

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 30 September 2015, VNL's unaudited net asset value (NAV) was USD388.3 million or USD0.9031 per share. This represented a 0.56% increase from a net asset value per share of USD0.8981 at 31 August 2015.

VNL's share price increased 3.8% to USD0.55, from a closing price of USD0.53 as at 31 August 2015. The Company's share price to NAV discount is currently 39.1% compared to 41.0% in August 2015. During September, VNL repurchased and cancelled 1.84 million ordinary shares. Since October 2011, the Company has cancelled a total of 71.9 million ordinary shares, representing 14.38% of the total shares in issue prior to the commencement of the share buyback program.

Fund update

VNL project revaluations were undertaken for the period ending 30 September 2015 with five projects appraised by international valuation consultants. Additionally, a further eight 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 six projects are located in the southern and central regions of Vietnam.

This improved market confidence is creating more demand for development land, including the VNL portfolio, which continues to draw interest from new and existing investors. The Manager is continuing to pursue several disposal opportunities and is negotiating with the objective of securing several exits for the remainder of 2015.

During September, VNL's ongoing residential developments recorded more sales to capitalize on the improving market confidence and improved liquidity, particularly the My Gia project in Nha Trang as well as Ocean Apartments and Azura in Da Nang. Transferring of the completed residential projects to buyers (Ocean Apartments and phase one of The Point in Danang Beach Resort and Golf Course) are still on schedule for completion after they were all sold out.

During the quarter, VNL announced the appointment of Mr. Tran Trong Kien as a new Independent Non-executive Director, effective 25 September 2015. Mr. Tran replaces Mr. Daniel McDonald, who has resigned from the VNL Board in order to pursue new challenges. As a result, the total number of VNL Board members remains at five. Mr. Tran's experience in owning, developing and guiding both property investments and commercial enterprises in Vietnam and the region over the last 20 years will greatly assist VNL as it seeks to develop and realise its property portfolio.

VinaCapital held its annual Investor Conference on 15 October 2015, where the post-EGM (proposed for November 2015) strategy was discussed in conjunction with the presentation of the VNL update (dated 15 October 2015), which has been posted on the VNL website [here](#).

Performance summary*

30 September 2015

NAV per share** (USD):	0.90
Change (Quarter-on-quarter)	0.56%
Total NAV** (USD 'm):	388.3
Share price (USD):	0.550
Market cap (USD 'm):	235.5
Premium/(discount)	-39.1%

* 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	6.5	-1.3	24.6	-32.1

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	0.6	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	24
Divestments	22 full and residential unit sales
Debt	Fund level (ZDPs): 7.5% of NAV Project level (Bank): 19.7% of NAV
Shares outstanding	428,091,266

Real estate market update

As a result of new regulations, the number of new condominiums continuing to launch in Ho Chi Minh City and Hanoi rose 200% and 112% year-on-year, respectively. According to CBRE Vietnam, an additional 10,114 units in Ho Chi Minh and 9,160 units in Hanoi were launched in the third quarter. During the first nine months of 2015, condominiums in the mid-to-high end segment provided better margins to developers prompting more developments in this segment. The average selling price decreased slightly by between 1% and 4% quarter-on-quarter in both Ho Chi Minh City and Hanoi due to the Dong devaluation but it increased by between 1% and 3% year-on-year. Some concerns remain surrounding demand, and we continue to monitor the absorption rate of new condominium units.

In the third quarter of 2015, the average rent for office projects in Ho Chi Minh City and Hanoi remained stable. Retail rent increased slightly in Ho Chi Minh City (approximately 1% - 3%) while trending down in Hanoi quarter-on quarter. Increasing supply in both retail and commercial segments through to the end of the year is expected to place continued downward pressure on net effective rentals.

The landed property market both in Ho Chi Minh City and Hanoi continues to demonstrate more activity with new project launches and numerous promotional campaigns. Most of the new projects are located in the fast-developing residential areas which benefit from improving infrastructure conditions. In addition, product offerings are becoming more diverse, with a focus on the shop house product. If managed properly, these typically high-value housing products could potentially act as an investment opportunity besides provide living accommodation value. According to Savills, land purchases in Q3 were down as expectations of fresh supply in Q4 lead buyers to hold off on new purchases. As the result, the absorption rate of land plots decreased slightly quarter-on-quarter. Prices are expected to remain stable in the next few quarters, while developers are expected to bustle with new launches.

