

Market Update

Looser Monetary Policy Likely in 2012

According to an ANZ report, the SBV will be gradually loosening monetary policy in 2012. As the trade deficit narrows, the BOP improves, and the dollar exchange rate shows signs of stabilizing, the SBV's main objective of maintaining an inflation rate below 10% and GDP growth of 6-6.5%, suggests that monetary policies be more "flexible and looser". Citing the tough monetary policies of 2011 as having created many difficulties for business, the Vice Chairman of the National Finance Supervision Committee states that looser policies will assist economic participants.

Interbank rates decrease

Interbank rates decreased for most terms during January. O/N rates, at mid-month were 15.18%, decreased to 13.5% at month end. Terms of 1-week, 2-weeks, 1-month and 6-month also decreased 0.23 – 0.93% from mid-January. Having injected much liquidity in to the market prior to the lunar New Year holidays, the SBV withdrew VND 9bn through Open Market Operations.

Further bank restructuring expected in Q1, 2012

HSBC Vietnam's CEO was recently cited as saying that more bank mergers and acquisitions (M&A) are expected in 2012 and it's likely to happen swiftly; as quickly as February cited another source. It's likely that 8-10 banks will be involved in these M&A and that only 2/3 of total current banks would continue to exist at year end. Banks with large bad debt ratios and low business effectiveness are likely the first subjects for M&A deals. Removing weak banks is a necessary move to increase the number of strong banks.

CPI increases over December

CPI, the measure of inflation, increased 1% in

January. Several factors brought the inflation index up from December's 0.53%, including: price increases in water (10%), cooking gas (6.7% + 5%), as well as Garment and Footwear products (1.97%). Although water and cooking gas are not large parts of the CPI basket, their increases are certainly contributors. Despite the uptick, CPI continues to trend down as YoY CPI figures are 17.27%. Further increases in cooking gas prices are expected in February and possibly an increase in petrol also.

VND to see revaluation of 2-3% in 2012

Earlier this month commercial banks lowered the USD/VND rate applied by 60-90 dong with Vietcombank posting buy/sell rates of 20,780/21,036. Citing strong remittance flows and increased demand; banks felt it apt to apply a rate less than the permitted 1% margin on either side of the reference rate. At month end, that buy/sell rate spread has narrowed and is now 20,986/21,036, while the unofficial rate is 21,200. It seems that Q1 devaluation is unlikely, and the Central Bank governor stated the dong would depreciate not more than 2-3% this year.

GDP for 2012 based on 3 scenarios

2012's GDP target has been set based on three possible economic scenarios. At best-case scenario, 6-6.3% growth is likely; 5.6-5.9% growth based on a base-case scenario; while worst-case scenario sees growth of 5.2-5.5%. As export growth slows, credit growth remains under strict control, and infrastructure development funding is limited, economists at an ACCA forum suggested 6% growth would be very good considering 2011's 5.89% growth and the Euro area's GDP growth (a large trading partner for VN), predicted at a mere 0.2% this year.

Strong market start to the Dragon year

The market began the month and the year descending but that trend was short lived as the market made a dramatic turnaround in the sec-

ond week, which continues to persist even as the month closes. Opening the month at 351.55, the VN-Index climbed to 387.97 at the close, picking up 36.42 points (10.36%) along the way. The market, having closed down only once since January 6th, seems to be heading to 400 points.

New benchmark index to start in February

The VN30 Index will be launched on 6th Feb 2012 with 30 constituents and 10 alternatives. The 30 stocks account for about 80% of the total capitalization and 60% of the total transaction value of the market. The 30-member index is free float adjusted with no one stock having over 10% weight. The free float aims at eliminating distortion risks of the index by calculating the number of shares freely traded on the total number of outstanding shares, instead of listed shares as presently calculated. Calculated minute by minute and re-weighted biannually, the introduction of this index could be viewed as part of the ongoing market restructuring to develop a healthier, broader based market.

Our view

January was a short month with only sixteen trading sessions of which eleven ended in green. It is no surprise then that January can be described as a month of optimism. We think there are good reasons for the optimism as macro is looking better all around. The banking reform is taking place, step by step, and although there are still many issues to be resolved, the SBV is proving that they are in full control of the situation. The balancing act in regard of the banking reform is very crucial to how Vietnam's economy will progress from here and we can only hope that the SBV will manage to steward the shabby and cumbersome ship safely to shore. Looking forward, we think that market turnaround is imminent, thus we are looking to load up on turnaround plays, i.e. stocks with strong fundamentals and/or have been overlooked by the market (a.k.a. undervalued).



