



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 August 2015 (USD)

1 Month Performance:	-11.77%
3 Month Performance:	-3.79%
6 Month Performance:	-9.51%
1 Year:	-16.35%

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 31 August 2015	USD 0.7090
Launch date	8th December 2006

Market Maker

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

Jefferies International
 Bloomberg: **JCEF <GO>**
Mark Mulholland
+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
+44 20 7260 1376

Performance

Fund Performance



Assets Under Management



Performance Review

The NAV of DWS Vietnam Fund was down 5.89% in August 2015.

Cumulative Return	Annualised Return						Calendar Years Return					
	USD	1 m	YTD	1 y	3 y	5 y	S. Launch	3 y	5 y	S. Launch	2014	2013
NAV to NAV*	-5.89	0.21	-3.59	52.64	33.85	-29.10	15.14	6.00	-3.86	10.46	26.58	26.06
VNIndex (USD terms) ¹	-11.77	-1.57	-16.35	31.93	7.58	-42.03	9.68	1.47	-6.05	6.60	20.48	18.91
VHIndex (USD terms) ¹	-12.31	-11.63	-16.79	15.93	-48.10	-75.55	5.05	-12.29	-14.90	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 August 2015 breaks down as: listed equity -7.74%, closed-end funds -8.93%, unlisted equity -2.97% and fixed income -0.89%.

The listed equity portfolio declined 7.74% in August while the VNIndex lost 11.77%¹. The devaluation of currencies across the region sent most stocks down across the board. The Fund's most significant detractors include oil and gas stocks such as **PetroVietnam Drilling (PVD)**, -17.31% and **PetroVietnam Gas (GAS)**, -11.88%, despite the recovery of the global oil prices during the last week of the month. Industrial park developer **Kinh Bac City Development (KBC)** lost 23.27% on unfounded negative rumours that their chairman was arrested. However, this was debunked after the chairman subsequently made share buy-backs to prove otherwise. During the first half of 2015, KBC's revenue almost tripled compared to last year. The devaluation of the Vietnam Dong by the State Bank of Vietnam is rather positive for KBC as their contracts are nominated in USD. Gross margin declined compared to H1-2014 due to a less profitable Q2-2015 as a result of adjustment in booking Cost of Goods Sold of Trang Due Industrial Park – Phase 1. Net profit increased six fold compared to H1-2014.

On the bright side, despite the market's turbulence, **Vinamilk (VNM)** continued to outperform with a stock price increase of 3.54%. **Saigon Securities Corp (SSI)**, +4.74% also performed well in light of being the first publicly traded Vietnamese company to implement a 100% foreign-ownership limit.

The closed-end funds portfolio was down 8.93% in August 2015 following the market's turbulence. Dragon Capital's Vietnam Growth Fund and Vietnam Enterprise Investment Fund, being heavily invested in listed equities, declined the most in price. DWS Vietnam Fund's price fell 4.29%.²

The Fund's fixed income portfolio was down 0.89% in August.

The unlisted portfolio declined 2.97% in August 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 re-valued quarterly.

The decrease this month was mainly due to the decrease in share price of **NBB (NBB)**, -2.08%¹.



Current Positioning

97.30% of the Fund's NAV was invested at the end of August 2015. Cash including receivables and payables represented 2.70% of the Fund's NAV, of which receivables made up 1.00%. At the end of the month, **Hoa Sen Group** (HSG) replaced **PetroVietnam Drilling & Well Services** (PVD) as the 10th largest holding while the top nine holdings remains unchanged compared to the previous month. In total, the top ten holdings represent 61.10% of the Fund's NAV. During August, the Fund added **PetroVietnam Fertilizers and Chemicals** (DPM) into its listed portfolio while continuing to divest gradually from **Japan Vietnam Medical Instruments** (JVC).

Market Update

Economic update

August witnessed the third unexpected devaluation of the Dong while economic indicators continued to show improvements.

