



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 June 2015 (USD)

1 Month Performance:	3.95%
3 Month Performance:	5.56%
6 Month Performance:	4.07%
1 Year:	6.71%

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 June 2015	USD 0.7363
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 3.95% in June 2015.

Cumulative Return

USD	1 m	YTD	1 y	3 y	5 y	S. Launch
NAV to NAV*	3.95	4.07	6.71	54.95	30.76	-26.37
VNIndex (USD terms) ¹	4.56	6.97	0.70	35.01	2.63	-37.00
VHIndex (USD terms) ¹	2.36	1.03	7.12	15.00	-53.06	-72.05

Annualised Return

3 y	5 y	S. Launch
15.72	5.51	-3.51
10.52	0.52	-5.25
4.77	-14.04	-13.83

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 June 2015 breaks down as: listed equity 4.26%, closed-end funds -1.63%, unlisted equity 0.52% and fixed income -0.90%.

The listed equity portfolio returned 4.26% in June thanks to the performance of its largest holding Vinamilk, steel stocks and banking stocks. **Vinamilk** (VNM +7.62%¹) reported impressive profit growth of 26.4% YoY for the first six months of 2015 while net sales grew 11.2% YoY². This is the result of a prolonged downtrend of milk powder prices, which declined 20% YTD to 15 Jul to be at the lowest level since Feb 2009³. The downtrend is caused by substantial production in the major producing countries, namely New Zealand, Australia, the European Union and the United States, while global demand remains flat as China import demand is weak due to domestic inventory and Russia's import embargo remains in place. Given that Vinamilk purchases milk powder a few quarters ahead of production, margin expansion is expected to continue in 2016. The signing of Decree 60 on the foreign ownership limit expansion by the Prime Minister in June also contributed to push the stock higher.

Improvements in the Vietnamese steel sector over the past few months resulted in steel stocks contributing positively to the Fund's performance in June. According to management's preliminary results for the first half of the year, **Hoa Phat Group** (HPG, +8.65%¹)'s construction steel sales volume increased 52% YoY, increasing its market share from 19.1% to 22.1%². Substantial growth in steel demand thanks to the real estate recovery, coupled with a decline in iron ore prices, also helped **Hoa Sen Group** (HSG, +16.12%¹) achieve high growth in sales volume and a 72% YoY increase in net profit for the first 9 months of its fiscal year ending 30 Sept 2015².

Banking stocks continued to outperform in June. **Vietcombank** (VCB) was up 12.70% while **Bank for Investment and Development of Vietnam** (BID) returned 9.41%.¹

Detractors of the listed portfolio in June include two stocks that were hit by two special events. First, **Japan Vietnam Medical Instruments JSC** (JVC) share price hit the floor several days after news on the arrest of the company's chairman broke out. The stock lost 63% over the month¹ and represented 0.34% of NAV at the end of June (0.87% at the end of May). Second, after six months of halted trading, the investment manager has decided to write off its investments in **Hazelwood Resources** (HAZ, which made up 0.12% of NAV at the end of May). Trading in the stock has resumed from 9 Jul 2015 with a 47% decline compared to the last traded price back in December 2014¹.

The closed-end funds portfolio was up 1.63% in June 2015 thanks to the performance of Dragon Capital's Vietnam Growth Fund (+2.37% in price) and Vietnam Enterprise Investment Fund (+2.36% in price)⁴. PXP Vietnam Emerging Equity also saw an increase of 6.33% (in NAV).



The Fund's fixed income portfolio declined 0.90% in June.

The unlisted portfolio returned 0.52% in June 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.

In June 2015, the Fund sold its entire position in the OTC listed security, **Sabeco**, at a USD IRR of 10.3% and multiple of 1.9x.

The increase this month was mainly due to the re-valuation of the private equity holding of **Anova** and **Corbyns** which were up 2.8% and 3.9% QoQ respectively. For Anova, sales projection and the P/E multiple were revised upwards. For Q1 FY2015, revenue and NPAT increased 27.0% and 40.0% YoY respectively due to a substantial quarter across all businesses. This was due to improving business sentiment in Vietnam and continued improvement in the Feed and Veterinary health segments of the market as consumers demanded higher quality products.

For Corbyns, the carry effect due to redemption at maturity caused the increase in valuation. The financial performance for the two main subsidiaries, Vinasteel and Structure Steel Engineering, is good compared to last year and close to budget.

The above increases outweighed the decline in the value of GreenFeed which was down 4.1% QoQ due to a lower discount rate and P/E multiple.

