

### VN Index gains 2.9% for June

## Capital markets

During June, the VN Index rose as high as 462 points before ending the month at 432 points, a 2.9 percent gain in USD terms over the previous month's close. The MSCI Asia ex-Japan and Emerging Market indices, in comparison, dropped 2.7 and 1.9 percent, respectively. To date, Vietnamese equities have not been affected by the negative contagion surrounding the Greece debt crisis.

### Vinamilk offering draws USD36.1m in foreign buying

The combined total trading value and volume for the month on both Vietnam's stock exchanges was USD1.0 billion and 1.5 billion shares, up 65 percent and 51 percent month-on-month, respectively. Foreign investors were net buyers of USD37 million compared to net selling of USD19 million the previous month, with foreigners responsible for 18.7 percent of total trading. Most foreign buying was in VNM, CTG, PVS, BVH, DPM and FPT, while foreign selling was seen in VCG, PVX, KLS, VND and PET. VNM alone, with its rights offering, drew USD36.1 million in foreign buying. Year-to-date foreign inflows into the market total USD139.7 million, behind the pace of USD271.0 million set during the first half of 2010.

### VN at steep P/E discount to peers

At the end of June, the Ho Chi Minh Stock Exchange (HOSE) was trading at a trailing 2011 P/E of 9.2x, while the Hanoi Stock Exchange (HNX) had a 2011 P/E of 6.8x. The HOSE P/B was 1.5x with an average dividend yield of 4.4 percent. Vietnam now trades at a discount of as much as 45 percent to Asian and other emerging market 'CIVETS' peers. Columbia, Indonesia, Egypt, Turkey and South Africa all have P/Es in the mid- to high-teens.

### Bond auctions continue to draw investors

The State Bank of Vietnam continues its actions to support the Vietnam dong (VND), which has encouraged Vietnamese to move their savings into VND deposits. Continuing its momentum from May, the bond market saw several successful auctions during June, with a total of VND23.2 trillion (USD1.1 billion) in Treasury and Vietnam Development Bank bonds were issued, representing 82 percent of bonds auctioned. Ceiling rates on 3-, 5- and 10-year government bonds were lowered by 100, 90 and 20 bps, respectively, compared to the previous month. Bid-to-cover ratios for Treasury and VDB bond auctions improved dramatically to 2.4 in June, from 1.3 in May, due to strong participation from commercial banks. Improved liquidity in the banking system is behind the increased bond market activity.

## Performance summary

Most recent NAV:	VOF	VNL	VNI
	(30 Jun 11)	(30 Jun 11)	(30 Jun 11)
NAV per share (USD) <sup>1</sup>	<b>2.34</b>	<b>1.38</b>	<b>0.52</b>
Return (%) <sup>2</sup>	(from May 11)	(from Mar 11)	(from May 11)
Previous NAV	1.8	0.7	0.4%
2011 YTD	-1.8	1.5	-9.5%
Since inception	141.0	42.3	-38.4%
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	759	689	207
Market cap (USDm)	510	385	122
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	30-Jun-11	31-May-11	52 wk low	52 wk high
Close	432.5	421.4	371.0	529.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	2.9	-10.8	16.6	-18.3
Trail P/E (x)	9.2	Est. P/E 2011 (x) 10.7		
P/B (x)	1.6			

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

**GDP growth target now at 6.0%**

**Economy**

For the first six months of 2011, Vietnam’s GDP grew at 5.6 percent annualised, down from 6.2 percent annualised over H1 2010. The government has lowered the 2011 GDP growth target to 6.0 percent from 6.5 percent, as it continues to focus on policy actions to reduce inflation and support the Vietnam dong. Industrial growth in H1 2011 has not slowed, except in the construction sector, which has seen a significant decline in growth to 4.3 percent annualised, from 10.9 percent in H1 2010, due to the lack of credit and slowdown in the real estate market.

**VND deposits grow 2.2% month-on-month**

During June, State Bank actions to support the VND included raising compulsory reserves for USD accounts by 300 bps to 7.0 percent, and tightening the interest rate caps on USD deposits to 2.0 percent on personal accounts and to 0.5 percent on corporate accounts. This encouraged individuals to move deposits into VND accounts, given the 13-15 percent spread on interest rates between the two currencies. During June, VND-denominated deposits grew 2.2 percent month-on-month, while USD deposits fell 3.6 percent month-on-month. Together with the ongoing purchase of USD from commercial banks to bolster foreign reserves, these steps have helped further stabilise the VND, which at the end of June traded at roughly 20,600 to the USD.

