EDMOND DE ROTHSCHILD

FUNDS RESEARCH
03 October 2013

VinaLand

VinaLand (VNL) is an AIM-traded fund investing in Vietnamese real estate.

Rating:	**Positive**
Mid-Price:	**$0.41125**
NAV:	**$0.97**
Discount:	**58%**
Market Cap:	**$198m**
Net Assets:	**$467m**

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Large diversified portfolio of 32 projects across Vietnam.

- Total net assets of $467m.
- VinaLand has limited leverage, 12% of NAV, all at the project rather than the fund level.
- The Board has announced it is considering raising debt capital to refinance existing project loans and commitments and to provide additional working capital in the medium term.
- 65% of the fund is invested in the Ho Chi Minh region; 27% in central Vietnam including Danang and 8% in Hanoi. 63% of the portfolio is held in land (63%) with the remainder in development projects (30%) and operating hotels (7%).
- VinaLand is the majority owner of most of the 32 investments.

Fund is trading at a 58% discount. Strong manager incentive plan to realise and distribute significant portion of portfolio.

- Shareholders approved a new Investment Management Agreement last year. As a result the fund will make no new investments, but will continue to develop existing projects. Excess cash from realisations will be returned to shareholders.
- The new agreement introduces a powerful incentive for the manager to successfully realise assets, with up to $23m in accrued fees contingent on distributions to shareholders.

Vietnamese real estate market stabilising.

- Real estate prices have fallen between 40% -50% since 2008. Colliers and CBRE believe that while further price declines are possible the real estate market is stabilising.
- Interest rates have been cut from 22% to 13% in the past 12 months.
- Continued urbanisation from low levels; high household density; exceptionally favourable demographics; improved affordability and a growing middle class should all support the real estate market in the medium term.

Strong long term potential.

- Based on our own forecasts, the top ten projects have the potential to generate between $519m and $1.2bn in gross sales proceeds assuming no recovery in real estate prices.

Background

VinaLand was launched in March 2006, raising $205m at $1 per share followed by a further issue of $407m in March 2007 at $1.38 per share.

The fund is managed by VinaCapital Investment Management, a leading investment management and real estate firm in Vietnam with approximately US$1.5 billion under management. It has 130 core staff in five offices.

David Blackhall leads the real estate team of 45 core professionals, with a total of 100 staff across the project companies. David has 28 years experience in the sector including asset management, design and project management. He was previously with DB RREEF Funds Management in Australia. He has a Masters degree in Design Science from the University Of Sydney and is a Member of the Royal Institution of Chartered Surveyors.

VinaCapital manages three closed-end funds traded on AIM. These funds represent 94% of the group's assets under management.

Share Buybacks

In October 2011 the Board announced a share buyback programme. To date 3.94% of shares outstanding have been repurchased at an average price of $0.515 per share. This buyback has added $0.02 to the NAV per share.

The Board remains committed to the share buyback programme as a means of narrowing the discount.

Change to Investment Strategy

At an EGM on 21-Nov-12, shareholders approved the board's new investment strategy for the next three years. As a result, the fund is seeking to realise certain assets and make distributions to shareholders. The fund will not initiate new investments, but will continue to develop selected existing projects.

Updated divestment plan

Under the new strategy the manager will seek to realise certain assets and use the proceeds to make distributions to shareholders, and finance the development of selected projects.

The Investment Manager's current divestment plan is forecast to generate approximately $235m over the next two years, resulting in distributions to shareholders of around $126m.

Incentive scheme

Prior to the EGM last year, there was an unpaid but accrued fee of $28.2m owed to the investment manager. Under the proposals approved at the EGM, this fee is now conditional on the successful realisation and distribution of proceeds to investors, providing a powerful incentive to the manager to execute the realisation plan:

- The first $50m in net distributable proceeds will be paid to shareholders. Thereafter the Investment Manager will be entitled to receive a realisation fee in lieu of the deferred performance fee of $28.2m.
- Hence the next $33.5m in net proceeds will be split 50% to shareholders and 50% to the manager.
- Thereafter net proceeds will be divided 80% to shareholders, 20% to the manager up to the remaining fee of $11.5m.
- The manager will only receive the full $28.2m after VinaLand shareholders have received $112m in distributions. Thereafter 100% of distributions will go to shareholders.

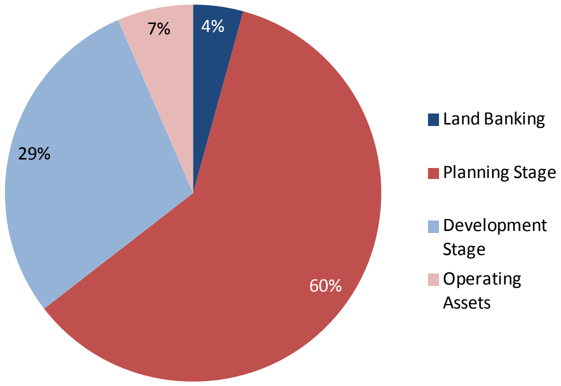
Distributions to shareholder may be made through dividends; tender offers; share buybacks or some combination of the above to be determined by the Board.

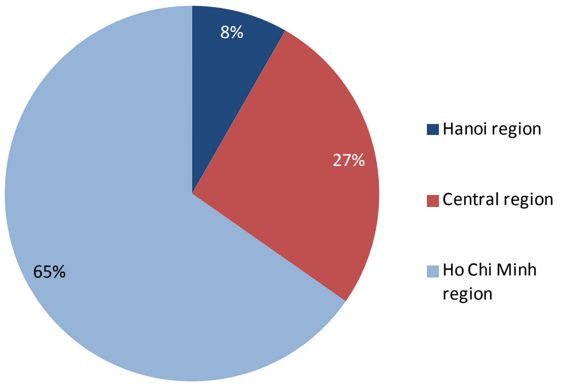
The investment strategy will be reviewed again after three years in 2015.

