

VN Index flat after early-March rally

Trading activity up sharply

Bond yields remain below deposit rates

Capital markets

The VN Index rose 7.3 percent in the first half of March but pulled back to close the month at 461.1 points, a decline of 0.2 percent in USD terms from the end of February. Despite the significantly improved trading volumes, overall sentiment remained low due to continued macro tightening to control high inflation. In comparison, the MSCI Asia ex-Japan and Emerging Markets indices saw monthly gains of 6.2 percent and 5.7 percent, respectively.

Total trading value and volume during the month of March on both Vietnam's stock exchanges were USD1.2 billion and 1.4 billion shares, for month-on-month increases of 39.6 percent and 57.1 percent, respectively. Foreign investors were net buyers of USD15.3 million compared to USD8.6 million in February. Most foreign selling was in blue chips such as HAG, BVH, FPT, HPG and PVD while top foreign buying was in CTG, HG, FPT, VCG and DPM. Vietnam's market capitalisation was USD27.6 billion at the end of March, with an average estimated 2011 P/E of 9.8x and P/B of 1.8x.

New bond issuances failed in March as yields continued to disappoint investors. Ceiling rates remain below 12 percent despite the latest round of monetary tightening by the State Bank on 8 March. Investors can receive 14-15 percent on term deposits, so a sub-12 percent ceiling rate on government bonds is not attractive.

The State Bank imposed strong measures on the unofficial foreign exchange market. A nationwide inspection of foreign exchange shops, especially gold shops, took place in March. The effort proved temporarily effective as there was limited unofficial foreign exchange trading. Together with a slight increase in the official exchange rate, the gap between the official and open market exchange rates narrowed.

On 1 April, the authorities increased the refinancing and OMO rates by one percent to 13 percent. This is a necessary response to the March CPI year-on-year figure of 13.9 percent, a higher than expected inflation result.

Performance summary

Most recent NAV:	VOF	VNL	VNI
	(31 Mar 11)	(31 Mar 11)	(31 Mar 11)
NAV per share (USD) ¹	2.23	1.37	0.53
Return (%) ²	(from Feb 11)	(from Dec 10)	(from Feb 11)
Previous NAV	-0.5	0.1	-1.3%
2011 YTD	-6.3	0.1	-6.3%
Since inception	130.0	45.4	-36.3%
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	724	687	214
Market cap (USDm)	552	465	154
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

¹ Unaudited. VOF and VNI NAVs are updated monthly, VNL NAV is update quarterly.

² Adjusted for dividends/distributions (see VNI, page 5).

³ VNI holds 930,700 shares in a treasury facility.

VN Index	31-Mar-11	28-Feb-11	52 wk low	52 wk high
Close	461.1	461.4	423.9	549.5
	M-o-M	YTD		
Change (%)	(0.1)	(4.9)	8.8	(16.1)
Trailing P/E (x)	10.4	Est. P/E 2011 (x)	9.8	
P/B (x)	1.8			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	11.4	11.6	11.8	11.5

GDP slows to 5.4% annualised

Economy

GDP grew 5.4 percent annualised in Q1 2011, down sharply from 7.3 percent annualised for Q4 2010, but not far off the 5.8 percent annualised recorded in the same quarter of last year. First quarter GDP growth in Vietnam is always slowed by the long lunar new year holiday season. The government's economic policy tightening measures will begin to show in the Q2 numbers.

For Q1, the main drivers of growth, industrial production and retail sales, continued to show strong results, up 14.1 percent and 22.6 percent year-on-year, respectively.

Inflation rises to 2.2% month-on-month

Inflation remained high in March, at 2.2 percent month-on-month. The year-on-year inflation figure is now 13.9 percent. The March result was heavily influenced by price hikes for electricity and gasoline of 15 percent and 24 percent, respectively. With these price shocks now accounted for, analysts expect the year-on-year inflation rate to gradually decline in coming months, with most expecting full-year inflation for 2011 at under 10 percent, assuming the government maintains its current tight policy approach.

VND stabilises after aggressive intervention

March saw the VND-USD exchange rate stabilise on the open market, due to an aggressive government effort to make more USD available to the market and restrict non-VND trading activity, including controls on gold trading. The State Bank announced that 78 major state enterprises holding FX deposits of USD1.68 billion at domestic banks would sell USD376 million into the banking system. Commercial banks would thus have adequate USD to meet private sector demand. Banks previously were reluctant to sell USD near the official rate.

