



**Vietnam Holding Limited**  
**(LSE: VNH)**

March 2023

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<p><b>c.£78m</b> Market cap <b>Closed-end fund</b> <b>Listed on LSE</b> <b>Main Market</b></p>	<p><b>Independent board,</b> <b>active share buyback</b> <b>mandate to manage</b> <b>discount to NAV</b></p>	<p><b>Partner owned</b> <b>Manager with</b> <b>locally based team</b></p>	<p><b>Outperforming index over 1, 3, 5 and</b> <b>10 years</b></p> <p><b>+12.4%* p.a. over 10 years</b> <b>vs</b> <b><i>Vietnam All Share +8.5%** p.a.</i></b></p>
<p><b>Nimble stock selection, actively managed, high-conviction portfolio with integrated ESG</b></p>			
<p><b>23</b> holdings Largest holding <b>13%</b> Zero gearing</p>	<p>Carbon footprint <b>60%</b> lower the Index*</p> <p><b>5-Stars</b> from PRI***</p>	<p>Thematic exposures:</p> <p><b>34%</b> Industrialization <b>13%</b> Consumer <b>10%</b> Urbanization</p>	<p><b>72%</b> Active Share (3y avg.) <b>18%</b> mid &amp; small-cap <b>75%</b> large-cap</p>

# Portfolio

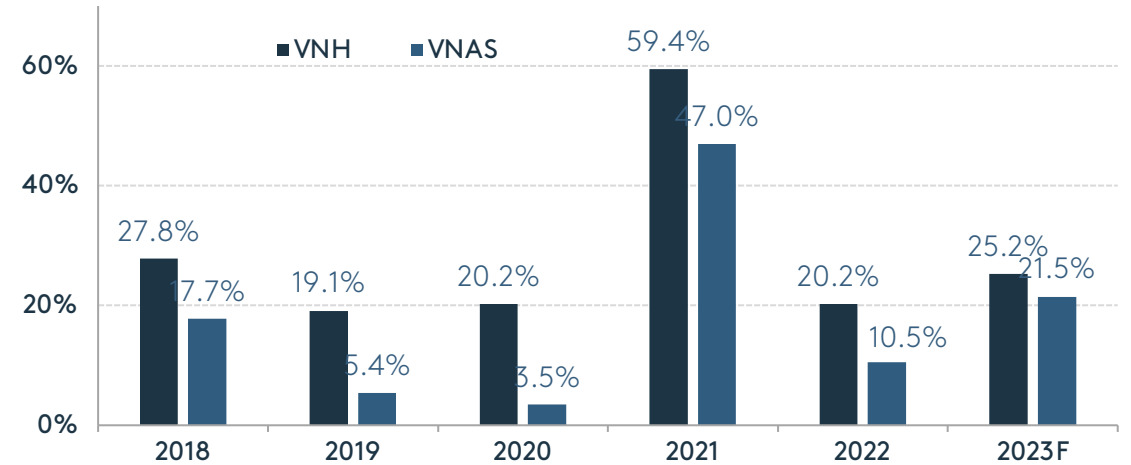
Growth at a Reasonable Price (GARP)



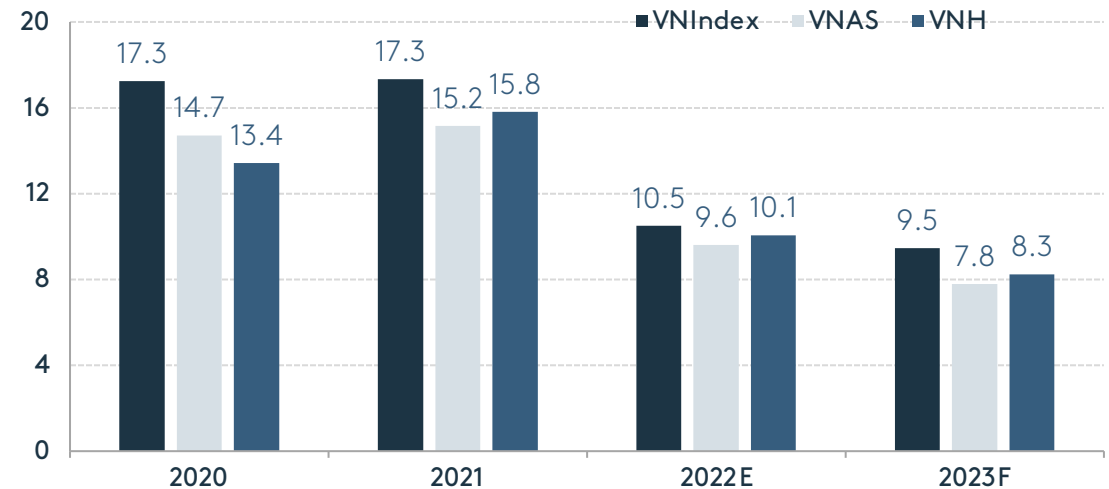
## Investment Criteria

- Compounding long-term EPS growth (c20% pa)
- Attractive valuation with built-in safety margin
- Strong balance sheet and cash flow management
- Industry leaders with strong competitive position
- Best management teams among peers
- Commitment to engagement and improving ESG delivery

## Earnings per share growth



## Valuation (P/E Ratio)





1. **Vietnam:** Asia's Emerging Champion
2. **Vietnam Equity Market:** More Opportunities After the Correction
3. **Vietnam Holding Portfolio:** Sustainable Growth – Strong Track Record
4. **Fund Manager:** Responsible Investor and Vietnam Specialist
5. **Summary**

# Vietnam at a glance

## Asia's Emerging Champion



### Population



**97.6mn**  
**Population**  
15<sup>th</sup> in the world



**32.5 years**  
**Median age**  
Among the youngest



**85%**  
**Ethnic Kinh**  
Stable socio-political environment



**98%**  
**Literacy rate**  
2<sup>nd</sup> highest among top 10 investible FM countries



**>77%**  
**Internet penetration**  
30% per annum growth in e-commerce



**37%**  
**Urbanization rate**  
Rapidly increasing

### Economy



**8.02%**  
**2021 GDP growth**  
Among the highest in the world



**USD27.7bn**  
**2022 FDI influx**  
The 2<sup>nd</sup> largest share in ASEAN



**2x GDP**  
**Total trade**  
\$733 billion in 2022



**USD4,000**  
**2022 GDP per capita**  
High and stable growth



**3.2%**  
**2022 Inflation**  
Stable macroeconomic



**15**  
**FTAs concluded**  
2 FTAs in negotiations

### Key export products

- Telephone & Accessories
- Textiles and garments
- Computer & Electrical Products
- Machinery & Equipment
- Footwear
- Wood & Wooden Products
- Iron Steel

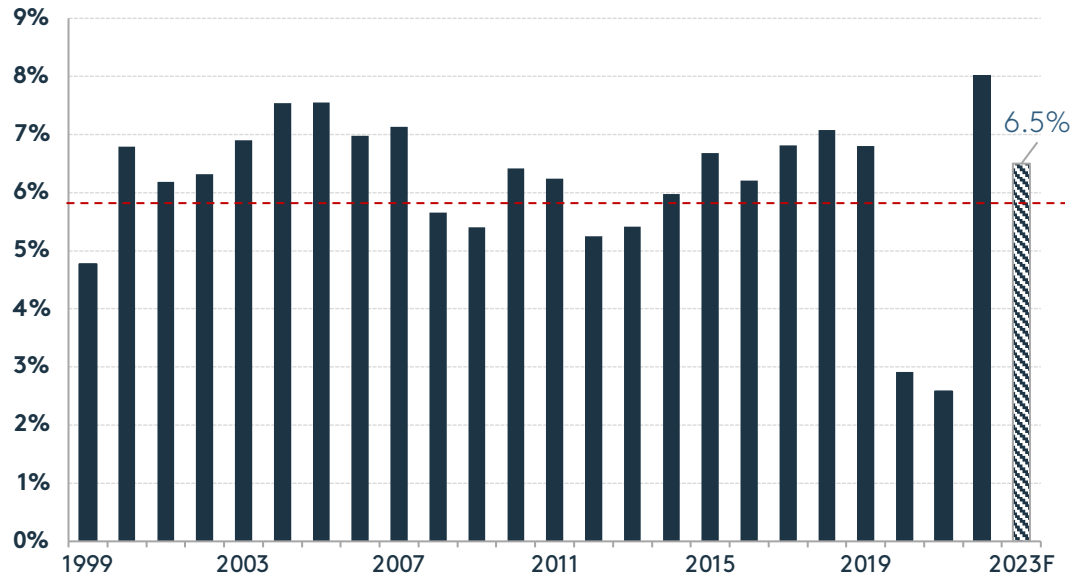


# Vietnam Macro

One of the Highest GDP Growth Countries in the World

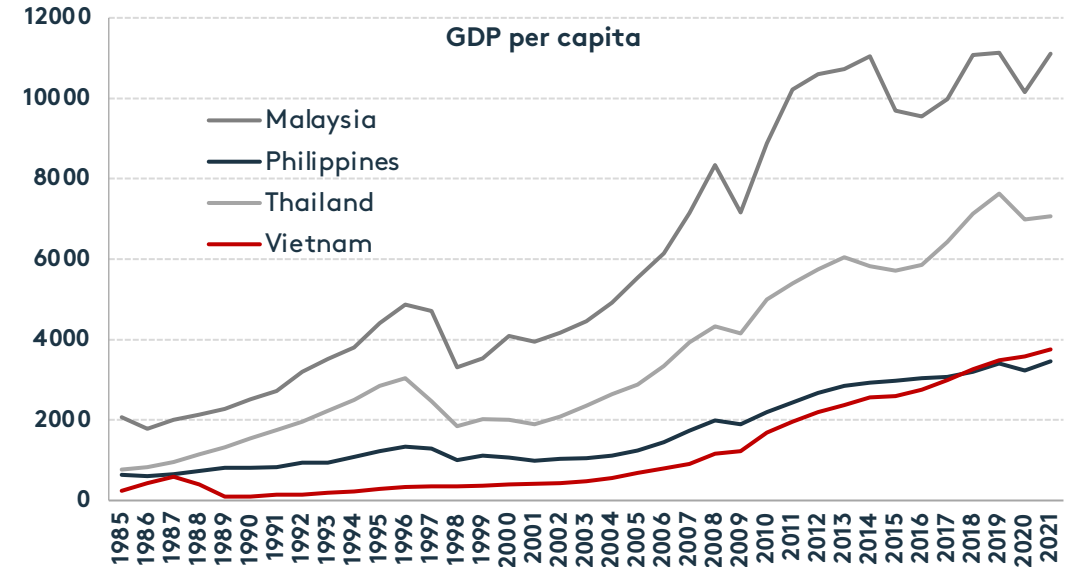


## High and stable GDP growth over last 30 years



- GDP growth is among the highest in the world
- By 2050, Vietnam will be in the top 20 economies in the world
- Domestic growth makes the economy more resilient
- Rapid levels of urbanization and industrialization providing growing investment opportunities in real estate development and industrial services

