

## Market Update

Inflation for January was up 1.36% on the month in Vietnam. The level seems to be within acceptable limits for the State Bank of Vietnam, as there were rumors of further interest rate hikes if the inflation number came in too high. Thus, given that base rates remain unchanged even though the current policy stance is to keep inflation low, it can be seen that 1.36% is actually quite good given that pre-Tet inflation levels are always abnormally high. YoY inflation stands at 7.62%.

The trade deficit for the month is estimated at US\$1.3bn. It is still certainly higher than we would like to see, but an improvement over the previous month. Analyzing recent policy measures to improve balance of trade and inflation will prove difficult until the Tet season abnormality passes. While exports and imports both improved dramatically compared to the same month in 2009, given this year's mid-February Tet versus last year's late-January Tet, it is again impossible to read too much into those numbers.

Indications are unchanged that Vietnam remains on its path of impressive economic recovery despite the aforementioned potential imbalances. Retail sales growth remains steady at 18.6% YoY, while industrial production growth is up to 7.6% YoY.

Despite aggressive efforts, the Government is still having difficulty to bring the black market USD/VND exchange rate inline with official band. Some evidence suggests black market rates are now as much as 5% above the upper limit of the official exchange rate band.

Lacking much impetus, the VN-Index traded largely sideways in January, finishing down 2.6% on the month. Full year corporate financial results and 2010 guidance will start trickling in more over the next couple of months, and will provide the spur for more market actions. Barring any unforeseen incidences, the VN-Index is expected to be even more apathetic in February as the Tet holiday will occur in the middle of the month.

## Our View

The reason for the lacklustre performance and thin liquidity of the stock market in January was that all eyes seemed to be watching the State Bank of Vietnam's ("SBV") monetary policy, especially the next move on the prime interest rate. Temporarily, the SBV has announced that there'll be no increase in the prime rate in February. However, this announcement had little effect on the market as the general expectation is that an interest rate hike will happen later in the year. Meanwhile, the banking system is suffering a liquidity crunch due to the surge in cash demand for the major Lunar New Year spending. It is reported that corporates and individuals are withdrawing so much cash from banks to satisfy their (Lunar) year-end consumption that SBV had to reduce the compulsory reserves on foreign currency deposits and increase money supply via Open Market Operations to enhance liquidity. This loosening move, in our view, is only a short-term measure to address the liquidity issue. Given the inflation risk from high credit growth of last year and rising commodity prices, it is critical that the prime rate be raised to keep inflation in check,

stabilize the currency and attract deposit flow back into the banking system. While this move, together with the credit growth quota, will bring down growth in the short run, we think they have more long-term benefits. First, the higher interest rate, and therefore larger interest spread, will help to improve banks' earnings. Second, the credit growth quota will help to improve credit quality as banks become more selective in loans disbursements. Lastly, due to the higher interest expense, borrowers will become more cautious in their usage of bank financing, thereby eliminating unnecessary projects, especially those non-core investments which used to be fashionable during the boom time. As usual, in a rising interest rate environment, we prefer companies with little debt and a strong cash position.



## 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%	-2.9%	-25.1%	-3.4%	14.8	12.4	11.2	8.1	2.6	2.5	18.7	34.1	24.7	24.5	1.4
Automobiles & Components	1.5%	-1.4%	-27.4%	-2.7%	9.0	6.9	5.7	2.6	2.7	1.0	26.9	16.9	9.9	6.6	1.1
Banks	21.8%	-4.2%	-25.0%	-3.8%	11.9	10.5	9.1	7.1	1.6	2.0	12.3	39.9	27.4	20.2	5.8
Capital Goods	5.7%	-3.2%	-28.2%	-6.6%	9.6	8.4	7.4	6.3	2.9	3.6	27.9	32.8	26.1	20.7	-0.2
Commercial Services & Supplies	0.1%	0.4%	-29.5%	-6.3%	-	-	-	-	-	-	-	-	-	-	-
Consumer Durables & Apparel	1.1%	-7.7%	-20.3%	-7.3%	12.8	11.1	9.9	8.4	1.9	1.8	14.0	8.5	4.5	2.9	-
Consumer Services	1.9%	-18.6%	-34.7%	-13.0%	-	-	-	-	-	-	-	-	-	-	-
Diversified Financials	4.9%	-5.0%	-27.1%	-4.5%	20.9	19.3	17.9	14.8	2.5	0.1	12.0	32.9	27.0	126.6	-0.4
Energy	7.1%	-12.9%	-33.6%	-12.0%	8.2	8.5	7.5	5.8	2.8	3.7	30.2	28.2	24.1	16.0	1.9
Food, Beverage & Tobacco	9.9%	0.7%	-16.4%	2.4%	11.2	9.9	8.5	6.7	3.6	3.2	28.9	33.2	18.7	18.7	-0.1
Household & Personal Products	0.3%	5.2%	-10.9%	-3.2%	26.1	21.6	17.2	8.7	0.8	1.0	5.1	24.5	8.2	4.1	0.7
Insurance	6.0%	9.3%	-10.2%	8.6%	21.2	18.8	16.5	12.7	2.1	2.9	10.0	24.8	2.6	9.1	-1.7
Materials	8.6%	-3.8%	-26.6%	-3.4%	9.6	8.6	7.7	6.6	2.4	3.2	23.1	26.8	21.3	19.4	-0.1
Pharmaceuticals & Biotechnology	4.2%	0.8%	-21.6%	-8.7%	9.9	9.5	7.1	4.2	2.0	3.3	17.8	32.2	11.4	9.0	-0.1
Real Estate	18.3%	-1.2%	-29.1%	-2.5%	28.5	20.0	18.6	12.1	4.1	1.5	17.6	49.8	43.5	29.2	0.9
Retailing	3.8%	-2.5%	-14.7%	-3.3%	11.3	10.4	9.4	6.1	3.2	3.7	26.4	10.7	6.2	4.3	-0.2
Transportation	2.1%	-5.7%	-26.9%	-8.2%	15.9	18.0	22.5	7.2	1.4	1.9	11.5	20.2	15.3	9.8	0.7
Utilities	2.9%	-4.0%	-38.4%	-3.9%	8.0	5.9	5.3	6.4	1.3	5.4	15.6	40.0	38.1	38.0	0.3

