

VN Index drops following devaluation

Capital markets

The VN Index saw a sharp decline in February of 9.6 percent (15.6 percent in USD terms), as a result of the devaluation of the Vietnam dong and tightening of monetary policy by the State Bank of Vietnam. The Index closed February at 461 points, compared to 511 points at the end of January. The MSCI Asia ex-Japan and Emerging Markets indices fell by 1.9 and 1.1 percent, respectively, during February, as investors shifted their focus to invest in the recovering US and Japan markets.

Modest net overseas buying as trading slows

Since the 52-week high of 523 points in May 2010, the stock market has seen continued negative sentiment, with a decline in trading volumes and values. The combined total trading value and volume for the month on both Vietnam's stock exchanges was USD0.9 billion and 900 million shares, down 22.7 and 17.3 percent month-on-month, respectively. Foreign investors remained net buyers of USD8.6 million, a modest amount compared to USD63.3 million net buying in January. Selling activity rose 14.5 percent in value, while buying value dropped 44.2 percent. Most foreign selling was in blue chips such as FPT, REE, HPG and ITA, while top buying was in PVD, PVS, DPM, VCB and ITC.

P/E 2011 drops to 9.8x

Vietnam's market capitalisation at the end of the month was USD28 billion, with an average estimated 2011 P/E of 9.8x and a P/B of 1.8x.

The bond market continued its momentum from January, with demand for government bonds remaining high during February. New issuances of Treasury bonds saw strong bidding in the first half of February, resulting in a slight decline of 10bps in ceiling rate in the second half of the month. However, as high inflation and tight monetary policy led investors to expect higher bond yields, interest in primary auctions dropped by month's end, a trend expected to continue as there was no sign from the SBV that bond ceiling rates would be raised.

Bond investors still looking for higher yields

Meanwhile, bid and ask yields on the secondary market are still far apart, with the only major transactions during the month being repo transactions split into two outright contracts that did not reflect real market levels.

On 8 March, the State Bank announced another round of monetary tightening as it raised its key interest rates. The discount rate, refinance rate and overnight rate for electronic interbank transfers were all raised to 12 percent. However, the base rate, which has served as the benchmark, was kept unchanged at 9 percent. Deposit interest rates remain at 14 percent.

Performance summary

Most recent NAV:	VOF (28 Feb 11)	VNL (31 Dec 10)	VNI (28 Feb 11)
NAV per share (USD) ¹	2.24	1.38	0.54
Return (%) ²	(from Jan 11)	(from Sep 10)	(from Jan 11)
Previous NAV	-7.1	-2.1	-7.5%
2011 YTD	-6.5	n/a	-7.8%
Since inception	131.0 (30 Sep 03)	42.3 (22 Mar 06)	-35.4% (5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	727	688	217
Market cap (USDm)	567	495	144
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

¹ Unaudited. VOF and VNI NAVs are updated monthly, VNL NAV is update quarterly.

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

³ VNI holds 930,700 shares in a treasury facility.

VN Index	28-Feb-11	31-Jan-11	52 wk low	52 wk high
Close	461.4	510.6	423.9	549.5
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	(9.6)	-4.8	8.8	(16.0)
Trail P/E (x)	10.4	Est. P/E 2010 (x) 9.8		
P/B (x)	1.8			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	10.8	11.2	11.6	11.9

Floating peg FX approach in place

Economy

The major development in February was the devaluation of the Vietnam dong by 9.5 percent by State Bank of Vietnam (SBV). Together with the devaluation, the SBV also lowered the trading band to +/-1 percent from the previous +/-3 percent, resulting in an effective depreciation of 7.2 percent at an interbank trading rate at VND20,900 per USD. The move was applauded by analysts as a decisive step toward achieving stability in the foreign exchange market. The move took place in an environment of tightening monetary and fiscal policies, thus furthering its intended impact. The reference rate is now actively set each day, and this floating peg approach may help prevent need for further devaluations in the short term.

