

VN Index flat; bonds see another month of declines

Capital markets update

The Vietnam Index dropped 0.1 percent in June, versus the MSCI Asia ex-Japan Index gain of 1.7 percent. While equity markets were essentially flat, secondary market yields on government bonds fell by 50 to 90 basis points across most durations. This is the second month in a row that saw secondary market yields drop by more than 50 basis points, leaving Vietnam's yield curve just above 10 percent on short-term bonds.

Foreign trading up notably in June

The total trading value and volume for the month on both of Vietnam's stock markets reached USD3.1 billion on 1.9 billion shares trading hands; drops of 18.3 and 14.8 percent, respectively, compared to May. The combined market capitalisation at the end of the month was USD35 billion. Foreign investors were more active in June, with buying and selling values up 196 and 168 percent, respectively, over the previous month, resulting in net buying of USD74.8 million.

Relative to the rest of the world, particularly Europe and North America where concerns over a potential double-dip recession have surfaced, Vietnam appears to be weathering the global storm rather well. GDP growth in the first half came in at 6.2 percent, placing the full year target of 6.5 percent within easy reach. The CPI increased only 0.22 percent in June and inflation is now running at 8.7 percent year-on-year. The State Bank's base rate remains at 8.0 percent, with further reductions possible if inflation remains muted and banks continue to cut lending and deposit rates.

Vietnam trading at 25% discount to region

In equities, valuations remain very attractive, with the Vietnam Index trading at 11.9x estimated earnings and at a price/book basis of 2.2x. Relative to the region, Vietnam's equities are discounted by 25 percent and in some cases (such as China A Shares) even higher. Interim results will flow in over the next four to eight weeks, with analysts expecting many companies to report strong H1 earnings, but the market numbers will be held back slightly on an aggregate level by banks and real estate companies, where slow loan growth and net interest margins have impeded growth over the first half of 2010. However, consumer, manufacturing and energy-related stocks will continue to do well.

The earnings outlooks for the second half of 2010 and for 2011 are expected to be strong as GDP growth picks up and lending activities increase owing to collective efforts by banks to lower interest rates. Market multiples should increase, and the expected decline in government bond yields will also strengthen equity markets. The Vietnam Index is likely to trend upward in the coming months.

Performance summary			
Most recent NAV:	VOF	VNL	VNI
	(30 Jun 10)	(30 Jun 10)	(30 Jun 10)
NAV per share (USD) ¹	2.45	1.44	0.64
Return (%) ²	(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	48.5	-23.1
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares ³	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

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	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

MPI predicts 7% GDP growth for H2 2010

Economy

GDP growth in Q2 2010 reached 6.4 percent annualised, up from 5.8 percent in Q1. GDP growth over H1 2010 was 6.2 percent, with the Ministry of Planning and Investment estimating that H2 growth could reach 6.9-7.2 percent annualised. This raises the possibility that Vietnam may slightly exceed its 6.5 percent GDP growth target for 2010, particularly as historical data indicates domestic production gathers speed in Q3 and Q4 due to the year-end shopping season.

In H1 2010, the main drivers of GDP growth, manufacturing and retail sales, grew 6.5 and 7.1 percent, respectively, over the same period of 2009. Retail sales remain particularly dynamic, with a CGAR of nearly 20 percent over many years. Many industries that saw their export orders fall, such as footwear and garments, have turned to the domestic market to drive further production growth.

CPI inflation moderates; credit growth likely to pick up

For June, the CPI rose 0.22 percent month-on-month, continuing the moderating trend of the past several months. Average month-on-month inflation in Q2 2010 was 0.26 percent, versus 1.35 percent for Q1. However, prices tend to rise later in the year to accompany the holiday shopping season. Analysts continued to predict full-year inflation for 2010 of 8.5-9 percent.

The State Bank has eased monetary policy to achieve its growth targets. Credit grew 10.5 percent over H1 2010, a figure that is expected to grow in order to meet the 24-26 percent full-year target. The base rate was kept at 8.0 percent in June, with the deposit rate at an average of 11.2 percent and lending rates from 12-13 percent. The relevance of the base rate has diminished since both deposit and lending rates are now subject to negotiation and to the policies of individual banks.

