

Performance summary 28 February 2019

	USD	GBP
NAV per share:	5.23	3.93
Change (Month-on-month):	3.6%	2.3%
Total NAV (million):	970.9	730.0
Share price:	4.48	3.37
Market cap (million):	832.2	625.7
Premium/(discount):	-14.3%	-14.3%

GBP/USD exchange rate as 31 January 2019: 1.32

GBP/USD exchange rate as 28 February 2019: 1.33

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	3.8	-14.3	60.8	61.5
Share price (USD)	4.6	-9.1	86.0	81.8
VN Index (USD terms)	4.8	-15.6	65.9	49.7
MSCI Emerging market	5.7	-12.1	42.0	8.7
MSCI Vietnam	7.1	-9.6	65.3	27.6

Annual performance history (% change)

	CY	2019	2018	2017	2016	2015	2014
NAV per share (USD)		3.0	-9.0	32.1	25.5	1.2	8.4
VN Index (USD terms)		8.1	-11.2	48.4	13.4	0.9	6.6

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	12.3	Construction materials
Khang Dien House (KDH)	8.8	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.9	Infrastructure
Vinamilk (VNM)	7.1	Food & beverage
Phu Nhuan Jewelry (PNJ)	6.4	Consumer discretionary
Eximbank (EIB)	4.9	Financial services
Quang Ngai Sugar (QNS)	3.5	Food & beverage
Coteccons (CTD)	3.3	Real estate & construction
Vietjet Air (VIC)	3.1	Industrials
PVPower (POW)	2.5	Utilities
Total	59.9	

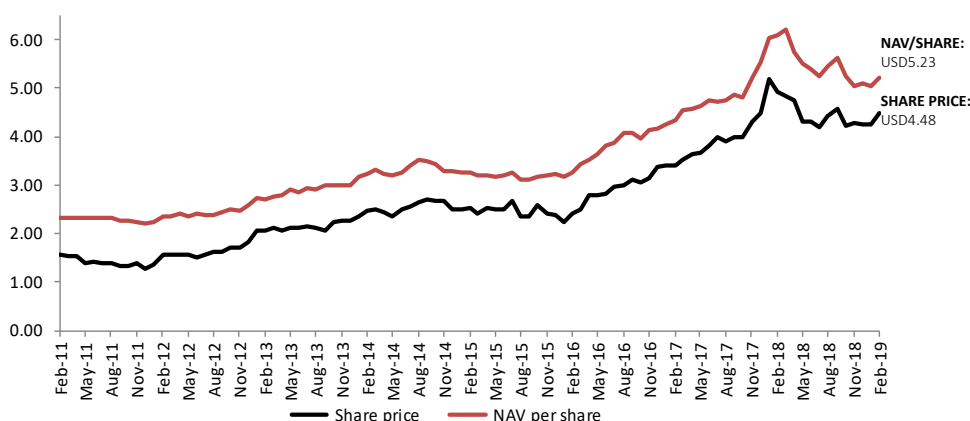
*Capital market equities

February 2019: Green on the Outside, but Red Inside

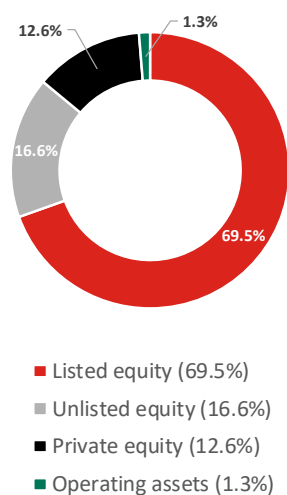
Some Vietnamese retail investors have a saying that the stock market in Vietnam is "green outside, red inside". What this means is that the VN Index can be up for the week/day but there are a lot of stocks that are losing value, painting a picture that looks very rosy on the outside but quite gloomy from the inside for most participating investors. This occurs when a few large caps with significant Index weights have registered outsized gains while the rest of the market struggled. The VN Index rose 55 points, or 6.0% (in USD terms) in February, with just over half of that coming from four stocks, namely Vingroup (VIC, +10%, contributing 10 points), Vinhomes (VHM, +9%, 8 points), PetroVietnam (GAS, +12%, 6 points) and Vietcombank (VCB, +7%, 4 points). These four stocks account for 34% of the Index, and if one was "lucky" enough to own these stocks at similar weights to the Index, one would have performed better than most, if not all, the active Vietnam funds. VOF's net asset value per share was USD5.23, an increase of 3.56% in USD terms. The discount rate narrowed to 14.3% as at end of February 2019.

