VinaCapital Funds

VinaCapital

QUARTERLY REPORT 30 June 2008

Vietnam Opportunity Fund (VOF)

VinaLand Limited (VNL)

Vietnam Infrastructure Limited (VNI)

VINACAPITAL INVESTMENT MANAGEMENT LTD.

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Message from Investment Manager

Dear Valued Shareholders:

We are pleased to present the Quarterly Report of the Vietnam Opportunity Fund (VOF), VinaLand Limited (VNL) and Vietnam Infrastructure Limited (VNI) for the period ending 30 June 2008.

The past quarter has seen a continuation of the tight credit and inflation-fighting policies implemented in Q1 2008 to slow an overheating economy. The policies appear to be having some success, but they have had a strong negative impact on the capital markets. The benchmark Vietnam Index (VN Index) dropped another 22.8 percent over the second quarter of 2008 to reach a total decline of 57.0 percent for the year to June. There was positive news at the end of June and early July, when a lower month-on-month inflation figure for June and continued strong foreign direct investment saw the VN Index bounce back to 489 points in early July after closing June at 399. Higher gasoline prices have now been announced, and this will likely stall any further recovery. At the least, the bounce indicated there is pent-up enthusiasm to renew buying as soon as inflation is reined in.

VOF's net asset value dropped 23.8 percent over the quarter due to declines in the listed portfolio and several related write-downs to private equity investments. The total decline in NAV for the year to June was 41.5 percent, compared to a 57.0 percent decline for the VN Index.

VNL made strong progress over the quarter, as its net asset value increased 7.5 percent from the end of March and 20.6 percent for the year to June. With a USD790 million NAV, LCF Rothschild reports that VNL is now the largest Vietnam-dedicated fund and the best-performing Vietnam fund for 2008.

VNI, our infrastructure fund, has now been trading for one year. In that time the fund has made great progress in building a portfolio of diversified infrastructure assets across almost all of its intended target sectors. The fund is likely to be fully invested before its original target date of two years from inception.

I am also pleased to announce that the VinaCapital Vietnam Fixed Income Fund will be formally established by early September. This will be an open-ended, unlisted fund investing in Vietnam's emerging debt market, including sovereign, semi-sovereign and internationally rated corporate bonds. The fund is explained in more detail in this report, including a description of the first investment.

Overall, our funds continue to outperform the market and their peers, which has provided some comfort in an otherwise difficult year for Vietnam focused investment. We continue to believe in the strong growth prospects in Vietnam over the medium to long term, and we believe our funds are very well placed to benefit from this growth.

As a final comment and reminder, many of you will have now received invitations to VinaCapital's Annual Investor Conference on 10-11 November 2008 in Ho Chi Minh City. Those of you who have not received invitations that would like to attend please contact our investor relations team (ir@vinacapital.com); but please note that invitations are exclusively for investors in our funds. I do hope to see you all there.

Very truly yours,

Don Lam
Chief Executive Officer
August 2008

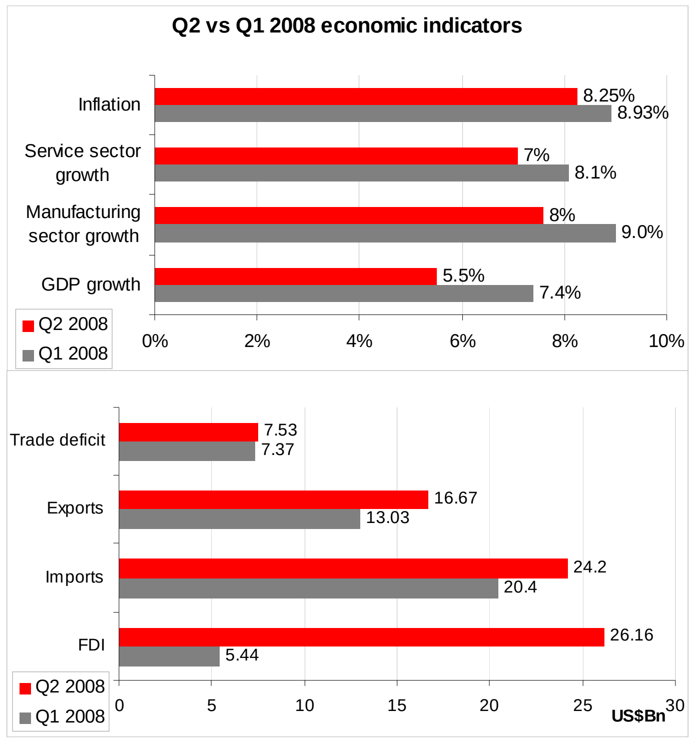
Economic review

Macroeconomics

Economic growth in the second quarter slowed to 5.5 percent on an annualised basis after growing 7.4 percent annualised over the first quarter of 2008. This reflects the impact of the government’s monetary and fiscal tightening policies, which had their most notable effect in slowing the June and July month-on-month inflation to 2.1 and 1.1 percent, respectively, after inflation had averaged 3 percent month-on-month for the five previous months of 2008.

