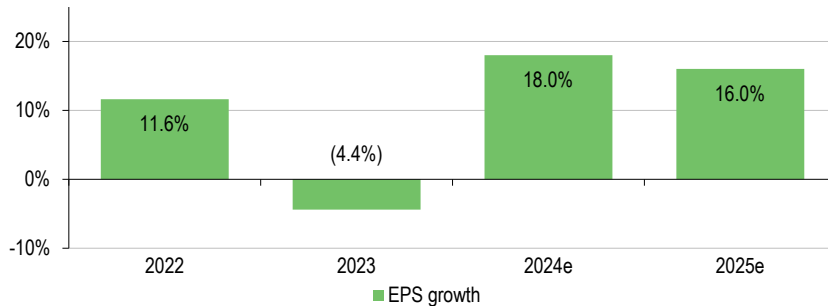


VinaCapital Vietnam Opportunity Fund

Positive earnings outlook in Vietnam

VinaCapital Vietnam Opportunity Fund's (VOF's) sterling net asset value (NAV) per share increased by 9.1% over the year ending October 2024 in total return (TR) terms, compared to the Vietnamese equity market's 14.1%, as measured by the VN Index. Vietnam's equities are benefiting from increased interest from local retail investors, driven by low deposit rates, alongside favourable economic prospects, including a revival of exports. In 2024, Vietnam's GDP growth is expected to accelerate and corporate earnings on average to grow at double-digits (LSEG Data & Analytics consensus). VOF's shares trade at a 25% discount to NAV (vs a five-year average of 18%) and offer a 2.5% dividend yield.

Vietnam's corporate earnings are expected to show healthy growth



Source: VinaCapital Vietnam Opportunity Fund. Note: VinaCapital's coverage, representing 90% of HOSE by market capitalisation.

Why invest in Vietnam?

Vietnam is attracting significant foreign direct investment (FDI) inflows, predominantly into manufacturing as global giants are diversifying their supply chains. Vietnam is also a 'young' country, with a median population age of 31.6 years and a 72% employment-to-population ratio (the global average is 56%). Strong economic growth paired with favourable demographics translates into rapidly growing domestic spending. Vietnam is currently categorised as a frontier market by both the London Stock Exchange Group (LSEG) and MSCI and its government is actively addressing regulatory constraints to aid its potential upgrade to emerging market status. We anticipate that an upgrade could result in a meaningful influx of new capital and investors to the market, and a re-rating in the valuations on the Ho Chi Minh City Stock Exchange (HOSE).

Why consider VOF now?

Recent months have been characterised by increasing Vietnamese exports and good performances from local equities driven by the demand from returning retail investors (making up c 80% of market turnover). Simultaneously, the outlook remains favourable, with an expected acceleration in public spending, investments in capacity expansion and good corporate earnings growth. VOF provides some degree of downside protection through its privately negotiated investment terms (20% of the portfolio) and steady income from dividends. We believe this contributed to VOF's long-term Sharpe ratio being higher than direct peers according to Morningstar data.

NOT INTENDED FOR PERSONS IN THE EEA

Investment companies Vietnam

12 November 2024

Price 434.0p
Market cap £635.2m
NAV* £848.9m

NAV per share* 580.0p
Discount to NAV 25.2%

*Including income. As at 11 November 2024.

Yield 2.5%
Ordinary shares in issue 146.4m
Code/ISIN VOF/GG00BYXVT888
Primary exchange LSE
AIC sector Country Specialists
52-week high/low 505.0p 434.0p
NAV* high/low 626.0p 540.0p

*Including income

Gross gearing* 0.0%
Net cash* 4.1%

*As at 30 June 2024.

Fund objective

VinaCapital Vietnam Opportunity Fund (VOF) is a closed-end investment company that seeks to achieve medium- to long-term capital appreciation through investment in assets in Vietnam. The portfolio includes listed and unlisted equities, including private equity and private credit, covering a broad range of sectors, with a focus on Vietnamese companies that benefit from the country's rising domestic consumption and economic growth.

Bull points

- VOF consistently outperforms the VN Index.
- Vietnamese equities are now available at a discount to their long-term averages based on forward P/E ratios.
- VOF's public/private approach and regular dividends may reduce NAV volatility.

Bear points

- Vietnam's economy is highly dependent on exports and therefore sensitive to global growth.
- VOF invests in private assets that may be illiquid.
- Investments in frontier markets are inherently risky.

