

Market Update

The headline in January was the week-long 11th Party Congress starting from 12 January in Hanoi, which determined the country's new leadership for the next five years. Nguyen Phu Trong, current Chairman of the National Assembly, was appointed as the new General Secretary of the Party. Current Prime Minister Nguyen Tan Dung was reappointed to the 14-member governing Politburo paving the way for his second term as the country's Prime Minister that will be officially re-elected during the National Assembly in May. With this arrangement, we would not expect much change in the country's pro-growth policy in the next five years.

That being said, increasing concern over ongoing high inflation has made the Government switch its focus to stability instead of growth in 2011. Though January CPI was recorded at 1.74% MoM, a slight monthly decrease from December number of 1.98%, the YoY increase of 12.17% in January marked the highest YoY jump since February 2009. The CPI uptrend likely keeps going into February given Tet (Chinese New Year) high consumption together with massive cold spells and

cattle diseases in the North that have been pushing up local prices. Currently, curbing inflation is the Government's top priority. Fiscal and monetary tightening policies will consequently continue in the coming time until inflation gets improved.

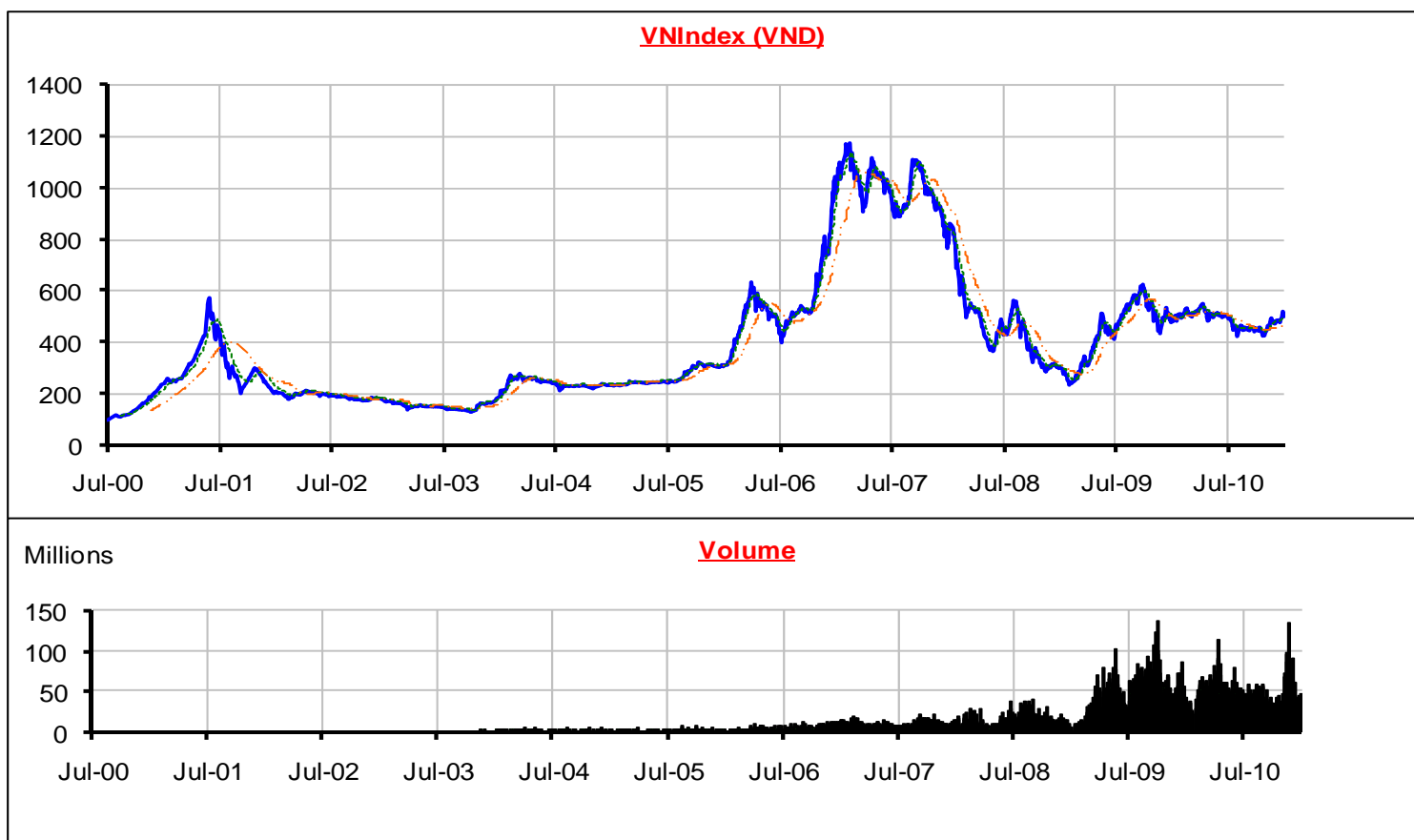
Apart from inflation, other economic indicators in January continued to show positive signs. On a year-on-year basis, industrial production and retail sales were both up 16.1% and 22.1%, respectively. Export turnover grew by 18.1% on-year versus imports increase of 15.5% indicating export growth continued to outpace import growth. Trade deficit in January was estimated at US\$1 billion, down from US\$1.3 billion in December. The full-year trade deficit is now targeted at US\$14 billion.

