

### Performance summary 31 January 2020

	USD	GBP
NAV per share:	4.84	3.67
Change (Month-on-month):	-3.2%	-4.9%
Total NAV (million):	882.2	669.3
Share price:	4.19	3.18
Market cap (million):	763.8	579.4
Premium/(discount):	-13.4%	-13.4%

GBP/USD exchange rate as 31 December 2019: 1.32

GBP/USD exchange rate as 31 January 2020: 1.32

Source: Reuters

### Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-4.8	-4.2	14.2	48.4
Share price (USD)	-5.4	-1.3	22.9	67.3
VN Index (USD terms)	-6.3	2.7	30.7	49.0
MSCI Emerging market	2.0	1.2	16.8	10.5
MSCI Vietnam	-7.9	-1.0	43.3	30.9

### Annual performance history (% change)

	CY	2020	2019	2018	2017	2016	2015
NAV per share (USD)		-3.2	-2.7	-9.0	32.1	25.5	1.2
VN Index (USD terms)		-2.7	7.7	-11.2	48.4	13.4	0.9

### Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	12.0	Construction materials
Khang Dien House (KDH)	8.9	Real estate & construction
Phu Nhuan Jewelry (PNJ)	7.7	Consumer discretionary
Airports Corporation of Vietnam (ACV)	6.9	Infrastructure
Vinamilk (VNM)	5.5	Food & beverage
Eximbank (EIB)	5.3	Financial services
Quang Ngai Sugar (QNS)	3.1	Food & beverage
Orient Commercial Bank (OCB)	2.8	Financial services
FPT Corporation (FPT)	2.2	Industrials
Coteccons (CTD)	1.5	Real estate & construction
<b>Total</b>	<b>56.1</b>	

\*Capital market equities

### January 2020: Coronavirus infects the market

The outbreak of the coronavirus came during the celebration of the Lunar New Year, and when the Vietnamese stock market re-opened for trading on 30 January, had an immediate and negative impact. During the last two days of the month, the VN Index fell 5.7% with stocks falling across the board, although some sectors – namely aviation and related services – were more affected than others. For the full month of January, the VN Index fell 2.7%. The fund's NAV per share fell 3.2% (USD terms) for the month, slightly more than the decline of the VN-Index.

During the first week of February, the VN Index recovered 0.37%, taking the overall loss to 5.4% since it reopened. The sector hit hardest was obviously tourism supported services (3.8% of GDP), with stocks of airlines and the airport operator plunging on the news coming out of China. Chinese tourists accounted for 32% of foreign arrivals in Vietnam in 2019. One of our major holdings, Airports Corporation of Vietnam (ACV), declined 14.5% despite releasing 2019 results significantly better than consensus with core earnings growth of 25% y/y.

The potential impact of a slowdown in China's economic activity has also hit commodities such as oil & gas and steel, and our largest holding, Hoa Phat Group, was also affected, increasing 2.6% in January (yet declining 7.4% since the stock market reopened). The SARS outbreak in 2002-2003 had an immaterial effect on the Vietnamese economy due to the small number of infected cases in the country; at the time of writing, there are twelve confirmed cases of coronavirus in Vietnam. Accordingly, we do not believe that there will be a direct hit to construction activities in Vietnam and the demand for steel should continue to be solid. There is a risk, however, that lower prices for Chinese steel could lead to a rise in imports. At present, domestic construction steel prices remain 3% lower than those from China.

Banking stocks were also under pressure given their broad exposure to the economy (including tourism), but our holding in EIB (0.3%) held up better than the sector average (-3.2%).

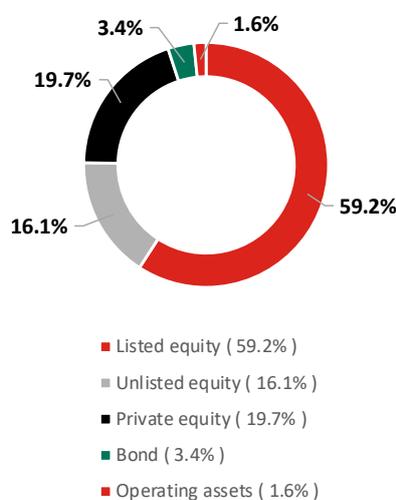
For oil & gas exposure, our holding in PVS declined 10.4% but this company is in oil & gas services and while still impacted by lower oil prices, it should be less affected than oil drillers.

What is surprising is that the consumer stocks we hold such as VNM (declined 9.2%) and PNJ (declined 9.5%) – which are not directly impacted – also declined significantly. Another non-direct impacted stock that was also hit was FPT (declined 5.7%) and we have used this opportunity to acquire additional shares without needing to pay a large FOL premium as the stock is a sought-after name.

