

## Performance summary 30 September 2016

	USD	GBP
NAV per share:	4.08	3.14
Change (Month-on-month)	-0.1%	0.7%
Total NAV (million):	850.4	654.7
Share price:	3.12	2.40
Market cap (million):	650.5	500.8
Premium/(discount)	-23.5%	-23.5%

GBP/USD exchange rate as at 30 September 2016: GBP/USD: 1.30

GBP/USD exchange rate as at 31 August 2016: 1.31

Source: Reuters

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	6.7	30.4	35.7	75.1
Share price (USD)	10.6	32.1	51.3	126.7
VN Index (USD terms)	8.5	22.9	32.0	50.0
MSCI Emerging market	8.3	14.1	-8.5	2.6
MSCI Vietnam	0.3	3.7	6.4	-0.5

## Annual performance history (% change)

	CY 2016	2015	2014	2013	2012	2011
NAV per share (USD)	25.9	-1.2	9.0	15.0	17.4	-7.6
VN Index (USD terms)	19.2	1.1	6.6	20.4	18.9	-25.6

## Top ten holdings

Investee company	% of NAV	Sector
Vinamilk (VNM)	16.1	Food & beverage
Hoa Phat Group (HPG)	9.7	Construction materials
Sofitel Legend Metropole Hotel Hanoi	7.1	Operating assets
Eximbank (EIB)	4.8	Financial services
International Dairy Product (IDP)	4.4	Food & beverage
Phu Nhuan Jewelry (PNJ)	4.4	Consumer discretionary
Khang Dien House (KDH)	4.3	Real estate & construction
Quang Ngai Sugar JSC	3.6	Food & beverage
Petrovietnam Technical Services Corporation (PVS)	2.7	Mining, oil & gas
An Cuong Wood-Working	2.1	Construction materials
<b>Total</b>	<b>59.3</b>	

## Manager's comment

The VN Index took a breather in September, ending the month at 686, a gain of 1.7% from August. Considering that the Index had gained 17.1% from January to August, we believe that September's respite is healthy for the market as a whole. From a technical perspective, we think the market needs to consolidate around the 680 level before it can move up to 700 and beyond.

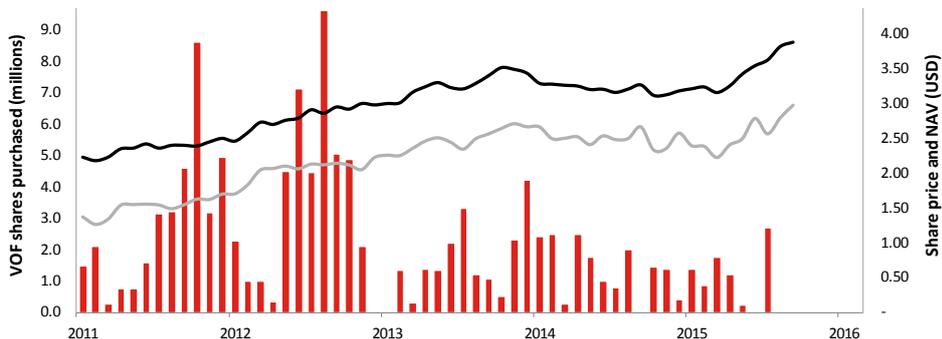
Over the past few months, much of the market growth came from a handful of large cap companies, led by Vinamilk, which has increased 70% year-to-date. It may be overly ambitious to think that these large caps will continue to rise as quick over the last quarter of 2016. So if the Index heavyweights are no longer leading the way, who will?

One possibility is that the lead could be taken over by oil and gas stocks, which account for 10.9% of the VN Index weighting. Some observers believe that OPEC's recent decision to cut production will put a floor on oil prices at the mid-USD40 per barrel level, which would undoubtedly help oil and gas stocks in Vietnam. Should prices remain at or rise above this level, these stocks would be poised for significant growth.

