

Market Update

Both exchanges closed up for the month

With new trading hours starting on the 5th of the month, both markets and all three indexes ended higher in March. Closing at 441.03, the VN-Index recorded a positive 4.1% return. The HNX gained 5.1%, closing at 72.20, while the VN30 index closed up 3.5%, at 500.07. The VN-Index most notably, saw a 30-point correction near the start of the month but continued its upward trend to a high of 459 points. Since December 2011's closing, the market has returned 25.5% for the quarter and outperformed all of its regional peers.

CPI unexpectedly low for the month despite petroleum price increases

Despite an MoF price increase in the price of four local petroleum products: premium gasoline (+10.1%), diesel, kerosene, and heavy oil, CPI figures for the month rose only 0.16%, considerably lower than February's 1.37% increase. The inflation was kept low through a 0.83% MoM decrease in Food & Foodstuff, due in part to lower demand as a result of several food safety alarms. The petroleum price increase was not reflected in this month's inflation due to policy lag, but April's figures are expected to be markedly higher when the price surge is accounted for. YTD inflation is 2.55%, while YoY inflation is 14.15%.

Electricity price hikes looming, with implication on inflation

Under Circular 31, EVN may propose a price hike if input costs increase 5% or greater. As the price of coal (used in generating electricity) is likely to increase in excess of 25% in the near future, input costs in generating electricity are expected to rise. As a quarter has passed since the last price hike (December 2011), and Prime Minister's approval is only required on increases greater than 5%, it is likely a price hike is pending.

Lower industrial production contributes to slower GDP growth

Vietnam's economy grew at a slower pace this past quarter than previous quarters. GDP growth for Q1, 2012 was 4%, lower than the 6.1% recorded in Q4, 2011. This quarter's GDP growth has been the lowest recorded since Q1, 2009 when Vietnam was hit by the global financial crisis. Partly at blame for the decline in GDP growth was slower industrial production, which climbed 4% this quarter, markedly lower than the 9.3% growth recorded during the

same period in 2011. Citing challenges such as higher input costs and higher inventory levels, as well as lower consumption growth, the Ministry of Planning and Investment noted that industrial production faces many challenges this year. Another cause for slower growth was lower retail consumption, down 5% in real term.

February's trade figures revised; Quarter 1 figures much improved

February's trade deficit, originally reported at USD 800mn, had been revised downward to USD 279mn. For this quarter, the trade balance has been reported at USD 250mn deficit, which was helped by January's trade surplus and March's improved deficit of USD 150mn. For Q1, 2012, exports increased 23.6% over Q1, 2011, to a total of USD 24.5bn, while imports for the quarter increased 6.9% over the same time last year. Leading the list of export items was textiles while petroleum products topped the import items list. For 2012, the target trade balance is USD 13bn deficit, larger than the USD 9.5bn recorded during the same period in 2011.

Dong weakens then strengthens; banks to hold smaller FX positions

The dong experienced some weakness this month, depreciating VND20/USD during the last week of the month. This weakness however, was short lived as the currency closed the month at VND20,833/USD on the interbank market, down just slightly from the VND20,828/USD recorded at February's close. At cause may be SBV's release of Circular 3, which tightens foreign currency lending activity and aims to stem dollarization. Circular 3, to be enacted May 2, sent many rushing to the banks to borrow USD for fears of future ineligibility, thereby increasing USD demand. Also effective May 2, banks' FX position will shrink, as they may only hold 20% of their equity in long FX positions. This move by the SBV is to further reduce risk in the currency by gaining further control of it. Reducing the percentage holding down from 30% to 20% aims to encourage lenders to hold fewer dollars and sell excess back to the SBV.

VND deposit rate lowered; banks holding fewer USD deposits

The 14% deposit rate cap on VND deposits was reduced to 13% this month; the 2% deposit cap on USD deposits remains. The cap, enacted to provide safety to the financial system and to be removed when the system becomes more stable, may also soon be lifted.

The SBV Governor had stated that should inflation appear to be in check, the cap will be abolished in the coming one or two quarters. Despite the recent lowering of the deposit ceiling, some bank continue to offer deposit rates around 17% for 6 month deposits, well above the maximum permitted. During the month, it was reported that VND deposit growth increased 16% YoY, while foreign currency deposits were down 4.4%.

Despite overall lower quarterly FDI inflows, capital continues to flow to property sector

FDI flows into Vietnam for Q1 was USD 2.52bn, down 0.8% YoY, while pledged FDI reached USD 2.26bn in Q1, down 22.8% over the same period in 2011. For 2012, FDI project inflows are not expected to exceed 2011's inflows of USD 11bn. Japan remains the largest of the 26 nations to invest in Vietnam this quarter, which includes a USD 1.2bn trade, service, entertainment and housing project by Japan's Tokyo Group (and Vietnamese partner Becamex Corporation) in the Binh Duong area.

