



VietNam Holding Ltd. (VNH) is a value investor, aiming to generate high risk-adjusted returns by combining rigorous financial analysis with interactive sustainability research. The fund offers an attractive opportunity to participate in the further development of one of the world's fastest growing emerging markets. VNH is listed on both the London and the Frankfurt stock exchanges.

Fund Statistics

Total NAV USD 67,225,645

NAV per share USD 1.245

NAV last month 0.64%

NAV last 12 months 9.22%

Equity investments 92.77%

Number of investments 25

Vietnam News

At the opening of the National Assembly session, which followed the Communist Party's Central Committee plenum earlier in the month, the Premier conceded that "mistakes" had been made, notably with regard to the oversight of State-owned conglomerates. Although the prime minister will retain his position, it looks like the extent of his direct authority over the larger SOEs will be curtailed. The Party is re-establishing an Economic Commission to keep a closer eye on how the economy is performing. The National Assembly has begun to debate a revised Constitution for the country, which may see the role of the President bolstered. In short, we can expect to see changes in the way that the economy and the SOE sector are managed.

The government now expects GDP growth for 2012 to be around 5.2%; a figure in line with both the World Bank and Asian Development Bank's forecasts for the year. The purchasing manager's index was 48.7 in October, which suggests that manufacturing activity in Vietnam is still contracting, albeit only slightly. For 2013 the government is aiming for a GDP growth of 5.5%. While new Foreign Direct Investments (FDI) inflow pledges are down about 25% on last year, actual FDI disbursements remain firm, of which roughly a third comes from existing projects increasing their size, and two-thirds are wholly new projects. ADB reports that Vietnam's retail sales grew by 17.1% y-o-y January to October.

HSBC has recently published its Asian Economics fourth quarter macro update. The Vietnam section with the title "Preparing for a rebound" stated: "For many close observers, the recent slowdown is not a cause for concern but rather reason for optimism. The government has shown that it is willing to sacrifice rapid growth for macroeconomic stability. Inflation has slowed to a single-digit rate and will likely stay there. Foreign reserves have climbed to help Vietnam offset risk. The VND has stabilized, increasing the State Bank of Vietnam's (SBV) credibility and showing its commitment to long-term stability."

Aside from the consistently high disbursed FDI, Vietnam's obvious bright spot is the projected 21.5% export growth for the full year. 63% of the total YTD exports of USD 58.6bn to October were generated by foreign-invested enterprises (FIEs), an increase of 32% from 2011. The leading manufactured goods exports were textiles of USD 12.54bn, up by 8.2% from 2011. The higher value added mobile phones and spare parts increased by an astonishing 107.6% to USD 9.93bn, followed by crude oil at USD 7.0bn (+15.6%) and electronics and computers at USD 6.07bn, an increase of an also-impressive 69.3%. The star export performers include Samsung, Canon, Panasonic, Foxconn, Intel and Nokia.

Regional Market and Macro Data Projections

	P/E Trailing ¹	Dividend yield % ¹	GDP growth %	Production growth %	Foreign Dir. Investmt. % ²	Exports growth %	Trade Balance % ²	Currency vs. USD %
Philippines	18.0	2.4	5.7	5.5	0.7	7.0	-6.4	5.7
Indonesia	17.9	2.1	6.1	5.4	1.3	-6.3	0.9	-8.1
Thailand	17.4	3.5	6.3	2.6	-1.0	3.1	0.8	1.9
India	15.7	1.5	5.7	2.5	0.7	1.3	-9.6	2.4
Malaysia	14.7	3.4	5.2	3.1	0.2	1.8	12.3	1.9
China	11.3	2.8	7.8	10.5	1.6	5.8	1.9	0.0
Vietnam	9.6	4.6	5.2	5.7	7.1	21.6	1.6	-2.2

Source: HSBC & GSO - October 2012, projections for full year 2012. ¹As at 31 October 2012. ²As % of total GDP.

VNH Insights

Vietnam's trade performance so far in 2012 has indeed been impressive, particularly in view of the difficult global economic backdrop. Most noticeable in the export line-up is the substantial increases of mobile phones, electronics and computers. These two groups together increased by an impressive 91.4% during the 10 months and thus leapfrogged agriculture products as Vietnam's leading export category. FIEs are starting to gain export traction in a major way, after having been leading importers for the previous many years while bringing in machinery for various greenfield plants. In the first ten months of 2012, Vietnam's FIE added net US\$9.4bn to the positive trade balance.

The second important contributor to the positive YTD trade balance were the agricultural products, which combined grew by 10.8% from 2011. All agricultural exports together amounted to USD15.03bn to October 2012. Coffee exports of USD 3.08bn grew by 35.4% and made Vietnam the world leading coffee exporter this year, ahead of Brazil.

