

## Market Update

The government's package of tightening measures has yet to bring desired effects towards the target issue, inflation when CPI in March was released up by 2.17 % on-month and 13.89% on-year, the highest rise since March 2009. The month's rampant inflation was mainly attributable to the 15% electricity price hike from 1 March and the recent two fuel price hikes within a month making gasoline and diesel oil increase by 28% and 35% respectively at the month end. In addition, continued rising commodity prices globally and high lending rates (16%-18% for production firms and 18%-22% for non-production ones) have also contributed to pushing up local prices. We think these impacts on inflation will continue for a couple more months at a minimum. With that viewpoint and given year-to-date CPI growth already reached 6%, the government's CPI target of 7% or less for 2011 is appearing quite unrealistic.

To fight inflation, on 8 March, the State Bank of Vietnam (SBV) raised the refinancing and discount rates to 12% per annum from 11%. With inflation not showing any signs of easing thereafter, on 31 March, the SBV for the third time this year raised the refinancing rate to 13% per annum whilst keeping the discount rate unchanged at 12%, effective from 1 April. The latest move of the SBV has cleared out rumors and, perhaps more precisely, expectations in the market that interest rates would be lowering soon to support production. Despite monetary tightening, total credit growth in the first three months was recorded at 5%. As regards fiscal policy, the government continued to keep its firm stance on reducing public spending. According to an official report, the government has cut 1,387 projects with total capital investment of VND3,400 billion (US\$162mn). If inflation is not going to improve, we would expect further tightening measures from the government, such as raising reserves ratios for banks, which has been recently rumored on the ground.

With Vietnam's economic growth having largely relied on capital investments and high credit

growth, the fiscal and monetary tightening has set anticipated impacts on GDP expansion in 1Q2011, which is estimated at 5.43% on-year compared to 5.84% and 7.34% in 1Q and 4Q 2010 respectively. One of the most affected sectors was construction which registered a modest expansion of 4.4% YoY in 1Q2011 compared to 9.79% YoY growth in 1Q2010. Agricultural, forestry and fishery production value also saw a small growth of 3.5% on-year in the same period. However, on the bright side, industrial production and retail sales continued to show a resilient growth, up by 14.1% and 22.6% YoY respectively compared to 1Q2010.

On trade front, exports have been robust with year-to-date turnover up 43.7% on-year versus 23.8% growth of imports in the same period. The trade deficit in January-March was estimated at US\$3.1 billion, a slight improvement from US\$3.4 billion in 1Q2010. Concerns on possible impacts of Japan's massive earthquake and tsunami on Vietnam's trade were largely countered as real impacts are quite limited. That said, the natural catastrophe might reduce Japan's capital flow of FDI and ODA disbursement into Vietnam in immediate and medium term. In a broader picture, though total committed FDI in the first three months remarkably fell to US\$2.14 billion, down 69% on-year, the FDI disbursement remained healthy, estimated at US\$2.4 billion, up 13.6% on-year. With stable capital inflows and expectedly improving trade deficit as exports have been outpacing imports, the overall balance of payments may experience a surplus this year if the government can do well with budget deficit control, which can be achieved with a successful tightening policy implementation. Thanks to the government's continued efforts in stabilizing the FX market, we did not see much volatility in the market during the month and at the month end, the dong has slightly appreciated against the dollar by 1.4% compared to end February.

In the context of macroeconomic uncertainties and fragile market sentiments added by negative impacts from natural disasters (tsunami and earthquake in Japan), Vietnamese

stock markets remained quiet and continued its gradual down trend from last month with consistently low volumes traded on the market. The VN-Index closed March at 461.13 points, almost unchanged from 461.37 at the end of February. Average daily trading value was recorded at US\$62 million versus US\$63 million in February. Foreign investors returned as net buyers in March after being net sellers in February; however, investors were generally quite cautious, keeping on the sideline and looking for signs of market recovery as high inflation still remains a big concern, especially after a petrol price hike of 10-15% at the end of March. Currently, government's tightening monetary measures while under implementation will not provide much support to the market in the short-term. In contrast, they will create more pressure for businesses in borrowing money to fund their daily working capital. Though AGM season is half way through, we have not witnessed much euphoria in 2010 corporate earnings or excitement in 2011 business plan as companies are struggling hard to cope with rising interest rate and input costs. The ongoing tightening policy with high interest rates has adversely impacted capital flows into the equity market, which we think would likely continue in the coming weeks.

