

Performance Summary
30 September 2024

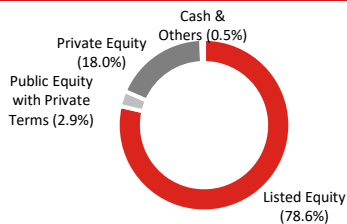
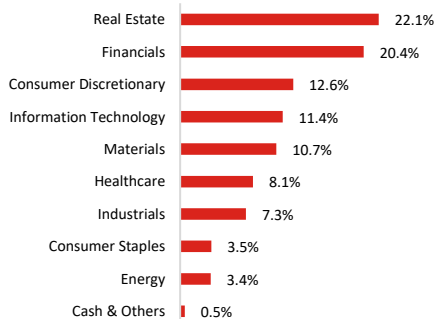
	USD	GBP
NAV per share:	8.01	5.98
Change (month-on-month)	1.8%	-0.3%
Total NAV (million):	1,191.9	889.4
Share price:	6.33	4.73
Market cap (million):	942.1	702.9
Premium/(discount)	-21.0%	-21.0%

GBP/USD exchange rate as of 30 September 2024: 1.3402
GBP/USD exchange rate as of 31 August 2024: 1.3119
Source: Bloomberg
Cumulative Change (% change, USD, total returns)*

	1M	3M	CYTD	1YR	3YR	5YR
NAV per share	1.8	3.8	14.3	21.0	5.7	78.5
Share price	2.7	1.1	10.1	20.2	11.0	71.1
VN Index	2.1	7.9	14.4	12.8	-6.4	32.7
MSCI Emerging market	6.7	8.8	17.1	26.4	2.3	34.4
MSCI Vietnam	1.9	5.2	2.2	1.8	-36.1	-17.0

** Inclusive of dividend distributions*
VOF Key Metrics**

	VOF NAV	VN Index
Annualized Total Return (%)	12.3	5.8
Annualized Standard Deviation (%)	17.8	25.1
Beta	0.66	1.00
Sharpe ratio	0.56	0.15

*** Based on monthly total return, USD terms in 5 years*
Risk-free rate is the average 5-year G-bond yield
Portfolio by asset class¹

Portfolio allocation by sector²

Top 10 Listed Equity Holdings

Investee Company	% of NAV	Sector
Asia Commercial Bank (ACB)	13.9%	Financials
FPT Corporation (FPT)	11.4%	Information Technology
Khang Dien House (KDH)	11.2%	Real estate
Hoa Phat Group (HPG)	7.1%	Materials
Airports Corporation of Vietnam (ACV)	6.7%	Industrials
Phu Nhuan Jewellery (PNJ)	4.1%	Consumer discretionary
Vietnam Prosperity Bank (VPB)	3.3%	Financials
Vinhomes (VHM)	3.2%	Real estate
KIDO Group Corporation (KDC)	3.1%	Consumer Staples
Dat Xanh Services (DXS)	2.9%	Real estate
Total	66.9%	

1. Refer to reclassification note in the Fund Summary
2. Based on Global Industry Classification Standards (GICS)

"I haven't the faintest idea as to whether stocks will be higher or lower a month or a year from now... (however) If you wait for the robins, spring will be over." – Warren Buffett, Chairman and CEO of Berkshire Hathaway

The VN-Index delivered a modest 2.1% return in September, bringing its calendar year-to-date USD total return (\$TR) to 14.4%, outperforming regional peers apart from Malaysia. In early September, the market decreased by 1.9% in the first two weeks, affected by the devastation brought about by Typhoon Yagi, which caused heavy rainfall and flooding in northern Vietnam and resulted in temporary business closures and disruptions to manufacturing and production output. However, the market rebounded in the second half of the month, supported by several favourable policy measures, including the much-anticipated US Fed's 50 basis points rate cut, which we commented on in this [report](#), and Vietnam's Ministry of Finance's removal of the prefunding requirement for stock purchases by foreign institutional investors.

