

Monthly update 30 April 2012

Fund background

VinaCapital Vietnam Opportunity Fund (VOF) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

ISIN KYG9361Y1026
 Bloomberg VOF LN
 Reuters VOF.L

Investment objective

Medium to long-term capital gains with some recurring income and short-term profit taking. Primary investment focus areas are: Privately negotiated equity investments; Undervalued/distressed assets; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC traded companies.

View [VOF details](#).

Download [VOF factsheet](#).

Fund managing director

Andy Ho

Manager

VOF is managed by VinaCapital Investment Management Ltd (VCIM) and requires investment approvals from a four member Internal Investment Committee.

More information about VCIM is [available here](#).

Manager comment

VOF's net asset value rose to USD769.9 million or USD2.42 per share, as at 30 April 2012, up 2.5 percent compared to USD753.8 million or USD2.36 per share as at 31 March 2012. The month-on-month increase was largely a result of an 8.1 percent increase in the Fund's capital markets component, which outperformed the VN Index. Listed equities performed well during the month of April, including, Phuoc Hoa Rubber (PHR) increasing 37 percent, Development Investment Construction (DIG) up 35 percent, while Lam Thao Fertilizers and Chemicals (LAS) and PetroVietnam Fertilizer and Chemicals (DPM) increased 27 and 23 percent, respectively.

Meanwhile, shares of VOF increased by 1.3 percent to USD1.57 as at 30 April 2012, from USD1.55 as at 31 March 2012. During the month of April, VOF bought back 1,600,000 shares. As at the end of April, a total of 6,197,000 shares have been repurchased, leaving 318,413,259 shares with voting rights for the Fund.

During April, investee company, PetroVietnam Fertilizer (DPM) approved plan to acquire a 51 percent stake in the Ca Mau Fertilizer plant during its annual general shareholders meeting on 27 April 2012. The purchase of the 800,000 ton annual capacity plant will make DPM one of the largest urea fertilizer producers in the region. The approved Ca Mau project will operate under a Business Corporation Contract (BCC) structure.

Capital markets

During April, the VN Index continued to expand for the fourth month in a row, closing at 474 points at the end of the month, an increase of 7.2 percent in USD terms. Vietnam equity once again outperformed the MSCI Asia ex-Japan (MXASJ) and MSCI Emerging Markets (MXEF) indices, which lost 0.1 percent and 1.5 percent respectively, in April.

However, trading volume combined on both stock exchanges decreased by 17 percent and trading value by 11 percent to USD1.8 billion month-on-month in April. The combined market capitalization of both exchanges was USD37.2 billion, with the VN Index trading at a trailing P/E of 11.0x and a P/B of 1.6x. Foreign investors were net sellers during the month, removing USD11 million from their listed portfolios in April. Companies sold off the heaviest were Sacombank (STB), Vincom Group (VIC), and DPM, while those acquired the most were Military Bank (MBB), Vietcom Bank (VCB), Masan (MSN), and Hoa Phat Group (HPG).

30 April 2012

NAV **2.42** per share (↑2.5%)

Total NAV: USD769.9 million

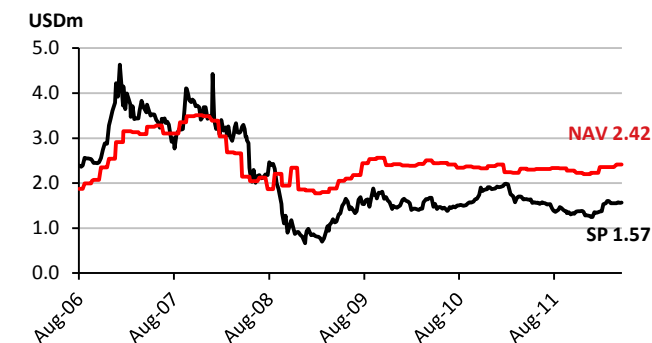
Performance summary

	30-Apr-12	Cumulative change:			
		3mth	1yr	3yr	5yr
NAV per share	2.42	8.4%	4.1%	28.5%	-21.8%
Share price	1.57	15.5%	-4.9%	36.3%	-56.2%
Premium/(Discount)	(35.2%)				
Market cap	499m				
Total NAV	769.9m				

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	9.8%	-7.6%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	35.9%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (30 April 2012)



