

## Market Update

After rallying in the first week of October, the market retreated and then moved sideways for the rest of the month. Ending the period, the VN-Index inched up 0.3% to 600.8 whilst the VN30 and HNX fell 0.9% and 0.7%, respectively.

### Annual inflation continued to slow in Oct and is expected to end 2014 below 5%

As the CPI only edged up 0.11% MoM in October, annual inflation slowed to 3.23% YoY from 3.62% YoY in September. October's increase was primarily driven by education basket, up 1.31% MoM and healthcare basket, up 0.53% MoM. Thanks to stable nationwide price levels, retail sales posted a healthy real growth rate of 6.4% YoY, much higher than last year's growth of 5.3% YoY which implied that consumer spending has indeed been gradually recovering.

### Interest rate ceiling reduced further to help spur economy

As inflation has been low, the SBV curtailed the annual interest rate ceiling for short term VND deposits from 6% p.a. to 5.5% p.a. and USD deposits from 1% p.a. to 0.75% p.a. Short term lending rate cap for five priority sectors was cut from 8% p.a. to 7% p.a. whilst four state-owned commercial banks were

requested to reduce medium and long term lending rates for priority sectors to below 10% p.a. The interest rate cuts are aimed at making the business environment more conducive, thereby further stimulating the economy.

### Sector-wide bad debt declining thanks to VAMC's and banks' efforts

Sector-wide bad debt has been gradually declining from 4.17% in June to 3.88% by end of September based on banks' own reports. Credit growth in 10M2014 has accelerated to 7.85% YTD, surpassing the 10M2013 rate of 7.18% YTD. Together with banks' efforts in recovering bad debts and booking provision more strictly, the reduction of bad debt was also attributed to the VAMC's NPL purchasing program. Since its establishment, VAMC has purchased and recovered USD 4.46bn and USD 188mn worth of NPLs, respectively. VAMC will be empowered to decide starting price for asset auction w.e.f 10<sup>th</sup> November in case of disagreement between VAMC, banks and collaterals' owners on the starting price.

### Public debt is rising fast

Public debt is estimated to rise from 53.4% of GDP by end of 2013 to 60.3% of GDP by end of 2014 and 64% of GDP by end of 2015, which is just below the 65% GDP limit stipu-

lated in the Laws of Public Debt. Nevertheless, we believe that the Government will find a solution for this situation in order to maintain the planned pace of socio-economic development for the coming years.

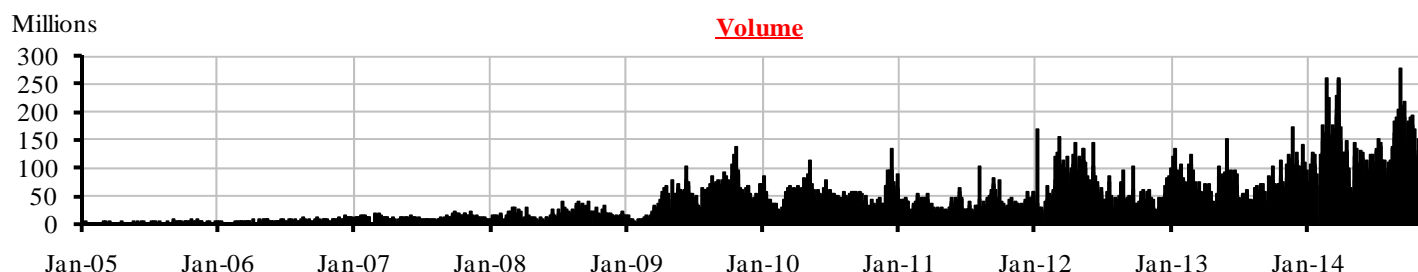
### Our view:

As we enter the last quarter of the year, the economy continues to show healthy signs of improvement including controlled inflation, sustained trade surplus together with steady FDI inflows and sizable foreign reserves, all of which bode well for the currency's stability. Although rising public debt should be carefully watched, we think that the overall economic outlook is still positive. In fact, sustainable macroeconomic stability has helped to accelerate the banking reform progress with declining NPLs, increasing credit growth and falling interest rates being the well-applauded outcomes. The new interest rate cut will hopefully give the economy another boost as well as prompt further excitement to the stock market. We maintain our optimistic view on the economy and the stock market and continue to search for stocks that would directly benefit from the lowering of interest rates and the economic turnaround. On the other hand, we will also be mindful of valuations and watch to take profit on certain stocks that have done well for the fund.

