

Performance summary 31 March 2017

	USD	GBP
NAV per share:	4.55	3.64
Change (Month-on-month)	4.60%	4.30%
Total NAV (million):	917.0	733.3
Share price:	3.53	2.82
Market cap (million):	711.5	569.0
Premium/(discount)	-22.4%	-22.4%

GBP/USD exchange rate as at 28 Feb 2017: 1.24
 GBP/USD exchange rate as at 31 Mar 2017: 1.25
 Source: Reuters

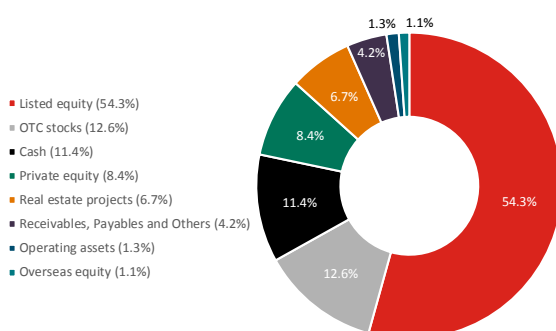
Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	8.7	32.9	37.7	93.1
Share price (USD)	4.2	41.2	40.5	127.7
VN Index (USD terms)	8.8	26.3	13.3	49.9
MSCI Emerging market	11.1	14.5	-3.6	-8.0
MSCI Vietnam	9.5	11.3	-10.6	3.1

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	8.7	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	8.8	13.4	0.9	6.6	20.5	18.9

VOF portfolio by asset class (31 Mar 2017)



VOF portfolio allocation by sector (31 Mar 2017)



March: Foreign Interest High, and a Focus on Vinamilk

The VN Index continued its winning streak in March, maintaining nine-year highs as foreign investors remained hungry for Vietnamese stocks. During the month, foreigners net bought USD73 million worth of stock, bringing their total for the first quarter of 2017 to USD126 million – a relatively high amount compared to previous years. For comparison, during the first quarter of 2016, foreigners were net sellers of USD48 million, while they were net buyers of USD12 million during the same period in 2015.

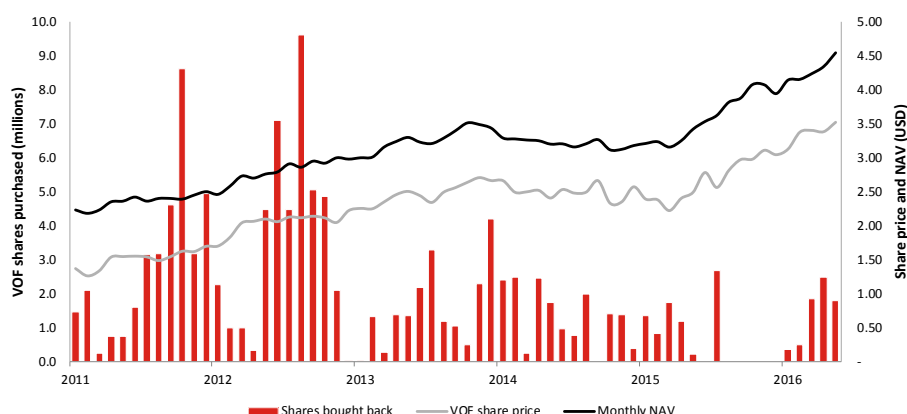
During March, the fund's NAV per share increased 4.6% to USD4.55 from USD4.35 in February 2017, while total NAV increased to USD917.0 million from USD884.1 million. During the reporting month, VOF's share price increased by 4.1% to end the month at USD3.53. The discount between stock price and NAV per share was 22.4%.

One stock that continues to attract a great deal of foreign interest is Vinamilk (VNM), whose shares rose to VND143,300 per share at the end of March 2017 from VND131,400 per share at the end of February 2017, a 9.1% month-over-month increase. At the end of February 2017, the stock has fallen approximately 16% from its share price of VND156,000 at the end of August 2016, and foreigners used the opportunity to net purchase USD61 million of VNM stock – a substantial portion of total foreign buying during March. F&N, which is a strategic shareholder of VNM, was largely responsible for this rise, announcing that it would expand its stake to 19.3% from 17.5% as at the end of February.

