

November correction as state restricts credit growth

Capital markets update

Vietnam's capital markets saw an anticipated correction during early November 2009. Then, near the end of the month, aggressive policy moves to contain credit growth and stabilise the currency caught the market by surprise. The rising state budget and trade deficit (estimated at USD8 billion and USD12 billion for 2009, respectively) combined with credit growth of over 36 percent year to date spurred the government to act. Also, both the IMF and World Bank have suggested that Vietnam's foreign currency reserves have fallen to about USD16.5 billion, which will fund just over three months of imports given current trade patterns.

VN Index falls 14.1%; first monthly decline since Feb 2009

The market reacted to the policy changes by falling 14.1 percent over November (17.9 percent in USD terms), with the VN Index closing at 504.1 points. The VN Index as a result underperformed both the MSCI Asia ex-Japan and MSCI Emerging Market indices by 19.6 and 21.2 percent, respectively. November was the first monthly decline in the VN Index since February 2009, when the Index bottomed out at a multi-year low of 234.7. In fixed income, the yield curve rose, with the most liquid five-year government bond yielding 11.2 percent at the end of the month.

Moves to control inflation, restore trade balance

Equities face a challenging environment in the near term. However, the State Bank and the government have ultimately acted with strong policy and administrative measures to address the macro concerns. The government will tap foreign currency holdings of SOEs (who hold as much as USD10 billion) to protect and boost the State Bank's foreign currency reserves, and incremental duties are expected on luxury imports such as cars and consumer goods. Increased interest rates and the early termination of the interest subsidy programme on short-term loans will ensure credit growth contracts in the coming months, which will reign in inflation risks for 2010. The price of this however, will be a jump in interbank and market rates.

Forward PEs under 14x

On a positive note, the external environment appears to be improving. Exports have begun to recover in recent months, and the rate of increase in the trade deficit is moderating. Looking forward to 2010, exports will likely continue to recover, helped by Vietnam's attractive cost base. In asset markets, opportunities in fixed income are present as the state accelerates domestic and international borrowings to fund next year's budget against a backdrop of double-digit bond yields and single-digit inflation forecasts. In equities, forward valuations are attractive, with trailing market PE ratios under 14x and forecast PEs of approximately 11x. Many stocks are now trading on single-digit forward PEs, and the current market volatility offers good entry opportunities in select sectors.

Performance summary

Most recent NAV:	VOF	VNL	VNI
	(30 Nov 09)	(30 Sep 09)	(30 Sep 09)
NAV per share (USD) ¹	2.40	1.31	0.66
Return (%) ²	(from Oct 09)	(from Jun 09)	(from Jun 09)
Previous NAV	-6.5	-2.2	5.8
YTD	28.7	-14.4	4.7
Since inception	147.4	35.1	-21.2
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	779	655	265
Market cap (USDm)	463	400	149
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 are updated quarterly.

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

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

VN Index	31-Oct	31-Dec	52 wk low	52 wk high
Close	504.1	315.6	234.7	594.3
Change (%)	(-14.1)	59.7	114.8	(-20.4)
Trailing PER (x)	16.2	Est. PER 2009 (x)	13.5	
Trailing P/B (x)	1.8			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	10.2	11.1	11.2	11.2

Source:  VinaSecurities

Policy changes catch market by surprise

Economy

The economy remains on a solid growth path, with GDP rising 5.8 percent in Q3 and expected at 6.8 percent in Q4 2009. In late November, the government issued several policy changes, including devaluing the currency and raising interest rates, to deal with inflationary pressures and instability in the FX market due to a widening trade deficit.

VND devalued by 5.4%; trading band to 2%

The 5.4 percent currency devaluation was aimed at narrowing the trade deficit by boosting exports. The trade balanced has worsened over 2009 as the economy recovered and demand for imports rose without a parallel rise in exports. The trade deficit is now USD10.4 billion for 2009 YTD, including USD2.0 billion for November, up from USD1.8 billion in October. The rise in imports reflects both higher commodity prices and an increase in purchases of machinery and materials for industrial production, which has risen a healthy 6.5 percent for 2009 YTD.

