

## Performance summary

	USD	GBP
NAV per share:	4.87	3.63
Change (Month-on-month)	2.53%	-1.36%
Total NAV (million):	967.7	721.3
Share price:	3.98	2.97
Market cap (million):	790.6	591.8
Premium/(discount)	-18.3%	-18.3%

GBP/USD exchange rate as at 31 August 2017: 1.29  
 GBP/USD exchange rate as 30 September 2017: 1.33  
 Source: Reuters

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	3.0	19.6	39.6	98.7
Share price (USD)	4.2	27.7	46.6	144.7
VN Index (USD terms)	3.5	15.1	25.3	88.2
MSCI Emerging market	7.0	19.7	7.6	7.9
MSCI Vietnam	6.1	8.1	0.6	21.3

## Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	16.5	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	21.2	13.4	0.9	6.6	20.5	18.9

## Top ten holdings\*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	12.6	Construction materials
Vinamilk (VNM)	12.5	Food & beverage
Airports Corporation of Vietnam (ACV)	6.7	Infrastructure
Khang Dien House (KDH)	6.1	Real estate & construction
Phu Nhuan Jewelry (PNJ)	5.7	Consumer discretionary
Quang Ngai Sugar (QNS)	4.3	Food & beverage
Vietjet Air (VIC)	3.9	Industrials
Eximbank (EIB)	3.5	Financial services
Coteccons (CTD)	3.1	Real estate & construction
Viglacera (VGC)	2.2	Construction materials
<b>Total</b>	<b>60.6</b>	

\*Capital market equities

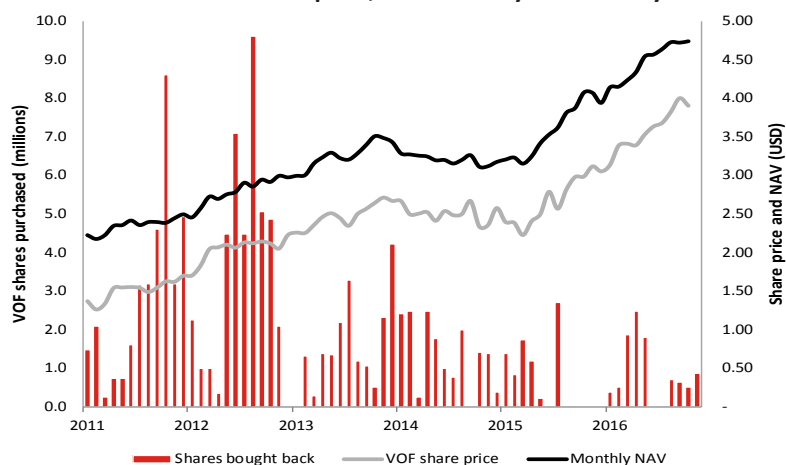
## September: Large caps driving the market

September was another strong month for Vietnam's stock markets, with the VN Index up approximately 3.0%, placing Vietnam as the top-performing market in the region and among the top ten markets in the world, with a year-to-date increase of 21.2%. VOF's net asset value (NAV) per share was USD4.87, an increase of 2.53% from the previous month. The discount between share price and NAV per share was 18.3%.

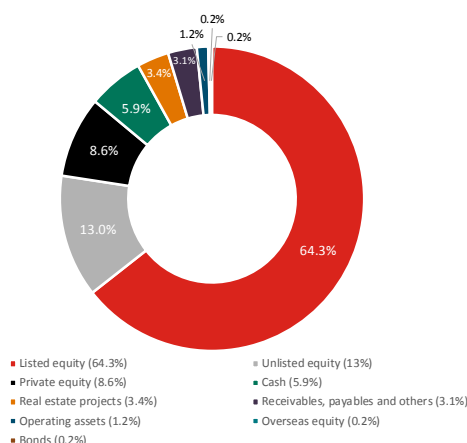
The market's growth in recent months can be largely attributed to advances in the large cap stocks, with ten large caps alone driving the bulk of the gains. Another area that attracted strong investor interest was the IPOs of state-owned enterprises; one recent offering, from infrastructure company IDICO, was five times oversubscribed. While it is encouraging to see the market advancing, we do have some concern regarding valuations, which we think are a bit rich for some stocks, especially amongst the large caps. As such we remain disciplined and are not chasing stocks in the market or IPOs where there is no margin of safety in terms of prices to be paid or potential gains to be made.

