

## Monthly update 31 December 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 unaudited NAV as at 31 December 2012 was USD516.3 million or USD1.07 per share. This represents a 3.6 percent decline from a net asset value per share of USD1.11 as at its close of business on 30 September 2012. During the month, VNL's share price declined 4.9 percent to USD0.39 as at 31 December 2012, from USD0.41 on 30 November 2012. During December, VNL did not repurchase any shares under the ongoing share buyback programme, however to date, a total of 17.0 million shares have been bought back. This represents 3.39 percent of the Company's 499,967,622 ordinary shares in issue prior to the beginning of the share buyback programme.

Despite improving macroeconomic conditions, banks remain extremely cautious in lending for real estate projects due to outstanding non performing loans (NPLs) and loan books already heavily exposed to the real estate market. As a result, the residential sector remains muted with limited demand and home prices falling, specifically in the condominium market. However, it does appear that negative sentiment is beginning to weaken and in some projects we believe the pricing has reached a bottom. In December, VNL signed 15 sales contracts, nearly double that of November and more than September and October. This was a result of typical year-end activity and a marketing road show to Nha Trang to source local buyers for the My Gia project where pricing has been stable for the past few months, as well as buyers for the Azura apartment project in Danang.

In December, the Prime Minister's office engaged with both Ho Chi Minh City and Hanoi officials to discuss measures to revive the country's real estate market. The government is determined to bring the real estate market back while concurrently maintaining macroeconomic stability concurrently. Nevertheless, we expect these initiatives will take some time to show results.

VNL project revaluations were undertaken for the period ending 31 December 2012 with a total of eight projects appraised by international valuation consultants. These revaluations include: Nam Phat in Da Nang, VinaSquare, Long Truong, Saigon Design Centre, and The Garland in Ho Chi Minh City, Binh Duong Township in Binh Duong province, Aqua City and Phu Hoi City in Dong Nai province. Additionally, a further ten projects were externally reappraised by valuation consultants as part of a six month update for the interim period. This resulted in nearly all projects being revised downward, primarily due to the continued softness in the real estate market over the past quarter, which led to a USD0.04 reduction in the Company's NAV per share as at 31 December 2012.

31 December 2012

NAV\* **1.07** per share (↓3.6% q-o-q)

Total NAV (unaudited): USD516.3 million

### Performance summary\*\*

	31 Dec 2012	Cumulative change:		
		3mth	1yr	3yr
NAV per share	1.07	-3.6%	-9.4%	-19.6%
Share price	0.39	-12.7%	-42.5%	-51.9%
(Discount)	(64.0%)			
Market cap	186.0m			
Total NAV	516.3m			

### Other information

Shares outstanding 482,998,227

\* 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: 16% 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	-2.6	0.7	3.7	-0.8	-2.5	0.2
Q4	-3.6	-12.6	-3.5	1.5	-4.5	3.2
YTD	-9.4	-13.2	2.3	-11.3	14.8	33.8

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**Vietnam's GDP grew at the slowest pace since 1999, increasing just 5.0 percent for 2012.**

**CPI reached 6.8 percent year-on-year for 2012.**

**Vietnam's central bank cut policy and deposit rate caps by 1 percent.**

**USD1.3 billion in government bonds were issued in December 2012, an increase of 84.4 percent from November.**

## Macroeconomic update

According to the General Statistic Office (GSO), Vietnam's gross domestic product increased 5.4 percent in the final quarter of 2012, bringing the full year growth to 5.0 percent. This represents the weakest annual economic expansion since 1999 and came as a result of the State Bank of Vietnam's (SBV) focus on keeping inflation at manageable levels compared to previous years. However there is a sign the economy is improving as inventory levels increased just 20 percent in the fourth quarter, far lower than a peak of 35 percent in the second quarter.

The consumer price index increased 0.27 percent in December, month-on-month, bringing the full year figure to 6.8 percent, a drastic change from an inflation rate of 18.1 percent recorded in 2011. During the month, prices for food and foodstuffs remained unchanged, while prices for transportation increased 0.3 percent.

Credit growth finished the year at 6.5 percent, much lower than the SBV's initial target of 15 – 17 percent. Conversely, as a result of high deposit rates total deposits increased by 20.3 percent in 2012 and as such, the VND strengthened versus the USD. Credit growth should improve in 2013 if interest rate caps continue to fall. In late December, Vietnam's central bank cut policy and deposit rate caps by 1 percent. As a result the refinancing rate and deposit rate cap fell to 9 percent and 8 percent respectively.

