

Market Update

The market went sideways during the month of October, but ended slightly up, with improved liquidity, as inflation slowed and currency was kept under control. Ending the month, both the VN-Index and HNX increased 1.1% to close at 497.4 and 61.6, respectively, whilst the VN-30 made a slightly smaller gain of 1%, to close at 557.3.

Inflation is no longer a major concern this year

Although some tropical storms in October caused food and foodstuff prices to surge, the general consumer price index increased only 0.49% m-o-m. Consequently, the inflation headline marked a considerable deceleration from the annualized number of 6.3% posted in September, down to 5.92% y-o-y in October, which is far below the Government's year-end target of 7-8%. Though inflation might accelerate once again in the last two months due to the year-end festivities, it is no longer a big threat to policy makers.

FDI disbursement exceeds full year target after 10 months

In the first 10 months of 2013, Korean, Singaporean, Chinese and Japanese investors became the biggest foreign investors in Vietnam with an aggregate contribution of 75% of total registered FDI. In fact, since the beginning of this year, FDI remains in the spot light as USD9.6bn has been disbursed (equivalent to a 6.4% y-o-y increase), which has exceeded the full-year target. Besides,

strong growth of export is lending support to trade balance and the foreign reserves. In a recent report, the Government confirmed the FX hoarding level of 12 weeks of import, which is equal to around USD32bn based on the weekly average imports value in last 10 months. This record amount is keeping the Dong's value quite stable.

The state budget is under serious debate

According to the General Statistics Office, the budget deficit reached VND146 trillion or 91% of the yearly target. In the ongoing National Assembly meeting, the Prime Minister mentioned that the deficit level may touch 5.3% of GDP rather than the previously approved 4.8%. To maintain fiscal policy and public expenditures, the government proposed an increase in the ceiling of budget deficit to 5.3% of GDP for both 2013 and 2014. In addition, the bond issuance plan for the 2014-2016 period is also proposed to amount to VND170 trillion.

Fast execution of VAMC, more swap deals expected to come

Since the beginning of the month, VAMC has signed contracts to swap NPL baskets totaling more than VND 11 trillion from 14 banks, 70% of which are from real estate sector. VAMC plans to swap at least VND 30 trillion worth of bad debts this year and VND100-150 trillion worth of bad debt next year. On the other hand, a refinancing rate of 2% for banks using VAMC bonds as collateral has been proposed to Government. As part of the package, this is to provide banks with cheaper

financing than current refinancing rate of 7%. Though VAMC is not a direct solution for long-term bad debt issue of the banking system, it should be seen as a catalyst that would support banks' liquidity at a lower cost as well as help enterprises access new financing options.

Our view

Serious Government effort in maintaining macro stability since the beginning of the year are creating better results in October as both inflation and currency are being well managed. Economic activity has buoyed, as can be seen from the October PMI, which maintained at the same level of 51.5 as September, the second highest level in the survey history. Although domestic demand is picking up rather slowly, strong external order and excellent foreign direct investment in the first 10 months are helping the recovery process. It seems clear that the Vietnamese economy has hit the bottom and the million-dollar question now is how long it takes to actually get out of the doldrums. The answer would much rely on the Government's determination in solving structural problems such as bad debt in the banking system or SOEs reform. We think that the speedy execution of VAMC would help reduce bad debts and hopefully stimulate the economy enough to bring about a faster recovery. In the mean time, we remain cautiously optimistic and 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.



