

Performance summary 30 November 2017

	USD	GBP
NAV per share:	5.20	3.84
Change (Month-on-month)	8.11%	6.08%
Total NAV (million):	1,031.9	762.3
Share price:	4.31	3.19
Market cap (million):	855.9	632.7
Premium/(discount)	-17.1%	-17.1%

GBP/USD exchange rate as 31 October 2017: 1.33
 GBP/USD exchange rate as 30 November 2017: 1.35
 Source: Reuters

Cumulative change (% change)

	3 mth	1 yr	3 yr	5 yr
NAV per share (USD)	9.6	25.5	57.9	112.0
Share price (USD)	10.7	37.6	61.6	165.2
VN Index (USD terms)	21.4	42.6	57.4	131.0
MSCI Emerging market	3.0	29.9	11.6	11.8
MSCI Vietnam	31.6	43.8	33.7	53.3

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	24.3	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	43.2	13.4	0.9	6.6	20.5	18.9

Top ten holdings*

Investee company	% of NAV	Sector
Hoa Phat Group (HPG)	12.5	Construction materials
Vinamilk (VNM)	11.2	Food & beverage
Airports Corporation of Vietnam (ACV)	7.4	Infrastructure
Khang Dien House (KDH)	7.3	Real estate & construction
Phu Nhuan Jewelry (PNJ)	5.9	Consumer discretionary
Vietjet Air (VJC)	4.6	Industrials
Quang Ngai Sugar (QNS)	3.5	Food & beverage
Eximbank (EIB)	3.2	Financial services
Coteccons (CTD)	3.2	Real estate & construction
Viglacera (VGC)	2.4	Construction materials
Total	61.2	

*Capital market equities

November: Market ends at a 10-year high

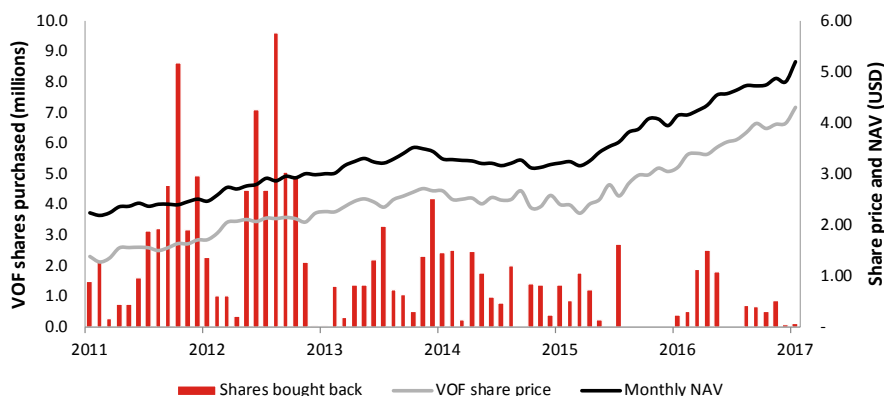
November was an exceptionally strong month for the market, with the VN Index flirting with the 1000 point level, and ending the month up 13.5% in USD terms. The major catalyst for the Index's strong performance was the successful sale of the state's 3.3% stake in Vinamilk (VNM), all of which was purchased by a subsidiary of Singapore's Jardine at a significant premium to the starting price, effectively re-rating the stock. Subsequent to that transaction, Jardine announced that it had bought additional shares on the open market for a total stake of around 10%. With VNM being the Index's largest component, it also re-rated the market. Brewer Sabeco, which ranks second in terms of Index weighting, also rose in anticipation of the government's sale of a 53.6% stake in December. It was recently announced that Fraser & Neave/Thai Bev has registered to purchase a significant stake in the beer company.

