

Performance summary 30 November 2021

	USD	GBP
NAV per share:	8.36	6.31
Change (Month-on-month):	-3.0%	0.1%
Total NAV (million):	1,388.0	1,046.4
Share price:	6.70	5.05
Market cap (million):	1,111.6	838.1
Premium/(discount):	-19.9%	-19.9%

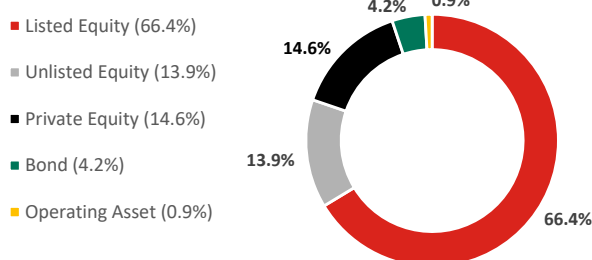
GBP/USD exchange rate as 30 November 2021: 1.3264
 GBP/USD exchange rate as 31 October 2021: 1.3673
 Source: Bloomberg

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

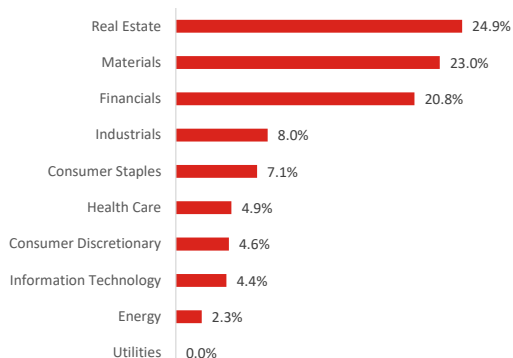
	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	-2.1	7.5	4.6	35.3	45.2	76.4
Share price	-3.8	8.7	2.0	17.9	34.1	68.5
VN Index	2.5	11.6	6.8	37.4	52.0	72.1
MSCI Emerging market	-4.1	-6.9	-10.9	-4.2	3.0	31.7
MSCI Vietnam	-1.5	5.7	0.0	22.3	31.7	43.4

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

Portfolio by asset class**



Portfolio allocation by sector**



** Excluding Cash & Others (0.4% of NAV); based on Global Industry Classification Standards (GICS)

Top ten holdings***

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	15.4%	Materials
Khang Dien House (KDH)	11.2%	Real Estate
Vinhomes (VHM)	5.9%	Real Estate
Asia Commercial Bank (ACB)	5.9%	Financials
Airports Corporation of Vietnam (ACV)	5.7%	Industrials
Orient Commercial Bank (OCB)	5.5%	Financials
Eximbank (EIB)	5.3%	Financials
FPT Corporation (FPT)	4.4%	Information Technology
Quang Ngai Sugar (QNS)	4.0%	Consumer Staples
An Cuong Wood Working (ACG)	3.7%	Materials
Total	67.0%	

*** Public Equities

“There is nothing in the world so irresistibly contagious as laughter and good-humour.” A Christmas Carol by Charles Dickens

November saw a further easing of COVID-related social distancing measures in Vietnam, including the re-opening of certain non-essential businesses such as bars and cinemas. The country's shift in approach from “Zero COVID” to “Living with COVID” was motivated by a realisation that economic immobility had a detrimental effect on people's lives and social stability and was enabled by a drop in COVID cases as well as a sharp acceleration of vaccinations. As of the end of November, over 50% of Vietnam's citizens were fully vaccinated compared to 34% in the Philippines, 39% in Indonesia, and 58% in Thailand.

Nevertheless, the country saw an emergence of infections as the reopening naturally created new vectors for community transmission. However, unlike in previous peaks for daily cases in August and September this year, the significant roll-out of vaccinations in Ho Chi Minh City and Hanoi (almost 100% of adult residents are now fully vaccinated) has meant that there has been only a moderate increase in serious cases. As such, it is unlikely that we will see a return of any of the harsh social distancing measures we had experienced in 3Q21. In fact, as you will read in the macroeconomic update below, the government is currently piloting a programme to welcome fully vaccinated tourists and is considering proposals to more fully open international travel and tourism sooner than many expected.

