



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 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 88,541,467

NAV per share USD 1.699

NAV last month -2.02%

NAV last 12 months 33.99%

Equity investments 98.20%

Number of investments 24

### Vietnam News

With external debt levels in emerging markets gaining attention recently, it is useful to review Vietnam's current position. Between 2008 and 2012, Vietnam's aggregate external debt doubled, from US\$32.1bn to US\$64.2bn, and will probably creep up further to close to US\$70bn by end-2013, according to HSBC. As a consequence, its external debt as a proportion of total GDP has also risen, but less dramatically, from 32.4% in 2008 to 41.2% last year, and probably 40% in 2013. Of this, short-term external debt, as a percentage of international reserves has risen from 17.7% in 2008 to 34.7% at present, although this figure will likely drop below 25% in 2013. Vietnam's private sector has relatively modest external debts of around US\$17.1bn (equivalent to 11% of GDP), up from a mere US\$6.6bn in 2008. Most of the external debt is sovereign, and a large part is in the form of soft loans, borrowed from various multilateral development agencies at heavily discounted rates of interest. A few of the larger SOEs have been able to access foreign loans, but most of their credit is sourced domestically.

Recent hikes in petrol and electricity increased the inflation figures for August to 0.8% MoM, 3.53% YTD and 7.5% YoY. The VND appreciated slightly in August, to VND21,115 to the USD. The trade deficit for the month was a modest US\$300m, according to initial figures, after a US\$200m surplus in July.

Meanwhile the IMF gave the country a broadly good bill of health, noting that "Vietnam [had] regained macroeconomic stability over the past year", although the Fund advocated for further reforms and restructuring in the SOE and banking sectors in particular, which it sees as the chief two vulnerabilities of the economy.

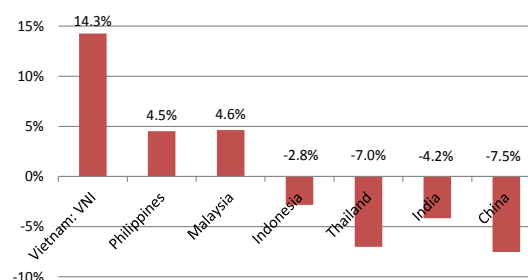
Further light is being shed on how the new Vietnam Asset Management Company (VAMC) plans to go about reducing NPL levels in the banking sector. The plan is that this wholly State-owned company, under the direction of the State Bank of Vietnam, will buy debt from those commercial banks with NPLs in excess of 3%, at book value. In return, the banks will receive 5-year tenor zero coupon bonds, issued by the VAMC, which the banks can then use as collateral for refinancing by the central bank. Subsequently, the VAMC will try to auction off the bad loans and participating banks have five years to write down those bad debts they have swapped for bonds with VAMC. One local source reported that VAMC aims to hit the ground running, by working with ten commercial banks in the first few months of operation to buy as much as VND10 trillion (US\$475m) of bad loans.

### Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Philippines	17.85	2.67	2.32
Indonesia	17.38	2.49	2.38
Malaysia	16.28	1.94	3.48
India	15.98	2.46	1.67
Thailand	14.24	2.03	3.36
<b>Vietnam: VNI</b>	<b>12.27</b>	<b>1.67</b>	<b>3.84</b>
China	10.92	1.43	3.01

Source: Bloomberg.

### Regional Stock Market Performance Comparison



Source: Bloomberg.

### VNH Insights

Vietnam's equity markets were down in August, with little good news to shake investors out of their summer stupor. The VNI ended the month down 3.89% at 472.70, taking the YTD performance to +14.25%.

VNH's NAV per share decreased by a lesser 2.02% last month but the YTD performance was still at a comfortable 28.71% at the end of the month.

Amidst some selling pressure from foreign investors the shares of Vinamilk, one of VNH's top positions and one of the largest companies on the Hochiminh Stock Exchange by market cap, dropped 9% during the month of August. As a result there was occasionally some open foreign room in the stock, usually a very rare event. The shares of PetroVietnam Drilling, on the other hand, had a very good month, advancing almost 16% after releasing excellent Q2 results and providing a promising outlook for Q3.

With the final exercise date of the VNH Warrants approaching rapidly (25 September 2013) it is worth taking a look at the impact which the creation of the new shares could have for our shareholders. Assuming that all the remaining 17.9 million VNH warrants are exercised on the final exercise date, the diluted NAV per share would have been US\$ 1.570 as at 30 August 2013. This would have resulted in a share price discount of 17.68% as opposed to the 23.93% discount to the undiluted NAV.

