

Performance summary 30 November 2018

	USD	GBP
NAV per share:	5.04	3.95
Change (Month-on-month):	-4.2%	-3.9%
Total NAV (million):	939.6	736.4
Share price:	4.23	3.36
Market cap (million):	795.2	626.5
Premium/(discount):	-14.9%	-14.9%

GBP/USD exchange rate as 31 October 2018: 1.28

GBP/USD exchange rate as 30 November 2018: 1.28

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	-7.5	-3.1	57.0	67.8
Share price (USD)	-3.0	-0.6	78.6	89.7
VN Index (USD terms)	-6.5	-5.0	55.9	65.1
MSCI Emerging market	-5.8	-11.2	22.2	-2.3
MSCI Vietnam	-5.8	0.0	45.8	41.3

Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	-9.7	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	-8.3	48.4	13.4	0.9	6.6	20.5

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	12.7	Construction materials
Khang Dien House (KDH)	8.6	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.9	Infrastructure
Vinamilk (VNM)	7.0	Food & beverage
Phu Nhuan Jewelry (PNJ)	6.0	Consumer discretionary
Vietjet Air (VIC)	4.1	Industrials
Eximbank (EIB)	3.8	Financial services
Coteccons (CTD)	3.7	Real estate & construction
Quang Ngai Sugar (QNS)	3.5	Food & beverage
PVPower (POW)	2.5	Utilities
Total	59.8	

*Capital market equities

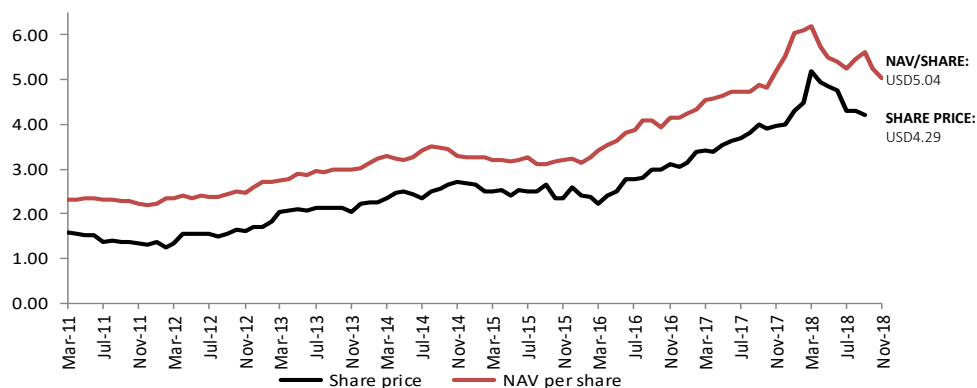
November: Trade War Worries Linger; VOF continuation vote passed

After what was a very weak market in October, the market recovered in November with the VN Index up 1.4% in USD terms, despite continued worries about the US-China trade war. The fund's net asset value (NAV) per share declined 4.2%, and its discount rate narrowed to 14.9%. Following the interim dividend of 5.5 US cents per share paid in April 2018, the fund paid a second dividend of 5.5 US cents per share in respect of the year ended 30 June 2018 at the end of November 2018. These two dividends in total represent just over 2% of the NAV per share as of November 2018.

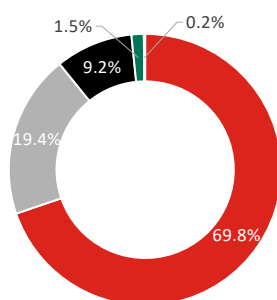
The fund's NAV declined with the listed component lagging mainly due to our largest holding, Hoa Phat Group (HPG) dropping 17.5% during the month. One of HPG's main shareholders announced that it would sell down its stake from 2.31% to 1.37%, which impacted the price both from the selling itself and retail investors' attempts to "front-run" this shareholder given that one of its representative who sits on the board and has to announce to the market before selling. However, after the month's end, HPG held an analyst meeting with the CEO was more upbeat and even indicated that he might personally buy back the company's shares – something he has done in the past. Though operating in a cyclical industry, the stock's current valuation remains relatively attractive, trading at half the multiple of the market's, with expected earnings growth for 2019 is at approximately 16%.

