

## Performance summary 31 March 2019

	USD	GBP
NAV per share:	5.24	4.02
Change (Month-on-month):	0.2%	2.3%
Total NAV (million):	969.1	743.7
Share price:	4.35	3.34
Market cap (million):	805.0	617.8
Premium/(discount):	-16.9%	-16.9%

GBP/USD exchange rate as 28 February 2019: 1.33

GBP/USD exchange rate as 31 March 2019: 1.30

Source: Reuters

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	3.1	-15.5	53.1	58.7
Share price (USD)	2.7	-10.1	74.1	73.2
VN Index (USD terms)	9.8	-18.0	67.9	50.6
MSCI Emerging market	9.6	-9.6	26.4	6.4
MSCI Vietnam	12.9	-15.6	62.9	30.9

## Annual performance history (% change)

	CY	2019	2018	2017	2016	2015	2014
NAV per share (USD)	3.1	-9.0	32.1	25.5	1.2	8.4	
VN Index (USD terms)	9.8	-11.2	48.4	13.4	0.9	6.6	

## Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	11.6	Construction materials
Khang Dien House (KDH)	8.8	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.5	Infrastructure
Vinamilk (VNM)	6.5	Food & beverage
Phu Nuan Jewelry (PNJ)	6.0	Consumer discretionary
Eximbank (EIB)	4.8	Financial services
Quang Ngai Sugar (QNS)	3.5	Food & beverage
Vietjet Air (VIC)	3.4	Industrials
Coteccons (CTD)	2.6	Real estate & construction
HDBank (HDB)	2.4	Financial services
<b>Total</b>	<b>57.1</b>	

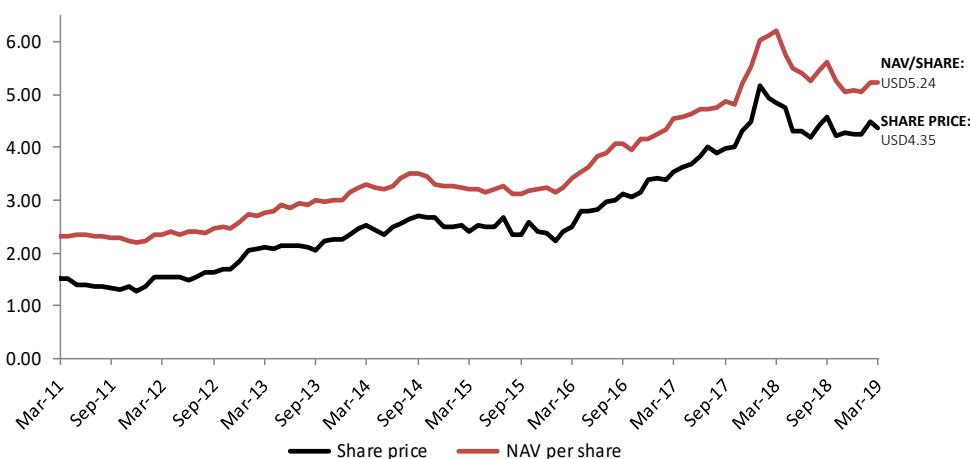
\*Capital market equities

## March 2019: The Stock Market Recovery Continues

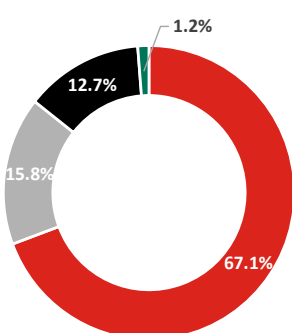
March was a bit of a rollercoaster for Vietnam's stock market, which rose along with global markets in the first half of the month but retreating in the second half. For the full month, the VN Index rose 1.6% in USD terms, its third consecutive month of gains. For the first quarter of 2019, the VN Index was up 9.8%, significantly above its regional peers such as Thailand, Indonesia, Malaysia, and the Philippines. That said, the VN Index's trailing P/E of 16.5x is still 16.2% below those markets. VOF's net asset value per share was USD5.24, an increase of 0.2% in USD terms (2.3% in GBP terms). In March, VOF announced the payment of a dividend of 5.5 US cents per share. The record date for dividends is Friday 5 April 2019. The shares will trade ex-dividend from Thursday 4 April 2019, payable to shareholders on or around 26 April 2019.

We expect the stock market will continue to see a degree of volatility, given the uncertain global economic outlook. While first quarter company earnings have been positive and in-line with expectations, and Vietnam's macro situation continues to be solid, issues such as the ongoing US-China trade dispute will continue to influence the stock market.

