

## Market Update

This month the Prime Minister announced a downward revision in the full year credit growth target from 30% to 25%, which would infer a significant contraction from 1H09 when credit growth surpassed 17%, in a strong sign that the Government will be proactive in combating inflationary pressures.

A 4<sup>th</sup> straight month of monthly price increases combined with rising commodity prices and strong 1H credit growth brings the spectre of inflation back to Vietnam, however, on an average basis it is still improving down to 3.31% YoY. The trade deficit through the first 7 months is estimated at \$3.38bn, much lower than 2008 levels but picking up especially when considering that through 1Q09 Vietnam was in surplus.

Combining the above mentioned potential early warning signs with a Fitch Ratings Dong downgrade from BB to BB- at the beginning of July has led to some renewed USD hoarding behaviour putting some mild pressure on the Dong this month. The black market rate is VND18,530/\$1, a record high since March 28, 2009, while in the official market rates are largely unchanged at VND17,810/\$1. However, the State Bank of Vietnam assured (while not giving a specific number) that in the final week of July they released a flood of US dollar liquidity to banks with shortages in an effort to assuage concerns.

The VN-Index had a largely down and up month in July, finishing at 466.76 or up 4.1%. Some of the above mentioned macro indicators combined with a Government crackdown of improper use of subsidized loans entering into equities were likely responsible for the market bottoming out the month at 412.88 on 20<sup>th</sup> July, but continued strong performance in global markets combined with ongoing strong earnings reports led to a strong rally in the last week and half of the month.

By end July, first half 2009 results had come out for most listed and large OTC companies. Overall, it is a good earnings season with most companies reporting very encouraging numbers, many even beat investors' expectations by a long mile. Sectors which have done particularly well are those that serve the domestic market and therefore benefited from Vietnam's improving economic environment in 1H09. These include Staples Consumers, Utilities, Property, Construction Materials and Auto Components. Companies in these sectors have generally achieved 60% or more of their FY09 profit target in just the first 6 months, with some even fulfilling more than 100%.

Banks have also done very well, with average year-on-year income growth of about 10% despite a narrower interest spread compared to last year. Both deposit growth and credit growth are now at 20-30% year-to-date. Pharmaceuticals



VN Index

companies having benefited from lower material costs finally managed to expand their margin and achieving full year profit target appears very likely. Companies in Energy sector performed in line with their own profit target; however, we would probably see a margin squeeze in 2H09 for drilling service providers as the current rates are 30% lower than those in 1H09. Companies experiencing poor performance in 1H09 were mainly in Aqua-product Exporting, Marine Transportation and Rubber sectors. We would not expect remarkable earnings improvement for these sectors in 2H09.

## 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*	4%	32%	37%	15.3	13.5	11.6	7.2	2.1	1.3	12.1	26.3	16.3	18.1	0.0
Automobiles & Components	13%	105%	170%	8.9	9.4	7.7	2.7	3.7	0.9	34.5	17.4	9.8	7.9	0.7
Capital Goods	12%	63%	88%	24.4	18.7	16.5	10.6	2.0	1.5	7.8	24.7	14.4	10.1	0.3
Consumer Durables & Apparel	7%	40%	50%	12.5	13.3	11.6	8.9	2.5	1.3	18.5	5.5	3.0	2.0	-0.2
Diversified Financials	4%	100%	126%	41.9	39.3	34.3	21.5	2.2	-	5.4	32.8	24.8	46.3	-0.3
Energy	-1%	19%	3%	13.4	13.7	12.4	7.8	3.9	2.9	27.7	24.7	20.1	15.5	1.7
Food, Beverage & Tobacco	26%	47%	48%	14.8	14.8	12.4	6.7	3.7	1.9	19.5	28.1	13.4	12.7	-0.1
Household & Personal Products	-1%	11%	21%	5.5	3.7	3.0	1.9	0.5	1.5	12.7	26.6	14.9	7.6	0.8
Insurance	-16%	-7%	-6%	16.3	13.4	13.2	6.8	1.5	2.1	9.0	46.0	6.0	21.1	-1.4
Materials	10%	34%	48%	13.7	12.8	10.9	8.8	3.6	2.2	21.4	24.2	18.3	16.9	0.1
Pharmaceuticals & Biotechnology	2%	20%	11%	13.2	12.4	10.2	5.6	2.5	2.4	17.7	42.6	10.4	9.3	-0.3
Real Estate	1%	18%	-8%	22.6	15.5	11.1	6.6	3.0	0.6	15.1	56.3	48.5	34.7	0.6
Retailing	6%	34%	40%	12.1	11.2	10.3	6.1	3.6	2.5	26.6	11.3	6.9	4.9	-0.1
Transportation	14%	49%	73%	15.7	20.0	11.3	3.9	1.5	0.4	10.3	20.3	14.4	9.8	0.2
Utilities	6%	10%	44%	11.5	9.9	9.9	7.1	2.5	4.2	21.6	39.2	37.3	38.9	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

