



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 current investment themes are agriculture, domestic consumption and urbanization. VNH is listed on both the London and the Frankfurt stock exchanges.

Fund Statistics

Total NAV USD 124,468,658

NAV per share USD 2.059

Shares in issue 60,456,534

Treasury shares 7,080,706

Equity investments 94.24%

Number of investments 23

Vietnam News

Initial estimates suggest that the economy grew by 5.98% in FY2014, having seen GDP growth of 6.96% YoY in 4Q2014. While domestic demand remains patchy, the economy does seem to be responding to the government's recent stimulation measures, low inflation, and robust export-oriented FDI activity. Total FDI inflow pledges exceeded US\$20bn in 2014, US\$3bn ahead of target, with actual disbursements of over US\$12bn – up 7.4% YoY. The manufacturing sector was the main FDI inflow targets, accounting for 72% of the total. South Korea is leading the charge (Samsung in particular), accounting for over 36% of total inflows. The other 'heavy hitters' were Hong Kong, Singapore and Japan.

Inflation was a benign 1.84% for the full year 2014; the lowest rate since 2006. A series of petrol price reductions were a key driver, as global oil prices fell during the latter half of the year. A number of petrol importers are thought to have made substantial inventory losses in the second half of 2014, having been wrong-footed by the severity of the decline in crude oil prices. This may explain why the central bank allowed commercial banks to extend their foreign currency lending to petrol importers (and exporters) into 2015.

This low inflation rate should give the central bank some room to reduce interest rates in 2015, and thereby support a pick-up in credit growth, which was reported to be 12.6% YoY by end-2014. The credit growth rate grew steadily throughout the year.

The VND ended 2014 at 21,388 to the USD; down from 21,095 at the end of 2013. Foreign exchange reserves had risen to US\$35bn by end-September – the most recent data in the public domain. However, Vietnam's debt obligations have also risen, with US\$33bn expended on debt obligations in 2014. As of end-2014, Vietnam's total public debt obligations were equivalent to 54% of GDP, and foreign debt was equal to 51% of GDP. Nonetheless, the finance ministry announced that it would consider a fourth sovereign bond issue of US\$1bn, in 2015. Vietnam was encouraged after the successful US\$1bn issue in November 2014, with the ten year bonds offering a 4.8% tenor, which was reportedly more than 10 times over-subscribed. Vietnam ended the year with credit ratings of BB- with S&P and Fitch, and B1 with Moody's, and markedly lower credit default swap rates than at end-2013.

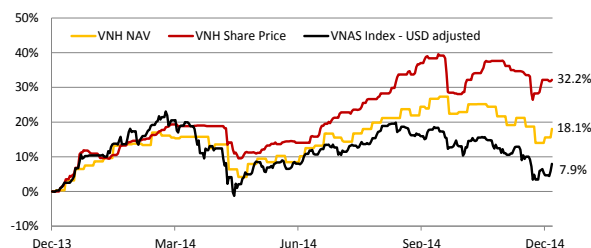
Overall, Vietnam is entering 2015 in much better economic health than when it entered 2014, although a full recovery in the country's growth momentum has yet to be secured. Looking immediately ahead, issues in the political realm will come more to the fore in 2015, as the leadership prepares for the next Party Congress, provisionally scheduled for the first quarter of 2016. Before then, there will be intense jockeying for senior positions that are expected to become available, as a substantial proportion of the existing leadership hit retirement age and are expected to step down.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Indonesia	21.0	2.4	1.9
Philippines	20.8	2.8	2.0
India	19.3	3.0	1.4
Thailand	16.6	2.1	3.1
China	15.4	2.0	2.0
Malaysia	14.9	1.7	3.3
Vietnam: VNAS	12.5	1.6	3.6

Source: Bloomberg.

2014 Performance: VNH vs. VNAS



Source: Bloomberg and VNHAM.

VNH Insights

VietNam Holding's NAV per share ended the year at US\$ 2.059, 18.1% higher than at year-end 2013. The USD adjusted VNAS ended the year with an increase of 7.9%, higher still than the USD adjusted VNI which was up by 6.6% for the full year. This was the second year in a row during which VNH has outperformed its lead index by over 100%.

Over the last five years to year-end 2014, VNH's NAV per share increased cumulatively by 51.7% from US\$ 1.357, while both the USD adjusted VNAS and VNI declined by 6.8% and 5.7%, respectively, over the same period.

