

Market Update

Vietnam's GDP growth for 2009 is estimated at 5.3%, and 6.9% in the 4Q09 alone. Considering consensus estimates were between 0.9%-5% at the beginning of the year, the effects of a strong domestic stimulus package and a shallower than expected regional decline have proven most effective in steering Vietnam clear of recession. Broken down, the services sector saw the best growth in 2009 at 6.6%, while the industry and construction at 5.5% and the agriculture, forestry and fishery at 1.8%. Breaking the industrial production number down further, the effects of Vietnam's transition to a market based economy is proving most successful, as the non-state sector grew by 9.9%, the FDI sector by 8.1%, and the state sector only by 3.7%.

The trade deficit did narrow somewhat in December, estimated at US\$1.3bn, or roughly a US\$0.7bn reduction from November, indicating that perhaps the SBV currency measures launched at the end of November are starting to achieve some of their desired effects. For the year, the trade deficit is estimated at US\$12.2bn, a 32.1% reduction from 2008. Unfortunately the flipside is inflation was up to 6.5% YoY in December, compared to 4.6% YoY in November. That being said, it should be noted that 2009's average inflation increase of 6.88% as against 2008 is the lowest rate for last six years.

One news item of interest in December is that the Prime Minister announced all gold trading floors will have to be closed by March 30th, 2010. This could potentially (i) reduce the

yearly trade deficit as Vietnam is one of the largest global importers of gold, (ii) provide a positive short term catalyst for the equity markets as capital shifts back from gold.

The VN-Index had a V-shape month, but finishing down 1.9% at 494.77. Likely the beginning of the month saw a sell-off driven by the SBV measures announced at the end of November, but it rallied in the second half of the month due to the above mentioned positive catalysts of strong GDP growth and gold market closures. For the year, the VN-Index performed admirably up 56.5%. The total listed market capitalization (HoSE and HNX combined) finished the year at US\$33.3bn, equivalent to 37.4% of the GDP. 2009 saw the listings of several big financial institutions such as Vietcombank, Eximbank, VietinBank, Bao Viet Holding, Masan Group, etc., which helped to significantly increase liquidity of the listed market from aggregate daily average trading value (HoSE and HNX combined) of US\$14.2 million in January to US\$128 million in December this year.

The strong performance of the VN-Index in 2009 can be explained by steady corporate earnings, improved macro economic conditions and enhanced liquidity flow into the stock market. Real Estate, Auto Components, Construction Materials, Pharmaceutical, F&B, Ports and Diversified Financials sectors enjoyed a good year as they were major beneficiaries of the State's stimulus package and the domestic economy's strong and fast recovery. Yet earnings quality is a concern as the key sources of earnings growth this year for many listed firms

have been (i) provision reversals (as the stock market and commodity prices rebounded); (ii) cost savings from subsidized interest rate (part of the State's stimulus package); (iii) low inventory cost; and (iv) revaluation of fixed asset, which in our opinion are unlikely to recur.