With such lofty valuations in listed equities, our focus remains on private equity and privately negotiated deals, where we are exploring a number of opportunities that could enable us to deploy around USD80-100 million in the next quarter or two. As with our listed equity investments, we tend to favour companies that are participating in Vietnam's domestic consumption theme in sectors such as consumer discretionary and staples, real estate, and manufacturing. As we have recently mentioned, private equity and privately negotiated transactions are taking longer to negotiate than in the recent past on the back of greater investor interest in Vietnam. Although there are no guarantees that we will successfully complete all of the negotiations we are currently undertaking, our approach to such investments is the same as always, including: looking for experienced management teams who are participating in the success of their companies and are committed to high standards of corporate governance; negotiating downside protections and performance commitment; and having an exit plan.

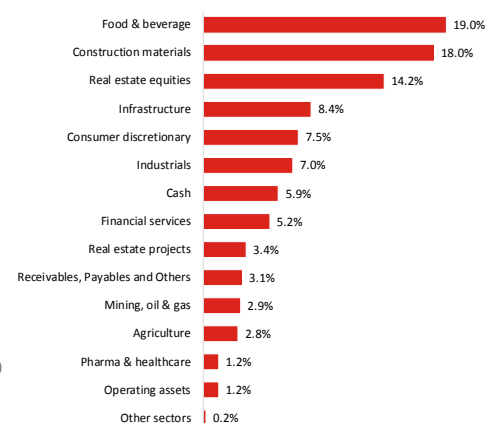
## Historical share price, NAV and buyback activity



## VOF portfolio by asset class



## VOF portfolio allocation by sector



On 12 October, we presented an update on the fund's progress to date and our strategy for the year ahead at our annual investor conference in Ho Chi Minh City. The presentation may be viewed by clicking [here](#).

## Macroeconomic Commentary

Vietnam's gross domestic product (GDP) grew 6.4% y-o-y in the first nine months of 2017 (9M17), exceeding consensus expectations, and therefore effectively placing the government's GDP growth target of 6.7% back within reach. This acceleration was driven by an increase in manufacturing activities during the year, and real retail sales growth reaching 9.2% y-o-y in 9M17. Notably, according to AC Nielsen, Vietnam's consumer confidence currently achieved a five-year high. Furthermore, the reduction of Vietnam's trade deficit from approximately 2.6% of the GDP in the first half of the year to approximately 0.3% of the GDP in 9M17 was driven by exports growing 20%, the fastest growth in five years.

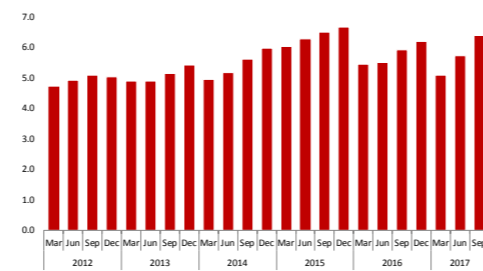
Manufacturing growth accelerated to an estimated 16% growth rate in the third quarter, driven by a 13% y-o-y increase in foreign direct investment (FDI) inflows to USD12.5 billion in 9M17, and by the launch of new, large industrial facilities, including Formosa's mega-steel mill. Manufacturing growth was previously restrained in the first quarter relating to the Samsung Galaxy Note 7 smartphone issues, but the group's production rebounded in the third quarter.

Outside of manufacturing, improvements in the services and agricultural sectors contributed to the country's GDP growth rate. Vietnam's services sector (41% of the GDP) improved from 6.7% in 9M16 to 7.3% in 9M17, and was bolstered by a 30% y-o-y increase in tourist arrivals. Furthermore, agricultural output growth reached 2.8% in 9M17, reflecting a tremendous improvement after a severe drought constrained agricultural output in 2016.

