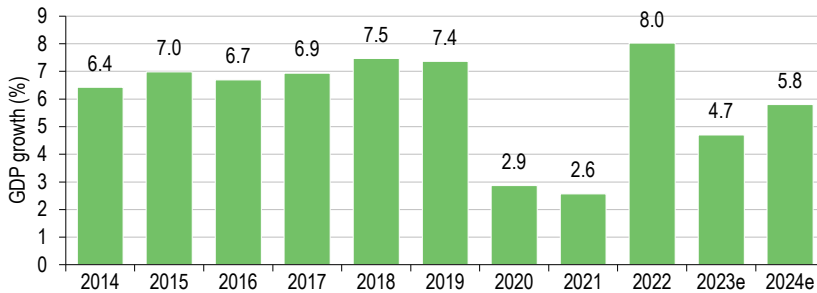


# VietNam Holding

Consistently outperforming the market

VietNam Holding's (VNH's) net asset value (NAV) per share increased by 4.2% over the 12 months ending September 2023 in total return (TR) terms in sterling, ahead of the VN Index (8.6% loss) and its direct peers (6.8% loss). In the current environment, the manager favours companies in the financial sector, which represents 42% of the portfolio and should benefit from the revival of stock market activity and increase in global demand for 'made in Vietnam' products. Vietnam's stock market is now experiencing a rebound, as retail investors are returning and liquidity is increasing, after a weak 2022 driven by problems in the real estate sector.

## Vietnam's economy returns to its growth path



Source: World Bank, IMF forecasts

## Why invest in Vietnam?

Vietnam is attracting significant foreign direct investment (FDI) inflows, predominantly into manufacturing as global giants are diversifying their supply chains. Vietnam has adopted an open trade policy, tightening its relationships around the globe, as highlighted by the recent Comprehensive Strategic Partnership with the US and trade representing twice Vietnam's GDP. Vietnam is also a 'young' country, with median population age of 32.5 years and a 73% employment to population ratio (the global average is 55%). Strong economic growth paired with favourable demographics translates into a rapidly growing middle class and domestic spending.

## VNH – nimble, focused and performing well

According to Dynam Capital (the investment manager), VNH's nimble size, compared to its two London-quoted peers (Vietnam Enterprise Investments and VinaCapital Vietnam Opportunity), allows the manager to be relatively more dynamic within the investment environment. Over the five years to end-September 2023, VNH significantly outperformed Vietnam's equity markets, highlighting the investment manager's stock picking expertise. Recently, the VN Index has lost its recovery from the lows of late 2022 (ytd performance is currently flat), and Vietnamese stocks provide an attractive entry point as they trade at 9.3x forward earnings – 30% below their 10-year average.

## Investment companies Vietnam

2 November 2023

**Price** 279.0p  
**Market cap** £76.1m  
**NAV\*** £87.9m

NAV per share\* 322.3p  
Discount to NAV 13.4%

\* As at 30 September 2023.

Yield 0.0%  
Ordinary shares in issue 27.3m  
Code/ISIN VNH/GG00BJQZ9H10  
Primary exchange LSE  
AIC sector Country Specialists  
Financial year-end 30 June  
52-week high/low 326.0p 221.0p  
NAV high/low 375.3p 246.7p  
Gross gearing\* 0.0%  
Net cash\* 1.1%

\*As at 30 September 2023.

## Fund objective

VietNam Holding's investment objective is to achieve long-term capital appreciation by investing in a diversified portfolio of companies that have high growth potential and an attractive valuation. The fund has been managed by Dynam Capital since July 2018.

## Bull points

- ESG considerations are a key part of the manager's approach.
- A very concentrated portfolio (26 holdings) and mid- to small-cap focus gives investors exposure to less well researched, high-growth companies.
- The proactive board is committed to promoting shareholders' interests.

## Bear points

- The relatively small market cap limits liquidity and the pool of potential investors.
- Investments in frontier markets are inherently risky.
- The trust has relatively high fees for an LSE-listed trust. Nevertheless, it delivers above-average returns post fees.

## Analysts

Milosz Papst +44 (0)20 3077 5700  
Michal Mordel +44 (0)20 3077 5700

[investmenttrusts@edisongroup.com](mailto:investmenttrusts@edisongroup.com)

[Edison profile page](#)

**VietNam Holding is a research client  
of Edison Investment Research  
Limited**

## Vietnam presents plenty of investment opportunities

Vietnam remains one of the best [long-term secular investment growth stories](#), driven by structural growth in manufacturing for exports, domestic consumption and infrastructure spending. It is one of the fastest growing economies in the world, with average annual GDP growth of 5.8% pa over the last five years, compared to 5.2% on average in East Asian countries (excluding developed markets) and 2.5% global GDP growth according to World Bank data. The IMF believes that Vietnam is positioned to continue its steady growth. It forecasts 5.8% GDP growth in 2024 and assumes that inflation will remain under control at 3.4%.

