



## 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 2016 (USD)

1 Month Performance:	2.64%
3 Month Performance:	12.63%
6 Month Performance:	10.10%
1 Year:	3.85%

### Fund Information

Bloomberg Ticker	<b>DWSVIET KY EQUITY</b>
Authorised share capital	<b>500,000,000 shares</b>
Issued Share Capital	<b>438,300,000 shares</b>
Par Value Per Share	<b>USD 1.0000</b>
Nav per share as at 30 June 2016	<b>USD 0.8355</b>
Launch date	<b>8th December 2006</b>

### Market Maker

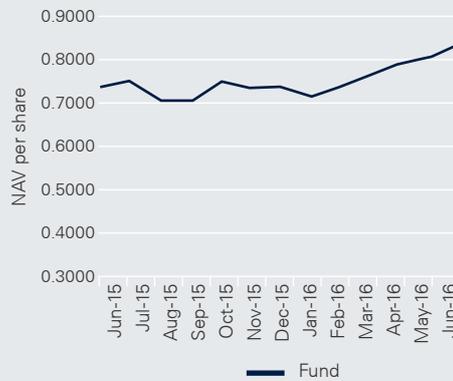
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## Performance

### Fund Performance



### Assets Under Management



## Performance Review

The NAV of DWS Vietnam Fund was up 3.78% in June 2016.

### Cumulative Return

USD	1 m	YTD	1 y	3 y	5 y	S. Launch
NAV to NAV*	3.78	12.96	13.47	39.69	95.40	-16.45
VNIndex (USD terms) <sup>1</sup>	2.64	10.10	3.85	24.34	34.49	-34.57
VHIndex (USD terms) <sup>1</sup>	3.83	6.74	-2.81	27.95	4.97	-72.84

### Annualised Return

3 y	5 y	S. Launch
11.79	14.34	-1.86
7.53	6.11	-4.34
8.56	0.98	-12.74

### Calendar Years Return

2015	2014	2013
4.55	10.46	26.58
0.90	6.60	20.48
-8.01	20.19	17.52

\* Performance is based on NAV to NAV (taking into account the front end load).

## Performance Attribution

The listed equity portfolio rose by 7.72% in June while the VNIndex returned 2.64% (in USD terms)<sup>1</sup>. Investor sentiment was good during the month thanks a positive outlook on the global economy and strong second quarter performances of local firms. Despite a sharp decline after the Brexit outcome, the stock market recovered during the last week of June to close in positive territory.

Steel manufacturers **Hoa Phat Group** (HPG) and **Hoa Sen Group** (HSG) were the main contributors to the listed portfolio's performance with price increases of 17.16% and 17.00%<sup>1</sup>, bringing YTD performance to 42.47% and 101.43%<sup>1</sup>, respectively. According to the Vietnam Steel Association, production of steel products among member firms for the first half of 2016 reached 1.52 million tons, up 19.7% compared to the same period last year. During the first 5 months of 2016, HPG's construction steel sales rose to 679,424 tons while steel pipe sales rose to 172,500 tons, up 19.3% and 30.7%, respectively, compared to last year. The Company also signed an agreement with Italy's Danieli, a metalwork equipment manufacturer, to provide and install equipment lines for its 400,000 tons/year steel factory in Hung Yen province. Both HPG and HSG share price benefitted from the crystallisation of the anti-dumping tariffs on steel products from China.

**Thong Nhat Investment and Production** (GTN), which the Fund invested in at the beginning of this year through a private placement, was another positive contributor to the listed portfolio's performance with a 28.99%<sup>1</sup> price increase in June. Investors began taking notice of the Company after it embarked on a second round of capital raising this month. GTN aims to raise approximately USD 45-50 million, which will be used to increase its stake in Vilico as well as to fund future acquisitions in the agri/consumer space.

**DHG Pharmaceutical** (DHG) was also a highlight this month with a 35.53%<sup>1</sup> rally in its stock price. Buying activity from Japan's Taisho Pharmaceutical, as well as positive investor confidence in the Vietnamese pharmaceutical industry contributed to the stock's performance. This month, the Fund manager executed a block sale of the Fund's entire position in DHG at a significant premium to market price, representing an exit 2016 P/E of 16.7x.

On the other hand, **Ha Do Group** (HDG) was the main detractor the portfolio's performance with a price decline of 4.01%<sup>1</sup>. The Company's Q1-2016 earning results was unsatisfying with a decline of 22% YoY in net income due to heavier financial expenses related to the financing of their new spotlight project Z576 (Centrosa Garden). The project was subsequently launched in July 2016 which created positive sentiment with regards to the Company's share price.



The closed-end funds portfolio was up 1.87% in June 2016, mainly due to the price increase of Dragon Capital's **Vietnam Enterprise Investment Fund (VEIL)** (+1.95%) and **DWS Vietnam Fund** (+1.55%)<sup>2</sup>.

