

### VN Index down 6.4% on global market news

## Capital markets update

The Vietnam Index closed at 507 points at the end of May 2010, down 6.4 percent, despite the market's low valuations, stabilising inflation and early indications of declining domestic sovereign bond yields. Vietnamese equities were dragged down by external factors, namely the significant negative sentiment and even consternation over the European debt crisis and whether the Euro can remain stable in the face of debt crises in Greece, Spain and other EU member countries. The MSCI Asia ex-Japan Index fell by 7.7 percent.

The combined total trading value and volume for the month on both Vietnam's stock exchanges remained strong with 2.2 billion shares traded (up 4.0 percent), worth USD3.8 billion (down 6.2 percent). As the market traded down at the end of the month, foreign investors became less active, with net buying of USD19.4 million for May (down 83.8 percent), mainly focusing on blue-chips.

### Bond yields on decline

Inflationary pressures in Vietnam have tailed off as there are ample food supplies, and weak external demand have kept fuel and commodity prices stable. Against this background, the State Bank of Vietnam has kept the base rate steady at 8.0 percent, and expectations have recently emerged that sovereign bond yields may decline further going forward.

Over the last month, secondary market bond yields have fallen by approximately 50 basis points. The three-year yield is currently 11.3 percent, down from 11.9 percent in early May, while the five-year yield is at 11.6 percent, down from 12.2 percent. If inflation continues to moderate, yields on short-term debt may decline further. Current monetary policy reflects this expectation.

### P/E 2010 of 12.0x leaves room for growth

In equities, the global correction has made valuations in Vietnam more attractive, with the VN Index trading at an average P/E 2010 of 12.0x, and sectors such as financial services, consumer goods and transportation poised for strong recoveries in 2H10E earnings. Additionally, market liquidity is expected to improve in the second half of the year as bank lending growth resumes and GDP growth continues to recover, likely to a rate above 7 percent annualised. Relative to regional markets, Vietnam's market P/E is discounted by about 15 percent. Finally, should bond yields fall further in the coming months, market interest rates will also decline, setting the stage for potential expansion in market P/Es and P/Bs. Consequently, we remain confident that Vietnamese asset markets are headed for a steady uptrend in the coming months.

Performance summary			
<b>Most recent NAV:</b>	<b>VOF</b>	<b>VNL</b>	<b>VNI</b>
	(31 May 10)	(31 Mar 10)	(31 May 10)
NAV per share (USD) <sup>1</sup>	<b>2.44</b>	<b>1.37</b>	<b>0.64</b>
Return (%) <sup>2</sup>	(from Apr 10)	(from Dec 09)	(from Apr 10)
Previous NAV	-2.5	3.0	-2.1
YTD	0.9	3.0	-3.1
Since inception	151.5	41.2	-23.1
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	792	685	258
Market cap (USDm)	476	440	136
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

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

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

<sup>3</sup> VNI holds 930,700 shares in a treasury facility.

VN Index	31 May 10	31 Dec 09	52 wk low	52 wk high
Close	507.4	494.8	411.4	633.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	(6.4)	2.6	23.3	(19.9)
Trailing PER (x)	11.5	Est. PER 2010 (x)	12.0	
Trailing P/B (x)	2.2			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	10.8	11.3	11.7	12.0

Source:  VinaSecurities

## WEF sees rising confidence on VN economy

### Economy

At the World Economic Forum in Ho Chi Minh City, Vietnam's Prime Minister said that 2010 GDP growth would reach 6.5-7.0 percent with inflation of 8.0 percent, and that Vietnam remains a "safe and attractive destination for FDI." GDP trends in May remained strong, with industrial production up 13.8 percent and retail sales up 44.1 percent year-on-year, respectively.

Inflation during May rose 0.27 percent month-on-month, with food prices actually declining 0.12 percent month-on-month. The March 2010 increase to the minimum wage exerted slight upward pressure on prices, most notably in the major cities Hanoi and Ho Chi Minh City, where inflation for May was over 0.40 percent.

