

## Market Update

For the third consecutive month, inflation (1.6% MoM) and trade deficit (\$900 ml) numbers came in at low levels which are suggesting the continued success of the Government's austerity program. A 1.1% MoM decrease in food prices was offset by a rise in fuel prices, which led to a 9.1% rise in the transport and communications component of CPI. However, after hiking the price of unleaded fuel by 31%, the government has made two cuts totalling 10.5% to the price of fuel due to the falling of global oil price, so the impact of oil prices on CPI should moderate. Regarding the trade deficit, for the third straight month the Government is within its target of keeping the monthly trade deficit figure below \$1bn.

If the Government is able to keep the trade deficit below \$1bn per month for the rest of the year, the trade deficit is expected not to be a strain on the Balance of Payments. With predicted FDI disbursements leading the way more than \$11bn for 2008 (which will continue to be strengthened by very strong inflows from Overseas Development Aid and Overseas Remittances) the capital account still looks

very strong this year for Vietnam.

The currency seems to have recovered from the panic which swept through the non-deliverable forward and black markets in June and early July. In August, the Vietnam Dong actually appreciated against the US dollar by 1.4%.

The equity markets were the largest beneficiary of the improved sentiment in Vietnam in August. The VN-Index surged by 19.5%, making it one of the best performing indices in the world for the month. Also, Vietnam's markets shook off the dubious distinction of being the worst performing in the world this year, having been replaced by China. Perhaps what is more important to investor sentiment than the improving macroeconomic numbers is the improved liquidity in the markets. August saw the reintroduction of the 5% trading band on HoSE and 7% on HaSTC. While combined daily turnover of both exchanges at one period in May was less than US\$ 4 million, many days in August saw this number reaching nearly US\$ 150 million. The increased trading

bands have allowed the markets to act more efficiently, and have also proven enticing to retail investors who have re-entered the market after largely disappearing during the tight trading band days.



VN-Index

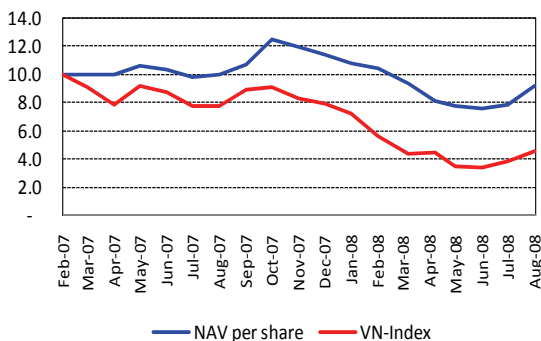
## Vietnam Emerging Market Fund (VEMF)

|                          |                   |
|--------------------------|-------------------|
| NAV per share            | US\$9.24          |
| Aug-08                   | 16.96%            |
| YTD                      | -19.23%           |
| Since inception (Mar 07) | -7.60%            |
| Total NAV (US\$m)        | 14.18             |
| Reuters                  | 65092798          |
| Bloomberg                | VAMVEMF KY Equity |

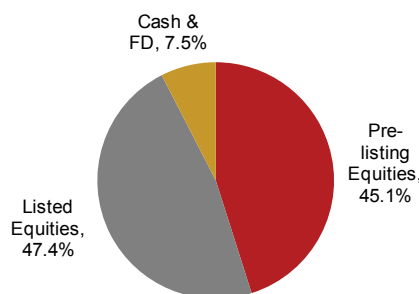
VEMF is a closed-end fund incorporated in the Cayman Islands. The Fund invests in privatization, pre-listing and listed stocks in Vietnam markets.

As at end August, the Fund's NAV was \$9.24, gaining almost 17% MoM. The Fund continues to lead the Index, recording outperformance of 22.6% year-to-date and 46.4% since inception..

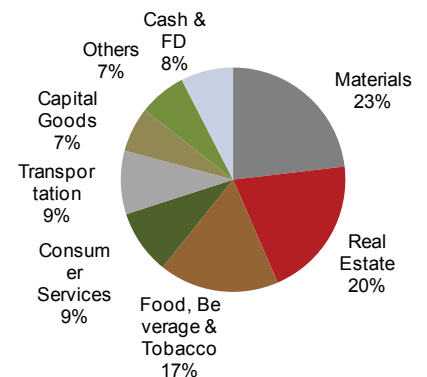
### Performance vs. VN-Index



### Fund Breakdown



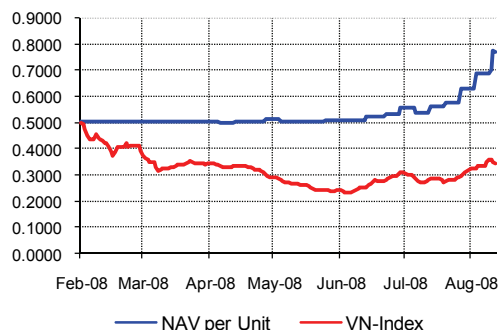
### Sector Breakdown



## HLG Vietnam Fund (HLGVF)

|                         |                   |
|-------------------------|-------------------|
| NAV per unit            | RM 0.7674         |
|                         | US\$ 0.2268       |
| Aug-08                  | 36.96%            |
| YTD                     | 53.48%            |
| Since inception (Mar08) | 53.48%            |
| Total NAV               | RM 17,537,637.69  |
|                         | US\$ 5,182,011.71 |