The unlisted portfolio gained 2.54% in June 2016. 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 an increase in share price for **An Phat Plastic and Green Environment JSC**. Share price of An Phat was up 23.97% during June 2016. The Company has performed well in Q1 2016 as net sales increased by 33.0% YoY, which was driven by an increase in orders for their plastic bags. Also, An Phat will be moving listing of the Company's shares from Hanoi to Ho Chi Minh stock exchange.

### Current Positioning

97.32% of the Fund's NAV was invested at the end of June 2016. Cash including receivables and payables represented 2.68% of the Fund's NAV, of which receivables made up 0.79%. The top 10 holdings remained unchanged compared to the previous month, with **GreenFeed**, **Vinamilk** and **Vietnam Enterprise Investment Fund (VEIL)** each representing more than 10% of NAV. In total, the top ten holdings represent 67.98% of the Fund's NAV. During June, the Fund increased its exposure in **Vinamilk (VNM)** and **Hoa Binh Construction (HBC)**, while taking profits in **Dry Cell & Storage Battery JSC (PAC)**. The Fund also fully exited its position in **DHG Pharmaceutical JSC (DHG)** and **Southern Rubber Industry JSC (CSM)**.

### Market Update

#### Economic update

Agriculture and mining production sectors experienced a slowdown during the first half of 2016.

Vietnam's GDP rose 5.55% YoY in the second quarter of 2016, bringing GDP growth for the first half of this year (H1-2016) to 5.52% YoY, lower than the growth of 6.32% YoY during the same period last year.<sup>3</sup> The decline in these two sectors was due to the impact of a cold spell in the North, drought and salinity in Mekong Delta and the contraction in mining output.<sup>3</sup>

Activities in the manufacturing sector remain strong. Nikkei's Purchasing Manager Index (PMI) reached 52.6 in June from 52.7 in May, fueled by the expansion of new orders, though at a slower pace than seen in the last month. Meanwhile, the Industrial Production Index posted at 7.5% YoY increase in June, lower than the growth of 9.6% YoY during the same period last year due to weakness in the mineral sector which has been declining for six consecutive months.<sup>3</sup>

On the consumption front, June's retail sales growth stood at 9.5% YoY in nominal terms and 7.5% YoY in real terms.<sup>3</sup> The Consumer Price Index (CPI) rose 0.46% MoM and 2.4% YoY in June on the back of higher prices of transportation, as well as housing and construction material baskets due to a combination of rising in pump prices and electricity usage during the recent hot spell.<sup>3</sup>

June's trade balance registered a deficit of USD 100 million, widening YTD trade surplus to USD 1.5 billion.<sup>3</sup> Exports rose 5.9% YoY, much lower than the growth of 9.3% during the same period last year, mainly attributed to a decrease in exports of rice and mining products such as coal and crude oil.<sup>3</sup> Meanwhile, import growth continued to be negative due to a drop in imports of machinery and equipment and a decline in global commodity prices.<sup>3</sup>

Registered Foreign Direct Investment (FDI) climbed to USD 11.3 billion by end of June, up 105.4% YoY.<sup>3</sup> Of which, the manufacturing sector attracted the largest foreign investment capital of USD 8.1 billion.<sup>3</sup> Disbursed FDI, was recorded at USD 7.3 billion, up 15.1% YoY.<sup>3</sup>

#### Banking Sector

According to the State Bank of Vietnam (SBV), credit growth settled at 6.82% YTD as of June 24<sup>th</sup>, higher than last year's figure of 6.37% during the same period. Domestic currency loans grew 8.11% YTD while foreign currency loans declined 4.64% YTD as the government had begun tightening dollar lending in an attempt to prevent the effects of dollarization.

On June 16<sup>th</sup>, the SBV issued Circular 08 to amend Circular 19 on bad debt trading and settlement of the Vietnam Asset Management Company (VAMC). Accordingly, credit institutions that are (i) under restructuring or (ii) suffering loss due to amortisation of the VAMC special bonds would be allowed to set aside risk provisions for special bonds for a maximum period of 10 years instead of 5 years, and those credit institutions must set aside 20% of the special bonds' value a year after selling debts to the VAMC. Moreover, the new circular stipulates that credit institutions seeking approval for the maximum period of risk provision will not pay dividends to shareholders until the settlement of the special bonds.



### Stock market update

The VNIndex on Ho Chi Minh Stock Exchange increased 2.64% (USD terms)<sup>4</sup> in June to end the month at 632.26. Both average daily trading volume and value increased by 14.17% and 16.45%, respectively<sup>4</sup>. The Vietnamese stock markets were pushed up this month on good news from Mobile World Group (MWG), which included encouraging initial results from its minimart chain, a plan to expand the e-commerce platform and stellar five-month results from store expansion and online sales. The decision by Vinamilk's Board of Directors to remove its Foreign Ownership Limit (FOL) also contributed to the index's performance. Despite Brexit and weak GDP results for H1-2016, the VNIndex returned 10.1%<sup>4</sup> during the first half of the year, outperforming most of its regional peers with the exception of Indonesia. At the end of June, the VNIndex traded at 13.74x P/E, far below an average of 22.39x P/E for other emerging markets including Indonesia, Philippines, India and Thailand<sup>4</sup>.

