



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 chief investment themes are domestic consumption and urbanization. VNH's ordinary shares and warrants are listed on the London Stock Exchange's AIM.

Fund Statistics

Total NAV USD 196,718,247

NAV per share USD 2.714

Shares in issue 72,492,447

Treasury shares 9,794,492

Equity investments 94.85%

Number of investments 28

Vietnam News & VNH Insights**Fiscal forensics under the microscope**

August was a virtually flat month for the Vietnam All Share Index, and poor for VNH, with the fund down 2.23% to a net asset value per share of USD 2.714. The overall trend for the VNAS remains a positive one, after a 23.38% gain year-to-date on a USD basis.

This month has seen confirmation of the drive from the top of government to further expand banking sector loan growth, with a new target of 21-22% versus the previous 18%. Implementation of rules to limit short term funding sources for long term loans has been somewhat relaxed in order to meet this target. Such a development is positive to near-term sentiment, though worthy of a watchful eye for the longer term outlook. As the IMF has observed, if credit growth is 22% this year, the economy's credit-to-GDP ratio will surge to 136% by year-end 2017 (year-end 2016: 120%). This is still not quite as credit intensive as China, but is nevertheless well in excess of the level of around 80% that the IMF considers appropriate.

Meanwhile, there are enhanced signs that Vietnam's fiscal situation is getting the attention it deserves from the government. Consider the long run context: in 2006-10 the fiscal deficit averaged 2.2% of GDP, whereas in 2011-16 this ballooned to 5.8%, including 6.5% in 2016 (source: World Bank). During 2011-16, revenue-to-GDP fell from 27% to 23%, while spending-to-GDP stayed flat at about 29%. From 2010 to 2016, public debt-to-GDP rose from 51.7% to 63.7%, one of the fastest rises in Asia. All this comes at a time when concessional lending is now

being withheld from Vietnam, and interest expenses as a percentage of budget spending have risen to 10%, even before any upward normalisation of global interest rates.

Thus it is encouraging to see the government coming out with a variety of tax reform proposals, including a VAT hike from 10% to 12%, increased special consumption taxes on pick-up trucks and SUVs (note the clever targeting to hit imported models from ASEAN, just as such import duty rates fall to zero), a cut in corporate income tax rates for SMEs from 20% to 15%/17%, and simplifying of personal income tax rate tiers. VAT is 25% of government revenue (the top source), so this is an important nettle to grasp. It would also be good to clamp down on corporate tax incentives, which are costing the government significantly – corporate income tax is the second-largest source of tax revenue at 16% of total (1Q2017 figures, source – World Bank).

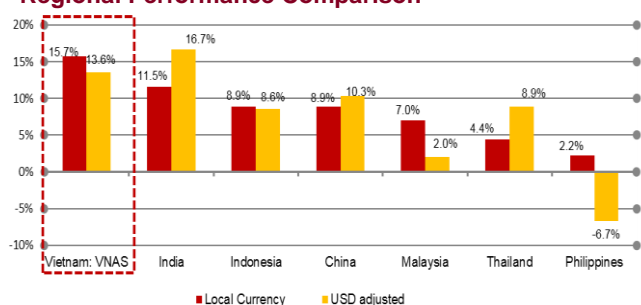
Privatisation is the other key plank to address the fiscal situation. The government's intentions here always seem to be sound, but delivery constantly lags. In this respect it is good to see the quantification of targets increasing. For example, this month PetroVietnam, the country's largest business group, detailed its stake disposal plans for nine subsidiaries. If privatisation can stay on track and in line with targets, then this source can generate some 1% of GDP per year to revenues, a key component.

Gaining MSCI emerging market status would help – the institutional asset pool is some one hundred times greater than for frontier. Dusting off the "NVDR" folder and implementing it now would make tremendous sense.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Indonesia	23.1	2.5	2.1
India	23.4	2.9	1.2
China	17.6	1.9	1.9
Philippines	21.8	2.4	1.6
Malaysia	18.6	1.6	2.9
Thailand	16.9	1.9	3.1
Vietnam: VNAS	14.0	1.9	2.6

Source: Bloomberg.

Regional Performance Comparison

Source: Bloomberg. Date range: 31 Aug 2016 to 31 Aug 2017.

