

### VN Index up 3.1%; foreign buyers active

## Capital markets update

The Vietnam Index rose 3.1 percent in February, compared to 3.7 percent for the MSCI Asia ex-Japan Index. Year to date, the Vietnam Index is up 0.4 percent, some 21.5 percent off its 52-week high. During the month, foreign investors were active, with net buying of USD44.1 million. The total trading value and volume on both the Ho Chi Minh City and Hanoi stock exchanges, however, declined by some 60 percent compared to January. The Vietnam Index market capitalisation at the end of February was USD30 billion, with an average estimated PE 2009 of 11.8x. Yield curves remain high at 11.5-12 percent across most durations. Although the State Bank has indicated that it will not raise interest rates this month, consensus expectation for an increase in the base rate during the second quarter of 2010 remain strong.

### VND devaluation surprises market

The major event in February was a surprise 3.4 percent devaluation of the VND, one week before the lunar new year holiday. This move was a reaction to continued pressure on the VND due to the trade deficit. Following the holiday, the open market exchange rate has stabilised and hoarding of USD seems to be less of a concern. Year-end bonuses and the seasonal peak in remittances associated with the holidays has also been a contributing factor.

The State Bank has hinted that it will continue to consider both its exchange rate policy as well as interest rate policy in managing – in a preemptive manner – inflation, the balance of trade and foreign reserves. Against this backdrop it is not surprising that bond yields have remained high and largely unchanged this year.

### 2009 earnings show positive trend

Preliminary year-end results have begun to arrive, reflecting expected trends. Consumer goods, oil and gas, and commodity play like rubber plantations all posted good numbers underpinned by core earnings growth. Real estate developers and financials have also benefitted from a resurgence in property sales and reversals of investment and loan provisions taken in 2009. Going forward, valuations are still attractive, with forward 2010 PE at 12.8x. This year, the market is likely to focus on core earnings and companies that can limit dilution, as the easy profits associated with provision write-backs won't be available. In addition, as any global recovery is likely to proceed slowly, improving earnings quality and value creation for shareholders will be important considerations for investors in Vietnam in 2010.

## Performance summary

Most recent NAV:	VOF	VNL	VNI
	(28 Feb 10)	(31 Dec 09)	(31 Dec 09)
NAV per share (USD) <sup>1</sup>	<b>2.38</b>	<b>1.39</b>	<b>0.67</b>
Return (%) <sup>2</sup>	(from Jan 10)	(from Sep 09)	(from Sep 09)
Previous NAV	-0.3	6.1	0.8
YTD	-1.4	--	--
Since inception	145.4 (30 Sep 03)	43.3 (22 Mar 06)	-20.6 (5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	774	694	267
Market cap (USDm)	464	405	160
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

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

VN Index	28 Feb 10	31 Dec 09	52 wk low	52 wk high
Close	496.9	494.8	245.7	633.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	3.1	0.4	102.2	(21.5)
Trailing PER (x)	11.8	Est. PER 2010 (x)	12.8	
Trailing P/B (x)	2.2			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	11.2	12.0	12.4	12.5

Source:  VinaSecurities

**Devaluation eases pressure on VND**

**Economy**

Vietnam’s currency was devalued by 3.4 percent in early February, the second devaluation in three months, representing a total depreciation of 8.8 percent versus the USD. The State Bank appears to have three goals with this policy move:

Firstly, to provide stability to the FX market by narrowing the gap between the official and open market rates. The gap was as high as 10 percent in late 2009, and now sits at 2-3 percent after this latest devaluation. The State Bank likely wants the gap under one percent, but depreciation pressure still exists given that the open market rate remains outside the official trading band.

**SOEs release some USD deposits to market**

The State Bank also wants an incentive for companies, particularly state-owned enterprises, to stop hoarding USD and make more dollars available to the market. Collectively, SOEs hold up to USD1.9bn in dollar-denominated deposits. As a result of recent policies, about USD450m has been sold to banks. The incentives are considered a better policy approach than an outright order to surrender export receipts. However, many companies and individuals still prefer USD deposits even with low interest rates over VND deposits yielding 10 percent.

