

VietNam Holding Ltd. (VNH) is a value investor aiming to achieve long-term capital appreciation by focusing on high-growth companies based primarily in Vietnam that demonstrate strong environmental, social and corporate governance awareness. Its current high conviction investment themes are domestic consumption and urbanization. VNH's ordinary shares are listed on the London Stock Exchange's Alternative Investment Market.

Portfolio Information

Total Asset Value	USD 244,069,299.2
Shares in Issue	67,878,336
NAV/share	USD 3.596
Cash	-1.1%
Number of investments	26
AIM Capitalization (USD m)	204.3
Median Portfolio Company Market Cap (USD m)	555.3
Share Price Discount to NAV	16.0%
Total Expense Ratio (12M rolling)	2.4%
30-Day Avg Trading Value (USD)	271,978
P/E Ratio (12M Trailing)	17.9x
Dividend Yield	1.4%
PEG (2017-2019)	0.67x
EPS Growth (2017-2019 CAGR)	21.4%

Market Statistics

	VNASTR	VN30TR
Index	1,153.8	1,238.1
Monthly change (USD)	4.5%	3.9%
YTD change (USD)	15.2%	18.2%
YOY change (USD)	58.3%	68.8%
P/E Ratio (12M Trailing)	18.2	20.1
P/B Ratio	2.5x	3.7x
Dividend Yield	1.8%	1.5%
Market capitalization (USD bn)	121.8	106.2
30-Day Avg Trading Value (USD m)	223.0	156.6
30-Day Avg Trading Value (Shs m)	175.8	74.2

Performance

Figures in %	1M	YTD	1YR	3YR	5YR	5YR CAGR
VNH NAV per share	4.9	15.2	27.6	80.0	130.7	18.2
VNH Share price	3.4	10.1	46.8	74.7	144.7	19.6
VNAS (USD)	4.4	14.8	54.8	84.5	105.5	15.5
VN30 (USD)	3.9	17.9	66.0	87.5	91.9	13.9
MSCI EM Index	-2.0	1.1	22.2	20.1	13.1	2.5

Source: Bloomberg, VNH Asset Management Ltd. Data for VNAS Total Return and VN30 Total Return (including dividends) is available after July 24, 2015. For consistency, figures reflect the respective simple index and not total return. Total return adds 2-3% to annual index performance reflecting the index dividend yield.

Manager Commentary

With the Vietnam All Share Index now at 18x trailing earnings and the VN-Index 21x, a paradigm change might be upon us. For much of the post-Western Financial Crisis decade there has been a clear argument for valuation uplift in Vietnam, being as it was one of the cheaper markets in the world with a good or great long term story. Alas the argument for further valuation uplift can no longer be fundamentally made, at least in aggregate. Yes, earnings per share growth appears to have another good double-digit year in store. However, much as strategists and analysts are loath to admit it, predictability of aggregate EPS growth is always low, and the long term average growth of it in Vietnam has tended to be in the high single digits, not too dissimilar from the rate of nominal GDP growth. So 20-ish times earnings doesn't seem to be reasonably expandable. Moreover, our examination of regional markets over the past decade suggests that index stagnation or worse tends to set in when this valuation threshold is reached. It is striking that Vietnam has now become a richly priced market relative to most global peers – as much as the S&P 500, more than Europe, Japan, China or most of ASEAN; lower only than India among the major global markets. What this means is that easy gains, plentiful in supply after a more than trebling of the index over the past six years, are no longer likely. The overall Vietnam story remains strong. But active managers will henceforth be needing to demonstrate real skill to generate strong returns.

The VNH fund's NAV per share put on 4.9% in March, bringing the first quarter gain to 15.2%. The comparable figures for the VNAS (in dollars, total return basis) were 4.5% and 15.2% respectively.

We believe that the fund is well positioned for harder uphill slogging rather than the wind-at-back speeding of the past year. Our portfolio valuation and growth profiles sport sizeable advantages relative to the market at large. Moreover, it is now worth reappraising the merits of stocks with the defensive merits of steady growth characteristics, low debt, and robust dividend yields. With a rip-roaring index, a high-single-digit dividend yield becomes meaningless, but with a flatter index it becomes gold.

As such, we still see the likelihood of generating good double digit annual returns in Vietnam over the coming few years, even after the sterling first quarter. All of Vietnam's macro fundamentals remain excellent, from demographics, the consumer boom and manufacturing competitiveness to solid Thatcherite policymaking focused on privatisation and sound money. Meanwhile, the interest of foreign portfolio investors continues on a long term upcycle. With myriad such features, a move to egregiously high stock market valuations cannot be ruled out. That said, as the world gets greedy about Vietnam, we'll be conscious of wanting to get more fearful amid the euphoria, in order to generate good gains in what could well become a choppy market.

