

Vietnam Opportunity Fund

NAV per share (31 May 08)*	USD2.14
<i>Change</i>	
May 2008	-19.54%
YTD:	-38.68%
Since inception (30 Sep 03)	114.00%
Issued shares	324,610,259
Total NAV (31 May 08, USD m)	694
Market cap (31 May 08, USD m)	762
Reuter	VOF.L
Bloomberg	VOF LN

VinaLand Ltd

NAV per share (31 May 08)*	USD1.57
<i>Change</i>	
May 2008	6.8%
YTD:	17.8%
Since inception (22 Mar 06)	57%
Issued shares	499,967,622
Total NAV (31 May 08, USD m)	785
Market cap (31 May 08, USD m)	640
Reuters	VNL.L
Bloomberg	VNL LN

Vietnam Infrastructure Ltd

NAV per share (31 Mar 08)*	USD0.90
<i>Change</i>	
Mar 2008	-12.6%
YTD:	-12.6%
Since inception (22 Mar 06)	-10.0%
Issued shares	402,100,000
Total NAV (31 Mar 08, USD m)	361
Market cap (31 May 08, USD m)	290
Reuters	VNI.L
Bloomberg	VNI LN

* Unaudited. Note: VOF NAV is updated monthly; VNL and VNI NAVs are updated quarterly (VNL NAV has been updated one month earlier than scheduled for this month).

Economy

A number of negative stories about the Vietnamese economy appeared in the international media near the end of the month after Morgan Stanley issued a report comparing Vietnam's situation to the 1997 Asian financial crisis. This had a major impact on the perceptions of investors as all Vietnam-related equities fell sharply in the final days of the month, including VinaCapital's funds. We continue to feel that there has been an overreaction to the bad news and the views originally expressed in our 31 May 2008 letter to investors remain valid. *We have appended the letter to this update report.*

Foreign exchange: A large measure of the international commentary reflected the view that the currency would come under severe pressure due to the rising current account deficit (see below). There has indeed been strong demand for US dollars and a weakening of the VND, which rose to above VND17,500 per USD on the open market during the month. However, Vietnam has now confirmed its foreign reserves at USD22 billion and can tap USD credit lines from ASEAN under the recent currency swap agreement between central banks. The VND has begun to stabilise after the official VND/USD rate was decreased by 2% and the state started to take legal action against those trading the VND outside the authorised band.

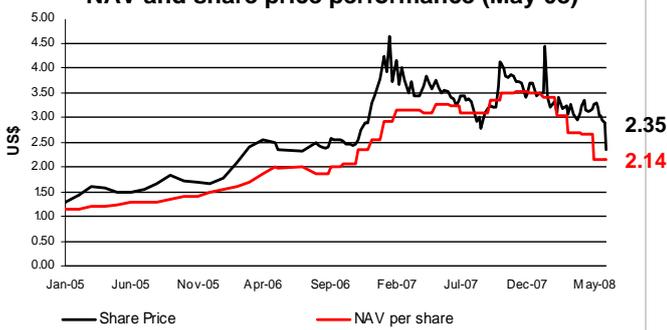
Inflation: After a small decline in April, inflation shot up to 3.9 percent, the highest month-on-month rate since September 2007. The CPI has increased 15.9 percent YTD, a 15-year high. Food prices saw the biggest rise, at 52.9 percent. Rice hoarding and speculation has been pinpointed as one of the major culprits as the price doubled in the last week of April. However the price began to come down in May and thus June inflation may be lower.

Foreign direct investment: New FDI commitments registered almost USD7.5 billion in May and brought the YTD total to USD15.3 billion, close to the annual target of USD20 billion. The hotel and service sectors account for 83 percent of new FDI projects, while the industrial sector share was only 16.2 percent.

