

Market Update

The market opened the month of March with a 2.23% drop in the VN Index but then rebounded for a straight 2 weeks, testing the 600 level (the highest level since October 2009) at mid-month before recording a recent new high at 607.6 on March 24th and then declining slightly for the rest of the month. Closing the period under review, the VN-Index and VN-30 both edged up nearly 1% to close at 591.6 and 670.4, respectively, whilst HNX was the best performer of the 3 indices with 7.6% gain to close at 89.41.

Interest rate was curtailed as inflation has been low

Inflation has been low since the beginning of the year as YTD CPI only grew 0.8%, the lowest level in the past 13 years. In fact, CPI decelerated significantly to -0.44% MoM in March from a mild positive in Jan and Feb. As inflation has been low, the Government revised the whole year inflation target from 7% to 6%.

In addition, coupled with ample liquidity in the banking system, VND deposit rate cap was cut from 7% to 6% whilst USD deposit rate cap was lowered from 1.2% to 1%. Other key rates, including OMO, discount and refinancing rates, were also down by 0.5%. Notably, ceiling lending rates for 5 priority sectors were brought down from 9% to 8%.

Quarterly GDP growth became new spotlight of the recovery process

With the Government's many drastic efforts to boost growth, 1Q2014 GDP growth has reached 4.96% YoY, the highest level for the same period in the last 3 years (1Q2013: 4.76% ; 1Q2012: 4.75%). All three main sectors experienced growth with agro-forestry and fisheries sector up 2.37% YoY, industry and construction up 4.69% YoY and services sector up 5.95% YoY. Moreover, the Index of Industrial Production witnessed a growth of 5.2% YoY in 1Q2014, higher than the rate of 5% in 1Q2013. These figures were indeed

encouraging as they signaled a widespread improvement of the economy.

Trade surplus reached its 4-year high of USD1bn mainly on the support of FDI

Registered FDI has dropped markedly by 49.7% YoY to USD3.3bn since the beginning of the year whilst disbursed FDI still managed to climb 5.6% YoY to USD 2.9bn. Export of FDI sector contributed to 67.4% of the country's total export value and up 22.3% YoY to USD 22.4bn whilst import by FDI sector accounted for 42.6% of total import and up 9.7% YoY to USD 18.5bn. Overall, FDI posted a trade surplus of USD3.9bn in the first Quarter, helping the country's trade surplus to widen to USD 1bn, the highest quarterly level in 4 years.

Update on amendments of Circular 02

SBV issued Circular 09 regarding amendment of Circular 02. The strictest rule that requires debt to be moved to bad debt group if debtor has debt being classified as bad debt at other banks, will be delayed until 31st Dec 2014. In addition, Circular 09 also has several other significant amendments, namely (1) requirement that credit institutions make annual provision of 20% for the special bonds issued by VAMC; (2) debts with violated covenants and debts that need to be recovered under inspector's assessment will be classified to Group 3, 4 or 5 depending on the overdue time; and (3) banks can restructure their debts and keep (overdue) debts in the same group until 1st April 2015, however this can only be done once.

The proposal on launching derivatives market were officially approved

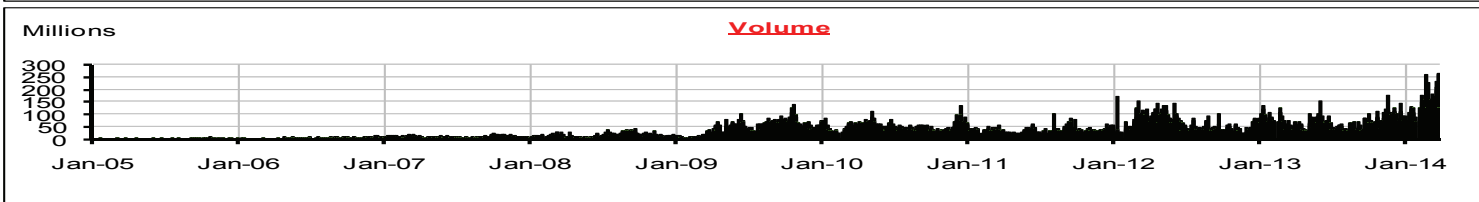
The PM has just approved the proposal to launch the derivatives market under the management of the Government from 2016. The first products would be futures contracts for stock indices and Government bonds whilst stock futures and option products for stock indices, bonds and stocks will be added later when the market is well-settled.

Government is pushing hard for progress in equalization and divestment of State stake in SOEs

According to the Resolution No 15/NQ-CP, the deadline for equalization and divestment of SOEs is end of 2015. In an attempt to speed up the divestment process, SOEs are now allowed to divest assets below book value after making provisions. Divestment from unlisted companies with face value of more than USD 473,000 can be done by auctions or negotiations whilst divestment from public companies will be done via public offerings. SOEs can sell their stakes at financial institutions and commercial banks to State-owned banks or to the SBV. If the above options failed, the SCIC could consider buying at market prices but not higher than book value. The State cannot hold more than 65% stake at respective SOEs whilst they must hold at least 65% stakes at Bao Viet Group and State Owned banks.

