



VIETNAM HOLDING LTD.

**2006-2016: 10 Years Responsible Investment**

## Annual General Shareholders' Meeting

Zurich, 15 September 2016

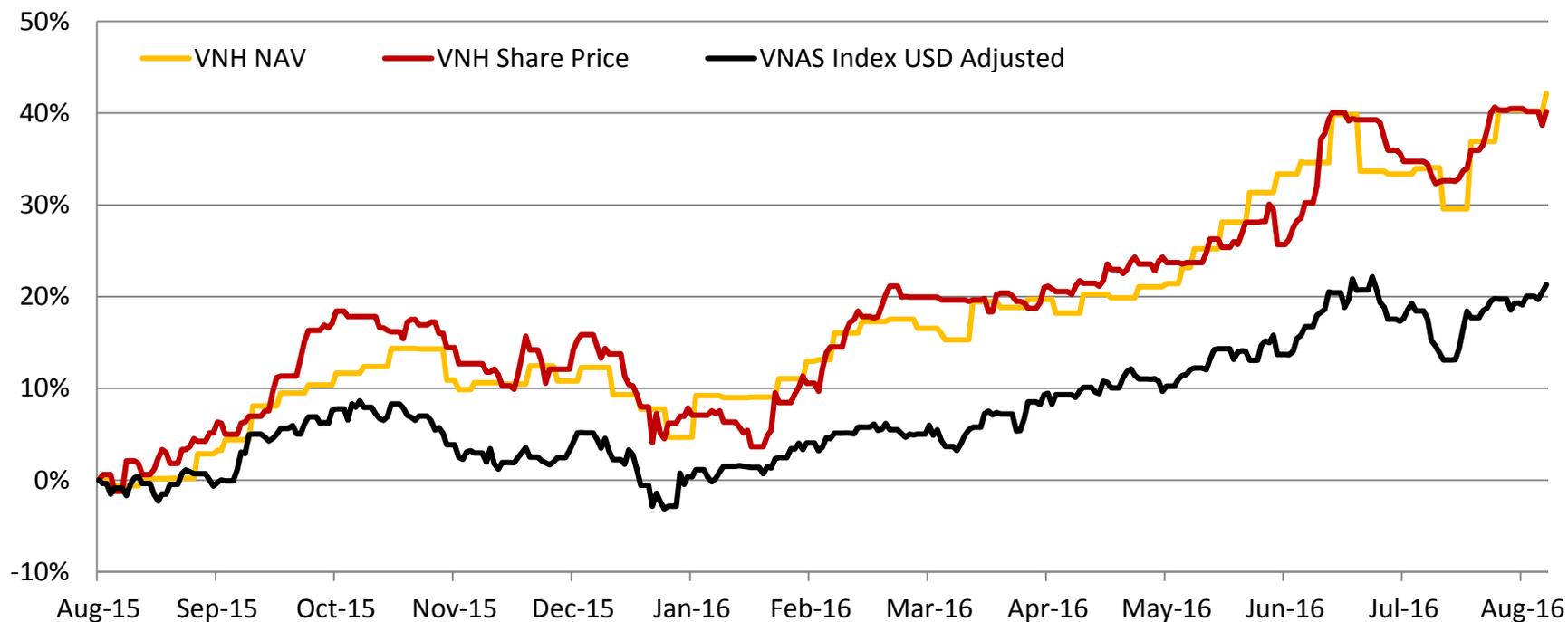


# Program

- Keynote Address
- Investment Case Update
- General Meeting Businesses
- Voting
- VNH Foundation
- Results of the AGM
- Adjourn
- Apéro



# VNH Performance



## VNH Performance Drivers:

- Consistently lower portfolio valuation
- Mid-cap centric and higher EPS growth
- Disciplined portfolio management
- Active engagement for sustainability

# Vietnam back in the Spotlight

## The Economist, 6 August 2016

The Economist | World politics | Business & finance | Economics | Science & technology | Culture

Asia's next tiger

### Good afternoon, Vietnam

Having attained middle-income status, Vietnam aims higher

Aug 6th 2016 | HO CHI MINH CITY | From the print edition

Timekeeper | Like 7.9K | Tweet



## Financial Times, 29 July 2016

ft.com > markets >

### Emerging Markets

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EM SQUARED | July 29, 2016 11:44 pm

### Vietnam the big winner from China's move up the value chain

Steve Johnson

## Wall Street Journal, 20 July 2016

### Vietnam Churns Investor Interest by Lifting Foreign-Ownership Limit on Vinamilk

Government decision to allow foreigners to own 100% of the dairy giant—up from 49%—described as a 'big breakthrough'



## Economy Watch, 12 August 2016

### Vietnam's Ambitious Clean and Green Goals

AUGUST 12, 2016 • ENERGY • BY EAST ASIA FORUM

0 Comments



In recent decades, Vietnam's demand for energy has increased along with its rapid economic development. This surge in demand could provide the impetus to develop Vietnam's emerging renewable energy industry.

Vietnam's GDP grew at an annual rate of 6.8 percent between 1990 and 2013, and is projected to hover around 7 percent annually from 2016 to 2030. Industrialisation, coupled with population increases, drives the need for more energy and especially more electricity. This is evident in the increase of final energy consumption at an average annual rate of 5.7 percent between 1990 and 2012, and of



# Recent Developments and Challenges

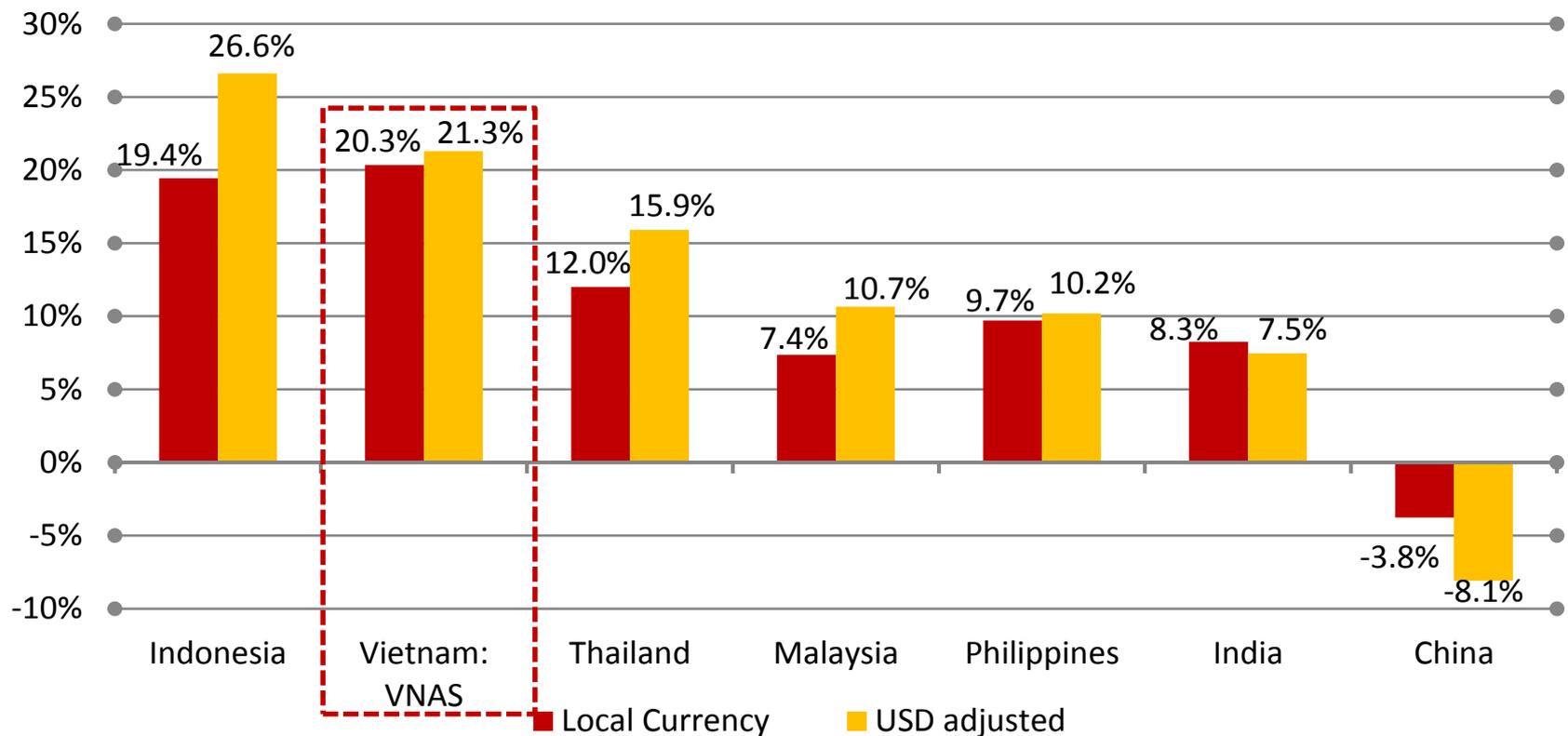


- ❑ Government's fiscal deficit still prominent: 6.5% of GDP
- ❑ Enhanced privatization: Vinamilk, SABECO, HABECO
- ❑ NPLs under control but sustained banking sector oversight is required to mitigate risks

