

Performance Summary

30 April 2024

	USD	GBP
NAV per share:	7.25	5.80
Change (month-on-month):	-4.9%	-4.0%
Total NAV (million):	1,108.5	886.3
Share price:	5.95	4.76
Market cap (million):	909.3	727.0
Premium/(discount):	-17.9%	-17.9%

GBP/USD exchange rate as of 30 April 2024: 1.2507
GBP/USD exchange rate as of 31 March 2024: 1.2620
Source: Bloomberg

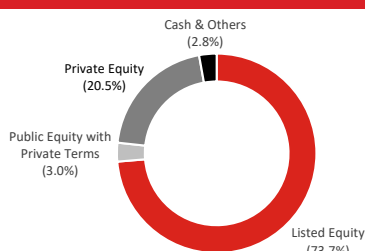
Cumulative Change (% change, USD, total returns)¹

	1M	3M	FYTD	CYTD	1YR	3YR	5YR
NAV per share	-3.9	1.9	5.3	3.4	15.8	8.4	55.8
Share price	3.1	4.4	11.6	3.4	15.5	2.2	55.1
VN Index	-7.8	0.3	1.8	2.8	8.5	-7.1	23.1
MSCI Emerging Market	0.4	7.9	7.9	2.9	10.2	-15.2	11.7
MSCI Vietnam	-9.6	-2.3	-5.0	-3.1	0.8	-36.4	-20.7

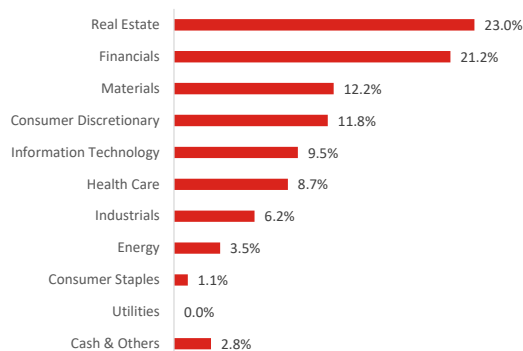
VOF Key Metrics²

	VOF NAV	VN Index
Annualized Total Return (3YR)	9.3	4.2
Annualized Standard Deviation (3YR)	17.9	25.1
Beta	0.65	1.00
Sharpe Ratio	0.39	0.08

Portfolio by Asset Class³



Portfolio Allocation by Sector⁴



Top 10 Listed Equity Holdings

Investee company	% of NAV	Sector
Asia Commercial Bank (ACB)	13.6%	Financials
Khang Dien House (KDH)	10.5%	Real Estate
FPT Corporation (FPT)	9.5%	Information Technology
Hoa Phat Group (HPG)	8.6%	Materials
Airports Corporation of Vietnam (ACV)	5.7%	Industrials
Vietnam Prosperity Bank (VPB)	4.4%	Financials
Phu Nhuan Jewelry (PNJ)	4.2%	Consumer Discretionary
Vinhomes (VHM)	3.2%	Real Estate
Orient Commercial Bank (OCB)	3.2%	Financials
Dat Xanh Services (DXS)	3.0%	Real Estate
Total	65.9%	

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. Based on Global Industry Classification Standards (GICS)

"Luck can come and go, but a solid strategy and disciplined execution are what lead to consistent results"

– Jim Simons, mathematician, philanthropist, investor and founder of Renaissance Technologies

April proved to be a challenging month for Vietnam's stock market. Despite increasing an impressive 11.5% (USD, total return terms, \$TR) over the first quarter of the calendar year, the VN Index experienced a 7.8% drop in April alone (\$TR). At its lowest point in the month, the index had declined by 10.8% from the start of the month to 19 April, before regaining 3.3% during the remaining trading days of the month (\$TR). Note that national public holidays at the end of April meant that the market was shut for an extended period, from 26 April before re-opening on 3 May. Year-to-date as of April, the VN Index is up 2.8% (\$TR), lagging Malaysia (+6.2% YTD), but outperforming other Asian emerging markets, including the Philippines (0.9% YTD), Indonesia (-4.5% YTD), and Thailand (-9.5% YTD).

