

Monthly update 31 August 2012

Fund background

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

ISIN KYG936361016
Bloomberg VNL LN
Reuters VNL.L

Investment objective

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

[View VNL details.](#)
[Download VNL factsheet.](#)

Fund managing director

David Henry

Manager

VNL is managed by VinaCapital Investment Management Ltd ("VCIM" or the "Investment Manager"), a Cayman Islands company. VCIM was established in 2008 and manages three listed and several unlisted investment companies.

More information about VCIM is [available here](#).

Manager comment

VNL's share price declined 5.7 percent to USD0.45 as at 31 August 2012, from USD0.48 as at 31 July 2012. During the month of August, VNL repurchased 1.6 million shares which resulted in a total buyback to date of 12.4 million shares since the beginning of the programme in October 2011. Shares repurchased were cancelled, bringing the total number of shares outstanding to 487,560,397 shares.

Although year-to-date economic factors such as a single-digit inflation, lower interest rates, and a stable currency are delivering positive signals for the economy, the Manager believes that it will take time before these improvements are reflected in the real estate market. Current lending rates for terms of 12-months or greater from commercial banks now sit at between 15 and 17 percent down from over 20 percent only a few months ago. However, banks remain cautious in lending for real estate projects due to their growing level of NPLs and are more inclined to lend to end buyers. According to CBRE Vietnam, during the previous inflationary cycle of 2008-2010, there was a six-month lag from inflation and interest rates falling below 10 percent and the residential real estate market demonstrating positive growth. Notwithstanding continued improvement in macroeconomic factors such as inflation, currency and interest rates, liquidity and project financing remains challenging and the local real estate markets continues to be affected.

On 10 September 2012, VNL announced details of proposed changes to the fee structure and strategy for the Fund. The Board intends to convene an extraordinary general meeting (EGM) prior to the seventh anniversary of Admission (23 March 2013) and will ask shareholders to support the proposed changes. The Board intends to put forward proposals at the same EGM to restructure the Company including changes to VNL's investment strategy, distribution policy, as well as the investment manager's remuneration and corporate governance. The full details of this, including specific assumptions, are set out in the presentation to VNL shareholders available on the Company's website (www.vinacapital.com/vnl).

VNL is conducting a series of shareholder meetings in Europe, North America and Asia from 10 September through mid October 2012 to present the proposed new strategy and seek feedback from shareholders. Following this consultation process, the Board intends to make an announcement detailing the proposals and advise on the timing for an EGM.

Additionally, VNL will be providing a further Fund update including the new strategy during the VinaCapital Investor Conference on 18 October 2012, in Ho Chi Minh City. The Manager will also be conducting a real estate workshop and project inspections in Danang on the 17 October 2012 and shareholders are encouraged to participate. An additional project inspections will also be conducted in HCMC on 19 October 2012.

31 August 2012

NAV* **1.14** per share (↓1.7% q-o-q)

Total NAV (unaudited): USD560.3 million

Performance summary**

	Cumulative change:			
	31 Aug 12	3mth	1yr	3yr
NAV per share	1.14	-1.6%	-14.8%	-13.5%
Share price	0.45	-10.0%	-40.5%	-44.1%
(Discount)	(60.3%)			
Market cap	220.6m			
Total NAV	560.3m			

Other information

Shares outstanding 487,560,397

* NAV and NAV per share data is calculated on a quarterly basis

** Figures in USD. Return percentages are for the period, not annualized.

Portfolio summary

Current assets	36
Divestments	10 full, 1 partial and residential unit sales
Debt level	Fund: Nil Projects: 15% of NAV

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007
Q1	-1.7	0.7	3.0	-3.3	12.5	22.0
Q2	-1.7	-2.2	-0.7	-9.0	9.4	6.1
Q3		0.7	3.7	-0.8	-2.5	0.2
Q4		-12.6	-3.5	1.5	-4.5	3.2
YTD	-3.4	-13.2	2.3	-11.3	14.8	33.8

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USD760 million in government bonds were issued in August, an increase of 81.4 percent from July.

Fixed income

The market volatility surrounding the detention of two high profile Vietnamese businessmen and had a major impact on the fixed income market during August. In the first half of the month, USD522 million in State Treasury bonds were issued, with short term rates remaining nearly unchanged from July; notably 2-year bonds which reached 9.04 percent. However, in the second half of the month demand fell sharply and only USD228 million of State Treasury bonds were issued. Interest rates spiked, with 2-year bonds finishing the month at 9.30 percent. In total USD760 million in government bonds were placed on the primary market, an increase of 81.4 percent from USD419 million in July.

