

## Market Update

Strong sentiment reflecting the investors' expectation about a buoyant economy in New Year of the Horse boosted the stock market significantly. The main benchmark, VN-Index, rallied 10.28%, in line with an 11% rise of the VN30 index in the review period. Meanwhile, the HNX index also posted a good gain of 9.44% to close the first month of 2014 at 74.

### Jan CPI lowest in last four years

Despite being the pre-Tet month, Jan saw modest inflation due to the still stagnant domestic demand and effective nationwide price supervision of the government. The Jan headline inflation slowed to 5.45% y-o-y as the CPI edged up only 0.69% m-o-m, the lowest increase during the last four years. Of note, the foods and foodstuff hiked only 0.77% m-o-m whilst the transportation items increased 1.22% m-o-m as a result of the latest petrol price hike of 2.5% on December 18<sup>th</sup>.

### Positive outlook from the view of international investors and ratings agencies

Outlook on Vietnam's economy in 2014 seems to be more positive from the foreign investors' view, which is reflected by the strong inflow of foreign indirect investment. In fact, international investors net bought approx. VND 2000bn of shares during the first month of the year. Besides, in a recent announcement, Fitch ratings has also revised the outlooks on the Vietnam's Long-term IDRs to "position" from "stable", which implies an improvement in macroeconomic stability and meaningful progress in reforming the banking sector.

### Retail sales soared but import declined ahead of Tet

Jan export value was initially estimated at USD10.3bn, but later revised to USD 11.46bn, down 1.5% m-o-m and 0.8% y-o-y. The import value in Jan was also revised from USD 10.4bn to USD 10.02bn, down 17.8% m-o-m and 5.5% y-o-y. Therefore, Jan trade balance was revised from a deficit USD 100mn to a surplus of USD 1.44bn. Meanwhile, retail sales accelerated 13% y-o-y in comparison to the same period last year. However, in light of month on month growth, this indicator only edged up 2.7% in January amidst weak demand due to low income and bonus last year.

### Banking FOL eased whilst the lending rates for the VND 30 trillion packages fell

As an expected measure, SBV has recently allowed a strategic foreign institution to own up to 20% charter capital of a bank, rising from 15% previously, whilst a non-strategic foreign institution can own 15% of a bank, up from 10% previously. However, total foreign ownership limit at a bank is still kept unchanged at 30%. In cases of weak banks' restructuring, a foreign institution can own more than 20% of a bank with special approval from the PM. In fact, there were already numerous cases in which strategic investors were approved to own 20% of a bank previously, thus the market is now looking forward to the first deal in which a foreign investor is approved to acquire more than 20% of a weak bank.

Also, in an aim aims to increase demand and accelerate the disbursement progress which has been slow with only about 2.9% of the package being disbursed the SBV decided to lower

lending rate of the VND30 trillion social house stimulus packages to 5% from 6% of 2013.

### Manufacturing data cheered 2014 on the highest HSBC PMI in 33 months

The strongest increase in output since April 2011 and the fastest growth ever in purchasing activity helped manufacturing sector start 2014 with an excellent HSBC PMI record. Pointing to the fifth consecutive month of expand, this index rose to 52.1 from 51.8 in Dec 2013, which is also the second-highest level in the survey's history. The impressive improvement in Jan implied that the momentum of manufacturing sector is indeed solid, reflected by strengthening in both external and internal demand.

### Our view

The rally of stock market in the period under review was underlined by strong foreign money flow, backed by investors' positive outlook on Vietnam's economy in 2014. Market participants seem bullish and sentiment is strong. Whilst the strengthened fundamentals need time to be absorbed by the market, people seem more confident in the recovery story now. Despite the more visibly improved macro, risk remains, as how the implementation of Circular 02 is applied is still unknown. A strict application may cause higher-than-expected losses in banking system, which would require large-scale sovereign support and potentially threaten macroeconomic stability. Therefore, the recovery process of Vietnam economy ultimately depends on the success of the banking sector reform. We maintain our value investing style and in the current buoyant market that means searching for laggards. Interestingly, we still find a number of quality stocks to be fairly cheap and will get our funds fully invested.



