

# VinaCapital 2009 update:

- Vietnam Opportunity Fund
- Vietnam Infrastructure Limited
- VinaLand Limited

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- **Introduction to VinaCapital Group**
- Vietnam's investment story
- VOF update: results and strategy
- VNI update: results and strategy
- VNL update: results and strategy
- Management team

# Introduction – VinaCapital Group

**VinaCapital Group is the leading asset management and investment banking firm in Vietnam, with leading expertise and innovative listed and unlisted products.**

- Established in 2003, VinaCapital Group is the largest investment group in Vietnam, managing over USD1.6 billion as of January 2009.
- VinaCapital manages five funds, focused on capital markets, private equity, real estate, infrastructure, fixed income and technology.
- VinaCapital has the best-in-class investment team in Vietnam:
  - The three founding partners have over 55 years investment experience in Asia.
  - The full investment team of over 180 professionals has leading expertise in capital markets, private equity, real estate and infrastructure.



**VinaCapital Group (VCG) has over 180 investment professionals in four offices in Vietnam.**

#### **Our funds:**

- **Vietnam Opportunity Fund (VOF)**
- **VinaLand Ltd (VNL)**
- **Vietnam Infrastructure Ltd (VNI)**
- **Vietnam Fixed Income Fund (VFIF)**
- **DFJ VinaCapital LP**

<b>VinaCapital AIM-traded funds</b> Total AUM: USD1.63 billion (31 Jan 2009)		
<p><b>VinaCapital Vietnam Opportunity Fund Ltd</b></p> <p>Closed-end fund</p> <ul style="list-style-type: none"><li>• Opportunity fund tapping growth and development of Vietnam.</li><li>• Equity and debt in listed, OTC-traded and private companies.</li></ul> <p><b>NAV: USD597m</b></p> <p><b>Diversified</b></p>	<p><b>VinaLand Ltd</b></p> <p>Closed-end fund</p> <ul style="list-style-type: none"><li>• Investment in existing properties and new developments in Vietnam.</li></ul> <p><b>NAV: USD766m</b></p> <p><b>Real Estate</b></p>	<p><b>Vietnam Infrastructure Ltd</b></p> <p>Closed-end fund</p> <ul style="list-style-type: none"><li>• Infrastructure and related assets in Vietnam and surrounding Asia Countries.</li></ul> <p><b>NAV: USD259m</b></p> <p><b>Infrastructure</b></p>

*NAV figures as of 31 January 2009.*

# Introduction – VinaCapital track record

**VinaCapital has a strong track record in generating investor returns and growing its business:**

## **Fundraising:**

VinaCapital has launched three AIM funds with over USD1.5 billion in capital raised from major institutional and private investors.

## **Investment returns:**

VOF has returned 89.6% on NAV since inception in September 2003;

VNL has returned 57.7% on NAV since inception in March 2006.

**These returns are due to numerous individual deals and exits that have generated substantial profit (see examples at right).**

<b>Company</b>	<b>Deal type and result</b>
<b>Vinamilk</b> (Dairy products)	<b>SOE equitisation and listing</b> , with realised gains of USD62m, yielding an XIRR of 51%.
<b>Kido's Ice Cream/ Kinh Do</b> (Confectionary)	<b>Buy-out and listing</b> , with original investment in Kido's yielding XIRR of 26% since Sep 2004 and Kinh Do yielding XIRR of 29% since Jan 2005.
<b>Masan JSC</b> (Food products)	<b>Expansion financing</b> , with board participation and strong minority rights. XIRR of 30% since Aug 2006.
<b>Sofitel Metropole Hotel</b>	<b>Deep discount acquisition</b> and turnaround of this historic hotel in Hanoi, leading to an increase in valuation of 3.1x original investment.
<b>Hanoi apartment</b>	<b>Deep discount acquisition</b> of 180+ apartment units in profit share arrangement with building owner. ROI of 85% on sold portion.

Investment figures as of Dec 2008.

The key driver of VinaCapital's success is **our scale** – a network of over 200 investee and project companies that provide asymmetrical access to top business leaders and the latest market information.

## Key success factors:

1. **Management expertise and leadership:** The most experienced Vietnam-centered team of principals and managers.
2. **Branding and relationships:** Considerable investment in the VinaCapital brand and relationships.
3. **Investment process:** A disciplined, bottom up investment process, with sound investment criteria.
4. **Client base:** An established and growing client investor base; including many leading international investors.

VinaCapital's funds remain the top Vietnam plays given their portfolio holdings and the investment manager's success and market position.

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# Investment story – Vietnam survived a difficult 2008

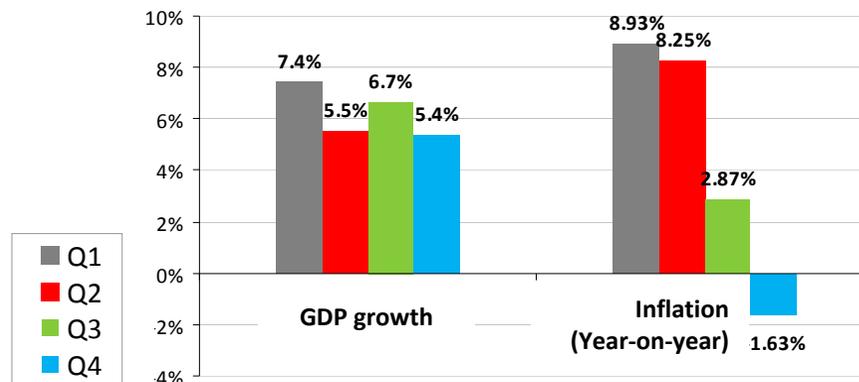
## Vietnam weathered its own crisis in Q2; then hit by the world crisis in Q4 2008.

- Vietnam high inflation in H1 2008 required fiscal and monetary tightening.
- Government successfully slowed inflation; but capital markets and real estate suffered credit crunch.
- With onset of global crisis in H2 2008 government has dropped base rate to 7% from 14% and devalued VN dong by 3%.

## Vietnam's 2008 GDP growth was 6.2% while majority of world was in recession.

- Industrial output decline of -4.4% in January was worrying (Tet holiday slowdown only?).
- FDI expected to slow from 2008's record USD64bn committed/USD11bn disbursed.
- Nonetheless, GDP growth in 2009 estimated at 4-5% – few countries will match this.

