

Market Update

Following a better than expected inflation print, the enthusiastic State Bank of Vietnam announced in the last week of August that they were in fact reversing course from the previous month's announcement of lowering the credit growth figure from 30% to 25%. Inflation is down to 1.97% YoY in August, and on a monthly basis only increased 0.24%, thus SBV fears of economic overheating have been assuaged and the country has reverted to the 30% credit growth target for 2009.

Otherwise, signs continue to point to an impressive macroeconomic rally in Vietnam. When comparing growth rates to the same period last year, industrial production is up 5.6% and retail sales is up 18.4%. The potential cause for concern amidst the general optimism is the estimated \$1.7bn trade deficit for August; the highest monthly print thus far in 2009. Still, at an estimated \$5.1bn through the first 8 months of 2009, the trade deficit is still roughly only one third of level at the same point in 2008, and there is as of yet little cause for concern.

The VN-Index followed a relatively smooth upward path in August, finishing at 546.78 up 17.1%. At this stage, in the absence of any major news events, the market seems content to move in line with the continued optimism over the macro-economy and a positive corporate earnings picture for 2009.

On the corporate front, companies have been busy issuing stock dividends and bonus shares

after reporting very good 1H09 earnings. Of the 370 listed stocks on both exchanges, more than 40 have issued stock dividends and/or bonus shares with varying ratios over the last 3 months. The same is witnessed amongst the OTC companies. It is somewhat intriguing that retail investors often rejoice at such news and push up the share price of a company once it announces a stock dividend. We find this rather irrational as fundamentally a stock dividend or bonus share does NOT increase the value of a company; it is just splitting the same pie into smaller slices.

However, companies seem to have caught on this band wagon and are happy to shower the market with more bonus issues. Management of some companies we visited in recent months even confessed that they could have paid out cash dividend but chose instead to issue stock dividend because that was a surer way to push up their stock prices



VN Index

(?). Of the bigger stocks, Sacombank, Vinamilk, Hau Giang Pharma, Hoa Sen Group, Phu Nhuan Jewelry and Pinaco have either set an ex-date for their stock dividends or are in the process of doing so. We are a bit concerned about this trend because some stocks appear to be manipulated or are being driven to very expensive valuations due to certain investors' misunderstanding of stock dividend.

Our view

Some brokers have reported that Vietnam market is looking relatively expensive based on P/E08. Though we agree that Vietnam valuation is getting rich, we would highlight that historical P/Es are not very useful, especially during a recovering environment, it could be very misleading. Based on VAM's projected valuation, valuation for certain sectors in Vietnam remains attractive.

The stock market rally reflects the ongoing recovery picture for Vietnam's economy. The up-trend will continue in the medium term although there will likely be corrections along the way as is always the case in a market driven largely by retail investors. Overall corporate profit may continue to grow by at least 20 percent a year from now. Therefore, the Vietnam index will increase by at least the same extent in the next twelve months, perhaps reaching the 650-700 level by the second half of 2010.

Sector valuation

Industry group	1M %	3M %	YTD %	2009PE	2010PE	2011PE	2014PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Market Valuation*	13%	18%	51%	21.8	19.3	15.8	9.8	3.2	1.9	13.6	26.3	16.8	18.5	0.1
Automobiles & Components	21%	70%	232%	11.0	11.5	9.4	8.6	4.4	0.8	34.3	17.8	9.9	8.0	0.7
Banks	1%	15%	80%	15.0	12.7	10.6	6.6	3.3	2.7	-	-	-	-	-
Capital Goods	16%	18%	112%	11.5	12.3	11.1	7.6	2.9	3.0	26.4	31.4	21.0	19.1	0.3
Consumer Durables & Apparel	13%	18%	72%	14.3	15.2	13.2	10.1	2.9	1.1	18.5	5.5	3.0	2.0	-0.2
Diversified Financials	19%	26%	148%	46.0	43.3	37.8	23.6	2.4	-	5.5	32.2	24.8	47.0	-0.3
Energy	12%	19%	18%	15.6	15.9	14.5	9.1	4.6	2.5	27.8	24.8	20.3	15.6	1.7
Food, Beverage & Tobacco	26%	56%	80%	14.8	16.6	13.9	8.1	4.7	1.3	26.8	31.6	17.3	16.5	-0.1
Household & Personal Products	6%	-6%	32%	23.2	14.4	11.9	5.3	0.6	1.4	4.2	24.1	7.6	3.1	1.0
Insurance	3%	-23%	-5%	16.2	13.3	13.1	6.7	1.5	2.1	9.0	46.0	6.0	21.1	-1.4
Materials	13%	24%	66%	14.9	13.9	11.9	9.6	3.8	2.2	21.2	24.7	18.6	17.1	0.1
Pharmaceuticals & Biotechnology	4%	13%	19%	14.6	13.7	11.1	6.3	2.8	2.3	17.5	42.0	10.4	9.2	-0.2
Real Estate	23%	21%	10%	43.5	32.5	20.3	12.2	3.5	1.0	12.8	47.7	40.1	28.7	1.1
Retailing	15%	23%	60%	14.1	12.8	11.7	6.1	4.3	2.2	27.1	11.4	6.8	4.8	-0.1
Transportation	33%	42%	119%	23.8	27.1	15.4	4	1.9	0.4	10.9	20.7	14.8	10.3	0.1
Utilities	6%	-1%	56%	12.7	10.9	10.9	7.5	2.7	3.9	21.5	39.6	37.7	39.4	0.6

* Market Valuation composes of both the Ho Chi Minh Stock Exchange (HoSE) and the Hanoi Stock Exchange (HNX).

