

### Performance summary 30 June 2018

	USD	GBP
NAV per share:	5.39	4.08
Change (Month-on-month)	-2.2%	-1.4%
Total NAV (million):	1,046.4	792.6
Share price:	4.30	3.26
Market cap (million):	835.3	632.6
Premium/(discount)	-20.2%	-20.2%

GBP/USD exchange rate as 31 May 2018: 1.33

GBP/USD exchange rate as 30 June 2018: 1.32

Source: Reuters

### Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	-13.1	13.9	65.0	87.3
Share price (USD)	-11.1	12.6	72.0	102.1
VN Index (USD terms)	-18.8	22.4	53.3	83.6
MSCI Emerging market	-8.7	5.8	10.0	13.7
MSCI Vietnam	-16.9	41.3	36.4	52.8

### Annual performance history (% change)

	CY 2018	2017	2016	2015	2014	2013
NAV per share (USD)	-3.4	32.1	25.5	1.2	8.4	15.3
VN Index (USD terms)	-3.4	48.4	13.4	0.9	6.6	20.5

### Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	14.5	Construction materials
Vinamilk (VNM)	8.5	Food & beverage
Airports Corporation of Vietnam (ACV)	8.1	Infrastructure
Khang Dien House (KDH)	7.2	Real estate & construction
Phu Nhuan Jewelry (PNJ)	5.5	Consumer discretionary
Eximbank (EIB)	3.7	Financial services
Vietjet Air (VJC)	3.7	Industrials
Quang Ngai Sugar (QNS)	2.8	Food & beverage
Ho Chi Minh Development Bank (HBD)	2.7	Financial services
Coteccons Construction (CTD)	2.5	Real estate & construction
<b>Total</b>	<b>59.3</b>	

\*Capital market equities

### June: The market turns ugly as China-US trade war ramps up

With the trade war between China and the US ramping up, June proved to be a particularly ugly month for emerging markets around the globe, and Vietnam was no exception. The VN Index fell 1.8% (in USD terms) to close the month at 960.8, its lowest point of the year thus far. The fund's net asset value (NAV) per share declined 2.2% month-on-month (m-o-m) to USD5.39.

Excluding IPOs and off-market transactions, foreigners turned to net sellers in the second quarter, totalling USD470 million. This sell-off was exacerbated by local retail investors, who tend to view the foreign investors' flow as the "smart money" given the lack of domestic institutional money invested in the market. After rising nearly 20% during the first quarter, the VN Index closed the second quarter with a year-to-date (y-t-d) decline of 3.4% (USD terms).

It is clear that if an all-out trade war develops, emerging and frontier markets will be affected to varying degrees. However, if the recent tit-for-tat tariffs are more of a skirmish, with some degree of normality resuming in the near term, we believe the current market level presents an opportunity for investors who have patience to wait for the fundamentals – which remain strong – to re-asset themselves. Vietnam's GDP growth for the first half of 2018 was 7.1%, driven by the continued rise of domestic consumption and export growth; Vietnam's trade surplus for the first six months of the year stood at approximately USD3 billion. A more detailed discussion of the macroeconomic data follows in the next section.

Listed companies' earnings growth for 2018 is expected to be circa 28% from both a top-down consensus as well as our internal research team's bottom-up methodology. Forward P/E multiples have come down 4-5 points to 15x, which is attractive given the anticipated growth rates.

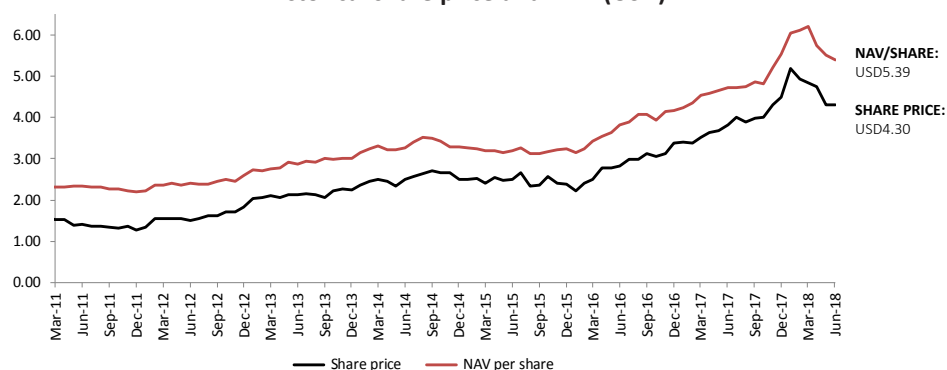
There has been some doubt about the resilience of the Vietnam Dong (VND) versus the US Dollar; the former has depreciated 1.5% year-to-date. But given continued strong FDI inflows, a trade surplus, and relatively low levels of external debt, we believe the VND could emerge as one of Asia's most resilient currencies.