### Economic indicators by quarter, 2008



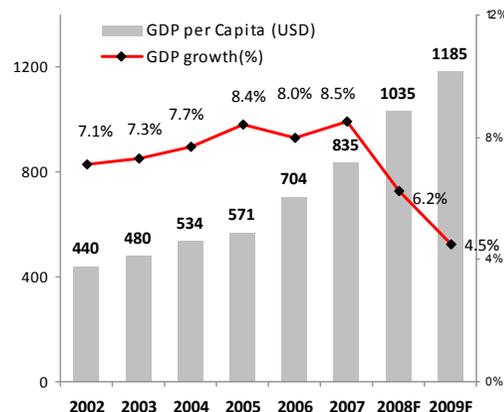
Inflation drastically reduced from H1 to H2 2008.  
Deficit also decreased, from USD14.2bn in H1 to USD3.2bn in H2 2008.

# Investment story – Fundamentals intact for long-term development

## Vietnam's medium and long-term fundamentals strong; opportunity to get in cheap now.

- Vietnam's rapid development is founded on:
  - 86 million people; young and literate population.
  - Continued political stability.
  - Tremendous natural and farmable resources (oil and gas; agriculture; seafood; minerals).
  - A geographically strategic location with over 2,500km of coastline in the heart of Asia.
- Healthy foreign reserves of about USD21bn.
- VN Index at 9.4x trailing P/E and 1.3x P/B – an excellent entry point awaiting positive news.
- The equitisation of major SOEs in 2008, if fairly priced, could be this positive news.

Vietnam GDP 2002-2009F

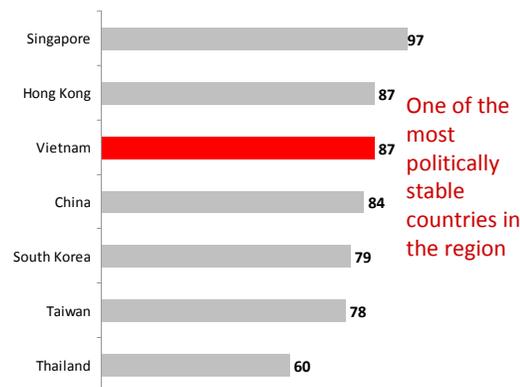


2007 Gross Net Income (GNI) per capita USD '000

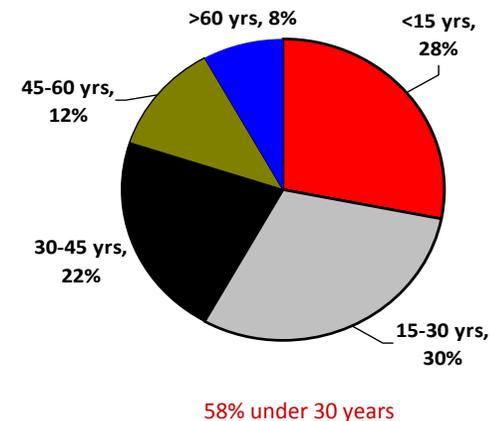


Source: World Bank

2007 Business Monitor International Political Risk Rating

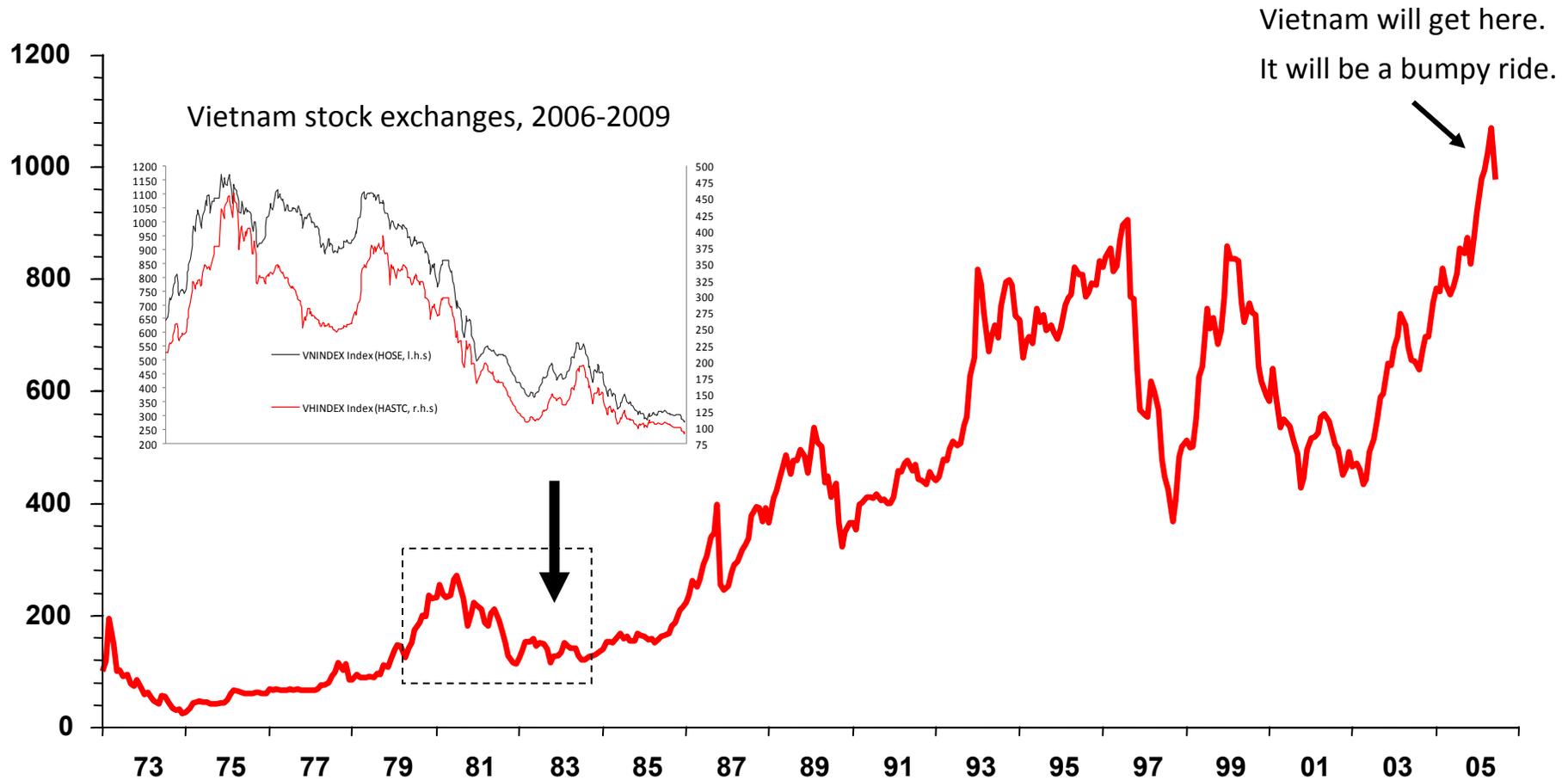


Population by age 86mm total



# Investment story – At the onset of a long period of growth

## MSCI Emerging Market Index, 1973-2005



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## VOF is the largest fund focused on equity investments in Vietnam

