

## Market Update

After moving sideways during the first half of November, the market tumbled in the second half of the month due to the short-term negative impact on credit for stock investment by the new regulation of the State Bank of Vietnam, coupled with the sharp plunge of oil price. Ending the period, the VN-Index fell 6.5% from 603.15 to 566.6, in line with a 5.5% drop in the VN30, whilst the HNX-Index lost 1.7% at 87.4.

### 2015 economic targets were finally approved

The 2015 economic targets were finally approved at the 8<sup>th</sup> session of the 13<sup>th</sup> National Assembly. Accordingly, some key targets for 2015 include GDP growth at 6.2%, CPI at 5%, export growth at 10%, trade deficit at 5% of total import value and budget deficit at 5% of GDP. The regional minimum wage was also approved to increase 15% to USD103 - USD145 w.e.f 1<sup>st</sup> Jan 2015. These targets imply that maintaining macroeconomic stability continues to be the top priority of the Government in 2015.

### Another upgrade by Fitch for Vietnam's credit rating

Thanks to improving macroeconomic stability, the credit agency Fitch has decided to raise Vietnam's long-term foreign and local currency issuer default ratings (IDRs) from B+ to BB- with a Stable outlook. The credit upgrade has in fact occurred much sooner than expected. Along with the credit upgrade by Moody's at the end of July, this news once again affirms that the Vietnamese economy is

indeed moving in the right direction to gain more investors' confidence.

### Foreign investors are now allowed to own property in Vietnam

The Vietnamese National Assembly last week approved the amended Housing Law to make the local real estate market become more competitive within the region's. This amended law w.e.f 1<sup>st</sup> July 2015 allows foreigners to lease and own up to 30% of an apartment building or 250 villas or detached houses in a ward administrative unit (or a residential area with equivalent population). Foreigners are also permitted to pay for property through a financial organization operating in Vietnam. It would promote easier access to property mortgages for foreigners and increase liquidity of the residential property market which has been slow in the past few years.

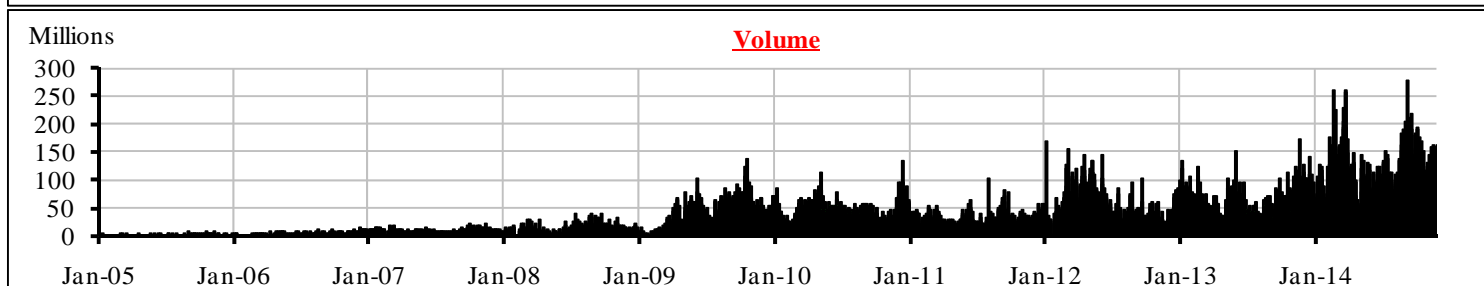
### Bank loan for stock investment capped at 5 percent of banks' charter capital

A new Circular 36 was issued on 20<sup>th</sup> November 2014 by the SBV stipulating safety operation limit and capital adequacy ratios of commercial banks in Vietnam. According to this Circular, the lending for stock investment is only allowed if the banks' NPL ratio is below 3% and total outstanding loans for this purpose cannot exceed 5% of the banks' charter capital. In addition, the banks are only allowed to hold up to 5% voting shares in not more than 02 other banks. Besides, the risk factor of 150% is applied to lending to securities investment and real estate business instead of 250% as previ-

ously. Though these limits seem to have certain "tightening" impact on capital flows from commercial banks into the stock market, this Circular shows the SBV's effort in strengthening the transparency of credit institutions and controlling the banks' NPL more efficiently.

