

## 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

For the period ended 31 December 2014, VNL's unaudited net asset value (NAV) was USD401.6 million or USD0.918 per share. This represents no change from a net asset value per share of USD0.918 from its close of business on 30 September 2014. VNL's share price decreased 1.0% to USD0.58 as at 31 December 2014, from a closing price of USD0.59 as at 30 November 2014. The Company's share price to NAV discount is currently 36.4% compared to 36.3% in November. During December 2014, VNL repurchased and cancelled 2.95 million ordinary shares. Since October 2011, the Company has cancelled a total of 65.6 million ordinary shares, representing 13.1% of the total shares in issue prior to the commencement of the share buyback program.

The unaudited NAV of USD0.918 per share does not reflect any impact as a result of the increase in residential land use costs announced by the Hanoi and Ho Chi Minh City People's Committee on 29 December 2014, which took effect on 1 January 2015. Our preliminary estimate of the immediate impact due to this change is a reduction of between 2% to 6% in the 31 December 2014 NAV as a result of increased costs for land use rights. The Manager considers that it is too early to arrive at any conclusion as to how this increase in Government land costs will impact the market. The 31 March 2015 NAV will reflect the impact of these land costs and any consequent changes in the market value of residential land.

## Fund update

VNL project revaluations were undertaken for the period ending 31 December 2014 with six projects appraised by international valuation consultants. Additionally, a further six projects were also externally appraised as part of the semi-annual update for the interim period. Four of these projects are located in Ho Chi Minh City, two in Hanoi, and six projects in the southern and central region of Vietnam. The results demonstrated that there has been some improvement in general market confidence, of which some has flowed through to real estate valuations.

According to CBRE Vietnam in Q4 2014, the down trend in global oil prices is expected to benefit the logistic sectors which might help improve the real estate market possibly through stronger consumption, cheaper construction costs, and lower building operational costs. More favourable market conditions such as low interest rates and new changes in housing law have supported the initial recovery in residential sales and improvements in the absorption rates of office and retail markets.

## Performance summary\*

31 December 2014

NAV per share** (USD):	0.92
Change (Quarter-on-quarter)	0.0%
Total NAV** (USD 'm):	401.6
Share price (USD):	0.58
Market cap (USD 'm):	253.6
Premium/(discount)	-36.4%

\* 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	0.0	0.8	-22.2	-31.0
Share price	4.7	24.9	-12.9	-27.0

## Quarterly 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	0.0	-1.1	0.0	0.7	3.7
Q4	0.0	-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 (ZDPs): 6.8% of NAV Project level (Bank): 18.6% of NAV
Shares outstanding	434,415,220

## Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's gross domestic product (GDP) growth reached 6.9 percent in the fourth quarter of 2014, bringing full year 2014 GDP growth to 6.0%, exceeding the original government target of 5.8%. The final quarter of the year finished with strong economic growth mainly as a result of improvements in the manufacturing sector and rising exports.

Additionally, Vietnam's month-on-month consumer price index (CPI) declined 0.2% in December, the third consecutive month of deflation, bringing full year 2014 inflation to just 1.8%, marking the lowest annual rate in over 13 years. During the month, transportation costs plunged 3.1% as a result of numerous price cuts in gasoline. Going forward, we feel oil prices; consumer demand; and domestic inventories, specifically for food and foodstuffs, will have the largest impact on inflation. With inflation expected to remain at multi-year lows, the State Bank of Vietnam (SBV) could have more room to reduce interest rate caps further, thereby encouraging commercial banks to lower lending rates.

Vietnam's currency (VND) came under slight pressure in December with the official market exchange rate finishing the year at 21,450 per US Dollar, a depreciation of just 1.6% from a year ago and within the government's target of less than 2.0% each calendar year. The SBV should be able to maintain this continual goal despite any temporary monetary pressure, given Vietnam's trade surplus of approximately USD2.0 billion, foreign direct investment disbursements reaching USD12.5 billion in 2014, increasing overseas remittances, and an overall balance of payments in an estimated surplus of USD10.0 billion at the year's end.

## Fixed income

After selling USD1.0 billion worth of 10-year government bonds in 2014 at an average yield of 4.8% (below the offer rate of 5.1%), the government plans to issue an additional USD1.0 billion in 2015. Recent upgrades in Vietnam's sovereign debt ratings by Moody's and Fitch have allowed the government to successfully place more long term debt.

For the month of December, on the primary bond market, a total of USD1.49 billion worth of government and government-backed bonds were issued, representing an increase of 394% from November 2014 (USD302 million). On the secondary bond market, trading volume increased 31.4%, with USD4.49 billion worth of bonds transacted for the month. Secondary government bond yields increased between 10 and 39 basis points across the yield curve.

## Media links

Below is a list of recent articles related to the investment environment in Vietnam and VinaCapital activity.

