

## Market Update

Market indices were mixed, albeit with little changes compared to the previous review period, as the full-year macro data released did not cause much surprise. While the VN-Index and VN30 index declined slightly in December, by 0.63% and 1.21%, respectively, the HNX index managed to advance 4% over the same period. For the whole of 2013, the VN Index, Vietnam's main index, recorded an impressive gain of 21.97%, while the VN30 Index and the HNX Index posted slightly lower gains, at 15.83% and 18.83%, respectively.

### Macroeconomy looks more stable with well-controlled inflation and steady exchange rate

The macro environment seemed to be well-controlled as inflation significantly slowed down while the Dong's value remained stable during the review period. Despite the holiday season, the month-on-month growth of CPI was merely 0.51% in Dec, which caused the full-year inflation headline to peg at 6.04%, the lowest annual inflation in the last decade. The Dong was quite stable during the year thanks to the healthy foreign reserve and positive balance of payment. In fact, since December 2011, the Dong has slipped only 1%, which took place in June 2013.

### Growth gradually picked up driven by exports and FDI sectors

While local demand has been rather flat, external orders were more supportive to GDP growth this quarter. In fact, the economy expanded at a faster pace of 6.04% Q-o-Q in 4Q2013 compared to 5.54% Q-o-Q of 3Q2013. As a result, the 2013 GDP growth totaled 5.42% y-o-y, which is higher than previous market expectations but is still slightly below

the government's target of 5.5%. PMI was experiencing the longest improvement period in the survey history as it surged to 51.8 in Dec, the fourth consecutive month above the 50 level. According to the preliminary data released by General Statistics Office, trade balance remained in surplus for 2 straight years as full-year exports increased 15.4% y-o-y to USD132bn, slightly exceeding the import value of USD131.3bn.

### FDI was a major contributor to Vietnam's economy in 2013

The registered FDI climbed 70.5% y-o-y to USD14.3bn, backed by 1,275 new projects in the Jan-Dec 2013 period. Meanwhile, the FDI disbursement also reached USD11.5bn, surpassing the target of USD11bn and up 9.5% y-o-y from USD10.5bn disbursed last year. Whilst the government has been taking steps to resolve bad debt and overhaul the stagnant bank lending, strong capital inflows of foreign direct investment has become the spotlight this year, helping to create new financing sources to counterbalance the sluggish domestic situation. The FDI enterprises are also the most dynamic and effective contributors to current the economy. In fact, export value of the FDI sector has soared 22.4% y-o-y, and its contribution to Vietnam's total export increased to 66.8% from 55.7% one year ago.

### SBV was urging to restructure the banking system comprehensively

As of 27<sup>th</sup> Dec, credit growth came to 11%, though still below the initial target of 12%, this figure was rather encouraging in comparison with 8.91% of 2012. Since its establishment, VAMC has swapped VND39trillion worth of bad debts from 35 banks, surpassing its target for 2013. Refinancing rate for banks using VAMC's

special bonds as collateral will be 2% lower than normal refinancing rate set by SBV (5% versus 7%). Through this measure, SBV expects banks to be keener to lend out as they enjoy higher net interest income. On the other hand, together with 3 M&A deals of banking sector that were completed in 2013, 17 weak credit institutions have been requested to submit their restructuring plan. The drastic implementation of the banking reform brings hope for better health of the banking sector in the future.

### Our view

The full-year macro data released recently have strengthened the belief that the economy is finally in recovery mode. The gradual improvement of output and more stable macro environment reflected by faster GDP growth, well-controlled inflation, and stable value of the Dong are favorable outcomes of the government's policies and measures which were implemented in 2013. The banking sector reform and the restructuring of SOEs (such as Vinashin and Vinalines) are also making constant headlines and heading in the positive direction. The banking reform, together with certain stimulus packages for the real estate sector, is causing hope of a faster recovery for the latter. We are getting more optimistic and will continue to search for long-term winners that are well-positioned to benefit from the imminent economic turnaround in 2014. In the New Year, we think the staples consumers, pharmaceuticals, building materials, FDI- and export-related sectors will continue to perform well, while the real estate sector may turn around in the second half of 2014. We also look forward to the passing of the new foreign ownership limit that will surely add further excitement to Vietnam stock market in the near term.



## Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2012 PE	2013 PE	2014 PE	2015 PE	2018 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-0.8%	2.2%	13.2%	16.1	12.8	11.9	10.5	8.6	3.4	4.9	24.9	30.9	19.1	16.1	1.95
Automobiles & Components	0.9%	0.4%	0.8%	16.6%	9.0	9.0	8.8	7.6	5.5	2.3	4.3	23.8	21.7	15.2	10.1	0.6
Banks	23.9%	-4.3%	-0.5%	-14.3%	12.9	14.7	12.4	11.3	10.0	1.4	6.1	10.0	40.0	15.9	10.9	9.7
Capital Goods	2.4%	3.7%	8.5%	31.8%	9.9	9.0	9.8	9.0	7.9	1.7	4.9	19.7	25.7	17.8	21.8	-0.2
Commercial Services & Supplies	0.3%	11.0%	17.3%	70.9%	8.0	7.1	6.1	5.2	4.1	1.4	4.7	19.1	32.9	12.4	9.0	0.2
Consumer Durables & Apparel	0.4%	10.7%	20.5%	20.5%	10.3	8.8	7.4	7.0	5.9	1.9	6.1	16.5	11.9	6.9	4.2	0.5
Consumer Services	0.3%	0.3%	10.0%	42.4%	10.9	10.1	9.3	8.3	6.7	2.2	3.4	19.7	57.6	35.3	32.1	-0.5
Diversified Financials	1.7%	4.9%	10.2%	-2.7%	17.3	11.0	9.7	8.4	6.8	1.1	6.4	10.8	71.4	64.6	50.0	-1
Energy	17.7%	2.6%	0.3%	52.1%	12.2	10.6	10.1	9.5	8.0	4.1	4.5	34.8	21.4	16.8	14.8	-
Food, Beverage & Tobacco	22.9%	-2.7%	-3.6%	8.5%	20.1	16.0	14.3	12.4	9.4	6.5	2.8	35.0	35.6	22.9	19.9	-0.2
Household & Personal Products	0.3%	4.5%	36.7%	59.3%	11.0	8.1	8.2	7.4	7.6	1.1	5.2	14.4	20.6	5.2	7.3	0.6
Insurance	4.1%	-5.3%	3.9%	-8.0%	8.0	7.3	7.2	6.7	3.8	0.8	3.9	11.3	33.2	6.5	30.5	-1.2
Materials	5.7%	0.5%	6.6%	25.4%	10.1	7.4	7.5	7.0	6.8	1.9	5.6	25.0	25.5	18.6	16.6	0.1
Pharmaceuticals & Biotechnology	1.7%	3.3%	4.3%	33.0%	14.2	11.9	10.8	9.3	6.9	3.9	2.5	28.2	45.4	15.8	14.6	-0.2
Real Estate	12.1%	1.1%	10.7%	1.0%	54.3	23.5	15.3	10.3	7.0	1.4	11.2	8.2	34.6	24.6	14.5	0.9
Retailing	0.5%	0.4%	5.8%	31.9%	7.1	5.0	5.3	5.1	5.1	1.0	7.0	18.4	7.7	3.0	2.3	-0.2
Software & Services	0.1%	-5.6%	-0.3%	-24.1%	4.5	6.1	4.4	4.6	4.0	0.8	46.7	9.4	21.0	11.8	7.3	0.3
Telecommunication Services	1.6%	-2.7%	3.2%	23.5%	8.2	7.2	5.6	4.7	3.6	2.1	4.2	26.1	18.7	8.8	6.1	-
Transportation	1.6%	4.2%	13.9%	47.0%	18.3	7.8	35.7	30.0	19.9	1.4	5.5	17.1	22.8	16.2	18.1	0.2
Utilities	1.8%	3.6%	15.7%	57.3%	12.9	12.8	14.0	11.4	11.5	1.6	4.9	13.5	28.9	25.6	27.2	0.4

As at 31 Dec 2013

\* Vietnam Market comprises of both the Ho Chi Minh Stock Exchange (HSX) and the Hanoi Stock Exchange (HNX).

\*The Sector valuation table is generated by VAM in-house Company Analysis System - VCAS

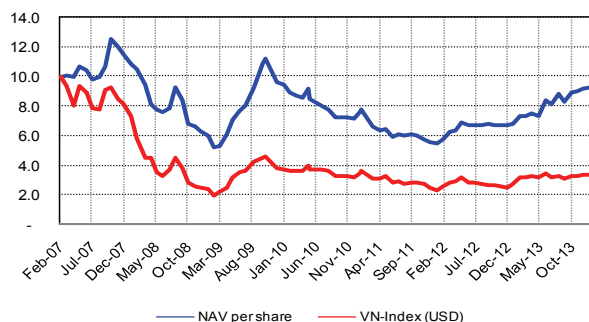
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.26
Dec-13	1.2%
YTD	35.6%
Since inception (Feb 07)	-7.4%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

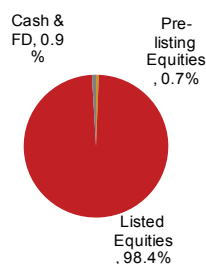
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end December, the Fund's NAV was \$9.26. With a 1.2% MoM increase, the Fund's NAV was up 35.58% YTD. The Fund continued to lead the VN-Index (US\$), recording outperformance of 1.7% MoM, 15.08% YTD and 59.1% since inception.

