

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 March 2014, VOF's net asset value was USD808.9 million or USD3.30 per share, representing a 1.9 percent increase from a net asset value per share of USD3.24 as at 28 February 2014. During the month, the capital markets component of VOF's portfolio increased 3.9 percent while the VN Index increased 0.9 percent in USD terms, as major listed investee companies such as Kinh Do Group (KDC), Hoa Phat Group (HPG), Quoc Cuong Group (QCG), Hau Giang Pharmaceuticals (DHG) and Eximbank (EIB) increased 14.3, 9.2, 61.6, 7.8 and 4.3 percent, respectively.

VOF's share price increased 1.9 percent to USD2.51 at the end of March from USD2.47 at the end of February. The Company's share price to NAV discount remained unchanged at 23.9 percent in February.

On 7 March 2014, VOF appointed to the Board, Ms. Thuy Bich Dam as a new Independent Non-executive Director. Ms. Dam is currently the Head of Group Development Southeast Asia for the National Australia Bank. Her appointment was the result of the Board and Investment Manager's desire to add an independent senior commercial banking figure in Vietnam who brings a local perspective to the Company.

Capital markets

The VN Index increased by 0.9 percent in USD terms, closing the month of March at 591.6, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices increased by 0.9 and 2.9 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD3.8 billion on 5.6 billion shares, an increase of 52.0 percent in terms of value while volume increased by 42.2 percent compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD56.1 billion compared to USD55.3 billion a month ago. The VN Index traded on a trailing P/E of 14.2x and P/B of 2.0x according to Bloomberg.

Foreign investors were net sellers of Vietnamese equities, accounting for net sales of USD79.2 million in March. The top acquired companies were Masan Group (MSN), PetroVietnam Transportation (PVT), Kinh Do Corporation (KDC), VinaSun Corp (VNS) and Cotec Construction JSC (CTD) while Hoa Phat Group (HPG), Dong Phu Rubber (DPR), PetroVietnam Drilling (PVD), Phu My Fertiliser (DPM) and Kinh Bac Corporation (KBC) were most actively divested.

Performance summary

31 March 2014

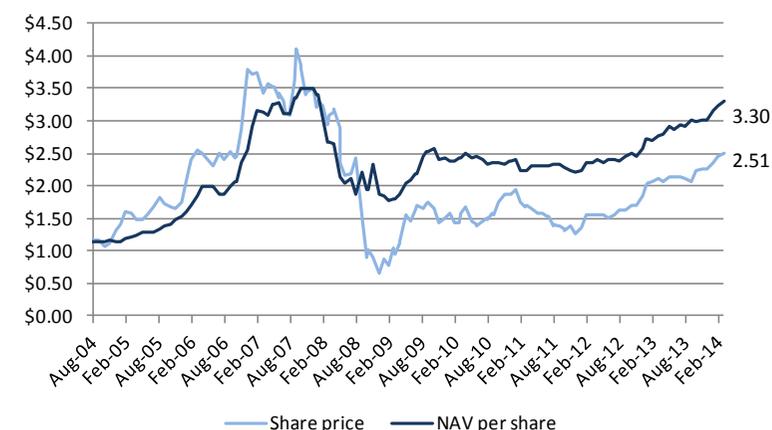
NAV per share (USD):	3.30
Change (Month-on-month)	1.9%
Total NAV (USD 'm):	808.9
Share price (USD):	2.51
Market cap (USD 'm):	615.5
Premium/(discount)	-23.9%

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	9.8	19.7	48.0	83.5
Share price (USD)	11.2	19.3	47.8	167.3

Annual performance history (% change)

	2014	2013	2012	2011	2010
NAV per share (USD)	9.8	15.0	17.4	-7.6	-1.6
VN Index (USD terms)	17.3	20.4	18.9	-25.6	-7.2



Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's gross domestic product (GDP) growth reached 4.9 percent in the first quarter of 2014, the highest level of growth for the same period since 2011. The improved growth picture was supported mainly as the services, industry and construction, and agriculture sectors increased 6.0, 4.7 and 2.4 percent, respectively during the quarter.

