

## Performance summary 31 January 2017

	USD	GBP
NAV per share:	4.24	3.37
Change (Month-on-month)	1.9%	0.3%
Total NAV (million):	873.3	694.1
Share price:	3.41	2.71
Market cap (million):	702.0	558.0
Premium/(discount)	(19.6%)	(19.6%)

GBP/USD exchange rate as at 30 Dec 2016: 1.24  
 GBP/USD exchange rate as at 31 Jan 2017: 1.26  
 Source: Reuters

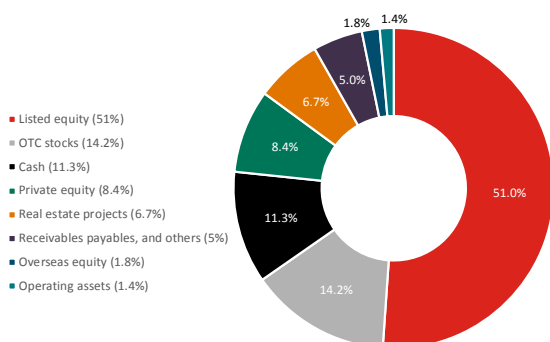
## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	7.5	34.3	34.4	90.2
Share price (USD)	11.7	52.9	44.5	151.6
VN Index (USD terms)	1.9	25.8	16.8	66.8
MSCI Emerging market	0.8	22.9	-2.6	-10.5
MSCI Vietnam	-4.4	0.8	-13.8	3.6

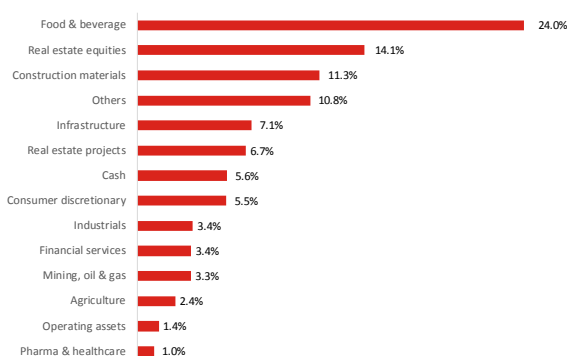
## Annual performance history (% change)

	CY 2017	2016	2016	2014	2013	2012
NAV per share (USD)	2.0	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	5.7	13.4	0.9	6.6	20.5	18.9

## VOF portfolio by asset class (31 Jan 2017)



## VOF portfolio allocation by sector (31 Jan 2017)



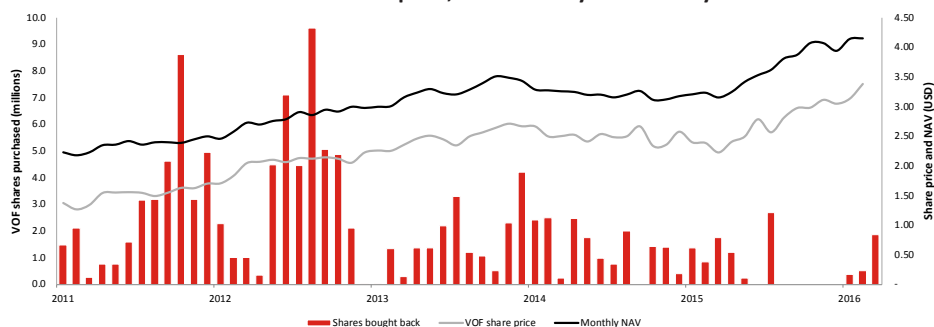
## January: Renewed Optimism for the Year of The Rooster

The year started out positively for Vietnam's stock markets, with the VN Index up 5.7%, hitting a nine-year high. Some of the newly listed stocks such as beer makers Sabeco (SAB) and Habeco (BHN) contributed a significant portion of the Index's performance. Our capital market portfolio, which increased 3.6% over the month, underperformed the Index given that we do not hold stocks in SAB and BHN. Nevertheless, we have chosen not to take a position in these stocks as their valuations are rich (SAB: 32x PE; BHN: 40xPE), and fundamentally, the companies are not growing at a justifiable rate. A fair amount of the premium in their stock prices is related to the expectation that strategic buyers will take large stakes in these companies in the near term.

