

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 increased by 1.0 percent to USD749.9 million, as at 30 June 2012, from USD742.9 million as at 31 May 2012. The increase in the fund's NAV was attributable to its capital markets and private equity portfolio which rose 3.9 and 2.1 percent respectively, offsetting a 3.8 percent write down in real estate assets. For the month, listed equities such as Eximbank (EIB), Vinamilk (VNM), and Kinh Do Corp (KDC) performed well, increasing 6.7, 1.7 and 5.1 percent respectively.

On a NAV per shares basis, VOF increased by 1.7 percent to USD2.40 as at 30 June 2012 from USD2.36 per share, as at 31 May 2012, partly due to the continued share buyback. Meanwhile, VOF's share price closed the month at USD1.48, down 4.5 percent from USD1.55 in May.

VOF continued to showcase its commitment to the share buyback program by repurchasing 2.7 million shares throughout June 2012. As a result, 12.1 million shares are held in Treasury, representing 3.72 percent of the Fund, leaving 312,535,596 in total voting rights. Shares repurchased have had an accretive effect, increasing NAV per share by USD0.034. During the month, the Board and Management met and universally agreed that the buyback program should continue into the Fund's 2013 fiscal year in order to further reduce the discount to NAV and provide investors with an internal rate of return which could not likely be replicated elsewhere.

On 18 June 2012, VOF management participated in an investor conference call to update shareholders on the market environment and fund performance. A replay of the call is available on our [website](#) or the replay numbers listed in the notice of the call.

Capital markets

The VN Index traded throughout the month in the range of 416 and 436 before closing at 422 at June's end, falling 1.7 percent in USD terms. In contrast, the MSCI Asia ex-Japan and MSCI Emerging Market indices rose 2.6 percent and 3.4 percent, respectively.

Both trading volume and value declined significantly in June, with only USD1.0 billion in value on 1.8 billion shares changing hands, a decline of 47 and 45 percent, respectively. Combined market capitalisation on both of Vietnam's bourses was USD37 billion with the VN Index trading at a trailing P/E of 10.6x and P/B of 1.5x.

Foreign investors were net sellers of USD25 million during June, compared to net buying of USD13.8 million the previous month. The top acquired companies were

30 June 2012

NAV **2.40** per share (↑1.7%)

Total NAV: USD749.9 million

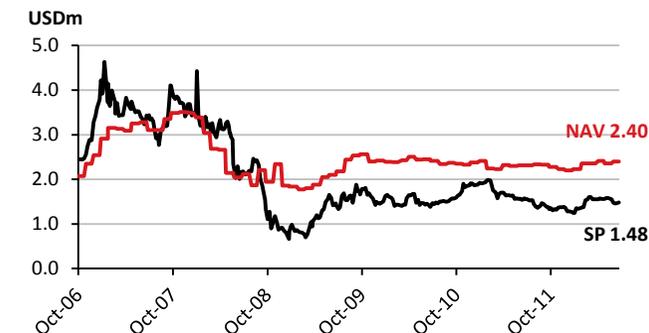
Performance summary

	30-Jun-12	Cumulative change:			
		3mth	1yr	3yr	5yr
NAV per share	2.40	1.9%	3.6%	14.5%	-26.8%
Share price	1.48	-4.5%	-5.7%	1.4%	-56.9%
Premium/(Discount)	(38.3%)				
Market cap	467m				
Total NAV	749.9m				

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	9.1%	-7.6%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	21.1%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (30 June 2012)



Bond activity slowed considerably in June 2012 to USD235 million in new issues, a decline of 69 percent from May 2012.

Capital markets (continued)

Viet Nam Construction and Import-Export JSC (VCG), PetroVietnam Construction (PVX) and PetroVietnam Gas (GAS) while Sacombank (STB), VinGroup JSC (VIC), and VN Direct Securities were sold off the most.

Fixed income

In contrast to the last three months, primary bond market activity was quiet in June 2012. Fixed income investors maintained a cautious view given both an expectation of inflationary pressures that could materialize towards the end of the year and another two percent rate cut by the State Bank of Vietnam (SBV). Additionally, the anticipation of the State Treasury's disbursement of USD2.4 billion in the coming months also likely negatively impacted the overall bond market.

Only USD235 million worth of government and government sponsored bonds were issued in June 2012, a decline of 69 percent compared to May 2012, while yields increased 30 bps for 2- and 3-year State Treasury bonds to 9.20 percent and 9.40 percent, respectively. However, yields further along the curve saw little movement, with 5-year bonds increasing only 10 bps to 9.55 percent and 10-year bonds unchanged at 9.5 percent.

The yield curve flattened slightly with short term yields increasing slightly while long term yields fell.

In the secondary market low risk appetite from bond investors affected demand throughout the month. Overall bond trading value fell to USD589 million in June, a month-on-month decline of 36 percent from May. A flattening of the yield curve was even more prevalent in the secondary market as short to medium tenor government bonds rose between 10 and 70 bps while long term bonds declined by 10 to 20 bps. Bond activity is expected to continue sliding due to low risk appetite and increased supply from banks as they lock in profits.

