

Performance summary 31 July 2019

	USD	GBP
NAV per share:	5.03	4.11
Change (Month-on-month):	-1.6%	2.2%
Total NAV (million):	929.8	759.4
Share price:	4.26	3.48
Market cap (million):	787.5	643.1
Premium/(discount):	-15.3%	-15.3%

GBP/USD exchange rate as 30 June 2019: 1.27

GBP/USD exchange rate as 31 July 2019: 1.22

Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-2.5	-4.3	29.7	47.8
Share price (USD)	-2.0	1.5	43.0	65.9
VN Index (USD terms)	1.4	4.0	46.0	52.0
MSCI Emerging market	-3.9	-4.6	18.7	-2.7
MSCI Vietnam	-0.2	1.0	42.5	33.1

Annual performance history (% change)

	CY	2019	2018	2017	2016	2015	2014
NAV per share (USD)		-2.0	-9.0	32.1	25.5	1.2	8.4
VN Index (USD terms)		11.0	-11.2	48.4	13.4	0.9	6.6

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	11.2	Construction materials
Khang Dien House (KDH)	8.5	Real estate & construction
Airports Corporation of Vietnam (ACV)	8.5	Infrastructure
Phu Nhuan Jewelry (PNJ)	6.7	Consumer discretionary
Vinamilk (VNM)	6.0	Food & beverage
Eximbank (EIB)	5.1	Financial services
Quang Ngai Sugar (QNS)	3.4	Food & beverage
Coteccons (CTD)	2.9	Real estate & construction
Orient Commercial Bank (OCB)	2.5	Financial services
Vietjet Air (VIC)	2.3	Industrials
Total	57.0	

*Capital market equities

July 2019: A good month for markets, but the road ahead remains bumpy

July was a good month for the VN Index, which rose 4.8% (USD terms), outperforming Emerging markets (-1.7%) as trade tensions subsided for the time being, and the expectation of an interest rate cut by the US Federal Reserve whetted investors' appetite for risk. The Vietnamese market also benefitted from fairly decent earnings announcements from listed companies for Q2/H1 2019, with average net profit increasing 4.7% for the first half of the year. Most of our holdings reported and what follows are summaries for some of the most significant listed investments:

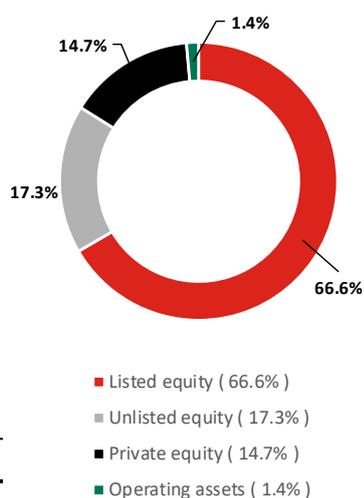
Hoa Phat Group (HPG): Results were better than expected with H1 net profit of USD166 million (-13% yoy) and 7% above the consensus expectation of USD156 million due to a better than expected Q2. The main reason for the profit decline was the impact of high iron ore prices but we expect the start of their third factory in Quang Ngai (central Vietnam) will increase volumes in H2. If iron ore prices remain high (YTD +38%), the consensus forecast is still going for a slight decline in profit yoy. HPG is currently trading at 8.0x LTM P/E and 6.4x LTM EV/EBITDA.

Airports Corporation of Vietnam (ACV): In line with consensus, ACV reported a net profit of USD159 million for H1 with core profit of USD170 million (+16% yoy, excluding FX losses). Compared to last year, there is a marked slowdown of passengers this year, as the number of Chinese tourists has declined, mainly due to the uncertainties posed by the trade war. ACV has announced that it will delay its runway maintenance plan, and we expect analysts to upgrade their forecast slightly accordingly. One of the key factors affecting the price of ACV's stock is its delayed listing on the Ho Chi Minh Stock Exchange (from the Unlisted Market) due to the unresolved treatment of the runways (i.e., it remains to be determined whether the government will sell the runways to ACV or rent them to ACV), and as such, the accounts are not yet unqualified and cannot be accepted to list. However, recently a large brokerage firm published a report stating that the company may be able to sort this out by Q3 and could list in Q1 next year. ACV is trading at 25x 2019E EPS and 13.5x 2019 EV/EBITDA.

