

Performance Summary 31 August 2022

	USD	GBP
NAV per share:	7.41	6.38
Change (Month-on-month):	1.4%	6.2%
Total NAV (million):	1,208.8	1,039.9
Share price:	5.89	5.07
Market cap (million):	960.9	826.6
Premium/(discount):	-20.5%	-20.5%

GBP/USD exchange rate as 31 August 2022: 1.1625
GBP/USD exchange rate as 31 July 2022: 1.2169
Source: Bloomberg

Cumulative Change (% change, USD, total returns)¹

	1mth	3mths	FYTD	CYTD	1yr	3yr
NAV per share	1.4	-3.1	-6.4	-12.4	-3.8	58.6
Share price	-3.9	-4.2	-9.2	-14.6	-3.2	50.8
VN Index	5.7	-1.5	-9.3	-16.0	-5.1	35.1
MSCI Emerging market	0.4	-6.3	-24.8	-17.3	-21.5	9.5
MSCI Vietnam	5.2	-3.8	-22.4	-23.0	-18.0	4.5

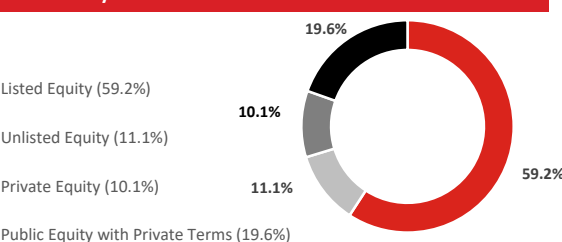
1. Inclusive of dividend distributions; FYTD data is from July 1 to date; CYTD data is from January 1 to date

VOF Key Metrics²

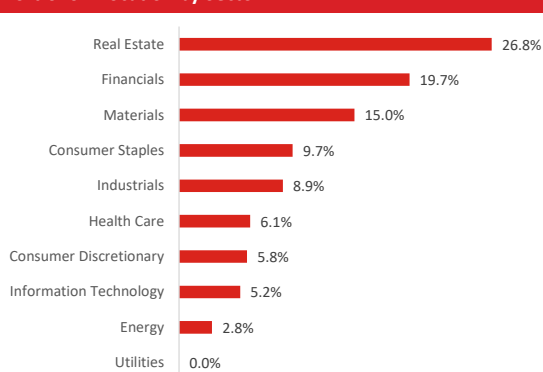
	VOF NAV	VN Index
Annualized Total Return	16.6	10.5
Annualized Standard Deviation	18.8	26.2
Beta	0.69	1.00
Sharpe Ratio	0.78	0.33

2. Based on monthly total return, USD terms in 3 years; Risk-free rate is the 3-year bond yield of 2%

Portfolio by Asset Class^{3,4}



Portfolio Allocation by Sector³



3. Excluding Cash & Others (-0.1% of NAV); based on Global Industry Classification Standards (GICS)
4. Refer to [Portfolio by Asset Class](#) reclassification note in the Fund Summary

Top 10 Holdings⁵

Investee company	% of NAV	Sector
Asia Commercial Bank	11.5%	Financials
Khang Dien House	10.9%	Real Estate
Hoa Phat Group	9.3%	Materials
Airports Corporation of Vietnam	6.7%	Industrials
FPT Corporation	5.2%	Information Technology
Vinhomes	4.8%	Real Estate
Phu Nhuan Jewelry	4.1%	Consumer Discretionary
Quang Ngai Sugar	4.0%	Consumer Staples
Orient Commercial Bank	3.9%	Financials
Vietcombank	2.5%	Financials
Total	62.9%	

5. Public Equities, including Listed and Unlisted Equities

“The single greatest edge an investor can have is a long-term orientation.”
– *Margin of Safety, Seth A. Klarman*

August proved to be one of the best months of this year for the Vietnam Index, with the benchmark up 5.7%, outperforming most regional indices, including the “TIP” markets of Thailand 5.4%, Indonesia 3.5%, and the Philippines 3.5%, in USD, total return terms (\$TR). The market actually started to rebound from mid-July and is up 11.6% from its year-to-date low on 6 July at 1,150 points.