Fixed income

The primary bond market rallied following a 1.0 percent cut on policy rates and the deposit rate cap by the State Bank of Vietnam (SBV) on 11 April 2012. Over the month, the State Treasury and Vietnam Bank for Social Policy (VBSP) issued and sold USD732 million worth of bonds, an increase of 33 percent compared to March. In total, State Treasury bonds comprised approximately 85 percent (USD622 million) of all bonds issued. Fixed income buyer's risk appetite increased for short and medium-term bonds given their high liquidity, a declining interest rate environment, limited credit growth and improved liquidity within the banking system. As a result, we expect demand for government bonds to remain high over the coming months.

On the secondary market USD694 million worth of Treasury and Vietnam Development Bank (VDB) bonds traded, an increase of 45 percent compared to March. According to Bloomberg, bond yields declined 0.6 percent to 0.8 percent in April month-on-month, with 1-year issues reaching 10.77 percent.

Macroeconomic update

For the month of April, month-on-month inflation pressure was essentially flat at 0.05 percent, equivalent to just 10.5 percent year-on-year. We believe that CPI could fall below the 10 percent threshold as early as May given that food and foodstuff prices (which comprise 40 percent of Vietnam's CPI basket) have continued to moderate from a year ago.

Quickly following a rate cut in March, the SBV lowered policy rates and the deposit rate cap by an additional 1.0 percent during the month in an attempt to restart business activity and stem any further deceleration of GDP growth as we enter the second quarter.

According to Vietnam's General Statistics Office (GSO), inventory levels of unsold goods, specifically within the consumer goods and industrial manufacturing sectors, increased 32 percent in April from a year ago. As a result, Vietnam's manufacturing index increased just 4.1 percent from January through April year-on-year, well below an average 9.0 percent in 2010 and 2011 as companies attempt to sell off current inventory levels.

The exchange rate for the VND remained nearly flat for the fourth straight month, closing at 20,930 per USD in April. However, the spread between VND and USD deposit rates have shrunk to 10.0 percent, which increases the likelihood of investors moving their VND surplus into other assets such as gold, equity, or foreign currency. This could lead to significant pressure for the government to devalue the VND as early as the fourth quarter.

Bond yields fell by 0.6 percent to 0.8 percent in the secondary market during the month of April

Yearly inflation fell to just 10.5 percent in April

Vietnam's manufacturing index increased 4.1 percent YTD, much lower than the past two years as inventory levels remain high

The exchange rate on VND remained flat for another month, closing April at VND20,930 per USD

Macro-economic indicators and forecast

	2011	Apr-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.0%	
Inflation	18.1%	0.05%	2.6%	10.5%
FDI (USDbn)	14.7	1.7	4.3	9.7%
Imports (USDbn)	105.8	9	33.6	4.4%
Exports² (USDbn)	96.3	8.6	33.4	22.1%
Trade deficit (USDbn)	9.5	0.4	0.2	-96.3%
Exchange rate³ (USD/VND)	21,036	20,930	-0.5%	1.1%
Bank deposit rate (VND %)	12.0-14.0%	12.0%	-14.3%	-14.3%

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

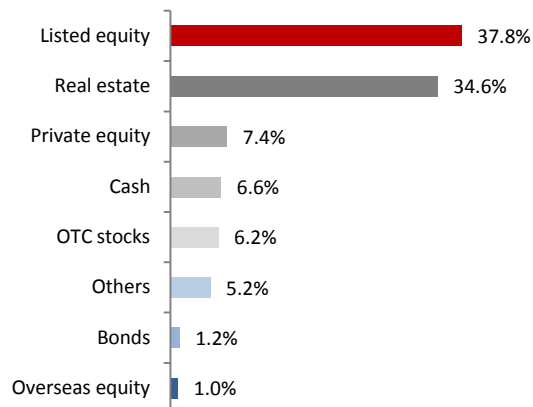
¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