Economic growth alongside significant socio-political changes – openness to foreign trade and FDI especially – have allowed Vietnam's stock exchange to expand significantly. The Ho Chi Minh City Stock Exchange (HOSE) opened in 2000 and as at end-2022 there were 402 companies listed, with a total listing value of VND1.43qn (US\$58bn) and a 2022 daily traded value of VND17.2bn (US\$700m). The Vietnam Ho Chi Minh Stock Index (VN Index, VNI) delivered an average annual total return of 16% over the last five years, compared to 12% returned by MSCI Emerging Markets Index.

### Investing in high-conviction stocks in a rapidly growing market...

The manager creates a concentrated high-conviction portfolio of 20–30 stocks (26 as at end-September 2023, with the top 10 holdings representing 62% of its NAV) consisting of high-growth small and mid-caps (targeting companies with potential to double their earnings in four to five years) and best-in-class blue chips. This means that VNH's active share compared to the Vietnam All Share Index (VNAS) stands at high 74% (three-year average). While Vietnam's equity markets are developing fast, they are still fairly shallow in terms of liquidity compared to more developed countries.

In this environment, Dynam Capital takes a private-equity-like approach to investing despite acquiring minority stakes. This includes an active approach to investee companies, supporting them in their transformation to modern standards of management, shareholder communication, ESG and market disclosures. As a result of this approach, the manager invests with a long-term view, assuming limited market liquidity (despite VNH's nimbleness in terms of portfolio repositioning, facilitated by the relatively small size, see below). The manager usually invests up to 2% of its portfolio into new companies, and gradually increases its stake as the company develops and the manager gains further confidence in the holding. In this context, the manager considers companies previously backed by private equity as those with a lower governance risk, as they are already post- or mid-transformation.

All of the investments are also evaluated through an ESG lens as VNH believes that companies in Vietnam can benefit from enhanced valuations by following better ESG practices, especially regarding disclosures and market communication, as Vietnam's stock market is still establishing its best practices. VNH's strict investment criteria regarding governance and disclosures reduce downside risks, though simultaneously limiting the investable universe. Dynam Capital estimates that there are c 60–80 stocks on HOSE at the moment that meet VNH's ESG criteria.

### ...and delivering superb results

VNH's strategy has proven successful, as over the five years to end-September 2023, VNH delivered a 6.9% NAV TR pa in US dollar terms, clearly outperforming the 3.4% pa delivered by the VNAS, as well as its two LSE-listed, Vietnam-focused peers: Vietnam Enterprise Investments (VEIL) (4.3% NAV total return pa) and VinaCapital Vietnam Opportunity Fund (VOF) (5.9%). On top of its stock selection capabilities, the manager attributes part of the outperformance to VNH's small scale (its market capitalisation currently amounts to £76m, compared to VEIL's £1,050m, and

VOF's £709m), allowing it to reposition its portfolio relatively quickly in response to market developments despite operating in a relatively illiquid market. The manager actively trades in its portfolio within its defined investable universe, with the turnover ratio usually standing at 30–40% in any given year (50% in 2022 according to Morningstar data), and according to the investment manager, VNH can liquidate (if needed) 95% of its current portfolio within a month.

**Exhibit 1: VNH's discrete performance versus public markets (%)**

	VNI	VNH (NAV)	MSCI World	MSCI EM	MSCI Frontier Markets
2019	3.7	(1.4)	14.3	22.4	9.7
2020	11.7	10.8	15.0	13.2	(0.1)
2021	38.8	65.6	(1.3)	20.1	26.9
2022	(27.4)	(21.6)	(9.6)	(7.6)	(15.5)
2023 ytd*	(0.9)	6.0	(2.5)	7.4	3.2

Source: Refinitiv. Note: \*To 27 October 2023.

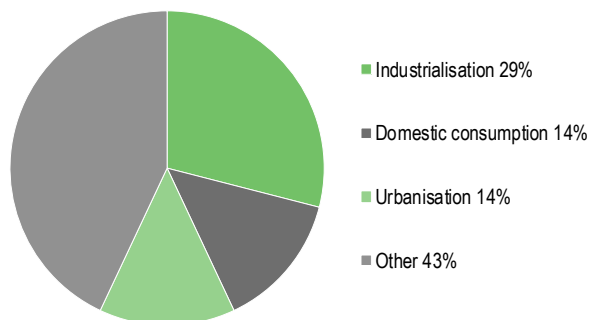
### Focusing on three growth themes

Dynam Capital recognises three main development trends in Vietnam's economy that provide the most investment opportunities, and roughly half of VNH's current portfolio has direct exposure to one of them (see Exhibit 2): 1) industrialisation of the economy, 2) increase in disposable income and domestic consumption from a growing middle class, and 3) increasing urbanisation.

#### Industrialisation

Vietnam's economy is export-oriented, with an exports to GDP ratio of c 90% in 2022. It is attracting increasing volumes of FDI as global companies, such as Apple, Lego, Samsung and Intel, seek to diversify their supply chains beyond China. For example, up to 60% of Samsung's phones and 70% of Intel's global output are now produced in Vietnam. According to the IMF, Vietnam currently attracts c US\$16bn in FDI annually, compared to c US\$1.5bn annually at the beginning of the 21st century. FDI is predominantly targeted at manufacturing, which now represents a bit more than 20% of Vietnam's GDP. In this context it is also worth noting the US-Vietnam Comprehensive Strategic Partnership announced in September 2023 after the visit of US President Biden to Vietnam. The partnership is targeted predominantly at semiconductor production and supply chains, but it also covers a range of initiatives in various areas such as education, energy, finance and agriculture. The partnership should strengthen relationships between US and Vietnamese companies, and should translate to increased FDI. After the visit, several close cooperations have been announced, including Gemadept (5.0% of VNH's NAV) partnering with SSA Marine to develop a logistics centre with a projected valuation of US\$6.7bn.