The month also saw significant improvement in liquidity, which was up 34.2% month-on-month in average daily trading value (ADTV) to nearly USD800 million per day, driven mostly by the return of domestic retail investors to the market, who seem to have shrugged off the concerns that are currently fixating global markets. These include the risk of further monetary policy tightening by the US Fed and other global central banks, which may tilt economies towards recessions, the extended COVID lockdowns that still plague China, and soaring energy costs in Europe and the UK, to name just a few.

Inflation fears also seemed to weigh heavily on global markets, with the August CPI numbers for the US coming in at 8.3%, lower than the previous month but still higher than consensus, making the prospect of a 75-basis point interest rate hike from the US Fed even more likely.

Furthermore, the strength of the USD as a potential safe haven poses headwinds to Emerging Markets in general as investors flock to safety, and any further devaluation of the VND will see foreign investors approach the market more cautiously. Market worries seem to revolve around potentially higher domestic interest rates amidst VND pressure, despite Vietnam’s relatively better economic footing, including low inflation and no prospect of recession on the horizon.

Fundamentally, Vietnam remains attractive, and valuations continue to be appealing. The VN Index now trades at an 11.4x price-to-earnings ratio (PER), which is two standard deviations below its historical average. Furthermore, Vietnam’s valuation discount to ASEAN and TIP markets has expanded to 25% and 29%, respectively.

Fig. 1: Valuation band of VN Index (FY22E)

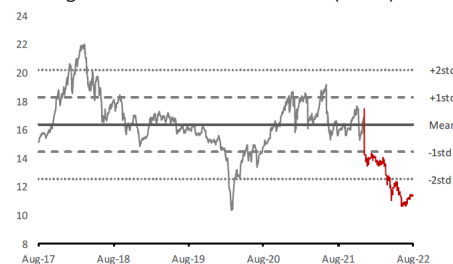
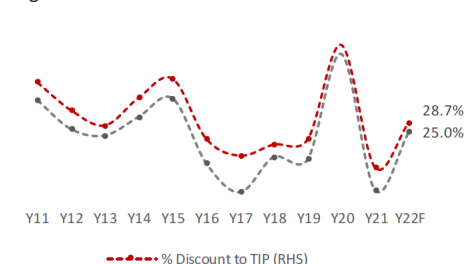


Fig. 2: VN Index historical discount to ASEAN and TIP



Source: Bloomberg, VinaCapital as of 31 August 2022.

Aside from Indonesia (which is predominantly reliant on commodity exports), Vietnam offers one of the highest rates of growth in the region for 2022 and 2023. Vietnam’s market consensus growth estimates for FY22E jumped to 26.9% in August (from 18.5% in July), which is all-the-more attractive given that growth expectations are the highest. The benchmark is trading at roughly at 0.4x FY22E PEG, underscoring how undervalued and attractive the market is in general.

In contrast to the negative economic outlook for the US, UK, and Europe, Vietnam is enjoying strong economic fundamentals – both the IMF and World Bank recently updated their GDP growth forecasts for 2022 to 7.0% and 7.5%, respectively; our Chief Economist discusses this and other positive indicators in more detail below.

Notwithstanding the strong macro and corporate earnings growth drivers, the lack of domestic investor confidence or catalysts to spur the market forward means there is little to expect in terms of short-term market outperformance. But as investors with “patient capital,” our focus remains on investing into quality companies for the long-term, and we believe that our terms of investment and selection of high-quality companies helps smooth out any short-term volatility and achieves long-term, risk adjusted returns.

Most of our investments started out as private equity or privately negotiated, enabling us to actively engage with our investee companies at the board and management levels. There we can leverage our considerable experience and networks to help companies grow and increase earnings, as well as enhance their ESG practices. These and other enhancements enable us to eventually exit our investments via a sale to a strategic buyer or a listing via an IPO.

VinaCapital Investor Conference

VinaCapital is hosting its 2023 Annual Investor Conference in Ho Chi Minh City from 5 to 7 October, and if you have not yet finalised arrangements to attend, please don’t hesitate to [register](#) or reach out to our team for any assistance. Furthermore, following the release of the 2022 Financial Year Results at the end of October, the Investment Manager will be in the US to meet with investors from 31 October to 4 November. Should you wish to meet up with the Manager, please let us know.

