

Monthly update 31 October 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 share price remained unchanged at USD0.44 as at 31 October 2012, from a closing price of USD0.44 as at 30 September 2012. During October, VNL repurchased and cancelled 1.7 million shares. To date, the Fund has cancelled 15.8 million shares since the beginning of the programme in October 2011.

The stagnant Vietnam real estate market over the past year has created ongoing difficulties for many developers and related industries. Real estate inventory levels remain high while closing unit sales remain intermittent. For completed or nearly completed projects, many developers have offered discounts, incentives, preferential financing, and flexible payment schemes to boost sales. For projects still in the early development stage, developers are delaying commencement or reconsidering their product offering and strategy, such as reducing unit size, finishes and selling bare-share units. VNL has been selling bare-shell houses for the past three years. Activity in project transactions has seen some improvement, with ongoing interest from foreign investors and developers, looking for mixed-use commercial project development sites.

During the past two months, the Ministry of Construction (in charge of the real estate market) held various seminars with real estate businesses in Ho Chi Minh City and Hanoi to discuss measures to revive the market. The main takeaways from the seminars include the loosening of real estate credit, lower lending rates, and fine-tuning laws and regulations to improve planning control and supply-demand balance. The Manager believes that the market will continue to be slow for at least the next 9 to 12 months, as government policies need time to take effect and long-term stability in macroeconomic conditions is needed in order to improve home-buying confidence.

On 21 November 2012, VNL held an EGM whereby shareholders supported both recommendations put forth by the Board regarding the continuation of the Company. As a result the Special Resolution, which called for the continuation of the Company as presently constituted, was not passed and the Ordinary Resolution to restructure the Company was passed with a two-thirds approval rate. The Ordinary Resolution establishes the framework to restructure the Company including changes to the Company’s investment strategy, distribution policy, investment manager’s remuneration and corporate governance.

31 October 2012

NAV* **1.11** per share (↓2.6% q-o-q)

Total NAV (unaudited): USD540.3 million

Performance summary**

	31 Oct 12	Cumulative change:		
		3mth	1yr	3yr
NAV per share	1.11	-2.5%	-17.6%	-15.1%
Share price	0.44	-7.6%	-39.2%	-48.4%
(Discount)	(60.1%)			
Market cap	214.8m			
Total NAV	540.3m			

Other information

Shares outstanding 484,158,227

* 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

USD391 million in government bonds were issued in October, an increase of 39 percent from September

Fixed income

Throughout October, the primary fixed income market improved, with USD391 million in State Treasury and Government Sponsored bonds issued, an increase of 39 percent from September. Although, with inflation fears creeping into the bond market, new issues were placed at higher rates, up approximately 20 to 30 bps on 2- and 3-year State Treasury bonds from the prior month.

The secondary market suffered as primary bond yields increased. In total, only USD291.7 million worth of government and Vietnam Development Bank (VDB) bonds traded during the month, a decline of nearly 50 percent from September. Secondary trading was also dominated by short-term tenors, with 53 percent of all trades involving 1- to 3-year bonds. However, according to Bloomberg, short to medium term bond yields remained unchanged in October.

Vietnam's bond rating received mixed reviews when Moody cut from B1 to B2 but S&P raised from negative to stable

Macroeconomic update

In late September, Vietnam's economy received a mixed review regarding its government backed bonds and the banking industry. Moody's cut foreign and local currency bond ratings from B1 to B2, citing the troubled banking sector, non performing loan balances and weak overall economic performance. However, Standard & Poor raised Vietnam's Banking Industry Country Risk Assessment (BICRA) from a score of 10 up to 9, based on improved macroeconomic stability and the government's implementation of Resolution 11.

CPI reached 7.0 percent year-on-year during October

During October, month-on-month inflation increased by 0.85 percent, much lower than the 2.2 percent booked in September. Thus, year-on-year CPI has now reached 7.0 percent. The monthly rise in CPI was again caused mostly from an increase in healthcare (5.6 percent) and education (1.9 percent). Notably, food and foodstuffs, which make up approximately 40 percent of the CPI figure, only rose 0.3 percent, pointing towards a continued slowdown in consumer demand.

October saw Vietnam's trade balance move to a USD500 million deficit on larger than expected imports

During the month, Vietnam's trade balance shifted to a USD500 million deficit from a surplus of USD175 million (originally reported a USD100 million deficit) in September. The deficit for October was mainly driven by a large increase in imports as companies begin to ramp up production and inventories ahead of the holiday season. Year to date, Vietnam has run a deficit of only USD357 million, far lower than approximately USD8.2 billion during the same period a year ago.

