

VN Index up 0.5%; lags Asia ex Japan Index

Capital markets update

The VN Index rose 0.5 percent in March, underperforming the MSCI Asia ex Japan Index, up 7.6 percent. Year to date, the VN Index is up 0.9 percent, still 21.2 percent off its 52-week high. The combined trading value and volume for the month on the Ho Chi Minh and Hanoi exchanges was triple the level seen in February, with USD3.8 billion in value and 1.8 billion shares trading hands. The combined market capitalisation at the end of March was USD33 billion, with an average estimated trailing P/E of 11.6x and P/B of 2.2. Foreign investors were active and remained strong buyers in March, with a net overseas buy position of USD33.4 million for the month.

In fixed income, the yield curve remains elevated with coupons ranging from 11.5 to 12.4 percent across the common durations. While the State Bank has indicated yet again that it will not raise policy rates in April, consensus expectations remain for an increase in the base rate in the second quarter. With high secondary market bond yields, and expectations that the government will soon return to bond markets to finance the fiscal deficit, it is no surprise that equity markets saw tepid performance last month.

VN trading at discount compared to region

Despite loan growth over the first quarter of only 3.0 percent, Vietnamese equity valuations are still attractive, with the forward P/E of 11.7x representing a 20 discount on average relative to other Asian markets. April is annual general meeting season for Vietnamese companies, so market news has been limited in the pre-AGM quiet season. Over the next month, Vietnamese companies will report on earnings guidance, plans and objectives for 2010. The resulting earnings outlook and tone of these disclosures will have a significant influence on the outlook of the markets in the short term.

Positive start to April on news of rate cuts

Markets received a boost in the first days of April when the Prime Minister requested banks to lower interest rates to promote economic growth. Although this was not accompanied by any official policy changes, the VN Index responded to the news by rising to 510 points on 2 April, after closing March at 499.

Performance summary

Most recent NAV:	VOF (31 Mar 10)	VNL (31 Mar 10)	VNI (31 Mar 10)
NAV per share (USD) ¹	2.43	1.37	0.64
Return (%) ²	(from Feb 10)	(from Dec 09)	(from Dec 09)
Previous NAV	1.9	3.0	-3.0
YTD	0.5	3.0	-3.0
Since inception	150.5 (30 Sep 03)	41.2 (22 Mar 06)	-23.0 (5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	789	685	258
Market cap (USDm)	510	445	166
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

¹ Unaudited. VOF NAV is updated monthly; VNL and VNI NAVs will be updated monthly beginning April 2010.

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

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

VN Index	28 Feb 10	31 Dec 09	52 wk low	52 wk high
Close	499.2	494.8	304.5	633.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	0.5	0.9	64.0	(21.2)
Trailing PER (x)	11.6	Est. PER 2010 (x)	11.7	
Trailing P/B (x)	2.2			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	11.5	12.1	12.3	12.4

Source:  VinaSecurities

GDP growth 5.8% for Q1; 6.5% ‘attainable’

Economy

GDP growth for the first quarter of 2010 was a robust 5.8 percent annualised, with the main drivers of the economy being industrial production (13.6 percent growth) and retail sales (24.1 percent). These sectors underpinned 2009 GDP growth and reflect the ongoing strength of the domestic economy and demand. The World Bank calls the target of 6.5 percent GDP growth for 2010 “easily attainable.”

Inflation target requires tight liquidity measures

The strong retail sales growth however indicates that inflationary pressures are lurking. Year-on-year inflation is 9.5 percent and is likely to reach double figures before easing toward the end of 2010. Year-to-date inflation already accounts for half of the full-year target of 7 percent, requiring monthly inflation rates of 0.3 percent or less for the remainder of the year – a difficult proposition. Government policies to control inflation in the first quarter limited credit growth to 3.0 percent. With the end of 2009’s interest rate subsidy program, deregulation of interest rates for loans over 12 months, and caps on VND and USD deposit interest rates, overall liquidity was very tight during the quarter and the cost of lending remained high. If credit growth remains at such low levels, a slowdown in Q2 or Q3 GDP growth is possible.

