

Performance summary 31 October 2017

	USD	GBP
NAV per share:	4.81	3.62
Change (Month-on-month)	-1.2%	-0.3%
Total NAV (million):	954.4	718.7
Share price:	4.00	3.01
Market cap (million):	794.4	598.2
Premium/(discount)	-16.8%	-16.8%

GBP/USD exchange rate as 30 September 2017: 1.34

GBP/USD exchange rate as 31 October 2017: 1.33

Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	1.7	21.8	39.9	96.0
Share price (USD)	0.1	31.1	49.8	146.0
VN Index (USD terms)	6.8	21.7	30.4	98.1
MSCI Emerging market	5.0	23.6	10.1	11.6
MSCI Vietnam	14.4	19.3	8.7	30.4

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	14.9	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	26.2	13.4	0.9	6.6	20.5	18.9

Top ten holdings*

Investee company	% of NAV	Sector
Vinamilk (VNM)	12.8	Food & beverage
Hoa Phat Group (HPG)	12.1	Construction materials
Khang Dien House (KDH)	7.1	Real estate & construction
Airports Corporation of Vietnam (ACV)	6.8	Infrastructure
Phu Nhuan Jewelry (PNJ)	5.5	Consumer discretionary
Vietjet Air (VIC)	4.1	Industrials
Quang Ngai Sugar (QNS)	3.5	Food & beverage
Coteccons (CTD)	3.3	Real estate & construction
Eximbank (EIB)	3.2	Real estate & construction
Viglacera (VGC)	2.2	Construction materials
Total	60.7	

*Capital market equities

October: The market moves higher, and overseas investors' appetite at a record

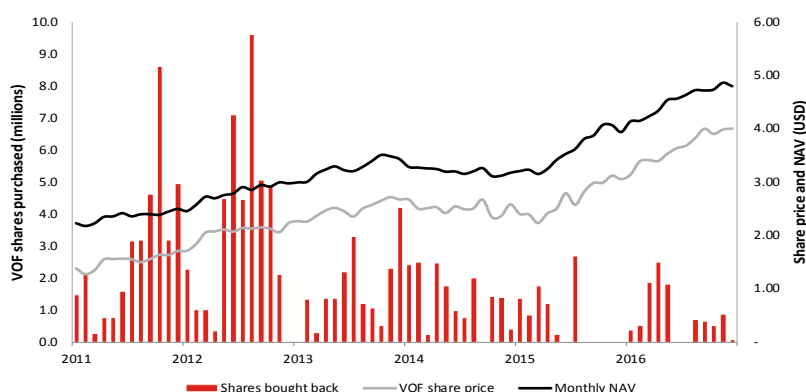
The VN Index continued its upward trajectory in October, increasing 4.2% in USD terms on limited market breadth. Just a few stocks accounted for most of the Index's rise, with one – Faros Construction (ROS) – accounting for just over half of the market's gain. At a price-to-earnings ratio of 212x (no, not a typo!), ROS is not a stock we would hold, either from a valuation standpoint or for other fundamental reasons. Accordingly, our capital market portfolio did not perform in line with the market. VOF's net asset value (NAV) per share was USD4.81, a decrease of 1.23% from the previous month. The discount between share price and NAV per share narrowed to 16.8%, from 18.3% the previous month.

At the time of writing, however, we have largely caught up to the Index thanks in part to the performance of our top holdings. Vinamilk (VNM) has long been one of our main holdings (12.8% October NAV), and its stock has risen considerably in November following the successful sale of a 3.3% stake by the State Capital Investment Corporation as part of their ongoing divestment plan. The entire block was sold at a 23% premium to the market price to a unit of Jardine Holding of Singapore, which subsequently announced that it has purchased a 5.5% stake in the company, including purchases on the open market. We believe Jardine's actual holding in VNM is higher than that based on recent purchasing. Year-to-date, foreigners have been net buyers of nearly USD1 billion in stocks, which could lead to a market re-rating should current trends continue.

