

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 decreased 3.7 percent to USD0.43 as at 31 August 2013, from a closing price of USD0.45 as at 31 July 2013. As a result, the company's share price to NAV discount is currently 55.8 percent compared to 54.1 percent in July.

During August, VNL repurchased and cancelled 200,000 ordinary shares. Since October 2011, the Company has cancelled a total of 19.3 million ordinary shares, representing 3.85% of the total shares in issue prior to the commencement of the share buyback program.

Fund and market update

During the month, VNL continued negotiations with several local banks to restructure existing loans to both extend the term and secure more competitive terms including lower interest rates. While interest rates have continued to retract throughout 2013, borrowing cost through Vietnamese banks in the local currency remains expensive at approximately 13.0 percent. Efforts have been made towards sourcing an offshore debt facility at the Fund level which would provide a more competitive rate, helping to ensure that both project companies and Fund level ongoing operations will be maintained while project divestments are progressed.

In August the Ministry of Construction issued as proposal that the government should extend foreign ownership rights for Vietnamese properties. The proposal contains several amendments regarding eligible foreign buyers, extensions on lease terms, a loosening of sublease and resale conditions, and types of properties that a foreign owner is allowed to purchase. If approved, this new resolution may assist in clearing some of the large stock of residential properties currently in the market, especially in the higher end segments. Although the new proposal should not be seen as a quick and easy fix to reducing an oversupplied market, we view this proposal as another positive measure from the government to boost the country's challenging property market. That said, we forecast the vast majority of residential properties for sale will be sold to Vietnamese buyers and not foreigners. Recently we have witnessed a slight increase in demand for higher end real estate assets from overseas Vietnamese and foreigners that are living and working in the country.

Performance summary*

31 August 2013

| | |
|-----------------------------|--------|
| NAV per share** (USD): | 0.97 |
| Change (Quarter-on-quarter) | -5.8% |
| Total NAV** (USD 'm): | 466.5 |
| Share price (USD): | 0.43 |
| Market cap (USD 'm): | 206.1 |
| Premium/(discount) | -55.8% |

* 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 | -8.8 | -5.2 | -46.4 | -63.4 |

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 (after Signature One exit) |
| Divestments | 13 full, 1 partial and residential unit sales |
| Debt level | Fund: Nil Projects: 11.6% of NAV |
| Shares outstanding | 480,698,227 |

Macroeconomic update

Despite weak consumer demand, inflation increased by 0.8 percent in August, according to the General Statistics Office (GSO). As such, year-on-year prices have risen 7.5 percent for August, up from 7.2 percent in July. The spike in monthly inflation was mainly attributable to increases in petroleum prices, and transportation and health care services. Additionally, in late August, electricity prices rose by 5 percent, which is likely to put pressure on inflation figures in the coming months.

During August, Vietnam's Index of Industrial Production (IIP) once again showed little sign of improvement with the manufacturing sector increasing just 5.0 percent year-on-year. Additionally, consumer sales during the month were 12 percent higher than a year ago, far below the 22 percent average rate recorded over the past several years. HSBC's Purchasing Managers Index (PMI) remained below the important 50.0 level hitting 49.5 for the month of August, indicating Vietnam's manufacturing sector is contracting.

In late July, the foreign exchange rate rose unexpectedly to VND22,000 which prompted the State Bank of Vietnam (SBV) to intervene by purchasing VND with dollar reserves in the open market. As a result, the exchange rate fell back to and remained near VND21,190 throughout the month of August. Stability in the VND was also supported by a 16.5 percent year-on-year increase in foreign direct investment (FDI) commitments and a 4.0 percent increase in FDI disbursements, which reached USD12.6 and USD7.6 billion as of August, respectively.

Fixed income

Bond investors maintained their cautious view during the month of August with inflation moving slightly higher. For the month, the primary market successfully issued USD268 million worth of government and government-backed bonds, a 90.0 percent increase from July, yet far below the average monthly placement during the first six months of the year. Short-term, two-year government bonds remained the most favorable, accounting for 51 percent of total monthly issuance with yields remaining relatively stable at 7.3 percent, 30 bps higher than in July. The State Treasury failed to issue any long-term, five-year government bonds in August, as investors continue to anticipate higher yields and are reluctant to purchase bonds with longer tenure.

The secondary bond market remained inactive in August with total trading value down 15.0 percent to USD1.0 billion in August compared to July, despite yields falling by 10 to 20 bps across the yield curve. Similar to the primary market, investors shied away from long-term issues. Secondary market five-year bonds traded only USD63 million, representing 6.0 percent of total trading value for the month.

