

Vietnam Phoenix Fund Limited

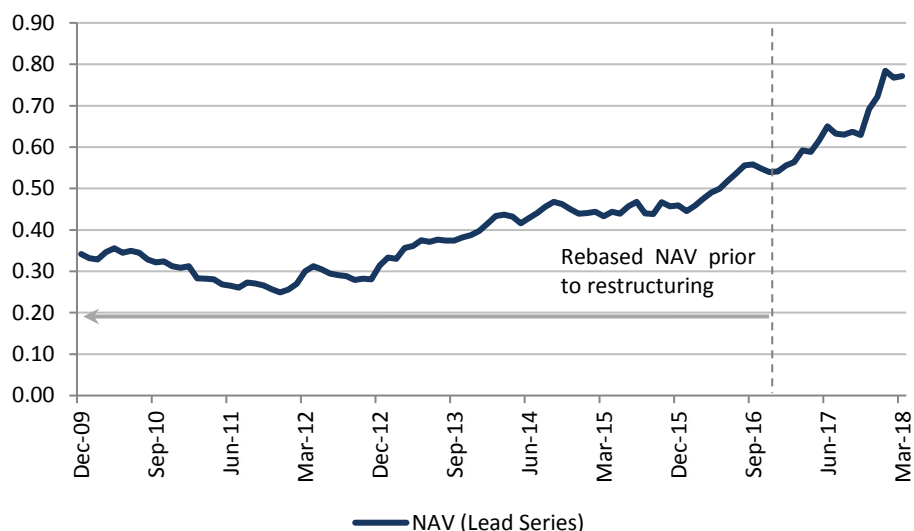
Monthly Factsheet

29th March 2018



CLASS A – Continuation Shares

NAV Performance (USD)



USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
VPF A <small>(Lead Series)</small>	0.55	7.00	21.17	7.00	30.4	21.5	16.8	15.6
VNIndex	3.83	18.14	44.71	18.14	61.1	25.9	16.9	12.8
VHIndex	2.84	12.43	22.15	12.43	44.8	14.8	15.0	4.1

* 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
Vinh Hoan Corp (VHC)	+ 36.1%	+ 0.94%
Vinamilk (VNM)	+ 5.6%	+ 0.81%
Viet Capital Securities (VCI)	+ 25.2%	+ 0.34%

Top 3 Laggards	Price Change	Contribution to NAV Return
Hoa Phat Group (HPG)	- 7.9%	- 1.04%
Mobile World (MWG)	- 8.8%	- 0.42%
Coteccons Construction (CTD)	- 17.6%	- 0.33%

Total Net Assets: \$68.85 million

NAV/Share

Lead Series: \$0.7717

Structure: Open-End Fund

Liquidity: Monthly

Identifiers

ISIN Code	KYG9363R1056
Bloomberg Ticker	VTNPHXA KY
Sedol	BDHXL2

Website:

www.vietnamphoenixfund.com

Top 10 Holdings (%)

Vinamilk	16.8
FPT Corp	12.7
Hoa Phat Group	12.4
Khang Dien House	7.4
Vietnam Enterprise Inv Ltd	6.9
HD Bank	5.8
Mobile World	4.5
Kinh Bac City	4.4
Vinh Hoan Corp	3.5
PV Power	3.2
Total	77.6

Sector Allocation (%)

Consumer Products	23.4
Real Estate	18.2
Banks & Financials	14.9
Building Materials	13.2
Information Technology	12.6
Energy Equip & Svcs	6.5
Agriculture	4.2
Others*	7.0
Total	100.0

*Includes Cash & Accruals

Asset Breakdown (%)

Listed Equities	100.1
Cash and accruals [^]	-0.1
Total	100.0

[^]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 29th March 2018, the aggregate voting rights are 209,359,774.

