

## Market Update

November was dominated by the State Bank of Vietnam announcing a slew of new measures in a proactive attempt to put a halt to feared emerging macroeconomic imbalances. The measures include:

- A one off VND devaluation of roughly 5.4% in the VND/USD reference rate effective on 26 November 2009, combined with a reduction in the official forex trading band over the reference rate from  $\pm 5\%$  to  $\pm 3\%$ ;
- A 1% base rate hike from 7% to 8% effective on 1 December 2009;
- Potential mandatory purchases of USD from State-Owned Enterprises (SOEs) and other exporters.

The VND devaluation signals that the SBV is moving towards a more free floating currency regime as the new rate should theoretically allow the official forex traders to come in line with rates in the black market easing USD demand concerns. It will also help ease potential balance of payment issues as the trade deficit in the first 11 months of this year is estimated to have reached USD10.3 bn. The interest rate hike is an effort to ease credit growth, which stood at 33% YTD through October, 3% higher than the Government's full year 30% target. High credit growth, increasing commodities prices, and base effects led to an increase in the YoY inflation rate from 3% in October to 4.4% in November, and the Government does not intend to make the

mistake of allowing runaway inflation again. The third measure will help to improve USD liquidity and hopefully alleviate forex concerns.

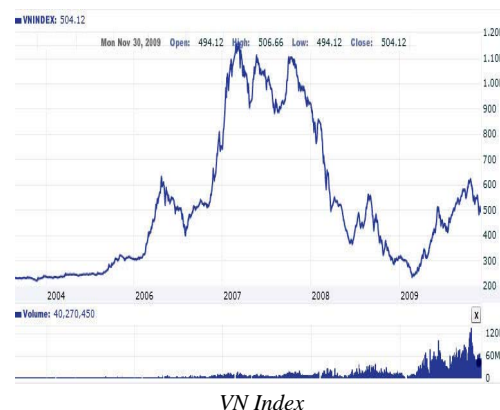
On a positive note, November's macroeconomic indicators demonstrate Vietnam is still in a strong recovery phase. YTD retail sales and industrial production growth rates when compared to the same period last year are 7.3% and 18.5% respectively. Exports improved slightly from -13.8% YTD growth in October to -11.6% in November, although the trade deficit for November is once again estimated high at nearly US\$2bn.

The market was expectedly down for the month finishing at 504.12, or -14.1% MoM. Main reasons for the market negative reactions during the month were the Government's announcement at the beginning of the month of cracking down on improper usage of the interest rate subsidy program that was entering into the equity market; the SBV's announcement of the new measures toward month end; and the looming debt crisis in Dubai which has spooked global investors.

### Our View

In the current environment, we expect companies with hard currency revenues and local cost base, such as aquaculture exporters, to do well. On the contrary, importers and manufacturers with imported inputs serving the local market will have difficulties maintaining their margin in the face of the VND depreciation. Also, the recent interest rate hike is sparking some fear

about further tightening, especially when inflation has been creeping up. The 30% credit growth cap is another concern not only for banks' performance, but also for the private sector, which often faces funding road blocks when tightening occurs. We are cautious about companies with high leverage as they would be the first casualties in a rising interest rate environment. These include companies in the high-capex industries, namely Cement, Shipping, Rubber tyres, Real estate, and Oil & gas. We much prefer companies that have little or no debt, and a strong competitive edge over their peers (e.g. monopoly/unique product, broad distribution network, etc.) which will allow them to more easily pass on cost increases during an inflationary environment.



## 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%	-24.1%	-23.4%	15.0%	15.6	14.6	12.3	8.1	3.2	2.2	20.5	34.4	24.8	26.3	1.9
Automobiles & Components	1.4%	-17.0%	16.3%	283.8%	10.6	11.4	8.7	3.5	4.9	0.4	38.1	18.5	11.0	8.5	1.1
Banks	24.4%	-25.4%	-29.0%	26.5%	12.7	11.7	10.2	6.8	2.1	1.8	13.4	41.1	30.6	22.6	6.6
Capital Goods	4.1%	-19.1%	2.6%	116.0%	11.6	11.4	10.4	7.6	3.4	2.9	28.8	30.5	20.5	18.3	0.4
Commercial Services & Supplies	0.2%	-29.2%	4.9%	51.6%	-	-	-	-	-	-	-	-	-	-	-
Consumer Durables & Apparel	1.1%	-13.5%	-16.6%	43.7%	13.2	14.0	12.2	9.3	2.6	1.7	17.6	5.5	3.0	2.0	-0.2
Consumer Services	2.1%	-14.3%	-36.0%	-15.8%	-	-	-	-	-	-	-	-	-	-	-
Diversified Financials	5.4%	-29.1%	-11.2%	119.2%	18.8	19.9	18.3	13.5	2.3	-	13.6	32.5	24.8	119.7	-0.3
Energy	5.6%	-12.4%	-12.7%	2.2%	12.7	10.8	11.1	7.4	4.1	3.1	31.1	25.7	20.7	16.0	1.6
Food, Beverage & Tobacco	10.3%	-11.0%	-36.4%	17.4%	12.1	11.6	10.3	7.0	4.8	3.2	33.9	32.6	18.4	19.9	-
Household & Personal Products	0.2%	-19.4%	24.8%	67.1%	37.8	23.1	19.2	7.8	0.8	1.1	3.6	23.8	7.1	3.0	1.0
Insurance	6.6%	-25.5%	-31.0%	-36.0%	20.1	16.8	14.8	10.0	1.7	3.6	8.7	24.5	2.0	9.5	-0.9
Materials	9.6%	-20.7%	-17.9%	35.0%	10.7	10.8	9.6	7.8	3.5	2.8	26.1	28.1	22.6	21.5	-0.2
Pharmaceuticals & Biotechnology	1.5%	-18.2%	-8.3%	10.3%	18.9	10.7	9.1	4.9	3.6	2.1	17.4	44.4	10.7	8.7	-0.2
Real Estate	17.8%	-28.5%	-1.7%	8.3%	28.0	26.5	19.0	11.3	4.5	0.8	21.7	48.3	41.1	33.5	1.3
Retailing	3.8%	-15.1%	-12.1%	41.7%	12.3	11.3	10.4	6.1	3.7	2.6	26.8	11.3	6.8	4.8	-
Transportation	2.2%	-21.8%	-1.4%	120.9%	13.6	16.4	17.8	7.2	1.8	1.0	13.4	21.0	16.2	12.7	0.5
Utilities	3.7%	-28.7%	8.9%	70.5%	7.9	7.1	6.1	6.3	1.6	5.9	19.9	40.6	38.7	39.8	0.5

