VinaLand Limited AIM: VNL

VinaCapital

Investment Manager's monthly update 31 December 2015

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 December 2015, VNL's unaudited net asset value (NAV) was USD391.0 million or USD0.94 per share. This represented a 3.89% increase from a NAV per share of USD0.903 at 30 November 2015, driven primarily by project revaluations, the disposal of the NPV project and the ongoing share buyback programme during the fourth quarter of 2015. NAV per share as at 31 December 2015 was recorded at its highest level since 30 September 2013.

VNL's share price remained stable during December, from a closing price of USD0.62 as at 30 November 2015, and the Company's share price to NAV discount is currently 33.9%, compared to 31.3% in November 2015. During December, VNL repurchased and cancelled 6.93 million ordinary shares. Since October 2011, the Company has cancelled a total of 84.36 million ordinary shares, representing 16.87% of the total shares in issue prior to the commencement of the share buyback programme.

Fund update

VNL project revaluations were undertaken for the period ending 31 December 2015 with three projects appraised by international valuation consultants. Additionally, a further eleven projects were also externally appraised as part of the semi-annual update for the interim period. Seven of these projects are located in Ho Chi Minh City and Hanoi, and an additional seven projects are located in the southern and central regions of Vietnam.

Following the 2015 Extraordinary General Meeting (EGM), VNL now has up to 12 months to close on the project disposals and complete the distributions to shareholders. The combination of improving market confidence along with the extension enables the Investment Manager to continue to focus on ongoing disposals and other divestment opportunities at optimal valuations and to complete distributions to shareholders throughout 2016.

During the last quarter of 2015, developers including VNL were actively pushing to sell units to buyers before year end. Sales continued to pick up for a number of VNL's projects under development, including the Azura (Danang), Ocean Apartments and Ocean Villa Beachfront (Danang Beach Resort) and Dai Phuoc Lotus (Dong Nai). Following a successful re-launch, 100% (46 units) of Ocean Apartment Block A (part of Danang Beach Resort) were sold out and a total of 45 apartments (98%) have been handed over to owners as at 31 December 2015.

Real estate market update

While overall it was a largely positive year for Vietnam's real estate market, 2015 did not come without some turbulence. First came the unexpected devaluation of the Chinese Renminbi that sent shockwaves through global markets. Then, on 16 December, the United States Federal Reserve (Fed) raised its benchmark interest rate by a quarter of a percentage point to between 0.25% and 0.50%. This was quickly followed by the State Bank of Vietnam (SBV) slashing the US Dollar deposit rate from 0.25% to 0% applicable for all individual deposits. The influence of foreign currencies will be a potential challenge for the Vietnamese property market in 2016.

There were several reasons for optimism in 2015 including a strong macro economy, momentum from the new Housing Law, numerous free trade agreements, strong FDI, and relatively low interest rates. The year also marked a firm recovery in the residential market with strong launches, positive sales volume and improved prices, particularly in mid to high-end properties. According to CBRE Vietnam, an additional 41,787 units in Ho Chi Minh City and 28,200 units in Hanoi were launched in 2015, a rise of 122% and 70% year-on-year, respectively. The average selling price increased approximately 4% year-on-year in both Ho Chi Minh City and Hanoi, and in the medium term the market should still be able to absorb new supply.

According to Savills Vietnam, prices remained stable in 2015 across both the office and retail markets while landed property prices increased slightly. Increasing supply in the retail and commercial segments both in Ho Chi Minh City and Hanoi over the next three years is expected to place continued downward pressure on net effective rentals. Meanwhile, landed property such as villas and townhouses began to evolve to suit the mass market this year. This segment is

Performance summary*

Performance summary*	31 December 2015
NAV per share** (USD):	0.94
Change (Quarter-on-quarter)	3.89%
Total NAV** (USD 'm):	391.0
Share price (USD):	0.62
Market cap (USD 'm):	257.7
Premium/(discount)	-33.9%

* 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	3.9	2.2	-9.8	-31.0
Share price	12.7	6.2	61.0	-37.4

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	0.6	0.0	-1.1	0.0	0.7
Q4	3.9	0.0	-1.0	-6.3	-12.6
YTD	2.2	0.8	-12.4	-11.9	-13.2

Additional portfolio information

Current assets	23
Divestments	23 full and residential unit sales
Debt	Fund level (ZDPs): 7.6% of NAV
	Project level (Bank): 20.2% of NAV
Shares outstanding	415,606,062

Real estate market update continued...

mostly dominated by owner occupiers, with fewer investors and speculators than in years past. This in turn has provided lower exposure to debt, and has created a healthier development model. This asset class also continues to benefit greatly from improvements in infrastructure as it draws the 'mortgage belt' closer to the city. Provided the economy continues to perform at its current pace, Vietnam's ongoing trends of rapid urbanization, decreasing household size and expanding young population will continue to underwrite property demand through 2016.