Appointment of Barclays Bank PLC to Assist with Investor Engagement

The fund recently appointed Barclays Bank PLC ([announcement](#)) to assist with investor engagement services in the US, Europe, and Asia. Barclays will complement our existing UK investor engagement services provided by long-term advisors Frostrow Capital and Numis Securities. We welcome Barclays’ engagement to help diversify the fund’s shareholder base and attract investors from other global markets.

Macroeconomic Commentary

Vietnam's General Statistics Office (GSO) announced another set of stellar economic data for August. While most of the world is grappling with stagflation (slowing economic growth and surging inflation), Vietnam's CPI inflation rate was below 3% y-o-y for the month, and GDP growth continues to accelerate to higher-than-expected heights, prompting the IMF, World Bank and others to upgrade their forecasts (see below).

Throughout 2022, we have commented about the acceleration of Vietnam's domestic consumption growth in these monthly economic reports. However, we have also noted our concern that slowing global GDP growth could dampen the demand for the products that Vietnam manufactures and exports to the rest of the world (especially to the US, which is Vietnam's largest export market). We expected slowing external demand to somewhat offset the boost Vietnam's economy is getting from strong domestic demand this year.

In actuality, domestic demand growth remained at much stronger-than-expected levels in August, but there was also a meaningful (and somewhat unexpected) pick-up in manufacturing activity. To be clear, the rebound in consumption continues to be the main driver of the country's economic growth, but we are now revisiting our previous assumption that the manufacturing sector would essentially make no contribution to GDP growth this year.

The growth of real retail sales (i.e., excluding the impact of inflation), which is a close proxy for domestic consumption, rebounded from a drop of 5.1% y-o-y in 8M21 to a 15.1% surge in 8M22 (note that annual growth rates of 8-9% were typical pre-COVID, and that Vietnam's retail sales grew by a whopping 50% y-o-y in August). Concurrently, the growth of the country's manufacturing output rose from 7% y-o-y in 8M21 to 10.4% in 8M22.

Further to that last point, Vietnam's manufacturing output grew 16% y-o-y in August, and that jump in production was reflected in an increase in the country's manufacturing PMI from 51.2 in July to 52.7 in August. The launch of Samsung's new foldable smartphone helped drive the increase in manufacturing activity and explains why Vietnam's mobile phone exports recovered from a decline of 1% m-o-m in July to a 31% m-o-m rise in August.

The resulting USD2.4 billion trade surplus in August in-turn accelerated the recovery in Vietnam's trade balance from a USD3.5 billion trade deficit in 8M21 to an USD4 billion surplus in 8M22. Export growth of 17.3% y-o-y (to USD250.8 billion) outpaced the circa 13.6% import growth (to USD246.8 billion) in the first eight months of 2022.