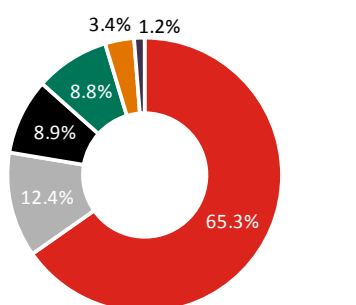
The fund was not bereft of positive developments in October, however. Private equity portfolio investee company An Cuong Wood-Working JSC (An Cuong), in which we co-invested with DEG in 2016 to obtain a 21.4% stake, signed a strategic alliance with a subsidiary of Sumitomo Forestry. The alliance, which we facilitated, will bring a number of benefits to An Cuong, including the ability to leverage Sumitomo Forestry's significant distribution network in global markets including Japan. We believe our stake in this company is now valued at a significant premium to when we first invested (note: this is not yet reflected in NAV), and we believe An Cuong's likely accelerated growth will make it an even more attractive target for a purchaser, which could include Sumitomo Forestry or other strategic investors.

On a final note, VOF released its annual report on 10 November 2017 and is available for download [here](#); and the Company will pay a dividend of 4.8 US cents per share (equivalent to 1% of the NAV) on 01 December 2017 pursuant to its [dividend declaration announcement](#) on 25 October 2017.

Historical share price, NAV and buyback activity

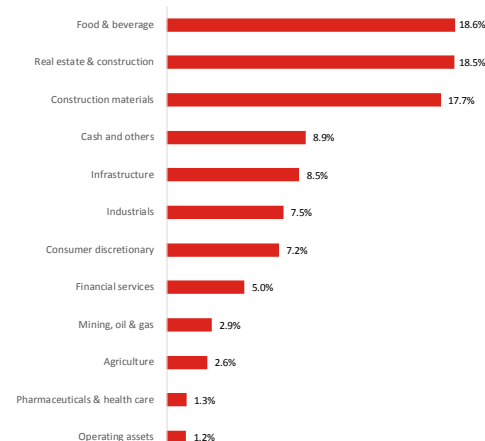


VOF portfolio by asset class



■ Listed equity (65.3%)
 ■ Unlisted equity (12.4%)
 ■ Cash and others (8.9%)
 ■ Private equity (8.8%)
 ■ Real estate projects (3.4%)
 ■ Operating assets (1.2%)

VOF portfolio allocation by sector



Macroeconomic Commentary

The robust economic growth and stable macroeconomic conditions that have propelled asset prices in Vietnam higher this year were both illustrated by positive economic developments in October. These positive developments include:

- Vietnam's manufacturing activity, which contributes 16% of the country's GDP, accelerated from 12.8% year-on-year (y-o-y) in 9M17 to 13.6% in 10M17;
- The country's retail sales in real terms nudged up from 9.2% in 9M17 to 9.4% y-o-y growth in 10M17; and,
- The USD/Vietnam Dong (VND) exchange rate was unchanged during the month of October, despite a near 2% increase in the US Dollar Index that was prompted by further monetary tightening in the US.

Regarding the value of VND, we note that the “unofficial”, free-market value of the VND was consistently 1.7% stronger than the official value of the VND in October, an interesting development given that the unofficial rate typically trades at a modest discount to the official rate given locals' enthusiasm to hold USD. Furthermore, gold prices in Vietnam were about 3% above world gold prices in October whereas a 7-9% premium is typical. Both of these developments signal locals' high confidence in the VND and their willingness to hold Vietnamese currency, rather than reallocating their savings into USD and/or gold.

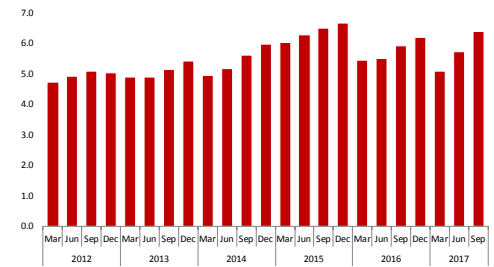
The value of the VND was supported by a drop in Vietnam's headline rate of CPI inflation from 3.4% in September to 3% in October (core CPI – excluding volatile food and energy prices- was unchanged at 1.3% y-o-y), and by the State Bank of Vietnam's (SBV) announcement in early October that it bought USD6 billion of foreign currency reserves year-to-date, bringing the country's FX reserves to USD45 billion.

