

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

During May, VNL repurchased and cancelled 7.8 million ordinary shares. This represents the single largest month of repurchases since the onset of the share buyback programme in October 2011. In total, the Company has now cancelled 33.8 million ordinary shares, representing 6.8 percent of the total shares in issue prior to the commencement of the share buyback program.

VNL's share price increased 0.2 percent to USD0.5537 as at 31 May 2014, from a closing price of USD0.5525 as at 30 April 2014. The Company's share price to NAV discount is currently 38.9 percent compared to 39.1 percent in April. Notably, VNL's current share price to NAV discount is now considerably lower than the 50.3 percent discount recorded on 30 September 2011, prior to the commencement of the share buyback programme.

Fund and market update

During the month, VinaLand Limited projects were internationally recognized with two awards at the 2014 Asia Pacific Property Awards, which are among the world's most prestigious real estate industry accolades. Along with joint venture partner Nordica, one of the largest private real estate groups in Denmark, the 5-Star award for Best Residential High-Rise Development - Vietnam was awarded for the Azura Luxury Apartment Building in the central city of Danang. VNL's Beachfront Enclave - Ocean Villas luxury residential project won the Highly Commended Residential Development – Vietnam award. The Beachfront Enclave is part of the Ocean Villas estate within Danang Beach Resort, incorporating 114 free-standing villas on beachfront land. Additionally, VinaLiving (the lifestyle brand used on several VNL projects) was recognized for its development marketing for both Vietnam and the Asia Pacific region.

The month of May witnessed significant political tension between Vietnam and China over the placement of a Chinese deep-sea oil rig in disputed waters of the East Sea (South China Sea), near the Paracel Islands and there were subsequent factory riots which occurred in several industrial parks throughout Vietnam. These events initially caused a sizeable correction in Vietnamese equity, with the VN Index declining from a pre-tension level of 560.0 to as low as 513.9 on 13 May 2014, however, as foreign investors continued to be net purchasers and the shock of the news subsided, the VN Index showed some recovery, ending the month at 562.0, a decline of just 3.1 percent from the end of April.

The tensions have not directly impacted Vietnam's real estate market or land values, however, hotel occupancy rates and tourism related businesses experienced a decline throughout the month of May as forward bookings were cancelled.

Performance summary*

31 May 2014

| | |
|-----------------------------|--------|
| NAV per share** (USD): | 0.91 |
| Change (Quarter-on-quarter) | -0.4% |
| Total NAV** (USD 'm): | 432.1 |
| Share price (USD): | 0.55 |
| Market cap (USD 'm): | 258.1 |
| Premium/(discount) | -38.9% |

* 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 | -0.4 | -11.9 | -33.8 | -37.4 |
| Share price | 7.0 | 17.8 | -34.1 | -12.1 |

Quarterly performance history (% change)

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|-----|------|-------|-------|-------|------|
| Q1 | -0.4 | -1.0 | -1.7 | 0.7 | 3.0 |
| Q2 | | -9.7 | -4.3 | -2.2 | -0.7 |
| Q3 | | -1.1 | 0.0 | 0.7 | 3.7 |
| Q4 | | -1.0 | -6.3 | -12.6 | -3.5 |
| YTD | -0.4 | -12.4 | -11.9 | -13.2 | 2.3 |

Additional portfolio information

| | |
|--------------------|--|
| Current assets | 30 |
| Divestments | 16 full and residential unit sales |
| Debt | Fund level (ZDPs): 5.8% of NAV Project level (Bank): 16.6% of NAV |
| Shares outstanding | 466,130,727 |

Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's month-on-month consumer price index (CPI) increased 0.2 percent in May, bringing the year-on-year inflation rate to 4.7 percent. Price changes for the month were driven by slight changes in the housing and construction materials segment, which increased by 0.43 percent and transportation prices which rose by 0.36 percent. The prices for food and foodstuffs did not materially change in May, further contributing to overall price stabilisation.