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CLASS A – Continuation Shares

Fund Manager's Report

The NAV per share of the Class A Shares (Lead Series) increased by 0.55% in March. The VNIndex rose 3.83% (in USD terms)¹ in the same period and closed the month at an all-time high, despite experiencing some minor pull-backs due to profit taking in large cap stocks. The market was led by conglomerates Vingroup (+23.0%) and Masan (+19.8%) on the back of expectations about the upcoming IPOs of Vinhomes and Techcombank, while energy and material sectors were dragged down by Petrolimex (-6.4%) and Hoa Phat Group (-5.2%).

We continue to be selective in our stock picking process, investing in attractively valued stocks while avoiding those which are overvalued. As of March, VPF Class A's top 10 holdings have a significantly lower weighted average 2018 forward P/E ratio of 16.9x versus the VNIndex's 23.2x¹. It is also lower than the average of 18.1x among a peer group of Vietnam focused offshore funds¹.

The biggest contributor to the portfolio's performance was **Vinh Hoan Corp (VHC)**, whose share price increased 36.1% during the period¹. VHC spiked in March after reports confirmed that Vietnamese pangasius prices have climbed from VND 29,000/kg to the range of VND 32,000-39,000/kg². Prices have been rising steadily due to a combination of high Chinese demand, low stock levels and a backlog of U.S. import orders brought about by the USDA's import regulations. Currently, exports to the U.S. are subject to anti-dumping tariff reviews every year. On 20 March 2018, the U.S. Department of Commerce announced a 5.6x increase in tariffs for some Vietnamese producers². As VHC was not on the list and is still subject to zero tariffs, its U.S. backlog order was released for delivery². While the U.S. still dominates VHC's exports with 58% revenue contribution in 2017, the company has decided to focus on developing its exports to China². Given that China has become Vietnam's largest export market for pangasius in 2017, VHC is aiming to double revenue contribution from China (currently 10%)². We remain confident that VHC is one of the best export companies in Vietnam with a good demand-based strategy to drive top line growth, and having an active supply initiative to ensure input autonomy.

Vinamilk (VNM) share price increased 5.6% during the period¹. During VNM's annual general meeting, shareholders approved the management's business plan for 2018 and also elected two new board members, one of which was a representative from the company's new strategic shareholder Jardine Matheson. Management's targets were very conservative with revenue and profit after tax growth of 8.5% and 4.6% respectively². In our view, this target will most likely be surpassed without difficulties, as we expect a margin expansion due to lower input milk powder costs and easing selling expenses as a percentage of revenue.

Viet Capital Securities (VCI) was another outperformer in the portfolio, rising 25.2% during the period¹. VCI share price surged after the company released its audited financials for 2017, which saw revenue and NPAT growth of 72% YoY and 94% YoY, respectively². This can be attributed to greater investment activity in the stock markets such as SOE divestments and listings of private companies. Growth in the securities brokerage business is expected to continue into 2018. Since our participation in VCI's IPO in July last year, VCI shares have made a total return of 124.8%¹.

Detractors to the portfolio this month were **Hoa Phat Group (HPG)**, **Mobile World (MWG)**, and **Coteccons Construction (CTD)**. HPG experienced a slight correction in March (-7.9%)¹ after reaching an all-time high at the end of February. The company also held its AGM and set out FY2018 targets of 19.1% YoY growth in revenue and 44.1% in profit after tax². MWG's share price also declined in March (-8.8%)¹, marking its fourth consecutive month of decline over concerns about the prospects on the company's grocery chain (Bachhoaxanh). The company set out modest FY2018 revenue and profit after tax targets of 30% and 18% YoY growth during their AGM². However, management's decision to focus its store expansion on Bachhoaxanh² has rattled investor sentiment, given that this segment incurred losses in FY2017 and FY2016.

As of end March, the Class A Shares completed its divestment of **Viconship (VCS)**. The port operator is facing headwinds due to strong competition in the industry with the entrance of Gemadept Nam Dinh Vu (launched in Jan 2018) and Tan Cang Lach Huyen (starting from June 2018) ports².

