

Performance Summary 31 January 2024

	USD	GBP
NAV per share:	7.18	5.64
Change (month-on-month):	1.4%	1.6%
Total NAV (million):	1,114.0	875.9
Share price:	5.76	4.53
Market cap (million):	894.3	703.2
Premium/(discount):	-19.8%	-19.8%

GBP/USD exchange rate as of 31 January 2024: 1.2718
 GBP/USD exchange rate as of 31 December 2023: 1.2763
 Source: Bloomberg

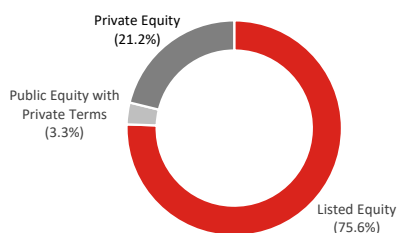
Cumulative Change (% change, USD, total returns)¹

	1M	3M	FYTD	1YR	3YR	5YR
NAV per share	1.4	8.7	3.3	8.4	24.3	57.8
Share price	-1.0	9.1	6.9	1.5	10.2	54.3
VN Index	2.5	14.5	1.5	2.4	8.7	32.0
MSCI Emerging Market	-4.6	7.1	0.0	-2.6	-20.1	6.8
MSCI Vietnam	-0.8	15.4	-2.8	-5.2	-24.1	-12.2

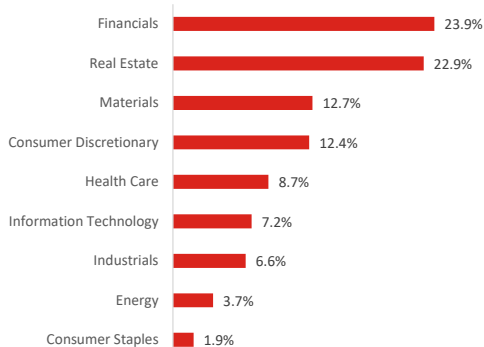
VOF Key Metrics²

	VOF NAV	VN Index
Annualized Total Return (3YR)	7.5	2.8
Annualized Standard Deviation (3YR)	16.6	22.3
Beta	0.66	1.00
Sharpe Ratio	0.32	0.04

Portfolio by Asset Class^{3,4}



Portfolio Allocation by Sector^{4,5}



Top 10 Listed Equity Holdings

Investee company	% of NAV	Sector
Asia Commercial Bank (ACB)	14.4%	Financials
Khang Dien House (KDH)	9.6%	Real Estate
Hoa Phat Group (HPG)	8.7%	Materials
FPT Corporation (FPT)	7.0%	Information Technology
Airports Corporation of Vietnam (ACV)	5.5%	Industrials
Vietnam Prosperity Bank (VPB)	5.1%	Financials
Phu Nhuan Jewelry (PNJ)	4.1%	Consumer Discretionary
Orient Commercial Bank (OCB)	3.6%	Financials
Vinhomes (VHM)	3.4%	Real Estate
Dat Xanh Services (DXS)	2.9%	Real Estate
Total	64.3%	

1. Inclusive of dividend distributions
 2. Based on monthly total return, USD terms in 3 years; Risk-free rate is the 5-year G-bond yield
 3. Refer to [Portfolio by Asset Class](#) reclassification note in the Fund Summary
 4. Excluding Cash & Others (3.1% of NAV)
 5. Based on Global Industry Classification Standards (GICS)

“Opportunity comes to the prepared mind.” – Charlie Munger, Berkshire Hathaway

January saw the VN Index continue its upward trajectory, increasing 2.5% for the month, following a strong performance over the previous two months, up 8.0% in November and 3.4% in December 2023, in USD, total return terms (\$TR). The local stock market continues to outperform regional peers, with only Malaysia (+1.0%) and the Philippines (+1.7%) also in positive territory, while Indonesia (-3.1%), Singapore (-4.0%), and in particular, Thailand (-7.0%) saw declines for the month.

The market found support from the Banking (40.0% index weight, +8.9% m-o-m), Consumer Discretionary (3.3% index weight, +5.0% m-o-m), and Materials (8.5% index weight, +1.0% m-o-m) sectors, but it could not withstand the declines in the Consumer Staples (8.8% index weight, -2.7% m-o-m) and Real Estate (14.6% index weight, -2.4% m-o-m) sectors. This overall sector trend has been consistent in recent months, and if looking over the past six months, the key contributors to the index have been Industrials (+6.6% 6M), Materials (+8.1% 6M), and Information Technology (+27.3% 6M).

