

Fund background

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; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

View [VOF details](#).

Download [VOF factsheet](#).

Fund managing director

Andy Ho

Manager

VOF is managed by VinaCapital Investment Management Ltd (VCIM) and requires investment approvals from a three member Investment Committee.

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

Manager comment

VOF's NAV fell 2.4 percent to USD2.23 at the end of November 2011, from USD2.28 per share at the end of October 2011. The decline was due mainly to declines of 4.9 and 2.1 percent in the capital market and private equity components, respectively. Listed equities such as Hoa Phat Group, Quoc Cuong Gia Lai, Khang Dien House, DIG and Cofico – all real estate developers or heavily exposed to the real estate sector – saw monthly share price declines of 25 percent or more.

VOF's share price, meanwhile, rose to USD1.38 at the end of November, from USD1.32 at October end, reducing the trading discount to 38.1 percent. November saw VOF initiate its share buyback programme, with a total of almost 2.4 million shares purchased as of 30 November. Shares purchased under the buyback programme will be held as treasury shares.

Macro and capital markets update

November saw a 40-point plunge for the VN Index, which closed the month at 381 points. This was a loss of 9.5 percent in USD terms, making November the third-worst performing month this year. In comparison, the MSCI Asia ex-Japan and MSCI Emerging Market indices dropped 8.4 and 6.7 percent, respectively, as the market jitters continue on concerns over European debt.

Trading value and volume on both Vietnam's stock exchanges dropped 11.2 and 5.4 percent month-on-month in November, with USD600 million and 1 billion shares changing hands. As of 30 November, the VN Index traded at a trailing P/E of 8.4x, with a combined market cap of USD28.1 billion on Vietnam's two exchanges. Foreign investors were net buyers of USD6.6 million during November, compared to net selling of USD0.4 million the previous month. Significant corporate actions in November included Vinamilk announcing plans to buy back 75,390 shares, Eximbank issuing 179 million shares as a dividend bonus at a ratio of 100:17, and Innovative Technology Development Corp (ITD) gaining approval to list 11.6 million shares on HOSE.

Fixed income investors showed higher risk appetite at bond auctions in November, as liquidity improved and interest rates are expected to ease in 2012. The win-to-offer ratio remained low at 38 percent, however, as stress on interbank lending rates persisted among small banks given their need to increase reserves prior to lunar new year.

30 November 2011

NAV **2.23** per share (↓ 2.4%)

Total NAV: USD719 million

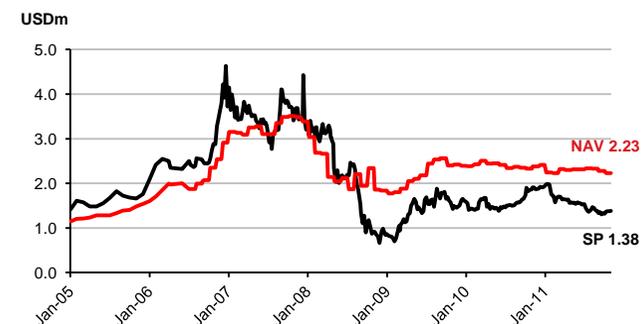
Performance summary

		Cumulative change:				
	30-Nov-11	3mth	1yr	3yr	5yr	
NAV per share	2.23	-4.8%	-4.5%	-5.1%	-5.3%	
Share price	1.38	-2.2%	-26.1%	51.5%	-52.1%	
Premium/(Discount)	(38.1%)					
Market cap	445m					
Total NAV	719m					

Performance history (% change on NAV)

	2011	2010	2009	2008	2007	2006
YTD	-6.5%	-1.6%	29.7%	-46.6%	37.4%	64.9%
VN Index	-27.1%	-7.2%	47.7%	-68.6%	23.5%	142.4%

NAV and share price performance (30 Nov 2011)



Bond market activity increases

Macro update (cont'd)

A total of USD225 million of 3-, 5-, and 10-year treasury and VDB bonds were issued in November, over offers of USD595 million. Bond yields have held steady at 12.10 and 12.15 percent for 3- and 5-year treasury bonds, respectively, for the last three months, while the yield on 10-year VDB bonds fell to 11.5 percent, from 12.0 percent at the last auction in June 2011. The secondary market was active, with USD528 million in treasury and VDB bonds traded over the month, compared to USD378 million in October.

