

Vietnam Phoenix Fund Limited

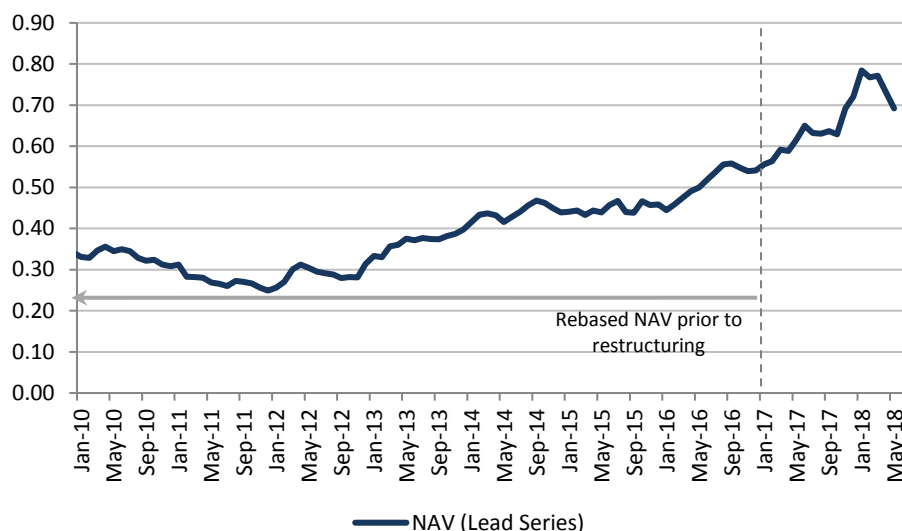
Monthly Factsheet

31st May 2018



CLASS A – Continuation Shares

NAV Performance (USD)



USD (%)	Cumulative Return				Annualised Return			
	1M	3M	6M	YTD	1Y	3Y*	5Y*	7Y*
VPF A (Lead Series)	-5.31	-9.81	0.00	-4.02	12.4	16.6	13.2	14.6
VNIndex	-7.69	-13.59	1.91	-1.68	31.2	17.7	11.5	11.0
VHIndex	-6.49	-10.48	-0.20	-2.14	21.7	9.7	10.4	5.9

* 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
Hoa Phat Group (HPG)	+ 4.3%	+ 0.36%
Mobile World (MWG)	+ 4.1%	+ 0.17%
PV Power Corp (POW)	+ 2.9%	+ 0.08%

Top 3 Laggards	Price Change	Contribution to NAV Return
Vinamilk (VNM)	- 11.2%	- 1.80%
Khang Dien House (KDH)	-9.2%	- 0.66%
HDBank (HDB)	- 8.9%	- 0.42%

Total Net Assets: \$50.98 million

NAV/Share

Lead Series: \$0.6922

Structure: Open-End Fund

Liquidity: Monthly

Identifiers

ISIN Code	KYG9363R1056
Bloomberg Ticker	VTNPHXA KY
Sedol	BDHXL2

Website:

www.vietnamphoenixfund.com

Top 10 Holdings (%)

Vinamilk	17.8
FPT Corp	11.6
Hoa Phat Group	11.6
Khang Dien House	7.1
Vietnam Enterprise Inv Ltd	6.4
Vinhomes	6.0
Mobile World	5.5
HDBank	5.3
Kinh Bac City	4.3
PV Power	3.7
Total	79.3

Sector Allocation (%)

Consumer Products	25.9
Real Estate	22.0
Banks & Financials	15.3
Building Materials	11.6
Information Technology	11.3
Energy Equip & Svcs	5.3
Agriculture	0.8
Others*	7.8
Total	100.0

*Includes Cash & Accruals

Asset Breakdown (%)

Listed Equities	99.0
Cash and accruals [^]	1.0
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 31st May 2018, the aggregate voting rights are 191,790.873.

CLASS A – Continuation Shares

Fund Manager's Report

In May 2018, the Class A Shares portfolio's NAV declined 5.31%, while the VNIndex dropped 7.7%. The main detractors to the Class A share performance were Vinamilk, (VNM, -11.2%), Khang Dien House (KDH, -9.2%), and HD Bank (HDB, -8.9%), while the main contributors were Hoa Phat Group (HPG, +4.3%) and Mobile World (MWG, +4.1%)¹.

The Class A Shares portfolio once again outperformed the VNIndex in May due to selective stock picking and focus in key sectors. The PM's strategy of holding stocks with lower betas and strong fundamentals, which are more resilient to market downturns, is reflective of this month's performance.

