

## 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; town-ship (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 (NAV) was USD432.1 million or USD0.91 per share at its close of business on 31 March 2014. This represents a decline of 0.4 percent (due to rounding) from a net asset value per share of USD0.91 from its close of business on 31 December 2013.

VNL's share price increased 2.9 percent to USD0.53 as at 31 March 2014, from a closing price of USD0.52 as at 28 February 2014. As a result, the Company's share price to NAV discount is currently 41.3 percent compared to 43.8 percent at the end of February.

During March, VNL repurchased and cancelled 2,155,000 ordinary shares. Since October 2011, the Company has cancelled a total of 23.5 million ordinary shares, representing 4.7 percent of the total shares in issue prior to the commencement of the share buyback program.

## Fund update

With another interest rate cut implemented by the State Bank of Vietnam at the end of March 2014, the cost of lending is continuing to reduce, which encourages buyers of residential products and underpins further stability in the property sector overall. Recent sales market activity is now demonstrating continued improvement and the level of confidence of both residential developers and buyers after a long period of inactivity is now growing slowly. Interest from international investors looking to enter the Vietnam property market to acquire projects and develop, or acquire operating assets is also increasing as Vietnam's overall outlook is better. Nonetheless, the government's ability to support the property market by strengthening the banking system is crucial for this trend to continue. VNL has seen some improvements in residential sales when compared to last year and the year before, and an increase in marketing and branding activities for our projects is now being implemented for 2014 to capitalise on the market momentum.

The Manager continues discussions on a number of project divestment opportunities while also working on the re-launching of existing residential development projects in Q2 2014 as evidence of improvement in demand for residential products in areas of locations in Danang, Ho Chi Minh City and Nha Trang intensifies.

VNL project revaluations were undertaken for the period ending 31 March 2014 with six projects appraised by international valuation consultants. Additionally, a further four projects were also externally appraised as part of the semi-annual update for the interim period. Five of these projects are located in Ho Chi Minh City, one in Hanoi and three projects in the central region of Vietnam. As a result, two project valuations were adjusted upward due to increasing investor interest and some positive market sentiment in the local area; two projects were adjusted downwards; and six project valuations remained the same.

## Performance summary\*

31 March 2014

|                             |        |
|-----------------------------|--------|
| NAV per share** (USD):      | 0.91   |
| Change (Quarter-on-quarter) | -0.4%  |
| Total NAV** (USD 'm):       | 432.1  |
| Share price (USD):          | 0.53   |
| Market cap (USD 'm):        | 253.7  |
| Premium/(discount)          | -41.3% |

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

\*\* NAV and NAV per share data are calculated on a quarterly basis

## Cumulative change (% change)

|               | 3mth | 1yr   | 3yr   | 5yr   |
|---------------|------|-------|-------|-------|
| NAV per share | -0.3 | -11.9 | -33.8 | -37.4 |
| Share price   | 13.9 | 25.7  | -43.4 | 66.4  |

## Quarterly performance history (% change)

|     | 2014 | 2013  | 2012  | 2011  | 2010 |
|-----|------|-------|-------|-------|------|
| Q1  | -0.4 | -1.0  | -1.7  | 0.7   | 3.0  |
| Q2  |      | -9.7  | -4.3  | -2.2  | -0.7 |
| Q3  |      | -1.1  | 0.0   | 0.7   | 3.7  |
| Q4  |      | -1.0  | -6.3  | -12.6 | -3.5 |
| YTD | -0.4 | -12.4 | -11.9 | -13.2 | 2.3  |

## Additional portfolio information

|                    |  |
|--------------------|--|
| Current assets     | 30   |
| Divestments        | 16 full and residential unit sales                                   |
| Debt               | Fund level (ZDPs): 5.8% of NAV<br>Project level (Bank): 16.6% of NAV |
| Shares outstanding | 476,475,227  |

## Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's gross domestic product (GDP) growth reached 4.9 percent in the first quarter of 2014, the highest level of growth for the same period since 2011. The improved growth picture was supported mainly as the services, industry and construction, and agriculture sectors increased 6.0, 4.7 and 2.4 percent, respectively during the quarter.

Vietnam's month-on-month consumer price index (CPI) fell 0.4 percent in March, bringing the year-on-year inflation rate to 4.4 percent, according to the GSO. In March, food and foodstuff prices (40 percent of the CPI basket) fell by nearly 1.0 percent, while prices related to the housing and construction materials sector declined by 0.7 percent. As a result of the lower than expected rate of inflation to start the year, the government has revised its full year target from 7.0 to 6.0 percent.

