

### Performance summary 31 December 2018

	USD	GBP
NAV per share:	5.08	4.01
Change (Month-on-month):	0.8%	1.5%
Total NAV (million):	945.5	745.3
Share price:	4.23	3.34
Market cap (million):	787.9	621.1
Premium/(discount):	-16.7%	-16.7%

GBP/USD exchange rate as 30 November 2018: 1.28

GBP/USD exchange rate as 31 December 2018: 1.27

Source: Reuters

### Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	-9.5	-9.0	53.5	69.1
Share price (USD)	-7.2	-5.6	77.3	87.5
VN Index (USD terms)	-11.8	-11.2	49.5	60.8
MSCI Emerging market	-7.8	-16.6	21.6	-3.7
MSCI Vietnam	-12.2	-11.7	31.5	35.0

### Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	-9.0	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	-11.2	48.4	13.4	0.9	6.6	20.5

### Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	11.9	Construction materials
Khang Dien House (KDH)	9.4	Construction
Airports Corporation of Vietnam (ACV)	8.2	Infrastructure
Phu Nhuan Jewelry (PNJ)	6.2	Consumer discretionary
Vinamilk (VNM)	6.0	Food & beverage
Coteccons (CTD)	3.9	Construction
Eximbank (EIB)	3.9	Financial services
Vietjet Air (VIC)	3.7	Industrials
Quang Ngai Sugar (QNS)	3.5	Food & beverage
PVPower (POW)	2.7	Utilities
<b>Total</b>	<b>59.4</b>	

\*Capital market equities

### December: Good riddance 2018, as VN Index closes in the red for the year

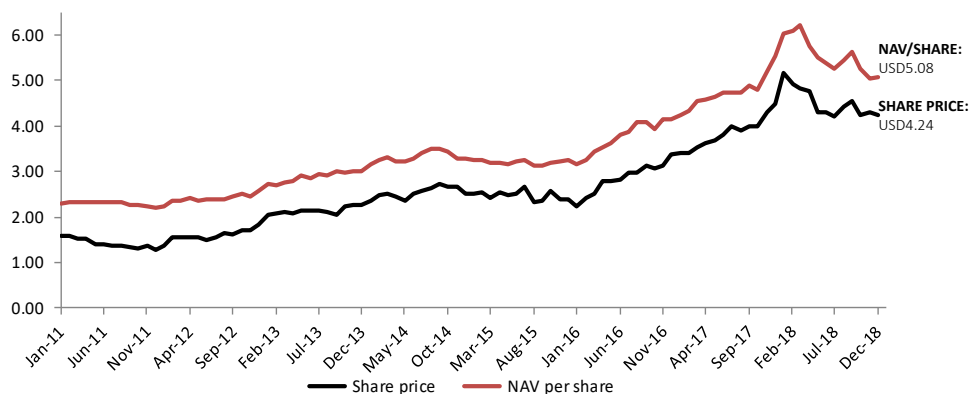
While November held out some promise that Vietnam's stock markets might recover toward year's end, December dashed all such hopes, with the VN Index closing at 892.5, down 3.1% during the month and contributing to a full-year decline of 11.2% (in USD terms), the first negative annual return since 2011. The only consolation is that the VN Index's performance was not unusual in the context of international benchmarks, with many also ending the year in the red. The fund outperformed the VN Index during December, with net asset value (NAV) per share rising 0.8% (USD terms). For calendar year 2018, the fund's NAV per share was down 9.0%, outperforming the VN Index and most other Vietnam-focused funds. We ended the year with USD16.1 million in cash which, together with our private equity investments, helped to limit the drop in NAV, though our capital markets portfolio (increased 0.9% month-on-month and decreased 9.9% year-on-year) also fared slightly better than the market.

As we gladly close the book on 2018, we look ahead to 2019. Continued market volatility is expected, due to global issues such as the US-China trade war, the US Fed and its plan for interest rates hikes (it recently signalled that it can be patient and flexible on monetary policy) and overall economic conditions around the world. Nevertheless, listed companies continue to post solid earnings and market valuations in Vietnam are much more reasonable (the VN Index's trailing P/E is 15.6x), and we believe there could be good opportunities in both public and private markets. To the latter point, the public market's low valuation will make it less appealing for private companies to do IPOs, offering us a chance to enter more privately negotiated deals.

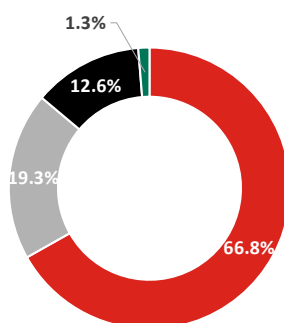
Just as 2018 came to an end, we closed one more private deal, investing USD25.4 million through a structured product with Novaland (NVL). We entered into a structured product with an annual coupon of 10% paid semi-annually, plus a committed IRR of 17% (in VND terms) upon redemption and a warrant for a quarter of the investment's value exercisable in two years at today's price. This gives us both downside protection as well as upside participation should the share prices rise significantly.