## Historical share price and NAV (USD)



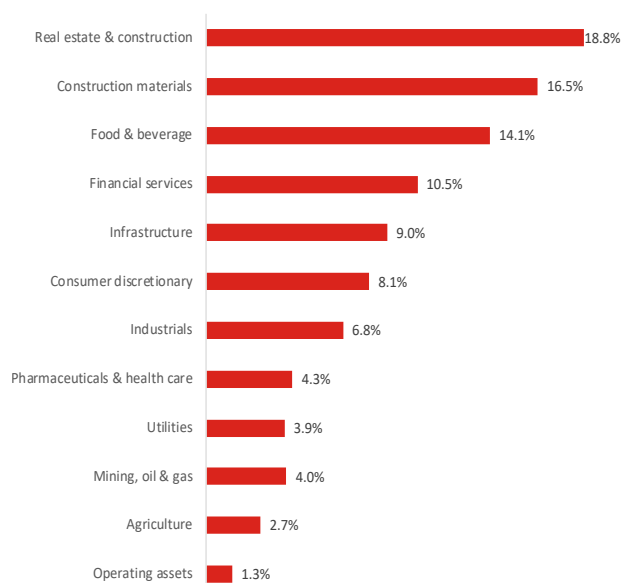
## VOF portfolio by asset class\*\*



- Listed equity (67.1%)
- Unlisted equity (15.8%)
- Private equity (12.7%)
- Operating assets (1.2%)

\*\* Excluding cash & others:  
Cash: 3.6% of NAV  
Liabilities: -0.4% of NAV

## VOF portfolio allocation by sector\*\*



### Private Equity Profiles

#### Century Land Joint Stock Company (CRE)

In early 2018, VOF invested nearly USD10 million to acquire a significant minority stake in Cenland, a private real estate brokerage company. As is typical in our private equity transactions, we negotiated a range of exit and downside protections, designed to help protect our investment. In this case, we asked Cenland to 1) list on the stock exchange within 12 months, and; 2) provide a performance commitment for the 2018 and 2019 calendar years.

Cenland listed on the Ho Chi Minh Stock Exchange in September 2018, becoming the first real estate brokerage to do so. Profit for 2018 was USD13.5 million (+28% y-o-y) – meeting its commitment – and it has targeted 2019 profit growth of 40%, which if it materialises, will also fulfil its commitment and is likely to be a positive catalyst to the share price. The current value of our investment is now substantially above the investment cost.

#### Thai Hoa International Hospital JSC

Healthcare is one of the sectors benefiting from Vietnam's expanding middle class, who are increasingly able to spend more on private medical care for themselves and their families. Back in 2016, VOF made an investment in Thai Hoa International Hospital JSC, the leading private hospital company in the Mekong Delta south of Ho Chi Minh City. Since our investment, we have worked with Thai Hoa's management to restructure its operations and finances, and that difficult initial process has already started to yield positive results. For FY2019, the company will open a new hospital in June and targets revenue of USD8.5 million, or growth of 35% over FY2018. [Click here](#) to view a short video about Thai Hoa's progress and potential for growth.

### Macroeconomic Commentary

GDP growth in Vietnam decelerated from 7.4% year-on-year (y-o-y) in 1Q18 to 6.8% in 1Q19, driven by a slowdown in industrial production (IP) growth from 13% to 9%, although inflation was unchanged at 2.7% y-o-y in both March 2018 and March 2019.

The slowdown in Vietnam's industrial production was driven by a one-month shut down of the Nghi Son oil refinery during Q1 due to certain technical issues, as well as driven by an estimated 10% y-o-y drop in the production of smartphones, which was attributable to the global "peak smartphone" phenomenon.

Despite these issues, Vietnam's manufacturing Purchasing Managers' Index (PMI) ticked up from 51.2 in February to 51.9 in March and has been over the '50' expansion-contraction threshold for 70 months, which augers well for growth for the rest of 2019.

That said, we are somewhat concerned about the possibility that the ongoing slowdown of China's economy may impact Vietnam. For example, Chinese tourist arrival growth has decreased from 49% in 2017 to 24% in 2018, and contracted -6% y-o-y in 1Q19, driving a reduction in Vietnam's overall tourist arrival growth from 29% in 1Q18 to 9% y-o-y in 1Q19. Note that foreign visitors contribute over 10% of Vietnam's retail sales. Overall real retail sales growth was nearly unchanged at about 9% y-o-y in both 1Q18 and 1Q19.

