



VietNam Holding Ltd. (VNH) is a value investor, aiming to generate high risk-adjusted returns by combining rigorous financial analysis with interactive sustainability research. The fund is an attractive opportunity to participate in the further development of one of the world's fastest growing emerging markets. VNH is listed on both the London and the Frankfurt stock exchanges.

### Fund Statistics

Total NAV	USD 59,938,403	NAV per share	USD 1.098
NAV p/s last month	-0.62%	NAV p/s last 12 mths	-17.75%
Equity investments	83.02%	Number of investments	30

### Vietnam News

December was a fairly eventful month for Vietnam's financial sector. The Bank for Investment and Development (BIDV) was successful in its IPO auction in the final days of the year, raising US\$75m from the sale of 3% of its capital base. Then, it was announced that three of Saigon's smaller commercial banks are facing severe liquidity problems and will have to be merged into BIDV. With deposit rates capped at 14% for VND and 2% for USD, many smaller banks have struggled to attract depositors in 2011. Finally, Sacombank's ownership profile changed, with ANZ Bank selling its stake to EximBank.

The new Governor of the State Bank of Vietnam, Nguyen Van Binh announced new plans to restructure Vietnam's banking sector, including higher eligibility thresholds for new banks. Another welcome refinement is anticipated in the way that loan growth limits are imposed on individual banks.

The Governor aspires to see 10-15 strong banks serving as the financial systems' main pillars by 2015. The Ministry of Finance also announced plans to merge the Hanoi and Saigon stock exchanges by 2015. Such developments should help strengthen the country's financial sector, which fell four places to 50th in the latest iteration of the WEF's 'Financial Development Report'.

Less welcome was the news that NPL levels in the troubled leasing industry are around 45% of total loans, at around US\$300m (or 8% of total NPLs in Vietnam's financial system). The main culprit appears to be one of two leasing companies under AgriBank, which dominates the leasing sector; it appears to have been both the victim of internal fraud, as well as some dubious lending practices to the ship-building and property sectors.

Overall GDP growth for 2011 was 5.9% (down from 6.8% in 2010), with industry, mining and construction growing by 5.5%, trade and services by 7.0%, and agriculture, forestry and fisheries by 4.0% YoY, despite some very trying weather conditions over the last 12 months. Inflation ended the year up 18.1% and clearly remains a principal concern for the country. However, the inflation outlook for the first quarter remains positive. The VND ended 2011 at 21,049 to the USD; a decline of 7.4% during 2011.

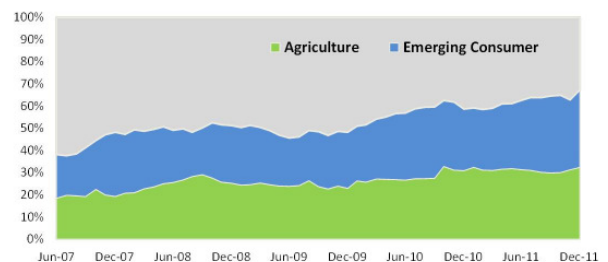
Export earnings held up surprisingly well in 2011, growing by 33%, partly as a consequence of rising global prices for a range of commodities that Vietnam produces. The trade deficit for December 2011 was just US\$700m; the lowest in four years, and almost half the figure in December 2010.

### Regional P/E Comparison

Indonesia	16.71
Malaysia	15.80
Philippines	15.60
India	14.12
Thailand	12.56
China Shanghai Comp	11.53
<b>Vietnam</b>	<b>7.19</b>

Source: Bloomberg.

### VNH's thematic Asset Allocation



Source: VNHAM. Portfolio weightings by market value.

### VNH Insights

2011 drew to a close with the benchmark VNI down 7.75% for the month and down 27.46% for the year. The HNX index lost 48.6% in 2011. It has not been a good equity year in Vietnam. VNH finished 2011 with an NAV per share of USD 1.098, down by only 0.62% for the month and 17.75% lower for the entire year 2011.

There are several reasons for VNH's clear outperformance of the VNI; the single largest contributor last month was the sale at an attractive price of the entire equity stake in Sacombank, VNH's 5<sup>th</sup> largest investment, last month. The focus on the emerging consumer and agriculture were the main contributor to VNH's outperformance of its benchmark as well as its peers both in 2011 as well as over the past years. Our asset allocation to VNH's two main themes is reflected in the chart above, which shows the combined result of investment performance and increased theme allocations.

As a result of the on-going portfolio rebalancing, VNH's portfolio diversification has further improved from 68.2% for the top 10 investments in November to 62.2% at year-end. The portfolio valuation with a trailing portfolio P/E of 6.23 remains well below the market's.

