

Monthly update 31 July 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 remained unchanged from last month, standing at USD0.48 as at 31 July 2012. During the month, VNL bought back 1,824,161 shares which resulted in a total number of shares repurchased to date of 10,826,921. Shares repurchased were cancelled, bringing the total number of outstanding shares down to 489,140,701. Since the beginning of the share buyback program, shares repurchased have had an accretive effect; increasing NAV per share by USD0.014, based on 30 June 2012 net asset value.

Over recent months approximately 50 percent of VNL project companies with bank debt facilities have been able to negotiate improved lending terms. VNL will continue to engage banks to refinance existing debt facilities in order to secure the best terms possible in order to take advantage of current conditions. As at 31 July 2012, total debt at the project company level is 15 percent of the NAV. July marked yet another month of difficulty in Vietnam's property market with slow residential sales across the country. However there has been an increase in interest from foreign investors looking for either assets or development projects and we are currently in discussions with a number of foreign groups.

The VNL portfolio includes a real estate development project in Ho Chi Minh City known as the Century 21 which comprises of three individual land parcels known as Parcels A, B & C. The largest of these land parcels is the 30ha Nam Rach Chiec (Parcel C) site. During July, VNL managed to progress the restructuring of these holding companies with the local joint venture partner. This progress has resulted in both VNL and VinaCapital Vietnam Opportunity Fund (VOF) moving a step closer to securing a combined 100 percent stake of the Parcel C site in exchange for ownership of the Parcel B site.

As part of this restructure, VNL has entered into an agreement to divest its stake in the Parcel A site at a valuation slightly above the 30 June 2012 NAV, to a foreign buyer. In conjunction with this transaction, VNL has received a refundable advance of USD3.75 million with the full balance to be collected over the next 12 months, subject to completion of material conditions precedent, which is an essential term for final completion of the sale. Overall the objective of securing 100 percent ownership of Parcel C which is the largest and most valuable site for a residential and commercial development is now a step closer. This enables VNL to proceed with the final licensing so that it is available for development and/or exit.

Notably, VNL will be providing a Fund update during the VinaCapital Investor Conference on 18 October 2012 in Ho Chi Minh City. Prior to this, VNL Management will also be conducting a series of updates in Europe, North America and Asia beginning in mid September.

31 July 2012

NAV **1.14** per share (↓1.7% q-o-q)

Total NAV: USD560.3 million

Performance summary*

	31 July 12	Cumulative change:		
		3mth	1yr	3yr
NAV per share	1.14	-1.6%	-14.8%	-13.5%
Share price	0.48	-14.3%	-37.7%	-36.0%
Premium/ (Discount)	(57.9%)			
Market cap	236m			
Total NAV	560.3m			

Other information

Shares outstanding 489,140,701

* 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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Bond activity picked back up in July 2012 to USD419 million in new issues, an increase of 178 percent from last month

Fixed income

In July, new issues of State Treasury bonds rebounded significantly, with bids rising by 178 percent to USD419 million, compared with June. However, long term bond activity disappeared during the month, as only 2- to 5-year bonds were issued, a sign investors continue to worry about possible inflation pressures later in the year. Yields on 2-year bonds increased 30 bps to 9.10 percent. Additionally, the Vietnam Bank for Social Policy (VBSP) bond auction failed to attract any buyers during the month of July.

On the secondary market, more than USD632 million worth of government and Vietnam Development Bank (VDB) bonds traded in July, of which, 74 percent was in tenors of less than 3 years. As a result, short term bond yields dropped between 10 and 80 bps for the month, while long term bond yields rose by 10 to 35 bps.

Macroeconomic update

CPI declined for the second straight month, down 0.29 percent, equivalent to 5.4 percent year-on-year

For the month of July, month-on-month inflation declined by 0.29 percent, the second month in a row of negative CPI, which is equivalent to 5.4 percent year-on-year. All major inflation drivers from the past, namely food and food stuffs, fuel and gasoline have remained stable while demand for other consumer items has waned. Companies have lost the ability to raise prices and in certain industries, such as construction materials tied to real estate development, are offering discounts in order to reduce inventory levels.

The VND remained stable for yet another quarter, closing at VND20,828 in July

For nearly a year now, the exchange rate for the VND has remained stable at just under 21,000 per USD, finishing July at 20,828. Much of this is due to the trade deficit which has only reached USD158 million over the first seven months of the year, compared to USD7.0 billion in 2011, coupled with foreign direct investment disbursements and overseas remittances remaining stable. The State Bank of Vietnam (SBV) reserves have now reached approximately USD20 billion, equivalent to ten weeks of imports, and is expected to reach three months by year end. Additionally, adding to the currency stability is the 7.0 percent spread between VND and USD deposit rates. As this spread remains extensive, investors are more willing to hold their cash deposits in VND currency instead of converting to USD.

