

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

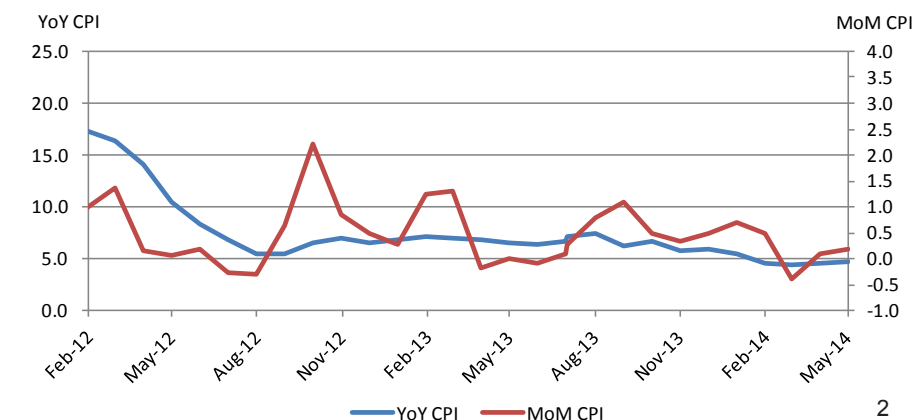
	2013	May-14	2014 YTD	Year-on-year
GDP growth ¹	5.4%			
Inflation	6.0%	0.2%	1.1%	4.7%
FDI (USDbn)	21.6	0.5	3.70	-17.00%
Imports (USDbn)	131.3	12.4	56.8	0.9%
Exports (USDbn) ²	132.2	12.0	58.5	15.4%
Trade surplus/(deficit)	0.9	0.4	1.7	
Exchange rate (USD/VND) ³	21,115	21,230	-0.5%	-0.78%
Bank deposit rate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

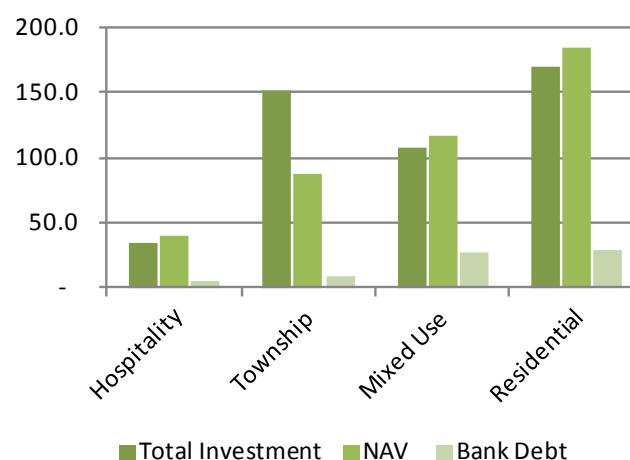
Project	Location	Type	Site Area (ha)
Danang Beach Resort	Central	Residential	260.0
Dai Phuoc Lotus	South	Township	200.7
My Gia	Central	Township	158.0
World Trade Center Danang	Central	Mixed Use	9.0

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

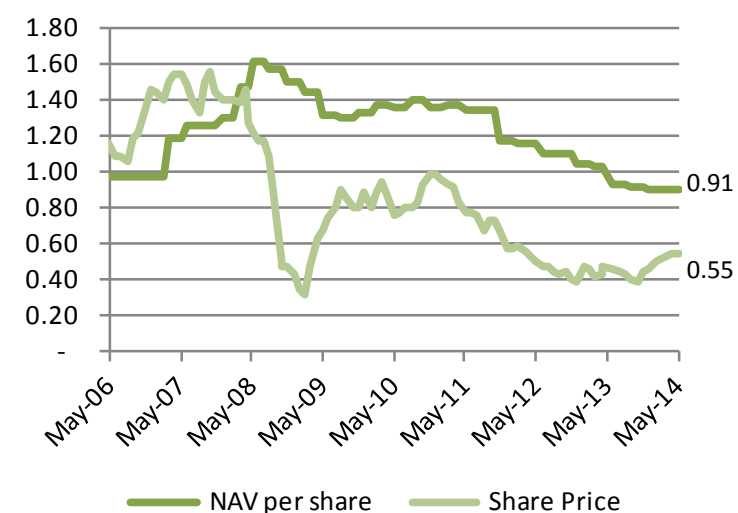
Portfolio breakdown

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

Contact

David Dropsey
Investor Relations/ Communications
ir@vinacapital.com
+848-3821-9930
www.vinacapital.com

Brokers
Edmond de Rothschild Securities
+44 (0)20 7845 5960
funds@lcf.co.uk

Numis Securities
+44 (0)20 7260 1327
funds@numis.com

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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.