

### Performance summary 30 April 2018

	USD	GBP
NAV per share:	5.75	4.17
Change (Month-on-month)	-7.3%	-5.7%
Total NAV (million):	1,124.6	816.5
Share price:	4.75	3.45
Market cap (million):	930.2	675.3
Premium/(discount)	-17.3%	-17.3%

GBP/USD exchange rate as 31 March 2018: 1.40

GBP/USD exchange rate as 30 April 2018: 1.38

Source: Reuters

### Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	-4.8	25.6	79.2	105.9
Share price (USD)	-8.2	30.8	87.1	129.6
VN Index (USD terms)	-5.6	46.1	77.1	103.3
MSCI Emerging market	-7.2	19.1	11.1	12.0
MSCI Vietnam	-2.6	57.8	59.2	59.0

### Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	3.0	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	6.5	48.4	13.4	0.9	6.6	20.5

### Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	14.6	Construction materials
Vinamilk (VNM)	9.0	Food & beverage
Khang Dien House (KDH)	7.9	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.5	Infrastructure
Phu Nhuan Jewelry (PNJ)	6.8	Consumer discretionary
Vietjet Air (VJC)	3.8	Industrials
Eximbank (EIB)	3.6	Financial services
Ho Chi Minh City Development Bank (HDB)	3.0	Financial services
Quang Ngai Sugar (QNS)	3.0	Food & beverage
Orient Commercial Bank (OCB)	2.6	Food & beverage
<b>Total</b>	<b>61.8</b>	

\*Capital market equities

### April: Market corrects after huge Q1 rally

It seems that the law of gravity still applies to Vietnam's stock market. After rising 19.0% in the first quarter (and taking the crown as the world's best performing stock market for the period), the VN Index corrected in April, with a 12.3% decline in just the last three weeks of the month and posting a 10.5% decline at month's end. Having lagged in March, VOF's net asset value per share did better than the benchmark, decreasing only 7.4% to end April at USD5.75.

The speed of the market's descent took many people by surprise, even those who were somewhat sceptical of the early ascent. There were no obvious reasons for the decline – company earnings results continued to be positive and macroeconomic data continues to be positive – but we suspect the following factors played a role:

- **Profit taking:** The VN Index's 19.0% rise in the first quarter, on top of a nearly 50% increase in 2017 saw many local and foreign investors sitting on huge gains, and the temptation to lock in some profit was too great. What may have triggered the down turn was an article published by Bloomberg titled "Vietnam stocks might be getting too hot to handle". This article was also translated into Vietnamese and published by a popular financial website. In addition, some local fund managers expressed a degree of caution in an article published by the Financial Times.

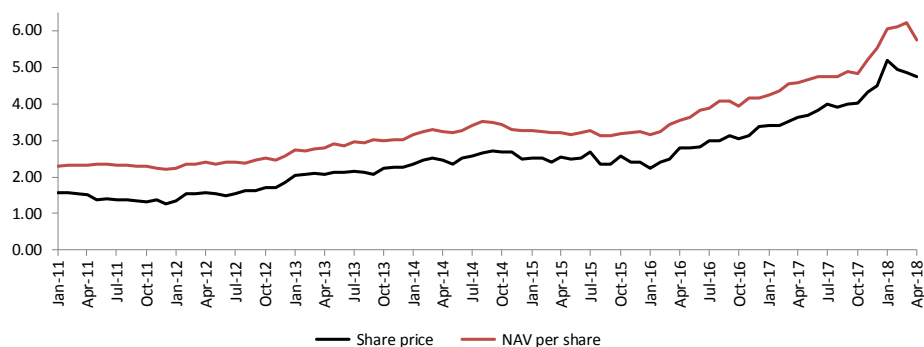
- **Rising domestic interest rates:** interbank interest rates increased from about 0.9% at the end of March to approximately 1.7% at the end of April, and short term deposit interest rates at some local banks soared to as high as 7%, making bank deposits a more attractive alternative for some investors.

- **US Dollar appreciation:** a sharp appreciation in the value of the USD from end-April reduced the appetite of foreign investors to hold emerging market stocks and bonds, including Vietnam's.

