

Monthly update 30 June 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 net asset value was USD560.3 million or USD1.14 per share as at 30 June 2012, a decrease of 1.7 percent from USD573.6 million or USD1.16 per share from its close of business on 31 March 2012. For the month, VNL's share price fell USD0.02 to USD0.48 as at 30 June 2012, from USD0.50 as at 31 May 2012.

Additionally, VNL bought 1,632,760 shares, bringing the total number of shares repurchased to 9,002,760. Shares repurchased were cancelled, bringing the total number of issued shares down to 490,964,862.

VNL project revaluations were undertaken for the period ending 30 June 2012 with ten projects appraised by international valuation consultants. These projects include; Danang Beach Integrated Resort and World Trade Centre in Danang, Ceana in Hoi An, Dai Phuoc Lotus, Hao Khang, HBT Court and HVT in HCMC, My Gia in Nha Trang, Times Square and Nguyen Du in Hanoi. Additionally, a further seven projects were also externally re-appraised by valuation consultants as part of a six month follow up to results from the interim period. In total the outcome was a downward market value adjustment on six projects, with nine revised upward and two unchanged. Results were primarily due to the continued softness in residential real estate sales over the past quarter, which lead to a USD0.02 reduction in NAV per share.

However, Vietnam's economy has demonstrated continued signs of stability resulting in less volatility in the real estate market as inflation appears to be under control and the VND exchange rate remains flat. Although, the prolonged tightened monetary policy has caused Vietnam's economic growth to continue to slow down. Year to date GDP growth has slowed to 4.4 percent, below the government's target of 6.0 percent for all of 2012.

During the month of June, the State Bank of Vietnam lowered the short-term deposit rate cap to 9 percent. Although market liquidity continues to be very tight in the property market we anticipate that the market, specifically landed residential property, is poised to gradually begin to improve as a result of recent rate cuts, notwithstanding debt liquidity and cost issues which have long hindered property sales.

On 18 June 2012, VNL management participated in an investor conference call to update shareholders on the market environment and fund performance. A replay of the call is available on our [website](#) or the reply numbers listed in the notice of the call.

30 June 2012

NAV **1.14** per share (↓1.7% q-o-q)  
Total NAV: USD560.3 million

## Performance summary\*

	Cumulative change:			
	30 Jun 12	3mth	1yr	3yr
NAV per share	1.14	-1.6%	-14.8%	-14.8%
Share price	0.48	-18.6%	-38.5%	-29.4%
Premium/ (Discount)	(57.9%)			
Market cap	236m			
Total NAV	560.3m			

## Other information

Shares outstanding 490,964,862

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

## Acquisition - divestment history

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%

**Bond activity slowed considerably in June 2012 to USD235 million in new issues, a decline of 69 percent from May 2012.**

## Fixed income

In contrast to the last three months, primary bond market activity was quiet in June 2012. Fixed income investors maintained a cautious view given both an expectation of inflationary pressures that could materialize towards the end of the year and another two percent rate cut by the State Bank of Vietnam (SBV). Additionally, the anticipation of the State Treasury's disbursement of USD2.4 billion in the coming months also likely negatively impacted the overall bond market.

Only USD235 million worth of government and government sponsored bonds were issued in June 2012, a decline of 69 percent compared to May 2012, while yields increased 30 bps for 2- and 3-year State Treasury bonds to 9.20 percent and 9.40 percent, respectively. However, yields further along the curve saw little movement, with 5-year bonds increasing only 10 bps to 9.55 percent and 10-year bonds unchanged at 9.5 percent.

**The yield curve flattened slightly with short term yields increasing slightly while long term yields fell.**

In the secondary market low risk appetite from bond investors affected demand throughout the month. Overall bond trading value fell to USD589 million in June, a month-on-month decline of 36 percent from May. A flattening of the yield curve was even more prevalent in the secondary market as short to medium tenor government bonds rose between 10 and 70 bps while long term bonds declined by 10 to 20 bps. Bond activity is expected to continue sliding due to low risk appetite and increased supply from banks as they lock in profits.

## Macroeconomic update

**Second quarter GDP growth fell to 4.7 percent, resulting in first half growth of 4.4 percent**

Second quarter 2012 GDP growth in Vietnam fell to 4.7 percent, bringing year-to-date growth to 4.4 percent, much lower than the government's target of 6.0 percent. As a result, the Deputy Prime Minister said VND21 trillion will be injected into the economy to stimulate demand and help improve credit growth.

**Inflation fell as domestic economic growth waned, falling to 6.9 percent YoY**

However, in the month of June, inflation slowed to its weakest pace in a year, mirroring the slowdown in domestic production to just 6.9 percent, year-on-year. Vietnam's CPI actually fell 0.3 percent from the end of May, the first decline since March 2009 and despite food and foodstuff prices increasing 2.2 percent. The government continued to loosen monetary policy as it announced a fourth round of rate cuts for 2012, lowering the refinancing rate 100 bps to 11 percent from 12 percent.

