

Performance summary 31 August 2018

	USD	GBP
NAV per share:	5.45	4.19
Change (Month-on-month)	3.6%	4.5%
Total NAV (million):	1,040.5	800.6
Share price:	4.42	3.40
Market cap (million):	843.7	649.1
Premium/(discount)	-18.9%	-18.9%

GBP/USD exchange rate as 31 July 2018: 1.31

GBP/USD exchange rate as 31 August 2018: 1.30

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)*	-1.0	18.0	79.7	92.0
Share price (USD)	2.4	13.3	88.8	108.2
VN Index (USD terms)	-0.3	23.4	69.1	89.8
MSCI Emerging market	-5.8	-2.9	29.0	13.6
MSCI Vietnam	1.5	39.7	46.8	58.8

Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share* (USD)	-1.3	35.7	25.5	1.2	8.4	15.3
VN Index (USD terms)	-2.0	48.4	13.4	0.9	6.6	20.5

*Dividends included

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	14.0	Construction materials
Khang Dien House (KDH)	7.9	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.3	Infrastructure
Vinamilk (VNM)	6.3	Food & beverage
Phu Nhuan Jewelry (PNJ)	6.1	Consumer discretionary
Vietjet Air (VIC)	4.6	Industrials
Eximbank (EIB)	3.5	Financial Services
Coteccons Construction (CTD)	3.0	Real estate & construction
Quang Ngai Sugar (QNS)	3.0	Food & beverage
Ho Chi Minh Development Bank (HDB)	2.9	Financial services
Total	58.6	

*Capital market equities

August: Market Recovers Despite Unresolved Global Issues

Global issues continued to fester in August, as the trade war between the US and China developed further, while the currencies of countries such as Turkey and Argentina tumbled amidst investor concern about the foreign debt of emerging market countries, trade, and, in the case of Turkey, political risk. Vietnam was not immune to the ongoing turmoil, although it suffered much less from a relative stand point; the Vietnam Dong depreciated just 0.07%, and – somewhat surprisingly – the stock market fared much better than others, with the VN Index rebounding from prior months losses to end August up 3.4% in USD terms. The fund's net asset value (NAV) per share rose to USD5.45, rising 3.6% month-on-month and slightly outperforming the Index. VOF's discount rate narrowed to 18.9% as at end of August 2018.

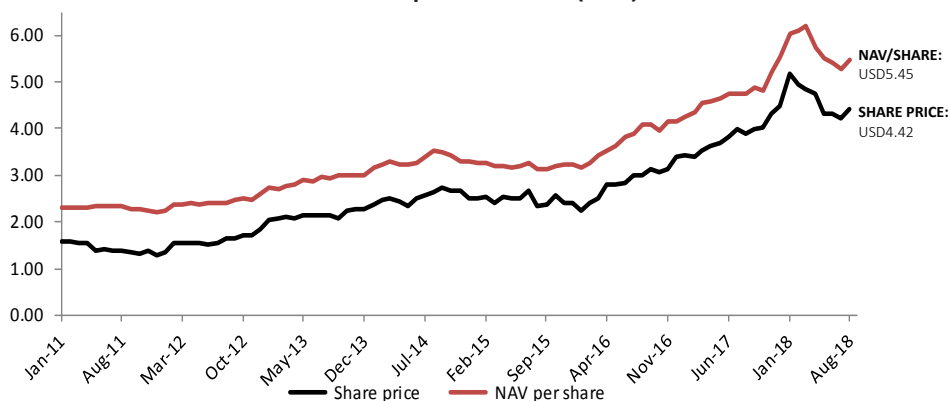
What is rather positive and unusual is that despite foreigners' net selling in August totalling USD55 million, local retail investors stepped in to fill the gap, and their momentum drove the VN Index to close just a couple of points shy of the psychological 1,000 level. This is the first time in recent memory that we have seen local retail investors take a "contrarian" position to foreigners, as they typically follow the example set by large foreign investors. We view this as an encouraging sign which speaks to the fact that Vietnam's strong growth story remains on track despite the issues that continue to percolate at the global level.

With an additional USD267 billion in US tariffs set to be imposed on Chinese exports at the time of writing, emerging and frontier markets are not yet out of the woods, and it remains to be seen what effect these may have on sentiment both in developed and emerging markets. If August's relatively positive sentiment continues in Vietnam, it could be the case that the market has either already discounted some of the global trade risk and/or that Vietnam's macro conditions, especially relative to trade deficits and foreign currency debts, are different than some of its peers.

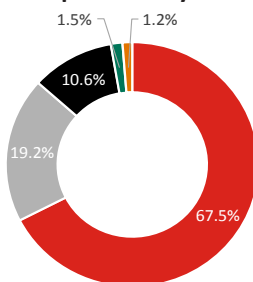
Update on CenLand

In March of this year, we announced a private equity investment in CenLand, one of Vietnam's leading real estate brokerages. Founded in 2002, CenLand has a sales network of more than 1,200 sales people, nearly two dozen offices and 400 partners countrywide. In 2017, the company sold more than 11,500 units, thanks in part to its strong relationships with key Vietnamese developers such as Khang Dien House, Sovico, and Trung Thuy Group, to name a few. Its revenue and profit after tax in 2017 was USD48 million and USD11 million, respectively. In 2018, CenLand expects revenue to rise to USD61 million, a 27 percent rise over 2017, with 20-25 percent earnings growth, on the back of forecasted sales of more than 16,000 units in 71 projects throughout the country.