## GDP per capita accelerating (USD)



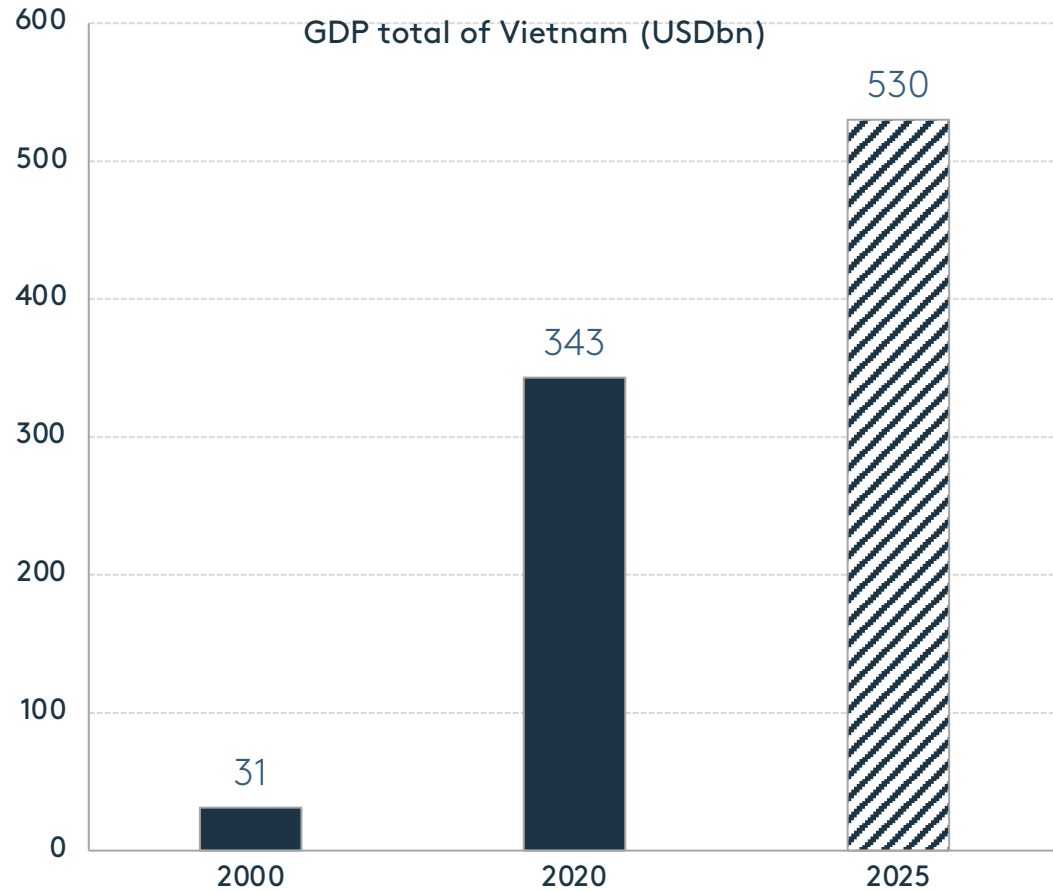
- Vietnam GDP per capita trebled since joining the WTO in 2007
- Growing middle class and increasingly consumer-driven society
- China and Thailand doubled its GDP per capita from where Vietnam is today in 5 years and 7 years, respectively
- Inflection point in growth - Vietnamese consumer power could double by 2035 - with increased demand for consumer goods through rapidly growing modern trade and retail chains

# Vietnam Macro

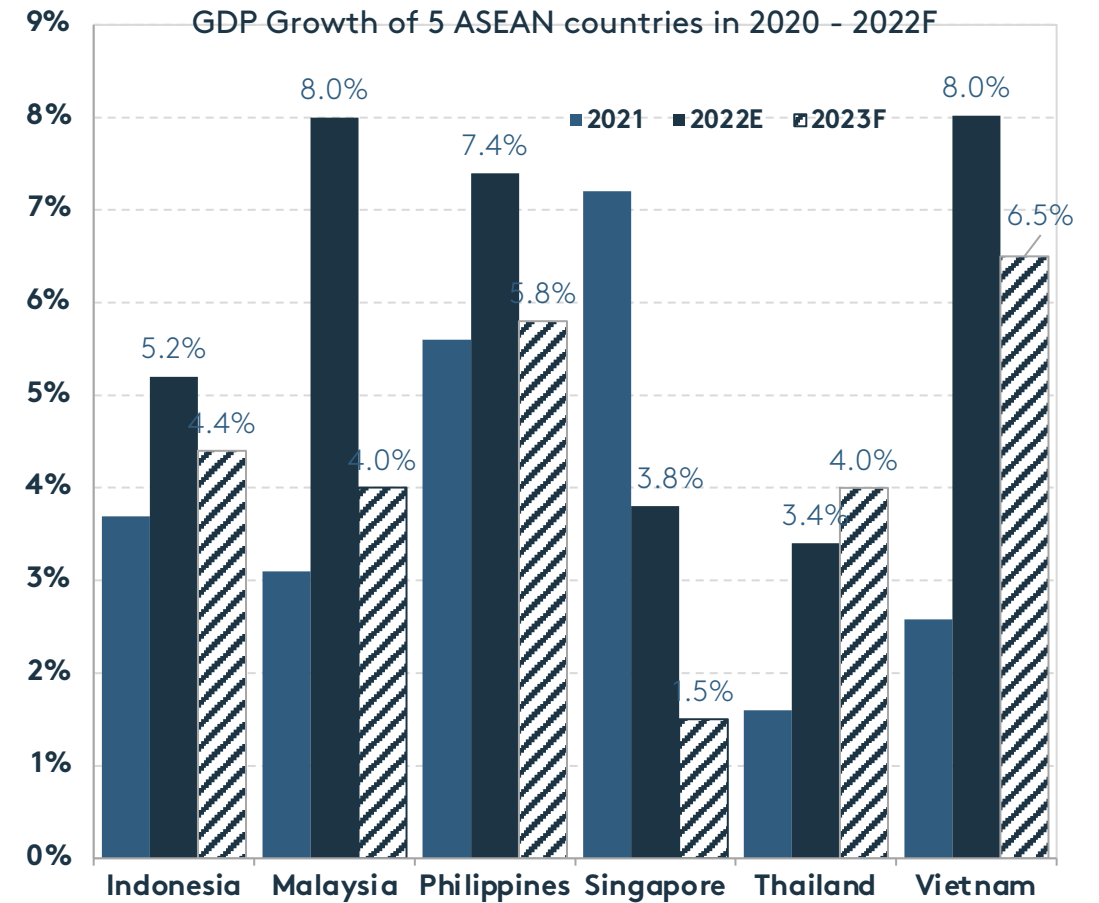
One of the Highest GDP Growth Countries in the World



After years of high growth, GDP reached a sizable value



Maintained growth despite global economic risk



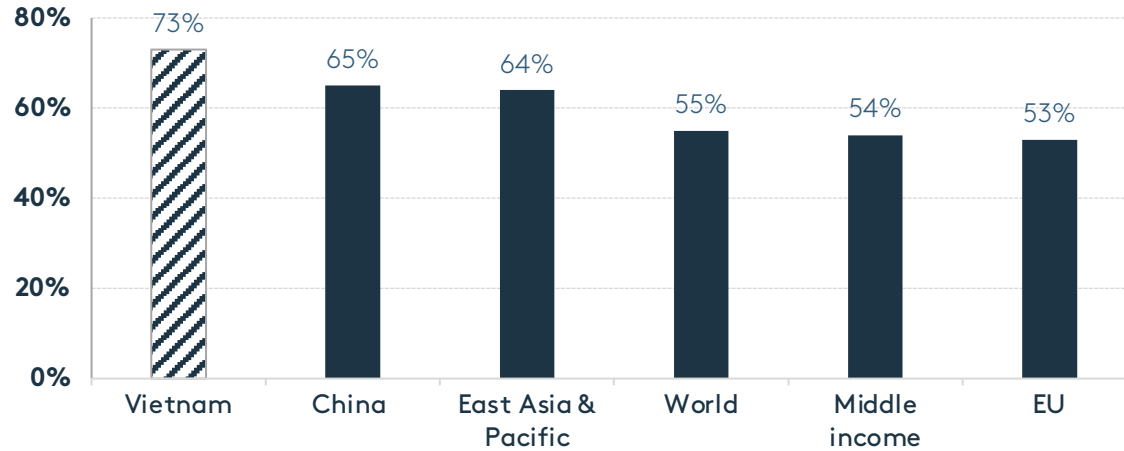


# Vietnam Macro

## Favorable Demographics Driving the Opportunities

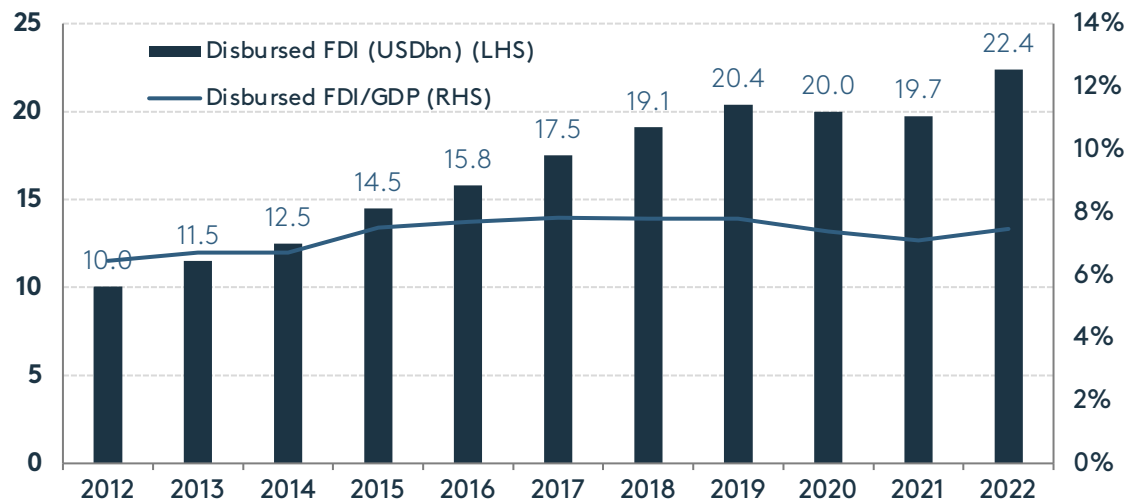


### Among highest Employment to Population Ratio (%) in the world



- Young (50% below 30) and large (c100m) population
- Industrious workforce
- Manufacturing labor cost is half of China's and two-thirds of Mexico's

### Strong and sustainable influx of FDI (USD bn) with 10-y CAGR 8.3%



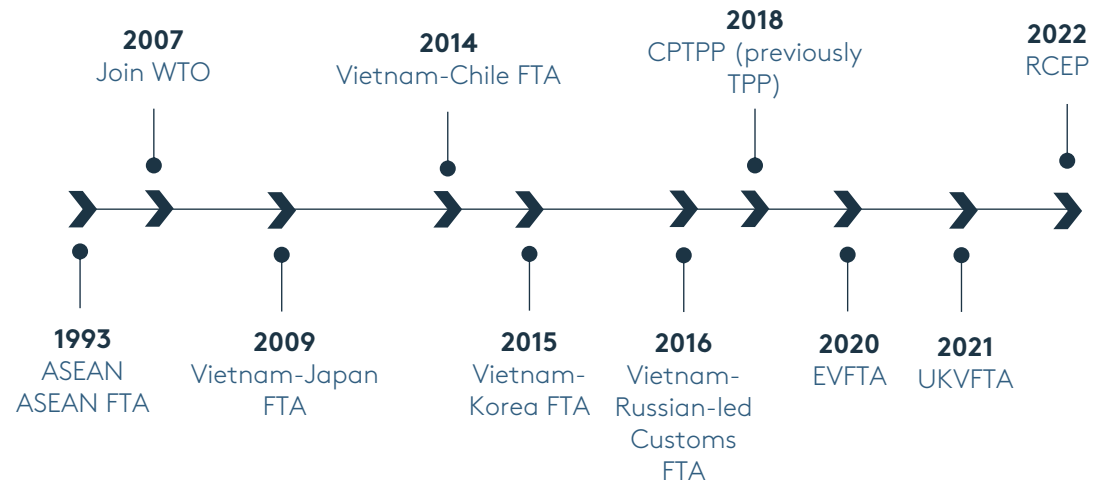
- Strategic location as manufacturing hub: in the heart of ASEAN and close to major North Asian economies (China, Japan, and Korea)
- Attracting record levels of Foreign Direct Investment (FDI) from multinationals (including Samsung, Intel)
- Strategic alternative to China for global sourcing (shift in Apple products, for example)

# Vietnam Macro

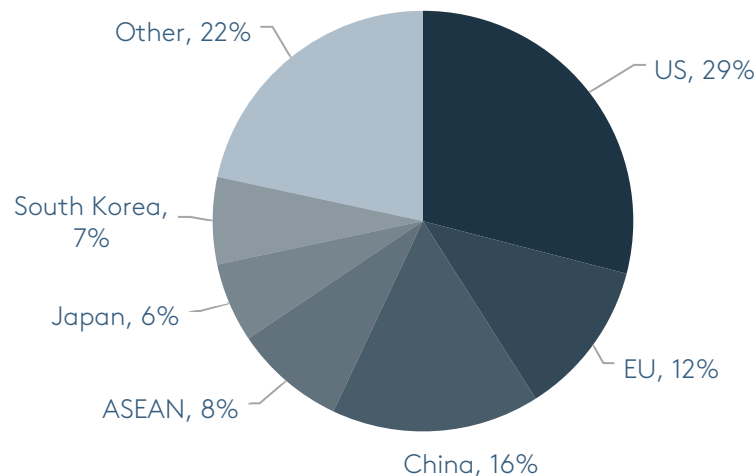
## Supportive Policies for A More Open Economy