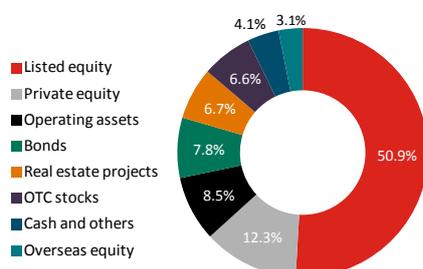
From a macro perspective, the recent deposit interest rate cuts of 20-30 bps by the banks, in addition to the stable exchange rate can be seen as supportive to price-to-earnings multiples that have increased from 14x to 16x this year. As such, we think both oil prices and macro factors in Vietnam will provide a positive backdrop for the market to at least hold on to the solid gains it has made thus far. Further advances will depend on upcoming third quarter earnings season announcements, as well as appetite for risk assets in terms of emerging and frontier market flows.

With respect to earnings season, one of our long-time holdings Dabaco (DBC) announced very positive results. The animal feed, breeding and food processing company said sales were USD154 million (+129% yoy) and net profit

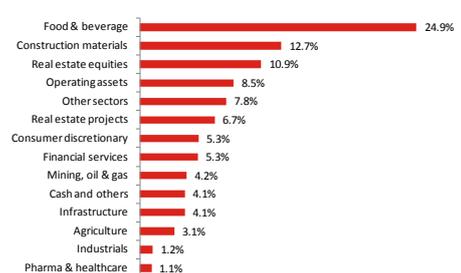
Historical share price, NAV and buyback activity



VOF portfolio by asset class (30 September 2016)



VOF portfolio allocation by sector (30 September 2016)



of USD5.8 million (+176% yoy), well above expectations and bringing its year-to-date results for the first nine months of the year to USD288 million (+50% yoy) and USD17.5 million (+214% yoy) in sales and net profit, respectively. The main drivers of the strong results were sales volume growth in the feed and husbandry segments, coupled with high pork prices and low feed input costs. Dabaco's stock is currently trading at TTM PE of 8.7x based on core earnings.

## Macroeconomic update

The Vietnamese economy continued to be an outperformer in the region by demonstrating significant growth during the third quarter. Vietnam's gross domestic product (GDP) grew 6.4% y-o-y during the third quarter, due in part to a slight recovery in agriculture following a crippling drought. The disbursement of foreign direct investment (FDI) accelerated in September, with a total of USD11b disbursed during the first nine months of the year, a 12% y-o-y increase. The manufacturing sector showed improved growth in September as the Nikkei Vietnam Manufacturing Purchasing Managers' Index rose from 52.2 in August to 52.9 in September, the highest point in 16 months. The Index of Industrial Production increased by 7.4% y-o-y during the first nine months of the year, with growth seen in processing and manufacturing, electricity production and distribution, and water supply and treatment. On the consumer side, retail sales rose by 9.5% YTD in nominal terms and 7.7% YTD in real terms.

On the trade front, Vietnam posted a surplus of USD2.9b during the first nine months of the year. In September, exports fell 6.8% m-o-m to USD15b due to turnover reduction in items such as telephones and components, footwear, and garments. Export growth, however, increased 6.7% YTD while import growth became positive for the first time this year in September. Inflation increased 0.5% m-o-m due to a hike in tuition and education costs. The Vietnam dong (VND) remained stable during the month, especially as Vietnam's foreign currency reserves are widely estimated to be at a record high of nearly USD40b, up from USD29b from last year.

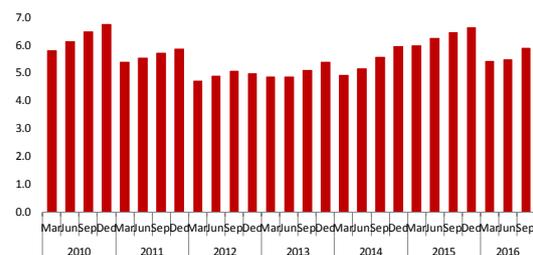
With the agricultural sector beginning to show signs of life, foreign direct investment disbursements accelerating and the manufacturing sector continuing to expand, the economy is well positioned to finish the year strongly at the end of the fourth quarter. We believe that GDP growth for the full year will be 6.0%.