Vietnam's month-on-month consumer price index (CPI) fell 0.4 percent in March, bringing the year-on-year inflation rate to 4.4 percent, according to the GSO. In March, food and foodstuff prices (40 percent of the CPI basket) fell by nearly 1.0 percent, while prices related to the housing and construction materials sector declined by 0.7 percent. As a result of the lower than expected rate of inflation to start the year, the government has revised its full year target from 7.0 to 6.0 percent.

During the month, the government applied a reduction to the VND deposit rate cap, moving it from 7.0 to 6.0 percent. However, given the current level of inflation, depositors are earning a real return at the bank. Additionally, the rate caps for the discount and refinancing rates were reduced by 50 basis points and lending rates on the country's priority sectors were lowered to 8.0 from 9.0 percent. These changes should help to improve domestic consumer demand and stimulate the banking industry to loan excess liquidity to businesses in need of working capital.

The exchange rate has continued to remain stable, finishing the month at VND21,125 per USD, nearly unchanged as compared to December 2013. Year-to-date, Vietnam's trade surplus has widened to USD1.0 billion, the highest in several years. Combined with the State Bank of Vietnam's (SBV) estimated USD40.0 billion in foreign reserves, there is a case to be made for continued currency stability against the USD.

Fixed income

The primary bond market strengthened further following interest rate cuts in March with a total of USD1.7 billion worth of government and government-backed bonds issued, an increase of 41.1 percent compared to February. Short-term bond yields naturally fell in March by an average of 50 basis points compared to February. In the secondary market, the total trading volume for government and government-backed bonds increased 32.3 percent to USD2.2 billion for the month of March. Bond yields in the secondary market also fell by 70 to 80 basis points over the short end of the yield curve.

Media links

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

[VinaCapital Economic Report: Potential impact of the Ukraine situation on Vietnam markets](#)

[VinaCapital Economic Report: A second opportunity to get SOE equitisation right](#)

[Wall Street Journal: Vietnam shines as neighbors await export bounce](#)

Macroeconomic indicators

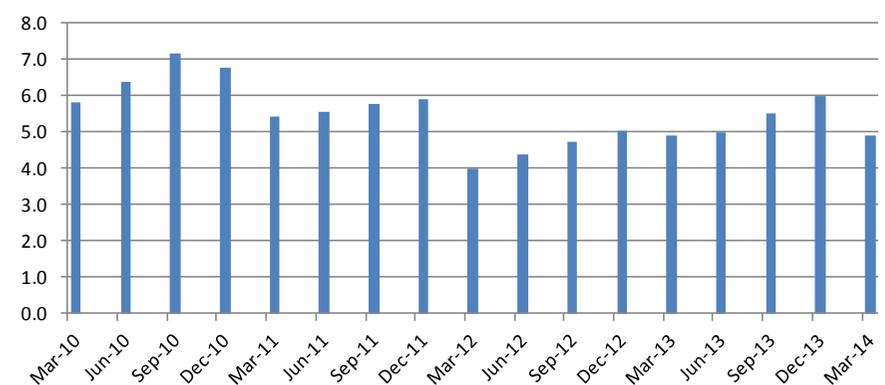
	2013	Mar-14	2014 YTD	Year-on-year
GDP growth ¹	5.4%	4.9%	4.9%	
Inflation	6.0%	-0.4%	0.8%	4.4%
FDI (USDbn)	21.6	1.2	2.0	-38.6%
Imports (USDbn)	131.3	12.3	32.3	12.2%
Exports (USDbn) ²	132.2	12.0	33.3	14.6%
Trade surplus/(deficit)	0.9	-0.3	1.0	
Exchange rate (USD/VND) ³	21,115	21,125	-0.05%	-0.02%
Bank deposit rate (VND)	7.5%	6.5%	-100 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 (%)