Fund Facts

Domicile Cayman Islands
Admission 15 June 2006
Stock Exchange London AIM

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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Signatory of:





Net Asset Value / Portfolio

NAV per Share Performance

Last month	-2.23%
Year-to-date	2.42%
Last 12 months	-3.96%

Portfolio Statistics

P/E (trailing)	13.4x
Dividend yield	2.33%
PEG (2016-2018)	0.84
Beta	0.86

Median market cap of investee companies (USD million)	221.29
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Share Price / Discount

Share Price Performance

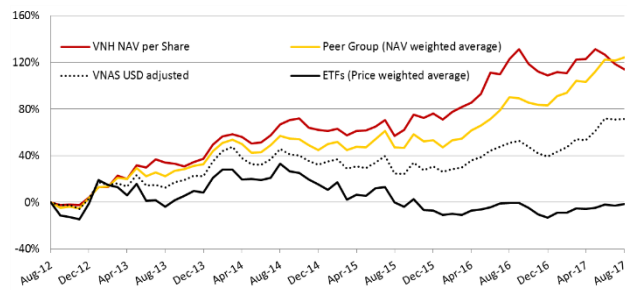
Last month	-1.43%
Year-to-date	8.56%
Last 12 months	3.88%

Sharpe ratio	0.42
Alpha	-0.02
Beta	0.37

Market capitalisation (USD million)	174.71
Share price discount to NAV	11.20%

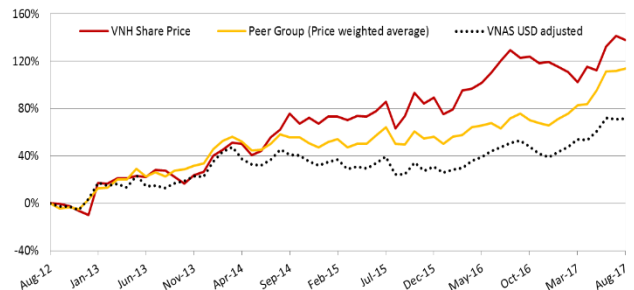
Operating expense ratio (12 month rolling)	2.72%
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NAV Performance vs. VNAS and Peers



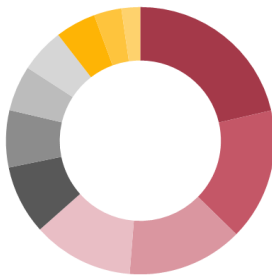
Source: Bloomberg. Peer Group: VEIL, Vietnam Opportunity Fund, VEH, Vietnam Phoenix Fund, PXP Emerging Equity. ETFs: Market Vectors Vietnam ETF and db x-trackers FTSE Vietnam ETF.

Share Price Performance vs. Index and Peers



Source: Bloomberg. Peer Group: VEIL, Vietnam Opportunity Fund, VEH, Vietnam Phoenix Fund, PXP Emerging Equity.

Industry Allocation



- Industrial Goods & Services (20.3%)
- Health Care (15.1%)
- Retail (13.2%)
- Food & Beverage (11.5%)
- Banks (7.9%)
- Telecommunications (6.5%)
- Construction & Materials (5.2%)
- Real Estate (5.1%)
- Oil & Gas (4.6%)
- Financial Services (3.2%)
- Personal & Household Goods (2.1%)

Top 10 Holdings

Investee Company	Market	Percent of NAV
Traphaco	HOSE	11.30%
Phu Nhuan Jewelry	HOSE	8.40%
Hoa Phat Group	HOSE	6.89%
FPT Corp	HOSE	6.55%
Vinamilk	HOSE	6.25%
Thien Long Group	HOSE	4.82%
Petrovietnam Transportation Corp	HOSE	4.63%
Viconship	HOSE	4.55%
Hau Giang Pharma	HOSE	3.85%
Vinh Hoan Corp	HOSE	3.78%

London Stock Exchange Market Makers

Winterflood	Richard Browne +44 203 100 0251
Jefferies	Michele White +44 207 898 7127
JPM Cazenove	Steven Cheshire +44 207 155 8063
Investec	Peter Brown +44 207 597 5063

Stifel Nicolaus	Shayne Barge +44 207 710 7665
Numis Securities	David Cumming +44 207 260 1376
FinnCap	Johnny Hewitson +44 207 220 0558
Peel Hunt	David Kininmonth +44 207 418 8895

Fund Rating



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