In addition to the lower inflation figures for June and July, the second quarter of 2008 ended with several positive indicators providing some relief to the bad economic news that had dominated Vietnam’s headlines for most of the year. Foreign direct investment (FDI) reached a record USD16 billion in June alone, including a USD7.8 billion steel project in Ha Tinh province and a USD4 billion resort project in Baria-Vung Tau. For the first half of 2008, FDI reached USD31.6 billion, 56 percent higher than the full-year total for 2007.

June also saw the largest export value ever at USD6.3 billion. On the back of reduced imports, this helped slow the expansion of the trade deficit as the export-import gap in June fell to USD1.3 billion from USD3.3 billion in May. The total deficit for the first half of 2008 was USD14.8 billion. The improved inflation, increased FDI and reduced trade deficit numbers in June resulted in a brief and long-awaited capital market rally that saw the VN Index bounce from its mid-June low of 366 to end the month at 399 and reach a high of 489 in early July. Unfortunately, at the time of writing the Government had announced a 31 percent hike in gasoline prices that will see inflation rise to an expected 3 percent again in August. This will likely impede a further market rebound.



The second quarter of 2008 was also marked by improved communications from the Government on matters of economic policy and data. The State Bank of Vietnam (SBV), for example, held a press conference on 26 June announcing the following new monetary policy guidelines:

- Retain the basic rate at 14 percent;
- Raise the interest rate of the SBV obligatory bills to 13 percent from 7.8 percent per year to reduce pressures on banks’ liquidity;
- Increase the trading band of VND/USD exchange rate from +/- 1 percent to +/- 2 percent to help align the free market rate with the official rate, thus giving more flexibility to exchange rate policy;

- The SBV will stabilise the foreign exchange market by means of injecting foreign currency directly into commercial banks for their foreign exchange operations. The Bank will also strictly enforce the policies upon currency exchange agents.
- In addition, credit institutions operating foreign exchange activities are forbidden to collect fees for foreign exchange transactions, either for immediate delivery or forward transactions. Also, they are not permitted to carry out VND/USD exchange transactions via other currencies. These measures are to prevent disguised depreciated conversion rates of VND into USD; and
- The SBV reaffirmed that they would not devalue the VND.

The maximum interest rate on loans is now 21 percent and banks cannot charge side fees. Credit growth at each bank for 2008 is limited to 30 percent. The credit environment as a result is very restrictive.

Despite the improved picture at the end of the quarter, the hike in gasoline prices shortly before the time of writing renewed concerns that Vietnam will continue to struggle with inflation for the remainder of 2008. In principle this will create pressure on the financial markets through expected rises in the interest rate. However, the largest contributing factor to inflation in 2008 has been the price of rice, and after a good harvest food prices are expected to stabilise. Along with the impact of continued tight monetary and fiscal policies this may help to offset the negative impact of the rise in the gasoline price on the CPI next month, and keep interest rates relatively stable.

Real estate

The key changes to the economy highlighted above will have an impact on the real estate market. In particular, the significant reduction in liquidity for project financing will hit property developers, along with increased cost of building materials and other construction costs.

These factors have resulted in residential project retail sales prices for land, villas and apartments dropping significantly during the first six months of 2008. However other real estate sectors such as office and retail rentals have remained strong.

The residential retail market in Vietnam experienced rapid growth in late 2006 and 2007 and in some instances the retail sales prices increased between 50 to 100 percent. This was driven by high liquidity and significant speculation amongst local buyers – and was not sustainable in the longer term. During 2008 the slow down and reduction in prices has in fact ‘normalised’ the previously overheated market and returned the residential market to a sustainable pace for the medium to long term. Despite the residential market experiencing a very slow period at present, with a large young population the fundamental demand for low to mid-tier residences is expected to remain strong. The wholesale real estate market has not seen the drop in prices evident in the retail market.

A review of the other real estate sectors in Vietnam highlights continued strong momentum, with grade A and B+ office rentals in Hanoi and Ho Chi Minh City remaining high, while retail space rentals continue to be strong due to limited supply and continued strong demand. The hotel and serviced apartment sectors remain strong as the demand continues for city hotels and mid to high-end serviced apartments.

The cycle of economic growth has created a new consumer group of middle class professionals who need new, mid to high-end residential and office space, and modern leisure and retail environments. This will be robustly boosted in the next 2-3 years by the surging FDI commitments (USD50-60 billion) and disbursements (USD10-12 billion) in 2008.

The tight credit environment alongside continued high FDI growth points to a serious supply squeeze, both presently and in the next few years, that will create an excellent opportunity for cash-rich investors to acquire properties which are distressed or now available at more realistic prices. Restricted credit will likely limit supply further and lengthen the period of excess demand by at least another two years. The shortage of supply in all sectors (office, hotel, retail, serviced apartments) has seen rents rise sharply over the past year and this will likely continue for the next two to three years.

