

### Fund background

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

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 was USD0.496 per share at the end of October 2011, a slight drop of 0.7 percent from USD0.499 at 30 September 2011. The share price on 31 October remained level with the previous month at USD0.23. In October, listed investee PetroVietnam Drilling Joint Stock Company (PVD) reported positive financial result for the first nine months of 2011, with consolidated revenue of USD321.0 million, up 10 percent year-on-year, and net earnings of USD41.2 million, up 15 percent year-on-year. PVD has achieved 91 percent of its full-year profit guidance, and its new TAD rig will begin commissioning in November.

Another listed investee, PetroVietnam Technical Services Company (PVS), also posted strong performance with consolidated net revenue and net profits of USD832.0 million and USD33.4 million, up 48 and 15 percent year-on-year, respectively, for the first nine months of 2011. During the third quarter, the company arranged credit contracts of USD105 million with two Singaporean banks, to build a new FSO (Floating Storage and Offloading) facility for the Hai Thach-Moc Tinh oil fields.

Agriculture inputs producer PetroVietnam Fertiliser and Chemical Corp (Dam Phu My or DPM) has registered net income of USD107.5 million for 2011 year-to-date, up 84 percent over the same period last year, due to higher selling prices for its products.

### Macro and capital markets update

The VN Index fell sharply during the first three weeks of October before recovering to close the month at 421 points, a decline of 2.4 percent in USD terms. In contrast, the MSCI Asia ex-Japan and MSCI Emerging Markets indices rallied by 12 and 13 percent, respectively. Vietnam's underperformance was due to continued high interest rates and increasing pressure on the VND.

The trading value and volume on both of Vietnam's stock exchanges fell sharply in October, declining by 46 and 42 percent month-on-month, respectively. The value traded was USD680 million, with 1.14 billion shares trading hands. The combined market capitalisation of both exchanges was USD30 billion at the end of October, representing a trailing P/E of 9.2x and a P/B of 1.5x. Foreign investors were net sellers of USD0.4 million in October, compared to net selling of USD47.5 million in September. Top selling blue chips were HAG, VIC, CTG, PVS and ITA, while top buying was in FPT, MSN, SJS, REE and IJC.

Bond market activity slowed in October due to the persistent high interest rates on the interbank market. On the primary market, only USD50 million of USD381 million offered in three- and five-year government bonds were sold. Yields for three- and five-year bonds remained unchanged at 12.1 percent and 12.15 percent, respectively.

31 October 2011

NAV **0.50** per share (↓ 0.7% m-o-m)

Total NAV: USD199 million

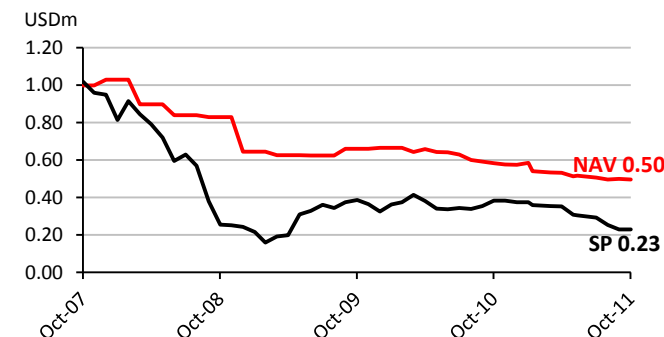
### Performance summary

	31 Oct 11	Cumulative change:		
		3mth	1yr	3yr
NAV per share	0.50	-2.06%	-14.94%	-30.77%
Share price	0.23	-21.50%	-32.15%	-39.47%
Premium/ (Discount)	-53.62%	-42.14%	-34.31%	-54.22%
Market cap	92.3m			
Total NAV	198.9m			

### Performance history (% change on NAV)

	2011	2010	2009	2008
YTD	-13.0%	-14.3%	5.5%	-29.1%
VN Index	-19.4%	-7.2%	47.7%	-68.6%

### NAV and share price performance (31 Oct 2011)



## Macro update (contd)

### Bond market activity slows

Trading activity on the secondary market also slowed in October, with only USD378 million in bonds changing hands, down from USD412 million in September. Bond yields increased slightly at the shorter end of the curve.

Vietnam's macro economy continues to be challenged by high interest rates. Adding to the woes, October saw increased pressure on the VND. By month end, the State Bank had raised the reference rate 14 times, to VND20,803 per USD, resulting in an interbank ceiling rate of VND21,011. The State Bank target was to keep depreciation to 1.0 percent by year-end, which may require tapping the USD6 billion in foreign currencies the State Bank has acquired in recent months.

### Small banks struggle to find liquidity

October saw renewed calls for restructuring of the banking system. Government intervention to lower the deposit rate to 14 percent in August has caused a liquidity squeeze in smaller banks, as customers moved their VND deposits into top-tier banks or other asset classes. By mid-month, total deposits had declined by 2.6 percent month-on-month. At the same time, smaller banks saw higher interest rates on the interbank market. To support the banking system, the State Bank is adding liquidity via open market operations. Banks are being asked to make regular reports on real estate loans as this sector begins to show the strain of low demand. Many real estate developers are now dropping prices in order to move products and continue to pay back their loans.

### Inflation now at 17.1% for 2011YTD

The CPI rose by 0.36 percent in October, resulting in year-on-year inflation of 21.6 percent, or 17.1 percent year-to-date. The October result was the lowest month-on-month inflation since September 2010. Food prices, accounting for 40 percent of the price index, have slowed their growth in recent months. However, the Tet lunar new year holiday is only a few months away, and food prices historically increase at this time of year.

