

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 un-listed investment companies.

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

Manager's comment

VNL's share price closed at USD0.47 at the end of May, an increase of 9.3 percent compared to the closing price of USD0.43 at the end of April. As a result, the Company's share price to NAV discount is currently 54.4 percent compared to 57.9 percent in April.

Real estate market update

During May, the Vietnam Government introduced two new policy measures designed to help revive the country's real estate market; the official establishment of the Vietnam Asset Management Company (VAMC), and a USD1.4 billion credit package for low-income housing support. VAMC is a limited liability company operating under the direct supervision of the State Bank of Vietnam (SBV) with a charter capital of USD25 million. With a commencement date of 9 July 2013, this company will be charged with the responsibility of purchasing or restructuring non-performing loans (NPLs) from financial organisations and organising auctions for collateralised assets. VAMC will issue bonds and utilise other non-bond resources in order to purchase these non-performing loans.

The government's USD1.4 billion credit package was launched, commencing 1 June 2013, by the State Bank of Vietnam (SBV) to provide support to low-income home buyers and developers. Eligible low income borrowers can purchase an apartment no larger than 70 square metres and priced below USD710 per sqm. Developers of low income housing must obtain approval from authorities to receive an annual interest rate of 6.0 percent adjusted only once per year by the SBV. This credit package is only applicable to condominiums priced under USD50,000, therefore it is likely to have very little if any, impact on VNL's portfolio in the short term. However VNL is investigating whether master plans for existing development projects can be revised to enable participation in this initiative in the low income, high rise development sector, while maintaining acceptable returns.

Over the past few weeks, local banks have gradually begun to reduce their lending rates to 13 percent to 15 percent for real estate related financing, following the SBV's call to support the economy. Nevertheless, obtaining real estate financing or refinancing remains very challenging in the current market in Vietnam. Despite this, we have been successful in restructuring the loan for the World Trade Centre's Azura project, including a reduction in the interest rate. Additionally we have secured a new debt facility for the Dai Phuoc Island project. We continue negotiations with several local banks to restructure existing loans in addition to sourcing new debt facilities both onshore and offshore to provide additional funding for VNL and selected projects over the next 12 months.

Members of the VNL Board and Investment Manager will be in Europe in mid July 2013 to facilitate a number of meetings with European based shareholders. The purpose of the meetings is to provide shareholders with an update on the Company, seek feedback and comments on strategy progress, and to discuss the first Annual General Meeting (AGM) which will be convened later this year.

Performance summary*

31 May 2013

NAV per share** (USD):	1.03
Change (Quarter-on-quarter)	-1.0%
Total NAV** (USD 'm):	498.5
Share price (USD):	0.47
Market cap (USD 'm):	226.2
Premium/(discount)	-54.4%

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

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

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	-1.0	-11.2	-24.8	-30.0
Share price	1.3	-6.5	-46.3	-63.3

Quarterly performance history (% change)

	2013	2012	2011	2010	2009
Q1	-1.0	-1.7	0.7	3.0	-3.3
Q2		-4.3	-2.2	-0.7	-9.0
Q3		0.0	0.7	3.7	-0.8
Q4		-6.4	-12.6	-3.5	1.5
YTD	-11.9	-13.2	2.3	-11.3	

Additional portfolio information

Current assets	34
Divestments	12 full, 1 partial and residential unit sales
Debt level	Fund: Nil Projects: 11.9% of NAV
Shares outstanding	481,298,227

Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's May consumer price index remained fundamentally unchanged for the second consecutive month, representing a 6.4 percent increase on a year-on-year basis. Prices for food and foodstuffs, housing and construction materials, transportation, and telecommunication all fell slightly during the month, while prices for medical services rose by 1.9 percent reflecting recent increases in hospital fees and medication in several provinces. Inflation has remained low given a lack of demand-pull pressure forcing prices upward as consumer spending has weakened.

In May, the official exchange rate rose slightly to VND21,030 per USD as a result of increasing speculation that the State Bank of Vietnam (SBV) will effect a small devaluation of the currency in order to support export industries. However, SBV officials have denied that a devaluation is imminent, stating that this practice would not provide any long-term improvement towards Vietnam's export competitiveness. However, the trade balance has continued to falter as imports outpace exports, resulting in a year-to-date deficit of USD2.0 billion and likely heading higher over the next few months.

According to HSBC, the bank's proprietary Purchasing Managers Index (PMI) fell below 50.0 midpoint level to 48.8 in May, indicating a clear weakness in manufacturing production. Additionally, the GSO's Index of Industrial Production (IIP) increased just 5.2 percent, year-on-year in May, a slowdown as compared to 6.2 percent in May 2012. These index movements provide further evidence of the lack of effective demand throughout the economic landscape of Vietnam which could mitigate GDP growth figures in the second half of the year.

Fixed income

Credit growth in Vietnam has grown just 2.1 percent year-to-date, while deposit growth increased by 5.4 percent during the same period. These factors have contributed to strong demand for government issued bonds throughout the year.

The primary bond market in May continued on this trend, with a total of USD1.4 billion worth of State Treasury and government-backed bonds issued. As a result, bond yields fell by 82, 93, and 67 basis points from the previous month on 2-, 3-, and 5-year government bonds, respectively.

In the secondary market, nearly USD2.0 billion worth of government and government-backed bonds changed hands, an increase of 17.6 percent, month-on-month. As a result, bond yields in the secondary market fell by 70 to 90 basis points across 1-, 2-, and 3-year government bonds.

