

Performance summary

30 April 2021

	USD	GBP
NAV per share:	7.11	5.14
Change (Month-on-month):	6.8%	6.4%
Total NAV (million):	1,210.5	875.3
Share price:	6.27	4.54
Market cap (million):	1,068.2	772.4
Premium/(discount):	-11.8%	-11.8%

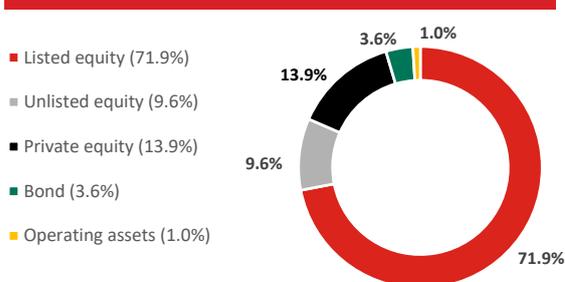
GBP/USD exchange rate as 31 March 2021: 1.3800
GBP/USD exchange rate as 30 April 2021: 1.3830
Source: Bloomberg

Cumulative change (% change, USD, total returns)*

	1mth	3mths	FYTD	1yr	3yr	5yr
NAV per share	7.7	16.8	45.7	63.8	31.7	120.7
Share price	9.8	12.6	57.5	82.7	44.6	150.3
VN Index	4.1	17.4	53.5	66.7	23.1	124.6
MSCI Emerging market	2.5	1.8	37.8	49.2	25.6	83.7
MSCI Vietnam	8.0	16.6	47.7	60.2	15.6	93.9

* Inclusive of dividend distributions

Portfolio by asset class**



Portfolio allocation by sector**



Top ten holdings***

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	21.3%	Construction materials
Khang Dien House (KDH)	9.6%	Real estate & construction
Eximbank (EIB)	6.0%	Financial services
Airports Corporation of Vietnam (ACV)	5.7%	Infrastructure
Asia Commercial Bank (ACB)	5.5%	Financial services
Phu Nhuan Jewelry (PNJ)	5.3%	Consumer discretionary
Vinhomes (VHM)	4.7%	Real estate & construction
Orient Commercial Bank (OCB)	4.2%	Financial services
FPT Corporation (FPT)	3.6%	Information technology
Quang Ngai Sugar (QNS)	3.3%	Food & beverage
Total	69.2%	

** Excluding Cash & Others (-0.4% of NAV)

*** Public Equities

Keep calm... and carry on.

April closed with an (un)surprising new outbreak of community infection to mark the start of a long weekend holiday here in Vietnam, from 30 April to 3 May. Domestic travel increased significantly as Vietnamese took to the hillsides and beaches to enjoy the public holiday, particularly given the curbs that were in place earlier in the year. While the surge in travel was positive news for tourism-related industries, it increased the risk of wider community infection, which is a concern given the limited amount of advanced medical equipment needed to treat severe cases in the event of a large-scale outbreak.

As of the second week of May, there have been over 700 reported cases of community infections identified since the end of April, with hotspots flaring up around the northern and central provinces of the country, although fortunately there have been no additional reported fatalities (Vietnam's COVID-19 related fatality rate is less than 1%, half-that of the global average of 2%). While we can certainly expect more cases, the rate of community spread appears to be in check, with the reported daily case numbers declining. Once again, the government has proven its ability to effectively manage community outbreaks.

To date, almost 1 million doses of a COVID-19 vaccine – primarily supplied under the COVAX initiative led by the World Health Organisation – have been administered to frontline healthcare professionals, security personnel, and those working in tourism-related services. The Ministry of Health is working to arrange vaccines for delivery to Vietnam later this year, including 31 million doses of Pfizer-BioNTech, which was announced on 14 May.

Against this backdrop, the stock market remains relatively calm and continues to post strong gains, after a very brief period of volatility as news broke of the latest outbreak. The VN Index reached an all-time-high closing level of 1,268 points on 20 April, before paring back gains due to some profit taking towards the end of April to close the month at 1,239 points.

