

Performance summary 31 May 2018

	USD	GBP
NAV per share:	5.51	4.14
Change (Month-on-month)	-4.2%	-0.7%
Total NAV (million):	1,076.2	808.8
Share price:	4.31	3.24
Market cap (million):	843.2	633.7
Premium/(discount)	-21.7%	-21.7%

GBP/USD exchange rate as 30 April 2018: 1.38

GBP/USD exchange rate as 31 May 2018: 1.33

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	-9.8	18.5	74.3	89.2
Share price (USD)	-12.6	17.2	73.4	102.5
VN Index (USD terms)	-13.6	31.1	63.2	72.4
MSCI Emerging market	-2.6	15.8	16.0	15.4
MSCI Vietnam	-2.6	59.2	58.2	49.5

Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	-1.3	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	-1.7	48.4	13.4	0.9	6.6	20.5

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	15.7	Construction materials
Vinamilk (VNM)	8.4	Food & beverage
Khang Dien House (KDH)	7.5	Real estate & construction
Airports Corporation of Vietnam (ACV)	7.0	Infrastructure
Phu Nhuan Jewelry (PNJ)	6.9	Consumer discretionary
Vietjet Air (VJC)	3.6	Industrials
Eximbank (EIB)	3.3	Financial services
Ho Chi Minh City Development Bank (HDB)	2.9	Financial services
Quang Ngai Sugar (QNS)	2.9	Food & beverage
Orient Commercial Bank (OCB)	2.3	Financial services
Total	60.5	

*Capital market equities

May: Correction continues as market tries to find bottom

May was another down month for the market, with the VN Index dropping almost 7.7% month-over-month (m-o-m) in USD terms and turning negative for the year-to-date (y-t-d) through the end of the month. As a result, VOF's net asset value (NAV) per share declined 4.2% m-o-m to USD5.51 during the reported month. From January through May, VOF's net asset value (NAV) declined 1.3% to outperform the VN Index which saw a loss of 1.7%.

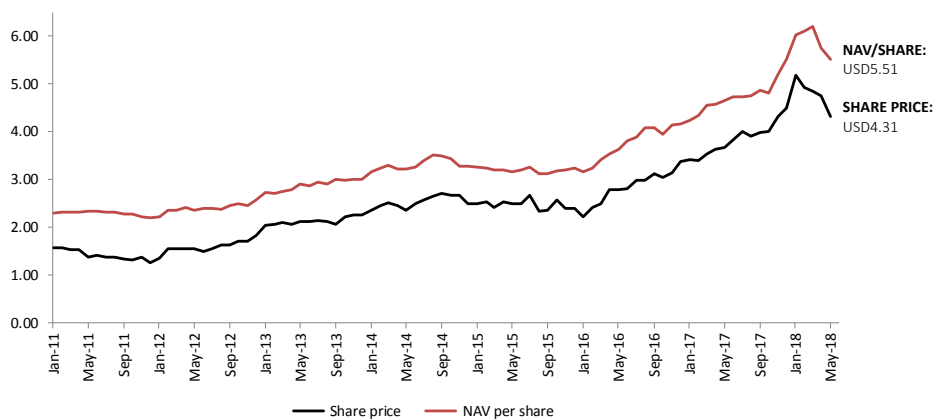
The recent market decline wiped out the 20% plus gain during the first quarter and into early April. Volatility has returned with a vengeance. In addition, market liquidity dropped 35% to a low level of USD167m for the month from the USD242m monthly average year to date (YTD). However, trading value picked up significantly with approximately USD205m per day at month end as investors started to purchase. Foreign investors were actually net buyers of USD1b (thanks to several large IPO's), making Vietnam the largest recipient of foreign flows in comparison with neighbouring countries.

Market valuation declined to a PE ratio of 18.4x at month end. Vietnam stocks are now trading in line in the Asian market, with a lower valuation than Indonesia (trailing 12-month [TTM] PE of 22.4x), and the Philippines (TTM PE: 19.1x), while being higher than Thailand (TTM PE: 17.5x) and Malaysia (TTM PE: 17.0x). In addition, Fitch revised its outlook for Vietnam to positive investment grade of BB for its improvement on economic growth, foreign exchange reserves and government debt.

