

Performance summary 31 May 2017

	USD	GBP
NAV per share:	4.64	3.60
Change (Month-on-month)	1.53%	1.69%
Total NAV (million):	935.1	724.3
Share price:	3.68	2.85
Market cap (million):	740.7	573.8
Premium/(discount)	-20.8%	-20.8%

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

GBP/USD exchange rate as at 31 May 2017: 1.29

Source: Reuters

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	6.9	28.1	44.6	97.2
Share price (USD)	8.5	31.9	56.6	137.4
VN Index (USD terms)	4.1	17.6	22.2	57.7
MSCI Emerging Market	7.4	24.5	-2.2	10.9
MSCI Vietnam	-5.4	-8.2	-17.1	-8.7

Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	11.0	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	11.3	13.4	0.9	6.6	20.5	18.9

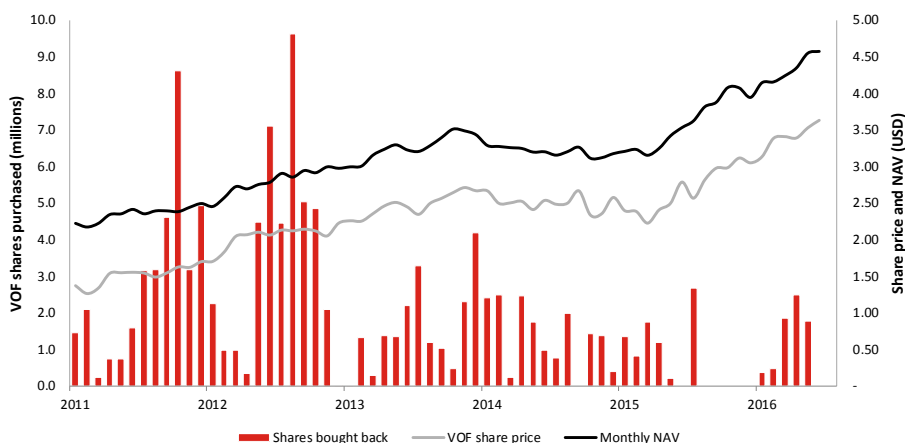
May: A Nine-Year Market High

Vietnam's stock market returned to form in May after taking a slight drop in the previous month. The VN Index rose 3.8% to hit a nine-year high of 744 on 22nd May before falling back to end the month at 738. Foreigners continued to be fairly active during the month, with net buying of USD52.3 million, mainly in large cap stocks.

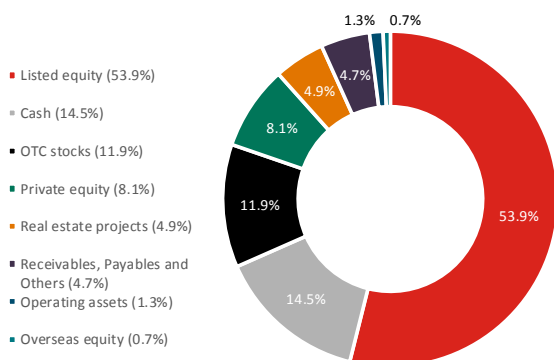
During the month, VOF's share price was up 1.3% to end the month at USD3.68. The discount between share price and net asset value (NAV) per share remained relatively unchanged at 20.8% from April's 20.6%. The fund's capital market component outperformed the VN Index during the month by 100bps, while on both on a calendar year-to-date and fiscal year-to-date, our capital market portfolio has substantially outperformed the Index by 500bps and 1,500bps respectively.

Toward the end of the month, the Prime Minister of Vietnam became the first Southeast Asian leader to be invited for an official state visit with US President Trump, underscoring Vietnam's new-found prominence on the global stage. The discussions were said to be focused on trade, and were described as constructive. Also during the visit, several Vietnamese companies signed contracts worth USD15 billion with US partners such as GE. Additionally, VinaGames, Vietnam's leading online gaming company, signed a memorandum of understanding with Nasdaq to list on the US market in the near future. Should VinaGames fulfil the exchange's requirements and successfully list as planned, it would be the first major Vietnamese company to be traded in the US, and would likely generate positive publicity for Vietnam as a whole.

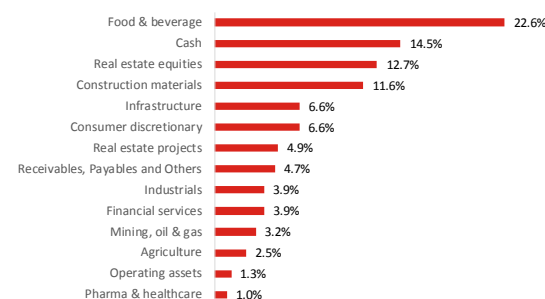
Historical share price, NAV and buyback activity



VOF portfolio by asset class (31 May 2017)



VOF portfolio allocation by sector (31 May 2017)



Investment Case: Viglacera

With valuation levels of the market as it is, we are being increasingly selective in terms of new investments. But one new issue did attract our interest: the privatisation of state-owned construction materials company Viglacera. The company is the number one construction materials manufacturer in Vietnam specialising in glass, and it also produces a range of tiles and sanitary wares.

In this offering, the Government reduced its stake from 79% to 57% (a divestment of USD85.5m for 120m shares at an average winning price of VND16.2k/share), so it was a meaningful divestment of state assets, with a plan for further reduction in the state's holding in 2019. The offering was almost three times oversubscribed, and institutional shareholders made up the majority of bidders for the auctioned shares. Our fund took a significant portion of the shares on offer, with an average price that was 3% lower than the average bidding price, which itself was 8% below the closing price on that day. Subsequently the stock rallied as other funds which did not receive enough allocation during the auction purchased on the open market. As of the time of writing, we have an unrealised gain of 24% on our position.

