



# Vietnam Holding Limited (LSE: VNH)

November 2024

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# Vietnam Holding Limited

The Best Emerging Markets Single Country fund



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**EMERGING MARKET SINGLE COUNTRY**

**Vietnam Holding Ltd**

# Vietnam Holding Limited

## Overview



<p><b>c.£100m</b> Market cap Closed-end fund <b>FTSE All Share</b></p>	<p><b>Independent board,</b> share buyback mandate, annual redemption facility</p>	<p><b>Partner owned Manager</b> with <b>locally based team</b></p>	<p><b>15 years of outperformance</b>  <b>+8.4%* p.a. over 15 years</b> vs <b><i>Vietnam All Share +3.4%* p.a.</i></b></p>
<p><b>Award winning, actively managed, high-conviction portfolio</b></p>			
<p><b>23</b> holdings Largest holding <b>11%</b> Zero gearing</p>	<p>Carbon footprint <b>40%</b> lower the Index*  5-Stars from PRI***</p>	<p>Thematic exposures: <b>28%</b> Industrialization <b>14%</b> Consumer <b>5%</b> Urbanization</p>	<p><b>41%</b> Active Share (3y avg.) <b>30%</b> mid &amp; small-cap <b>70%</b> large-cap</p>



1. **Vietnam:** Asia's Rising Champion
2. Vietnam Equity Market: Emerging From The Frontier
3. Vietnam Holding Portfolio: Sustainable Growth – Strong Track Record
4. Company Spotlight

# Vietnam at a glance

## Asia's Rising Champion



### Population



**100mn**  
**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



**39%**  
**Urbanization rate**  
Rapidly increasing

### Economy



**5.1%**  
**2023 GDP growth**  
Among the highest in the world



**USD23.2bn**  
**2023 FDI influx**  
New record high



**1.5x GDP**  
**Total trade**  
\$681 billion in 2023



**USD4,300**  
**2023 GDP per capita**  
High and stable growth



**3.8%**  
**2023 Inflation**  
Stable macroeconomic



**16**  
**FTAs concluded**  
2 FTAs in negotiations

### Key Investment Themes

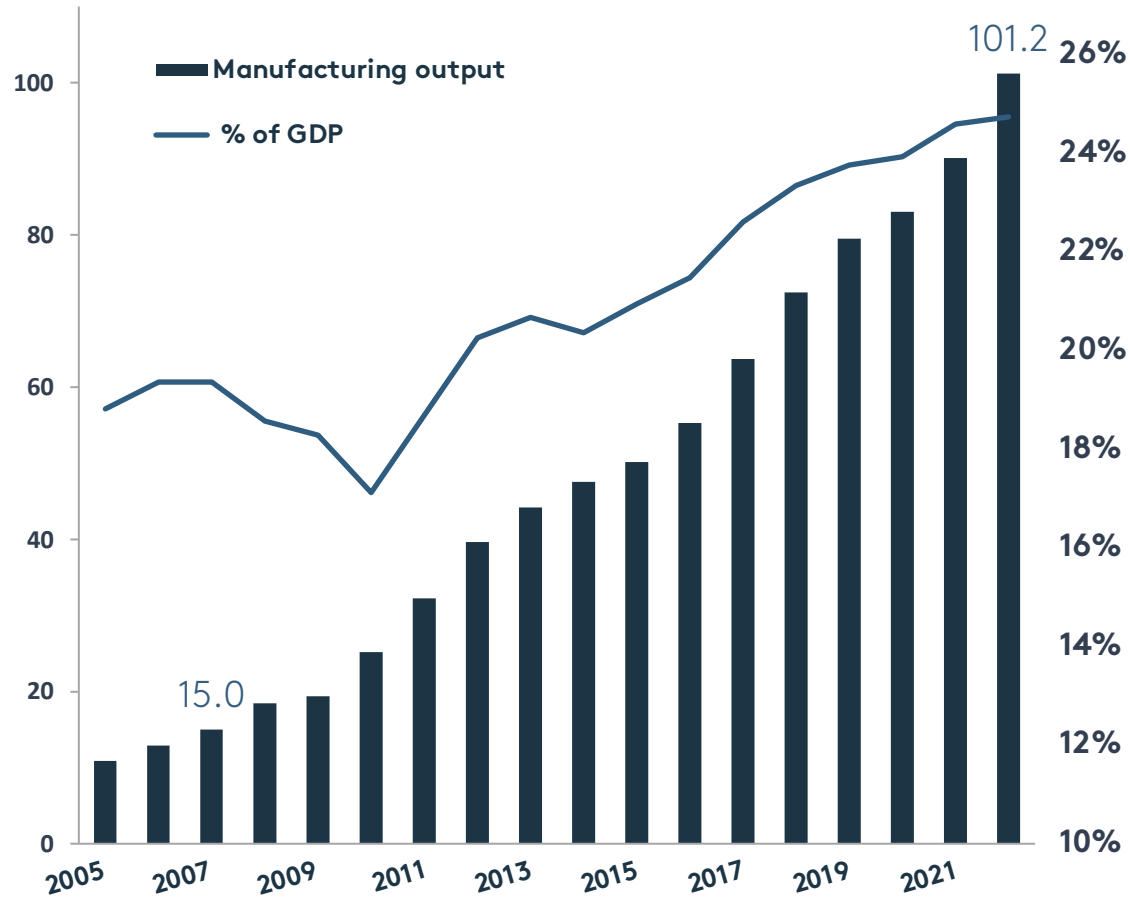
- Industrialisation
- Domestic Consumption
- Urbanisation
- Digitalisation