On the secondary market, USD700 million of government and Vietnam Development Bank (VDB) bonds traded in August; an increase of 11.0 percent from the previous month. However, as August came to a close and investors risk appetite decreased, bond yields rose from 5 to 30 bps across the yield curve.

CPI increased by 0.63 percent in August, equating to a 5.0 percent year-over-year inflation rate

Macroeconomic update

During August, month-on-month inflation increased by 0.63 percent, the first month in three to post a rise in CPI, however the year-on-year figure fell to 5.0 percent. August inflation numbers were primarily attributable to an increase in healthcare (5.4 percent), construction materials (2.0 percent) and transportation (1.1 percent) related products. Demand has remained weak across many sectors and inventory levels, which have steadily grown over the last six months, have yet to diminish.

The VND remained stable during August, despite short term shocks following the detention of two high profile businessmen

Vietnam's foreign exchange market remained stable throughout the month of August, with the grey market rate trading in line with the official market. The State Bank of Vietnam (SBV) has now maintained the official peg at VND20,828 per USD for nearly 12 months. Supply and demand for USD has remained in balance, with adequate supply from FDI disbursements, exporters, and foreign remittances from overseas Vietnamese expected to continue throughout 2012. The SBV acted decisively by injecting liquidity into the market to prevent a run on any banks as soon as the news of the high profile businessmen's detention were announced. This reassured depositors and provided confidence to the markets.

Deposit and lending rate caps remained at 9 and 15 percent, respectively, during the month of August

During August, the VND deposit rate cap remained at 9 percent. There continues to be a strong possibility of rates falling to 8 percent by the end of December, which may help GDP growth. Lending rates are also still capped at 15 percent, however, some banks are lending at between 13 and 14 percent to quality borrowers. However, credit growth overall remains slow as both banks (lenders) and businesses (borrowers) remain cautious.

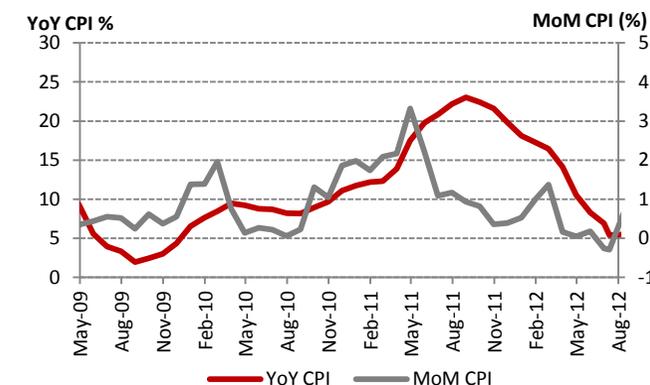
Macro-economic indicators and forecast

	2011	Aug-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.4%	
Inflation	18.1%	0.60%	2.9%	5.0%
FDI (USDbn)	14.7	0.5	8.5	-33.9%
Imports (USDbn)	105.8	10	73.4	6.7%
Exports² (USDbn)	96.3	9.8	73.3	17.8%
Trade deficit (USDbn)	9.5	0.2	-0.1	-101.6%
Exchange rate³ (USD/VND)	21,036	20,828	-0.7%	1.6%
Bank deposit rate (VND %)	12.0-14.0%	9.0%	-21.4%	-21.4%

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

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

Monthly CPI trends



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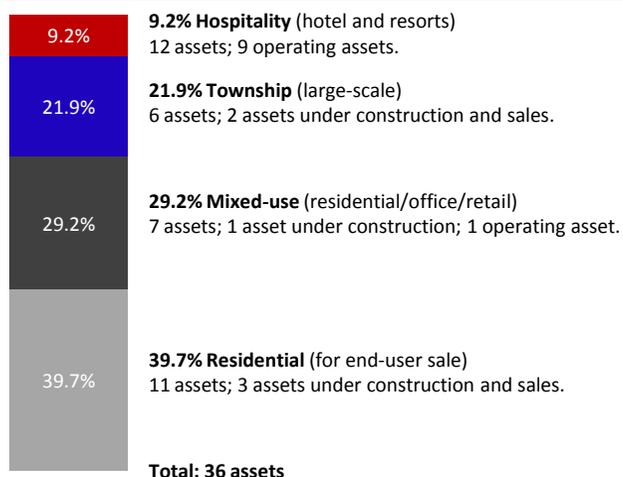
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Top holdings (30 June 12)*