HPG (+4.3%) recovered in May after two months of negative performance¹. The company released Q1-2018 earnings with revenue up 26.7% YoY². This was driven by strong growth in sales volume for construction steel (+10% YoY) and steel pipe (+17% YoY), as well as a strong ASP increase of 21% YoY for construction steel². HPG maintained its leading market share for construction steel at 24.1%, while steel pipe market share increased to 27.8%². HPG's revenue was also boosted from the sale of its Mandarin Garden 2 property project. Net profit for Q1-2018 was up 14.3% YoY². HPG's Management expects phase 1 of the Dung Quat Integrated Steel Complex to be operational in July, which would provide an additional 600,000 tons to HPG's galvanised steel capacity².

VNM's stock continued to exhibit weakness, declining for a second consecutive month along with the broad market and exacerbated by mixed Q1-2018 earnings results, which we reported in last month's factsheet. The share price correction created an opportunity for its strategic shareholder F&N to accumulate the shares and increase their respective ownership¹. Another strategic shareholder Jardine Matheson has also expressed intention to raise its stake in Vinamilk from 10% to 11%². Vinamilk remains, in our view, one of the best managed companies in Vietnam with solid market position and sustainable growth prospects.

In April and May, the Fund participated in two IPOs. First, Vinhomes (VHM) is the largest residential real estate developer in Vietnam, with strong execution track record and substantial bank for development. The company maintains a cash-efficient business model with front-loaded pre-sales payments and a built-and-transfer scheme with the government to develop infrastructures around its land bank in exchange for land use rights. VHM shares list on the HSX on May 17th and accounted for 5.9% of the Class A portfolio at the end of May. Second, Techcombank (TCB) is one of the leading private commercial banks with a strong exposure to the real estate value chain. TCB was trading OTC as of end May, and listed on the HSX on June 4th.

We view the market correction over the past two months as a normalisation after the market became over extended at the end of last year and the beginning of this year, even though there have been no significant negative fundamental news. While recovery is on the way, the market is still experiencing a great amount of volatility. Valuations have come back to a more reasonable level, which for us represents an opportunity to accumulate shares of fundamentally good companies. We remain confident in our stock selection and portfolio allocation to create long term performance.

¹ Source: Bloomberg, 31/05/18

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	-1.04	-3.12	-5.86	1.34	-8.0	6.3	7.1	10.1

* 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.

Fund Manager's Report

The NAV per share of the Class C Shares decreased by 1.04% in May.

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.

In May 2018, the Fund completed the 1-for-1 rights subscription to **An Phat Plastic** (AAA) at VND 14,000 per share, which is a 30% discount to the tradeable price. An Phat was also the biggest contributor to the portfolio's performance as its share price increased by 1% following the increased liquidity of its shares after the issuance of new shares on the market.

Dinh Vu Port (DVP) was the biggest detractor to the portfolio's performance with a decrease in share price of 16.1% in May³, mainly due to weaker financial performance in the first quarter of the year. Revenues fell 15.5% YoY and net profits fell 16.0% YoY⁴.

During the month, the Fund Manager sold down some of its listed securities, and continues to do so. As such, it is expected that the Fund should be in a position to announce a first redemption of Class C shares in or around July 2018.

Net Assets: \$140.82 million
NAV/Share: \$0.3323
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	28.3
Corbyns International	15.8
Anova Corp	10.8
NBB Investment Corp	9.7
Anphat Plastic	8.2
VTC Online	6.3
Tien Phong Plastic	3.0
Khang Dien House	2.6
Ha Do JSC	2.3
SSG Group	1.1
Total	88.1

Asset Breakdown (%)

Invested Securities	89.1
Cash and accruals	10.9
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 31st May 2018, the aggregate voting rights are 191,790.873.

