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## Fund background

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

ISIN: KYG936121022

Bloomberg: VNI LN

Reuters: VNI.L

[Click here for VNI's website.](#)

## Fund managing director

Tony Hsun

## Investment Manager

VNI is managed by VinaCapital Investment Management Ltd (VCIM) and requires investment approvals from an Investment Committee.

[More information about VCIM is available here.](#)

## Manager's comment

As at 31 March 2015, VNI's net asset value was USD202.0 million or USD0.58 per share, a decrease of 3.3% from a net asset value per share of USD0.60 as at 31 December 2014. VNI's share price closed at USD0.48 at the end of March, a decline of 2.0% compared to the closing price of USD0.49 at the end of December. VNI's discount narrowed during the quarter to 16.8% from 19.1% in December.

## Restructuring update

Recently, the Company announced that the Commission de Surveillance du Secteur Financier (the "CSSF") has notified Forum One that it has been registered into the Official List of UCITS authorised in Luxembourg and its first sub fund, VVF, has been authorised. Consequently, application is being made to the Vietnamese Securities Commission for the formal approval of the contribution in kind of VNI's listed securities portfolio to VVF. The Board is proposing that up to 50% of the Listed Portfolio Shares will be repurchased at the First Repurchase Day. It had previously been stated that 33.3% of the Listed Portfolio Shares would be available for repurchase at that time. Such an amendment requires the consent of VNI Shareholders at an extraordinary general meeting and a circular convening such meeting will be sent to Shareholders shortly. In addition, the Board of VNI wishes to inform Shareholders that it has been advised that VVF will permit redemptions of its shares on a weekly basis, and not twice per month as originally stated in the Circular. For the full details of this announcement, please click on the following link:

<http://www.vinacapital.com/news.php?id=1450>

## Capital markets

The VN Index increased by 0.3 percent in USD terms, closing the first quarter at 551.1, while the MSCI Asia ex-Japan and MSCI Emerging Markets indices increased by 4.6 and 1.9 percent, respectively. Trading value and volume on Vietnam's stock exchanges was USD5.3 billion on 7.4 billion shares, a decrease of 40.4 percent in terms of value while volume decreased by 37.8 percent compared to the previous quarter. The combined market capitalization for both of Vietnam's bourses was USD53.7 billion compared to USD57.3 billion a quarter ago. The VN Index traded on a trailing P/E of 12.4x and P/B of 1.8x according to Bloomberg.

Foreign investors were net sellers of Vietnamese equities, accounting for net purchase of USD18.6 million in the first quarter. The top acquired companies were Mobile World Group (MWG), Vietinbank (CTG), BIDV bank (BID), Kinh Bac Corporation (KBC) and Hung Vuong Corporation (HVG) while PetroVietnam Drilling (PVD), Hoa Phat Group (HPG), PetroVietnam Gas (GAS), PetroVietnam Services (PVS) and Dabaco Vietnam Corporation (DBC) were most actively divested.

## Performance summary

31 March 2015

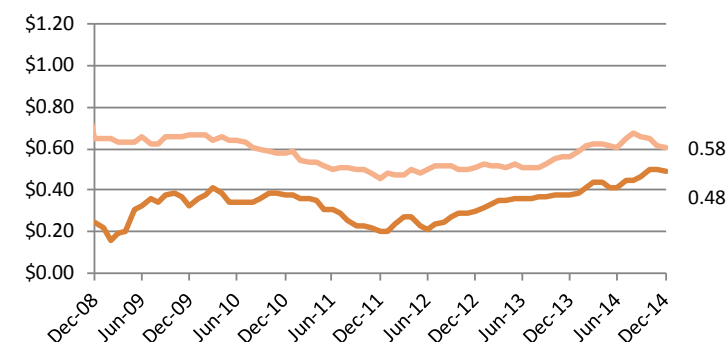
NAV per share (USD):	0.58
Change (Quarter-on-quarter)	-3.3%
Total NAV (USD 'm):	202.0
Share price (USD):	0.48
Market cap (USD 'm):	168.1
Premium/(discount)	16.8%

