

Performance summary

	USD	GBP
NAV per share:	4.73	3.59
Change (Month-on-month)	-0.84%	-2.18%
Total NAV (million):	945.4	717.1
Share price:	4.00	3.03
Market cap (million):	799.5	606.4
Premium/(discount)	-15.4%	-15.4%

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

GBP/USD exchange rate as at 31 July 2017: 1.32

Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	3.4	21.8	38.9	97.4
Share price (USD)	10.1	34.2	55.6	157.6
VN Index (USD terms)	9.2	17.9	22.8	73.3
MSCI Emerging market	9.0	22.1	0.0	11.9
MSCI Vietnam	1.7	-0.8	-7.3	6.3

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	13.0	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	18.1	13.4	0.9	6.6	20.5	18.9

Top ten holdings*

Investee company	% of NAV	Sector
Vinamilk (VNM)	13.2	Food & beverage
Hoa Phat Group (HPG)	10.7	Construction materials
Phu Nhuan Jewelry (PNJ)	5.4	Consumer discretionary
Khang Dien House (KDH)	5.2	Real estate & construction
Airports Corporation of Vietnam (ACV)	5.0	Industrials
Quang Ngai Sugar JSC (QNS)	4.8	Food & beverage
Eximbank (EIB)	3.3	Financial services
Coteccons (CTD)	2.9	Real estate & construction
Novaland (NVL)	2.5	Real estate & construction
VietJet Air (VJC)	2.3	Industrials
Total	55.3	

*Listed equity

July: Market volatility returns

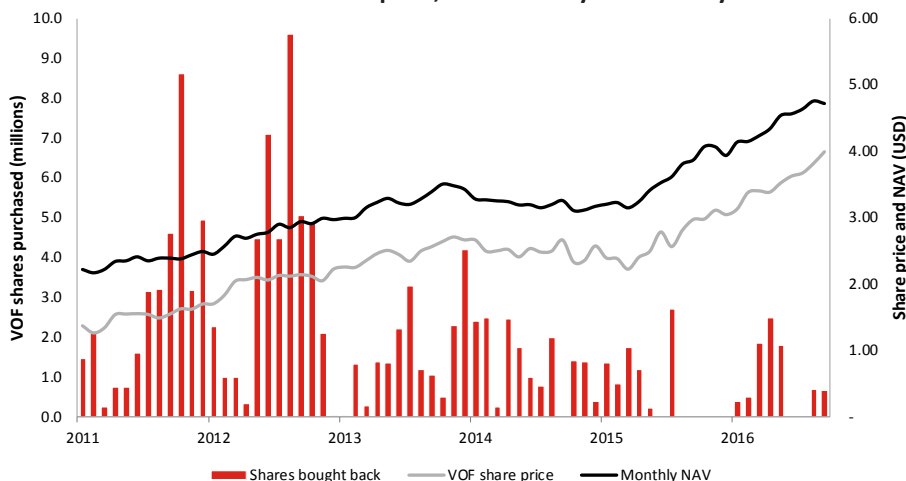
July was the market's most volatile month of the year thus far, with the VN Index see-sawing between 760 points and 783 points before ending the month more or less flat (+0.9%). As at the time of writing, the market has resumed its upward trend and is still at a nine-year high. Foreigners continued to be net buyers, and the high levels of both foreign direct and indirect investments continues to support the VND, which has moved just 0.4% during the first seven months of 2017.

VOF's share price was up 4.6%, outperforming the VN Index, to end the month at USD4.00. The discount between share price and net asset value (NAV) per share narrowed to 15.4%.

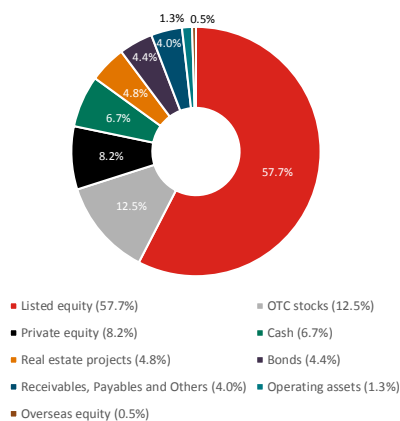
The month saw a large number of companies reporting results for the first half of the year, and on average profit growth is running in the 20% range, although there are some companies posting stronger growth, including our investee company Vietjet Air. The airline's first half results saw revenue and net profit increase 31% and 45%, respectively, mainly driven by solid growth in core revenue (+47%, excluding the revenues from sale and leaseback of aircraft). The addition of 20 new routes, a 3% increase in air fares, and a 16% increase in passengers all contributed to the rise in revenue. As we pointed out in our aviation note in May, we believe that core earnings growth of Vietjet and other companies in the sector is sustainable as they benefit from the continued substantial growth in tourism, both international and domestic.

Another standout is Phu Nhuan Jewelry (PNJ), which reported robust sales and completed a private placement. Coming off a successful year in 2016, PNJ continued to deliver very strong results in the first half of 2017, with sales increasing 39% and net profit surging 54%, driven by growth across all segments. In particular, gold retail sales surged 46% propelled by an 28% increase in same store sales and rapid store expansion. PNJ opened 20 stores in during the first six months of the year, raising its total store count to 240. PNJ expects to have 280 and 310 stores by the end of 2017 and 2018, respectively. Silver sales also advanced 44% thanks to new product designs and effective marketing campaigns. We believe core profit growth will remain strong for the next few years, primarily driven by retail network expansion that will capture rising jewelry consumption and the continued gaining of market share away from mom-and-pop shops, which still account for 80% of total market sales. We project PNJ's net profit to grow 57% and 20% to USD35 million and USD42 million

Historical share price, NAV and buyback activity



VOF portfolio by asset class



VOF portfolio allocation by sector



in 2017 and 2018, respectively.