Macroeconomic update

The most significant economic headline actually came just after month end when it was announced that the twelve signatory nations to the Trans-Pacific Partnership (TPP) had finally reached a consensus as to the terms of agreement.

The agreement is undoubtedly having a positive influence on investor sentiment towards Vietnam with a promising outlook for equities, while companies will benefit directly from the tariff cuts/reductions on over 18,000 goods. The medium to long term impact of the TPP will see Vietnam's GDP growth accelerate by 1-2% p.a., will strengthen exports, and will positively influence the trade balance and help maintain a stable VND.

TPP news aside, the economy grew 0.2% in the September quarter, taking year-to-date GDP growth to 6.5%, the highest in five years. Year-on-year GDP growth is now running at 6.8%. Vietnam's growth is expected to accelerate through the second half of 2015, underpinned by construction, export-oriented manufacturing and strong foreign direct investment (FDI) inflows.

Inflation hit 0.4% year-to-date which took year-on-year inflation to 0.0%. Our view is that inflation is likely being driven by administered prices rather than market forces as factors such as education, electricity, gasoline and medical costs are regulated. Having inflation under control is vital to the stability of the economy but zero inflation can actually act as a disincentive to invest in growth. It would be encouraging to see inflation increase over time to between 3% and 5% to assist in stimulating the growth of the domestic economy.

Finally, Banks continued to lend into the domestic market with credit growth increasing to 10.2% year-to-date, indicating confidence in Vietnam's economic recovery, but also meaning the State Treasury missed its Q3 issuance targets and is likely to come under pressure to increase its yields or diversify its offerings to products such as zero-coupon bonds.

Macroeconomic indicators

	2014	Aug-15	2015 YTD	Year-on-year
GDP growth ¹	6.0%		6.3%	6.4%
Inflation (%YOY)	1.8%	-0.1%	0.8%	0.6%
FDI commitments (USDbn)	20.2	4.5	13.3	30.4%
FDI disbursements (USDbn)	12.4	1.1	8.5	7.6%
Imports (USDbn)	148.0	14.1	109.6	16.3%
Exports (USDbn)	150.0	14.5	106.4	9.7%
Trade surplus/(deficit) (USDbn)	2.0	0.3	(3.2)	
Exchange rate (USD/VND) ²	21,450	22,500	-4.9%	
Bank deposit rate (VND)	6.0%	5.0%	-100bps	

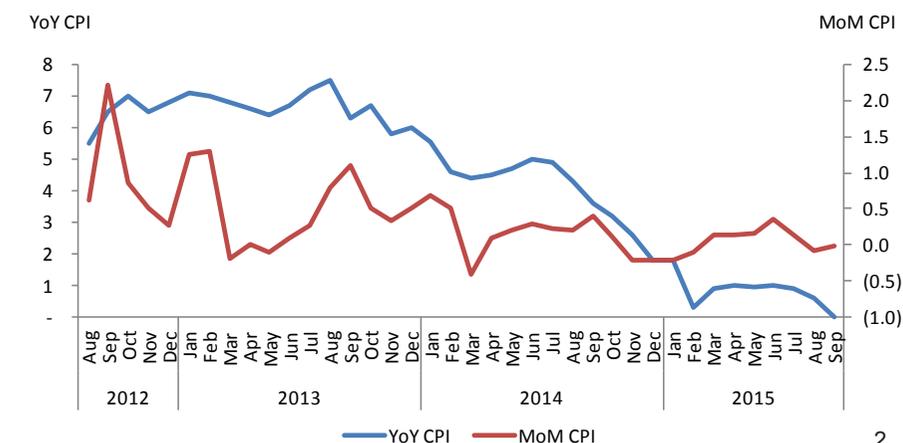
Sources: GSO, Vietnam Customs, SBV, VCB | 1. Annualized rate, updated quarterly 2. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