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VinaCapital Vietnam Opportunity Fund is a research client of Edison Investment Research Limited

VOF consistently outperforms Vietnam's stock market

VOF has delivered a 12.1% NAV total return per annum in sterling terms over the 10 years to end-October 2024, outperforming the broad Vietnam stock market, which showed 10.5% annual growth in the same period (VN Index). We partially attribute VOF's outperformance to its positioning within HOSE's largest and strongly performing sectors of real estate and banks. Vietnamese corporates reported strong H124 results across most sectors, with net profit increasing by an average of 13.4% y-o-y on the HOSE. At the same time, banks delivered a 15% y-o-y growth in pre-tax profit, fulfilling 48.4% of the banks' guidance, and real estate developers showed 26% y-o-y net profit growth in Q224, according to VinaCapital's research team.

The bank stocks are performing well, with their loan book growth accelerating to 19% y-o-y in H124 amid new investments in the economy as well as higher mortgage sales. Another stock in VOF's portfolio that has performed well is FPT Corporation (the second largest listed exposure as at end-June 2024, representing 11.3% of VOF's NAV); its share price total return was 54% in 10M24 (in sterling terms). FPT recorded 21% y-o-y net profit growth in H124. Global IT services revenue and profits increased by 30% and 25% y-o-y, respectively, and FPT aims to quintuple its profits by 2028.

The most recent performance was affected by the portfolio valuations at end-June 2024 being adjusted downward from their initial estimate, resulting in the total NAV being reduced by 3.8% (US\$44.8m net) stemming mostly from three private companies (Novaland, IN Holdings and Thu Cuc Hospital Group), other minor adjustments (down US\$49.1m in total) and an opposite adjustment of incentive fees to reflect those. The revaluation of the private portfolio has been reflected in VOF's daily NAV upon publication of its annual report – incorporated on 23rd October 2024. VOF's performance over the last twelve months to end-October 2024 arrived at 7.7% accretion in total return sterling terms compared to a 14.1% return by the VN Index.

The external valuer (KPMG) has adjusted its valuation of Project Norfolk (Novaland) by 58% (by US\$19.3m, to US\$14.2m) because the company defaulted on previously renegotiated terms of repayment, which had a 1.6% impact on VOF's NAV. The debt was not written off in full, as the parties have agreed on revised terms of investment. The issues around Project Norfolk arose initially amid an industry-wide liquidity crunch in late 2022 (see our [August 2023 note](#) for details) and since then VinaCapital has dedicated considerable time and effort to turn the situation around. Importantly, VOF's downside protections through privately negotiated terms were activated, and so far VOF has recovered 50% of its investment, including an asset swap (the acquisition of over 40 food and beverage (F&B) outlets from NovaGroup, currently part of IN Holdings), and the manager remains confident that the process will end with full recovery despite the current depressed valuation.

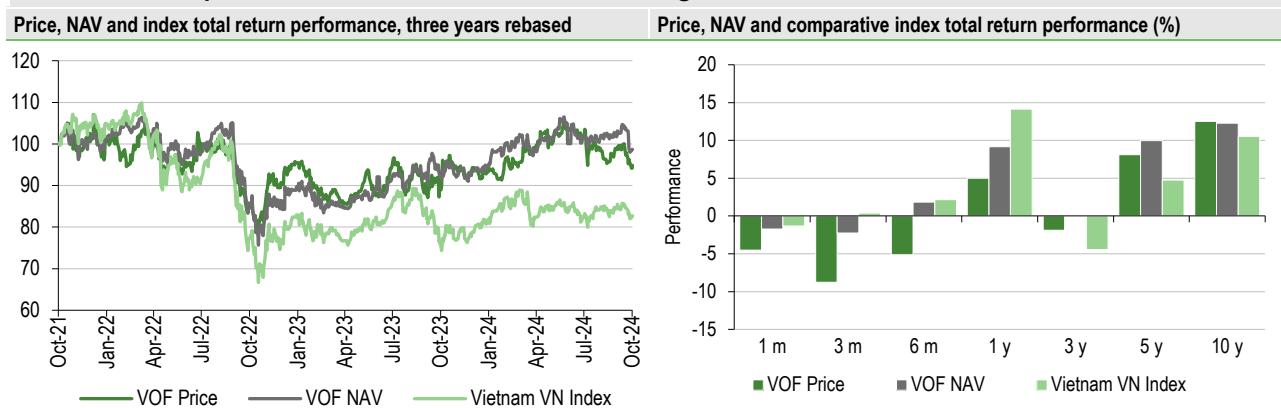
Meanwhile, the real estate sector importantly has mostly shed the liquidity crunch issues, and new house builds should accelerate with the amended real estate business law that was adopted by the National Assembly in November 2023 and should come into force in 2025. The amendment clarifies the land use documentation requirements, which have held back launches of some new projects, among other changes aimed at protecting consumers and increasing transparency within the sector. The new laws represent a significant shift towards more regulated and transparent financing methods for real estate developers in Vietnam. Real estate activities surged by approximately 40% y-o-y in H124, although they remained visibly below the pre-COVID-19 levels.

