

Market Update

Improved economic conditions somewhat buoyed the stock market in the last month of the year as all three indices moved up

The VN-index closed at 413.7, gaining 11.23% while VN30 closed at 485.4, picking up 9.42%. HNX was the best performer of three indices, increasing 11.83% to close the month at 57.09.

Macro indicators showed joyful December

Market confidence was regained thanks to better-than-expected CPI, trade balance, interest rates cut and detail implementation of the Government on spurring the economy. For the first time in four months CPI slowed in December, with consumer prices rising 6.81% from a year earlier after climbing 7.08% Y-o-Y in November. Consequently, the State Bank cut benchmark interest rates for a sixth time to help companies cope with difficulties in production and business. The trade balance posted a first year of surplus (of US\$284mn) since 1993. Despite a gloomy year, FDI disbursement reached USD10.5bn, dropping a marginal 5% YoY. As a result, foreign reserves are significantly improved, reaching US\$24 billion, equivalent to 12 weeks of import. The Dong remains unchanged.

However, stability was achieved at the cost of growth

Vietnam's economy expanded at the slowest pace in 13 years in 2012 as a slump in bank lending dampened domestic demand.

GDP grew 5.03%, down from 5.89% in 2011, and the lowest since 1999. Bad debt and the gloomy business environment hampered credit growth, which ended 2012 at 6.45% YoY while total liquidity growth and deposit growth were 19.85% and 20.29% YoY, respectively. As the lenders' liquidity position becomes comfortable and full-year inflation was a lower-than-expected 6.81%, the central bank decided to cut all policy rates and deposit cap rate by 1%, effective on December 24, in an attempt to make banks lend more. But as the real interest rate is still positive, some are speculating on another rate cut, even as the World Bank warned against easing too soon. On the other front, the HSBC's Vietnam PMI index fell back to deterioration in December, down to 49.3 from 50.5 last month, as a result of reduction in order inflows, disinvestment of inventory holdings and stagnating production volumes.

Government details its determination to spur the economy

To spur the economy and resolve the financial system, the Government started implementing a detailed action plan. Businesses may enjoy lower corporate income tax rate in 2013, i.e. 23% for large enterprises and 20% for SMEs (down from 25% earlier); real estate will receive more support based on a newly approved proposal by MoF, which includes a 50% VAT reduction, 2-year extension on the deadline of land use fees payment and the establishment of AMC aiming to solve rising NPLs. Moreover, USD300mn from Asian Development Bank