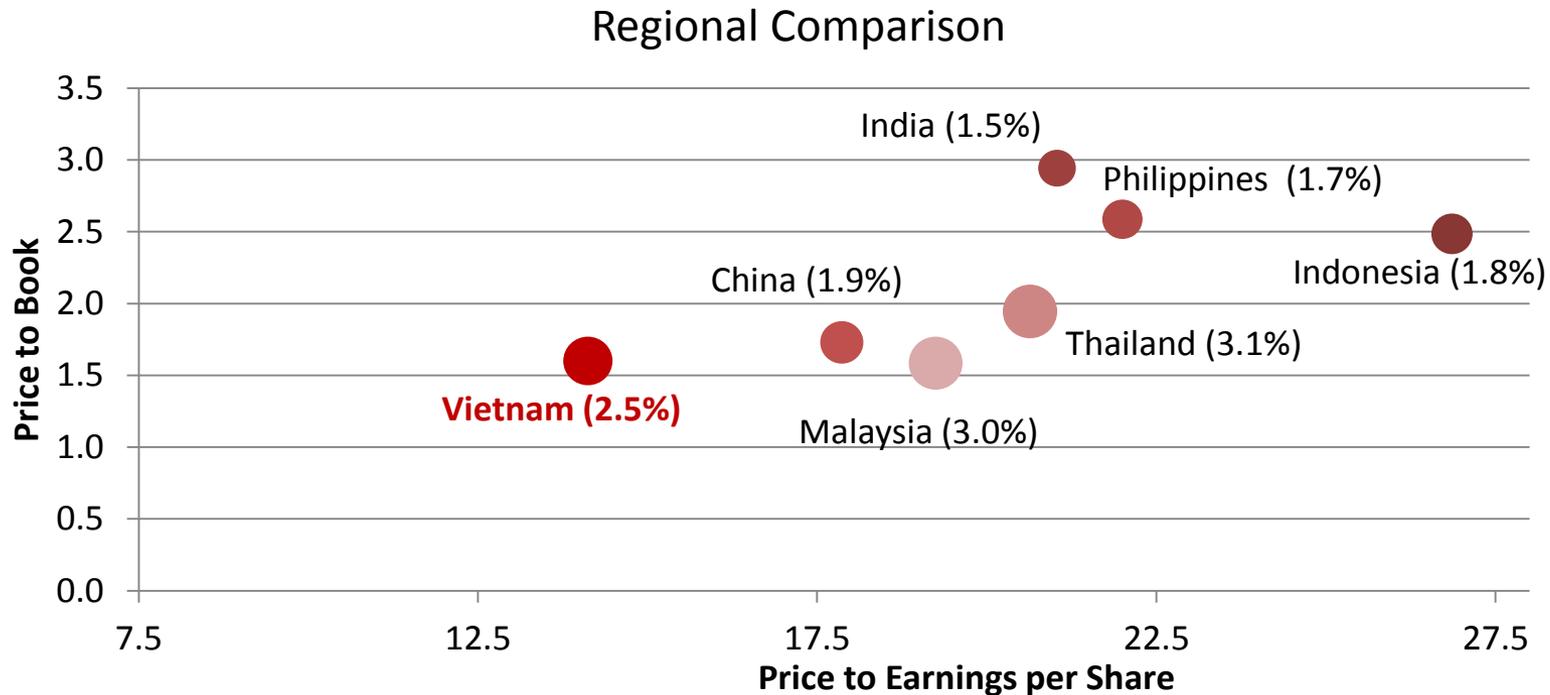
- ❑ Increased requirements for listed companies to disclose financial data and ESG information
- ❑ Historic drought prompted government to formulate long term response to climate change impacts
- ❑ Pledge for COP21 Paris Agreement to reduce 8% greenhouse gas emissions by 2030

# Stock Market Performance

From 31 August 2015 to 31 August 2016



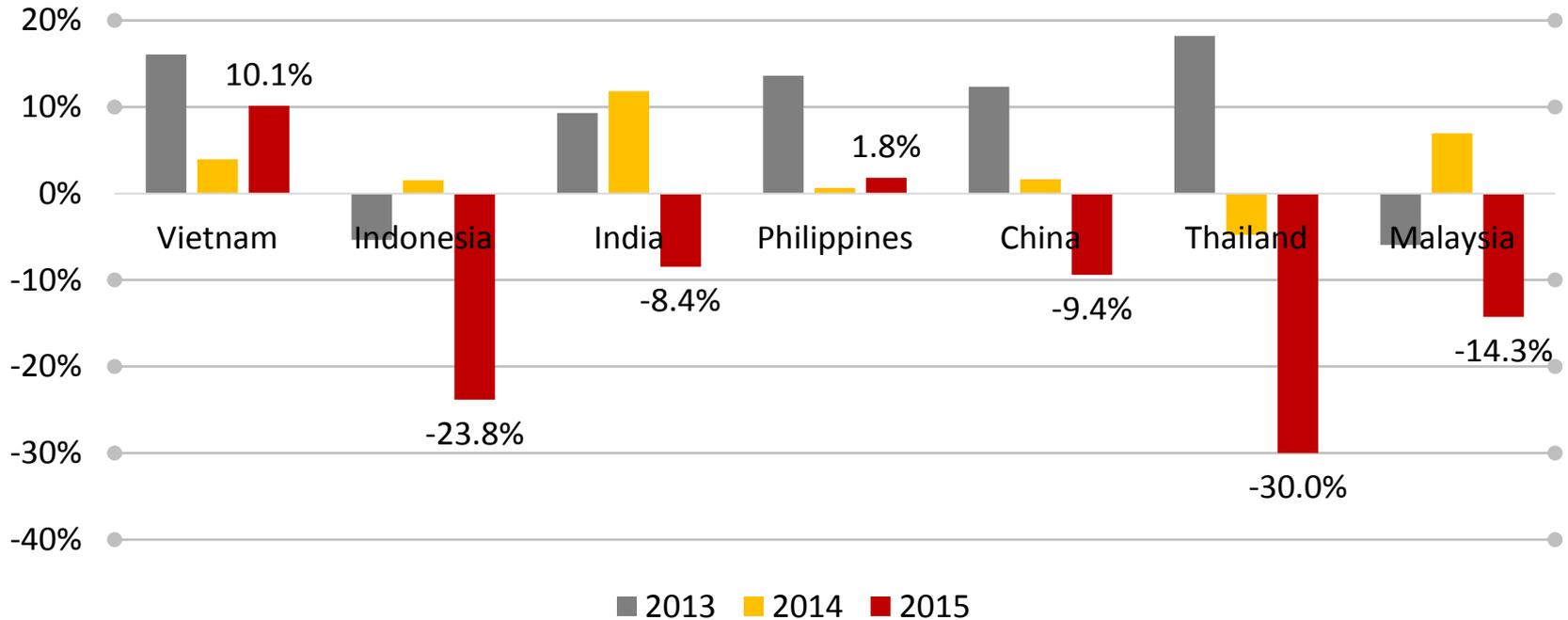
# Stock Market Valuation



**Note:** Vietnam: VN All Share Index (VNAS); Main bourses of other markets used; Size of bubble is dividend yield (%)

# EPS Growth Analysis

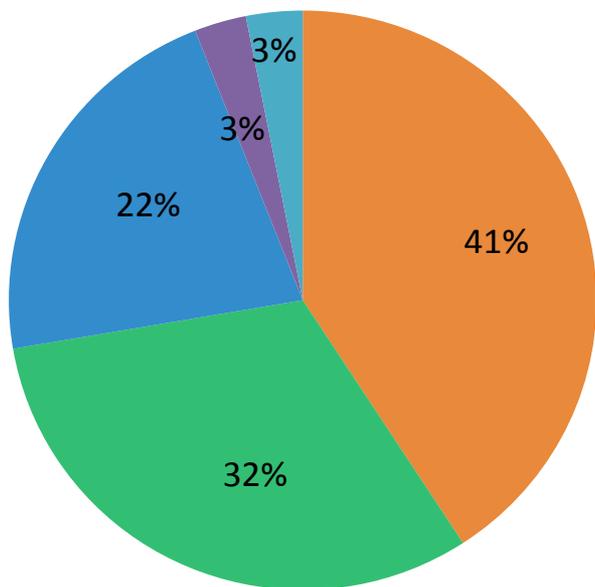
Regional Peers EPS growth (2013 -2015)