Several factors contributed to the local market's April monthly decline, including geopolitical tensions in the Middle East, the US Fed delaying interest rate cuts, and domestic rumours regarding resignations of high-ranking officials, about which we communicated with investors during the month. However, we view these challenges as temporary setbacks. Furthermore, the market has found some stability and confidence in the first two weeks of May, evidenced by the rebound of 4.5% as of 16 May 2024.

With the exception of Information Technology and Consumer Discretionary, stocks across all sectors experienced significant declines in April. Information Technology was the leading contributor, increasing 2.5% m-o-m (3.3% index weight). However, these positive contributions were insufficient to offset the underperformance in other sectors, particularly in Financial Services, which declined 7.7% m-o-m (44.5% index weight) and Real Estate, which fell 11.3% m-o-m (14.2% index weight). Not surprisingly, if we look at year-to-date performance of the index, the key drivers have been Information Technology (+20.3% 4M24 USD total return), Consumer Discretionary (+15.6% 4M24 return), and Financials (+7.8% 4M24 return). These sectors represent approximately 51% of the VN Index weight and, as elaborated by our Chief Economist in the [Vietnam Outlook for 2024 report](#), remain important sectors that will contribute to economic growth and stock market performance.

While average daily trading turnover in April declined to USD971 million (-19.0% m-o-m), following three consecutive months of robust increases, liquidity nevertheless remained consistent with average levels that we have seen during 1Q2024. Trading volumes continued to be vibrant, largely driven by domestic investors, who accounted for more than 90% of market turnover (85% domestic retail investors, 8% local institutional investors). This enthusiasm among domestic investors is fuelled by the unattractive interest rates offered by local banks, typically ranging from 4.5% to 4.7% for 6- and 12-month deposits in VN Dong, especially given projected inflation of around 4% to 5% for this year.

Foreign investors continued to be net sellers in April, although the rate of outflows declined compared to March (April USD212 million vs March USD456 million in net foreign outflows). Looking at the first four months of 2024, foreigners have collectively net sold USD679 million in Vietnamese equities. As previously mentioned, we believe these net outflows are not Vietnam-specific; as widely discussed, it appears that global investors are reducing their exposures to China and increasing their allocations to the US in the first instance, and then Japan and India. Thus far, Vietnam has yet to benefit from this dynamic.

Earnings growth continues unaffected by market concerns

1Q24 Net Profit Change, quarter-on-quarter and year-on-year, by exchange (10 May 2024)

By Exchange	Total # Companies	Market Cap. (USD\$b)	% Updated Results ¹	% QoQ NPATMI 1Q24	% YoY NPATMI 1Q24
HOSE	412	188.8	99.1%	16.6%	11.3%
HNX	322	11.8	99.8%	16.5%	41.9%
UPCOM	874	46.9	95.0%	-10.0%	6.4%
TOTAL	1,608	247.5	98.4%	12.6%	11.8%

Source: FiiPro, VinaCapital Research

Amid market volatility, companies across all three of Vietnam's bourses (HOSE, HNX, and UPCOM) reported first-quarter results. The first-quarter earnings (NPAT-MI) across all publicly listed companies on the three bourses slightly exceeded expectation and market consensus, increasing by 11.8% y-o-y and 12.6% q-o-q, in which the companies listed on HOSE increased by 11.3% y-o-y and 16.6% q-o-q. Strong year-over-year earnings growth was driven by a recovery in cyclical sectors such as Aviation (classified under Industrials) (+332.9% y-o-y), Materials (+83.4% y-o-y), and Consumer Discretionary (+45.3% y-o-y).

Fundamentals remain attractive and our Portfolio Managers and Research team have been visiting several companies as part of the earnings season reporting. The Financials sector (in which banks make up the majority of the sector's constituents), is the largest sector of the stock market. The sector saw an increase of 10.0% q-o-q and 12.0% y-o-y, and owing to its weight, was one of the leading contributors to first-quarter earnings growth. This is despite the banking sector experiencing a compression in net interest margins owing to the high base effect from 2023, when domestic interest rates were significantly higher than they are now. On a quarter-on-quarter basis, credit growth was lower during the first quarter of 2024, although this was expected given the surge in credit growth towards the end of last year as has typically been the case in the past. We project the Banking sector's earnings will increase by 15% y-o-y, which given its weight in the index, will be a significant contributor to market performance in 2024.

