

Monthly update 31 May 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 decreased 10.7 percent to USD0.50 as at 31 May 2012, from USD0.56 as at 30 April 2012. During the month, VNL bought back 2,110,000 shares, for a cumulative total number of shares repurchased of 7,370,000 as at 31 May 2012. Shares repurchased were cancelled, bringing the total number of issued shares down to 492,597,622.

Towards the end of May, the government reset the lending rate cap down to 14 percent, in conjunction with the rates being lowered by 100 basis points. Cheaper costs of borrowing should help the real estate market over time; however, a market recovery is persistently hindered by Vietnam's bad-loan debt problem as most banks are refusing to take on more property loans.

The macroeconomic environment has continued to stabilize with inflation falling below 10 percent on an annualized basis and no material change in the VND exchange rate over the past five months. With these advancements, coupled with increased bank liquidity, confidence in the property sector should improve. We expect VNL project companies will be able to renegotiate debt terms sometime in the third quarter of 2012.

During the month of May, we experienced an increase in enquiries from foreign investors looking to invest in existing land and development projects across our various property sectors. We believe these investors are focusing on Vietnam, as valuations have become some of the most competitive and other markets, such as China, are now less interesting. These investors are predominantly from Hong Kong, Singapore, Malaysia and Japan and have commented on the mid to long-term potential of Vietnam real estate. VNL remains focused and well positioned to capitalize on this recovery.

VinaLand Limited announced that its Investment Manager, VinaCapital, will hold a conference call to update investors on VNL and its other AIM listed funds on 18 June 2012 at 17:00 Hong Kong time.

VinaCapital CEO Don Lam, Fund Managing Directors Andy Ho and Tony Hsun and Fund Deputy Managing Director David Blackhall will update investors on the current economic and investment climate in Vietnam, as well as the recent performance of the three VinaCapital managed AIM listed funds: VinaCapital Vietnam Opportunity Fund (VOF), VinaLand Limited (VNL) and Vietnam Infrastructure Fund (VNI). A Q&A session will follow the fund updates.

For full details on how to participate in the call please click [here](#).

31 May 2012

NAV **1.16** per share (↓2.0% q-o-q)

Total NAV: USD574 million

Performance summary*

	Cumulative change:			
	31 May 12	3mth	1yr	3yr
NAV per share	1.16	-2.0%	-15.3%	-20.0%
Share price	0.50	-11.8%	-40.2%	-20.2%
Premium/ (Discount)	(56.7%)			
Market cap	248m			
Total NAV	574m			

Other information

Shares outstanding 492,597,622

* 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: 14% of NAV

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007
Q1	-2.0%	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	-2.0%	-11.8%	2.3%	-11.3%	14.8%	33.8%

Bond activity remained at elevated levels during May, with new bond issues increasing 3 percent to USD752 from April.

Fixed income

On the back of last month's robust activity, the State Treasury, Vietnam Development Bank (VDB) and Vietnam Bank of Social Policy (VBSP) successfully sold a total of USD752 million worth of bonds in May, an increase of 3 percent from April. State Treasury and VDB bonds dominated new issues, accounting for 59 percent and 34 percent of the total value respectively. All bond yields fell during the month following the rate cuts in April and May. Notably, 2-year Treasury bonds fell just below 9 percent in May, while the 10-year's yield decreased approximately 130 basis points to 9.5 percent from April.

The secondary market again remained active with USD917 million worth of Treasury and VDB bonds traded, a 32 percent increase compared to April. With the State Bank of Vietnam (SBV) cutting rates by 100 basis points again in May, the third such reduction for 2012, we expect bond market activity to subside a bit, until there are more clear signs of another rate cut, which could happen towards the end of June.

Macroeconomic update

Yearly inflation fell to 8.3 percent in May on weakening domestic demand.

For the month of May, month-on-month inflation increased by 0.18 percent, equivalent to 8.3 percent year-on-year, the lowest level in the past 10 months. Despite rising fuel prices and increases in the minimum wage, slow domestic demand and decreases in commodity prices helped bring down the cost of food and foodstuffs, which makes up the largest component of CPI.

The government lowered deposit rate caps and policy rates by 1 percent to 11 percent during May.

Late in the month, the government issued a new policy effectively lowering the deposit rate cap by 1.0 percent. With this move, the deposit rate cap and discount rate were set at 11.0 percent, while the lending rate cap was set at 14 percent. The SBV continues to show that it is concerned about slowing GDP growth and is listening to the private sector which has long claimed that borrowing costs have been the main culprit impeding business expansion.

VND to USD again remained flat, closing May at VND 20,866 per USD.

Once again, the exchange rate for the VND remained nearly flat closing at 20,866 per USD in May. Most notably, the spread between VND and USD deposit rates have shrunk to just 9.0 percent, which will put more pressure from investors moving out of VND and into other assets. With USD denominated deposit rates set at just 2.0 percent, we could see investors move away from fiat currency all together and into equity and gold. As a result, there could be some added pressure for the government to devalue the currency by the end of the year.

