

Performance summary 30 April 2020

	USD	GBP
NAV per share:	4.42	3.51
Change (Month-on-month):	11.9%	10.0%
Total NAV (million):	786.8	625.3
Share price:	3.51	2.79
Market cap (million):	625.3	497.0
Premium/(discount):	-20.6%	-20.6%

GBP/USD exchange rate as 31 March 2020: 1.24

GBP/USD exchange rate as 30 April 2020: 1.26

Source: Bloomberg

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-8.8	-14.4	-3.4	37.8
Share price (USD)	-14.9	-16.9	5.8	51.3
VN Index (USD terms)	-18.6	-22.1	3.9	26.0
MSCI Emerging market	-12.9	-14.3	-5.4	-11.7
MSCI Vietnam	-16.7	-23.9	11.3	12.3

Annual performance history (% change)

	CY	2020	2019	2018	2017	2016
NAV per share (USD)		-12.6	-1.6	-9.0	32.1	25.5
VN Index (USD terms)		-20.9	7.7	-11.2	48.4	13.4

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	12.0	Construction materials
Khang Dien House (KDH)	8.3	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.1	Infrastructure
Phu Nhuan Jewelry (PNJ)	5.8	Consumer discretionary
Vinamilk (VNM)	5.6	Food & beverage
Eximbank (EIB)	5.0	Financial services
Quang Ngai Sugar (QNS)	2.9	Food & beverage
FPT Corporation (FPT)	2.9	Information Technology
Orient Commercial Bank (OCB)	2.3	Financial services
Coteccons (CTD)	1.9	Real estate & construction
Total	53.7	

*Capital market equities

April 2020: A smooth sea never made a skilled sailor – Franklin D. Roosevelt

Vietnam's benchmark VN Index rose 17% in April (-21% YTD) in USD terms, the largest monthly gain since August 2009, following similar rallies across global markets, with the S&P 500 posting its best monthly performance since January 1987, up 13% (-9% YTD), and came after a historical plunge in global equities in March as the initial shock of the pandemic took hold. Markets looked to any breath of hope to give wind to their sails, be it apparent success in flattening the pandemic curve, or results from clinical trials and the hope of discovering a vaccine in record time.

Vietnam's early and decisive efforts to skilfully control the outbreak of the pandemic has been praised across the international community. In April, the country initiated a three-week long strict containment effort which saw most aspects of life and economic activity put on hold. By 23 April, the government lifted social distancing orders and today, most aspects of life have returned to a sense of routine, including the resumption of schools, factories, and airports (mainly to domestic travel).

While the markets have recovered admirably, the damage that is occurring across the global economy, evidenced by a slew of disappointing economic indicators and downgrades to earnings forecasts, is yet to affect market sentiment. There are questions as to whether this rally is sustainable, and if it should trigger an abundance of caution as rough seas and headwinds loom on the horizon. That said, Vietnam's quick resumption of domestic activity should help ease the impact caused by the pandemic and give promise to market recovery.

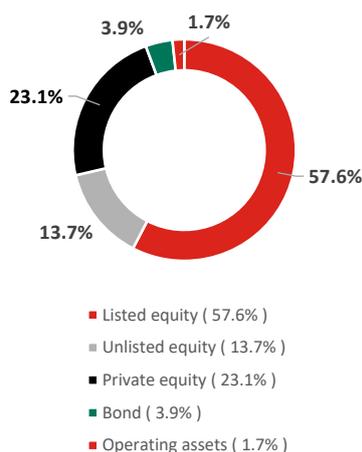
Most sectors enjoyed a strong rebound during the month, with several companies announcing 1Q20 results and provided colour on the impact that COVID-19 has had on performance.

