

### Performance summary 31 January 2022

	USD	GBP
NAV per share:	8.44	6.28
Change (Month-on-month):	-0.5%	0.3%
Total NAV (million):	1,395.0	1,038.2
Share price:	6.89	5.13
Market cap (million):	1,139.2	847.8
Premium/(discount):	-18.4%	-18.4%

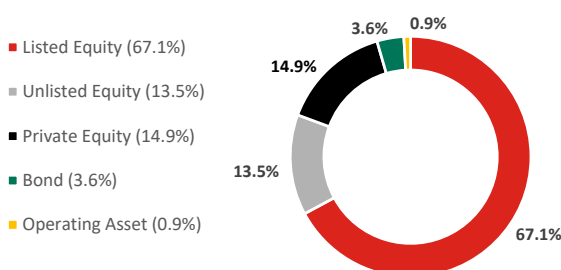
GBP/USD exchange rate as 31 January 2022: 1.3437  
 GBP/USD exchange rate as 31 December 2021: 1.3535  
 Source: Bloomberg

### Cumulative change (% change, USD, total returns)<sup>1</sup>

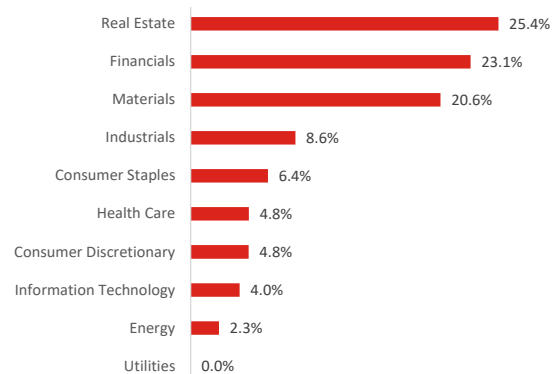
	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	-0.5	-1.2	5.6	-0.5	39.9	77.8
Share price	-1.3	-1.0	4.9	-1.3	25.1	75.3
VN Index	-0.5	3.2	7.5	-0.5	44.1	74.8
MSCI Emerging market	-1.9	-4.1	-10.9	-1.9	-7.0	24.3
MSCI Vietnam	-4.9	-5.6	-4.2	-4.9	21.1	39.1

<sup>1</sup> Inclusive of dividend distributions; FYTD data is from July 1 to date; CYTD data is from January 1 to date

### Portfolio by asset class<sup>2</sup>



### Portfolio allocation by sector<sup>2</sup>



<sup>2</sup> Excluding Cash & Others (-0.2% of NAV); based on Global Industry Classification Standards (GICS)

### Top ten holdings<sup>3</sup>

Investee company	% of NAV	Sector
Hoa Phat Group	13.3%	Materials
Khang Dien House	12.0%	Real Estate
Eximbank	7.3%	Financials
Asia Commercial Bank	6.1%	Financials
Airports Corporation of Vietnam	6.1%	Industrials
Vinhomes	5.6%	Real Estate
Orient Commercial Bank	5.4%	Financials
FPT Corporation	4.1%	Information Technology
Quang Ngai Sugar	3.6%	Consumer Staples
An Cuong Wood Working	3.4%	Materials
<b>Total</b>	<b>66.9%</b>	

<sup>3</sup> Public Equities

**“You can never cross the ocean until you have courage to lose sight of the shore.” Christopher Columbus**

It was a tumultuous start to 2022. Persistent concerns over high inflation forced the US Fed to stand ready to aggressively hike interest rates this year to combat inflation, while escalating geopolitical tensions relating to Ukraine whipsawed global and regional markets in January. The Vietnam Index suffering a pronounced ~6% pullback at the start of the month. By the end of the month, however, the local market found surer footing, with investor confidence returning as we headed towards the extended “Tet” Lunar New Year holiday.

The VN Index ended January with a 0.5% decline in USD, total return terms (\$TR), to close at 1,479 points (or -1.3% m-o-m in VND, simple change). By sector, the market found support from the index heavyweight Financials (37% index weight, +5.1% m-o-m, in which Banks +7.9% m-o-m), Utilities (5.6% weight, +6.9% m-o-m), and Energy (1.7% weight, +1.9% m-o-m), but it could not withstand the declines in Materials (8.5% weight, -12.3% m-o-m), Industrials (8.6% weight, -10.4% m-o-m), Consumer Staples (10.0% weight, -8.0% m-o-m), and Real Estate (22.6% weight, -1.7% m-o-m).

