

Market Update

Markets declined in August

In August, the market's ascent topped above the 437 level, but on the 21st of the month the market began a six trading day descent to a low of 385.78. After making a slight correction in the final days of the month, the VN-index closed at 396.02, losing 4.5% over the month. The Hanoi exchange fared significantly worse, closing the month at 61.43, to lose 11.2%, while the VN30 gave up 5.4% to close at 465.29.

Markets reacted to news and rumors, presenting some good buying opportunities

Upsetting market activity this month was the arrest of a key figure in the banking system and Vietnam football, for alleged illegal business activities in his 3 private companies. Days later, the arrest of ACB's CEO for "economic violations" caused the SBV to add VND 23.31 trillion in liquidity to the banking sector to support the market and help ACB as its customers rushed to withdraw funds. Rumors of Masan Group's Chairman's arrest, while unfounded, added to the turmoil the market was undergoing as investors wondered who's next and what are the repercussions. Also adding to market jitters was talk of a 3rd petroleum price hike of the month, for a total increase of 15% in 40 days. As sellers outnumbered buyers, the market lost USD 3.85 billion in 3 days, providing a buying opportunity which foreign investors rushed to take

advantage of.

Credit growth to remain at 6-8% for 2012, notwithstanding ceiling increased for some

23 of the nation's 62 credit institutions applied to have credit growth ceilings increased, of which 10 were approved. The increased target encourages banks to spur lending to struggling enterprises dealing with high inventories and low demand. Considering growth in the first 8 months is a meagre 2%, the entire banking sector credit growth is expected to remain at 6-8% for 2012, according to the Central bank.

Deflation fears allayed as Inflation rises

Having recorded two consecutive month's of negative inflation, deflation was concerning to some. In August however, CPI rose 0.63%, contributed by petroleum price hikes, along with increases in healthcare and pharmaceutical items, which registered the largest increase of 5.44% MoM. Despite August's increase, inflation continues to slow from its peak of 23% in 2011 to 5.04% YoY.

Trade balance reflects increased demand

Reflecting increasing demand, internal and external, the positive trade balance once again turned negative for the first time in 3 months. August's trade deficit of USD150million, combined with an average monthly export revenue increase of 17.8%

YoY for the January to August period, suggests that easing of monetary policy may be reversing domestic contraction. At the same time though, an ICAEW report forecasts GDP growth for 2012 to be only 5.1%.

FDI disbursement level paces 2011's levels

Vietnam attracted 66.1% of total 2011 FDI, for a total of USD 8.47 billion in the first 8 months of the year. While overall attraction had declined, FDI disbursed reached USD 7.28 billion, totaling 99.7% of 2011's disbursed FDI. Strong FDI disbursements have bolstered the FX reserves to nearly USD 20 billion and contributed to S&P's upgraded economic outlook and Fitch Ratings' affirmed B+ status of the dong.