- Consumer discretionary outperformed other sectors (+28.9%), led by Mobile World (MWG +39%) and Phu Nhuan Jewelry (PNJ +24%). PNJ is the fourth largest holding in the portfolio at 5.8% of NAV. They recently announced total revenue and NPAT of USD215 million (+5% YOY) and USD17 million (-4% YOY) respectively. Performance in March and April suffered from reduced retail footfall, with 85% of their 350 stores closed during the three-week lockdown (including all in HCMC and Hanoi), although all stores have now reopened. Of interest was revenues from online sales rocketed 173% in 1Q20 vs 1Q19. We continue to review MWG as an investment opportunity, however given that the foreign ownership premium remains stubbornly high at over 40%, the return potential for VOF can be found in other private and public company opportunities.
- The information technology and telecommunications sector followed (+24%), driven by FPT Group (FPT +24%). We initiated a position in FPT at the start of the year, and it now in our top 10 listed holdings at 2.9% of NAV. The company delivered 1Q20 revenues and NPAT-MI of USD286 million (+17% YOY) and USD32 million (+19% YOY), respectively.
- The construction materials sector (+23%) was supported mainly by Hoa Phat Group (HPG +28%), which is the largest holding in the portfolio accounting for 12% of NAV. The company released strong results for 1Q20 thanks to increasing market share in construction steel and robust agricultural results. Revenues increased to USD836 million (+29% YOY) and NPAT-MI of USD99 million (+27% YOY). Construction steel sales volume reached 732,000 tons (+5% YOY) and has extended its lead in market share to 32% (vs 26% at the end of 2019). The agricultural segment saw a 423% increase in NPAT to USD21m thanks to a significant increase in pork prices (+100% YOY) due to supply shortages.
- The aviation sector rallied over the month, led by Airports Corporation of Vietnam (ACV +41%), the monopoly airport operator. ACV is the third largest holding in the portfolio accounting for 7.1% of NAV. The company posted 1Q20 results with revenue falling 18% YOY to USD157 million and NPAT-MI of USD67 million, 22% lower than the same period last year. The company has ample cash reserves of approximately USD1.4 billion which should allow it to weather the current crisis. We continue to monitor this sector given the challenging near- to medium-term outlook for the tourism and services sector. That said, anecdotal reports over the April / May long weekend here in Vietnam indicated domestic flight activity is picking up rapidly.

The fund's NAV per share increased by 11.9% in April in USD terms, with the discount stabilising over the month to 20.6%. As at time of publishing this report, the fund's share price has performed well, increasing 47% from its recent low on 23 March. Note that the fund traded ex-date on 15 April, with eligible investors receiving their semi-annual dividend payment of 5.5 US cents per share that was declared in March, paid on or around 1 May.

Further information on VinaCapital's views and thought leadership on the impact of the coronavirus and Vietnam can be found on our [website](#). Furthermore, "Vietnam by Numbers" is a new addition to our website which introduces a set of key economic and sector data compiled by VinaCapital's Research Team. This set of charts and tables will be updated each month, with limited commentary — we let the data "do the talking" and hope our investors and other readers find it useful.

VOF portfolio by asset class**

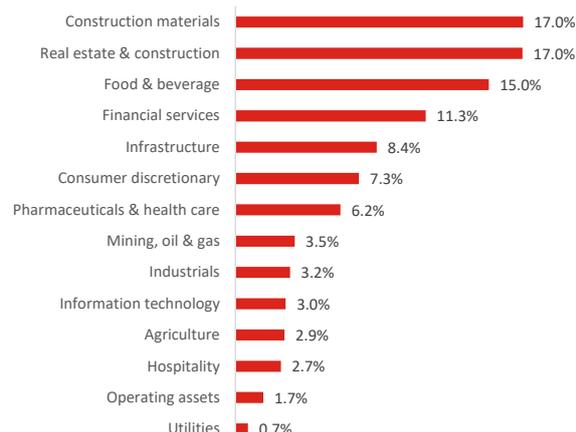


** Excluding cash & others:

Cash: 4.4% of NAV

Payables & receivables: 0.5% of NAV

VOF portfolio allocation by sector**



April 2020: Macroeconomic Commentary

COVID-19 had a severe impact on Vietnam's growth and inflation in the month of April. Thankfully, the public health measures that Vietnam's Government have taken "flattened the curve", so the number of active COVID-19 cases in Vietnam never came close to overwhelming the country's hospitals, nor has it experienced one related death. Vietnam only experienced a brief three-week "lock down" after which most of the economy re-opened.