VOF does not hold a number of the large cap stocks mentioned above due to their high valuations. As such, our capital market portfolio (+4.7% in USD terms) underperformed the Index by some margin. That said, we have no intention of changing our Index-agnostic stance simply because we are suffering some under performance in the short term. We are confident that our disciplined approach will bear fruit in the medium to long term. Moreover, in times like these, some technical analysts would advise caution as a rising market that has a very narrow breadth is not a healthy one, and it remains to be seen if a narrow list of large cap names that have led the market higher year to date can keep doing so going forward and/or not give back the gains registered so far.

Historical share price and NAV (USD)

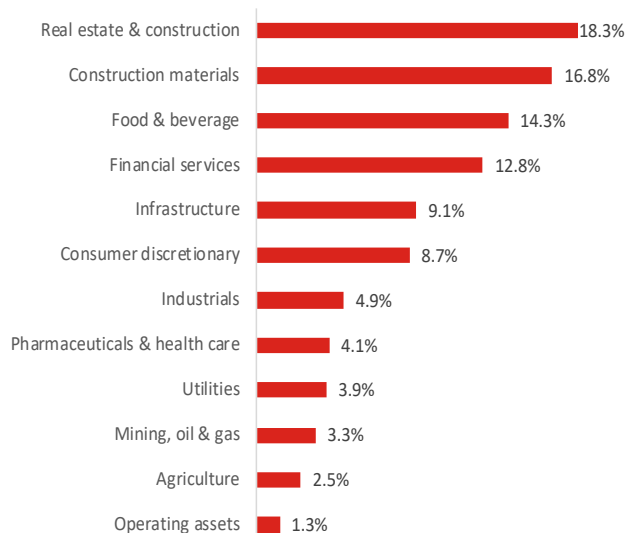


VOF portfolio by asset class**



** Excluding cash & others:
Cash: 3.9% of NAV
Liabilities: -0.7% of NAV

VOF portfolio allocation by sector**



Privately Negotiated Deal Update: Orient Commercial Bank

In July 2017, VOF invested in Orient Commercial Bank (OCB), a mid-tier retail bank in Vietnam, via a privately negotiated deal for an interest of around 5%. OCB ranks 17th out of 34 banks in terms of total assets. Although its market share is quite small (0.8% credit market share and 0.7% deposit market share) but it has been expanding fast over the last four years (CAGR 23%), with a focus on the southern region and a network of 124 locations. OCB was among the first three banks being verified by the State Bank of Vietnam for a full adoption of Basel II at the end of 2018.

In 2018, OCB maintained strong growth momentum with net profit of USD75.8 million (+115% y-o-y) thanks to improvements in both core and trading income. Interest income jumped 32% from 2H17's base (NIM +50 bps, loan growth + 17% y-o-y), while fee income increased by 84% in 2H18 primarily from banc-assurance and transactional banking. Meanwhile, bond trading gains jumped 20x given good conditions in the bond market.

OCB was very aggressive in resolving its bad debts in 2H18 with provision expense jumping 3.4x y-o-y. The bank has fully provisioned and cleared off all VAMC bonds from its balance sheet.

The bank plans to list on HOSE in 2Q2019.

Macroeconomic Commentary

Vietnam's inflation rate remained unchanged in February. Consumer prices increased 2.6% year-on-year (y-o-y), although the consumer price index increased 0.8% month-on-month (m-o-m), driven by a 1.7% mom increase in food prices, which was primarily due to the Lunar New Year holiday, which began on 2 February, 2019. An outbreak of swine flu in China could drive food price inflation higher as the year progresses (although pork prices in Vietnam actually fell by 3% mom in February), and the government recently announced that retail electricity prices will increase 8% in March (which will boost CPI by about 0.4%pts), so we expect Vietnam's inflation rate to reach a manageable 3.5% by the end of 2019.

While economic growth continues to be robust, year-on-year GDP growth is likely to be held back by a high base effect from surging Samsung production growth in early 2018, when production of the popular Galaxy S9 phone was under way. Specifically, manufacturing grew 12% in 2M19, lower than the same period a year earlier. Furthermore, production constraints led to a 12% y-o-y drop in crude oil production volume in 2M19, although petrol production nearly doubled thanks to the launch of a new oil refinery in Vietnam.

The Samsung effect also hit exports. As we have previously noted, the company accounts for one-quarter of Vietnam's exports, so the above-mentioned decline in cell phone production growth led to a 4% drop in the export of the high-tech products, which account for about one-third of the country's total exports. The Vietnam Customs reported that Vietnam ran a USD760 million trade deficit in February, which would bring the country's year-to-date trade balance to a deficit of USD64 million. Vietnam's exports grew 4.2% y-o-y, while imports grew 5.8% from 2M18 to 2M19.