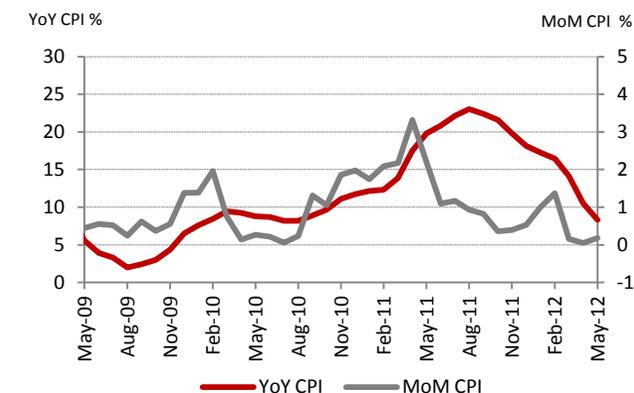
Macro-economic indicators and forecast

	2011	May-12	YTD	Y-o-Y change
GDP growth¹	5.9%		4.0%	
Inflation	18.1%	0.18%	2.8%	8.3%
FDI (USDbn)	14.7	1	5.3	13.0%
Imports (USDbn)	105.8	9.8	43.5	6.6%
Exports² (USDbn)	96.3	9.1	42.9	24.1%
Trade deficit (USDbn)	9.5	0.7	0.6	-90.9%
Exchange rate³ (USD/VND)	21,036	20,890	-0.7%	0.0%
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 Annualised rate. ² Includes gold. ³ State Bank central rate.

Monthly CPI trends



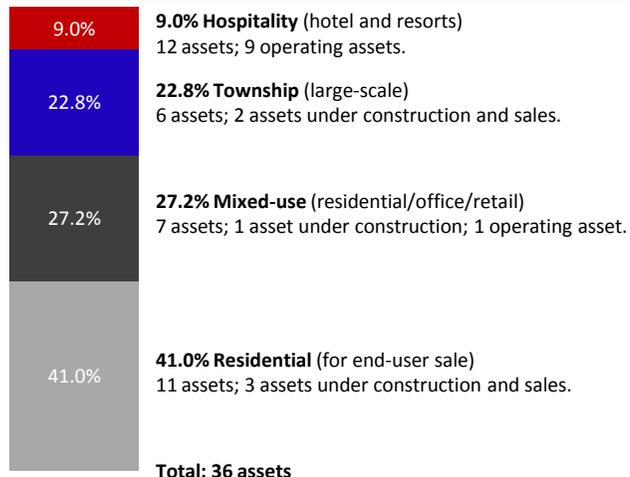
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Top holdings (31 Mar 12)

Project	Location	Type	NAV%
Century 21	South	Residential	12.0%
Danang Beach Resort	Central	Residential	11.3%
Dai Phuoc Lotus	South	Township	7.5%
Pavilion Square	South	Mixed-use	7.1%
Times Square Hanoi	North	Mixed-use	5.8%
My Gia	Central	Township	5.8%
VinaSquare	South	Mixed-use	5.6%
Aqua City	South	Township	4.3%
World Trade Centre	Central	Mixed-use	4.2%
Trinity Park*	South	Residential	3.9%

* Previously HUD Dong Thang Long. **Top 10 assets: 67.4%**

Portfolio by sector (31 Mar 12)



Projects pending final investment licensing (31 Mar12)

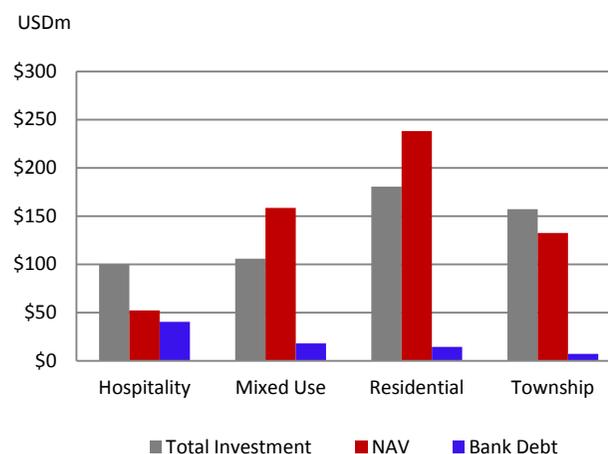
Project	Location	Type	Site Area (ha)
Long An	South	Township	1,925
Hoi An South	Central	Township	1,538
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	27
Long Truong	South	Residential	20
Hao Khang	South	Residential	4.8

Total: 7 assets representing NAV of USD73m.

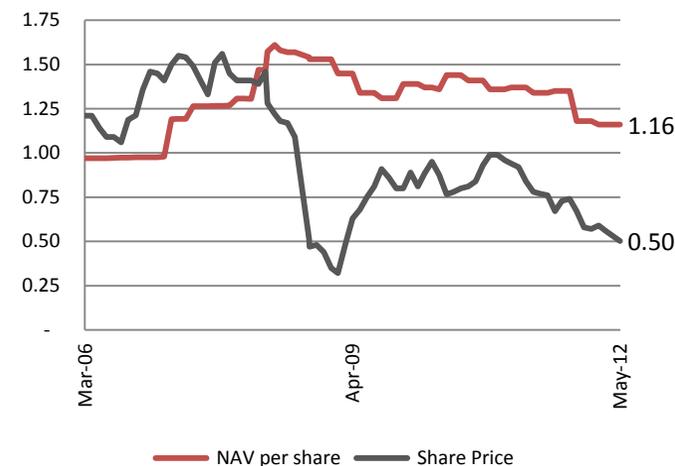
Portfolio breakdown (31 Mar 12)

Portfolio by geographic location	NAV%
Hanoi	8.7%
Central provinces	29.3%
Ho Chi Minh City region	62.0%
Valuation breakdown	
Assets held at cost or below cost	12.6%
Assets revalued	87.4%
Development status	
Land banking	7.6%
Planning stage	52.3%
Development stage	33.1%
Operating assets	6.9%

NAV by sector (31 Mar 12)



NAV and share price performance (31 May 12)



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VNL Board of Directors

VinaLand Limited (VNL) is led by a Board of Directors composed completely 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 (Independent)
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.