

Fund background

Vietnam Infrastructure Limited ('VNI') is a closed-end fund launched in July 2007 and traded on the AIM Market of the London Stock Exchange.

ISIN KYG936121022
 Bloomberg VNI LN
 Reuters VNI.L

Investment objective

Medium to long-term capital gains with some recurring income and short-term profit taking. Investment areas include energy, transport, industrial park development, telecommunications infrastructure and water utilities. VNI invests primarily in private companies, including operating companies, and brown- and greenfield projects.

View [VNI details](#).

Download [VNI factsheet](#).

Fund managing director

Tony Hsun

Manager

VNI is managed by VinaCapital Investment Management Ltd (VCIM) and requires investment approvals from a three member Investment Committee.

More information about VCIM is [available here](#).

Manager comment

VNI's NAV remained virtually unchanged, dropping just 0.3 percent to USD0.484 per share at the end of December 2011, from USD0.485 the previous month. In contrast, the fund's share price fell 8.7 percent in December, to close the month at USD0.20 per share.

During the month, one of VNI's listed investees in the telecommunication sector, FPT Corporation (FPT), reported cumulative revenue of USD1.1billion and net profit of USD71.3 million for 11 months of 2011, representing 23.0 and 27.0 percent y-o-y growth respectively. For the same period, Hoa Phat Group Joint Stock Company (HPG), a recently added, listed component of the portfolio, announced that revenue and profit came in at USD787.5 million and USD59.5 million, meeting 95 percent and 67 percent of full year company guidance respectively. Additionally, HPG plans to pay a share dividend at a 1:10 ratio in January 2012.

Macro and capital markets update

Following a weak November, the VNIndex declined by another 30 points in the month of December, closing at nearly 350, representing a 7.8 percent drop in USD terms, the fourth-worst performing month this year. In contrast, for the month, the MSCI Asia ex-Japan index rose slightly by 0.5 percent and the MSCI Emerging Market index fell by just 1.3 percent. For the entire year, the VN Index declined 32.8 percent while the HN Index fell 50.0 percent in USD terms, much weaker than the average 20.0 percent decline in the two MSCI comparable indices.

Trading volume on both Vietnamese stock exchanges increased 3.6 percent month-on-month in December with 1.1 billion shares changing hands, however, trading values decreased 5.2 percent to USD570 million. As of 31 December, the VN Index traded at a trailing P/E of 7.1x, with a combined market cap of USD25.5 billion on Vietnam's two exchanges.

Bond investors maintained their elevated risk appetite at auctions in December, given interest rates are expected to ease in 2012. A total USD240 million worth of 3- and 10-year treasury and VDB bonds were issued over the month, an increase of 6.7 percent compared to the USD225 million raised in November.

31 December 2011

NAV **0.48** per share (↓ 0.3% m-o-m)

Total NAV: **USD194** million

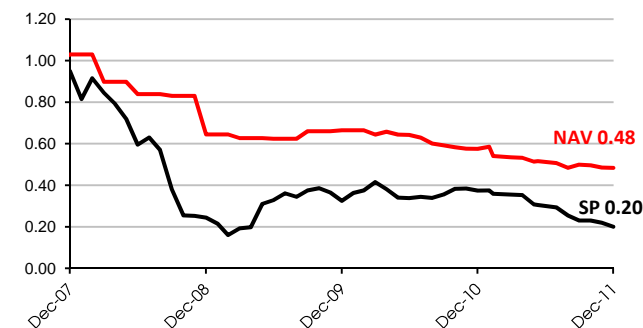
Performance summary

	Cumulative change			
	31 Dec 11	3mth	1yr	3yr
NAV per share	0.48	-3.16%	-15.17%	-23.25%
Share price	0.20	-13.04%	-46.52	-17.97%
Premium/ (Discount)	(58.6%)			
Market cap	80.2m			
Total NAV	194.0m			

Performance history (% change on NAV)

	2011	2010	2009	2008
YTD	-15.2%	-14.3%	5.5%	-29.1%
VN Index	-32.8%	-7.2%	47.7%	-68.6%

NAV and share price performance (31 Dec 2011)



Macro and Capital market update (continued)

Bond yields remain unchanged

The bond yield curve did not change in December, with 3-year and 10-year yields remaining unchanged at 12.10 and 11.5 percent respectively. Additionally, the secondary market was active with total USD438 million of treasury and VDB bonds trading. However, much of this activity is from repo transactions, as financial institutions increased borrowing activity in order to maintain liquidity.

