

Market Update

Inflation improving

Inflation as measured by CPI fell below 1% over the previous month as predicted, bringing the year to date total to 15.68% or 23.02% YoY. The food index, which accounted for the large part of last month's inflation, rose only 1.35% compared to 2.12% of the previous month, the lowest increase in the past 10 months. To further aid improving inflation figures, the Ministry of Finance (MOF) decided to reduce the retail gasoline price by VND 500 (approximately 2.4 cents per litre). Concerns over an increase in electricity prices and the looming seasonal effects (holidays and hurricane season) are still ever present and prevent significant downward pressure on price levels.

Trade balance and gold

Vietnam turned net gold importer this month as the frenzy of gold buying prompted the central bank to allow 5 tons of gold to be imported. July's trade balance, a surplus of USD 1.1 billion, was largely aided by gold and crude oil exports, contrasting to August's recorded trade deficit of USD 800 million. During the month, as the price of tael of gold (37.5 grams) in Vietnam was often 2-3% higher than world market prices, several of the gold enterprises requested for increased import quotas on gold to narrow the gap. This goal is also in line with that of the State Bank of Vietnam (SBV) and will impact on the trade balance in the coming months.

Pressure on the dong

The recent gold frenzy has caused many people to hoard gold and thus applying downward pressure on the dong. This requires the SBV to apply measures to stabilize the economy and restore confidence in the value of the dong. As the SBV continues to supply liquidity to the currency market of late, both the interbank and unofficial market rates stabilised at a mid price of VND 20,915 and VND 20,985 respectively. This rate could cause some concern as the conversion was VND 20,610 to USD a month ago, further fuelling USD and gold demand. An IMF estimate put Vietnam's foreign reserves at around USD 16 - 17 billion; this amount will help cover short term dollar demands, however, increases in imports at year end and swells in dollar demand to repay dollar debt will moreover apply downward pressure on the currency.

Government set to bring borrowing costs down

In its effort to reduce lending rates, increase capital rotation between the M1 and M2 markets in the economy, increase liquidity and encourage banks to lend more, the SBV issued a circular 22 effective September 1, which removes the loans-to-deposit ratio ceiling. Currently, banks are not allowed to

lend in excess of 80% of its total deposits, that ratio is 85% for non-banking credit institutions. The 12 largest commercial banks committed to seriously applying the 14% deposit rate cap and agreed to lower lending rates for business and production sectors to 17-19% per year beginning mid-September from currently 20-22% per year. Credit growth was recorded at 8.85% YTD and will continue to be controlled to a level below 20% for this year. The central bank will also apply mechanisms on foreign currency lending for borrowers without foreign currency earnings to repay debts. By increasing the loans to debt ratio of foreign currency for credit institutions by 1%, the third increase for the year; the SBV continues its efforts to narrow the dong / dollar lending gap.

Retail sales growth is rather modest but upside potential is huge

Retail trade and service for the first eight months of the year reached approximately USD 59.72 billion, an increase of 22.2% over the same period last year. Adjusted for inflation however, the increase totals only 3.9%, the lowest monthly increase of 2011. Incidentally, modern retail chains currently account for only 20% of distribution in Vietnam, leaving enormous room for growth.

New trading rules commence in September

Beginning the first day of September, the anticipated trading rules allowing 60% trading and maintenance margin will begin. For a security to be eligible for margin trading, it needs to be listed for at least 6 months, not have a listing suspension and the firm no accumulated losses. Less than 40% of the stocks listed on both exchanges meet these requirements. The aim of this change is to bring about increased liquidity in the market.

Opening the month of August at 401.95, the index fell precipitately to a 27-month low of 384.3 on the 12th. Not to be held down, the index climbed its way to 424.71 on the last day of the month, representing a 5.7% increase for the month. The year to date return was -12.4%.

Our view

Affected by dramatic volatility in the global markets, continued concerns over inflation, trade deficit and currency, the Vietnamese stock market experienced a U-shape pattern with HOSE plunging to a 27-month low before taking steps to bounce back to previous resistance level of 400 points and quickly climb up to end the month at over 420 points. Market sentiments were initially deteriorated by a number of serious concerns about US debt ceilings, European debt crisis and persistently high inflation in Asia together with local macro uncertainties. However, the momentum

quickly reversed thanks to releases of positive monthly macro data and disclosures of feasible monetary policy measures. Hence, trading volume steadily improved compared to last month, indicating a stream of money inflows returning to the stock market since investors were somehow excited about better macro outlook and government's holistic policy package.

We think for the rally to carry on strong, the government needs to continue restoring investors' and the public's confidence in the economy by showing that their policy measures can and actually do produce positive results. We believe when that happens, the market will start recovering steadily.

On corporate side, heavy financial expenses have burdened many listed firms, reflecting in disappointing half-year business results. Downtrend in corporate margin and slower net income growth were therefore predictable. Hopefully with SBV's determination to bring down borrowing costs, financial performance of corporates in 2H2011 will be improved.

