



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 29 February 2016 (USD)

1 Month Performance:	2.24%
3 Month Performance:	-1.57%
6 Month Performance:	-0.16%
1 Year:	-9.65%

Fund Information

Bloomberg Ticker	DWSVIET KY EQUITY
Authorised share capital	500,000,000 shares
Issued Share Capital	438,300,000 shares
Par Value Per Share	USD 1.0000
Nav per share as at 29 February 2016	USD 0.7388
Launch date	8th December 2006

Market Maker

LCF Rothschild Securities
Bloomberg: **LCFR <GO>**
Johnny Hewiston
fun@lcf.co.uk
Tel: **+44 20 7845 5960**

Jefferies International
Bloomberg: **JCEF <GO>**
Mark Mulholland
Tel: **+44 20 7618 3623**

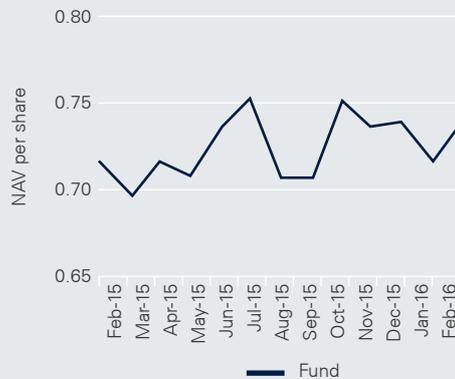
Dexion Capital
Bloomberg: **DEXA <GO>**
Richard Crawford
richard.crawford@dexioncapital.com
Tel: **+44 20 7832 0999**

Numis Securities
Bloomberg: **NUMI <GO>**
Dave Cumming
Tel: **+44 20 7260 1376**



Performance

Fund Performance



Assets Under Management



Performance Review

The NAV of DWS Vietnam Fund was up 3.03% in February 2016.

Cumulative Return

USD	1 m	YTD	1 y	3 y	5 y	S. Launch
NAV to NAV*	3.03	-0.12	3.29	38.87	61.95	-26.12
VNIndex (USD terms) ¹	2.24	-2.60	-9.65	10.63	13.48	-42.12
VHIndex (USD terms) ¹	2.02	-0.84	-12.19	18.06	-23.09	-74.77

Annualised Return

3 y	5 y	S. Launch
11.57	10.12	-3.23
3.42	2.56	-5.75
5.69	-5.12	-13.86

Calendar Years Return

2015	2014	2013
4.55	10.46	26.58
0.90	6.60	20.48
-8.01	20.19	17.52

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

Performance Attribution

The listed equity portfolio rose by 5.28% in February while the VNIndex climbed 2.24%¹. During February, the Vietnamese stock markets were driven by positive news on Foreign Ownership Limit (FOL) expansion for a few stocks as well as positive earnings of consumer blue-chips and real estate stocks. The recent recovery of oil prices was also a positive factor for oil & gas stocks.

Most companies published FY2015 earnings results in February. The companies within our listed portfolio (excluding banks) posted an average revenue growth of 25.4% in FY2015, average net profit growth of 15.6% and average EPS growth of 12.4%. Gross margin averaged 27.5% across our non-bank listed investees. The banks we own throughout 2015 showed average Net Interest Income growth of 19.4%, profit before tax growth of 11.7% and customer loan growth of 24.9%, while lowering Non Performing Loans ratios to an average of 1.7%.¹

In February, **Vietnam Dairy Products JSC (VNM)** was the main contributor to performance with a price increase of 10.34%¹. The increase was mainly attributed to the release of Vinamilk's consolidated financial results for 2015 as well as potential developments in the expansion of its FOL. Vinamilk posted FY2015 revenue of VND 40,080 billion and net profit of VND 7,770 billion, delivering impressive year-on-year growth of 14.3% and 28.1%, respectively. These results were driven by strong domestic sales volume growth as well as improvements to gross margin (40.1% in 2015 vs. 34.5% in 2014) thanks to lower raw material input costs. Exports which constitute 19.8% of total revenue grew 39.5% YoY as a result of demand recovery in Iraq, Vinamilk's main export market.² We think this is an excellent result, which could be maintained into 2016. During our visit to the Company this month, management elaborated that they have locked in a slightly lower raw material cost for 2016 despite the powder milk price hike between August and October last year.