Vietnam's major equity market ended the month essentially flat. The VNI at 388.42 was 1.06% lower while the Hanoi Index fell by 4.42%. The VNH NAV increased by 0.64% during the month. For the year-to-date, the VNH NAV per share has increased by 13.3% compared to the VNI's 10.5%. Almost 1% of the NAV increase was the result of a strengthening of the VND against the USD since the end of last year.

During the past month, our management team in Vietnam continued to reshape VNH's portfolio. VNH has increased its investments in Traphaco to 3.6% of NAV. Within the same industry, VNH divested Imexpharm at a price reflecting an attractive premium to the market. VNH has exited two other smaller investments, so that the total number of portfolio companies has decreased to 25. The primary motive for this fine-tuning was our new policy to have fewer but larger investments, with no portfolio company representing less than 2% of NAV. At the same time, we continued the rebalancing of the largest portfolio positions: the top three investments now make up 31% of NAV, compared to 38.4% one year ago.

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	54,013,112
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	44.74%
Worst Month	-20.23%
Best Month	18.32%
Maximum Drawdown	-69.42%
Volatility p.a.	25.35%

Performance NAV per Share

Last 3 Months	-1.70%
Year-to-Date	13.37%
Since inception annualized	-6.62%

Share Price

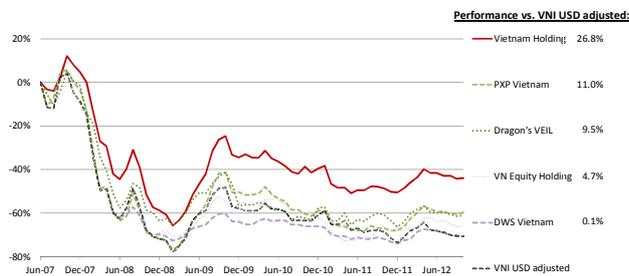
Share Price	USD 0.99
Discount to Net Asset Value	-20.46%
Market Capitalisation	USD 53.47M
Lowest Share Price since inception	USD 0.24
Highest Share Price since inception	USD 2.85

Performance

Last Month	-2.23%
Last 3 Months	-7.93%
Year-to-Date	32.11%
Last 12 Months	33.90%

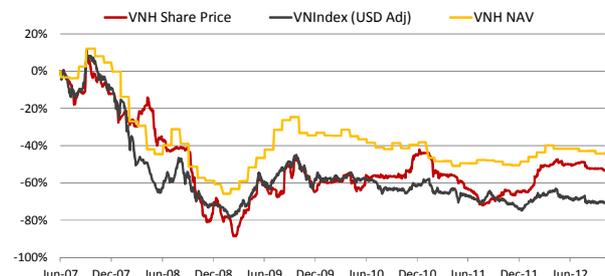
Portfolio TER	PEG (forward): 0.75	Beta: 0.69	P/E (trailing): 7.11x
	3.89% (FY 2012)		

NAV Performance vs. VN Index and Peer Group



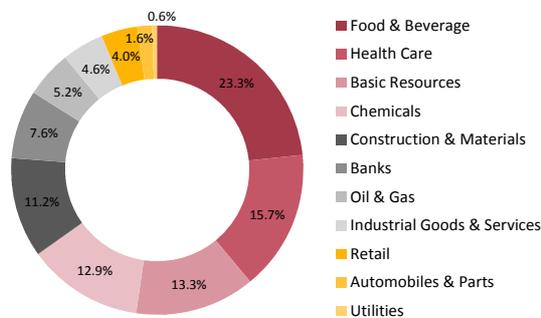
Source: Bloomberg and LCF Rothschild.

Share Price vs. NAV and VN Index



Source: Bloomberg.

Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
Vinamilk	HOSE	11.88%
AnGiang Plant Protection	OTC	11.08%
Hau Giang Pharma	HOSE	8.01%
Dong Phu Rubber	HOSE	5.49%
Hung Vuong Corp.	HOSE	5.21%
Eximbank	HOSE	4.93%
Binh Minh Plastic	HOSE	4.57%
Dabaco Group	HNX	4.57%
Phu Nhuan Jewelry	HOSE	3.73%
Viconship	HOSE	3.68%

London Stock Exchange Market Makers

Oriel Securities	Shayne Barge +44 207 710 7665
Jefferies	Michele White +44 207 898 7127
JPM Cazenove	Steven Cheshire +44 207 155 8063
HSBC	Hugh Harvey-Kelly +44 207 991 5241

Winterflood	Richard Browne +44 203 100 0251
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