Base rate remains at 8%

The State Bank has maintained the base rate at 8 percent into April, the fifth month without a change. In addition, the State Bank has tightened monetary policy by lifting lending caps on loans of all maturities, resulting in negotiated rates on medium and long-term business loans of 16-18 percent. Furthermore, the cap on deposit rates effectively cuts off the supply of new capital and prevents banks from expanding credit. In this environment, bank liquidity is managed by open market operations and changing reserve requirements. A rise in the base rate is anticipated some-time during the year.

State Bank achieves FX stability

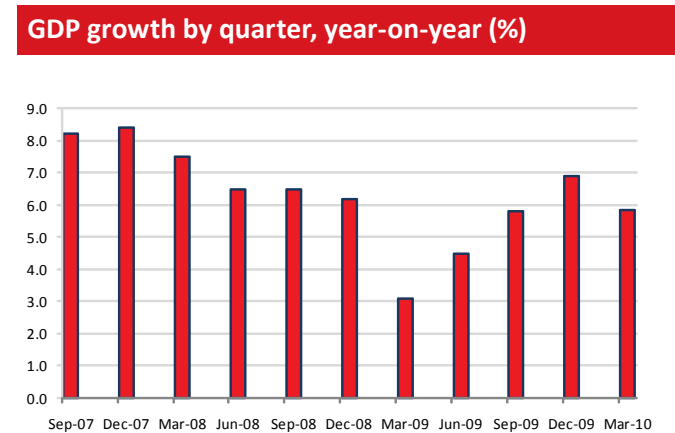
The VND has stabilised against the USD following the February devaluation. The State Bank’s central exchange rate remained at VND18,544 to the USD, and the only movement observed in March was a slight appreciation of the VND versus the USD in the open market. The State Bank has finally succeeded in bringing the official and open market rates in line. USD is available at banks and businesses have begun to borrow in USD (at lending rates of 5-8 percent) as VND loans are priced very high (16-18 percent). The currency risk for these loans is considered moderate given the 10 percent margin and current stability in the VND.

Gold prices in Vietnam have fallen to parity with offshore gold and arbitrage profits have effectively disappeared. Stability in the gold and USD markets indicates the low risk of another significant devaluation this year.

Macroeconomic indicators and forecast				
	2009E	Mar-10	YTD	Y-o-Y change
GDP growth	5.3%			
Inflation	6.9%	5.8%	3.4%	8.0%
FDI (USDbn)	21.5	0.4	2.5	-71.0%
Imports (USDbn)	68.8	6.5	17.5	27.5%
Exports¹ (USDbn)	56.6	5.2	14.0	-1.6%
Trade deficit (USDbn)	12.2	1.4	3.5	-334.0%
Exchange rate² (USD/VND)	18,479	19,100	3.4%	3.4%
Bank deposit rate (VND %)	9.8-10.5%	10.4-10.5%	n/a	n/a

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

¹ Includes gold. ² State Bank central rate.



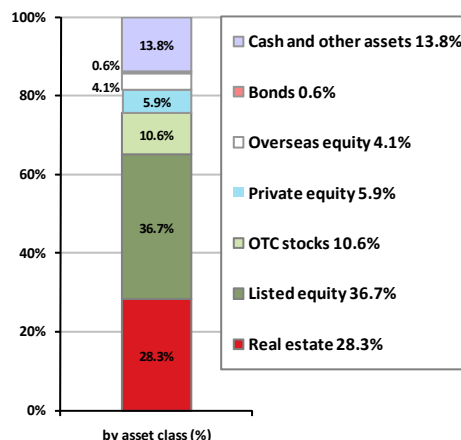
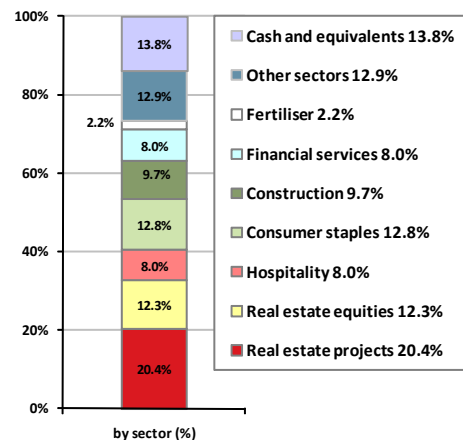
Portfolio developments

At the end of March 2010, VOF's NAV increased 1.9 percent to USD2.43 per share, from USD2.38 per share at the end of February 2010. The gain was due mainly to the 3.9 percent increase in the capital markets component (representing 47.3 percent of NAV) which benefited from the appreciation of key holdings such as Phu Nhuan (PNJ), Itaco (ITA), Halico and Quoc Cuong Gia Lai. There were no significant changes in the remainder of the portfolio. March saw the launch of the 42-villa Norman Estates at Danang Beach Resort and The Azura Apartments at World Trade Center Danang. VNL and VOF have invested in a 75/25 percent ratio, respectively, in these residential development projects.

