

Market Update

Stocks on Vietnam's main board rebounded strongly in September thanks to good news flow from home and abroad. The VN-Index jumped 4.20% to close September at 492.63, in line with a 3.83 % increase in the VN30 index. On the contrary, the Northern bourse (HNX Index) dipped 0.38% to close at 60.95.

Recovery in production boosted GDP growth

The underlying economic conditions posted a solid improvement, as seen in the marked rises in new business and employment during September, according to the latest HSBC PMI survey. Indeed, the remarkable increase in new orders caused the HSBC PMI index to climb to a record high of 51.5. Better manufacturing activities caused GDP to expand at 5.54% y-o-y in the third quarter, up from a 5% y-o-y gain of the previous three months. In the nine months through September, the economy grew 5.14% compared to the same period last year. Although this growth looks decent in the context of current stagnant demand, it still leaves us quite far from the government's full year GDP growth target of 5.5%.

Subdued inflation creates room for more monetary intervention

In September, education item was the leading mover, up 10.66%; on the other hand, the impact of electricity hike on the CPI

was less than expected. Consequently, the consumer price index edged up merely 1.06% m-o-m, which brought inflation headline to 6.3% y-o-y by the end of this month. In the last three months of 2013, if the month-on-month growth of CPI is at the same level as those of last year, inflation might stand at below 7%, which is better than the initial Government target of 7-8%. As a result, room for further rate cuts to bolster the economy is still available in the rest of this year.

A new development of VAMC's operations

SBV has just released Circular 19 and 20 to provide regulatory framework for bad debt trading process and refinancing loan. A notable point is that requirement on bad debt's collateral has been eased. Both circulars were effective from 15th Sep in preparation for VAMC to implement its first debt purchase. On the other hand, as VAMC was officially established later than expectation, SBV has reduced its bad debt purchasing target for 2013 from VND 70 trillion to VND 30trillion, yet we think that this is still quite ambitious for VAMC to achieve in the last 3.5 months of the year.

The Premier's commitment to restructure the economy

In a recent interview with Bloomberg, the Prime Minister showed his determination to resolve problems in the banking system and state owned enterprise sector. He pledged to

welcome foreign investors to get more involved in the banking system reform by increasing foreign room. Besides, the Premier also committed to boosting the equitization progress of SOEs in the foreseeable future. On the other hand, he mentioned the possibility of currency devaluation by up to 2% by the year-end, which, to our relief, is no news since this is what the market had expected since the beginning of this year.

Our view

Positive macro data and the easing of external concerns caused the stock market to rise and to end September with a bang. Besides an accelerating GDP growth and subdued inflation, reforms in the banking system and state-owned enterprises sector, which are the key sources of the economic vulnerability, are gradually taking shape. Strong commitment from the Prime Minister as shown on international media recently brought some hope to the market about a faster economic recovery. Furthermore, the fact that the government is opening up to the world and seeking further involvement of foreign investors in restructuring key industries via selectively expanding foreign room will likely add excitement to Vietnam's stock market in the long run. We remain cautiously optimistic and will continue to look for stocks with solid fundamentals that will benefit from the improving economic outlook in the near term, and from the structural economic shifts that Vietnam is going through in the longer run.