**VNIndex (VND)**



**Volume**



## 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%	0.3%	0.8%	19.1%	27.4	14.1	12.1	10.5	8.3	3.0	4.3	22.1	32.3	18.5	16.3	2.39
Automobiles & Components	1.1%	0.3%	18.6%	47.2%	11.3	10.5	9.7	8.5	5.8	2.4	2.7	24.4	27.2	21.2	16.1	0.8
Banks	21.7%	15%	-0.6%	-1.1%	12.2	12.0	10.4	8.8	7.6	12	4.9	10.6	41.8	15.1	10.5	11.1
Capital Goods	2.4%	-4.1%	4.0%	11.6%	11.6	9.5	9.3	8.5	6.6	13	5.7	15.8	31.6	16.6	23.7	0.1
Commercial Services & Supplies	0.5%	-4.2%	27.9%	46.7%	11.1	11.9	10.2	8.8	6.3	2.2	3.5	22.4	24.5	14.0	12.3	-0.2
Consumer Durables & Apparel	0.5%	2.2%	18.8%	34.8%	11.3	8.9	8.6	8.6	6.7	1.5	5.1	49.6	13.2	7.5	5.0	0.4
Consumer Services	0.3%	6.8%	41.8%	58.9%	6.3	8.2	7.5	6.9	6.0	1.8	-	25.3	70.0	51.9	48.0	-0.6
Diversified Financials	2.4%	-2.0%	17.5%	62.4%	19.1	16.7	14.9	13.8	11.1	1.6	3.9	10.1	58.6	51.7	51.0	-0.6
Energy	25.6%	-0.1%	-2.4%	62.1%	15.7	15.1	13.9	12.7	9.3	5.4	2.8	35.0	24.3	19.3	15.8	-0.3
Food, Beverage & Tobacco	18.8%	0.3%	-4.4%	12%	16.8	17.0	15.0	13.0	8.6	4.3	4.3	28.4	32.2	17.6	15.4	-0.2
Health Care Equipment & Services	0.1%	3.1%	11.3%	-0.7%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.4%	5.0%	16.3%	15.1%	8.1	9.3	10.0	8.2	9.3	1.1	5.1	13.0	26.3	10.2	9.2	0.1
Insurance	3.6%	-2.8%	-5.0%	5.0%	6.4	6.3	5.8	5.7	-	0.6	3.8	10.6	35.1	6.4	26.0	-0.9
Materials	5.7%	-0.8%	0.3%	9.1%	196.2	10.1	8.8	8.5	18.7	1.7	7.2	23.8	22.5	16.1	13.0	0.4
Pharmaceuticals & Biotechnology	1.4%	1.4%	0.4%	4.3%	13.3	12.6	10.3	8.4	4.9	2.9	3.6	24.0	46.6	17.6	13.3	-0.2
Real Estate	9.5%	-0.5%	16%	10.7%	37.6	19.0	12.4	8.5	5.4	1.4	5.0	7.7	36.5	26.0	22.1	0.9
Retailing	0.5%	1.6%	19.3%	24.6%	8.5	8.1	7.6	6.9	2.0	1.1	6.5	17.6	8.5	3.7	2.5	0.2
Software & Services	0.1%	0.2%	13.9%	16.9%	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunication Services	1.8%	-1.4%	2.3%	35.8%	11.1	8.6	7.0	5.9	3.5	2.0	4.9	25.9	19.1	9.6	6.6	-
Transportation	1.8%	0.7%	16.0%	21.4%	13.1	13.3	10.4	8.8	6.3	1.8	5.5	17.5	24.9	20.2	17.2	0.2
Utilities	1.8%	4.0%	15.3%	16.3%	8.7	10.2	11.1	11.5	9.5	1.4	4.9	14.1	33.4	29.8	28.9	0.1

