

Market Update

Despite inflation concerns, stocks on Vietnam's main board still went up, driven by a slew of government incentives and pro-growth measures. The VN-Index ended July at 491.85, up 2.68% and in line with a 1.23 % increase of VN30 index, while the HNX index experienced a slight drop of 1.09% to close at 61.49.

Gasoline and electricity price hikes raised inflation concern

The CPI increased 7.29% YoY this month, the fastest pace since May 2012. Compared to last month, the general price rose 0.27% MoM as a result of the 1.34% MoM increment of transportation items, after two incidences of gasoline price hikes in June. Prices are expected to escalate further in coming months, due to yet another hike of gasoline price on 17 July, which brought petrol prices to all-time highs and a planned increase in electricity price, which became effective on 1 Aug. Besides, health care items have yet to be adjusted upwards in certain large cities such as Hanoi and HCMC. Current CPI level and these further expected increases have raised concern that the Government's inflation target of 7%-8% in 2013 may be exceeded.

Improvement in balance of payment reduced pressure on VND

July's preliminary trade numbers saw a USD 200mn surplus which is mainly driven by exports of USD 11.2bn, up

9.9% YoY. Imports were still high at USD 11bn, up 14.5% YoY, but were down 5.2% versus previous month. Consequently, the cumulative FY2013 trade deficit is now narrowed to USD 867mn. Moreover, FDI continued to shine, with disbursement of USD 6.65bn and registered FDI reaching approximately USD 12bn in the first seven months of 2013. Improvements in the balance of payment have eased the pressure on the currency after short-term tension in the first half of July.

Repurchase rate cut to aid lending

In another effort to spur growth and revive the economy, the Central bank cut repurchase rate, also known as the open-market operations (OMO) rate, to 5.5% from 6%. This move will not only help reduce the cost of funds for banks but also support the system's liquidity after interbank rate rocketed to 5.1% from around 0.7%, which resulted from the government's withdrawing nearly VND 35 trillion (US\$1.65bn) in OMO to calm down currency volatility.

Credit growth gradually coming back; bond yield rebounded

As of Jul 24th, 2013, M2 grew 8.25% YTD and deposits increased 9.48% YTD. Credit also expanded 4.91% YTD, versus only 1.2% in the first 7 months of 2012. Due to this improvement, the target of 12% credit growth for this year is likely to be met. The Central bank seems to be more aggressive in its lending as eco-

nomie growth is still weak. Being pushed to achieve credit growth, banks now focus more on lending than playing the fixed income market. Consequently, bond yields significantly rebounded. For example, by the end of this month, the yield of 3-year G-bond has rallied 159 bps from its bottom of 6.12% in early June.

Trading hours extended

The State Securities Commission has issued an official document to extend the trading hours by 45 minutes to 3 p.m., effective from 22nd July on the HOSE and from 29th July on the HNX. This extension hopefully will improve trading volume.

Our view

Macro data were mixed in July with trade balance and exchange rate showing some improvement while inflation risks resurfaced after two quarters of being under control. As the recovery progress is slow and fragile with weak aggregate demand, the Government is now attempting to promote credit growth with hopes that it will boost production for the remaining of this year. Meanwhile the room for monetary policy is rather limited following threats of inflation. Hence, fiscal policy now seems the primary option for the Government to revive the economy. We remain cautiously optimistic and are watching the market closely for new developments and signs of a more definite turnaround.



