

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.

[Click here for VNL's website.](#)

Fund managing director

David Blackhall

Investment 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's comment

VNL's share price increased 2.5 percent to USD0.56 as at 31 August 2014, from a closing price of USD0.55 as at 31 July 2014. The Company's share price to NAV discount is currently 39.0 percent compared to 40.5 percent in July.

During August 2014, VNL repurchased and cancelled 3.7 million ordinary shares. Since October 2011, the Company has cancelled a total of 49.3 million ordinary shares, representing 9.9 percent of the total shares in issue prior to the commencement of the share buyback program.

Market update – Ho Chi Minh City infrastructure development

In an effort to ease traffic congestion and support commercial and residential real estate growth, Ho Chi Minh City ("HCMC"), Vietnam's largest economic hub, has recently seen some improvement in its infrastructure development. CB Richard Ellis (CBRE) has reported that over USD600 million is being invested to develop new bridges and flyovers in Hanoi, Danang, and HCMC, with the latter accounting for over two-thirds of total investment capital. In 2013, the completion of infrastructure developments in HCMC, including the Saigon 2 Bridge, the Kinh Thanh Da Bridge, Binh Loi highway which links the city with the airport, and six steel flyovers, have considerably improved traffic conditions. Additionally, since the beginning of 2014, progress has been made HCMC's first metro lines and the Long Thanh Dau Giay Highway. Both of these will contribute greatly in urban development as well as improve access to suburban areas outside the main districts. As these projects are complete, surrounding area real estate should experience uplift in demand.

According to the HCMC Urban Railway Management Authority, the metro system will comprise of six lines running over 110km. Metro Line 1 (20km, connecting Districts 1, 2, 9, Thu Duc) and Line 2 (11km, connecting Districts 1, 3, Phu Nhuan, Tan Binh, Tan Phu) are currently under construction.

The Long Thanh-Dau Giay is an important infrastructure development for HCMC, which will shorten travelling time to surrounding provinces like Dong Nai, Ba Ria Vung Tau. The highway will also connect HCMC with the new Long Thanh International Airport. Traffic was officially allowed on the first 20km in August 2014, with a target for full completion of the entire 55km by the end of 2015. Upon completion, the Long Thanh Dau Giay Highway could positively impact surrounding real estate projects, including VNL's Century 21 project, which will have direct access to the highway.

Performance summary*

31 August 2014

NAV per share** (USD):	0.92
Change (Quarter-on-quarter)	1.2%
Total NAV** (USD 'm):	421.2
Share price (USD):	0.56
Market cap (USD 'm):	252.3
Premium/(discount)	-39.0%

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

** NAV and NAV per share data are calculated on a quarterly basis

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	1.2	-1.3	-31.5	-30.4
Share price	1.1	30.6	-26.3	-30.9

Quarterly NAV per share performance history (% change)

	2014	2013	2012	2011	2010
Q1	-0.4	-1.0	-1.7	0.7	3.0
Q2	1.2	-9.7	-4.3	-2.2	-0.7
Q3		-1.1	0.0	0.7	3.7
Q4		-1.0	-6.3	-12.6	-3.5
YTD	0.8	-12.4	-11.9	-13.2	2.3

Additional portfolio information

Current assets	27
Divestments	19 full and residential unit sales
Debt	Fund level (ZDP Shares*): 6.2% of NAV Project level (Bank): 16.9% of NAV
Shares outstanding	450,624,080

* Zero Dividend Preference Shares issued 20 December 2013

Macroeconomic update

With monetary policy reaching its limit of effectiveness, the government has implemented fiscal measures to assist private businesses and help boost GDP growth. As of 1 January 2014, the corporate income tax rate was lowered to 22 percent from 25 percent, and is slated to be cut to 20 percent by 2016. The government has indicated that a target of 5.8 percent GDP growth for 2014 is feasible, although credit growth remains low at 4.5 percent year-to-date far below the central bank's annual credit growth target of 12 to 14 percent.

According to the General Statistics Office (GSO), Vietnam's month-on-month consumer price index (CPI) increased 0.22 percent in August, bringing the year-on-year inflation rate to 4.3 percent, the lowest level recorded for August over the past nine years. Price changes were driven by an increase in the price of food and foodstuffs (0.45 percent) due to increasing rice exports and the Mid-Autumn Lunar festivities. Petroleum prices fell 0.16 percent during the month, the third such decline since June. A combination of improved confidence in Vietnam's economic conditions, lower concerns regarding political and territorial tensions with China and low inflation have helped increase retail sales, which grew 6.4 percent year-on-year versus 5.3 percent over the same period last year.

According to HSBC's Vietnam Purchasing Managers Index (PMI) – a composite indicator designed to provide a single figure snapshot of operating conditions in Vietnam's manufacturing economy – posted above the 'no-change' mark of 50.0 again in August, the twelfth month running in which that has been the case. However, for the fourth month in a row we have witnessed a decline in monthly PMI, falling to 50.3 from 51.7 in July. New orders, while still positive, declined for the first time in nine months while inventory levels increased and input costs rose due to restrictions on maximum allowable transportation loads.

