

Market Update

All indices recorded strong gains in January as investors' sentiment improved

The VN-Index surged 15.5% to close at 479.8 while the HNX jumped 9.7% to 62.62. The VN30, after reaching its all time high at 577, eased back to 564.01 at the end of the month, gaining 16%.

Timely measures to give market a boost

With effect from 15th January 2013, the trading band on HSX and HNX have been loosened to 7% and 10%, from 5% and 7%, respectively. Besides, SSC also introduced other measures to support the stock market such as tax incentives, allowing to issue stocks below par value, increasing margin ratio and most importantly, increasing foreign ownership limit by non-voting rights in some selective industries (namely at weak banks to over 30%, and at securities companies to 100%).

Furthermore, SBV also intends to participate in domestic gold trading to stabilize domestic gold price, closing the gap with global price, thus discouraging people from holding too much gold. Those measures to boost the stock market, especially the possibility on increasing foreign ownership and the proposal to tighten gold control have somewhat created the wave of optimistic buying in January.

A wave of Japanese FDI and record remittances to welcome Tet

According to the Ministry of Planning and Investment, FDI disbursement in January reached USD420mn in total, up 5% YoY. Total newly registered and top-up capital grew 74% YoY, of which newly approved projects registered USD257mn, a 293% YoY increase, and top-up capital touched USD24.3mn, rising 25.2% YoY. Japanese became the biggest investor making up 57.6% total newly approved projects so far this year.

Thanks to the surge before Tet holiday, total remittances this year are estimated at a record USD10 billion. The total foreign reserve has increased to USD26bn, equivalent to 2.3 months of imports, a historical high and an 8.3% increase from USD24bn

as at the end of 2012. The healthier FX reserve helps to safeguard the value of the Dong.

Tet, on the other hand, narrows trade surplus

January recorded a smaller trade surplus as demand for imports increased before Tet holiday. Exports exceeded imports by only USD200 million in January, after a revised trade surplus of USD498 million in December. From the previous month, export value decreased 2.5% while the import value edged up about 0.4%, although both of them showed huge improvement, more than 40%, compared to the same period last year. Foreign invested enterprises continue to be the leading sector with 66% and 55% of total export and import value, respectively. They also outperform domestic sector in terms of more import growth and less export reduction during the first month of 2013.

Credit drop and CPI jump surprise market

The industrial production index (IIP) decreased 3.2% from December amid pessimistic outlook for stagnation on retail sales. Indeed, consumers continued to reduce spending at the prospect of lower income and no year-end bonus. The retail sales edged up just 2.2% MoM in Jan, the month before a long Tet holiday. As a result, credit dropped 1.06% YTD, according to the press release from a government meeting.

In contrast, January's PMI moved in a different direction with the IIP since it increased to 50.1 from 49.3, thanks to modest improvement in new order volumes from domestic market and marginal job growth. Amidst stagnation of industrial production and credit growth, a solid increase in average input prices, a component of PMI basket, after a marginal reduction in December, suggests that SBV should be more cautious about further easing as inflation risk came back from the beginning of a new year. Jumps in health care (9.5% MoM) and foodstuff (1.96% MoM) items led CPI to soar 1.25% MoM (7.07% YoY) in January, exceeding market expectation. Accordingly, inflation risk puts any rate cut rumors on hold until at least after Tet holiday.

Government charts out tasks for banking sector

with focuses on inflation control and bad debt resolution

Main objectives of SBV in 2013 continue to be curbing inflation, stabilizing macro economy alongside with restructuring banking sector and tackling NPL issues. For 2013, the SBV targets to keep credit growth at 12%. Importantly, SBV has submitted to government the plan that allows AMC to purchase bad debts based on book value (after provision) and pay by bonds to the bank. Banks could use AMC bonds as collateral to get cheap fund from SBV at a discount rate. Commercial banks with NPLs higher than 3% will be forced to bring down their NPLs to 3%.

On the other hand, as there are many linkages between real estate market and NPL problems in banking system, government also issued the Resolution No.2, which introduces several tax incentives, credit line for low income individuals to purchase social houses and transferring commercial housing projects into social housing. However since social housing only accounts for a small portion of property sector, we think these solutions are not effective enough to rescue the whole troubled real estate market.