Vietnam Opportunity Fund

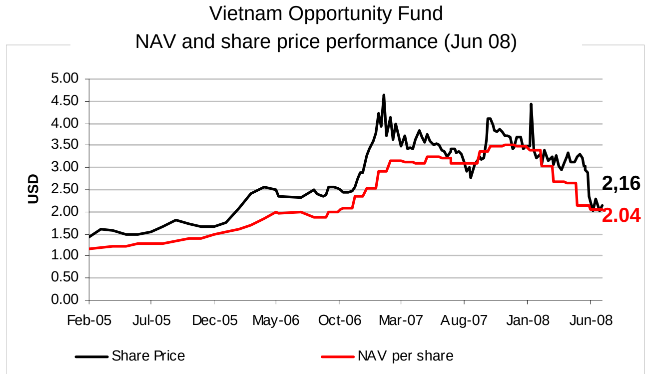
Fund summary

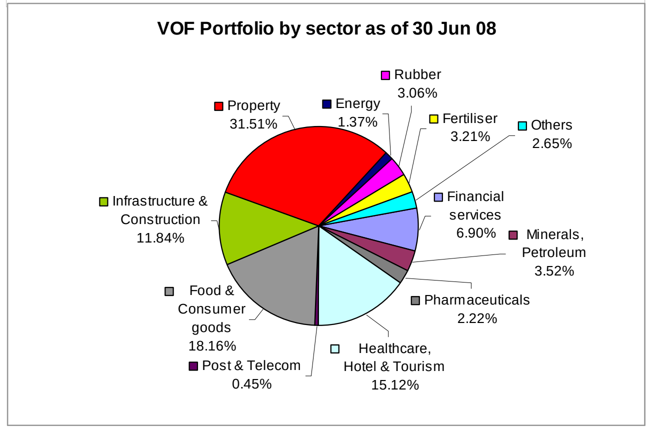
Fund launch	30 September 2003
Total value of investments	USD638 million
Cash and cash equivalents	USD24 million
Total NAV	USD662 million (30 June 2008)
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Single class of ordinary shares listed on the AIM market of the London Stock Exchange plc
Investment manager	VinaCapital Investment Management Ltd.
Investment focus	Medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas: • Privately negotiated equity investments; • Undervalued/distressed assets; • Privatisation of state-owned enterprises; • Real estate; and • Private placements into listed and OTC- traded companies.
Investment focus by geography	Greater Indochina comprising: • Vietnam (minimum of 70 percent); • Cambodia; • Laos; and • Southern China.

Performance update

During the quarter ending 30 June 2008, VOF's total net asset value decreased 23.8 percent to USD662 million, or USD2.04 per share, compared to USD2.68 at the end of March 2008.

At the end of June 2008, VOF was 96.4 percent invested with USD24 million in cash and cash equivalents available. During the quarter, the listed component of the VOF portfolio decreased in value by 20.7 percent to USD205 million. This compares to a VN Index decline of 22.7 percent during the same period. Given the downturn in the listed market, the VOF team focused on investments in other areas. A total of USD93.7 million was deployed in the OTC and private equity market, mainly for a deposit to acquire shares of a financial services company and for shares of Quoc Cuong Gia Lai.





VOF has recorded an upward valuation of its real estate portfolio of USD50.6 million. This included the VinaCapital Danang Golf Course and Resort (USD18.6m), the VinaCapital Commercial Centre (USD10.9m), Dai Phuoc Lotus (USD7.0m), Saigon Golf (USD9.4m) and the Vinh Thai Nha Trang project (USD3.8m).

VOF sold USD3.0 million worth of listed shares and USD8.6 million worth of OTC shares during the quarter.

Regulatory announcements and press releases	
30 June 2008	Result of EGM (regulatory)
17 June 2008	Letter to Investors (regulatory)
10 June 2008	Notice of EGM (regulatory)
15 May 2008	Director Shareholding (regulatory)
2 May 2008	Investment (press release)

Investment update:

Quoc Cuong Gia Lai

Quoc Cuong Gia Lai is a real estate development company that owns over 60ha of valuable land in districts 7, 8, 9, Binh Chanh and Nha Be, between 3 and 13 km from Ho Chi Minh City centre. Most of the land has been fully compensated and is ready for construction. In addition, the company has obtained development approval from the Gia Lai Province People's Committee to construct four hydro power plants with a combined capacity of

58MW, and land-use rights for 5,000ha of rubber plantations, also in Gia Lai. Revenue from the power plants and rubber plantations will be the company's main sources of income from 2011 onwards.

Vietnam Opportunity Fund – Investment Portfolio

Top 5 Listed Investments

Name of investee	Stake (%)	Number of shares '000	Book value 30/06/08 (USD '000)
Vinamilk	3.6	6.266	39,435
Hoa Phat Group	8.0	10,560	32,287
ITACO	4.9	5,641	29,804
Dam Phu My	2.1	7,954	20,211
Kinh Do	7.5	3,529	16,341

Top 5 OTC Investments

Name of investee	Stake (%)	Number of shares '000	Book value 30/06/08 (USD '000)
Masan	13.9	3,623	10,072
Phuoc Hoa Rubber	6.2	5,000	7,985
Kido's Ice Cream	19.1	1,320	6,289
DIC Corp	10.9	4,015	5,411
SSG-Saigon Pearl	5.0	2,250	5,343

Top 5 Real Estate Investments

Project	Investment type	Stake (%)
Indotel	Hotel	72.1
VinaCapital Danang Golf Course and Resort	Golf course	25.0
Dai Phuoc Lotus	Mixed use	18.0
VinaCapital Commercial Center	Mixed use	25.0
Century 21	Mixed use	19.0