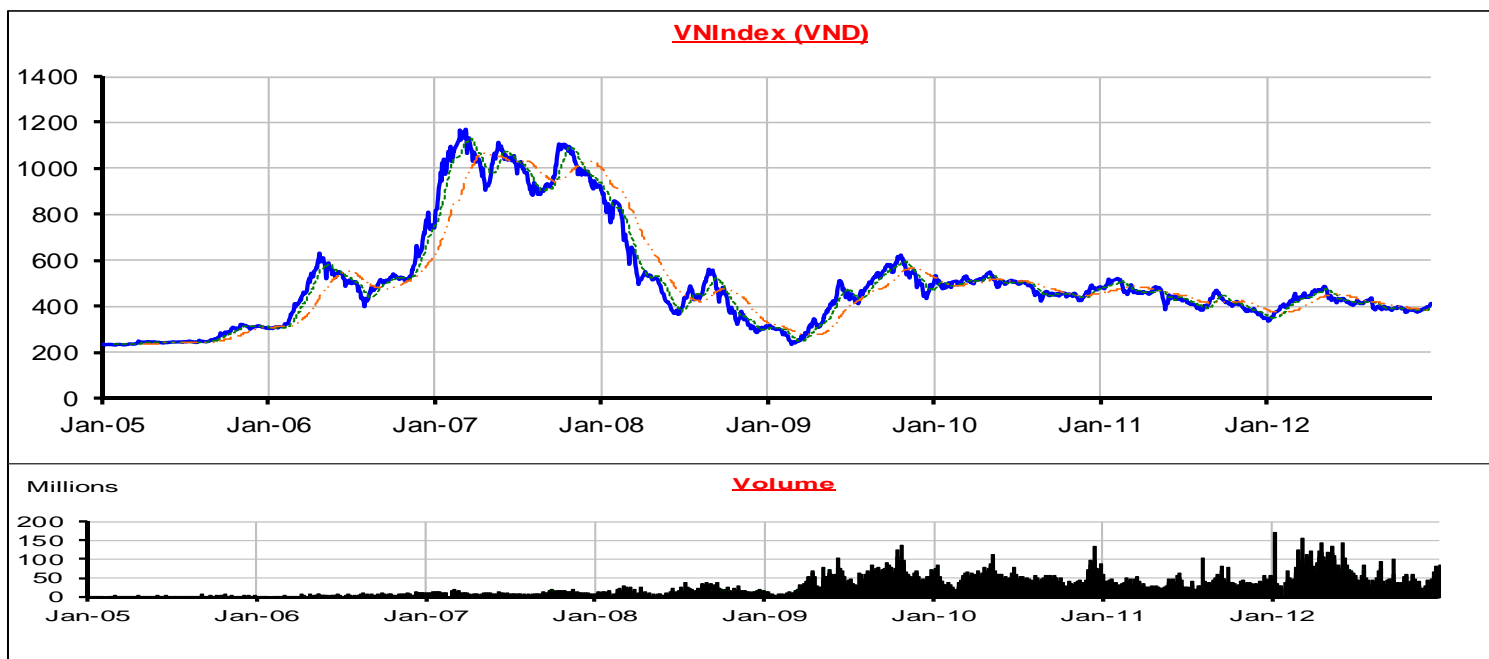
in a 25-year loan package will help to restructure SOEs in 2013.

Authority changes rules to push the capital market

On the capital market, SSC submitted its proposal in support of the stock market to the Ministry, in which key measures might include tax incentives, allowing to issue stocks below par, increasing margin ratio and trading band and most importantly, increasing foreign ownership limit. Otherwise, SBV governor also announced that they are working on revising the Decree 69/2007, wherein special cases, i.e for restructuring commercial banks, the foreign ownership ratio might be allowed to exceed 30%. Since 10th January, the number of gold bar shops will decline from 8,000 to 2,400 including around 900 in Ho Chi Minh City and 400 in Hanoi, after SBV completes the licensing procedures.

Our view

On the background of good macro economic indicators coming out in December and improved investor sentiments after seeing the Government's determination to spur the economy being detailed into action plans, the stock market had a good run in the last month of 2012. We are cautiously optimistic and have started to mobilize cash into Vietnam Dong to be ready for deployment toward increasing equity level for the Fund. We are keen to buy stocks of strong companies with sound cash flow and healthy balance sheets in fundamental industries such as consumers and materials.