Khang Dien House (KDH): H1 results were in line with expectations, with net profit of USD9.2 million, fulfilling 24% of the company's target. Most of KDH's H1 earnings came from booking an apartment project and some land plots. During a recent investor meeting, the company disclosed that the selling price in one of KDH's larger projects, which will be launched in H2, is 50% higher than some analyst estimates, and this project will be the key earnings driver in 2019-2020. For this year, the company estimates net profit of USD45 million (+29% yoy), 16% higher than the company's initial target. For the period 2020-2021, KDH expects profit growth of 35% and 54% respectively, which is also higher than consensus. KDH is trading at 16.2x P/E LTM and 1.8x P/B.

Vinamilk (VNM): The dairy company announced results that were slightly above consensus, with sales and net profit of USD1.2 billion and USD245.4 million, increasing 8% and 6% respectively, driven by recovering export sales of USD178.7 million (+15% in H1) and gross margin expansion on higher contributions from premium products and lower milk powder prices. Domestic sales growth was quite decent at 6% in H1. VNM has now completed 54% of its earnings target for 2019. It is trading at 22.0x P/E LTM and 2019 EV/EBITDA of 15.2x.

VOF portfolio by asset class**



** Excluding cash & others:

Cash: 3.4% of NAV

Payables & receivables: 0.5% of NA

VOF portfolio allocation by sector**



Macroeconomic Commentary

Vietnam's consumer price index (CPI) inflation rate ticked up from 2.2% year-on-year (yoy) in June to 2.4% in July 2019, but fell from 4.5% in July 2018, driven by a collapse in food price inflation, and stable world oil prices, which both subtracted about one percentage point from the headline CPI rate.

The decline in food prices was due to a transitory effect related to African Swine Fever (ASF), which will almost certainly reverse in 2H19, meaning that inflation is likely to reach 3.5%-4% later in the year. Specifically, farmers have been aggressively selling their pigs into the market since ASF was first discovered in Vietnam in February, resulting in a 30% yoy decline in the price of pork, which contributes about 6% to the country's CPI basket.

However, Vietnam has culled over 10% of its total swine population (which fell 16% yoy), so we expect a shortage of pork to push food price inflation up later in the year. Note that Vietnam's 2.3% food price inflation in July was much lower than China's circa 8% yoy rate because pork prices in China, which suffered its first major ASF outbreaks about eight months before Vietnam, are up about 30% yoy.

The growth of Vietnam's manufacturing output was nearly unchanged at 10.8% yoy in 1H19 and 10.7% in 7M19, which was reflected in a modest uptick in Vietnam's purchasing managers' index (PMI) reading of 52.6 in July. Industrial base growth is being supported by a 7% yoy increase in FDI disbursements to USD10.6 billion, although newly registered FDI fell 36% yoy from USD18.6 billion in 7M18 to USD11.7 billion in 7M19. This plunge was attributable to the unusually high USD10.4 billion worth of FDI the country attracted in the month of June 2018, including Sumitomo's USD4.1 billion real estate development project in Hanoi.

In contrast to that plunge, Chinese FDI more than doubled from USD1.1 billion in 7M18 to USD2.5 billion in 7M19, making China the third-largest investor of registered FDI in Vietnam this year. We assume that this surge is attributable to an attempt to circumvent US tariffs on imports from China. Another consequence of the trade war was a 25% yoy surge in Vietnam's exports to the US – making it Vietnam's largest export market (22% of total exports) – and a concurrent 17% increase in imports from China, making that country its biggest source of imports (29% of total).

This dynamic is positive for Vietnam's economy, but raises concerns that local firms could be importing Chinese products and essentially re-exporting them to the US via Vietnam, which could make Vietnam vulnerable to punitive measures from the US government, especially because Vietnam's trade surplus with the US surged from USD13.8 billion in 7M18 to USD24.2 billion in 7M19.

The surge in exports to the US helped drive 8% y-o-y export growth in 7M19, however it was a significant drop from the 17% growth the country achieved in 7M18. As a result, Vietnam's trade surplus shrunk from USD2.6 billion in 7M18 to USD1.7 billion in 7M19 according to the Vietnam Customs. Despite that modest deterioration, the value of the VND appreciated by about 0.4% m-o-m, and 0.1% YTD at the end of July.

At the time of writing, the US-China trade war escalated with the US designating China a "currency manipulator." Although the dispute would appear to be ratcheting up, and global economic conditions remain uncertain, we continue to believe that Vietnam's stable macroeconomic growth will continue to prevail.