**Exhibit 2: Portfolio split by theme**



Source: VNH

VNH sees its opportunity in companies that provide B2B services for the growing industrial ecosystem and currently gets exposure to the theme predominantly through industrial parks and

logistic companies. According to the manager, these companies typically have a higher quality of earnings and a higher return on equity than individual exporters. A prime example of this is **Gemadep**, an operator of eight ports in Vietnam as well as a vast logistics network in Vietnam and neighbouring countries, generating c US\$150m in revenues annually. The company was subject to equitisation in 1993 and currently the state does not hold any share of its c US\$730m market capitalisation. The manager expects that the government will revise port fees upwards, creating room for an uplift in terminal handling charges.

### **Urbanisation**

The urbanisation rate in Vietnam stood at a low 39% in 2022 (according to the World Bank), which compares to 53% in Thailand, 58% in Indonesia and 78% in Malaysia. Urbanisation is constantly increasing as the economy industrialises, and over the last 10 years the urban population in Vietnam grew by 10 million citizens. The manager believes that Vietnam is currently at an inflection point allowing for rapid economic growth, similarly to China after 2002 when it reached a 38% urbanisation rate.

Growing urbanisation creates additional demand (and in turn investment opportunities) across a broad variety of sectors, including housing, transportation and convenience stores. VNH predominantly benefits from this trend through investments in real estate developers. Up until mid-2022, real estate made up c 20% of VNH's portfolio, but (despite the manager's confidence in the long-term prospects of the sector) it sold its stakes in the main housing developers in 2022, avoiding the worst of the turmoil that hit some of the companies in the sector recently. VNH's current exposure to real estate of 9% consists predominantly of industrial parks.

Vietnam's real estate sector suffered a liquidity crunch in late 2022, which is lingering in 2023. The trigger event came when the government issued a decree aimed at improving transparency, strengthening investor protections and improving disclosure requirements in corporate bonds issuance. Unfortunately, the decree was introduced in the wake of allegations of illegal activities (resulting in two high-profile arrests in the real estate sector). As the decree was introduced when the trust of issuers was low, corporate bond issuance basically came to a standstill, and many real estate developers found that they were unable to issue new bonds or roll over existing bonds that were maturing. The manager is confident that some of the key names in the sector will survive and thrive, and may add back some of these in the coming months.

### **Domestic consumption**

The rapid growth of Vietnam's economy results in increasing disposable income and a growing middle class. Vietnam's GDP per capita has increased tenfold since the beginning of 21st century, growing at an average rate of 11% pa, and according to World Data Lab Vietnam's middle-class population (households with per-capita spending of between US\$11 and US\$110 a day) reached 33 million citizens in 2020. World Data Lab expects that due to its favourable demographic structure and economic growth, Vietnam will have the seventh fastest-growing middle-class population in the world and it will reach 56 million people by 2030, implying a CAGR of 5.5%.

VNH benefits from this trend predominantly through its investments in jewellery producer and distributor **Phu Nhuan Jewelry** (PNJ, 4.1% of NAV at end-September 2023) and omni-channel and omni-sector retailer **Mobile World Group** (MWG, 2.7% of NAV at end-June 2023). While in FY23 both stocks fell in value due to unfavourable sentiment around softened consumer demand, as described below, the manager remains confident both in the trend of increasing consumer spending as well as in the companies themselves. Recently they have proven their worth during pandemic-related lockdowns, where both companies were able to meaningfully offset the decrease in traditional sales through their digital sales. VNH initially invested in PNJ in 2009 and in MWG in 2017.

## VNH considers banks as a good exposure to all of the above themes

VNH keeps meaningful exposure to banks and financial services (42% as at end-September 2023) as it considers the banking sector as an attractive exposure to the broad economic growth of Vietnam, with banks increasing their loan books in parallel to growing investments and customer spending. At the same time, the Vietnamese banking sector itself is presenting a secular growth trend as the country remains underbanked (less than half of its citizens have access to banking). We note that Vietnam's banking sector is developing its digital offering from scratch rather than having to overhaul a more traditional approach.

**Exhibit 3: VNH portfolio's sector breakdown**

Sector	September 2023	September 2022	Change
Banks	29%	25%	4pp
Telecommunication	15%	12%	3pp
Financial services	12%	4%	8pp
Industrial goods and services	11%	14%	(3pp)
Retail	9%	18%	(9pp)
Real estate	9%	7%	2pp
Energy	6%	4%	2pp
Food and beverage	4%	3%	1pp
Construction and materials	4%	2%	2pp
Basic Resources	1%	0%	1pp
Cash	1%	11%	(10pp)

Source: VNH

## Approach to ESG

Despite investing in minority stakes, VNH takes an active hand in supporting its portfolio companies in improving their ESG aspects. The CIO of Dynam Capital is co-founder of the Vietnam Institute of Directors (VIOD), an organisation promoting corporate governance standards and best practices. VIOD, VNH and Dynam Capital representatives regularly advise VNH's portfolio companies on investor relations, transparent reporting as well as aligning interests of employees and shareholders. For instance, one of the 'easy fixes' that VNH sees in the Vietnamese stock market that could attract more international capital is improving disclosures in English.

