

## Market Update

October macro indicators showed Vietnam's real economic growth was still on track. Industrial production and retail sales in the first ten months grew by 13.7% and 25.1% on-year, respectively. In the same period, export turnover was also up 23.3% on-year whilst imports were only up 20.7%. With the third consecutive downward revision to September deficit number from US\$1.05 billion to US\$875 million (after revisions made to July and August numbers), year-to-date trade deficit is standing at US\$9.5 billion versus the government full year target of US\$13-14 billion, signaling that trade deficit seemed to have stabilised.

However, inflation and exchange rate remained major issues of the economy. October inflation came out at 1.05% on-month and 7.58% year-to-date, showing no clear sign of slowing down despite the government's increasing effort in consumer price control after the sudden acceleration of inflation in September. Given the coming months usually experience high seasonal inflation, made worse by the recent floods in central provinces which are considered worst for the past 60 years, consensus estimates are looking at 9-10% inflation for this year, well above the government target of 8%.

Another headline during the month was the rising divergence between official and unofficial exchange rates. At month end, gold shops were selling the greenback for 20,160 dong/

dollar, 3.4% higher than rates offered by commercial banks. The ongoing dollar price rise in the free market was mainly attributable to strong increase in demand for dollars from i) importers to pay for purchases made in preparation for high year-end consumption; ii) businesses to pay back dollar loans due at year end; iii) businesses to import gold to re-sell in Vietnam to make arbitrage profit due to the difference in domestic and world gold prices; and iv) individuals' increasing dollar and gold hoarding. Of these causes, the last one is considered the most challenging to deal with as hoarding dollars and gold has been a deep-rooted habit of storing assets by Vietnamese people, which always tend to intensify amidst a high inflation and volatile exchange rate scenario.

In an attempt to take downward pressure off the dong, on 29 October, the State Bank of Vietnam (SBV) issued Circular 22 that banned banks from selling gold deposited by customers and using the funds for loans or for converting into foreign currencies. However, the SBV was being expected to have stronger actions to regain people's confidence in the dong. Some possible measures being mentioned offline included either a further devaluation of the dong toward year end, which was not in favor of policy makers, or the SBV injecting dollars into the market using the foreign reserves; removing cap on interest rates in dong term; etc. Taking all these factors into consideration, we would

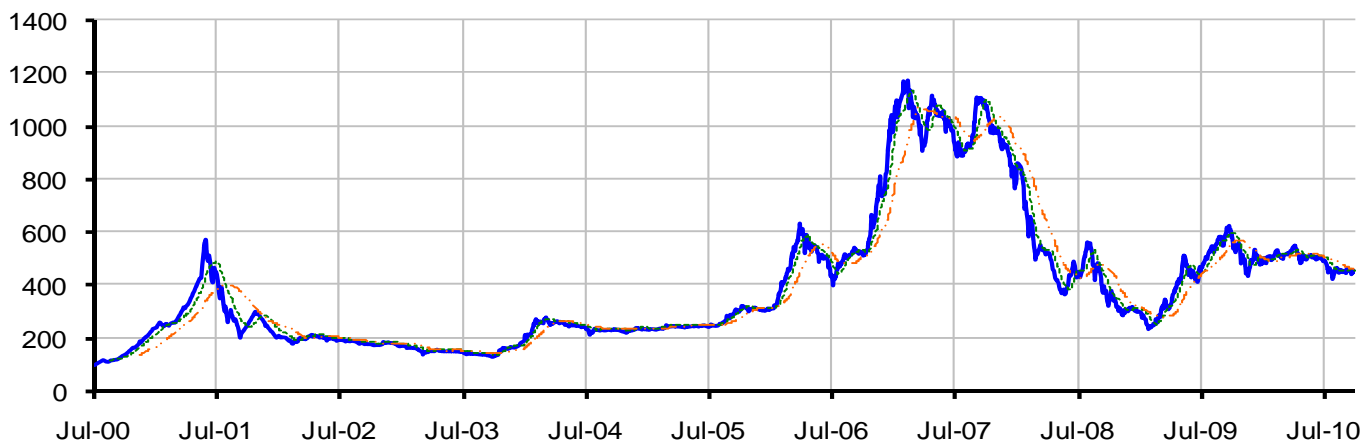
expect a tightening monetary policy from the government and the SBV in the coming months. The VN-Index reacted against all these news with another month of sideways movement, ending October at 452.63, down just 0.4%.