## Businesses still waiting for lower interest rates

The base rate was kept at 8.0 percent for the seventh straight month. The State Bank appears convinced there is overall stability in the economy and so is holding constant all major policy variables: the central rate, the FX bandwidth and the base rate. However, lower interest rates remain elusive. Many enterprises have adopted a wait-and-see approach, unwilling to take out VND loans when interest rates may decline further. Instead, businesses are choosing USD loans, exposing themselves to currency risk.

The dollar loan trend will likely continue, but total credit growth for the year to May, at 8.0 percent, remains low given the full-year target of 25 percent credit growth. A loosening of monetary policy is widely expected in the second half of 2010 in order to support GDP growth. The State Bank may not have much choice, as GDP growth tends to be higher in the second half of the year, a cyclical pattern that may be damaged if monetary policy remains tight.

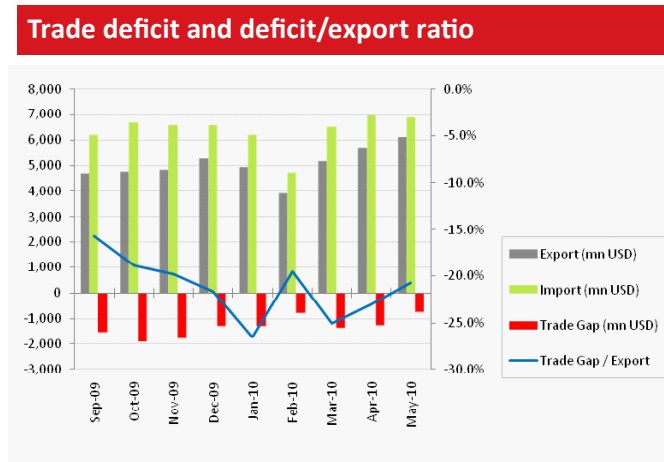
## Trade deficit falls due to gold exports

The monthly deficit for May was only USD750 million, compared to the average monthly shortfall of USD1.2 billion over the four prior months. Exports for May were boosted by gold sales, however, overseas development assistance (ODA) and FDI disbursement remain the most important means of financing the budget deficit. FDI disbursements for May reached USD1.1 billion, higher than the preceding monthly average of USD900 million over the four prior months. The World Bank also disbursed the first installment of USD688 million as part of its USD2.5 billion lending programme for 2010. FDI flows are shifting into consumption-related goods and services. This sector has seen dynamic growth of 18-20 percent due to the stimulus policy that was designed in part to maintain popular purchasing power.

Macroeconomic indicators and forecast				
	2009	May-10	YTD	Y-o-Y change
<b>GDP growth</b>	5.3%		5.8%	
<b>Inflation</b>	6.9%	0.3%	4.6%	9.1%
<b>FDI (USDbn)</b>	21.5	1.6	7.5	-23.0%
<b>Imports (USDbn)</b>	68.8	6.9	31.2	29.8%
<b>Exports<sup>1</sup> (USDbn)</b>	56.6	6.1	25.8	12.6%
<b>Trade deficit (USDbn)</b>	12.2	0.8	5.4	5.75%
<b>Exchange rate<sup>2</sup> (USD/VND)</b>	18,479	19,010	2.9%	2.9%
<b>Bank deposit rate (VND %)</b>	9.8-10.5%	11.0-11.5%	n/a	n/a

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

<sup>1</sup> Includes gold. <sup>2</sup> State Bank central rate.



## Portfolio developments

At the end of May 2010, VOF's NAV decreased 2.5 percent to USD2.44 per share, from USD2.50 per share at the end of April 2010. The NAV decline was due mainly to a 4.2 percent decline in the capital markets component, which represents 48.2 percent of NAV. The loss was partially offset by gains in OTC-traded holdings Quoc Cuong Gia Lai and Halico, while the remainder of the listed portfolio declined in line with the VN Index drop of 6.4 percent.