# Vietnam Macro

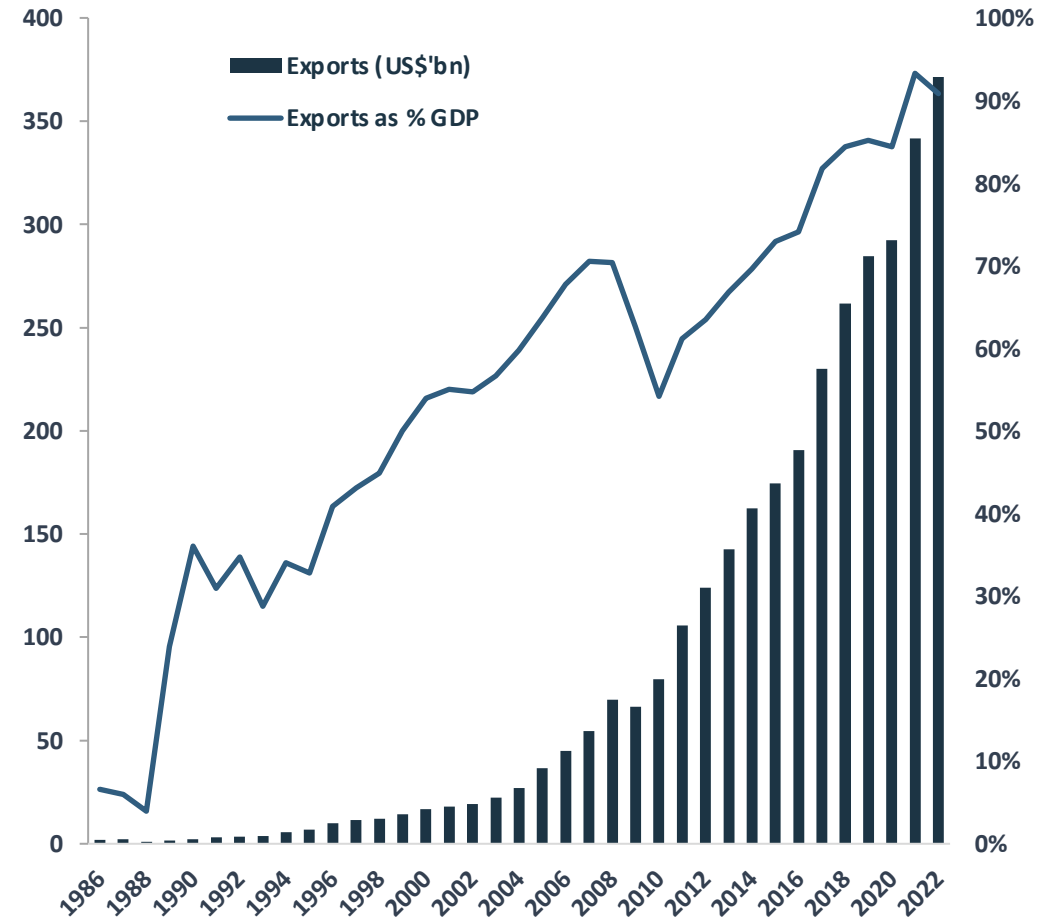
Made in Vietnam



### Vietnam manufacturing output (% GDP)



### Vietnam exports (USDbn) 1986-2022



# Vietnam Macro

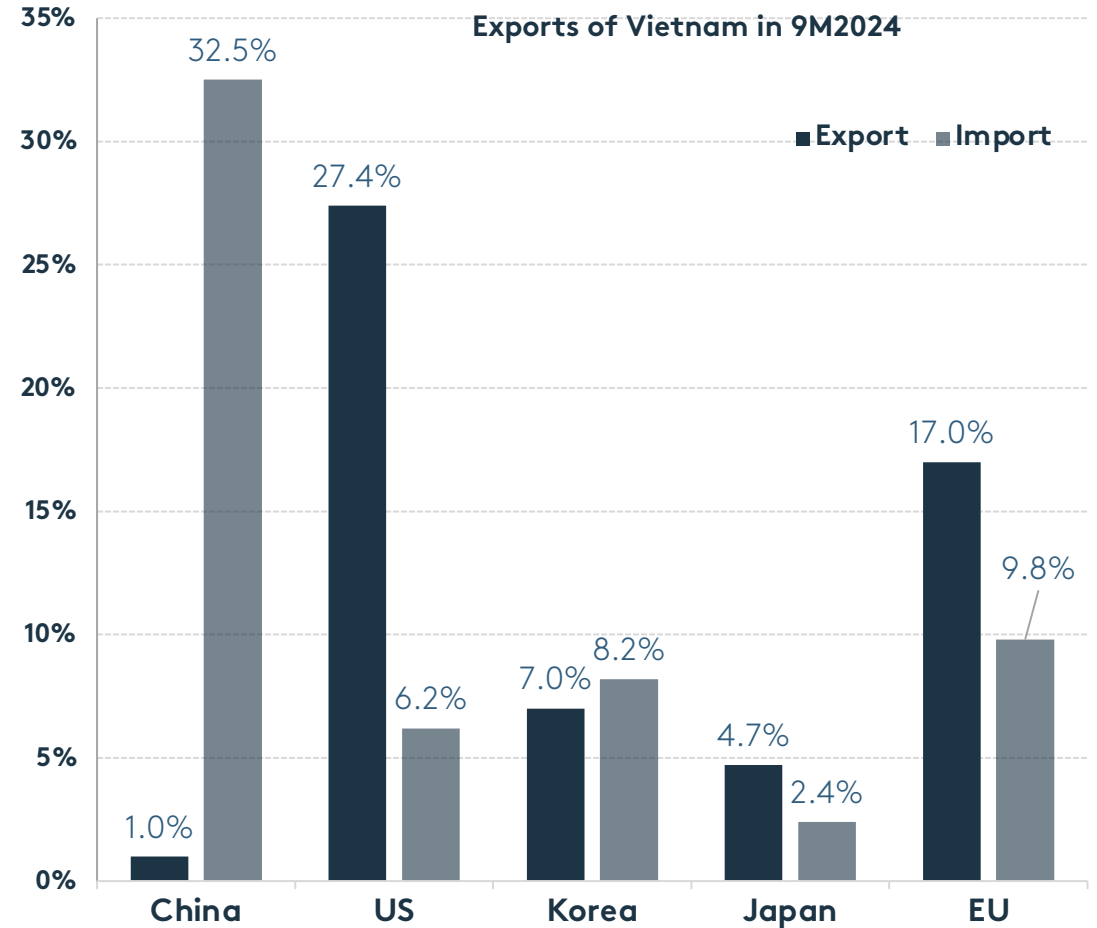
## Strong export growth



Export growth of key export products in 9M2024

	9M2024	%YoY	%total export
<b>Computers, electronic products</b>	<b>52,800</b>	27.4%	17.6%
<b>Phones</b>	<b>41,900</b>	7.2%	14.0%
<b>Machinery and Equipment</b>	<b>37,800</b>	22.1%	12.6%
<b>Textile</b>	<b>27,300</b>	8.9%	9.1%
<b>Footwear</b>	<b>16,500</b>	12.5%	5.5%
<b>Wood and wooden products</b>	<b>11,700</b>	21.5%	3.9%
<b>Vehicles and spare parts</b>	<b>11,100</b>	3.8%	3.7%
<b>Fishery</b>	<b>7,200</b>	9.5%	2.4%
<b>Iron and steel</b>	<b>7,200</b>	14.7%	2.4%