Our affinity for the construction materials sector is well known, given our private equity stake in An Cuong Woodworking. The residential property market continues to grow, particularly in the mid-range and affordable segments, and a spate of new commercial projects are underway. Additionally, the government's focus on infrastructure development also bodes well for the sector for the foreseeable future.

Macroeconomic update

Vietnam's economy continued to perform well in May, and GDP growth is still on track to achieve our 6.3-6.5% in-house forecast, despite some modest headwinds, including the on-going slowdown in China's economy.

Manufacturing: The Nikkei Vietnam Purchasing Managers' Index (PMI) dropped from 54.1 in April to a 14-month low of 51.6 in May, primarily due to a fall in the growth rate of new domestic and export orders. That deceleration was in turn partly attributable to weakness in the Chinese economy following steep increases in China's interbank interest rates over the last six months and efforts by the Chinese government to deleverage their economy. Given that Asia's export growth is currently being driven by Chinese demand, PMI readings fell across Southeast Asia in May, with the exception of the Philippines.

Domestic consumption: The General Statistics Office (GSO) reported that Vietnam's retail sales grew 7.4% in real terms from 5M16 to 5M17, up from a 6.7% year-on-year (y-o-y) pace in 4M17.

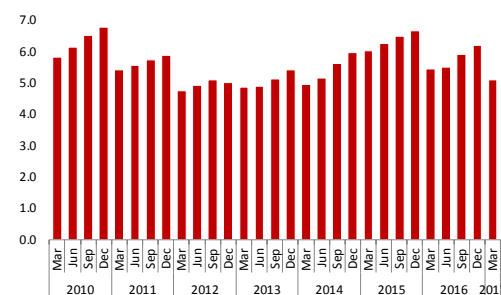
Trade: According to Vietnam Customs, Vietnam ran a circa USD2.5b year-to-date trade deficit as of the end of May. Exports grew 18.4% y-o-y in 5M17 to reach USD80.0 billion while imports rose 24.7% y-o-y to USD82.5 billion; imports of machinery, according to the GSO, surged 39% y-o-y which was widely regarded as a positive leading indicator for Vietnam's industrial production.

Inflation: The Consumer Price Index (CPI) fell from 4.3% in April to 3.2% in May, driven by a 10% month-on-month (m-o-m) decline in pork prices and a 0.7% m-o-m decline in fuel prices. Tepid inflation in China indirectly afforded Vietnamese policy makers better control over Vietnam's inflation, and helped drive a 0.53% m-o-m fall in the overall level of consumer prices, which was the biggest monthly decline in Vietnam's CPI for 10 years.

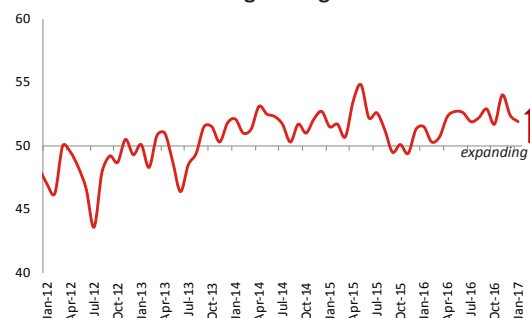
Vietnam Dong: The Vietnam Dong (VND) continued to remain stable despite a 200 basis points decline in interbank interest rates during May. The free-market value of the USD/VND exchange rate was 22,680 as of the end of May, which was approximately 1.5% below the official FX selling rate.

Foreign Investment: In the first five months of the year the registration of new foreign direct investments (FDI) grew 10.4% compared to the same period last year, reaching USD12.1 billion year-to-date (y-t-d) while actual FDI disbursements grew 6.0% y-o-y to reach USD6.2

Quarterly GDP growth (%)



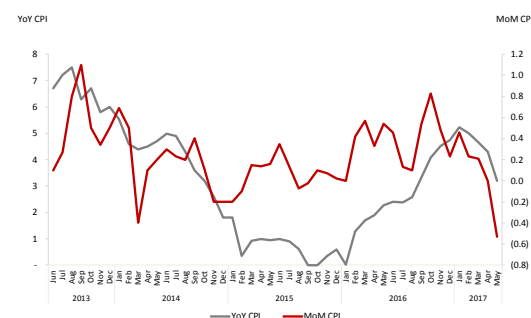
Purchasing Managers' Index



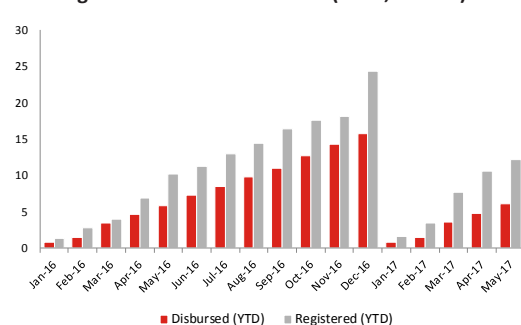
Monthly trade balance (USDm)



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



Registered and disbursed FDI (2016, USDbn)



Macroeconomic indicators

	2016	May-17	2017 YTD	YTD Y-O-Y
GDP growth ¹	6.2%			
Inflation (%)	0.5%			3.2%
FDI commitments (USDbn)	24.4	1.5	12.1	10.4%
FDI disbursements (USDbn)	15.8	1.4	6.2	6.0%
Imports (USDbn)	174.1	18.5	82.5	24.7%
Exports (USDbn)	176.6	17.9	80.0	18.4%
Trade surplus/(deficit) (USDbn)	2.5	(0.8)	(2.7)	
Exchange rate (USD/VND) ²	22,720	22,680	0.2%	

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

Source: GSO, Vietnam Customs, Bloomberg

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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 (Ireland) 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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