

Performance Summary 31 May 2022

	USD	GBP
NAV per share:	7.65	6.10
Change (Month-on-month):	-4.4%	-4.2%
Total NAV (million):	1,250.9	996.9
Share price:	6.12	4.88
Market cap (million):	1,000.3	797.2
Premium/(discount):	-20.0%	-20.0%

GBP/USD exchange rate as 31 May 2022: 1.2548
 GBP/USD exchange rate as 30 April 2022: 1.2578
 Source: Bloomberg

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

	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	-4.4	-10.8	-3.5	-9.6	0.1	60.0
Share price	-4.5	-5.8	-5.3	-10.9	-3.6	52.1
VN Index	-6.1	-14.4	-7.9	-14.7	-1.9	42.6
MSCI Emerging market	0.5	-7.2	-19.8	-11.7	-19.6	16.9
MSCI Vietnam	-6.5	-13.9	-19.4	-20.0	-15.5	9.7

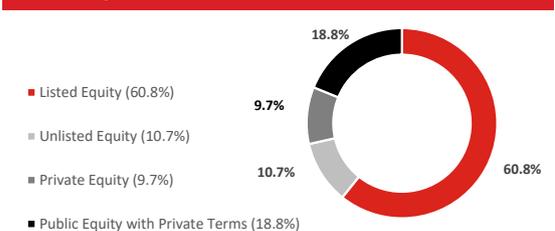
1. Inclusive of dividend distributions; FYTD data is from July 1 to date; CYTD data is from January 1 to date

VOF Key Metrics²

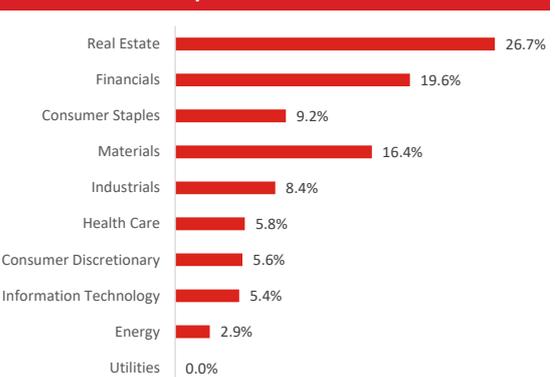
	VOF NAV	VN Index
Annualized Total Return	17.0	12.6
Annualized Standard Deviation	18.6	25.7
Beta	0.68	1.00
Sharpe Ratio	0.80	0.41

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^{3,4}



Portfolio Allocation by Sector³



3. Excluding Cash & Others (-1.2% of NAV); based on Global Industry Classification Standards (GICS)
 4. Refer to [Portfolio by Asset Class](#) reclassification note in the Fund Summary

Top 10 Holdings⁵

Investee company	% of NAV	Sector
Asia Commercial Bank	11.5%	Financials
Khang Dien House	11.0%	Real Estate
Hoa Phat Group	10.5%	Materials
Airports Corporation of Vietnam	6.6%	Industrials
FPT Corporation	5.4%	Information Technology
Vinhomes	5.3%	Real Estate
Orient Commercial Bank	4.3%	Financials
Phu Nhuan Jewelry	4.1%	Consumer Discretionary
Quang Ngai Sugar	3.8%	Consumer Staples
Vietcombank	2.3%	Financials
Total	64.8%	

5. Public Equities, including Listed and Unlisted Equities

“History provides a crucial insight regarding market crises: they are inevitable, painful and ultimately surmountable.” - Shelby Cullom Davis

May was another painful month, with the benchmark VN Index declining 6.1% month-on-month (m-o-m) in USD total return terms (STR), or -5.4% in local currency terms. While the overall monthly decline was less than in April, what this masked was the stomach-churning drop during the first half of the month: VN Index officially entered bear market territory on 13th May, as it slid 22.6% from its 6th January high, making it among the worst-performing markets globally.

However, the second half of May brought some welcome relief to investors, with the index rallying over 10% to close the month at 1,293 points. For the calendar year-to-date (YTD), the VN Index is down 14.7% (STR).

In comparison, the fund’s NAV declined 4.4% over the month, and is down 9.6% YTD (STR), owing to the performance of high-quality holdings in the portfolio, including companies like FPT Holdings (HOSE: FPT), which is the leading technology, software and services company in Vietnam. The information technology sector is the best performing sector on the market year-to-date, delivering a 15.5% return, with utilities (+7.8%) and consumer discretionary (+5.5%) rounding out the top three sectors.

