

# Vietnam Phoenix Fund Limited

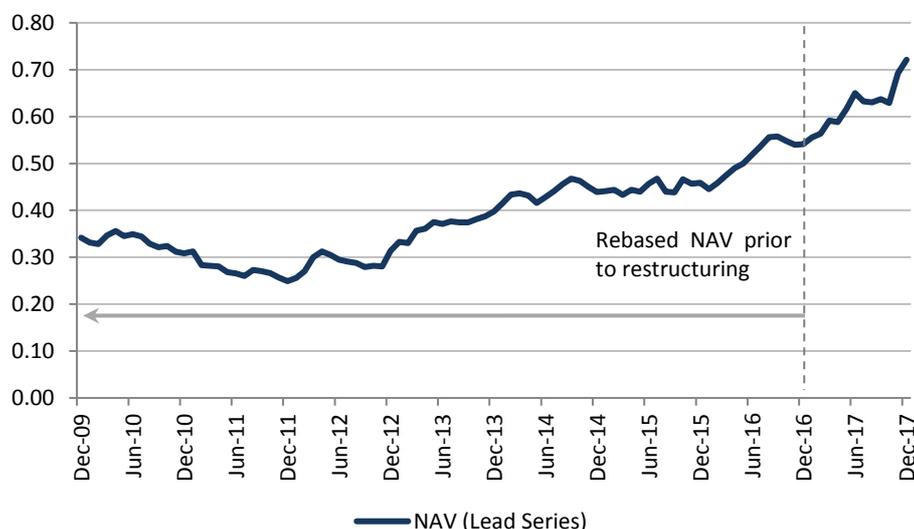
## Monthly Factsheet

29<sup>th</sup> December 2017



### CLASS A – Continuation Shares

NAV Performance (USD)



| USD (%)                       | Cumulative Return |       |       |       | Annualised Return |      |      |      |
|-------------------------------|-------------------|-------|-------|-------|-------------------|------|------|------|
|                               | 1M                | 3M    | 6M    | YTD   | 1Y                | 3Y*  | 5Y*  | 7Y*  |
| <b>VPF A</b><br>(Lead Series) | 4.19              | 13.24 | 10.97 | 33.31 | 33.3              | 18.2 | 18.2 | 13.0 |
| <b>VNIndex</b>                | 3.66              | 22.50 | 26.80 | 48.42 | 48.4              | 19.3 | 16.9 | 8.3  |
| <b>VHIndex</b>                | 1.98              | 8.65  | 18.12 | 46.31 | 46.3              | 10.0 | 13.5 | -1.8 |

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

| Top 3 Gainers                | Price Change | Contribution to NAV Return |
|------------------------------|--------------|----------------------------|
| Vinamilk (VNM)               | + 11.7%      | + 1.66%                    |
| Hoa Phat Group (HPG)         | + 13.7%      | + 1.14%                    |
| Ho Chi Minh Securities (HCM) | + 16.3%      | + 0.25%                    |

| Top 3 Laggards         | Price Change | Contribution to NAV Return |
|------------------------|--------------|----------------------------|
| Khang Dien House (KDH) | - 7.1%       | - 0.41%                    |
| FPT Corp (FPT)         | - 2.2%       | - 0.26%                    |
| Kinh Bac City (KBC)    | - 2.9%       | - 0.16%                    |

### Investor Conference Call Notice

The Fund Manager is organising a conference call on Tuesday, 27<sup>th</sup> February 2018 to provide an update on the Fund's performance and strategy. Further details will be published shortly. Investors interested in participating in the conference call are invited to send an email to [vpf@duxtonam.com](mailto:vpf@duxtonam.com).

