

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 31 August 2013, VOF's net asset value was USD737.6 million or USD2.92 per share, representing a 1.0 percent decline from a net asset value per share of USD2.95 as at 31 July 2013. During the month, the capital markets component of VOF's portfolio decreased by 1.9 percent, mainly attributable to listed investee companies; Vinamilk (VNM), Hau Giang Pharmaceuticals (DHG) and DIC Group (DIG) which decreased by 10.3, 5.5 and 12.1 percent, respectively.

VOF's share price decreased 1.4 percent to USD2.12 at the end of August, compared to the closing price of USD2.15 at the end of July. The Company's share price to NAV discount remained relatively stable at 27.3 percent from 27.2 percent in July.

During the month, VOF bought back 4.9 million shares which are held in Treasury. As at 31 August 2013, the Company has spent USD135.2 million repurchasing 73.2 million shares since the commencement of the share buyback programme, representing 22.5 percent of total shares in issue. Both the Board and Manager believe that this ongoing share buyback programme is the best method to distribute capital to shareholders and narrow the Company's share price to NAV per share discount.

During August the Company exercised two separate put options receiving proceeds of more than USD11.0 million for its remaining holdings in the International School of HCMC and the Hoan My Hospital. On a combined basis, the total consideration was higher than the assets' current NAV by more than 10 percent.

Capital markets

The VN Index decreased by 3.8 percent in USD terms, closing the month of August at 472.7, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices decreased by 1.8 and 1.9 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD900 million on 1.2 billion shares, a decrease of 9.3 and 4.2 percent, respectively, compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD41.8 billion compared to USD43.0 billion a month ago. As a result, the VN Index traded on a trailing P/E of 12.3x and P/B of 1.7x according to Bloomberg.

Foreign investors were net sellers of Vietnamese equities, accounting for a net selling of USD37.4 million in August. The top acquired companies were PetroVietnam Drilling (PVD), Hoa Phat Group (HPG), Kinh Bac Corporation (KBC), Da Nang Rubber (DRC) and Transimex (TMS) while Vinamilk (VNM), BaoViet Finance-Insurance Group (BVH), Vietcombank (VCB), Vietinbank (CTG) and Dong Phu Rubber (DPR) were most actively divested.

Performance summary

31 August 2013

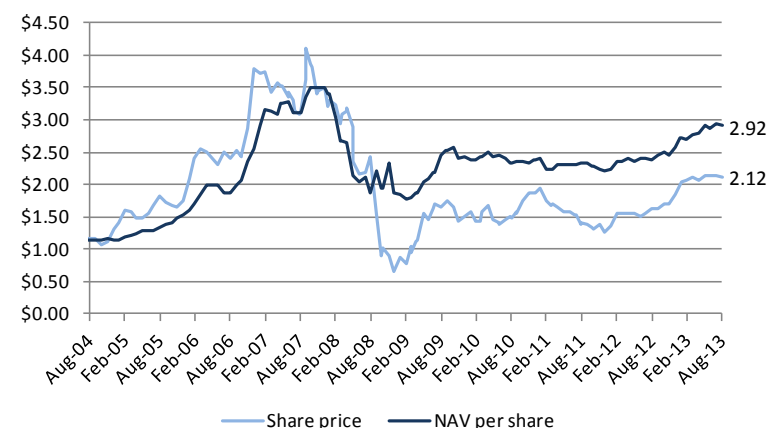
NAV per share (USD):	2.92
Change (Month-on-month)	-1.0%
Total NAV (USD 'm):	737.6
Share price (USD):	2.12
Market cap (USD 'm):	536.6
Premium/(discount)	-27.3%

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	0.3	22.3	24.5	56.5
Share price	-0.4	30.0	42.2	-12.7

Annual performance history (% change)

	YTD	2012	2011	2010	2009
NAV per share	11.4	17.4	-7.6	-1.6	29.7
VN Index	12.7	18.9	-25.6	-7.2	47.7



Macroeconomic update

Despite weak consumer demand, inflation increased by 0.8 percent in August, according to the General Statistics Office (GSO). As such, year-on-year prices have risen 7.5 percent for August, up from 7.2 percent in July. The spike in monthly inflation was mainly attributable to increases in petroleum prices, and transportation and health care services. Additionally, in late August, electricity prices rose by 5 percent, which should put pressure on inflation figures in the coming months.

