

Performance summary 31 October 2018

	USD	GBP
NAV per share:	5.26	4.11
Change (Month-on-month):	-6.4%	-4.6%
Total NAV (million):	989.3	774.3
Share price:	4.23	3.31
Market cap (million):	795.2	626.6
Premium/(discount):	-19.6%	-19.6%

GBP/USD exchange rate as 30 September 2018: 1.30

GBP/USD exchange rate as 31 October 2018: 1.28

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	0.0	9.3	65.3	76.1
Share price (USD)	0.7	5.6	63.8	89.5
VN Index (USD terms)	-4.6	6.3	44.1	66.2
MSCI Emerging market	-12.1	-14.6	12.7	-7.6
MSCI Vietnam	-8.0	14.4	29.4	36.8

Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	-5.7	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	-9.6	48.4	13.4	0.9	6.6	20.5

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	14.7	Construction materials
Khang Dien House (KDH)	8.7	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.5	Infrastructure
Vinamilk (VNM)	6.0	Food & beverage
Phu Nhuan Jewelry (PNJ)	6.0	Consumer discretionary
Vietjet Air (VIC)	3.9	Industrials
Eximbank (EIB)	3.6	Financial services
Quang Ngai Sugar (QNS)	3.3	Food & beverage
Coteccons Construction (CTD)	3.3	Real estate & construction
Ho Chi Minh Development Bank (HDB)	2.6	Financial services
Total	59.6	

*Capital market equities

October: Market Correction Offers Chance to Buy on the Dip

October saw a big drop for the markets globally and Vietnam was no exception, with the VN Index dropping 10.2% in USD terms and giving up all the gains it posted earlier in the year. As at 31 October 2018, the VN Index is down 9.6% for the year. The fund's net asset value (NAV) per share fell to USD5.26 per share, a decline of 6.4% month-on-month (m-o-m), but declining less than the VN Index.

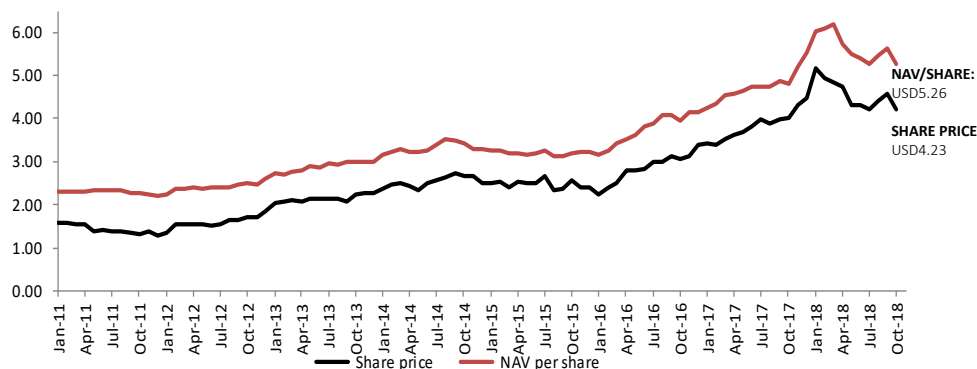
What triggered the correction is well known: the trade war, emerging markets contagion, and a slew of other issues, and for now at least, it seems that global macro news is going to dominate the headlines regardless of what is going on here in Vietnam. Most Vietnamese companies have reported third quarter results and on average they are showing a growth of 26% in net profit, which is fairly strong; we expect full-year results to show similar growth rates. However, from a valuation perspective, the trailing P/E multiple is now contracted from 19x at the beginning of the year to 15x as at the time of writing. Although the recent market drop is due primarily to global issues, local conditions may have played a small role. In the last six months, several companies in the financial sector have pushed valuations much too high, leading pre-IPO investors to lose 30-40% since these companies listed. This has had a negative impact on investors' sentiment towards Vietnam, particularly amongst those who prefer IPO opportunities, as well as some retail investors who were forced to cut their losses. Moreover, the recently IPO'ed companies command a relatively large share of the overall VN Index and thus, have also contributed to the Index's recent volatility.

Nevertheless, Vietnam's markets remain resilient for select companies, and this correction offers a chance to invest at lower, more reasonable valuations. We have capitalised on the dip to selectively add good companies to our portfolio as we expect them to deliver strong earnings growth regardless of current market volatility.