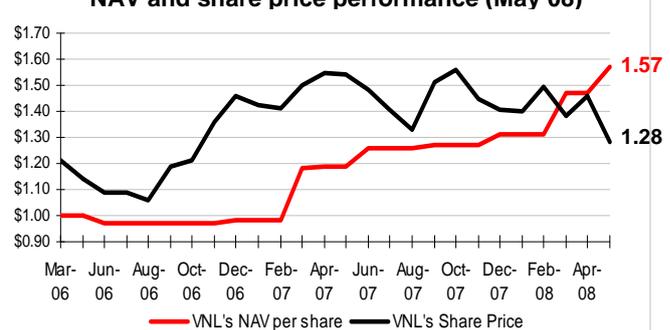
Deficit: The trade deficit for the year widened to USD14.4 billion in May, greater than the whole of 2007. Imports for the first five months reached USD37.8 billion. Compared to the same period last year imports have outgrown exports by 2.5 times. Some notable imported goods are automobiles, steel billet and fertiliser. Imports increased as importers sought to take advantage of domestic price hikes and new tightened import policies introduced by the government. It seems the importers were over-eager and now steel billet is being re-exported due to oversupply.

Capital markets: The VN Index closed May at 414, down 20.7 percent from April's close of 522. There was a three-day interruption of trading at the end of the month due to apparent technical problems. If not for this, the VN Index may have broken the 400 barrier. Trailing P/E at the end of May reached 11.5x, still above the absolute floor Asian markets have seen during crisis times of trailing P/Es of 8x. This implies a further potential downside of the VN Index to roughly 325-350. Overall, we continue to believe the equities environment in Vietnam will remain difficult. The market has yet to reach bottom valuations and the macro environment is not yet conducive for equities to perform.

Vietnam Opportunity Fund
NAV and share price performance (May 08)



VinaLand
NAV and share price performance (May 08)



★ Vietnam Opportunity Fund



VinaCapital Investment Management
Don Lam, Andy Ho, Cuong Nguyen

NAV per share (31 May 08)* USD2.14

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Bloomberg	VOF LN

*Unaudited

Portfolio by asset type

Capital markets	52.9%
Listed (including bonds)	29.7%
OTC	23.2%
Real estate	34.5%
Private equity	8.2%
Overseas equity	1.7%
Cash, deposits, other	2.7%

Portfolio developments

During May, the listed component of VOF decreased 18.7 percent while the OTC component lost 36.8 percent compared to the prior month. VOF's May NAV decreased 19.5 percent to USD 2.14 per share from USD 2.66 per share at the end of April 2008. The VN Index dropped 20.7 percent during the month.

VOF's NAV is down 37.8 percent for 2008 YTD. VOF has outperformed both the VN Index and its peers. The VN Index is down over 55 percent and comparable funds (those with a similar investment asset mix) have lost from 47 to 57 percent of their NAV according to data from LCF Rothschild. Reportedly, some fund managers have used the official exchange rate of VND16,200 per USD to value their portfolios.

VOF has written down the value of a number of private equity assets during May in accordance with our valuation policies and adverse market conditions. Furthermore, current adverse economic conditions have led to a situation where it has become fairly onerous for VOF to purchase USD using the official exchange rate. As such, VOF's portfolio has been valued based on the open market exchange rate, which was approximately 6-7 percent below the official rate at 31 May 2008. In May, an independent revaluation resulted in an increase of USD21.2 million in VOF's real estate portfolio. VOF's cash position at the end of the month was about 2.7 percent of total NAV.

Regulatory announcement: Extraordinary General Meeting

On 10 June a notice was mailed to investors regarding the holding of an EGM on 30 June 2008. The only matter to be decided is a regulatory condition requiring a vote every five years to consider winding up the fund. The VOF Directors recommend that shareholders vote *against* the resolution, ensuring the continuation of the fund.

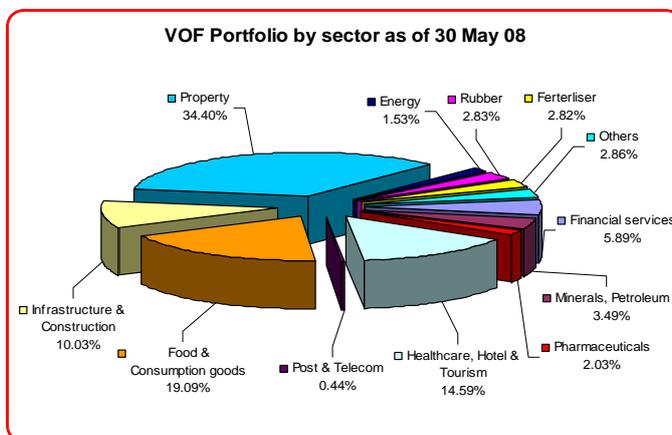
On 15 May, VOF announced a share purchase by one of the directors of the company. Details are available at www.vinacapital.com.