A clear sign of stability is that gap between the official and open market rates now hovers between 1-2 percent, compared to 10 percent prior to the devaluation. Gold shops were ordered to stop USD transactions on the basis that they are not licenced to engage in this type of trade. Only currency exchanges with an appropriate licence can trade in foreign currencies.

Also easing pressure on the VND was the government's 2011 balance of payments forecast of a small surplus of USD2.0 billion, versus a deficit of USD4.4 billion last year.

Q1 deficit at USD3bn; exports up on devaluation

Q1 2011 saw the trade deficit narrow to USD3.0 billion for the quarter, or 15.8 percent of exports, an improvement on the USD3.7 billion deficit the previous quarter. As long as the deficit remains about USD1.0 billion per month, it remains in a 'financeable' range. The February currency devaluation was a boon to export manufacturers, while the recent earthquake in Japan seems to have increased demand for Vietnamese seafood products and rice.

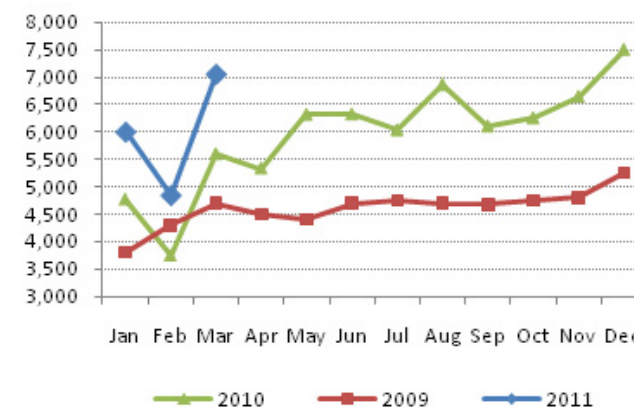
Macroeconomic indicators and forecast

	2010	Mar-11	YTD	Y-o-Y change
GDP growth¹	6.8%			5.4%
Inflation	11.8%	2.2%	6.1%	13.9%
FDI (USDbn)	18.6	0.8	2.4	-23.9%
Imports (USDbn)	84.0	8.2	22.3	23.8%
Exports² (USDbn)	71.6	7.1	19.2	33.7%
Trade deficit (USDbn)	12.4	1.1	3.1	11.4%
Exchange rate³ (USD/VND)	19,500	20,870	7.0%	7.0%
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.

Vietnam exports by month, USDm



Portfolio developments

VOF's NAV dropped 0.5 percent to USD2.23 per share at the end of March, from USD2.24 per share at the end of February. The VOF share price dropped to USD1.58 at mid-month before recovering to USD1.70 on 31 March, a five cent per share decline from the February close. VOF at the end of March had cash and equivalents holdings of USD67 million, with plans to disburse much of this into listed blue chips and private equity deals, given the current low market valuations.

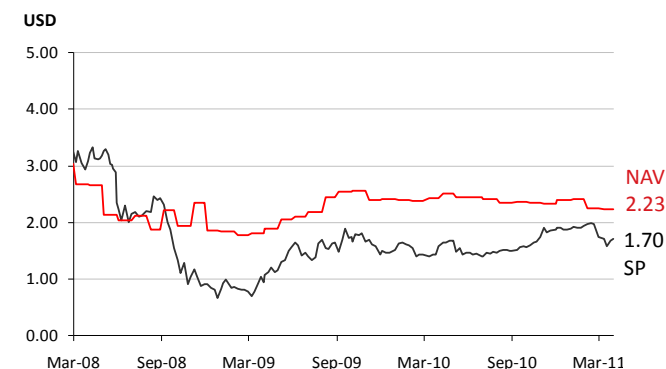
VOF reported in January that the proceeds from the Halico exit would be booked in the March NAV. However, the deal requires shareholder approval and the Halico AGM was delayed until the end of April, instead of mid-March. As a result, VOF now expects to receive and book the majority of the proceeds in the May NAV.