In addition, the valuation of IN Holdings (market leader in Vietnam's conference and hospitality industry) was adjusted by 27% (by US\$14.3m to US\$38.2m), which translated into a 1.2% impact on VOF's NAV. The revaluation is partially attributed to the recently acquired F&B portfolio from NovaGroup, which IN Holdings is incorporating into its hospitality portfolio. VOF is involved in the integration process, including the appointment of a new management team for the F&B business. In

addition, Vietnamese authorities revoked IN Holdings' licence to develop a project in Can Tho, leading to a write off, on top of scaled back growth projections due to lower demand.

Thu Cuc Hospital Group (Hanoi's largest private healthcare provider) was revalued down by 23% (by US\$11.3m. to US\$37.1m) with a 1.0% impact on VOF's NAV. Lacklustre spending by consumers and increased competition has led to a reduction in earnings, translating into a lower valuation. The chain implemented a performance improvement plan, including new service offerings and platform build-out. While the growth did not match the post-pandemic recovery, it is worth noting that VOF invested US\$21.7m in Thu Cuc Hospital Group in 2020, and its current US\$37.1m valuation still implies a 71% increase despite the write down. VOF remains confident in the asset and believes that Vietnam's healthcare market remains attractive to international investors.

Exhibit 1: VOF's performance to 31 October 2024 in sterling terms



Source: LSEG Data & Analytics, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Exhibit 2: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	Vietnam VN Index (%)	MSCI AC Asia ex-Japan (%)	MSCI EM (%)	CBOE UK All Companies (%)
31/10/20	(1.8)	7.6	(5.4)	16.3	8.7	(20.2)
31/10/21	59.1	49.5	52.6	6.7	10.7	36.0
31/10/22	(14.7)	(14.2)	(21.1)	(21.1)	(17.5)	(1.6)
31/10/23	5.4	6.8	(3.0)	8.1	5.6	6.1
31/10/24	5.0	9.1	14.1	21.4	18.9	16.7

Source: LSEG Data & Analytics. Note: All % on a total return basis in pounds sterling.

Vietnam is on a long-term growth path

Vietnam's GDP growth stood at 5.1% in 2023, among the highest in the region. Growth was driven by returning demand for 'made in Vietnam' products in the second half of 2023, as well as by increased consumer spending, which was boosted by the return of foreign tourists to pre-COVID-19 levels. Vietnam experienced a record-high trade surplus (US\$28bn) and a record level of disbursed FDI (US\$23bn) in 2023. Furthermore, its government has accelerated public investments (which stood at US\$26.1bn, up 27% y-o-y) and made progress on some of the flagship infrastructure projects in Vietnam, such as the international airport in Long Thanh and subway systems in Hanoi and Ho Chi Minh City. Similar factors have driven the 6.4% GDP growth in H124, which has prompted the government to increase its GDP growth target to 7% for 2024, while the International Monetary Fund expects Vietnam to outperform most of its neighbours in 2024 (assuming 6.1% growth in its October 2024 publication). As of end-September, the FDI disbursement amounted to US\$17.3bn in 2024 (up 8.9% y-o-y) and exports increased by 12.5% y-o-y in H124. However, the utilisation of the public spending budget was low in H124 (29.4% of the 2024 budget, compared to 30.5% in H123) and the Vietnamese government recently confirmed its plans to accelerate spending in H224 to reach 95% of the budget by the end of the year. According to Bloomberg, the

deceleration of public spending was likely associated with officials' wariness amid the anti-corruption campaign.

Vietnam is a manufacturing and exports economy...

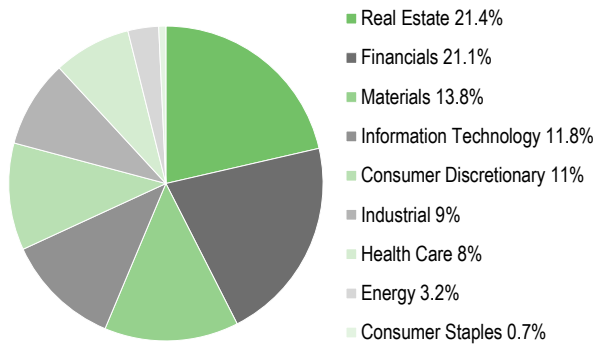
Vietnam's exports amounted to US\$65.8bn in the first nine months of 2024 (9M24), increasing by 15% y-o-y, driven by a surge in exports to the US (up 26% y-o-y in 9M24), Vietnam's largest export market, representing 30% of the total exports in 9M24. Growth in exports currently outpaces manufacturing growth, leading to decreasing inventories (inventories of finished products have fallen every month in 2024 according to the Purchasing Managers' Index (PMI) survey). This highlights the need for an acceleration in manufacturing, which is driving capacity expansions and an increase in headcount (following lay-offs in 2022–23). This trend is mirrored in accelerating FDI inflows, with registered capital for new projects increasing 11% y-o-y in 9M24. The industry remains optimistic, with the PMI well over 50, reaching 54.7 in July, a record level for the last six years (52.4 in August). The trend is beneficial for VOF through its investments in the ecosystem surrounding Vietnam's manufacturing base, including its holding in steelmaker Hoa Phat Group (HPG), as investments in manufacturing represented 63% of the newly registered FDIs. HPG's shares increased by 4% in 9M24 after a 55% rally in 2023 (in local currency) and the company made up 9.1% of VOF's NAV at end-June 2024. VOF invested in HPG at a pre-IPO stage and has been gradually trimming its exposure. HPG sees a good year ahead, targeting 8% y-o-y growth in sales and 61% y-o-y growth in net profit based on capacity expansion and good demand for steel products.

