

### Performance summary 31 January 2019

	USD	GBP
NAV per share:	5.05	3.84
Change (Month-on-month):	-0.6%	-4.2%
Total NAV (million):	938.1	713.2
Share price:	4.25	3.23
Market cap (million):	788.8	600.7
Premium/(discount):	-15.9%	-15.9%

GBP/USD exchange rate as 31 December 2018: 1.27

GBP/USD exchange rate as 31 January 2019: 1.32

Source: Reuters

### Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	-3.9	-16.3	60.0	60.1
Share price (USD)	0.6	-17.9	90.5	80.0
VN Index (USD terms)	0.2	-19.7	60.1	48.6
MSCI Emerging market	9.8	-16.3	41.4	12.1
MSCI Vietnam	1.3	-16.8	45.9	24.7

### Annual performance history (% change)

	CY	2019	2018	2017	2016	2015	2014
NAV per share (USD)		-0.6	-9.0	32.1	25.5	1.2	8.4
VN Index (USD terms)		2.0	-11.2	48.4	13.4	0.9	6.6

### Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	10.7	Construction materials
Khang Dien House (KDH)	8.6	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.7	Infrastructure
Vinamilk (VNM)	6.8	Food & beverage
Phu Nhuan Jewelry (PNJ)	6.3	Consumer discretionary
Eximbank (EIB)	4.7	Financial services
Quang Ngai Sugar (QNS)	3.6	Food & beverage
Vietjet Air (VIC)	3.4	Industrials
Coteccons (CTD)	3.2	Real estate & construction
PVPower (POW)	2.7	Utilities
<b>Total</b>	<b>57.7</b>	

\*Capital market equities

### January 2019: Market lags as foreign flow slows

While many stock markets around the world registered sizeable gains in January (e.g., the S&P rose 7.8%), the Vietnamese market's gain was comparatively muted at 2.0% in USD terms versus 8.7% for the MSCI Emerging Markets Index. Performance was not the only indicator that lagged as net foreign inflow during the month trailed regional peers. In 2018, Vietnam saw nearly USD2 billion in net foreign investment, the only country in Southeast Asia seeing such gains, despite the market declining similarly to its peers. This demonstrates how fund flows and stock market performance can sometimes be a contrarian indicator, as corporates and insiders chose to sell when the market was strong, as was the case for several large deals in Vietnam last year.

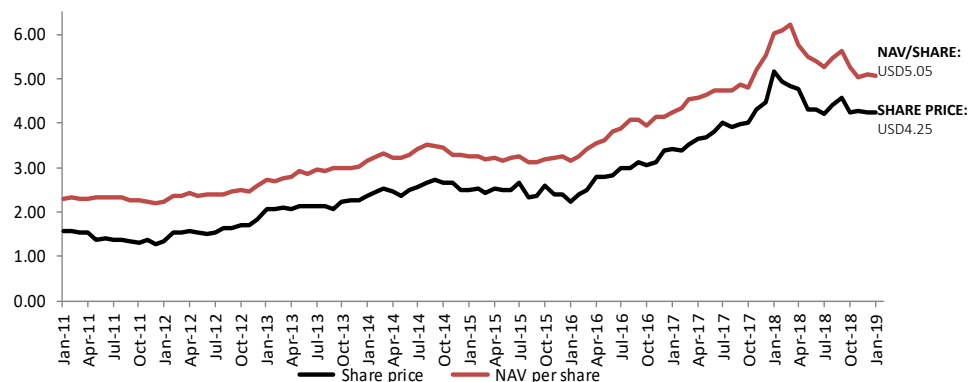
Despite the year starting off slowly in terms of foreign investment, we believe there are plenty of supporting factors for the market to catch up over the course of the year. Vietnam is obviously on the map for many more investors, both institutional or retail. From a valuation perspective, the multiple of the VN Index is now much more reasonable, trading at a 12-month trailing P/E of 15x, down from a peak of approximately 18-19x over a year ago. Today the market stands at a significant discount to its regional peers and is in our view quite reasonably valued. In addition, from a macroeconomic perspective, the forecasts for inflation (3%) and FX devaluation (2%) are quite low and supportive of Vietnam's stock market.

	Market Cap	INFLOWS				P/E	PERFORMANCE	
		2018 USDb	% Market cap	2019 USDb	% Market cap		2018	2019 YTD
Vietnam (VN Index)	124	1.9	1.5%	0.1	0.1%	15.0	-11.2%	2.0%
Philippines (PCOMP)	178	(1.1)	-0.6%	0.4	0.2%	18.9	-17.0%	8.0%
Malaysia (KLCI)	259	(2.9)	-1.1%	0.2	0.1%	19.1	-7.6%	0.5%
Indonesia (JCI)	488	(3.7)	-0.7%	1.0	0.2%	19.6	-8.8%	10.0%
Thailand (SET)	493	(8.9)	-1.8%	0.2	0.0%	14.5	-10.8%	9.4%
Average ex VN	355		-1.1%		0.1%	18.0		7.0%
<b>VN P/E discount to regional peers</b>						<b>-17%</b>		

