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Vietnam Enterprise Investments Ltd
29 April 2025

COMPANY ANNOUNCEMENT

For Immediate Release

29 April 2025

Vietnam Enterprise Investments Limited
("VEIL" or the "Company")

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

The Company today announces its annual report and financial statements for the year ended 31 December 2024 (the "2024 Annual Report").

The 2024 Annual Report has been filed with the Financial Conduct Authority by uploading it to the National Storage Mechanism ("NSM") in accordance with UK Listing Rule 6.4.1 and will shortly be available for inspection at:

https://data.fca.org.uk/#/nsm/nationalstoragemechanism

The 2024 Annual Report may also be accessed via the Company's website:

https://www.veil.uk/

In accordance with Disclosure Guidance and Transparency Rule 6.3.5(1A), the regulated information referred to in DTR 6.3.5 is available in unedited full text within the 2024 Annual Report as uploaded to the NSM and on the Company's website as noted above.

AGM Announcement

The Annual General Meeting (AGM) of shareholders will be held at Stationers' Hall, London, at 12:00 pm on 18 June 2025 followed by lunch. The Board encourages all shareholders to attend, as the AGM provides an opportunity to engage directly with the Directors and Investment Manager, discuss the Company's performance, and ask any questions. The VEIL AGM will include a Discontinuation vote. The Directors will be voting their own shares against discontinuation, and urge shareholders to do the same.

Sarah Arkle, Chair of the Board, VEIL, commented:

"2025 marks VEIL's 30th Anniversary. Over that time, VEIL delivered a compound annual return of 10.6% in US dollar terms, and the initial capital of US 16.4mn has become US 1.8bn, making VEIL the largest active investor in Vietnam and the longest running dedicated Vietnam fund. The Annual Report includes Dominic Scriven's review of the last 30 years"

Chair's Statement

In the year under review the Vietnam Index ("VNI") rose 12.1% in local terms, or 8.8% and 10.8% in US and GBP terms. VEIL's net asset value (NAV) outperformed the VNI by 3.4%, rising 12.2% in US and 14.3% in sterling, although the share price rose 9.9% in sterling terms as the discount widened from 18.1% (29 December 2023) to 21.2% (31 December 2024) over the period. It was encouraging that the portfolio restructuring undertaken by the new lead fund manager Le Anh Tuan, who took over in February 2024, and the tighter investment process has resulted in improved relative performance over the calendar year. There is more detail in the Portfolio Manager's Review that follows, where it explains how the diversification of the is more detail in the Portfolio Manager's Review that follows, where it explains how the diversification of the portfolio to reduce stock specific risk and the increase in mid cap holdings has enhanced performance.

Over the year the Board has put in place a number of other measures aimed at enhancing shareholder returns and increasing demand for the Company's shares in order to reduce the discount.

Discount Control Mechanisms

VEIL undertakes an active share buyback programme and the Board has been concerned about the level of the discount, which has averaged just over 18.9% over the year. In part this has reflected challenging conditions for London-listed Investment trusts, which have resulted in a widening of discounts across the sector in recent years. Emerging and Frontier markets have also been out of favour, causing significant selling of the Vietnamese market by foreigners. In 2024, the Company repurchased 16.3 million shares, representing 8.1% of the weighted average number of Shares Outstanding, at a total cost of US 121mn.

This was a more than threefold increase from the previous year and significantly above the rise in buybacks across the investment trust industry as a whole. Buying back shares at a discount enhances the NAV of the shares and the estimated uplift to the company's NAV was 1.8%.

As part of its commitment to shareholder value, the Board has proposed a five-year performance-related 100% Conditional Tender Offer. This will be triggered if VEIL's net asset value (NAV) total return underperforms its reference index, currently the VN Index, over the period from 31 March 2025 to 31 March 2030. While the Board is confident in the Investment Manager's ability to generate outperformance, this mechanism provides shareholders with the option to realise up to 100% of their holdings should performance fall short. If triggered, the tender offer will be based on NAV less associated costs, ensuring fair treatment for both exiting and continuing shareholders. As at 29 April 2025, the Company had repurchased a further 4.8 million shares, 2.6% of the weighted average number of Shares Outstanding, since year-end.

Diversifying The Shareholder Base

The Board is seeking to raise the profile of the Company in an effort to increase demand for its shares. The Company has upgraded the website, appointed a new PR firm, and the Manager has strengthened their marketing resource, including the appointment of a new product specialist in London. The Board has also introduced a US listing, alongside the Sterling quote with the aim of attracting new investors and diversifying the shareholder base.

Board Governance

Gordon Lawson retired from the Board on 30 June 2024 and I took over his position as Chair. Entela Benz-Saliasi also retired from the Board on 30 November 2024. The Board would like to thank Gordon and Entela for their contributions to the Company over a number of years.

The Board has increased its amount of direct consultation with shareholders. Charles Cade became Senior Independent Director in January 2025 and the Board has been refreshed with the appointment of Eddy Jetjirawat as of 1 March 2025. Eddy brings a wealth of investment experience across Asia and Vietnam from his time at Temasek, a Singaporean state-owned multinational investment firm. In light of a recent benchmarking exercise the Board will be reviewing Directors fees in the second half of 2025.

Management Fee

The Management Fee was reduced to a flat rate of 1.5% with effect from 1 July 2024, which is a lower and simplified fee structure.