The recent elections in the US ended with a decisive victory by Donald Trump, who will be sworn in as the president in January 2025. The new administration is expected to take a protective stance towards US-based businesses and impose new tariffs on imports to the country, which is likely to affect Vietnamese exporters. On the other hand, during President Trump's previous term, the administration focused on reducing dependency on imports from China, which has proven beneficial for Vietnam as it encouraged global giants to start diversifying their supply chains. In that case, Vietnam may experience additional FDI tailwinds.

...with a young population that is increasing in wealth

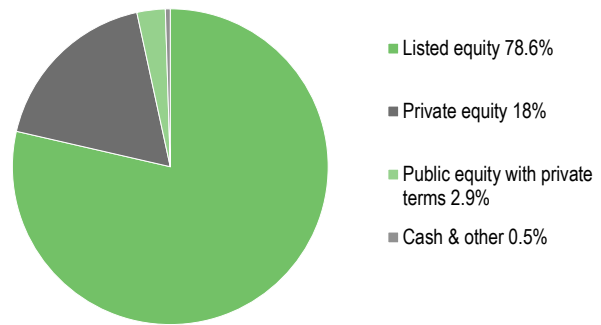
The median age in Vietnam was 31.6 in 2020 (compared to 44.1 in Europe) and its employment-to-population ratio stands at a high 72% (58% in Europe). An expanding economy and high employment result in increasing disposable income and a rapidly growing middle class. The average income in Vietnam increased 7% pa over the last 10 years in US dollar terms (9% in local currency). VOF sees its opportunity in higher demand for affordable housing (on the back of rapid urbanisation) and higher-quality goods and services. It has a meaningful exposure to real estate developers at 21% of the portfolio (see Exhibit 1) and 11% of the portfolio is allocated to the consumer discretionary sector. Around 4.3% of VOF's NAV is represented by jewellery maker and retailer Phu Nhuan Jewelry (PNJ), which reported 27% y-o-y growth in revenue in the first eight months of 2024. Management guides for 12% growth in revenues and 6% in net profit for 2024, with the decrease in margin stemming from higher demand for lower-margin gold bars (53% y-o-y sales surge in 8M24). VOF also offers investors unique exposure to growing demand for healthcare services (8.0% of NAV at end-June 2024), which is virtually non-existent on HOSE (healthcare represents 1% of the VN Index and is dominated by pharmaceutical manufacturers), through its private equity investments.

Exhibit 3: Portfolio split by sector (Jun 2024)



Source: VinaCapital Vietnam Opportunity Fund

Exhibit 4: Portfolio split by asset type (Sep 2024)*



Source: VinaCapital Vietnam Opportunity Fund. Note: *Unadjusted for valuation adjustments at end-June 2024.

VOF invests as a private equity-like investor

The investment manager operates under the assumption that many investments in Vietnam, whether public or private equity, are illiquid for large ticket sizes, which VOF takes into consideration when structuring a deal. VOF invests in private companies as well as publicly quoted stocks, but usually acquires a meaningful 5–40% stake with a US\$25–75m ticket size and negotiates private terms of investment. The privately negotiated terms include sophisticated agreements, often with a convertible component. While the private terms expire over time and some parts of VOF’s public investments no longer hold preferential rights, it is worth noting that c 80% of the portfolio was entered into through private investments, including a meaningful part of its listed exposure stemming from pre-IPO transactions.

VOF usually secures board representation in the investee companies so it can have a firsthand view of the company and be actively involved in its development. During 2023, VOF supported the expansion of its private equity holdings, and focused predominantly on healthcare services and hospitality. VOF’s healthcare exposure consists of two chains of hospitals and clinics operating in the north (Thu Cuc Medical, 4.3% of NAV in the latest available data at end-December 2023) and south of Vietnam (Tam Tri Medical, 4.2%). After the completion of recent bolt-on acquisitions, the chains total 14 locations across the country. VOF was also involved in the acquisition of a 40-strong restaurant chain (which included 15 brands) by IN Holdings (hospitality, 3.3% of NAV at end-December 2023).

