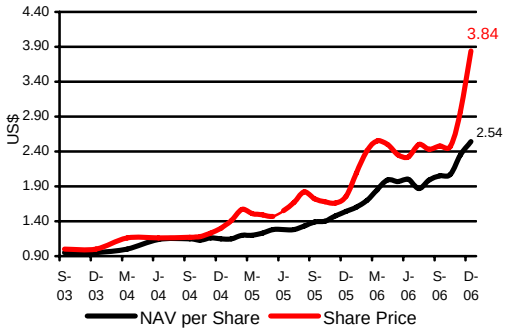
VinaCapital Funds Monthly

Monthly Update ***31 December 2006***

Vietnam Opportunity Fund

NAV per Share (31 Dec 06)	**US$2.54**
Change	
Dec 2006	*8%*
YTD	*65%*
Since Inception (30 Sep 03)	*154%*
Issued Shares	250,648,414
Total Net Asset Value (US$m)	635
Market Cap (31 Dec 06, US$m)	961
Reuters	VOF.L
Bloomberg	VOF LN

Vietnam Opportunity Fund
NAV and Share Price Performance



VinaLand

NAV per Share (30 Sep 06)	**US$0.97**
Change	
Since Inception (22 Mar 06)	*-3%*
Issued Shares	204,844,779
Total Net Asset Value (US$m)	199
Market Cap (31 Dec 06, US$m)	299
Reuters	VNL.L
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Economy in 2006

The economy accelerated markedly in the second half of the year. 2006 GDP rose 8.17% year/year coming in slightly ahead of plan. The industrial and construction sectors made the strongest contribution, growing by 10.37% year/year, followed by the service sector with a rise of 8.29%. The agro-forestry and fisheries sector brought up the rear, with a more modest 3.4% increase, somewhat afflicted by drought this year.

A clear illustration of the dynamism and attractiveness of the Vietnamese economy is provided by the foreign direct investment numbers. FDI rose to a record high of US$9.9 billion, up 50% year/year and almost US$3.5 billion ahead of target. Disbursed capital was US$4.1 billion, also a record so far. Notable large-scale investments approved during 2006 included the US$1.126 billion Posco Steel project and the US$605 million investment by Intel.

Industrial production was a key GDP contributor, rising by 17% year/year in 2006 – the 16th consecutive year of double digit growth. The private sector rose 23.9% year/year, the foreign invested sectors was up 18.8% year/year, and the state sector grew by 9.1%.

Exports came in at US$39.6 billion, 4.8% ahead of plan and up 22% year/year. Eight key export categories now exceed the US$1 billion level in value. These include crude oil, garments & textiles, footwear, seafood, electronics, wooden products, rice, coffee, and rubber.

By geographic location, in the first ten months of this year, Vietnam's exports rose by 36% year/year to the US, 31% year/year to the EU, 20% year/year to Japan, and 19% year/year to ASEAN. We remain a little concerned about the quality of export growth, which is still largely dominated by low-value-added commodity-type goods.

In 2006, total import turnover stood at US$40.76 billion, up 21.4% year/year. The main imports are raw materials such as refined petroleum products and capital goods. As a result the trade deficit actually rose by 3.4% year/year to reach US$4.81 billion.

In the first 11 months of this year, retail sales reached VND523 trillion, up 20.7% on the same period last year. Rising incomes and a sharp rise in the number of large scale retail outlets is driving this growth.

Capital Markets

The VN Index managed to sustain its year-end rally almost through the end of December, closing the year at 751.77, up 144% on the year and 18% on the month. The VN Index actually hit a peak of just over 800 on the 19th of December before correcting slightly. Daily turnover has now reached about US$25 million per day, and 50 new companies listed during the month to bring the total number on the HoSTC to 106. Most of the buying came from domestic investors. However, they were led by a core of large international investment banks that targeted selected blue chips such as Vinamilk, REE, and the newly listed FPT.

Amongst the notable newcomers to the listed markets during the month were technology giant FPT and the number two domestic insurer Bao Minh. The Ho Chi Minh and Hanoi exchanges saw a herd of almost 100 companies list in the past six weeks. The combined market capitalisation of both exchanges now tops the US$13 billion mark and the average forward P/E is a heady 38 times.