- VN-Index (Vietnam) EPS growth stable in 2013 – 2015
- Higher 2016 EPS growth expected to prior year given low 2015 base of Oil and Gas sector

# VNH Investment Themes

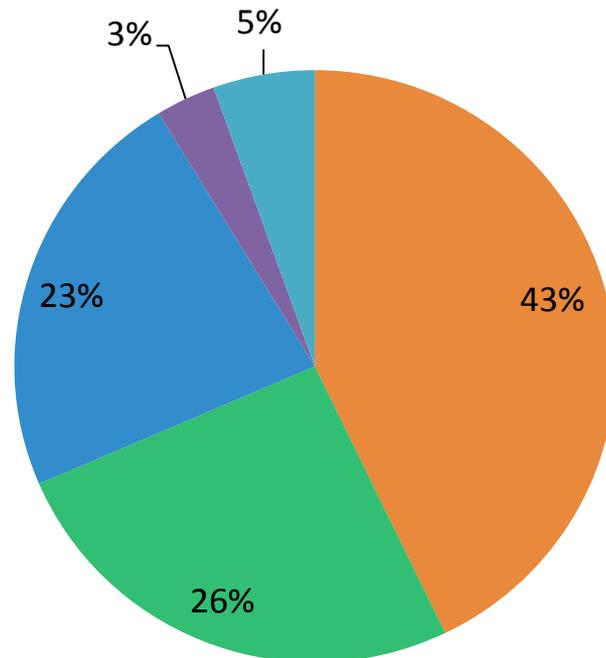
**31 Aug 2015**



**Theme Allocation**  
Percent of NAV

- Consumer
- Urbanization
- Other
- Agri-Business
- Cash

**31 Aug 2016**



# VNH Portfolio Rebalancing



## Top 10 Companies: % of NAV Comparison

### 31 Aug 2015

1	Traphaco JSC	8.0%
2	FPT Corp	7.6%
3	Vietnam Container Shipping JSC	7.1%
4	Viet Nam Dairy Products JSC	7.1%
5	Binh Minh Plastics JSC	6.8%
6	Danang Rubber JSC	6.3%
7	Thien Long Group Corp	5.4%
8	Hoa Phat Group JSC	5.3%
9	Phu Nhuan Jewelry JSC	5.0%
10	Phat Dat Real Estate Developme	4.9%

#### ➤ Top 10 dropouts

- ⊕ Reduced large investments at premiums
- ⊕ Exits due to corporate governance concerns

### 31 Aug 2016

1	Traphaco JSC	11.6%
2	Phu Nhuan Jewelry JSC	8.2%
3	Thien Long Group Corp	7.9%
4	Vietnam Dairy Products JSC	7.5%
5	Vietnam Container Shipping JSC	7.5%
6	Binh Minh Plastics JSC	6.7%
7	FPT Corp	6.6%
8	Hoa Phat Group JSC	6.3%
9	Danang Rubber JSC	4.2%
10	Khang Dien House Trading and I	3.3%

#### ➤ Top 10 entrants

- ⊕ In-depth look at EPS growth prospects
- ⊕ Portfolio Turnover 2016: 34.4%

# Thien Long Group (TLG)

<b>Shareholding</b>	Equitized 1981 / Listed 2010
Market Capitalization	USD 187 M
Foreign Ownership	21%
Free Float	4%

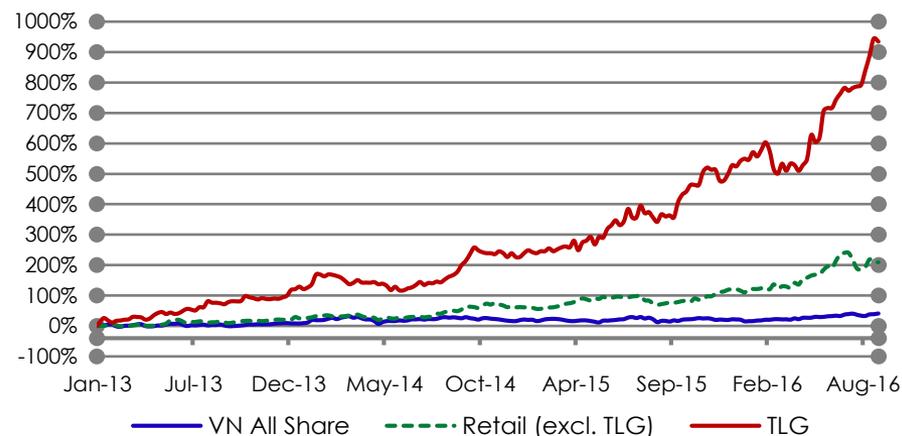
Year	2013	2014	2015	2016F
P/E	8.5	9.6	14.8	19.4
EPS CAGR (2013-2015)				13.1%
Annualized Total Return				91.4%

## Investment Case

- Leading producer and distributor of pens and stationeries
- 65% market share of pens and 30% of office supplies
- International quality and environment standards
- Diversified customer base in about 40 countries
- More than 130 wholesalers and 57,600 points of sales

## ESG Achievements

- ISO 9001, ISO14001, OHSAS 18001, SA8000, ISO17025, ICTI certificate and ERP system
- University Entrance Exam Support and Consultation programs
- Energy-saving and pollution reduction solutions initiated by the Innovation team
- Open-minded BoD and promoted learning culture



# Traphaco (TRA)



<b>Shareholding</b>	Equitized 1999 / Listed 2008
Market Capitalization	USD 173M
Foreign Ownership	47%
Free Float	82%

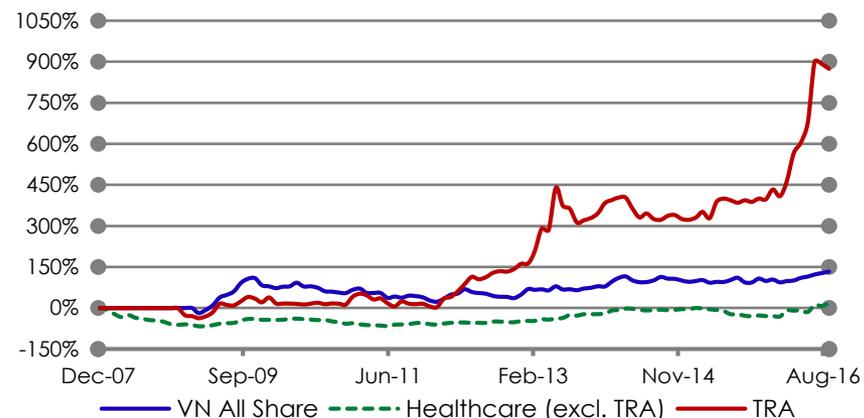
Year	2013	2014	2015	2016F
P/E	13.5	12.4	13.5	20.1
EPS CAGR (2011-2015)				15.4%
Annualized Total Return				29.9%

## Investment Case

- ④ Industry leader in traditional herbal medication
- ④ Restructured distribution enhances market access
- ④ Owning one of the strongest distribution network among local peers
- ④ Consistent track record for high EPS growth

## ESG Achievements

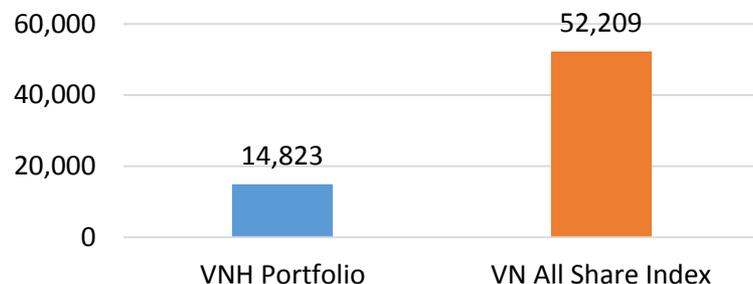
- ④ “The Way to Green Health” sustainable development strategy
- ④ A member of the Union for Ethical Biobrade
- ④ GreenPlan (co-operation among farmers, scientist, government and TRA) program strictly controls agro chemicals
- ④ 13.7% increase of labor productivity in 2015, supported by active training on GMP, customer service, corporate culture