At the time of writing, the VN Index has lost another 5.3%, with the market (and our share price) swept up in the bearishness washing over all emerging and frontier markets. Nevertheless, given the market's robust fundamentals and moderate risk, we remain bullish on the market over the next 12 months.

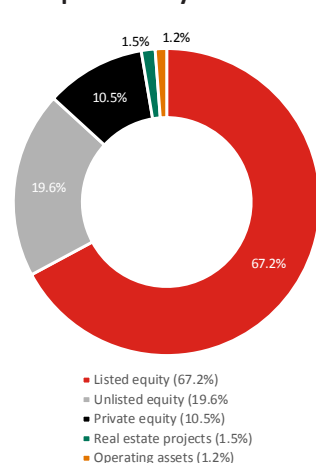
### Update on Phu Nhuan Jewelry (PNJ)

PNJ stock has declined almost 40% over the last three months following the news on 4 April 2018 that the former CEO of DongA Bank (who is also the husband of PNJ's Chairwoman) - Mr Binh Tran and 20 others were prosecuted for mismanagement and fraudulent that led to a USD150 million loss. On 16 April 2018, the government's

### Historical share price and NAV (USD)

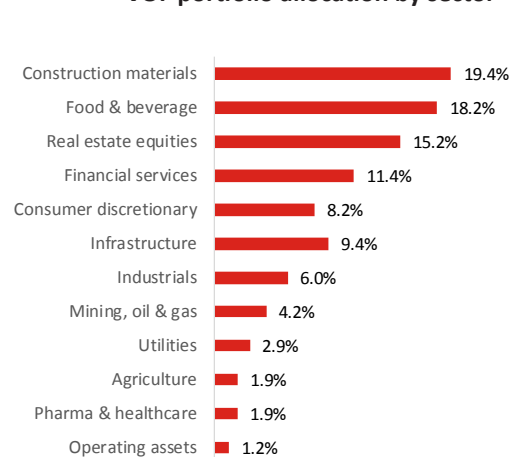


### VOF portfolio by asset class\*\*



\*\* Excluding cash & others:  
Cash: 3.2% of NAV  
Liabilities: -1.5% of NAV

### VOF portfolio allocation by sector\*\*



investigation branch requested the Police to extend the investigation of the DongA Bank case and as a result, on 14 June 2018, a PNJ's Board Member and ex-Deputy CEO, who was also Head of the Supervisory Board of DongA Bank from 2007-2014, was placed under surveillance. This individual subsequently resigned from PNJ's Board of Directors, after having resigned as Deputy CEO in May 2017 for other reasons.

Beside the violations at DongA Bank, the Police found out that Mr Binh also used the identities of his wife, her father and their two children to buy 3.1 million shares of the bank without any actual cash disbursement. After investigation, the Police concluded that Mr Binh counterfeited the signatures of the four individuals, who were unaware of the matter and thus had not violated any law. PNJ's Chairwoman reacted quickly by informing investors that neither she nor PNJ are related to the DongA Bank case and will not be affected by it in any way.

On the business side, PNJ continues to deliver strong business results. Five-month sales increased 34% year-on-year (y-o-y) to USD277 million whilst net profit increased 36% y-o-y to USD20 million, driven by the robust retail gold jewellery segment (sales grew 44% y-o-y). The current consensus forecast for this year is 25% sales growth and 30% net profit growth. At the current stock price of VND81,000, PNJ is trading at only 2018 P/E of 14x (versus the VN Index's 15x) and 2019 P/E of 11x. Our suggestion to PNJ is that senior management purchase shares in the open market or that the company implements a share buyback, as we think the stock is undervalued and such moves would be a vote for confidence in the company's future.

### Macroeconomic Commentary

Vietnam's GDP growth soared from a 5.7% pace in 1H17 to 7.1% y-o-y growth in the first half of 2018 (1H18), driven by improvements in nearly every sector of the economy. Despite positive growth across the aforementioned indicators, investors were concerned with an increase in inflation from 3.9% y-o-y in May to 4.7% in June, and with the 1.5% y-t-d depreciation of the VN Dong at the end of June.

The surge in inflation from 2.7% at the end of the first quarter of 2018 (1Q18), to 4.7% in June, is concerning, but core CPI inflation was nearly unchanged at 1.4% in each of March, April, May, and June. Core CPI inflation strips out the fluctuations in volatile food and energy prices that contribute about half the movements in Vietnam's consumer price index, so the divergence between the headline and core inflation measures illustrate the extent to which food and oil prices currently drive inflation.

Food prices increased 5.1% y-o-y, which contributed nearly 2% to Vietnam's current 4.7% inflation rate. The increase in food prices was partly driven by an 8% m-o-m surge in pork prices, while Chinese food price inflation remained below 1% and Chinese pork prices fell by about 30% y-t-d, to a four-year low; both of which reduce the possibility of further, substantial increases of the price of food in Vietnam.

