

### Performance Summary 30 April 2022

	USD	GBP
NAV per share:	8.00	6.36
Change (Month-on-month):	-6.0%	-1.9%
Total NAV (million):	1,311.9	1,043.0
Share price:	6.44	5.12
Market cap (million):	1,056.5	840.0
Premium/(discount):	-19.5%	-19.5%

GBP/USD exchange rate as 30 April 2022: 1.2578  
GBP/USD exchange rate as 31 March 2022: 1.3139  
Source: Bloomberg

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

	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	-5.2	-4.4	1.0	-5.5	14.6	64.7
Share price	-2.0	-5.5	-0.8	-6.7	5.1	59.4
VN Index	-8.9	-8.7	-1.9	-9.2	12.0	48.4
MSCI Emerging market	-5.6	-10.4	-20.1	-12.1	-18.1	7.9
MSCI Vietnam	-6.9	-10.0	-13.8	-14.4	-6.6	15.3

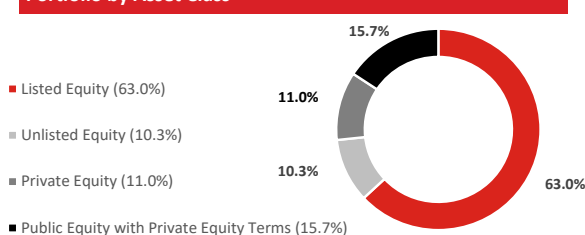
1. Inclusive of dividend distributions; FYTD data is from July 1 to date; CYTD data is from January 1 to date

### VOF Key Metrics<sup>2</sup>

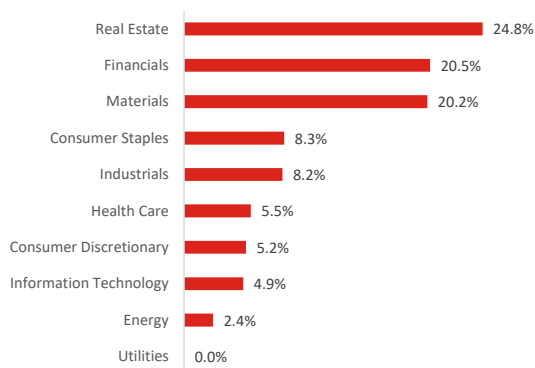
	VOF NAV	VN Index
Annualized Total Return	18.1	14.1
Annualized Standard Deviation	18.6	25.4
Beta	0.67	1.00
Sharpe Ratio	0.87	0.48

2. Based on monthly total return, USD terms in 3 years; Risk-free rate is the 3-year bond yield of 2%

### Portfolio by Asset Class<sup>3,4</sup>



### Portfolio Allocation by Sector<sup>3</sup>



3. Excluding Cash & Others (-1.3% of NAV); based on Global Industry Classification Standards (GICS)  
4. Refer to Portfolio by Asset Class reclassification note in the Fund Summary

### Top 10 Holdings<sup>5</sup>

Investee company	% of NAV	Sector
Hoa Phat Group	12.6%	Materials
Khang Dien House	12.1%	Real Estate
Asia Commercial Bank	11.5%	Financials
Airports Corporation of Vietnam	6.4%	Industrials
FPT Corporation	5.0%	Information Technology
Orient Commercial Bank	4.9%	Financials
Vinhomes	4.8%	Real Estate
Phu Nhuan Jewelry	3.7%	Consumer Discretionary
Quang Ngai Sugar	3.5%	Consumer Staples
Vietcombank	2.3%	Financials
<b>Total</b>	<b>66.8%</b>	

5. Public Equities, including Listed and Unlisted Equities

### "In investing, what is comfortable is rarely profitable." - Robert Arnott

April was an uncomfortable month to say the least. The VN Index declined 8.9% for the month, and calendar year-to-date, the VN Index has declined 9.2% (USD, total return terms). In fact, April has been the worst performing month for the VN Index since March 2020 when markets tumbled after the initial outbreak of COVID-19. Subsequent to month's end, the VN Index fell a further 10% and by mid-May was clearly in bear market territory.

Global markets also slumped on fears of economic slowdown stemming from the prolonged COVID lockdown in China, geopolitical uncertainties surrounding the conflict in Ukraine, rising inflation and interest rates, and weak consumer demand, leading some experts to raise the prospect that this cocktail of worries could lead to recession.