## Cumulative change (% change)

	3mth	1yr	3yr
NAV per share	-4.8	-7.8	21.2
Share price	-2.0	10.3	77.0

## Annual performance history (% change)

	YTD	2014	2013	2012
NAV per share	-4.8	7.3	12.0	10.8
VN Index	-7.8	6.6	20.4	18.9



— Share price — NAV per share

## Portfolio by sector

Sector	# of holdings	NAV (USDm)	% of NAV
Agribusiness	3	4.6	2.2%
Construction & Material	3	0.5	0.2%
Consumers	1	0.2	0.1%
General Infrastructure	2	24.1	11.4%
Industrials	1	4.5	2.1%
IP and township	5	33.2	15.7%
Oil and gas	4	16.9	8.0%
Power	2	9.8	4.6%
Telecommunications	5	71.1	33.6%
Transport & logistics	2	15.9	7.5%
Others	1	0.4	0.2%
Cash & equivalents		30.5	14.4%
<b>Total</b>	<b>29</b>	<b>211.7</b>	<b>100.0%</b>

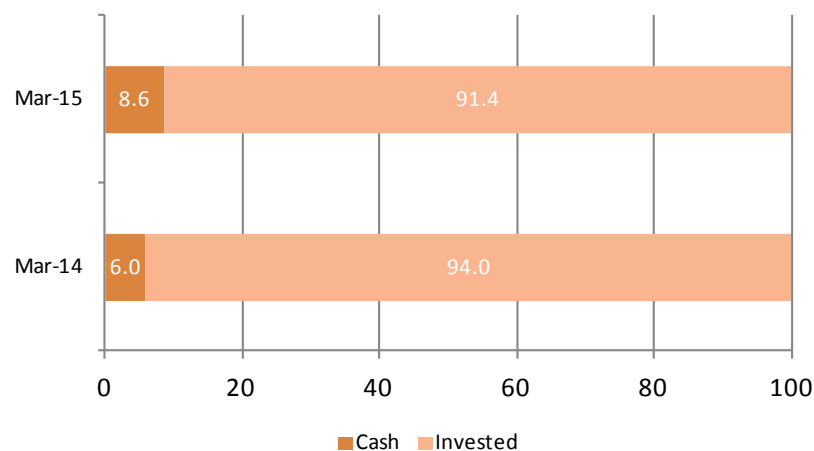
## Portfolio by asset class

Asset class	# of holdings	NAV (USDm)	% of NAV
Listed	25	83.4	41.3%
Private equity	6	101.4	50.2%
Cash & equivalents		17.3	8.6%
<b>Total</b>	<b>31</b>	<b>202.0</b>	<b>100.0%</b>

## Top ten holdings

Investee	% of NAV	Book value (USD'000)	Asset class	Sector	Description
SEATH	31.9%	64,469	Private equity	Telecommunications	Vietnam's largest private BTS holding company
Ba Thien IP	11.2%	22,652	Private Equity	IP and township	308ha IP project in Vinh Phuc province, near Hanoi
HPG	6.0%	12,170	Listed	General infrastructure	A leading steel conglomerate
VALC	5.2%	10,566	Private Equity	Transport & logistics	The first aircraft leasing company in Vietnam
CII	3.9%	7,791	Listed	General infrastructure	Vietnam's top infrastructure investment company
SJD	3.6%	7,310	Listed	Power	A profitable hydro power plant of capacity 77.8MW
VNM	3.1%	6,361	Listed	Consumers	Leading dairy company with a dominant market share
FPT	3.1%	6,360	Listed	Telecommunications	A leading telecommunication company in Vietnam
PVD	2.8%	5,657	Listed	Oil and gas	PetroVietnam subsidiary; oil and gas drilling services
VSC	2.6%	5,309	Listed	Transport & logistics	Leading container port owner and operator in North Vietnam

## Invested funds (% of NAV)



## Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's gross domestic product (GDP) increased 6.0% in March, well ahead of the economist's consensus forecast of 5.6% and represented the strongest first quarter growth in seven years. All three major segments of the economy contributed to the surge in domestic output, with industrial production, manufacturing and services increasing 8.4%, 9.5% and 5.8% year-on-year, respectively. Domestic demand also continued to show signs of improvement as retail sales increased 9.2% year-on-year during the first quarter of 2015, after adjusting for inflation.

