

Performance summary

NAV per share (USD)	3.16
Month-on-month change	(2.5%)
Total NAV (USDm)	671.8
Share price (USD)	2.23
Market cap (USDm)	474.5
Premium (discount)	(29.4%)

Cumulative change (% change)

USD	3mth	1yr	3yr	5yr
NAV per share	(0.7)	(3.2)	15.8	31.0
Share price	(13.6)	(11.0)	8.8	15.2
VN Index	(9.8)	(9.0)	6.8	(6.1)

Annual performance history (% change)

USD	2016	2015	2014	2013	2012	2011
NAV per share	2.5	(3.7)	9.0	15.0	17.4	(7.6)
VN Index	(4.6)	(3.6)	6.6	20.4	18.9	(25.6)

Manager's comment

January was a brutal month for Vietnamese equities with the VN Index falling in line with other international markets. Risk aversion rose as oil prices fell further with the International Energy Agency (IEA) stating that the world is "drowning in oil". WTI touched USD26/bbl for the first time since 2003 but then rebounded strongly at the end of the month to just over USD30/bbl.

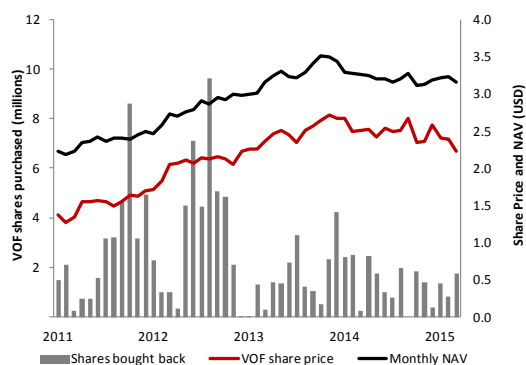
- During the month, the capital markets component of VOF's portfolio declined 3.5% while the VN Index decreased 4.6% in USD terms. During the same period, the MSCI Asia ex-Japan Index and MSCI Emerging Markets Index decreased by 7.7% and 6.5% respectively.
- Despite our largest holding, Vinamilk, declining 9.4%, and our neutral weighting on oil & gas, our listed portfolio outperformed the market by 1.1% due to our large underweight position in banking stocks with the top 3 state-owned banks (which account for 22% of the VN Index) falling 4% on average.
- Monthly trading value on both of Vietnam's bourses remained unchanged at USD1.9 billion in January while the combined market capitalisation was USD55.4bn, compared to USD57.6bn in December. The VN Index traded on a trailing P/E ratio of 11.0x and P/B ratio of 1.6x according to Bloomberg.

As mentioned in a [previous report](#), the implementation of Basel II will have a material impact on the profitability of the local banks as they struggle to meet higher capital adequacy ratios required by the accord, and as such we remain rather cautious on the banking sector. In order to bring Vietnam's regulatory framework closer to international standards, the State Bank of Vietnam issued draft Circular 36. While the draft circular has been in place for more than a year, its effectiveness is beginning to show through the gradual reduction of cross-ownership and increased transparency of operations which will help stabilise the banking system. The circular proposes, amongst other things, to increase some property loans risk weighting from 150% to 250%, and to reduce the maximum amount of short term funding for long term loans from 60% to 40%. If these measures are confirmed this will further limit the banks' ability to lend which, while is good from a risk management point of view, it is not helpful to banks' headline profits going forward.

Company News - Quang Ngai Sugar

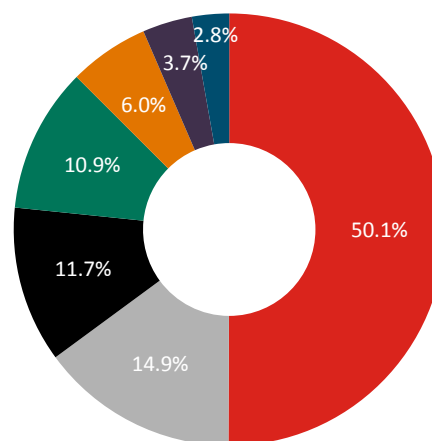
Investee company, Quang Ngai Sugar, Vietnam's largest producer of soymilk, reported full year 2015 earnings of USD55m from sales of USD355m, representing an increase of 55% and 16% respectively over the previous year. Domestic consumption of soymilk continues to be strong, and the company met this demand with the opening of a second production facility; a third facility is being planned.