Nikkei's Purchasing Manager Index edged down to 51.3 in Aug from 52.6 in July, yet manufacturing activities remained in a state of expansion. It was believed that increasing competition from Chinese manufacturers, coupled with weaker demand from international markets, weighed on the growth of new orders as well as production output. Meanwhile, the Industrial Production Index registered an expansion of 9.9% YoY, much higher than the growth of 6.3% of the same period last year³.

August Consumer Price Index (CPI) slid 0.07% MoM while headline inflation stood at 0.61% YoY on cheaper pump prices and slower consumption of housing and construction material during the rainy season³. Inflation is expected to return in September due to tuition hikes during the back-to-school season; however fuel price cuts and the continued downtrend of the housing and construction material market will moderate the rate of increase.

Trade balance registered a slight deficit of USD 100 million in August, widening YTD trade deficit to USD 3.6 billion³. While mobile phones continued to dominate export turnover, imports of machinery made up the largest proportion (17%) of the import turnover³. August noticeably saw the third devaluation of the Dong by 1% with the trading band being widened to +/-3%, in response to the unforeseen devaluation of the Chinese Yuan and as a measure to maintain Vietnam's export competitiveness. Regional currencies have also fallen against the US dollar. Year-to-date as of end August, the Vietnam Dong has depreciated 5.1%, while the Malaysian Ringgit lost 19.9%, the Indonesian Rupiah 13.6%, the Singapore Dollar 6.5%, the Indian Rupiah 5.5%, the Philippine Peso 4.6% and the Chinese Yuan 2.8%.

YTD registered Foreign Direct Investment (FDI) witnessed an upsurge to reach a new high of USD 13.3 billion, up 30.4% YoY from the same period last year, on the approval of USD 3 billion investment into Samsung Display Bac Ninh³. Disbursed FDI, on the other hand, stayed on track at USD 8.5 billion, representing an increase of 7.6% YoY³.

Banking sector

According to the State Bank of Vietnam (SBV), YTD credit growth registered 9.31% as of 20th Aug 2015, much higher than that of 4.07% in the same period last year, while deposits expanded 7.26%, fairly flat compared to 7.92% during the first eight months of 2014. Both deposit and lending rates were kept stable throughout the month.

The local banking system saw another example of the state's restructuring effort when the SBV placed DongA Bank under special supervision and dismissed a number of senior management positions. The SBV will designate representatives from Bank of Investment and Development of Vietnam (BIDV) to monitor the DongA Bank's operations in order to safeguard its rights and interests of depositors and investors. However, this action was for the sole purpose of restructuring the bank's human resources department and didn't constitute an intention by BIDV to purchase or acquire DongA Bank.

With regard to bad debt settlement, the SBV has released Circular 14/2015/TT-NHNN, which comes into effect on 15th Oct 2015, laying out new regulations regarding the issue of Vietnam Asset Management Company (VAMC)'s normal bonds to acquire debt below book value, ease of risk provisioning, as well as detailing the procedures for VAMC to sell its purchased bad debts. This is part of the SBV's plan to reduce the banking industry's non-performing loans (NPLs) to 3% or less and facilitate the formation of a debt trading market.

Stock market update

The VN-Index on Ho Chi Minh Stock Exchange slid 11.77% (USD terms)⁴ in August to end the month at 564.75. Regional indices also suffered great losses, with the Chinese SHCOMP losing 14.88%, the Malaysian FTSE Bursa KLCI 14.38%, the Singaporean STI 11.41% and the Indian SENSEX 9.92%. YTD, the VNIndex has outperformed all other ASEAN stock indices (in USD, total return). In Vietnam, both average daily trading volume and value saw a steep decline of 10.6% and 14.9% respectively⁴. The surprise devaluation of the Chinese Yuan sending shockwaves across global equity markets, coupled with forced margin selling of retail accounts, have weighed on investor sentiment, dragging down the Vietnamese stock market this month. Foreigners registered a net divestment of only USD 19 million in August⁵.