Top 5 Private Equity Investments

Name of investee	Stake (%)	Book value 30/06/08 (USD '000)
Indochina Foods	15.0	11,400
Phu Nhuan Jewelry	11.6	8,010
Quoc Cuong Gia Lai	11.6	7,354
Khang Dien Housing	15.0	4,730
Pho 24	32.5	3,737

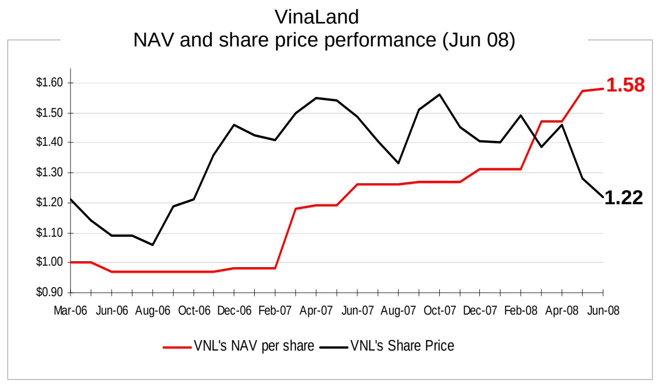
VinaLand

Fund summary

Fund launch	22 March 2006
Total value of investments	USD699 million
Cash & cash equivalents	USD91 million
Total NAV	USD790 million (30 June 2008)
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Single class of ordinary shares admitted to trading on the AIM market of the London Stock Exchange plc
Investment manager	VinaCapital Investment Management Ltd.
Investment focus	Medium-term capital gains with some recurring income through investments 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.

Performance update

At the end of June 2008, VNL's NAV was USD1.58 per share, a 7.5 percent increase from the previous quarter's NAV of USD1.47 per share. The increase is due to an independent revaluation of six projects carried out in May, as well as the income recorded from the sale of 97 units of the Golden Westlake residential project in Hanoi. During June, the broker LCF Rothschild released data showing that, by NAV, VNL is now the largest Vietnam fund trading internationally and the best performing Vietnam fund for 2008 YTD, with a 20.6 percent return on NAV since the end of December 2007.



The past quarter saw VNL receive a highly satisfactory outcome to the previously announced delay of the Hanoi Opera Plaza project in Hanoi. The initial project plan called for development of a retail and office facility on a 1,900 sq.m plot in central Hanoi across from the Opera House and the Hilton Opera Hotel. The Hanoi City People's Committee determined the site should be reserved for a public park – after VNL had received an investment licence. This situation was resolved when the City People's Committee offered VNL an alternate site of 25,000 sq.m, of which the final building area will be 11,200 sq.m. The new development is in close proximity to the National Convention Centre site in the fastest growing area of Hanoi. The new development site is cleared and construction is ready to commence as soon as the design is completed and a construction permit is obtained.

Business and leisure travel decreased in the second quarter as a result of the tourism low season and the global economic slowdown. Gross operating profits at VNL-owned hotels have therefore dropped slightly from Q1 and maintain a Gross Operating Profit of approximately 50 percent GOP on average, which remains a good performance. Reservations for Q4 are strong and several of the hotels in the portfolio are undergoing upgrades and renovations that will come online in time for the expected Q4 upswing.

Regulatory announcements and press releases	
17 June 2008	Letter to investors (regulatory)
13 June 2008	Director shareholding (regulatory)
21 May 2008	Sale of equity stake (regulatory)
29 April 2008	Result of EGM (regulatory)
28 April 2008	NAV revaluation (press release)
16 April 2008	Notice of EGM (regulatory)

Top 10 real estate investments

Project	Type	Status
Danang Golf Course and Resort	Mixed-use	Construction underway
Dai Phuoc Lotus township	Mixed-use	Investment licence received
World Trade Center Danang	Mixed-use	Construction underway
Century 21 township	Mixed-use	Investment licence received
Vinh Thai Nha Trang township	Mixed-use	Investment licence received
Aqua City (Long Hung) township	Residential	Construction underway
Hilton Hanoi	Hospitality	Operating asset
Movenpick Saigon Hotel*	Hospitality	Operating asset
Central Garden	Residential	Unit sales underway
Hanoi Golden Westlake	Residential	Unit sales underway
M Hotel	Hospitality	Operating asset
Sheraton Hoi An Resort and Spa	Hospitality	Construction underway

* formerly the Omni Hotel.

Investment updates

Novotel Reunification Park Hanoi
On 6 June 2008 the groundbreaking ceremony was held for the Novotel Hanoi on the Park, a unique hotel that will overlook the Reunification Park on a 10,000sq.m site in central Hanoi. The 376-room four star hotel will feature one of the biggest conference facilities and ballrooms in central Hanoi. The location and amenities will allow the hotel to position itself as a 'resort within the city' in addition to serving the business market. VNL holds a 39.38 percent stake while VOF has a 13.12 percent stake for a total 52.5 percent combined investment. This hotel will be branded Novotel and managed by the Accor Hotel Management Group.