On financial front, high interest rates and growing concern about possible Dong devaluation after Tet are additional concerns to market participants. Local companies have been asking for lowering interest rates, but the State Bank of Vietnam said they would do so only when inflation came down, which we think will take a while.

The market reacted positively against the outcome of the Party Congress with the VN-Index closing the month at 510.6 points, up by 5.35% on-month, though volumes dropped due mainly to pre-Tet holiday effect.

Our View

Though investors still remain skeptical over the high interest rates, expected higher MoM February CPI and volatility in FX market, we believe inflation pressure will gradually ease as the Government is putting focus on stabilizing the economy and regaining confidence in the Vietnam Dong. Therefore, we would expect the stock markets to remain positive in the coming times. At the moment, our favorite top picks are in consumer, oil and gas, petrochemical, pharmaceuticals and soft commodities sectors. Also, we like the banking sector and believe the worst seems to be behind them. Their valuations are very attractive.



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%	2.7%	9.3%	2.3%	10.7	9.9	9.1	7.8	5.8	2.1	3.9	18.7	66.8	25.6	15.9	0.16
Automobiles & Components	1.2%	-2.2%	3.5%	-2.4%	8.6	8.1	7.7	6.8	5.4	1.9	3.9	22.2	16.3	9.8	7.2	0.2
Banks	21.2%	2.0%	7.1%	4.4%	11.9	10.3	9.5	9.1	7.3	1.4	2.4	0.2	178.1	11.9	-12.4	0.2
Capital Goods	5.1%	-6.8%	1.0%	-6.4%	9.6	10.1	9.9	9.7	8.5	1.4	5.0	15.6	26.9	14.8	20.0	-
Commercial Services & Supplies	0.3%	-1.7%	-1.7%	-6.9%	6.4	5.6	5.1	4.6	3.8	1.0	3.2	15.8	30.5	13.0	14.2	-0.3
Consumer Durables & Apparel	1.1%	0.5%	10.7%	0.9%	10.9	9.9	9.4	8.6	7.2	1.7	4.3	17.5	10.8	6.0	3.6	0.6
Consumer Services	0.2%	0.8%	30.4%	-3.6%	3.1	2.8	2.6	2.4	2.1	0.8	-	26.0	94.8	63.9	67.2	-1
Diversified Financials	6.6%	-8.8%	17.1%	-7.1%	10.4	9.0	7.9	6.9	5.3	1.7	5.3	17.9	78.3	76.7	63.3	-0.8
Energy	5.7%	3.3%	7.6%	4.3%	9.9	9.1	7.2	6.1	5.0	1.9	5.2	20.3	22.3	16.7	12.4	1
Food & Staples Retailing	0.2%	-2.7%	-10.9%	-1.0%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	13.1%	12.1%	18.9%	7.2%	9.6	10.0	8.2	6.6	4.4	3.8	3.6	35.8	33.2	19.8	17.4	-0.1
Household & Personal Products	0.2%	-1.2%	24.9%	1.7%	5.7	5.9	5.9	5.9	5.4	0.7	1.3	-	18.5	4.3	-2.2	1
Insurance	1.4%	6.6%	23.5%	7.6%	7.3	7.2	6.0	4.8	5.4	0.7	3.8	9.7	45.6	7.6	13.4	-1.3
Materials	13.6%	3.6%	8.3%	3.1%	10.1	8.4	7.1	6.3	5.4	2.2	5.6	26.3	28.3	22.7	19.1	0.3
Pharmaceuticals & Biotechnology	1.8%	-4.7%	-1.5%	-3.1%	8.3	7.3	6.9	5.3	4.0	1.9	3.8	24.0	44.2	18.3	19.1	-0.3
Real Estate	17.0%	7.0%	14.8%	4.0%	11.5	10.8	9.0	7.3	5.7	2.5	1.3	21.3	50.3	44.6	30.6	0.2
Retailing	0.7%	-2.9%	-2.5%	-2.2%	8.8	5.8	5.8	4.9	4.0	1.0	5.7	18.2	7.1	2.9	1.8	0.7
Software & Services	0.7%	-5.7%	-7.0%	-6.0%	6.7	4.1	3.5	3.0	2.3	2.2	11.5	45.0	20.9	12.8	9.7	0.3
Telecommunication Services	4.2%	-3.3%	-14.6%	-1.0%	10.1	11.2	9.7	8.7	6.0	3.2	4.7	27.3	17.8	7.8	4.1	0.6
Transportation	3.2%	-3.4%	1.3%	-2.0%	16.8	20.3	34.2	22.3	7.7	1.1	2.9	8.8	18.1	12.8	6.4	0.9
Utilities	2.6%	3.1%	8.3%	1.0%	10.7	6.2	5.6	5.4	4.4	0.9	10.4	15.2	41.3	38.7	38.0	0.2

