

Performance summary 30 April 2017

	USD	GBP
NAV per share:	4.57	3.54
Change (Month-on-month)	0.44%	-2.75%
Total NAV (million):	920.7	711.7
Share price:	3.63	2.81
Market cap (million):	731.2	565.2
Premium/(discount)	-20.6%	-20.6%

GBP/USD exchange rate as at 31 March 2017: 1.25

GBP/USD exchange rate as at 30 April 2017: 1.24

Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	7.8	29.4	41.7	89.3
Share price (USD)	6.5	30.2	48.3	132.8
VN Index (USD terms)	2.4	17.7	15.1	39.2
MSCI Emerging market	7.2	16.4	-1.7	-4.7
MSCI Vietnam	7.3	3.2	-6.8	-3.7

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	9.3	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	8.2	13.4	0.9	6.6	20.5	18.9

April: AGM Season in Full Swing

After a three-month rally, the VN Index took a break in April, dropping 0.6% in USD terms. For the first four months of 2017, the Index rose 8.2%. During April, the fund outperformed the Index, with NAV per share rising 0.44% to USD4.57, from USD4.55 in March. Total NAV increased to USD920.7 million from USD917.0 million. During the reporting month, VOF's share price increased 2.8% to end the month at USD3.63. The discount between stock price and NAV per share was 20.6%, an improvement from 22.4% in March. For the period January through April 2017, the fund's NAV is up 9.3%, a particularly positive performance given that we are not a pure capital markets fund.

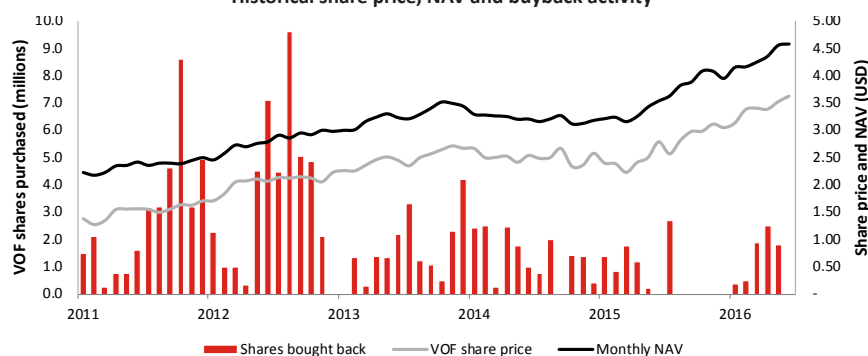
April is the month many companies hold their annual general meetings (AGM) and announce their first quarter results and, in general, there were no negative surprises. A number of our investee companies delivered strong first quarter results, including:

Vinamilk (VNM): The leading dairy company announced results that exceeded the market's expectations. Profit increased 36% on lower costs, while domestic sales rose an impressive 25% on volume growth and a well-received product mix. The company also announced that it has fixed a low price for input milk powder for the remainder of the year. VNM stock rallied 3% in April.

Phu Nhuan Jewelry (PNJ): First quarter core profit increased by 31% as a result of strong gold and silver jewellery sales growth (+44% yoy for each segment). PNJ has set its sights high for 2017, targeting a 19% rise in sales and net profit advancing 33% on the back of its rapid retail network expansion (with 40 new stores slated to open in 2017) that it expects will help it win market share from unbranded shops.

Hoa Phat Group (HPG): The steelmaker saw profit significantly increase by 90% on better volume (+28%) and better average selling prices (+12%). The company also continued to benefit from its remaining low-cost iron ore forward buying. First quarter 2017 gross profit margin was 24%, compared to 20% during the same period in 2016.

Historical share price, NAV and buyback activity



Investment Case: Eximbank

Since the banking crisis of 2012, the Vietnamese banking sector has been aggressively restructuring its operations, leadership and loan books in response to the large number of non-performing loans (NPLs) that are plaguing the sector. Most, if not all banks had to sell their NPLs to the Vietnam Asset Management Company (VAMC) to clean up their balance sheets. From a shareholder perspective, this was not good news as most banks had to significantly scale back their earnings and were forbidden from paying dividends. Only in 2017, a handful of banks including the Orient Commercial Bank (OCB) were given approval to pay out cash dividends. Eximbank, however, was not an exception. In recent annual general meetings, Eximbank was not successful as shareholders were not aligned with regards to the bank's restructuring and dividend plans.

