



# Vietnam Holding (LSE: VNH)

July 2022



<p><b>c.£88m Market cap</b></p>	<p><b>Closed-end fund listed on LSE Main Market</b></p>	<p><b>Partner owned Manager with locally based team</b></p>	<p><b>+15.9%* p.a. over 10 years</b> <i>Vietnam All Share +9.4%** p.a.</i></p>
<p><b>Nimble stock selection, actively managed, high-conviction portfolio with integrated ESG</b></p>			
<p><b>24</b> holdings Largest holding <b>11.5%</b> Zero gearing</p>	<p>carbon footprint <b>32%</b> lower the Index</p>	<p>Thematic exposures: <b>28%</b> Industrialization <b>18%</b> Consumer <b>19%</b> Urbanization</p>	<p><b>73%</b> Active Share (3y avg.) <b>27%</b> mid &amp; small-cap <b>67%</b> large-cap <i>VN All Share split (30%/70%)</i></p>

# Portfolio

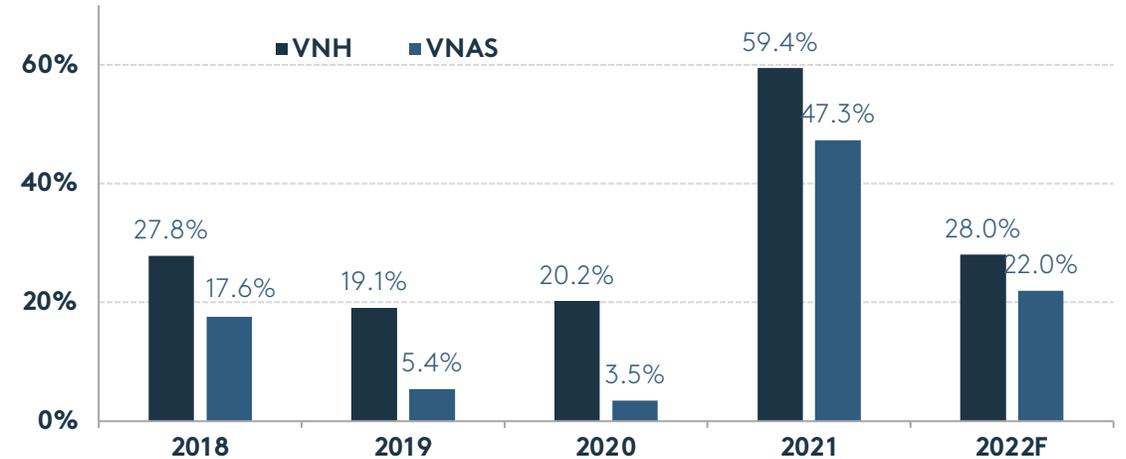
Growth at a Reasonable Price (GARP)



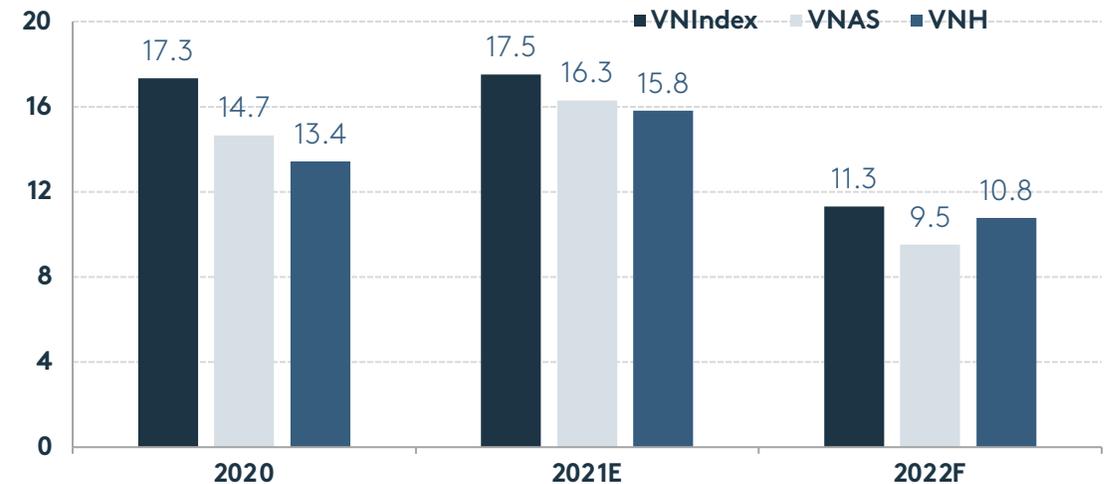
## Investment Criteria

- Compounding long-term EPS growth (c20% pa)
- Attractive valuation with built-in safety margin
- Strong balance sheet and cash flow management
- Industry leaders with strong competitive position
- Best management teams among peers
- Commitment to engagement and improving ESG delivery

## Earnings per share growth



## Valuation (P/E Ratio)





1. **Vietnam:** Asia's Emerging Champion
2. **Vietnam Equity Market:** More Opportunities After the Correction
3. **Vietnam Holding Portfolio:** Sustainable Growth – Strong Track Record
4. **Summary**

# Vietnam at a glance

## Asia's Emerging Champion



### Population

**98.5mn**  
Population  
15<sup>th</sup> in the world



**32.5 years**  
Median age  
Youngest in ASEAN



**85%**  
Ethnic Kinh  
Stable socio-political environment



**98%**  
Literacy rate  
2<sup>nd</sup> highest among top 10 investible FM countries



**>77%**  
Internet penetration  
30% per annum growth in e-commerce



**37%**  
Urbanization rate  
Rapidly increasing



### Economy

**2.58%**  
2021 GDP growth  
30-year average 6.7% pa



**USD31.2bn**  
2021 FDI influx  
The 2<sup>nd</sup> largest share in ASEAN



**2x GDP**  
Total trade  
\$645 billion in 2021



**USD3,000**  
2021 GDP per capita  
High and stable growth



**1.8%**  
2021 Inflation  
Stable macroeconomic



**15**  
FTAs concluded  
2 FTAs in negotiations



### Key export products

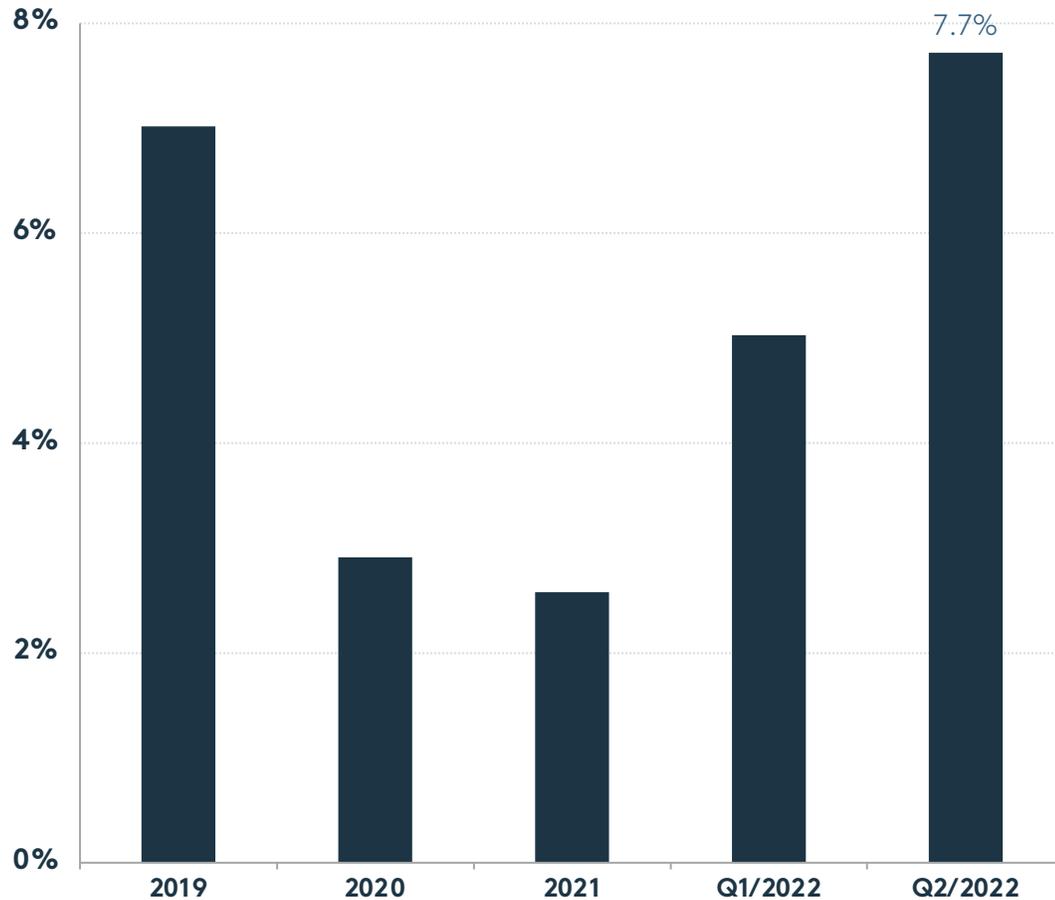
- Telephone & Accessories
- Textiles and garments
- Computer & Electrical Products
- Machinery & Equipment
- Footwear
- Wood & Wooden Products
- Iron Steel

# Vietnam Macro

Strong recovery domestically – but rising external risks



2022 GDP growth expected to be back to long-term level



- Q2 GDP growth was much higher than expected. The full year target of 6.5% is still intact.
- 1H2022 public investment disbursement was slow at 35.3% of the whole year target, but +10.1% YoY. We see room for the government to further ease its fiscal policy in 2H2022.
- Credit growth 9.0% YTD. The State Bank of Vietnam (SBV) has been more cautious in providing credit growth 'quota' due to (1) increasing external risks; (2) higher inflation risk for 2023; and (3) the credit growth in 1H2022 was already high.
- The key risk for Vietnam is a global economic recession, which would hit its export growth in 2023. The SBV is expected to adjust its easing monetary policies accordingly slowly, rather than turning from easing to tightening.
- Long-term trends of increasing domestic consumption (higher modern trade penetration), increasing urbanisation, digitalisation and modern industrialisation are still on track.