Our view

Improved economic conditions continued to buoy the stock market this month and despite some pullbacks during the month, all three indices ended the month of March up versus their February closes. We believe that the Central Bank is taking some good steps in controlling the currency, interest rate and inflation situation. Their recent measures to de-dollarize the economy further reassure us that the currency will remain stable for the foreseeable future. And the lowering of interest rate gives us hope that the businesses will be revived before too late. On the corporate earnings front, based on the companies that have so far released their FY2011 earnings, only banking and F&B sectors did well, while property, construction, materials and transportation all suffered.

Looking forward, we think with the potential economic recovery, sectors that performed poorly last year may benefit from the improving business conditions such as lower interest cost, more stable currency, and lower inflation. We have started looking again at property and property-related companies in search of good recovery plays in these sectors, as well as some other high-beta stocks that might benefit from a stock market turnaround.



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%	4.4%	28.1%	30.0%	8.6	7.4	6.3	5.2	3.9	1.9	5.7	22.6	31.9	21.8	19.1	4.04
Automobiles & Components	0.9%	10.9%	28.3%	27.2%	5.9	4.7	4.1	3.4	1.6	1.0	8.5	21.2	16.0	9.5	5.9	0.4
Banks	19.7%	2.1%	34.5%	40.1%	8.6	7.1	6.7	5.3	4.0	1.6	6.1	19.1	34.3	23.5	17.2	12.7
Capital Goods	2.8%	14.8%	38.3%	38.5%	8.1	6.9	6.5	5.8	5.2	1.0	7.9	17.6	35.5	17.2	32.8	0.2
Commercial Services & Supplies	0.2%	6.7%	22.6%	25.8%	3.4	2.9	2.4	2.2	1.4	0.5	13.1	17.4	30.5	11.8	11.3	-
Consumer Durables & Apparel	0.8%	-1.8%	3.8%	4.1%	8.5	7.9	5.7	4.4	3.0	1.7	5.5	18.9	9.6	4.9	3.3	0.7
Consumer Services	0.4%	7.5%	22.8%	22.3%	2.6	2.4	2.3	2.1	-	0.6	-	21.9	94.1	63.1	65.3	-1
Diversified Financials	2.9%	12.8%	45.4%	46.5%	7.2	15.1	9.2	8.0	6.4	0.9	6.6	7.9	51.9	48.5	41.0	-0.6
Energy	3.8%	0.2%	16.3%	19.8%	6.1	6.0	5.3	5.3	4.1	1.3	5.5	20.9	17.8	12.4	8.8	0.9
Food & Staples Retailing	0.1%	3.9%	15.7%	14.4%	4.4	4.4	4.4	4.3	4.1	0.7	-	14.9	16.5	8.0	4.8	0.9
Food, Beverage & Tobacco	26.2%	2.5%	19.4%	21.7%	11.6	10.0	8.3	6.5	4.3	3.6	4.0	33.6	30.3	18.1	15.8	-0.1
Health Care Equipment & Services	0.1%	36.2%	65.2%	58.5%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.4%	0.8%	16.7%	16.4%	7.4	7.2	6.4	5.8	4.0	0.5	3.0	6.8	22.7	8.7	4.4	0.5
Insurance	10.0%	30.1%	84.7%	85.0%	7.8	6.0	5.3	5.2	4.5	0.8	3.6	11.7	39.1	7.1	28.2	-1.1
Materials	6.2%	-2.2%	24.0%	25.5%	4.7	4.5	3.7	3.4	2.9	1.2	8.0	26.2	31.5	24.9	21.8	-
Pharmaceuticals & Biotechnology	1.8%	0.4%	7.8%	6.9%	7.8	7.4	5.9	4.7	3.8	2.4	5.1	28.2	44.1	18.1	15.9	-0.1
Real Estate	17.6%	-5.1%	8.3%	8.0%	13.5	6.9	5.2	4.8	3.6	1.3	6.5	18.8	44.8	37.8	37.3	0.7
Retailing	0.7%	-1.8%	-7.0%	-6.5%	4.8	3.9	3.5	3.4	4.1	0.6	9.8	15.0	10.8	6.8	5.5	0.5
Software & Services	0.3%	8.9%	-4.4%	-1.2%	3.9	4.2	4.1	3.7	3.2	1.3	12.8	27.1	21.2	12.9	10.4	-0.5
Telecommunication Services	2.4%	4.3%	14.8%	16.3%	6.7	5.8	5.2	4.5	3.7	2.1	2.7	30.3	19.8	10.0	6.1	0.4
Transportation	1.5%	8.2%	21.6%	23.1%	3.0	2.3	2.0	1.9	1.7	0.7	13.2	27.1	29.3	25.0	22.1	-0.2
Utilities	1.4%	12.7%	35.0%	33.9%	6.7	6.0	5.6	5.2	5.1	0.8	15.5	13.4	54.6	51.6	60.1	-0.1