Our view

While the circulated rumors, both founded and unfounded, created some turmoil in the market, investor reaction was more sentiment driven rather than fundamentals driven, and as such, a buying opportunity was presented. The chain of events in August suggests that uncertainty still remains; however, we can get comfort that given some of the encouraging economic signs lately, it is probably that the eased monetary policies have begun to stimulate domestic demand. We continue to shy away from property and related sectors but are selectively adding stocks in basic industries such as Materials, Utilities and Consumers.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2011 PE	2012 PE	2013 PE	2014 PE	2017 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-8.1%	-10.7%	18.2%	10.2	8.9	7.4	6.4	4.5	2.0	5.4	20.4	32.3	19.0	15.4	5.73
Automobiles & Components	0.7%	-6.6%	-13.8%	25.6%	13.6	7.5	8.4	22.6	4.0	1.5	6.6	23.2	17.5	10.9	7.1	0.6
Banks	33.6%	-12.1%	-12.9%	29.6%	8.1	8.7	7.0	6.1	4.5	1.4	6.0	15.1	39.6	18.7	13.3	14.2
Capital Goods	2.3%	-11.5%	-14.2%	25.2%	6.8	7.2	8.2	7.5	6.7	1.1	8.1	17.9	38.9	18.7	31.4	0.4
Commercial Services & Supplies	0.2%	-6.3%	-13.7%	16.2%	6.4	3.9	4.9	4.9	4.8	0.8	11.0	-8.1	26.7	11.1	9.0	-
Consumer Durables & Apparel	0.6%	-20.0%	-21.5%	-12.2%	7.0	6.8	6.1	5.6	4.5	1.4	6.7	19.9	11.5	6.1	4.7	0.6
Consumer Services	0.3%	-1.9%	-5.1%	22.2%	5.1	5.3	4.5	4.1	3.5	1.6	-	26.3	55.8	40.0	35.8	-0.2
Diversified Financials	2.6%	-12.2%	-14.4%	40.2%	6.6	15.2	9.1	8.0	6.4	0.9	6.7	7.9	51.3	47.7	39.7	-0.5
Energy	13.9%	-4.3%	-3.9%	19.4%	11.0	9.6	8.1	6.3	4.6	2.7	3.6	25.9	17.3	12.8	9.3	0.1
Food & Staples Retailing	0.1%	-6.6%	-7.3%	25.6%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	18.2%	3.3%	1.7%	15.6%	12.2	10.7	8.7	6.9	4.3	3.8	3.8	30.2	30.6	17.9	15.8	-0.2
Health Care Equipment & Services	0.1%	1.4%	-22.1%	11.6%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	-9.8%	-13.2%	16.3%	6.9	3.1	4.6	3.8	2.8	0.7	2.8	21.4	25.9	12.5	10.1	-0.1
Insurance	5.5%	-19.9%	-28.2%	-4.6%	6.3	5.1	4.6	4.5	4.0	0.6	4.6	11.6	37.2	6.8	28.2	-1.1
Materials	5.3%	-6.6%	-5.7%	36.1%	4.9	4.1	3.7	3.5	3.4	1.3	6.9	29.4	28.6	22.9	20.6	-
Pharmaceuticals & Biotechnology	1.2%	5.0%	9.4%	16.6%	10.3	8.1	7.5	6.5	5.1	2.7	3.9	28.3	45.3	19.8	18.5	-0.2
Real Estate	10.3%	-13.6%	-26.4%	-15.3%	9.4	10.9	8.0	8.2	5.3	1.0	8.1	11.0	43.3	34.5	27.5	1
Retailing	0.4%	-4.2%	-4.6%	-7.5%	4.0	4.9	3.9	3.5	2.9	0.7	10.7	16.5	6.0	2.2	1.5	0.5
Software & Services	0.2%	-2.3%	-11.6%	-12.4%	5.2	5.9	5.7	4.6	4.2	0.9	16.1	12.7	21.2	12.1	8.6	-0.3
Telecommunication Services	1.7%	-16.6%	-18.3%	2.2%	6.7	5.3	4.6	4.2	3.3	1.8	3.9	29.8	18.9	9.8	6.6	0.2
Transportation	1.3%	-7.4%	-13.0%	14.8%	137.4	11.3	26.2	8.0	4.8	0.8	5.2	14.9	22.1	15.6	11.2	0.6
Utilities	1.2%	-5.1%	-11.5%	31.8%	7.1	6.6	5.9	5.5	5.0	0.9	14.3	13.9	50.5	47.2	55.2	-

* 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

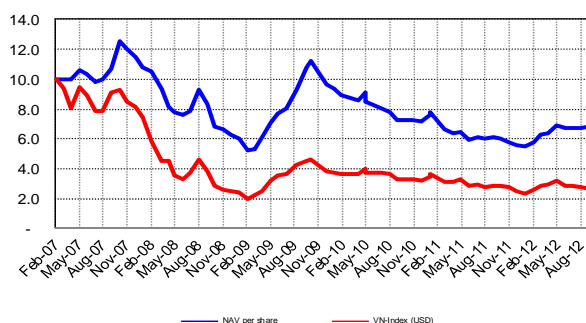
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.83
Aug-12	1.8%
YTD	24.9%
Since inception (Feb 07)	-31.7%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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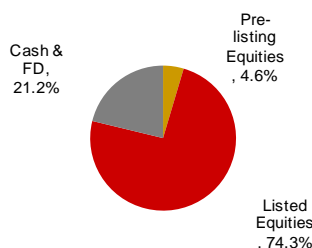
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end August, the Fund's NAV per share was US\$6.83. With a 1.79% MoM increase, the Fund was up 24.86% YTD and continued to lead the VN-Index (in US\$), recording outperformance of 6.1% MoM, 11.17% YTD and 41.69% since inception.