### Our view:

Thanks to serious efforts of the Government to maintain macro stability, the economy is heading toward year-end with optimistic signs of recovery. The remarkable increase in the PMI to 52.1 in November, the fifteenth straight month above the 50-mark, affirms that Vietnam's manufacturing industry has indeed been strengthening and become a key growth driver for the economic recovery. Moreover, the amended Law of Investment which aims to create a more transparent and open business environment, will further enhance investor confidence. The newly approved Circular 36, though may cause some short-term pain, will certainly help to accelerate the banking cleanup as well as promote sustainable development of the stock market. In addition, another upgrade by Fitch, which occurred sooner than expected, also prompted market optimism. The market will need time to recover from the oil price shock but this is also the time for investors to restructure their stock holdings and put more weight on names that stand to benefit from lower oil price. Despite some short term pullbacks, we maintain our optimistic view of the stock market and consider this a good entry point for some of the stocks that we like.



## Sector Valuation

Industry group	Weight %	1M %	3M %	YTD %	2013 PE	2014 PE	2015	2016	2018 PE	P/B	Dvd Yiel	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-2.8%	-10.4%	12.3%	27.2	13.9	11.9	10.1	7.7	2.7	4.5	21.8	33.1	19.3	17.1	2.2
Automobiles & Components	1.1%	2.6%	3.0%	42.7%	10.2	10.0	8.1	7.1	4.9	2.3	2.9	25.7	28.6	22.6	16.8	0.8
Banks	21.8%	0.9%	-3.7%	-4.1%	15.0	14.7	12.9	10.4	7.7	1.3	4.8	9.8	41.8	16.1	11.3	10.2
Capital Goods	2.4%	3.1%	-1.2%	11.4%	11.5	9.1	8.9	8.1	6.4	1.4	5.8	16.8	32.8	17.1	19.6	0.1
Commercial Services & Supplies	0.5%	0.4%	8.9%	46.3%	11.0	14.7	12.7	11.0	7.7	2.7	3.8	19.9	27.0	14.4	12.6	-0.3
Consumer Durables & Apparel	0.6%	8.0%	14.9%	43.0%	12.5	9.6	9.3	9.1	7.4	1.6	4.7	50.8	12.8	7.2	4.8	0.4
Consumer Services	0.5%	14.4%	42.7%	72.1%	7.5	7.8	7.2	6.6	5.1	2.4	-	35.2	54.4	41.0	34.4	-1
Diversified Financials	2.5%	2.0%	0.2%	57.3%	18.7	16.4	14.5	13.4	10.7	1.6	4.0	10.0	58.4	51.7	51.2	-0.6
Energy	24.6%	-16.4%	-29.2%	32.4%	12.8	12.2	11.2	10.3	7.5	4.4	3.4	34.9	24.4	19.3	15.9	-0.3
Food, Beverage & Tobacco	19.1%	-1.0%	-7.4%	-2.7%	15.9	16.8	14.4	12.2	7.9	4.2	4.5	27.6	33.1	17.4	15.3	-0.2
Health Care Equipment & Service	0.1%	9.9%	26.2%	6.5%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.4%	16.8%	21.9%	30.3%	10.7	13.2	14.8	12.2	11.8	1.4	4.2	12.4	25.4	8.0	8.3	0.1
Insurance	3.5%	-1.4%	-12.6%	0.4%	6.2	6.2	5.7	5.6	-	0.6	4.1	10.6	34.9	6.4	26.0	-0.9
Materials	5.7%	-0.8%	-7.4%	6.2%	192.3	9.9	8.5	8.1	17.6	1.7	7.3	23.7	22.4	16.1	12.9	0.4
Pharmaceuticals & Biotechnolog	1.5%	-1.8%	-2.6%	0.4%	13.3	13.9	11.4	9.2	5.4	3.1	3.5	23.4	46.8	16.9	12.8	-0.3
Real Estate	9.5%	4.0%	-7.1%	11.1%	38.7	18.7	12.3	7.9	5.0	1.4	4.1	7.8	41.2	32.0	29.7	0.9
Retailing	0.5%	3.4%	8.8%	26.3%	8.8	9.3	8.7	7.9	-	1.2	6.6	16.0	6.3	2.4	1.7	0.4
Software & Services	0.1%	-1.1%	8.9%	15.2%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.8%	-1.8%	-13.9%	28.3%	10.1	7.8	6.3	5.2	3.3	1.9	5.2	26.3	19.1	9.6	6.7	-
Transportation	1.9%	5.1%	3.0%	21.5%	21.8	14.7	14.7	13.3	10.3	1.4	3.6	13.8	24.0	17.9	13.9	0.3
Utilities	1.9%	5.8%	12.6%	16.5%	8.7	8.8	9.8	10.4	9.3	1.3	5.0	16.7	34.3	30.6	31.0	0.1