In July 2024 (after the reporting date), VOF structured an investment that included supporting Kido Group (c 3% of VOF’s NAV) on privately negotiated terms for the acquisition of a privately held industrialised food producer. VinaCapital led a consortium to invest US\$40m (with US\$35m from VOF) in the deal (including Kido stock held before the transaction) and secured an active role in the strategy and execution of the acquisition. Kido Group is a leading confectionery producer in Vietnam, with market shares of over 40% in ice cream and more than 30% in cooking oil. VinaCapital’s relationship with Kido Group spans over 20 years across various transactions. Also in July, VOF successfully exited Hung Vuong Plaza (HVP), a long-held operating asset in the portfolio. HVP is a 45k sqm shopping centre located in Ho Chi Minh City that was held in the portfolio for 20 years. The transaction generated an attractive internal rate of return (IRR) of 15% and a multiple on invested capital of 4.8x.

Overall, in FY24 VOF invested US\$72m into its portfolio, while receiving US\$203m. This included two transactions being considered simultaneously a divestment and an investment: a full divestment of Kido Group (US\$31m) and then acquisition support after the reporting date (US\$35m), as well as a structured swap received from Nova Group (US\$26m), which was added to IN Holdings (US\$24m). We calculate that (including transactions after the reporting date and

excluding movements within the portfolio) VOF has received US\$106m from its portfolio on a net basis, stemming from distributions of US\$158m (with the largest contributors being trimmed down positions in listed HPG and Quang Ngai Sugar) and US\$52m in investments (increased positions in listed VPB and FPT).

Exhibit 5: VOF's 10 largest holdings as at 30 June 2024

Company	Sector	Initial investment type	% of NAV
Top public exposures	-	-	63.3%
Asia Commercial Bank (ACB)	Financials	Privately negotiated terms	13.3%
FPT Corporation (FPT)	Information technology	Privately negotiated terms	11.3%
Khang Dien House (KDH)	Real estate	Pre-IPO	10.9%
Hoa Phat Group (HPG)	Materials	Pre-IPO	9.1%
Airports Corporation of Vietnam (ACV)	Industrials	IPO (privatisation)	8.1%
Phu Nhuan Jewelry (PNJ)	Consumer discretionary	Privately negotiated terms	4.1%
Vietnam Prosperity Bank (VPB)	Financials	Privately negotiated terms	3.8%
Top private equity exposures*	-	-	23.9%
Tam Tri Medical	Healthcare	Private equity	4.3%
IN Holdings (Twins)	Consumer discretionary	Private equity	3.4%
Thu Cuc Medical	Healthcare	Private equity	3.3%

Source: VOF. Note: *Including public equity with private terms.

VOF secures downside protections for its investments

When agreeing terms of investments, VOF tries to secure a fixed capital return in the worst-case scenario, providing downside protection from the risk of weak business results, or against some deficiencies in governance or best practices. The usual downside protections include, among others: put options back to the sponsor at a minimum IRR and convertible components. While the investment manager uses debt-like instruments to secure repayment (including a target IRR of 12–18% in Vietnamese dong terms), it views the instruments predominantly as equity structuring rather than provision of debt. At the same time, the manager highlights that since inception only a single-digit percentage of investments (by count) has triggered a principal repayment, which we attribute to VOF's thorough due diligence practices.

Vietnamese equities remain cheap

The VN Index delivered a 7.2% total return in sterling over 9M24, lagging both MSCI Emerging Markets and CBOE UK All Companies, while remaining ahead of the indices over the long term (10-year total return of 120% vs 86% and 84% by the indices, respectively). After a strong first quarter (the VN Index was up 12.5% in sterling terms from January to March), the VN Index has lost 1.0% between end-March and end-September. There were three main factors contributing to the weakness: geopolitical tensions in the Middle East casting a shadow on international trade, the US Federal Reserve delaying interest rate cuts, and political uncertainty in Vietnam. In April two out of four top officials – the president and chairman of the National Assembly – quit amid associations with corruption scandals (fuelling a 6.9% sell-off in the VN Index over the month). In May both positions were filled and in July Vietnam's communist party general secretary Nguyễn Phú Trọng died at 80 years of age after 13 years in the position. The position was filled by President Tô Lâm and he currently holds both roles. Tô Lâm has a military background and previously served as the minister of public security. Political commentators widely expect him to continue the anti-corruption policies of his predecessor. While we note that a higher concentration of power is inherently risky, in the near term we see stabilisation of the political landscape as welcome news for the Vietnamese stock market.

