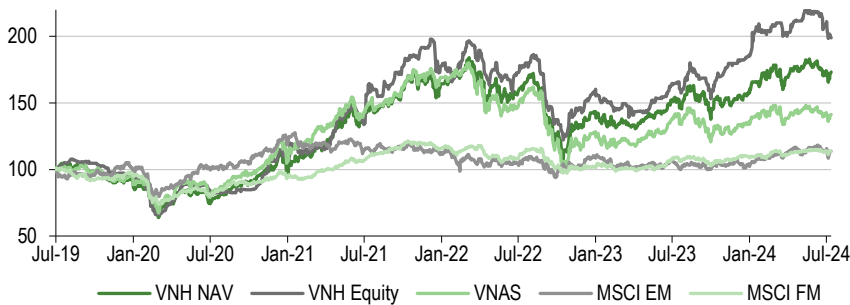


VietNam Holding

Steady outperformance and solid fundamentals

VietNam Holding (VNH) posted a solid net asset value (NAV) per share total return (TR) in the first seven months of 2024 (7M24) of 14.5% in US dollar terms, which was ahead of the Vietnam All Share Index's (VNAS's) return of 8.1%. Over the last 10 years, VNH has delivered a c 10% return pa and consistently outperformed VNAS by c 3pp pa. The index in turn performed ahead of both emerging and frontier markets averages. Vietnamese equities offer a combination of undemanding valuations (a 20% discount to 10-year historical average based on one-year forward multiples) and solid earnings outlook, with LSEG Data & Analytics consensus expectations of 28% EPS growth over the next 12 months for local equities and 6% GDP growth in Vietnam in 2024. VNH's shares trade at a 10% discount to NAV.

VNH five-year performance against VNAS, MSCI Frontier, MSCI Emerging



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 are diversifying their supply chains (GDP growth was 5.1% in 2023, 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 by global index makers could result in a meaningful influx of new capital and investors to the market and a re-rating of the Ho Chi Minh City Stock Exchange (HOSE).

VNH's nimble investment strategy proves successful

VNH positions its portfolio to benefit from the three main macro trends it sees in Vietnam: industrialisation, the rise in domestic consumption and urbanisation. This accounted for 92% of the portfolio at end-July 2024 (including banks as a play on broad economic growth). VNH's manager has identified a list of 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 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 its outperformance versus the broader market.

Investment companies Vietnam

19 August 2024

Price 362.0p
Market cap £98.5m
NAV* £109.5m

US\$1.2968/£
 NAV per share* 402.5p

Discount to NAV 10.1%

*As at 19 August 2024.

Yield 0.0%

Ordinary shares in issue 27.2m

Code/ISIN VNH/GG00BJQZ9H10

Primary exchange LSE

AIC sector Country Specialists

52-week high/low 399.0p 277.0p

NAV high/low 421.3p 316.9p

Gearing

Net cash at 31 July 2024 2%

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

- 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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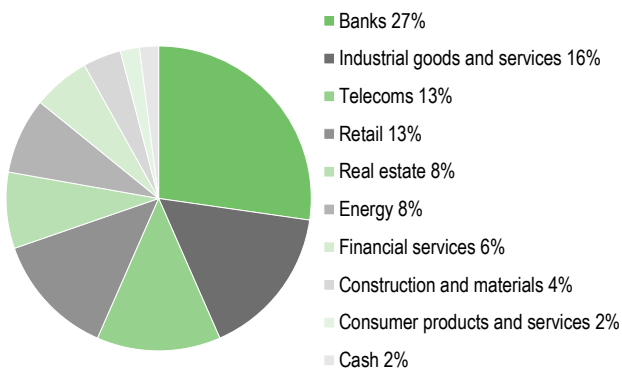
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VNH: A play on key secular trends in Vietnam

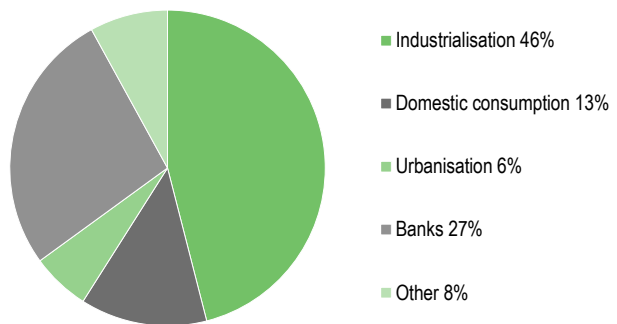
Vietnam continues its solid GDP growth, with 6.4% growth in H124 and LSEG Data & Analytics consensus currently implying 6% for 2024. Growth was driven by returning demand for 'made in Vietnam' products, with the export of manufactured, processed industrial goods increasing by 15.4% y-o-y in the 7M24 and accounting for 84.6% of the total export value. The fastest growth was seen in electronics, with computers, electronic products and components expanding by 30% y-o-y and cameras, camcorders and components increasing by 52% y-o-y. VNH positions its portfolio to benefit from key secular drivers underpinning economic growth in Vietnam (see Exhibits 1 and 2). For more background on VNH, watch our recent [interview](#) with Craig Martin, executive chairman of Dynam Capital (VNH's investment manager).

