

Market Update

Markets declined in September

September was characterized by sideways market movements for the VN-Index, with the largest gap between the month's high and low being approximately only 15 points. Closing the month at 392.57, the index gave up 0.87% for the month. The Hanoi exchange moved quite differently - a near downward trajectory to close the month at 55.47, down 9.7%. The VN30's performance more closely resembled the VN-Index, with only narrow swings during the month, to close at 456.48, down 1.89% from August.

Market reacted to ACB resignations as developments troubled investors

In an unexpected announcement, ACB accepted the resignation of its BOD Chairman and two Vice Chairmen, this month. The resignations were initially claimed to be for personal and health reasons, yet were later announced to be connected to the arrest of ACB's founder and the former CEO for economic violations (one of which being permission granted for approximately USD 34million to be deposited into competing banks at rates above the stipulated cap). A former BOD member of ACB, now on the Board of Eximbank, also resigned and is also to be prosecuted together with all the resigned ACB executives. Upon the dissemination of this information, the markets dropped, however only temporarily, as the news was widely expected.

Credit mobilization vastly exceeds credit growth

Credit growth from January to September 20, of this year, reached only 2.53%, much below the 8-10% target for 2012. While some banks have posted relatively high growth figures, such as BIDV and Military Commercial Jt Stock Bank, whose growth reached 13.5% and 10% respectively in the first 8 months; most of their credit growth however was for commercial bond lending. Removing commercial bond lending, loans outstanding to institutions and individuals de-

creased. In another example, VCB grew their credit 7.2% in the first 8 months, however savings growth was 13%. In efforts to ensure liquidity and being bound by the 9% deposit rate cap, many banks have begun to offer 13% interest for 13-month deposit terms. With dong lending rates now ranging between 13-15%, profits will come under pressure.

Health care and Education lead September's CPI increase

In August, YoY inflation continued to abate to 5.04%, this month however, inflation rose to 6.48% YoY. September's CPI rose 2.2% MoM, the highest MoM increase since May 2011. The increase is largely due to Healthcare, pharmaceutical items (17.02% increase), Education items (10.54% increase), and Transport and Telecoms (3.83%) increases. While Education's increase was mostly due to seasonal factors, a series of rising petroleum prices played a notable role in the increase of one-off items.

GDP in first 9 months grew 4.73% over same period 2011

2012's GDP growth is now expected to be 5.2%, thus requiring Q4 growth rate of 6.6% - fairly optimistic as Q3 growth was 5.35% and Q4, 2011 growth reached only 5.98%. GDP has however, been steadily improving from Q1 and Q2. Low credit growth, declining exports and slow retail sales, combine to make up slow domestic growth. Export value declined an estimated 5.8% in September, according to GSO; however, import value also dropped 4.4%, bringing the Q3 trade balance to a USD 531 million surplus. Retail revenue growth in September increased 1.08% for the month, improved over the 0.7% growth recorded in August. For the first 9 months of 2012, nominal retail sales growth was 17% however; it reached only 6.4% in real terms. The Index of Industrial production also showed some signs of improvement, increasing 4.5% on month with increases in the manufacturing index being the largest contribu-

tor to the improved index.

FDI disbursement level paces 2011's levels

Vietnam attracted approximately 73% of 2011's January - September FDI, for a total of USD 9.52 billion. While overall attraction had declined, FDI disbursed reached USD8.1 billion, totaling 98.8% of YoY's disbursed FDI. The Foreign Investment Agency expects disbursed FDI to reach USD 10 billion by year-end. Strong FDI disbursements have bolstered the FX reserves nearly USD 23 billion and contributed to S&P's upgraded economic outlook and Fitch Ratings' affirmed B+ status of the dong.

Moody's adjust government bond rating on banking sector weakness

At nearly the month's end, Moody's Investors Service downgraded Vietnam's credit rating one notch to B2, with a stable outlook. At cause for the downgrade are the country's banks and the risk that the government will need to partially recapitalize them given the lack of private sector solutions. The rating agency also downgraded all 8 of the Vietnamese banks it assesses due to deteriorating asset quality and profitability pressure.

Our view

With uncertainty regarding economic and banking reform still lingering around, we prefer to be conservative at this time, holding high cash and only retaining our core equity holdings; companies which we have high conviction in and believe will stand the test of change. We take this opportunity to do our homework well, combing the market carefully for resilient companies with little or no debt, strong growth potential, good cash flow and earnest management. Although valuations of certain companies and sectors have become quite attractive, we are not rushing in just yet. Too much change is happening or expected to be happening. So we need a little more certainty before getting back into the market.