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%	2.2%	4.4%	11.0%	14.0	13.1	11.4	9.7	7.4	3.3	4.5	22.9	32.0	18.1	15.2	3.49
Automobiles & Components	0.7%	-3.3%	1.7%	12.4%	7.2	7.5	9.0	9.1	5.4	1.8	4.6	20.9	19.1	13.0	7.8	0.6
Banks	25.9%	-3.8%	-1.1%	-10.7%	9.1	14.0	11.6	10.1	8.4	1.4	5.5	10.0	38.3	14.2	9.6	11.1
Capital Goods	2.4%	2.7%	18.8%	20.3%	8.1	9.3	8.0	7.5	6.3	1.5	6.3	16.8	29.8	16.3	19.4	0.2
Commercial Services & Supplies	0.2%	10.7%	9.0%	45.5%	7.7	6.5	5.9	5.3	4.3	1.8	4.4	30.5	27.2	10.3	7.8	0.4
Consumer Durables & Apparel	0.4%	-1.1%	10.7%	-2.3%	6.4	7.7	7.3	7.4	48.9	1.2	7.6	2.6	12.1	6.2	-1.7	0.6
Consumer Services	0.3%	-4.7%	-3.1%	20.7%	9.2	8.5	7.9	7.2	6.2	2.4	-	24.2	63.5	43.8	40.3	-0.5
Diversified Financials	2.0%	-5.7%	-2.0%	-13.0%	15.0	9.0	7.9	6.9	5.4	1.0	7.0	11.2	71.7	67.6	55.1	-0.9
Energy	18.0%	11.5%	22.7%	44.7%	11.8	11.3	10.1	8.8	6.5	4.1	2.4	32.1	19.9	15.5	12.5	-0.1
Food & Staples Retailing	0.1%	-1.6%	41.5%	48.3%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	24.2%	5.6%	0.3%	15.6%	20.8	17.6	14.7	11.8	8.0	7.1	2.7	34.5	33.4	22.4	19.3	-0.3
Household & Personal Products	0.3%	7.8%	4.0%	14.0%	7.9	6.4	6.5	5.8	5.8	0.9	6.3	15.4	23.8	7.6	8.6	0.3
Insurance	5.4%	-0.8%	-6.6%	-2.9%	7.4	6.9	6.9	6.5	3.6	0.8	4.4	11.2	31.9	6.0	28.7	-1.1
Materials	5.7%	-1.3%	-2.5%	9.3%	9.4	7.5	6.8	5.9	4.9	1.6	5.8	22.6	25.8	17.3	16.1	0.1
Pharmaceuticals & Biotechnology	1.6%	10.1%	12.2%	27.5%	12.7	11.9	10.8	9.1	6.3	3.1	2.9	25.5	42.1	14.3	13.1	-0.2
Real Estate	7.4%	-3.0%	-1.7%	-9.3%	52.4	11.7	14.7	9.8	6.5	1.2	12.1	12.4	29.6	19.0	18.9	0.8
Retailing	0.5%	-3.3%	5.6%	14.2%	6.3	4.9	5.4	5.4	5.5	0.9	7.5	17.6	7.2	3.1	3.5	-0.2
Software & Services	0.1%	-11.2%	-18.9%	-20.6%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.3%	2.5%	15.1%	12.1%	8.3	6.7	5.6	5.1	4.3	1.8	4.7	23.9	19.4	9.9	6.4	-0.1
Transportation	1.4%	0.5%	-1.5%	14.3%	14.5	5.5	9.9	8.8	5.8	1.2	6.0	21.1	26.8	20.2	20.4	0.3
Utilities	2.0%	-0.1%	14.6%	42.6%	8.8	12.9	12.0	11.1	11.1	1.1	8.0	10.6	40.9	36.3	38.0	-

* 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

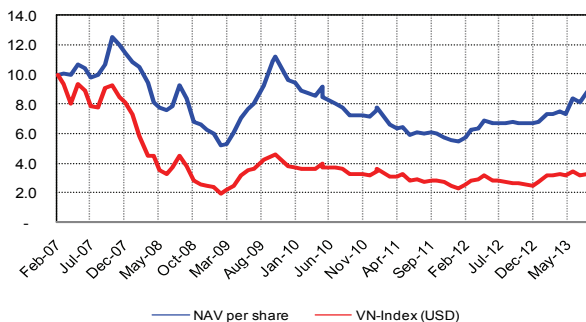
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.84
Jul-13	8.33%
YTD	29.4%
Since inception (Feb 07)	-11.6%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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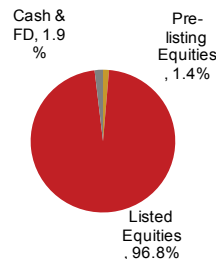
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end July, the Fund's NAV per share was US\$8.84. With a 8.33% MoM increase, the Fund was up 29.43% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 5.96% MoM, 12.43% YTD and 55.87% since inception.

