

Market Update

The market had a tough month as all three indices gave way under profit-taking pressure. Ending the month, the VNIndex and VN30 dropped 2.3% and 5.7% to close at 578 and 632.1, respectively. The HNX fell 10.7% and closed at 79.88.

Inflation turned to mild positive from negative last month, ahead of the long national holiday.

Just before the week-long holiday, the transportation sub index became the leader mover in the inflation basket, up 0.33% MoM whilst food and foodstuff sub index increased only 0.15% MoM. Consequently, April's CPI picked up 0.08% MoM from a negative rate of -0.44% MoM in March, bringing the inflation headline to 0.88% YTD and 4.45% YoY by the end of April.

Thanks to the numerous holiday sales promotions, April's retail sales increased 2.4% MoM and 11.2% YTD. Retail sales' real growth for 4M2014 came in at 5.5% YoY, which was higher than that of the same period last year (4.7%). On the supply side, the index-industry products (IIP) in the first 4 months also recorded a healthy growth of 5.4% YoY, surpassing the rate of 4.8% in 4M2013.

YTD trade surplus narrowed due to April's trade deficit whilst registered FDI fell on absence of large projects

YTD trade surplus declined to USD 683mn, due to a trade deficit of USD 400mn in April. This month, export declined 0.6% MoM to USD 12.2bn whilst import rose 1% MoM to USD 12.6bn. Overall, for the first 4 months, export increased 17% YoY to USD 45.7bn whilst import was up 14% YoY to reach USD 45.1bn.

Due to the absence of large projects since the beginning of 2014, registered FDI slumped 40.9% YoY to USD 4.9bn (as 2 mega projects, a new Samsung project and additional capital for Nghi Son Refinery project, were signed in 1Q2013). However, disbursed FDI for 4M2014 still came in at USD 4bn, a growth rate of 6.7% YoY.

More updates on banking sector reform from the SBV press conference

As of 22nd April, credit growth reached 0.62% YTD, improving from 0.1% as at end of March, however, this was still below the growth rate of 1.4% of last year. Deposit growth came to 3.09% YTD, which was also lower than last year's rate of 5.34% due to 0.5%-1% drop in sector-wide VND deposit rates. As of 3rd April, loans with lending rates above 15% only accounted for 5.5% of total outstanding loans, a noticeable decline from 66% as at July 2012. Sector-wide NPL as at end of Feb 2014 was reported at 3.85% of total loans, equivalent to USD 5.8bn (VND 122trn), if including restructured debts, NPL came in at 9.71%, equivalent to USD 14.6bn (VND 308trn). The SBV will continue to restructure 6-7 underperforming banks by M&A measures to raise the number of dissolved banks to 9-10, thereby reducing the total number of commercial banks from currently 30 to 14-17 in the next three years.

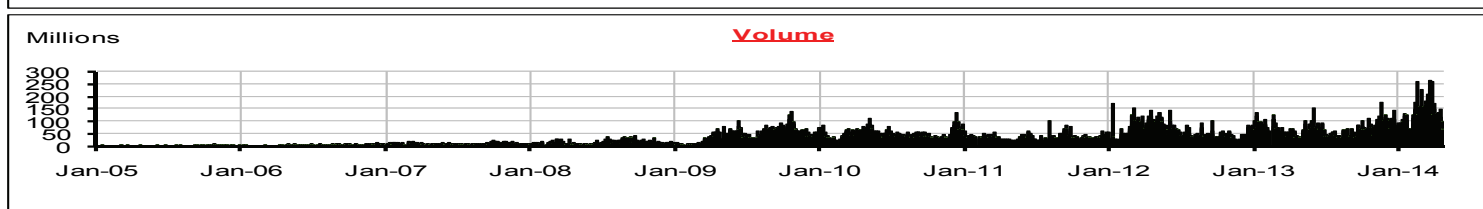
VAMC setting up procedures for selling NPLs to foreign investors

To date, VAMC has swapped USD 2.1bn (VND 45trn) of bad debts and plans to swap an additional USD 700mn (VND 15trn) of bad debts from now to end of June. VAMC is drafting a roadmap to form a debt trading market at market prices and to sell NPLs to investors,

especially to foreigners. However, some regulations such as foreign ownership are still hindrance to this effort of VAMC. In the meantime, the MoF is collecting suggestion from market participants on increasing foreign ownership ratio. This move is expected to facilitate not only VAMC's sale of NPLs but also helps attract more interest and contribution of foreign investors to Vietnam market. With these recent efforts, VAMC expects to sell the first basket of bad debts in Q3/2014.