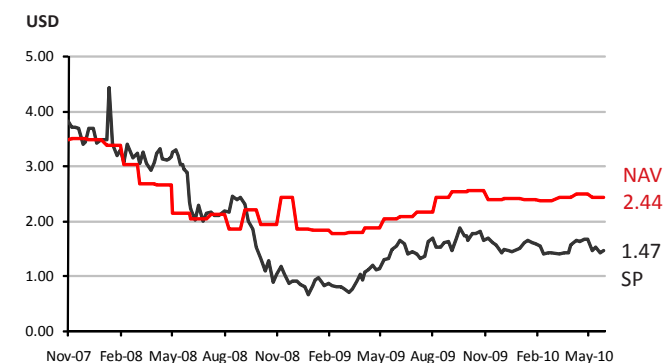
VOF investee Khang Dien, a real estate developer, has successfully launched their first major villa project in District 9 in Ho Chi Minh City. The average launch price was USD1,200 per sq.m, placing the villas within the high end of the market. Khang Dien has taken this project from sourcing the land from another developer, to design and urban planning, building the infrastructure, and now selling the first 60 villas of the 213-unit project. The project's success is a positive sign of the strength of the residential housing market in Ho Chi Minh City, as well as boding well for VNL's strategy of investing in District 9 assets, an emerging suburban residential area.

31 May 2010

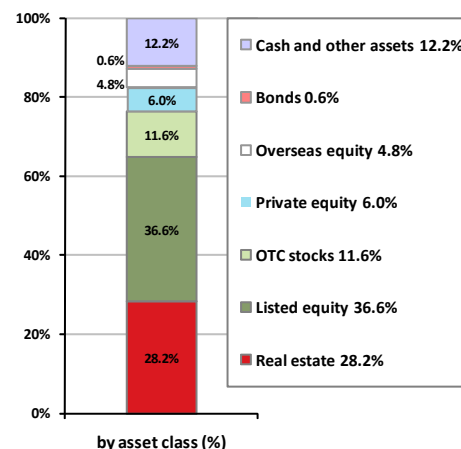
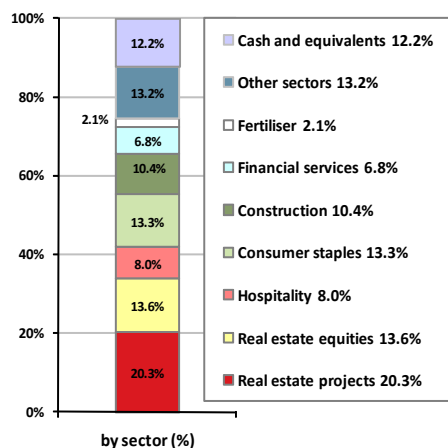
NAV **2.44** per share (↓ 2.5%)

Total NAV: USD792 million

## NAV and share price performance (31 May 2010)



## VOF portfolio (31 May 2010)



## Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
EIB	Listed equity	5.8	One of Vietnam's top joint stock banks.
VNM	Listed equity	5.3	Dairy firm with dominant market share.
HPG	Listed equity	3.9	Major steel manufacturer.
DIG	Listed equity	3.0	Residential and industrial property.
QCGL	OTC equity	2.7	Major real estate developer.

## 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](http://www.vinacapital.com/vof)

## Performance history (% change on NAV)

	2010	2009	2008	2007	2006
Jan	-1.1%	-1.3%	-2.9%	14.6%	3.9%
Feb	-0.3%	-3.7%	-10.2%	8.3%	6.3%
Mar	1.9%	1.7%	-11.8%	-0.6%	8.8%
Apr	3.0%	4.4%	-0.8%	-1.3%	7.6%
May	-2.5%	9.1%	-19.5%	5.1%	-1.0%
Jun		2.2%	-4.7%	-0.8%	1.5%
Jul		3.8%	5.7%	-3.8%	-6.5%
Aug		12.2%	9.8%	0.0%	6.4%
Sep		3.8%	-6.7%	8.1%	3.0%
Oct		1.2%	-12.4%	4.2%	1.0%
Nov		-6.5%	-1.9%	0.6%	13.5%
Dec		0.8%	-2.1%	-0.6%	8.1%
<b>YTD</b>	<b>0.9%</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>	<b>64.9%</b>
<b>VN Index</b>	<b>2.6%</b>	<b>56.7%</b>	<b>-66.0%</b>	<b>23.3%</b>	<b>144.5%</b>