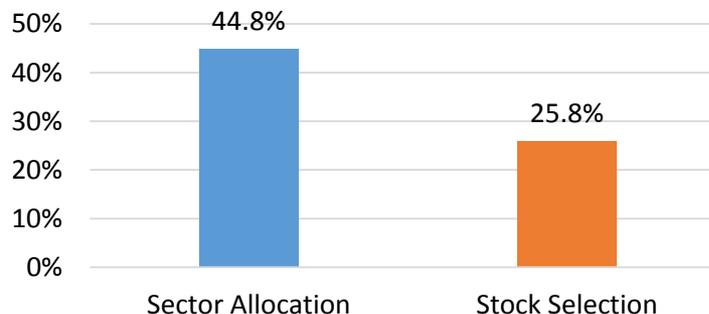
# VNH/VNHAM ESG Activities in 2015-2016

- Established VNH and VNHAM Board Joint ESG Committee
- Directors' Engagement Program: 23 meetings with 21 investee companies, resulting in two exits over corporate governance issues
- Responsible voting at 2016 Annual General Meetings for every portfolio company
- 10<sup>th</sup> successful VNH Forum on Corporate Responsibility continues to foster awareness of value investment and sustainability principles
- Carbon outperformance of VNH portfolio vs. the Vietnam All Share Index

## Total annual Emissions: Scope 1 & 2 (tCO<sub>2</sub>e)

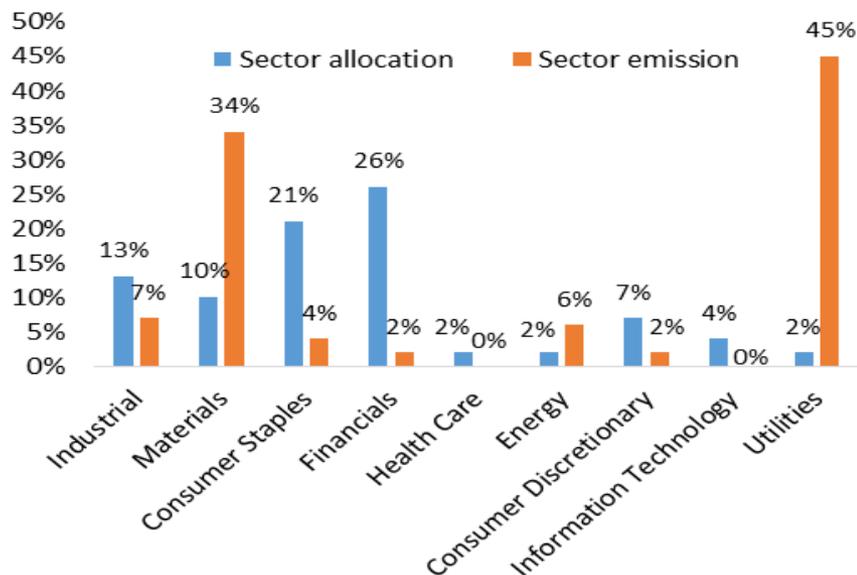


## Contribution to Benchmark Outperformance

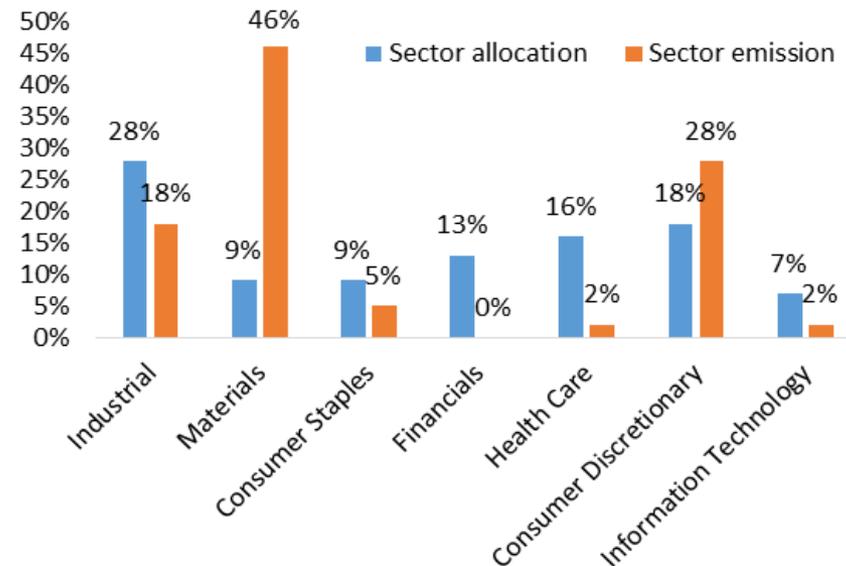


# Climate Impact Assessment of VNH Portfolio

## Sectors allocation for the VNAS portfolio



## Sectors allocation for the VNH portfolio



## Sector allocation analysis

- Material sector accounted for 46% of VNH portfolio's emissions
- Utilities and material combined responsible for nearly 80% of total emissions of the benchmark

# Vietnam Fund Universe

## NAV Performance over different periods to 30 June 2016

Period	VNH	#2 Ranking Fund	VNH Share Price	VNAS USD-adjusted
1 year	<b>28.0%</b>	18.2%	18.1%	7.7%
2 years	<b>39.5%</b>	22.6%	45.5%	9.2%
3 years	<b>74.0%</b>	49.0%	71.6%	26.2%
4 years	<b>121.7%</b>	75.8%	101.2%	34.8%
5 years	<b>155.8%</b>	95.4%	176.4%	44.8%

Funds covered (NAV greater than USD 50mn and track record of min. 5 years): VNH, Vietnam Enterprise Investments Limited, PXP Vietnam Emerging Equity Fund, DWS Vietnam Fund, JPMorgan Vietnam Opportunities Fund, Vietnam Opportunity Fund, Vietnam Infrastructure Fund.

Total NAV of peers: USD 2.87bn as of 30 June 2016.

# Investment Case

## Vietnam

**Fundamentals** remain strong amid regional slowdown

Government policy achieved **growth with stability**

Market supported by **lifting of foreign ownerships**

**FTAs and strong inflow of FDIs** create long term benefits



## VNH

10 year track record of **consistent outperformance**

**Value investment** integrating **ESG analysis**

**Low portfolio valuation** combined with **high EPS growth**



# General Meeting Business

## Ordinary Business

**Resolution 1 - Report of the Directors & Auditors and Audited Accounts**

**Resolution 2 - Re-election of Director, Min-Hwa Hu Kupfer**

**Resolution 3 - Re-election of Director, Prof. Rolf Dubs**

**Resolution 4 - Re-election of Director, Nguyen Quoc Khanh**

**Resolution 5 - Appointment of Auditors KPMG Singapore**

Resolutions 1 to 5 are all ordinary resolutions

# General Meeting Business

## Share Buyback Review

	Since Beginning of Share Repurchase Program (September 2010)	Since last AGM (September 2015)
Number of Shares repurchased	14.98 million	4.38 million
% of outstanding Shares repurchased	26.63%	7.47%
Average Discount at Share Buybacks	24.10%	16.27%

- ④ Number of Shares held in treasury<sup>1</sup>: 9.59 million
- ④ Number of Shares cancelled: 3.00 million
- ④ Number of Shares reissued: 0.73 million
- ④ Weighted average discount of Treasury Shares: 18.33%
- ④ Number of Shares to be cancelled by June-17: 1.79 million

# General Meeting Business

## Special Business

### **Resolution 6 - Share Repurchase Program**

- Renewal of authorities to repurchase up to 10% of Ordinary Shares in issuance
- Extension of Program until next AGM
- Holding repurchased shares in Treasury
- Transfer only at discount less than the weighted average discount of Treasury pool
- Cancellation of Treasury Shares after three years
- Ordinary Resolution

# General Meeting Business

## Special Business

### **Resolution 7 – Re-domiciling the Company**

- Authorise the Directors to continue the process of re-domiciling the Company to Luxembourg
- Enhance VNH's investment proposition and potentially raise share liquidity
- Minimal disruptions expected for Shareholders
- Overall costs to be insignificant in relation to the Fund's size
- Ordinary Resolution

# AGM Voting

- ④ Counting of votes submitted at the AGM and beforehand via proxy



# VNH Foundation



Motivated by a dedication to social responsibility for the young people of South East Asia, the foundation is the creation of the founder of VIETNAM HOLDING and VIETNAM HOLDING ASSET MANAGEMENT LTD.