Despite all of this, the VN Index delivered a 4.1% return for the month, led by real estate company Novaland (HOSE: NVL, +63% m-o-m), conglomerate Vingroup (HOSE: VIC, +11% m-o-m), and steel maker Hoa Phat Group (HOSE: HPG, +24% m-o-m). For the calendar year-to-date, the VN Index is up 12.7% (USD, total return basis) and Vietnam continues to be one of the best performing markets in the region, outperforming regional peers including Indonesia (-1.7% YTD), Malaysia (-1.9% YTD), Philippines (-10.4% YTD), and Thailand (+6.4% YTD).

On a valuation basis, following upbeat 1Q21 earnings results for essentially all companies on the VN Index, the market is trading at 15.4x on a forward P/E basis, while consensus average EPS growth for 2021 is 28%, on the back of what was essentially flat EPS growth in 2020.

Turning to the portfolio, VOF delivered a 7.7% return for April, and calendar year-to-date the NAV is up 14.0% (USD, total return basis). The key contributors to the portfolio's performance this month were from HPG (HOSE: HPG, +24% m-o-m), Eximbank (HOSE: EIB, +36.7% m-o-m), Khang Dien House (HOSE: KDH, +15.6% m-o-m), and Phu Nhuan Jewelry (HOSE: PNJ, +16.1% m-o-m).

- HPG (Mkt. Cap: USD8.4 billion, NAV: 21.3%, +24% m-o-m):** Reported 1Q21 revenue of USD1.4 billion, up 63% y-o-y, while profit after tax tripled to USD305 million, including USD283 million from its core business and USD22 million from a one-off divestment of its non-core furniture company. The company targets 2021 revenue of USD5.2 billion, up 33% y-o-y, and PAT of USD783 million, up 33% y-o-y, although we note that HPG has a history of offering conservative guidance and thus we expect this leading steel company to deliver higher than projected results for the year. The recent spike in iron ore and steel prices has not negatively affected HPG as they are able to pass these costs on, and they continue to gain market share with 35% of the market.
- KDH (Mkt. Cap: USD852 million, NAV: 9.6%, +15.6% m-o-m):** Reported 1Q21 net profit of almost USD9 million (up 33% y-o-y), fulfilling 17% of this year's plan. The company targets 2021 net sales increasing 6% y-o-y and NPAT increasing 7% y-o-y thanks to handovers at various projects. KDH expects to pay a 10% stock dividend in 2021.
- FPT (Mkt. Cap: USD2.8 billion, NAV: 3.6%, +4.2% m-o-m):** The IT sector makes up only 1.5% of the index weight, dwarfed by the heavyweight financial (33% weight) and real estate (25%) sectors. However, it is the best performing sector on the market year-to-date, up 33%, with much of this performance owing to FPT Group (HOSE: FPT), up 37% YTD. In early May, FPT announced that it acquired a majority stake in software-as-a-services start-up Base.vn for an undisclosed amount. Founded in 2016, Base.vn helps businesses streamline management and operations activities such as hiring, payroll, task management and team collaboration, and approval management. Base.vn said they have 5,000 businesses as clients.
- VPB (Mkt. Cap: USD6.2 billion, NAV: 1.9%, +31.1% m-o-m):** VP Bank (HOSE: VPB) announced the successful divestment of a 49% stake in its wholly owned subsidiary, FE Credit, at an implied valuation of 100% of FEC at USD2.8 billion (implying a P/B of 4.2x). FEC's new shareholder structure will be VPB 50%, SMBC 49%, and VCSC 1%. The cash proceeds of USD1.4 billion will help improve the bank's consolidated capital adequacy ratio from 11% to nearly 20%. VPB released 1Q21 results with profit before tax achieving 24% of management's full-year guidance, while 2021 guidance on PBT growth was 28% y-o-y and credit growth of 16.6%.
- Thu Cuc International Hospital (NAV: 1.9%):** In late April, we attended the grand opening of the latest addition to the TCI healthcare network, a second mega clinic that opened in Hanoi's Linh Dam district, about 7km from TCI's main hospital. The 7,000 sqm clinic will offer full outpatient services, including annual and corporate health checks, pre- and post-natal services, MRI, MSCT, and ISO-certified lab testing systems. TCI's network now consists of one main hospital in Hanoi's central district and two full

service clinics. We are currently working with management to help set up a third clinic. We congratulate TCI on this impressive achievement, particularly in light of the impact that COVID has had on healthcare services.

