

Capital markets update

VN Index posts another 52-week high

October saw the recent peak for Vietnamese equities, as the VN Index reached 624.1, the highest level since early 2008, only to fall over the final week of the month to 587.1, for an almost-flat 1.1 percent gain over the month. The correction in the last week of October followed similar moves in global stock markets, with the MSCI Emerging Market and Asia ex-Japan indices falling for the month by 0.9 and 1.5 percent, respectively.

Vietnamese investors were concerned over possible cuts to leverage financing offered by securities companies for capital market transactions. On the other hand, foreign investors were net buyers in October, to the tune of over USD20 million, while trading values and volumes across both of Vietnam's exchanges remained robust. The trading value and volume for the month increased by more than one-third compared to September (over USD7.3 billion of value traded). The combined market capitalisation at the end of the month was USD34.8 billion, with an average estimated forward PE 2009 of 17.2x.

Moves to tighten credit supply

The most notable event over the month was the government's move to tighten monetary policy. The interest rate subsidy on approved loans – central to the national economic stimulus programme – will be cut back in the coming months. The subsidy itself will be reduced to two from four percent, and from early 2010 will only apply to medium and longer term loan durations. Loans of under one year will now pay market interest rates, and consequently loan growth is expected to slow. Market consensus remains for further moves to tighten liquidity from the State Bank of Vietnam, most likely in early 2010. Thus, the next measure will be for interest rates to increase and this is reflected by recent moves in Vietnam's sovereign yield curve that has flirted with double digit levels in recent weeks. Other measures may include an increase in bank reserve requirements.

MoF announces overseas bond issuance

The Ministry of Finance has announced that Vietnam aims to raise USD1 billion by early 2010 in its long-awaited second international bond issue. The bonds will have ten-year terms and coupons capped at 7 percent. The government has approved the bond sale and chosen Barclays Capital, Citigroup and Deutsche Bank to advise on the issue.

The fiscal and monetary environment makes a capital market correction more likely. The need for the government to boost debt sales to fund budgetary demands will coincide with seasonal peaks in inflation (the Tet new year celebration) and the need to slow broad money and credit growth will continue to place pressure on capital markets in the short term. As valuations become more reasonable, opportunities to pick up good stocks with strong growth potential should emerge. As such, 2010 looks to be a year for disciplined and opportunistic investments.

Performance summary

Most recent NAV:	VOF	VNL	VNI
	(31 Oct 09)	(30 Sep 09)	(30 Sep 09)
NAV per share (USD) ¹	2.57	1.31	0.66
Return (%) ²	(from Sep 09)	(from Jun 09)	(from Jun 09)
Previous NAV	1.2	-2.2	5.8
YTD	37.7	-14.4	4.7
Since inception	164.9	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)	833	655	265
Market cap (USDm)	537	430	157
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	587.1	315.6	234.7	594.3
Change (%)	1.1	86.0	150.2	(-7.3)
Trailing PER (x)	18.7	Est. PER 2009 (x)	17.2	
Trailing P/B (x)	2.7			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	9.4	10.1	10.2	10.4

Source:  VinaSecurities

WB pegs 2009 GDP growth at 5.5%

Economy

On 4 November, the World Bank predicted Vietnam would achieve whole year GDP growth of 5.5 percent, while stating the country's economy would soon overcome the world economic crisis. The WB noted domestic purchasing power was a key factor in the recovery, with inflation-adjusted retail revenue up 10 percent over the first nine months of 2009, compared to the same period last year. However the faster recovery of domestic spending versus the global economy is seeing imports rise while exports continue to stagnate.

Import growth picks up pace

Vietnam's export turnover reached USD4.8 billion in October, up 4.5 percent against September, bringing the year-to-date total to USD46.0 billion, down 13.8 percent compared to last year's figure. Imports are estimated at USD6.7 billion in October, a 4.3 percent month-on-month rise. Year-to-date imports are USD55.1 billion, down 21.7 percent against last year. At this rate, Vietnam's trade deficit for 2009 will be about USD11.5-12.5 billion, or 20-22 percent of export turnover.