Major holdings

VNM	Listed equity	5.6% (of NAV)
HPG	Listed equity	4.4%
ITA	Listed equity	3.4%
DPM	Listed equity	2.7%
KDC	Listed equity	2.7%

Performance history (% change on NAV)

	2008	2007	2006	2005
Jan	-2.87%	14.57%	3.90%	0.00%
Feb	-10.17%	8.25%	6.25%	4.35%
Mar	-11.84%	-0.63%	8.82%	0.83%
Apr	-0.75%	-1.28%	7.57%	1.65%
May	-19.54%	5.07%	-1.01%	4.07%
Jun		-0.79%	1.52%	0.00%
Jul		-3.75%	-6.50%	0.00%
Aug		0.00%	6.42%	3.91%
Sep		8.06%	3.02%	4.51%
Oct		4.18%	0.98%	0.72%
Nov		0.57%	13.53%	5.71%
Dec		-0.57%	8.09%	4.05%
YTD	-38.68%	37.40%	64.94%	33.91%



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KYG9361G1010

Fund background

The Vietnam Opportunity Fund (VOF) is a closed-end fund launched in September 2003 and listed on the AIM market of the London Stock Exchange. The investment strategy is to enhance net asset value by an average of 25 percent yearly on a consistent basis through medium and long-term investments with profit taking when appropriate. On a macro basis, VOF focuses on sectors that support Vietnam's growing economy such as financial services, property development, consumer goods for domestic consumption, and healthcare services and products. On a company basis, VOF focuses on publicly traded assets, property, privately held assets and state-owned enterprises being privatised, with the highest emphasis on private equity structure and protections.

Fund manager

VOF is managed by VinaCapital Investment Management (VCIM) and requires investment approvals from a four member investment committee consisting of Horst Geicke, Don Lam, Chris Gradel and Andy Ho. VCIM is led by Andy Ho, head of investment; Nguyen Viet Cuong, head of capital markets; and Due Quach, head of private equity.

Management and performance fees

The baseline management fee is 2 percent of funds under management and the performance fee is 20 percent of gains in excess of an 8 percent hurdle rate, with a high water mark and a catch-up.

Valuation policy

The Net Asset Value is the value of all assets of VOF less all the liabilities of VOF determined in accordance with the valuation guidelines adopted by the Directors from time to time. Under the current valuation guidelines of VOF, such values are as follows:

- the value of any cash in hand and other monetary assets is deemed to be the full amount less any discount determined as appropriate by the Directors;
- the value of quoted securities (including any securities traded on an "over the counter market") is based on the last traded prices less any discount determined as appropriate by the Directors;
- unquoted investments and real estate projects are initially valued at cost. They are subsequently revalued in accordance with international valuation guidelines when the Directors determine that there may have been a material change in the value of an investment.
- any values other than those in US Dollars are translated at officially set exchange rates at the date of revaluation.

Buy-back policy

VOF's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VOF at a price equal to the NAV per share at year end.

VinaLand Limited



VinaCapital Real Estate
Don Lam, David Blackhall, Anh Tran, Seth Lim

NAV per share (31 May 08)* USD1.57

Change

May 2008	6.8%
YTD:	17.8%
Since inception (22 Mar 06)	57%

Issued shares	499,967,622
Total NAV (31 May 08, USD m)	785
Market cap (31 May 08, USD m)	640

