

Monthly update 31 December 2011

Fund background

VinaLand Limited (VNL) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

ISIN KYG936361016
Bloomberg VNL LN
Reuters VNL.L

Investment objective

VNL targets medium to long term capital gains with some recurring income through investment in the following real estate sectors: office; residential; retail; township (large scale); and hospitality and leisure.

[View VNL details.](#)

[Download VNL factsheet.](#)

Fund managing director

David Henry

Manager

VNL is managed by VinaCapital Investment Management Ltd ("VCIM" or the "Investment Manager"), a Cayman Islands company. VCIM was established in 2008 and manages three listed and several unlisted investment companies.

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

Manager comment

VNL's share price was 0.68 at the end of December 2011, down from 0.73 at the end of November. The fund has continued its share buyback programme, repurchasing 1,870,000 shares during the month, bringing the total to 2,595,000 since inception. Shares purchased will be cancelled, resulting in a lower number of voting rights and having an accretive impact on the NAV per share. As a result, the total number of shares remaining is 497,372,622 as of 31 December.

The macroeconomic conditions in Vietnam during Quarter 4 2011 in particular, high inflation and record high interest rates have resulted in illiquidity within the market which has significantly impacted business activity and investor sentiment within the property sector. Local (Vietnamese) investors and residential (home and apartment) buyers are finding it difficult to secure finance for development and purchasing homes and if they can secure finance the interest rates are high at approximately 20%. It has become more evident during November and December 2011 that developers (both foreign and local) who have large exposure to local finance are now beginning to experience some distress as sales revenues are not meeting finance and construction costs. VNL's exposure to debt at Fund level remains at zero and only 13% at project portfolio level which is very low. The continued slowing of transactions within the property market are now being reflected in the revaluations of land and development projects. VNL negotiations during November and December with prospective investors seeking to acquire projects have been protracted and in some cases have stopped as market instability has increased risk and reduced the confidence of investors. While the forecast for the Vietnamese macroeconomic conditions in 2012 is steady improvement, it is anticipated that the flow through to the property sector will involve a lag period. Foreign investment into the Vietnam property sector in 2012 will be affected by the global economic instability.

As part of the normal ongoing VNL Fund project revaluation program for NAV reporting, during November 2011 the Manager engaged external third party valuation consultants to appraise nine projects as at 31st December 2011 which resulted in a decrease of NAV. Additionally, a further review and adjustment of the remaining VNL portfolio was also undertaken by the Valuation Committee to reflect the impact attributable to the continued deterioration in the market conditions both locally and globally. Both revaluation exercises have resulted in an unaudited downward adjustment to the VNL NAV per share of USD0.15.

31 December 2011

NAV **1.20** per share (▼11.1%)

Total NAV: USD598 million

Performance summary*

	31 Dec 11	Cumulative change:		
		3mth	1yr	3yr
NAV per share	1.20	-11.1%	-11.8%	-20.0%
Share price	0.68	1.5%	-31.3%	41.7%
Premium/ (Discount)	(43.3%)			
Market cap	338m			
Total NAV	598m			

Other information

Issued shares	497,372,622
Fundraisings	198m in 2006; 395m in 2007

* Figures in USD. Return percentages are gross, not annualised.

Acquisition history

Total assets	37
Peak assets	46
Divestments	9 full + 1 partial, plus residential unit sales
Debt	Fund: Nil Projects: 13% of NAV

Performance history (% change on NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-3.3%	12.5%	22.0%
Q2	-2.2%	-0.7%	-9.0%	9.4%	6.1%
Q3	0.7%	3.7%	-0.8%	-2.5%	0.2%
Q4	-11.1%	-3.5%	1.5%	-4.5%	3.2%
YTD	-11.8%	2.3%	-11.3%	14.8%	33.8%

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. 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 decline in the two MSCI comparable indices.

Bond yields remain unchanged

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. 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.

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. 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.

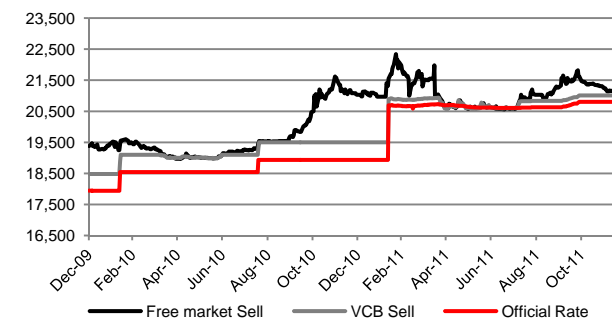
The Vietnamese Dong remained stable throughout December with an open market rate of VND21,300, which is less than one percent above the top end of the official band. We noted a surplus position of Balance of Payment estimated by the SBV of USD2 billion, supported by strong FDI disbursement of USD11 billion 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.