VNH has been a signatory of the United Nations Principles for Responsible Investing (UN PRI) since 2009 and its investment policy reflects its guidelines: VNH invests only in companies that commit to reducing pollution in a measurable way, and avoids companies involved in businesses related to alcohol, tobacco, gambling or armaments, or those that violate the Vietnamese labour law. In the recent UN PRI assessment, VNH received a top score of five stars. Dynam Capital and VietNam Holdings have both affirmed the Paris Agreement and their commitment to the Task Force for Climate-Related Financial Disclosure. Dynam Capital is also a member of the Asia Investor Group on Climate Change.

Since 2016 VNH's portfolio has also been evaluated by a third-party independent advisor (Energy and Environment Consultancy) and publishes its carbon footprint report. From 2021, the service has been extended to include a comprehensive climate-related risk assessment. In the 2022 report the advisor confirmed that VNH's portfolio was on par with developed markets and considerably better than emerging markets in terms of alignment with the 2°C global temperature reduction effort and its weighted average carbon intensity (greenhouse gas emission per US\$m of revenue) is only marginally worse than average in the MSCI World Index (also considerably better than the MSCI Emerging Markets Index average).

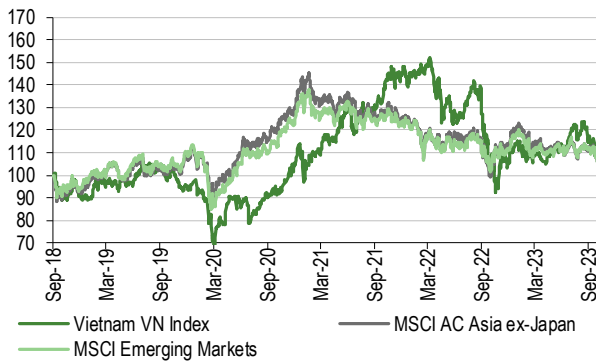
## Recent developments

### Vietnam's economy is shedding its slowdown factors

Vietnam's equity market declined by 33% in 2022 (measured by the VN Index) despite the economy showing 8.0% GDP growth. The sharp decline was caused predominantly by a collapse in valuations of real estate companies, which constitute 22% of the index (as at September 2023). As the liquidity crunch in the real estate sector was paired with market abuse allegations and high-profile arrests in the real estate industry, investors' trust was heavily undermined. Furthermore, given the attractive bank deposit rates at that time, a significant amount of capital was allocated to deposits, decreasing the liquidity available on HOSE (see Exhibit 6). This contributed to a significant market sell-off despite the good quality of expected earnings and Vietnamese equities reaching a 10-year valuation trough of 7.7x forward earnings (based on 12-month blended forward expected earnings). Even though the market subsequently experienced improving economic prospects (recovering FDI and rebounding demand for 'made in Vietnam' products), local equities remain relatively cheap, with the 9.3x forward P/E being 30% below the 10-year average (Datastream Index, see Exhibit 5).

VNH's portfolio is positioned to companies presenting strong earnings momentum with forecasted earnings growth in FY23 at 19% for the whole portfolio, compared to FY23 earnings growth of 4% for the VN Index (based on Refinitiv consensus<sup>1</sup>). At the same time their valuation is undemanding, with a 9.2x P/E ratio based on FY23 earnings, and 7.6x on FY24, compared to 11.2x and 8.5x for the VN Index, respectively (as at end-September 2023).

**Exhibit 4: Performance of Vietnam, Asia and world equities over five years (£)**



**Exhibit 5: Forward P/E valuations of Datastream indices (at 1 November 2023)**

	Last	High	Low	10-year average	Last as % of average
Vietnam	9.3	20.5	7.7	13.3	70
Philippines	10.0	18.8	10.0	15.7	64
Indonesia	13.2	18.8	11.6	15.6	85
Malaysia	14.2	19.0	13.2	15.8	90
Thailand	14.6	21.6	11.3	15.4	95
Singapore	10.4	15.1	10.4	13.3	78

Source: Refinitiv, Edison Investment Research

It is important to note the continued structural undersupply of the local housing market, with the ministry of construction estimating that Vietnam needs to build a further 300k social housing units for low-income earners in urban areas to meet the demand, estimated at US\$9.6bn in investment. We believe this underpins the good prospects for Vietnam's real estate sector, once the current liquidity issues are sorted out. We note that housing development has seen some revival in recent months, with major projects being resumed. While the liquidity crunch is not over yet, with VND65.9tn bonds maturing in H223 and VND124tn in 2024, the government is introducing incentives to provide much-needed breathing space for issuers. These include allowing companies to use other assets to make bond payments if approved by debtholders, as well as extension of debt maturities.