Strong exports to all major markets



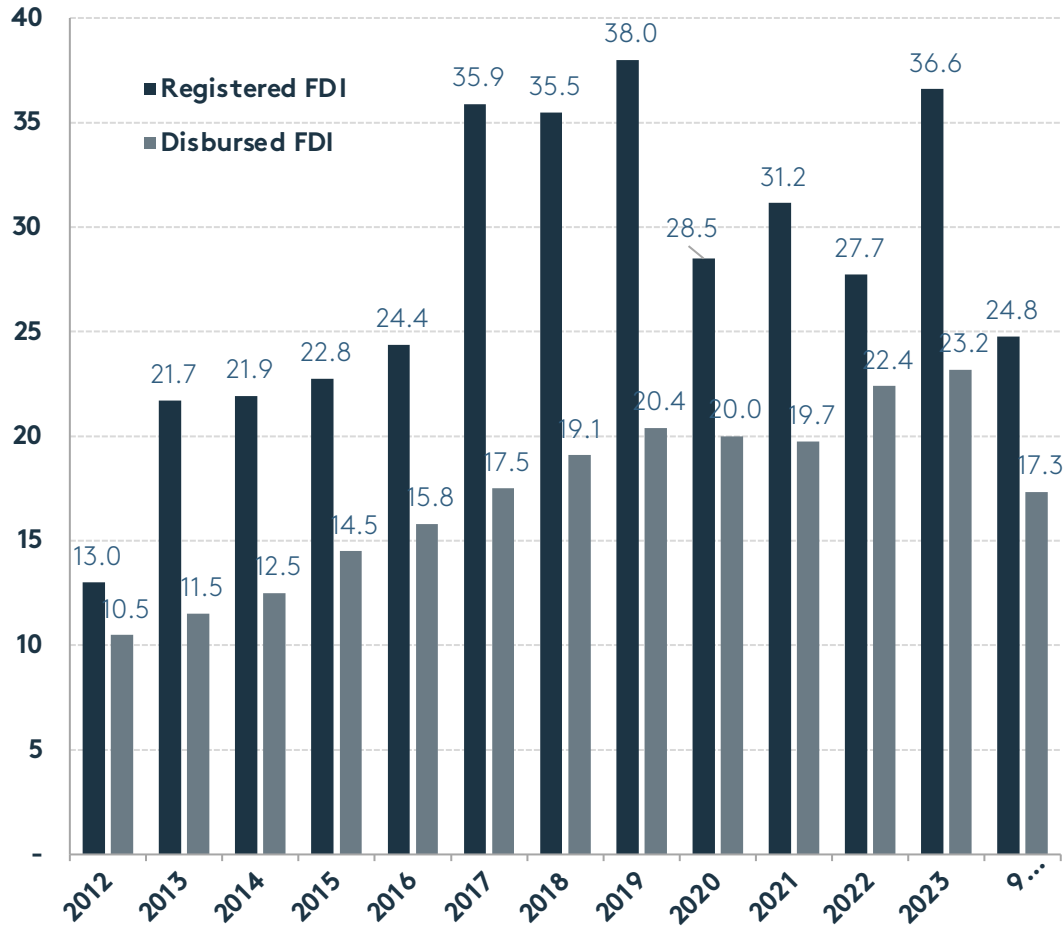


# Vietnam Macro

## Robust FDI and push to increase public investment

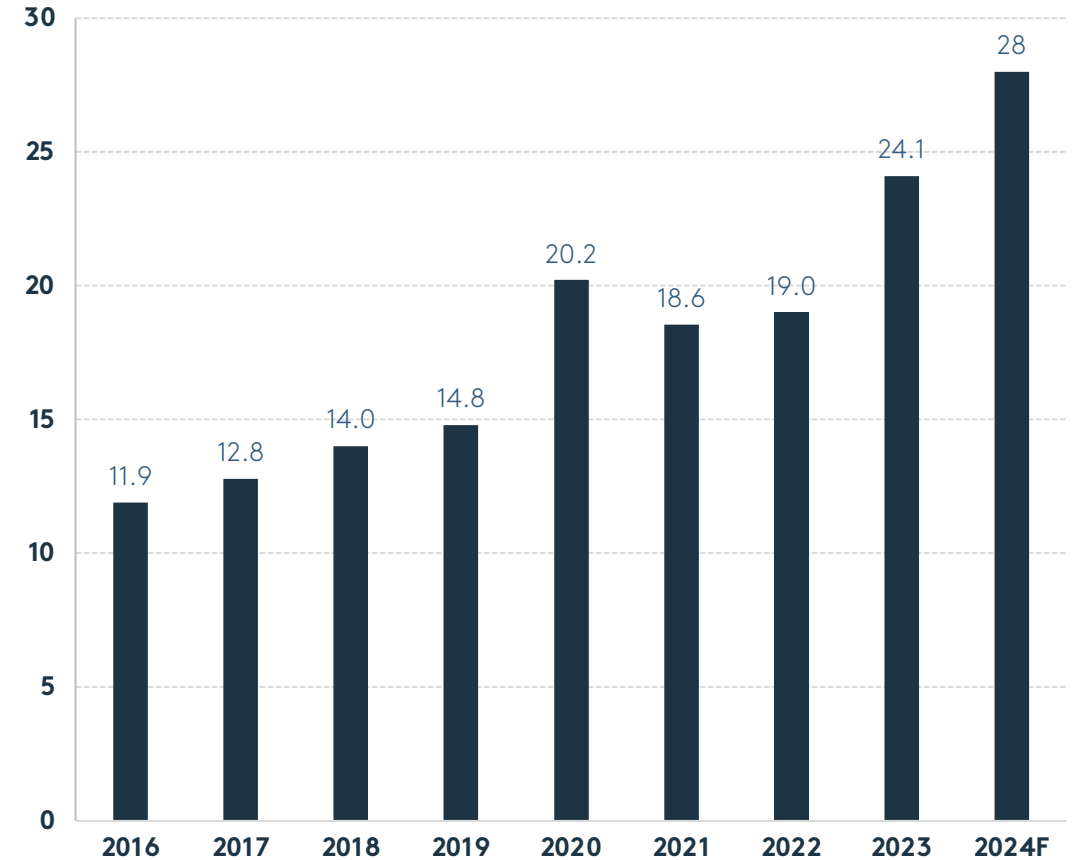


Disbursed FDI reached USD17.34bn in 9M-2024, +9.0% YoY



- Registered FDI in 9M2024 was USD24.8bn, sustaining the trend of the FDI net flow into Vietnam.

Public investment (~USD26.5bn) rose +4.1% YoY in 9M2024



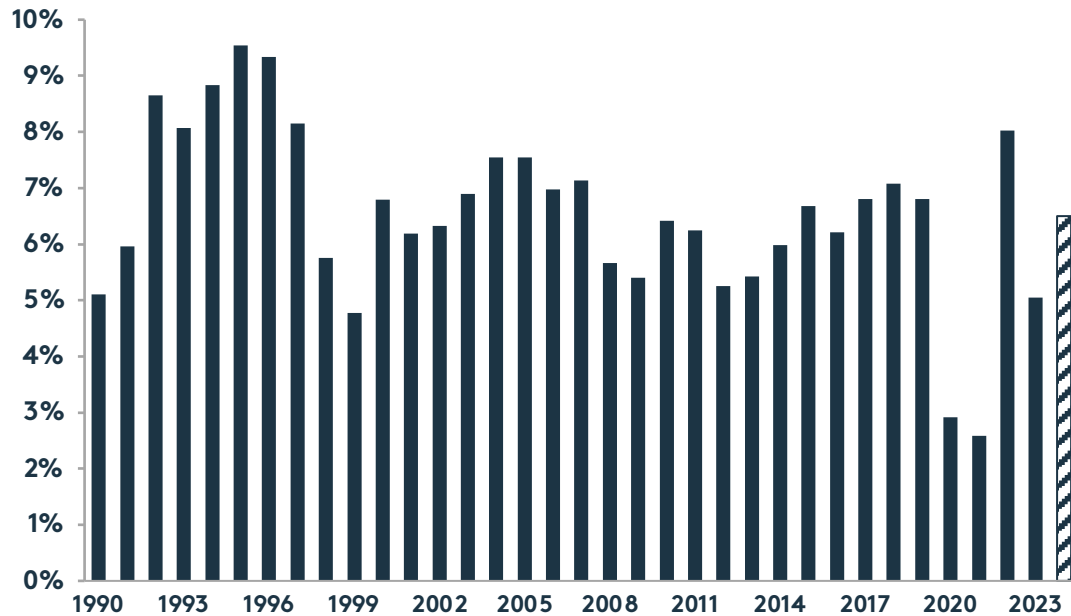
- This will continue to be a key focus of the government in 2025.

# Vietnam Macro

One of the Highest GDP Growth Countries in the World

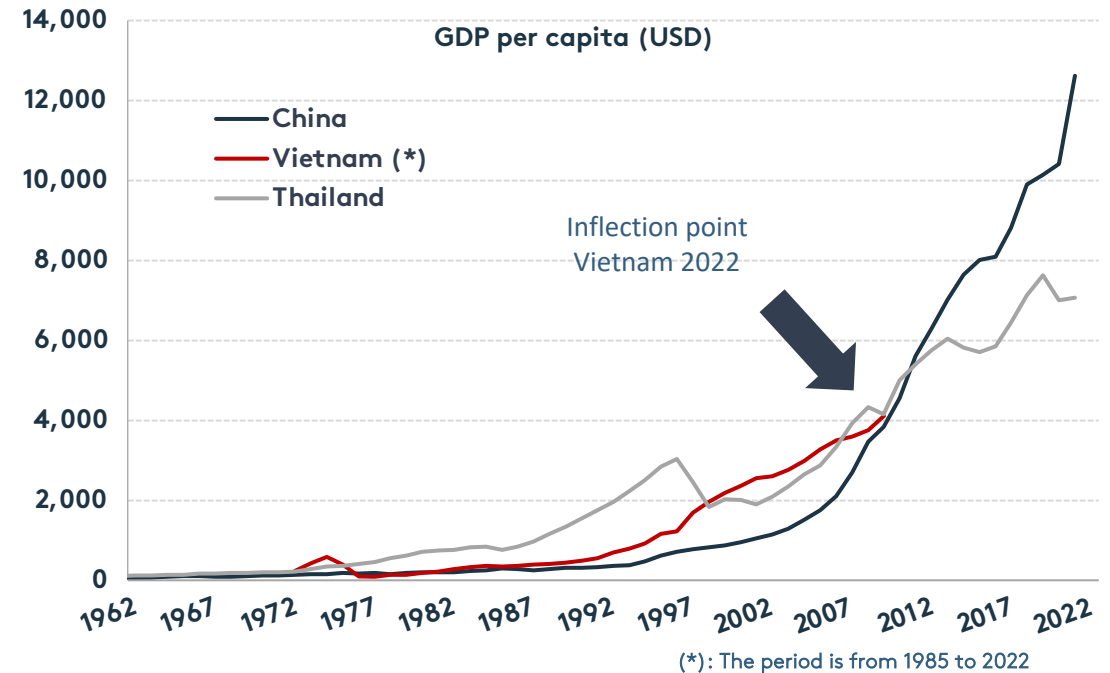


## High and stable GDP growth over last 30 years



- 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)



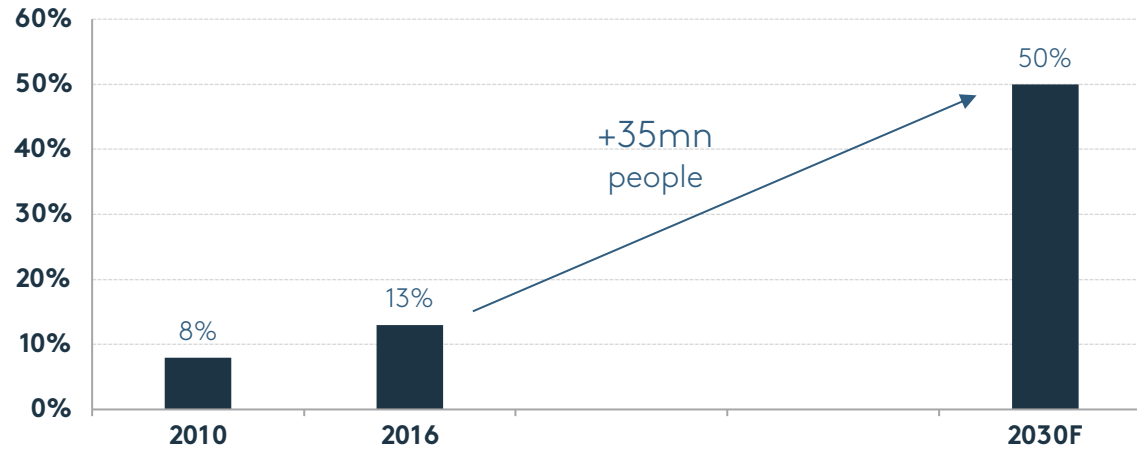
- Vietnam GDP per capita trebled since joining the WTO in 2007
- Growing middle class and increasingly consumer-driven society
- China and Thailand doubled its GDP per capita from where Vietnam is today in 5 years and 7 years, respectively
- Inflection point in growth - Vietnamese consumer power could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