\* It is generated by VAM in-house Company Analysis System - VCAS as of 30 Nov, 2014 comprising of both the Ho Chi Minh Stock Exchange (HSX) and the Hanoi Stock Exchange (HNX).

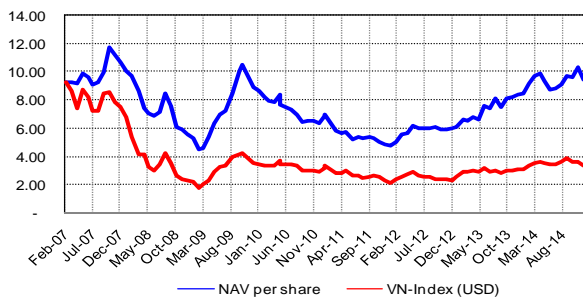
## Vietnam Emerging Market Fund (VEMF Cayman)

NAV per share	US\$9.43
Nov-14	-8.4%
YTD	10.7%
Since inception (Feb 07)	1.8%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

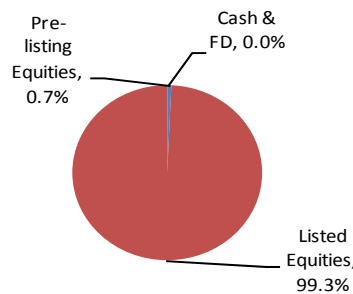
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end of November, the Fund's NAV was \$9.43. Despite a 8.45% MoM decrease, the fund was up 10.68% YTD and 1.84% since inception. The Fund continued to lead the VN-Index (US\$), recording outperformance of 64.75% since inception. As at end of November, the fund was fully invested.

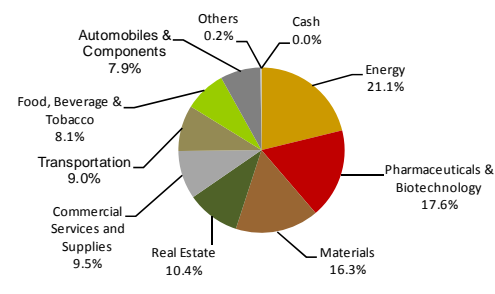
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown

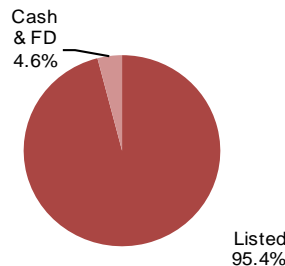


## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

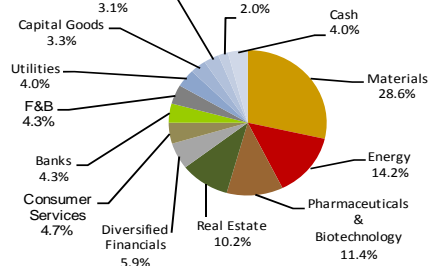
	Class A	Class B
NAV/share at inception (Jun 19, 2014)	EUR 1,000.00	EUR 1,000.00
NAV/share Dec 01, 2014	EUR 1,085.92	EUR 1,074.98
Reuters	68266524	68266525
Bloomberg	IPCHEMA LX	IPCHEMA LX
ISIN	LU1042536018	LU1042536281
Securities No.	A1XE8U	A1XE8V

A UCITS compliant Luxembourg-incorporated open-ended fund with daily liquidity for offshore investors. The fund invests in public listed equities and equity-related securities in Vietnam, on an actively-managed basis.

### Fund Breakdown



### Sector Breakdown



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