



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 31 May 2015 (USD)

1 Month Performance:	0.23%
3 Month Performance:	-5.94%
6 Month Performance:	-1.69%
1 Year:	-1.81%

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 31 May 2015	USD 0.7083
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 down 1.02% in May 2015.

Cumulative Return

USD	1 m	YTD	1 y	3 y	5 y	S. Launch
NAV to NAV*	-1.02	0.11	5.64	44.23	27.37	-29.17
VNIndex (USD terms) ¹	0.23	2.31	-1.81	26.69	-2.28	-39.74
VHIndex (USD terms) ¹	-0.26	-1.29	6.41	7.30	-55.68	-72.69

Annualised Return

3 y	5 y	S. Launch
12.98	4.96	-3.98
8.20	-0.46	-5.80
2.38	-15.02	-14.19

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 May 2015 breaks down as: listed equity -1.14%, closed-end funds -0.87%, unlisted equity -0.39% and fixed income -0.14%.

The listed equity portfolio underperformed the broader market due to its underweighting of banking and automobile stocks which drove the VNIndex this month. In addition, **Hoa Phat Group** (HPG, -9.32%)¹ and **Mobile World Investment Corp** (MWG, -10.55%)¹ were detractors of the portfolio's performance. HPG's investors were concerned about future competition from the Taiwanese Formosa Steel Complex which will come on stream in 2017 (for the long steel segment). Our research shows that there are chances Formosa will export part of its long steel production to other ASEAN countries which are still importing from outside ASEAN and currently paying import taxes. Under this scenario, the competitive pressure on Hoa Phat would be alleviated. MWG, on the other hand suffered from some selling pressure by one of its institutional investors who apparently went through a repositioning of its portfolio.

In contrast, we witnessed outstanding performance from the banks including **Vietcombank** (VCB, +19.61%)¹ and **Bank for Investment and Development** (BID, +7.45%)¹. Foreigners were net buyers of these banks in May. At the closing price on 1 June, VCB became the most valuable company on the Vietnam stock market with a market capitalisation of USD 5.6bn. Share price of the leading sugar producer **Thanh Thanh Cong Tay Ninh** (SBT, +17.31%)¹ also performed well following news on the restructuring of the Vietnamese sugar industry.

The closed-end funds portfolio was down 0.87% in May 2015 as **DWS Vietnam Fund's** share price declined 1.38% over-the-counter². **Vietnam Growth Fund's** price also declined 1.74% while **Vietnam Enterprise Investment Fund** saw an appreciation of 0.24%² driven by the performance of **Asia Commercial Bank** (ACB, +14.88%)¹, one of its largest holdings.

The Fund's fixed income portfolio declined 0.14% in May.

The unlisted portfolio returned -0.39% in May 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 change in USD/VND exchange rate which led to a decrease in the USD value of Green Feed. The price of **Green Feed** remained the same month on month.



Current Positioning

96.59% of the Fund's NAV was invested at the end of May 2015. Cash including receivables and payables represented 3.41% of the Fund's NAV, of which receivables made up 1.41%. The top ten positions remained the same compared to the last month. During May, the Fund increased its exposure to **Bank for Investment and Development (BID)** at attractive prices right before it turned around. The Fund also invested in **Hoa Binh Construction (HBC)**, one of Vietnam's leading constructors with good execution capability and potential upside thanks to its expanding contract book.

Market Update

Economic update

The Vietnamese manufacturing sector continued to keep its growth momentum while exports are showing weaknesses due to the contraction of domestic exporters.

HSBC's Purchasing Manager Index marked the 21st consecutive months of manufacturing expansion to touch a new record of 54.8 in May, up from 53.5 last month, leading by record growth of new business, output and new orders on the back of rising customer demand. Correspondingly, the Industrial Production Index also pointed out a robust growth of 9.2% YoY, of which manufacturing registered a solid increase of 9.9% YoY³.

The Consumer Price Index (CPI) inched up 0.16% MoM or 0.95% YoY in May, spearheaded by the rally of transportation as well as housing and construction materials baskets on the back of higher pump price and electricity hikes³. Inflation is expected to accelerate in June, fuelled by a 13-15% price hike of healthcare services in HCMC as stipulated by Circular 04, an aggregate increase of 18% in pump price in May, as well as rising food and foodstuff consumption during summer vacations.

May's trade balance posted an estimated deficit of USD 900 million, widening YTD trade deficit to USD 3 billion³. Exports rose 73%, much lower than the growth of 15.4% of the same period last year³, mostly came from the contraction of domestic exporters. Meanwhile, imports of machinery and equipment soared to keep pace with the solid expansion of the manufacturing sector. The Dong has been devalued another 1% on May 7th in an attempt to strengthen exports. The State Bank of Vietnam (SBV) reaffirmed to strictly follow its guidance of no more than 2% devaluation in 2015.

Disbursed Foreign Direct Investment (FDI) climbed to USD 4.95 billion as of 20th May, surpassing registered FDI by more than USD 650 million³. The manufacturing sector attracted the largest foreign investment capital, followed by property and wholesale-retail sectors³.

Banking sector

Credit growth arrived at 4.26% by end of May, much higher than 1.11% of the same period last year⁴. This growth pace of lending also surpassed that of deposits, coupled with rising CPI and the devaluation of the Dong posing an upward pressure on interest rates.