VOF's net asset value (NAV) per share was USD5.20, an increase of 8.11% from the previous month. The discount between share price and NAV per share widened to 17.1%, from 16.8% in October. The capital market portion of our portfolio performed in line with the Index as we are overweight with VNM (price return of 23.6% month-over-month), and some of our other key holdings such as Hoa Phat Group (HPG), Airports Corporation of Vietnam (ACV), and Vietjet (VJC) also performed well, with month-over-month price rises of 11.4% and 19.6% and 19.7% respectively. The aviation sector is clearly benefitting from the record levels of tourists visiting Vietnam. During the eleven months of 2017, Vietnam welcomed 11.6 million international tourists, an increase of 27.8% compared to the same period last year. The government has made the development of the tourism sector a priority, targeting 20 million international arrivals and 82 million domestic travellers by 2020.

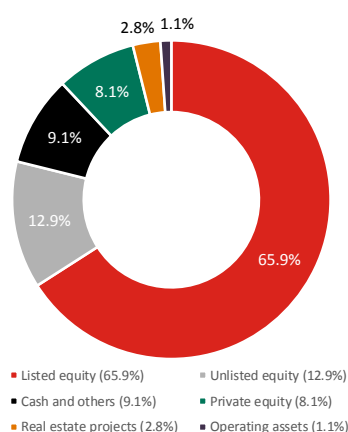
With the increase in stock prices, we have been rebalancing our portfolio toward some of the companies with reasonable valuations that have nonetheless lagged the overall market. We plan to deploy cash raised from the sales of stocks in our capital market portfolio towards private equity and privately negotiated investments in public equity deals. We are currently in the final stages of negotiations on a couple of deals, and will make public announcements upon completion.

In addition, during the past month, we completed the divestment of our stake in Phu Hoi city – our co-invested direct real estate project with VinaLand located in Dong Nai Province, receiving USD4.9m. Following this divestment, six projects remain in the DRE portfolio which has reduced to USD28.8m or 2.8% of NAV as at 30 November 2017 (from 7% of total NAV as of 31 December 2016). We remain focused on continuing the divestment of the remaining projects in the DRE portfolio.

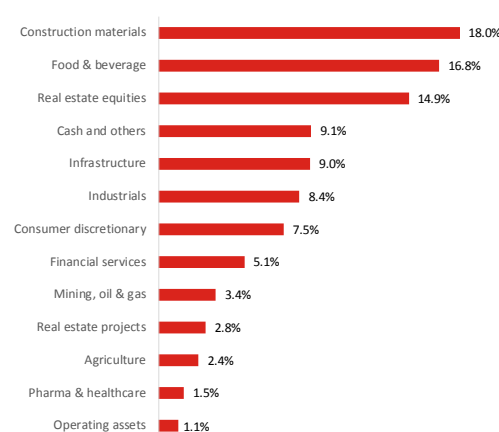
Historical share price, NAV and buyback activity



VOF portfolio by asset class



VOF portfolio allocation by sector



At the time of writing, the Company paid 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.

Macroeconomic Commentary

The “Goldilocks” conditions of the Vietnamese economy became more pronounced in November following a modest acceleration in growth and a decline in inflation during the month. The growth of Vietnam’s manufacturing activity, accelerated from 13.6% in 10M17 to 14.4% in 11M17, while inflation fell from 3% YOY in October to 2.6% in November, despite a 4% hike in petrol prices.

The persistence of favourable economic conditions in Vietnam continued to support foreign indirect inflows (FII), with FII inflows via the stock market well over USD1 billion YTD. These conditions also helped drive consumer confidence to an all-time high. Meanwhile foreign direct investment (FDI) inflows supported Vietnam’s manufacturing sector to grow 12% YOY in 11M17 to USD16 billion, and are on track to exceed 8% of the GDP this year. Notably, nearly half of Vietnam’s FDI inflows fund the construction of new factories that are geared to manufacture products for export. Vietnam’s exports grew 21% YOY in 11M17, as Samsung and other leading high-tech manufacturers drove a 33% surge in high-tech exports (High-tech exports contributes approximately 33% towards Vietnam’s total exports). As a result, Vietnam’s trade balance improved from a recorded 2.3%/GDP deficit at 1H17, to a surplus of 1.4%/GDP in 11M17.

Despite the recent, excellent performance of the manufacturing sector, Vietnam’s Nikkei Purchasing Managers’ Index (PMI) fell to 51.4 in November, the lowest level in almost two years, as firms were unable to grow their output volume during the month for the first time in a year. Companies could not source adequate raw materials to fulfill their growing orders, raising concerns about a possible resurgence in inflation in the coming months.

