

Monthly update 31 August 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 fell by 2.3 percent to USD720.7 million as at 31 August 2012 from USD737.4 million as at 31 July 2012. During the month, the capital markets component within VOF declined 1.3 percent, largely due to shares of Khang Dien House (KDH), DIC Group (DIG), Eximbank (EIB) and Phu Nhuan Jewelry (PNJ) falling 18.1, 15.7, 14.4 and 10.4 percent, respectively.

During the month, VOF spent USD9.3 million repurchasing 5.7 million shares. As at 31 August 2012, VOF has spent USD34.2 million overall, repurchasing 22.5 million shares which are held as treasury shares. The total number of shares acquired since November 2011 represents 6.92 percent of the Company's 324,610,259 Ordinary Shares in issue. Since the beginning of the share buyback program, shares repurchased have had an accretive effect; increasing NAV per share by USD0.06, based on 31 August 2012 net asset value.

VOF's NAV per share fell to USD2.39 as at 31 August 2012, down just 0.4 percent from the prior month. However, the share price closed at USD1.63 per share in August, an increase of 5.2 percent from USD1.55 at the end of July. Management and the Board's efforts to reduce the share price to NAV discount have continued into August, partially due to the share buyback program. The current discount has declined to 31.5 percent from 35.2 percent at the end of July.

Capital markets

The VN Index closed the month of August down 4.5 percent at 397 points, underpinned by the banking sector scandal involving two high profile Vietnamese businessmen. Capital market volatility began to subside during the last few trading sessions of the month. Comparatively the MSCI Asia ex-Japan and MSCI Emerging Market indices only slightly fell, 0.8 and 0.5 percent, respectively.

Both trading volume and value remained weak during the month of August, with only USD910 million in value on 1.55 billion shares changing hands, an increase of 9.6 and 0.4 percent, respectively. Combined market capitalisation on both of Vietnam's bourses was USD35.3 billion with the VN Index trading at a trailing P/E of 9.9x and P/B of 1.5x.

Foreign investors were highly active during the month accounting for a net purchase of USD32.0 million compared to just USD7.0 million throughout July. The top acquired companies were PetroVietnam Gas (GAS), PetroVietnam Fertilizer and Chemical (DPM) and Military Bank (MBB), while Bao Viet Holding (BVH), Sacombank (STB) and Eximbank (EIB) were sold off the most.

31 August 2012

NAV **2.39** per share (↓0.4%)

Total NAV: USD720.7 million

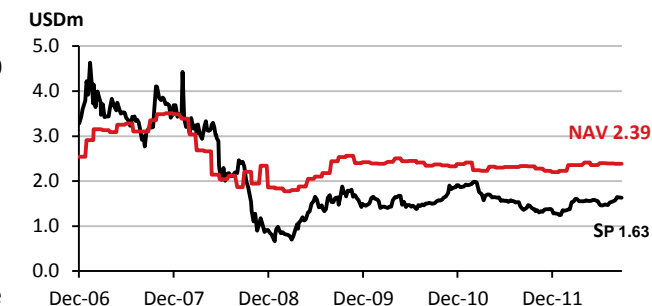
Performance summary

	31-Aug-12	Cumulative change (%):			
		3mth	1yr	3yr	5yr
NAV per share	2.39	1.3%	2.1%	-2.3%	-23.1%
Share price	1.63	5.4%	15.9%	-0.4%	-48.3%
Premium/(Discount)	(31.5%)				
Market cap	493m				
Total NAV	737m				

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	8.4	-7.6	-1.6	29.7	-46.6	37.4	64.9
VN Index	13.7	-25.6	-7.2	47.7	-68.6	23.5	142.4

NAV and share price performance (31 August 2012)



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USD760 million in government bonds were issued in August, an increase of 81.4 percent from July.

Fixed income

A banking scandal caused market volatility and had a major impact on the fixed income market during August. In the first half of the month, USD522 million in State Treasury bonds were issued, with short term rates remaining nearly unchanged from July; notably 2-year bonds which reached 9.04 percent. However, in the second half of the month demand fell sharply and only USD228 million of State Treasury bonds were issued. Interest rates spiked, with 2-year bonds finishing the month at 9.30 percent. In total USD760 million in government bonds were placed on the primary market, an increase of 81.4 percent from USD419 million in July.

On the secondary market, USD700 million of government and Vietnam Development Bank (VDB) bonds traded in August; an increase of 11.0 percent from the previous month. However, as August came to a close and investors risk appetite decreased, bond yields rose from 5 to 30 bps across the yield curve.

CPI increased by 0.63 percent in August, equating to a 5.0 percent year-over-year inflation rate

Macroeconomic update

During August, month-on-month inflation increased by 0.63 percent, the first month in three to post a rise in CPI, however the year-on-year figure fell to 5.0 percent. August inflation numbers were primarily attributable to an increase in healthcare (5.4 percent), construction materials (2.0 percent) and transportation (1.1 percent) related products. Demand has remained weak across many sectors and inventory levels, which have steadily grown over the last six months, have yet to diminish.

The VND remained stable during August, despite short term shocks following the August banking scandal

Vietnam's foreign exchange market remained stable throughout the month of August, with the grey market rate trading in line with the official market. The State Bank of Vietnam (SBV) has now maintained the official peg at VND20,828 per USD for nearly 12 months. Supply and demand for USD has remained in balance, with adequate supply from FDI disbursements, exporters, and foreign remittances from overseas Vietnamese expected to continue throughout 2012. The SBV acted decisively by injecting liquidity into the market to prevent a run on any banks as soon as the banking scandal was announced. This reassured depositors and provided confidence to the markets.