31 March 2011

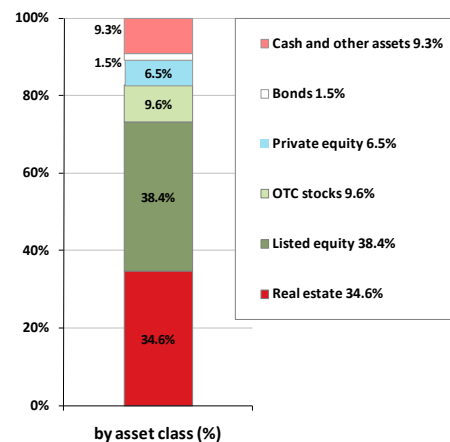
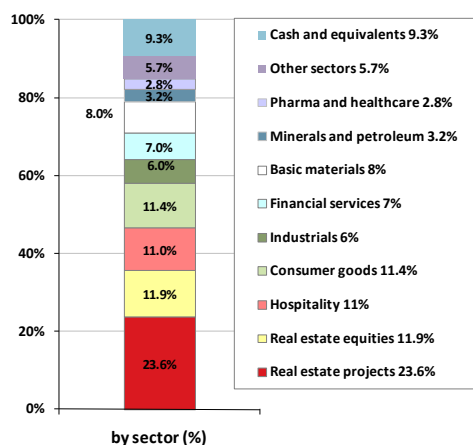
NAV **2.23** per share (↓ 0.5%)

Total NAV: USD724 million

NAV and share price performance (31 Mar 2011)



VOF portfolio (31 Mar 2011)



Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
VNM	Listed equity	5.5	Dairy firm with dominant market share.
EIB	Listed equity	5.1	One of Vietnam's top joint stock banks.
VNL	Listed equity	4.7	VCIM-managed Vietnam fund.
HPG	Listed equity	3.5	Major steel manufacturer.
An Giang	OTC	2.6	Leading agrichemicals distributor.
Halico	OTC	2.6	Spirits producer with top market share.

Fund manager

Andy Ho

Fund background

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the AIM Market of the London Stock Exchange.

VOF targets medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: privately negotiated equity investments; undervalued/distressed assets; privatisation of state-owned enterprises; real estate; and private placements into listed and OTC-traded companies.

Download the VOF Factsheet at www.vinacapital.com/vof

Performance history (% change on NAV)

	2011	2010	2009	2008	2007
Jan	1.4%	-1.1%	-1.3%	-2.9%	3.9%
Feb	-7.1%	-0.3%	-3.7%	-10.2%	6.3%
Mar	-0.5%	1.9%	1.7%	-11.8%	8.8%
Apr		3.0%	4.4%	-0.8%	7.6%
May		-2.5%	9.1%	-19.5%	-1.0%
Jun		0.6%	2.2%	-4.7%	1.5%
Jul		-1.6%	3.8%	5.7%	-6.5%
Aug		-3.3%	12.2%	9.8%	6.4%
Sep		1.4%	3.8%	-6.7%	3.0%
Oct		-0.8%	1.2%	-12.4%	1.0%
Nov		-0.7%	-6.5%	-1.9%	13.5%
Dec		2.1%	0.8%	-2.1%	8.1%
YTD	-6.3%	-1.6%	29.7%	-46.6%	64.9%
VN Index*	-4.9%	-2.0%	56.8%	-66.0%	144.5%

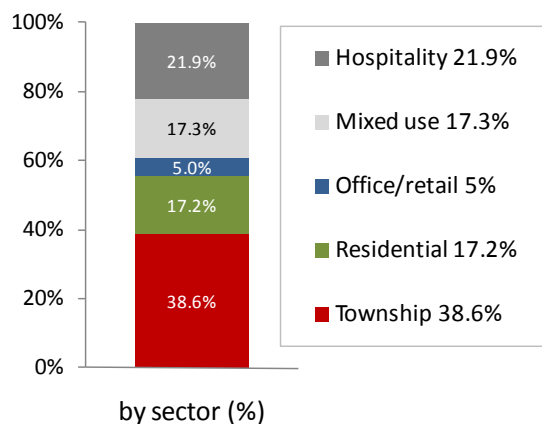
* Expressed in USD terms.

Portfolio developments

VNL's NAV was USD1.37 per share at the end of March 2011, up one cent per share from the end of December 2010. The share price meanwhile fell slightly over the month, closing March at USD0.94, down from USD0.96 the previous month.

