

Monthly update 31 October 2011

## 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.

[View VNL details.](#)

[Download VNL factsheet.](#)

## Fund managing director

David Henry

## 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 comment

VNL's share price was 0.73 at the end of October 2011, up from 0.67 at the end of September 2011. The fund has initiated its share buyback programme, with the first buyback of 100,000 shares occurring on 31 October. Shares purchased will be cancelled, resulting in a lower number of voting rights and having an accretive impact on the NAV per share. The total number of shares in issue following the 31 October buyback was 499,867,622. The official launch of the My Gia township project in Nha Trang, central Vietnam, was held on 15 October. The project has garnered significant media attention as one of the first modern townships under development in central Vietnam, and sales of land and townhouse lots have continued at a respectable pace even during the market slowdown.

## Macro and capital markets update

Vietnam's real estate market continues to be challenged by high interest rates and a lack of demand as home-buyers delay purchases in anticipation of developers lowering prices to move their products. Some projects have already seen price drops and significant sales incentives.

In the capital markets, the VN Index fell sharply during the first three weeks of October before recovering to close the month at 421 points, a decline of 2.4 percent in USD terms. In contrast, the MSCI Asia ex-Japan and MSCI Emerging Markets indices rallied by 12 and 13 percent, respectively. Vietnam's underperformance was due to continued high interest rates and increasing pressure on the VND.

The trading value and volume on both of Vietnam's stock exchanges fell sharply in October, declining by 46 and 42 percent month-on-month, respectively. The value traded was USD680 million, with 1.14 billion shares trading hands. The combined market capitalisation of both exchanges was USD30 billion at the end of October, representing a trailing P/E of 9.2x and a P/B of 1.5x. Foreign investors were net sellers of USD0.4 million in October, compared to net selling of USD47.5 million in September. Top selling blue chips were HAG, VIC, CTG, PVS and ITA, while top buying was in FPT, MSN, SJS, REE and IJC.

Bond market activity slowed in October due to the persistent high interest rates on the interbank market. On the primary market, only USD50 million of USD381 million offered in three- and five-year government bonds were sold. Yields for three- and five-year bonds remained unchanged at 12.1 percent and 12.15 percent, respectively.

Trading activity on the secondary market also slowed in October, with only USD378 million in bonds changing hands, down from USD412 million in September. Bond yields increased slightly at the shorter end of the curve.

31 October 2011

NAV **1.35** per share (↑0.7%)

Total NAV: USD675 million

## Performance summary\*

	31 Oct 11	Cumulative change:		
		3mth	1yr	3yr
NAV per share	1.35	0.7%	-4.3%	-14.0%
Share price	0.73	-5.2%	-13.1%	-53.2%
Premium/ (Discount)	(45.9%)			
Market cap	365m			
Total NAV	675m			

## Other information

Issued shares	499,867,622
Fundraisings	198m in 2006; 395m in 2007

\* Figures in USD. Return percentages are gross, not annualised.

## Acquisition history

Total assets	37
Peak assets	46
Divestments	9 full + 1 partial, plus residential unit sales
Debt	Fund: Nil    Projects: 11% of NAV

## Performance history (% change on NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-3.3%	12.5%	22.0%
Q2	-2.2%	-0.7%	-9.0%	9.4%	6.1%
Q3	0.7%	3.7%	-0.8%	-2.5%	0.2%
Q4		-3.5%	1.5%	-4.5%	3.2%
YTD	-0.7%	2.3%	-11.3%	14.8%	33.8%

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## Renewed pressure on VND

### Macro update (contd)

Vietnam's macro economy continues to be challenged by high interest rates. Adding to the woes, October saw increased pressure on the VND. By month end, the State Bank had raised the reference rate 14 times, to VND20,803 per USD, resulting in an interbank ceiling rate of VND21,011. The State Bank target was to keep depreciation to 1.0 percent by year-end, which may require tapping the USD6 billion in foreign currencies the State Bank has acquired in recent months.