VinaCapital Funds Monthly

Monthly Update ***31 December 2006***

Vietnam Opportunity Fund

VinaCapital Investment Management
Pham Vinh, Don Lam, Nguyen Pham, Nguyen Cuong (left to right)

NAV per Share (31 Dec 06)	**US$2.54**
Change	
Dec 2006	*8%*
YTD	*65%*
Since Inception (30 Sep 03)	*154%*
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Portfolio by Asset Type

Capital Markets	**43.9%**
Listed	28.6%
OTC	15.3%
Real Estate	**4.9%**
Private Equity	**4.9%**
Cash, Deposits, Other	**46.3%**

Performance History (% change on NAV)

	2006	2005	2004
Jan	3.9%	0.0%	0.0%
Feb	6.3%	4.3%	0.0%
Mar	8.8%	0.8%	5.5%
April	7.6%	1.7%	0.0%
May	-1.0%	4.1%	0.0%
June	1.5%	0.0%	13.8%
July	-6.5%	0.0%	0.0%
Aug	6.4%	3.9%	0.0%
Sept	3.0%	4.5%	0.9%
Oct	1.0%	0.7%	-1.7%
Nov	14.0%	5.7%	2.7%
Dec	8.1%	4.1%	-0.9%
YTD	**64.9%**	**33.9%**	**21.1%**

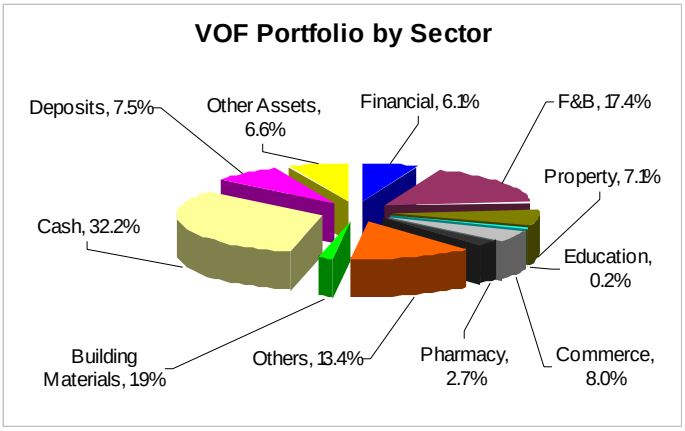
Portfolio Developments

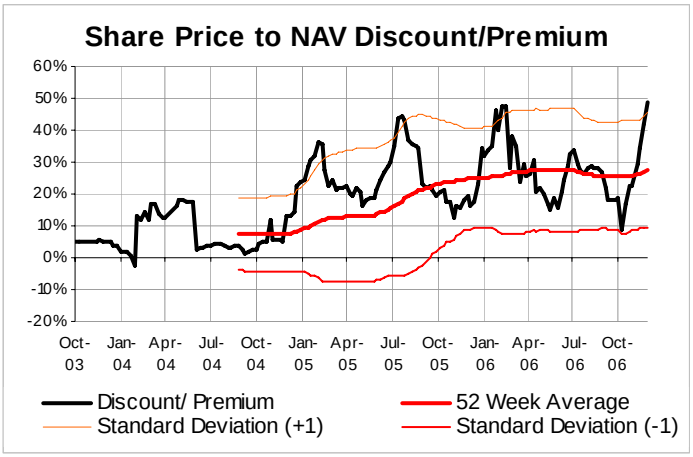
During December VOF's NAV rose 8% to US$2.54. VOF made two acquisitions at auction in leading Vietnamese rubber producers. VOF acquired a 4% stake in Dong Phu Rubber for approximately US$5.4 million, and a 5.4% stake in Tay Ninh Rubber for approximately US$7.0 million. Both companies are among the top ten biggest rubber producers in Vietnam and are exceptional for their high profit margins and high productivity. Vietnam currently exports 70% of its product to China, whose demand for rubber continues to rise. In the first month of trading since equitisation, the share price of Dong Phu has increased by 42% and Tay Ninh by 20%.

One of the top performers in VOF's portfolio in recent months has been the construction and import-export company Vinaconex. Since VOF purchased a 2.3% stake in the company for approximately US$5.7 million in mid-November, the share price has risen by almost 240%.

Major Holdings

Vinamilk	Listed Equity	11.3% (of NAV)
REE	Listed Equity	5.1%
Kinh Do	Listed Equity	4.0%
Bao Minh	Listed Equity	2.8%
Sofitel Metropole	Private Equity	1.6%
Hanoi Hilton	Private Equity	1.7%





Vietnam Opportunity Fund

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Fund Background

Launched in September 2003, Vietnam Opportunity Fund (VOF) is a closed-end fund listed on the London Stock Exchange (AIM). VOF focuses on the key growth sectors of the domestic economy including financial services, retail, consumer goods, tourism, property, infrastructure, and technology. It makes equity and debt investments in listed, OTC-traded, and private companies, and participates in the privatisation of state-owned companies.

Fund Manager

The fund is managed by a five member investment committee headed by Don Lam. The committee has representation from capital markets, private equity, and real estate divisions and approves all investment decisions. Don Lam has over a decade's worth of experience in corporate finance and distressed assets in Vietnam. The other members of the committee bring decades of investment experience to the management process.

Management and Performance Fees

The baseline management fee is 2% of funds under management and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high water mark and a catch-up.

