

## 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 28 February 2014, VOF's net asset value was USD798.9 million or USD3.24 per share, representing a 2.6 percent increase from a net asset value per share of USD3.16 as at 31 January 2014. During the month, the capital markets component of VOF's portfolio increased 6.3 percent while the VN Index increased 5.3 percent in USD terms, as major listed investee companies such as DIC Group (DIG), Hoa Phat Group (HPG), Khang Dien Housing (KDH), Military Bank (MBB) and PetroVietnam Drilling (PVD) increased 33.5, 6.1, 18.5, 12.3 and 13.6 percent, respectively.

VOF's share price increased 4.4 percent to USD2.47 at the end of February from USD2.36 at the end of January. The Company's share price to NAV discount narrowed to 23.9 percent from 25.2 percent in January.

On 26 – 27 February 2014, the Manager presented an update of the Company to shareholders at the Edmond de Rothschild Emerging Markets Funds 2014 Conference in London. The VOF presentation provided an update of Vietnam's macroeconomic, real estate and equity market conditions and the future outlook, as well as VOF's performance over the last twelve months and its strategy going forward. A copy of the presentation can be found by clicking [here](#).

## Capital markets

The VN Index increased by 5.3 percent in USD terms, closing the month of February at 586.5, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices increased by 4.3 and 3.7 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD2.5 billion on 3.9 billion shares, an increase of 56.1 percent in terms of value while volume increased by 58.0 percent compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD55.3 billion compared to USD52.0 billion a month ago. The VN Index traded on a trailing P/E of 12.9x and P/B of 2.0x according to Bloomberg.

One of the key contributors to the rising capital markets has been foreign indirect investments. Foreign investors were net buyers of Vietnamese equities, accounting for a net purchase of USD44.6 million in February. The top acquired companies were Masan Group (MSN), Hoa Sen Group (HSG), Vincom Group (VIC), Vietcombank (VCB) and PetroVietnam Gas (GAS) while Hoang Anh Gia Lai Group (HAG), Kinh Bac Corporation (KBC), Phu My Fertiliser (DPM), Tu Liem Urban Development JSC (NTL) and Petrovietnam General Services Corp (PET) were most actively divested.

## Performance summary

28 February 2014

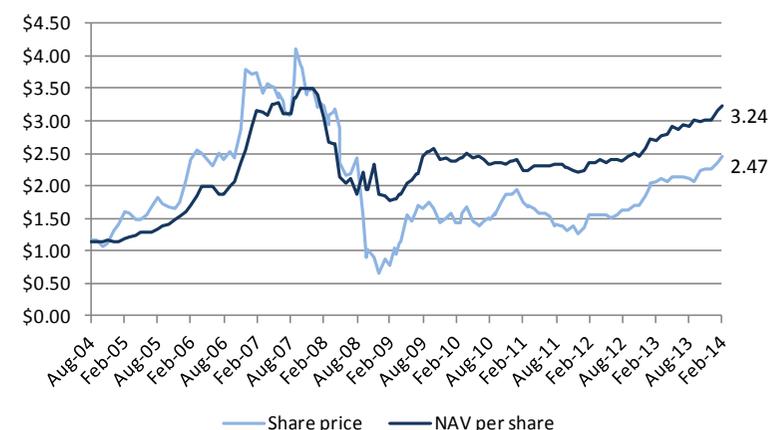
NAV per share (USD):	3.24
Change (Month-on-month)	2.6%
Total NAV (USD 'm):	798.9
Share price (USD):	2.47
Market cap (USD 'm):	607.9
Premium/(discount)	-23.9%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	7.9	19.8	44.5	83.0
Share price	9.1	19.0	41.0	220.1

## Annual performance history (% change)

	2014	2013	2012	2011	2010
NAV per share	7.7	15.0	17.4	-7.6	-1.6
VN Index	16.2	20.4	18.9	-25.6	-7.2



## Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's month-on-month consumer price index (CPI) grew by just 0.5 percent in February, which equates to 4.6 percent year-on-year. This represents the lowest rate of inflation in over five years. The price of food and foodstuffs (40 percent of the CPI basket) remained moderate because of ample supply and a lack of weather related crop damage. The price of gasoline increased slightly by 1.2 percent, reflecting a government policy to spread administered price increases throughout the entire year.

