

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
	238,587,839.9
Shares in Issue	69,685,714
NAV/share	USD 3.424
Cash	6.1%
Number of investments	25
AIM Capitalization (USD m)	204.2
Median Portfolio Company Market Cap (USD m)	475.6
Share Price Discount to NAV	14.4%
Total Expense Ratio (12M rolling)	2.5%
30-Day Avg Trading Value (USD)	254,746
P/E Ratio (12M Trailing)	18.3x
Dividend Yield	1.7%
PEG (2017-2019)	0.6x
EPS Growth (2017-2019 CAGR)	23%

Market Statistics

	VNASTR	VN30TR
Index	1,103.0	1,175.9
Monthly change (USD)	10.4%	12.6%
YTD change (USD)	10.4%	12.6%
YOY change (USD)	63.8%	72.6%
P/E Ratio (12M Trailing)	17.7	19.6
P/B Ratio	2.4x	3.6x
Dividend Yield	1.9%	1.6%
Market capitalization (USD bn)	114.5	98.9
30-Day Avg Trading Value (USD m)	228.8	155.9
30-Day Avg Trading Value (Shs m)	205.6	92.0

Performance

Figures in %	1M	YTD	1YR	3YR	5YR	5YR CAGR
VNH NAV per share	9.7	9.7	27.4	67.3	138.8	19.0
VNH Share price	7.2	7.2	35.0	67.1	146.6	19.8
VNAS (USD)	10.2	10.2	59.9	69.8	95.0	14.3
VN30 (USD)	12.3	12.3	69.1	69.3	78.1	12.2
MSCI EM Index	8.3	8.3	38.0	30.5	17.4	3.3

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

Up into the thinner air

The VNH fund rose 9.7% in the first month of 2018 to USD 3.424, exactly matching the gain of the Vietnam All Share Index (dollarized, total return basis). Compared to one year ago, the fund is up 27.4%, or up 37.7% excluding share capital corporate actions – compared to the circa 59.9% (same basis) index rise in that time.

Despite the correction in February 2018 has started swimmingly, but we are now operating at heights where the atmosphere is more rarefied. By this we mean valuation. At new year the most-watched VN-Index crossed 20x trailing earnings, while by end-January it was 21x. This is the first non-crisis-time crossing into the twenties for Vietnam in the last decade (we exclude 2009, when many markets did this, but the story then was a special one of collapsing earnings).

An analysis of seven other Asian markets (Malaysia, Thailand, Indonesia, Philippines, China, India, Korea) over the past decade is instructive. What it shows is that when these markets cross into the 20-25x PER territory (it happened 12 times which are not current), the given market was either flat-ish or down in three-quarters of the cases 12 months later. Therefore, like a rabbit pricking her ears up to hear the fox, it is worth being more attentive than usual to warning signs at present.

Not that much of anything seems particularly concerning macroeconomically in Vietnam these days. The stupendous boom bounds along, changing the face of the nation, without any worrying bubble formations yet to speak of.

Perhaps the most pertinent macro issue to watch is the current interest rate divergence between Vietnam and the dollar world. Vietnamese dong government bond yields fell further across all tenures in 2017, by 0.6-1.9%. Even 15 year government paper is in touching distance of 5%, with the state treasury having raised its average issuance term so very impressively to 13.5 years in 2017. Can this happy scenario be sustained if US treasury yields continue their rise off the bottom, amid credible suggestions that the 35-year-old global bond bull market is over? It's time - as 2018 pans out - to watch out again for another global interest rate tantrum, and Vietnam can no longer be so easily forgotten as an uncorrelated backwater during such an event.

Good policy momentum – but the IPOs aren't all beauties

The stunning Sabeco deal in December has been followed by more state divestments and IPOs, with more to come. The policymakers in Hanoi are looking pretty darn good, compared to the 2007-15 period of relative complacency and excessive corruption. This privatisation vigour remains a major structural bull point for the market. The issues won't all be beautiful or successful – and January has seen a few scrapes and duds, amidst some successes – so this might help a return to investor sobriety. Sobriety is no bad thing, despite what the college students say.

It's time for some rotation in stock performance. It probably isn't quite time for a smaller cap bonanza, but there remains ample scope for gains in non-top-30 names. Overall the market still has legs: we expect 20% or so overall market gains from now to year-end, even after January's dash.