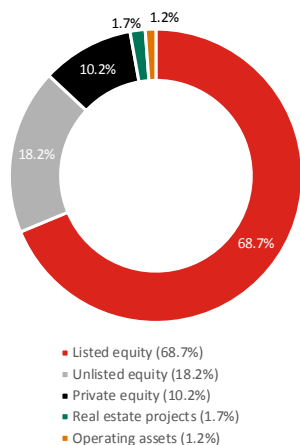
In the previous month's commentary, we noted that "we do see strong buying opportunities in a lot of good assets with strong fundamentals and management teams and where stock prices have not run ahead of themselves." Accordingly, the fund has been a meaningful net buyer in the market in May. With some of the big IPOs such as Vinhomes (VHM) and Techcombank (TCB) now out of the way, some investors no longer need to sell shares to fund their IPO commitments, and as at the time of writing, the market has recovered considerably and is back in positive territory for the year with a 5% gain YTD.

After this spate of new large company listings, we note that the market is now more concentrated than before, with the top 15 companies accounting for 70% of the VN Index's weight. What is more striking is that the Vingroup companies-- consisting of Vingroup (VIC), Vinhomes (VHM) and Vincom

Historical share price and NAV (USD)



VOF portfolio by asset class**

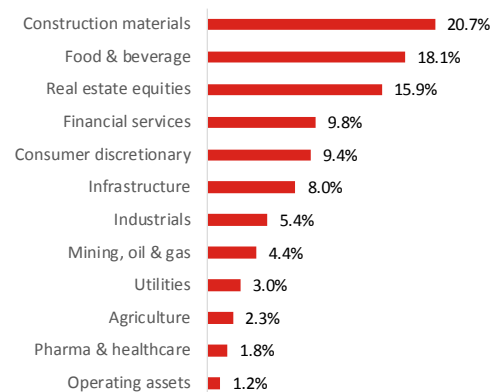


** Excluding cash & others:

Cash: 2.8% of NAV

Liabilities: -1.7% of NAV

VOF portfolio allocation by sector**



Retail (VRE)-- now account for almost a quarter of the Index (23%), which we think somewhat distorts the fundamentals of the Index's calculation given that both Vinhomes and Vincom Retail are subsidiaries of Vingroup and their earnings are already "accounted for" in VIC's earnings. This double counting means that an index investor is effectively paying the value of three companies but is really getting only one earnings stream. As we are not an index investor and do not hold any of the VIC group companies, we nevertheless do run the risk that we will underperform the VN Index if the shares of these companies collectively rally. We will, however, remain true to our investment criteria and invest with a value orientated and risk /return mindset. We are confident that there is better value elsewhere in the market and believe we will outperform the Index in the medium term with this conviction.

Macroeconomic Commentary

Vietnam's headline inflation rate accelerated from a 2.8% year-on-year (y-o-y) increase in April to 3.9% by May, but the VN Dong shrugged off both rising inflation and the negative sentiment towards emerging market (EM) currencies that drove the FX rates of Indonesia, the Philippines and India to depreciate by as much as 5-7% YTD by the end of May. In contrast, the USD-VND exchange rate depreciated by just 0.6% YTD as of the end of May.

The year-on-year rate of inflation in Vietnam predictably increased in May as a result of "low base effects". Vietnam's food prices were declining at a 3.4% annual rate in May 2017, which helps explain why Vietnam's food price inflation accelerated from a 1% y-o-y rate in April to 3.4% y-o-y growth in May, boosting the country's headline CPI rate by circa 0.9%.

However, in addition to low base effects, Vietnam's annual inflation rate was boosted by a 5.9% month-on-month (m-o-m) increase in pork prices, and by circa 5% government-mandated price hike for petrol in May. Also, the low base effects that are currently lifting Vietnam's inflation rate should abate as 2018 progresses, making it unlikely that inflation will rise significantly above the government's 4% target this year. Note that oil prices increased 50% y-o-y, as of end-May, but the price of oil surged in the second half of last year, making it likely that the year-on-year rate of increase will flatten out in late 2018.

