

**Performance summary 31 December 2016**

	USD	GBP
NAV per share:	4.16	3.36
Change (Month-on-month)	0.24%	1.20%
Total NAV (million):	863.7	699.0
Share price:	3.39	2.74
Market cap (million):	705.1	571.7
Premium/(discount)	-18.6%	-18.6%

GBP/USD exchange rate as at 30 Nov 2016: 1.25  
 GBP/USD exchange rate as at 30 Dec 2016: 1.24  
 Source: Reuters

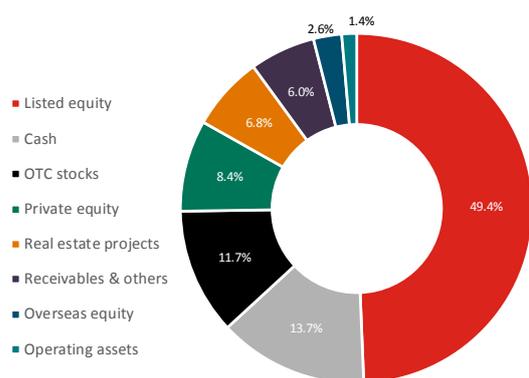
**Cumulative change (% change)**

	3mth	1yr	3yr	5yr
NAV per share (USD)	2.0	25.5	38.3	89.0
Share price (USD)	8.6	41.7	49.8	167.7
VN Index (USD terms)	-5.0	13.4	22.0	74.9
MSCI Emerging market	-4.6	8.6	-14.0	-5.9
MSCI Vietnam	-8.7	-7.3	-4.9	15.0

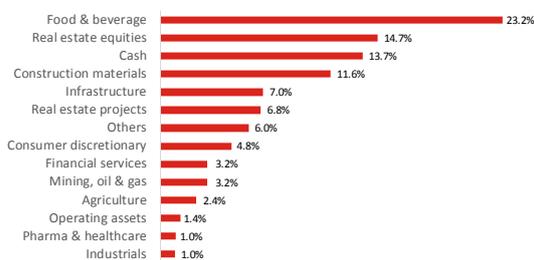
**Annual performance history (% change)**

	CY 2016	2015	2014	2013	2012	2011
NAV per share (USD)	25.5	1.2	8.4	15.3	19.1	-7.6
VN Index (USD terms)	13.4	0.9	6.6	20.5	18.9	-32.8

**VOF portfolio by asset class (31 Dec 2016)**



**VOF portfolio allocation by sector (31 Dec 2016)**



**December: New Listings Continue to Make their Mark**

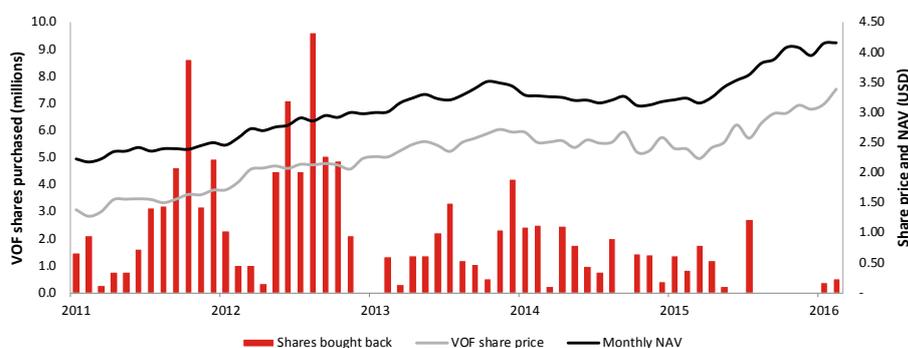
This month saw two of our investee companies, Quang Ngai Sugar (QNS) and Novaland Group (NVL) list on the Unlisted Public Company Market (UPCoM) and the Ho Chi Minh City Stock Exchange (HOSE) respectively. QNS and NVL performed well during the month with QNS increasing 18.8% and NVL gaining 20.2% since their listing. With the contribution of both QNS and NVL, our capital market portfolio rose 0.5% month-over-month to finish the year on a positive note. Our capital markets portfolio rose 34.8% during the full calendar year, compared to 13.4% for the VN Index (in USD terms), and 8.6% for the MSCI Emerging Market Index.

