

### VN Index slides 6.3%

## Capital markets

In July, the VN Index slid from 433 points down to 406 points, a loss of 6.3 percent in USD terms for the month. In comparison, the MSCI Asia ex-Japan index gained 0.8 percent and the MSCI Emerging Market index dropped 0.7 percent. The VN Index saw liquidity fall to its lowest level in 12 months. The value and volume of trading on Vietnam's stock exchanges during July was USD450 million and 685 million shares, respectively, month-on-month declines of 54.6 and 55.5 percent. At the end of July, the VN Index traded at 8.5x trailing P/E, with a combined market cap of USD24.5 billion on Vietnam's two exchanges.

### Investors turn to VND, gold

Foreign investors were net buyers of USD7.3 million during July, compared to net buying of USD37 million the previous month. Most foreign buying was in FPT, VCB, REE, DPR and TRA, with selling in BVH, CII, VIC, SSC and KBC. Retail investors in Vietnam continue to keep their capital in gold or VND deposits, which now pay up to 18 percent interest. The gold price in Vietnam rose six percent in July, following the nine percent rise on international markets that accompanied the run-up to the US debt deal.

### Earnings mixed, high interest rate hit property firms

Corporate earnings over the first half of 2011 varied widely by sector. Some blue chips saw strong year-on-year net income growth, such as EIB, MSN, DPM, and VNM. Banks generally did well, and rubber companies outperformed. Listed real estate developers like HAG, KDH and SJS, however, reported earnings well below H1 2010 levels, due to the high interest rates hitting the sector hard. Developers are turning wherever possible to selling landed property, given its low financing requirements and quicker turnover. The condo market is expected to remain slow for the rest of the year.

The bond market was not active in July. Only 36 percent of the VND21 trillion in government bonds auctioned in July were sold. Most bond investors are waiting for higher yields given the continued inflationary pressure. At the end of the month, the Ministry of Finance raised bond yields by about 0.3 percent, but this was not sufficient given year-on-year inflation of 22.1 percent. Transactions on the secondary bond market were mainly repos given the lack of supply.

## Performance summary

Most recent NAV:	VOF (31 Jul 11)	VNL (30 Jun 11)	VNI (31 Jul 11)
NAV per share (USD) <sup>1</sup>	<b>2.31</b>	<b>1.38</b>	<b>0.51</b>
Change (%) <sup>2</sup>	(from Jun 11)	(from Mar 11)	(from Jun 11)
Previous NAV	-1.1	0.7	-1.9%
2011 YTD	-2.8	1.5	-9.5%
Since inception	138.4 (30 Sep 03)	42.3 (22 Mar 06)	-39.6% (5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	751	689	203
Market cap (USDm)	496	385	118
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

<sup>1</sup> Unaudited. VOF and VNI NAVs are updated monthly, VNL NAV is update quarterly.

<sup>2</sup> Adjusted for dividends/distributions (see VNI, page 5).

<sup>3</sup> VNI holds 930,700 shares in a treasury facility.

VN Index	31-Jul-11	30-Jun-11	52 wk low	52 wk high
Close	405.7	432.5	371.0	529.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	-6.2	-16.3	9.3	-23.3
Trail P/E (x)	8.5	Est. P/E 2011 (x) 10.7		
P/B (x)	1.5			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	12.3	12.4	12.5	12.6

## Economy

### New cabinet announced

Vietnam formally announced its new cabinet in early August, with re-elected Prime Minister Nguyen Tan Dung shuffling the deck to bring in two new deputy prime ministers, bringing the number of DPMs to four, and 22 ministers, 15 of whom are new.

### CPI continues to climb

In July, the consumer price index rose 1.2 percent, compared to 1.1 percent in June. Food prices were the main contributor to inflation, contributing to 71 percent of the rise. The rice harvest in the south was plentiful, potentially slowing food price inflation in upcoming months. Electricity and gasoline prices were not significant contributors to inflation, indicating the price rises earlier in the year have been fully reflected in the CPI. The new finance minister, in one of his first public comments, indicated the government will seek to maintain stable electricity and gasoline prices going forward. Nonetheless, analysts predict world oil prices may continue to rise. Inflation is up 14.6 percent year-to-date, and may reach 18-20 percent by year-end.

### Industrial production growth remains strong

Industrial production remains Vietnam's economic bright spot, rising 6.1 percent month-on-month in July, the highest monthly gain in 2011. For the first seven months of the year, industrial production is up 8.8 percent year-on-year. Manufacturing rose 11.9 percent, while gas and water production and distribution rose 10 percent.

