

## Performance summary 30 April 2016

	USD	GBP
NAV per share:	3.53	2.42
Change (Month-on-month)	3.3%	1.7%
Total NAV (million):	747.0	511.3
Share price:	2.79	1.91
Market cap (million):	589.8	403.6
Premium/(discount)		-21.0%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	11.9	10.3	26.7	52.4
Share price (USD)	25.1	9.9	34.8	69.6
VN Index (USD terms)	9.3	3.1	18.5	15.2
MSCI Emerging market	13.2	-19.8	-19.2	-30.2
MSCI Vietnam	4.7	-2.3	-2.4	-22.4

## Annual performance history (% change)

	CY 2016	2015	2014	2013	2012	2011
NAV per share (USD)	9.2	-1.2	9.0	15.0	17.4	-7.6
VN Index (USD terms)	4.3	1.1	6.6	20.4	18.9	-25.6

## Top ten holdings

Investee company	% of NAV	Sector
Vinamilk (VNM)	15.0	Food & beverage
Sofitel Legend Metropole Hotel Hanoi	8.3	Operating assets
Hoa Phat Group (HPG)	7.7	Construction Materials
International Dairy Product (IDP)	4.8	Food & beverage
Khang Dien House (KDH)	4.1	Real estate & construction
Eximbank (EIB)	3.9	Financial services
Phu Nhuan Jewelry (PNJ)	3.8	Consumer discretionary
Quang Ngai Sugar JSC	3.6	Food & beverage
Vinaland Ltd (AIM: VNL)	3.2	Real estate & construction
Hau Giang Pharmaceuticals (DHG)	3.2	Pharmaceuticals & health care
Total	57.6	

## Manager's comment

As at 30 April 2016, VOF's net asset value was USD747.0 million, or USD3.53 per share, representing a 3.3% increase from the net asset value of USD3.42 per share at 31 March 2016. April was one of the best months for the market in nearly a year, with the VN Index up over six percent. The capital markets component of VOF's portfolio gained 5.5%, while the MSCI Asia ex-Japan Index and MSCI Emerging Markets Index decreased by 1.0% and 0.4% respectively. Average daily trading value combined across both of Vietnam's bourses was USD107.9 million in April, while the combined bourse market capitalisation was USD60.9 billion, compared to USD55.9 billion in March. The VN Index traded on a trailing P/E ratio of 13.1x and P/B ratio of 1.8x, compared to regional peers' combined P/E and P/B of 20.8x and 2.1x, respectively, according to Bloomberg.

## Large caps lead the way

The VN Index closed April at 598 points, putting year-to-date performance in the black and a fraction below the psychological resistance level of 600, a particularly important level for retail investors, which was subsequently passed at the time of writing this report.

Much of the VN Index's performance was as the result of a strong showing in large caps, with the top 5 contributors being PetroVietnam Gas (GAS, +24%), Vietcombank (VCB, +12%), Vingroup (VIC, +11%), Bao Viet Holdings (BVH, +22%) and Vinamilk (VNM, +4%). Interestingly, VOF's listed portfolio performed nearly in line with the Index even though the fund holds just one of these five stocks, VNM, which on an absolute performance basis underperformed the Index in April.

What made up for our performance was mainly our large weighting in non-Index heavyweights such as Hoa Phat Group (HPG, +14%), the third largest holding in our portfolio at 7.7% of NAV, and Phu Nhuan Jewelry (PNJ, +20%), the seventh largest holding in the entire portfolio at 3.8% of NAV. We view this as a testament to our strategy of high conviction to specific sectors, holding concentrated positions regardless of index weightings.

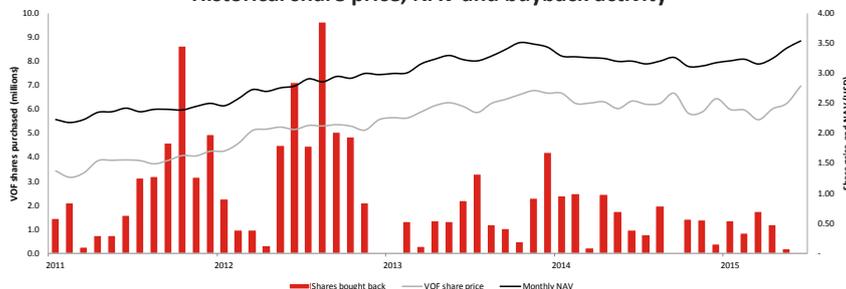
## All eyes on Vinamilk

For foreign investors, the focus in the near term will be on VNM. Not only did the company recently post very strong first quarter results, with revenue and profit increasing 18% and 38% respectively, but in a note sent to shareholders dated 16 May 2016, the company officially announced its intentions to completely remove its foreign ownership limit (FOL). This a significant event not just for VOF, whose holding in VNM represents 15% of the fund's NAV, but also for the market as a whole, as VNM is the largest component of the VN Index and one of the country's strongest and most recognisable brands. VNM will become the first state-owned enterprise of real significance to fully remove its FOL, and in our view could be the impetus needed to build momentum in foreign ownership expansion and privatisation in Vietnam.