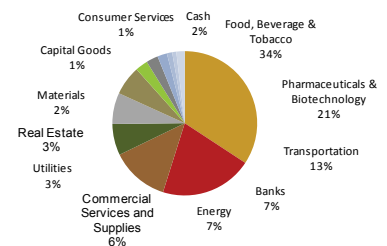
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

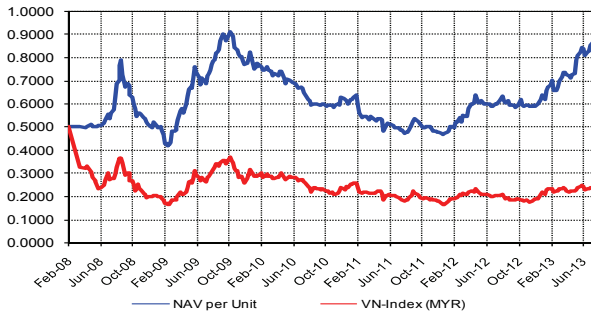


Hong Leong Vietnam Fund (HLGVF)

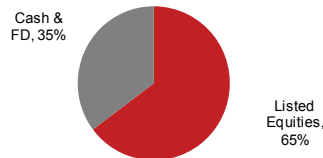
NAV per unit	RM 0.8685
	US\$ 0.2676
Jul-13	7.12%
YTD	44.97%
Since inception (Feb08)	73.7%
Bloomberg	HLGVIET:MK

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 July, the Fund's NAV per unit was RM0.8685. With a 7.12% MoM increase, the Fund was up 44.97% YTD, 73.7% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 2.23% MoM, 18.73% YTD and 125.87% since inception.

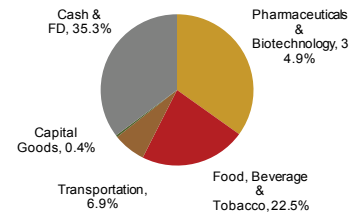
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown



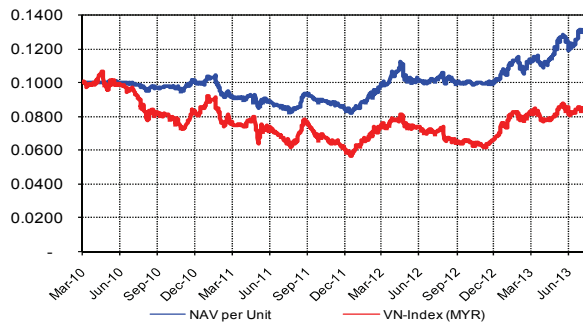
Hong Leong Vietnam Strategic Fund (HVSF)

NAV per unit	RM 0.1307
	US\$ 0.040
Jul-13	6.34%
YTD	27.64%
Since inception (Feb08)	30.70%

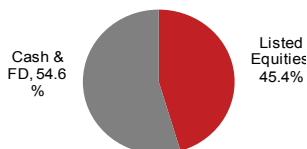
HVSF is an open-end unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end July, the Fund's NAV per unit was RM0.1307. With a 6.34% MoM increase, the Fund was up 27.64% YTD, 30.70% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 2.02% MoM, 3.59% YTD and 46.19% since inception.

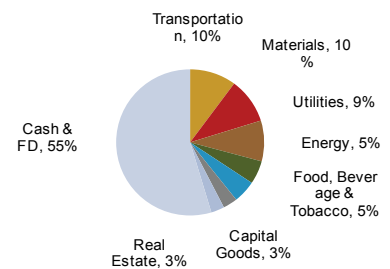
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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