

## 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 six member internal Investment Committee.

[More information about VCIM is available here.](#)

## Manager's comment

As at 30 April 2015, VOF's net asset value was USD713.9 million, or USD3.21 per share, representing a 0.1% increase from a net asset value per share of USD3.20 as at 31 March 2015. During the month, the listed component of VOF's portfolio increased 1.3%, underperforming the VN Index (+1.9%) primarily due to the weak performance of VOF investee companies Khang Dien Housing (KDH), Hau Giang Pharmaceutical (DHG) and Quoc Cuong Gia Lai (QCG) which decreased 6.4%, 6.1% and 5.6%, respectively.

On 7 May 2015, the State Bank of Vietnam (SBV) devalued the VND by 1%, as was widely expected. Notably, this move was not taken negatively by the market; given many foreign investors acknowledged that the devaluation was a matter of getting Vietnam closer in-line with regional currencies that have devalued versus the USD and is not a reflection of worsening macroeconomic conditions. We have estimated the impact on our investee companies and feel its net effect will be immaterial. However, if further moves against the VND are made this year, several companies in our portfolio would experience difficulties in passing their imported material cost increases onto their selling price, with the exceptions of some of the leading companies in their respective sectors such as Vinamilk (VNM), Hau Giang Pharmaceuticals (DHG) and Hoa Phat (HPG).

## Capital markets

For the month of April, the VN Index increased 1.9% to 562.4 from 551.13 while the MSCI Asia ex-Japan index and MSCI Emerging Markets index increased by 7.1% and 7.5% respectively. Trading value and volume on Vietnam's stock exchanges was USD1.5 billion on 2.2 billion shares, a decrease of 27.3% in terms of value while volume decreased by 23.6% compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD54.7 billion compared to USD53.7 billion a month ago. The VN Index traded on a trailing P/E of 12.5x and P/B of 1.8x according to Bloomberg.

Foreign investors were net buyers of Vietnamese equities in April, accounting for a net purchase of USD86.5m. Some of the most acquired companies in April were Masan Group (MSN), PetroVietnam Drilling (PVD), Hoang Huy Investment JSC (HHS), BIDV bank (BID) and Vietinbank (CTG) while companies such as Vincom Group (VIC), National Seed JSC (NSC), PetroVietnam Gas (GAS), Hoa Phat Group (HPG) and TanBinh Import – Export JSC (TIX) were among the most divested.

As foreigners returned to net buying in April after heavy selling in March, several large cap companies that have available foreign room benefitted, such as several banks and conglomerate Masan Group which increased 5.2%. Additionally, as oil prices rose 20% during the month, oil industry companies such as PVD and PetroVietnam Technical Services (PVS) rose 21.7% and 15.0%, respectively. Our listed portfolio's underperformance as compared to the VN Index was mitigated because of our large overweighting in these positions.

## Performance summary

30 April 2015

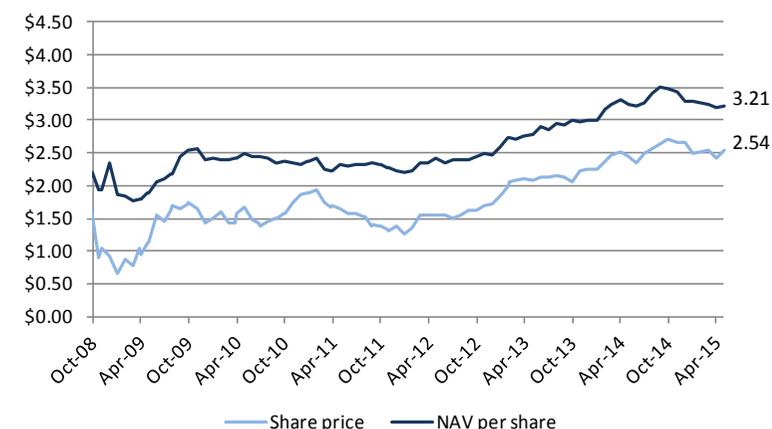
NAV per share (USD):	3.21
Change (Month-on-month)	0.1%
Total NAV (USD 'm):	713.9
Share price (USD):	2.54
Market cap (USD 'm):	565.7
Premium/(discount)	-20.8%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-1.7	-0.7	32.7	28.1
Share price (USD)	1.3	3.7	62.8	52.1
VN Index (USD terms)	-3.5	-5.0	14.7	-9.0

## Annual performance history (% change)

	CY 2015	2014	2013	2012	2011	2010
NAV per share (USD)	-2.2	9.0	15.0	17.4	-7.6	-1.6
VN Index (USD terms)	2.2	6.6	20.4	18.9	-25.6	-7.2



## Macroeconomic update

Vietnam's consumer price index (CPI) increased 1.0% year-on-year during the month of April. As expected, transportation related costs jumped 2.5% month-on-month in conjunction with higher fuel prices, while housing and construction prices rose 0.8% attributable to the administered increase in electricity prices. Notably, food and foodstuffs fell 0.4% month-on-month as popular consumer staples consumption abated following the lunar year-end holidays.