* 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

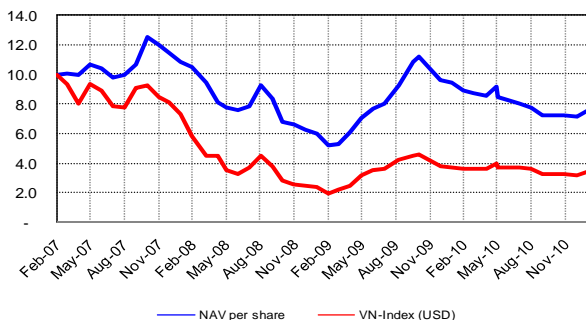
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$7.74
Jan-11	1.6%
YTD	1.6%
Since inception (Feb 07)	-22.6%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

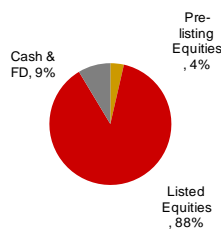
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end January, the Fund's NAV per share was \$7.74. With a 1.6% MoM increase, the Fund still continued to lead the VN-Index (in US\$), recording out-performance of 40.72% since inception.

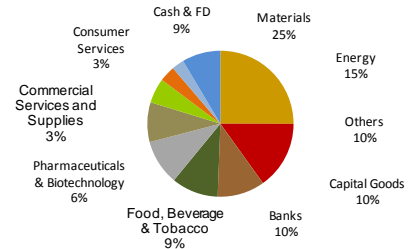
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



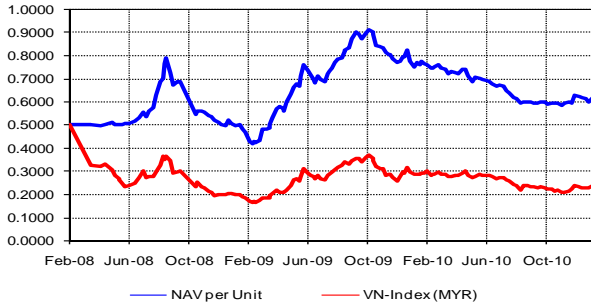
Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.6202
	US\$ 0.2029
Jan-11	0.15%
YTD	0.15%
Since inception (Feb08)	24.0%
Bloomberg	HLGVIET:MK

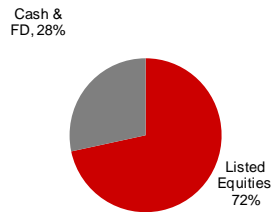
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end January, the Fund's NAV per unit was RM0.6202. With a 0.15% MoM increase, the Fund still continued to lead the VN-Index (in MYR), recording outperformance of 76.2% since inception.

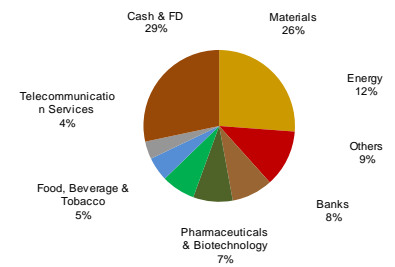
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

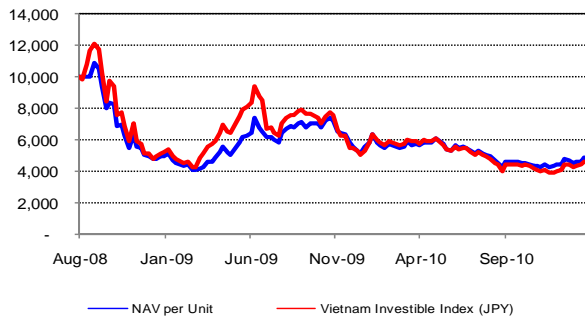
NAV per unit	JPY 4,836
	US\$ 58.78
Jan-11	7.0%
YTD	7.0%
Since inception (Jul08)	-51.6%
Bloomberg	VAMINLI KY Equity

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.

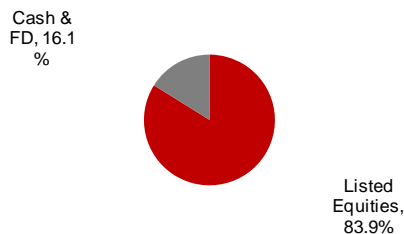
The Fund's NAV per unit increased 7% MoM to close at JPY 4,836 on 26 January 2011.

As of 26 Jan '11

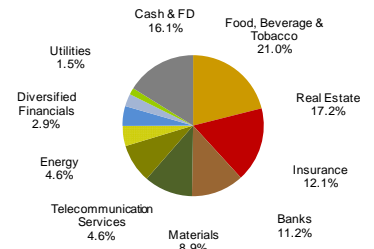
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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