* 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

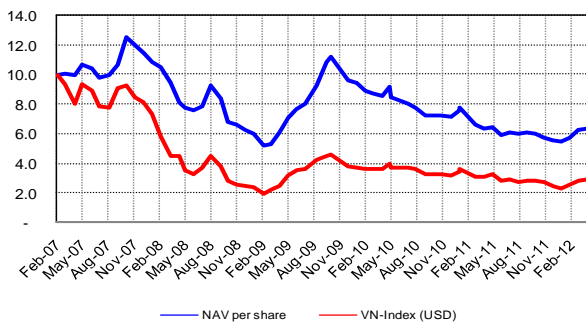
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.35
Mar-12	1.1%
YTD	16.1%
Since inception (Feb 07)	-36.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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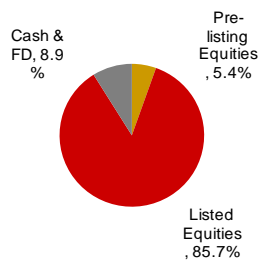
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end March, the Fund's NAV per share was US\$6.35. With a 1.11% MoM increase, the Fund continued to lead the VN-Index (in US\$), recording outperformance of 33.87% since inception.

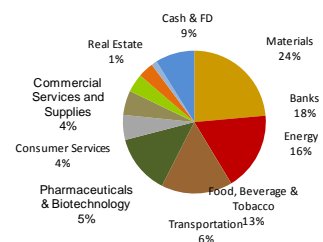
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



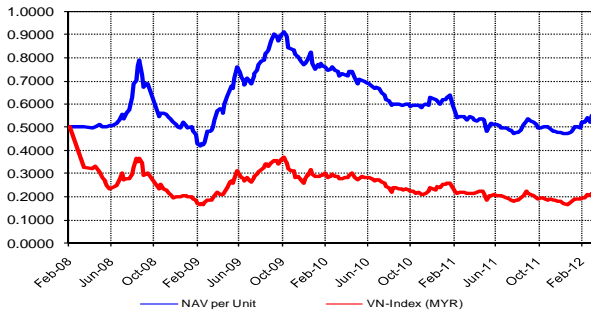
Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.5453
	US\$ 0.1779
Mar-12	4.16%
YTD	15.23%
Since inception (Feb08)	9.1%
Bloomberg	HLGVIET:MK

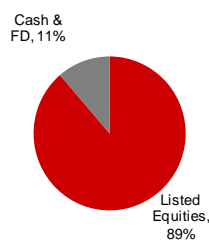
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end March, the Fund's NAV per unit was RM0.5453. With a 4.16% MoM increase, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 67.43% since inception.

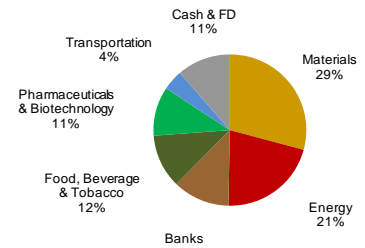
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



HS-VAM Vietnam Index Linked Fund (VILF)

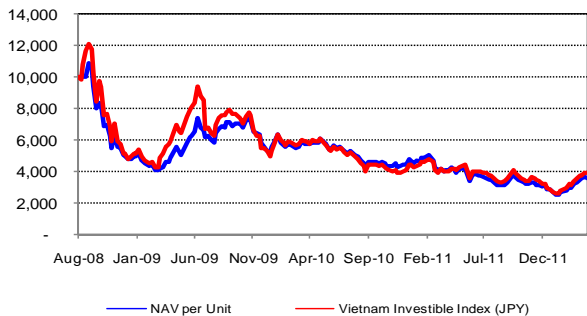
NAV per unit	JPY 3,549
	US\$ 42.82
Mar-12	7.5%
YTD	35.1%
Since inception (Jul08)	-64.5%
Bloomberg	VAMINLI KY Equity

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.

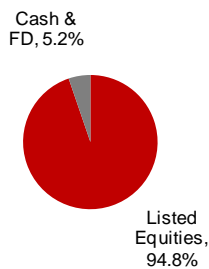
The Fund's NAV per unit increased 7.5% MoM to close at JPY 3,549 on 28 March 2012.

As of 28 Mar '12

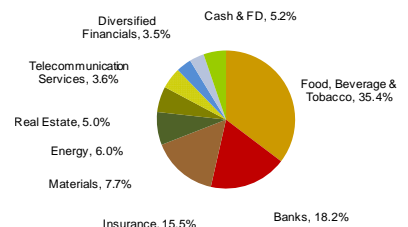
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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