For our private equity holdings such as IDP (consumers) and An Cuong (construction materials), the effect of coronavirus cannot be quantified in terms of NAV movements, but we think the impact to their overall businesses should be similar to listed holdings in the same sectors. It remains too early to quantify the potential impact in terms of revenues and profit, but we will reassess all our holdings as the situation continues to develop and will provide updates when appropriate.

In summary, depending on how long it takes to contain the coronavirus, the impact to the Vietnamese economy should be marginal for the full year and we believe that the Vietnamese Government could implement stimulus measures should growth weakens later in the year, similar to what China is doing. The fund has sufficient cash and could look to deploy some of this in the capital markets if valuations are compelling enough after considering the risk from a prolonged period of uncertainty regarding the outbreak.

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



\*\* Excluding cash & others:

Cash: 6.4% of NAV

Payables & receivables: -0.5% of NAV

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



### Private equity portfolio expected to deliver strong growth

As at 31 January 2020, VOF's privately negotiated holdings include 8 investments that are valued at USD172 million. Based on this reported NAV, the implied total market capitalisation of these companies is just over USD1 billion.

Looking at these 8 investments on a consolidated basis, we expect approximately:

- 18% EBITDA growth (2019 EBITDA USD108 million vs 2020 (forecasted) EBITDA USD127 million), with the exception of SSG, a property development company that does not report EBITDA;
- 20% earnings growth (2019 profit after tax (PAT) USD88 million vs 2020 (forecasted) PAT USD105 million); and
- Forward EV/EBITDA and P/E multiples for these companies are 6.9x and 9.6x, respectively.

The underlying growth across these investments comes from overall robust domestic consumption, their large market share and scale that allows headroom for growth. Admittedly, the 2020 forecasts have not been revised considering the effects of the Coronavirus.

### Macroeconomic Commentary

Vietnam's January 2020 macroeconomic performance was significantly influenced by the early timing of the Tet (Lunar) New Year holiday this year, and by the on-going African Swine Fever (ASF) epidemic. Note that the country's economy was not yet meaningfully impacted by the coronavirus outbreak in January, which is discussed below.

In 2020, the Tet holiday took place entirely in the month of January (versus occurring entirely in February last year), and as a result, the number of working days in January 2020 was essentially 20% less than in January 2019. For that reason, it is not surprising that the country's manufacturing output fell by 5% year-on-year (y-o-y), that real retail sales growth (a proxy for household consumption) dropped from 11% y-o-y last January to 7% in January 2020, while the GSO estimated that Vietnam's exports fell 17.4% from January 2019 to January 2020. Accordingly, a true assessment of the country's economic performance in early 2020 will come from comparing all the above metrics in 2M20 versus 2M19.

January saw a dramatic surge in Vietnam's Consumer Price Index (CPI) inflation rate from 5.2% y-o-y in December 2019 to 6.4% in January 2020, driven by an 8% month-on-month increase in pork prices, which in turn drove the increase in Vietnam's food prices (36% of the CPI basket) from 9% y-o-y in December to 11% in January. Pork prices fell by about 20% from their peak level in December by mid-January, and the coronavirus outbreak is also likely to depress Vietnam's inflation rate, especially due to the near 20% collapse in oil prices in 2020.

Unfortunately, the coronavirus outbreak will also meaningfully impact Vietnam's economy in the first quarter and possibly into the second quarter. It has been widely reported that the SARS epidemic reduced China's GDP growth by about two percentage points at its peak in the second quarter of 2003 (and by about one percentage point for the full year 2003), and we expect a negative impact of at least one percentage point on Vietnam's GDP growth in the first quarter of 2020.

Our forecast is predicated on a circa 20% decline in Chinese tourist arrivals in Q1, which is consistent with preliminary data from the governments of both Vietnam and Thailand. This could reduce Vietnam's GDP growth by four-tenths of one percentage point, ceteris paribus, given that personal consumption accounts for about two-thirds of Vietnam's economy, tourists probably account for over 10% of personal consumption, and Chinese tourists make up about one-third of total tourist arrivals.

The other input to our prediction is a 2% hit to manufacturing output, in-line with the expected impact of the coronavirus on China's manufacturing output in Q1 according to Standard Chartered and others. That said, we believe that the coronavirus's long-term impact on the development of Vietnam's industrial base will be moderately positive as it will continue to prompt factory owners to move production from China to Vietnam, just as the US-China trade war has. Note also that Vietnam's manufacturing PMI survey index dipped slightly from 50.8 in December to 50.6 in January, but the survey was essentially completed by purchasing managers in January before the full extent of the virus outbreak was known.

