

Monthly update 29 February 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 fell USD0.01 in February 2012, closing at USD0.57, down 1.7 percent from USD0.58 in January. VNL bought 865,000 shares during February, bringing the total number of shares repurchased to 4,260,000 as of 29 February 2012. Shares repurchased were cancelled, resulting in a total of 495,707,622 shares outstanding.

For the month of February, the property market has continued to be challenging primarily due to illiquidity resulting from high interest rates. Buyers seem to be waiting for additional price reductions or incentives and delaying new home purchases. Given this inactivity, VNL has signed an exclusive distribution deal with Keller Williams Realty, the second largest residential real estate company in the United States, for VinaLiving projects, targeting overseas Vietnamese living in North America. Our sales team is now coordinating an official road show in locations that comprise of large overseas Vietnamese populations including Orange County (California), Seattle, Washington D.C., Dallas, New York and Denver.

In February, non-residential real estate was dominated by the retail sector, which saw demand from both foreign and domestic retail businesses looking for space in Vietnam’s three major cities. VNL has seen steady interest in the Danang World Trade Centre project and is actively seeking a commitment with a development partner that would enable the commencement of construction. Additionally, the office sector remains heavily oversupplied and rental rates are coming under more pressure, with landlords finally offering incentives to attract tenants. Notwithstanding, VNL has almost no exposure to the office sector.

Fund management presented at this year’s LCF Rothschild Emerging Market conference in London on 29 February 2012. The presentation is available on our website [here](#).

Prior to the conference, VNL management, along with members of the Board, held investor meetings in Zurich and London, updating shareholders on the Fund. Discussions were aimed to seek comments regarding the preliminary planning for the upcoming continuation vote. These small group meetings were well received by the shareholders involved and both management and the Board obtained very direct and useful feedback.

29 Feb 2012

NAV **1.20** per share (↓11.1% q-o-q)

Total NAV: USD598 million

Performance summary*

	Cumulative change:			
	29 Feb 12	3mth	1yr	3yr
NAV per share	1.20	-11.1%	-11.8%	-20.0%
Share price	0.57	-23.0%	-40.6%	62.9%
Premium/ (Discount)	(52.5%)			
Market cap	283m			
Total NAV	598m			

Other information

Shares outstanding 495,707,622

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

Deal history

Total assets	37
Peak assets	46
Divestments	9 full + 1 partial, plus residential unit sales
Debt	Fund: Nil Projects: 13% of NAV

Performance history (% change in NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-3.3%	12.5%	22.0%
Q2	-2.2%	-0.7%	-9.0%	9.4%	6.1%
Q3	0.7%	3.7%	-0.8%	-2.5%	0.2%
Q4	-11.1%	-3.5%	1.5%	-4.5%	3.2%
YTD	-11.8%	2.3%	-11.3%	14.8%	33.8%

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Demand for Vietnam government bonds remained strong, given the recent stability in the banking sector

Macroeconomic update

On the back of improved liquidity in the banking system, the bond market was very active in February, with 88 percent, or USD1.4 billion worth of government bonds (g-bonds) and Vietnam Development Bank (VDB) bonds issued. Despite the market's expectation of an interest rate cut, bond auction sessions in February received strong bids.

However, yields on 3- and 5-year government issues were down by 80 basis points to 11.30 percent and 11.35 percent respectively, compared to the previous month. Meanwhile, the yield on 10-year bonds fell by 10 basis points to 11.72 percent, compared with January 2012.

On the secondary market, a total of USD261 million worth of VDB and g-bonds were traded in February, representing an increase of 31 percent compared to January. However, most transactions took place involving short term bonds as the result of the expected decline in interest rates.

Inflation fell to 16.4 percent YoY for 2012 YTD

Inflation continued to decline during February, rising just 1.4 percent month-on-month, equivalent to 16.4 percent year-on-year. Food price increases moderated, removing one of the key elements of inflation pressure, however gasoline prices increased by 10 percent as a result of the government announcing the removal of subsidies. We believe inflation will continue to slow throughout 2012 and have set a new annual target of 10 percent for CPI.

The Vietnam Dong (VND) continued to stabilize throughout the month of February, in fact, year to date, the currency has actually appreciated versus the USD by approximately 1 percent. With inflation declining and a deposit rate differential of more than 10 percent between VND and USD accounts, the State Bank of Vietnam (SBV) purchased USD3.0 billion in the foreign exchange market, boosting reserves by 20 percent in 2012.

Retail sales increased 22 percent in February

Retail sales of consumer goods and services increased 22 percent in February and continue to be the foundation for economic growth for the year to date, despite weakening purchasing power from persistent inflation. We believe that GDP growth will end 2012 at 6.0 percent, lower than the average 7.1 percent over the past decade, given the government's emphasis on macro stability at the expense of lower economic growth.

