

Performance Summary 31 March 2022

	USD	GBP
NAV per share:	8.51	6.48
Change (Month-on-month):	-1.6%	0.2%
Total NAV (million):	1,398.0	1,064.0
Share price:	6.65	5.06
Market cap (million):	1,092.3	831.3
Premium/(discount):	-21.9%	-21.9%

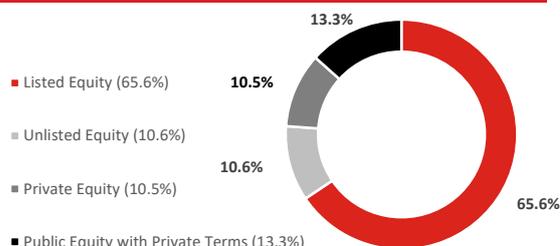
GBP/USD exchange rate as 31 March 2022: 1.3139
 GBP/USD exchange rate as 28 February 2022: 1.3391
 Source: Bloomberg

Cumulative Change (% change, USD, total returns)¹

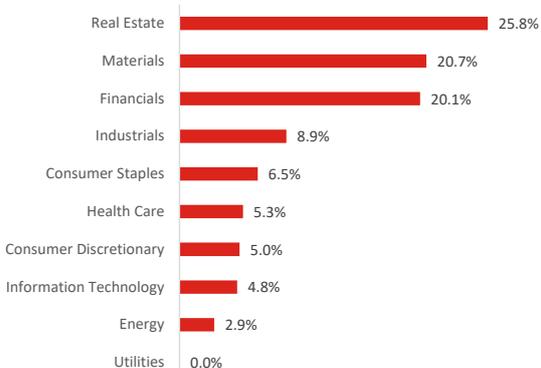
	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	-1.6	-0.4	6.4	-0.4	33.0	71.0
Share price	0.6	-4.8	1.2	-4.8	17.7	65.1
VN Index	0.1	-0.3	7.6	-0.3	28.0	62.4
MSCI Emerging market	-2.3	-7.0	-15.5	-7.0	-11.1	16.6
MSCI Vietnam	-1.1	-8.0	-7.4	-8.0	8.3	23.8

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

Portfolio by Asset Class^{2,3}



Portfolio Allocation by Sector²



² Excluding Cash & Others (0.5% of NAV); based on Global Industry Classification Standards (GICS)

³ Refer to [Portfolio by Asset Class](#) reclassification note in the Fund Summary

Top 10 Holdings⁴

Investee company	% of NAV	Sector
Hoa Phat Group	12.9%	Materials
Khang Dien House	12.5%	Real Estate
Asia Commercial Bank	11.0%	Financials
Airports Corporation of Vietnam	6.4%	Industrials
Vinhomes	5.2%	Real Estate
Orient Commercial Bank	4.9%	Financials
FPT Corporation	4.8%	Information Technology
Quang Ngai Sugar	3.7%	Consumer Staples
Phu Nhuan Jewelry	3.5%	Consumer Discretionary
An Cuong Wood Working	3.5%	Materials
Total	68.4%	

⁴ Public Equities, including Listed and Unlisted Equities

“BRUTUS. A soothsayer bids you beware the ides of March.” – Julius Caesar, Act 1, Scene 1 by William Shakespeare

March was a tumultuous month across global and local markets. The first quarter of the year was dictated by uncertainties and challenges imposed by record inflation, soaring commodity prices, and rising interest rates, with volatility further exacerbated by geopolitical tensions, including the ongoing conflict in Ukraine. Against this backdrop, the benchmark Vietnam Index managed to eek out a positive performance for March, up 0.1% (in USD terms, total returns, \$TR), bringing its first quarter return to -0.3% (\$TR).

As we have discussed in previous reports, Vietnam is spared from direct exposure to the Ukraine conflict and the wide-sweeping sanctions imposed on Russia. Vietnam’s direct economic links to these two countries is small in terms of trade value (e.g., USD0.9 billion in net trade with Russia in 2021). Nevertheless, we are mindful that the secondary impacts, such as rising commodity and fuel prices, as well as access to many of the key exports including precious and semi-precious metals, fertilisers, and soft commodities, could push local producer prices even higher. For the time being, Vietnam has managed to keep inflation well under control, which we discuss in more detail in the economic commentary that follows.