On the other hand, the market received a positive signal from the release of Circular 123 which outlined guidelines on foreign ownership limit (FOL) expansion. Accordingly, each public company will be allowed to determine its own FOL and report it to the State Securities Commission (SSC) for approval. On 1st Sep 2015, Saigon Securities Inc. (SSI) became the first stock to have 100% foreign room. The Vietnamese stock market traded at the lowest valuation of 11.04x P/E for the year, far below an average of 20.35x P/E for other emerging markets including Indonesia, Philippines, India and Thailand⁴.

Economic Indicators

	July 2015	August 2015
Real GDP growth (cumulative, YoY)	-	-
Industrial Production Index (cumulative, YoY)	9.90%	9.90%
Inventory Index (YoY)	10.30%	10.10%
Retail Sales and Services (cumulative, YoY)	9.90%	10.10%
Purchasing Manager Index (PMI) (*)	52.6	51.3
Credit growth (YTD) (**)	7.32%	9.31%
Inflation (YoY)	0.90%	0.61%
Import growth (cumulative, YoY)	16.40%	16.40%
Export growth (cumulative, YoY)	9.50%	9.00%
Trade balance (YTD, USD million)	(3,373)	(3,623)
Registered FDI (YTD, USD billion)	8.80	13.30
Disbursed FDI (YTD, USD billion)	7.40	8.50
Exchange rate (per USD) (***)	21,818	22,482

Source: General Statistics of Vietnam, except:

(*) HSBC

(**) State Bank of Vietnam

(***) Bloomberg



Material Event Disclosure

In order to increase transparency and communication to investors, the Fund manager plans to hold quarterly conference calls, open to all registered shareholders. The next call is scheduled to be held at 8am on the 28th September 2015 (Cayman Islands time, UTC-05:00). Investors interested in participating in the conference calls should contact scott.weldon@duxtonam.com to obtain the dial-in details.

Outlook

Export growth is forecast to accelerate during peak season in the fourth quarter. This is fuelled by the recent devaluation of the Dong and conclusion of the Free Trade Agreement between Vietnam and the European Union (EU), which will help boost Vietnam's key export categories to the EU including electronics, apparels and fisheries. We think the US market is currently strong and will provide a greater potential for exports, especially on anticipation that the Trans-Pacific Partnership (TPP) will be finalized sometime at the end of this year or early next year. In contrast, the decline of ANZ-Roy Morgan Vietnam Consumer Confidence Index to 133.7 in August signals that Vietnamese households may have perceived the third unexpected devaluation of the Dong as a sign of weakness. However, given the current low prices of domestic gold albeit declining sentiment, it is expected that consumer confidence should stabilise and eventually lead to a stronger domestic economic recovery.

Footnote

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



Asset Class Performance	1 mth%	3 mth%
Listed equities	-7.74	0.86
Closed End Funds	-8.93	-4.12
Fixed Income Securities	-0.89	-0.56
Unlisted equities	-2.97	-2.16

Top 5 Onshore Listed Holdings	%
Vinamilk	10.14
FPT Corp	4.45
Hoa Phat Group	3.99
Hoa Sen Group	2.33
Bank For Foreign Trade JSC	1.988

Top 5 Other Holdings	%
Greenfeed	17.38
Vietnam Enterprise Fund	6.12
Corbyns International	5.40
Vietnam Growth Fund	5.03
Anova Corp	3.76

Asset Class Exposure	%
Listed Equities	52.54
Unlisted Equities ^a	30.96
Closed-End Funds	13.50
Receivables	1.00
Fixed Income Securities	0.31
Cash and payables	1.70
Total	100.00

Currency Exposure	USD	VND	AUD
Total Assets of which	20.60%	79.34%	0.06%
Receivables	100.00%	0.00%	0.00%
Cash and payables	-30.88%	130.47%	0.40%

Sector breakdown	%
Food Products	39.55
Real Estate Management and Devel	12.05
Building Materials	11.75
Information Technology	7.08
Energy Equipment and Services	5.58
Metals and Mining	5.07
Banks	4.80
Consumer Discretionary	4.26
Pharmaceuticals	4.19
Diversified Financials	2.08
Containers and Packaging	1.28
Marine	1.22
Chemicals	0.83
Industrials	0.20
Health Care Providers and Services	0.07
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