Our View

We still favour companies that earn hard currency income with a local cost base, as the Dong may become weaker in 2010 due to inflation risk, attributable to high credit growth in 2009, which reportedly reached 37.7%. Inflation however may drive the money flow to real estate as well as push up commodity prices, which will benefit Resources companies and Real Estate developers, notably those supplying affordable homes to end users. Domestic economy is expected to do well in 2010 (with 6.5% GDP growth targeted by the Government) so certainly domestic plays with strong pricing power (Banks, Consumers Staples, Real Estate, Basic Materials) are on top of our priority list.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2009PE	2010PE	2011PE	2014PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-3.0%	-19.4%	33.6%	16.4	15.3	12.7	8.3	3.4	2.2	21.0	34.9	25.0	27.0	1.8
Automobiles & Components	1.6%	-14.6%	-31.3%	237.0%	9.0	9.2	7.0	2.2	3.9	0.5	37.0	18.2	10.6	7.9	1.2
Banks	19.9%	-1.6%	-23.6%	30.2%	13.8	12.7	11.1	7.4	2.2	1.7	13.3	41.1	30.5	22.5	6.6
Capital Goods	5.4%	-7.0%	-16.4%	106.2%	11.1	11.2	10.2	7.5	3.4	2.9	29.8	30.7	20.8	18.6	0.4
Commercial Services & Supplies	0.2%	5.2%	-13.1%	69.5%	-	-	-	-	-	-	-	-	-	-	-
Consumer Durables & Apparel	1.1%	-2.6%	-8.2%	43.5%	13.2	14.0	12.2	9.3	2.6	1.7	17.6	5.5	3.0	2.0	-0.2
Consumer Services	2.0%	-13.9%	-36.6%	-24.4%	-	-	-	-	-	-	-	-	-	-	-
Diversified Financials	5.2%	3.2%	-15.3%	137.7%	20.3	21.6	19.8	14.7	2.6	-	13.8	31.7	24.6	122.7	-0.3
Energy	5.7%	-15.8%	-25.9%	-10.3%	11.0	9.4	9.5	6.4	3.6	3.4	31.6	26.7	21.7	16.8	1.6
Food, Beverage & Tobacco	9.8%	-5.8%	-18.7%	11.8%	11.1	10.6	9.3	6.4	4.3	3.6	31.6	30.9	16.9	18.8	-
Household & Personal Products	0.2%	6.3%	20.0%	82.9%	40.6	24.8	20.6	8.3	0.9	1.0	3.6	23.8	7.0	3.0	1.0
Insurance	6.0%	9.8%	-18.7%	-28.3%	23.5	19.5	17.4	11.6	2.1	3.1	8.7	24.6	2.0	9.6	-0.9
Materials	8.8%	-8.1%	-21.1%	28.5%	10.2	10.1	9.1	7.1	3.1	3.2	24.6	27.3	21.5	19.8	0.1
Pharmaceuticals & Biotechnology	3.9%	5.4%	-15.2%	17.7%	12.7	10.1	9.6	4.2	2.2	2.9	15.6	33.4	9.8	8.0	-0.3
Real Estate	20.8%	-1.3%	-19.3%	10.7%	30.0	27.7	19.5	12.0	5.4	1.1	23.5	52.2	44.1	39.1	1.1
Retailing	3.7%	0.1%	-10.6%	47.1%	13.0	12.0	11.0	6.1	4.0	2.5	26.8	11.3	6.8	4.8	-0.1
Transportation	2.2%	-2.5%	-18.4%	122.9%	13.4	15.7	16.8	7.0	1.8	1.1	14.1	21.0	16.2	12.9	0.5
Utilities	3.6%	-7.7%	-0.3%	57.4%	8.8	8.3	6.3	6.8	1.5	5.3	16.0	42.4	40.6	38.2	0.4

* Vietnam Market comprises 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

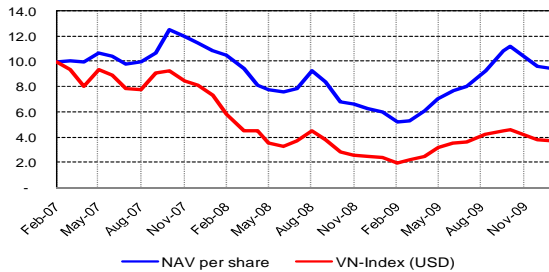
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.4
Dec-09	-2.4%
YTD	49.0%
Since inception (Feb 07)	-6.0%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

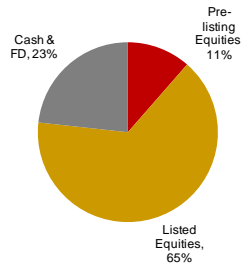
VEMF is a Cayman closed-end fund for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam.

As at end December, the Fund's NAV per share was \$9.4. Despite a 2.4% decrease MoM, the Fund still continued to lead the VN-Index (in US\$), recording outperformance of 0.6% YTD and 56.5% since inception.

