

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; town-ship (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 July 2015, VNL's share price increased 5.6% to USD0.545, from a closing price of USD0.516 as at 30 June 2015. The Company's share price to NAV discount is currently 39.3% compared to 42.5% in June 2015. Since October 2011, the Company has cancelled a total of 69.8 million ordinary shares, representing 13.97% of the total shares in issue prior to the commencement of the share buyback program. No shares were purchased by the Company during July 2015. Recent global market volatility during August has also impacted on the Vietnamese markets and VNL's share price.

Fund update

The Ocean Apartment Block A (part of Danang Beach Resort) achieved practical completion on 30 June 2015 and commenced handovers to buyers during July. Following the successful launch of Block A, the official launch of Block B is scheduled to commence in Q4 2015.

VNL's My Gia project in Nha Trang generated some positive residential sales results in July while there were further transactions at The Point in Danang. The Dai Phuoc Lotus project in Dong Nai province held a marketing event which was well attended. The event created renewed interest in the project and generated new deposits throughout July.

Vietnam's real estate market continued to provide positive news, with decreasing interest rates attracting higher levels of foreign capital and leading to outperformance in July when compared with ASEAN markets such as Thailand, Malaysia and Indonesia. These positive sentiments were felt in the commercial and residential property markets, with investment capital coming from Japan, Singapore, South Korea and Hong Kong. Optimism created by the new Housing Law and Real Estate Business Law, both effective 1 July 2015, resulted in VNL's projects generating numerous enquiries from experienced real estate investors and developers. The Manager continues to work on a number of pipeline project disposals with both local and foreign investors. Market confidence is being driven by improved liquidity, realistic interest rates and residential sales momentum, and the Manager remains optimistic about securing and closing several project disposals during H2 2015.

Real estate market update

The revised Housing Law, which removed some restrictions on foreign ownership, is expected to reinforce both developers and buyers' confidence in the market. In addition, the new Real Estate Business Law requires developers to provide a credit guarantee to buyers of residential property in future construction projects, which will give these buyers more security and confidence in their purchase. The passage of these two laws is regarded as a long-awaited legislative breakthrough that establishes a transparent legal framework to help protect home buyers, and increase the confidence of foreign investors (corporate and private) when purchasing residential properties in Vietnam.

According to CB Richard Ellis (CBRE), the average selling price of residential properties, including condominium and landed property segments, remained stable in July. However, the new regulations have been a catalyst for a number of new residential projects to be launched in Ho Chi Minh City and Hanoi, the Hanoi market being the more attractive of the two with a higher number of new launches. Meeting this new supply we have observed an increase in the number of enquiries from foreigners and overseas Vietnamese, and this trend is expected to continue. In the retail and office segments average rents in Ho Chi Minh City remained stable while they decreased slightly in Hanoi.

Performance summary*

31 July 2015

NAV per share** (USD):	0.90
Change (Quarter-on-quarter)	1.15%
Total NAV** (USD 'm):	386.3
Share price (USD):	0.545
Market cap (USD 'm):	234.4
Premium/(discount)	-39.3%

* 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	4.6	-0.2	13.5	-30.1

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	25
Divestments	21 full and residential unit sales
Debt	Fund level (ZDPs): 7.4% of NAV Project level (Bank): 19.3% of NAV
Shares outstanding	430,132,220

Macroeconomic update

Vietnam's consumer price index (CPI) rose just 0.13% in the month of July, taking year to date inflation to 0.68%, the lowest year-to-date inflation rate in 7 years. We continue to project an inflation rate of 2.0% to 2.5% for 2015.

The ANZ Consumer Confidence Index fell slightly to 139 points, but still registered higher than July last year (134 points), and supporting this optimism, private consumption as measured by retail sales, was up in real terms by 8.3% for the year-to-date and 13.0% year-on-year, the highest real growth rates in 3 years thanks to low inflation.

The Nikkei PMI rose 0.4 points in July to 52.6, the manufacturing sector has now strengthened 23 months in a row due to faster growth in outputs and new orders, and companies continue to increase both staffing levels and purchasing activity. The Index for Industrial Production (IIP) maintained its solid growth, reaching 11.3% year-on-year, with crude oil production providing a significant boost to the mining sub-sector.

Foreign Direct Investment (FDI) continues to demonstrate the confidence of foreign companies in Vietnam as FDI commitments surged by USD3.3 billion in July (June: USD1.2 billion) while disbursements reached USD 7.4 billion for the year to date, an increase of 8.8% year-on-year.

In the currency markets, the State Bank of Vietnam (SBV) continued its intervention, selling USD500 million to local banks to ease the downward pressure on the VND. We reiterate that an additional 1.0% to 2.0% devaluation will prevent the erosion of official reserves and assist export industries, however, the SBV has reiterated its commitment to limit devaluation to 2.0% for the year and it has the resources available to do this. As mentioned in the manager's comment, China devalued the Yuan and as a result the SBV has widened its acceptable trading band from +/- 1.0% to +/-2.0%. We project the year end VND exchange rate will now be between 21,700 and 22,300.

In the credit markets, banks continue to move funds from the bond market to the loan market driving strong credit growth of 7.3% for the year to July (3.1% for the same period in 2014). Looking forward, thanks to a steady improvement in the economy it is likely that credit growth will approach 16% to 17%, compared to the 13% to 15% range set by SBV. Most credit organizations continue to be optimistic about the economic recovery and the absorption capacity of bank loans by business. The SBV has approved higher targets for 18 commercial banks, leading to speculation that it may officially raise the overall credit growth to 17%.