**Export trends positive; reach USD3.9bn in Feb**

Finally, the State Bank aims to reduce the trade deficit by making exports less expensive. Some impact has been felt, as January-February trade deficit was USD1.75bn, or 19.6 percent of exports – just within the 20 percent target set by the PM. Exports earned USD3.9 billion in February, raising the total in the first two months to USD8.9 billion, matching the same period in 2009. Many exports increased sharply against the same period last year, including crude oil (by 74 percent), rubber (86 percent) and rice (24 percent). Imports over the first two months reached USD10.7 billion, a 40 percent increase over the same period in 2009. Imports of raw materials and fuel climbed sharply, indicating that economic production is expanding.

Indeed, industrial production in the first two months of 2010 rose 13.6 percent year-on-year to reach USD6.1 billion. Foreign direct investment over the first two months is also up, by 15.4 percent year-on-year, to USD2.1 billion.

**State Bank looks to spur lending**

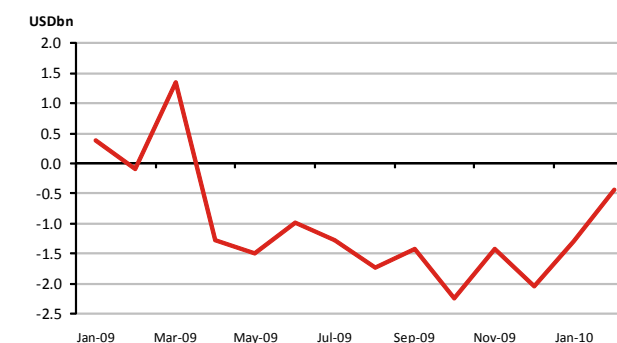
Vietnam’s banking credit rose 1.14 percent in February and 1 percent in January, raising concern the government may fail to achieve its 25 percent loan growth target for the year. The target is much lower than 2009’s 38 percent growth in credit. To spur lending, the State Bank on 26 February allowed banks to set their own rates for certain types of loans. Prior to that, lenders were limited to extending loans at 150 percent of the bank’s base rate.

Macroeconomic indicators and forecast				
	2009E	Feb-10	YTD	Y-o-Y change
<b>GDP growth</b>	5.3%			
<b>Inflation</b>	6.9%	2.0%	3.6%	8.0%
<b>FDI (USDbn)</b>	21.5	1.8	2.1	39.7%
<b>Imports (USDbn)</b>	68.8	4.7	10.7	41.8%
<b>Exports<sup>1</sup> (USDbn)</b>	56.6	3.9	8.9	1.8%
<b>Trade deficit (USDbn)</b>	12.2	0.8	1.8	-41.9%
<b>Exchange rate<sup>2</sup> (USD/VND)</b>	18,479	19,100	3.4%	3.4%
<b>Bank deposit rate (VND %)</b>	9.8-10.5%	10-10.5%	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> Includes gold. <sup>2</sup> State Bank central rate.

**Monthly trade balance, Jan 09 to Feb 10**



Currency devaluations have helped decrease monthly trade deficit in late 2009 and early 2010.

## Portfolio developments

At the end of February 2010, VOF's NAV decreased 0.3 percent to USD2.38 per share, from USD2.39 per share at the end of January 2010. The slight loss was due mainly to the devaluation of the VND. The capital market component of the VOF portfolio rose 2.8 percent, helped by the performance of key holdings such as VNM, KDH and VCB, the continued strong performance of OTC holding Halico Vodka, up 23 percent over the month, as well as the IPO of Khang Dien Housing at the beginning of February.

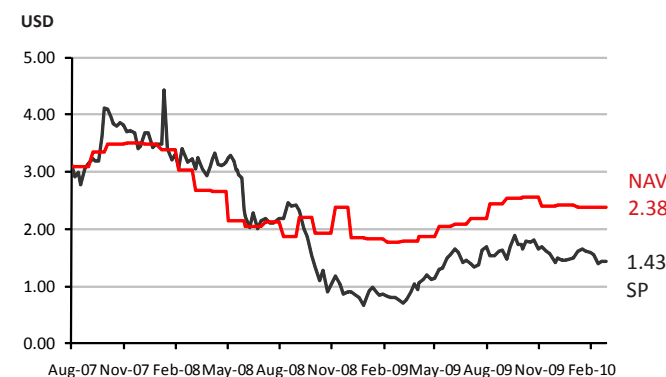
Khang Dien listed under the ticker KDH on 1 February 2010 at 4.0x par value. It gained the maximum-allowed 20 percent on the first day of trading, with an additional five percent gain on the second day of trading. VOF, holding a 15 percent stake in KDH, has therefore recorded an unrealised gain of over 25 percent as a result of the IPO compared to its 31 December 2009 carrying value.

