

Performance summary 31 July 2016

	USD	GBP
NAV per share:	3.88	2.92
Change (Month-on-month)	1.6%	2.3%
Total NAV (million):	809.6	609.8
Share price:	2.98	2.25
Market cap (million):	621.9	468.4
Premium/(discount)	-23.2%	-23.2%

GBP/USD exchange rate as at 30 June 2016: 1.34
 GBP/USD exchange rate as at 29 July 2016: 1.33
 Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	9.8	18.8	31.5	67.8
Share price (USD)	6.8	11.6	38.8	95.1
VN Index (USD terms)	9.0	2.8	25.9	48.5
MSCI Emerging market	4.0	-3.1	-7.8	-23.2
MSCI Vietnam	5.8	-6.5	8.7	-3.1

Annual performance history (% change)

	CY 2016	2015	2014	2013	2012	2011
NAV per share (USD)	19.9	-1.2	9.0	15.0	17.4	-7.6
VN Index (USD terms)	13.6	1.1	6.6	20.4	18.9	-25.6

Top ten holdings

Investee company	% of NAV	Sector
Vinamilk (VNM)	16.0	Food & beverage
Hoa Phat Group (HPG)	8.6	Construction materials
Sofitel Legend Metropole Hotel Hanoi	7.5	Operating assets
Eximbank (EIB)	5.1	Financial services
International Dairy Product (IDP)	4.7	Food & beverage
Phu Nhuan Jewelry (PNJ)	3.9	Consumer discretionary
Khang Dien House (KDH)	3.8	Real estate & construction
Quang Ngai Sugar JSC (QNS)	3.8	Food & beverage
Petrovietnam Technical Services Corporation (PVS)	2.2	Mining, oil & gas
An Cuong Wood-Working	2.2	Construction materials
Total	57.8	

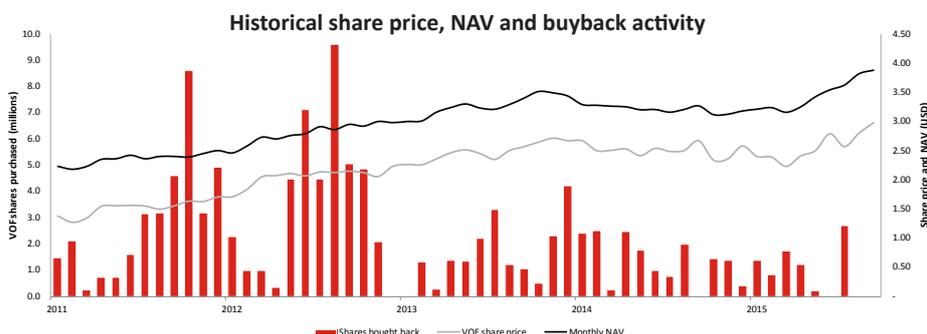
Market Highs in July

Vietnam's stock market maintained its momentum in July, with the VN Index increasing 3.2% and bringing the year-to-date gain to 13.6%. The VN Index closed the month at 652, its highest level in eight years. For the month, our fund NAV increased 1.6% on a like-for-like basis, and the capital market component, which includes listed equities and OTC, increased 3.4%, slightly ahead of the VN Index. As our existing investors are well aware, given our diversified portfolio which holds unlisted investments in private equity and real estate holdings (now relatively small) and are not marked-to-market, the fund will tend to underperform in a rising equity market and vice versa. That said, VOF remains one of the top performing Vietnam-focused funds among closed-end listed and open-ended fund peers, up 19.9% so far this calendar year. If comparing VOF's capital markets portfolio alone, it is up an impressive 28.0% versus the VN Index which has delivered 13.6% in USD terms, while the two widely followed Vietnam focused ETF's have only delivered 1.7% and 6.6% respectively for the calendar year to July, according to Bloomberg.

