VIETNAM

COUNTRY REPORT

STABILIZATION PRIMES GROWTH

October 2013

INVESTMENT CASE

Vietnam Bond Market Association

- Vietnam's economy has been stabilized after its earlier cycle of over-heating and implosion
- Exports are booming on the back of robust FDI, external accounts have been rationalized and foreign-exchange reserves are at record highs
- The currency is firmly anchored and inflation is being controlled at single-digit levels
- Growth has decelerated in the past few years, but growth drivers remain intact
- GDP will head for 6% in 2014 and meanwhile foreign ownership limits are being lifted
- The market, consolidating at current levels and waiting for catalysts, will not fail to respond
- In 2012-13 it has been Asia's No-2 performer, rising 35% as the economy improves
- Yet its 2014 PER of 9.9x, on a +20% two-year CAGR, beats peers at 11.8x on +10%
- Vietnam is turning around, but investment is required now – otherwise the market's fast-moving dynamic will thwart participation in the upside

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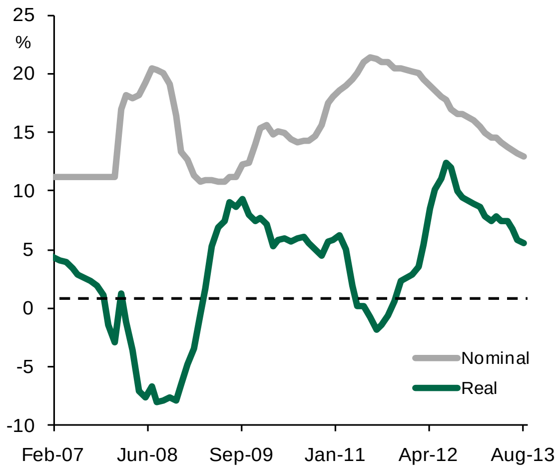
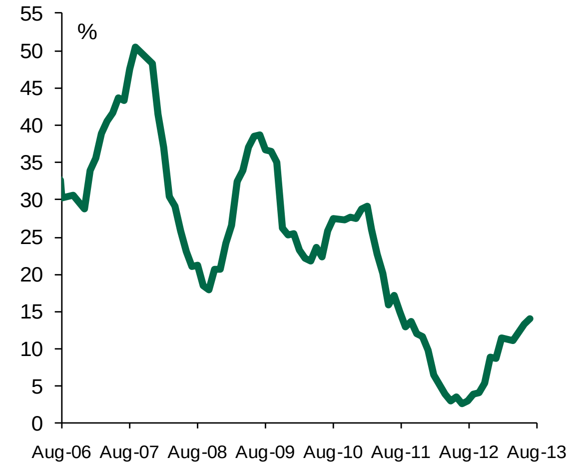
ECONOMY

ECONOMY REBALANCED…

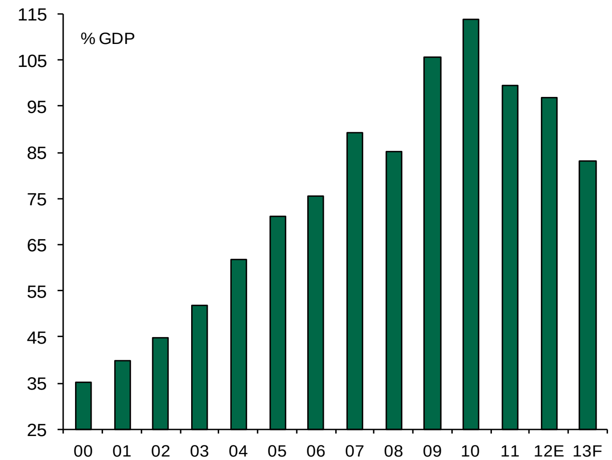
HIGH REAL RATES - THOUGH STARTING TO TURN DOWN



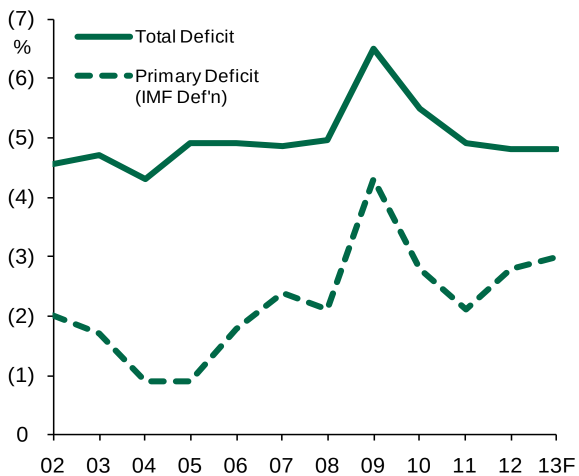
LOAN GROWTH CRUSHED - THOUGH STARTING TO TURN UP



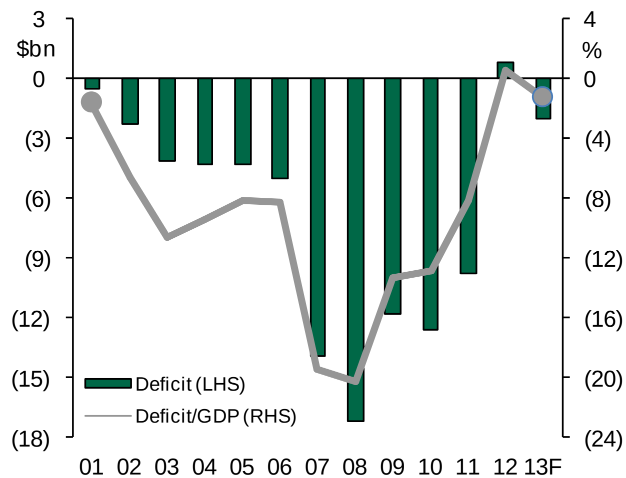
DELEVERAGING NOW A STRUCTURAL TREND



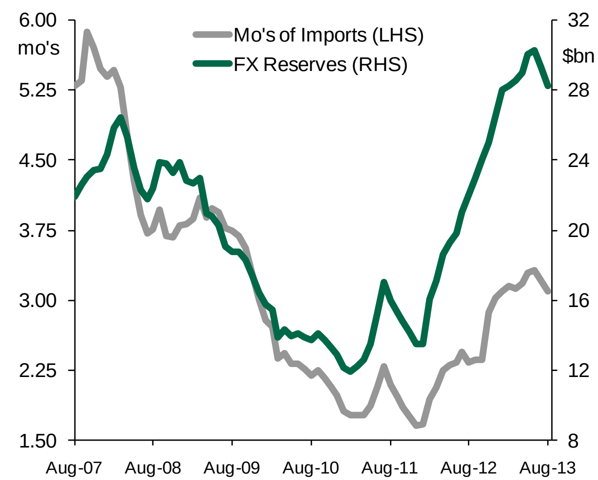
FISCAL DEFICIT CLOSER TO HISTORIC NUMBERS



TRADE DEFICIT BACK TO MANAGEABLE LEVELS



FX RESERVES SEE ONGOING RE-BUILD



Sources: DC, IMF, GSO, WB

…BRINGING INFLATION AND CURRENCY TO HEEL

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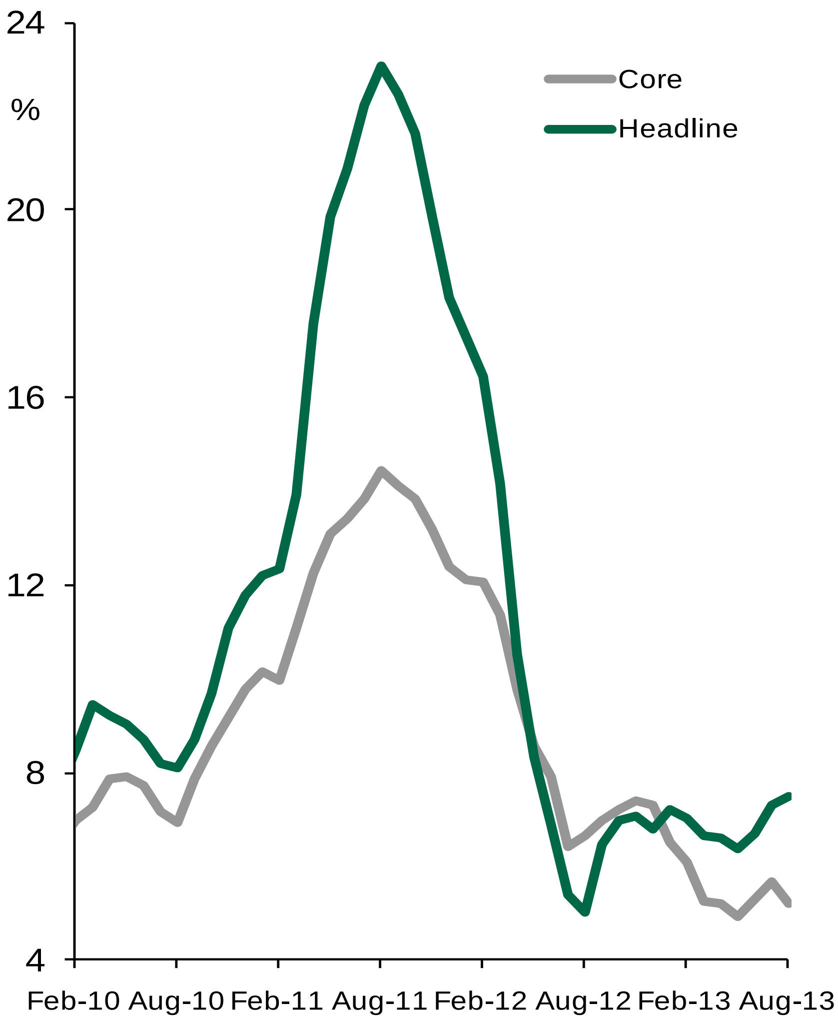
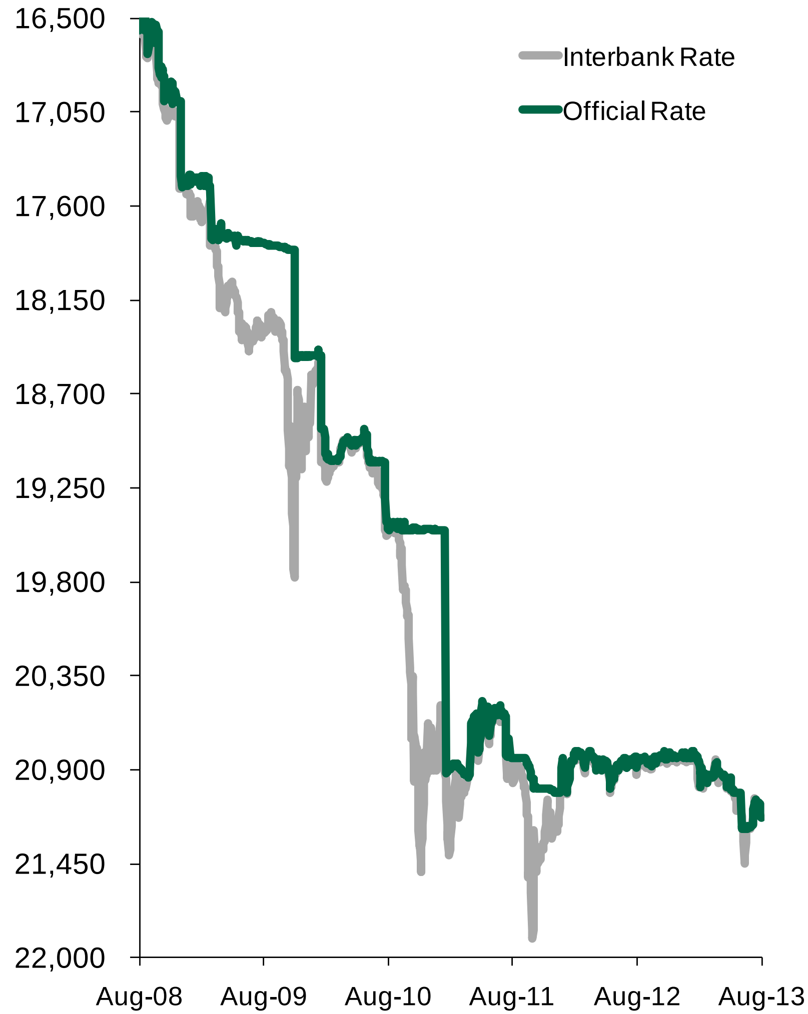
INFLATION 2010-13



