

## Performance summary

	USD	GBP
NAV per share:	4.75	3.68
Change (Month-on-month)	0.42%	2.79%
Total NAV (million):	946.6	734.6
Share price:	3.90	3.03
Market cap (million):	777.7	603.5
Premium/(discount)	-17.8%	-17.8%

GBP/USD exchange rate as at 31 July 2017: 1.32

GDP/USD exchange rate as at 31 August 2017: 1.29

Source: Reuters

## Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share (USD)	2.2	16.3	35.0	99.0
Share price (USD)	6.0	30.6	47.4	138.8
VN Index (USD terms)	6.0	13.9	14.7	81.3
MSCI Emerging market	8.2	21.7	0.0	14.8
MSCI Vietnam	4.9	1.1	-10.5	17.3

## Annual performance history (% change)

	CY 2017	2016	2015	2014	2013	2012
NAV per share (USD)	13.4	25.5	1.2	8.4	15.3	19.1
VN Index (USD terms)	17.9	13.4	0.9	6.6	20.5	18.9

## Top ten holdings\*

Investee company	% of NAV	Sector
Vinamilk (VNM)	12.7	Food & beverage
Hoa Phat Group (HPG)	11.6	Construction materials
Airports Corporation of Vietnam (ACV)	5.9	Infrastructure
Phu Nhuan Jewelry (PNJ)	5.5	Consumer discretionary
Khang Dien House (KDH)	5.2	Real estate & construction
Quang Ngai Sugar (QNS)	4.6	Food & beverage
Eximbank (EIB)	3.4	Financial services
Coteccons (CTD)	3.2	Real estate & construction
VietJet Air (VJC)	2.3	Industrials
Novaland (NVL)	2.2	Real estate
<b>Total</b>	<b>56.7</b>	

\*Capital market equities

## August: Volatility continues

August saw continued market volatility, with nine-year highs reached at the start of the month, but then suffering a drop of more than 30 points in the third week. The VN Index eventually stabilised to end the month at 783, a decrease of just 0.14% in USD terms.

VOF's net asset value (NAV) per share was USD4.75, an increase of 0.4%. The discount between share price and NAV per share was 17.8%. During August, VOF deployed over USD28 million into several new and existing opportunities. New investments included a pre-IPO opportunity into FPT Retail, one of the top domestic consumer electronics retailers and distributors, and a private placement into Tasco (listed equity: HUT), a leading infrastructure developer and toll-road operator. We also increased our stakes in Quang Ngai Sugar (OTC security: QNS), the number one domestic soymilk and sugar producer, and Cotecons (listed equity: CTD), a leading construction company. These investments further underscore our conviction that Vietnam's consumer growth story holds the greatest potential, and demonstrates our ability to source and invest into domestic companies that stand to directly benefit from rising consumption trends and record spending on infrastructure.

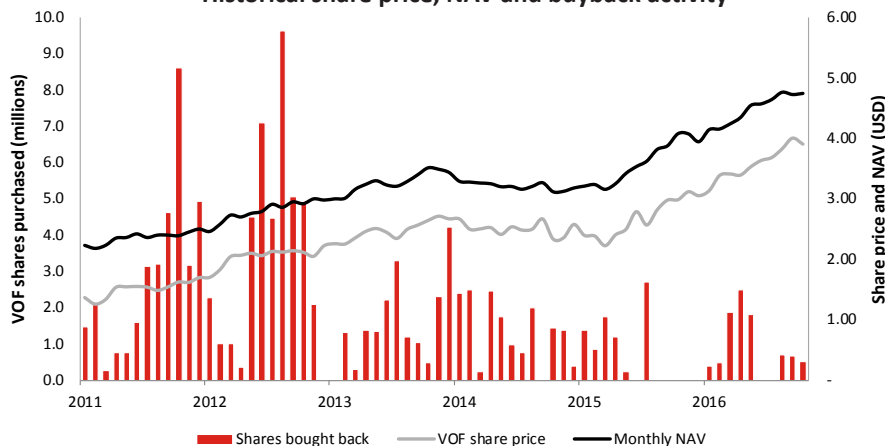
In addition, during the past month, we completed the divestment of our stake in two direct real estate (DRE) projects – My Gia Township in Khanh Hoa province, and the VinaSquare project located in HCMC – receiving USD15.8 million in total proceeds and at an average of 12% above the last published NAV's for the projects. Following these divestments, seven projects remain in the DRE portfolio which has reduced to USD31.2m or 3.3% of NAV as at 31 August 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.

