

Market Update

Admst concerns on capital outflows due to U.S Fed tapering and fear of Syria war, the market retreated quite badly in August with foreign net selling of USD 41.8mn across the 2 bourses. By the month-end, VN Index lost 3.7% to close at 472.7 whilst VN30 tumbled 1.72%. HNX was the best performer of the 3 indices when it only edged down 0.49%, closing at 61.19.

Buoyant FDI continues to support recovery

As of 20th August, registered FDI reached USD 12.6bn, soaring 19.5% from a year earlier. This was backed by 768 new projects mostly focusing on the manufacturing sector. Meanwhile, the FDI disbursement edged up 3.8% y-o-y to USD 7.6bn and became a key factor contributing to the marked improvements in production activities. Indeed, while the employment index for the manufacturing sector in SOEs and private sector showed a negative growth, that in FDI sector still increased 5.6% y-o-y. Besides, FDI enterprises continued to be the main driving force to push export as they are contributing more than 60% of export and USD 2.7bn of trade surplus. YTD export turnovers advanced 14.7% y-o-y as of end August, however the YTD trade balance still suffers little deficit of USD 577mn due to a higher pace of import growth.

CPI accelerates but is still under control

The August general consumer price index edged up 0.83% m-o-m compared to previous month. Consequently, the year on year headline CPI was lifted up to 7.5% y-o-y, from 7.29% y-o-y in July. While aggregate demand was still weak, cost push effect became the primary reason for the return of inflation, in which electricity and gasoline price was adjusted up 5% and 2%, respectively. The health-care basket, which was adjusted up remarkably

in Hanoi, clearly produced the strongest effect. Fortunately, it only contributed little effect to the month-on-month CPI growth. The government's inflation target of 7-8% would likely be met provided that there is no significant shock of gasoline price in the rest of this year.

Fast tracking VAMC

Sector-wide NPL figure at the end of 1H2013 was announced at 4.65%. This figure was indeed encouraging as NPL has fallen sharply from 8% by the end of 2012. 30 credit institutions that had NPL higher than 3% will be forced to bring down NPL level to 3% by selling bad debts to VAMC. In a recent interview, VAMC's CEO said that in the next 2 months VAMC will issue bonds to swap for VND 10 trillion worth of bad debts of 10 banks. Banks with highest NPL will be given priority to sell bad debt to VAMC. The speedy execution of VAMC hopefully would help to clean up sector-wide bad debt more swiftly by year end.

More banking resolution to restructure banking system comprehensively

The PM signed a Resolution that allows SBV to assign financially strong banks or SBV itself, if there is no appropriate bank, to purchase stakes in weak banks which were unable to increase their capital or restructure themselves. Strong banks are requested to assist weak banks in both finance and management until their conditions come back to normal or acquired by other parties. This supportive resolution, together with VAMC formation, has clearly demonstrated the government's determination to restructure the banking system and tackle the NPL issue.

More details on raising foreign ownership limit (FOL) plan available

According to the HOSE, the proposal on issuing Non-Voting Depository Receipts (NVDRs) was submitted to MoF. With the same model as Thailand NVDRs, an SBV subsidiary will buy and hold 10% of total outstanding shares of listed companies and issue equivalent NVDRs to foreign investors. Foreign investors holding NVDRs will be fully entitled to company financial benefit, but not voting rights. NVDRs will be converted to normal shares when foreign room is open. This NVDRs model will be applied to all companies. However, we do not think it will happen soon this year due to the amount of preparation required.

Our view

8 months of the year has passed and the economy has started showing some modest improvements. Inflation is under control and the government's target would be likely to be met. More affordable borrowing cost is supporting production activities and making business environment more attractive. In addition, gold market has been gradually stabilized as the gap between domestic and global prices has been falling to half of previous high level. These improvements in economic conditions have prompted us to believe that the economy seems right on track for a gradual recovery. Furthermore, the government's serious effort in restructuring the banking sector and the future lifting of foreign ownership limit gave us reasons to be (cautiously) optimistic about the market despite recent pullbacks due to external factors, which actually revealed buying opportunities for some good stocks we have been watching.