Further adding to foreign purchasing was VNM's announcement that it had locked in its milk input prices for the remainder of the year at a favourable rate. The company also announced its plan for 2017, with revenues to increase by 8% and net profit increasing 4% in relation to 2016. While these may seem low, we would note that VNM is typically very conservative in its projections, and the market consensus is that profit will increase in the mid-teens. As VNM is our top holding, our fund, and especially our capital market portfolio, benefitted from the stock rally with the latter increasing 7.2% for the month.

Foreign interest is not limited to VNM, however. Over the past month or so, there have been several notable transactions involving foreign investors, including an announcement on 3 April that KKR has entered an agreement to invest USD250 million in Masan Group and its Masan Nutri-Science subsidiary. Meanwhile, there were reported to be two significant private equity deals in the education sector. These deals come on top of already sizeable foreign interest in VietJet's recent IPO as well as ongoing expressions of interest from major global brewers into acquiring stakes in Sabeco. These and other examples underscore the tremendous growth potential international investors see in Vietnam's market.

Historical share price, NAV and buyback activity



Investment Case: Quang Ngai Sugar

Quang Ngai Sugar ("QNS"), Vietnam's largest producer of soymilk, officially debuted on the Unlisted Public Company Market ("UPCoM") in December 2016. With the help of the government, QNS was able to move closer to our vision of the company listing on the Ho Chi Minh City Stock Exchange by first listing on UPCoM, a junior exchange in Vietnam. Upon the closing of the QNS's first trading day on UPCoM, the share price rocketed from VND80,000 per share to VND112,000 per share, reaching the maximum allowed amount of 40% for a company's first day of trading on UPCoM, on the back of strong liquidity and demand.

VOF initially invested USD12.9 million (for a 3.4% stake) in QNS when the company was private in March 2015. Since then, VOF has acquired additional shares to build up a 6.2% stake for a total amount of USD27.1 million. As at March 31, 2017, with the closing price of VND123,000 per share, the market value of VOF's stake is equivalent to USD53 million, or a multiple of 1.95 times unrealised return on invested equity in USD terms. We expect greater results as SSI, one of the largest brokerage firms in Vietnam, just published a BUY on QNS with a target price

of VND143,000. More importantly, QNS is anticipated to grow its revenue and profit-after-taxes (PAT) in 2017 by 16% and 21% respectively given its additional production capacity (QNS delivered revenue and PAT of USD343 million and USD49.6 million, respectively, in 2016). At the current trading price, QNS is trading at a PE ratio of 12.2x for 2017 earnings after deducting for treasury shares. To put this PE ratio in perspective, Vinamilk and Sabeco are currently trading at a 2017 PE ratios of 22x and 28x.

Macroeconomic update

The Vietnam's GDP grew 5.1% in the first quarter of 2017, a modest deceleration from the 5.5% growth rate in the first quarter of last year. The slowdown was due to several factors, including a 14% year-on-year decrease in oil production volume, a reported 38% decline in Samsung's Vietnam-based production (as the company retooled its production line for the launch of the new Galaxy S8 model), and a slowdown in domestic consumption. While the slight decline in Vietnam's Q1 GDP growth rate may appear to be cause for concern, we expect the economy to resume its higher growth trajectory in Q2 given positive manufacturing, trade, and foreign investment leading indicators.

Manufacturing: The Nikkei Purchasing Manager's Index (PMI) for Vietnam reached 54.6 in March, which was a 22-month high, and up from 54.2 in February. The "forward looking" components of the PMI, such as employment and new orders were particularly encouraging.

Trade: Vietnam reported an estimated trade deficit of USD1.9 billion in Q1, with imports growing 22% yoy, outpacing a 13% yoy increase in exports. However, import growth was driven by a 28% yoy increase in machinery and equipment imports, which is another positive leading indicator that firms are gearing up for increased manufacturing production and output later in the year.

Foreign Investment: The registration of new foreign direct investment (FDI) surged 77.6%, compared to the same period last year, in Q1 to USD7.7 billion, while the disbursement of actual FDI was flat. The surge in new FDI registration is yet another leading indicator that augers well for future manufacturing and construction activity in Vietnam, while the benign performance of the country's FDI inflows, which is a lagging indicator, shows that investors remain confident about Vietnam's prospects and about the country's viability as a manufacturing center, despite some well publicized concerns about possible impediments to global free trade going forward.