Vietnam recorded a year-to-date trade surplus of USD1.8 billion according to the General Department of Vietnam Customs, on strong export performance from foreign direct investment (FDI) industries. FDI disbursements accelerated to USD7.9 billion, up 4.5 percent year-on-year, with South Korea remaining the leading foreign investor after LG Electronics announced plans to expand their Vietnam operations by opening a USD1.5 billion factory in October. Vietnam's trade balance swung to a surplus of USD100 million in August with an improving balance of payments and rising foreign-exchange reserves.

Fixed income

Recently, Fitch Ratings signalled that Vietnam is on course for a credit upgrade to BB- from its present B+ over the next 12 to 18 months on the back of strengthening external finances and an improved economy. The government announced plans to issue up to USD1.75 billion in international bonds, news that has been long awaited by international investors given the last international sovereign bond issuance was in 2010. The proceeds will be used to roll over the maturing portions of existing obligations, thus the net amount of external debt outstanding will not increase.

The primary bond market saw steady demand in August as state treasury bond yields declined 17 to 31 basis points compared to last month, reaching 5.08, 5.42, and 6.37 percent on two-, three-, and five-year bonds, respectively. Ten-year bond yields fell by 68 basis points, reaching 7.8 percent. In total, USD1.04 billion worth of government and government-backed bonds were issued, a decline of 4.6 percent compared to July (USD1.09 billion). The secondary bond market, however, retracted, with a total of USD2.24 billion worth of government and government guaranteed bonds exchanging hands in August, a decline of 22.5 percent compared to July (USD2.89 billion). Despite this, secondary government bond yields continued to fall between 3 and 20 basis points across the yield curve.

Macroeconomic indicators

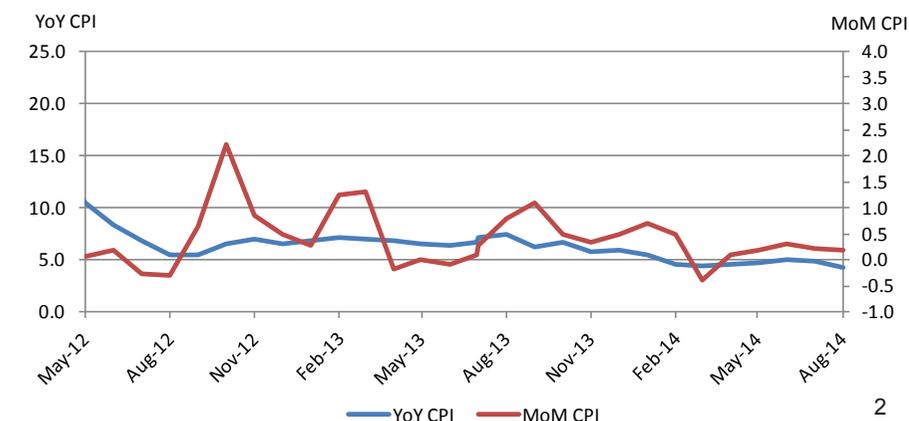
	2013	Aug-14	2014 YTD	Year-on-year
GDP growth ¹	5.4%			
Inflation	6.0%	0.2%	1.8%	4.3%
FDI (USDbn)	21.6	0.4	7.2	-2.10%
Imports (USDbn)	131.3	12.9	95.3	12.0%
Exports (USDbn) ²	132.2	13.0	97.0	14.1%
Trade surplus/(deficit)	0.9	0.1	1.7	
Exchange rate (USD/VND) ³	21,115	21,250	-0.6%	
Bank deposit rate (VND)	7.5%	6.5%	-100 bps	

Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold 3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

	1yr	2yr	3yr	5yr
August-14	4.65	5.11	5.43	6.42
July-14	4.68	5.27	5.65	6.67

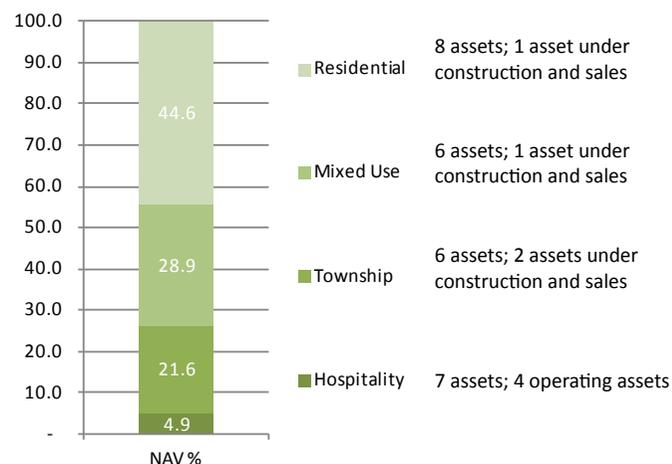
Year-on-year and month-on-month inflation (%)



Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	16.8
Danang Beach Resort	Central	Residential	13.1
Dai Phuoc Lotus	South	Township	8.1
Times Square Hanoi	North	Mixed Use	6.6
VinaSquare	South	Mixed Use	6.2
Pavilion Square	South	Mixed Use	5.5
Aqua City	South	Township	5.3
Trinity Park	South	Residential	4.9
World Trade Center Danang	Central	Mixed Use	4.5
Green Park Estate	South	Mixed Use	4.5
Total			75.5