Sector valuation

Industry group	Weight %	1M %	3M %	YTD %	2011 PE	2012 PE	2013 PE	2014 PE	2016 PE	P/B	Dvd Yield	ROE	Gross Margin	Op Margin	Net Margin	Net D/E
Vietnam Market	100.0%	-3.5%	-8.1%	18.8%	9.9	9.1	7.7	7.0	5.5	2.0	5.8	19.2	32.4	18.6	14.5	5.84
Automobiles & Components	0.7%	-3.6%	-12.8%	22.0%	16.3	7.2	5.4	5.9	3.4	1.4	7.1	22.1	16.4	10.3	6.5	0.6
Banks	32.9%	-9.7%	-15.6%	24.4%	7.4	9.0	7.9	8.1	6.9	1.3	6.5	14.3	39.1	17.5	12.7	14.1
Capital Goods	2.3%	-9.5%	-17.9%	16.4%	7.2	5.7	5.6	5.3	7.7	1.0	8.5	18.0	34.9	16.9	31.3	0.4
Commercial Services & Supplies	0.2%	5.3%	-4.9%	22.2%	6.7	3.8	4.8	4.8	4.6	0.8	10.1	-3.9	25.2	10.6	8.7	-
Consumer Durables & Apparel	0.5%	-6.8%	-24.7%	-17.6%	6.5	7.0	6.6	5.9	5.7	1.3	7.0	19.8	11.9	6.3	5.0	0.6
Consumer Services	0.3%	-0.8%	-3.4%	25.7%	6.8	5.5	5.1	4.6	3.9	2.1	-	33.9	68.7	54.1	51.0	-0.6
Diversified Financials	2.6%	-12.9%	-18.4%	29.2%	4.5	13.7	8.0	7.0	5.4	0.8	7.6	8.4	56.0	52.1	43.5	-0.7
Energy	14.3%	1.3%	1.7%	24.8%	11.2	9.8	8.2	6.4	4.8	2.8	3.6	26.0	17.3	12.8	9.4	0.1
Food & Staples Retailing	0.1%	-14.1%	-23.0%	7.4%	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	19.4%	6.5%	7.3%	23.7%	13.4	12.1	9.7	7.7	4.8	4.5	3.5	30.9	30.7	18.3	16.2	-0.2
Health Care Equipment & Services	0.1%	-1.1%	-15.0%	15.4%	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	0.3%	-6.8%	-16.4%	10.8%	5.3	2.3	2.1	2.0	1.7	0.6	3.2	25.3	24.7	12.3	9.2	-
Insurance	5.1%	-6.4%	-24.3%	-2.5%	6.5	5.3	4.7	4.6	4.1	0.6	4.5	11.5	36.7	6.7	28.3	-1
Materials	5.4%	-1.6%	-2.7%	38.3%	5.0	4.8	3.7	3.5	3.2	1.3	6.8	27.9	26.0	20.5	19.3	-
Pharmaceuticals & Biotechnology	1.3%	1.8%	9.5%	15.5%	10.1	7.8	7.3	6.4	5.0	2.6	4.0	28.0	45.2	19.8	18.0	-0.2
Real Estate	10.0%	-2.9%	-14.3%	-12.3%	9.9	10.2	7.6	7.3	4.8	0.9	9.0	-0.3	42.3	32.5	11.3	1
Retailing	0.4%	-5.9%	-6.9%	-12.0%	3.9	4.6	7.0	6.5	5.5	0.7	11.4	12.9	7.8	4.2	-4.4	0.8
Software & Services	0.2%	-11.1%	-11.2%	-19.8%	5.6	6.1	5.6	4.5	4.0	0.9	17.9	12.8	21.1	12.6	9.5	-0.4
Telecommunication Services	1.6%	-11.1%	-19.7%	-0.2%	6.8	5.1	4.6	4.1	3.3	1.7	4.1	31.1	19.1	9.8	6.9	0.2
Transportation	1.3%	-12.9%	-20.2%	3.7%	115.9	9.0	19.4	6.7	4.2	0.7	5.9	17.8	24.1	17.7	13.7	0.5
Utilities	1.2%	-3.6%	-7.5%	30.6%	6.9	6.0	5.5	5.1	4.7	0.8	14.7	14.2	50.9	47.6	53.7	0.2

* 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

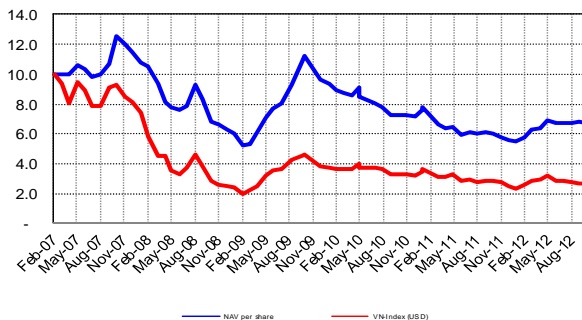
Vietnam Emerging Market Fund (VEMF)

NAV per share	US\$6.7
Sep-12	-1.9%
YTD	22.5%
Since inception (Feb 07)	-33.0%
Reuters	65092798
Bloomberg	VAMVEMF KY Equity
ISIN	KYG 936131005
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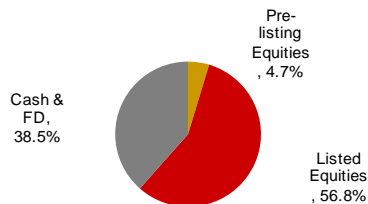
VEMF is a Cayman open-end fund with monthly liquidity for offshore investors. The Fund invests in private equities, privatization, OTC and listed stocks in Vietnam on an actively-managed basis.