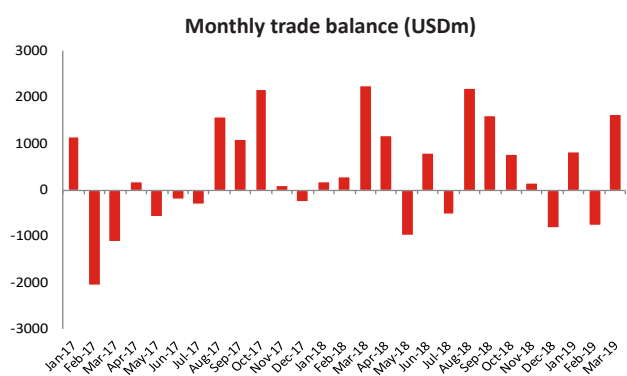
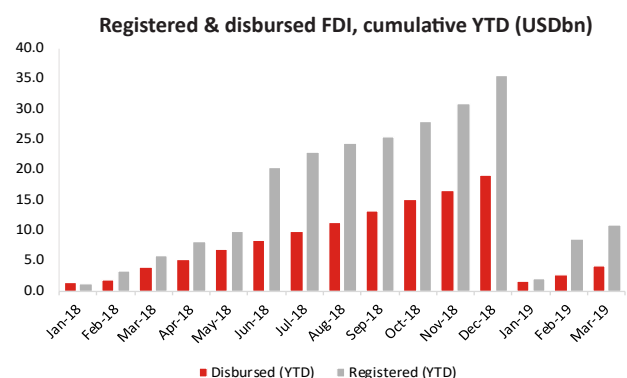
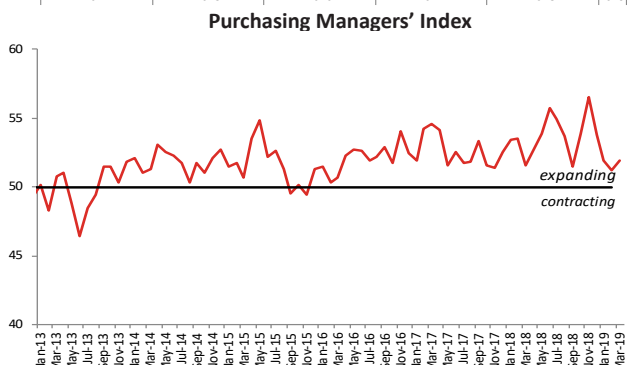
China's slowdown also depressed exports from Vietnam to China from 17% growth in 2018, to a -7% y-o-y contraction in 1Q19, driven by a 69% drop in cell phone exports to China. As a result, Vietnam's overall export growth declined from 25% in 1Q18 to just 5% in 1Q19, resulting in the country's trade surplus falling from USD2.7 billion in 1Q18 to USD1.4 billion in 1Q19.

In our opinion, Vietnam's modest export growth in Q1 was notable given that world trade is falling at the quickest pace since the global financial crisis, according to a report from the Dutch government. By comparison, Korean exports fell by nearly 10% y-o-y during the quarter.

Despite the drop in Vietnam's trade surplus, the unofficial value of the VN Dong appreciated by about 0.3% YTD, primarily because the central bank bought an estimate USD6 billion of FX reserves, bringing total reserves of USD65 billion back to three-months' worth of imports. The source of those reserves included USD4.1 billion of disbursed FDI, a 6% y-o-y increase over FDI disbursements in 1Q18.

Finally, Vietnam's headline inflation rate was unchanged at 2.7% y-o-y in March 2019, which was up slightly from 2.6% in February 2019. In short, a rebound in food price inflation from a very low base in 2018 to nearly 5% in 2019 added 1.5% to Vietnam's headline inflation rate, but this was completely offset by a collapse in medical price inflation from 22% in March 2018 to a negligible level in 2019 as government mandated health care price increases have ended for the time being.

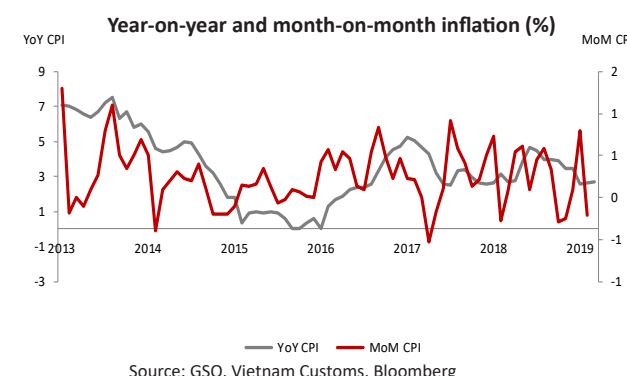
We expect inflation to pick up to 3.5% by the end of 2019, due to a circa 7% hike in electricity prices at the end of March, and by the nascent (in Vietnam) Asian Swine Fever epidemic, which is likely to cause a shortage of domestic pork supply later in the year.



### Macroeconomic indicators

	2018	Mar-19	2019 YTD	YTD Y-O-Y
GDP growth <sup>1</sup>	7.1%			6.8%
Inflation (%)	3.5%			2.7%
FDI commitments (USDbn)	35.5	2.3	10.8	86.2%
FDI disbursements (USDbn)	19.1	1.5	4.1	6.2%
Imports (USDbn)	236.7	21.2	57.5	8.0%
Exports (USDbn)	243.5	22.8	58.9	5.3%
Trade surplus/(deficit) (USDbn)	6.8	1.6	1.4	
Exchange rate (USD/VND)	23.155	23.150	0.0%	

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



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"> <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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