According to HSBC's Vietnam Purchasing Managers Index (PMI) – a composite indicator designed to provide a single figure snapshot of operating conditions in Vietnam's manufacturing economy – posted a mark of 53.5, above the 'no-change' mark of 50.0 in April, the strongest showing of expansion in four years. Both new orders and production increased, mainly driven by lower input costs for materials such as oil, iron and steel. Operating conditions in manufacturing have now strengthened in each of the past 20 months.

In the United States, there seems to be some opposition from within the Senate that could prevent the quick approval of the 12-country, free-trade agreement known as the Trans-Pacific Partnership (TPP). The delay in this free-trade agreement could have a deep impact on Vietnam. According to a published report by the East West Center titled, "[The Trans Pacific Partnership and Asia-Pacific integration: A quantitative Assessment](#)", Vietnam is estimated to see a 14.3% boost to GDP (as a % of baseline GDP) as a result of the benefits of TPP, the most of any single country in the agreement.

## Fixed income

On the primary bond market, a total of USD394.0 million worth of government and government-backed bonds were issued during April 2015, representing a decline of 51% from March 2015 (USD810.0 million) as investors shied away from purchasing bonds as yields rose throughout the month, especially longer-term issues. On the secondary bond market, trading value decreased 42.6%, with USD2.364 billion worth of bonds transacted for the month, as yields increased between 10 and 39 basis points along the yield curve.

## Media links

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

[Business Times Singapore - Vietnam banks say 'I do' as government forces arranged marriages](#)

[Reuters - Vietnam, South Korea seal FTA, target doubling of trade](#)

[TheStreet.com - Vietnam moving to let foreign investors buy control of companies](#)

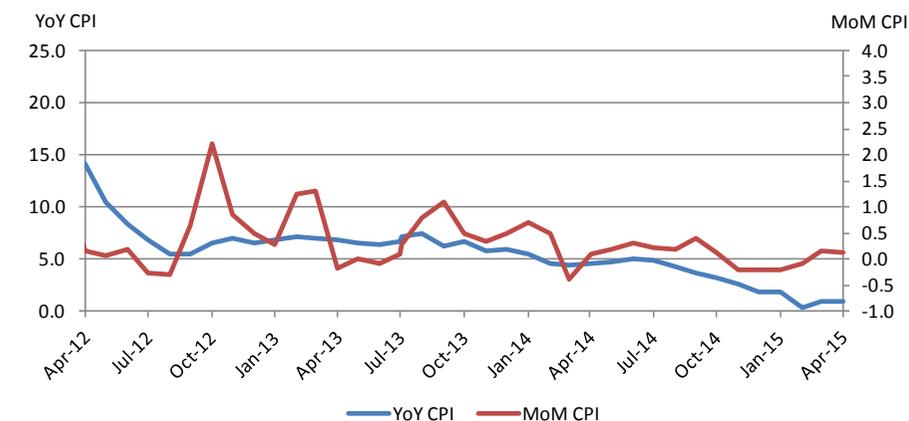
## Macroeconomic indicators

	2014	Apr-15	2015 YTD	Year-on-year
GDP growth <sup>1</sup>	6.0%		6.0%	
Inflation	1.8%	0.1%	0.0%	1.0%
FDI commitments (USDbn)	15.6	0.8	2.6	17.1%
Imports (USDbn)	148.0	14.4	53.4	19.3%
Exports (USDbn)	150.0	13.8	50.1	6.6%
Trade surplus/(deficit)	2.0	-0.6	-3.4	
Exchange rate (USD/VND) <sup>2</sup>	21,450	21,630	-0.8%	
Bank deposit rate (VND)	6.0%	5.5%	-50 bps	

