

VinaCapital Vietnam Opportunity Fund AIM: VOF

Investment Manager's quarterly report 31 March 2015



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Fund background

VinaCapital Vietnam Opportunity Fund (VOF) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

ISIN: KYG9361Y1026
Bloomberg: VOF LN
Reuters: VOF.L

Investment objective

Medium to long-term capital gains with some recurring income and short-term profit taking. Primary investment focus areas are: privately negotiated equity investments; undervalued/distressed assets; privatization of state-owned enterprises; real estate; and private placements into listed and OTC-traded companies.

[Click here for VOF's website.](#)

Fund managing director

Andy Ho

Investment manager

VOF is managed by VinaCapital Investment Management Ltd (VCIM) and requires investment approvals from a six member internal Investment Committee.

[More information about VCIM is available here.](#)

Manager comment

VOF's unaudited net asset value was USD716.1 million or USD3.20 per share as at 31 March 2015, down by 2.4% compared to NAV per share of USD3.28 as at 31 December 2014. The Company's share price closed the period at USD2.42, down by 3.4% from a closing price of USD2.50 at the end of December 2014. VOF's share price to NAV discount expanded to 24.6% from 23.7% in the previous quarter. The decrease in NAV was attributable to VOF's capital markets portfolio which dropped in value by 3.1% during the quarter, primarily due to PetroVietnam Drilling (PVD), Hoa Phat Group (HPG) and PetroVietnam Services (PVS) declining by 30.5%, 16.8% and 16.0%, respectively, and were among the most actively divested stocks held by foreign investors.

During the quarter, Vinamilk (VNM) reported Q1 2015 sales of USD407 million and a net profit of USD73 million, an increase of 13.2% and 12% year-on-year, respectively, benefiting from lower raw material prices. Earnings per share, on an adjusted basis, increased 12% in Q1 2015 as compared to Q1 2014. Listed property developer, Khang Dien Housing (KDH) announced that Q1 2015 revenue reached USD8.2 million with a net profit of USD2.4 million, an increase of 125% and 408% year-on-year, respectively. KDH's growth was primarily derived from successful sales of its Mega Residence and Mega Ruby project which are located in District 9 of Ho Chi Minh City. Hoa Phat Group reported that Q1 2015 revenue reached USD267.3 million and a net profit of USD30.0 million, a decline of 10% and 29% year-on-year, respectively. However, the company's core revenue (excluding real estate) increased by 19% year-on-year, while core net profit declined by 7% year-on-year, explained by a pricing policy to increase market share at a time of falling prices.

For Q1 2015, the Sofitel Legend Metropole Hanoi Hotel's average occupancy rate and gross operating profit achieved 92.1%, and 92.7% of the budget targets, respectively. The primary reasons for the shortfall were a result of a decline in tourist arrivals and a reduction in spending in the leisure market.

Capital markets

The VN Index increased by 0.3% in USD terms, closing the first quarter at 551.1, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices increased by 4.6% and 1.9%, respectively. Trading value and volume on Vietnam's stock exchanges was USD5.3 billion on 7.4 billion shares, a decrease of 40.4% in terms of value while volume decreased by 37.8% compared to the previous quarter. The combined market capitalization for both of Vietnam's bourses was USD53.7 billion compared to USD57.3 billion a quarter ago. The VN Index traded on a trailing P/E of 12.4x and P/B of 1.8x according to Bloomberg.

Foreign investors were net buyers of Vietnamese equities, accounting for net purchases of USD18.6 million in the first quarter. The top acquired companies were Mobile World Group (MWG), Vietinbank (CTG), BIDV bank (BID) and Kinh Bac Corporation (KBC), while PetroVietnam Drilling (PVD), Hoa Phat Group (HPG), PetroVietnam Gas (GAS) and PetroVietnam Services (PVS) were most actively divested.

Performance summary

31 March 2015

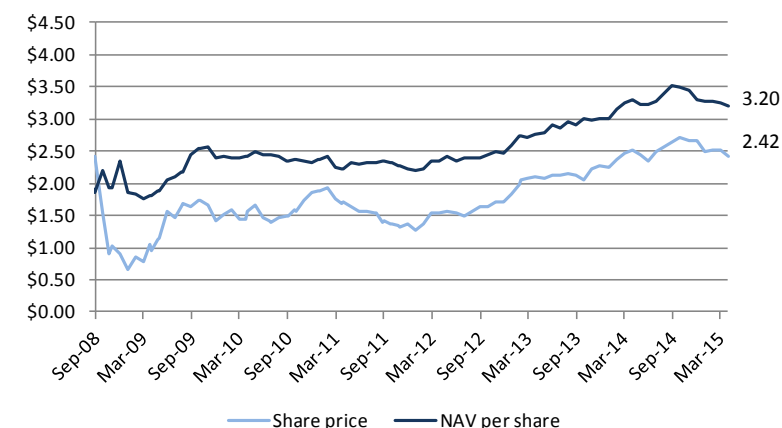
NAV per share (USD):	3.20
Change (quarter-on-quarter)	-2.4%
Total NAV (USD 'm):	716.1
Share price (USD):	2.42
Market cap (USD 'm):	540.3
Premium/(discount)	-24.6%