### Increasing foreign trade thanks to FTAs



### Well-diversified foreign trade partners



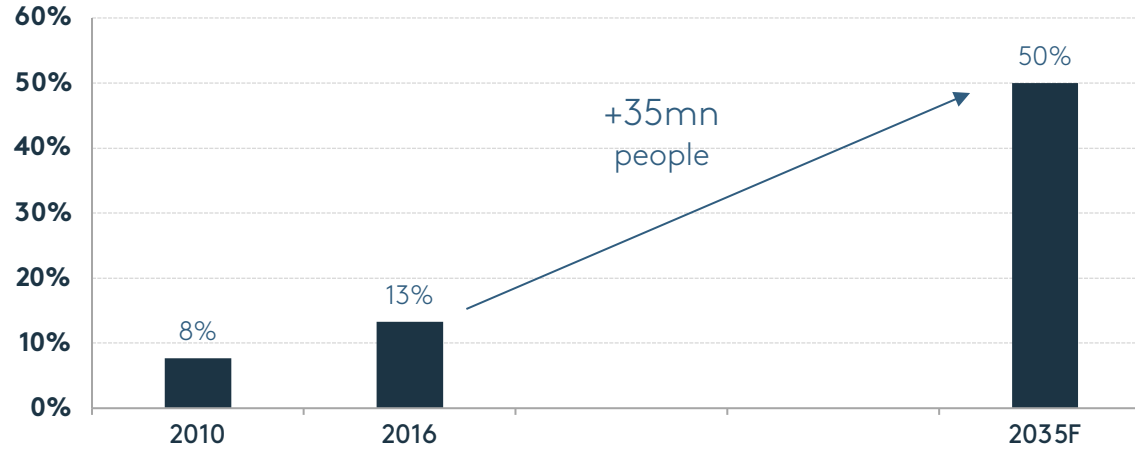
- Total trade as of percentage of GDP doubled to >200% since 2000 – one of the most open economies in the world
- CPTPP (Comprehensive and Progressive Agreement of Trans-Pacific Partnership), Vietnam-EU FTA, and RCEP (Regional Comprehensive Economic Partnership) are boosting foreign trade advantage
- Vietnam's Global Competitiveness score has improved the most globally, rising 10 places from 77<sup>th</sup> in 2018 to 67<sup>th</sup> in 2019
- Friend to all – servant to none: healthy growth of trade with all major import and export markets last 10 years
- Diversified pool of trade partners
- Recent surge in exports to the US as a result of trade tensions between the US and China

# Vietnam Macro

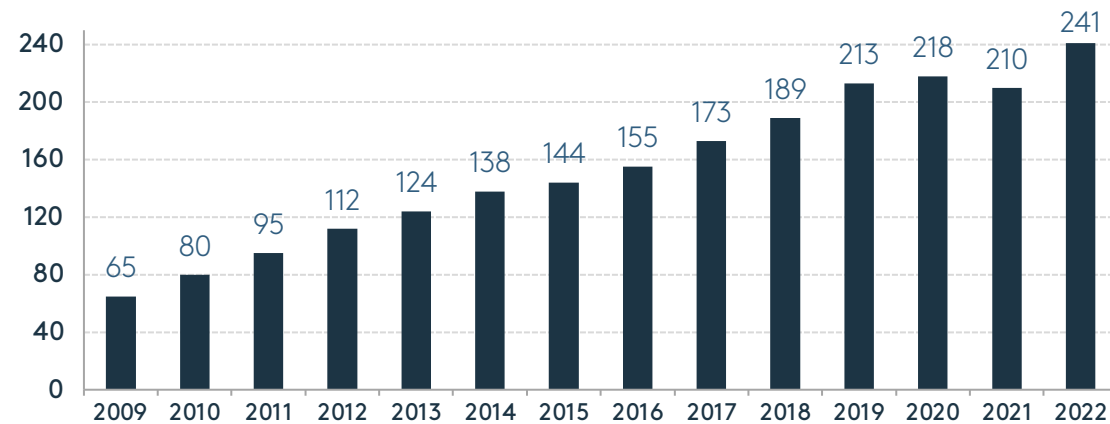
## Rapidly Growing Consumer Middle-class



### Emerging middle-class population (consumption >USD15/day)



### Vietnam retail sales (USD bn)



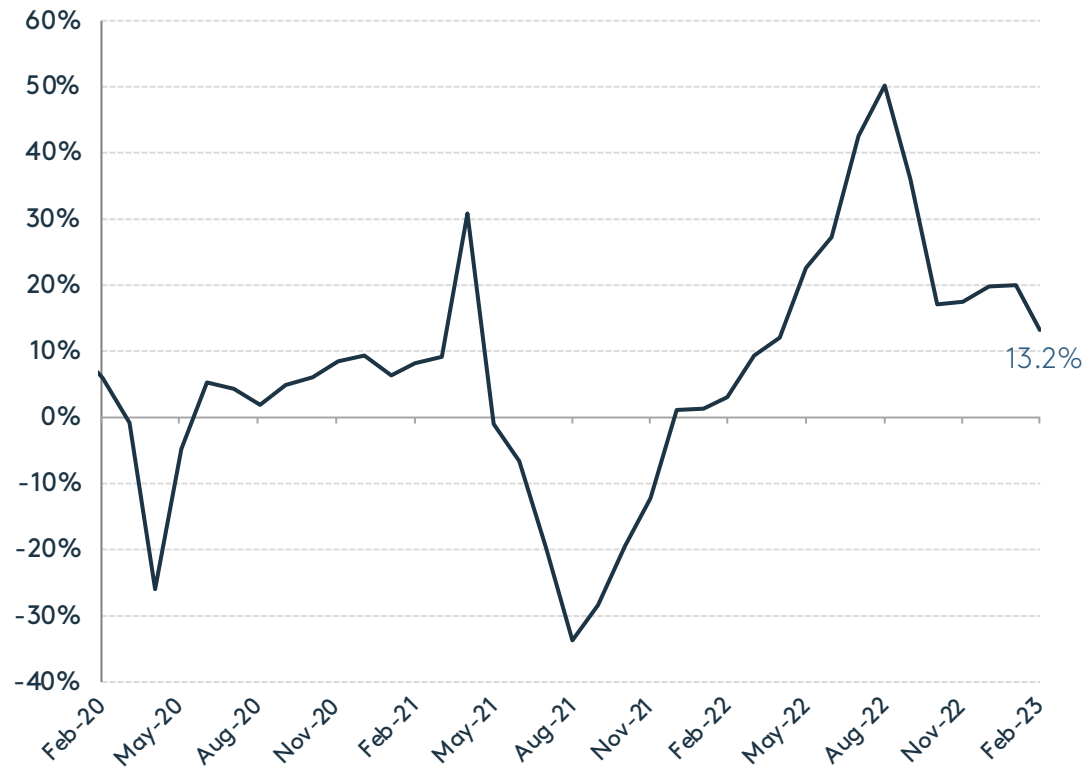
- 35mn more middle-class consumers by 2035
- Car ownership doubled over last 5 years, yet still low by regional standards
- Consumer loans increased by 5x to US\$51bn over last 5 years
- 6x increase in air passenger traffic over last decade\*
- Modern trade already at about 30% currently and expected to reach 38% in 2025
- 30% life insurance premium annual growth over last 5 years
- Vietnam's Internet economy forecast to reach US\$57bn by 2025 – growing by 30% per annum

# Vietnam Macro

Domestic consumption normalizing and manufacturing sector picking up

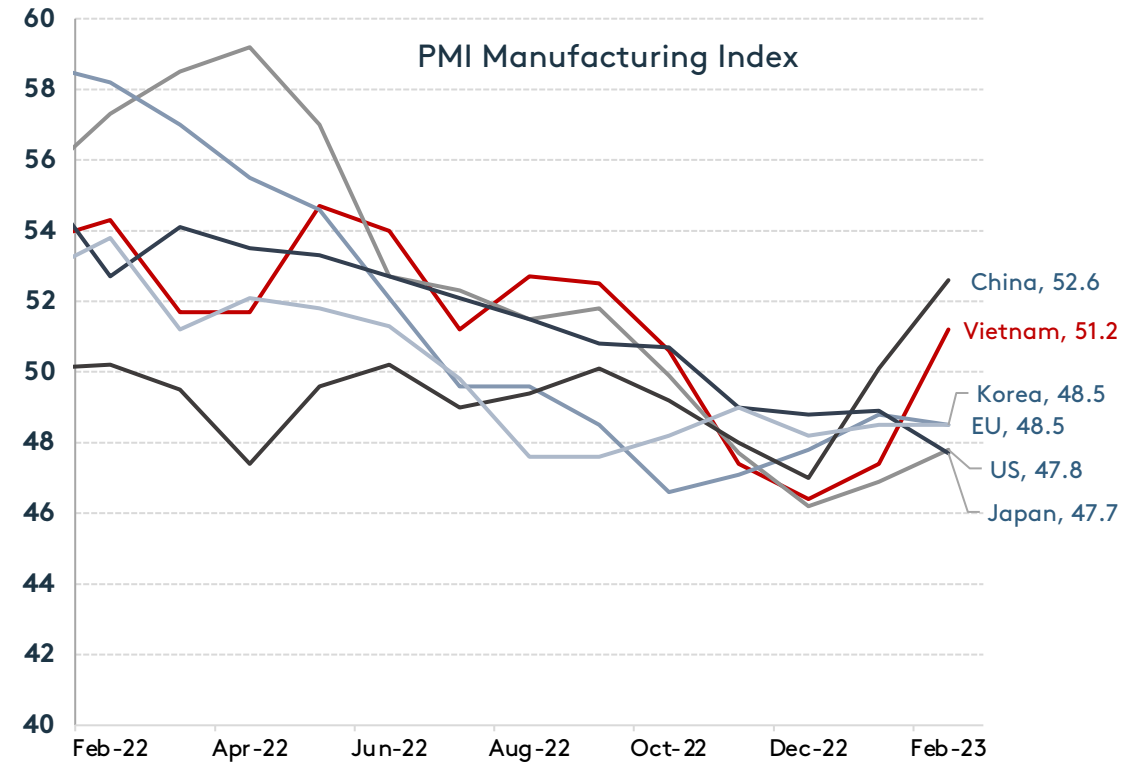


## Retail sales growth maintained its resilience in 2M2023



- Retail sales recovered well in 2022, up 19.8% YoY.
- We expect total domestic consumption growth to normalize to around 6%-10% in 2023.

## The manufacturing sector picked up in February 2023



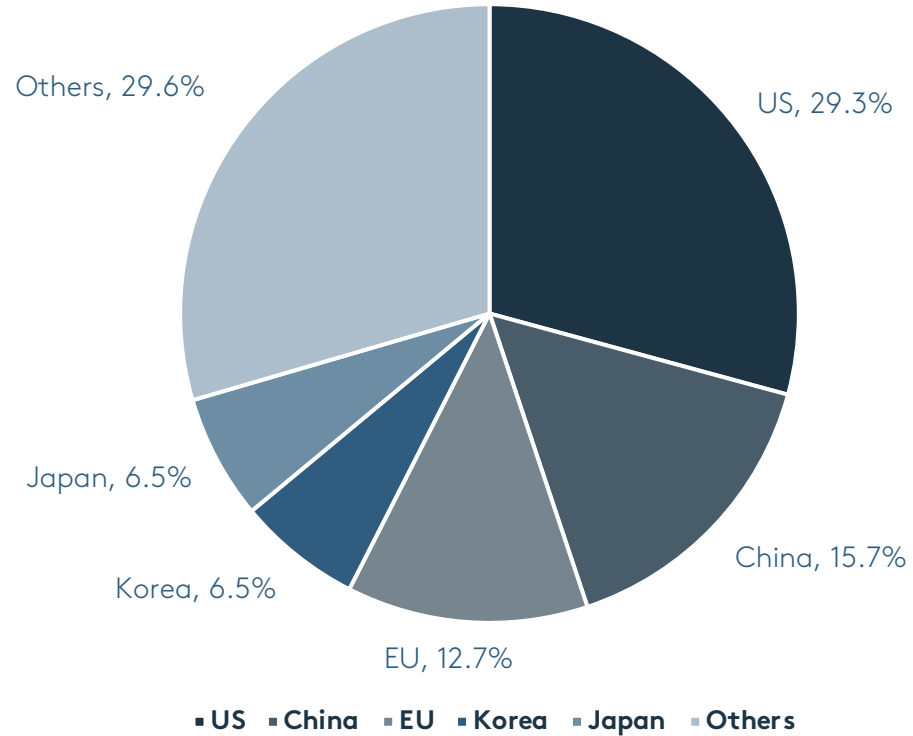
- The sector started to recover after three months of contraction. The reopening of China and the milder-than-expected slowdown in other major markets are key supportive factors.