In February, Vinamilk made a move in preparing for the lift in FOL by removing seven business lines (which might be among conditional sectors) from its business charter. This initiative led to a positive reaction by the markets, who anticipate the foreign ownership limit will be a major voting topic at the upcoming Annual General Meeting.

Hoa Sen Group (HSG) share price rose 8.74% in February¹, on the back of strong 1Q16 results and positive news regarding the Vietnamese steel industry. HSG recorded VND 3,913 billion in revenue (-11.4% YoY) and VND 187 billion in net profit (+49.7% YoY) during 1Q16.² The decline in revenue was driven by lower average selling price (ASP); however gross margins improved significantly from 11.1% to 16.6% thanks to lower Hot Rolled Coil (HRC) input costs. The decline in ASP, despite strong domestic demand for steel, is partly a result of steel dumping from China, where domestic producers suffer from a steel supply glut. To protect its domestic players, Vietnam's Ministry of Industry and Trade recently made a decision to increase anti-dumping duties on Chinese steel imports. This would see existing tariffs for steel billet and long steel move up from 9% and 5% to 23.3% and 14.2%, respectively, for up to 200 days. Although these tariffs do not involve



HSG's products directly, it is a positive sign that the Ministry is taking a serious view on the issue of China dumping steel into the domestic market and these tariffs could potentially extend to HSG's products in the future.

DHG Pharmaceutical (DHG) share price surged 35.61% in February¹. Most pharmaceutical stocks had an impressive performance in February, despite sluggish business performance and prospects, due to FOL lift discussions which attract interest from various foreign funds and foreign pharmaceutical companies. For the 2015 financial year, which was another transition year, DHG recorded VND 3,609 billion in revenue (-7.8% YoY) and VND 594 billion in net profit (+11.2% YoY). The fall in revenue was due to the booking of a sales discount being classified as a sales deduction instead of a selling expense. After adjusting for the sales discount, net revenue in 2015 actually increased 4.9% YoY. This increase was driven mainly by the surge in its trading business segment (+175% YoY). The growth in net profit can be attributed to the tax benefit for DHG's new non-beta-lactam plant, reducing the effective tax rate to 15.6% from 26.1% in FY2015.²

On the other hand, **Vietnam Container Shipping** (VSC) was a detractor to the portfolio's performance with a price decline of 7.48% in February, after having made a return of 89.93% in 2015.¹ VSC's share price declined after reporting disappointing 4Q15 results which saw revenue falling to VND 231 billion (-5.3% YoY) and net profit of VND 51.6 billion (-39.8% YoY).² The drop in fourth quarter earnings was due to several factors such as lower handled volumes (-12% YoY), drop in revenue from the waterway transportation segment, lower financial income and lower revenue contribution from its associate companies. Despite the poor 4th quarter results, VSC's performance during the first 9 months of 2015 was able to offset it, with consolidated FY2015 revenue of VND 928 billion and net profit of VND 279 billion, increasing 4.1% and 12.5% YoY, exceeding management's 2015 target by 15.8% and 41.2% respectively.² VSC is poised to experience strong growth in 2016 with a new port coming into operations and increased demand from import/export activities.

The closed-end funds portfolio was up 2.77% in February 2016, mainly due to the price increase of Dragon Capital's **Vietnam Enterprise Investment Fund** (VEIL) (3.92%) and **DWS Vietnam Fund** (3.61%).³ However, **PXP Vietnam Emerging Equity Fund** was a detractor to performance with a NAV decline of 6.58%⁴, which reflects the change in NAV in January this year.

The Fund's fixed income portfolio was up 0.17% in February. The only fixed income security held by the Fund, a Vietnamese government sinking bond, will come to maturity in March 2016.

The unlisted portfolio gained 0.39% in February 2016. 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 re-valued quarterly.

