

VN Index outperforms for second month

Capital markets

The VN Index continued its momentum from August and rose 46 points in the first half of September 2011, before dropping in the second half to close the month at 427 points, a gain of 0.7 percent in USD terms. In contrast, the MSCI Asia ex-Japan and MSCI Emerging Markets indices in September plunged by 13.4 and 14.8 percent, respectively, due to the pessimistic global equities outlook. The relative outperformance in Vietnam is due to traders returning to equities as deposit rates fall and inflation begins to trend down. In September, the State Bank lowered VND interest rates by re-enforcing the deposit ceiling rate of 14 percent for terms above one month, removing the loan deposit ratio of 80 percent, and injecting VND into the banking system through open market operations.

Foreigners sell as trading picks up

Trading value and volume on Vietnam's two stock exchanges improved in September to USD1.26 billion and 1.97 billion shares, month-on-month increases of 65 and 56 percent, respectively. The combined market capitalisation of both bourses was USD25.6 billion at the end of the month, at which point the VN Index traded at a trailing P/E of 9.1x and P/B of 1.5x. Foreign investors were net sellers of USD47.9 million in September, compared to net selling of USD10.7 million the previous month. This was the largest monthly foreign net sale so far this year. Top selling blue chips were VIC, with a monthly net sale of USD21.6 million, HAG (USD8.9 million) and FPT (USD7.4 million). FPT and HSG were fully divested from the VNM ETF and the FTSE Vietnam ETF portfolios.

Significant corporate news in September included Masan Group announcing a public tender for 51 percent of Vinacafe. Masan is reportedly offering USD50 million, at VND80,000 per share, to acquire a controlling stake in Vinacafe, a former VOF investee that has a 40 percent share of Vietnam's instant coffee market.

Bonds yields seen declining

The primary bond market was active in September as investors anticipate bond yields will decline following the State Bank's efforts to reduce interest rates. In addition to enforcing the 14 percent cap on VND deposit rates, the USD deposit rate was capped at 0.5 percent, from 2.5 percent. The OMO window was extended to 14 days from seven day, beginning on 19 September, as part of the effort to ease VND interest rates. In all, a total USD377 million of government and VDB bonds were sold at auctions in September. The registered volume was high at USD926 million with USD792 million offered, for a bid to cover ratio of 2.46 times. Bond yields were lowered by 18 and 25 basis points for three- and five-year government bonds, respectively.

Performance summary

Most recent NAV:	VOF	VNL	VNI
	(30 Sep 11)	(30 Sep 11)	(30 Sep 11)
NAV per share (USD) ¹	2.33	1.35	0.50
Change (%) ²	(from Aug 11)	(from Jun 11)	(from Aug 11)
Previous NAV	-0.4	-2.2	0.0
2011 YTD	-2.2	-0.7	-12.4
Since inception	139.9	39.2	-40.4
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	755	675	200
Market cap (USDm)	446	335	92
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

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

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

³ VNI holds 930,700 shares in a treasury facility.

VN Index	30-Sep-11	31-Aug-11	52 wk low	52 wk high
Close	427.6	424.7	371.03	529.2
	M-o-M	YTD		
Change (%)	0.7%	-11.8%	15.2%	-19.2%
Trail P/E (x)	9.1	Est. P/E 2011 (x)	10.7	
P/B (x)	1.5			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	12.2	12.4	12.4	12.7

Deposit rates dropped to 14% cap

Economy

The government's macro policy initiatives in September aimed at maintaining a delicate balance between lowering inflation and interest rates, while protecting against depreciation of the Vietnam dong. Deposit rates were dropped sharply to the 14 percent cap rate, while the State Bank pumped VND into the banking system in open market operations and removed the loan deposit ratio of 80 percent to improve the flow of money between the interbank and primary markets.

