



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 September 2015 (USD)

1 Month Performance:	-0.36%
3 Month Performance:	-8.32%
6 Month Performance:	-2.46%
1 Year:	-11.34%

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 30 September 2015	USD 0.7070
Launch date	8th December 2006

Market Maker

LCF Rothschild Securities Bloomberg:	LCFR <GO> Johnny Hewiston funds@lcrf.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 down 0.28% in September 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*	-0.28	-0.07	-6.18	57.04	36.38	-29.30	16.24	6.40	-3.86	10.46	26.58	26.06
VNIndex (USD terms) ¹	-0.36	-1.92	-11.34	32.93	7.24	-42.23	9.95	1.41	-6.03	6.60	20.48	18.91
VHIndex (USD terms) ¹	1.46	-10.34	-16.99	30.45	-46.94	-75.20	9.27	-11.91	-14.63	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 September 2015 breaks down as: listed equity -0.27%, closed-end funds -0.58%, unlisted equity 1.74% and fixed income 0.27%.

The listed equity portfolio declined 0.27% in September while the VNIndex lost 0.36%. Uncertainties in the oil & gas sector continued to send these stocks down, with **PetroVietnam Drilling (PVD)** declining 5.79% and **Petro Vietnam Gas (GAS)** 2.25%.¹ For the first nine months of 2015, PVD recorded growth rates of -24.6% for revenue and -17.9% for net profit. This is still within management targets of -35% and -38%, respectively, for the whole of 2015, thanks to implementation of cost cutting measures across many areas including salary renegotiation with foreign experts, reduction of headcount and administration.

Another detractor of the Fund's listed portfolio in September was **Saigon Securities Corp (SSI)**, -9.27%.¹ The Vietnamese government allowed SSI to become the first stock with an unrestricted foreign ownership limit (FOL) (which means foreigners could own up to 100% of the company) on the 1st of September, however market participants were confused on whether this required an EGM to seek for shareholders' approval. The government has yet to release guidelines for the expansion of other companies' FOL.

On the positive side, port operator **Vietnam Container Shipping (Viconship, VCS)** and **Dry Cell & Storage Battery (Pinaco, PAC)** outperformed with returns of 13.08% and 14.68%, respectively. A milestone was reached after prolonged negotiations regarding the Trans-Pacific Partnership deal, pushing logistics stocks such as VSC and Demadept (GMD). Meanwhile, PAC released estimated results for the first nine months of the year with a jump of 32.9% in pre-tax profit.

The closed-end funds portfolio was down 0.58% in September 2015. The price of **Vietnam Growth Fund** and **DWS Vietnam Fund** increased by 0.68% and 1.64%, respectively, while **Vietnam Enterprise Investment Fund** and **PXP Vietnam Emerging Equity** declined by 0.43% and 6.06% respectively. The decline in PXP reflects NAV change (not price change) over the two months period from 31 July to 30 September.²

The Fund's fixed income portfolio was up 0.27% in September.

The unlisted portfolio gained 1.74% in September 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 increase this month was mainly due to the revaluation of the private equity holdings. **Corbyns** increased by 4.1% QoQ. For Corbyns, the carry effect of 20% IRR to be received at maturity caused the increase in valuation. The financial performance for the two main subsidiaries, Vinasteel and Structure Steel Engineering, was good compared to last year and close to budget.

In September 2015, the Fund subscribed to 1,204,020 shares via a rights issue by **Anova** to expand its feed business in Vietnam and maintain the same fully diluted stake in this company. In the same month, DWS Vietnam Fund also subscribed to 52,500 of convertible bonds offered by **NBB Corp**. Both investments have an exit option by the end of 2016.