Decline in FX reserves sparks concern

Meanwhile, Vietnam's foreign currency reserves are reported by Morgan Stanley to have dropped to about USD16 billion in comparison to the USD23-24 billion held at the end of 2008. Analysts at Morgan Stanley and Moody's have voiced concern that the trade deficit needs to narrow to ensure the economic recovery continues and depreciation of the currency is minimal.

The VND in early November weakened to as much as 18,650 per USD on the open market, versus the official rate of about 17,860. The State Bank has stated it is seeking loans from the Asian Development Bank and the World Bank to stabilise the currency. A weaker VND does help Vietnam's export competitiveness, however, is putting policy makers in the difficult position of balancing the need to grow exports while maintaining confidence in the currency.

Base rate unchanged; inflation trends upward

The State Bank has held its base interest rate at 7 percent since February, after cutting the rate from 14 percent in October 2008, and says it plans to keep the rate unchanged until early 2010. Inflation signs continue to emerge, however, as consumer prices gained 3.0 percent in October year-on-year and 0.37 percent month-on-month.

Credit growth for the year has exceeded the annual target of 30 percent. The State Bank has reported that total credit has risen 33.1 percent for the year to date, with a 2.0 percent month-on-month gain in October. The State Bank is ordering banks with high credit growth to control the quality of their lending, especially regarding consumer loans.

Macroeconomic indicators and forecast

	2008	Oct-09	YTD	Y-o-Y change
GDP growth	6.2%		4.6%	
Inflation	19.9%	0.4%	4.5%	2.9%
FDI (USDbn)	71.7	2.1	18.9	-68.1%
Imports (USDbn)	80.7	6.7	54.8	-21.8%
Exports* (USDbn)	62.7	4.8	43.6	-18.7%
Trade deficit (USDbn)	18.0	1.9	11.2	-31.7%
Exchange rate** (USD/VND)	17,486	17,862	2.2%	n/a
Bank deposit rate (VND %)	7-8.5%	8-9.2%	n/a	n/a

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

* Excludes gold. ** Official rate.

2009 balance of trade, by quarter



Portfolio developments

VOF's NAV at the end of October 2009 was USD2.57 per share, up 1.2 percent from USD2.53 per share at the end of September 2009. During October, VOF's capital market component increased 1.1 percent, of which the listed and OTC components gained 0.5 and 7.4 percent, respectively.

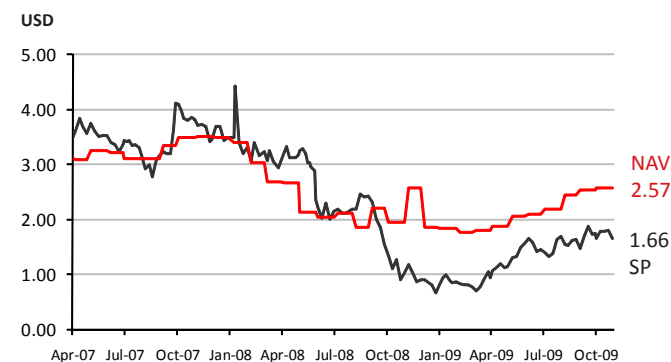
The pace of IPOs in Vietnam has increased, and VOF has recorded strong investment gains as a result. Top holding Eximbank (EIB) listed during October, and one of VOF's top results in 2009 is via the listing of Development Investment Construction Joint Stock Company (DIG), a leading urban infrastructure and township developer. DIG listed on the Ho Chi Minh Stock Exchange in August 2009 at a market capitalisation of USD184.7 million. Subsequently, the market cap increased rapidly to USD413.2 million at the end of October. VOF as a result recorded a gain of over 300 percent on the original investment cost booked in 2008. Some USD6.8 million was realised, leaving the remaining USD30.1 million as unrealised gains. VOF is also a co-investor with DIG in the Dai Phuoc Lotus township project near Ho Chi Minh City. VinaCapital's VNI also holds a stake in DIG.

