

Monthly update 30 September 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 USD725.3 million or USD2.45 per share as at 30 September 2012. This represents a 2.5 percent increase from a net asset value of USD720.7 million or USD2.39 per share from its close of business on 31 August 2012. On 12 September 2012, VOF announced it initiated a full divestment of its investment in Indochina Food Pte Ltd, the holding company of NIVL Joint Stock Company to an international strategic investor. VOF received USD7.5 million in cash on 11 September 2012, constituting 26 percent of the total consideration of USD28.5 million for the sale of its stake in Indochina. VOF enjoyed over a 2.0x multiple return on this investment. As a result, the Company's NAV per share increased USD0.08 due to the impact of this divestment.

The capital market components within VOF, however, declined 1.9 percent, largely due to shares of Eximbank (EIB), Kinh Do Corp (KDC) and Hoa Phat Group (HPG) falling 10.6, 12.5 and 10.6 percent, respectively.

VOF share price closed the month at USD1.63, unchanged from last month's. VOF continued with its share buyback program, spending USD10.1 million on the repurchase of 6.2 million shares in September. At month end, the total number shares repurchased for the program was 28.9 million shares, representing 8.9 percent of total shares issued.

Capital markets

The VN Index continued to be negatively impacted by the lingering effect of last month's banking sector scandal, finishing the month at 393, down 1.0 percent in USD terms. In contrast, the MSCI Asia ex-Japan and MSCI Emerging Market indices increased 6.8 percent and 5.8 percent, respectively.

Both trading value and volume fell significantly during the month of September, with only USD580 million in value on 1.0 billion shares changing hands, a decrease of 36 and 32 percent, respectively. Combined market capitalisation on both of Vietnam's bourses was USD34.5 billion, with the VN Index trading at a trailing P/E of 9.8x and P/B of 1.5x.

Foreign investors were net buyers during September, accounting for a net purchase of USD13.0 million, compared to USD32.0 million last month. The top acquired companies were PetroVietnam Gas (GAS), Masan Group (MSN) and Societe De Bourbon Tay Ninh (SBT) while Minh Phu Seafood Corporation (MPC), Vincom Group (VIC) and Eximbank (EIB) were sold off the most.

30 September 2012

NAV **2.45** per share (↑2.5%)

Total NAV: USD725 million

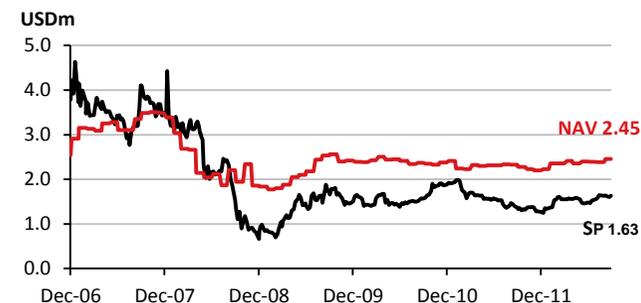
Performance summary

	30-Sep-12	Cumulative change:			
		3mth	1yr	3yr	5yr
NAV per share	2.45	2.2%	5.4%	-3.2%	-26.8%
Share price	1.63	9.9%	18.3%	-6.5%	-60.4%
Premium/(Discount)	(33.7%)				
Market cap	481m				
Total NAV	725m				

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007	2006
YTD	11.5%	-7.6%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	12.6%	-25.6%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (30 Sep 2012)



Only USD281 million in government bonds were issued in September, a decline of 63 percent from August.

Fixed income

The primary fixed income market in September was highly subdued, with only USD281 million in State Treasury and Government-Sponsored bonds issued, representing a decline of 63 percent compared to August. To entice investors, the State Treasury increased the 2-year and 3-year bonds by 20 and 40bps, respectively.

On the secondary market, yields also increased 10 to 30 bps at the short-end of the yield curve while long term bond yields remained constant. A total of USD561 million worth of government and Vietnam Development Bank (VDB) bonds traded during the month, a decline of 19.8 percent from August. During the final week of September, Moody's downgraded local currency government bonds to B2, five steps below investment grade, citing tension from the banking system and lower expected economic growth prospects.

Macroeconomic update

Third quarter 2012 GDP growth in Vietnam improved to 5.35 percent from 4.4 percent over the first six months of the year. Despite the improvement, YTD GDP growth of 4.7 percent remains lower than the government's target of between 5 and 5.5 percent.

During September, month-on-month inflation increased by 2.2 percent, the largest monthly increase since May 2011, causing year-on-year CPI to reach 6.5 percent. The month's inflation numbers were underpinned by an increase in healthcare (17.0 percent), education (10.5 percent) and transportation (3.8 percent), the effect of several gasoline price hikes.

Vietnam's foreign exchange market remained stable throughout the month of September. Year to date, the State Bank of Vietnam (SBV) has successfully pegged the VND at roughly VND20,900 per USD. The currency has been stable as a result of the trade balance remaining in a surplus, currently at approximately USD162 million versus a USD7.6 billion deficit a year ago. According to BIDV, Vietnam's largest state owned commercial bank, the SBV's foreign reserves have continued to increase throughout the year, reaching nearly USD23.0 billion. This level can now cover 12 weeks worth of imports, complying with the IMF benchmark of three months coverage.