The State Bank of Vietnam (SBV) has been able to maintain record-low interest rates, thanks to limited inflationary pressure (3.8% in 2023, 2.6% in September 2024), and at the same time a high trade surplus is bolstering SBV's FX reserves, providing good headroom for potential currency market interventions if required. This translates into record-low sovereign bond yields and in turn increases demand for local equities. Individual investors, who are currently the main contributors to

HOSE's trading activity, have returned to the equity market after a relatively calm 2022 and as a result daily liquidity doubled over 2023, with growth continuing into 2024.

Exhibit 6: Performance of Vietnam, Asia and emerging markets over five years (£)

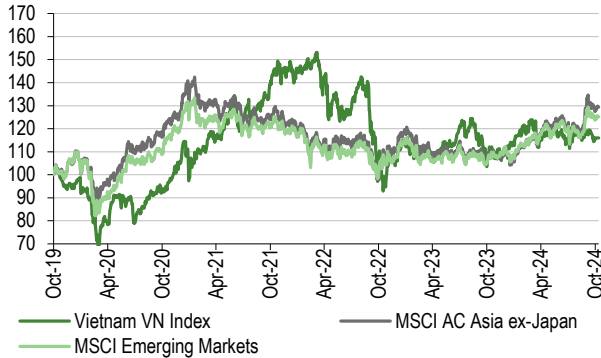


Exhibit 7: Forward P/E valuations of Datastream indices (at 11 November 2024)

(x)	Last	High	Low	10-year average	Last as % of average
Vietnam	10.6	20.5	7.7	13.2	80
Philippines	10.5	19.0	9.9	15.1	69
Indonesia	12.3	18.8	11.4	15.6	79
Malaysia	14.8	18.9	13.1	15.6	95
Thailand	15.5	20.8	11.3	15.2	102
Singapore	12.0	15.0	10.5	13.0	92

Source: VinaCapital Vietnam Opportunity Fund, LSEG Data & Analytics, Edison Investment Research

Despite good performances, Vietnamese equities remain historically cheap, trading at 10.6x forward earnings, based on LSEG consensus expectations of 23% y-o-y EPS growth. This implies a 20% discount to the 10-year average multiple and makes Vietnam one of the most inexpensive markets in the region (see Exhibit 7). VinaCapital has more modest expectations, forecasting 15–20% EPS growth in 2024 among its coverage. Nevertheless, based on reported earnings, Vietnamese equities trade at a 16% discount to their long-term averages, despite a good outlook for 2024 growth. At the same time, VOF shares trade at a 25% discount to VOF's NAV, higher than the five-year average of 18%. The Vietnamese market has experienced an outflow of foreign investors, who sold c US\$2.6bn of stocks on a net basis in the first eight months of 2024, contributing to the wider discount. However, the pace of the outflow is decelerating (US\$152m in August, compared to US\$747m in May) and VOF sees some foreign investors beginning to increase their long-term strategic investments in Vietnam.

Exhibit 8: Discount over the last three years (%)



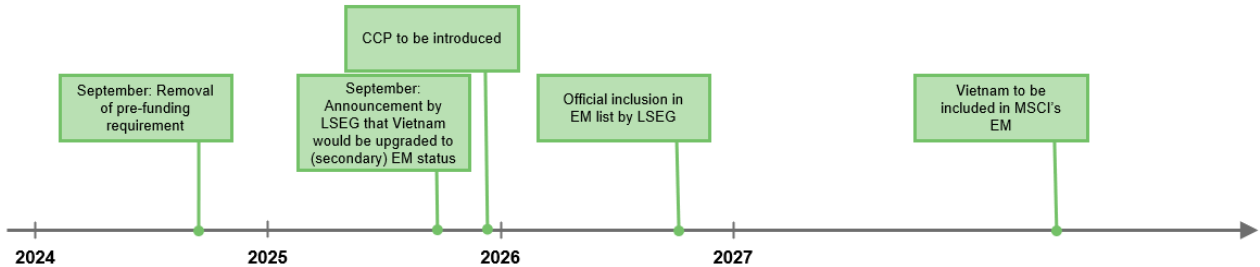
Source: LSEG Data & Analytics

Vietnamese equities may benefit from potential index reclassifications

Notwithstanding the good intrinsic prospects of the local stock market based on corporate earnings momentum, Vietnam could also benefit from index reclassifications. The country is currently recognised as a frontier market by both LSEG and MSCI, and potential upgrades to emerging markets status are widely discussed by the media. We anticipate that potential upgrades could result in a meaningful influx of new capital and investors to the market (VOF estimates a US\$5–8bn net inflow from both upgrades in total, c 2–4% of the total market cap quoted on HOSE) and a re-rating in the valuations on HOSE. Opinions on the timeline of potential reclassifications vary, with

the most optimistic indicating an initial upgrade by LSEG as soon as late 2024. VinaCapital expects an upgrade announcement by September 2025 and official inclusion in LSEG’s emerging market index by late 2026 (see Exhibit 9). In line with VinaCapital’s expected timeline, the Ministry of Finance issued a new draft circular in July 2024, which essentially removes the 100% cash prefunding requirement.

