

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; privatization 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 unaudited net asset value was USD742.6 million or USD2.58 per share as at 31 December 2012. This represents a 4.9 percent increase from a net asset value per share of USD2.46 as at 30 November 2012. During the month, VOF entered into an agreement to divest its stake in Keating Capital Partners, to SCG Building Materials Company Limited for USD32.6 million in cash, representing an IRR of 33 percent and a multiple of 2.4x from this investment following a three year holding period. As a result of the transaction, VOF's NAV per share increased 8 cents as at 31 December 2012. Additionally, during the month, the capital market component within VOF increased by 5.8 percent, primarily due to shares of Eximbank (EIB), Hoa Phat Group (HPG), Transimex Saigon (TMS) and Development Investment Construction (DIG) increasing 9.8 , 15.4, 28.5 and 22.6 percent, respectively.

The Company's share price closed at USD1.84 at the end of December, an increase of 7.4 percent, compared to a closing price of USD1.71 at the end of November. As a result, the current price to NAV discount contracted to 29.0 percent from 30.6 percent at the end of November and from 42.0 percent a year ago.

The Company remains committed to its share buy back program and is working closely with Edmond de Rothschild Securities in this effort. Although, VOF's share price has been increasing steadily, opportunities to repurchase shares have been limited. However, VOF did repurchase 1.0 million shares in December. Since the onset of the share buyback programme, the Company has spent USD58.9 million to buy back 37.2 million shares, representing 11.5 percent of the Company's 324,610,259 Ordinary Shares in issue.

Capital markets

The VN Index increased by 9.5 percent in USD terms, closing at 413.7 for the month of December, the first monthly increase for the index since May 2012. The VN Index outperformed both the MSCI Asia ex-Japan and MSCI Emerging Markets indices, which increased by 3.0 and 4.8 percent respectively. Total trading value and volume on Vietnam's stock exchanges was USD760m on 1.8 billion shares. The combined market capitalization for both of Vietnam's bourses increased to USD36.7 billion from USD33.3 a month ago. As a result, the VN Index traded on a trailing P/E of 11.5x and P/B of 1.5x, at the close of December 2012.

Foreign investors continued to be net buyers of Vietnamese equities, accounting for net total purchases of USD67 million compared to USD66 million in November. The top acquired companies were Masan Group (MSN), Phu My Fertiliser (DPM), Vietcombank (VCB) and Sacombank (STB) while Vietinbank (CTG), Vincom Group (VIC), Kinh Bac Corporation (KBC), and Eximbank (EIB) were most actively divested.

31 December 2012					
NAV 2.58 per share (↑4.9%)					
Total NAV: USD742.6 million					
Performance summary					
	Cumulative change:				
	31-Dec-12	3mth	1yr	3yr	5yr
NAV per share	2.58	5.3%	17.4%	6.9%	-26.0%
Share price	1.84	12.8%	45.1%	21.9%	-47.5%
Premium/(Discount)	(29.0%)				
Market cap	531m				
Total NAV	742.6m				

Performance history (% change on NAV)							
	2012	2011	2010	2009	2008	2007	2006
YTD	17.4%	-7.6%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	18.9%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%



Vietnam's GDP grew at the slowest pace since 1999, increasing just 5.0 percent for 2012.

CPI reached 6.8 percent year-on-year for 2012.

Vietnam's central bank cut policy and deposit rate caps by 1 percent.

USD1.3 billion in government bonds were issued in December 2012, an increase of 84.4 percent from November.

Macroeconomic update

According to the General Statistic Office (GSO), Vietnam's gross domestic product increased 5.4 percent in the final quarter of 2012, bringing the full year to 5.0 percent. This represents the weakest annual economic expansion since 1999 and came as a result of the State Bank of Vietnam's (SBV) focus on keeping inflation at manageable levels compared to previous years. However there is a sign the economy is improving as inventory levels increased just 20 percent in the fourth quarter, far lower than a peak of 35 percent in the second quarter.

The consumer prices index increased 0.27 percent in December, month-on-month, bringing the full year figure to 6.8 percent, a drastic change from an inflation rate of 18.1 percent recorded in 2011. During the month, prices for food and foodstuffs remained unchanged, while prices for transportation increased 0.3 percent.

Credit growth finished the year at 6.5 percent, much lower than the SBV's initial target of 15 – 17 percent. Conversely, as a result of high deposit rates total deposits increased by 20.3 percent in 2012 and as such, the VND strengthened versus the USD. Credit growth should improve in 2013 if interest rate caps continue to fall. In late December, Vietnam's central bank cut policy and deposit rate caps by 1 percent. As a result the refinancing rate and deposit rate cap fell to 9 percent and 8 percent respectively.

Fixed income

The primary bond market extended its rally into December with a total of USD1.3 billion worth of government and government sponsored bonds issued, an 84.4 percent increase from November 2012. Credit growth in Vietnam finished at 6.5 percent for the year, which resulted in abundant liquidity for the banking system, aiding in the strength of the overall bond market. As a result, bond yields declined between 5 to 14bps on 2-year and 5-year State Treasury bonds, which accounted for 54 percent of total issues in December.

The secondary market also rallied in December with USD1.3 billion worth of government and government sponsored bonds exchanging hands. Nearly 75 percent of all bonds activity were in short to medium term bonds (3 years and below). According to data compiled by Bloomberg, yields declined between 5 to 15bps for these short and medium term bonds.