Exhibit 1: VNH's portfolio split by industry (July 2024)



Source: VNH

Exhibit 2: VNH's portfolio split by theme (July 2024)



Source: VNH

New investments are pouring into Vietnam

Increasing diplomatic ties between Vietnam and the US, Japan and Australia are strengthening Vietnam's role in global trade and supporting the outlook for continuous export growth. This is reflected in accelerating FDI inflows, with registered capital for new projects increasing 36% y-o-y in the 7M24, after a record year of disbursements in 2023 of US\$23bn. VNH invests in companies forming the ecosystem around Vietnam's manufacturing base. This includes, for example, its second-largest holding PV Technical Services (7.6% of NAV, up from 4.4% at end-2023), which provides technical services for increasing offshore wind power generation. PV Technical Services delivered H124 revenue and net income growth of 10% and 13% y-o-y, respectively. Another example is Gemadept (fourth-largest holding at 5.7%, down by 0.8pp), a port operator that recorded revenue and net income growth of 21% and 62%, respectively. Overall, VNH's exposure to the industrialisation theme amounts to 46% of NAV as at end-July 2024.

On the other hand, the utilisation of the public spending budget was low in H124 (29.4% of the 2024 budget, while still 5% higher y-o-y nominally). According to Bloomberg, the deceleration of public spending is likely associated with the caution of officials amid the ongoing anti-corruption campaign, which resulted in the resignations of two out of the four top government officials, the president and the chairman of the National Assembly. Following the appointment of their successors and the resulting reduction in political uncertainty, the government has confirmed its plans to accelerate spending in H224 to reach 95% of the budget by the end of the year.

Significant growth in disposable income

The average income in Vietnam has increased by 7% pa over the last 10 years in US dollar terms and there is a significant influx of people in cities. This benefits consumer-facing companies, as well as banks offering housing finance and investment products. Banks remain VNH's largest industry exposure (27% as at July 2024) and include four out of VNH's 10 largest holdings, with strong share price growth in 7M24 (see Exhibit 3). Dynam Capital expects credit growth in 2024 to be around 13–15% and that the Vietnamese government will continue to ease monetary and fiscal policy throughout the second half of the year. VNH has a 13% exposure to retail, including Mobile World Investment, which is an omnichannel retailer. The company reported a surge in profits in H124 to US\$83m (compared to US\$1.6m in H123) and, after a 50% share price rally in the 7M24, it has become the third-largest portfolio company (7.3% of NAV).

VNH maintains a concentrated, high-conviction portfolio

As at end-July 2024, the top 10 companies represent 65% of VNH's portfolio, slightly up from 62% at end-2023. The largest company remains FPT Corporation (13.5% of NAV), which is the biggest IT services company in Vietnam. In the 7M24, FPT delivered a 55% share price increase, supported by solid results (H124 net profit up 21% y-o-y) and good newsflow (eg the announcement of an AI factory in strategic partnership with chip giant NVIDIA). VNH has used the opportunity to partially realise its profits on FPT. Dynam Capital recently hosted a [webinar](#) with FPT to discuss Vietnam's role in the global AI and semiconductor supply chain.

Exhibit 3: VNH top 10 exposures at end-July 2024

Company	July 2024	December 2023	Exposure change	7M24 performance (in Vietnamese dong)
FPT Corporation	13.5%	14.9%	(1.4pp)	55%
PV Technical Services	7.6%	4.4%	3.2pp	7%
Mobile World Investment	7.3%	N/A	N/A	50%
Gemadep	5.7%	6.5%	(0.8pp)	17%
Techcom Bank	5.4%	N/A	N/A	51%
MB Bank	5.3%	5.6%	(0.3pp)	34%
Hoa Phat Group	5.3%	N/A	N/A	7%
IDICO	5.2%	5.5%	(0.3pp)	21%
Asia Commercial Bank	5.2%	4.9%	0.3pp	22%
Vietnam Prosperity Bank	4.7%	N/A	N/A	4%
Total top 10	65.2%	61.5%	3.7pp	55%

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

Exhibit 4: VNH's discrete performance versus public markets (%)

12 months ending	VNH (equity)	VNH (NAV)	VNAS	MSCI World	MSCI EM	MSCI Frontier Markets
31/07/20	(16.0)	(25.8)	(20.6)	(25.1)	0.5	(0.3)
31/07/21	59.2	87.8	80.1	56.1	26.3	14.2
31/07/22	29.1	12.0	2.2	3.4	2.7	(8.3)
31/07/23	(4.6)	(2.3)	(5.5)	(5.5)	7.3	2.9
31/07/24	27.5	14.3	3.2	(3.8)	17.8	6.9

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

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