The outlook for export growth for the rest of 2019 has dimmed somewhat on the back of weaker order books in both Vietnam and the rest of Asia. Vietnam's PMI survey reading fell from 51.9 in January to 51.2 in February as weak export orders led to the first monthly drop in manufacturing employment in three years.

Finally, during US President Trump's visit to Hanoi in late February, Vietjet and Bamboo Airlines signed orders to purchase aircraft and jet engines from Boeing and GE worth USD21 billion. Vietnam's trade surplus with the US shrunk from USD41 billion in 2017 to USD35 billion in 2018, driven by a 37% surge in Vietnam's imports from the US to USD13 billion.

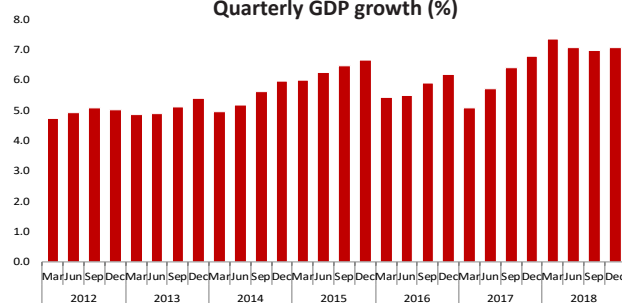
The VN Dong exchange rate was unchanged in February (although unofficially it has appreciated by about 0.3% YTD), supported by the fact that the State Bank of Vietnam has bought over USD4 billion of FX reserves YTD, and by a 10% y-o-y increase in disbursed FDI inflows in 2M18 to USD2.6 billion.

Macroeconomic indicators

	2018	Feb-19	2019 YTD	YTD Y-O-Y
GDP growth ¹	7.1%			
Inflation (%)	3.5%			2.6%
FDI commitments (USDbn)	35.5	6.6	8.5	153.2%
FDI disbursements (USDbn)	19.1	1.0	2.6	9.8%
Imports (USDbn)	236.7	14.7	36.2	5.8%
Exports (USDbn)	243.5	13.9	36.1	4.2%
Trade surplus/(deficit) (USDbn)	6.8	(0.76)	-0.64	
Exchange rate (USD/VND)	23.155	23.150	0.0%	

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

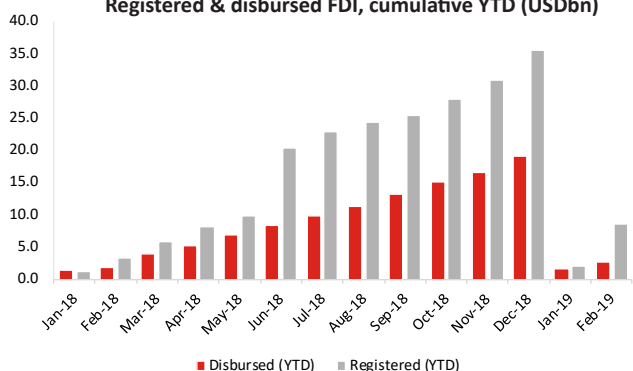
Quarterly GDP growth (%)



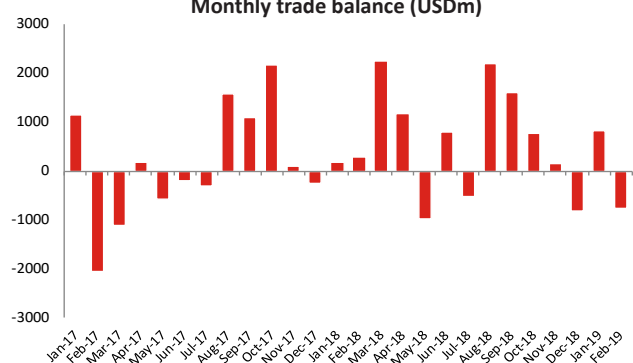
Purchasing Managers' Index



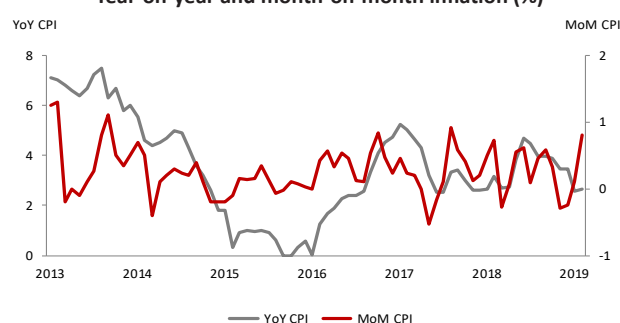
Registered & disbursed FDI, cumulative YTD (USDbn)



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
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"> - 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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