Macroeconomic update

Vietnam's macroeconomic story in 2015 was one of increasing globalisation, continued foreign direct investment, rising consumer confidence and a resurgent property market. Looking back on the year, one of the premier storylines was the conclusion of negotiations surrounding the Trans-Pacific Partnership (TPP), a free trade agreement that may one day have a dramatic economic impact on Vietnam. While this was a major milestone in itself, the next step will be ratification by each member state for the agreement to come into effect. The government of Vietnam has stated their intentions to officially sign the agreement in February 2016. The TPP has already reignited significant FDI inflows to the country, with FDI disbursements up 17.4% to USD14.5 billion from 2014, and commitments at USD22.8 billion, their highest level in six years.

Domestic consumption and credit growth on the rise

This year was also characterised by a reappearance of consumer confidence and an increase in domestic wealth, with the General Statistics Office of Vietnam (GSO) announcing that GDP per capita increased roughly 2.8% to USD2,109. This was fuelled by a number of factors including a rise in property values as well as inflation of just 0.6% year-on-year, aided by low commodity and energy prices. According to the GSO, domestic consumption rose 9.1% year-on-year, the Services sector expanded 6.3%, and total retail sales of consumer goods and services grew 9.5%. The Purchasing Managers Index also finished the year on a positive note, reaching 51.3 in December.

In addition, increased lending played a role in the recovery, with overall credit growth reaching 18% driven by 23-25% growth in property loans. According to CBRE Vietnam, condominium prices market-wide rose 4.4% year-on-year in Ho Chi Minh City, alongside surges in both project sales and new launches which grew 98% and 122%, respectively. Heightened activity in the property market has been a boon to the Industrial and Construction segment, which, according to the GSO, grew 9.6% year-on-year. In all, 2015 proved to be a year of promise for Vietnam, with GDP growth coming in at 6.7%, the strongest performance in the past five years.

Currency pressures remain

Currency devaluation remains our key concern for the coming year where we will see the Vietnam dong (VND) under pressure to decline in value. An interesting piece of news came about at the start of the new year when the State Bank of Vietnam (SBV) announced they would be moving to a new mechanism for determining a daily reference rate for the VND versus the US dollar, adopting a "managed float" for the currency movements. This comes as a far cry from their longstanding policy of strict, ad hoc management of the reference rate which would at times see large, one-off changes in the official rates after a divergence from the free-market rate. While we expect the VND to devalue 3-5% in 2016, this new policy should allow devaluation to take place gradually, as opposed to the sudden, significant devaluations of the past.

Growth to continue through 2016

Looking ahead, the SBV expects credit growth to climb another 18-20% this year, with money supply (M2) growth expected to be lower at 16-18%, reversing a trend in recent years where we have witnessed money supply growth higher than credit growth. Based on our own analysis, we see this as an effort on the part of the SBV to keep liquidity injections moderate and forestall any resurgence of inflation. With that in mind, the SBV anticipates inflation to remain controlled at below 5%, which combined with the continuation of credit growth, will fuel investment and help maintain what Bloomberg projects to be the second-fastest growing economy in the world in 2016.

Macroeconomic indicators

	2014	Dec-15	2015 YTD	Year-on-year
GDP growth[1]	6.0%		6.7%	6.7%
Inflation (%)	1.8%	0.0%	0.6%	0.6%
FDI commitments (USDbn)	20.2	2.5	22.8	12.5%
FDI disbursements (USDbn)	12.4	1.3	14.5	17.4%
Imports (USDbn)	148.0	14.5	165.6	11.9%
Exports (USDbn)	150.0	14.2	162.4	8.2%
Trade surplus/(deficit) (USDbn)	2.0	(0.3)	(3.2)	
Exchange rate (USD/VND)[2]	21,450	22,450	-4.7%	
Bank deposit rate (VND)	6.0%	5.0%	-100bps	

