

Performance summary 31 August 2016

	USD	GBP
NAV per share:	4.08	3.11
Change (Month-on-month)	5.1%	6.6%
Total NAV (million):	851.2	649.9
Share price:	2.99	2.28
Market cap (million):	623.0	475.7
Premium/(discount)	-26.8%	-26.8%

GBP/USD exchange rate as at 29 July 2016: 1.33
 GBP/USD exchange rate as at 31 August 2016: 1.31
 Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	12.5	30.9	39.8	74.6
Share price (USD)	7.0	27.6	40.7	111.9
VN Index (USD terms)	9.6	20.4	35.3	48.6
MSCI Emerging market	10.7	9.2	-3.9	-13.5
MSCI Vietnam	4.9	3.9	12.3	-3.2

Annual performance history (% change)

CY	2016	2015	2014	2013	2012	2011
NAV per share (USD)	26.0	-1.2	9.0	15.0	17.4	-7.6
VN Index (USD terms)	17.5	1.1	6.6	20.4	18.9	-25.6

Top ten holdings

Investee company	% of NAV	Sector
Vinamilk (VNM)	18.0	Food & beverage
Hoa Phat Group (HPG)	9.1	Construction materials
Sofitel Legend Metropole Hotel Hanoi	7.1	Operating assets
Eximbank (EIB)	4.8	Financial services
International Dairy Product (IDP)	4.4	Food & beverage
Phu Nhuan Jewelry (PNJ)	4.1	Consumer discretionary
Khang Dien House (KDH)	4.1	Real estate & construction
Quang Ngai Sugar JSC	3.5	Food & beverage
Petrovietnam Technical Services Corporation (PVS)	2.6	Mining, oil & gas
An Cuong Wood-Working	2.1	Construction materials
Total	59.9	

Is a Price-to-Earnings Multiple Expansion on the Horizon?

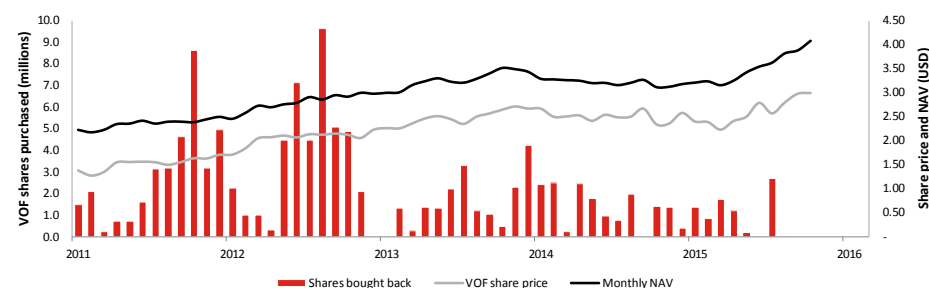
The VN Index increased further in August, rising 3.4% to bring the year-to-date gain to 17.5% in USD terms. Outperforming the MSCI Emerging Market index, which is up 12.5% YTD, and many of its regional peers, Vietnam is one of the world's top performing markets in 2016 thus far.

For the month, VOF's NAV increased 5.1%, though on a like-for-like basis, the capital market component increased 10.8%, substantially ahead of the VN Index in USD terms. A large part of this outperformance was thanks to the increase in the share price of Vinamilk, which rose 21.3% for the month on the back of robust first half earnings growth of 33% and speculation regarding the stock's inclusion in two Vietnam ETF's (which was subsequently confirmed at the beginning of September). Additionally, the government's announcement that it will divest stakes in state-owned companies in the beverage sector – specifically Sabeco and Habeco, Vietnam's two leading domestic beer companies – prompted further speculation that it will also divest its 45% stake in Vinamilk in the not too distant future. Vinamilk makes up 18% of the VOF portfolio.