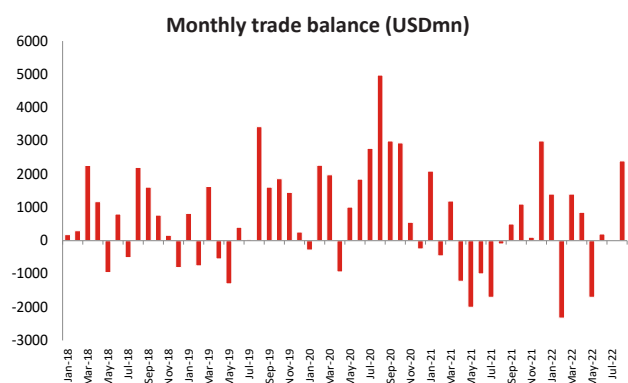
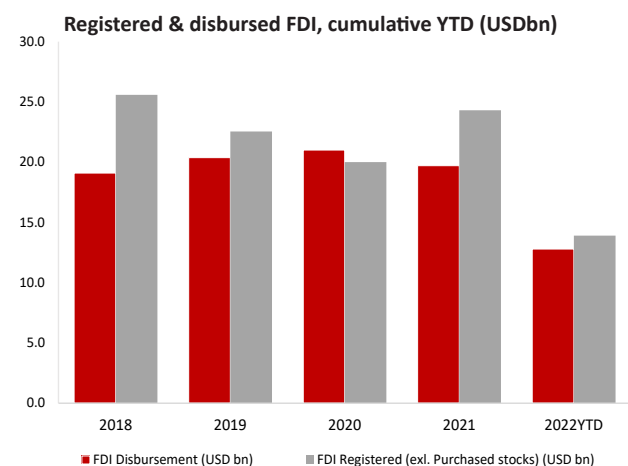
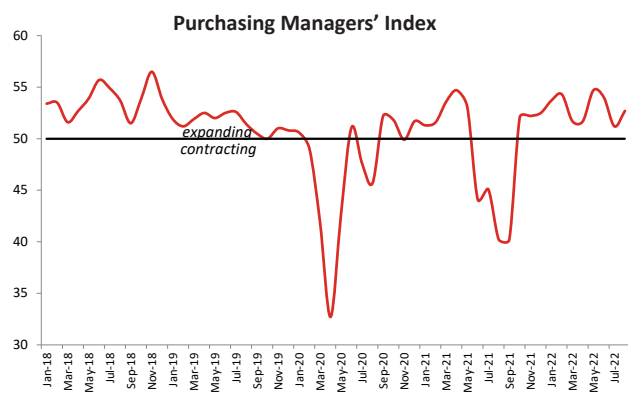
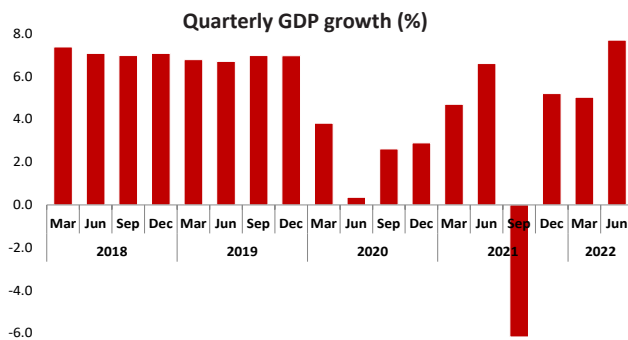
The rebound of Vietnam's trade balance is another factor boosting the country's GDP growth this year. Consequently, some prominent economists/forecasters are now lifting their GDP growth forecasts for 2022 - in some cases higher than our own 7.5% forecast. During the month, the IMF lifted its GDP growth forecast from 6% to 7%, the World Bank increased its forecast from 5.8% to 7.5%, and both Jefferies and Moody's published reports that asserted that Vietnam's GDP growth would likely exceed 8% this year.

Despite the very strong growth picture, Vietnam's CPI inflation remains modest and ticked down from 3.1% y-o-y in July to 2.9% in August, partly because retail petrol prices fell by 15% on average during the month. The average of Vietnam's CPI over the first eight months of the year was 2.6%, and the State Bank of Vietnam (SBV) aims to keep this figure below 4% for 2022.

We believe that the fact that the average inflation rate is well below the SBV's target makes it unlikely that it will raise policy interest rates this year, in contrast with all of Vietnam's regional EM peers (Indonesia/Malaysia/Thailand/Philippines), which have all already hiked policy rates. Furthermore, the value of the VN Dong has remained resilient, despite the ongoing rise in the value of the US Dollar; this has also given the SBV monetary policy flexibility.

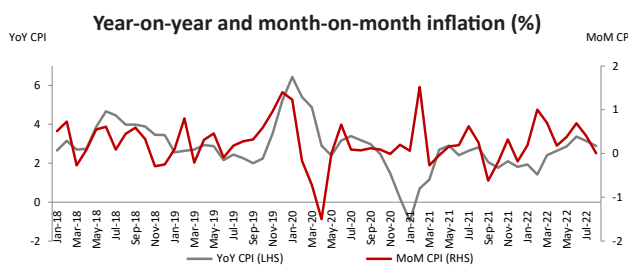
Specifically, the USD-VND exchange rate depreciated by just 0.5% in August in contrast to the circa 3% surge in the value of the US Dollar/DXY index during the month, and the VN Dong depreciated by less than 3% YTD (as of end-August), in contrast to the circa 8% YTD average depreciation in the value of the currencies of Vietnam's regional peers.

Vietnam's modest level of inflation, coupled with the above-mentioned rebound in the country's trade balance, are supporting the value of the VN Dong, as is an 10.5% y-o-y increase in Vietnam's FDI disbursements (to USD12.8 billion). These FDI inflows will also support the country's GDP growth going forward, as most of these investments are earmarked for manufacturing and power generation projects.



