

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 July 2013, VOF's net asset value was USD756.4 million or USD2.95 per share, representing a 3.2 percent increase from a net asset value per share of USD2.86 as at 30 June 2013. During the month, the capital markets component of VOF's portfolio increased by 4.7 percent, mainly attributable to listed investee companies; Vinamilk (VNM), Hau Giang Pharmaceuticals (DHG) and Hoa Phat Group (HPG) which increased by 10.0, 25.3 and 7.4 percent, respectively.

VOF's share price increased to USD2.15 at the end of July, compared to the closing price of USD2.13 at the end of June. The Company's share price to NAV discount expanded to 27.2 percent from 25.5 percent in June.

During the month of July, VOF bought back 5.1 million shares which are held in Treasury. As at 31 July 2013, the Company has spent USD124.8 million repurchasing 68.3 million shares since the commencement of the share buyback programme, representing 21.0 percent of total shares in issue. Both the Board and Manager believe that this ongoing share buyback programme is the best method to distribute capital to shareholders and narrow the Company's share price to NAV per share discount.

VOF held an Extraordinary General Meeting of Shareholders held on Monday, 22 July 2013 in which a 75.0 percent majority of shareholders supported the recommendation put forward by the Board regarding the continuation of the Company. As a result the Special Resolution, which called for the discontinuation of the Company as presently constituted, was not passed.

Capital markets

The VN Index increased by 2.2 percent in USD terms, closing the month of July at 491.9, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices increased by 1.5 and 0.8 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD1.0 billion on 1.3 billion shares, a decrease of 24.7 and 36.5 percent, respectively, compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD43.0 billion compared to USD42.1 a month ago. As a result the VN Index traded on a trailing P/E of 12.1x and P/B of 1.8x according to Bloomberg.

Foreign investors were net sellers of Vietnamese equities, accounting for a net selling of USD15.8 million throughout July. The top acquired companies were PetroVietnam Gas (GAS), PetroVietnam Drilling (PVD), Hoa Phat Group (HPG), FPT Corporation (FPT) and Kinh Do Corporation (KDC) while Vincom Group (VIC), Phu My Fertiliser (DPM), Masan Group (MSN), Eximbank (EIB) and Sacombank (STB) were most actively divested.

Performance summary

31 July 2013

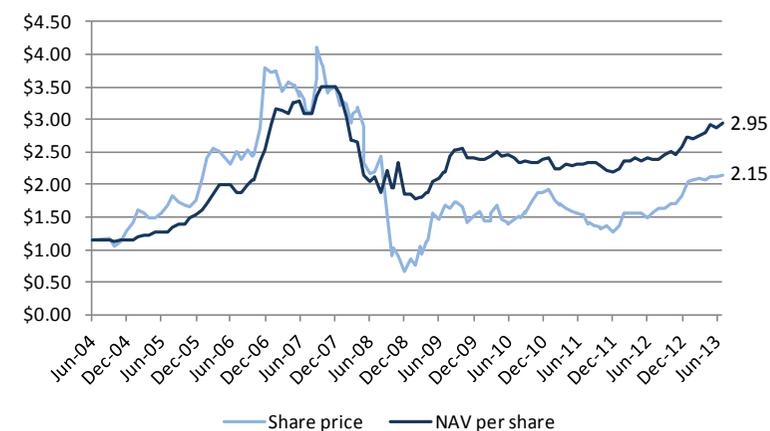
NAV per share (USD):	2.95
Change (Month-on-month)	3.2%
Total NAV (USD 'm):	756.4
Share price (USD):	2.15
Market cap (USD 'm):	550.3
Premium/(discount)	-27.2%

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	5.7	23.2	22.4	39.2
Share price	3.7	38.3	47.1	-2.2

Annual performance history (% change)

	2013	2012	2011	2010	2009
NAV per share	12.6	17.4	-7.6	-1.6	29.7
VN Index	17.1	18.9	-25.6	-7.2	47.7



Macroeconomic update

Aggregate demand for goods and services throughout Vietnam continues to remain insufficient in order to improve the state of the economy, as can be seen in the country's weak 5.0 percent year-to-date credit growth. All banks are now being encouraged by the State Bank of Vietnam (SBV) to increase lending in order to achieve the government's full year credit growth target of 12 percent. As a result, many banks, which have been granted higher credit limits, have begun promoting consumer loans as a new strategy to boost interest income. However, there are additional risks associated with these products given lending rates associated with such loans are very high (above 20 percent) and carry the potential for increased non-performing loans (NPLs) in the future.

