



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 125,128,417

NAV per share USD 1.984

Shares in issue 63,079,188

Treasury shares 4,458,052

Equity investments 99.17%

Number of investments 24

Vietnam News

The Vietnam stock markets ended the first month after the Lunar New Year (Tet) break with further gains amidst rather turbulent global market developments. The USD-adjusted Vietnam Index increased by 5.2% to end February at 586.5. This brought the calendar year-to-date performance to +16.2%. As a result Vietnam remains the best performing market within our usual group of peer countries.

Vietnam's market has outperformed its peers for well over a year. This is not a fluke but a reflection of Vietnam's recent comparative stronger economic performance.

We start by looking at Vietnam's perennial inflation challenges: February's CPI increased by merely 0.55%, which was the lowest monthly rate for a Tet month in ten years. This brought the country's inflation rate to a 4-year low with a y-o-y CPI of 4.65% as per end of last month. Over the past several years, Vietnam regularly ranked bottom among its peers in CPI. It has since surpassed India (8.79%) and Indonesia (7.75%), both plagued with high inflation, and caught up with the Philippines, the closest Asian peer with a y-o-y CPI of 4.10%, which trails behind Malaysia, China, and Thailand with CPIs between 3.4% and 2%.

Another encouraging macro indicator is the trade balance, which recorded a surplus of US\$244m in January and February combined. The principal reasons for this positive development continues to be the stellar export performance of the foreign invested enterprises. The single biggest contributing factor continues

to be smart phones: over the first two months of 2014, Vietnam exported mobile phones for US\$3.3bn, a y-o-y increase of 22.9%. During the same period, the FDI sector produced a net US\$2.2bn trade surplus, which outweighed the domestic sector's US\$1.9bn deficit. Historically, Vietnam's FDI net inflows in % of GDP have been the highest within the peer group. The latest statistics on approved FDI suggest that this trend will last for a while.

This healthy inflow of FDIs combined with the country's traditionally strong overseas remittances have resulted in a positive current account balance of 4.8% of GDP, only topped by Malaysia's impressive 5.3%, while being well ahead of the Philippines with 2.8% and China with 2.0%. India's balance shown in the table below is as of 31.3.13, the Philippines as of 30.9.13, whereas the rest show Bloomberg's final year-end 2013 figures, except Vietnam's year-end figure represents an IMF estimate.

Looking forward, HSBC reported that its Purchasing Manager's Index (PMI) for Vietnam was at 51.0 in February. Albeit lower than January's PMI of 52.1, this was the sixth consecutive month in expansion territory for Vietnam. Vietnam's PMI is bettered by India's 52.5, while Indonesia's 50.5 and China's negative 48.5 suggest challenging economic growth environments. HSBC does not report PMI figures for Malaysia, the Philippines and Thailand.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Indonesia	20.86	2.58	2.06
Philippines	18.69	2.73	2.22
Malaysia	16.93	1.98	3.39
India	16.78	2.56	1.55
Thailand	14.97	1.99	3.24
Vietnam: VNI	12.87	2.00	3.22
China	10.31	1.38	3.03

Source: Bloomberg.

Regional Macro and EPS Comparison

	CPI y-o-y	Trade Account Balance/GDP	Current Account Balance/GDP	EPS Growth
India	8.79%	-1.89%	-4.25%	6.33%
Indonesia	7.75%	0.17%	-3.31%	-6.01%
Vietnam	4.65%	0.51%	4.80%	29.53%
Philippines	4.10%	-0.26%	2.76%	7.42%
Malaysia	3.40%	0.92%	5.34%	-2.62%
China	2.00%	0.28%	1.98%	8.07%
Thailand	1.96%	0.50%	-0.28%	3.68%

Sources: Bloomberg, IMF, Vietnam GSO. Latest data available as at 28 February 2014.

VNH Insights

We ended the Vietnam News story above with a glance at the future. As far as the stock market is concerned, the listed companies' EPS growth is a better indicator for the market potential.

The last column in the table above reflects Bloomberg figures, but does not tell the entire story. We have to look behind the figures. Firstly, the market-capitalization weighted 2013 EPS growth calculated by SSI, one of the leading Vietnamese brokers, is 21% for all companies included in the VNI – a bit lower than Bloomberg's 29%. However, if we back out the listed real estate companies, which had a turn-around year on the heels of a very low 2012 EPS basis, the corporate market's EPS growth was a more muted 8%. If we continue to exclude the real estate segment of all companies included in the VN Index, the 2014 corporate EPS growth is projected by SSI at 15% and for 2015 at 14%.