### Background

- Inception: **Sept 2003** (first Asian fund on AIM)
- NAV (31 Jan 09) **USD597m**

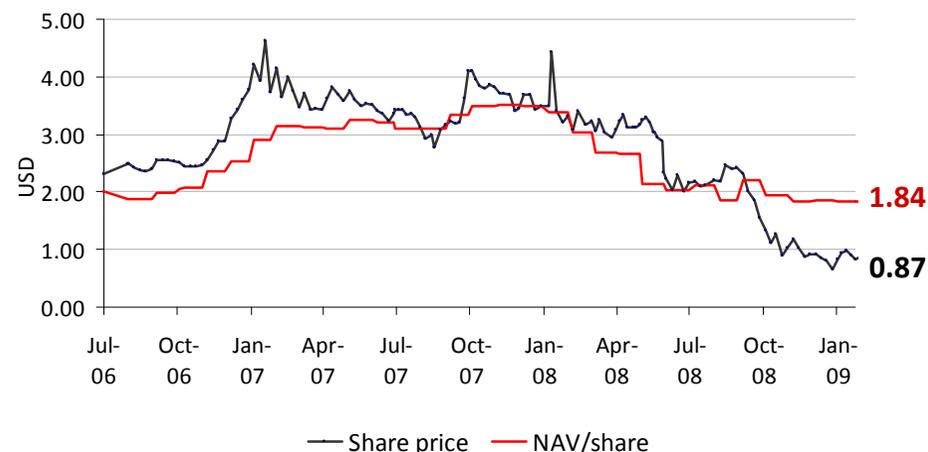
### Strategy

- Investment objective is to consistently achieve IRR of 25% on an annual basis through medium and long-term investments with profit taking when appropriate.
- Focus on key sectors that support Vietnam’s growing domestic consumption economy such as financial services, property development, consumer goods, and healthcare services and products.

### Performance highlights (as of Dec 2008)

- Return on NAV/share since inception: 89.6%
- Relative to peers, the best track record in preserving NAV in crisis period.

### NAV vs Share price performance (31 Jan 09)

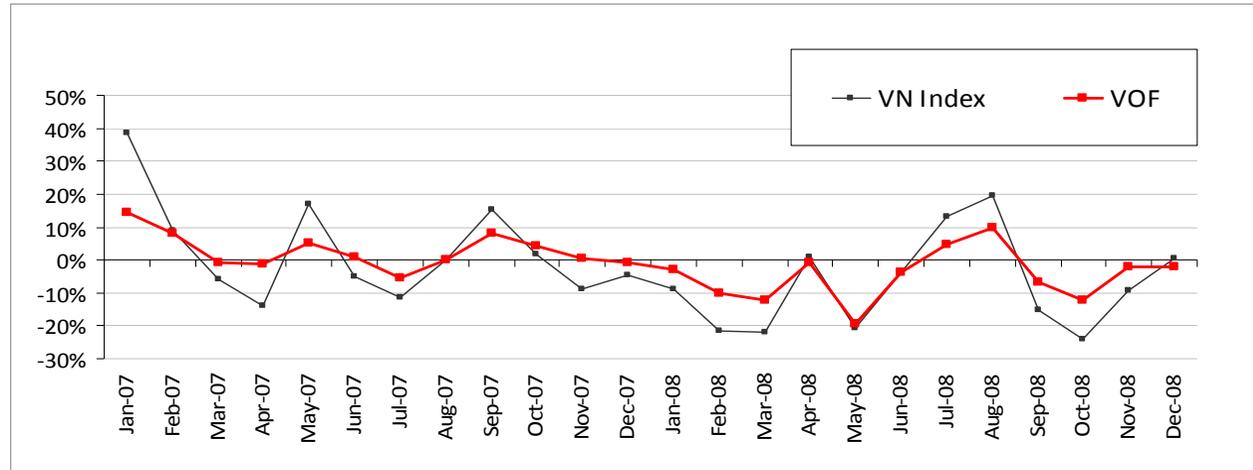


- Share price discount is currently 52.7%
- This is due to negative **market** and **perception** factors (see slide 15) that we will address in 2009.

# VOF – Strong performance versus competitors

- In 2008 VOF outperformed the VN Index and almost all other funds in Vietnam, due to our strategy of diversification.
- This is particularly noticeable in the second half of 2008 after the onset of the global financial crisis.
- VOF's overall performance is less correlated with the VN Index, which means the fund loses less in the downside but also gains less in the upside.

**VOF versus VN Index Return (Jan 07 – Dec 08)**



**Comparison of VOF, VN Index and Competitors Returns**

Period	VOF	VN-Index	Average of Key Competitor Funds
<b>2008</b> 31 Dec 07 – 31 Dec 08	<b>-46.6%</b>	-66.0%	-57.1%
<b>H2 2008</b> 30 Jun 08 – 31 Dec 08	<b>-9.6%</b>	-21.0%	-18.8%

# VOF – Addressing the share price discount

## Market factors

- Global crisis has had a major impact on closed-end emerging market funds.
- Fund-of-fund redemptions have softened share prices of funds like VOF significantly.
- Higher liquidity and large base of retail investors caused VOF to decline more rapidly.



We believe the current cycle of hedge fund redemptions is complete; the share price is now stable, albeit low.

## Perception/confidence factors

- Incorrect perception that VOF is leveraged:
  - **VOF has no debt.**
- Low confidence that VOF can realise private equity and real estate assets at marked-to-market value:
  - **VOF has exited a deal recently at over 70% above book value; RE exits also pending.**
- VOF fully deployed so will have limited access to good investment opportunities:
  - **VOF has over USD45m in cash, and cash position is growing.**
- VOF, being too diversified, will not outperform the market when it rebounds:
  - **VOF strategy is not to match VN Index highs and lows, but outperform over the long run.**

## Addressing the share price discount:

- Options to consider: Share buyback and dividend.
- Required actions: Balance portfolio, generate returns.

## Overall Fund Strategy

- On a macro basis, we make investments in sectors that support Vietnam's growing economy.
- On a sector basis, we focus on industries that grow in conjunction with Vietnam's domestic economy, such as financial services, property development, consumer goods for domestic consumption, and healthcare services and products.
- On a company basis, we focus on publicly traded assets with the highest emphasis on private equity structure and protections.

## 1. Preserve capital and recycle cash into investments with expected higher return

- Search for exit opportunities for mature investments – focus on trade sales as valuation is more attractive.
- Seek opportunities to exit from smaller scale mature property projects to mobilise cash for commitments to larger, more strategic projects.
- Exit hospitality projects via a business trust.