During the first three months of 2011, a record total of 264 sales contracts were signed, representing a value of USD20.9 million. The sales included a large number of cleared land plots at Project Venus, a township in Nha Trang, while 31 completed and under-construction condominiums, townhouses and villas were sold at projects in Danang and the Ho Chi Minh City region. The USD20.9 million sales figure for Q1 2011 is significantly higher than the USD7.4 million in sales recorded during the same period in 2010. For 2010 full year, USD73.8 million in sales were recorded.

VNL portfolio (31 Mar 2011)



Portfolio by geographic location (% NAV)

Hanoi	8%
Central provinces	27%
Ho Chi Minh City region	65%

Valuation breakdown (% NAV)

Assets held at cost	8%
Assets revalued	92%

Holdings breakdown (% NAV)

Top 10 assets	62%
Remaining 28 assets	38%

Development status (% NAV)

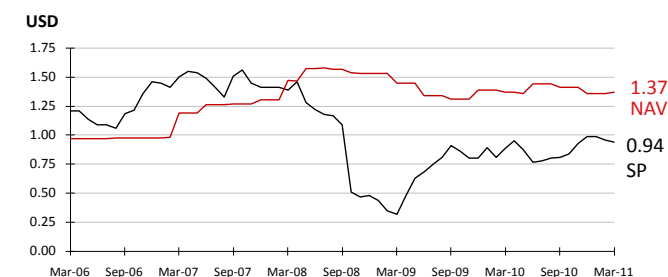
Landbanking assets	15%
Development stage assets	73%
Operating assets	12%

31 March 2011

NAV **1.37** per share (↑ 0.7%)

Total NAV: USD687 million

NAV and share price performance (31 Mar 2011)



Quarterly performance history (% change on NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-5.2%	12.5%	22.0%
Q2		-0.7%	-7.6%	7.1%	6.1%
Q3		3.7%	-2.2%	-0.4%	0.2%
Q4		-3.5%	1.5%	-2.5%	3.2%
YTD	0.7%	2.3%	-11.3%	17.1%	33.8%

Top holdings

Project	Location	Type	NAV%	Current status
Cambridge	South	Township	11%	Planning underway
Niagara	Centre	Township	10%	Sales underway
Jupiter	South	Township	9%	Sales underway
Nile	South	Mixed-Use	6%	Planning underway
Mekong	South	Mixed-Use	6%	Investment licence
Tiber	South	Mixed-use	5%	Under construction
Venus	Centre	Township	5%	Sales underway
Aquarius	South	Township	5%	Planning underway
Mars	South	Township	4%	Planning underway
Leo	South	Township	3%	Planning underway

Fund manager

David Henry

Fund background

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

VNL targets 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.

Download the VNL Factsheet at www.vinacapital.com/vnl

Portfolio developments

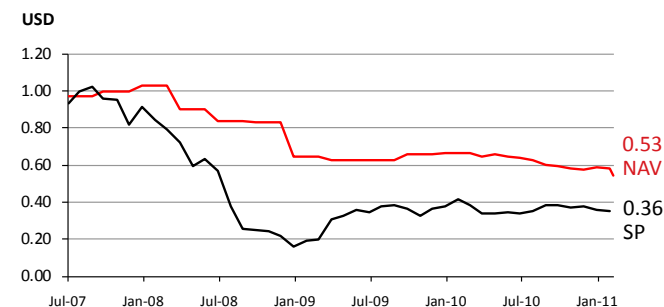
VNI's NAV declined slightly to USD0.53 per share at the end of March, from USD0.54 per share at the end of February. The share price matched this change by dropping one cent to close March at USD0.35. During the month, investee Phuoc Hoa Rubber JSC (PHR), one of Vietnam's leading rubber companies, reported Q1 2011 results. The company earned revenue of USD28.7 million and profits of USD12.0 million, the latter already 41 percent of the 2011 full-year target. Another investee, Hanoi Electrical Equipment Mechanical Engineering JSC (HNEM), reported Q1 2011 revenue at more than USD490,000, a positive result as HNEM just started operations of its first hydropower plant in October 2010. To date, all supporting infrastructure for its second plant, such as transformer stations and roads, have been completed.