**Total Net Assets: \$70.65 million**

### NAV/Share

**Lead Series: \$0.7212**

**Series 1: \$1.1001**

**Structure: Open-End Fund**

**Liquidity: Monthly**

### Identifiers

|                  |              |
|------------------|--------------|
| ISIN Code        | KYG9363R1056 |
| Bloomberg Ticker | VTNPHXA KY   |
| Sedol            | BDHXL2       |

### Website:

[www.vietnamphoenixfund.com](http://www.vietnamphoenixfund.com)

### Top 10 Holdings (%)

|                            |             |
|----------------------------|-------------|
| Vinamilk                   | 14.8        |
| FPT Corp                   | 11.6        |
| Hoa Phat Group             | 9.4         |
| Vietnam Enterprise Inv Ltd | 6.3         |
| Hoa Sen Group              | 5.4         |
| Kinh Bac City              | 5.4         |
| Khang Dien House           | 5.3         |
| Mobile World               | 4.9         |
| HD Bank                    | 4.2         |
| Vinh Hoan Corp             | 3.5         |
| <b>Total</b>               | <b>70.8</b> |

### Sector Allocation (%)

|                        |              |
|------------------------|--------------|
| Consumer Products      | 22.8         |
| Real Estate            | 19.9         |
| Building Materials     | 14.8         |
| Information Technology | 11.6         |
| Banks & Financials     | 10.7         |
| Infrastructure         | 5.8          |
| Agriculture            | 5.5          |
| Others*                | 8.9          |
| <b>Total</b>           | <b>100.0</b> |

\*Includes Cash & Accruals

### Asset Breakdown (%)

|                    |              |
|--------------------|--------------|
| Listed Equities    | 93.3         |
| Cash and accruals^ | 6.7          |
| <b>Total</b>       | <b>100.0</b> |

^Adjusted to include pending redemptions.

### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 29<sup>th</sup> December 2017, the aggregate voting rights are 209,603,607.

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29<sup>th</sup> December 2017



## CLASS A – Continuation Shares

### Fund Manager's Report

The NAV per share of the Class A Shares (lead series) increased by 4.19% in December while the VNIndex rose 3.66% (in USD terms)<sup>1</sup>. The VNIndex reached a new 10-year high in December driven by blue chip stocks such as Vinamilk, PetroVietnam Gas, Vietcombank, Petrolimex and Hoa Phat Group<sup>1</sup>. The announcement of Vietnam's 4th quarter GDP growth, which exceeded estimates, provided a strong investor sentiment in the last trading week of December. On the other hand, large cap Sabeco sank 24.2%<sup>1</sup> in December after the SCIC's auction of 54% stake to Thai Beverage.

The biggest contributor to the portfolio's performance was **Vinamilk (VNM)**, whose share price increased 11.7% in December<sup>1</sup>. Unlike Sabeco's share price, Vinamilk's continued to experience a strong momentum after the SCIC's divestment last month. Relatively, VNM appears to be much more attractive after Sabeco's stake sale came through at a significantly higher valuation. F&N, Vinamilk's other strategic shareholder, announced it has bought nearly 7 million shares on the market in November and December, after several months of unsuccessful trading<sup>2</sup>. We think F&N in particular and the market in general have assigned a re-rating to Vinamilk. Outlook for 2018 remains bright as dairy input prices are lower and the SCIC might continue its divestment of Vinamilk shares.

**Hoa Phat Group (HPG)** rose 13.7% in December<sup>1</sup>, buoyed by strong demand from foreign buying. In 2017, HPG sold 3 million tons of finished steel products, an increase of 25% compared to 2016<sup>2</sup>. Construction steel accounted for 73% and steel pipes accounted for 20% of total steel production, while the remainder was in galvanized steel<sup>2</sup>. This result is 10% above the company's target for the year. HPG remains the market leader in Vietnam for construction steel and steel pipe, accounting for 24% and 27% of market share respectively.

**Ho Chi Minh City Securities (HCM)** stock price increased 16.3% in December<sup>1</sup>. The stock price has been trending upwards and recorded a 46.9% gain in the last 3 months of 2017. It has been a very good year for the broker with several large deals executed, including Jardine's acquisition of Vinamilk (totalling roughly \$ 1 billion in value) and the IPO of HD Bank (\$300 million). Greater trading volumes, margin lending and market share also supported HCM's earnings and share price.

Detractors to the portfolio this month were **Khang Dien House (KDH)**, **FPT Corp (FPT)** and **Kinh Bac City (KBC)**.

