

Market Update

Market sentiment turns buoyant on good news of banking reforms and expectation of other solutions for the economy from on-going National Assembly meeting. After climbing to the highest level since Feb 2011, VN-Index ended the month at 518.4, making a gain of 9.25%. HNX and VN30 also recorded significant gains of 10.72% and 8.5%, to close at 64.62 and 582.0, respectively.

VAMC approved, big move to clean up the banks

Decree 53/2013/ND-CP in regards to the establishment of the Vietnam Asset Management Company (VAMC) was officially signed by the Prime Minister on 21 May. The Governor estimates that VAMC would purchase about 40-70 trillion VND worth of NPLs this year, in the effort to clean up banks' balance sheets to boost credit. Up to May 22, the credit growth has been merely 2.29% YTD, which is not very different to that of 2.11% YTD at the end of April. Hence, VAMC establishment together with a delay of Circular 02, the stricter loans classification & provisioning guideline, is expected to improve credit substantially in the rest of 2013.

Price remains subdued, macro improved

The economy is showing some signs of improvement, at least in the confidence from the investor's perspective. Inflation slowed to 6.36% YoY in May, after the

consumer price index continued to decrease 0.06% compared to last month. This is the third consecutive month on the downtrend as food and foodstuff component continued experiencing a decline. So far, inflation risk has been easing and the government's focus is now on faster growth stimulation.

Export looks good, domestic demand still weak

While export market continued its modest recovery, local consumer spending erred on the conservative side. Exports climbed 15% y-o-y in the first five months compared to last year's, however the balance still remains in deficit as imports grew even faster at 16.8% y-o-y. Good improvement in the level of new export order in May was not able to offset the decline in domestic demand, which results in a big drop of the HSBC PMI from 51.0 last month to 48.8, below the neutral 50.0 mark for the first time since February

Liquidity surplus brings down deposit rate

Since deposit growth eclipses credit growth (5.34% vs 2.1% in 4m2013), banks have ample liquidity to continue cutting their deposit rates without SBV's cut on deposit rate cap. VCB was the first, followed by 3 other State owned commercial banks, to cut their deposit rates by 0.5% - 1% depending on deposit terms.

As inflation looks tamed, SBV lowered the refinancing and discount rates by 1% and OMO by 0.5%. In addition, SBV reduced lending cap for prioritized sector to 10% pa

as well as required all banks to lower their lending rate to 13% pa. However, reducing deposit rate and then lending rate will not certainly help banks to lend out if NPLs still remains high and the economy is still weak.

Banks have almost balanced their gold positions.

After 24 auctions, 23.3 tons of gold were sold on total of 26.6 tons offered volume. As the deadline of 30th June is approaching, banks have stocked about 80% of amount of gold that needs to repay to depositors. However, the gap between domestic and global prices still remains wide at about 5mn per tael, the objective to stabilize gold market may only be achieved after 30th June, by which the banks must close all their gold accounts.

Our view

Government solutions to long-term issues of the economy, including high NPL and freezing real estate market, finally came out after a long time discussion and waiting, have supported the stock market to move high and along with deposit rates cut, more money have flowed back to the stock market. However domestic economy still remains weak as business confidence and domestic consumption have not really uplifted and banks still struggle to lend out. Signs of economy turnaround are still elusive. Thus we keep our cautious view on the domestic economy and watchful on how the banking reform will actually take place. In the mean time, we continue to hold and pick stocks that we have strong conviction in based on their resilient business, solid balance sheet and attractive valuation.



