

Industrial output falls into decline

Economy

In early January 2009 the State Bank cut interest rates to 7 percent to further stimulate the economy. However, industrial output for January fell 8.4 percent month-on-month and 4.4 percent year-on-year. Following continuous double-digit growth from 2003-2008, this downturn is alarming in its potential impact on Vietnam's GDP, 40 percent of which is accounted for by industrial output.

The output decline is due to falling international and domestic demand, evident in the decline in exports and moderate domestic consumption growth (8.2 percent excluding inflation). A production halt in the last week of January for the Tet lunar new year holiday is also a factor, so more time is needed to judge the significance of the downturn. The state-owned sector led the output decline (-8.5 percent), followed by the FDI sector (-3.2 percent) and private sector (-2.8 percent). Increasing crude oil output (20.6 percent) could not compensate for the fall in major industrial categories such as tires and plastics, textiles and garments, and chemicals.

Trade

The trade deficit remained stable at USD300 million for the month. Exports of USD3.8 billion indicated a 24.2 percent drop year-on-year, while imports declined by a much greater rate of 44.8 percent. Exports nonetheless are on a significant downtrend, with the biggest drops recorded by crude oil, rubber, electronics, textiles, and electric wires and cables. Even staples like coffee saw a year-on-year drop of 30 percent. The drop in imports is positive in maintaining a relatively manageable deficit, however it does indicate a down-sizing of manufacturing demand, for example in the spare parts and materials to produce electronics, textiles and garments, and plastic.

Inflation

After three months of decline, the CPI increased 0.32 percent month-on-month in January 2009. On a year-on-year basis, the CPI fell to 17.5 percent from 19.9 percent. Inflation of food prices remains high, but other components of the CPI have fallen below 14 percent. Note however these figures were recorded on 15 January and do not accurately reflect the Tet lunar new year inflation, although some price rises are visible in the CPI for January, such as prices for beverages, entertainment and other services.

Capital markets

It was a limited trading month as markets were closed the final week of January for the Tet lunar new year holiday. The VN Index closed January at 303 points, down 4.1 percent from 316 points at the end of December. The Ho Chi Minh Stock Exchange market cap at the end of January was USD8.6 billion with an average trailing PE of 9x. This PE is now approaching historical lows for Asian markets, and is more closely in line with regional peers like Indonesia and Thailand. For essentially the first time, Vietnam is trading in line with its peers, a welcome sign that hopefully indicates a maturing of the local trading market. January saw a new personal income tax law come into effect that includes a capital gains tax requiring investors to pay either 0.1 percent of the value of each transaction or 20 percent of their profits for the year. The government has permitted taxpayers to withhold the tax until May 2009, but this appears to be a change in the timing not a waving of the tax liability. Trading during the month was light not only due to the new tax, but due to the market still awaiting the release of Q4 2008 results.

Performance Summary

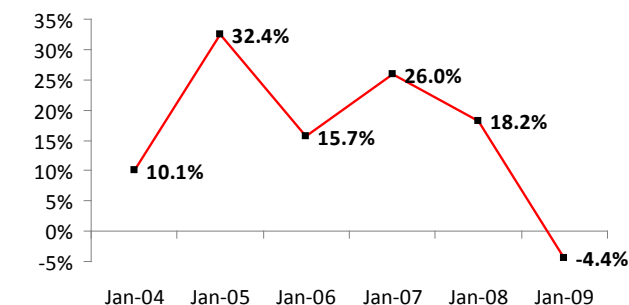
Most recent NAV:	VOF	VNL	VNI
	(31 Jan 09)	(31 Dec 08)	(31 Dec 08)
NAV per share (USD) ¹	1.84	1.53	0.65*
Change (%)	(from Dec 08)	(from Oct 08)	(from Sep 08)
Previous NAV	-1.3	-0.07	-9.6/-22.3*
YTD	-1.3	--	--
Since inception	89.6	57.7	-25.0/-33.6*
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares ²	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	597	766	259
Market cap (USDm)	280	245	98
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN

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

² Some 930,700 VNI shares are held in a treasury facility.

