

Economic Highlights

The economy continues to expand at a steady pace, albeit slightly below government targets. In the first half GDP rose 7.4% y/y led by a strong export performance. As ever, GDP growth in Ho Chi Minh City exceeded the national number, growing at 10.5%. Exports surged 26% y/y to US\$18.7 billion, while imports rose 14% y/y to US\$20.7 billion. The growth in exports was led by both soft and hard commodities such as coal (up 64%), rubber (up 44%), crude oil (up 25.3%), and tea (up 29%). Seafood (up 25.7%) and textiles (up 32.7%) also made significant contributions. Higher prices for commodities rather than higher unit demand were the key drivers. One of the reasons behind the slower import growth was slackening demand for automobiles (down 32.7%) and auto parts (down 47%). Auto sales fell 22% in the first half as changing tax rates and a possible increase in imports confused consumers. Demand for oil products also fell.

Industrial production rose 16% y/y to \$15.15 billion in the first half. The private sector led the way with growth of 20.8% y/y. FDI flows reached \$2.4 billion in the first half of the year, up 20% y/y, but only reached only 40% of the full year target. After a strong start the pace of approvals has slowed in the past few months. However, we still expect to reach the year-end target of \$6. International visitors totaled 1.85 million in the first half (+16% y/y), generating revenues of over US\$1 billion. Inflation remains a concern, with the rise accelerating again and the CPI up 7.6% y/y in June.

Government Snapshot

The National Assembly gathering got under way with the formal appointment of Nguyen Tan Dung and Nguyen Minh Triet to the posts of prime minister and president, respectively. As we have noted before, the strong southern and reformist element in the new government bodes well for an acceleration of reform related to WTO entry over the next five years. Meanwhile the US Senate Finance Committee is currently holding hearings on a bipartisan bill granting Vietnam PNTR. We expect the bill to reach the floor of the Senate soon. Corresponding legislation is also being introduced in the House of Representatives.

Capital Markets in Brief

The stock market followed international markets down during the month with the VN Index closing at 515.59 down 4.3%. The weakness was broad-based and OTC stocks also suffered as retail investors took profits. Concern over higher interest rates and uncertainty ahead of the large supply of new shares coming to the market this month took their toll on sentiment. Investors were also cautiously awaiting first half results which, although expected to be good, have been largely factored into prices already.

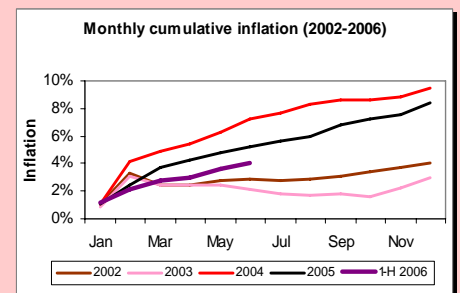
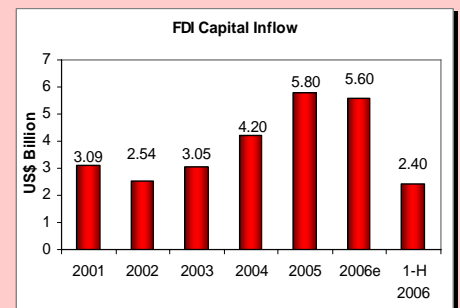
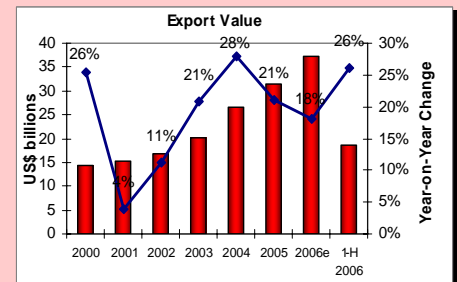
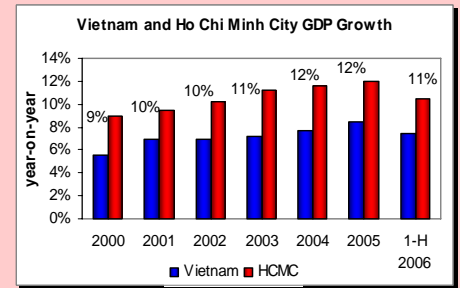
Deal of the Month

Vinashin has signed a total of \$4.5 billion in export contracts so far this year to build vessels ranging from 5,300 to 56,000 tons. One of most noteworthy is a recent contract to build eight car carriers worth US\$1bn for the Israelis. Vinashin will also build three VLCC's for the Vietnamese oil industry. Each tanker will cost \$60-65 million and have a capacity of 105,000 tons. Delivery is expected in 2008 and 2009. The company is investing heavily to raise local content to 65% and wants to be the world's fourth largest shipbuilder by 2010. We wish them the best of luck!