Reuters	VNL.L
Bloomberg	VNL LN

* Unaudited

Portfolio by geographic distribution*

Hanoi	16%
Central provinces	33%
Ho Chi Minh City	51%

* Currently invested projects, 31 Mar 08

Major holdings

Project	Type	Value (USD)
Danang Resort 260ha	Mixed-use	90.6m
Dai Phuoc Lotus 200ha	Mixed-use	72.5m
World Trade Center Danang	Mixed-use	48.7m
Century 21	Mixed-use	48.7m
Vinh Thai Nha Trang	Mixed-use	39.0m
Aqua City (Long Hung)	Residential	22.3m
Hilton Hanoi	Hospitality	20.7m
Omni Hotel	Hospitality	17.9m
Hanoi Golden Westlake	Residential	15.0m
M Hotel*	Hospitality	14.6m
Central Garden	Residential	10.1m
Hoi An Royal Bay Resort	Hospitality	9.9m

* formerly the Guoman Hotel.

Portfolio developments

An independent revaluation of six projects was carried out at the end of May and recently approved by the VNL board of directors. As a result of this revaluation, the NAV is now USD 1.57 per share, up from USD 1.47 at the end of April. When compared with the fund's market price, VNL now appears substantially undervalued.

VNL's share price experienced some volatility during the month of May as it was pulled in both directions as a result of project developments and external macroeconomic factors. After beginning the month at USD 1.46 per share (essentially on par with April's NAV), the share price rose after the 21 May announcement of the sale of an equity stake in one project. The share price peaked at USD 1.54 on 23 May before beginning a dramatic slide five days later. This occurred after negative international media reports resulted in a fall in share prices for all Vietnam-related funds. At the end of May, the share price stood at USD 1.28, an 18.5 percent discount to the latest NAV of USD 1.57 per share.

Real estate market update

The macroeconomic environment has had an impact of Vietnam's real estate market in 2008. This impact includes a drop in residential retail sale prices of apartments of about 25 percent, a tightening of credit available to developers, and rising construction costs. These factors pose challenges to all real estate developers in Vietnam. However, VNL's mixed portfolio, low entry costs, limited development to date, and minimal leverage have greatly sheltered the fund from these negative impacts.

The drop in certain real estate prices in 2008 comes after an over-hyped 2007 where prices increased by up to 70 percent and even doubled in certain areas. Easy credit resulted in a great deal of speculation, particularly in the market for unbuilt high-end apartments (which are traded between speculators during the construction process). We view the correction in 2008 as a normalisation of prices after an unsustainable jump. We anticipate that there will be a further retail sales correction, although it will be minimal as speculators have now largely removed themselves from the residential market due to the ongoing credit crunch.

Increased construction costs and falling property prices has meant that banks have severely cut loans to developers. The greatest impact of this will be felt by local developers, who operate at the best of times on a highly leveraged basis. One likely result is that local development projects across all sectors – residential, retail, office – will slow or stall. This will limit supply in a market that already has shortages, particularly in the retail, office and city-centre hotel sectors.

We see the current situation as one of caution and opportunity. We are reviewing the portfolio and modifying our strategy for each individual project; delaying purchases and developments if appropriate. At the same time, we are seeking to add to the fund's considerable holdings at very attractive valuations.

Regulatory announcement

On 21 May, VNL announced a co-investment deal involving the sale of an equity stake in one of its projects. Details are available at www.vinacapital.com.

VinaLand Limited**Investment Manager**

VinaCapital Investment Management Ltd.

Development Adviser

VinaCapital Real Estate Ltd.

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Fund background

Launched March 2006, VinaLand (VNL) is a closed-end property fund admitted to trading on the AIM market of the London Stock Exchange. The fund focuses on the key growth sectors of Vietnam's emerging real estate market including residential, office, retail, hospitality and leisure and high-tech industrial. The fund is managed by VinaCapital Investment Management, with VinaCapital Real Estate acting as an adviser.

Investment manager

VinaCapital Investment Management (VCIM) comprises a team of over 130 professionals whose areas of expertise cover a full range of investment types.

A team of three experienced Deputy Managing Directors, lead by Don Lam, manage the VinaCapital Real Estate team of approximately 45 staff. The real estate team includes Mr David Blackhall (Asset Management), Mr Vu Anh Tran (Investments), and Mr Seth Lim (Development). The team brings together a wealth of both international and local property experience covering investment, development and asset management.

