

Market Update

After a long Tet holiday, rumors about financial policy changes and further arrests of top bank leaders emerged and eroded all the stock market's gains from the beginning of February. Consequently, the VN-Index closed the month with a 0.52% loss, whilst HNX shed 1.05%. With a 3.05% fall, the VN30 seemed to be even more sensitive to the panic.

Inflation subdued in the month of Tet

Thanks to the phasing out of pharmaceutical products price increases, inflation slowed somewhat in February as the consumer price index climbed 7.02 percent YoY (versus 7.07 percent YoY in January). The concerns about the "traditional" consumer price hikes during the Tet holiday did not materialize, partly due to weaker festive demand than usual. The government also decided not to raise retail prices of petroleum products including gasoline to ensure economic stability and keep inflation under control. However, Ministry of Finance did not provide the information on price stabilization fund balance for petroleum products, so it remains unclear on how the gasoline price control will transpire in the coming time.

Trade surplus continued, foreign reserves given a boost

According to GSO, the trade balance in February continued to show a surplus, reaching USD900mn, the highest monthly level ever and the ninth month of surplus in a row. With this result, following the USD700mn in Jan, the YTD trade surplus is now around USD1.6bn, a comfortable level which should lend healthy support to the already strong

foreign reserve (by Vietnam standard) and consequently the value of the Dong. However, exchange rate showed unexpected volatility in the first two weeks after Tet, possibly due to brisk actions in the gold market and the upsetting rumours. To comfort the market, a Central bank spokesman has stated that no depreciation is being planned for the foreseeable future.

Newly released NPLs figure eased concerns on banking system reform

While the Prime Minister requested to establish the AMC in 1Q 2013, the new NPLs figure released by the Governor was encouraging. Accordingly, bad debt on banking system has come down from 8% in June 2012 to 6% as banks wrote off non-performing loan balance at the end of last year. As the Government set credit growth target of 12% in 2013 to boost economic growth and implement the "dual-targets", the destination for credit flow is still at stagnation point. Whilst total liquidity (M2) increased 3.31% YTD, the credit growth up to 21 Feb was still in negative territory at - 0.16% YTD.

Business environment still appears challenging

In line with stagnation on the supply side, demand remained weak with retail sales increasing only 3.6% in Jan-Feb period, which is not different from Dec 2012's level. While the inventory level hiked 19.9% Y-o-Y, industrial production showed no improvement. In a related note, the government released that by February, the number of enterprises going out of business was 8,600, which exceeded the figure

of 8,000 newly created enterprises, implying the fact that the business environment is still very difficult.

A bumpy recovery progress reflected by a drop in the PMI

After adjusting for seasonal factors, including the Tet holidays, the HSBC Vietnam Manufacturing PMI posted 48.3 in February, down from 50.1 in January. This has been the largest dip since last August. Notably, in February, the survey showed a first drop in four months of manufacturing output; a decline in the level of new order received and a sixth time in seven months increase in average input prices.

