

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 unaudited net asset value was USD443.7 million or USD0.92 per share at close of business on 30 September 2013. This represents a 1.1 percent decline from an audited net asset value per share of USD0.93 as at close of business on 30 June 2013. The reduction in NAV is primarily due to fund operating expenses and management fee adjustments during the quarter.

VNL's share price decreased 6.9 percent to USD0.40 as at 30 September 2013, from a closing price of USD0.43 as at 31 August 2013. As a result, the company's share price to NAV discount is currently 56.1 percent compared to 53.9 percent in August.

During September, VNL repurchased and cancelled 450,000 ordinary shares. Since October 2011, the Company has cancelled a total of 19.7 million ordinary shares, representing 3.94 percent of the total shares in issue prior to the commencement of the share buyback program.

Fund update

The Manager is considering raising additional capital in the form of debt or quasi-debt instruments to refinance existing project loans and commitments as well as to provide additional working capital in the medium term. The current initiative being explored is a zero dividend preference share issuance.

On 1 October 2013, VNL announced the divestment of its stake in the Hao Khang project site located in District 9, Ho Chi Minh City. The Hao Khang project was a future development site with a total area of 49,655 square metres which was acquired in 2007 for development into an apartment and villa complex adjacent to Ho Chi Minh City's internal ring road. Given the apartment oversupply in the area and challenging market conditions, the Manager concluded that VNL should not proceed with the development of this site but rather should seek to divest it. VNL signed an agreement to divest its 70 percent stake in the project at a valuation 2.9 percent above the current net asset value of the investment, resulting in net proceeds of USD4.6 million which VNL has received in full.

VNL project revaluations were undertaken for the period ending 30 September 2013 with five hotel projects appraised by international valuation consultants. Additionally, a further six projects were also externally appraised as part of the semi-annual update for the interim period. A majority of these projects are located in Ho Chi Minh City and Hanoi with three projects located in the central region of Vietnam. As a result, five project valuations remained the same and six project valuations were adjusted downward. This was primarily due to the continued softening in the real estate market across the country. However Q3 2013 was also the first time in the past four quarters that we have seen independent valuations of many projects remain unchanged.

Performance summary*

30 September 2013

NAV per share** (USD):	0.92
Change (Quarter-on-quarter)	-1.1%
Total NAV** (USD 'm):	443.7
Share price (USD):	0.40
Market cap (USD 'm):	193.9
Premium/(discount)	-56.1%

* 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	-1.1%	-17.1%	-34.8%	-41.4%
Share price	-11.7%	-8.5%	-50.2%	-63.0%

Quarterly performance history (% change)

	2013	2012	2011	2010	2009
Q1	-1.0	-1.7	0.7	3.0	-3.3
Q2	-9.7	-4.3	-2.2	-0.7	-9.0
Q3	-1.1	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: 14.0% of NAV
Shares outstanding	480,248,227

Macroeconomic update

According to the General Statistics Office (GSO), for the first nine months of 2013 the economy grew by 5.1 percent. Economic growth increased by 5.5 percent in Q3 as foreign invested enterprises (FIE) helped support manufacturing and export industries, mitigating the negative impact of weak credit growth from an impaired banking system. Total exports grew 16 percent in first nine months of 2013, driven by sales of mobile phones and other electronic items.

In September, month-on-month consumer price index (CPI) grew by 1.1 percent, one of the highest levels since the beginning of the year. The visible increase in this month's CPI is mostly attributed to the sharp rise in education-related costs nationwide (9.4 percent, compared to 1 percent in August). Particularly, tuition fees in Ho Chi Minh City increased by 60 percent. Without this one-time effect, September CPI would have grown by only 0.5 percent. Additionally, food and food stuff prices rose by 0.65 percent, the fastest monthly increase over the past seven months. However, price increases in healthcare eased significantly from last month, while the government's fuel price cut helped decelerate transportation costs by -0.2 percent.