## 2. Continue to actively restructure the portfolio

- Reduce property exposure – currently 44%. Target 20-30%.
- Capitalise on low hanging fruit – highly liquid, big cap listed assets with attractive valuations.
- Improve the existing private equity portfolio and seek additional attractive opportunities.

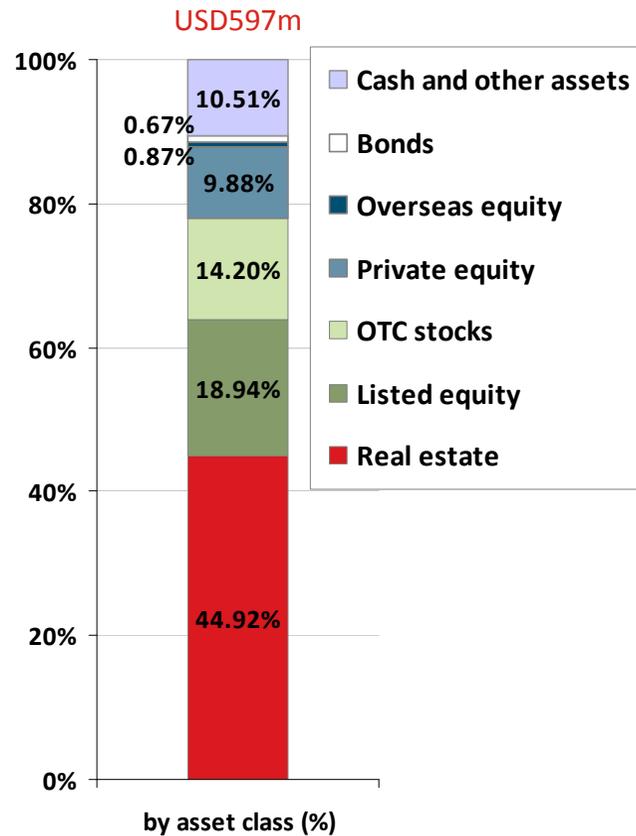
## 3. Increase allocation to assets with downside protection

- Pursue opportunities, whether short-term or long-term, with downside protection and the highest possible return (fixed income products and distressed assets/equities).
- Prioritise short-term bonds with high yield.

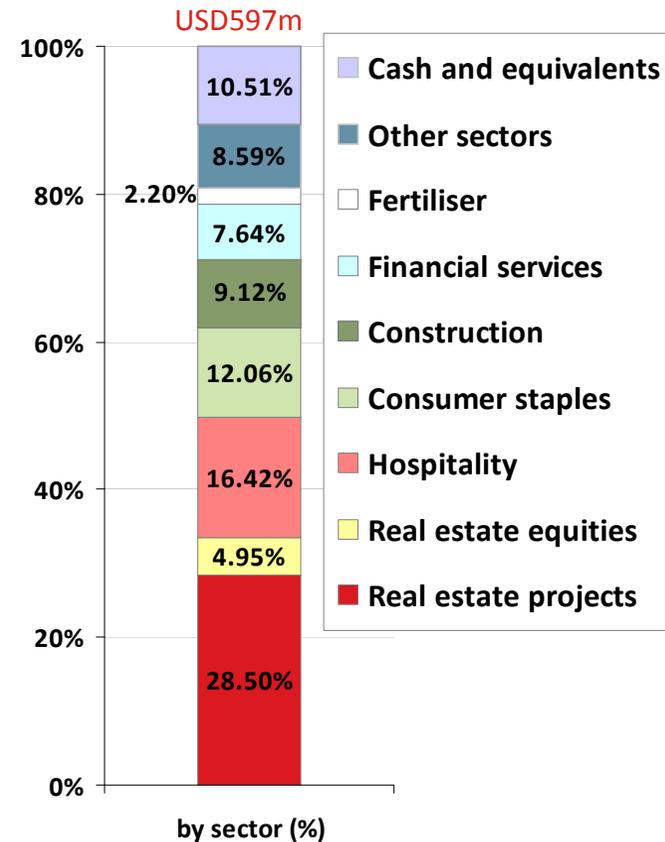
## VOF is well diversified by asset class and sector

VOF Portfolio (at 31 Jan 09)

By asset class



By sector



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## VNI is in a unique position to benefit from Vietnam’s infrastructure development

### Background

- Inception: **July 2007**
- NAV (31 Jan 09) **USD259m**

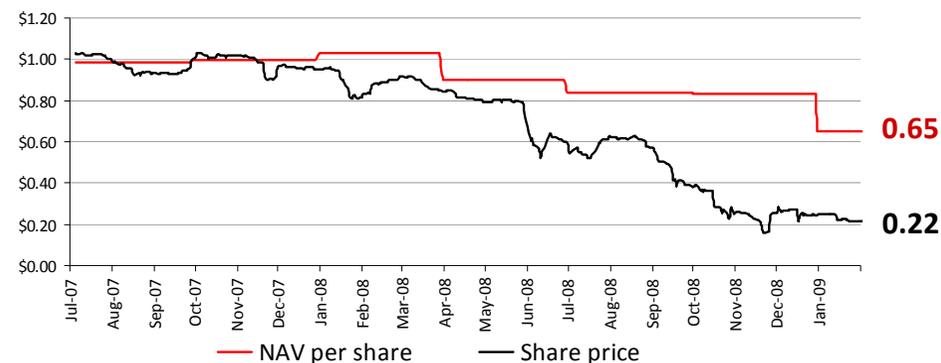
### Strategy

- Investment objective is to achieve capital gains and income generation by investing in infrastructure and infrastructure-related assets.
- Focus sectors include energy, transport, telecommunication, water utilities, and industrial parks and services.
- Target going forward is to focus on brownfield and operating assets.

### Performance highlights (as of Dec 2008)

- Over USD150 million invested in four of five target sectors, including greenfield, brownfield and operating assets.
- Returned USD40 million to shareholders in a special capital distribution on 16 January 2009.

### NAV vs Share price performance (31 Jan 09)



- Share price discount is currently 66.1%
- Similar factors to VOF plus dismal 2008 performance of global infrastructure funds.

# VNI – Investment results after one year

## **Over USD150 million invested in about 20 companies and projects**

- Portfolio of infrastructure assets diversified by sector and asset class.

## **A diversified portfolio with projects at all stages of development**

- Investments in transportation, industrial park development, telecommunications infrastructure, and energy – including thermal and hydro power, and oil and gas production.

## **Strong performance in a difficult market environment**

- Low correlation between an alternative asset class like infrastructure versus traditional equity investments.
- VNI's net asset value fell 27 percent for 2008 (ex capital distribution), versus a fall of 65.9 percent for the VN Index.