Fixed income

In July, the State Treasury raised USD675 million, 60% of the USD1.1 billion offered. USD147 million of 20yr G-bonds were also sold to Prudential Vietnam through a private placement process. Year to date, the State Treasury has raised USD4.3 billion of G-bonds and USD 1.0 billion of T-bills. In the secondary market, the total value of bond trading was down 13% in June to USD2.3 billion. The market share of G-bonds in total bond outstanding value rose from 76.7% to 77.1% (USD23.4 billion), while Government guaranteed bonds were 19.8% (USD6.0 billion), with the remaining 3.1% in municipal bonds.

Macroeconomic indicators

	2014	Jul-15	2015 YTD	Year-on-year
GDP growth ¹	6.0%		6.3%	6.4%
Inflation (%YOY)	1.8%	0.1%	0.7%	0.9%
FDI commitments (USDbn)	20.2	3.3	8.8	-7.6%
FDI disbursements (USDbn)	12.4	1.1	7.4	8.8%
Imports (USDbn)	148.0	14.8	95.6	24.0%
Exports (USDbn)	150.0	14.5	92.3	17.1%
Trade surplus/(deficit) (USDbn)	2.0	-0.3	-3.4	
Exchange rate (USD/VND) ²	21,450	21,840	-1.8%	
Bank deposit rate (VND)	6.0%	5.0%	-100bps	

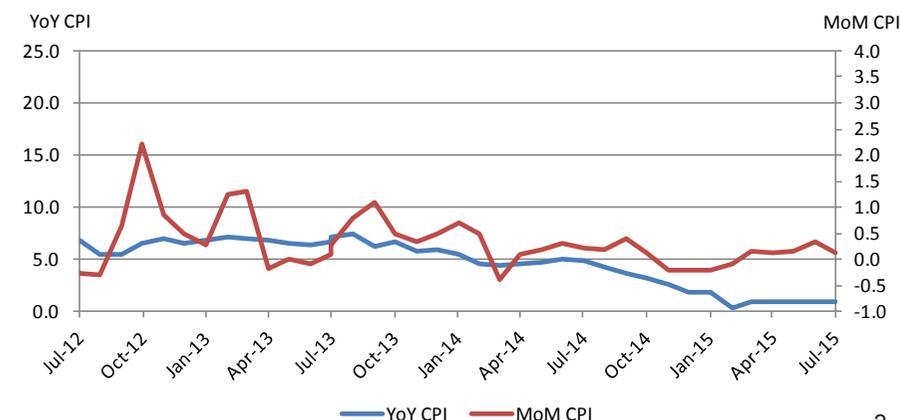
Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

	1yr	2yr	3yr	5yr
30-Jun-15	5.05	5.45	5.85	6.45
31-Jul-15	4.85	5.29	5.68	6.48

Source: Bloomberg

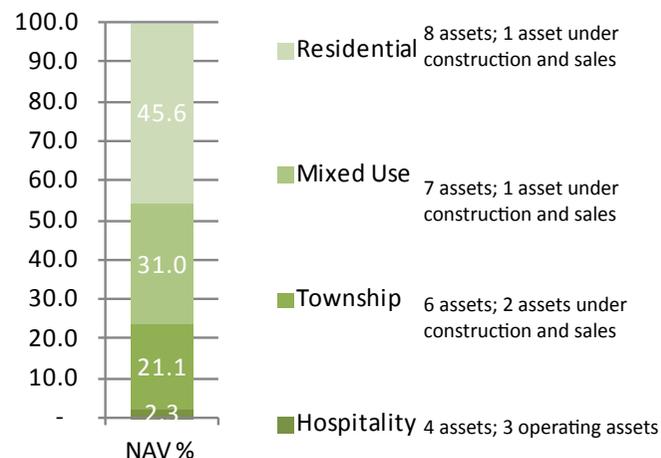
Year-on-year and month-on-month inflation (%)



Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	17.9%
Danang Golf and Beach Integrated Development*	Central	Residential	13.3%
Dai Phuoc Lotus	South	Township	8.0%
VinaSquare	South	Mixed Use	7.0%
Pavilion Square	South	Mixed Use	6.7%
Times Square Hanoi	North	Mixed Use	6.1%
Aqua City	South	Township	5.1%
Trinity Park HUD	South	Residential	4.7%
Green Park Estate	South	Mixed Use	4.3%
Capital Square **	Central	Mixed Use	3.9%
Total			77.0%

Portfolio by sector



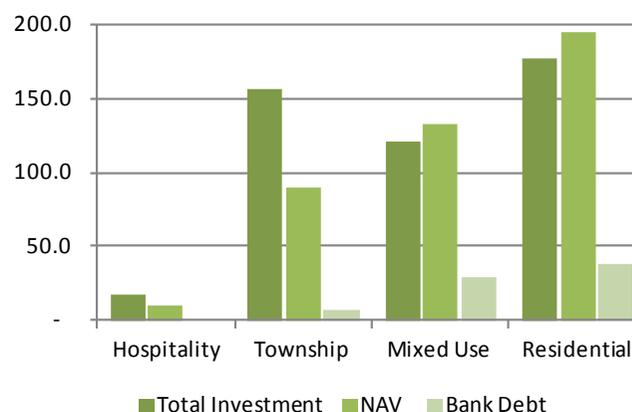
Key projects under development

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	8.2%
Central region	28.6%
Ho Chi Minh City region	63.2%
Valuation breakdown	
Assets not yet revalued ***	6.4%
Assets revalued	93.6%
Development status	
Land banking	7.1%
Planning stage	63.0%
Development stage	28.6%
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

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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.