

Market Update

Vietnamese stocks fell sharply in June on high redemption pressure from foreign investors, currency depreciation and growth concerns. At the end of Jun, VN-index closed at 481.1, slipping 7.19%, in line with the 7.45% decrease of VN30 whilst the HNX index declined 2.87%, closing at 62.76.

National Assembly meeting ended with concrete achievements

One month discussion of the National Assembly resulted in many positive achievements to revive the economy. First of all, political environment looked more stable as top leaders successfully completed the first ever confidence voting round with no member needing a second vote. Secondly, the Government has shown their determination to restructure the economy through concrete resolutions. Accordingly, the government announced that from 2H 2013 there might be VND 40 trillion (nearly USD 2bn) to be disbursed each month to maintain credit growth at 12%. Besides, the National Assembly agreed to cut corporate income tax from 25% to 22% in 2014 and further to 20% in 2016 for all firms whilst for SMEs, tax is cut to 20% as soon as 1/7/2013 in an effort to spur growth.

Dong devalued due to many pressures

The SBV devalued the Dong for the first time since 2011 after recent tension in the FX market. The reference rate was weakened by 1% to 21,036 dong per dollar. Given the current trading band of +/-1%, the ceiling and floor exchange rates are

now VND 21,246/USD, and VND 20,826/USD, respectively. The current stress in the FX market should be due to i) high official demand for gold imports from commercial banks to close their short positions by end June as requested by SBV, plus the unofficial import demand due to big gap between local and international prices, ii) narrowing gap between the USD and VND deposit rates after a recent VND deposit rate cut, iii) expansion of trade deficit, and iv) asset unloading of foreign investors in emerging markets as the US Fed has announced to wind down QE recently.

Production continues to be sluggish

Low appetite for local consumption and tightening export markets such as China (-1.9% y-o-y) and Japan (-0.9% y-o-y) has led production activities to face a marked downturn in June. Indeed, the HSBC Manufacturing Index tumbled to 46.4, the 11-month low level, in the second consecutive month of contraction. In general, the economy expanded 4.9% y-o-y in the first six months, which is a small improvement compared to that of 4.38% y-o-y a year earlier.

Inflation under control and more rate cuts to bolster growth

As inflation in June was merely 6.69% y-o-y, which slightly increased compared to the 6.3% y-o-y recorded in May, another move in monetary adjustment came from rate cuts to help stabilize the foreign-currency market as well as revive production. Accordingly, the ceiling rates for USD deposit will be cut to 0.25% pa (from 0.5%) for institutions, and to 1.25% pa (from 2%) for individuals whilst those with VND deposits

with maturity ranging from 1-month to less than 6-month will be curtailed to 7% pa (down from 7.5%). As domestic consumption persists at low levels and companies' ability to absorb bank loans remain limited, a rate cut is necessary to support growth besides other implementations such as a tax cut program and a loan stimulus package for the real estate market.

Our view

The first half of 2013 has been focused on curbing inflation to stabilize the macro environment. Fortunately, the situation is not as dire as CPI is positively under control, which leaves room to consider more drastic measures to boost growth. The interest rate is now at its lowest and unlikely to face more cuts while the Dong devaluation is essential in order to reduce tension in the FX market. Although recent currency depreciation is rather worrying, we do not think of it as distressing because pressure on the currency will start easing as the foreign reserve remains healthy. The target of 2-3% currency volatility setting from the beginning of this year by the Governor is likely to be met. Accompanied by recent adjustments in monetary policy, other efforts, namely tax cut and stimulus package are expected to accelerate the economy in the second half of this year. In the meantime, we continue to hold and pick stocks that we have strong conviction in based on the resilient business model, solid balance sheet, sound cash flows, prudent management and attractive valuation. We also maintain careful watch on government policy changes to take action when there are clearer signs of economy turnaround.