### Ongoing crackdown on stock market and bond issuance activities in Vietnam

Market sentiment in Vietnam has also been rattled by local developments relating to the continuing crackdown on the bond market issuances made by several real estate companies and investigations into stock market manipulation. Questions surrounding the use of proceeds from the bond issuances as well as illegal stock dealings has ensnared several high-profile individuals, including the former Chairman of Bamboo Airways and its parent company, FLC Group, a small-cap real estate developer. In recent days, the Chairman of the State Securities Commission and the General Director of the Ho Chi Minh Stock Exchange were dismissed from their postings, making them some of the highest-ranking casualties of these ongoing investigations.

From our discussions with several banks and real estate companies, this crackdown has resulted in a curtailment of bond issuances activities by several real estate companies. Some local companies borrowed money with the stated purpose that the funds would ultimately finance real estate development and/or other projects, but the local business press has reported that certain firms instead used the money for other purposes. We understand that the Government is now cracking down on this misuse of funds. However, where real estate developers have a clear purpose for raising funds and the proceeds are properly used (i.e., not to simply buy stocks in the market), then bond raising activity continues.

As such, while the sector may be temporarily out of favour and caught up in the overall negative sentiment, we believe that quality developers will not be impaired and will still be able to continue to deliver projects to their buyers. Nevertheless, it appears that credit quotas to the property sector have tightened, and anecdotally, we hear several commercial banks are reluctant to increase their lending to the real estate sector at this time.

Turning to the stock market, our Chief Economist recently wrote in his recent bi-weekly [note](#) that the local stock market's recent decline has been aggravated by the forced selling of margin related stocks prompted by "margin calls" on individual investors. The sell-off of Vietnam's stock market has been consistent with what has been occurring in global markets, although selling pressure was exacerbated by the presence of many new retail investors who are dealing with margin calls for the first time (in addition to the aforementioned crackdowns). None of this, however, is likely to have much impact on Vietnam's economic growth or on the aggregate earnings of listed companies, and looking ahead, "...authorities are pushing for a new era of transparency that could lead to a status upgrade for the market and greater foreign investment", noted Bloomberg.

### Earnings growth continues unaffected by market concerns

Against this backdrop of market volatility, most companies on the HOSE (which makes up the constituents of the VN Index benchmark) have reported first quarter earnings which have increased 29.3% year-on-year, and 15.0% quarter-on-quarter, which perhaps is not surprising given the stable recovery of the domestic economy as we discuss further in the macroeconomic update below. Recall that Vietnam effectively reopened in the fourth quarter of 2021 and strong earnings growth across the board is encouraging.

Fundamentals remain attractive and our Portfolio Managers and Research team have been visiting numerous companies as part of the earnings season reporting. Their earnings forecasts and investment view remain largely intact, forecasting approximately at least 20% earnings growth for the market in 2022. In particular, the team remains upbeat about the banking sector's earnings growth prospects, while presales growth appears strong in the real estate sector. As can be seen in the table below, the financial sector (in which banks make up the majority), is the largest sector across the two main bourses here in Vietnam, making up 36% in terms of market capitalisation, and contributing the most to 1Q earnings growth, increasing 35.9% q-o-q and 29.4% y-o-y. Still, we acknowledge the uncertainty surrounding these sectors, largely in terms of credit growth and financing, that may dampen their appeal in the short term. This is evident in the real estate sector's performance, again in the table below, which shows the sector's earnings contracting both over the quarter (-3.5% q-o-q) and year (-10.4% y-o-y).

### 1Q22 Net Profit Change, quarter-on-quarter and year-on-year, by exchange (30 April 2022)

By Exchange	Total # Companies	Market Cap. (VNDbn)	% Updated Results <sup>1</sup>	% Q-o-Q NPAT-MI 1Q22	% YoY NPAT-MI 1Q22
HOSE	419	5,782,198	97.4%	15.0%	29.3%
HNX	348	450,137	86.8%	-32.1%	25.4%
UPCoM	889	1,331,167	92.4%	-3.6%	55.1%

