

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

As at 31 August 2015, VNL's share price decreased 2.8% to USD0.530, from a closing price of USD0.545 as at 31 July 2015. The Company's share price to NAV discount is currently 41.0% compared to 39.3% in July 2015. During July, VNL repurchased and cancelled 200,000 ordinary shares. Since October 2011, the Company has cancelled a total of 70 million ordinary shares, representing 14.0% of the total shares in issue prior to the commencement of the share buyback program. Since 26 August 2015, VNL has entered a two month close period ahead of the notification of its fiscal year end results for the year ended 30 June 2015.

Fund update

VNL's Azura project in Danang continued to generate some positive residential sales results in August while there were further transactions at Dai Phuoc Lotus in Dong Nai.

On 14 August 2015, VNL's projects received two awards at the inaugural Vietnam Property Awards 2015. The annual awards recognise property industry developers who develop quality new developments. VNL's projects were recognised in both the categories entered, including "Best condo development" in Vietnam for The Ocean Apartments at Danang Golf and Beach Resort, and "Best Villa development (resort)" in Vietnam for The Point at Danang Golf and Beach Resort.

Also in August, VNL announced that it divested its stake in the company that owns the HAS Project located in the central region of Quang Nam Province, Vietnam to Gold Yield Enterprises Limited, an entity of Chow Tai Fook, who will inject both equity and expertise into developing and operating the large scale hospitality and entertainment project. The HAS Project has a total area of 986ha which was acquired by VNL in 2007 for development into a mixed use township incorporating residential, commercial, hospitality, leisure and gaming. VinaCapital Group will remain involved in the project and has assumed responsibility for completing a number of conditions that remain outstanding as at the transaction date, effectively underwriting the transaction for VNL. As a result of the transaction, VNL has disposed of its entire 100% stake in the project, at a valuation 53.5% above the unaudited 30 June 2015 net asset value of the investment and 36.3% above the net asset value at the time of VNL's extraordinary meeting (EGM) in November 2012 (including adjustments for additional investments during this period). This transaction has resulted in net proceeds of USD10.5 million for VNL, which have all been received.

The Manager is continuing to pursue several disposal opportunities and is working both directly, and with Jones Lang Lasalle Vietnam to negotiate with both foreign and local investors with the objective of securing several exits while the market momentum continues. The Manager remains optimistic about securing and closing several project disposals during the remainder of 2015.

Performance summary*

31 August 2015

NAV per share** (USD):	0.90
Change (Quarter-on-quarter)	1.15%
Total NAV** (USD 'm):	386.3
Share price (USD):	0.530
Market cap (USD 'm):	227.9
Premium/(discount)	-41.0%

* 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	1.1	-2.2	-19.1	-34.1
Share price	1.0	-5.4	17.1	-33.8

Quarterly performance history (% change)

	2015	2014	2013	2012	2011
Q1	-3.3	-0.4	-1.0	-1.7	0.7
Q2	1.1	1.2	-9.7	-4.3	-2.2
Q3		0.0	-1.1	0.0	0.7
Q4		0.0	-1.0	-6.3	-12.6
YTD	-2.2	0.8	-12.4	-11.9	-13.2

Additional portfolio information

Current assets	24
Divestments	22 full and residential unit sales
Debt	Fund level (ZDPs): 7.5% of NAV Project level (Bank): 19.2% of NAV
Shares outstanding	429,932,220

Real estate market update

The major news item during August was the devaluation of the VND, effectively by 3% through a direct 1% devaluation and widening of the trading band. However, the devaluation has not significantly affected the flow of foreign capital to Vietnam real estate. Foreign purchasers are more interested in what and how they can buy, rather than prices, a month after the effectiveness of the revised regulations on Real Estate Business and Housing Law. Combined with the effects of new regulations, VND devaluation will improve foreign buyer interest in the residential market because they will benefit from this devaluation when buying property in Vietnam.

Property is a traditionally favoured investment channel in Vietnam, when compared to gold, stocks, currency, or bank savings. USD appreciation and a depressed gold price (recently trading at a five year low) has also encouraged local investors with VND cash savings to seek property investment opportunities, especially those with immediate rental income or guaranteed yield. Further underperformance in equities and gold prices may cause investors to continue turning to real estate.

