

Monthly update 31 January 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 USD0.10 in January 2012, closing at USD0.58, down 15 percent from USD0.68 in December. The fund continued its share buyback programme, repurchasing 800,000 shares during January, bringing the total number of shares repurchased to 3,395,000 as of 31 January 2012. Shares repurchased were cancelled, resulting in a total of 496,572,622 shares outstanding.

January is a notoriously slow month for real estate sales given the lunar new year celebrations. As a result, our deal pipeline for February and March 2012 is looking stronger. Additionally, as the law regarding overseas Vietnamese ownership is becoming more relaxed, we are seeing more interest from these buyers. VCRE has negotiated distribution agreements for new target markets for overseas Vietnamese in Australia, the United States, and Canada.

The VNL Annual Report is now available on our website at: <http://www.vinacapital.com/vnl>

Macro and capital markets update

The VN Index dropped almost 15 points (-4.0 %) in the first week of January before rallying strongly prior to the week long Tet holiday. Overall, the index gained 10.6 percent in USD terms, closing the month at 388 points. This was the best performance in a single month since September 2009. The rally was in line with other regional indexes as the MSCI Asia ex-Japan and MSCI Emerging Markets increased by 10.7 and 11.2 percent in January, respectively.

However, given the Tet holiday season started in January this year, trading value and volume on Vietnam's two stock exchanges significantly decreased during the month. Trading value and volume reached only USD300 million and 620 million shares, respectively, month-on-month decreases of 48 and 45 percent. The combined market capitalization of both bourses closed the month at a value of USD29.3 billion. Notably, the VN Index traded at a trailing P/E of 7.8x and P/B of 1.3x by January's end, slightly higher than December, but still extremely cheap versus other frontier markets globally. This was one of the main factors in a recent article from Bloomberg, which cites Vietnam as the leading country among frontier markets, which has outstanding economic expansion and sits at very attractive valuations. The full article can be read [here](#).

Foreign investors continued to be net sellers of USD98 million during January, compared to net selling of USD44 million in the previous month. Shares of Sacombank (STB) and Vincom (VIC) continued to be under heavy selling pressure. If we exclude the effect of STB and VIC, foreigners would have been net buyers of USD23 million for the month.

31 Jan 2012

NAV **1.20** per share (↓11.1% q-o-q)

Total NAV: USD598 million

Performance summary*

	Cumulative change:			
	31 Jan 11	3mth	1yr	3yr
NAV per share	1.20	-11.1%	-11.8%	-8.2%
Share price	0.58	-20.5%	-41.4%	-58.9%
Premium/ (Discount)	(51.7%)			
Market cap	288m			
Total NAV	598m			

Other information

Issued shares	496,572,622
Fundraisings	198m in 2006; 395m in 2007

* Figures in USD. Return percentages are gross, not annualized.

Acquisition 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 on 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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Macro update (continued)

Bond yields remain stable for another month, at 12.1 and 12.15 percent for 3 and 5-year bonds respectively

There was only one treasury bond auction conducted in January for 3- and 5-year bonds, but it enjoyed a very positive response from investors as both inflation and interest rates fears are showing signs of fading for the coming year. The government sold out of the 3-year issue and 88 percent of the 5-year bonds for a combined value of USD47.5 million. Yields remained unchanged compared to previous auctions, at 12.1 and 12.15 percent for the 3- and 5-year bonds, respectively.

For the remainder of 2012, demand for government bonds (g-bonds) is expected to remain high as an expected USD3.4 billion worth of treasury issues will be due this year, requiring banks to rollover their current holdings. Additionally, the market is expected to see a limited supply of new bond issuance, with only an estimated USD7.8 billion worth of g-bonds, planned for the next three years.

On the secondary market, a total of USD199.4 million worth of Vietnam Development Bank (VDB) and g-bonds were traded in January, representing a decline of 55 percent compared to December.

Inflation continued to trend down because of the lagging effect of the tight monetary policy set from the middle of 2011, reaching 1.0 percent MoM and 17.3% YoY. We continue to believe inflation will fluctuate throughout the year, as a result of food price increases, or a hike in the cost of utilities (electricity, gasoline) due to relaxed subsidies. We think that CPI for 2012 will be between 10 and 15 percent, markedly better than the past two years.

However, interest rates remain high, with business loan rates sitting at 19-20 percent, an extremely constrictive level for production activities for most companies in Vietnam. The most affected are small and medium sized businesses with no direct access to capital markets (either equity or bonds) that must rely solely on bank loans for capex and working capital.

Bank liquidity continues to pose a serious problem for both the real estate and capital markets. Many industry experts agree, a large amount of bank capital is now locked up in uncollectible real estate loans, further freezing up liquidity. Additionally, we now see the interbank market as a source of the problem regarding liquidity, despite a sizable market of approximately VND500 trillion in loans outstanding.

A bright spot for the economy continues to be the stability of the VND. The SBV governor has achieved his pledge to keep any VND depreciation in 4Q2011 to just 1 percent. This month which included the Tet holiday saw a peak in remittances, and with a significant differential of deposit rates in VND vs. USD accounts, most of these remittances were converted to VND. We continue to forecast a 5 percent devaluation in the VND currency for an interbank exchange rate of 22,000 by the end of 2012.

Inflation continued to slow into January, reaching 17.3% YoY, even throughout the Tet holiday season.