# Vietnam Macro

## Manufacturing sector accelerating

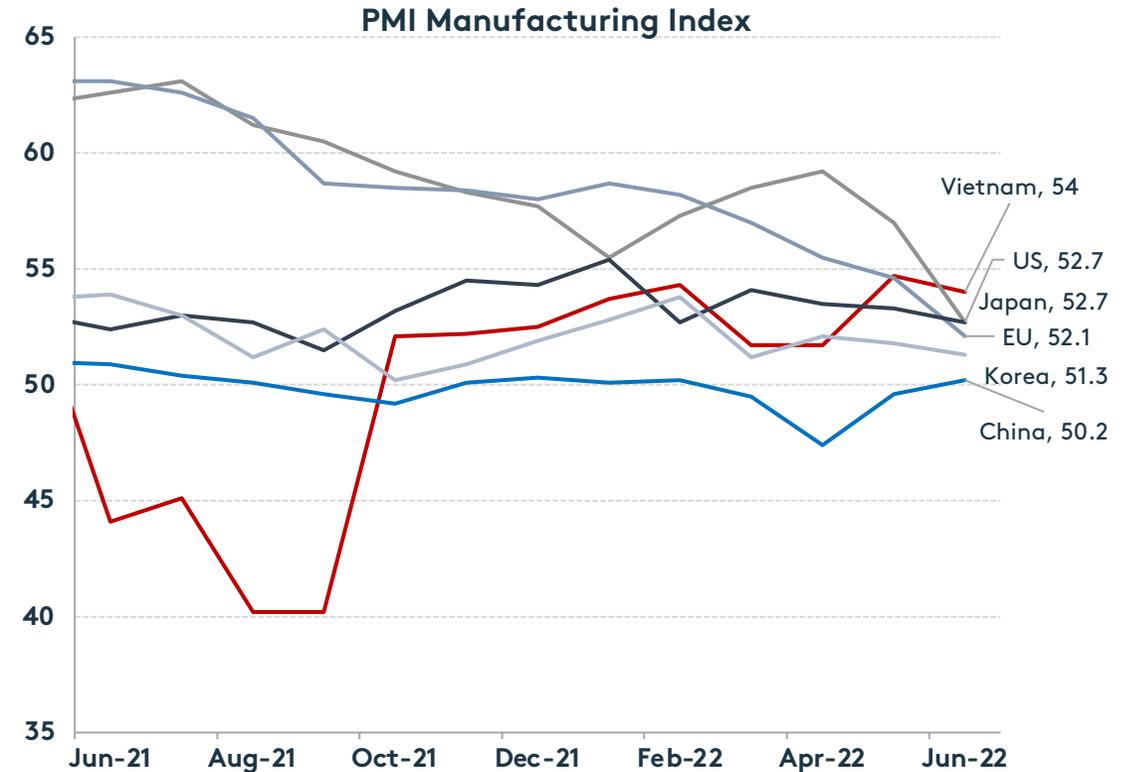


High import and export growth maintained



- Vietnam has a USD 710mn trade surplus in 1H2022.

The manufacturing sector continued recovering



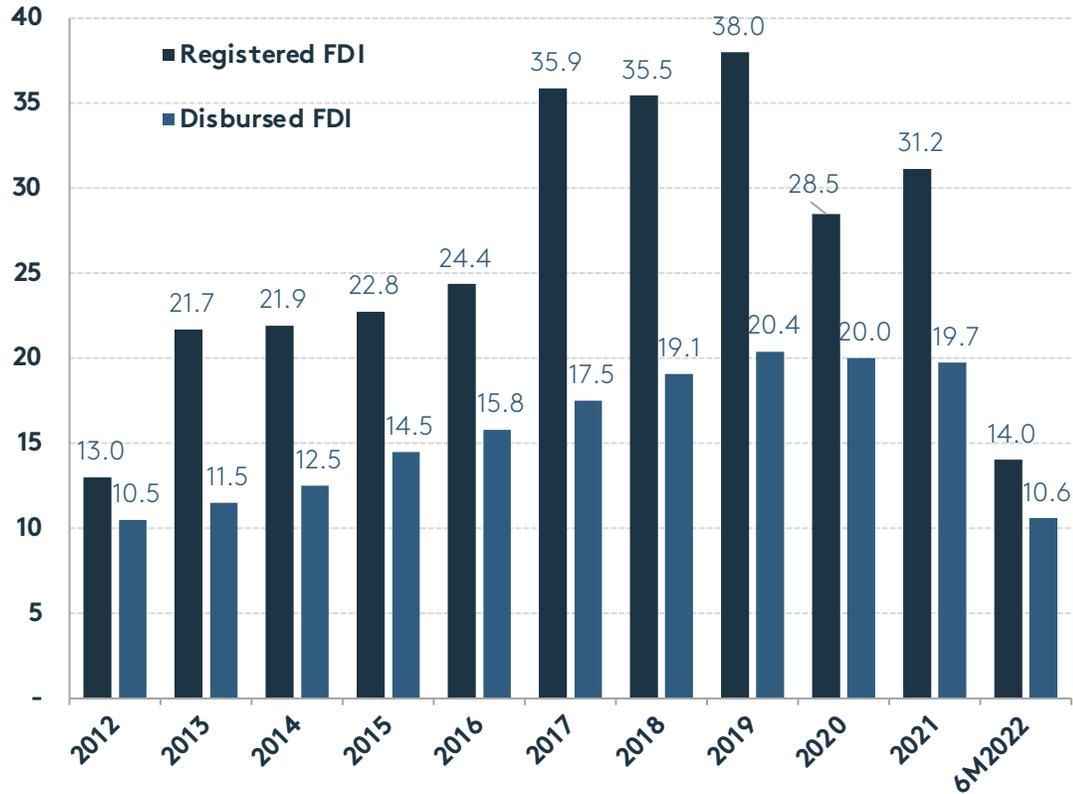
- Retail sales continued to recover well in June as domestic tourism resumed.

# Vietnam Macro

Disbursed FDI strong – and retail sales recovered further

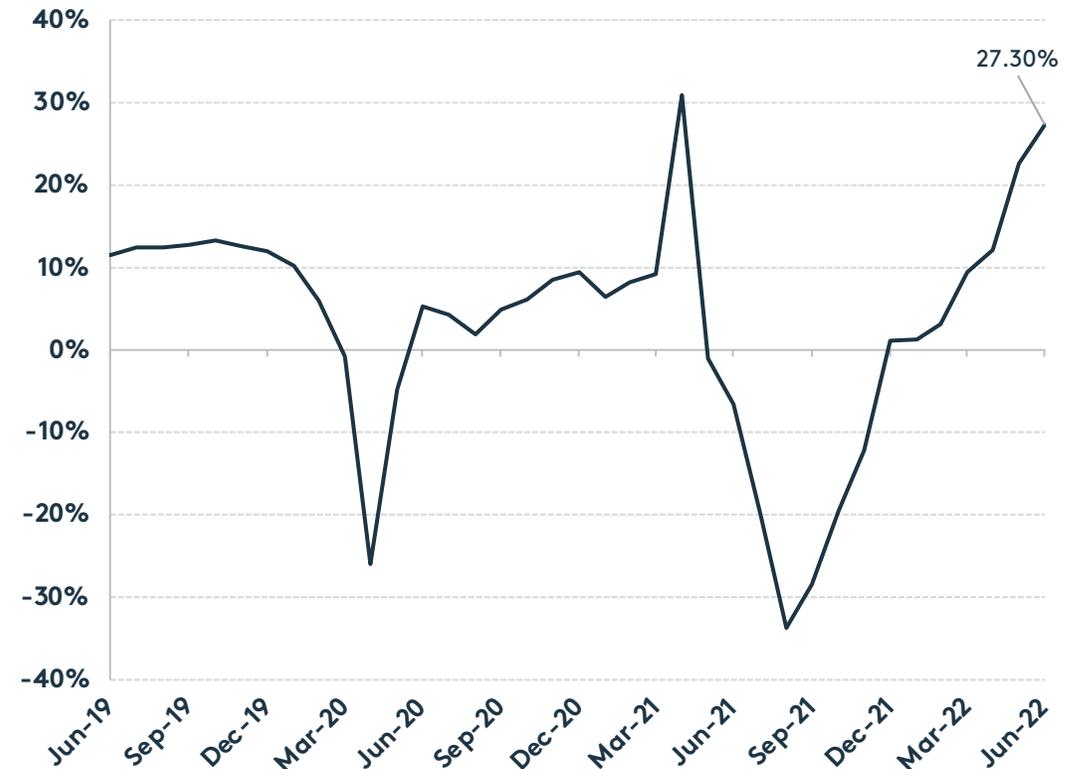


Registered and disbursed FDI (bn USD)



- FDI disbursement in 1H-2022 was up 8.9% YoY while FDI registration was down 8.1% YoY due to the high base of a number of energy projects in 2021.

Retail sales recovered further in June 2022 (%)



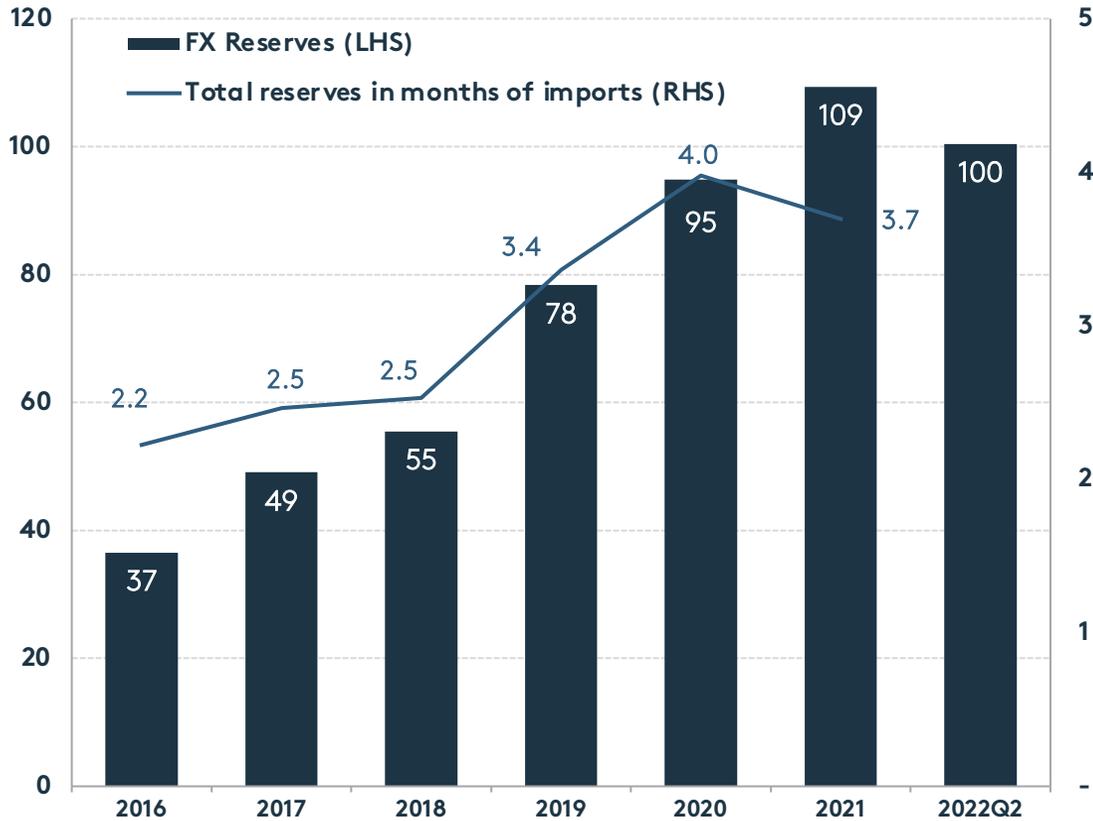
- Retail sales continued to recover well in June as domestic tourism resumed (61 million trips in first six months, up 40% on pre-pandemic levels)