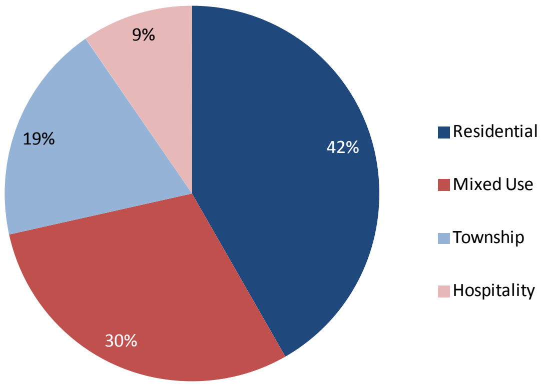
Portfolio Overview

In its first three years of operation VinaLand invested in 46 Vietnamese real estate projects in the hospitality, residential, retail and office sectors. Since 2009 VinaLand has made no new acquisitions, focusing instead on developing and selling existing projects. As a result, Vinaland now has 32 projects in portfolio. There is a detailed analysis of the fund's exit track record on page 8 of this report.

The pie charts below show the portfolio breakdown by geography, asset class and development stage. Below is a table of the ten largest holdings.







Project	NAV ($m)	NAV (%)	NAV (per share $)	VinaLand ownership	VOF ownership	Region	Sector	Development started?
Century 21	$68.6	14.2%	$0.14	75%	25%	HCMC, District 2	Residential	No
Danang Beach Resort	$59.6	12.3%	$0.12	75%	25%	Danang	Residential	Yes
Pavillion Square	$41.5	8.6%	$0.09	90%	0%	HCMC, District 1	Mixed Use	No
Dai Phuoc Lotus	$30.9	6.4%	$0.06	54%	18%	Dong Nai	Township	Yes
VinaSquare	$30.0	6.2%	$0.06	47%	16%	HCMC, District 5	Mixed Use	No
Times Square Hanoi	$27.3	5.7%	$0.06	65%	0%	Hanoi	Mixed Use	No
My Gia	$22.5	4.7%	$0.05	53%	18%	Nha Trang	Township	Yes
Aqua City	$21.9	4.5%	$0.05	40%	0%	Dong Nai	Township	No
Trinity Park	$19.6	4.0%	$0.04	75%	25%	HCMC, District 9	Residential	No
World Trade Center Danang	$19.1	4.0%	$0.04	61%	20%	Danang	Mixed Use	Yes
Sub-Total (Top Ten)	***$341.0***	***70.6%***	***$0.71***					
Other Hotels	$46.4	9.6%	$0.10				Hospitality	
Other Residential	$53.7	11.1%	$0.11				Residential	
Other Mixed Use	$26.1	5.4%	$0.05				Mixed Use	
Other Township	$16.0	3.3%	$0.03				Township	
Total Portfolio	**$483.2**	**103.6%**						
Cash/Liabilities	-$16.7	-3.5%	-$0.03					
Total NAV	**$466.5**	**100.1%**	**$0.97**					

Source: Investment Manager's monthly update 31 July 2013.

Portfolio Holdings

Century 21 (14% of NAV, $0.14 per share)

Century 21 is a 30 hectare land bank in an undeveloped area across the river from Ho Chi Minh's Central Business District, often compared to Shanghai's Pudong district prior to its redevelopment.

Century 21 is a co-investment with the VinaCapital Vietnam Opportunity Fund (VOF); VinaLand owns 75%, VOF 25%. The project was acquired in 2006 and has no debt.

The Long Thanh-Dau Giay highway connecting the Central Business District to the new Long Thanh International Airport is under construction and is expected to be completed in 2015. This major highway will run close to the Century 21 plot. The consequent improvements to infrastructure have generated interest amongst domestic and foreign investors. VinaLand has initiated discussions with two potential co-investment partners for the residential Phase 1 and commercial Phase 2 components of the project. Although the strategic location of the site is compelling, the project is unlikely to realise the full value until the highway is completed.

Initially the investment consisted of three separate parcels of land, with local partners owning minority stakes in a complex structure. Over the past three years these parcels were restructured such that VNL/VOF will ultimately own 100% of Parcel C, the main 30 hectare project site with retail, commercial and residential components. The manager hopes that this will be finalised by end of Q3 2013. In this report, Century 21 refers to the parcel C site only.

Of the 30 hectares, approximately 4.5 hectares is planned for commercial / retail development with approvals in place. The plan is to sell this parcel to a foreign retail developer, with both Japanese and Korean investors expressing interest.

The remaining parcel of roughly 24 hectares will be a residential development with education facilities. The manager is open to either developing the site or selling the land to another developer.

Although planning and licensing continues, on-site work is on hold until the market improves or a co-investment partner is secured. In our opinion, Century 21 is one of the most saleable assets in the portfolio.

Danang Beach Resort (12% of NAV, $0.13 per share)

Danang Beach Resort is a 260 hectare development, 125 hectares of which has been developed. The project is being developed in stages, the first of which have been completed successfully. VinaLand has fully exited the Ocean Villas development; finished the Dune Golf Course which is now operational; sold 13 of 15 of the Dune Residence properties; sold 38% of the Norman Estate and are close to finalising the sale of the Marriott Development for which they have already received 60% of proceeds.

Profits from the Ocean Villas have been recycled to develop other phases of the project. No new investment is required: building can be financed through pre-selling.