Source: Bloomberg, VinaCapital Research

### 1Q22 Net Profit Change, quarter-on-quarter and year-on-year, by sector for HOSE and HNX (30 April 2022)

HOSE and HNX by Sector <sup>2</sup>	Total # Companies	Market Cap. (VNDbn)	% Market Cap. <sup>3</sup>	% Q-o-Q NPAT-MI 1Q22	% YoY NPAT-MI 1Q22
Financials	58	2,232,634	36.2%	35.9%	29.4%
Real Estate	63	1,338,033	21.5%	-3.5%	-10.4%
Consumer Staples	59	569,813	9.3%	-36.0%	44.7%
Industrials	238	691,943	12.4%	-8.7%	33.8%
Utilities	36	318,977	5.2%	49.4%	55.2%
Materials	117	384,930	6.5%	10.3%	59.0%
Energy	31	117,703	1.9%	-41.1%	-25.2%
Consumer Discretionary	61	179,897	2.9%	-9.7%	25.3%
Information Technology	15	95,418	1.5%	-16.3%	46.0%
Health Care	22	36,187	0.6%	-4.3%	32.0%
Communication Services	16	4,813	0.1%	-44.6%	-1271.9%
#N/A	51	54,118	1.9%	3.3%	14.0%

Source: Bloomberg, VinaCapital Research

Notes: 1. Percentage of companies who have publicly reported their 1Q22 earnings results as of 30 April 2022.  
2. Listed companies on the Ho Chi Minh Stock Exchange (HOSE) and Hanoi Stock Exchange (HNX).  
3. Market capitalisation percentage of combined HOSE and HNX.

On a valuation basis, Vietnam remains attractive, trading at a PER of 13.1x on a forward basis, a discount to ASEAN peers, which are trading at a PER of 18.0x FY22E as at the end of April, and following the volatility experienced in May, are trading lower at a PER of 11.4x FY22E. Investors can view Vietnam as both a value play (most attractive in terms of valuation) and a growth play (faster EPS growth, with good earnings quality), unique amongst regional and emerging markets.

Similarly, we expect strong earnings growth in the VOF portfolio in 2022, and we estimate earnings across companies held in the portfolio to grow in excess of 35% in FY22E, while the public portfolio trades at a PER of 9.0x on a forward basis. Several portfolio companies have reported 1Q22 results and we highlight the following:

- Real Estate: Khang Dien House (HOSE: KDH, NAV 12.1%) is one of the leading landed property developers in Vietnam, focusing on townhouses and villas. Since 2017, the company has also expanded into mid-range condominium developments. The company's market cap is USD1.1 billion and it possesses an undervalued land bank that is one of the largest in Ho Chi Minh City. They have a long pipeline of development, with their current land bank in excess of

HCMC representing at least 10 years of development. Among listed peers, only Vingroup and Novaland have large land banks in HCMC. KDH's 1Q22 profit surged 46% y-o-y to VND299 billion, but they concede that some of this was due to a re-valuation gain on one project. Our Research team maintain their presales forecast for 2022 of VND6.1 trillion from the launch of three condo projects in 2H22. KDH benefits from strong urbanisation trends and favourable demographics amongst its buyers, coupled with a low future supply of products. Their projects are the least speculative among peers due to the high demand for condos and landed property within Ho Chi Minh City, and the company's fast payment schedule is less attractive to speculative buyers.

- Consumer discretionary: Phu Nhuan Jewelry (HOSE: PNJ, NAV 3.7%) released robust 4M 2022 results, with VND12.9 trillion in revenue (+43% y-o-y), in which retail sales surged 45% y-o-y to VND7.5 trillion, and net profit increased 45% y-o-y to VND866 billion, thanks to better production volume and an improved product mix. In April 2022 alone, retail sales and net profit soared 51% and 70% y-o-y, respectively, buoyed by strong consumer sentiment now that all lockdown measures have been removed across the country. Following our recent company visit and meetings with the Chairwoman and CEO, we have confidence in PNJ's outlook for 2022 post-COVID, as it continues to gain retail market share with growth underpinned by 1) a resilient high-income and affluent customer base; and 2) the company's more effective marketing activities as reflected by the improved retail gross profit margins despite aggressive promotions.

Finally, turning to our marketing and outreach efforts, the Investment Manager recently provided updates to investors at conferences in London and Europe in April and May. Video replays and presentations can be found on the VOF [website](#). Furthermore, we are thrilled to announce that the VinaCapital Annual Investor Conference for 2022 will be held in-person in Ho Chi Minh City this year, from Wednesday, 5 October through Friday, 7 October. We will share additional information in due course, but it would be good to mark these dates in your travel schedule for later this year.

### Macroeconomic Commentary

The 7-day average of new COVID cases in Vietnam plunged in April, from 127,000 at the beginning of the month to fewer than 14,000 at the end. This has contributed to the on-going recovery in Vietnam's nominal retail sales (which are partly driven by higher prices) from below 2% y-o-y growth in 2M22 to 10.4% y-o-y in March, and 12.1% y-o-y growth in April.