Sector valuation

| Industry group | Weight % | 1M % | 3M % | YTD % | 2012 PE | 2013 PE | 2014 PE | 2015 PE | 2017 PE | P/B | Dvd Yield | ROE | Gross Margin | Op Margin | Net Margin | Net D/E |
|---------------------------------|----------|--------|--------|--------|---------|---------|---------|---------|---------|-----|-----------|------|--------------|-----------|------------|---------|
| Vietnam Market | 100.0% | -3.0% | -7.7% | 7.7% | 13.3 | 11.4 | 10.7 | 9.3 | 7.1 | 3.4 | 5.1 | 25.5 | 30.4 | 19.3 | 17.0 | 2.06 |
| Automobiles & Components | 0.7% | -3.5% | -11.0% | 9.0% | 7.6 | 8.4 | 8.4 | 7.0 | 4.6 | 1.9 | 4.9 | 22.4 | 22.9 | 15.9 | 9.8 | 0.6 |
| Banks | 25.3% | -3.2% | -7.0% | -12.9% | 6.9 | 11.1 | 10.0 | 8.7 | 6.8 | 1.2 | 6.0 | 10.9 | 39.2 | 16.4 | 11.5 | 10.1 |
| Capital Goods | 2.4% | -2.0% | -3.3% | 17.9% | 8.3 | 8.3 | 8.2 | 7.8 | 6.5 | 1.5 | 5.8 | 17.9 | 24.2 | 16.9 | 19.4 | -0.2 |
| Commercial Services & Supplies | 0.2% | 0.4% | 7.2% | 44.6% | 6.8 | 5.9 | 5.2 | 4.6 | 3.6 | 1.2 | 5.6 | 18.0 | 32.0 | 11.8 | 8.5 | 0.2 |
| Consumer Durables & Apparel | 0.4% | 0.8% | 1.9% | -3.0% | 6.2 | 7.5 | 7.2 | 7.2 | 41.7 | 1.2 | 7.5 | 3.5 | 12.5 | 6.5 | -1.3 | 0.6 |
| Consumer Services | 0.3% | -1.0% | -0.1% | 22.6% | 10.0 | 9.2 | 8.5 | 7.8 | 6.6 | 2.1 | - | 21.5 | 66.9 | 44.5 | 41.9 | -0.4 |
| Diversified Financials | 1.9% | -1.1% | -14.0% | -14.0% | 13.8 | 8.5 | 7.5 | 6.5 | 5.1 | 0.8 | 7.1 | 10.5 | 66.5 | 62.6 | 51.0 | -0.7 |
| Energy | 19.0% | 2.1% | 4.6% | 43.8% | 11.9 | 10.3 | 9.8 | 9.2 | 7.8 | 4.0 | 4.7 | 35.1 | 21.4 | 16.8 | 14.8 | -0.1 |
| Food & Staples Retailing | 0.1% | -19.9% | -17.5% | 19.1% | - | - | - | - | - | - | - | - | - | - | - | - |
| Food, Beverage & Tobacco | 24.5% | -7.8% | -12.5% | 5.5% | 19.4 | 16.5 | 13.8 | 11.2 | 7.4 | 6.8 | 2.9 | 35.6 | 32.9 | 22.8 | 19.7 | -0.3 |
| Household & Personal Products | 0.3% | 2.3% | 3.9% | 15.5% | 6.7 | 5.4 | 5.4 | 4.8 | 4.8 | 0.8 | 5.5 | 18.0 | 21.9 | 7.3 | 8.8 | 0.3 |
| Insurance | 4.9% | -11.0% | -24.9% | -13.5% | 7.7 | 7.2 | 7.2 | 6.8 | 3.4 | 0.7 | 4.6 | 11.2 | 32.1 | 6.0 | 28.6 | -1.1 |
| Materials | 5.5% | 1.4% | -10.6% | 11.4% | 9.0 | 5.9 | 5.8 | 5.6 | 5.5 | 1.6 | 6.2 | 26.7 | 26.4 | 19.0 | 17.3 | 0.1 |
| Pharmaceuticals & Biotechnology | 1.7% | -3.9% | 7.7% | 21.9% | 12.1 | 11.2 | 10.2 | 8.6 | 6.0 | 2.9 | 3.3 | 25.4 | 42.0 | 15.6 | 14.4 | -0.2 |
| Real Estate | 7.2% | 1.3% | -14.4% | -9.1% | 42.4 | 13.9 | 15.0 | 9.7 | 6.5 | 1.1 | 11.9 | 10.5 | 34.7 | 23.8 | 18.5 | 0.8 |
| Retailing | 0.5% | 1.5% | -12.6% | 16.4% | 5.7 | 4.3 | 4.7 | 4.6 | 4.8 | 0.8 | 7.7 | 19.0 | 8.1 | 3.3 | 2.6 | -0.2 |
| Software & Services | 0.1% | 15.0% | 4.7% | -9.4% | 6.2 | 8.5 | 5.9 | 6.2 | 5.3 | 1.1 | 33.9 | 9.4 | 20.9 | 12.0 | 7.5 | 0.3 |
| Telecommunication Services | 1.3% | 0.9% | -0.4% | 13.0% | 8.2 | 6.6 | 5.5 | 5.0 | 4.2 | 1.7 | 4.7 | 24.3 | 19.1 | 9.8 | 6.4 | - |
| Transportation | 1.4% | -1.7% | -10.6% | 13.3% | 11.6 | 6.3 | 21.1 | 17.8 | 11.9 | 1.1 | 5.9 | 19.8 | 26.0 | 18.9 | 18.9 | 0.4 |
| Utilities | 2.0% | -6.6% | -18.6% | 33.1% | 10.5 | 11.7 | 12.7 | 10.7 | 10.4 | 1.3 | 5.7 | 11.8 | 26.2 | 21.9 | 33.5 | 0.4 |