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%	-0.4%	0.9%	11.4%	13.8	12.7	11.5	9.9	7.6	3.4	4.8	24.3	31.1	18.7	15.9	2.89
Automobiles & Components	1.0%	1.7%	-1.1%	14.4%	8.4	8.5	9.1	7.8	5.2	2.1	4.4	23.9	21.7	15.1	10.2	0.6
Banks	23.8%	-3.2%	-9.0%	-15.9%	7.6	13.1	11.0	9.4	7.2	1.3	5.8	9.9	37.7	14.8	10.1	11.3
Capital Goods	2.4%	-1.2%	3.6%	20.8%	8.5	9.0	8.6	7.9	7.0	1.6	5.9	18.5	30.6	17.6	21.4	0.2
Commercial Services & Supplies	0.2%	0.6%	10.9%	43.8%	6.9	5.7	5.0	4.4	3.5	1.6	5.5	28.8	29.7	10.9	7.8	0.5
Consumer Durables & Apparel	0.4%	0.3%	0.5%	-0.6%	6.6	7.0	7.0	6.7	6.1	1.2	6.8	17.5	13.0	7.3	4.8	0.5
Consumer Services	0.3%	4.2%	5.5%	31.1%	10.5	9.6	8.9	8.1	6.9	2.2	-	22.0	67.9	45.6	42.9	-0.4
Diversified Financials	1.8%	-0.9%	-7.2%	-13.5%	14.8	8.9	7.9	6.9	5.5	1.0	6.9	11.2	71.6	67.6	55.2	-0.9
Energy	20.0%	1.1%	14.6%	51.1%	12.3	10.7	10.2	9.7	8.2	4.3	4.5	35.0	21.4	16.8	14.8	-
Food, Beverage & Tobacco	25.8%	0.5%	0.8%	10.7%	20.2	17.3	14.4	11.7	7.9	6.8	2.7	34.2	33.3	22.2	19.0	-0.3
Household & Personal Products	0.3%	-5.7%	8.7%	15.7%	8.1	6.6	6.6	5.8	5.7	1.0	6.2	16.2	24.6	8.0	8.2	0.5
Insurance	4.6%	-2.4%	-11.2%	-12.1%	5.6	4.7	4.7	4.0	3.3	0.7	4.4	13.1	47.6	8.6	31.0	-1.5
Materials	5.5%	3.9%	5.9%	17.5%	10.0	6.9	6.9	6.5	6.5	1.6	6.1	24.0	25.2	17.8	16.2	0.1
Pharmaceuticals & Biotechnology	1.8%	2.3%	9.1%	27.2%	12.7	11.6	10.5	8.8	6.0	3.3	2.9	26.9	44.0	14.6	13.9	-0.2
Real Estate	6.9%	-2.2%	-3.9%	-9.6%	52.2	22.3	15.6	9.9	6.5	1.3	11.2	9.2	35.3	24.9	15.5	0.8
Retailing	0.5%	3.6%	4.4%	23.2%	6.5	4.8	5.4	5.2	5.2	1.0	6.9	19.0	7.2	2.8	2.1	-0.2
Software & Services	0.1%	-16.4%	-19.2%	-27.6%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.4%	2.7%	9.5%	19.3%	8.6	7.0	5.9	5.3	4.5	1.9	4.4	24.3	19.1	9.8	6.4	-0.1
Transportation	1.4%	7.2%	9.8%	25.6%	15.3	7.5	25.6	21.8	14.7	1.3	3.7	17.1	22.2	15.7	17.5	0.1
Utilities	1.9%	-2.1%	-4.7%	35.3%	12.3	13.1	14.8	12.2	12.1	1.4	4.9	11.4	24.6	21.4	24.3	0.4

As at 30 Sep 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

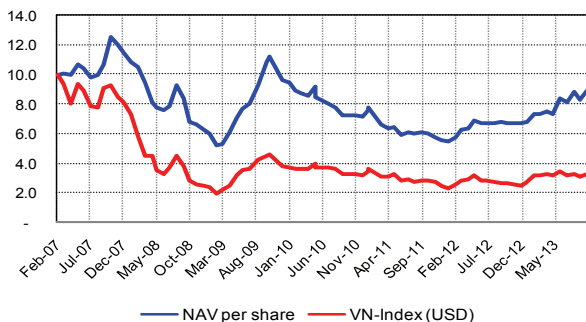
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$8.88
Sep-13	7.2%
YTD	30.0%
Since inception (Feb 07)	-11.2%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

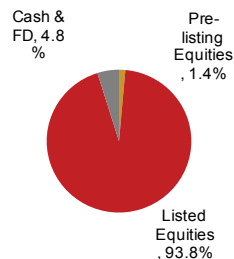
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end September, the Fund's NAV per share was US\$8.88. With a 7.25% MoM increase, the Fund was up 30.0% YTD, continued to lead the VN-Index (in US\$), recording outperformance of 2.82% MoM, 12.48% YTD and 56.12% since inception.