VND 2008-13



Sources: DC, IMF, GSO, WB

STABILIZATION HAS SLOWED GROWTH…

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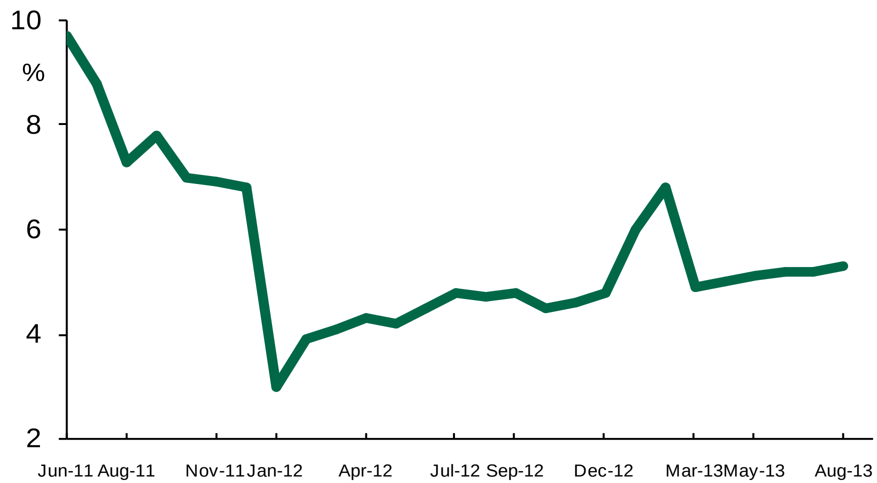
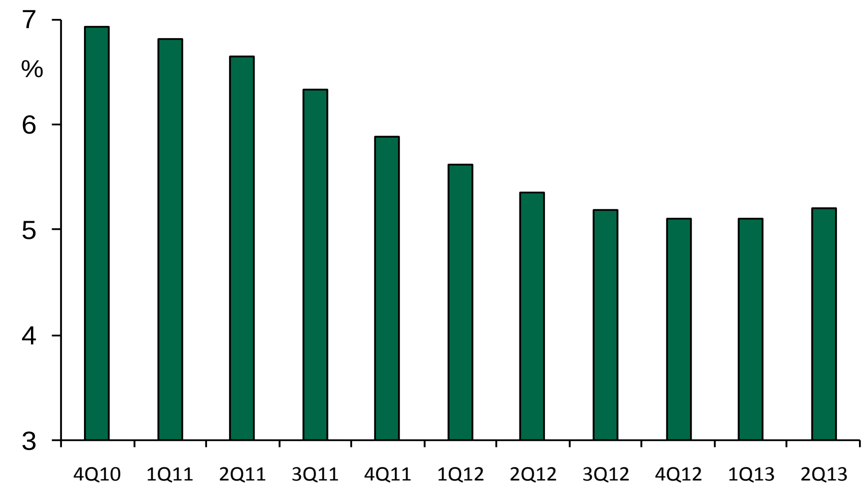
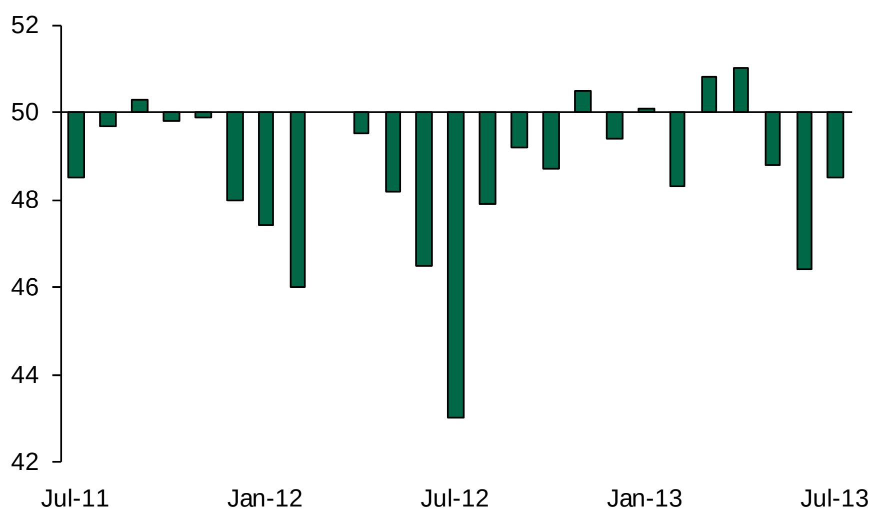
IP: EDGING UPWARD BUT STILL OFF NORMALIZED LEVELS



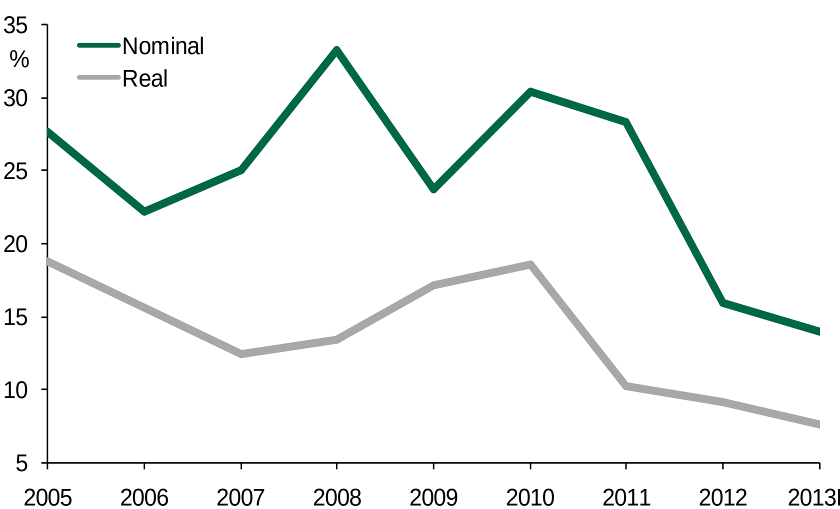
GDP GROWTH: STIL GRINDING OUT SUB-PAR 5%



PMI: FLAT TO WEAKER MONTH AFTER MONTH



RETAIL SALES: DEPRESSED AFTER YEARS OF HEADY GROWTH



Sources: HSBC, DC, GSO

…BUT A REBOUND IMPENDS

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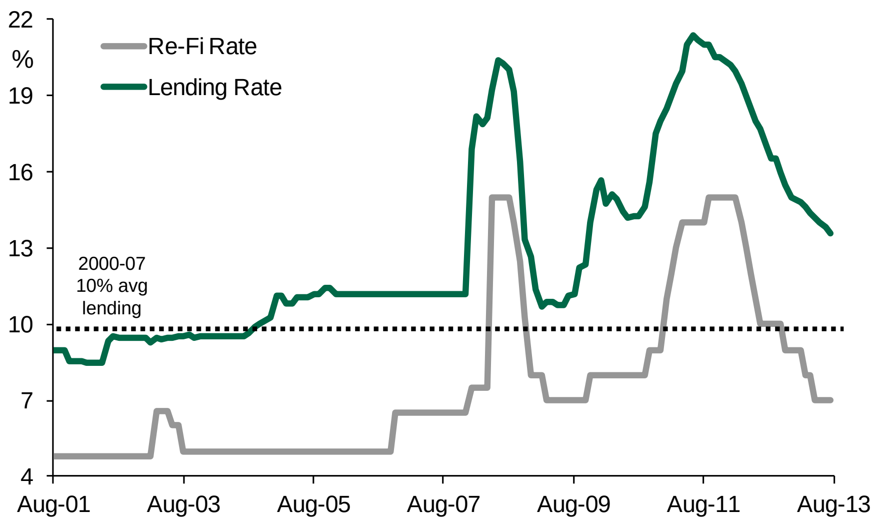
Stabilization paves the way for growth drivers to reassert themselves

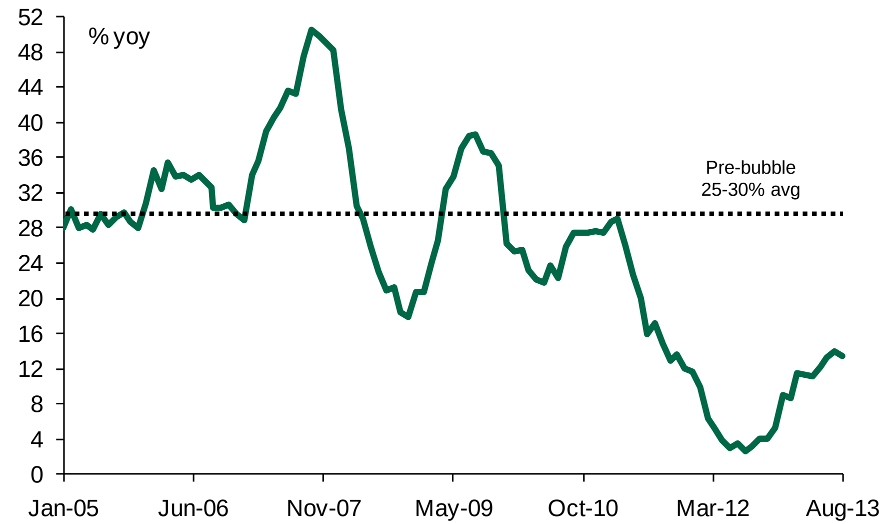
- ***Rate cuts and loan growth*** will continue with bust-up of the inflation/currency nexus
- ***The investment cycle*** has bottomed, as Gov't prepares to ease spending moratorium
- ***FDI*** has remained strong through the economy's travails, and is set to accelerate
- ***Exports*** have also been resilient, and will get a further boost from any new FDI surge
- ***The Trans-Pacific Partnership*** will pump both FDI and exports when ratified in 2014
- ***Industrial consolidation*** is now a firmly established trend
- ***Banks*** will find a better footing as the property market bottoms – which is now happening
- ***SOEs*** have been contained, if not privatized, and will recede within the economy
- ***Vietnam's "soft power"*** will now come back to the fore: demographics in the lead, plus native entrepreneurialism, strong domestic consumption, Confucian social/cultural values

MONETARY POLICY IS EASING

INTEREST RATES ARE SLOWLY NORMALIZING



LOAN GROWTH IS FINALLY PICKING UP

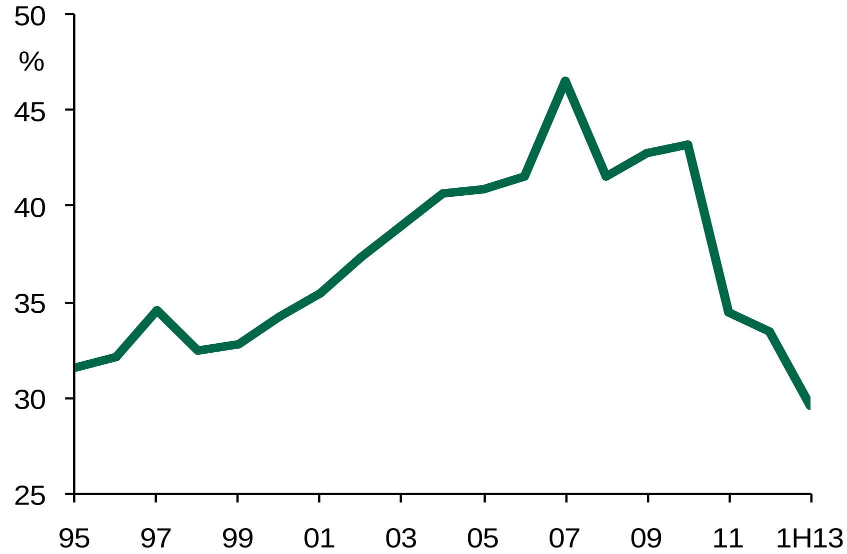


Sources: DC, SBV, IMF

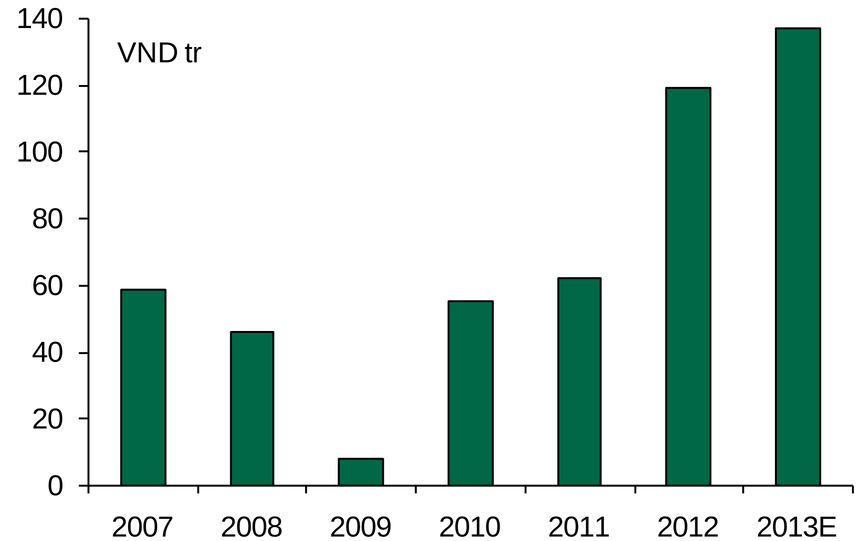
- At 12-14%, Vietnam's nominal lending rates are still way above the historical norm of ca 10%
- And at an adjusted 10-12% yoy, loan growth is way below its historical average of ca 30%
- But rates have been cut from their highs of 20%-plus, and with inflation whipped, and the currency anchored, the process will be ongoing
- Since March the Government has been easing monetarily and loan growth has perked up, with July credit at +5% ytd vs +1% in March – an encouraging start

