

Performance summary

	USD	GBP
NAV per share:	4.77	3.67
Change (Month-on-month)	2.80%	1.94%
Total NAV (million):	956.0	736.0
Share price:	3.82	2.94
Market cap (million):	766.8	590.3
Premium/(discount)	-19.8%	-19.8%

GBP/USD exchange rate as at 31 May 2017: 1.29

GBP/USD exchange rate as at 30 June 2017: 1.28

Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	4.8	26.4	47.2	94.5
Share price (USD)	8.3	35.5	52.8	158.3
VN Index (USD terms)	7.6	20.6	26.1	69.2
MSCI Emerging market	5.5	21.2	-3.8	7.8
MSCI Vietnam	1.9	2.2	-3.7	4.6

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	13.9	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	17.1	13.4	0.9	6.6	20.5	18.9

June: Strong market growth, and our fiscal year ends on a high note

June was another solid month for Vietnam's stock markets. The VN Index rose 5.2% in USD terms to close at 776, another nine-year high, despite the lack of any significant positive catalysts. Foreigners continued to be net buyers for the sixth consecutive month, maintaining a net-buying position of USD420 million in the first half of the year, as compared to their net-selling position of USD83 million for the same period last year. VOF's share price was up 3.9%, ending the month at USD3.82. The discount between share price and net asset value (NAV) per share was 19.8%.

Some observers highly anticipated the release of the MSCI watch list of countries eligible for upgrade to Emerging Market status, with the expectation that Vietnam's inclusion was imminent. It was not, and we were not surprised: our view has consistently been that an upgrade to EM status may take a few more years. We would prefer the market be driven by strong fundamentals rather than a technical bounce (although said bounce would likely be significant if past upgrades of other countries are any measure).

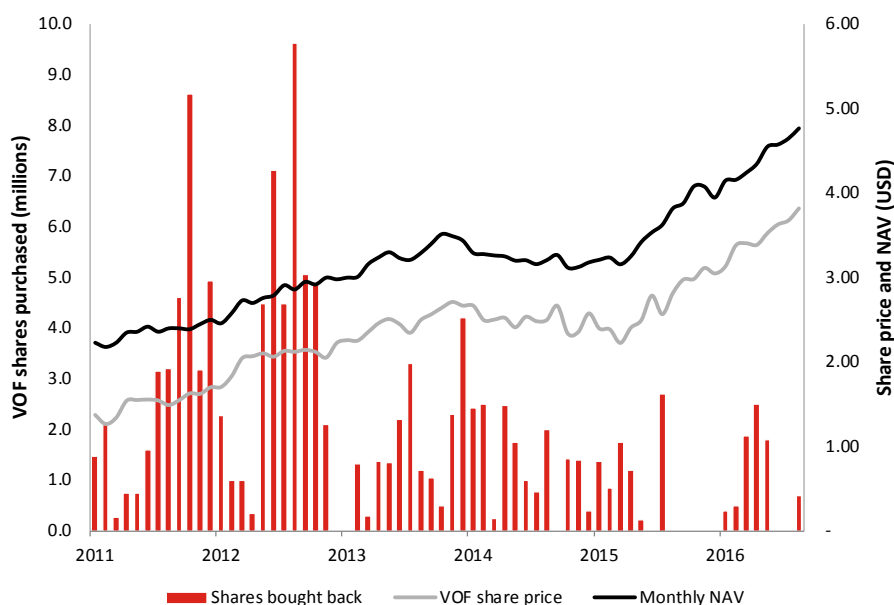
At 2017's half-way mark, the VN Index has increased just over 17.1% year-to-date. While a similar rise in the second half of the year may be difficult to achieve, we believe the likelihood that the benchmark will be somewhat higher at year-end is a distinct possibility. June also marks the end of the fund's fiscal year, and we are pleased to report that NAV per share increased 26.4%, helped by a strong market (+20.6%) but also the addition of significant alpha from the portfolio. On a like-for-like basis, our capital markets portfolio returned 33.3%, outperforming the market by a wide margin. On a five-year basis, the fund's NAV is up 94.5% while share price is up 158.3%, again far superior to the VN Index, which was up 69.2% during that period.

As we start the new financial year, we continue to strive to achieve similar – or better – results in the year ahead, and are continually evaluating potential opportunities, particularly in the private equity and privately negotiated space. We thank our shareholders for their continued trust and support.

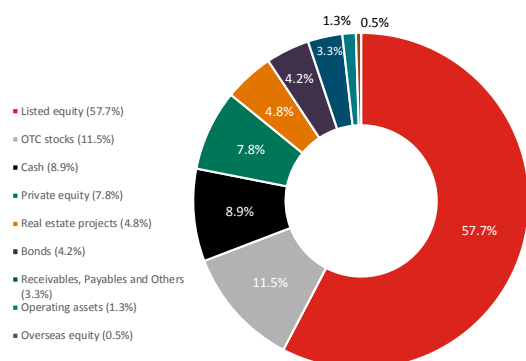
VOF portfolio allocation by sector (30 June 2017)



Historical share price, NAV and buyback activity



VOF portfolio by asset class (30 June 2017)



Macroeconomic Update

Vietnam's GDP growth rate accelerated from 5.2% yoy in 1Q17 to 6.2% in 2Q16, leading to a GDP growth of 5.7% yoy for 1H17. The acceleration in GDP growth was driven by improvements in both manufacturing and consumption growth. In Q1, manufacturing growth was impeded by a reported 38% fall in Samsung's production due to issues with the company's Galaxy Note 7 phone, but the launch of the Samsung's new S8 smartphone helped lift Vietnam's manufacturing activity from 8.3% year-on-year (yoy) rate of growth in Q1 to an estimated 12% yoy pace in Q2 (manufacturing activity grew 10.5% yoy in 1H17).