During the month, the government applied a reduction to the VND deposit rate cap, moving it from 7.0 to 6.0 percent. However, given the current level of inflation, depositors are earning a real return at the bank. Additionally, the rate caps for the discount and refinancing rates were reduced by 50 basis points and lending rates on the country's priority sectors were lowered to 8.0 from 9.0 percent. These changes should help to improve domestic consumer demand and stimulate the banking industry to loan excess liquidity to businesses in need of working capital.

The exchange rate has continued to remain stable, finishing the month at VND21,125 per USD, nearly unchanged as compared to December 2013. Year-to-date, Vietnam's trade surplus has widened to USD1.0 billion, the highest in several years. Combined with the State Bank of Vietnam's (SBV) estimated USD40.0 billion in foreign reserves, there is a case to be made for continued currency stability against the USD.

## Fixed income

The primary bond market strengthened further following interest rate cuts in March with a total of USD1.7 billion worth of government and government-backed bonds issued, an increase of 41.1 percent compared to February. Short-term bond yields naturally fell in March by an average of 50 basis points compared to February. In the secondary market, the total trading volume for government and government-backed bonds increased 32.3 percent to USD2.2 billion for the month of March. Bond yields in the secondary market also fell by 70 to 80 basis points over the short end of the yield curve.

## Media links

Below is a list of recent articles related to the investment environment in Vietnam and VinaCapital activity.

[VinaCapital Economic Report: Potential impact of the Ukraine situation on Vietnam markets](#)

[VinaCapital Economic Report: A second opportunity to get SOE equitisation right](#)

[Wall Street Journal: Vietnam shines as neighbors await export bounce](#)

## Macroeconomic indicators

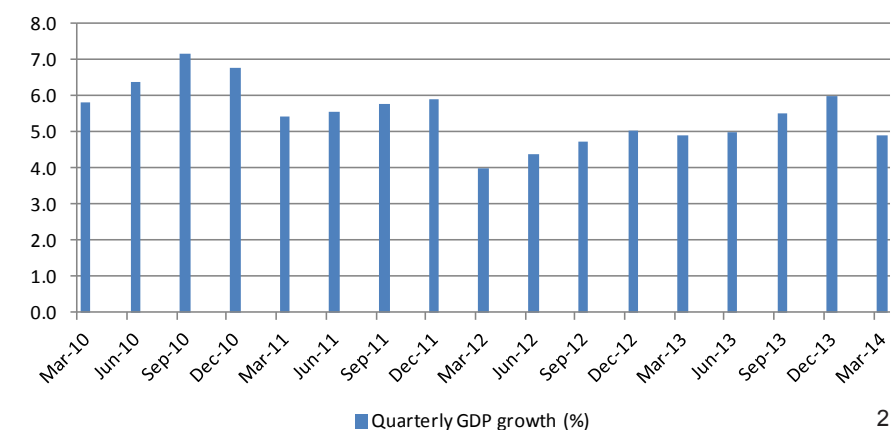
|                                      | 2013   | Mar-14 | 2014 YTD | Year-on-year |
|--------------------------------------|--------|--------|----------|--------------|
| GDP growth <sup>1</sup>              | 5.4%   | 4.9%   | 4.9%     |              |
| Inflation                            | 6.0%   | -0.4%  | 0.8%     | 4.4%         |
| FDI (USDbn)                          | 21.6   | 1.2    | 2.0      | -38.6%       |
| Imports (USDbn)                      | 131.3  | 12.3   | 32.3     | 12.2%        |
| Exports (USDbn) <sup>2</sup>         | 132.2  | 12.0   | 33.3     | 14.6%        |
| Trade surplus/(deficit)              | 0.9    | -0.3   | 1.0      |              |
| Exchange rate (USD/VND) <sup>3</sup> | 21,115 | 21,125 | -0.05%   | -0.02%       |
| Bank deposit rate (VND)              | 7.5%   | 6.5%   | -100 bps |              |

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  |
|-------------|------|------|------|------|
| February-14 | 5.88 | 6.50 | 7.00 | 7.96 |
| March-14    | 4.90 | 5.75 | 6.33 | 7.19 |

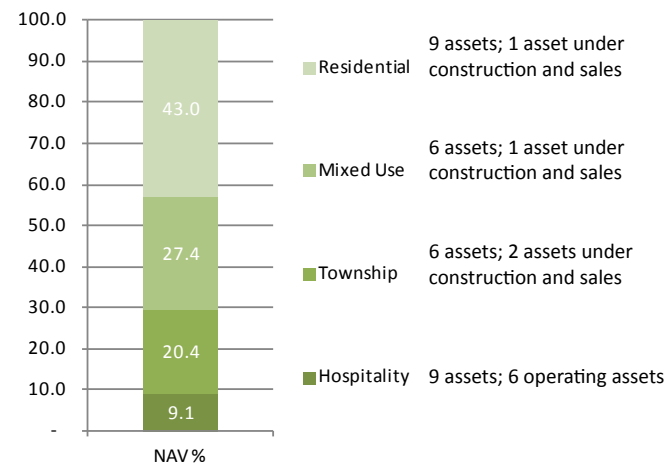
## Quarterly GDP growth (%)