Regarding the Real Estate sector, we observed a significant 44.6% quarter-over-quarter improvement in earnings, reinforcing that the sector has begun to show signs of recovery. Positive signs include preparations for new project launches increasing nationwide and improving homebuyer confidence. An anticipated increase of 50 to 100 basis points in local bank deposit rates by year-end should also encourage real estate buyers to lock in current low mortgage rates, further adding stimulus to the sector's recovery.

Looking ahead, we anticipate significant improvement as Vietnam's corporate earnings outlook turns upward, a trend that started in late 2023 and has continued into 2024. We have revised our earnings forecast upward from 10-15% to 15-20% for 2024 and also 2025. The recovery of property launches is expected to boost pre-sales and enhance the profitability outlook for real estate developers. This improvement should also translate into better asset quality for banks over the long term.

In terms of valuation, Vietnam remains attractive with a market trading at a forward price-to-earnings ratio (PER) of 11.1x, which remains at a 20% discount compared to ASEAN peers. Considering the potential for robust compound earnings growth over the next two years, we believe the Vietnam market presents an attractive opportunity for investors considering allocating capital beyond other emerging and regional markets.

VOF portfolio performance

VOF's NAV has increased 3.4% calendar year-to-date (\$TR), and the share price also increased 3.4% over the same period (\$TR). We expect strong earnings growth in the VOF portfolio in 2024, and we estimate earnings across companies held in the portfolio will grow 24.5% in FY24E at a 11.6x forward PER driven by core sector holdings in Real Estate (23.0% NAV weight), Financials (21.2% NAV), Materials (12.2% NAV), and Information Technology (9.5% NAV). With over USD1.1 billion in assets under management, VOF has consistently outperformed the VN Index and most of its peers over the past 1-year, 3-year, and 5-year periods.

On 17 April, we hosted a live webinar to discuss the fund's updates for 1Q2024 and importantly, discuss the

macroeconomic and fund outlook for 2024. For investors who were unable to attend, a replay is available [here](#).

Finally, the Investment Manager recently provided updates to investors at conferences in London and Toronto in April and May. The link to the presentation and video can be found here or through our joint broker, Deutsche Numis. Furthermore, our VinaCapital Annual Investor Conference for 2024 will be held in-person in Ho Chi Minh City starting on Monday, 7 October through Wednesday, 9 October 2024. Details will be shared by our Business Development team over the coming weeks and months.

Macroeconomic Commentary

Vietnam's economic recovery accelerated incrementally in April, driven by better consumption and manufacturing growth. That said, the VN Dong depreciated by 2.2% during the month (and by 4.4% YTD), which is likely to lead to higher interest rates in Vietnam in the months ahead.

Real retail sales growth (i.e., stripping out the impact of inflation) ticked up from 5.1% y-o-y in 3M24 to 5.3% in 4M24. This was due in part to the nascent rebound of the real estate market, which supported consumer sentiment and was discussed an article¹ in the local press on 12 April titled, "Buyers Snap Up Apartments on Fear of Rising Prices".

Manufacturing output growth increased from 5.9% y-o-y in 3M24 to 6.3% in 4M24, driven by a surge in the production of computer and electronics products, a trend occurring across Asia (China's production of computers & electronics jumped 13% y-o-y in Q1). Exports of computers and electronics grew 35% y-o-y in 4M24, propelling Vietnam's overall exports 15% higher to USD123.6bn in the first four months of the year, according to the General Statistics Office (GSO).

Exports to the US grew by 19% in 4M24 after having fallen by 22% in 4M23. Some investors have raised concerns about the prospects for Vietnam's exports in the months ahead given the steeper-than-expected drop in US GDP growth from 3.4% in 4Q23 to 1.6% in 1Q24 (versus the 2.5% consensus expectation). However, that seemingly weak Q1 GDP growth in the US was largely attributable to a surge in imports, which jumped 7.2% in Q1 and was much higher than the country's 0.9% export growth last quarter (without which GDP growth would have been around 2.5%). This dynamic bodes well for Vietnam since the US is its largest export market.