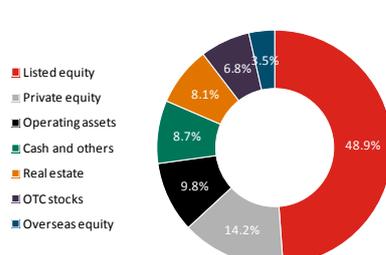
## Divestment of Century 21

On 11 May 2016, VOF announced it had sold its stake in the Century 21 direct real estate project. The site located in Ho Chi Minh City, is a future residential - mixed use development site, with a total site area of 301,060 square metres and was acquired in 2006. This transaction delivered net cash proceeds of USD28.7 million to VOF, approximately USD3.2 million or 12.5% higher than the 31 March 2016 unaudited net asset value, and reflects the conservative approach that VOF has adopted in relation to the valuation of its direct real estate assets. Furthermore this exit reaffirms the Manager's commitment to reduce the portfolio exposure to this asset class, with the fund's

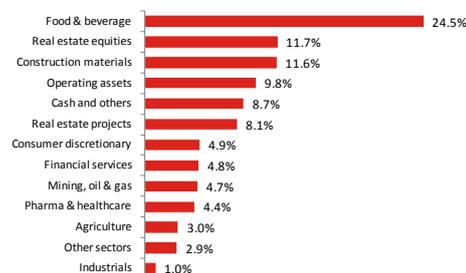
## Historical share price, NAV and buyback activity



## VOF portfolio by asset class (30 April 2016)



## VOF portfolio allocation by sector (30 April 2016)



**Manager's comment continued...**

allocation to direct real estate projects significantly reducing to 8.1% of total NAV as of 30 April 2016. For further details on the Century 21 divestment, please refer to the announcement dated 11 May 2016, which can be accessed [here](#).

VOF Managing Director Andy Ho recently gave an update on the Company at the Numis Emerging Markets Funds Seminar, and his presentation is available on the VOF [website](#).

Members of the VOF management team are in London on 17 May, as well as the week commencing 13 June, and the United States during the week commencing 20 June. If you would like a meeting, please contact us at [ir@vinacapital.com](mailto:ir@vinacapital.com).

**Macroeconomic update**

While the negative impact of the ongoing drought throughout Vietnam has made international headlines of late, the Vietnamese economy overall continued to show promise in April, fuelled by key areas such as manufacturing, industrial production and domestic consumption.

**Consumption, manufacturing and industrial production drive growth**

Vietnam's Purchasing Managers' Index (PMI) rose to 52.3, reaching a nine month high and up considerably from 50.7 in March. The PMI has now increased for five months in a row, further underscoring the manufacturing sector's role as one of Vietnam's key economic drivers alongside domestic consumption, which has also showed healthy growth through the first four months of 2016 with retail sales increasing 8.8% and 7.5% in nominal and real terms year-on-year, respectively.

Trending in the same direction was the General Statistics Office's (GSO) Index of Industrial Production, which rose 7.3% year-on-year for the first four months of this year, albeit lower than the 9.6% recorded over the same period last year. Manufacturing, particularly of high-value goods such as mobile phones and computer and electronic components, fuelled strong export performance, with Vietnam recording a trade surplus of roughly USD1.8 billion year-to-date.

**Inflation impacted by drought**

April's Consumer Price Index (CPI) came in at 0.3% month-on-month and 1.3% YTD2016. The highest month-on-month increase (1.7%) was in transportation due to gasoline price movements, followed by foods (1.1%) and construction materials (0.7%). The drought and related salt contamination in the Mekong Delta rice fields are taking a toll on food prices, although some believe recent increases are psychological-driven as consumers prepare for what they believe to be a future decline in food production. The GSO views this as a short term problem for Vietnam, as rice production in other Asian countries has not been affected by weather patterns to the same extent, and a global shortage is unlikely.

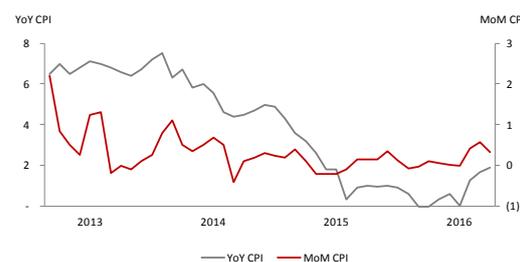
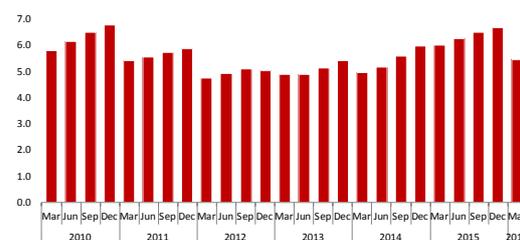
**FDI lending support to economic growth**

