

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 declined 1.4 percent to USD0.5462 as at 31 July 2014, from a closing price of USD0.5537 as at 30 June 2014. The Company's share price to NAV discount is currently 40.5 percent compared to 39.7 percent in June.

During July 2014, VNL repurchased and cancelled 4.4 million ordinary shares. Since October 2011, the Company has cancelled a total of 45.6 million ordinary shares, representing 9.1 percent of the total shares in issue prior to the commencement of the share buyback program.

Fund update

During the month of July, VNL announced the divestment of the following two projects:

On 18 July 2014, VNL announced that it has divested its holdings in several hospitality investments across Vietnam, these holdings being in smaller operating hotels, and the Movenpick Hanoi Hotel. VNL has divested 100.0 percent of its holdings in these hospitality investments for a consideration of 5 percent above the unaudited 30 June 2014 net asset value. This transaction will result in estimated net proceeds of USD19.9 million for the Company.

On 25 July 2014, VNL announced that it has divested its stake in the company that owns the Marie Curie project, a 3,386 square metres site located in District 3, Ho Chi Minh City. VNL has signed an agreement to divest its entire stake (64.5 percent) in the project, at a valuation 14.3 percent above the unaudited 30 June 2014 net asset value of the investment. This transaction will result in net proceeds of USD10.9 million for the Company. With approximately 90.0 percent of the proceeds received, the transaction is forecast to be completed in August 2014.

Real estate market update

The residential real estate market is continuing to demonstrate improvement with more buyers returning to the market. While the recovery has been slow, confidence in the market has improved, underpinned by interest rates for mortgage lending having declined to approximately 10.0 percent.

Performance summary*

31 July 2014

NAV per share** (USD):	0.92
Change (Quarter-on-quarter)	1.2%
Total NAV** (USD 'm):	421.2
Share price (USD):	0.55
Market cap (USD 'm):	248.2
Premium/(discount)	-40.5%

* 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	22.8	-29.1	-27.2

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		-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 (ZDPs): 6.2% of NAV Project level (Bank): 16.9% of NAV
Shares outstanding	454,324,080

Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's month-on-month consumer price index (CPI) increased 0.23 percent in July, bringing the year-on-year inflation rate to 4.9 percent. For the second consecutive month, price changes for the month were driven by an increase in health care costs (0.9 percent) and the price of food and foodstuffs (0.6 percent).

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 July, the eleventh month running in which that has been the case, however, falling to 51.7 from 52.3 in June. Higher new orders contributed to an increase in output, but some companies reported weaker growth related to new business and difficulties in retaining staff had prevented a stronger rise in production. The rate of growth in new orders also slowed in July and was the weakest since February 2014.

Estimates are that 90.0 percent of cash reserves at commercial banks are concentrated in government bonds and treasury bills. However, liquidity in the banking system has been improving as the appetite for these bonds have fallen on lower bond yields in recent months. Also of note, during the month of July, credit growth increased 1.0 percent, accelerating from just 3.5 percent growth recorded over the first half of 2014.

On 29 July 2014, Moody's upgraded Vietnam's sovereign bond rating from B2 to B1 with a stable outlook. The reasons for the upgrade include macroeconomic stability, strengthening of the balance of payments and external payments position, and healthier banking system with reduced contingent risks. Moody's said it might further upgrade Vietnam if there is additional strengthening in the banking system and the state-owned enterprise sector "significantly diminishes contingent risks" to the government.

Fixed income

The primary bond market was highly active in July, as yields across the board fell significantly. Compared to last month, state treasury bond yields declined 39 to 47 basis points compared to last month, reaching 5.25, 5.68, and 6.68 percent on two-, three-, and five-year bonds respectively; while ten-year bond yields fell by 22 basis points, reaching 8.48 percent. In total, USD1.09 billion worth of government and government-backed bonds were issued, an increase of 16.4 percent compared to June (USD938 million). The secondary bond market also remained active with a total of USD2.89 billion worth of government and government guaranteed bonds exchanging hands in July, an increase of 12.0 percent compared to June (USD2.58 billion). As a result, secondary government bond yields fell between 20 and 60 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 – Opportunities from privatization of State-Owned Enterprises](#)