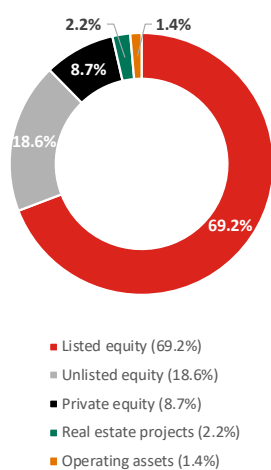
Macroeconomic Commentary

During the month of October, Vietnam's stock market declined along with the rest of the world's major stock markets, but the country's economic performance continued to outpace those of its regional emerging market peers. Vietnam's growth continued

Historical share price and NAV (USD)



VOF portfolio by asset class**



** Excluding cash & others:
Cash: 3.3% of NAV
Liabilities: -0.7% of NAV

VOF portfolio allocation by sector**



to power ahead, driven by consumption and manufacturing, while the government's prudent macro-economic management helped to stabilise the USD-VND exchange rate and to temper inflation.

Vietnam's inflation fell from a 4% year-on-year (y-o-y) increase of the country's consumer price index (CPI) in September, to a 3.9% inflation rate in October, despite a circa 3.5% hike in retail petrol prices during the month, which drove a 1.5% month-on-month (m-o-m) increase in Vietnam's transport prices that accounted for 9% of the CPI basket.

The country's modest inflation rate, coupled with a trade surplus estimated to be 3% of GDP in 10M18, alleviated some of the depreciation pressure on Vietnam's currency that most Asian EM economies have endured since April 2018, as did a 36% y-o-y increase in foreign indirect investment (FII) inflows to USD6.3 billion, and a 6.3% y-o-y in foreign direct investment (FDI) inflows to USD15.1 billion in the first 10 months of the year.

That said, the State Bank of Vietnam (SBV) sold about USD1.6 billion of its FX reserves during the month in order to maintain an essentially unchanged VN Dong exchange rate in October. As a result, the unofficial USD-VND exchange rate had depreciated by about 3% YTD as of the end of October, which is where the country's unofficial FX rate stood at the end of September, despite a circa 3% surge in the US Dollar index (DXY) from late-September until the end of October. Note that the SBV's FX reserves fell from a peak of about USD63.5 billion at the end of 1H18 to an estimated USD58 billion at the end of October.

Finally, while the global stock market correction in October was partly driven by signs of an imminent growth slowdown in most of the world's major economies, and by concerns about the US-China trade war, Vietnam's household consumption continued to grow by an estimated 9% y-o-y in 10M18, manufacturing output grew by 12.7% y-o-y, and optimism about the potential benefits of the trade war for Vietnam helped lift the country's Purchasing Manager Index (PMI) in October.

The increase in Vietnam's PMI from 51.5 in September to 53.9 in October contrasts with declines in the PMIs of almost every other country in Asia during the month due to trade war concerns, and was driven by an acceleration in the growth rate of new orders, and particularly of new export orders. This phenomenon seems likely to persist, given mounting anecdotal evidence of manufacturing firms either moving, or preparing to move production activities from China to Vietnam in order to circumvent tariffs on their exports to the US.

2018 Annual General Meeting

On 10 December 2018, the fund will hold its Annual General Meeting (AGM) in Guernsey. A number of resolutions will be voted upon, including one regarding the discontinuation of the fund as it is currently constituted. A discontinuation vote is held every five years. The Board recommends that shareholders vote against the discontinuation of the fund, and therefore AGAINST Special Resolution 14.

Over the last five years, the fund's NAV has grown 76.1%, outperforming the VN Index of 66.2%, despite not being invested all in capital markets. We have demonstrated that our differentiated strategy is delivering value to shareholders and we expect to continue to do so in the medium to long-term.