<sup>1</sup> Weighted average expected earnings growth for 99 VN Index constituents representing 87% of index value as at 31 October 2023.

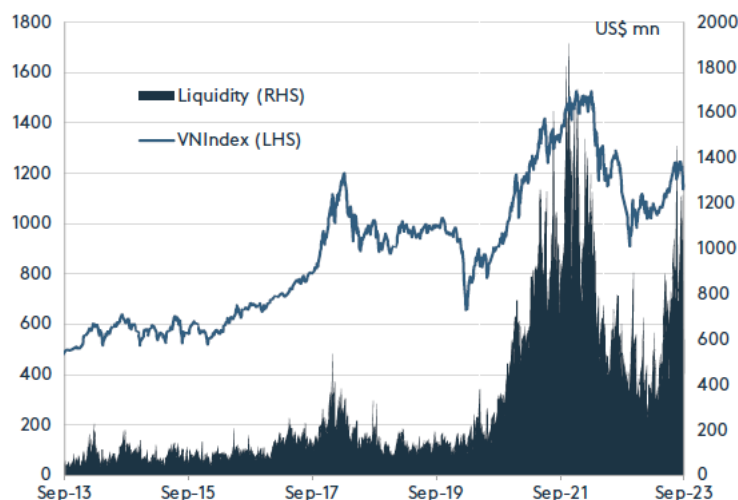
## The State Bank of Vietnam is also stimulating the economy

In mid-March, the State Bank of Vietnam (SBV) surprised markets by reducing its discount rate from 4.5% to 3.5% and cutting the open market operations (OMO) rate from 6.0% to 5.5%. This was the first rate cut in two years, which the SBV justified on the basis that the currency is stable and that inflation is 'well-managed'; the most recent reading of Vietnam's inflation (June 2023) stood at 2.0%, compared to SBV's target of 4.5%. Vietnam's central bank has signalled the likelihood of further rate reductions over time to 'give additional breathing room to the property and capital markets', especially given expectations of looser US Federal Reserve policy following the recent developments in US regional banks, which resulted in a further 50bp OMO rate cut in May 2023 and a 50bp discount rate cut in June 2023. On top of that, the SBV recently announced higher credit growth limits for commercial banks, easing banks' appetite for deposit growth. In turn, deposit rates at Vietnamese banks have seen a reduction of 200–300bp since the beginning of the year to the current 6.5–8.0% on 12-month deposits. The Vietnam Association of Realtors highlights that a large number of deposits matured in Q323, so with lower deposit rates, some of the money could enter the equity and property markets.

## Investors are returning to the Vietnamese stock market

As the risks have reduced significantly and deposit rates have decreased, investors are returning to stock markets. The average daily liquidity reached its trough level in Q123 and is gradually rebuilding, with Q223 being up 40% q-o-q and Q323 up 60% q-o-q. This may translate to increasing valuations.

**Exhibit 6: Increasing liquidity on HOSE**



Source: VNH citing Bloomberg

## Portfolio positioning

Over the year to end-September 2023, VNH significantly increased its exposure to financial services by investing in the securities broker SSI Services (eighth largest portfolio position, representing 4.4% of NAV). VNH expects the company to benefit from increasing trading volumes on HOSE with the return of retail investors, especially considering the State Securities Commission's efforts to implement a new trading system in Vietnam by end-2023. VNH also increased its allocation to banks with significant investments into Vietcombank (5.5% of NAV) and Asia Commercial Bank (4.5%). The exposure to banks allows VNH to position itself to the revival of

economic activity in Vietnam, without favouring any of the trends, as described previously in the note.

#### Exhibit 7: VNH's top 10 holdings

Company	Sector	Sep-23	Sep-22	Change*
FPT Corporation	Telecommunications	14.6%	12.1%	2.5pp
Sacombank	Banks	6.3%	6.0%	0.3pp
PV Technical Services JSC	Energy	5.5%	N/A	N/A
Military Commercial Bank JSC	Banks	5.6%	5.8%	(0.2pp)
Vietcombank	Banks	5.5%	N/A	N/A
Gemadept Corp	Industrial goods and services	5.0%	8.8%	(3.8pp)
Asia Commercial Bank	Banks	4.5%	N/A	N/A
SSI Securities	Financial services	4.4%	N/A	N/A
Vietnam Prosperity JSC Bank	Banks	4.3%	5.4%	(1.1pp)
Phu Nhuan Jewelry JSC	Retail	4.1%	7.6%	(3.5pp)
<b>Top 10 holdings</b>		<b>59.8%</b>	<b>65.9%</b>	<b>(5.1pp)</b>

Source: VNH. Note: \*N/A where not in September 2022 top 10 holdings

Another significant investment was PV Technical Services, which is well-positioned for an increase in green energy generation, as Vietnam has announced its 2050 zero emission target. The company provides offshore technical services with its fleet of 18 vessels. It is currently focusing on increasing its presence in offshore wind power generation. It provides construction, operation and maintenance services to several nearshore and offshore wind farms in Vietnam. Recently it signed a memorandum of understanding with Orsted to collaborate on offshore wind projects in Vietnam, and secured two overseas contracts with a total value of US\$320m.