Overall, the VOF portfolio continues to offer a higher Sharpe Ratio (0.8) compared to the VN Index (0.4), indicating that the low volatility provided by holding high quality, large cap public companies in the public equities’ portfolio, coupled with stable returns from private equity investments, offers investors a better risk-adjusted return over the long term.

The market structure has slightly changed in recent months. Domestic retail investors retreated from their outsized participation as volatility and uncertainty piled on, while the margin lending unwind is now basically done. Foreign institutional investors have been “buying the bear” so to speak. Foreigners were net buyers of another USD151 million of Vietnam stocks in May after buying USD175 million in April.

Market turnover has also retreated from recent highs, averaging USD656 million in average daily turnover in May. Nevertheless, year-to-date, the average daily turnover figure remains very strong at almost USD1 billion. Domestic retail investors now account for 82% of market turnover, retreating from highs of over 92% in recent months, while foreign investors now account for 10% of market turnover at the end of May (domestic institutional investors make up the 8% balance).

The US continues to hold the key to the prospects of global equity markets, with uncertainty raised by lingering inflation pressure and the risk of a potential, perhaps inevitable, recession. Vietnam’s position against this backdrop is within the view on emerging markets (EM), with improved sentiment on this asset class contingent on when China starts to reopen and recover. A greater appetite for EM would naturally cascade down to Vietnam, as the country continues to hold high appeal based on valuation and growth.

Vietnam’s fundamentals remain very attractive. Valuations are inexpensive at a 12x 2022E P/E and 0.7x PEG, while the macro numbers are likely to remain very solid, which we discuss in greater detail in the macroeconomic commentary of this report.

Private Equity Investment in Hung Thinh Land

In May the fund completed an investment in Hung Thinh Land Joint Stock Company (HTL), one of the largest privately held property developers in Vietnam. VOF invested USD25 million to obtain an undisclosed minority stake in the property developer.

Established in 2002, HTL has 20 years’ experience in the real estate sector, and the team at HTL has benefited from many years of experience from Hung Thinh Group Corporation in developing multiple real estate projects across Vietnam. Today, HTL is developing 49 residential and hospitality real estate projects and has amassed a large land bank of approximately 2,000 hectares in various prime locations, including Ho Chi Minh City, and other major provinces such as Dong Nai, Binh Duong, Vung Tau, Khanh Hoa, and Binh Dinh.

The real estate market is predicted to grow by over 20% in the next two years, thanks to the favourable macroeconomic landscape (high GDP growth of 6-7% and a relatively stable interest rate environment), accelerated spending by the government on key infrastructure projects, and a strong recovery of the economy post-pandemic.

HTL has a clear plan to go public (IPO) and list its shares on the Ho Chi Minh Stock Exchange (HOSE) in 2023. Post-listing, HTL is expected to become the third largest real estate developer on HOSE, following Vinhomes (HOSE: VHM) and Novaland (HOSE: NVL), and could be added into the VN30 index basket. This investment supports our strategy of having a diversified portfolio in public and private equities in the medium to long term.

An Cuong Woodworking (UPCoM: ACG) Performance Update

We attended the An Cuong Woodworking (ACG) AGM held in Ho Chi Minh City on 6th June at which the company approved a dividend payment for 2021 in the form cash of 25% on par (i.e. VND2,500/share) and stock dividend of 50% (i.e. 1 share for every 2 existing shares). The company also announced a 2022 dividend payment plan in the form of cash or stock of at least 20% on par (dividend yield of 3%). The company also offered strong revenue and profit guidance for the year, with revenues of USD184 million (+29% y-o-y), and NPAT of USD24 million (+22% y-o-y), while 5M22 revenue and NPAT surged 16% and 22% y-o-y, respectively. Profit margins are expected to remain strong despite higher input prices thanks to strong selling price bargaining power and productivity improvements. The company also reiterated its plans to move its listing from UPCoM to HOSE in the near future.

Overall, ACG attribute their performance to economies of scale and expanding market share as customer demand is recovering across most segments. Meanwhile, softer COVID disruptions on home furnishing and construction activities in both domestic and export markets are reflected in strong 1Q22 sales growth. ACG plan to grow their export revenue by 70% in the medium term, as well as improve export profit margins, which are currently lower than those of the domestic business.

ACG continues to expand its customer base and distribution network. In 1Q22, ACG formed various partnerships to provide its products to Novaland (a major property developer), Central Hill (an emerging condo developer of which ACG owns 30%), and NEM Furniture (a contractor/designer firm).