\* It is generated by VAM in-house Company Analysis System - VCAS as of 31 Oct, 2014 comprising of both the Ho Chi Minh Stock Exchange (HSX) and the Hanoi Stock Exchange (HNX).

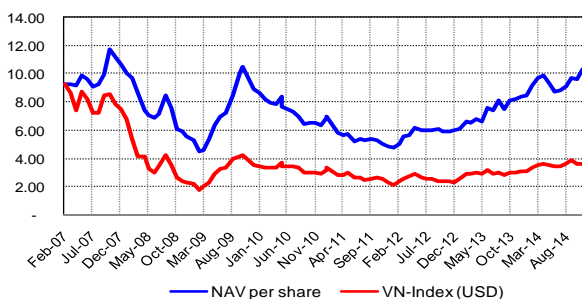
## Vietnam Emerging Market Fund (VEMF Cayman)

NAV per share	US\$10.3
Oct-14	6.6%
YTD	20.9%
Since inception (Feb 07)	11.2%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG936131005
CUSIP	G93613100

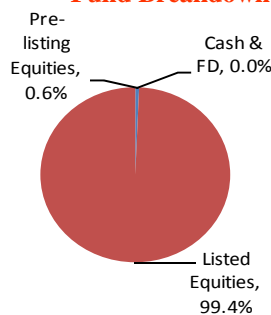
VEMF is a Cayman open-ended fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end October, the Fund's NAV was \$10.3. With a 6.63% MoM increase, the fund was up 20.89% YTD and 11.23% since inception. The Fund continued to lead the VN-Index (US\$), recording outperformance of 6.53% MoM, 2.86% YTD and 71.69% since inception. As at end of October, the fund was fully invested.

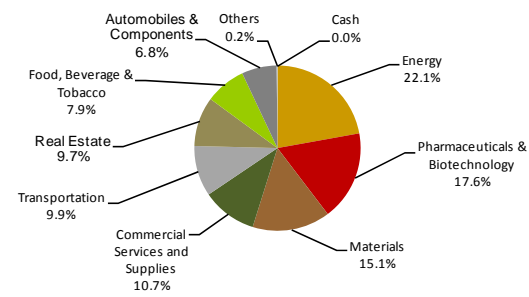
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown

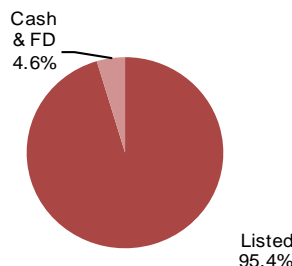


## Vietnam Emerging Market Fund SICAV (VEMF SICAV)

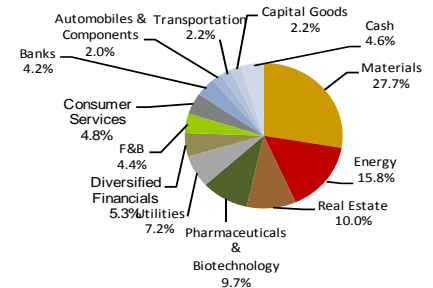
	Class A	Class B
NAV/share at inception (Jun 19, 2014)	EUR 1,000.00	EUR 1,000.00
NAV/share Nov 03, 2014	EUR 1,150.31	EUR 1,147.32
Reuters	68266524	68266525
Bloomberg	IPCHEMA LX	IPCHEMA LX
ISIN	LU1042536018	LU1042536281
Securities No.	A1XE8U	A1XE8V

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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