Vietnam's macro economy showed stability in November, with the pressure on the VND brought under control by the State Bank. The interbank rate stabilised at around VND20,800 per USD, while the open market rate strengthened at the end of November to VND21,200 per USD, from a high of VND21,800 set in October.

Inflation trending down

CPI inflation for November was 0.39 percent month-on-month, or 19.8 percent year-on-year. Though the figure is higher than October's 0.36 percent, it is down significantly from the April month-on-month peak of 3.32 percent, and August's year-on-year peak of 23 percent. Food prices were the main contributor to inflation in November, rising 3.3 percent month-on-month, while transportation costs benefitted from a drop in gasoline prices. As the holiday celebrations draw near, analysts expect the CPI for December to increase by 0.5 -0.6 percent, with inflation for 2011 full-year of 18-19 percent.

Deficit down, remittances up

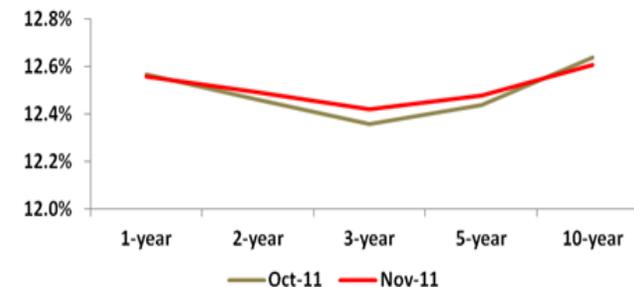
The trade deficit continues to show positive trends, as the November figure fell to USD700 million, from USD800 million in October. The full year trade deficit is now expected at USD10-11 billion, an improvement from USD13 billion in 2010. Furthermore, the year end saw a surge in remittances from overseas Vietnamese, with inflows now projected to reach USD9 billion this year, a USD1 billion rise compared to 2010.

Macroeconomic indicators and forecast				
	2010	Nov-11	YTD	Y-o-Y change
GDP growth¹	6.8%		5.8%	-14.5%
Inflation	11.6%	0.4%	17.5%	19.8%
FDI (USDbn)	18.6	1.4	12.7	16.2%
Imports (USDbn)	84	9.3	96.1	26.4%
Exports² (USDbn)	71.6	8.6	87.2	34.7%
Trade deficit (USDbn)	12.4	0.7	8.9	-17.6%
Exchange rate³ (USD/VND)	19,500	21,011	7.7%	7.7%
Bank deposit rate (VND %)	12.0-14.0%	12.0-14.0%	n/a	n/a

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

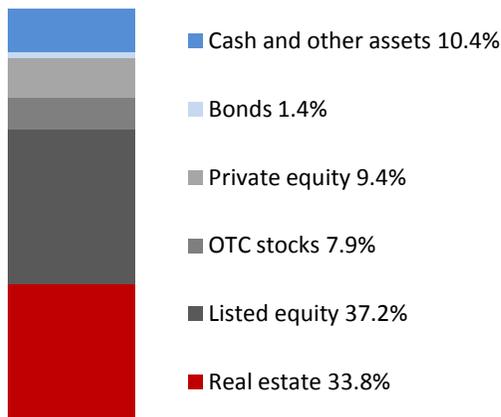
¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

