

## 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 November 2013, VOF's net asset value was USD748.7 million or USD3.00 per share, representing a 0.7 percent increase from a net asset value per share of USD2.98 as at 31 October 2013. During the month, the capital markets component of VOF's portfolio increased by 1.8 percent, mainly attributable to listed investee companies; Vinamilk (VNM), Hoa Phat Group (HPG) and PetroVietnam Drilling (PVD) which increased by 2.3, 8.3 and 9.4 percent, respectively.

VOF's share price increased 1.3 percent to USD2.26 at the end of November, compared to the closing price of USD2.23 at the end of October. The Company's share price to NAV discount narrowed to 24.7 percent from 25.3 percent in October.

During the Company's Annual General Meeting (AGM) held on Thursday 28 November 2013 in Zurich, Switzerland, shareholders supported the unanimous recommendations by members of the Board regarding all ten resolutions which were put to a vote, including the re-election of all five members of the Board.

## Capital markets

The VN Index increased by 2.1 percent in USD terms, closing the month of November at 507.8, while the MSCI Asia ex-Japan slightly increased by 0.1 and MSCI Emerging Markets indices declined by 1.6 percent. Trading value and volume on Vietnam's stock exchanges was USD1.4 billion on 2.8 billion shares, an increase of 14.6 percent in terms of value while volume increased by 30.4 percent compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD44.9 billion compared to USD43.8 billion a month ago. As a result, the VN Index traded on a trailing P/E of 12.6x and P/B of 1.8x according to Bloomberg.

Foreign investors were net buyers of Vietnamese equities, accounting for a net purchase of USD16.1 million in November. The top acquired companies were Saigon Water Infrastructure Corporation (SII), Hoa Phat Group (HPG), Pha Lai Thermal Power (PPC), Gemadep Corporation (GMD) and Vietcombank (VCB) while Vincom Group (VIC), Hoang Anh Gia Lai Group (HAG), Petrovietnam General Services Corp (PET), HCM City Infrastructure Investment JSC (CII) and Hoa Binh Construction & Real Estate Corporation (HBC) were most actively divested.

Additionally, there remains widespread speculation that the government will move to increase the foreign ownership limits by the end of 2013. Many local investors have become disappointed since the official announcement has yet to be formally announced. This is seen as a positive for Vietnam's capital markets, regardless of the timing; however, the market has seemingly already priced-in this event given the increases in the VN Index over the past several weeks.

## Performance summary

30 November 2013

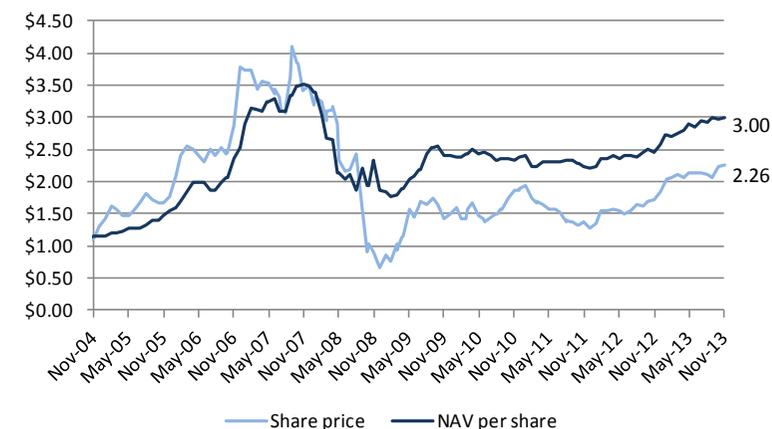
NAV per share (USD):	3.00
Change (Month-on-month)	0.7%
Total NAV (USD 'm):	748.7
Share price (USD):	2.26
Market cap (USD 'm):	563.5
Premium/(discount)	-24.7%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	2.8	21.9	28.8	28.0
Share price	6.5	32.2	21.2	148.4

## Annual performance history (% change)

	2013	2012	2011	2010	2009
NAV per share	14.5	17.4	-7.6	-1.6	29.7
VN Index	21.2	18.9	-25.6	-7.2	47.7



## Macroeconomic update

In November, month-on-month the consumer price index (CPI) grew by 0.3 percent, continuing the trend of lower inflation from September. Contributing factors to this month's CPI were downward adjustments in fuel price and lacklustre consumer demand. The government reduced the retail price of fuel twice recently, once in October and again in mid-November. Both reductions contributed to the stabilization of transport costs. However, food and foodstuff prices increased 0.62 percent, mostly due to the reduction in crop supply during the current rainy season, somewhat aggravated by typhoon Haiyan. Consumers continued to constrain their expenditure due to a noticeable slowdown in personal income growth.