INVESTMENT CYCLE HAS BOTTOMED

INVESTMENT / GDP WAS LOWEST-EVER IN 1H13, BUT AFTER A PROLONGED SPENDING HIATUS…



…GOVERNMENT HAS RAISED BONDS FOR RENEWED INFRASTRUCTURE AND OTHER PROJECTS



Sources: GSO, HNX, State Treasury, MOF

- Vietnam's total investment/GDP hit a low of 29.6% in 1H13, versus 32-37% into early 2000s
- Investment restrictions imposed since 2011 will be eased from late 2013 onwards thanks to:

– Strong Government bond mobilization in 2H12 and throughout 2013

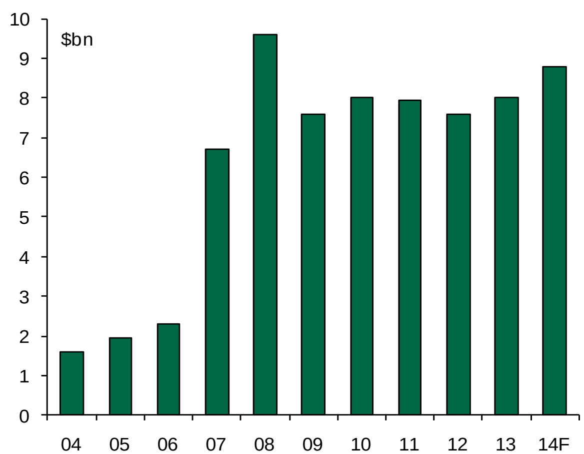
– Substantial ODA waiting to be disbursed, previously held back for lack of matching funds

– Planned $4.7bn three-year financial package to resolve municipal debt and complete unfinished infrastructure projects

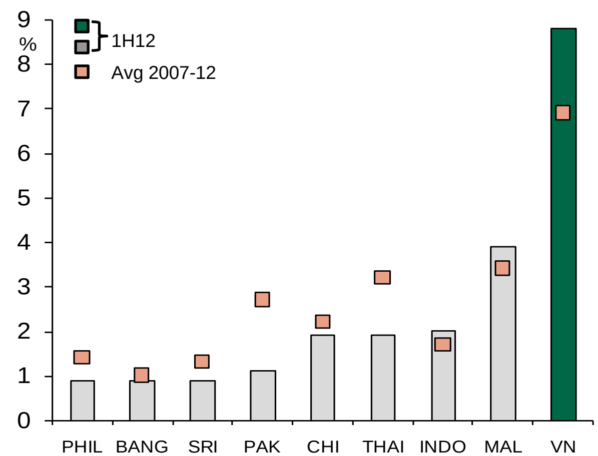
FDI: ACCELERATING DRIVER

- Vietnam's main draw for FDI is the cheap but young and well-educated labor force that it offers for lower-end manufacturing (though many other socio-economic factors also appeal)
- Even with infrastructure problems, Vietnam is actively supplanting China as the latter's own labor force diminishes, and its workers age and their salaries sky-rocket
- FDI has been entrenched at ca $8bn for several years, led by major multi-nationals, but is now starting to pick up as the move to relocate / diversify from China noticeably gathers pace
- The sums involved are already a much bigger portion of GDP for Vietnam than for peers, suggesting that Vietnam has the best all-round package for pulling in this type of FDI

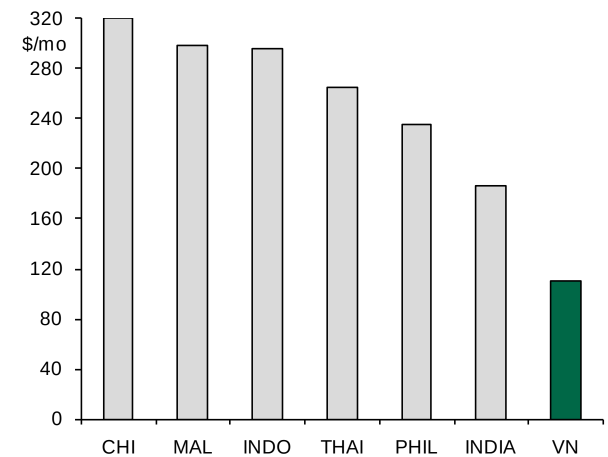
FDI: REMAINS ROBUST AND A RENEWED SURGE IS STARTING



FDI/GDP – VIETNAM GREATLY SURPASSES PEERS



MANUFACTURING WAGES HEAVILY UNDERCUT PEERS

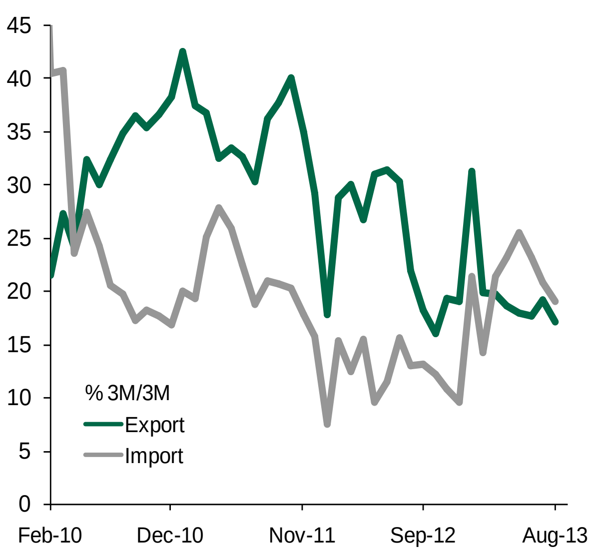


Sources: DC. GSO, Citi, HSBC

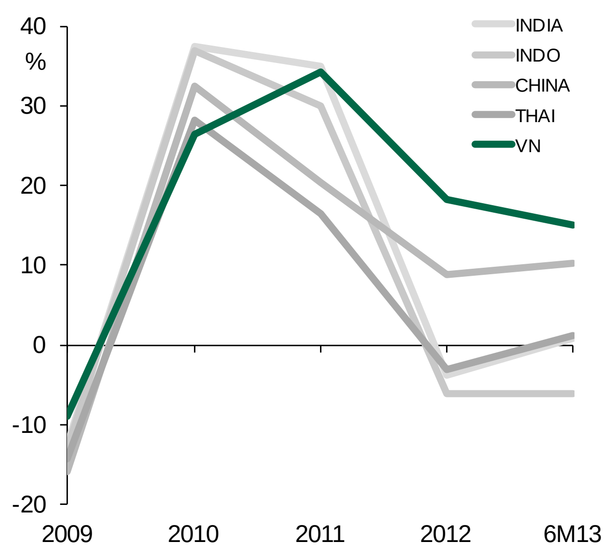
EXPORTS: THE MACHINE

- Export growth has remained strong throughout the global recession, and with the end of the bubble economy, exports have reverted to driving (and generally outpacing) imports
- The strength of exports is due to the continual influx of FDI and the steady move this has generated towards more up-market manufactured goods
- Vietnam's export growth is outstripping that of its peers precisely because they are no longer attracting FDI at the same clip, even if some receive higher amounts

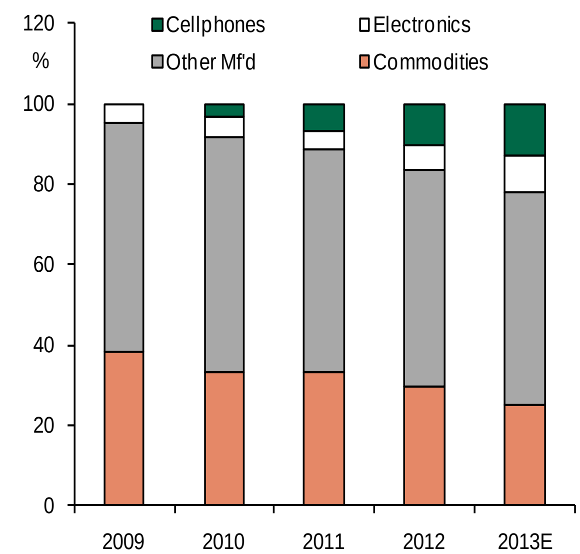
GROWTH OFF 2010 PEAK BUT STILLHEALTHY, AND NOW WELL BALANCED WITH IMPORTS



SUPERIOR GROWTH VS PEERS AS FDI CONTINUES TO FLOW…

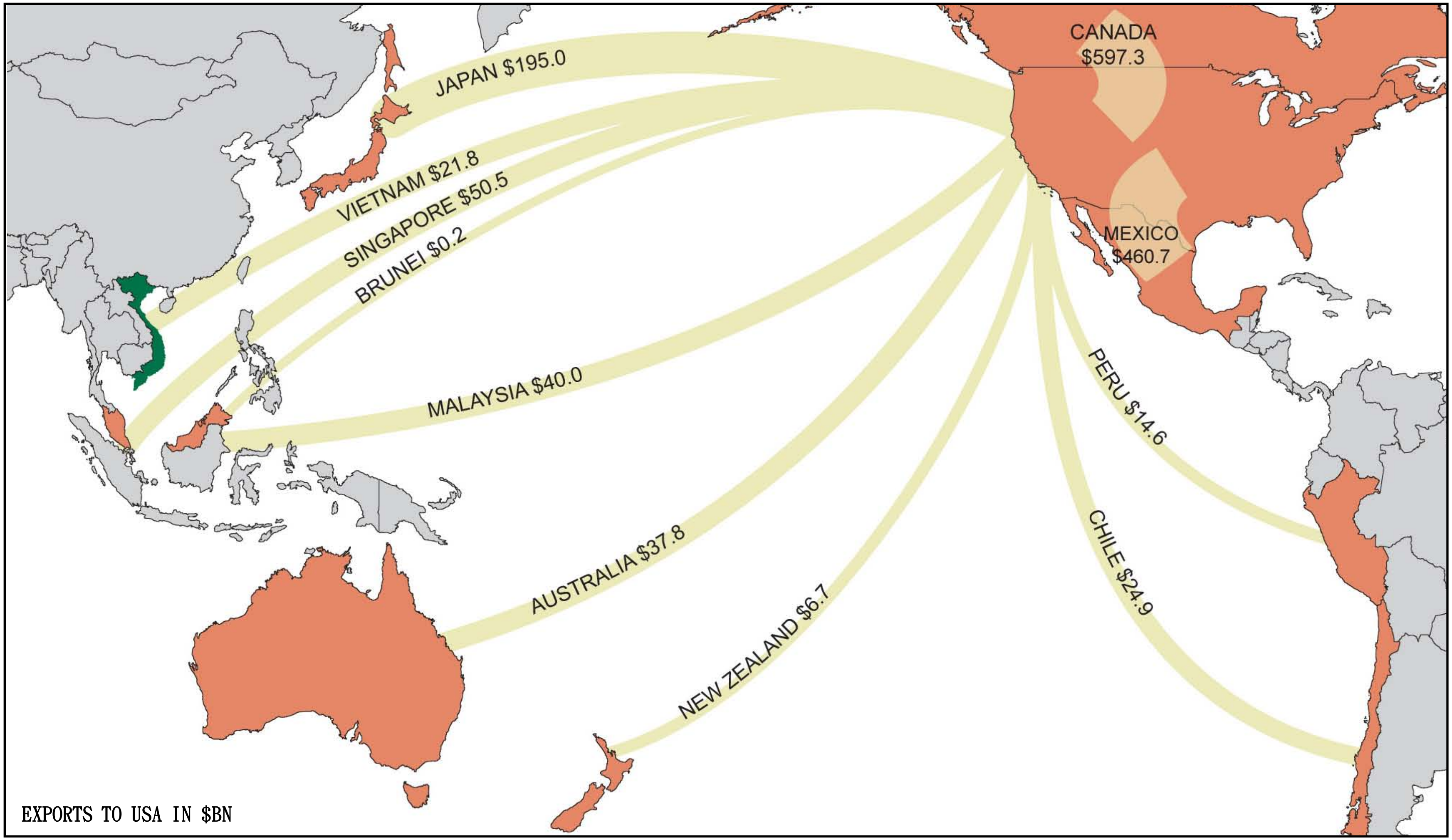


…AND EXPORTS SHIFT STEADILY TO HIGHER VALUE-ADDED GGODS



Sources: DC, IMF, ADB, GSO

TRANS-PACIFIC PARTNERSHIP



US is creating a free-trade bloc accounting for 40% of output and 30% of exports globally, from which China is excluded, and of which Vietnam may be the biggest beneficiary

