

## 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 30 June 2013, VOF's net asset value was USD757.4 million or USD2.86 per share, representing a 1.7 percent decrease from a net asset value per share of USD2.91 as at 31 May 2013. During the month, the capital markets component of VOF's portfolio decreased by 1.7 percent, mainly as a result of a decline in value of listed investee companies; Hoa Phat Group (HPG) and DIC Group (DIG), which were down 14.0 and 22.4 percent, respectively. Additionally, a number of real estate assets, including such projects as Vina Dai Phuoc and Da Nang Resort, were written down by a total of USD6.5, as a result of quarterly project revaluations that were undertaken for the period ending 30 June 2013.

VOF's share price remained unchanged at USD2.13 at the end of June, compared to the closing price of USD2.13 at the end of May. As a result, the Company's share price to NAV discount narrowed to 25.5 percent from 26.8 percent in May.

During the month of June, VOF bought back 9.6 million shares which are held in Treasury. As at 30 June 2013, the Company has spent USD114.0 million repurchasing 63.2 million shares since the commencement of the share buyback programme, representing 19.5 percent of total shares in issue.

In late June, the Company published a Circular to Shareholders and a notice convening an Extraordinary General Meeting for Monday, 22 July 2013, setting out the recommendations of the Board with regard to the continuation of the Company together with the changes that will be implemented should Shareholders support the continuation of the Company for a further five years. The Circular can be read in its entirety by clicking on this [link](#).

## Capital markets

The VN Index decreased by 7.8 percent in USD terms, closing the month of June at 481.1, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices decreased by 6.3 and 6.8 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD1.3 billion on 2.0 billion shares, an increase of 2.4 and a decline of 6.5 percent, respectively, compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD 42.1 billion compared to USD45.2 a month ago. As a result the VN Index traded on a trailing P/E of 13.4x and P/B of 1.7x according to Bloomberg.

Foreign investors were net sellers of Vietnamese equities, accounting for a net selling of USD84.0 million throughout June. The top acquired companies were Vincom Group (VIC), Southern Rubber Industry JSC (CSM), PetroVietnam Gas (GAS), Tan Tao Investment Industry Corporation (ITA) and Societe De Bourbon Tay Ninh (SBT) while Hoang Anh Gia Lai Group (HAG), Sacombank (STB), Phu My Fertiliser (DPM), BaoViet Finance-Insurance Group (BVH) and Ocean Group JSC (OGC) were most actively divested.

## Performance summary

30 June 2013

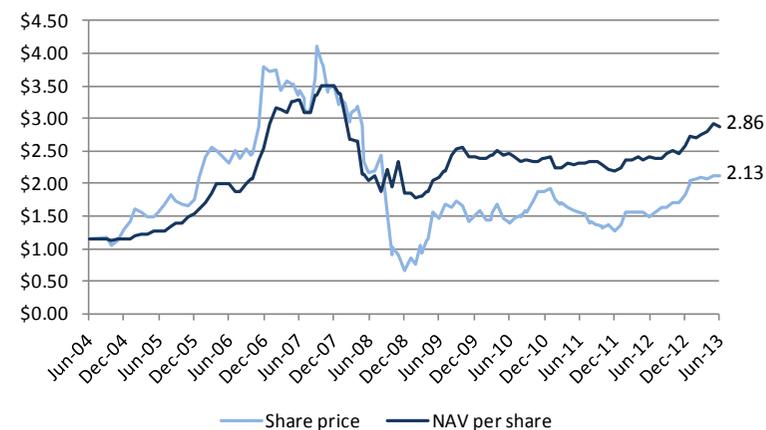
NAV per share (USD):	2.86
Change (Month-on-month)	-1.7%
Total NAV (USD 'm):	757.4
Share price (USD):	2.13
Market cap (USD 'm):	564.0
Premium/(discount)	-25.5%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	3.7	19.2	16.8	40.2
Share price	1.1	42.5	54.3	-1.2

## Annual performance history (% change)

	2013	2012	2011	2010	2009
NAV per share	9.2	17.4	-7.6	-1.6	29.7
VN Index	14.6	18.9	-25.6	-7.2	47.7



## Macroeconomic update

Vietnam's inflation increased in June, according to the General Statistics Office (GSO), marking the first increase in eight months following the State Bank of Vietnam's (SBV) reduction of both the discount and refinance rate to 5.0 and 7.0 percent, respectively. As a result, year-on-year price increases reached 6.7 per cent for June, up from 6.4 percent in May. Notably however, prices for food, foodstuffs and transportation which account for around half of Vietnam's CPI calculation actually declined slightly in June, reflecting softer world commodity prices.

Despite the increase in inflation, Vietnam's economic growth accelerated to a growth rate of 4.9 percent for the first half of 2013 compared to 4.4 percent during the same period a year ago. The effect of numerous interest rate reductions combined with an influx of foreign direct investment over the past six months have greatly contributed to the improvement in the economy. However, manufacturing data remains weak as the Index of Industrial Production (IIP) increased by just 5.5 percent for the first six months of the year compared to an increase of 6.1 percent in the same period a year ago.

In June, the official exchange rate rose again for the second straight month to VND21,220 per USD as a result of increasing speculation of a rising trade deficit estimated at approximately USD1.4 billion for the year-to-date. Additionally, as interest rates and bond yields appeared to bottom out from May into June, foreign commercial banks started to divest their bond holdings and began sourcing USD to repatriate proceeds, which put further pressure on the exchange rate.

