

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; privatization of state-owned enterprises; real estate; and private placements into listed and OTC-traded companies.

[Click here for VOF's website.](#)

Fund managing director

Andy Ho

Investment 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's comment

As at 30 April 2014, VOF's net asset value was USD786.9 million or USD3.23 per share, representing a 2.2 percent decrease from a net asset value per share of USD3.30 as at 31 March 2014. During the month, the capital markets component of VOF's portfolio decreased 3.8 percent while the VN Index decreased 2.2 percent in USD terms, as major listed investee companies such as Kinh Do Group (KDC), Eximbank (EIB) and Lam Thao Fertilizers and Chemicals (LAS) decreased 11.7, 9.0 and 14.1 percent, respectively. VOF's share price decreased 2.5 percent to USD2.45 at the end of April from USD2.51 at the end of March. The Company's share price to NAV discount expanded to 24.1 percent in April.

Recent political tension between Vietnam and China over the placement of a Chinese deep-sea oil rig in disputed waters of the East Sea (South China Sea), near the Paracel Islands and a subsequent sell-off in Vietnamese equity, has caused the Company's share price to fall to approximately USD2.38 as at 14 May 2014. However, VOF's ongoing buyback program has helped to deliver some price stability in the shares during this period. Please note that, even though VOF's share price and NAV/share will likely continue to trend in the direction of the VN Index, it is a diversified fund with operating assets such as the Sofitel Metropole Hotel in Hanoi, several residential real estate projects, and some private equity holdings; the values of which will not rapidly change due to the volatility we are witnessing in the listed equity markets. We believe this correction in the market presents a very good buying opportunity within Vietnam's capital markets.

Capital markets

Although the VN Index decreased by 2.2 percent in USD terms, closing the month of April at 578.0, the index has fallen rapidly over the past several weeks. To date, the VN Index stands at approximately 524.0, falling 9.3 percent from the end of April, as a direct result of the aforementioned political tension between Vietnam and China. The combined market capitalization for both of Vietnam's bourses is now standing at USD48.3 billion compared to USD54.4 billion at the end of April. As such, the VN Index now trades on a trailing P/E of 12.4x versus a trailing P/E of 13.9x as at the end of April, according to Bloomberg. Foreign investors have been taking advantage of Vietnam's biggest stock-market retreat since 2001 to boost their holdings in a bet that price falls due to escalating tensions with China will prove short-lived.

Month-to-date, foreign money managers have purchased a net USD48.7 million worth of securities in May, following a net purchase of USD74.6 million in April. The top acquired companies were PetroVietnam Gas (GAS), PetroVietnam Services (PVS), PetroVietnam Drilling (PVD), Fecon Foundation Engineering and Underground Construction (FCN) and Masan Group (MSN) while CNG Vietnam (CNG), Sacombank (STB), Eximbank (EIB), Saigon Securities (SSI) and Anfish (AVF) were most actively divested.

Performance summary

30 April 2014

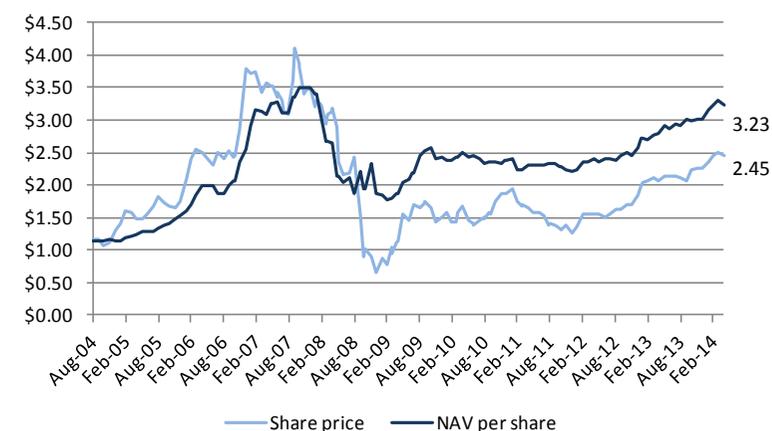
NAV per share (USD):	3.23
Change (Month-on-month)	-2.2%
Total NAV (USD 'm):	786.9
Share price (USD):	2.45
Market cap (USD 'm):	597.2
Premium/(discount)	-24.1%

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	2.3	15.7	39.2	71.7
Share price (USD)	3.8	18.4	48.9	113.4

Annual performance history (% change)

	2014	2013	2012	2011	2010
NAV per share (USD)	7.4	15.0	17.4	-7.6	-1.6
VN Index (USD terms)	14.6	20.4	18.9	-25.6	-7.2



Macroeconomic update

Despite the previously discussed tensions related to Vietnam and China's East Sea dispute, we feel the fundamentals of the country's economy remain stable and our overall outlook is currently unchanged.

