



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 66,817,875

NAV per share USD 1.237

NAV last month -2.41%

NAV last 12 months 6.97%

Equity investments 95.86%

Number of investments 28

Vietnam News

September proved not to be a particularly inspiring month for Vietnam investors. The VNI fell marginally, to end the month at 392.57; down from 396.02. The HNX declined by almost 14% to close at 55.47. Investors were unsettled by a spate of worrisome news from the banking sector in particular, with further resignations and arrests in and around Asia Commercial Bank. The latest rankings from the Global Competitiveness Index hardly helped improve the mood, with Vietnam slipping from 65th to 75th place, thereby trading places with the Philippines. The WEF comment "Public institutions are characterized by rampant corruption and inefficiencies of all kinds" raised quite a few eyebrows.

But on the macro-economic front, there is some valid cause for cheer, with GDP growth momentum picking up. Vietnam's GDP in 3Q2012 grew by 5.35%, compared with 4.67% in 2Q2012 and 4.14% in 1Q2012. The Industrial Production Index was also up by 9.7% YoY in September. The latest Purchasing Manager's Index figures also suggest things might be stabilizing in the manufacturing sector. The pace of disbursements by foreign direct investors continues to hold firm, at US\$8.1bn during the first nine months of the year, and exports remain a core provider of foreign exchange earnings for the country.

The Asian Development Bank revised its GDP forecasts for Vietnam, from 5.7% to 5.2% for 2012 and from 6.2% to 5.7% for 2013.

The World Bank concurs, having also reduced its GDP forecasts to 5.2% for 2012, and to 5.7% for 2013.

The State Bank of Vietnam continues to walk a policy tight-rope, trying to support a pick-up in the economy through monetary loosening, while at the same time not seeking to stoke any latent inflationary forces that might be lurking. The consumer price index rose 2.2% MoM in September; much of this headline figure was attributable to one-off revisions in government pricing levels for both education and healthcare services. Discounting these, the underlying CPI rose by an acceptable 0.65% MoM in September.

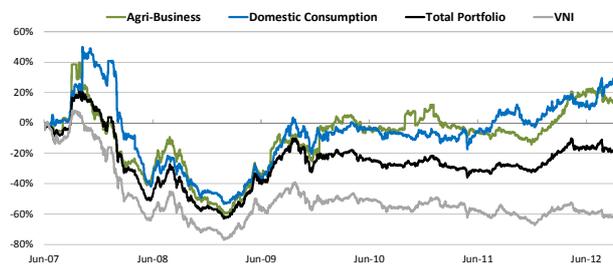
The two main credit ratings agencies took divergent positions on Vietnam in late September. Moody's downgraded Vietnam from B1 (with a negative outlook) to B2 (with a stable outlook), citing weaknesses in the banking system that could adversely impact economic growth, as well as "an elevated risk" of a costly government bailout for the banking sector. In contrast, S&P raised its banking industry country risk assessment (BICRA) for Vietnam from '10' to '9', arguing that the risk of a rapid fall in property prices - and a resultant increase in credit losses - has reduced. Even so, S&P expects that NPL (non-performing loans) levels will continue to increase for the next two years, due to 'portfolio seasoning.'

Regional P/E and Dividend Yield Comparison

	P/E trailing	Dividend Yield
Indonesia	19.06	2.09
Thailand	18.36	3.45
Philippines	17.77	2.49
India	16.11	1.52
Malaysia	14.73	3.53
China Shanghai Comp	11.40	2.76
Vietnam	9.82	4.81

Source: Bloomberg.

VNH Performance Components



Source: Bloomberg and VNHAM as of September 30, 2012.

VNH Insights

Back in July, the government announced that it would give the large State-owned corporations until 2015 to get out of their non-core business activities. Investing in banks, property, insurance, hotels, and even just speculating on the stock market, now must stop. In September, Hanoi went one step further and explicitly told PetroVietnam that it must sell its 78% stake in its finance company. Hanoi also announced that it will reduce the number of such large corporate entities, from eleven at present, to possibly as few as five. Clearly, Hanoi's experiment with developing large and internationally competitive State-owned conglomerates is being scaled back. This comes after the misguided way in which several of them sought to pursue incoherent and opportunistic growth strategies that led to unsustainable debt levels. Large portions of those debts have since mutated into higher NPLs in the banking sector.