Many have asked how Vietnam has contained COVID-19 to only 288 cases at the time of writing. Vietnam has vigilantly fought this pandemic on three fronts:

1. Pervasive contact tracing was implemented early on. Those identified as having the virus (categorised as "F0") are immediately sent to special care hospitals. Those who were in direct contact with an F0 (categorised as "F1"), predominantly close friends and families, are quarantined at special government-managed facilities for at least 14 days. F2 individuals are those that have had indirect contact with a F0 or direct contact with a F1 and must be quarantined at home for 14 days. Testing of these individuals is done regularly.
2. Homes or entire apartment floors have been locked down (no entry or exit) for 14 days if an F0 patient is discovered at the location. Even the largest hospital in Hanoi was locked down for 14 days.
3. Aside from the closure of all hotels, restaurants, and non-essential services, Vietnam also restricted travel within the country as well as international arrivals. In certain cities, the local government required all arrivals from other parts of the country to be quarantined in special government-managed facilities for at least 14 days. All international arrivals (which is essentially limited to "experts") are quarantined in government-managed facilities for at least 14 days.

That said, COVID-19 had a major impact on the country's economy due to the partial lockdown during most of the month of April, which severely reduced domestic consumption. Furthermore, Vietnam's open economy is highly exposed to the on-going plunge in growth for the rest of the world due to its reliance on exports, which are equivalent to about 100% of GDP, as well as tourism.

Retail sales plunged 26% yoy, which dragged down the growth rate of real retail sales (i.e., stripping out the impact of inflation) from +1.6% yoy in 1Q20 to -9.6% yoy in 4M20, versus +8.8% in 4M19. Part of that drop was attributable to a 38% yoy fall in tourist arrivals in 4M20, which was driven by a 48% plummet in the arrival of Chinese tourists who typically account for about one-third of the visitors to Vietnam.

The manufacturing sector's deterioration accelerated in April, with Vietnam's PMI plunging from 41.9 in March to 32.7 in April. Manufacturing output growth fell from 7% yoy in 1Q20 to 3% in 4M20, driven by a drop in the growth in the production of mobile phones from 11% to 3.8% in 4M20. The drop in the manufacturing of mobile phones reflects the fact that global cell phone shipments fell by an unprecedented -11.8% yoy in Q1, according to IDC.

The slowdown in the Vietnam's manufacturing sector was also driven by an accelerated drop in the production of clothes and footwear, and by the fact that some automobile assembly plants shut down (most of Vietnam's FDI factories have not been shut down due to COVID-19). The manufacturing sector contributes nearly 20% to the country's economy, so the drop in manufacturing output growth from 11% yoy in 4M19 to 3% yoy in 4M20 would subtract about -1.5%pts from Vietnam's GDP growth rate.

FDI inflows declined nearly 10% yoy in 4M20; as about half of FDI inflows in recent years have funded the development of new factories, COVID could continue to impact the country's manufacturing output growth next year. That said, there are an increasing number of articles appearing in the international business media highlighting the likelihood multinational companies will increasingly move their production facilities from China to Vietnam once the medical issue completely abates.

In contrast to the negative points outlined above, the 58% YTD plunge in the Brent oil price at the end-April (and a 11% drop during the month of April) prompted a near 30% cut in local petrol prices, which in turn led to a drop in inflation from 4.9% yoy in March to 2.9% in April.