The June trade deficit was USD1.2bn, up from USD870m in May. The trade gap is within a sustainable range as capital inflows can adequately cover the trade shortfall. The year to-date has seen USD5.7bn in FDI disbursements and USD3.6bn in overseas remittances.

VND fluctuates on revised deficit estimate

Despite the sustainable trade and inflows balance, the VND saw some instability in June, with the free market rate rising as high as 19,200 to the USD, outside the three percent trading band, before ending the month at 19,100-19,150. Analysts point to continuing concern over the euro debt crisis and a new government estimate of a USD14bn trade deficit for the year as reasons for the lessened confidence in the VND. Demand for USD is in check, however, as banks report adequate supplies of USD to meet legitimate requests for purchasing foreign currency. The State Bank said banks still had up to USD600m in USD as usable capital.

Most analysts expect a five percent depreciation of the VND against the USD in 2010. With 3.4 percent depreciation year-to-date, the currency should remain relatively stable in H2 2010, with some pressure in the last quarter as demand for dollars tends to increase at year end, near the holiday celebrations.

Macroeconomic indicators and forecast

	2009	Jun-10	YTD	Y-o-Y change
GDP growth¹	5.3%	6.2%	6.2%	
Inflation	6.9%	0.2%	4.8%	8.7%
FDI (USDbn)	21.5	1.6	7.5	-19.1%
Imports (USDbn)	68.8	7.2	38.9	29.4%
Exports² (USDbn)	56.6	6.0	32.1	15.7%
Trade deficit (USDbn)	12.2	1.2	6.8	223.8%
Exchange rate³ (USD/VND)	18,479	19,100	3.4%	3.4%
Bank deposit rate (VND %)	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.

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

	Industrial production (% y-o-y)	Retail sales (% y-o-y)	Inflation (% y-o-y)
Jan-10	28.4	23.1	7.6%
Feb-10	(1.3)	58.3	8.5%
Mar-10	14.0	31.0	9.5%
Apr-10	13.0	34.9	9.2%
May-10	13.8	44.8	9.1%
Jun-10	14.6	33.2	8.7%

Portfolio developments

At the end of June 2010, VOF's NAV increased 0.6 percent to USD2.45 per share, from USD2.44 per share at the end of May 2010. The share price meanwhile fell to USD1.40 at the end of June, from USD1.47 at the end of May.

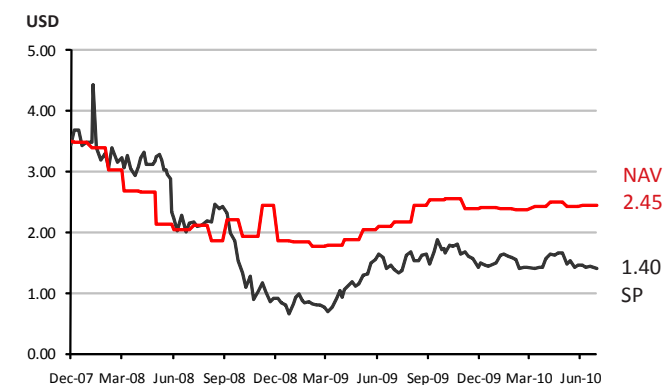
VOF's unaudited return for the 30 June 2010 financial year was 16.8 percent, compared to 13.1 percent for the VN Index (5.8 percent in USD terms) and 2.9 percent on average for VOF's competitors (an unweighted basket of four Vietnam diversified funds). Vietnam funds focused solely on capital markets investments returned an average of 13.4 percent over the past 12 months. One reason for VOF's outperformance compared to the broader market and competitor funds is due to the 13 IPOs in the VOF portfolio over the past fiscal year. The average gain from these IPOs was 33.7 percent, with particularly strong results recorded by DIC Corp (DIG), Khang Dien Housing (KDH) and Intresco (ITC). Top OTC holdings such as Quoc Cuong Gia Lai and Halico Vodka have also outperformed the market.