Social media and the international press suggested that at least some of the recent arrests in the banking sector are a symptom of a dispute within Vietnam's senior political ranks, largely over the manner in which political power is being conducted.

As October commenced, the Central Committee of the Vietnam Communist Party (VCP) went into an extended session of the 6th plenum. Upon conclusion of the meetings, the General Secretary Nguyen Pho Trong is quoted by Bloomberg News on 16 October as having publicly stated: "The Politburo and Secretariat for many terms now have made some big mistakes, especially having not prevented and remedied corruption and the deterioration among some party members. Some senior officials, those currently in office as well as former ones, have occasionally not been morally good role models through their lifestyles and those of their families. They have significantly impacted the prestige of the party and the state."

Bloomberg further reported that Trong said that "the 175-member Central Committee, which has the power to dismiss top leaders, spared the 14-member Politburo and the one member it said was deserving of punishment."

Investors reacted positively to the news: the VNI was up by 1.96% the same day.

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	44.00%
Worst Month	-20.23%
Best Month	18.32%
Maximum Drawdown	-69.42%
Volatility p.a.	25.52%

Performance NAV per Share

Last 3 Months	-4.47%
Year-to-Date	12.65%
Since inception annualized	-6.80%

Share Price

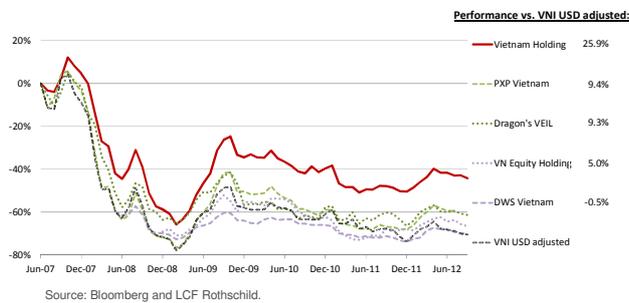
Share Price	USD 1.01
Discount to Net Asset Value	-18.36%
Market Capitalisation	USD 54.55M
Lowest Share Price since inception	USD 0.24
Highest Share Price since inception	USD 2.85

Performance

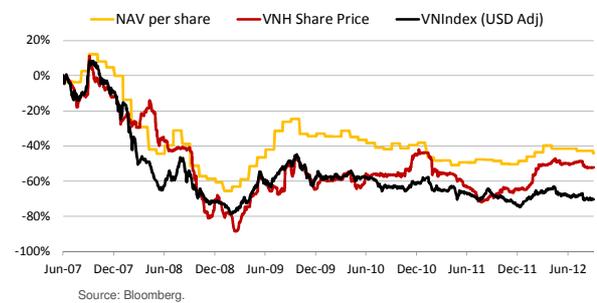
Last Month	-0.25%
Last 3 Months	-4.49%
Year-to-Date	35.12%
Last 12 Months	51.31%

Portfolio TER	PEG (forward): 0.66	Beta: 0.68	P/E (trailing): 7.11x
	3.89% (FY 2012)		

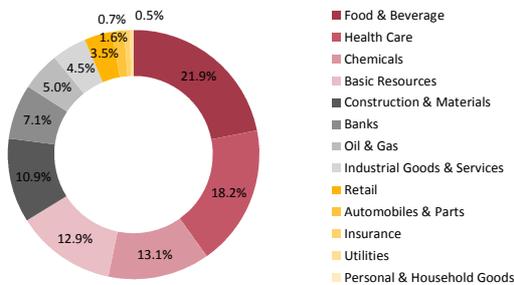
NAV Performance vs. VN Index and Peer Group



Share Price vs. NAV and VN Index



Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
AnGiang Plant Protection	OTC	11.69%
Vinamilk	HOSE	11.17%
Hau Giang Pharma	HOSE	8.45%
Hung Vuong Corporation	HOSE	5.46%
Dong Phu Rubber	HOSE	5.41%
Eximbank	HOSE	4.54%
Binh Minh Plastic	HOSE	4.42%
Dabaco Group	HNX	4.37%
Southern Seeds	HOSE	3.52%
Viconship	HOSE	3.52%

London Stock Exchange Market Makers

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

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