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	-2.4	-3.1	35.9	31.7
Share price (USD)	-3.4	-3.9	55.8	53.6

Annual performance history (% change)

	CY	2015	2014	2013	2012	2011
NAV per share (USD)		-2.4	9.0	15.0	17.4	-7.6
VN Index (USD terms)		0.3	6.6	20.4	18.9	-25.6



Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's gross domestic product (GDP) increased by 6.0% in March, well ahead of economists' consensus forecast of 5.6% and represented the strongest first quarter growth in seven years. All three major segments of the economy contributed to the surge in domestic output, with industrial production, manufacturing and services increasing by 8.4%, 9.5% and 5.8% year-on-year, respectively. Domestic demand also continued to show signs of improvement as retail sales increased by 9.2% year-on-year during the first quarter of 2015, after adjusting for inflation.

Vietnam's consumer price index (CPI) increased by 0.9% year-on-year during the month of March. Increased domestic demand has allowed some retailers to push up the prices for certain items, for instance, food and foodstuffs recorded a 2.8% year-on-year increase in March.

Fixed income

On the primary bond market, a total of USD810 million worth of government and government-backed bonds were issued during March 2015, representing a reduction of 30% from February 2015 (USD1.15 billion). During the month, investors shied away from purchasing long-term bonds, which represented a majority of what the government offered to the primary market. To satisfy portfolio and risk management, investors continued to demand short-term, 1 - 3 year bonds and turned toward the secondary market to find what they wanted. As a result, in the secondary bond market, trading value increased by 157%, with USD4.12 billion worth of bonds transacted. Secondary government bond yields increased between 10 and 26 basis points on 1, 2, 3 and 5-year g-bonds while declining between 4 and 15 basis points on the long end of the yield curve.

Real Estate Market update

Ho Chi Minh City metro Line, changing the face of the property market.

The urban rail network comprises six Metro Rail Transit (MRT) lines with a total length of 109km, as well as two monorail routes and a tramway. MRT line No.1 (Ben Thanh – Suoi Tien, 19.7km) was the first line to commence construction in 2012 with a total of 14 stations and is scheduled to be completed in 2019. Currently, Nguyen Hue pedestrian mall which connects to MRT line No. 1, is expected to be completed in Q2 2015. As work on Ho Chi Minh City's first metro line steadily moves along, construction on MRT line No.2 (An Suong – Thu Thiem, 19km) also broke ground in January 2015 and is expected to be operational by 2020. Although there are still concerns about possible effects including noise, traffic, safety and aesthetics, the benefits of a metro line far outweigh the negative. With modern public transport such as the state of the art metro line in operation there will be a premium on land pricing for adjacent sites within a ten minute walk from stations. New clusters of commercial properties will develop along the metro lines, in particular for mid-end properties.

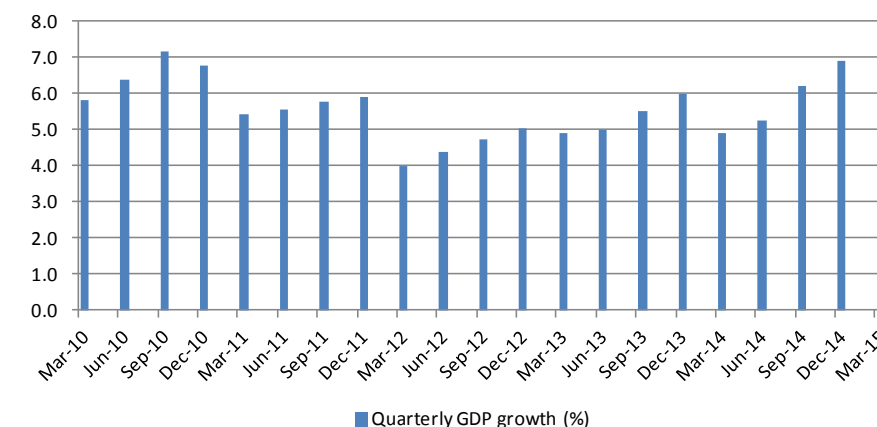
Macroeconomic indicators

	2014	Mar-15	2015 YTD	Year-on-year
GDP growth ¹	6.0%	6.0%		
Inflation	1.8%	0.2%	-0.1%	0.9%
FDI commitments (USDbn)	15.6	1.2	1.8	-44.9%
Imports (USDbn)	148.0	13.3	37.5	16.3%
Exports (USDbn) ²	150.0	12.7	35.7	6.9%
Trade surplus/(deficit)	2.0	-0.6	-1.8	
Exchange rate (USD/VND) ³	21,450	21,590	-0.6%	
Bank deposit rate (VND)	6.0%	5.5%	-50 bps	

Government bond yields (%)

	1yr	2yr	3yr	5yr
February-15	4.55	4.71	4.85	5.38
March-15	4.76	4.97	5.11	5.48

Quarterly GDP growth (%)



Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold

3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Impact of changes to Government land tax costs on real estate market

The increase in Government land tax costs was announced by the Hanoi and Ho Chi Minh City People's Councils on 29 December 2014 and came into effect on 1 January 2015. However, this increase will only impact on land where the land tax cost has not been paid and the increase will be assessed on a project by project basis. At the moment, the change in government land tax has not had a material impact on VOF's NAV.