## Fixed income

The primary bond market extended its rally into December with a total of USD1.3 billion worth of government and government sponsored bonds issued, an 84.4 percent increase from November 2012. Credit growth in Vietnam finished at 6.5 percent for the year, which resulted in abundant liquidity for the banking system, aiding in the strength of the overall bond market. As a result, bond yields declined between 5 to 14bps on 2-year and 5-year State Treasury bonds, which accounted for 54 percent of total issues in December.

The secondary market also rallied in December with USD1.3 billion worth of government and government sponsored bonds exchanging hands. Nearly 75 percent of all bonds activity were in short to medium term bonds (3 years and below). According to data compiled by Bloomberg, yields declined between 5 to 15bps for these short and medium term bonds.

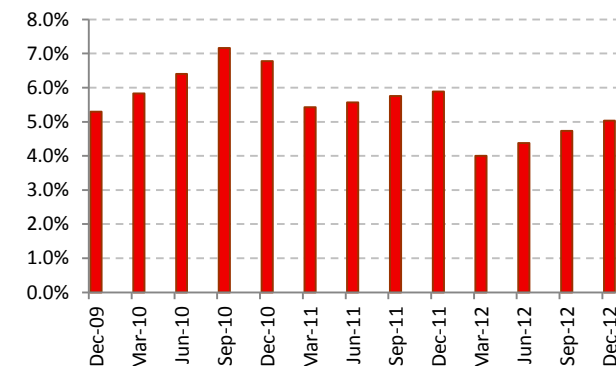
## Macro-economic indicators and forecast

	2011	Dec-12	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	5.9%	5.40%	5.0%	5.0%
<b>Inflation</b>	18.1%	0.27%	6.8%	6.8%
<b>FDI (USDbn)</b>	14.7	0.8	13.0	-15.3%
<b>Imports (USDbn)</b>	105.8	10.6	114.3	7.1%
<b>Exports<sup>2</sup> (USDbn)</b>	96.3	10.4	114.6	18.3%
<b>Trade deficit (USDbn)</b>	9.5	0.2	0.3	-
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	21,036	20,855	-0.9%	0.1%
<b>Bank deposit rate (VND %)</b>	12.0-14.0%	8.0%	-42.9%	-42.9%

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

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

## Quarterly GDP year-on-year growth



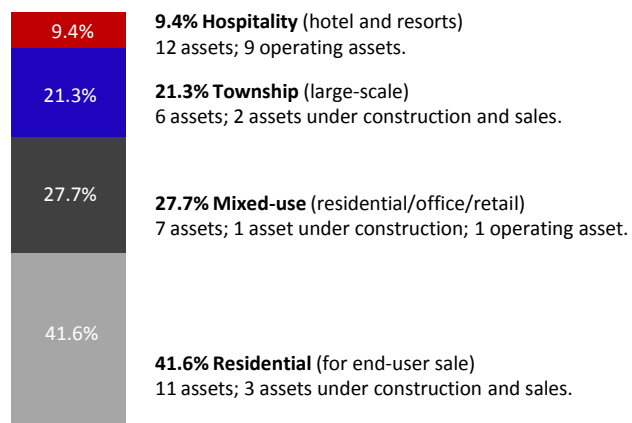
Source: General Statistics Office (GSO)

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## Top holdings (31 Dec 12)\*

Project	Location	Type	NAV%
Century 21	South	Residential	13.7%
Danang Beach Resort	Central	Residential	13.3%
Pavilion Square	South	Mixed-use	7.8%
Dai Phuoc Lotus	South	Township	6.4%
Times Square Hanoi	North	Mixed-use	5.5%
VinaSquare	South	Mixed-use	5.2%
My Gia	Central	Township	4.8%
Aqua City	South	Township	4.4%
Trinity Park	South	Residential	4.2%
World Trade Centre	Central	Mixed-use	3.9%
<b>Top 10 assets:</b>			<b>69.3%</b>

## Portfolio by sector (31 Dec 12)\*



Total: 36 assets

## Projects pending final investment licensing (31 Dec 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	16
Long Truong	South	Residential	20
Hao Khang	South	Residential	5

