

Performance summary 30 September 2019

	USD	GBP
NAV per share:	4.98	4.04
Change (Month-on-month):	0.2%	-1.0%
Total NAV (million):	920.8	747.2
Share price:	4.21	3.42
Market cap (million):	777.7	631.1
Premium/(discount):	-15.5%	-15.5%

GBP/USD exchange rate as 31 August 2019: 1.22
 GBP/USD exchange rate as 30 September 2019: 1.23
 Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-2.5	-11.3	22.2	42.8
Share price (USD)	-3.0	-7.8	35.0	55.0
VN Index (USD terms)	5.4	-1.5	39.7	52.1
MSCI Emerging market	-5.1	-4.5	10.8	-0.4
MSCI Vietnam	3.3	-1.5	45.4	35.3

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)		11.6	-11.2	48.4	13.4	0.9	6.6

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	11.0	Construction materials
Khang Dien House (KDH)	9.9	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.9	Infrastructure
Phu Nhuan Jewelry (PNJ)	7.1	Consumer discretionary
Vinamilk (VNM)	6.4	Food & beverage
Eximbank (EIB)	4.7	Financial services
Quang Ngai Sugar (QNS)	3.2	Food & beverage
Coteccons (CTD)	2.7	Real estate & construction
Orient Commercial Bank (OCB)	2.5	Financial services
Ho Chi Minh City Development Bank	2.2	Financial services
Total	57.6	

*Capital market equities

September: Little movement in global stock markets, and a renewed focus on private investment

Global markets did little in September, although the VN Index increased 1.3% in USD terms, a solid performance especially compared to its regional ASEAN peers (Philippines: -2.5%, Malaysia: -1.8%, Indonesia: -2.5%, Thailand: -1.1%), which fell on average 1.6% in USD terms during the month.¹ The VN Index was led by the banks – buoyed by news of the State Bank of Vietnam's 25 bps rate cut – and foreign ownership limit (FOL) stocks on news that two new ETFs will be launched based on stocks in the financial services sector and those whose FOLs are full. Additionally, Vietnam's macroeconomic indicators continue to be very positive, a remarkable achievement as uncertainty continues to grip most of the world.

The fund's NAV per share was flat, increasing just 0.20% in USD terms. In recent months, the fund has taken advantage of market conditions to pare back holdings in the capital market portfolio (including last month's previously reported VJC sale). As we have often noted, most of our capital market portfolio originated as private investments and over time, they migrated to the listed portfolio through an IPO and listing process. Recently we found that the time was right to sell certain of these holdings.

Over the past year or so, we have evaluated more than 100 potential private equity investments and narrowed the pipeline to six companies with the greatest potential. Subsequent to the end of September we announced that we led a consortium to invest USD21.4 million in Ngoc Nghia Industry-Services-Trading Joint Stock Company, a leading packaging manufacturer in Vietnam. The fund will invest USD17.0 million and will receive two seats on the Board. More information about the fund's investment in Ngoc Nghia may be found [here](#).

Unless final negotiations and due diligence result in some unforeseen problems with this and the other deals we are in the process of negotiating, we expect to announce several more such deals in the months ahead. Provided we successfully reach agreements with the companies with whom we are negotiating, the weight of the fund's private equity portfolio should rise to approximately one-quarter, providing additional stability as stock markets continue to be a bit erratic as well as the potential for significant future growth in the NAV.

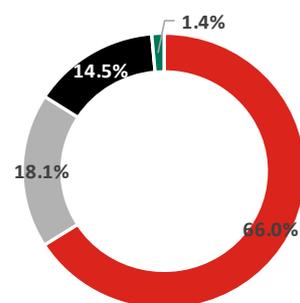
Post-September update on NAV

Subsequent to the September month end NAV release, the change in NAV over the week ending Friday, 11 October 2019 reflects not only the marked-to-market change in the listed portfolio, but also reflects the valuation adjustments that were recommended by the Audit Committee at their recent meeting. The practice, as in previous years, is that once approved by the Board the adjustments to portfolio valuations are immediately incorporated into the NAV by our Fund Administrator.

The majority of the adjustments incorporated into the weekly NAV reported on Friday, 11 October are from the uplift in value of our Private Equity investments, including International Dairy Products, An Cuong Wood-Working, and Thai Hoa Hospital, as well as certain accrual adjustments – in aggregate approximately USD29 million.

