

Performance summary 31 July 2020

| | USD | GBP |
|--------------------------|--------|--------|
| NAV per share: | 4.89 | 3.74 |
| Change (Month-on-month): | -2.2% | -7.4% |
| Total NAV (million): | 853.6 | 651.6 |
| Share price: | 4.01 | 3.06 |
| Market cap (million): | 699.2 | 533.8 |
| Premium/(discount): | -18.0% | -18.0% |

GBP/USD exchange rate as 30 June 2020: 1.24

GBP/USD exchange rate as 31 July 2020: 1.31

Source: Bloomberg

Cumulative change (% change, USD, total returns)

| | 3mth | 1yr | 3yr | 5yr |
|----------------------|------|-------|------|------|
| NAV per share (USD)* | 10.6 | -0.4 | 10.1 | 60.9 |
| Share price (USD)* | 14.2 | -3.0 | 9.6 | 64.2 |
| VN Index (USD terms) | 5.7 | -17.7 | 6.1 | 37.1 |
| MSCI Emerging market | 18.0 | 6.9 | 9.9 | 37.4 |
| MSCI Vietnam | 6.2 | -18.4 | 20.2 | 13.8 |

* Assuming dividend distribution is reinvested at NAV/share or share price as at dividend exercise date or closest available date

Annual performance history (% change, USD, total returns)

| | CY 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------|---------|------|------|------|------|
| NAV per share (USD)* | -2.0 | 0.6 | -6.3 | 36.1 | 25.5 |
| VN Index (USD terms) | -16.1 | 9.9 | -9.5 | 52.7 | 17.1 |

* Assuming dividend distribution is reinvested at NAV/share as at dividend exercise date or closest available date

Top ten holdings*

| Investee company | % of NAV | Sector |
|---------------------------------------|--------------|----------------------------|
| Hoa Phat Group (HPG) | 12.6% | Construction materials |
| Khang Dien House (KDH) | 8.4% | Real estate & construction |
| Airports Corporation of Vietnam (ACV) | 5.7% | Infrastructure |
| Eximbank (EIB) | 5.1% | Financial services |
| Phu Nhuan Jewelry (PNJ) | 4.9% | Consumer discretionary |
| Vinamilk (VNM) | 4.5% | Food & beverage |
| Quang Ngai Sugar (QNS) | 3.7% | Food & beverage |
| FPT Corporation (FPT) | 2.8% | Information technology |
| Orient Commercial Bank (OCB) | 2.7% | Financial services |
| Vinhomes (VHM) | 2.2% | Real estate & construction |
| Total | 52.7% | |

*Capital market equities

"Markets can stay irrational longer than you can stay solvent" - John Maynard Keynes

The impressive recovery that the benchmark Vietnam Index enjoyed since early April ended abruptly by July, with the VN Index down 2.7% (USD total return basis) to close at 798.4 points. A flare-up of COVID-19 community transmission that started in the coastal city of Danang, the nation's third largest city, quickly spread to surrounding provinces and unsettled local investors, albeit with far less impact than during the first outbreak. Once again, the quick and decisive actions of the government and health authorities are to be commended, as they quickly put a limit to the potential spread of the virus into the wider community and more importantly, limited the impact to the nation's capital Hanoi and bustling Ho Chi Minh City. Sadly, there have been more than 20 recorded deaths that have arisen from complications due to the virus, principally affecting the elderly, while the total number of confirmed infections since the start of the pandemic is reaching 1,000. We published a note on 31 July, which can be found on our [website](#).

Against this backdrop, our investment team has been busy closing several investments and divestments in our private equity portfolio.