After November ended, the US and China agreed on a 90-day truce in their trade war. This initially excited investors, although later confusion over details and fear of a global recession given an inverted yield curve which indicated markets are still on edge. As we have stated before, Vietnam could benefit from the trade war in the short- and medium-terms, with sectors such as logistics and industrial parks capitalising on companies looking to move production from China to Vietnam. Although Vietnam is unlikely to be negatively affected, a longer-term trade war benefits no one, and the stock markets will continue to reflect this as many investors would like this issue to be settled and uncertainty can be removed. Once that happens, investors' focus should return to Vietnam's solid fundamentals and the growth prospects of its stocks.

Historical share price and NAV (USD)



VOF portfolio by asset class**



- Listed equity (69.8%)
- Unlisted equity (19.4%)
- Private equity (9.2%)
- Operating assets (1.5%)
- Real estate projects (0.2%)

** Excluding cash & others:
Cash: 2.1% of NAV
Liabilities: 0.6% of NAV

VOF portfolio allocation by sector**



Macroeconomic Commentary

Vietnam's Consumer Price Index (CPI) inflation fell from 3.9% year-on-year (yoy) in October to 3.5% in November 2018, with the drop primarily driven falling global oil prices; core CPI, excluding fuel and food prices was unchanged at 1.7% in both October and November.

Growth remained strong, so Vietnam looks increasingly likely to achieve 7% GDP growth in 2018, driven by robust expansion of the country's manufacturing output and household consumption. Real retail sales (excluding inflation) grew at a 9.3% yoy pace in 11M18, which is an unchanged pace of growth compared to 11M17.

The country's manufacturing sector output growth eased from a 14.4% yoy pace in 11M17 to 12.2% growth in 11M18, which reflected two opposing phenomena: petroleum production soared 52% yoy in 11M18, driven by the inauguration of the new Nghi Son oil refinery, but Vietnam's mobile phone production growth is leveling off following years of stellar growth.

The outlook for continued growth of both domestic consumption and manufacturing is still very bright, as evidenced by the fact that the Nielsen Consumer Confidence index, and the Nikkei Purchasing Managers' Index (PMI) for Vietnam both stood at their respective second-highest levels ever in November. Vietnam's consumer confidence ranks fifth in the world, according to Nielsen, and the country's PMI soared to 56.5 in November, driven by record-high rate of job creation- which helps explain the high level of consumer confidence in Vietnam.

The only caveat to this optimistic growth picture is the steep deceleration of growth in China as 2018 has progressed, which could impact Vietnam. Export growth to China slowed from a 28% yoy pace in 1H18 to 23% in 11M18, and foreign tourist arrivals into Vietnam slowed from 30% yoy in 1H18 to 21% in 11M18. Note that about 78% of the foreign tourists who visit Vietnam are from Asia, the majority of which are Chinese, and that China is Vietnam's third largest export market (about 17% of Vietnam's total exports in 11M18 went to China).

Finally, the free market value of Vietnam's currency was once again very stable during the month of November, having depreciated by about 2.7% YTD at each of end-November, end-Oct, and end-Sept. However, in contrast to October, when the State Bank of Vietnam sold about USD1.8 billion of its FX reserves (or circa USD6 billion since June 2018), the SBV did not directly expend its reserves to support the value of Vietnam's currency in November.

Instead, the SBV entered into cancelable FX forward contracts with certain local commercial banks that have short USD positions. Under these contracts, the SBV committed to sell about USD1 billion to those banks at the end of January 2019 if the banks in question are unable to secure the USD required to satisfy their USD-denominated obligations at that time.

VOF Continuation Vote

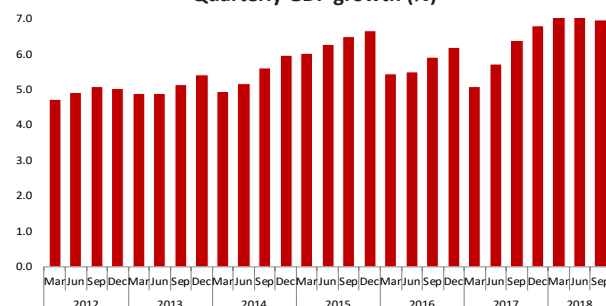
On 10 December 2018, the fund held its Annual General Meeting in Guernsey. We are pleased to report that Shareholders voted against the discontinuation of the fund, and VOF will continue to operate for five more years.