Both KDH (-7.1%) and FPT (-2.2%)<sup>1</sup> stock price declined in December, paring the double digit gains in the previous month. Meanwhile KBC's stock price declined 2.9%.

During the month of December, the Fund participated in the pre-IPO placement of HD Bank, one of the leading joint stock commercial banks providing retail banking and consumer finance services in Vietnam, via a book-building process. The Fund was able to lock in a good allocation despite the deal being heavily oversubscribed. At the time of writing this report, HD Bank has been listed on the Ho Chi Minh Stock Exchange.

<sup>1</sup> Source: Bloomberg, 29/12/17

<sup>2</sup> Source: Company announcements

# Vietnam Phoenix Fund Limited

## Monthly Factsheet

29<sup>th</sup> December 2017



### CLASS C – Private Equity Shares

| USD (%)      | Cumulative Return |       |       |       | Annualised Return |     |      |     |
|--------------|-------------------|-------|-------|-------|-------------------|-----|------|-----|
|              | 1M                | 3M    | 6M    | YTD   | 1Y                | 3Y* | 5Y*  | 7Y* |
| <b>VPF C</b> | -7.11             | -5.29 | -4.54 | -4.29 | -4.3              | 5.9 | 10.7 | 7.8 |

\* Includes historical performance of Vietnam Phoenix Fund prior to the restructuring as of 31 Dec 2016. Past performance is not an indicator of future performance.

#### Fund Manager's Report

The NAV per share of the Class C Shares decreased by 7.11% in December.

The Private Equity asset pool contains unlisted investments and other illiquid listed investments. Unlisted investments will be re-valued every six months, or sooner in case of a significant event. In December 2017, Grant Thornton had performed the semi-annual valuation on the unlisted investments.

Last month's factsheet stated that despite China relaxing the ban of pig imports from Vietnam, Vietnam's pork industry has not recovered to levels prior to the ban, and is only expected to recover in 2018. Hence, the valuations for the Fund's position in **Greenfeed** and **Anova** in December fell 18.4% and 14.8% respectively compared to the valuations in June. The current valuation methodology, which is consistent with that used in prior years, uses a simple average of the income approach and the market approach. While the income approach is forward looking and factors in the recovery of the feed industry, the market approach utilises historical earnings, which in this case were negatively impacted by the extraordinary event of China's ban of pig imports. Therefore, the net effect was an overall decrease in valuation in December compared to June.

With the expected recovery of the pork and feed industries in 2018, we anticipate the future performance of Greenfeed and Anova to improve. Furthermore, the sudden and steep slowdown is positive for large feed players such as Greenfeed because it has accelerated the shift from backyard farms to larger scale farms to which Greenfeed can provide a packaged solution comprising of pig genetics, animal feed and farm management techniques that would increase productivity. Therefore, in the long term, Greenfeed will be able to gain market share at the expense of smaller-scale feed players that are unable to offer other value-added solutions, and hence exit the market. Meanwhile, in order to further diversify its business and improve profits, Anova has recently ventured into food processing, collaborating with a local slaughterhouse to sell meat from Anova's pig farm that is Global G.A.P certified, the first in Vietnam<sup>3</sup>. With the uncertainties in the Vietnam feed industry slowly diminishing, the Fund Manager is actively working with the management of both companies to exit the Fund's position in the next 12-18 months.

Meanwhile, the valuations for the Fund's position in **Corbyns** increased 12.6% in December compared to June. Loan maturity has been extended to allow time to complete the restructuring of its subsidiary, VII, that is expected to be completed in the next 12-18 months. Furthermore, the valuation for the Fund's convertible bonds in **NBB** increased 5.2% in December compared to June due to an increase in NBB's share price over the past six months. There was a negligible change in the valuation of the Fund's position in **VTC Online**.

Beginning February 2018, the Manager will hold quarterly calls with investors to provide updates on the Class C portfolio.