* 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

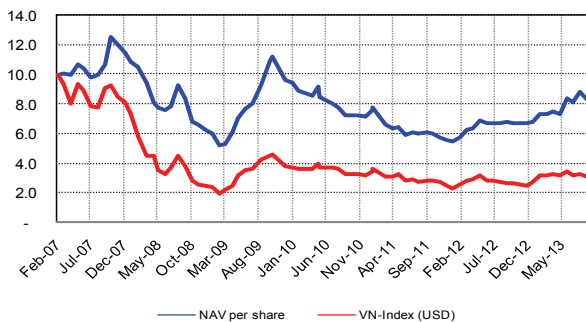
Vietnam Emerging Market Fund (VEMF)

| | |
|--------------------------|-------------------|
| NAV per share | US\$8.28 |
| Aug-13 | -6.3% |
| YTD | 21.2% |
| Since inception (Feb 07) | -17.2% |
| Reuters | 65092798 |
| Bloomberg | VAMVEMF KY Equity |
| ISIN | KYG 936131005 |
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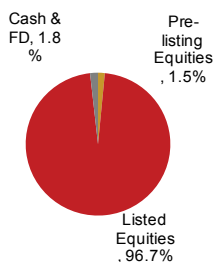
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end August, the Fund's NAV per share was US\$8.28. Despite a 6.3% MoM decrease, the Fund was up 21.2% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 8.7% YTD and 51.5% since inception.

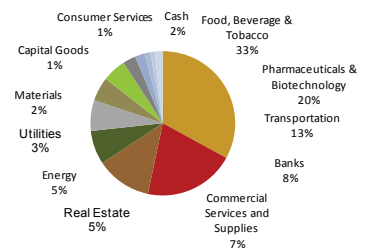
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



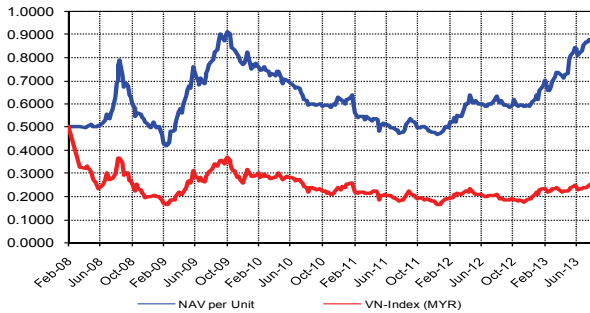
Hong Leong Vietnam Fund (HLGVF)

| | |
|-------------------------|-------------|
| NAV per unit | RM 0.8192 |
| | US\$ 0.2456 |
| Aug-13 | -5.68% |
| YTD | 36.74% |
| Since inception (Feb08) | 63.8% |
| Bloomberg | HLGVIET.MK |

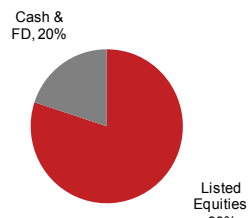
HLGVF is an actively-managed open-ended unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end August, the Fund's NAV per unit was RM0.8192. Despite a 5.7% MoM decrease, the Fund was up 36.7% YTD, 63.8% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 11.2% YTD

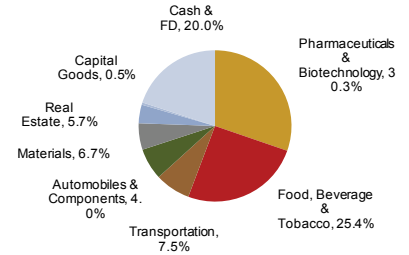
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



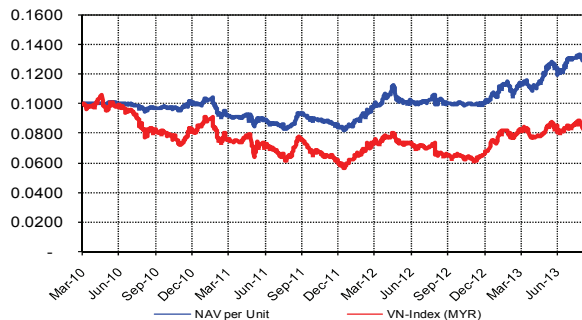
Hong Leong Vietnam Strategic Fund (HVSF)

| | |
|-------------------------|------------|
| NAV per unit | RM 0.1288 |
| | US\$ 0.039 |
| Aug-13 | -1.45% |
| YTD | 25.78% |
| Since inception (Feb08) | 28.80% |

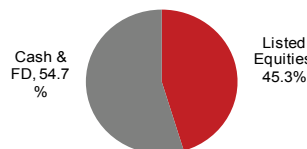
HVSF is an open-ended unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end August, the Fund's NAV per unit was RM0.1288. Despite a 1.45% MoM decrease, the Fund was up 25.78% YTD, 28.8% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 0.82% MoM, 4.55% YTD and 46.21% since inception.

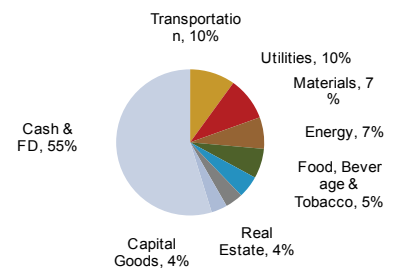
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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