During the 2016 calendar year, the fund's NAV per share increased by 25.5% from USD3.31 to USD4.16, while total NAV increased from USD710.5 million to USD 863.7 million. During this same period, VOF's share price increased 41.7% to end the year at USD3.39 per share. During the second half of 2016 (or the first half of VOF's 2017 fiscal year), NAV per share increased by 10.3% while total NAV increased by 9.8%. With the share price increasing faster than the NAV per share, we saw VOF discount contract to 18.6% by the end of the year, from a wider, mid-year discount of 25.2%.

The Vietnamese economy concluded the 2016 year with 6.2% GDP growth and we anticipate higher growth in the upcoming year. With regards to 2017, the year promises to be another exciting and possibly eventful year. We anticipate the EPS growth for Vietnam listed equities to average between 10-15% per annum, a slight improvement from 2016. Given this, our concentrated portfolio of listed equities demonstrates our high conviction to their outperformance in terms of EPS growth against the average, as well as PE multiple expansion. The average PE ratio for Vietnam listed equities continues to trade at a 20-30% discount to regional averages.

Global investors have already recognised Vietnam's potential in recent years, and as the pace of equitization among state owned enterprises quickens pace, in addition to more public listing opportunities becoming available, we expect the level of participation from global investors to increase, leading to an overall improvement in liquidity and growth in market capitalisation.

**Historical share price, NAV and buyback activity**



**Investment Case**

Novaland, one of VOF's investee companies, debuted on the Ho Chi Minh Stock Exchange on 28 December 2016, ending the day by reaching the ceiling price of VND60K/share and a total market capitalisation of USD1.53 billion.

In June 2015, VOF invested USD14.9 million into Novaland through a convertible preferred equity (CPE) instrument alongside two other parties. VinaCapital lead this investment with a creative structure which allowed VOF to enjoy a running yield of 5% and an IRR of 15% if the instrument were to be redeemed. The instrument, at the option of the holder, can convert to common shares at two major events: the first event being the initial public offering (IPO) of Novaland at which the holder can convert shares at a 25% discount to the prevailing market price and the second event being one year after the IPO, in which the holder can convert shares at a 40% discount to the prevailing market price. Furthermore, the instrument has various minority protections expected in most common private equity investment, as well as the right to participate in the pre-IPO offering.

VinaCapital, on behalf of VOF, decided to convert the CPE into common shares and therefore enjoyed a discount of 25% to the prevailing market price of VND50k/share (OTC price before listing). In addition, VOF exercised its right to acquire additional pre-IPO shares at VND50k per share. In summary, VOF is currently enjoying an unrealized return of almost 50% on this June 2015 private equity investment, as well as benefiting from acquiring additional shares pre-IPO which have subsequently increased over 20% since their original listing. Going forward, we continue to seek similar private equity opportunities to invest into.

### Macroeconomic update

The Vietnamese economy concluded the year with a total GDP growth rate of 6.2%, lower than the government's target of 6.7% set at the start of 2016. Nevertheless, the economy showed stable and sustainable growth despite unfavourable global economic conditions and a severe draught affecting agriculture earlier in the year. With major indicators demonstrating that domestic consumption and manufacturing growth will continue to rise, we project that GDP growth in 2017 will be 6.5%.

**Manufacturing:** The Nikkei Purchasing Manager's Index for Vietnam slowed down to 52.4 in December, from a record high of 54 in November. Despite the monthly slowdown in manufacturing, the sector continued to see strong growth in exports and new orders.

**Domestic consumption:** Retail sales increased 10.2% year-to-date year-on-year in nominal terms and 7.8% in real terms in December. Furthermore, the General Statistics Office (GSO) reported that Vietnam's 2016 total retail revenue was USD118 billion.

**Inflation:** The Consumer Price Index rose 5% year-on-year in December with the major inflation drivers being government controlled (e.g., transportation, education and healthcare costs). Therefore, it comes as no surprise that full-year inflation would meet the government's target of 5% for the year.