31 October 2009

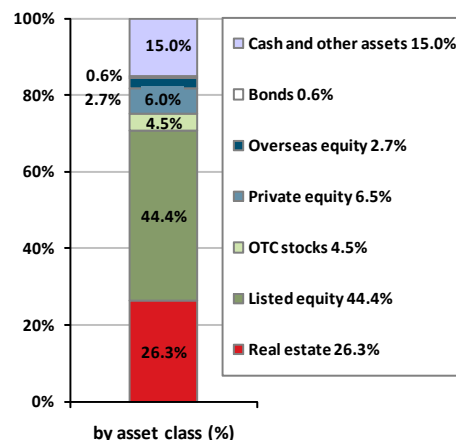
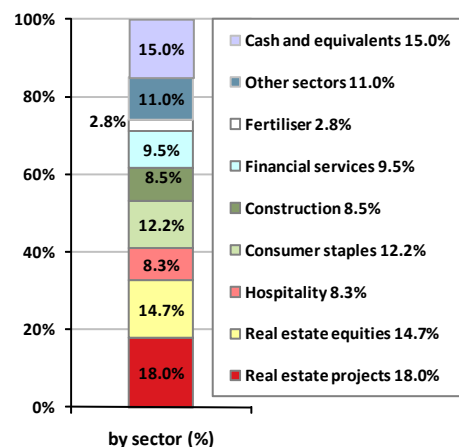
NAV **2.57** per share (▲ 1.2%)

Total NAV: USD833 million

NAV and share price performance (31 Oct 2009)



VOF portfolio (31 October 2009)



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

Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment	
EIB	Listed equity	Financial services	8.3	One of Vietnam's top joint stock banks.
HPG	Listed equity	Industrial	5.3	Major steel manufacturer.
VNM	Listed equity	Food products	5.2	Dairy firm with dominant market share.
DIG	Listed equity	Real estate	4.5	Residential and industrial property.
DPM	Listed equity	Industrial	2.4	Top fertiliser firm, member of Petro VN.

Performance history (% change on NAV)

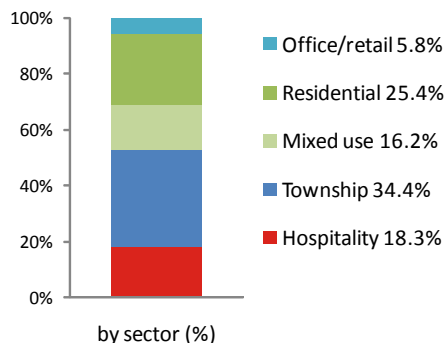
	2009	2008	2007	2006	2005
Jan	-1.3%	-2.9%	14.6%	3.9%	0.0%
Feb	-3.7%	-10.2%	8.3%	6.3%	4.4%
Mar	1.7%	-11.8%	-0.6%	8.8%	0.8%
Apr	4.4%	-0.8%	-1.3%	7.6%	1.7%
May	9.1%	-19.5%	5.1%	-1.0%	4.1%
Jun	2.2%	-4.7%	-0.8%	1.5%	0.0%
Jul	3.8%	5.7%	-3.8%	-6.5%	0.0%
Aug	12.2%	9.8%	0.0%	6.4%	3.9%
Sep	3.8%	-6.7%	8.1%	3.0%	4.5%
Oct	1.2%	-12.4%	4.2%	1.0%	0.7%
Nov		-1.9%	0.6%	13.5%	5.7%
Dec		-2.1%	-0.6%	8.1%	4.1%
YTD	37.7%	-46.6%	37.4%	64.9%	33.9%
VN Index	86.0%	-66.0%	23.3%	144.5%	28.5%

Portfolio developments

VNL's share price at the end of October 2009 was USD0.86, down 5.5 percent from USD0.91 at the end of September 2009. VNL has continued to record progress with residential unit sales and sales reservations at The Ocean Villas, part of the Danang Beach Resort project. At the end of October, VNL had sold 103 of the 115 villas comprising the first three phases of the project. Total revenue is expected at USD73 million for the 115 villas. Marketing and sales of condominium units (phase 4) is expected to launch in early 2010, with an additional 42 villas (phase 5) to launch before the end of Q1 2010. Total revenue from all five phases is expected at USD140 million.

VNL's upcoming residential projects include the October 2009 soft launch of the Azura, a 225-unit luxury condominium tower that is part of the World Trade Center Danang project, and the first phase of the Dai Phuoc Lotus island township site in Dong Nai Province, near Ho Chi Minh City, which will feature 370 semi-detached and detached houses.

