

## 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

VNL's share price increased 3.3% in November to USD0.62, from a closing price of USD0.60 as at 31 October 2015, and the Company's share price to NAV discount narrowed to 31.3% from 33.6% in October. During November, VNL repurchased and cancelled 3.9 million ordinary shares. Since October 2011, the Company has cancelled a total of 77.4 million ordinary shares, representing 15.49% of the total shares in issue prior to the commencement of the share buyback programme.

## Fund update

The Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) were held on 24 November 2015 in London, where shareholders met to review the Fund's performance over the past three years and to vote on a revised realization and distribution policy. The shareholders supported the recommendations of the Board regarding all resolutions which were put to a vote at the Company's AGM and EGM. All recommendations of the Board were supported unanimously, with all four AGM Resolutions receiving no less than 92% of votes in favour, and both EGM Resolutions receiving no less than 75% of votes in support of the Board's recommendations. The Investment Manager provided details of the Company's potential realisation and distribution profile from now up until November 2016 based on its current pipeline divestment and distribution plan, which is available on the VNL website. The approval of the 12 month extension proposed at the EGM now enables the Investment Manager to continue to focus on disposals in a controlled and orderly manner and complete distributions to shareholders. Results of the AGM and EGM, as well as an update on the company and the project realisation progress have been posted on the VNL website.

## Real estate market update

During November, a number of new condominiums were launched in Ho Chi Minh City and Hanoi, particularly in fast-developing residential areas which have benefitted from improving infrastructure. Condominium prices remained stable month-on-month while the mid-end segment provided better margins for the new supply, while increasing supply in both the retail and office segments continued to create downward pressure on rentals. After a temporary slowdown, the landed property markets in both Ho Chi Minh City and Hanoi have experienced a number of new project launches, though the average selling price for landed property in Hanoi remained stable this month while the selling price in Ho Chi Minh City increased slightly.

A decree providing guidance on the new Housing Law (in effect since 1 July 2015) was issued in November. These new regulations came into effect on 10 December 2015, and this further clarification is sure to increase buyer confidence as the previous lack of guidance has been a drag on foreign purchases in recent months. Together with the expansion of the rights of foreign investors, implementation of further legislation regarding residential housing will contribute to a more transparent and efficient marketplace and boost the current real estate market in Vietnam.

## Performance summary\*

30 November 2015

NAV per share** (USD):	0.90
Change (Quarter-on-quarter)	0.56%
Total NAV** (USD 'm):	388.3
Share price (USD):	0.62
Market cap (USD 'm):	262.0
Premium/(discount)	-31.3%

\* 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	0.6	-1.6	-18.6	-36.0
Share price	17.0	6.0	52.1	-33.3

## 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		0.0	-1.0	-6.3	-12.6
YTD	-1.7	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): 19.9% of NAV
Shares outstanding	422,537,266

## Macroeconomic update

Vietnam remains on course to reach the government's revised GDP growth target of 6.5%, up from the original target of 6.2%, with some analysts projecting growth that could reach as high as 6.7% for 2015. Growth continues to be supported by a number of factors including the performance of the manufacturing sector and domestic consumption, though concerns remain surrounding currency volatility and depleting foreign currency reserves, as well as the widening fiscal deficit.

The Index of Industrial Production maintained strong growth, reaching 9.7% year-to-date in November. This was fuelled in part by manufacturing growth of 10.1%. On the other hand, the Nikkei Vietnam Purchasing Managers Index (PMI) did fall to 49.4 in November after reaching 50.1 the previous month, partly attributed to declining outputs and demand throughout the ASEAN region.

Domestic consumption meanwhile remained vigorous in the face of weaker external demand, as retail sales grew nominally by 9.4% year-to-date, or 8.3% in real terms. In addition, consumer confidence was again up as reflected in the ANZ-Roy Morgan Consumer Confidence Index rising to 142.3 and remaining above the year-to-date average.

Inflation was extremely subdued at 0.3% year-on-year and 0.6% year-to-date, the latter figure representing the lowest year-to-date increase in the last 10 years. At this rate, inflation could just reach 1.0% by year-end, as a number of commodities within the CPI basket continue to face downward pressure from weak global demand and China's economic slowdown. It is likely inflation will rise in 2016, particularly if speculation surrounding a further 3 – 5% devaluation of the VND as early as January 2016 proves to be true.

