

Monthly update 30 September 2012

Fund background

VinaLand Limited (VNL) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

ISIN KYG936361016
Bloomberg VNL LN
Reuters VNL.L

Investment objective

VNL targets medium to long term capital gains with some recurring income through investment in the following real estate sectors: office; residential; retail; township (large scale); and hospitality and leisure.

[View VNL details.](#)

[Download VNL factsheet.](#)

Fund managing director

David Henry

Manager

VNL is managed by VinaCapital Investment Management Ltd ("VCIM" or the "Investment Manager"), a Cayman Islands company. VCIM was established in 2008 and manages three listed and several unlisted investment companies.

More information about VCIM is [available here](#).

Manager comment

VNL's unaudited NAV as at 30 September 2012 was USD540.3 million or USD1.11 per share. This represents a 2.6 percent decrease on a per share basis from an NAV of USD560.3 million or USD1.14 per share as at 30 June 2012. VNL's share price declined 2.2 percent to USD0.44 as at 30 September 2012, from USD0.45 as at 31 August 2012. During the month of September, VNL repurchased 1.7 million shares which were subsequently cancelled. To date, a total of 14.1 million shares have been repurchased since the beginning of the programme in October 2011.

Vietnam's condominium market continues to be extremely challenging and buyers remain on the sidelines as they wait for additional price reductions and lower interest rates. The majority of developers are now offering various incentives to prospective buyers such as price discounts, extended payment schemes and rental guarantees. Villa and townhouse sales continue to be slow, however we are seeing more activity in this sector and it is anticipated that landed property will recover before condominiums. VNL's residential sales have been impacted by the challenging market conditions and have slowed significantly throughout the year. Gross sales for the first eight months totaled 58 units, although with a number of purchasers struggling to maintain progress payment which resulted in cancelled contracts, net sales have only reached 13 units. To date, VNL has sold 72 percent of the 235 villas launched in the Dai Phuoc Lotus project, 67 percent of the 702 land plots launched in the My Gia Township project, 71 percent of the 202 villas launched in Danang Beach Resort & Golf Course project, and over 30 percent of the Azura condominium apartments in Danang.

VNL project revaluations were undertaken for the period ending 30 September 2012 with a total of 14 projects including the hotel portfolio appraised by international valuation consultants. These revaluations included: Mercure La Gare Hotel, Movenpick Hanoi Hotel, Movenpick Saigon Hotel, Romana Resort, Sheraton Nha Trang Hotel, Saigon Phu Yen Hotel, and Saigon Quy Nhon Hotel, plus six non hotel projects. This resulted in six projects being revised downward, three revised upward and five remaining unchanged, reflecting a continued overall softening in residential and hospitality markets. VNL's NAV per share was reduced by approximately USD0.03, this being the combined effect of these revaluations and the audit and consolidation adjustments conducted during the quarter for the period ending 30 June 2012.

VNL conducted a series of shareholder meetings in Europe and Asia during September and October to present the proposed new strategy and seek feedback from shareholders. Following this consultation process, the Board intends to make an announcement detailing the proposals and advise on the timing for an EGM.

30 September 2012

NAV* **1.11** per share (↓2.6% q-o-q)

Total NAV (unaudited): USD540.3 million

Performance summary**

	30 Sep 12	Cumulative change:		
		3mth	1yr	3yr
NAV per share	1.11	-2.6%	-17.6%	-15.1%
Share price	0.44	-8.1%	-34.1%	-51.5%
(Discount)	(60.3%)			
Market cap	214.3m			
Total NAV	540.3m			

Other information

Shares outstanding 485,863,227

* NAV and NAV per share data is calculated on a quarterly basis

** Figures in USD. Return percentages are for the period, not annualized.

Portfolio summary

Current assets	36
Divestments	10 full, 1 partial and residential unit sales
Debt level	Fund: Nil Projects: 15% of NAV

Performance history (% change on NAV)

	2012	2011	2010	2009	2008	2007
Q1	-1.7	0.7	3.0	-3.3	12.5	22.0
Q2	-1.7	-2.2	-0.7	-9.0	9.4	6.1
Q3	-2.6	0.7	3.7	-0.8	-2.5	0.2
Q4		-12.6	-3.5	1.5	-4.5	3.2
YTD	-5.8	-13.2	2.3	-11.3	14.8	33.8

Only USD281 million in government bonds were issued in September, a decline of 63 percent from August.