Second quarter GDP growth fell to 4.7 percent, resulting in first half growth of 4.4 percent

Macroeconomic update

Second quarter 2012 GDP growth in Vietnam fell to 4.7 percent, bringing year-to-date growth to 4.4 percent, much lower than the government's target of 6.0 percent. As a result, the Deputy Prime Minister said VND21 trillion will be injected into the economy to stimulate demand and help improve credit growth.

Inflation fell as domestic economic growth waned, falling to 6.9 percent YoY

However, in the month of June, inflation slowed to its weakest pace in a year, mirroring the slowdown in domestic production to just 6.9 percent, year-on-year. Vietnam's CPI actually fell 0.3 percent from the end of May, the first decline since March 2009 and despite food and foodstuff prices increasing 2.2 percent. The government continued to loosen monetary policy as it announced a fifth round of rate cuts for 2012, lowering the refinancing rate 100 bps to 11 percent from 12 percent.

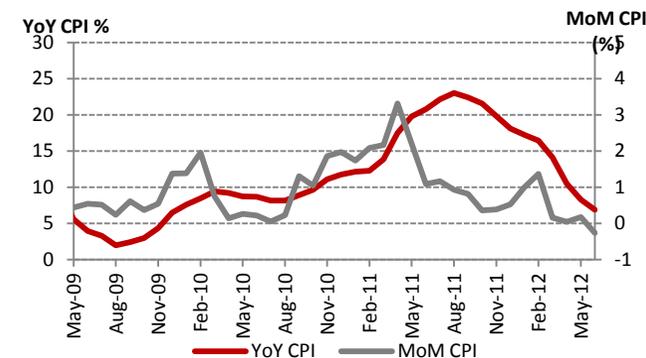
Macro-economic indicators and forecast

	2011	Jun-12	YTD	Y-o-Y change
GDP growth¹	5.9%	4.7%	4.4%	
Inflation	18.1%	-0.26%	2.5%	6.9%
FDI (USDbn)	14.7	1.1	6.4	-27.7%
Imports (USDbn)	105.8	9.9	53.8	6.9%
Exports² (USDbn)	96.3	9.8	53.1	22.2%
Trade deficit (USDbn)	9.5	0.1	0.6	-91.2%
Exchange rate³ (USD/VND)	21,036	20,920	-0.6%	1.3%
Bank deposit rate (VND %)	12.0-14.0%	11.0%	-21.4%	-21.4%

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

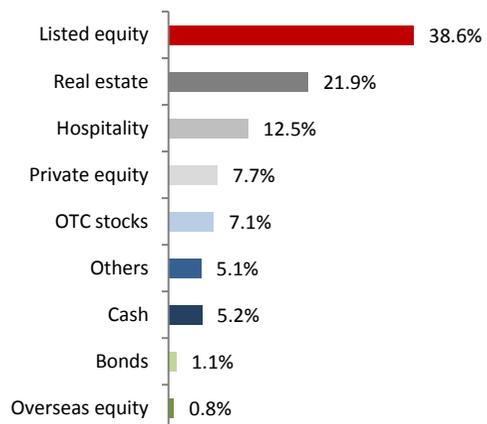
¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

Monthly CPI trends

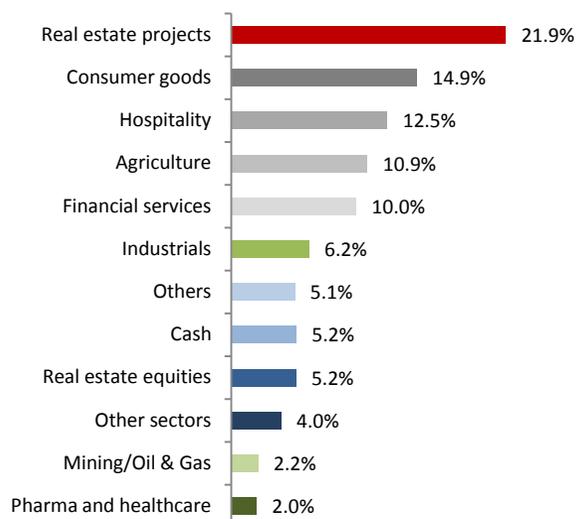


Monthly update 30 June 2012

Portfolio by asset class



Portfolio by sector



Top holdings at 30 June 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)	7.5	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	3.7	Consumer goods	Top confectionary manufacturer in Vietnam.
Hoa Phat Group (HPG)	2.6	Industrials	Major steel manufacturer.
Phu Nhuan Jewelry	2.1	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	5.5	Agriculture	Leading plant protection chemicals firm.
Nam Viet Oil	0.6	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	7.8	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.6	Real estate	HCM City residential development.
Legend hotel	3.6	Hospitality	One of the leading 5 star hotels in Ho Chi Minh City.
Dai Phuoc Lotus	2.7	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	Agriculture	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	0.6	Consumer goods	The leading sugar and ethanol manufacturer in Vietnam and Cambodia.

Monthly update 30 June 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

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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.