

## Market Update

### Whilst SBV is still struggling to tackle bad debt, additional banking scandal has fanned market concerns about banking system instability

Coming as another shock that made the market drop 3.27% in one day was the resignation of Mr. Dang Van Thanh as Chairman of Sacombank following his wife's resignation from Sugar Bourbon Tay Ninh. Though there are many rumors spread around this news, the market is looking at it as uncertainty still exists in the banking system. Fortunately, depositors' reaction seemed to be calmer this time as there was no sign of "bank run" after the resignation. In the meantime, decision on the SBV's initiative in setting up company to own and manage bad debt for banks has not been reached.

### Stability continues to be the priority for next year

The government ended the National Assembly meeting with a good showing of strong determination to restructure the banking system at the lowest cost possible, and preventing any systemic collapse. Since the peak in August last year, inflation has been successfully controlled, at the cost of slowest GDP growth in 13 years. The national CPI growth rate posted a modest increase of 0.47% M-o-M in November, a deceleration from 0.85% in the last month and 2.2% in September when one-off adjustments were made to pharmaceutical and health care items. The government forecasts that 2012 CPI would be around 7.5% Y-o-Y and a decade low target of 6% is set for next year

as well.

### Lower inflation adding pressure on rate cuts

Lower expected FY2012 inflation of 7.5% and healthy liquidity condition of lenders are adding more pressure on rate cuts. By Nov 20, total deposit also increased 15.98% YTD while credit growth including trust investment and corporate bond investment was only 4.15% YTD. Banks now turn to bonds to put excess cash to work, which consequently causes the yield to drop. Under this circumstance, the Government has made known their contemplation of cutting deposit rate or putting a ceiling for lending, with a view to creating better environment to spur economy in 2013. The Government expects the economy will expand at 5.5% next year.

### Dong confidence is strengthened

Despite the gloomy condition, FDI sector is doing well. Foreign companies' export turnover rose 30% in eleven months through November, accounting for about two-thirds of total exports. The YTD FDI disbursement has reached USD9.9bn up to November 2012. This amount was down just slightly from USD10.05bn in 11M2011. The negligible decline showed that the foreign capital flow into Vietnam was still stable, helping the balance of payment to remain in surplus this year. The YTD trade balance is also a surplus despite a small deficit in November. And it is likely that Vietnam will record the first year of trade surplus since 1995. The deficit if any, will be lower than USD1bn. The export gains have reinforced Vietnam's foreign-exchange reserves, expected to reach

the equivalent of about 12 weeks of imports by the end of the year, which in turn would support the value of Dong.

### PMI data signals recovery

The seasonally adjusted HSBC Vietnam Manufacturing PMI posted an increment to 50.5 from 48.7, which is above the neutral 50.0 value for the first time since September 2011. Although the index showed only a marginal improvement, it reflected returns to growth in both production levels and new orders during November. The increase in November's PMI underscores optimism the economy is recovering after 14 month slowdown, which is in line with the situation in China and U.S.

### All three indices moved lower over November with low liquidity

The Vn-Index closed at 377.82, losing 2.64%. The HN exchange tumbled 3.36% to 51.05, whilst the VN30 dropped 3.19% to 443.68.

## Our view

We are hopeful that the worst may be over. The market is waiting for clearer signs of economic turnaround while the Government is showing its determination in solving its problems. The trade-off between stable economy and growth requires consistency in policy setting. The stability of Dong and low inflation target level next year make Vietnam's business environment more attractive. Fortunately, on the bottom-out journey, Vietnam would be helped by the data signaling a recovery in U.S. and China.



## Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2011 PE	2012 PE	2013 PE	2014 PE	2017 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-3.3%	-10.5%	19.0%	10.0	9.4	7.9	7.1	5.5	2.1	5.8	20.0	31.8	17.5	14.6	5.47
Automobiles & Components	0.7%	-4.0%	-11.1%	20.7%	16.1	7.0	5.4	5.7	3.0	1.4	7.2	22.7	16.7	10.7	6.7	0.6
Banks	29.8%	-1.7%	-18.2%	23.4%	7.0	9.3	7.9	8.2	7.0	1.2	7.1	12.2	38.9	15.7	11.3	13.9
Capital Goods	2.1%	-1.7%	-20.0%	18.0%	7.1	5.8	5.7	5.3	4.6	1.1	8.5	19.6	36.8	18.4	33.1	0.4
Commercial Services & Supplies	0.2%	-0.5%	-1.7%	23.7%	7.5	3.9	5.8	5.8	5.7	0.7	11.4	18.0	31.2	13.2	11.6	0.1
Consumer Durables & Apparel	0.5%	-4.1%	-22.6%	-15.4%	6.6	7.8	7.6	6.8	5.6	1.4	6.3	19.6	11.9	6.3	4.9	0.5
Consumer Services	0.3%	-2.4%	-3.8%	25.1%	6.0	5.8	5.3	4.9	4.2	2.0	-	29.8	62.6	44.9	41.1	-0.4
Diversified Financials	2.3%	-5.9%	-25.8%	23.0%	4.2	13.2	7.6	6.7	5.1	0.8	8.0	8.4	55.9	52.1	43.5	-0.7
Energy	15.4%	-2.7%	-4.8%	24.0%	11.2	9.7	8.1	6.4	4.7	2.7	3.6	26.1	17.4	12.9	9.5	0.1
Food & Staples Retailing	0.1%	-10.5%	-27.2%	-5.3%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	22.8%	-2.6%	4.0%	30.0%	14.5	13.1	10.6	8.5	5.2	4.9	3.2	31.0	30.5	18.4	16.3	-0.2
Health Care Equipment & Services	0.1%	-1.6%	-8.6%	19.2%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	-5.3%	-18.1%	6.9%	6.7	3.3	5.7	4.7	3.3	0.6	3.4	18.9	25.0	10.8	8.7	-0.1
Insurance	4.6%	-7.2%	-24.5%	-9.4%	6.5	5.3	4.7	4.6	4.2	0.6	4.6	11.5	36.5	6.7	28.5	-1
Materials	5.6%	-7.3%	-11.8%	32.0%	4.7	4.4	3.4	3.2	3.0	1.2	8.3	29.3	27.6	21.6	20.1	-
Pharmaceuticals & Biotechnology	1.5%	-3.0%	-3.0%	12.8%	9.8	8.1	7.4	6.5	4.9	2.6	3.7	27.1	44.0	18.2	15.3	-0.2
Real Estate	9.6%	-6.0%	-15.4%	-15.4%	7.5	10.0	7.6	7.1	4.6	0.9	8.9	10.8	45.0	36.8	29.9	1.1
Retailing	0.4%	-1.4%	-10.2%	-13.0%	3.7	4.4	3.6	3.2	2.7	0.7	11.9	17.5	6.3	2.4	1.6	0.5
Software & Services	0.2%	1.6%	-10.0%	-16.4%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.5%	-6.6%	-23.3%	-7.2%	6.5	4.8	4.2	3.8	3.0	1.5	4.5	30.0	18.9	9.8	6.7	0.2
Transportation	1.2%	-3.1%	-16.8%	5.4%	112.7	9.6	20.0	7.0	4.5	0.8	7.7	16.0	24.6	18.6	14.4	0.5
Utilities	1.2%	0.2%	-5.8%	33.0%	7.2	6.5	5.9	5.5	5.1	0.9	14.2	14.0	49.6	46.3	53.9	0.1

\* Vietnam Market comprises of both the Ho Chi Minh Stock Exchange (HoSE) and the Hanoi Stock Exchange (HNX).

\*The Sector valuation table is generated by VAM in-house Company Analysis System - VCAS

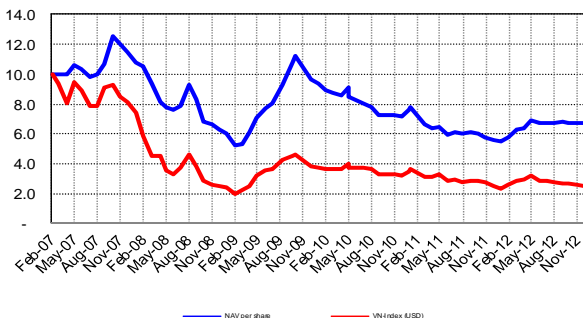
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.72
Nov-12	0.3%
YTD	22.9%
Since inception (Feb 07)	-32.8%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

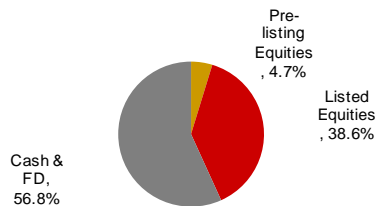
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end November, the Fund's NAV per share was US\$6.72. With a 0.3% MoM increase, the Fund was up 22.85% YTD and continued to lead the VN-Index (in US\$), recording outperformance of 3.03% MoM, 14.43% YTD and 41.82% since inception.

