



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 126,188,217

NAV per share USD 2.078

Shares in issue 60,731,534

Treasury shares 6,805,706

Equity investments 92.41%

Number of investments 23

Vietnam News

The Purchasing Managers' Index was up from 51.0 in October to 52.1 in November, on the back of stronger output and new orders, as well as falling global commodity prices, low domestic inflation, and low labour costs. Consumer prices actually deflated in November, by -0.27%, largely as a result of two recent reduction in petrol pump prices. This takes the CPI to 2.1% YTD and 2.6% YoY. The ANZ-Roy Morgan Vietnam Consumer Confidence Index rose by 6.2 points in November, to 140.9, suggesting that domestic consumers are feeling more upbeat about themselves and the economy that surrounds them.

This is also reflected in the reported up-tick in credit growth 10.2% by late November. Meanwhile bad debts are down to 3.9% of total loan portfolios, it is claimed, thanks in part to the work of the Vietnam Asset Management Company. The VAMC has plans to begin setting its own (market-based) valuations on the distressed debt it buys from commercial banks in 2015, rather than relying on the (inflated book value-based) valuations that sellers have tended to provide. So far, the VAMC has bought US\$4.5bn in bad debt, of which just 4% has been on-sold, so over 95% of these bad loans remains on its books.

The Vietnam Dong came under increased selling pressure in November, ending the month at 21,388 to the US dollar, and obliging the central bank to formally state that a devaluation was not on the cards. While the country is generating a modest trade surplus (of around US\$2bn) and positive balance of payments, the

government's budget deficit and the economy's overall debt burden seems to be praying on the minds of some. So far this year, Vietnam's export revenues have amounted to US\$137bn, offset by an import bill of US\$135bn. As we have seen before, it is the foreign invested sector that is doing the 'heavy lifting' in this regard, with a net trade surplus of US\$15.5bn in the first 11 months of 2014, compared with the US\$13.5bn net trade deficit incurred by domestic firms.

The National Assembly signed off Vietnam's socio-economic plan for 2015. The plan includes: a target GDP growth rate of 6.2% in 2015, a 10% rise in export earnings, inflation at 5% or below, and the creation of 1.6m new jobs.

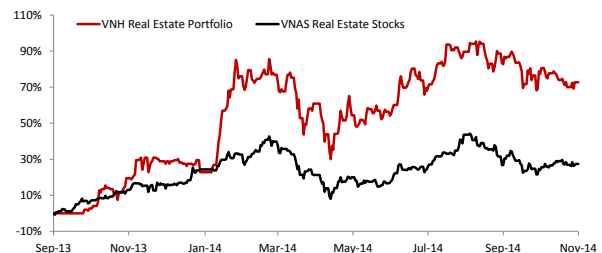
Although the next (12th) Vietnam Communist Party Congress is not due before early 2016, jockeying for positions has quietly begun, as at least 10 of the current 16 members of the Politburo will be above the retirement age of 65 by that time, and so some major changes in the senior leadership line-up is widely expected. (VCP rules state that just one Politburo member over the age of 65 is permitted.) In the executive branch too, a new prime minister and president are also expected in 2016. It is in this context that the National Assembly held its second 'confidence vote' exercise on 50 senior individuals in the leadership ranks.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Philippines	21.0	2.9	2.0
Indonesia	19.9	2.7	1.9
India	19.9	3.1	1.4
Thailand	17.9	2.3	2.9
Malaysia	16.1	1.8	3.0
Vietnam: VNAS	12.8	1.6	3.5
China	12.8	1.7	2.5

Source: Bloomberg.

Real Estate Performance: VNH vs. VNAS



Source: Bloomberg and VNHAM.

VNH Insights

The VNAS index ended November at 570.24; a drop of 2.96% over the last month. Nonetheless, the VNAS remains up 12.14% YTD. Foreign net selling in the latter part of the month was part of the reason for this decline, along with a new rule from the central bank that will limit the amount of margin lending that commercial banks can provide to clients, to 5% (down from 20%) of their registered capital. And those banks with NPLs in excess of 3% of their overall loan portfolio may conduct no margin lending whatsoever.