\* 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

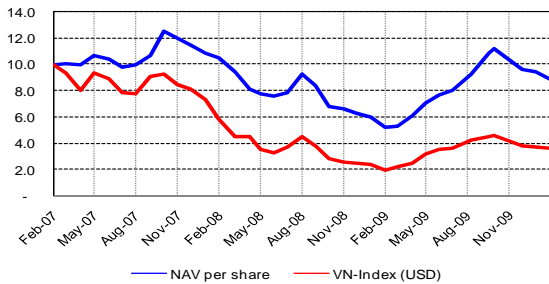
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.93
Jan-10	-5.0%
YTD	-5.0%
Since inception (Feb 07)	-10.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

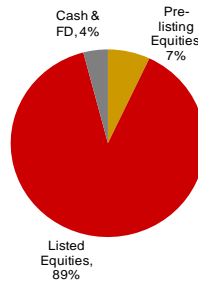
VEMF is a Cayman closed-end fund for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam.

As at end January, the Fund's NAV per share was \$8.93. Despite a 5% decrease MoM, the Fund still continued to lead the VN-Index (in US\$), recording out-performance of 52.76% since inception.

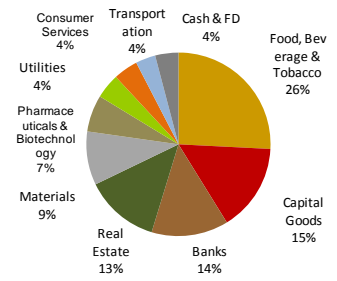
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



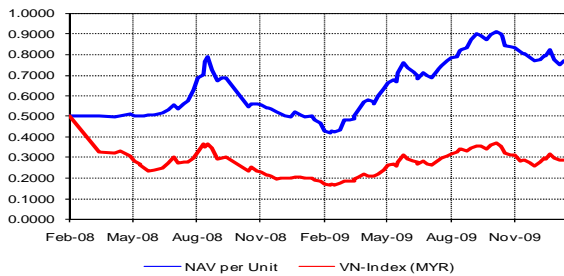
## HLG Vietnam Fund (HLGVF)

NAV per unit	RM 0.7587
	US\$ 0.2217
Jan-10	-4.69%
YTD	-4.69%
Since inception (Feb08)	51.7%
Bloomberg	HLGVIET:MK

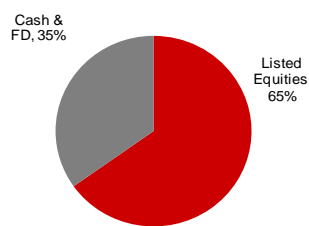
HLGVF is an actively-managed open-ended unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end January, the Fund's NAV per unit was RM0.7587. Despite a 4.69% decrease MoM, the Fund still continued to lead the VN-Index (in MYR), recording out-performance of 94.6% since inception.

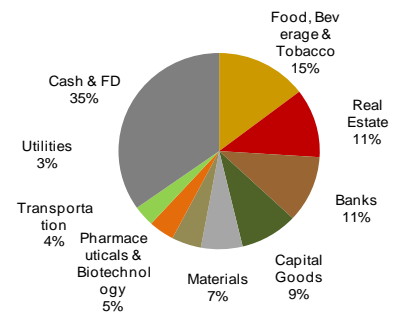
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



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

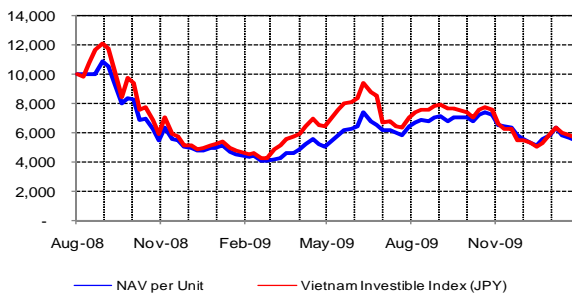
NAV per unit	JPY 5,497
	US\$ 61.47
Jan-10	-6.0%
YTD	-6.0%
Since inception (Jul08)	-45.0%
Bloomberg	VAMINLI KY Equity

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.

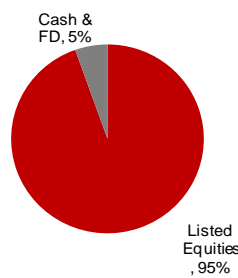
The Fund's NAV per unit decreased 6% MoM to close at JPY 5,497 on 27 January 2010.

As of 27 Jan '10

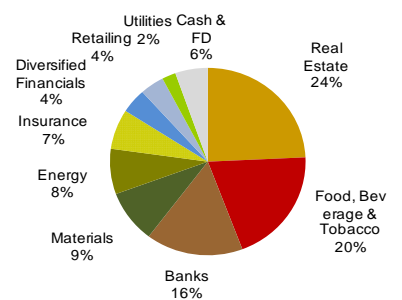
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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