Our capital market portfolio increased 1.8%, outperforming the Index with good performances coming from some of our large holdings, such as Hoa Phat Group (HPG, 8.5%), Cotecons (CTD, 2.7%) and Airports Corporation of Vietnam (ACV, 17.1%).

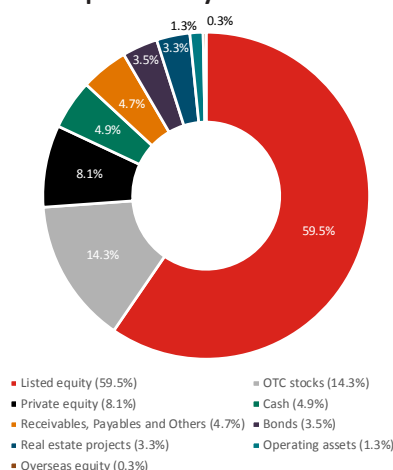
The Chinese government's plan to reduce steel production is now starting to have a positive impact on market price, bolstering HPG, the leading domestic manufacturer of construction steel. Recently, Chinese steel prices were temporarily higher than the price for steel made in Vietnam, alleviating the pricing pressure due to cheap imported steel. For the first eight months of 2017, HPG's selling prices have increased 23%, while sales volume were up 32% year-on-year (YOY).

CTD continues to solidify its position as the leading construction company in the country. During the month, the company announced that it had won a significant new hospitality contract in

## Historical share price, NAV and buyback activity



## VOF portfolio by asset class



## VOF portfolio allocation by sector



central Vietnam, bringing its backlog of projects to USD1.4 billion, equivalent to 1.5x their 2016 revenues. This and other recent commercial project wins are helping the company diversify beyond its traditional position of strength in residential projects in the southern part of the country.

ACV's performance in August was unusually strong, the result of what we believe are a few important factors, with the key being an increase in aviation fees and charges. The Ministry of Transportation has officially released new regulations regarding domestic fee hikes, which account for the majority of ACV's revenue. The fee hikes, which will be raised gradually from 1 October 2017 to 1 July 2018, affect three types of fees: Domestic landing charges will rise 15% YOY; these accounted for approximately 11% of ACV's total revenue in 2016. Domestic passenger service charges (which account for 41% of ACV revenue), will on average increase 43%. International passenger and landing fees are currently 7.6x higher than those for domestic travellers, and will not be raised. Meanwhile, security fees for both domestic and international travellers will go up account by 100% and 33% respectively; these fees account for 4% of ACV revenue. According to the brokers, the domestic fee hikes will help ACV increase profit before tax by VND 193bn and VND 1,1254bn, or an increase of 3% and 21% in 2017 and 2018, respectively.

On top of higher fees, international tourist arrivals continue to hit new records, with most arriving by plane. In August, the number of foreign tourists visiting Vietnam was 36% higher than the same month last year. Year to date, international tourism is up nearly 30% over 2016, which was a record year. In the two years since we participated in the equitisation of ACV, our investment has returned 4.2x.

Finally, the Board announced the payment of the Company's first interim dividend of 4.8 US cents per share on 17 August 2017, which will be payable to shareholders on 27 September 2017. For more information, please visit <http://www.vof-fund.com>.

### Macroeconomic Commentary

The State Bank of Vietnam's July decision to cut policy interest rates by 25 basis points (bps) now seems prescient in light of a loosening monetary bias among central banks in Asia. In August, Indonesia cut policy rates by 25 bps, while the People's Bank of China eased up on its crackdown on China's shadow banking system, and the USD/PHP exchange rate was allowed to fall to a 10-year low (a de facto loosening of monetary policy).

Looser monetary policy has not, however, lifted Vietnam's GDP growth rate towards the government's 6.7% goal for 2017, prompting the country's prime minister to repeatedly call for an increase in the credit growth target from 18% to 21-22%, and prompting other government officials to opine that an additional rate cut of 50 bps would ensure Vietnam achieves its 2017 growth goals.