## **High level of support and a strong network**

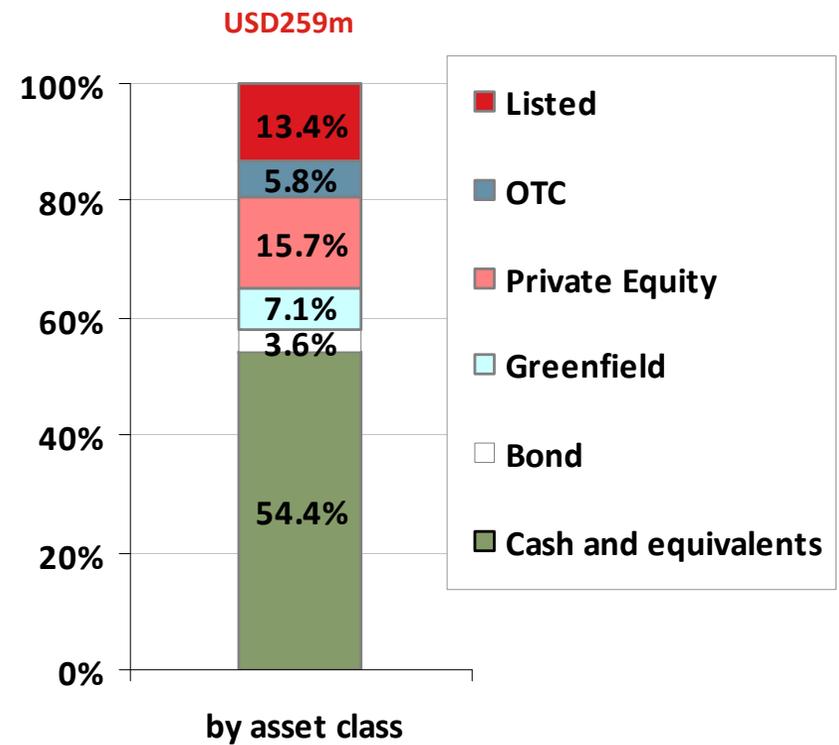
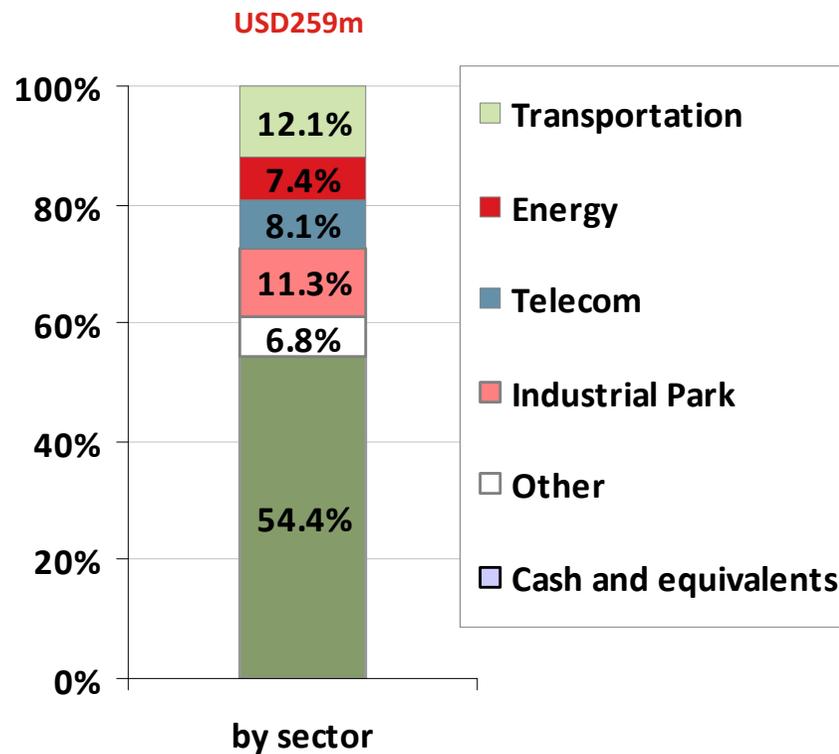
- The government is promoting private investment into infrastructure projects, and VNI is in a unique position in the market as the only foreign fund supporting infrastructure development.

VNI has invested in all target sectors except water/waste treatment

### VNI Portfolio (at 31 Dec 08)

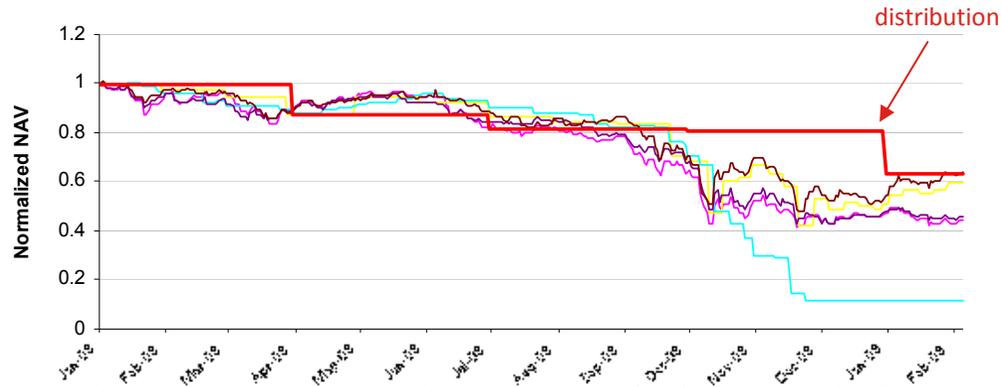
By sector

By asset class



# VNI – Comparison with global infrastructure funds

VNI's NAV versus other global funds  
(Jan 08 to Feb 09)



VNI's NAV has significantly outperformed other global infrastructure funds.

Guilt by association: VN Index and global infrastructure performance have pulled VNI down in 2008.

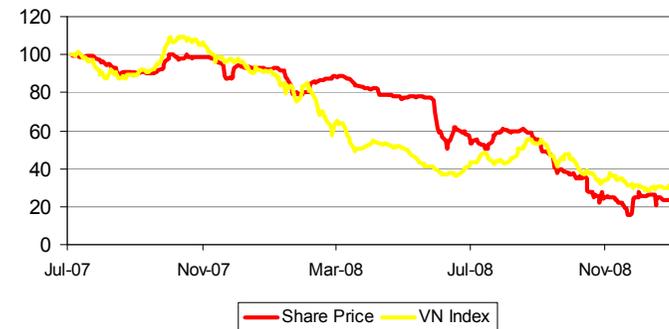


VNI's share price vs global infrastructure funds  
(Jan 08 to Feb 09)



VNI's share price has been dragged down by an irrational correlation to the VN Index.