In comparison, the VNH portfolio's EPS growth for 2013 was 12.9% and forward looking a 19.5% EPS growth is expected for 2014.

Progress is also being made with the ongoing restructuring of State-owned Enterprises (SOEs). Last month Vietnam's government approved a plan, which foresees the privatization of 432 SOEs within 2014 and 2015. Mr. Pham Viet Muon, (Deputy Head of the Steering Committee for Innovation and Business Development) said "The goal is to change the legal status of the businesses, to diversify ownership, to contribute to the democratization of businesses and to create products ready for the market and which meet the requirements of investors". That sounds promising.

VNH's February NAV performance of 4.7% lagged the VNI's increase as reported above. Vietnam has seen considerable inflows of foreign institutional investments over the past few months. The great majority of these fund inflows was through the two Vietnam ETFs. These in turn are forced to invest in large caps that have free investment limits for foreigners. The result is that the large caps have increased substantially more than the mid- and small caps, which in turn make up the bulk of the VNH portfolio.

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

AIM Nominated Adviser

Oriel Securities Limited
Stewart Wallace +44 207 710 7600

AIM Broker

Oriel Securities Limited
Neil Winward +44 207 710 7460

Entry Standard Adviser

Close Brothers Seydler Bank AG
Jennifer C. Hoffmann +49 69 92054 128

Administrator & Custodian

Standard Chartered Bank
7 Changi Business Park Crescent,
Level 3, Securities Services,
Singapore 486028

Investment Manager

VietNam Holding Asset Management Ltd.
Tel: +41 43 500 2810
investorrelations@vnham.com



Net Asset Value / Portfolio

NAV per Share Performance

Last month	4.70%
Last 3 months	16.18%
Year-to-date	13.76%
Last 12 months	48.28%

Portfolio Statistics

P/E (trailing)	11.76
Dividend yield	3.28
PEG (forward)	8.96
Beta	0.89
Average market cap (USD million)	576.69

Total Expense Ratio	3.59% (FY 2013)
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Share Price / Discount

Share Price Performance

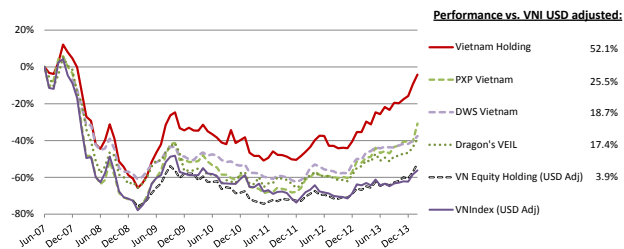
Last month	3.34%
Last 3 months	17.13%
Year-to-date	14.62%
Last 12 months	24.58%

Market capitalisation	USD 92.73M
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Share Price Discount to NAV

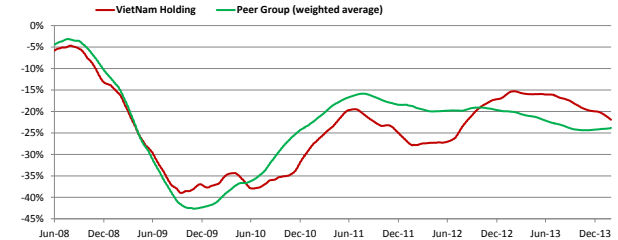
VNH 52 weeks average	21.92%
Peer Group 52 weeks weighted average	23.83%

NAV Performance vs. VN Index and Peer Group



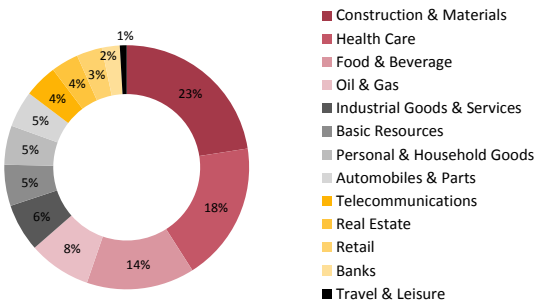
Source: Bloomberg and LCF Rothschild.

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	8.37%
Petrovietnam Drilling	HOSE	8.21%
Traphaco	HOSE	7.25%
Vinamilk	HOSE	7.25%
Hung Vuong Corporation	HOSE	6.91%
Hoa Phat Group	HOSE	6.87%
Binh Minh Plastic	HOSE	6.60%
Viconship	HOSE	5.78%
Thien Long Group	HOSE	4.92%
Danang Rubber	HOSE	4.77%

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		



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