Current Positioning

95.71% of the Fund's NAV was invested at the end of June 2015. Cash including receivables and payables represented 4.29% of the Fund's NAV, of which receivables made up 0.88%. At the end of the month, PetroVietnam Drilling and Well Services (PVD) featured among the top ten holdings as DWS Vietnam Fund treasury shares were cancelled. The top ten represents 61.11% of the Fund's NAV. During June, the Fund increased its exposure to broker stock **Saigon Securities Inc** (SSI) as the news on foreign ownership limit expansion creates a good upside potential for the stock. The Fund also invested in **PetroVietnam Nhon Trach 2 Power Plant**, a natural gas power plant company with attractive valuation.

Market Update

Economic update

Vietnam's GDP growth reached a record high since 2007 thanks to the substantial expansion of the manufacturing sector and the steady recovery of domestic demand.

Vietnam's GDP rose 6.44% YoY in the second quarter of 2015, marking a record high since 2007 and bringing GDP growth in the first half of this year (1H2015) to 6.28% YoY⁵. The economic growth continued to be driven by an expansion of 9.09% YoY in the industry and construction sector, nearly double the pace of 1H2014⁵. The manufacturing subsector posted a sharp increase of 9.95% YoY, higher than the growth of 7.89% YoY in the same period last year⁵.

Nikkei's Purchasing Manager Index continued to signal an expansion in June but the pace eased to 52.2 from the record high of 54.8 in May, driven by an increase of output and new orders, albeit at the lowest pace in these months. The Industrial Production Index also rose 9.6% YoY in the first half of 2015, spearheaded by the substantial expansion of manufacturing and rebound of mining activities⁵.

The Consumer Price Index (CPI) inched up 0.35% MoM or 1.00% YoY in June⁵ driven by the rally of the transportation basket and healthcare services due to a combined increase of 18% in pump price and the new pricing mechanism of medical and healthcare services as stipulated by Circular 04/2012. Retail sales also picked up to a 5-year high of 9.8% YoY, signaling a continuing recovery of domestic demand⁵.

Trade deficit widened to USD 3.75 billion at the end of June⁵. Foreign-invested enterprises maintained substantial export growth amid the contraction of domestic exporters. Trade deficit was mainly driven by the increased import of raw materials and machinery to keep pace with the expansion of industrial production.

Disbursed Foreign Direct Investment (FDI) climbed to USD 6.3 billion by end of June, while registered FDI stood at USD 5.5 billion, down 20% YoY on the absence of megaprojects⁵.

Banking sector

The deposit rates have been lifted up recently as credit growth reached 3-year high of 6.28% as of June 19th, surpassing the deposit growth of 4.58%⁵. Though the State Bank of Vietnam (SBV) has attempted to cut lending rates by 100-150 bps this year, it is unlikely rates will reduce further, given increased credit demand for the ongoing economic recovery and the slower growth of money supply as compared to the same period last year.



In terms of bad debt resolution, the Vietnam Asset Management Company (VAMC) has purchased VND 42 trillion worth of bad debts in the first half of 2015, fulfilling around 50% of this year target⁶. In addition, the SBV also announced that banks are not allowed to expand their network until they complete their bad debt resolution plan. The SBV is also trying to accelerate banking reform by acquiring weak banks at zero dong. Two cases of VNCB and Oceanbank have been done, and the next target is GP Bank.

On June 26th, the Prime Minister signed Decree 60, which repeals Decision 55 to regulate the foreign ownership limit (FOL) for securities traded on the stock market. Accordingly, the FOL shall be based on the level of foreign participation allowable for the company's operating business lines as outlined in international treaties such as WTO and existing Vietnamese laws. Companies operating in business lines where there are no restriction on foreign participation are free to set FOL within its business charter, or in other words, could set FOL up to 100%. However, FOL for the banking sector should remain unchanged. The new law will come into effect on 1st September 2015.

Stock market update

The VNIndex on the Ho Chi Minh Stock Exchange returned 4.56% (USD terms)¹ in June to end the month at 593.05. Both average daily trading volume and value witnessed a significant upsurge of 39.34% and 28.71% respectively¹. The performance was mainly driven by positive developments in the stock markets. After several months of preparation, Decree 60 was finally signed by the Prime Minister to allow an increase in the foreign ownership limit for Vietnamese companies, starting from September this year. The implementation guidelines for this new regulation are yet to be circulated. A proposal was also drafted by the authorities to shorten the settlement period by one day and to introduce intraday trading. Broker stocks were among the best performers this month, while stocks with full foreign participation such as VNM and FPT also witnessed increased volume. The Vietnamese stock market traded at 12.6x trailing P/E at the end of June, still far below an average of 21.2x P/E for other emerging markets including Indonesia, Philippines, India and Thailand¹.