30 June 2010

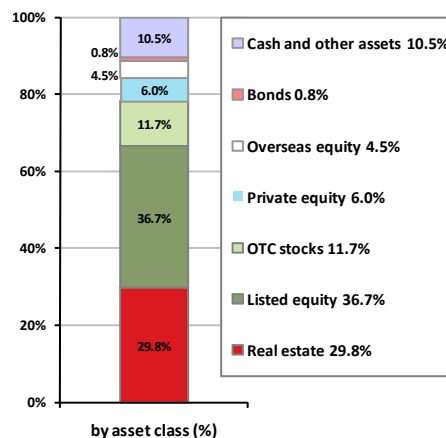
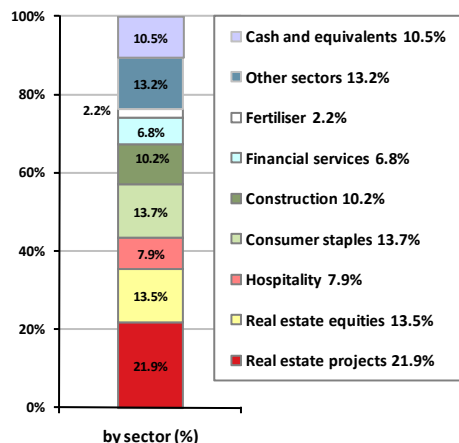
NAV **2.45** per share (⬆️ 0.6%)

Total NAV: USD796 million

NAV and share price performance (30 Jun 2010)



VOF portfolio (30 Jun 2010)



Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment	
EIB	Listed equity	Financial services	5.5	One of Vietnam's top joint stock banks.
VNM	Listed equity	Food products	5.4	Dairy firm with dominant market share.
HPG	Listed equity	Industrial	3.9	Major steel manufacturer.
DIG	Listed equity	Real estate	3.0	Residential and industrial property.
QCGL	OTC equity	Real estate	2.7	Major real estate developer.

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)

	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%
YTD	1.5%	29.7%	-46.6%	37.4%	64.9%
VN Index	2.5%	56.7%	-66.0%	23.3%	144.5%

Portfolio developments

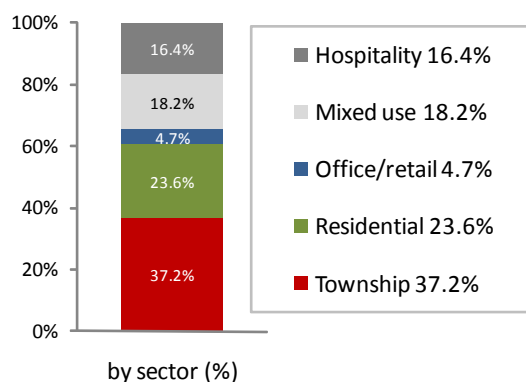
VNL's NAV increased to USD1.44 per share at the end of June 2010, from USD1.37 per share at the end of March 2010, following the receipt of independent third-party valuation reports on eight assets in the portfolio, which resulted in an increase in the booked valuation for six of the eight assets. The Vietnam property market has seen growth in both the sales transactions and pricing of residential units. 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.

VinaLiving residential sales update

During the three month period 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 over USD29 million. This figure follows the USD36 million in sales contracts and reservations over the six month period spanning the fourth quarter of 2009 and first quarter 2010.

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 Phuoc Nam Villas at the Dai Phuoc Lotus project, in Dong Nai province. These five projects have a total of 740 units in launched phases, with 456 units remaining for sale. All sales and marketing of VinaCapital-developed residential units occurs under the VinaLiving brand, Vietnam's first tailored-living and lifestyle brand. The brand will soon feature a trading floor with an integrated and highly customized online and in-store sales interface.

VNL portfolio (30 Jun 2010)



Portfolio by geographic location

Hanoi	13%
Central provinces	25%
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.

