

# Vietnam Phoenix Fund Limited

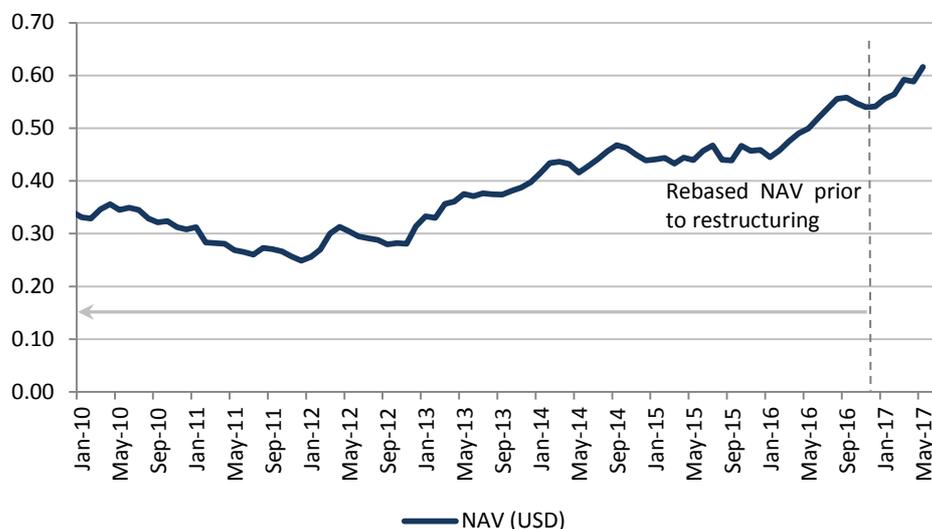
## Monthly Factsheet

31<sup>st</sup> May 2017



### CLASS A – Continuation Shares

NAV Performance (USD)



| USD (%)        | Cumulative Return |      |       |       | Annualised Return |      |      |       |
|----------------|-------------------|------|-------|-------|-------------------|------|------|-------|
|                | 1M                | 3M   | 6M*   | YTD   | 1Y*               | 3Y*  | 5Y*  | 7Y*   |
| <b>VPF A</b>   | 4.69              | 9.26 | 14.16 | 13.88 | 23.3              | 14.0 | 15.1 | 8.6   |
| <b>VNIndex</b> | 2.85              | 4.13 | 10.77 | 11.27 | 17.6              | 6.9  | 9.5  | 2.8   |
| <b>VHIndex</b> | 5.08              | 8.66 | 16.29 | 17.61 | 13.1              | 4.9  | 3.1  | -10.0 |

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

#### Top 3 Gainers

Price Change Contribution to NAV Return

|                            |         |         |
|----------------------------|---------|---------|
| Hoa Sen Group (HSG)        | + 18.7% | + 1.08% |
| FPT Corp (FPT)             | + 6.5%  | + 0.62% |
| Vietnam Ent Inv Ltd (VEIL) | + 8.4%  | + 0.54% |

#### Top 3 Losers

Price Change Contribution to NAV Return

|                        |        |         |
|------------------------|--------|---------|
| Novaland (NVL)         | - 5.2% | - 0.16% |
| Ha Tien Cement (HT1)   | - 9.5% | - 0.14% |
| PVN Nhon Trach 2 (NT2) | - 7.8% | - 0.04% |

**Net Assets:** \$98.31 million  
**NAV/Share:** \$0.6161  
**Shares Out:** 159,582,807

**Structure:** Open-End Fund  
**Liquidity:** Monthly

#### Identifiers

ISIN Code KYG9363R1056  
 Bloomberg Ticker VTNPHXA KY  
 Sedol BDHXL2

#### Website:

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

#### Top 10 Holdings (%)

|                            |             |
|----------------------------|-------------|
| Vinamilk                   | 21.6        |
| FPT Corp                   | 10.6        |
| Hoa Sen Group              | 9.1         |
| Vietnam Enterprise Inv Ltd | 8.3         |
| Hoa Phat Group             | 7.0         |
| Kinh Bac City              | 4.5         |
| Thien Long Group           | 4.2         |
| Novaland                   | 4.1         |
| Vietcombank                | 4.0         |
| Khang Dien House           | 3.7         |
| <b>Total</b>               | <b>76.9</b> |

#### Sector Allocation (%)

|                        |              |
|------------------------|--------------|
| Food Products          | 24.1         |
| Real Estate            | 15.0         |
| Building Materials     | 10.9         |
| Information Technology | 10.4         |
| Metals and Mining      | 7.0          |
| Consumer Discretionary | 5.9          |
| Consumer Staples       | 4.7          |
| Banks                  | 4.0          |
| Diversified Financials | 4.0          |
| Others                 | 14.1         |
| <b>Total</b>           | <b>100.0</b> |

#### Asset Breakdown (%)

|                                |              |
|--------------------------------|--------------|
| Listed Equities                | 101.0        |
| Cash and accruals <sup>^</sup> | -1.0         |
| <b>Total</b>                   | <b>100.0</b> |

<sup>^</sup>Adjusted to include pending redemptions

#### Voting Rights

The voting rights of Class A and Class C shares are proportional to the value of shares at the most recent valuation date. As of 31st May 2017, the aggregate voting rights are 251,377,467.