Exhibit 9: Expected timeline for Vietnam’s upgrade to emerging market classification



Source: VOF

According to Reuters, an upgrade at the much larger MSCI indices is less likely, due to MSCI’s stricter requirements. VinaCapital shares the consensus view that LSEG inclusion will precede MSCI and sees a potential MSCI inclusion post 2027. Inclusion in the MSCI index would be likely to have a larger impact on Vietnamese stocks, as its index is tracked by more capital (844 funds with total assets under management of US\$615bn, compared to 16 funds and US\$90bn tracking the LSEG index according to VOF estimates). Vietnam currently meets seven out of nine criteria set by LSEG, and eight out of 17 of MSCI. It is important to note that Vietnam’s government has said it will eliminate any regulatory hurdles preventing the upgrades.

VinaCapital executes its succession plan

Andy Ho, the CIO of VinaCapital and managing director of VOF, passed away unexpectedly on 6 June 2024. This immediately triggered VinaCapital’s succession plan (introduced back in 2019 to prevent any disturbances in case of any unexpected personnel changes), which allowed for a smooth transition of responsibilities. In the interim, the management of VOF was taken over by Brook Taylor as the temporary lead for the fund. Khanh Vu and Dieu Phuong Nguyen continued as co-portfolio managers of the fund, positions they have held for the past six years.

Brook Taylor has been a part of VinaCapital for 18 years and currently acts as the COO of VinaCapital Group and the CEO of VinaCapital’s asset management business of. **Khanh Vu** has been at VinaCapital for 14 years and is an active member of VOF’s investment committee on top of his marketing and investor relations responsibilities for VOF. **Dieu Phuong Nguyen** joined VinaCapital in 2006 and acts as the head of private equity business. She is responsible for private equity investments and deal sourcing and is a board member of many portfolio companies. The interim team has also proved its ability to structure new deals as illustrated by the investment with Kido Group described above.

In late July the role of VinaCapital’s CIO was taken over by **Alex Hambly**, who has been a member of VOF’s investment committee since 2020. The succession process highlighted VinaCapital’s ‘deep bench’ as it can swiftly move responsibilities within its structure, without having to reach out for external candidates. Alex has over 30 years of global investment experience, working with Barclays, HSBC, British International Investment, Prudential, Eastspring Investments and Aglaia Investment Management, as well as a proven track record of talent development. While Alex has a relatively short tenure at VinaCapital of four years, he has a long relationship with the team and previously worked with Andy Ho at Prudential. To fulfil his new duties, he has relocated from the UK

to Ho Chi Minh City, where he will devote the majority of his time to VOF management on top of his duties at VinaCapital.

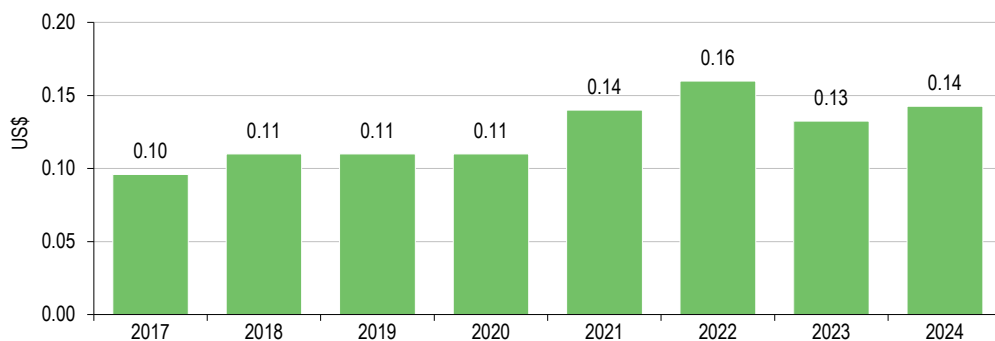
According to management, which took an active hand in maintaining regular dialogue with investors by scheduling meetings in the UK, the US and Vietnam, there was no meaningful investor outflow following the announcements. This seems to be confirmed by the lack of any spike in trading volumes following Andy Ho's passing, based on LSEG Data & Analytics data. Despite the tragic news, VOF's operations were undisturbed.

Dividends and distributions

VOF's portfolio construction results in the fund receiving recurring revenue, which we view as an important advantage of the fund and the reason behind its ability to distribute regular dividends. Over the last five years, portfolio income has covered c 80% of dividend distributions on average. VOF started distributing dividends in 2017 and pays these semi-annually (at the release of interim and full year results) with a target payout ratio of 1% of its NAV at each distribution, with the last two payments implying an annual dividend yield of 2.5% based on the current share price.