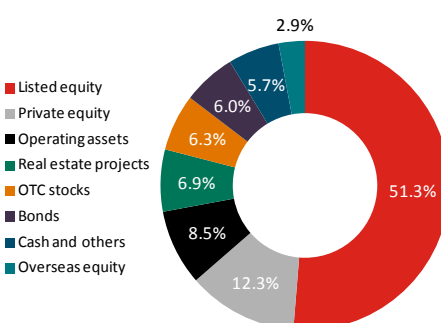
Another stock that performed well was Hoa Phat Group, which gained 14.1% for the month. The steelmaker reported that sales volume of long steel grew 38% in August – typically a slower month – with the sector growing 36% during the same period. Some of Hoa Phat's growth can be attributed to the company's phase 3 plant which recently came online and will increase the company's manufacturing capacity by 60% from current levels. Furthermore, Hoa Phat's share price was boosted by the government's decision to increase import taxes (which range from 4% to 38%) on flat steel products; this is an area in which Hoa Phat is starting to compete and undoubtedly this tax has helped the steel sector as a whole. The fund's holding in Hoa Phat Group makes up 9.1% of the portfolio as of the end of August.

For the market as a whole, despite net selling by foreigners of USD73.7 million during the month, strategic foreign interest remains as strong as ever, as evidenced by the purchase of almost 8% of Vietcombank, one of Vietnam's leading banks, by Singapore's GIC. This move is expected to help the bank shore up its capital base, something that in our opinion is much needed in this sector in general.

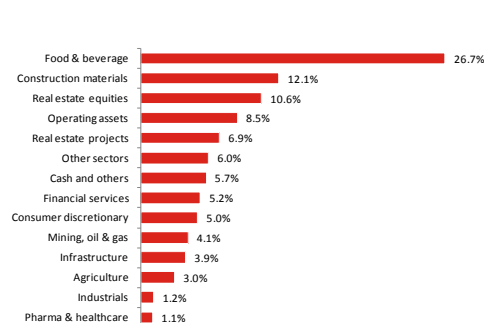
Historical share price, NAV and buyback activity



VOF portfolio by asset class (31 August 2016)



VOF portfolio allocation by sector (31 August 2016)



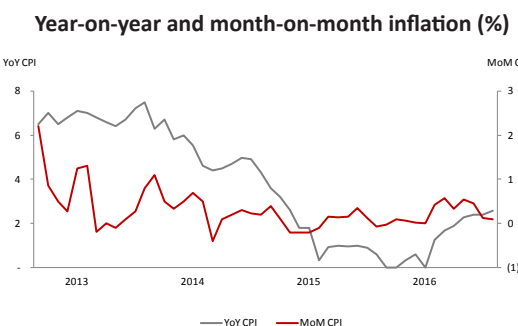
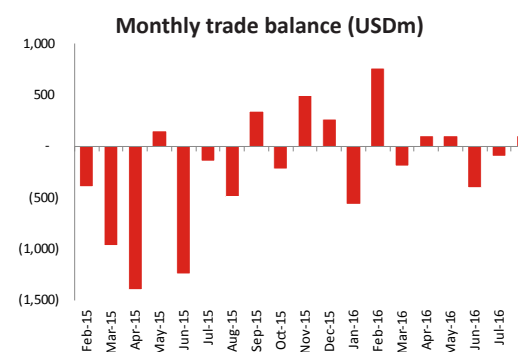
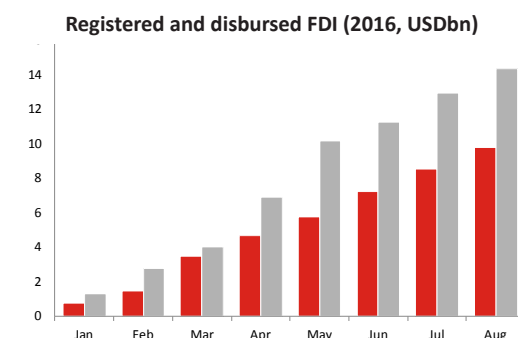
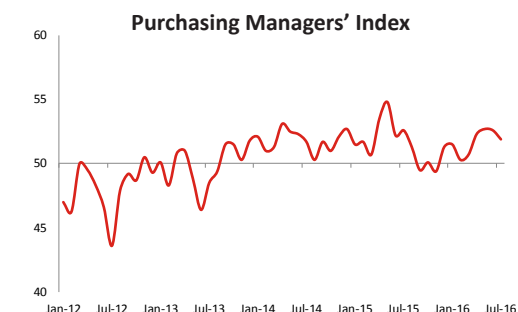
The sale of government holdings in banks and consumer companies are positive moves that should, in our opinion, ultimately broaden and deepen Vietnam's capital markets. We welcome the government's push to accelerate the privatisation process. Provided these and other sales proceed as announced, we believe that a price-to-earnings multiple expansion is entirely plausible in the near future, notwithstanding global macro, market and geopolitical events to the contrary.