The markets were buoyed by positive sentiment with the reopening of the economy, with the Vietnam Index (VN Index) closing the month up 2.5% in USD total-returns terms (\$TR), and briefly reaching its intraday record high of 1,512 points on 26 November, before correcting in the last few trading sessions of the month as concerns over the new COVID-variant prompted a global market sell-off. As at the time of writing, Vietnam has yet to record any cases of the Omicron variant, but the government remains vigilant.

Domestic retail investors continued to drive market performance with a record-high of over 220,000 new securities account openings in November, a surge of 70% compared to the previous month. On a year-to-date basis, 1.3 million new accounts were opened, which is 3.3 times higher than the whole of 2020. Consequently, the average daily trading value (ADTV) for November surged 46% month-on-month to a record high of USD1.8 billion per day; year-to-date ADTV for 11M21 reached USD1.1 billion, which is almost 4 times higher than the same period last year. However, we are conscious that domestic margin finance levels are stretched to their limits for many brokerages on account of tight balance sheets; the late correction at the end of the month appeared to be an impetus for a sensible reduction in margin limits.

Foreign investors remained net sellers, with November witnessing USD393 million in outflows, the second highest monthly outflow for 2021, and bringing the year-to-date selling by foreigners to USD2.5 billion, which is still less than 2% of market capitalisation. End-of-the-year profit-taking would appear to be the key motivation for foreign selling given the strong performance of Vietnam's stock market, which is up 37.4% YTD (\$TR) and outperforming key regional peers such as the Philippines (-2.2%), Indonesia (+9.2%), and Thailand (-1.1%).

Hoa Phat Group (HOSE: HPG, -14% m-o-m) was caught up in the foreign selling activities during the month, with USD56 million net sold, and was a primary contributor to VOF's NAV contraction in November. HPG's fundamentals remain intact: its leading market position in construction steel (37% market share), significant capacity and scale, and operational efficiencies with the recent acquisition of an Australian iron ore mine. Furthermore, the company provides investors exposure to Vietnam's construction sector as real estate development activity resumes, FDI investments in factories and capacity expansion are clear, and the government has recently announced a significant fiscal spending programme to the tune of USD35 billion (10% of GDP) over the next three years that will include investment in infrastructure and public works.

We expect HPG to deliver a net profit in excess of USD1.5 billion (+160% y-o-y) for 2021, making it the only non-bank or real estate company in market history to do so. Looking ahead, its continued expansion in production capacity and product diversification will allow it to capture future domestic construction growth. Furthermore, in late November, HPG announced that it had started construction in a Ba Ria – Vung Tau industrial park zone to build one of the largest factories in the region to produce shipping containers, an initiative that the Financial Times reported could position Vietnam to break China's dominance in the container market. HPG trades at a 2022F P/E multiple of 6 times, and consensus forecasts net profit to grow 21% CAGR over 2020-2026F, suggesting that company will continue to deliver growth at a very attractive price going forward.



Sector conference



Corporate year-end meeting

Turning to the private equity investments in the portfolio, the resumption of economic activities has meant that many venues have reopened, including the GEM Centre and White Palace, both of which are conference, function, and wedding centres we invested pre-pandemic through our investment in IN Holdings. Those venues have seen a significant increase in bookings through to the Lunar New Year in February 2022, as couples look to celebrate weddings and companies hold long overdue meetings, conferences, and parties. IN Holdings has been able to weather the pandemic given its strong balance sheet, healthy cash balance, and cost-saving activities that ensured it would be able

to resume operations once allowed to reopen. Looking ahead into 2022, we will continue to work with the company's talented management team to evaluate potential expansion opportunities as this sector of the economy recovers.

Finally, the fund held its Annual General Meeting on 2 December and we are pleased to announce that all resolutions were passed with overwhelming majorities. The results of the AGM can be found on our [website](#). We also welcome the appointment of Huw Evans as the Chairman of VOF on the retirement of Steve Bates. Huw has been an independent non-executive director of fund since 2016, and prior to this recent appointment to Chairman, was the Chair of the Audit Committee, a position which has now been handed over to Julian Healy.