On top of dividends, VOF executes share buybacks, with the average amount repurchased annually over the last five years at US\$33.2m, compared to US\$22.1m per year in dividends. Additionally, the investment manager also purchases shares from the market as a result of its commitment to invest part of the incentive fees that it receives from VOF.

Exhibit 10: Dividend history (US\$/share)



Source: LSEG Data & Analytics

Peer group comparison

We compare VOF's performance against its direct peers (Vietnam Enterprise Investments and Vietnam Holding) as well as against a broader group of funds investing in specific Asian countries (see Exhibit 11). Over the last ten years, the Vietnam-focused funds have outperformed their regional peers, and VOF is the second-best performing fund of its closest peers. VOF offers investors an additional layer of safety through its downside protections and is the only Vietnam-focused fund on LSE providing investors with steady cash flow through dividends, while not sacrificing NAV performance against the broader market.

Exhibit 11: Selected peer group* at 11 November 2024**

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
VinaCapital Vietnam Opp Fund	635.2	9.1	(0.0)	60.8	218.6	(25.2)	1.65	Yes	100	2.5
Vietnam Enterprise Investments	1,081.4	16.1	(17.3)	35.0	237.9***	(21.7)	1.96	No	100	0.0
Vietnam Holding	93.5	27.3	9.8	80.0	195.6	(1.5)	3.29	No	100	0.0
Vietnam funds average (excl. VOF)	587.5	21.7	(3.7)	57.5	216.8	(11.6)	2.63	-	100	0.0
VOF rank in subgroup****	2	3	2	2	2	3	3	-	1	1
Ashoka India Equity Investment Ord	463.0	25.7	47.0	160.1	N/A	1.7	0.46	Yes	100	0.0
Baillie Gifford China Growth Trust Ord	134.2	9.0	(36.3)	(26.1)	11.2	(14.3)	0.98	No	103	0.9
Fidelity China Special Ord	1,117.4	12.8	(21.1)	25.7	121.4	(12.8)	0.33	Yes	121	2.9
India Capital Growth Ord	157.8	20.3	55.1	128.0	188.4	(11.0)	0.37	No	100	0.0
JPMorgan China Growth & Income Ord	191.8	5.3	(45.2)	(6.7)	78.7	(14.5)	1.12	No	105	4.8
JPMorgan Indian Ord	683.0	17.5	25.6	49.6	123.4	(18.4)	0.81	No	109	0.0
Weiss Korea Opportunity Ord	110.1	6.7	(26.7)	31.9	67.3	4.1	2.22	No	100	3.3
Full peer group average (excl. VOF)	448.0	15.6	(1.0)	53.1	128.0	(10.8)	1.03	-	105	1.5
VOF rank in peer group****	4	7	5	4	2	10	4	-	5	4

Source: Morningstar, Edison Investment Research. Note: *Country Specialist funds focused on Asian markets (ex Japan).

Performance to end-October 2024 in sterling based on cum-fair NAV. *9.8-year period since December 2014 due to availability of data. ****Rank based on arithmetic value: 1 = the highest. TR, total return. Net gearing is total assets less cash and equivalents as a percentage of net assets; 100=ungeared.

The board

VOF's board consists of five directors, all of whom are independent. Huw Evans was appointed to the board in 2016 and acts as board chairman. Huw Evans qualified in London as a chartered accountant in 1983 and over his career has advised various companies on mergers and acquisitions and corporate strategy. He is based in the UK. Julian Healy has over 30 years' experience of banking, private equity and investment management in emerging and frontier markets. He is a member of the Institute of Chartered Accountants in England and Wales. Kathryn Matthews has been involved in financial services for the last 40 years. She has held senior positions at Fidelity (CIO of Asia ex-Japan), Mercer, AXA IM, Santander and Baring. Peter Hames spent 18 years of his investment career in Singapore, where he co-founded the Asian operations of Aberdeen Asset Management. He is a former director of Polar Capital Technology Trust and Syncona. Hai Thanh Trinh joined VOF's board in June 2022. He has over 35 years' business experience, having held various managerial and senior executive positions at financial services institutions in Vietnam and in the United States, including Indochina Capital, New York Life, BAOVIET, Saigon Hanoi Commercial Bank and An Binh Commercial Bank. He currently serves as independent director of Van Phu Invest, a listed real estate developer.

Exhibit 12: VOF's board of directors

Board member	Date of appointment	Remuneration in FY24	Shareholdings at end-FY24
Huw Evans (chairman)	2016	\$112,500	55,000
Julian Healy	2018	\$97,500	20,000
Kathryn Matthews	2019	\$85,000	9,464
Peter Hames	2021	\$92,500	8,000
Hai Thanh Trinh	2022	\$83,750	0

Source: VOF

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