From the investment point of view, we think this period brings a number of opportunities to gradually accumulate good fundamental stocks at attractive valuation. As the interest rate rise cycle is nearing the end, trade deficit is showing signs of improvement and lower food inflation number brings some relief to the macro outlook, the equity market has turned out to be more appealing to investors due to its low valuation. The real macro issues like inflation, trade deficit and lending rate still remain but government has been actively taking adequate steps to tackle these matters and bolster a recovery phase. We believe negative news and difficulties have all been reflected in the price since the beginning of this year. From now on, significant improvements on economic outlook will be the key that drives the market forward. Additionally, the money flows waiting on the sideline or from other investment channels are also ready to pour back into equity market to take advantage of the bullish trend on its way. With interests in stock markets rising as lower interest rate policy packages were committed, we expect that listed firms can gradually recover and continue their growth stories in medium to long-run.

Taking into consideration all concerns above as well as potentials of economic recovery, we believe that companies with cash, stable market share, little to no debt and decent growth would continue their solid performance in the coming time regardless of macro cloudiness. Therefore, we maintain our interests in leading firms in dairy product, natural rubber, IT-Telecommunication, fertilizer sectors.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2010 PE	2011 PE	2012 PE	2013 PE	2015 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	4.8%	9.9%	-9.6%	8.1	10.2	7.7	6.4	5.5	2.0	4.5	24.1	31.8	21.8	18.3	3.22
Automobiles & Components	0.9%	14.6%	-1.0%	-43.3%	4.4	5.3	4.8	4.6	2.6	1.2	6.7	23.9	17.1	11.4	6.5	0.3
Banks	23.5%	1.1%	5.5%	-8.0%	8.0	6.0	5.3	5.0	4.1	1.4	2.5	21.9	36.2	24.0	17.5	13.3
Capital Goods	3.0%	11.8%	4.0%	-31.4%	4.9	6.7	5.4	5.0	4.3	1.1	8.3	18.5	35.7	16.7	27.0	0.2
Commercial Services & Supplies	0.2%	5.6%	-10.9%	-39.3%	3.6	3.5	2.9	2.4	1.9	0.6	6.3	17.5	30.1	12.2	12.7	-0.1
Consumer Durables & Apparel	1.1%	8.1%	27.6%	-20.3%	8.0	6.8	6.6	4.6	3.8	1.2	5.1	17.7	9.6	5.1	3.4	0.7
Consumer Services	0.2%	6.0%	24.6%	-28.0%	2.4	2.2	2.1	1.9	1.6	0.7	-	26.0	94.8	63.9	67.2	-1
Diversified Financials	4.4%	19.3%	37.0%	-24.1%	8.8	17.8	9.7	8.5	6.4	1.1	5.4	8.6	51.6	47.0	36.8	-0.7
Energy	6.2%	1.9%	-4.0%	-19.9%	6.7	6.2	5.2	4.8	3.9	1.4	5.5	22.0	16.9	11.7	8.4	0.8
Food & Staples Retailing	0.1%	3.4%	7.5%	-9.2%	5.4	5.6	5.6	5.6	5.4	1.1	-	18.1	16.7	8.2	5.3	1.1
Food, Beverage & Tobacco	20.5%	11.7%	23.7%	32.3%	10.7	10.7	8.3	6.7	4.3	4.5	3.5	37.2	32.7	20.5	17.6	-0.1
Household & Personal Products	0.2%	9.2%	12.9%	-26.9%	7.2	3.9	4.0	3.9	3.6	0.5	1.7	1.0	18.9	4.6	-1.1	0.9
Insurance	1.7%	8.3%	14.5%	0.5%	6.6	6.7	6.6	8.0	-	0.6	2.8	8.8	39.9	3.8	12.3	-1.3
Materials	12.0%	-1.9%	-1.5%	-22.4%	6.1	5.1	4.8	4.2	3.5	1.6	8.2	28.5	29.5	22.8	19.3	0.1
Pharmaceuticals & Biotechnology	2.4%	-1.4%	18.6%	0.4%	8.6	7.7	7.6	6.1	4.1	2.2	5.1	28.2	44.2	17.2	17.0	-0.3
Real Estate	14.9%	5.1%	2.7%	-35.9%	6.6	22.9	13.0	9.5	8.0	1.4	3.3	17.3	33.5	27.9	25.0	0.8
Retailing	0.9%	0.2%	9.1%	-22.9%	38.9	5.6	4.6	4.1	3.5	0.7	6.0	16.7	11.0	7.1	4.7	0.7
Software & Services	0.5%	0.9%	-8.4%	-46.6%	5.3	4.4	4.7	4.7	4.1	1.4	16.6	31.0	20.8	12.6	11.5	-0.1
Telecommunication Services	3.8%	-3.2%	22.6%	-13.3%	8.4	7.3	6.3	5.9	4.9	2.7	2.7	31.5	20.6	10.5	6.5	0.6
Transportation	2.5%	-2.1%	0.1%	-40.1%	7.3	16.3	20.4	13.5	31.2	0.6	5.4	10.1	20.0	14.1	8.6	0.5
Utilities	1.2%	7.8%	13.5%	-23.5%	6.7	6.2	5.6	5.2	4.7	0.8	11.1	12.7	52.8	49.8	55.5	-