Vietnam's trade deficit stands at USD6.6 billion year-to-date, with export growth outpacing import growth on the year. Exports are up 33.5 percent year-on-year, with imports up 26.2 percent. Both commodities and manufactured exports have performed well, with commodity export gains reflecting both higher unit prices and increased export volumes.

### Consumers confidence slips

The economic environment has taken a toll on consumer confidence. A Mastercard survey released on 1 August found that Vietnam's consumer confidence stood at 77 points in the second half of 2011, compared with 90 points in the first half of the year, and 94 points in the last half of 2010. The survey aimed to quantify people's confidences in economic recovery measures, the labour market, the stock market and living standards in the last six months of this year. Despite the decline, Vietnam's consumers continue to be among the most optimistic in Asia, trailing only China and Singapore.

### VND remains stable

The VND was stable during July, with consumers and businesses adding to their VND deposits. Companies are mainly borrowing in USD given high VND interest rates. When these loans become due later in the year, along with inflation, pressure on the VND may increase. The new State Bank governor is expected to maintain the tight credit environment and point credit growth toward productive sectors like manufacturing.

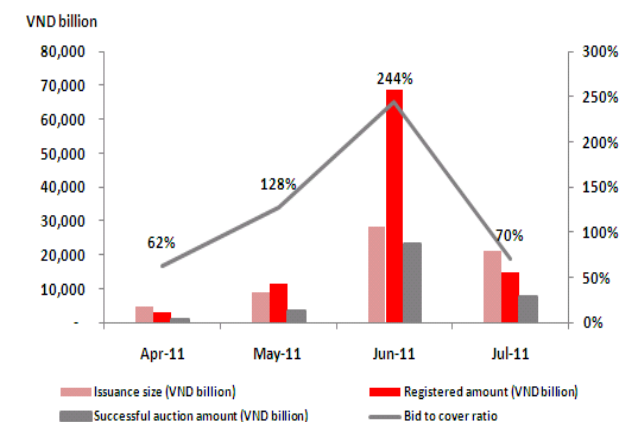
## Macroeconomic indicators and forecast

	2010	July-11	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	6.8%		5.6%	-17.9%
<b>Inflation</b>	11.8%	1.2%	14.6%	22.1%
<b>FDI (USDbn)</b>	18.6	0.6	6.3	-1.6%
<b>Imports (USDbn)</b>	84.0	8.6	58.1	26.2%
<b>Exports<sup>2</sup> (USDbn)</b>	71.6	8.4	51.5	33.5%
<b>Trade deficit (USDbn)</b>	12.4	0.2	6.6	-10.8%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	19,500	20,560	5.4%	5.4%
<b>Bank deposit rate VND (%)</b>	12.0-14.0%	12.0-14.0%	n/a	n/a

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

<sup>1</sup> Annualised rate. <sup>2</sup> Includes gold. <sup>3</sup> State Bank central rate.

## Bid to cover ratio, State Treasury bond auctions



## Portfolio developments

VOF's NAV decreased 1.1 percent to USD2.31 per share at the end of July 2011, from USD2.34 per share at the end of June 2011. The decline is due to the performance of the capital markets portfolio, particularly top holdings Kinh Do and An Giang Plant Protection, which saw their share prices drop steeply by 19 and 13 percent, respectively. The VOF share price dropped to USD1.53 at the end of July, from USD1.57 at the end of June. In early August, under the influence of the US credit downgrade and its impact on global equities markets, the VOF share price fell further, to USD1.35 on 10 August.

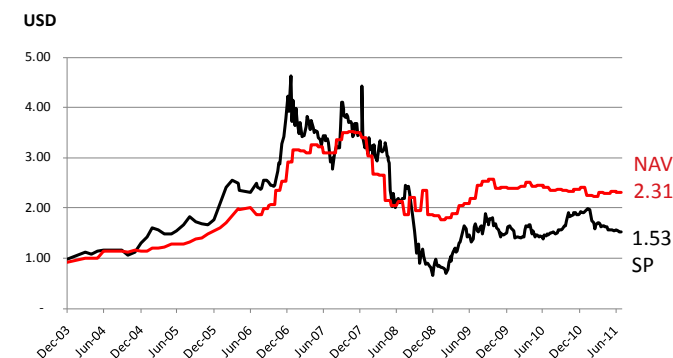
At the beginning of August 2011, VOF concluded the sale an equity stake in Hoan My Medical to Fortis Health. VOF divested most of its holding in the hospital group and will continue to hold a 4.9 percent stake and hopes to enjoy future upside as Hoan My strengthens its operations under Fortis management.