The undeveloped phases will most likely target villas priced at $100,000 - $250,000. Given the size and length of time required to fully develop the remaining 135 hectares, the manager is seeking to sell. They believe the infrastructure and completed developments add significant value for a potential buyer of the undeveloped stages. The Investment Manager expects to sell the golf course at a small loss.

Pavilion Square (9% of NAV, $0.09 per share)

Pavilion Square is a mid to high end residential development in downtown Ho Chi Minh (District 1). The plan is to construct three residential towers, one re-settlement tower and a retail mall. The site is close to being completely cleared. After clearance a land use right certificate (land registration) will be issued. The plan is to construct 156,800 m^2 in gross floor area.

The project is currently on hold. Pre-selling apartments will be launched as market conditions improve. The Investment Manager is also looking for anchor tenants for the retail mall.

Dai Phuoc Lotus (6% of NAV, $0.07 per share)

The Dai Phuoc Lotus Township is located on an island in a future suburban district of Ho Chi Minh, 30 minutes by ferry from District 1. The strategy is to develop the first of six zones of the 200 hectare site over a period of five to seven years, in conjunction with a partial wholesale divestment to co-investors.

The first phase (Zone 5) comprising 332 villas, has begun. Infrastructure and groundwork have been completed. Almost half of the 332 villas have been pre-sold. Sales have slowed as the overall market for residential real estate has softened in the face of high interest rates. This is mitigated by a flexible construction programme that can be slowed to match sales.

To help improve sales, a community sports and recreation centre is being built. This complements the recently completed golf course, owned and operated by a Korean group.

VinaLand is currently looking for a buyer or co-investor for this project. The fund would prefer to develop phase one, but is open to selling the rest.

We believe the valuation of this project is well supported. Phase one is 50% sold. If and when VinaLand is able to sell the remainder the margins will be significantly enhanced given that the infrastructure and groundwork have already been completed and paid for.

VinaSquare (6% of NAV, $0.06 per share)

VinaSquare is a mixed use residential and commercial development on the site of an old tobacco factory in District 5 of HCM. The factory has been relocated and the site cleared. Construction permits have been granted. VinaLand is currently looking for a co-investor to help develop the project.

Total planned gross floor area is 278,748 m², of which 55% is residential apartments. The plan is to develop 1280 apartments and 60,000 m² of retail space.

Times Square Hanoi (6% of NAV, $0.06 per share)

Times Square Hanoi is a mixed-use development opposite the National Conference Centre in Hanoi. The site is cleared and ready for construction. The project has approval for a GFA of 351,140m² for mixed-use development, including approximately 1,900 residential apartments. Given its size the Manager is looking for a co-investor or buyer of the whole project.

My Gia (5% of NAV, $0.05 per share)

My Gia is a township in Nha Trang, a popular tourist destination in central Vietnam. The site area is 153 hectares. The investment was made in January 2008 with a view to launching the first modern township in the city.

Phase 1, developing 28.5 hectares of the 150 hectare available, has begun. Phase 1 has 1,405 sub-division lots (100 m2 per lot) and 12,000 m² available for commercial use. Construction and sales are underway. Selling price per land plot is around $300 psm.

Aqua City (5% of NAV, $0.05 per share)

Aqua City is large township development on the riverfront close to District 9 in Ho Chi Minh City. The total site area is approximately 305 hectares. The site is cleared and fully compensated. While planning for site is underway, no development is taking place.

This is one of the few developments where VinaLand / VOF hold a minority stake. The manager is negotiating with the local partner to restructure the investment such that VinaLand owns a 100% stake in part of the project.

Trinity Park (4% of NAV, $0.04)

Trinity Park is a development in the residential area of District 9 in Ho Chi Minh City, some 17km drive from the city centre. The total site area is 33.7 hectares of which 13.7 can be developed. The area is cleared and fully compensated. Masterplan approval is in place and the first level of infrastructure has been completed.

Trinity Park was initially part of a bigger project but the Investment Manager reached an agreement its former partner to separate Trinity Park from the original project. As a result VinaLand/VOF own 100% of this asset.

The Investment Manager does not plan to develop this project alone and is seeking a co-developer.

World Trade Centre (4% of NAV, $0.04 per share)

The World Trade Centre project is located close to the centre of Danang in central Vietnam. The site area is 9 hectares. The development plan consists of high-end residential towers, retail development and a hotel and conference centre. The plan is to develop the project in three stages for which three separate companies have been set up.

The first phase is the development of two residential towers of which one has been completed. The Investment Manager divested a 49% stake in this development phase to Nordica. The first residential tower, Azura, has 225 units and was completed in September 2012. Currently around 44% of the apartments have been sold. Selling prices range from $1,400 and $2,200 per m². 20 apartments have been leased at prices ranging $700 to $1,750 per month. The construction of the second tower is on hold until all units in the first tower have been sold. The design is complete and construction is scheduled to take 18 months.

Phase 2 and 3 are still 100% owned by VinaLand / VOF. Phase 2 involves the development of a retail centre for which 65% pre-lease commitments have been secured. The plan for phase 3 is to build an office building and hotel.

Remaining Assets

The remaining assets are land banks, hotels in development and operating hotels.

10% of the fund, or $46m, is invested in hotels. The performance of the operating hotels (6.5%) has been mixed, but progress has been made to improve this. The Investment Manager believes they can divest these in the next two years.

Cash and Project Debt

As of 31 August, VinaLand had $4.3m in cash at the fund level. Including cash held at the project level, this rises to $14.5m.

There is currently no bank debt at the fund level. Aggregate debt at the project level amounts to 12% of NAV. All leverage at project level is non-recourse to the Company level.

The Board has announced it is considering raising additional debt capital to refinance existing project loans and commitments and to provide additional working capital in the medium term.