Management and performance fees

The baseline management fee is 2% of funds under management and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high watermark and a catch-up.

Valuation policy

VNL adheres to international valuation guidelines. The investment manager presents two independent valuations to the VNL board of directors' valuation sub-committee twice yearly. The valuation sub-committee will accept or reject the valuation reports and may require the investment manager to obtain other third-party valuation reports if deemed necessary.

Buy-back policy

VNL's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VNL at a price equal to the NAV per share at year end.

Vietnam Infrastructure Limited



Vietnam Infrastructure Limited board and advisors.

NAV per share (31 Mar 08)*	USD0.90
<i>Change</i>	
Mar 2008	-12.62%
YTD:	-12.62%
Since inception (30 Sep 03)	-10%

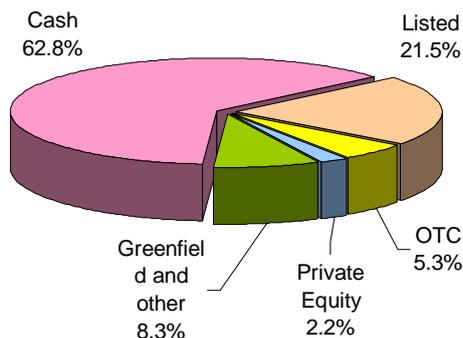
Issued shares	402,100,000
Total NAV (31 Mar 08, USD m)	361
Market cap (31 May 08, USD m)	290

Reuters	VNI.L
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Major holdings

Company	Business	Cost (USD)
Tan Tao Industrial Park Corporation (ITA)	Industrial park development / Energy	43.6m
Pha Lai Thermal Power JSC (PPC)	Energy	39.0m
Song Da Urban Industrial Zone Development and Investment (SJS)	Industrial park development	16.9m

VNI Portfolio by asset class



Portfolio developments

VNI's share price was also impacted by the negative market sentiment and fell to USD 0.72 per share from USD 0.79 per share at the end of April. This now represents a 20 percent discount to NAV.

VNI is making excellent progress with its strategic move out of listed equities and into private placements in infrastructure projects. The listed portion of the portfolio has dropped to 21.5 percent of holdings and 62.8 percent of NAV is held in cash.

This is particularly important as the government has issued guidelines stipulating that major state-owned enterprises cannot invest more than 20 percent of their capital outside their core business. This is part of the government's inflation fighting package. The guideline means that SOEs are divesting from major infrastructure assets and VNI now has many excellent potential acquisitions that were not available 3-6 months ago.

Project updates

Mobile Information Services Joint Stock Company

Vietnam Infrastructure Limited (VNI) has recently invested in the shares of Mobile Information Services (MIS) JSC. VNI has a 30 percent equity stake in MIS and is expected to increase the stake to 40 percent in the near future.

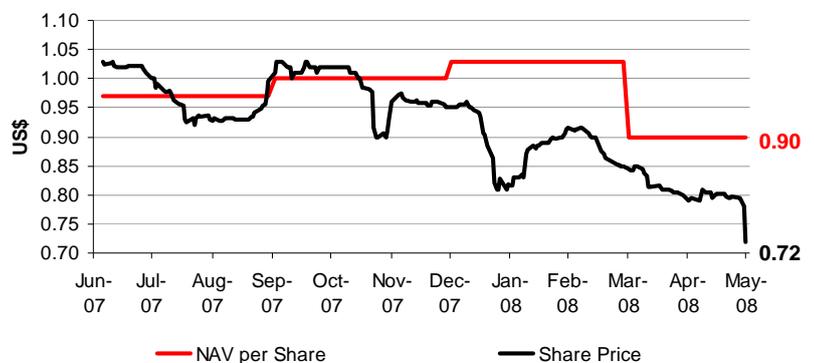
MIS is a Hanoi-based telecommunication infrastructure development company that builds and leases Base Transceiver Station (BTS) towers to mobile phone operators. MIS has completed over 100 BTS for VMS Mobifone and Vinaphone, two of the largest mobile service providers in Vietnam, and is in the process of building another 100 BTS.