The monthly trade deficit narrowed in October to USD800 million, down from USD1.5 billion in September. The improvement was due to increased oil and coal exports, in addition to decreased imports of automobiles and capital equipment. The cumulative deficit for the first ten months is now USD8.4 billion, implying a full-year projected deficit of USD10.5 billion, down from the USD12.9 billion recorded in 2010.

GDP growth continues to be modest, with industrial production rising 5.2 percent year-on-year in October, and no growth in retail sales. Purchasing power among consumers is clearly being impacted by high inflation, and the General Statistics Office reports higher inventories as goods are not selling well. The holiday shopping season is approaching, however, which may offer some respite for struggling retailers.

## Macro-economic indicators and forecast

	2010	Oct-11	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	6.8%		5.6%	-17.8%
<b>Inflation</b>	11.8%	0.4%	17.1%	21.6%
<b>FDI (USDbn)</b>	18.6	1.4	11.3	-11.7%
<b>Imports (USDbn)</b>	84	9.1	86.4	27.2%
<b>Exports<sup>2</sup> (USDbn)</b>	71.6	8.3	78.0	34.6%
<b>Trade deficit (USDbn)</b>	12.4	0.8	8.4	-11.7%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	19,500	21,011	7.7%	7.7%
<b>Bank deposit rate (VND %)</b>	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.

<sup>1</sup> Annualised rate. <sup>2</sup> Includes gold. <sup>3</sup> State Bank central rate.

Monthly report 31 October 2011

## Portfolio by sector

By sector	No. of holdings	NAV (USDm)	% NAV
Agribusiness	2	4.3	2.1%
General Infrastructure	3	10.5	5.3%
IP and township development	7	46.6	23.4%
Oil and gas	3	21.9	11.0%
Power	6	11.3	5.7%
Telecommunications	5	27.8	14.0%
Transport and logistics	5	16.2	8.2%
Others	2	3.6	1.8%
<b>TOTAL</b>	<b>33</b>	<b>142.2</b>	<b>71.5%</b>

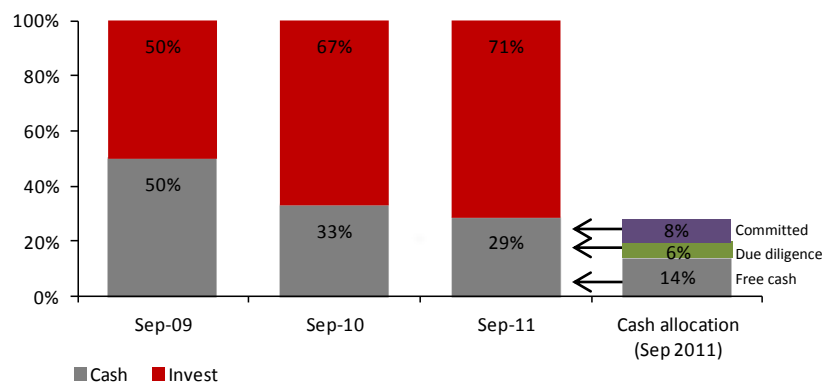
## Portfolio by class

By asset class	No. of holdings	NAV (USDm)	% NAV
Listed	18	41.8	21.0%
OTC	6	25.4	12.8%
PE	8	71.6	36.0%
Others	1	3.4	1.7%
<b>TOTAL</b>	<b>33</b>	<b>142.2</b>	<b>71.5%</b>

## Top holdings at 31 Oct 2011

Investee	Asset class	Sector	% NAV	Book value (USD'000)	Description
Long An IP	PE	IP and township	9.7%	19,256	Major IP and port project in Long An province.
SEATH	PE	Telecommunications	9.6%	19,003	Vietnam's largest private BTS holding company.
Ba Thien IP	PE	IP and township	9.2%	18,350	308ha IP project in Vinh Phuc province, near Hanoi.
Nam Viet	OTC	Oil and gas	5.2%	10,279	Owner of Vietnam's first operating private oil refinery.
PVD	Listed	Oil and gas	3.7%	7,429	PetroVietnam subsidiary; oil and gas drilling services.
VALC	OTC	Transport and logistics	3.7%	7,417	The first aircraft leasing company in Vietnam.
CII	Listed	General infrastructure	2.9%	5,681	Vietnam's top infrastructure investment company.
Vietstar	PE	General Infrastructure	2.1%	4,200	Waste treatment and recycling plant in Ho Chi Minh City.
PHR	Listed	Agribusiness	1.2%	2,386	Leading rubber company with high dividend yield .
DPM	Listed	Agribusiness	0.9%	1,869	Vietnam's largest fertiliser producer.

## Invested funds and cash balance



## Cash committed and under DD

	(USD)
<b>Approved and committed</b>	<b>17m</b>
Agribusiness	0.4m
General infrastructure	0.35m
Oil and gas	1.0m
Power	0.4m
Telecommunications	13.7m
Transport and logistics	1.2m
<b>Under due diligence</b>	<b>12.5m</b>
Agribusiness	2.5m
Transport and logistics	10.0m

## VNI Board of Directors

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

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

## VinaCapital

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

<b>Don Lam</b>	Chief Executive Officer
<b>Brook Taylor</b>	Chief Operating Officer
<b>Tony Hsun</b>	Managing Director, Infrastructure
<b>Kenny Low</b>	Deputy Managing Director, 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](http://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.