Vietnam's equities market was principally dragged down in the final month of 2014 by concerns as to the ramifications of 'Circular 36', issued by the State Bank of Vietnam in late November. The circular is intended to decrease the market leverage through a reduction in margin lending. In addition, margin loans must be short term and banks with NPLs of 3% or more are no longer allowed to conduct margin lending. The circular becomes effective on 1 February.

In addition, Circular 36 brings improved corporate governance to the banking sector, particularly with regard to cross-holdings and other convoluted ownership structures. Tighter limits will now apply on issuing treasury shares, lending to bank shareholders and senior management; to subsidiaries, affiliates and mother companies; and on credit limits for single borrowers and related parties. VNH's view: while partially overdue, the new regulations are very positive for the market and will strengthen the banking compliance framework.

A preliminary review of the declining oil price suggests that the overall impact on Vietnam's economy will be positive. The Minister of Planning & Investment stated that a drop in domestic fuel price by 10% may lead to a 0.91% increase in GDP. Most of the PetroVietnam Group companies are expected to suffer and so might the steel industry. The drastic weakening of Russian Ruble may result in a flood of cheap Russian steel imports. Other industries such as plastic pipe and tire manufacturers will benefit. VNH's semi-annual report as of 31 December 2014 will include a more detailed report on this topic.

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	-0.91%
Year-to-date	18.06%
Last 12 months	18.06%

Portfolio Statistics

P/E (trailing)	10.69x
Dividend yield	3.32%
PEG (trailing)	0.87
PEG (forward)	0.81
Beta	0.87

Median market cap / investment (USD million)	138.16
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Share Price / Discount

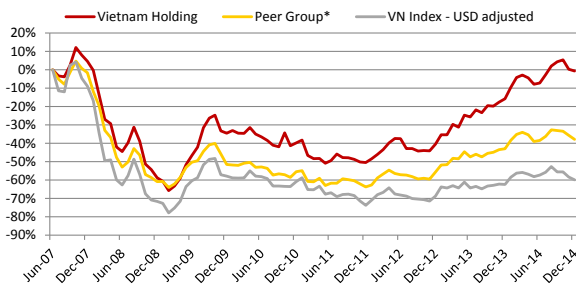
Share Price Performance

Last month	-2.94%
Year-to-date	32.16%
Last 12 months	32.16%
Sharpe ratio	1.16
Alpha	2.03
Beta	0.45
Market capitalisation (USD million)	102.47

Share Price Discount to NAV

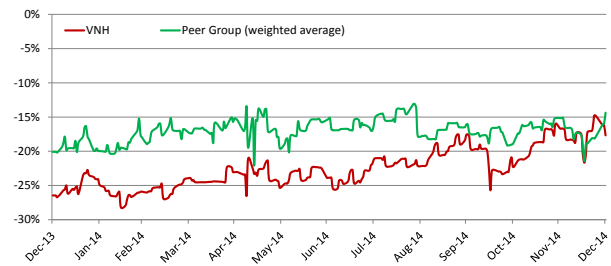
VNH	17.68%
Peer Group weighted average	14.37%
Operating Expense Ratio (12 month rolling)	3.01%

NAV Performance vs. VN Index and Peer Group



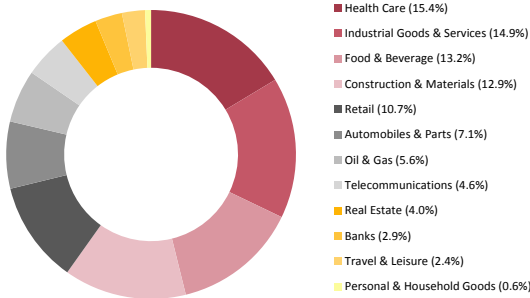
Source: Bloomberg. *Weighted average of DWSVF, PXPVF, VEH and VEIL.

52-week average Share Price Discount to NAV per Share



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

Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
Hoa Phat Group	HOSE	8.82%
Hau Giang Pharma	HOSE	8.34%
Traphaco	HOSE	7.04%
Binh Minh Plastic	HOSE	6.43%
Thien Long Group	HOSE	5.95%
PetroVietnam Drilling	HOSE	5.55%
Viconship	HOSE	5.46%
Vinamilk	HOSE	5.40%
Danang Rubber	HOSE	5.28%
Phu Nhuan Jewelry	HOSE	4.73%

London Stock Exchange Market Makers

Winterflood	Richard Browne +44 203 100 0251	Oriel Securities	Shayne Barge +44 207 710 7665
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



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