We continue to expect Vietnam's real retail sales (i.e., stripping out the impact of inflation) to grow by 5% in 2022, and believe that our forecast is realistic given that: 1) foreign tourists are now returning to Vietnam (we estimate that tourists accounted for around 10% of Vietnam's retail sales, pre-COVID), and 2) Vietnam's real retail sales growth averaged 9% annually in the five years before COVID. Consumption accounts for about two-thirds of Vietnam's economy, so the rebound in consumption growth as COVID issues abate supports our forecast that Vietnam's GDP will grow by 6.5% this year.

In addition to enabling Vietnam's consumers to fully resume their ordinary day-to-day economic activity, the plunge in new COVID cases also factored into the largest surge of employment in Vietnam's manufacturing sector in over a year, which in turn contributed to manufacturing output growth ticking up from 7% y-o-y in 3M22 to 8.3% in 4M22.

In contrast to that positive development, an increasing number of companies are reporting difficulties securing inputs from China. This helps explain why Vietnam's PMI was unchanged at 51.7 in both March and April, despite the above-mentioned surge in employment as well as the fact that manufacturing output has now expanded in 6 of the last 7 months.

In our understanding, the supply chain issues caused by China's "Zero COVID" policy have primarily affected Vietnamese producers of low value-added products such as garments. However, factory managers across a wide range of industries are understandably concerned about this issue given the heavy reliance of Vietnam's manufacturing sector on production materials and capital goods from China that are required to produce the products that Vietnam exports (note that Vietnam had an 15% of GDP trade deficit with China last year).

At the time of writing, the Chinese government relaxed some of its COVID restrictions on factories in Shanghai, and executives at some FDI companies have made public comments that indicate an expectation that the COVID measures will significantly ease within the next two months. We believe that FDI manufacturers in Vietnam would avoid severe supply chain issues if China's lockdowns were eased within the next two months.

That belief is supported by the fact that the inventories of production inputs held by FDI factories have increased significantly since the beginning of 2021. Vietnam's imports rose 27% in 2021, significantly outpacing the country's 19% export growth, while export growth continued to outpace import growth during the first three months of this year. Note that most of Vietnam's imports are of production materials required by FDI manufacturers, and that imports of materials required to make high tech products surged by about 25% in 4M22.

That said, manufacturing companies' inventories of production materials shrank significantly in April, according to the April PMI survey. Meanwhile, the above-mentioned dynamic of Vietnam's import growth outpacing export growth reversed in April – presumably because those companies were not able to import all the inputs they wanted to purchase from their suppliers in China.