1 Source: Bloomberg

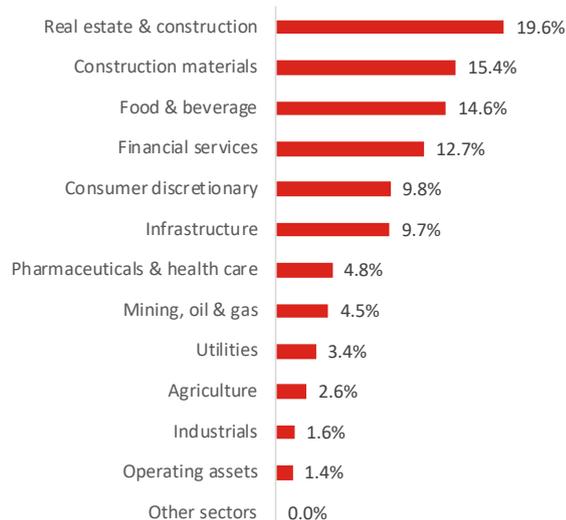
VOF portfolio by asset class**



■ Listed equity (66.0%)
 ■ Unlisted equity (18.1%)
 ■ Private equity (14.5%)
 ■ Operating assets (1.4%)

** Excluding cash & others:
 Cash: 6.9% of NAV
 Payables & receivables: 0.1% of NAV

VOF portfolio allocation by sector**



Macroeconomic Commentary

Vietnam enjoyed “Goldilocks” economic conditions during Q3, characterised by an increase in growth, coupled with a decline in inflation. Specifically, GDP growth accelerated from 6.7% y-o-y in Q2 to 7.3% in Q3 – the highest level in nine years – but CPI inflation declined from 2.2% y-o-y in June 2019 to just 2% at the end of September.

The decline in Vietnam’s inflation was attributable to a 12% y-o-y drop in retail petrol prices, while the acceleration in GDP growth was driven by a surge in household consumption, which accounts for about two-thirds of the country’s economy.

Further to that last point, we estimate that the rate consumer spending grew (excluding the impact of inflation) was well over 9% during Q3, and we believe this robust rate of growth is partly attributable to the “wealth effect” of rising real estate prices in HCMC and Hanoi. In short, individuals who bought apartments and land plots as investments have seen the value of those investments climb by over 10% during the past 12 months – reinforcing the desire and ability of those investors to buy consumer products and services.

Next, Vietnam’s manufacturing sector also continues to power ahead, although the growth of manufacturing output dipped from 12% in 9M18 to 11.4% y-o-y in 9M19. This resulted in Vietnam’s Nikkei Purchasing Managers’ Index score fell to 50.5 in September, but still in expansion territory.

That said, the outlook for continued growth in manufacturing output remains positive, partly because FDI disbursements grew 7% y-o-y to USD14 billion in 9M19, and we estimate that over half of those investments will be channelled into the further development of manufacturing facilities.

One risk to the optimistic outlook outlined above is the on-going slowdown of China’s economy, which has already affected Vietnam to some degree. For example, tourist arrivals from China grew 49% in 2017 to 30% in 9M18, but just 4% in 9M19, which in turn contributed to slower growth in Vietnam’s overall tourist arrivals from 23% in 9M18 to 11% y-o-y growth in 9M19. Note that we estimate foreign tourists contribute about 10% of Vietnam’s total retail sales.

Exports from Vietnam to China moved from 27% growth in 9M18 to a 4% decline in 9M19, resulting in overall export growth falling from 16% in 9M18 to 8% in 9M19. That said, Vietnam’s export performance continues to outperform its regional peers; Korea’s exports, which are the most closely watched benchmark of EM Asia, fell by 10% y-o-y in 9M19, driven by an 18% collapse in exports to China.

Vietnam’s total exports continued to rise due to a 28% y-o-y surge in exports to the US in 9M19, although imports from China also increased 17% y-o-y, leading to concerns that firms are importing products from China, only to re-export those goods to the US – with little or no value added in Vietnam – in order to circumvent US tariffs on imports from China. The anecdotal evidence that is happening include a 30% surge in Vietnam’s trade surplus with the US to USD34 billion in 9M19, and a concurrent surge in Vietnam’s trade deficit with China to USD28 billion.