During the first eight months of 2017 (8M17), credit growth accelerated to 10.1% year-to-date (YTD), compared to from 9% YTD in 8M16, but the factors that have propelled (and constrained) growth this year persisted in August. Vietnam's GDP growth is currently being driven by consumption and manufacturing, but a 10% YOY plunge in oil & gas production is weighing on growth. Real retail sales (a close proxy to consumption growth) accelerated from 8.5% in 8M16 to 8.9% in 8M17, buoyed by a 30% YOY increase in tourist arrivals and by a five-year high in consumer confidence in August (Vietnam has the fifth-highest consumer confidence score in the world, according to market researcher Nielsen).

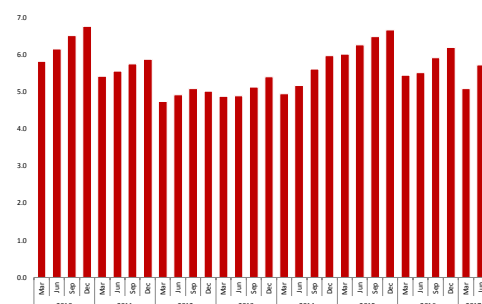
The only caveat to this benign picture was a 0.9% month-on-month (MOM) surge in consumer prices in August, owing to a confluence of rising prices for petrol, food and health services, the latter following administrative price hikes. The August CPI spike pushed Vietnam's consumer prices up 3.4% YOY, but we continue to expect 3-4% inflation this year given the favorable anticipated base effects in 4Q17. That said, the local bond market has taken note of the August blip in inflation, so five-year Vietnam Government Bond (VGB) yields have increased by about 30 bps since the 4.5% low set in mid-July following the rate cut; in August, every VGB auction failed, a signal that interest rates in Vietnam appear to be at an equilibrium.

### Macroeconomic indicators

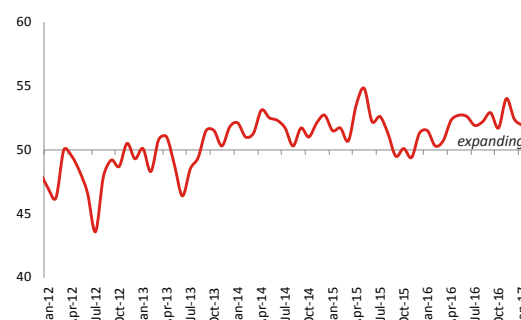
	2016	Aug-17	2017 YTD	YTD Y-O-Y
GDP growth <sup>1</sup>	6.2%			
Inflation (%)	4.7%			3.4%
FDI commitments (USDbn)	24.4	1.4	23.4	45.1%
FDI disbursements (USDbn)	15.8	1.3	10.3	5.1%
Imports (USDbn)	174.1	18.2	135.8	22.5%
Exports (USDbn)	176.6	19.8	135.0	19.3%
Trade surplus/(deficit) (USDbn)	2.5	1.6	(0.8)	
Exchange rate (USD/VND) <sup>2</sup>	22,720	22,695	0.1%	

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

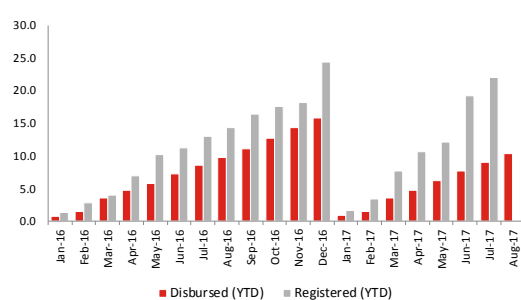
### Quarterly GDP growth<sup>1</sup> (%)



### Purchasing Managers' Index



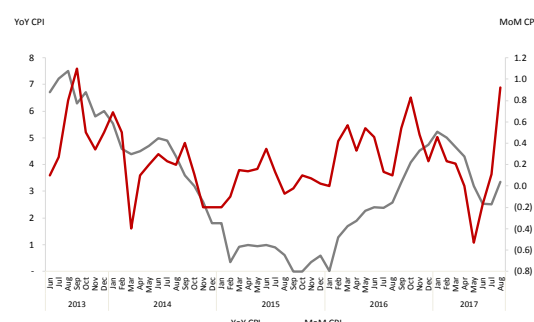
### Cumulative Registered and Disbursed FDI (USDbn)



### Monthly Trade Balance (USDm)



### Year-on-year and Month-on-month Inflation (%)



Source: GSO, Vietnam Customs, Bloomberg

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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			
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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