

## Market Update

This month Fitch downgraded Vietnam's debt rating to B+ with a stable outlook from BB- citing inconsistent government policy, low foreign exchange reserves and a weak banking system. The move came as a surprise to many commentators who looked at Vietnam's ever improving macro condition as reason for optimism. We also share this opinion, as the move was somewhat unjustified and does not reflect the efforts of the government in stabilizing the macro environment and the country's currently improving key macroeconomic indicators.

In July, industrial production and retail sales were up 13.5% and 26.4% year on year respectively. Although year to date up 17.5% when comparing to the same period last year, export turnover this month declined 8.8% MoM as subdued European demand made its impact which contributed to July's monthly trade deficit of \$1.15bn or \$7.4bn year to date, equivalent to 19.4% of export turnover. However, capital inflows can adequately compensate the deficit with FDI disbursement being recorded at \$6.4bn year to date and overseas remittances showing an increase of 24.5% year on year in the 1H 2010, achieving \$3.9bn. It should also

be noted that ODA flows and external borrowings have not yet been taken into account. Foreign reserves are expected to increase by \$2bn to \$17bn by the end of this year. Credit growth for the first 7 months was 12.97% highlighting the importance of recent reductions in bank lending rates in realizing the government's effort to achieve its target of 25% for the year. Continued low inflation has also given the government room to increase the money supply in order to push lending rates lower.

The VN-Index continued its sideways path during the month as mixed second quarter earnings failed to support a change in stagnant retail sentiment. However, the downgrade did prompt net buying from foreign investors to decline towards the end of the month. The VN-Index closed the month at 493.91 or a decrease of 2.61% MoM.

### Our View

By end of July, most corporates have disclosed their 2Q 2010 earnings results which have been quite mixed with consumer sector looking good while property and materials sectors seeming weak. Despite first half year business results being in line with expecta-

tions and macro economy experiencing positive signals in the month, they were not supporting enough to drive the bourses upwards as investors remained skeptical about new capital flows injected into economy via credit growth policies.

For August, we expect the market's movement to be mainly driven by factors such as selling pressure, investors' confidence and a breakthrough in easing monetary policies of the State Bank of Vietnam (SBV). Concerns on the oversupply of shares in the market (particularly from banks in order to meet the minimum charter capital requirements) might also create a lot of pressures on the VN-Index. As the market has followed a bearish trend recently, specific and comprehensive actions from the SBV via credit growth policies will be an important catalyst in bringing back investors' confidence.

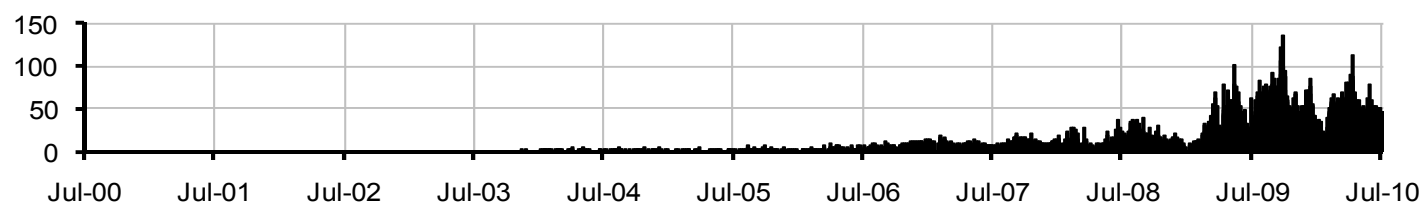
Currently, we still uphold our interests in telecommunication, oil & petrochemical, dairy product, pharmaceuticals and banks. Moreover, we will be continually keeping an eye on news on the global economy and monthly government meetings to closely observe the trend of macro and monetary policies in the near term.

