



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 124,905,747

NAV per share USD 1.980

Shares in issue 63,079,188

Treasury shares 4,458,052

Equity investments 98.62%

Number of investments 23

Vietnam News

Vietnam's Purchasing Manager's Index (PMI) came in at 53.1, compared with 51.3 in March. The trade figures for April were also pleasing, with exports of US\$12.2bn (up 23% YoY) and imports of US\$12.6bn. The resulting US\$400m trade deficit for the month reduced the first four months' trade balance surplus to US\$600m. US\$30.4bn of the YTD exports came from the foreign invested sector, and US\$7.7bn were derived from exports of mobile phones and parts alone. Also the traditional export items of garments, footwear and seafood produced significantly increased exports so far this year.

The VND ended April broadly unchanged to the greenback. Perhaps one of the few pluses to be derived from McDonald's belated arrival in Vietnam is that now the country can be included in The Economist's 'Big Mac Index'. The Big Macs currently retailing in Vietnam for the equivalent of US\$2.84 (VND60,000) compared with US\$4.62 in the US suggests that the VND is substantially undervalued.

The government's foreign exchange reserves have reached US\$35bn in April. That is the highest figure in recent memory, and will be due in part to the US\$11bn in inward remittances that Vietnam received last year.

The consumer price index rose by merely 0.08% in April, taking the YTD figure to 0.88% and 4.45%YoY. This allowed the State Bank of Vietnam to adjust its benchmark interest rates down by fifty basis points each. The discount rate is now 4.5%, the refinancing rate is 6.5%, and the repurchasing rate is now at 5%.

With credit growth still weak, the government is encouraging the commercial banks to lower interest rates, and start making commercial loans again instead of passively buying government bonds. The central bank has indicated that over the next few years it would like to see the number of domestic banks operating roughly halved, to around 15.

The central bank governor announced that total NPLs in the banking sector now amount to US\$5.8bn, or 3.86% of total loans. However, the central bank's own supervisory inspector added that if all the restructured and rolled-over loans were included, the NPL figure would be more like 9.7% of total loans, thus refuting Moody's recent estimate of 15%.

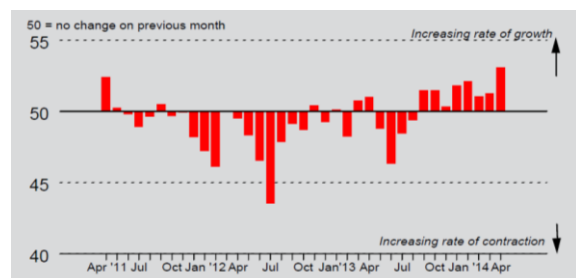
The Vietnam Asset Management Company – the Bad Bank – acquired some US\$190m worth of non-performing loans from banks in 1Q2014, well below its target for the quarter. It was able to acquire over US\$2.1bn worth of bad loans last year, and VAMC's management was said to plan selling off some of these in the second half of 2014.

Vietnam Airlines announced that it expects to get approval in June for its IPO, which will likely proceed in September if all goes well, with Citibank and Morgan Stanley advising the airline. Apple announced that Vietnam is the fastest growing market for its products, with sales tripling in the previous six months.

Regional Valuation and Dividend Yield Comparison

| | P/E trailing | Price to Book | Dividend Yield |
|---------------------|--------------|---------------|----------------|
| Indonesia | 22.1 | 2.4 | 2.1 |
| Philippines | 19.9 | 2.8 | 2.2 |
| India | 17.5 | 2.6 | 1.5 |
| Malaysia | 17.0 | 2.0 | 3.2 |
| Thailand | 16.3 | 2.1 | 3.3 |
| Vietnam: VNI | 13.9 | 2.0 | 3.0 |
| China | 9.9 | 1.3 | 3.0 |

Source: Bloomberg.

HSBC Vietnam Purchasing Managers' Index (PMI)

Source: HSBC.

VNH Insights

After a strong Q1 rally, Vietnam's VN-Index corrected by 2.5% in April 2014, bringing Year-to-date performance of the index to 14.5%.

The correction in April was triggered by

- the partially-televised trial of former ACB Bank Vice-Chairman and founder who was arrested in August 2012 for conducting illegal business, extortion, asset appropriation, tax evasion and intentional breach of state regulations causing large losses to ACB Bank;
- reminders by the SSC to the domestic brokerage firms about Margin Loan regulations, which resulted in some brokers tightening on margin lending practices;
- rumors that the Foreign Ownership Limit (FOL) draft proposal is not likely to be approved anytime soon, because of the time required by Ministry of Investment and Planning (MPI) to develop a Take Over Code to deal with threats of take-over bids of Vietnam listed companies by foreign competitors.

As a result, some blue chips subject to Margin Lending and some illiquid stocks

suffered a sharp price decline in April due to retail domestic investor selling, as average daily trading value dropped by 38% in last week of April versus the average trading value in Q1 2014. Meanwhile, foreign investors remained calm and continued to be net buyers for VND 1,750 billion in April (after they net sold VND 2,100 billion in March 2014).