# Vietnam Macro

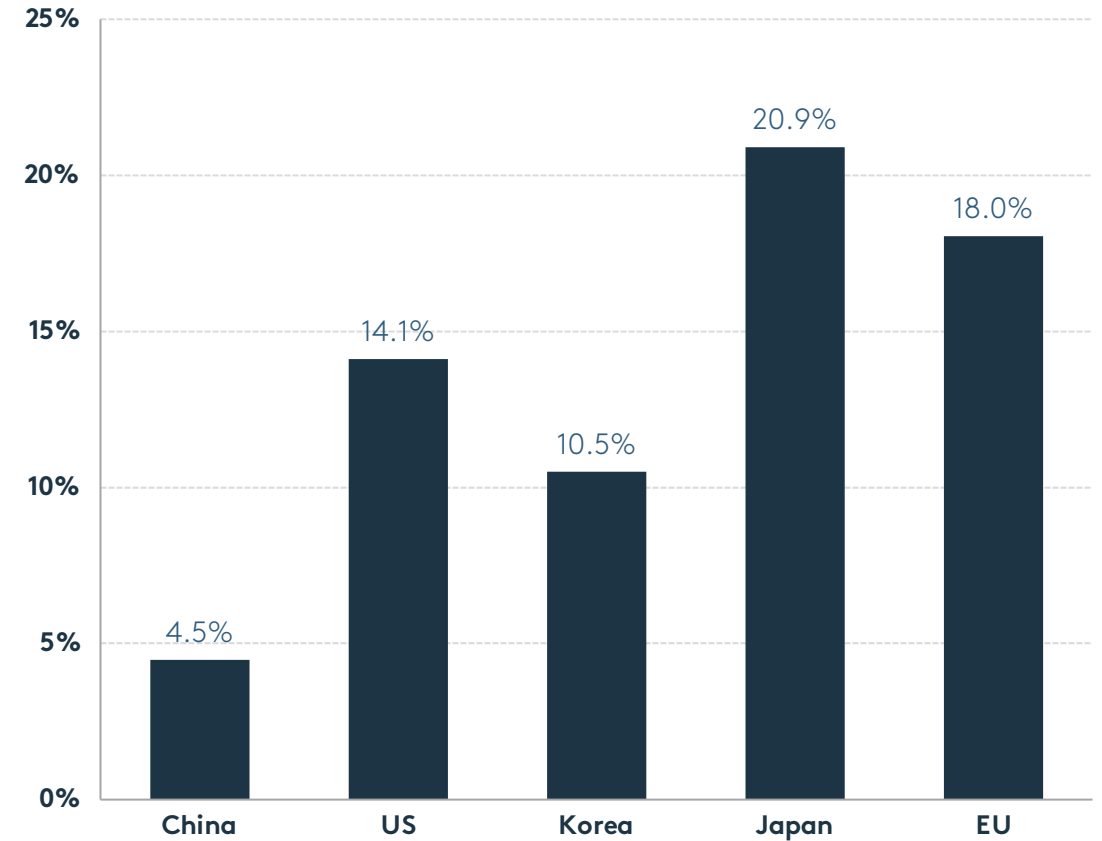
Balanced export and import markets mitigating FX risk



## Diversified mix of trade partners



## Export growth to major markets sustained in 2022



- Positive export growth in all major markets.

# Vietnam Macro

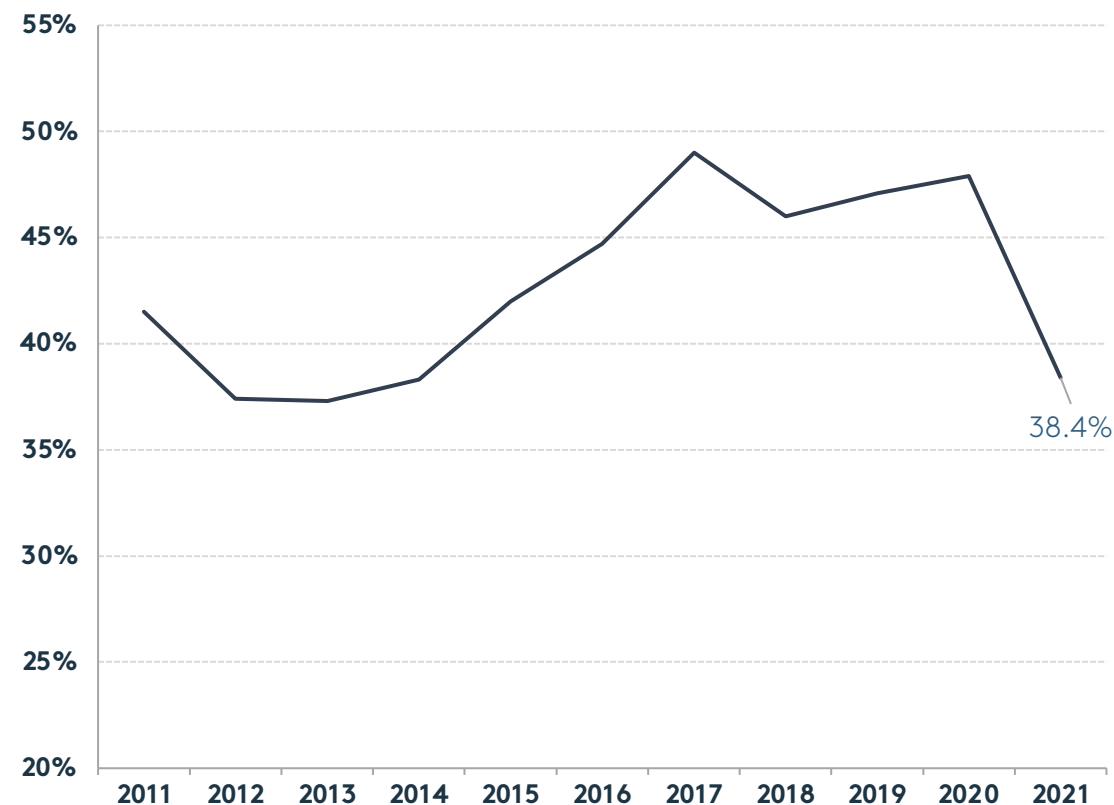


US is the largest export partner, China the largest import partner

Country	2022 export (USD bn)	2022 import (USD bn)	Surplus/Deficit (USD bn)	YTD currency valuation vs. USD
China	58.4	119.3	-60.9	-7.8%
US	109.1	14.6	94.5	3.5%
Korea	24.2	62.5	-38.3	-5.7%
Japan	24.3	23.4	0.9	-12.2%
EUR	47.1	15.3	31.8	-5.8%

- Vietnam has trade surplus with the US (stronger USD) but trade deficit with China, Korea, and Japan (weaker currencies versus VND).

Controllable foreign debts as of % of GDP



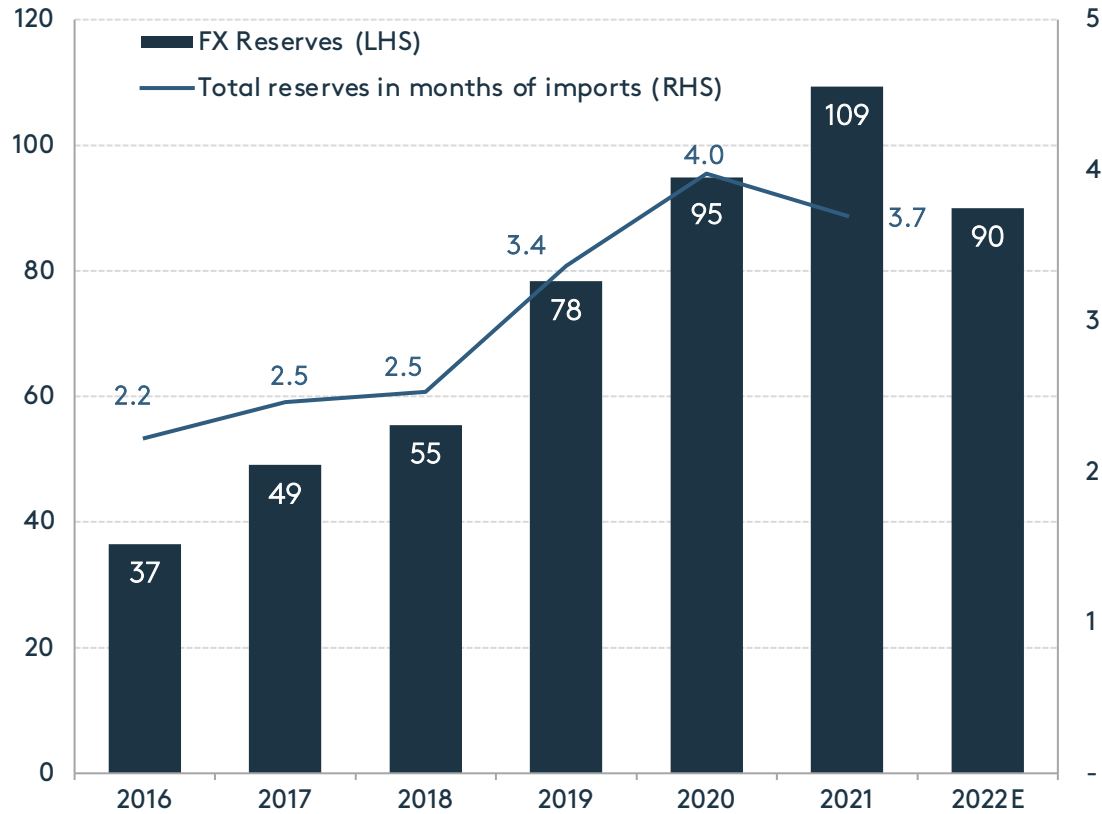
- Foreign debt levels are manageable

# Vietnam Macro

## Sufficient reserves and stabilizing FX

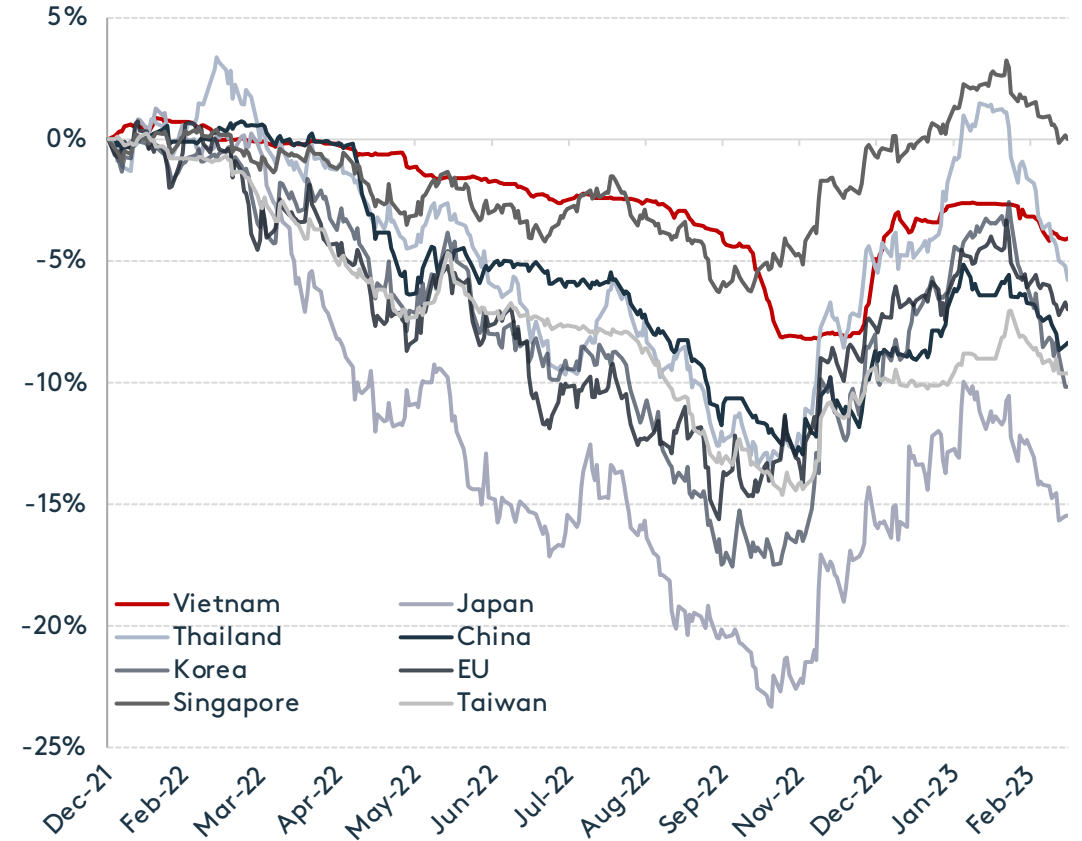


### Intervention of the government in the FX market



- State Bank of Vietnam intervened recently to stabilize the FX market.
- Trade surplus, FDI inflow and inward remittances bolster reserves.