Project	Location	Type	NAV%
Century 21	South	Residential	12.2%
Danang Beach Resort	Central	Residential	12.0%
Pavilion Square	South	Mixed-use	7.4%
Dai Phuoc Lotus	South	Township	6.7%
Times Square Hanoi	North	Mixed-use	6.0%
VinaSquare	South	Mixed-use	5.9%
My Gia	Central	Township	5.2%
World Trade Centre	Central	Mixed-use	4.8%
Aqua City	South	Township	4.6%
Trinity Park	South	Residential	3.9%

Top 10 assets: 68.8%

Portfolio by sector (30 June 12)*



Projects pending final investment licensing (31 Aug 12)

Project	Location	Type	Site Area (ha)
Long An	South	Township	1,780
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	27
Long Truong	South	Residential	20
Hao Khang	South	Residential	5

Total: 6 assets representing NAV of USD67m

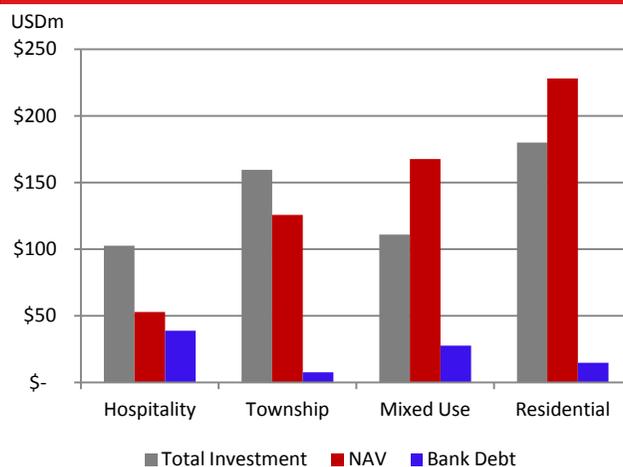
Portfolio breakdown (30 June 12)*

Portfolio by geographic location	NAV%
Hanoi region	9.0%
Central region	28.2%
Ho Chi Minh City region	62.8%
Valuation breakdown	
Assets not yet revalued **	9.3%
Assets revalued	90.7%
Development status	
Land banking	6.2%
Planning stage	54.3%
Development stage	32.7%
Operating assets	6.8%

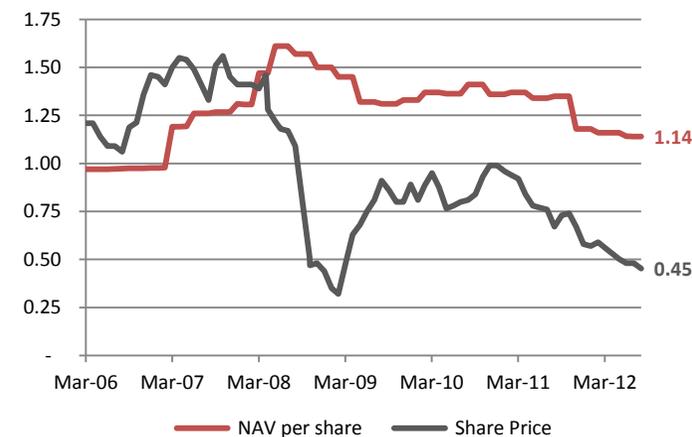
* All NAV and NAV per share data is calculated on a quarterly basis

** held at cost or below cost

NAV by sector (30 June 12)*



NAV and share price performance (31 Aug 12)



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VNL Board of Directors

VinaLand Limited (VNL) is led by a Board of Directors composed of a majority of independent non-executive directors.

Nicholas Brooke	Chairman (Independent)
Nicholas Allen	Director (Independent)
Michael Arnold	Director (Independent)
Michel Casselman	Director (Independent)
Stanley Chou	Director (Independent)
Horst Geicke	Director
Charles Isaac	Director (Independent)

VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the investment manager of VNL.

Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
David Henry	Managing Director, Real estate
David Blackhall	Deputy Managing Director, Real estate
Anthony House	Deputy Managing Director, Real estate

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Fund summary

VinaLand Limited ("VNL") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VNL Factsheet at www.vinacapital.com

Fund launch
22 March 2006

Term of fund
Seven years and then subject to shareholder vote for continuation

Fund domicile
Cayman Islands

Legal form
Exempted company limited by shares

Structure
Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor
PricewaterhouseCoopers (Hong Kong)

Nominated advisor (Nomad)
Grant Thornton Corporate Finance

Custodian and Administrator
HSBC Trustee

Brokers
LCF Edmond de Rothschild Securities (Bloomberg: LCFR)
Numis Securities (Bloomberg: NUMI)

Lawyers
Lawrence Graham (UK)
Maples and Calder (Cayman Islands)

Management and performance fee
Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark

Investment manager: VinaCapital Investment Management Ltd

Investment policy: 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.

Investment focus by geography: Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.