

VN Index hits 52-week low during August

Capital markets update

The Vietnam Index continued the downtrend that started in June, with the market reaching a new 52-week low of 427 points during the month, before rising to 455 to end August with a 7.9 percent month-on-month decline (9.7 percent in USD terms). The MSCI Emerging Market and Asia ex-Japan indices, meanwhile, saw a monthly return of 1.8 and 2.7 percent, respectively.

The combined total trading value and volume for August on both Vietnam's stock exchanges was USD2.1 billion and 1.6 billion shares, month-on-month declines of 11.2 and 22.2 percent, respectively. However, foreign investors were more active, with buying and selling values up 26.5 and 17.5 percent, respectively, compared to the previous month. This equated to foreigners being net buyers for August to the tune of USD44.3 million.

The VN Index market capitalisation at the end of August was USD31 billion, with an average estimated PE 2010 of 10.0x and average estimated earnings growth of 15 percent for 2010.

Despite positive macro-economic developments, the market is hampered by an oversupply of new shares, and negative sentiment surrounding government monetary policy, specifically the stipulations of Circular 13 on risk management in the banking sector, which will effectively decrease liquidity even further. The stalemate over solutions to lower interest rates and increase liquidity will likely continue to impact investor sentiment.

P/E 2010 at 10x; earnings growth expected at 15%

Bond market stalls as Government tries to lower interest rates

The bond yield curve has bottomed out and is unlikely to decline further. Three-year government bonds dropped to 9.8 percent coupons in an auction in early August. Banks registered to bid for VND4.15 trillion, but only VND300 billion was sold. The State Bank is reluctant to offer higher coupons because it aims to gradually bring down interest rates. Banks meanwhile require higher yields in light of 2010 inflation forecasts of 8-9 percent.

The yield on five-year bonds increased by 10 bps to 10.4 percent, but only VND350 billion were sold during the month, and there were no bank bids for durations of ten years or beyond. Bonds issued by state corporations fared even worse. The government is clearly trying to pull down interest rates, an effort being resisted by the market. The Ministry of Finance had a target of selling VND100 trillion in bonds during 2010, with only VND40 trillion sold so far this year.

Performance summary

Most recent NAV:	VOF (31 Aug 10)	VNL (30 Jun 10)	VNI (31 Aug 10)
NAV per share (USD) ¹	2.33	1.44	0.60
Return (%) ²	(from Jul 10)	(from Mar 10)	(from Jul 10)
Previous NAV	-3.3	5.1	-4.5
YTD	-3.7	8.3	-9.6
Since inception	140.2 (30 Sep 03)	48.5 (22 Mar 06)	-28.3 (5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	757	720	241
Market cap (USDm)	484	399	136
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 Aug 10	31 Dec 09	52 wk low	52 wk high
Close	455.1	494.8	427.1	633.2
	M-o-M	YTD		
Change (%)	(7.9)	(0.2)	6.6	(28.1)
Trailing PER (x)	10.8	Est. PER 2010 (x)	10.0	
Trailing P/B (x)	1.9			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	9.5	9.8	10.4	11.2

Source:  VinaSecurities

**VND devalued by 2.1%;
open market rate
returns to VND19,500**

**MPI estimates Q3-10
growth at 7.2%**

**Credit growth still
stymied; Circular 13
draws ire**

Economy

Vietnam devalued its currency by 2.1 percent against the USD in August. This continues the practice of containing FX pressures before they threaten instability. The pressure on the VND emerged as businesses searched for USD to repay the foreign currency loans contracted in Q1 and Q2 2010. The devaluation is not a drastic move, as it will have minimal impact on exports and the open market rate at the end of August was essentially the same as in January 2010, nearing VND19,500 per 1 USD.

Inflation reversed course after three months of declining month-on-month CPI figures. But the modest 0.23 percent rise month-on-month (from 0.06 percent in July) has led analysts to conclude the target of 8-9 percent full-year inflation is realistic (the government is targeting inflation under eight percent). This would be a positive result, as GDP performance continues to remain strong.