VinaCapital Investor Conference 2022: Save the Date

We recently announced that our annual investor conference will be held in-person on 5th to 7th October 2022 in Ho Chi Minh City. It has been three years since we have been able to hold an in-person conference and we very much welcome VOF investors to head over to Vietnam in early October to enjoy both the conference and perhaps find some time to enjoy what Vietnam has to offer tourists. Let our team know if we can be of any assistance.

Macroeconomic Commentary

During May, Vietnam's post-COVID economic boom continued to accelerate. While inflation ticked up (albeit to a rate below 3% y-o-y) and China's COVID lockdowns impeded Vietnam's manufacturing output and exports to some extent, the impact of the re-opening boom on Vietnam's domestic consumption has been dramatic and supports our expectation that Vietnam's GDP will grow by at least 6.5% this year. Specifically, retail sales growth surged from a 1.7% y-o-y increase in 2M22 to 10.4% y-o-y growth in March, 12.7% growth in April, and to a 22.6% y-o-y jump in May. Furthermore, retail sales grew by nearly 5% m-o-m in May, so the above-mentioned 22.6% y-o-y increase was not solely attributable to favourable base effects.

This dramatic acceleration will significantly boost Vietnam's GDP growth this year because real retail sales (i.e., stripping out the impact of inflation) is a close proxy for domestic consumption, which accounts for about two-thirds of GDP. Real retail sales in Vietnam rebounded from a 1% y-o-y drop in 5M21 to 6.3% growth in 5M22, which we estimate will boost Vietnam's GDP growth by nearly 5%pts, ceteris paribus.

We are not surprised by the strong domestic consumption – which we have been forecasting since the end of 2021 – but we are surprised about the strength of the manufacturing sector's growth, another reason why we now believe Vietnam's GDP could grow by more than 6.5% this year. Some international banks/research firms have forecasted GDP growth as high as 9% in 2022.

In early 2022, we predicted that Vietnam's manufacturing output would grow by 7% this year, but in 5M22, manufacturing output surged by 9.2% y-o-y, and in May, Vietnam's manufacturing PMI had its biggest one-month jump in over one year – from 51.7 in April to 54.7 in May. Furthermore, the leap in Vietnam's PMI in May was driven by an acceleration in companies' new orders, which is a positive leading indicator for Vietnam's manufacturing output and GDP growth, since manufacturing accounts for over 20% of Vietnam's GDP.

The majority of products produced in Vietnam are exported, and the country had a fairly sizeable USD 1.7 billion trade deficit in May, according to the Vietnam Customs Office, despite the above-mentioned robust performance of the country's manufacturing sector. We note, however, that Vietnam's trade balance is often negative in the month of May for seasonal reasons that are partly related to the timing of when electronics manufacturers tend to release new product lines and ship the products to their customers.

Some observers postulated that China's COVID lockdowns helped cause Vietnam's trade deficit in May, partly because some respondents to the most recent PMI survey mentioned difficulties securing production inputs from China to produce products for export. That said, the number of respondents to the PMI survey who mentioned difficulties securing production inputs from China fell somewhat from April (when it was a bigger issue) to May. Finally, we note that Vietnam's imports from China grew by 8% m-o-m and by 17% y-o-y in May, and that China's COVID lockdowns started to ease at the beginning of June, both of which make it likely that this will not be a major issue for Vietnam in the months ahead.

Despite the large trade deficit in May, Vietnam still achieved a USD 400 million trade surplus in 5M22, driven by a 16.7% y-o-y increase in exports to USD 153.3 billion, and a 15.3% increase in imports to USD 152.9 billion. Also, the trade deficit prompted a near 2% depreciation in the value of the VN Dong against the US Dollar during the month, despite a 1% decline in the US Dollar/DXY Index (the USD-VND exchange rate had depreciated by about 1.6% YTD as of the end of May).

In addition to the above-mentioned surge in factory orders in May, FDI continued to flow into the country. This is another positive leading indicator for future manufacturing output growth, since over 80% of these inflows are likely to be channelled into projects that boost Vietnam's industrial production. Specifically, FDI disbursements grew by 7.8% yoy in 5M22 to USD 7.7 billion.

