

## 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

VNL's share price closed at USD0.45 at the end of July, a decline of 2.7 percent compared to the closing price of USD0.46 at the end of June. As a result, the company's share price to NAV discount is currently 54.1 percent compared to 52.6 percent in June.

## Fund and market update

In July 2013, Warburg Pincus, one of the world's leading private equity companies made the first payment towards a strategic investment of USD200 million to Vingroup to acquire an approximate 20 percent equity stake in Vincom Retail. This transaction, which was signed in May 2013, is the first investment of Warburg Pincus in Vietnam and also the largest investment in a publicly owned Vietnamese company by a global investor. The investment has had a positive impact on Vietnam's real estate market and we believe it will lead to an improvement in international investor confidence as VNL has experienced an increase in enquiries as a result of this announcement.

During July the State Bank of Vietnam (SBV) continued to request banks to accelerate lending in regard to the ongoing sluggishness in credit growth compared to the annual target of 12 percent. However, banks are still hesitant given the lack of demand in the economy and the current level of bad debts. SBV officials stated they will likely raise credit growth caps for selected commercial banks depending on liquidity and the loan quality on their balance sheet. During the month, VNL continued 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 both VNL and selected projects over the next several years.

During the third week of July, VNL conducted a road show covering London, Copenhagen, Zurich, Brussels, and Utrecht to meet the Company's European based shareholders. It was a productive week of meetings in which members of the Board and the Investment Manager provided shareholders with up-to-date information on VNL's performance in a presentation that is available on the Company's website, as well as seeking shareholder feedback on the strategy of the Company going forward. During the road show, we also discussed the plan for the inaugural Annual General Meeting (AGM) which will be held in November this year.

## Performance summary\*

31 July 2013

|                             |        |
|-----------------------------|--------|
| NAV per share** (USD):      | 0.97   |
| Change (Quarter-on-quarter) | -5.8%  |
| Total NAV** (USD 'm):       | 466.5  |
| Share price (USD):          | 0.45   |
| Market cap (USD 'm):        | 214.0  |
| Premium/(discount)          | -54.1% |

\* 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 | -5.8 | -12.6 | -28.9 | -39.8 |
| Share price   | 2.6  | -7.3  | -42.9 | -62.3 |

## Quarterly performance history (% change)

|     | 2013  | 2012  | 2011  | 2010  | 2009 |
|-----|-------|-------|-------|-------|------|
| Q1  | -1.0  | -1.7  | 0.7   | 3.0   | -3.3 |
| Q2  | -5.8  | -4.3  | -2.2  | -0.7  | -9.0 |
| Q3  |       | 0.0   | 0.7   | 3.7   | -0.8 |
| Q4  |       | -6.3  | -12.6 | -3.5  | 1.5  |
| YTD | -11.9 | -13.2 | 2.3   | -11.3 |      |

## Additional portfolio information

|                    |   |
|--------------------|---|
| Current assets     | 33  |
| Divestments        | 13 full, 1 partial and residential unit sales |
| Debt level         | Fund: Nil      Projects: 11.6% of NAV         |
| Shares outstanding | 480,898,227                                   |

## Macroeconomic update

Aggregate demand for goods and services throughout Vietnam continues to remain insufficient in order to improve the state of the economy, as can be seen in the country's weak 5.0 percent year-to-date credit growth. All banks are now being encouraged by the State Bank of Vietnam (SBV) to increase lending in order to achieve the government's full year credit growth target of 12 percent. As a result, many banks, which have been granted higher credit limits, have begun promoting consumer loans as a new strategy to boost interest income. However, there are additional risks associated with these products given lending rates associated with such loans are very high (above 20 percent) and carry the potential for increased non-performing loans (NPLs) in the future.

According to the Industrial Production Index (IIP), Vietnam's manufacturing sector made little progress during July, maintaining a 4.9 percent year-on-year increase in production, unchanged from June. This reflects ongoing sluggish consumer demand, which increased just 11.7 percent year-on-year for the month of July, far below the 22.0 percent recorded consistently over the past several years. Additionally, HSBC's Purchasing Managers Index (PMI) remained below the important 50.0 level in July, indicating Vietnam's manufacturing sector is still constrained by outstanding inventory levels. This was partly attributable to a decline in export orders from China. This trend may continue to impact Vietnam's economy, given China's GDP growth is expected to slow to 7.4 percent from a long-term average of 8.5 percent in recent years.

Despite weak demand, inflation increased by 0.3 percent in July, according to the General Statistics Office (GSO). As a result, year-on-year price increases reached 7.2 percent for July, up from 6.7 percent in June. The modest rise in inflation for July was mainly attributable to two recent increases in petroleum and gas prices, while prices for food and foodstuffs remained relatively flat during the month.