VNI expects to invest a total of USD5 million into MIS over the next two years. Together with MIDC covering the whole of Vietnam and GLT in the south, with MIS serving the north VNI will have a telecommunication infrastructure asset base across the whole country.

Regulatory announcements

On 7, 8 and 15 May, VNI announced transactions in its own shares. Details are available at www.vinacapital.com.

VNI NAV vs Share price performance



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Fund background

Vietnam Infrastructure Limited (VNI), a USD 402 million closed-end fund dedicated to investment in Vietnam's rapidly growing infrastructure sector, was admitted to trading on the AIM market of the London Stock Exchange under the symbol "VNI" on 5 July 2007. It is the first publicly traded fund to focus investment on key strategic infrastructure and infrastructure-related assets in Vietnam, including the energy, transport, water and telecommunications sectors.

Fund manager

The fund is managed by VinaCapital Investment Management (VCIM) which comprises a team of over 130 professionals whose areas of expertise cover a full range of investment types. All investments are approved by a four member investment committee headed by William Lean.

Management and performance fees

The baseline management fee is 2% of gross asset value and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high watermark and a catch-up.

Valuation policy

The Net Asset Value is the value of all assets of the Company less all the liabilities of the Company determined in accordance with IFRS. Under the current valuation guidelines of the Company, such values are as follows:

- the value of any cash in hand and other monetary assets is deemed to be the full amount less any discount determined as appropriate by the Investment Manager;
- the value of quoted securities (including any securities traded on an "over the counter market") is based on the last traded prices less any discount determined as appropriate by the Investment Manager;
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- any values other than those in US Dollars are translated at officially set exchange rates at the date of revaluation.

Buy-back policy

VNI's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VNI at a price equal to the NAV per share at year end.

Dear Investors,

The international media has given Vietnam a disproportionate level of negative press over the last few weeks. While some of the commentary may be justified, we are concerned by what we believe will eventually be seen as an exaggeration of the dangers facing the country.

There is no doubt that Vietnam is now facing a raft of economic challenges that would appear to threaten the considerable economic gains achieved over the last ten years. These are certainly alarming, but we strongly believe that they are a product of internal monetary policy issues and Vietnam's recent success, and much less a product of the international issues currently affecting much of the investment world. In light of these developments we would like to update you on these challenges and what they mean for our funds.

Vietnam is now seeing higher than usual inflation, a high trade deficit and a depreciating currency. These developments stand in stark contrast to the exceptional economic performance that the country has achieved over the last ten years.

Inflation year-on-year to May 2008 (announced 27 May 2008) is 25.2 percent; much higher than previously anticipated. This increase is a combination of both cost-push factors – such as energy and food prices, as experienced throughout Asia recently – and demand-pull factors, namely the significant monetary and credit expansion that occurred late last year.

Unfortunately, although the Government has implemented a number of fiscal and monetary tightening policies, it will take time for these to have an effect. As a consequence, given the high month-on-month inflation gains experienced over recent months, we believe that inflation is unlikely to top-out until it reaches over 30 percent in the fourth quarter of this year. For 2009, we believe inflation will quickly decline to less than 12 percent, possibly lower, as the Government's new policies are reflected in the annualised numbers.

The trade deficit for the first five months of 2008 is expected to surpass USD15 billion, seemingly on its way to over USD30 billion for the full year; a considerable increase on the 2007 deficit of USD12 billion. Whilst this is alarming, it is important to understand the details behind such statistics.

Vietnam's top import items are machinery and equipment ("M&E"), construction materials and refined fuel. We can all agree that the supply of M&E and construction materials is integral to the development of an emerging economy. In Vietnam's case many of these items must be imported, as the country simply does not have the factories to produce such equipment and materials locally. However, this is quickly changing. Much of the equipment being imported is building the factories and infrastructure needed for the country's development. For example, today Vietnam is a net importer of steel, but it will soon produce and refine sufficient amounts to satisfy domestic consumption.