## 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%	9.9%	11.1%	10.3%	14.5	13.0	11.8	10.8	9.7	2.9	4.5	20.6	30.8	17.1	14.9	2.76
Automobiles & Components	0.9%	9.8%	11.8%	10.4%	10.6	10.7	9.0	7.5	5.4	2.2	2.2	19.0	19.7	13.3	8.3	0.4
Banks	23.0%	6.7%	-0.2%	6.3%	14.4	13.1	12.1	12.1	12.7	1.3	6.0	10.3	38.6	15.5	10.6	10.1
Capital Goods	2.5%	13.9%	25.5%	13.7%	12.3	10.2	9.4	8.3	7.6	1.9	4.9	18.6	34.7	18.0	28.2	0.1
Commercial Services & Supplies	0.3%	13.2%	33.5%	11.8%	15.1	15.0	14.8	14.4	5.8	1.5	3.9	14.1	28.8	10.9	7.6	-0.2
Consumer Durables & Apparel	0.5%	13.0%	32.0%	13.5%	9.4	7.8	7.4	6.6	5.7	1.4	6.2	17.2	11.3	6.5	4.2	0.5
Consumer Services	0.2%	-6.6%	7.3%	-5.0%	8.1	7.5	6.9	6.4	5.7	1.4	-	18.4	65.0	43.3	40.3	-0.4
Diversified Financials	1.8%	20.7%	35.1%	18.8%	12.9	11.5	10.0	9.0	7.1	1.2	5.1	10.3	68.7	62.7	50.4	-0.5
Energy	17.8%	16.7%	22.1%	17.5%	12.6	12.0	11.3	10.5	8.7	4.1	3.8	30.4	21.3	16.7	13.7	-0.2
Food, Beverage & Tobacco	22.9%	7.2%	5.1%	8.2%	17.0	15.8	13.8	12.0	9.0	5.2	2.6	29.8	34.0	21.1	18.7	-0.2
Household & Personal Products	0.4%	5.5%	26.7%	5.0%	8.7	8.6	7.6	7.1	8.2	1.1	5.2	14.1	28.0	10.5	9.4	0.2
Insurance	4.1%	17.7%	16.2%	19.2%	15.1	12.1	10.5	9.3	8.2	1.6	2.3	12.1	22.1	-1.0	20.0	-0.9
Materials	5.8%	10.3%	15.0%	9.9%	9.0	9.5	9.3	9.8	10.1	2.2	6.4	22.2	23.0	15.3	13.1	0.1
Pharmaceuticals & Biotechnology	1.7%	8.2%	12.5%	7.5%	13.3	12.1	10.0	8.5	6.3	3.5	2.6	25.5	42.3	15.0	12.7	-0.2
Real Estate	12.4%	7.6%	12.1%	8.3%	32.2	21.1	19.8	13.0	11.5	1.4	7.8	6.9	33.2	23.0	13.2	1.1
Retailing	0.5%	-2.0%	5.2%	-1.8%	5.5	5.9	5.7	5.0	5.1	0.9	6.5	15.8	7.7	2.9	2.0	0.2
Software & Services	0.1%	-0.1%	6.4%	-1.6%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.6%	17.7%	20.0%	16.8%	8.6	6.8	5.8	4.6	3.7	2.1	4.4	27.3	18.9	9.5	6.7	-0.1
Transportation	1.7%	4.4%	15.8%	5.8%	12.0	9.5	8.0	7.2	5.5	1.6	5.7	17.3	21.0	16.0	12.9	0.4
Utilities	1.8%	8.5%	20.3%	7.0%	11.9	9.9	8.7	6.9	6.8	1.7	4.1	16.0	22.9	20.6	17.7	0.4

As at 27 Jan 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

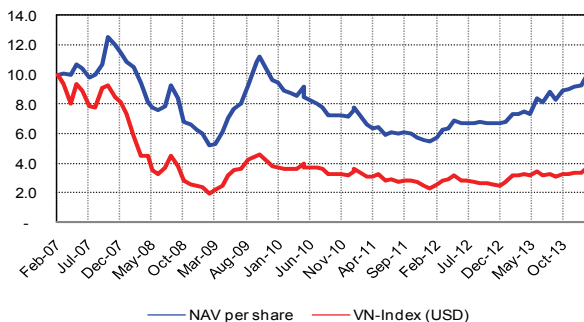
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$9.95
Jan-14	7.5%
YTD	7.5%
Since inception (Feb 07)	-0.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

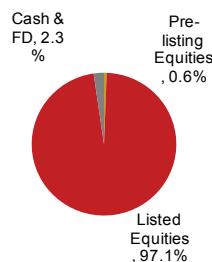
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end January, the Fund's NAV was \$9.95. With a 7.45% MoM increase, the Fund continued to lead the VN-Index (US\$), recording outperformance of 62.49% since inception.

