

Market Update

Doing analysis on Vietnam's economy and market is a dubious task during a Tet (Lunar New Year Festival) month, as was the case this February. For instance, the Ho Chi Minh Stock Exchange was closed for a week for the festivities. Inflation was nearly 2% for the month particularly as food and foodstuff prices were up 3.1%, a not uncommon occurrence during Tet months. Average inflation over the past year now stands at 8.5%, and while on an uptrend, it is still within tolerable levels.

The most newsworthy event was another surprise move by the State Bank of Vietnam (SBV) to devalue the local currency, this time a 3.36% move in the base rate. While a smaller move than the November '09 announcement, once again the motivation seems to correct supply and demand imbalances between the local currency and the US dollar. It would now seem that currency markets are in equilibrium, as the black market trades in line with the upper level of the bands at which banks are allowed to conduct their USD/VND transactions.

One news item of note that is perhaps flying under the radar is an announcement at the end of the month by the SBV to allow banks to lend to all customers at negotiated rates on medium to long term

loans as such loans were previously capped at 1.5 times the base rate. This deregulation might be a boon for the Vietnamese financial system as banks will now have more flexibility to provide credit at rates that make sense, and will also improve the banks' liquidity situations.

The VN-Index once again traded largely sideways in the short trading month, but finished up a modest 3.1% to close the month at 496.91. Liquidity was also constrained due to the Tet effect. In general, the market seemed to be modestly upbeat on the shock announcement of the month which was the currency devaluation. March should be a more exciting month for the VN-Index as the picture on Vietnam corporate 2009 earnings becomes clearer.

As of end Feb 2010, FY2009 unaudited results have generally been fairly good and many listed companies far exceeded their full-year profit targets. Real estate, construction materials (plastics and steel), pharmaceuticals, F&B, and utilities stood out as performing the best. Some fish exporters (particularly the small ones) and the mining and oil drilling companies, however, did not fare as well due to loss of export markets, reduced export quota, lowered selling prices and/or forex loss, especially from revaluation of foreign-currency loans. FY2010 may be more challenging

than FY2009, as tax breaks and interest subsidies are largely removed and global commodity prices are forecast to increase.

Our View

The lack of interest in the stock market in Feb can be attributed to (other than the Tet effect) investors' expectation to see fiscal and monetary policies change when retail prices of some necessary goods (petrol, gas, coal, electricity, water, food etc.) started to surge from mid Feb. We think margin squeeze is inevitable when corporates can not easily pass through the increase in input costs to customers. In such circumstances, companies with solid fundamentals and strong pricing power will be able to hold out well. Consumer staples, pharmaceuticals, construction materials, and real estate are our favoured sectors in 2010.



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%	-1.0%	0.7%	-0.1%	16.0	13.5	12.2	8.9	2.7	2.4	17.9	32.8	23.4	23.6	1.4
Automobiles & Components	1.4%	-5.6%	-18.2%	-5.3%	9.3	7.1	5.9	2.6	2.8	1.0	26.7	16.7	9.9	6.6	1.1
Banks	21.3%	-1.5%	4.8%	-2.0%	14.3	12.6	11.0	8.5	1.7	2.0	11.0	35.5	23.1	17.0	5.9
Capital Goods	3.5%	-1.3%	-7.2%	-4.2%	12.1	11.0	9.9	8.0	2.8	3.5	22.9	29.0	19.0	14.3	0.3
Commercial Services & Supplies	0.2%	-6.0%	-2.0%	-7.3%	-	-	-	-	-	-	-	-	-	-	-
Consumer Durables & Apparel	1.0%	-5.9%	-6.1%	-8.2%	12.4	10.8	9.6	8.2	1.8	1.9	14.0	8.5	4.5	2.9	-
Consumer Services	1.7%	-0.6%	-14.7%	-9.2%	-	-	-	-	-	-	-	-	-	-	-
Diversified Financials	5.2%	-1.6%	5.2%	-0.5%	22.1	20.4	18.8	15.7	2.6	0.1	11.9	32.6	27.5	129.5	-0.4
Energy	6.1%	-6.8%	-22.0%	-13.7%	8.1	8.3	7.3	5.7	2.7	3.9	29.8	27.4	23.4	15.5	2.0
Food, Beverage & Tobacco	10.1%	2.1%	5.0%	9.4%	13.5	12.3	10.1	7.5	4.1	2.9	28.5	33.9	19.6	18.7	-0.2
Household & Personal Products	0.3%	4.1%	16.4%	9.6%	31.4	26.0	20.7	10.3	1.0	1.0	5.0	24.5	8.1	4.1	0.7
Insurance	6.7%	19.9%	48.3%	32.6%	27.5	24.3	21.3	16.4	2.8	2.3	10.0	24.4	2.5	9.0	-1.7
Materials	8.6%	-1.6%	-3.6%	-0.5%	9.8	8.8	7.8	6.7	2.4	3.4	23.4	26.7	21.5	19.5	-0.1
Pharmaceuticals & Biotechnology	3.9%	-6.4%	-5.2%	-13.3%	9.8	9.3	7.3	4.6	1.7	3.3	15.5	32.0	10.3	8.1	-0.1
Real Estate	21.2%	-4.4%	-7.6%	-3.1%	25.2	18.1	16.7	11.1	3.8	1.8	19.2	48.1	42.2	28.6	0.8
Retailing	3.9%	-2.9%	5.4%	-2.4%	11.4	10.5	9.5	6.1	3.2	3.6	26.4	10.7	6.2	4.3	-0.2
Transportation	2.1%	-0.1%	-2.8%	-5.0%	16.4	18.7	23.5	7.5	1.4	1.7	11.5	20.3	15.4	10.0	0.6
Utilities	2.9%	-5.0%	-8.3%	-4.1%	7.9	5.8	5.2	6.2	1.3	5.2	15.6	38.9	37.0	36.4	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