Bond yield curve

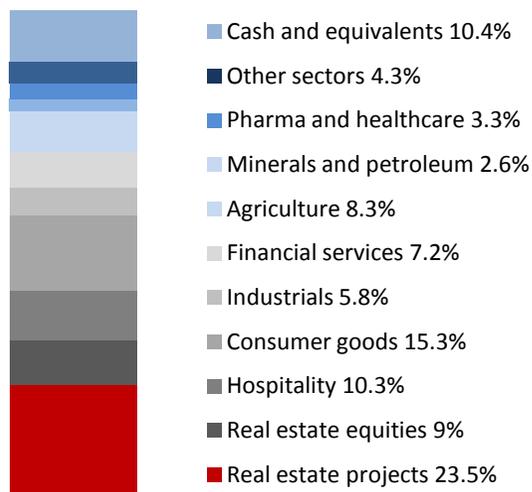


Monthly update 30 November 2011

Portfolio by asset class



Portfolio by sector



Top holdings at 30 Nov 2011

Top 5 listed investments

Name of investee	% of NAV	Sector	Description
Vinamilk (VNM)	8.2	Consumer goods	Leading dairy firm with dominant market share.
Eximbank (EIB)	5.3	Financial services	One of top ten commercial banks.
VinaLand Ltd (AIM: VNL)	3.7	Real estate	VCIM-managed Vietnam real estate fund.
Kinh Do Corp (KDC)	3.2	Consumer goods	Top confectionary manufacturer in Vietnam
Hoa Phat Group (HPG)	1.9	Industrials	Major steel manufacturer.

Top 5 OTC investments

Name of investee	% of NAV	Sector	Description
An Giang Plant Protection	3.9	Agriculture	Leading plant protection chemicals firm.
Halico	1.4	Consumer goods	Liquor producer with popular brands.
Nam Viet Oil	0.9	Mining	Major gasoline producer.
Lam Thao	0.5	Agriculture	Major fertiliser producer.
Binh Dien Fertiliser	0.4	Agriculture	Largest NPK fertiliser producer.

Top 5 real estate investments

Project	% of NAV	Sector	Description
Sofitel Metropole	7.9	Hotel	Vietnam's top city-centre hotel.
Century 21	4.1	Mixed-use	HCM City residential development.
Dai Phuoc Lotus	3.5	Township	Townhouse sales underway.
Danang Beach Resort	2.2	Township	Resort villa sales underway.
VinaSquare	2.0	Mixed-use	City-centre landmark project.

Top 5 private equity investments

Name of investee	% of NAV	Sector	Description
Prime Group	1.9	Industrials	Ceramics producer with dominant market share.
Hoan My Hospital	1.7	Healthcare	Private hospital chain.
Yen Viet	1.1	Agriculture	Produces birds nest nutritional products.
IBS	0.7	Industrials	Construction materials firm.
International School, HCMC	0.7	Education	Leading international school in Ho Chi Minh City providing world-quality education

Monthly update 30 November 2011

VOF Board of Directors

VinaCapital Vietnam Opportunity Fund Ltd (VOF) is led by a Board of Directors composed of a majority of independent non-executive directors.

William Vanderfelt	Chairman (Independent)
Horst Geicke	Director
Michael G. Gray	Director (Independent)
Martin Glynn	Director (Independent)
Don Lam	Director

VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VOF.

Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Andy Ho	Managing Director, Head of Investment
Nguyen Viet Cuong	Deputy Managing Director, Capital markets
Dang P. Minh Loan	Deputy Managing Director, Private equity

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Fund summary

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VOF factsheet at www.vinacapital.com

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

Structure

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor

PricewaterhouseCoopers (Hong Kong)

Nominated advisor (Nomad)

Grant Thornton Corporate Finance

Custodian and Administrator

HSBC Trustee

Brokers

LCF Edmond de Rothschild Securities (Bloomberg: LCFR)
Numis Securities (Bloomberg: NUMI)

Lawyers

Lawrence Graham (UK)
Maples and Calder (Cayman Islands)

Management and performance fee

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark

Investment manager: VinaCapital Investment Management Ltd

Investment policy: 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; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

Investment focus by geography:

Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.