

Market Update

The indices were mixed in the month of March. While the VN-Index gained 3% to close at 491, the HNX declined by the same quantum to 60.25. The VN30 edged up 0.62% to close the month at 552.3. After being net seller in February, foreigners have turned to net buyer with the value of USD55.6mn this month, suggesting that although difficulties still persist, sentiment was slightly improved.

Rate cuts to aid growth as inflation eased

A month after Tet, macro data indicated a significant weakness in total demand. Retail sales increased only 11.7% YoY in the first quarter, slowing from a 21.8% YoY pace in the same period last year. Besides, GDP expanded merely 4.89% YoY in 1Q2013, edging up from 4.75% YoY in the same period last year when growth was the slowest since 1999. A weak demand and noticeable deceleration in food and food stuff index caused CPI to decline 0.19% MoM in March, easing inflation to 6.64% YoY from 7.02% YoY in February. As inflation eased, the Central bank cut rates for the seventh time since the start of 2012 to spur growth. The cap on Dong deposit interest rates is reduced to 7.5% from 8% while other implemented rates such as refinancing and discount rates are lowered by 1% as well.

AMC plan not yet finalized; credit almost frozen

The establishment of a debt asset management company (AMC) was delayed until at least the end of April as government is skeptical about how much the company can help resolve bad debt between banks and businesses. On the other hand, the bank lending is still very weak as the credit growth only reached 0.1% YTD in the first quarter although the target for this year

is 12%. While the economy is struggling with a slowdown of lending, the postponement of AMC might disappoint market further.

Dong still firm despite trade figures

According to GSO data, there was a trade deficit of USD300m in March, widening from a revised deficit of USD94mn in February. Nevertheless, the Dong remained stable as the year-to-date trade balance still remains at a surplus of USD481mn. After first three months of 2013, export increased 19.7% YoY while import improved 17% YoY as well. The unexpected improvement in import this month, in which imports of machinery and equipments was up 28.7% YoY should be viewed as the signal to preliminary recovery from manufacturing sector. Indeed, the HSBC PMI index posted in the positive territory at 50.8 in March, reaching the highest level since April 2011.

Challenging business environment

The Vietnamese Chamber of Commerce and Industry has announced the result of the Provincial Competitiveness Index (PCI) in 2012. The decline in median PCI score in 2012 reflected the slowdown in improvement of business environment across provinces. The most notable finding from the survey was that both foreign and domestic enterprises are more pessimistic about future prospect as optimism of enterprises, measure by the share of firms willing to expand in the next two years, has fallen to the historic low level of 33%. In addition, recent surprising petro price hike by 6.5% would make things more challenging as it would eat into businesses' profit margin and hurt consumer spending.

Government's effort to unfreeze the real estate market

Following the commitment to help the real estate sector, the SBV has revealed a draft of the social housing program. In which, 3% of the total loan book of 5 state owned banks will be dedicated to the social housing fund. Buyers and developers of social houses will be provided loans with preferential interest rates in 10 and 5 years, respectively. For the first 3 years, starting from 15th April 2013, the lending rate will be 6%. The program is expected to bring some cheers to real estate developers and home buyers, however as most inventories are in mid and high end segments, the program may not be effective enough to rescue the whole troubled real estate market

Our view

Despite some modest improvements, the first quarter of 2013 still ended with lackluster GDP and credit growth, coupled with a challenging business environment. Indeed, as domestic retail sales still remained weak, much of improvement was from external demand rather than from internal demand. All of these revealed that the economy is still struggling and may not have reached the bottom. Fortunately, recent effort of the government to spur growth has buoyed the stock market somewhat and hopefully it could buoy production and business activities as well. After a sudden hike in petrol price that brings back the inflation risk, we think the scope for further rate cut is limited. Hence, in the long run, resolving the core problem (bad debt) still plays a critical role in regaining domestic confidence and recovering the stagnated economy. We keep our cautious view on the economy and the stock market until clearer signs of recovery surface. In the mean time, as the AGM season has started, we will focus on screening for companies that still do well in the difficult time.