## Small banks struggle to find liquidity

October saw renewed calls for restructuring of the banking system. Government intervention to lower the deposit rate to 14 percent in August has caused a liquidity squeeze in smaller banks, as customers moved their VND deposits into top-tier banks or other asset classes. By mid-month, total deposits had declined by 2.6 percent month-on-month. At the same time, smaller banks saw higher interest rates on the interbank market. To support the banking system, the State Bank is adding liquidity via open market operations. Banks are being asked to make regular reports on real estate loans as this sector begins to show the strain of low demand. Many real estate developers are now dropping prices in order to move products and pay back their loans.

## Inflation now at 17.1% for 2011YTD

The CPI rose by 0.36 percent in October, resulting in year-on-year inflation of 21.6 percent, or 17.1 percent year-to-date. The October result was the lowest month-on-month inflation since September 2010. Food prices, accounting for 40 percent of the price index, have slowed their growth in recent months. However, the Tet lunar new year holiday is only a few months away, and food prices historically increase at this time of year.

The monthly trade deficit narrowed in October to USD800 million, down from USD1.5 billion in September. The improvement was due to increased oil and coal exports, in addition to decreased imports of automobiles and capital equipment. The cumulative deficit for the first ten months is now USD8.4 billion, implying a full-year projected deficit of USD10.5 billion, down from the USD12.9 billion recorded in 2010.

GDP growth continues to be modest, with industrial production rising 5.2 percent year-on-year in October, and no growth in retail sales. Purchasing power among consumers is clearly being impacted by high inflation, and the General Statistics Office reports higher inventories as goods are not selling well. The holiday shopping season is approaching, however, which may offer some respite for struggling retailers.

### Macro-economic indicators and forecast

	2010	Oct-11	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	6.8%		5.6%	-17.8%
<b>Inflation</b>	11.8%	0.4%	17.1%	21.6%
<b>FDI (USDbn)</b>	18.6	1.4	11.3	-11.7%
<b>Imports (USDbn)</b>	84	9.1	86.4	27.2%
<b>Exports<sup>2</sup> (USDbn)</b>	71.6	8.3	78.0	34.6%
<b>Trade deficit (USDbn)</b>	12.4	0.8	8.4	-11.7%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	19,500	21,011	7.7%	7.7%
<b>Bank deposit rate (VND %)</b>	12.0-14.0%	12.0-14.0%	n/a	n/a

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

<sup>1</sup> Annualised rate. <sup>2</sup> Includes gold. <sup>3</sup> State Bank central rate.

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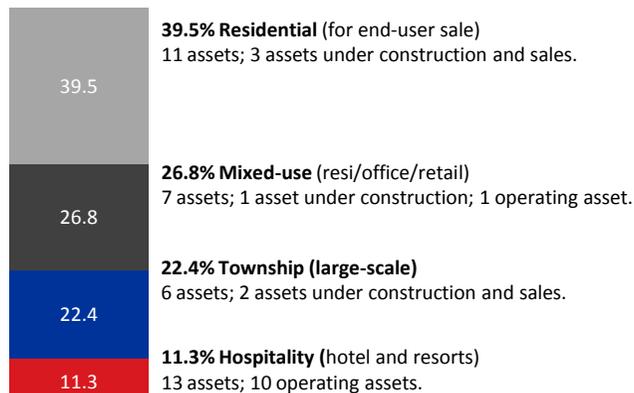
## Top holdings (30 Sep 11)

Project	Location	Type	NAV%
Century 21	South	Residential	12%
Danang Beach Resort	Central	Residential	12%
Dai Phuoc Lotus	South	Township	8%
Pavilion Square	South	Mixed-use	7%
VinaSquare	South	Mixed-use	6%
Times Square Hanoi	North	Mixed-use	5%
My Gia	Central	Township	5%
Aqua City	South	Township	4%
World Trade Centre	Central	Mixed-use	4%
Trinity Park*	South	Residential	4%

\* Previously HUD Dong Tang Long.