Market liquidity and confidence rebound following the impact of Typhoon Yagi

These supportive measures led to increased trading activity and an increase in buying interest from foreign investors. While the market's average daily trading value (ADTV) remained flat (-0.3% m-o-m) in September, it masked an increase of 13% during the last two weeks of the month, reaching USD 800mn by month-end. Additionally, despite foreign investors continued net selling in September at USD 88mn, the pace has slowed significantly from previous months. The selling pressure from foreign investors also eased, with total gross selling value of USD 1.57bn, down from an average of over USD 2bn in prior months. We have observed growing interest from foreign investors looking to increase their long-term strategic positions in Vietnam, driven by strong market fundamentals and the increasing likelihood that FTSE Russell will upgrade Vietnam's stock market to Emerging Market (EM) status.

Key policy measures will support the path of EM upgrade

The Ministry of Finance recently issued Circular 68, which eliminates the prefunding requirement for foreign institutional investors - a key hurdle for upgrade to EM status - with the regulation taking effect in November 2024. Once implemented, we believe that FTSE Russell will spend at least six months evaluating the stability of the new system and solution, and if all goes smoothly, Vietnam could qualify for a FTSE Russell EM upgrade as early as next year.

GDP growth is accelerating, and earnings outlook remains robust

Vietnam's economic outlook continues to be strong driven by fundamentals that hinge on a young and productive population, an open economy that encourages trade and foreign direct investment, and a stable political environment that benefits from the "bamboo diplomacy" that prioritises the country's interest alongside its global partners. GDP growth rebounded from 4.2% y-o-y in 9M23 to 6.8% in 9M24. This was mainly driven by a recovery in manufacturing output, which accelerated from 10.4% in Q2 2024 to 11.4% in Q3 2024, marking the fastest growth in several years. Our Chief Economist believes that both manufacturing and GDP growth would have been even stronger if not for the disruption caused by Typhoon Yagi. We expect these improvements in macroeconomic fundamentals to drive stronger earnings growth in the second half of 2024 and into 2025. As 3Q earnings results are released in the coming weeks, we expect that a strong recovery in earnings could act as a positive catalyst for the market, reinforcing Vietnam's appeal for investors seeking growth opportunities. Nevertheless, market sentiment may be tempered with muted consumer confidence and the ongoing uncertainty of the world's geopolitical landscape.

VOF portfolio investments demonstrate strong earnings at attractive valuations

The VN-Index remains attractively valued, currently trading at 12.1x 2024 estimated price-to-earnings ratio (PER) and 10.1x 2025F PER. With earnings growth (per Bloomberg consensus) expected at 29.4% for 2024 and 19.6% for 2025, supported by expected GDP growth of 6% to 7%, current valuations should be very attractive for investors to return to the market.

Looking at VOF portfolio, valuations are in-line with the market at 10.0x 2025F PER. The quality companies in our listed equities portfolio, many of which are sector-leading companies that we have held for a long period of time, are expected to contribute to the estimated portfolio earnings growth of 22.5% to 25.0% for 2025, led by key sectors such as consumers, materials, and financials, as well as real estate, which is showing clear signs of recovery.

Hoa Phat Group (HOSE: HPG, Market Cap: USD 7.0 billion, NAV: 7.1%): The largest steel manufacturer in Vietnam generated year-to-date revenue of USD 4.1bn (+24% y-o-y) and saw net profit surge by USD 368mn (+139% y-o-y) in 9M2024. Rising demand from private construction, public infrastructure, and residential projects in the North has contributed to the exceptional performance. Net profit margin grew strongly by 42% y-o-y, while the company's agriculture and industrial real estate businesses also contributed impressive growth of 80% y-o-y and 397.5% y-o-y, respectively, although these segments are not major contributors to the steel manufacturer.