¹ Source: Bloomberg, 29/03/18

² Source: Company announcements

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CLASS C – Private Equity Shares

USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
VPF C	-3.32	1.13	-4.22	1.13	-5.1	6.8	8.1	9.3

* 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 3.32% in March.

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. The unlisted investments within the pool were last valued by Grant Thornton Vietnam Ltd in December 2017.

NBB Investment Corp (NBB) was the biggest detractor to the portfolio's performance, declining 26% in March³. NBB's share price fell after a fire incident occurred in a building managed by its subsidiary, Hung Thanh. As of this report, NBB's share price has bottomed out and is slowly recovering.

An Phat Plastic and Green Environment was also a detractor to the portfolio's performance with a decrease in share price of 9% as a rights distribution was declared at the end of March. An Phat is currently conducting a 1-for-1 rights issuance and the capital raised will be used to finance two new factories producing biodegradable packaging and injection moulding plastics⁴. The Fund Manager intends to subscribe to these rights in May 2018.

As mentioned last month, the Fund Manager is working towards selling the smaller illiquid listed positions. During the month of March, the Fund Manager completely exited the Fund's position in **Can Don Hydro Power JSC** and **National Seed JSC** at 51% and 25% returns (including dividends) respectively since 1 Jan 2017. The Fund's shares in **Binh Chanh Construction** have been successfully swapped with **Khang Dien House (KDH)** shares, and the Fund Manager is now able to trade the KDH shares as of April.

The Fund's Board reviewed the redemption of Class C Shares during a meeting held in April 2018. Investors will recall that the Class C Shares are subject to mandatory pro rata redemption by the Fund on a basis determined by the Board as and when the portfolio of investments attributable to the Class C Shares has generated surplus cash from realisations and investment income. The Fund Manager indicated to the Board that, due to the completed and expected sales of a number of positions in the Class C Share portfolio, the Fund could be in a position to announce a first redemption of Class C Shares in or around June 2018. The quantum and exact timing of this redemption is still to be determined and is subject to:

- the Fund completing the realisation at agreed prices of certain holdings currently in the process of being sold; and
- meeting the normal corporate solvency requirements.

The Board agreed to distribute an amount to be determined as soon as practicable after sufficient surplus cash becomes available. The Fund will make a formal announcement in due course.

³ Source: Bloomberg, 29/3/18

⁴ Source: Company announcements

Net Assets: \$140.51 million
NAV/Share: \$0.3316
Shares Out: 423,750,000

Identifiers

ISIN Code KYG2886W1078
Bloomberg Ticker VTNPFXC KY
Sedol B1FHXT2

Website:

www.vietnamphoenixfund.com

Market Makers

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Top 10 Holdings (%)

Greenfeed	28.4
Corbyns International	15.9
Anova Corp	10.8
NBB Investment Corp	9.5
Khang Dien House	6.6
VTC Online	6.3
Anphat Plastic	5.2
Ha Do JSC	5.1
Tien Phong Plastic	3.4
Dinh Vu Port	1.2
Total	92.4

Asset Breakdown (%)

Invested Securities	93.6
Cash and accruals	6.4
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 March 2018, the aggregate voting rights are 209,359,774.

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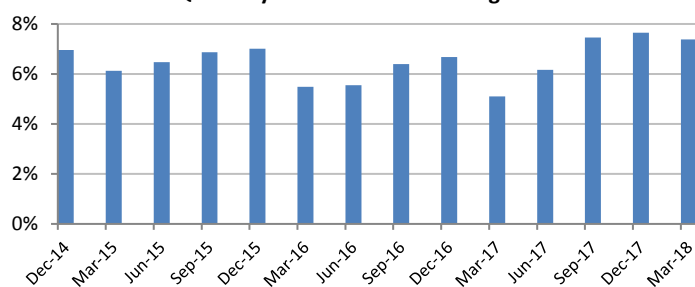
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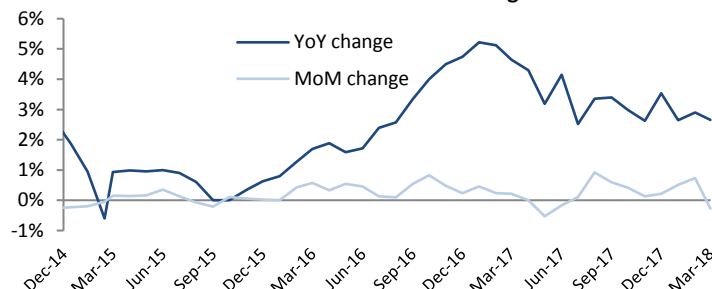