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2011 PE	2012 PE	2013 PE	2014 PE	2016 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	11.1%	-1.5%	12.7%	8.7	6.6	5.7	5.0	11.1	1.9	6.7	24.2	33.8	23.3	19.4	3.12
Automobiles & Components	0.9%	10.4%	-17.6%	9.4%	4.8	3.8	3.5	2.9	1.3	0.9	9.6	22.3	15.7	9.4	6.1	0.3
Banks	16.6%	12.0%	4.8%	16.6%	6.4	5.6	5.6	5.4	27.2	1.2	7.7	18.4	34.6	23.8	17.3	11.3
Capital Goods	2.9%	9.0%	0.0%	9.1%	6.1	5.2	5.0	4.5	3.9	1.0	8.8	19.2	38.4	18.5	36.2	0.2
Commercial Services & Supplies	0.2%	14.2%	-3.4%	17.2%	3.6	3.1	2.5	2.3	2.5	0.6	11.5	17.3	30.2	11.7	11.4	-
Consumer Durables & Apparel	0.9%	-1.6%	-3.2%	-1.3%	7.7	7.1	5.1	4.0	2.9	1.5	6.0	19.0	9.6	4.9	3.3	0.7
Consumer Services	0.4%	1.2%	-34.2%	0.8%	5.5	5.2	4.9	4.7	-	0.4	-	9.5	70.1	32.8	32.2	-0.1
Diversified Financials	3.2%	11.0%	-24.4%	11.8%	14.1	7.6	6.7	5.9	4.6	0.9	7.6	12.0	74.1	69.8	53.8	-0.7
Energy	3.9%	6.3%	-5.7%	9.5%	6.1	4.8	4.4	4.3	3.2	1.2	6.0	23.6	18.3	13.1	9.5	0.9
Food & Staples Retailing	0.1%	14.1%	10.9%	12.8%	4.8	4.8	4.8	4.7	3.2	0.8	-	14.9	16.5	8.0	4.8	0.9
Food, Beverage & Tobacco	28.7%	9.0%	6.2%	11.1%	11.4	8.8	7.2	5.7	3.7	4.0	4.2	38.5	32.7	20.6	18.0	-0.2
Health Care Equipment & Services	0.1%	13.4%	13.4%	8.8%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.4%	11.5%	-5.3%	11.2%	5.8	5.8	5.7	5.5	59.9	0.4	3.6	1.6	19.1	5.1	-0.6	0.7
Insurance	10.6%	34.3%	38.1%	34.5%	6.8	6.1	6.1	3.8	59.9	0.6	3.8	9.7	41.6	5.5	11.2	-1.4
Materials	6.4%	10.2%	-18.7%	11.4%	3.9	3.8	3.3	3.0	2.6	1.1	10.8	26.4	29.5	23.4	21.0	-0.1
Pharmaceuticals & Biotechnology	1.9%	6.2%	-8.0%	5.3%	7.5	7.2	5.7	4.6	3.9	2.4	5.3	28.5	44.4	18.8	17.1	-0.1
Real Estate	17.1%	5.7%	-28.1%	5.4%	15.0	7.0	5.2	4.6	3.5	0.8	7.1	15.6	40.2	33.3	25.6	0.8
Retailing	3.1%	1.2%	-8.7%	1.7%	5.5	4.4	3.9	3.8	5.2	0.6	9.7	14.5	11.2	7.2	5.8	0.5
Software & Services	0.3%	-3.7%	-7.5%	-0.6%	4.2	4.5	4.3	3.9	3.2	1.4	12.4	26.8	21.1	12.7	10.3	-0.4
Telecommunication Services	0.3%	-0.2%	-0.3%	1.1%	6.2	5.5	4.9	4.5	3.7	1.9	3.0	29.0	21.3	11.3	6.5	0.5
Transportation	1.2%	1.7%	-18.2%	2.9%	16.0	15.3	10.9	8.2	7.1	0.6	8.5	13.6	20.5	14.7	10.0	0.3
Utilities	0.9%	3.2%	-11.8%	2.4%	5.8	5.3	4.9	4.6	4.4	0.7	18.5	13.4	55.5	52.5	62.1	-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