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.

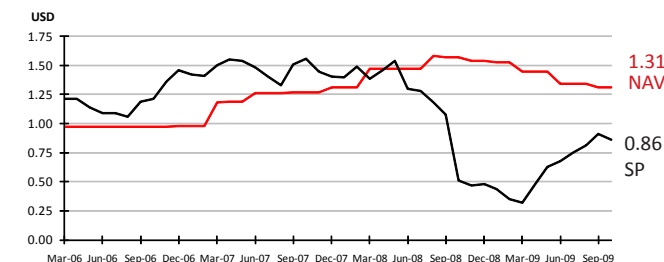
Download the VNL Factsheet at www.vinacapital.com/vnl

30 September 2009

NAV **1.31** per share (▲ 2.2%)

Total NAV: USD655 million

NAV and share price performance (31 Oct 2009)



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 October 2009 was USD0.39, up slightly from USD0.38 at the end of October 2009. The Ho Chi Minh Stock Exchange has approved in principle for VNI investee Ba Ria Thermo Power JSC (BTP), with chartered capital of VND605 billion, to list 60.5 million shares. The company is currently completing the necessary procedures. In the first nine months, BTP reported revenue of VND1.0 trillion and after tax profit of VND15.9 billion, equal to 83.5 and 47.3 percent of the yearly targets, respectively.

VNI in October announced the appointment of Tony Hsun as Managing Director of Infrastructure. Tony brings extensive industry experience to VNI, having carried out numerous infrastructure and energy investments around the world in a career spanning over 25 years. For the past four years, Tony was Senior VP of Business Development for Orix Corporation in Tokyo, where he provided private equity investment management services that saw him identify and evaluate over 100 infrastructure projects in China and Southeast Asia. Previously, Tony was founder and Managing Director of Asia Crosslink Pte Ltd in Singapore, a consulting firm specialising in identifying and developing infrastructure projects, and advising private equity funds primarily on power, water and mining sector acquisitions.

Regulatory announcement

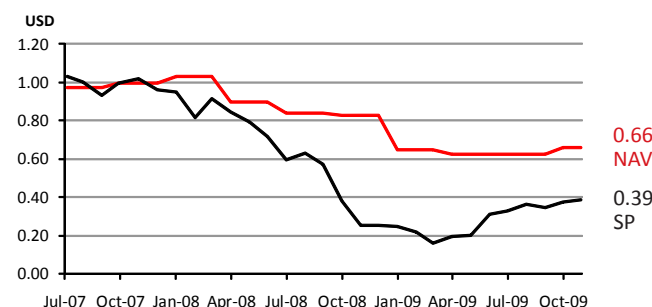
On 22 October 2009 VNI's Investment Manager announced the appointment of a new managing director. Details are available at www.vinacapital.com/vni.

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%

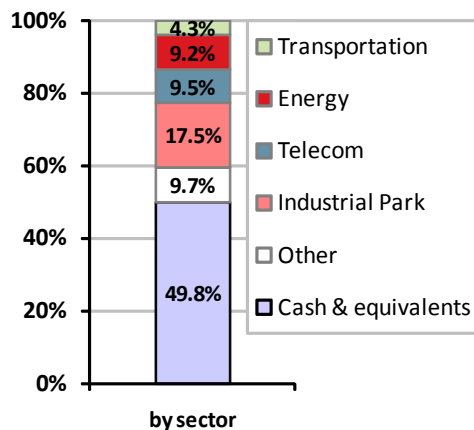
Total return since inception: **-21.2%**

* 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

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

Don Lam	Chief Executive Officer, VinaCapital Group
Brook Taylor	Chief Operating Officer, VinaCapital Group
Stacy Kincaid	Managing Director, Fund portfolio

VCIM

Andy Ho	Managing Director, Head of Investment
Tony Hsun	Managing Director, Infrastructure
Nguyen Viet Cuong	Deputy Managing Director, Capital Markets
Dang Hong Quang	Deputy Managing Director, Infrastructure

VCRE

David Henry	Managing Director, Real Estate
Stephen O'Grady	Managing Director, Hospitality
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