This impressive growth came despite an array of market challenges, including a significant drop in global steel prices from July to mid-September and several anti-dumping investigations in certain key export markets (such as the US, EU and Canada) for steel products imported from China and India. HPG continues to expand its industrial real estate business, with investments in Hung Yen and Ha Nam provinces that will create infrastructure to serve domestic and international enterprises. Meanwhile, its key project, the Dung Quat 2 Iron and Steel Production Complex, continues to progress and will expand capacity by 5.6 million tons of HRC annually and strengthen its market-leading position.

Airports Corporation of Vietnam (UPCOM: ACV, Market Cap: USD 9.0 billion, NAV: 6.7%): Vietnam's largest airports operator and aviation infrastructure developer reported solid performance, with net revenue increasing by USD 665.1mn (+12.3% y-o-y) and net profit growing to USD 335.4mn (+21.1% y-o-y) in the 9M24. In 8M24, passenger volume reached 75.8 million, in which international passengers reached 27.5 million, marking a significant 32.4% increase over the same period in 2023. During the 2025-2027 period, the company's strategic investments into several projects, including the Long Thanh International Airport outside HCMC, Terminal 2 at Hanoi's Noi Bai Airport, and Terminal 3 at Tan Son Nhat in HCMC, will be important growth drivers. Total capacity will reach up to 150 million passengers per year, a 42% increase over current capacity.

KIDO Group (HOSE: KDC, Market Cap: USD 578.5 million, NAV: 3.1%, privately negotiated investment): VOF increased its exposure to the consumer sector by investing in KIDO Group and funding the acquisition of Tho Phat, a market leader in steamed buns with an extensive distribution network. As part of our growth equity approach, we will take an active role on KIDO's board and work closely with management to support the strategy and execution of this acquisition. This year, the company expects to deliver a 58% y-o-y growth in net profit. Tho Phat is currently expanding its distribution network, streamlining logistics, developing new recipes to cater to regional preferences, and increasing its sales team and point-of-sale network. While these initiatives may temporarily weigh on profitability, management believes these changes are critical and will create greater value in the future, which will improve financial performance.

Looking ahead, our Chief Economist expects GDP growth in 2025 to be driven by a recovery in the real estate sector (and consequently a recovery in consumption spending), alongside increased infrastructure spending. Based on these growth drivers, we are focused on increasing our exposure to the sectors that stand to benefit, including consumer, materials, and financials, and we are actively assessing market-leading companies and monitoring the market for opportunities in these sectors.

VinaCapital recently hosted its Annual Investor Conference in Ho Chi Minh City in early October. We thank those investors who attended our conference. For those who missed the conference, replays of the videos are now available via the link [here](#).

The annual results for the financial year ending 30 June 2024 were released to the market on 24 October and the investment manager held a webinar on 25 October. The accounts can be accessed via the [website](#), and a replay of the results call, and Q&A session can be accessed via the following [link](#). As always, if you would like an update from the Investment Manager, please do not hesitate to reach out to our team to arrange a meeting.

Economics Commentary: September 2024

Vietnam's GDP growth recovered from 4.2% y-o-y in 9M23 to 6.8% in 9M24. This rebound was driven almost entirely by the recovery of the country's manufacturing sector from 2% y-o-y growth in 9M23 to nearly 10% in 9M24, which was in-turn driven by surging tech exports, especially to the US. Despite the rebound in manufacturing activity - and the resulting upturn in manufacturing employment - consumption growth and sentiment among local consumers has remained modest throughout 2024.

Real retail sales growth (excluding the impact of inflation) dropped from 7.6% y-o-y in 9M23 to 5.8% in 9M24. Consumer sentiment in Vietnam has remained below pre-COVID levels all year, according to reputable local market research firms such as Cimigo, which gave this [presentation](#) at VinaCapital's recent annual investor conference. Consumer sentiment has ticked up slightly as the year has progressed, but remains weighed down by several factors, including ongoing issues in the real estate market (although there are some signs that the sector is picking up).

