

Performance summary

	USD	GBP
NAV per share:	4.35	3.49
Change (Month-on-month)	2.59%	3.56%
Total NAV (million):	884.1	710.5
Share price:	3.39	2.73
Market cap (million):	689.7	554.3
Premium/(discount)	-22.0%	-22.0%

GBP/USD exchange rate as at 31 Jan 2017: 1.26
 GBP/USD exchange rate as at 28 Feb 2017: 1.24
 Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	4.8	33.7	34.2	84.6
Share price (USD)	8.1	40.7	37.6	118.8
VN Index (USD terms)	6.4	24.4	12.2	53.7
MSCI Emerging market	8.5	26.5	-3.1	-13.3
MSCI Vietnam	-0.1	7.2	-17.2	-1.6

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	4.6	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	6.8	13.4	0.9	6.6	20.5	18.9

February: New listings buoy market

A spate of new listings helped boost the VN Index in February, with the benchmark increasing 1.1% and maintaining a nine-year high. At the end of the month, the VN Index stood at 711 points. This came despite the narrowing of the valuation gap between Vietnam's market and those of regional peers such as Thailand, Indonesia, Philippines, and Malaysia. What is interesting from our point of view is that the market has become more diverse in terms of the large caps stocks compared to a year ago, with many newly listed companies contributing to the Index's rise.

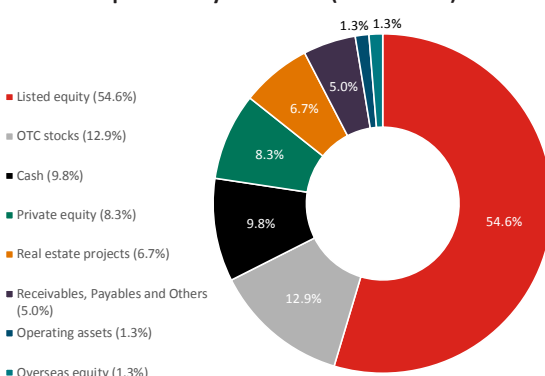
A good example is VietJet, which listed on the HOSE on 28 February and rose 20% on its first day of trading (the limit). At the time of writing, VietJet has steadily increased since then, and contributes approximately 1% to the overall performance of the Index. VietJet is currently the tenth largest company in the VN Index, and its USD1.6 billion market capitalisation is currently on par with the country's flagship carrier Vietnam Airlines (which also recently listed on UPCoM). Previously, we have highlighted stocks such as beer makers Sabeco and Habeco, as well as property developer Novaland, all of which have market caps of over USD1 billion; over the course of the next ten months, we expect to see several more listings from sizeable companies. One such company is Airports Corporation of Vietnam (ACV), which recently signed a deal with Aeroports de Paris for the French firm to become a strategic partner; ACV is expected to list on HOSE by year's end. Of course, it remains to be seen whether these companies can sustain the market's momentum, but one thing is clear: the market is increasingly less dependent on the "old" large caps such as Vinamilk, Vietcombank, or Vingroup.

Company name	Date of listing	Market Cap (USDbn)	% of Index
Sabeco	25-Nov-16	5.9	8.00%
Airports Corporation of Vietnam*	21-Nov-16	5.0	6.70%
Novaland	28-Dec-16	1.8	2.60%
Vietjet Air	28-Feb-17	1.7	2.40%
Habeco	28-Oct-16	1.0	1.30%
Quang Ngai Sugar*	20-Dec-16	1.0	1.40%
Total		16.4	22.40%

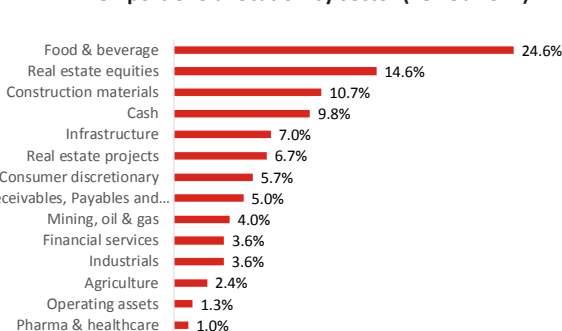
* Listed on UPCoM, equivalent index weighting if listed on HOSE

During February, the fund's NAV per share increased 2.6% to USD4.35 from USD4.24 in January 2017, while total NAV increased to USD884.1 million from USD873.3 million. During the reporting month, VOF's share price slightly decreased by 0.5% to end the month at USD3.39. The discount between stock price and NAV per share was 22.0%.