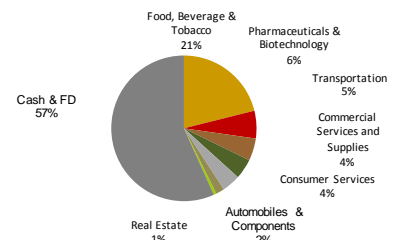
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown

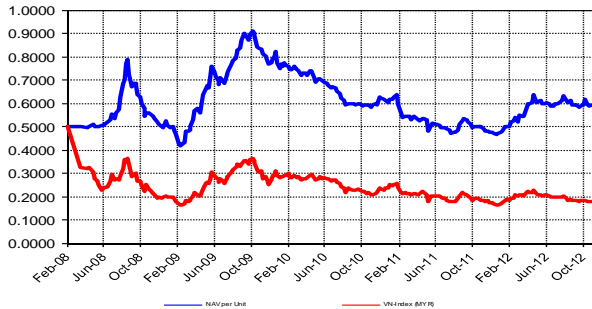


## Hong Leong Vietnam Fund (HLGVF)

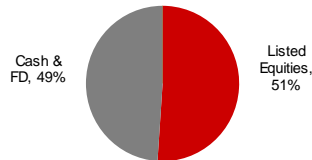
NAV per unit	RM 0.5897
	US\$ 0.1934
Nov-12	-0.62%
YTD	24.61%
Since inception (Feb08)	17.9%
Bloomberg	HLGVIET.MK

HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam. As at end November, the Fund's NAV per unit was RM0.5897. Despite a 0.62% MoM decrease, the Fund was up 24.61% YTD and 17.94% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 2.82% MoM, 20.95% YTD, and 83.08% since inception.

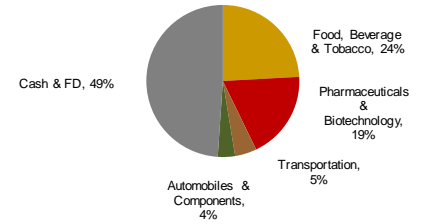
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown

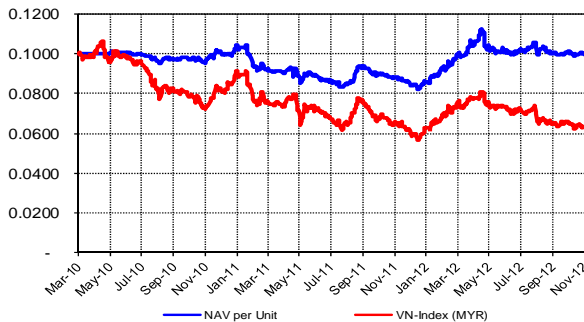


## Hong Leong Vietnam Strategic Fund (HVSF)

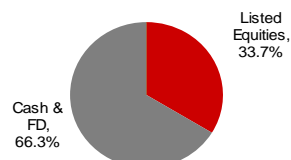
NAV per unit	RM 0.0992
	US\$ 0.033
Nov-12	-0.60%
YTD	16.95%
Since inception (Feb08)	-0.80%

HVSF is an open-end unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam. As at end November, the Fund's NAV per unit was RM0.0992. Despite a 0.6% MoM decrease, the Fund was up 16.95% YTD, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 2.48% MoM, 12.91% YTD, and 37.37% since inception.

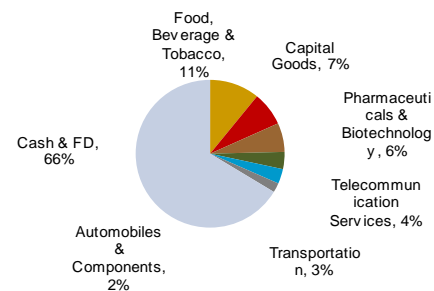
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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