Macroeconomic indicators

	2021	Aug-22	YTD	YOY ¹
GDP growth (%)	2.6			7.7
Inflation ² (%)	1.8	2.9	2.6	
FDI commitments (USDbn)	24.3	0.9	13.9	-15.0%
FDI disbursements (USDbn)	19.7	1.2	12.8	10.5%
Imports (USDbn)	332.2	31.0	246.8	13.6%
Exports (USDbn)	336.3	33.4	250.8	17.3%
Trade surplus/(deficit) (USDbn)	4.1	2.4	4.0	
Exchange rate (USD/VND) ³	22,796	23,451		



Board of Directors		VinaCapital Investment Management Ltd	
VOF's Board of Directors is composed entirely of independent non-executive directors.			
Member	Role	Member	Role
Huw Evans	Non-executive Chairman	Don Lam	Group CEO
Thuy Dam	Non-executive Director	Brook Taylor	Group COO
Julian Healy	Non-executive Director	Andy Ho	Group CIO & Managing Director
Kathryn Matthews	Non-executive Director	Khanh Vu	Deputy Managing Director
Peter Hames	Non-executive Director	Dieu Phuong Nguyen	Deputy Managing Director
Hai Trinh	Non-executive Director		

Fund information	
LEI	2138007UD8FBBVAX9469
ISIN	GG00BYXVT888
Bloomberg	VOF LN
Reuters	VOF.L

Fund summary	
Fund launch	30 September 2003
Term of fund	Five years subject to shareholder vote for liquidation (next vote to be held by December 2023)
Fund domicile	Guernsey
Legal form	Exempted company limited by shares
Investment manager	VinaCapital Investment Management Ltd, with sub-delegation to VinaCapital Fund Management JSC an entity regulated by the State Securities Commission of Vietnam
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
Secretary and Administrator	Aztec Financial Services (Guernsey) Limited
Registrar and Transfer Agency	Computershare Investor Services
Brokers	Numis Securities (Bloomberg: NUMIS)
Management and incentive fee	Commencing July 1, 2018: a tiered management fee structure has been introduced, with the following annual rates applied to net assets: <ul style="list-style-type: none"> - 1.50% of net assets, levied on the first USD500 million of net assets - 1.25% of net assets, levied on net assets between USD500 million and USD1,000 million - 1.00% of net assets, levied on net assets between USD1,000 million and USD1,500 million - 0.75% of net assets, levied on net assets between USD1,500 million and USD2,000 million - 0.50% of net assets, levied on net assets above USD2,000 million The incentive fee is 12.5% of any increase in NAV above an 8% per annum hurdle rate, with the cap on incentive fees paid out in any year at 1.5% of weighted average of month-end net assets. Excess fees are still carried forward, but can be clawed back if NAV declines after the year end. The Investment manager must use 25% of any incentive fee paid to buy VOF shares via open market purchases, subject to a minimum holding period.
Investment objective	Medium to long-term returns through investments 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
Reclassification of Portfolio by Asset Class	To better reflect VOF's investment strategy and highlight the negotiated terms of investments for several of our investments in the portfolio, we have reclassified the portfolio by asset class into the following buckets to help investors better understand the nature of our investments and terms: <ol style="list-style-type: none"> Listed Equities: Investments that are held in the portfolio which do not have privately negotiated terms, or where these privately negotiated terms of investment have expired, aside from what is permitted under the relevant Securities Law. Unlisted Equities: Publicly traded securities that are listed on either the UPCoM (Unlisted Public Company Markets) exchange of the Hanoi Stock Exchange, or are traded OTC (Over-The-Counter) and are generally illiquid in nature. These investments may be entered via through a privately negotiated process or privatisation of a state-owned entity, but no longer have privately negotiated terms, or these privately negotiated terms of investments have expired, aside from what is permitted under the relevant Securities Law. Public Equity with Private Terms: Investments in publicly listed companies that have unique terms of investment, such as downside protections and profit commitments, that not readily available to general market participants. Where these terms have expired or are no longer relevant then these investments will be reclassified to either Listed Equities or Unlisted Equities. Private Equity: Illiquid investments in private companies with terms of investments including downside protections and profit commitments, as well as Operating Assets that generate an ongoing yield.

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