Movenpick Saigon Hotel
A rebranding of the former Omni Saigon Hotel took effect on 1 July 2008, with the hotel now under the management of the Swiss group, Movenpick. The 249-room hotel is located in the fast-growing Phu Nhuan district, very close to Tan Son Nhat International Airport. This is the first Movenpick branded hotel in Vietnam, with a second rebranding – of VNL's M Hotel (formerly the Guoman) set for Q3 2008. VNL currently holds a 52.5 percent stake while VOF's stake is 17.5 percent. Revenue per room was up 22 percent for Q2 2008 from Q2 2007, with strong reservations for Q4 that should result in continued strong performance for the year.

Danang Golf Course and Resort

Construction continues on the golf course portion of this 100 percent foreign-owned mixed-use beach and golf resort project on a 260 ha site. Marketing of the Long Phung Villas on the beachfront portion of the site will begin in Q3 2008. VNL holds a 75 percent stake in the investment with VOF holding the remaining 25 percent. This project will incorporate a luxury five-star beach resort hotel, 300 villas for sale, and two 18-hole golf courses designed by Greg Norman, with the first stage to be completed by 2010.

Central Garden Apartments, District 1, HCM City

VNL has purchased a block of 56 apartments in the Central Garden Apartment Complex in HCM City's central district. Interior upgrades have recently been completed and the marketing and sales will launch in Q3 2008. Due to the District 1 location we expect strong demand as all other apartments in this complex have already sold.

Sheraton Hoi An Resort and Spa

Located on 86,075 sq.m of beach front in Hoi An, this project comprises 88 luxury villas and 87 guestrooms, managed by Starwood International. VNL holds an 80 percent controlling interest in a JSC with a local partner. Approval for the master plan was obtained in October 2007 and the construction permit was obtained in February 2008. Bulk earthworks have already commenced on the site while the final detailed design of the resort is being fine-tuned to maximise efficiency and quality. It is anticipated that construction of the resort villa showroom will commence during Q4 2008.

M Hotel Hanoi (formerly Guoman Hotel)

The M Hotel in central Hanoi will be closed for ten weeks from 21 July for renovation, after which the hotel will be reopened under the Movenpick flag in time for the Q4 tourism and business high season. VNL and VOF acquired a dominant stake in what was then the Guoman Hotel in May 2007. Year to date gross operating profit for 2008 is up 19.4 percent over last year on an annualised basis.

Vietnam Infrastructure Limited

Fund Summary

Fund launch	5 July 2007
Total value of investments	USD207 million (includes approved and committed but not yet disbursed)
Cash, cash equivalents & net receivables	USD130 million
Total NAV	USD 337 million (30 June 2008)
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Single class of ordinary shares listed on the AIM market of the London Stock Exchange plc
Investment manager	VinaCapital Investment Management Ltd.
Investment focus	Medium-term capital gains with some recurring income through investments in the following infrastructure and infrastructure related sectors: • Energy; • Transportation; • Industrial park development; • Telecommunication infrastructure; and • Water utilities.
Investment focus by geography	Greater Indochina comprising: • Vietnam (minimum of 70%); • Cambodia; • Laos; and • Southern China.

Performance update

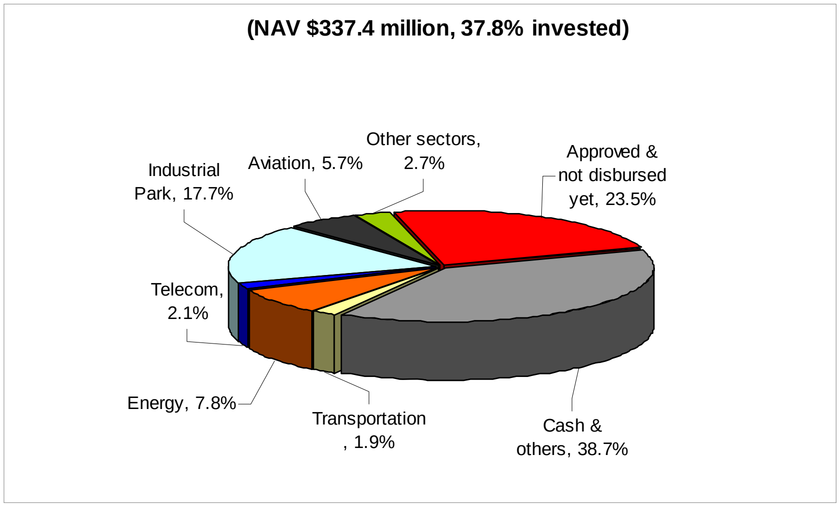
VNI has continued its excellent progress of making strategic and diversified investments into Vietnam's infrastructure sector. As at 30 June 2008, VNI has made total investments of USD128 million, with investments approved and committed but not yet disbursed amounting to an additional USD79 million. This leaves VNI with approximately 39 percent of its net asset value in cash and cash equivalents.

At the end of June 2008, VNI's NAV per share was USD0.84, a 6.7 percent decline from the previous quarter's close of USD0.90. The VN Index has dropped 22.8 percent over the same period. The outperformance relative to the wider market is due to VNI's large cash position and the lower volatility of capital-intensive infrastructure investments.