The Manager held its latest 1Q21 update via webinar on 21 April and a recording of the event can be accessed on the [website](#). Furthermore, the latest dividend declared in late March was paid-out to investors on 4 May.

Macroeconomic Commentary

The “base effects” caused by very weak economic conditions in April 2020, (when Vietnam imposed a three week, nationwide “lockdown” to combat COVID), significantly boosted Vietnam’s year-on-year (y-o-y) inflation and growth in April 2021. Consequently, CPI inflation surged from 1.2% y-o-y in March to 2.7% in April, retail sales growth (excluding inflation) surged from 4.4% y-o-y in 3M21 to 9% in 4M21, and manufacturing output growth accelerated from 8% y-o-y in 3M21 to 12.7% in 4M21.

Transport price inflation surged from less than 1% in March to 18% y-o-y in April (retail petrol prices were up nearly 80% y-o-y in April), although that surge was partly offset by a modest drop in food price inflation to below 1%. We expect Vietnam’s food price inflation to continue falling as 2021 progresses because African Swine Fever (ASF) is fully under control and the country’s pig population is up more than 10% y-o-y. Pork prices fell nearly 50% YTD in China but are still essentially unchanged in Vietnam; Chinese pork prices tend to lead pork prices in Vietnam.

Next, Vietnam’s economy continues to be supported by the manufacturing sector, with the growth in manufacturing output continuing to be driven by the production of high-tech and “stay-at-home” goods that are exported to the US and other developed countries. That strength lifted the country’s manufacturing PMI from 53.6 in March, to 54.7 in April thanks to a surge in new orders.

Imports of the components and other production inputs required to manufacture high-tech products jumped from 26% y-o-y growth in Q1 to 40% y-o-y in April, which is also a positive short-term leading indicator for the manufacturing sector. Disbursed FDI inflows increased 6.8% y-o-y in 4M21 to USD5.5 billion, which is a positive long-term leading indicator because the majority of FDI investments are in manufacturing and/or energy projects.

Many of the products Vietnam manufactures are exported to the US (its largest export market), so Vietnam’s exports to the US surged by an astounding 50% y-o-y to USD30 billion in 4M21. Furthermore, US personal incomes increased by a record-high 21.1% month-on-month in March, so demand for “Made in Vietnam” products from US consumers is likely to remain strong in the months ahead.

Vietnam’s total exports grew 29.6% y-o-y to USD104.9 billion in 4M21, according to the Vietnam Customs. Imports rose by 31.8% y-o-y (to USD103.3 billion), driven by the above-mentioned increase in the import of production inputs needed to manufacture high tech products. Vietnam’s trade surplus shrank from USD2.5 billion in 4M20 to USD1.6 billion in 4M21 (the Vietnam Customs reported a USD1.2 billion trade deficit in the month of April).

And finally, turning to the currency, the official USD-VND reference rate was unchanged during the month. In our previous reports, we discussed the US Treasury Department’s December 2020 labelling of Vietnam as a “currency manipulator” and mentioned that one of the criteria the US government uses to determine if a country is a currency manipulator is if that country has a USD20 billion annual trade surplus with the US. Vietnam’s trade surplus with the US ballooned from USD15 billion in 4M20 to USD25 billion in 4M21, exceeding the US Treasury Department’s annual trade surplus threshold in just four months.