In addition VinaLand has an accrued fee liability of $28.2m contingent on successfully realising assets and returning capital to shareholders (see page 2)

Commitments

VinaLand also has outstanding commitments to its existing investments, listed below:

Project	Project Bank Debt ($m)	Future Commitment ($M)
Century 21	-	0.8
Danang Beach Resort	12.9	12.0
Pavillion Square	17.9	11.7
Dai Phuoc Lotus	-	0.0
VinaSquare	-	0.7
Times Square Hanoi	-	0.0
My Gia	7.6	9.5
Aqua City	-	0.1
Trinity Park	-	1.1
World Trade Center Danang	5.7	6.0
Total Top Ten Positions	44.1	41.9
Remaining Assets	12.1	3.2
Total	**56.2**	**45.1**

Source: VinaCapital

Risks

- Real Estate Market recovery takes longer than expected.
- Discount remains depressed.
- Execution risk.
- Large projects take longer than expected to develop and exit.

Valuation Process

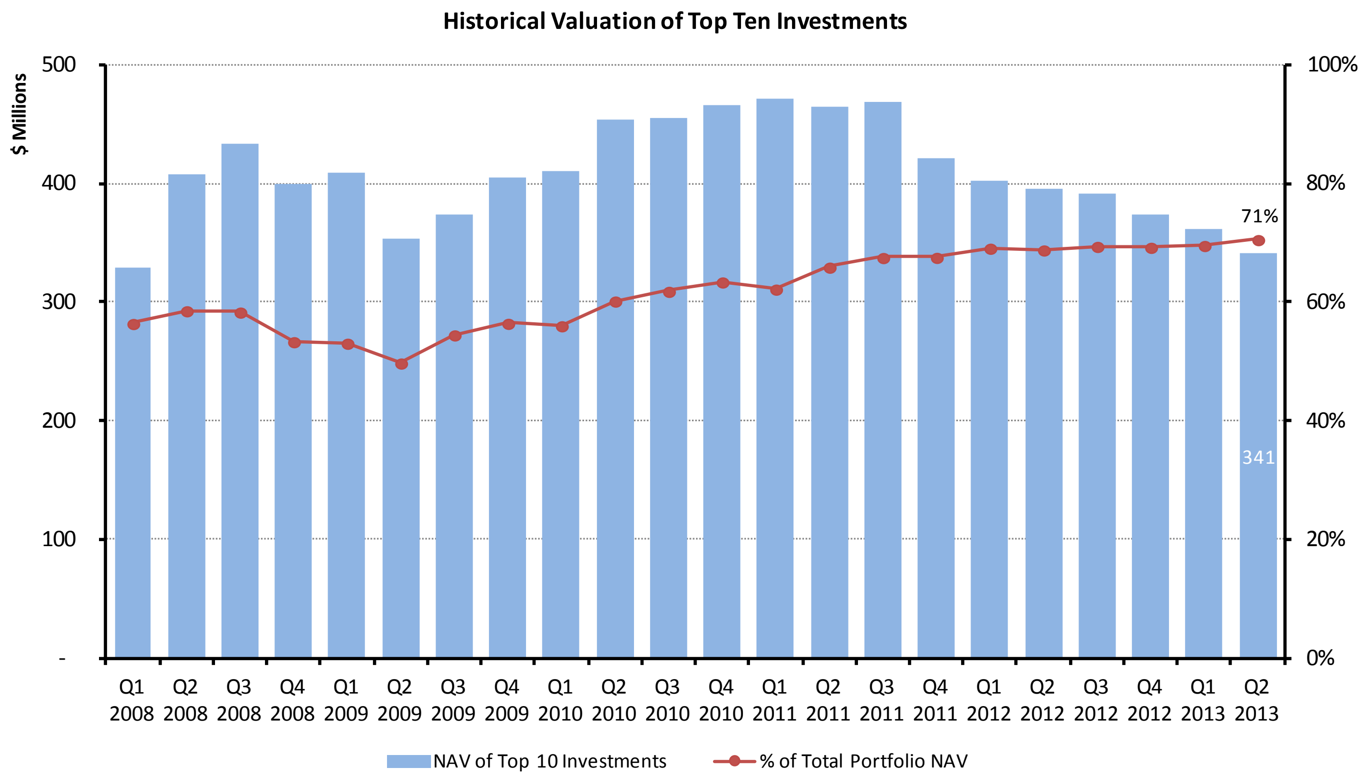
The Valuation Committee meets quarterly to review the portfolio. The committee consists of three non-executive directors - Nicholas Brooke; Stanley Chou and Nick Allen.

Before each quarterly meeting the manager reviews the entire portfolio for any material impairments.

The committee formally revalues roughly 25% of the portfolio at each quarterly meeting on a rotational basis such that every asset is revalued at least once a year and reviewed every 6 months.

The fund engages two external valuers (using CBRE, Jones Lang LaSalle, Savills, Colliers, DTZ, Cushman & Wakefield and HVS Singapore) to produce a valuation of the investments under review. These valuation reports are examined by the manager, and then the committee who derives the final valuation. The fund then asks the relevant valuer to review its report after 6 months.

In the graph below we show the historical valuation of the top ten investments since 2008.



Asset Sales

Between 2009 and 2012 VinaLand divested 10 projects achieving an average IRR of 18%. On some recent divestments the Investment Manager had to accept a loss compared to the initial investment. Total proceeds of al the exits since 2009 has been close to $220m compared to investment costs close to $180m. .