The increase this month was mainly due to the re-valuation of the private equity holdings. **Anphat Plastic & Green Environment JSC** (AAA) was up 5.55%. The company achieved its best quarter in 4Q 2015. Net income increased 6.7% QoQ as the company's efforts to be more responsive to the oil price volatility, was successful.

Current Positioning

98.20% of the Fund's NAV was invested at the end of February 2016. Cash including receivables and payables represented 1.80% of the Fund's NAV, of which receivables made up 0.84%. The top 10 holdings remained unchanged compared to the previous month, with **GreenFeed**, **Vinamilk** and **Vietnam Enterprise Investment Fund** each representing more than 10% of NAV. In total, the top ten holdings represent 65.54% of the Fund's NAV. During February, the Fund increased its exposure to **Bank For Foreign Trade JSC** (VCB) and conducted share buybacks of **DWS Vietnam Fund**.

Market Update

Economic update

The Vietnamese economic data was posted with better than expected trade balance in February.

Nikkei's Purchasing Manager Index (PMI) stood at 50.3 in February, down from 51.5 January, fueled by growth of both output and new orders though at a slower pace than seen in the last month and the decrement in prices due to lower input costs. Meanwhile, the Industrial Production Index increased moderately by 6.6% YoY in February, of which manufacturing registered the fast growth of 8.5% YoY⁵.

February's Consumer Price Index (CPI) rose 0.42% MoM and the headline inflation settled at 1.27% YoY⁵. Much of the increase was attributed to the pickup of 1.98% MoM in food and foodstuffs and 0.71% MoM in culture, sport and entertainment, while transportation basket dropped 3.96% MoM on drastic fuel price cuts. Domestic consumption remained firm in February as nominal retail sales rallied 9.7% YoY and real retail sales grew 8.3% YoY⁵.

Trade balance in February registered a surplus of USD 100 million, widening YTD trade surplus to USD 856 million⁵. Export rose 2.9% YoY, of which exports of rice, vegetable and textiles claimed a strong growth of 92.5%, 39.0% and 12.4% respectively. Meanwhile, import decreased 6.6% YoY, of which imports of machinery and spare parts and steel showed a decline of 13.6% and 8.2% respectively.⁵



Registered Foreign Direct Investment (FDI) totaled USD 2.8 billion in February, up 135% compared to the same period last year. Disbursed FDI, in contrast, was still on track to reach USD 1.5 billion, up 15.4% YoY.⁵

State Budget

Fiscal budget related to oil revenues sharply decreased in 2015 resulting in a shortfall of VND 25,490 billion compared to the plan of VND 93,000 billion⁶. According to the Ministry of Finance (MoF), every dollar drop in oil prices leads to loss for the exchequer of VND 1,600 – 2,000 billion⁶. Although crude oil prices seem to be in a bottoming out phase and can increase next year, it cannot help prospects for this year's oil related revenues, which could very likely be below last year's. Hence, the pressure on the fiscal budget is expected to remain high.

On the other hand, overdue tax collection of VND 39,102 billion covered a shortfall of fiscal budget related oil revenue in 2015⁶. The Ministry of Finance also proposes to write off unrecoverable tax debts for some companies having difficulties in paying taxes or going bankrupt.

Banking Sector

According to the State Bank of Vietnam (SBV), credit rose 17.29% in 2015 and is expected to grow 18% - 20% in 2016, while most banks in ASEAN appear less optimistic on credit growth in 2016. In Singapore and Thailand, banks are guiding for low to mid single digit loan growth for the year. Malaysia is targeting 8-9% loan growth on average while Indonesia expects a rebound in loan growth with guidance of 13-14% on average. On the other hand, Philippines banks have the most positive prospects with loan growth expectations in the mid teens, which are still below Vietnam's.

