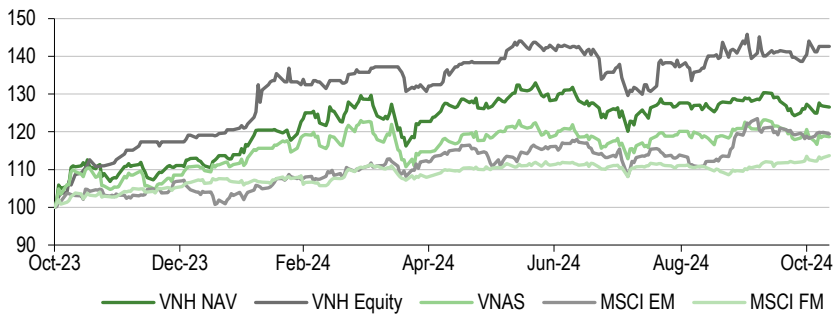


VietNam Holding

First redemption tender a success

VietNam Holding (VNH) delivered a 27.3% net asset value (NAV) per share total return over the last 12 months (ending 31 October) in sterling terms. The company outperformed a strongly appreciating market (Vietnam All Share Index (VNAS) at 20.6%), driven by the demand from retail investors. The economy showed robust growth, supported by a surge in exports, and investor confidence was reinforced by good H124 corporate earnings. Meanwhile, VNH executed its first share redemption tender, and investors representing only c 12.6% of total share capital decided to sell their shares at NAV. The strong performance and investors' vote of confidence contributed to the narrowing of the discount to the current premium of 1.2%.

VNH one-year performance against VNAS, MSCI Frontier Markets and MSCI Emerging Markets



Source: LSEG Data & Analytics, Edison Investment Research. Note: Total returns in pounds sterling.

Why invest in Vietnam?

Vietnam's growth continues to be fuelled by foreign direct investment (FDI) inflows, predominantly in manufacturing as global giants diversify their supply chains (GDP growth was 6.4% in H124, ahead of neighbouring countries). Strong economic growth paired with favourable demographics translates into rapidly growing domestic spending. We anticipate that a potential upgrade to emerging markets status by global index makers could result in a meaningful influx of new capital and investors to the market and a re-rating in the valuations on the Ho Chi Minh City Stock Exchange (HOSE) in the medium to long term.

VNH's nimble investment strategy proves successful

VNH positions its portfolio to benefit from the three main macroeconomic trends it sees in Vietnam: industrialisation, the rise in domestic consumption and urbanisation. These accounted for 91% of the portfolio at end-September 2024 (including banks as a play on the broad economic growth and excluding cash). VNH's manager has identified 60–80 investable stocks in Vietnam, within which the trust rotates its portfolio around 20–30 stocks. This approach and its small size allow VNH to quickly reposition its portfolio and the manager estimates that VNH can liquidate its portfolio within a month. It allows the manager to swiftly seize market opportunities, which we believe has been an important contributor to the trust's outperformance versus the broader market.

Investment companies Vietnam

21 November 2024

Price	392.0p
Market cap	£92.8m
NAV*	£91.7m
	US\$1.26754/£
NAV per share*	387.5p
Premium to NAV	1.2%
*As at 20 November 2024.	
Yield	0.0%
Ordinary shares in	23.7m
Code/ISIN	VNH/GG00BJQZ9H10
Primary exchange	LSE
AIC sector	Country Specialists
52-week high/low	408.0p 307.0p
NAV high/low	421.3p 338.6p

Gearing

Net cash at 30 September 2024 13%

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 attractive valuations. The fund has been managed by Dynam Capital since July 2018.

Bull points

- Portfolio size allows the manager to be nimble and swift with reallocations, resulting in meaningful alpha.
- Shareholders have an option to redeem their shares at NAV.
- ESG considerations are a key part of the manager's approach.

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.

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Vietnam is on a long-term growth path

Vietnam's solid economic growth is continuing, with 6.4% GDP growth in H124, which has prompted the government to increase its growth target to 7% for 2024, while the International Monetary Fund expects Vietnam to outperform most of its neighbours in 2024 (assuming 6.1% growth, as per its October 2024 publication). Stocks listed in Vietnam also reported strong earnings growth with 18% y-o-y net profit growth in H124 (VNAS), while corporate earnings on much smaller exchanges (Unlisted Public Company Market and Hanoi Stock Exchange) were even stronger.