Hoa Phat Group (HPG) is one of our top holdings, and the company has just announced full year results with revenues and profit growing at 21% and 89.5% respectively, with the latter surpassing consensus forecasts by a significant margin thanks to 15% uptrend in selling price, good materials management strategy and tariffs imposed upon long steel imports since March 2016. In terms of volume, HPG grew its construction steel volume by 30% (versus 25.5% for the market). HPG has benefitted from the continued growth in real estate and infrastructure construction, and the company has increased its market share, making it the top construction steel maker in Vietnam, with 25.3% share, a sharp increase from 20.2% in 2015. Currently, the company is trading at 5.7x trailing PE and the share price has increased 75% during the past 12 months.

During January, the fund's NAV per share increased 1.9% from USD4.16 in December 2016 to USD4.24, while total NAV increased to USD873.3 million from USD863.7 million. During the reporting month, VOF's share price increased 0.7% to end the month at USD3.41. The discount between stock price and NAV was 19.6%.

## Historical share price, NAV and buyback activity



## Investment Case: VietJet Air

During the month, VOF concluded its participation in the highly-anticipated IPO of VietJet Air, a private company that started flying in 2011 and is today Vietnam's second largest airline and its leading low-cost carrier. The company is expected to list on the Ho Chi Minh Stock Exchange by the end of February 2017 at an expected price of VND90,000 per share. The company closed the book build exercise in early January at a price of VND84,600 per share. Several leading global institutional investors and sovereign funds received allocations, including VOF.

VietJet Air operates a fleet of approximately 40 Airbus 320 variant aircraft and currently flies to 40 destinations, including 30 domestic and 10 international routes. It has ambitious plans for growth, recently signing agreements with Airbus (in 2013) and Boeing (in 2016) to acquire up to 200 aircraft over the next 10-15 years. In comparison, Vietnam Airlines (the nation's flagship carrier that listed in December 2016) currently operates approximately 100 aircraft, while Jetstar Pacific, the second largest low-cost carrier and a joint venture between Vietnam Airlines (70%) and Qantas Airways (30%) operates around 20 aircraft. In terms of market share, VietJet Air commands approximately 45% of the domestic market and is looking to take on more of the international passenger market as Vietnamese become more accustomed to travelling overseas.

In 2016, the company served approximately 15.2 million passengers (+62% y/y), including 12.9 million domestic passengers (+58% y/y) and 2.3 million international passengers (+103% y/y). VietJet expects to deliver USD835 million in core revenue (+65% y/y) and USD65 million in core profits (+73% y/y) for 2016.

We will provide further updates as the company completes its public listing and announces its results and forecasts. At the time of this report, the OTC market price, while only offering a guide and based on thin volumes, indicate a quoted price of approximately VND110,000 per share, or +30% uplift to the book build price.

## Macroeconomic update

After the Vietnamese economy concluded 2016 with a total GDP growth rate of 6.2%, the economy continued to show stable and sustainable growth in January despite the Lunar New Year holiday, which naturally slowed manufacturing growth during the month. With the continuing expansion of the manufacturing sector, a more stable currency situation and rising domestic consumption, we project that GDP growth in 2017 will be 6.5%.

**Manufacturing:** The Nikkei Purchasing Manager's Index for Vietnam slowed down to 51.9 in January, from a record high of 52.4 in December, while the General Statistics Office's (GSO) Index of Industrial Production reported 0.7% growth year-over-year. The Lunar New Year typically slows manufacturing growth as factories shut and many workers return to their hometowns during this period.