Regulatory announcements

On 26 March, VOF announced its interim results for the six month period ended 31 December 2009. Details are available at www.vinacapital.com/vof.

VOF portfolio (31 March 2010)



Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
EIB	Financial services	6.8	One of Vietnam's top joint stock banks.
VNM	Food products	5.1	Dairy firm with dominant market share.
HPG	Industrial	3.9	Major steel manufacturer.
DIG	Real estate	3.3	Residential and industrial property.
CQGL	Real estate	1.9	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.

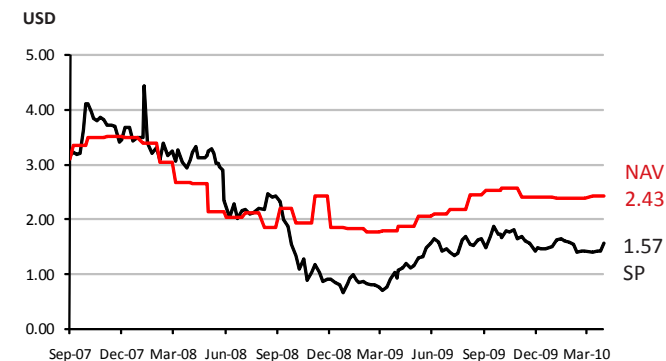
Download the VOF Factsheet at www.vinacapital.com/vof

31 March 2010

NAV **2.43** per share (▲ 1.9%)

Total NAV: USD789 million

NAV and share price performance (31 Mar 2010)



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		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%
YTD	0.5%	29.7%	-46.6%	37.4%	64.9%
VN Index	0.9%	56.7%	-66.0%	23.3%	144.5%

Portfolio developments

VNL's NAV rose 3.0 percent to USD1.37 per share at the end of March 2010, from USD1.33 per share at the end of December 2009 (unaudited). The gain is due to revaluations carried out during the quarter on nine assets in the portfolio. VNL's share price increased 9.9 percent to USD0.89 at the end of March 2010, from USD0.81 per share at the end of February 2010.

During the month, VNL announced the launch of two VinaLiving-branded residential projects – the Norman Estates at Danang Beach Resort, a villa enclave, and the Azura Apartments at World Trade Center Danang. The VinaLiving brand, Vietnam's first tailored living and lifestyle brand, will be the retail sales vehicle for all VinaCapital-developed residential real estate projects (VNL and VOF). VinaLiving will offer a one-stop sales interface for projects across Vietnam, building on VinaCapital's reputation for quality and project delivery. During the last six months, a total of almost 130 sales contracts and reservations were recorded at projects in Danang and Ho Chi Minh City, representing total contracts worth over USD36 million.

Regulatory announcements

VNL will announce its NAV on a monthly basis beginning 30 April 2010.

On 31 March, VNL announced its interim results for the six month period ended 31 December 2009.

On 17 March, VNL announced the appointment of a new, independent Board Chairman. The details of these announcements are available at www.vinacapital.com/vnl.

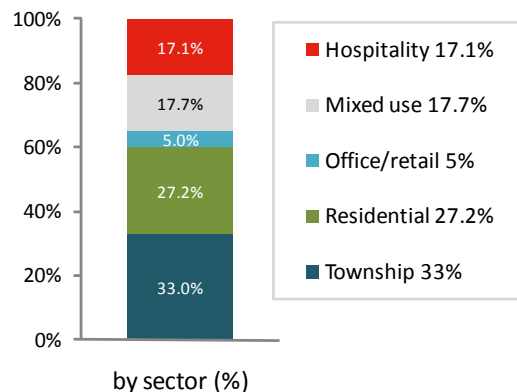
VNL portfolio (31 March 2010)