In November a spike in the unofficial foreign exchange rate was caused by some concern about the higher demand for USD towards year end. Unofficial exchange rates rose to VND21,240 per USD, very close to the upper-band ceiling of 21,246. Much of the increase in demand for USD is the seasonality effect of an increase in imports of consumers goods, which tend to rise in Q4 ahead of the holiday season. However, as the market showed, current USD supply proved to be quite adequate and the market rate soon subsided to around VND21,125.

HSBC's November Purchasing Managers Index (PMI) declined from 51.5 in October to 50.3, reflecting a continued weakness in manufacturing. However, the index has remained above the 50.0 threshold, indicating a net expansion in this sector. Both input and output prices continued to rise in November. Manufacturers input costs increased as a result of a scarcity of raw materials, however, output prices also rose (though not as much) to maintain profit margins.

## Fixed income

Risk appetite for the primary bond market declined slightly in November driven by improved credit growth (7.21 percent as at 30 November 2013) and concern over a larger budget deficit, which was adjusted from 4.8 to 5.3 percent of GDP. In November, a total of USD735.2 million worth of government and government-backed bonds were issued, a decline of 16.0 percent compared to USD875.9 million (revised from USD660.0 million) in the previous month. Short-term bond yields increased slightly by 10 basis points compared to October. Five- and ten-year bond yields remained flat at 8.50 and 8.89 percent, respectively drawing less interest from bond investors. Additionally, the government successfully issued USD57.4 million worth of fifteen-year government bonds at a 9.00 percent yield. The Vietnam Development Bank (VDB) also issued USD160.7 million worth of two- to five-year bonds, with five-year VDB bond yield increasing 35 basis points to reach 9.45 percent.

In the secondary market, activity was more robust in November, bolstered by a moderate increase in bond yields. Approximately USD909.4 million worth government and government-backed bonds exchanged hands in November, an increase of 12.0 percent compared to total trading volume in October. Short-term bond yields stayed relatively flat over the month while long-term bond yields increased slightly by 5 to 10 basis points compared to previous month.

## Macroeconomic indicators

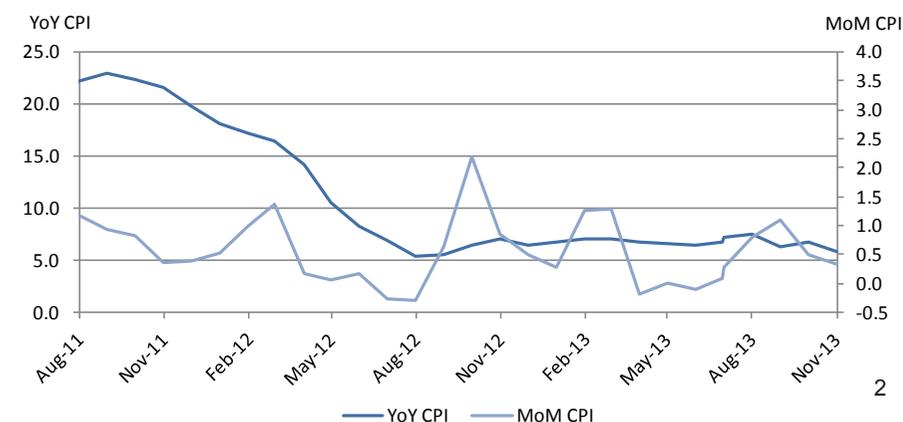
	2012	Nov-13	YTD	Y-o-Y change
GDP growth <sup>1</sup>	5.0%		5.1%	
Inflation	6.8%	0.3%	5.5%	5.8%
FDI (USDbn)	13.0	1.6	20.8	54.2%
Imports (USDbn)	114.3	12.2	121.1	18.9%
Exports (USDbn) <sup>2</sup>	114.6	12.3	121.0	16.5%
Trade surplus/(deficit)	0.8	0.1	-0.1	
Exchange rate (USD/VND) <sup>3</sup>	20,855	21,120	1.3%	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