As the year comes to a close, we wish you a wonderful, safe, and healthy holiday season, and look forward to seeing you in 2022, hopefully in-person in Vietnam as overseas travel begins to return to some form of normalcy!

Macroeconomic Commentary

Vietnam's return to economic growth is clearly visible. For example, retail sales (which are a close proxy for domestic consumption) increased by another 6% m-o-m after having surged nearly 20% m-o-m in October. Nevertheless, we estimate that domestic consumption is still approximately 10% below pre-COVID levels.

Manufacturing activity also continued to rebound in November, increasing by 6% m-o-m, which was comparable to the increase in October. One reason manufacturing activity has not snapped back as quickly as domestic consumption is that some companies have had difficulty getting all their employees back to work for a variety of reasons, with over 10% yet to return. This was a key factor in Vietnam's manufacturing PMI ticking up from 52.1 in October to 52.2 in November - despite the fastest increase in new orders since April. We expect all workers to return to factories within the next two months, partly because some employers are offering incentives to return.

The majority of products produced in FDI factories are exported, and the US is Vietnam's largest export market, representing over one-quarter of the country's total exports in 11M21. Exports to the US grew 22% y-o-y during this period, which lifted overall exports by 17.5% to USD299.7 billion, according to the General Statistics Office (GSO).

However, the import of production inputs (circa 70% of total exports) lifted Vietnam's overall imports by 27.5% y-o-y to USD299.4 billion in 11M21 (in November, exports grew 3% m-o-m while imports grew 14% m-o-m). Consequently, Vietnam's trade surplus stood at USD200 million in the first 11 months of the year.

This surge in the import of production materials is a convincing leading indicator that Vietnam's factory output will continue growing in the months ahead. Another compelling leading indicator is an 11% y-o-y increase in registered/planned FDI to over USD22 billion in 11M21, nearly all of which will be channelled into manufacturing or power generation. Actual FDI disbursements, however, have dipped by about 4% this year because of the difficulties in consummating previously planned investments due to COVID-related restrictions.

Two other events in November make us confident about Vietnam's economic prospects in 2022 and beyond: a pilot program to welcome the first fully vaccinated foreign tourists back to Vietnam since the pandemic emerged, and the opening of the first segment of Hanoi's new metro system. In short, we expect tourism and infrastructure development to make major contributions to Vietnam's GDP growth next year.

Finally, inflation in Vietnam remained around 2% thanks to declining pork prices offsetting an increase in retail petrol prices (+44% year-to-date). The value of the VN Dong was essentially unchanged during the month despite soaring inflation in many countries and despite a 2% surge in the DXY / US Dollar Index in the month.

The State Bank of Vietnam bought about USD3 billion worth of FX reserves in November (or circa USD10 billion YTD), lifting its total reserves up to around USD110 billion, which supported the USD-VND exchange rate. Specifically, the official USD-VND exchange rate has appreciated by nearly 2% YTD, despite an 7% appreciation in the value of the US Dollar.

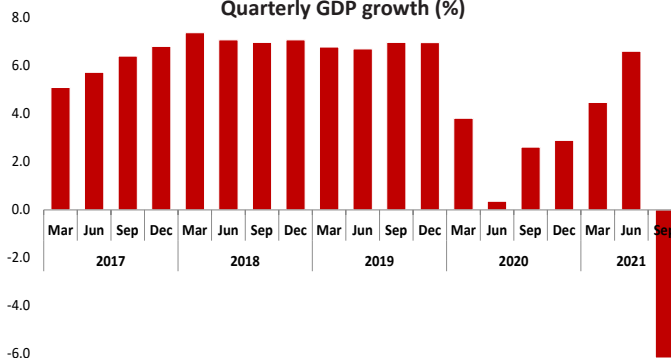
The Economist magazine recently ranked EM countries that are the most vulnerable to the Federal Reserve's tapering of its monthly asset purchases, and Vietnam's vulnerability ranked at the bottom of the list. Only Russia and Saudi Arabia were ranked less vulnerable to QE tapering than Vietnam.