28 February 2010

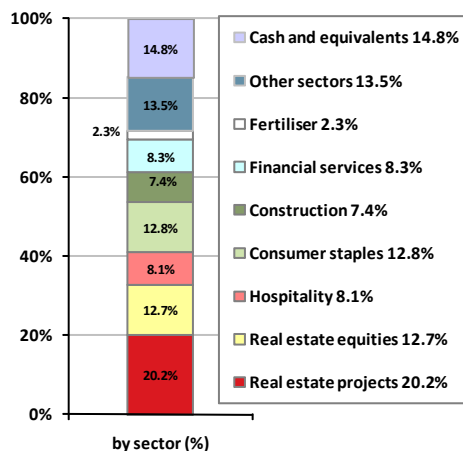
NAV **2.38** per share (↓ 0.3%)

Total NAV: USD774 million

## NAV and share price performance (28 Feb 2010)



## VOF portfolio (28 February 2010)



## Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
EIB	Listed equity	7.0	One of Vietnam's top joint stock banks.
VNM	Listed equity	5.3	Dairy firm with dominant market share.
HPG	Listed equity	3.9	Major steel manufacturer.
DIG	Listed equity	3.3	Residential and industrial property.
DPM	Listed equity	1.9	Top fertiliser firm, member of Petro VN.

## 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](http://www.vinacapital.com/vof)

## 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		1.7%	-11.8%	-0.6%	8.8%
Apr		4.4%	-0.8%	-1.3%	7.6%
May		9.1%	-19.5%	5.1%	-1.0%
Jun		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>-1.4%</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>	<b>64.9%</b>
<b>VN Index</b>	<b>0.4%</b>	<b>56.7%</b>	<b>-66.0%</b>	<b>23.3%</b>	<b>144.5%</b>

## Portfolio developments

VNL's share price declined 9.0 percent to USD0.81 per share at the end of February 2010, from USD0.89 at the end of January 2010. VNL's investment manager has announced the formation of a new project management joint venture with partner inProjects from Hong Kong. The joint venture, VinaProjects, will offer project management, urban planning and facilities management services to a range of clients including VinaCapital. VinaProjects aims to improve the standard of project delivery for all types of real estate developments, to help ensure VNL's sales brand is among the top names in the real estate marketplace.

inProjects, the JV partner, provides professional project management services across the Asia Pacific region specialising in the retail, leisure, hospitality and corporate sectors. inProjects is one of the largest and fastest growing companies in its field, with offices in Hong Kong, Beijing and Shanghai, Macau, Singapore, India and Australia.

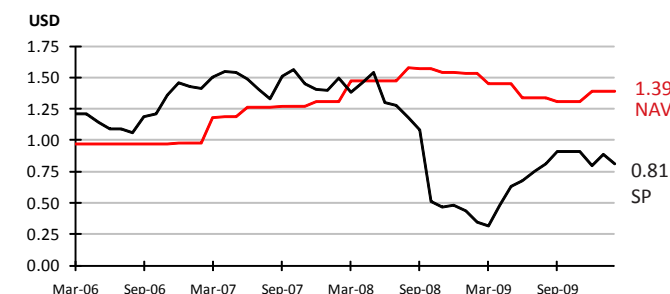
Commenting in a press release, VinaCapital CEO Don Lam stated: "VinaCapital has a significant number of major real estate projects located across Vietnam, and we must ensure all of these projects are delivered with world-class results. We want the next generation of urban and resort developments in Vietnam to be at the same standard as seen in cities across Asia and the world. We look forward to working with the inProjects team to help raise the standard of project delivery in Vietnam."

31 December 2009

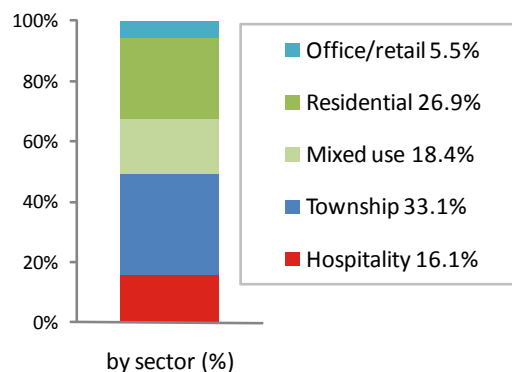
NAV **1.39** per share (▲ 6.1%)