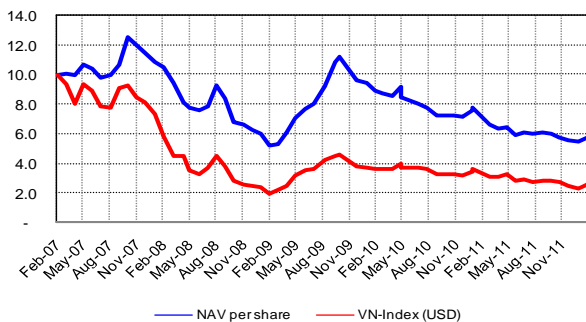
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$5.78
Jan-12	5.7%
YTD	5.7%
Since inception (Feb 07)	-42.2%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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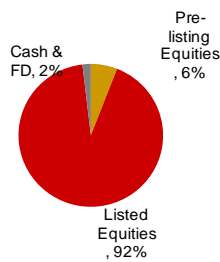
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end January, the Fund's NAV per share was US\$5.78. With a 5.7% MoM increase, the Fund continued to lead the VN-Index (in US\$), recording outperformance of 31.95% since inception.

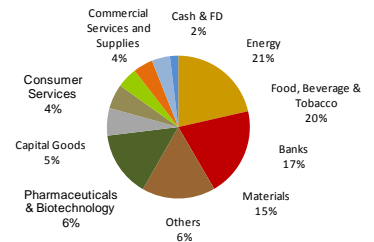
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



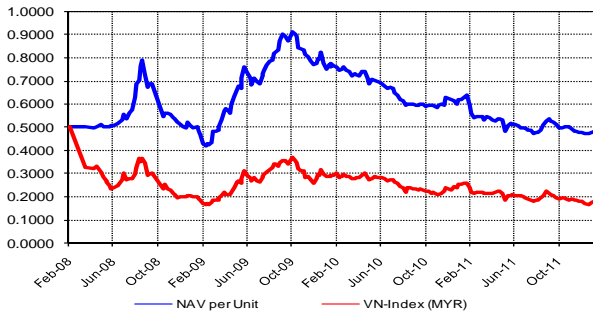
Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.4826
	US\$ 0.1555
Jan-12	1.99%
YTD	1.99%
Since inception (Feb08)	-3.5%
Bloomberg	HLGVIET.MK

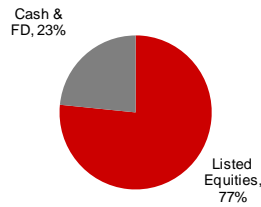
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end January, the Fund's NAV per unit was RM0.4826. With a 2% MoM increase, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 61.06% since inception.

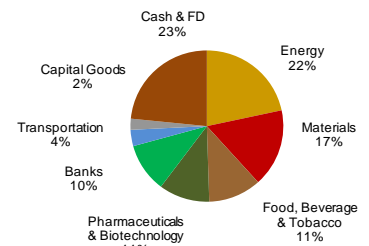
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

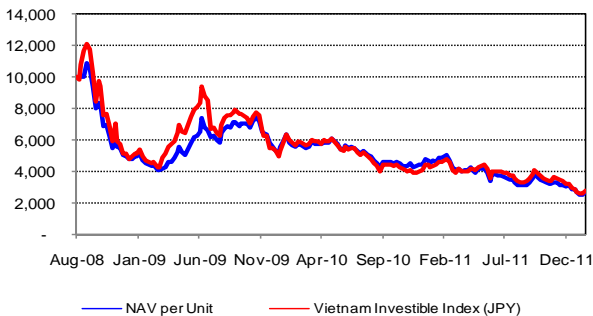
NAV per unit	JPY 2,646
	US\$ 34.45
Jan-12	0.7%
YTD	0.7%
Since inception (Jul08)	-73.5%
Bloomberg	VAMINLI KY Equity

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.

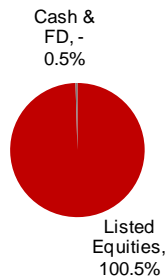
The Fund's NAV per unit increased 0.7% MoM to close at JPY 2,646 on 18 January 2012.

As of 18 Jan '12

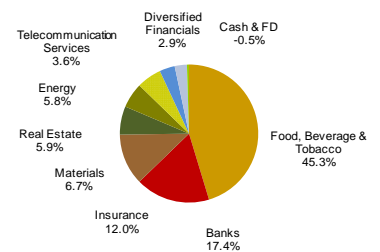
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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