The effect from dollar and oil prices on real estate market

During March 2015, the US Dollar continued to increase in value, and reached VND21,530 as at 31 March 2015, from an average price of VND21,335 as at 28 February 2015. This is expected to have an impact on the real estate market, especially existing properties and un-developed land over the next few months. Many rental/selling prices are set in dollars and when converted into local currency, these VND prices will increase. This result in conjunction with potential inflation may well entice buyers to enter the real estate market if they believe the VND will continue to depreciate against the USD. Furthermore, the downwards trend in global oil prices and more favourable market conditions such as low interest rates and new changes in housing laws are expected to continue to support the recovery in residential sales and improvements in the absorption rates of office and retail markets.

Condominium sector

According to CBRE Vietnam, numerous condominium projects were launched in the first quarter of 2015, specifically 18 projects comprising 4,880 units in Hanoi and an additional 17 projects with 5,150 units in Ho Chi Minh City. Affordable property segments in Ho Chi Minh reported the highest absorption rates in the first three months, selling 2,200 units, up 17% quarter-on quarter. The average selling price of affordable and mid-end condominiums remained stable while the high-end segment increased slightly by 1%-2% quarter-on quarter both in Ho Chi Minh City and Hanoi. Recently launched projects in Ho Chi Minh City have tended to concentrate in the East and the South areas, especially District 2 while the West of Hanoi (Tu Liem and Ha Dong District) still has the most supply in pipeline.

Landed property sector

Landed projects in Q1 2015 with stable pricing and flexible payment terms and incentives will continue to be used to attract buyers. Landed property will prove to be more stable than the condominium sector. Landed townhouses at the price range of US\$120,000-US\$150,000 are more sought after by Vietnamese with a preference to own land. Potential buyers continue to be mostly interested in near completed projects or projects developed by high profile developers. Landed property is forecast to improve with the interest rates continuing to trend downwards, the introduction of new foreign ownership housing laws, and further improvement in market confidence.

Office and Retail sector

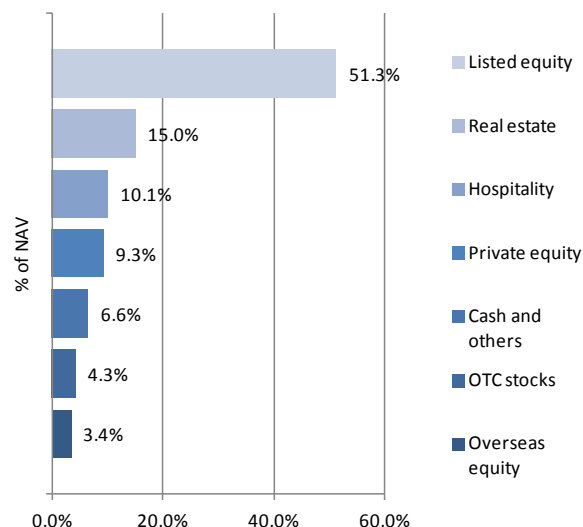
In Q1 2015, the average rent for retail and office projects both in Ho Chi Minh City and Hanoi remained stable. Current occupancy rates for these segments improved slightly quarter-on-quarter both in Grade A and B. However, new supply both in office and retail segments is expected to apply downward pressure on net effective rentals for the next 12 months. According to revised draft real estate laws, foreign invested firms can sub-lease commercial properties that they are renting. Thus, landlords have become more open to long terms leases with sub-leasing rights permitted under the terms of the revised laws, effective in July 2015.

Increases in government land tax costs came into effect 1 January 2015, affecting land costs where the tax has not yet been paid.

The first quarter of 2015 saw a number of condominium project launches, bringing approximately 5,000 units to both the Hanoi and Ho Chi Minh City markets.

Average rental prices for retail and office projects in both Hanoi and Ho Chi Minh City continue to remain stable, while tenant occupancy rates improved slightly in the first quarter of 2015.

