

## 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 January 2014, VOF's net asset value was USD781.7 million or USD3.16 per share, representing a 5.0 percent increase from a net asset value per share of USD3.01 as at 31 December 2013. During the month, the capital markets component of VOF's portfolio increased 8.0 percent while the VN Index increased 10.4 percent in USD terms, as major listed investee companies such as Vinamilk (VNM), Hoa Phat Group (HPG), Kinh Do Corporation (KDC), PetroVietnam Services (PVS) and PetroVietnam Drilling (PVD) increased 4.4, 10.9, 10.8, 39.2 and 17.9 percent, respectively. We believe that the market is finally realizing that Vietnam's economy is stabilizing and the valuations of growing companies remain attractive relative to other emerging and frontier markets. Additionally, one of VOF's largest holdings, the Sofitel Metropole in Hanoi, finished the year strongly, exceeding full year 2013's budget set by management. The hotel's occupancy rate and average room rate were 69.6 percent and USD221, an increase of 3.1 and 4.9 percent year-on-year, respectively.

VOF's share price increased 4.4 percent to USD2.36 at the end of January from USD2.26 at the end of December. The Company's share price to NAV discount expanded to 25.2 percent from 24.8 percent in December.

On 26 – 27 February 2014, the Investment Manager will present an update of the Company to shareholders at the Edmond de Rothschild Emerging Markets Funds Conference 2014 in London. Our presentation will provide an update on performance over the last 12 months and VOF's strategy going forward. The presentation will be posted to the Company's website and available for all shareholders to download.

## Capital markets

The VN Index increased by 10.4 percent in USD terms, closing the month of January at 556.5, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices decreased by 6.0 and 7.1 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD1.6 billion on 2.5 billion shares, an increase of 5.0 percent in terms of value while volume decreased by 12.4 percent compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD52.0 billion compared to USD45.1 billion a month ago. As a result, the VN Index traded on a trailing P/E of 13.9x and P/B of 1.9x 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 USD76.1 million in January. The top acquired companies were PetroVietnam Gas (GAS), Vietcombank (VCB), Masan Group (MSN), Vincom Group (VIC) and PetroVietnam Drilling (PVD) while Kinh Do Corporation (KDC), Hoang Anh Gia Lai Group (HAG), Petrovietnam General Services Corp (PET), Tu Liem Urban Development JSC (NTL) and Imexpharm Pharmaceutical JSC (IMP) were most actively divested.

## Performance summary

31 January 2014

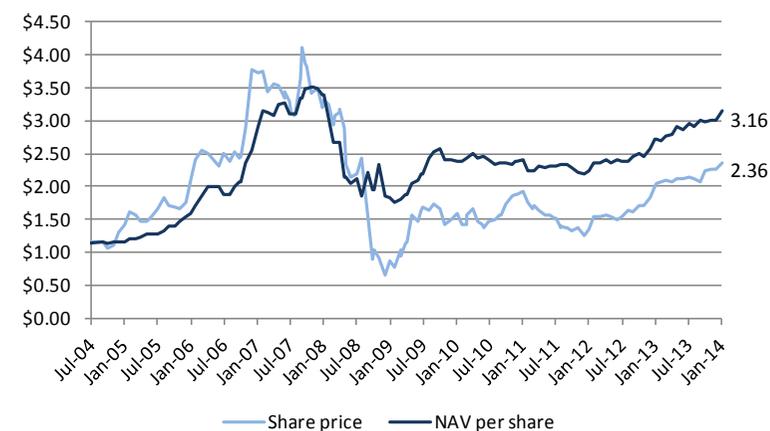
NAV per share (USD):	3.16
Change (Month-on-month)	5.0%
Total NAV (USD 'm):	781.7
Share price (USD):	2.36
Market cap (USD 'm):	584.6
Premium/(discount)	-25.2%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	5.8	15.7	31.0	71.5
Share price	5.8	15.1	22.0	172.8

## Annual performance history (% change)

	2014	2013	2012	2011	2010
NAV per share	5.0	15.0	17.4	-7.6	-1.6
VN Index	10.4	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 0.7 percent. Vietnam's January price increases were driven by higher prices for housing and construction materials as well as for apparel, headwear and footwear. Additionally, the country's annual inflation rate fell from 6.0 percent in December to 5.5 percent in January. Inflation has thus fallen below the State Bank of Vietnam's (SBV) target range of between 6.0 and 6.5 percent. However, we believe that price adjustments in healthcare, education and fuel will continue to be the main drivers of pressure throughout the year and project an inflation rate of between 6.5 and 7.0 percent in 2014.

HSBC's January Purchasing Managers' Index (PMI) rose to 52.1, the highest level since April 2011, based on strong growth in output and new orders. This expansion in manufacturing is considered an encouraging sign that Vietnam's economy is gradually improving. We believe that manufacturing will maintain this steady pace of recovery throughout 2014, as foreign direct investment and the export markets continues to expand.

In January, the exchange rate remained at approximately VND21,115 per USD, representing a 1.2 percent increase from VND20,855 per USD a year ago. Remittances from overseas Vietnamese which generally spike during the Lunar New Year holiday and inflows from foreign investment have helped stabilise the currency in January. There has been little to no upward pressure on the foreign exchange rate and therefore, the SBV has been able to enter the market and purchase USD with the intention of building up its reserves and helping the export markets.

## Fixed income

The primary bond market remained strong in January with a total of USD1.0 billion worth of government and government-backed bonds issued, an increase of 26.0 percent compared to December. Bonds issued by the State Treasury remained the most favourable and accounted for 57.0 percent or USD581.0 million of total issued volume.