The exchange rate continued its run of nearly two years of stability, finishing the month at VND21,110 per USD, unchanged as compared to January. There continues to be no foreseeable upward pressure on the foreign exchange rate. The State Bank of Vietnam (SBV) is now estimated to have approximately USD40.0 billion in foreign reserves, which would cover four months of imports. Vietnam is currently running with an approximate USD250 million trade surplus year-to-date, with an expectation that the overall balance of payments will remain in surplus throughout 2014.

The overall economy has started the year off in fairly good shape. HSBC's Purchasing Managers Index (PMI) was 51.0 in February and has remained above 50.0 for six consecutive months, which implies expansion in the manufacturing sector. Exports have been dominated by foreign direct investors who have set up operations in Vietnam, representing 60.0 percent of total exports. We believe that Vietnam's economy will continue to stabilize and follow a slow-to-moderate growth pattern, defined as an annual increase in real GDP at approximately 5.5 to 6.0 percent.

## Fixed income

The primary bond market strengthened again in February with a total of USD1.2 billion worth of government and government-backed bonds issued, an increase of 16.0 percent compared to January. Short-term bond yields fell in February by 44 to 62 basis points compared to January. In the secondary market, the total trading volume for government and government-backed bonds increased 24.0 percent to USD1.7 billion for the month of February. Bond yields in the secondary market also fell by 30 to 40 basis points over the short end of the yield curve, falling by only 5 basis points for long-term issues.

## Media links

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

[Forbes: Vietnam's Market Emerging Again With Vietnam Opportunity Fund's Andy Ho](#)

[VinaCapital Market prospects for 2014](#)

## Macroeconomic indicators

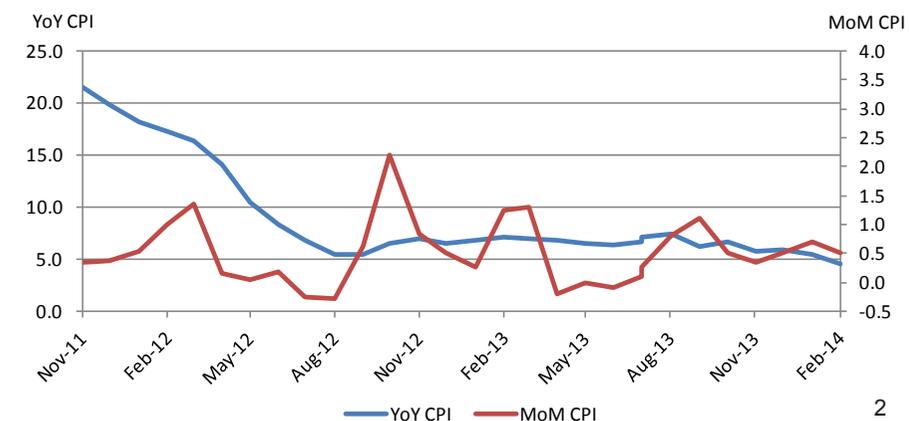
	2013	Feb-14	2014 YTD	Year-on-year
GDP growth <sup>1</sup>	5.4%			
Inflation	6.0%	0.5%	1.2%	4.6%
FDI (USDbn)	21.6	0.6	0.8	-19.0%
Imports (USDbn)	131.3	10.8	20.8	17.0%
Exports (USDbn) <sup>2</sup>	132.2	9.6	21.1	12.3%
Trade surplus/(deficit)	0.9	-1.2	0.3	
Exchange rate (USD/VND) <sup>3</sup>	21,115	21,120	0.0%	1.2%
Bank deposit rate (VND)	7.5%	7.5%	-50 bps	