Another factor weighing on the economy this year is a circa 12% drop in infrastructure construction to USD 13bn or 4%/GDP, according to data from the Ministry of Finance. Last year, the Government's infrastructure spending grew nearly 20% to USD 29bn or 7%/GDP. In late-2023, we analysed some of the Government's publicly available, detailed documents about its 2024 spending and revenue plans, and concluded that infrastructure spending would be flat this year - which we discussed in our Looking Ahead at 2024 [report](#).

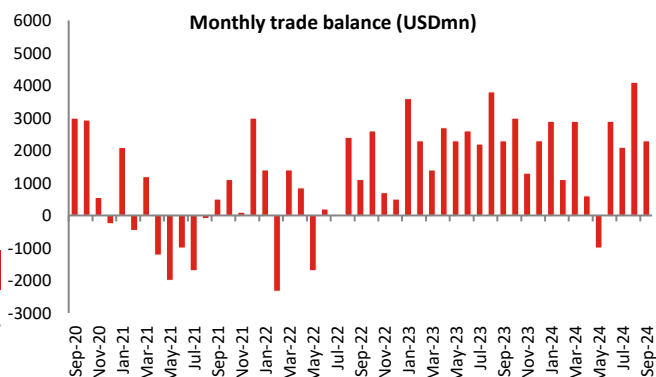
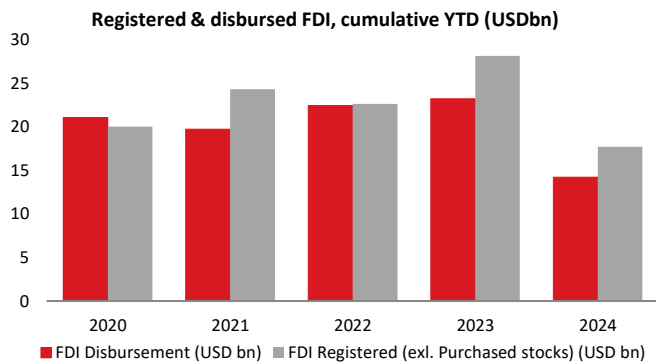
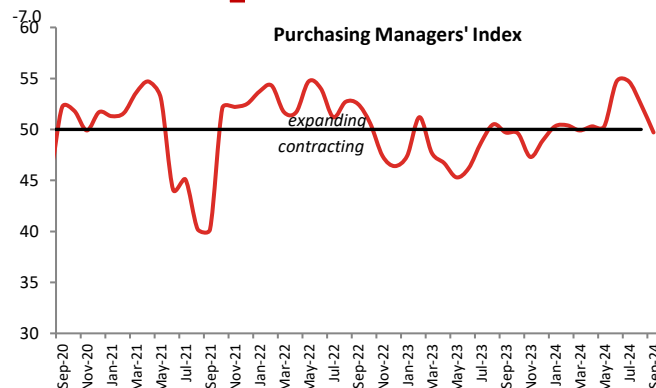
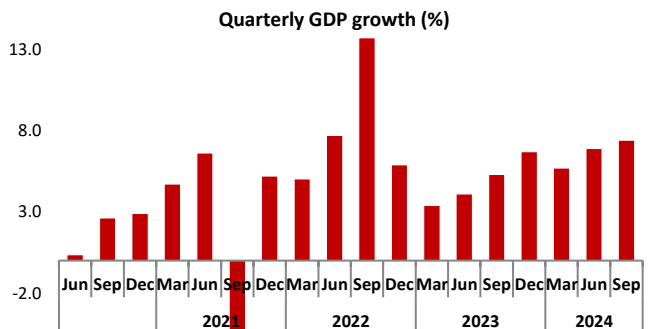
This year's drop in infrastructure spending has been a bit larger than we expected, although the Government guided to expect accelerated progress on several existing projects (such as the North-South Expressway, Long Thanh Airport, and Hanoi Ring Road 4) in the months ahead. Hopes are high that a surge in infrastructure spending next year could offset an impending slowdown in exports to the US and the resulting slowdown in Vietnam's manufacturing activity.