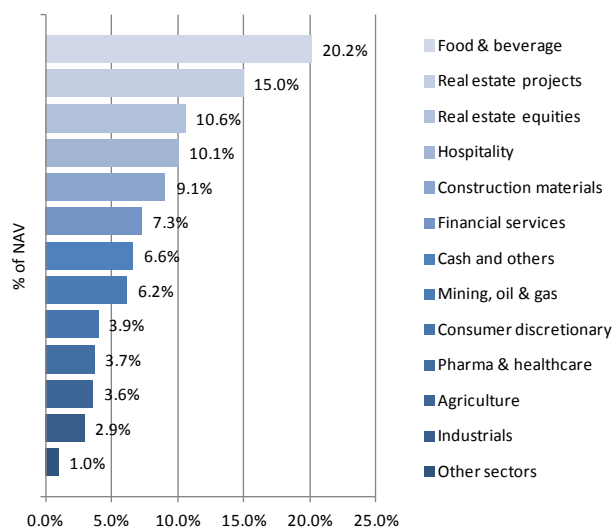
Portfolio by sector



Top ten holdings

Investee company	% of NAV	Sector	Description
Vinamilk (VNM)	11.2	Food & beverage	Leading dairy company with dominant market share.
Sofitel Legend Metropole Hotel Hanoi	10.1	Hospitality projects	One of Vietnam's premium hotels.
Hoa Phat Group (HPG)	7.4	Capital markets	Largest steel manufacturer in Vietnam.
Eximbank (EIB)	5.2	Financial services	One of Vietnam's top ten commercial banks.
International Dairy Product (IDP)	5.0	Food & beverage	One of the top five dairy company with potential growth.
Khang Dien House	3.7	Real estate projects	Leading property developer with strong asset base strategically located in District 9, HCMC.
Hau Giang Pharmaceuticals (DHG)	3.7	Pharmaceuticals & health care	The largest domestic pharmaceutical producer in Vietnam.
Petrovietnam Technical Services Corporation (PVS)	3.1	Mining, oil & gas	Leading oil and gas technical service provider in Vietnam.
PetroVietNam Drilling and Well Services JSC (PVD)	2.7	Mining, oil & gas	Leading drilling contractor in South East Asia.
Century 21	2.5	Real estate projects	HCM City residential development.
Total	54.5		

Portfolio by sector

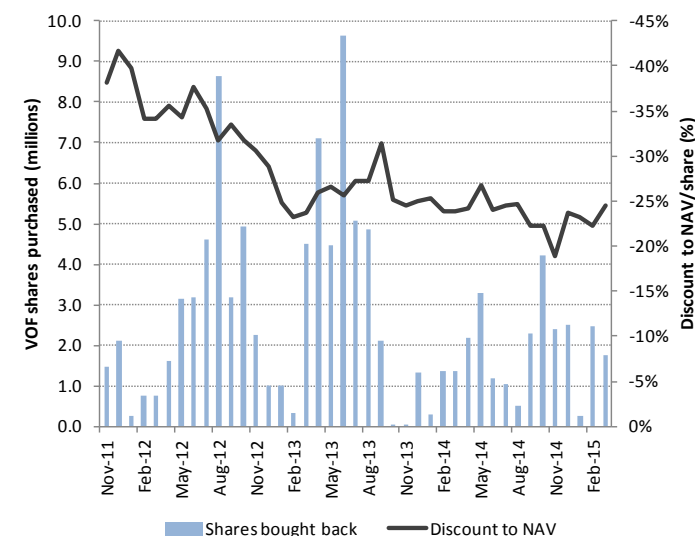


Share buyback commentary

The Board and Investment Manager remain fully committed to the ongoing share buyback programme.

During the quarter, VOF bought back 3.0 million shares as part of the share buyback authority granted to the Company's Board of Directors.

Since the commencement of the programme, VOF has spent USD205.7 million overall repurchasing 101.3 million shares which are held as treasury shares and have reduced the total voting rights in the Company to 223,273,612. The total number of shares acquired since November 2011 represents 31.22% of the Company's 324,610,259 ordinary shares in issue.



Vinamilk (VNM)

Vinamilk (VNM) is the leading dairy manufacturer and distributor in Vietnam. The company offers a wide range of products including liquid, powdered, condensed milk and yogurt as well as fruit juice. The company still retains its No.1 position in liquid milk with 50% market share in liquid milk, 25% in powdered milk, 90% in yogurt and 75% in condensed milk. The domestic market accounted for about 85% of the company's total sales in FY2014.

VNM reported Q1 2015 sales of USD407 million and a net profit of USD73 million, an increase of 13.2% and 12% year-on-year, respectively, while benefiting from lower raw input material prices, which helped improve gross margins from 31.5% to 35.7%. However, the company increased spending on advertising and marketing, offsetting these lower input costs, and causing a decline in earnings before taxes (EBT) margin to 21.9% from 22.6% last year.

VNM closed at VND106,000 per share as at 31 March 2015, representing a market capitalization of USD4.9 billion and a trailing P/E of 16.5x. As at 31 March 2015, VOF's stake in VNM was valued at USD79.9 million.