Industrial production up 14.6% y-o-y

February saw key drivers of economic growth, such as construction, manufacturing and trade, maintain their solid performance. Industrial production and retail sales, in particular, grew at 14.6 and 23.7 percent year-on-year, respectively. February also saw remittances increase over the figure from the same month last year, possibly to take advantage of high deposit rates, and FDI disbursements continued on track toward an expected full-year level of USD12.5 billion.

Inflation increased by 2.1 percent month-on-month in February, the highest gain in 30 months, due in part to consumption surrounding the Tet lunar new year holiday. The monthly result brings the year-on-year inflation rate to 12.3 percent.

Comprehensive tightening package

To respond to the rapid rise in the CPI, the government announced a comprehensive policy package aimed at controlling inflation. As mentioned, the refinance and repo rates on open market operations to 11 and 12 percent, respectively. In addition, the credit growth target has been scaled back to under 20 percent, from the previous target of 23 percent, and the M2 growth target has been cut to 15 percent. In addition, the State Bank requested banks reduce foreign exchange loans and mulled restricted gold bullion trading to licensed traders only, in an effort to preserve the value of the Vietnam dong.

On the fiscal side, the government plans to keep the 2011 deficit at or below five percent of GDP, an effort that will require increased receipts in addition to the announced 10 percent cut in government expenditures and investment projects. Overall, the measures aim to lower the money supply by a total of USD11 billion.

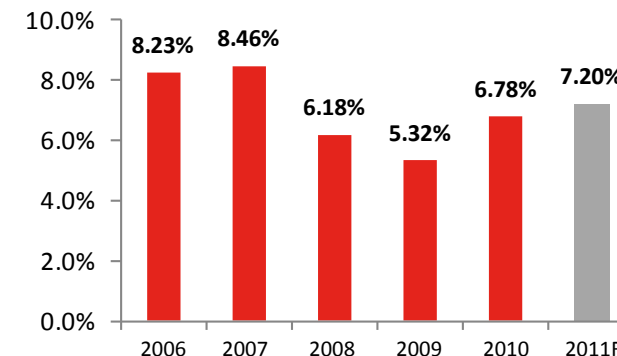
Macroeconomic indicators and forecast

	2010	Feb-11	YTD	Y-o-Y change
GDP growth¹	6.8%			
Inflation	11.8%	2.1%	3.9%	12.3%
FDI (USDbn)	18.6	1.4	1.6	-23.9%
Imports (USDbn)	84.0	6.2	14.2	26.8%
Exports² (USDbn)	71.6	5.3	12.3	40.3%
Trade deficit (USDbn)	12.4	0.9	1.9	12.5%
Exchange rate³ (USD/VND)	19,500	20,870	7.0%	7.0%
Bank deposit rate VND (%)	12.0-14.0%	12.0-14.0%	n/a	n/a

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

¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

GDP growth, 2006-2011F



Portfolio developments

VOF's NAV per share dropped to USD2.24 in February from USD2.41 at the end of January, a 7.1 percent decline that was due to the devaluation of the VND and subsequent drop of the VN Index (which shed 15.6 percent in USD terms). VOF's share price reached a 52-week high of USD2.00 on 8 February, then retreated after news of the devaluation to close the month at USD1.75, representing a 21.9 percent discount to NAV.

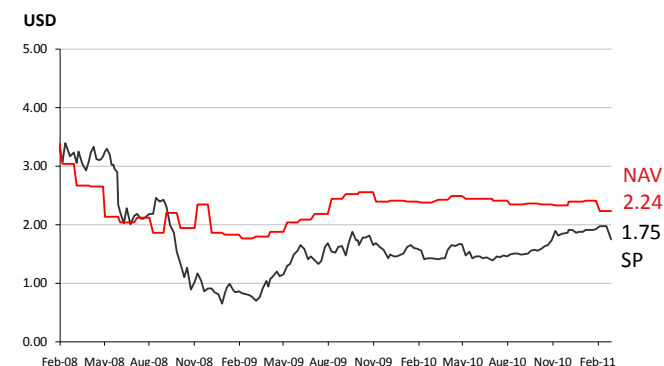
Weighted earnings growth of VOF's listed portfolio, based on actual dollar investment per stock for 2010, is 51.6 percent, indicating the portfolio is heavily weighted with high earnings growth equities, such as VNM (52 percent 2010 earnings growth) and EIB (60.5 percent growth).