### VND recovered and stabilized in 2M 2023



- VND has been more resilient than other currencies in the region.

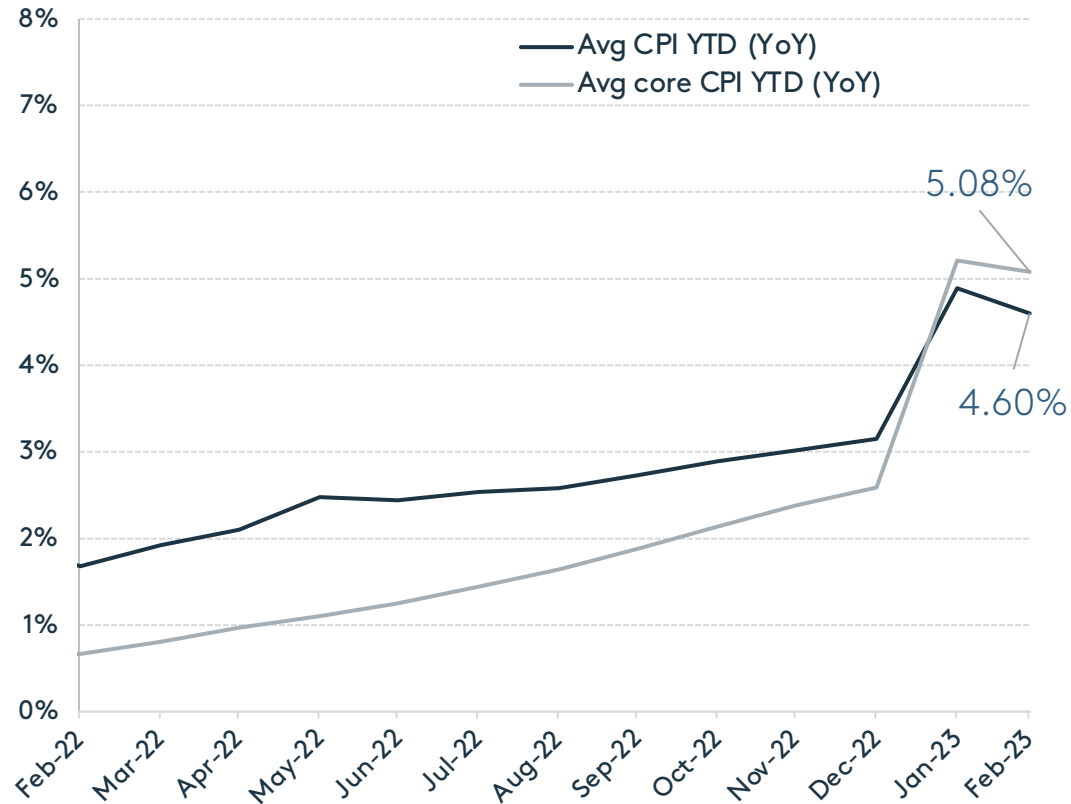


# Macro Review

Inflation pressures have started to ease



## Still controllable inflation



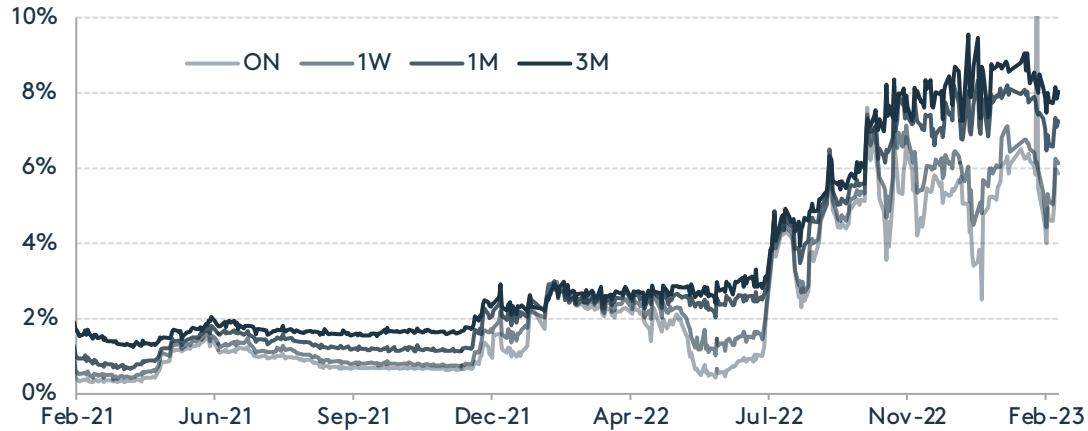
- Inflation is predicted to be in a range of 4.5%-5% in 2023, primarily due to the lagging effects of global inflation and higher interest rates.
- Pork prices, one of the major contributors to the CPI, remained stably low due to replenishment of supplies.

# Vietnam Macro

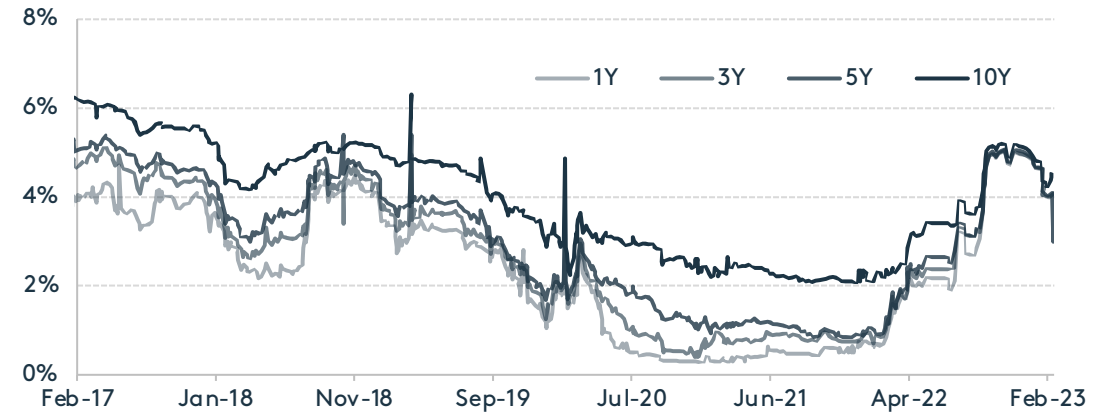
Underlying macro is calm, but financial markets are volatile



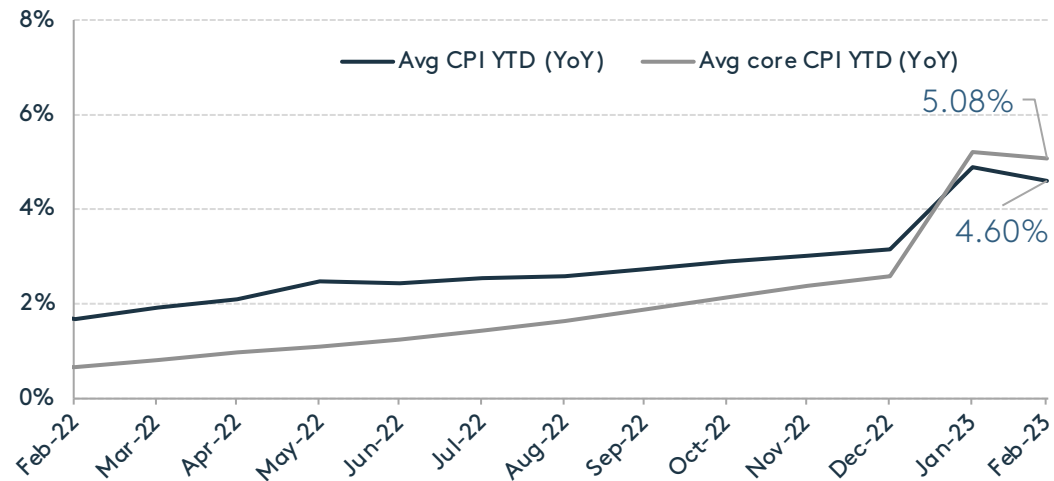
### Vietnam interbank rates increased in Q4-2022



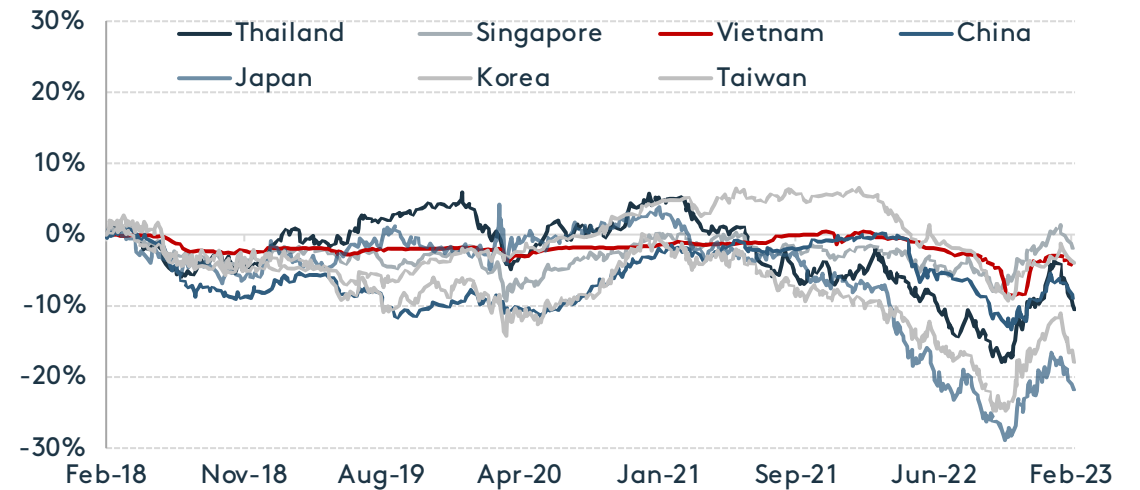
### Vietnam government bond yields inched down in February 2023(%)



### Inflation should be well controlled below 5% in 2023



### VND has been much more resilient than its peers



# Macro Review

## Vietnam macroeconomic forecasts



	2018	2019	2020	2021	2022E	2023F
GDP (USD bn)	309	330	343	363	392	418
GDP/capita (USD)	3,231	3,425	3,526	3,694	3,989	4,200
GDP Growth (%)	7.1	7.0	2.9	2.6	8.0	6.5
Inflation (%)	3.5	2.8	3.2	1.8	3.3	4.5
Export Growth (%)	13.8	8.2	7.0	19.0	10.6	5.0
Import Growth (%)	12.1	7.1	3.8	26.5	8.4	4.5
Trade Balance (USD bn)	7.4	11.1	20.0	4.0	11.2	8.0
FDI Disbursement (USD bn)	19.1	20.4	20.0	19.7	22.4	20
FDI (% of GDP)	7.8	7.8	7.4	7.1	5.7	6.7
VND/USD Depreciation (%)	2.6	0.1	0.0	-1.3	3.4	2.5
FX Reserves (*) (% of GDP)	26.6	31.3	37.5	37.5	22.9	30



