

Performance summary

30 September 2021

	USD	GBP
NAV per share:	8.06	5.99
Change (Month-on-month):	2.7%	4.9%
Total NAV (million):	1,342.6	997.4
Share price:	6.15	4.57
Market cap (million):	1,024.9	761.4
Premium/(discount):	-23.7%	-23.7%

GBP/USD exchange rate as 30 September 2021: 1.3461

GBP/USD exchange rate as 31 August 2021: 1.3752

Source: Bloomberg

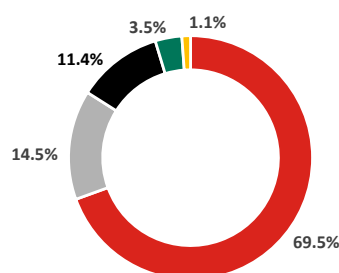
Cumulative change (% change, USD, total returns)*

	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	2.7	1.1	1.1	29.3	51.8	52.7
Share price	-1.3	-7.4	-7.4	7.1	51.3	45.4
VN Index	1.1	-3.3	-3.3	24.5	53.2	42.3
MSCI Emerging market	-4.0	-8.0	-8.0	-1.2	18.5	29.2
MSCI Vietnam	1.2	-4.3	-4.3	17.1	41.5	27.2

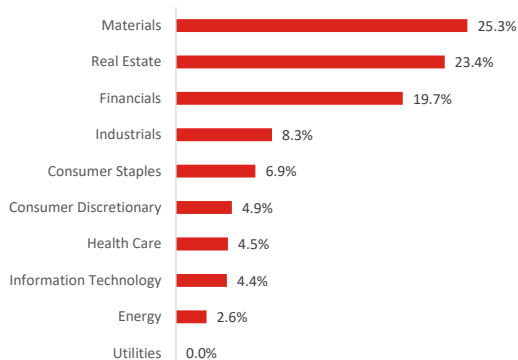
* Inclusive of dividend distributions; FYTD data is from July 1 to date; CYTD data is from January 1 to date

Portfolio by asset class**

- Listed Equity (69.5%)
- Unlisted Equity (14.5%)
- Private Equity (11.4%)
- Bond (3.5%)
- Operating Asset (1.1%)



Portfolio allocation by sector**



** Excluding Cash & Others (1.8% of NAV); based on Global Industry Classification Standards (GICS)

Top ten holdings***

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	18.1%	Materials
Khang Dien House (KDH)	10.3%	Real Estate
Airports Corporation of Vietnam (ACV)	6.0%	Industrials
Asia Commercial Bank (ACB)	5.7%	Financials
Vinhomes (VHM)	5.7%	Real Estate
Orient Commercial Bank (OCB)	4.8%	Financials
Eximbank (EIB)	4.7%	Financials
FPT Corporation (FPT)	4.3%	Information Technology
Quang Ngai Sugar (QNS)	3.9%	Consumer Staples
An Cuong Wood Working (ACG)	3.8%	Materials

Total 67.3%

*** Public Equities

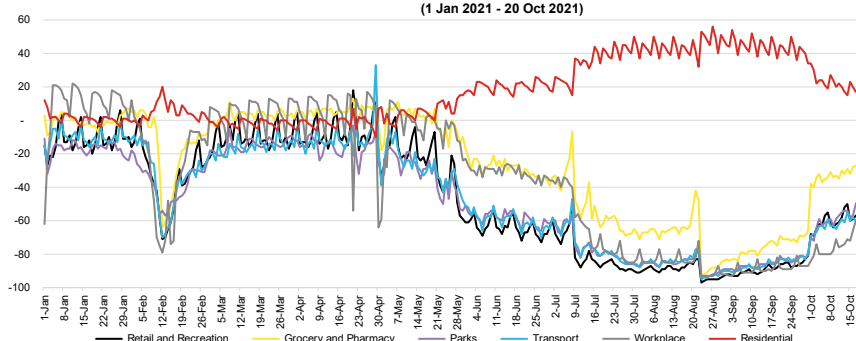
“Crack the shutters open wide, I want to bathe you in the light of day.” Crack the Shutters by Snow Patrol

As September closed, it marked the dawning of a new day and a welcome end to some of the harshest lockdown measures that were imposed on Ho Chi Minh City. From 1 October, a gradual and moderated resumption of social and economic activity was clearly visible across the city. Hanoi, the nation’s capital, had already begun to loosen up a few weeks earlier.