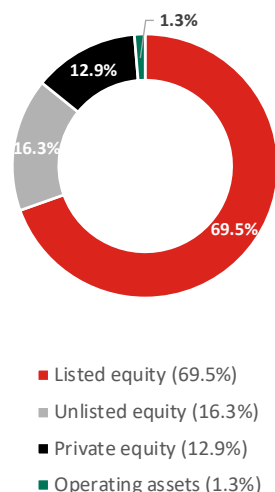
Source: Bloomberg

The fund's net asset value (NAV) per share declined 0.6% to USD5.05, underperforming the VN Index. VOF's discount narrowed to 15.9% in January 2019. This performance was due in part to results from two holdings that were below market expectations. Hoa Phat Group (HPG, -10.5%) reported modest earnings growth for 2018 on declining steel prices, although the stock has fully recovered at the time of writing. Meanwhile, Coteccons (CTD, -15.8%) announced a 9% profit decline in the financial year due to project delays.

### Historical share price and NAV (USD)

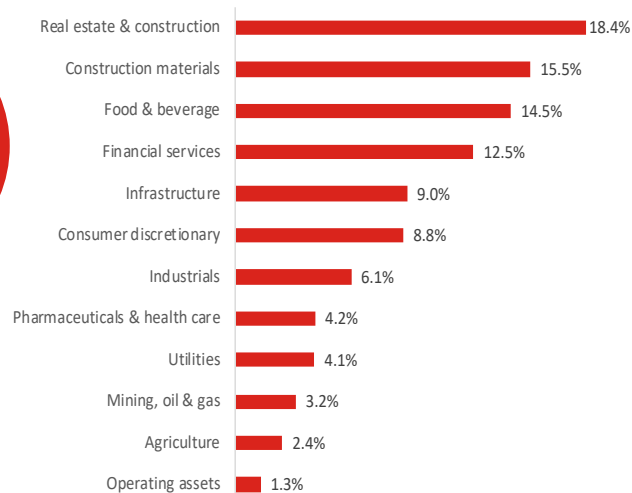


### VOF portfolio by asset class\*\*



\*\* Excluding cash & others:  
Cash: 1.8% of NAV  
Liabilities: -0.3% of NAV

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



### Private Equity Update: An Cuong Wood Working

An Cuong Wood Working JSC is the largest interior wood working and decorative materials company in Vietnam. It has several competitive advantages in this highly fragmented market, resulting in 60% market share in melamine face chipboard decorative panels and 80% in laminate decorative panels. In recent years, An Cuong started providing project interior services, which supplies furniture components for many key real estate projects in HCMC and nationwide. An Cuong has over 10 showrooms nationwide and two factories in Binh Duong province.

In 2018, An Cuong generated 21% year-on-year growth in revenue, while the bottom line was flat compared to 2017. Key growth catalysts were the melamine panels and project interior services, which delivered 27% and 25% sales growth y-o-y, respectively. These two segments contributed 78% of the company's total sales. Profit was flat relative to 2017 because 1) An Cuong had increased HR and pre-operating costs associated with the new plant, which started operation in October 2018; 2) an aggressive marketing campaign to expand into the northern part of Vietnam; and 3) significant changes in product mix, increasing the number of products with lower margins because the current factory was operating at full capacity in 2017 and 2018, leading to a contraction in gross margin to 30% from 34% in 2017. Overall, more than USD30 million was spent on the new factory, which features higher automation and will double the company's manufacturing capacity. The company expects a strong 2019, with revenue of USD180 million and net income of USD27 million, 31% and 22% CAGR, respectively, from 2016.

### Macroeconomic Commentary

Vietnam's macroeconomic performance in January 2019 continued to be solid in the lead-up to the Tet Lunar New Year holiday, which started on 2 February, and despite continued global uncertainty. Manufacturing grew 10% during the month, although when viewed on a year-on-year (y-o-y) basis, represented a sharp decline. In January 2018, manufacturing growth came in at 24% on the back of increased production of new models of Samsung mobile phones.

Samsung accounts for about a quarter of Vietnam's total exports, and slower growth at that company will have an outsized impact on Vietnam. With no new models from Samsung, mobile phone exports plunged 16% y-o-y in January 2019. Vietnam recorded an estimated USD820 million trade surplus during the month.

This idiosyncratic, Samsung-related issue coupled with the broader slowdown of the global economy led to a dip of the Nikkei Purchasing Managers' Index to 51.9 in January from 53.8 in December. That said, Vietnam's PMI reading has been above '50' – the level that indicates growth – for 38 consecutive months.

Two other encouraging highlights of the January economic statistics were a 9.4% y-o-y growth in retail sales in real terms, and a drop in Vietnam's headline inflation rate from 3% y-o-y in December to 2.6% in January, despite seasonal, upward pressures on Vietnam's inflation in advance of the Tet holiday. The decline in inflation was primarily attributable to soft oil prices and a plunge in medical and transport prices, which balanced out a surge in food prices.