Vietnam's economy is fuelled by exports, which increased by 15% y-o-y in the first nine months of 2024 (9M24). This was driven by the US (up 26% y-o-y), Vietnam's largest export market, representing 30% of the total exports in 9M24. The US's approach to international trade is important for Vietnam, and the recent decisive victory by Donald Trump in the presidential election may bring about changes to US policies. The new administration (to be sworn in in January 2025) is expected to take a protective stance towards US-based businesses and impose new tariffs on imports to the country, which is likely to affect Vietnamese exporters. On the other hand, during Mr Trump's previous term in office, the administration focused on reducing dependency on imports from China, which has proven beneficial for Vietnam as it encouraged global giants to start diversifying their supply chains. If this was repeated, Vietnam may experience additional FDI tailwinds.

Vietnam's government is actively working towards attracting foreign capital into its stock exchanges. It recently removed the pre-funding requirement, which had been an obstacle in upgrading Vietnam to emerging market status on LSEG-created indices, and VNH expects the upgrade to be finalised in 2025. The upgrade into the much larger MSCI index, however, is further down the road.

VNH continues to outperform the market

Over the 12 months to 31 October 2024, VNH delivered a 27.3% NAV total return in sterling terms, ahead of a strongly appreciating VNAS, which showed 20.6% growth. The market is experiencing tailwinds from steadily increasing interest from retail investors (currently the main contributors to HOSE's trading activity). The Vietnamese market has experienced an outflow of foreign investors, who sold c US\$2.6bn of stocks on a net basis in the first eight months of 2024. However, the pace of the outflow is decelerating, and recent regulatory changes and a clear outlook for the index upgrade may increase the interest of foreign buyers.

Despite a strong performance, Vietnamese equities remain historically low-priced, trading at 10.1x forward earnings, based on LSEG consensus expectations of 25% y-o-y EPS growth. This implies a 23% discount to the 10-year average multiple and makes Vietnam one of the most inexpensive markets in the region. Based on reported earnings, Vietnamese equities trade at a 19% discount to their long-term averages, despite a good outlook for 2024 growth.

The strongest contributor to VNH's NAV performance in 9M24 was its largest holding, FPT Corporation, which represented 10.5% of the portfolio at end-September (see our [August note](#) for details on its recent performance). It is important to highlight that while FPT is strongly oriented toward foreign customers, its main market of operations remains Japan, with a 39% share in 9M24 revenues, while the US represents 25%.

VNH's exposure to banks also performed well in 9M24. VNH keeps a meaningful weighting to banks at 31% (the VNAS weighting in the financials sector stood at 46% at end-September) and

five of its top 10 holdings are banks. According to the company, Techcombank and Sacombank saw large buy-ins in recent months, supporting their share price performance. The banks also showed strong results, with Techcombank reporting 34% PBT growth in 9M24 and Sacombank reporting 12% PBT growth in H124. VNH's investment manager maintains its forecast of about 20% EPS growth across the banking sector for 2025.

The second-largest exposure in VNH's portfolio is to retailer Mobile World Group, which operates over 5,000 points of sales throughout the country and makes up 7.8% of VNH's NAV. The company showed strong operating performance, with net revenues increasing 15% y-o-y in 9M24 and reaching 80% of its 2024 target. The company is undergoing an operational restructuring and closed around 350 underperforming stores (net of new openings, 6% of total stores at end-2023), predominantly pharmacies and electronics stores, which also resulted in significant lay-offs. Profitability increased significantly and the company reported VND2.9tn net profit in 9M24, compared to VND0.1tn in 9M23. The stock price surged by 60% in 9M24 (in local currency).