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%	-5.9%	-4.7%	7.5%	13.0	11.2	9.9	8.5	6.3	2.7	4.5	20.8	28.9	16.2	14.5	3.09
Automobiles & Components	0.8%	-5.5%	3.4%	16.2%	7.2	7.3	8.8	9.1	5.3	1.8	4.5	20.6	19.5	12.9	7.9	0.7
Banks	27.4%	0.3%	-5.7%	-7.2%	11.1	10.7	9.8	8.8	6.6	1.4	6.4	12.3	37.7	16.3	11.4	10.6
Capital Goods	2.4%	-2.4%	6.3%	17.2%	8.2	8.0	8.2	8.0	6.4	1.5	5.4	19.7	24.2	16.7	19.2	-0.1
Commercial Services & Supplies	0.2%	-5.3%	5.0%	31.4%	7.4	6.8	6.1	5.4	4.3	1.3	5.3	18.1	30.0	10.7	6.7	0.3
Consumer Durables & Apparel	0.4%	6.3%	8.5%	-1.2%	6.5	8.7	8.7	8.2	7.6	1.3	7.5	16.0	11.4	5.8	3.7	0.6
Consumer Services	0.3%	3.5%	7.1%	26.5%	10.9	9.9	9.2	8.4	7.1	3.1	-	26.6	74.9	52.5	48.7	-0.6
Diversified Financials	2.1%	-5.6%	-3.4%	-7.7%	17.0	10.1	8.9	7.7	5.8	1.0	6.5	10.8	71.0	68.7	55.6	-0.9
Energy	17.9%	-5.9%	1.0%	29.7%	10.9	10.5	9.4	8.2	6.0	3.8	2.5	32.0	19.8	15.4	12.3	-0.1
Food & Staples Retailing	0.1%	6.7%	30.1%	50.7%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	21.0%	-9.2%	-8.4%	9.5%	18.6	16.7	13.0	10.1	6.8	6.5	3.1	33.3	32.8	20.9	17.8	-0.3
Household & Personal Products	0.3%	-3.6%	-2.4%	5.8%	8.5	6.7	7.0	6.1	6.5	0.8	7.9	12.5	23.1	5.3	7.5	0.7
Insurance	6.0%	-15.5%	-15.4%	-2.2%	21.4	15.0	11.8	10.3	8.7	1.6	2.3	10.4	18.3	-3.8	17.2	-1
Materials	6.3%	-9.9%	-5.5%	10.7%	7.3	7.2	6.7	5.9	5.0	1.6	5.6	23.5	27.5	18.7	17.4	-
Pharmaceuticals & Biotechnology	1.6%	-3.0%	-1.9%	15.8%	10.6	10.4	9.7	7.7	5.4	2.8	3.1	27.7	45.8	15.8	14.5	-0.2
Real Estate	7.8%	-8.4%	-10.3%	-6.5%	31.8	14.7	14.9	10.4	7.1	1.0	12.4	6.5	30.5	20.5	14.8	1.2
Retailing	0.5%	-9.4%	12.0%	18.0%	7.6	5.0	6.0	5.3	4.4	1.0	5.2	20.1	7.2	2.6	2.3	-0.5
Software & Services	0.2%	2.1%	-12.3%	-10.6%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.4%	-2.0%	7.4%	9.4%	8.4	6.8	5.7	5.2	4.4	1.7	4.7	23.1	18.9	9.7	6.5	-0.1
Transportation	1.4%	-11.4%	-13.7%	13.7%	14.9	6.3	10.3	8.9	5.8	1.0	6.6	18.1	25.1	18.5	18.6	0.5
Utilities	2.1%	-13.5%	19.1%	42.6%	13.4	15.3	12.4	10.9	10.1	1.6	4.8	10.6	26.0	22.6	22.7	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

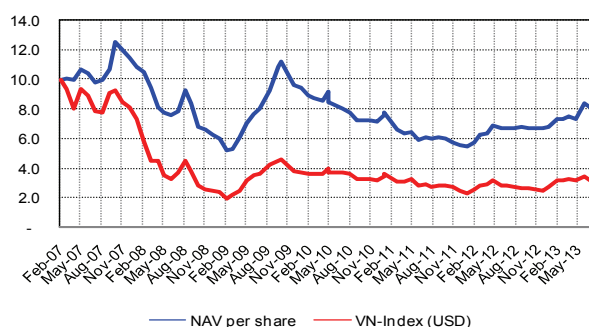
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.16
Jun-13	-2.4%
YTD	19.5%
Since inception (Feb 07)	-18.4%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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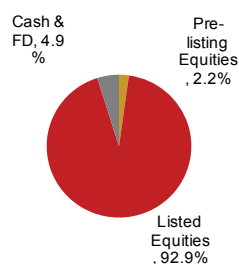
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end June, the Fund's NAV per share was US\$8.16. Despite a 2.39% MoM decrease, the Fund was up 19.47% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 5.64% MoM, 5.18% YTD and 49.82% since inception.