During August, there was slight fluctuation in prices across all segments including residential and commercial market due to the exchange rate increase. According to CBRE Vietnam, foreign developers who need to ensure their target profit in USD is met may be pressured to increase VND selling prices, although risk of exchange rate fluctuation is usually accounted for in financial planning. However, this would have limited impact on the market overall, given the limited foreign developed products in the market.

Macroeconomic update

Currency market news dominated the month of August thanks to the now well covered devaluation of the RMB by the Chinese government. Vietnam responded with a wider trading band (now +/- 3%) and a 1% devaluation of the mid rate but with other ASEAN countries devaluing their currencies more rapidly, Vietnamese exports have been losing competitiveness in the US and EU markets. This again highlights the importance of the recently signed EU Free Trade Agreement and the need to remain engaged in the Trans Pacific Partnership Agreement process.

In the manufacturing sector, the HSBC Purchasing Managers Index fell 1.3 points to 51.3. The drop was attributed to the slower new business activity and reduced export orders resulting from increasing competition from China. Despite this competition, Vietnam can take comfort that FDI driven exports provide a defensible position. The PMI remains in expansionary territory, and in support the Index of Industrial Production maintained solid growth at 9.0% year on year.

Foreign Direct Investment (FDI) flows remained unaffected by currency volatility thanks to their long investment horizons and the underlying competitiveness of Vietnam's manufacturing sector relative to peers. FDI commitments actually surged to USD13.3 billion in August, up 30.4% year on year.

Private consumption growth increased to 9.1% (real terms) year to date but confidence slipped for the second month to 133.7 points as measured by the ANZ Consumer Confidence index. However, ANZ remains confident that the underlying resilience of Vietnam's economy will see confidence stabilise thanks to ongoing FDI and greater discretionary income, thanks to low inflation and energy costs.

In the credit markets, lending institutions remain optimistic about the economic recovery and business' capacity to absorb bank loans. Credit grew by 9.3% year on year in August and 15% credit growth is now within reach.

Inflation remains well contained at 0.61% for year to date August and overall GDP continues to track towards the near-to-capacity but sustainable rate of 6.0%.

Macroeconomic indicators

	2014	Aug-15	2015 YTD	Year-on-year
GDP growth ¹	6.0%		6.3%	6.4%
Inflation (%YOY)	1.8%	-0.1%	0.8%	0.6%
FDI commitments (USDbn)	20.2	4.5	13.3	30.4%
FDI disbursements (USDbn)	12.4	1.1	8.5	7.6%
Imports (USDbn)	148.0	14.6	110.1	16.8%
Exports (USDbn)	150.0	14.5	106.4	9.7%
Trade surplus/(deficit) (USDbn)	2.0	(0.1)	(3.7)	
Exchange rate (USD/VND) ²	21,450	22,500	-4.9%	
Bank deposit rate (VND)	6.0%	5.0%	-100bps	

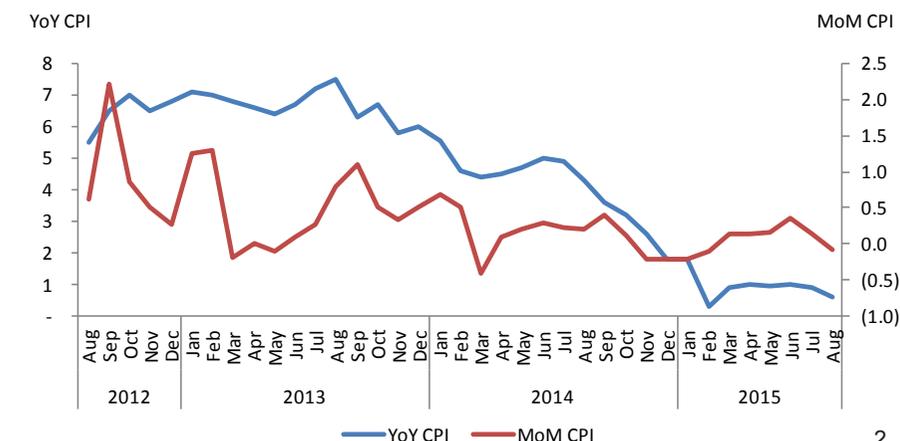
Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

