

Performance summary 31 March 2018

	USD	GBP
NAV per share:	6.20	4.42
Change (Month-on-month)	1.6%	-0.2%
Total NAV (million):	1,219.9	869.6
Share price:	4.84	3.45
Market cap (million):	951.7	678.4
Premium/(discount)	-22.0%	-22.0%

GBP/USD exchange rate as 28 February 2018: 1.38

GBP/USD exchange rate as 31 March 2018: 1.40

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	11.2	36.4	93.8	124.9
Share price (USD)	7.8	37.1	100.4	129.8
VN Index (USD terms)	19.0	62.3	101.0	119.4
MSCI Emerging market	1.1	22.2	20.1	13.1
MSCI Vietnam	18.1	73.4	80.0	63.8

Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	11.2	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	19.0	48.4	13.4	0.9	6.6	20.5

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	15.1	Construction materials
Vinamilk (VNM)	9.1	Food & beverage
Airports Corporation of Vietnam (ACV)	8.1	Infrastructure
Phu Nhuan Jewelry (PNJ)	7.5	Consumer discretionary
Khang Dien House (KDH)	7.2	Real estate & construction
Vietjet Air (VIC)	4.2	Industrials
Eximbank (EIB)	3.1	Financial services
Quang Ngai Sugar (QNS)	3.0	Food & beverage
Ho Chi Minh City Development Bank (HDB)	3.0	Financial services
Binh Son Refinery (BSR)	2.4	Mining, oil & gas

Total 62.9

*Capital market equities

March: Market propelled by a handful of large caps

The VN Index increased a robust 4.6% in March in USD terms, surpassing its all-time high and further cementing Vietnam's position as the best performing market in the region year to date. Much of this performance can be attributed to several large cap stocks, two of which were engaged in book building to sell stakes in their major holdings. Vingroup (VIC, +23.5%) benefitted from positive coverage regarding a spin-off of its Vinhomes real estate business via an IPO and listing, expected to complete this May. At the time of writing, VIC has become the largest company by market capitalisation, accounting for a 10.6% weight in the VN Index and surpassing the long-time leader Vinamilk (VNM, +3.6%). If Vinhomes is listed at a talked about "offering valuation", Vingroup and its two listed subsidiaries could make up around 20% of the VN Index weighting post Vinhomes' listing.

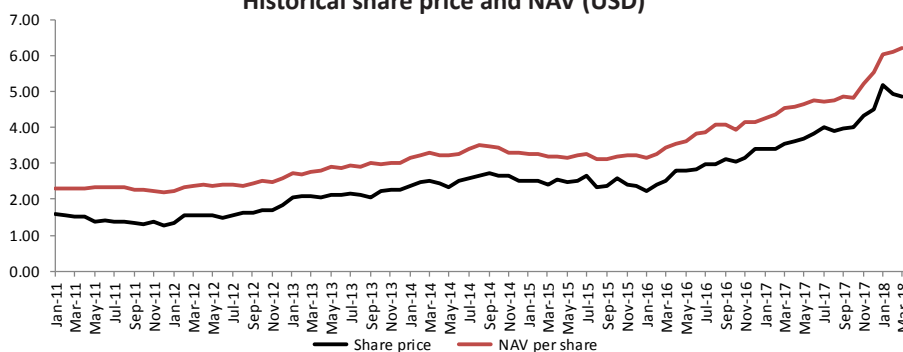
Masan Group (MSN, +27.2%) saw its shares rise thanks to a much higher than previously anticipated valuation of subsidiary company Techcombank, which like Vinhomes, is in the process of book building in advance of an expected listing this coming June. These exercises have played a key role in significantly driving up the parent companies' "implied fair values".

At the time of writing, both VIC and MSN have continued to drive up the market's performance. As the fund does not own either stock, its performance has been affected accordingly. In March, VOF's net asset value (NAV) per share was USD6.20, an increase of 1.64% from the previous month. The capital market portion of our portfolio outperformed the VN Index (+53.8% versus +50.9%) for the Fiscal year to date period with good performance from most of our holdings. In fact, our top 5 largest holdings in the Capital markets portfolio yielded an average total return of 74.1% FY2018 YTD March: HPG (+88.7%), VNM (+26.1%), ACV (+100.6%), PNJ (+104.2%), and KDH (+50.9%).

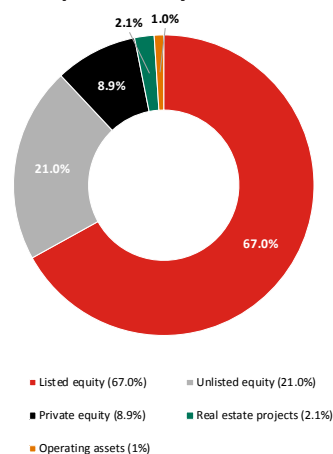
VOF's strategy has always been on focusing on delivering a return in excess of the benchmark on a medium term, and at times such as now, we may underperform the market. However, we firmly believe that if we remain focused on a company's underlying business value and valuation, on a risk-adjusted-return basis, we will be ultimately rewarded.