Govt Bonds	1 yr	2 yr	3 yr	5 yr	10 yr
Yield (%)	10.77	10.75	10.58	10.65	10.78

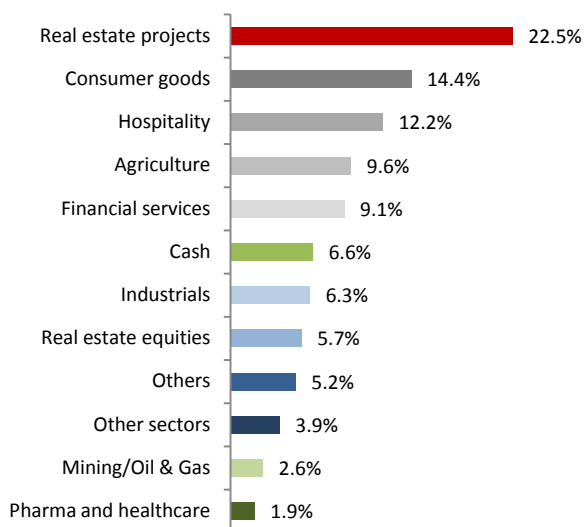
Source: Bloomberg

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Portfolio by asset class



Portfolio by sector



Top holdings at 30 April 2012

Top 5 listed investments

Name of investee	% of NAV	Sector	Description
Vinamilk (VNM)	7.6	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	7.1	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	3.9	Consumer goods	Top confectionary manufacturer in Vietnam.
Hoa Phat Group (HPG)	2.7	Industrials	Major steel manufacturer.
Phu Nhuan Jewelry (PNJ)	1.9	Consumer goods	The largest jewelry manufacturer and distributor in Vietnam.

Top 5 OTC investments

Name of investee	% of NAV	Sector	Description
An Giang Plant Protection	4.4	Agriculture	Leading plant protection chemicals firm.
Nam Viet Oil	0.7	Mining/Oil & Gas	Major gasoline producer.
Binh Dien Fertiliser	0.4	Agriculture	The largest NPK fertiliser producer.
Tam Phuoc Industrial	0.3	Infrastructure	An industrial park, a subsidiary of Tin Nghia, Dong Nai's biggest state corporation.
Minh Hai Jostoco	0.1	Agriculture	One of the shrimp processors and exporters.

Top 5 real estate investments

Project	% of NAV	Sector	Description
Sofitel Metropole	7.6	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.5	Real estate	HCM City residential development.
Legend hotel	3.5	Hospitality	One of the leading 5 star hotels in Ho Chi Minh City.
Dai Phuoc Lotus	2.9	Real estate	Residential developer with townhouse sales underway.
VinaLand Ltd (AIM: VNL)	2.7	Real estate	VCIM-managed Vietnam real estate fund.

Top 5 private equity investments

Name of investee	% of NAV	Sector	Description
Prime Group	1.8	Industrials	Ceramics producer with dominant market share.
Yen Viet	1.1	Agriculture	Produces birds nest nutritional products.
IBS	1.0	Industrials	Construction materials firm.
International School, HCMC	0.6	Education	Leading international school in Ho Chi Minh City providing world-quality education.
Indochina Food	0.6	Consumer goods	The leading sugar and ethanol manufacturer in Vietnam and Cambodia.

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VOF Board of Directors

VinaCapital Vietnam Opportunity Fund Ltd (VOF) is led by a Board of Directors composed of a majority of independent non-executive directors.

William Vanderfelt	Chairman (Independent)
Michael G. Gray	Director (Independent)
Martin Glynn	Director (Independent)
Don Lam	Director

VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VOF.

Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Andy Ho	Managing Director, Head of Investment
Nguyen Viet Cuong	Deputy Managing Director, Capital markets
Dang P. Minh Loan	Deputy Managing Director, Private equity

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Fund summary

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VOF factsheet at www.vinacapital.com

Fund launch
30 September 2003

Term of fund
Five years subject to shareholder vote for liquidation

Fund domicile
Cayman Islands

Legal form
Exempted company limited by shares

Structure
Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor
PricewaterhouseCoopers (Hong Kong)

Nominated advisor (Nomad)
Grant Thornton Corporate Finance

Custodian and Administrator
HSBC Trustee

Brokers
LCF Edmond de Rothschild Securities (Bloomberg: LCFR)
Numis Securities (Bloomberg: NUMI)

Lawyers
Lawrence Graham (UK)
Maples and Calder (Cayman Islands)

Management and performance fee
Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark

Investment manager: VinaCapital Investment Management Ltd

Investment policy: Medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: Privately negotiated equity investments; Undervalued/distressed assets; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

Investment focus by geography:
Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.