Deposit and lending rate caps remained at 9 and 15 percent, respectively, during the month of August

During August, the VND deposit rate cap remained at 9 percent. There continues to be a strong possibility of rates falling to 8 percent by the end of December, which may help GDP growth. Lending rates are also still capped at 15 percent, however, some banks are lending at between 13 and 14 percent to quality borrowers. However, credit growth overall remains slow as both banks (lenders) and businesses (borrowers) remain cautious.

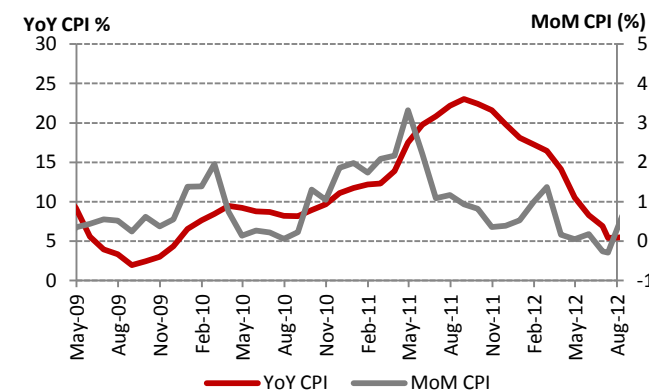
Macro-economic indicators and forecast

	2011	Aug-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.4%	
Inflation	18.1%	0.60%	2.9%	5.0%
FDI (USDbn)	14.7	0.5	8.5	-33.9%
Imports (USDbn)	105.8	10	73.4	6.7%
Exports² (USDbn)	96.3	9.8	73.3	17.8%
Trade deficit (USDbn)	9.5	0.2	-0.1	-101.6%
Exchange rate³ (USD/VND)	21,036	20,828	-0.7%	1.6%
Bank deposit rate (VND %)	12.0-14.0%	9.0%	-21.4%	-21.4%

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

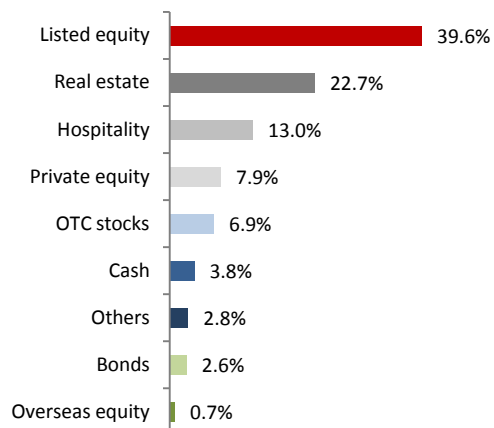
¹ Annualized rate. ² Includes gold. ³ State Bank central rate.

Monthly CPI trends

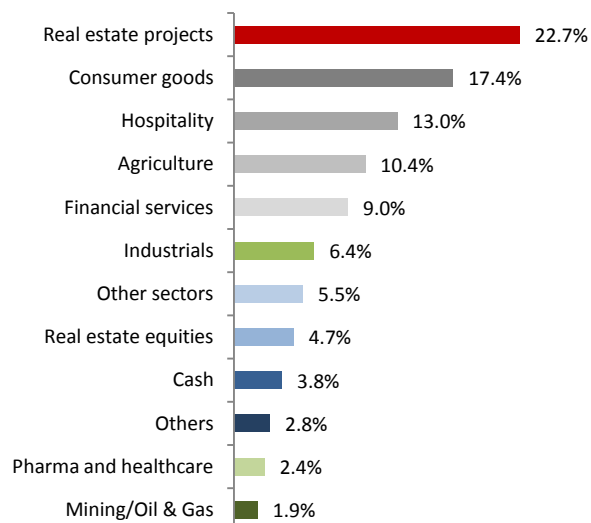


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Portfolio by asset class



Portfolio by sector



Top holdings at 31 August 2012

Top 5 listed investments

Name of investee	% of NAV	Sector	Description
Vinamilk (VNM)	9.5	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	6.7	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	3.6	Consumer goods	Top confectionary manufacturer in Vietnam.
Hoa Phat Group (HPG)	2.4	Industrials	Major steel manufacturer.
Phu My Fertiliser	2.0	Agriculture	Vietnam's largest urea fertiliser producer.

Top 5 OTC investments

Name of investee	% of NAV	Sector	Description
An Giang Plant Protection	5.4	Agriculture	Leading plant protection chemicals firm.
Binh Dien Fertiliser	0.4	Agriculture	The largest NPK fertiliser producer.
Nam Viet Oil	0.3	Mining/Oil & Gas	Major gasoline producer.
Tam Phuoc Industrial	0.2	Infrastructure	An industrial park, a subsidiary of Tin Nghia, Dong Nai's biggest state corporation.
Minh Hai Jostoco	0.1	Agriculture	One of Vietnam's largest shrimp processors and exporters.

Top 5 real estate and hospitality investments

Project	% of NAV	Sector	Description
Sofitel Metropole	8.1	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.8	Real estate	HCM City residential development.
Legend hotel	3.7	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)	2.3	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	Consumer goods	Produces birds nest nutritional products.
IBS	1.0	Industrials	Construction materials firm.
International School, HCMC	0.7	Education	Leading international school in Ho Chi Minh City providing world-quality education.
Indochina Food	0.7	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 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; Privatization of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

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