<sup>3</sup> Source: Company announcements

**Net Assets:** \$138.96 million  
**NAV/Share:** \$0.3279  
**Shares Out:** 423,750,000

#### Identifiers

ISIN Code KYG2886W1078  
Bloomberg Ticker VTNPFXC KY  
Sedol B1FHXT2

#### Website:

[www.vietnamphoenixfund.com](http://www.vietnamphoenixfund.com)

#### Market Makers

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#### Top 5 Holdings (%)

|                       |      |
|-----------------------|------|
| Greenfeed             | 28.8 |
| Corbyns International | 16.1 |
| Anova Corp            | 11.0 |
| NBB Investment Corp   | 10.0 |
| Anphat Plastic        | 6.9  |
| Total                 | 72.8 |

#### Sector Allocation (%)

|                         |       |
|-------------------------|-------|
| Agriculture             | 30.9  |
| Real Estate Mgmt & Devt | 19.6  |
| Building Materials      | 16.1  |
| Pharmaceuticals         | 11.0  |
| Information Technology  | 6.4   |
| Others*                 | 16.0  |
| Total                   | 100.0 |

\*Includes Cash & Accruals

#### Asset Breakdown (%)

|                     |       |
|---------------------|-------|
| Invested Securities | 96.9  |
| Cash and accruals   | 3.1   |
| Total               | 100.0 |

#### Voting Rights

The voting rights of all share classes are proportional to the value of shares at the most recent valuation date. As of 29th December 2017, the aggregate voting rights are 209,603,607.

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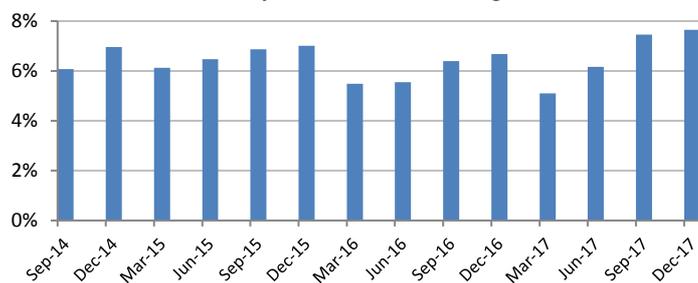
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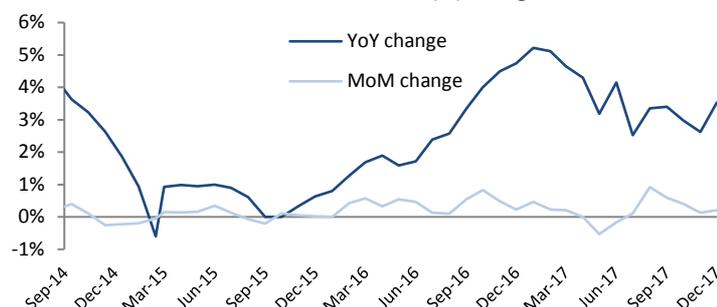


### Market Update

Quarterly GDP Growth - % change YoY



Consumer Price Index, (%) change



Vietnam Economic Indicators

|                 |      | 2015   | 2016   | 2017   | 2018F* |
|-----------------|------|--------|--------|--------|--------|
| Real GDP Growth | %    | 6.7    | 6.2    | 6.7    | 6.5    |
| CPI             | %    | 0.9    | 4.7    | 2.6    | 4.0    |
| Export Growth   | %    | 8.1    | 9.0    | 20.6   | 15.0   |
| Import Growth   | %    | 12.0   | 5.2    | 21.3   | 13.5   |
| Trade Balance   | \$bn | -3.5   | 2.7    | 2.3    | 2.0    |
| Registered FDI  | \$bn | 15.6   | 21.0   | 35.9   | -      |
| FX Reserve      | \$bn | 31.0   | 41.0   | 52.0   | 62.0   |
| USDVND          |      | 22,540 | 22,761 | 22,968 | 22,700 |