Correlation between VNI share price and Vn Index

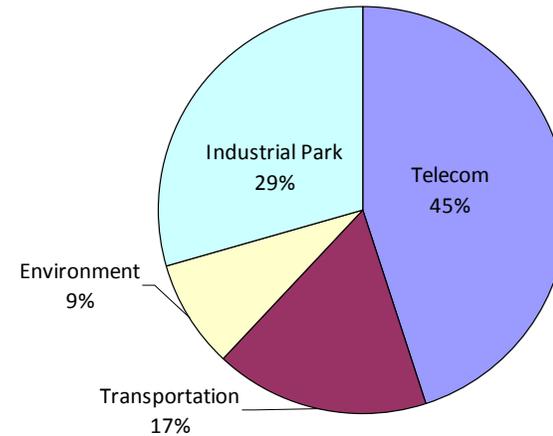


Note: Data from Bloomberg

# VNI – Strategy going forward

- Focus on projects which are in operation and under construction.
  - Reduces developmental risk.
  - More challenges in getting debt / project financing (despite lower interest rates).
  - Project owners now have more realistic pricing.
- Close supervision of investee companies.
  - Representation on board / audit committee.
  - Right to hire / fire the CFO.
  - Active engagement with investee companies on shareholders value.
- Focus on sectors which are least affected by the global turmoil.
  - Power generation.
  - Domestic transportation (toll-roads).
  - Waste and environmental.

Capital commitments, 2008



## Deal flow:

<b>Waste treatment plant</b> 1,200 tonnes/day	-> Operating in 3 months
<b>Coal power plant</b> 1,000MW	-> Operating asset
<b>Hydro plant</b> 30MW	-> Operating in 3 months
<b>Toll road concession</b>	-> Operating asset

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## VNL is the largest overseas listed fund for investment in Vietnam

### Background

- Inception: March **2006**
- NAV (31 Dec 08) **USD766m**

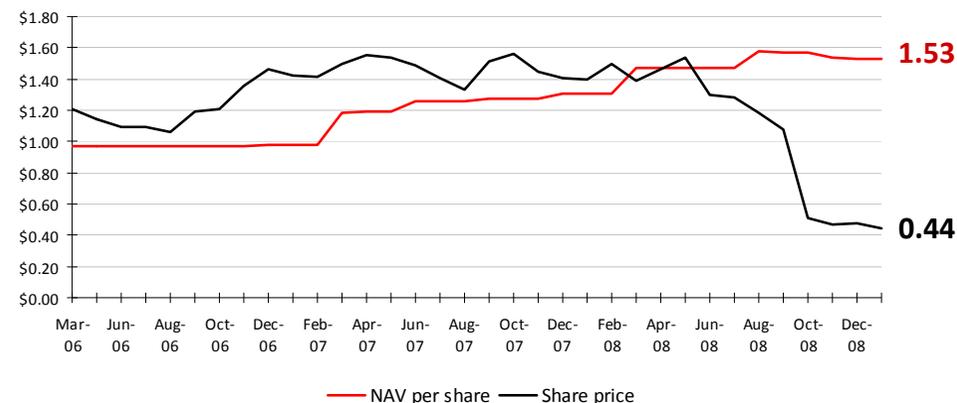
### Strategy

- Focuses on a diversified portfolio of projects in key growth sectors of Vietnam's real estate market including residential, office, retail, township and hospitality.

### Performance highlights

- Return on NAV/share since inception: 57.7%
- Return on NAV in 2008: **16.8%**.
  - Vietnam real estate funds **5.7% avr return on NAV.**
  - 32 Vietnam funds **-38.7% avr return on NAV.**

### NAV vs Share price performance (31 Jan 09)



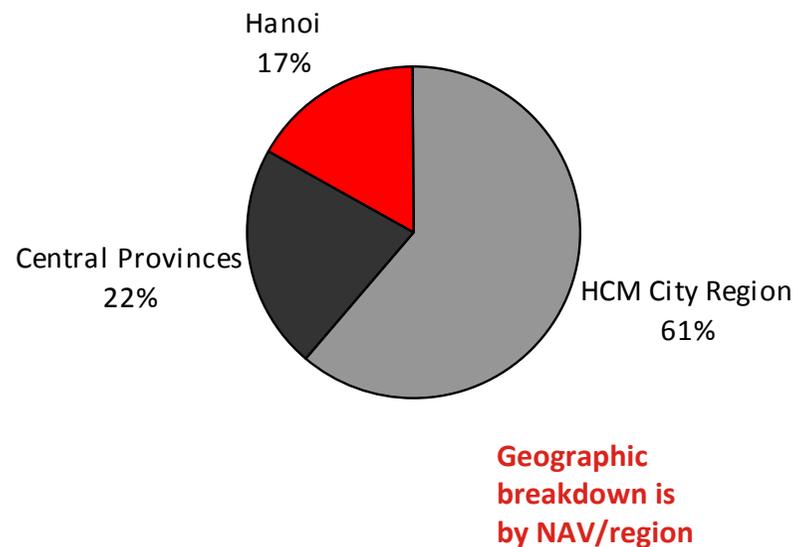
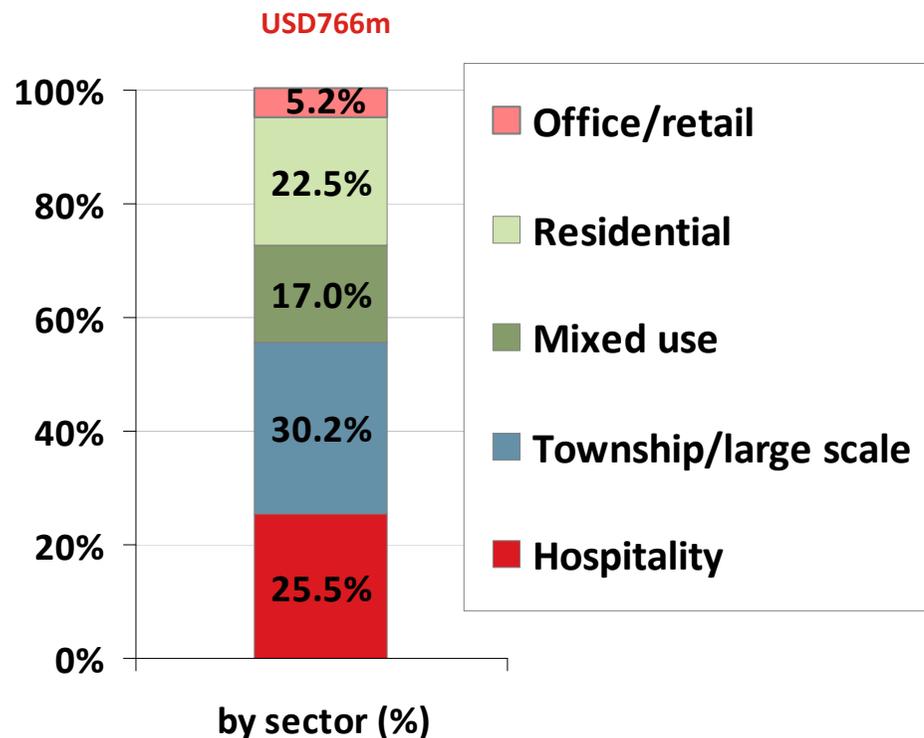
- Share price discount is currently 71.2%
- Similar factors to VOF depressing the share price.
- Exits in 2009 will help demonstrate validity of VNL's NAV.

