



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 October 2015 (USD)

1 Month Performance:	6.36%
3 Month Performance:	-0.19%
6 Month Performance:	5.09%
1 Year:	0.84%

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 October 2015	USD 0.7520
Launch date	8th December 2006

Market Maker

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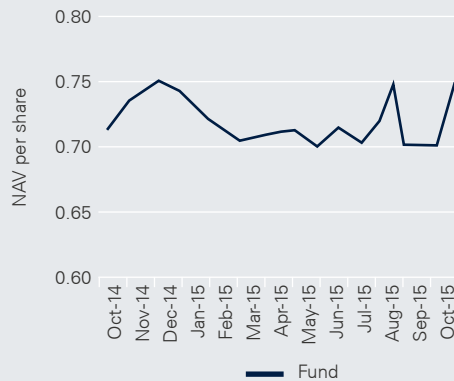
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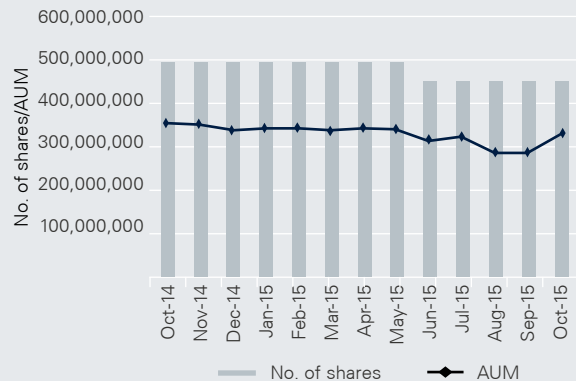
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Performance

Fund Performance



Assets Under Management



Performance Review

The NAV of DWS Vietnam Fund was up 6.36% in October 2015.

Cumulative Return

USD	1 m	YTD	1 y	3 y	5 y	S. Launch
NAV to NAV*	6.36	6.29	0.84	65.35	44.09	-24.80
VNIndex (USD terms) ¹	8.63	6.54	-3.79	45.87	17.15	-37.25
VHIndex (USD terms) ¹	6.05	-4.91	-11.11	44.88	-36.44	-73.70

Annualised Return

3 y	5 y	S. Launch
18.25	7.58	-3.15
13.41	3.22	-5.10
13.15	-8.67	-13.93

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 October 2015 breaks down as: listed equity 10.56%, closed-end funds 7.02%, unlisted equity 1.02% and fixed income 1.27%.

The listed equity portfolio surged 10.56% in October while the VNIndex gained 8.63%. Most stocks increased in price. **Vinamilk** (VNM), the Fund's second largest holding, was the best performer this month with an 18% increase in share price following the announcement of the government's intended divestment plan for the State Capital Investment Corporation (SCIC), which currently owns 45% of Vinamilk. Prolonged low oil prices have prompted the State to liquidate some of its investments to create income for its budget, having overshot its budget plan in the first seven months of 2015. Although no timeline has been announced, this long awaited divestment plan paves the way for greater foreign ownership, which investors have been looking forward to. We think the SCIC's divestment will be carried out slowly in blocks, partly by negotiated deals with strategic partners in the dairy industry and through public bidding. Vinamilk's management has come up with a proposal to the State for them to participate in the divestment process, which we view as a positive move.

During the month, Vinamilk also released excellent results for the first nine months of 2015. Revenue grew by 16% YoY, driven mostly by volume growth, and net profit grew 35% YoY. Thanks to the decline in milk powder input prices, gross margin for 9M2015 increased to 39.8% compared to 31.6% during the same period last year. After our visit to the management in Ho Chi Minh City, we have reason to believe this elevated margin could be maintained for at least the first half of next year, given the current glut in the global dairy market. Due to fierce competition, selling, marketing and advertising expenses increased from 9.9% in 9M2014 to 15.1% in 9M2015. For a consumer company, in our view, this increase is inevitable and foreseeable.

FPT Corp (FPT) and **Tien Phong Plastic** (NTP) also outperformed in October with a return of 10.79% and 41.67%, respectively. Both companies were specifically mentioned in the same divestment plan. The SCIC currently holds 6% of FPT Corp, 50.2% of FPT Telecom and 37.1% of NTP. **Mobile World Investment Corp** (MWG) achieved a 21.31% return, a strong recovery upon releasing positive Q3 earnings, after a significant decline since February this year.

Real estate company **Ha Do JSC** (HDG) was a detractor to the performance of the Pagoda Fund with a decline of 3.1% over the month. Investors were anticipating delayed revenue booking of the Ha Do Park View project and slow progress on other projects. In addition, the launch of Project Z756 (an upmarket residence featuring townhouses and luxury apartments in Ho Chi Minh City, District 10), HDG's key project for the next few years, was delayed due to complications with the Land Use Right settlement fees. However, recently released third quarter results showed 9M2015 net revenue and NPAT growth of 16% and 57% YoY, respectively. We remain positive on HDG given its execution record and its large available land bank for development in key locations.