Historical share price and NAV (USD)



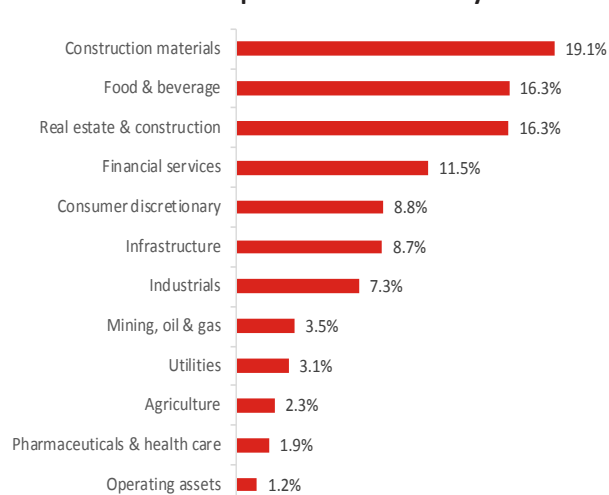
VOF portfolio by asset class**



- Listed equity
- Unlisted equity
- Private equity
- Real estate projects
- Operating assets

** Excluding cash & others:
Cash: 4.6% of NAV
Liabilities: -1.3% of NAV

VOF portfolio allocation by sector**



On 5 September 2018, CenLand listed on the Ho Chi Minh Stock Exchange, trading under the ticker “CRE” and at a reference price of VND47k per share. On 11th September 2018, the shares closed at VND46.8k, which was 1.3% higher than our August NAV and is 33.7% higher than our initial investment cost. With the real estate market continuing to thrive, we are confident that CenLand is well positioned for growth.

Update on Tam Tri

In August, VOF announced that it will invest USD25 million in Tam Tri Medical Joint Stock Company, a growing network of private hospitals throughout Vietnam. Tam Tri Medical currently operates four general hospitals in Ho Chi Minh City, Dong Thap, Nha Trang and Danang, with approximately 500 beds and more than 700 employees. The company is growing by more than 30 percent per annum, as Vietnamese consumers look for alternatives to the public health system or traveling overseas to receive care. The private equity transaction gives VOF a significant minority stake in the company, which operate four hospitals in south and central Vietnam. Tam Tri Medical is expected to use the capital to expand current facilities and acquire new facilities to improve economies of scale. Tam Tri Medical’s CEO is Dr Nguyen Huu Tung, who previously founded the Hoan My Medical Corporation which was sold to an international investor in 2013. VOF invested in Hoan My in 2009, which was the pioneer M&A transaction in Vietnam’s private healthcare sector. A copy of the RNS announcement can be found [here](#).

Macroeconomic Commentary

Vietnam’s economy continued to perform well in August, and investors were reassured by the fact that the VN Dong was essentially unchanged in August, despite continued emerging and frontier market FX rate volatility during the month.

Inflation in Vietnam fell from a 4.5% year-on-year (yoy) rate in July to 4.0% yoy in August, notwithstanding a rise in pork prices caused by an outbreak of African Swine Fever in China, the world’s largest pork producer and a significant exporter of the meat to Vietnam. Pork prices in China and Vietnam rose 10% and 3%, respectively, month-on-month (mom). The resulting food price inflation in Vietnam was offset by a steep decline in the prices of medical services from a 42% yoy rate in August 2017 to a 3% rate in August 2018.

GDP growth continues to be driven by household consumption, which accounts for 65% of the economy, and by the manufacturing sector (16% of GDP). The growth rate of the country’s manufacturing output accelerated from 12% yoy in 8M17 to 13.3% yoy growth in 8M18, driven by the inauguration of the Nghi Son Oil refinery in June 2018 (domestic petrol production surged 50% yoy in 8M18), while Vietnam’s consumption growth was nearly unchanged at an estimated 8.5% yoy in 8M18.

Next, the value of the VN Dong has depreciated by 2.7% YTD against the US Dollar as at the end of August, versus the circa 8%-12% YTD depreciations of the Philippines Peso, Indonesian Rupiah, and Indian Rupee. Emerging and frontier market FX rate depreciations are being exacerbated by contagion effects stemming from the severe macroeconomic imbalance in Turkey and Argentina that caused those countries’ currencies to plunge by about 20% and 30% respectively in August.

The resulting contagion effects drove 2-3% depreciations of the Indonesian Rupiah and Indian Rupee in August, but the VND exchange rate only depreciated by 0.1% during the month. Countries that have been the least vulnerable to emerging and frontier market FX contagion this year are those with current account surpluses, are able to consistently attract long-term investment capital inflows (i.e., FDI), and have strong foreign reserves.

