

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 net asset value was USD753.8 million or USD2.36 per share for the month of March, a decline of 0.2 percent from USD755.2 in February. Fund NAV per share increased by 0.2 percent to USD2.36 per share due to the effect of ordinary shares acquired under the buyback programme during the month. VOF's share price closed the month, unchanged at USD1.55 from the end of February. For the first quarter, VOF's capital markets portfolio increased 21.0 percent, contributing to approximately a 9.0 percent increase in overall NAV. However, an USD8.0 million write-down on the fund's real estate projects, negatively impacted NAV by 1.1 percent, bringing the overall return to 8.0 percent year to date.

During the month, listed investee companies Vinamilk (VNM), Kinh Do Corp (KDC) and Hoa Phat Group (HPG) announced 2011 cash dividends of 20, 12 and 20 percent of par value (VND10,000), respectively.

On 23 March 2012, VOF announced the acquisition of the remaining 75 percent stake in the Clear Interest Group which holds, among other assets, a 19.95 percent interest in the Legend Hotel. The purchase gives VOF a 100 percent stake and includes a call option to acquire a controlling stake of the hotel at a later date.

The full announcement is available [here](#).

Additionally during the month, VOF released FY 2012 interim results ending 31 December 2011, which are available at [VOF interim report December 2011](#).

Capital markets

Throughout March, the VN Index traded primarily range-bound between 428 and 460, before closing the month at 441. As a result, in USD terms, the index gained 4.1 percent; once again outperforming both the MSCI Asia ex-Japan (MXASJ) and MSCI Emerging Markets (MXEF) indices, which fell 3.2 and 3.5 percent, respectively.

Additionally, trading volume on both exchanges increased significantly, up 81 percent month-on-month with 3.7 billion shares changing hands as trading value increased 98 percent to USD2.0 billion. The combined market capitalization of both exchanges was USD34.5 billion. As a result, by the end of March, the VN Index traded at a trailing P/E of 10.5x and P/B of 1.5x. Foreign investors were again net buyers of USD66.0 million of listed securities, 10.6 percent less compared to USD73 million in the previous month. Stocks most regularly purchased include Military Bank (MBB), Saigon Thuong Tin Commercial Bank (STB), and Vincom (VIC) while foreigners mainly sold HAGL (HAG), Becamex Infrastructure Development (IJC), and Gemadep (GMD).

31 March 2012

NAV **2.36** per share (↑0.1%)

Total NAV: USD754 million

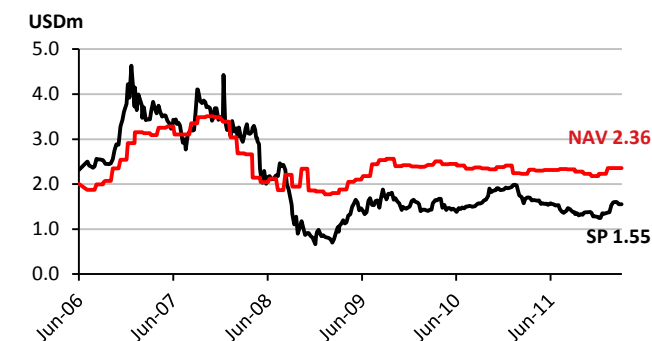
Performance summary

		Cumulative change:				
	31-Mar-12	3mth	1yr	3yr	5yr	
NAV per share	2.36	8.0%	5.6%	30.9%	-24.7%	
Share price	1.55	22.5%	-8.8%	64.9%	-54.9%	
Premium/(Discount)	(34.2%)					
Market cap	497m					
Total NAV	754m					

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	8.0%	-8.4%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	26.8%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (31 March 2012)



Fixed income

The primary bond market remained active in the beginning of March as market participants expected interest rates to decline. However, the second half of the month saw State Treasury bond demand plunge after the State Bank of Vietnam (SBV) issued an array of short-term T-bills with yields as high as 12.5 percent. In total, nearly USD550 million worth of State Treasury bonds were issued in March, a decline of 28 percent compared to February.

On the secondary market a total of USD478 million in State Treasury and Vietnam Development Bank (VDB) bonds traded, with most transactions occurring on short end of the curve. As a result, Vietnam's government bond yield curve was flat at approximately 11.5 percent across all tenors, according to Bloomberg.

Macroeconomic update

For the month of March, inflation pressure increased just slightly at 0.16 percent month-on-month, equivalent to 14.2 percent year-on-year. A reduction in consumer demand as a result of continued monetary tightening, in addition to a decrease in food prices, led to the improved inflationary landscape. However, due to a 10.0 percent increase in the price of gasoline, transportation related goods and services, along with housing and construction materials increased the most. We remain cautious regarding overall inflation, given the potential of future fuel and electricity subsidy reductions as well as an expected minimum wage increase in May.

Progress on reducing inflation has come at a cost, however, with GDP growth for the first quarter of 2012 slowing to just 4.0 percent versus 5.6 percent a year ago. Industry and construction grew 2.9 percent for the first quarter, while agriculture, forestry, and fishery production increased 2.8 percent from the same period last year. Contributing the most towards first quarter GDP growth was the services sector, which grew 5.3 percent. The recent slowdown in GDP growth is a concern, but we believe production will pick up in the second half of 2012. The SBV lowered policy rates and the deposit rate cap by 1 percent during the month of March as a result of inflation easing and the deceleration of GDP growth.