Vietnam recently concluded Free Trade Agreement (FTA) negotiations with Russia, Belarus, Kazakhstan and South Korea and is currently finalizing a Vietnamese-European Union FTA aimed at reducing tariffs to 0% and boosting Vietnam seafood exports from 2015 onward.

Vietnam's consumer price index (CPI) increased 0.9% year-on-year during the month of March. Increased domestic demand has allowed some retailers to push up the prices for certain items, for instance, food and foodstuffs recorded a 2.8% year-on-year increase in March. Additionally, the prices for building materials increased slightly by 0.2%, implying that the housing sector is starting to show further signs of recovery.

In March, the VND came under heavy pressure caused mainly by the USD's continued strengthening on international foreign exchange markets. The currency's free market rate climbed as high as 21,750; well above the official rate's upper band and for the first time since January 2015. Expectations for a rate adjustment from the State Bank of Vietnam (SBV) were widespread, however the SBV, citing a strong balance of payments surplus, held firm and by the end of the month, the free market rate fell back down to be more in line with the official currency exchange rate of VND21,590 per USD.

## Fixed income

On the primary bond market, a total of USD810 million worth of government and government-backed bonds were issued during March 2015, representing a decline of 30% from February 2015 (USD1.15 billion). On the secondary bond market, trading value increased 157%, with USD4.12 billion worth of bonds transacted for the month. Secondary government bond yields increased between 10 and 26 basis points on 1, 2, 3 and 5-year g-bonds while declining between 4 and 15 basis points on the long end of the yield curve.

## Media links

Below is a list of recent articles related to the investment environment in Vietnam and VinaCapital activity.

[Bloomberg - Asia's About to Spawn a New Tiger Economy](#)

[Bloomberg - Southeast Asia attracts more foreign direct investment than China for second year](#)

[VCG - Strong GDP performance in Q1 2015 - Beginning of a high growth phase](#)

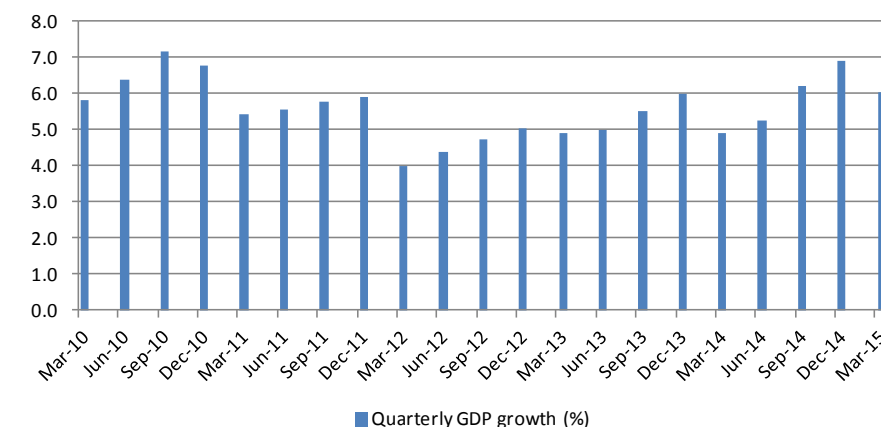
## Macroeconomic indicators

	2014	Mar-15	2015 YTD	Year-on-year
GDP growth <sup>1</sup>	6.0%	6.0%		
Inflation	1.8%	0.2%	-0.1%	0.9%
FDI commitments (USDbn)	15.6	1.2	1.8	-44.9%
Imports (USDbn)	148.0	13.3	37.5	16.3%
Exports (USDbn) <sup>2</sup>	150.0	12.7	35.7	6.9%
Trade surplus/(deficit)	2.0	-0.6	-1.8	
Exchange rate (USD/VND) <sup>3</sup>	21,450	21,590	-0.6%	
Bank deposit rate (VND)	6.0%	5.5%	-50 bps	