28 February 2011

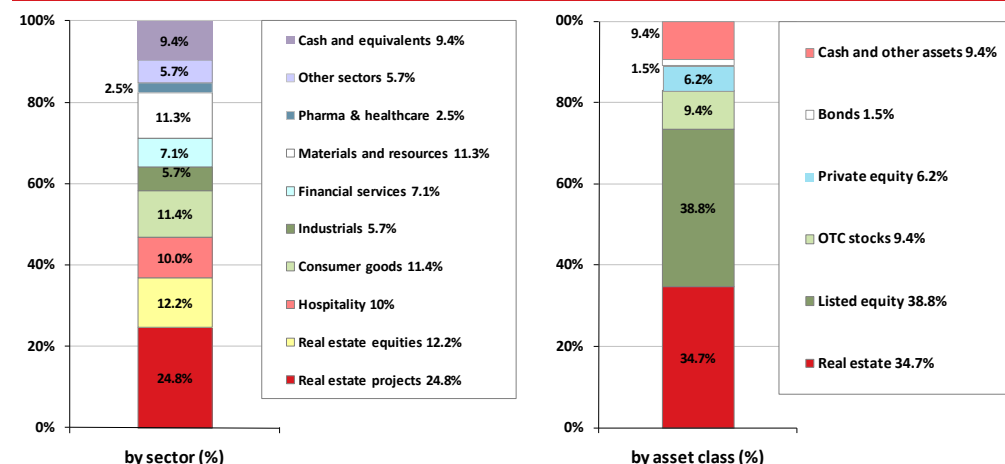
NAV **2.24** per share (↓ 7.1%)

Total NAV: USD727 million

NAV and share price performance (28 Feb 2011)



VOF portfolio (28 Feb 2011)



Major holdings (listed and OTC)

	Type	Sector	% NAV	Manager's comment
VNM	Listed equity	Food products	5.3	Dairy firm with dominant market share.
EIB	Listed equity	Financial services	5.2	One of Vietnam's top joint stock banks.
VNL	Listed equity	Real estate	4.8	VCIM-managed Vietnam fund.
HPG	Listed equity	Industrial	3.2	Major steel manufacturer.
An Giang	OTC	Agriculture	2.5	Leading agrichemicals distributor.
Halico	OTC	Food products	2.5	Spirits producer with top market share.

Fund manager

Andy Ho

Fund background

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.

VOF targets 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.

Download the VOF Factsheet at www.vinacapital.com/vof

Performance history (% change on NAV)

	2011	2010	2009	2008	2007
Jan	0.7%	-1.1%	-1.3%	-2.9%	3.9%
Feb	-7.1%	-0.3%	-3.7%	-10.2%	6.3%
Mar		1.9%	1.7%	-11.8%	8.8%
Apr		3.0%	4.4%	-0.8%	7.6%
May		-2.5%	9.1%	-19.5%	-1.0%
Jun		0.6%	2.2%	-4.7%	1.5%
Jul		-1.6%	3.8%	5.7%	-6.5%
Aug		-3.3%	12.2%	9.8%	6.4%
Sep		1.4%	3.8%	-6.7%	3.0%
Oct		-0.8%	1.2%	-12.4%	1.0%
Nov		-0.7%	-6.5%	-1.9%	13.5%
Dec		2.9%	0.8%	-2.1%	8.1%
YTD	-6.5%	-0.8%	29.7%	-46.6%	64.9%
VN Index*	-11.1%	-7.2%	47.7%	-68.6%	144.5%