Inflation of the CPI was 1.1 percent month-on-month in June, lower than May’s 2.2 percent rate which was high due to a one-off gasoline price increase. Inflation in June was due largely to hikes in food prices. Inflation is now 20.8 percent year-on-year and 13.3 percent year-to-date. The government has raised its inflation target for the year to 17-18 percent, as the 14-15 percent target set a few months ago is now considered unobtainable.

**Banks work to lower non-productive loans**

30 June was the deadline for banks to lower their non-productive loans to 22 percent of outstanding credits. As of that date, several banks were not in compliance, with a few smaller banks having non-productive loan ratios as high as 40 percent. The State Bank declined to extend the deadline, but promised to work with banks to resolve conflicts on a case-by-case basis. On 4 July, the State Bank cut the Open Market Operations (OMO) rate by one percent, to 14 percent, after raising it by the same amount in mid-May. The decision reflects the improved liquidity at banks and is not necessarily an indication of overall monetary easing. The discount rate and base rate were kept at 13 and 9 percent, respectively.

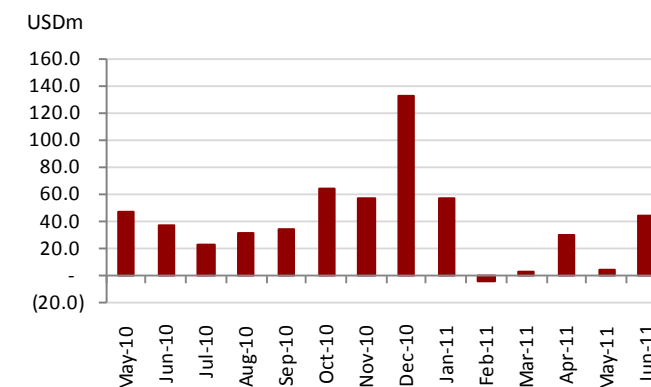
**Macroeconomic indicators and forecast**

	2010	June-11	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	6.8%			5.4%
<b>Inflation</b>	11.8%	1.1%	13.3%	20.8%
<b>FDI (USDbn)</b>	18.6	1.0	5.7	-24.4%
<b>Imports (USDbn)</b>	84.0	8.2	49.0	25.8%
<b>Exports<sup>2</sup> (USDbn)</b>	71.6	7.8	42.3	30.3%
<b>Trade deficit (USDbn)</b>	12.4	0.4	6.7	-1.5%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	19,500	20,600	5.9%	5.9%
<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.

**HOSE, Foreign net buying**



## Portfolio developments

VOF's NAV increased 1.8 percent to USD2.34 per share at the end of June 2011, from USD2.30 per share at the end of May 2011. The gain was due to the performance of the listed and OTC components of the portfolio, which saw gains of 1.2 and 6.0 percent, respectively. Real estate projects also saw a gain, of 1.4 percent. The share price, meanwhile, held steady at USD1.57.

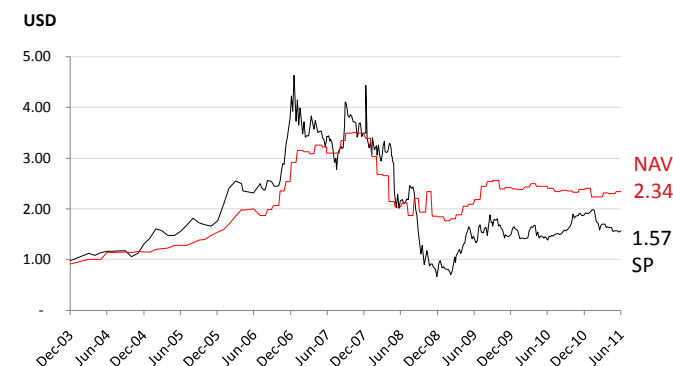
VOF's top real estate and hospitality holding, the Sofitel Legend Metropole Hanoi, continues to garner top international recognition and awards. Travel and Leisure Magazine ranked the Metropole third-best among Asian city hotels, and the 38th-best hotel in the world. This is the first time the hotel has cracked the top 10 and top 100, respectively, in this prestigious industry ranking. The hotel is also ranked on the Conde Nast Traveler 2011 Gold List.