## Top ten investments

| Project                   | Location | Type        | % of NAV    |
|---------------------------|----------|-------------|-------------|
| Century 21                | South    | Residential | 16.0        |
| Danang Beach Resort       | Central  | Residential | 12.3        |
| Dai Phuoc Lotus           | South    | Township    | 7.7         |
| Times Square Hanoi        | North    | Mixed Use   | 6.3         |
| VinaSquare                | South    | Mixed Use   | 5.9         |
| Pavilion Square           | South    | Mixed Use   | 5.3         |
| Aqua City                 | South    | Township    | 5.1         |
| Trinity Park              | South    | Residential | 4.7         |
| Green Park Estate         | South    | Mixed Use   | 4.3         |
| World Trade Center Danang | Central  | Mixed Use   | 4.1         |
| <b>Total</b>              |          |             | <b>71.7</b> |

## Portfolio by sector



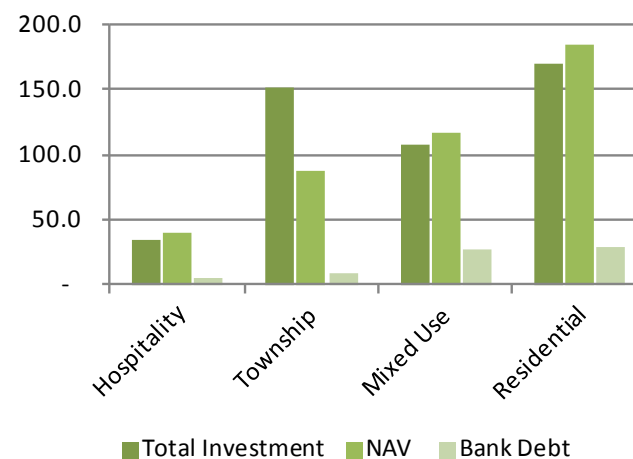
## Key projects under development

| 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            |
| <b>Total: 4 assets representing a NAV of USD116.9 million</b> |          |             |                |

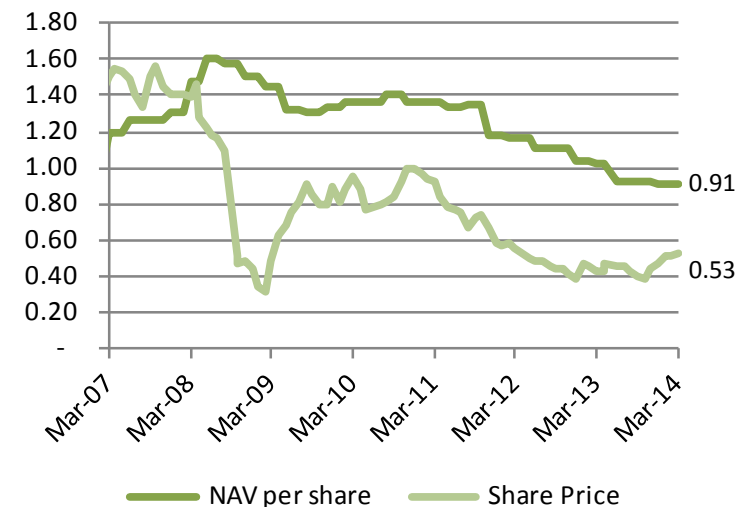
## Portfolio breakdown

| Portfolio by geographic location | % of NAV |
|----------------------------------|----------|
| Hanoi region                     | 11.4     |
| Central region                   | 26.3     |
| Ho Chi Minh City region          | 62.3     |
| <b>Valuation breakdown</b>       |          |
| Assets not yet revalued *        | 7.6      |
| Assets revalued                  | 92.4     |
| <b>Development status</b>        |          |
| Land banking                     | 7.9      |
| Planning stage                   | 59.1     |
| Development stage                | 27.3     |
| Operating assets                 | 5.8      |

## 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                                 |
|------------------|--------------------------------------|
| Michel Casselman | Non-executive Chairman (Independent) |
| Nicholas Allen   | Non-executive Director (Independent) |
| Nicholas Brooke  | Non-executive Director (Independent) |
| Charles Isaac    | Non-executive Director (Independent) |
| Daniel McDonald  | 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

**Fund Administrator:** HSBC Trustee (Cayman) Limited

**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 USD7.5 million per annum until 22 November 2014, 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.