Export growth accelerated from a 5.9% pace in 1H16 to 18.8% yoy growth in 1H17, which was Vietnam's fastest H1 export growth in the last five years, but imports rose 24.1% yoy, degrading Vietnam's trade balance from a circa 1.7% of GDP surplus in 1H16 to a 2.7% of GDP deficit in 1H17. However, the country's import growth was driven by a 37.8% increase in purchases of tools and machinery in the first half of the year – signaling that Vietnam's manufacturing production is likely to continue expanding in 2H17 and 2018.

The other notable improvement from the beginning of the year was an increase in Vietnam's reported real retail sales growth. Vietnam's General Statistics Office (GSO) reported a 6.2% yoy increase in real retail sales in 1Q17, and a 8.4% yoy increase in 1H17, implying an acceleration in real consumption growth in Q2 (the GSO does not report quarterly retail sales growth figures). However, the improvement in the reported real retail sales growth was partly attributable to a drop in the Consumer Price Index (CPI) inflation from 4.7% yoy at the end of 1Q17 to 2.5% at the end of 1H17.

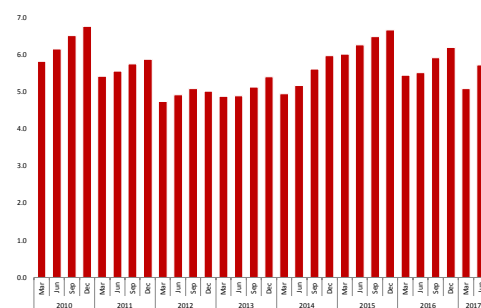
Finally, despite the acceleration in Vietnam's growth from earlier this year, the government's GDP growth target of 6.7% for 2017 now seems challenging. Oil production fell by about 13% in H1, without which Vietnam's GDP would have grown at about a 7% pace in H1. We do not expect this situation to improve in the second half of the year, so we expect GDP to grow by 6.3-6.5% this year. Achieving our forecast would necessitate an increase in Vietnam's GDP growth from 6.7% in 2H16 to above 7% in 2H17, but with the Vietnam's Purchasing Managers' Index (PMI) rebounding from a 14-month low of 51.6 in May to 52.5 in June, we are optimistic that our forecast can be reached.

Macroeconomic indicators

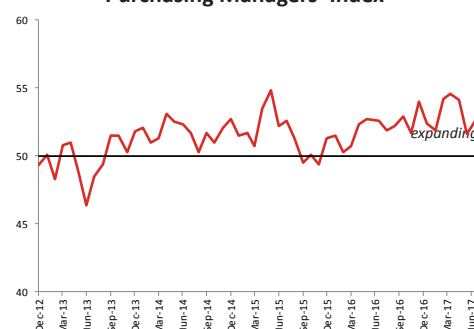
	2016	Jun-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%	5.7%	5.7%	
Inflation (%)	0.5%			2.5%
FDI commitments (USDbn)	24.4	7.1	19.2	54.8%
FDI disbursements (USDbn)	15.8	1.6	7.7	6.5%
Imports (USDbn)	174.1	18.1	100.5	24.1%
Exports (USDbn)	176.6	17.8	97.7	18.8%
Trade surplus/(deficit) (USDbn)	2.5	(0.3)	(2.8)	
Exchange rate (USD/VND) ²	22,720	22,700	0.1%	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualised rate, updated quarterly | 2.(-) Denotes a devaluation in the currency, Vietcombank ask rate

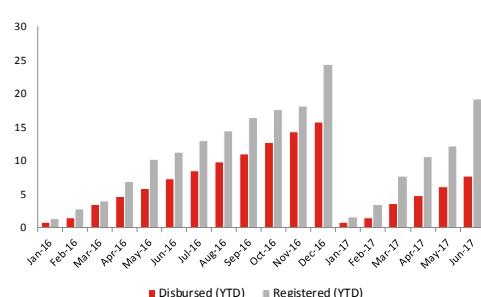
Quarterly GDP growth (%)



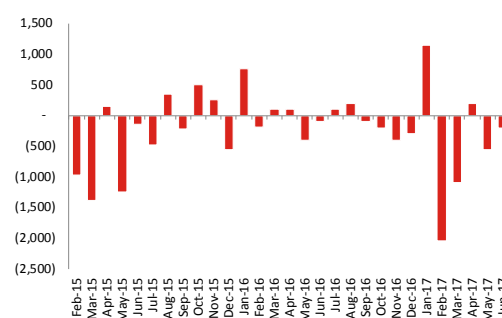
Purchasing Managers' Index



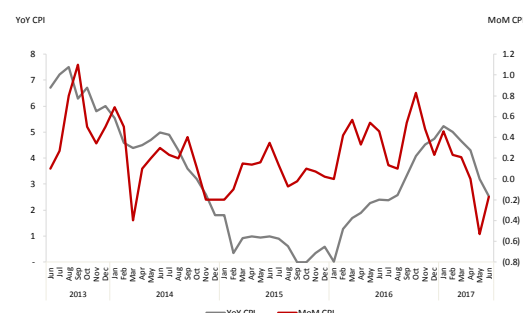
Registered and disbursed FDI (2016, USDbn)



Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, Bloomberg

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Member	Role	Member	Role
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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 background			
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOF.L		
Fund summary			
Fund launch	30-Sep-03		
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by 2018)		
Fund domicile	Guernsey		
Legal form	Exempted company limited by shares		
Investment manager	VinaCapital Investment Management Ltd		
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 investment 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		

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