Since the change of investment strategy last year (page 2) VinaLand has realised a total of $13.7m in exits. The proceeds have been used to pay operating expenses, develop existing projects and fund share buybacks:

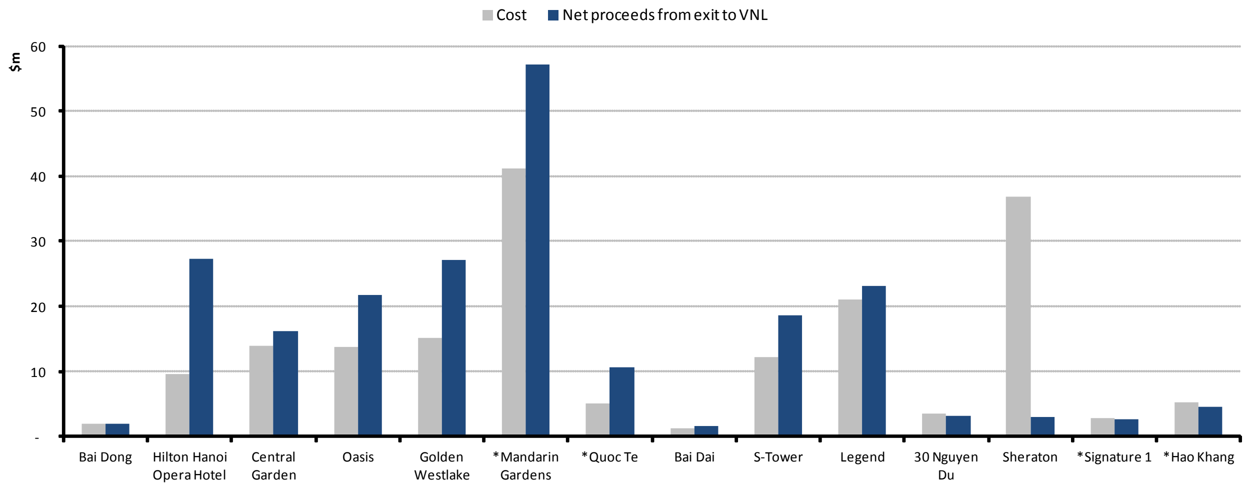
- In January this year the fund sold its stake in Nguyen Du Building for $3.3m, 6.5% above book value.
- In May, VinaLand announced the sale of the Sheraton Hotel. For its 66.7% stake the fund received $3.1m in cash, 17% above book value. The purchaser has also assumed the majority of a $38m loan at the project level.
- In July the fund announced the sale of its 70% stake in the Signature One Project, a small residential development project, resulting in net proceeds of $2.7m. This sale was 3.3% below book value.
- This week the fund announced the sale of its 70% stake in the Hao Khang project in Ho Chi Minh for $4.6m, a 3% premium to book value.

The Investment Manager remains confident VinaLand will achieve its exit targets in the next two years and return capital to shareholders. It hopes to capitalise on the expected market recovery to sell projects outright or develop assets with the most potential. There has been an increase in transactions over the past 6 months in the real estate sector. A number of hotel, office and retail transactions have taken place this year.

Hotels are operating in a competitive environment and the manager expects to exit its portfolio of hotels in the next two years. Other key assets that might be divested include the Danang Beach Resort and Century 21. Assets with the strongest development potential include Pavilion Square; Dai Phuoc Lotus; VinaSquare and Times Square Hanoi.

Foreign investment is likely to be critical to VinaLand's ability to make large scale exits. There are signs of increased foreign interest, most notably Warburg Pincus recently announced a $200m investment into its first Vietnamese real estate deal.

As described on page 2, the fund has to divest enough assets to receive the (now contingent) accrued fee of $28m. If the manager fails to achieve its targets only $5m of the $28m will be paid, releasing $0.051 per share in accrued fees back to NAV.



	Bai Dong	Hilton	Cen.Garden	Oasis	Golden	*Mandarin	*Quoc Te	Bai Dai	S-Tower	Legend	Nguyen Du	Sheraton	* Signature 1	*Hao Khang
Exit date	Q2 2009	Q2 2009	Q2 2009	Q4 2009	Q4 2009	Q2 2010	Q4 2010	Q2 2011	Q3 2011	Q1 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
NAV at exit ($m)	2.8	33.8	14.5	13.4	29.2	49.2	8.6	1.0	16.1	19.5	3.0	2.7	2.8	4.5
Net proceeds to VNL ($m)	2.1	27.2	16.2	21.8	27.2	57.1	10.6	1.6	18.7	23.1	3.2	3.1	2.7	4.6
Net proceeds vs. NAV	-27%	-19%	12%	63%	-7%	16%	23%	56%	16%	18%	8%	15%	-3%	3%

Source: VinaCapital

Above excludes partial divestment of Danang World Trade Centre Phase 1: 49% sale with exit IRR of 262%. Cost and Net proceeds from exit include all transfers of money between the fund and project companies, including dividends, shareholder loans, and capital contributions.

** Pending receipt of final payment.*

Projected Sales Proceeds

To give some insight into the fund's potential we have forecast two scenarios below based on the top ten holdings. Based on these forecasts, the top ten projects have the potential to generate between $519m and $1.2bn in gross sales proceeds assuming no recovery in market prices.

In these scenarios we have assumed that given the current market environment, the Manager will exit by selling land plots (after completing foundations) rather than fully developing the original plans. For high rise developments we have assumed that the residential part of the project will be developed, but at the same time have conservatively assumed little or no value for office or retail space. The difference between the two scenarios is sales price (see below).

Assumptions (psm)	Scenario 1	Scenario 2
Construction cost villa bare shell	$300	$300
Construction cost apartment bare shell	$500	$500
Construction cost foundation	$120	$120
Selling price land lot HCM	$250	$400
Selling price land lot Aqua City	$200	$400
Selling price land lot Danang	$250	$350
Selling price land lot Nha Trang	$200	$300
Selling price apartment/villa HCM	$800	$1,200
Selling price apartment Danang	$600	$1,000

Sellable area for high-rise projects is 70-90% of total GFA

Sellable area for landed projects is 100% of total GFA

In our analysis the projects eligible to sell land plots are Danang Beach Resort; Dai Phuoc Lotus; My Gia; Aqua City and Trinity Park. We believe the remaining projects will have to be developed to realise their value.