31 March 2011

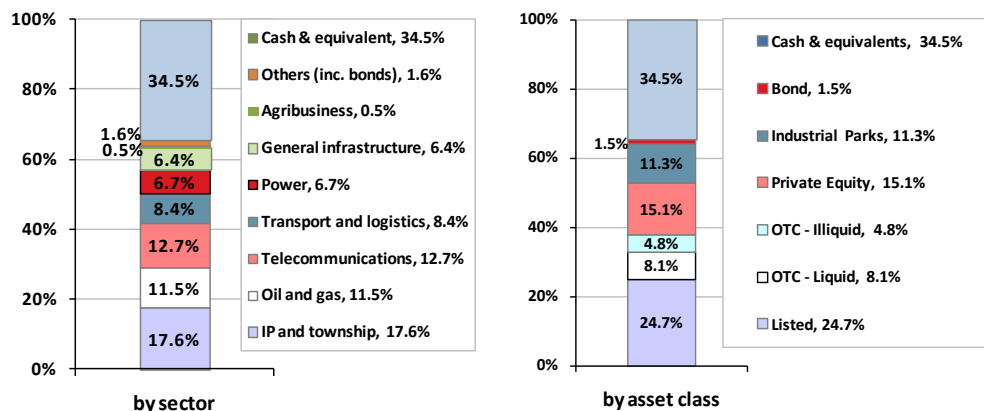
NAV **0.53** per share (↓ 1.3%)

Total NAV: USD214 million

NAV and share price performance (31 Mar 2011)



VNI portfolio (31 Mar 2011)



Quarterly performance history (total return)*

	2011	2010	2009	2008	2007
Q1	-6.3%	-3.2%	-0.5%	-12.8%	na
Q2		-0.6%	3.7%	-6.7%	na
Q3		-7.5%	1.5%	-1.0%	2.9%
Q4		-3.7%	0.8%	-12.0%	3.1%
YTD	-6.3%	-14.3%	5.5%	-29.1%	6.1%

* Total return since inception: -36.3% (assumes distributions reinvested).

Fund manager

Tony Hsun

Fund background

Vietnam Infrastructure Limited (VNI) is a closed-end fund trading on AIM Market of the London Stock Exchange.

VNI targets medium to long term capital gains with some recurring income through investment in the following infrastructure sectors: energy; transportation; industrial parks; telecommunication; and water and environmental utilities.

Download the VNI Factsheet at www.vinacapital.com/vni

Major holdings

Name	Asset class	Sector	NAV (%)
Long an IP	Greenfield	IP and township	9.0
Nam Viet	OTC	Oil and gas	4.5
PVD	Listed	Oil and gas	4.4
CII	Listed	General infra	4.0
VNC-55	PE	Telecomms	3.9
MIDC	PE	Telecomms	3.5
VALC	OTC	Transportation	3.5
Phu My	OTC	Transportation	3.2
PVS	Listed	Oil and gas	2.6
MIS	PE	Telecomms	2.4

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VinaCapital investment team

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VinaCapital’s three AIM-traded funds.

Don Lam Chief Executive Officer
Brook Taylor Chief Operating Office

Andy Ho Managing Director, Head of Investment
Tony Hsun Managing Director, Infrastructure
David Henry Managing Director, Real estate
Stephen O’Grady Managing Director, Hospitality

Nguyen Viet Cuong Deputy Managing Director, Capital markets
Dang P. Minh Loan Deputy Managing Director, Private equity
Kenny Low Deputy Managing Director, Infrastructure
David Blackhall Deputy Managing Director, Real estate
Jonathan Campbell Deputy Managing Director, Real estate
Anthony House Deputy Managing Director, Real estate

Contact
Michael L. Gray Investor Relations/Communications
 ir@vinacapital.com
 +848-3821-9930
www.vinacapital.com

Brokers LCF Edmond de Rothschild Securities
 +44 (0)20 7845 5960 or funds@lcf.co.uk
 Numis Securities
 + 44 (0)20 7260 1327, www.numiscorp.com

Nominated advisor Grant Thornton Corporate Finance
Auditor Grant Thornton (Cayman Islands)
Internal auditor PricewaterhouseCoopers (Vietnam)
Custodian HSBC Trustee (VOF and VNL)
 Standard Chartered (VNI)