During August, Vietnam's Index of Industrial Production (IIP) once again showed little sign of improvement with Vietnam's manufacturing sector increasing just 5.0 percent year-on-year. Additionally, consumer sales during the month were 12 percent higher than a year ago, far below the 22 percent average rate recorded over the past several years. HSBC's Purchasing Managers Index (PMI) remained below the important 50.0 level hitting 49.5 for the month of August, indicating Vietnam's manufacturing sector contracting.

In late July, the foreign exchange rate rose unexpectedly to VND22,000 which prompted the State Bank of Vietnam (SBV) to intervene by purchasing VND with dollar reserves in the open market. As a result, the exchange rate fell back to and remained near VND21,190 throughout the month of August. Stability in the VND was also supported by a 16.5 percent year-on-year increase in foreign direct investment (FDI) commitments and a 4.0 percent increase in FDI disbursements, which reached USD12.6 and USD7.6 billion as of August, respectively.

Fixed income

Bond investors maintained their cautious view during the month of August with inflation moving slightly higher. For the month, the primary market successfully issued USD268 million worth of government and government-backed bonds, a 90.0 percent increase from July, yet far below the average monthly placement during the first six months of the year. Short-term, two-year government bonds remained the most favorable, accounting for 51 percent of total monthly issuance with yields remaining relatively stable at 7.3 percent, 30 bps higher than in July. The State Treasury failed to issue any long-term, five-year government bonds in August, as investors continue to anticipate higher yields and are reluctant to purchase bonds with longer tenure.

The secondary bond market remained inactive in August with total trading value down 15.0 percent to USD1.0 billion in August compared to July, despite yields falling by 10 to 20 bps across the yield curve. Similar to the primary market, investors shied away from long-term issues. Secondary market five-year bonds traded only USD63 million, representing 6.0 percent of total trading value for the month.

Macroeconomic indicators

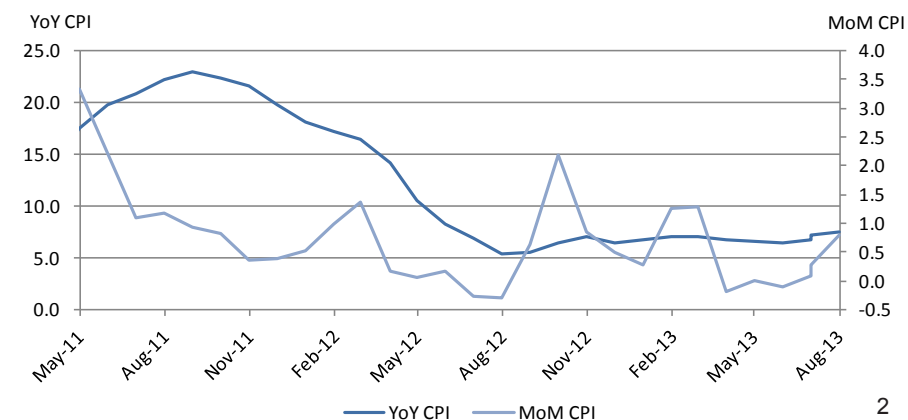
	2012	Aug-13	YTD	Y-o-Y change
GDP growth ¹	5.0%	5.0%	4.9%	-
Inflation	6.8%	0.8%	3.5%	7.5%
FDI (USDbn)	13.0	0.7	12.6	19.5%
Imports (USDbn)	114.3	11.8	85.4	13.5%
Exports (USDbn) ²	114.6	11.5	84.8	11.4%
Trade surplus/(deficit)	0.8	-0.3	-0.6	N/A
Exchange rate (USD/VND) ³	20,855	21,180	-1.5%	-1.4%
Bank deposit rate (VND)	8.0%	7.5%	-6.3%	-31.8%