We have assumed that the Investment Manager is able to successfully sell the whole project through land plots; that the real estate market stabilises and that construction costs remain stable. The big unknown is how quickly VinaLand will be able to develop the projects, which makes it difficult to forecast an accurate IRR.

Current construction costs for high end fully finished developments such as the Danang Ocean Villas are approx $600 psm on sellable area. For lower end products and bare shells the construction cost is around $300 psm on sellable area. Other assumptions are summarised in table left.

Based on our assumptions in Scenario 1 the top ten projects have the potential to generate around $519m in proceeds after construction costs compared to a current valuation of $340m. This assumes achieved sales prices are below the current market prices. Scenario 2 is based on current market prices and shows that the portfolio has the potential to generate more than $1.3bn in proceeds.

These figures have not been adjusted for operating costs, financing costs and infrastructure costs.

Project	Sector	Size (ha)	GFA (m^2)	Number of Apartments	Number of Villas	Scenario 1: Gross Sales Proceeds	Scenario 2: Gross Sales Proceeds
Century 21	Villas/Apartments/Retail	30	526,777	2317	173	$83,925,000	$195,825,000
Danang Beach Resort	Villas/Apartments/Golf/Hotels	135[2]	300,000	-	-	$63,822,500	$86,322,500
Pavillion Square	Apartments/Retail	1	162,199	1092	-	$28,620,000	$66,780,000
Dai Phuoc Lotus	Villas	200	1,758,975	-	-	$117,723,645	$253,558,620
VinaSquare	Apartments /Retail	3	278,748	1280	-	$21,855,000	$50,995,000
Times Square Hanoi	Office/Hotel/Retail/Apartment	4	308,510	1332	-	$45,376,500	$105,878,500
My Gia	Villas	153	2,072,000	-	-	$71,656,000	$161,226,000
Aqua City	Apartments	250	1,575,581	-	-	$35,293,014	$123,525,550
Trinity Park	Villas	34	277,900	2720	353	$36,127,000	$77,812,000
World Trade Center Danang	Apartments/Retail/Office/Hotel	9	616,000	-	-	$14,548,500	$72,742,500
Total Top Ten Positions			**7,876,690**			**$518,947,159**	**$1,194,665,670**

[1]Excludes infrastructure costs, operating costs and interest costs.

[2]Original size was 260 hectares, but half has been developed.

Vietnam Real Estate Market

Despite the many challenges it faces, Vietnam remains one of the world's fastest growing economies. The real estate market has strong medium term growth prospects, in our opinion, driven by continued urbanisation from low levels; high household density; exceptionally favourable demographics; improved affordability and a growing middle class. In the short term, the Vietnamese real estate market has suffered in the wake of the 2008 bubble, and the subsequent high interest rate environment. There are some signs of recovery as rates have fallen this year.

Prices stabilising

Since the height of real estate bubble in 2008, property prices have declined by roughly 40% - 50%. The decline in real estate prices has slowed and local consensus expects a recovery in the next 12 to 18 months. Colliers and CBRE believe that while further price declines are possible this year, the real estate market is close to its bottom.

According to Jones Lang LaSalle, asking prices for apartments in the Ho Chi Minh primary market dropped 3.2% in the 12 months ending June 2013. Similarly asking prices for villas/townhouses in the HCM primary market fell 6.8% on average. Prices in the HCM secondary markets dropped 6.8% and 8.8% respectively in the same period. Price declines in Hanoi were sharper according to Jones Lang Lassalle. Although average prices in Hanoi have continued to decline the proportion of projects that have held their unit prices or even increased grew from under 30% in Q1 2013 to over 60% in Q2 2013. As a result Jones Lang LaSalle expects that prices will decline at a slower space.

Secular demand drivers

Affordable housing, prices ranging from $500 to $1000 psm, is seeing the strongest demand and the Investment Manager expects this to continue in the short to medium term. The Investment Manager is therefore focusing on this sector of the market.

Real estate demand will be driven by:

- Continued urbanisation from low levels;
- High household density;
- Exceptionally favourable demographics;
- Improved affordability;
- A growing middle class.

Vietnam has a population of roughly 88m people. Around 45% of the population is under 25 years old and just 5.5% of the population is over 65. The median age of the Vietnamese person is 29. This demographic profile should result in demand for real estate as people leave their parents homes and start families.

In 2012 Vietnam's urbanisation rate was just 30% of the total population. This is expected to reach 50% by 2025. If correct this would mean an additional 24m people moving to cities compared to a total of 26m living in cities in 2010. Ho Chi Minh, Hanoi and Danang will likely see the greatest population growth. Given the proportion of Vietnam's GDP that is generated in Ho Chi Minh we expect this city to attract most population movement. Ho Chi Minh's current population is officially estimated at 10m people. It is expected to reach 14m by 2025.

Ho Chi Minh City currently has one of the highest urban household densities in the world. This combination of high urban density and strong population growth should result in structural long term demand for real estate, especially affordable housing.

CBRE also expects investment appetite for Vietnamese real estate to improve. Anecdotally the number of enquiries for investments has increased 20-30% this year. Investors from Japan and Korea remain particularly keen on Vietnam. Taiwanese investors are another potential source of capital. They believe there is demand for operating assets as indicated by a number of hotel and office transactions in the first half of this year.