Our view

Bullish momentum remained in the first month of 2013 thanks to good round of macroeconomic indicators release. While capital inflow continued being positive, actions of authorities looked effective in boosting the market. However, as stocks ran too high and too fast during the last two months, we start to be skeptical about the strength of this momentum. A month before Tet, inflation risk seems to be coming back and industrial stagnation looks a bit tense. We maintain a cautiously optimistic view and relatively high equity holding, particularly stocks with strong fundamentals in consumers, pharmaceuticals and materials sectors. As Government is showing more and more determination to improve the economy and clean up the banking sector, stickers with strong cash flow, low debt and high beta are also in our consideration to pick up to ride the market's uptrend.



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%	16.0%	25.0%	14.3%	14.6	11.1	10.3	9.5	8.7	2.2	5.2	18.7	32.5	18.1	14.9	3.72
Automobiles & Components	0.7%	11.6%	15.1%	10.2%	8.1	7.3	7.1	5.3	3.4	1.8	5.6	17.8	15.8	10.0	6.1	0.6
Banks	31.9%	15.9%	30.4%	13.1%	14.7	14.0	14.3	13.4	13.7	1.5	5.8	11.0	38.3	14.6	10.4	9
Capital Goods	2.2%	13.3%	26.0%	11.5%	7.7	7.3	6.7	6.3	5.5	1.3	6.8	17.6	35.9	16.4	32.0	0.2
Commercial Services & Supplies	0.2%	17.0%	26.0%	13.0%	5.5	4.8	4.2	3.9	3.4	2.6	6.2	40.2	24.7	10.0	6.6	1
Consumer Durables & Apparel	0.5%	-4.5%	0.8%	-3.7%	8.2	8.0	8.0	7.0	5.4	1.5	6.5	17.9	11.8	6.7	4.8	0.4
Consumer Services	0.4%	3.8%	10.6%	4.8%	5.9	5.4	5.0	4.6	3.9	1.7	-	27.3	68.3	52.6	48.8	-0.7
Diversified Financials	2.3%	10.5%	18.0%	7.3%	16.6	10.2	9.0	7.8	6.0	1.0	6.4	10.0	64.9	62.6	50.9	-0.7
Energy	15.5%	16.1%	14.5%	14.8%	11.6	9.8	7.6	7.2	5.1	2.8	3.1	25.1	17.5	13.1	9.3	0.1
Food & Staples Retailing	0.1%	-5.1%	-11.3%	-5.9%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	19.9%	14.9%	21.8%	15.7%	14.5	9.7	8.1	7.1	5.8	4.9	3.5	31.6	30.7	20.9	17.8	-0.1
Health Care Equipment & Services	0.1%	1.9%	11.6%	1.9%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	4.1%	17.5%	2.4%	4.6	4.1	4.5	3.8	3.3	0.6	2.9	76.9	24.2	10.3	-35.4	0.5
Insurance	4.8%	31.7%	59.4%	26.2%	6.1	5.5	5.5	5.0	3.5	0.7	4.2	11.7	35.8	6.6	29.1	-1.2
Materials	5.7%	18.8%	23.4%	17.3%	7.2	5.8	5.6	5.5	5.4	1.6	7.8	25.3	29.5	22.0	21.0	-0.1
Pharmaceuticals & Biotechnology	1.5%	1.1%	7.9%	1.9%	8.5	6.8	6.5	5.2	3.6	2.3	4.0	28.2	44.9	17.2	17.3	-0.2
Real Estate	9.5%	17.3%	23.4%	15.7%	61.4	14.9	11.4	8.6	5.5	1.2	7.5	10.9	42.8	35.0	27.0	1.2
Retailing	0.5%	4.2%	15.6%	2.1%	5.5	4.3	3.9	4.1	4.8	0.7	9.3	16.0	6.4	2.4	1.6	0.5
Software & Services	0.2%	-1.9%	10.4%	-2.5%	7.4	6.9	5.6	6.2	5.3	0.9	32.3	13.7	21.9	12.8	9.9	-0.1
Telecommunication Services	1.4%	10.8%	10.2%	7.4%	7.5	6.0	5.0	4.6	3.9	1.5	5.1	24.1	19.1	9.8	6.4	-
Transportation	1.2%	16.6%	23.0%	13.3%	4.1	3.4	2.7	2.3	1.7	0.9	12.9	27.3	30.0	25.4	21.4	0.3
Utilities	1.4%	16.5%	35.6%	13.9%	8.9	9.6	9.0	8.0	6.9	1.0	6.2	11.6	49.2	44.2	52.3	-