In June, the Vietnamese stock exchange authorities laid out a detailed roadmap for Vietnamese listed companies to enforce compliance to IFRS standards by 2020. Legislative changes will follow to facilitate IFRS introduction. We view this development as positive for investors as it allows for more transparency, though the initial cost could be considerable to Vietnamese listed companies.

### Economic Indicators

	May 2016	June 2016
Real GDP growth (cumulative, YoY)	-	5.52%
Industrial Production Index (cumulative, YoY)	7.50%	7.50%
Inventory Index (YoY)	8.70%	9.00%
Retail Sales and Services (cumulative, YoY)	9.10%	9.50%
Purchasing Manager Index (PMI) (*)	52.7	52.60
Credit growth (YTD) (**)	5.48%	6.82%
Inflation (YoY)	2.28%	2.40%
Import growth (cumulative, YoY)	-0.90%	-0.50%
Export growth (cumulative, YoY)	6.60%	5.90%
Trade balance (cumulative, USD million)	1,361	1,538
Registered FDI (YTD, USD billion)	10.2	11.30
Disbursed FDI (YTD, USD billion)	5.8	7.30
Exchange rate (per USD) (***)	22,390	22,304

Source: General Statistics of Vietnam, except:

(\*) Markit

(\*\*) State Bank of Vietnam

(\*\*\*) Bloomberg



## Material Event Disclosure

The last quarterly conference call was held on 30<sup>th</sup> June 2016.

The Board intends to convene an annual general meeting of the Fund ("AGM") to take place no later than 30 September 2016. The Board will issue a circular to shareholders including formal notice of the AGM in advance of the meeting, which will contain further detailed information for shareholders. This will include instructions to investors as to how they may vote at the AGM in respect of shares held through Euroclear and Clearstream.

## Outlook

The Credit Suisse Group has lowered Vietnam's GDP growth to 6.0% for 2016, given the negative growth of agricultural production in the first half of the year due to drought conditions and salinity in the Mekong Delta. The manufacturing and service sectors are still bright spots for the Vietnamese economy. The manufacturing sector has grown in importance as foreign companies have increasingly set up plants in Vietnam during H1-2016. This sector is expected to have good growth momentum, given catalysts such as when the Trans-Pacific Partnership (TPP) Agreement comes into force. Additionally, the service sector is forecast to achieve a high growth rate at the end of the year on resilient domestic demand.

Over the longer term, we continue to expect strong growth for the Vietnamese economy. Sectoral shifts, urbanization and a workforce in the highly productive 'prime age group' have helped Vietnam achieve a 5% productivity growth in the last 15 years and will continue to drive 4% growth in the next decade, according to the latest "Economic Insight: South East Asia"

## Footnote

- 1 Source: Bloomberg
- 2 Source: OTC market makers including Jefferies and Numis
- 3 The General Statistics Office of Vietnam
- 4 Bloomberg



<b>Asset Class Performance</b>	1 mth%	3 mth%
Listed equities	7.72	18.91
Closed End Funds	1.87	9.65
Unlisted equities	2.54	4.53

<b>Top 5 Onshore Listed Holdings</b>	%
Vinamilk	14.05
Hoa Phat Group	4.48
FPT Corp	4.37
Hoa Sen Group	3.92
Bank For Foreign Trade JSC	2.20

<b>Top 5 Other Holdings</b>	%
Greenfeed	16.45
Vietnam Enterprise Fund	10.21
Corbyns International	5.08
Anova Corp	4.37
DWS Vietnam Fund Ltd	2.60

<b>Asset Class Exposure</b>	%
Listed Equities	53.25
Unlisted Equities <sup>a</sup>	31.26
Closed-End Funds	12.81
Receivables	0.79
Cash and payables	1.89
Total	100.00

<b>Currency Exposure</b>	USD	VND
Total Assets of which	19.16%	80.84%
Receivables	100.00%	0.00%
Cash and payables	6.15%	93.94%

<b>Sector breakdown</b>	%
Food Products	38.82
Building Materials	13.34
Real Estate Management and Devel	12.06
Consumer Discretionary	7.33
Information Technology	6.21
Metals and Mining	5.68
Banks	4.04
Pharmaceuticals	3.21
Containers and Packaging	3.12
Energy Equipment and Services	2.13
Diversified Financials	1.38
Chemicals	1.36
Marine	1.33
Total	100.00

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



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