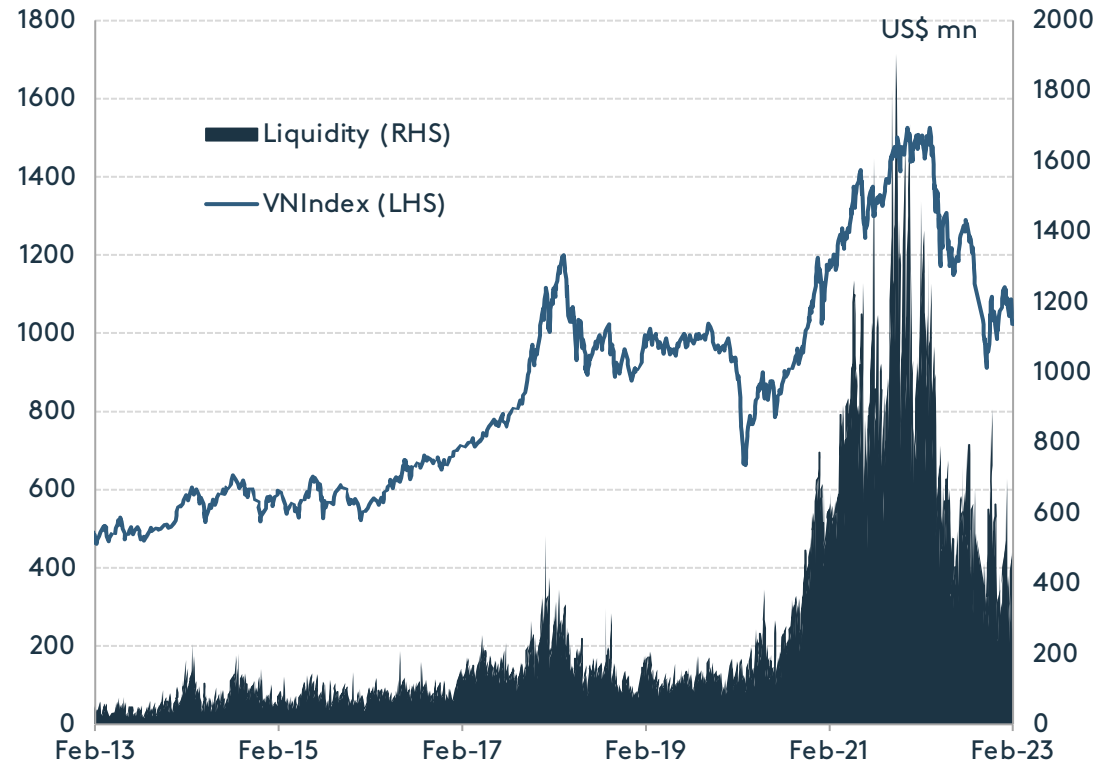
1. Vietnam: Asia's Emerging Champion
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5. Summary

# Vietnam Equity Market

Blue-chips performing better than Mid-caps

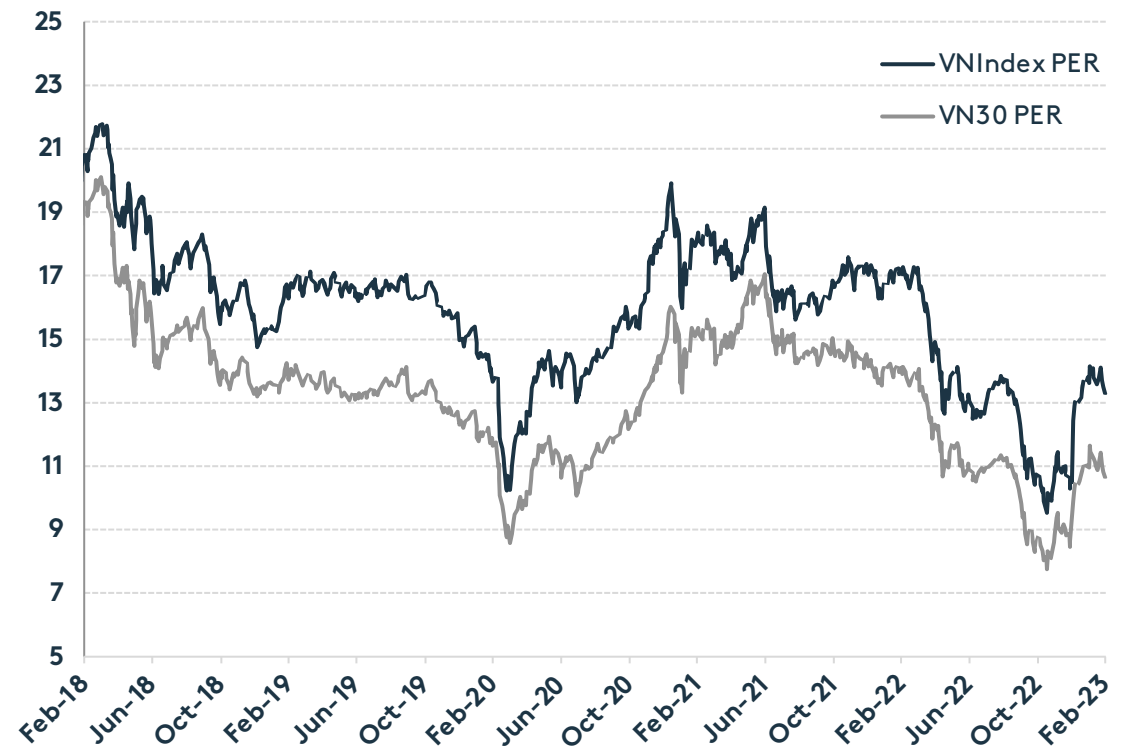


## Bottoming out after the sharp correction in 2022



- The market valuation was derated due to increasing fears of a global recession, and concerns on real-estate and credit crunch.
- Average daily liquidity was also reduced by one third due to increasing domestic fears among Vietnam's growing retail investor base

## Rare opportunities at these current valuation levels



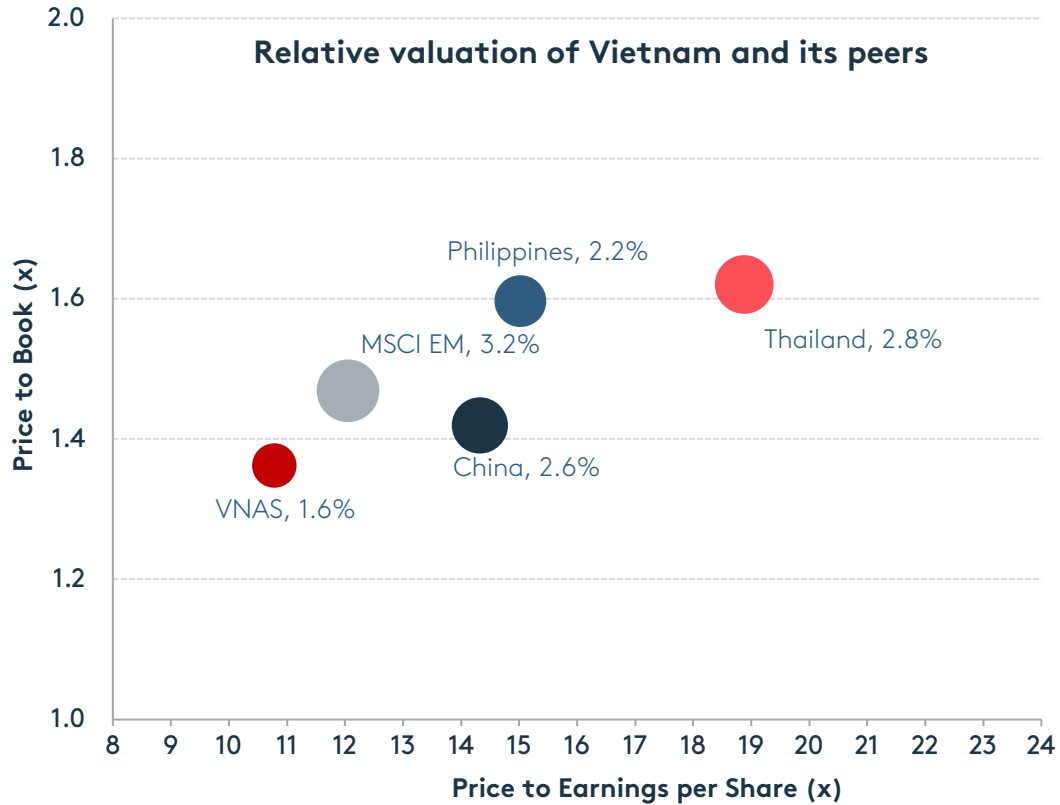
- The market valuation is already at its long term low and current inflation levels in Vietnam are below historical levels
- 10% market EPS growth expected

# Vietnam Equity Market

Attractive valuation compared to peers

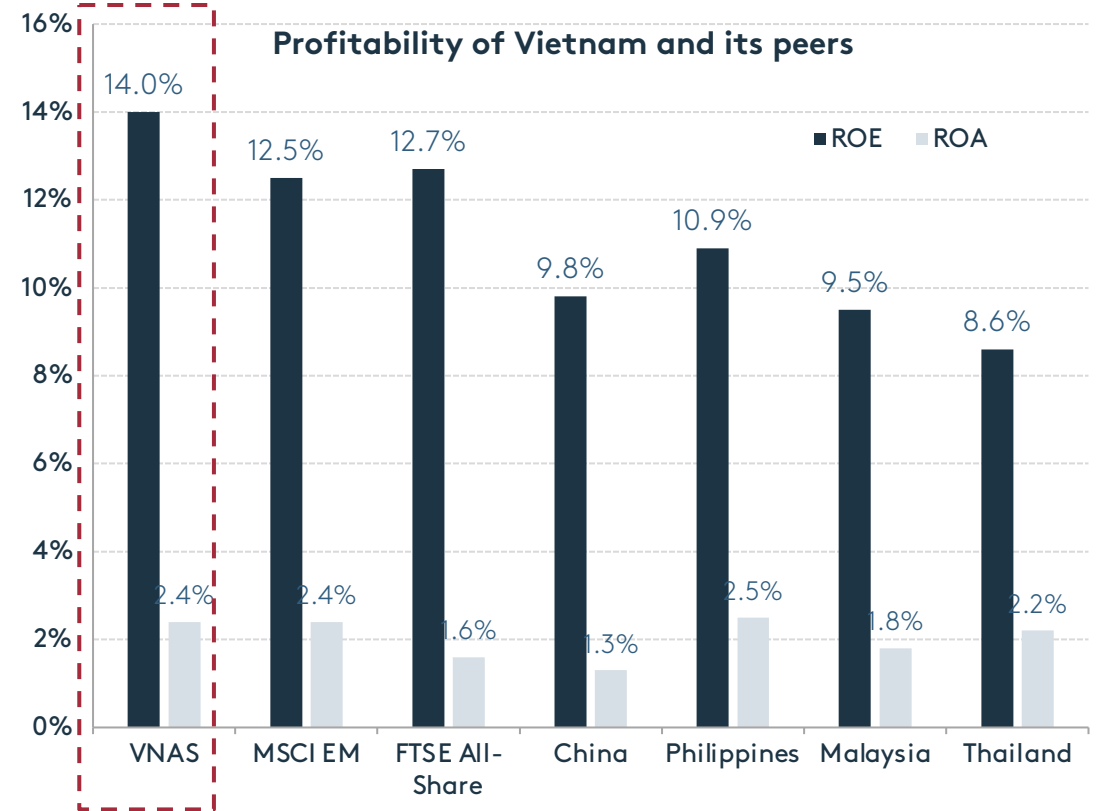


## Valuations are at multi-year lows



- (\*) Bubble size represents dividend yield.