According to the General Statistics Office (GSO), Vietnam's month-on-month consumer price index (CPI) fell 0.1 percent in April, bringing the year-on-year inflation rate to 4.5 percent. For the month, food and foodstuff prices (40 percent of the CPI basket) increased slightly by 0.2 percent, while transportation related prices rose by 0.3 percent, the most by any group in the index. Despite these minute increases in consumer prices for April, recent price hikes for gasoline and diesel fuel will likely impact May and June inflation figures.

According to HSBC Vietnam, its Purchasing Managers Index (PMI) reached 53.1 in April 2014, a level not reached since April 2011. This marks the seventh straight monthly rise in the PMI index and a substantial spike from 51.3 in March, providing further evidence of the improving manufacturing environment within Vietnam's economy. Domestic consumption should improve if new orders, employment rates and disposable incomes continue to rise.

During the month, the State Bank of Vietnam (SBV) announced that foreign reserves have reached USD35.0 billion and its latest projections suggest that the current balance of payments is at a positive USD10.0 billion. Due to these stronger external positions, the SBV is maintaining its goal to depreciate the VND currency against the USD approximately 1.0 percent. The foreign exchange market has continued its prolonged period of extreme stability. At the end of April, the free market and official bank rate on purchasing USD was nearly in-line, implying a very low level of risk for the local currency.

Fixed income

The primary bond market was subdued in April, with a total of USD533 million worth of government and government-backed bonds issued, a decline of 68.2 percent compared to March. Short and long term bond yields remained relatively stable, after falling by an average of 50 basis points in March. In the secondary market, the total trading volume for government and government-backed bonds declined 27.1 percent to USD1.64 billion for the month of April. Despite the weaker demand, bond yields in the secondary market fell by 10 to 20 basis points over the short end of the yield curve.

Media links

Below is a list of recent articles related to the investment environment in Vietnam and VinaCapital activity.

[Bloomberg: Vietnam's Stock Rout Puts Top Fund Manager in Buying Mode](#)

[Wall Street Journal: Vietnam's market hit by clampdown on margin lending](#)

[Bloomberg: Rushed IPOs Mean Missed Vietnam State Share Sale Goals](#)

[Wall Street Journal: Vietnam's Surging Stock Market Shows Its Soft Spot](#)

Macroeconomic indicators

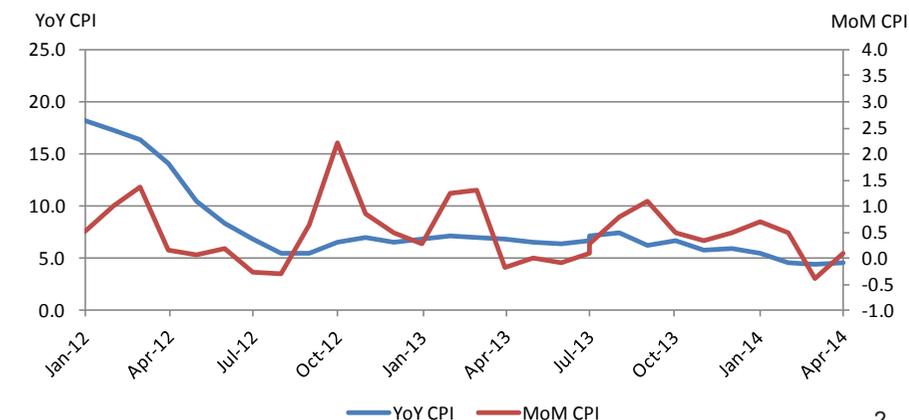
	2013	Apr-14	2014 YTD	Year-on-year
GDP growth ¹	5.4%			
Inflation	6.0%	0.1%	0.9%	4.5%
FDI (USDbn)	21.6	1.2	3.2	-34.60%
Imports (USDbn)	131.3	12.6	45.1	13.7%
Exports (USDbn) ²	132.2	12.2	45.7	16.9%
Trade surplus/(deficit)	0.9	0.4	0.6	
Exchange rate (USD/VND) ³	21,115	21,115	0.0%	-0.78%
Bank deposit rate (VND)	7.5%	6.5%	-100 bps	

Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold 3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

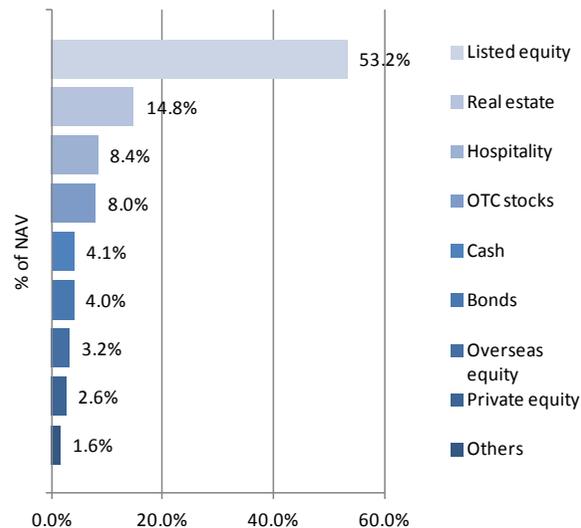
Government bond yields (%)