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%	1.4%	12.9%	11.3%	15.8	11.6	11.0	9.9	8.7	2.2	5.1	18.5	31.0	16.4	14.4	3.53
Automobiles & Components	0.7%	0.5%	13.8%	12.4%	9.6	8.5	8.2	6.2	3.9	2.2	4.8	18.0	15.8	10.3	6.3	0.6
Banks	31.7%	-4.7%	0.8%	-1.6%	13.7	13.1	13.2	12.4	12.6	1.3	6.0	10.9	38.5	14.6	10.4	8.9
Capital Goods	2.3%	2.7%	12.0%	10.3%	7.5	6.9	6.6	6.0	5.2	1.3	7.0	18.5	33.1	15.8	30.6	0.1
Commercial Services & Supplies	0.2%	2.3%	29.7%	25.2%	6.0	5.1	4.5	4.2	3.6	2.3	6.1	38.2	25.5	10.3	6.7	0.9
Consumer Durables & Apparel	0.4%	-4.3%	-9.7%	-9.0%	7.0	7.8	6.8	5.9	4.5	1.3	7.2	16.5	11.7	6.2	4.3	0.6
Consumer Services	0.3%	10.2%	17.0%	18.1%	8.3	7.6	7.0	6.4	5.4	2.3	-	27.4	68.4	52.8	49.1	-0.7
Diversified Financials	2.3%	-7.2%	-1.6%	-4.4%	15.6	9.6	8.5	7.4	5.6	0.9	6.6	10.0	65.3	63.1	51.3	-0.7
Energy	15.1%	12.6%	29.9%	28.4%	13.3	11.2	8.8	8.2	5.7	3.2	2.8	25.2	17.7	13.3	9.5	0.1
Food & Staples Retailing	0.1%	16.7%	16.9%	15.8%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	19.3%	6.4%	18.7%	19.5%	15.2	14.4	12.6	10.9	9.0	5.2	3.2	32.0	32.1	20.2	17.9	-0.2
Health Care Equipment & Services	0.1%	4.1%	0.0%	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	4.0%	10.2%	8.3%	9.6	11.0	10.2	9.7	7.7	1.3	4.1	14.9	32.9	20.1	19.6	-
Insurance	6.4%	-5.7%	20.6%	15.6%	6.0	5.4	5.4	5.0	3.8	0.6	4.5	11.5	34.7	6.4	28.9	-1.1
Materials	5.9%	6.3%	18.8%	17.2%	8.9	6.7	6.3	5.8	5.3	1.5	7.5	25.4	27.5	20.1	19.4	-
Pharmaceuticals & Biotechnology	1.4%	16.4%	17.1%	18.0%	11.3	8.9	8.5	6.9	4.8	2.7	2.9	26.8	44.3	15.6	14.9	-0.2
Real Estate	9.0%	-7.0%	5.7%	4.3%	74.2	17.1	17.9	11.6	7.6	1.4	9.1	11.3	29.0	19.1	17.7	1.1
Retailing	0.4%	0.1%	7.5%	5.4%	6.1	4.7	4.2	4.4	5.2	0.7	8.5	15.9	6.1	2.2	1.5	0.6
Software & Services	0.2%	6.2%	2.6%	2.0%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.3%	1.8%	5.1%	1.9%	7.6	6.1	5.1	4.7	3.9	1.5	5.3	23.4	18.7	9.7	6.4	-0.1
Transportation	1.3%	9.8%	35.6%	31.7%	19.9	6.1	14.3	12.4	7.9	1.1	3.9	20.5	24.9	18.2	18.7	0.3
Utilities	1.5%	0.9%	22.4%	19.7%	9.7	5.8	8.8	8.3	5.5	1.1	6.0	19.0	30.4	26.9	55.7	0.3

* 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

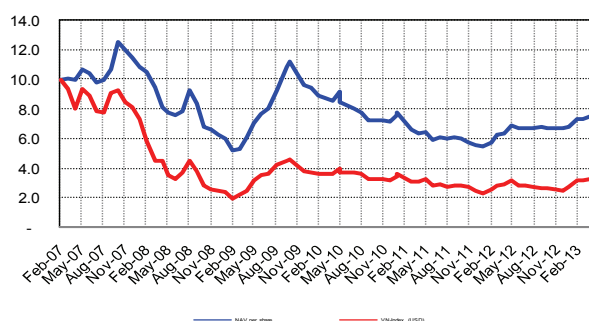
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$7.5
Mar-13	2.6%
YTD	9.8%
Since inception (Feb 07)	-25.0%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

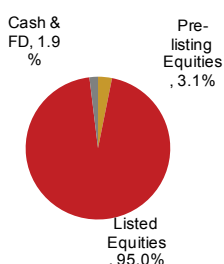
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end March, the Fund's NAV per share was US\$7.5. With a 2.6% MoM increase, the Fund was up 9.81% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 42.19% since inception.