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## Monthly Factsheet

31<sup>st</sup> May 2017



## CLASS A – Continuation Shares

### Fund Manager's Report

The NAV per share increased by 4.69% in May while the VNIndex rose 2.85% (in USD terms)<sup>1</sup>.

Steel sheet producer **Hoa Sen Group** (HSG) was the biggest contributor to the portfolio's performance with a price increase of 18.7%<sup>1</sup>. The market was excited about a potential abnormal profit from the sales proceeds of Hoa Sen Gemadept Logistics & International Port JSC (a joint venture with Gemadept (GMD)). Both HSG and GMD rallied after GMD's AGM where the management signed a memorandum with a Korean partner to sell this port in 2017<sup>2</sup>. The share price also reacted positively to the announcement that the Ministry of Industry and Trade (MoIT) would be implementing an import quota and 19% tariff on pre-painted aluminium-zinc alloy coated steel sheet, pre-painted galvanized steel sheet and pre-painted cold rolled steel sheet for three years. Countries subject to the quota include China, Korea and Taiwan. This decision would have a positive impact on demand for HSG's products and protect its market share as the leading steel sheet producer in Vietnam. We are also concerned about the high levels of inventory which the company is stockpiling, having increased 70% QoQ to VND 8,447 bn. The company also issued a 75% stock dividend in May.

IT conglomerate **FPT Corp** (FPT) share price posted a gain of 6.5% in May<sup>1</sup>, after a series of positive announcements. The company released decent first quarter results for 2017 with revenue and net profit up 11.2% and 19% YoY respectively. The Hanoi People's Committee also approved FPT's project to build the IT infrastructure for its intelligent transportation system. The system will include a control centre, traffic monitoring, security, safety and emergency management systems<sup>3</sup>. The company also signed a Mutual Collaboration Understanding with United Parcel Service (UPS) during Vietnamese Prime Minister Nguyen Xuan Phuc's visit to the United States. The collaboration aims to leverage on each company's technological expertise and logistics to better optimise operations and support Vietnamese SMEs involved in e-commerce.

Dragon Capital's **Vietnam Enterprise Investments Limited** (VEIL) also contributed to the continuation portfolio's performance with a price increase of 8.4%<sup>1</sup>.

On the other hand, **Novaland** (NVL) was the biggest detractor to the portfolio's performance with a share price decline of 5.2%<sup>1</sup>. The company reported weaker first quarter results with revenue down 12.9% YoY due to fewer deliveries from its Orchard Garden and Lakeview City projects. However, a one-off gain from the revaluation of its Harbour City project resulted in NPATMI increasing 164% YoY. Without the mentioned financial gain, normalized NPATMI actually declined 15% YoY. In May, two senior management employees of the company tendered their resignations. Mr Bui Cao Nhat Quan as Deputy Chairman of the Board of Directors, citing personal reasons and Mr Eric Chan as Chief Financial Officer<sup>4</sup>. Shareholders also voted to approve a series of share issuances during the AGM held in May. These include 1) 33.5 million shares from Credit Suisse convertible loan, 2) maximum of 23 million preference shares, 3) USD 100 million convertible bond, and 4) 29.8 million ESOP shares. These issuances would dilute existing shareholders' stake by up to 15%, however the portfolio manager is aware of this when the Fund initially invested in NVL.

**Hatien Cement** (HT1) underperformed this month with a share price decline of 9.5%<sup>1</sup>. Despite strong top line growth with cement sales volume growing 13.8% YoY in the first quarter of 2017, its gross profit margin deteriorated from 21.1% in 1Q16 to 15.9% in 1Q17. Margins were eroded due to increasing purchases of outsourced cement (16% of 1Q17 sales volume vs. 10% of 1Q16 sales volume), in order to supplement internal capacity<sup>5</sup>. There hasn't been any further update on its Binh Phuoc 2 plant which was supposed to commence construction in 2017. The delay of this project, meant to provide additional capacity of up to 4 million tons of clinker and 5 million tons of cement, is likely to increase the drag on HT1's gross margins.