The closed-end funds portfolio was up 7.02% in October 2015. The price of **Vietnam Growth Fund** and **Vietnam Enterprise Investment Fund** increased by 8.81% and 8.16%, respectively, while **DWS Vietnam Fund** increased by 3.67%. **PXP Vietnam Emerging Equity's** price remained unchanged for the month.

The Fund's fixed income portfolio was up 1.27% in October.

The unlisted portfolio gained 1.02% in October 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 a 9.7% increase in share price for **An Phat Plastic** (AAA).

Current Positioning

97.11% of the Fund's NAV was invested at the end of October 2015. Cash including receivables and payables represented 2.89% of the Fund's NAV, of which receivables made up 0.64%. 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 61.72% of the Fund's NAV. During October, the Fund continued to build its exposure in **PetroVietnam Fertilizers and Chemicals** (DPM), given the global oil price outlook, while continuing to gradually divest from **PetroVietnam Gas** (GAS) and **Hazelwood Resources** (HAZ). In addition, the Fund added **Thong Nhat Production & Investment JSC** (GTN) into its portfolio. The Fund has also fully exited its position from **Thanh Thanh Cong Tay Ninh** (SBT).

Market Update

Economic update

Vietnam continued to show macroeconomic stability amid the conclusion of the Trans-Pacific Partnership (TPP).

Nikkei's Purchasing Manager Index (PMI) rose to 50.1 in October, up from 49.5 of last month. Output increased marginally, whereas new orders declined for the fifth-consecutive month on subdued global demand. Meanwhile, the Industrial Production Index (IPI) fell to 8.8% in October, down from 10.1% in September. Nonetheless, the IPI has risen 9.7% YoY during the ten-month period, much higher than the growth of 6.9% during the same period last year¹.

October's Consumer Price Index (CPI) rose 0.11% MoM and remained unchanged from last year¹. The CPI this month was driven mainly by rising foodstuff prices from increased demand as October marked the beginning of the wedding season. Prices of garments, hats and footwear also increased, driven by shopping demand for autumn-winter goods brought about by the change in season¹. Though consumption usually picks up towards the end of the year, ahead of holiday season, low oil and commodity prices are likely to keep the CPI depressed. The Asian Development Bank therefore has lowered its forecast for Vietnam's 2015 inflation to 0.9%, down 1.6% from its earlier projection.

Trade balance registered a slight deficit of USD 100 million in October, widening YTD trade deficit to USD 4.1 billion². This trade deficit represents 1.5% of total trade for the first ten months of the year. Exports growth slowed to 8.5% during the ten-month period of 2015, much lower than last year's level of 13.4%, while imports witnessed an expansion of 14.3% YoY, up from last year's growth of 11.2%¹. The United States was the biggest importer of Vietnamese products, while China continued to account for the largest proportion of Vietnam's import turnover¹.

Foreign investment inflows remained robust with YTD registered Foreign Direct Investment (FDI) surging 40.8% YoY to USD 19.3 billion, of which the manufacturing sector attracted the largest number of FDI projects, followed by electricity generation and real estate businesses¹. Meanwhile, disbursed FDI continued to stay on track, increasing 16.3% YoY to USD 11.8 billion¹.

Structural reforms

Structural reforms in Vietnam have seen some mixed progress in the state-owned enterprises (SOEs) and banking sector. According to the Hanoi Stock Exchange (HNX), the State has collected a total of VND 4.4 trillion from the divestment of its stake in 51 initial public offerings (IPOs) during the first ten months of 2015, and also received another VND 767.4 billion in 10M2015 from selling more stakes in 19 SOEs that have been privatized earlier. Overall, the country is lagging on its SOE reform goal, given only 94 out of 289 SOEs have been equitized so far this year. This is mainly due to procedural complexity, reluctance of current SOE leaders for fear of power dilution, as well as a lack of interest from strategic investors due to the small size of share blocks offered². Although the easing of foreign ownership limits on listed companies may help to address this issue, foreign investors still express doubts on corporate governance and financial transparency of these companies. However, the recent announcement of SCIC on its plan to divest from 10 large enterprises including Vinamilk (VNM), FPT Corp (FPT), Binh Minh Plastic (BMP) and Tien Phong Plastic (NTP), has sent a good signal to the market, reaffirming the State's intention to reduce its ownership presence in the economy and encourage the entry of the foreign private sector.



In the banking sector, mergers and acquisitions of commercial banks have accelerated, however the resolution of bad debt remains a concern. The Vietnam Asset Management Company (VAMC) has purchased total of VND 92.047 trillion worth of bad debt up to October 2015, surpassing the full year target of VND 80 trillion³. However, the VAMC is having difficulty finding investors to resell these bad debts, having sold only VND 9 trillion out of VND 182 trillion bought. Few local investors have the financial wherewithal to buy such debts and prospective foreign buyers are concerned about the vague policies related to receivables in Vietnam. Other VAMC's measures including debt restructuring, lowering interest payment and providing new credit lines also seem to be ineffective.