Domestic consumption: Domestic consumption growth in real terms slowed from 7.5% in 1Q16 to 6.2% in 1Q17. However, the country's consumption in the first quarter of the year is typically impacted by a variety of seasonal effects including the Lunar New Year holiday, the impacts of which are difficult to disentangle. For that reason we will continue to monitor domestic consumption trends in Q2 to determine if the slowdown in domestic consumption is a substantive issue or a transitory, seasonal phenomenon.

Inflation: The Consumer Price Index increased 4.7% year-over-year, as of the end of Q1. Core inflation came in a 1.7% yoy, indicating that the steep increase in oil prices over the last year contributed significantly to inflation, while government administered price hikes also made a major contribution to the country's inflation rate; medical fees rose 7.5% month-over-month in March, or an increase of 36% year-over-year as of the end of Q1.

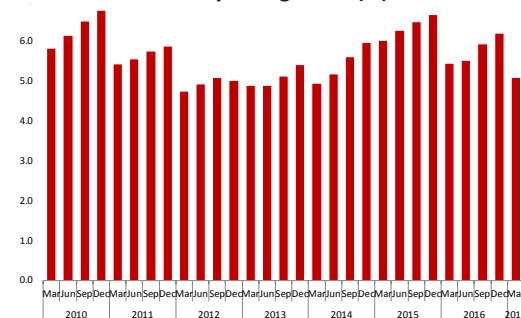
Vietnam Dong: The Vietnamese dong (VND) remained stable despite the Fed rate hike, and despite the uptick in inflation over the last two quarters. Interbank rates reached 22,720 VND/USD in March.

Macroeconomic indicators

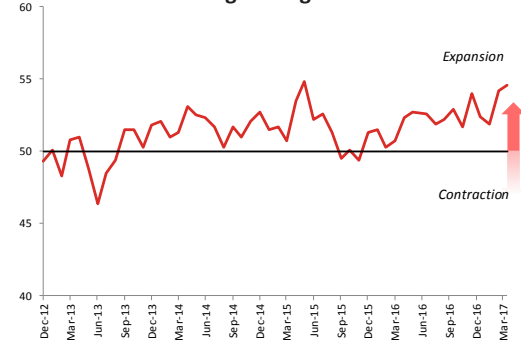
	2016	Mar-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%	5.1%		
Inflation (%)	0.5%	0.2%		4.7%
FDI commitments (USDbn)	24.4	4.3	7.7	77.6%
FDI disbursements (USDbn)	15.8	2.1	3.6	3.4%
Imports (USDbn)	174.1	18.4	46.6	24.9%
Exports (USDbn)	176.6	17.3	44.6	15.1%
Trade surplus/(deficit) (USDbn)	2.5	(1.1)	(1.9)	
Exchange rate (USD/VND) ²	22,720	22,720	0.0%	

Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly | 2.(-) Denotes a devaluation in the currency, Vietcombank ask rate

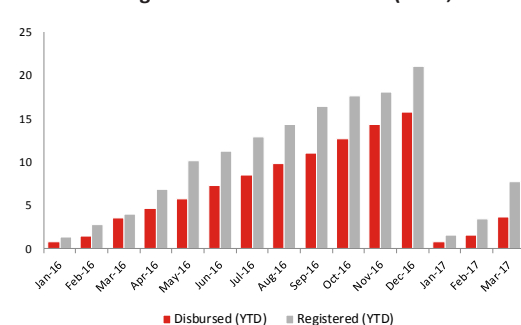
Quarterly GDP growth (%)



Purchasing Managers' Index



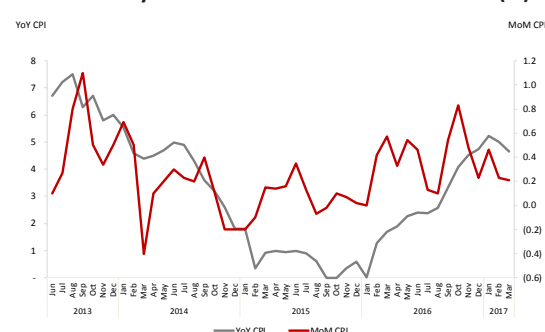
Cumulative registered and disbursed FDI (2017, USDbn)



Monthly trade balance (USDm)



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



Source: GSO, Vietnam Customs, Bloomberg

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Member	Role	Member	Role
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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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