The magnitude of any impending devaluation may be mitigated by the recent news of the International Monetary Fund (IMF) elevating the Chinese Renminbi to Special Drawing Rights (SDR) status. This would place the Renminbi on par with the world's reserve currencies including the US Dollar, Euro, Sterling and Yen. As a result of the IMF decision, it is reasonable to expect a strong increase in demand for Renminbi leading up to their official inclusion in the SDR basket, scheduled for September 2016. This reduces the risk of further devaluation of the Renminbi in the interim and should alleviate some pressure on the VND as well. The IMF will require that China loosen their grip on the management of the Renminbi leading up to September 2016.

As China's government interventions in the currency market appear to be on the decline, the State Bank of Vietnam (SBV) continues to intervene on behalf of the VND, further depleting official reserves. Reports have indicated that the SBV has spent some USD7 – 8 billion year-to-date defending the VND. While the SBV, which the IMF estimates to now have foreign currency reserves of USD30.2 billion, has the ability to continue this strategy, reserves levels at less than 3 months of import coverage begin to raise concerns.

FDI disbursements exceeded USD13 billion in November, and the FDI sector continues to be a key driver of economic growth. This trend is likely to continue as countries move closer towards ratification of the Trans Pacific Partnership (TPP), which will join a collection of other free trade agreements (FTAs) involving Vietnam, such as the South Korean FTA, which was ratified in November. TPP is of particular importance as it has been estimated that this agreement alone could add as much as 17% to Vietnam's exports and 8% to its GDP over the next 20 years. TPP will also boost Vietnamese exports to the US, a market that is already the destination for one fifth of the country's total exports. Vietnam's continued involvement in various FTAs will help provide long term stability to the balance of trade which remained in deficit this month, decreasing to USD3.6 billion in November from USD4.0 billion the previous month.

Vietnam's fiscal deficit continues to be an issue that has yet to be meaningfully addressed. We maintain that the privatisation program is one part of the solution, and needs to be pursued more aggressively. Early December saw the privatisation of Airports Corporation of Vietnam (ACV). Though ACV issued just a 3.5% stake in their initial public offering, it raised USD51.6 million and valued the Company at USD1.2 billion, with a strategic stake yet to be sold. It was encouraging that 82% of the issuance was bought by foreigners, and the IPO was 1.5 times oversubscribed, indicating there continues to be strong demand for quality assets. With that said, the pace and scale of privatisation will surely need to quicken if the mounting fiscal deficit is to be curbed.

Vietnam's macroeconomic picture continues to be a mix of positive performance amongst regional discomfort. GDP growth is on track to beat government targets, as domestic consumption and manufacturing continue to grow. The currency faces both positive and negative forces, with a devaluation of the VND expected in early 2016, the magnitude of which could be limited by positive sentiment surrounding the Renminbi. FTAs give reason for long term optimism, while the privatisation program proceeds to inch along. As we look to 2016 we expect to see more positive news coming from the privatisation front, as in our view this is a clear path for the government to combat the fiscal deficit, bolster foreign investment in Vietnam, increase competitiveness, improve corporate governance, and add diversity to the market.

## Macroeconomic indicators

	2014	Nov-15	2015 YTD	Year-on-year
GDP growth <sup>1</sup>	6.0%		6.5%	6.81%
Inflation (%)	1.8%	0.1%	0.6%	0.3%
FDI commitments (USDbn)	20.2	0.9	20.2	16.7%
FDI disbursements (USDbn)	12.4	1.4	13.2	17.9%
Imports (USDbn)	148.0	14.5	152.5	13.5%
Exports (USDbn)	150.0	14.3	148.7	8.6%
Trade surplus/(deficit) (USDbn)	2.0	(0.2)	(3.8)	
Exchange rate (USD/VND) <sup>2</sup>	21,450	22,530	-5.0%	
Bank deposit rate (VND)	6.0%	5.0%	-100bps	

