

## Message from the Investment Manager

Dear Shareholders,

We are pleased to present the quarterly report for the VinaCapital Vietnam Opportunity Fund Limited (VOF), VinaLand Limited (VNL) and Vietnam Infrastructure Limited (VNI) for the three-month period ending 30 June 2010.

This quarterly report includes for the first time a 'Manager update' that will contain information on the policies and practices of VinaCapital Investment Management Ltd (VCIM) and updates on VinaCapital Group that are relevant to the performance of our funds. This quarter's inaugural update deals with valuations and the process of determining and publishing our fund net asset values.

During the quarter ending 30 June 2010, VOF's NAV rose slightly to USD796 million, or USD2.45 per share, from USD789 million, or USD2.43 per share, at the end of March 2010. The VN Index during the quarter rose by 1.6 percent. The past quarter saw VOF invest in Prime Group, Vietnam's largest ceramics manufacturer.

VNL's NAV increased to USD1.44 per share at the end of June 2010, from USD1.37 per share at the end of March 2010, following the receipt of independent third-party valuation reports on eight assets in the portfolio, which resulted in an increase in the booked valuation for six of the eight assets.

During the quarter, a total of 136 sales contracts and reservations were recorded at five residential projects in Danang and Ho Chi Minh City, representing a total value of almost USD29 million, comprising USD18 million in reservations and almost USD11 million in sales contracts.

VNI's NAV held steady at USD0.64 per share at the end of June 2010, while the share price declined to USD0.34, from USD0.42 at the end of March 2010. During the quarter, VNI announced its investment in Hanoi Electrical Equipment-Mechanical Engineering JSC (HNEM), a hydro power operator. VNI has acquired

a 35 percent stake in HNEM, which owns three small-sized hydro power plants. This is VNI's second investment this year in small 'run of the river' hydro plants.

The investment climate in Vietnam has continued to improve over the past quarter, and analysts concur that Vietnam is likely to achieve or surpass its 6.5 percent GDP growth target. The pace of IPOs is expected to pick up in H2 2010, and the real estate market will be further buoyed if mortgage interest rates decline, as expected.

We look forward to updating you on the performance of our funds over the second half of the year. I would also like to remind investors of the VinaCapital 2010 Investor Conference, to be held 27-29 October 2010 in Ho Chi Minh City. All those interested in attending should contact Ms. Phuong Phan at: [investorconference@vinacapital.com](mailto:investorconference@vinacapital.com).

Very truly yours,

Don Lam  
 CEO  
 VinaCapital Group

## Performance summary

Most recent NAV:	VOF (30 Jun 10)	VNL (30 Jun 10)	VNI (30 Jun 10)
NAV per share (USD) <sup>1</sup>	<b>2.45</b>	<b>1.44</b>	<b>0.64</b>
Return (%) <sup>2</sup>	(from May 10)	(from Mar 10)	(from May 10)
Previous NAV	0.6	5.1	0.0
YTD	1.5	8.3	-3.1
Since inception	152.6 (30 Sep 03)	48.5 (22 Mar 06)	-23.1 (5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	796	720	258
Market cap (USDm)	455	385	136
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

<sup>1</sup> Unaudited. VOF and VNI NAVs are updated monthly, VNL NAV is updated quarterly.

<sup>2</sup> Adjusted for dividends/distributions (see VNI, page 5).

<sup>3</sup> VNI holds 930,700 shares in a treasury facility.

## Market update

### Capital markets and economy

The Vietnam Index rose 1.6 percent over Q2 2010, compared to gains of 9.6 and 9.1 percent, respectively, for the MSCI Asia ex-Japan Index and the MSCI Emerging Markets Index. The quarter saw average daily trading of USD87 million, down from USD136 million per day in Q1 2010.

Without any strong domestic events to impact trading, markets responded during the quarter mainly to international news, chiefly the pessimism surrounding European debt and lingering doubts about the US recovery, as unemployment there continues to hover near 10 percent.

## Valuations at discount to region

As Vietnam's economy continues to perform well, however, equity valuations are now clearly at a discount to the region, and analysts overseas are beginning to take notice (for example this [Money-Week story on China A-shares](#)). Overseas and domestic traders should soon look toward equities as long as the macro economy continues to perform well. In the second quarter, however, it was the bond markets where the most action took place. The Ministry of Finance had successful bond auctions for maturities of up to five years, and many issues were oversubscribed. Banks purchased government bonds as the prospect of lower interest rates made fixed income investments look good. Furthermore, businesses were not borrowing as they waited for lower lending rates.

## Credit growth unlikely to reach target

As a result, credit growth during the quarter remained slow, reaching 10.5 percent for H1 2010. Vietnam may miss the credit growth target of 25 percent as lenders take longer than expected to cut interest rates to levels sought by the central bank. Despite the slower than desired credit growth, GDP growth is solid and the Ministry of Planning and Investment projects H2 2010 GDP growth of 6.9-7.2 percent, based on strong domestic demand and industrial growth that reached 14.6 percent year-on-year at the end of June 2010.

Retail growth is also strong and Vietnam's economic stability is reflected in the health of consumer confidence. A recent report from Nielson said Vietnam now has the second highest consumer confidence index in the world. "Vietnamese consumers are ready to spend, with new technology being the focus after they have paid for essential living expenses," the report said. Vietnam tied for second with Indonesia, and India took top spot. Vietnam's confidence index jumped 18 points to 119 after taking a slight correction in the first quarter. This is the highest index recorded to date for Vietnam. According to the survey, 47 percent of respondents in Vietnam stated they would spend excess cash on new technology, the highest percentage in Asia.