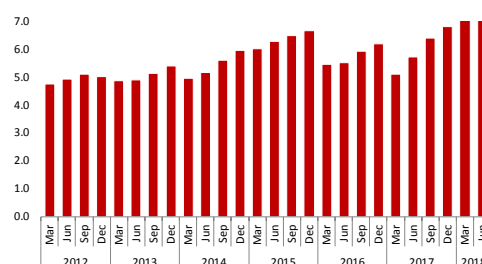
Furthermore, the 1.4% improvement in Vietnam's GDP growth rate to 7.1% y-o-y growth in 1H18, was attributable to improvements in the manufacturing sector (which contributed 0.4% of the improvement), in the mining sector (0.4%), and in the agriculture sector (0.2%). GDP was also augmented by the reversal of Vietnam's 2.6%/GDP trade deficit in 1H17 to an estimated 2.2%/GDP trade surplus in 1H18.

Household consumption (which accounts for an estimated 65% of GDP) grew by an estimated 8.6% y-o-y, and manufacturing (which contributes 16% of GDP) grew by 13% y-o-y. The growth prospects for both look equally strong in 2H18 as, according to AC Nielson, Vietnamese consumer confidence hit a record high, making Vietnam the fourth most optimistic market in the world. What's more, Vietnam's Purchasing Managers' Index (PMI) surged to a near-record high reading of 55.7 in June.

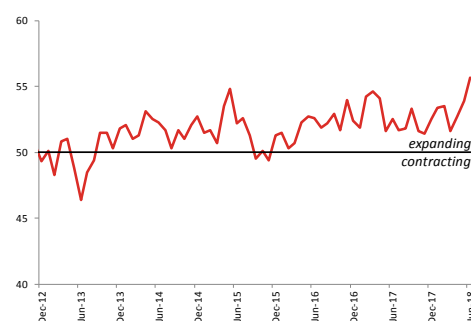
Finally, we note that emerging market countries enduring the biggest currency depreciations in 2018 have substantial current account (C/A) deficits and are significant oil importers. In contrast, Vietnam ran surpluses in each of the last six years that averaged 3.8%/GDP and appears likely to have achieved a C/A surplus of over 6% in 1H18. Vietnam is only a negligible net oil importer, in contrast to India/Philippines/China, which import 45-75% of the oil they consume. For those reasons, the VN Dong is much more stable than the FX exchange rates of nearly all of Vietnam's EM peers.

The State Bank of Vietnam (SBV) publicly committed to limiting the depreciation in the Dong to 2%, by intervening in the FX market if necessary. The SBV accumulated USD24 billion of FX reserves since the beginning of 2017, bringing its total reserves up to USD63.5 billion (or nearly 30% of GDP), allowing us to believe that the government is serious about its commitment.

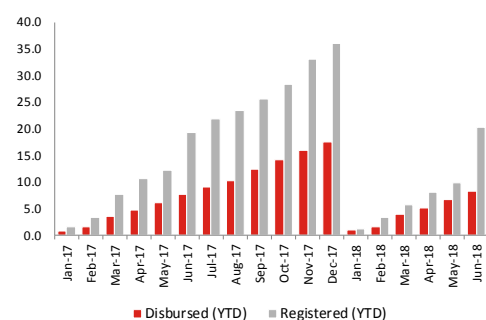
### Quarterly GDP growth (%)



### Purchasing Managers' Index



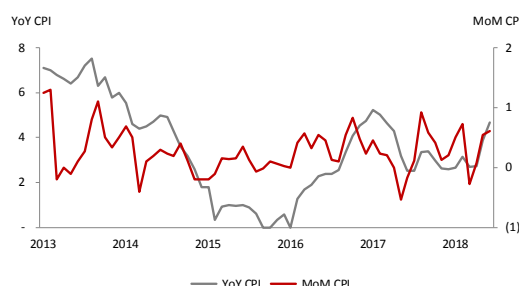
### Registered & disbursed FDI, cumulative YTD (USDbn)



### Monthly trade balance (USDm)



### Year-on-year and month-on-month inflation (%)



### Macroeconomic indicators

	2017	June-18	2018 YTD	Y-O-Y
GDP growth <sup>1</sup>	6.8%		7.1%	
Inflation (%)	2.6%	0.6%		4.7%
FDI commitments (USDbn)	35.9	10.4	20.3	5.7%
FDI disbursements (USDbn)	17.5	1.6	8.4	8.4%
Imports (USDbn)	211.1	19.1	110.8	9.6%
Exports (USDbn)	213.8	19.9	114.2	16.3%
Trade surplus/(deficit) (USDbn)	2.7	0.8	3.4	
Exchange rate (USD/VND)	22,655	22,920	-1.2%	

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

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	<p>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.</p> <p>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.</p>		

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

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