

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; 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 three member Investment Committee.

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

Manager comment

VOF NAV per share finished the month at USD2.23, up 2.2 percent from USD2.18 at the end of December 2011. The fund's capital market component increased 5.7 percent, slightly lower than the VN Index which increased 10.6 percent. The fund's holdings in Kinh Do Corp (KDC), Eximbank (EIB), PetroVietnam Fertilizer and Chemical (DPM), Pho 24, and Olympus were major contributors to the monthly gain, but the value of the investment in VinaLand (VNL) fell nearly 13.5%.

The fund's share price closed at USD1.345 in January, up 5.9 percent compared to USD1.27 from December. VOF continued its share buyback programme, with a total of 3.8 million shares purchased as of 31 January 2012. Shares purchased will be held as treasury shares and can only be resold above the prevailing NAV/share.

The VOF Annual Report is now available on our website at: <http://www.vinacapital.com/vof>.

Macro and capital markets update

The VN Index dropped almost 15 points (-4.0 %) in the first week of January before rallying strongly prior to the week long Tet holiday. Overall, the index gained 10.6 percent in USD terms, closing the month at 388 points. This was the best performance in a single month since September 2009. The rally was in line with other regional indexes as the MSCI Asia ex-Japan and MSCI Emerging Markets increased by 10.7 and 11.2 percent in January, respectively.

However, given the Tet holiday season started in January this year, trading value and volume on Vietnam's two stock exchanges significantly decreased during the month. Trading value and volume reached only USD300 million and 620 million shares, respectively, month-on-month decreases of 48 and 45 percent. The combined market capitalization of both bourses closed the month at a value of USD29.3 billion. Notably, the VN Index traded at a trailing P/E of 7.8x and P/B of 1.3x by January's end, slightly higher than December, but still extremely cheap versus other frontier markets globally. This was one of the main factors in a recent article from Bloomberg, which cites Vietnam as the leading country among frontier markets, which has outstanding economic expansion and sits at very attractive valuations. The full article can be read [here](#).

Foreign investors continued to be net sellers of USD98 million during January, compared to net selling of USD44 million in the previous month. Shares of Sacombank (STB) and Vincom (VIC) continued to be under heavy selling pressure. If we exclude the effect of STB and VIC, foreigners would have been net buyers of USD23 million for the month.

31 January 2012

NAV **2.23** per share (↑ 2.2%)

Total NAV: USD716 million

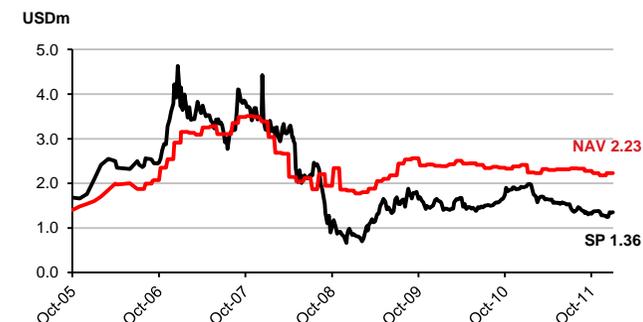
Performance summary

	Cumulative change:				
	31-Jan-12	3mth	1yr	3yr	5yr
NAV per share	2.23	-2.2%	-7.5%	21.2%	-23.4%
Share price	1.36	2.8%	-30.0%	56.6%	-63.6%
Premium/ (Discount)	(39.2%)				
Market cap	437m				
Total NAV	716m				

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	2.2%	-8.4%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	10.6%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (31 January 2012)



Bond yields remain stable for another month, at 12.1 and 12.15 percent for 3 and 5-year bonds respectively

Macro update (continued)

There was only one treasury bond auction conducted in January for 3- and 5-year bonds, but it enjoyed a very positive response from investors as both inflation and interest rates fears are showing signs of fading for the coming year. The government sold out of the 3-year issue and 88 percent of the 5-year bonds for a combined value of USD47.5 million. Yields remained unchanged compared to previous auctions, at 12.1 and 12.15 percent for the 3- and 5-year bonds, respectively.

For the remainder of 2012, demand for government bonds (g-bonds) is expected to remain high as an expected USD3.4 billion worth of treasury issues will be due this year, requiring banks to rollover their current holdings. Additionally, the market is expected to see a limited supply of new bond issuance, with only an estimated USD7.8 billion worth of g-bonds, planned for the next three years.

On the secondary market, a total of USD199.4 million worth of Vietnam Development Bank (VDB) and g-bonds were traded in January, representing a decline of 55 percent compared to December.

Inflation continued to trend down because of the lagging effect of the tight monetary policy set from the middle of 2011, reaching 1.0 percent MoM and 17.3% YoY. We continue to believe inflation will fluctuate throughout the year, as a result of food price increases, or a hike in the cost of utilities (electricity, gasoline) due to relaxed subsidies. We think that CPI for 2012 will be between 10 and 15 percent, markedly better than the past two years.

However, interest rates remain high, with business loan rates sitting at 19-20 percent, an extremely constrictive level for production activities for most companies in Vietnam. The most affected are small and medium sized businesses with no direct access to capital markets (either equity or bonds) that must rely solely on bank loans for capex and working capital.

Bank liquidity continues to pose a serious problem for both the real estate and capital markets. Many industry experts agree, a large amount of bank capital is now locked up in uncollectible real estate loans, further freezing up liquidity. Additionally, we now see the interbank market as a source of the problem regarding liquidity, despite a sizable market of approximately VND500 trillion in loans outstanding.