Valuation Policy

VOF adheres to the London Stock Exchange's valuation guidelines as set out for AIM-listed companies. This allows for revaluation only at the time of a third-party transaction or after a valuation review conducted by two independent auditors. Private equity and real estate investments are valued by an independent auditor at six-month intervals as a matter of course. VOF's valuation sub-committee, comprising two outside directors, maintains sole authority to approve or reject those valuations.

Buy-back Policy

VOF's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VOF at a price equal to the NAV per share at year end.

VinaCapital Funds Monthly

Monthly Update ***31 December 2006***

VinaLand

VinaCapital Real Estate
Tran Vu Anh, Peter Dinning, Don Lam

NAV per Share (30 Sep 06)	**US$0.97**
Change	
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Portfolio by Geographic Distribution*

Hanoi	42%
Central Provinces	19%
Ho Chi Minh City	39%

*Currently invested projects

New Investments

Sai Thanh, Hoi An – During December VinaLand completed an MOU and submitted an application for 80% development rights in the construction of a 200-room beach hotel and 67 resort villas near Hoi An. The 7.3-hectare development site is located nearby the historic city centre of Hoi An, a UNESCO World Heritage Site. VinaLand's total equity contribution is estimated at US$5 million.

Hanoi Opera Plaza – An agreement has been reached to purchase the 70% stake available to foreign investors in the joint venture company with rights to develop a 1,900-square-meter site opposite the Hilton Hanoi Hotel and the Hanoi Opera House. The project, which is subject to planning approval, would provide nearly 8,000 square meters of mixed-use retail and office space spread over ten floors. VinaLand's total equity contribution to the project is estimated at US$10 million.

Saigon Port – At the end of December, VinaLand signed a preliminary investment agreement with the Saigon Port Company to redevelop the 23-hectare site that currently houses the main port in HCMC's District 4. The Saigon Port Company will be responsible for relocating the port, and VinaLand will be responsible for the conceptualisation of the development in consultation with the city planning authorities. An initial deposit will be made in the first half of January 2007.

Dong Hai Hotel, Nha Trang – During the month VinaLand completed the purchase of a 51% stake in the 289-room Dong Hai Hotel, which will also contain ten serviced apartments. The main structure of the building has been completed, and VinaLand has begun the process of redesigning the M&E and interior fit-out to meet international standards.

District 9, Ho Chi Minh City – Two separate parcels of land have been secured in HCMC's District 9, adjacent to planned roadway infrastructure. The 2.5 and 3-hectare sites will be developed by way of a joint stock company into townhouse properties and mid-range apartments.

Selected Existing Investments

Danang Golf Course and Resort – The People's Committee of Danang granted two investment licenses governing this project during December. Under the terms of the MOU, city authorities now have six months to compensate occupants and clear the property for commencement of construction.

Short-listed architectural and golf course design firms including WATG from Hawaii have been presented to our board for approval to begin conceptual design work on phase one of the development. The first phase will include construction of the 350-room five-star resort, approximately ten hectares of residential property for sale, and the first eighteen holes of the golf course.

Major Holdings

An Phu Apartments	Residential	US$2.3m
Central Garden	Residential	US$3.9m
Century 21	Mixed-use	US$22.5m
Danang Golf Course and Resort	Hospitality and Residential	US$3.1m
Dong Hai Hotel	Hospitality	US$8.6m
Danang 9 Hectares	Mixed-use	US$3.1m
District 9	Residential	US$1.1m
Hilton Hanoi	Hospitality	US$32.5m

VinaLand

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ISIN KYG9361G1010

Fund Background

Launched March 2006, VinaLand (VNL) is a closed-end property fund listed on the London Stock Exchange (AIM). The fund focuses on the key growth sectors of Vietnam's emerging real estate market including residential, office, industrial, and leisure projects. The fund is managed by VinaCapital Investment Management, with VinaCapital Real Estate acting as development adviser.

Investment Manager

VinaCapital Investment Management (VCIM) comprises a team of over 35 professionals whose areas of expertise cover a full range of investment types.

Peter Dinning is managing director of VinaCapital Real Estate, which acts as development adviser to VCIM. Mr. Dinning is the founder of Dinning & Associates, a real estate consultancy based in Ho Chi Minh City, and was formerly director of Chesterton Petty in Vietnam and the Philippines. He has over eight years of experience in Vietnam as a chartered surveyor and real estate consultant and has been actively involved in property valuation, project appraisal, property marketing and management, and other consultancy works.

Management and Performance Fees

The baseline management fee is 2% of funds under management and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high water mark and a catch-up.

Valuation Policy

VNL adheres to the London Stock Exchange's valuation guidelines as set out for AIM-listed companies. The investment manager presents two independent valuations to the VNL board of directors' valuation sub-committee twice yearly. The valuation sub-committee will accept or reject the valuation reports and may require the investment manager to obtain other third-party valuation reports if deemed necessary.

Buy-back Policy

VNL's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VNL at a price equal to the NAV per share at year end.

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