According to the Industrial Production Index (IIP), Vietnam's manufacturing sector made little progress during July, maintaining a 4.9 percent year-on-year increase in production, unchanged from June. This reflects ongoing sluggish consumer demand, which increased just 11.7 percent year-on-year for the month of July, far below the 22.0 percent recorded consistently over the past several years. Additionally, HSBC's Purchasing Managers Index (PMI) remained below the important 50.0 level in July, indicating Vietnam's manufacturing sector is still constrained by outstanding inventory levels. This was partly attributable to a decline in export orders from China. This trend may continue to impact Vietnam's economy; given China's GDP growth is expected to slow to 7.4 percent from a long-term average of 8.5 percent in recent years.

Despite weak demand, inflation increased by 0.3 percent in July, according to the General Statistics Office (GSO). As a result, year-on-year price increases reached 7.2 percent for July, up from 6.7 percent in June. The modest rise in inflation for July was mainly attributable to two recent increases in petroleum and gas prices, while prices for food and foodstuffs remained relatively flat during the month.

In July, the exchange rate rose, peaking at VND21,900 which caused the SBV to sell USD on the open market. The volatility in the currency market occurred as a result of a widening spread between domestic and global gold prices and banks with ample VND liquidity speculating on rising USD prices. However, by the end of the month the exchange rate receded to VND21,300 per USD as government numbers on the balance of payments showed a trade surplus of USD200 million for July, thus bringing the year-to-date trade deficit to USD700 million.

Fixed income

The primary bond market saw a significant reduction in activity, with only USD141 million worth of government and government-backed bonds successfully issued in July 2013, a 72.9 percent decline compared to the previous month. Short term government bond yields again increased in July for the second month in a row, with the rate on the 2-year bond rising by 50 bps.

Bond trading was also highly inactive on the secondary market, with a total bond trading value changing hands equal to USD1.22 billion, a decline of 22.4 percent month-on-month. Given the lack in demand for fixed income assets, government bond yields jumped by 40 to 60 bps across the entire yield curve.

Macroeconomic indicators

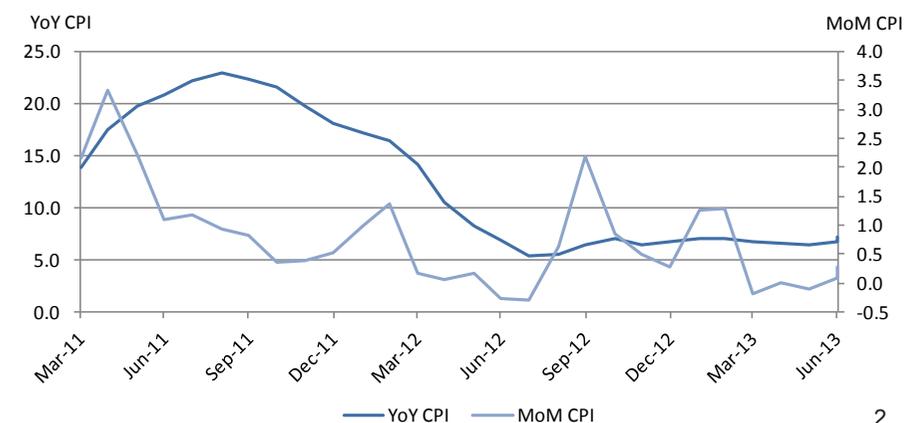
	2012	Jul-13	YTD	Y-o-Y change
GDP growth ¹	5.0%	5.0%	4.9%	-
Inflation	6.8%	0.3%	2.7%	7.3%
FDI (USDbn)	13.0	1.4	11.9	19.6%
Imports (USDbn)	114.3	11.0	73.5	15.0%
Exports (USDbn) ²	114.6	11.2	72.7	14.3%
Trade surplus/(deficit)	0.8	0.2	-0.7	16.7%
Exchange rate (USD/VND) ³	20,855	21,190	-1.6%	-1.3%
Bank deposit rate (VND)	8.0%	7.5%	-6.3%	-31.8%

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

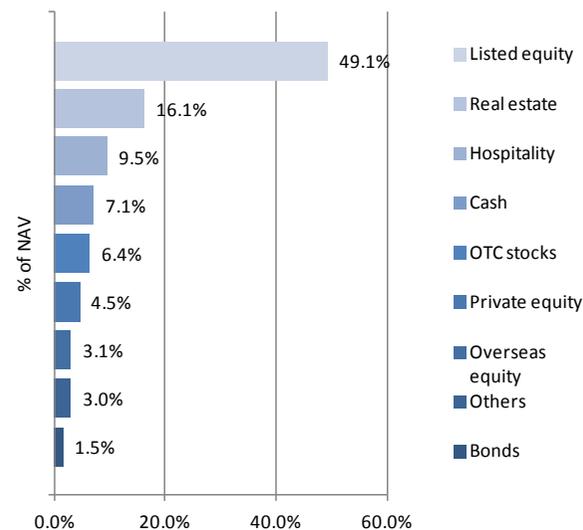
Government bond yields (%)