# Vietnam Macro

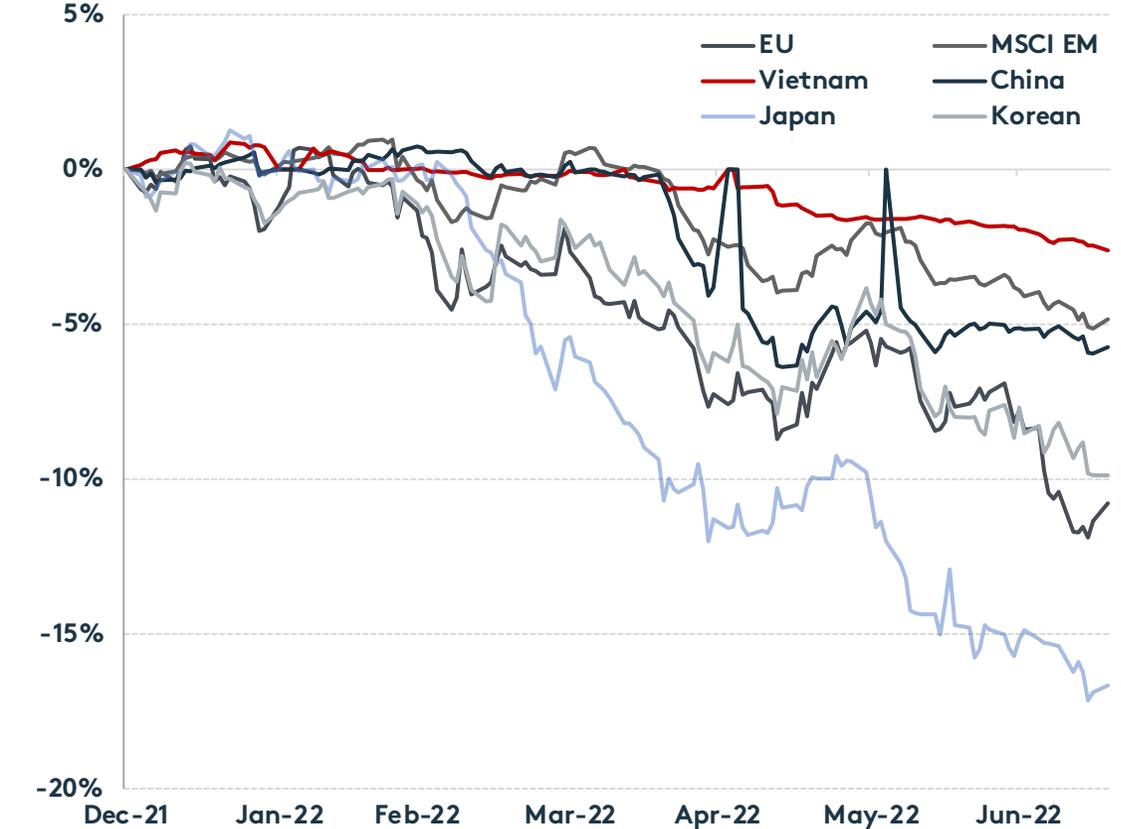
Strong FX reserves but dollar strength impacting local currency



## high FX reserves (USD bn)



## VND depreciated 2.6% YTD against USD



- The State Bank of Vietnam (SBV) intervened recently to stabilize the FX market.

- VND has been more resilient than other currencies in the region.

# Vietnam Macro

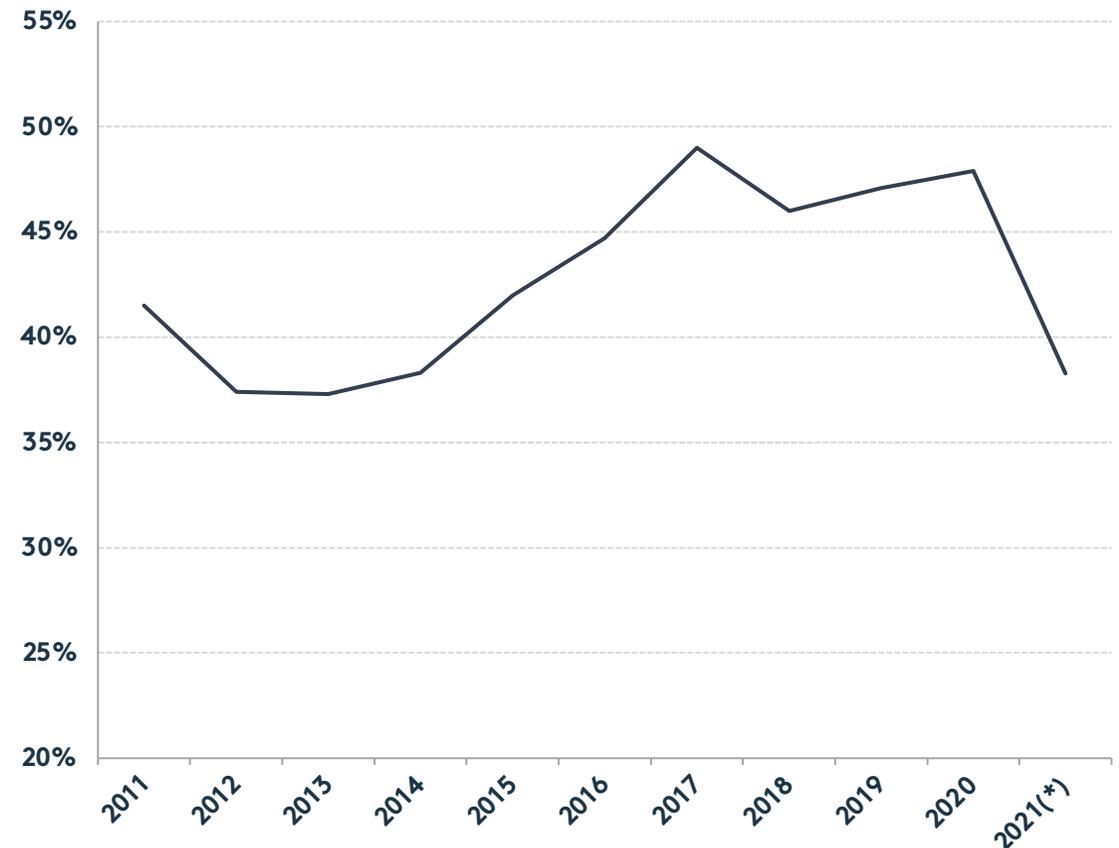
Portfolio of trade partners helping to hedge currency risk – manageable foreign debt



## Diversified trade partners

Country	5M export (USD bn)	5M import (USD bn)	Surplus/Deficit (USD bn)	YTD currency valuation vs. USD
China	21.98	49.61	-27.63	-3.27%
US	45.89	6.11	39.78	2.69%
Korea	10.22	27.78	-17.56	-6.99%
Japan	9.35	9.86	-0.51	-14.19%
EUR	19.54	6.66	12.88	-7.15%

## foreign debts as of % of GDP

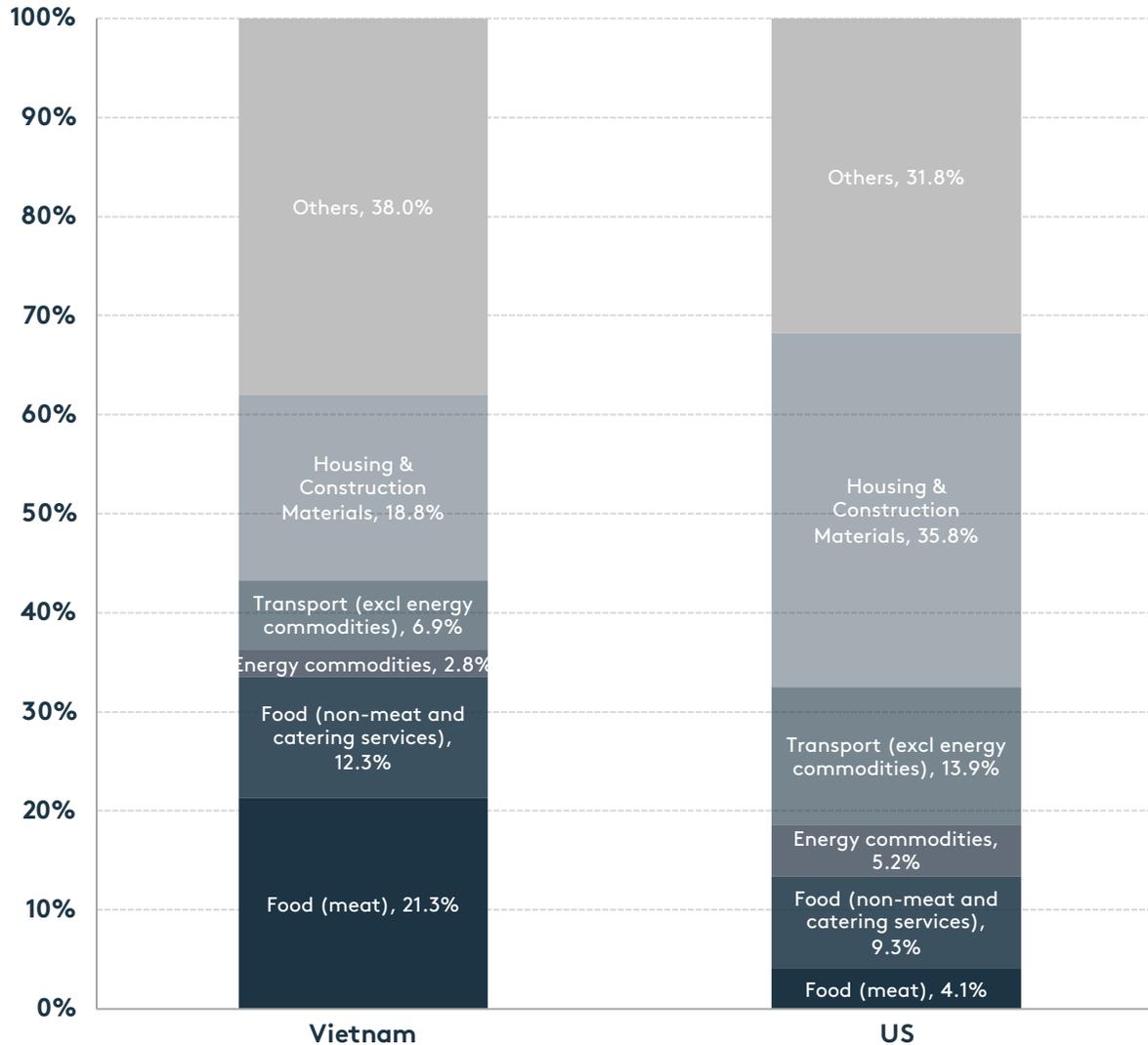


- Vietnam has trade surplus with the US (stronger USD) but trade deficit with China, Korea, and Japan (weaker currencies versus VND).
- Euro area weakness poses some risks Vietnam.

- foreign debt levels are manageable

# Vietnam Macro

## Controllable inflation



- Vietnam's urbanisation level (40%) is still low so consumes less energy as compared to the West.
- 50% of Vietnam's energy mix is through domestic renewables (Hydro, Solar and Wind) and Vietnam has Oil, Gas and Coal (though is a nett importer of refined products).
- Car ownership and car sales of Vietnam is still relatively small.
- Food (pork) is the recent key driver of CPI in Vietnam. Pork price has been increasing due to increasing input costs. However, supply of pork will be high post African Swine Flu pandemic in 2020.
- The peak of inflation of Vietnam could be delayed until early 2023, but still not severe.