A bright spot for the economy continues to be the stability of the VND. The SBV governor has achieved his pledge to keep any VND depreciation in Q4 2011 to just 1 percent. This month which included the Tet holiday saw a peak in remittances, and with a significant differential of deposit rates in VND vs. USD accounts, most of these remittances were converted to VND. We continue to forecast a 5 percent devaluation in the VND currency for an interbank exchange rate of 22,000 by the end of 2012.

Inflation continued to slow into January, reaching 17.3% YoY, even throughout the Tet holiday season.

Interest rates remain at extremely constrictive levels: 19-20 percent

Stability in the VND for January helped by peak remittances from overseas Vietnamese during the Tet holiday season

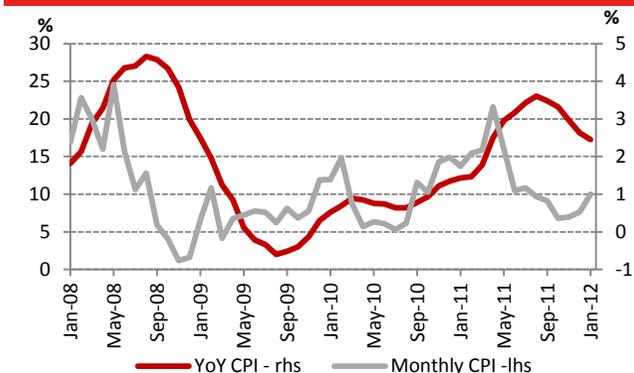
Macro-economic indicators and forecast

	2011	Jan-12	YTD	Y-o-Y change
GDP growth¹	5.9%			
Inflation	18.1%	1.0%	1.0%	17.3%
FDI (USDbn)	14.7	0.4	0.4	94.7%
Imports (USDbn)	105.8	6.6	6.6	-18.7%
Exports² (USDbn)	96.3	6.5	6.5	-11.1%
Trade deficit (USDbn)	9.5	0.1	0.1	-90.0%
Exchange rate³ (USD/VND)	21,036	21,036	0.0%	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.

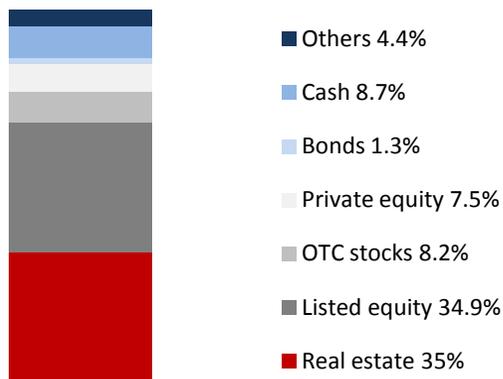
¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

Monthly CPI trends

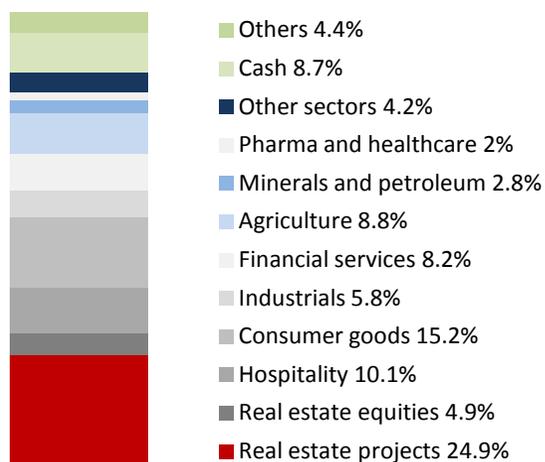


Monthly update 31 January 2012

Portfolio by asset class



Portfolio by sector



Top holdings at 31 January 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)	6.1	Financial services	One of top ten commercial banks.
Kinh Do Corp (KDC)	3.4	Consumer goods	Top confectionary manufacturer in Vietnam
Hoa Phat Group (HPG)	1.9	Industrials	Major steel manufacturer.
Phu Nhuan Jewelry	1.8	Consumer goods	Largest jewelry manufacture and distributor in Vietnam.

Top 5 OTC investments

Name of investee	% of NAV	Sector	Description
An Giang Plant Protection	4.3	Agriculture	Leading plant protection chemicals firm.
Halico	1.4	Consumer goods	Liquor producer with popular brands.
Nam Viet Oil	0.9	Oil & Gas	Major gasoline producer.
Lam Thao	0.5	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	8.0	Hospitality	Vietnam's top city-centre hotel.
Century 21	4.1	Real estate	HCM City residential development.
Dai Phuoc Lotus	3.2	Real estate	Townhouse sales underway.
VinaLand Ltd (AIM: VNL)	2.9	Real estate	VCIM-managed Vietnam fund.
Danang Beach Resort	2.0	Real estate	Resort villa sales underway.

Top 5 private equity investments

Name of investee	% of NAV	Sector	Description
Prime Group	1.9	Industrials	Ceramics producer with dominant market share.
Yen Viet	1.1	Consumer goods	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
Indochina Food	0.6	Consumer goods	The leading sugar and ethanol manufacturer in Vietnam and Cambodia.

Monthly update 31 January 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, www.numiscorp.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, VinaLand Limited or Vietnam Infrastructure Limited (each a "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; Privatization 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.