LSE Market Maker

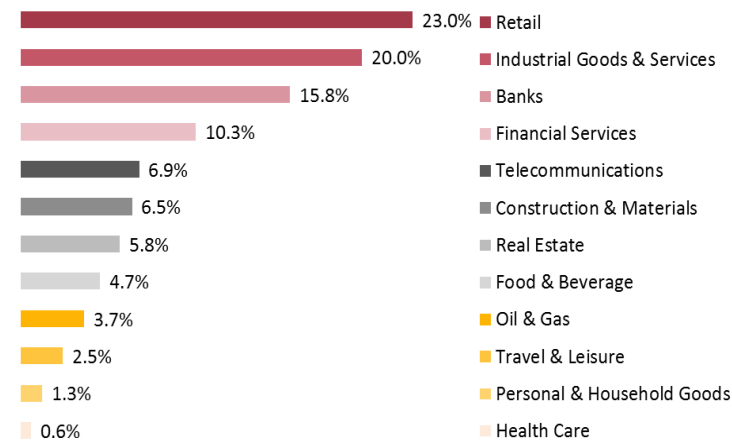
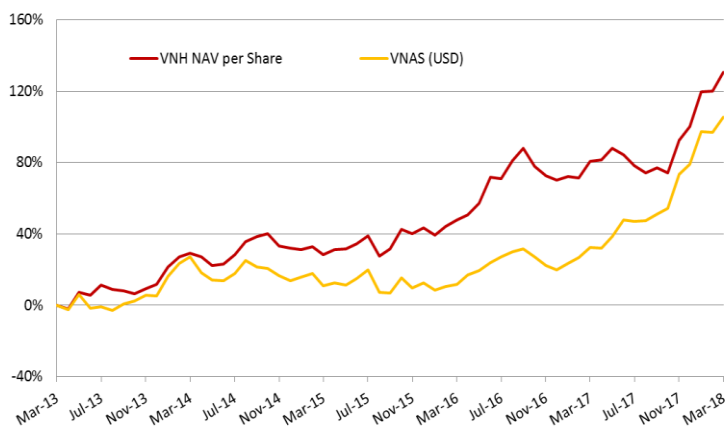
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Sector Weights

Rolling 5YR

Vietnam Macro

	2017	YTD
GDP Growth	6.8%	7.4%
CPI (YOY)	2.6%	2.7%
FX Rate (USD/VND)	22,709	22,800
FX Rate YTD Change (%)	-0.3%	0.4%

Export (USD bn)	214.0	54.3
Import (USD bn)	211.1	53.0
Trade Balance (USD bn)	2.9	1.3

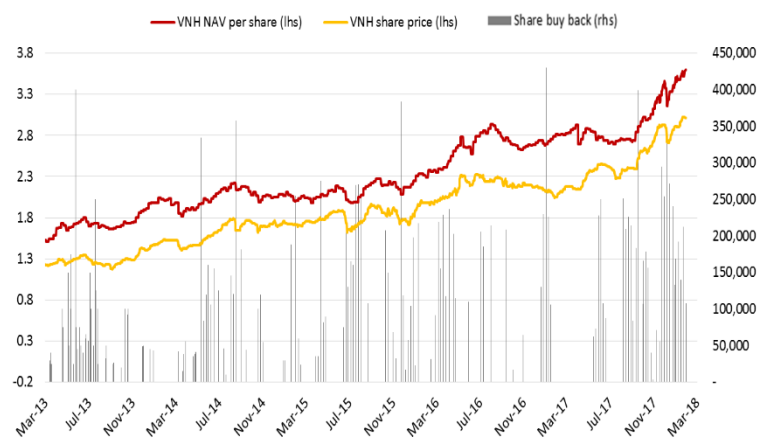
FDI commitments (USD bn)	35.9	5.8
FDI disbursement (USD bn)	17.5	3.9
FDI no. of new project approvals	2,591	618

	Dec 2017	Mar 2018
Retail sales growth (nominal YOY)	10.9%	9.9%
Purchasing Managers' Index (Nikkei)	52.5	51.6

Source: GSO, Customs, Bloomberg, FiinPro

Top 10

Company	Sector	NAV (%)
Phu Nhuan Jewelry	PNJ Retail	12.2%
Viet Capital Securities	VCI Financial Services	10.3%
Hoa Phat Group	HPG Industrial	9.5%
Sai Gon Cargo Service	SCS Industrial	7.9%
FPT Corp	FPT Telecommunications	6.9%
Khang Dien House	KDH Real Estate	5.5%
Vietnam Prosperity Bank	VPB Banks	5.2%
MB Bank	MBB Banks	5.0%
Vinamilk	VNM Food & Beverage	4.1%
Vincom Retail JSC	VRE Retail	4.1%
Total		70.7%

Share Price – NAV per Share – Buybacks

Fund Information

Structure	Closed-end fund
Listed	London Stock Exchange
LSE Ticker	VNH LN
Inception Date	30 June 2006
NAV Frequency	Daily
Management fee	2.00% on NAV below USD 100m 1.75% on NAV between USD 100-150m 1.50% on NAV above USD 150m
Performance fee	15% (hurdle rate 5%)
AIM Nominated Advisor	finnCap
Administrator & Custodian	Standard Chartered Bank
ISIN	KYG9361X1043
Bloomberg Ticker	VNH LN Equity
Clearing	CREST / Euroclear / Clearstream
Settlement	BIC Code: SCBLSGSG
Quotation	LSE direct feed VNH LN
	www.vietnamholding.com

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