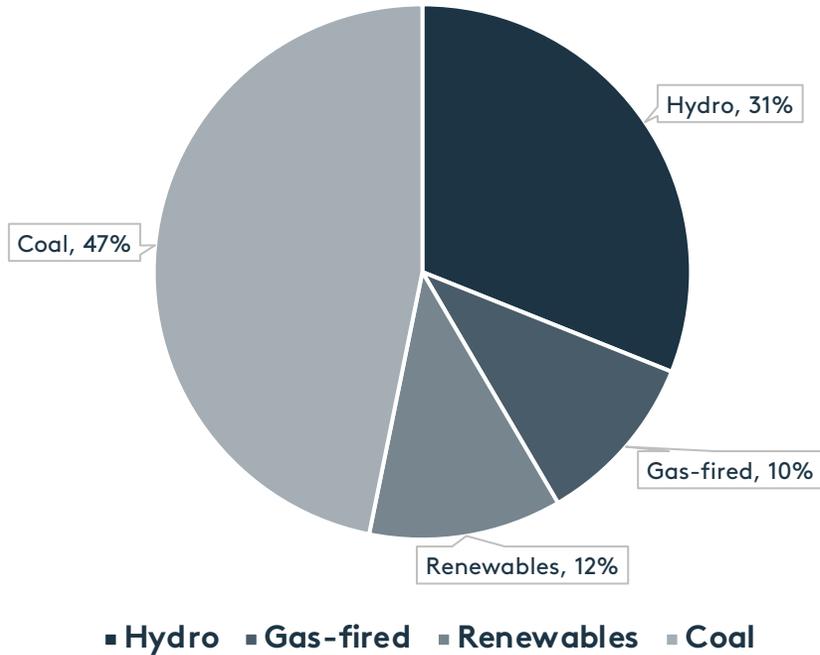
# Vietnam Macro

Resilient energy mix, though input costs have risen



## The electricity price under control

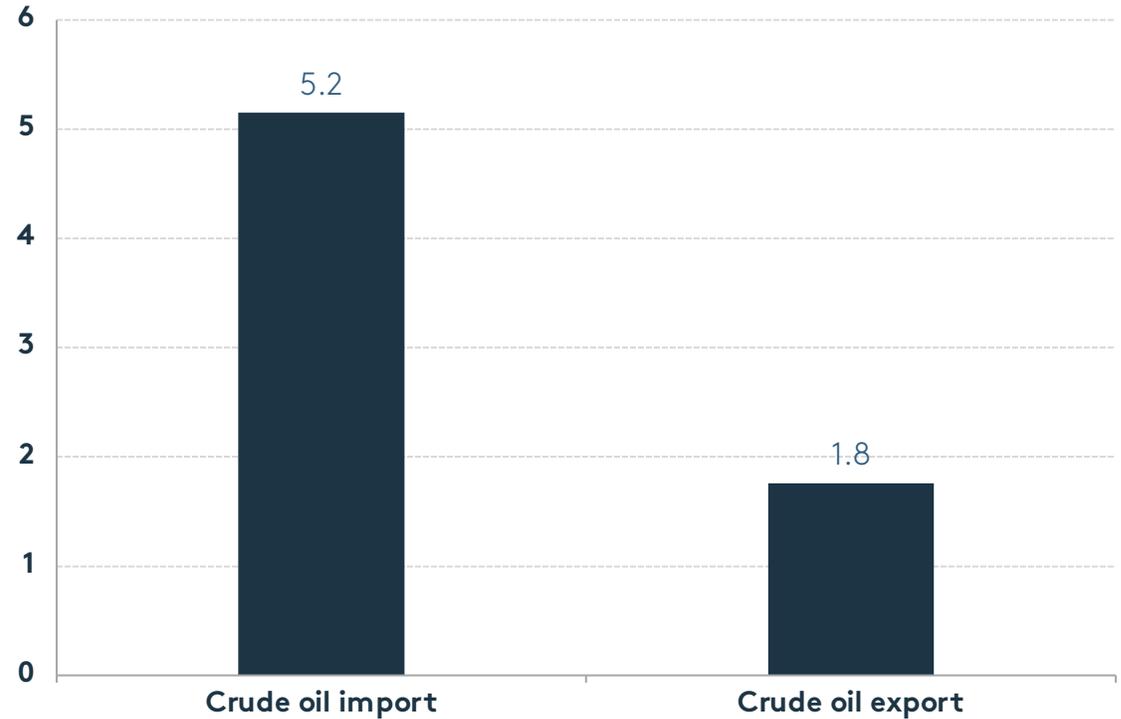
Source of electricity in 2021



- Vietnam imports about 20% of the coal used in electricity production

## Crude oil trade deficit about 1% of GDP

Value of import and export of crude oil of Vietnam 2021 (USD bn)

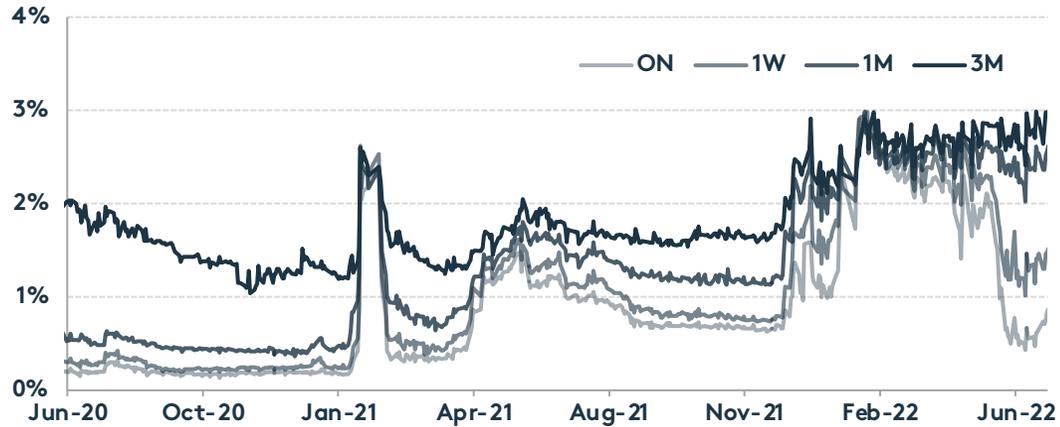


# Vietnam Macro

The peak of inflation in Vietnam could be delayed to 2023



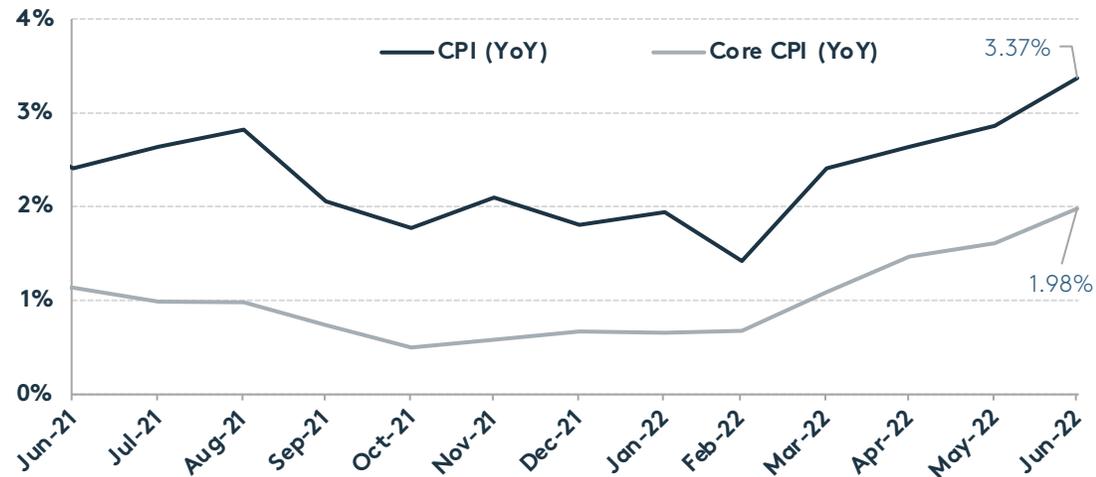
Vietnam interbank even decreased in June 2022



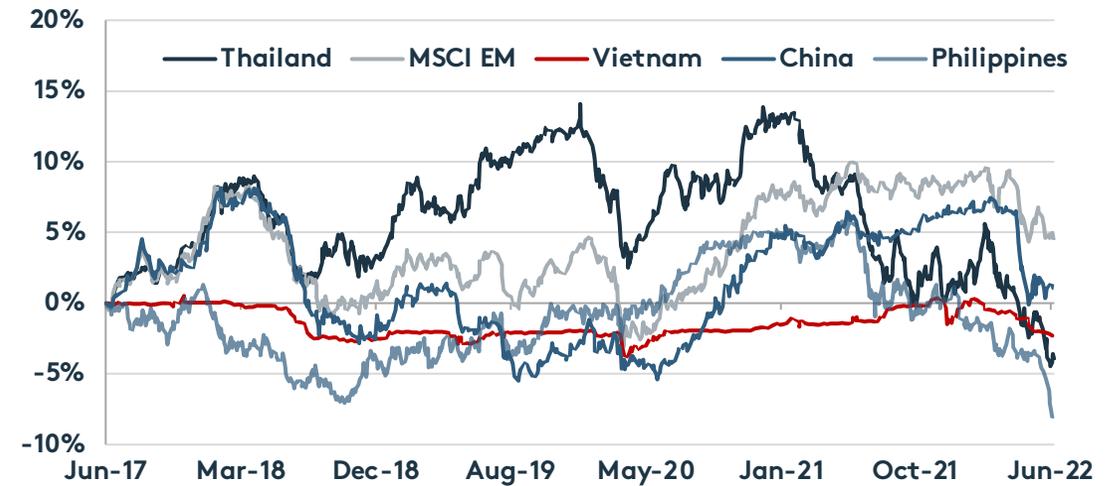
Vietnam government bond yields inched up in June 2022 (%)



Inflation under increasing pressure in coming months



VND depreciated slightly in June 2022





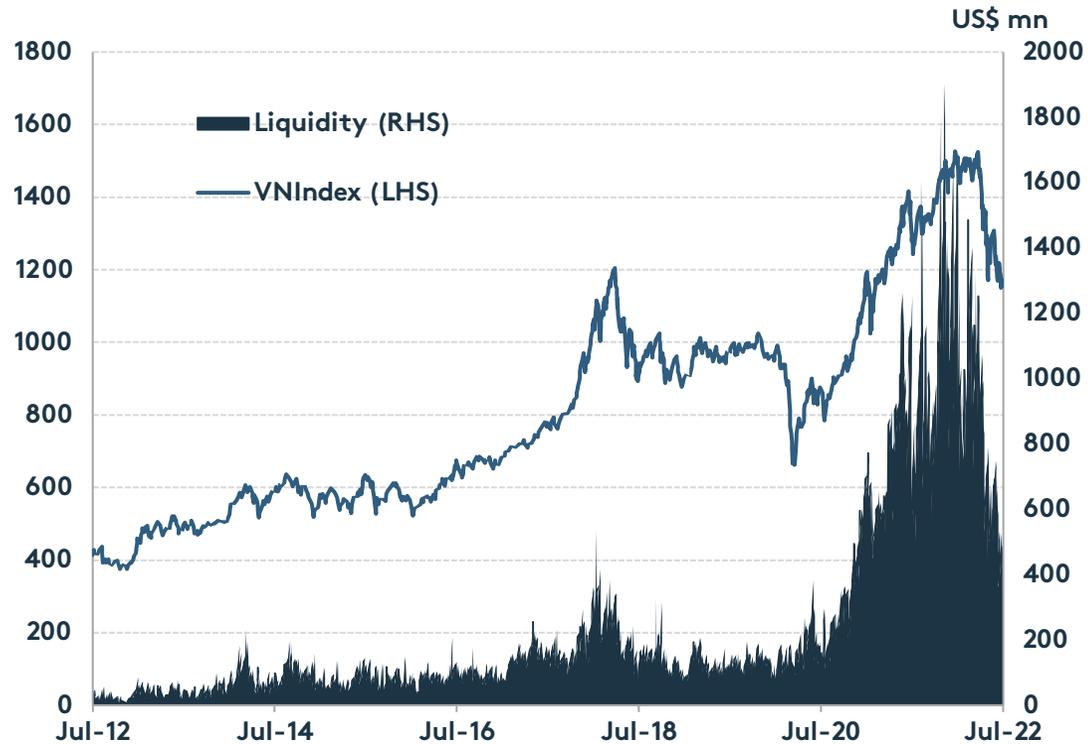
1. Vietnam: Asia's Emerging Champion
2. **Vietnam Equity Market: More Opportunities After the Correction**
3. Vietnam Holding Portfolio: Sustainable Growth – Strong Track Record
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# Vietnam Equity Market