Macro-economic indicators and forecast

	2011	Feb-12	YTD	Y-o-Y change
GDP growth¹	5.9%			
Inflation	18.1%	1.4%	2.4%	16.4%
FDI (USDbn)	14.7	0.8	1.2	-21.2%
Imports (USDbn)	105.8	9	15.9	11.8%
Exports² (USDbn)	96.3	8.2	15.3	24.8%
Trade deficit (USDbn)	9.5	0.8	0.6	-68.4%
Exchange rate³ (USD/VND)	21,036	20,870	-0.8%	0.0%
Bank deposit rate (VND %)	12.0-14.0%	N/A	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.

Govt bonds	1 yr	2 yr	3 yr	5 yr	10 yr
Yield curve (%)	11.58	11.58	11.60	11.58	11.72

Source: Bloomberg

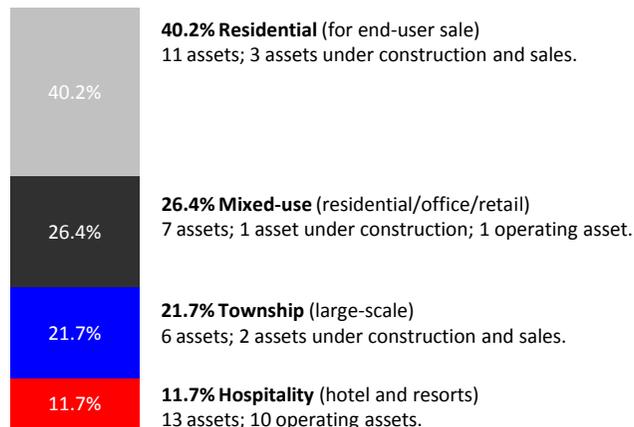
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Top holdings (31 Dec 11)

Project	Location	Type	NAV%
Century 21	South	Residential	12.6%
Danang Beach Resort	Central	Residential	12.3%
Dai Phuoc Lotus	South	Township	7.6%
Pavilion Square	South	Mixed-use	7.0%
VinaSquare	South	Mixed-use	5.6%
Times Square Hanoi	North	Mixed-use	5.2%
My Gia	Central	Township	5.1%
World Trade Centre	Central	Mixed-use	4.2%
Aqua City	South	Township	4.0%
Trinity Park*	South	Residential	3.9%

* Previously HUD Dong Thang Long. **Top 10 assets: 67.6%**

Portfolio by sector (31 Dec 11)



Total: 37 assets

Projects pending final investment licensing (31 Dec 11)

Project	Location	Type	Site Area (ha)
Long An	South	Township	1,925
Hoi An South	Central	Township	1,538
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	4.8

Total: 7 assets representing NAV of USD75m.

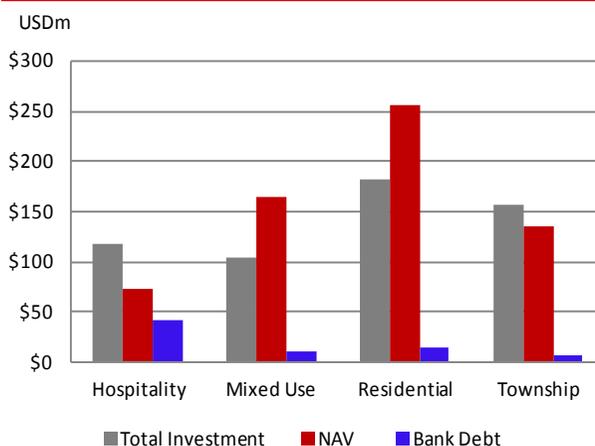
Portfolio breakdown (31 Dec 11)

Portfolio by geographic location	NAV%
Hanoi	7.6%
Central provinces	28.3%
Ho Chi Minh City region	64.1%

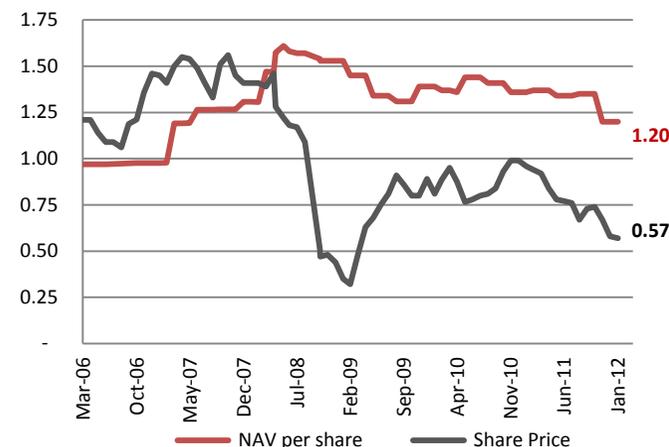
Valuation breakdown	NAV%
Assets held at cost and below cost	12.0%
Assets revalued	88.0%

Development status	NAV%
Landbanking assets	7.6%
Planning stage assets	51.3%
Development stage assets	31.6%
Operating assets	9.5%

NAV by sector (31 Dec 11)



NAV and share price performance (29 Feb 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
Jonathan Campbell	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.