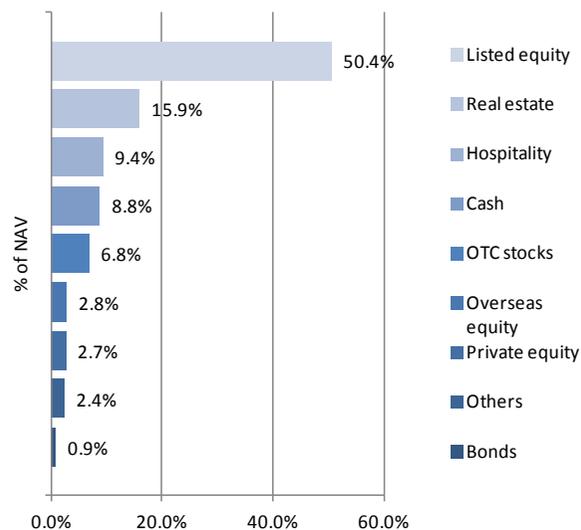
## Government bond yields (%)

	1yr	2yr	3yr	5yr
October-13	6.63	7.41	7.77	8.60
November-13	6.70	7.50	7.90	8.65

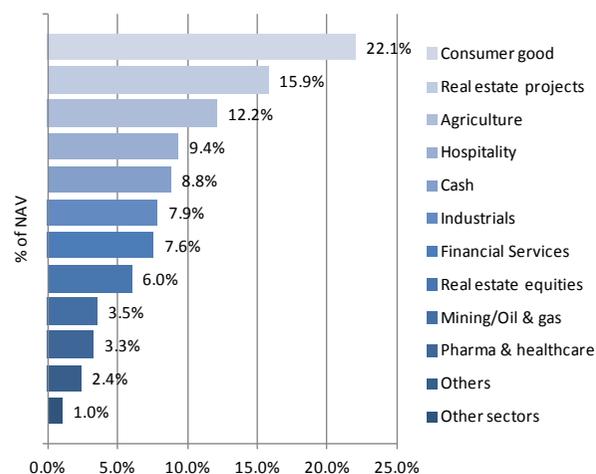
## Year-on-year and month-on-month inflation (%)



## Portfolio by asset class



## Portfolio by sector



## Top five holdings by asset class

Listed equity	% of NAV	Sector	Description
Vinamilk (VNM)	14.9	Consumer goods	Leading dairy company with dominant market share.
Eximbank (EIB)	5.2	Financial services	One of the top ten commercial banks.
Hoa Phat Group (HPG)	5.0	Industrials	Major steel manufacturer.
Kinh Do Corp (KDC)	4.9	Consumer goods	Top confectionery manufacturer in Vietnam.
Hau Giang Pharmaceuticals	3.3	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.

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Over the counter (OTC)	% of NAV	Sector	Description
An Giang Plant Protection	5.4	Agriculture	Leading plant protection chemicals firm.
South Basic Chemical company	0.6	Agriculture	The largest basic chemical producer in Vietnam
Binh Dien Fertiliser	0.4	Agriculture	The largest NPK fertiliser producer.
Nam Viet Oil	0.2	Mining/Oil & Gas	Major gasoline producer.
Tam Phuoc Industrial	0.2	Infrastructure	An industrial park, a subsidiary of Tin Nghia, Dong Nai's biggest state corporation.

## Real estate & hospitality

Sofitel Metropole	8.6	Hospitality	Vietnam's top city-centre hotel.
Century 21	3.1	Real estate	HCM City residential development.
Danang Golf Course and Residence	2.4	Real estate	Resort villa sales underway.
Dai Phuoc Lotus	1.8	Real estate	Residential developer with townhouse sales underway.
Hung Vuong Plaza	1.5	Real estate	The best shopping mall in China town of HCM City.

## Private equity

IBS	1.0	Industrials	Construction materials firm.
SSG- Saigon Pearl	0.6	Real estate	One of the biggest property developers in Vietnam.
Cau Tre Enterprise	0.6	Consumer goods	The leading frozen food producer in Vietnam
Yen Viet	0.3	Consumer goods	Produces birds nest nutritional products.
Petroland	0.1	Real estate	Small RE 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)
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.