During September, the VND deposit rate cap remained at 9 percent. However, with a sizable increase in CPI for the month, the SBV will likely delay an additional 1 percent rate cut, expected later this year. Despite no official change in lending rate caps, many large banks reduced their rates to between 10 and 13 percent for priority sectors and quality borrowers.

Third quarter GDP increased to 5.35 percent from 4.4 percent over the first half of 2012.

SBV reserves reached USD23.0 billion in September, helping to keep the VND exchange rate constant.

Many banks have lowered their lending rates to between 10 and 13 percent for priority sectors and quality borrowers.

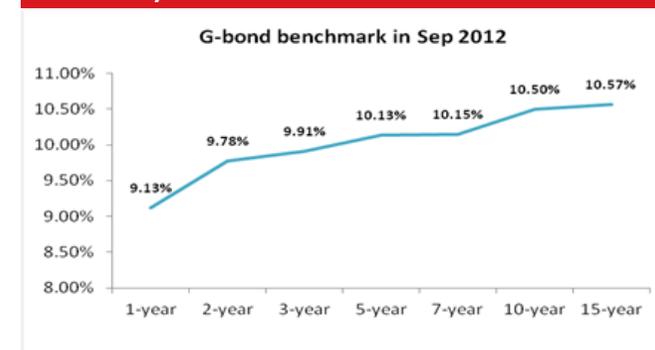
Macro-economic indicators and forecast

	2011	Sep 12	YTD	Y-o-Y change
GDP growth¹	5.9%	5.35%	4.7%	-18.0%
Inflation	18.1%	2.20%	5.1%	6.5%
FDI (USDbn)	14.7	1	9.5	-27.9%
Imports (USDbn)	105.8	9.8	83.7	6.6%
Exports² (USDbn)	96.3	9.7	83.8	18.9%
Trade deficit (USDbn)	9.5	0.1	0.1	-98.6%
Exchange rate³ (USD/VND)	21,036	20,900	-0.6%	0.3%
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.

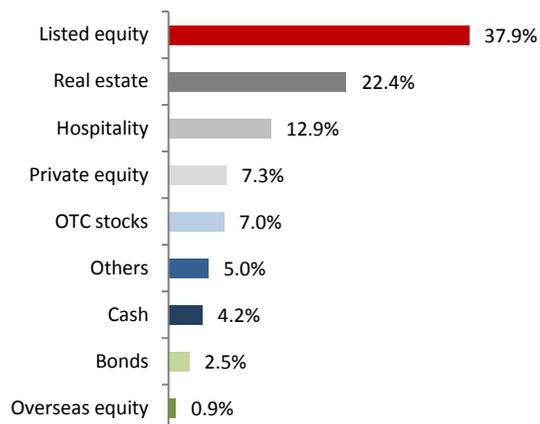
Gov't bond yield



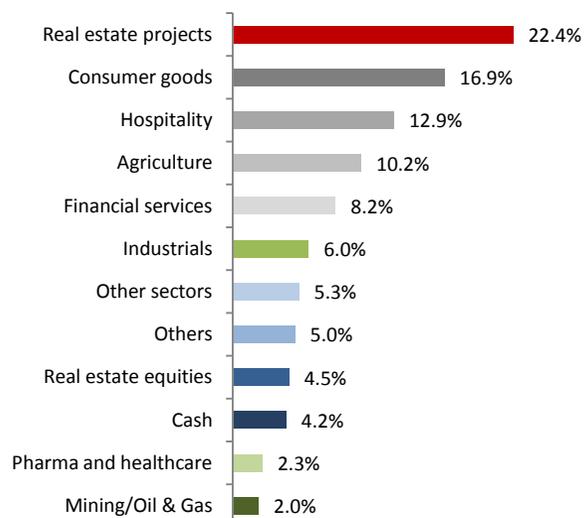
Bloomberg

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Portfolio by asset class



Portfolio by sector



Top holdings at 30 September 2012

Top 5 listed investments

Name of investee	% of NAV	Sector	Description
Vinamilk (VNM)	10.6	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	5.9	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	3.2	Consumer goods	Top confectionary manufacturer in Vietnam.
Hoa Phat Group (HPG)	2.2	Industrials	Major steel manufacturer.
Hau Giang Pharmaceuticals	2.0	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

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	0.4	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 and hospitality investments

Project	% of NAV	Sector	Description
Sofitel Metropole	8.2	Hospitality	Vietnam's top city-centre hotel.
Legend hotel	3.7	Hospitality	One of the leading 5 star hotels in Ho Chi Minh City.
Century 21	3.7	Real estate	HCM City residential development.
Dai Phuoc Lotus	2.8	Real estate	Residential developer with townhouse sales underway.
VinaLand Ltd (AIM: VNL)	2.2	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	Consumer goods	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.
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
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 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.