## Our View

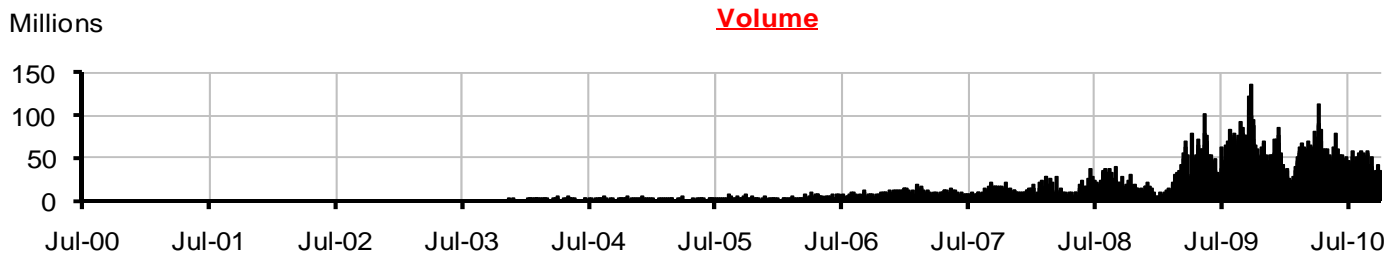
We believe that the market is at a low point but will continue to go sideways in the short-term due to uncertainties over inflation and currency devaluation. 3Q2010 corporate earnings generally did not provide adequate support to the market and liquidity on both bourses has been quite low recently. We think investors are waiting for a clear signal of economic health improvement before pumping back money into the market. Despite the currently rather bearish sentiment, we note that the hot money flow from overseas is ready to come back to Vietnam any time as long as the market starts picking up.

Our list of favorite sectors for long-term investment still consists of consumers, IT-Telecom, fertilizer and pharmaceuticals. For short-term trading plays, we maintain watch on certain stocks in commodities such as sugar, natural rubber and rice as well as some high-dividend yield stocks. Overall, we uphold our bottom-up approach and keep a close watch on the business performance of sound-fundamental firms as we think these stocks will be the first to recover once the macro economic picture stabilises.