VN Index	30 Jun 10	31 Dec 09	52 wk low	52 wk high
Close	507.1	494.8	411.4	633.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	(0.1)	2.5	23.3	(19.9)
Trailing PER (x)	11.2	Est. PER 2010 (x)	11.9	
Trailing P/B (x)	2.2			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	10.0	10.4	10.9	11.5

Source:  VinaSecurities

Macroeconomic indicators and forecast				
	2009	Jun-10	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	5.3%	6.2%	6.2%	
<b>Inflation</b>	6.9%	0.2%	4.8%	8.7%
<b>FDI (USDbn)</b>	21.5	1.6	7.5	-19.1%
<b>Imports (USDbn)</b>	68.8	7.2	38.9	29.4%
<b>Exports<sup>2</sup> (USDbn)</b>	56.6	6.0	32.1	15.7%
<b>Trade deficit (USDbn)</b>	12.2	1.2	6.8	223.8%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	18,479	19,100	3.4%	3.4%
<b>Bank deposit rate (VND %)</b>	9.8-10.5%	11.0-11.5%	n/a	n/a

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

<sup>1</sup> Annualised rate. <sup>2</sup> Includes gold. <sup>3</sup> State Bank central rate.

## Hanoi continues to see increased land prices

### Real estate market

CBRE Vietnam reports inquiries for residential units in Ho Chi Minh City increased 25 percent quarter-on-quarter, with the majority of sales occurring in newly launched projects. Mid-range and affordable projects continued to dominate the market, accounting for 23 and 72 percent of new launches, respectively, in Q2 2010. Sales were officially launched at 17 projects during the quarter.

Average secondary market asking prices increased from 0.4-0.9 percent quarter-on-quarter in Ho Chi Minh City, for units either completed or fitted-out in areas with developed infrastructure. Prices in Hanoi increased markedly, by 3 percent for mid-range units and 9 percent at the low end, to go along with a sharp increase in land prices in the developing west-end of that city.

## Mortgage rates must drop to stimulate market

Capital values are expected to maintain a steady increase of 1-3 percent per quarter. There is still high demand for mid-range and affordable housing, although new purchases are slowed by high interest rates on mortgages. If government efforts to lower lending rates to 12-13 percent are successful (from 14-17 percent currently), this will further boost demand and put more upward pressure on prices.

CBD retail space in Ho Chi Minh City increased 39.5 percent quarter-on-quarter, due to the launch of Vincom Towers, which includes several underground floors. Hanoi also saw the launch of underground retail space, a new phenomenon in Vietnam that is popular with developers due to restrictions on available space and height limits.

In Hanoi, the end of Q2 2010 saw the modern shopping centre emerge as the most prevalent retail format, contributing 55.4 percent of total retail space. Department stores follow with 35.1 percent. By location, more than half of retail space is located outside the CBD, a percentage that is expected to rise as large-scale shopping centres come online in the developing areas of the city.

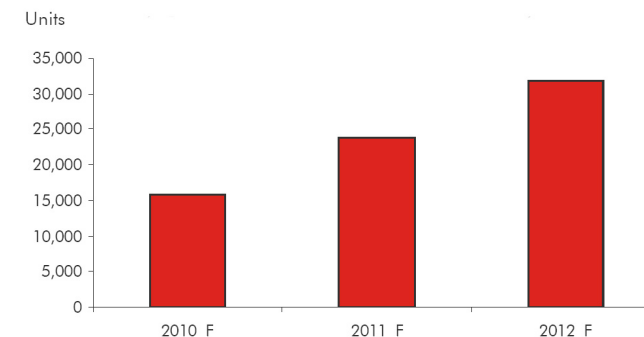
## Office space rentals up, but prices still down

Total net absorption of over 72,700sq.m office space was registered in Ho Chi Minh City, resulting in two consecutive quarters of strong net absorption. Banks, financial services and educational institutions continued to be the most active source of demand. Rents continued to fall across all grades as a result of the large amount of supply put into operation of the last two quarters. Average Grade A rents fell a further 5.3 percent quarter-on-quarter, to an average of USD37.5/sq.m per month.

International arrivals to HCM City increased and Vietnam now ranks fourth in the world in terms of tourism growth. Vietnam is also now the second most popular destination in Asia and recognised as one of the top emerging travel destinations in the world. Recovery in regional economies may bring more business and MICE guests to the city in the second half of 2010, leading to possibly higher demand in the hotel sector.

## Real estate market indicators

### HCM City new apartment supply, 2010-12



	Luxury	High-end	Mid-end	Affordable
<b>Total supply (units)</b>	296	11,230	12,099	6,584
<b>New units</b>	120	300	1,383	6,126
<b>Avr price (USD/sq.m)</b>	4,401	1,894	1,002	724
<b>% change q-o-q</b>	0.7	0.9	0.4	0.6
<b>% change y-o-y</b>	0.7	1.8	5.5	6.0

Prices rising in the mid-range and affordable sector as demand continues to outpace new supply.

Source: CBRE Vietnam.

## Performance update

During the quarter ending 30 June 2010, VOF's NAV rose slightly to USD796 million, or USD2.45 per share, from USD789 million, or USD2.43 per share, at the end of March 2010. The VN Index during the quarter rose by 1.6 percent, with the flat performance due largely to the impact of negative international sentiment related to the European debt crisis. VOF's share price was impacted by this sentiment as it fell to USD1.40 at the end of June, from USD1.57 at the end of March.