VNL holds Vietnam’s top hospitality and leisure assets; and wide range of mixed-use projects.

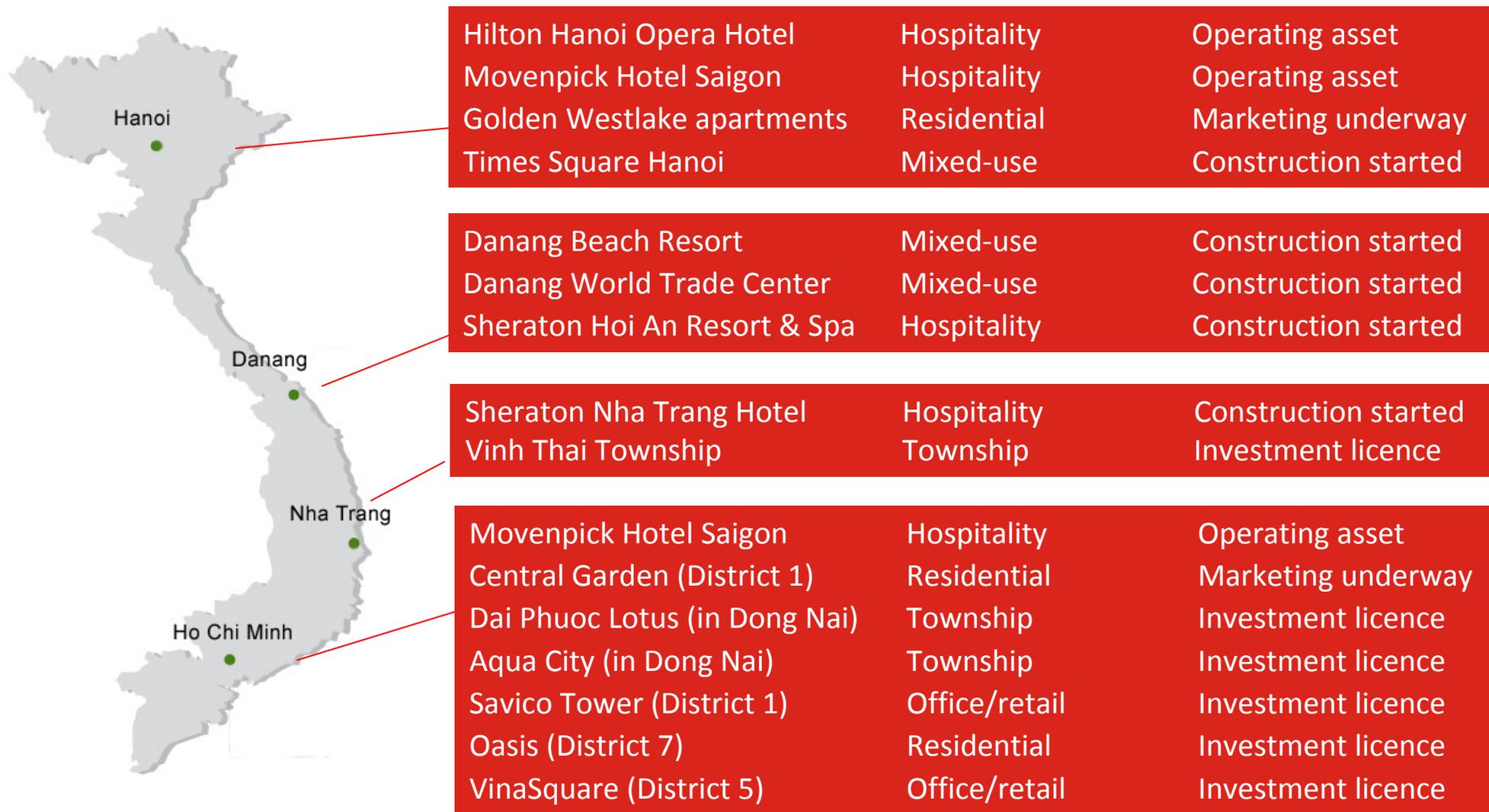
VNL Portfolio (at 31 Dec 08)

By sector

By geography



# VNL – Investments across Vietnam



## VNL since inception has relied on the following strategies:

### Primary strategy

- **Acquire greenfield projects** and obtain legal paperwork to develop the assets. Valuation increases when a) land-use right received, b) investment licence received, c) construction permit received.
  - This strategy has allowed VNL to see its NAV increase as projects move forward, and has resulted in several strategic divestments already.

### Secondary strategy

- **Acquire operating hospitality assets** at discounted prices, and improve their efficiency and profitability, in preparation for exit via trust, IPO, trade sales.
  - VNL has the top portfolio of hotel assets in Vietnam.

### Tertiary strategy

- **Opportunistic real estate investing**, such as blocks of apartments at distressed/discounted prices.
  - Has resulted in low-risk, cash-generating deals, such as Golden Westlake apartments.

## Primary strategy

### Partial divestment from greenfield project (mixed-use urban landmark in Danang)

- May 2006: Acquired for USD8.3 million (USD333/sq.m)
- June 2008: Sold 49% at USD24.5 million (USD2,000/sq.m) **for 502% ROI on sold portion**

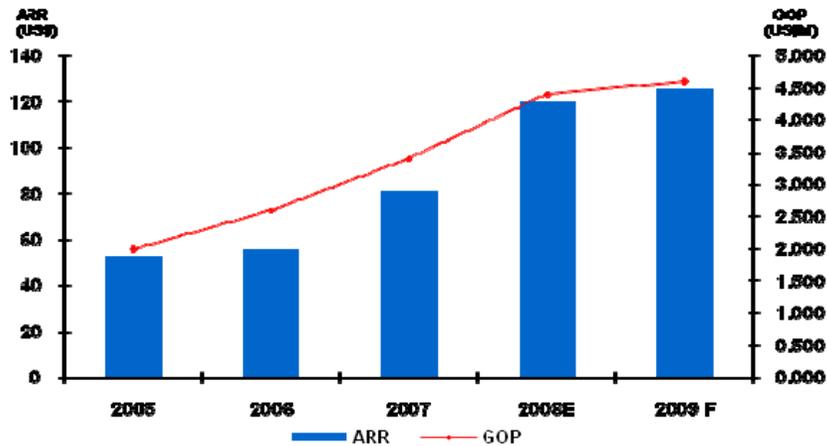
- Deal sourced from city government; required relocation of a school and residences.
- Obtained 100% FIE licence; planning approval; investment licence; construction permit.
- Groundbreaking in Q1 2008.
- Sold 49% stake in Q3 2008.



