

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 194,737,793
Shares in Issue	71,679,283
NAV/share	USD 2.717
Cash	2.6%
Number of investments	28
AIM Capitalization (USD m)	172.3
Median Portfolio Company Market Cap (USD m)	343.7
Share Price Discount to NAV	11.6%
Total Expense Ratio (12M rolling)	2.7%
30-Day Avg Trading Value (USD)	563,769
P/E Ratio (12M Trailing)	14.12x
Dividend Yield	2.2%
PEG (2017-2019)	0.89x
EPS Growth (2017-2019 CAGR)	18.6%

### Market Statistics

	VNAS	VN30
Index	801.3	831.6
Monthly change (USD)	2.1%	5.0%
YTD change (USD)	28.9%	32.7%
YOY change (USD)	21.3%	26.8%
P/E Ratio (12M Trailing)	14.43	16.45
P/B Ratio	1.92x	2.50x
Dividend Yield	2.4%	3.0%
Market capitalization (USD bn)	80.3	67.7
30-Day Avg Trading Value (USD m)	121.8	69.3
30-Day Avg Trading Value (Shs m)	129.4	40.2

### Performance

Figures in %	1M	YTD	1YR	3YR	5YR	5YR CAGR
VNH NAV per share	-1.7	2.5	-2.1	24.5	118.2	16.9
VNH Share price	2.9	8.2	6.1	41.8	143.2	19.5
VNAS (USD)	2.1	28.9	21.3	27.6	83.7	12.9
VN30 (USD)	5.0	32.7	26.8	21.8	66.4	10.7
MSCI EM Index	3.5	29.8	23.6	10.1	12.4	2.4

Bloomberg, VNH Asset Management

### Manager Commentary

#### Bull market looks set to continue

The Vietnam stock market's buoyant performance continued in October, with the Vietnam All Share Index (the most sensible benchmark to use given its free-float basis) rising another 2.0% to 801.3 in local currency, amid a continued rock-steady local currency which shows no signs of coming unhinged to the US dollar. Year-to-date, the VNAS's dollar return is just a shade under 29%. This compares to a 22.7% year-to-date return for the MSCI's frontier markets index, and one of 29.8% for its emerging-cum-frontier markets index.

Earnings per share growth in Vietnam has been healthily strong of late. Whereas the five year historic compound annual EPS growth rate for the market has been only 8% (VN-Index, Bloomberg data), for the past 12 months this figure has been a much healthier 17% on the VNAS, and 27% on the VN-Index. The market consensus is currently forecasting further double-digit EPS growth over the coming 12 months, at 11-14%.

In this context, aggregate valuations in Vietnam look well-defendable. The VNAS trades at a trailing PER of 14.4x, a discount of over 10% compared to both the MSCI emerging and MSCI frontier indexes. The long term historic EPS record in emerging and frontier markets is much inferior to Vietnam, with compound annual EPS growth over the past five years of *minus* 3-4%, according to Bloomberg. So, overall, Vietnam is a cheaper market with a better EPS growth story than the emerging and frontier market world as a whole. We remain bullish.

VNH is not sharing in the Vietnam bounty this year, with the fund's NAV/share down 1.7% in the month to USD 2.717. Year-to-date, this puts the fund up a paltry 2.5%. This marks the first calendar year of index underperformance for us since 2012. While the five year historic compound annual performance of 16.9% is good, clearly there are some headwinds that we have hit this year. **First**, the recent warrant exercise on 1<sup>st</sup> June has knocked 10 percentage points off the year-to-date appreciation: the fund would be up 12.6% - instead of 2.5% - without the warrant effect. **Second**, a handful of laggards in the portfolio (fishery VHC, shipper TMS, steel sheet maker HSG, yarn maker STK, fruit processor NAF, ferry service SKG, cement maker HT1) have hurt performance. With the benefit of hindsight, these names have not fulfilled the corporate governance and economic moats we had anticipated, and which are key criteria for us. Several of these names have fallen by over 20% this year. **Third**, there are a handful of new, big cap stocks that we haven't significantly owned: brewer SAB, airline VJC, construction/property stock ROS, and building materials stock VGC. **Fourth**, several established major names have performed well that we weren't into in size early enough: contractor CTD, bank MBB, and retailer MWG. And several other big stocks we stayed out of and still believe we should stay out of long term, yet have had great share price rises in 2017: developer VIC, conglomerate MSN, contractor HBC, logistics company GMD, and agriculture play HAG.

We are examining this sub-par year carefully with a view to resuming our tradition of outperformance over the coming year and years.