## Government bond yields (%)

	1yr	2yr	3yr	5yr
February-15	4.55	4.71	4.85	5.38
March-15	4.76	4.97	5.11	5.48

## Quarterly GDP growth (%)



Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold

3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

## Southeast Asia Telecommunications Holdings Pte. Ltd. (SEATH)

Southeast Asia Telecommunications Holdings Pte. Ltd. (SEATH) is VNI's base transceiver station (BTS) holding company. Established in Singapore, it is the largest private investor in the tower business in Vietnam, owning absolute stakes in three local BTS companies, including GII, MIS and VNC-55 based in Ho Chi Minh City, Ha Noi and Da Nang, respectively.

As at 31 March 2015, the company had 1,924 BTS towers across Vietnam. These towers are leased under long-term contracts with key mobile operators at a tenancy ratio of 1.21, providing stable cash flow and favorable margins. SEATH expects to see stable growth in its tenancy ratio in FY2015 to 1.26 as mobile network operators intensify their competition for 3G users, a trend which began in the second half of 2014. The company has reached major milestones in its two In-building Systems (IBS) acquisitions, including taking control of the board and installing new management.

Estimated financial results for FY2014 show EBITDA and net margins of 54.1% and 15.2% respectively.

## Company highlights

Current NAV (USD mil)	64.5
% of VNI's NAV	31.9
Number of towers	1,924
Tenancy Ratio	1.20
EBITDA margin (FY 2014)	54.1%
Net margin (FY 2014)	15.2%

## Ba Thien II Industrial Park (Ba Thien 2)

Ba Thien 2 Industrial Park is a 308ha project located in Vinh Phuc province, just 20km from Noi Bai International Airport and 45km from Hanoi city. In addition to its strategic location, Ba Thien 2 Industrial Park enjoys advantageous economic features and preferential local investment policies. It offers a combination of industrial land and ready-built factories with high-quality infrastructure and utilities for tenants.

Ba Thien 2 completed the 2<sup>nd</sup> phase (40ha) infrastructure construction and land reclamation. The waste water treatment plant and the VinaCPK office building have completed concrete work. Underground water tanks are being built to increase the capacity of water storage to 1500m<sup>2</sup> to meet high usage of the new tenant TAL, which have now paid 30% of their contracts value and have begun construction. Another tenant signed during the quarter, Mirae from Korea and has already paid a 10% deposit on a 1.5ha site.

There are seven tenants leasing a total area of 24.1 ha in addition to three tenants completing factory construction and starting operation on the site (Nippon Paint, Deahuynst and Suzukaku with total of 9.1 ha).

## Company highlights

Current NAV (USD mil)	22.7
% of VNI's NAV	11.2
Total area (ha)	309
Industrial area (ha)	221
Leased ratio	10.9%
Number of tenants	7

## Vietnam Aircraft Leasing JSC (VALC)

VALC is the first and only aircraft leasing company in Vietnam. Founded in 2007 by some of the largest state-owned enterprises including Vietnam Airlines, Bank for Investment and Development of Vietnam, and Petro-Vietnam, the company quickly grew into one of Vietnam Airlines' key leasing partners with a fleet of airplanes including the ATR-72 and Airbus A321.

For the first quarter of 2015, VALC reported total revenues of USD19.6 million, generating an after tax profit of approximately USD5.0 million.

VALC's fleet is principally comprised of fuel-efficient and technologically current aircraft, namely, the company's ten Airbus A321-200s and an ATR 72-500 turboprop aircraft. Additionally, VALC is bidding for the simulation room project for Vietnam Airlines, which would be an expected total investment of approximately USD26.0 million.

VALC continues to find opportunities in diversifying its operating lease portfolio, reducing the risks associated with individual customer defaults and the impact of adverse geopolitical and regional economic events by engaging projects with Vietjet Air and Jet Star, two low-cost carriers operating in Vietnam. Additionally, VALC is entering a sale and lease back program of jet engines with Vietnam Airlines.