It is also worth noting that unlike most countries, Vietnam is self-sufficient in terms of crude oil production, but unfortunately in the absence of an oil refinery it has to export 100 percent of production and then re-import it as refined fuel. This will also change very soon as the first refinery will come on-stream in 2009.

While the trade deficit will certainly be high in 2008, we do not believe it will extrapolate out to USD30 billion for the following reasons:

- a number of measures have been implemented to restrict imports of non-productive and non-essential goods;

- after the Government hinted at restrictive measures months ago there was an immediate importation of goods and hoarding of materials in advance of the implementation of the anticipated measures (ie. a temporary surge). The restrictive measures, including lower quotas and higher import tariffs, have now been implemented;
- we believe that further restrictive measures will be implemented;
- the cost of capital (particularly debt) has increased dramatically, which will dampen business activities and reduce imports.

The Vietnamese Dong (“VND”) as at 31 May 2008 was trading at an official rate of VND16,086 plus/minus 1 percent against the United States Dollar (“USD”). In the unofficial market, however, the USD is buying VND17,200. This is a 7.3 percent depreciation since the beginning of the year. Clearly, some further downward movement must be expected, but where it eventually ends up depends, of course, on both economic factors and direct government policy.

A combination of the tightening monetary policies and distaste for negative real interest rates on debt paper has caused interest rates and bond yields to rise significantly. We are currently seeing interest rates of 14 to 18 percent for short-term VND deposits at local and international banks. Yields on long-term bonds have now surpassed 20 percent. This is expected to continue until inflation is under control.

High interest rates are obviously going to put pressure on those businesses that are already highly leveraged or require debt capital for growth. We can even expect that this will result in business failures, but view this as necessary “cleansing process” that the commercial sector must progress through if Vietnam is to continue to move forward. Over the last five years Vietnamese enthusiasm for business has simply lead to the establishment of too many companies that do not have the technical skill, management expertise, or capital to be sustainable. In a similar vein, a number of large conglomerates have over-diversified into non-core fields of business.

So clearly there are problems. But we strongly believe that the current situation is a consequence of major “growing pains” stemming from the exceptional economic growth achieved over the last 10 years, combined with weak monetary policies. One year ago, it was impossible for anyone in Vietnam to believe that an economy can grow too quickly. Today we have clear evidence that this is in fact the case. How long these “growing pains” will prevail depends on the extent to which the Government implements the right fiscal and monetary policies. Certainly, the country’s leaders appreciate the seriousness of the situation. There have been many lessons since *doi moi* began on how to manage a market-based economy. Perhaps today is their biggest challenge to date, but few people that understand Vietnam can question the Vietnamese propensity to learn and overcome considerable challenges.

Impact on the Vietnam Opportunity Fund

During the second half of 2007 and into 2008 VOF was a net seller in the listed market. In the last six months of 2007 VOF liquidated more than USD120 million in equities and used the proceeds, and the funds raised in November 2007, for reinvestment into private equity deals.

Today the VOF portfolio has about 30 percent of its NAV in the listed market. The VN-Index has declined 16 days straight (as at 27 May 2008) and is currently at 420. This is a decline of 20 percent since 30 April 2008. VOF is also exposed to the OTC market by about 20 percent, and this market normally lags the VN-Index in valuation by about a month.

Given the continued decline in the VN-Index, and subsequent decline in the OTC market, the equity portfolio will have a negative impact on the valuation of the VOF portfolio at the end of the month. Also, in accordance with our valuation practices we will also review VOF’s private equity

investments and will consider write downs where we believe values have been impaired. With approximately 25% of the portfolio in direct real estate investments, there is expected to be a small offsetting gain.

VOF currently has very little uncommitted cash and therefore is not exposed to the devaluation of the currency. However, VOF's underlying assets are VND based and its reporting currency is USD and so the decline of the local currency will have an impact on VOF's NAV. The impact is minimal at this time since VOF can only convert VND to USD based on the official rate and sufficient funds have been available for conversion. VOF holds less than USD2 million in bonds and therefore is not exposed to the steep decline in bond values as a result of rising yields.