- International Dairy Product (IDP, 2.3% NAV):** On 9 July we announced a partial divestment of IDP, followed up with a full divestment announcement on 6 August. Together with our co-investment partner Daiwa PI Partners, we fully divested our investment in IDP, one of Vietnam's leading dairy producers, to Blue Point, a Vietnamese financial and strategic investor in the consumer goods and dairy products sector who are looking to form synergies across their portfolio of investments in the FMCG sector. The uplift has been reflected in published NAVs since 10 July as that was the date at which contracts were signed, part of the stake was transferred, and the transaction was subject only to certain conditions precedents. While the financial terms of the divestment of this privately negotiated transaction were not disclosed, the divestment implies a return of approximately 1.5 times on invested capital for VOF.
- Thu Cuc International General Hospital (TCI, investment disclosed 10 August):** Some of the proceeds of the divestment in IDP were immediately put to use to make a private equity investment into TCI, a leading private hospital in Hanoi. VinaCapital led a consortium to invest USD26.7 million to obtain a significant minority stake along with a board seat in the well-known health care provider, which is currently undertaking a significant expansion. The hospital was established in 2011 in one of most populated and rapidly developing areas of Hanoi. Today, TCI employs over 1,400 staff, including 230 doctors, and its nine departments encompass twelve medical specialties. In early 2019, a new 5,000 sqm general clinic was opened to handle outpatient visits, and corporate health checks, while in early 2020, TCI completed a 10-storey extension to the main hospital to more than double its in-patient capacity. The facility uses state-of-the-art diagnostic equipment and adheres to international standards of management. We look forward to updating investors over the course of the coming months as we begin our value enhancement activities post-investment. This investment in TCI will bring the VOF portfolio exposure to the healthcare and pharmaceutical sector to 8% of NAV and will position VOF as the leading private equity investor in private hospitals and clinics in Vietnam.

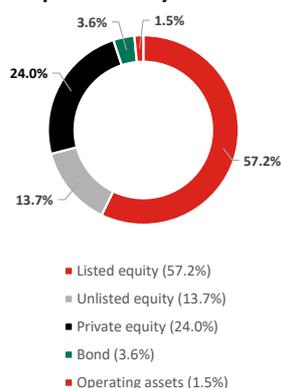
The first half of the 2020 calendar year has been one of the most challenging investment and economic periods in the fund's history. During this period, we have successfully proven that we are able to divest existing investments above their carrying values in the portfolio and use the proceeds of investments to continue to make private equity investments, including TCI. Proceeds from recent divestments in both the public and private market portfolios have been earmarked for investment opportunities that our team has been evaluating for some time, as well as to support the share buyback programme and ongoing dividend commitments to our shareholders. With almost 5% of NAV cash on hand at the end of July, we remain prudent and selective with the opportunities we are evaluating given the current environment of economic uncertainty and market volatility caused by the pandemic.

VOF's total return for July 2020 was -2.2%, while the VN Index total return was -2.7% for the month (USD terms). During the first seven months of 2020, VOF delivered a total return of -2.0% (unaudited), significantly outperforming the VNI Index which delivered a total return of -16.1%.

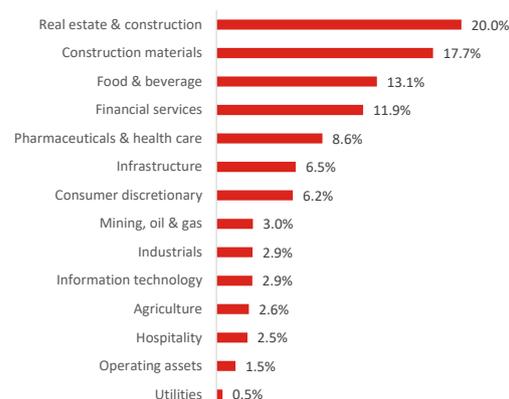
The fund's performance during this period of unparalleled challenges supports our belief that having a diversified strategy investing in Vietnamese public and private equities as well as structured investments, can deliver a superior risk-adjusted returns in the medium to longer term. In addition, being a listed investment fund on the London Stock Exchange uniquely positions VOF to provide the added benefit of liquidity and flexibility to investors who may seek access to private equity exposure in Vietnam through a listed vehicle.

While there is growing optimism surrounding several vaccines currently being tested, the market volatility and economic uncertainty that we are currently experiencing will likely continue for several more quarters until we can expect any return to "normal and rational" behaviour. We are uniquely positioned to ensure that VOF delivers superior medium to long term returns through many years of experience; a scalable operation and funds; and most importantly, having a leading financial brand to access investment opportunities.