The US import surge reflects the continued health of US consumers, and it was supported by the strong US Dollar, which is discussed below. This reassures us about the prospects for Vietnam's exports in the months ahead, as well as by the fact that new orders at Vietnam's factories hit the highest level in nearly two years in April, according to S&P Global. Increased new orders helped nudge the country's manufacturing PMI index up from 49.9 in March to 50.3 in April.

Furthermore, inventories of finished products continued to fall, according to the April PMI survey, stemming from the fact that export growth (15%) significantly outpaced manufacturing output growth (6%). This means that factory production in Vietnam will need to accelerate in the months ahead to keep up with robust export demand.

However, factories will also have to accelerate their import/purchase of production inputs because inventories fell for the eighth consecutive month in April. Vietnam's imports surged 20% y-o-y in April, far outpacing the 11% y-o-y export growth in the month, resulting in Vietnam's monthly trade surplus shrinking from USD2.8bn in March to USD700m in April. Note that most of Vietnam's imports are of production inputs for FDI factories.

In 4M24, Vietnam's imports grew by about 15% y-o-y to USD115.2bn and the country's trade surplus increased to USD8.4bn (or ~5%/GDP). Vietnam will almost certainly flip from running monthly trade surpluses to monthly trade deficits in the months ahead as firms accelerate their purchases of production inputs.

To be clear, increased imports of production inputs by FDI factories are a positive leading indicator for industrial production growth in Vietnam. However, the arithmetic consequence of increased purchases of production inputs by FDI factories will be lower trade surpluses and/or monthly trade deficits that will put additional depreciation pressure on the VN Dong.

We mentioned above that the value of the VN Dong has depreciated by 4.4% YTD. This was primarily driven by a 4.8% YTD increase in the value of the US Dollar/DXY Index (including a 1.6% increase in April), which we discussed in this [report](#). We do not expect the USD-VND exchange rate to continue depreciating from its current level this year.

Vietnamese policy makers have previously demonstrated their resolve to limit annual VND depreciations to ~3-4%; the VN Dong has not depreciated by more than 3.5% in any calendar year since 2015. In April, the SBV sold nearly USD400m of its US Dollar FX reserves (i.e., bought VN Dong) and steered short term, interbank interest rates to above the ~4% level via Open Market Operations (OMO), including the sale of T-Bills to the country's commercial banks.

Those measures mitigated depreciation pressures on the VN Dong. At the same time, US policy makers took measures apparently aimed at tempering the value of the US Dollar. For example, the Fed announced a sooner-and-larger-than-expected tapering of its monthly quantitative tightening despite the fact the inflation in the US is re-accelerating.

Further to that last point, inflation in Vietnam is also accelerating, driven by higher oil prices and lower "base effects" (inflation bottomed out in the summer of 2023). Vietnam's CPI inflation ticked up from 4% y-o-y in March to 4.4% in April driven by a circa 4% month-on-month increase in retail petrol prices.

We expect inflation will reach 5% by the autumn, in part because of the above-mentioned low-base effects. Higher inflation, coupled with policy makers' desire to dampen the decline of the Dong make it likely that bank deposit rates will be 50-100bps higher than current levels by the end of 2024 (to circa 5.5% for 1-year deposits).

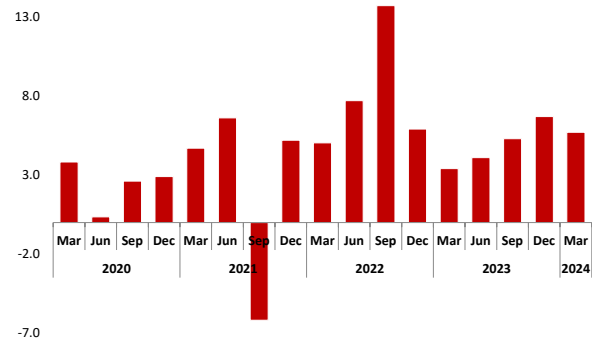
1. <https://e.vnexpress.net/news/property/buyers-snap-up-apartments-on-fear-of-rising-prices-4732686.html>