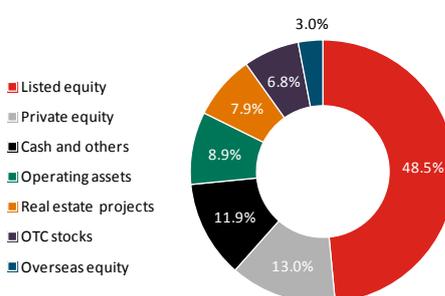
Our top holding, Vinamilk (VNM), reported a strong second quarter, with net revenue growth of 18.6% y-o-y, while net profit surged 28.8% y-o-y. For the first six months of the year, revenue was up 18.6%, of which domestic revenue surged by 19.5% y-o-y; while net profit rose 32.9%. We expect that VNM will continue to deliver in the second half of the year, benefiting from a better sales mix and favourable milk powder input prices. During the month, VNM also received official confirmation from the State Securities Commission (SSC) to remove its foreign ownership limit, allowing foreigners to buy up to 100% of the company. Given recent results and other developments, we believe VNM will continue to be popular with foreign investors.

Another core listed equity holding, Hoa Phat Group (HPG), announced second quarter 2016 net income of USD91 million, an impressive increase of 63.5% y-o-y and 80.8% q-o-q on revenue of USD361 million (+5.2% y-o-y). A sharp improvement in gross margin to 32% during the quarter was driven by the recovery in average selling price while input materials were hedged at a lower price. HPG also regained its leading position as the number one steel producer in Vietnam, with 21.5% market share, an increase of 2% compared to the first quarter. Given the continued strength of Vietnam's construction industry, we expect HPG is well positioned to sustain sales volume growth and maintain healthy profit margins in the second half of the year.

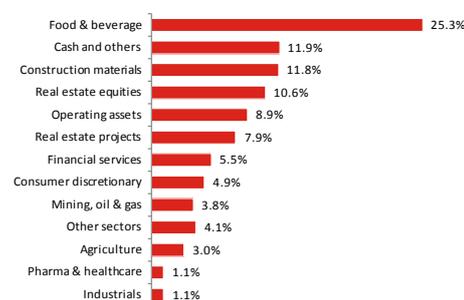
Phu Nhuan Jewelry (PNJ) maintained strong growth in its core operations in the first half of 2016 with gold jewellery retail sales increasing 23%, significantly higher than market growth of only 6%. Market share of gold jewellery was estimated to increase from 25% to 30%, backed by rapid store expansion with 59 newly-opened stores in the last twelve months. Ending the period, core net profit advanced 32% primarily driven



VOF portfolio by asset class (31 July 2016)



VOF portfolio allocation by sector (31 July 2016)



Manager's comment continued...

by gross margin expansion (to 17% from 14% over the same period in 2015) while net profit surged at a faster pace of 123% due to lower financial provisions for the investment into Dong A Bank and one-off profit from property sales. PNJ made full provision for the remaining net book value of the Dong A Bank investment during the first half of the year, and is seeking opportunities to divest Dong A Land in 2016. Over the first half 2016, PNJ's share price strongly outperformed the VN-Index (82% vs 9%).

As noted in the macro update that follows, Vietnam's inflation rate remains quite modest, both year-on-year and year-to-date. Coupled with a significant trade surplus, it is not surprising that the VND has remained stable, appreciating against the USD by just 0.8% year-to-date and up 2.2% year-on-year. This stability has come as a surprise to some, considering analyst consensus at the year's start of a devaluation of the VND of at least 3%. One of the key reasons cited back then was the risk that China could again devalue the yuan again, just as it did in August 2015, and drag down neighbouring currencies such as the VND. As it turns out, they were right on the first part: year-to-date, the yuan has devalued about 2.3%. However, the VND has not followed suit, and foreign investors in Vietnam have been rewarded accordingly.

Over the next 6-12 months, it remains to be seen whether exchange rates remain stable or experience increased volatility. Given that our holdings are mainly in the consumer and construction materials sectors, exchange rates do not tend to affect the fundamentals of our investee companies in significant ways. As such, our focus continues to be on the underlying fundamentals of the companies we invest in while avoiding the need of paying too much attention to macro risks beyond our control.