CPI on the rise

From a low of 2 percent year-on-year inflation in August, the CPI reversed course to reach 4.5 percent year-on-year in November. The upward trend is expected to continue as commodity prices rise in world markets. Prices of foodstuffs (43 percent of the CPI basket) and energy (10 percent) are expected to rise as the global economy recovers.

Credit growth exceeds State Bank target

The devalued currency will also make imports more costly, but the main culprit in inflation is credit growth which has outpaced State Bank targets. The loan subsidy programme has been successful in sustaining business activities as well as consumer purchasing power, but has led to credit growth at 36 percent by November.

The government has already started to reel in credit growth by lowering the interest rate subsidy to 2 from 4 percent and tightening the selection criteria to give priority to businesses operating in exports, manufacturing, agriculture and construction. This reflects the government's effort to ensure credit is adequate to maintain growth, but its rate of increase is moderated to prevent inflation. By November 2009, VND412 trillion of loans were made under the subsidy programme, of which 70 percent were made by state-owned banks. The banking system in Vietnam has had a strong year and has succeeded in allocating credit to businesses supporting domestic economic growth. This will moderate now as Vietnam became the first ASEAN country to raise interest rates, with the base rate moving to 8 percent. Going forward, the base rate will likely be raised in gradual steps as monetary policy is tightened.

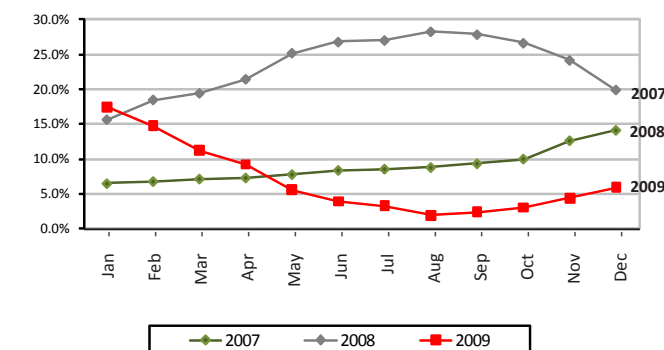
Macroeconomic indicators and forecast

	2008	Nov-09	YTD	Y-o-Y change
GDP growth	6.2%		4.6%	
Inflation	19.9%	0.6%	5.1%	4.4%
FDI (USDbn)	71.7	0.8	19.7	-72.0%
Imports (USDbn)	80.7	6.7	61.7	-17.8%
Exports* (USDbn)	62.7	4.7	51.3	-11.6%
Trade deficit (USDbn)	18.0	2.0	10.4	-38.9%
Exchange rate** (USD/VND)	17,486	18,495	5.7%	n/a
Bank deposit rate (VND %)	7-8.5%	9.8-10.5%	n/a	n/a

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

* Includes gold. ** Official rate.

Inflation year-on-year, 2007-2009 comparison



Portfolio developments

VOF's NAV at the end of November decreased 6.5 percent to USD2.40 per share, from USD2.57 per share at the end of October 2009. During November, VOF's capital market component lost 11.3 percent, of which the listed component lost 14.7 percent and the OTC component gained 19.5 percent due to the performance of holdings such as Halico Vodka and An Giang Protection JSC. VOF's NAV decline compares favourably to the VN Index decline of 14.1 percent (17.9 percent in USD terms). Without the VND devaluation, VOF's NAV would have declined by only 4.8 percent.

Regulatory announcements

On 30 November, VOF announced a revised investing policy that contains clarifications in the areas of leverage, valuation and co-investment.

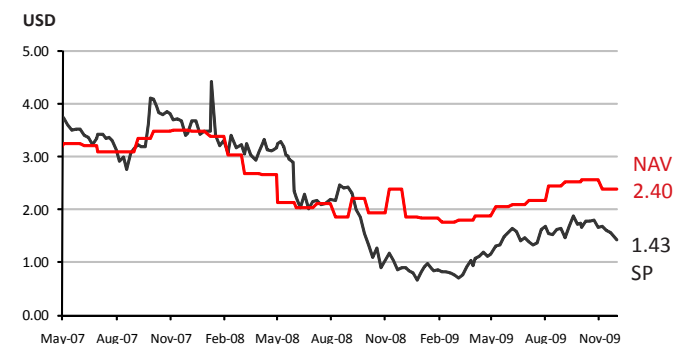
On 30 November, VOF announced a market update. Details of both announcements are available at www.vinacapital.com/vof.