Bond yields continued their move lower in January with two- to five-year issues falling by 21 to 33 basis points compared to their last issues in December. In January, the Vietnam Development Bank successfully issued USD414 million worth of two- to ten-year VDB bonds at yields approximately 25 to 45 basis points lower than in December.

In the secondary market, the total trading volume for government and government-backed bonds fell to USD1.4 billion for the month of January, approximately 41.0 percent less than what exchanged hands in December. Despite a continuing decline in bond yields, which fell by 5 to 20 basis points along the yield curve, demand was restricted ahead of the Lunar New Year holiday.

## Macroeconomic indicators

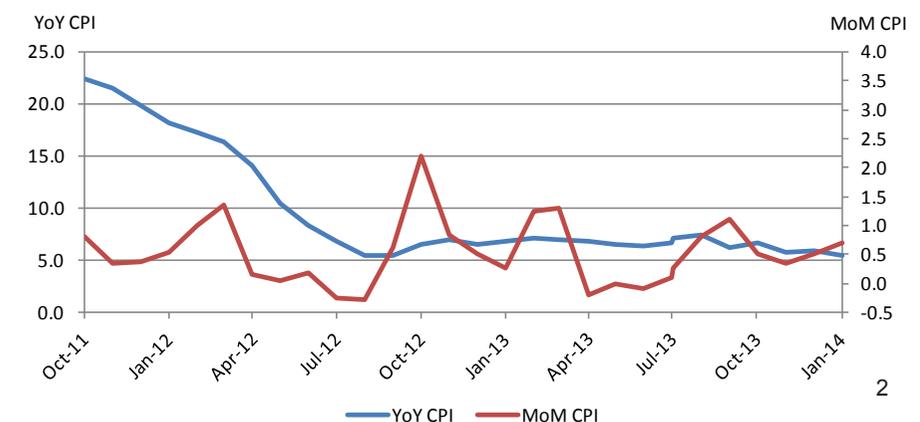
	2013	Jan-14	YTD	Y-o-Y change
GDP growth <sup>1</sup>	5.4%			
Inflation	6.0%	0.7%	0.7%	5.5%
FDI (USDbn)	21.6	0.2	0.2	-33.3%
Imports (USDbn)	131.3	10.4	10.4	5.1%
Exports (USDbn) <sup>2</sup>	132.2	10.3	10.3	2.0%
Trade surplus/(deficit)	0.9	-0.1	-0.1	
Exchange rate (USD/VND) <sup>3</sup>	21,115	21,113	-0.0%	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

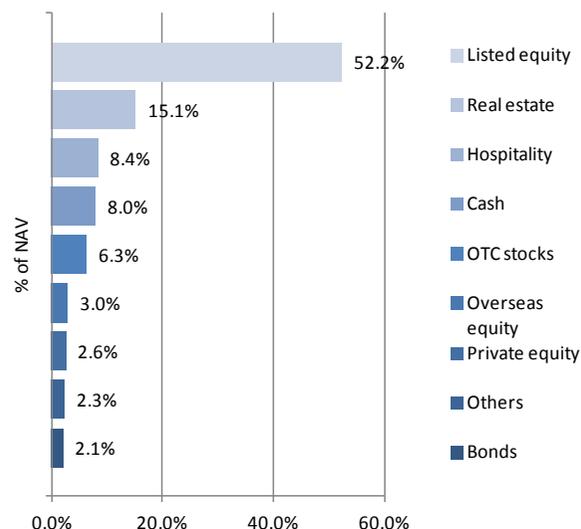
## Government bond yields (%)

	1yr	2yr	3yr	5yr
December-13	6.41	6.93	7.39	8.31
January-14	6.20	6.90	7.28	8.25

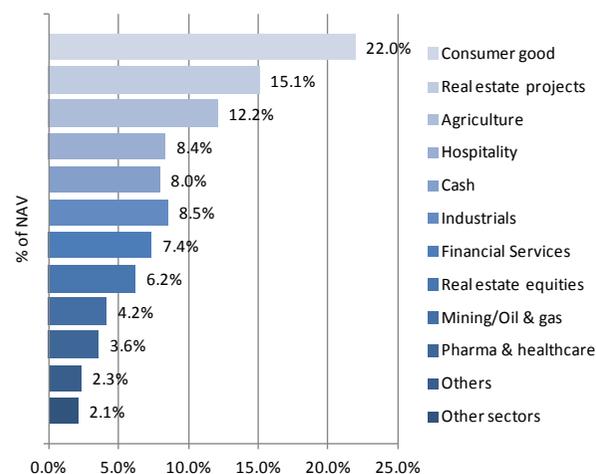
## Year-on-year and month-on-month inflation (%)



## Portfolio by asset class



## Portfolio by sector



## Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	14.2	Consumer goods	Leading regional dairy company with dominant domestic market share.
Hoa Phat Group (HPG)	5.5	Industrials	Vietnam's second largest steel manufacturer.
Kinh Do Corp (KDC)	5.4	Consumer goods	Top confectionery manufacturer in Vietnam.
Eximbank (EIB)	5.0	Financial services	One of the top ten commercial banks.
Hau Giang Pharmaceuticals	3.6	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

### Over the counter (OTC)

An Giang Plant Protection	5.1	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	8.2	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.0	Real estate	HCM City residential development.
Danang Golf Course and Residence	2.3	Real estate	Resort villas with sales underway.
Dai Phuoc Lotus	1.8	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)	1.0	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	0.3	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)
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.