

Fund background

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 NAV rose 5.6 percent in February to USD2.35 per share from USD2.23 at the end of January 2012, due to improved optimism within Vietnam's capital markets. The fund's capital market component outperformed both the VN Index (10.1 percent) and its fund peer group according to LCF Rothschild's Daily Parity Sheet (9.3 percent), gaining 10.9 percent during the month. The fund's listed investee companies that performed the best in February include Eximbank (EIB) up 21 percent, Hoa Phat Group (HPG) up 36 percent, Kinh Do Corp (KDC) up 17 percent and Development Investment Construction (DIG) up 38 percent.

The fund's share price gained 14.9 percent, closing at USD1.55 for the month of February, from USD1.345 last month. VOF continued its share buyback programme, with a total of 750,000 shares repurchased during February 2012, bringing the total acquired to 4.6 million shares. Purchased shares are held as treasury shares and can only be resold above the prevailing NAV/share.

Fund management presented at this year's LCF Rothschild Emerging Market conference in London on 29 February 2012. The presentation is available on our website [here](#).

Capital market and macroeconomic update

February was another good month for the VN Index, which reached 423 points, a 10.1 percent increase in USD terms. The VN Index outperformed both the MSCI Asia ex-Japan and MSCI Emerging Markets indices for February, which both increased by 5.9 percent.

Trading value and volume on Vietnam's stock exchanges reached USD1.0 billion on 2.0 billion shares, an increase of 243 percent and 232 percent month-on-month, respectively. The combined market capitalization of both bourses as of 29 February 2012 reached USD32.5 billion. By the end of February, the VN Index traded on a trailing P/E of 9.8x and P/B of 1.4x, considerably higher than in January (7.8x) as international investors' risk tolerance for global equities seemed to improve and local investors began to anticipate a market rally in 2012.

29 February 2012

NAV **2.35** per share (↑5.6%)

Total NAV: USD755 million

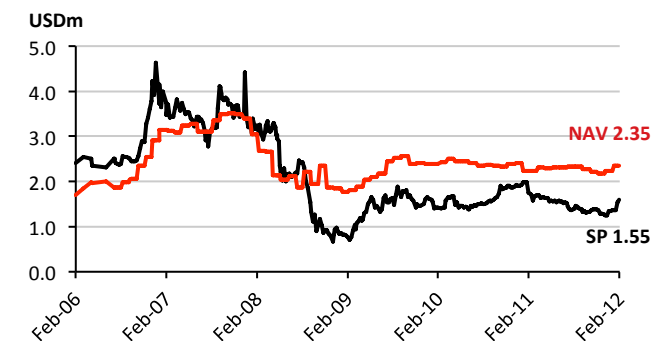
Performance summary

		Cumulative change:				
	29-Feb-12	3mth	1yr	3yr	5yr	
NAV per share	2.35	5.8%	5.0%	33.0%	-25.3%	
Share price	1.55	15.5%	-8.9%	106.8%	-57.5%	
Premium/(Discount)	(32.4%)					
Market cap	511m					
Total NAV	755m					

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	7.9%	-8.4%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	21.8%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (29 Feb 2012)



Capital market and macroeconomic update (continued)

Foreign investors were net buyers of USD73 million in February, compared to net sellers of USD98 million in the previous month. Listed companies that topped the buying list include Military Bank (MBB), Vietcombank (VCB), Masan Corp. (MSN), Hoa Phat Group (HPG) and Tan Tao Investment Industry (ITA).

On the back of improved liquidity in the banking system, the bond market was very active in February, with 88 percent, or USD1.4 billion worth of government bonds (g-bonds) and Vietnam Development Bank (VDB) bonds issued. Despite the market's expectation of an interest rate cut, bond auction sessions in February received strong bids.

However, yields on 3- and 5-year government issues were down by 80 basis points to 11.30 percent and 11.35 percent respectively, compared to the previous month. Meanwhile, the yield on 10-year bonds fell by 10 basis points to 11.72 percent, compared with January 2012.

On the secondary market, a total of USD261 million worth of VDB and g-bonds were traded in February, representing an increase of 31 percent compared to January. However, most transactions took place involving short term bonds as the result of the expected decline in interest rates.

Inflation continued to decline during February, rising just 1.4 percent month-on-month, equivalent to 16.4 percent year-on-year. Food price increases moderated, removing one of the key elements of inflation pressure, however gasoline prices increased by 10 percent as a result of the government announcing the removal of subsidies. We believe inflation will continue to slow throughout 2012 and have set a new annual target of 10 percent for CPI.

The Vietnam Dong (VND) continued to stabilize throughout the month of February, in fact, year to date, the currency has actually appreciated versus the USD by approximately 1 percent. With inflation declining and a deposit rate differential of more than 10 percent between VND and USD accounts, the State Bank of Vietnam (SBV) purchased USD3.0 billion in the foreign exchange market, boosting reserves by 20 percent in 2012.

Retail sales of consumer goods and services increased 22 percent in February and continue to be the foundation for economic growth for the year to date, despite weakening purchasing power from persistent inflation. We believe that GDP growth will end 2012 at 6.0 percent, lower than the average 7.1 percent over the past decade, given the government's emphasis on macro stability at the expense of lower economic growth.

