

## Market Update

It became obvious this month that China is set to embark on a new phase in its growth story. The move to end the Yuan's dollar peg indicates the start of global trade rebalancing that the west has been craving. This, combined with wage hikes provoked by labor unrest, marks the beginning of the end of China's low cost production advantage. As China's primary growth driver moves towards cultivating domestic demand, Vietnam is ideally positioned to take advantage.

Vietnam's economic indicators in June were largely in line with expectations suggesting continued stability in Vietnam's macro environment. Vietnam experienced 6.1% real GDP growth in H12010, with the government's full year target of 6.5% looking realistic. Inflation for the month was 0.22% bringing year to date inflation to 4.43% or 8.69% year on year. This relatively low trend of inflation facilitated the government's action to instruct banks to cut lending rates to 12-12.5% from the previous level of 13%-14% to help

boost further economic activity. Meanwhile the trade deficit stood at US\$1.2bn for June and \$6.7bn for H12010, which constitutes 20.9% of export turnover against the government target of 20%. Stable disbursed FDI in H12010 reaching US\$5.4bn helped improve the balance of payments for this year and the exchange rate is expected to be stable for the rest of the year.

The VN-Index had a largely uneventful month, opening at 507.14 on June 1<sup>st</sup> and closing at 508.68 at month end. Stocks with the largest fluctuation belong to the construction materials, transportation, and materials industries. That being said, average daily trading value in June remained high at roughly US\$140 million for the HOSE and the HXN combined, compared to US\$170 million recorded in May.

### Our View

Toward the end of June, Vietnam equity market welcomed several pieces of good news including: increased FDI and FII,

improved export to the U.S., increased world coffee prices, and increased agricultural output.

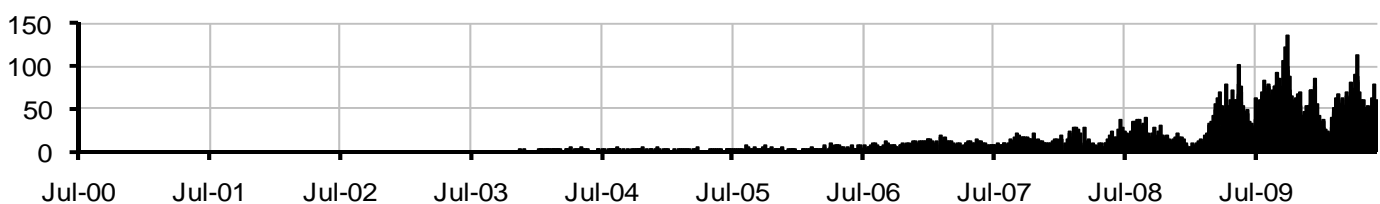
For July, we expect the stock markets to have more action as a result of (1) the release of 2Q2010 financial results, (2) easing of monetary policy, and (3) world stock market sentiment spillover effect. Specifically, at the end of June, as inflationary pressure eased, SBV had pushed the state-owned banks to announce a cut of short-term lending rate to 12% and deposit rate to 11%. In addition, U.S and E.U. markets are also expecting 2Q2010 financial results, and Vietnamese investors will watch the global stock indexes closely. We are also monitoring corporate profits closely as we think first half results will be a good indicator for full-year performance. The industries that are of our interest at this point are consumer goods, oil and gas, ports, materials, and pharmaceuticals.