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 by geographic location

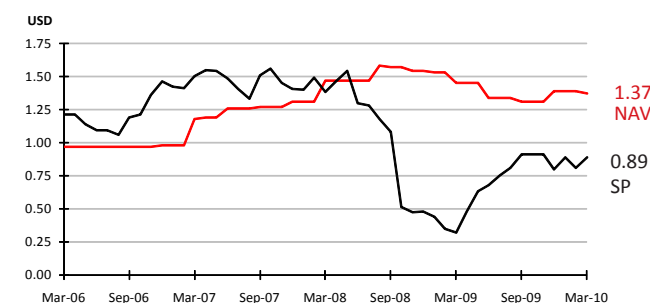
Hanoi	17%
Central provinces	25%
Ho Chi Minh City region	58%

31 March 2010

NAV **1.37** per share (▲ 3.0%)

Total NAV: USD685 million

NAV and share price performance (31 Mar 2010)



Performance history (% change on NAV per share)

	2010	2009	2008	2007
Q1	3.0%	-5.2%	12.5%	22.0%
Q2		-7.6%	7.1%	6.1%
Q3		-2.2%	-0.4%	0.2%
Q4		1.5%	-2.5%	3.2%
YTD	3.0%	-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
WTC Danang	Mixed-use	Under construction

Portfolio developments

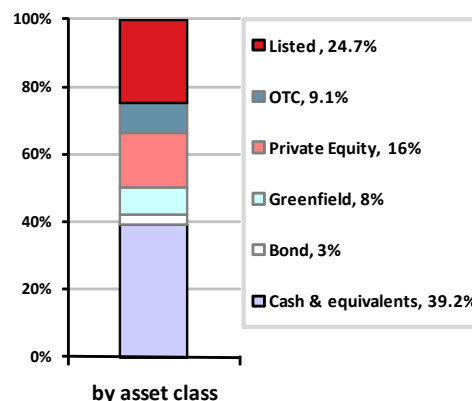
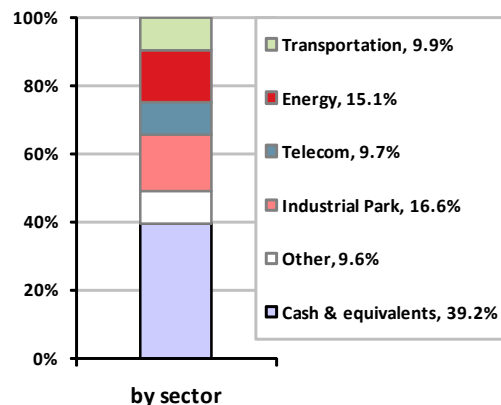
VNI's NAV declined slightly to USD0.64 per share at the end of March 2010, from USD0.66 per share (unaudited) at the end of December 2009. The decline is due mainly to the February 3.25 percent devaluation of the VND. VNI's share price rose to USD0.42 per share at the end of March 2010, from USD0.38 per share at the end of February 2010.

Regulatory announcements

VNI will announce its NAV on a monthly basis beginning 30 April 2010.

On 25 March, VNI announced its interim results for the six month period ended 31 December 2009. Details are available at www.vinacapital.com/vni.

VNI portfolio (31 March 2010)



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.

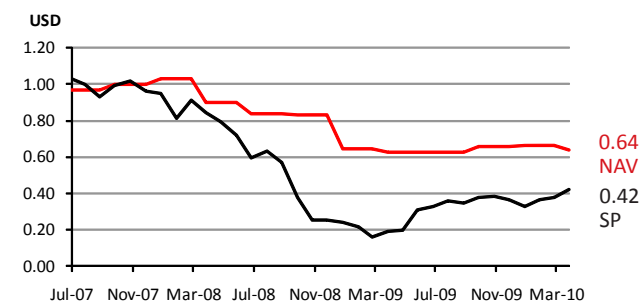
Download the VNI Factsheet at www.vinacapital.com/vni

31 March 2010

NAV **0.64** per share (📈 3.0%)

Total NAV: USD258 million

NAV and share price performance (31 Mar 2010)



Performance history (total return)*

	2010	2009	2008	2007
Q1	-3.0%	-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	-3.0%	5.5%	-29.1%	6.1%

Total return since inception: -23.0%

* 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 (%)
Long An S.E.A	IP	Greenfield	7.7
Tan Tao (ITA)	IP	Listed	7.2
Nam Viet Oil	Energy	OTC	4.3
Phu My Bridge	Transport	Private	4.3
MIDC	Telecom	Private	3.9

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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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