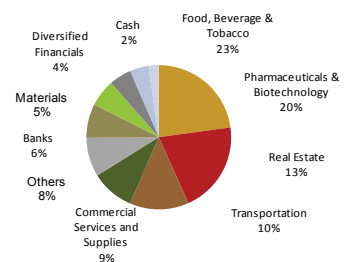
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



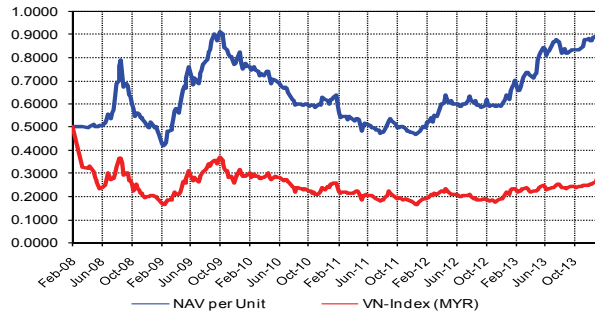
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.8914
	US\$ 0.2683
Jan-14	2.08%
YTD	2.08%
Since inception (Feb08)	78.3%
Bloomberg	HLGVIET:MK

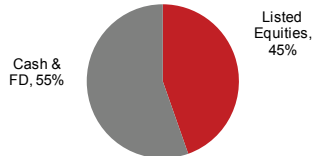
HLGVF is an actively-managed open-ended unit trust for Malaysian HNW investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end January, the Fund's NAV was RM 0.8914. With a 2.08% MoM increase, the Fund's NAV was up 78.28% since inception, and outperformed the VN-Index (MYR) by 122.37% since inception.

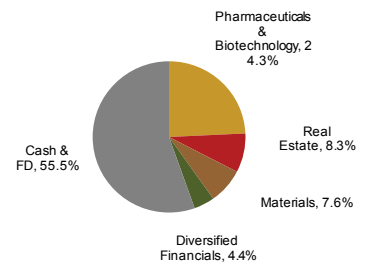
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



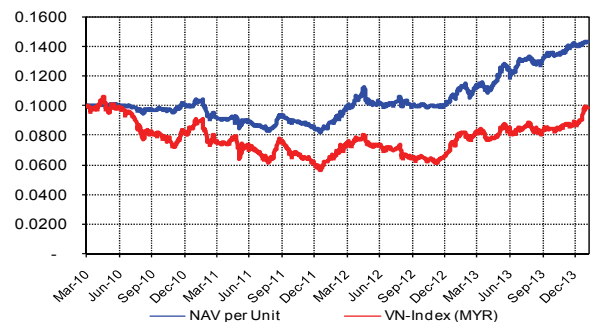
## Hong Leong Vietnam Strategic Fund (HVSF)

NAV per unit	RM 0.1430
	US\$ 0.043
Jan-14	1.92%
YTD	1.92%
Since inception (Feb08)	43.00%

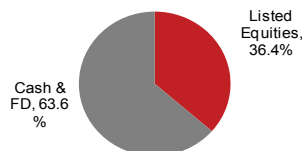
HVSF is an open-ended unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end January, the Fund's NAV was RM 0.1430. With a 1.92% MoM increase, the Fund's NAV was up 43.0% since inception, and outperformed the VN-Index (MYR) by 44.22% since inception.

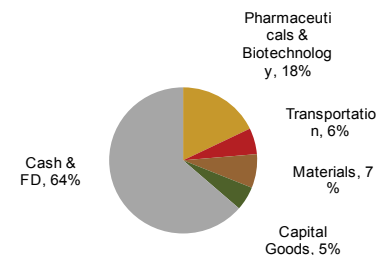
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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