Macro-economic 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



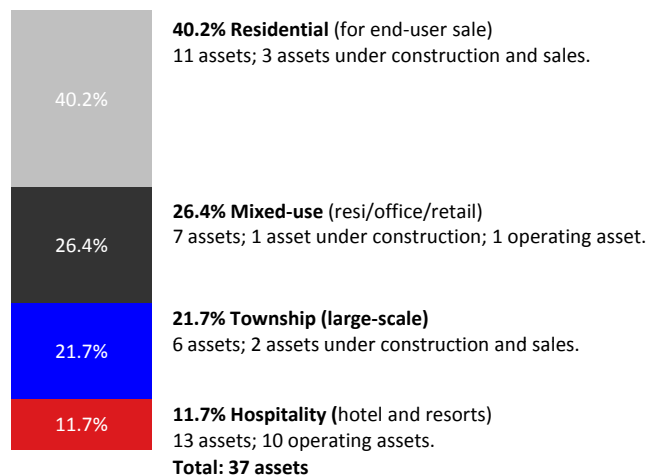
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Top holdings (31 Dec 11)

Project	Location	Type	NAV%
Century 21	South	Residential	13%
Danang Beach Resort	Central	Residential	12%
Dai Phuoc Lotus	South	Township	8%
Pavilion Square	South	Mixed-use	7%
VinaSquare	South	Mixed-use	6%
Times Square Hanoi	North	Mixed-use	5%
My Gia	Central	Township	5%
World Trade Centre	Central	Mixed-use	4%
Aqua City	South	Township	4%
Trinity Park*	South	Residential	4%

* Previously HUD Dong Tang Long. **Top 10 assets: 68%**

Portfolio by sector (30 Dec 11)



Projects carried at cost and below cost (31 Dec 11)

Project	Location	Type	Site Area (ha)
Long An	South	Township	1,925
Hoi An South	Central	Township	1,538
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	27
Long Truong	South	Residential	20
Hao Khang	South	Residential	4.8

Total: 7 assets representing NAV of USD75m.

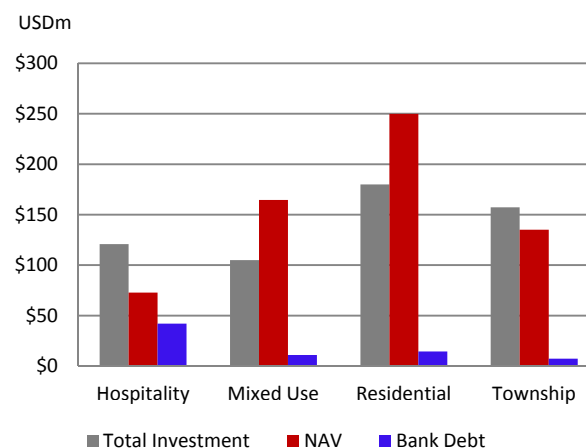
Portfolio breakdown (31 Dec 11)

Portfolio by geographic location	NAV%
Hanoi	8%
Central provinces	28%
Ho Chi Minh City region	64%

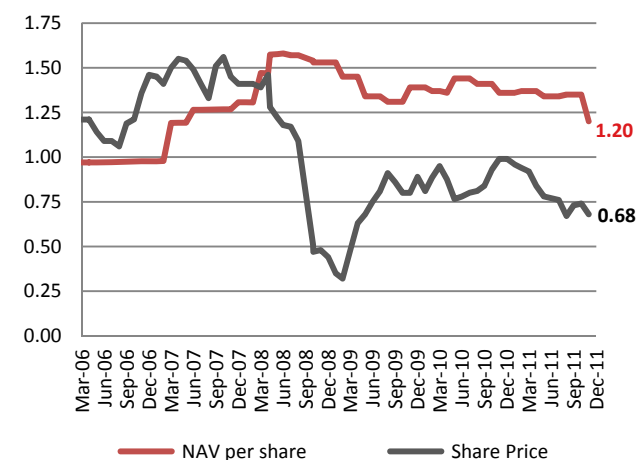
Valuation breakdown	NAV%
Assets held at cost and below cost	12%
Assets revalued	88%

Development status	NAV%
Landbanking assets	8%
Planning stage assets	51%
Development stage assets	32%
Operating assets	9%

NAV by sector (31 Dec 11)



NAV and share price performance (31 Dec 11)



VNL Board of Directors

VinaLand Limited (VNL) is led by a Board of Directors composed of a majority of independent non-executive directors.

Nicholas Brooke	Chairman (Independent)
Nicholas Allen	Director (Independent)
Michael Arnold	Director (Independent)
Michel Casselman	Director (Independent)
Stanley Chou	Director (Independent)
Horst Geicke	Director
Charles Isaac	Director (Independent)

VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the investment manager of VNL.

Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
David Henry	Managing Director, Real estate
David Blackhall	Deputy Managing Director, Real estate
Jonathan Campbell	Deputy Managing Director, Real estate
Anthony House	Deputy Managing Director, Real estate

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Fund summary

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

Fund launch
22 March 2006

Term of fund
Seven 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
HSBC Trustee

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 policy: 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.

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