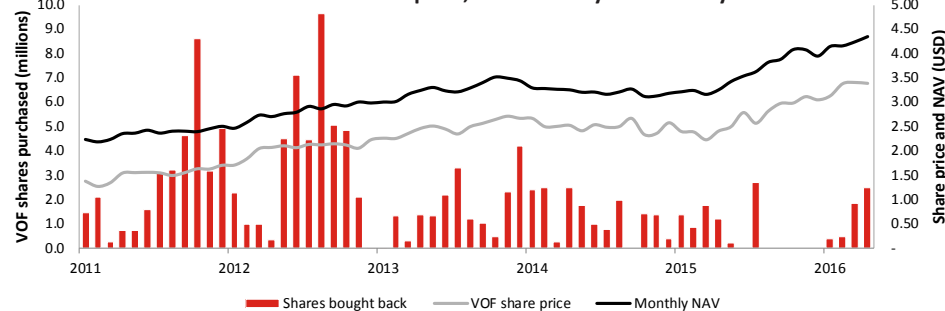
VOF portfolio by asset class (28 Feb 2017)



VOF portfolio allocation by sector (28 Feb 2017)



Historical share price, NAV and buyback activity



Investment Case: Cau Tre Food Processing

In December 2016, VOF ("the Fund") completed a transaction to sell 37.3% of its stake in Cau Tre Food Processing JSC ("CT") to CJ Cheiljedang Corporation of Korea ("CJ"). VOF received USD12.4 million in consideration for this complete exit to enjoy an IRR of 17.0% on this investment and a return multiple of 2.8x on invested equity. CT is a major food processing business with most of its revenue deriving from the exports of frozen dim-sum style food to Japan. CT also sells its products into the Vietnamese market under its own brand.

VOF initially acquired 13% of CT in August of 2006 through the Company's equitisation. In 2013, VOF acquired additional shares in CT from other shareholders with an objective of consolidating VOF's holding so that the Fund can eventually sell a larger and a more meaningful stake to a strategic investor willing to pay a significant premium to the prevailing market price. Our strategy to exit to a strategic shareholder was delayed because CT incurred a significant loss due to adverse market conditions and a few failed product launches during the second half of FY2013.

In late 2013, we appointed an Independent Board Member into CT to facilitate the Company in revising its distribution strategy to improve CT's bottom line. We also inserted a Deputy Chief Executive Officer to assist CT in improving their financial controls and budgeting process

while executing their domestic sales strategy. These changes and the renewed efforts by management resulted in CT returning to profitability in 2014. Since 2014, we have received numerous offers from domestic and international investors to acquire VOF's stake in CT but these offers were all rejected because the valuations were below our expectation. In 2016, CJ connected with CT and expressed their desire to acquire our stake. With the cooperation from SATRA (the Vietnam Government's shareholder of CT), we negotiated a price equivalent of more than three times the prevailing OTC market price. The premium placed on our stake revolved around not only our strategic cooperation with SATRA but also our ability to transfer to three board seats and one controller seat to CJ.

Macroeconomic update

The Vietnamese economy showed significant growth in the manufacturing sector during the month of February despite feeling the cooling effects of the recent Lunar New Year holiday. Given that the Lunar New Year typically sees a slow down growth at the beginning of the year, we anticipate that growth will continue to accelerate to meet our initial GDP growth projection of 6.5% at the end of the year.

Manufacturing: The Nikkei Purchasing Manger's Index (PMI) for Vietnam surged to 54.2 in February, from 51.9 in January, a 21-month high. The General Statistics Office's (GSO) Index of Industrial Production (IIP) showed an increase of 2.4% for the first two months of the year, compared to a 6.6% for the same period last year. The GSO's IIP is different from the Nikkei PMI in that it accounts for the mining and quarrying sector, which showed a sharp decline of 13.5% YTD Y-O-Y.

Trade: Vietnam reported a trade deficit of USD21 billion in February or a USD0.8 billion deficit year-to-date. Despite significant export growth of 15.8% year-over-year in February, it could not keep pace with imports which increased 23.3% year-over-year during the same period.