At the end of June, VOF was 89.5 percent invested with USD83.6 million in cash and equivalents available, down from USD108.9 million at the end of March 2010. This decline is due in part to the private equity investment in Prime Group, Vietnam's top ceramics manufacturer, as well as continued investment in OTC holdings.

## Five OTC investees to list in H2 2010

As reported in the June monthly update, VOF's unaudited return for the 30 June 2010 financial year was 16.8 percent, compared to 13.1 percent for the VN Index (5.8 percent in USD terms) and 2.9 percent on average for VOF's competitors (an unweighted basket of four Vietnam diversified funds). VOF's outperformance compared to the broader market and competitor funds is due largely to the 13 IPOs in the VOF portfolio over the fiscal year. This bodes well for future performance, as five OTC companies in the portfolio are preparing listing documents for IPOs during the second half of 2010.

The Sofitel Legend Metropole Hanoi continues to collect accolades and awards. The hotel has been nominated as PATA Gold Award winner following the entry for Heritage Award category, and it made Travel + Leisure's World's Best 2010 List, with the hotel coming in at no.14 in the "Top 25 City Hotels in Asia" category. The Metropole has had a strong year, with revenue up 37 percent year-to-date and gross operating profit up over 70 percent.

## Regulatory announcements and press releases

9 Jun 2010	<a href="#">May NAV</a>	29 Apr 2010	<a href="#">Investment in Prime Group</a>
8 Jun 2010	<a href="#">Holding in company</a>	9 Apr 2010	<a href="#">March NAV</a>
20 May 2010	<a href="#">Director shareholding</a>	6 Apr 2010	<a href="#">Residential sales update</a>
10 May 2010	<a href="#">April NAV</a>	6 Apr 2010	<a href="#">Director shareholding</a>
5 May 2010	<a href="#">Directorate change</a>		

## Fund summary

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VOF factsheet at [www.vinacapital.com](http://www.vinacapital.com)

### Fund launch

30 September 2003

### Term of fund

Five years subject to shareholder vote for extension

### Fund domicile

Cayman Islands

### Legal form

Exempted company limited by shares

### Structure

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

### Auditor

Grant Thornton (Cayman Islands)

### Nominated advisor (Nomad)

Grant Thornton Corporate Finance

### Custodian and Administrator

HSBC Trustee

### Lawyers

Lawrence Graham (UK)  
Maples and Calder (Cayman Islands)

### Management and performance fee

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high watermark.

### Investment manager

VinaCapital Investment Management Ltd

### Investment policy

Medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: Privately negotiated equity investments; Undervalued/distressed assets; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

### Investment focus by geography

Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.

## Top holdings at 30 Jun 2010

### Top 5 listed investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 30/06/10 (USD '000)
EIB	5.0	44,002	43,678
VNM	2.6	9,029	42,681
HPG	4.8	14,078	30,684
DIG	6.7	6,964	23,774
DPM	2.3	8,870	14,675

### Top 5 OTC investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 30/06/10 (USD '000)
Quoc Cuong Gia Lai	13.5	8,109	21,338
Halico	20.6	4,128	19,512
VinaCafe	10.9	1,933	8,952
An Giang Plant Protection	7.4	1,994	8,901
Nam Viet Oil	11.6	2,322	6,433

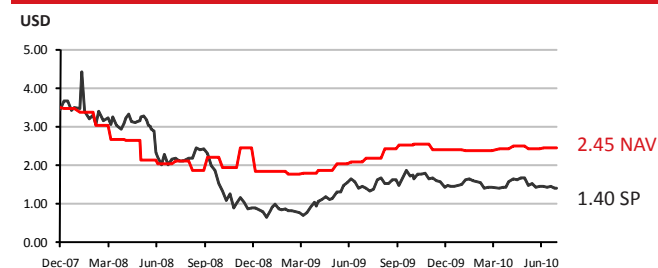
### Top 5 real estate investments

Project	Investment type	Stake (%)
Sofitel Metropole	Hotel	50.0
Dai Phuoc Lotus	Township	18.0
Century 21	Mixed use	21.0
VinaSquare Tower	Mixed use	15.5
Hung Vuong Plaza	Mixed use	30.0

### Top 5 private equity investments

Name of investee	Investment type	Stake (%)
Prime Group	Construction materials	7.0
Hoan My Hospital	Healthcare	28.9
SSG	Real estate	5.0
COFICO	Real estate	25.1
IBS	Construction materials	100.0

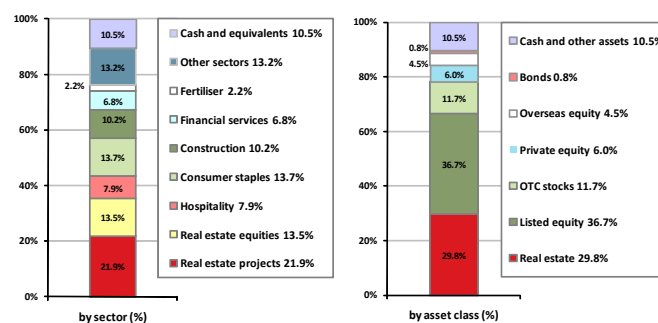
### NAV and share price performance (30 Jun 2010)