* 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

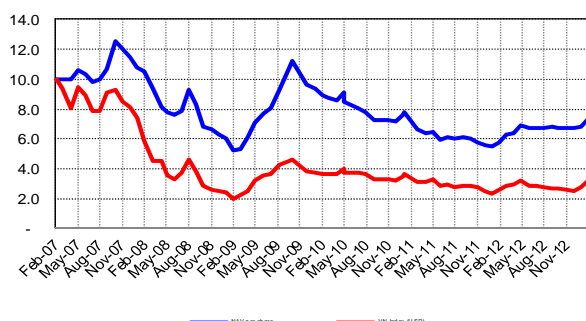
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$7.37
Jan-13	7.9%
YTD	7.9%
Since inception (Feb 07)	-26.3%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

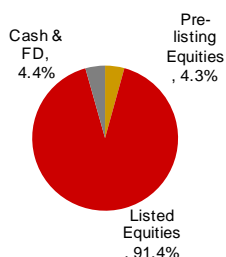
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end January, the Fund's NAV per share was US\$7.37. With a 7.91% MoM increase, the Fund continued to lead the VN-Index (in US\$), recording outperformance of 41.46% since inception.

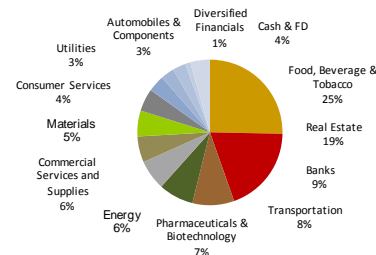
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

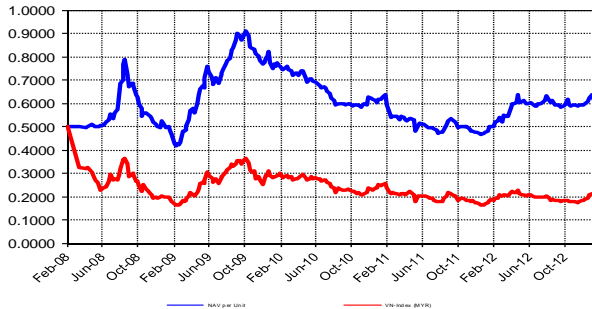


Hong Leong Vietnam Fund (HLGVF)

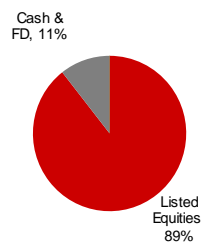
NAV per unit	RM 0.6559
	US\$ 0.2134
Jan-13	9.48%
YTD	9.48%
Since inception (Feb08)	31.2%
Bloomberg	HLGVIET.MK

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 RM0.6559. With a 9.48% MoM increase, the Fund was up 31.18% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 85.61% since inception.

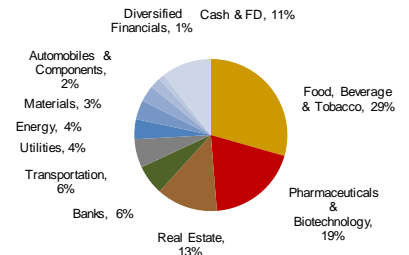
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

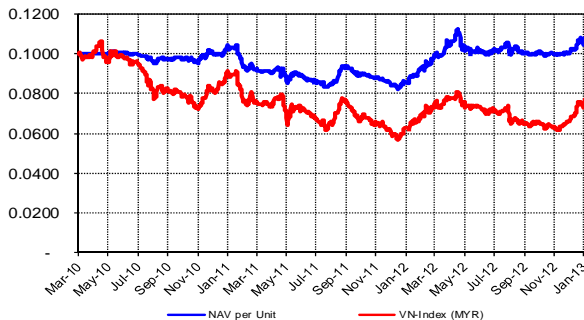


Hong Leong Vietnam Strategic Fund (HVSF)

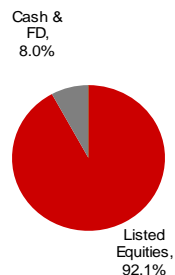
NAV per unit	RM 0.1111
	US\$ 0.036
Jan-13	8.50%
YTD	8.50%
Since inception (Feb08)	11.10%

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 January, the Fund's NAV per unit was RM0.1111. With a 8.5% MoM increase, the Fund was up 11.1% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 31.3% since inception.

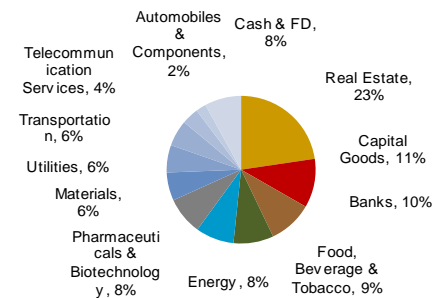
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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