



## Factsheet

### Investment Policy

The primary investment objective of DVF is to seek long-term capital appreciation of its assets by investing in a diversified portfolio of Vietnamese-related securities (onshore and offshore), such as equity, fixed-income and money market instruments and closed end fund vehicles which may or may not be listed. In addition, DVF may invest in private equity securities and real estate funds and through structured notes, leveraged notes or any other derivative instruments which provide Vietnam exposure.

### VN Index Performance as at 30 January 2015 (USD)

1 Month Performance:	6.07%
3 Month Performance:	-4.21%
6 Month Performance:	-3.63%
1 Year:	2.42%

### Fund Information

Bloomberg Ticker	DWSVIET KY EQUITY
Authorised share capital	500,000,000 shares
Issued Share Capital	486,931,392 shares
Par Value Per Share	USD 1.0000
Nav per share as at 30 January 2015	USD 0.7106
Launch date	8th December 2006

### Market Maker

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## Performance

### Fund Performance



### Assets Under Management



## Performance Review

The NAV of DWS Vietnam Fund was up 0.44% in January 2015.

### Cumulative Return

USD	1 m	YTD	1 y	3 y	5 y	S. Launch
NAV to NAV*	0.44	0.44	6.15	72.06	33.07	-28.94
VNIndex (USD terms) <sup>1</sup>	6.07	6.07	2.42	46.56	3.76	-37.53
VHIndex (USD terms) <sup>1</sup>	3.88	3.88	13.88	39.58	-53.69	-71.27

### Annualised Return

3 y	5 y	S. Launch
19.83	5.88	-4.10
13.59	0.74	-5.61
11.76	-14.27	-14.18

### Calendar Years Return

2014	2013	2012
10.46	26.58	26.06
6.60	20.48	18.91
20.19	17.52	-1.79

\* Performance is based on NAV to NAV (taking into account the front end load).

## Performance Attribution

The Fund's return by asset class in January 2015 breaks down as listed equity 0.44%, closed-end funds 3.38%, unlisted equity -0.34% and fixed income 0.85%.

The listed portfolio recovered from December's decline although not as much as the broader market mainly due to its underweighting in banking stocks which have underperformed over the past few years. The portfolio's return was also negatively affected by the performance of **PetroVietnam Drilling and Well (PVD, -10.85%)<sup>1</sup>** due to continued uncertainty on oil price while **PetroVietnam Gas (GAS, +9.22%)<sup>1</sup>** recuperated and positively contributed to the Fund's return. Steel companies **Hoa Phat Group (HPG, -9.81%)<sup>1</sup>** and **Hoa Sen Group (HSG, -9.26%)<sup>1</sup>** suffered from potentially rising competition as China could dump its oversupplied steel in Vietnam and news that iron ore price drop would reduce these companies' competitive advantage. HPG released preliminary estimates for FY2014 results with net sales up 35% and net income up 59% YoY. HSG held its Annual General Meeting in January during which the Board of Directors approved targets of 10% growth in revenue and 9.67% growth in net income.

Despite these detractors, the Fund's listed portfolio ended up 0.44% thanks to the performance of **Vinamilk (VNM, +8.90%)<sup>1</sup>** and **Japan Vietnam Medical Instrument (JVC, +39.52%)<sup>1</sup>**. The Fund invested in JVC in December 2014 through an equity issuance at the price of VND 15,000/share. Vinamilk released unaudited FY2014 results with revenue up 13.0% and net profit down 7.1% due to increased raw material price for the production sold during the year and increased selling expenses to keep up with rising competition. 2015 is poised to be a better year for VNM as the company has locked in price for most of its milk powder needed for the year, which is likely to result in a margin improvement. During January, VNM's share price was bid among foreign investors at a premium as high as 20% market price.

The closed-end funds portfolio was up 3.38% in January 2015. All the funds within the portfolio recovered in price with **PXP Vietnam Fund** up 4.90%, **Vietnam Growth Fund** up 3.02%, **Vietnam Enterprise Investment Fund** up 3.45% and **DWS Vietnam Fund** up 3.32%.<sup>2</sup>

The Fund's fixed income portfolio returned 0.85% in January.

The unlisted portfolio returned -0.34% in January 2015. The unlisted portfolio includes holdings in instruments which were unlisted at the point of investment but subsequently became listed instruments due to certain events, for example, conversion. These investments are subject to market fluctuations which affect the stock prices. Some holdings are in OTC stocks which are also affected by market fluctuations. Lastly, the unlisted portfolio includes private equity holdings that are revalued quarterly.



