

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 (AIM).

Portfolio Information

Total Asset Value	USD 219,647,500.8
Shares in Issue	70,361,425
NAV/share	USD 3.122
Cash	6.1%
Number of investments	25
AIM Capitalization (USD m)	192.3
Median Portfolio Company Market Cap (USD m)	405.4
Share Price Discount to NAV	12.5%
Total Expense Ratio (12M rolling)	2.6%
30-Day Avg Trading Value (USD)	294,410
P/E Ratio (12M Trailing)	16.0x
Dividend Yield	1.9%
PEG (2017-2019)	0.6x
EPS Growth (2017-2019 CAGR)	20.4%

Market Statistics

	VNASTR	VN30TR
Index	998.7	1,044.3
Monthly change (USD)	3.4%	3.6%
YTD change (USD)	53.6%	59.5%
YOY change (USD)	53.6%	59.5%
P/E Ratio (12M Trailing)	17.0	19.3
P/B Ratio	2.2x	2.9x
Dividend Yield	2.1%	1.7%
Market capitalization (USD bn)	94.8	80.9
30-Day Avg Trading Value (USD m)	172.3	104.9
30-Day Avg Trading Value (Shs m)	168.2	57.8

Performance

Figures in %	1M	YTD	1YR	3YR	5YR	5YR CAGR
VNH NAV per share	4.0	17.8	17.8	51.6	136.5	18.8
VNH Share price	4.6	23.1	23.1	61.2	198.7	24.5
VNAS (USD)	3.2	49.7	49.7	57.4	101.4	15.0
VN30 (USD)	3.5	55.7	55.7	52.7	84.3	13.0
MSCI EM Index	3.4	34.3	34.3	21.1	9.8	1.9

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

Sweet spot

The stars are aligned for Vietnam in a rare way. December was yet another good month for the market, with the Vietnam All Share Index (VNAS) putting on 3.1%, and dong solidity adding another 0.1% to that in US dollar terms (VNH: 4%). This put the market up over 49.7% for the calendar year (VNH: 17.8%). Thus 2017 has been the best ever year for the 17-year-old Vietnamese stock market, when taking into account a critical size of both turnover (well over USD 200 million per day) and market cap (nudging USD 153.2 billion including the junior UPCoM market) having been reached.

Economic fundamentals look beautiful all-round. Inflation sits quietly below 3%, GDP growth has outperformed at 6.8%, the foreign direct investment boom remains undimmed with a forward outlook of more to come, the trade balance sits in modest surplus of just over 1% of GDP, and foreign exchange reserves are scaling all-time highs at nearly USD 52 billion. Vietnam's relatively inclusive growth model - though certainly seeing a boom in high levels of individual wealth among movers and shakers - continues to provide steady economic advancement for the majority of society, as suggested by both top-down cross-country comparisons and bottom-up consumer company rural versus urban sales trends. Credit growth, at 18.2% for the full year just ended, has not blown out in an extreme manner, giving confidence of further buoyant growth to come. Early-emerging-stage Vietnam has managed to throw off the burden of high bad debts in the banking sector by successfully growing out of them, akin to Thailand in 1984 (and not 1997).

Welcome to the normal world, Vietnam

Vietnam these days looks like a normal, healthy emerging market – not the sickly little runt of seven years ago. Valuations are no longer desultory: 17x trailing earnings for the VNAS is no longer cheap, but nor is it stupidly high. Equity capital markets activity is busy, with auctions and book-buildings meeting high interest when the story is good and properly told.

The Vietnamese government is, overall, showing the right attitude to continual economic reform and privatization. Corruption cannot be removed from such a political system, but policymaker attention to it can help – as is currently being seen.

Can't keep a good market down

It is axiomatic that Vietnamese stock market upside is a lot less than it was: single digit earnings multiples have become higher teen ones over the course of this decade. But as long as (a) they don't get egregious (up to 20x trailing is okay); (b) earnings and corporate governance trends in Vietnam remain headed in the right direction; and (c) the government remains committed to privatization in a transparent and well-ordered manner, then it would take a brave pundit indeed to bet on this being the end of Vietnam's six year old bull market. Global fund flows should remain highly favorable to Vietnam in the coming few years, as emerging market status eventually comes, so this is a time for prudent stock selection amid the backdrop of a middle stage equity market upcycle.

