



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 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 133,075,826

NAV per share USD 2.161

Shares in issue 61,581,675

Treasury shares 5,955,565

Equity investments 95.61%

Number of investments 25

Vietnam News

The third quarter GDP growth was 6.2% YoY, according to preliminary figures. This is the fastest rate of growth seen in a quarter since 2010, and takes GDP growth to 5.6% YTD, following 5.1% in 1Q2014 and 5.4% in 2Q2014. The VND ended the month slightly weaker at 21,228 to the greenback. Yields in sovereign bonds dropped on strong demand from local banks for government paper. The consumer price index rose 0.4% in September, taking the YoY figure to a very benign 2.25%.

The HSBC Purchasing Managers' Index rose in September to 51.7, from 50.3 in August, signalling slightly improved operating conditions in Vietnam. Demand strengthened and export orders grew, after a brief dip in August. There are some initial signs that 'Vietnam Inc.' is ramping up production in anticipation of strong demand growth for the remainder of 2014. The central bank also declared that commercial credit growth is also burgeoning, after an anaemic couple of years.

YTD loan growth was 7% at end-September, compared with 4.5% a month earlier, and the State Bank of Vietnam is sticking to its guns in forecasting 12-14% loan growth for 2014 as a whole.

This comes as welcome news, as there are growing signs that the State budget funds used to help pump-prime the economy in recent years – and underwrite some of the losses incurred in the SOE sector – have caused a marked increase in gross public debt.

It is widely agreed that the State's official debt level is around 55% of GDP, but views vary on how much 'off balance sheet' debt exists; anywhere between another 20% and 45% of GDP. Whatever the precise figure, Hanoi is confronted with the dialectic of needing to increase public spending on a range of social goods, from improved education to physical infrastructure, while not racking up an unsustainable debt burden. The obvious answer to increasing budget pressures would be: accelerate the SOE privatization.

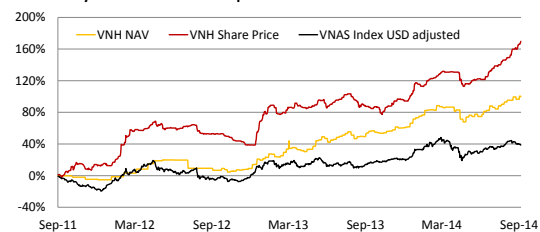
Initial export figures for September were around US\$12.4bn (down 6.6% on the August figure), of which the foreign-invested sector accounted for about US\$8bn. Imports were estimated at US\$13bn, up 6.6% from August, with foreign firms accounting for US\$7.5bn of the total import bill. Thus, the foreign invested sector registered a net trade surplus of US\$500m in September. Samsung is to persist with its FDI momentum in Vietnam. Just three months ago, Samsung Display said that it would erect a US\$1bn assembly plant in the country, and now the mother company has said it will invest US\$560m in a consumer appliances production complex. And that is on top of the large quantities of Samsung smart phones already being exported from Vietnam.

In early October, the US State Department announced that it will allow the sale of lethal equipment and weaponry to Vietnam, thereby removing virtually the last U.S. sanction imposed since the end of the Vietnam War. This move should entirely be seen through the prism of rising Sino-Vietnamese tensions.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Philippines	21.2	2.9	2.1
Indonesia	20.4	2.8	1.9
India	18.8	3.0	1.5
Thailand	18.3	2.3	2.9
Malaysia	16.6	1.9	3.0
Vietnam: VNAS	13.4	1.6	3.4
China	11.4	1.5	2.9

Source: Bloomberg.

VNH Performance vs Vietnam All Share Index**3-year Performance Comparison**

Sources: Bloomberg, VNHAM.

VNH Insights

Since the Vietnam All Share Index (VNAS) hit the resistance point of 612.25 on September 8, it ended the month at 589.72 with a loss of 2.91%. By comparison, the VNI finished the month at 598.8 with a negative 5.95% performance, dragged down by the 14.5% price loss of PV Gas.

The VNH NAV per share performance improved by 2.27% from USD 2.113 to USD 2.161. The total net asset value increased by 2.18% to USD 133.08 million. The VNH share price increased by 8.21% from USD 1.64 at the end of August to USD 1.78 on September 30.