\*Source: Duxton estimates

|                |                | Mkt Cap (USD bn) | 2017 Forward P/E | PEG        | Div Yield   | ROE          |
|----------------|----------------|------------------|------------------|------------|-------------|--------------|
| Indonesia      | JCI            | 528              | 14.8             | 1.6        | 2.0%        | 17.5%        |
| Thailand       | SET            | 557              | 14.8             | 1.7        | 2.8%        | 11.0%        |
| Singapore      | FSSTI          | 447              | 13.5             | 1.5        | 3.3%        | 10.5%        |
| Malaysia       | FBMKLCI        | 277              | 15.3             | 3.9        | 3.3%        | 10.1%        |
| Philippines    | PCOMP          | 214              | 17.3             | 1.5        | 1.5%        | 11.9%        |
| <b>Vietnam</b> | <b>VNINDEX</b> | <b>123</b>       | <b>15.1</b>      | <b>0.8</b> | <b>1.8%</b> | <b>16.5%</b> |

The VNIndex rose 3.66% MoM<sup>5</sup> (USD terms) in December. The market ended off 2017 on a 10-year high, bolstered by strong GDP results which exceeded estimates. Vietnam's GDP grew 7.65% YoY<sup>4</sup> in the fourth quarter of 2017, bringing full year GDP growth to 6.81% YoY<sup>4</sup>, above the Prime Minister's target of 6.7%.

For 2017, Vietnam's Industrial Production Index increased 9.7% over 2016, thanks to the manufacturing and processing industry which grew 14.5% YoY<sup>4</sup>, the highest recorded growth rate in six years. The computer, electronic and optical products segment grew the most at 32.7% YoY from a low base in 2016 caused by the Samsung Note 7 battery incident<sup>4</sup>.

The Consumer Price Index (CPI) increased 0.21% MoM in December, bringing YTD inflation to just 2.60%<sup>4</sup>. The prices of medication, medical and health services basket grew the most, followed by education and transportation baskets. However, prices of the food and catering basket declined for 2017.

Foreign investment inflows remained robust with registered FDI reaching USD 35.9bn (+44% YoY)<sup>4</sup> in 2017, more than doubled within two years. Most of the contribution came from mega projects in the power generation sector, in light of Vietnam's 15-year master plan to triple the country's electricity generation capacity. The manufacturing sector also continued to receive strong FDI inflows from South Korea, Japan and Singapore, especially in mobile phones and electronic components. Although Japan overtook South Korea as the largest contributor for FDI in 2017 thanks to the Nghi Son 2 and Van Phong 1 thermal power plants and the Block B – O Mon gas pipeline<sup>4</sup>, South Korea remains the top historical investor in Vietnam with cumulative investment of USD57.7 billion since 1988, vs Japan's USD49.5 billion<sup>4</sup> and is expected to regain its position in 2018.

On the Banking Sector, credit growth reached 17.0% in 2017<sup>6</sup>, lower than that of 18.3% of the same period last year. Coupled with the better-than-expected GDP growth, this means the country grew in 2017 without the need of an excessive credit growth, which for us is a good sign.

For 2018, the Asian Development Bank forecasts Vietnam's GDP to grow at 6.5% for 2018<sup>7</sup>, supported by strong FDI inflows into the manufacturing sector, greater global demand for Vietnamese exports and healthy foreign reserves to keep the exchange rate stable against the US Dollar. There is also optimistic sentiment for the stock market, driven by further SCIC divestments and new IPOs by state owned and private companies.

4 Source: The General Statistics Office of Vietnam

5 Source: Bloomberg, 29/12/17

6 Source: State Bank of Vietnam

7 Source: [Asian Development Bank](#)

# Vietnam Phoenix Fund Limited

## Monthly Factsheet

29<sup>th</sup> December 2017



### About Duxton Asset Management Pte Ltd

Duxton Asset Management is a boutique asset manager with a dual focus: Agriculture and Asian Emerging Markets. A carve-out from one of the world's foremost financial institutions, Duxton is regulated by the Monetary Authority of Singapore as a holder of a Capital Markets Services License to conduct the regulated activity of fund management for accredited investors and institutional investors. The Duxton Group has approximately USD 560 million worth of assets under management and advice as of September 2017.

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\*Formerly known as DWS Vietnam Fund Limited. The Fund was renamed to Vietnam Phoenix Fund Limited following the resignation of Deutsche Asset Management (Asia) Limited as Investment Manager on 30 September 2016. Duxton Asset Management has since been appointed the Investment Manager of Vietnam Phoenix Fund Limited.

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