Banks led the January market surge, driven by a pick-up in December's credit growth to 13.7% YTD, up from November's 9.2% YTD growth. This momentum was further supported by the State Bank of Vietnam (SBV), who have encouragingly come out early to clearly set a robust annual credit growth target of 15% for 2024. The Banking sector's positive performance is reflected in our Research team's banking coverage net profit after tax (NPAT) for 4Q23, which increased 13% q-o-q and 17% y-o-y, with a broad-based improvement across credit growth, net interest margins (NIM), and asset quality for most commercial banks. Based on these positive indicators, we project NPAT growth of 18% for the Banking sector in the upcoming year, which given its weight in the index, will be a significant contributor to market performance for 2024.

The Real Estate sector is undergoing significant regulatory reforms and we are in the midst of a major restructuring of several property laws which are expected to be effective in 2025, including the revision of the Housing Law, the Real Estate Business Law, and importantly, the Amended Land Law. A few years ago, Vietnam revised its investment laws which, as result, led to many conflicts with the existing laws relating to real estate developers' project approvals. Developers are anxiously awaiting for the government to issue new decrees/circulars over the coming months under the Amended Land Law which should iron out some of the legal bottlenecks that are causing delays in project approvals. These changes will support overall market sentiment, and encourage developers, to launch new projects, particularly those with large backlogs.

Stock market investors remained confident, evidenced by strong trading liquidity. Across all three stock exchanges, the average daily trading value in January was a healthy USD767 million, higher than the USD738 million daily average for the 2023 year. This trend is promising when viewed in the context of the typical pre-Lunar New Year holiday market activity slowdown. Domestic retail investors still account for the majority of market turnover at 84.7%, while local institutional investors account for just 7.6%, and foreign investors making up the remaining 7.7% of average market turnover. A frequent complaint concerning Vietnam's stock market volatility owes itself to this still domestic, retail investor driven feature of the market. As the market matures, we should see the share of both local and foreign institutional investors – who tend to invest longer-term – increase.

Vietnam saw a net inflow of foreign investments across all three exchanges of US\$47 million during January. This was on the back of a gross inflow of US\$1.22 billion, which was 11% higher than the monthly average inflow during 2023, while the gross outflow for January was US\$1.17 billion. This is certainly positive news for the Vietnam stock exchanges because they have not seen a positive monthly net inflow since March 2023 and for all of 2023, the Vietnam stock markets witnessed a total net outflow of investments totalling over US\$940 million. Increased participation from foreign institutional investors would be seen as another positive development for the local stock market.

The long-term outlook for the market into 2024 remains positive, supported by a recovery in corporate earnings and economic growth, along with strong market liquidity. Specifically, our Research team expects the earnings of Vietnam's stock market to recover from no growth in 2023 to 10-15% earnings growth in 2024, with valuations at an attractive 26% discount to regional peers and a PEG ratio of 0.7x, indicating attractively valued investment opportunities based on fundamentals. We note with caution, however, that consensus estimates have been trending down, and the local market's outlook for growth remains uncertain and very much based on the pace of the global economic recovery.

The fund's NAV increased by 1.4% (\$TR) over the month, as gains from sector exposure to Financials (23.9% NAV, +6.0% m-o-m portfolio return), Industrials (6.6% NAV, +13.6% m-o-m portfolio return), and Consumer Discretionary (12.4% NAV, +2.0% m-o-m portfolio return), were offset by declines in Energy (3.7% NAV, -3.0% m-o-m portfolio return), and Real Estate (22.9% NAV, -2.0% m-o-m portfolio return). Several of our listed equity portfolio companies recently announced their fourth quarter and annual results:

- **Asia Commercial Bank (HOSE: ACB, 14.4% NAV):** ACB released its 4Q23 pre-tax profit (PBT) at USD209.7 million (flat q-o-q, +40% y-o-y), and FY23 PBT at USD838.7 million (+17% y-o-y), meeting the bank's guidance and in-line with our Research team's forecast. Over the fourth quarter, the bank saw significant credit growth resulting in 17.9% credit growth for the full year (y-o-y); this compares to the September year-to-date (i.e., nine months) growth of 8.7%. The quality of ACB's credit growth is important and our team have analysed and determined that it was directed towards providing working capital to corporates and household businesses during the end of last year. Furthermore, ACB is able to deliver high profitability, amongst the top three banks to report highest return on equity (ROE) in our bank coverage universe of 23% for 2024. ACB should deliver profit growth of more than 15% in 2024 according to our Research team.