31 July 2011

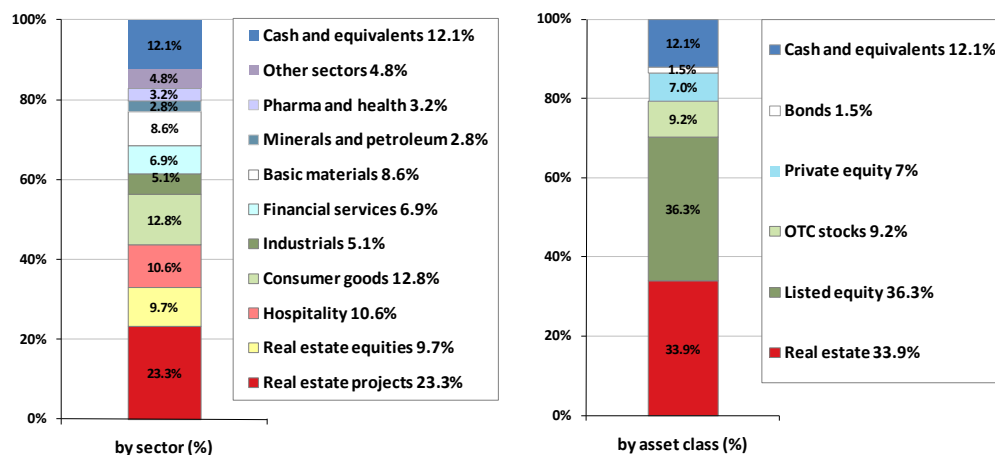
NAV **2.31** per share (↓ 1.1%)

Total NAV: USD751 million

## NAV and share price performance (31 July 2011)



## VOF portfolio (31 July 2011)



### Fund manager

Andy Ho

### Fund background

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the AIM Market of the London Stock Exchange.

VOF targets medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: privately negotiated equity investments; undervalued/distressed assets; privatisation of state-owned enterprises; real estate; and private placements into listed and OTC-traded companies.

Download the VOF Factsheet at [www.vinacapital.com/vof](http://www.vinacapital.com/vof)

## Top holdings

Type	Sector	% NAV	Manager's comment
Metropole	Real estate Hospitality	7.8	Vietnam's top city-centre hotel.
VNM	Listed equity Consumer	6.7	Dairy firm with dominant market share.
EIB	Listed equity Financials	5.1	One of Vietnam's fastest growing banks.
Cambridge	Real estate Residential	3.8	Township development near HCM City.
VNL	Listed equity Real estate	3.7	VCIM-managed Vietnam fund.
An Giang	OTC Materials	3.4	Leading agrochemicals producer.

## Performance history (% change on NAV)

	2011	2010	2009	2008	2007
Jan	1.4%	-1.1%	-1.3%	-2.9%	14.6%
Feb	-7.1%	-0.3%	-3.7%	-10.2%	8.3%
Mar	-0.5%	1.9%	1.7%	-11.8%	-0.6%
Apr	4.0%	3.0%	4.4%	-0.8%	-1.3%
May	-1.0%	-2.5%	9.1%	-19.5%	5.1%
Jun	1.8%	0.6%	2.2%	-4.7%	-0.8%
Jul	-1.1%	-1.6%	3.8%	5.7%	-3.8%
Aug		-3.3%	12.2%	9.8%	0.0%
Sep		1.4%	3.8%	-6.7%	8.1%
Oct		-0.8%	1.2%	-12.4%	4.2%
Nov		-0.7%	-6.5%	-1.9%	0.6%
Dec		2.1%	0.8%	-2.1%	-0.6%
<b>YTD</b>	<b>-2.8%</b>	<b>-1.6%</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>
<b>VN Index*</b>	<b>-15.3%</b>	<b>-7.2%</b>	<b>47.7%</b>	<b>-68.6%</b>	<b>23.3%</b>

\* Expressed in USD terms.

## Portfolio developments

VNL's share price remained at USD0.77 at the end of July, unchanged from June. The real estate market in Vietnam continues to see domestic developers slow or halt projects that require significant debt financing. This has put many developers in dire straits, and foreign investors are now looking to coinvest with Vietnam's developers given the opportunity to acquire assets at low valuations. The pace of construction will nonetheless remain slow until interest rates fall and banks have liquidity available to lend to developers.