30 June 2011

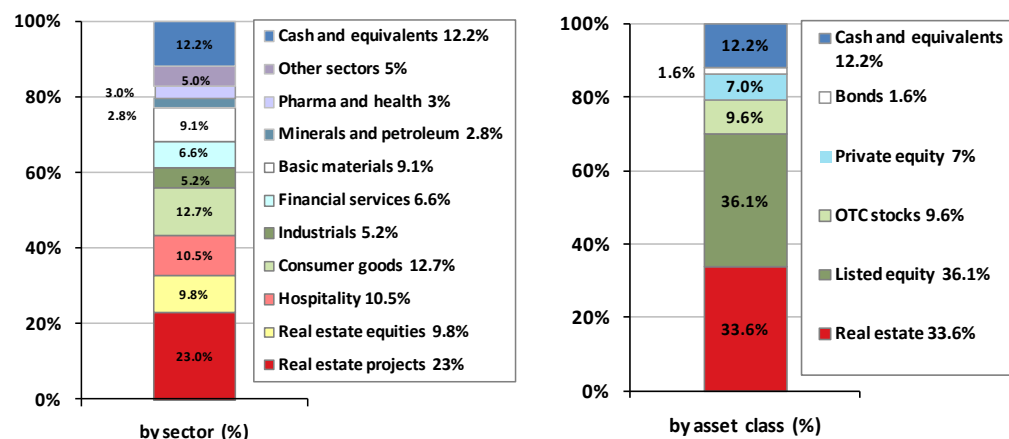
NAV **2.34** per share (↑ 1.8%)

Total NAV: USD759 million

## NAV and share price performance (30 June 2011)



## VOF portfolio (30 June 2011)



## Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
VNM	Listed equity	6.3	Dairy firm with dominant market share.
EIB	Listed equity	5.0	One of Vietnam's top joint stock banks.
An Giang	OTC	3.8	Leading agricultural inputs producer.
VNL	Listed equity	3.7	VCIM-managed Vietnam fund.
HPG	Listed equity	3.0	Major steel producer.
Prime Group	OTC	1.8	Leading ceramics producer.

### 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)

## 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		-1.6%	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>-1.8%</b>	<b>-1.6%</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>
<b>VN Index*</b>	<b>-15.1%</b>	<b>-1.6%</b>	<b>31.0%</b>	<b>-47.1%</b>	<b>23.3%</b>

\* Expressed in USD terms.

## Portfolio developments

VNL's NAV increased to USD1.38 per share at the end of June 2011, from USD1.37 per share at the end of March 2011. During the quarter, a total of six projects were valued by independent third-party valuation consultants and then reviewed by the VNL Valuation Committee and Board. The result was a USD13.7 million net increase in the NAV after accounting adjustments. A further desktop review recommended by the manager and adopted by the Board resulted in a write-down on one project, Aquarius, by USD1.3 million due to market conditions. The single largest contributor to the increase in NAV was Project Niagara which increased by USD11.9 million following continued residential development and sales and the sale of a parcel of land designated for a future hotel development.

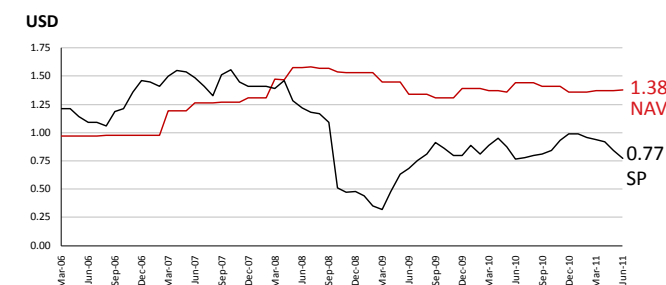
The past quarter saw a total of 246 sales contracts signed at VNL-owned residential projects, representing a value of USD16.7 million (Q1 2011: 235 contracts worth USD20.9 million). The USD37.6 million in sales for H1 2011 is on par with the pace set in 2010, when USD73.8 million in sales contracts were recorded for the year. Overall, the real estate market has slowed, and many developers are halting projects due to the high cost of financing. While the relatively strong sales at VNL-owned projects is a positive sign, it should be noted that it will be some time before full payment is received in respect of the units sold and the cash subsequently become available at the fund level.

30 June 2011

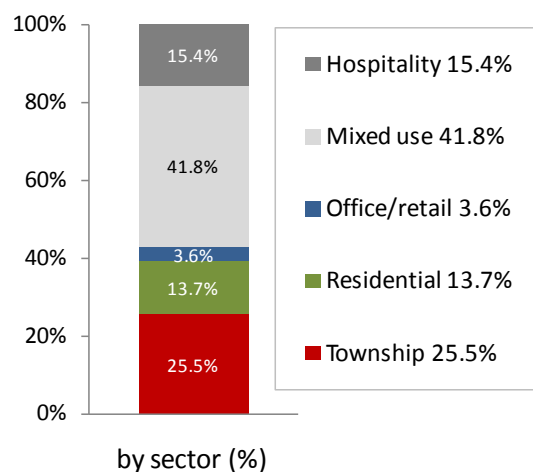
NAV **1.38** per share (↑ 0.7%)