VNH has continued its share repurchase program during the month of December, buying back shares on five occasions. Since the beginning of October, VNH share price has advanced 12% against the nearly 18% decline in VNI, finishing the year-end at USD 0.75.

During the month of December, VNH has moved its custodian and administrator relationships from Credit Suisse in Zurich and Luxembourg to Standard Chartered Bank in Singapore. This allows annual cost savings of over USD 100,000 for VNH and improved economies of scale for VNH's fund manager VNHAM.

### Fund Facts

Domicile	Cayman Islands
Admission	15 June 2006
Exchanges	London AIM Frankfurt Entry Standard
Management Fee	2%
Performance Fee	20% (hurdle rate 5%)
Shares in issuance	54,582,112
LSE Ticker	VNH
Bloomberg Ticker	VNH LN Equity
Reuters RIC	VNHq.L
ISIN	KYG9361X1043

### AIM Nominated Adviser

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### AIM Broker

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### Entry Standard Adviser

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### Administrator & Custodian

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### Investment Manager

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**Net Asset Value**

Lowest NAV per Share	USD 0.76
Highest NAV per Share	USD 2.49
Positive Months	42.42%
Worst Month	-20.23%
Best Month	18.32%
Maximum Drawdown	-69.42%
Volatility p.a.	26.76%

**Performance NAV per Share**

Last 3 Months	-5.04%
Year-to-Date	-17.75%
Since inception annualized	-9.67%

**Share Price**

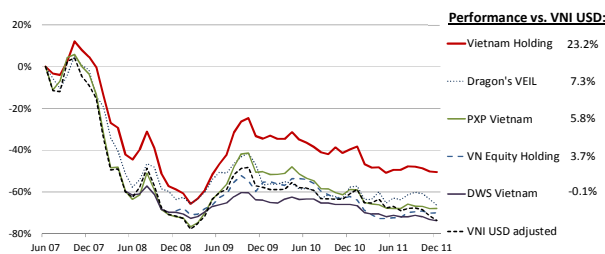
Share Price	USD 0.75
Discount	31.70%
Market Capitalisation	USD 40.94M
Lowest Share Price	USD 0.24
Highest Share Price	USD 2.85

**Performance**

Last Month	4.55%
Last 3 Months	11.99%
Year-to-Date	-35.35%
Last 12 Months	-35.35%

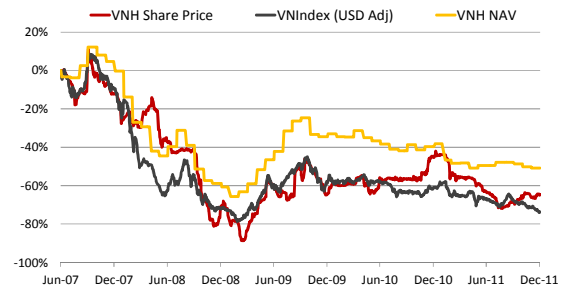
**Portfolio** PEG (2011e): 0.36 Beta: 0.68 P/E (trailing): 6.23  
**Total Expense Ratio:** 3.97% (FY 2011)

**NAV Performance vs. VN Index and Peer Group**



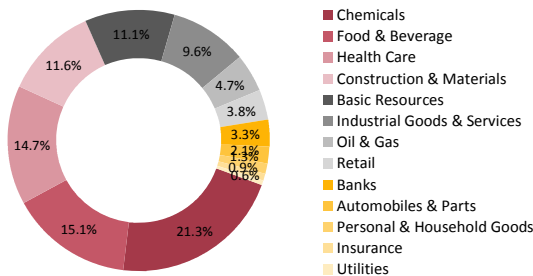
Source: LCF Rothschild.

**Share Price vs. NAV and VN Index**



Source: Bloomberg.

**Industry Allocation**



**Top 10 Holdings**

Investee Company	Market	Percent of NAV
AnGiang Plant Protection	OTC	13.19%
Vinamilk	HOSE	12.23%
Hau Giang Pharma	HOSE	7.18%
Binh Minh Plastic	HOSE	6.08%
Dong Phu Rubber	HOSE	5.24%
Petrovietnam Fertilizer	HOSE	4.50%
Petrovietnam Drilling	HOSE	3.83%
Viconship	HOSE	3.42%
Imexpharm	HOSE	3.38%
Phu Nhuan Jewelry	HOSE	3.13%

**London Stock Exchange Market Makers**

<b>Oriel Securities</b>	Carla Leonard +44 207 710 7665
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