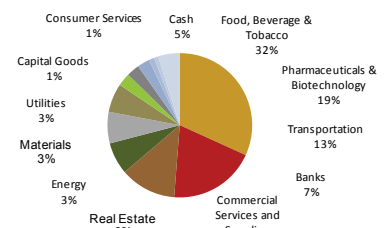
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

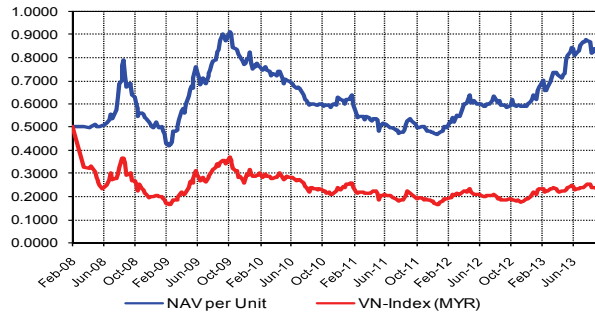


Hong Leong Vietnam Fund (HLGVF)

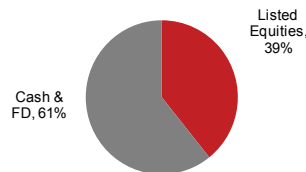
NAV per unit	RM 0.8205
	US\$ 0.2543
Sep-13	0.16%
YTD	36.96%
Since inception (Feb08)	64.1%
Bloomberg	HLGVIET:MK

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 September, the Fund's NAV per unit was RM0.8205. With a 0.16% MoM increase, the Fund was up 36.96% YTD, 64.1% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 1.09% MoM, 12.56% YTD and 116.96% since inception.

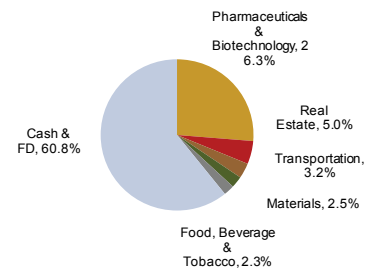
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

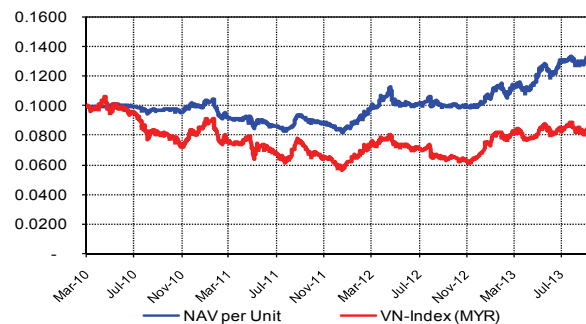


Hong Leong Vietnam Strategic Fund (HVSF)

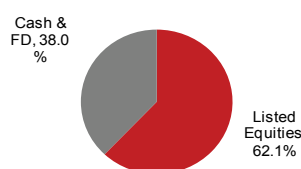
NAV per unit	RM 0.1337
	US\$ 0.041
Sep-13	3.80%
YTD	30.57%
Since inception (Feb08)	33.70%

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 September, the Fund's NAV per unit was RM0.1337. With a 3.8% MoM increase, the Fund was up 30.57% YTD, 33.70% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 0.66% MoM, 5.53% YTD and 48.51% since inception.

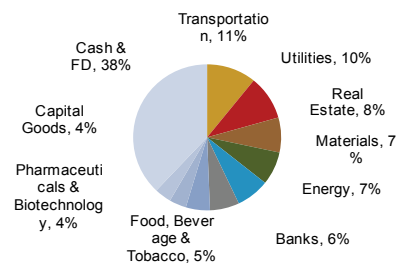
Performance vs. VII (JPY)



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.