The 2018 Annual General Meeting was held at the offices of Aztec Group, on 10 December 2018. All resolutions proposed at the AGM were passed with almost 100% of shareholders voting to support the Board's recommendations, including opposing the discontinuation of the Company. Following conclusion of the annual general meeting, Martin Adams has retired as a director of the Company. The Board and Management team would like to sincerely thank Martin for his tremendous support over the years.

### Historical share price and NAV (USD)



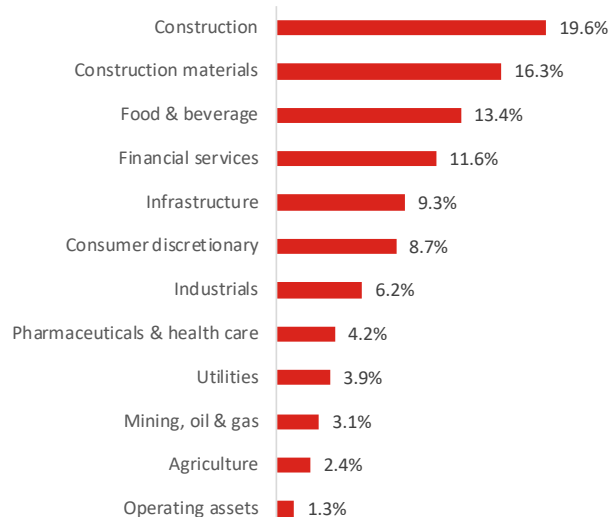
### VOF portfolio by asset class\*\*



■ Listed equity (66.8%)  
 ■ Unlisted equity (19.3%)  
 ■ Private equity (12.6%)  
 ■ Operating assets (1.3%)

\*\* Excluding cash & others:  
 Cash: 1.7% of NAV  
 Liabilities: -1.2% of NAV

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



### Macroeconomic Commentary

Vietnam's General Statistics Office (GSO) announced that the country's GDP growth increased from 6.8% in 2017 to an 11-year high of 7.1% in 2018, while inflation ended the year at a modest 3.5% year-on-year (y-o-y). Credit growth during the year was 14%, while the VND depreciated by about 2.2% against the USD, faring better than currencies in the Philippines and Indonesia, which lost 5% and 6%, respectively.

The improvement in Vietnam's economic growth in 2018 was primarily attributable to a tempering in the decline of the country's mining sector, as well as to a widening in Vietnam's trade surplus from 1.3% of GDP in 2017 to an estimated 3% of GDP in 2018. The mining sector, which accounts for 7% of Vietnam's GDP, shrank by 7.1% y-o-y in 2017, but the rate of decline in the mining sector output lessened to 3.1% in 2018, which boosted the country's GDP growth rate by 0.3 percentage points.

Vietnam's oil production volume declined by 11% in both 2017 and 2018, owing to physical constraints that inhibit exploration and production firms from pumping oil from existing, aging wells, but the country's coal production increased from negligible growth in 2017 to 9% growth in 2018, and natural gas production also improved, both of which augmented the mining sector's output.

In contrast to the modest improvement in Vietnam's mining sector, the growth of the country's manufacturing output moderated from 14.4% y-o-y growth in 2017 to 13% in 2018, which was attributable to a leveling off of the production growth of smart phones and other high-tech products that had enjoyed tremendous growth in recent years. Specifically, Vietnam's mobile phone production contracted by 1% y-o-y compared to a growth of 7% in 2017, and the country's high-tech export growth fell from 33% in 2017 to 12% growth in 2018.

That said, the prospects for the continued high growth of Vietnam's manufacturing output in 2019 are encouraging, given that the average of the country's Purchasing Managers' Index survey reached a record high of 53.6 in 2018, and given that the PMI has been above the '50' expansion-contraction threshold for more than two years. Furthermore, FDI inflows grew by 9% in 2018, and which augers well for continued gains in the country's manufacturing output, because over half of FDI is earmarked for the development of manufacturing facilities.

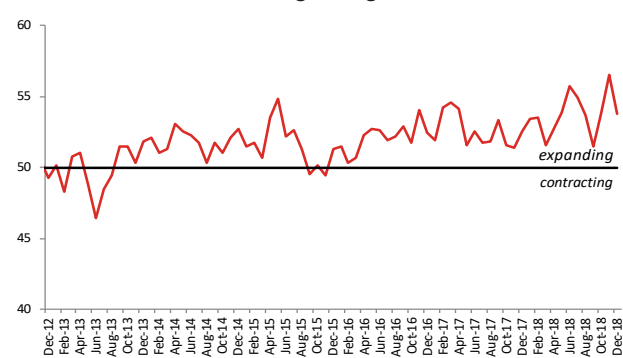
The outlook for inflation in Vietnam in 2019 is also benign, although the potential impact of oil prices is hard to predict given the extreme volatility of world oil prices in recent weeks. Administrative prices hikes, such as electricity, petrol and health care, are expected to add about one percentage point to the country's inflation rate in 2019, but we expect a drop in Vietnam's food price inflation from 5% in 2018 to about 3%, which is the average of the country's food price inflation rate in recent years, and which would reduce headline inflation by about one percentage point, ceteris paribus.