We are continuously reviewing hedging mechanisms and forward contracts to protect the portfolio against a falling VND. However, given the restrictive nature of the VND (for example, it cannot be traded outside of Vietnam), the availability of such contracts for material amounts is extremely low and very costly. Therefore, VOF has not resorted to entering into any such arrangements.

Impact on VinaLand Limited

The VNL real estate portfolio currently has 41 assets spread across all property sectors in Vietnam, including 24 percent in hospitality, 20 percent in residential, 15 percent in mixed-use office and retail, and 41 percent in large-scale township and land banking projects. Other than four operating hotels the majority of VNL investments are site acquisitions for real estate development.

The real estate market in Vietnam demonstrated strong growth through 2006 and 2007 across all sectors with exceptional increases in the residential sales markets in Hanoi and Ho Chi Minh City during the second half of 2007. During the first four months of 2008 we have experienced a slowing down in the market, in residential sales prices which have come down approximately 30-40 percent in some instances. We anticipate the residential market will continue to correct and then level off over the next few months. However the medium to long-term prospects for real estate are strong, particularly for hotels, residential/township developments and the retail sector. VNL's entire portfolio consists of direct investments in real estate projects and subsequently the fund is not directly exposed to the Vietnamese stock market.

Furthermore, as VNL participates in the wholesale market rather than the retail market, it is not heavily affected by the drop in the retail residential prices over Q1 2008 (the unrealistically high residential property valuations experienced last year were not significantly factored into any of our property valuations).

VNL has no borrowings at the fund level and less than 10 percent leverage over the fund at an individual project level. Our cash position at present is relatively small in both USD and VND and therefore not materially exposed to currency fluctuations on these holdings. Generally, speaking the underlying assets of the portfolio (property) continues to be valued locally in USD, and as such, currency falls do not have the same direct impact on valuations as VND denominated securities and other assets.

VNL's NAV increased USD 16 cents per share during Q1 2008 and the NAV as at 31 March was USD 735 million, or USD 1.47 per share (a 47 percent increase since inception). On 21 May 2008 VNL announced the sale of an equity stake in one of its projects that is expected to increase the NAV by a further 9 to 11 cents per share at the next valuation date.

Impact on Vietnam Infrastructure Limited

The VNI portfolio currently has 20 percent of its NAV in listed stocks. In addition, VNI also has 5 percent invested in OTC stocks and 11 percent in private equity investments. The listed portion of the VNI portfolio has dropped since 30 April 2008, although considerably less than the VN-Index. Some of our investee companies in the infrastructure sector provide basic utilities such as electricity – which still has severe shortages in Vietnam – and so demand is generally inelastic. In addition, the intrinsic value of assets underlying these companies, such as the potential to develop major power plants, also helps to shield their stock prices from the general market downtrend. Furthermore, VNI's NAV is somewhat shielded as our listed shares were purchased at significant discounts to the market price at the time of entry.

VNI currently has more than USD 208 million in cash, of which 38 percent is held in USD and 62 percent in VND. The cash is kept in terms deposit with reputable banks. As the majority of VNI's underlying assets are VND denominated and its reporting currency is USD, a decline in the local currency will have an impact on its NAV. Nevertheless, the impact to date has been quite minimal since VNI can only convert VND to USD based on the official rate, which has not materially changed. VNI holds less than USD 10 million in bonds and therefore is not heavily exposed to the steep decline in bond values as a result of rising yields.

VNI is currently focusing on private equity investments and greenfield projects. We have been highly selective in evaluating investment opportunities, taking into consideration the current Vietnamese economic situation.

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Today in Vietnam businesses are still growing, exports are increasing, construction cranes dot the skyline, traffic is getting worse, all the restaurants are packed, and at certain times of the day it is still impossible to get a taxi. Life continues on at a frantic pace, and most importantly the country's medium and long term fundamentals have not changed in the slightest way.

At VinaCapital we remain committed to executing our strategy of identifying and investing in the best investment opportunities the country has to offer. We do hope that you will continue to believe, as we do, in this country's very exciting future.

Yours sincerely,

Don Lam

Chief Executive Officer

VinaCapital Investment Management Limited

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