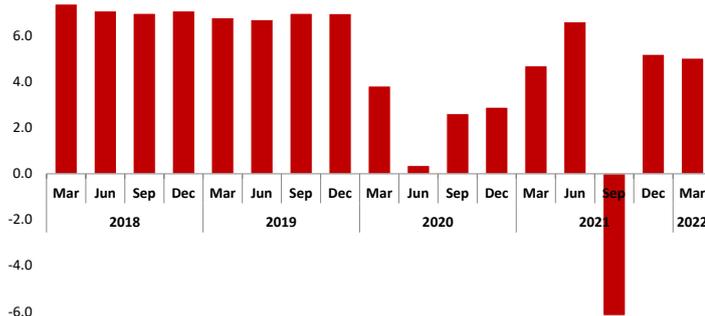
Finally, as mentioned above inflation rose modestly in May, driven by 6-10% price hikes in retail petrol prices in Vietnam that left the price of petrol nearly 60% higher year-on-year. Consequently, Vietnam's headline CPI inflation rate ticked up from 2.6% yoy in April to 2.9% in May although Vietnam's food price inflation remained at slightly above 1% in May. Bank deposit rates increased by less than 20bps during the month, and savers remain unconcerned about the recent uptick in Vietnam's inflation rate.

Macroeconomic indicators

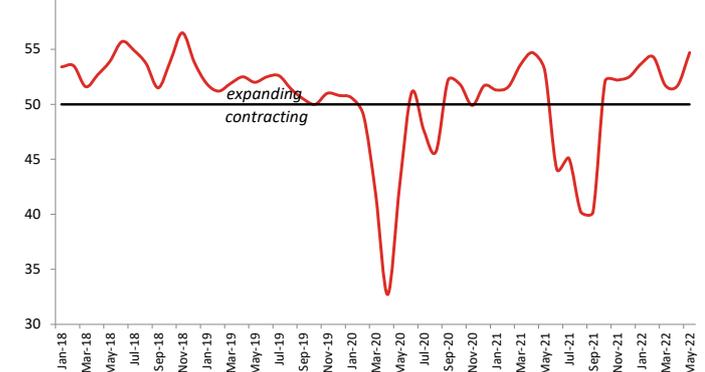
	2021	May-22	YTD	YOY ¹
GDP growth (%)	2.6			5.0%
Inflation ² (%)	1.8	2.9	2.3	
FDI commitments (USDbn)	24.3	2.7	11.7	-7.7%
FDI disbursements (USDbn)	19.7	1.8	7.7	7.8%
Imports (USDbn)	332.2	32.6	152.9	15.3%
Exports (USDbn)	336.3	30.9	153.3	16.7%
Trade surplus/(deficit) (USDbn)	4.1	-1.7	0.4	
Exchange rate (USD/VND) ³	23,145	23,057		

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

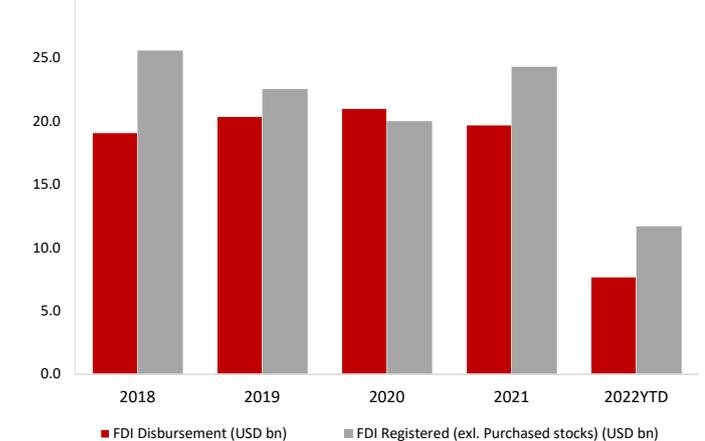
Quarterly GDP growth (%)



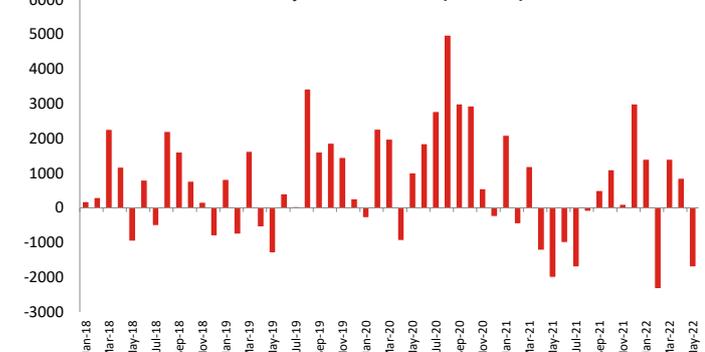
Purchasing Managers' Index



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		
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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