Market Update

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

Data from Bloomberg		Mkt Cap (USD bn)	2018 Forward P/E	PEG	Div Yield	ROE
Indonesia	JCI	502	19.8	2.1	2.0%	17.5%
Thailand	SET	571	20.7	2.7	3.0%	12.0%
Singapore	FSSTI	437	14.0	1.9	3.7%	10.2%
Malaysia	FBMKLIC	292	19.7	3.2	3.3%	10.6%
Philippines	PCOMP	187	19.4	3.7	1.6%	11.7%
Vietnam	VNINDEX	140	23.2	0.8	1.4%	17.8%

The VNIndex rose 3.83% MoM⁶ (USD terms) in March, driven mainly by large cap stocks VIC, GAS and MSN. Banking stocks with the exception of VCB and EIB also gained during the month. In March, the VNIndex surpassed its last recorded all-time high from 2007. Conglomerate Vingroup also overtook Vinamilk to become the largest market capitalisation stock in the VNIndex. Vingroup's share price has been rallying for a 10th consecutive month, driven by strong earnings growth and divestment plans of several key businesses. Both VIC and MSN are poised to gain from the IPOs of their investments in Vinhomes and Techcombank. Vietnam Rubber Corp, PV Oil, Binh Son Refinery and PV Power – the four largest SOEs by capitalisation among the 69 SOEs listed in the equitisation plan of 2018, also made their listing debut in March.

Vietnam's economy had a great start to 2018 with Q1 GDP growth of 7.38% YoY, the highest level in the past 10 years⁵. All three sectors of the economy posted upbeat results, with the Agriculture, Forestry & Fishing sector up 4.1% YoY, Industry & Construction sector up 9.7% YoY, and Services sector up 6.7% YoY⁵. The Asian Development Bank is forecasting a GDP growth of 7.1% for Vietnam in 2018, driven by strong domestic demand and high credit growth.

The Nikkei Purchasing Manager's Index (PMI) decreased to 51.6 in March due to a slower pace of output growth⁵. However, Vietnam's manufacturing sector is still in an expansionary phase with the PMI remaining above 50 for the 28th consecutive month. The overall Industrial Production Index for Q1 was up 11.6% YoY of which the manufacturing sector grew 13.9% YoY⁵. The computer, electronic and optical products segment was the biggest contributor with 10.5 percentage points⁵.

The Consumer Price Index (CPI) decreased 0.27% MoM, bringing YTD inflation to 0.96% YoY⁵. Consumer demand for goods and services eased after the Tet holiday, while prices for automobiles were lower thanks to tariff removals. Gasoline prices were also adjusted downward, reflecting the oil price decline in February. Looking forward, inflation for the next few months is expected to trend higher on the back of rising oil prices and the Government's plan to raise hospital and school fees⁵.

According to the State Bank of Vietnam (SBV), credit growth in Q1 reached 2.2% YTD, slightly lower than the 2.8% YTD growth last year⁷. The low interest rate environment, coupled with strong consumer spending and robust manufacturing sector helped drive demand for loans. The Government has set a credit growth target of 17% for 2018, however given the strong performance of the economy in Q1, we can expect a more moderate pace of credit growth this year.

⁵ Source: The General Statistics Office of Vietnam

⁶ Source: Bloomberg, 29/03/18

⁷ Source: State Bank of Vietnam

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About Duxton Asset Management Pte Ltd

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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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