GDP grew 5.9 percent in 2011

The country's real GDP in Q4 grew 6.1 percent year-on-year, closing a volatile 2011 with growth of 5.9 percent, a slight slowdown in growth from the 6.8 percent recorded in 2010. This represents the second lowest annual growth in GDP over the past decade, following 5.3 percent earned in 2009. The industrial sector was the largest drag in GDP with a drop of 1.0 percent year-on-year compared to an increase of 10.1 percent in 2010, which is largely attributable to the depressed housing markets negative impact on the construction sector.

Lower inflation and currency depreciation expected this year versus 2011

For 2011, macroeconomic headlines were dominated by high inflation, driven mainly from the devaluation of the Vietnam Dong, increased food prices, the removal of subsidies for consumer gas and electricity, and very high credit growth over the last several years. December CPI increased 0.5 percent compared to 0.39 percent in November, resulting in full year inflation of 18.1 percent. Going forward, we view the State's inflation target of sub-10 percent as challenging, given the need to remove additional utility based subsidies by an expected 10-50 percent for gas, electricity and water, which would inevitably put pressure on companies to pass those costs onto the end consumer. In December the Ministry of Finance approved for Electricity of Vietnam (EVN) to raise electricity prices by 5 percent from 5.9c per kWh to 6.2c per kWh. However, we do not believe inflation will be as severe in 2012 as it was in 2011 and forecast a target range of between 10 and 15 percent for the year.

The Vietnamese Dong remained stable throughout December with an open market rate of VND21,300, which is less than one percent above the top end of the official band. We noted a surplus position of Balance of Payment estimated by the SBV of USD2 billion, supported by strong FDI disbursement of USD11 billion as well as foreign remittance of approximately USD8.5 billion. However, there remains speculation that the currency will depreciate more throughout the year. We expect the VND will rise nearly 5.0 percent to approximately 22,500 per USD by the end of 2012.

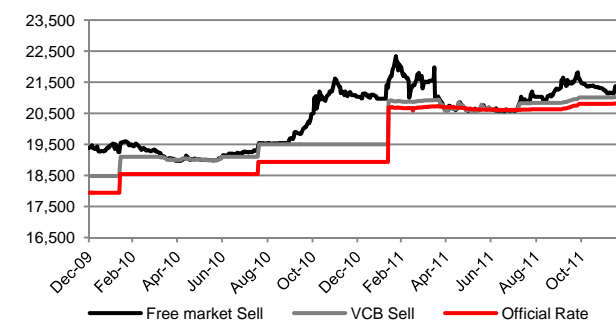
Macroeconomic indicators and forecast

	2010	Dec-11	YTD	Y-o-Y change
GDP growth¹	6.8%		5.9%	5.9%
Inflation	11.8%	0.5%	18.1%	18.1%
FDI (USDbn)	18.6	3.4	14.7	-21.0%
Imports (USDbn)	84	9.6	105.8	24.7%
Exports² (USDbn)	71.6	8.9	96.3	33.3%
Trade deficit (USDbn)	12.4	0.7	9.5	-23.4%
Exchange rate³ (USD/VND)	19,500	21,036	7.9%	7.9%
Bank deposit rate (VND %)	12.0-14.0%	12.0-14.0%	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.