In September liquidity in the banking system remained stable and the government bond auctions were successful with good coverage ratios (3x – 4x). However, credit growth remains quite limited at 5.8 percent, year-to-date as at 30 September 2013. Lending rates at commercial banks have declined significantly to between 7.0 and 9.0 percent in priority sectors and between 9.0 and 11.0 percent in all other areas. As a reference, in mid-2011, these rates were at 16 to 21 percent. They are now equivalent to loan rates prevalent in 2005/2006.

Fixed income

Bonds issued by the State Treasury remained the most favourable and accounted for 71 percent of total offering volume in the month of September. Among these, short-term government and government-backed bonds were the most favourable, with USD74.5 million worth of two-year bonds successfully issued at a yield of 7.45 percent. Additionally, USD47.5 worth of ten-year g-bonds were successfully issued at 8.9 percent. For the near future the direction of bond yields will depend on the rate of credit growth, impacted by bank liquidity and movements in the CPI as it affects the cost of funds in the economy.

The secondary bond market remained inactive in September with total trading value declining 54.0 percent to USD460 million from USD1.0 billion in August. Notably, demand for short-term bonds was healthy enough to cause a further decline in yields for these issues, falling by 25 to 30 basis points. However, long-term yields increased by 30 to 40 basis points as demand for these government bonds waned.

Macroeconomic indicators

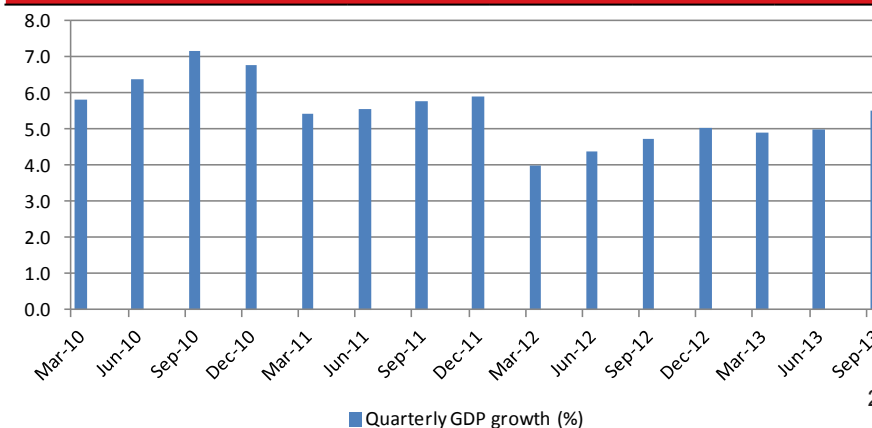
	2012	Sep-13	YTD	Y-o-Y change
GDP growth ¹	5.0%	5.5%	5.1%	
Inflation	6.8%	1.1%	4.6%	6.3%
FDI (USDbn)	13.0	2.4	15.0	36.1%
Imports (USDbn)	114.3	11.6	96.6	15.5%
Exports (USDbn) ²	114.6	11.3	96.5	15.7%
Trade surplus/(deficit)	0.8	-0.3	-0.1	N/A
Exchange rate (USD/VND) ³	20,855	21,140	1.4%	1.4%
Bank deposit 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
September-13	6.66	7.85	8.13	8.80

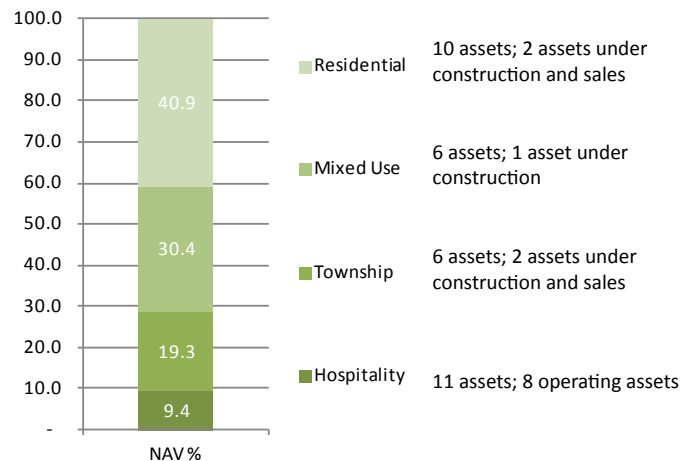
Quarterly GDP growth (%)



Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	15.3
Danang Beach Resort	Central	Residential	11.8
Pavilion Square	South	Mixed Use	8.4
Dai Phuoc Lotus	South	Township	7.0
VinaSquare	South	Mixed Use	6.2
Times Square Hanoi	North	Mixed Use	6.1
Aqua City	South	Township	4.5
World Trade Center Danang	Central	Mixed Use	4.3
Trinity Park	South	Residential	4.1
Green Park Estate	South	Mixed Use	4.1
Total			71.6

Portfolio by sector



Key projects under development

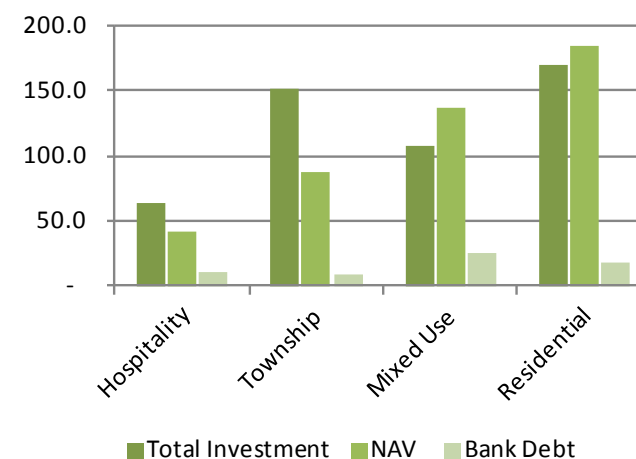
Project	Location	Type	Site Area (ha)
Danang Beach Resort	Central	Residential	260.0
Dai Phuoc Lotus	South	Township	200.7
My Gia	Central	Township	158.0
World Trade Center Danang	Central	Mixed Use	9.0

Total: 4 assets representing a NAV of USD119.8 million

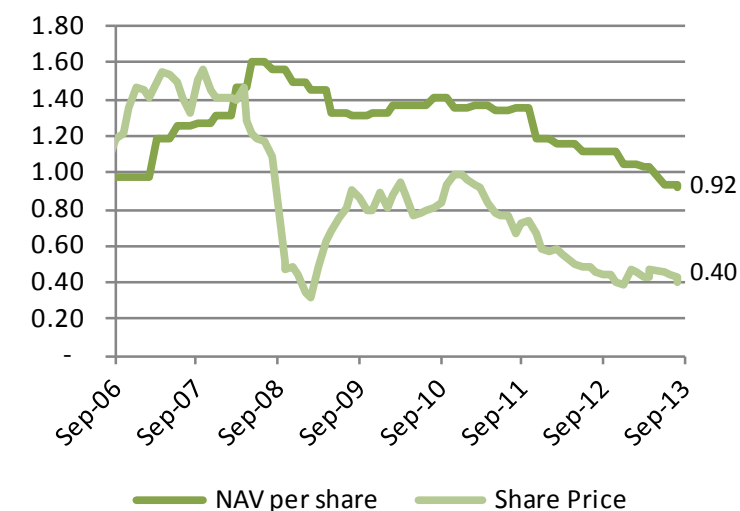
Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	8.7
Central region	25.6
Ho Chi Minh City region	65.6
Valuation breakdown	
Assets not yet revalued *	8.3
Assets revalued	91.7
Development status	
Land banking	7.8
Planning stage	59.0
Development stage	27.1
Operating assets	6.1

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
Oai Nguyen	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.