Fixed income

The primary fixed income market in September was highly subdued, with only USD281 million in State Treasury and Government-Sponsored bonds issued, representing a decline of 63 percent compared to August. To entice investors, the State Treasury increased the 2-year and 3-year bonds by 20 and 40bps, respectively.

On the secondary market, yields also increased 10 to 30 bps at the short-end of the yield curve while long term bond yields remained constant. A total of USD561 million worth of government and Vietnam Development Bank (VDB) bonds traded during the month, a decline of 19.8 percent from August. During the final week of September, Moody's downgraded local currency government bonds to B2, five steps below investment grade, citing tension from the banking system and lower than expected economic growth prospects.

Macroeconomic update

Third quarter 2012 GDP growth in Vietnam improved to 5.35 percent from 4.4 percent over the first six months of the year. Despite the improvement, YTD GDP growth of 4.7 percent remains lower than the government's target of between 5 and 5.5 percent.

During September, month-on-month inflation increased by 2.2 percent, the largest monthly increase since May 2011, causing year-on-year CPI to reach 6.5 percent. The month's inflation numbers were underpinned by an increase in healthcare (17.0 percent), education (10.5 percent) and transportation (3.8 percent), the effect of several gasoline price hikes.

Vietnam's foreign exchange market remained stable throughout the month of September. Year to date, the State Bank of Vietnam (SBV) has successfully pegged the VND at roughly VND20,900 per USD. The currency has been stable as a result of the trade balance remaining in a surplus, currently at approximately USD162 million versus a USD7.6 billion deficit a year ago. According to BIDV, Vietnam's largest state owned commercial bank, the SBV's foreign reserves have continued to increase throughout the year, reaching nearly USD23.0 billion. This level can now cover 12 weeks worth of imports, complying with the IMF benchmark of three months coverage.

During September, the VND deposit rate cap remained at 9 percent. However, with a sizable increase in CPI for the month, the SBV will likely delay an additional 1 percent rate cut, expected later this year. Despite no official change in lending rate caps, many large banks reduced their rates to between 10 and 13 percent for priority sectors and quality borrowers.

Third quarter GDP increased to 5.35 percent from 4.4 percent over the first half of 2012.

SBV reserves reached USD23.0 billion in September, helping to keep the VND exchange rate constant.

Many banks have lowered their lending rates to between 10 and 13 percent for priority sectors and quality borrowers.

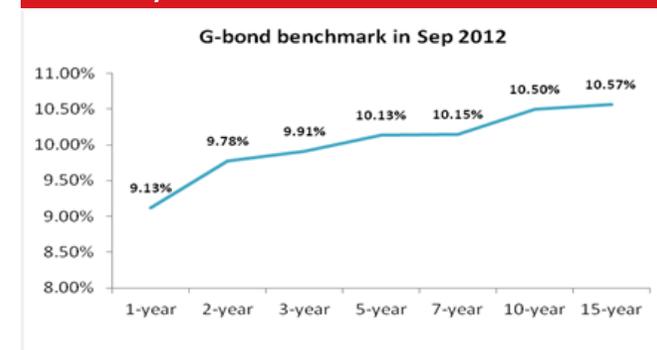
Macro-economic indicators and forecast

	2011	Sep 12	YTD	Y-o-Y change
GDP growth¹	5.9%	5.35%	4.7%	-18.0%
Inflation	18.1%	2.20%	5.1%	6.5%
FDI (USDbn)	14.7	1	9.5	-27.9%
Imports (USDbn)	105.8	9.8	83.7	6.6%
Exports² (USDbn)	96.3	9.7	83.8	18.9%
Trade deficit (USDbn)	9.5	0.1	0.1	-98.6%
Exchange rate³ (USD/VND)	21,036	20,900	-0.6%	0.3%
Bank deposit rate (VND %)	12.0-14.0%	9.0%	-35.7%	-35.7%

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

¹ Annualized rate. ² Includes gold. ³ State Bank central rate.