30 November 2009

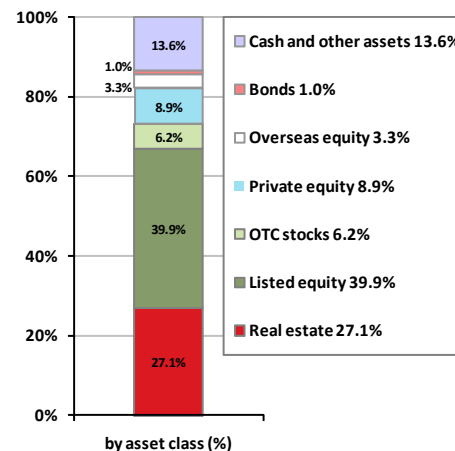
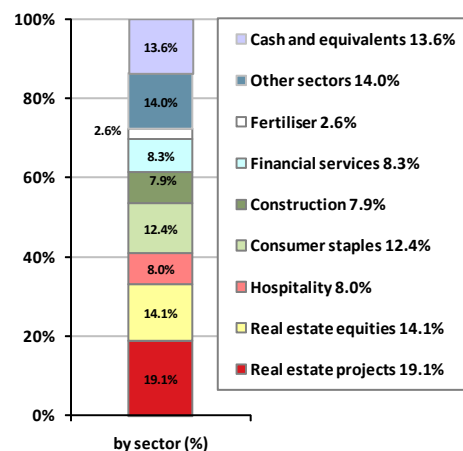
NAV **2.40** per share (↓ 6.5%)

Total NAV: USD779 million

NAV and share price performance (30 Nov 2009)



VOF portfolio (30 November 2009)



Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
EIB	Listed equity	7.1	One of Vietnam's top joint stock banks.
VNM	Listed equity	4.9	Dairy firm with dominant market share.
HPG	Listed equity	4.3	Major steel manufacturer.
DIG	Listed equity	3.8	Residential and industrial property.
DPM	Listed equity	2.3	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

Performance history (% change on NAV)

	2009	2008	2007	2006	2005
Jan	-1.3%	-2.9%	14.6%	3.9%	0.0%
Feb	-3.7%	-10.2%	8.3%	6.3%	4.4%
Mar	1.7%	-11.8%	-0.6%	8.8%	0.8%
Apr	4.4%	-0.8%	-1.3%	7.6%	1.7%
May	9.1%	-19.5%	5.1%	-1.0%	4.1%
Jun	2.2%	-4.7%	-0.8%	1.5%	0.0%
Jul	3.8%	5.7%	-3.8%	-6.5%	0.0%
Aug	12.2%	9.8%	0.0%	6.4%	3.9%
Sep	3.8%	-6.7%	8.1%	3.0%	4.5%
Oct	1.2%	-12.4%	4.2%	1.0%	0.7%
Nov	-6.5%	-1.9%	0.6%	13.5%	5.7%
Dec		-2.1%	-0.6%	8.1%	4.1%
YTD	28.7%	-46.6%	37.4%	64.9%	33.9%
VN Index	59.7%	-66.0%	23.3%	144.5%	28.5%

Portfolio developments

VNL's share price at the end of November 2009 was USD0.80, down 7.0 percent from USD0.86 at the end of October 2009. VNL finds itself in a tighter credit environment due to higher costs of borrowing associated with the government's five percent devaluation of the Vietnam dong. For VNL, this should have a limited impact as the fund has already secured financing for most of its ongoing projects.

A launch event was held during November for The Cham condominium project at the Danang Beach Resort. The Cham consists of 132 luxury one- to three-bedroom units, ranging from 70-180 square metres. Savills has been appointed as exclusive sales agent for the condominiums, with prices set at USD1,600-2,300 per sq.m. Shortly after the launch, 80 percent of the units in the first building and 50 percent in the second building were reserved for sale.