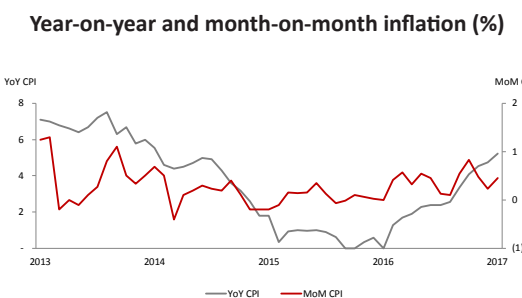
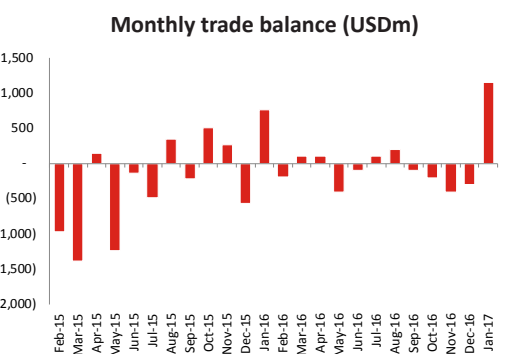
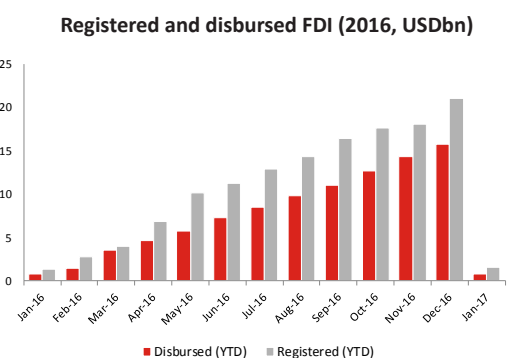
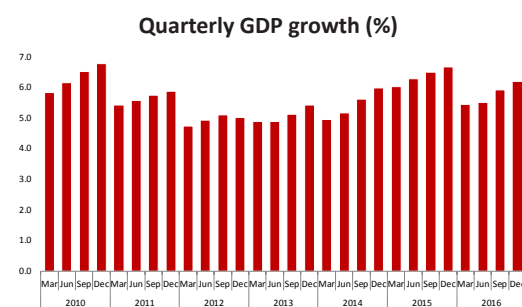
**Domestic consumption:** During January, retail sales increased 9.9% year-on-year in nominal terms and 6.7% in real terms.

**Inflation:** The Consumer Price Index rose 5.2% year-over-year, or 0.46% year-to-date, in January with transportation prices increasing 3.2%, healthcare prices increasing 1.1% and beverage & tobacco prices increasing 0.8%. Most inflation drivers are government controlled prices so we expect the government to be able to monitor and manage inflation. The government expects an inflation rate of 4% at the end of 2017.

**Vietnam Dong:** The Vietnamese economy showed a more stable currency situation during January. All reference, interbank and free market rates were stable during the last week of the month but then increased due to high demand for the Lunar New Year holiday. The USD/VND exchange rate reached 22,560 in January, a 0.7% appreciation year-to-date.

**Trade:** Vietnam Customs reported a trade surplus of USD1.2 billion in January, the highest trade balance recorded in three years. During the month, exports reached USD14.3 billion, a 5.7% year-over-year increase, whereas imports reached USD13.2 billion, a 3.9% year-over-year increase.

**Foreign Investment:** Actual disbursed foreign direct investment (FDI) reached USD850 million in January, a 6.3% increase from the previous year, whereas committed FDI reached USD1.6 billion, a 9.5% year-over-year increase.



## Macroeconomic indicators

	2016	Jan-17	2017 YTD	Year-on-year
GDP growth <sup>1</sup>	6.2%			
Inflation (%)	0.5%	0.5%		5.2%
FDI commitments (USDbn)	24.4	1.6	1.6	9.5%
FDI disbursements (USDbn)	15.8	0.9	0.9	6.3%
Imports (USDbn)	174.1	13.2	13.2	3.9%
Exports (USDbn)	176.6	14.3	14.3	5.7%
Trade surplus/(deficit) (USDbn)	2.5	1.2	1.2	
Exchange rate (USD/VND) <sup>2</sup>	22,720	22,560	0.7%	

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

Source: GSO, Vietnam Customs, 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
Thuy Dam	Non-executive Director	Andy Ho	Chief Investment Officer
Huw Evans	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
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 (Guernsey)		
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)		
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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