## Our View

In spite of short-term volatility, we still remain positive on the market in the medium- to long-term and recommend accumulating equities on weakness as we believe that stocks have been already undervalued and down to attractive valuations. Moreover, we expect inflationary pressures to gradually subside from 3rd quarter and government's comprehensive package will take effect to regain investors' confidence. In the current environment, we like stocks in soft commodities; consumer staples (especially dairy products and foods) as robust demand and higher prices on global scale will continue to support them. Besides, energy, oil & gas stocks will also benefit from current oil price trend and their strong bargaining power.



## Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2010 PE	2011 PE	2012 PE	2013 PE	2016 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-3.3%	-8.3%	-8.7%	16.3	9.6	8.6	7.4	5.9	2.0	4.0	14.9	75.6	21.7	10.4	0.15
Automobiles & Components	1.0%	-9.1%	-24.8%	-24.0%	6.6	6.7	6.4	5.4	4.2	1.5	5.3	21.2	16.6	10.2	6.3	0.2
Banks	35.3%	-2.7%	-6.9%	-7.0%	10.9	10.9	9.8	8.9	7.7	1.8	3.3	0.2	148.7	10.5	-11.0	0.2
Capital Goods	3.2%	-5.8%	-18.1%	-17.9%	6.9	8.0	6.9	6.4	5.6	1.3	4.7	18.5	33.6	19.3	23.5	0.1
Commercial Services & Supplies	0.2%	-8.4%	-22.5%	-24.4%	4.5	3.9	3.2	2.8	2.2	0.8	4.7	20.6	32.4	14.4	14.1	-
Consumer Durables & Apparel	1.0%	-9.0%	-21.0%	-22.2%	8.2	7.3	6.8	6.1	5.1	1.4	5.7	18.7	10.7	5.9	3.5	0.7
Consumer Services	0.1%	-7.4%	-15.8%	-16.3%	2.5	2.2	2.1	1.9	1.6	0.7	-	26.0	94.8	63.9	67.2	-1
Diversified Financials	4.8%	-7.7%	-24.9%	-25.8%	8.2	7.2	6.4	5.6	4.2	1.3	6.1	18.0	78.4	75.1	62.3	-0.8
Energy	5.4%	-1.6%	-4.4%	-4.3%	9.8	8.7	7.1	6.6	5.4	1.8	4.4	20.3	18.1	12.8	9.3	0.8
Food & Staples Retailing	0.2%	-6.0%	-10.2%	-9.8%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	11.9%	0.1%	4.5%	3.2%	8.6	8.8	7.1	5.8	4.0	3.5	3.8	35.4	32.3	20.4	18.1	-0.2
Household & Personal Products	0.2%	-5.3%	-7.3%	-8.2%	4.8	5.0	5.0	5.0	4.6	0.6	1.4	-0.4	18.4	4.1	-2.5	1
Insurance	1.3%	-9.7%	-0.9%	0.4%	7.1	7.0	5.9	4.6	4.6	0.7	3.9	9.7	45.6	7.6	13.4	-1.3
Materials	11.0%	-0.2%	-9.1%	-9.4%	7.8	7.4	6.7	6.0	4.8	1.9	6.3	25.7	27.7	21.1	17.8	0.2
Pharmaceuticals & Biotechnology	1.6%	-1.0%	-6.9%	-7.7%	7.6	6.9	6.6	5.0	3.8	1.9	4.1	25.9	44.0	17.9	18.5	-0.3
Real Estate	13.7%	-5.4%	-8.8%	-9.6%	8.6	11.9	9.4	7.8	6.0	2.0	1.6	16.9	50.5	44.5	29.4	0.2
Retailing	0.5%	-0.1%	-14.8%	-13.6%	7.5	5.1	5.0	4.3	3.5	0.9	6.7	18.1	7.1	2.9	1.8	0.7
Software & Services	0.6%	-13.6%	-17.7%	-22.6%	5.3	3.9	3.6	3.2	2.5	1.8	13.9	40.5	20.7	12.6	11.0	0.3
Telecommunication Services	3.3%	-5.6%	-19.9%	-20.0%	8.2	7.5	7.2	6.4	5.0	2.6	2.8	29.4	23.4	10.1	6.0	0.6
Transportation	2.4%	-2.6%	-14.1%	-14.4%	14.7	17.6	29.2	19.3	6.9	1.0	2.8	8.1	17.6	12.5	5.5	1
Utilities	2.3%	-11.6%	-14.2%	-14.0%	360.5	7.6	5.7	5.2	4.4	0.9	12.1	12.2	37.7	35.3	35.0	0.5