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Net revenue	30,954	34,976	7,701	8,716
Net profit	6,531	6,069	1,394	1,560
Net margin (%)	21.1%	17.4%	18.0%	17.9%
EPS (annualised, adjusted) (VND)	6,500	6,065	1,386	1,556
Balance sheet (VND bn)				
Total assets	22,875	25,770	23,264	27,003
Shareholders' equity	17,545	19,680	18,796	21,083
ROE (%)	39.5%	30.8%	30.8%	29.6%
Valuation				
PER (x)	17.2	15.7	17.8	16.5
P/B (x)	6.3	4.9	6.1	5.0
Dividend yield (%)	3.7%	4.2%	3.4%	3.4%

Hoa Phat Group (HPG)

Hoa Phat Group (HPG) is a leading industrial manufacturer in Vietnam. Established in 1992 as a trading company, HPG has evolved into a holding group with thirteen subsidiaries, specializing in construction materials such as steel, steel pipe, furniture, refrigerators, construction and mining equipment, real estate and industrial park operations. HPG has a well established nationwide distribution and sales network, with a strong platform for future product expansion and diversification.

HPG announced results for Q1 2015, with revenue of VND5.8 trillion (-10% year-on-year) and a net profit of VND650 billion (-29% year-on-year). Excluding real estate assets, the company's core revenue increased by 19% year-on-year while core net profit declined by 7% year-on-year, explained by a pricing policy to increase market share at a time of falling prices. For 2015, HPG estimates it can achieve net profit of VND2.6 trillion with a proposed dividend of VND2,000 per share, implying a dividend yield of 4.5%.

As of 31 Mar 2015, HPG closed at VND44,100 per share, equivalent to a trailing P/E of 8.5x and P/B of 2.2x. VOF's stake in HPG was valued at USD52.8 million as at 31 March 2015.

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Revenue	18,934	25,525	6,515	5,838
Net income	1,954	3,144	870	649
Net margin	10.3%	12.3%	13.4%	11.1%
EPS (annualised, adjusted) (VND)	4,663	6,435	4,840	6,064
Balance sheet (VND bn)				
Total assets	22,961	22,089	21,670	21,905
Shareholders' equity	9,498	11,796	10,309	12,359
ROE (%)	20.6%	26.7%	23.4%	23.7%
Valuation (VND bn)				
PER (x)	8.8	8.2	11.0	7.3
P/B (x)	1.8	2.2	2.1	2.2
Dividend yield (%)	4.9%	1.9%	2.8%	4.5%

Sofitel Legend Metropole Hanoi Hotel (Sofitel Metropole)

The Sofitel Legend Metropole Hanoi Hotel, surrounded by various historical monuments and museums is located on 7,500 square meters of prime real estate in the center of Hanoi. It is considered one of the best five star hotels in the city with the nearest comparable hotel, a newly built Lotte Hotel being more than 5 kilometers outside of the historical city center. The hotel, managed by Accor Group, boasts 364 rooms with over 27,000 square meters of gross floor area.

For the first quarter of 2015, the hotel's average occupancy rate was 68.4% (target 73.9%) with revenue of USD10.0 million and a gross operating profit of USD5.8 million, meeting 92.1%, and 92.7% of the budget targets, respectively. The primary reasons for the shortfall are a decline in tourist arrival to Vietnam and a reduction in spending in the leisure market which has led to lower occupancy rates. However, management is confident they can rebound from a challenging first quarter to achieve their annual targets.

Management expects the financial results to improve for 2015, with a target of USD38.8 million in revenue and USD20.6 million in gross operating profit, a growth of 4.5% and 2.5% compared to 2014, respectively.

Eximbank (EIB)

Eximbank (EIB) is the eighth largest lender in the Vietnamese banking system with a loan book of VND82 trillion, representing 2.0 percent of the country's total credit. EIB mainly focuses on corporate customers who account for 65.0% of the company's loan book and 37.0% of deposits.

EIB recorded operational result in the first quarter of 2015 with a total income of VND1,017 billion and a net profit of VND423 billion, an increase of 6% and 24%, respectively, compared to same period a year ago. The bank did state that its non-performing loans (NPLs) increased to 2.5% in March 2015, from 2.3% in March 2014.

As of 31 March 2015, EIB closed at VND13,100 per share, equivalent to a P/B ratio of 1.1x. VOF's stake in EIB was valued at USD37.1 million as at 31 March 2015.

Financial highlights

Profit and loss (USD mn)	FY13A	FY14A	Q1 2014	Q1 2015
Revenue	37.6	37.1	13.7	10.0
Gross profit	20.2	20.1	7.8	5.8
Gross margin	53.7%	54.2%	56.9%	57.0%
Net income	9.7	9.6	6.5	3.1
Net margin	25.8%	25.9%	47.4%	31.0%
Balance sheet				
Total assets	46.1	42.6	46.0	43.5
Shareholders' equity	38.0	29.8	39.4	32.9
ROE (%)	25.5%	32.2%	16.5%	9.4%

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Net interest income	2,736	2,710	836	896
Total income	3,250	2,943	957	1,012
Net profit	658	56	346	415
EPS (annualised, adjusted) (VND)	532	45	583	102
Balance sheet (VND bn)				
Total assets	169,835	161,093	153,457	144,917
Shareholders' equity	14,680	14,068	14,965	14,459
ROE (%)	3.6%	0.4%	2.3%	2.9%
Valuation				
PER (x)	23.5	282.3	25.1	121.6
P/B (x)	1.1	1.1	1.2	1.1
Dividend yield (%)	4.0%	0.0%	3.8%	0.0%

PetroVietnam Drilling (PVD)

PetroVietnam Drilling (PVD) is a leading Vietnamese drilling-related services company with parent, PetroVietnam, owning a 51% stake. The company owns and operates five drilling rigs including three jack-up rigs, one tender assist drilling rig (TAD), and 1 land rig in addition to its leased jack-up fleet.