## With higher profitability



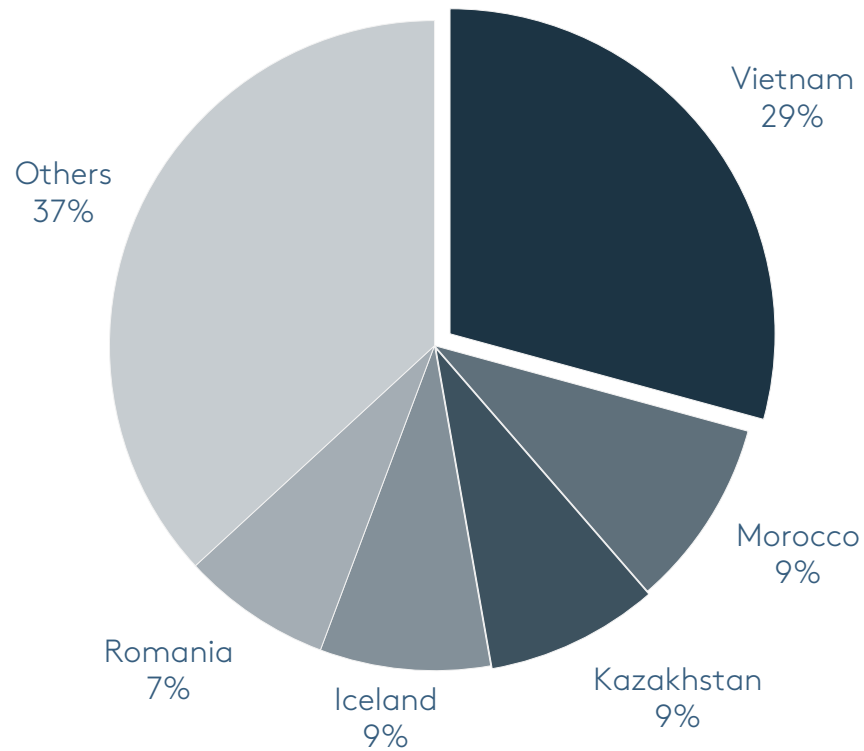
# Vietnam Equity Market

Largest market in the MSCI Frontier Market Index



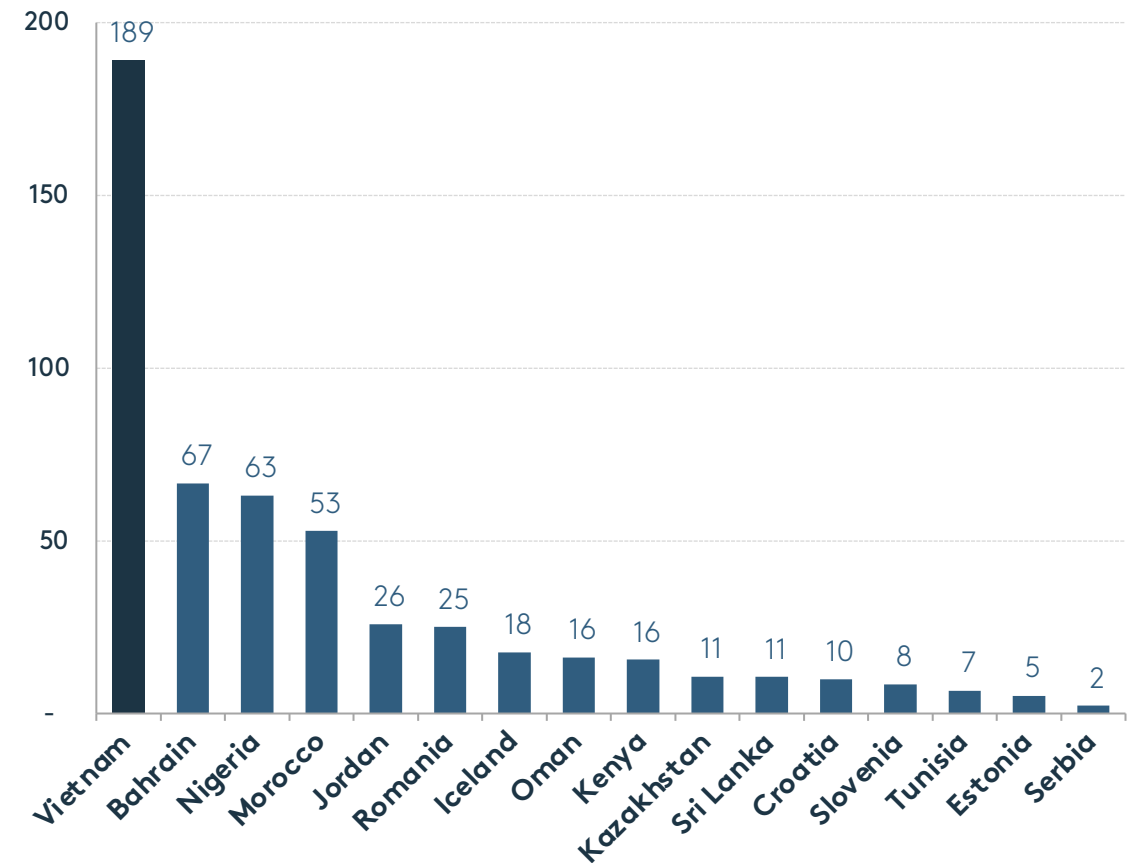
Vietnam is the largest weighting in the MSCI FM Index

Weighting of MSCI Frontier Markets Index (%)



...and the largest market capitalization

Market capitalization of MSCI FMs (USD bn)





# Vietnam Equity Market

MSCI EM Index Inclusion remains elusive for now: key impediments are being solved



## Key impediments:

- Foreign Ownership Limit (FOL): 30% for banks and 49% for others -> Progress has been made with FOL removed in F&B, Pharma, and Brokerage sectors but more than 10% of the market remains impacted by FOL
- Foreign room: more than 1% of the index is impacted by FOL - New Security Law (Jan 2021) envisages Non-Voting Depository Receipts (NVDRs) as a way to potentially address this
- Market infrastructure: trading system being improved, to reduce settlement time, and improve central depository
- Information transparency and equality between local and foreign investors: improving – more English language docs
- Liberalization of currency market: unlikely in the near term, no offshore currency market exists

The government supports MSCI EM inclusion and views the stock market as a way to boost reform of state-owned enterprises, but EM inclusion will likely be at least 3 years away.



- **Development of the derivatives market**
  - VN30 Index futures were introduced in July 2017
  - Covered warrants were introduced in July 2019
  - Bond futures were introduced in July 2019
  - Local ETFs give more access for foreign investors to the market, especially to full room stocks
- **New Law on Securities effective 2021**
  - Easing restrictions on FOL
  - Clearer regulations on private placement
  - Improvements on the legal framework for securities offering, public company, and information disclosure
- **Vietnam Stock Exchange will streamline the operation of its two subsidiaries Ho Chi Minh Stock Exchange and Hanoi Stock Exchange**
- **The new KRX trading system expected to go online in late 2023 and central depository to be introduced**
- **T+1.5 trading settlement effective**



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### Fundamental long term investment philosophy

#### Top down – Bottom up

- Combining top-down and bottom-up strategies for a balanced portfolio
- **Top-down:** Portfolio structuring process integrating macroeconomic forecasts into asset allocation
- **Bottom-up:** Extensive analysis and disciplined investment process

#### Integrating ESG into the full investment cycle

- ESG integration and commitment to the highest standards of investment management
- Close engagement with portfolio companies

#### Disciplined portfolio construction process

- Active Weighting of portfolio companies according to the degree of conviction
- Portfolio weights based on macro-economic factors and company specific trends and events
- A balanced portfolio for outperformance and stable return throughout economic cycles

# VNH Portfolio

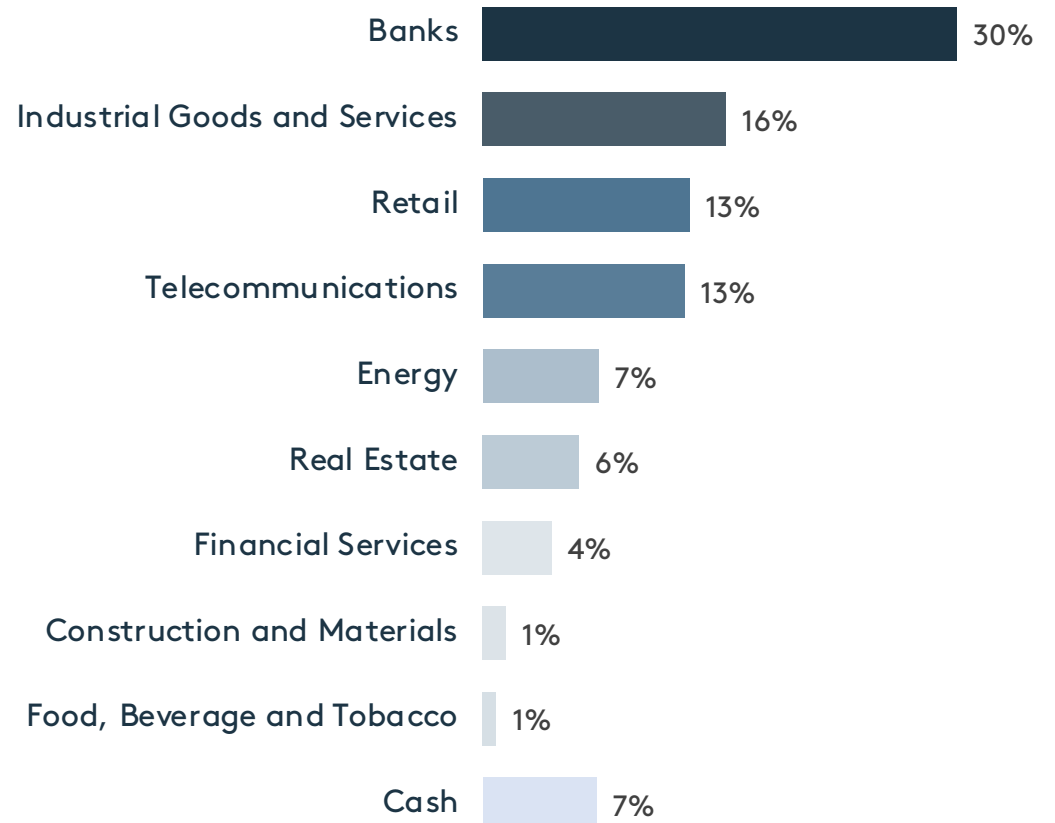
High Conviction/Concentrated Portfolio Across Key Themes of Domestic Consumption, Urbanization and Industrialization



## Top Ten Holdings

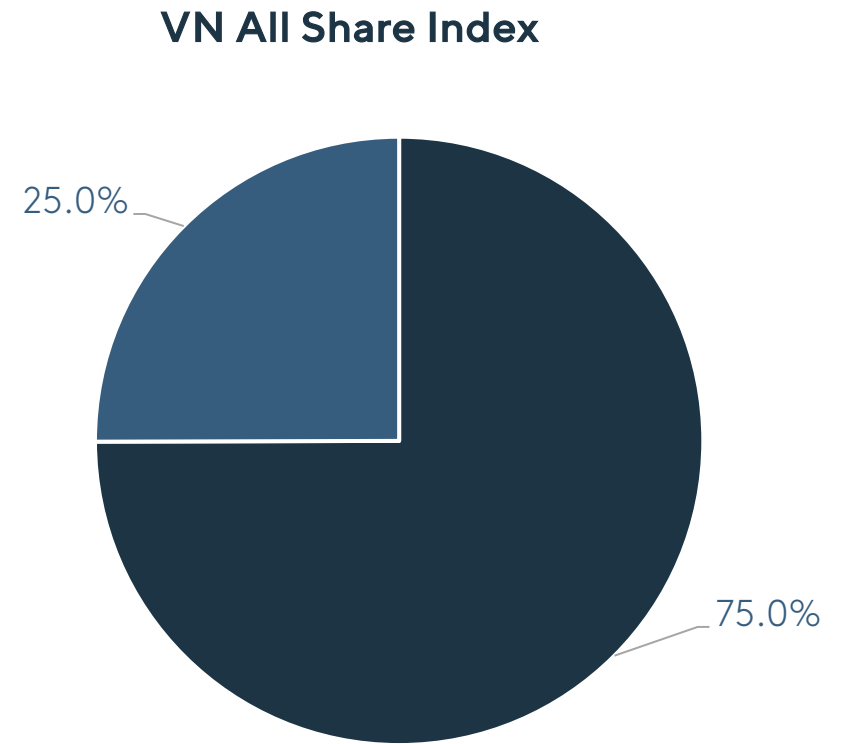
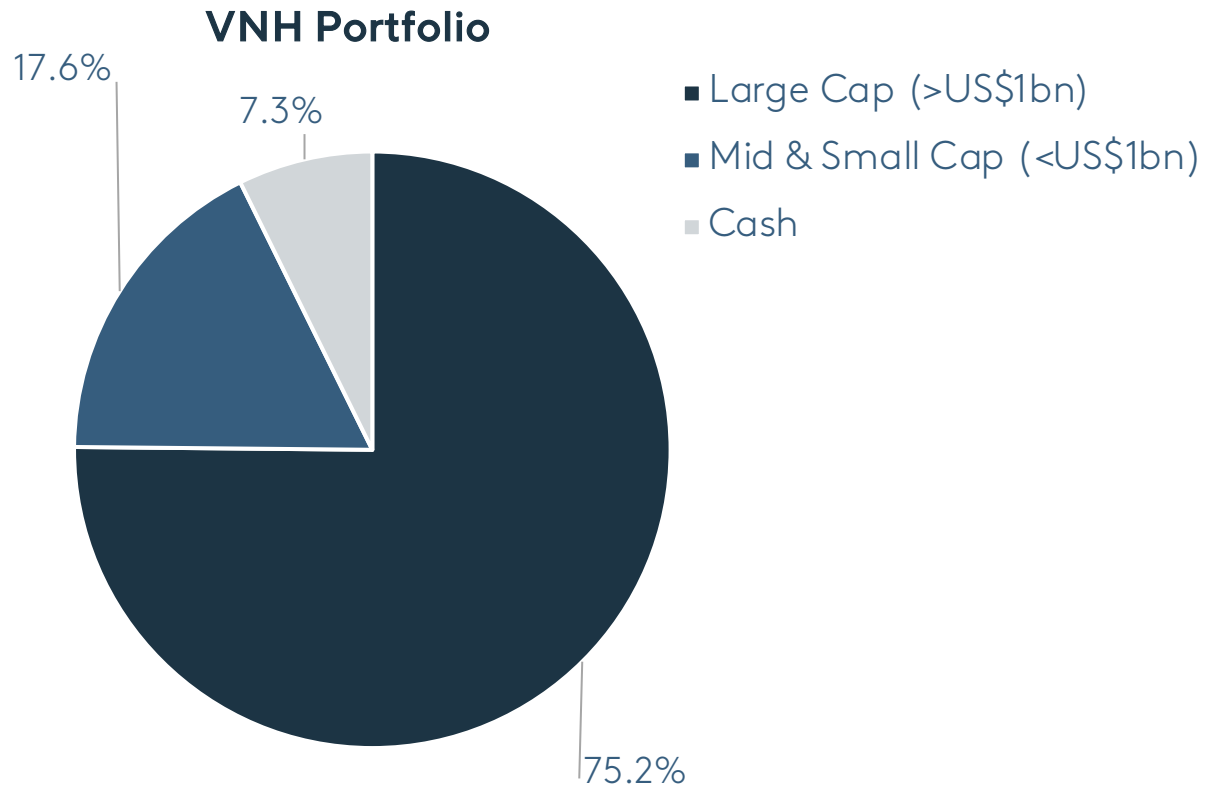
Company	% NAV
FPT Corp	13.0%
Phu Nhuan Jewelry	9.3%
Sacombank	8.9%
Gemadept	8.4%
MB Bank	5.4%
VietinBank	5.1%
PetroVietnam Technical Services	4.5%
Vietcombank	4.1%
Hoa Phat Group	4.0%
Mobile World	3.9%
<b>Total</b>	<b>66.6%</b>