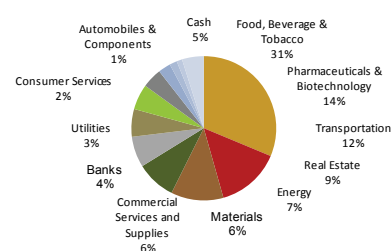
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

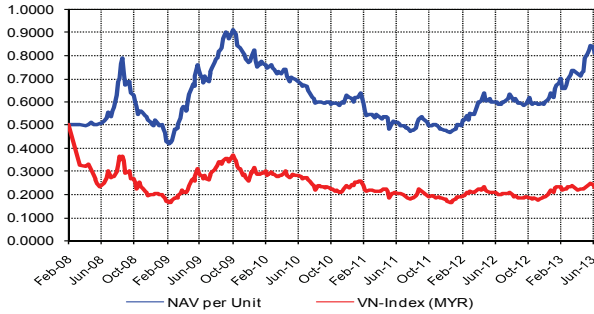


Hong Leong Vietnam Fund (HLGVF)

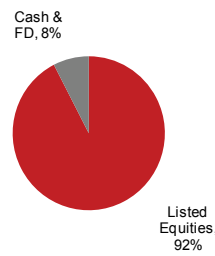
NAV per unit	RM 0.8108
	US\$ 0.2551
Jun-13	0.48%
YTD	35.34%
Since inception (Feb08)	62.2%
Bloomberg	HLGVIET.MK

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 June, the Fund's NAV per unit was RM0.8108. With a 0.48% MoM increase, the Fund was up 35.34% YTD, 62.16% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 3.97% MoM, 14.32% YTD and 116.31% since inception.

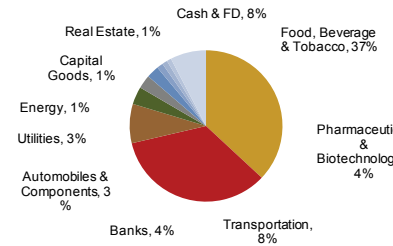
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

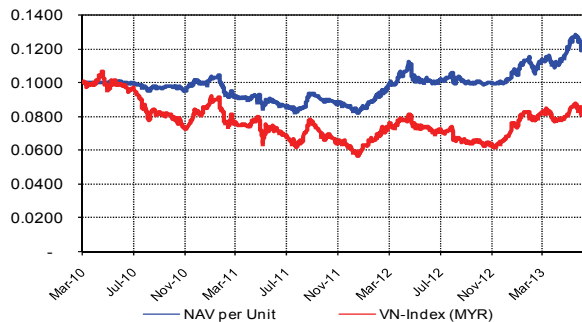


Hong Leong Vietnam Strategic Fund (HVSF)

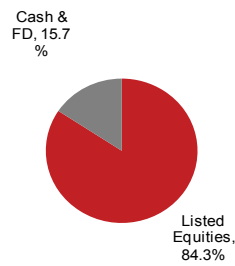
NAV per unit	RM 0.1229
	US\$ 0.039
Jun-13	-2.45%
YTD	20.03%
Since inception (Feb08)	22.91%

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 June, the Fund's NAV per unit was RM0.1229. Despite a 2.45% MoM decrease, the Fund was up 20.03% YTD, 22.91% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 2.24% MoM, 1.12% YTD and 41.9% since inception.

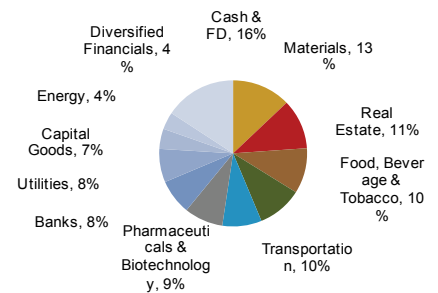
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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