TRANS-PACIFIC PARTNERSHIP

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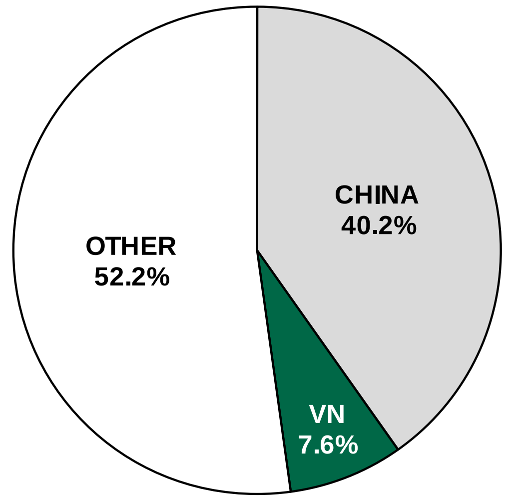
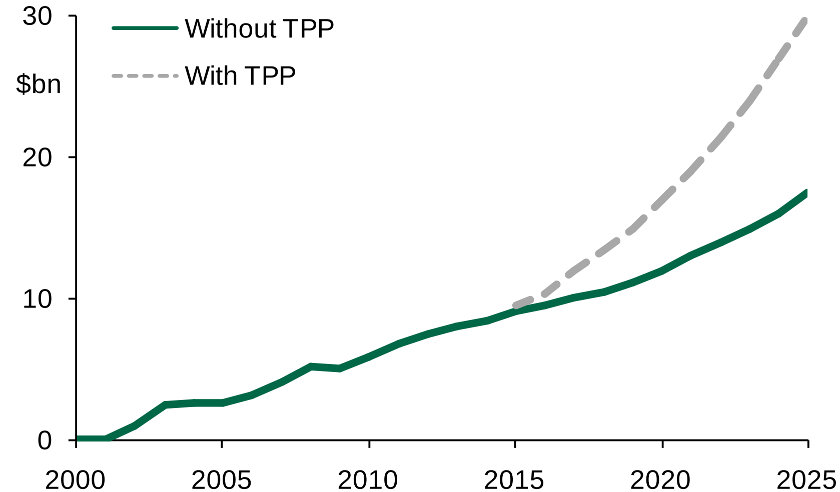
- TPP is a comprehensive market liberalisation package that will eliminate selected tariffs between member states
- It will create a new era in global export trade, with ratification expected in 2014
- With TPP in place, Vietnam will not only have wage but import-duty advantages over China, leading to redoubled lower prices
- In numerous products, but especially textiles, a small loss of market share by China would be a massive windfall for Vietnam
- On overall GDP, academics forecast that TPP will add an additional $30-35bn by 2025
- Even if these forecasts prove optimistic, the benefits that flow will be still be significant

TEXTILE MARKET SHARES IN USA



TEXTILE EXPORTS TO THE US



Sources: USDC, VNTA

INDUSTRIAL CONSOLIDATION

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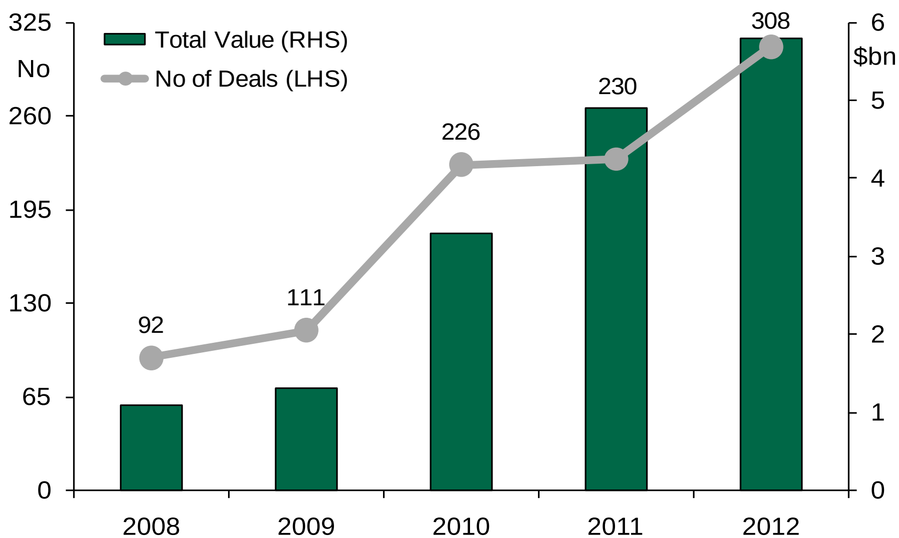
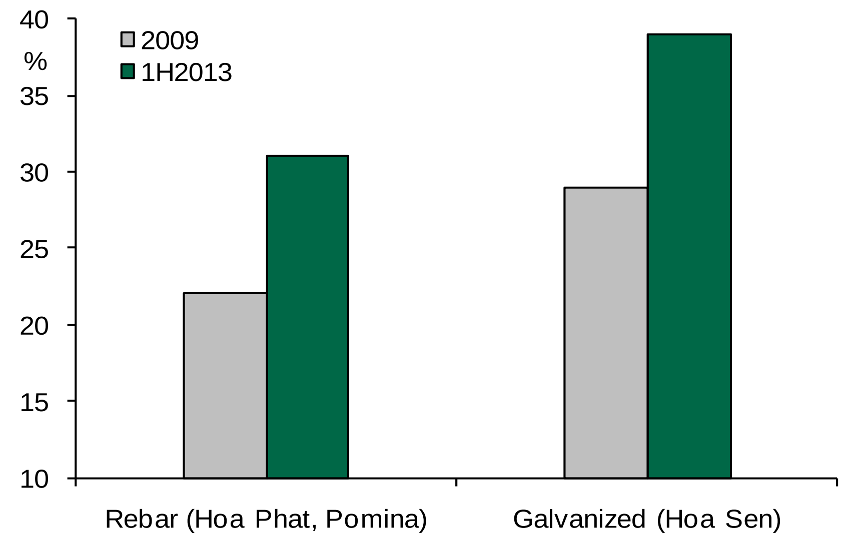
COMBINED FFI AND M&A ACTIVITIES



STEEL SECTOR CONSOLIDATION



Sources: DC, VN Economic Times

- Prior to 2010, inefficient companies were able to deliver profits as aggregate demand was growing strongly and cheap credit was widely available
- Result: industries fragmented into numerous small companies
- Since 2010, the slowdown has driven less efficient companies out of business and created opportunities for good companies to gain market share
- Result: improved capital allocation and industrial efficiency, such that sectors like steel, construction, broking and fisheries are rapidly consolidating – and soon enough, banking and property

BANKS WILL GRADUALLY RECOVER

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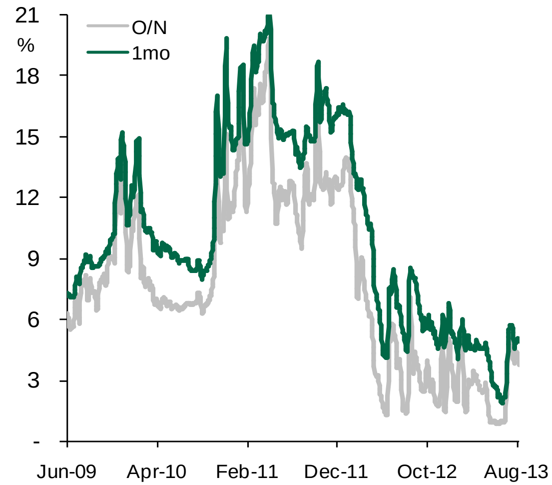
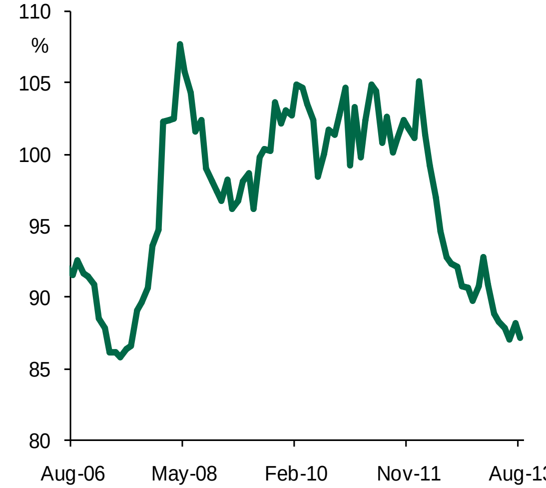
- The Government has kept the system flush with liquidity, and lending is at conservative levels vs deposits
- So insolvency risks are minimal
- But the legacy of bad property loans remains – NPLs may be 18%, and VAMC, the work-out agency, seems weak
- That will put a certain crimp on lending and thus on growth
- But the trough of the cycle has probably been reached now that new lending has started to edge up
- And the property market is bottoming too, at least in residential, with other sectors to follow
- Combined with economic recovery, and some eventual input from VAMC, NPLs can be chipped away at over time

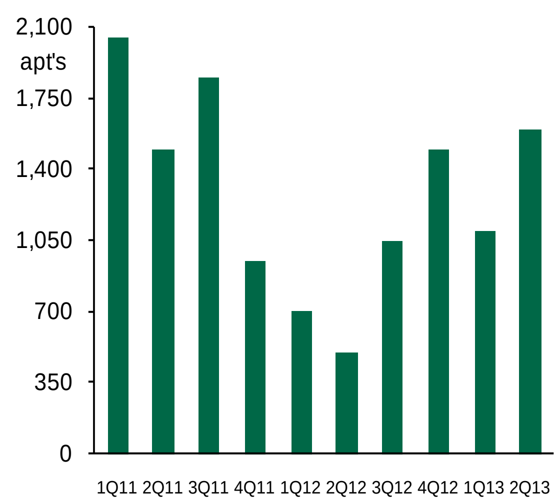
GOOD INTERBANK LIQUIDITY



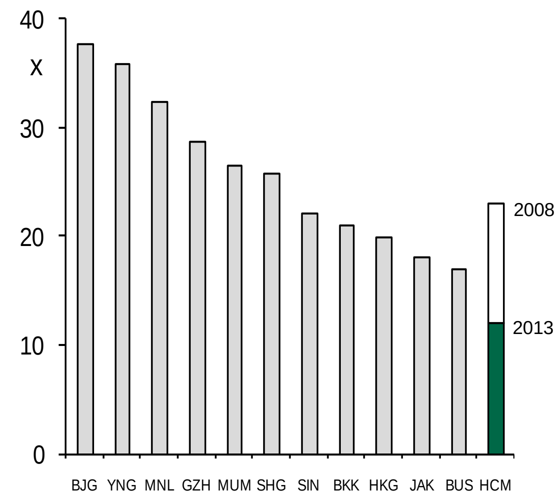
LDRs AT SENSIBLE LEVELS



PICK-UP IN HCMC APT'S SOLD



HCM HOME/INCOME PLUNGES

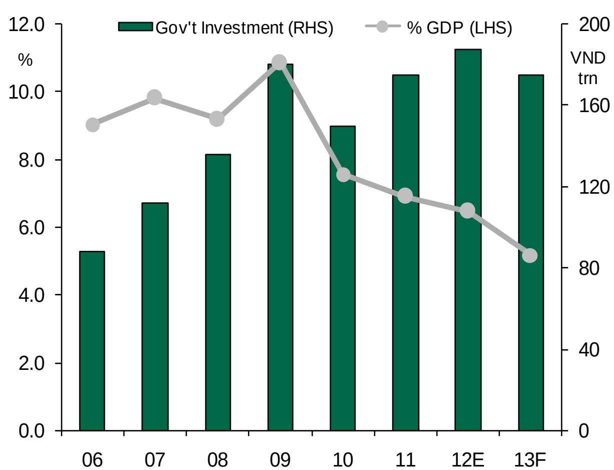


Sources: DC, SBV, CBRE

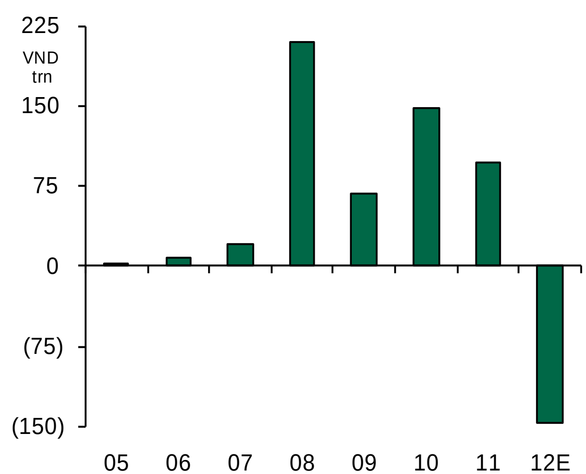
SOEs HAVE BEEN CONTAINED

- SOEs became all-powerful groups reporting only to the PM, controlling strategic industries and leading development…until they blew up the economy with debt-funded diversification sprees
- Reorganized as limited-liability companies, with many top executives jailed or disgraced, SOEs have seen their funding slashed and their borrowing costs move to commercial rates
- They are being forced to divest non-core assets, and money that used to flood their way for indiscriminate spending has been throttled back hard
- The SOEs are still there but they have been rolled back sharply and are a receding force in the economy, with new spending to be under much tighter constraints