	1yr	2yr	3yr	5yr
April-14	4.82	5.60	6.15	7.19
March-14	4.90	5.75	6.33	7.19

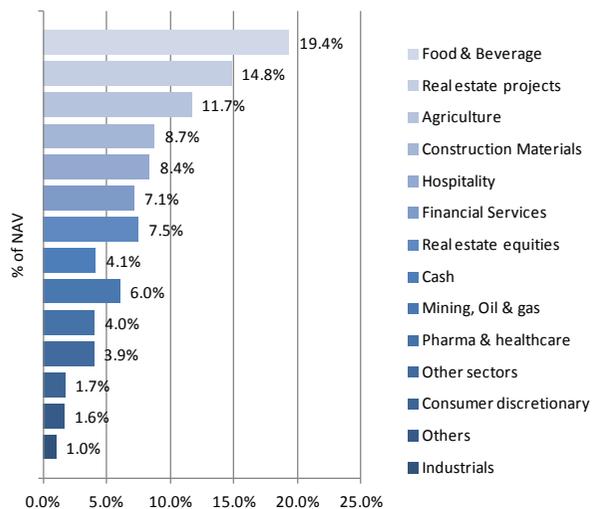
Year-on-year and month-on-month inflation (%)



Portfolio by asset class



Portfolio by sector



Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	13.9	Food & beverage	Leading regional dairy company with dominant domestic market share.
Hoa Phat Group (HPG)	6.4	Construction Materials	Vietnam's second largest steel manufacturer.
Eximbank (EIB)	4.9	Financial services	Top confectionery manufacturer in Vietnam.
Kinh Do Corp (KDC)	4.7	Food & beverage	One of the top ten commercial banks.
Hau Giang Pharmaceuticals	4.0	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

Over the counter (OTC)

An Giang Plant Protection	6.5	Agriculture	Leading plant protection chemical firm.
South Basic Chemical company	0.6	Industrials	The largest basic chemical producer in Vietnam.
Cienco 4	0.4	Real estate & construction	One of leading contractors in transportation infrastructure construction.
Binh Dien Fertiliser	0.4	Agriculture	The largest NPK fertiliser producer.
Tam Phuoc Industrial	0.1	Infrastructure	An industrial park, a subsidiary of Tin Nghia, Dong Nai's biggest state corporation.

Real estate & hospitality

Sofitel Legend Metropole Hotel Hanoi	8.2	Hospitality	Vietnam's top city-centre hotel.
Century 21	2.9	Real estate & construction	HCM City residential development.
Danang Beach Resort	2.2	Real estate & construction	VinaCapital Danang Resort
Dai Phuoc Lotus	1.8	Real estate & construction	Residential developer with townhouse sales underway.
Hung Vuong Plaza	1.5	Real estate & construction	The best shopping mall in Chinatown district of HCM City.

Private equity

American Home Vietnam (IBS)	1.0	Construction Materials	Construction materials firm.
SSG- Saigon Pearl	0.6	Real estate & construction	One of the largest property developers in Vietnam.
Cau Tre Enterprise	0.6	Food & beverage	Vietnam's leading frozen food producer and exporter.
Yen Viet	0.2	Food & beverage	Leading producer of birds nest nutritional products.
Petroland	0.1	Real estate & construction	Small real estate company in Ha Noi.

Board of Directors

VOF's Board of Directors is composed of a majority of independent non-executive directors.

Member	Role
Steven Bates	Non-executive Chairman (Independent)
Martin Adams	Non-executive Director (Independent)
Martin Glynn	Non-executive Director (Independent)
Michael G. Gray	Non-executive Director (Independent)
Thuy Dam	Non-executive Director (Independent)
Don Lam	Non-executive Director

VinaCapital Investment Management (VCIM)

VCIM is the BVI-registered investment manager of VOF.

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Andy Ho	Chief Investment Officer
Dang P. Minh Loan	Deputy Managing Director, Private Equity

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Fund summary

Fund launch: 30 September 2003

Term of fund: Five years subject to shareholder vote for liquidation (next vote to be held in 2018)

Fund domicile: Cayman Islands

Legal form: Exempted company limited by shares

Investment manager: VinaCapital Investment Management Ltd

Structure: Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor: PricewaterhouseCoopers (Hong Kong)

Nominated adviser: Grant Thornton UK LLP

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)

Base and incentive fee: Base fee of 1.5 percent of NAV. Incentive fees are based on two separate pools of investments: direct real estate and all other investments. The incentive fee paid equates to 15 percent of the increase in the NAV of each pool during the year over a hurdle of 8 percent. The total amount of incentive fees paid in any one year is capped at 1.5 percent of the pool's NAV.

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.