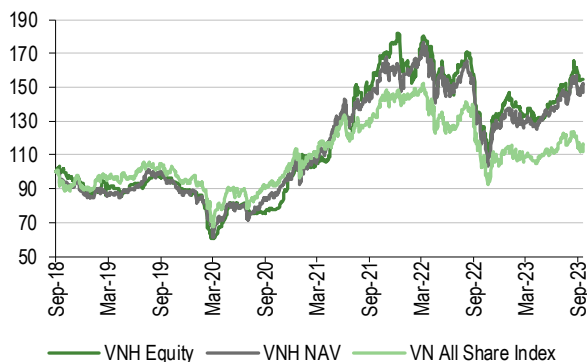
PV Technical Services is part of the state-owned PetroVietnam – the country's largest oil producer and second-largest power producer – and its fleet provides offshore construction and maintenance services for the oil and gas industry, which remains its core business. PV Technical Services itself is also majority-owned by the government – the free float stands at 48.5% with foreign ownership standing at 20.8% as at June 2023.

## Performance

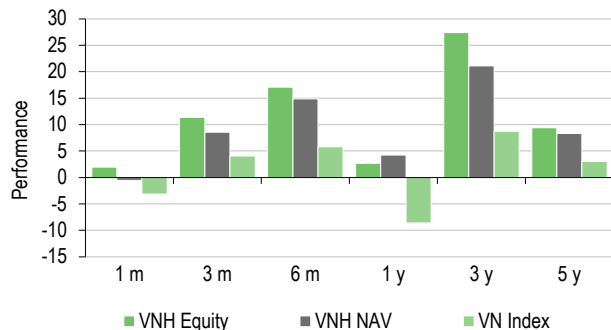
Over the 12 months to end-September 2023, VNH's NAV per share increased by 4.2% in sterling terms, which compares to a 9% loss for the VN Index. VNH consistently delivers returns above the broad Vietnamese equity market, although it is naturally following Vietnamese equities, and represents a macro play on Vietnam's economy for investors.

#### Exhibit 8: VNH performance to 30 September 2023

Price, NAV and index total return performance, three-year rebased



Price, NAV and comparative index\* total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised. \*Vietnam VN Index.



**Exhibit 9: Five-year discrete performance data**

12 months ending	Share price (%)	NAV (%)	Vietnam VN Index (%)	MSCI AC Asia ex-Japan (%)	MSCI EM (%)	CBOE UK All Companies (%)
30/09/19	(3.1)	(0.0)	4.5	2.5	4.1	2.7
30/09/20	(21.7)	(16.0)	(13.5)	12.6	5.7	(17.9)
30/09/21	96.7	74.5	44.8	10.0	13.7	28.5
30/09/22	2.4	(2.4)	(2.9)	(13.6)	(12.8)	(3.4)
30/09/23	2.7	4.2	(8.6)	1.8	2.6	14.5

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

## Peer group comparison

UK-based investors have access to three funds focused solely on opportunities in Vietnam listed on the London Stock Exchange, varying in size and investment approach: VNH, [VEIL](#), and [VOF](#). VNH is the smallest fund among them, which allows it to rotate its portfolio more efficiently and as a result outperform its peers (see Exhibit 11).

**Exhibit 10: LSE listed Vietnamese investment trusts**

Feature	VOF	VEIL	VNH
Market cap	£709m	£1,050m	£76m
Inception	September 2003	September 1995	June 2006, managed by Dynam Capital since July 2018
Type	Closed end, long only	Closed end, long only	Closed end, long only
Investments	Listed and unlisted equity	Listed and pre-listed equity only	Listed and pre-listed equity only
Exposure to real estate*	22%	22%	9%
Style	Investing in both public and private companies, primarily via privately sourced deals	Growth at a reasonable price, as identified by Dragon Capital	Growth at a reasonable price approach
Listed	LSE since March 2016	LSE since July 2016	LSE; moved from AIM to the Main Market in March 2019
Objective	Medium- to long-term capital appreciation	Rolling three-year outperformance of VN Index	Long-term capital appreciation
Fees	A tiered rate of 1.3% of net assets up to US\$1.0bn, 1.0% from US\$1.0bn to US\$1.5bn, 0.75% from US\$1.5bn to US\$2.0bn and 0.50% above US\$2.0bn. Performance fee of 10.0% on any increase in NAV above 10% per year, capped at 1.5% of average net assets.	The reduced fee structure (effective from 1 July 2021) is: 1.85% per year of NAV for the first US\$1.25bn of the company's NAV, 1.65% per year for NAV between US\$1.25bn and US\$1.5bn and 1.50% per year for NAV above US\$1.5bn.	1.75% per year on NAV below US\$300m, 1.5% per year on NAV between US\$300m and US\$600m, and 1.0% per year on NAV above US\$600m.
Total expense ratio/ongoing charge	N/A** (ongoing charges of 1.54%)	c 2.00% (ongoing charge 1.91%)	2.73%

Source: Company data, Edison Investment Research, Morningstar. Note: Prices at 1 November 2023. \*Latest available data. \*\*Due to a clawback mechanism VOF's total expense ratio was negative in the year ending December 2022.