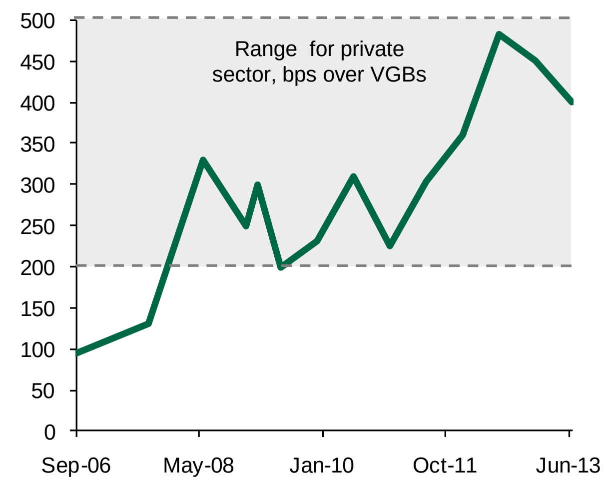
GOVERNMENT INVESTMENT: FLATTENS WITHIN OFFICIAL BUDGET, FALLS VS GDP



VDB GUARANTEES: PLUNGE SHOWS LOWER OFF-BUDGET SPENDING



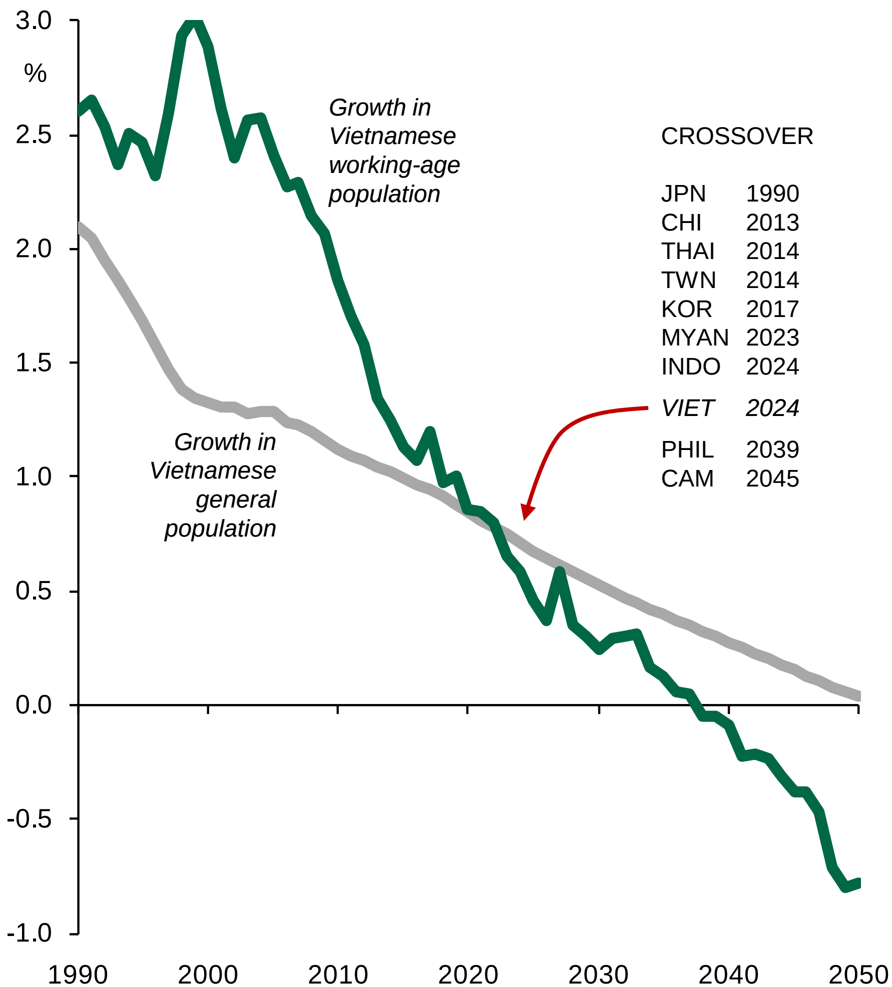
SOE BORROWING SPREADS GO TO TOP OF COMMERCIAL RANGE



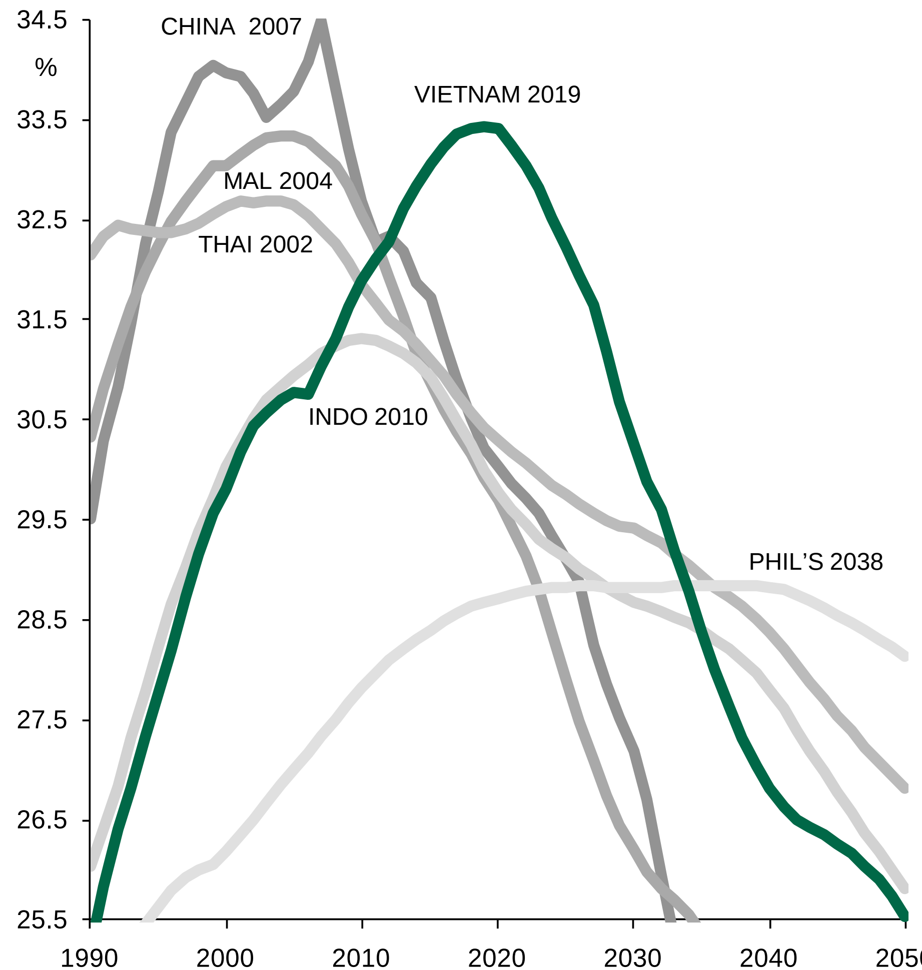
Sources: DC, GSO. MOF, HNX

SOFT POWER: DEMOGRAPHIC SWEET-SPOT

Growth rate of labor force exceeds that of population for another decade-plus; much of North Asia and SE Asia are at or past this point



Peak-spending cohort (25-45 years) does not max out within population for another half-decade; mostly after other Asian peers, and at higher levels



Sources: USDL

MACRO FORECASTS

	unit	2011	2012	2013F	2014F
Real GDP Growth	%	5.9	5.0	5.2	5.8
Nominal GDP	$bn	119.6	141.9	154.9	171.3
CPI	%	18.1	6.8	6.4	6.4
Exports (cif)	$bn	96.9	114.6	132.3	157.5
Export Growth	%	34.2	18.2	15.5	19.0
Imports (cif)	$bn	106.7	113.8	134.3	159.8
Import Growth	%	25.8	6.6	18.0	19.0
Trade Balance (cif)	$bn	(9.8)	0.8	(1.9)	(2.3)
FX Reserve	$bn	13.5	26.5	32.0	36.0
FDI Disbursed	$bn	8.2	7.6	8.0	8.8
VND (interbank)	$1	21,200	20,850	21,250	21,600

Sources: DC, GSO, IMF, WB

- 2014 will see uplift from 2013 as growth factors take hold
- Imports will remain a function of exports, keeping the trade gap manageable
- Inflation is projected to stick at 6.5%, limiting incentive for internal capital flight
- With lower “errors and omissions”, BOP’s natural cash surplus will continue to pump FX reserves
- VND is bound to hold its level of ca 21,000 in these circumstances, although Government may implement small discretionary de-val’s to boost export competitiveness

EQUITY MARKET

WHY NOW?

- The market, now consolidating in a very solid 450-500 trading range on undemanding multiples, can hardly avoid strong gains as the economy continues to improve
- Just to maintain current multiples, non-property stocks would be set to increase 20% in 2014
- But as the multiples are quite cheap versus peers, multiples themselves are overdue for a re- rating if the macro situation develops as foreseen – thus, double whammy for stocks
- More importantly, Vietnam is uncorrelated with global markets – it is overwhelmingly controlled by locals (85-90% of daily volume) trading on the country's own internal dynamics
- Now that these are turning more positive, Vietnam can run whatever global trends may be – and just as it did not particularly benefit from QE, neither will it suffer from tapering
- Meanwhile, foreign ownership limits looks as if they will soon start to be reduced
- These are powerful bull factors, but it will be important to invest ahead of them – because once they take effect, the market's fast-action characteristics will make it difficult to participate

CORRELATION VS VNI (x)	1MO	2MO	YTD	1YR	2YR	3YR
MSCI Frontier Markets Index	0.32	0.48	0.42	0.37	0.29	0.29
MSCI Emerging Markets Index	-0.02	0.07	0.14	0.14	0.15	0.16
MSCI World Total Return Index	-0.27	0.04	0.12	0.09	0.13	0.11

MARKET 2006-13

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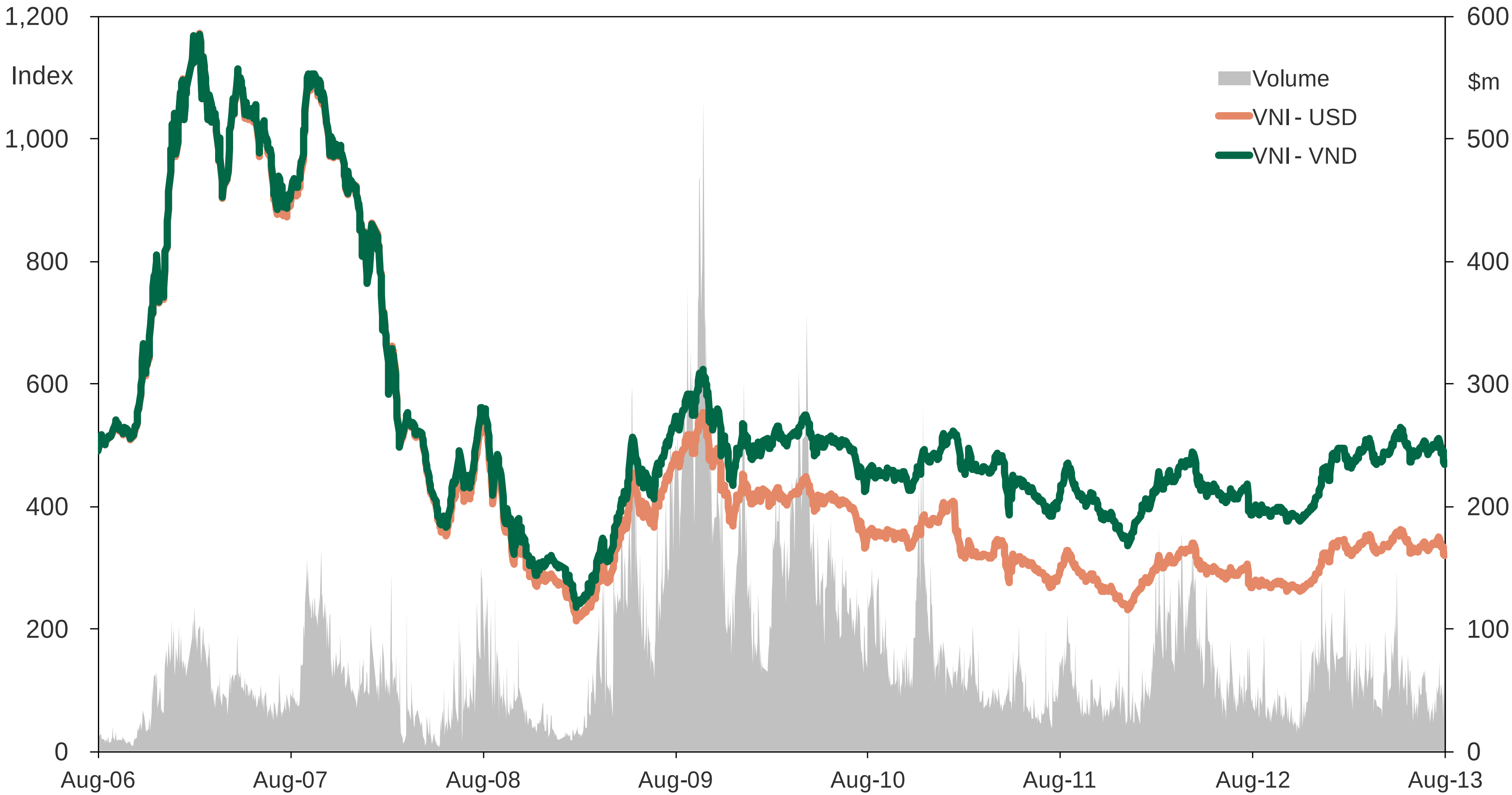
The market is down from its unsustainable 2007 peaks and well-supported in its 450-500 trading range, which offers a strong base for future gains



Sources: HOSE, HNX

MARKET 2012-13

The market has been highly responsive to macro improvements, bouncing back from political earthquakes in Aug-Dec 2012, and the future will be no different as growth indicators re-emerge in the next 12 months