Finally, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the eleven-country trade pact that covers more than 500 million people and 13% of the global economy, took effect in Vietnam on 14 January 2019. CPTPP, which comprises all the original parties to the Trans-Pacific Partnership minus the US, is forecasted to provide a direct 1.32% boost to Vietnam's GDP and the creation of as many as 26,000 new jobs by 2035, according to the Ministry of Industry and Trade. Additionally, the pact will drive continued domestic economic reforms. Vietnam is the signatory of the most free-trade agreements in ASEAN.

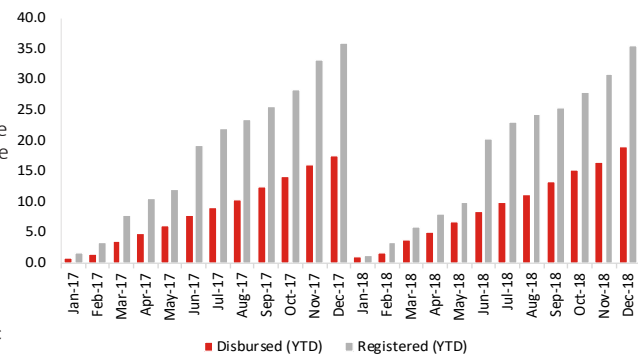
### Quarterly GDP growth (%)



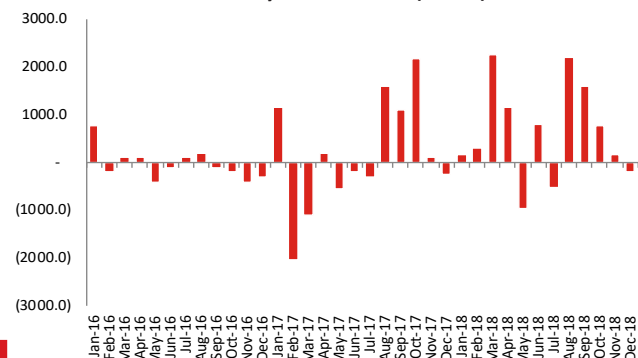
### Purchasing Managers' Index



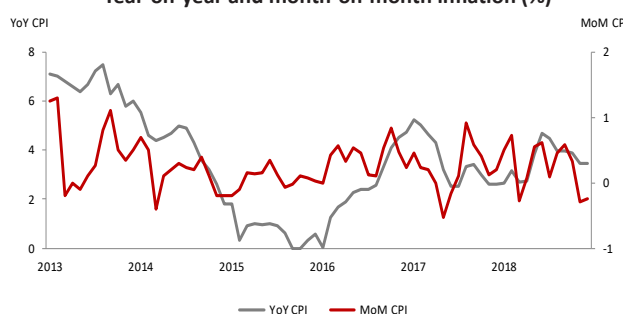
### Registered & disbursed FDI, cumulative YTD (USDbn)



### Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, Bloomberg

### Macroeconomic indicators

	2017	Dec-18	2018	Y-O-Y
GDP growth <sup>1</sup>	6.8%		7.1%	
Inflation (%)	2.6%			3.5%
FDI commitments (USDbn)	35.9	4.6	35.5	-1.2%
FDI disbursements (USDbn)	17.5	2.6	19.1	9.1
Imports (USDbn)	211.1	20.5	236.7	11.1%
Exports (USDbn)	213.8	19.6	243.5	13.2%
Trade surplus/(deficit) (USDbn)	2.7	(0.8)	6.8	
Exchange rate (USD/VND)	22,655	23,155		-2.2%

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

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
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	
<b>LEI</b>	2138007UD8FBBVAX9469
<b>ISIN</b>	GG00BYXVT888
<b>Bloomberg</b>	VOF LN
<b>Reuters</b>	VOF.L

Fund summary	
<b>Fund launch</b>	30 September 2003
<b>Term of fund</b>	Five years subject to shareholder vote for liquidation (next vote to be held by December 2023)
<b>Fund domicile</b>	Guernsey
<b>Legal form</b>	Exempted company limited by shares
<b>Investment manager</b>	VinaCapital Investment Management Ltd, with sub-delegation to VinaCapital Fund Management JSC
<b>Structure</b>	Single class of ordinary shares trading on the Main Market of the London Stock Exchange plc
<b>Auditor</b>	PricewaterhouseCoopers (Guernsey)
<b>Custodian</b>	Standard Chartered Bank Vietnam
<b>Custodian and Administrator</b>	Aztec Financial Services (Guernsey) Limited
<b>Registrar and Transfer Agency</b>	Computershare Investor Services
<b>Brokers</b>	Numis Securities (Bloomberg: NUMIS)
<b>Management and incentive fee</b>	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"> <li>- 1.50% of net assets, levied on the first USD500 million of net assets</li> <li>- 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million</li> <li>- 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million</li> <li>- 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million</li> <li>- 0.50% of net assets, levied on net assets above USD2,000 million</li> </ul> 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.
<b>Investment objective</b>	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
<b>Investment objective by geography</b>	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
<b>Dividend policy</b>	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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