## Secondary strategy

### Re-branding and turn-around of Movenpick Hotel Saigon (formerly Omni Hotel)

- 2005: Gross Operating Profit of USD2.0 million
- 2008: Gross Operating Profit of USD4.4 million *for 120% increase*



## Tertiary strategy

### Hanoi apartment block – an opportunistic deal

- May 2007: Acquired for USD15.0 million in equity
- May 2008: Sold 53% and received USD14.7 million *for 85% ROI on sold portion*

- High-end condo in Hanoi.
- Owner had cash flow problems.
- VNL acquired 189 units at discounted price.
- Sold half of units for after tax income of USD14.7m.
- Remaining units now being marketed by VNL in-house sales team.



## VinaLand objectives in the next 12 months

- Divestment from selected existing projects.
  - Update: Two partial divestments now under due diligence review.
- Target ROI: 20% plus.
- Remain focused on major urban centres – HCM City, Hanoi and central region.
- Maintain diverse approach targeting all real estate sectors.
- No new acquisitions planned.
- Focus on project implementation (construction).
  - Update: Financing secured from local banks for two key projects; more financing deals in pipeline.
- Refine exit strategies, divestment, co-investment with private equity given global situation.

### Investment by sector 2007

• Hospitality	21%
• Mixed use	13%
• Township	34%
• Residential	19%
• Office	4%
• Land Banking	4%
• Cash & Others	5%
	100%

### Investment by sector forecast to 2010

• Hospitality	20%
• Mixed use	20%
• Township	29%
• Residential	15%
• Office	6%
• Land Banking	10%
	100%

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## **Horst Geicke, Chairman**

- Co-Founder of VinaCapital.
- Over 30 years of experience operating and investing in Asia. Built his own manufacturing and trading business to over USD500m in sales.
- Privately completed over USD300m in investments over past 10 years. Significant Vietnam experience with own manufacturing plant and seven private direct investments prior to formation of VOF.
- President, German Chamber of Commerce and European Chamber of Commerce, Hong Kong; Board member of German Chamber of Commerce, Vietnam.
- MBA cum Laude Masters degree in Economics and Business Law from the University of Hamburg, Germany.



## **Don Lam, Chief Executive Officer**

- Co-founder of VinaCapital.
- Over 12 years of experience in Vietnam, an authority on investments, mergers and acquisitions, corporate restructuring, and equitizations.
- Former partner at PricewaterhouseCoopers in Vietnam. Was responsible for the Corporate Finance team and Management Consulting team of PwC. Advised clients in Vietnam on corporate finance, M&A, restructuring, project finance and business technologies.
- Management positions at Deutsche Bank and Coopers & Lybrand in Vietnam.
- BA in Political Science, Canada Chartered Accountant, Vietnam Certified Public Accountant, Vietnam Securities License.



## **Chris Gradel, Co-Founding partner**

- 10 years of experience of investing in emerging markets with a primary focus on China and Vietnam.
- Previously an Engagement Manager with McKinsey & Company in Hong Kong.
- Established two Greenfield companies as well as acquired and restructured a state-owned enterprise in China.
- Joint Masters degree in Engineering, Economics and Management from Oxford University.



## **Brook Taylor, Chief Operating Officer**

- Over 18 years of accounting and management experience, including 11 years in Asia as a senior partner with major accounting firms.
- Prior to joining VinaCapital he was the Deputy Managing Partner of Deloitte in Vietnam and head of the firm's audit practice.
- Former Managing Partner of Arthur Andersen Vietnam, and Senior Audit Partner in KPMG Vietnam and Thailand.
- Member of the New Zealand Institute of Chartered Accountants.
- Bachelor of Commerce and Administration from Victoria University of Wellington, New Zealand.



## **Andy Ho, Managing Director of VinaCapital Investment Management Limited**

- Oversees the private equity, capital markets, fixed and venture capital investment groups.
- 5 years of experience in Vietnam, a leading authority on investments in developing capital markets and privatization opportunities, as well as private equity deals and structures in Vietnam.
- Former director of investment at Prudential Vietnam.
- Held various management positions at Dell Ventures (Investment Group of Dell Computer Corporation) and Ernst & Young.
- MBA from MIT Sloan School of Management, BSc Degree from the University of Colorado, USA Certified Public Accountant.



## **William Lean, Managing Director (Infrastructure)**

- Set-up the infrastructure team for VinaCapital. Prior to joining VinaCapital, he was Group Managing Director of HLG Capital Bhd, the investment-banking arm of Hong Leong Group.
- Formerly based in Bangkok with Asia Equity Infrastructure Fund (AEIF), a USD355 million investment fund dedicated to investing in infrastructure assets throughout Asia. Also gained experience in equity research with HSBC James Capel and corporate finance with Standard Chartered Merchant Bank.
- Graduated with a B.Sc. (Honours) in Economics and Accountancy from City University, London.



## **David Henry, Managing Director of VinaCapital Real Estate Ltd.**

- Previously was Director of Springfield Land Corp. Pty Ltd, a member of MUR Group, where he led development of the 2,860ha Greater Springfield township. Executive board member of MUR Group for 16 years.
- Professional experience includes ten years with Australia's Lend Lease Group, developing projects in Sydney, Brisbane and the Gold Coast.
- Graduated with a Bachelor of Building degree from the University of New South Wales.



## **Stephen O'Grady, Managing Director of VinaCapital Real Estate Ltd. – Hospitality Group**

- More than 20 years' experience in real estate and hotel management.
- Previously held positions with leading international hotel companies: including Kempinski, Inter-Continental, Southern Sun, Delta and Furama. Mr. O'Grady was previously the Vietnam Group Manager for Furama hotels and resorts and International and General Manager for Caravelle hotel.
- Was awarded the Ho Chi Minh City medal for benchmarking industry standards for quality and service and Vietnam hotel general manager of the year 2003 by the Vietnam National Administration of Tourism.

# VinaCapital Investment Management Ltd

Representative Officer

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