	1yr	2yr	3yr	5yr
31-Jul-15	4.85	5.29	5.68	6.48
31-Aug-15	5.20	5.55	5.95	6.75

Source: Bloomberg

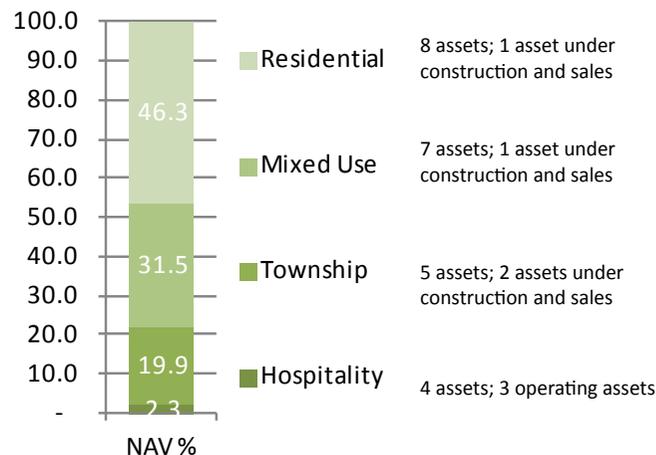
Year-on-year and month-on-month inflation (%)



Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	18.2%
Danang Golf and Beach Integrated Development*	Central	Residential	13.5%
Dai Phuoc Lotus	South	Township	8.1%
VinaSquare	South	Mixed Use	7.2%
Pavilion Square	South	Mixed Use	6.8%
Times Square Hanoi	North	Mixed Use	6.2%
Aqua City	South	Township	5.1%
Trinity Park HUD	South	Residential	4.8%
Green Park Estate	South	Mixed Use	4.4%
Capital Square **	Central	Mixed Use	4.0%
Total			78.3%

Portfolio by sector



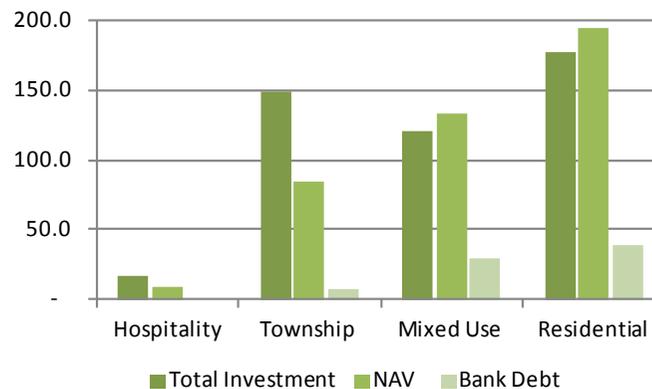
Key projects under development

Project	Location	Type	Site Area (ha)
Danang Golf and Beach Integrated Development	Central	Residential	248.3
Dai Phuoc Lotus	South	Township	198.5
My Gia	Central	Township	149.9
Capital Square	Central	Mixed Use	6.6
Total: 4 assets representing a NAV of USD122.6 million			

Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	8.3%
Central region	27.5%
Ho Chi Minh City region	64.2%
Valuation breakdown	
Assets not yet revalued ***	4.8%
Assets revalued	95.2%
Development status	
Land banking	7.2%
Planning stage	62.4%
Development stage	29.1%
Operating assets	1.4%

NAV by sector



NAV and share price performance



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

* previously known as Danang Beach Resort ** previously known as World Trade Center Danang *** held at cost or below cost

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 Ltd (VCIM)

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

Contact

Jonathon Trewavas	Investor Relations ir@vinacapital.com +848-3821-9930 www.vinacapital.com
Brokers	Edmond de Rothschild Securities +44 (0)20 7845 5960 funds@lcf.co.uk Numis Securities +44 (0)20 7260 1327 funds@numis.com

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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.