

## Market Update

The theme for the month was continued aggressive government policy to combat the economic downturn marked by a 3% devaluation of the Dong to help exports and further interest rate cuts of 250bp in 2 separate moves to stimulate credit growth. The initial estimate for GDP growth for 2008 is 6.23%, which would indicate that growth slowed significantly in 4Q2008 after the first 3 quarters showed a growth rate of 6.5%. In addition, the government has officially announced a more than US\$1 billion fiscal stimulus package drawn from foreign reserves and proclaimed the package will likely rise to US\$6 billion. In 2008, the Dong depreciated 8.5% against the US Dollar. The State Bank of Vietnam has lowered interest rates by 550bp down to 8.5% and also dropped the banks' reserve requirement from 11% to 5% in 4Q2008.

Inflation was down again MoM falling by 0.68%. For the year, the Vietnam CPI rose by 19.9%, finishing well below government estimates of 25%. The government has made it clear that stimulating growth is the priority now and has targeted 2009 inflation at 15%.

The US\$20 billion end-of-year government forecasted trade deficit finished roughly US\$3 billion lower at US\$17 billion. With the capital inflows estimated at around US\$21 billion primarily from FDI disbursement (US\$11.5billion), ODA grants (US\$2 billion), and overseas remittances (US\$8 billion), the Balance of Payments is expected to be in surplus for 2008. Despite numerous domestic and global economic problems, committed FDI for 2008 nearly tripled 2007 finishing at US\$ 60.3 billion. The Prime Minister announced foreign reserves stand at US\$20.3 billion in December.

In a race to the finish, the VN-Index (down 66%) edged out China's CSI 300 Index (down 66.2%) to avoid the dubious distinction of finishing as Asia's worst performing equity index in 2008. On the month, the VN-Index finished roughly flat, increasing by less than a point from 314.74 to 315.62.

During 4Q2008, we saw two major potential risks at many Vietnamese compa-

nies that we were visiting. They were large inventories acquired at high prices and receivables risks. These will likely affect corporate earnings in the coming quarters. Proper provisions for the issues have not been announced by these companies but will likely be disclosed in their audited annual reports due in 1Q2009. On a more positive note, inventories are being gradually cleared out toward the end of the year. Interest rates are also coming down quite sharply, which will hopefully help to reduce working capital risks going forward.



VN Index

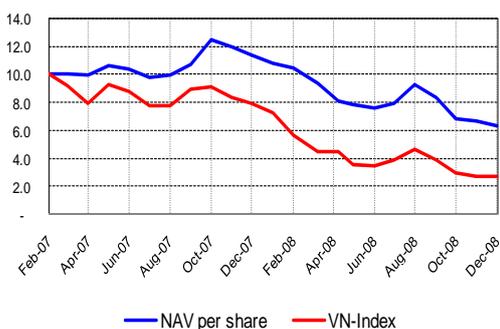
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.31
Dec-08	-4.7%
YTD	-44.8%
Since inception (Mar 07)	-36.9%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

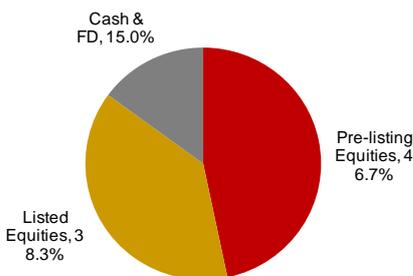
VEMF is a closed-end fund incorporated in the Cayman Islands. The Fund invests in privatization, pre-listing and listed stocks in Vietnam markets.

As at end December, the Fund's NAV per share was \$6.31. Despite a 4.7% decline MoM due mainly to VND depreciation, the Fund continued to lead the Index, recording outperformance of 21.1% year-to-date and 36.2% since inception..

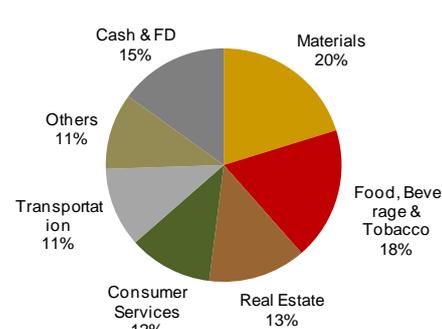
### Performance vs. VN-Index



### Fund Breakdown



### Sector Breakdown



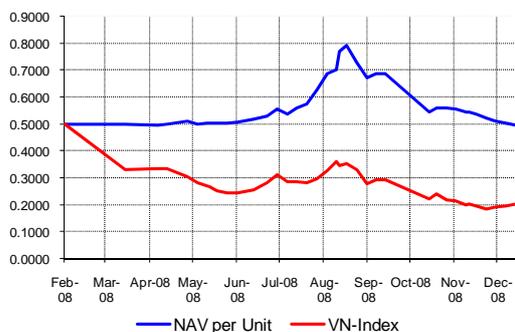
## HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.4955
	US\$ 0.1428
Dec-08	-8.8%
YTD	-0.9%
Since inception (Mar08)	-0.9%

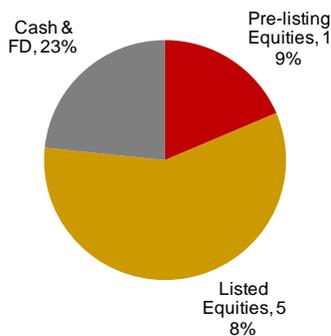
HLGVF is an open-ended unit trust incorporated in Malaysia. The Fund invests in pre-listing and listed stocks in Vietnam markets.