Sources: HOSE

MARKET 2012-13

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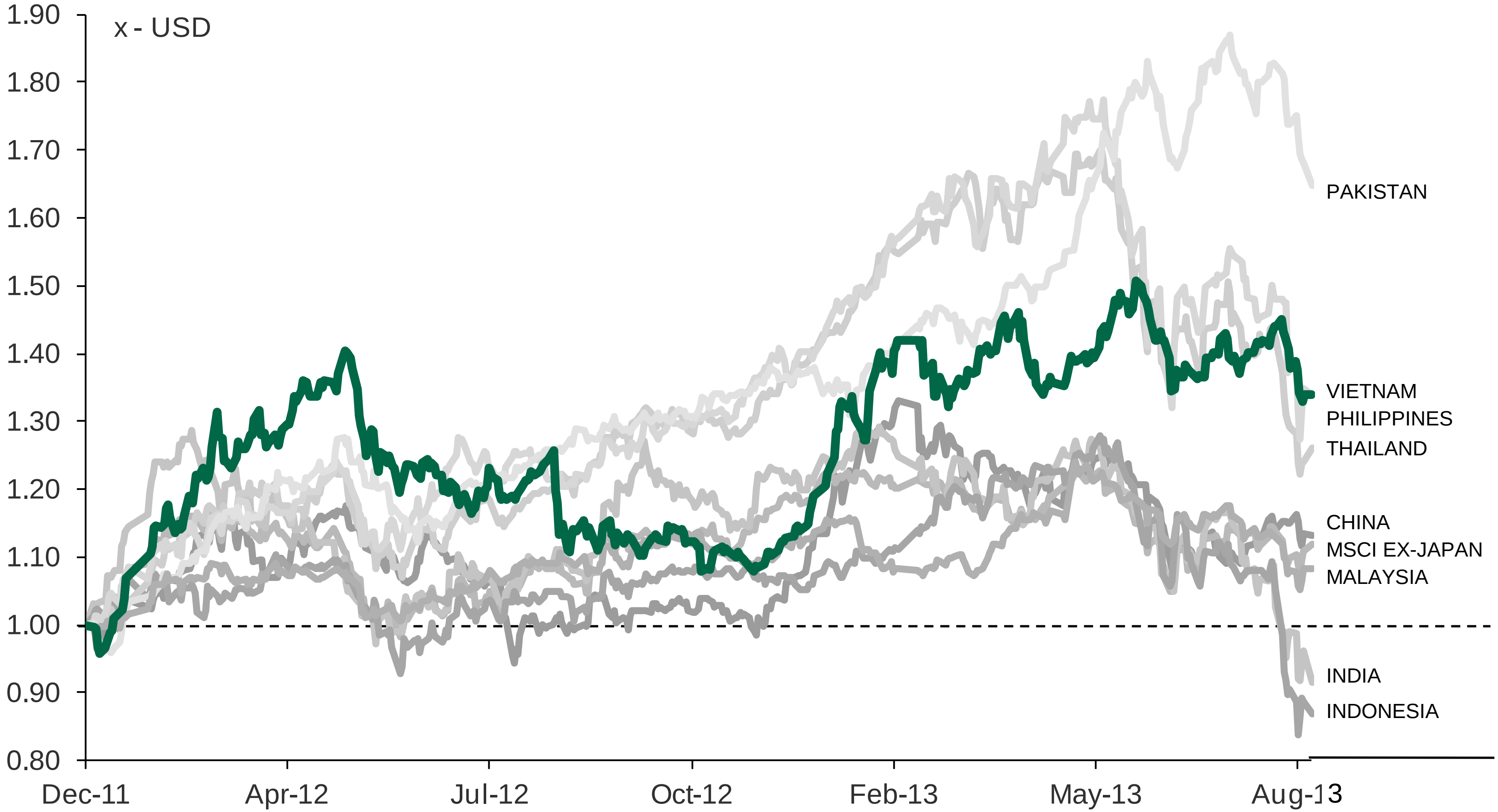
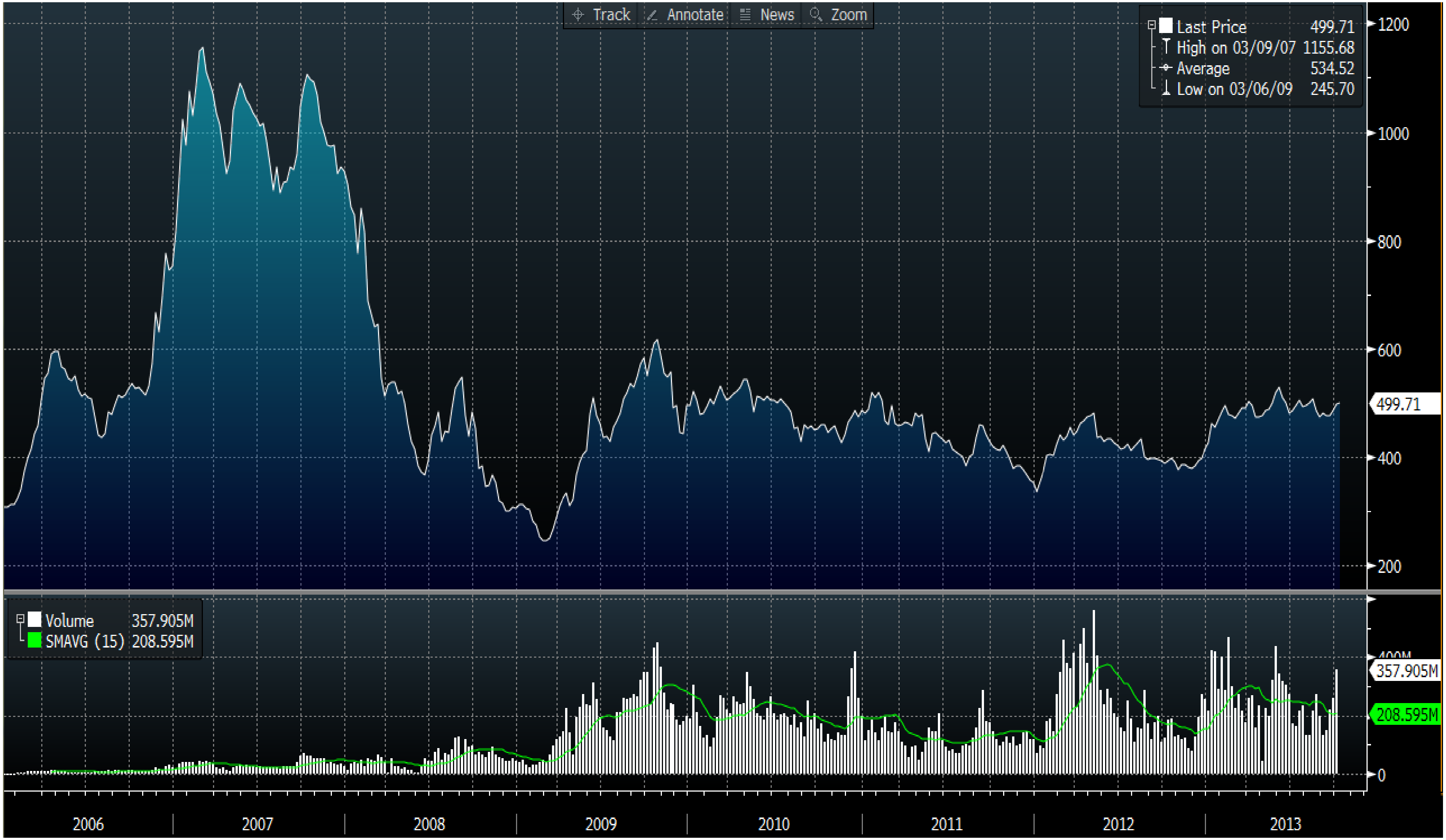
Its performance in 2012-13 has compared well to peers – despite various up's and down's, it has occasionally led Emerging Asia, and at the end of the period, is the No 2 performer

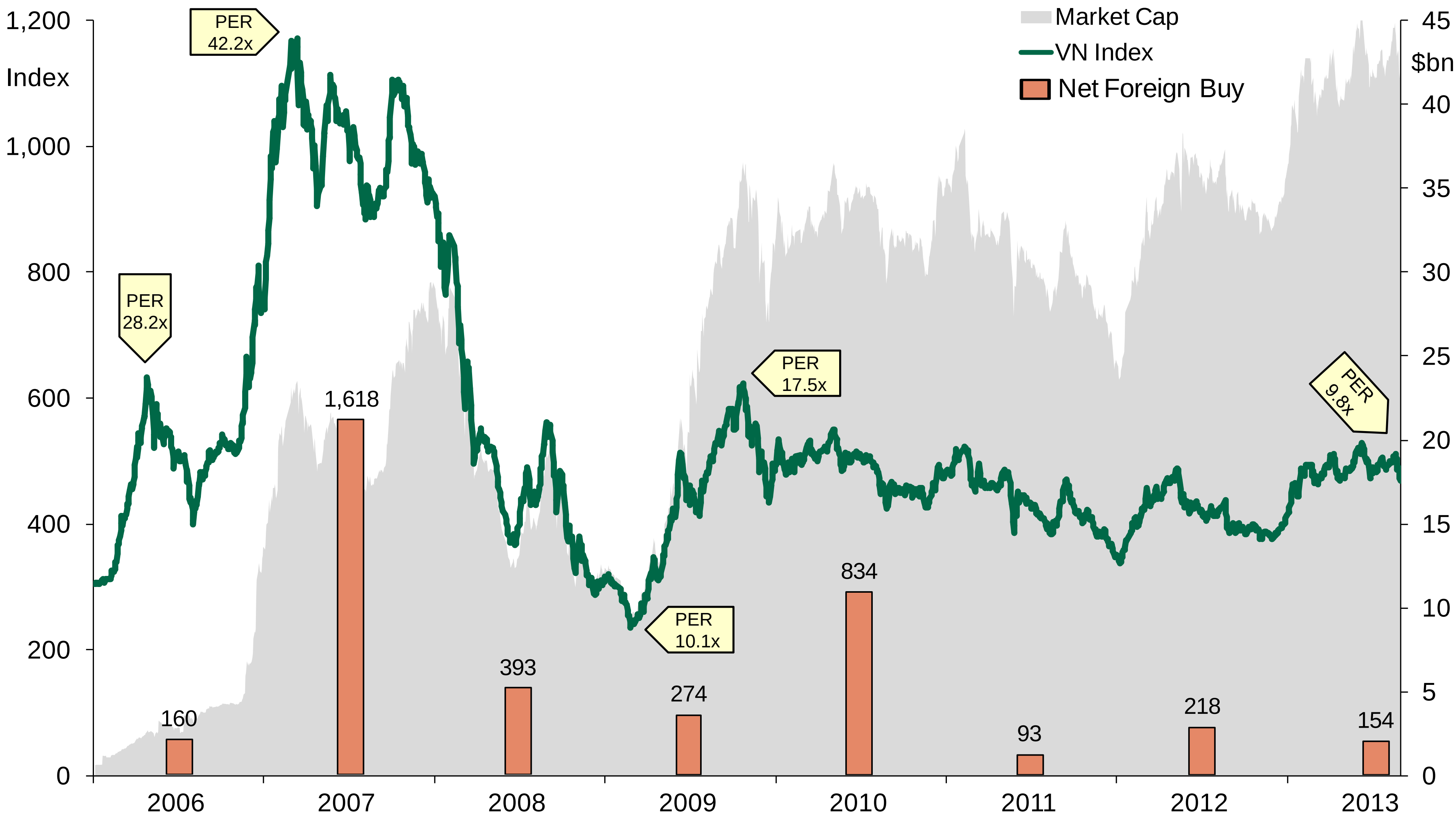


Sources: Bloomberg

Liquidity improving ….