## Da Nang Rubber JSC (DRC)

Da Nang Rubber (DRC) is a leading bias and radial tire maker in Vietnam, with capacity of around 800,000 bias tires and 300,000 radial tires per annum. The company currently holds 15% market share in tires for trucks and 25% market share in Vietnam's overall tire market.

For Q1 2015, DRC reported revenue of VND766 billion (+13% year-on-year) and net profit of VND88 billion (+2.1% year-on-year). The company's revenue growth was led by a 154% year-on-year increase in its radial tire sale volume from 13,918 units in Q1 2014 to 35,368 units in Q1 2015. Gross margins contracted to 22.5% in Q1 2015 from 25.6% in Q1 2014 due to the increase in radial tires sales as they carry a lower margin than other product segments.

For 2015, DRC set a target revenue of VND3,910 billion (+20.3% year-on-year) and profit before tax of VND455 billion (no change), citing higher than expected radial tire sale volume in 2015. The company is also planning to invest in the second phase of its radial tire manufacturing factory with an installed capacity of 300,000 units/year and an investment cost of VND873 billion, bringing estimated total radial tire production capacity to 600,000 units/year, when completed.

As of 31 March 2015, DRC closed at VND60,500 per share (+8.0% year-to-date), equivalent to a trailing P/E of 14.2x and P/B of 3.1x.

## Financial highlights

<b>Profit and loss (USD m)</b>	<b>FY13A</b>	<b>FY14A</b>	<b>3M15</b>
Revenue	71	81	21
Net income	16	20	5
Net margin	21.8%	25.0%	24.3%
EPS (adjusted)	0.117	0.152	0.038
<b>Balance sheet (USD m)</b>			
Total assets	782	781	757
Shareholders' equity	64	64	64
ROE (%)	24.3%	31.2%	7.8%

## Financial highlights

<b>Profit and loss (VND bn)</b>	<b>FY13A</b>	<b>FY14A</b>	<b>3M15</b>
Revenue	2,804	3,251	766
Net income	375	353	88
Net margin	13.4%	10.8%	11.4%
EPS (adjusted)	4,519	4,246	1,054
<b>Balance sheet (VND bn)</b>			
Total assets	3,188	3,137	3,222
Shareholders' equity	1,380	1,536	1,623
ROE (%)	27.2%	23.0%	21.6%
<b>Valuation (VND bn)</b>			
PER (x)	8.3	13.2	14.2
P/B (x)	2.2	3.0	3.1
Dividend yield (%)	0.0%	3.6%	3.3%

**The manager update section provides investors with information on the policies and practices of VinaCapital Investment Management Ltd (VCIM), as well as updates on VinaCapital relevant to the performance of its investment funds.**

## **Valuation and NAV calculation**

The accurate and fair valuation of assets held in fund portfolios is a central component of successful fund management. VCIM follows international best practice whenever possible in its valuation process.

## **Relevant dates**

VNI's financial year-end is 30 June. Audited annual results must be announced within six months of this date. Interim results at 31 December receive an auditor review and must be announced within three months of this date. VNI calculates its unaudited NAVs monthly and this is normally announced within ten days of month-end. Update reports are issued on a monthly and quarterly basis, in addition to an annual report with the audited final results.

## **The methods used to value different assets:**

### *Listed equities*

The value of listed securities is based on the last traded price of the security on the stock exchange where it trades, or if there is more than one stock exchange on which the security trades, that which is considered the principal stock exchange for that security.

### *OTC equities*

The market price of OTC equities is determined based on a sample of closing prices obtained from a minimum of three leading securities companies in Vietnam. The price used is normally the average of the sample, with outlying prices removed to avoid bias.

### *Private equities*

Unquoted securities will initially be valued at cost. Revaluations of unquoted investments are conducted at 30 June annually in accordance with the guidelines issued by the British Investment Fund Association.

All other assets and liabilities are recorded at their respective fair values or cost, as required by the International Financial Reporting Standards and as set out in the Notes to the Consolidated Financial Statements.