Next, Vietnam's manufacturing growth eased from 14% y-o-y in 4M18 to a 12% increase in 5M18, and the growth in the country's high tech exports slowed from 27% y-o-y in 4M18 to 18% in 5M18, although high tech exports continued to account for about one-third of Vietnam's overall exports. The deceleration in both growth rates was attributable to particularly robust growth in the production and export of mobile phones last year.

Finally, Vietnam's FX rate, interest rates, and bond market were unperturbed by the recent volatility in the exchange rates of emerging markets around the world, including turbulence in some of Vietnam's regional peers. For example, 10Y Vietnam Government Bond Yields fell by 60 bps YTD (to 4.6%) versus a 50 bp increase in US 10Y yields. Meanwhile, Vietnam's interbank interest rates are below 2%, while Indonesia's central bank was compelled to raise policy interest rates twice in the last few weeks.

The stability of the VN Dong, and resulting stability of interest rates in Vietnam, stems in part from Vietnam's persistent current account surpluses over the last five years, and foreign direct investments averaging 7.5% of GDP over that time (in contrast, sentiment in Vietnam's stock market has been strongly influenced by movements in the USD and in other EM stock markets).

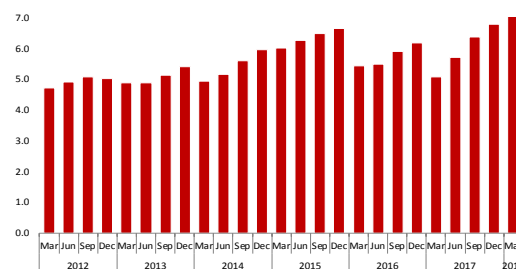
The relative stability of Vietnam's FX rate, and the likely mid-term trajectory of the exchange rates of both Vietnam's and regional EM exchange rates was covered in two of our recently published economics research reports that can be found on VinaCapital's website [here](#), and [here](#).

Macroeconomic indicators

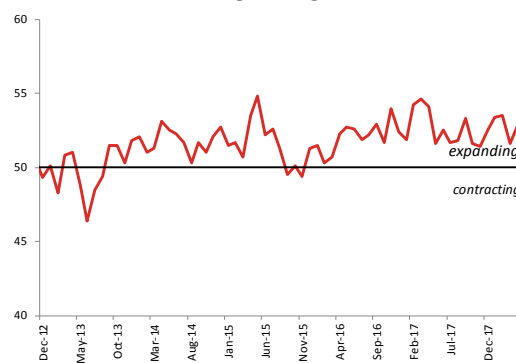
	2017	May-18	2018 YTD	Y-O-Y
GDP growth ¹	6.8%		7.4%	
Inflation (%)	2.6%	0.6%		3.9%
FDI commitments (USDbn)	35.9	1.8	9.9	-18.4%
FDI disbursements (USDbn)	17.5	1.7	6.8	9.8%
Imports (USDbn)	211.1	20.9	91.7	10.5%
Exports (USDbn)	213.8	20.0	94.3	17.3%
Trade surplus/(deficit) (USDbn)	2.7	(1.0)	2.7	
Exchange rate (USD/VND)	22,655	22,765	-0.6%	

Sources: GSO, Vietnam Customs, MPI, VCB | 1. Annualised rate, updated quarterly

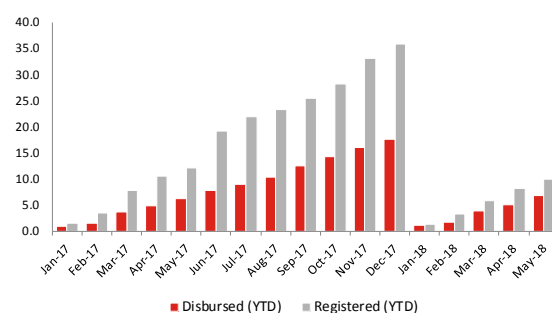
Quarterly GDP growth (%)