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

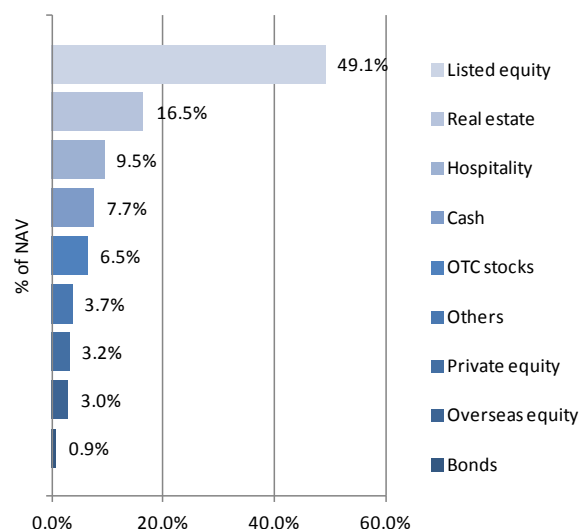
Government bond yields (%)

	1yr	2yr	3yr	5yr
August-13	6.90	7.45	7.80	8.45
July-13	6.52	7.48	7.71	8.34

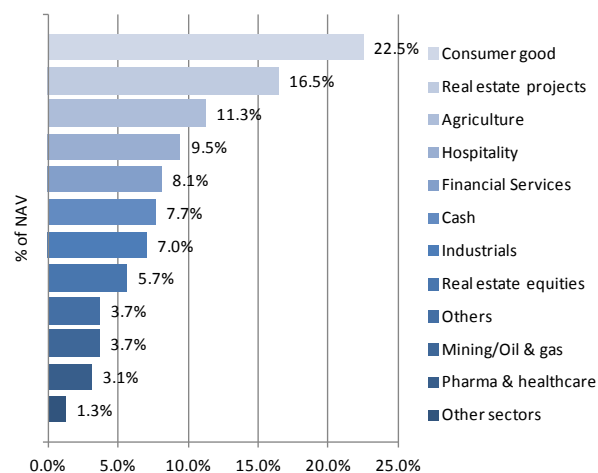
Year-on-year and month-on-month inflation (%)



Portfolio by asset class



Portfolio by sector



Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	15.0	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)	4.9	Consumer goods	Top confectionery manufacturer in Vietnam
Hoa Phat Group (HPG)	4.1	Industrials	The largest steel manufacturer by market share
Hau Giang Pharmaceuticals (DHG)	3.1	Pharmaceuticals & health care	The largest domestic pharmaceutical producer

Over the counter (OTC)

An Giang Plant Protection	5.4	Agriculture	The largest plant protection chemicals producer
Nam Viet Oil	0.5	Mining/Oil & Gas	Major gasoline producer
Binh Dien Fertiliser	0.3	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.

Real estate & hospitality

Sofitel Metropole	8.6	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.1	Real estate	HCM City residential development
Danang Beach Resort / Golf course	1.9	Real estate	Resort villas with sales underway.
Dai Phuoc Lotus	1.7	Real estate	Residential developer with townhouse sales underway
Hung Vuong Plaza	1.5	Real estate	The best shopping mall in China town of HCM City.

Private equity*

IBS	1.2	Industrials	Construction materials firm
Cau Tre Enterprise	0.6	Consumer goods	The leading frozen food producer in Vietnam.
SSG- Saigon Pearl	0.6	Real estate	One of the biggest property developers in Vietnam
Yen Viet	0.6	Consumer goods	Produces birds nest nutritional products

* top four assets shown

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)
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 calculated based on two separate pools of investments: direct real estate and all other investments. The incentive fee paid equates to 15 percent of NAV per share increase for each pool of investments. The total amount of incentive fees paid in any one year is capped at 1.5 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark.

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.