* 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

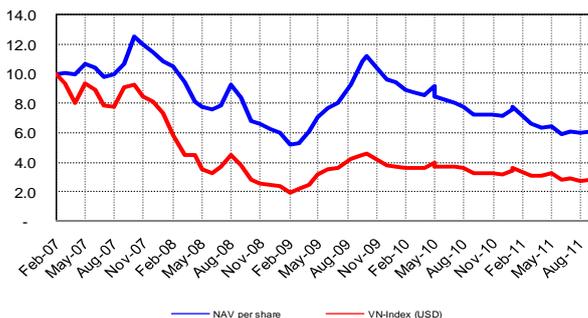
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.09
Aug-11	1.3%
YTD	-20.1%
Since inception (Feb 07)	-39.1%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
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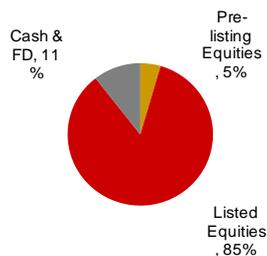
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end August, the Fund's NAV per share was 6.09. With a 1.3% MoM increase, the Fund continued to lead the VN-Index (in US\$), recording outperformance of 32.35% since inception.

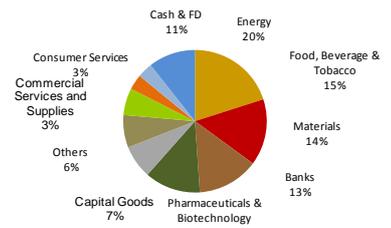
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



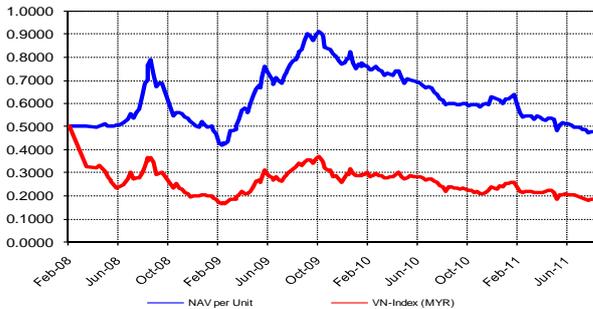
Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.4888
	US\$ 0.1638
Aug-11	-0.13%
YTD	-21.07%
Since inception (Feb08)	-2.2%
Bloomberg	HLGVIET.MK

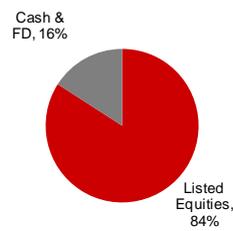
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end August, the Fund's NAV per unit was RM0.4888. Despite a 0.13% MoM decrease, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 58.9% since inception.

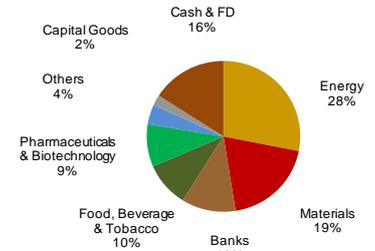
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

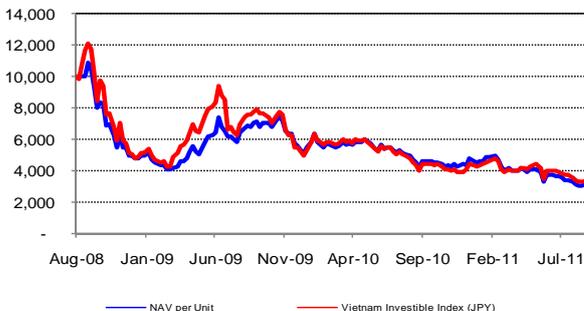
NAV per unit	JPY 3,312
	US\$ 43.31
Aug-11	0.5%
YTD	-26.7%
Since inception (Jul08)	-66.9%
Bloomberg	VAMINLI KY Equity

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.

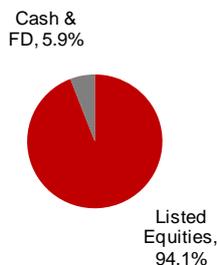
The Fund's NAV per unit increased 0.5% MoM to close at JPY 3,312 on 31 August 2011.

As of 31 Aug '11

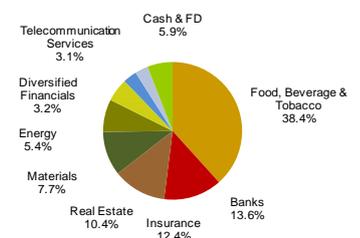
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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