VNH was the best performing Vietnam-focused fund over the periods of one, three and five years, while its 10-year performance was behind VOF and broadly in line with VEIL. When comparing the performances of these three funds, we need to highlight that VOF has a meaningful part of the portfolio (21% as at end-September 2023) allocated to private investments, which are less volatile than public equities.

Compared to the broader peer group of country specialist funds focused on Asian markets, VNH was the third best-performing fund across all the periods, being behind two funds focused on the Indian market, which has been particularly strong in recent years (see Exhibit 11). VNH's stellar performance underlines the manager's stock picking expertise, which is supported by the portfolio's flexibility provided by its small size. At the same time, its small scale contributes to higher ongoing charges as a percentage of NAV (although we note that the above-mentioned NAV outperformance is after fees), and limits its potential pool of shareholders, as some institutional investors may find it difficult to invest in VNH due to liquidity constraints. VNH does not pay dividends but distributes its profits to shareholders through buybacks (see below).

**Exhibit 11: Selected peer group\* as at 1 November 2023\*\***

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
<b>VietNam Holding</b>	<b>76.1</b>	<b>4.2</b>	<b>77.6</b>	<b>49.1</b>	<b>242.4</b>	<b>(13.4)</b>	<b>3.07</b>	<b>No</b>	<b>100</b>	<b>0.0</b>
Vietnam Enterprise Investments	709.0	(5.7)	39.9	42.5	241.7***	(18.8)	1.54	Yes	100	2.6
VinaCapital Vietnam Opp Fund	1,050.0	(7.8)	39.7	32.1	294.0	(19.0)	1.91	No	100	0.0
<b>Vietnam funds average (excl. VOF)</b>	<b>879.5</b>	<b>(6.8)</b>	<b>39.8</b>	<b>37.3</b>	<b>267.9</b>	<b>(18.9)</b>	<b>1.7</b>	<b>-</b>	<b>100</b>	<b>1.3</b>
<b>VNH rank in subgroup****</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>2</b>
Ashoka India Equity Investment Ord	270.1	8.0	95.7	156.5	N/A	2.1	0.47	Yes	100	0.0
Baillie Gifford China Growth Trust Ord	126.5	(12.9)	(34.5)	(29.0)	12.8	(13.8)	0.94	No	102	0.8
Fidelity China Special Ord	953.5	(0.4)	(27.5)	9.3	167.8	(12.0)	0.98	Yes	128	3.1
India Capital Growth Ord	143.7	20.9	101.5	86.3	342.6	(12.5)	0.42	No	100	0.0
JPMorgan China Growth & Income Ord	187.2	(12.6)	(43.3)	9.4	101.9	(13.1)	1.09	No	115	6.1
JPMorgan Indian Ord	601.4	1.8	54.0	43.6	192.5	(20.2)	0.80	No	102	0.0
Weiss Korea Opportunity Ord	103.9	1.7	(7.9)	21.6	110.0	(3.2)	2.09	No	100	3.6
<b>Full peer group average (excl. VOF)</b>	<b>429.6</b>	<b>(0.1)</b>	<b>22.2</b>	<b>41.2</b>	<b>174.5</b>	<b>(11.5)</b>	<b>1.09</b>	<b>-</b>	<b>106</b>	<b>1.7</b>
<b>VNH rank in peer group****</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>1</b>	<b>-</b>	<b>5</b>	<b>6</b>

Source: Morningstar, Edison Investment Research. Note: \*Country Specialist funds focused on Asian markets (ex Japan)

\*\*Performance in sterling as at 30 September 2023 based on cum-fair NAV. \*\*\*Performance since end-June 2013 due to NAV availability. \*\*\*\*Rank based on arithmetic value: 1=the highest. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets; 100=ungeared.

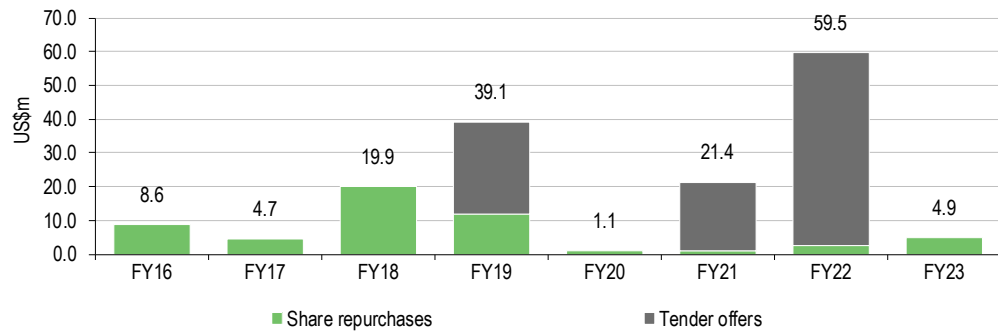
## Dividends and distributions

VNH has not paid any dividends since its inception, but regularly distributes income to investors through NAV-accretive share buybacks. In FY23, US\$5m of shares were repurchased from the market (1.7% of opening market capitalisation), which compares to US\$60m (of which US\$57m was repurchased through tender offer) in FY22. This compares to the current market capitalisation of VNH of c US\$93m. Over the last five years, VNH distributed (through share buybacks and tender offers) US\$126m back to investors – US\$25m pa on average (see Exhibit 12) – which roughly represents 25% of its average market capitalisation over this period. Since September 2017, when the current board was appointed, the company has bought c 15m shares from the market (excluding tender offers, 53% of currently outstanding shares) at an average discount of 15.4%, translating into a 3.4pp NAV accretion.