Interest rates remain at extremely constrictive levels: 19-20 percent

Stability in the VND for January helped by peak remittances from overseas Vietnamese during the Tet holiday season

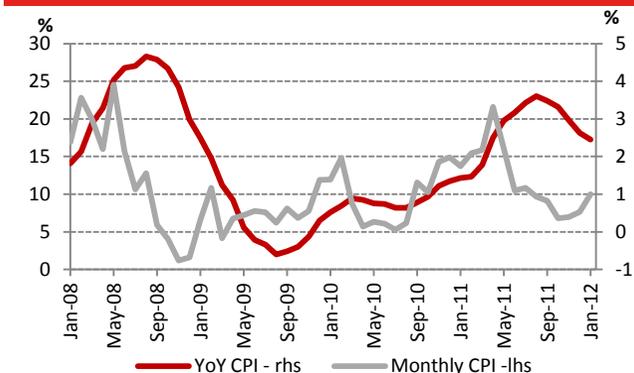
Macro-economic indicators and forecast

	2011	Jan-12	YTD	Y-o-Y change
GDP growth¹	5.9%			
Inflation	18.1%	1.0%	1.0%	17.3%
FDI (USDbn)	14.7	0.4	0.4	94.7%
Imports (USDbn)	105.8	6.6	6.6	-18.7%
Exports² (USDbn)	96.3	6.5	6.5	-11.1%
Trade deficit (USDbn)	9.5	0.1	0.1	-90.0%
Exchange rate³ (USD/VND)	21,036	21,036	0.0%	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.

Monthly CPI trends



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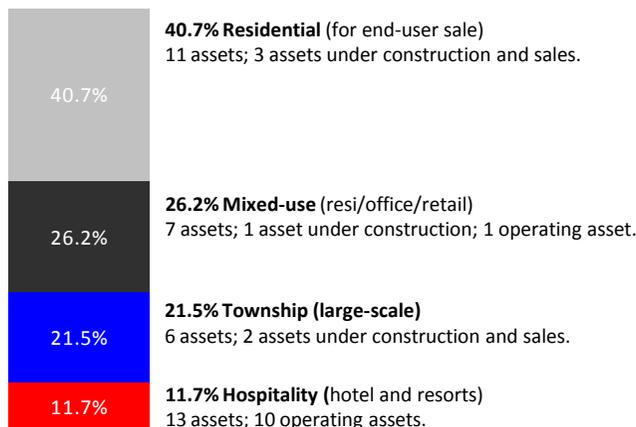
Top holdings (31 Dec 11)

Project	Location	Type	NAV%
Century 21	South	Residential	13%
Danang Beach Resort	Central	Residential	12%
Dai Phuoc Lotus	South	Township	8%
Pavilion Square	South	Mixed-use	7%
VinaSquare	South	Mixed-use	6%
Times Square Hanoi	North	Mixed-use	5%
My Gia	Central	Township	5%
World Trade Centre	Central	Mixed-use	4%
Aqua City	South	Township	4%
Trinity Park*	South	Residential	4%

* Previously HUD Dong Tang Long.

Top 10 assets: 68%

Portfolio by sector (31 Dec 11)



Total: 37 assets

Projects carried at cost and below cost (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.

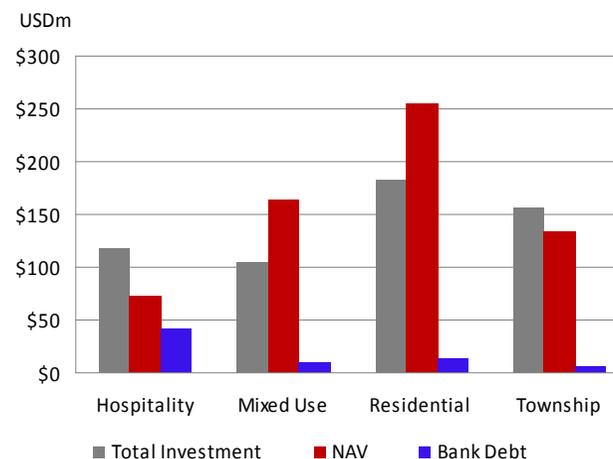
Portfolio breakdown (31 Dec 11)

Portfolio by geographic location	NAV%
Hanoi	8%
Central provinces	28%
Ho Chi Minh City region	64%

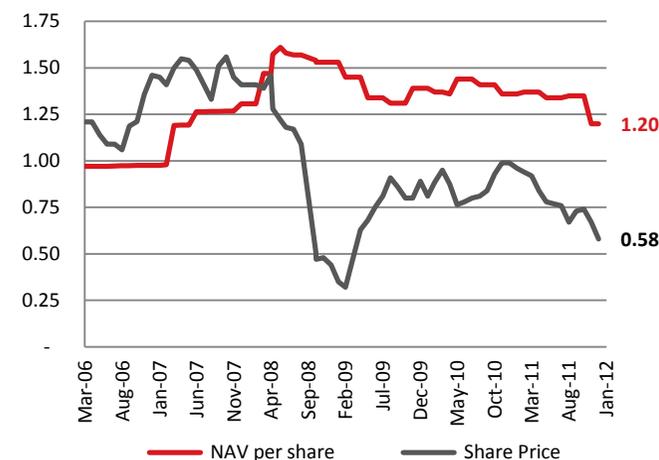
Valuation breakdown	NAV%
Assets held at cost and below cost	12%
Assets revalued	88%

Development status	NAV%
Landbanking assets	7%
Planning stage assets	52%
Development stage assets	31%
Operating assets	10%

NAV by sector (31 Dec 11)



NAV and share price performance (31 Jan 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.