The Ministry of Planning and Investment estimates Q3 2010 GDP growth of 7.2 percent annualised. August saw industrial production up 13.7 percent year-on-year, led by the FDI sector with 17.3 percent growth. Retail sales saw 26.4 percent year-on-year growth, with tourism revenues helping out to the tune of 35.4 percent year-on-year growth. The celebrations surrounding Hanoi's millennial anniversary will also help support tourism numbers in Q3 and Q4 2010.

Liquidity in the banking system improved somewhat, but credit growth still faces many obstacles. Deposit rates settled at 11.2 percent in August, but lending rates remain high for businesses, at 13.5-15 percent. The PM ordered a review of Circular 13, which aimed to improve bank risk management but placed an additional strain on liquidity. The Vietnam Bankers' Association has pointed out that the Circular's policies would effectively exclude 35 percent of deposits from lending purposes (by raising the capital adequacy ratio to 9 from 8 percent, and requiring that loans are not more than 80 percent of deposits). The PM's review aims to ensure the Circular does not conflict with other monetary policy goals.

The trade deficit for August was USD900 million, the third month the deficit was below USD1 billion and less than 20 percent of exports. The cumulative trade deficit of USD8.2 billion for the year to August represents 18 percent of GDP, below the 20 percent target set by the government. The total deficit for the year is now forecast at USD13.1 billion, below the USD14 billion forecast earlier.

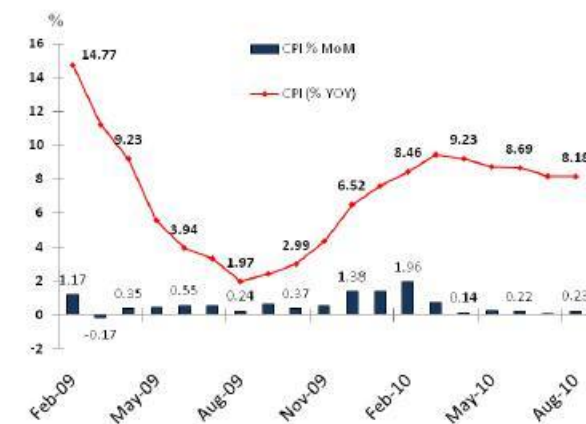
Macroeconomic indicators and forecast

	2009	Aug-10	YTD	Y-o-Y change
GDP growth¹	5.3%	n/a	6.2%	
Inflation	6.9%	0.2%	5.1%	8.2%
FDI (USDbn)	21.5	2.5	11.6	-12.3%
Imports (USDbn)	68.8	6.9	52.7	24.4%
Exports² (USDbn)	56.6	6.0	44.5	19.7%
Trade deficit (USDbn)	12.2	0.9	8.2	64.5%
Exchange rate³ (USD/VND)	18,479	19,500	5.5%	5.5%
Bank deposit rate (VND %)	9.8-10.5%	11.0-11.2%	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.

Inflation trends, 2009-2010

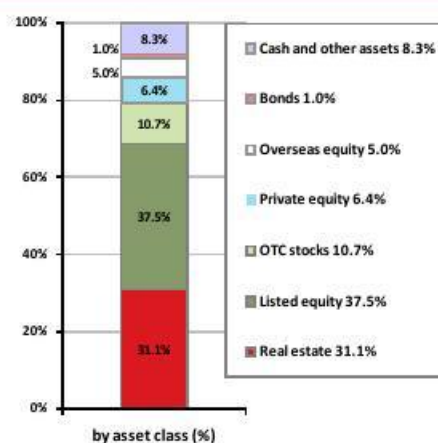
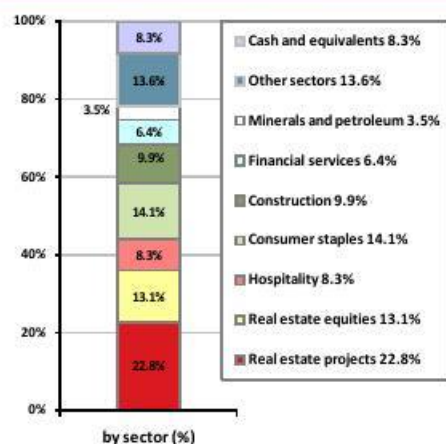