\* 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

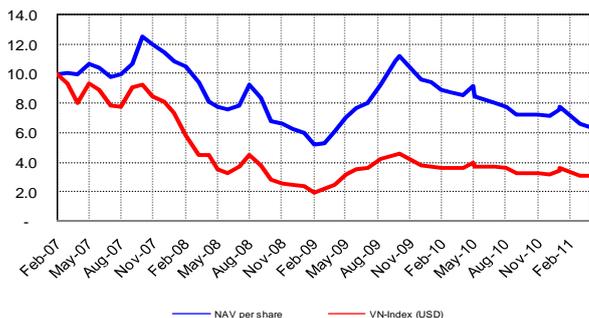
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.36
Mar-11	-3.6%
YTD	-16.5%
Since inception (Feb 07)	-36.4%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

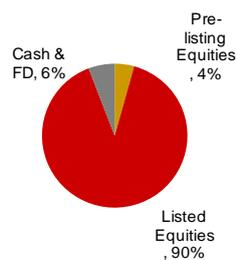
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end March, the Fund's NAV per share was \$6.36. Despite a 3.6% MoM decrease, the Fund still continued to lead the VN-Index (in US\$), recording outperformance of 32.69% since inception.

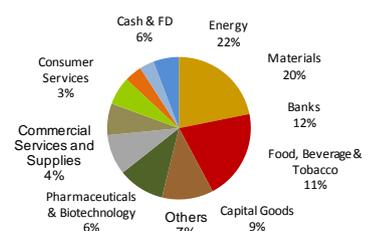
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



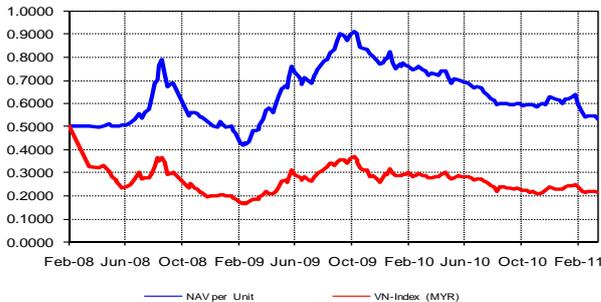
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.5324
	US\$ 0.1758
Mar-11	-4.86%
YTD	-14.03%
Since inception (Feb08)	6.5%
Bloomberg	HLGVIET:MK

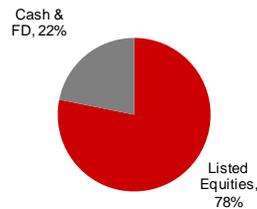
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end March, the Fund's NAV per unit was RM0.5324. Despite a 4.86% MoM decrease, the Fund was up 6.5% since inception and continued to lead the VN-Index (in MYR), recording outperformance of 64.1% since inception.

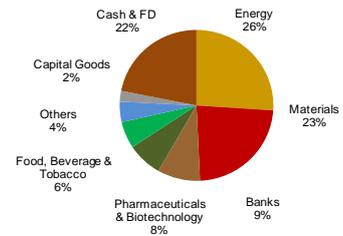
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



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

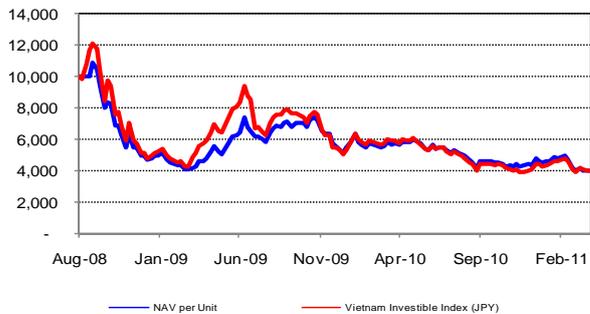
NAV per unit	JPY 4,028
	US\$ 48.50
Mar-11	-4.8%
YTD	-10.9%
Since inception (Jul08)	-59.7%
Bloomberg	VAMINLI KY Equity

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.

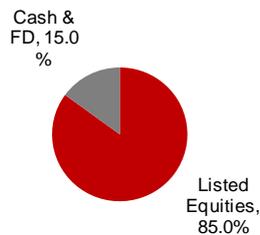
The Fund's NAV per unit decreased 4.8% MoM to close at JPY 4,028 on 30 March 2011.

As of 23 Feb '11

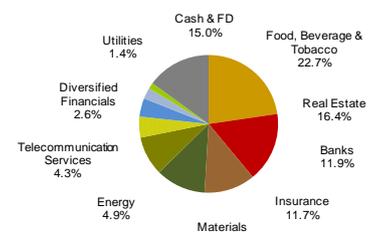
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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