2019 VinaCapital Investor Conference – Save the Date

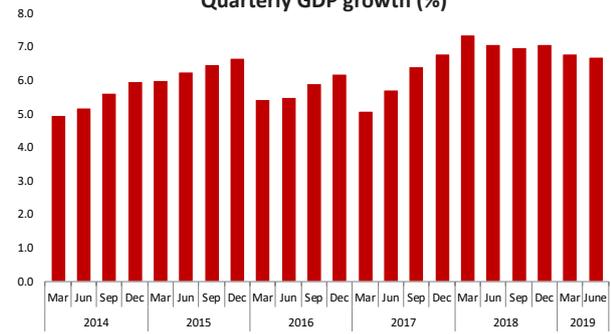
VinaCapital's 2019 Investor Conference will be held 9-11 October, this year in Hanoi. Watch for more information in the coming weeks.

Macroeconomic indicators

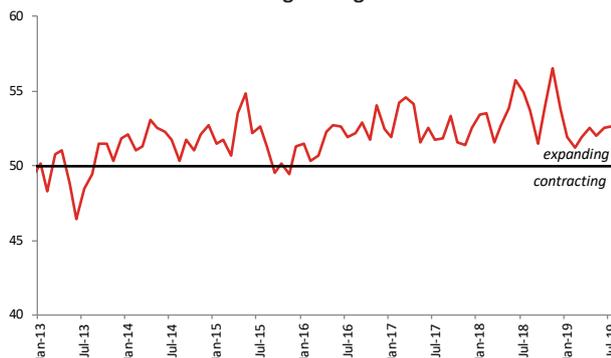
	2018	Jul-19	2019 YTD	Y-O-Y
GDP growth ¹	7.1%			6.8%
Inflation (%)	3.5%			2.4%
FDI commitments (USDbn)	35.5	1.8	20.2	(11.9%)
FDI disbursements (USDbn)	19.1	1.5	10.6	7.1%
Imports (USDbn)	236.7	22.9	143.8	8.8%
Exports (USDbn)	243.5	23.0	145.5	7.8%
Trade surplus/(deficit) (USDbn)	6.8	0.2	1.8	
Exchange rate (USD/VND)	23,155	23,140	0.1%	

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

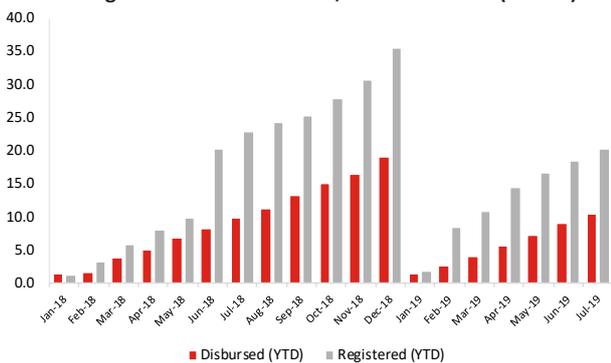
Quarterly GDP growth (%)



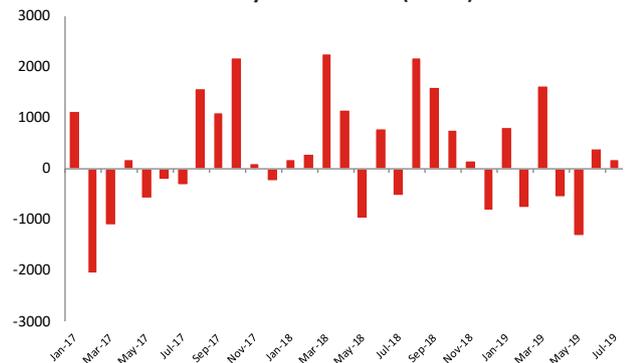
Purchasing Managers' Index



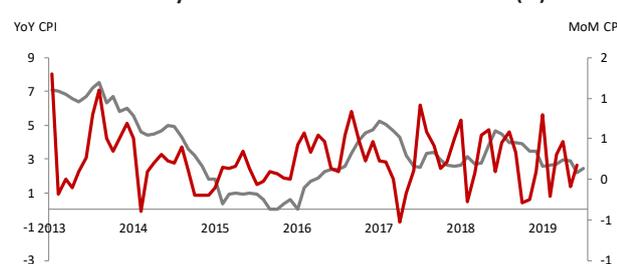
Registered & disbursed FDI, cumulative YTD (USDbn)



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
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Julian Healy	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
Kathryn Matthews	Non-executive Director	Loan Dang	Deputy Managing Director, Private Equity

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

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