Outlook

Over 2024 Vietnam's economy delivered 7.1% GDP growth, one of the highest rates globally. This was supported by public investment, FDI inflows, and recovering consumer demand. Inflation remained within target at 3.6%, while a record US 24.2bn in FDI disbursement underscored continued investor confidence. The Government, with its low debt to GDP level of 33-34% at the end of 2024, has pursued structural reforms streamline bureaucracy, accelerate infrastructure projects, and modernise capital markets. If fully implemented, these initiatives are expected to improve long-term economic efficiency and strengthen Vietnam's investment landscape.

The strong economic growth, driven by infrastructure spending and a recovery in consumer demand against a backdrop of low inflation, looked set to continue for 2025. However President Trump's recent introduction of very high tariffs has derailed the previously very positive economic outlook for Vietnam.

Whilst Vietnam's economic growth could come in significantly lower than had been expected, the portfolio remains focused on strong companies that will benefit from domestic growth and increased infrastructure spending as sentiment towards the economy and market returns. The closed end Investment Trust structure has meant that, against the recent sharp falls in markets, the Company has not had to be a forced seller of shares on the back of investor outflows. The Company benefits from Dragon Capital's well-resourced and experienced research team and the Company's size will give it an advantage in sourcing attractive placements of stock and IPOs when they return to the market. Vietnam's strong track record of adapting to external conditions, coupled with its commitment to supporting growth and its young, highly educated population should provide a solid foundation for the economy over the medium term.

The Board monitors the discount at which the Company's shares trade relative to their underlying net asset value and will continue to repurchase shares whilst the discount remains wide. The Board believes that the medium term objective should be for the discount to narrow to 10% or less and may consider further steps to meet this objective if it considers it in the best interests of shareholders to do so. There is, however, no guarantee that any steps the Board may undertake will have the effect of narrowing the discount. The Directors remain cautiously optimistic about the medium-term outlook for Vietnam and would encourage shareholders to vote against the 5 yearly discontinuation vote, to be held at the AGM in London on 18 June 2025.

Sarah Arkle, Chair
Vietnam Enterprise Investments Limited

Portfolio Manager's Outlook

The potential for tariffs under a second Trump administration has been widely discussed, but the proposed 46% tariff rate is unexpectedly high and has caught many by surprise. While there may be room for negotiation toward a lower rate in the near future, the announcement has nonetheless impacted investment activities and import-export dynamics in Vietnam. In response, the Vietnamese government is accelerating efforts to shift the economy toward more domestically driven growth, supported by public investment and proactive government policies, rather than relying heavily on external demand. In addition, a range of support packages is expected to be introduced to cushion the impact of a potential global trade war.

Due to the increasing trade headwinds for China, Vietnam could also be positioned to capture a larger share of manufacturing and export demand, in addition to Vietnam remaining well positioned to benefit from the continuing shift of supply chains and manufacturing hubs, much like it did during the previous Trump administration. This environment could even create momentum for Vietnam to drive significant policy shifts, and overall, the net impact of new opportunities - even with additional scrutiny - remains in Vietnam's favour.

Notwithstanding external challenges, Vietnam's macroeconomic fundamentals remain strong, positioning the country well for the coming year. Inflation remains controlled, exports continue to grow at double-digit rates, and a robust trade surplus supports a strong current account position. Public debt remains low at just 37% of GDP, providing ample fiscal flexibility.

Over the past decade, Vietnam has consistently delivered annual GDP growth of 6.5-7.0%. The government targets GDP growth of 8% or higher in 2025, with ambitions for double-digit GDP growth from 2026 to 2030. These targets have now become more challenging since the US tariff announcements, but the ongoing structural reforms should help provide the necessary framework to sustain the government's 5-year plan from 2026 onward.

For the equity markets, an upgrade for Vietnam to FTSE Secondary merging Market (EM) status is likely in 2025, with key barriers such as the pre-funding requirement for foreign investors getting progressively addressed. An upgrade would bring increased liquidity as both passive and active funds should deepen addressed. An upgrade would bring increased liquidity as both passive and active funds should deepen market activity. The revival of the IPO pipeline and the inclusion of more Vietnamese firms in global indices would significantly expand investment opportunities, creating a broader, more accessible market for both local and international investors. The government's ambitious development plan has increased the demand for capital, both through private placements of listed companies and an anticipated new wave of IPOs. Capital market transactions have been an historical strength for VEIL. The management team is identifying suitable transactions and unique opportunities that fit into its long-term investment vision.

The anticipated implementation of a new trading system and the introduction of a Central Counterparty Clearing service will further help enhance market efficiency and liquidity. While the direction of foreign capital flows remains difficult to predict, these reforms are expected to increase domestic investor participation, a trend observed over the past four years. Early indicators suggest a potential turnaround in Vietnam's real estate sector in 2025, supported by improving liquidity, policy measures to assist developers, and renewed demand in the residential segment. A recovery in real estate would benefit both VEIL's direct property holdings and its banking exposure, as banks are the primary providers of credit to developers and mortgage borrowers. Additionally, credit expansion driven by urbanisation and infrastructure development could further support growth in both sectors.

In light of recent developments, we now feel high single digit EPS growth should be achievable in 2025, and Vietnam will continue to have an undemanding valuation relative to regional peers. The VEIL portfolio is well positioned to capture Vietnam's accelerating growth, being almost exclusively focused on the domestic economy. With minimal direct portfolio exposure to the export-related sectors, there is a degree of insulation from the potential impact of new tariffs.

With low public debt, political stability, and increasing infrastructure investment, Vietnam is well positioned to navigate the current period of uncertainty. We continue to monitor developments closely and will respond appropriately, and remain confident that the portfolio is resilient to near-term volatility while maintaining a cautiously optimistic outlook.

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