According to HSBC Vietnam, its Purchasing Managers Index (PMI) was 52.5 in May 2014, the ninth consecutive month above 50.0. This implies steady growth in the manufacturing sector, specifically reflecting growth in new orders and higher consumer demand. In an encouraging development for FDI inflows, the Head of Samsung's Global Strategy Group announced that it will make a multi-billion investment in areas other than mobile phones and electronic equipment, diversifying into the construction of thermal power plants, shipyards, airports and petrochemical factories. This indicates Samsung's apparent commitment to making Vietnam its production hub in Asia.

As a result of the previously discussed geopolitical issues, the foreign exchange rate crept up to VND21,230 per USD, representing a depreciation of approximately 0.5 percent year-to-date. At the end of May, the free market and official bank rate on purchasing USD remained within the +/-1.0 percent bandwidth, implying a low level of risk for the local currency. The State Bank of Vietnam (SBV) declared that it stands ready to support the VND with open market intervention. It currently has a foreign reserve estimated at USD35.0 billion plus an additional USD10.0 billion from its balance of payments (BOP).

Fixed income

The primary bond market picked up in May after a slowdown in activity in April. A total of USD746 million worth of government and government-backed bonds were issued, an increase of 40.2 percent compared to April, as short and long term bond yields increased by 8 to 13 basis points across the yield curve. In the secondary market, the total trading volume for government and government-backed bonds increased 13.1 percent to USD1.85 billion for the month of May. Secondary market bond yields rose 4 to 28 basis points over the short-term and mid-point of the yield curve.

Media links

Below is a list of recent articles related to the investment environment in Vietnam and VinaCapital activity.

[Bloomberg: Vietnam Bulls Unfazed by Riots as Foreigners See Bargains](#)

[Bloomberg: Vietnam's Stock Rout Puts Top Fund Manager in Buying Mode](#)

[CNBC: Where to put your money to work in Vietnam](#)

Macroeconomic indicators

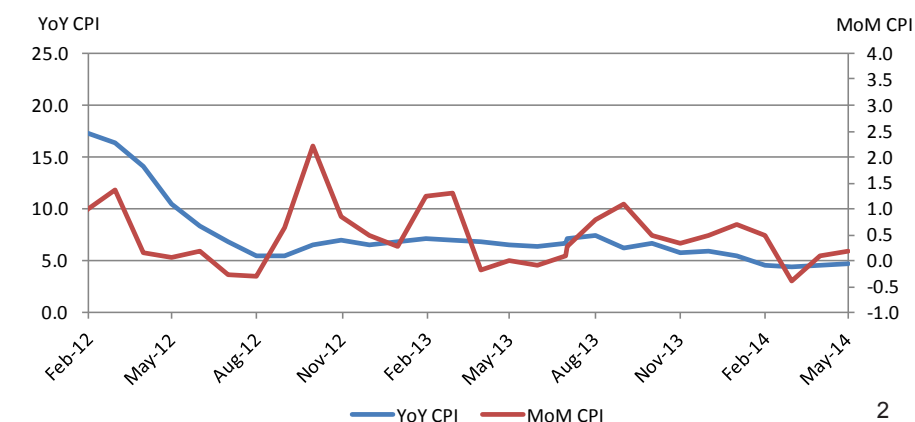
| | 2013 | May-14 | 2014 YTD | Year-on-year |
|--------------------------------------|--------|--------|----------|--------------|
| GDP growth ¹ | 5.4% | | | |
| Inflation | 6.0% | 0.2% | 1.1% | 4.7% |
| FDI (USDbn) | 21.6 | 0.5 | 3.70 | -17.00% |
| Imports (USDbn) | 131.3 | 12.4 | 56.8 | 0.9% |
| Exports (USDbn) ² | 132.2 | 12.0 | 58.5 | 15.4% |
| Trade surplus/(deficit) | 0.9 | 0.4 | 1.7 | |
| Exchange rate (USD/VND) ³ | 21,115 | 21,230 | -0.5% | -0.78% |
| Bank deposit rate (VND) | 7.5% | 7.0% | -50 bps | |

Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold 3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

| | 1yr | 2yr | 3yr | 5yr |
|----------|------|------|------|------|
| April-14 | 4.82 | 5.60 | 6.15 | 7.19 |
| May-14 | 5.05 | 5.88 | 6.30 | 7.23 |