All this is thanks to the significant efforts of the government and local health authorities to roll out an aggressive vaccination programme throughout the country that commenced in June, with particular attention given to the industrial and economic centres. Ho Chi Minh City, for example, has now vaccinated almost 100% of eligible adults with a first shot, and over 85% are fully vaccinated. Furthermore, the government is no longer pursuing a “zero COVID” strategy, but rather one that seeks to live as safely as possible with COVID.

This has sent a welcome boost to economic activity and the markets, and while third quarter macroeconomic results were nothing to praise, September and October have clearly marked an inflection point and point to a fourth quarter recovery. This is evidenced by various indicators, including the Google Mobility data, which show a clear “hockey stick” forming around the end of September as retail and recreation, grocery and pharmacy, and workplace and transit activity marched toward baseline levels, while residential activities declined.

Google Mobility Ho Chi Minh City Percentage Activity from Baseline Levels (1 Jan 2021 - 20 Oct 2021)



Turning to our portfolio, on an NAV per share basis, the fund delivered a 2.7% total return, outperforming the VN Index, which delivered a 1.1% total return (USD terms). The main sector contributors to the fund’s monthly performance came from materials, specifically our top holding Hoa Phat Group (HPG: +7.3% m-o-m) and An Cuong Wood Working (ACG: +11.3% m-o-m), which is one of our latest private equity investments which migrated to a public listing in August this year. Other sector contributors include real estate, specifically Khang Dien House (KDH: +4.7% m-o-m) and industrials, specifically Airports Corporation of Vietnam (ACV: +7.3% m-o-m), as expectations of an imminent resumption of domestic air travel has buoyed the company’s share price.

Several of our top portfolio holdings have also announced their third quarter performance, including:

Hoa Phat Group (HOSE: HPG, 18.1% NAV): The leading steel manufacturer posted solid 3Q21 earnings results with USD1.7 billion in sales (+56% y-o-y, +11% q-o-q) and USD458 million net profit (+174% y-o-y, +7% q-o-q), even with the impact of the extended lockdown. The company recorded another all-time high in quarterly profit thanks to both strong total sales volume (+38% y-o-y) and average selling price (+53% y-o-y). Due to the severity of the outages, China will continue to cut steel production and output while the world’s steel demand remains strong post-COVID, helping HPG to enjoy export sales to markets like China and Taiwan for billet, the US and Chile for HRC, and Australia, Japan, and other developed markets for rebar. In addition, HPG has been able to raise its selling price three times in a row during October. Accordingly, we expect that HPG will continue to achieve good profit results in 4Q21 and for full year 2021, with expected 157% y-o-y earnings growth, to close 2021 at USD1.5 billion in PAT. In terms of stock price performance, HPG has increased 74% calendar year-to-date to 30 September 2021. HPG is trading at a PER 2021E of 7.4x, below its 5-year historical mean PER of 8.5x.

Orient Commercial Bank (HOSE: OCB, 4.8% NAV): The bank reported 3Q21 net profit of USD39 million, -20% q-o-q, as the quarter saw (i) weaker margins (-25bps q-o-q), (ii) lower non-interest income (dragged by lower fees and recoveries but helped by higher trading gains with trading gains making up 35% of profit before tax in 9M21), (iii) higher cost-to-income ratio, and (iv) higher provisions. Over 9M21, net profit grew 50% y-o-y, and we expect full year 2021 net profit to continue to grow by a respectable 20% y-o-y. Accordingly, 4Q21 net profit is estimated at USD55 million (+42% q-o-q).

FPT Telecom (HOSE: FPT, 4.3% NAV): The company reported 3Q21 revenue of more than USD382 million (+16% y-o-y), and pre-tax profit of almost USD75 million (+18% y-o-y). Revenue growth was driven by strong demand from software outsourcing (USD162 million, +26% y-o-y), local IT services (USD66 million, +21% y-o-y) and education (USD93 million, +49% y-o-y). In 9M21, FPT achieved total revenue of USD1 billion (+18% y-o-y), becoming the first company in Vietnam’s IT sector to do so, and a pre-tax profit of USD202 million (+20% y-o-y). Regarding the revenue breakdown of software outsourcing in 3Q21, the US market recorded the highest growth (USD53 million, +64% y-o-y), while Japan continued to be the biggest revenue source (USD71 million, +9% y-o-y).