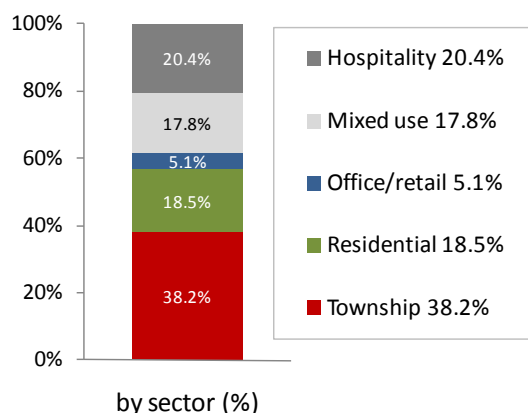
* Expressed in USD terms.

Portfolio developments

VNL's share price was USD0.96 at the end of February, down from USD0.99 at the end of January. The fund manager announced on 21 February that it does not anticipate the VND devaluation of 7.2 percent will have a significant impact on VNL's NAV, given that property in Vietnam is typically valued in a basket of currencies and gold.

Beginning this month, VNL assets have been given new project names that are different from the business name or marketing name used in Vietnam. This initiative will enable increased disclosure of information on these assets to our shareholders. In the table at below right, we have provided the NAV value of each of the top ten holdings, which together account for 61 percent of VNL's total NAV. More information on the top ten holdings is also available on the VNL web pages at www.vinacapital.com/vnl.

VNL portfolio (31 Dec 2010)



Portfolio by geographic location (% NAV)

Hanoi	7%
Central provinces	27%
Ho Chi Minh City region	66%

Valuation breakdown (% NAV)

Assets held at cost	10%
Assets revalued	90%

Holdings breakdown (% NAV)

Top 10 assets	61%
Remaining 28 assets	39%

Development status (% NAV)

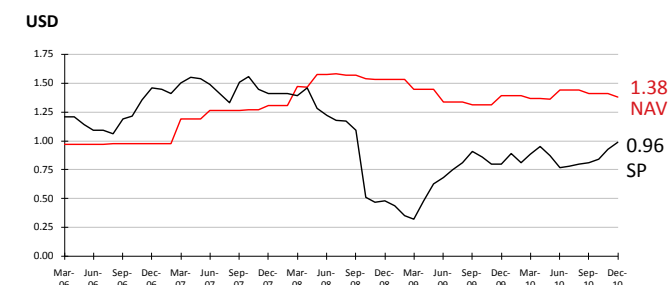
Landbanking assets	17%
Development stage assets	72%
Operating assets	11%

31 December 2010

NAV **1.38** per share (↓ 2.1%)

Total NAV: USD688 million

NAV and share price performance (28 Feb 2011)



Quarterly performance history (% change on NAV)

	2010	2009	2008	2007
Q1	3.0%	-5.2%	12.5%	22.0%
Q2	-0.7%	-7.6%	7.1%	6.1%
Q3	3.7%	-2.2%	-0.4%	0.2%
Q4	-2.1%	1.5%	-2.5%	3.2%
YTD	3.8%	-11.3%	17.1%	33.8%

Major holdings

Project	Location	Type	NAV%	Current status
Cambridge	South	Residential	11%	Planning underway
Niagara	Centre	Mixed-use	10%	Sales underway
Jupiter	South	Township	9%	Sales underway
Nile	South	Mixed-Use	7%	Planning underway
Mekong	South	Mixed-Use	5%	Investment licence
Aquarius	South	Township	5%	Planning underway
Venus	Centre	Township	4%	Sales underway
Mars	South	Mixed-Use	4%	Planning underway
Leo	South	Township	3%	Planning underway
Pearl	South	Hotel	3%	Operating asset

Fund manager

David Henry

Fund background

VinaLand Limited (VNL) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

VNL targets 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.