Macroeconomic indicators

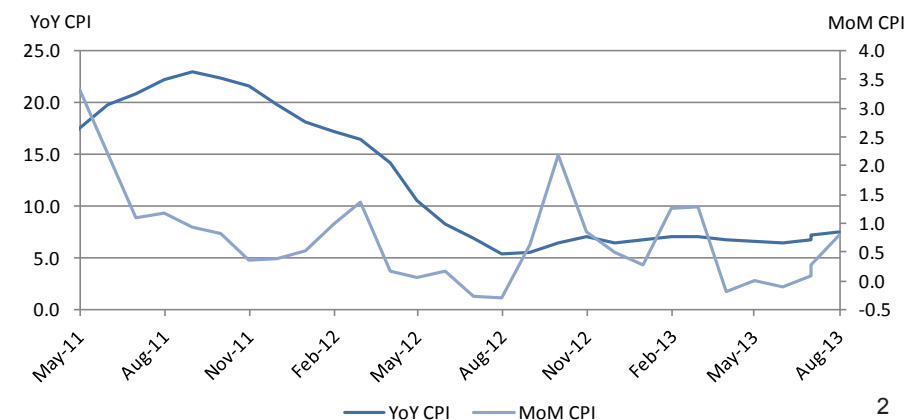
| | 2012 | Aug-13 | YTD | Y-o-Y change |
|--------------------------------------|--------|--------|-------|--------------|
| GDP growth ¹ | 5.0% | 5.0% | 4.9% | - |
| Inflation | 6.8% | 0.8% | 3.5% | 7.5% |
| FDI (USDbn) | 13.0 | 0.7 | 12.6 | 19.5% |
| Imports (USDbn) | 114.3 | 11.8 | 85.4 | 13.5% |
| Exports (USDbn) ² | 114.6 | 11.5 | 84.8 | 11.4% |
| Trade surplus/(deficit) | 0.8 | -0.3 | -0.6 | N/A |
| Exchange rate (USD/VND) ³ | 20,855 | 21,180 | -1.5% | -1.4% |
| 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 |
|-----------|------|------|------|------|
| August-13 | 6.90 | 7.45 | 7.80 | 8.45 |
| July-13 | 6.52 | 7.48 | 7.71 | 8.34 |

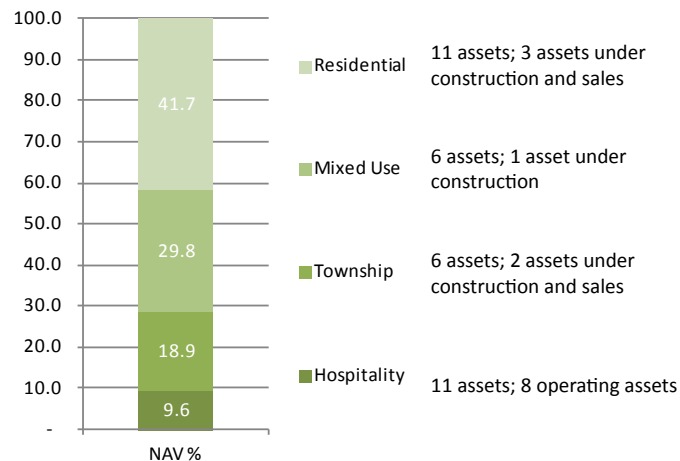
Year-on-year and month-on-month inflation (%)



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 |
| Total | | | 70.6 |

Portfolio by sector



Key projects under development

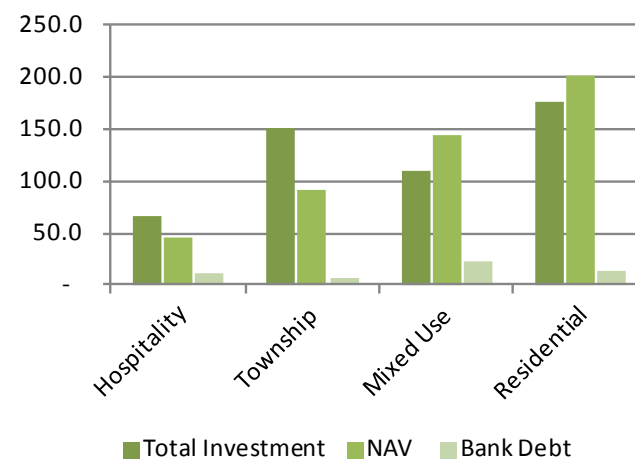
| Project | Location | Type | Site Area (ha) |
|---------------------------|----------|-------------|----------------|
| Danang Beach Resort | Central | Residential | 260.0 |
| Dai Phuoc Lotus | South | Township | 200.7 |
| My Gia | Central | Township | 158.0 |
| World Trade Center Danang | Central | Mixed Use | 9.0 |

Total: 4 assets representing a NAV of USD128.3 million

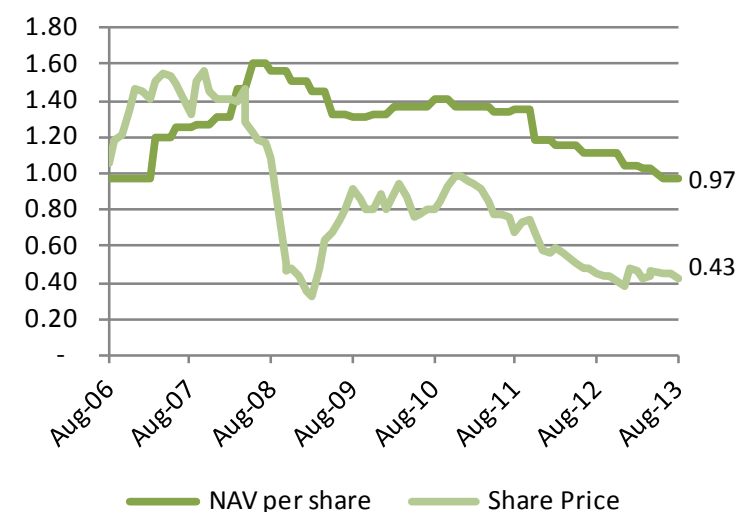
Portfolio breakdown

| Portfolio by geographic location | % of NAV |
|----------------------------------|----------|
| Hanoi region | 8.3 |
| Central region | 26.4 |
| Ho Chi Minh City region | 65.3 |
| Valuation breakdown | |
| Assets not yet revalued * | 9.1 |
| Assets revalued | 90.9 |
| Development status | |
| Land banking | 4.3 |
| Planning stage | 60.2 |
| Development stage | 29.0 |
| 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 | 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.