For Q1 2015, PVD posted VND4.395 billion in revenue, an increase of 2% year-on-year and VND482 billion in net profits, a decline of 19% year-on-year due to a deterioration in domestic demand, as the average day rate decreased by 11% to USD140,000 per day compared to an average day rate of USD156,000 a year ago. As a result, gross profit margin declined to 20.0% in Q1 2015 from 23.0% in Q1 2014

As at 31 March 2015, PVD closed at VND44,800 per share, implying a trailing P/E ratio of 6.1x and P/B ratio of 1.2x. VOF's stake in PVD was valued at USD19.5million as at 31 March 2015.

PetroVietnam Technical Services Corporation (PVS)

PetroVietnam Technical Services Corporation (PVS) is a leading oil and gas services in Vietnam with parent, PetroVietnam, owning a 51% stake. The company owns and operates five main services, including ships servicing offshore operation, floating production storage and offloading (FPSO) vessels, port, seismic survey, construction (oil platform) and maintenance service offshore platform and vessels.

For Q1 2015, PVS announced consolidated results with revenue of VND4.95 trillion (-13% year-on-year) and profit after tax of VND0.33 trillion (+23% year-on-year), thanks to the contribution from the new Lam Son FPSO. Activity at petroleum ports remains resilient due to increasing oil production and the construction of new refineries in Vung Ro and Nghi Son.

As at 31 March 2015, PVS closed at VND22,600 per share, implying a trailing P/E ratio of 5.5x and P/B ratio of 1.1x. VOF's stake in PVS was valued at USD22.0 million as at 31 March 2015.

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Net revenue	14,867	20,884	4,322	4,395
Net profit	1,883	2,419	597	482
Net margin (%)	13.5%	11.6%	13.8%	11.0%
EPS (annualised, adjusted) (VND)	6,197	7,982	6,778	7,589
Balance sheet (VND bn)				
Total assets	21,492	16,445	21,495	26,617
Shareholders' equity	9,838	11,478	10,352	12,297
ROE (%)	19.1%	21.1%	21.1%	18.3%
Valuation				
PER (x)	8.0	8.0	9.4	6.1
P/B (x)	1.7	1.7	2.2	1.2
Dividend yield (%)	1.6%	3.1%	3.1%	4.5%

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Net revenue	25,390	31,373	5,713	4,955
Net profit	1,575	1,760	266	328
Net margin (%)	6.2%	5.6%	4.7%	6.6%
EPS (annualised, adjusted) (VND)	3,378	3,940	2,400	4,065
Balance sheet (VND bn)				
Total assets	16,070	26,226	24,158	25,881
Shareholders' equity	8,220	9,298	8,532	11,037
ROE (%)	19.2%	18.9%	12.5%	16.8%
Valuation				
PER (x)	6.0	6.8	8.0	5.5
P/B (x)	1.1	3.0	1.5	1.1
Dividend yield (%)	4.1%	4.5%	4.1%	5.3%

Hau Giang Pharmaceuticals (DHG)

Hau Giang Pharmaceutical is one of the leading domestic pharmaceutical manufacturers in Vietnam. DHG's in-house products accounted for 81% total revenue in Q1 2015. The new non-betalactam factory went online in mid-2014 doubling total capacity to eight billion units, enabling DHG to expand its production.

Q1 2015 total net sales were USD31.3 million, down 8% year-on-year, as manufactured goods fell by 19%. However, actual manufactured goods sales declined by only 5% if one excludes the effect of a change in accounting treatment related to the recording of sales discounts.

DHG closed at VND89,500 per share as at 31 March 2015, representing a market capitalization of USD365 million and a trailing P/E ratio of 14.9x. VOF's stake in DHG was valued at USD26.3 million as at 31 March 2015.

Century 21

Century 21 was acquired in 2006 because of its prime location, close to a new traffic corridor to the city's central business district (CBD). The Thu Thiem tunnel which is part of the Ho Chi Minh City East-West Highway, running from the South-West to the North-East of the city, opened in November 2011. The opening of the tunnel has made the site much more accessible to the city's CBD. The project site is 100% compensated and cleared. In Q4 2011, the Century 21 Nam Rach Chiec project received a 1:500 master plan approval and investment licence. The revised 1:500 master plan in-principal approval was received in Q2 2014 and the detailed 1:500 master plan approval was received in Q3 2014. In a recent development, the Long Thanh Dau Giay Highway running in front of the site, which significantly improves access, is now complete and open to the public.