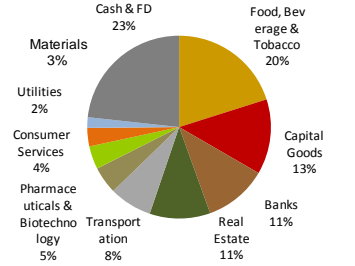
Performance vs. VN-Index



Fund Breakdown



Sector Breakdown



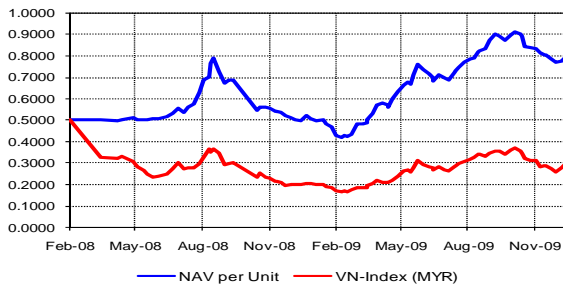
HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.796
	US\$ 0.2327
Dec-09	-1.25%
YTD	60.6%
Since inception (Feb08)	59.2%
Bloomberg	HLGVIET:MK

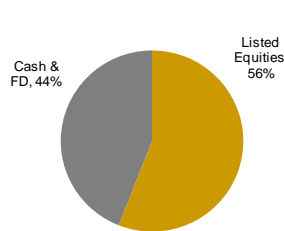
HLGVF is an actively-managed open-ended unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end December, the Fund's NAV per unit was RM0.7960. Despite a 1.25% decrease MoM, the Fund still continued to lead the VN-Index (in MYR), recording outperformance of 12.5% YTD and 100.7% since inception.

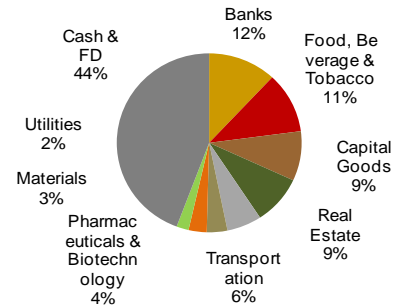
Performance vs. VN-Index



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

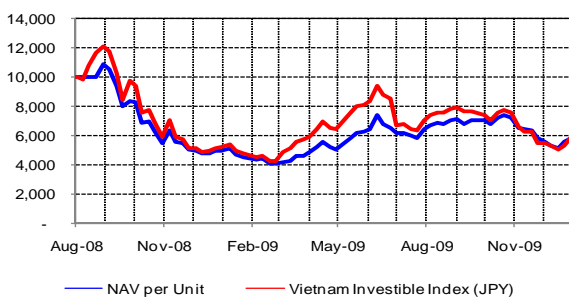
NAV per unit	JPY 5,850
	US\$ 63.12
Dec-09	1.3%
YTD	18.0%
Since inception (Jul08)	-41.5%
Bloomberg	VAMINLI KY Equity

VILF is a Cayman open-ended unit trust for Japanese retail investors. The Fund invests in top 20 investible listed blue-chips in Vietnam on a passively managed basis.

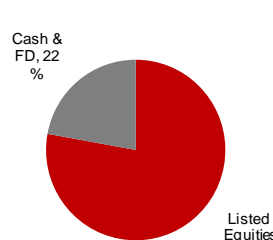
The Fund's NAV per unit increased 1.3% MoM to close at JPY 5,850 on 30 December 2009.

As of 30 Dec '09

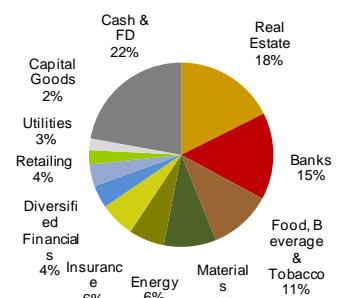
Performance vs. VII



Fund Breakdown



Sector Breakdown



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