As of the writing of this report, Vietnam stock markets suffered several further setbacks, having caused the VN-Index to decline sharply by 10.9% since the end of April. Domestic investors were worried about news regarding confrontations between Vietnamese coast guard boats and Chinese boats that accompany a giant oil-drilling rig, which China is attempting to anchor near the disputed Paracel Islands off Vietnam's coast in the South China Sea (in Vietnam called the "East Sea"). We remain confident that after initially strong rhetoric and propaganda, both Vietnam and China will peacefully negotiate an acceptable solution regarding the disputed islands.

Foreign investor sentiments support our view so far, as they continued to use these market corrections as a buying opportunity to increase their Vietnam equity exposure.

Fund Facts

| | |
|------------------|--|
| Domicile | Cayman Islands |
| Admission | 15 June 2006 |
| Exchanges | London AIM Frankfurt Entry Standard |
| Management Fee | 2.00% for NAV < \$100M 1.75% for NAV > \$100-150M 1.50% for NAV > \$150M |
| Performance Fee | 15% (hurdle rate 5%) |
| LSE Ticker | VNH |
| Bloomberg Ticker | VNH LN Equity |
| ISIN | KYG9361X1043 |

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Net Asset Value / Portfolio

NAV per Share Performance

| | |
|----------------|--------|
| Last month | -1.54% |
| Last 3 months | 4.48% |
| Year-to-date | 13.53% |
| Last 12 months | 39.03% |

Portfolio Statistics

| | |
|--|--------|
| P/E (trailing) | 12.02x |
| Dividend yield | 3.12% |
| PEG (forward) | 0.57 |
| Beta | 0.89 |
| Median market cap / investment (USD million) | 111.15 |

Total Expense Ratio 3.59% (FY 2013)

Share Price / Discount

Share Price Performance

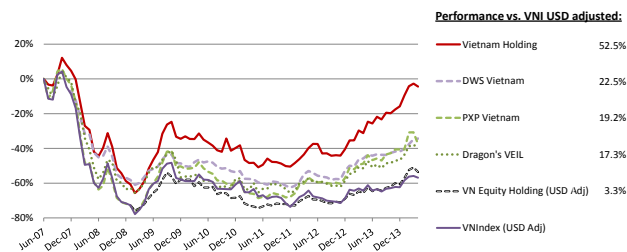
| | |
|----------------|--------|
| Last month | -0.41% |
| Last 3 months | 7.12% |
| Year-to-date | 18.81% |
| Last 12 months | 24.14% |

Market capitalisation USD 96.12M

Share Price Discount to NAV

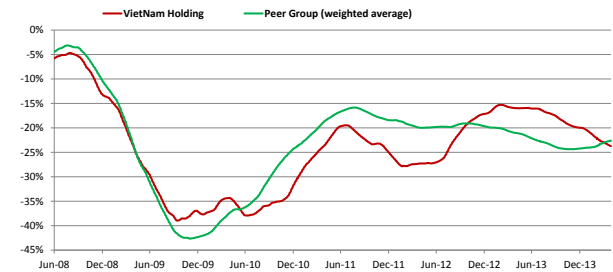
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|--------------------------------------|--------|
| VNH 52 weeks average | 23.74% |
| Peer Group 52 weeks weighted average | 22.63% |

NAV Performance vs. VN Index and Peer Group



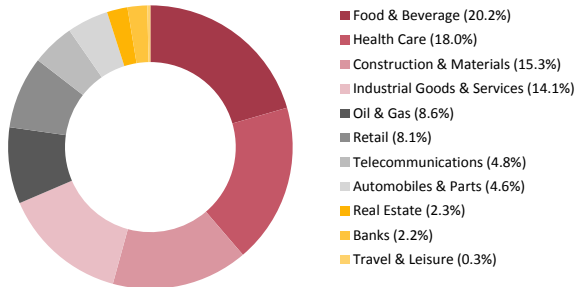
Source: Bloomberg and LCF Rothschild.

52 Weeks average Share Price Discount to NAV per Share



Source: Bloomberg and LCF Rothschild. Peer Group: Dragon's VEIL, PXPVF, VEH.

Industry Allocation



Top 10 Holdings

| Investee Company | Market | Percent of NAV |
|------------------------|--------|----------------|
| Hau Giang Pharma | HOSE | 9.18% |
| PetroVietnam Drilling | HOSE | 8.59% |
| Hoa Phat Group | HOSE | 8.13% |
| Vinamilk | HOSE | 7.17% |
| Traphaco | HOSE | 6.69% |
| Binh Minh Plastic | HOSE | 6.64% |
| Hung Vuong Corporation | HOSE | 6.27% |
| Viconship | HOSE | 5.46% |
| FPT Corporation | HOSE | 4.80% |
| Danang Rubber | HOSE | 4.64% |

London Stock Exchange Market Makers

| | | | |
|-------------------------|----------------------------------|-------------------------|----------------------------------|
| Oriel Securities | Shayne Barge +44 207 710 7665 | Winterflood | Richard Browne +44 203 100 0251 |
| Jefferies | Michele White +44 207 898 7127 | Numis Securities | David Cumming +44 207 260 1376 |
| JPM Cazenove | Steven Cheshire +44 207 155 8063 | LCF Rothschild | Johnny Hewitson +44 207 845 5960 |
| Investec | Peter Brown +44 207 597 5063 | finnCap | James Simpson +44 207 220 0558 |

Signatory of:



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