Lending rates remain high

September deposit growth declined 1.1 percent month-on-month, and anecdotal evidence suggests Vietnamese are shifting their VND deposits into gold and USD. September credit growth decline 0.9 percent month-on-month, with VND credit growth slowing 0.5 percent and USD credit growth down 2.3 percent. Lending rates declined by less than 100 basis points, in contrast to the sharp decline in deposit rates. Total credit has increased 8.2 percent for the first nine months of 2011.

Inflation starts to trend down.

CPI inflation in September was 0.8 percent month-on-month, the lowest monthly figure since August 2010. The start of the school year saw education-related prices increase, while food and gasoline prices dropped. Retail sales have been a casualty of inflation in 2011, with sales growth sliding in September to 3.9 percent, from 15.4 percent in September 2010. If international oil and commodities prices continue to decline going forward, Vietnam's inflation push factors will ease. The government has already confirmed it will not raise fuel and electricity prices for the remainder of 2011.

GDP growth may reach 6% target

GDP growth for the first nine months reached 5.7 percent, a pace that should pick up slightly for Q4 as inflation trends down and economic activity picks up. Analysts predict economic growth will finish the year in line with the government's six percent GDP growth target. As GDP growth slowed in first three quarters of 2011, industry and construction growth declined to 6.8 percent year-on-year, from 9.8 percent in 2010. Services growth slowed as well, at 6.4 percent year-on-year compared to 7.9 percent in 2010. Agriculture's growth rate rose from 1.6 to 3.1 percent year-on-year, due to improved weather conditions and a surge in demand from Chinese food merchants.

Deficit worsens due to gold imports

Vietnam's trade deficit worsened in September as gold imports were estimated at USD600 million, pushing total imports to USD1 billion, from USD395 million in August. The trade situation for the year is more positive, however, as the deficit excluding gold has reached USD7.8 billion, versus USD11.2 billion for the same period last year. Export growth has reached 35 percent year-on-year, on the back of both higher volume of exports like footwear and higher prices for Vietnam's commodities. Imports are up 27 percent year-on-year, led by input materials that will generate exports. The trade deficit for 2011 full year should decline to around USD11 billion, from USD12.6 billion last year.

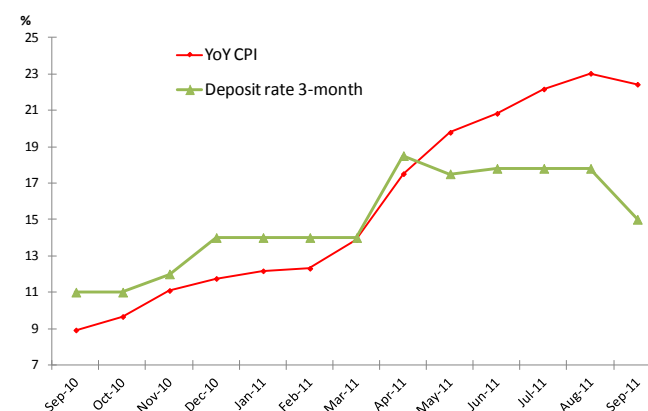
Macroeconomic indicators and forecast

	2010	Sep-11	YTD	Y-o-Y change
GDP growth¹	6.8%	n/a	5.6%	-17.9%
Inflation	11.8%	0.8%	16.6%	22.4%
FDI (USDbn)	18.6	0.8	9.9	-18.9%
Imports (USDbn)	84.0	9.3	76.9	26.9%
Exports² (USDbn)	71.6	8.3	70.0	35.4%
Trade deficit (USDbn)	12.4	1.0	6.9	-19.6%
Exchange rate³ (USD/VND)	19,500	20,830	6.8%	6.8%
Bank deposit rate VND (%)	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.

¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

CPI growth and deposit rates



Portfolio developments

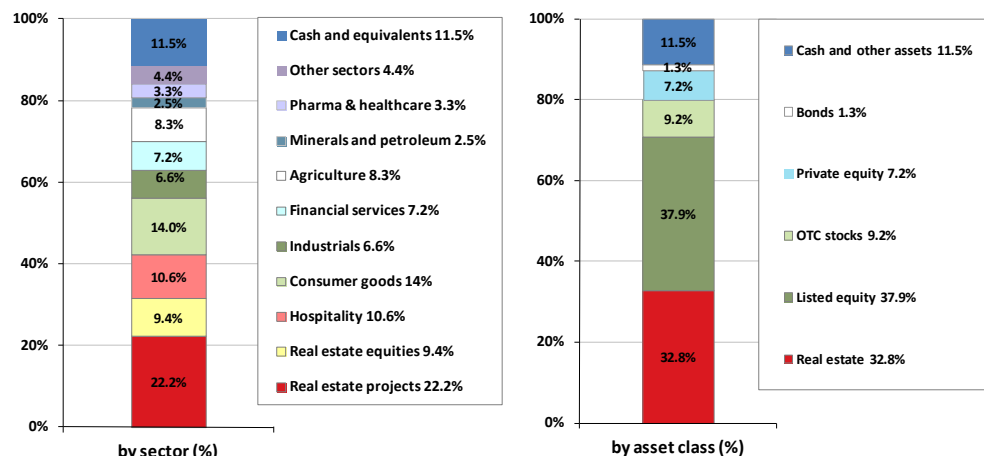
VOF's NAV declined 0.4 percent to USD2.33 at the end of September 2011, from USD2.34 per share at the end of August 2011. The drop was due to losses in the capital markets portfolio, with shares of VinaLand, Olympus Minerals and Kinh Do falling 11.4, 31.1 and 6.9 percent, respectively. PNJ and EIB were up 28.3 and 5.3 percent, and the private equity component as a whole gained 3.2 percent. The VOF share price, meanwhile, dropped 2.1 percent to USD1.38 at the end of September, from USD1.41 at the end of August.

30 September 2011

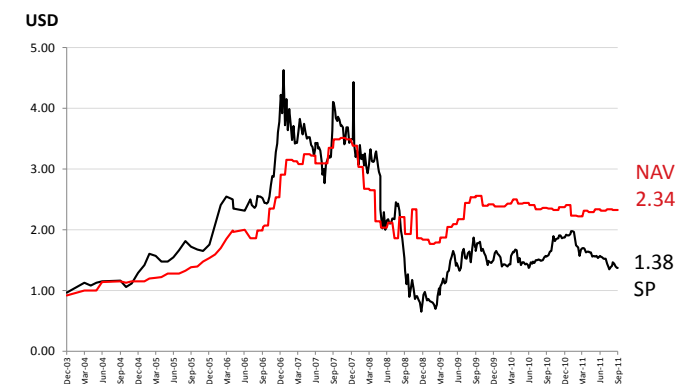
NAV **2.33** per share (↓ 0.4%)

Total NAV: USD755 million

VOF portfolio (30 Sep 2011)



NAV and share price performance (30 Sep 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

Top holdings

	Type	Sector	% NAV	Manager's comment
Metropole	Real estate	Hospitality	7.7	Vietnam's top city-centre hotel.
VNM	Listed equity	Consumer	7.2	Dairy firm with dominant market share.
EIB	Listed equity	Financials	5.4	One of Vietnam's fastest growing banks.
Century 21	Real estate	Residential	3.8	Township development near HCM City.
An Giang	OTC	Materials	3.6	Leading agrochemicals producer.
Dai Phuoc Lotus	Real estate	Township	3.2	Township JV project with DIC Corp.

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	1.0%	-3.3%	12.2%	9.8%	0.0%
Sep	-0.4%	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%
YTD	-2.2%	-1.6%	29.7%	-46.6%	37.4%
VN Index*	-17.4%	-7.2%	47.7%	-68.6%	23.3%

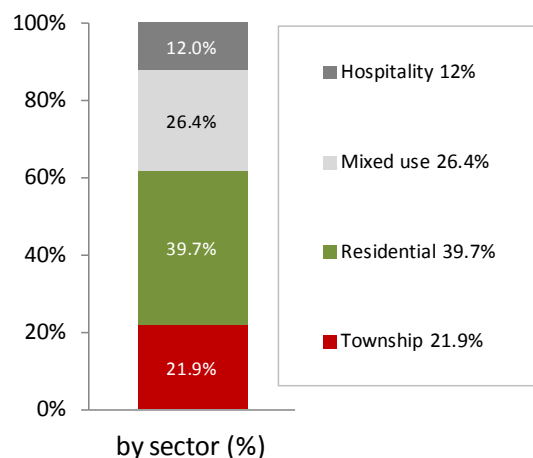
* Expressed in USD terms.