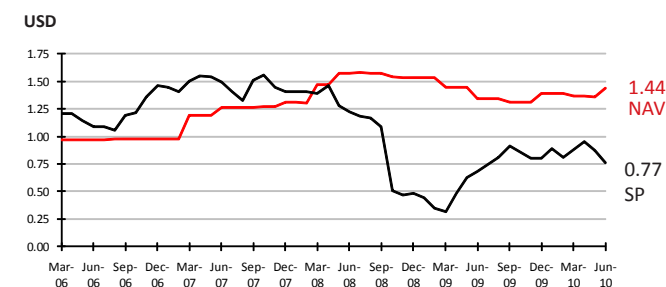
Download the VNL Factsheet at www.vinacapital.com/vnl

30 June 2010

NAV **1.44** per share (⬆️ 5.1%)

Total NAV: USD720 million

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

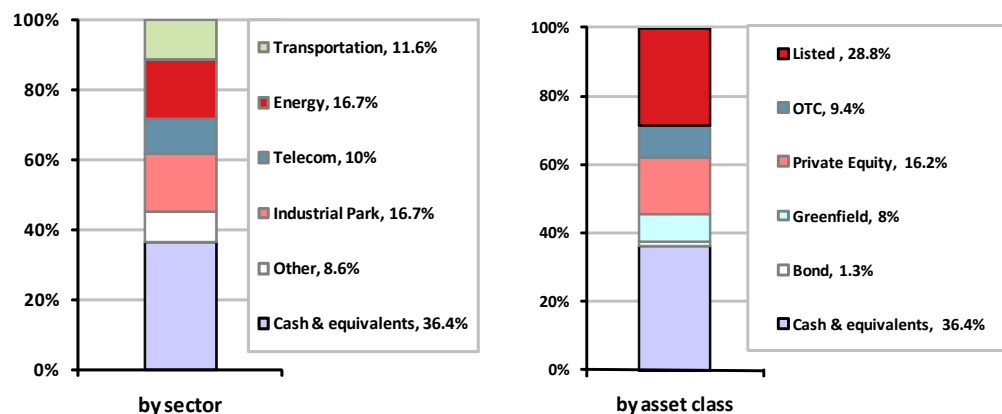
Portfolio developments

VNI's NAV and share price both held steady during June at USD0.64 per share and USD0.34, respectively. 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.

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.

VNI portfolio (30 Jun 2010)



Quarterly performance history (total return)*

	2010	2009	2008	2007	
Q1	-3.0%	-0.5%	-12.8%	n/a	* Assumes dividends/distributions reinvested. VNI paid a USD0.10 per share capital distribution on 16 January 2009 (ex date 17 Dec 2008).
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%	

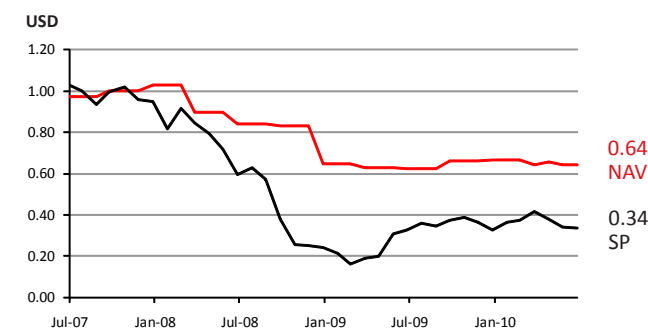
Total return since inception: -23.4% to May 2010

30 June 2010

NAV **0.64** per share (▲ 0.0%)

Total NAV: USD258 million

NAV and share price performance (30 Jun 2010)



Major holdings

Name	Sector	Asset class	NAV (%)
Long An S.E.A	IP	Greenfield	7.8
Tan Tao (ITA)	IP	Listed	7.2
Nam Viet Oil	Energy	OTC	4.3
Phu My Bridge	Transport	Private	4.3
VNC-55	Telecom	Private	3.4
VALC	Transport	Private	3.2
CII	Transport	Listed	3.1
PPC	Energy	Listed	3.1
MIDC	Telecom	Private	3.0

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

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