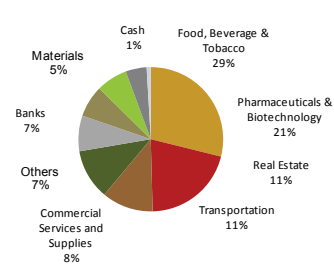
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



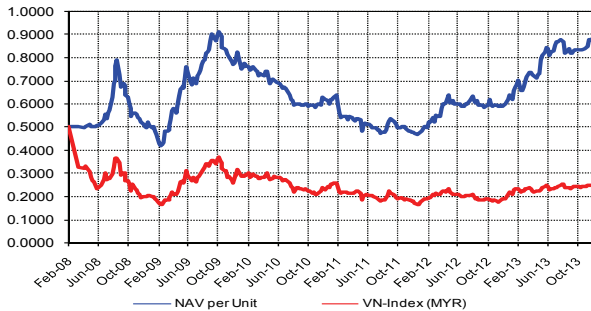
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.8732
	US\$ 0.2647
Dec-13	2.73%
YTD	45.75%
Since inception (Feb08)	74.6%
Bloomberg	HLGVIET.MK

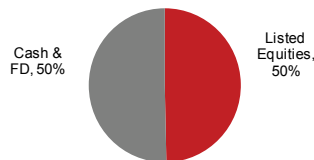
HLGVF is an actively-managed open-ended unit trust for Malaysian HNW investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end December, the Fund's NAV was RM 0.8732. With a 2.73% MoM increase, the Fund's NAV was up 45.75% YTD, 74.64% since inception, and outperformed the VN-Index (MYR) by 0.66% MoM, 13.14% YTD, and 124.39% since inception.

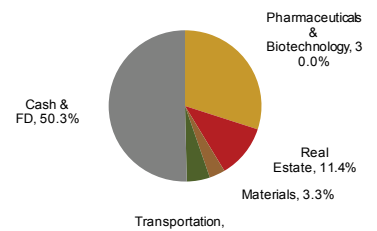
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



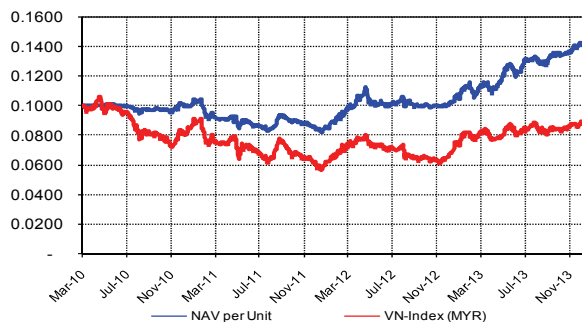
## Hong Leong Vietnam Strategic Fund (HVSF)

NAV per unit	RM 0.1403
	US\$ 0.043
Dec-13	2.11%
YTD	37.01%
Since inception (Feb08)	40.30%

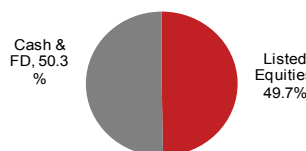
HVSF is an open-ended unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end December, the Fund's NAV was RM 0.1403. With a 2.11% MoM increase, the Fund's NAV was up 37.01% YTD, 40.3% since inception, and outperformed the VN-Index (MYR) by 0.88% MoM, 7.55% YTD, and 52.1% since inception.

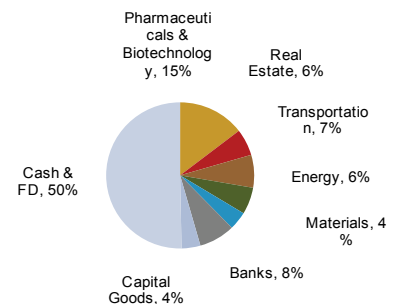
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



**Disclaimer:** This report has been prepared by Vietnam Asset Management Limited ("VAM") or an affiliate thereof and has been prepared on the basis of information obtained from sources VAM considered to be reliable, but VAM does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. VAM may use certain assumptions or models in the preparation of this report and different assumptions may provide substantially different results.

No representation is made that any investment or recommendation contained herein is suitable or appropriate for the recipient and does not constitute an advertisement, solicitation or offer to buy or sell securities, futures, options or other financial instruments in Vietnam or any other jurisdiction. This report shall not be a substitute for the exercise of the recipient's judgment in making an investment decision and VAM accepts no liability for investment losses.

VAM, its affiliates, related companies and its respective directors and employees, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities, referred to in this research.

VAM, its affiliates, related companies and its respective directors and employees accept no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein or further communication thereof, even if VAM or any other person has been advised of the possibility thereof.

Copyright 2013 Vietnam Asset Management Limited. No part of this report may be reproduced or distributed without the prior consent of Vietnam Asset Management Limited. All rights reserved. This report may only be distributed as permitted by applicable law.