

## 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 May 2013, VOF's net asset value was USD793.3 million or USD2.91 per share, representing a 4.3 percent increase from a net asset value per share of USD2.79 as at 30 April 2013. During the month, the capital markets component within VOF increased by 7.7 percent, mainly as a result of listed investee companies; Vinamilk (VNM) and Hoa Phat Group (HPG), which were up 8.1 and 19.3 percent, respectively.

VOF's share price closed at USD2.13 at the end of May, an increase of 2.9 percent compared to the closing price of USD2.07 at the end of April. As a result of the Company's NAV per share increasing more rapidly than its share price, VOF's discount actually widened in May to 26.8 percent from 25.8 percent in April.

During the month of May, VOF bought back nearly 4.5 million shares which are held in Treasury. As at 31 May 2013, the Company has spent USD93.4 million repurchasing 53.6 million shares, representing 16.5 percent of total shares in issue.

## Capital markets

The VN Index increased by 8.9 percent in USD terms, closing the month of May at 518.4, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices decreased by 1.6 and 2.9 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD1.3 billion on 2.2 billion shares, an increase of 36.9 and 46.3 percent, respectively, compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD45.0 billion compared to USD41.2 a month ago. According to Bloomberg the VN Index traded on a trailing twelve month P/E of 14.6x and P/B of 1.9x.

Foreign investors were net buyers of Vietnamese equities, accounting for a net purchase of USD62.0 million throughout May. The top acquired companies were Masan Group (MSN), Vincom Group (VIC), Hoa Phat Group (HPG), PetroVietnam Gas (GAS) and Kinh Do Corporation (KDC) while Hoang Anh Gia Lai Group (HAG), Vinh Son Song Chinh Hydropower Jsc (VSH), Eximbank (EIB), Vietinbank (CTG) and Sacombank (STB) were most actively divested.

## Performance summary

31 May 2013

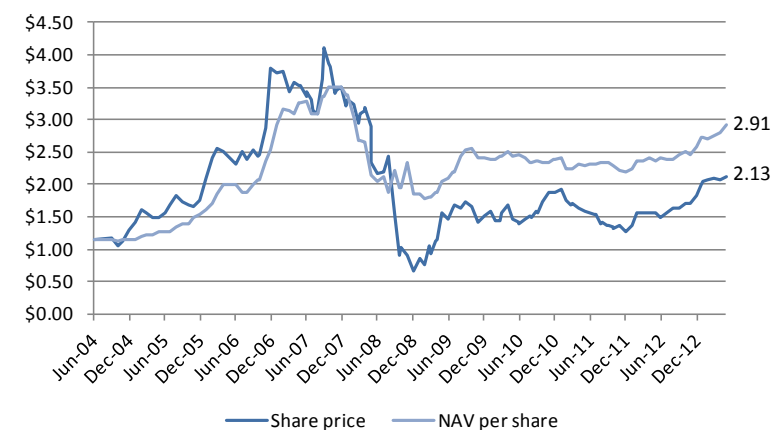
NAV per share (USD):	2.91
Change (Month-on-month)	4.3%
Total NAV (USD 'm):	793.3
Share price (USD):	2.13
Market cap (USD 'm):	580.6
Premium/(discount)	-26.8%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	7.6	23.6	19.3	36.0
Share price	2.8	37.4	45.4	-9.2

## Annual performance history (% change)

	2013	2012	2011	2010	2009
NAV per share	11.1	17.4	-7.6	-1.6	29.7
VN Index	24.3	18.9	-25.6	-7.2	47.7



## Macroeconomic update

According to the General Statistics Office, Vietnam's May consumer price index remained fundamentally unchanged for the second consecutive month, representing a 6.4 percent increase on a year-on-year basis. Prices for food and foodstuffs, housing and construction materials, transportation, and telecommunication all fell slightly during the month, while prices for medical services rose by 1.9 percent reflecting recent increases in hospital fees and medication in several provinces. Inflation has remained low given a lack of demand-pull pressure forcing prices upward as consumer spending has weakened.

During May, the government established the Vietnam Asset Management Company (VAMC), a limited liability company operating under the direct supervision of the State Bank of Vietnam (SBV) with a charter capital of USD25 million. With a commencement date of 9 July 2013, this company will be charged with the responsibility of purchasing or restructuring non-performing loans (NPLs) from financial organisations and organising auctions for collateralised assets. VAMC will issue bonds and utilise other non-bond resources in order to purchase these bad loans.

Additionally, the government has implemented a USD1.4 billion credit package, commencing 1 June 2013, SBV to provide support to low-income home buyers and developers. Eligible low income borrowers can purchase an apartment no greater than 70 square metres and priced below USD710 per sqm. Developers of low income housing must obtain approval from authorities to receive an annual interest rate of 6.0 percent adjusted only once per year by the SBV.

In May, the official exchange rate rose slightly to VND21,030 per USD as a result of increasing speculation that the State Bank of Vietnam (SBV) will effect a small devaluation of the currency in order to support export industries. However, SBV officials have denied that a devaluation is imminent, stating that this practice would not provide any long-term improvement towards Vietnam's export competitiveness. However, the trade balance has continued to falter as imports outpaced exports, resulting in a year-to-date deficit of USD2.0 billion and likely heading higher over the next few months.