Again to quote Julius Caesar, “Cry ‘Havoc!’, and let slip the dogs of war.” (3.1.273) What has impacted local sentiment over the past month or so has been the government’s anti-corruption initiatives, which have led to several arrests of business leaders accused of various violations, including share price manipulation and misuse of funds from the issuance of corporate bonds. The Ministry of Public Security is currently pursuing several investigations tangential to these cases, and it is likely that it will be several months before the dust settles and the market fully comprehends who is involved and what crimes were committed. In the meantime, we continue to monitor these developments and their potential direct and indirect impacts – if any – on the portfolio.

The VOF portfolio does not have any shares or holdings in the companies associated with the leaders who were recently arrested. While the rumour mill has been active, the stock market has remained calm and appears to have expected these events, a testament to the maturity of market participants.

In addition to the arrests, the Ministry of Finance released its findings on various regulatory agencies that are tasked with the regulation and oversight of the stock market. The findings were not positive, and the leaders of these various regulatory agencies – including the State Securities Commission (SSC), Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX) – were sternly reminded that they are required to ensure that the stock market “operates in a stable, safe, smooth, public, and transparent manner and develops sustainably... to minimize risk and losses.” Although it is too early to know what actions may be taken against the leadership of these organisations, we welcome measures that improve transparency and further instil confidence about the stock market’s continued growth and development. We will also continue to monitor this situation as it evolves.

Update on Investments and Divestments

Turning to the VOF portfolio, we continue to work on several private equity and private credit opportunities. The uniqueness of our strategy and investment approach becomes even more apparent in light of these scandalous events in the public markets, as we are able to perform extensive due diligence on the companies in which we invest, something listed equity investors are generally unable to do. Furthermore, as minority investors we are able to demand strong downside protections. For example, in March we completed a USD25 million investment into Nova Consumer Group (NCG), a leading company in the animal health, animal feed, and farming products with a 30-year history, with an estimated market share of 30%. NCG’s vision is to build on its integrated Feed-Farm-Food value chain to develop an integrated consumer goods platform in Vietnam, with a focus on traceable materials and a diversified FMCG portfolio in packaged food and nutritional beverages which offer higher margins. This is a pre-IPO opportunity, and we expect that the company will list within the next 12 months. The investment comes with our typical private equity terms, such as downside protection and performance commitments.

On divestments, VOF successfully sold its stake in Ngoc Nghia Industry - Service - Trading (NNG), a top five private equity investment in the portfolio, to Indorama Ventures, a Thailand-based chemical major, through a public tender offer (PTO) process. This is the first ever PTO transaction involving an international investor in Vietnam acquiring a majority stake in a Vietnamese-listed public company that has received SSC approval for the PTO.

In December 2019 VOF invested USD22 million for a significant minority stake in NNG, just prior to the onslaught of the global health pandemic. Since our investment, we supported the company in strengthening its corporate governance, restructuring its capital structure, and enhancing its process of capital expenditures and working capital management. As a result, NNG’s net debt has been reduced significantly by around 30% compared to when we made the investment. This divestment will deliver VOF a 1.6 times return over 2.5 years, equivalent to an IRR of 21%.

Interim Results and Investment Manager In-Person Meetings

The fund released interim results for the six-month period under review ending 31 December 2021 on 25 March. The interim results can be found on our [website](#) as well as the [webinar](#) of the results and the Investment Manager’s outlook for 2022. For the six-month period, the fund’s NAV increased 6.9% (\$TR), and it continued its ongoing, semi-annual dividend payment to investors, declaring a dividend of 8 US cents, consistent with the dividend that was declared in October 2021.

Finally, on Tuesday, 26 April the Investment Manager is delighted to present at the Numis Securities Emerging Market Conference in London and will hold several meetings with investors in London and other UK cities that week. We welcome the opportunity to meet with investors in-person now that borders have re-opened and travel resumes to a degree of normalcy. If you are interested in arranging a meeting, please contact us at ir@vinacapital.com.

Macroeconomic Commentary

Vietnam's GDP growth nudged up from 4.7% y-o-y in 1Q21 to 5% in 1Q22 while inflation increased from 1.4% y-o-y in February to 2.4% in March driven by the recent surge in global oil prices. The COVID Omicron variant hit Vietnam in March, postponing the country's nascent economic recovery due to a fairly large number of people were unable to go to work and/or were unable to consume products and services normally (recall that household consumption accounts for about two-thirds of Vietnam's GDP).