### Performance history (% change on NAV)

	2010	2009	2008	2007	2006
Jan	-1.1%	-1.3%	-2.9%	14.6%	3.9%
Feb	-0.3%	-3.7%	-10.2%	8.3%	6.3%
Mar	1.9%	1.7%	-11.8%	-0.6%	8.8%
Apr	3.0%	4.4%	-0.8%	-1.3%	7.6%
May	-2.5%	9.1%	-19.5%	5.1%	-1.0%
Jun	0.6%	2.2%	-4.7%	-0.8%	1.5%
Jul		3.8%	5.7%	-3.8%	-6.5%
Aug		12.2%	9.8%	0.0%	6.4%
Sep		3.8%	-6.7%	8.1%	3.0%
Oct		1.2%	-12.4%	4.2%	1.0%
Nov		-6.5%	-1.9%	0.6%	13.5%
Dec		0.8%	-2.1%	-0.6%	8.1%
<b>YTD</b>	<b>1.5%</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>	<b>64.9%</b>
<b>VN Index</b>	<b>2.5%</b>	<b>56.7%</b>	<b>-66.0%</b>	<b>23.3%</b>	<b>144.5%</b>

### VOF portfolio (30 Jun 2010)



**Performance update**

VNL's NAV increased to USD1.44 per share at the end of June 2010, from USD1.37 per share at the end of March 2010, following the receipt of independent third-party valuation reports on eight assets in the portfolio, which resulted in an increase in the booked valuation for six of the eight assets. The VNL share price declined to USD0.77 at the end of June, from USD0.88 at the end of May. The decline appears to be related to the performance of international equities markets, as it does not match the improved economic and investment environment in Vietnam.

**USD29m in residential sales and reservations**
**VinaLiving residential sales update**

During the quarter ending 30 June 2010, a total of 136 sales contracts and reservations were recorded at projects in Danang and Ho Chi Minh City, representing a total value of almost USD29 million, comprising USD18 million in reservations and almost USD11 million in sales contracts. This figure almost equals the USD36 million in sales contracts and reservations recorded over the six month period spanning the fourth quarter of 2009 and first quarter 2010 (The conversion rate from reservations to sales is 80 percent on average across all residential projects now selling).

The past quarter saw sales at the The Ocean Villas and Dunes Residences at the Danang Beach Resort, and the The Azura Apartments at the World Trade Center Danang. In the Ho Chi Minh City region, sales were recorded at The Garland in District 9 and the Sen Phuong Nam Villas at the Dai Phuoc Lotus project, in Dong Nai province. At Dai Phuoc Lotus, VinaLiving is developing several villa phases of the 200ha island township. The past quarter saw sales begin on the Phase 5 villas. In under seven weeks, 31 percent of the 332 villas available were reserved for sale. Construction is already underway.

Among the mixed-use and township projects that will launch sales in 2010 is the 26.7ha Thang Loi development in Ho Chi Minh City, located on a major road link to the Cambodian border and the TransAsia Expressway. The residential sections of the development will comprise 1,250 units, with construction of villas to start in Q4 2010, and construction of the retail components to begin by Q3 2011.

**Movenpick Saigon to re-open 1 August**
**Hotel portfolio update**

VNL holds stakes in five operating hotel assets, and VOF alone holds a stake in the Sofitel Legend Metropole. Total revenue achieved for all hotel assets for the year to June 2010 increased by 15.9 percent year-on-year, with gross operating profits up by 14.6 percent year-on-year. Progress continues on the renovation of the Movenpick Hotel Saigon, due to open as planned on 1 August 2010. Closed since 8 March, alterations to the asset are substantial and will include a redesign of the 278 guestrooms, five interiors and menus for the five restaurants, a semi-open bar near the third floor pool, and a new rear entrance framed by a massive Cay Da (Banyan) tree and hosting a new bakery and deli shop. The hotel will serve as the site of the VinaCapital 2010 Investor Conference to be held 27-29 October 2010.

**Fund summary**

VinaLand Limited ("VNL") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VNL Factsheet at [www.vinacapital.com](http://www.vinacapital.com)

**Fund launch**

22 March 2006

**Term of fund**

Seven years subject to shareholder vote for extension

**Fund domicile**

Cayman Islands

**Legal form**

Exempted company limited by shares

**Structure**

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

**Auditor**

Grant Thornton (Cayman Islands)

**Nominated advisor (Nomad)**

Grant Thornton Corporate Finance

**Custodian and Administrator**

HSBC Trustee

**Lawyers**

Lawrence Graham (UK)  
Maples and Calder (Cayman Islands)

**Management and performance fee**

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high watermark

**Investment manager**

VinaCapital Investment Management Ltd

**Investment policy**

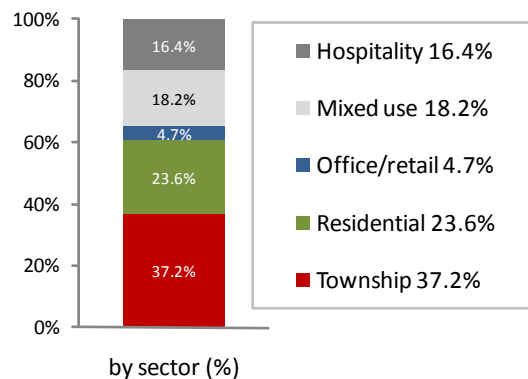
Medium to long term capital gains with some recurring income through investment in the following real estate sectors: Office; Residential; Retail; Township/Industrial (large scale); and Hospitality and Leisure.

**Investment focus by geography**

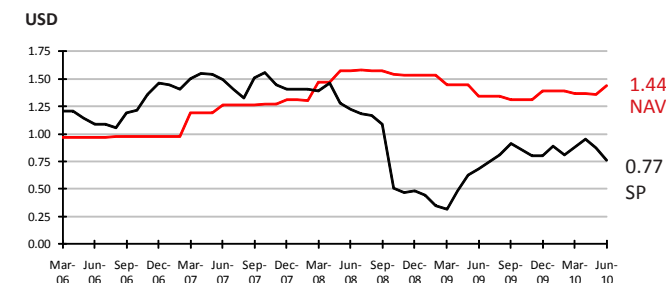
Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.

