

## Market Update

All three main indices soared this month as inflation decelerated more than expected while the November trade balance came in a surplus mostly thanks to the FDI sector. The VN-Index advanced 2.15%, in line with a 2.56 % gain of the VN30, to close at 507.78, the highest in three months while the HNX also edged up 5% to close November at 65.19.

### Inflation slowdown on gasoline price cut

According to the General Statistics Office, CPI grew only 0.34% m-o-m in November, significantly lower than the 0.49% a month earlier. The deceleration of CPI is attributable to 2 consecutive gasoline price cuts since the beginning of October, which resulted in a 0.03% decline of the transportation basket. On the other hand, although the food and foodstuff basket continued to be the major component contributing to CPI growth, its advance was not significant despite the Central region's suffering from tropical storm and floods this month. In fact, food and foodstuff items increased only 0.62% m-o-m and contributing 0.24% to total growth.

### November trade balance surplus driven by FDI sector

Vietnam exports increased 16.2% y-o-y while the pledged foreign direct investment surged 54 percent to VND20.8bn in the first 11 months of the year. Accordingly, the trade balance in November marked a surplus of USD50mn, backed by export of USD12.3bn. As a result, the YTD trade deficit narrowed from USD146mn as at the end of October to USD96mn by the end of November. Noticeably, in the Jan-Nov period, the FDI sector

accounted for 67% and 57% of export and import values, respectively.

### Moderate improvement in both demand and supply

The overall economy has seen a moderate improvement in both supply and demand sides. According to the GSO, the index-industry products (IIP) for the first 11 months of 2013 advanced 5.6% y-o-y, driven largely by the manufacturing and processing industry. Meanwhile, the HSBC Purchasing Managers' Index (PMI) was recorded at 50.3 in November, above the crucial 50.0 mark for a third consecutive month, which generally indicates an expanding manufacturing economy. On the demand side, retail sales' nominal growth and real growth in the first 11 months came in at 12.6% y-o-y and 5.6% y-o-y, respectively. Compared to September's 5.3% YTD retail sales real growth, the growth achieved in November (5.6%) implies an encouraging improvement.

### Government's effort to accelerate the disbursement progress of the social housing package

The progress of the VND30 trillion social housing packages has been slow with only VND400 bn being disbursed. Thus the Ministry of Construction has eased some requirements on application to widen the range of applicants. However the main reason of the slow pace of disbursement seems to be the banks' reluctance to lend amidst high property-related NPLs and concern on credit-worthiness of applicants.

### More progress on banking system reform

In 10M2013, credit growth reached 6.8%. Given credit growth increased dramatically in the last few months of 2012, the Governor still believes credit growth this year can hit the target of 12%. Sector-wide NPL in 9m2013 came to VND 142bn, equivalent to 4.62% of total loan outstanding, slightly down from 4.64% as at the end of August. SBV is urging to restructure the banking system comprehensively. Along with 9 weak banks previously, of which 8 have completed the first stage of their restructuring plan, another 8 weak credit institutions have been requested to submit their restructuring plan. This, hopefully, will help to bring NPL down further.

### Our view

The economic recovery still remains relatively slow but the progress is more visible now. Under-control inflation, good FDI inflow and positive trade balance are the Government's remarkable achievements this year. In fact, FDI sector is becoming the main driver to help boost export value and strengthen production activities. On the other hand, the Government continued to affirm the dominance of state companies in the new revised constitution, which caused people to start feeling skeptical about the ongoing economic reform, because state companies are the key source of economic vulnerability, according to the IMF. Encouragingly, the lower than expected inflation will leave room for further growth boosting efforts in the New Year. We are getting more optimistic and will continue to search for long-term winners that can ride through this bottom successfully and at the same time are well-positioned to benefit from the imminent economic turnaround in 2014.