We expect Vietnam’s current account surplus to exceed 3%/GDP in 2018, given the country’s USD2.2 billion trade surplus and 15% increase in overseas remittances in 8M18, and note that Vietnam has run current account surpluses in each of the last five years, while India, Indonesia and the Philippines all ran current account deficits, and/or trade deficits. We also note that Vietnam’s FDI inflows grew by 9% to USD11.3 billion in 8M18, and will almost certainly exceed 7% of GDP this year. Finally, Vietnam’s foreign reserves reached USD63.5 billion in July, around the three months-worth of imports international finance organisations such as the IMF suggest.

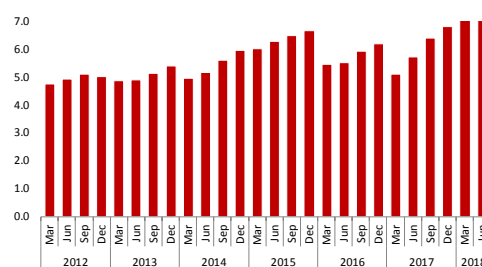
Finally, the intensification of the US-China trade war dampened investors’ sentiment towards Asia emerging and frontier stock markets, but it has also prompted the publication of numerous articles in Bloomberg, The Economist magazine, and others highlighting the potential benefits of the trade war for Vietnam’s economy. VinaCapital contributed to one of these articles in the New York Times titled “Can Vietnam Avoid Getting Hurt in the Crossfire when Tariffs are Flying?”, which may be found [here](#).

Macroeconomic indicators

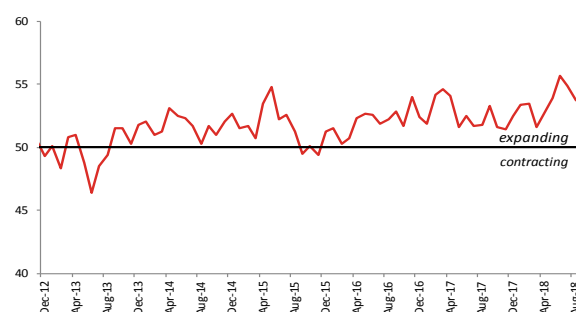
	2017	Aug-18	2018 YTD	Y-O-Y
GDP growth ¹	6.8%		7.1%	
Inflation (%)	2.6%	0.5%		4.0%
FDI commitments (USDbn)	35.9	1.4	24.4	4.2%
FDI disbursements (USDbn)	17.5	1.4	11.3	9.2%
Imports (USDbn)	211.1	21.3	153.7	12.4%
Exports (USDbn)	213.8	23.5	158.4	16.7%
Trade surplus/(deficit) (USDbn)	2.7	2.2	4.7	
Exchange rate (USD/VND)	22,655	23,260	-2.7%	

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

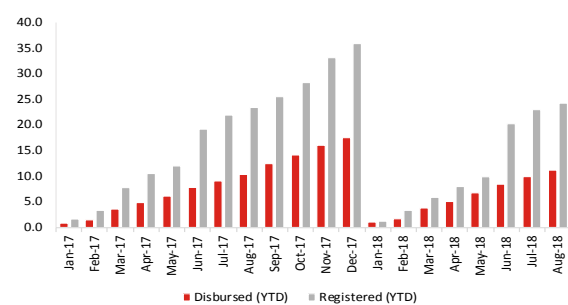
Quarterly GDP growth (%)



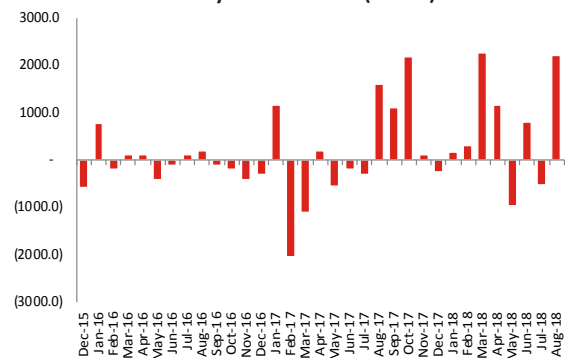
Purchasing Managers' Index



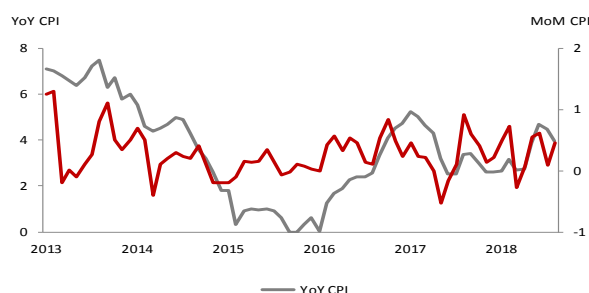
Registered & disbursed FDI, cumulative YTD (USDbn)



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	Group CEO
Martin Adams	Non-executive Director	Brook Taylor	Group COO
Thuy Dam	Non-executive Director	Andy Ho	Group CIO
Huw Evans	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
Julian Healy	Non-executive Director		
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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