The VNH FOUNDATION locates and supports charitable projects that will help meet the needs and enhance the lives of disadvantaged children in South East Asia while extending the positive impact of the Fund and its shareholders.

- **Founded:** June 2007 in Zurich, Switzerland
- **Supervision:** Swiss Foundation Oversight Committee (Eidgenössische Stiftungsaufsicht).
- **Financial Support:** VietNam Holding Asset Management through a donation of 1/3rd of any incentive fees  
Private Donors
- **Total Donations:** Since 2007 over USD 3 million

# VNH Foundation

## Projects supported so far by the VNH Foundation



Cooperation with University Hospital of Basel:

Medical training to DaNang Orthopedic Hospital

Donated entire operating room for orthopedic surgeries.

Treats, among other, deformation from Agent Orange



Building and operation of an orphanage in southern Thailand



Provided scholarships to over 1700 impoverished and deserving children.



Provides development opportunities for deaf people.

DD mission by HCMC team members led to a fund raising from their team members.



Children's home expansion in Ninh Thuan province



Assists street children including rescuing trafficked and abused children. Food, initial education, integration back into society

[www.vnhfoundation.org](http://www.vnhfoundation.org)

# Danang Orthopedic and Rehabilitation Hospital (DORH)



- Project was launched 9 years ago
- VNHF's initial donation of a state-of-the-art orthopedic operating equipment
- Capacity increased from 780 to a 4'000 operations per year operations per year.
- MDs from Basel University Hospital & Orthoklinik Dornach undertake annual trading missions
- Vietnam MD visit to Basel for training purposes
- VNHF Support: Organization and Financial support for equipment, training and exchange missions

# Blue Dragon Foundation



- Blue Dragon Children's Foundation is an Australian charity working in Hanoi with children in crisis
- Activities: street kids, children with disabilities, children from rural families living in Hanoi on the streets, who are victims of human trafficking and slavery, mostly to China
- Their aim is to rescue kids, reunite them with their families, and provide the needs for recovery and growth
- VNHF Support: Financial and Medical Professional Training to treat underfed and sick street children

# AGM Results

- Announcement of AGM results by Chairperson



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# VietNam Holding (VNH)

Signatory of:



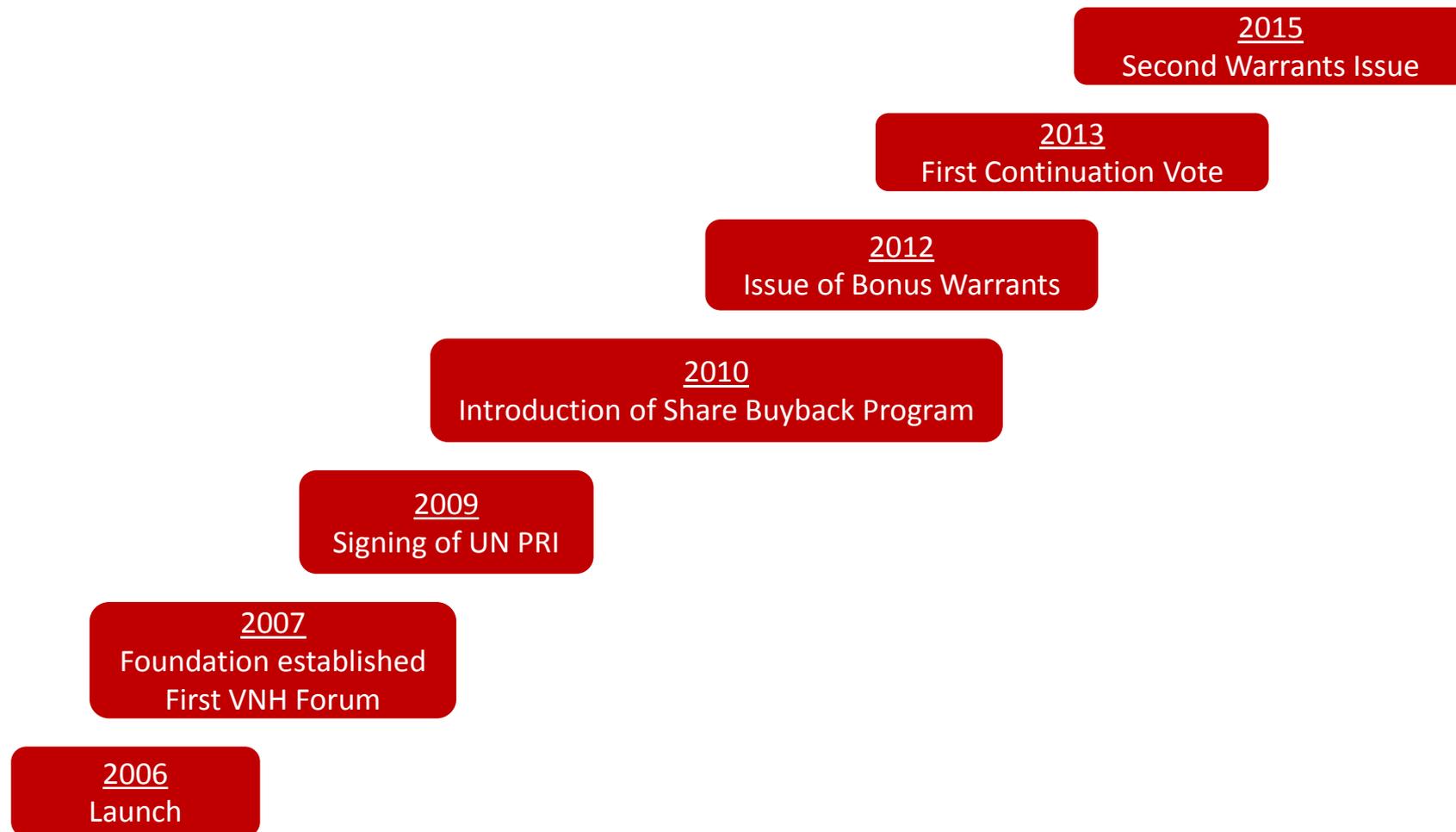
- Value investment approach
- Long-term growth: focus on megatrends
- Conviction portfolio: mid-cap centric
- Dynamic portfolio management
- 10 year track record of **top-performance**
- Experienced **local team**



## Fund Information

Launch	15 June 2006
Listing	London Stock Exchange: AIM
Sustainability	ESG Integration
Investment Themes	Agri-Business Domestic Consumption Urbanization
Tickers	<b>London:</b> VNH:LN <b>Bloomberg:</b> VNH LN Equity <b>Reuters:</b> VNHq.L
ISIN	KYG9361X1043
Investment Manager	VietNam Holding Asset Management

# VNH History 2006-2016



# Vietnam Country Profile



- **Population 94.3 million** - 15<sup>th</sup> largest
- **Transition economy** - 10+ year lag to China
- **Demographic dividend** - Median age 29.6 years
- **Labor education** - Literacy 94.5%
- **Resources** - Minerals, Oil & Gas, Tourism etc.
- **Homogenous population** - 85.7% ethnic Kinh
- **Trade stability** - ASEAN+3
- **Maturing stock market** - Since 2000

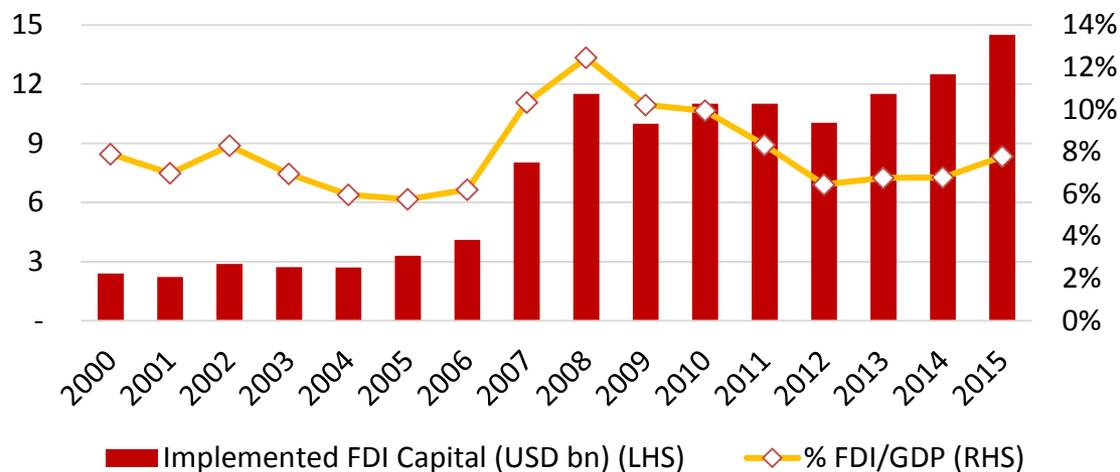
Located in the center of East Asia and South-East Asia, Vietnam is one of the world's fastest growing markets