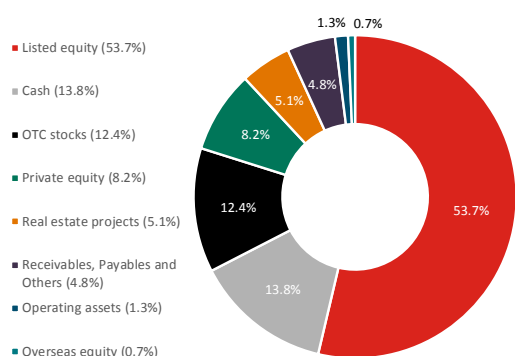
Under these difficult circumstances, in late April 2017, we completed the first phase of restructuring Eximbank with the conclusion of the 2017 AGM. We worked with other friendly shareholders to nominate and appoint three Directors onto the board, including the Chairman, and to ensure that the board membership was well-balanced. The board, which is expected to stand for the next four years, now includes three representatives nominated by VinaCapital and other friendly shareholders, two representatives from SMBC, two representatives from the State Bank of Vietnam (SBV), and two independent board members. Importantly, we worked with the incoming Board of Directors to approve key items such as the 2016 and 2017 financial statements and the budget and strategy for the 2017 fiscal year.

The Chairman, Mr. Quoc comes to Eximbank with deep experience after leading BNP Paribas here in Vietnam for several years. Furthermore, under the guidance of the SBV, Eximbank came under the leadership of a new CEO: he is a former Vietcombank executive, who is widely considered to be commercially oriented and grounded. We believe that under the leadership of the new board and management team, Eximbank will strengthen its operational efficiency and brand equity while expanding its customer base.

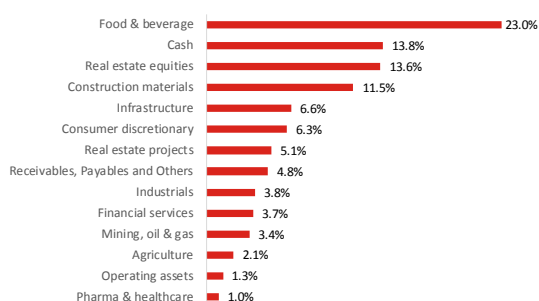
Financial performance

During 2016, the bank's financial performance was modest given its ongoing restructuring efforts. The bank recorded a net profit of USD13.5 million and a low ROE of 2%. Eximbank, like most other banks in Vietnam, was focused on recovering and resolving major NPLs under the guidance of the SBV. As a result, the bank has improved the transparency of its bad debts disclosure: the bank reported a NPL of 2.6% and another 7.4% in VAMC bonds. It is worth mentioning that although the level of VAMC loans is higher than the sector-wide average of 5%, the bank is more transparent in their bad-debt disclosure than other banks; furthermore, the bank's total bad debt is in line with sector-wide bad debt estimate of 10%, according to the National Financial Supervisory Commission of Vietnam. This is also due to a concerted effort by international shareholders, including VOF, in pushing for this greater level of transparency.

VOF portfolio by asset class (30 April 2017)



VOF portfolio allocation by sector (30 April 2017)



Eximbank's profit in 2016 is clearly lower than desired. This was due to low net interest margins (2.9%), lower than Eximbank's average of 3.3% in the years before restructuring. Additionally, Eximbank has incurred a higher cost of operations (60% of total income) due to the bank's focus on resolving its NPLs. The bonds issued by VAMC for USD310 million worth of NPLs are being amortised at 10% per annum, which Eximbank is expensing at a rate of USD30 million to USD35 million per annum.

Shareholders, since 2016, did not hold consistent views with regards to the restructuring and growth plans of the bank. It has taken much longer than anticipated to complete the first phase of the restructuring, but with the success of the most recent AGM, shareholders are now aligned and tasked the Board with building a "New Eximbank" over the next four years.

Building the New Eximbank relies on leveraging its wide distribution network (in 209 locations and 265 ATMs), to expand the retail banking business, while also focusing on trade financing and short-term working capital loans to strengthen the bank's traditional SME business. The bank also targets to expand its fee-based services, such as bancassurance, while enlarging its customer base.

The new Board projects a 54% growth in profit in 2017 with an acceleration of credit growth and an expected slower growth in loan provision. The ongoing restructuring activities and the bank's new strategy will support the expansion of lending activities with a focus on retail and SME customers. Credit growth is expected return to 10-15% for 2017 while net interest margin will be maintained at the same level in 2016 as the bank competes with competitive lending rates. Furthermore, the bank also targets for better management of operating costs to reduce the CIR to below 60% amid the pressure of developing the retail banking activities.

The bank's current valuation is USD590m, equivalent to P/B of 1.0 and 2017 P/E of 28.

Macroeconomic update

The Vietnamese economy continued to show steady progress during April, with consistent growth across retail sales, manufacturing and crude oil production. While inflation increased modestly, the State Bank of Vietnam (SBV) maintained stable exchange and interest rates during the month. Our in-house projection for 2017 GDP growth is 6.0-6.5%.