The daily number of new COVID cases in Vietnam peaked at around 180,000 in mid-March, but fell to about 80,000 by the end of the month. While the country's hospital system was stretched, it was not overwhelmed, and the Government continued to ease COVID restrictions, including fully reopening to vaccinated international tourists from 15th March.

GDP growth was primarily driven by the industrial sector, which contributed about half of Vietnam's above-mentioned 5% GDP growth in Q1, although the country's manufacturing output decelerated from 9.5% growth in 1Q21 to 7.8% in 1Q22, primarily because the availability of workers was constrained due to COVID.

Those labour issues, coupled with higher input costs, prompted a drop in Vietnam's PMI from 54.3 in February to 51.7 in March. We also note that Restoration Hardware, a leading high-end US furniture company, mentioned difficulties fully ramping up production at their Vietnam factory during the company's Q1 earnings call at the end of March.

That said, despite the deceleration in manufacturing output growth, industrial output increased from 5.7% y-o-y in 1Q21 to 6.4% in 1Q22. This was driven by a surge in the growth of electricity production (from 2.2% in 1Q21 to 7.1% in 1Q22) and an expansion in Vietnam's oil production volume, which increased along with global oil prices.

However, the surge in global oil prices drove nearly all the increase in Vietnam's inflation rate. The headline CPI rate was also boosted by an increase in food price inflation from -0.2% y-o-y in February to +1% in March, which primarily stems from a COVID-related phenomenon.

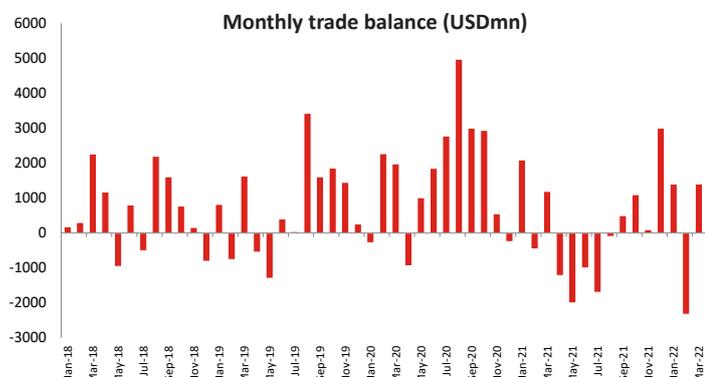
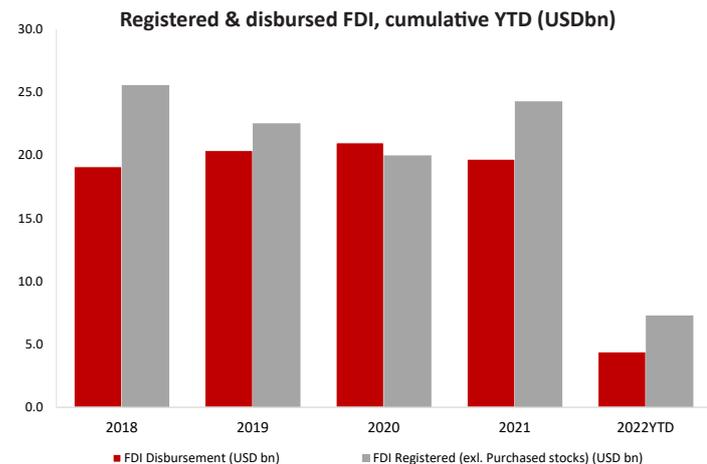
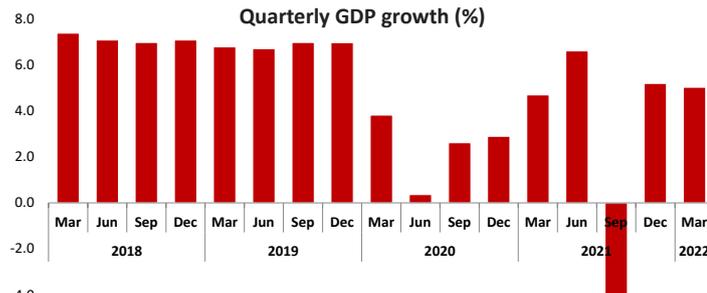
In short, the price of rice and other grains rose in early 2021 as countries aggressively replenished domestic inventories that were depleted during the first COVID wave, but prices subsequently plunged as 2021 progressed. The resulting "high base effect" led to a 20% y-o-y drop in Vietnamese rice prices in early 2022, but that y-o-y drop is set to fade as 2022 progresses. Consequently, Vietnamese rice prices fell by 19% y-o-y in February, by 13% in March, and are likely to be flat y-o-y within the next few months.