## 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%	1.8%	7.5%	13.8%	14.9	12.5	12.0	10.7	8.9	3.4	4.7	24.9	31.8	19.3	16.5	3.1
Automobiles & Components	0.9%	1.8%	7.1%	16.2%	8.8	8.9	8.7	7.5	5.4	2.2	4.2	23.5	21.5	14.9	10.0	0.6
Banks	24.3%	-1.4%	5.7%	-10.5%	8.5	12.5	12.2	11.2	10.3	1.5	5.1	10.6	38.4	16.1	11.0	11.4
Capital Goods	2.3%	6.7%	9.2%	27.0%	9.3	10.1	9.3	8.6	7.7	1.7	5.6	18.1	33.4	17.8	22.2	0.3
Commercial Services & Supplies	0.3%	8.0%	4.9%	54.1%	7.7	11.8	11.8	11.6	11.0	1.2	5.4	14.4	29.0	11.1	7.9	-0.1
Consumer Durables & Apparel	0.4%	7.2%	11.6%	8.9%	7.7	7.5	6.9	6.7	5.7	1.4	6.4	17.6	12.5	7.1	4.6	0.5
Consumer Services	0.3%	11.0%	15.9%	42.0%	10.1	9.8	9.1	8.5	7.4	1.8	-	17.3	56.0	32.9	30.0	-0.3
Diversified Financials	1.7%	8.3%	8.6%	-7.2%	25.0	10.8	9.6	8.4	6.5	1.0	6.4	9.4	67.7	63.4	51.3	-0.8
Energy	18.1%	2.1%	2.3%	48.2%	12.0	10.4	9.9	9.3	7.9	4.0	4.6	34.9	21.5	16.9	14.8	-
Food, Beverage & Tobacco	23.4%	0.7%	5.1%	11.6%	20.4	16.3	14.6	12.6	9.6	7.0	2.6	36.4	34.9	23.3	20.4	-0.2
Household & Personal Products	0.3%	15.9%	31.1%	52.5%	9.7	7.2	7.2	6.5	6.6	1.1	5.7	16.8	24.1	8.1	9.1	0.3
Insurance	4.1%	3.0%	18.0%	-2.8%	7.0	6.5	6.4	6.0	3.9	0.7	4.2	11.4	33.4	6.2	28.9	-1.1
Materials	5.6%	4.4%	13.3%	24.8%	10.1	7.1	7.2	6.8	6.7	1.9	5.4	25.8	25.8	18.6	16.8	0.1
Pharmaceuticals & Biotechnology	1.7%	0.9%	7.2%	28.9%	12.1	11.2	10.2	9.0	6.6	3.3	2.7	27.6	44.9	17.3	15.0	-0.2
Real Estate	11.4%	3.6%	11.8%	-0.1%	56.3	21.4	16.0	10.7	7.5	1.5	10.8	8.9	32.2	22.1	15.2	0.9
Retailing	0.5%	6.9%	15.3%	31.4%	7.2	5.1	5.5	5.3	5.2	1.0	6.8	18.4	7.7	2.9	2.2	-0.2
Software & Services	0.1%	11.4%	-9.7%	-19.6%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.6%	4.9%	13.7%	26.9%	8.3	7.2	5.7	4.8	3.6	2.0	4.2	26.1	18.7	8.8	6.1	-
Transportation	1.5%	4.4%	26.0%	41.2%	18.8	9.7	30.8	25.9	17.7	1.4	5.5	16.5	23.4	16.4	16.6	0.2
Utilities	1.7%	8.9%	15.8%	51.8%	13.0	11.8	9.3	7.6	6.0	1.6	3.6	14.1	22.4	19.4	29.7	0.5

As at 29 Nov 2013

\* 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

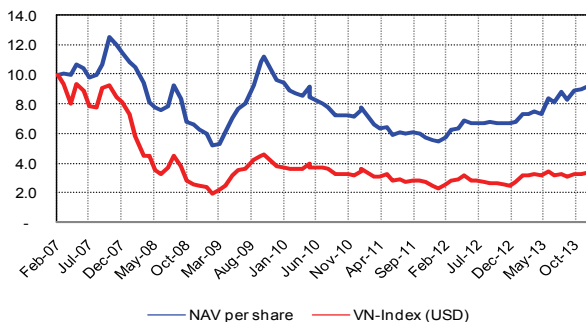
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.15
Nov-13	1.8%
YTD	34.0%
Since inception (Feb 07)	-8.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

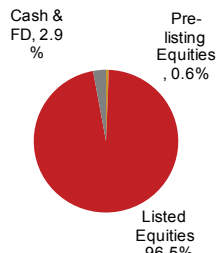
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end November, the Fund's NAV was \$9.15. With a 1.78% MoM increase, the Fund's NAV was up 33.97% YTD. The Fund continued to lead the VN-Index (US\$), recording outperformance of 12.86% YTD and 57.83% since inception.

