

27 February '09

Market Update

Inflation spiked 1.17% MoM in February, a second straight positive month, potentially signaling an end to interest rate cuts for the time being. With lending rates as low as 0.9% on short-term loans, an effect of the Government's 4% interest rate subsidy, monetary easing has come close to reaching its limits. So far, in just around 3 weeks in action, the interest rate subsidy (a \$1 billion portion of the \$6 billion stimulus plan) has stimulated loans of \$4.7 billion.

We cautioned in last month's newsletter that the "Tet Effect" was wreaking havoc on many macroeconomic indicators like imports, exports, and industrial production. In fact, growth of exports was 15.6% MoM, imports 32.2% MoM, and industrial production 21.6% MoM in February. We can measure against last year's first two months given that Tet occurred in February in 2008 to get a better sense of the global slowdown on Vietnam's economy, and indeed growth of exports is -5.1%, imports -43.1%, and industrial production 2.5% when comparing the first 2 months of 2009 with the first 2 months of 2008. While exports and industrial production look relatively resilient in relation to the global crisis, import growth has collapsed, although this could be due to huge import orders in the first 2 months of 2008 as Vietnamese companies acquired huge inventories (of steel, cement, and automobiles for instance) in anticipation of commodity price rises and/or import tax increases. The trade deficit for

February is estimated to have come in at \$100 million, but is in surplus of \$200 million through the first two months of 2009.

There continues to be some pressure on the currency, which is perhaps a little surprising given the trade surplus and clear indications from the State Bank of Vietnam that they have an ample supply of US dollars. In the black market, the VND/USD exchange rate is trading at a 1-2% premium to the bank rates, which are in turn trading at the upper limit of the trading band at the end of February. The reference rate remains virtually unchanged at VND16,971/\$1 with a $\pm 3\%$ trading band, a further indication that the Government believes the Dong is currently trading at fair value against the US dollar.

The VN-Index was down 19% in February, closing at 245.74. We believe the poor performance was largely due to failing global sentiment as macroeconomic indicators in the US and EU continue to paint a bleaker than expected picture and additional large bailouts look imminent. Domestically, investors' gloomy sentiment was also worsened as many listed companies that released their FY08 unaudited corporate earnings in February reported bad earnings or even losses due mainly to arising provisions for the devaluation of their inventories and financial investments.

Amidst all the gloom, one positive sign emerges for the seafood industry this month as Russia, one of Vietnam's largest seafood export markets, re-opened the market for Vietnamese aqua-products, which will likely help Vietnamese catfish exports to surge in coming months. However, customers' payment ability, lower selling price and thinner margin are hindrances for Vietnamese catfish exporters to consider before deciding to make a big comeback to this traditionally lucrative market.



VN Index

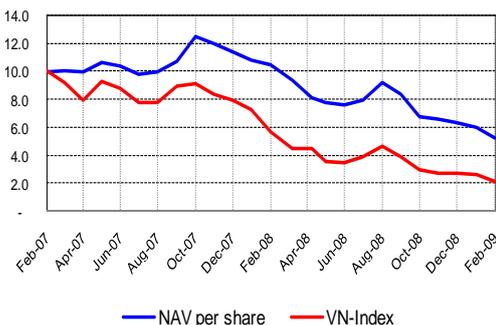
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$5.24
Feb-09	-13.2%
YTD	-17.0%
Since inception (Mar 07)	-47.6%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

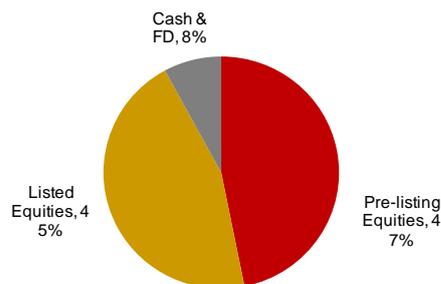
VEMF is a closed-end fund incorporated in the Cayman Islands. The Fund invests in privatization, pre-listing and listed stocks in Vietnam markets.

As at end February, the Fund's NAV per share was \$5.24. Despite a 13.2% decline MoM, the Fund continued to lead the Index, recording outperformance of 5.2% year-to-date and 31.4% since inception..