PNJ just successfully raised USD43 million via a private placement in July. The new issuance is equal to 10% of pre-money outstanding shares, in which 51% has been distributed to domestic investors at a price of USD4.20 per share, representing a post-money market cap of USD456 million, and 49% has been distributed to foreign investors at a price of USD4.80 per share, representing a post-money market cap of USD514 million. VOF currently is the largest investor in PNJ with 10% ownership. We are happy with the valuation of the fundraising. However, we feel that our portfolio is quite overweight with PNJ, so we did not take part in the private placement. We understand more than 50% of the foreign block was taken by a large locally-based institutional investor. At the full foreign price of USD4.80 per share, PNJ's multiple on invested capital is 2.8x.

On 17 August 2017, the Board announced the payment of the Company's first interim dividend of 4.8 US cents per share, which will be payable to shareholders on 27 September 2017. For more information, please visit <http://www.vof-fund.com>.

Macroeconomic Commentary

The State Bank of Vietnam (SBV) unexpectedly cut Vietnam's policy interest rates by 25bps on 10 July 2017 with the stated aim of boosting GDP growth to meet the government's annual growth target of 6.7%. Policy makers aim to achieve this target by loosening monetary policy rather than fiscal policy because fiscal constraints preclude the reliance on aggressive government spending to stimulate the economy. Furthermore, Vietnam's government debt-to-GDP ratio has already more-or-less reached its 65% of the GDP statutory limit. We expect Vietnam's GDP to grow by 6.3-6.5% this year.

We note that tepid inflation (Vietnam's CPI increased just 2.5% year-on-year in July), coupled with a weak USD (the DXY index fell 10% YTD, and the market USD/VND exchange rate is more-or-less unchanged YTD), give the SBV the latitude to flood local banks with liquidity. The government hopes that the prevalence of excess liquidity in the banking system would prompt banks to extend loans to businesses and individuals – which would in turn propel GDP growth. The perceptible impact of banks' flush liquidity has been a drop in the one-week interbank bank rate from 4.5% at the beginning of 2017 to 0.7% at the end of July (interbank rates fell by about 200bps in July).

Finally, the factors that have been propelling (and constraining) growth this year all persisted in July. In short, Vietnam's GDP growth is currently being driven by consumption and manufacturing, but a plunge in oil production is weighing on growth. Specifically, real retail sales (a close proxy to consumption growth), and manufacturing activity grew by 8.7% year-on-year (y-o-y) and 10.6% y-o-y respectively in 7M17, both of which are comparable to the growth rates recorded in 1H17.

In contrast, the decline in Vietnam's mining activity eased from a 5.5% y-o-y drop in June to a 3.5% decline in July, but this apparent improvement was primarily attributable to favorable base effects, rather than to a rebound in oil production growth – meaning that weak oil production continues to drag on GDP growth.

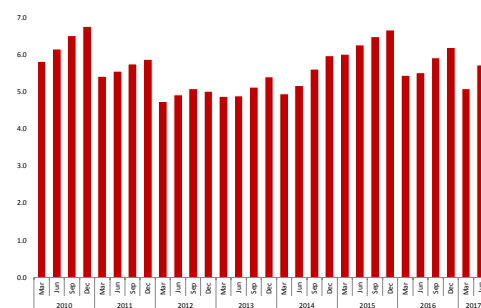
Vietnam's PMI reading fell from 52.5 in June to 51.7 in July, but forward-looking components within the PMI point to a likely further expansion in manufacturing activity well into 2018; in July, firms reported that their inventories of finished goods fell, at the same time that their work backlogs grew at the fastest pace in six years. Furthermore, FDI inflows increased 6% y-o-y in 7M17 to USD9 billion, and the vast majority of Vietnam's registered FDI is earmarked for the development of new factories and other production facilities.

Macroeconomic indicators

	2016	Jul-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%			
Inflation (%)	0.5%			2.5%
FDI commitments (USDbn)	24.4	2.7	21.9	52.0%
FDI disbursements (USDbn)	15.8	1.3	9.1	5.8%
Imports (USDbn)	174.1	17.8	118.3	24.0%
Exports (USDbn)	176.6	17.5	115.2	18.7%
Trade surplus/(deficit) (USDbn)	2.5	(0.3)	(3.1)	
Exchange rate (USD/VND) ²	22,720	22,690	0.1%	

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

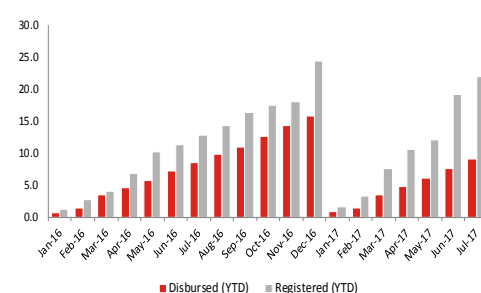
Quarterly GDP growth (%)



Purchasing Managers' Index



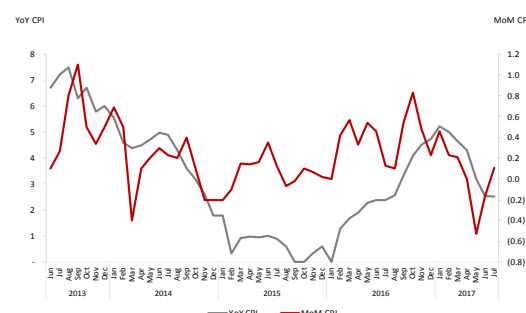
Registered and disbursed FDI (USDbn)



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

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