Macroeconomic Indicators

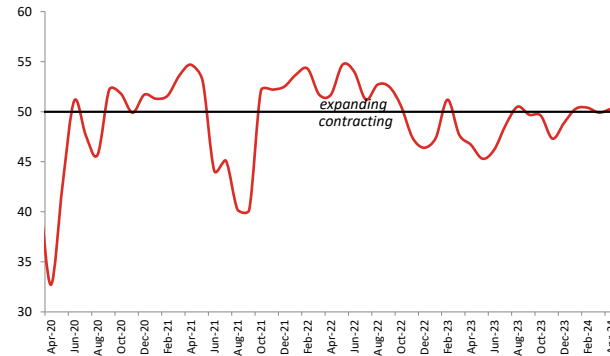
	2023	Apr-24	YTD	YOY ¹
GDP growth (%)	5.1			
Inflation ² (%)	3.3	4.4	3.9	
FDI commitments (USDbn)	28.1	2.6	8.3	44.8%
FDI disbursements (USDbn)	23.2	1.7	6.3	7.4%
Imports (USDbn)	326.4	30.3	115.2	15.4%
Exports (USDbn)	354.7	30.9	123.6	15.0%
Trade surplus/(deficit) (USDbn)	28.3	0.7	8.4	
Exchange rate (USD/VND) ³	24,265	25,348		

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

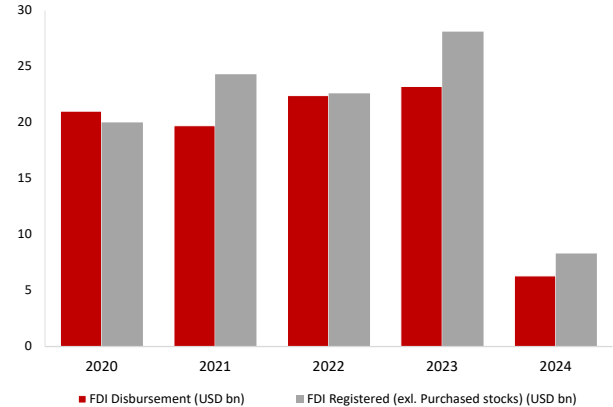
Quarterly GDP growth (%)



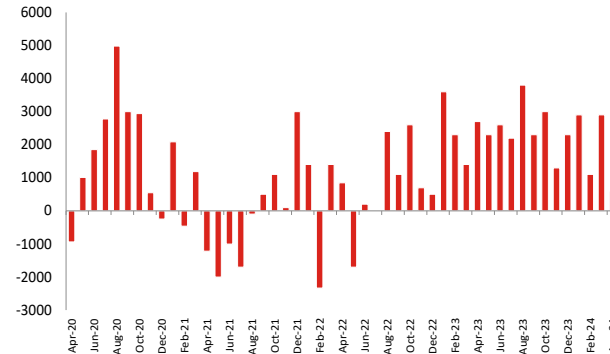
Purchasing Managers' Index



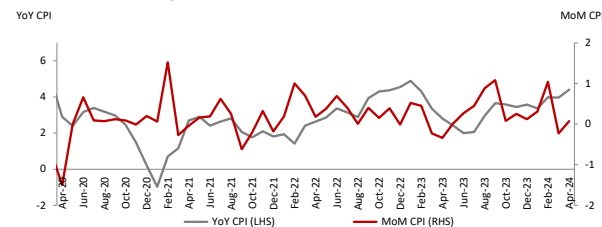
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



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



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. 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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Investor Relations/Communications
 ir@vinacapital.com
 +84 28 3821 9930
 www.vinacapital.com

Joint Corporate Broker
 Deutsche Numis
 +44 20 7260 1000
 funds@numis.com

Barclays Bank PLC
 +44 207 623 2323
 BarclaysInvestmentCompanies@barclays.com

Marketing
 Cadarn Capital
 +44 20 7019 9042
 info@cadarncapital.com