The decrease this month was mainly due to the decrease in share price for the listed holding **NBB Investment Corp** (NBB, -7.34%) and **An Phat Plastics** (AAA, -6.47%). For AAA, in 4Q 2014, profit after tax for the parent company decreased 136% YoY due to the decrease in world oil price. This led to a decrease in raw plastic material price which affected Anphat's customers. In order to prevent customers from cancelling orders, the company reduced its selling price. However, inputs were purchased and stored before the changes took effect hence reducing profits.

### Current Positioning

96.83% of the Fund's NAV was invested at the end of January 2015. Cash including receivables and payables represented 3.17% of the Fund's NAV, of which receivables were 1.20%. The top ten positions remained unchanged compared to last month with **Greenfeed**, **Vinamilk** and **DWS Vietnam Fund** at the top three positions. During January, the Fund continued to increase its positions in real estate stocks as well as **Mobile World** (MWG) while partially taking profit from a banking stock.

At the end of January, the Fund held 46 positions across all asset classes, allocated among 15 industry sectors, of which food products was the largest exposure.

### Market Update

#### Economic update

January's economic indicators exhibited the country's strong demand ahead of the Lunar New Year (LNY) holidays.

HSBC's Purchasing Manager Index reached 51.5 in January from 52.7 in December, fuelled by growth of both output and new orders though at a slower pace than seen in the last month. This is in alignment with the rapid expansion of the industrial production index (IIP) which soared 17.5% YoY in January, of which manufacturing industry rose 19.4% YoY led by an upsurge of 46% YoY in manufacturing of smart phones, PCs and other electrical devices<sup>3</sup>. This strong growth of IIP however was also partly attributed to low base of January last year on the effect of Lunar New Year holiday.

January's Consumer Price Index (CPI) slid 0.2% MoM and the headline inflation settled at a low record of 0.94% YoY<sup>3</sup>. Of which, transportation experienced the strongest decline of 3.96% on drastic fuel price cuts<sup>3</sup>. Real retail sales growth reached the 7-year high of 11.9% as domestic consumption is picking up ahead of the LNY holidays on lower energy cost and rising sentiment<sup>3</sup>.

The country's trade balance witnessed a moderate deficit of USD 500 million in the first month of the year<sup>3</sup>. In an attempt to boost export amid the appreciation of the US dollar against most other currencies, the State Bank of Vietnam (SBV) devalued the Dong by 1% against the USD to raise the official rate of VND/USD to 21,458.

Registered Foreign Direct Investment (FDI) stood at USD 663 million, an increase of 67.1% YoY, of which 91.3% was channeled into the manufacturing sector<sup>3</sup>. It was noted that most of this month's biggest projects were in garment industry including Worldon (USD 30 million), Regina Miracle International Vietnam (USD 90 million) and Taekwang (USD 43.2 million). Meanwhile, FDI disbursement was on the right track with a growth of 8.6% to reach USD 505 million in January<sup>3</sup>.

#### Banking Reforms

The SBV has released Directive No.01/CTNHNN to target 1% - 1.5% reduction in lending rates for medium and long term loans in 2015. Currently, state-owned banks keep interest rates for medium and long-term loans at 9-10% per annum for prioritized sectors such as exports, high-tech, supporting industry, etc., and 9.5-11% per annum for other sectors<sup>4</sup>.

Furthermore, in an attempt to fuel the steady recovery of the real estate market, the SBV has proposed a credit package worth VND 50 trillion to support the commercial housing market with favourable interest rate of 7% for the first 10 years. However, experts still doubt the effectiveness of this package if approved as the disbursement of VND 30 trillion bailout package has been pretty low so far.

The Government also put more focus on completing bank merger plans with a series of M&A transactions already being mapped out by the SBV, including the merger between Vietcombank and Saigonbank, Vietinbank and Ocean Bank or Petrolimex Bank, BIDV and Mekong Housing Bank, Nam A Bank and Vietcapital Bank, Maritime Bank and Mekong Development Bank, as well as Sacombank and Southern Bank. Recently, the SBV has announced to buy back all shares at Vietnam Construction Bank at no cost, and brought in Vietcombank to manage the restructuring process.