Finally, Vietnam posted a USD7.2 billion trade surplus in 9M19, which was higher than 9M18 (USD6.3 billion). That circa 3% of GDP trade surplus, coupled with the accumulation of over USD10 billion of FX reserves by the State Bank of Vietnam, led to a 0.3% YTD appreciation in the unofficial value of the VN Dong. Note that the USD-VND exchange range was essentially unchanged from end-August to end-Sept 2019.

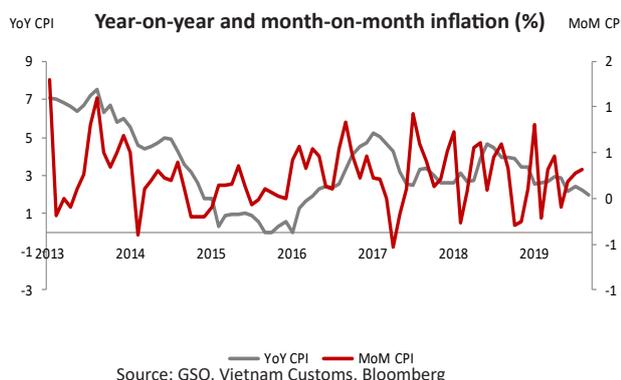
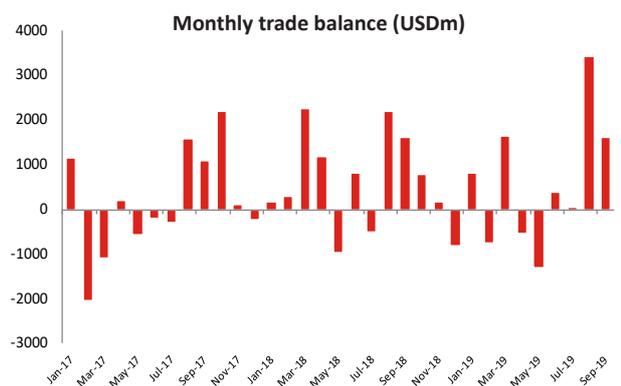
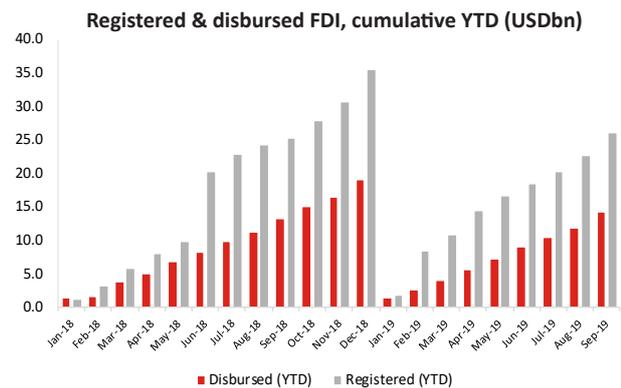
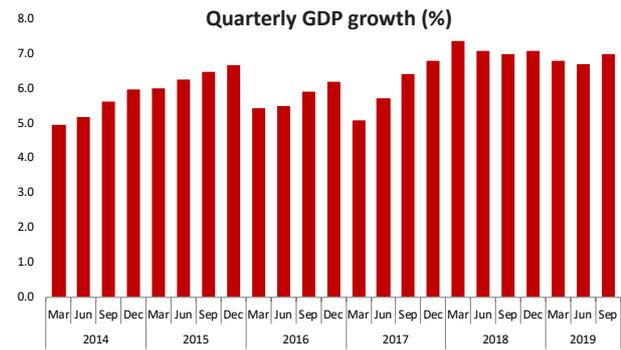
2019 Investor Conference

We appreciated the opportunity to meet with shareholders who travelled to Hanoi last week for VinaCapital’s 2019 Investor Conference. The fund’s presentation can be found [here](#).

Macroeconomic indicators

	2018	Aug-19	2019 YTD	Y-O-Y
GDP growth ¹	7.1%			7.0%
Inflation (%)	3.5%			2.0%
FDI commitments (USDbn)	35.5	3.5	26.1	3.1%
FDI disbursements (USDbn)	19.1	2.3	14.2	7.3%
Imports (USDbn)	236.7	21.8	187.5	8.4%
Exports (USDbn)	243.5	23.4	194.7	8.4%
Trade surplus/(deficit) (USDbn)	6.8	1.6	7.2	
Exchange rate (USD/VND)	23,145	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
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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