- **Hoa Phat Group (HOSE: HPG, 8.7% NAV):** HPG's 4Q23 results significantly improved, with revenue reaching USD1.5 billion (+22.6% q-o-q, +35.3% y-o-y) and profit after tax (PAT) at USD121.7 million (+48.4% q-o-q, turnaround from a net loss in 4Q22), contributing to FY23's revenue of USD5.1 billion and PAT of USD 285.3 million. The fourth quarter's success was attributed to strong sales volume, driven by robust export demand, resilient infrastructure spending, and a rebound in residential construction, and HPG's management anticipate 10% y-o-y sales growth in FY24. With fiscal expansion and a property market rebound expected to gain traction in 2024 and beyond, HPG's sales volume and earnings growth should be boosted.

- **FPT Corp (HOSE: FPT, 7.0% NAV):** FPT announced its 2023 results with revenue reaching USD2.2 billion (+20% y-o-y) and net profit at USD260 million (+22% y-o-y), which is in-line with our Research team's full-year forecast. Capitalising on the digital transformation trend, FPT saw substantial growth in its key markets – Asia Pacific (APAC) and Europe – where it provides software outsourcing services. Specifically, digital transformation services revenue grew 42% y-o-y, and the company saw strong revenue growth of 43% in Japan, 38% in APAC, and 22% in Europe y-o-y. In 2023, FPT's revenue from overseas operations surpassed USD1 billion for the first time, with the Chairman suggesting that overseas revenues could reach USD5 billion by 2030.

- **Phu Nhuan Jewelry (HOSE: PNJ, 4.1% NAV):** PNJ distinguished itself in the consumer discretionary retail sector in 2023. The company reported net revenues of USD1.4 billion (-2.2% y-o-y) and net profit of USD83.9 million (+8.9% y-o-y), which exceeded our Research team's expectations thanks to robust retail sales. Despite challenges in the retail

sector, PNJ successfully opened 48 new stores. PNJ's retail revenue remained stable y-o-y in 4Q23, much better than the 25% drop in wholesale revenues and suggesting retail market share growth, driven by a substantial double-digit growth in customer numbers. Vietnam's expanding middle-income demographic, combined with PNJ's competitive edge, are expected to sustain the jeweller's long-term growth. Established brands like PNJ are expected to become more favoured as Vietnam's middle-income population grows, moving away from the unbranded local stores that dominated 67% of the market in 2022. Based on these trends, we forecast a 20% y-o-y increase in PNJ's net profit in FY24.

We hosted a live webinar on 19 February to discuss the fund's latest updates, provide a wrap up of 2023 and importantly, discuss the macroeconomic and fund outlook for 2024. For investors who were unable to attend, a replay is available [here](#).

Once again, please email us with your interest in attending the VinaCapital Annual Investor Conference, which will be held in-person in Ho Chi Minh City on Monday, 7 October through Wednesday, 9 October 2024. Details will be shared by our Business Development team over the coming weeks and months.

In 2024, the auspicious Year of the Dragon brings us hope and strength, encouraging us to overcome challenges and to pursue success with the Dragon's "fiery enthusiasm". Our team extend to our readers the very best of health and well wishes for a prosperous 2024. Chúc mừng năm mới!

Macroeconomic Commentary

The recovery of Vietnam's exports that started late last year continued to gain momentum in January. Exports surged by 42% year-on-year and by nearly 7% month-on-month, according to Vietnam's General Statistics Office (GSO). The surge was driven by a 32% y-o-y leap in Vietnam's high-tech exports (which account for one-third of total exports), and by the timing of Vietnam's Tet Lunar New Year holiday.

In January 2023, factories in Vietnam were closed for more than one week (the Tet holiday was on January 21-27 last year), resulting in a low base for both manufacturing output and exports. However, even when adjusting for the timing of the Tet holiday, Vietnam's January export growth was impressive, and far outstripped the growth of both imports and of factory output, which were both also boosted by the low base set in January 2023.

Specifically, Vietnam's 42% export growth (to USD33.6b in January) outpaced 33% growth in imports (to USD30.7b), so the country's trade surplus surged from USD700m in 1M23 to USD2.9b in 1M24. Export growth also outstripped the 19.3% y-o-y increase of manufacturing output in January, which was actually a fairly weak performance considering that there were more than 25% additional business days in January 2024 compared to January 2023.

Further to that last point, manufacturers' inventories of finished products fell in January according to Vietnam's PMI survey, which essentially reflects the fact that those companies exported more products than they produced last month. The resulting inventory depletion is a positive leading indicator because it points to a likely production pick up in the months ahead. Another positive leading indicator is the fact that Vietnam's new export orders expanded in January after having dropped for several months in-a-row.