### Stock market update

The VN-Index on Ho Chi Minh Stock Exchange gained 6.07% (USD terms)<sup>1</sup> to end the month at 576.07. Both average daily trading volume and value saw a slight slowdown of 2.59% and 4.66% respectively<sup>1</sup> as the oil price decline has continued to weigh on the prices of oil and gas stock, while bank stocks rallied on seemingly little supportive news. The Vietnam stock market currently was trading at 13.85x P/E, far below an average of 20.9x P/E for other emerging markets including Indonesia, Philippines, India and Thailand<sup>1</sup>. Foreign investors continued to be net buyers this month.

### Economic Indicators

	December 2014	January 2015
Real GDP growth (cumulative, YoY)	5.98%	-
Industrial Production Index (cumulative, YoY)	7.60%	17.50%
Inventory Index (YoY)	10.00%	9.60%
Retail Sales and Services (cumulative, YoY)	10.60%	13.00%
Purchasing Manager Index (PMI) (*)	52.70	51.50
Credit growth (YTD) (**)	12.62%	-0.50%
Inflation (YoY)	1.84%	0.94%
Import growth (cumulative, YoY)	12.10%	35.50%
Export growth (cumulative, YoY)	13.60%	9.70%
Trade balance (YTD, USD million)	1,984	(500)
Registered FDI (YTD, USD billion)	20.20	0.70
Disbursed FDI (YTD, USD billion)	12.40	0.50
Exchange rate (per USD) (***)	21,388	21,317

Source: General Statistics of Vietnam, except:

(\*) HSBC

(\*\*) State Bank of Vietnam

(\*\*\*) Bloomberg

### Material Event Disclosure

The Fund Manager continues to be active in the secondary market for DWS Vietnam shares when it believes that they represent a good buying opportunity. The Fund is currently trading at a 26% discount to NAV which has narrowed from 52% over the last two years.

### Outlook

The nation's outlook is expected to be brighter towards stronger export as the Asean Economic Community (AEC) and a number of Free Trade Agreements (FTAs) come into effect. A strong investment inflow has been ramped up into Vietnam's garment manufacturing sector to take advantage of the Trans Pacific Partnership (TPP). However, there are some concerns over the SBV's commitment to devalue the Dong no more than by 2% in 2015 as the strong devaluation of other currencies against the US dollar may dampen Vietnam exports and weaken the country's trade advantage.

### Footnote

- 1 Source: Bloomberg
- 2 Source: OTC brokers including Jefferies, Rothschild and Numis
- 3 Source: General Statistics Office of Vietnam
- 4 Source: Viet Capital Securities



<b>Asset Class Performance</b>	1 mth%	3 mth%
Listed equities	0.31	-10.53
Closed End Funds	3.38	-2.55
Fixed Income Securities	0.85	8.24
Unlisted equities	-0.34	-0.66

<b>Top 5 Onshore Listed Holdings</b>	%
Vinamilk	8.33
Hoa Phat Group	5.78
FPT Corp	3.94
PetroVietnam Drilling and Well	3.64
PetroVietnam Gas	2.94

<b>Top 5 Other Holdings</b>	%
Greenfeed	15.29
DWS Vietnam Fund	6.10
Vietnam Enterprise Fund	5.86
Vietnam Growth Fund	4.84
Corbyns International	4.43

<b>Asset Class Exposure</b>	%
Listed Equities	49.65
Unlisted Equities <sup>a</sup>	28.54
Closed-End Funds	18.21
Receivables	1.20
Fixed Income Securities	0.42
Cash and payables	1.97
Total	100.00

<b>Currency Exposure</b>	USD	VND	AUD
Total Assets of which	25.38%	74.45%	0.17%
Receivables	100.00%	0.00%	0.00%
Cash and payables	9.62%	90.11%	0.27%

<b>Sector breakdown</b>	%
Food Products	36.46
Real Estate Management and Devel	10.72
Energy Equipment and Services	10.30
Building Materials	10.18
Metals and Mining	8.63
Information Technology	6.73
Consumer Discretionary	4.91
Pharmaceuticals	4.61
Chemicals	1.40
Health Care	1.37
Containers and Packaging	1.34
Banks	1.24
Marine	0.93
Diversified Financials	0.73
Industrials	0.46
Total	100.00

(a Unlisted equities include PIPE deals, i.e. Private Investments in Public Companies)



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