## Macroeconomic indicators

	2015	Sep-16	2016 YTD	Year-on-year
GDP growth <sup>1</sup>	6.7%		5.93%	
Inflation (%)	0.50%	0.5%	3.1%	3.3%
FDI commitments (USDbn)	22.8	2.1	16.4	(4.2)%
FDI disbursements (USDbn)	14.5	1.2	11.0	12.4%
Imports (USDbn)	165.6	15.1	125.4	9.4%
Exports (USDbn)	162.4	15.0	128.2	8.6%
Trade surplus/(deficit) (USDbn)	(3.2)	(0.1)	2.8	
Exchange rate (USD/VND) <sup>2</sup>	22,450	22,265	0.8%	
Bank deposit rate (VND)	5%	6%	100bps	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualised rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

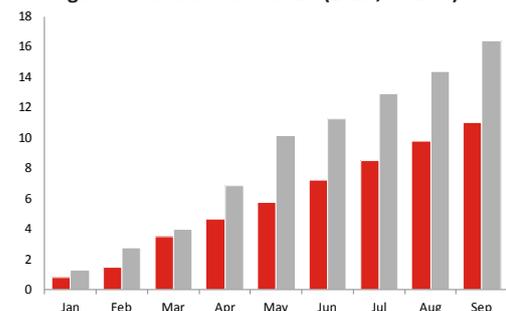
Quarterly GDP growth (%)



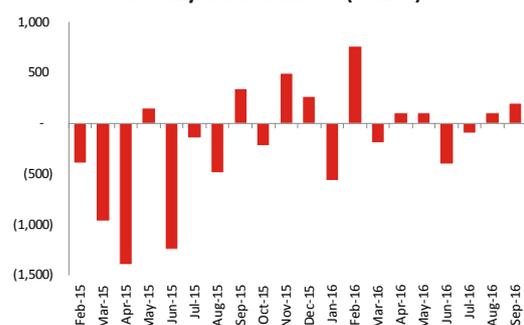
Purchasing Managers' Index



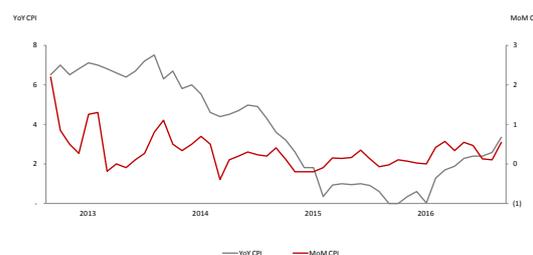
Registered and disbursed FDI (2016, USDbn)



Monthly trade balance (USDm)



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



Source: GSO, Bloomberg

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Michael G. Gray	Non-executive Director	Andy Ho	Chief Investment Officer
Thuy Dam	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
Huw Evans	Non-executive Director		
Fund background			
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOF.L		
Fund summary			
Fund launch	30-Sep-03		
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by 2018)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd		
Structure	Single class of ordinary shares trading on the Main Market of the London Stock Exchange plc		
Auditor	PricewaterhouseCoopers (Guernsey)		
Custodian	Standard Chartered Bank Vietnam		
Custodian and Administrator	Northern Trust International Fund Administration Services (Guernsey) Limited		
Registrar and Transfer Agency	Computershare Investor Services		
Brokers	Numis Securities (Bloomberg NUMIS)		
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 returns through investment either in Vietnam or in companies with a substantial majority of their assets, operations, revenues or income in, or derived from, Vietnam		
Investment objective by geography	Investments will be in Vietnam or in companies with at least 75 per cent of their assets, operations, revenues or income in, or derived from, Vietnam at the time of investment		

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