1 Source: Bloomberg

2 Source: GMD Company Announcements, 27/5/17

3 Source: FPT Company News, 12/6/17

4 Source: NVL Investor Relations, 11/5/17

5 Source: HT1 Company News, 28/4/17

# Vietnam Phoenix Fund Limited

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31<sup>st</sup> May 2017



### CLASS C – Private Equity Shares

| USD (%)      | Cumulative Return |      |      |      | Annualised Return |      |      |     |
|--------------|-------------------|------|------|------|-------------------|------|------|-----|
|              | 1M                | 3M   | 6M*  | YTD  | 1Y*               | 3Y*  | 5Y*  | 7Y* |
| <b>VPF C</b> | 1.20              | 4.03 | 5.68 | 5.43 | 14.2              | 11.1 | 13.4 | 7.4 |

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

#### Fund Manager's Report

The NAV per share increased by 1.20% in May.

The Private Equity asset pool contains unlisted investments and other illiquid listed investments. The unlisted investments within the pool were last valued by Grant Thornton Vietnam Ltd as of 31 December 2016. Unlisted investments will be re-valued every six months, or sooner in case of a significant event.

**An Phat Plastic and Green Environment JSC** (AAA) was the biggest contributor to the portfolio's performance this month with a share price increase of 18.2%. In May, the Company received approval from the regulators to increase the foreign ownership limit from 32% to 51%. The Company has also built on its strong performance in FY2016 with the release of good results in the first quarter of FY2017. Revenue and net profit increased 72.1% and 152.4% YoY respectively, underpinned by increasing exports to the Japanese market.

**NBB Investment Corp** (NBB) also contributed to the portfolio's performance with a share price increase of 7.1% after Ho Chi Minh City Infrastructure Investment JSC (CII), a major shareholder, continued to increase its stake in NBB from 29.8% to 30.1%.

**Net Assets:** \$153.07 million  
**NAV/Share:** \$0.3612  
**Shares Out:** 423,750,000

#### Identifiers

ISIN Code KYG2886W1078  
Bloomberg Ticker VTNPXCY  
Sedol B1FHXT2

#### Website:

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

#### Market Makers

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#### Top 5 Holdings (%)

|                       |             |
|-----------------------|-------------|
| Greenfeed             | 38.1        |
| Anova Corp            | 12.9        |
| Corbyns International | 12.9        |
| NBB Investment Corp   | 8.0         |
| VTC Online            | 5.8         |
| <b>Total</b>          | <b>77.7</b> |

#### Sector Allocation (%)

|                         |              |
|-------------------------|--------------|
| Agriculture             | 40.0         |
| Real Estate Mgmt & Devt | 14.6         |
| Pharmaceuticals         | 12.9         |
| Building Materials      | 12.9         |
| Information Technology  | 5.8          |
| Others                  | 13.7         |
| <b>Total</b>            | <b>100.0</b> |

#### Asset Breakdown (%)

|                     |              |
|---------------------|--------------|
| Invested Securities | 97.4         |
| Cash and accruals   | 2.6          |
| <b>Total</b>        | <b>100.0</b> |

#### Voting Rights

The voting rights of Class A and Class C shares are proportional to the value of shares at the most recent valuation date. As of 31st May 2017, the aggregate voting rights are 251,377,467.

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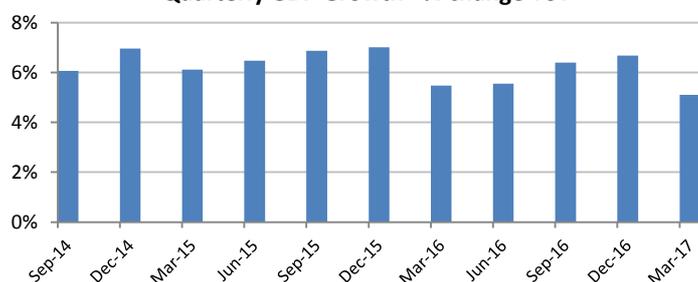
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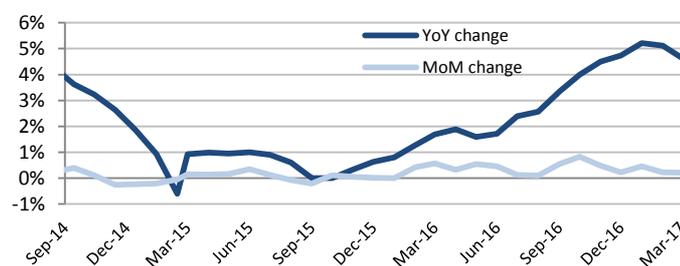