* Note: VNI's NAV change for the quarter beginning December 2008 includes the accrual of a USD0.10 per share capital distribution to shareholders. The NAV Change (%) figures are listed as pre/post the USD0.10 distribution.

Industrial output growth, year on year



Portfolio Developments

During January, VOF's NAV declined 1.26 percent to USD1.84 per share from USD1.86 per share at the end of December 2008. The listed component dropped 2.1 percent while the OTC component lost 5.4 percent. Some major listed holdings outperformed the market (HPG, VNM and DPM), while the major OTC positions (Masan, Phuoc Hoa Rubber and Intresco) continued to underperform.

VOF's share price experienced some volatility in January, beginning the month at USD0.73, seemingly under the impact of news regarding the potential liquidation of two unrelated Vietnam funds. When this news dissipated, VOF's share price climbed quickly to USD0.99 before a slow decline to USD0.87 at the end of January. This results in a discount to the NAV of 52.7 percent, reflecting, we believe, the ongoing pessimism in world equities markets and not an accurate indication of the quality of the VOF portfolio. During the month, VOF sold USD6 million of listed shares in expectation that the VN Index will drop to under 300. VOF had USD44 million in cash at the end of January, or 7.4 percent of NAV (10.5 percent including receivables and investment deposits).

Phu Nhuan Jewelry

In March, the VOF private equity investee Phu Nhuan Jewelry (PNJ) will list 30 million shares on the Ho Chi Minh Stock Exchange, with a market capitalisation of approximately USD80 million. VOF holds an 11.7 percent equity stake in PNJ, which performed well in 2008 despite fluctuations in the gold price, with year-on-year revenue and profit growth increasing 56.7 percent and 9.1 percent, respectively. PNJ targets earnings growth of 15 percent in 2009.

31 January 2009

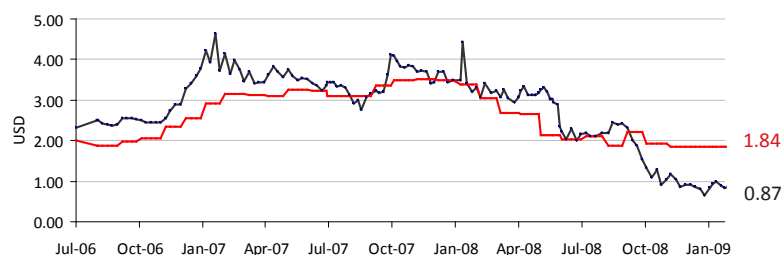
NAV **1.84** per share (↓ 1.26%)

Total NAV: USD597 million

Performance History (% change on NAV)

	2009	2008	2007	2006
Jan	-1.26%	-2.87%	14.57%	3.90%
Feb		-10.17%	8.25%	6.25%
Mar		-11.84%	-0.63%	8.82%
Apr		-0.75%	-1.28%	7.57%
May		-19.54%	5.07%	-1.01%
Jun		-4.67%	-0.79%	1.52%
Jul		5.70%	-3.75%	-6.50%
Aug		9.76%	0.00%	6.42%
Sep		-6.66%	8.06%	3.02%
Oct		-12.40%	4.18%	0.98%
Nov		-1.88%	0.57%	13.53%
Dec		-2.05%	-0.57%	8.09%
YTD	-1.26%	-46.58%	37.40%	64.94%
VN Index	-4.11%	-66%	23%	144%

NAV and Share Price performance (31 January 2009)



Major Holdings (listed and OTC)

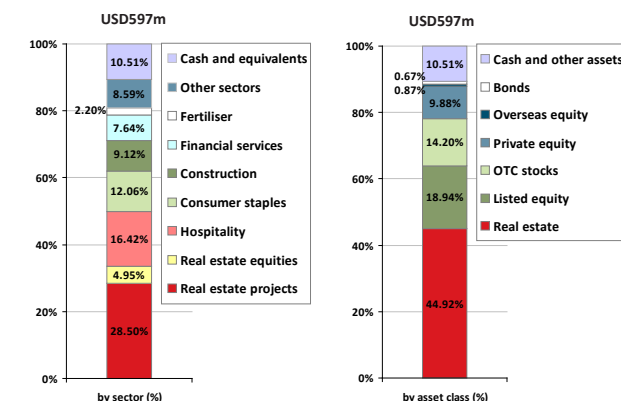
	Type	Sector	% NAV	Book Value (USDm)
Eximbank	OTC	Financial services	4.4	26.5
VNM	Listed equity	Food products	3.9	23.4
HPG	Listed equity	Manufacturing	3.4	20.1
DPM	Listed equity	Manufacturing	2.2	14.6
Masan	OTC	Food products	2.2	13.1

Fund Background

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the London Stock Exchange's Alternative Investment Market (AIM).