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%	1.3%	1.2%	12.0%	14.5	12.4	11.6	10.2	8.3	3.3	4.9	24.2	31.6	19.2	16.0	3.12
Automobiles & Components	0.9%	-1.0%	1.9%	14.5%	8.6	8.7	8.3	7.1	5.0	2.2	4.3	23.1	21.1	14.6	9.8	0.6
Banks	24.0%	5.1%	1.4%	-9.4%	8.2	12.2	11.8	10.8	9.9	1.4	5.7	11.0	39.2	16.6	11.4	11.6
Capital Goods	2.3%	-1.8%	-0.9%	19.3%	8.7	8.1	8.6	7.9	7.0	1.6	5.5	19.5	24.9	17.3	20.3	-0.1
Commercial Services & Supplies	0.3%	-2.4%	-2.2%	42.2%	7.4	11.3	11.3	11.2	10.5	1.2	5.6	13.8	28.9	10.9	7.7	-0.1
Consumer Durables & Apparel	0.4%	1.7%	4.1%	1.7%	7.0	6.8	6.4	6.1	5.3	1.2	7.0	17.5	12.1	6.9	4.5	0.5
Consumer Services	0.3%	-0.9%	6.4%	28.4%	10.4	9.5	8.8	8.1	6.9	2.9	-	25.8	71.8	49.4	45.9	-0.6
Diversified Financials	1.7%	-3.5%	-2.0%	-14.7%	22.7	9.5	8.4	7.4	6.0	0.9	7.4	10.3	73.2	67.3	54.9	-0.9
Energy	18.5%	-3.7%	0.9%	45.9%	11.8	10.2	9.7	9.2	7.8	4.0	4.7	35.0	21.5	16.9	14.8	-
Food, Beverage & Tobacco	23.7%	-1.8%	-4.4%	10.5%	20.6	16.7	14.4	12.2	8.1	6.9	2.6	35.7	36.0	23.6	20.6	-0.3
Household & Personal Products	0.3%	12.0%	14.4%	30.5%	8.2	6.1	6.1	5.5	5.5	1.0	5.4	18.4	22.2	6.6	9.2	0.3
Insurance	4.0%	5.7%	-3.6%	-6.4%	7.6	7.1	7.0	6.6	3.4	0.8	4.3	11.2	32.1	6.3	30.5	-1.2
Materials	5.6%	2.4%	10.2%	20.5%	9.1	7.3	7.3	6.8	6.8	1.8	5.7	24.6	26.0	18.3	16.5	0.1
Pharmaceuticals & Biotechnology	1.7%	0.1%	0.2%	27.7%	11.4	10.4	9.6	8.4	6.3	3.1	2.9	27.4	44.1	17.2	14.8	-0.2
Real Estate	11.2%	7.2%	7.8%	-2.2%	61.5	27.1	16.1	10.3	6.8	1.6	9.6	8.0	34.5	23.4	13.3	0.9
Retailing	0.5%	-2.0%	7.0%	22.2%	7.1	5.0	5.4	5.2	5.2	1.0	6.9	18.3	6.8	2.6	2.0	-0.3
Software & Services	0.1%	-4.6%	-8.5%	-27.4%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.6%	1.5%	8.5%	21.6%	8.3	7.4	5.9	5.0	3.7	1.9	4.3	25.7	18.8	8.7	6.0	-
Transportation	1.4%	4.1%	17.5%	34.3%	16.8	9.6	27.8	23.3	15.5	1.3	3.4	16.2	22.1	15.6	16.4	0.2
Utilities	1.7%	1.7%	-3.0%	38.3%	11.7	12.9	14.4	11.9	11.9	1.4	5.4	11.9	24.7	21.3	24.8	0.3

As at 31 Oct 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

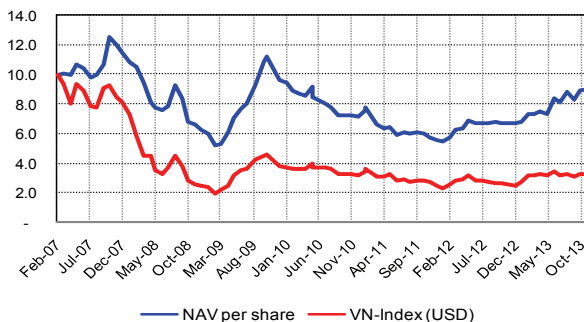
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.99
Oct-13	1.2%
YTD	31.6%
Since inception (Feb 07)	-10.1%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

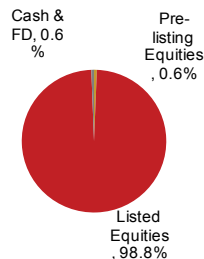
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end October, the Fund's NAV per share was US\$8.99. With a 1.24% MoM increase, the Fund was up 31.63% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 0.21% MoM, 12.88% YTD and 56.88% since inception.

