

## Market Update

With the macro environment continuing to improve, the Vietnam stock market had a strong bull run in the review period. The VN-Index ended the month at its 6-year high of 636.7, a 6.8% gain for the month, in line with a 6.2% rise of the VN30 index, whilst the HNX soared 9.8% to close at 87.04.

### Government aims to achieve annual GDP growth of 6.5-7% in 2016-2020

The Government set the annual GDP growth target of 6.5-7% for the 5-year period from 2016 to 2020 with primary objectives of macro stability, inflation control and sustainable development. In order to boost the economic growth further, the Government will implement several new tax incentives including: VAT deferral for imported machinery and equipment; tax deferral for State-funded projects where funding was delayed; corporate tax deductibility for employee benefits, and CIT incentives for supporting industries and projects with investment capital of more than USD 565mn (VND 12trn).

### Inflation slows down on three consecutive gasoline price cuts

The August inflation headline slowed to 4.31% YoY from 4.94%

YoY in July as CPI only increased 0.22% MoM. The deceleration was attributable to three consecutive gasoline price cuts since 28<sup>th</sup> July. Foods and foodstuff sub-index was the leading mover with 0.45% MoM acceleration due to seasonal demand and increasing rice exports to the Philippines and Malaysia.

### Gradual improvements in both demand and supply sides

The index-industry products (IIP) advanced 6.3% YoY in 8M2014, much higher than last year's growth of 5.3% YoY. The manufacturing and processing industry continued to be the key growth driver with 8.1% YoY acceleration. Improvement was also noted on the demand side with 8M2014 real retail sales growth of 6.4% YoY (versus 5.3% YoY of the same period last year) thanks to stable price levels and a 12.2% YoY surge in tourist arrivals so far this year.

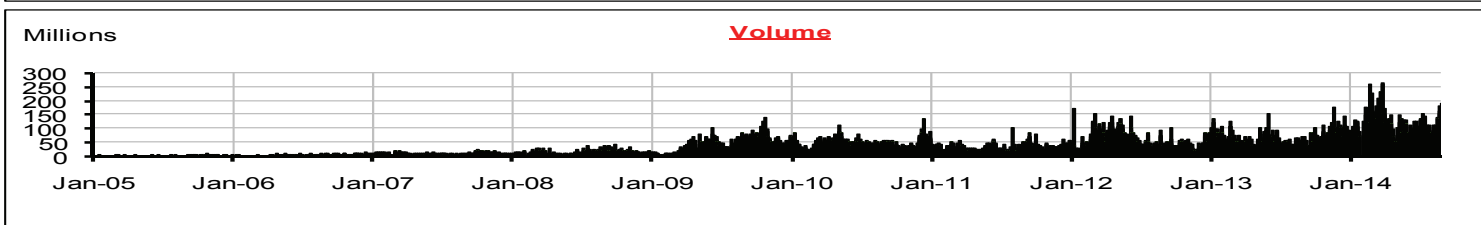
### Sluggish credit growth continued driving bond yields down

According to the SBV, YTD credit growth increased from 3.68% as at end of July to 4.5% by end of August. Deposit growth was much higher at 8.12% YTD in 8M2014, resulting in surplus liquidity in the banking sector. This situation has led to high demand for Government Bonds, causing

2-year and 5-year yields of Vietnam State Treasury Bonds to contract 177bps and 188bps, respectively in the first 8 months of the year.

### Our view:

*Eight months of the year have passed and the economy has consistently shown signs of improvement. As demand and supply sides grow relatively in line, inflation headline remains low whilst GDP is accelerating to achieve the target of 5.8% YoY by the end of this year. In the August cabinet meeting, the Government continued to affirm its determination in speeding up the banking and SOE reforms as well as improving administrative procedures. This has fueled optimism about the economy turning around; benefiting not only domestic enterprises but also helping Vietnam to further attract high-quality FDI projects. With solid fundamentals in place and strong political will from the Government, Vietnam is set to become a modernized and industrialized country by 2020, as per the Government's target. We are focusing on finding stocks which will benefit from this industrialization and the resulting economic shift and social changes. With the new wave of companies coming out for IPO and listing, we are finding the market to be once again exciting.*