Download the VOF Factsheet at www.vinacapital.com

VOF Portfolio (31 January 2009)



Portfolio Developments

VNL finished 2008 as the top performing Vietnam fund with a 16.8 percent return on NAV. VNL's share price declined at the end of January 2009 to USD0.44 from USD0.48 at the end of December. During the month, VNL finalised several important financing agreements with domestic banks. With interest rates falling recently to about 10.5 percent (7 percent base rate with a maximum 1.5 multiplier for domestic banks), this is an appropriate time to take on debt funding that will allow key projects to move forward.

Project Updates

Sheraton Nha Trang Hotel and Spa

The Sheraton Nha Trang Hotel and Spa project received a USD30 million loan from Eximbank, with a 12-year period. The hotel will be the first major international brand on Vietnam's central coast region, and it is expected to attract conference and event-related business via cross selling with Sheraton hotels in Hanoi and HCM City. Construction is nearing completion and the loan will be used to complete the interior fittings. The hotel is expected to open during Q3 2009.

Vinh Thai Nha Trang township

Also in Nha Trang, the Vinh Thai township project received a USD15 million, three-year loan from Dong A Bank to finance land filling contracts for this greenfield development on a 157ha site situated 5km from central Nha Trang. The township will feature an international school, hospital and shopping facilities surrounded by residential villas and apartments.

31 December 2008

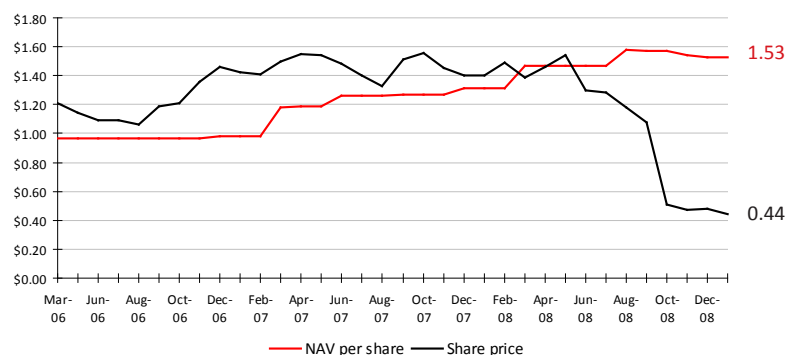
NAV **1.53** per share (↓ 0.07%)

Total NAV: USD766 million

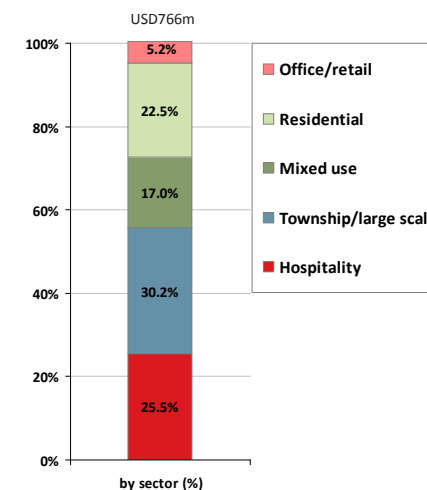
Major Holdings

Project	Type	Status
Danang Beach Resort 260ha	Mixed-use	Under construction
Dai Phuoc Lotus 200ha	Mixed-use	Investment licence
World Trade Center Danang Century 21	Mixed-use	Under construction
Vinh Thai Nha Trang	Mixed-use	Investment licence
Aqua City (Long Hung)	Residential	Under construction
Hilton Hanoi	Hospitality	Operating asset
Movenpick Saigon Hotel	Hospitality	Operating asset
Central Garden	Residential	Marketing underway
Hanoi Golden Westlake	Residential	Marketing underway
Movenpick Hanoi Hotel	Hospitality	Operating asset
Sheraton Hoi An Resort	Hospitality	Under construction