	1yr	2yr	3yr	5yr
31-Jul-15	4.85	5.29	5.68	6.48
31-Aug-15	5.20	5.55	5.95	6.75

Source: Bloomberg

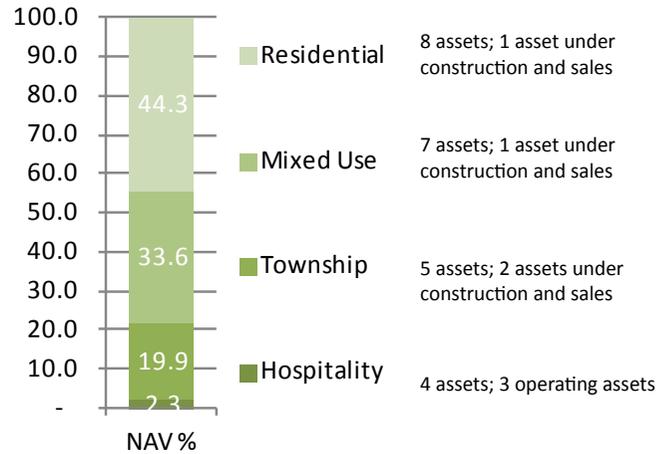
Year-on-year and month-on-month inflation (%)



Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	16.6%
Danang Golf and Beach Integrated Development	Central	Residential	12.9%
Dai Phuoc Lotus	South	Township	8.2%
VinaSquare	South	Mixed Use	8.0%
Pavilion Square	South	Mixed Use	7.6%
Times Square Hanoi	North	Mixed Use	6.4%
Aqua City	South	Township	5.5%
Trinity Park	South	Residential	4.8%
Green Park Estate	South	Mixed Use	4.3%
Capital Square	Central	Mixed Use	3.9%
Total			78.3%

Portfolio by sector



Key projects under development

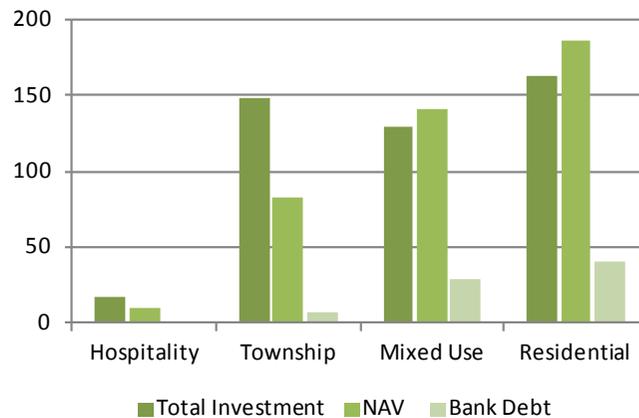
Project	Location	Type	Site Area (ha)
Danang Golf and Beach Integrated Development	Central	Residential	248.3
Dai Phuoc Lotus	South	Township	198.5
My Gia	Central	Township	138.8
Capital Square	Central	Mixed Use	6.6

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

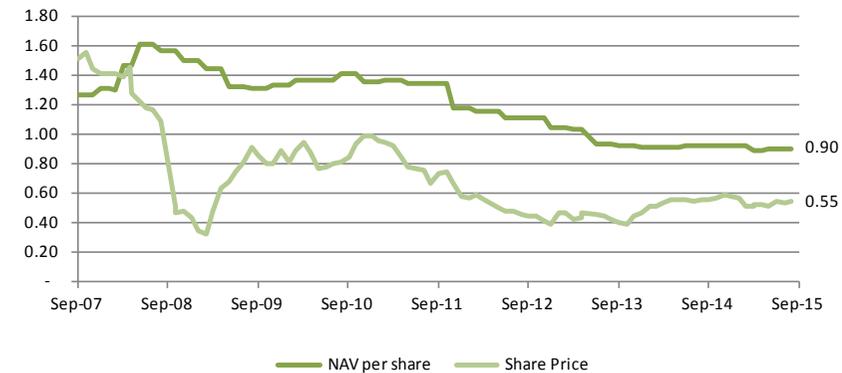
Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	8.9%
Central region	26.6%
Ho Chi Minh City region	64.5%
Valuation breakdown	
Assets not yet revalued *	4.7%
Assets revalued	95.3%
Development status	
Land banking	7.1%
Planning stage	63.5%
Development stage	28.0%
Operating assets	1.3%

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

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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/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 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.