Regulatory announcements

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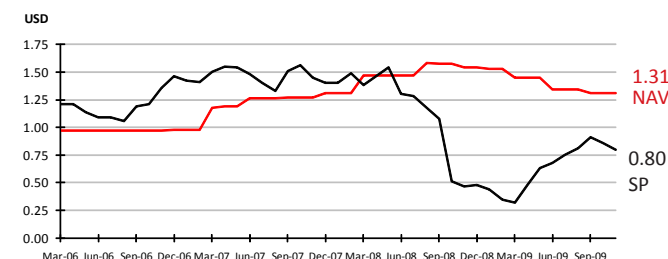
On 30 November, VNL announced a market update. Details of both announcements are available at www.vinacapital.com/vnl.

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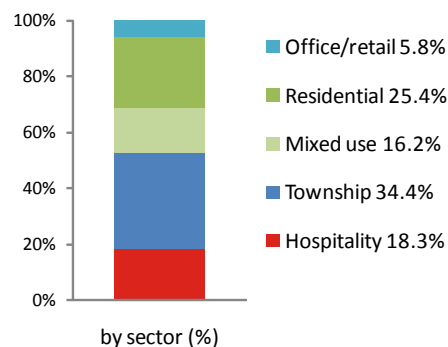
NAV **1.31** per share (▲ 2.2%)

Total NAV: USD655 million

NAV and share price performance (30 Nov 2009)



VNL portfolio (30 September 2009)



Portfolio by geographic location

Hanoi	15%
Central provinces	25%
Ho Chi Minh City region	60%

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

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		-2.5%	3.2%	0.5%
YTD	-14.4%	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

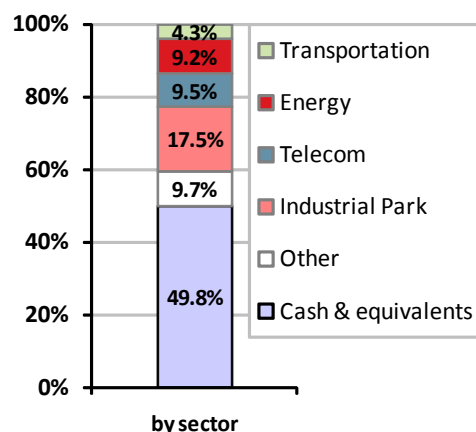
VNI's share price at the end of November 2009 was USD0.37, down from USD0.39 at the end of October 2009. On 26 November, VNI investee GLT listed its entire chartered capital of 6.4 million shares on the Hanoi Stock Exchange. VNI has recorded an unrealised IRR of 41 percent for its holding in the GLT, a company with several business lines including the manufacture of mobile network (BTS) towers. The largest shareholder in GLT remains parent company ITD, also a VNI investee.

Regulatory announcements

On 30 November, VNI announced a revised investing policy that contains clarifications in the areas of leverage, valuation and co-investment.

On 30 November, VNI announced a market update. Details of both announcements are available at www.vinacapital.com/vni.

VNI portfolio by sector (30 September 2009)



Portfolio by Asset Class

Listed companies	20.9%
OTC	2.1%
Private equity	16.6%
Greenfield projects	7.4%
Bonds	3.3%
Cash and equivalents	49.8%

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.

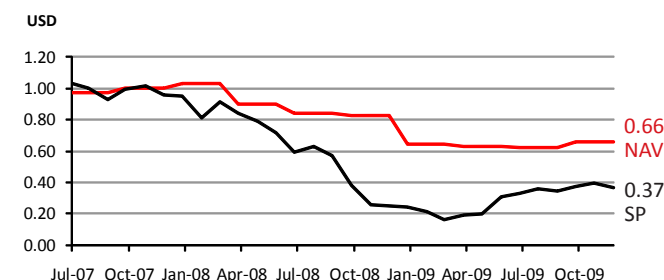
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30 September 2009

NAV **0.66** per share (▲ 5.8%)

Total NAV: USD265 million

NAV and share price performance (30 Oct 2009)



Performance history (total return)*

	2009	2008	2007
Q1	-0.5%	-12.8%	n/a
Q2	-0.4%	-6.7%	n/a
Q3	5.8%	-1.0%	2.9%
Q4		-12.0%	3.1%
YTD	4.7%	-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	8.5
Long An S.E.A.	IP	Greenfield	7.1
Pha Lai (PPC)	Energy	Listed	5.2
MIDC	Telecom	Private	3.8
VNC-55	Telecom	Private	3.5

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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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