Our view

The macro landscape continued to show improvements in April, with low inflation level, sustained trade surplus, stable currency and declining lending rates. After being negative in March, inflation started showing signs of stabilizing on improvements from both demand and supply sides. On the banking front, the Government's drastic efforts to reform the sector through M&A measures, VAMC's NPL purchases, and strict supervision on commercial banks' operations, are starting to build confidence that banking sector's health will be improved in the near future. Business confidence seems to have been restored as PMI hiked to the highest level in the survey history in April and has been above the 50 level for 8 months. Thus along with declining lending rates, slight recovery on the demand side witnessed in April hopefully will further buoy business activities and spur credit growth in the remaining months of 2014. In the mean time, we remain moderately optimistic on the economy and stock market. In fact, we think that the recent pullback of the stock market reveals good buying opportunities for some of the good-fundamentals stocks which we have always liked.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2013 PE	2014 PE	2015 PE	2016 PE	2018 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-2.7%	3.9%	14.5%	15.3	11.6	10.6	9.7	7.9	2.9	5.2	21.4	29.8	17.5	14.8	2.46
Automobiles & Components	0.9%	-5.9%	4.5%	15.3%	8.1	7.8	6.9	5.8	4.5	2.0	3.8	22.8	20.5	13.7	8.4	0.7
Banks	25.2%	-7.3%	-0.5%	5.8%	10.7	10.3	9.4	9.2	8.1	1.1	6.8	10.9	38.3	16.5	11.4	10.1
Capital Goods	2.6%	-9.6%	0.4%	14.2%	9.4	7.5	6.8	6.0	5.2	1.4	6.5	17.9	33.1	15.5	28.3	0.3
Commercial Services & Supplies	0.3%	0.4%	-2.4%	9.1%	7.5	6.8	6.1	5.2	4.4	1.4	4.5	21.8	29.0	10.2	7.6	0.2
Consumer Durables & Apparel	0.5%	-0.4%	2.2%	16.0%	8.5	6.8	6.5	5.5	4.6	1.2	6.3	17.2	12.4	7.4	4.6	0.6
Consumer Services	0.2%	-7.2%	6.8%	1.4%	6.6	6.1	5.6	5.1	4.6	1.5	-	21.8	62.4	44.9	40.0	-0.7
Diversified Financials	2.3%	-14.4%	18.7%	41.0%	13.0	10.7	9.6	8.8	7.2	1.1	6.2	11.0	63.1	57.6	59.4	-0.6
Energy	18.9%	14.9%	24.5%	46.3%	14.0	13.3	12.5	11.6	9.5	4.6	3.5	30.5	21.4	16.8	14.0	-0.3
Food, Beverage & Tobacco	20.2%	-1.8%	0.6%	8.9%	15.0	15.4	14.0	11.9	8.9	5.1	4.0	30.5	32.2	18.9	16.3	-0.3
Household & Personal Products	0.4%	-11.6%	-4.3%	0.5%	6.2	6.7	6.8	5.5	5.4	0.9	6.2	13.1	25.8	10.1	8.7	0.2
Insurance	4.1%	-17.7%	-14.7%	1.7%	6.8	6.7	6.3	6.1	5.4	0.6	4.0	10.5	33.4	6.1	26.1	-0.9
Materials	5.6%	-10.9%	-3.9%	5.6%	54.1	7.3	7.3	7.7	7.0	1.7	8.0	21.9	23.1	15.7	13.9	0.1
Pharmaceuticals & Biotechnology	1.6%	-2.8%	3.0%	10.7%	11.9	11.0	9.4	7.8	5.5	3.1	3.0	24.7	44.7	16.0	13.2	-0.2
Real Estate	11.9%	-12.5%	-4.9%	3.0%	18.2	17.8	14.2	12.1	8.2	1.0	9.4	6.5	38.7	27.3	15.0	0.9
Retailing	0.4%	-11.1%	1.7%	-0.2%	5.1	5.4	5.3	4.6	4.2	0.8	9.5	15.0	5.9	2.1	1.4	0.3
Software & Services	0.1%	-3.1%	16.7%	14.8%	6.2	4.5	4.8	4.0	4.0	0.6	40.7	15.8	19.8	11.0	8.5	-0.2
Telecommunication Services	1.9%	-3.0%	22.7%	43.3%	6.3	4.9	4.2	3.4	2.7	1.5	6.1	27.5	19.0	9.5	6.7	-0.1
Transportation	1.6%	-11.5%	-3.5%	2.1%	12.9	8.0	6.6	6.0	4.9	1.2	4.8	15.9	22.1	16.8	13.9	0.3
Utilities	1.6%	-6.8%	-8.5%	-2.0%	9.7	9.9	9.7	8.7	8.7	1.2	5.4	14.7	26.5	23.9	23.6	0.3

As at 30 Apr 2014

* Vietnam Market comprises of both the Ho Chi Minh Stock Exchange (HSX) and the Hanoi Stock Exchange (HNX).

*The Sector valuation table is generated by VAM in-house Company Analysis System - VCAS

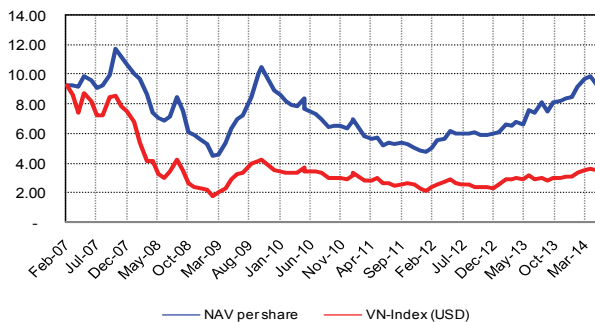
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.39
Apr-14	-4.9%
YTD	9.4%
Since inception (Feb 07)	1.3%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

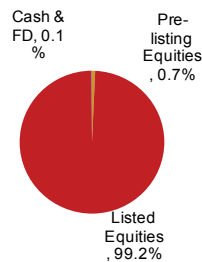
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end April, the Fund's NAV was \$10.13 (before dividend payout). Despite a 4.89% MoM decrease, the fund was up 9.4% YTD, 1.3% since inception, the Fund continued to lead the VN-Index (US\$), recording outperformance of 62.9% since inception. After the dividend payout in April, the Fund's NAV has been adjusted to \$9.39.

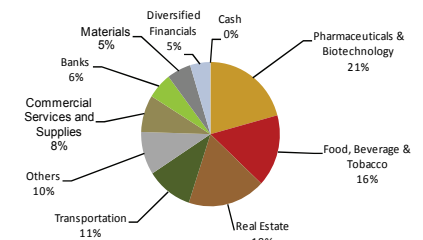
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



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