The Vietnam Dong (VND) closed the month of March nearly flat versus the United States Dollar (USD) from the end of February. Stabilizing efforts have clearly been working during the first quarter of 2012 as the VND appreciated 1.15 percent versus the USD.

Demand for Vietnam State Treasuries declined by the end of March as rates offered by T-bills exceeded State Treasury bonds.

Inflation fell again this month to 14.2 percent year-on-year.

However, GDP growth fell to just 4.0 percent in the first quarter versus 5.6 percent last year.

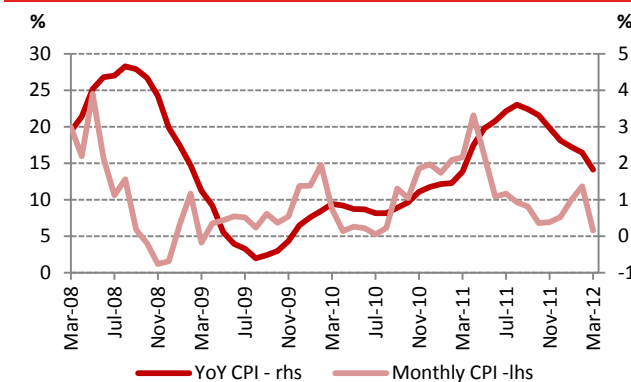
Macro-economic indicators and forecast

	2011	Mar-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.0%	
Inflation	18.1%	0.16%	2.6%	14.2%
FDI (USDbn)	14.7	1.4	2.6	9.7%
Imports (USDbn)	105.8	9.3	24.8	6.9%
Exports² (USDbn)	96.3	9.1	24.5	23.6%
Trade deficit (USDbn)	9.5	0.2	0.3	-91.9%
Exchange rate³ (USD/VND)	21,036	20,860	-0.8%	0.0%
Bank deposit rate (VND %)	12.0-14.0%	13.0%	-7.1%	-7.1%

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

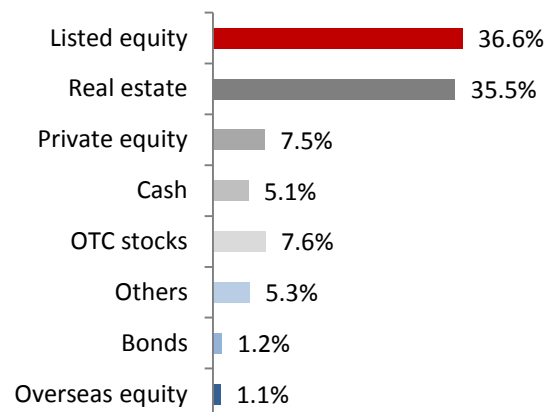
¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

Monthly CPI trends

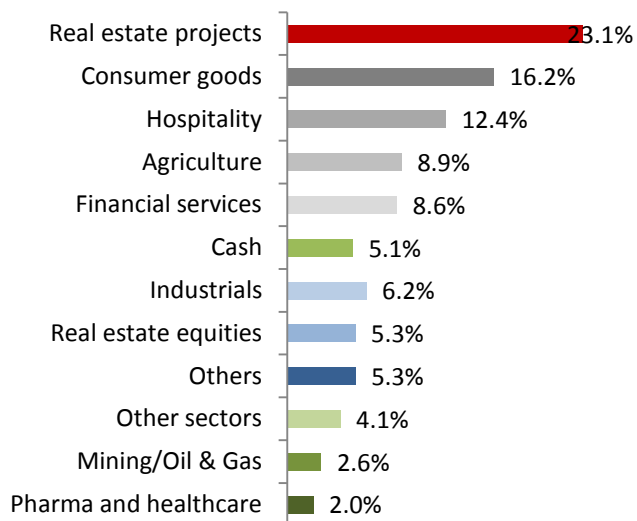


Monthly update 31 March 2012

Portfolio by asset class



Portfolio by sector



Top holdings at 31 March 2012

Top 5 listed investments

Name of investee	% of NAV	Sector	Description
Vinamilk (VNM)	7.9	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	6.8	Financial services	One of top ten commercial banks.
Kinh Do Corp (KDC)	4.1	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	4.5	Agriculture	Leading plant protection chemicals firm.
Halico	1.3	Consumer goods	Liquor producer with popular brands.
Nam Viet Oil	0.7	Mining/Oil & Gas	Major gasoline producer.
Binh Dien Fertiliser	0.4	Agriculture	Largest NPK fertiliser producer.
Tam Phuoc Industrial	0.3	Real estate	An industrial park, a subsidiary of Tin Nghia, Dong Nai biggest state corporation

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	3.5	Hospitality	One of the leading 5 star hotels in Ho Chi Minh City.
Dai Phuoc Lotus	3.0	Real estate	Townhouse sales underway.
VinaLand Ltd (AIM: VNL)	2.8	Real estate	VCIM-managed Vietnam 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 (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 March 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.