**Regulatory announcements and press releases**

29 Jun 2010	<a href="#">Appointment of director</a>	25 May 2010	<a href="#">Holding in company</a>
10 Jun 2010	<a href="#">Director shareholding</a>	9 Apr 2010	<a href="#">March NAV</a>
8 Jun 2010	<a href="#">Holding in company</a>	6 Apr 2010	<a href="#">Residential sales update</a>

**VNL portfolio (30 June 2010)**

**Portfolio by geographic location**

Hanoi	13%
Central provinces	25%
Ho Chi Minh City region	62%

**NAV and share price performance (30 Jun 2010)**

**Quarterly performance history (% change on NAV)**

	2010	2009	2008	2007
Q1	3.0%	-5.2%	12.5%	22.0%
Q2	5.1%	-7.6%	7.1%	6.1%
Q3		-2.2%	-0.4%	0.2%
Q4		1.5%	-2.5%	3.2%
YTD	8.3%	-11.3%	17.1%	33.8%

**Major holdings**

Project	Type	Status
Aqua City (Long Hung)	Residential	Planning underway
Century 21	Mixed-use	Under construction
Danang Beach Resort	Mixed-use	Sales underway
Dai Phuoc Lotus	Mixed-use	Under construction
Fideco Binh Duong	Township	Investment licence
HUD	Township	Planning underway
Pavilion Square	Residential	Investment licence
VinaSquare Tower	Mixed-use	Investment licence
Vinh Thai Nha Trang	Township	Investment licence
Movenpick Saigon	Hotel	Operating asset



**Performance update**

VNI's NAV held steady at USD0.64 per share at the end of June 2010, while the share price declined to USD0.34, from USD0.42 at the end of March 2010. VNI investee GLT has joined with partners from Vietnam, Thailand and Malaysia to launch Vietnam's first Tier-III international standard integrated data centre. Another investee, ITD, has been appointed by the Ho Chi Minh City municipal government to carry out a feasibility study on toll collection technologies, ITD's core business area. The study will examine toll collection using short-distance reception (DSRC) and vehicle plate recognition (ANPR) technologies.

**New investment**
**HNEM hydro power**

VNI in April announced its investment in Hanoi Electrical Equipment-Mechanical Engineering JSC (HNEM), a hydro power operator. VNI has acquired a 35 percent stake in HNEM, which owns three small-sized hydro power plants. One 13.5MW plant is completed and started operations in April 2010, while two smaller plants of 10MW each will be completed in Q2 2012 and 2013. HNEM has plans to acquire and build more hydro plants in northern Vietnam. This is VNI's second investment this year in small 'run of the river' hydro power. In February, VNI announced it had acquired an almost 15 percent stake in Tay Bac Electricity Investment and Development JSC, which also owns and operates three small hydro power plants. In a press release, VNI Managing Director Tony Hsun said: "The HNEM acquisition is another step in our strategy of acquiring small, well-managed hydro plants that are already operational or have debt in place and are near completion."

**Deputy managing director appointed**

VNI's investment manager has appointed a new deputy managing director of infrastructure investment. Mr. Kenny Low has over 20 years of experience in the development and financing of infrastructure projects in the power, telecoms and transport sectors. Kenny was previously with PSA International, the world's largest container terminal operator, based in Singapore.

**Regulatory announcements**

14 Jun 2010	<a href="#">Director shareholding</a>	11 May 2010	<a href="#">April NAV</a>
10 Jun 2010	<a href="#">May NAV</a>	21 Apr 2010	<a href="#">HNEM investment</a>
1 Jun 2010	<a href="#">Director shareholding</a>	9 Apr 2010	<a href="#">March NAV</a>

**Fund summary**

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**Fund launch**

5 July 2007

**Term of fund**

Ten years subject to shareholder vote for extension

**Fund domicile**

Cayman Islands

**Legal form**

Exempted company limited by shares

**Structure**

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**Management and performance fee**

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high watermark

**Investment manager**

VinaCapital Investment Management Ltd

**Investment focus**

Medium to long term capital gains with some recurring income through investment in the following infrastructure and infrastructure-related sectors: Energy; Transportation; Industrial Parks; Telecommunication; and Water and environmental utilities

**Investment focus by geography**

Greater Indochina comprising: Vietnam (minimum of 70 percent); Cambodia; Laos; and southern China



**Top holdings by sector at 30 Jun 2010**
**Energy**

	Type	% NAV	Manager's comment
Nam Viet	OTC equity	4.3	First operating private oil refinery in Vietnam.
PPC	Listed equity	3.1	Operates a 1,040MW thermal power plant.
PVD	Listed equity	3.0	Oil and gas services; part of PetroVietnam Group.

**Transportation**

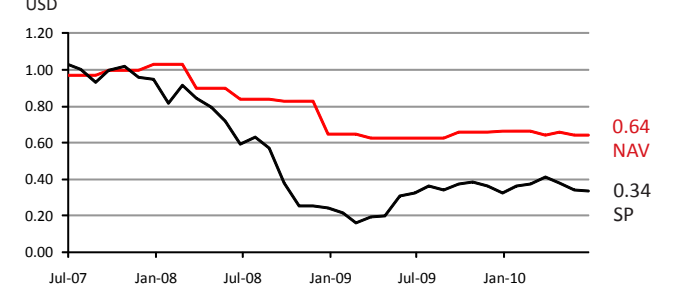
	Type	% NAV	Manager's comment
Phu My	OTC equity	4.3	Owner and operator of BOT Phu My Bridge in HCM City.
VALC	Private equity	3.2	Aircraft leasing JV with Vietnam Airlines.
CII	Listed equity	3.1	Operates Vietnam's top toll road, among other holdings.