NAV and Share Price performance (31 January 2009)



VNL Portfolio (31 December 2008)



Fund Background

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

Download the VNL Factsheet at www.vinacapital.com

Portfolio by Geographic Location

Hanoi	17%
Central provinces	22%
Ho Chi Minh City	61%

Portfolio Developments

VNI's share price declined at the end of January 2009 to USD0.22 from USD0.24 at the end of December. During the month, VNI completed payment of its USD40 million special capital distribution to shareholders of record on 19 December 2008. The fund's published NAV is now net of this payment, which amounted to USD0.10 per share.

VNI's current strategy involves a careful review of potential investments given declining asset prices and the emergence of distressed assets in the infrastructure sector. A VNI investee company, Petrovietnam Drilling Investment Corporation (PVDI), has completed its merger into its 51 percent majority stakeholder, Petrovietnam Drilling and Well Services Corporation (PVD). PVDI is an OTC oil and gas services company, while PVD is listed on the Ho Chi Minh Stock Exchange and has a current market capitalisation of USD514 million. VNI's investment in PVDI amounted to a 2.3 percent equity stake. Given the share conversion ratio of 5.5:1, VNI will hold a 0.27 percent equity stake in PVD when the merger is complete in June 2009.

Regulatory News

On 16 January 2009, VNI paid a special capital distribution of USD0.10 per share to shareholders of record on 19 December 2008. Details are available at www.vinacapital.com.

31 December 2008

NAV **0.65** per share (↓ 21.69%)*

Total NAV: USD259 million

↓ 9.60% cum distribution

* Net of a USD0.10 per share capital distribution.

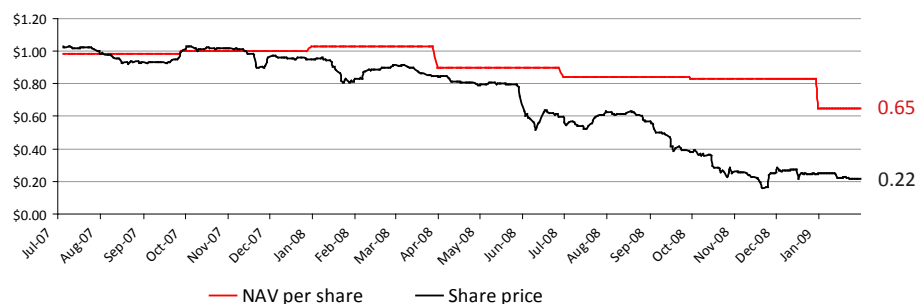
Portfolio by Asset Class

Listed companies	13.4%
OTC	5.8%
Private equity	15.7%
Greenfield projects	7.1%
Bonds	3.6%
Cash and equivalents	54.4%

Major Holdings

Name	Sector	Asset class	NAV (%)
VALC	Aviation	Private	7.4
Long An S.E.A.	IP	Greenfield	7.0
Tan Tao (ITA)	IP	Listed	5.9
Pha Lai (PPC)	Energy	Listed	4.7
MIDC	Telecom	Private	3.7

NAV and Share Price performance (31 January 2009)

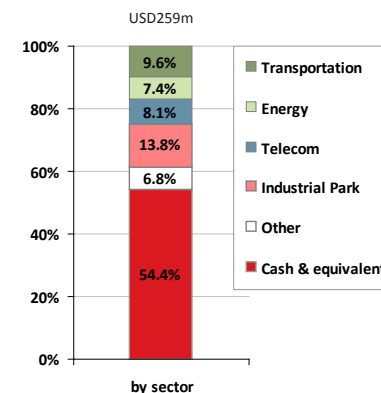


Fund Background

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

Download the VNL Factsheet at www.vinacapital.com

VNI Portfolio by Sector (31 December 2008)



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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

VCIM

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