The government is still on track to commence the newly established Vietnam Asset Management Company (VAMC), in order to facilitate the purchasing or restructuring of non-performing loans (NPLs) from financial organisations and organising auctions for collateralised assets. Additionally, during the month, the SBV also implemented a USD1.4 billion credit package to provide support to low-income home buyers and developers. Developers of low income housing must obtain approval from authorities to receive an annual interest rate of 6.0 percent which can be adjusted only once per year.

## Fixed income

The primary bond market was sluggish with only USD521million worth of government and government-backed bonds successfully issued in June 2013. The overall issued value decreased by almost 62 percent compared to that of last month. For the first time in several months, government bond yields increased during June 2013, up by 23bps, 25bps, 92bps, 10bps on 2-, 3-, 5-, and 10-year bonds, respectively.

Bond trading was active on the secondary market especially during the first two weeks in June 2013, with a total trading value changing hands equal to USD1.6 billion. Bond yields rebounded after the first two weeks of the month as investors reduced their exposure in anticipation for higher yields.

## Macroeconomic indicators

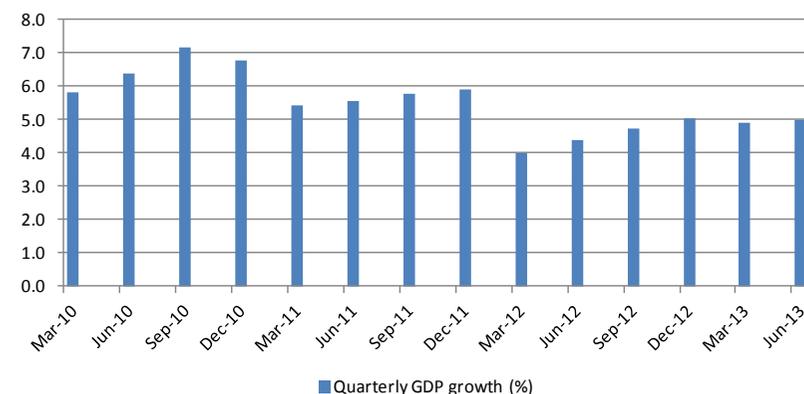
	2012	Jun-13	YTD	Y-o-Y change
GDP growth <sup>1</sup>	5.0%	5.0%	4.9%	-
Inflation	6.8%	0.1%	2.4%	6.7%
FDI (USDbn)	13.0	2.0	10.5	15.9%
Imports (USDbn)	114.3	11.5	63.4	17.4%
Exports (USDbn) <sup>2</sup>	114.6	11.4	62.0	16.1%
Trade surplus/(deficit)	0.8	-0.1	-1.4	133.3%
Exchange rate (USD/VND) <sup>3</sup>	20,855	21,220	-1.7%	-1.4%
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

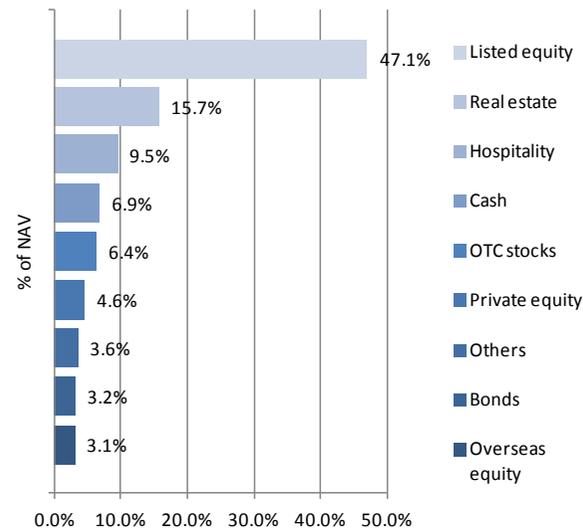
## Government bond yields (%)

	1yr	2yr	3yr	5yr
June-13	5.97	6.80	7.09	7.91
May-13	5.86	6.46	6.67	7.70

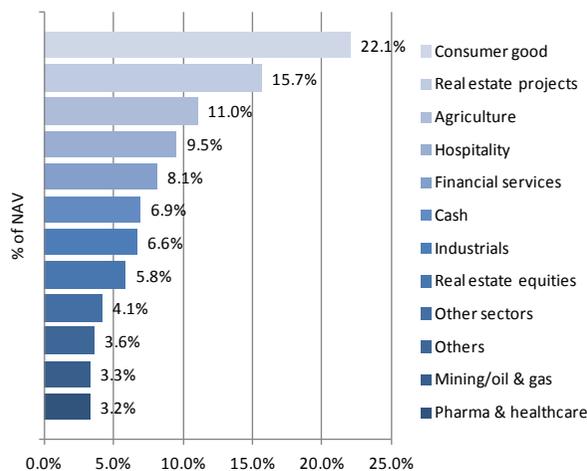
## Quarterly GDP growth (%)



## Portfolio by asset class



## Portfolio by sector



## Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	15.3	Consumer goods	Leading dairy company with dominant market share
Eximbank (EIB)	5.9	Financial services	One of the top ten commercial banks
Kinh Do Corp (KDC)	4.5	Consumer goods	Top confectionery manufacturer in Vietnam
Hoa Phat Group (HPG)	3.6	Industrials	The largest steel manufacturer by market share
Hau Giang Pharmaceuticals (DHG)	2.6	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	0.1	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 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
SSG- Saigon Pearl	0.6	Real estate	One of the biggest property developers in Vietnam
Yen Viet	0.5	Consumer goods	Produces birds nest nutritional products

## 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	Managing Director, VOF
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

**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 2 percent of NAV. Incentive fee of 20 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.