The renewed growth of Vietnam's export orders helped lift Vietnam's PMI index from 48.9 in December to 50.3 in January, and aligns with recent economic data in the US and Asia. For example, China's new export orders continued to contract in January, but the pace of decline softened considerably; meanwhile in the US, the inventory sub-index of the ISM/PMI survey hit its highest level since April 2023 after having bottomed out in October 2023.

Inventory destocking in the US was the biggest drag on Vietnam's GDP growth last year because it reduced the demand for "Made in Vietnam" products. The ongoing depletion of US inventories looks likely to finish within Q1, especially given the surprising strength of the US economy, where consumer confidence currently sits at its highest level since the US COVID reopening boom.

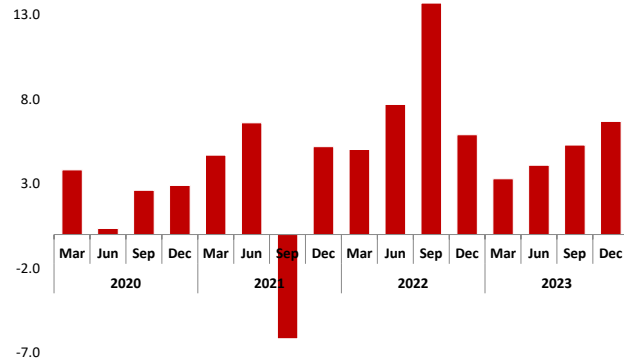
The timing of the Tet New Year holiday last year boosted the growth rates of Vietnam's exports/imports/manufacturing in January 2024 because of the low base set for each in January 2023. However, the timing of the holiday this year (on February 8-14) will likely lead to local consumers doing some of their "pre-Tet" shopping in early February. Consequently, real retail sales (i.e., excluding the impact of inflation) grew only 5.8% y-o-y in January 2024, which is slightly below the typical 8-9% y-o-y growth rates for retail sales in Vietnam.

Further to that last point, note that the ongoing recovery of foreign tourist arrivals continues to boost retail sales to some extent. Vietnam's foreign tourist arrivals climbed from 70% of pre-COVID levels in 2023 to over 100% in January. We also note that the passage in January of Vietnam's new land law, which aims to boost the real estate market, should also help increase consumer sentiment and further support consumption this year.

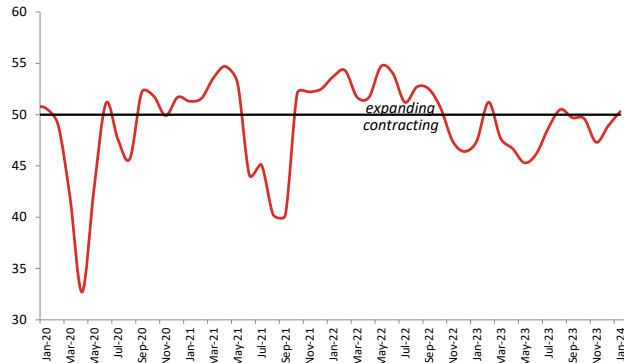
Finally, inflation in Vietnam remained modest, falling from 3.6% y-o-y in December to 3.4% in January. That drop was driven by a near 3% m-o-m drop in retail petrol prices, which was somewhat offset by a 1.3% m-o-m increase in the consumer prices for electricity in January (a 4% electricity price hike was announced in November 2023, which was partly reflected by the increase of consumers' utility bills in January).

Vietnam's CPI inflation rate also remained below the average deposit rates that banks in Vietnam pay savers, which is helping support the value of the VN Dong. The USD-VND exchange rate was also supported by the above-mentioned trade surplus and by a 10% increase in FDI disbursements to USD1.5b last month. Consequently, the VND depreciated 0.6% in January, despite a 2% increase in the value of the US Dollar/DXY index during the month.