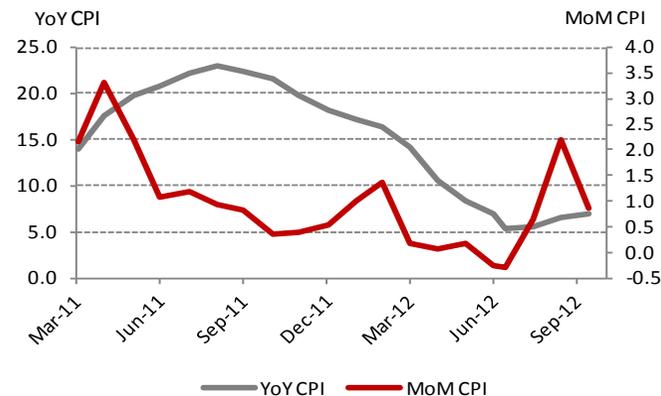
Macro-economic indicators and forecast

	2011	Oct-12	YTD	Y-o-Y change
GDP growth¹	5.9%	n/a	4.7%	-18.0%
Inflation	18.1%	0.85%	6.02%	7.0%
FDI (USDbn)	14.7	1.5	10.5	-24.7%
Imports (USDbn)	105.8	10.4	93.8	12.6%
Exports² (USDbn)	96.3	9.9	93.5	17.4%
Trade deficit (USDbn)	9.5	0.5	0.3	-98.6%
Exchange rate³ (USD/VND)	21,036	20,825	-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.

Inflation Rates



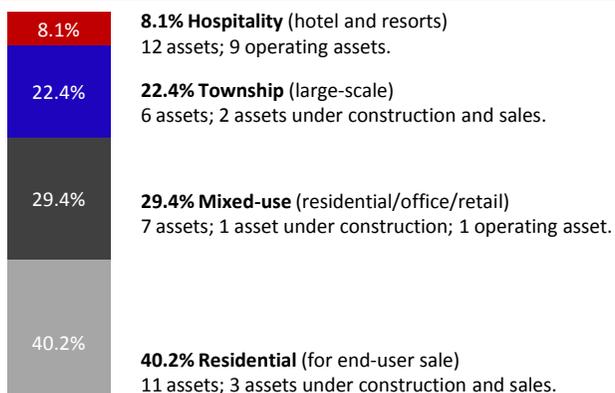
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Top holdings (30 Sep 12)*

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

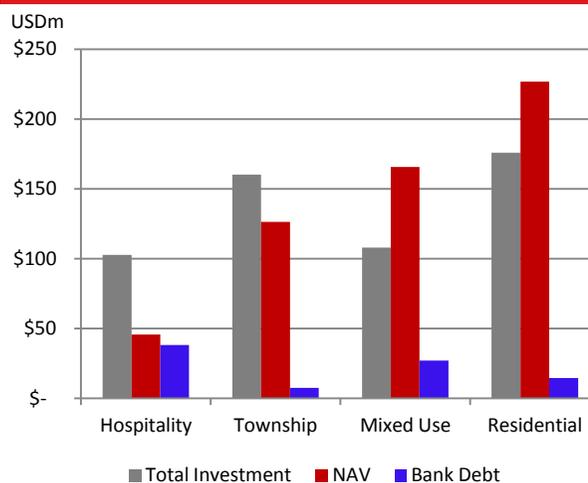
Portfolio breakdown (30 Sep 12)*

Portfolio by geographic location	NAV%
Hanoi region	8.2%
Central region	28.9%
Ho Chi Minh City region	63.0%
Valuation breakdown	
Assets not yet revalued **	9.6%
Assets revalued	90.4%
Development status	
Land banking	6.3%
Planning stage	55.0%
Development stage	32.1%
Operating assets	6.6%

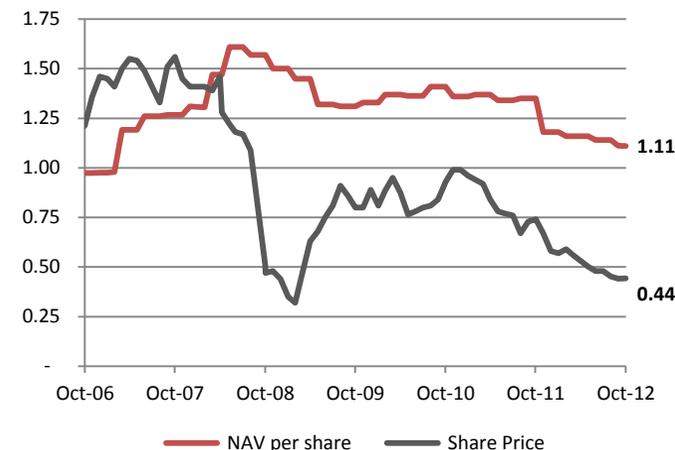
* All NAV and NAV per share data is calculated on a quarterly basis

** held at cost or below cost

NAV by sector (30 Sep 12)*



NAV and share price performance (31 Oct 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
Contact	
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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, 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

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 fixed at USD8.25 million per annum until 22 November 2013, reducing each year thereafter until 22 November 2015. No performance fees, but the recovery of the accrued performance fee is linked to distributions to shareholders.

Investment manager: VinaCapital Investment Management Ltd

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 focus by geography: All existing investments are located in Vietnam. There will be no new investments during the current cash return period.