The SBV has started to bring pressure on banks to lower loan rates to 15 percent

Additionally, the SBV's directive to bring down loan rates on outstanding loans to 15 percent has recently been implemented. There is now heavy pressure on banks to bring rates down to these levels, which could lead to an increase in non-performing loans in the future. The SBV has taken these measures following two straight quarters of lack luster GDP growth and private sector complaints that borrowing costs are too restrictive for their businesses to grow.

Macro-economic indicators and forecast

	2011	Jul-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.4%	
Inflation	18.1%	-0.29%	2.2%	5.4%
FDI (USDbn)	14.7	1.6	8.0	-33.1%
Imports (USDbn)	105.8	9.5	63.0	7.3%
Exports² (USDbn)	96.3	9.6	62.9	19.0%
Trade deficit (USDbn)	9.5	-0.1	0.2	-90.9%
Exchange rate³ (USD/VND)	21,036	20,828	-0.9%	1.6%
Bank deposit rate (VND %)	12.0-14.0%	11.0%	-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.

Govt Bonds	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr
Yield (%)	9.15%	8.78%	9.49%	9.80%	10.05%	10.35%

Source: Bloomberg

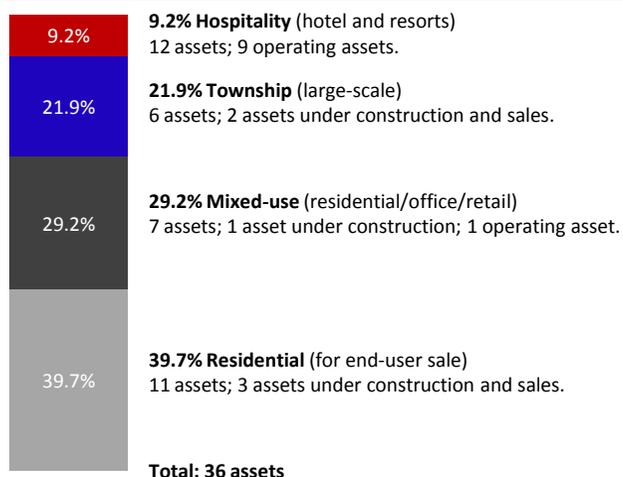
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Top holdings (30 June 12)

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 (30 June 12)

Project	Location	Type	Site Area (ha)
Long An	South	Township	1,780
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	5

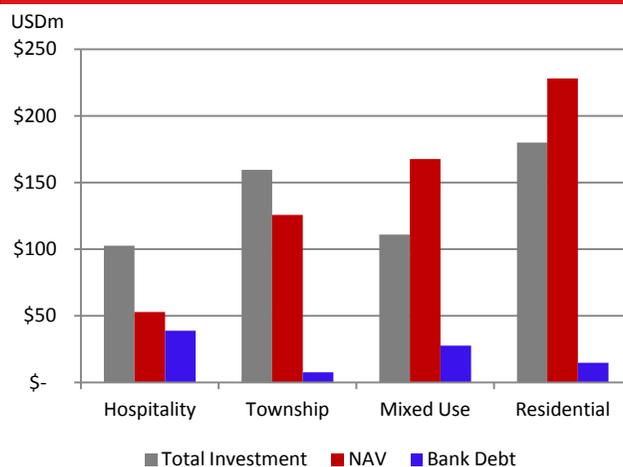
Total: 7 assets representing NAV of USD74m

Portfolio breakdown (30 June 12)

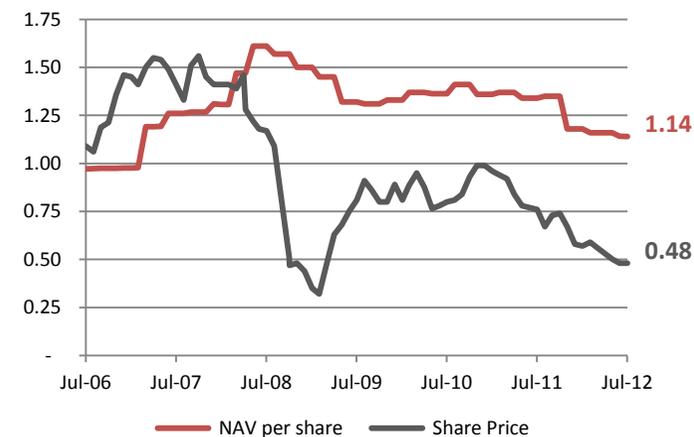
Portfolio by geographic location	NAV%
Hanoi region	9.0%
Central region	28.2%
Ho Chi Minh City region	62.8%
Valuation breakdown	
Assets not yet revalued **	9.3%
Assets revalued	90.7%
Development status	
Land banking	6.2%
Planning stage	54.3%
Development stage	32.7%
Operating assets	6.8%

** held at cost or below cost

NAV by sector (30 June 12)



NAV and share price performance (31 July 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.