Historical share price, NAV and buyback activity



VOF portfolio breakdown by asset class

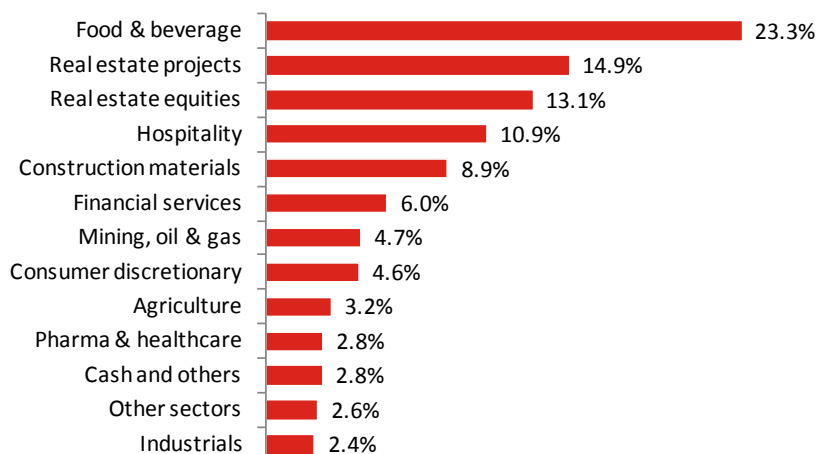
- Listed equity
- Real estate
- Private equity
- Hospitality
- OTC stocks
- Overseas equity
- Cash and others



Top ten holdings

Investee company	% of NAV	Sector
Vinamilk (VNM)	14.1	Food & beverage
Metropole Hotel Hanoi	9.3	Hospitality
Hoa Phat Group (HPG)	7.1	Construction Materials
International Dairy Products	5.3	Food & beverage
Khang Dien House (KDH)	5.2	Real estate projects
Eximbank (EIB)	4.3	Financial services
Century 21	4.0	Real estate projects
Phu Nhuan Jewelry (PNJ)	3.3	Consumer discretionary
VinaLand Ltd (VNL)	3.2	Real estate projects
Hau Giang Pharmaceuticals (DHG)	2.8	Pharmaceuticals
Total	58.5	

VOF portfolio allocation by sector



Macroeconomic update

In stark contrast to the turmoil seen in global capital markets in January, Vietnam's economic momentum from 2015 carried over into January 2016, with robust consumption and low inflation. Domestic consumption ramped up in preparation for the Lunar New Year holidays, with retail sales, a proxy for domestic consumption, rising 11.7% in nominal terms and 11.0% in real terms. Among consumption components, garments and food recorded the highest growth, at 12.9% and 11.5%, respectively.

Manufacturing and FDI continue to rise

The Nikkei PMI rose slightly on the back of new orders to 51.5 from 51.3 the previous month. The Index of Industrial Production rose moderately by 5.9% due mainly to seasonal factors. The manufacturing sector (70% of industrial production) continued to expand by 8.2%. Foreign Direct Investment, which hit USD23.5bn in 2015, continued to grow strongly in January, with new commitments surging 101% y-o-y to USD1.3bn, and actual disbursements increasing by 23.1% to USD800m.

Low inflation and stable currency

The CPI for January came in at 0.8% year-on-year and 0.0% month-on-month, despite year-end seasonal pressures. While there was some minor price increases in food, housing and construction and education, these were more than offset by a major decline in transportation due to multiple cuts in gasoline prices. Low inflation means that interest rates can be kept low, giving the State Bank of Vietnam (SBV) room to ease monetary policy to support GDP growth and the equity market if necessary.

The foreign exchange market stabilised considerably in January, and both the interbank and free-market exchange rates have moved below the official upper band, indicating a balance of supply and demand. Looking ahead, the SBV expects the VND to trade within a narrow range for the rest of Q1.

Vietnam's new leadership will continue reforms

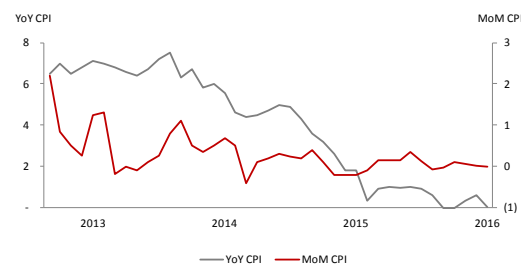
The Ruling Party held its 12th Congress in Hanoi during the month, selecting the country's leadership for the next five years. This year's session drew greater foreign interest and commentary than past congresses, with rumours and speculation about what was supposedly occurring behind the scenes. Regardless, we believe the new leadership is committed to continuing economic reforms and building on the achievements the country has made to date, including privatisation of state owned enterprises. There remains a great deal of work to be done for Vietnam to fully capitalise on the strong momentum it currently has going for it. Importantly, the incumbent Party Secretary remains in office and we are cautiously optimistic that the government fully appreciates the need to maintain momentum and will not let another opportunity to make significant progress pass.