The Real Estate sector suffered early in the month as the failed auction / cancellation of a land auction in HCMC’s District 2, combined with a fine imposed by the State Securities Commission on a large property developer for undisclosed insider selling, led to a substantial correction on small and mid-cap real estate stocks which had enjoyed strong performance in the second half of last year. However, by month’s end, the Real Estate sector recovered, to post only a moderate decline, with blue chips Vinhomes (VHM, USD15.6 billion market cap, -2.1% m-o-m), and Khang Dien House (KDH, USD1.4 billion market cap, -2.0% m-o-m) helping to stem further losses.

Average daily turnover in January remained high, with the total ADTV of all three bourses averaging USD1.45 billion per day (HSX: USD1.22 billion, HNX: USD140 million, and UPCoM: USD86 million), a slight increase compared to USD1.44 billion on average for December 2021, and higher than the annual daily average for 2021 of USD1.17 billion. Local investors remain the dominant force in market participation, accounting for 93% of market turnover (86% local retail investors and 6% local institutional), while foreign investors accounted for the remaining 7% of market turnover.

Layered on top of this are margin lendings, which have crept up over the past two years as domestic brokers have sought external funding to shore up their balance sheets to continue to issue more loans; in 4Q21 they reported a 150% y-o-y increase in margin loans. Currently, margin loans make up approximately 3.0% of total market cap (vs 1.9% of market cap 1Q20), or 8.0% of free float (vs 5.0% of free float 1Q20).

The implication is that during market selloffs, as we experienced early in the month, local retail investors are forced to unwind margin positions, and thus mid-to-large cap shares used as collateral have come under selling pressure. Interestingly, large caps led the market recovery during the tail end of the month, with the VN30 Index actually delivering an increase of 0.5% m-o-m (\$TR).

The fund’s NAV performed in line with the market, declining 0.5% (\$TR), as gains from sector exposure to Financials (23.1% NAV, +5.8% m-o-m portfolio return) and Consumer Discretionary (4.8% NAV, +6.0% m-o-m portfolio return), were offset by declines in Materials (20.6% NAV, -5.2% m-o-m portfolio return) and Real Estate (25.4% NAV, -2.1% m-o-m portfolio return). Several of our listed equity portfolio companies have recently announced quarterly and annual results:

- **Hoa Phat Group (13.3% NAV)**, Vietnam’s largest integrated steel producer with over 33% market share in construction steel, reported 4Q21 results with revenue of USD2.0 billion (+74% y-o-y) and profit of USD322 million (+60% y-o-y), supported by strong sales volumes and the ability to demand high steel prices by passing on costs to customers. Nevertheless, the quarter-on-quarter decline in profit of 29% disappointed the market, but in HPG’s defence, in 3Q21 the company recorded its highest-ever quarterly profit of USD450 million. Furthermore, for the full-year, HPG achieved revenue of USD6.6 billion (+66% y-o-y) and profit of USD1.5 billion (+156% y-o-y), which were in line with market consensus.

- **Khang Dien House (12.0% NAV)** is the leading landed property (townhouses and villas) developer in HCMC, and since 2017, the company has expanded into mid-range condo developments. Currently, KDH owns projects with total land area of approximately 600 ha within HCMC’s greater metropolitan area. KDH reported 4Q21 net profit of USD18 million (+8% y-o-y), and for the full year achieved revenue and net profit of USD162 million (-18% y-o-y) and USD52 million (+4% y-o-y), respectively, in line with market expectations which had taken into consideration some delays in the launching several projects due to the extended lockdowns in 2021. Looking ahead into 2022, KDH expects to bring these delayed projects, along with the 5.7 ha Doan Nguyen Project in Cat Lai – District 2, HCMC that it acquired from CapitaLand, and the 15 ha land parcel Binh Trung 2 adjacent to the Doan Nguyen Project, to consolidate into a 20 ha project ready for pre-sales. The company has forecast a doubling of revenues for 2022 as activity resumes around these delayed and new projects.

- **Asia Commercial Bank (6.1% NAV)** is one of the leading private commercial banks in Vietnam, focusing on the retail and SME segment and listed on the Ho Chi Minh Stock Exchange since December 2020. ACB reported a strong recovery in credit growth over 4Q21 as social distancing measures were lifted across Vietnam’s major cities and business conditions normalised particularly in the south. For the full year, operating income reached USD1 billion (+30% y-o-y) on the back of higher net interest margin accruing from a strong 16.2% credit growth for the 2021 as well as lower funding costs. Despite the spike in provisions that we treat as a “kitchen-sinking” exercise that paves the way for lower credit costs for the bank in 2022 and possibly beyond, net profit grew 25% y-o-y to USD418 million.

On 1 March 2022, the Investment Manager will host a market and portfolio update webinar at 9:30am UK time. Investors are welcome to register [here](#) and a recording of the event will be available on the Fund’s [website](#).