Falling inflation fostered a decline of interest rates in Vietnam during January, despite the seasonal phenomenon of tight liquidity in the banking system at this time of year. Interbank interest rates declined from nearly 5% at the end of December to just above 4% by the end of January, while the 5-year Vietnam Government Bond (VGB) yield plunged from 4.5% to 3.8%; the interest rates that banks offer consumers to deposit or lend money were more-or-less unchanged during the month.

Meanwhile, the VN Dong remained stable during the month (although unofficially it appreciated by about 0.3%), with tepid inflation helping to stabilise the value of the country's currency and the decline in the value of the USD against a range of Emerging Market currencies also abetting VN Dong stability. The State Bank of Vietnam took advantage of the USD's decline during the month to purchase over USD4 billion, which reportedly boosted Vietnam's FX reserves to above three months' worth of imports, the level recommended by the World Bank, IMF, and other international finance organisations.

### Macroeconomic indicators

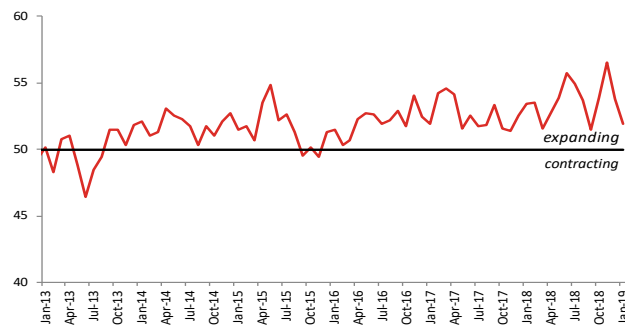
	2018	Jan-19	2019 YTD	YTD Y-O-Y
GDP growth <sup>1</sup>	7.1%			
Inflation (%)	3.5%	0.1%		2.6%
FDI commitments (USDbn)	35.5	1.9	1.9	51.9%
FDI disbursements (USDbn)	19.1	1.6	1.6	9.2%
Imports (USDbn)	236.7	21.3	21.3	5.4%
Exports (USDbn)	243.5	22.1	22.1	8.9%
Trade surplus/(deficit) (USDbn)	6.8	0.8	0.8	
Exchange rate (USD/VND)	23,155	23,160	0.0%	

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

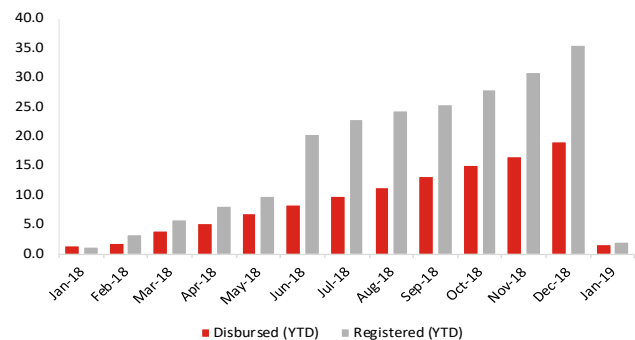
### Quarterly GDP growth (%)



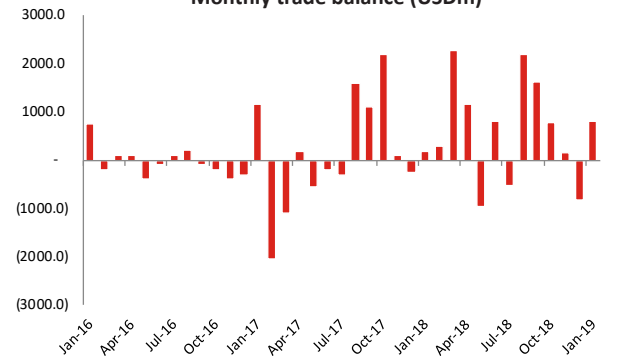
### Purchasing Managers' Index



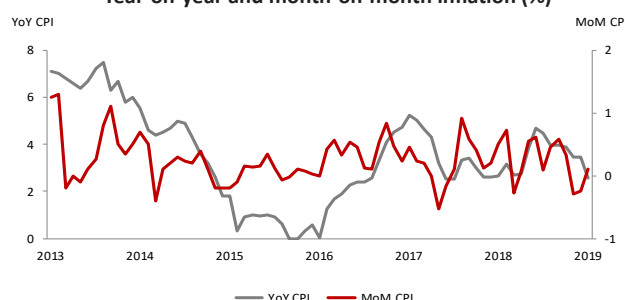
### Registered & disbursed FDI, cumulative YTD (USDbn)



### Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, Bloomberg

Board of Directors		VinaCapital Investment Management Ltd	
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Member	Role	Member	Role
Steven Bates	Non-executive Chairman	Don Lam	Group CEO
Thuy Dam	Non-executive Director	Brook Taylor	Group COO
Huw Evans	Non-executive Director	Andy Ho	Group CIO & Managing Director
Julian Healy	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 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"> <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.
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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