Finally, the fund released its annual results on 26 October and hosted a live video conference on both the annual results, and as part of VinaCapital’s Annual Investor Conference for 2021. A recording of the conference and the annual results can be found on the fund’s [website](#). In addition, the Board declared a dividend of 8 US Cents per share, payable to shareholders on or around 6 December 2021, which represents a significant increase from the semi-annual dividend declared earlier this year and reflects the strong NAV performance of the fund over FY2021.

The investment manager’s team is currently in the United Kingdom, Europe and the United States over the coming month and is available for face-to-face and virtual meetings. Please contact our investor relations team at ir@vinacapital.com.

Macroeconomic Commentary

Vietnam's GDP growth for 9M21 was 1.4% y-o-y, a fall from the 2.1% growth recorded in 9M20, the result of the COVID lockdowns in effect in Ho Chi Minh City and the entire southern region of the country during Q3. The economy contracted by 6.2% in Q3 2021, after posting growth of 6.6% in Q2 and 4.7% in Q1.

The manufacturing sector remained surprisingly resilient despite the well-publicized factory shutdowns in southern Vietnam. Manufacturing output growth increased from 4.6% y-o-y in 9M20 to 6.1% in 9M21, and we expect this figure to reach 8.5% for the full year of 2021.

In contrast, the drop in real retail sales (i.e. excluding inflation) accelerated from -5.1% y-o-y in 9M20 to -8.7% in 9M21. That said, we expect a mini-reopening boom in Q4 that will mitigate the decline for the full-year, and we are forecasting real retail sales will fall just 4% in 2021.

That re-opening boom has already started at the time of writing, as the Government began to gradually ease many of the social distancing measures that were in force during Q3. The loosening of these measures occurred as the number of new daily COVID cases in Vietnam fell from around 15,000 per day at the beginning of September to below 10,000 by the end of the month.

Further to that last point, the Government's recent policy shift from "zero COVID" to "living with COVID" means that Vietnam's GDP growth is likely to exceed 5% y-o-y in Q4. For the full year, the Government has informally guided expectation of 2.5% GDP growth.

On the manufacturing front, many factories that produce garments, sneakers and other low value-added products in southern Vietnam were forced to temporarily suspend operations, but northern factories that make electronics and other high-tech products continued to function in Q3, which helps explain why Vietnam's factory output accelerated slightly in 9M21.

Furthermore, Vietnam's manufacturing PMI was 40.2 in both August and September, and the backlog of work at manufacturing firms surged to a record high making it likely that industrial production will also experience a mini boom in Q4. That said, firms may face a labour shortage during the initial weeks of Q4 based on the experience of factories in the north that shut down for two weeks earlier this year, but then had to scramble to find sufficient workers upon re-opening.

Next, the well-publicised issues of the suppliers to Nike and other companies attracted considerable attention in the international media, but these issues have not dissuaded high-tech firms from planning to set up new factories in Vietnam, especially given a variety of concerns that FDI investors have about China. In September, multinational companies registered USD2.6 billion worth of new FDI in Vietnam, including a USD1.4 billion planned expansion of LG Display's factory in Hai Phong.

Consequently, the total amount of planned FDI inflows (both new projects and expansion of existing projects) surged by 22.3% y-o-y in 9M21 to USD18.9 billion. That said, disbursed FDI inflows fell by 3.5% y-o-y to USD13.3 billion in 9M21, primarily because the executives of multinational companies were not able to easily travel to Vietnam to finalize those investments.

Next, FDI manufacturers aggressively imported production materials earlier in the year, so Vietnam's import growth of 30.5% y-o-y in 9M21 significantly outpaced the country's 18.8% y-o-y export growth. Consequently, Vietnam's trade balance from a USD17 billion trade surplus in 9M20 to a USD2.1 billion trade deficit in 9M21. We nevertheless expect the trade balance to flip back to a surplus by the end of the year as factories work through their above-mentioned record-high backlogs.

We also note that Vietnam's 1% of GDP trade deficit in 9M21 has had no impact on the value of the VN Dong. The official USD-VND exchange rate depreciated by 0.1% during the month, despite a 1.7% increase in the value of the US Dollar / DXY index in September.

