



SMALL COMPANIES

Bargain shares: Exploiting a tender offer

A little known closed-end fund that is a play on secular growth trends in Vietnam has produced eye-catching investment returns this year. It has also devised a way to return cash to shareholders and narrow the unwarranted share price discount to NAV.

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By **Simon Thompson**

- Tender offer for 30 per cent of shares in issue at 2 per cent discount to NAV.
- Excess application facility enables tenders for more than basic entitlement.
- Tender payments to be made in mid-September.
- Fund up 42.1 per cent in 2021, or 8.7 percentage point outperformance of Vietnam All-Share index.

Vietnam Holding (VNH:263p), a little known closed-end fund that holds a concentrated portfolio of mid to small-cap companies to play secular growth trends in Vietnam, has produced eye-catching investment returns this year, even if this is yet to be fully reflected in the company's rating.

The share price of the £112m market capitalisation company is up 30 per cent on an offer-to-bid basis since I included the shares, at 206p, in my market beating **2021 Bargain Shares Portfolio**, but this lags behind the 39 per cent gain in the fund in the same six-month period. The fund has outperformed the Vietnam All-Share index by almost nine percentage points in the calendar year to date, too.

This means that the share price discount to the latest net asset value (NAV) of 326.6p is just shy of 20 per cent, an anomalous rating considering the current outperformance and long-term track record. Vietnam Holding has posted a 10-year NAV compound annual growth rate of 15 per cent, or almost three percentage points higher than its benchmark index.

San Leon Energy	SLE	27.5p	40.75p	0.0p
Wynnstay Group	WYN	424p	560p	10.0p
Vietnam Holding	VNH	201.4p	262p	0.0p
Ramsdens Holdings	RFX	142.8p	170p	0.0p
Springfield Properties	SPR	135.6p	155p	1.3p
Canadian General Investments	CGI	3,611c	3,839c	0.0p
Anexo	ANX	136.9p	140p	0.0p
Arix Bioscience	ARIX	177p	175p	0.0p
Downing Strategic Micro-Cap Investment Trust	DSM	69p	68p	0.0p
Average				
FTSE All-Share Total Return index		7,135	7,992	
FTSE AIM All-Share Total Return index		1,384	1,452	

Sensibly, the investment managers have devised a plan to narrow the discount by offering to conduct a NAV accretive tender for 30 per cent of the 42.3m shares in issue at a 2 per cent discount to NAV. Only shareholders on the register on 2 August can participate and certain overseas shareholders are excluded. This means that you can tender more than 30 per cent of your basic entitlement (closing at 1pm on 26 August) to take advantage of the excess application facility which the company has put in place. That's exactly what I would suggest doing with a view to buying back the shares tendered (expect the tender offer payments to be made during the week of 13 September) at the lower market price. There is certainly more upside given the company's portfolio is valued on 12 times 2021 earnings forecasts, falling to 10 times in 2022.

Furthermore, by adopting this strategy not only will it lower your average cost of your holdings – effectively you will be banking a 55 per cent gain on your entry price on at least 30 per cent of your holding – but if other shareholders follow suit as seems highly likely, then subsequent share repurchases on a reduced share count will have the effect of driving up the share price and markedly narrowing the discount to NAV. It's a win-win situation. Take up the tender offer.

▪ Simon Thompson's latest book **Successful Stock Picking Strategies** and his previous book **Stock Picking for Profit** can be purchased online at **www.ypdbooks.com**, or by telephoning YPDBooks on 01904 431 213 to place an order. The books are being sold through no other source and are priced at £16.95 each plus postage and packaging of £3.25 [UK].

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