VOF and VinaLand Limited (VNL) are in discussions with a potential investor for divestment of the site. The surrounding District 2 area has seen improvements to infrastructure, which have created interest among domestic and foreign investors.

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Revenue	3,391	3,913	728	669
Net income	589	533	118	112
Net margin	17.4%	13.6%	16.3%	16.8%
EPS (annualised, adjusted) (VND)	6,765	6,118	1,358	1,285
Balance sheet (VND bn)				
Total assets	3,081	3,483	2,884	3,111
Shareholders' equity	1,982	2,277	2,100	2,389
ROE (%)	29.7%	23.4%	23.4%	20.0%
Valuation (VND bn)				
PER (x)	12.7	15.7	14.6	14.9
P/B (x)	3.8	3.7	4.1	3.3
Dividend yield (%)	2.2%	3.1%	2.2%	2.8%

Project summary

Sector	Residential and retail
Area	30ha; approved GFA 511,205 sqm
Location	District 2, Ho Chi Minh City
History	Acquired in June 2006 Site cleared and compensated in June 2008 Revised 1:500 master plan in-principal approval received in Q2 2014 Received detailed 1:500 master plan approval in Q3 2014
Investment rationale	A 30ha site located along a new infrastructure corridor in a new desirable suburban area.

Khang Dien Housing (KDH)

Khang Dien Housing (KDH) is one of leading property developers in Vietnam, particularly in the Ho Chi Minh City market, specializing in landed properties in District 2 and District 9. KDH is one of the few listed developers focusing on affordable town houses which are less competitive than condominiums. The company has benefited from a real estate market recovery and currently owns large land plots acquired at low prices, in and near major current and future infrastructure projects of the city.

KDH announced that Q1 2015 revenue reached USD8.2 million with a net profit of USD2.4 million, an increase of 125% and 408% year-on-year, respectively. These results were indicative of the improvement in Vietnam's real estate market as KDH's growth was primarily derived from successful sales of its Mega Residence and Mega Ruby project which are located in District 9 of Ho Chi Minh City.

In January 2015, KDH issued 48.5 million shares via private placement to a select group of existing shareholders, including VOF which received an additional 11.5 million shares.

As at 31 March 2015, KDH closed at VND21,900 per share, implying a trailing P/E ratio of 10.1x and P/B ratio of 0.7x. VOF's stake in KDH was valued at USD26.7 million as at 31 March 2015.

International Dairy Product (IDP)

International Dairy Products (IDP) was established in 2004 with its first factory in Chuong My – Hanoi. In 2010 and 2013 IDP launched the second and third factory in Ba Vi and Cu Chi, two of the largest fresh milk production hubs of Vietnam. IDP specializes in producing and selling UHT fresh milk, pasteurized fresh milk, spoon yogurt and drinking yogurt, using the latest technology from Europe to offer the best-quality dairy products to Vietnamese customers. Currently, IDP is cooperating with over 2,000 farmers, collecting more than 75 tonnes of fresh milk per day for dairy production under such brands as Love'in Farm, Ba Vi, and Love'in Farm KUN.

In Q1 2015, IDP reported a top-line growth of 69% compared to Q1 2014, which is estimated to be the highest growth among dairy producing peers due to the success of its KUN brand and the re-launching of its Love'in Farm brand. IDP expects to continue to achieve 50-60% in revenue growth for full year 2015, with long-term growth reaching 25.0% per annum, thereafter.

Financial highlights

Profit and loss (VND bn)	FY13A	FY14A	Q1 2014	Q1 2015
Net revenue	112	621	80	179
Net profit	(125)	102	10	52
Net margin (%)	-111.1%	16.4%	12.8%	29.2%
EPS (annualised, adjusted) (VND)	(2,600)	1,360	(1,928)	2,789
Balance sheet (VND bn)				
Total assets	1,741	3,120	1,933	4,033
Shareholders' equity	966	1,498	1,043	2,400
ROE (%)	-12.9%	6.8%	1.0%	2.2%
Valuation				
PER (x)	n/a	16.1	n/a	10.1
P/B (x)	1.1	1.1	1.2	0.7
Dividend yield (%)	n/a	n/a	n/a	n/a

Financial highlights

Profit and loss (VND bn)	FY12A	FY13A	FY14A	Q1 2015
Net revenue	925	1,065	1,706	358
Net profit	6	(9)	(37)	(20)
Net margin (%)	0.6%	-0.8%	-2.2%	-5.6%
Balance sheet (VND bn)				
Total assets	788	834	1,063	1,055
Shareholders' equity	230	235	419	420
ROE (%)	2.6%	-3.8%	-8.8%	-4.8%

The manager update section provides investors with information on the policies and practices of VinaCapital Investment Management, Ltd. (VCIM), as well as updates on VinaCapital relevant to the performance of its investment funds.