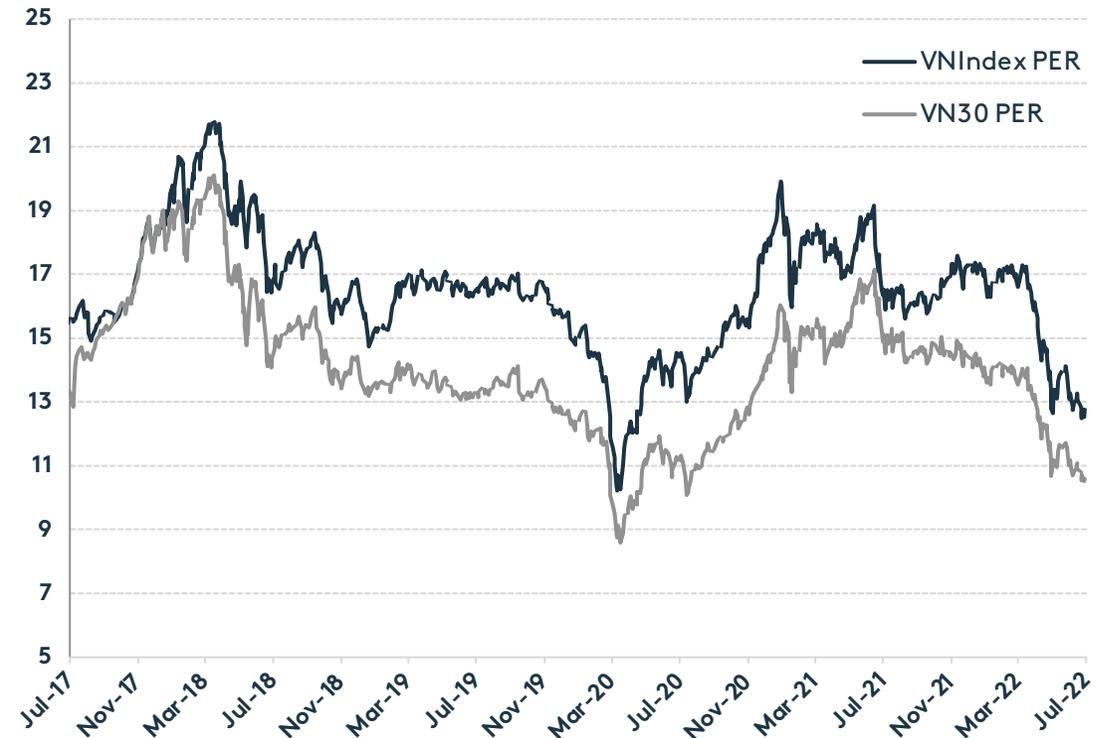
Steep correction in H12022 – and large-caps performed better than mid-caps



The Vietnam equity market corrected sharply over the last two months



more opportunities at these current valuation levels



- The market valuations derated due to external risks of a recession in the US and Europe.
- Daily Liquidity also reduced by 30% due to increasing fear among Vietnam's retail investors.

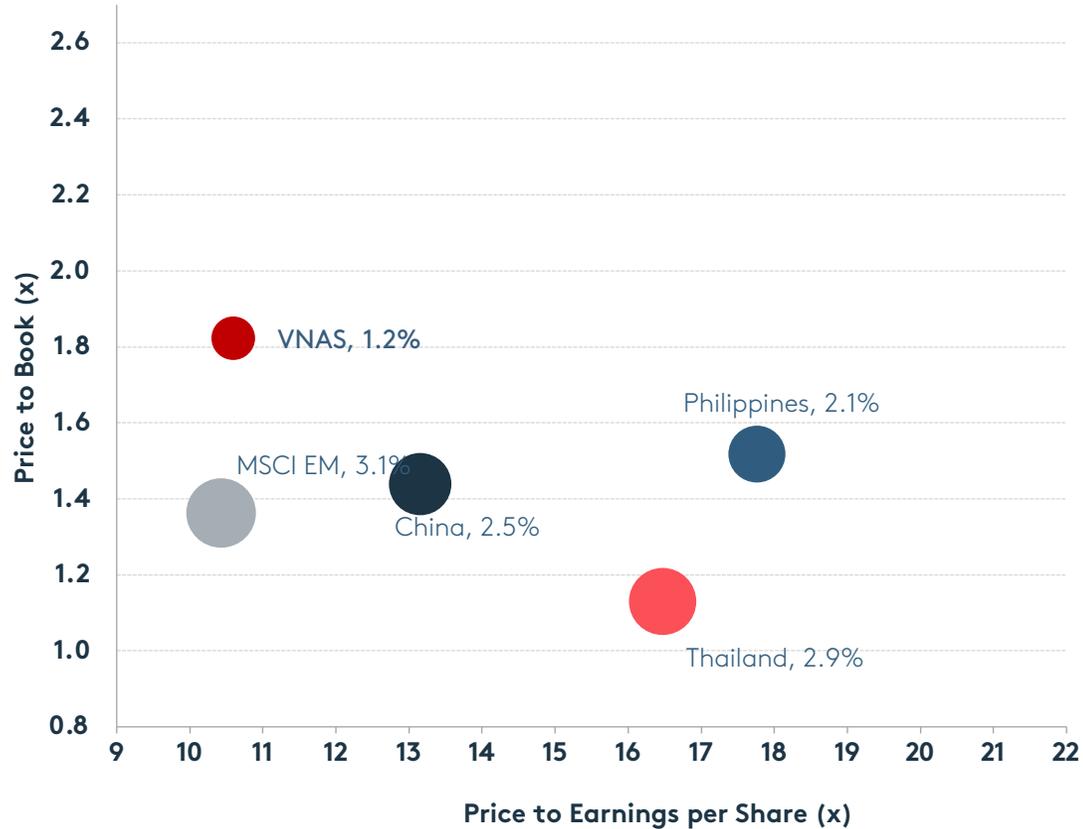
- The market valuation is already at its long term low and current inflation levels in Vietnam are below historical levels
- Double-digit EPS growth is still forecast (even after record 2021)

# Vietnam Equity Market

Attractive valuation and profit levels compared to rest of Asia

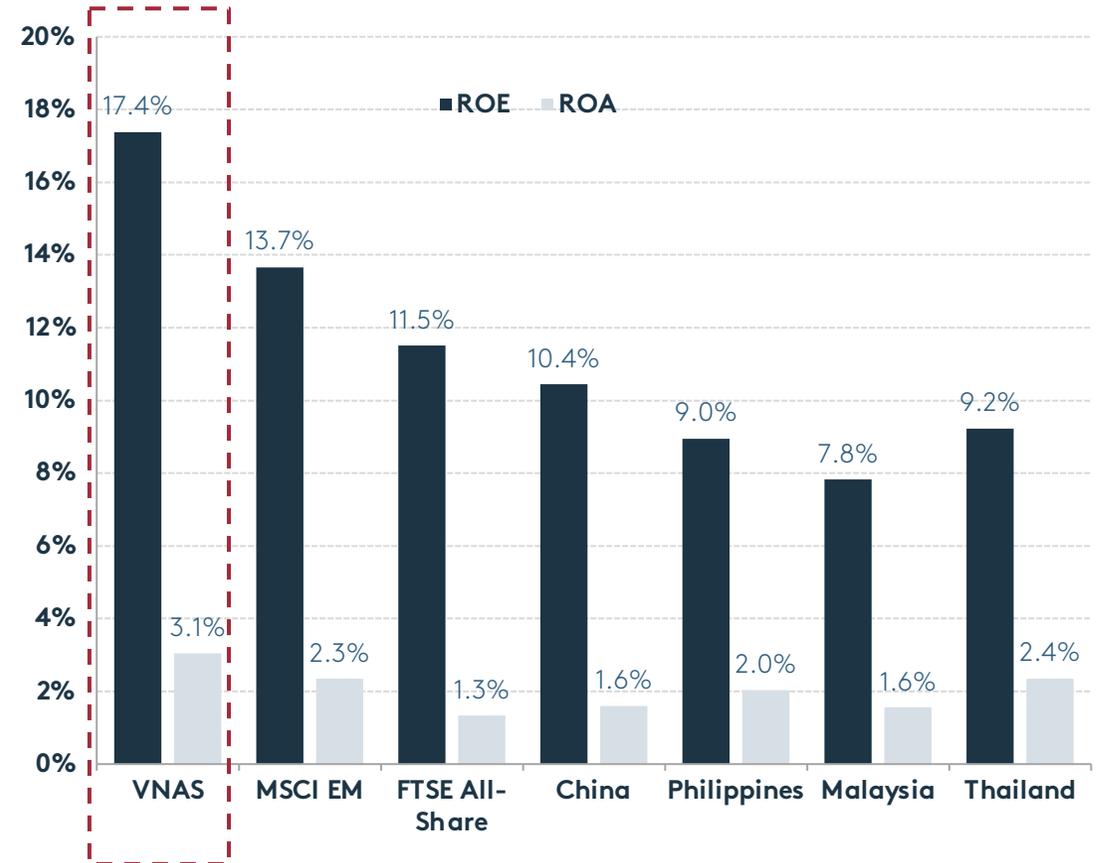


## Valuation remains in line with regional peers



(\*) Bubble size represents dividend yield.

## With higher profitability





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### Fundamental long term investment philosophy

#### Top down – Bottom up

- Combining top-down and bottom-up strategies for a balanced portfolio
- **Top-down:** Portfolio structuring process integrating macroeconomic forecasts into asset allocation
- **Bottom-up:** Extensive analysis and disciplined investment process

#### Integrating ESG into the full investment cycle

- ESG integration and commitment to the highest standards of investment management
- Close engagement with portfolio companies

#### Disciplined portfolio construction process

- Active Weighting of portfolio companies according to the degree of conviction
- Portfolio weights based on macro-economic factors and company specific trends and events
- A balanced portfolio for outperformance and stable return throughout economic cycles

