



**VinaCapital Investment Management Ltd,
Investor Letter, 22 September 2008**

Dear Investors,

The recent volatility in global markets, including the market here in Vietnam, has been a testing time for many people. We can assure you we appreciate this. I am writing now to keep you informed of our position in these volatile but exciting times.

As you know, the investment strategy of VinaCapital's funds is to concentrate on investments that will capitalise on Vietnam's medium to long-term growth. We remain committed to this objective and, notwithstanding Vietnam's status as an "emerging market", we strongly believe that this country continues to present an outstanding investment opportunity.

Despite the global turmoil, Vietnam is currently seeing very positive signs that indicate the economy is starting to recover from the two-month downturn experienced earlier this year. These signs include:

- The inflation rate has declined month-on-month. It stood at 1.6 percent in August and is expected to be much lower in September;
- The Vietnamese dong has stabilised against the US dollar and is essentially unchanged from the beginning of the year;
- Interest rates have fallen over the last few months and we believe further interest rate declines are likely to occur on the back of lower government bond yields; and
- Short-term government bond yields have declined to 15.5 percent from highs of 23 percent. We expect these yields will decline further as larger banks build up cash positions as a result of the government-imposed credit growth limit of 30 percent for 2008.

Although, we expect that there will be some spill-over of the current global economic challenges into Vietnam, we believe that the effects will be much lighter than experienced in other economies. This is due to:

- Vietnam's lack of integration with the global financial world, lower exposure to problem investments and institutions, and lower leverage ratios should keep it on the sidelines of the financial storms;
- Vietnam's fledgling financial services industry and eight-year old stock market do not trade derivatives;
- Domestic consumption will continue to grow as the country modernises; and
- Despite a worldwide economic slowdown that will affect Vietnam's exports to some extent, the effects are limited when compared with other Asian countries

due to Vietnam's relatively cheap exports that are often substitutes for more expensive exports from other countries.

The markets

As a result of the improvements mentioned above, the Vietnam Index rose 48 percent from its low of 366 points in mid-June to 539 points at the end of August 2008. However the catastrophic global events of the past week have reversed much of the gains seen in August. The Vietnam Index was at 417 points as of 18 September, a fall of 23 percent since the end of August.

This recent decline is due to foreigner investors retreating from their Vietnam positions, while at the same time domestic investors are holding off and taking a wait-and-see approach. This has resulted in daily trading volumes dropping 50 percent over the last few days. With continued uncertainty, the market will likely continue to soften, but we do not believe it will fall below the low set in June.

Vietnam Opportunity Fund Ltd

VOF's current strategy is to (1) continue to recycle cash, as we have done over the last 6-9 months; (2) manage the deployment of cash into private equity, which offers better terms; and (3) focus on those companies that better manage themselves during this time of uncertainty. Although the decline in listed and OTC share prices will likely have an impact on VOF's NAV during September we believe that the risk of a further considerable downside is low due to the quality of the underlying investments and prudent valuation practices adopted by the Fund. We continue to believe that the portfolio is one of the highest quality covering the Vietnam market and perseverance through this period of uncertainty should reward investors handsomely.

Vietnam Infrastructure Ltd

VNI is currently holding approximately USD212 million in cash, which is equivalent to 60.5 percent of the Fund's NAV, or 52.7 cents per share. Approximately 38.6 percent of this cash has been committed to projects and is subject to draw-down over the next twelve months.

The tight credit market in Vietnam is providing great opportunities to invest in infrastructure projects at very attractive prices. Our first key focus is on projects that are strategically important to Vietnam, including for example the Phu My Bridge – a key link in the Ho Chi Minh City ring-road network, which should generate considerable rewards for many years to come. We are also evaluating opportunities in water treatment and waste disposal; both of which are key areas in need of a major upgrade. Our second key focus is towards projects under construction and nearing completion that already have sufficient debt in place. Investments in both key focus areas are unlikely to be materially impacted by the effects of a global economic slowdown.

VinaLand Ltd

VNL will be concentrating on its current construction projects and controlling cost increases. All real estate projects have been reviewed over the last month to ensure that macroeconomic factors and local real estate market conditions are adequately considered in each projects' investment/development plan. Our analysis has been conservative, notwithstanding that there is already evidence that construction costs are declining to more reasonable levels as cement and steel prices have moderated.

Positive discussions have also been held with local banks regarding debt financing for some of our projects, as credit opportunities open up and banks begin to focus on higher quality borrowers. As a point of note: at the moment VNL has very little gearing (less than 3% leverage). This provides the Fund with considerable flexibility in respect of how it manages its investments. We are also in quite advanced discussions with several co-investment partners, which if successful will enable the Fund to partially exit several properties and/or provide additional capital for their development.

Despite the share price of VNL continuing to trade at a discount to the NAV, we reiterate, as we have for our other funds, that this is a high quality portfolio. We expect to continue to see growth in its NAV as we develop projects and pursue selected divestments of assets where we consider their value has been maximised.

We recognise that the recent financial volatility has driven share prices for all our funds into further discount compared to the NAVs, and this raises the question of whether VinaCapital or the funds can buy back shares. In accordance with the AIM Rules for Companies, investors should be aware that VinaCapital and the funds are now in a close period and subject to restrictions in dealing in the shares of the funds.

In response to the recent market turmoil we would like to reassure our investors that our funds have no counterparty exposure to Lehman Brothers or Merrill Lynch, and limited exposure to AIG through several insurance policies. We have no outstanding claims against these policies and are reviewing whether alternative insurance cover should be arranged.

Finally, there will be an investor conference call scheduled for next Monday 29 September 2008 at 17:00 Vietnam time. Details of the call will be distributed later this week.

Once again we would like to reiterate that we remain very confident in the future of Vietnam, and hope you share our enthusiasm and confidence in this wonderful country.

Warm regards,

Don Lam
CEO, VinaCapital