**Top 10 assets: 68%**

## Portfolio by sector (30 Sep 11)



**Total: 37 assets**

## Projects carried at cost (30 Sep 11)

Project	Location	Type	Site Area (ha)
Long An	South	Township	1,925
Hoi An South	Central	Township	1,538
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	27
Long Truong	South	Residential	20
Hao Khang	South	Residential	4.8

**Total: 7 assets representing NAV of USD81m.**

## Portfolio breakdown (30 Sep 11)

Portfolio by geographic location	NAV%
Hanoi	7%
Central provinces	28%
Ho Chi Minh City region	65%

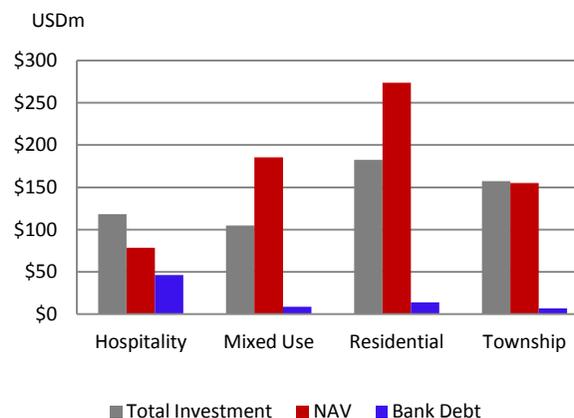
  

Valuation breakdown	NAV%
Assets held at cost	12%
Assets revalued	88%

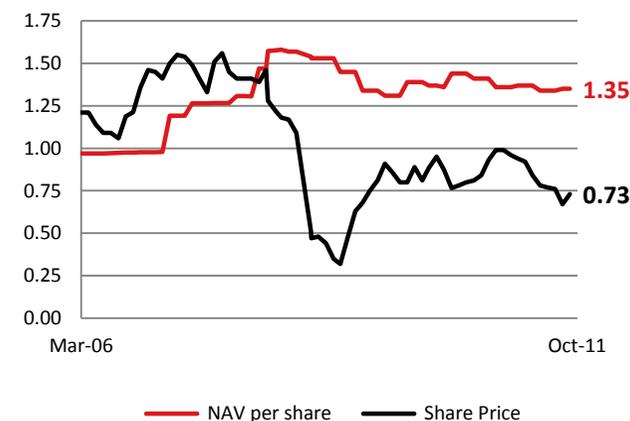
  

Development status	NAV%
Landbanking assets	8%
Planning stage assets	52%
Development stage assets	31%
Operating assets	9%

## NAV by sector (30 Sep 2011)



## NAV and share price performance (31 Nov 2011)



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## VNL Board of Directors

VinaLand Limited (VNL) is led by a Board of Directors composed of a majority of independent non-executive directors.

<b>Nicholas Brooke</b>	Chairman (Independent)
<b>Nicholas Allen</b>	Director (Independent)
<b>Michael Arnold</b>	Director (Independent)
<b>Michel Casselman</b>	Director (Independent)
<b>Stanley Chou</b>	Director (Independent)
<b>Horst Geicke</b>	Director
<b>Charles Isaac</b>	Director (Independent)

## VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the investment manager of VNL.

<b>Don Lam</b>	Chief Executive Officer
<b>Brook Taylor</b>	Chief Operating Officer
<b>David Henry</b>	Managing Director, Real estate
<b>David Blackhall</b>	Deputy Managing Director, Real estate
<b>Jonathan Campbell</b>	Deputy Managing Director, Real estate
<b>Anthony House</b>	Deputy Managing Director, Real estate

Contact

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## Fund summary

VinaLand Limited ("VNL") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VNL Factsheet at [www.vinacapital.com](http://www.vinacapital.com)

### Fund launch

22 March 2006

### Term of fund

Seven years and then subject to shareholder vote for continuation

### Fund domicile

Cayman Islands

### Legal form

Exempted company limited by shares

### Structure

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

### Auditor

PricewaterhouseCoopers (Hong Kong)

### Nominated advisor (Nomad)

Grant Thornton Corporate Finance

### Custodian and Administrator

HSBC Trustee

### Brokers

LCF Edmond de Rothschild Securities (Bloomberg: LCFR)  
Numis Securities (Bloomberg: NUMI)

### Lawyers

Lawrence Graham (UK)  
Maples and Calder (Cayman Islands)

### Management and performance fee

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark

**Investment manager:** VinaCapital Investment Management Ltd

**Investment policy:** Medium to long term capital gains with some recurring in come through investment in the following real estate sectors: Office; Residential; Retail; Township/Industrial (large scale); and Hospitality and Leisure.

**Investment focus by geography:** Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.