Portfolio developments

VNL's NAV at the end of September 2011 was USD1.35 per share. The past quarter saw a revaluation of 13 assets based on valuations carried out by external third party consultants. The revaluations resulted in the adjustment of holding values of 11 of the 13 assets, including downward adjustments to six of the eight hotel assets. While VNL-owned hotels in 2011 have generally improved performance compared to the same period last year, a number have not achieved their budget targets. Increased room supply and competition in the hotel market has resulted in room rates coming under pressure in an attempt to capture new business. Until the market improves, the Board and Manager felt it prudent to lower the carrying values of these assets.

During September, VinaLiving launched sales of 'The Point', a 41-villa enclave adjoining the 14th fairway of the golf course at the Danang Beach Resort. Fifty percent of the units have been reserved for sale, sufficient to procure underwriting to proceed with infrastructure construction. The Point's semi-detached villas were launched at a price of USD250-300,000 each, bringing a new, more affordable product to the Danang Beach Resort development.

VNL portfolio (31 Sep 2011)



Portfolio by geographic location (% NAV)

Hanoi	7%
Central provinces	26%
Ho Chi Minh City region	67%

Holdings breakdown (% NAV)

Top 10 assets	66%
Remaining 27 assets	34%

Development status (% NAV)

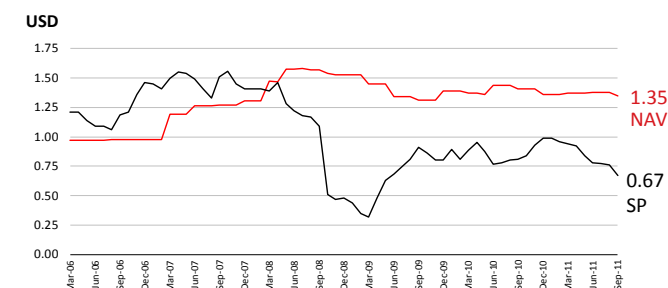
Landbanking assets	8%
Development stage assets	30%
Planning stage assets	51%
Operating assets	12%

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NAV **1.35** per share (↓ 0.7%)

Total NAV: USD675 million

NAV and share price performance (31 Sep 2011)



Quarterly performance history (% change on NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-3.3%	12.5%	22.0%
Q2	0.7%	-0.7%	-9.0%	9.4%	6.1%
Q3	-2.2%	3.7%	-0.8%	-2.5%	0.2%
Q4		-3.5%	1.5%	-4.5%	3.2%
YTD	-0.7%	2.3%	-11.3%	14.8%	33.8%

Top holdings

Project	Type	NAV%	Current status
Century 21	Mixed-use	12%	Planning underway
Danang Beach Resort	Mixed-use	11%	Sales underway
Dai Phuoc Lotus	Township	8%	Sales underway
Pavilion Square	Mixed-use	7%	Investment licence
VinaSquare	Mixed-use	6%	Planning underway
Times Square Hanoi	Mixed-use	5%	Planning underway
Aqua City	Township	5%	Planning underway
My Gia	Township	4%	Sales underway
Trinity Park*	Residential	4%	Planning underway
Movenpick Hotel Saigon	Hospitality	3%	Operating asset