Total: 6 assets representing NAV of USD64m

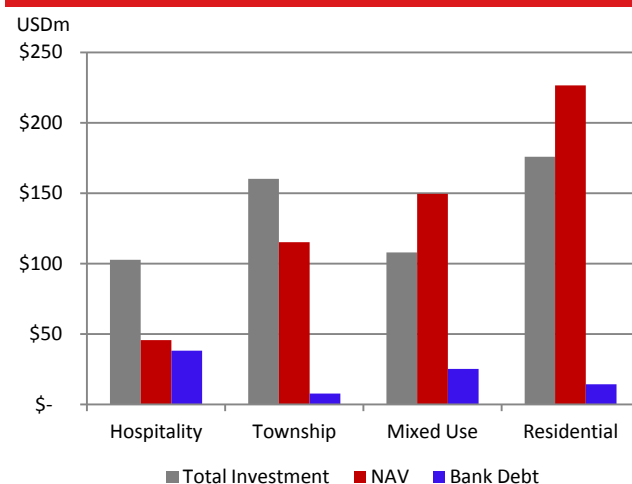
## Portfolio breakdown (31 Dec 12)\*

Portfolio by geographic location	NAV%
Hanoi region	8.8%
Central region	28.4%
Ho Chi Minh City region	62.8%
Valuation breakdown	
Assets not yet revalued **	11.4%
Assets revalued	88.6%
Development status	
Land banking	6.0%
Planning stage	56.0%
Development stage	31.1%
Operating assets	6.9%

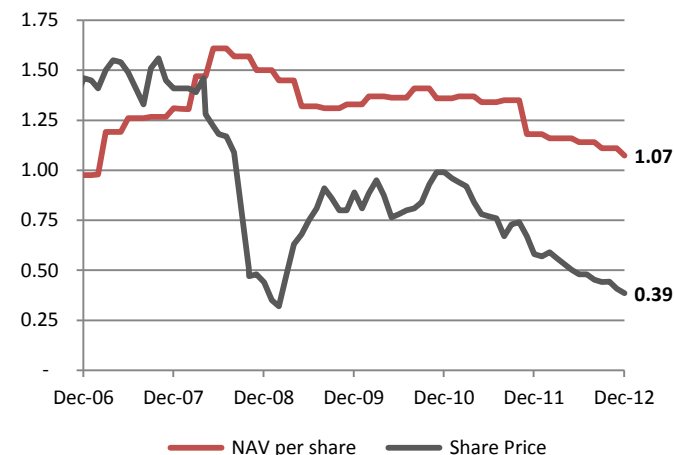
\* All NAV and NAV per share data is calculated on a quarterly basis

\*\* held at cost or below cost

## NAV by sector (31 Dec 12)\*



## NAV and share price performance (31 Dec 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.

<b>Nicholas Brooke</b>	Chairman (Independent)
<b>Nicholas Allen</b>	Director (Independent)
<b>Michael Arnold</b>	Director (Independent)
<b>Michel Casselman</b>	Director (Independent)
<b>Stanley Chou</b>	Director (Independent)
<b>Charles Isaac</b>	Director (Independent)
<b>Horst Geicke</b>	Director*

\* Mr Geicke resigned from the Board of Directors on 18 January 2013.

## VinaCapital

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

<b>Don Lam</b>	Chief Executive Officer
<b>Brook Taylor</b>	Chief Operating Officer
<b>David Henry</b>	Managing Director, Real estate
<b>David Blackhall</b>	Deputy Managing Director, Real estate
<b>Anthony House</b>	Deputy Managing Director, Real estate
Contact	
<b>David Dropsey</b>	Investor Relations/Communications ir@vinacapital.com +848-3821-9930 <a href="http://www.vinacapital.com">www.vinacapital.com</a>
<b>Brokers</b>	Edmond de Rothschild Securities +44 (0)20 7845 5960 or <a href="mailto:funds@lcf.co.uk">funds@lcf.co.uk</a>
	Numis Securities + 44 (0)20 7260 1327, <a href="mailto:mail@numis.com">mail@numis.com</a>

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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](http://www.vinacapital.com)

### Fund launch

22 March 2006, new three year term commenced 21 November 2012.

### Term of fund

Originally seven years, but now subject to shareholder vote for continuation every three years.

### 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

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 fixed at USD8.25 million per annum until 22 November 2013, reducing each year thereafter until 22 November 2015. No performance fees, but the recovery of the accrued performance fee is linked to distributions to shareholders.

**Investment manager:** VinaCapital Investment Management Ltd

**Investment policy:** The Fund is now in a cash return period and will not make any investments, except where funds are required for existing projects. The Fund will seek to realise assets in the existing portfolio and continue with the development of selected projects to maximize value.

**Investment focus by geography:** All existing investments are located in Vietnam. There will be no new investments during the current cash return period.