# Vietnam Macro

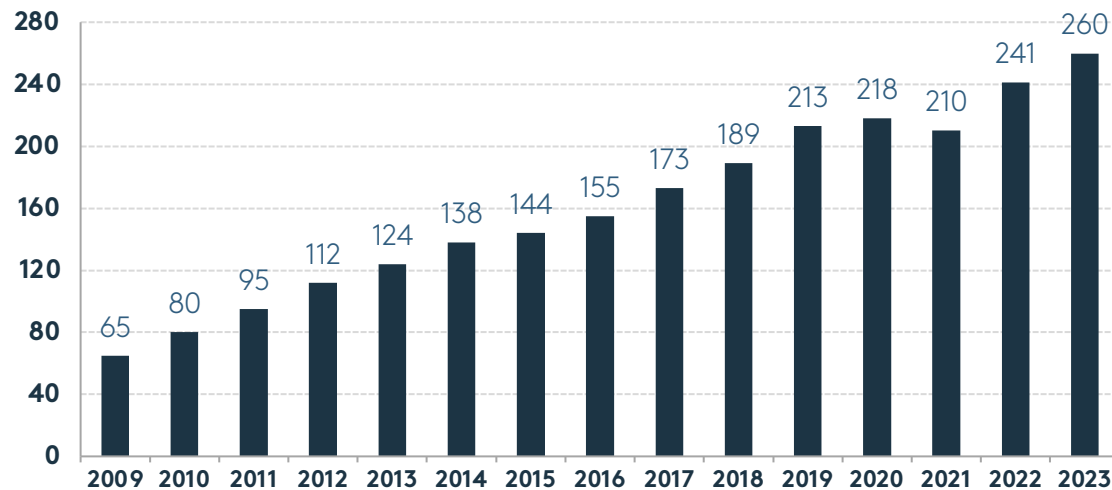
## Rapidly Growing Consumer Middle-class



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



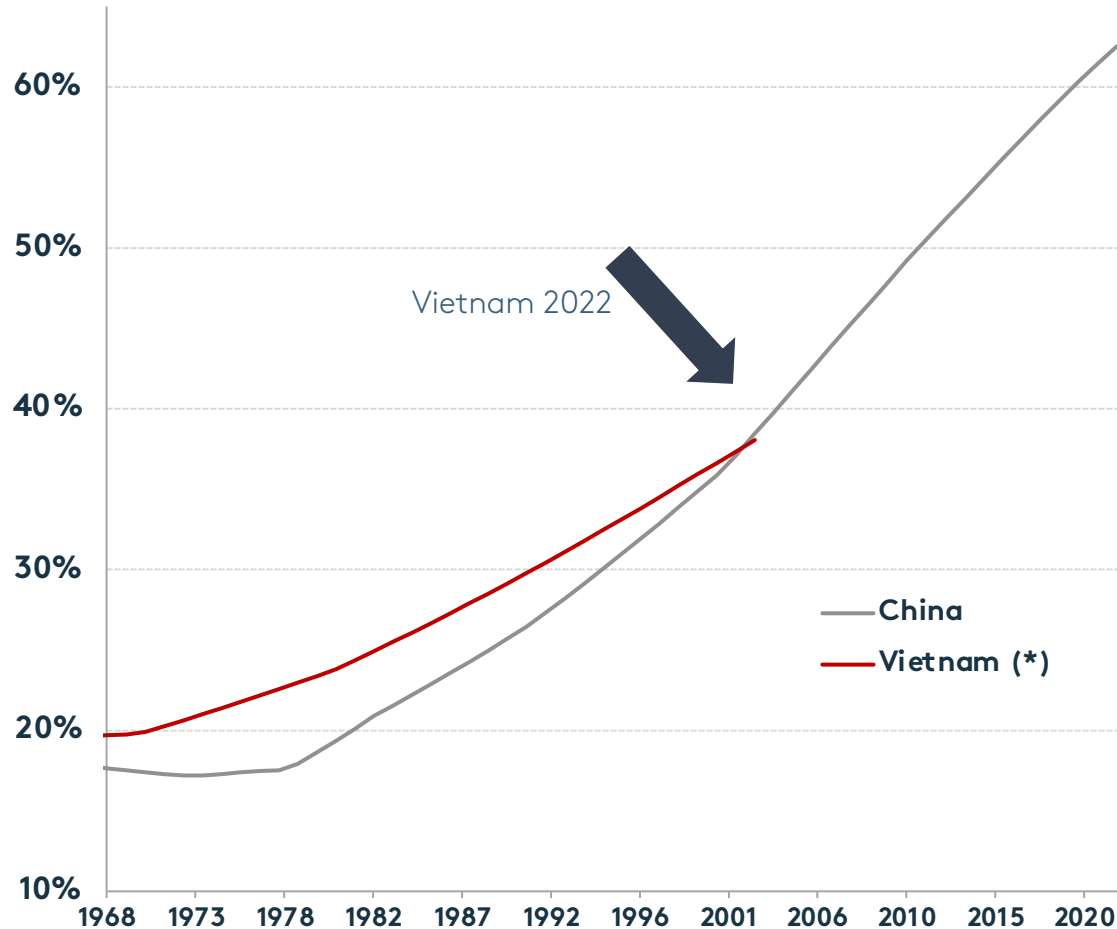
### Vietnam retail sales (USD bn)



- 35mn more middle-class consumers by 2030
- 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
- 25% life insurance premium annual growth over last 5 years
- Vietnam's Internet economy forecast to reach USD57bn by 2025 – growing by 30% per annum

# Vietnam Macro

Urbanization is at an Inflection Point



- Vietnam's urbanization rate of 39% is at Europe's level after WW2
- China reached this level in 2000
- China almost doubled its urbanization rate from this point in 20 years (adding twice the total of houses in the UK and Spain, or the total number of houses in Japan) – largest pour of concrete in the history of the planet
- Growing cities -> growing productivity -> growing average incomes -> greater labour pooling -> more economies of scale
- Rapid urbanization pushing the rise of modern retail trend in Vietnam



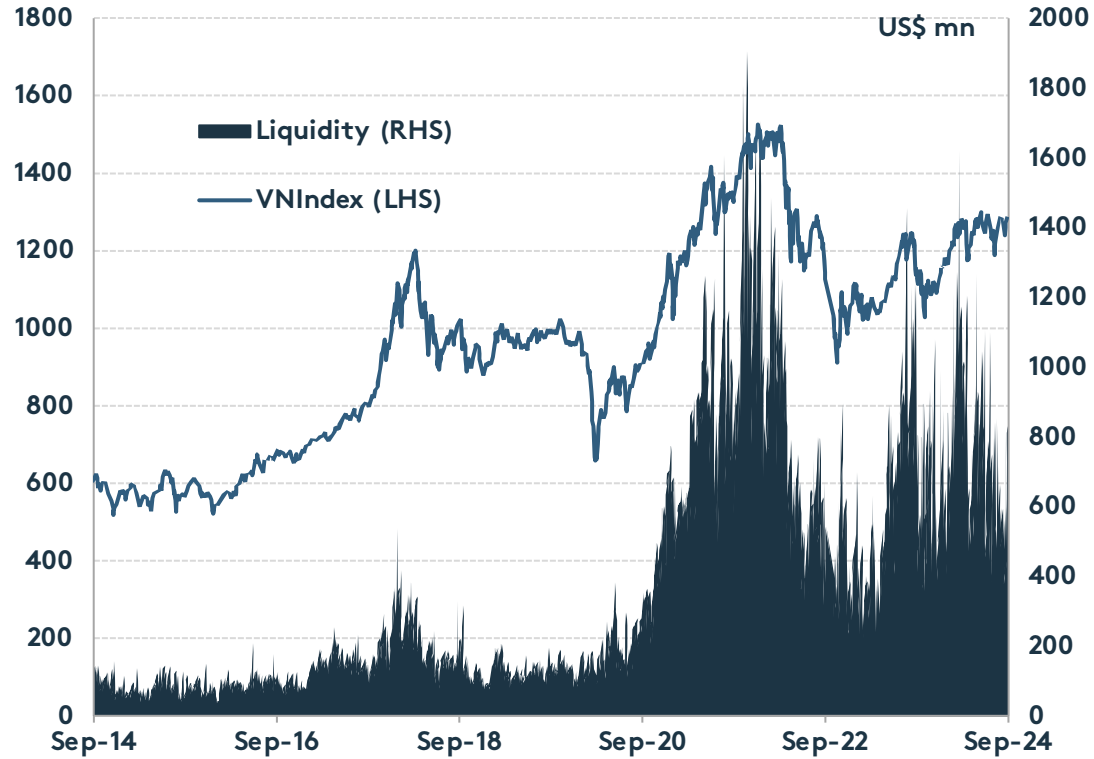
1. Vietnam: Asia's Rising Champion
- 2. Vietnam Equity Market: Emerging From The Frontier**
3. Vietnam Holding Portfolio: Sustainable Growth – Strong Track Record
4. Company Spotlight