However, we do not believe those hopes are realistic. Manufacturing accounts for one-quarter of the country's economy versus the circa 5-6% contribution from infrastructure spending; even if the Government was able to achieve another 20% ramp-up in infrastructure spending next year, this would add at most around 1% point to GDP growth.

Next, a 26% surge in Vietnam's exports to the US (and 15% overall increase in exports) swelled Vietnam's trade surplus to USD 20.8bn (or over 6%/GDP) in 9M24. Vietnam's large trade surplus, coupled with the Fed's larger-than-expected 50 bps rate cut in September and a 9% y-o-y increase in FDI inflows to USD 17bn (or 5%/GDP) all helped drive a 1.2% m-o-m appreciation in the value of the VND last month. Year-to-date, the VND has depreciated 1.2% as of end-September.

We mentioned in several recent reports and presentations that there are signs the robust export growth Vietnam enjoyed this year is likely to slow significantly in the months ahead. The "new export orders" component of Vietnam's Manufacturing PMI index fell from 52.4 in August to 49.7 in September, ending a five-month sequence of expanding new export orders. The "output" sub-index of the PMI fell from 56.4 in August to 45.2 in September because of the temporary business closures caused by Typhoon Yagi. The net result of all of the above is that Vietnam's manufacturing PMI plunged from 52.4 in August to 47.3 in September.

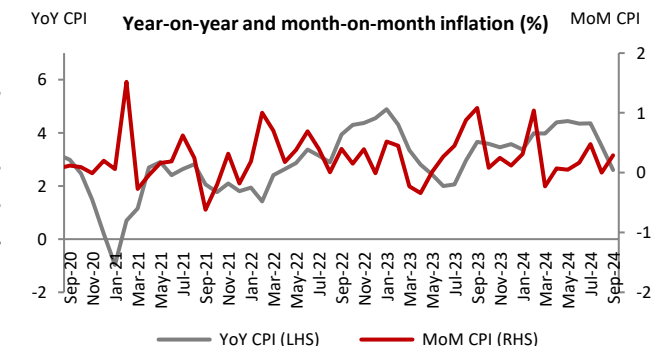
Finally, inflation in Vietnam dropped from 3.5% y-o-y in August to 2.6% in September driven by a circa 7% drop in retail petrol prices, as well as the magnitude of annual school fee hikes this year is much lower than those hikes last year. Specifically, school fees increased circa 8% in September 2023, versus a circa 2% hike in September 2024, resulting in education inflation dropping from 7% y-o-y in August 2024 to 1% in September 2024.



Macroeconomic Indicators

	2023	Sep-24	YTD	YOY ¹
GDP growth (%)	5.1	7.4	6.8	
Inflation ² (%)	3.3	2.6	3.9	
FDI commitments (USD bn)	28.1	3.5	21.2	22.2
FDI disbursements (USD bn)	23.2	3.2	17.3	8.9
Imports (USD bn)	326.4	31.8	278.8	17.3
Exports (USD bn)	354.7	34.1	299.6	15.4
Trade surplus/(deficit) (USD bn)	28.3	2.3	20.8	
Exchange rate (USD/VND) ³	24,265	24,568		

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



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	Alex Hambly	Group CIO (from 01 August 2024)
Kathryn Matthews	Non-executive Director	Brook Taylor	Group COO & Interim Lead (from 06 June 2024)
Peter Hames	Non-executive Director	Andy Ho	Group CIO & Managing Director (until 06 June 2024)
Hai Trinh	Non-executive Director	Khanh Vu	Deputy Managing Director
		Dieu Phuong Nguyen	Deputy Managing 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 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 USD 1,000 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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