In May Warburg Pincus announced a landmark $200m investment with Vingroup, Vietnam's largest retail owner and operator. According to CBRE there is growing interest in residential development land as there were a number of off-market deals for residential development plots in the first half of 2013. CBRE expects more activity in the sector in the coming 12 months.

Remittances might further support demand for property in Vietnam. Currently around $6bn is transferred to Vietnam on an annual basis. It is expected that more and more of the remittance will be allocated to the real estate market as interest on deposits have fallen.

Limited supply

Lack of credit and high interest rates have put pressure on property developers and many projects are on hold. It is expected that a number of these projects will be delayed until the market recovers. According to

VinaCapital, interest rates of around 10% might help to give developers some breathing space and might unlock the market. Current rates are around 13%.

Recent statistics show unsold housing units in Vietnam's two biggest cities. In Hanoi, the number of unsold apartments is about 40,000 units, and it has reached 20,000 units in Ho Chi Minh City. High rise condominiums are still relatively new in Vietnam and local buyers prefer to buy a house and land. The Investment Manager believes that this oversupply should be absorbed by the market in the coming 2 - 2.5 years. VinaLand currently has limited exposure to the condominium market. The only high rise property in the portfolio is Azura which is part of the World Trade Centre project in Danang. There are also some projects in portfolio that have plans to develop condominiums in the future.

Improving affordability

Average GDP per capita in Vietnam is expected to reach $1,625 this year, while GDP per capita in Hanoi and Ho Chi Minh is $1850 and $3700 respectively. According to the *Average Salary Survey 2012/2013* the average salary in Vietnam is around $4,800. The same survey shows that the average salary in Hanoi is around $15,230 while the average salary in Ho Chi Minh City is around $14,400.

We believe that this level of income should support mid-range properties costing $50,000 to $150,000. High end properties remain out of reach for the majority of the population and hence we expect that this segment of the real estate market will continue to operate in a difficult environment, while the affordable and mid segment should see improvements.

When looking at the price-to-income ratio (price per square metre/GDP per capita x 100) we come to a similar conclusion. The price-to-income ratio has improved in recent years as a result of falling prices and rising incomes, and we expect this to continue. According to Jones Lang LaSalle a price-to-income ratio of 30 is normal for an Emerging Market such as Vietnam. As a guide, in Ho Chi Minh the price-to-income ratio is around 32 times based on mid-range prices and 22 times for affordable apartments.

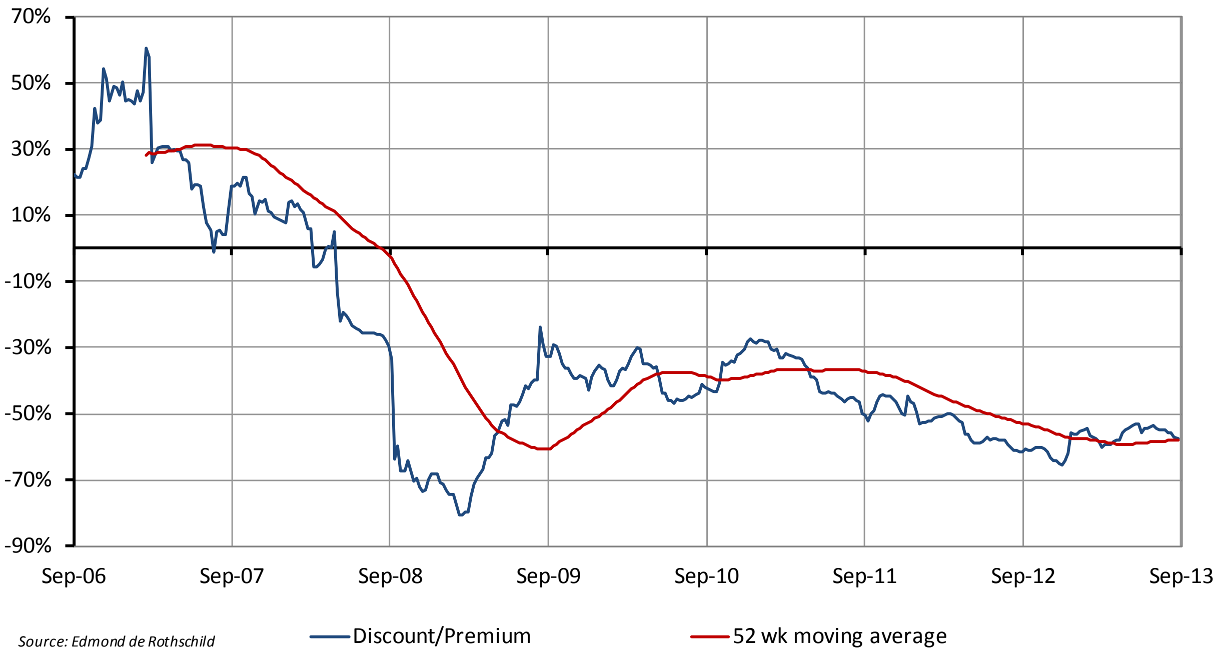
Government support

The government is considering various measures to boost demand. The key measure for VinaLand is a new decree (effective 1 March 2013) which allows real estate investors to sell land plots with completed infrastructure, subject to approval. This is very positive for VinaLand as the fund is potentially a big player in this area. It allows the fund to realise its investments sooner and as a result shorten the development horizon. The Investment Manager has already applied for three such licences. The decree will not affect or help the condominium market.

The government is also trying to address the NPL problem in the financial sector which if successful might improve credit availability for property developers. The Vietnamese government has set up the Vietnam Asset Management Company to try to resolve this issue.