# Vietnam Equity Market

## Domestically driven liquidity

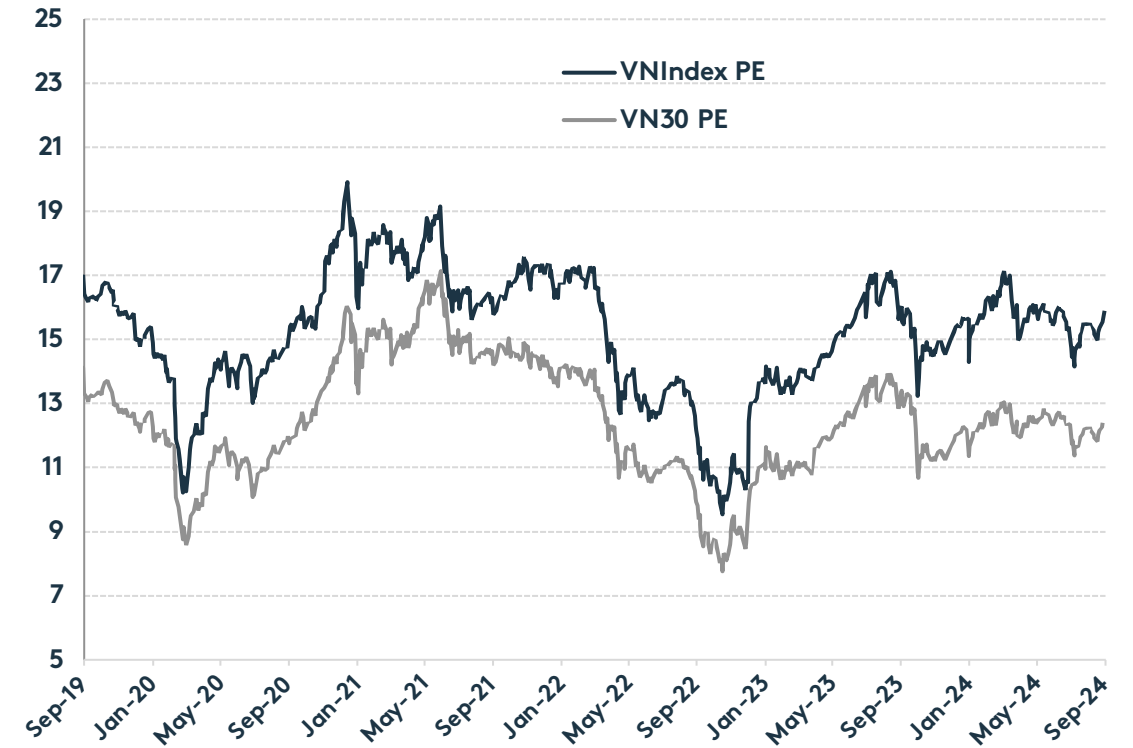


### 8 million retail investors boosting the daily liquidity



- Daily stock market liquidity is five times the level pre-pandemic

### Good opportunities at these current valuation levels



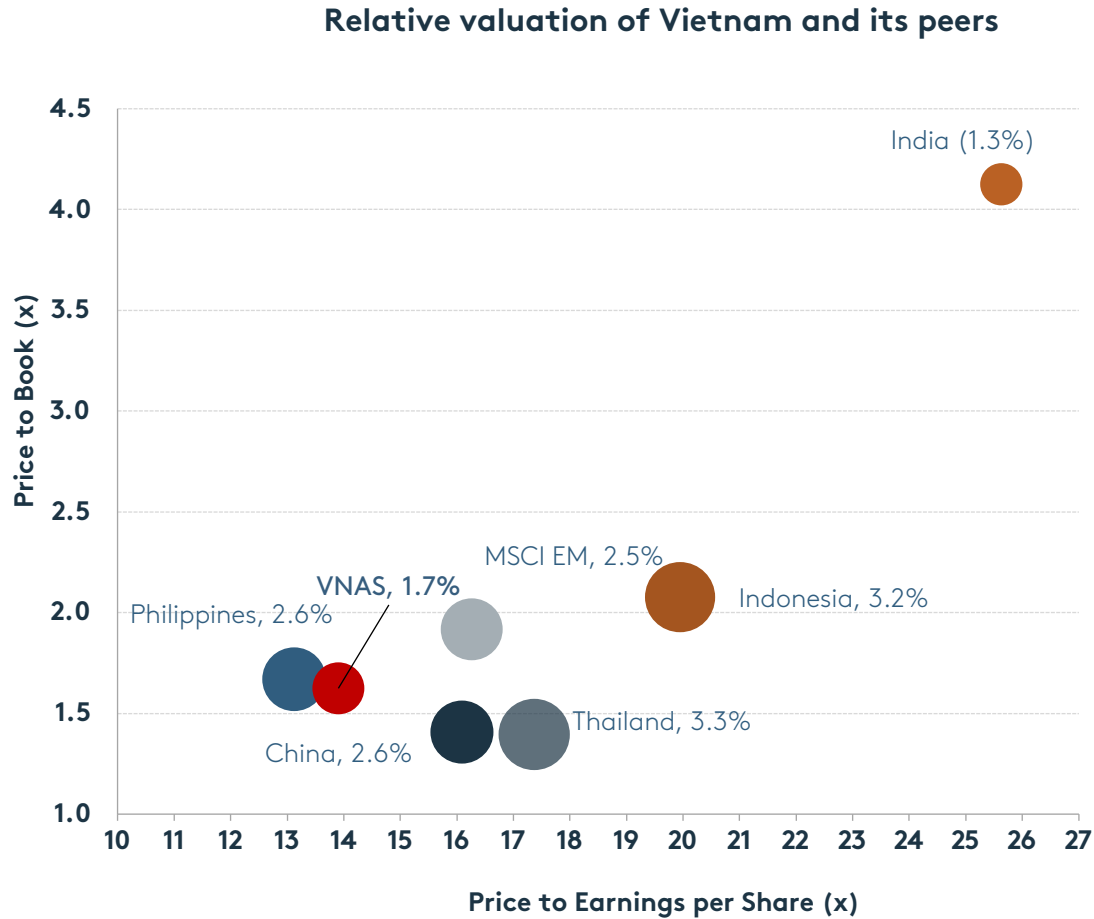
- VNIndex is trading at current PE of 15.8x which is lower than its 5y-mean of 17.6x and its 10y-mean of 16.6x.
- This offers attractive upside given forecast 15% EPS growth in 2024/2025