Portfolio developments

At the end of August 2010, VOF's NAV decreased 3.3 percent to USD2.33 per share, from USD2.41 per share at the end of July 2010. The decline was due to the performance of the capital markets portfolio, following the 7.9 percent decline of the VN Index in August. The share price meanwhile increased slightly to USD1.49 at the end of August, from USD1.46 at the end of July.

During the month, VOF continued its strategy of acquiring blue-chips with good fundamentals and growth potential. The fund invested a further USD9.4 million in An Giang Plant Protection to raise its stake in this sector-leading company. Another key holding, Vinamilk (VNM) was Vietnam's first-ever entry on the Forbes 'Best Under a Billion' list of Asia's top 200 small- and medium-sized enterprises. VNM holds a 30 percent share of Vietnam's dairy market, and with net profit up four-fold in the last four years, it is the most successful privatised state-owned enterprise. VNM was one of VOF's earliest holdings. Halico Vodka's strong 2010 performance on the OTC market has lifted it to top-five holding status. The spirits firm continues to grow its share of Vietnam's mid-range and premium rice vodka market.

VOF portfolio (31 Aug 2010)



Major holdings (listed and OTC)

	Type	Sector	% NAV	Manager's comment
EIB	Listed equity	Financial services	5.4	One of Vietnam's top joint stock banks.
VNM	Listed equity	Food products	5.0	Dairy firm with dominant market share.
HPG	Listed equity	Industrial	3.7	Major steel manufacturer.
Halico	OTC	Food products	2.7	Spirits producer with top market share.
QCG	Listed equity	Real estate	2.2	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.

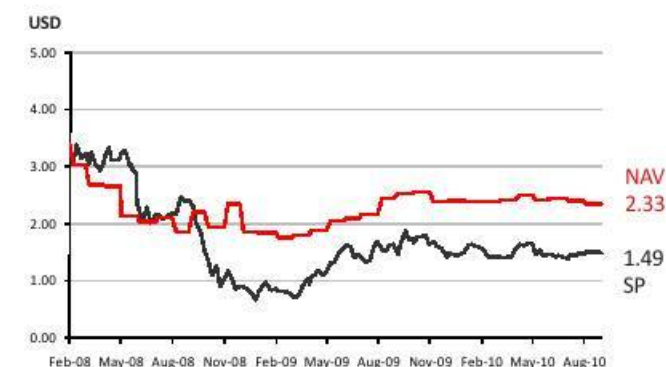
Download the VOF Factsheet at www.vinacapital.com/vof

31 August 2010

NAV **2.33** per share (↓ 3.3%)

Total NAV: USD757 million

NAV and share price performance (31 Aug 2010)



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	0.6%	2.2%	-4.7%	-0.8%	1.5%
Jul	-1.6%	3.8%	5.7%	-3.8%	-6.5%
Aug	-3.3%	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%
YTD	-3.7%	29.7%	-46.6%	37.4%	64.9%
VN Index	-8.0%	56.7%	-66.0%	23.3%	144.5%

