



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 is 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 70,963,403 | NAV per share | USD 1.320 |
| NAV last month | 6.54% | NAV last 12 months | 20.20% |
| Equity investments | 95.13% | Number of investments | 26 |

Vietnam News

2012 was an eventful year in Vietnam. Let us briefly review the highlights. GDP growth for the full year figure was 5.03%, down from 5.89% in 2011 and 6.78% in 2010. The government is aiming for GDP growth of 5.5% in 2013. The Purchasing Manager's Index rose above the neutral 50 figure in November, for the first time in over a year, before slipping down below 50 in December. Conditions in the corporate sector are improving, notably with regard to inventory levels and recruitment. But with export orders flat and output prices falling, it still remains a mixed picture.

Nonetheless, the VNI increased by 17.7% (18.8% measured in USD) in 2012, after a fulminant start in the first half with a peak level at 38.8% above year-end level in early May. The HNX index ended 2012 pretty much where it had begun the year. The total market capitalization of the two Vietnam stock markets increased to US\$35.8bn year end, with US\$32.5bn of that listed in Ho Chi Minh City, the remainder in Hanoi.

The industry and construction sector grew by 4.5% in 2012, compared with 6.4% in the trade and services sector and 2.7% in the agricultural sector. Actual Foreign Direct Investments (FDI) inflows contracted by 5% in 2012, and new FDI pledges were down 14% to US\$12.7bn.

Inflation for the full year was a welcome 6.81% (down from 18.13% in 2011), thereby allowing the State Bank to reduce key interest rates by 100bps shortly before Christmas. This was the fifth reduction in interest rates during the year. Lending growth in 2012 was just 7% compared to 11% in 2011.

VND-denominated lending grew by 8.9%, while USD lending was up by 3.5%. According to the State Bank, NPL levels in the banking sector are around 8%, and it is widely recognized that things remain difficult for the banking sector as a whole.

There were a number of pleasant surprises in 2012. The Vietnam Dong actually appreciated very slightly against the greenback, to end the year at around 20,800. This was due in part to a much improved trade balance, and the first trade surplus – of US\$284m – in twenty years. Much of the growth in exports is emanating from the foreign-invested sector, while the domestic corporate sector remains a net importer.

The prime minister survived an attempt by VCP politburo members to censure him over his mismanagement of the economy and State enterprise sector. However, the National Assembly announced that it would begin holding annual votes of confidence on senior government officials, commencing 2013. The VCP itself announced that the charismatic head of Danang's local government is to become head of the Central Internal Affairs Commission, charged with tackling corruption. The Finance Minister is to head the re-constituted Central Economic Commission, to keep a closer eye on the government's handling of the economy. The National Assembly began consultations on a revised national constitution for the country.

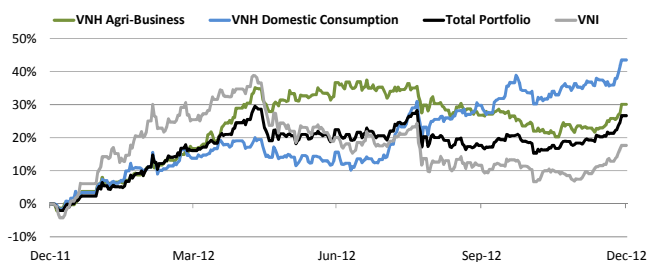
The year ended with the commissioning of the mighty 2,400MW hydropower plant at Son La. This is now Southeast Asia's largest hydropower project.

Regional P/E and Dividend Yield Comparison

| | P/E trailing | Dividend Yield |
|---------------------|--------------|----------------|
| Philippines | 18.82 | 2.28 |
| Indonesia | 16.91 | 2.11 |
| Thailand | 17.33 | 3.20 |
| India | 16.35 | 1.60 |
| Malaysia | 13.92 | 3.49 |
| China Shanghai Comp | 12.56 | 2.51 |
| Vietnam | 11.49 | 4.59 |

Source: Bloomberg.

VNH Performance Components



Source: Bloomberg and VNHAM.

VNH Insights

VietNam Holdings' NAV per share rose by 20.2% to USD 1.320 as of year-end. The above chart shows that our two main investment themes continue to be the main drivers of our benchmark outperformance. The domestic consumption portfolio value increased by 43.5% last year, while the agriculture portfolio increased by 30.1%.

The overall market's annual performance of 17.7% for the VNI can mostly be attributed to the large-caps, namely the 20 companies which make up 80% of the total market valuation. The share price of these large-caps increased by an aggregate 19.8%. Their weighted average trailing P/E was 15.77x, well above the VNI's 11.49x. By contrast, the 288 listed companies, which make up the remaining 20% of the VNI, saw a share price increase of meagre 9.4% and have an average P/E of 5.4x. This wide valuation disparity between large and small/mid caps listed on HOSE reflects the combination of domestic investors being drawn to the well-known and thus mostly large companies and foreigners' bias towards large-caps.

