

Market Update

After tumbling as much as 11% in the first 2 weeks of May, to a new low of 513.9 on May 13th, due to the tension with China in Vietnam's East Sea, the market rebounded in the second half of the month and closed down 2.8% (VNIndex) and 2.3% (VN30). The HNX lost 5.1%.

Inflation advanced slightly in May, backed by moderate improvement in demand and supply.

May inflation was recorded at 0.2% MoM, down from April's 0.33%. Consequently, the CPI increased only 1.08% YTD. Moderate improvement continued to be recorded in both demand and supply sides. 5M2014 real retail sales advanced 6% YoY, surpassing the same period last year's growth rate of 4.6%, whilst the index-industry products (IIP) increased 5.6% YoY, higher than the rate of 4.8% of 5M2013.

Sustained YTD trade surplus driven by FDI sector

GSO estimated that 5M2014 trade surplus reached USD 1.6bn, a slight drop from the historic high of USD 2bn recorded for 4M 2014 in April, due to a trade deficit of USD 400mn in May. FDI continued to be the biggest contributor to the economy as the sector generated a trade surplus of USD 7bn in 5M2014 whilst the domestic sector made a trade deficit of USD 5.3bn. FDI disbursement remained steady with 5M2014 disbursed FDI recorded at USD 4.6bn, up 0.4% YoY.

FDI sector's confidence largely restored through appropriate compensation and strong determination of the Vietnamese Government to prevent recurrence of riots

The PM has requested urgent support and compensation for businesses affected by anti-China protests and riots, including tax cuts, workers' salary subsidy and land rental reduction etc. to offset against damages suffered. These prompt incentives and the Government's affirmative measures to punish rioters and to avoid recurrence of such events have more or less calmed the public's and FDI sector's sentiment, as well as restored investors' confidence.

Rumor about another round of currency depreciation was denied by the SBV

As the USD/VND rate has been increasing, amidst the tension with China, to 21,140 – 21,190 (official bank rates) in May, the highest level since the beginning of the year, concern about another depreciation of the Dong has again emerged. However, the SBV denied the rumor, given (1) sustained YTD trade surplus; (2) historic high FX reserves; and (3) the wide gap between deposit rates of the Dong and the USD. The SBV also affirmed that the depreciation (if any) will not exceed 1% in 2014 (down from the 2% stated at the beginning of the year) to show their confidence in maintaining the Dong's stability.

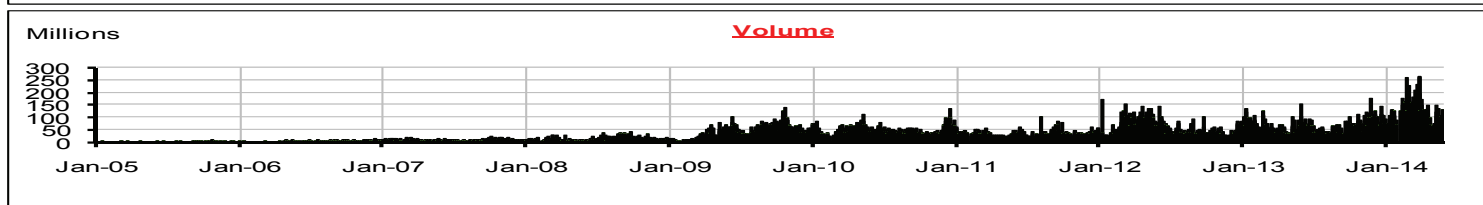
Vietnam consumer confidence once again improving

Vietnam Consumer Confidence Index reached 99 points in 1Q2014 in the global survey of Nielsen, the highest level since

Q4/2011. Consumers were found to be more willing to spend after 2 years of consumption tightening as 56% of respondents across the country had positive perception of their personal finances for the year ahead. Although saving still remained the top priority, consumers channeled more spare cash into tourism, house renovation and stock investment.