Foreign Investment: The registration of new foreign direct investment (FDI) reached USD1.8 billion in February while Vietnam saw USD1.6 billion of actual FDI disbursed year-to-date. FDI commitments increased 21.5% year-on-year in February as multinational corporations continue to invest in manufacturing operations in Vietnam.

Domestic consumption: Retail sales showed slower growth in February, increasing 8.7% in nominal terms and 5.6% in real terms (compared to an average of 9.6% in nominal terms and 7.9% in real terms in 2016). Retail sales decreased during the month due to lower consumption after the Lunar New Year holiday.

Inflation: The GSO's Consumer Price Index rose 0.2% month-over-month, or 0.6% year-to-date, in February. The main drivers for inflation during the month were rising prices in housing and construction (up 0.8% month-over-month), transportation/gasoline (two government-administered increases during the month) and food and foodstuffs (up 0.1% m-o-m). The government expects an inflation rate of 4% at the end of the year.

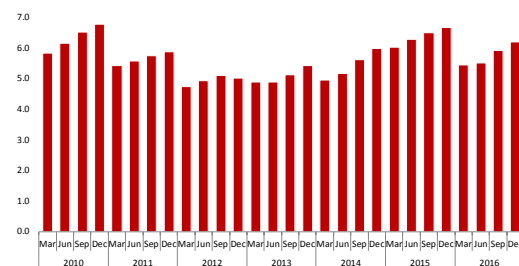
Vietnam Dong: The State Bank of Vietnam (SBV) has established its credibility after weathering the FX disturbance during the first two months of the year. The official reference rate depreciated by only 0.1% while the free market rate has appreciated by 1.5%, partly due to overseas Vietnamese bringing USD into the country during the Lunar New Year holiday.

Macroeconomic indicators

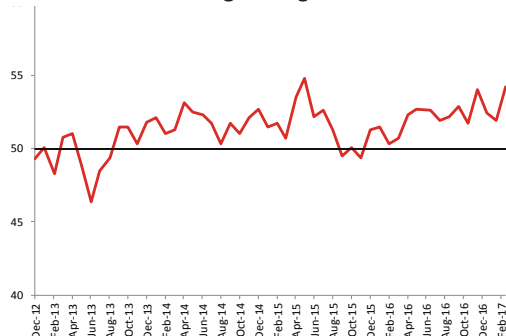
	2016	Feb-17	2017 YTD	Year-on-year
GDP growth ¹	6.2%			
Inflation (%)	0.5%	0.2%	0.6%	5.0%
FDI commitments (USDbn)	24.4	1.8	3.4	21.5%
FDI disbursements (USDbn)	15.8	0.7	1.6	3.3%
Imports (USDbn)	174.1	15.2	28.2	23.3%
Exports (USDbn)	176.6	13.1	27.4	15.8%
Trade surplus/(deficit) (USDbn)	2.5	(2.1)	(0.8)	
Exchange rate (USD/VND) ²	22,720	22,740	-0.1%	

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

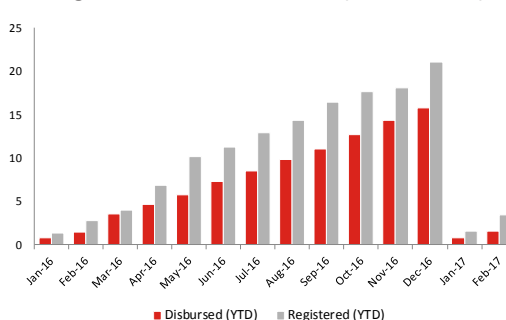
Quarterly GDP growth (%)



Purchasing Managers' Index



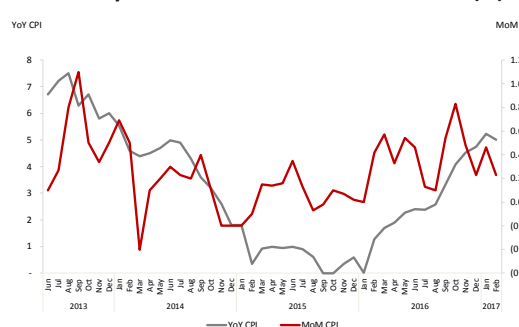
Registered and disbursed FDI (2017, USDbn)



Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, 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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Investor Relations/Communications
 ir@vinacapital.com
 +84 8 3821 9930
 www.vinacapital.com

Broker
 Numis Securities
 +44 (0)20 7260 1000
 funds@numis.com