#### London Stock Exchange Broker

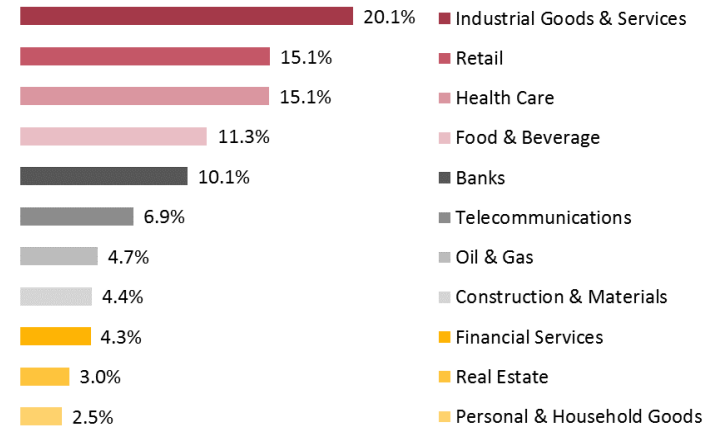
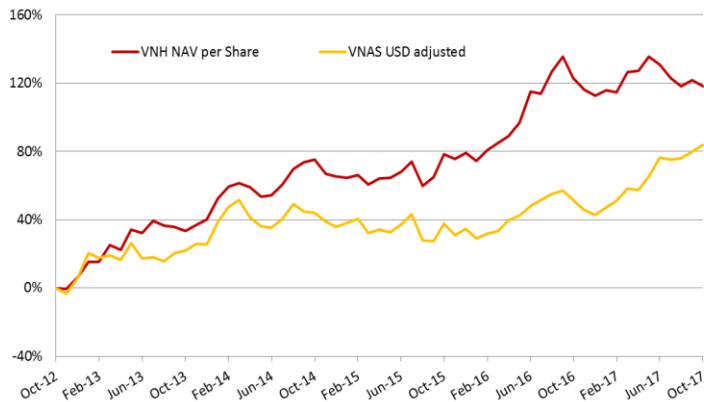
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**Sector Weights**

**Rolling 5YR**

**Vietnam Macro**

	2016	YTD
GDP Growth	6.2%	6.4%
CPI (YOY)	4.7%	3.0%
FX Rate (USD/VND)	22,771	22,712.5
FX Rate YTD Change (%)	1.3%	-0.3%
Export (USD bn)	176.6	173.7
Import (USD bn)	174.1	172.5
Trade Balance (USD bn)	2.5	1.2
FDI commitments (USD bn)	24.4	28.2
FDI disbursement (USD bn)	15.8	14.2
FDI no. of new project approvals	2,556	2,070
	<b>Dec 2016</b>	<b>Oct 2017</b>
Retail sales growth (Nominal YOY)	10.2%	10.7%
Purchasing Managers' Index (Nikkei)	54	51.6

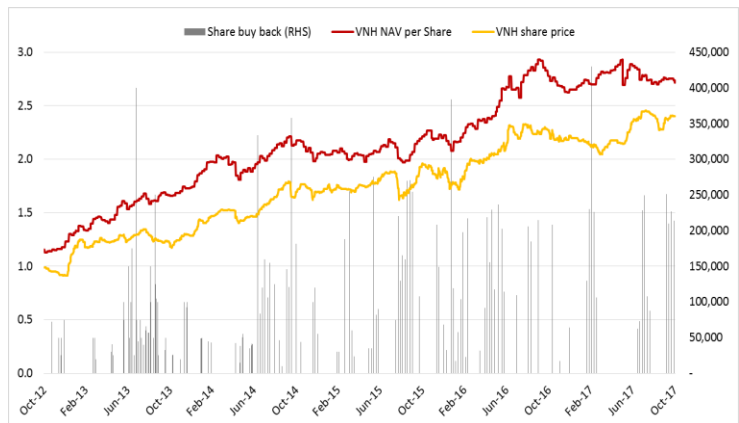
GSO, Customs, Bloomberg, FiiPro

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**Top 10**

Company	Ticker	Sector	NAV (%)
Traphaco	TRA	Health Care	11.5%
Phu Nhuan Jewelry	PNJ	Retail	8.5%
Hoa Phat Group	HPG	Industrial	7.4%
FPT Corporation	FPT	Telecommunications	6.9%
Vinamilk	VNM	Food & Beverage	6.4%
Thien Long Group	TLG	Retail	4.7%
PV Transportation	PVT	Oil & Gas	4.7%
Viet Capital Securities	VCI	Financial Services	4.3%
Military Bank	MBB	Banks	3.6%
Hau Giang Pharma	DHG	Health Care	3.6%

**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	Weekly
Management fee	2.00% on NAV below \$100M 1.75% on NAV between \$100-150M 1.50% on NAV above \$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
	<a href="http://www.vietnamholding.com">www.vietnamholding.com</a>