# Vietnam Equity Market

Attractive valuation compared to peers

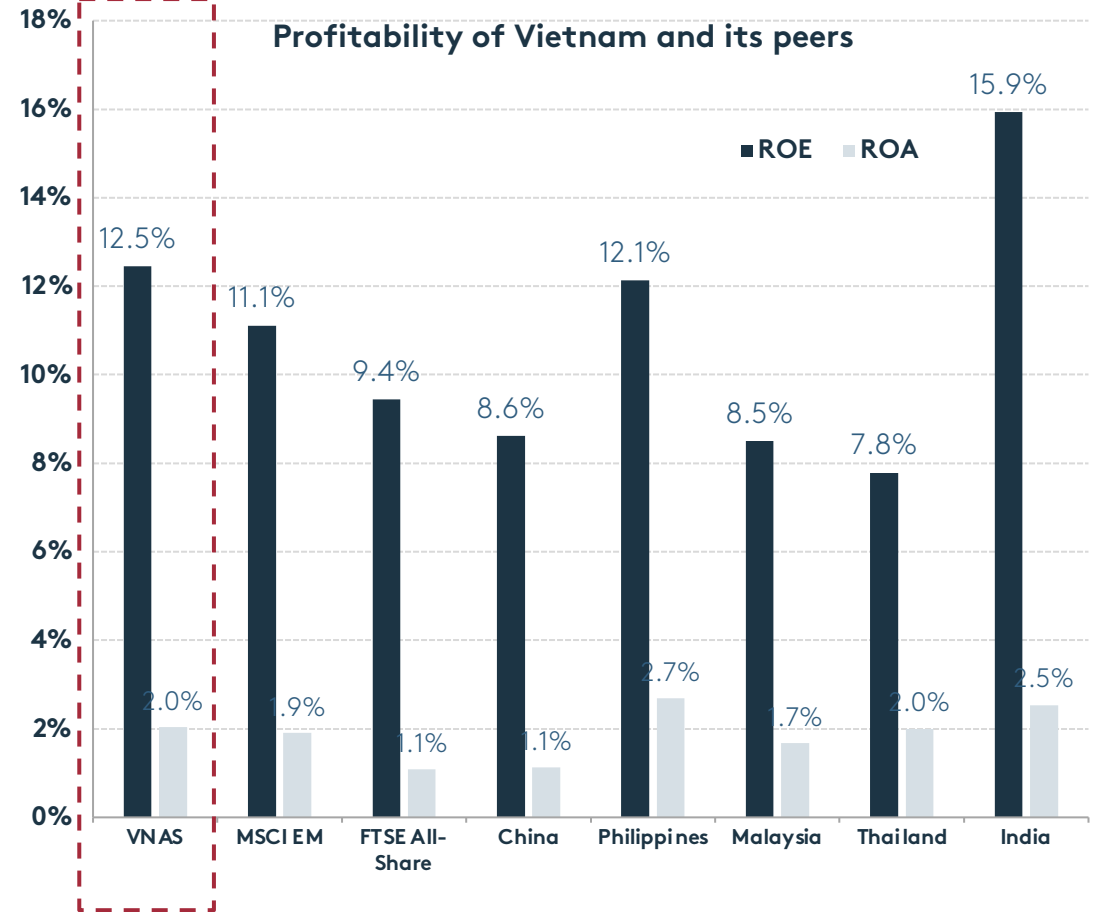


## Valuations remain attractive



\*The bubble's size indicates the dividend yield.

## With compelling profitability



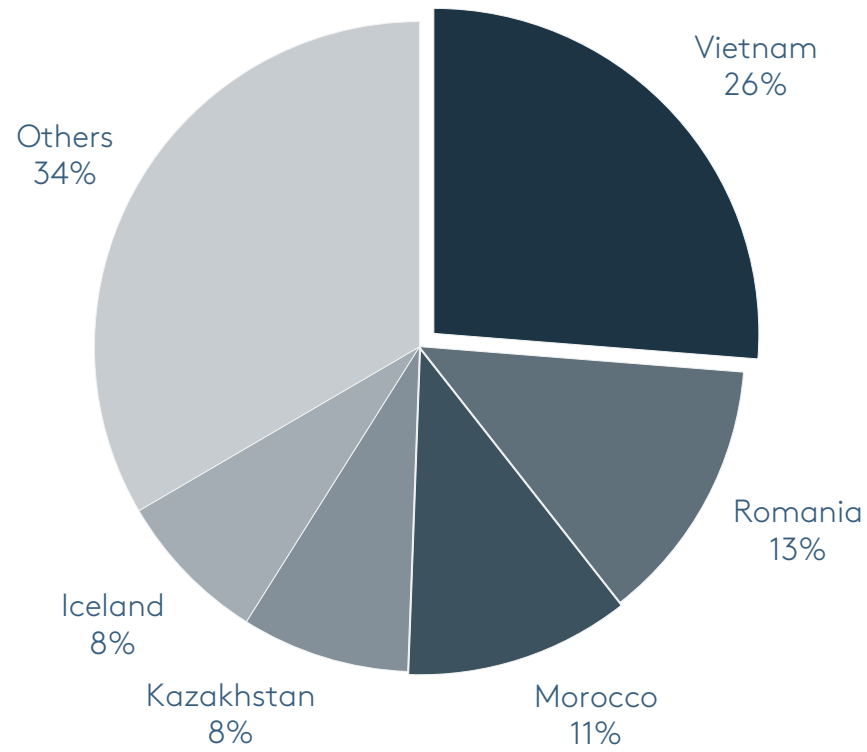
# Vietnam Equity Market

Largest market in the MSCI Frontier Market Index



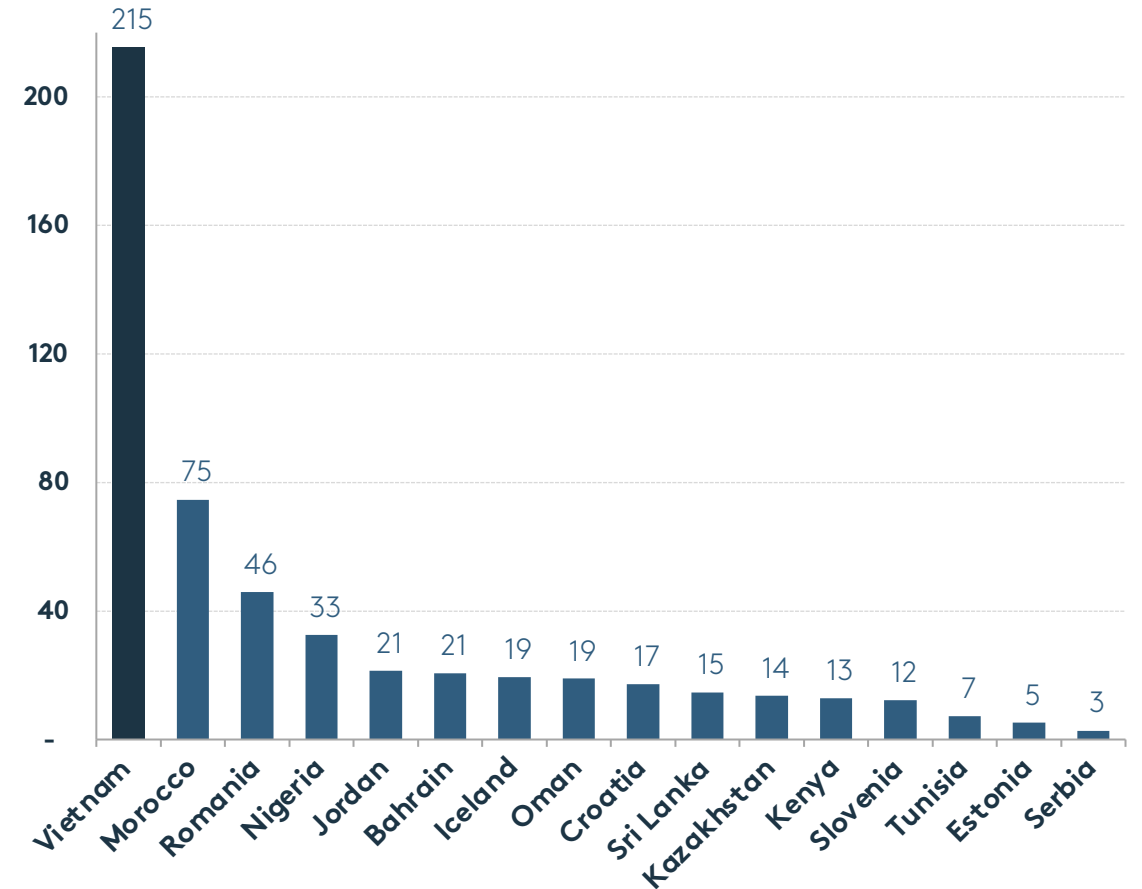
Vietnam is the largest weighting in the MSCI FM Index

Weighting of MSCI Frontier Markets Index (%)



...and the largest market capitalization

Market capitalization of MSCI FMs (USD bn)







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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