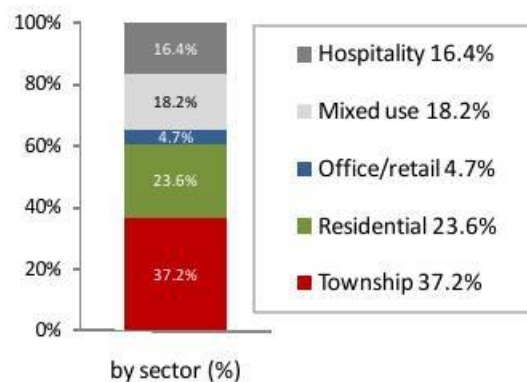
Portfolio developments

VNL's share price rose slightly to USD0.80 at the end of August, from USD0.78 at the end of July. The tourism market in Vietnam continues to recover, resulting in improved performance for VNL's operating hotel assets. The Movenpick Hanoi and Saigon Quy Nhon exceeded their business plan forecasts for July, while recording their best July revenue and income figures for the past five years. The Movenpick Saigon hotel had its soft launch re-opening in August. Total revenue for the hotel portfolio year-to-date is 20 percent higher than the same period last year, with gross operating profits up 15.6 percent.

Ceana Villas and boutique hotel

A revised master plan is complete for the Ceana Villas and boutique hotel project, a 100% VNL-owned asset on an 8.6ha site on the beach in Hoi An, central Vietnam. The revised master plan comprises an 82-key boutique hotel and 31 villas for sale. Each of the three- to five-bedroom villas, including eight beachfront units, will be serviced by the hotel operator. Preliminary site infrastructure is completed and construction of the villa foundations is now underway. Upon completion, marketing efforts will target buyers looking to pre-purchase villas off-plan. Loan negotiations are underway with two banks for complete financing of the villas and hotel construction.

VNL portfolio (30 Jun 2010)



Portfolio by geographic location

Hanoi	13%
Central provinces	25%
Ho Chi Minh City region	62%

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.

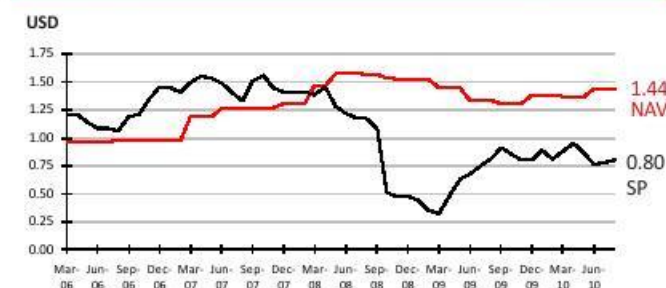
Download the VNL Factsheet at www.vinacapital.com/vnl

30 June 2010

NAV **1.44** per share (↑ 5.1%)

Total NAV: USD720 million

NAV and share price performance (31 Aug 2010)



Quarterly performance history (% change on NAV)

	2010	2009	2008	2007
Q1	3.0%	-5.2%	12.5%	22.0%
Q2	5.1%	-7.6%	7.1%	6.1%
Q3		-2.2%	-0.4%	0.2%
Q4		1.5%	-2.5%	3.2%
YTD	8.3%	-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
Movenpick Saigon	Hotel	Operating asset

