining traction. The central bank signalled that it will likely move to lower interest rates in March or April. The yield on the benchmark five-year government bonds remains at around 12.4%. The central bank also said that it expects the VND to depreciate by no more than 2-3% against the USD in 2012, compared with the 7.4% contraction seen in 2011.

The main reason for the renewed market confidence by local investors was directly linked to the continuing decline of the inflation rate. Expectations of an easing of the very tight liquidity are becoming increasingly realistic.

The regular reader of this report will recall our mantra launched in 2010 that the equity markets in Vietnam were suffering first and foremost from the lack of coherent and consistent monetary policies during the past few years. The CPI chart below shows the results of a succession of periods of overly expansive monetary policies followed by periods of drastic liquidity withdrawals.

Last year's promise by the government to address inflation as a matter of urgency has been delivered by its new policies for sustainable growth and the appointment of a new central bank governor. The positive results are setting the stage for the central bank to relax their monetary grip, which should give the tentative market rally longer legs.

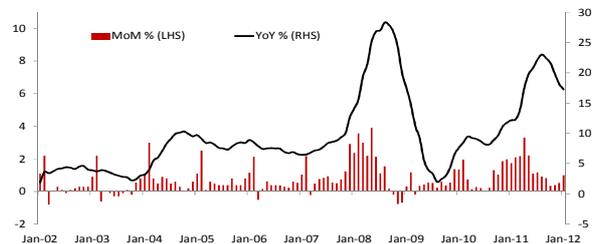
A different kind of news: A new national tax on plastic bags came into force on 1st January, in a bid to reduce plastic use by 40% before 2015. A kilogramme of plastic bags now incurs a tax of over USD 2.00 equivalent.

Regional P/E Comparison

Indonesia	17.46
Philippines	16.72
Malaysia	16.23
India	15.61
Thailand	14.09
China Shanghai Comp	12.00
Vietnam	7.91

Source: Bloomberg.

Vietnam CPI



Source: Bloomberg.

VNH Insights

The Vietnam equity market started the new year – or finished the old year, depending on the definition – with a bang. As is often the case during the initial phases of an equity rally, the main beneficiaries were the large-caps.

The VNH net asset value has increased by slightly over 4% in January. Since the end of 2011, the equity investment level has increased from 83% to 89%. The team in Vietnam is continuing its portfolio rebalancing efforts by shifting VNH's exposure from companies with large market capitalizations to small and medium sized enterprises. In January, VNH has accumulated shares in five different smaller companies. The accumulation of positions in these attractively valued companies is a relatively slow and laborious process. VNH's portfolio P/E of 6.07 continues to be well below the price/earnings rate of the companies listed on the Ho Chi Minh Stock Exchange.

UBS Investment Research has published a report on Feb. 2, 2012 with the title "Vietnam: Ready, set...". Referring to the monetary policies, it points to the same "fruits of austerity" as the virtues we have extolled above.

The report also looks at the external balances and predicts both narrowing trade balances and that the current account balance will turn positive in 2012 due to an anticipated strong export performance in combination with reduced gold imports.

The report concludes that "monetary policy is as tight as it gets" and expects monetary easing, including policy rates cuts of around 300bp. This in turn will support the economic recovery during the second half of the year, with a resulting GDP growth of 6.6% for 2012. UBS also anticipates a modest VND depreciation against the USD, in line with global emerging markets.

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	54,582,112
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	USD 0.76
Highest NAV per Share	USD 2.49
Positive Months	43.28%
Worst Month	-20.23%
Best Month	18.32%
Maximum Drawdown	-69.42%
Volatility p.a.	26.63%

Performance NAV per Share

Last 3 Months	0.31%
Year-to-Date	4.13%
Since inception annualized	-8.87%

Share Price

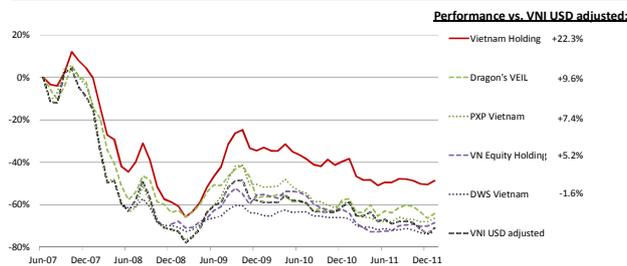
Share Price	USD 0.75
Discount	34.85%
Market Capitalisation	USD 40.66M
Lowest Share Price	USD 0.24
Highest Share Price	USD 2.85

Performance

Last Month	-0.33%
Last 3 Months	1.02%
Year-to-Date	-0.33%
Last 12 Months	-37.26%

Portfolio TER	PEG (2011e): 0.31	Beta: 0.69	P/E (trailing): 6.07
	3.97% (FY 2011)		

NAV Performance vs. VN Index and Peer Group



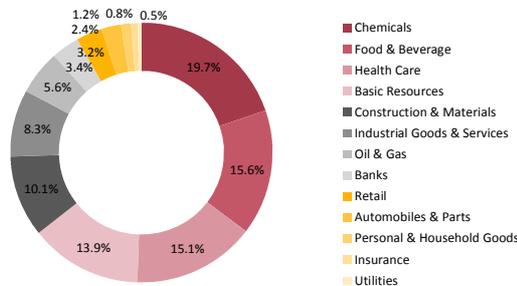
Source: LCF Rothschild.

Share Price vs. NAV and VN Index



Source: Bloomberg.

Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
AnGiang Plant Protection	OTC	12.68%
Vinamilk	HOSE	11.68%
Hau Giang Pharma	HOSE	7.45%
Binh Minh Plastic	HOSE	5.61%
Dong Phu Rubber	HOSE	5.60%
Petrovietnam Fertilizer	HOSE	4.90%
Petrovietnam Drilling	HOSE	4.21%
Imexpharm	HOSE	3.55%
Viconship	HOSE	3.50%
Southern Seeds	HOSE	3.18%

London Stock Exchange Market Makers

Oriel Securities	Shayne Barge +44 207 710 7665
Jefferies	Michele White +44 207 898 7127
JPM Cazenove	Steven Cheshire +44 207 155 8063
HSBC	Hugh Harvey-Kelly +44 207 991 5241

Winterflood	Ben Fuller/Richard Browne +44 207 663 6624
Numis Securities	David Cumming +44 207 260 1376
LCF Rothschild	Johnny Hewitson +44 207 845 5960

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