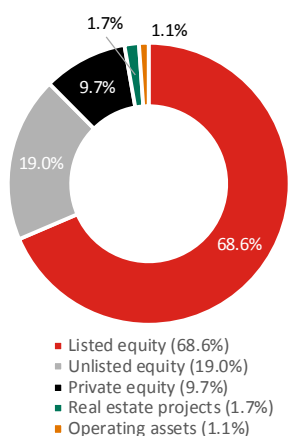
- **Out of sync with international markets:** We also saw the Vietnamese market decouple with the rest of the world, rising even when the rhetoric of trade war tensions between the US and China escalated and almost all other markets fell. To some international investors this looked too out of sync and they took profit, although trade tension concerns are mitigated by the observations of Standard Chartered and others that Vietnam would ultimately be one of the biggest beneficiaries of an all-out trade war between China and the US.

- **Other factors:** With the bout of volatility, some margin calls have begun prompting local investors to consolidate positions as well as reduce exposure. Moreover, with the share issuances of recent bookbuilds were usually packaged with positive news/coverage and quite lofty valuations, these have now been completed, and there is no positive news to drive the market further.

### Historical share price and NAV (USD)



### VOF portfolio by asset class\*\*

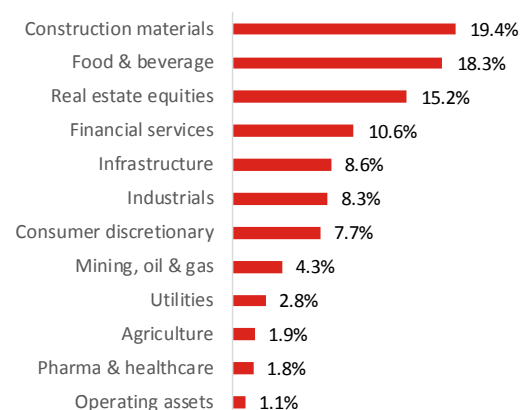


\*\* Excluding cash & others:

Cash: 3.0% of NAV

Liabilities: 2.6% of NAV

### VOF portfolio allocation by sector\*\*



The profit taking that we are witnessing has taken the average trailing P/E down to the upper teens from a lofty 20+ times in recent months; valuations are now in-line with other regional markets. Nevertheless, we see strong buying opportunities in a lot of good assets with strong fundamentals and management teams, where stock prices have not run ahead of themselves.

Hoang Phat Group (HPG) is currently our largest holding, and the company reported good first quarter results with revenue rising 27.5% to USD572 million, and profit up 13.8% to USD97 million, on the back of increasing selling price and sales volume. The selling price of steel was high in the first quarter, and average at USD563 per ton, up 17.5% year-on-year (y-o-y). The company expects volume to increase 10.0% in 2018 and with its new facility in central Vietnam, capacity is expected to double by 2020. In addition, we note that the risk of Chinese imports, which have plagued the sector in the past, has significantly abated as Chinese steel prices are now higher than domestic prices, pointing to a benign environment for HPG. The stock currently trades at 8.4 PE 2018 with EPS growth at 20.7% based on consensus forecasts.

### Macroeconomic Commentary

The robust growth and modest inflation that supported outstanding increases in Vietnamese stock prices for the last year both persisted in April. The country's headline CPI inflation rate only nudged up from a 2.7% year-over-year (yoy) increase in March to a 2.8% increase in April, despite the continued strong growth of both household consumption and manufacturing activity, which are the two factors currently driving Vietnam's cyclical economic growth.

Global oil prices increased about 14% YTD, and we estimate that a 10% increase boosts Vietnam's consumer price index by about one percentage point, with roughly half of the increase directly attributable to the higher prices that consumers pay for gasoline, and half attributable to the "indirect effects" of higher fuel prices.

However, Vietnam's government utilised its petro stabilisation fund to curtail the increase in the prices local consumers pay for gasoline and other fuels to circa 6% YTD, thus dampening the direct impact of higher oil prices on Vietnam's recorded inflation rate.

Regarding Vietnam's continued robust growth, the output of the country's manufacturing sector expanded by 14% from the first four months of 2017 (4M17) to the first four months of 2018 (4M18), which was driven by the launch of Samsung's S9 smartphone (Samsung is the largest manufacturing company in Vietnam), and which was reflected by an increase in Vietnam's PMI score from 51.6 in March to 52.7 in April.

The popularity of Samsung's S9 phone, which was launched in March, also drove a 27% yoy increase in Vietnam's technology exports during 4M18. This in turn drove 19% yoy growth in the country's overall exports to USD74 billion in 4M18, according to Vietnam's General Statistics Office (GSO); high tech exports accounted for 34% of Vietnam's overall exports.

Robust export growth, coupled with 10% yoy import growth reversed Vietnam's trade balance from a USD3 billion deficit in 4M17, to a USD3.9 billion trade surplus in 4M18. Meanwhile foreign direct investment inflows grew 6% yoy to USD5.1 billion, and foreign indirect investment inflows into stocks and bonds grew by nearly 70% yoy to an estimated USD2.3 billion, largely driven by IPOs.