The lack of available raw materials increased firms’ input costs to its highest level in six years and, according to the recent PMI survey, some businesses have apparently started raising their selling prices. What’s more, inflation concerns are also exacerbated by the recent sharp increase in global oil prices. Vietnam’s headline inflation rate is likely to get a 2% pts boost ceteris paribus if oil prices remain around the levels seen at the end of November.

Vietnamese oil & gas companies, which currently account for 10% of the local stock market’s capitalisation, will likely experience a boost of approximately 15% in their earnings as a result of oil prices increasing 10%. We anticipate that the increase in oil prices will potentially drive higher oil production in Vietnam, which is welcomed news as oil production in Vietnam saw a 11% decline in 11M17 which lowered the country’s GDP growth by an estimated 0.5% pts ceteris paribus.

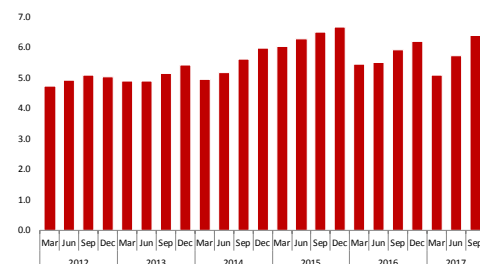
Finally, Vietnam’s retail sales grew 9.5% YOY in 11M17 in real terms, up from 8.9% in 11M16. We estimate that the banks extended credit by well over 40% YOY in 11M17, fueling consumption growth and driving the banking system’s aggregate 15.6% YTD increase in outstanding loans.

Macroeconomic indicators

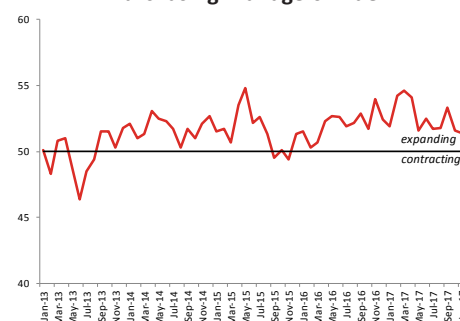
	2016	Nov-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%		6.4%	
Inflation (%)	0.5%	0.1%		2.6%
FDI commitments (USDbn)	24.4	4.8	33.1	53.4%
FDI disbursements (USDbn)	15.8	1.8	16.0	11.9%
Imports (USDbn)	174.1	19.0	191.0	21.0%
Exports (USDbn)	176.6	19.2	193.8	21.1%
Trade surplus/(deficit) (USDbn)	2.5	0.2	2.8	
Exchange rate (USD/VND)	22,720	22,685	0.2%	

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

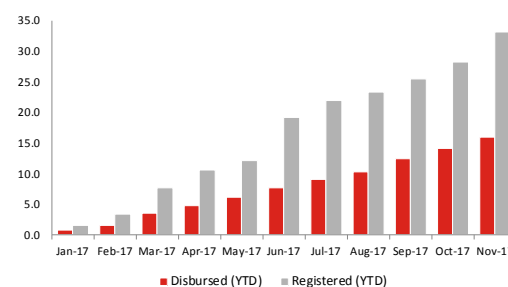
Quarterly GDP growth (%)



Purchasing Managers’ Index



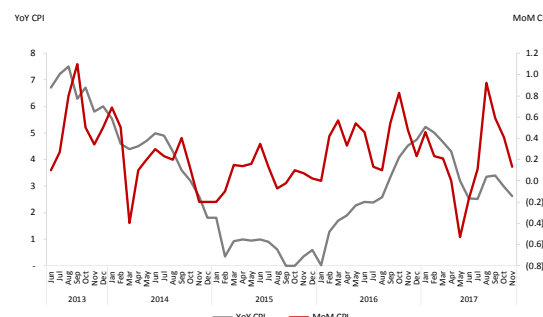
Registered and disbursed FDI (USDbn)



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			
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 JSC		
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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