Exhibit 1: VNH top 10 exposures at end-September 2024

Company	September 2024	December 2023	Exposure change	9M24 performance (in Vietnamese dong)
FPT Corp	10.5%	14.9%	(4.4pp)	62%
Mobile World Group	7.8%	N/A	N/A	60%
Techcombank	6.4%	N/A	N/A	57%
MB Bank	5.7%	5.6%	0.1pp	41%
VP Bank	5.5%	N/A	N/A	10%
Asia Commercial Bank	5.4%	4.9%	0.5pp	28%
Sacombank	4.1%	5.0%	(0.9pp)	19%
Hoa Phat Group	3.6%	N/A	N/A	4%
HCM Securities	3.5%	N/A	N/A	36%
Sai Gon VRG Corp	3.4%	N/A	N/A	30%
Total top 10	55.9%	61.5%	(5.6pp)	-

Source: VNH, LSEG Data & Analytics, Edison Investment Research. Note: N/A when not in top 10 exposures at end-December 2023.

Exhibit 2: VNH's discrete performance versus public markets (%)

12 months ending	VNH (equity)	VNH (NAV)	VNAS	MSCI AC World	MSCI EM	MSCI Frontier Markets
31/10/20	(19.0)	(8.0)	(1.6)	5.5	8.7	(3.0)
31/10/21	108.5	78.2	68.3	30.0	10.7	32.9
31/10/22	(22.5)	(21.3)	(25.7)	(4.3)	(17.5)	(14.5)
31/10/23	11.7	9.6	0.4	5.4	5.6	1.2
31/10/24	40.4	27.3	20.6	25.9	18.9	13.5

Source: VNH, LSEG Data & Analytics, Edison Investment Research. Note: Total returns in pounds sterling.

VNH outperformed the broad equity market of Vietnam, as well as its direct peers, ranking first in the one-, three- and five-year performance periods among LSE-listed funds investing in Vietnam. Compared to a broader group of funds focused on single Asian markets (ex-Japan), we note that India has fared better than Vietnam recently. VNH has a relatively high ongoing charge compared to peers, but we note that its outperformance is calculated post fees.

Exhibit 3: Selected peer group* as at 20 November 2024**

% 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
VietNam Holding	92.8	27.3	9.8	80.0	195.6	1.2	2.97	No	100	0.0
VinaCapital Vietnam Opp Fund	623.1	9.1	(0.0)	60.8	218.6	(25.9)	1.65	Yes	100	2.6
Vietnam Enterprise Investments	1,032.5	16.1	(17.3)	35.0	237.9***	(23.5)	1.96	No	100	0.0
Vietnam funds average (excl. VNH)	827.8	12.6	(8.7)	47.9	228.2	(24.7)	1.8	-	100	1.3
VNH rank in subgroup****	3	1	1	1	3	1	1	-	1	2
Ashoka India Equity Investment Ord	468.8	25.7	47.0	160.1	N/A	2.0	0.46	Yes	100	0.0
Baillie Gifford China Growth Trust Ord	133.4	9.0	(36.3)	(26.1)	11.2	(12.8)	0.98	No	103	0.9
Fidelity China Special Ord	1,072.8	12.8	(21.1)	25.7	121.4	(14.4)	0.33	Yes	123	3.0
India Capital Growth Ord	156.0	20.3	55.1	128.0	188.4	(11.9)	0.37	No	100	0.0
JPMorgan China Growth & Income Ord	186.8	5.3	(45.2)	(6.7)	78.7	(14.9)	1.12	No	106	4.9
JPMorgan Indian Ord	670.7	17.5	25.6	49.6	123.4	(19.3)	0.81	No	109	0.0
Weiss Korea Opportunity Ord	102.9	6.7	(26.7)	31.9	67.3	(2.7)	2.22	No	100	3.5
Full peer group average (excl. VNH)	494.1	13.6	(2.1)	50.9	130.8	(13.7)	1.1	-	1045	1.7
VNH rank in peer group****	10	1	4	3	3	2	1	-	5	6

Source: Morningstar, Edison Investment Research. Note: *Country Specialist funds focused on Asian markets (ex-Japan). **Performance in sterling to end-October 2024 based on cum-fair NAV. ***9.8-year period since December 2014 due to availability of data. ****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.