Macroeconomic update

Vietnam's economy continued to hum along nicely in July, for the most part. The Index of Industrial Production rose by 7.2% y-o-y in July, with manufacturing – which accounts for 70% of industrial activity – increasing by 9.7%. The Nikkei Purchasing Managers' Index stood at 51.9, a slight decrease from June's 52.6 although still in expansion mode. Meanwhile, retail sales during the first seven months of the year grew 9.4% in nominal terms or 7.4% in real terms.

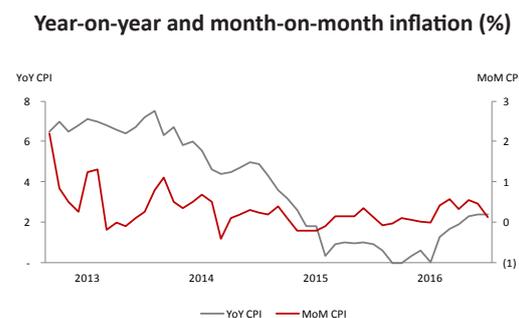
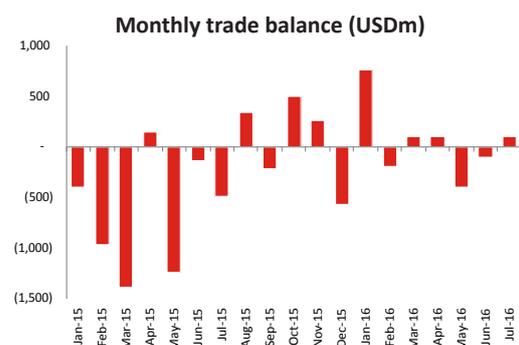
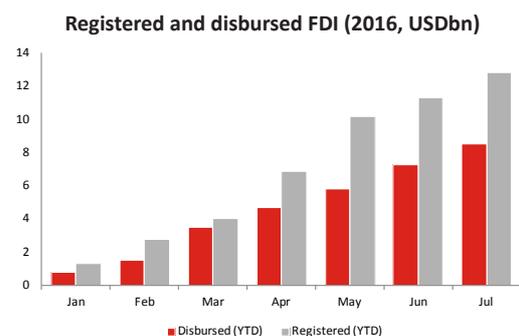
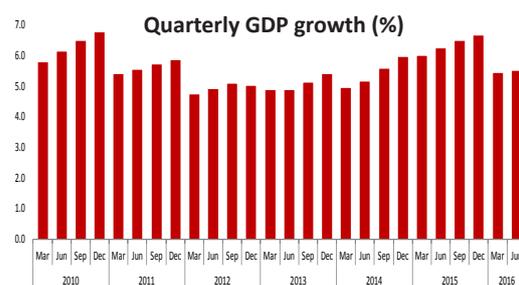
The country posted a USD100 million trade surplus in July, bringing the year-to-date surplus to USD1.8 billion. Foreign direct investment continued unabated, with commitments surging 47% to USD12.8 billion and disbursements up 15% to USD8.6 billion.

Inflation in July increased just 0.1% from the previous month, bringing the year-to-date figure to 2.5%. With inflation subdued, we believe the State Bank of Vietnam will have some room to loosen monetary policy to help boost GDP growth. The VND continued to be stable in July, hovering at about VND22,300 per USD.

Macroeconomic indicators

	2015	Jul-16	2016 YTD	Year-on-year
GDP growth ¹	6.7%			
Inflation (%)	0.54%	0.13%	2.48%	2.4%
FDI commitments (USDbn)	22.8	1.7	12.8	45.8% ³
FDI disbursements (USDbn)	14.5	1.3	8.6	15.5% ³
Imports (USDbn)	165.6	14.6	95.0	-1.4%
Exports (USDbn)	162.4	14.7	96.8	1.4%
Trade surplus/(deficit) (USDbn)	(3.2)	0.1	1.8	
Exchange rate (USD/VND) ²	22,450	22,260	0.8%	
Bank deposit rate (VND)	5.0%	6.0%	100 bps	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate | 3. Compared to the first 7 months of 2015



Source: 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
Michael G. Gray	Non-executive Director	Andy Ho	Chief Investment Officer
Thuy Dam	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
Huw Evans	Non-executive Director	Loan Dang	Deputy Managing Director, Private Equity
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 (Hong Kong)		
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