## **More information on valuation is available on the Investing policy page of the VNI website:**

[VNI Investing policy.](#)

## **Audit and valuation committees**

VNI has an audit and valuation committee composed of independent non-executive members of the board of directors of the fund, and chaired by an independent director. The committee meets quarterly.

### **VNI Audit and Valuation Committee**

Ekkehard Goetting (Chairman)

Robert Binyon

Rupert Carington

## Historical financial information

Years ended 30 June	2010	2011	2012	2013	2014
<b>Statement of Income (USD'000)</b>					
Total income from ordinary activities	3,143	-47,620	21,547	7,670	34,581
Total expenses from ordinary activities	-7,313	-7,066	-6,423	-7,138	-7,290
Operating profit before income tax	-4,170	-54,686	15,124	532	27,291
Income tax expense	-	-32	-2,408	-918	-1,557
Profit for the year	-4,170	-54,718	12,716	-386	25,734
Minority interests	-95	1,483	6,836	-6	-15
Profit attributable to ordinary equity holders	-4,075	-56,201	5,880	-380	25,749
<b>Statement of financial position (USD'000)</b>					
Total assets	262,050	213,458	218,526	205,216	224,074
Total liabilities	-4,417	-9,377	-6,368	-7,756	-10,100
Net assets	257,633	204,081	212,158	197,460	213,974
<b>Share information</b>					
Capital distribution (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	-1	-14	10	0	7
Share price as 30 June	0.34	0.31	0.21	0.36	0.40
Ordinary share capital (thousand shares)	402,100	402,100	401,169	374,523	351,698
Market capitalization at 30 June (USD'000)	136,714	122,641	83,844	134,828	140,679
Net asset value per ordinary share (USD)	0.64	0.50	0.50	0.53	0.61
<b>Ratio</b>					
Return on average ordinary shareholder's funds	-1.0%	-14.0%	2.8%	-0.1%	7.7%
Total expense ratio (% of NAV)	2.34%	2.36%	2.45%	2.60%	2.60%



## Board of Directors

VNI's Board of Directors is composed entirely of independent non-executive directors.

Member	Role
Rupert Carington	Non-executive Chairman (Independent)
Ekkehard Goetting	Non-executive Director (Independent)
Luong Van Ly	Non-executive Director (Independent)
Robert Binyon	Non-executive Director (Independent)
Paul Garnett	Non-executive Director

## VinaCapital Investment Management Ltd (VCIM)

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
Tony Hsun	Managing Director, Infrastructure
Louie Doan	Deputy Managing Director, Infrastructure

## Contact

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## Fund summary

**Fund launch:** 5 July 2007

**Term of fund:** Ten years and then subject to shareholder vote for continuation

**Fund domicile:** Cayman Islands

**Legal form:** Exempted company limited by shares

**Investment manager:** VinaCapital Investment Management Ltd

**Structure:** Subject to relevant regulatory approvals - Two classes of ordinary shares, Private Equity share class and Listed Portfolio share class, trading on the AIM market of the London Stock Exchange plc.

**Auditor:** PricewaterhouseCoopers (Hong Kong)

**Nominated adviser:** Grant Thornton UK LLP

**Custodian and Administrator:** Standard Chartered (Singapore)

**Brokers:** Edmond de Rothschild Securities (Bloomberg: LCFR), Numis Securities (Bloomberg: NUMI)

**Lawyers:** Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)

**Base and incentive fee:** The base and incentive fee has been revised as a result of the extraordinary general meeting held on 15 December 2014. For a full description of the new fees that have been adopted as a result of the restructuring of the Company, please refer to the latest Circular which can be downloaded here:

[15 December 2014 EGM Circular](#)

**Investment objective:** The investment objectives for the Company have been revised as a result of the extraordinary general meeting held on 15 December 2014. For a full description of the new investment objectives that have been adopted as a result of the restructuring of the Company, please refer to the latest Circular which can be downloaded here:

[15 December 2014 EGM Circular](#)