Macroeconomic indicators

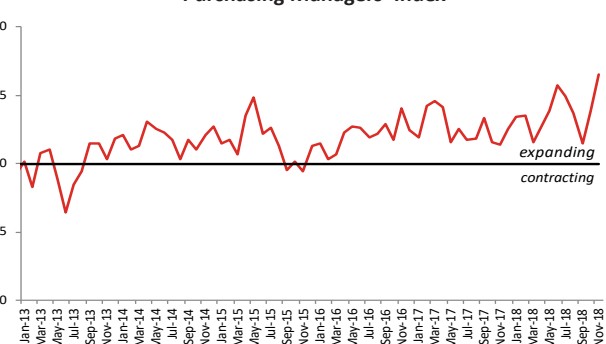
	2017	Nov-18	2018 YTD	Y-O-Y
GDP growth ¹	6.8%		7.0%	
Inflation (%)	2.6%	0.3%		3.5%
FDI commitments (USDbn)	35.9	2.9	30.8	-6.8%
FDI disbursements (USDbn)	17.5	1.4	16.5	3.1%
Imports (USDbn)	211.1	22.0	216.8	12.4%
Exports (USDbn)	213.8	21.6	223.6	14.4%
Trade surplus/(deficit) (USDbn)	2.7	(0.4)	6.8	
Exchange rate (USD/VND)	22,655	23,275	-2.7%	

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

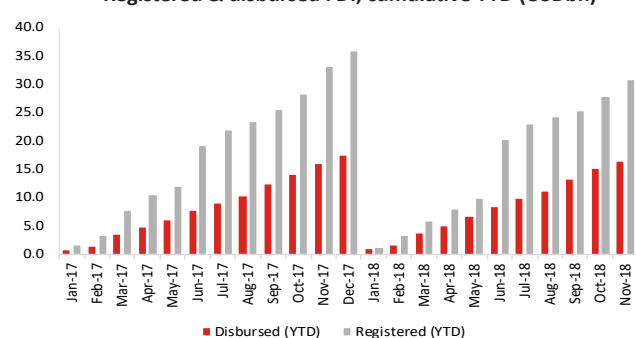
Quarterly GDP growth (%)



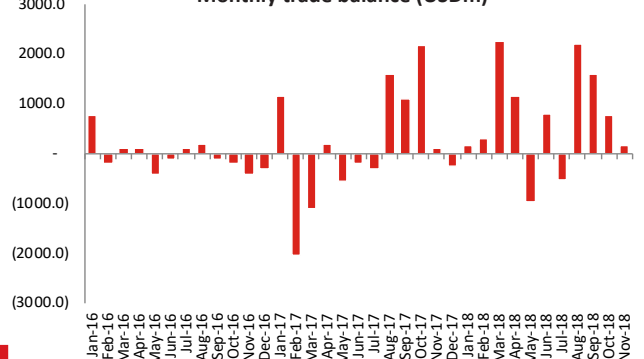
Purchasing Managers' Index



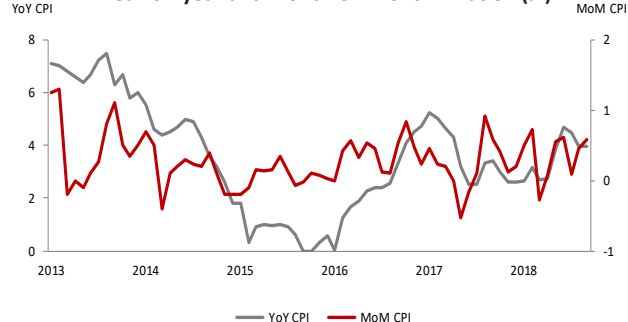
Registered & disbursed FDI, cumulative YTD (USDbn)



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 2023)
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	Aztec Financial Services (Guernsey) Limited
Registrar and Transfer Agency	Computershare Investor Services
Brokers	Numis Securities (Bloomberg: NUMIS)
Management and incentive fee	Commencing July 1, 2018: a tiered management fee structure has been introduced, with the following annual rates applied to net assets: <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 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.
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	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. 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.

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