**Telecommunications**

	Type	% NAV	Manager's comment
VNC-55	Private equity	3.4	Owns over 680 BTS towers.
MIDC	Private equity	3.0	Owns over 500 BTS towers.
GII	Private equity	1.8	Owns over 300 BTS towers.

**Industrial parks**

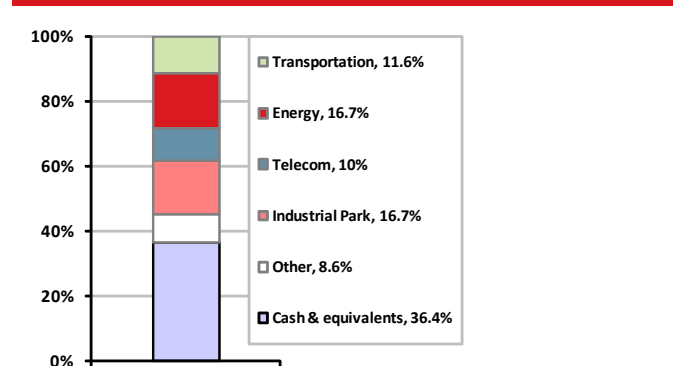
	Type	% NAV	Manager's comment
Long An SEA	Private equity	7.8	Major 708ha IP and port project in Long An province.
ITA	Listed equity	7.2	One of Vietnam's the largest industrial park operators.
TIX	Listed equity	1.5	Owns Tan Binh IP, logistics and trading assets.

**NAV and share price performance (30 Jun 2010)**

**Performance history**

	2010	2009	2008	2007
Q1	-3.0%	-0.5%	-12.8%	n/a
Q2	-0.3%	3.7%	-6.7%	n/a
Q3		1.5%	-1.0%	2.9%
Q4		0.8%	-12.0%	3.1%
YTD	-3.5%	5.5%	-29.1%	6.1%

Total return since inception: -23.4%\*

\* Assumes dividends/distributions reinvested. VNI paid a USD0.10 per share capital distribution on 16 January 2009 (ex date 17 Dec 2008).

**VNI portfolio by sector (30 Jun 2010)**


**As of 30 June 2010, VOF held a 7.0% stake in DIG Corp worth USD23.8m**

### DIC Corp (DIG)

DIC Corp (DIG) is one of the largest real estate companies in southern Vietnam. It was partially privatised in early 2008 with the state originally holding 61 percent. DIG has a very strong asset base with 464ha of compensated land on Dai Phuoc Island, Dong Nai, 16km from central Ho Chi Minh City. The Dai Phuoc Lotus 220ha township project is a joint venture with several foreign partners, including VOF and VNL. In addition, the company owns other property and hospitality projects in Vung Tau, Da Lat, and Vinh Phuc, near Hanoi. In addition to DIC's strong management and asset base, and high profitability, VOF's investment in DIC creates a strategic relationship that has resulted in further investment opportunities, such as the stake in Dai Phuoc Lotus.

For FY2010, DIG has targeted revenues of VND2,000bn and net income of VND600bn, with an earnings CAGR of 25 percent over the next three years (2010-2012), derived mostly from the sale of land lots and villas at the Dai Phuoc and Nam Vinh Yen projects. In H1 2010, DIG reported a net revenue and profit after tax of VND 1,975bn and VND 180bn, achieving 95 and 30 percent of the yearly target, respectively. Net profit was low as DIG aims to record its revenue and profit in Q4 2010 to optimise cash flow for corporate tax purposes. A 2010 cash dividend is expected to pay out at 30 percent. DIG held a groundbreaking in June for a 37ha villa project in Da Lat. The project comprises 48 colonial-style villas and 14 garden homes from 320-1,200sq.m, with estimated selling prices of USD250-300/sq.m.

### Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	Q1 10A
Revenue	653.7	1,631.0	1,975.0
Gross profit	182.9	709.3	142.8
Gross margin	27.9%	43.4%	59.3%
Net income	299.7	573.2	180.0
Net margin	45.8%	35.1%	48.9%
EPS	8,100	8,188	1,180
DPS	n.a	n.a	n.a
Balance Sheet (VND bn)	FY08A	FY09A	Q1 10A
Total assets	2,659.6	3,605	3,437
Shareholders' equity	690.3	2,290.6	2,318
ROE	25.9%	25.0%	7.8%
Book value per share	0.53x	n.a	n.a
Valuations (VND bn)	FY08A	FY09A	Q1 10A
PER (x)	8.2x	7.9x	10.8x
P/B (x)	3.5x	2.0x	2.8x
Dividend yield	5.0%	5.0%	5.0%

**At 31 June 2010, VOF held a 7.2% stake in Hoa Phat worth USD30.7m**

### Hoa Phat Group (HPG)

Hoa Phat Group (HPG) is the leading industrial manufacturer in Vietnam, with a 16-year history of operations in several fields. Established in 1992 as a trading company, HPG was restructured and converted into a holding group with eight subsidiaries and three affiliated companies, specialising in construction materials such as steel, steel pipe, furniture, refrigerators, construction and mining equipment, and industrial park operation. HPG has a well-established nationwide distribution and sales network, which is a strong platform for further product expansion and diversification.