## Government bond yields (%)

	1yr	2yr	3yr	5yr
April-15	5.13	5.33	5.50	5.83
March-15	4.76	4.97	5.11	5.48

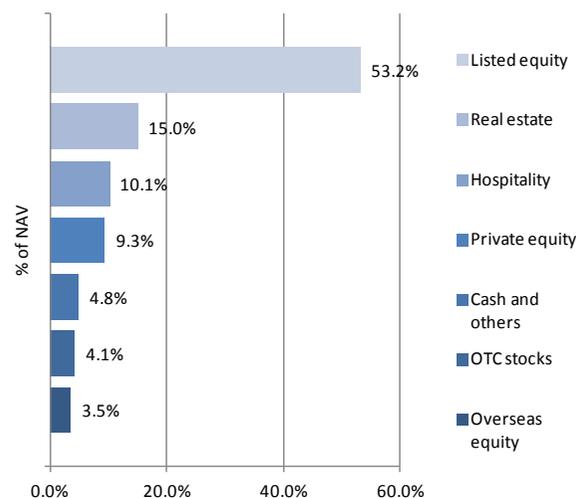
## Year-on-year and month-on-month inflation (%)



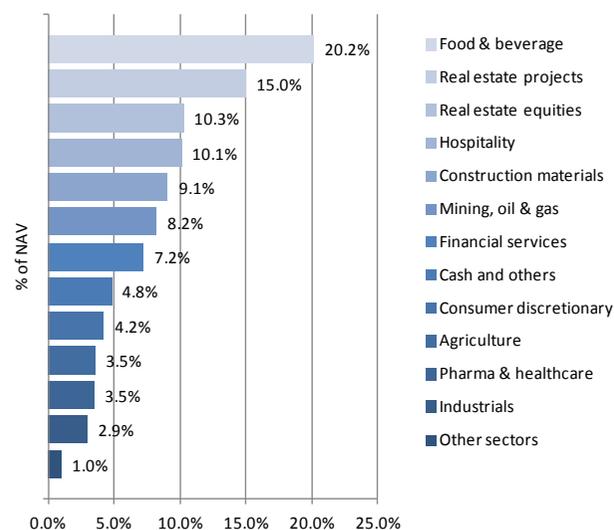
Sources: GSO, SBV, VCB

1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

## Portfolio by sector



## Portfolio by sector



## Top ten holdings

Investee company	% of NAV	Sector	Description
Vinamilk (VNM)	11.4	Food & beverage	Leading dairy company with a dominant market share.
Sofitel Legend Metropole Hotel Hanoi	10.1	Hospitality projects	Vietnam leading city hotel.
Hoa Phat Group (HPG)	7.4	Capital markets	Largest steel manufacturer.
Eximbank (EIB)	5.1	Financial services	One of the top ten commercial banks.
International Dairy Product (IDP)	5.0	Food & beverage	One of the top five dairy companies with significant growth.
Petrovietnam Technical Services Corporation (PVS)	4.2	Mining, oil & gas	Leading oil and gas technical service provider in Vietnam.
PetroVietNam Drilling and Well Services JSC (PVD)	4.0	Mining, oil & gas	Leading drilling contractor in South East Asia.
Khang Dien House (KDH)	3.5	Real estate projects	Leading property developer with strong asset base strategically located in District 9, HCMC.
Hau Giang Pharmaceuticals (DHG)	3.5	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.
Phu Nhuan Jewelry (PNJ)	2.7	Consumer discretionary	The largest jewelry manufacturer and distributor in Vietnam.
<b>Total</b>	<b>56.8</b>		

## Share buyback commentary

The Board and Investment Manager remain fully committed to the ongoing share buyback programme.

During the month, VOF bought back 1.0 million shares as part of the share buyback authority granted to the Company's Board of Directors.

Since the commencement of the programme, VOF has spent USD207.0 million overall repurchasing 101.9 million shares which are held as treasury shares and have reduced the total voting rights in the Company to 222,723,612. The total number of shares acquired since November 2011 represents 31.4% of the Company's 324,610,259 ordinary shares in issue.

## Board of Directors

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

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

## VinaCapital Investment Management Ltd (VCIM)

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Andy Ho	Chief Investment Officer
Duong Vuong	Deputy Managing Director, Capital Markets
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:** Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)

**Base and incentive fee:** Base fee of 1.5% 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% of the increase in the NAV of each pool during the year over a hurdle of 8%. The total amount of incentive fees paid in any one year is capped at 1.5% 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%), Cambodia, Laos, and southern China.