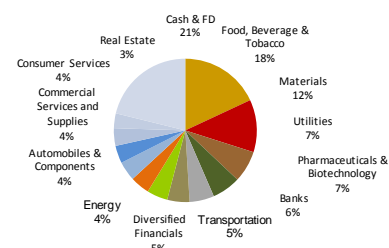
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

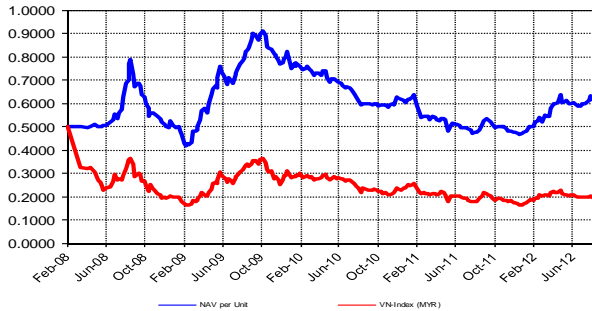


Hong Leong Vietnam Fund (HLGVF)

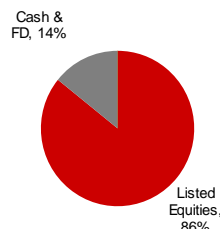
NAV per unit	RM 0.6054
	US\$ 0.1942
Aug-12	1.38%
YTD	27.93%
Since inception (Feb08)	21.1%
Bloomberg	HLGVIET:MK

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 RM0.6054. With a 1.38% MoM increase the Fund was still up 27.93% YTD and 21.08% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 8.15% MoM, 16.99% YTD, and 83.77% since inception.

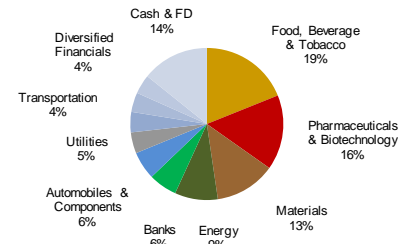
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

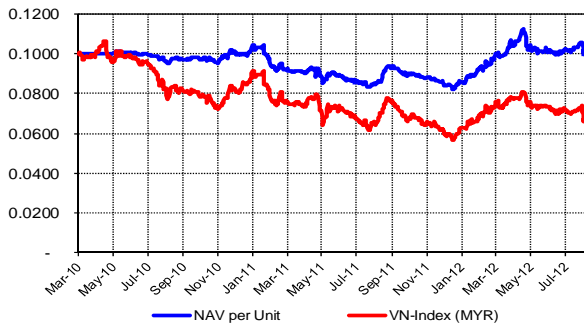


Hong Leong Vietnam Strategic Fund (HVSF)

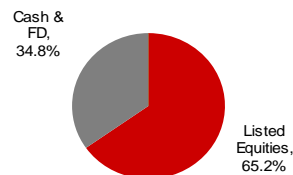
NAV per unit	RM 0.1027
	US\$ 0.033
Aug-12	1.99%
YTD	21.07%
Since inception (Feb08)	2.70%

HVSF is an open-end unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam. As at end August, the Fund's NAV per unit was RM0.1027. With a 1.99% MoM increase the Fund was up 21.07% YTD and 2.7% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 7.03% MoM, 9.03% YTD, and 36.12% since inception.

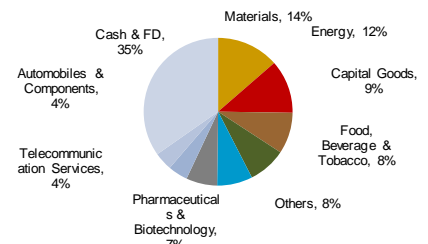
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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