### Macroeconomic Commentary

Vietnam’s re-opening boom, which started after Vietnam’s COVID restrictions were lifted in Q4 2021, continued in January, and was further propelled by the lead up to the Lunar New Year holiday that started at the end of the month. Retail sales grew by 6.7% m-o-m, following a surge of more than 30% from 3Q21 to 4Q21, which we

believe sets the stage for very strong GDP growth in 2022, driven by domestic consumption, which accounts for about two-thirds of Vietnam's GDP.

The Government cut Vietnam's VAT tax rate from 10% to 8% starting from February to support consumption, but we believe consumption in Vietnam will get a much bigger boost from a reopening of the country to foreign tourism at some point later this year. We estimate that foreign tourists previously accounted for over 10% of Vietnam's consumption, pre-COVID.

It is not clear yet when Vietnam will fully reopen to foreign visitors, but Thailand has already re-opened to fully vaccinated foreign tourists. Foreign tourism directly contributed about 8% of Vietnam's GDP, pre-COVID (including indirect benefits, it probably rises to around 12%), so even if tourism only fully resumes in the second half of the year, it will make a meaningful contribution to GDP growth in 2022.

Manufacturing output fell by more than 2% m-o-m in January, but some of that drop is attributable to the fact that some workers returned to their hometowns before the Lunar New Year holiday, which started on January 29th. Having said that, we do expect the demand for "made in Vietnam" products from consumers in developed countries to weigh on Vietnam's manufacturing sector this year (note that manufacturing accounts for over 20% of Vietnam's GDP).

Be that as it may, there were two very positive leading indicators for Vietnam's manufacturing sector last month, in contrast to our expectation that 2022 will be a tepid year for manufacturers in Vietnam. Specifically, 1) Vietnam's PMI ticked up from 52.5 in December to 53.7 driven by the strongest level of new orders from foreign customers in over four years, and 2) FDI companies aggressively imported materials required to produce products they sell to foreign customers (presumably because their order books are full).

Further to that last point, Vietnam's imports increased by 11.3% y-o-y in January driven by those FDI companies importing more materials, while export growth was 8.1%, resulting in a USD1.4 billion trade surplus for the month. In addition, Vietnam's FDI disbursements grew by nearly 7% y-o-y in January to USD1.6 billion, which is another positive leading indicator for the manufacturing sector.

The net flow of payments into Vietnam during the month helped lift the value of the VN Dong by about 0.6% in January versus the US Dollar. Furthermore, inflation remained below 2%, which also supported the value of the VND (high inflation in some EM countries prompted significant depreciations in the value of their currencies).

Specifically, CPI inflation in Vietnam ticked up from 1.8% y-o-y in December to 1.9%, driven by higher global oil prices (retail petrol prices in Vietnam increased about 5% in January). The higher energy prices were somewhat offset by a modest drop in food prices during the month – which is atypical in the lead-up to the Tet Lunar New Year Holiday.

The fact that inflation in Vietnam is well under control, coupled with the fact that Vietnam has ample FX reserves make it very unlikely that the State Bank of Vietnam will be compelled to hike policy interest rates this year to protect the value of the VN Dong as 11 EM central banks were compelled to do in 2021.

Consequently, interbank interest rates and Vietnam Government Bonds have barely responded to the expectations for more Fed interest rate hikes this year. Specifically, short-term interbank rates hovered around the 1% level in the lead-up to the Lunar New Year, and 10-Year bonds are essentially unchanged this year at 2.1% despite a 40bp YTD increase in US 10Y government bond yields as of the first week of February.

Next, Vietnam's Government finalised a USD15 billion / 4% of GDP fiscal stimulus package, which includes the above-mentioned VAT cut as well as several other spending measures and tax cuts to be implemented over 2022-23. About one-third of the spending in that package is earmarked for infrastructure development, which should support Vietnam's construction sector, which accounts for 6% of GDP.

Finally, we end this month's commentary with some "on the ground" colour on the rapid rebound of Vietnam's economy. The economy has clearly revived itself. There has been some difficulty accessing favourite restaurants without reservations, while it takes a bit longer to find taxis and ride-hailing cars.

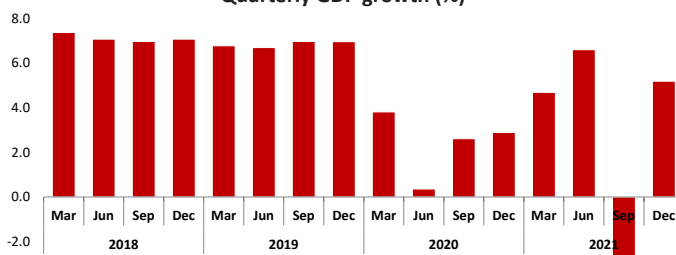
We have also noticed a lot of for-rent signs around the city centre, predominantly in locations once occupied by restaurants. It appears that a lot of restaurants did not survive the COVID lockdowns and have gone out of business while demand has revived much faster than anticipated. As expected, prices at these well sought-after venues are a bit higher than before and service quality has not yet returned to their previous levels, but it is clear to us that there is a great deal of optimism and positive momentum.