Since 2006, HPG has achieved strong financial performance with average revenue and earnings growth of 83 and 61 percent per year, respectively. This year is seen as difficult given declining steel prices and increasing domestic competition, and as a result a new factory that began operations in Q3 2009 is running below capacity. Nonetheless, management is confident the company will achieve net earnings of VND 1,300bn. HPG is undertaking an aggressive investment strategy that will exceed VND5,000bn for the next three years. Projects include the second phase of the new steel factory, investment in iron ore and other mining operations in northern Vietnam and Lao, as well as real estate developments and the next phase of Pho Noi Industrial Park.

HPG shares currently trade at VND38,200, equivalent to P/E 2009 of 10.6x and P/B 2009 of 2.7x, and estimated P/E 2010 of 10.3x and P/B 2010 of 2.3x.

### Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	FY10E
Revenue	8,364.8	8,123.4	10,000.0
Gross profit	1,258.3	1,976.0	2,000.0
Gross margin	15.0%	24.3%	20.0%
Net income	854.2	1,271.9	1,300
Net margin	10.2%	15.7%	13.0%
EPS	2,635	3,922	4,012
DPS	1,200	1,200	1,200
Balance Sheet (VND bn)	FY08A	FY09A	FY10E
Total assets	5,639.4	10,243.2	12,000.0
Shareholders' equity	4,111.1	4,898.8	5,800.0
ROE	20.8%	26.0%	22.4%
Book value per share	12,688	15,117	17,901
Valuations (VND bn)	FY08A	FY09A	FY10E
PER (x)	15.7x	10.6x	10.3x
P/B (x)	3.3x	2.7x	2.3x
Dividend yield	2.9%	2.9%	2.9%

**At 30 June 2010, VOF held a 17.7% stake in PNJ worth USD14.2m**

### Phu Nhuan Jewelry (PNJ)

Established in 1988, Phu Nhuan Jewelry Company is among the top jewelry producers in Vietnam, with more than 2,000 employees and two factories located in Ho Chi Minh City. PNJ offers a wide range of products under three major brands (Cao Fine, PNJ Gold and PNJ Silver) that reach from high-income to teen markets. PNJ products are distributed nationwide via a network of 13 branches, 85 retail shops, and 3,000 wholesalers, and exported to demanding markets including the United States and Japan. PNJ went public in 2007 and listed on the Ho Chi Minh Stock Exchange in 2009.

Since its IPO, PNJ has achieved strong financial performance with earnings growth of 33 percent per year over the past three years. Although 2010 is seen as a more difficult year compared to 2009 due to the increase in gold price, H1 2010 results were impressive, with year-on-year earnings growth of 19.0 percent due to penetration into new markets. PNJ is building a new factory, launching soon, that will increase production capacity by 50 percent. PNJ also has an impressive investment portfolio, with an eight percent stake in Dong A Bank at par value.

PNJ shares currently trade at VND 38,200, equivalent to P/E 2009 of 12.9x and P/B 2009 of 2.3x, with estimated P/E 2010 of 9.6x and P/B 2010 of 2.1x.

### Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	Q1 10A
Revenue	4178.8	10256.3	10,000.0
Gross profit	350.0	500.9	600.0
Gross margin	8.4%	4.9%	6.0%
Net income	125.6	204.5	240.0
Net margin	3.0%	2.0%	2.4%
EPS	2,093	3,408	4,000
DPS	3,000	3,000	2,500
Balance sheet (VND bn)	FY08A	FY09A	Q1 10A
Total assets	1,683.1	2,025.7	2,100.0
Shareholders' equity	913.6	991.4	1,068.0
ROE	13.7%	20.6%	22.4%
Valuations (VND bn)	FY08A	FY09A	Q1 10A
PER (x)	18.2x	12.9x	9.6x
P/B (x)	2.5x	2.3x	2.1x
Dividend yield	4.0%	5.2%	6.5%

**At 30 June 2010, VOF held a 0.4% stake in STB worth USD3.0m**

### Sacombank (STB)

Sacombank (STB) is the second largest private bank in Vietnam (after ACB) with total assets of VND113,500bn (USD6.0bn). Established in 1991 from a consolidation of several credit unions, STB provides a full range of financial services to corporate and retail clients. It was the first bank to list on the Ho Chi Minh Stock Exchange, in June 2006, and it has one of the largest retail banking networks with 69 branches and 251 transaction offices across Vietnam, and two branches abroad, in Laos and Cambodia. STB has maintained steady growth during 2006-2009, with total assets and earnings up 60 and 54 percent, respectively. The bank benefits from strategic support provided by key stakeholders ANZ Bank and Dragon Capital Financial Holdings.

In 2009, amid Vietnam's economic slowdown, STB posted strong ROE of 15.8 percent and net profits of VND1,671bn (USD87.9m), 75 percent higher than 2008, thanks to Vietnam easing monetary policy and STB's dynamic operations. By the end of 2009, STB total assets achieved an impressive growth of 53 percent, reaching VND113,500bn (USD6.0bn) with a low non-performing loan rate of 0.69 percent.

For 2010, the bank targets net profit growth of 7.7 percent (to VND1,800b) and total asset growth of 40 percent, while maintaining ROE at 16-17 percent and meeting all safety requirements from the State Bank. At its current market price of VND17,300 per share, STB trades at a 8.7x P/E 2010 and 1.6x P/B.

