

Monthly update 30 November 2012

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 unaudited net asset value was USD712.5 million or USD2.46 per share as at 30 November 2012. This represents a 1.6 percent decline from a net asset value per share of USD2.50 from its close of business on 31 October 2012. The decline was attributable to audit adjustments of select private equity, real estate and hospitality projects while the capital market component gained 0.5 percent during the month.

As at 30 November 2012, VOF has spent USD55.3 million overall, repurchasing 35.1 million shares which are currently held as treasury shares. The total number of shares acquired since November 2011 represents 11.46 percent of the Company's 324,610,259 Ordinary Shares in issue.

VOF's share price remained unchanged to close at USD1.71 in November. As a result, the current price to NAV discount declined slightly to 30.6 percent from 31.8 percent at the end of October.

There has been many press articles indicating VOF's desire to sell the Sofitel Metropole Hanoi. We would like clarify that exiting the Metropole as well as other assets within the VOF portfolio is part of the Company's long term investment strategy. As such, the Manager has always engaged property advisors, such as Jones Lang LaSalle, to assess the values and marketability of all property assets. The Manager is always interested in exiting an asset at the appropriate valuations, with proceeds prioritized for the ongoing share buyback programme.

Capital markets

The VN Index fell again during the month of November, closing at 378, down 2.7 percent in USD terms. Meanwhile, the MSCI Asia ex-Japan and MSCI Emerging Market indices increased 2.7 and 1.2 percent, respectively.

During the month of November, trading volume decreased 23 percent compared to the previous month, while trading value decreased 30 percent with only USD420 million on 8.7 billion shares changing hands. The combined market capitalisation for both of Vietnam's bourses was down slightly at USD33.3 billion with the VN Index trading at an average trailing P/E of 10.4x and P/B of 1.3x.

In November, foreign investors continued to be net buyers of Vietnamese equities, accounting for a net purchase of USD66 million compared to just USD7.4 million in October. The top acquired companies were Vincom Group (VIC), Go Dang (AGD), Kinh Do (KDC), PetroVietnam Gas (GAS) and Hoa Sen group (HSG) while Sacombank (STB), Hoang Anh Gia Lai (HAG), Bao Viet Insurance (BVH), Eximbank (EIB), and Thien Long Group (TLG) were most actively divested.

30 November 2012					
NAV 2.46 per share (↓1.6%)					
Total NAV: USD712.5 million					
Performance summary					
	30-Nov-12	3mth	1yr	3yr	5yr
NAV per share	2.46	3.2%	10.6%	2.6%	-29.9%
Share price	1.71	4.7%	24.0%	19.9%	-50.5%
Premium/(Discount)	(30.6%)				
Market cap	495m				
Total NAV	712.5m				

Performance history (% change on NAV)							
	2012	2011	2010	2009	2008	2007	2006
YTD	11.9%	-7.6%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	8.6%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%



Bond issues in November reached USD705 million, an increase of 80 percent from October.

Fixed income

Momentum from October continued into the primary fixed income market throughout November, as a result of ample liquidity in the banking system and persistent low credit growth. In total, USD705 million worth of government and government sponsored bonds was issued during November, an increase of 80 percent over October. As a result, yields declined between 60 - 70bps. For the remainder of 2012, demand for bonds is expected to remain high.

In November, trading activity in the secondary market for government and government sponsored bonds reached USD708 million, an increase of 91 percent from October. Of the total amount traded, 80 percent came from bonds with a tenor of 3 years and below. According to data compiled by Bloomberg, bond yields have declined between 50 - 60bps at the short-end to the yield curve.

Macroeconomic update

Vietnam's CPI increased just 0.5 percent in November, bringing year to date inflation to 6.5 percent.

During the month of November, Vietnam's consumer price index (CPI) rose by just 0.5 percent from the previous month, far less than in October (0.9 percent) and September (2.2 percent). As a result, year to date CPI is now up 6.5 percent. The much lower than expected inflation numbers was a result of a 0.1 percent decline in food and food stuff prices, which accounts for nearly 40 percent of the overall basket of goods used to calculate the index. However, leading the way again, was a 5.2 percent price increase in healthcare services, which compared with a year ago was up 45 percent.

HSBC's PMI reached 50.5 in November, indicating the potential for an increase in production.

The Purchasing Managers Index (PMI), a reflection of future production plans, as calculated by HSBC, rose from 48.7 in October to 50.5 in November. The increase is small but notably is a change in direction for expected national output. It was assisted by large discounts offered by businesses to sell excess merchandise over the past several months, which has translated into a pick-up in market demand. The index climbed over 50, indicating an expectation for output increases going forward.

Credit growth for the year has reached only 4.2 percent.