**Vietnam Dong:** The Vietnam Dong (VND) experienced some FX turbulence with the USD/VND interbank rates reaching 22,720 by year end. For the full year in 2016, the VND depreciated approximately 1.2% against the USD. We expect the State Bank of Vietnam (SBV) to maintain a depreciation of 2-3% against the USD and we are confident that the government's estimated USD40 billion FX reserve will be sufficient to support the currency.

**Trade:** The GSO estimated a trade deficit of USD300 million in December, bringing the year end trade surplus down to USD2.7 billion.

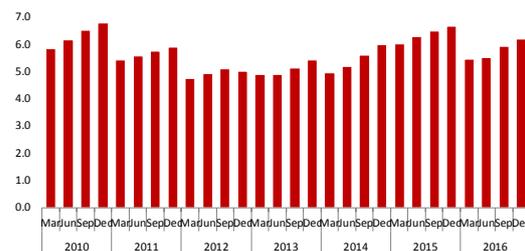
**Foreign Investment:** Committed foreign direct investment (FDI) reached USD24.4 billion at the end of December, a 7.1% increase from the previous year, whereas actual FDI disbursements reached USD15.8 billion, a 9% year-over-year increase.

### Macroeconomic indicators

	2015	Dec-16	2016 YTD	Year-on-year
GDP growth <sup>1</sup>	6.7%	6.2% <sup>2</sup>		
Inflation (%)	0.50%	0.2%	4.7%	4.7%
FDI commitments (USDbn)	22.8	2.8	21.0	7.1%
FDI disbursements (USDbn)	14.5	1.5	15.8	9.0%
Imports (USDbn) <sup>3</sup>	165.6	16.3	173.3	14.0%
Exports (USDbn) <sup>3</sup>	162.4	16.0	175.9	16.5%
Trade surplus/(deficit) (USDbn)	(3.2)	(0.3)	2.6	
Exchange rate (USD/VND) <sup>4</sup>	22,450	22,720	-1.2%	
Bank deposit rate (VND)	5.0%	5.8%	80 bps	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly | 2. GSO estimate | 3. Data as of 20 Dec 2016 | 4. (-) Denotes a devaluation in the currency, Vietcombank ask rate

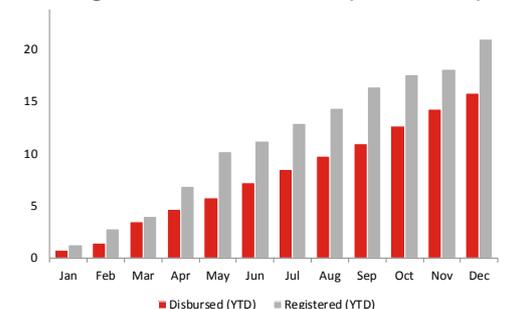
### Quarterly GDP growth (%)



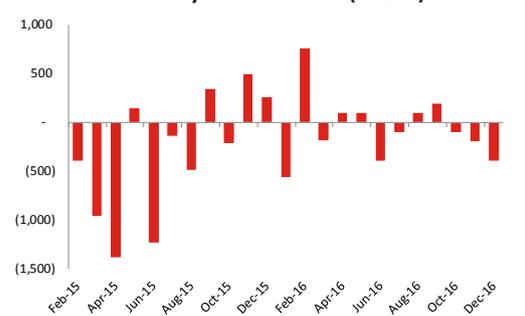
### Purchasing Managers' Index



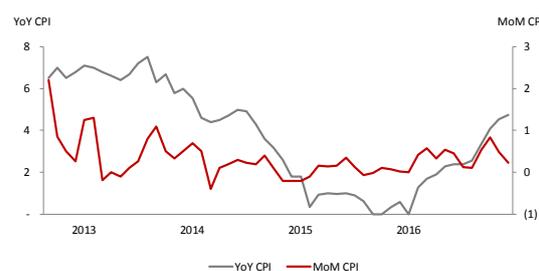
### Registered and disbursed FDI (2016, USDbn)



### Monthly trade balance (USDm)



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



Sources: GSO, Bloomberg

Board of Directors		VinaCapital Investment Management Ltd	
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
Thuy Dam	Non-executive Director	Andy Ho	Chief Investment Officer
Huw Evans	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
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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