VOF portfolio by asset class**



VOF portfolio allocation by sector**



** Excluding Cash (4.9% of NAV) & others (0.5% of NAV)

Macroeconomic Commentary

Vietnam's July macroeconomic statistics continued to show a sharp rebound in domestic economic activity, and strong demand for the "stay at home" goods that Vietnam produces and exports to developed countries. However, at the end of July, the previously mentioned resurgence of COVID cases in the city of Danang resulted in the country's first COVID-related deaths and has led to a re-imposition of social distancing measures in major cities – albeit with different levels of stringency in different cities.

The Economist magazine attributed the re-emergence of COVID cases at the end of July to the country's strong rebound in domestic economic activity since the end of April, especially the rebound in domestic tourism. Meanwhile, local media have suggested a possible link to illegal immigration.

While retail sales declined 23% y-o-y for the month of April, it subsequently rebounded sharply, reaching 4.3% y-o-y growth for the month of July, despite the fact that there are essentially no foreign tourists in Vietnam now (we estimate that foreign tourists contribute about 10% of Vietnam's overall retail sales).

As mentioned above, demand for the "stay at home" goods that Vietnam produces was still strong in July, as evidenced by the fact that the export of IT products surged 27% y-o-y in 7M20. This demand supported Vietnam's exports, which were increased modestly by 1.5% year-on-year in 7M20 at around USD148 billion, and which in-turn led to a widening of the country's trade surplus from 1%/GDP in 7M19 to 5% in 7M20.

Vietnam's export performance was impressive compared to regional peers. As a comparison, Korea's exports fell 7% y-o-y in July, versus 0.3% growth for Vietnam. The dramatic widening of Vietnam's trade surplus this year is also attributable to a modest 3% drop in imports in 7M20.

All of that said, the production of high-tech goods slowed from nearly 10% y-o-y in 1H20 down to about 8% in 7M20, which may be a sign that orders for "stay at home" goods are now flattening out after the surge. As a result, Vietnam's overall manufacturing output growth fell from 4.6% in 1H20, to 4.2% in 7M20, and Vietnam's PMI declined from 51.1 in June to 47.6 in July, driven by a collapse in new orders.

Next, the State Bank of Vietnam instructed the State-Owned Commercial Banks to cut the short-term deposit rates they offer to savers (i.e., less than six months) by 30 basis points, and to cut longer term deposit rates (over six months) by 50 bps. The private sector banks quickly followed suit, resulting in deposit interest rates in Vietnam falling by about 100 bps this year to 3.5-4% for short-term deposits, and 5.5-7% for long-term deposits.

Despite the fall in interest rates in Vietnam, the VND has remained stable against the USD, supported by the above mentioned widening of Vietnam's trade surplus, and the resiliency of FDI, which only fell 4% y-o-y in 7M20 to USD10 billion (note that the UN had predicted a 30% drop in global FDI flows this year, and the amount of registered/planned FDI surged by 21% y-o-y to more than USD14 billion). Furthermore, since the VND is loosely pegged to the USD, the circa 4% decline in the USD, DXY index in July improved Vietnam's export competitiveness vis-à-vis many of its EM peers.