	1yr	2yr	3yr	5yr
June-13	5.97	6.80	7.09	7.91
July-13	6.52	7.48	7.71	8.34

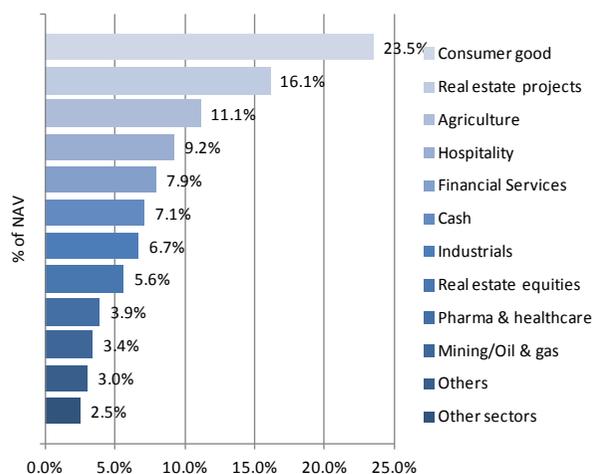
Year-on-year and month-on-month inflation (%)



Portfolio by asset class



Portfolio by sector



Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	16.3	Consumer goods	Leading dairy company with dominant market share
Eximbank (EIB)	5.7	Financial services	One of the top ten commercial banks
Kinh Do Corp (KDC)	4.6	Consumer goods	Top confectionery manufacturer in Vietnam
Hoa Phat Group (HPG)	3.8	Industrials	The largest steel manufacturer by market share
Hau Giang Pharmaceuticals (DHG)	3.2	Pharmaceuticals & health care	The largest domestic pharmaceutical producer

Over the counter (OTC)

An Giang Plant Protection	5.3	Agriculture	The largest plant protection chemicals producer
Nam Viet Oil	0.5	Mining/Oil & Gas	Major gasoline producer
Binh Dien Fertiliser	0.3	Agriculture	The largest NPK fertiliser producer
Tam Phuoc Industrial	0.2	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 Metropole	8.4	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.0	Real estate	HCM City residential development
Danang Beach Resort / Golf course	1.8	Real estate	Resort villas with sales underway.
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 China town of HCM City.

Private equity

IBS	1.2	Industrials	Construction materials firm
Hoan My Hospital	0.7	Pharmaceuticals & health care	Private hospital group
International School, HCMC	0.7	Education	A leading international school in Ho Chi Minh City
Cau Tre Enterprise	0.6	Consumer goods	The leading frozen food producer in Vietnam.
SSG- Saigon Pearl	0.6	Real estate	One of the biggest property developers in Vietnam

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

Contact

David Dropsey
Investor Relations/ Communications
ir@vinacapital.com
+848-3821-9930
www.vinacapital.com

Brokers
Edmond de Rothschild Securities
+44 (0)20 7845 5960
funds@lcf.co.uk

Numis Securities
+44 (0)20 7260 1327
funds@numis.com

Important Information

This document, and the material contained therein, is not intended as an offer or solicitation for the subscription, purchase or sale of securities in VinaCapital Vietnam Opportunity Fund Limited, VinaLand Limited or Vietnam Infrastructure Limited (each a "Company"). Any investment in any of the Companies must be based solely on the Admission Document of that Company or other offering document issued from time to time by that Company, in accordance with applicable laws.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in either of the Companies and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

The securities of the Companies have not been and will not be registered under any securities laws of the United States of America nor any of its territories or possessions or areas subject to its jurisdiction and, absent an exemption, may not be offered for sale or sold to nationals or residents thereof.

No undertaking, representation, warranty or other assurance, express or implied, is given by or on behalf of either of the Companies or VinaCapital Investment Management Limited or any of their respective directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this document and no responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligence or otherwise.

No warranty is given, in whole or in part, regarding the performance of either of the Companies. There is no guarantee that investment objectives of any of the three Companies will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

This document is intended for the use of the addressee and recipient only and should not be relied upon by any persons and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purposes, without the prior written consent of VinaCapital Investment Management Limited.

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 calculated based on two separate pools of investments: direct real estate and all other investments. The incentive fee paid equates to 15 percent of NAV per share increase for each pool of investments. The total amount of incentive fees paid in any one year is capped at 1.5 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark.

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.