After peaking at a 5-year high of USD 1.34 in mid-August the VNH share price closed the month down 0.5% at USD 1.29. As we are getting closer to the expiration of the VNH Warrants there was some increased selling pressure on the VNH Shares. Thus, VNH has continued to buy back its own shares to be held in treasury. Last month an additional 350,000 shares were repurchased.

### 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	52,115,260
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	45.35%
Worst Month	-20.23%
Best Month	18.32%
Maximum Drawdown	-69.42%
Volatility p.a.	24.76%

**Performance NAV per Share**

Last 3 Months	1.75%
Year-to-Date	28.71%
Since inception annualized	-1.70%

**Share Price**

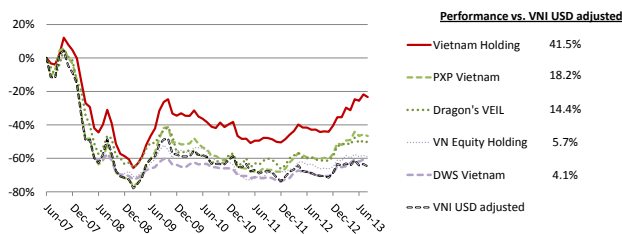
Share Price	USD 1.29
Discount to Net Asset Value	-23.92%
Market Capitalisation	USD 67.36M
Lowest Share Price since inception	USD 0.24
Highest Share Price since inception	USD 2.85

**Performance**

Last Month	-0.39%
Last 3 Months	3.40%
Year-to-Date	41.26%
Last 12 Months	27.65%

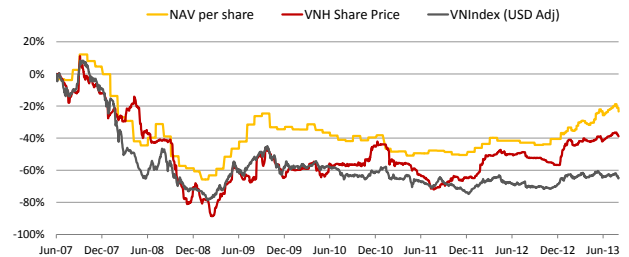
<b>Portfolio TER</b>	<b>PEG (forward): 0.62</b>	<b>Beta: 0.70</b>	<b>P/E (trailing): 9.04x</b>
	<b>3.59% (FY 2013)</b>		

**NAV Performance vs. VN Index and Peer Group**



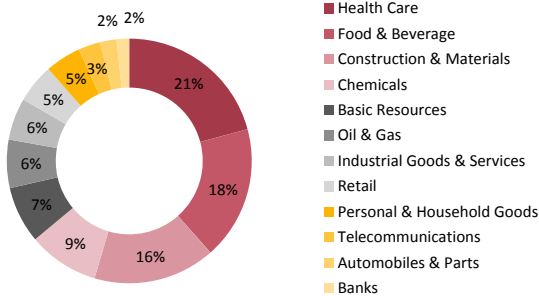
Source: Bloomberg and LCF Rothschild.

**Share Price vs. NAV and VN Index**



Source: VNHAM and Bloomberg.

**Industry Allocation**



**Top 10 Holdings**

Investee Company	Market	Percent of NAV
AnGiang Plant Protection	OTC	9.13%
Hau Giang Pharma	HOSE	8.89%
Vinamilk	HOSE	8.39%
Binh Minh Plastic	HOSE	8.33%
Traphaco	HOSE	8.18%
Petrovietnam Drilling	HOSE	6.23%
Hung Vuong Corporation	HOSE	6.01%
Viconship	HOSE	4.84%
Thien Long Group	HOSE	4.62%
National Seeds	HOSE	3.83%

**London Stock Exchange Market Makers**

<b>Oriel Securities</b>	Shayne Barge +44 207 710 7665	<b>Winterflood</b>	Richard Browne +44 203 100 0251
<b>Jefferies</b>	Michele White +44 207 898 7127	<b>Numis Securities</b>	David Cumming +44 207 260 1376
<b>JPM Cazenove</b>	Steven Cheshire +44 207 155 8063	<b>LCF Rothschild</b>	Johnny Hewitson +44 207 845 5960
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