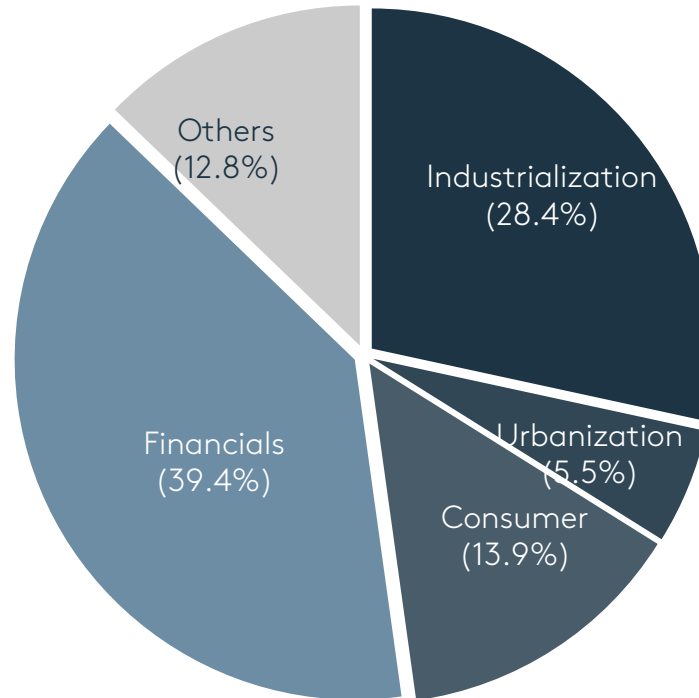
# VNH Portfolio

Key Themes of Domestic Consumption, Urbanization and Industrialization



## Banks

- Underbanked population
- Digital transformation
- Young and fast-growing retail banking market
- Among key beneficiaries of a fast-growing economy.



## Domestic consumption

- GDP per capita at the inflection point (USD4,000)
- Young and sizable population
- Booming e-commerce and modern trade
- Local brand names gaining trust

## Industrialization

- China+1 strategy
- Sustainable FDI inflow
- Emerging domestic sector
- Favorable demographics for the next decade of industrialization
- Strategic location in the global supply chain
- Stable political landscape

## Urbanization

- Low (39%) and fast-growing urbanization
- Improving infrastructure
- Modern lifestyle

# VNH Portfolio

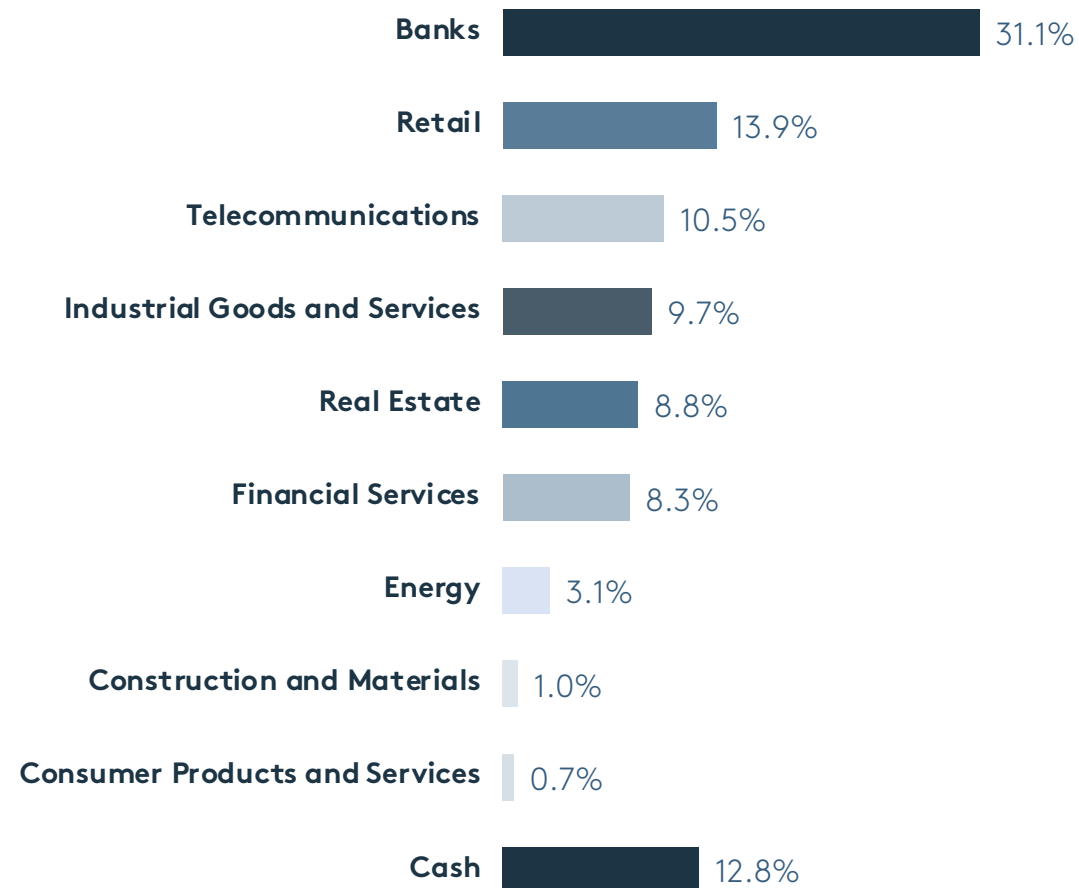
High Conviction/Concentrated Portfolio Across Key Themes of Domestic Consumption, Urbanization and Industrialization



## Top Ten Holdings

Company	% NAV
FPT Corp	10.5%
Mobile World Corp	7.8%
Techcom Bank	6.4%
MB Bank	5.7%
VP Bank	5.5%
Asia Commercial Bank	5.4%
Sacom Bank	4.1%
Hoa Phat Group	3.6%
Ho Chi Minh Securities	3.5%
Sai Gon VRG Corp	3.4%
<b>Total</b>	<b>55.9%</b>

## Sector Allocation



# VNH Portfolio

Consistent outperformance of the market and peers



## NAV Total return

Company	Latest Market Capitalisation £m	Premium / Discount %	Dividend yield %	6 month	1 year	3 year	5 year
<b>Vietnam country specialist</b>							
Vietnam Enterprise Ord	1,189	-16.7	0.0	9.5	8.9	-8.4	40.9
<b>VietNam Holding Ord</b>	<b>105</b>	<b>-4.7</b>	<b>0.0</b>	<b>17.6</b>	<b>25.7</b>	<b>29.8</b>	<b>88.8</b>
VinaCapital Vietnam Opp Fund Ord	733	-19.1	1.9	11.2	18.1	16.8	67.0
<b>Indexes</b>							
Vietnam All Share				11.3	10.9	-6.2	41.8
MSCI Frontier Emerging Markets				9.1	11.8	10.0	1.4
MSCI Emerging Markets				7.8	7.4	-8.3	18.9
<b>Currencies (+/- VND strength/weakness)</b>							
VND vs GBP				-5.5	-9.4	0.3	-8.9



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# FPT Corporation (HOSE: FPT)

Digital Champion



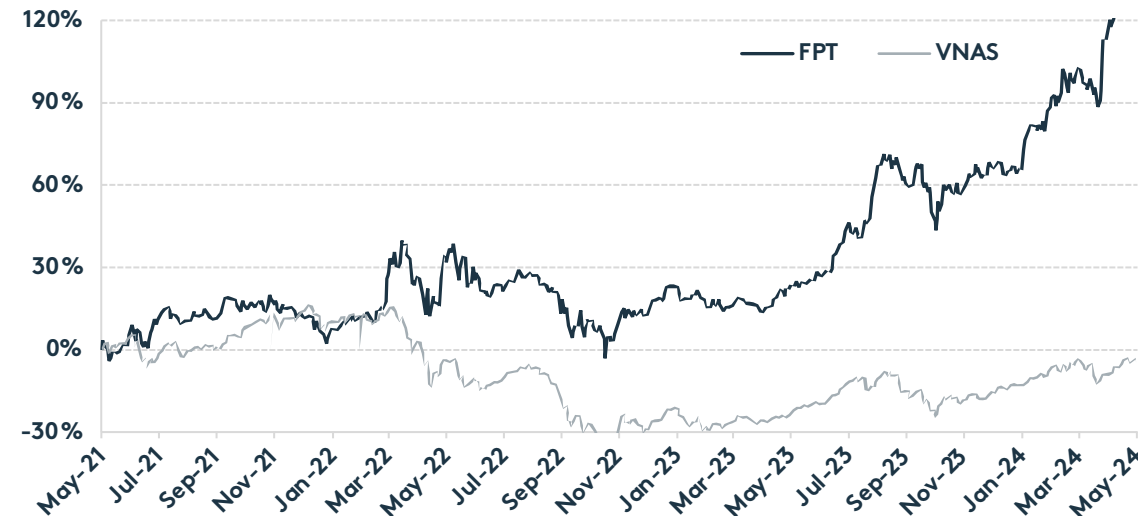
## Investment Case

- Vietnam's largest IT services company with three main businesses: software technology, telecoms, and education
- Low-cost, high-tech workforce of 28,000 software engineers supporting over 100 Fortune Global 500 companies
- Moving up the value chain by acquiring global IT consultancy firms and expanding its presence in traditional markets like the EU, the US, and Japan. Aims to quintuple software sales to USD 5 billion by 2028
- The leading provider of Broadband, Data Service, and PayTV with a nationwide telecommunication infrastructure and four data centers, and four million subscribers
- FPT Education has more than 140,000 full-time equivalent students, focusing on STEM subjects, which plays a crucial role in providing tech talent for their software business