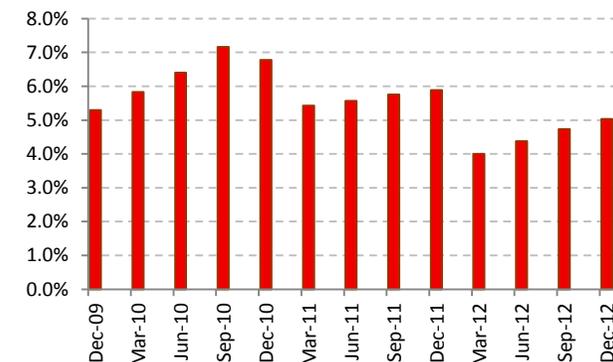
Macro-economic indicators and forecast

	2011	Dec-12	YTD	Y-o-Y change
GDP growth¹	5.9%	5.40%	5.0%	5.0%
Inflation	18.1%	0.27%	6.8%	6.8%
FDI (USDbn)	14.7	0.8	13.0	-15.3%
Imports (USDbn)	105.8	10.6	114.3	7.1%
Exports² (USDbn)	96.3	10.4	114.6	18.3%
Trade deficit (USDbn)	9.5	0.2	0.3	-
Exchange rate³ (USD/VND)	21,036	20,855	-0.9%	0.1%
Bank deposit rate (VND %)	12.0-14.0%	8.0%	-42.9%	-42.9%

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.

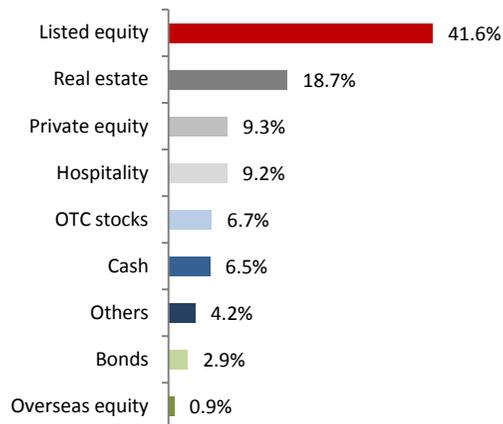
Quarterly GDP year-on-year growth



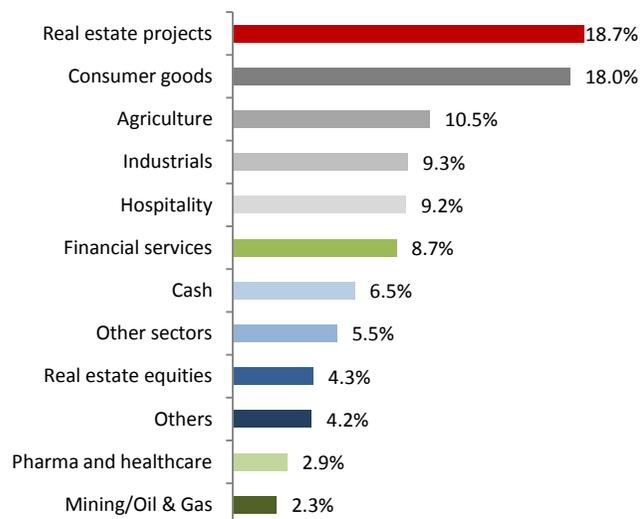
Source: General Statistics Office (GSO)

Monthly update 31 December 2012

Portfolio by asset class



Portfolio by sector



Top holdings at 31 December 2012

Top 5 listed investments

Name of Investee	% of NAV	Sector	Description
Vinamilk (VNM)	11.3	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	6.3	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	3.9	Consumer goods	Top confectionery manufacturer in Vietnam.
Hoa Phat Group (HPG)	2.8	Industrials	Major steel manufacturer.
Hau Giang Pharmaceuticals	2.2	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

Top 5 OTC investments

Name of Investee	% of NAV	Sector	Description
An Giang Plant Protection	5.2	Agriculture	Leading plant protection chemicals firm.
Nam Viet Oil	0.5	Mining/Oil & Gas	Major gasoline producer.
Binh Dien Fertiliser	0.4	Agriculture	The largest NPK fertiliser 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 investments

Project	% of NAV	Sector	Description
Sofitel Metropole	8.0	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.2	Real estate	HCM City residential development.
Dai Phuoc Lotus	2.5	Real estate	Residential developer with townhouse sales underway.
Danang Beach Resort	2.2	Real estate	Resort villa sales underway.
VinaLand Ltd (AIM: VNL)	1.9	Real estate	VCIM-managed Vietnam real estate fund.

Top 5 private equity investments

Name of Investee	% of NAV	Sector	Description
Prime Group	4.4	Industrials	Ceramics producer with dominant market share.
IBS	1.2	Industrials	Construction materials firm.
International School, HCMC	0.7	Education	Leading international school in Ho Chi Minh City providing world-quality education.
Hoan My Hospital	0.7	Pharmaceuticals & health care	Private hospital chain.
SSG- Saigon Pearl	0.6	Real estate	One of the biggest property developers in Vietnam.

Monthly update 31 December 2012

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
Dang P. Minh Loan	Deputy Managing Director, Private equity

Contact

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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

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.