Total NAV: USD694 million

## NAV and share price performance (28 Feb 2009)



## VNL portfolio (31 December 2009)



## Portfolio by geographic location

Hanoi	14%
Central provinces	24%
Ho Chi Minh City region	62%

## 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](http://www.vinacapital.com/vnl)

## Performance history (% change on NAV per share)

	2009	2008	2007	2006
Q1	-5.2%	12.5%	22.0%	
Q2	-7.6%	7.1%	6.1%	0.0%
Q3	-2.2%	-0.4%	0.2%	0.0%
Q4	6.1%	-2.5%	3.2%	0.5%
YTD	-9.2%	17.1%	33.8%	0.5%

## 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
Hanoi Golden Westlake	Residential	Sales underway
Pavilion Square	Residential	Investment licence
VinaSquare Tower	Mixed-use	Investment licence
Vinh Thai Nha Trang	Township	Investment licence
WTC Danang	Mixed-use	Under construction

## Portfolio developments

VNI's share price increased to USD0.38 at the end of February 2010 from USD0.36 at the end of January 2010.

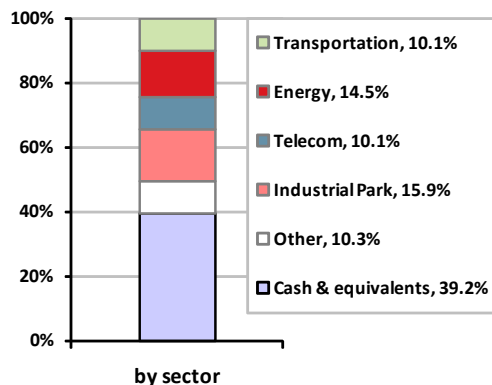
### Partial sale of position in GLT

VNI has sold a portion of its equity stake in GLT, following the company's November 2009 listing on the Hanoi Stock Exchange. GLT has several business lines including the manufacture of mobile network (BTS) towers. VNI originally acquired a 23 percent equity stake in GLT in November 2007, and has realised an IRR of over 50 percent on the equity stake sold.

VNI is one of the largest private sector investor in mobile network infrastructure in Vietnam, via its stakes in four companies that build and lease BTS towers.

Tony Hsun, Managing Director of VNI's investment manager, comments: "We believe the returns generated by GLT after the listing bode well for our other telecommunications sector holdings, particularly as the 3G network roll-out continues and overseas investment in this sector heats up."

## VNI portfolio by sector (31 December 2009)



### Portfolio by Asset Class

Listed companies	26.3%
OTC	9.1%
Private equity	15.0%
Greenfield projects	7.3%
Bonds	3.2%
Cash and equivalents	39.2%

### 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.

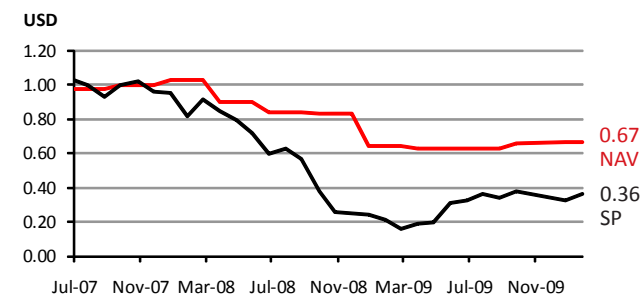
Download the VNI Factsheet at [www.vinacapital.com/vni](http://www.vinacapital.com/vni)

31 December 2009

NAV **0.67** per share (⬆️ 0.8%)

Total NAV: USD267 million

## NAV and share price performance (31 Jan 2009)



## Performance history (total return)\*

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

Total return since inception: **-21.2%**

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

## Major holdings

Name	Sector	Asset class	NAV (%)
Tan Tao (ITA)	IP	Listed	7.1
Long An S.E.A.	IP	Greenfield	7.0
Nam Viet Oil	Energy	OTC	4.3
Phu My Bridge	Transport	Private	4.3
MIDC	Telecom	Private	3.7

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## VinaCapital Group

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

VinaCapital Real Estate Ltd (VCRE) is the development and advisory service for VOF and VNL-owned real estate assets.

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**Brook Taylor** Chief Operating Officer, VinaCapital Group

**Stacy Kincaid** Managing Director, Fund portfolio

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