Next, Vietnam's exports grew by 13.4% in 1Q21 to USD89.1 billion, according to Vietnam Customs Office, but import growth of 15.2% (to USD87.6 billion) resulted in Vietnam's trade surplus shrinking from USD2.8 billion in 1Q21 to USD1.5 billion in 1Q22.

In 2021, Vietnam's imports grew by 27% while exports grew 19%. This mismatch was caused by the fact that FDI companies (which account for about three-quarters of Vietnam's imports) aggressively imported production inputs required to ramp-up production but were then unable to run their factories at full capacity because of COVID.

This year, we estimate that imports of components and other materials required to produce high-tech products are up about 40% y-o-y, which we regard as a positive leading indicator for the manufacturing sector. Furthermore, FDI disbursements grew 7.8% y-o-y in Q1 to USD4.4 billion, and over 90% of those incoming investments will be channelled into manufacturing or into electricity generation to power the country's industrial sector and households. We also view this as a positive leading indicator for Vietnam's manufacturing sector and believe that the continued flow of FDI into the country is one factor that is supporting the value of the VN Dong.

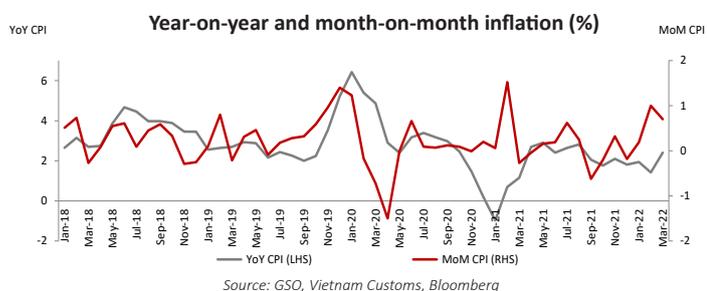
The USD-VND exchange rate appreciated by about 0.2% in the month of March and is now nearly flat YTD, despite a 2.4% YTD increase in the DXY index as of end-March and despite the on-going turmoil between Russia and Ukraine. Note that we published two reports during the month highlighting the limited impact of the Russia-Ukraine conflict on Vietnam (which can be found [here](#)), and on the limited impact of China's COVID lockdowns on Vietnam (which can be found [here](#)).



Macroeconomic indicators

	2021	Mar-22	YTD	YOY ¹
GDP growth (%)	2.6			5.0%
Inflation ² (%)	1.8	2.4	1.9	
FDI commitments (USDbn)	24.3	3.1	7.3	-22.0%
FDI disbursements (USDbn)	19.7	1.7	4.4	7.8%
Imports (USDbn)	332.2	32.7	87.6	15.2%
Exports (USDbn)	336.3	34.7	89.1	13.4%
Trade surplus/(deficit) (USDbn)	4.1	2.0	1.5	
Exchange rate (USD/VND) ³	23,145	22,837		

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



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		
Secretary 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		
Reclassification of Portfolio by Asset Class	<p>To better reflect VOF's investment strategy and highlight the negotiated terms of investments for several of our investments in the portfolio, we have reclassified the portfolio by asset class into the following buckets to help investors better understand the nature of our investments and terms:</p> <ol style="list-style-type: none"> 1. Listed Equities: Investments that are held in the portfolio which do not have privately negotiated terms, or where these privately negotiated terms of investment have expired, aside from what is permitted under the relevant Securities Law. 2. Unlisted Equities: Publicly traded securities that are listed on either the UPCoM (Unlisted Public Company Markets) exchange of the Hanoi Stock Exchange, or are traded OTC (Over-The-Counter) and are generally illiquid in nature. These investments may be entered via through a privately negotiated process or privatisation of a state-owned entity, but no longer have privately negotiated terms, or these privately negotiated terms of investments have expired, aside from what is permitted under the relevant Securities Law. 3. Public Equity with Private Terms: Investments in publicly listed companies that have unique terms of investment, such as downside protections and profit commitments, that not readily available to general market participants. Where these terms have expired or are no longer relevant then these investments will be reclassified to either Listed Equities or Unlisted Equities. 4. Private Equity: Illiquid investments in private companies with terms of investments including downside protections and profit commitments, as well as Operating Assets that generate an ongoing yield. 		

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