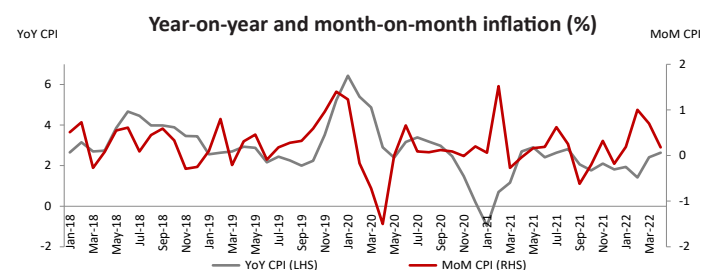
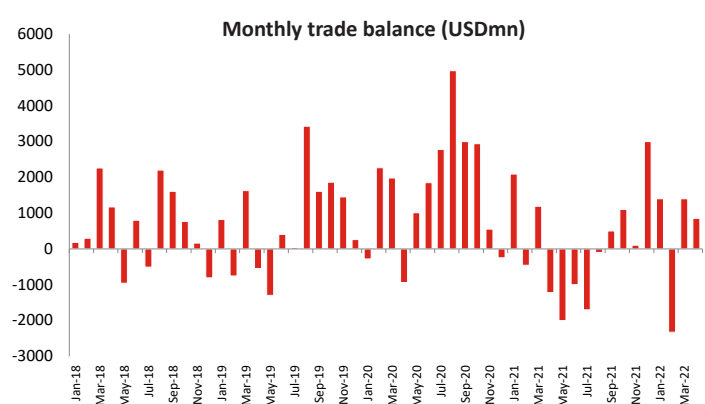
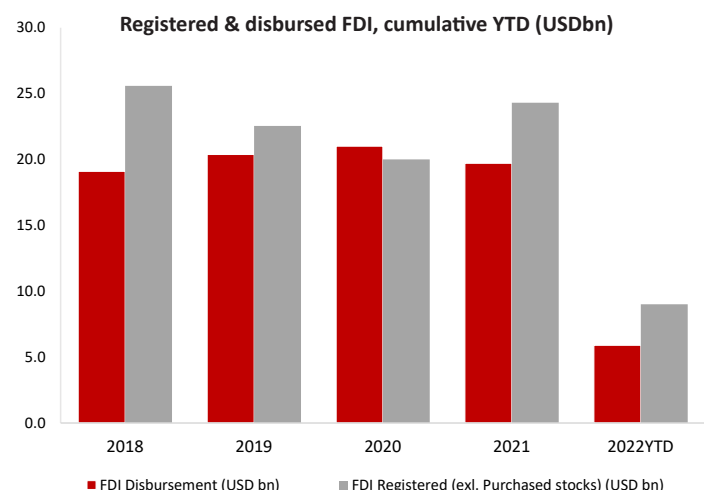
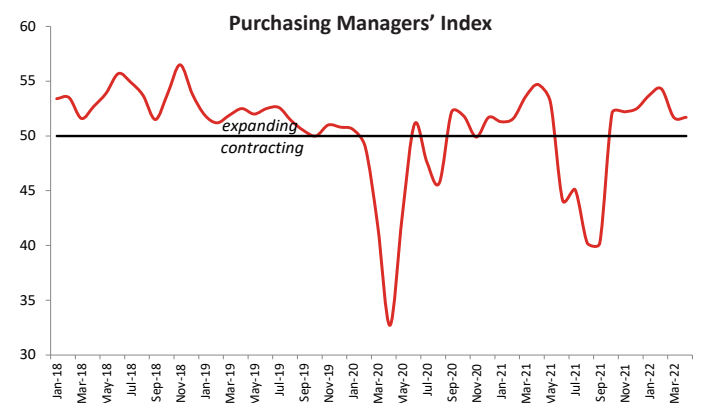
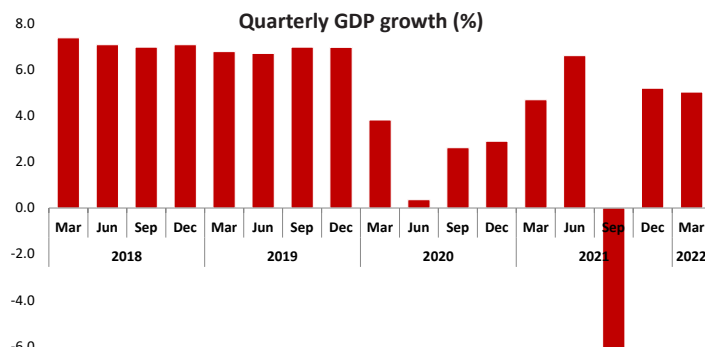
Further to that last point, Vietnam's exports grew by 16.5% to USD122.5 billion in 4M22 versus import growth of 15.3% to USD120.0 billion. Consequently, Vietnam's trade surplus increased from USD1.5 billion in 4M21 to USD2.5 billion in 4M22, which in-turn helped support the value of the VN Dong. The USD-VND exchange rate depreciated by just 0.5% during the month versus a circa 4% depreciation in the value of the Chinese Yuan (keep in mind that the US Dollar/DXY Index increased by nearly 5% during the month).

Finally, two other factors currently supporting the value of the VN Dong are: 1) an 7.6% y-o-y increase in FDI disbursements to USD5.9 billion in 4M22, and 2) Vietnam's CPI inflation rate remained modest at just 2.6% in April, which has encouraged local savers to keep their money in VN Dong (on which they can earn a 4-6% interest rate on short-term bank deposits) rather than exchanging it into USD.

### Macroeconomic indicators

	2021	April-22	YTD	YOY <sup>1</sup>
GDP growth (%)	2.6			5.0%
Inflation <sup>2</sup> (%)	1.8	2.6	2.1	
FDI commitments (USDbn)	24.3	1.7	9.0	-19.8%
FDI disbursements (USDbn)	19.7	1.5	5.9	7.6%
Imports (USDbn)	332.2	32.5	120.0	15.3%
Exports (USDbn)	336.3	33.3	122.5	16.5%
Trade surplus/(deficit) (USDbn)	4.1	0.9	2.5	
Exchange rate (USD/VND) <sup>3</sup>	23,145	23,140		

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
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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"> <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		
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"> <li>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.</li> <li>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.</li> <li>3. Public Equity with Private Equity 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.</li> <li>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.</li> </ol>		

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