Portfolio by sector



Key projects under development

Project	Location	Type	Site Area (ha)
Danang Beach Resort	Central	Residential	260.0
Dai Phuoc Lotus	South	Township	200.7
My Gia	Central	Township	158.0
World Trade Center Danang	Central	Mixed Use	9.0

Total: 4 assets representing a NAV of USD120.1 million

Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	7.9
Central region	29.8
Ho Chi Minh City region	62.3

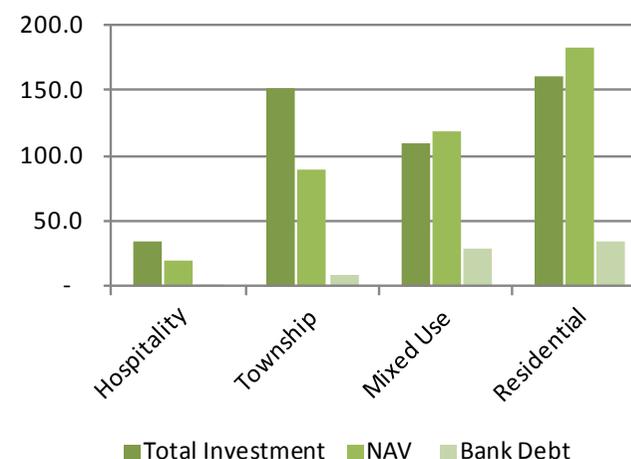
Valuation breakdown	% of NAV
Assets not yet revalued *	7.9
Assets revalued	92.1

Development status	% of NAV
Land banking	8.2
Planning stage	61.2
Development stage	29.2
Operating assets	1.4

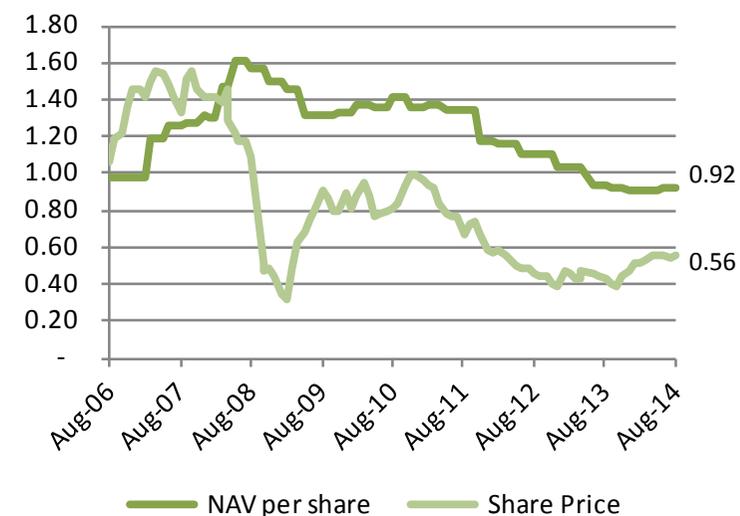
All NAV and NAV per share related data is calculated on a quarterly basis

* held at cost or below cost

NAV by sector



NAV and share price performance



Board of Directors

VNL's Board of Directors is composed entirely of independent non-executive directors.

Member	Role
Michel Casselman	Non-executive Chairman (Independent)
Nicholas Allen	Non-executive Director (Independent)
Nicholas Brooke	Non-executive Director (Independent)
Charles Isaac	Non-executive Director (Independent)
Daniel McDonald	Non-executive Director (Independent)

VinaCapital Investment Management (VCIM)

VCIM is the BVI-registered investment manager of VNL.

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
David Blackhall	Managing Director, VNL
Anthony House	Deputy Managing Director, Real estate
Oai Nguyen	Deputy Managing Director, Real estate

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Fund summary

Fund launch: 22 March 2006, new three year term commenced 21 November 2012.

Term of fund: Originally seven years, but now subject to shareholder vote for continuation every three years.

Fund domicile: Cayman Islands

Legal form: Exempted company limited by shares

Investment manager: VinaCapital Investment Management Ltd

Structure: Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor: PricewaterhouseCoopers (Hong Kong)

Nominated adviser: Grant Thornton UK LLP

Fund Administrator: HSBC Trustee (Cayman) Limited

Brokers: Edmond de Rothschild Securities (Bloomberg: LCFR), Numis Securities (Bloomberg: NUMI)

Lawyers: Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)

Base and incentive fee: The base fee is fixed at USD7.5 million per annum until 22 November 2014, reducing each year thereafter until 22 November 2015. No incentive fees, but the recovery of the accrued incentive fee is linked to distributions to shareholders.

Investment policy: The Fund is now in a cash return period and will not make any investments, except where funds are required for existing projects. The Fund will seek to realise assets in the existing portfolio and continue with the development of selected projects to maximize value.

Investment objective by geography: All existing investments are located in Vietnam. There will be no new investments during the current cash return period.