Our view

After a long Tet holiday, the stock market was hit by negative rumors about possible currency devaluation, financial policy changes and further arrests of banking officials. Although these rumors were addressed and corrected in a timely manner by the relevant authorities, the stock market and economy in general showed its uncertainty and vulnerability. In 2013, the story will be mainly about boosting production and restructuring the economy. Fortunately, Vietnam's leaders' determination is supported by a relatively stable currency and a healthy trade balance. We remain cautious and will carefully watch development in the political space and changes in macro economy as that will definitely affect the stock market. We are generally comfortable with our equity position but may look to selectively acquire more stocks if the macro environment becomes more favourable.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2012 PE	2013 PE	2014 PE	2015 PE	2017 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-4.3%	23.1%	9.4%	14.9	10.9	9.9	9.2	8.4	2.1	5.6	18.4	32.5	17.9	14.9	3.52
Automobiles & Components	0.7%	2.5%	21.0%	11.8%	8.4	7.5	7.3	5.5	3.5	1.9	5.6	17.8	15.8	10.1	6.2	0.6
Banks	32.6%	-7.6%	20.4%	3.3%	13.8	13.1	13.3	12.4	12.7	1.3	5.9	10.9	38.4	14.6	10.4	8.9
Capital Goods	2.2%	-5.7%	21.7%	7.4%	6.5	6.6	5.8	11.9	6.3	1.0	7.8	15.1	28.6	13.1	24.9	0.1
Commercial Services & Supplies	0.2%	14.4%	30.1%	22.4%	5.7	7.5	7.3	7.2	6.8	2.3	6.9	33.6	23.6	9.6	6.4	0.7
Consumer Durables & Apparel	0.4%	-2.7%	1.7%	-4.9%	7.6	7.3	7.3	6.5	25.5	1.3	7.1	9.2	12.0	6.6	1.1	0.4
Consumer Services	0.3%	0.7%	12.6%	7.1%	8.2	7.6	7.0	6.5	5.5	1.4	-	20.1	64.0	41.2	38.6	-0.3
Diversified Financials	2.3%	-6.2%	24.5%	3.0%	14.7	9.1	8.0	7.0	5.5	0.9	6.9	10.4	66.1	62.2	50.9	-0.7
Energy	14.8%	-1.5%	15.5%	14.1%	11.3	9.6	7.5	7.1	4.9	2.7	3.2	25.1	17.7	13.2	9.5	0.1
Food & Staples Retailing	0.1%	2.1%	9.0%	-0.8%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	19.6%	-4.3%	21.0%	12.3%	15.0	10.7	9.1	7.9	6.2	4.7	3.4	29.8	31.0	19.5	16.5	-0.1
Health Care Equipment & Services	0.1%	-9.1%	-10.0%	-3.9%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	1.0%	18.9%	4.2%	5.0	3.9	4.1	3.6	3.1	0.6	2.8	18.1	23.0	9.4	9.1	0.3
Insurance	5.8%	-1.2%	66.4%	22.6%	6.0	5.4	5.3	4.9	3.4	0.7	4.4	11.7	36.1	6.7	29.1	-1.2
Materials	5.8%	-4.4%	19.6%	10.3%	8.5	5.5	5.1	5.1	4.9	1.4	8.3	24.4	28.2	21.2	20.3	-
Pharmaceuticals & Biotechnology	1.4%	-0.3%	7.1%	1.3%	9.3	7.4	7.1	5.8	4.1	2.2	3.8	26.9	43.9	16.8	16.8	-0.2
Real Estate	8.7%	-2.5%	27.6%	12.1%	63.5	17.0	10.9	7.8	5.2	1.2	9.3	12.8	42.6	33.7	27.1	0.8
Retailing	0.4%	5.1%	19.7%	5.3%	5.0	4.0	3.6	3.8	4.5	0.6	8.8	16.9	7.8	3.3	2.2	0.5
Software & Services	0.2%	-7.1%	5.8%	-4.0%	6.6	6.2	5.0	5.6	4.8	0.8	33.9	13.4	21.4	12.4	9.4	-
Telecommunication Services	1.4%	-6.2%	10.6%	0.1%	7.3	5.9	5.0	4.5	3.8	1.4	5.5	23.2	18.6	9.6	6.4	-0.1
Transportation	1.2%	10.2%	37.0%	20.0%	4.3	6.5	2.8	2.2	1.7	0.9	12.8	24.6	27.9	22.9	18.9	0.3
Utilities	1.4%	1.2%	35.7%	18.6%	8.0	8.3	8.3	6.6	5.4	1.2	8.1	15.1	30.1	26.5	32.2	0.5

* 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

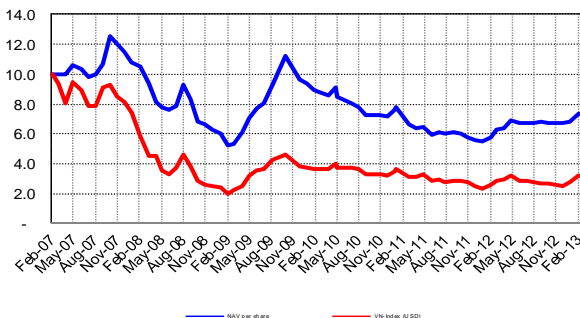
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$7.31
Feb-13	-0.8%
YTD	7.0%
Since inception (Feb 07)	-26.9%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

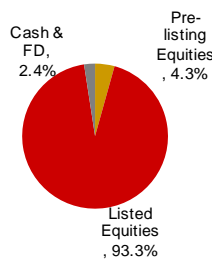
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end February, the Fund's NAV per share was US\$7.31. Despite a 0.81% MoM decrease, the Fund was up 7.03% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 0.82% MoM, and 41.38% since inception.