# VNH Portfolio

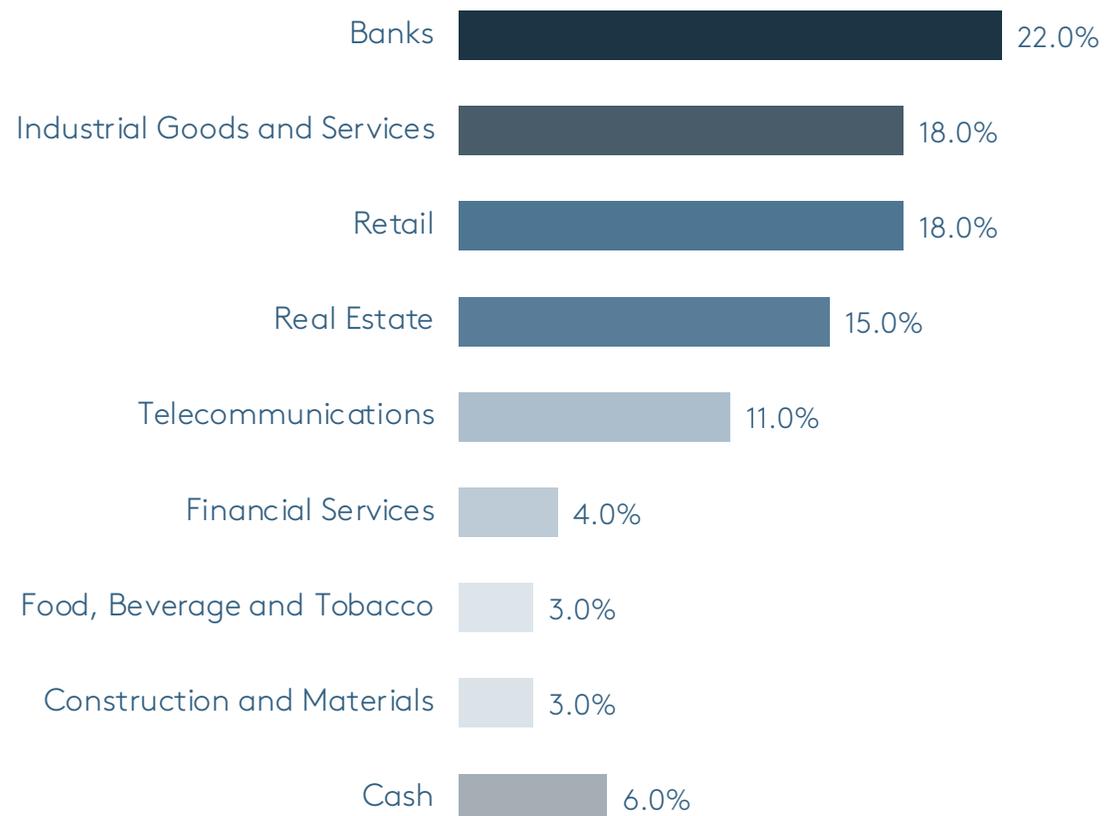
High Conviction/Concentrated Portfolio Across Key Themes of Domestic Consumption, Urbanization and Industrialization



## Top Ten Holdings

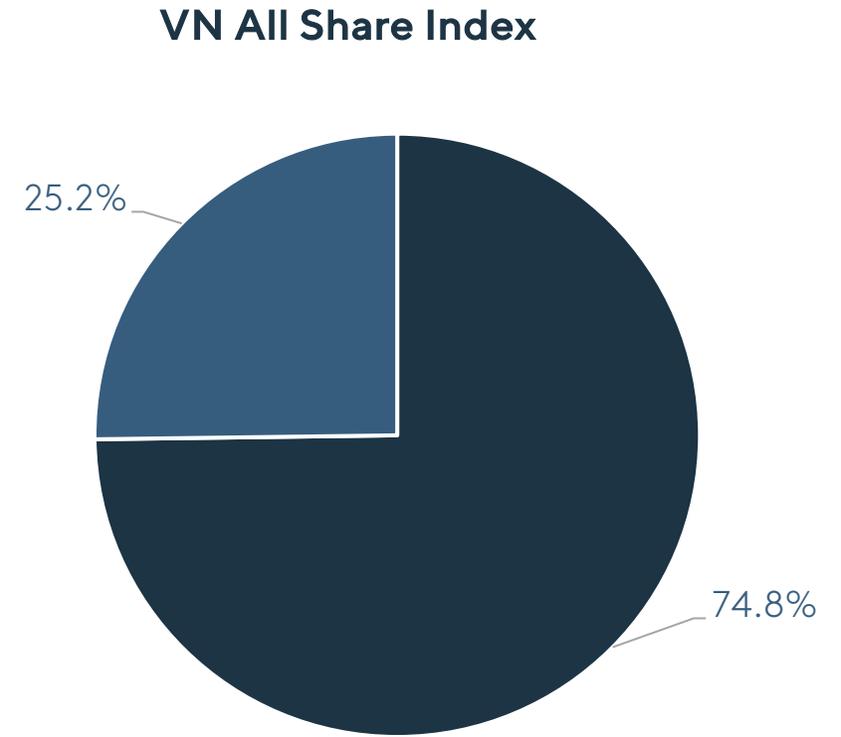
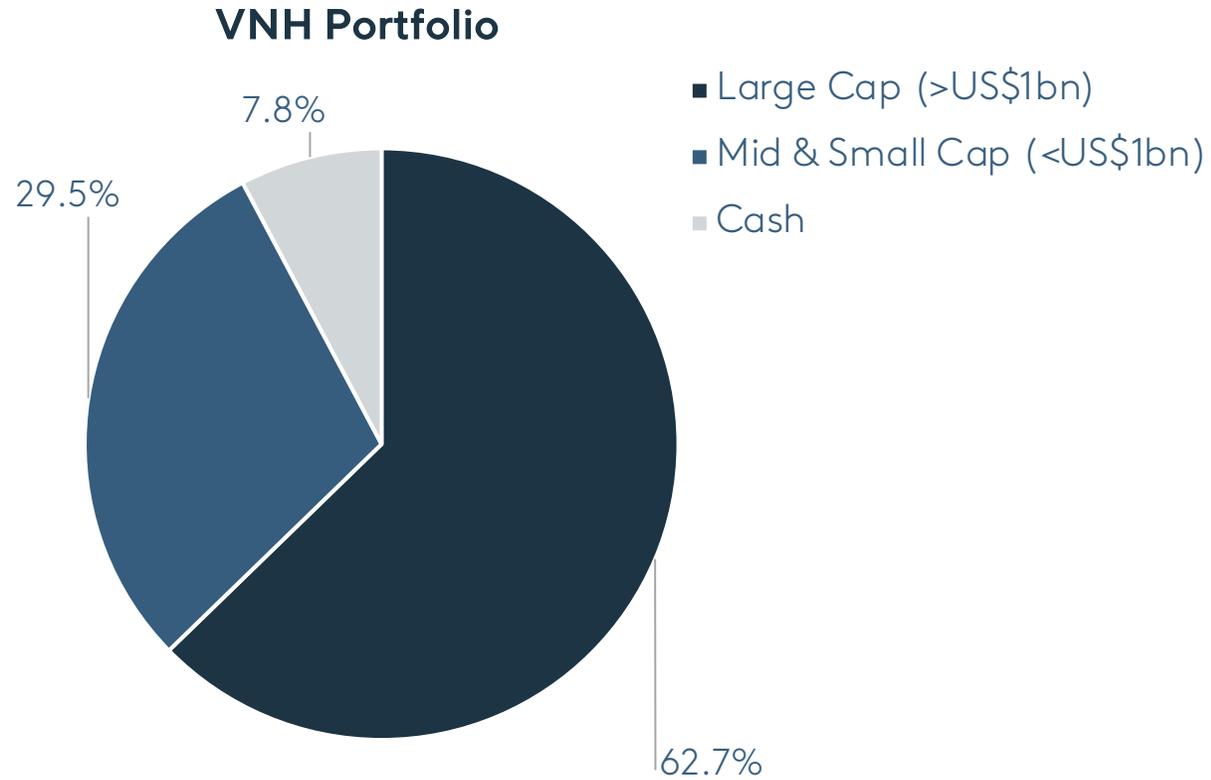
Company	% NAV
FPT Corp	11.5%
Mobile World	9.2%
Gemadept	8.5%
Phu Nhuan Jewelry	8.1%
Sacombank	5.6%
Khang Dien House	5.4%
Hai An Transport	5.4%
MB Bank	5.2%
VPBank	4.6%
VietinBank	4.0%
<b>Total</b>	<b>67.6%</b>

## Sector Allocation



# VNH Portfolio

High Active Weight (70%) with Median Cap of US\$1,337m



# VNH Portfolio

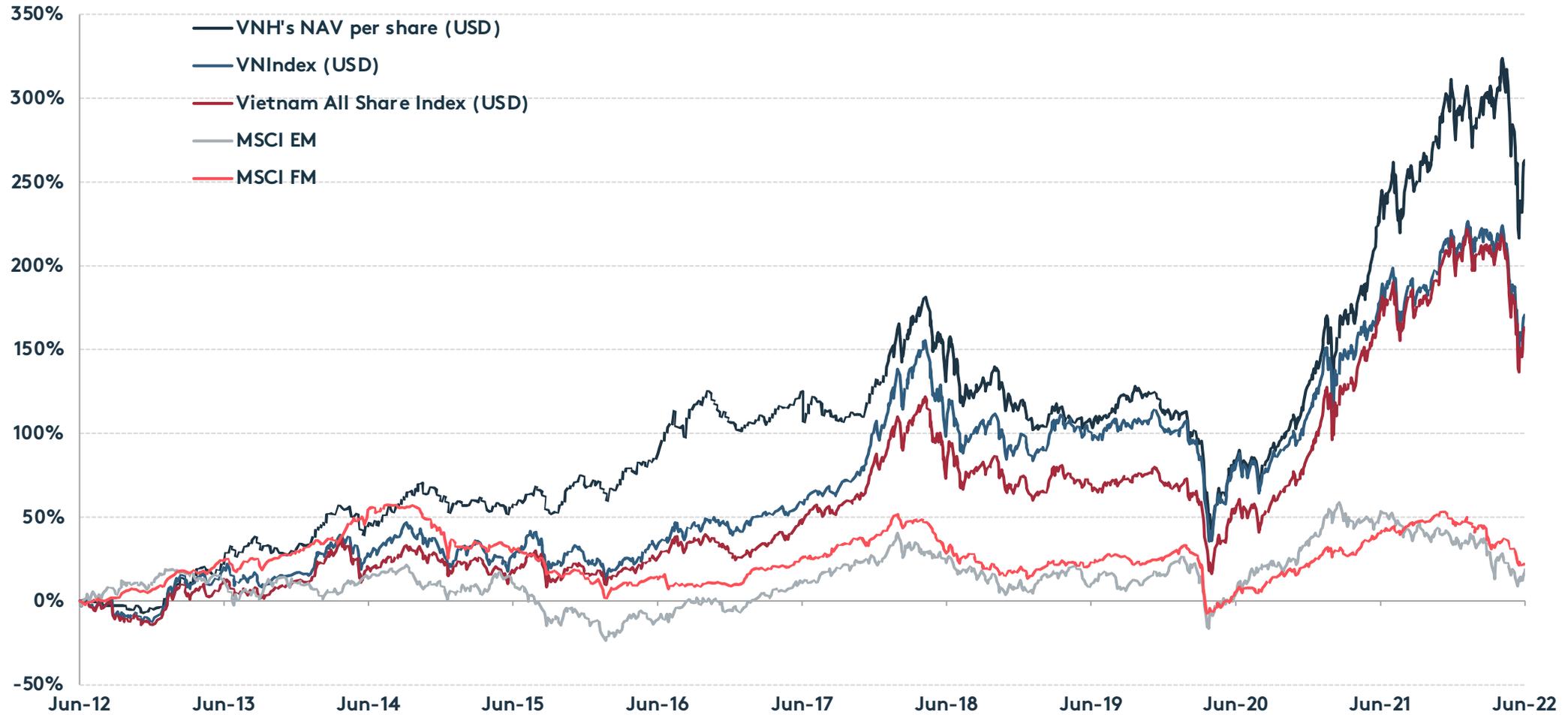
NAV per Share Performance vs. VNAS Index



	VNH NAV per Share	VNAS (USD)	MSCI Emerging Market	FTSE All-Share
<b>1 year</b>	-4.4%	-16.5%	-27.2%	-13.4%
<b>3 years</b>	61.9%	43.1%	-5.1%	-6.8%

# VNH Portfolio

10-year NAV per Share Performance vs. VNAS Index (May 2012 – May 2022)



# FPT Corporation (FPT: HOSE)

## Digital Champion



### Investment Case

- The company is transforming from an IT service company to an end-to-end digital transformation solutions provider, with forecast CAGR of 17.1% during 2019-2023 period. The Covid-19 pandemic has forced companies and industries to accelerate digital transformation to maintain business activities.
- In addition to the digital transformation and software outsourcing for international clients, FPT aims to grow its products for domestic SMEs, which could generate 1.5x-2x higher PBT margins. Management targets made-by-FPT products to grow 45% per annum between 2020-2025.
- FPT is No.1 in Vietnam's broadband Internet market with a target subscriber growth of about 15% annually.
- FPT's education business (elementary to university level) serves nearly 74,000 students and provides a future source of IT graduates.