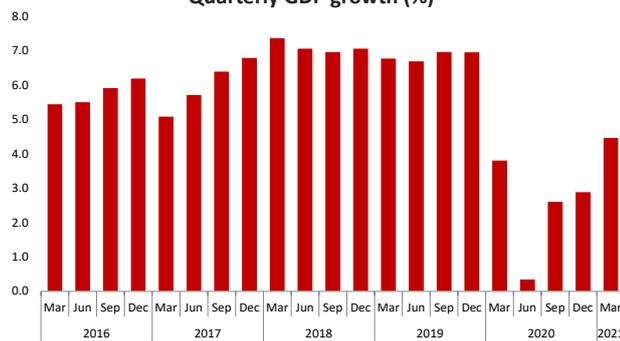
For that reason, it is fortuitous that last month, the Biden administration took a less confrontational stance towards US trading partners and reversed the Trump administration’s labelling of Vietnam as a currency manipulator (also note that Switzerland and Taiwan were unexpectedly not labelled currency manipulators by the US Treasury Department in its April report to the US Congress).

Macroeconomic indicators

	2020	Apr-21	YTD	YOY
GDP growth ¹ (%)	2.9			4.5
Inflation ² (%)	3.2	2.7	0.9	
FDI commitments (USDbn)	21.0	1.9	11.2	13.7%
FDI disbursements (USDbn)	20.0	1.4	5.5	6.8%
Imports (USDbn)	262.4	27.8	103.3	31.8%
Exports (USDbn)	281.5	26.6	104.9	29.6%
Trade surplus/(deficit) (USDbn)	19.1	-1.2	1.6	
Exchange rate (USD/VND) ³	23,131	23,158		0.1%

Sources: GSO, Vietnam Customs, MPI, Bloomberg | 1. Annualised rate, updated quarterly. | 2. Monthly year-on-year change; Annual is 12-month average change in CPI per GSO | 3. BBG-State Bank of Vietnam Avg. USD/VND Interbank rate

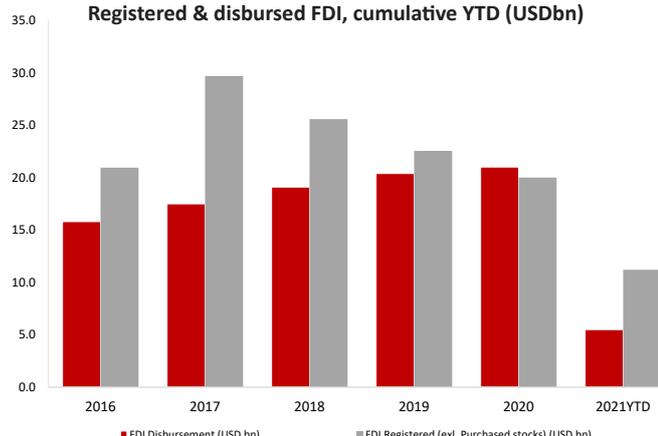
Quarterly GDP growth (%)



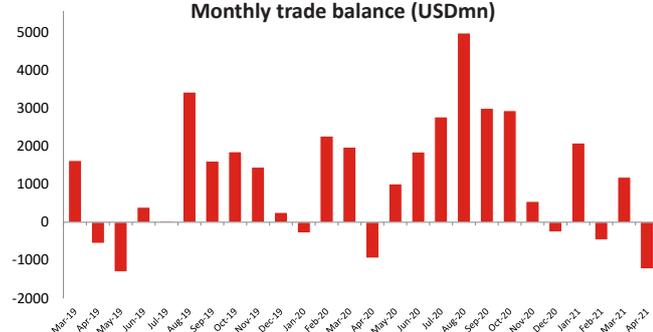
Purchasing Managers' Index



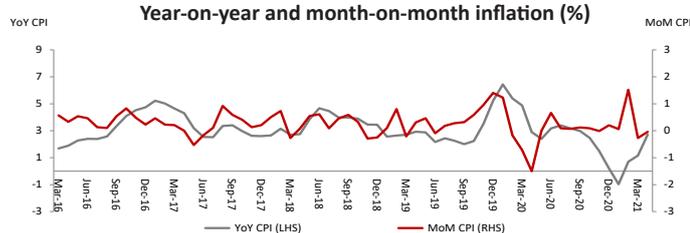
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



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
Steve 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	<p>Commencing July 1, 2018: a tiered management fee structure has been introduced, with the following annual rates applied to net assets:</p> <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 <p>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.</p>		
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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