3 Source: Bloomberg, 31/5/18

4 Source: Company announcements

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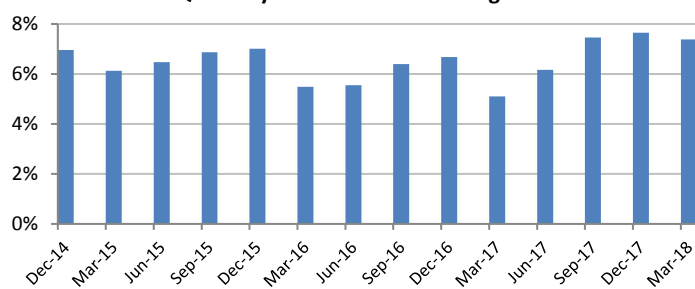
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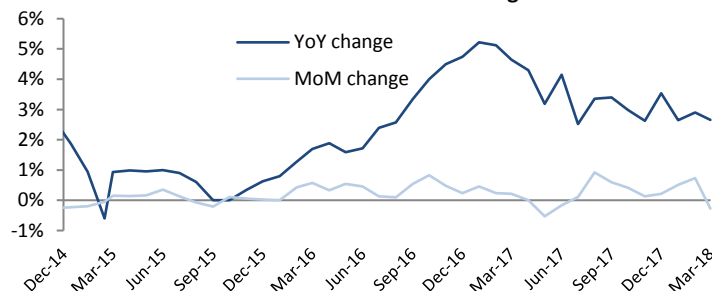


Market Update

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	58.0
USDVND		22,540	22,761	22,968	22,800

*Source: Duxton estimates

Data from Bloomberg		Mkt Cap (USD bn)	2018 Forward P/E	PEG	Div Yield	ROE
Indonesia	JCI	483	19.0	2.2	2.2%	22.3%
Thailand	SET	542	20.2	1.8	2.7%	17.2%
Singapore	FSSTI	427	13.9	1.9	3.6%	13.2%
Malaysia	FBMKLIC	267	19.2	5.1	3.3%	23.8%
Philippines	PCOMP	177	18.7	2.3	1.5%	13.3%
Vietnam	VNINDEX	129	19.3	0.8	1.4%	21.9%

The VNIndex declined 7.7% MoM⁶ (USD terms) in May against a backdrop of falling trading volume. Higher US treasury yields and a stronger US dollar weighted on the market as investors reduced holdings in emerging market equities. On the domestic front, investors continue to sell off after the VNIndex reached an all-time high P/E ratio of 22.1x on 9th April, and to shore up capital to participate in high profile IPOs such as Techcombank and Vinhomes. Utilities led the decline (-16.2% MoM) with GAS plummeting 18.9% MoM⁶. Meanwhile, banks continued to correct (-11.0% MoM), given strong drops of all major banks, including VCB (-9.8% MoM), BID (-19.0%), CTG (-7.5%) and VPB (-15.9%)⁶. On the other hand, consumer discretionary only slipped slightly due to MWG, which rose 4.1% MoM⁶.

The VNIndex continued to correct in May, wiping off all gains from the start of the year (YTD -1.68% as of May 31st). Despite the dip, it still outperformed Asian emerging peers such as the Philippines PCOMP (-16.8% YTD) and Indonesia's JCI (-8.1% YTD)⁶.

Vietnam's Industrial Production Index in the first five months of 2018 increased 9.7%⁵ over the same period last year, thanks to the largest contribution from the manufacturing and processing industry, which grew 11.8% YoY⁵. Electricity generation and distribution sector was the second largest contributor, growing 10.6% YoY⁵. The Nikkei Purchasing Manager's Index (PMI) increased to 53.9 in May, signalling a faster pace of expansion in the manufacturing sector⁵.

The Consumer Price Index (CPI) increased 0.55% MoM, bringing YTD inflation to 1.61%⁵. Rising crude oil prices led to an upward adjustment of domestic pump prices, pushing the CPI of the transportation group up 1.72% MoM⁵. CPI in the food basket increase 1.2% MoM due to higher poultry prices⁵.

Credit growth picked up significantly in May to reach 6.16% YTD⁷, as the State Bank steered to spread out credit growth over the course of the year rather than in the final months. The structure of credit was also shifted to safer and more productive sectors of the economy, such as agriculture and exports, while growth in riskier sectors such as real estate were closely controlled⁷.

Despite the Vietnam stock market's lacklustre performance in May, the economy is still performing well as seen in its positive macroeconomic indicators. Fitch raised Vietnam's long-term, foreign currency-denominated debt rating to BB with a stable outlook from BB-. The upgrade was attributed to expanding foreign reserves and rapid economic expansion. The correction in the Vietnam stock market has brought P/E ratios down to relatively attractive valuation level of 19.3x⁶ P/E as of May 31st, presenting a good buying opportunity for investors.

⁵ Source: The General Statistics Office of Vietnam

⁶ Source: Bloomberg, 31/05/18

⁷ Source: State Bank of Vietnam

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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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