LSE Market Maker

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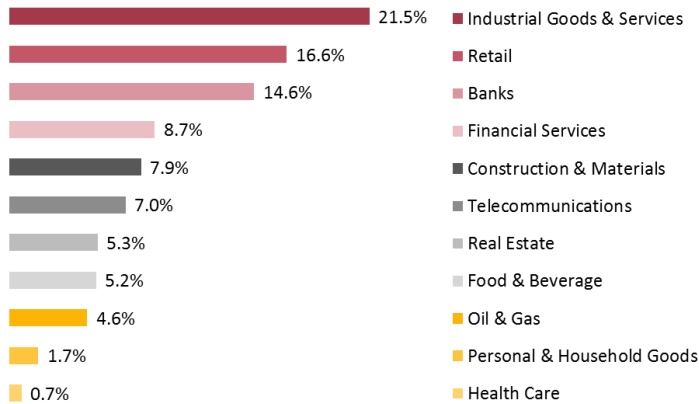
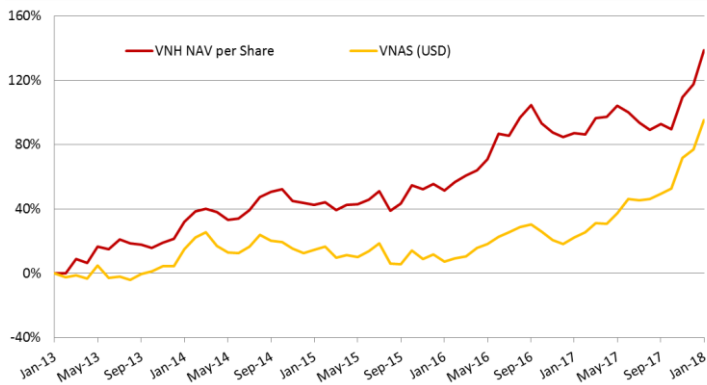
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Sector Weights

Rolling 5YR

Vietnam Macro

	2017	YTD
GDP Growth	6.8%	N/A
CPI (YOY)	2.6%	2.7%
FX Rate (USD/VND)	22,709	22,709.3
FX Rate YTD Change (%)	-0.3%	0.0%
Export (USD bn)	214.0	20.2
Import (USD bn)	211.1	20.0
Trade Balance (USD bn)	2.9	0.2
FDI commitments (USD bn)	35.9	1.3
FDI disbursement (USD bn)	17.5	1.1
FDI no. of new project approvals	2,591	166
	Dec 2017	Jan 2018
Retail sales growth (Nominal YOY)	10.9%	9.5%
Purchasing Managers' Index (Nikkei)	52.5	53.4

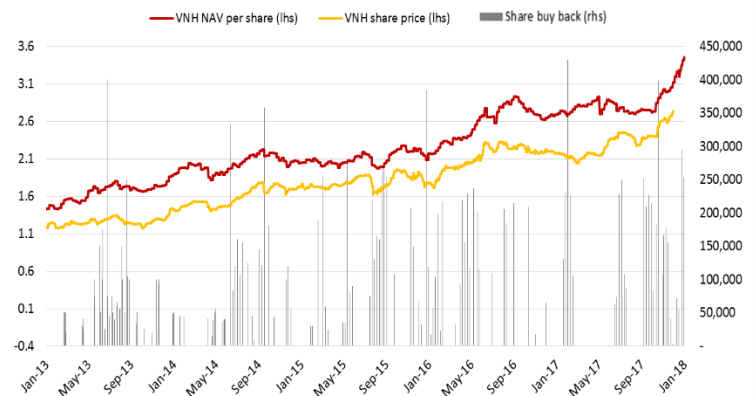
Source: GSO, Customs, Bloomberg, FiiPro

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Top 10

Company	Sector	NAV (%)
Hoa Phat Group	HPG Industrial	10.0%
Phu Nhuan Jewelry	PNJ Retail	9.5%
Viet Capital Securities	VCI Financial Services	8.7%
Sai Gon Cargo Service	SCS Industrial	7.4%
FPT Corp	FPT Telecommunications	7.0%
Khang Dien House	KDH Real Estate	5.3%
PV Transportation	PVT Oil & Gas	4.6%
Vietcombank	VCB Banks	4.4%
Vinamilk	VNM Food & Beverage	4.2%
MB Bank	MBB Banks	4.1%
Total		65.1%

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
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