Manufacturing: The Nikkei Purchasing Manufacturing Index (PMI) for Vietnam fell to 54.1 in April from 54.6 in March. Despite the slight slowdown, the country remained in expansionary territory and continued to outpace regional peers such as Indonesia (51.2), Malaysia (50.7), the Philippines (53.3) and Thailand (49.8). Furthermore, new order growth remained strong.

Trade: Vietnam's estimated year-to-date trade deficit at the end of April was USD1.9 billion. Import growth of 24.0% year-over-year (y-o-y) within the first four months of the year outpaced exports which only grew 16.8% y-o-y during the same period. The country increased its imports of machinery by 39% y-o-y within the first four months of the year, signaling investors' confidence for capital investments in the Vietnamese economy.

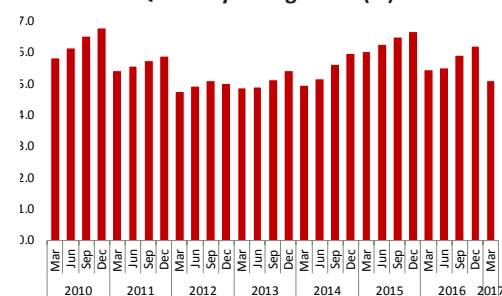
Vietnam Dong: The Vietnam Dong (VND) continued to remain stable, with interbank rates reaching 22,695 VND/USD in during April.

Domestic consumption: The General Statistics Office (GSO) reported that the country's retail sales in real terms increased 6.7% y-o-y during the first four months of the year, picking up the pace after the first quarter saw domestic growth slowing down to 6.2% y-o-y. This being said, the slowdown in domestic consumption in the first quarter proved to be a transitory and seasonal phenomenon caused by the Tet New Year holiday in January and February.

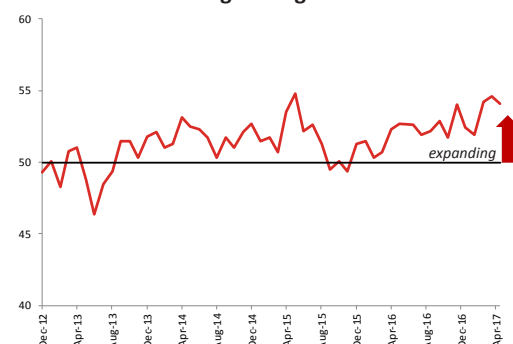
Inflation: The Consumer Price Index (CPI) increased 4.8% y-o-y during the reported month or 4.3% y-o-y within the first four months of the year. Core inflation came in at 1.6% y-o-y and was due to medical prices (which hold a 5% weight) continuing to rise, 46% y-o-y at the end of April.

Foreign Investment: Newly registered foreign direct investment (FDI) surged 40.5% y-o-y and disbursed FDI increased 3.2% y-o-y within the first four months of this year. These figures indicate that investors remain confident about Vietnam's investment environment despite ongoing concerns in the world market.

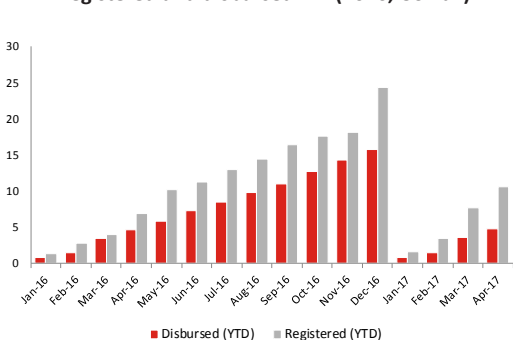
Quarterly GDP growth (%)



Purchasing Managers' Index



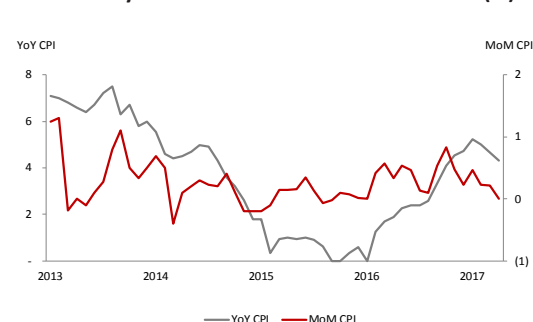
Registered and disbursed FDI (2016, USDbn)



Monthly trade balance (USDm)



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



Macroeconomic indicators

	2016	Apr-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%			
Inflation (%)	0.5%	0.0%		4.3%
FDI commitments (USDbn)	24.4	2.9	10.6	40.5%
FDI disbursements (USDbn)	15.8	1.2	4.8	3.2%
Imports (USDbn)	174.1	17.4	64.0	24.0%
Exports (USDbn)	176.6	17.5	62.1	16.8%
Trade surplus/(deficit) (USDbn)	2.5	0.2	(1.9)	
Exchange rate (USD/VND) ²	22,720	22,695	0.1%	

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

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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