Download the VNL Factsheet at www.vinacapital.com/vnl

Portfolio developments

VNI's NAV declined 7.5 percent at the end of February 2011 to USD217 million, or USD0.54 per share, from USD235 million, or USD0.59 per share, at the end of January. The decline was due to the 7.2 percent devaluation of the Vietnam dong and subsequent decline in the VN Index. VNI's share price traded at USD0.36 at the end of February, a slight decline from the January close of USD0.37. During the month, CII, one of Vietnam's leading infrastructure developers listed on the Ho Chi Minh Stock Exchange, reported a net profit of USD19.3 million for 2010, 19 percent over last year. The company is targeting revenue of USD37.4 million and a conservative net profit of USD19.0 million for 2011. CII represents 4 percent of VNI's NAV. Also in February, Saigon Infrastructure Real Estate Investment JSC (SII), a holding company for the operating assets of CII, has entered into an agreement with VNI to issue USD6.7 million of convertible bonds to the fund. The bonds have a term of two years and an interest rate of 12 percent per year. According to the agreement, VNI has the right to convert the bonds after the first year at par value.

28 February 2011

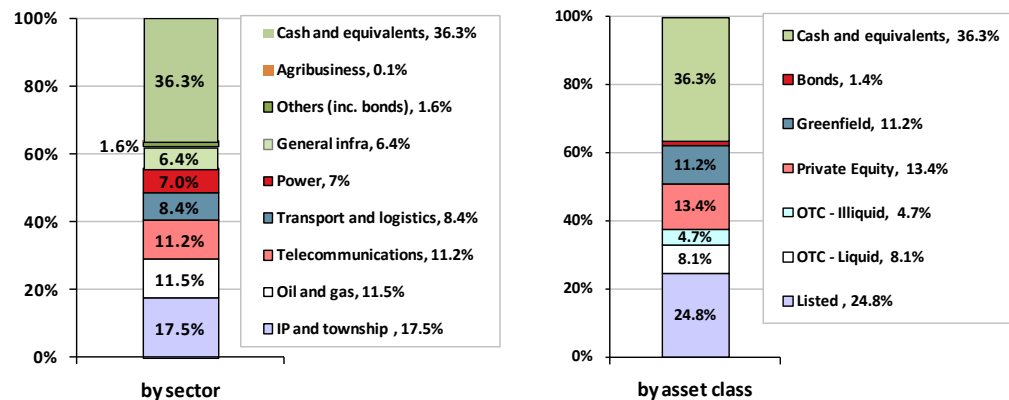
NAV **0.54** per share (↓ 7.5%)

Total NAV: USD217 million

NAV and share price performance (28 Feb 2011)



VNI portfolio (28 Feb 2011)



Quarterly performance history (total return)*

	2011	2010	2009	2008	2007
Q1		-3.2%	-0.5%	-12.8%	na
Q2		-0.6%	3.7%	-6.7%	na
Q3		-7.5%	1.5%	-1.0%	2.9%
Q4		-0.8%	0.8%	-12.0%	3.1%
YTD	-7.8%	-11.7%	5.5%	-29.1%	6.1%

* Total return since inception: -35.4% (assumes distributions reinvested).

Fund manager

Tony Hsun

Fund background

Vietnam Infrastructure Limited (VNI) is a closed-end fund trading on AIM Market of the London Stock Exchange.

VNI targets medium to long term capital gains with some recurring income through investment in the following infrastructure sectors: energy; transportation; industrial parks; telecommunication; and water and environmental utilities.

Download the VNI Factsheet at www.vinacapital.com/vni

Major holdings

Name	Asset class	Sector	NAV (%)
Long an IP	Greenfield	IP and township	8.9
Nam Viet	OTC	Oil and gas	4.4
PVD	Listed	Oil and gas	4.2
CII	Listed	General infra	4.9
VNC-55	PE	Telecomms	3.8
MIDC	PE	Telecomms	3.5
VALC	OTC	Transportation	3.4
Phu My	OTC	Transportation	3.2
PVS	Listed	Oil and gas	2.8
PPC	Listed	Oil and gas	2.4

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

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