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

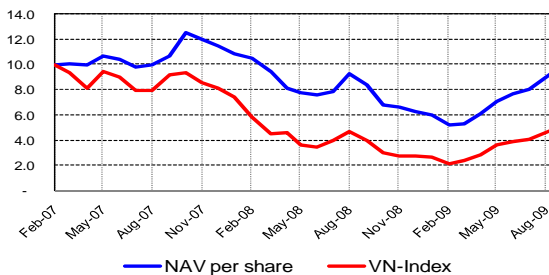
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.24
Aug-09	15.2%
YTD	46.4%
Since inception (Mar 07)	-7.6%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

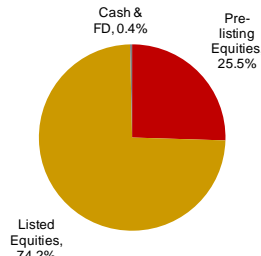
VEMF is a closed-end fund incorporated in the Cayman Islands. The Fund invests in privatization, pre-listing and listed stocks in Vietnam markets.

As at end August, the Fund's NAV per share was \$9.24. With a 15.2% increase MoM, the Fund continued to lead the Index, recording outperformance of 44.3% since inception.

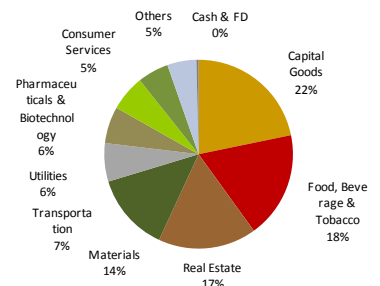
Performance vs. VN-Index



Fund Breakdown



Sector Breakdown



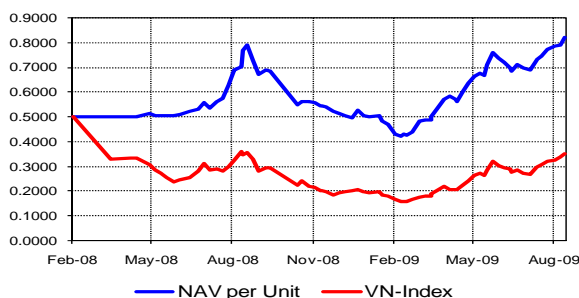
HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.8205
	US\$ 0.2231
Aug-09	12.1%
YTD	65.6%
Since inception (Mar08)	64.1%

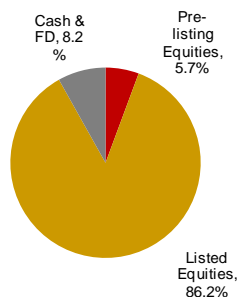
HLGVF is an open-ended unit trust incorporated in Malaysia. The Fund invests in pre-listing and listed stocks in Vietnam markets.

As at end August, the Fund's NAV per unit was RM0.8205. With a 12.1% increase MoM, the Fund continued to lead the Index, recording outperformance of 94.2% since inception.

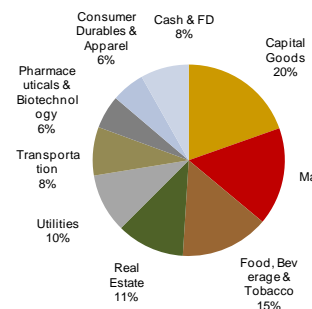
Performance vs. VN-Index



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

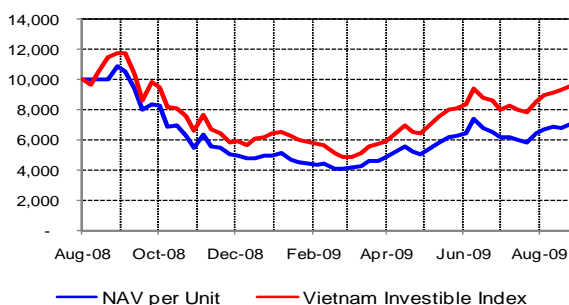
NAV per unit	JPY 7,065
	US\$ 74.88
Aug-09	10.1%
YTD	42.5%
Since inception (Jul08)	-29.4%
Bloomberg	VAMINLI KY Equity

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

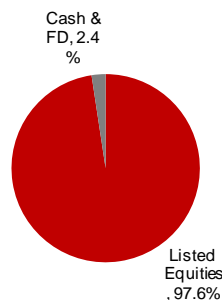
The Fund's NAV per unit increased 10.1% MoM to close at JPY 7,065 on 26 August 2009.

As of 26 August

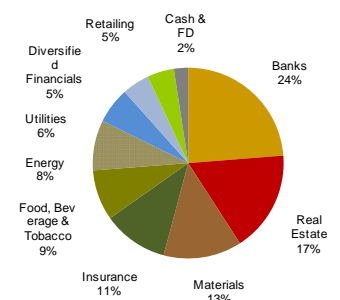
Performance vs. VII



Fund Breakdown



Sector Breakdown



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