These inflows enabled the State Bank of Vietnam to accumulate an additional USD11 billion of FX reserves YTD to USD63 billion (equivalent to equivalent to 3.4 months' imports), which in turn helped limit the depreciation in the Vietnamese Dong to 0.4% YTD, versus the 3-5% YTD FX depreciations experienced by Indonesia, the Philippines, and India, driven by a sudden rebound in the value of the US Dollar.

We expect Vietnam to run a 2% of GDP current account surplus and 3% balance of payments surplus in 2018, so the Vietnamese Dong is likely to depreciate by 1-2% against the US dollar in 2018, which is in-line with the expected inflation differential between the two countries.

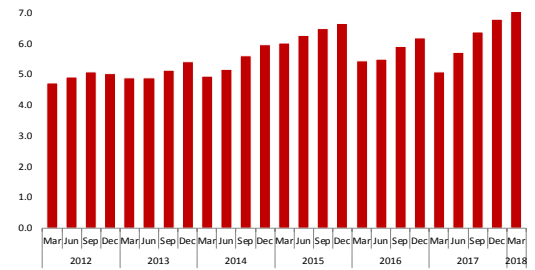
Finally, note that Vietnam does suffer from the issues that are currently putting depreciation pressures on emerging market currencies including: deteriorating current account balances, a heavy USD denominated debt burden by the country's corporations, and/or significant participation in the government bond market by foreign "carry trade" investors that are now repatriating capital.

### Macroeconomic indicators

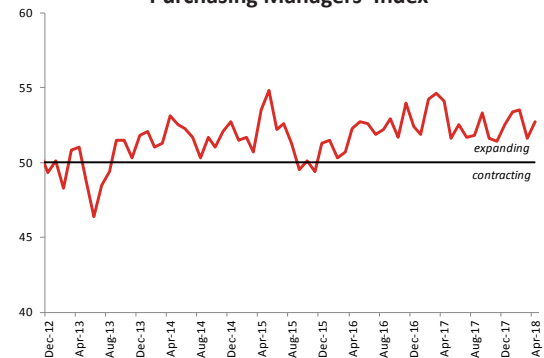
	2017	Apr-18	2018YTD	Y-O-Y
GDP growth <sup>1</sup>	6.8%		7.4%	
Inflation (%)	2.6%	0.1%		2.8%
FDI commitments (USDbn)	35.9	2.3	8.1	-23.9%
FDI disbursements (USDbn)	17.5	1.2	5.1	6.3%
Imports (USDbn)	211.1	17.2	70.0	9.5%
Exports (USDbn)	213.8	18.4	73.9	19.2%
Trade surplus/(deficit) (USDbn)	2.7	1.2	3.9	
Exchange rate (USD/VND)	22,655	22,730	-0.3%	

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

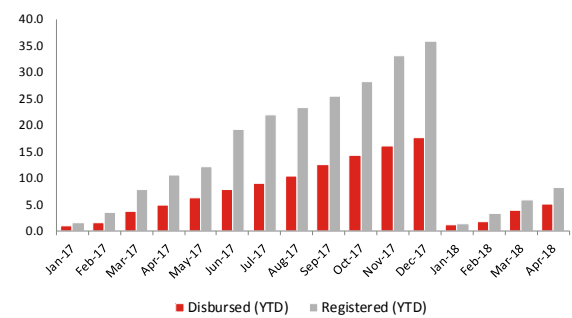
### Quarterly GDP growth (%)



### Purchasing Managers' Index



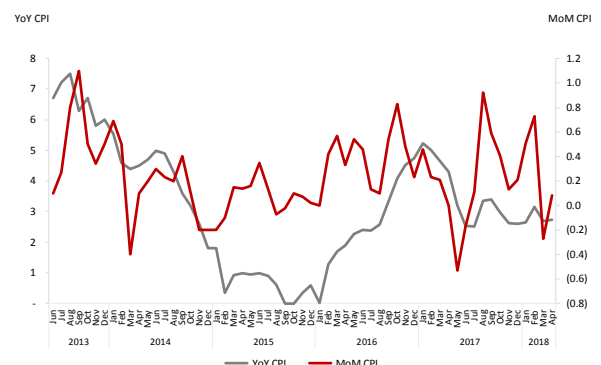
### Registered and disbursed FDI, cumulative YTD (USDbn)



### 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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