Macroeconomic indicators

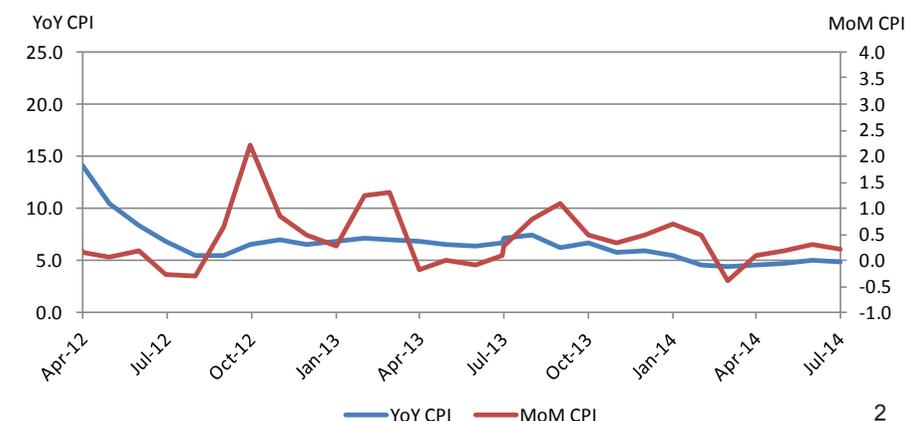
	2013	Jul-14	2014 YTD	Year-on-year
GDP growth ¹	5.4%			
Inflation	6.0%	0.2%	1.6%	4.9%
FDI (USDbn)	21.6	2.0	6.8	-0.90%
Imports (USDbn)	131.3	12.7	82.2	11.4%
Exports (USDbn) ²	132.2	12.4	83.5	14.1%
Trade surplus/(deficit)	0.9	-0.3	1.3	
Exchange rate (USD/VND) ³	21,115	21,255	-0.7%	
Bank deposit rate (VND)	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
June-14	5.00	5.70	6.15	7.15
July-14	4.68	5.27	5.65	6.67

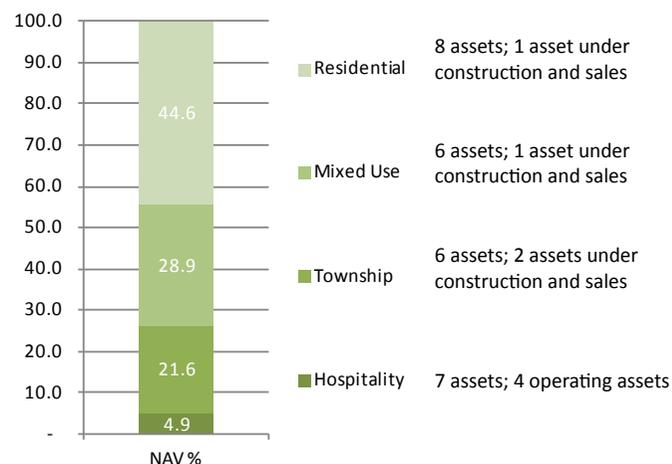
Year-on-year and month-on-month inflation (%)



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

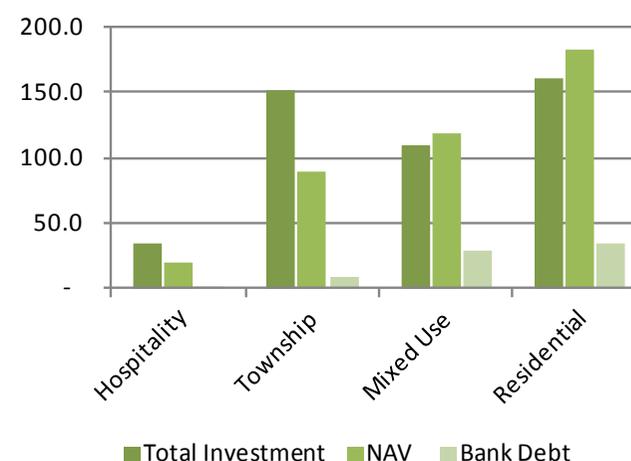
Valuation breakdown	% of NAV
Assets not yet revalued *	7.9
Assets revalued	92.1

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

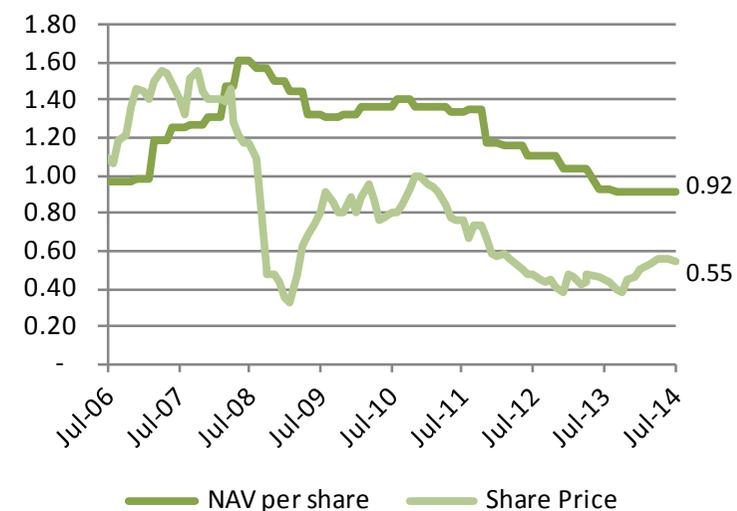
All NAV and NAV per share related data is calculated on a quarterly basis

* 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.