## 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%	3.1%	3.1%	18.1%	15.9	14.4	12.8	11.3	8.9	3.2	4.7	21.9	34.0	19.4	16.6	2.35
Automobiles & Components	0.9%	2.2%	7.7%	24.2%	9.8	9.3	8.1	7.0	4.7	2.1	3.1	25.2	21.9	15.2	9.3	0.9
Banks	23.6%	-1.4%	-5.9%	-0.4%	11.6	12.0	10.3	8.6	7.3	1.2	5.9	10.7	44.1	16.4	11.3	10
Capital Goods	2.3%	2.7%	-6.0%	7.3%	8.9	8.8	8.0	7.0	5.4	1.5	5.1	22.6	28.6	19.7	24.0	-0.1
Commercial Services & Supplies	0.3%	2.9%	5.1%	14.7%	8.2	7.6	6.8	6.2	4.4	1.3	4.7	18.4	33.9	12.1	9.5	-
Consumer Durables & Apparel	0.5%	0.8%	-2.2%	13.4%	10.0	7.8	7.6	6.4	6.2	1.3	6.6	16.9	11.8	6.9	4.1	0.6
Consumer Services	0.2%	7.3%	10.5%	12.0%	8.6	12.3	11.3	10.4	10.2	2.6	-	22.6	76.7	53.4	49.2	-0.9
Diversified Financials	2.2%	-3.4%	-1.9%	38.3%	17.6	14.5	12.8	11.5	8.9	1.5	4.5	10.6	61.5	56.5	56.5	-0.7
Energy	23.6%	3.0%	13.5%	66.0%	16.5	15.9	14.7	13.4	9.8	5.9	2.7	35.7	24.8	19.8	16.3	-0.3
Food, Beverage & Tobacco	19.5%	5.5%	-2.8%	5.9%	17.3	18.6	16.4	14.1	9.4	5.2	3.5	29.7	33.1	18.4	16.4	-0.3
Health Care Equipment & Services	0.1%	10.8%	12.3%	-10.8%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.4%	2.7%	-1.5%	-1.0%	7.2	8.1	8.3	6.8	7.3	1.0	5.6	13.5	27.4	10.0	9.4	0.1
Insurance	3.6%	2.2%	8.7%	10.5%	13.2	10.6	9.1	8.1	-	1.2	2.5	12.0	22.1	-0.8	20.1	-0.9
Materials	5.6%	1.3%	2.9%	8.7%	10.0	9.4	9.3	9.8	22.0	1.9	6.9	21.1	21.6	14.9	12.9	0.2
Pharmaceuticals & Biotechnology	1.5%	-1.6%	-6.1%	3.9%	13.4	13.1	10.5	8.3	4.8	3.0	3.3	24.2	45.6	16.9	12.8	-0.3
Real Estate	10.7%	9.1%	5.8%	9.0%	29.5	16.6	13.6	12.1	7.5	1.2	7.5	8.3	40.7	28.6	21.2	0.8
Retailing	0.4%	4.8%	4.7%	4.5%	8.9	8.1	7.5	7.0	1.1	1.1	5.9	17.0	8.6	3.6	2.6	0.3
Software & Services	0.1%	4.5%	-10.6%	2.7%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.7%	7.5%	-7.3%	32.8%	10.7	8.2	6.7	5.5	3.5	2.1	5.0	26.6	19.1	9.7	6.7	-
Transportation	1.6%	4.6%	2.6%	4.7%	10.2	10.1	7.9	6.8	5.1	1.5	6.7	16.0	22.6	17.8	15.0	1.3
Utilities	1.5%	2.3%	2.9%	0.9%	8.1	10.3	10.6	12.2	10.9	1.2	5.3	12.8	35.8	32.1	29.8	-

\* As of 31 August, 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

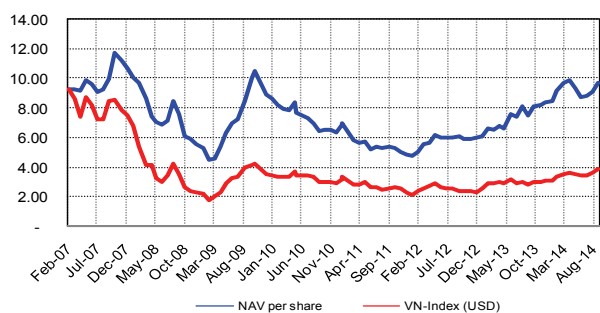
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.7
Aug-14	6.7%
YTD	13.8%
Since inception (Feb 07)	4.8%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

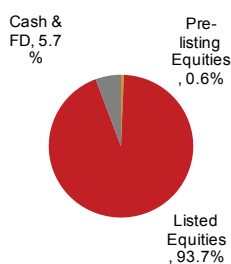
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end August, the Fund's NAV was \$9.7. With a 6.7% MoM increase, the fund was up 13.85% YTD and 4.75% since inception. The Fund continued to lead the VN-Index (US\$), recording outperformance of 62.68% since inception. As at end of August, the fund was 94.33% invested.

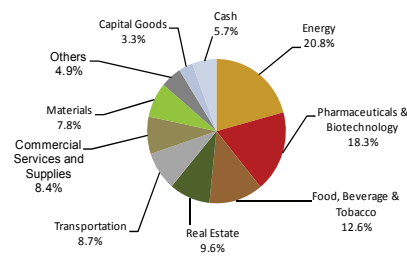
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



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