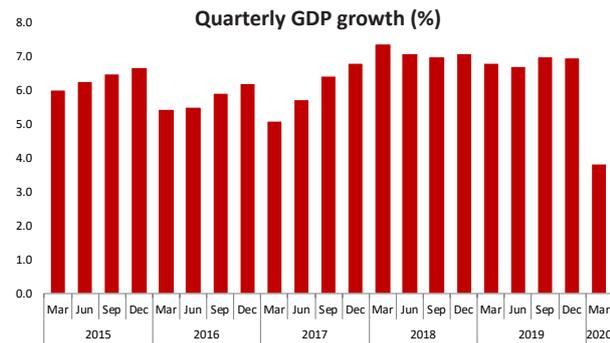
Additionally, Vietnam's exports have remained more resilient than its regional peers, growing by nearly 5% yoy in 4M20 according to the General Statistics Office (in the month of April exports fell -4% yoy, versus -24% yoy in Korea). As a result, the country's trade surplus expanded from nearly USD1 billion in 4M19 to USD3 billion in 4M20.

The widening trade surplus coupled with falling inflation led to a 1.3% appreciation in the unofficial value of the VN Dong during the month of April. As at the end of April the VND had depreciated by 1.4% YTD.

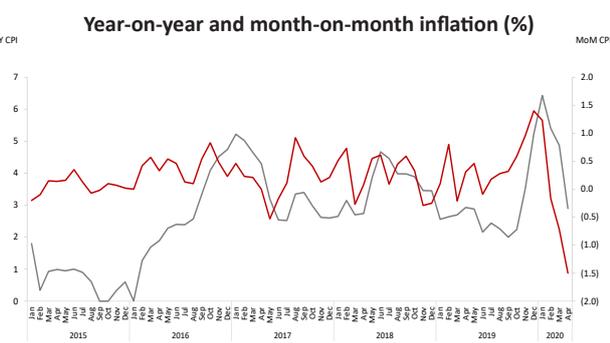
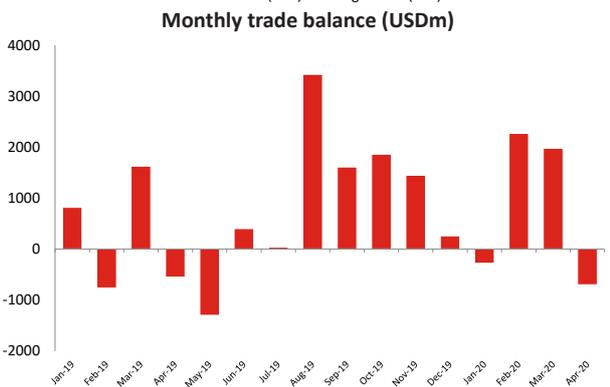
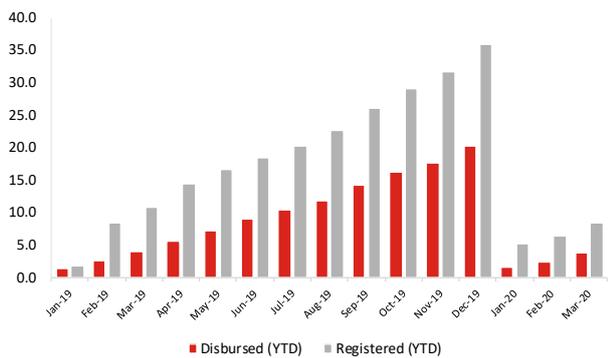
Macroeconomic indicators

	2019	Apr-20	2020YTD	Y-O-Y
GDP growth ¹	7.02			
Inflation (%)	5.2	2.9	2.9	2.9
FDI commitments (USDbn)	22.6	3.3	9.9	32.2%
FDI disbursements (USDbn)	20.4	1.3	5.2	-9.7%
Imports (USDbn)	253.1	20.4	79.9	2.1%
Exports (USDbn)	264.2	19.7	82.9	4.7%
Trade surplus/(deficit) (USDbn)	11.1	0.7	3	
Exchange rate (USD/VND)	23,190	23,505	1.4%	

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



Registered & disbursed FDI, cumulative YTD (USDbn)



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	Khanh Vu	Deputy Managing Director
Kathryn Matthews	Non-executive Director	Loan Dang	Deputy Managing Director

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"> - 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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