**VNIndex (VND)**



Millions

**Volume**



## Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2010PE	2011PE	2012PE	2015PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-1.7%	-7.9%	0.0%	14.5	12.7	11.4	10.3	3.0	2.3	20.8	35.1	25.2	19.8	1.9
Automobiles & Components	1.1%	-8.8%	-18.8%	-22.9%	5.4	4.7	4.0	2.9	2.1	0.5	40.0	23.8	15.7	13.5	0.2
Banks	16.9%	-6.7%	-15.4%	-20.7%	9.9	8.7	8.3	6.7	2.0	1.4	15.8	35.7	23.6	19.3	9.8
Capital Goods	2.8%	-6.0%	-17.3%	-19.0%	8.6	8.3	7.7	6.7	1.8	3.4	20.6	30.9	18.9	25.6	-
Commercial Services & Supplies	0.2%	-8.8%	-16.1%	-5.3%	9.4	8.1	7.3	5.8	1.3	3.5	13.5	34.2	13.3	10.1	-
Consumer Durables & Apparel	0.8%	-2.2%	-15.0%	-8.3%	7.5	5.3	4.3	3.0	1.4	9.8	18.7	6.5	3.8	2.1	0.4
Consumer Services	1.8%	-4.7%	-14.7%	-7.3%	26.5	25.2	23.9	80.4	2.7	-	-6.4	41.1	24.0	-11.5	2.6
Diversified Financials	4.9%	-5.1%	-25.5%	-25.4%	10.9	9.3	8.2	6.2	2.0	4.2	16.9	78.2	74.5	63.7	-0.8
Energy	4.7%	-6.2%	-11.8%	-19.2%	10.9	9.2	7.3	5.6	2.0	4.5	14.9	18.7	13.1	8.7	1.1
Food, Beverage & Tobacco	15.5%	1.1%	3.2%	24.5%	18.1	15.1	12.1	7.5	4.5	2.4	31.1	34.7	19.6	18.3	-0.2
Household & Personal Products	0.3%	-14.5%	-31.5%	6.6%	6.8	7.0	7.1	107.7	0.9	0.9	-0.9	17.8	3.5	-3.8	0.9
Insurance	7.5%	22.2%	28.2%	86.4%	28.5	25.2	22.1	17.1	2.9	2.3	10.0	24.2	2.4	8.9	-1.7
Materials	9.4%	-7.8%	-18.2%	-13.3%	8.7	7.1	6.4	5.2	2.3	5.0	25.0	23.7	18.5	15.8	0.3
Pharmaceuticals & Biotechnology	1.4%	0.1%	-13.7%	-27.2%	9.4	8.0	6.9	5.3	2.7	3.2	24.2	44.1	17.0	16.9	-0.2
Real Estate	19.0%	-3.1%	-14.1%	-10.3%	16.2	14.1	12.8	10.6	4.5	0.7	26.7	53.4	47.4	30.3	1.0
Retailing	0.9%	-10.0%	-9.8%	0.4%	18.4	11.1	10.6	8.7	1.7	2.4	9.5	14.8	10.7	7.1	0.5
Software & Services	0.4%	-4.8%	-4.8%	-4.8%	8.7	4.3	3.5	2.6	2.0	7.1	21.6	13.4	6.6	3.8	1.2
Telecommunication Services	3.0%	11.6%	23.3%	23.3%	9.8	8.5	8.0	6.9	4.9	3.2	42.8	18.3	9.3	6.7	0.4
Transportation	1.7%	-10.3%	-21.4%	-19.2%	9.3	8.2	6.7	5.9	1.1	3.1	15.5	22.4	18.1	12.8	1.0
Utilities	2.3%	-8.7%	-24.0%	-21.2%	12.5	7.3	6.8	4.7	1.1	5.2	9.5	34.9	32.1	31.8	0.3

\* Vietnam Market comprises of both the Ho Chi Minh Stock Exchange (HoSE) and the Hanoi Stock Exchange (HNX).

\*The Sector valuation table is generated by VAM in-house Company Analysis System - VCAS

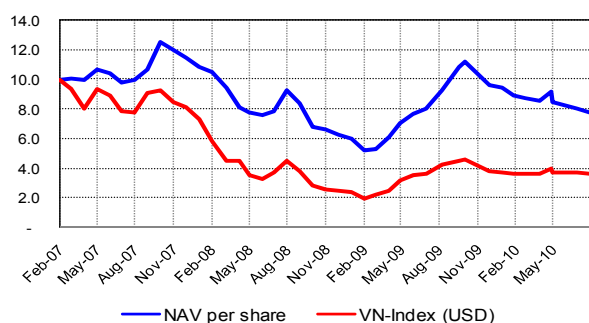
## Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$7.75
Jul-10	-3.5%
YTD	-17.6%
Since inception (Feb 07)	-22.5%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
CUSIP	G93613100

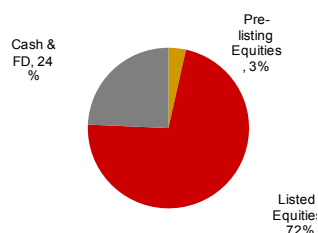
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end July, the Fund's NAV per share was \$7.75. With a 3.5% decrease MoM, the Fund still continued to lead the VN-Index (in US\$), recording outperformance of 41.24% since inception.