USD/VND foreign exchange rate



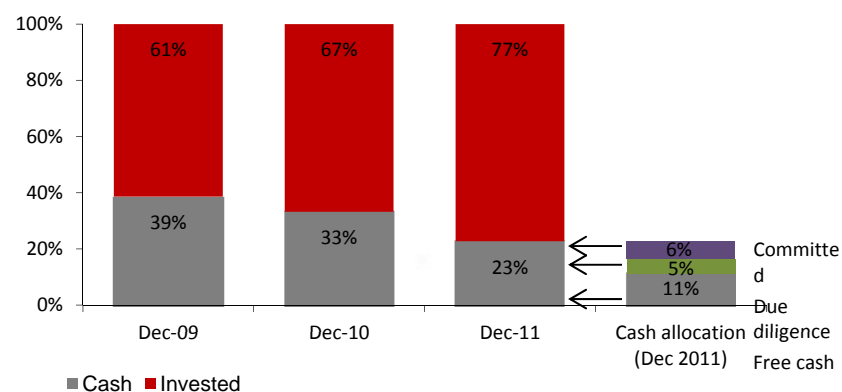
Monthly report 31 December 2011

Portfolio by sector			
By sector	No. of holdings	NAV (USDm)	% NAV
Agribusiness	2	4.1	2.1%
General Infrastructure	4	10.5	5.4%
IP and township	7	43.9	22.6%
Oil and gas	4	21.4	11.1%
Power	6	9.9	5.1%
Telecommunications	6	41.1	21.2%
Transport and Logistics	6	15.6	8.1%
Others	2	3.3	1.7%
Cash		44.1	22.7%
TOTAL	37	194.0	100.0%

Portfolio by class			
By asset class	No. of holdings	NAV (USDm)	% NAV
Listed	22	36.1	18.6%
OTC	6	25.7	13.2%
Private Equity	8	85.0	43.8%
Bond	1	3.1	1.6%
Cash		44.1	22.7%
TOTAL	37	194.0	100.0%

Top holdings at 31 Dec 2011					
Investee	Asset class	Sector	% NAV	Book value (USD'000)	Description
SEATH	PE	Telecommunications	16.5%	32,072	Vietnam's largest private BTS holding company
Long An IP	PE	IP and township	9.9%	19,256	Major IP and port project in Long An province
Ba Thien IP	PE	IP and township	9.5%	18,350	308ha IP project in Vinh Phuc province, near Hanoi
VALC	OTC	Transport and logistics	3.8%	7,408	The first aircraft leasing company in Vietnam
PVD	Listed	Oil and gas	3.3%	6,496	PetroVietnam subsidiary; oil and gas drilling services
CII	Listed	General infrastructure	2.7%	5,171	Vietnam's top infrastructure investment company
PVS	Listed	Oil and gas	2.2%	4,214	A leading oil and gas technical services company
PHR	Listed	Agribusiness	1.1%	2,199	Leading rubber company with high dividend yield
VSC	Listed	Transport and logistics	1.0%	1,966	Leading port owner and operator in North Vietnam
DPM	Listed	Agribusiness	1.0%	1,858	Vietnam's largest fertiliser producer

Invested funds and cash balance



Cash committed and under DD	
	(USD)
Approved and committed	12.3m
Agribusiness	0.4m
General infrastructure	4.4m
IP and township	2.0m
Oil and gas	1.0m
Power	0.4m
Telecommunications	3.0m
Transport and logistics	1.2m
Under due diligence	10m
Agribusiness	10m

VNI Board of Directors

Vietnam Infrastructure Ltd (VNI) is led by a Board of Directors composed of a majority of independent non-executive directors.

Paul Cheng	Chairman (Independent)
Horst Geicke	Director
Ekkehard Goetting	Director (Independent)
Luong Van Ly	Director (Independent)
Albert Theodore Powers	Director

VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of Vietnam Infrastructure Ltd (VNI).

Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Tony Hsun	Managing Director, Infrastructure Deputy Managing Director, Infrastructure
Kenny Low	Infrastructure

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Fund summary

Vietnam Infrastructure Limited ("VNI") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VNI Factsheet at www.vinacapital.com

Fund launch
5 July 2007

Term of fund
Ten years and then subject to shareholder vote for continuation

Fund domicile
Cayman Islands

Legal form
Exempted company limited by shares

Structure
Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor
PricewaterhouseCoopers (Hong Kong)

Nominated advisor (Nomad)
Grant Thornton Corporate Finance

Custodian and Administrator
Standard Chartered (Singapore)

Brokers
LCF Edmond de Rothschild Securities (Bloomberg: LCFR)
Numis Securities (Bloomberg: NUMI)

Lawyers
Lawrence Graham (UK)
Maples and Calder (Cayman Islands)

Management and performance fee
Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase after achieving the higher of an 8 percent compound annual return and the high watermark

Investment manager: VinaCapital Investment Management Ltd

Investment focus: Medium to long term capital gains with some recurring income through investment in the following infrastructure and infrastructure-related sectors: Energy; Transportation; Industrial Parks; Telecommunication; and Water and environmental utilities

Investment focus by geography:
Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.