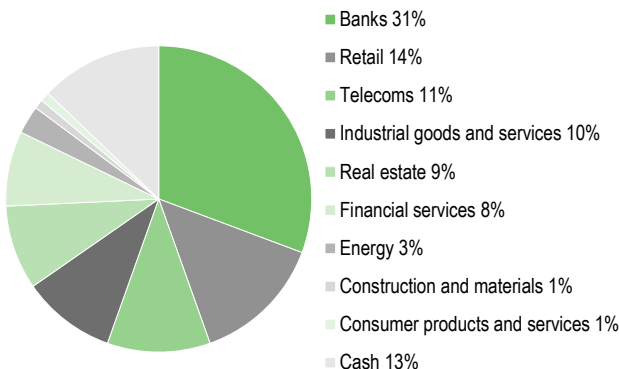
Investors confirm their confidence in VNH's strategy

In September 2024, investors had the opportunity to tender their shares at NAV for the first time, and going forward they may elect to do so once a year. There is no limit on the amount of shares to be tendered, as the manager remains confident in its ability to liquidise the portfolio within a month, and theoretically investors may elect to effectively wind down the fund. We believe the fact that only 12.57% of the shares were tendered shows strong support for VNH's investment case. Furthermore, VNH successfully issued £40k equity on 20 November, at a 0.4% premium to the previous closing price.

The fund amended its investment policy during the recent AGM, increasing its concentration thresholds. It may invest up to 20% of the portfolio in a single asset and 40% in a single sector, compared to 10% and 30%, respectively, previously. The manager has assured investors that there is no intention to change VNH's investment strategy, and the change simply grants the manager greater flexibility in pursuing opportunities.

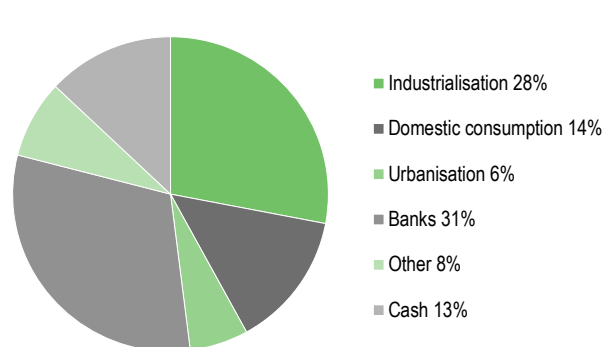
VNH continues to position its portfolio to benefit from three main themes (see Exhibit 5), supplemented with meaningful exposure to banks, which is a play on the broad economic growth. At end-September 2024, VNH had a significant cash position of 13% of the portfolio, as it had liquidated part of the portfolio to grant the tendered shares. Importantly, the manager sold more than 10% of VNH's portfolio, which did not affect NAV outperformance, as described above.

Exhibit 4: VNH's portfolio split by industry (Sep 2024)



Source: VNH

Exhibit 5: VNH's portfolio split by theme (Sep 2024)

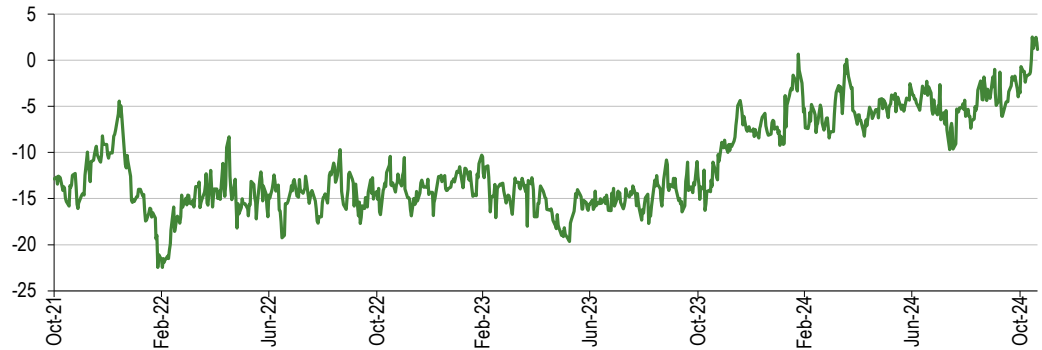


Source: VNH

The shares trade close to par

With the introduction of the annual redemption facility, VNH's discount narrowed meaningfully and, following the results of the tender and strong performance, narrowed further to the current level of a 1.2% premium, compared to a one-year average discount of 5.7% and a three-year average of 11.4%. The shares trade close to par, despite the relatively high ongoing charge resulting from VNH's small size (higher share of fixed costs), which, in our opinion, underlines investors' confidence in VNH's strategy.

Exhibit 6: Discount to NAV over three years



Source: VNH, LSEG Data & Analytics

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