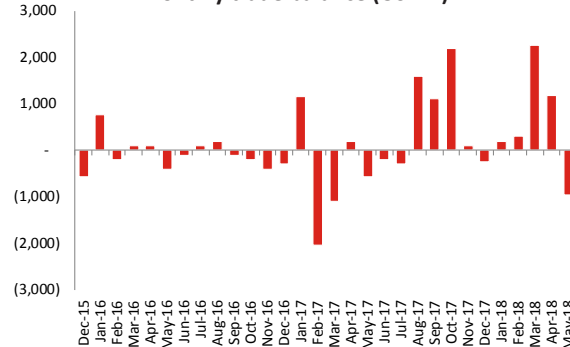
Purchasing Managers' Index



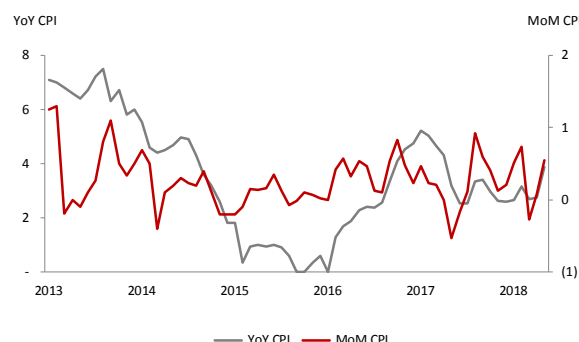
Registered and disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDm)



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
Steven Bates	Non-executive Chairman	Don Lam	Chief Executive Officer
Martin Adams	Non-executive Director	Brook Taylor	Chief Operating Officer
Thuy Dam	Non-executive Director	Andy Ho	Chief Investment Officer
Huw Evans	Non-executive Director	Duong Vuong	Deputy Managing Director, Capital Markets
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 2018)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd, with sub-delegation to VinaCapital Fund Management JSC		
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	Northern Trust International Fund Administration Services (Guernsey) Limited		
Registrar and Transfer Agency	Computershare Investor Services		
Brokers	Numis Securities (Bloomberg: NUMIS)		
Base and incentive fee	Base fee of 1.5% of NAV. Incentive fees are based on two separate pools of investments: direct real estate and all other investments. The incentive fee paid equates to 15% of the increase in the NAV of each pool during the year over a hurdle of 8%. The total amount of incentive fees paid in any one year is capped at 1.5% of the pool's NAV		
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		
Dividend policy	It is the intention of the Board to declare semi-annual dividends, normally declared in April and October, for the foreseeable future of an amount of at least 4.8 US cents per share, or the equivalent in UK pence. This amount is approximately equal to 1 per cent of VOF's net asset value at 30 June 2017. As and when circumstances permit, it is the Board's intention to increase the dividend. Dividend payments will not necessarily be fully covered by income and, as such, may represent a return of capital to shareholders. Shareholders should note that the change in dividend policy is in addition to the Company's share buyback programme, which has been the primary mechanism for attempting to control the share price discount to net asset value.		

© 2018 VinaCapital Group. All rights reserved.



Important Information

This document, and the material contained therein, is not intended as an offer or solicitation for the subscription, purchase or sale of securities in VinaCapital Vietnam Opportunity Fund Limited (the "Company"). Any investment in any of the Companies must be based solely on the Admission Document of that Company or other offering document issued from time to time by that Company, in accordance with applicable laws.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in either of the Companies and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

The securities of the Companies have not been and will not be registered under any securities laws of the United States of America nor any of its territories or possessions or areas subject to its jurisdiction and, absent an exemption, may not be offered for sale or sold to nationals or residents thereof.

No undertaking, representation, warranty or other assurance, express or implied, is given by or on behalf of either of the Companies or VinaCapital Investment Management Ltd or any of their respective directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this document and no responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligence or otherwise.

No warranty is given, in whole or in part, regarding the performance of either of the Companies. There is no guarantee that investment objectives of any of the three Companies will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

This document is intended for the use of the addressee and recipient only and should not be relied upon by any persons and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purposes, without the prior written consent of VinaCapital Investment Management Ltd.

Investor Relations/Communications
 ir@vinacapital.com
 +84 28 3821 9930
 www.vinacapital.com

Broker
 Numis Securities
 +44 (0)20 7260 1000
 funds@numis.com