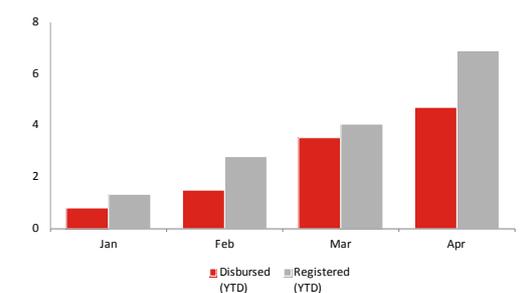
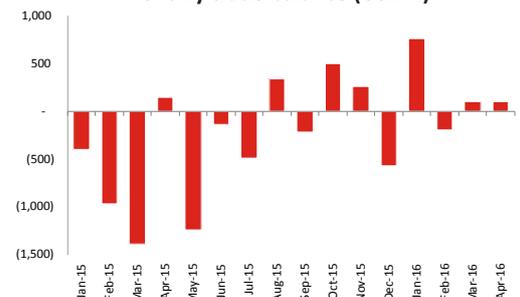
Vietnam's GDP grew 6.7% in 2015, with many projecting this pace to be maintained through 2016. The first quarter of the year saw some back off from this estimate, namely HSBC and the World Bank, who now target 6.3% and 6.0% respectively for 2016. This sentiment however, is not shared by all. The Vietnamese government for one maintains that the 6.7% target set at the beginning of the year can still be attained. The Asian Development Bank, in their recently published Asian Development Outlook 2016 also projects 6.7% growth for Vietnam this year, while the CEO of Standard Chartered Vietnam still stands by his firm's projection of 6.9%. While GDP projections may vary, one thing remains certain: levels of foreign direct investment (FDI) into Vietnam remain high, and are continuing to increase. The first four months of 2016 saw FDI commitments jump 85% year-on-year to USD6.9 billion, with disbursements up 12% y-o-y at USD4.7 billion. Robust FDI, coupled with the aforementioned strength in manufacturing and domestic consumption, contribute to our in-house projection of a healthy 6.5% expansion in the Vietnamese economy in 2016.

**Macroeconomic indicators**

	2015	Apr-16	2016 YTD	Year-on-year
GDP growth <sup>1</sup>	6.7%		5.46%	
Inflation (%)	0.6%	0.3%	1.3%	1.9%
FDI commitments (USDbn)	22.8	2.9	6.9	53.7%
FDI disbursements (USDbn)	14.5	1.2	4.7	4.3%
Imports (USDbn)	165.6	14.1	51.3	-2.1%
Exports (USDbn)	162.4	14.4	53.1	4.3%
Trade surplus/(deficit) (USDbn)	(3.2)	0.3	1.8	
Exchange rate (USD/VND) <sup>2</sup>	22,450	22,250	0.9%	
Bank deposit rate (VND)	5.0%	5.4%	40 bps	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

**Year-on-year and month-on-month inflation (%)**

**Quarterly GDP growth (%)**

**Purchasing Managers' Index**

**Registered and disbursed FDI (2016, USDbn)**

**Monthly trade balance (USDm)**


Source: GSO, Bloomberg

Board of Directors		VinaCapital Investment Management Ltd	
VOF's Board of Directors is composed entirely of independent non-executive directors.			
Member	Role	Member	Role
Steven Bates	Non-executive Chairman	Don Lam	Chief Executive Officer
Martin Adams	Non-executive Director	Brook Taylor	Chief Operating Officer
Michael G. Gray	Non-executive Director	Andy Ho	Chief Investment Officer
Thuy Dam	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
		Loan Dang	Deputy Managing Director, Private Equity
Fund background			
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOF.L		
Fund summary			
Fund launch	30-Sep-03		
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by 2018)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd		
Structure	Single class of ordinary shares trading on the Main Market of the London Stock Exchange plc		
Auditor	PricewaterhouseCoopers (Hong Kong)		
Custodian	Standard Chartered Bank Vietnam		
Custodian and Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited		
Registrar and Transfer Agency	Computershare Investor Services		
Brokers	Numis Securities (Bloomberg NUMIS)		
Lawyers	Gowling WLG (UK), Carey Olsen (Guernsey)		
Base and incentive fee	Base fee of 1.5% of NAV. Incentive fees are based on two separate pools of investments direct real estate and all other investments. The incentive fee paid equates to 15% of the increase in the NAV of each pool during the year over a hurdle of 8%. The total amount of incentive fees paid in any one year is capped at 1.5% of the pool's NAV		
Investment objective	Medium to long-term returns through investment either in Vietnam or in companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam		
Investment objective by geography	Investments will be in Vietnam or in companies with at least 75 per cent of their assets, operations, revenues or income in, or derived from, Vietnam at the time of investment		



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