## Portfolio developments

VNL's share price decline to USD0.88 per share at the end of May 2010, from USD0.95 per share at the end of April 2010. The fund continues to make progress with residential sales launches, with large-scale projects in Nha Trang and Ho Chi Minh City expected to launch within the next two quarters.

### Thang Loi mixed-use development

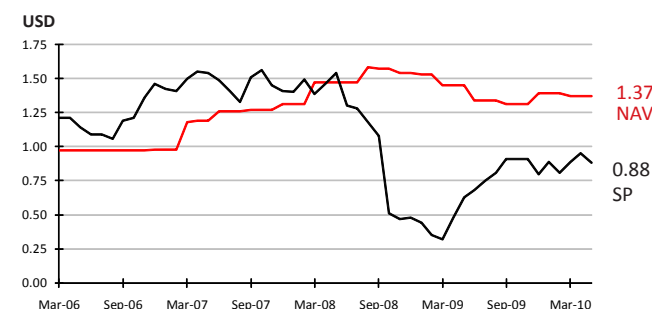
Among the mixed-use and township projects that will launch sales in 2010 is the 26.7ha Thang Loi development in Ho Chi Minh City, located on a major road link to the Cambodian border and the TransAsia Expressway. The Thang Loi project enjoys high land value as it is located along a planned MRT line that will connect the site to the central business district. In addition to residential villas and apartments, warehouse retail will supply neighbouring townships, the city centre and even Cambodia. Medium-grade offices will fill demand from the Tan Binh Industrial Park and commercial areas near the airport. Thang Loi will be also be a major destination for sports and recreation, as areas under aviation height constraints will be used for sport facilities and parks. The residential sections of the development will comprise 1,250 units, with construction of villas to start in Q4 2010, and construction of the retail components to begin by Q3 2011.

31 March 2010

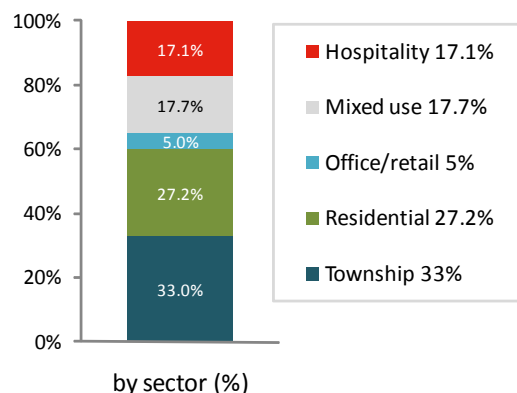
NAV **1.37** per share (↑ 3.0%)