As at end September, the Fund's NAV per share was US\$6.7. Despite a 1.9% MoM decrease, the Fund was up 22.49% YTD and continued to lead the VN-Index (in US\$), recording outperformance of 9.86% YTD and 40.64% since inception.

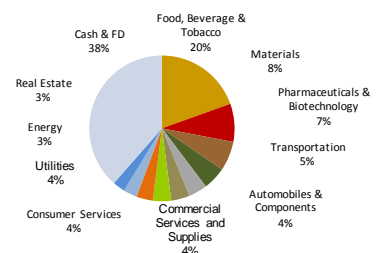
Performance vs. VN-Index (US\$)



Fund Breakdown



Sector Breakdown

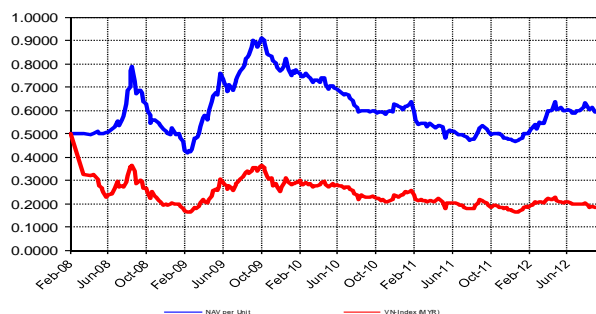


Hong Leong Vietnam Fund (HLGVF)

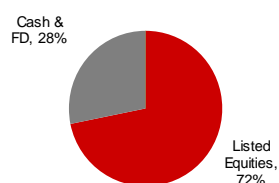
NAV per unit	RM 0.5941
	US\$ 0.1931
Sep-12	-1.87%
YTD	25.54%
Since inception (Feb08)	18.8%
Bloomberg	HLGVIET.MK

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 September, the Fund's NAV per unit was RM0.5941. Despite a 1.87% MoM decrease the Fund was still up 25.54% YTD and 18.82% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 15.73% YTD, and 81.89% since inception.

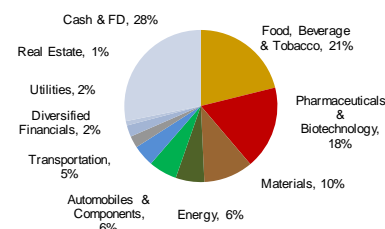
Performance vs. VN-Index (MYR)



Fund Breakdown



Sector Breakdown

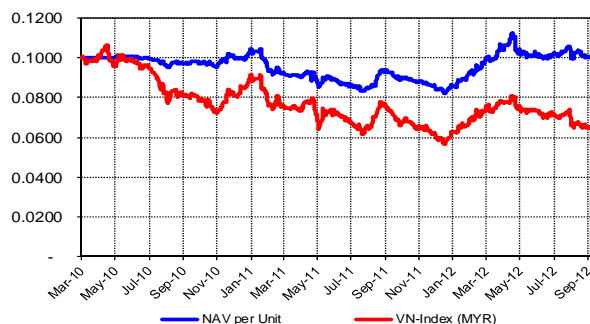


Hong Leong Vietnam Strategic Fund (HVSF)

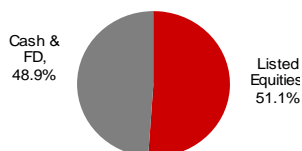
NAV per unit	RM 0.1004
	US\$ 0.033
Sep-12	-2.24%
YTD	18.36%
Since inception (Feb08)	0.40%

HVSF is an open-end unit trust for Malaysian retail investors. The Fund invests in OTC, pre-listing and listed stocks in Vietnam. As at end September, the Fund's NAV per unit was RM0.1004. Despite a 2.24% MoM decrease the Fund was up 18.36% YTD and 0.4% since inception, the Fund continued to lead the VN-Index (in MYR), recording outperformance of 0.67% MoM, 9.58% YTD, and 35.75% since inception.

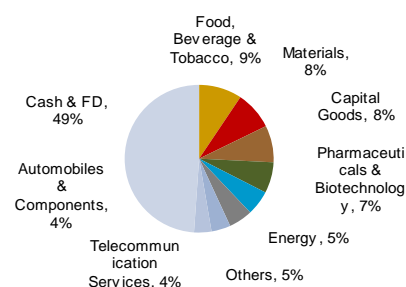
Performance vs. VII (JPY)



Fund Breakdown



Sector Breakdown



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