In July, the exchange rate rose, peaking at VND21,900 which caused the SBV to sell USD on the open market. The volatility in the currency market occurred as a result of a widening spread between domestic and global gold prices and banks with ample VND liquidity speculating on rising USD prices. However, by the end of the month the exchange rate receded to VND21,300 per USD as government numbers on the balance of payments showed a trade surplus of USD200 million for July, thus bringing the year-to-date trade deficit to USD700 million.

## Fixed income

The primary bond market saw a significant reduction in activity, with only USD141 million worth of government and government-backed bonds successfully issued in July 2013, a 72.9 percent decline compared to the previous month. Short term government bond yields again increased in July for the second month in a row, with the rate on the 2-year bond rising by 50 bps.

Bond trading was also slow on the secondary market, resulting in total bond trading value equal to USD1.22 billion, a decline of 22.4 percent month-on-month. Given the lack of demand for fixed income assets, government bond yields jumped by 40 to 60 bps across the entire yield curve.

## Macroeconomic indicators

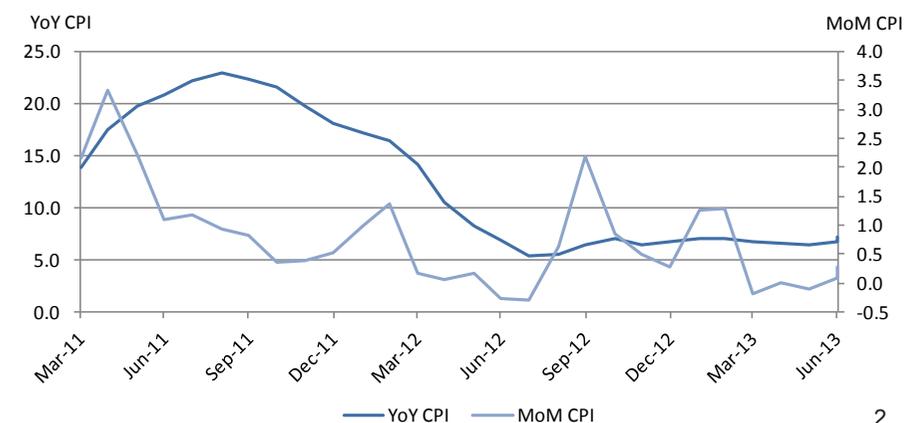
|                                      | 2012   | Jul-13 | YTD   | Y-o-Y change |
|--------------------------------------|--------|--------|-------|--------------|
| GDP growth <sup>1</sup>              | 5.0%   | 5.0%   | 4.9%  | -            |
| Inflation                            | 6.8%   | 0.3%   | 2.7%  | 7.3%         |
| FDI (USDbn)                          | 13.0   | 1.4    | 11.9  | 19.6%        |
| Imports (USDbn)                      | 114.3  | 11.0   | 73.5  | 15.0%        |
| Exports (USDbn) <sup>2</sup>         | 114.6  | 11.2   | 72.7  | 14.3%        |
| Trade surplus/(deficit)              | 0.8    | 0.2    | -0.7  | 16.7%        |
| Exchange rate (USD/VND) <sup>3</sup> | 20,855 | 21,190 | -1.6% | -1.3%        |
| 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  |
|---------|------|------|------|------|
| June-13 | 5.97 | 6.80 | 7.09 | 7.91 |
| July-13 | 6.52 | 7.48 | 7.71 | 8.34 |

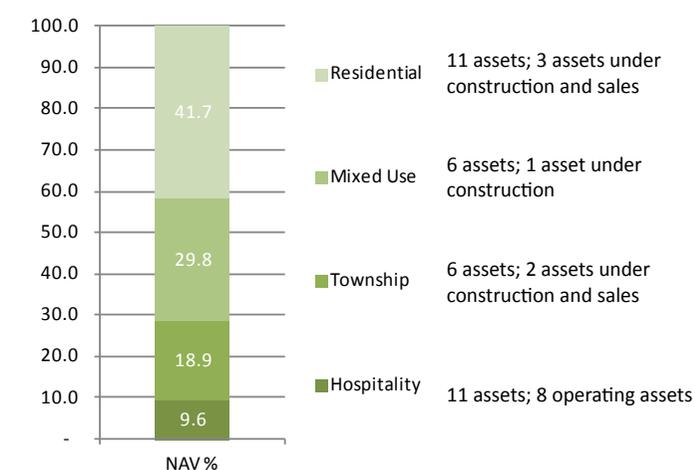
## Year-on-year and month-on-month inflation (%)