**VNIndex (VND)**



**Volume**



## Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2009 PE	2010 PE	2011 PE	2012 PE	2014 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	1.1%	-5.4%	-2.5%	17.1	14.0	12.7	12.8	11.5	3.2	2.3	19.8	58.0	23.7	17.7	0.25
Automobiles & Components	1.0%	-2.2%	-16.2%	-34.4%	4.6	9.5	6.6	6.3	5.0	2.7	2.7	25.3	17.0	10.4	7.5	0.2
Banks	17.3%	-1.1%	-6.3%	-26.0%	9.3	7.5	6.6	9.5	9.0	1.8	0.3	0.7	162.3	11.2	-2.5	0.2
Capital Goods	3.8%	-6.4%	-11.5%	-29.8%	8.4	10.5	11.0	11.0	10.1	1.8	4.1	18.7	19.1	11.7	12.7	-0.1
Commercial Services & Supplies	0.2%	-16.9%	-25.9%	-31.2%	7.3	6.3	5.6	5.2	4.3	1.1	2.9	17.5	29.8	12.9	15.4	-0.4
Consumer Durables & Apparel	0.9%	-1.3%	-8.4%	-16.7%	10.1	9.7	8.7	8.3	6.9	1.6	4.6	17.3	9.8	5.4	3.5	0.6
Consumer Services	2.1%	-1.8%	-12.3%	-19.7%	27.9	19.2	18.2	17.3	71.8	2.3	-	-6.9	40.1	24.1	-12.9	2.7
Diversified Financials	5.3%	-8.3%	-24.2%	-43.7%	8.7	8.6	7.5	6.6	5.1	1.5	6.3	17.7	78.1	76.3	63.0	-0.7
Energy	4.5%	1.8%	-7.1%	-24.8%	11.2	8.5	7.7	6.3	5.0	2.1	5.7	22.7	20.8	15.4	11.7	0.9
Food & Staples Retailing	0.2%	-5.9%	-22.4%	-22.4%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	16.6%	4.1%	0.8%	24.7%	32.5	21.6	19.9	17.3	12.6	4.7	2.0	30.9	36.0	20.7	19.0	-0.2
Household & Personal Products	0.2%	-14.4%	-31.5%	-27.1%	27.1	5.2	5.4	5.4	5.2	0.6	1.3	-0.7	18.0	3.7	-3.9	0.9
Insurance	8.0%	16.5%	26.6%	134.7%	40.2	31.7	29.9	29.5	29.2	4.2	1.9	12.6	16.6	-11.6	18.9	-0.9
Materials	9.5%	3.0%	-0.1%	-13.8%	9.7	9.0	7.5	6.8	5.6	2.3	4.9	24.6	24.9	19.6	17.0	0.3
Pharmaceuticals & Biotechnology	1.6%	0.3%	-4.2%	-30.6%	9.8	8.2	7.2	6.8	4.9	2.7	3.3	26.3	44.5	18.5	18.2	-0.2
Real Estate	19.9%	0.3%	-13.9%	-23.1%	14.3	13.8	12.0	10.8	8.9	4.4	0.4	27.9	56.4	50.8	32.1	0.8
Retailing	0.9%	-14.4%	-27.6%	-27.9%	8.7	10.3	7.1	7.0	5.8	1.2	3.8	11.9	13.6	9.8	6.7	0.7
Software & Services	0.4%	-9.9%	-19.4%	-25.5%	9.4	6.7	3.3	2.7	2.0	1.5	9.3	21.6	13.4	6.6	3.8	1.2
Telecommunication Services	3.7%	8.5%	3.4%	23.4%	13.4	9.1	10.3	9.0	6.7	4.9	3.9	45.7	20.1	10.1	7.2	0.4
Transportation	1.9%	-11.1%	-21.0%	-37.1%	7.7	16.4	16.5	45.5	16.1	0.9	2.3	7.2	17.1	12.3	5.4	1.3
Utilities	2.1%	-10.3%	-17.4%	-34.6%	5.0	10.3	5.7	5.1	4.0	0.9	6.5	9.8	36.6	32.0	30.5	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 generated by VAM in-house Company Analysis System - VCAS

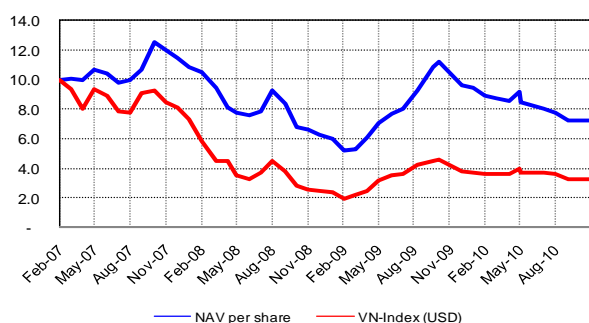
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$7.25
Oct-10	0.0%
YTD	-22.9%
Since inception (Feb 07)	-27.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

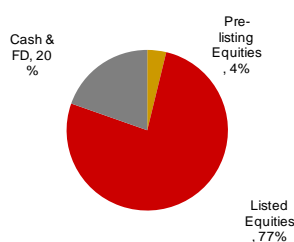
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end October, the Fund's NAV per share was \$7.25. Despite a flat month, the Fund still continued to lead the VN-Index (in US\$), recording outperformance of 0.49% MoM, and 39.97% since inception.