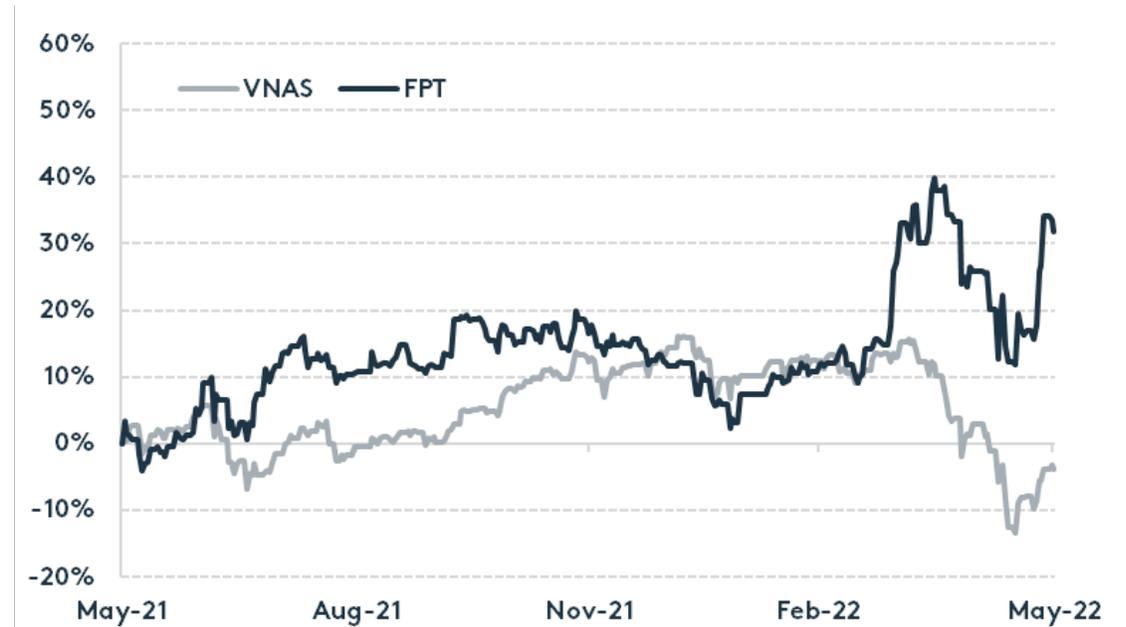
### Business Updates

- For 1Q2022, FPT revenue and earnings rose by 28.3% and 33.7% YoY, respectively in which technology segment PBT increased by 39.2% YoY and telecom segment PBT by 21.7% YoY. The revenue from digital transformation and cloud services rose by 96.2% in 2021.
- In 1Q2022, the value of new projects rose by +57% YoY, with the number of multi-million-dollar deals increasing by 75%. The US market has grown by more than 60% YoY, and Asia Pacific by 40% YoY.
- 2022EPS is forecast to grow c23% YoY. The stock trades at 2022PE of 20.8x compared to regional peers of 23.8x

Key financial highlight	2022F
EPS growth	22.9%
PER	20.8
PB	3.6
ROE	20.7%
ROA	9.3%
EV/EBITDA	12.7
Net Debt/Equity	-8.22%

Stock information	
Market cap (USD mn)	4,333
Current price (VND)	109,900
Share O/S (million)	914.2
YTD performance	18%
Avg. trading volume	2,892,083
Foreign ownership	49%

Source: Dynam Capital, Bloomberg as of 31 May 2021



# Mobile World JSC (MWG: HOSE)

Omni-channel retail champion



## Investment Case

- With a 60% market share in the smartphone market and a 50% market share in the consumer electronics market, MWG is the biggest retailer in Vietnam by revenue.
- Given its high market share in mobile-phone and consumer electronics MWG is piloting retail chains across various segments including pharmaceutical, baby & mother-care, sports accessories, and TopZone - an Apple authorized retailer chain.
- The Bach Hoa Xanh (BHX) grocery chain, with recent improvements in revenue per store, is looking to sell a 10-20% stake to a potential investor in H12023.

## Business Updates

- In 1Q2022, MWG generated revenue and NPAT growth of 18.3% YoY and 7.9% YoY. NPAT grew at a slower pace than revenue in Q1 as general and administrative expenses increased by 25.6% YoY due to expansion of retail chains.
- For 2022, MWG is continuing to increase the store count of Topzone to 200 by the end of 2022 to capture more market share (the Apple device market is estimated to be worth USD1.5bn).
- MWG is also continuing to increase the store count of consumer electronics (DMX) super-mini stores to 1,000.
- For Bach Hoa Xanh the key focus is in improving customer experience at the store and enhancing the back-end systems.
- 2022 EPS is expected to grow by c21% YoY. MWG trades at an attractive valuation with 2022PER of 17.3x, versus peers' PER of 19-20x.

Key financial highlight	2022F
EPS growth	20.8%
PER	17.3
PB	4.2
ROE	26.6%
ROA	9.5%
EV/EBITDA	9.5
Net Debt/Equity	0.2

Stock information	
Market cap (USD mn)	4,573
Current price (VND)	144,900
Share O/S (million)	731.9
YTD performance	7.0%
Avg. trading volume	1,731,960
Foreign ownership	49%

Source: Dynam Capital, Bloomberg as of 31 May 2021



# Gemadept Corporation(GMD: HOSE)

## Logistics Champion



### Investment Case

- Gemalink, a deep-water port in the South of Vietnam, commenced operations since Jan 2021, GMD is now the second biggest seaport operator in Vietnam.
- The deep-water port helps capture the structural shift in cargo flows from regional ports to the Cai Mep-Thi Vai area, which has witnessed an average growth of 25-30% over the last 5 years.
- The logistics segments of GMD includes a warehouse and maritime shipping business in joint venture with CJ Corp from Korea, and an associate investment in SCS (a leading air-cargo operator).

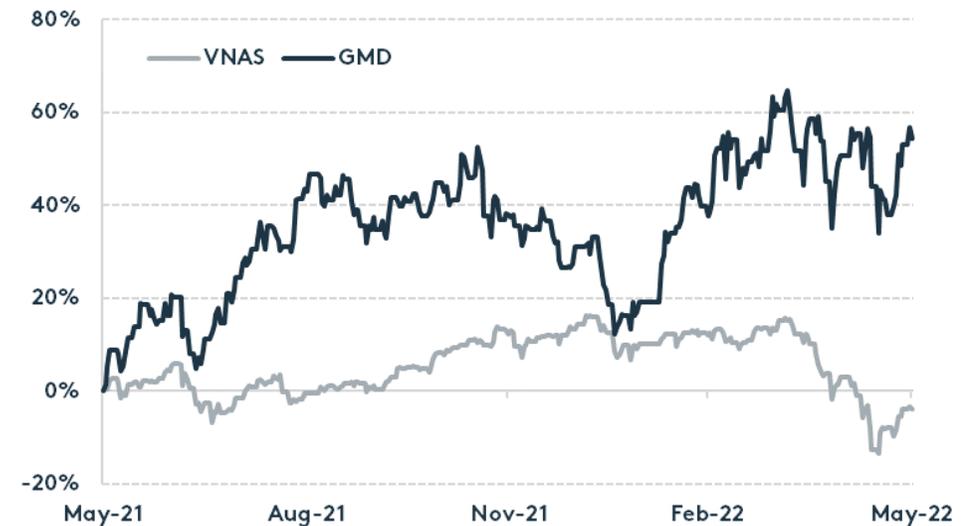
### Business Updates

- In 1Q2022, GMD posted revenue and NPATMI growth of 28% YoY and 86% YoY, mainly driven by the improvement in the ports in Hai Phong.
- Gemalink port reached 85% capacity utilization and generated about USD1.5mn in profit in 1Q2022, versus a start-up loss of USD1.5mn in 1Q2021.
- Container throughput volume in Hai Phong port zone increased by 10% YoY in 1Q2022 due to the recovery of regional trade, post-Covid.
- Other ports also saw high growth in Q1 with 130% YoY growth at Nam Dinh Vu port, and 7% YoY growth at Nam Hai Dinh Vu port.
- 2022 NPAT is projected to reach VND982bn, up 62.3% YoY
- GMD currently trades at 2022PER and EV/EBITDA of 18.9x and 9.6x, respectively.

Key financial highlight	2022F
EPS growth	59.9%
PER	18.9
PB	2.2
ROE	17.2%
ROA	9.4%
EV/EBITDA	9.6
Net Debt/Equity	0.37

Stock information	
Market cap (USD mn)	725
Current price (VND)	55,800
Share O/S (million)	301
YTD performance	18%
Ave trading volume	2,798,637
Foreign ownership	45%

Source: Dynam Capital, Bloomberg as of 31 May 2021



# Phu Nhuan Jewelry (PNJ: HOSE)

Gold and Jewelry Retail Champion



## Investment Case

- Vietnam's jewelry market is growing at double digit rates as a result of fast-growing mass-affluent class and changing consumer preferences.
- PNJ is the leading jewelry producer and retailer in Vietnam with over 15% market share (half the branded market) and is a well-respected brand.
- The company has two jewelry factories and a nationwide network of over 350 stores, twice the number of its closest competitor.
- In 2021, despite the contraction of the Vietnam jewelry market, PNJ's retail revenues rose by 10.5%, as they gained market share.
- PNJ is also a leader in digital marketing and e-commerce. Facebook cites PNJ as one of its success cases with over 138x return on ad spend and 10% conversion rate from message to successful transactions.

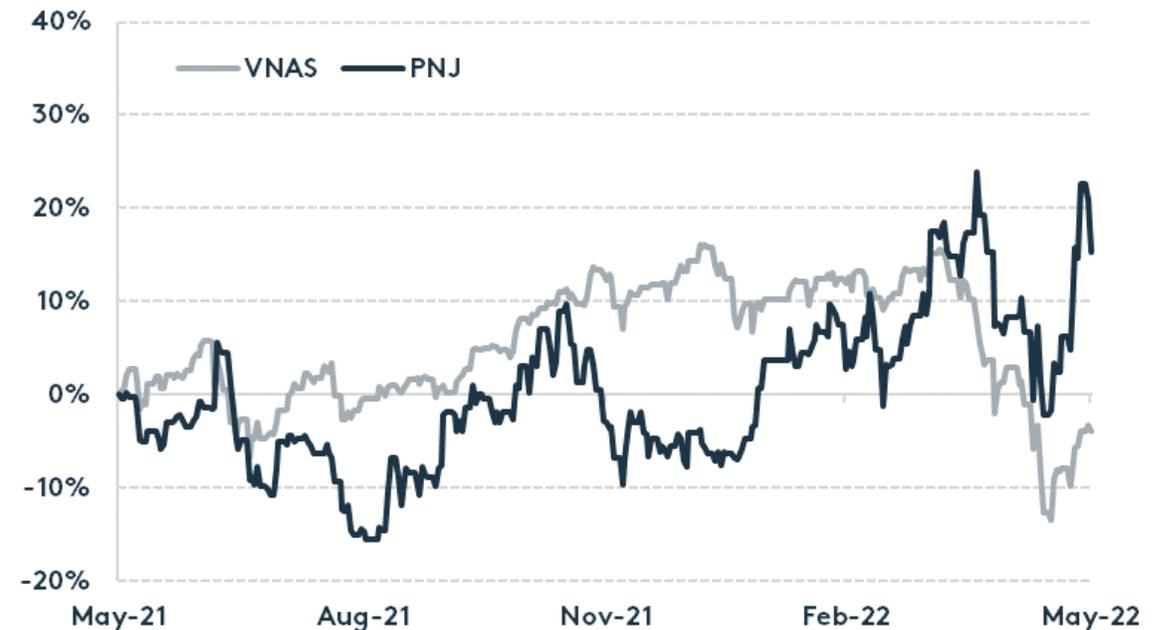
## Business Updates

- The growth rate of the customer base has been the highest in the past four years, and same-store-sales growth has also reached record highs.
- In H1 2022, revenue rose by 56% and NPAT by over 48% YoY. The growth was led by pent-up demand, especially in the wedding jewelry segment after the long social distancing period in July-October 2021.
- In April 2022, PNJ raised USD 62 m in new capital for store expansion, product development and digitalisation.
- New stores could fuel the growth: management believe H2 2022 will deliver a YoY NPAT growth rate of 30%.