[VNC Global developments in 2015: Impact on Vietnam economy](#)

## Macroeconomic indicators

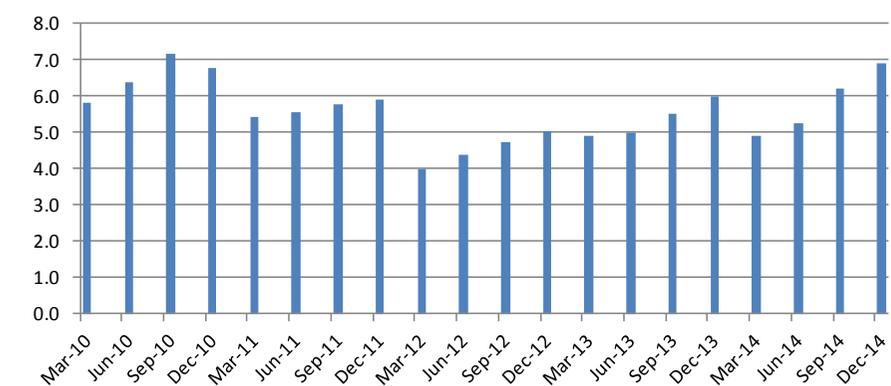
	2013	Dec-14	2014 YTD	Year-on-year
GDP growth <sup>1</sup>	5.4%	6.9%	6.0%	6.0%
Inflation	6.0%	-0.2%	1.8%	1.8%
FDI commitments (USDbn)	21.6	2.2	15.6	9.6%
Imports (USDbn)	131.3	14.0	148.0	12.1%
Exports (USDbn) <sup>2</sup>	132.2	13.1	150.0	13.6%
Trade surplus/(deficit)	0.9	-0.9	2.0	
Exchange rate (USD/VND) <sup>3</sup>	21,115	21,450	-1.6%	
Bank deposit rate (VND)	7.5%	6.0%	-150 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
December-14	4.76	5.04	5.22	6.23
November-14	4.37	4.73	5.08	5.84

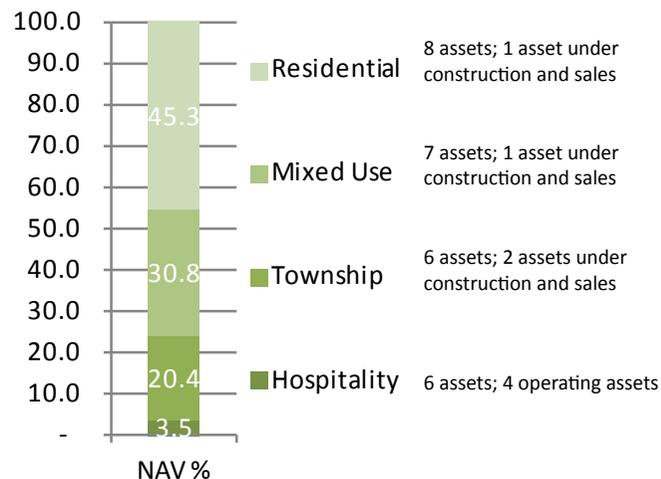
## Quarterly GDP growth (%)



## Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	17.1%
Danang Beach Resort 220ha	Central	Residential	13.7%
Dai Phuoc Lotus	South	Township	7.7%
Pavilion Square	South	Mixed Use	7.5%
VinaSquare	South	Mixed Use	6.9%
Times Square Hanoi	North	Mixed Use	6.1%
Aqua City	South	Township	5.1%
Trinity Park	South	Residential	4.6%
Green Park Estate	South	Mixed Use	4.4%
Capital Square	Central	Mixed Use	3.6%
<b>Total</b>			<b>76.7%</b>

## Portfolio by sector



## Key projects under development

Project	Location	Type	Site Area (ha)
Danang Beach Resort	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 USD118.1 million**

## Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	7.6%
Central region	28.7%
Ho Chi Minh City region	63.7%

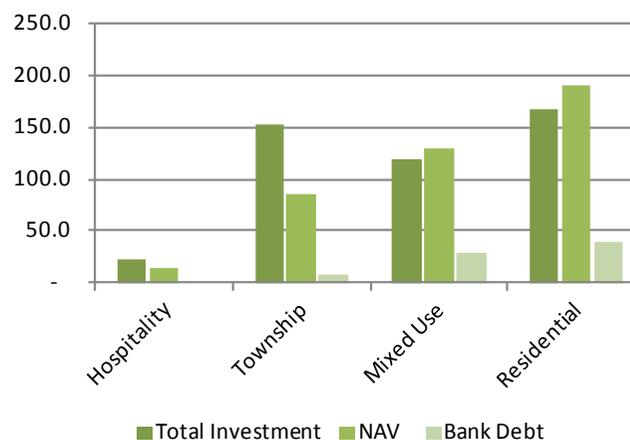
  

Valuation breakdown	% of NAV
Assets not yet revalued **	7.6%
Assets revalued	92.4%

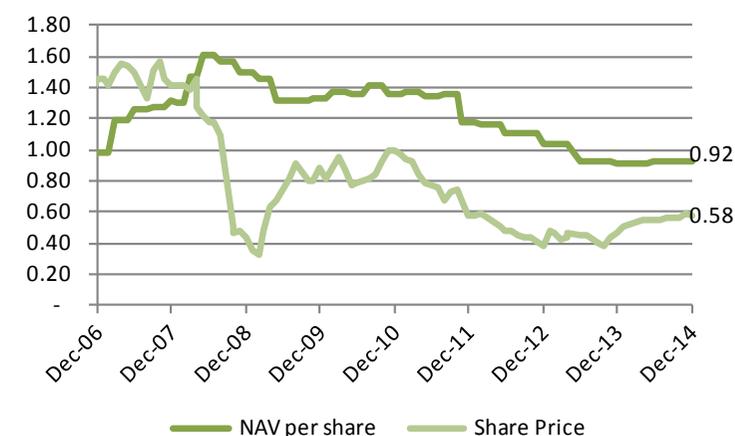
  

Development status	% of NAV
Land banking	8.0%
Planning stage	62.5%
Development stage	27.9%
Operating assets	1.5%

## 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 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

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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.