Stock market update

The VN-Index on Ho Chi Minh Stock Exchange increased 2.24% (USD terms)¹ in February to end the month at 559.37, mainly driven by developments in raising FOL for EVE, MBB and VNM, as well as positive earnings of consumer blue-chips and real estate stocks. The recent recovery of oil prices was also a positive factor for oil & gas stocks. Both average daily trading volume and value saw a slowdown of 10.42% and 1.34%, respectively¹. At the end of February, the Vietnamese stock market traded at a P/E valuation of 11.85x, far below an average of 20.54x for other Asian emerging markets including Indonesia, Philippines, India and Thailand².

Economic Indicators

	January 2016	February 2016
Real GDP growth (cumulative, YoY)	-	-
Industrial Production Index (cumulative, YoY)	5.90%	6.60%
Inventory Index (YoY)	9.20%	8.90%
Retail Sales and Services (cumulative, YoY)	11.70%	9.70%
Purchasing Manager Index (PMI) (*)	51.5	50.3
Credit growth (YTD) (**)	-0.21%	(Not Available)
Inflation (YoY)	0.80%	1.27%
Import growth (cumulative, YoY)	-0.80%	-6.60%
Export growth (cumulative, YoY)	2.20%	2.90%
Trade balance (cumulative, USD million)	(200)	865
Registered FDI (YTD, USD billion)	1.3	2.8
Disbursed FDI (YTD, USD billion)	0.8	1.5
Exchange rate (per USD) (***)	22,230	22,300

Source: General Statistics of Vietnam, except:

(*) Markit

(**) State Bank of Vietnam

(***) Bloomberg



Material Event Disclosure

The next quarterly conference call will be held on 31st March 2016, at 9 pm (GMT+8, Singapore). Investors interested in participating in the conference calls are invited to send an email to dvf@duxtonam.com to obtain details.

Outlook

We expect the Vietnamese stock markets to experience positive developments over the next few months as a result of 1) progress in the expansion of FOL for specific companies; 2) positive earnings results and announcements of 2016 targets during the AGM season, which should be also be positive for most sectors; and 3) the nomination of the next generation of leadership coming into power in May this year. We also expect the domestic economy to continue to expand on the back of controlled inflation, stable currency and low oil prices, while several sectors continue to attract foreign investors' interest, such as retail, pharmaceuticals, logistics and consumer products.

Footnote

- 1 Source: Bloomberg
- 2 Source: Company reports or announcements
- 3 Source: OTC market makers including Jefferies, Rothschild and Numis
- 4 Source: PXP Asset Management
- 5 Source: General Statistic Office of Vietnam
- 6 Source: Ho Chi Minh City Securities



Asset Class Performance	1 mth%	3 mth%
Listed equities	5.28	0.52
Closed End Funds	2.77	-2.10
Fixed Income Securities	0.17	0.98
Unlisted equities	0.39	2.81

Top 5 Onshore Listed Holdings	%
Vinamilk	12.56
FPT Corp	4.65
Hoa Phat Group	3.38
Hoa Sen Group	2.81
Bank For Foreign Trade JSC	2.16

Top 5 Other Holdings	%
Greenfeed	17.29
Vietnam Enterprise Fund	10.05
Corbyns International	5.65
Anova Corp	3.96
NBB Investment Corp	2.78

Asset Class Exposure	%
Listed Equities	52.40
Unlisted Equities ^a	31.91
Closed-End Funds	13.74
Receivables	0.84
Fixed Income Securities	0.15
Cash and payables	0.96
Total	100.00

Currency Exposure	USD	VND	AUD
Total Assets of which	21.13%	78.86%	0.00%
Receivables	100.00%	0.00%	0.00%
Cash and payables	37.98%	62.02%	0.00%

Sector breakdown	%
Food Products	40.20
Real Estate Management and Devel	12.61
Building Materials	12.02
Information Technology	7.12
Consumer Discretionary	7.08
Metals and Mining	4.56
Banks	4.15
Energy Equipment and Services	3.86
Pharmaceuticals	2.11
Diversified Financials	1.76
Chemicals	1.71
Marine	1.46
Containers and Packaging	1.35
Industrials	0.00
Total	100.00

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



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Address

One Raffles Quay #20-00,
South Tower Singapore 048583
Tel: +65 6538 7011
Fax: +65 6538 3171
www.DWS.com.sg