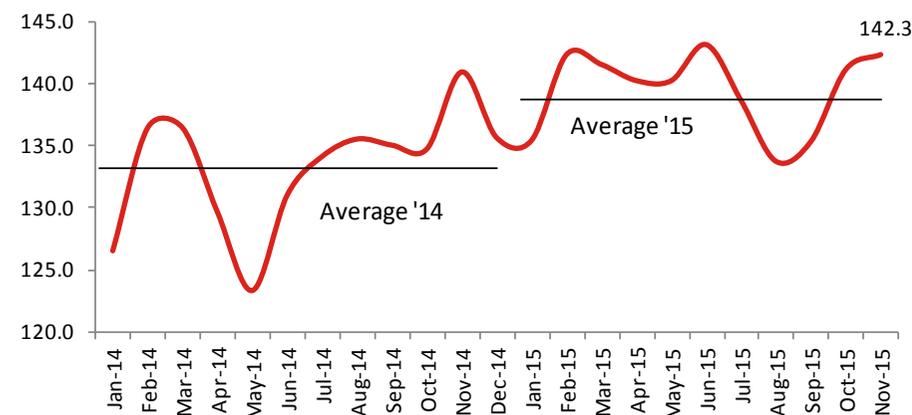
Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

## Government bond yields (%)

	1yr	2yr	3yr	5yr
30-Oct-15	5.10	5.40	6.00	6.75
30-Nov-15	4.85	5.35	5.95	6.65

Source: Bloomberg

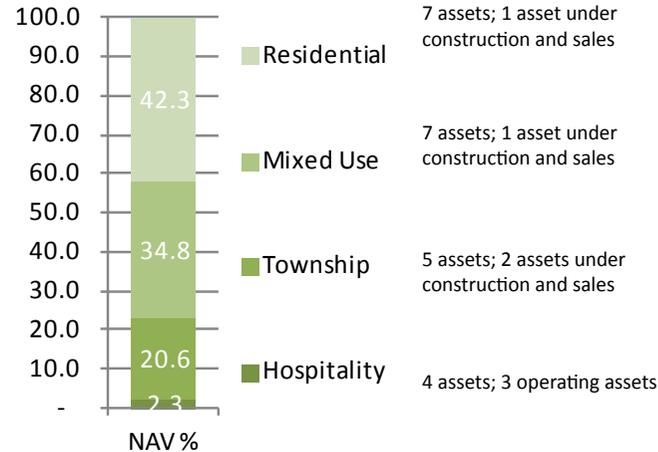
## ANZ-Roy Morgan Vietnam Consumer Confidence Index



## Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	17.3%
Danang Golf and Beach Integrated Development	Central	Residential	13.4%
Dai Phuoc Lotus	South	Township	8.5%
VinaSquare	South	Mixed Use	8.3%
Pavilion Square	South	Mixed Use	7.9%
Times Square Hanoi	North	Mixed Use	6.7%
Aqua City	South	Township	5.7%
Trinity Park	South	Residential	5.0%
Green Park Estate	South	Mixed Use	4.4%
Capital Square	Central	Mixed Use	4.0%
<b>Total</b>			<b>81.1%</b>

## Portfolio by sector



## Key projects under development

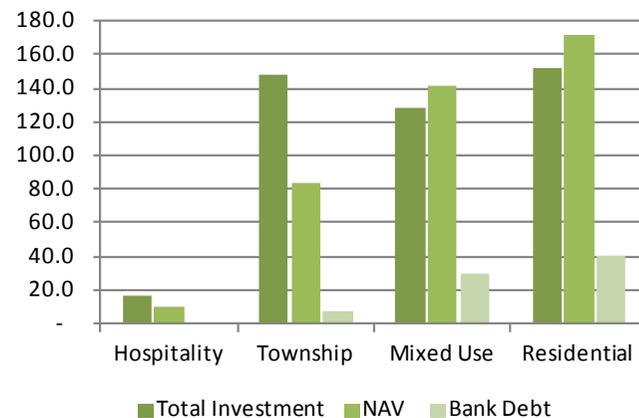
Project	Location	Type	Site Area (ha)
Danang Golf and Beach Integrated Development	Central	Residential	248.3
Dai Phuoc Lotus	South	Township	198.5
My Gia	Central	Township	138.8
Capital Square	Central	Mixed Use	6.6

**Total: 4 assets representing a NAV of USD117.6 million**

## Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	9.2%
Central region	23.9%
Ho Chi Minh City region	66.9%
<b>Valuation breakdown</b>	
Assets not yet revalued *	4.4%
Assets revalued	95.6%
<b>Development status</b>	
Land banking	7.4%
Planning stage	62.2%
Development stage	29.0%
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

\* 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)
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

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## 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.