FOREIGNERS EMBRACE TOP, SPURN BOTTOM



Sources: HOSE, HNX

BUT SOME FOREIGNERS ARE PILING IN

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FOREIGN LISTED / OTC / PE BUY-INS DURING PAST 12 MONTHS

SEMEN INDONESIA PT Semen Indonesia	*70% stake in cement producer for $200m*	THANG LONG CEMENT
WARBURG PINCUS	*20% stake in retail property JV for $200m*	VINCOM
SCG	*85% stake in tile producer for $240m*	PRIME Thịnh vượng là Prime
SCG	*23% stake in plastics producer for $30m*	TIEN PHONG PLASTIC
SCG	*23% stake in plastics producer for $30m*	BM PLASCO NHỰA BÌNH MINH
MUFG Bank of Tokyo Mitsubishi UFJ	*20% stake in No 2 State bank for $240m*	VietinBank
KKR	*10% re-up stake in top F&B company for $200m*	Masan CONSUMER
SUMITOMO LIFE	*18% stake in top insurer for $340m*	BAOVIET TẬP ĐOÀN BẢO VIỆT
Fortis HEALTHCARE SINGAPORE	*100% of top hospital group for $130m*	CÔNG TY CỔ PHẦN Y KHOA HOÀN MỸ
TPG	*49% of PE agri group for $50m*	Masan AGRICULTURE

FORECASTS AND VALUATIONS

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2012

- Earnings held back by growth slump, bank upheavals, dilution, reduction of tax breaks

2013

- Modest top-line gains, but EBIT surges on reduced loan provisions, lower interest rates, better margins
- Extraordinary asset sales at property companies inflate the effect, especially at the NPAT level
- When the property factor is removed, earnings are less explosive but still healthy

2014

- Ongoing robust numbers, and when property is taken out, the progressive improvement in the manufacturing and services economy has full visibility

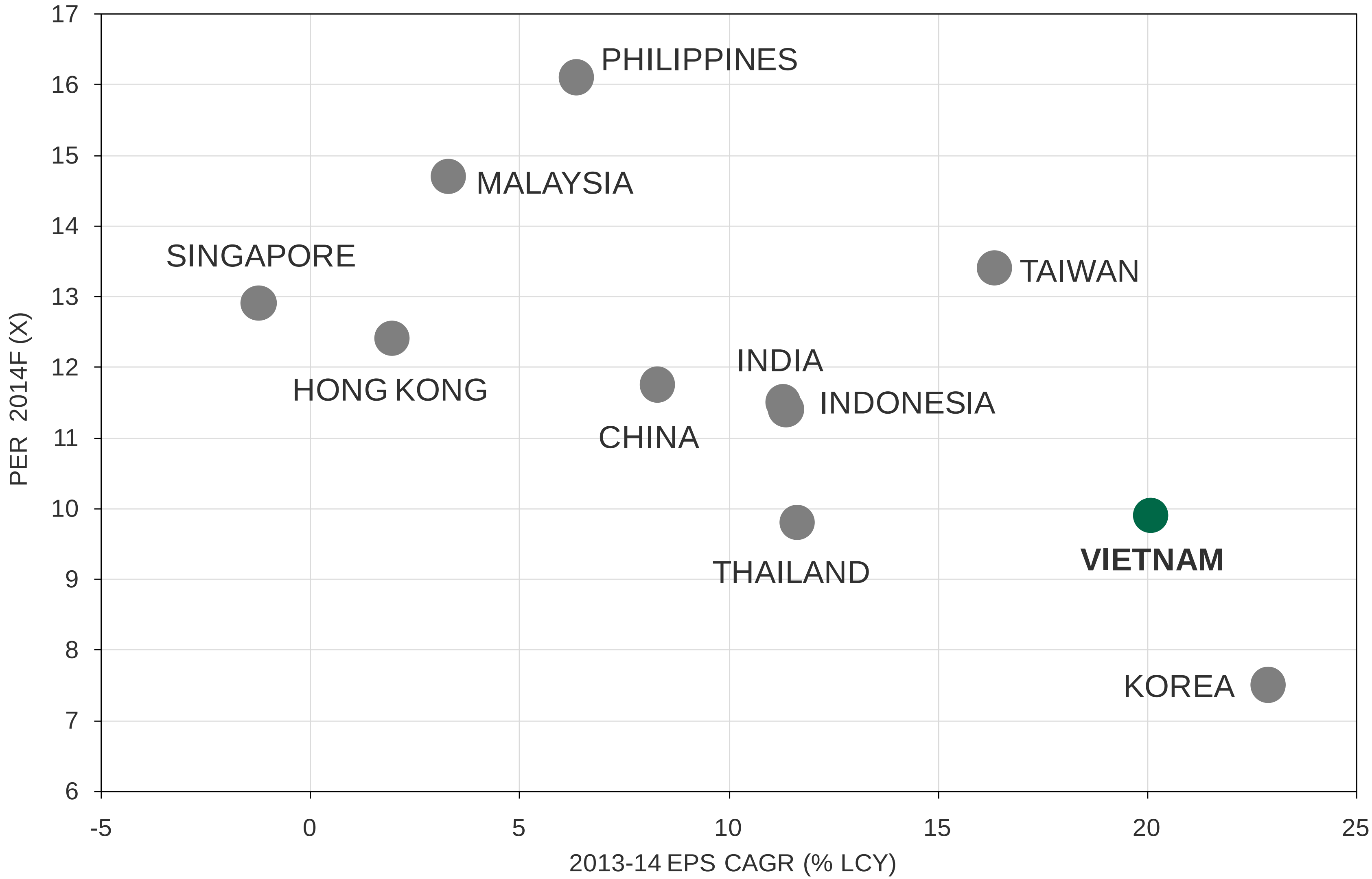
VIETNAM TOP 50 RATINGS: ALL-IN

VNI 473	unit	2011	2012	2013F	2014F
P/E	x	12.1	14.6	11.1	9.8
EPS Growth	%	-9.4	-13.3	28.4	13.1
Sales Growth	%	19.5	3.2	12.0	12.6
EBIT Growth	%	7.5	-4.2	19.3	19.6
NPAT Growth	%	-3.5	-8.1	31.4	13.6
ROE	%	15.6	14.8	17.5	17.7
Yield	%	3.4	3.8	3.6	3.1

VIETNAM TOP 50 RATINGS: EX-PROPERTY

VNI 473	unit	2011	2012	2013F	2014F
P/E	x	10.4	13.2	11.4	9.6
EPS Growth	%	11.4	-11.5	13.3	18.9
Sales Growth	%	32.7	2.2	10.6	13.0
EBIT Growth	%	28.1	-5.8	13.4	19.8
NPAT Growth	%	20.8	-6.8	15.9	19.9
ROE	%	18.1	16.6	17.5	18.5
Yield	%	4.1	4.2	3.7	3.7

COMPARATIVE VALUATIONS: ALL STOCKS

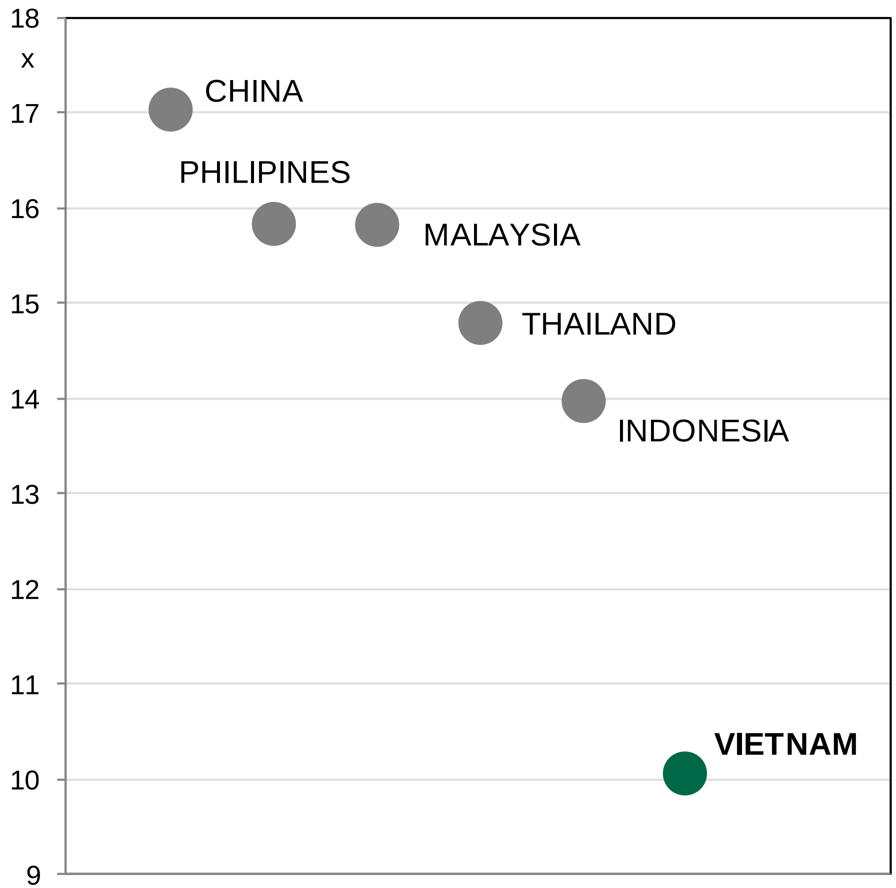


Sources: Dragon Capital Top 50 for Vietnam; CLSA all others

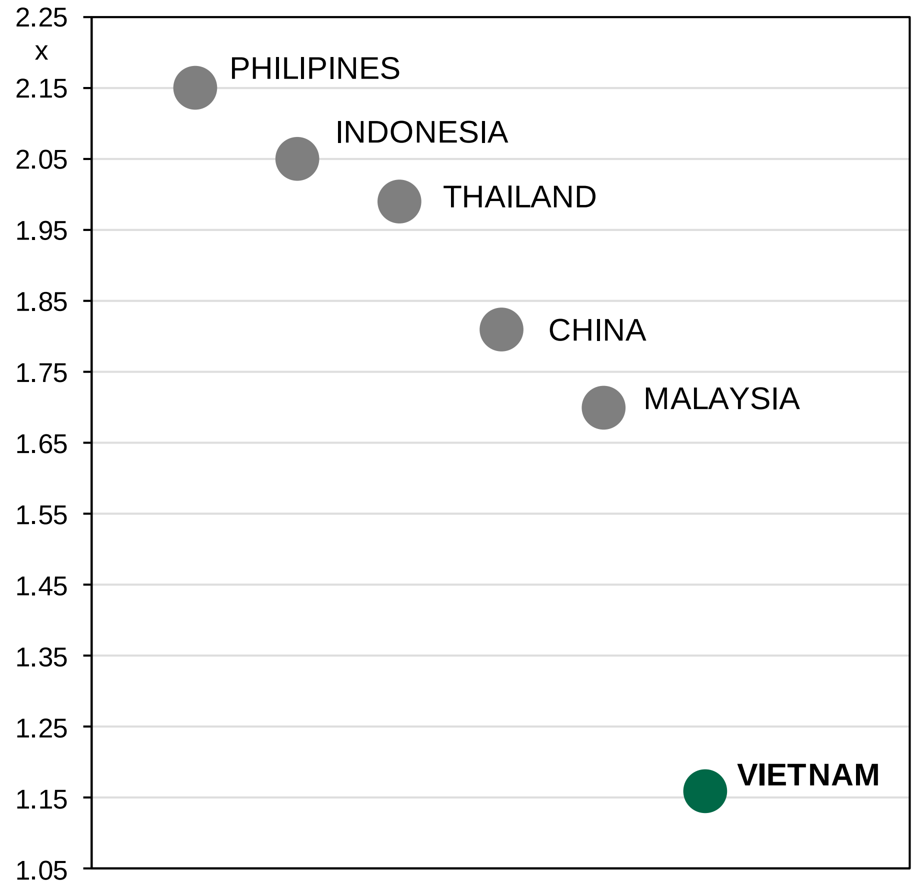
COMPARATIVE VALUATIONS: EX TOP 5

Vietnam's market cap is heavily concentrated in its top five companies – ca 50%, vs an average 25% for peers – and removal of these names dramatically reveals the cheapness of its remaining stocks

1H13 TRAILING PERs



1H13 TRAILING PBVs



FOREIGN OWNERSHIP LIMITS

- FOLs have restricted international investors to 49% of all listed companies except banks, where the limit is 30%, effectively for strategics only
- This has been a key factor to discourage prices from reaching world levels across the market
- The Government is now proposing to widen FOLs to 60% of voting stock, probably by 2Q14
- Although companies have to individually approve, most are expected to do so
- Also another 10-20% is likely to be created through non-voting stock, probably by late 2014
- FOL liberalization – combined with ongoing macro improvements – will be a powerful catalyst for a general market rise once it is implemented
- It will not fully solve the problem of blue-chip stock supply for foreigners, but will be a positive step

VIETNAM VS MSCI ASIA-PACIFIC

Sector - 2013F	FOL (%)	PER		EPS Gro		PEG	
		Vietnam (x)	MSCI (x)	Vietnam (%)	MSCI (%)	Vietnam (x)	MSCI (x)
Consumer Staples	43.1	15.3	20.7	18.3	7.3	0.8	2.8
Healthcare	43.8	11.6	23.6	19.3	15.2	0.6	1.5
Materials	28.4	6.0	13.8	12.1	-8.0	0.5	neg
Avg all ex property	32.2	11.4	12.3	13.3	9.8	0.9	1.3

TOP 50 LISTED'S – FIRST 25

Vietnam Bond Market Association

Many interesting companies are now at or near their foreign limit (in grey), equating to 35% of Top 50 market cap, which contains 85% of tradable VNI market cap