Demand for Vietnam government bonds remained strong, given the recent stability in the banking sector

Inflation fell to 16.4 percent YoY for 2012 YTD

Retail sales increased 22 percent in February

Macro-economic indicators and forecast

	2011	Feb-12	YTD	Y-o-Y change
GDP growth¹	5.9%			
Inflation	18.1%	1.4%	2.4%	16.4%
FDI (USDbn)	14.7	0.8	1.2	-21.2%
Imports (USDbn)	105.8	9	15.9	11.8%
Exports² (USDbn)	96.3	8.2	15.3	24.8%
Trade deficit (USDbn)	9.5	0.8	0.6	-68.4%
Exchange rate³ (USD/VND)	21,036	20,870	-0.8%	0.0%
Bank deposit rate (VND %)	12.0-14.0%	N/A	N/A	N/A

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

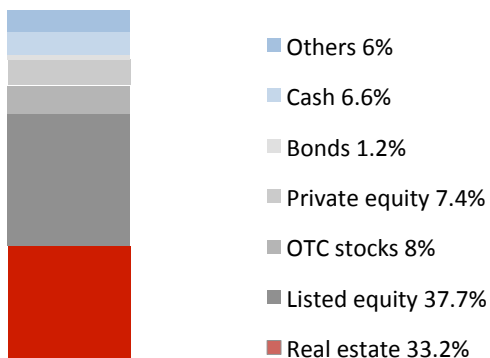
¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

Govt bonds	1 yr	2 yr	3 yr	5 yr	10 yr
Yield curve (%)	11.58	11.58	11.60	11.58	11.72

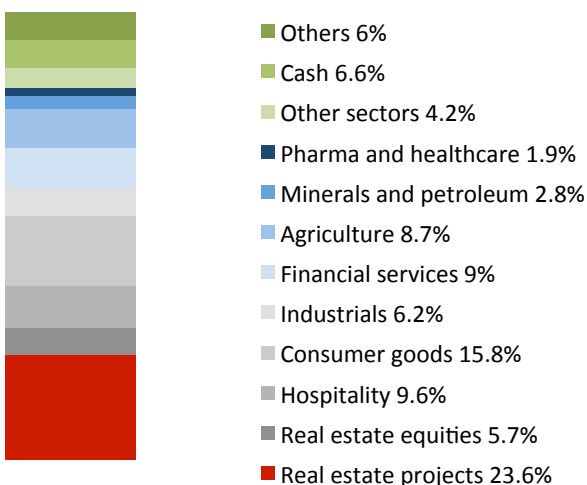
Source: Bloomberg

Monthly update 29 February 2012

Portfolio by asset class



Portfolio by sector



Top holdings at 29 February 2012

Top 5 listed investments

Name of investee	% of NAV	Sector	Description
Vinamilk (VNM)	7.8	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	7.1	Financial services	One of top ten commercial banks.
Kinh Do Corp (KDC)	3.8	Consumer goods	Top confectionary manufacturer in Vietnam
Hoa Phat Group (HPG)	2.5	Industrials	Major steel manufacturer.
Phu Nhuan Jewelry	1.8	Consumer goods	The largest jewelry manufacture and distributor in Vietnam.

Top 5 OTC investments

Name of investee	% of NAV	Sector	Description
An Giang Plant Protection	4.2	Agriculture	Leading plant protection chemicals firm.
Halico	1.3	Consumer goods	Liquor producer with popular brands.
Nam Viet Oil	0.8	Mining/Oil & Gas	Major gasoline producer.
Lam Thao	0.4	Agriculture	Major fertiliser producer.
Binh Dien Fertiliser	0.4	Agriculture	Largest NPK fertiliser producer.

Top 5 real estate investments

Project	% of NAV	Sector	Description
Sofitel Metropole	7.6	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.9	Real estate	HCM City residential development.
Dai Phuoc Lotus	3.0	Real estate	Townhouse sales underway.
VinaLand Ltd (AIM: VNL)	2.7	Real estate	VCIM-managed Vietnam fund.
Danang Beach Resort	1.9	Real estate	Resort villa sales underway.

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	0.7	Industrials	Construction materials firm.
International School, HCMC (Pioneer)	0.7	Education	Leading international school in Ho Chi Minh City providing world-quality education
SSG- Saigon Pearl	0.6	Real estate	One of the biggest property developers in Vietnam.

Monthly update 29 February 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
Nguyen Viet Cuong	Deputy Managing Director, Capital markets
Dang P. Minh Loan	Deputy Managing Director, Private equity

Contact

David Dropsey	Investor Relations/Communications ir@vinacapital.com +848-3821-9930 www.vinacapital.com
----------------------	---

Brokers

LCF Edmond de Rothschild Securities +44 (0)20 7845 5960 or funds@lcf.co.uk
Numis Securities + 44 (0)20 7260 1327, mail@numis.com

Please think before printing. This report is designed to be view 'full screen' without the need to print on paper.

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 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 Limited 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 Limited.

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.