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

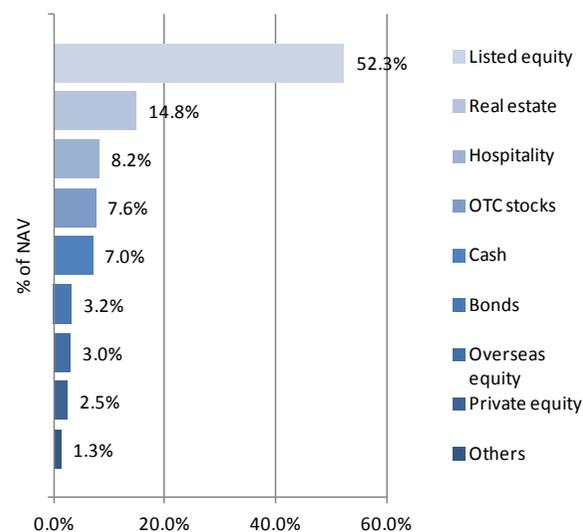
## Government bond yields (%)

	1yr	2yr	3yr	5yr
February-14	5.88	6.50	7.00	7.96
January-14	6.20	6.90	7.28	8.25

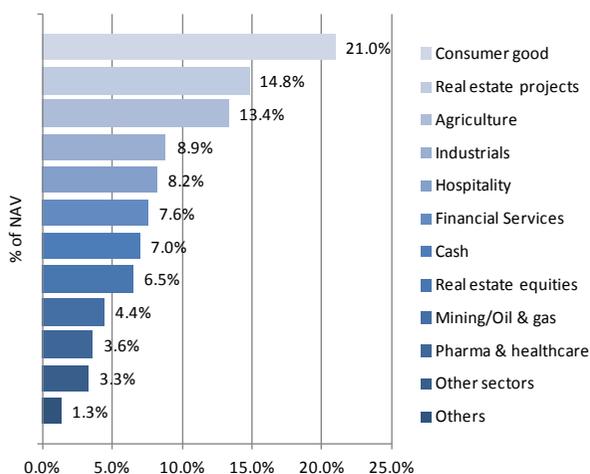
## Year-on-year and month-on-month inflation (%)



## Portfolio by asset class



## Portfolio by sector



## Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	13.8	Consumer goods	Leading regional dairy company with dominant domestic market share.
Hoa Phat Group (HPG)	5.7	Industrials	Vietnam's second largest steel manufacturer.
Eximbank (EIB)	5.1	Financial services	One of the top ten commercial banks.
Kinh Do Corp (KDC)	4.9	Consumer goods	Top confectionery manufacturer in Vietnam.
Hau Giang Pharmaceuticals	3.6	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

### Over the counter (OTC)

An Giang Plant Protection	6.4	Agriculture	Leading plant protection chemical firm.
South Basic Chemical company	0.6	Agriculture	The largest basic chemical producer in Vietnam.
Binh Dien Fertiliser	0.3	Agriculture	The largest NPK fertiliser producer.
Tam Phuoc Industrial	0.1	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 Legend Metropole Hotel Hanoi	8.0	Hospitality	Vietnam's top city-centre hotel.
Century 21	2.9	Real estate	HCM City residential development.
Danang Beach Resort	2.3	Real estate	VinaCapital Danang Resort
Dai Phuoc Lotus	1.7	Real estate	Residential developer with townhouse sales underway.
Hung Vuong Plaza	1.4	Real estate	The best shopping mall in Chinatown district of HCM City.

### Private equity

American Home Vietnam (IBS)	0.9	Industrials	Construction materials firm.
SSG- Saigon Pearl	0.6	Real estate	One of the largest property developers in Vietnam.
Cau Tre Enterprise	0.6	Consumer goods	Vietnam's leading frozen food producer and exporter.
Yen Viet	0.2	Consumer goods	Leading producer of birds nest nutritional products.
Petroland	0.1	Real estate	Small real estate company in Ha Noi.

## 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)
Thuy Dam	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 based on two separate pools of investments: direct real estate and all other investments. The incentive fee paid equates to 15 percent of the increase in the NAV of each pool during the year over a hurdle of 8 percent. The total amount of incentive fees paid in any one year is capped at 1.5 percent 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 percent), Cambodia, Laos, and southern China.