# Macroeconomic Picture

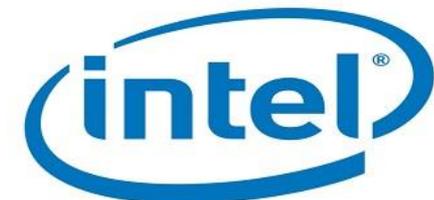
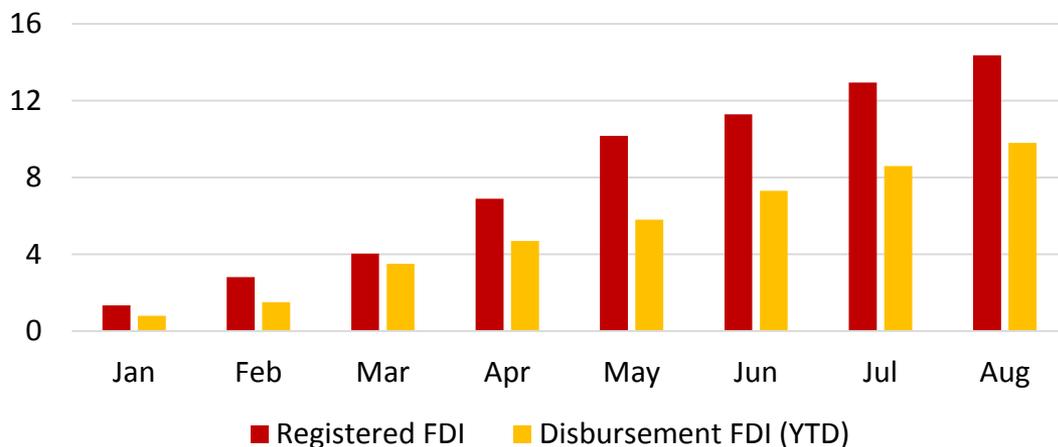
	2012	2013	2014	2015	2016F*
<b>GDP Growth</b>	5.2%	5.4%	6.0%	6.7%	6.3%
<b>Inflation</b>	6.8%	6.0%	1.8%	1.3%	4.5%
<b>Export Growth</b>	18.2%	15.4%	13.6%	8.3%	7.3%
<b>Import Growth</b>	7.4%	18.3%	12.1%	11.9%	4.3%
<b>Trade Balance</b>	USD 0.7 bn	USD 0.9 bn	USD 2.0 bn	-USD 3.2 bn	USD 1.4 bn
<b>FDI Disbursement</b>	USD 10.5 bn	USD 11.5 bn	USD 12.5 bn	USD 14.1 bn	USD 16.4 bn
<b>FDI as % of GDP</b>	6.7%	6.8%	6.7%	7.6%	7.5%
<b>VND/USD Depreciation</b>	2.0%	1.0%	1.0%	6.0%	2.0%
<b>FX Reserve % of GDP</b>	14.8%	20.6%	21.5%	19.3%	18.5%

# Foreign Direct Investments (FDI)

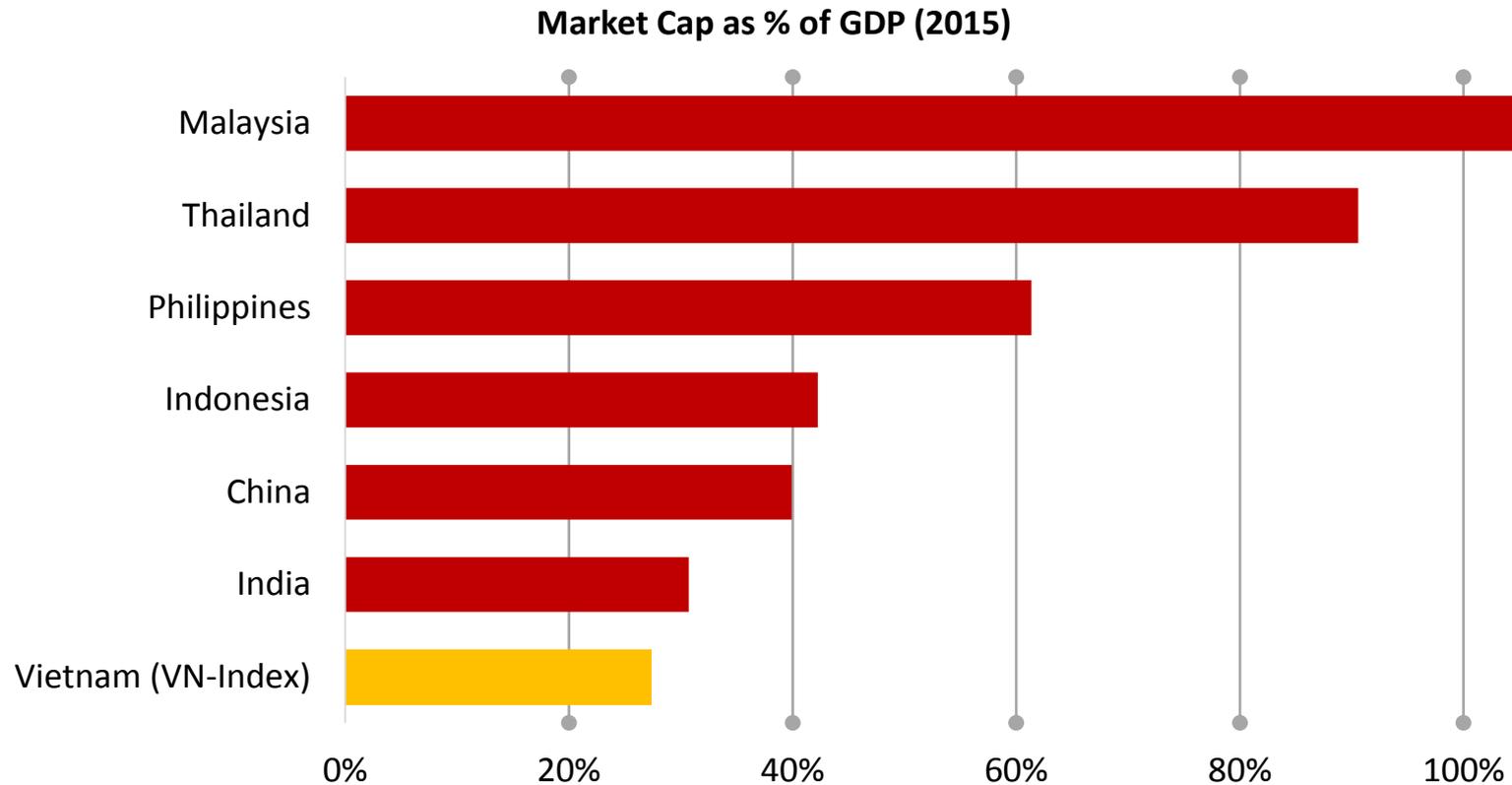
FDI into Vietnam and % FDI/GDP (2000-2015)



Registered and Disbursed FDI 2016 (US\$bn)



# Stock Market Capitalization

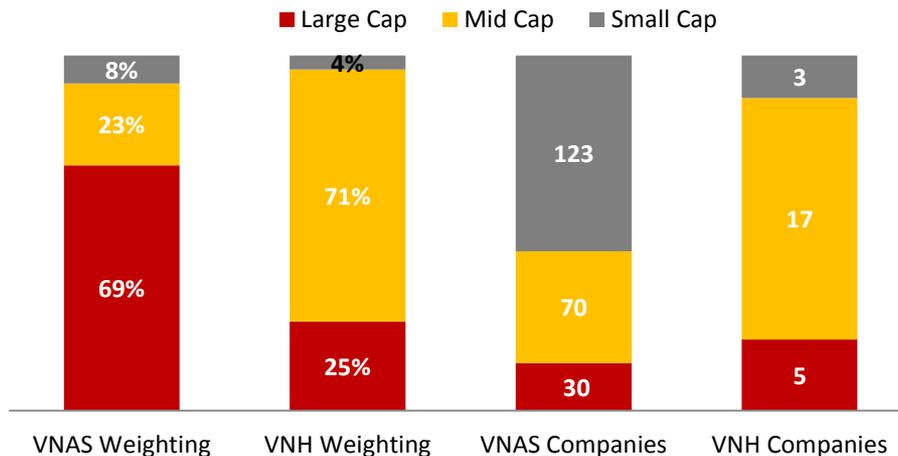


Note: Market capitalization of main stock exchange in each country is used; Vietnam's Market Cap % of GDP is 31% if the Hanoi Stock Exchange is included.