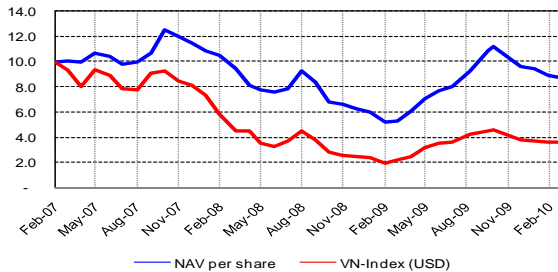
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.73
Feb-10	-2.2%
YTD	-7.1%
Since inception (Feb 07)	-12.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

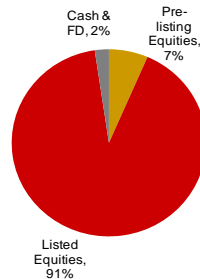
VEMF is a Cayman closed-end fund for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam.

As at end February, the Fund's NAV per share was \$8.73. Despite a 2.2% decrease MoM, the Fund still continued to lead the VN-Index (in US\$), recording outperformance of 50.82% since inception.

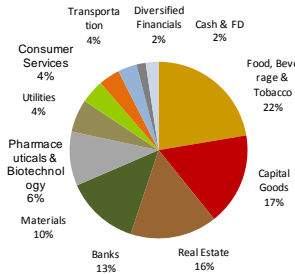
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



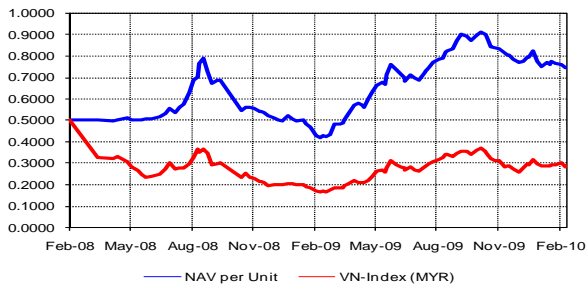
HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.7441
	US\$ 0.2188
Feb-10	-1.92%
YTD	-6.52%
Since inception (Feb08)	48.8%
Bloomberg	HLGVIET:MK

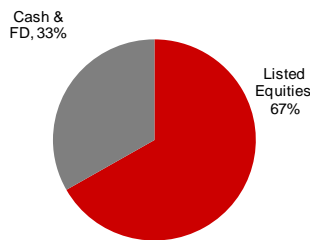
HLGVF is an actively-managed open-ended unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end February, the Fund's NAV per unit was RM0.7441. Despite a 1.92% decrease MoM, the Fund still continued to lead the VN-Index (in MYR), recording outperformance of 92.2% since inception.

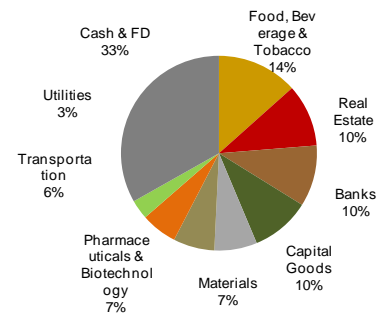
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

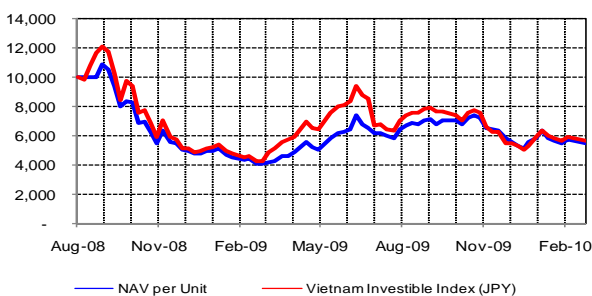
NAV per unit	JPY 5,488
	US\$ 61.02
Feb-10	-0.2%
YTD	-6.2%
Since inception (Jul08)	-45.1%
Bloomberg	VAMINLI KY Equity

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.

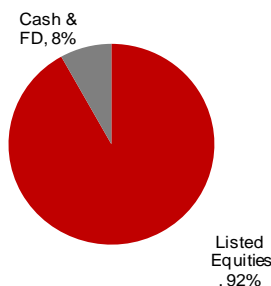
The Fund's NAV per unit decreased 0.2% MoM to close at JPY 5,488 on 24 February 2010.

As of 24 Feb '10

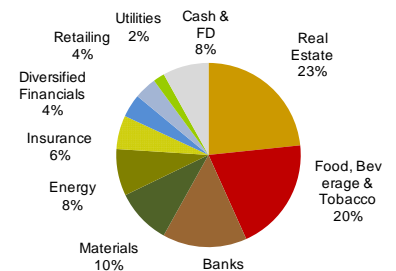
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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