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%	4.7%	5.2%	24.2%	11.0	10.2	8.6	7.7	5.8	2.4	5.3	20.3	31.3	17.3	14.2	5.13
Automobiles & Components	0.7%	0.8%	2.4%	23.3%	12.2	7.2	5.6	5.9	3.1	1.4	7.0	23.3	17.2	11.0	7.1	0.6
Banks	29.9%	7.0%	6.2%	31.5%	8.0	10.3	8.7	8.9	7.4	1.4	6.7	12.3	38.8	15.7	11.3	13.9
Capital Goods	2.1%	5.6%	10.2%	26.5%	6.2	5.2	5.8	5.4	4.8	1.1	7.9	21.2	25.2	17.5	20.4	-0.1
Commercial Services & Supplies	0.2%	0.3%	4.4%	27.2%	7.3	4.4	6.1	6.1	6.0	0.8	10.4	-6.5	26.5	10.9	9.2	-
Consumer Durables & Apparel	0.5%	10.0%	12.0%	-7.2%	6.8	8.5	8.7	7.8	6.3	1.5	6.3	20.4	11.4	5.8	4.8	0.5
Consumer Services	0.3%	6.8%	5.8%	33.8%	10.8	7.9	7.3	6.7	5.7	1.4	-	20.1	59.9	34.4	32.3	-0.3
Diversified Financials	2.2%	7.4%	0.7%	28.6%	5.0	14.0	8.1	7.1	5.3	0.8	7.7	7.8	54.3	52.0	43.1	-0.6
Energy	15.4%	-0.1%	2.3%	24.2%	11.4	9.8	8.3	6.5	4.8	2.8	3.6	25.8	17.3	12.9	9.4	0.1
Food & Staples Retailing	0.1%	1.8%	-9.9%	-2.0%	2.9	1.9	2.4	2.3	2.0	0.5	-	23.0	15.3	6.2	5.7	-0.1
Food, Beverage & Tobacco	23.3%	1.9%	7.5%	31.1%	15.3	13.7	11.3	9.0	5.6	5.0	3.0	30.5	30.1	17.8	15.8	-0.2
Health Care Equipment & Services	0.1%	2.0%	9.8%	28.0%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	8.7%	7.8%	19.9%	6.9	3.5	5.6	4.7	3.4	0.7	3.3	19.8	26.9	12.6	10.4	-0.1
Insurance	4.3%	21.1%	12.0%	10.1%	7.1	5.8	5.2	5.1	4.6	0.7	4.6	11.2	35.8	6.9	29.9	-1.1
Materials	5.5%	4.0%	-0.9%	37.6%	4.8	5.2	3.9	3.7	3.4	1.3	7.5	28.3	28.6	22.2	20.5	-0.1
Pharmaceuticals & Biotechnology	1.4%	4.2%	0.9%	18.8%	11.0	9.5	8.6	7.3	5.5	2.6	3.5	24.5	43.5	15.9	13.4	-0.1
Real Estate	9.3%	3.8%	1.5%	-12.3%	8.4	10.7	7.8	7.8	5.1	0.9	7.7	10.7	48.5	40.1	32.6	0.8
Retailing	0.4%	8.0%	6.2%	-5.7%	3.9	5.0	3.9	3.5	3.0	0.7	10.5	16.3	6.0	2.2	1.4	0.5
Software & Services	0.2%	10.0%	16.3%	-5.0%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.4%	-0.8%	-6.9%	-8.1%	6.7	5.5	4.7	4.4	3.5	1.5	4.5	27.5	18.9	9.7	6.9	0.2
Transportation	1.2%	5.0%	8.3%	10.6%	129.6	10.8	23.1	8.1	5.2	1.0	6.4	16.6	25.0	18.8	15.2	0.1
Utilities	1.3%	14.1%	18.2%	53.6%	7.2	6.6	6.0	5.5	5.2	0.9	14.1	14.0	49.9	46.7	54.5	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

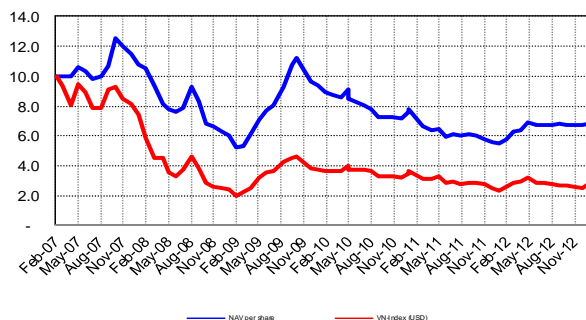
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.83
Dec-12	1.6%
YTD	24.9%
Since inception (Feb 07)	-31.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

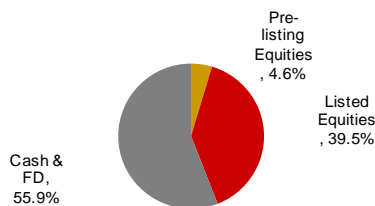
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end December, the Fund's NAV per share was US\$6.83. With a 1.64% MoM increase, the Fund was up 24.86% YTD and continued to lead the VN-Index (in US\$), recording outperformance of 6.08% YTD and 40.5% since inception.