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%	8.8%	3.8%	14.4%	13.2	11.5	10.7	9.4	7.2	2.9	4.4	22.4	30.7	17.9	15.3	3.47
Automobiles & Components	0.7%	9.0%	7.7%	20.5%	7.8	7.7	9.2	9.2	5.5	1.8	4.4	20.8	19.2	13.0	7.8	0.5
Banks	28.2%	4.1%	-8.9%	-6.0%	11.7	11.3	10.4	9.2	7.0	1.4	6.1	12.3	37.7	16.3	11.4	10.6
Capital Goods	2.2%	18.6%	11.9%	20.1%	8.5	8.4	8.0	7.6	6.2	1.6	5.3	19.2	23.3	15.6	17.1	-0.1
Commercial Services & Supplies	0.2%	3.8%	13.2%	38.6%	6.3	5.5	5.0	4.6	3.8	2.0	5.6	34.5	25.4	9.6	7.4	0.6
Consumer Durables & Apparel	0.4%	7.9%	0.1%	-4.8%	6.5	7.6	7.5	7.1	6.5	1.2	6.7	16.0	11.9	6.3	4.4	0.6
Consumer Services	0.3%	-0.7%	15.4%	23.6%	8.9	8.3	7.6	7.1	6.0	2.1	-	22.5	46.9	34.6	29.6	-0.4
Diversified Financials	2.1%	10.8%	-4.5%	-1.6%	19.8	11.6	10.2	8.9	7.0	1.2	6.3	11.0	69.5	65.0	50.2	-0.9
Energy	17.4%	15.2%	19.1%	35.8%	10.9	10.6	9.5	8.3	6.0	3.8	2.4	32.2	19.9	15.5	12.4	-0.1
Food & Staples Retailing	0.1%	33.9%	41.5%	40.4%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	21.4%	4.9%	7.6%	20.9%	17.8	16.2	14.4	12.6	10.5	6.3	2.6	33.3	32.9	20.9	18.7	-0.3
Household & Personal Products	0.3%	1.2%	6.6%	11.0%	8.4	6.6	6.9	6.1	6.4	0.8	8.4	14.4	25.4	8.2	9.5	0.5
Insurance	6.0%	9.1%	-7.5%	13.4%	7.0	6.5	6.4	6.0	3.9	0.7	4.4	11.5	34.4	6.3	28.3	-1.1
Materials	6.1%	11.6%	13.4%	25.2%	8.4	8.3	7.6	6.6	5.7	1.8	4.9	23.4	28.3	19.4	18.4	-0.1
Pharmaceuticals & Biotechnology	1.6%	0.6%	12.8%	14.3%	11.0	8.8	8.4	6.8	4.9	2.5	3.0	26.6	43.5	15.6	14.5	-0.2
Real Estate	7.8%	12.1%	-7.7%	3.4%	37.4	19.7	15.7	9.9	6.3	1.3	9.0	8.0	26.5	15.8	11.3	1.7
Retailing	0.5%	22.6%	25.9%	32.5%	11.0	7.2	6.9	5.9	4.9	1.2	4.1	16.4	8.3	2.9	2.0	0.2
Software & Services	0.2%	-14.4%	-12.6%	-16.2%	6.0	5.6	4.5	5.1	4.3	0.7	39.0	13.6	21.5	12.7	9.7	-0.1
Telecommunication Services	1.3%	17.9%	14.8%	14.8%	8.5	6.9	5.8	5.3	4.5	1.7	4.5	23.8	19.2	9.8	6.4	-0.1
Transportation	1.5%	9.6%	6.0%	27.2%	21.5	6.8	15.6	13.6	8.6	1.2	4.0	17.2	24.9	17.9	20.0	0.1
Utilities	1.7%	30.1%	36.5%	61.9%	14.8	9.0	14.6	14.1	8.6	1.8	4.1	18.8	26.1	22.7	51.7	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

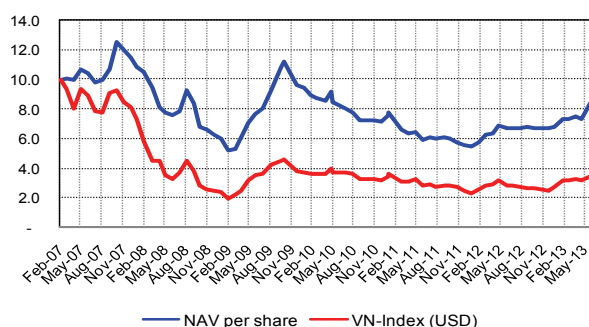
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.36
May-13	13.6%
YTD	22.4%
Since inception (Feb 07)	-16.4%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

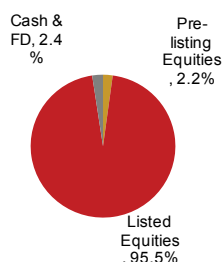
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end May, the Fund's NAV per share was US\$8.36. With a 13.59% MoM increase, the Fund was up 22.4% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 4.77% MoM, 49.05% since inception.