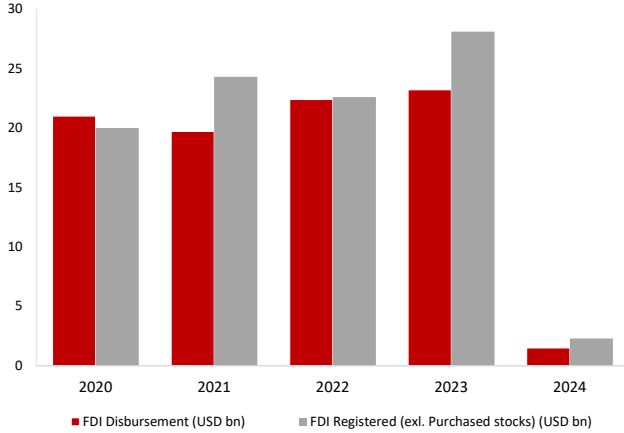
Quarterly GDP growth (%)



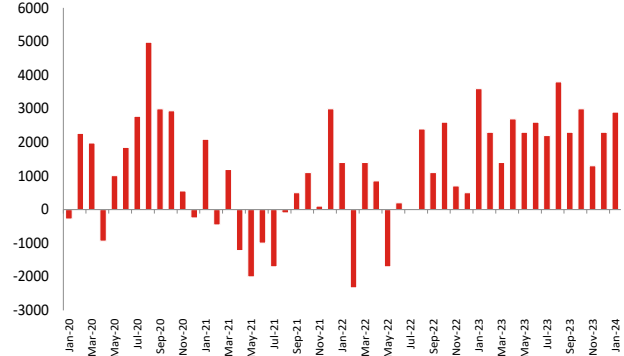
Purchasing Managers' Index



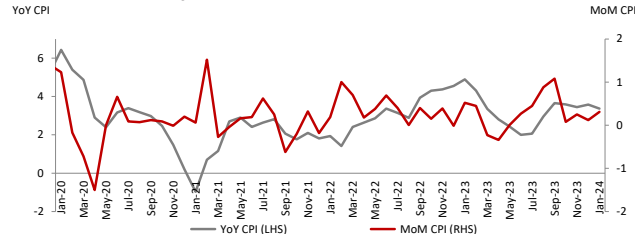
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



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



Macroeconomic Indicators

	2023	Jan-24	YOY ¹
GDP growth (%)	5.1		
Inflation ² (%)	3.3	3.4	
FDI commitments (USDbn)	28.1	2.3	48.7%
FDI disbursements (USDbn)	23.2	1.5	9.6%
Imports (USDbn)	326.4	30.7	33.3%
Exports (USDbn)	354.7	33.6	42.0%
Trade surplus/(deficit) (USDbn)	28.3	2.9	
Exchange rate (USD/VND) ³	24,265	24,425	

Sources: GSO, Vietnam Customs, MPI, Bloomberg | 1. FDI and trade data is YTD y-o-y; GDP growth data is latest quarter y-o-y | 2. Monthly y-o-y change; year-to-date is monthly average change in CPI per GSO | 3. BBG-USD/VND Spot Exchange rate

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
Huw Evans	Non-executive Chairman	Don Lam	Group CEO
Julian Healy	Non-executive Director	Brook Taylor	Group COO
Kathryn Matthews	Non-executive Director	Andy Ho	Group CIO & Managing Director
Peter Harnes	Non-executive Director	Khanh Vu	Deputy Managing Director
Hai Trinh	Non-executive Director	Dieu Phuong Nguyen	Deputy Managing Director
Fund information			
LEI	2138007UD8FBBVAX9469		
ISIN	GG00BYXVT888		
Bloomberg	VOF LN		
Reuters	VOFL		
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 2028)		
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		
Joint Corporate Brokers	Deutsche Numis, Barclays Bank PLC		
Management and incentive fee (effective from 01 July 2023)	<p>A tiered management fee structure has been introduced, with the following annual rates applied to net assets:</p> <ul style="list-style-type: none"> - 1.30% of net assets, levied on the first USD1,000 million of net assets - 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 <p>The incentive fee is 10% of any increase in NAV above an 10% 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 of 5 years.</p>		
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	<p>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:</p> <ol style="list-style-type: none"> Listed Equities: Investments in Companies listed on the Ho Chi Minh City Stock Exchange (HOSE), Hanoi Stock Exchange (HNX), the Unlisted Public Company Markets (UPCoM), or trade Over-The-Counter (OTC), where there is tradability, liquidity and a marked-to-market price available. Some of these holdings will have downside protections, for example a Put Option and/or minority protections such as a Drag Along right. For the most part however, investments in Listed Equities no longer have privately negotiated terms, or that these privately negotiated terms of investment have expired, aside from what is permitted under the relevant Securities Law. Public Equity with Private Terms: Investments in publicly listed companies that await the redemption of proceeds as the Manager has exercised their downside protections such as Put Options. These investments have unique terms of investment, such as downside protections and profit commitments, that are not readily available to general market participants. During FY2023, the performance commitments of these businesses were not met and as a result, their publicly traded share prices demonstrated significant volatility. 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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