According to the State Bank of Vietnam (SBV), credit growth registered 12.51% by October 26th, 2015, much higher than that of 2014 (7.85%). Moreover, the National Assembly's approval for the issuance of USD 3 billion worth of sovereign bonds in 2017 to restructure domestic debts in 2015-2016 is expected to ease pressure on the State budget and domestic banks' foreign currency resources, enabling them to maintain low interest rates for the local currency and thus supporting local enterprises.

Stock market update

The VN-Index on Ho Chi Minh Stock Exchange rose 8.63% (USD terms)⁴ in October to end the month at 60737. Both average daily trading volume and value saw an upsurge of 29.1% and 38.4% respectively⁴. The market in October was driven by various supporting factors, including the TPP signing, divestment plan of SCIC and third quarter corporate earnings releases. TPP-related stocks witnessed a considerable upsurge, especially in logistics, insurance and export sectors. Vinamilk was a significant contributor to the index's performance. Its share price reached an all-time high in October, underpinned by higher demand from domestic investors on its impressive third quarter earnings results and the prospect of easing foreign ownership. Foreigners swung to become net buyers. MBB was the stock purchased the most by foreign investors following its domestic placement which increased the foreign room size. At the end of October, the Vietnamese stock market traded at a valuation of 11.85x P/E, far below an average of 20.29x P/E for other emerging markets including Indonesia, Philippines, India and Thailand⁴.

Economic Indicators

	September 2015	October 2015
Real GDP growth (cumulative, YoY)	6.50%	-
Industrial Production Index (cumulative, YoY)	9.80%	9.70%
Inventory Index (YoY)	9.90%	9.80%
Retail Sales and Services (cumulative, YoY)	9.80%	9.60%
Purchasing Manager Index (PMI) (*)	49.5	50.1
Credit growth (YTD) (**)	10.78%	12.51%
Inflation (YoY)	0.40%	0.00%
Import growth (cumulative, YoY)	15.90%	14.30%
Export growth (cumulative, YoY)	9.60%	8.50%
Trade balance (cumulative, USD million)	(3,864)	(4,130)
Registered FDI (YTD, USD billion)	17.20	19.30
Disbursed FDI (YTD, USD billion)	9.70	11.80
Exchange rate (per USD) (***)	22,478	22,336

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.

Due to cost and logistical issues, the Board has decided to combine the proposed Extraordinary Meeting with the Annual General Meeting, which is to be held prior to the end of the year. Formal Notice of Meeting along with Agenda and Proxy Forms are expected to be sent to shareholders by the end of November with the combined meeting to be held prior to the end of December. Shareholders should contact their custodian or monitor their Clearstream or Euroclear Account to ensure that they receive the Notice. Alternatively, they will also be able to access The Notice, Agenda and Proxy Form from the Company's website. The sub delegated manager is working on establishing a conference call facility to enable shareholders to register and dial in to the meeting, although voting will be required to be either via proxy or in person.

Outlook

The finalization of the TPP has marked an important milestone in promoting Vietnam's involvement in regional and global value chains as well as production networks. Fitch Ratings also reaffirmed Vietnam's stable outlook, stating that the TPP will bolster the nation's economic growth substantially in the long term. Overall, the return of foreign investors as net buyers and an improved domestic sentiment, combined with positive third quarter earnings releases will allow several stocks to witness strong gains in the first half of November. However, a correction from short term profit takers will likely occur right after firms finish reporting third quarter results. In the long term, TPP-related sectors such as logistics, textile-garment, seafood producers and seaport operators are expected to have a positive outlook given the large trade flow promised by the TPP.

Footnote

- 1 The General Statistics Office of Vietnam
- 2 Vietnam News
- 3 The State Bank of Vietnam
- 4 Bloomberg



Asset Class Performance	1 mth%	3 mth%
Listed equities	10.56	1.73
Closed End Funds	7.02	-3.10
Fixed Income Securities	1.27	0.63
Unlisted equities	1.02	-0.28

Top 5 Onshore Listed Holdings	%
Vinamilk	11.36
FPT Corp	4.71
Hoa Phat Group	3.75
Hoa Sen Group	2.90
Bank For Foreign Trade JSC	2.11

Top 5 Other Holdings	%
Greenfeed	16.69
Corbyns International	5.58
Vietnam Enterprise Fund	5.30
Vietnam Growth Fund	4.31
Anova Corp	4.05

Asset Class Exposure	%
Listed Equities	53.52
Unlisted Equities ^a	30.95
Closed-End Funds	12.50
Receivables	0.64
Fixed Income Securities	0.14
Cash and payables	2.25
Total	100.00

Currency Exposure	USD	VND	AUD
Total Assets of which	20.49%	79.48%	0.03%
Receivables	100.00%	0.00%	0.00%
Cash and payables	45.31%	54.34%	0.35%

Sector breakdown	%
Food Products	38.05
Real Estate Management and Devel	12.87
Building Materials	12.48
Information Technology	7.12
Consumer Discretionary	5.15
Metals and Mining	5.12
Banks	4.89
Energy Equipment and Services	4.34
Pharmaceuticals	3.71
Diversified Financials	1.80
Chemicals	1.54
Marine	1.51
Containers and Packaging	1.36
Industrials	0.06
Total	100.00

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



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