According to HSBC, the bank's proprietary Purchase Manager's Index (PMI) fell below 50.0 midpoint level to 48.8 in May, indicating a clear weakness in manufacturing production. Additionally, the GSO's Index of Industrial Production (IIP) increased just 5.2 percent, year-on-year in May, a slowdown as compared to 6.2 percent in May 2012. These index movements provide further evidence on the lack of effective demand throughout the economic landscape of Vietnam which could mitigate GDP growth figures in the second half of the year.

## Fixed income

The primary bond market in May continued on this trend, with a total of USD1.4 billion worth of State Treasury and government-backed bonds issued. As a result, bond yields fell by 82, 93, and 67 basis points from the previous month on 2-,3-, and 5-year government bonds, respectively.

In the secondary market, nearly USD2.0 billion worth of government and government-backed bonds exchanged hands, an increase of 17.6 percent, month-on-month. As a result, bond yields in the secondary market fell accordingly by 70 to 90 basis points across 1-,2-, and 3-year government bonds.

## Macroeconomic indicators and forecast

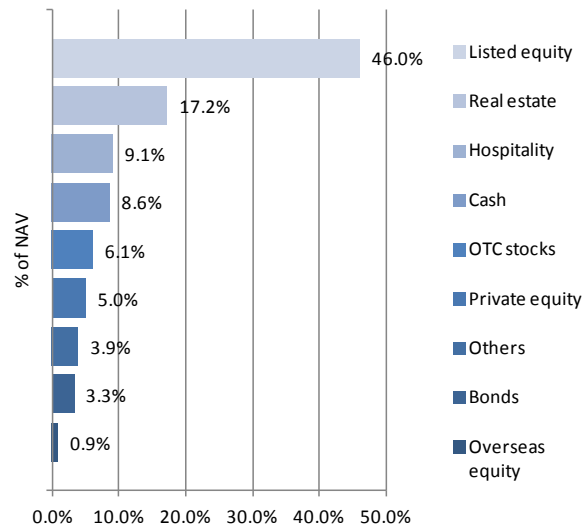
	2012	May-13	YTD	Y-o-Y change
GDP growth <sup>1</sup>	5.0%	-	4.9%	-
Inflation	6.8%	-0.1%	2.4%	6.4%
FDI (USDbn)	13.0	0.3	8.5	8.9%
Imports (USDbn)	114.3	12.0	51.9	16.8%
Exports (USDbn) <sup>2</sup>	114.6	10.8	49.9	15.1%
Trade surplus/(deficit)	0.8	-1.2	-2.0	-
Exchange rate (USD/VND) <sup>3</sup>	20,855	21,030	-0.8%	-0.7%
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

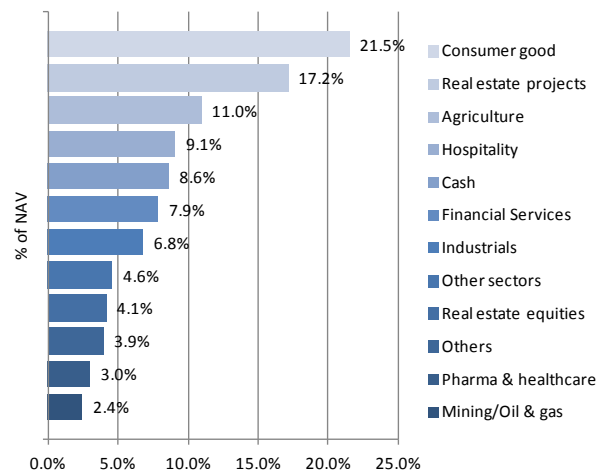
## Government bond yields (%)

	1yr	2yr	3yr	5yr
April-13	6.85	7.35	7.68	8.43
May-13	5.93	6.57	6.87	7.87

## Portfolio by asset class



## Portfolio by sector



## Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	14.9	Consumer goods	Leading dairy company with dominant market share
Eximbank (EIB)	5.6	Financial services	One of the top ten commercial banks
Kinh Do Corp (KDC)	4.4	Consumer goods	Top confectionery manufacturer in Vietnam
Hoa Phat Group (HPG)	4.0	Industrials	The largest steel manufacturer by market share
Hau Giang Pharmaceuticals (DHG)	2.3	Pharmaceuticals & health care	The largest domestic pharmaceutical producer
<b>Over the counter (OTC)</b>			
An Giang Plant Protection	5.1	Agriculture	The largest plant protection chemicals producer
Nam Viet Oil	0.4	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.
<b>Real estate &amp; hospitality</b>			
Sofitel Metropole	8.0	Hospitality	Vietnam's top city-centre hotel.
Century 21	2.9	Real estate	HCM City residential development
VinaLand Ltd (AIM: VNL)	2.1	Real estate	VinaCapital managed Vietnam real estate fund
Dai Phuoc Lotus	1.8	Real estate	Residential developer with townhouse sales underway
Danang Beach Resort / Golf course	1.7	Real estate	Resort villas with sales underway.
<b>Private equity</b>			
IBS	1.2	Industrials	Construction materials firm
Hoan My Hospital	0.7	Pharmaceuticals & health care	Private hospital group
International School, HCMC	0.6	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	Chairman (Independent)
Martin Adams	Director (Independent)
Martin Glynn	Director (Independent)
Michael G. Gray	Director (Independent)
Don Lam	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.