LSE Market Maker

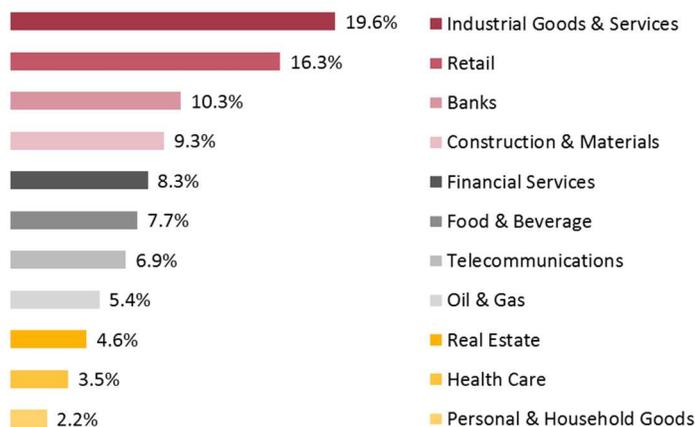
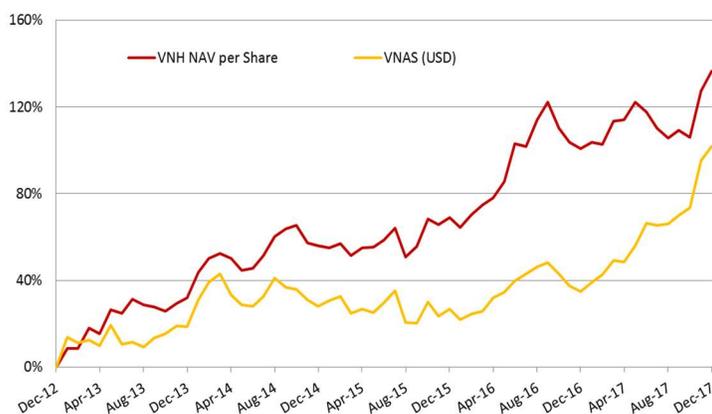
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Sector Weights

Rolling 5YR

Vietnam Macro

	2016	2017
GDP Growth	6.2%	6.8%
CPI (YOY)	4.7%	2.6%
FX Rate (USD/VND)	22,771	22,709
FX Rate YTD Change (%)	1.3%	-0.3%

Export (USD bn)	176.6	213.8
Import (USD bn)	174.1	211.1
Trade Balance (USD bn)	2.5	2.7

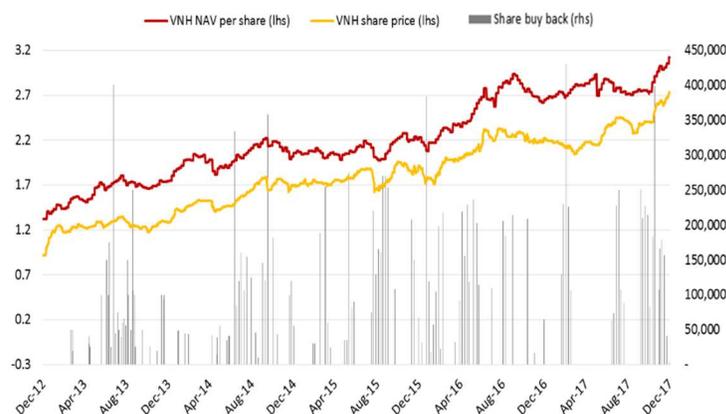
FDI commitments (USD bn)	24.4	35.9
FDI disbursement (USD bn)	15.8	17.5
FDI no. of new project approvals	2,556	2,591

	Dec 2016	Dec 2017
Retail sales growth (Nominal YOY)	10.2%	10.9%
Purchasing Managers' Index (Nikkei)	52.4	52.5

Source: GSO, Customs, Bloomberg, FiiPro

Top 10

Company	Sector	NAV (%)
Phu Nhuan Jewelry	PNJ Retail	9.6%
Viet Capital Securities	VCI Financial Services	8.3%
Hoa Phat Group	HPG Industrial	8.3%
FPT Corporation	FPT Telecommunications	6.9%
Sai Gon Cargo Service	SCS Industrial	6.1%
PV Transportation	PVT Oil & Gas	5.4%
Vinamilk	VNM Food & Beverage	4.7%
Power Construction 1	PC1 Construction	4.6%
Khang Dien House	KDH Real Estate	4.6%
Thien Long Group	TLG Retail	4.3%
Total		62.8%

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 starting from Jan 2018
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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