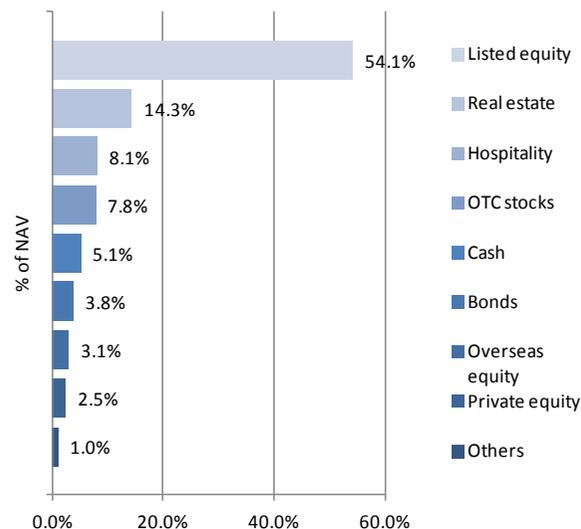
	1yr	2yr	3yr	5yr
February-14	5.88	6.50	7.00	7.96
March-14	4.90	5.75	6.33	7.19

Quarterly GDP growth (%)

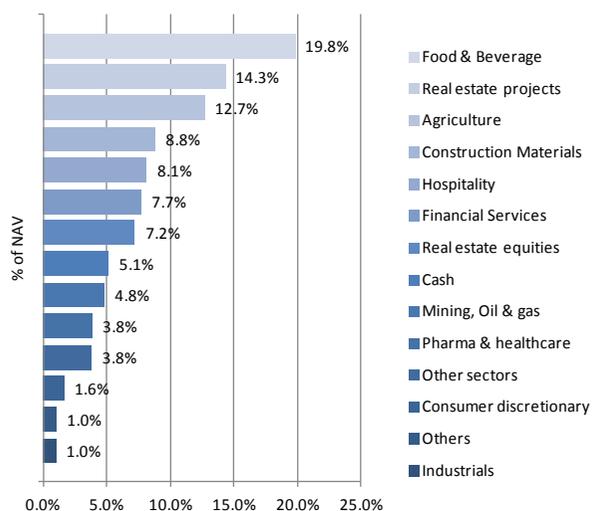


■ Quarterly GDP growth (%)

Portfolio by asset class



Portfolio by sector



Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	13.7	Food & Beverage	Leading regional dairy company with dominant domestic market share.
Hoa Phat Group (HPG)	6.5	Construction Materials	Vietnam's second largest steel manufacturer.
Kinh Do Corp (KDC)	5.4	Food & Beverage	Top confectionery manufacturer in Vietnam.
Eximbank (EIB)	5.3	Financial services	One of the top ten commercial banks.
Hau Giang Pharmaceuticals	3.8	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

Over the counter (OTC)

An Giang Plant Protection	6.3	Agriculture	Leading plant protection chemical firm.
South Basic Chemical company	0.5	Industrials	The largest basic chemical producer in Vietnam.
Cienco 4	0.4	Real estate & Construction	One of leading contractors in transportation infrastructure construction.
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.

Real estate & hospitality

Sofitel Legend Metropole Hotel Hanoi	8.0	Hospitality	Vietnam's top city-centre hotel.
Century 21	2.8	Real estate & Construction	HCM City residential development.
Danang Beach Resort	2.2	Real estate & Construction	VinaCapital Danang Resort
Dai Phuoc Lotus	1.7	Real estate & Construction	Residential developer with townhouse sales underway.
Hung Vuong Plaza	1.4	Real estate & Construction	The best shopping mall in Chinatown district of HCM City.

Private equity

American Home Vietnam (IBS)	1.0	Construction Materials	Construction materials firm.
SSG- Saigon Pearl	0.6	Real estate & Construction	One of the largest property developers in Vietnam.
Cau Tre Enterprise	0.6	Food & Beverage	Vietnam's leading frozen food producer and exporter.
Yen Viet	0.2	Food & Beverage	Leading producer of birds nest nutritional products.
Petroland	0.1	Real estate & Construction	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.