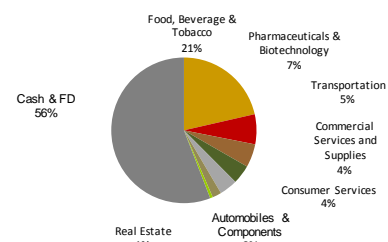
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

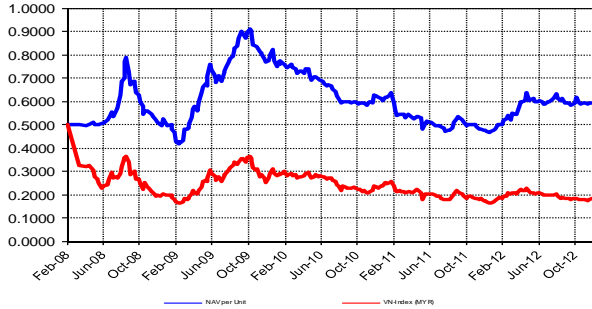


Hong Leong Vietnam Fund (HLGVF)

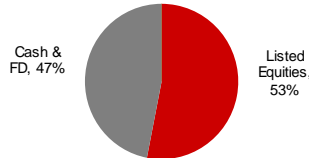
NAV per unit	RM 0.5991
	US\$ 0.1953
Dec-12	1.59%
YTD	26.60%
Since inception (Feb08)	19.8%
Bloomberg	HLGVIET.MK

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 December, the Fund's NAV per unit was RM0.5991. With a 1.59% MoM increase, the Fund was up 26.6% YTD and 19.82% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 13.93% YTD, and 81.93% since inception.

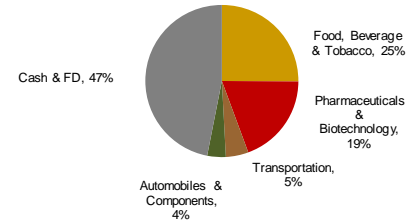
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



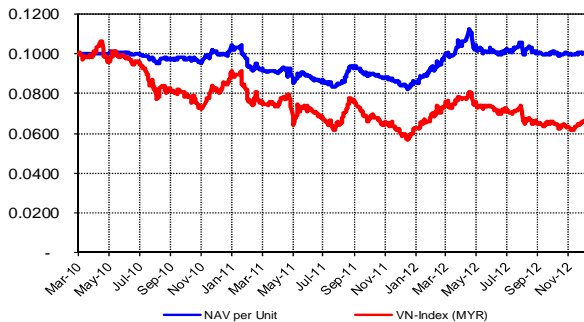
Hong Leong Vietnam Strategic Fund (HVSF)

NAV per unit	RM 0.1024
	US\$ 0.033
Dec-12	3.23%
YTD	20.72%
Since inception (Feb08)	2.40%

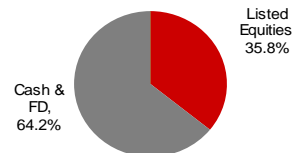
HVSF is an open-end unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end December, the Fund's NAV per unit was RM0.1024. With a 3.23% MoM increase, the Fund was up 20.72% YTD, 2.4% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 6.08% YTD, and 34.27% since inception.

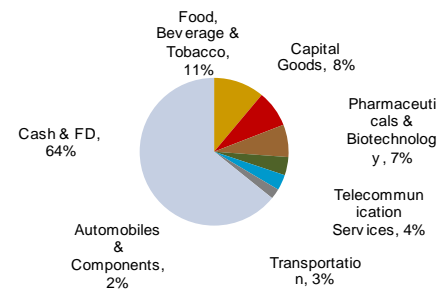
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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