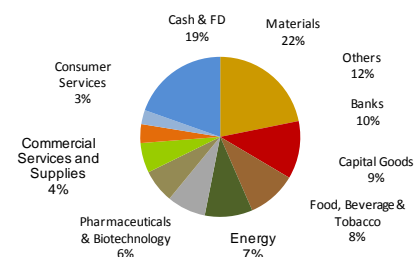
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



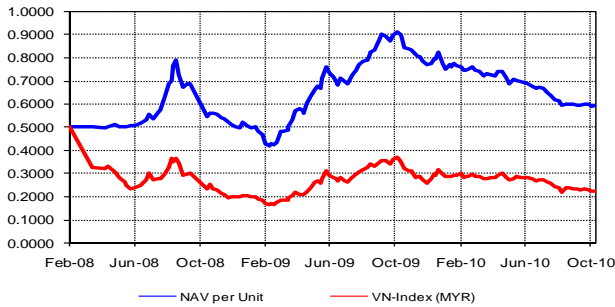
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.5921
	US\$ 0.1905
Oct-10	-0.49%
YTD	-25.36%
Since inception (Feb08)	18.4%
Bloomberg	HLGVIET.MK

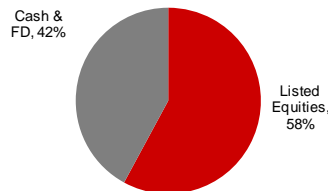
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end October, the Fund's NAV per unit was RM0.5921. Despite a 0.49% MoM decline, the Fund still continued to lead the VN-Index (in MYR), recording outperformance of 73.8% since inception.

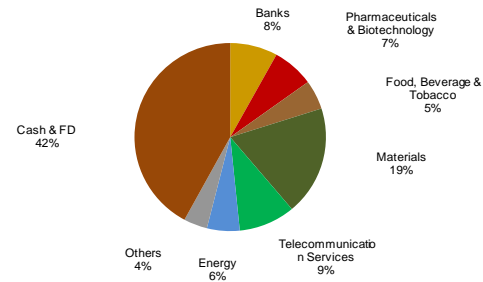
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



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

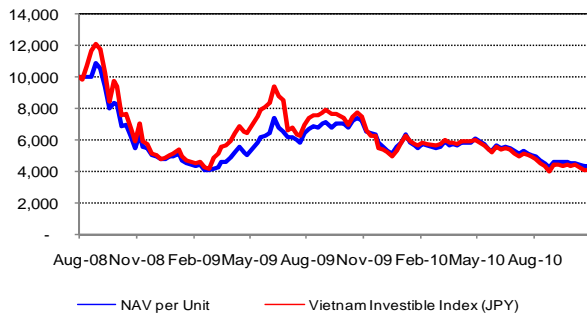
NAV per unit	JPY 4,339
	US\$ 53.13
Oct-10	-4.0%
YTD	-25.8%
Since inception (Jul08)	-56.6%
Bloomberg	VAMINLI KY Equity

VILF is a Cayman open-end unit trust for Japanese retail investors. The Fund invests in top 20 investible listed blue-chips in Vietnam on a passively-managed basis.

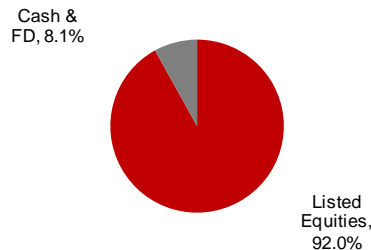
The Fund's NAV per unit decreased 4% MoM to close at JPY 4,339 on 27 October 2010.

As of 27 Oct '10

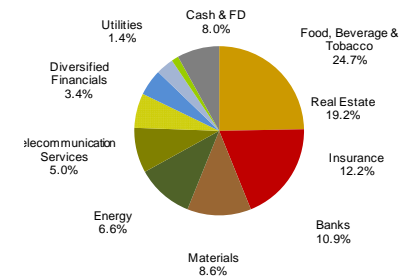
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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