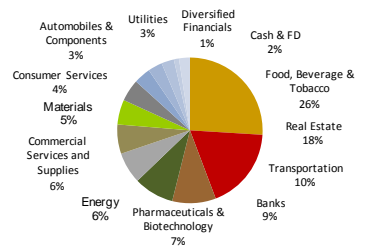
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

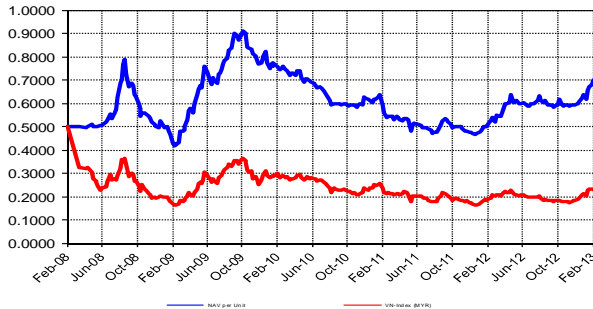


Hong Leong Vietnam Fund (HLGVF)

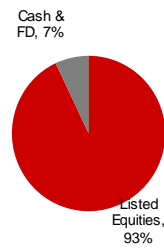
NAV per unit	RM 0.6588
	US\$ 0.2126
Feb-13	0.44%
YTD	9.96%
Since inception (Feb08)	31.8%
Bloomberg	HLGVIET.MK

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 February, the Fund's NAV per unit was RM0.6588. With a 0.44% MoM increase, the Fund was up 9.96% MoM, 31.76% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 4.44% MoM, 88.01% since inception.

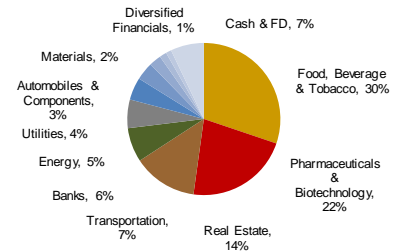
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

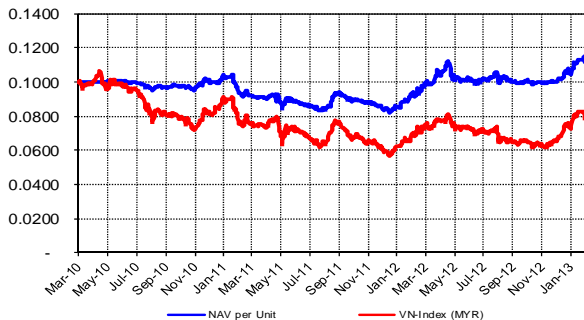


Hong Leong Vietnam Strategic Fund (HVSF)

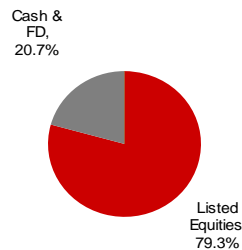
NAV per unit	RM 0.1099
	US\$ 0.036
Feb-13	-1.08%
YTD	7.32%
Since inception (Feb08)	9.90%

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 February, the Fund's NAV per unit was RM0.1099. Despite a 1.08% MoM decrease, the Fund was up 7.32% YTD, 9.9% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 0.42% MoM, 31.3% since inception.

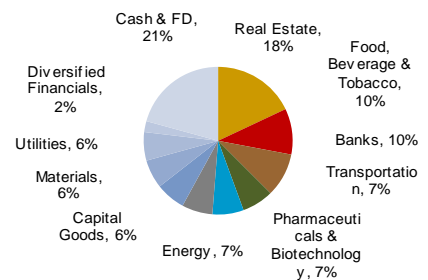
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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