Macroeconomic update

Vietnam's economy continued to grow in a stable and sustainable manner in August, with favourable conditions expected for the remainder of the year. The Nikkei Purchasing Managers' Index rose from 51.9 to 52.2, the ninth straight month of steady manufacturing expansion, and continued to outperform regional peers. The Index of Industrial Production grew moderately at 6.9% y-o-y in August, with manufacturing production rising more strongly at 10.6% and the mining sector, which includes oil, declining 6.9%. Disbursed foreign direct investment increased 9% y-o-y in August, totalling USD9.8 billion within the first eight months of this year, with nearly three-quarters of that targeted toward the manufacturing sector. On the consumer side, retail sales continued to be healthy, up 9.3% y-o-y in nominal terms, 7.3% in real terms.

In terms of trade, Vietnam continued to run a surplus of USD700 million in August, bringing the surplus to approximately USD2.5 billion for the first eight months of the year. Mobile phones, textiles and computer parts led exports. Inflation remained stable in August, rising just 0.1% month-over-month, and hitting its lowest level of the year. Year-to-date inflation stood at 2.6%. The Vietnamese dong (VND) remained steady against the US dollar. Interestingly, since the start of the year, the Chinese yuan has depreciated 5% while the VND has barely moved. It was just a year ago that China devalued the yuan by 5% at one time, causing the VND to also devalue; this year, both countries have transitioned to a managed float, allowing the markets to more easily absorb such moves.

Looking ahead, we believe that the macroeconomic trends will continue to move ahead steadily. While the government's target GDP growth of 6.7% for 2016 is unlikely to be achieved, the pieces are in place for growth of between 6.0-6.3%. The fourth quarter typically sees increased activity, particularly as public investments are approved and initiated. Issues that bear monitoring include a possible US Fed interest rate hike at year's end as well as possible effects from the La Niña on the already battered agricultural sector.



Source: GSO, Bloomberg

Macroeconomic indicators

	2015	Aug-16	2016 YTD*	Year-on-year
GDP growth ¹	6.7%		(H1) 5.6%**	
Inflation (%)	0.50%	0.1%	2.6%	2.6%
FDI commitments (USDbn)	22.8	1.4	14.4	7.7%
FDI disbursements (USDbn)	14.5	1.3	9.8	8.9%
Imports (USDbn)	165.6	15.0	109.7	6.1%
Exports (USDbn)	162.4	15.2	112.2	5.0%
Trade surplus/(deficit) (USDbn)	(3.2)	0.2	2.5	
Exchange rate (USD/VND) ²	22,450	22,260	0.8%	
Bank deposit rate (VND)	5.0%	6.0%	100 bps	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate | 3. Compared to the first 8 months of 2015 | *Cumulative YTD | ** GDP growth is updated quarterly so we are only able to provide a figure for the first half of the year (up to June 30, 2016)

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VOF's Board of Directors is composed entirely of independent non-executive directors.			
Member	Role	Member	Role
Steven Bates	Non-executive Chairman	Don Lam	Chief Executive Officer
Martin Adams	Non-executive Director	Brook Taylor	Chief Operating Officer
Michael G. Gray	Non-executive Director	Andy Ho	Chief Investment Officer
Thuy Dam	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
Huw Evans	Non-executive Director		
Fund background			
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOF.L		
Fund summary			
Fund launch	30-Sep-03		
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by 2018)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd		
Structure	Single class of ordinary shares trading on the Main Market of the London Stock Exchange plc		
Auditor	PricewaterhouseCoopers (Guernsey)		
Custodian	Standard Chartered Bank Vietnam		
Custodian and Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited		
Registrar and Transfer Agency	Computershare Investor Services		
Brokers	Numis Securities (Bloomberg NUMIS)		
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 returns through investment either in Vietnam or in companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam		
Investment objective by geography	Investments will be in Vietnam or in companies with at least 75 per cent of their assets, operations, revenues or income in, or derived from, Vietnam at the time of investment		

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