**VNIndex (VND)**



Millions

**Volume**



## Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2010PE	2011PE	2012PE	2015PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-0.4%	-1.5%	1.2%	14.5	12.5	11.0	9.5	2.8	2.7	20.1	36.7	26.3	20.5	1.3
Automobiles & Components	1.1%	-7.6%	-10.6%	-15.3%	5.7	5.0	4.3	3.1	2.3	0.5	41.0	24.2	16.1	14.1	0.2
Banks	19.4%	-0.8%	-8.7%	-13.9%	11.9	10.5	9.2	7.1	1.4	2.4	11.1	35.4	23.0	16.9	6.0
Capital Goods	3.6%	-16.7%	-19.7%	-23.0%	10.4	9.9	8.8	7.5	1.8	3.0	18.9	29.5	18.2	23.6	-
Commercial Services & Supplies	0.2%	8.6%	-2.8%	15.9%	8.0	6.9	6.1	5.1	1.9	2.6	20.1	29.1	12.5	16.8	-0.4
Consumer Durables & Apparel	0.9%	-18.9%	-21.7%	-21.5%	9.6	7.1	5.9	4.3	1.3	5.5	14.5	10.0	5.6	3.0	0.6
Consumer Services	1.5%	10.1%	13.0%	-4.1%	34.2	32.5	30.8	79.9	2.8	-	-5.7	42.4	24.0	-9.6	2.5
Diversified Financials	5.4%	-10.4%	-21.7%	-20.1%	11.7	10.0	8.7	6.6	2.1	3.9	16.9	78.2	74.4	63.6	-0.8
Energy	5.1%	-1.8%	-1.7%	-13.7%	6.7	6.9	5.7	4.7	2.2	3.1	25.8	22.1	17.7	13.7	1.2
Food, Beverage & Tobacco	15.9%	-0.1%	11.1%	23.7%	18.9	15.3	12.5	7.7	4.2	2.4	25.8	32.0	17.6	14.5	-0.2
Household & Personal Products	0.3%	-2.6%	-12.7%	27.0%	7.4	7.7	7.8	134.8	1.1	0.7	-1.4	17.7	3.3	-4.1	0.9
Insurance	7.9%	6.2%	17.6%	48.7%	27.0	23.9	20.9	16.2	2.8	2.4	10.0	24.2	2.5	8.9	-1.7
Materials	9.2%	-1.5%	-8.9%	-6.1%	7.9	7.1	6.2	4.9	2.1	4.3	26.4	28.4	21.7	17.7	0.2
Pharmaceuticals & Biotechnology	1.4%	-7.0%	-13.6%	-26.5%	9.5	8.4	7.5	5.7	2.4	2.9	22.2	42.5	14.3	12.6	-0.2
Real Estate	19.7%	-4.2%	-7.5%	-7.0%	15.5	13.3	12.0	9.8	4.0	1.4	25.7	50.1	44.1	30.1	0.7
Retailing	0.8%	1.3%	3.1%	9.8%	18.1	10.4	10.3	8.9	1.7	2.5	10.7	13.1	9.4	6.2	0.8
Telecommunication Services	2.8%	67.1%	67.1%	67.1%	12.1	10.5	9.2	7.7	4.4	3.6	33.0	19.9	8.9	4.8	0.4
Transportation	2.1%	-4.7%	-7.5%	-8.3%	12.5	10.9	9.5	8.7	1.4	2.2	13.2	20.9	16.0	10.9	1.1

\* 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

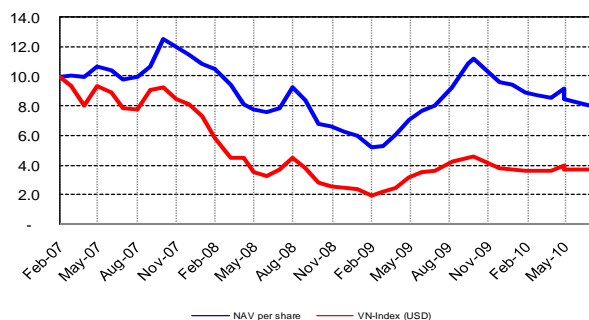
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.03
Jun-10	-5.0%
YTD	-14.6%
Since inception (Feb 07)	-19.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

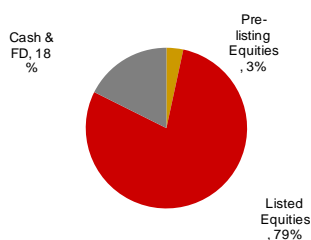
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end June, the Fund's NAV per share was \$8.03. With a 5% decrease MoM, the Fund still continued to lead the VN-Index (in US\$), recording outperformance of 43.07% since inception.