In VNH's portfolio, 7 companies are large-caps and make up 33% of the portfolio value. Their weighted average trailing P/E is 9.95x, substantially less than the average 15.77x

for their large cap peers. The remaining 19 small- and mid-cap companies, which make up 67% of VNH's holdings, have an average trailing P/E of 5.87x. The fact that VNH has outperformed the VNI by 2.5% in 2012 is a credit to our theme selections, which make up 70% of our portfolio. It also validates our mid- and small-cap centric approach. Furthermore, our asset allocation continues to result in an attractive overall trailing portfolio P/E of 7.22x, a full 37% below the overall market's.

These attractive valuations reflect the combination of our value investing style and our sustainable investment approach. Our portfolio companies' forward P/E is a conservatively estimated 6.46x, they produce a dividend yield of 5.96% and delivered a weighted average EPS growth of 21.61% annually over the past 5 years.

VNH's share price in 2012 rose by 22.4%, more than the NAV per share but still less than we had hoped for, despite the 841'000 share bought back by VNH during the year. The discount of the year-end share price to the NAV per share was 30%.

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 | 53,774,042 |
| 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 | 44.87% |
| Worst Month | -20.23% |
| Best Month | 18.32% |
| Maximum Drawdown | -69.42% |
| Volatility p.a. | 25.16% |

Performance NAV per Share

| | |
|----------------------------|--------|
| Last 3 Months | 6.70% |
| Year-to-Date | 20.20% |
| Since inception annualized | -5.61% |

Share Price

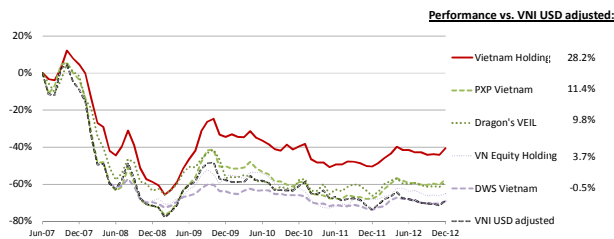
| | |
|-------------------------------------|------------|
| Share Price | USD 0.92 |
| Discount to Net Asset Value | -30.29% |
| Market Capitalisation | USD 49.47M |
| Lowest Share Price since inception | USD 0.24 |
| Highest Share Price since inception | USD 2.85 |

Performance

| | |
|----------------|--------|
| Last Month | -3.68% |
| Last 3 Months | -9.41% |
| Year-to-Date | 22.41% |
| Last 12 Months | 22.41% |

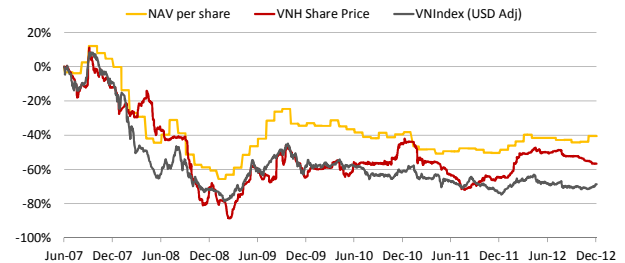
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|----------------------|----------------------------|-------------------|------------------------------|
| Portfolio TER | PEG (forward): 0.66 | Beta: 0.66 | P/E (trailing): 7.22x |
| | 3.89% (FY 2012) | | |

NAV Performance vs. VN Index and Peer Group



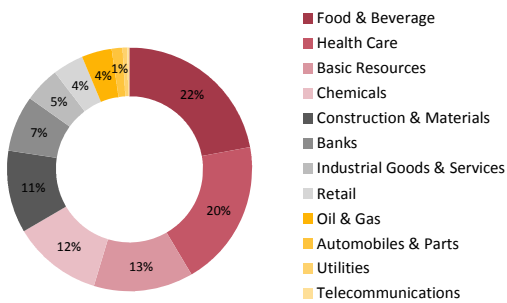
Source: Bloomberg and LCF Rothschild.

Share Price vs. NAV and VN Index



Source: Bloomberg.

Industry Allocation



Top 10 Holdings

| Investee Company | Market | Percent of NAV |
|----------------------------------|--------|----------------|
| Vinamilk | HOSE | 11.89% |
| AnGiang Plant Protection | OTC | 10.61% |
| Hau Giang Pharma | HOSE | 7.97% |
| Traphaco | HOSE | 6.92% |
| Dong Phu Rubber | HOSE | 5.21% |
| Hung Vuong Corporation | HOSE | 5.00% |
| Binh Minh Plastic | HOSE | 4.95% |
| Dabaco Group | HNX | 4.67% |
| Eximbank | HOSE | 4.13% |
| Japan Vietnam Medical Instrument | HOSE | 3.88% |

London Stock Exchange Market Makers

| | |
|-------------------------|------------------------------------|
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| JPM Cazenove | Steven Cheshire +44 207 155 8063 |
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