Our view

The first Quarter of 2014 has ended on a positive note as the economy has shown clearer signs of recovery, with economic growth on the uptrend, inflation well under control and trade surplus expanding. The Government has made the right decision to prioritize the maintenance of overall macro stability to facilitate long-term, sustainable growth. The lowering of interest rates will hopefully help to improve domestic demand and channel the banks' excess liquidity to businesses that are in need of capital to fund their (in some cases delayed) growth. Moreover, given the strict deadline and the serious pressure that the SOEs' top management are under, we think the process of equalization and divestment of state assets will be much more rapid in the next 2 years, which also creates positive outlook for the economy since inefficiencies of state companies have been one of the key sources of economic vulnerability. We remain positive on the market, but we will need to monitor the upcoming first quarter corporate results very closely as it is still early days in the recovery path.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2013 PE	2014 PE	2015 PE	2016 PE	2019 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	5.4%	20.2%	20.4%	14.4	13.6	12.3	11.3	9.2	3.2	4.4	21.5	30.4	18.0	14.9	2.47
Automobiles & Components	1.0%	3.8%	25.3%	24.6%	9.9	9.4	8.7	7.3	6.0	2.4	3.3	23.2	21.2	14.3	9.5	0.7
Banks	21.7%	8.5%	17.2%	17.7%	13.3	12.7	11.7	11.4	10.0	1.4	5.5	10.9	38.3	16.4	11.3	10.1
Capital Goods	2.6%	8.3%	31.1%	30.0%	12.9	10.5	9.7	8.5	7.8	1.9	4.6	18.3	34.6	17.6	28.2	0.1
Commercial Services & Supplies	0.3%	-1.8%	13.2%	11.2%	8.0	7.0	6.1	5.2	4.6	1.4	4.5	18.0	31.6	11.3	8.3	0.1
Consumer Durables & Apparel	0.5%	3.7%	16.9%	19.4%	9.4	7.6	7.4	6.2	5.2	1.3	6.1	17.2	12.5	7.5	4.5	0.6
Consumer Services	0.2%	7.8%	6.0%	7.6%	10.0	9.2	8.5	7.8	5.2	1.5	-	17.9	64.4	42.8	39.6	-0.4
Diversified Financials	2.1%	25.0%	68.2%	66.7%	20.3	16.9	15.1	14.0	11.1	1.8	3.8	10.4	59.5	54.5	56.7	-0.6
Energy	19.9%	2.0%	32.1%	29.8%	13.4	12.8	12.0	11.1	9.1	4.3	3.6	30.4	21.2	16.6	13.8	-0.3
Food, Beverage & Tobacco	21.3%	3.1%	9.9%	12.0%	17.7	17.0	15.3	13.2	9.8	6.0	2.7	31.6	32.5	19.3	17.2	-0.3
Household & Personal Products	0.5%	5.6%	16.9%	17.0%	7.8	7.6	7.2	6.7	7.8	1.0	4.8	15.7	24.2	8.9	8.7	0.1
Insurance	4.3%	5.8%	25.5%	27.7%	8.2	8.2	7.6	7.4	-	0.9	3.3	10.5	33.7	6.3	26.4	-0.9
Materials	5.9%	3.9%	21.1%	19.3%	9.2	9.6	9.2	9.7	9.7	2.2	6.3	22.1	23.2	15.9	13.8	0.1
Pharmaceuticals & Biotechnology	1.7%	5.5%	17.5%	16.3%	13.8	12.6	10.3	8.6	6.0	3.6	2.4	25.1	42.6	16.3	13.3	-0.2
Real Estate	12.5%	6.3%	22.5%	23.4%	25.1	25.1	20.1	17.2	11.9	1.5	6.4	0.8	39.1	27.3	9.9	1.1
Retailing	0.5%	8.0%	12.4%	13.9%	5.8	6.2	5.9	5.2	5.2	1.0	6.2	15.9	7.9	3.0	2.0	0.2
Software & Services	0.1%	9.4%	21.3%	19.2%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.7%	18.5%	50.3%	48.7%	10.7	8.4	7.2	5.8	4.6	2.5	3.5	27.3	19.0	9.5	6.7	-0.1
Transportation	1.6%	5.6%	18.7%	20.3%	18.5	10.9	9.0	8.0	6.6	1.6	6.0	16.9	23.3	18.2	15.5	0.2
Utilities	1.8%	2.5%	9.6%	8.6%	11.7	11.8	11.0	9.8	9.6	1.5	4.5	15.2	29.8	27.1	25.6	0.3

As at 31 Mar 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

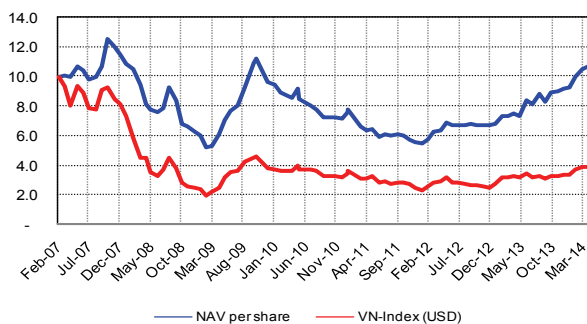
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$10.65
Mar-14	1.6%
YTD	15.0%
Since inception (Feb 07)	6.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

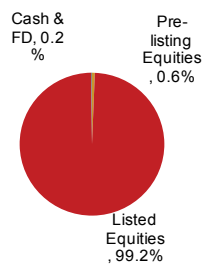
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end March, the Fund's NAV was \$10.65. With a 1.62% MoM increase, the fund was up 15.01% YTD, 6.5% since inception, the Fund continued to lead the VN-Index (US\$), recording outperformance of 0.68% MoM and 67.23% since inception.

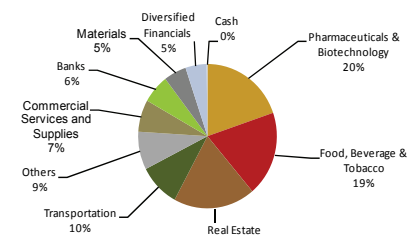
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown



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