One reason that the VN Dong continues to remain stable against the USD is that the level of real interest rates in Vietnam (i.e., stripping out inflation) that Vietnamese banks pay savers are over 2% for 6-month deposits (6-month deposit rates are around 5% while inflation is around 2%) versus circa -5% in the US.

Finally, CPI inflation in Vietnam fell from 2.8% y-o-y in August to 2.1% in September, although most of that drop was attributable to a circa 10% temporary cut in electricity prices mandated by the Government to indirectly assist households during the COVID lockdowns. That temporary price cut will be reversed by the end of the year, so we continue to expect Vietnam's CPI inflation to end the year at around 2.5%.

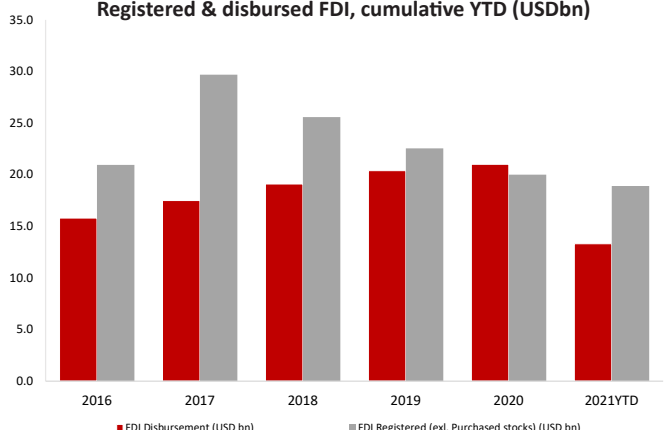
Quarterly GDP growth (%)



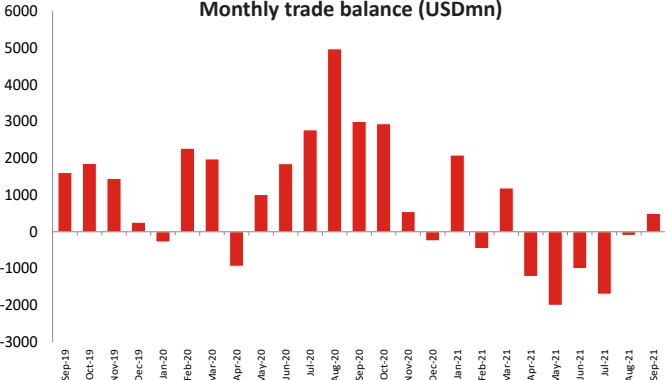
Purchasing Managers' Index



Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)

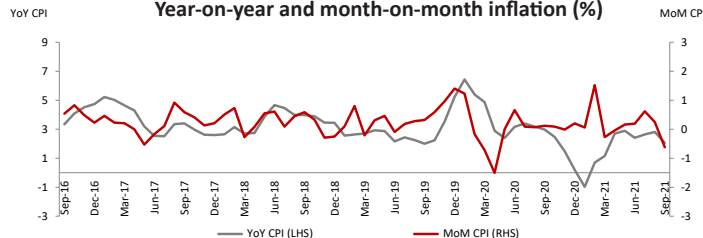


Macroeconomic indicators

	2020	Sept-21	YTD	YOY ¹
GDP growth (%)	2.9			1.4
Inflation ² (%)	3.2	2.1	1.8	
FDI commitments (USDbn)	21.0	2.6	18.9	22.3%
FDI disbursements (USDbn)	20.0	1.7	13.3	-3.5%
Imports (USDbn)	262.4	26.7	243.2	30.8%
Exports (USDbn)	281.5	27.0	240.6	18.8%
Trade surplus/(deficit) (USDbn)	19.1	0.3	-2.6	
Exchange rate (USD/VND) ³	23,131	23,162		

Sources: GSO, Vietnam Customs, MPI, Bloomberg | 1. GDP is annualised rate, updated quarterly; FDI and trade data is YTD y-o-y | 2. Monthly y-o-y change; Annual is 12-month average change in CPI per GSO | 3. BBG-State Bank of Vietnam Avg. USD/VND Interbank rate

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
Peter Hames	Non-executive Director		

Fund information	
LEI	2138007UD8FBBVAX9469
ISIN	GG00BYXVT888
Bloomberg	VOF LN
Reuters	VOFL

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: - 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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