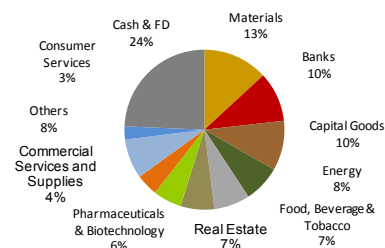
### Performance vs. VN-Index (US\$)



### Fund Breakdown



### Sector Breakdown



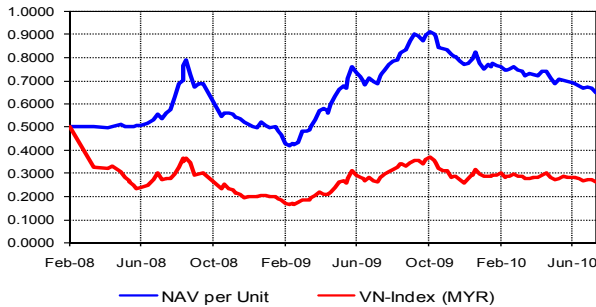
## Hong Leong Vietnam Fund (HLGVF)

NAV per unit	RM 0.6498
	US\$ 0.2035
Jul-10	-4.06%
YTD	-18.09%
Since inception (Feb08)	30.0%
Bloomberg	HLGVIET:MK

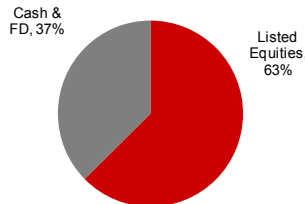
HLGVF is an actively-managed open-end unit trust for Malaysian high-net-worth investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam.

As at end July, the Fund's NAV per unit was RM0.6498. With a 4.06% decrease MoM, the Fund still continued to lead the VN-Index (in MYR), recording out-performance of 1.6% MoM and 77.5% since inception.

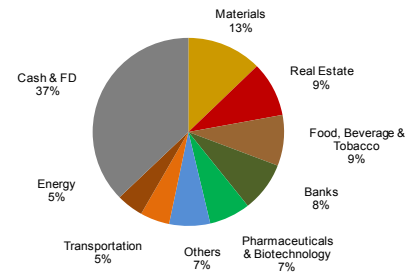
### Performance vs. VN-Index (MYR)



### Fund Breakdown



### Sector Breakdown



## HS-VAM Vietnam Index Linked Fund (VILF)

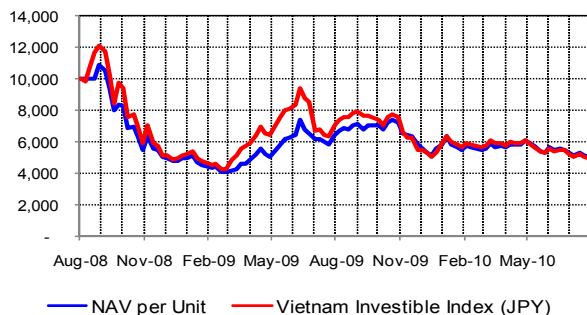
NAV per unit	JPY 5,052
	US\$ 57.70
Jul-10	-4.7%
YTD	-13.6%
Since inception (Jul08)	-49.5%
Bloomberg	VAMINLI KY Equity

VILF is a Cayman open-end unit trust for Japanese retail investors. The Fund invests in top 20 investible listed blue-chips in Vietnam on a passively-managed basis.

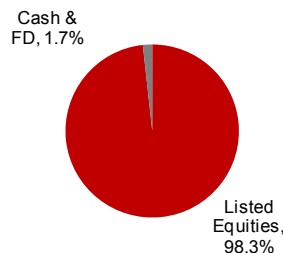
The Fund's NAV per unit decreased 4.7% MoM to close at JPY 5,052 on 28 July 2010.

As of 28 July '10

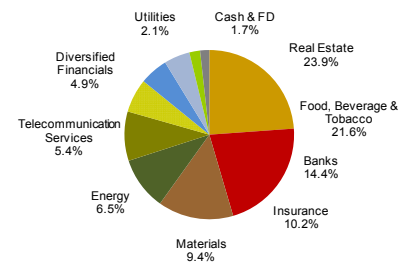
### Performance vs. VII (JPY)



### Fund Breakdown



### Sector Breakdown



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