That being said, Vietnam's 21.6% import growth and 21.3% export growth in 10M17 means that the SBV's record high level of reserves equate to just 2.3 months' of imports. The government expects Vietnam's external debt to reach 45% of GDP at the end of this year and 48% in 2018. Also concerning is the SBV's revelation that the banking sector's system-wide outstanding loans grew by 12.2% YTD as of end of 9M17, but deposits grew by only 11.2% YTD, leading us to estimate that the loan-to-deposit ratio of the banking system increased from 85% a year ago to 87% at present.

On a more positive note, the Vietnam Asset Management Company announced that it purchased approximately USD900 million non-performing loans YTD, bringing the total amount of bad debts banks transferred to the VAMC to about USD13 billion since its inception in 2013. What's more, Vietnam's bank lending interest rates and deposit rates were both stable in October at circa 6% and 9% respectively, further reflecting the current stability of the economy.

Finally, Vietnam's position in the World Bank's “ease of doing business” ranking leapt 14 positions to the 68th slot, which is below Malaysia (24) and Thailand (26), but above the rankings of Indonesia (72), and the Philippines (113).

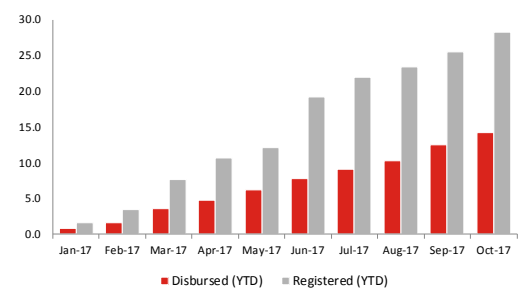
Quarterly GDP growth (%)



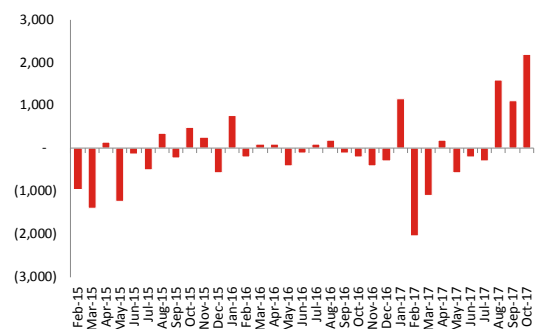
Purchasing Managers' Index



Registered and disbursed FDI (USDbn)



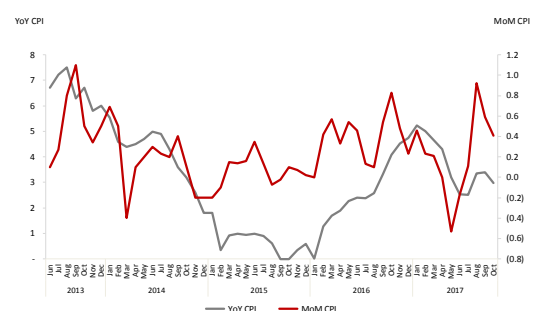
Monthly trade balance (USDm)



Macroeconomic indicators

	2016	Oct-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%		6.4%	
Inflation (%)	4.7%	0.4%		3.0%
FDI commitments (USDbn)	24.4	2.8	28.2	37.4%
FDI disbursements (USDbn)	15.8	1.7	14.2	11.8%
Imports (USDbn)	174.1	18.1	172.0	21.6%
Exports (USDbn)	176.6	20.3	174.6	21.3%
Trade surplus/(deficit) (USDbn)	2.5	2.2	2.6	
Exchange rate (USD/VND)	22,720	22,675	0.2%	

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



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

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			
LEI	2138007UD8FBBVAX9469		
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, with sub-delegation to VinaCapital Fund Management Limited		
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		
Dividend policy	<p>It is the intention of the Board to declare semi-annual dividends, normally declared in March and October, for the foreseeable future of an amount of at least 4.8 US cents per share, or the equivalent in UK pence. This amount is approximately equal to 1 per cent of VOF's unaudited net asset value at 30 June 2017. As and when circumstances permit, it is the Board's intention to increase the dividend.</p> <p>Dividend payments will not necessarily be fully covered by income and, as such, may represent a return of capital to shareholders. Shareholders should note that the change in dividend policy is in addition to the Company's share buyback programme, which has been the primary mechanism for attempting to control the share price discount to net asset value.</p>		

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