## Top ten investments

| Project                   | Location | Type        | % of NAV    |
|---------------------------|----------|-------------|-------------|
| Century 21                | South    | Residential | 14.2        |
| Danang Beach Resort       | Central  | Residential | 12.3        |
| Pavilion Square           | South    | Mixed Use   | 8.6         |
| VinaSquare                | South    | Mixed Use   | 6.4         |
| Dai Phuoc Lotus           | South    | Township    | 6.2         |
| Times Square Hanoi        | North    | Mixed Use   | 5.7         |
| Trinity Park              | South    | Residential | 4.7         |
| Aqua City                 | South    | Township    | 4.5         |
| My Gia                    | Central  | Township    | 4.0         |
| World Trade Center Danang | Central  | Mixed Use   | 4.0         |
| <b>Total</b>              |          |             | <b>70.6</b> |

## 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 USD128.3 million**

## Portfolio breakdown

| Portfolio by geographic location | % of NAV |
|----------------------------------|----------|
| Hanoi region                     | 8.3      |
| Central region                   | 26.4     |
| Ho Chi Minh City region          | 65.3     |

| Valuation breakdown       | % of NAV |
|---------------------------|----------|
| Assets not yet revalued * | 9.1      |
| Assets revalued           | 90.9     |

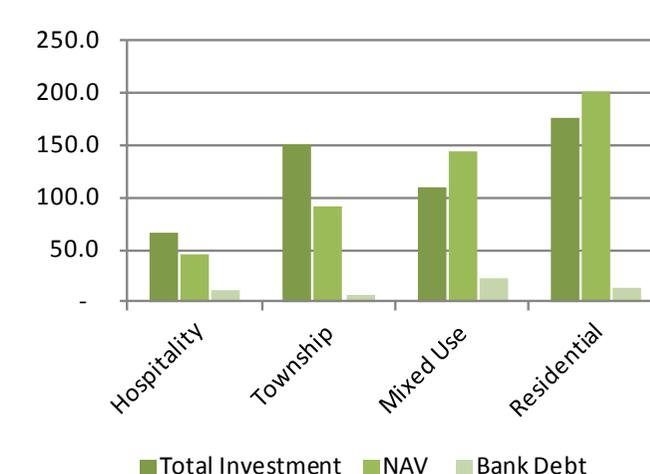
  

| Development status | % of NAV |
|--------------------|----------|
| Land banking       | 4.3      |
| Planning stage     | 60.2     |
| Development stage  | 29.0     |
| Operating assets   | 6.5      |

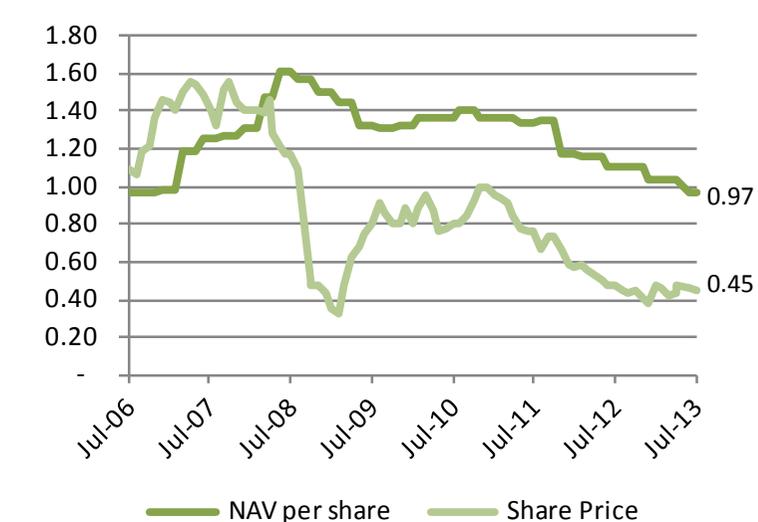
All NAV and NAV per share related data is calculated on a quarterly basis

\* held at cost or below cost

## NAV by sector



## NAV and share price performance



## Board of Directors

VNL's Board of Directors is composed entirely of independent non-executive directors.

| Member           | Role                                 |
|------------------|--------------------------------------|
| Nicholas Brooke  | Non-executive Chairman (Independent) |
| Nicholas Allen   | Non-executive Director (Independent) |
| Michel Casselman | Non-executive Director (Independent) |
| Stanley Chou     | Non-executive Director (Independent) |
| Charles Isaac    | 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 |

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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.