

## 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 six member internal Investment Committee.

[More information about VCIM is available here.](#)

## Manager's comment

As at 30 November 2014, VOF's net asset value was USD754.2 million, or USD3.29 per share, representing a 4.1% decrease from a net asset value per share of USD3.44 as at 30 October 2014. During the month, the capital markets component of VOF's portfolio lost 5.8% primarily due to a decline in our holdings in the Oil & Gas sector. VOF investee companies PetroVietnam Drilling (PVD), PetroVietnam Gas (GAS) and PetroVietnam Services (PVS) underperformed the market having decreased 19.7%, 18.9%, and 18.8%, respectively.

On 18 December 2014, VOF and Daiwa PI Partners (DPIP), a Tokyo-based leading financial investor, announced that it has acquired a majority stake in International Dairy Products JSC (IDP), one of Vietnam's leading dairy producers. VOF and DPIP have co-invested USD45.0 million (80.0% from VOF) making them the largest shareholders, with a combined 70.0 percent ownership stake in IDP. International Dairy Products JSC was established in 2004 with its first factory in Chuong My – Ha Noi. It later launched the second and third factory in Ba Vi and Cu Chi, two of the largest fresh milk production hubs of Vietnam, in 2010 and 2013. IDP specializes in producing and selling UHT milk, pasteurized fresh milk, spoon and drinking yogurt, using the latest technology from Europe to offer the best-quality dairy products to Vietnamese consumers. Currently, IDP is cooperating with over 2,000 farmers, collecting more than 75 tonnes of fresh milk per day for dairy production under such brands as Love'in Farm, Ba Vi, and Love'in Farm KUN. Management expects total revenue to exceed USD80.0 million for 2014.

## Capital markets

For the month of November, the VN Index dropped 5.7% from 601 to 567, with the Oil & Gas sector contributing substantially to the decline, underpinned by a major correction in global crude oil prices. The MSCI Asia ex-Japan index increased by 0.3 percent while MSCI Emerging Markets index dropped 1.1 percent. Trading value and volume on Vietnam's stock exchanges was USD2.7 billion on 3.6 billion shares, a decrease of 20.1% in terms of value while volume decreased by 19.3% compared to the previous month. The combined market capitalization for both of Vietnam's bourses was USD54.4 billion compared to USD57.2 billion a month ago. The VN Index traded on a trailing P/E of 13.8x and P/B of 1.9x according to Bloomberg.

Foreign investors were net sellers of Vietnamese equities in November, accounting for a net selling of USD44.0 million. Some of the most acquired companies in November were Vietcombank (VCB), Mobile World Group (MWG), Sacombank (STB), Hung Vuong Corporation (HVG) and Japan Vietnam Medical Instrument JSC (JVC) while companies such as Kinh Do Corporation (KDC), PetroVietnam Gas (GAS), PetroVietnam Drilling (PVD), Eximbank (EIB) and Hoang Anh Gia Lai Group (HAG) were among the most divested.

## Performance summary

30 November 2014

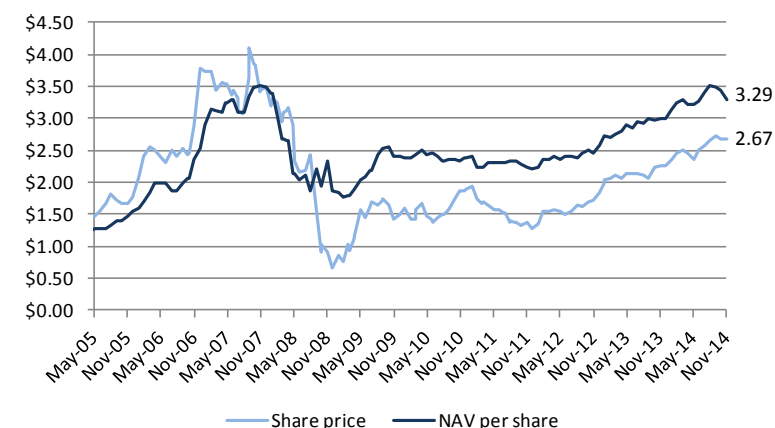
NAV per share (USD):	3.29
Change (Month-on-month)	-4.3%
Total NAV (USD 'm):	754.2
Share price (USD):	2.67
Market cap (USD 'm):	612.0
Premium/(discount)	-18.9%

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-6.4	9.6	47.9	37.2
Share price (USD)	0.9	18.1	93.7	87.4