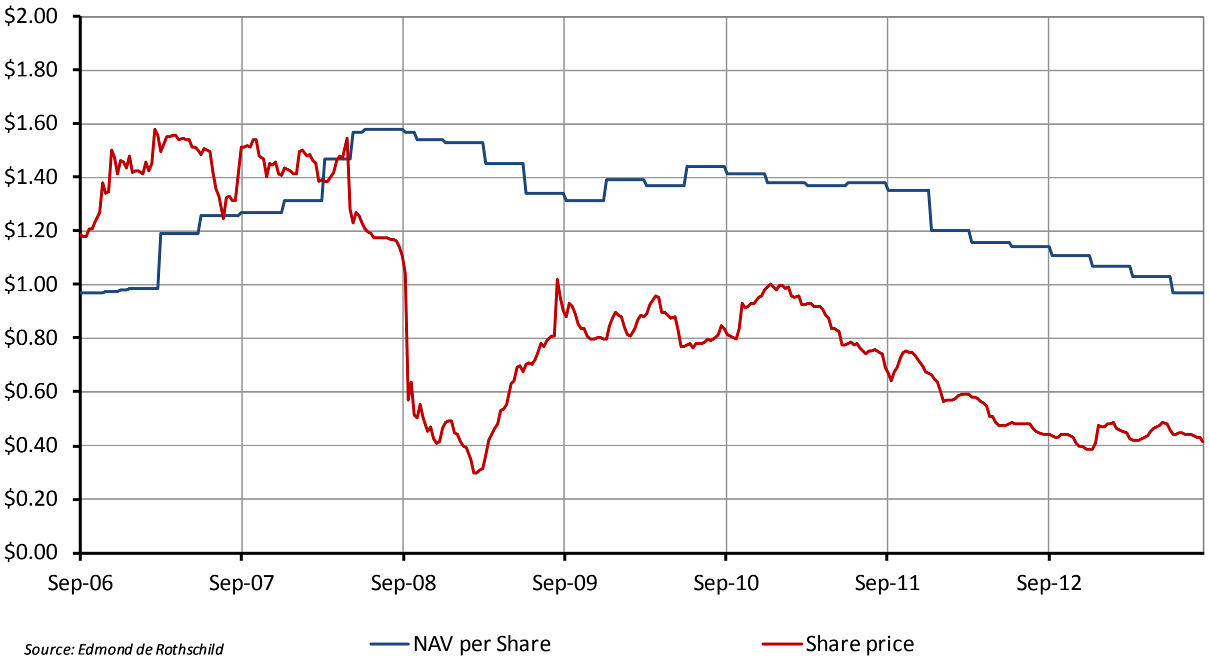
Other measures include a credit package for homebuyers issued by the Vietnam Bank for Industry and Trade (Vietinbank). An exemption of about 10% of the value added tax (VAT) for home buyers is being proposed by the Housing and Real Estate Market Department and the local government in Ho Chi Minh City has proposed opening the property market to overseas Vietnamese for the first time.

VinaLand Discount/Premium



Source: Edmond de Rothschild

NAV and Price



Source: Edmond de Rothschild

VinaLand Limited

Portfolio manager	VinaCapital Investment Mgt
Launch Date	22 March 2006
Domicile	Cayman Islands
Structure	Closed-end fund
Website	www.vinacapital.com/vnl
FYE	31 December
Outstanding shares	480,248,227
Settlement	Euroclear T+3
ISIN	KYG936361016
Broker	Edmond de Rothschild Securities
Auditor	PricewaterhouseCoopers (HK)
Administrator	HSBC Trustee
Board	Nicholas Brooke, Chairman
	Nicholas Allen, Director
	Michel Casselman, Director
	Stanley Chou, Director
	Charles Isaac, Director

Leverage

There is currently no bank debt at the fund level. Aggregate debt at the project level amounts to 12% of NAV. All leverage at project level is non-recourse to the Company level.

The Board has announced it is considering raising additional debt capital to refinance existing project loans and commitments and to provide additional working capital in the medium term.

In addition VinaLand has an accrued fee liability of $28.2m contingent on successfully realising assets and returning capital to shareholders (see page 2).

Share Buybacks / Distributions

No cash distributions have been made so far.

In October 2011 the Board announced a share buyback programme. To date 3.94% of shares outstanding have been repurchased at an average price of $0.515 per share. This buyback has added $0.02 to the NAV per share. The Board remains committed to the share buyback programme as a means of narrowing the discount.

Life of Fund

The company does not have a fixed life, however it holds a continuation vote every three years.

Management Fees

In 2013 shareholders approved changes to the Investment Management Agreement. The performance fee was removed. The Manager will receive a fixed fee for three years; $8.3m in 2013; $7.5m in 2014 and $6.5m in 2015. The management fee for 2016 and thereafter will most likely be reviewed at the next continuation vote.

Realisation Fee

Prior to the EGM last year, there was an unpaid but accrued fee of $28.2m owed to the investment manager. Under the proposals approved at the EGM, this fee is now conditional on the successful realisation and distribution of proceeds to investors, providing a powerful incentive to the manager to execute the realisation plan:

- The first $50m in net distributable proceeds will be paid to shareholders. Thereafter the Investment Manager will be entitled to receive a realisation fee in lieu of the deferred performance fee of $28.2m.
- Hence the next $33.5m in net proceeds will be split 50% to shareholders and 50% to the manager.
- Thereafter net proceeds will be divided 80% to shareholders, 20% to the manager up to the remaining fee of $11.5m.
- Hence the manager will only receive the full $28.2m after VinaLand shareholders have received $112m in distributions. Thereafter 100% of distributions will go to shareholders.

Distributions to shareholder may be made through dividends; tender offers; share buybacks or some combination of the above to be determined by the Board.

The investment strategy will be reviewed again after three years in 2015.

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