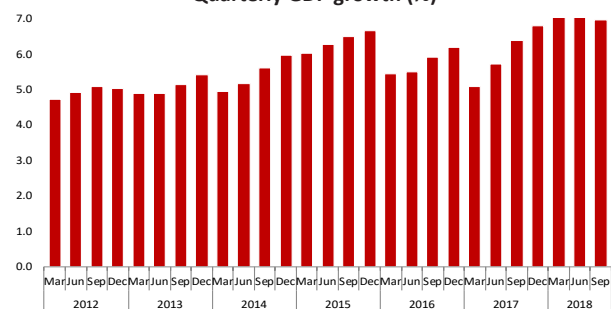
The AGM circular and proxy forms may be found on the fund's website at <https://vof.vinacapital.com>

Macroeconomic indicators

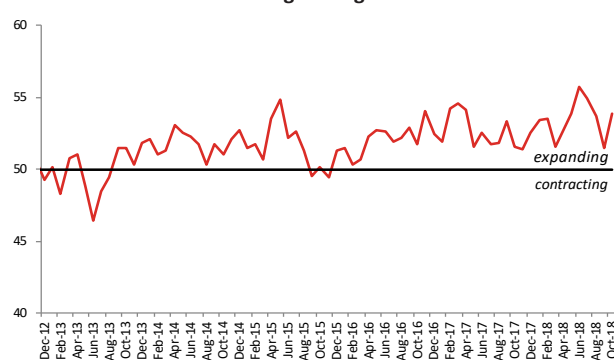
	2017	Sept-18	2018 YTD	Y-O-Y
GDP growth ¹	6.8%		7.0%	
Inflation (%)	2.6%	0.3%		3.9%
FDI commitments (USDbn)	35.9	2.5	27.9	-1.2%
FDI disbursements (USDbn)	17.5	1.9	15.1	6.3%
Imports (USDbn)	211.1	21.8	194.8	12.4%
Exports (USDbn)	213.8	22.5	202.0	15.2%
Trade surplus/(deficit) (USDbn)	2.7	0.8	7.2	
Exchange rate (USD/VND)	22,655	23,300	-2.8%	

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

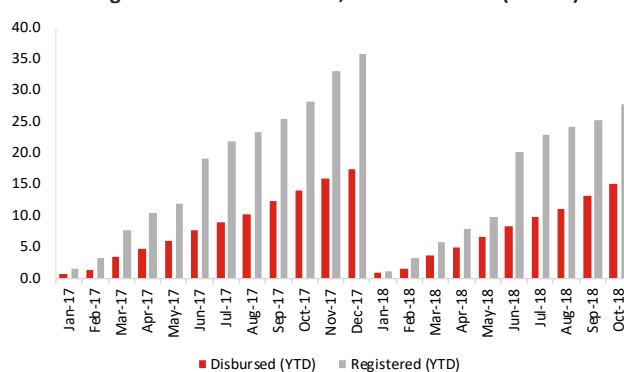
Quarterly GDP growth (%)



Purchasing Managers' Index



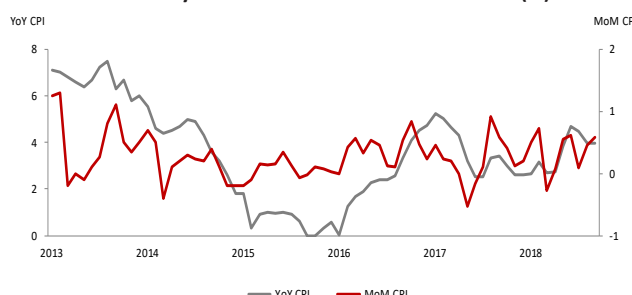
Registered & disbursed FDI, cumulative YTD (USDbn)



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 (until 31 October, 2018), Aztec Financial Services (Guernsey) Limited (from 1 November, 2018).		
Registrar and Transfer Agency	Computershare Investor Services		
Brokers	Numis Securities (Bloomberg: NUMIS)		
Management and incentive fee	<p>Commencing July 1, 2018: a tiered management fee structure has been introduced, with the following annual rates applied to net assets:</p> <ul style="list-style-type: none"> - 1.50% of net assets, levied on the first USD500 million of net assets - 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million - 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million - 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million - 0.50% of net assets, levied on net assets above USD2,000 million <p>The incentive fee is 12.5% of any increase in NAV above an 8% per annum hurdle rate, with the cap on incentive fees paid out in any year at 1.5% of weighted average of month-end net assets. Excess fees are still carried forward, but can be clawed back if NAV declines after the year end. The Investment manager must use 25% of any incentive fee paid to buy VOF shares via open market purchases, subject to a minimum holding period.</p>		
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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