### Financial highlights

Profit and loss (VND bn)	H2 08A	FY09A	H1 10A
Interest income	1,147	2,303	1,284
Service income	1,307	1,793	1,010
Other income	955	1,671	985
Net income	38.9%	40.8%	42.9%
EPS (VND)	1,866	2,493	1,088
Balance sheet (VND bn)	H2 08A	FY09A	H1 10A
Total assets	68,439	104,019	113,563
Shareholders' equity	7,759	10,547	9,954
ROE	12.3%	15.8%	9.9%
Book value per share	15,166	15,741	11,010
Valuations (VND bn)	H2 08A	FY09A	H1 10A
PER (x)	9.3	9.7	8.7
P/B (x)	1.2	1.5	1.6

**The manager update section provides investors with information on the policies and practices of VinaCapital Investment Management Ltd (VCIM), as well as updates on VinaCapital Group relevant to the performance of our investment funds.**

## **Valuation and NAV calculation**

The accurate and fair valuation of assets held in fund portfolios is a central component of successful fund management. VCIM follows international best practice whenever possible in its valuation process, even surpassing the AIM Market requirements.

## **Relevant dates**

The financial year-end of the VinaCapital AIM-traded funds is 30 June. Audited annual results are announced within six months of this date. Interim results at 31 December receive an auditor review and are announced within three months of this date. VOF and VNI calculate their NAVs monthly and these are normally announced within ten days of month-end. VNL calculates its NAV quarterly, and this is announced within ten days of the quarter's end.

## **The methods used to value different assets:**

### *Listed equities*

The value of listed and OTC securities is based on the last traded price of the security on the stock exchange where it trades, or if there is more than one stock exchange on which the security trades, that which is considered the principal stock exchange for that security.

### *OTC equities*

The market price of OTC equities is determined based on a sample of closing prices obtained from a minimum of three leading securities companies in Vietnam. The price used is normally the average of the sample, with outlying prices removed to avoid bias.

### *Private equities*

Unquoted securities will initially be valued at cost, which will include any expenses relating to their acquisition. Revaluations

of unquoted investments are conducted at 30 June annually in accordance with the guidelines issued by the British Investment Fund Association.

### *Real estate holdings*

Real estate projects are initially valued at cost. Once an investment licence is obtained, or by way of other arrangements VNL has a legal entitlement to an investment property, the investment property is revalued. Investment properties are revalued at least annually and may be revalued more frequently if the investment manager or valuation committee believes there has been a material change in the value of a property. The valuation process consists of obtaining two or more valuations for each property from independent third-party valuation companies. The valuations are reviewed by the valuation committee as the basis for the final valuation approved by the committee. At the end of each quarter, the manager and Investment Committee also reviews all real estate investments for possible impairment based on internal calculations. Impairment may be made at this time based on these calculations.

## **More information on valuation is available on the Investing policy page of our funds websites:**

[VOF Investing policy.](#)

[VNL Investing policy.](#)

[VNI Investing policy.](#)

## **Valuation committees**

Each fund has a valuation committee composed of independent non-executive members of the board of directors of the fund, and chaired by an independent director. The valuation committees meet quarterly, or as needed, to review asset valuations and the process used to determine asset valuations.

### *VOF Valuation Committee*

Martin Glynn (chair)

William Vanderfelt

Michael G. Gray

### *VNL Valuation Committee*

Nicholas Brooke (chair)

Michael Arnold

### *VNI Valuation Committee*

Ekkehard Goetting (chair)

Luong Van Ly

Paul Cheng

**Media highlights****Vietnam textile sector reports labour shortages as demand recovers**

29 July 2010 – Intellasia

Vietnam's garment and textile industry needs up to 200,000 more workers as demand picked up following the global economic recovery, officials and companies said Tuesday. [Read more.](#)

**Vietnam records highest consumer confidence**

27 July 2010 – Intellasia

Vietnam has climbed nine spots to tie with Indonesia as the second most confident country in the world, according to a survey recently issued by The Nielsen Company, a global information and measurement company. [Read more.](#)

**India, Vietnam explore buying BP stake**

26 July 2010 – Intellasia

India is exploring, in association with Vietnam, the possibilities of buying the stake of the British energy player, BP Plc, in a gas project in the Southeast Asian country, according to sources. [Read more.](#)

**Dragon shareholders vote against plan to shut funds**

20 July 2010 – VBN

Shareholders in two funds valued at \$636 million run by Dragon Capital Group Ltd, Vietnam's second-largest investment firm, on Monday voted down with a large majority a proposal to close them. [Read more.](#)

## Important Information

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## VinaCapital Group

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VinaCapital’s three AIM-traded funds.

<b>Don Lam</b>	Chief Executive Officer, VinaCapital Group
<b>Brook Taylor</b>	Chief Operating Officer, VinaCapital Group
<b>Stacy Kincaid</b>	Managing Director, Fund portfolio

VCIM	
<b>Andy Ho</b>	Managing Director, Head of Investment
<b>Tony Hsun</b>	Managing Director, Infrastructure
<b>Nguyen Viet Cuong</b>	Deputy Managing Director, Capital Markets
<b>Kenny Low</b>	Deputy Managing Director, Infrastructure

<b>David Henry</b>	Managing Director, Real Estate
<b>Stephen O’Grady</b>	Managing Director, Hospitality
<b>David Blackhall</b>	Deputy Managing Director, Asset management

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<b>Broker</b>	LCF Edmond de Rothschild
<b>Nominated advisor</b>	Grant Thornton Corporate Finance
<b>Auditor</b>	Grant Thornton (Cayman Islands)
<b>Internal auditor</b>	PricewaterhouseCoopers (Vietnam)
<b>Custodian</b>	HSBC Trustee