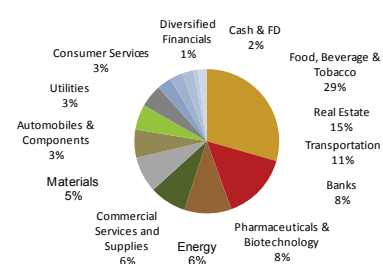
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

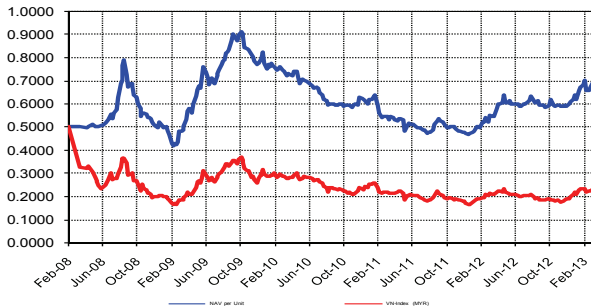


Hong Leong Vietnam Fund (HLGVF)

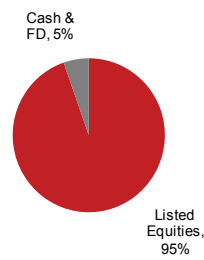
NAV per unit	RM 0.716
	US\$ 0.2311
Mar-13	8.68%
YTD	19.51%
Since inception (Feb08)	43.2%
Bloomberg	HLGVIET:MK

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 March, the Fund's NAV per unit was RM0.716. With a 8.68% MoM increase, the Fund was up 19.51% YTD, 43.2% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 3.38% MoM, 97.14% since inception.

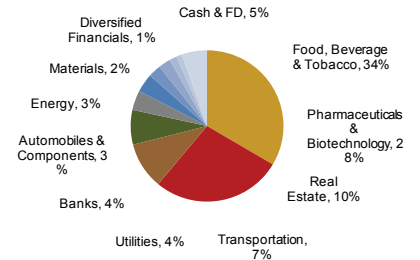
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

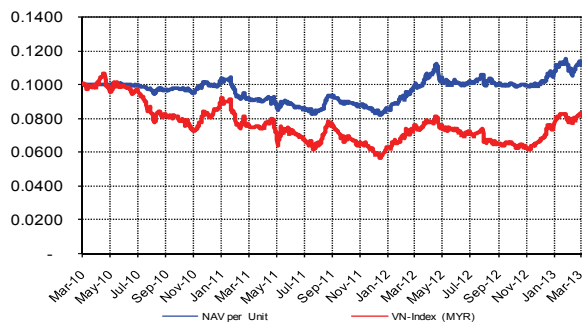


Hong Leong Vietnam Strategic Fund (HVSF)

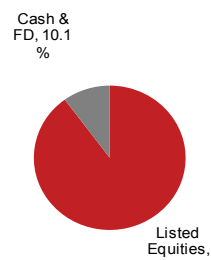
NAV per unit	RM 0.1133
	US\$ 0.037
Mar-13	3.10%
YTD	10.65%
Since inception (Feb08)	13.30%

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 March, the Fund's NAV per unit was RM0.1133. With a 3.1% MoM increase, the Fund was up 10.65% YTD, 13.3% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 32.2% since inception.

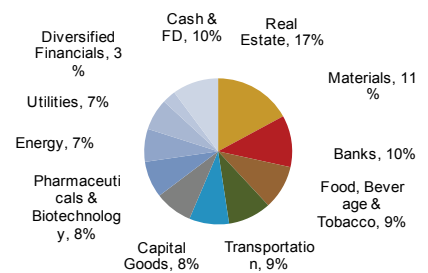
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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