

Economic Highlights

The economy continues to tick along merrily. Industrial production rose by 18.6% year/year in July, led by the private sector which jumped a further 24.5% year/year. FDI numbers jumped by US\$1 billion during the month to a total of US\$3.4 billion so far this year. This is what the government means by a full pipeline and the target of US\$6.5 billion is well within reach. Exports rose by 25.7% in the first seven months of the year to total US\$22.3 billion, led by the usual suspects such as crude oil, textiles, footwear, and agricultural products. July alone saw a 21.9% year/year rise in exports to US\$3.5 billion. Consumer prices, however, rose by 7.5% in July led by hikes in food products and construction materials.

Government Snapshot

WTO membership has moved ever closer with passage through the US Senate Finance Committee of Vietnam's PNTR status bill. The bill is expected to complete passage through the House of Representatives shortly after the August congressional recess. In plenty of time for the APEC summit, in other words. The new government has set economic development and fighting corruption as its top priorities. A new corruption law will be presented in October and several mid-level probes are underway. This underlines the seriousness of the new PM, who has declared war on corruption and waste.

Capital Markets in Brief

The stock market continued its precipitate fall last month closing out July at an index level of 422.41, down 18%. The value of daily trading has dropped by about 40% to the US\$3-4 million level as retail investors exited both listed and OTC stocks. A swathe of eight new issues, plus new share issuances from already listed companies added to investor worries over excess supply. Rising interest rates also dampened sentiment.

Mid-term results from banks and listed companies such as Vinamilk were mostly in line with expectations with few surprises either positive or negative. In other words, not market moving. Foreign funds were net buyers in all this but the wave of selling from domestics drove prices down throughout the month. Sacombank's listing seemed to trigger more selling and prices were rapidly marked down more than 20% in the weeks that followed. More recently, with news of postponed new share issuance, prices have calmed somewhat and we are hopeful that the worst is over.

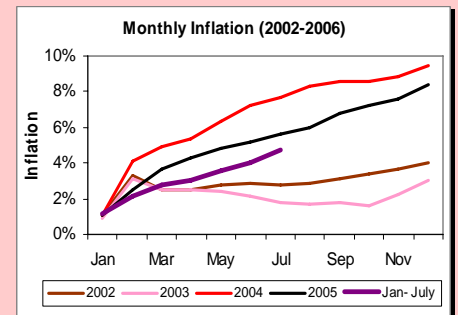
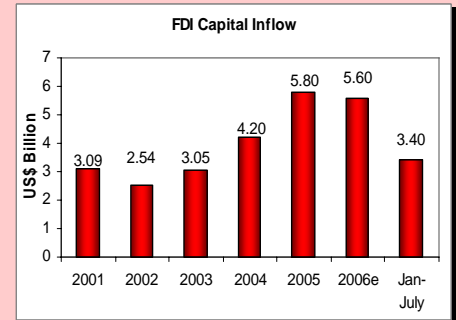
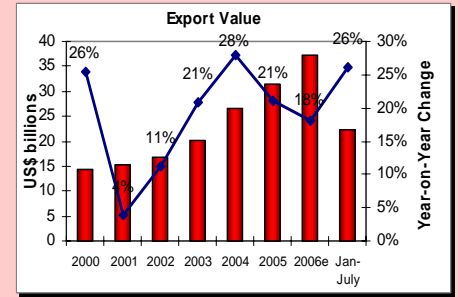
Deal of the Month

The VinaLand Fund (VNL) and Vietnam Opportunity Fund (VOF) have acquired a 70 per cent stake from a foreign partner in the five-star Hilton Hanoi Opera Hotel.

The deal is worth about \$43 million, to which VNL contributed 75% and VOF 25%. The 269-room, French Colonial-style hotel represents 11% of the city's five-star hotel accommodation and boasts occupancy rates of more than 80%. It is the second most successful hotel in Hanoi after the Sofitel Metropole, in which VinaCapital is now the largest foreign shareholder.

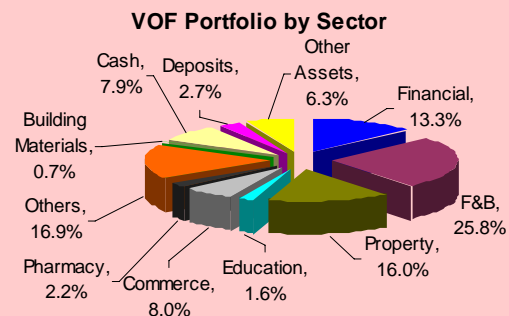
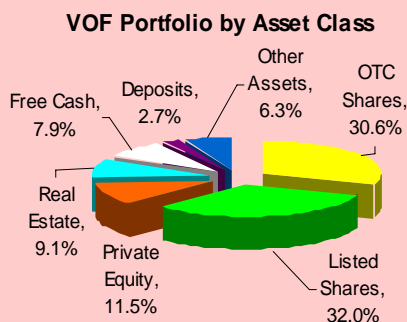
Star Purchase: Vung Tau Tourist

- VOF has bought a stake in Vung Tau Tourist
- Vung Tau is a seaside resort about 1.5 hours from HCMC
- Main business is hotels and tourist facilities
- One of the largest landowners in Vung Tau
- Currently developing about 15 tourism projects in the area
- VOF sees this as a great opportunity to participate in the development of tourist resources in Vung Tau



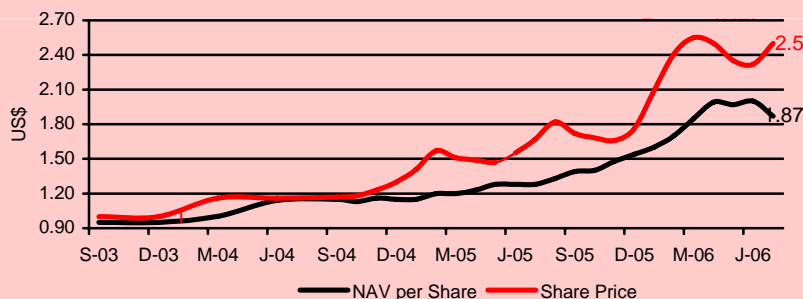
Portfolio Developments

Given the market's decline, portfolio activity was fairly subdued this month. Some selective selling continued and we added to certain existing positions, taking advantage of price weakness. We have bought a stake in Vung Tau Tourist, a play on the region's tourism development.



NAV Per Share	US\$1.87
YTD	21%
Since Inception	87%
Share Price	US\$2.50
YTD	42.1%
Since Inception	158%
Issued Shares	122,657,202
Total Net Asset Value (US\$m)	\$229.6
Market Capitalization (US\$m)	\$306.6
Reuters	VOF.L
Bloomberg	VOF LN

NAV and Share Price Performance



VinaLand Fund

Portfolio Developments

VinaLand's purchase along with VOF of a 70% stake in the Hanoi Hilton Hotel is the third large project the fund has invested in since launching in March. The Hilton Hanoi Opera Hotel, a 70/30 joint-venture between foreign partners and the Thang Long Corporation, has been in operation since 1999 and enjoys a prime location at the heart of Vietnam's capital, adjacent to the Opera House. Grade A office buildings, government ministries, retail outlets, and art galleries are all just a short walk away. The fund now has a large stake in a 55-hectare development in district 2 and is also developing a 260-hectare site near China Beach in Danang. The fund also has a pipeline of planned or proposed investments which will be announced in due course.

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