* Previously HUD Dong Tang Long

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

Portfolio developments

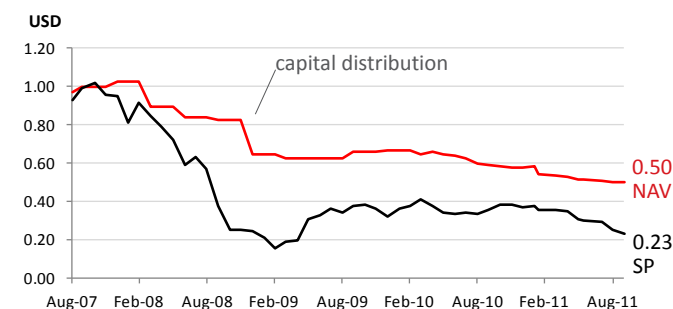
VNI's NAV held steady at USD0.50 per share at the end of September 2011, level with the previous month. The share price fell to USD0.23, from USD0.25, as emerging market stocks continued to suffer as a result of the global retreat from equities. In September, VNI investee Vietnam Container Shipping Joint Stock Company (VSC) was listed by Forbes as one of Asia's '200 Best Under A Billion' companies, for its strong sales and earnings growth. The company, which owns and operates one of Hai Phong's main container ports, recorded USD14 million in revenue and USD4.9 million in net profits for H1 2011, up 13 and 28 percent year-on-year. VNI exited its holdings in Petrovietnam Southern Gas Joint Stock Company (PGS) at the end of September, taking advantage of the stock market rally and the recent performance of the company. PGS had just announced H1 2011 revenue increased by 77.3 percent to USD128 million, while net income rose to USD11 million, or 6.5 times higher than the same period last year. PGS holds a majority stake in CNG Vietnam, a leading producer and distributor of compressed natural gas (CNG), which plans for an IPO in the coming months. The upside of the IPO is considered priced in to the current PGS share price.

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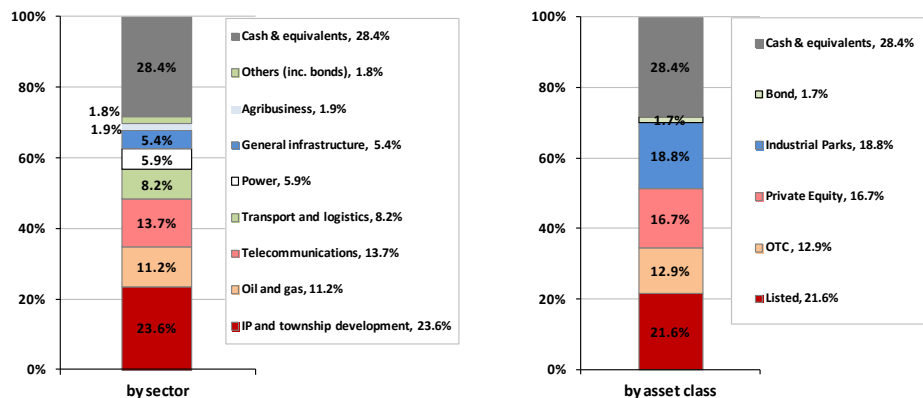
NAV **0.50** per share (↓ 0.0%)

Total NAV: USD200 million

NAV and share price performance (30 Sep 2011)



VNI portfolio (30 Sep 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	-3.2%	-7.5%	1.5%	-1.0%	2.9%
Q4		-3.7%	0.8%	-12.0%	3.1%
YTD	-12.4%	-14.3%	5.5%	-29.1%	6.1%

* Total return since inception: -40.4% (assumes distributions reinvested).

Fund manager

Tony Hsun

Fund background

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

Major holdings

Name	Asset class	Sector	NAV (%)
Long An IP	Greenfield	IP and township	9.6%
Ba Thien IP	Greenfield	IP and township	9.2%
Nam Viet	OTC	Oil and gas	5.2%
VNC-55	PE	Telecoms	4.2%
MIDC	PE	Telecoms	3.8%
VALC	OTC	Transportation	3.7%
PVD	Listed	Oil and gas	3.7%
CII	Listed	General infra	3.0%
Phu My	OTC	Transportation	2.8%
MIS	PE	Telecoms	2.6%

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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

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