Current Positioning

97.47% of the Fund's NAV was invested at the end of September 2015. Cash including receivables and payables represented 2.53% of the Fund's NAV, of which receivables made up 0.63%. The top 10 holdings remained unchanged compared to the previous month, with **Greenfeed** and **Vinamilk** representing each more than 10% of NAV. In total, the top ten holdings represent 61.67% of the Fund's NAV. During September, the Fund continued to build its exposure to **PetroVietnam Fertilizers and Chemicals (DPM)** and **PetroVietnam Nhon Trach 2 Power (NT2)** while continuing to gradually divest from **Thanh Thanh Cong Tay Ninh (SBT)** and **PetroVietnam Gas (GAS)**.

Market Update

Economic update

Economic indicators in September continued to show steady quarterly economic expansion.

Vietnam's GDP rose 6.81% in the third quarter of 2015, on par with the strong sequential gains of 6.12% and 6.47% during the first two quarters of the year³. The country's economic growth climbed to 6.50% in the first nine months of 2015, driven mainly by the industry and construction sector, which increased 9.57% as compared to the same period last year³. Noticeably, the manufacturing subsector expanded 10.15% on strong Foreign Direct Investment (FDI) inflows into the electronics manufacturing and textile industries³.

Nikkei's Purchasing Manager Index (PMI) contracted for the first time in two years, falling to 49.5 in Sep. The weaker PMI was primarily attributed to lower new orders, driven by sluggish global demand. On the contrary, the nine-month period has seen the Industrial Production Index expanding by 9.8%, much higher than the growth of 6.7% compared to the same period last year³.

September's Consumer Price Index (CPI) slid 0.21% MoM, and remains unchanged from last year³. Weak CPI was caused by decreased transportation costs resulting from two gasoline price cuts as well as lower food and foodstuff prices³. According to HSBC's Vietnam at a Glance report, price pressure is expected to remain subdued in the near term due to a slump in oil prices and the devaluation of the Vietnamese Dong. Thus, the forecast for inflation is likely to bottom out in the fourth quarter, and then rebound in the first quarter of next year.

Trade balance registered a slight deficit of USD 100 million in September, widening YTD trade deficit to USD 3.9 billion³. Exports delivered a growth rate of 9.6% during the first nine months of the year, much lower than last year's level of 14.1%, however Vietnam still outperformed regional peers where exports exhibited a negative growth³.

FDI inflows remained robust with YTD Registered FDI surging 53.4% YoY to USD 17.16 billion on the approval of mega projects, namely Samsung Display (USD 3 billion) and Duyen Hai 2 Thermal Power Plant (USD 2.4 billion), while Disbursed FDI continued to stay on track, increasing 8.4% YoY to USD 9.7 billion³.

Banking sector

According to the State Bank of Vietnam (SBV), credit growth registered 10.78% by September 21st, 2015, much higher than that of 7.26% during the same period last year, partly thanks to the government's efforts to promote liquidity by raising the credit growth ceiling for some major commercial banks. Credit growth therefore is predicted to top 16.5% this year, surpassing the year-end target of 13-15%⁴.

The SBV also took another step to curb dollarization and reduce pressure on the VND/USD exchange rate by decreasing the USD deposit interest rate by 25 basis points to zero for organizations and by 50 basis points to 0.25% for individuals as of September 28th, 2015. The decision is also considered as a preparation for the possibility of an interest rate hike from the US Federal Reserve in the coming months, as well as facilitating the access of USD loans to export companies at lower interest rates.

Stock market update

The VNIndex on Ho Chi Minh Stock Exchange slid 0.36% (USD terms)⁵ in September to end the month at 562.64. Both average daily trading volume and value saw a steep decline of 28.26% and 33.26% respectively⁵. The performance of the Vietnamese stock market remained relatively solid thanks to positive economic conditions while other emerging markets



were adversely affected by the widespread concerns of a strengthening US dollar and a Chinese economic slowdown. Mid-caps in the construction materials and logistics sectors were the top performers this month, gaining on the back of the real estate recovery and the signing of the Trans Pacific Partnership (TPP) trade pact. Foreigners registered net divestments of USD 42 million in September due to currency concerns on the recent devaluations of the Vietnamese Dong and expected US interest rate hike before the year end⁵. At the end of September, the Vietnamese stock market traded at a valuation of 10.95x P/E, far below an average of 19.93x P/E for other emerging markets including Indonesia, Philippines, India and Thailand⁵.