Gov't bond yield



Bloomberg

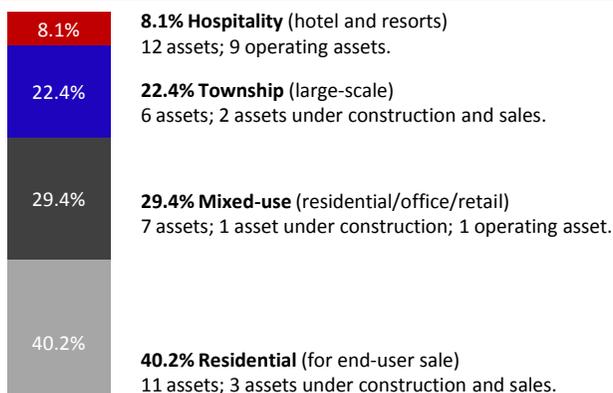
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Top holdings (30 Sep 12)*

Project	Location	Type	NAV%
Danang Beach Resort	Central	Residential	12.2%
Century 21	South	Residential	12.2%
Pavilion Square	South	Mixed-use	7.4%
Dai Phuoc Lotus	South	Township	6.8%
Times Square Hanoi	North	Mixed-use	6.1%
VinaSquare	South	Mixed-use	6.0%
My Gia	Central	Township	5.3%
World Trade Centre	Central	Mixed-use	4.7%
Aqua City	South	Township	4.7%
Trinity Park	South	Residential	4.0%

Top 10 assets: 69.4%

Portfolio by sector (30 Sep 12)*



Total: 36 assets

Projects pending final investment licensing (30 Sep 12)

Project	Location	Type	Site Area (ha)
Long An	South	Township	1,780
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	27
Long Truong	South	Residential	20
Hao Khang	South	Residential	5

Total: 6 assets representing NAV of USD67m

Portfolio breakdown (30 Sep 12)*

Portfolio by geographic location	NAV%
Hanoi region	8.2%
Central region	28.9%
Ho Chi Minh City region	63.0%

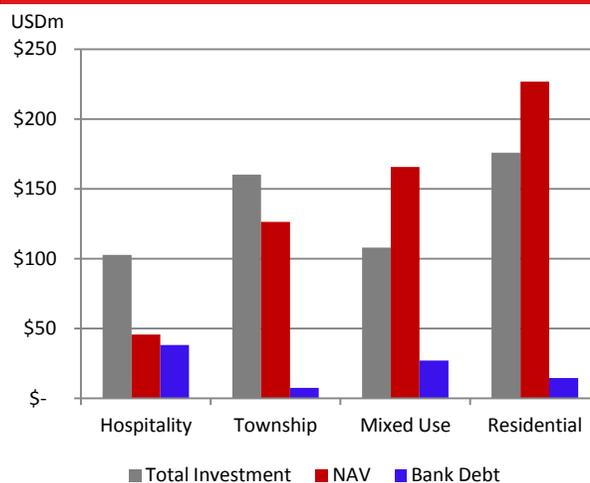
Valuation breakdown	NAV%
Assets not yet revalued **	9.6%
Assets revalued	90.4%

Development status	NAV%
Land banking	6.3%
Planning stage	55.0%
Development stage	32.1%
Operating assets	6.6%

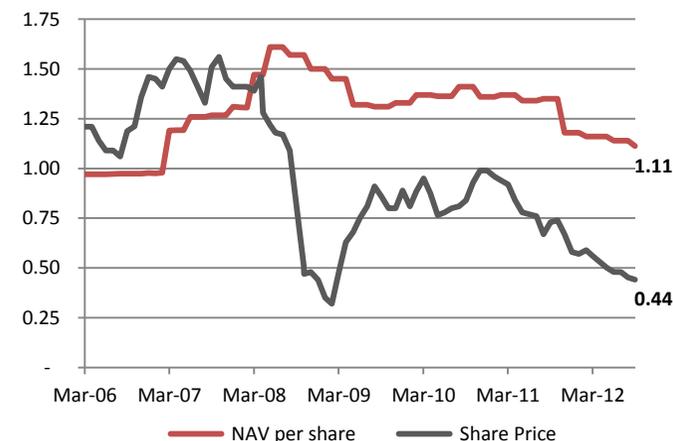
* All NAV and NAV per share data is calculated on a quarterly basis

** held at cost or below cost

NAV by sector (30 Sep 12)*



NAV and share price performance (30 Sep 12)*



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VNL Board of Directors

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

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

VinaCapital

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

Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
David Henry	Managing Director, Real estate
David Blackhall	Deputy Managing Director, Real estate
Anthony House	Deputy Managing Director, Real estate

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Fund summary

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

Fund launch
22 March 2006

Term of fund
Seven years and then subject to shareholder vote for continuation

Fund domicile
Cayman Islands

Legal form
Exempted company limited by shares

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

Auditor
PricewaterhouseCoopers (Hong Kong)

Nominated advisor (Nomad)
Grant Thornton Corporate Finance

Custodian and Administrator
HSBC Trustee

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

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

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

Investment manager: VinaCapital Investment Management Ltd

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

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