Distribution in the form of share buybacks has its advantages for VNH and shareholders: it allows VNH to remain nimble in size; it allows investors to effectively reinvest distributions at no cost if they choose not to participate in buybacks; and it provides VNH with an additional tool to limit the discount. On the other hand, we need to note that significant buybacks limit share liquidity, which at least partially offsets their positive impact on limiting the discount to NAV.

We understand that the company monitors shareholders' interest in dividends and does not rule out dividend distributions in the future. The portfolio generates recurring dividend income (US\$2.5m; or 2% of opening NAV in FY23), stemming predominantly from the blue-chip investments, which could support future dividend distributions, and currently covers roughly half of VNH's operating expenses.

**Exhibit 12: VNH's historical buybacks**



Source: VNH, Edison Investment Research

## Discount: Steady around 15%

Over the last five years, VNH's shares have traded in a broad 10–25% corridor of discount to its last reported NAV. As at 30 October 2023, the discount to NAV stands at 13.4% – slightly below its five-year average of 16.6%.

The board is authorised to repurchase up to 15% of the outstanding shares each year, renewed at the AGM, and the regular share buybacks from the open market limit the volatility of the discount. On top of that, both VNH and its investment manager engage in marketing and investor relations activities to improve liquidity in the shares and widen the shareholder base. VNH believes that retail investors and wealth management platforms are natural buyers of VNH shares as a focused, yet niche investment company.

**Exhibit 13: Discount to NAV over the last five years**



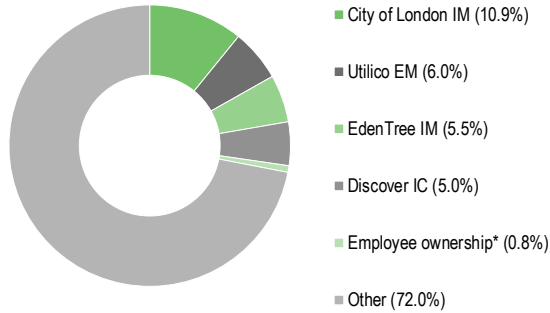
Source: VNH, Refinitiv, Edison Investment Research

## Capital structure

As at 30 October 2023, the company's share capital consisted of 27.3m ordinary shares, all of which are outstanding as VNH regularly cancels repurchased shares. The shares have been listed on the Premium Segment of LSE's Main Market (ticker: VNH) and on the International Stock Exchange (VNMH-VNH) since 2019; previously VNH traded on AIM. The company is domiciled in Guernsey, Channel Islands. The board and representatives of the investment manager directly own 0.8% of outstanding shares, aligning their interests with shareholders. Additionally, the chairman of VNH's board is also a director at Discover Investment Company, which owns 5.0% of VNH's

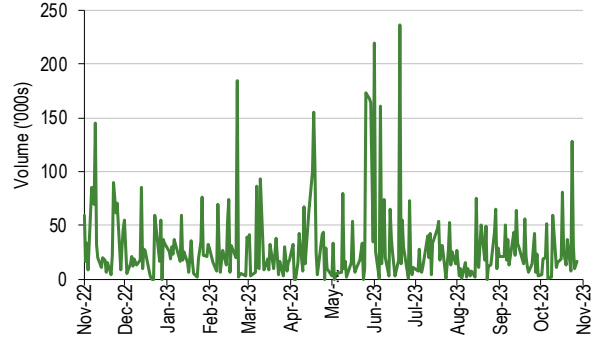
outstanding shares as at 2 November 2023. The fund is subject to a five-yearly continuation vote, with the next vote to take place at the next AGM expected to be held before end-2023.

**Exhibit 14: Major shareholders**



Source: Refinitiv, as at 2 November 2023. Note: \*Includes investment manager's representatives.

**Exhibit 15: Average daily volume**



Source: Refinitiv. Note: 12 months to 1 November 2023.

## The board

The VNH board consists of five independent non-executive directors, four of whom were appointed in September 2017, when the company underwent significant corporate governance changes, including the appointment of a new board, in response to shareholder concerns. For detailed biographies please see our [2019 initiation note](#).

**Exhibit 16: VietNam Holding's board of directors**

Board member	Date of appointment	Remuneration in FY23 (US\$)	Shareholdings at end-FY23
Hiroshi Funaki (chairman)	September 2017	71,250	0.07%
Sean Hurst	October 2017	67,601	0.02%
Philip Scales	September 2017	61,750	0.04%
Damien Pierron	October 2017	61,832	0.02%
Saiko Tajima	May 2019	56,750	0.02%

Source: VietNam Holding

---

## General disclaimer and copyright

This report has been commissioned by VietNam Holding and prepared and issued by Edison, in consideration of a fee payable by VietNam Holding. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2023 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

---