As at end December, the Fund's NAV per unit was RM0.4955. Despite a 8.8% drop MoM due mainly to a strong depreciation of nearly 7% of Vietnamese Dong against Malaysian Ringgit, the Fund continued to lead the Index, recording outperformance of 58.8% since inception.

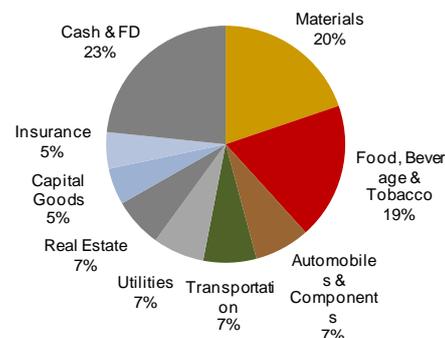
### Performance vs. VN-Index



### Fund Breakdown



### Sector Breakdown



## HS-VAM Vietnam Index Linked Fund

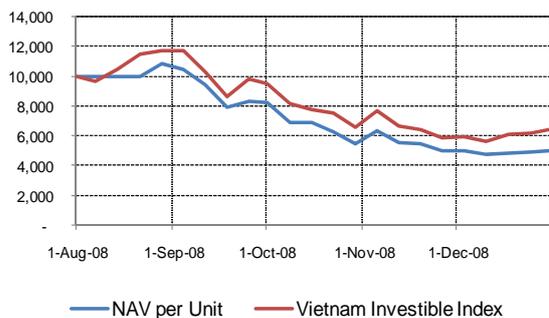
NAV per unit	JPY 4,959
	US\$ 54.99
Dec-08	-0.6%
YTD	-50.4%
Since inception (Jul08)	-50.4%

As of 30 Dec '08

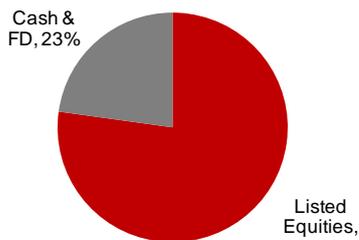
VILF is an open-ended unit trust incorporated in the Cayman Islands. The Fund invests in listed blue-chips in Vietnam markets.

The Fund's NAV per unit dropped 0.6% MoM to close at JPY 4,959 on 30 December 2008.

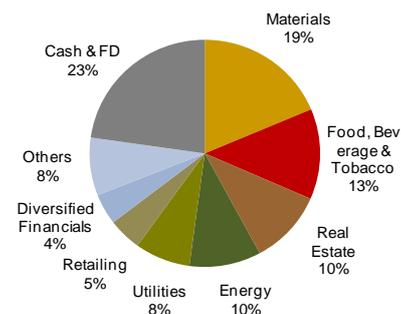
### Performance vs. VII



### Fund Breakdown



### Sector Breakdown



## VAM Corner: 2009: A Good Time to Enter the Market

2008 was certainly a forgettable year for the Vietnam stock markets, where the VN-Index was down 66%. The markets received a double whammy, first plummeting on domestic problems of inflation and trade deficit, and then reflecting the rest of the world in the market panic that ensued post-Lehman. The good news is, Vietnam equities are now dirt cheap. The VN-Index has now come in line with other regional indices at around 9.0 trailing P/E, and with Vietnam having superior growth prospects to regional peers, we would argue the markets are actually trading at a discount to the region, and the region is already trading cheap. VAM's VEMF outperformed the VN-Index by 21% in 2008 while HLGVF outperformed the VN-Index by more than 58% since inception in March 2008. Vietnam's markets this year will most likely rally on cheap valuations, stabilized sentiment, and 2H09 economic recovery. VAM feel the market is very near its bottom, and investing now is the best timing. Please contact [lethieu@vietnamam.com](mailto:lethieu@vietnamam.com) to learn more about investing in any of VAM's funds.

**Disclaimer:** This document is issued by Vietnam Asset Management Limited. This document is a review of the investment case for Vietnam and is neither a prospectus nor an offer or invitation to apply for shares and neither this document nor anything contained herein shall form the basis of any contract of commitment whatsoever. The information contained in this presentation is for background purposes only and is subject to updating, revision and amendment, and no representation or warranty, express or implied is made, and no liability whatsoever is accepted by Vietnam Asset Management Limited, or any other person, in relation thereto.