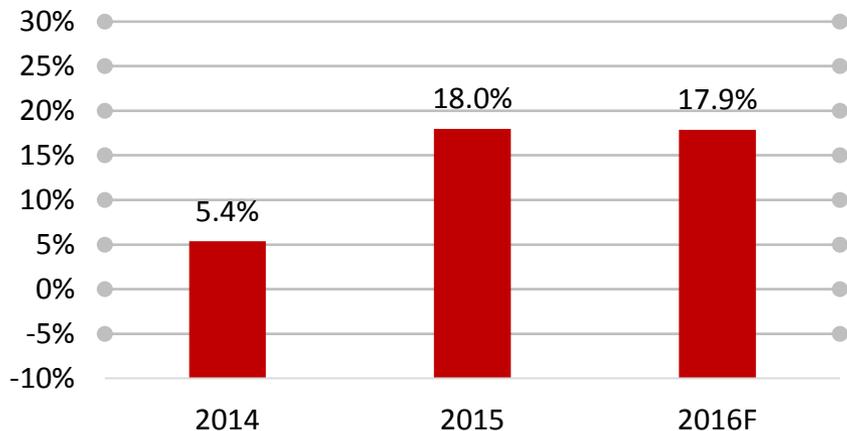
# Investment Approach

- 📌 Weekly investment committee meetings
- 📌 Very disciplined portfolio management
- 📌 Strict conflict of interest avoidance
- 📌 Mid-cap centric portfolio
- 📌 Turn around investments in real estate

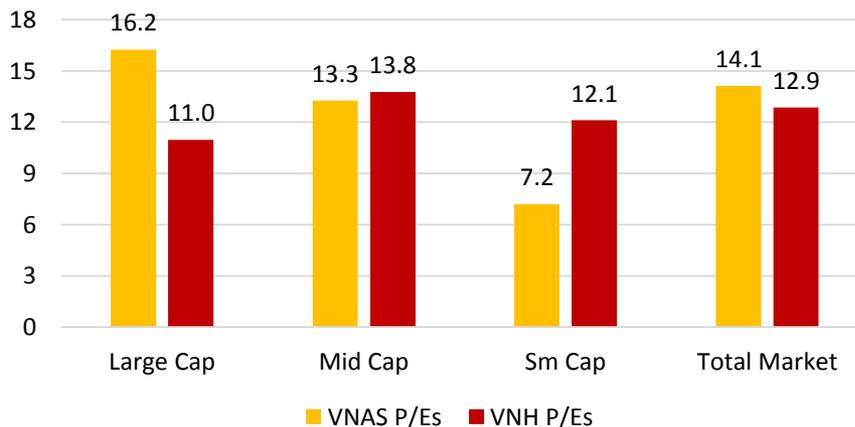
## Market Segments



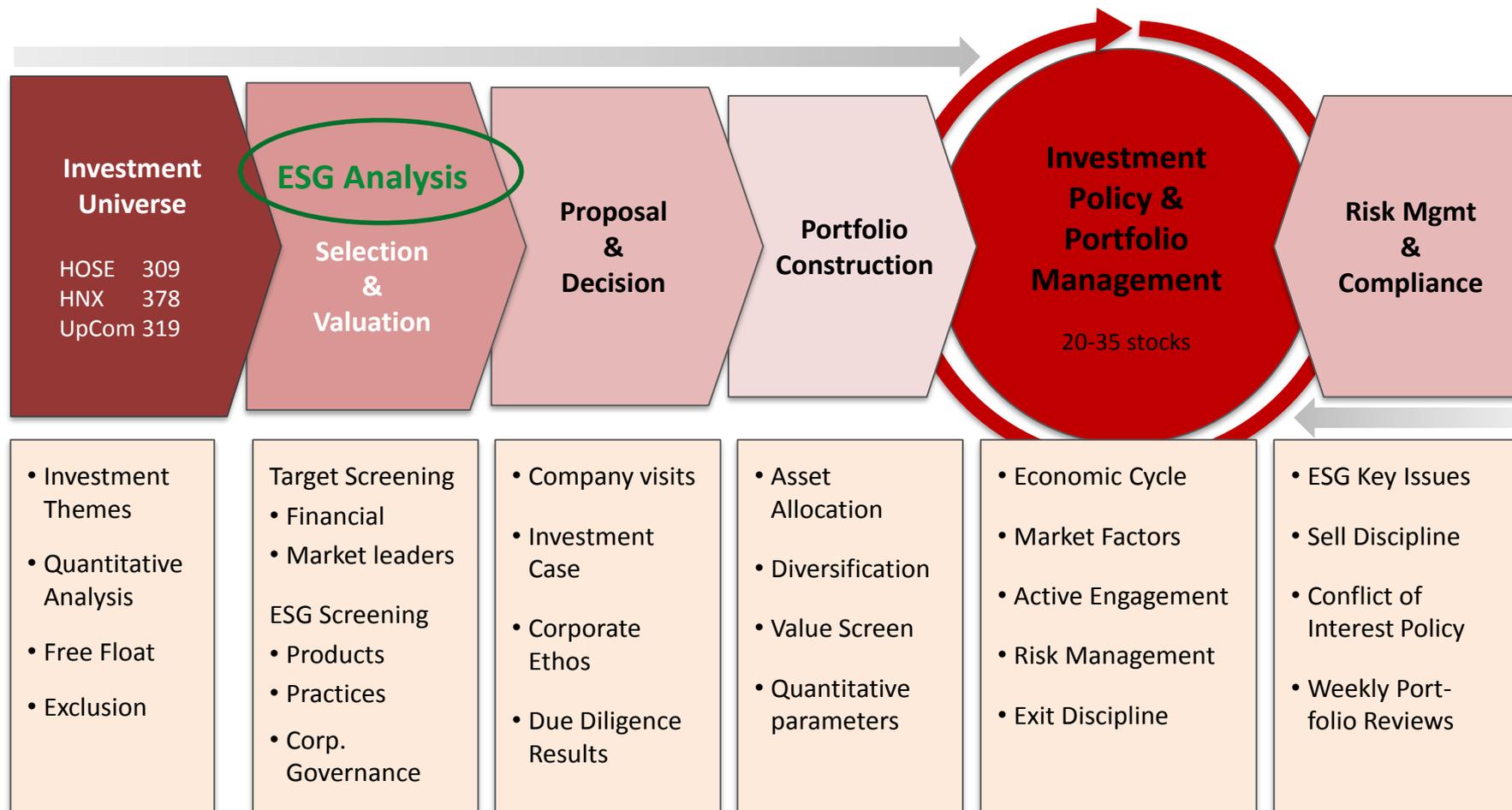
## VNH Portfolio EPS Growth



## Valuation Comparison



# VNHAM Investment Process



# FPT Corp (FPT)



<b>Shareholding</b>	Equitized 2002 / Listed 2006
Market Capitalization	USD 904M
Foreign Ownership	49%
Free Float	70%

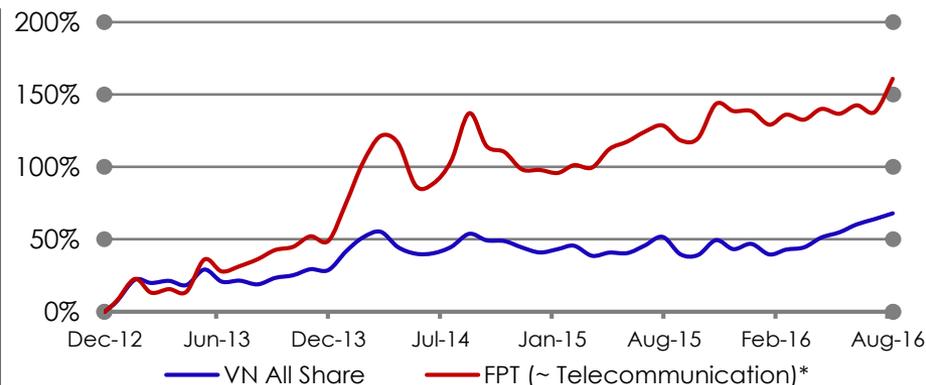
Year	2013	2014	2015	2016F
P/E	8.0	10.1	11.0	10.5
EPS CAGR (2013-2015)				3.6%
Annualized Total Return				29.4%