## Annual performance history (% change)

	CY	2014	2013	2012	2011	2010
NAV per share (USD)		9.4	15.0	17.4	-7.6	-1.6
VN Index (USD terms)		10.7	20.4	18.9	-25.6	-7.2



## Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's month-on-month consumer price index (CPI) declined 0.2% in November, the second month of deflation over the past twelve months. Notably, deflationary trends are rarely recorded at the end of the year, a result of the holiday rush which typically stimulates increased consumption. As a result, the year-on-year inflation rate declined to 2.6%. The effect of lower global crude oil prices, which fell significantly during the month, put pressure on the transportation sector, which saw a decline in overall prices of 2.8%. The impact on retail sales is favourable as consumers feel an increase in disposable income and can raise their consumption expenditures.

The manufacturing sector improved further in November with HSBC's Purchasing Managers Index (PMI) reaching a level of 52.1, the highest level in five months. For the year, the manufacturing sector, which accounts for 70% of total industrial output, has grown 8.6% over the same period a year ago. We expect manufacturing to improve further in December and January because of an anticipated rise in holiday-related consumption. Going forward the manufacturing sector continues to grow on higher export orders, as evidenced by the country's competitiveness in labor-intensive manufacturing.

Vietnam's currency (VND) came under pressure in November with the official market exchange rate increasing to 21,400 per US Dollar. However, the State Bank of Vietnam (SBV) issued several statements in support of the VND and began selling some of its US Dollar reserves. The SBV's policy is to remain proactive in adjusting exchange rates and is expected to continue its support of the export industries. Strong export demand, which has helped Vietnam record a trade surplus of approximately USD2.0 billion year-to-date, has provided considerable stability of the currency. The SBV anticipates some pressure on the VND in 2015 due to a rising US Dollar, but will maintain its longstanding 2.0% depreciation cap, underpinned by a strong balance of payments position and record high foreign exchange reserves.

## Fixed income

On the primary bond market, a total of USD302 million worth of government and government-backed bonds were issued in November, representing a decline of 53.0% from October (USD650 million). On the secondary bond market, trading volume increased 18.9%, with USD3.42 billion worth of bonds transacted for the month. Secondary government bond yields reversed their downtrend, increasing between 45 and 61 basis points across the yield curve.

## Media links

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

[Bloomberg - Need patience investing in Vietnam](#)

[VinaCapital Economic Report - Vietnam's growth prospects: Some analytical observations](#)

## Macroeconomic indicators

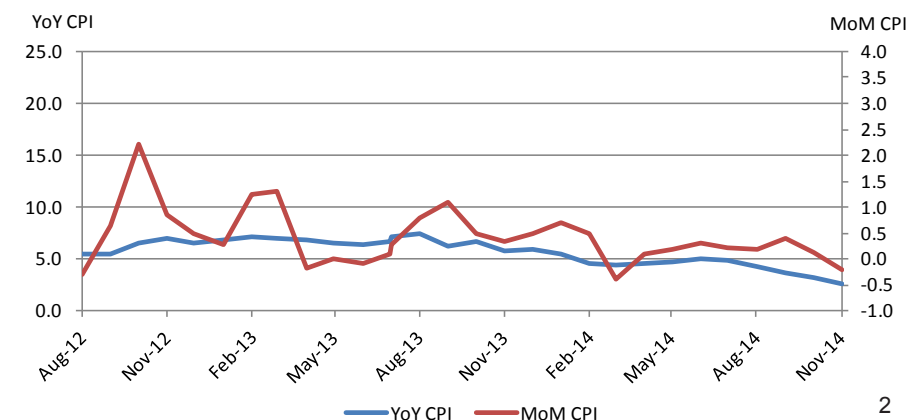
	2013	Nov-14	2014 YTD	Year-on-year
GDP growth <sup>1</sup>	5.4%			
Inflation	6.0%	-0.2%	2.0%	2.6%
FDI commitments (USDbn)	21.6	3.5	13.4	-2.7%
Imports (USDbn)	131.3	13.5	135.0	12.6%
Exports (USDbn) <sup>2</sup>	132.2	13.2	137.0	13.7%
Trade surplus/(deficit)	0.9	-0.3	2.0	
Exchange rate (USD/VND) <sup>3</sup>	21,115	21,400	-1.3%	
Bank deposit rate (VND)	7.5%	6.0%	-150 bps	

Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold 3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