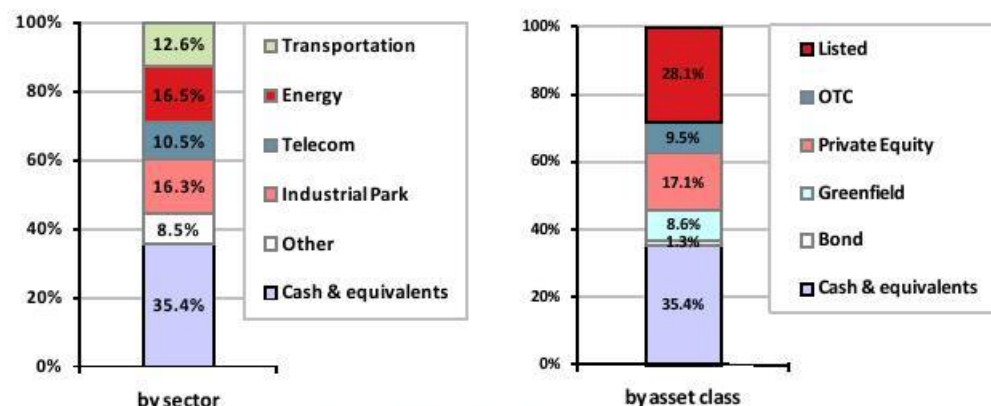
Portfolio developments

At the end of August 2010, VNI's NAV declined 4.5 percent to USD0.60 per share, from USD0.63 per share at the end of July 2010, due to declines in the capital markets sector of the portfolio. Despite the weak stock market performance, company earnings are still positive in most cases.

Ho Chi Minh Infrastructure Investment JSC (CII), representing 3.3 percent of VNI's NAV, earned profits of USD15.1 million in H1 2010, up 156.5 percent year-on-year. By realising financial investments during the period, the firm increased revenue by 363.0 percent, with a profit margin of 56.0 percent. The six-month earnings per share was USD0.21, compared to USD0.16 in H1 2009.

Tan Binh Import-Export JSC (TIX), representing 1.3 percent of VNI's NAV, announced net profits of USD2.9 million between October 2009 and June 2010, rising 8.8 percent year-on-year. The nine-month earnings per shares was USD0.24 compared to USD0.21 in the same period last year. In 2010, the firm targets net profits of USD3.5 million on revenues of USD33 million.

VNI portfolio (31 Aug 2010)



Quarterly performance history (total return)*

	2010	2009	2008	2007	
Q1	-3.0%	-0.5%	-12.8%	n/a	* Assumes dividends/distributions reinvested. VNI paid a USD0.10 per share capital distribution on 16 January 2009 (ex date 17 Dec 2008).
Q2	-0.3%	3.7%	-6.7%	n/a	
Q3		1.5%	-1.0%	2.9%	
Q4		0.8%	-12.0%	3.1%	
YTD	-3.5%	5.5%	-29.1%	6.1%	

Total return since inception: -28.3 to August 2010

31 August 2010

NAV **0.60** per share (↓ 4.5%)

Total NAV: USD241 million

NAV and share price performance (31 Aug 2010)



Major holdings

Name	Sector	Asset class	NAV (%)
Long An S.E.A	IP	Greenfield	8.3
Tan Tao (ITA)	IP	Listed	6.4
Phu My Bridge	Transport	Private	4.5
Nam Viet Oil	Energy	OTC	4.4
VNC-55	Telecom	Private	3.5
PVD	Energy	Listed	3.5
VALC	Transport	OTC	3.3
CII	Transport	Listed	3.3
MIDC	Telecom	Private	3.3
PPC	Energy	Listed	2.5

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

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Don Lam	Chief Executive Officer, VinaCapital Group
Brook Taylor	Chief Operating Officer, VinaCapital Group
Stacy Kincaid	Managing Director, Fund portfolio

VCIM

Andy Ho	Managing Director, Head of Investment
Tony Hsun	Managing Director, Infrastructure
Nguyen Viet Cuong	Deputy Managing Director, Capital Markets
Dang T. Minh Loan	Deputy Managing Director, Capital Markets
Kenny Low	Deputy Managing Director, Infrastructure

David Henry	Managing Director, Real Estate
Stephen O'Grady	Managing Director, Hospitality
David Blackhall	Deputy Managing Director, Asset management
Anthony House	Deputy Managing Director, Development

Contact

Michael L. Gray	Investor Relations/Communications ir@vinacapital.com +848-3821-9930 www.vinacapital.com
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Broker	LCF Edmond de Rothschild Securities +44 20 7845 5960 or funds@lcf.co.uk
Nominated advisor	Grant Thornton Corporate Finance
Auditor	Grant Thornton (Cayman Islands)
Internal auditor	PricewaterhouseCoopers (Vietnam)
Custodian	HSBC Trustee