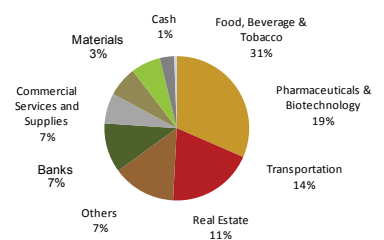
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

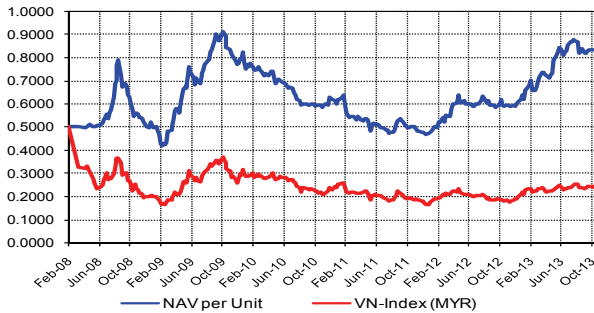


Hong Leong Vietnam Fund (HLGVF)

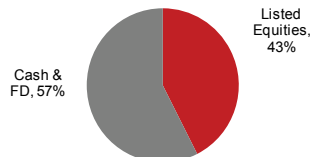
NAV per unit	RM 0.8328
	US\$ 0.2636
Oct-13	1.50%
YTD	39.01%
Since inception (Feb08)	66.6%
Bloomberg	HLGVIET.MK

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 October, the Fund's NAV per unit was RM0.8328. With a 1.5% MoM increase, the Fund was up 39.01% YTD, 66.56% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 0.45% MoM, 13.31% YTD and 118.93% since inception.

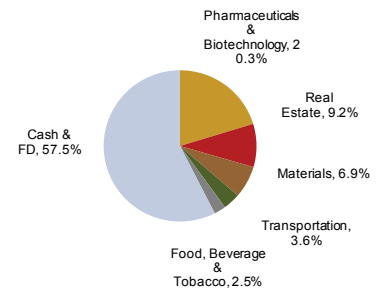
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

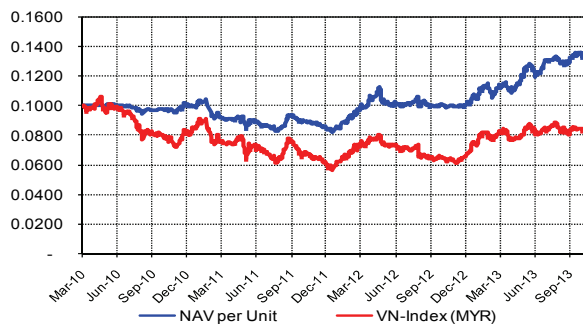


Hong Leong Vietnam Strategic Fund (HVSF)

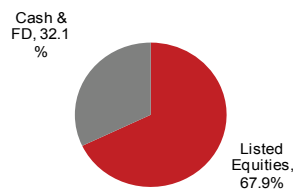
NAV per unit	RM 0.1341
	US\$ 0.042
Oct-13	0.30%
YTD	30.96%
Since inception (Feb08)	34.10%

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 October, the Fund's NAV per unit was RM0.1341. With a 0.3% MoM increase, the Fund was up 30.96% YTD, 34.1% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 2.39% MoM, 8.53% YTD and 50.7% since inception.

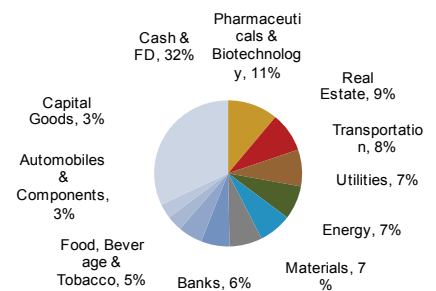
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



Disclaimer: This report has been prepared by Vietnam Asset Management Limited ("VAM") or an affiliate thereof and has been prepared on the basis of information obtained from sources VAM considered to be reliable, but VAM does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness. VAM may use certain assumptions or models in the preparation of this report and different assumptions may provide substantially different results.

No representation is made that any investment or recommendation contained herein is suitable or appropriate for the recipient and does not constitute an advertisement, solicitation or offer to buy or sell securities, futures, options or other financial instruments in Vietnam or any other jurisdiction. This report shall not be a substitute for the exercise of the recipient's judgment in making an investment decision and VAM accepts no liability for investment losses.

VAM, its affiliates, related companies and its respective directors and employees, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities, referred to in this research.

VAM, its affiliates, related companies and its respective directors and employees accept no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein or further communication thereof, even if VAM or any other person has been advised of the possibility thereof.

Copyright 2013 Vietnam Asset Management Limited. No part of this report may be reproduced or distributed without the prior consent of Vietnam Asset Management Limited. All rights reserved. This report may only be distributed as permitted by applicable law.