Total NAV: USD689 million

## NAV and share price performance (30 Jun 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	Township	11%	Planning underway
Niagara	Centre	Township	10%	Sales underway
Jupiter	South	Township	9%	Sales underway
Nile	South	Mixed-Use	6%	Planning underway
Mekong	South	Mixed-Use	6%	Investment licence
Tiber	South	Mixed-use	5%	Under construction
Venus	Centre	Township	5%	Sales underway
Aquarius	South	Township	5%	Planning underway
Mars	South	Township	4%	Planning underway
Leo	South	Township	3%	Planning underway

### 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 increased to USD0.52 per share at the end of June 2011, from USD0.51 per share at the end of May 2011. The share price remained stable at USD0.31 at the end of June. During the month, VNI investee Vinh Son-Song Hinh Hydropower (VSH) reported positive results for H1 2011, with total power generation and revenue increasing 14.4 percent to 511.8 million kWh and USD12.9 million, respectively, over the same period last year. The company is negotiating a new agreement with EVN, which may drive revenues higher.

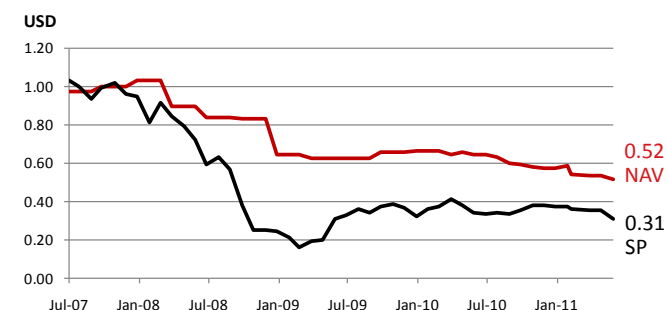
Another investee, PetroVietnam Drilling and Well Services Corporation (PVD) announced H1 2011 revenues of USD195.1 million and net profits of USD24.4 million, for year-on-year gains of 23 and 20 percent, respectively. The company expects to put a TAD rig into operation in early Q4 2011.

30 June 2011

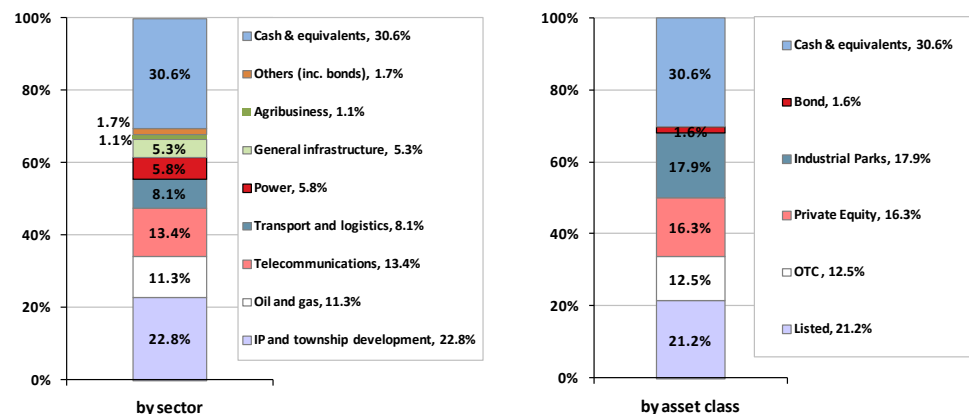
NAV **0.52** per share (↑ 0.5%)

Total NAV: USD207 million

## NAV and share price performance (30 Jun 2011)



## VNI portfolio (30 Jun 2011)



## Quarterly performance history (total return)\*

	2011	2010	2009	2008	2007
Q1	-6.3%	-3.2%	-0.5%	-12.8%	na
Q2		-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	-6.3%	-14.3%	5.5%	-29.1%	6.1%

\* Total return since inception: -38.4% (assumes distributions reinvested).

### Fund manager

Tony Hsun

### Fund background

Vietnam Infrastructure Limited (VNI) is a closed-end fund trading on AIM Market of 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)

## Major holdings

Name	Asset class	Sector	NAV (%)
Long An	Greenfield	IP and township	9.3%
Ba Thien 2	Greenfield	IP and township	8.6%
Nam Viet	OTC	Oil and gas	4.9%
VNC-55	PE	Telecomms	4.1%
PVD	Listed	Oil and gas	3.8%
VALC	OTC	Transportation	3.7%
MIDC	PE	Telecomms	3.6%
CII	Listed	General infra	2.9%
Phu My	OTC	Transportation	2.7%
PVS	Listed	Oil and gas	2.6%
MIS	PE	Telecomms	2.5%
GII	PE	Telecomms	2.5%

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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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**Custodian** HSBC Trustee (VOF and VNL)  
Standard Chartered (VNI)