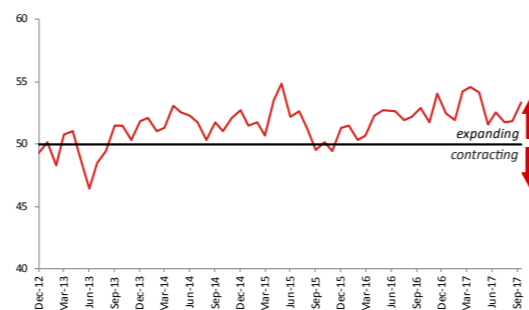
GDP's growth, however, continues to be weighed down by a circa 13% decline in oil production volume, which in effect, exacerbated the falling output in the mining sector; a drop of 8% y-o-y in 9M17.

Finally, Vietnam's macroeconomy continued to show a high degree of stability in September. The unofficial USD/VND exchange rate was essentially unchanged during the month, and both headline and core CPI inflation were unchanged from August at 3.4% y-o-y and 1.3% increases respectively, despite two fuel prices that lifted retail petrol prices by over 3% in September – or by nearly 13% since mid-July (local petrol prices were hiked five times since 20 July 2017).

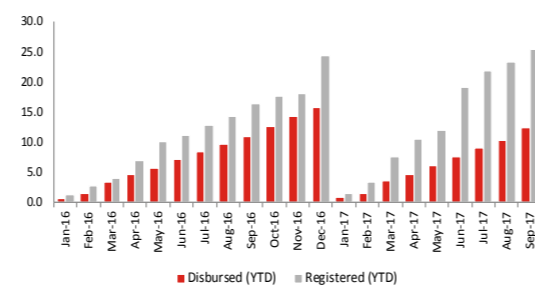
Quarterly GDP growth (%)



Purchasing Managers' Index



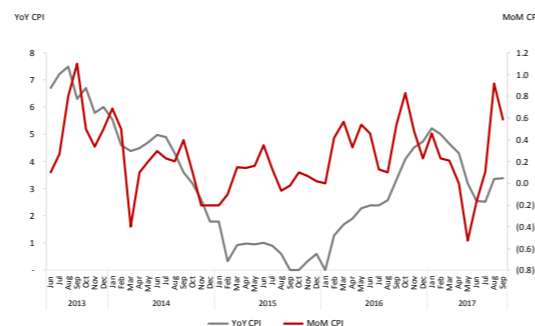
Registered and disbursed FDI (USDbn)



Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, Bloomberg

## Macroeconomic indicators

	2016	Sep-17	2017 YTD	YTD Y-O-Y
GDP growth <sup>1</sup>	6.2%		6.4%	
Inflation (%)	4.7%	0.6	1.8	3.4%
FDI commitments (USDbn)	24.4	2.1	25.5	34.3%
FDI disbursements (USDbn)	15.8	2.2	12.5	13.4%
Imports (USDbn)	174.1	18.2	154.0	22.7%
Exports (USDbn)	176.6	19.3	154.3	20.0%
Trade surplus/(deficit) (USDbn)	2.5	1.1	0.3	
Exchange rate (USD/VND)	22,720	22,690	0.1%	

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

Board of Directors	VinaCapital Investment Management Ltd		
VOF's Board of Directors is composed entirely of independent non-executive directors.			
<b>Member</b>	<b>Role</b>		
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			
<b>ISIN</b>	GG00BYXVT888		
<b>LEI</b>	2138007UD8FBBVAX9469		
<b>Bloomberg</b>	VOF LN		
<b>Reuters</b>	VOF.L		
Fund summary			
<b>Fund launch</b>	30-Sep-03		
<b>Term of fund</b>	Five years subject to shareholder vote for liquidation (next vote to be held by 2018)		
<b>Fund domicile</b>	Guernsey		
<b>Legal form</b>	Exempted company limited by shares		
<b>Investment manager</b>	VinaCapital Investment Management Ltd, with sub-delegation to VinaCapital Fund Management Limited		
<b>Structure</b>	Single class of ordinary shares trading on the Main Market of the London Stock Exchange plc		
<b>Auditor</b>	PricewaterhouseCoopers (Guernsey)		
<b>Custodian</b>	Standard Chartered Bank Vietnam		
<b>Custodian and Administrator</b>	Northern Trust International Fund Administration Services (Guernsey) Limited		
<b>Registrar and Transfer Agency</b>	Computershare Investor Services		
<b>Brokers</b>	Numis Securities (Bloomberg NUMIS)		
<b>Base and incentive fee</b>	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		
<b>Investment objective</b>	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		
<b>Investment objective by geography</b>	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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