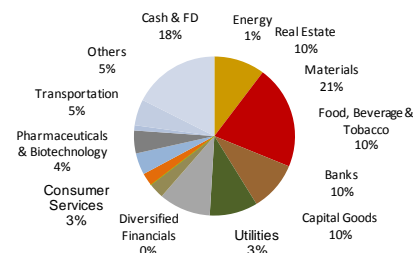
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



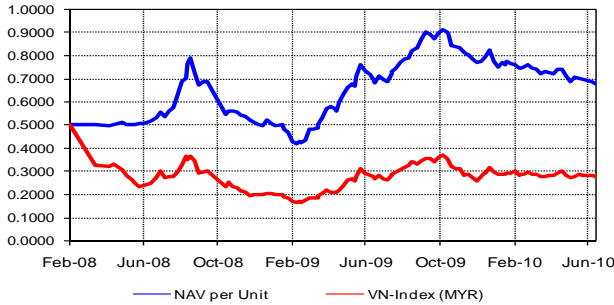
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.6773
	US\$ 0.2097
Jun-10	-4.23%
YTD	-14.62%
Since inception (Feb08)	35.5%
Bloomberg	HLGVIET:MK

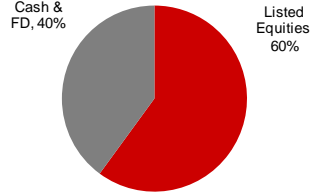
HLGVF is an actively-managed open-ended unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end June, the Fund's NAV per unit was RM0.6773. With a 4.23% decrease MoM, the Fund still continued to lead the VN-Index (in MYR), recording out-performance of 79.9% since inception.

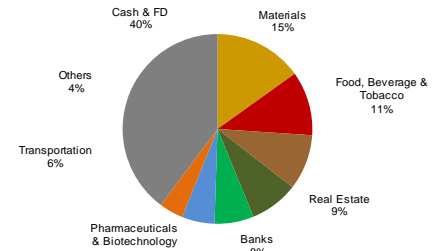
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



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

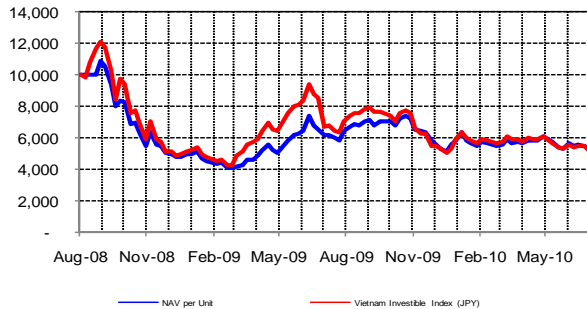
NAV per unit	JPY 5,300
	US\$ 59.89
Jun-10	-0.4%
YTD	-9.4%
Since inception (Jul08)	-47.0%
Bloomberg	VAMINLI KY Equity

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.

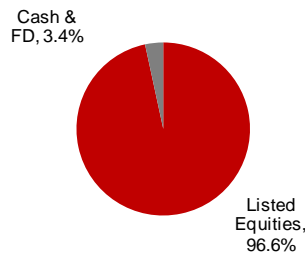
The Fund's NAV per unit decreased 0.4% MoM to close at JPY 5,300 on 30 June 2010.

As of 30 Jun '10

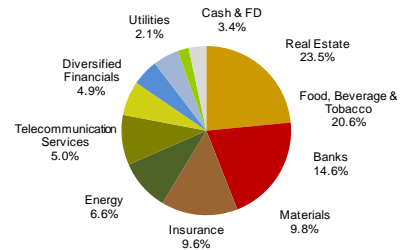
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



**Disclaimer:** This report has been prepared by Vietnam Asset Management Limited ("VAM") or an affiliate thereof and has been prepared on the basis of information obtained from sources VAM considered to be reliable, but VAM does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. VAM may use certain assumptions or models in the preparation of this report and different assumptions may provide substantially different results.

No representation is made that any investment or recommendation contained herein is suitable or appropriate for the recipient and does not constitute an advertisement, solicitation or offer to buy or sell securities, futures, options or other financial instruments in Vietnam or any other jurisdiction. This report shall not be a substitute for the exercise of the recipient's judgment in making an investment decision and VAM accepts no liability for investment losses.

VAM, its affiliates, related companies and its respective directors and employees, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities, referred to in this research.

VAM, its affiliates, related companies and its respective directors and employees accept no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein or further communication thereof, even if VAM or any other person has been advised of the possibility thereof.

Copyright 2010 Vietnam Asset Management Limited. No part of this report may be reproduced or distributed without the prior consent of Vietnam Asset Management Limited. All rights reserved. This report may only be distributed as permitted by applicable law.