\* 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

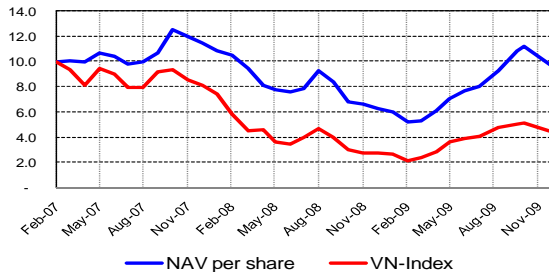
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.63
Nov-09	-14.2%
YTD	52.6%
Since inception (Feb 07)	-3.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

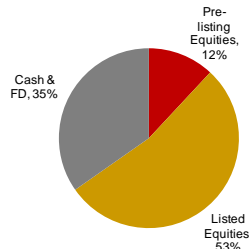
VEMF is a Cayman closed-end fund for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam.

As at end November, the Fund's NAV per share was \$9.63. With a 14.2% decrease MoM, the Fund continued to lead the VN-Index, recording outperformance of 52% since inception.

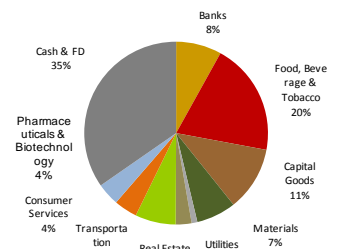
### Performance vs. VN-Index



### Fund Breakdown



### Sector Breakdown



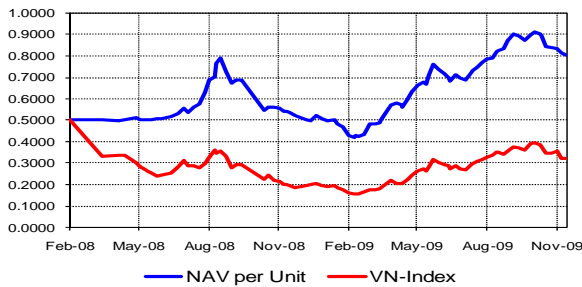
## HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.8061
	US\$ 0.2379
Nov-09	-9.59%
YTD	62.7%
Since inception (Feb08)	61.2%
Bloomberg	HLGVIET:MK

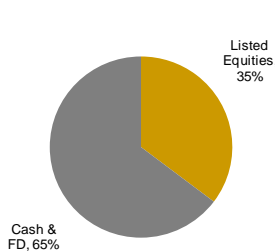
HLGVF is an actively-managed open-ended unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end November, the Fund's NAV per unit was RM0.8061. With a 9.6% decrease MoM, the Fund still continued to lead the Index, recording outperformance of 4.5% MoM and 96.8% since inception.

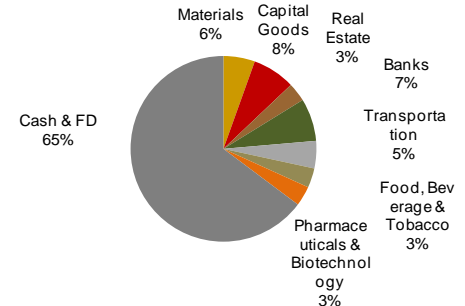
### Performance vs. VN-Index



### Fund Breakdown



### Sector Breakdown



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

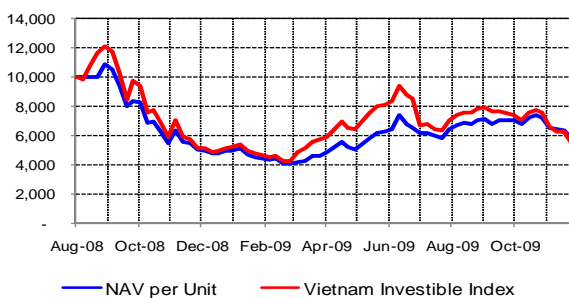
NAV per unit	JPY 5,775
	US\$ 65.88
Nov-09	-20.2%
YTD	16.5%
Since inception (Jul08)	-42.3%
Bloomberg	VAMINLI KY Equity

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.

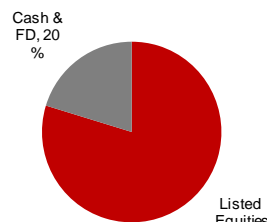
The Fund's NAV per unit decreased 20.2% MoM to close at JPY 5,775 on 25 November 2009.

As of 25 Nov '09

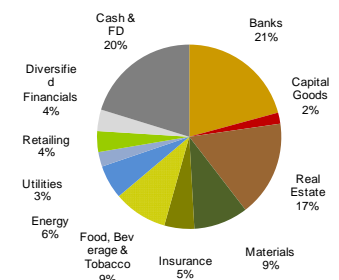
### Performance vs. VII



### Fund Breakdown



### Sector Breakdown



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