Economic Indicators

	May 2015	June 2015
Real GDP growth (cumulative, YoY)	-	6.28%
Industrial Production Index (cumulative, YoY)	9.20%	9.60%
Inventory Index (YoY)	11.50%	11.80%
Retail Sales and Services (cumulative, YoY)	9.10%	9.80%
Purchasing Manager Index (PMI) (*)	54.8	52.2
Credit growth (YTD) (**)	4.26%	6.28%
Inflation (YoY)	0.95%	1.00%
Import growth (cumulative, YoY)	15.80%	17.70%
Export growth (cumulative, YoY)	7.30%	9.30%
Trade balance (YTD, USD million)	(2,972)	(3,753)
Registered FDI (YTD, USD billion)	4.29	5.49
Disbursed FDI (YTD, USD billion)	4.95	6.30
Exchange rate (per USD) (***)	21,815	21,839

Source: General Statistics of Vietnam, except:

(*) HSBC

(**) State Bank of Vietnam

(***) Bloomberg



Material Event Disclosure

As of the end of June, the Fund cancelled 48,631,392 own-shares which were previously held for investment. The Fund repurchased these shares between 2008 and June 2015 at an average cost of USD 0.32/share, which represents a discount of 57% to the Fund's NAV as of 30 June 2015. As a result of the cancellation, the number of shares outstanding has been reduced from 486,931,392 to 438,300,000. The fund's ownership of own-shares has been reduced from 9.99% to zero.

It is the intent of the Fund manager to continue to make share repurchases from time to time if shares can be obtained in the market at a significant discount to NAV.

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 in August. Investors interested in participating in the conference calls should contact scott.weldon@duxtonam.com to obtain the dial-in details.

Outlook

The Vietnamese economy is showing positive signs for the coming months. On one hand, the National Financial Supervisory Commission (NFSC) forecasts a growth of 6.5% for Vietnam's economy in 2015 and 6.7-7.1% for 2016, given better economic performance in the first half of this year thanks to recent substantial expansion of exports and foreign direct investments. On the other hand, the signing of a Trade Promotion Authority by the US president signals the finalization of Trans-Pacific Partnership negotiations in the months ahead. However, according to the recent report of HSBC Global Research, there is a high likelihood of Vietnam falling into the lower-medium income trap caused by ineffective capital allocation and weak productivity. Therefore, it is imperative that the Vietnamese government accelerate the process of privatizing state-owned enterprises and implement reforms to the banking sector so as to remove bottlenecks in the economy.

Footnote

- 1 Source: Bloomberg
- 2 Source: Company data or announcements
- 3 Source: Global Dairy Trade
- 4 Source: OTC brokers including Jefferies, Rothschild and Numis
- 5 Source: General Statistics Office of Vietnam
- 6 Source: The State Bank of Vietnam



Asset Class Performance	1 mth%	3 mth%
Listed equities	4.26	5.74
Closed End Funds	1.63	2.98
Fixed Income Securities	-0.90	-0.94
Unlisted equities	0.52	3.89

Top 5 Onshore Listed Holdings	%
Vinamilk	9.47
FPT Corp	4.63
Hoa Phat Group	3.94
PetroVietnam Drilling and Well	2.43
Kinh Bac City Development	1.98

Top 5 Other Holdings	%
Greenfeed	17.23
Vietnam Enterprise Fund	6.49
Vietnam Growth Fund	5.35
Corbyns International	5.20
Anova Corp	3.72

Asset Class Exposure	%
Listed Equities	51.49
Unlisted Equities ^a	30.75
Closed-End Funds	13.18
Receivables	0.88
Fixed Income Securities	0.29
Cash and payables	3.41
Total	100.00

Currency Exposure	USD	VND	AUD
Total Assets of which	20.95%	79.04%	0.00%
Receivables	100.00%	0.00%	0.00%
Cash and payables	11.68%	88.16%	0.16%

Sector breakdown	%
Food Products	39.16
Real Estate Management and Devel	11.23
Building Materials	11.05
Information Technology	7.39
Energy Equipment and Services	6.25
Metals and Mining	5.49
Banks	4.67
Consumer Discretionary	4.59
Pharmaceuticals	4.23
Diversified Financials	1.77
Containers and Packaging	1.35
Marine	1.10
Chemicals	0.80
Health Care Providers and Services	0.48
Industrials	0.44
Total	100.00

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



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