Our view

The sell-off due to the political tension with China was fairly short-lived as by month end, the VNIndex was almost back to where it started for the month. We think although the tension may not go away very soon, it will not have significant long-term downside impact on Vietnam's economy. In fact, economic stability has been maintained on the broad base since the beginning of the year with inflation under control, relatively stable exchange rate and sustained trade surplus. Discussion on amendments of the Law of Investment and a comprehensive legal framework for Public - Private Partnership (PPP) in the ongoing 7th cabinet meeting will provide investors with uniform guidance and regulations in PPP to encourage more private investment in infrastructure. This will also help to improve the administrative process in getting investment project approval to make the investment environment in Vietnam more favorable. The Government's prompt support rendered to affected businesses in the anti-China riots has shown that FDI is still a top priority for Vietnam. We think the market will likely remain volatile in the coming weeks and we will continue to monitor it closely for buying opportunities.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2013 PE	2014 PE	2015 PE	2016 PE	2018 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-2.8%	-4.1%	11.4%	14.4	12.8	11.6	10.6	7.7	2.6	5.2	20.0	32.7	19.1	16.2	2.53
Automobiles & Components	0.9%	-0.3%	-3.6%	15.0%	9.0	8.7	7.7	6.5	4.2	1.9	3.3	22.3	21.5	14.5	8.7	0.7
Banks	24.8%	-2.4%	-9.1%	3.3%	11.7	11.1	9.8	9.4	8.1	1.2	6.1	11.3	39.0	16.8	11.6	10.2
Capital Goods	2.5%	-9.8%	-14.5%	3.0%	21.5	8.8	7.7	6.6	5.2	1.3	6.1	17.0	32.2	14.5	26.9	0.3
Commercial Services & Supplies	0.3%	-1.5%	-5.4%	7.5%	5.6	5.1	4.6	4.0	27.2	0.9	3.8	19.4	41.1	27.4	26.7	0.1
Consumer Durables & Apparel	0.5%	-6.4%	-1.9%	8.6%	9.0	7.1	6.9	7.0	6.3	1.2	6.2	54.9	12.4	7.2	4.9	0.3
Consumer Services	0.2%	-2.3%	-1.6%	-0.9%	7.5	7.0	6.5	6.0	-	1.1	-	19.1	53.4	36.1	32.5	-0.4
Diversified Financials	2.4%	-7.4%	-2.3%	30.5%	16.7	13.7	12.2	10.9	8.4	1.4	4.8	10.6	61.4	56.5	56.6	-0.7
Energy	20.6%	-2.0%	12.5%	43.4%	15.2	14.4	13.5	12.6	9.5	4.2	3.2	30.6	21.4	16.8	14.0	-0.3
Food, Beverage & Tobacco	20.1%	-5.5%	-7.6%	2.9%	15.6	15.8	14.4	12.3	7.8	4.6	4.0	30.8	32.3	19.1	16.4	-0.3
Household & Personal Products	0.4%	-5.4%	-12.7%	-4.9%	6.6	7.4	7.6	6.2	6.9	0.9	6.1	13.2	27.1	10.3	9.2	0.1
Insurance	3.7%	5.5%	-12.8%	7.3%	7.5	7.5	7.0	6.9	-	0.7	4.0	10.4	33.2	6.1	26.2	-0.9
Materials	5.8%	-1.3%	-10.0%	4.2%	9.3	8.6	8.4	8.7	8.1	1.8	7.0	21.8	22.1	15.2	13.5	0.1
Pharmaceuticals & Biotechnology	1.6%	-3.3%	-1.5%	7.0%	10.7	9.9	8.4	7.1	4.5	2.3	3.6	24.6	44.5	17.3	14.2	-0.2
Real Estate	11.2%	0.0%	-11.7%	3.0%	20.6	15.1	13.4	12.0	7.5	1.3	7.8	3.1	40.6	28.5	15.9	1.1
Retailing	0.4%	-5.1%	-11.7%	-5.3%	4.8	4.9	4.7	4.2	-	0.7	8.7	16.5	8.2	3.5	2.4	0.2
Software & Services	0.1%	-7.8%	-8.5%	5.9%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.5%	-14.7%	-9.1%	22.2%	9.9	7.7	6.3	5.2	3.2	1.8	5.4	25.9	19.2	9.6	6.7	-
Transportation	1.5%	-0.4%	-9.9%	1.7%	13.1	8.2	6.7	6.1	3.6	1.1	6.6	16.8	24.0	19.0	15.5	0.2
Utilities	1.6%	3.8%	-2.8%	1.7%	12.8	10.9	9.5	8.7	10.0	1.1	5.0	12.4	33.5	29.5	36.9	0.2

As at 30 May 2014

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

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

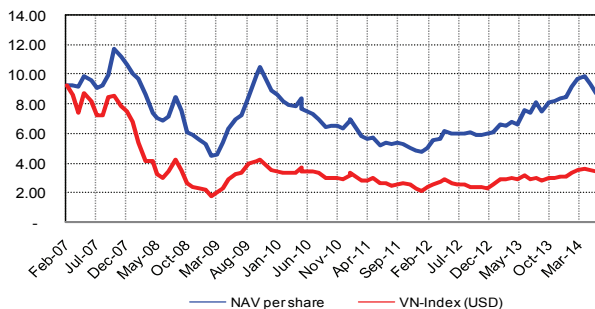
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.75
May-14	-6.8%
YTD	2.7%
Since inception (Feb 07)	-5.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

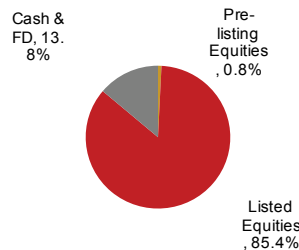
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end May, the Fund's NAV was \$8.75. Despite a 6.8% MoM decline, the fund was up 2.7% YTD, the Fund continued to lead the VN-Index (US\$), recording outperformance of 57.29% since inception. As at end of May, the fund was 86.2% invested.

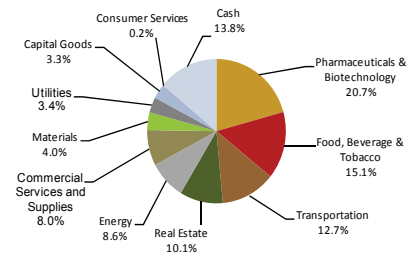
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



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