Star Purchase: Binh Minh Plastic

This month VinaCapital bought a stake in the newly equities Binh Minh Plastic. The company commands a 20% share of the plastics market. Among the company's strengths are:

- Good brand name and solid distribution network
- Annual production capacity of 21,000 tons per year
- No. 2 player behind Tien Phong Plastics
- Sales and profit growing at 22% and 40% per annum respectively

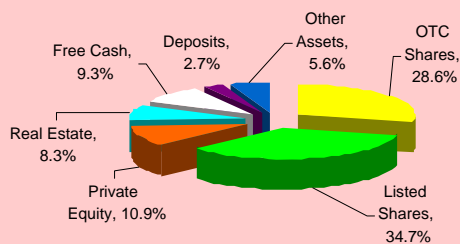


Portfolio Developments

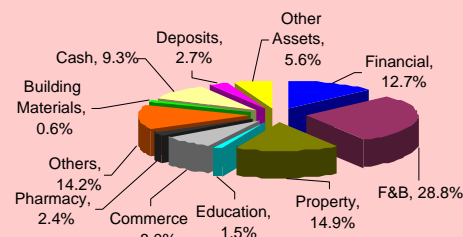
During the month VOF continued to take some profits in selected listed and OTC shares and raise some cash. We also participated in some auctions and acquired stakes in OTC companies such as Hanoi Fuel and Binh Minh Plastics.

We continue to believe the markets have some downside risks in the short term but at the same time we are looking forward to some exciting new equitisations over the next month.

VOF Portfolio by Asset Class



VOF Portfolio by Sector

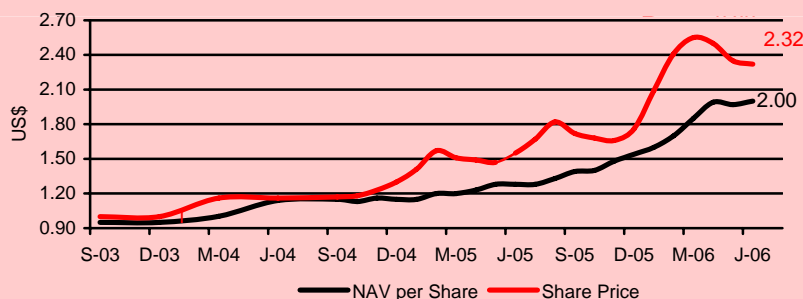


NAV Per Share US\$2.00
 YTD (%) 30%
 Since Inception (%) 2x

Share Price US\$2.32
 YTD (%) 31.5%
 Since Inception (%) 2.4x

Issued Shares 122,657,202
 Total Net Asset Value (US\$m) 245.3
 Market Capitalization (US\$m) 284.6
 Reuters VOF.L
 Bloomberg VOF LN

NAV and Share Price Performance



VinaLand Fund

Portfolio Developments

VinaLand, which was launched in March of this year, has so far announced two major real estate projects. VinaLand has committed to making an investment of approximately US\$17 million to acquire a controlling stake in a multi-purpose development project in District 2, Ho Chi Minh City. The development will be situated on a 55-hectare site with a superb setting on the banks of the Saigon River, and will be located 12 km from the Central Business District.

Vinaland has also signed an agreement with the Danang People's Committee to develop a 262-hectare prime site on Danang's famous China Beach. The site, which enjoys a full kilometer of seafront, is situated close to the Furama Hotel and will be developed into a golf course, convention center, and resort complex. The development plan for the site includes 50 hectares of beachside resorts and hotels, 10 hectares of residential villas. The remaining 210 hectares to be developed as a 36-hole grade A golf course with about 20 hectares of private villas for sale.

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