On the private equity side, International Dairy Products JSC (IDP), a long term VOF investment since 2014, delivered strong business turnaround with revenue increasing 29% year-on-year (y-o-y), domestic channel sales grew 11% y-o-y, countering the local market which witnessed a decline in sales. The company's target revenue for the fiscal year ending December 2018 is USD77.4m (+35% y-o-y), driven by growth in exports of 154% y-o-y and domestic sales increasing 30% y-o-y. The company remains focused on its three existing

Historical share price and NAV (USD)



VOF portfolio by asset class**

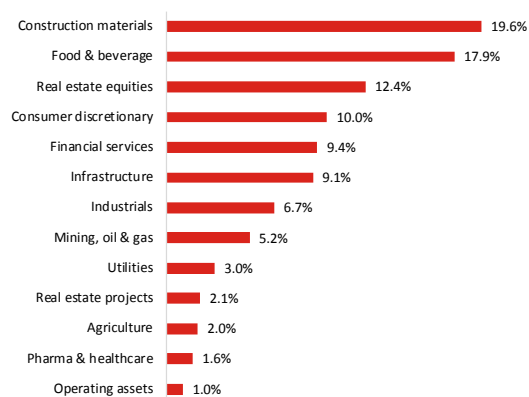


** Excluding cash & others:

Cash: 4.4% of NAV

Liabilities: 4.5% of NAV

VOF portfolio allocation by sector**



product ranges: Bavi fresh milk, Bavi eating yogurt, and Kun flavour milk while continuing to expand the distribution of new products including Kun Ecolean, Kun plastic bottle and Kun Cao Lon which were launched since the last quarter of 2017. Positive results are expected for 2018 thanks to strong sales growth, product mix and cost saving initiatives combined with marketing optimisation.

The fund also made progress in the divestment of its few remaining direct real estate assets. In March, together with VinaLand, the fund divested its entire stake in the undeveloped land parcels of the VinaSquare project in central Danang. The project is a joint-venture with Vinaland in which Vinaland held 75% and VOF held the remaining 25% stake. This transaction will result in total cash proceeds of USD7.9m to VOF at 10.1% above the carrying value at 31 March 2018. VOF has already received c.91% of proceeds with the remainder expected by July 2018.

On 27 March 2018, the Board announced the payment of an interim dividend of 5.5 US cents per share, payable to shareholders on or around 27 April 2018. More information may be found in the [RNS](#).

And on a final note, the fund was included as a constituent of the FTSE 250 Index on 5 March 2018. This was yet another step in our ongoing efforts to elevate the fund's profile, reach a broader investor base, and reduce the discount between share price and net asset value.

Macroeconomic Commentary

Vietnam's GDP growth rocketed from a 5.2% y-o-y pace in 1Q17 to nearly 7.4% in 1Q18, which was primarily due to improvements in both the manufacturing and mining sectors of the economy. However, the country's consumer price inflation fell from 4.7% y-o-y at the end of 1Q17 to 2.7% at present, despite the fact that the Vietnam's 1Q18 GDP growth was the economy's fastest Q1 pace of growth in a decade.

The growth in the output of Vietnam's manufacturing sector, which contributes 16% to the country's overall GDP, surged from an 8.6% pace in the first quarter of last year to a 13.6% rate in Q1 of 2018. This was driven by a rebound in Samsung's production. Samsung suffered a 38% drop in its production at the beginning of last year, as a result of issues with its S7 phone at the end of 2016. However, the launch of the company's highly successful S8 phone in the middle of last year, and the subsequent launch of the S9 phone in March 2018, drove a surge in Vietnam's electronics production growth from a 6% pace in 1Q17 to 29% y-o-y growth in 1Q18.

The success of Samsung's S8 and S9 phones also drove a 39% y-o-y growth of Vietnam's high tech exports in Q1, which in turn drove 22% growth in Vietnam's total exports, because Samsung now accounts for about a quarter of Vietnam's exports, and high tech exports contributed 34% of Vietnam's overall exports in Q1. Note that the country's imports grew 14% y-o-y in Q1, so Vietnam's trade balance flipped from a 1%/GDP deficit in 1Q17 to a 1%/GDP surplus in 1Q18, which also propelled GDP growth.

Vietnam's mining sector contributed about 10% of the country's GDP in Q1, and the rate of decline in the country's oil production volume moderated from a 15% y-o-y drop in 1Q17, to an 8% drop in 1Q18. This improvement is attributable to the fact that Vietnam's all-in cost of producing a barrel of oil is around USD50, but world oil prices were above USD60/barrel during the quarter, encouraging the resumption of oil production of certain wells. Separately, the rate of Vietnam's metals mining production growth increased from an estimated 1% pace in 1Q17 to 10% y-o-y growth in 1Q18.

Higher oil prices, in addition to improving conditions for oil exploration and production firms, also boosted Vietnam's consumer prices somewhat in Q1, but this upward pressure was offset by a modest fall in food prices, and by a deceleration in medical price inflation. Vietnam's headline consumer price index fell from 3.2% y-o-y in February, to 2.7% in March, with the drop almost entirely attributable to a decline in medical price inflation from a 29% y-o-y rate in February to 22% in March, because the effect of the government mandated, administrative price hikes that most of Vietnam's individual provinces made throughout 2017 has started to abate.