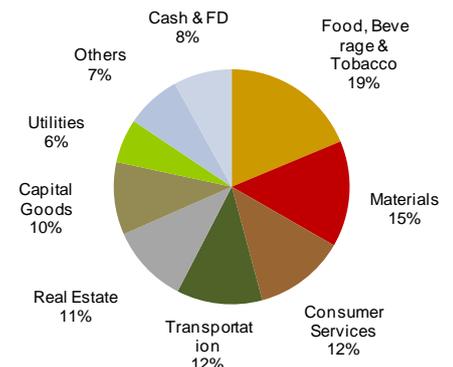
Performance vs. VN-Index



Fund Breakdown



Sector Breakdown



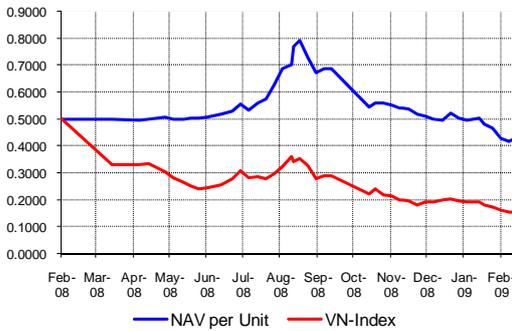
HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.4262
	US\$ 0.1157
Feb-09	-15.4%
YTD	-14.0%
Since inception (Mar08)	-14.8%

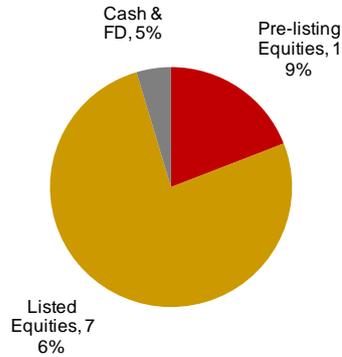
HLGVF is an open-ended unit trust incorporated in Malaysia. The Fund invests in pre-listing and listed stocks in Vietnam markets.

As at end February, the Fund's NAV per unit was RM0.4262. Despite a 15.4% drop MoM, the Fund continued to lead the Index, recording outperformance of 8.2% year-to-date and 53.8% since inception.

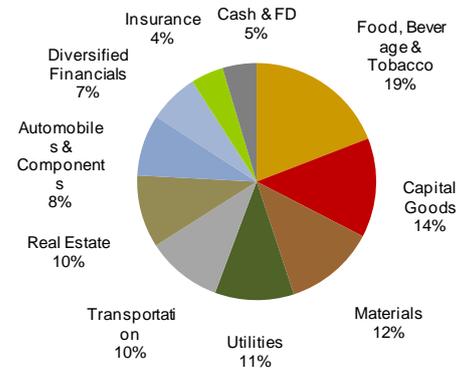
Performance vs. VN-Index



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund

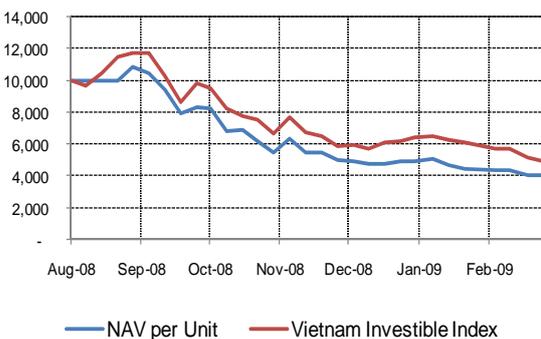
NAV per unit	JPY 4,077
	US\$ 42.02
Feb-09	-9.3%
YTD	-17.8%
Since inception (Jul08)	-59.2%
Bloomberg	VAMINLI KY Equity

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

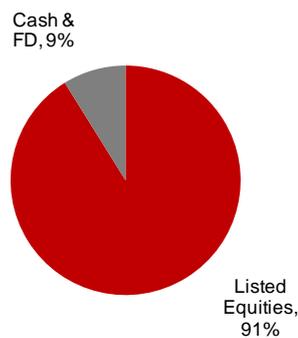
The Fund's NAV per unit dropped 9.3% MoM to close at JPY 4,077 on 25 February 2009.

As of 25 Feb '08

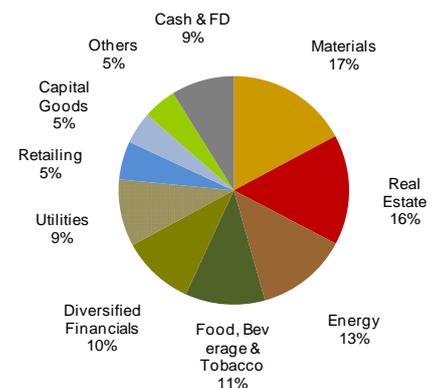
Performance vs. VII



Fund Breakdown



Sector Breakdown



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