Macroeconomic indicators

	2012	May-13	YTD	Y-o-Y change
GDP growth ¹	5.0%	-	4.9%	-
Inflation	6.8%	-0.1%	2.4%	6.4%
FDI (USDbn)	13.0	0.3	8.5	8.9%
Imports (USDbn)	114.3	12.0	51.9	16.8%
Exports (USDbn) ²	114.6	10.8	49.9	15.1%
Trade surplus/(deficit)	0.8	-1.2	-2.0	-
Exchange rate (USD/VND) ³	20,855	21,030	-0.8%	-0.7%
Bank deposit rate (VND)	8.0%	7.5%	-6.3%	-31.8%

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

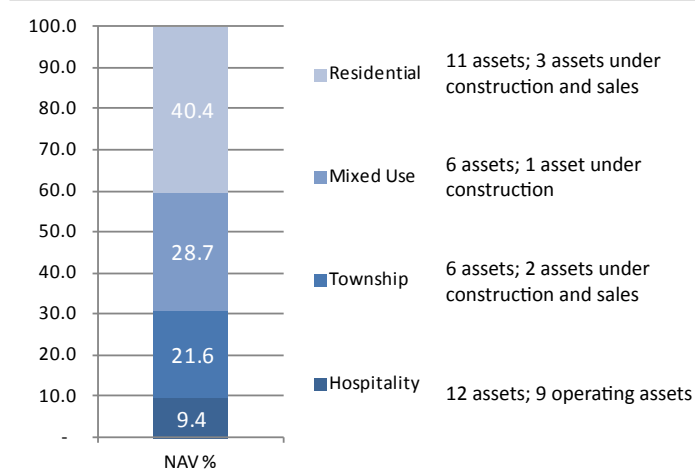
Government bond yields (%)

	1yr	2yr	3yr	5yr
April-13	6.85	7.35	7.68	8.43
May-13	5.93	6.57	6.87	7.87

Top ten holdings

Project	Location	Type	% of NAV
Century 21	South	Residential	13.2
Danang Beach Resort	Central	Residential	12.0
Pavilion Square	South	Mixed-use	7.8
Dai Phuoc Lotus	South	Township	6.9
VinaSquare	South	Mixed-use	6.2
Times Square Hanoi	North	Mixed-use	5.7
My Gia	Central	Township	4.8
Aqua City	South	Township	4.6
Trinity Park	South	Residential	4.3
World Trade Centre	Central	Mixed-use	4.1
Total			69.6

Portfolio by sector



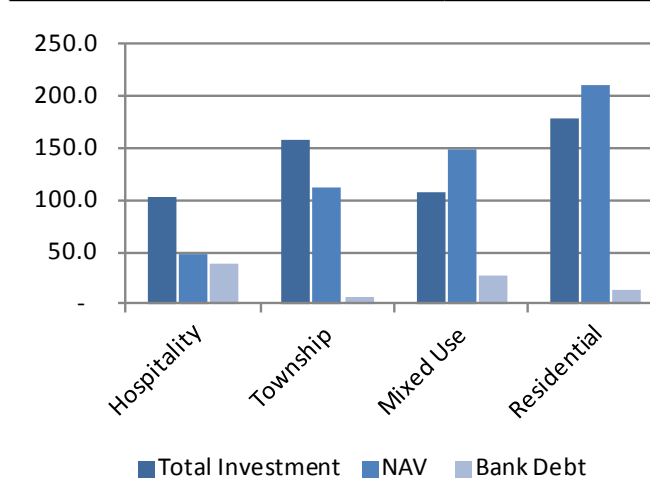
Projects pending final investment licensing

Project	Location	Type	Site Area (ha)
Long An	South	Township	1780
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	16
Long Truong	South	Residential	20
Hao Khang	South	Residential	5
Total: 6 assets representing a NAV of USD61.0 million			

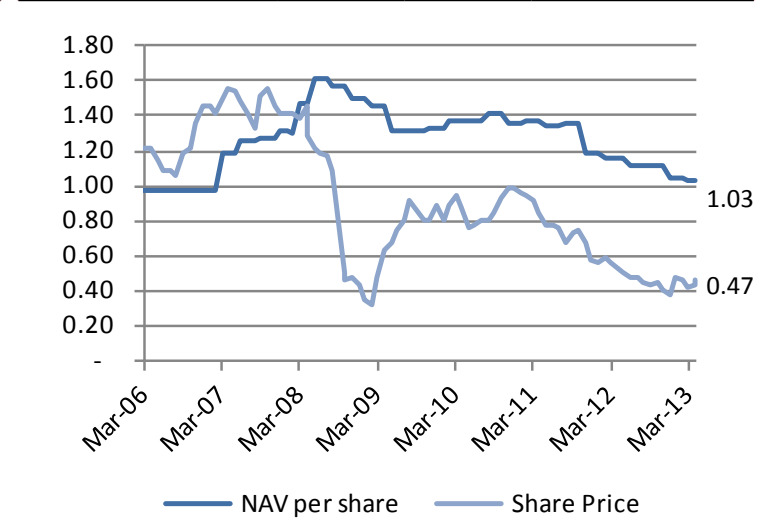
Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	8.2
Central region	27.3
Ho Chi Minh City region	64.5
Valuation breakdown	
Assets not yet revalued *	9.8
Assets revalued	90.2
Development status	
Land banking	5.6
Planning stage	57.5
Development stage	30.4
Operating assets	6.5

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
Nicholas Brooke	Chairman (Independent)
Nicholas Allen	Director (Independent)
Michel Casselman	Director (Independent)
Stanley Chou	Director (Independent)
Charles Isaac	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

Contact

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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

Custodian and Administrator: HSBC Trustee

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 USD8.25 million per annum until 22 November 2013, 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.