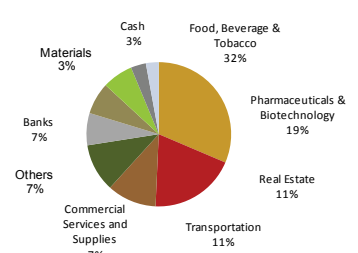
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



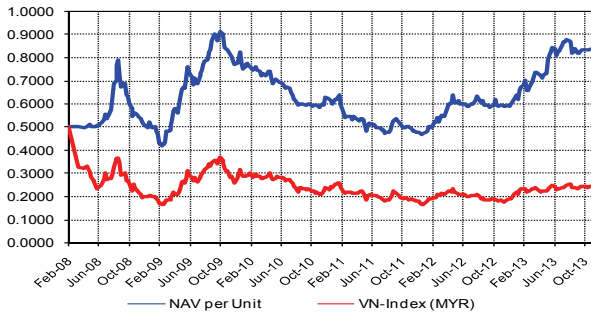
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.8500
	US\$ 0.2637
Nov-13	2.07%
YTD	41.88%
Since inception (Feb08)	70.0%
Bloomberg	HLGVIET.MK

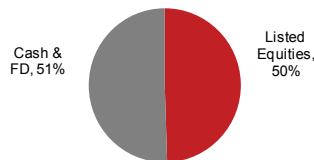
HLGVF is an actively-managed open-ended unit trust for Malaysian HNW investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end November, the Fund's NAV was RM 0.8500. With a 2.07% MoM increase, the Fund's NAV was up 41.88% YTD, 70% since inception, and outperformed the VN-Index (MYR) by 11.95% YTD, and 120.77% since inception.

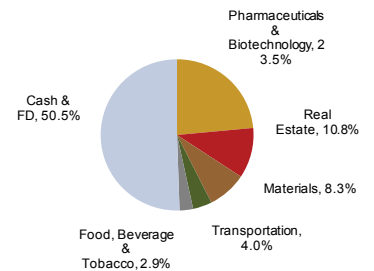
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



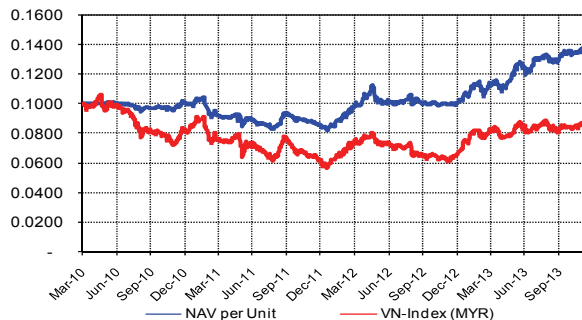
## Hong Leong Vietnam Strategic Fund (HVSF)

NAV per unit	RM 0.1374
	US\$ 0.042
Nov-13	2.46%
YTD	34.18%
Since inception (Feb08)	37.40%

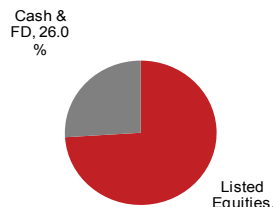
HVSF is an open-ended unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end November, the Fund's NAV was RM 0.1374. With a 2.46% MoM increase, the Fund's NAV was up 34.18% YTD, 37.4% since inception, and outperformed the VN-Index (MYR) by 6.29% YTD, and 50.27% since inception.

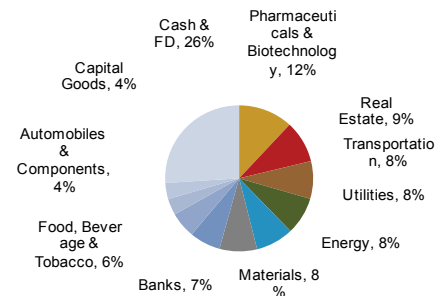
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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