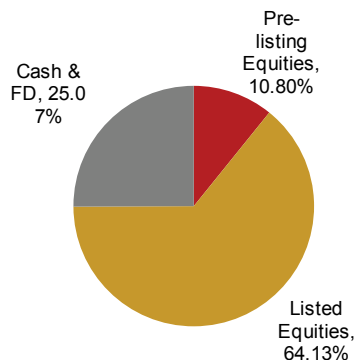
### Performance vs. VN-Index



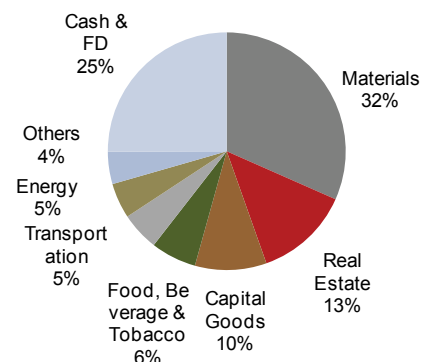
HLGVF is an open-ended unit trust incorporated in Malaysia. The Fund invests in pre-listing and listed stocks in Vietnam markets.

The Fund's NAV per unit increased almost 37% in August to close at RM 0.7674 at month end. Since inception, the Fund has returned 53.5% and outperformed the VN Index by 84.6%.

### Fund Breakdown



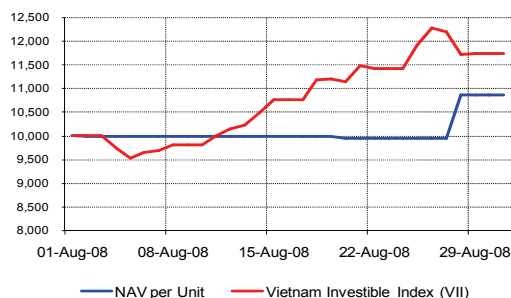
### Sector Breakdown



## HS-VAM Vietnam Index Linked Fund (VILF)

|                         |                    |
|-------------------------|--------------------|
| NAV per unit            | JPY 10,850         |
|                         | US\$ 98.875        |
| Aug-08                  | 8.5%               |
| YTD                     | 8.5%               |
| Since inception (Jul08) | 8.5%               |
| Total NAV               | JPY 674,011,709.29 |
|                         | US\$ 6,142,176.24  |

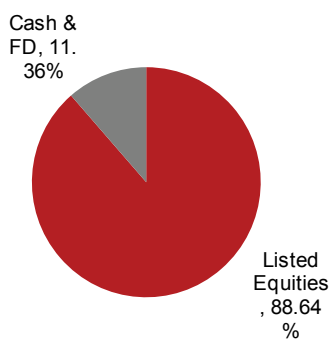
### Performance vs. VII



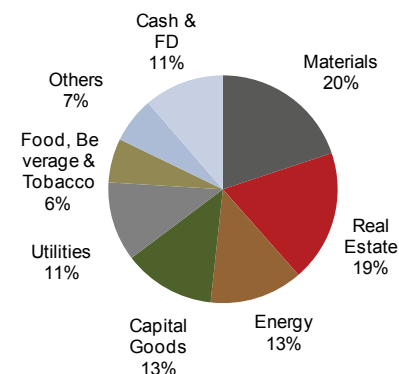
VILF is an open-ended unit trust incorporated in the Cayman Islands. The Fund invests in listed blue-chips in Vietnam markets.

The Fund's NAV per unit increased 8.5% in August to close at JPY 10,850 at month end.

### Fund Breakdown



### Sector Breakdown



## VAM Corner: Liquidity Returns, and More Coming?

Earlier we discussed the improved liquidity in the markets, but certain definite plans and some rumors are floating around that will increase liquidity even more. Securities companies have recently re-introduced securities repo lending in response to the stabilizing market and macro conditions which has helped to bring retail traders back into the market. On the HaSTC, work is in progress for an OTC trading platform and should come online in December this year. It is reported that the SSC will begin to allow entering buy and sell orders in the same equity on the HaSTC and HoSE on the same day attracting the day trader type and that they will begin to allow investors to hold more than one securities account. 2Q08 is proof enough that besides valuation, liquidity is an essential ingredient in Vietnam's financial markets health, so we expect further liquidity adding developments.

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