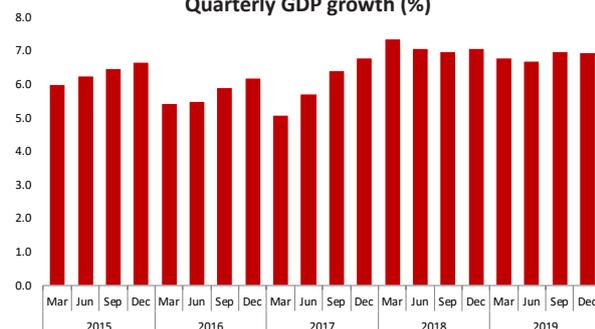
Finally, the unofficial USD-VND exchange rate was nearly unchanged in the month of January at 23,220, supported by an apparent enormous one-month accumulation of FX reserves by the State Bank of Vietnam (SBV). The total amount of FX Reserves the SBV holds are not published officially, but public comments from senior government officials and SBV senior staff have indicated that the SBV bought as much as USD3 billion of FX reserves in the month of January (versus USD20 billion in all of 2019), bringing total reserves up to nearly USD83 billion, or about four months' of imports.

### Macroeconomic indicators

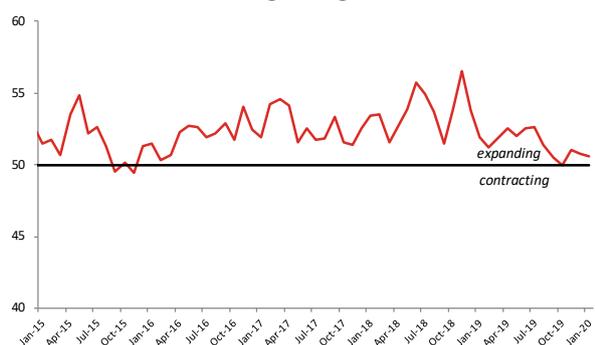
	2019	Jan-20	2020YTD	Y-O-Y
GDP growth <sup>1</sup>	7.0%			
Inflation (%)	5.2%			6.4%
FDI commitments (USDbn)	36.0	5.3	5.3	179.5%
FDI disbursements (USDbn)	20.4	1.6	1.6	3.2%
Imports (USDbn)	253.1	18.6	18.6	13.7%
Exports (USDbn)	264.2	18.3	18.3	17.4%
Trade surplus/(deficit) (USDbn)	11.1	-0.3	-0.3	
Exchange rate (USD/VND)	23,185	23,220	-0.2%	

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

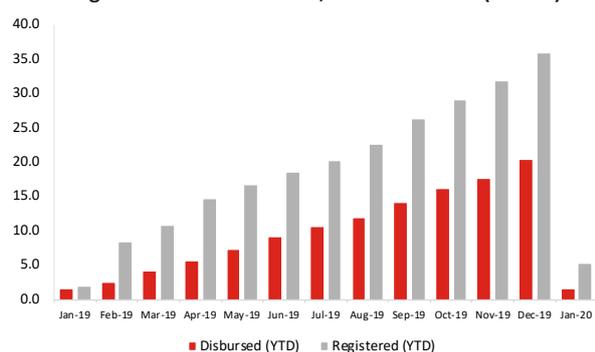
### Quarterly GDP growth (%)



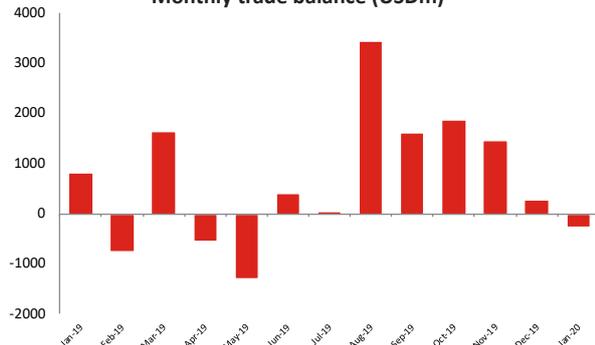
### Purchasing Managers' Index



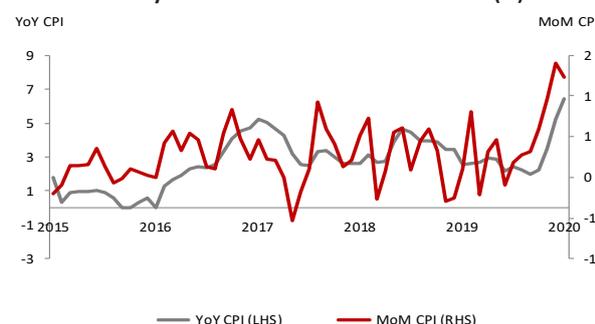
### Registered & disbursed FDI, cumulative YTD (USDbn)



### 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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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 an entity regulated by the State Securities Commission of Vietnam
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

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