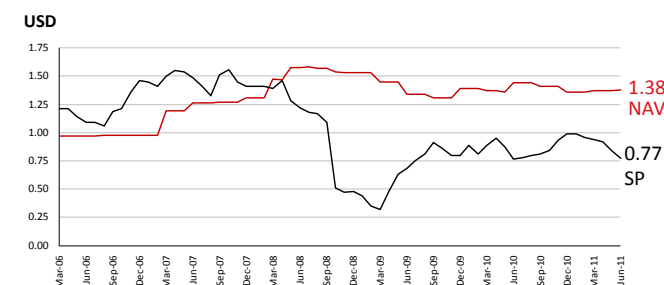
Consumers are generally holding their capital in VND deposits, paying 15 percent and above, or in gold, and are not focused on the condominium market. Notwithstanding that trend, developers with strong brands that are able to offer flexible payment structures are still achieving sales. Phu My Hung, the top suburban township in Ho Chi Minh City, last week launched a condominium tower and saw 240 of 250 units sell immediately, at a price of USD2,000/sq.m and 50 percent of payment due only upon completion of the project in three years. In general, however, only landed property remains popular with buyers and is the only sector of the real estate market seeing healthy demand. For VNL, this means sales are proceeding at a good pace at township and landed residential projects including Niagara, Jupiter and Venus. Project Mars, in District 9 of Ho Chi Minh City, is nearing its launch, with strong reservations recorded to date.

30 June 2011

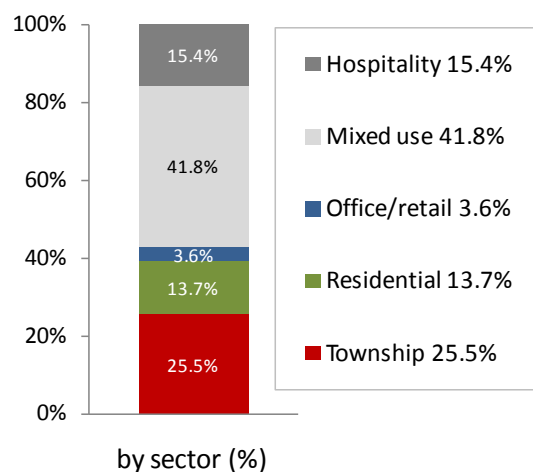
NAV **1.38** per share (↑ 0.7%)

Total NAV: USD689 million

## NAV and share price performance (31 Jul 2011)



## VNL portfolio (30 Jun 2011)



### Portfolio by geographic location (% NAV)

Hanoi	8%
Central provinces	27%
Ho Chi Minh City region	65%

### Valuation breakdown (% NAV)

Assets held at cost	8%
Assets revalued	92%

### Holdings breakdown (% NAV)

Top 10 assets	63%
Remaining 28 assets	37%

### Development status (% NAV)

Landbanking assets	10%
Development stage assets	78%
Operating assets	12%

## Quarterly performance history (% change on NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-3.3%	12.3%	22.0%
Q2	0.7%	-0.5%	-9.0%	9.4%	5.8%
Q3		3.4%	-0.8%	-2.5%	0.5%
Q4		-3.5%	1.5%	-4.5%	3.4%
YTD	1.5%	2.3%	-11.3%	14.5%	34.1%

## Top holdings

Project	Location	Type	NAV%	Current status
Cambridge	South	Mixed-use	12%	Planning underway
Niagara	Centre	Mixed-use	11%	Sales underway
Jupiter	South	Township	8%	Sales underway
Mekong	South	Mixed-use	7%	Investment licence
Nile	South	Mixed-use	6%	Planning underway
Tiber	South	Mixed-use	5%	Planning underway
Aquarius	South	Township	5%	Planning underway
Venus	Centre	Township	4%	Sales underway
Mars	South	Residential	4%	Planning underway
Pearl	South	Hospitality	3%	Operating asset

### Fund manager

David Henry

### Fund background

VinaLand Limited (VNL) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

VNL targets medium to long term capital gains with some recurring income through investment in the following real estate sectors: office; residential; retail; township/industrial (large scale); and hospitality and leisure.

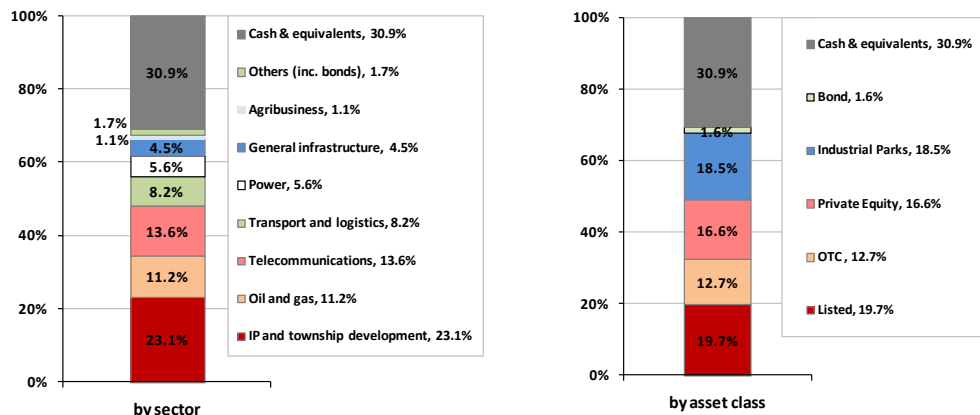
Download the VNL Factsheet at [www.vinacapital.com/vnl](http://www.vinacapital.com/vnl)