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



Top ten investments

| Project | Location | Type | % of NAV |
|---------------------------|----------|-------------|-------------|
| Century 21 | South | Residential | 16.0 |
| Danang Beach Resort | Central | Residential | 12.3 |
| Dai Phuoc Lotus | South | Township | 7.7 |
| Times Square Hanoi | North | Mixed Use | 6.3 |
| VinaSquare | South | Mixed Use | 5.9 |
| Pavilion Square | South | Mixed Use | 5.3 |
| Aqua City | South | Township | 5.1 |
| Trinity Park | South | Residential | 4.7 |
| Green Park Estate | South | Mixed Use | 4.3 |
| World Trade Center Danang | Central | Mixed Use | 4.1 |
| Total | | | 71.7 |

Portfolio by sector



Key projects under development

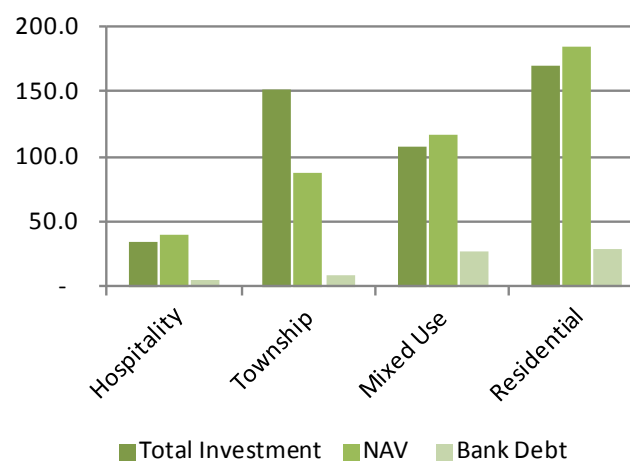
| Project | Location | Type | Site Area (ha) |
|---------------------------|----------|-------------|----------------|
| Danang Beach Resort | Central | Residential | 260.0 |
| Dai Phuoc Lotus | South | Township | 200.7 |
| My Gia | Central | Township | 158.0 |
| World Trade Center Danang | Central | Mixed Use | 9.0 |

Total: 4 assets representing a NAV of USD116.9 million

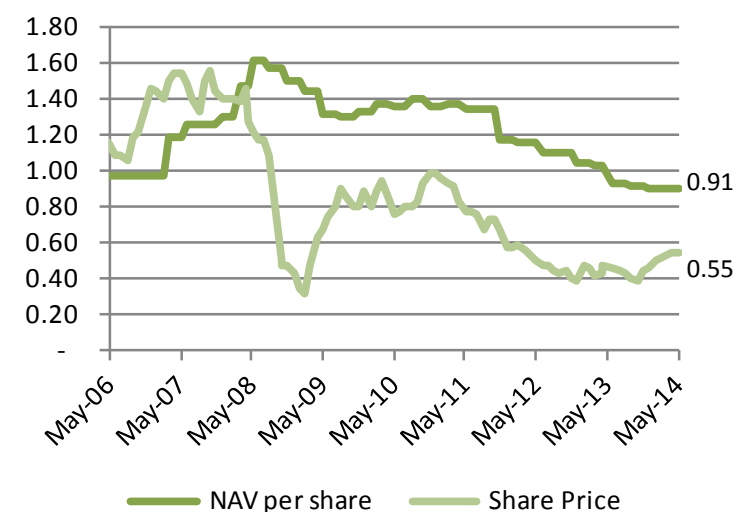
Portfolio breakdown

| Portfolio by geographic location | % of NAV |
|----------------------------------|----------|
| Hanoi region | 11.4 |
| Central region | 26.3 |
| Ho Chi Minh City region | 62.3 |
| Valuation breakdown | |
| Assets not yet revalued * | 7.6 |
| Assets revalued | 92.4 |
| Development status | |
| Land banking | 7.9 |
| Planning stage | 59.1 |
| Development stage | 27.3 |
| Operating assets | 5.8 |

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) |
| Daniel McDonald | Non-executive Director (Independent) |

VinaCapital Investment Management (VCIM)

VCIM is the BVI-registered investment manager of VNL.

| 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: Lawrence Graham (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.