Total NAV: USD685 million

## NAV and share price performance (31 May 2010)



## VNL portfolio (31 Mar 2010)



### Portfolio by geographic location

Hanoi	17%
Central provinces	25%
Ho Chi Minh City region	58%

### 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](http://www.vinacapital.com/vnl)

## Quarterly performance history (% change on NAV)

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

## Major holdings

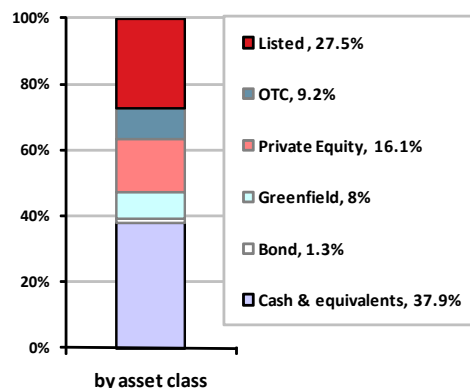
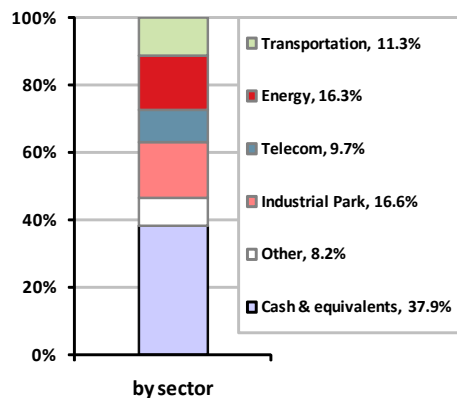
Project	Type	Status
Aqua City (Long Hung)	Residential	Planning underway
Century 21	Mixed-use	Under construction
Danang Beach Resort	Mixed-use	Sales underway
Dai Phuoc Lotus	Mixed-use	Under construction
Fideco Binh Duong	Township	Investment licence
HUD	Township	Planning underway
Pavilion Square	Residential	Investment licence
VinaSquare Tower	Mixed-use	Investment licence
Vinh Thai Nha Trang	Township	Investment licence
WTC Danang	Mixed-use	Under construction

## Portfolio developments

VNI's NAV declined to USD0.64 per share at the end of May 2010, from USD 0.66 per share at the end of April 2010. VNI's share price, likewise, declined to USD0.34 per share from USD0.38 per share the prior month, resulting in a slightly widened discount of 46.4 percent, from 42.4 percent at the end of April.

VNI investee Vietstar JSC, a solid waste treatment facility, has achieved full processing capacity for Phase 1 of 600 tons per day. The Ho Chi Minh City Department of Natural Resources and Environment is considering a request to increase tipping fees to USD18.2 per ton, which would allow Vietstar to significantly increase revenues. Ho Chi Minh City currently discharges 7,000 tons of household waste daily, a number that will increase to 16,000 tons by 2020.

### VNI portfolio (31 May 2010)



### 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.

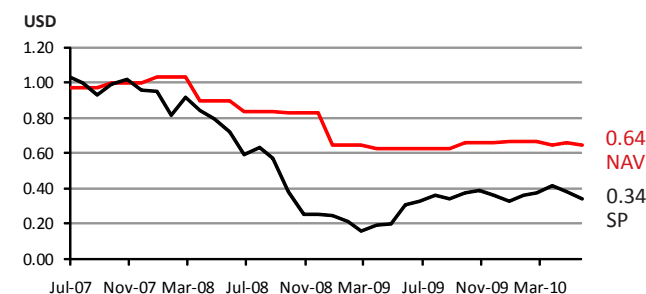
Download the VNI Factsheet at [www.vinacapital.com/vni](http://www.vinacapital.com/vni)

31 May 2010

NAV **0.64** per share (↓ 2.1%)

Total NAV: USD258 million

### NAV and share price performance (31 May 2010)



### Quarterly performance history (total return)\*

	2010	2009	2008	2007
Q1	-3.0%	-0.5%	-12.8%	n/a
Q2		3.7%	-6.7%	n/a
Q3		1.5%	-1.0%	2.9%
Q4		0.8%	-12.0%	3.1%
YTD	-3.0%	5.5%	-29.1%	6.1%

Total return since inception: -23.1% to May 2010

\* Assumes dividends/distributions reinvested. VNI paid a USD0.10 per share capital distribution on 16 January 2009 (ex date 17 Dec 2008).

### Major holdings

Name	Sector	Asset class	NAV (%)
Long An S.E.A	IP	Greenfield	7.8
Tan Tao (ITA)	IP	Listed	7.2
Nam Viet Oil	Energy	OTC	4.3
Phu My Bridge	Transport	Private	4.3
MIDC	Telecom	Private	3.9

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

VinaCapital Real Estate Ltd (VCRE) is the development and advisory service for VOF and VNL-owned real estate assets.

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