## Portfolio developments

VNI's NAV decreased to USD0.51 per share at the end of July 2011, from USD0.52 per share at the end of June 2011. The share price fell two cents to close July at USD0.29.

In July, VNI listed investee Tan Binh Import-Export JSC (TIX) reported outstanding results for the first nine months of FY2011. The company earned USD4.4 million in net profit on net revenue of USD19.6 million, up 66.7 percent and 104.5 percent from the same period last year, respectively. Another investee, Vietnam Container Shipping JSC (VSC), which owns and operates one of Haiphong's busiest ports, recorded revenue of USD14million and net profit of USD4.9million, gains of 13 and 28 percent, respectively, over H1 2010. The 12-month trailing ROE recorded by VNI's listed portfolio, including TIX (23 percent), VSC (33.6 percent), PVD (20.4 percent) and PVS (17.7 percent), shows that well-run infrastructure companies in Vietnam can achieve earnings well above similar equities in more mature markets. VNI continues to explore investment opportunities in the listed and OTC space.

### VNI portfolio (31 Jul 2011)



### Quarterly performance history (total return)\*

	2011	2010	2009	2008	2007
Q1	-6.3%	-3.2%	-0.5%	-12.8%	na
Q2	-3.4%	-0.6%	3.7%	-6.7%	na
Q3		-7.5%	1.5%	-1.0%	2.9%
Q4		-3.7%	0.8%	-12.0%	3.1%
YTD	-9.5%	-14.3%	5.5%	-29.1%	6.1%

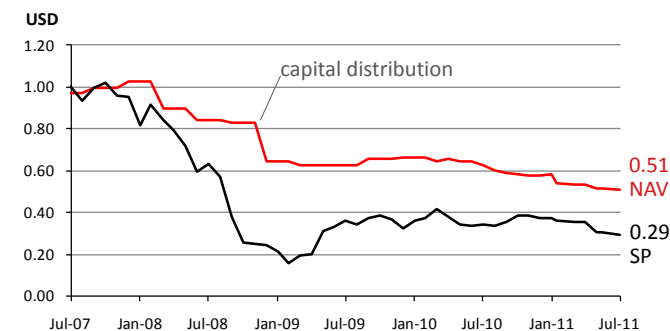
\* Total return since inception: -39.6% (assumes distributions reinvested).

31 July 2011

NAV **0.51** per share (↓ 1.9%)

Total NAV: USD203 million

### NAV and share price performance (31 Jul 2011)



### Major holdings

Name	Asset class	Sector	NAV (%)
Long An IP	Greenfield	IP and township	9.5%
Ba Thien IP	Greenfield	IP and township	9.0%
Nam Viet	OTC	Oil and gas	5.0%
VNC-55	PE	Telecoms	4.2%
PVD	Listed	Oil and gas	3.8%
VALC	OTC	Transportation	3.7%
MIDC	PE	Telecoms	3.7%
Phu My	OTC	Transportation	2.8%
MIS	PE	Telecoms	2.6%
GII	PE	Telecoms	2.6%

#### Fund manager

Tony Hsun

#### Fund background

Vietnam Infrastructure Limited (VNI) is a closed-end fund trading on AIM Market of the the London Stock Exchange.

VNI targets medium to long term capital gains with some recurring income through investment in the following infrastructure sectors: energy; transportation; industrial parks; telecommunication; and water and environmental utilities.

Download the VNI Factsheet at [www.vinacapital.com/vni](http://www.vinacapital.com/vni)

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## VinaCapital investment team

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VinaCapital’s three AIM-traded funds.

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**Brook Taylor** Chief Operating Officer

**Andy Ho** Managing Director, Head of Investment  
**Tony Hsun** Managing Director, Infrastructure  
**David Henry** Managing Director, Real estate

**Nguyen Viet Cuong** Deputy Managing Director, Capital markets  
**Dang P. Minh Loan** Deputy Managing Director, Private equity  
**Kenny Low** Deputy Managing Director, Infrastructure  
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