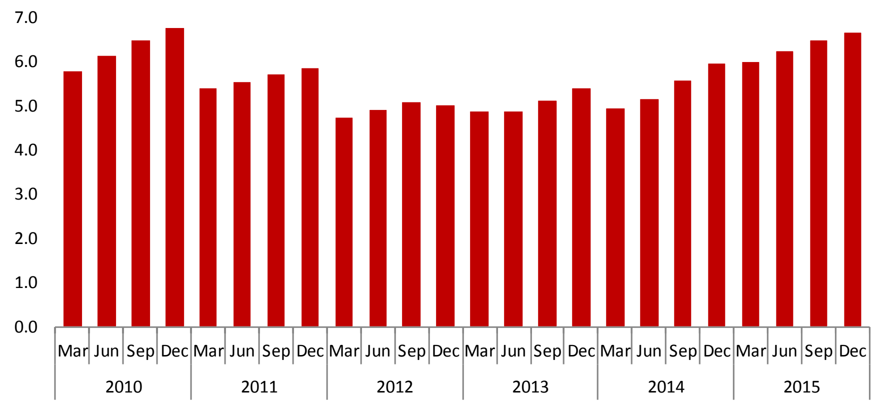
Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

	1yr	2yr	3yr	5yr
30-Nov-15	4.85	5.35	5.95	6.65
31-Dec-15	4.88	5.22	5.74	6.55

Source: Bloomberg

Quarterly GDP growth (%)



VinaLand Limited AIM: VNL

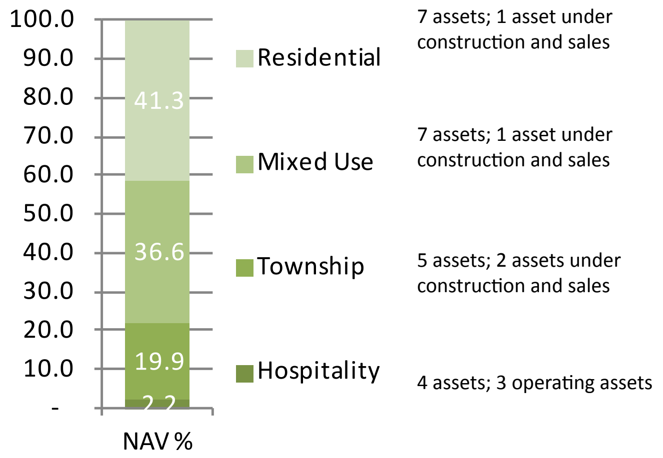
VinaCapital

Investment Manager's monthly update 31 December 2015

Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	16.6%
Danang Golf and Beach Integrated Development	Central	Residential	12.9%
Pavilion Square	South	Mixed Use	8.3%
Dai Phuoc Lotus	South	Township	8.2%
VinaSquare	South	Mixed Use	8.0%
Times Square Hanoi	North	Mixed Use	6.4%
Aqua City	South	Township	5.5%
Trinity Park	South	Residential	5.1%
Capital Square	Central	Mixed Use	4.7%
Green Park Estate	South	Mixed Use	4.4%
Total			80.1%

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	138.8
Capital Square	Central	Mixed Use	6.6

Total: 4 assets representing a NAV of USD121.0 million

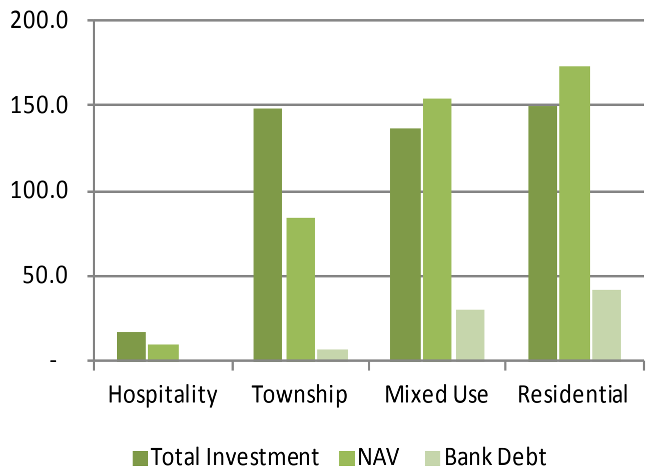
Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	10.2%
Central region	23.9%
Ho Chi Minh City region	65.9%
Valuation breakdown	
Assets not yet revalued *	4.4%
Assets revalued	95.6%
Development status	
Land banking	7.4%
Planning stage	62.5%
Development stage	28.8%
Operating assets	1.3%

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)
Tran Trong Kien	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@lcfr.co.uk Numis Securities +44 (0)20 7260 1327 funds@numis.com

Fund summary

Fund launch: 22 March 2006, new one year term commenced 21 November 2015.

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/custodian: Standard Chartered Bank (Singapore & Vietnam)

Registrar and Transfer Agency: Orangefield (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 USD6.9 million per annum until 21 November 2016. 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.