Bloomberg reported that the State Securities Commission has begun to explore what it would take for Vietnam's stock markets to graduate from 'frontier market' to 'emerging market' classification, under the MSCI's benchmark coverage. Such a progression would allow Vietnamese equities to tap a far larger pool of institutional fund money; funds that are not permitted to gain exposure to frontier markets.

Countries that recently made the leap, including the UAE and Qatar, saw a substantial rise in their index performances (and foreign fund inflows) shortly after the announcement was made. But for Vietnam to follow, there will likely need to be a number of changes made, including the already planned merger of the Hanoi and HCM City secondary markets, and an upward revision in the foreign equity cap for listed common shares, currently at 49%. The lifting of the foreign investor restrictions has been subject to much debate, after it was initially announced as being fairly certain. Yet it was not, due to concerns over a losing control of Vietnamese companies to foreign investors. Non-voting depositary receipts, similar to what Thailand introduced 14 years ago, appear to be the way out of this dilemma.

Another major challenge will be the still limited free float market capitalization of the combined Vietnam stock exchanges. It may take more than just a few select SOE privatizations to get there.

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	2.27%
Year-to-date	23.91%
Last 12 months	29.56%

Portfolio Statistics

P/E (trailing)	11.59x
Dividend yield	3.12%
PEG (forward)	0.80
Beta	0.85
Median market cap / investment (USD million)	146.75
Sharpe ratio	2.34

Share Price / Discount

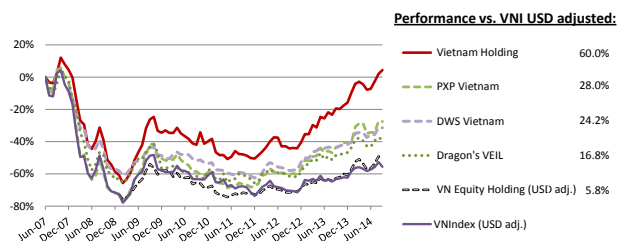
Share Price Performance

Last month	8.21%
Year-to-date	38.79%
Last 12 months	43.84%
Sharpe ratio	3.72
Alpha	0.56
Beta	0.33
Market capitalisation	USD 109.62M

Share Price Discount to NAV

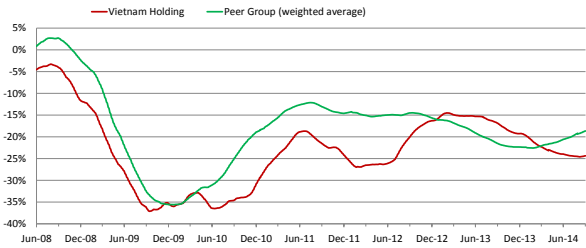
VNH 52 weeks average	24.35%
Peer Group 52 weeks weighted average	18.64%
Operating Expense Ratio (12 month rolling)	3.04%

NAV Performance vs. VN Index and Peer Group



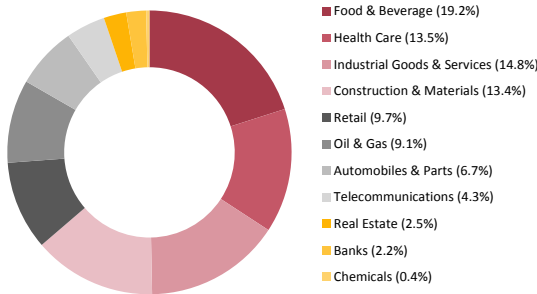
Source: Bloomberg and LCF Rothschild.

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
PetroVietnam Drilling	HOSE	9.07%
Hoa Phat Group	HOSE	8.12%
Hau Giang Pharma	HOSE	7.51%
Hung Vuong Corporation	HOSE	6.97%
Viconship	HOSE	6.20%
Danang Rubber	HOSE	5.98%
Traphaco	HOSE	5.81%
Binh Minh Plastic	HOSE	5.65%
Vinamilk	HOSE	5.61%
Thien Long Group Corp	HOSE	5.07%

London Stock Exchange Market Makers

Winterflood	Richard Browne +44 203 100 0251	Oriel Securities	Shayne Barge +44 207 710 7665
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	finncap	James Simpson +44 207 220 0558



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