VNI's NAV has now dropped 16 percent since fund inception in July 2007. This is a positive result given the difficult market conditions over the past year. Importantly, VNI has a very deep investment pipeline and now boasts multiple investments in almost all its targeted sectors – power, telecommunications, transportation and industrial parks – with only water treatment remaining as an unaddressed target sector. Investment highlights over the fund's first year include becoming Vietnam's largest owner/operator of mobile network Base Transceiver Stations (BTS), with over 500 towers completed or under construction by three VNI investees – MIDC, MIS and GLT. The telecommunications market in Vietnam has been growing rapidly (second fastest rate in the world) and the need for mobile lines has translated into demand for telecoms infrastructure such as BTS towers. The three major mobile phone operators are estimated to require about 7,000 BTS over the next two years. With MIDC covering all of Vietnam, MIS the north and GLT the south, VNI has become a major player in telecoms infrastructure in Vietnam.

Regulatory announcements and press releases	
17 June 2008	Letter to investors (regulatory)
13 June 2008	Director shareholding (first of two regulatory announcements)
5 June 2008	Transaction in own shares (last of six regulatory announcements)

Portfolio structure



Top 5 investments

Project	Sector	Stake (%)	Book value 30/06/2008
Tan Tao Industrial Park Corporation (ITACO)	Industrial Park Development	7.50	45.6m
Vietnam Aircraft Leasing Co. (VALC)	Aviation	16.00	19.2m
Long An S.E.A. Industrial Park and Service Area	Industrial Park & Port	60.00	17.9m
Pha Lai Thermal Power JSC (PPC)	Energy	3.47	17.2m
Can Don Hydro Power JSC (SJD)	Energy	14.38	3.8m

Investment Update

Mobile Infrastructure Development Company
VNI established a joint venture company, Mobile Infrastructure Development Company (MIDC) with several local partners. VNI has a 49 percent equity stake in MIDC and is the single largest shareholder. MIDC will build Base Transceiver Station (BTS) towers and lease them to mobile phone operators. MIDC is expected to secure a large number of BTS deals covering the whole of Vietnam. Since incorporation, MIDC has already secured orders to build and lease 450 of these towers, with six already completed and 100 under construction. It is now securing the sites and tendering the construction contracts for the remaining towers.

Mobile Information Services Joint Stock Company
VNI has a 30 percent stake in Mobile Information Services (MIS), a joint stock company, and expects to increase the stake to 40 percent in the near future. MIS is a Hanoi-based telecommunication infrastructure development company that builds and leases Base Transceiver Station (BTS) towers to mobile phone operators. MIS has completed over 100 BTS for VMS Mobifone and Vinaphone, two of the largest mobile service providers in Vietnam, and is in the process of building another 100 BTS. VNI expects to invest a total of USD5 million into MIS over the next two years.

Ba Thien II Industrial Park
VNI has established a joint venture company, Vina-CPK, to develop Ba Thien Industrial Park (BTII) in Vinh Phuc Province. VNI owns an 80 percent stake in the joint venture. The initial land cost is USD18 million and the total project cost is expected to reach USD56 million.

The joint venture is preparing the investment plan to submit to the Vinh Phuc Province People's Committee. Located 25km north of Hanoi's Noi Bai International Airport, the 300ha BTII is expected to serve light industry and the high-tech sector, such as spare parts and electric components manufacturing. Compal, the world's second largest laptop maker, is setting up its industrial park, Ba Thien 1 (BT1) adjacent to BTII. Ba Thien 1 is expected to be operational by Q4 2008, and this is expected to impact positively on BTII when it opens in 2009.

Bac Tan Tap Industrial Park (BTT)
VNI has successfully acquired a 60 percent stake in the Long An S.E.A. Industrial Park Development Company Ltd to develop the 515ha Bac Tan Tap Industrial Park (BTT) and services area in Can Giuoc District, Long An province. The investment is USD11.5 million and the total project cost is expected to reach USD77 million.

The joint venture has received an investment licence for the first phase of the industrial park, which will cover 106ha of the 515ha total. Land compensation for the first phase is more than 80 percent completed. Land filling is expected to commence in the next few months. Located 30km south of Ho Chi Minh City, the 515ha BTT is expected to serve general industry along with clean and high-tech industries.

Vietnam Fixed Income Fund

Fund summary

Fund launch (opening date)	1 September 2008
Total value of investments	USD2.5 million
Cash and cash equivalents	USD5.5 million
Total NAV	USD8 million (seed capital)
Closing date	30 September 2008
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Open-ended, unlisted with single class of ordinary shares
Investment manager	VinaCapital Fund Management Ltd.
Investment advisor	VinaCapital Investment Management Ltd.
Investment focus	The fund seeks to achieve a return on capital of LIBOR + 5 percent by investing at least 80 percent of assets in a mix of fixed income instruments denominated in Vietnam dong (VND) and instruments in other currencies issued in Vietnam. The assets of the fund will be invested in: • State sponsored or sovereign bonds; • State-owned enterprise bonds or semi-sovereign bonds; • Internationally rated corporate bonds; • Deposits in top tier Vietnam banks.