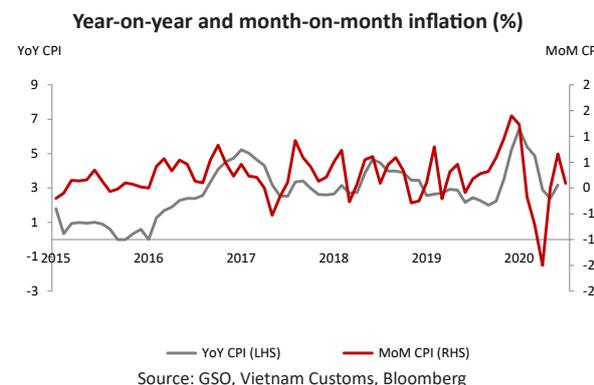
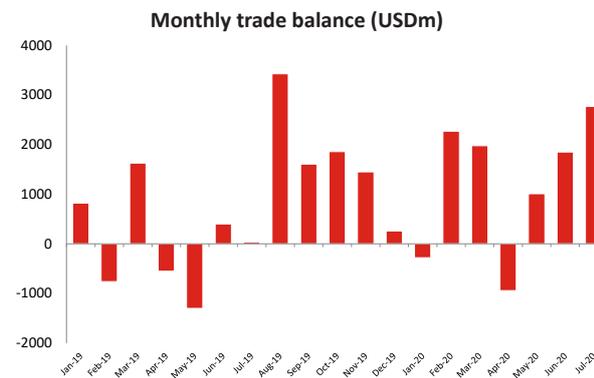
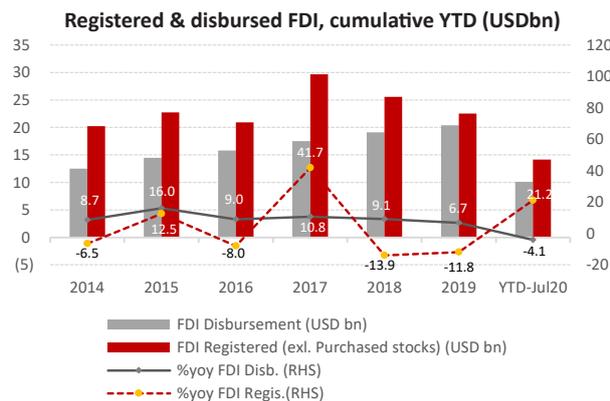
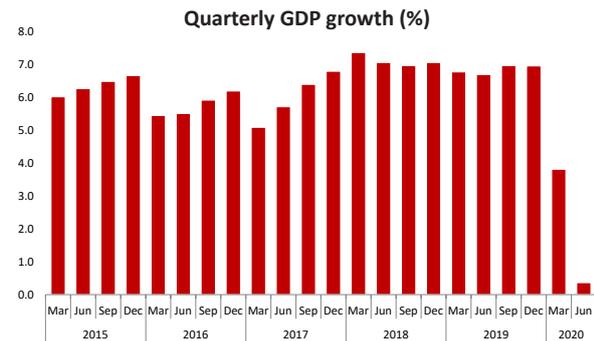
Finally, the General Statistics Office reported that Vietnam's inflation rate ticked up from 3.2% y-o-y in June to 3.4% in July, driven by a circa 8% retail petrol price hike at the end of June (after the cut-off for calculating June's CPI figure). Retail pork prices fell by nearly 3% month-on-month as the impact of the African Swine Fever epidemic in Vietnam and China started to abate.

That said, food price inflation in both China and Vietnam are currently quite high at around 11-12% in both countries, and the current severe flooding ravishing central China could contribute to elevated Chinese food price inflation going forward. This would certainly spill-over into Vietnam, especially toward the end of this year and into early 2021. We will continue to monitor this risk carefully.

Macroeconomic indicators

| | 2019 | Jul-20 | 2020YTD | Y-O-Y |
|---------------------------------|--------|--------|---------|-------|
| GDP growth ¹ (%) | 7.0 | | | 1.8 |
| Inflation (%) | 2.8 | | 4.1 | 4.1 |
| FDI commitments (USDbn) | 22.6 | 2.0 | 14.2 | 21.2% |
| FDI disbursements (USDbn) | 20.4 | 1.5 | 10.1 | -4.1% |
| Imports (USDbn) | 253.4 | 22.1 | 143.5 | 0.0% |
| Exports (USDbn) | 264.3 | 24.9 | 147.6 | 1.5% |
| Trade surplus/(deficit) (USDbn) | 10.9 | 2.8 | 4.1 | |
| Exchange rate (USD/VND) | 23,175 | 23,185 | 23,185 | 0.04% |

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 | Khanh Vu | Deputy Managing Director |
| Kathryn Matthews | Non-executive Director | Dieu Phuong Nguyen | 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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