Valuation and NAV calculation

The accurate and fair valuation of assets held in fund portfolios is a central component of successful fund management. VOF follows international best practices whenever possible in its valuations process.

Relevant dates

VOF's fiscal year ends 30 June. Audited annual results must be announced within six months of this date. Interim results on 31 December receive a review from auditors and must be announced within three months of this date. VOF calculates its unaudited NAV monthly and this is announced within ten days of month's end. Updated reports on the fund's performance are issued on a monthly and quarterly basis in addition to an annual report with the audited final results.

The methods used to value different assets:

Listed equities

The value of listed securities is based on the security's most recent price on the stock exchange where it trades, or if there is more than one stock exchange on which the security trades, that which is considered the principal stock exchange for that security.

OTC equities

The market price of OTC equities is determined based on a sample of closing prices obtained from a minimum of three leading securities companies in Vietnam. The price used is the average of the sample with outlying prices removed to avoid bias.

Private equities

Unquoted securities are valued at cost. Revaluations of unquoted investments are conducted annually on 30 June in accordance with the guidelines issued by the British Investment Fund Association.

Real estate holdings

Real estate projects are valued at cost. Once an investment license is obtained, or by way of other arrangements VOF has a legal entitlement to an investment property, the investment property is revalued. Investment properties are revalued annually and may be revalued more often if the investment manager or valuation committee believes there has been a material change in the value of a property. The valuation process consists of obtaining two or more valuations for each property from independent, third-party valuation companies. The valuations are reviewed by the valuation committee as the basis for the final valuation approved by the board. At the end of each quarter, the manager also reviews all real estate investments for possible impairment based on internal calculations. If there is evidence of impairment an independent valuation will be obtained to assess the need for any adjustment in the value of the property.

All other assets and liabilities are recorded at their respective fair value or cost as required by the International Financial Reporting Standards set out in the Notes to the Consolidated Financial Statements.

More information on valuation is available on the Investing policy page of the VOF website:

[VOF investing policy.](#)

Audit and Valuation committees

VOF has both an audit and valuation committee composed of independent, non-executive members of the board of directors of the Fund, and chaired by an independent director. The committees meet quarterly.

VOF Audit and Valuation Committee

Michael G. Gray (Chairman)

Steve Bates

Martin Adams

Thuy Dam

Historical financial information

Years ended 30 June	2011	2012	2013	2014
Statement of Income (USD'000)				
Total income from ordinary activities	-8,420	54,556	120,750	119,487
Total expenses from ordinary activities	-27,214	-25,424	-29,515	-35,921
Operating profit before income tax	-35,634	29,132	90,724	82,628
Income tax expense	-545	-700	-672	-1,201
Profit for the year	-36,179	28,432	90,052	81,427
Minority interests	106	-	-202	-239
Profit attributable to ordinary equity holders	-36,285	28,432	90,254	81,666
Statement of financial position (USD'000)				
Total assets	764,603	775,455	771,843	805,488
Total liabilities	12,697	9,810	19,400	26,533
Net assets	751,906	765,645	752,443	778,955
Share information				
Basic earnings per share (cents per share)	-11	9	31	33
Share price as 30 June	1.57	1.50	2.13	2.50
Ordinary share capital (thousand shares)	324,610	312,536	261,376	238,255
Market capitalization at 30 June (USD'000)	509,313	468,803	556,731	595,638
Net asset value per ordinary share (USD)	2.32	2.45	2.88	3.27
Ratio				
Return on average ordinary shareholder's funds	-6.0%	4.0%	14.8%	14.6%
Total expense ratio (% of NAV)	2.13%	2.13%	2.13%	2.89%

Board of Directors

VOF's Board of Directors is composed entirely of independent non-executive directors.

Member	Role
Steven Bates	Non-executive Chairman (Independent)
Martin Adams	Non-executive Director (Independent)
Michael G. Gray	Non-executive Director (Independent)
Thuy Dam	Non-executive Director (Independent)

VinaCapital Investment Management Ltd (VCIM)

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Andy Ho	Chief Investment Officer
Duong Vuong	Deputy Managing Director, Capital Markets
Dang P. Minh Loan	Deputy Managing Director, Private Equity

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Fund summary

Fund launch: 30 September 2003

Term of fund: Five years subject to shareholder vote for liquidation (next vote to be held in 2018)

Fund domicile: Cayman Islands

Legal form: Exempted company limited by shares

Investment manager: VinaCapital Investment Management Ltd

Structure: Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor: PricewaterhouseCoopers (Hong Kong)

Nominated adviser: Grant Thornton UK LLP

Custodian and Administrator: HSBC Trustee

Brokers: Edmond de Rothschild Securities (Bloomberg: LCFR), Numis Securities (Bloomberg: NUMI)

Lawyers: Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)

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 capital gains with some recurring income and short term profit taking. Primary investment focus areas are: Privately negotiated equity investments; Undervalued/distressed assets; Privatization of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

Investment objective by geography: Greater Indochina comprising: Vietnam (minimum of 70%), Cambodia, Laos, and southern China.