Key financial highlight	2022F
EPS growth	54.6%
PER	18
PB	3.99
ROE	25.2%
ROA	15.7%
EV/EBITDA	12.8
Net Debt/Equity	25%

Stock information	
Market cap (USD mn)	1,201
Current price (VND)	120,500
Share O/S (million)	242.4
YTD performance	18%
Ave trading volume	996,843
Foreign ownership	49%

Source: Dynam Capital, Bloomberg as of 31 May 2021



# Sacombank (STB: HOSE)

Sacombank



## Investment Case

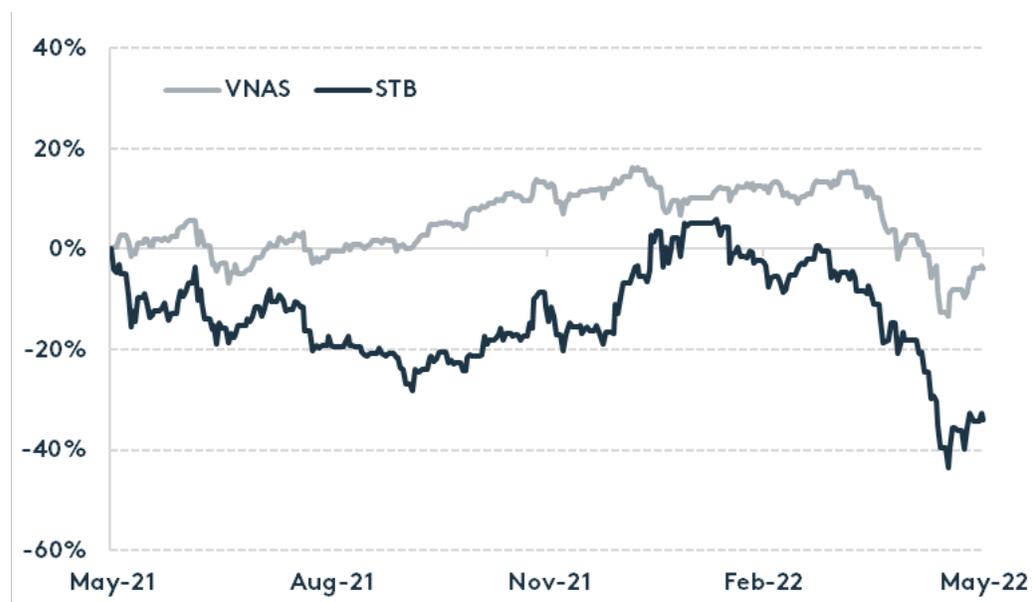
- STB is the 10<sup>th</sup> largest bank in Vietnam and the 6<sup>th</sup> largest private sector banks by assets. It currently has the most extensive branch network among its private peers with 553 branches and transaction points and 18,470 employees.
- STB implemented the SBV's approved Restructuring Plan to clean bad debts since 2015. As of 2021, the proportion of legacy assets to total assets declined to 6.7% from 29.3% in 2016.
- STB has maintained strong core earnings growth and kept investing in its IT system and digital banking.
- NPAT increased by 30% CAGR in 2017-2021 and is expected to grow at similar rates over the next 3 years.

## Business Updates

- In 1Q2022, NPAT rose by 59% YoY to VND1.2trn driven strong fee income growth (+83% YoY as part of the bancassurance upfront fee recorded in 1Q22).
- Loans grew 6.5% YTD (vs. the sector's credit growth of 2.65% in 1Q22) while NIM contracted 48bps to 2.25%. Non-performing loan ratio (NPL) improved to 1.3% (vs. 1.5% in 1Q21) and loan loss buffer enhanced to 134% (vs. 107% in 1Q21).
- In 2022, the bank targets PBT of VND5.2trn, +20% YoY and 10% YoY loan growth. It also plans to accelerate the progress of dealing with legacy debts and expects to finish the programme by 2023 (two years ahead of sched)
- The stock trades at 2022PER of 10.9x and PB of 1.1x.

Key financial highlight	2022F	Stock information	
EPS growth	23.2%	Market cap (USD mn)	1,817
PER	10.9	Current price (VND)	22,350
PB	1.1	Share O/S (million)	1,885
ROE	11.6%	YTD performance	-29.0%
ROA	0.8%	Avg. trading volume	17,138,797
NIM	2.63%	Foreign ownership	21.0%
NPL	2.0%		

Source: Dynam Capital, Bloomberg as of 31 May 2022

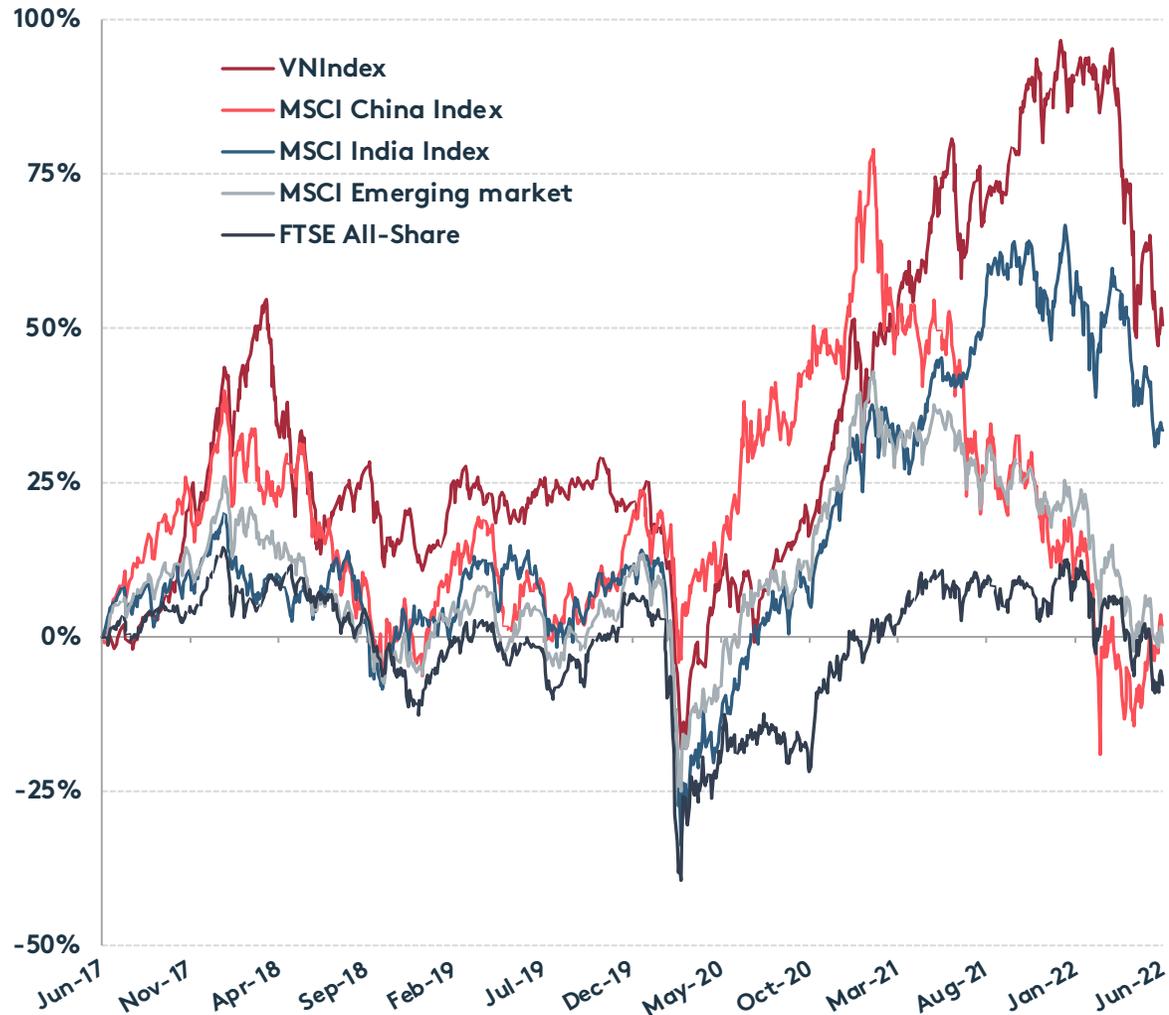




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# Why now?

Expanding capital markets, increasing liquidity, inflection point in economic growth



- **Top Performing Stock Market Globally:** Vietnam's stock market has outperformed China and India over the last five years.
- **Attractive Valuations:** Portfolio trades at 11x 2022 earnings, forecast earnings growth of >25%
- **MSCI Index Inclusion:** Vietnam is 30% of the MSCI Frontier Market Index and could achieve MSCI Emerging Market status within two years
- **Domestic Consumption:** passed important developmental inflection point of US\$3,000 per capita
- **Export Boom:** multinationals continue to diversify their supply chains into Vietnam
- **Privatization:** ongoing sales of state-owned assets is driving economic efficiency and funding infrastructure spending
- **Alignment:** Government policy focused on creating a modern industrialized economy, and a key player in global supply chains



<b>Vietnam Holding Limited</b>	<b>LSE: VNH</b>
<b>Inception</b>	June 2006
<b>Investment Universe</b>	Equities in Vietnam
<b>ISIN / BIC Code</b>	GG00BJQZ9H10 / SCBLSGSG
<b>Fund Type</b>	Closed-End / Active management
<b>Base Currency</b>	USD with GBP quote
<b>Style</b>	Growth At a Reasonable Price/ESG Integration
<b>Fund Size (As of 30 June 2022)</b>	USD 128.8 million
<b>NAV Frequency</b>	Daily NAV Estimation
<b>Distribution</b>	Re-investment of dividends
<b>Management Fee</b>	1.75% of NAV up to USD300 million 1.50% of NAV between USD300 – USD600 million 1.00% of NAV above USD600 million
<b>Performance Fee</b>	None

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# Contact us



**Craig Martin**

Chairman

[craig@dynamcapital.com](mailto:craig@dynamcapital.com)

**Vu Quang Thinh**

CIO

[thinh.vu@dynamcapital.com](mailto:thinh.vu@dynamcapital.com)



[www.dynamcapital.com](http://www.dynamcapital.com)