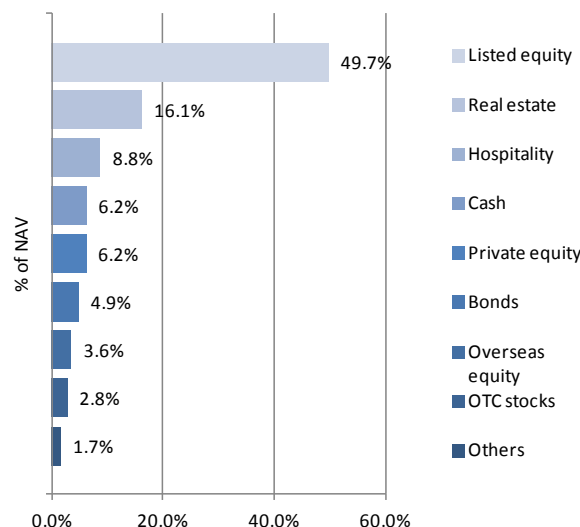
## Government bond yields (%)

	1yr	2yr	3yr	5yr
October-14	3.84	4.26	4.62	5.14
November-14	4.37	4.73	5.08	5.84

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



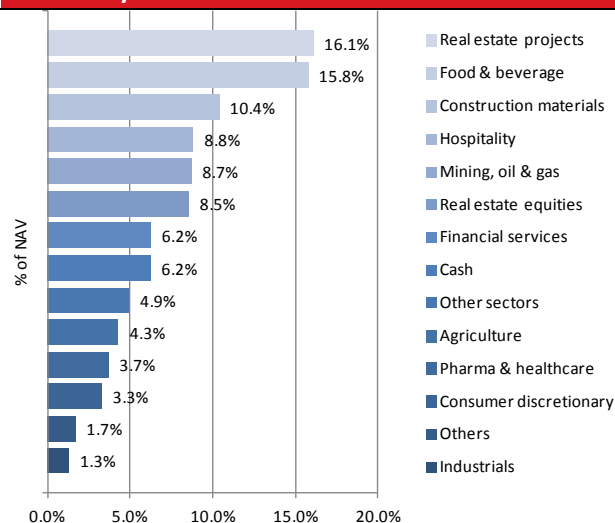
## Portfolio by sector



## Top ten holdings

Investee company	% of NAV	Sector	Description
Vinamilk (VNM)	9.9	Food & beverage	Leading dairy company with a dominant market share.
Sofitel Legend Metropole Hotel Hanoi	8.8	Hospitality projects	One of Vietnam premium hotels.
Hoa Phat Group (HPG)	8.5	Capital markets	Largest steel manufacturer.
Eximbank (EIB)	4.3	Financial services	One of the top ten commercial banks.
Petrovietnam Technical Services Corporation (PVS)	4.3	Mining, oil & gas	Leading oil and gas technical service provider in Vietnam.
International Dairy Product (IDP)	3.8	Food & beverage	One of the top five dairy company with a lot of potential growth.
Hau Giang Pharmaceuticals (DHG)	3.7	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.
PetroVietNam Drilling and Well Services JSC (PVD)	3.4	Mining, oil & gas	Leading drilling contractor in South East Asia.
Century 21	3.2	Real estate projects	HCM City residential development.
VinaLand Ltd (AIM: VNL)	2.8	Real estate projects	VCIM-managed Vietnam real estate fund.
<b>Total</b>	<b>52.7</b>		

## Portfolio by sector



## Share buyback commentary

The Board and Investment Manager remain fully committed to the ongoing share buyback programme.

During the month, VOF bought back 2.4 million shares as part of the share buyback authority granted to the Company's Board of Directors.

Since the commencement of the programme, VOF has spent USD190.5 million overall repurchasing 95.4 million shares, which are held as treasury shares and have reduced the total voting rights in the Company to 229,210,276. The total number of shares acquired since November 2011 represents 29.4% of the Company's 324,610,259 ordinary shares in issue. As a result of the Company's share buyback programme, VOF has recorded USD0.38 in cumulative accretion, equating to a 13.1% benefit to VOF's net asset value per share.

## Board of Directors

VOF's Board of Directors is composed entirely of independent non-executive directors.

Member	Role
Steven Bates	Non-executive Chairman (Independent)
Martin Adams	Non-executive Director (Independent)
Michael G. Gray	Non-executive Director (Independent)
Thuy Dam	Non-executive Director (Independent)

## VinaCapital Investment Management Ltd (VCIM)

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Andy Ho	Chief Investment Officer
Duong Vuong	Deputy Managing Director, Capital Markets
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:** Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)

**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 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%), Cambodia, Laos, and southern China.