## Sector Allocation



# VNH Portfolio

High Active Weight (70%) with Median Cap of US\$1,337m



# VNH Portfolio

Strong outperformance against indices



	VNH NAV per Share	VNAS (USD)	MSCI Emerging Market	FTSE All-Share
1 year	-30.3%	-39.4%	-17.7%	-6.5%
3 years	44.8%	19.1%	-4.1%	11.1%

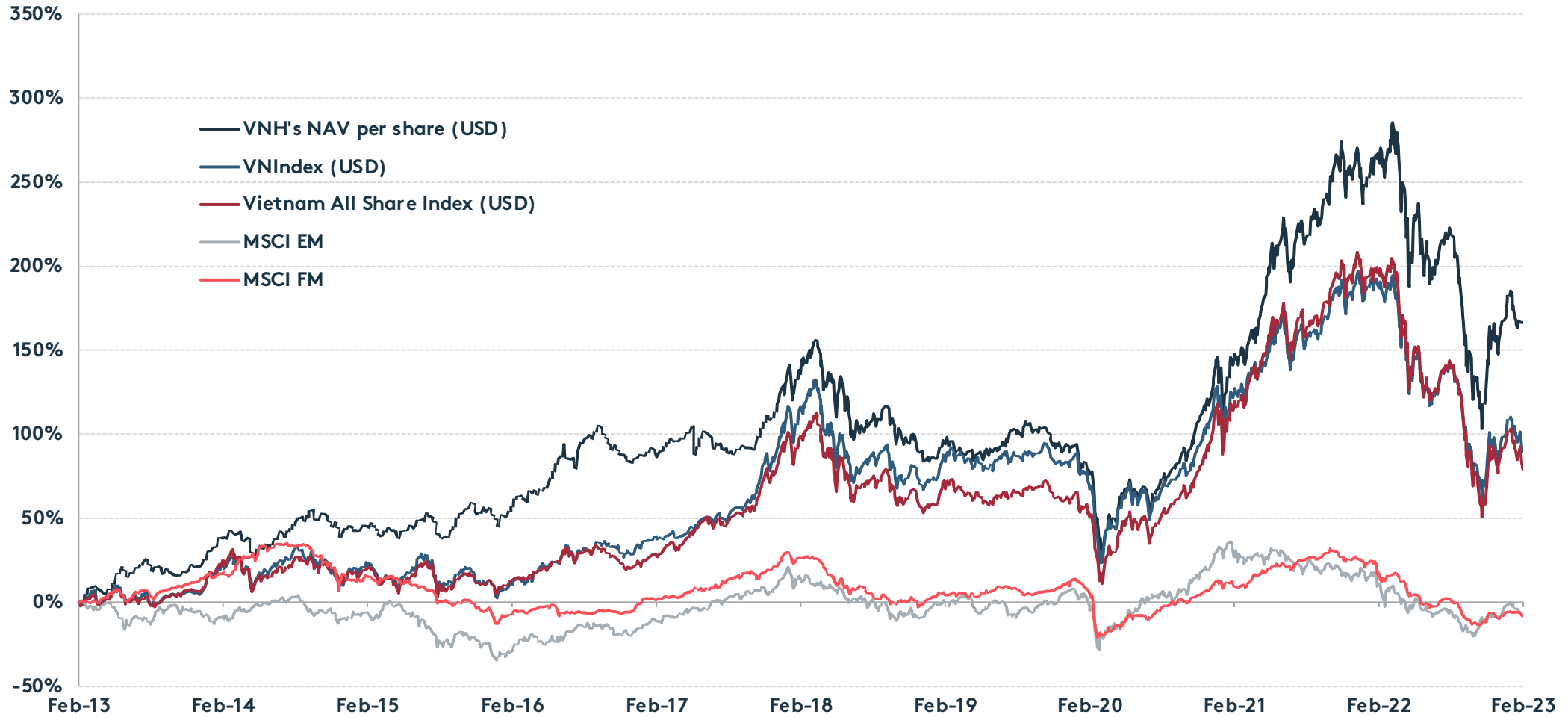


# VNH Portfolio

Low correlation to broader Emerging and Frontier market opportunities



### 10-year NAV per Share Performance vs. VNAS Index (Jan 2013 – Jan 2023)





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**Craig Martin**  
Chairman

- 27-years investment experience in Vietnam and Southeast Asia
- Previously Head of Private Equity for Prudential Vietnam (now Eastspring)
- Former co-CEO of CapAsia managing cUSD 350m across Southeast Asia
- Founding team member of Standard Chartered Private Equity (now Affirma)
- Masters of Electronic Engineering, University of York; MBA with Distinction from INSEAD



**Vu Quang Think**  
CIO

- Portfolio Manager of Vietnam Holding since 2011
- 30-years experience in Vietnam including 12 years in Corporate Restructuring
- Previously Head of Management Consulting at KPMG Vietnam
- Founder member and former chairman of the Vietnam Institute of Directors
- BA of Mathematical Economics, Hanoi National Economic University; MBA, Washington State University

# Dynam Capital

Leading edge of responsible investing in Vietnam



Responsible investing drives sustainable growth and manages downside risk

Integrated into established investment process:

- Initial Screening with Dynam's ESG exclusion list
- Proprietary ESG scoring matrix and database
- Detailed ESG due diligence including site visits
- Active ownership and dedicated company engagement process

Focus on Governance - supported by advocacy and training

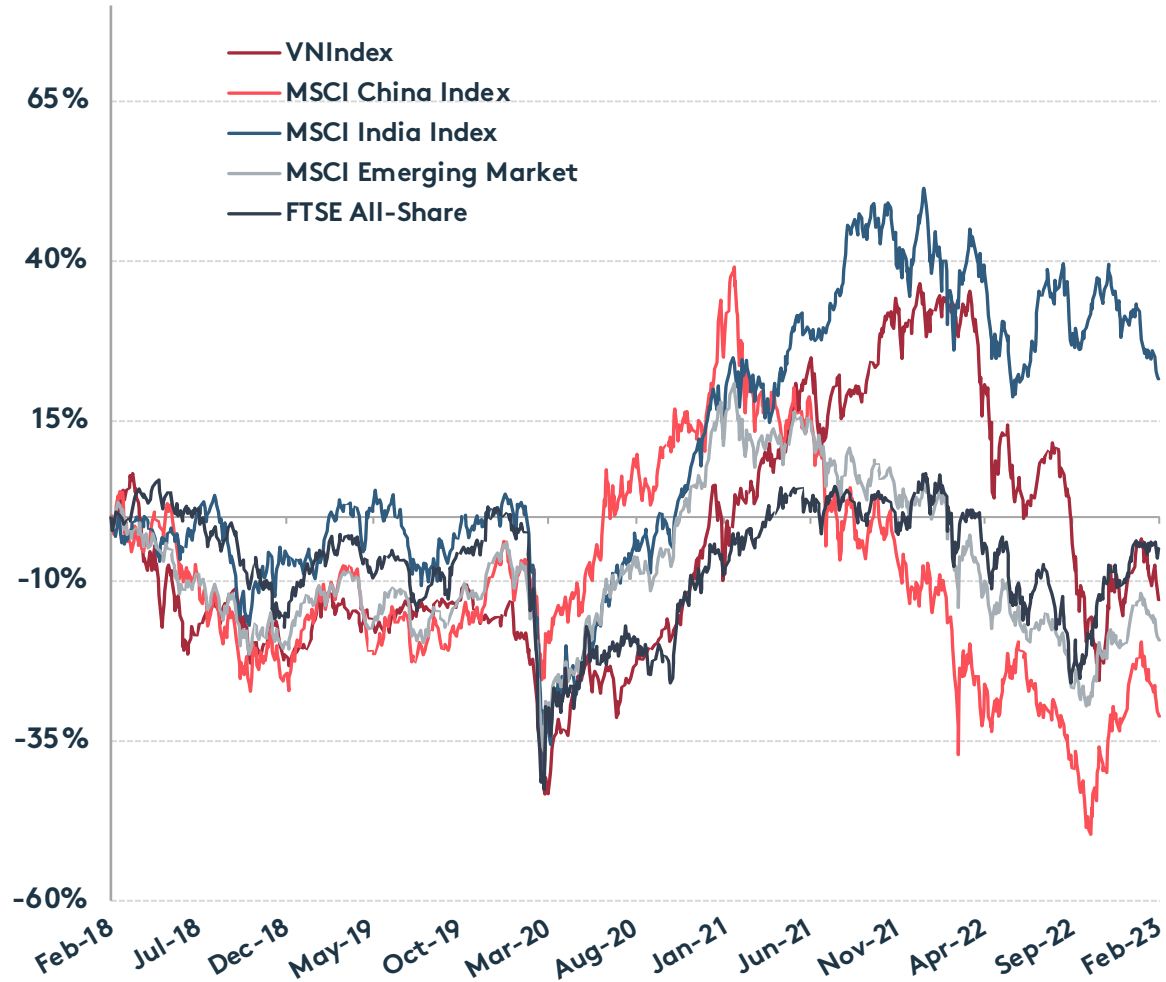




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4. **Fund Manager:** Responsible Investor and Vietnam Specialist
5. **Summary**

# Why now?

Expanding capital markets, increasing liquidity, inflection point in economic growth



- **Attractive Valuations:** Portfolio trades at 8.3x 2023 earnings, forecast earnings growth of about 20%
- **MSCI Index inclusion:** Vietnam is 30% of the MSCI Frontier Market Index and could achieve MSCI Emerging Market status within three years
- **Domestic Consumption:** passed important developmental inflection point of US\$4,000 per capita
- **Export Boom:** multinationals continue to diversify their supply chains into Vietnam
- **Privatization:** ongoing sales of state-owned assets is driving economic efficiency and funding infrastructure spending
- **Alignment:** Government policy focused on creating a modern industrialized economy, and a key player in global supply chains



Vietnam Holding Limited	LSE: VNH
Inception	June 2006
Investment Universe	Equities in Vietnam
ISIN / BIC Code	GG00BJQZ9H10 / SCBLSGSG
Fund Type	Closed-End / Active management
Base Currency	USD with GBP quote
Style	Growth At a Reasonable Price/ESG Integration
Fund Size (As of 28 Feb 2023)	USD 104.4 million
NAV Frequency	Daily NAV Estimation
Distribution	Re-investment of dividends
Management Fee	1.75% of NAV up to USD300 million 1.50% of NAV between USD300 – USD600 million 1.00% of NAV above USD600 million
Performance Fee	None



# Contact us



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