While this margin lending tightening was widely expected by the market, the State Securities Commission's announcement that the raising of the foreign equity cap from 49% to (probably) 60% will not now transpire until October 2015 – the deadline for the SSC to submit a revised Decree 58 to the prime minister for approval – at the earliest, came as something of an unwelcome surprise.

On the other hand the National Assembly revised Vietnam's housing law, which now allows eligible foreign individuals and companies to buy and lease property

for the first time. Some conditions remain but this still marks a major sea-change in government policy.

Vietnam's real estate market has begun to warm up, with numerous developers dusting off old residential and township plans, while others scout for new locations. Improved infrastructure has helped pave the way for new real estate projects, along with some more realistic pricing, declining interest rates, and various government support programmes. Tellingly, the US\$1.4bn package to help underwrite affordable housing has driven more supply in the low- to mid-end market and catalysed purchasing momentum in this segment, while the new housing law's sanctioning of foreign property purchases should help revive market momentum in higher quality and high-end property projects. Turning to VNH's own portfolio, during the end-September 2013 to end-November 2014 period, the value of our real estate stocks – comprising BCI, IJC, NBB and HDG – surged by 72.6%, compared with 27.4% for the VNAS' real estate segment.

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	-4.77%
Year-to-date	19.15%
Last 12 months	21.73%

Portfolio Statistics

P/E (trailing)	10.87x
Dividend yield	3.16%
PEG (trailing)	0.89
PEG (forward)	0.83
Beta	0.86

Median market cap / investment (USD million)	139.86
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Share Price / Discount

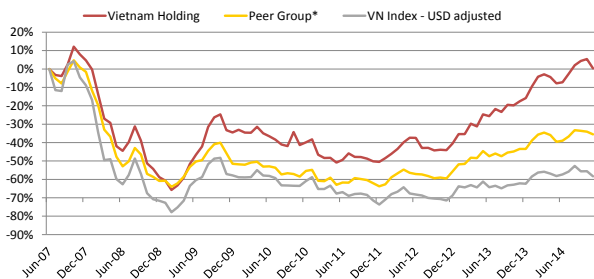
Share Price Performance

Last month	3.03%
Year-to-date	36.16%
Last 12 months	39.15%
Sharpe ratio	1.64
Alpha	0.53
Beta	0.43
Market capitalisation (USD million)	106.06

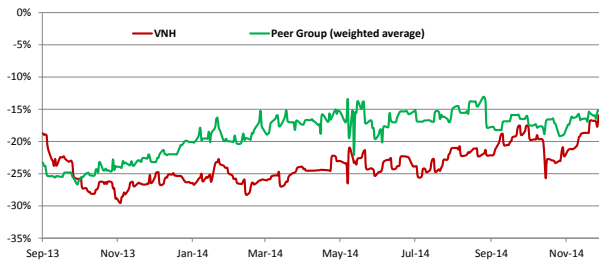
Share Price Discount to NAV

VNH	15.96%
Peer Group weighted average	15.14%
Operating Expense Ratio (12 month rolling)	3.01%

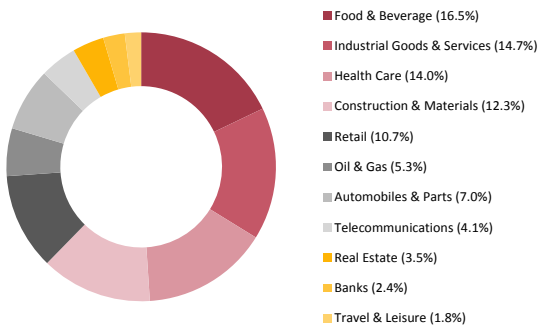
NAV Performance vs. VN Index and Peer Group



52-week average Share Price Discount to NAV per Share



Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
Hoa Phat Group	HOSE	8.52%
Hau Giang Pharma	HOSE	8.07%
Traphaco	HOSE	5.92%
Thien Long Group	HOSE	5.88%
Binh Minh Plastic	HOSE	5.79%
Viconship	HOSE	5.72%
Vinamilk	HOSE	5.53%
PetroVietnam Drilling	HOSE	5.30%
Danang Rubber	HOSE	4.92%
Phu Nhuan Jewelry	HOSE	4.80%

London Stock Exchange Market Makers

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Jefferies	Michele White +44 207 898 7127	Numis Securities	David Cumming +44 207 260 1376
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