Economic Indicators

	August 2015	September 2015
Real GDP growth (cumulative, YoY)	-	6.50%
Industrial Production Index (cumulative, YoY)	9.90%	9.80%
Inventory Index (YoY)	10.10%	9.90%
Retail Sales and Services (cumulative, YoY)	10.10%	9.80%
Purchasing Manager Index (PMI) (*)	51.3	49.5
Credit growth (YTD) (**)	9.31%	10.78%
Inflation (YoY)	0.61%	0.40%
Import growth (cumulative, YoY)	16.40%	15.90%
Export growth (cumulative, YoY)	9.00%	9.60%
Trade balance (cumulative, USD million)	(3,623)	(3,864)
Registered FDI (YTD, USD billion)	13.30	17.20
Disbursed FDI (YTD, USD billion)	8.50	9.70
Exchange rate (per USD) (***)	22,482	22,478

Source: General Statistics of Vietnam, except:

(*) Markit

(**) 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 last call was held on the 28th September 2015 and the next call remains to be scheduled. Investors interested in participating in the conference calls should contact scott.weldon@duxtonam.com to obtain the dial-in details.

Outlook

Asian Development Bank (ADB) has revised up its forecast for Vietnam's 2015 GDP growth to 6.5% from a previously published 6.1%, with key catalysts including macroeconomic stability, strong manufacturing sector, well controlled inflation and rising domestic consumption. The World Bank also predicts an annual expansion of 8-10% for Vietnam's economy from now until 2030. The successful signing of the TPP agreement is expected to provide advantages from tax/tariffs removal and increasing foreign investment inflows, especially in labor-intensive manufacturing. However, the slowdown in exports due to weaker demand from key trade partners, combined with sluggish domestic demand is likely to widen the trade deficit even further, which is an issue the State needs to address in the upcoming months.

Footnote

- 1 Source: Bloomberg
- 2 Source: OTC brokers including Jefferies, Rothschild and Numis
- 3 The General Statistics Office of Vietnam
- 4 The State Bank of Vietnam
- 5 Bloomberg
- 6 Viet Capital Securities (VCSC)



Asset Class Performance	1 mth%	3 mth%
Listed equities	-0.27	-3.53
Closed End Funds	-0.58	-6.21
Fixed Income Securities	0.27	0.62
Unlisted equities	1.74	-0.98

Top 5 Onshore Listed Holdings	%
Vinamilk	10.17
FPT Corp	4.49
Hoa Phat Group	3.91
Hoa Sen Group	2.38
Bank For Foreign Trade JSC	2.00

Top 5 Other Holdings	%
Greenfeed	17.64
Corbyns International	5.64
Vietnam Enterprise Fund	5.48
Vietnam Growth Fund	4.44
Anova Corp	4.28

Asset Class Exposure	%
Listed Equities	52.03
Unlisted Equities ^a	32.64
Closed-End Funds	12.65
Receivables	0.63
Fixed Income Securities	0.15
Cash and payables	1.90
Total	100.00

Currency Exposure	USD	VND	AUD
Total Assets of which	21.10%	78.87%	0.03%
Receivables	100.00%	0.00%	0.00%
Cash and payables	61.03%	38.57%	0.37%

Sector breakdown	%
Food Products	38.62
Real Estate Management and Devel	13.00
Building Materials	11.87
Information Technology	6.84
Metals and Mining	5.32
Consumer Discretionary	5.12
Banks	4.85
Energy Equipment and Services	4.65
Pharmaceuticals	3.85
Diversified Financials	1.85
Marine	1.35
Containers and Packaging	1.30
Chemicals	1.30
Industrials	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