With inflation moderating faster than expected, interest rates are moving down accordingly. Additionally, with a continued weakness in demand, businesses are not borrowing as much and therefore, not placing any added pressure on lending rates to rise. However, The State Bank of Vietnam (SBV) continued its policy of promoting credit growth with limited success. As at 20 November 2012, credit growth for the year reached 4.2 percent while growth in M2 and deposits have reached 15.3 and 16.0 percent, respectively.

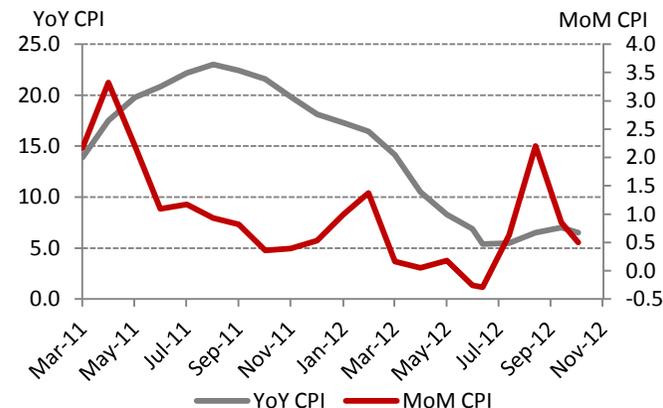
Macro-economic indicators and forecast

	2011	Nov-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.7%	
Inflation	18.1%	0.47%	6.5%	7.1%
FDI (USDbn)	14.7	1.7	12.2	-21.4%
Imports (USDbn)	105.8	10.3	104.0	6.8%
Exports² (USDbn)	96.3	10.2	104.0	18.4%
Trade deficit (USDbn)	9.5	0.1	0.0	N/A
Exchange rate³ (USD/VND)	21,036	20,870	-0.8%	0.2%
Bank deposit rate (VND %)	12.0-14.0%	9.0%	-35.7%	-35.7%

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

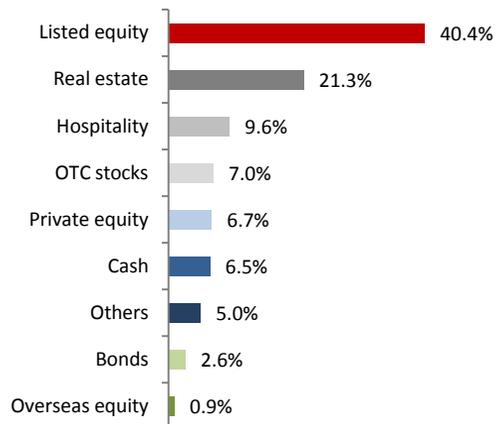
¹ Annualized rate. ² Includes gold. ³ State Bank central rate.

Inflation Rates

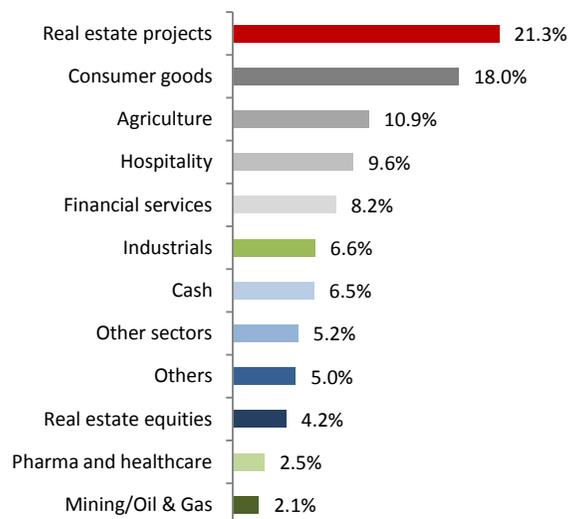


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Portfolio by asset class



Portfolio by sector



Top holdings at 30 November 2012

Top 5 listed investments

Name of Investee	% of NAV	Sector	Description
Vinamilk (VNM)	11.5	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	6.0	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	4.1	Consumer goods	Top confectionery manufacturer in Vietnam.
Hoa Phat Group (HPG)	2.5	Industrials	Major steel manufacturer.
Phu My Fertiliser	2.1	Agriculture	Vietnam's largest urea fertiliser producer.

Top 5 OTC investments

Name of Investee	% of NAV	Sector	Description
An Giang Plant Protection	5.4	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	8.3	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.3	Real estate	HCM City residential development.
Dai Phuoc Lotus	2.6	Real estate	Residential developer with townhouse sales underway.
Danang Beach Resort	2.4	Real estate	Resort villa sales underway.
VinaLand Ltd (AIM: VNL)	2.1	Real estate	VCIM-managed Vietnam real estate fund.

Top 5 private equity investments

Name of Investee	% of NAV	Sector	Description
Prime Group	1.9	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	0.7	Real estate	One of the biggest property developers in Vietnam.

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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
 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.