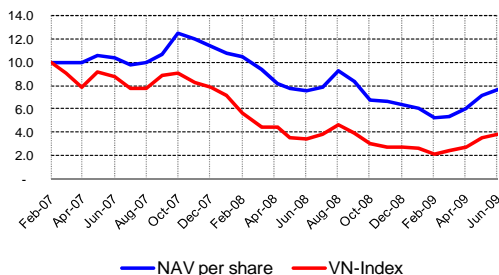
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.02
Jul-09	4.2%
YTD	27.1%
Since inception (Mar 07)	-19.8%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

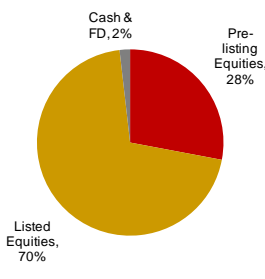
VEMF is a closed-end fund incorporated in the Cayman Islands. The Fund invests in privatization, pre-listing and listed stocks in Vietnam markets.

As at end July, the Fund's NAV per share was \$8.02. With a 4.2% increase MoM, the Fund continued to lead the Index, recording outperformance of 39.2% since inception.

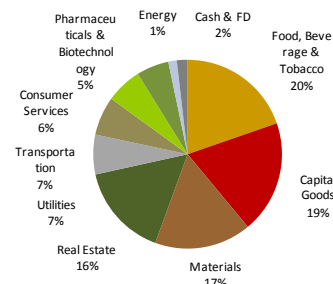
### Performance vs. VN-Index



### Fund Breakdown



### Sector Breakdown



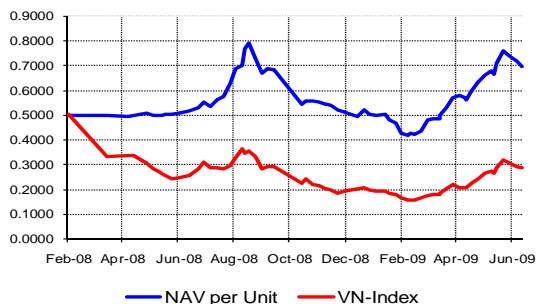
## HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.7317
	US\$ 0.2079
Jul-09	4.9%
YTD	47.7%
Since inception (Mar08)	46.3%

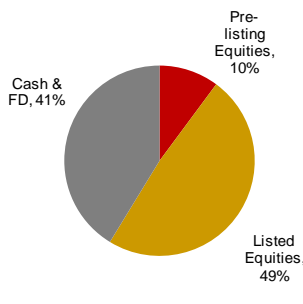
HLGVF is an open-ended unit trust incorporated in Malaysia. The Fund invests in pre-listing and listed stocks in Vietnam markets.

As at end July, the Fund's NAV per unit was RM0.7317. With a 4.9% increase MoM, the Fund continued to lead the Index, recording outperformance of 86.7% since inception.

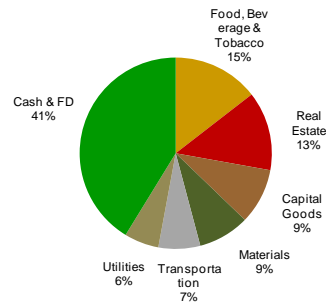
### Performance vs. VN-Index



### Fund Breakdown



### Sector Breakdown



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

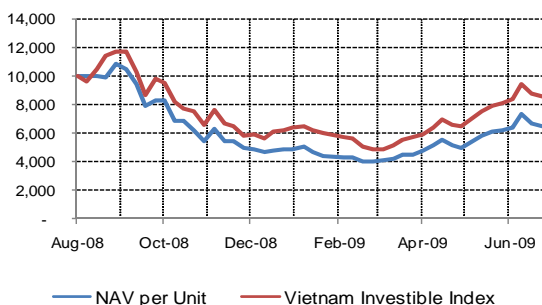
NAV per unit	JPY 6,418
	US\$ 67.54
Jul-09	-2.0%
YTD	29.4%
Since inception (Jul08)	-35.8%
Bloomberg	VAMINLI KY Equity

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

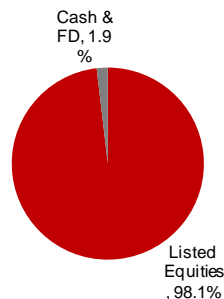
The Fund's NAV per unit decreased 2% MoM to close at JPY 6,418 on 29 July 2009.

As of 29 July '09

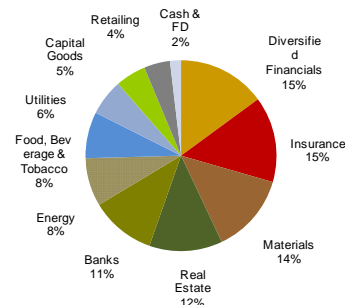
### Performance vs. VII



### Fund Breakdown



### Sector Breakdown



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