### Macroeconomic indicators

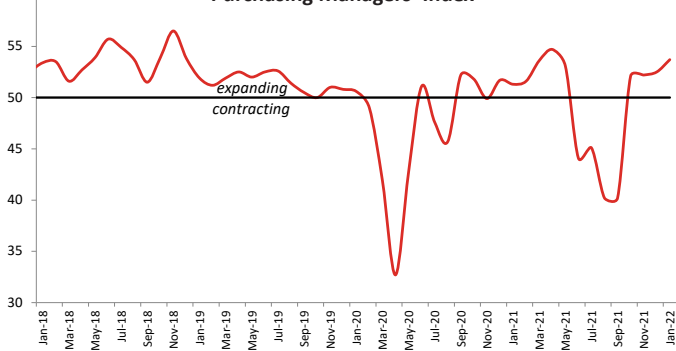
	2021	Jan-22	YTD	YOY <sup>1</sup>
GDP growth (%)	2.6			
Inflation <sup>2</sup> (%)	1.8	1.9	1.9	
FDI commitments (USDbn)	24.3	1.7	1.7	-7.7%
FDI disbursements (USDbn)	19.7	1.6	1.6	6.8%
Imports (USDbn)	332.2	29.4	29.4	11.3%
Exports (USDbn)	336.3	30.8	30.8	8.1%
Trade surplus/(deficit) (USDbn)	4.1	1.4	1.4	
Exchange rate (USD/VND) <sup>3</sup>	23,145	23,099		

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

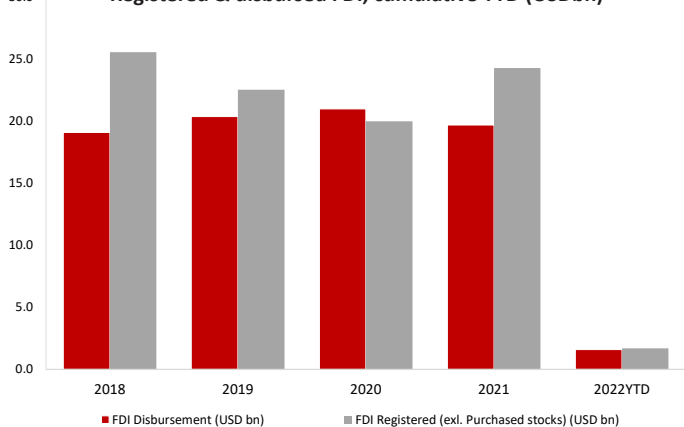
### Quarterly GDP growth (%)



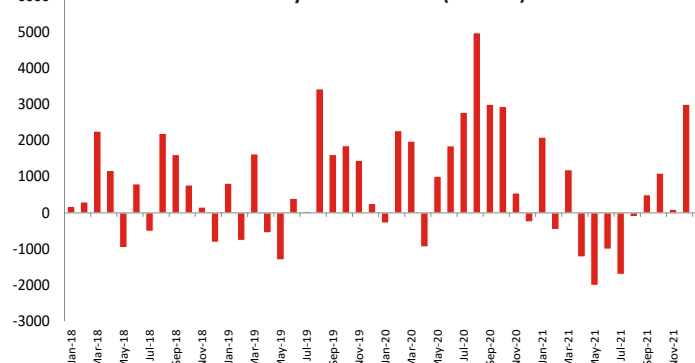
### Purchasing Managers' Index



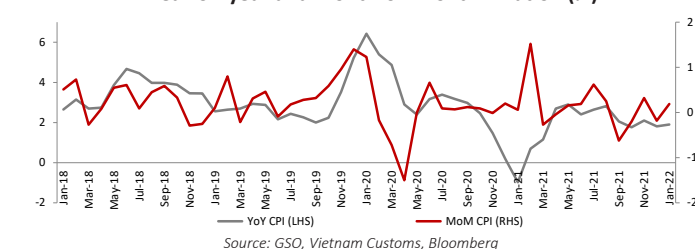
### Registered & disbursed FDI, cumulative YTD (USDbn)



### 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"> <li>- 1.50% of net assets, levied on the first USD500 million of net assets</li> <li>- 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million</li> <li>- 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million</li> <li>- 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million</li> <li>- 0.50% of net assets, levied on net assets above USD2,000 million</li> </ul> <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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