Macroeconomic indicators

In USDbn	2015	Jan	2016 YTD	Year-on-year
GDP growth ¹	6.7%	n.a	n.a	n.a
Inflation (%)	0.6%	0.0%	0.0%	0.8%
FDI commitments	22.8	1.3	1.3	101.3%
FDI disbursements	14.5	0.8	0.8	23.1%
Imports	165.6	14.0	14.0	2.9%
Exports	162.4	13.8	13.8	1.7%
Trade surplus(deficit)	(3.2)	(0.2)	(0.2)	
VND:USD ²	22,450	22,285	(0.7%)	
Bank deposit rate (VND)	5.0%	5.0%	-	

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

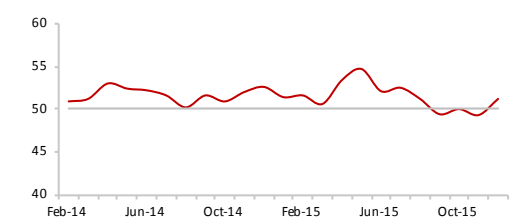
Year-on-year and month-on-month inflation (%)



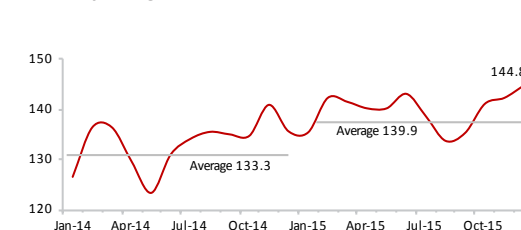
Quarterly GDP growth (%)



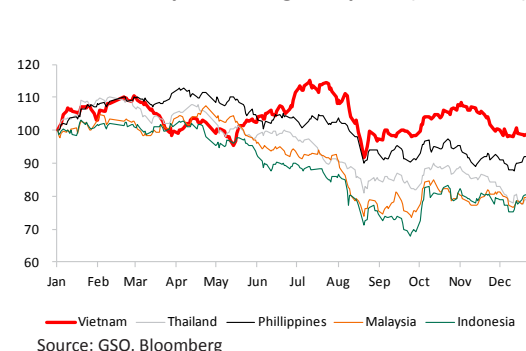
Purchasing Managers' Index



ANZ-Roy Morgan Vietnam Consumer Confidence Index



VN Index compared to regional peers (USD terms)



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	KYG9361Y1026		
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 in 2018)		
Fund domicile	Cayman Islands		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd		
Structure	Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc		
Auditor	PricewaterhouseCoopers (Hong Kong)		
Nominated adviser	Grant Thornton UK LLP		
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	Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)		
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		



Important Information

This document, and the material contained therein, is not intended as an offer or solicitation for the subscription, purchase or sale of securities in VinaCapital Vietnam Opportunity Fund Limited (the "Company"). Any investment in any of the Companies must be based solely on the Admission Document of that Company or other offering document issued from time to time by that Company, in accordance with applicable laws.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in either of the Companies and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

The securities of the Companies have not been and will not be registered under any securities laws of the United States of America nor any of its territories or possessions or areas subject to its jurisdiction and, absent an exemption, may not be offered for sale or sold to nationals or residents thereof.

No undertaking, representation, warranty or other assurance, express or implied, is given by or on behalf of either of the Companies or VinaCapital Investment Management Ltd or any of their respective directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this document and no responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligence or otherwise.

No warranty is given, in whole or in part, regarding the performance of either of the Companies. There is no guarantee that investment objectives of any of the three Companies will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

This document is intended for the use of the addressee and recipient only and should not be relied upon by any persons and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purposes, without the prior written consent of VinaCapital Investment Management Ltd.

Investor Relations/Communications
 ir@vinacapital.com
 +84 8 3821 9930
 www.vinacapital.com

Broker
 Numis Securities
 +44 (0)20 7260 1000
 funds@numis.com