Fund Introduction

VinaCapital's newest fund, the VinaCapital Vietnam Fixed Income Fund (VFIF), will see its initial offer period begin on 1 September and close on 30 September 2008. The fund will provide investors with a unique way of investing in Vietnam's rapidly growing debt market. As a precursor to the formal establishment of the fund, VinaCapital has contributed USD8 million of initial seed capital that will be included in the fund's net asset value once the initial offer period begins on 1 September 2008.

The fund's initial investment will be a VND43.2 billion (USD2.5 million) sovereign bond.

Together with our listed closed-end funds, the unlisted, open-ended VFIF will add to the complete package of Vietnam-related investments offered by VinaCapital.

If you would like to receive more information related to VFIF please contact VinaCapital Investor Relations for more information (chi.nguyen@vinacapital.com).

Media Highlights

Risk Premium
Forbes Asia
By Lan Anh Nguyen
21 July 2008

Vietnam has troubles galore and opportunities aplenty, says a pioneer fund manager.

Vietnam's equity market has been a roller coaster, but investors who are brave enough to take the ride now will reap good results, according to Don Lam, chief executive of VinaCapital, one of the biggest closed-end funds in Vietnam.

A year ago Vietnam's exchange was among the world's hottest stock markets. Exports and foreign investment were at an alltime high, and the property market was rocketing. Of late, it's the worst-performing market in the world. Inflation reached 25% in May. The trade deficit soared to $14.8 billion in the first six months of this year, and some analysts have warned of a financial crisis as the dong is losing value against the U.S. dollar and other foreign currencies.

But some major players like Lam will tell you this is the best time to jump in. "We are now reinvesting into the equity market," he says. "Look at the Vietnam market now. By the end of 2007 it was about the most expensive market. Now it is the cheapest market in the world."

How cheap? As the VN Index has dropped 60%, the average P/E of the market is now at 9 to 10 times. A year ago it was soaring to 38 times. (The state slapped on caps on daily price moves, although the losses have subsided and some now want to relax the reins.) But despite the stock market slump, most companies, except those in the banking and finance sectors, are still likely to grow at 13% to 15% annually. Investors have to beware of inflation, interest rates and a weak currency. Lam is clearly not afraid. In fact, he is poised to raise more funds for Vietnam.

A former partner at PricewaterhouseCoopers Vietnam, Lam cofounded VinaCapital with Horst Geicke, a Hong Kong-based German investor, who was one of his customers, in 2003. The company manages closed-end funds, including the $820 million Vietnam Opportunity Fund, which invests in equities; VinaLand, a $735 million fund dedicated to real estate, and Vietnam Infrastructure Limited, a $361 million fund investing in a diversified portfolio of infrastructure projects. All three funds are listed on the London Stock Exchange.

Last year the Vietnam Opportunity Fund made an impressive 38% return after reaping 65% in 2006. This year the fund has lost 23% of its value, still lower than the 60% decline of the stock market. The other two funds are still positive for the year. VinaLand, the real estate fund launched in 2006 and invested heavily in hotels, resorts and retail spaces (to shy away from the high-priced equity market), reaped a return of 47% over 24 months. Lam anticipates a 30% gain in 2008, "very good in this market condition," he says.

Lam started dumping shares at the end of 2007, putting 15% of the Opportunity Fund into private equity, for example, and thus reduced his exposure to stocks. "I arrived at the airport, and a customs officer, knowing that I am a fund manager, asked me for stock advice. A taxi driver asked me the same question, and at home my maid asked me what stock to buy. When everyone wanted to invest, it was time to sell," he says. Open-end foreign funds and retail investors who jumped in at the peak suffered the most. Good news: so far no stock-market-related suicides in Vietnam.

Now that the market is cheap, "You should buy slowly, not a big chunk," Lam says. His favorite stocks are in consumer goods, construction materials companies, energy and infrastructure *(see table)*.

CLEARANCE SALE

With Vietnam listings, these companies would be difficult for foreigners to buy but could be obtained through funds like Lam's, traded in London.

		PRICE			
COMPANY	INDUSTRY	RECENT	52-WEEK HIGH	2008 EST P/E	MARKET VALUE (\$BIL)
Hoa Phat Group	multi-industry	\$3.06	\$7.91	10	\$0.4
Nam Viet Corp	food	3.03	7.06	9	0.2
Petrovietnam Drilling	oil/gas	4.51	9.28	14	0.6
Petrovietnam Fertilizer	chemicals	2.54	6.10	NA	1.0
Pha Lai Thermal Power	energy	1.43	4.17	10	0.5
Vietnam Dairy Products	food	6.29	12.31	19	1.1
Vinh Son-Song Hinh Hydro	energy	1.44	3.92	11	0.2

All figures are in U.S. dollars. Prices as of June 30. NA: Not available.
Sources: Bloomberg Financial Markets; FT Interactive Data, Thomson IBES and Worldscope via FactSet Research Systems.

Top of the list is Hoa Phat Group, a diversified manufacturer of everything from office furniture to refrigeration equipment. The company is investing in two steel mills and a cement plant. Add steel piping and future plans for industrial park developments, and Hoa Phat is a play on Vietnam's infrastructure and foreign-owned-plant investment. But its plans will require substantial capital or debt issuance.