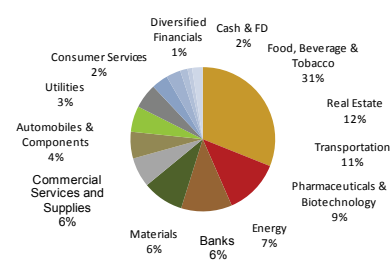
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

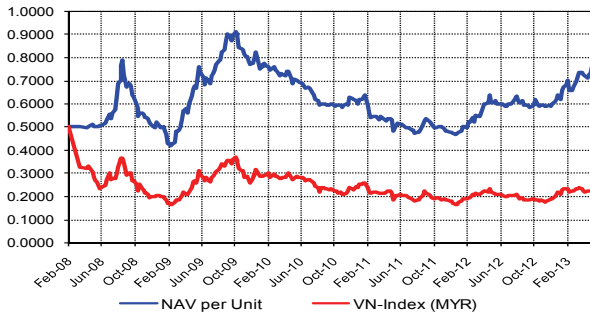


Hong Leong Vietnam Fund (HLGVF)

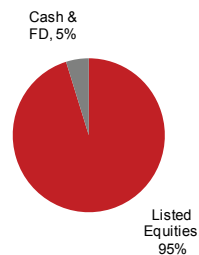
NAV per unit	RM 0.8069
	US\$ 0.2641
May-13	11.98%
YTD	34.69%
Since inception (Feb08)	61.4%
Bloomberg	HLGVIET.MK

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 May, the Fund's NAV per unit was RM0.8069. With a 11.98% MoM increase, the Fund was up 34.69% YTD, 61.38% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 3.55% MoM, 9.3% YTD and 113.87% since inception.

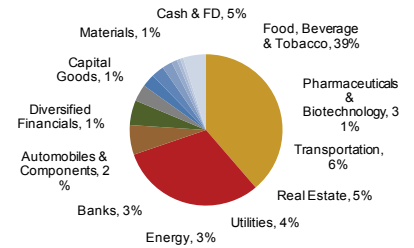
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

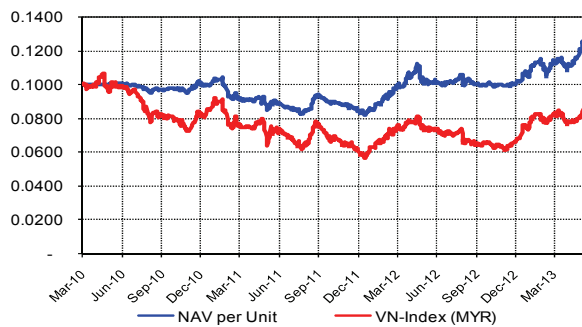


Hong Leong Vietnam Strategic Fund (HVSF)

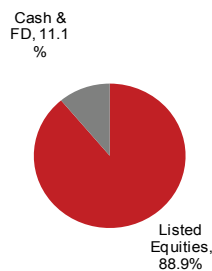
NAV per unit	RM 0.1260
	US\$ 0.041
May-13	13.31%
YTD	23.05%
Since inception (Feb08)	26.00%

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 May, the Fund's NAV per unit was RM0.1260. With a 13.31% MoM increase, the Fund was up 23.05% YTD, 26% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 3.03% MoM and 41% since inception.

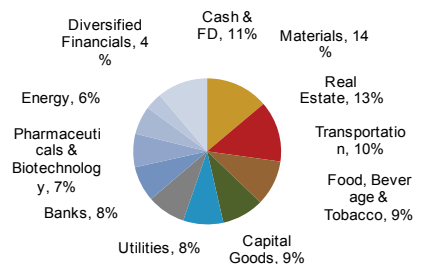
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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