Macroeconomic indicators

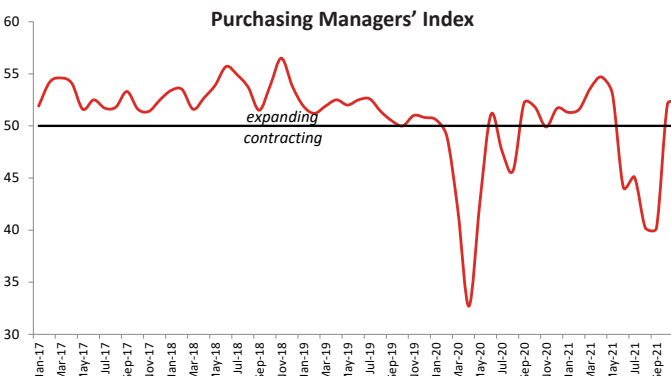
	2020	Nov-21	YTD	YOY ¹
GDP growth (%)	2.9			1.4
Inflation ² (%)	3.2	2.1	1.8	
FDI commitments (USDbn)	21.0	2.0	22.1	11.0%
FDI disbursements (USDbn)	20.0	2.0	17.1	-4.2%
Imports (USDbn)	262.4	29.8	299.4	27.5%
Exports (USDbn)	281.5	29.9	299.7	17.5%
Trade surplus/(deficit) (USDbn)	19.1	0.1	0.2	
Exchange rate (USD/VND) ³	23,131	23,139		

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

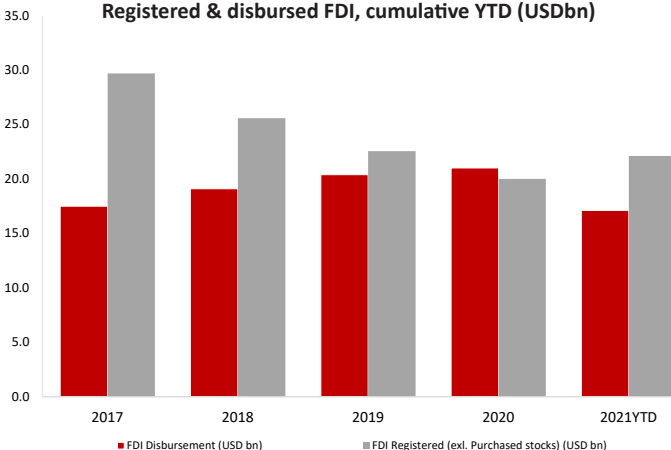
Quarterly GDP growth (%)



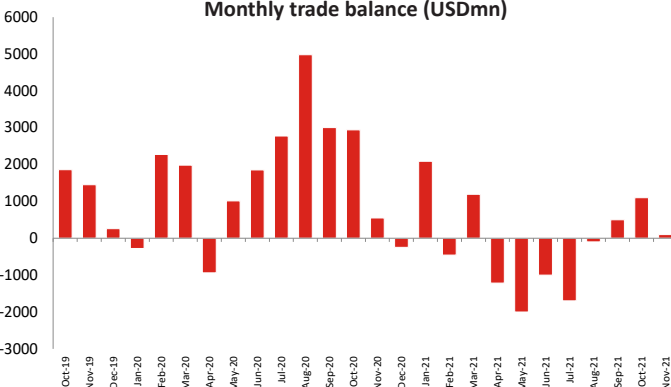
Purchasing Managers' Index



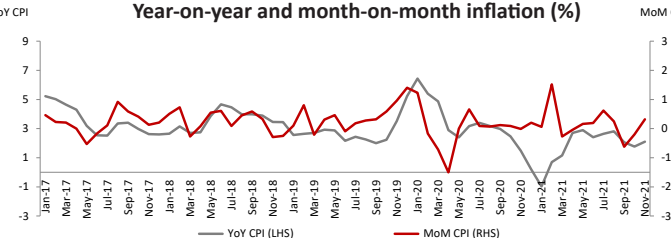
Registered & disbursed FDI, cumulative YTD (USDbn)



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
Huw Evans	Non-executive Chairman	Don Lam	Group CEO
Thuy Dam	Non-executive Director	Brook Taylor	Group COO
Julian Healy	Non-executive Director	Andy Ho	Group CIO & Managing Director
Kathryn Matthews	Non-executive Director	Khanh Vu	Deputy Managing Director
Peter Hames	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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