Petrovietnam Fertilizer & Chemical is the largest domestic supplier of urea and benefits heavily from a low cost of natural gas feedstock (under long-term contracts). Urea prices have gone up rapidly worldwide, but rice and other crops have, too, so margins should hold up for a while.

Eighty percent of Vietnam's population of 84 million is under age 45, so this is a huge consumer market. Vietnam Dairy Products serves an expanding national diet. Another food play, though not as domestic, is Nam Viet Fisheries Import & Export, one of the largest listed seafood processors in the Mekong region.

In energy, Petrovietnam Drilling & Well Services serves the oil and natural gas industry and has dollar-denominated revenue; Pha Lai Thermal Power generates electricity using coal-fired plants, and Vinh Son-Song Hinh Hydro Power uses water.

Real estate is still enticing, but investors have to be careful: "We are bullish about hotels and resorts, as Vietnam is a new growing tourism destination. The retail property is very attractive, as Vietnam will allow foreign investors to invest in retail business by 2009. Industrial parks near the main city areas will continue to grow, but residential development must focus on the middle class, not high-end."

With that in mind, Lam is preparing to tap private equity for new investment. Two new funds, VinaCapital Equity Partners and VinaCapital Real Estate Partners, will aim at the U.S., mostly pension funds, and not be sold at retail. "It is for investors who can see past six months," Lam says.

Investors should align their portfolios away from interest-sensitive sectors, particularly banks, brokerages and insurance subsectors, as well as some property types. Exposures should be focused on exporters, service firms that realize dollar revenue with a Vietnam dong cost base, and companies whose top line allows pass-through of inflation pressures and rising input costs. Lam wants to be ready for real growth to resume when inflation subsides.

Foreign banks post better growth

VNS
09 July 2008

Hanoi – As Vietnamese banks struggle through numerous obstacles, foreign invested banks are reporting impressive growth rates for the first half of the year.

According to the State Bank of Viet Nam's Credit Information Centre, foreign bank branches and joint venture banks attained the highest growth rates, at 33 and 50 per cent, in terms of assets and outstanding loans in the first six months of the year.

Average growth rates in the whole banking system were only 8 per cent and 20 per cent, respectively.

Though representing only 9.3 per cent of total outstanding loans both in Vietnamese *dong* and US dollars, foreign banks and joint venture banks currently account for as much as 29.5 per cent of the total number of outstanding dollar loans in the whole banking system.

The centre said that business performances by foreign banks in Viet Nam were much better than those of Vietnamese banks.

Meanwhile, Vietnamese banks were struggling with a series of difficulties in regards to capital sources, interest rates and bad debts caused by tightened monetary policies. They've also been bogged down in real estate and securities loans since last year, while foreign banks have avoided these troubles.

With high liquidity and profuse capital, foreign banks have capitalised on the difficulties of Vietnamese banks to expand their market shares in the domestic retail banking market, which used to be dominated by Vietnamese banks.

Instead of focusing only on foreign direct investors, foreign banks, including HSBC, ANZ and Standard Chartered, have started providing services to Vietnamese private companies, small- and medium-size enterprises and Vietnamese households.

Previously, Vietnamese clients were under the impression that they would not be able to access foreign bank services, because they thought that with global brand names, foreign banks were only interested in big clients, like State-owned corporations and foreign invested companies.

Foreign banks currently have a lot of advantages to lure clients of Vietnamese enterprises, which have been making profits, but cannot get credit from local banks due to local banks' policies on limiting credit. While most domestic banks have postponed plans to expand their networks due to financial difficulties, foreign banks have tried to enlarge their networks.

Standard Chartered has recently opened a branch and launched retail banking services in the domestic market.

Apart from the recent establishment of a wholly foreign bank branch in Viet Nam, ANZ also has plans to open four more transaction offices by the end of the year, and even more branches in Ha Noi and HCM City thereafter.

Vietnam refinery to use 30,000 bpd of Bach Ho from February
Thanh Nien
23 July 2008

Vietnam's first refinery will use about 30,000 barrels per day of Bach Ho crude oil when it is put into trial operation in February next year, a Petrovietnam official said on Monday.

The 140,000-bpd Dung Quat refinery will run at 30,000-bpd capacity for about three months between February and May, after which production would be doubled to 60,000 bpd, the official, who declined to be identified, said.

"We aim to have the refinery running at 100 percent capacity by the end of 2009," he added.

Last week Petrovietnam said it had completed 84 percent of the construction and engineering work at the $2.5-billion plant.

Petrovietnam, which now exports all of its Bach Ho output, which averages about 140,000 bpd, is expected to cut exports of the grade from December to around 100,000 bpd to save for Dung Quat's feed.

Production from the Bach Ho oil field, Vietnam's biggest, accounts for about half of the country's total crude oil production of about 290,000 bpd.

Petrovietnam and Japanese refiner Idemitsu and Kuwait Petroleum International are also building Vietnam's second refinery, the $6 billion 200,000-bpd Nghi Son plant, in the country's north, with completion slated in 2013.

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