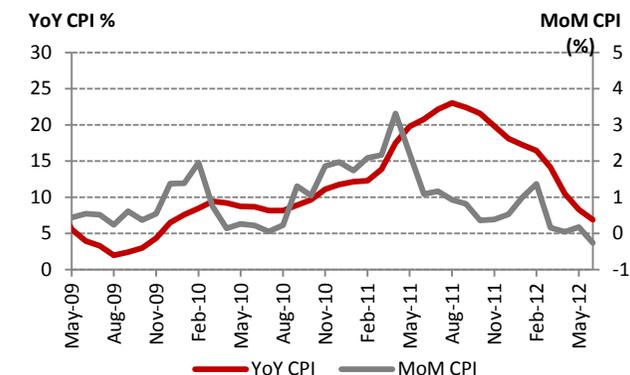
## Macro-economic indicators and forecast

	2011	Jun-12	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	5.9%	4.7%	4.4%	
<b>Inflation</b>	18.1%	-0.26%	2.5%	6.9%
<b>FDI (USDbn)</b>	14.7	1.1	6.4	-27.7%
<b>Imports (USDbn)</b>	105.8	9.9	53.8	6.9%
<b>Exports<sup>2</sup> (USDbn)</b>	96.3	9.8	53.1	22.2%
<b>Trade deficit (USDbn)</b>	9.5	0.1	0.6	-91.2%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	21,036	20,920	-0.6%	1.3%
<b>Bank deposit rate (VND %)</b>	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.

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

## Monthly CPI trends



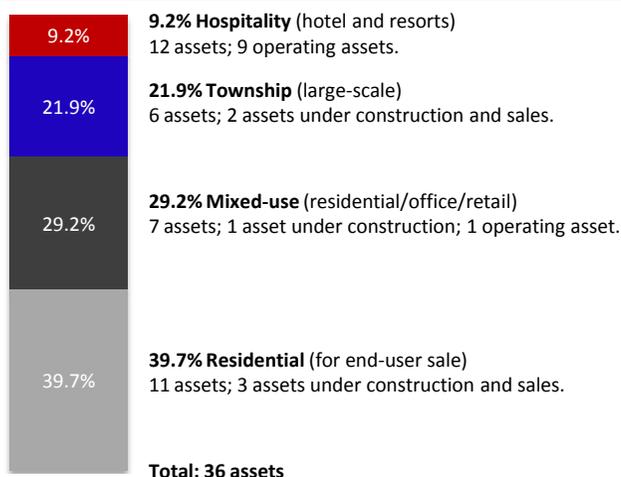
Monthly update 30 June 2012

## Top holdings (30 Jun 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%

\* Previously HUD Dong Thang Long. **Top 10 assets: 68.8%**

## Portfolio by sector (30 Jun 12)



## Projects pending final investment licensing (30 Jun 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 Jun 12)

Portfolio by geographic location	NAV%
Hanoi region	9.0%
Central region	28.2%
Ho Chi Minh City region	62.8%

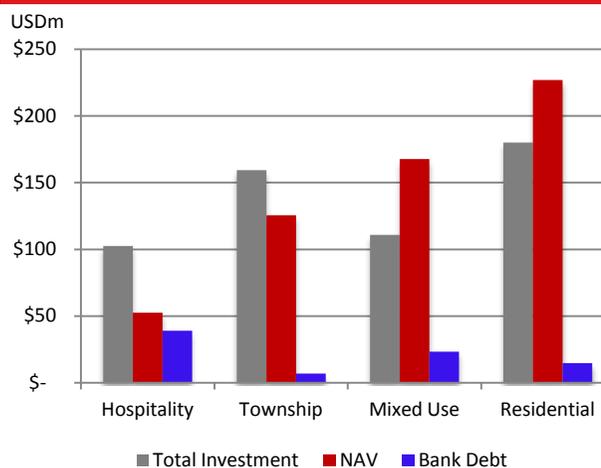
  

Valuation breakdown	NAV%
Assets not yet revalued (held at cost or below)	9.3%
Assets revalued	90.7%

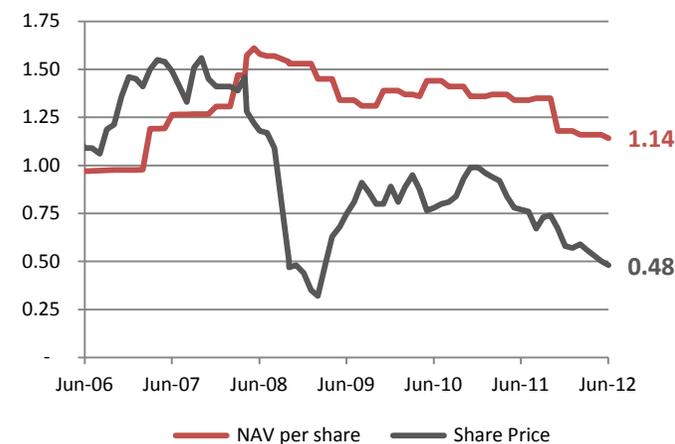
  

Development status	NAV%
Land banking	6.2%
Planning stage	54.3%
Development stage	32.7%
Operating assets	6.8%

## NAV by sector (30 Jun 12)



## NAV and share price performance (30 Jun 12)



Monthly update 30 June 2012

## 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>Horst Geicke</b>	Director (Non - Independent)
<b>Charles Isaac</b>	Director (Independent)

## 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>Jonathan Campbell</b>	Deputy Managing Director, Real estate
<b>Anthony House</b>	Deputy Managing Director, Real estate

Contact  
**David Dropsey** Investor Relations/Communications  
 ir@vinacapital.com  
 +848-3821-9930  
[www.vinacapital.com](http://www.vinacapital.com)

**Brokers** LCF Edmond de Rothschild Securities  
 +44 (0)20 7845 5960 or  
[funds@lcf.co.uk](mailto:funds@lcf.co.uk)  
  
 Numis Securities  
 +44 (0)20 7260 1327,  
[mail@numis.com](mailto:mail@numis.com)

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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

**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.