## Investment Case

- ④ Industry leader in IT and telecommunication
- ④ Largest engineer workforce supported by its own university
- ④ Expanding software outsourcing service to globally well-known customers
- ④ Targeting to be a local pioneer in the Smart Revolution

## ESG Achievements

- ④ Learning culture placed as core competence. Extensive training courses provided to employees
- ④ Talent Internship to nurture talented candidates
- ④ Green architecture & design awards for its office building & university campus
- ④ 2015 sustainability report following GRI G4 guidelines
- ④ Annual carbon footprint reduction (192.2 tons in 2015)



\* The sector Telecommunication only have FPT



# Nafoods Group (NAF)



Shareholding	Equitized 2010 / Listed 2015
Market Capitalization	USD 43M
Foreign Ownership	11%
Free Float	62%

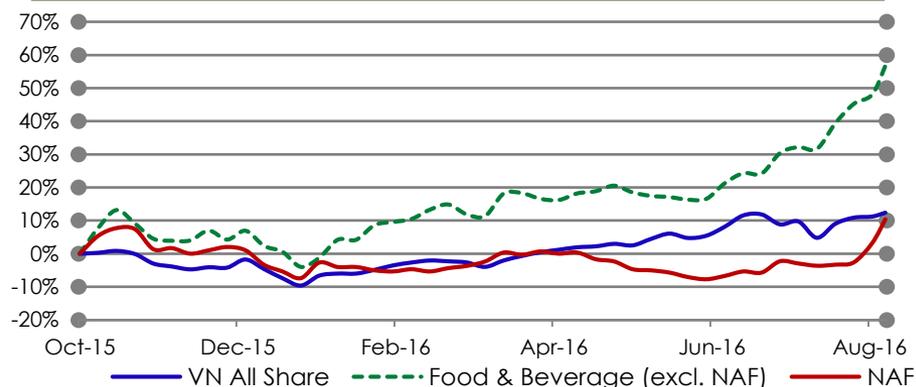
Year	2013	2014	2015	2016F
P/E	n/a	n/a	17.1	23.2
EPS CAGR (2013-2015)				97.0%
Annualized Total Return				12.5%

## Investment Case

- ④ A leading exporter of fruit puree & juice concentrate to more than 50 countries
- ④ 8-10% of passion fruit and almost 100% gac export of the world
- ④ Integrated value chain from seedlings and plantation to processing
- ④ Flagfood AG in Zug as the largest customer

## ESG Achievements

- ④ Achieved international certifications for product quality
- ④ In compliance with environmental regulations (factory hygiene, waste water treatment and recycling)
- ④ Friendly and solidary working environment
- ④ Constantly improved transparency and IR activities



# Century Synthetic Fiber Corporation (STK)

Shareholding	Equitized 2000 / Listed 2015
Market Capitalization	USD 48M
Foreign Ownership	12%
Free Float	69%

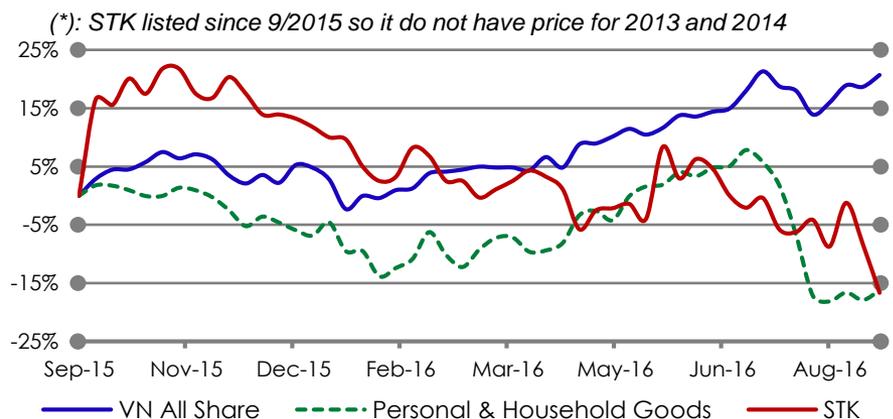
Year	2013*	2014*	2015	2016F
P/E	n/a	n/a	20.1	13.5
EPS CAGR (2013-2015)				-5.5%
Annualized Total Return				-17.9%

## Investment Case

- ④ Integrated value chain for mid-end and premium yarn production
- ④ A mission to adopt an advanced and environmentally friendly technology and modern management system
- ④ Difficult time in 2015-2016 caused by a crisis in dyeing sector in China

## ESG Achievements

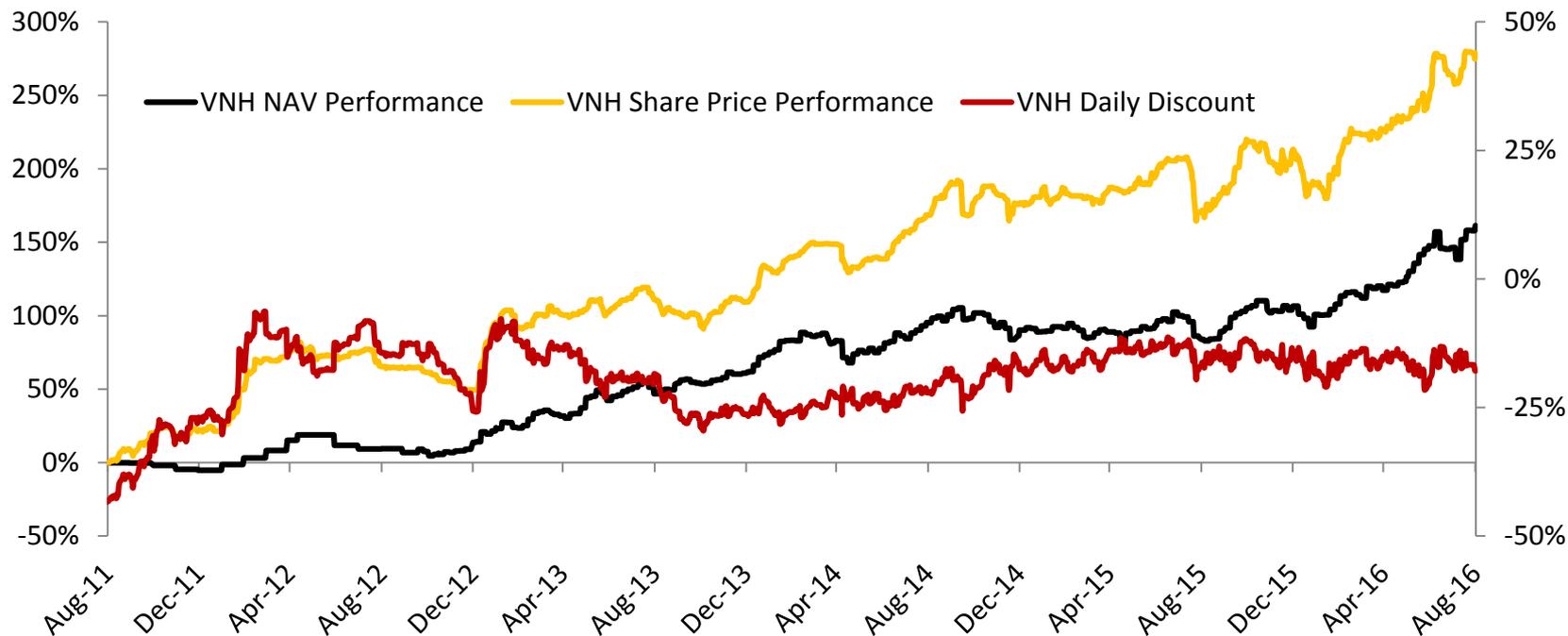
- ④ ISO 9001-2008, 5S, Kaizen, and Lean Production
- ④ ERP – SAP Business All-in-One Management system
- ④ Policies on ethical values and code of conduct built in place
- ④ A production line for recycled yarns, applying Global Recycle Standard 3.0
- ④ 2015 sustainability report following GRI G4 guideline



# Discount Management

## NAV & Share Price Performance

**Discount**



● Share buyback program: USD 8.6m in FY 15-16

● Active investor relations

● Potential reissue of treasury shares: 9.6 million

● Improving shareholder transparency



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