In terms of bank restructuring, Mekong Housing Bank (MHB) was merged into the Bank for Investment and Development of Vietnam (BID) at swap ratio of 1:1, while the Petrolimex Group Commercial Joint Stock Bank (PGBank) and Commercial Joint Stock Bank for Industry and Trade of Vietnam (CTG) officially signed a cooperation agreement to merge and started to perform the merger procedures. This year is the final year for the SBV to complete the target of bank restructuring during the term 2011-2015, thus more M&A deals are expected to happen in the next few months. Furthermore, while the merger and acquisition between small banks and large banks is vital to support the whole system and tackle bad debts, it's also necessary for large banks to merge with each other to form larger banks at regional level.

Stock market update

The VNIndex on the Ho Chi Minh Stock Exchange inched up 0.23% (USD terms)⁵ in May. Both average daily trading volume and value witnessed an increase of 25.36% and 76.2% respectively⁵. The market this month was mainly driven by the rally of banking and automobile stocks, thanks to robust auto sales and strong foreign interest. Foreign investors were active buyers this month, mostly focusing on large cap banks such as VCB, BID and CTG, as well as some auto stocks including HHS, TMT and HTL. The Vietnamese stock market traded at 12.74x trailing P/E at the end of May, still far below an average of 21.60x P/E for other emerging markets including Indonesia, Philippines, India and Thailand⁵.



Economic Indicators

	April 2015	May 2015
Real GDP growth (cumulative, YoY)	-	-
Industrial Production Index (cumulative, YoY)	9.40%	9.20%
Inventory Index (YoY)	11.30%	11.50%
Retail Sales and Services (cumulative, YoY)	8.80%	9.10%
Purchasing Manager Index (PMI) (*)	53.50	54.8
Credit growth (YTD) (**)	2.78%	4.26%
Inflation (YoY)	0.99%	0.95%
Import growth (cumulative, YoY)	19.90%	15.80%
Export growth (cumulative, YoY)	8.20%	7.30%
Trade balance (YTD, USD million)	(2,999)	(2,972)
Registered FDI (YTD, USD billion)	3.70	4.29
Disbursed FDI (YTD, USD billion)	4.20	4.95
Exchange rate (per USD) (***)	21,590	21,815

Source: General Statistics of Vietnam, except:

(*) HSBC

(**) State Bank of Vietnam

(***) Bloomberg

Material Event Disclosure

In order to increase transparency and communications to investors, the Fund manager plans to hold quarterly conference calls open to all registered shareholders. The first call was held on May 28th, 2015, and a transcript is published on the Fund website. The next call is expected to be held sometime in August. Investors interested in participating in the conference calls should contact scott.weldon@duxtonam.com to obtain the dial-in details.

Outlook

The macroeconomic recovery continued to be broad-based in Vietnam, in both supply and demand sides. Foreign direct investments momentum remains strong and is the reason behind an acceleration of imports, especially for machinery and equipments. Meanwhile, export growth is lower this year compared to the same period last year, especially for domestic companies, partly due to the strong Vietnam Dong compared to other currencies in the region. However, we continue to believe in the export growth story of Vietnam on the back of strong FDI, various signed or negotiating free trade agreements, and the competitiveness of Vietnam as a new manufacturing country. However in the long term, Vietnam would require a transfer of technology and management skills to boost its productivity levels. This is necessary to make the economy not only bigger, but stronger as well.

Footnote

- 1 Source: Bloomberg
- 2 Source: OTC brokers including Jefferies, Rothschild and Numis
- 3 Source: General Statistics Office of Vietnam
- 4 Source: The State Bank of Vietnam
- 5 Source: Bloomberg



Asset Class Performance	1 mth%	3 mth%
Listed equities	-1.14	-5.92
Closed End Funds	-0.87	1.10
Fixed Income Securities	-0.14	-0.24
Unlisted equities	-0.39	8.07

Top 5 Onshore Listed Holdings	%
Vinamilk	8.24
FPT Corp	4.29
Hoa Phat Group	4.25
PetroVietnam Drilling and Well	2.24
Kinh Bac City Development	1.89

Top 5 Other Holdings	%
Greenfeed	16.61
DWS Vietnam Fund	7.96
Vietnam Enterprise Fund	5.93
Vietnam Growth Fund	4.89
Corbyns International	4.68

Asset Class Exposure	%
Listed Equities	46.14
Unlisted Equities ^a	29.97
Closed-End Funds	20.20
Receivables	1.41
Fixed Income Securities	0.28
Cash and payables	2.00
Total	100.00

Currency Exposure	USD	VND	AUD
Total Assets of which	27.88%	71.99%	0.13%
Receivables	100.00%	0.00%	0.00%
Cash and payables	21.17%	78.58%	0.26%

Sector breakdown	%
Food Products	40.57
Real Estate Management and Devel	11.28
Building Materials	10.01
Metals and Mining	7.12
Information Technology	6.56
Energy Equipment and Services	5.83
Consumer Discretionary	4.53
Pharmaceuticals	4.22
Banks	4.12
Containers and Packaging	1.39
Health Care Providers and Services	1.31
Marine	1.09
Chemicals	0.84
Diversified Financials	0.72
Industrials	0.43
Total	100.00

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



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