## Business Updates

- FPT's Revenue and Profit both increased by 20% YoY (4 months of 2024)
- Global IT Services continues to be key growth driver, with projected 25% CAGR in the next three years and accounts for 50% of FPT's total revenue.
- Telecoms, which contributes almost 30% of total sales, is expected to deliver 10-12% CAGR

## 3-year stock performance



Investment highlights		Key metrics		2023	2024F
Market cap (USD mn)	6,716	Revenues growth (%)	19.6	21.1	
Avg. trading value (USD mn)	21.6	EPS growth (%)	21.3	22.5	
Current price (VND)	134,600	ROE (%)	28.1	29.3	
% NAV	14.9%	ROA (%)	11.6	11.9	
Major shareholders		Gross margin (%)	38.6	39.7	
Management	9.7%	Net margin (%)	12.3	12.4	
SCIC	4.0%	PE (x)	20.6	23.4	
		EV/EBITDA (x)	10.4	10.9	
		PB (x)	3.8	4.7	

Source: Dynam Capital, Bloomberg as of 31 May 2024

# Mobile World Group (HOSE: MWG)

Omni-channel retail champion



## Investment Case

- MWG is the leading retailer in Vietnam in terms of revenue (USD5bn) and physical store count (5,500+), operating under several brands, selling a wide range of merchandise from ICT to grocery to pharmacy
- As a modern-trade consolidator, MWG now commands over 50% market share in mobile phones and consumer electronics, while its grocery chain recently is the market leader in terms of revenue
- In addition to its core bricks-and-mortar business, MWG has a strong online platform. Online sales account for 20% of total revenue – at USD1bn transaction value, MWG ranks among the top in VN e-commerce, only behind Shopee and TikTok.
- Growth in the coming years will come from the grocery chain Bach Hoa Xanh (BHX), as ongoing urbanization continues to shift consumers' buying behavior from wet markets to modern outlets.

## Business Updates

- Q1-2024 revenue grew 16% YoY, while net profit jumped to USD36mn (vs. USD1mn in Q1-2023). BHX was the growth engine as revenue rose 43% YoY while losses narrowed to only USD4mn (vs. -USD15mn in Q1-2023), thanks to steady improvement in sales per store and operational efficiency. Management is confident that BHX will break even for full year 2024 (vs. loss of USD46mn in 2023)
- The ICT business, which accounts for 70% of total revenue, will see decent recovery (8% CAGR) but significant margin improvement from 2023 low base (a period of severe price war among retailers)

## 3-year stock performance



Investment highlights		Key metrics		2023	2024F
Market cap (USDmn)	<b>3,654</b>	Revenues growth (%)	-11.3	10.1	
Avg. trading value (USDmn)	<b>27.4</b>	EPS growth (%)	-95.9	1553.5	
Current price (VND)	<b>63,600</b>	ROE (%)	0.7	13.1	
% NAV	<b>6.8%</b>	ROA (%)	0.3	5.2	
Major shareholders		Gross margin (%)	19.0	20.9	
Management	<b>23.0%</b>	Net margin (%)	0.1	2.1	
		PE (x)	373.6	32.6	
		EV/EBITDA (x)	27.9	10.7	
		PB (x)	3.0	3.7	

Source: Dynam Capital, Bloomberg as of 31 May 2024



# Gemadept Corporation (HOSE: GMD)

Logistics champion



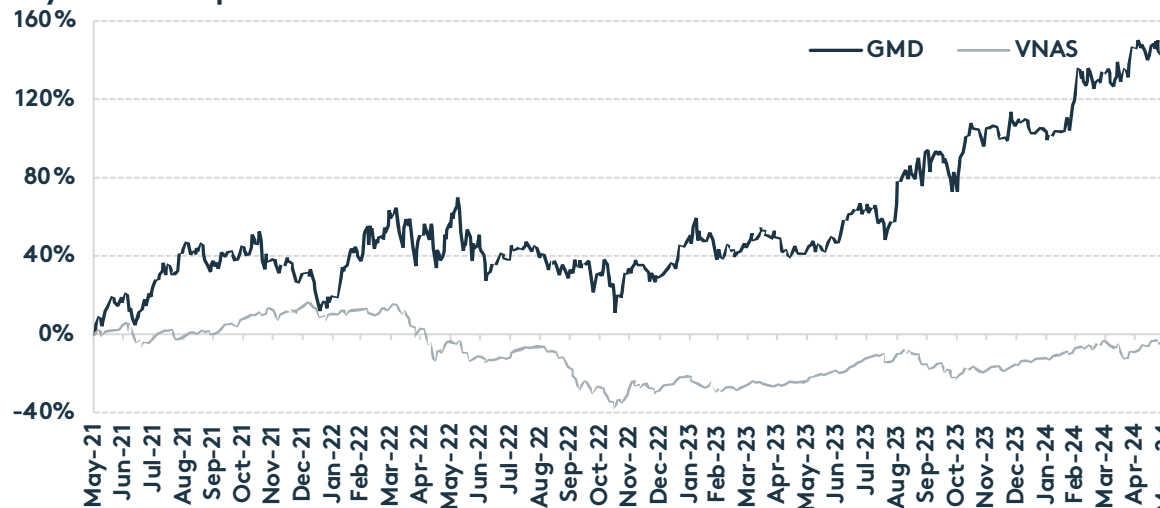
## Investment Case

- The leading integrated port and logistics provider in Vietnam: a network of seven ports and logistics facilities to provide 3PL logistics services from sea to air, both domestic and multinational corporations
- Its recent deep-sea port venture with CMA-CGM – Gemalink - is well-positioned to capture the structural shift of cargo flows from regional ports. In its first year of operation, Phase 1 reached 80% utilization. Once completed the capacity is 3.0 million TEUs
- Its largest port, Nam Dinh Vu (NDV), quickly reached 100% of capacity. Once expanded the total capacity will be 2.0mn TEUs
- The company benefits from Vietnam's trade environment, having tripled its net profit over the past three years

## Business Updates

- Q1-2024 net revenue of USD40mn (12% YoY) and NPAT-MI of USD22mn (+177% YoY). The abnormal surge in profit was due to a financial gain of USD13mn from the divestment of the Nam Hai port.
- We forecast a strong recovery of 45% YoY growth in core earnings for 2024.

## 3-year stock performance



Investment highlights		Key metrics	
		2023	2024F
Market cap (USDmn)	<b>1,022</b>	Revenue growth (%)	-1.8
Avg. trading value (USDmn)	<b>6.6</b>	EPS growth (%)	<b>123.3</b>
Current price (VND)	<b>83,800</b>	ROE (%)	<b>31.5</b>
% NAV	<b>6.5%</b>	ROA (%)	<b>19.0</b>
Major shareholders		Gross margin (%)	<b>46.2</b>
KITMC	<b>9.8%</b>	Net margin (%)	<b>65.1</b>
Vietfund Management	<b>5.0%</b>	PE (x)	<b>10.2</b>
Tianhong AM	<b>3.4%</b>	EV/EBITDA (x)	<b>13.0</b>
		PB (x)	<b>2.4</b>
			<b>2.3</b>

Source: Dynam Capital, Bloomberg as of 31 May 2024

# Contact us



**Craig Martin**

Chairman

[craig@dynamcapital.com](mailto:craig@dynamcapital.com)

**Vu Quang Thinh**

CIO

[thinh.vu@dynamcapital.com](mailto:thinh.vu@dynamcapital.com)



[www.dynamcapital.com](http://www.dynamcapital.com)