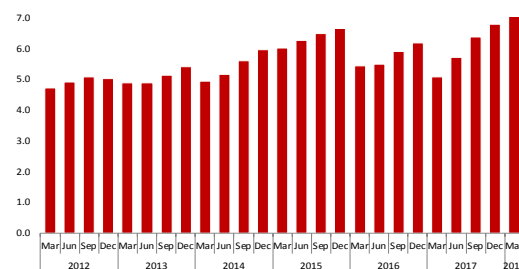
Finally, the growth in real retail sales, which serves as a proxy for household consumption (circa 65%/GDP), grew by 8.6% y-o-y in 1Q18. That Q1 growth figure increased significantly from the 6.4% rate of growth the Government Statistics Office (GSO) reported in 1Q17, but we believe the 1Q17 real retail sales growth rate understated the country's true consumption growth at that time owing to certain technical issues in the data.

Macroeconomic indicators

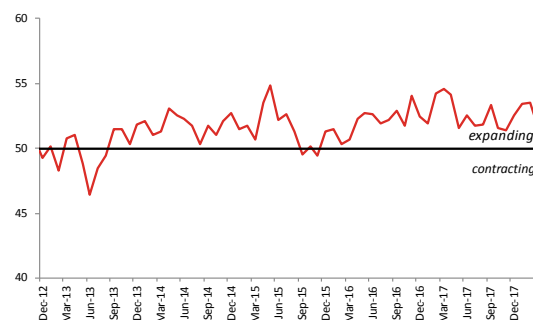
	2017	Mar-18	2018YTD	Y-O-Y
GDP growth ¹	6.8%		7.4%	
Inflation (%)	2.6%	-0.3%		2.7%
FDI commitments (USDbn)	35.9	2.5	5.8	-24.8%
FDI disbursements (USDbn)	17.5	2.2	3.9	7.2%
Imports (USDbn)	211.1	18.9	52.9	13.3%
Exports (USDbn)	213.8	21.1	55.6	24.8%
Trade surplus/(deficit) (USDbn)	2.7	2.3	2.7	
Exchange rate (USD/VND)	22,655	22,750	-0.4%	

Sources: GSO, Vietnam Customs, MPI, VCB | 1. Annualised rate, updated quarterly

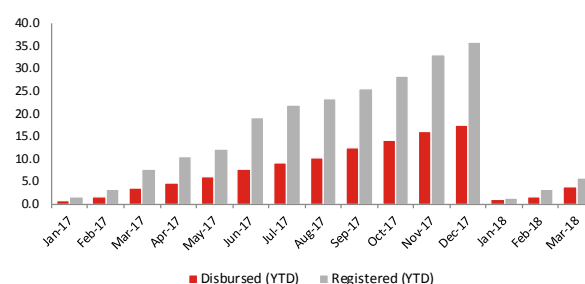
Quarterly GDP growth (%)



Purchasing Managers' Index



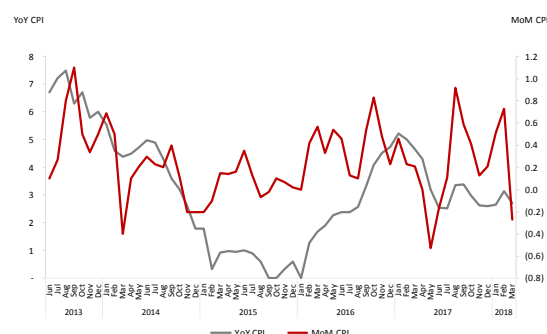
Registered and disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, Bloomberg

Board of Directors		VinaCapital Investment Management Ltd	
VOF's Board of Directors is composed entirely of independent non-executive directors.			
Member	Role	Member	Role
Steven Bates	Non-executive Chairman	Don Lam	Chief Executive Officer
Martin Adams	Non-executive Director	Brook Taylor	Chief Operating Officer
Thuy Dam	Non-executive Director	Andy Ho	Chief Investment Officer
Huw Evans	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
Fund information			
LEI	2138007UD8FBBVAX9469		
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOF.L		
Fund summary			
Fund launch	30 September 2003		
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by December 2018)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd, with sub-delegation to VinaCapital Fund Management JSC		
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 investments 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		
Dividend policy	<p>It is the intention of the Board to declare semi-annual dividends, normally declared in April and October, for the foreseeable future of an amount of at least 4.8 US cents per share, or the equivalent in UK pence. This amount is approximately equal to 1 per cent of VOF's net asset value at 30 June 2017. As and when circumstances permit, it is the Board's intention to increase the dividend.</p> <p>Dividend payments will not necessarily be fully covered by income and, as such, may represent a return of capital to shareholders. Shareholders should note that the change in dividend policy is in addition to the Company's share buyback programme, which has been the primary mechanism for attempting to control the share price discount to net asset value.</p>		

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