### Economic Indicators & Market Update

Quarterly GDP Growth - % change YoY



Consumer Price Index, (%) change



Vietnam Indicators

|                 | unit | 2014   | 2015   | 2016   | 2017F* |
|-----------------|------|--------|--------|--------|--------|
| Real GDP Growth | %    | 6.0    | 6.7    | 6.2    | 6.5    |
| Nominal GDP     | \$bn | 186    | 200    | 212    | 226    |
| CPI             | %    | 1.8    | 0.9    | 4.7    | 5.0    |
| Export Growth   | %    | 13.5   | 7.9    | 8.6    | 9.8    |
| Import Growth   | %    | 12.1   | 12.0   | 4.6    | 8.6    |
| Trade Balance   | \$bn | 1.9    | -3.5   | 2.7    | 1.4    |
| FX Reserve      | \$bn | 34.2   | 31.0   | 41.0   | 42.0   |
| USDVND          |      | 21,390 | 22,540 | 22,761 | 23,400 |

\*Source: Viet Capital Securities

Mkt Cap (USD bn) 2017 Forward P/E PEG Div Yield ROE

|                |                | Mkt Cap (USD bn) | 2017 Forward P/E | PEG        | Div Yield   | ROE          |
|----------------|----------------|------------------|------------------|------------|-------------|--------------|
| Indonesia      | JCI            | 468              | 13.8             | 1.0        | 2.1%        | 18.5%        |
| Thailand       | SET            | 455              | 13.8             | 1.3        | 3.0%        | 10.2%        |
| Singapore      | FSSTI          | 375              | 13.8             | 2.1        | 3.4%        | 9.8%         |
| Malaysia       | FBMKLCI        | 253              | 15.8             | 3.5        | 3.1%        | 10.1%        |
| Philippines    | PCOMP          | 194              | 17.2             | 1.6        | 1.6%        | 11.7%        |
| <b>Vietnam</b> | <b>VNINDEX</b> | <b>80</b>        | <b>13.1</b>      | <b>1.0</b> | <b>2.4%</b> | <b>14.6%</b> |

### Market Review

The VNIndex on the Ho Chi Minh Stock Exchange had a strong performance in May, increasing 2.9% (USD terms)<sup>7</sup>. The rally was led by real estate, banks and construction materials. Although both average daily trading volume and value decreased 28.6% and 33.4%<sup>7</sup>, respectively, foreign investors continued to be net buyers for a fifth consecutive month.

In macro economic news, FDI inflows remained strong in May with as many as 939 newly registered projects with registered capital of USD 5.6 billion<sup>6</sup>. South Korea remains the largest FDI investor, representing 36.4% of total FDI.

Nikkei's Purchasing Manager Index (PMI) was 51.6 in May, down from 54.1 in April. Growth slowed in the manufacturing sector with both output and new orders decelerating compared to the same period last year. Manufacturing output rose a solid 11.2% in May<sup>6</sup>, while mining and quarrying output contracted sharply for a second consecutive month.

The Consumer Price Index (CPI) decreased 0.5% MoM, but rose 3.2% YoY and 0.4% YTD<sup>6</sup>. Food and catering services were down 1.4% MoM, driven by a 10% decline in pork prices, which made several news headlines as it hurt Vietnamese farmers.

Credit growth increased 6.5% YTD in May vs. 5.5% YTD in May 2017, the highest growth rate over the last 6 years<sup>6</sup>. Prime Minister Nguyen Xuan Phuc was quoted in the press requesting for the State Bank of Vietnam (SBV) to boost credit growth above the initially set target of 18% in order to boost GDP growth. We think the light credit growth boost is feasible given the current reasonable level of inflation and provided that maturity mismatch is well under the cap of 50% for short term deposits used in medium/long term lending for big banks.

The country's trade balance was unchanged in May, remaining at a deficit of USD 0.8bn. Exports in the first 5 months of 2017 increased 17.4%<sup>6</sup> YoY, while imports increased 23.9%<sup>6</sup>. The U.S was Vietnam's largest export market, while China was the largest import market.

Given Vietnam's currently strong credit growth and domestic consumption, we expect GDP growth to exceed 7% YoY in 2Q17. The second half of the year will likely continued to be driven by consumption as well as manufacturing, tourism, exports and public investments. However, we think it would be quite difficult for the country to achieve its growth target of 6.7% in 2017.

<sup>6</sup> Source: The General Statistics Office of Vietnam

<sup>7</sup> Source: Bloomberg

# Vietnam Phoenix Fund Limited

## Monthly Factsheet

31<sup>st</sup> May 2017



### About Duxton Asset Management Pte Ltd

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\*Formerly known as DWS Vietnam Fund Limited. The Fund was renamed to Vietnam Phoenix Fund Limited following the resignation of Deutsche Asset Management (Asia) Limited as Investment Manager on 30 September 2016. Duxton Asset Management has since been appointed the Investment Manager of Vietnam Phoenix Fund Limited.

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