No	Company	30-Aug Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in MC (%)	Wt in VNI (%)	For Room (%)	EPS Growth			PER			PBV			Yield		
								2012 (%)	2013F (%)	2014F (%)	2012 (x)	2013F (x)	2014F (x)	2012 (x)	2013F (x)	2014F (x)	2012 (%)	2013F (%)	2014F (%)
1	PV Gas	64,000	65.8	5,728	13.7	16.2	46.8	65.9	16.7	4.9	12.4	10.6	10.1	4.5	3.9	3.9	4.7	4.7	4.7
2	Vinamilk	130,000	47.7	5,117	12.2	14.5	-	35.1	15.8	18.5	18.6	16.1	13.6	7.0	5.1	4.2	2.9	2.3	2.3
3	Vietinbank	19,500	-5.8	3,008	7.2	3.0	1.3	-10.7	-25.1	9.6	8.3	11.1	10.1	1.5	1.2	1.3	-	-	-
4	Masan	82,000	-19.6	2,731	6.5	7.7	17.8	-40.3	20.4	136.5	50.4	41.8	17.7	4.1	2.7	2.3	-	-	-
5	Vietcombank	24,700	-9.2	2,703	6.5	7.7	10.4	-10.2	-3.5	14.4	12.9	13.4	11.7	1.4	1.3	1.3	4.9	4.9	4.9
6	Vincom	62,500	3.5	2,605	6.2	7.4	9.0	38.0	384.1	-32.1	36.0	7.4	11.0	4.1	4.0	4.0	-	-	-
7	Bao Viet Holding	35,900	-6.5	1,154	2.8	3.3	25.1	12.2	21.0	10.0	18.1	15.0	13.6	2.0	2.0	2.0	4.2	4.2	4.2
8	Sacombank	16,900	-3.2	912	2.2	2.6	10.3	-54.8	20.3	60.6	20.6	17.2	10.7	1.2	1.2	1.0	3.6	-	-
9	Eximbank	14,700	-6.4	858	2.1	2.4	2.8	-29.6	-43.5	47.3	8.5	15.0	10.2	1.1	1.1	1.1	9.2	4.0	-
10	PV Fertilizer	40,100	12.0	719	1.7	2.0	20.8	-2.8	-15.8	-7.1	5.1	6.0	6.5	1.7	1.4	1.1	11.2	10.0	10.0
11	Hoang Anh Gia Lai	20,300	5.4	688	1.6	2.0	5.3	-70.1	29.5	44.8	35.0	27.0	18.6	1.1	1.3	1.2	-	-	-
12	PV Drilling	58,500	56.0	686	1.6	1.9	10.2	23.9	22.1	6.9	9.3	7.6	7.1	1.8	1.9	1.5	1.7	1.7	1.7
13	ACB	15,400	-6.7	670	1.6	-	-	-75.6	41.7	80.5	18.4	13.0	7.2	1.1	1.0	0.9	4.4	-	-
14	Military Bank	13,100	4.8	657	1.6	1.9	-	-13.0	5.3	30.2	5.5	5.2	4.0	1.1	0.8	0.7	9.2	9.2	9.2
15	Hoa Phat Group	31,200	48.6	617	1.5	1.8	6.1	-19.5	118.6	12.0	13.2	6.0	5.4	1.6	1.5	1.5	6.4	6.4	6.4
16	FPT	43,100	22.4	560	1.3	1.6	-	-16.3	14.0	19.2	7.6	6.7	5.6	1.9	1.7	1.5	4.6	4.6	4.6
17	South Kinh Do	49,900	24.8	389	0.9	1.1	-	15.1	11.9	10.4	22.2	19.9	18.0	2.0	1.7	1.6	4.0	4.0	4.0
18	PV Technical Svc's	15,400	12.4	325	0.8	-	26.6	-22.2	-11.2	22.3	5.0	5.7	4.6	1.1	0.9	0.9	9.7	7.8	7.8
19	Hau Giang Pharma	103,000	41.1	318	0.8	0.9	-	16.3	19.3	17.8	13.8	11.6	9.8	4.0	3.2	2.5	2.9	2.4	2.4
20	Pha Lai Power	20,200	69.7	304	0.7	0.9	35.7	12,851	64.9	8.3	13.1	7.9	7.3	1.5	1.4	1.2	5.0	4.0	4.0
21	REE	24,500	47.6	283	0.7	0.8	-	9.0	23.8	6.9	9.1	7.3	6.8	1.4	1.3	1.3	6.5	4.9	4.9
22	Saigon Sec's	16,300	0.0	270	0.6	0.8	0.3	485.4	8.5	12.1	12.4	11.4	10.2	1.1	1.1	1.1	6.1	6.1	6.1
23	Saigon Hanoi Bank	6,400	10.3	268	0.6	-	27.3	-97.6	720.5	123.7	148.9	18.1	8.1	0.6	0.6	0.6	-	-	-
24	Vinaconex	10,800	27.1	225	0.5	-	39.6	55.1	-15.9	10.0	54.6	64.9	59.0	1.0	1.0	1.0	-	-	-
25	Vinacafe	170,000	6.3	213	0.5	0.6	43.9	41.3	59.0	36.7	15.2	9.5	7.0	4.7	3.6	2.5	1.2	1.2	1.2

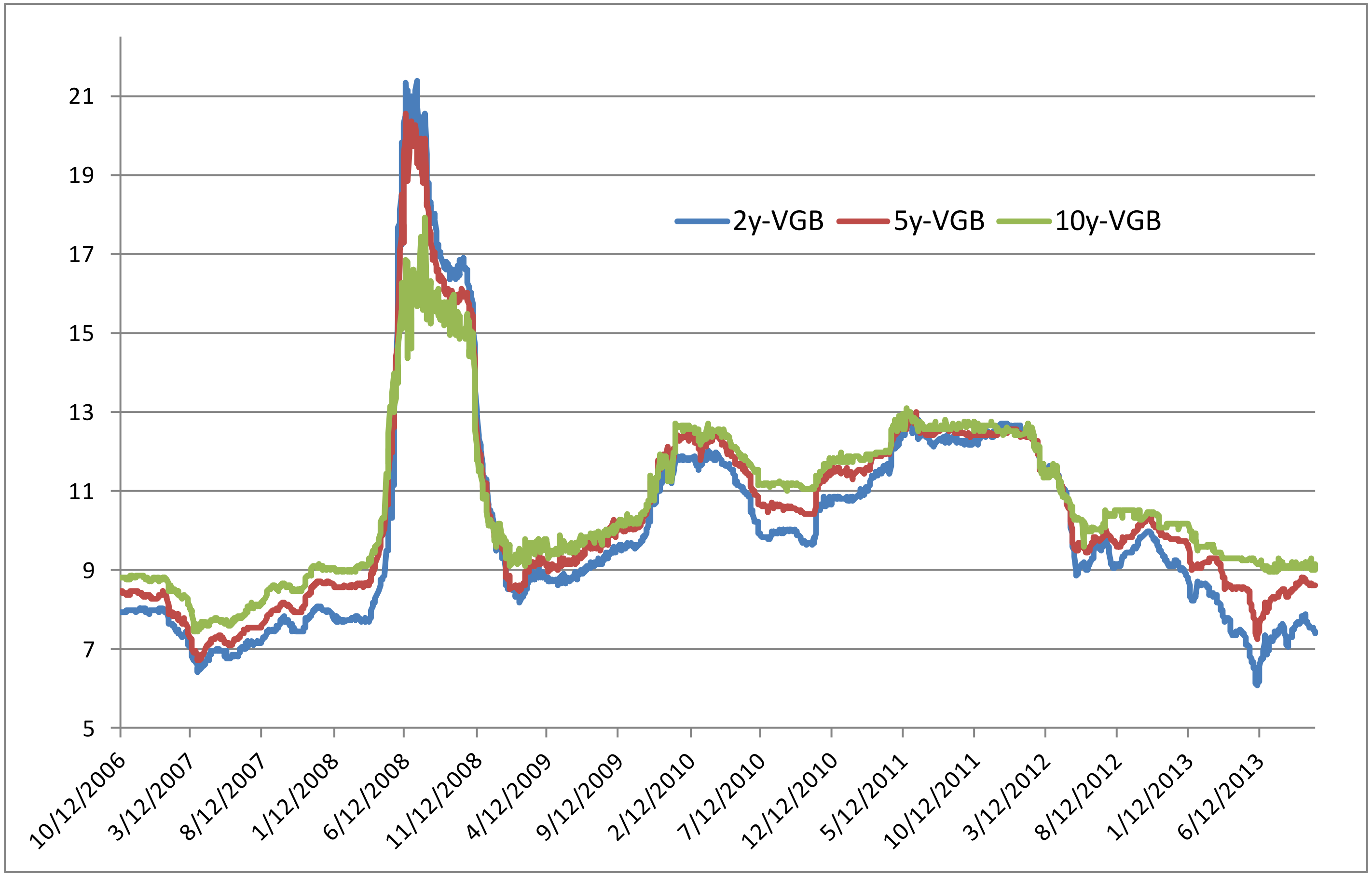
TOP 50 LISTED'S – SECOND 25

Vietnam Bond Market Association

No	Company	30-Aug Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in MC (%)	Wt in VNI (%)	For Room (%)	EPS Growth			PER			PBV			Yield		
								2012 (%)	2013F (%)	2014F (%)	2012 (x)	2013F (x)	2014F (x)	2012 (x)	2013F (x)	2014F (x)	2012 (%)	2013F (%)	2014F (%)
26	PV Finance	6,300	-25.0	179	0.4	0.5	15.0	-90.4	476.3	20.2	83.1	14.4	12.0	0.6	0.6	0.6	-	-	-
27	Hoa Sen Group	37,600	95.8	171	0.4	0.5	16.0	129.8	68.3	5.9	10.3	6.1	5.8	1.8	1.6	1.6	4.0	4.0	4.0
28	Tan Tao Ind'l Park	5,700	33.4	166	0.4	0.5	32.1	-55.2	-39.3	4.6	84.7	139.5	133.4	0.4	0.5	0.5	-	-	-
29	PV Insurance	15,300	1.3	164	0.4	-	-	-16.6	9.8	9.0	8.6	7.8	7.2	0.6	0.6	0.6	9.8	9.8	9.8
30	Binh Minh Plastic	73,000	113.3	157	0.4	0.4	-	21.9	11.0	10.7	9.2	8.3	7.5	2.0	2.5	2.5	5.5	2.7	2.7
31	Danang Rubber	37,900	77.0	149	0.4	0.4	27.4	57.9	11.7	-32.5	10.1	9.0	13.4	2.2	2.3	2.2	5.3	5.3	5.3
32	Vinh Son-Song Hinh	13,100	27.2	128	0.3	0.4	25.1	-28.9	-11.2	2.6	11.5	13.0	12.7	1.1	1.1	1.0	7.6	7.6	7.6
33	Gemadept	23,500	29.8	127	0.3	0.4	29.7	1,465	260.8	-66.6	24.1	6.7	20.0	0.6	0.6	0.6	4.3	-	-
34	Ocean Group	8,800	-12.0	125	0.3	0.4	39.3	-51.0	46.4	5.7	31.7	21.6	20.5	0.8	0.8	0.8	5.7	5.7	5.7
35	Lam Thao Fertilizers	33,800	47.5	124	0.3	-	44.8	-8.7	21.6	5.0	6.7	5.5	5.2	1.8	2.0	2.0	8.9	8.9	8.9
36	Hung Vuong Group	22,000	41.6	123	0.3	0.3	38.5	-37.7	36.8	5.1	10.0	7.3	7.0	0.8	0.9	0.9	13.6	9.1	9.1
37	Tifoplast	58,000	70.6	119	0.3	-	-	8.3	12.4	15.6	8.6	7.7	6.6	2.3	2.1	2.1	5.2	5.2	5.2
38	Pomina	12,500	-2.3	110	0.3	0.3	42.5	-98.9	4,131	76.2	511.2	12.1	6.9	0.9	0.6	0.6	-	8.0	8.0
39	Phuoc Hoa Rubber	29,500	5.0	109	0.3	0.3	31.3	-26.9	3.9	3.8	4.0	3.8	3.7	1.1	1.1	1.1	10.2	10.2	10.2
40	Kinh Bac City	7,600	28.8	104	0.2	0.3	25.5	ptl	ltp	10.0	-5.2	37.6	34.2	0.6	0.6	0.6	-	-	-
41	HCM Sec's	21,400	-0.9	102	0.2	0.3	-	4.2	16.2	11.3	8.7	7.5	6.7	1.0	1.0	1.0	9.3	9.3	9.3
42	Becamex IJC	7,000	-23.9	91	0.2	0.3	41.3	-43.5	1.9	10.0	10.5	10.3	9.3	0.6	0.6	0.6	8.6	8.6	8.6
43	Phu Nhuan Jewelry	26,500	-23.4	90	0.2	0.3	-	-1.0	-12.5	12.8	7.5	8.6	7.6	1.5	1.5	1.4	8.7	9.4	9.4
44	Dong Phu Rubber	44,300	-18.0	90	0.2	0.3	15.7	-32.7	-24.2	18.5	3.5	4.7	3.9	0.9	0.8	0.7	9.0	6.8	6.8
45	Minh Phu Seafoods	26,500	-11.1	87	0.2	0.2	37.3	-93.9	-67.2	1,462	110.2	335.9	21.5	1.4	1.6	1.6	9.4	-	-
46	CII	15,500	-33.5	83	0.2	0.2	0.2	168.5	-34.7	15.2	4.2	6.4	5.6	1.2	1.1	1.1	7.7	7.7	7.7
47	Bourbon Sugar	12,700	-20.6	80	0.2	0.2	37.3	-32.3	-10.8	9.1	4.9	5.5	5.0	1.0	1.0	1.0	15.7	15.7	15.7
48	PV Const'n	4,000	-28.6	76	0.2	-	39.3	ptl	-100.0	-	-1.2	0.0	0.0	0.6	0.7	0.7	-	-	-
49	DIC Group	8,000	-37.5	54	0.1	0.2	20.4	-81.1	124.4	43.9	47.3	21.1	14.7	0.5	0.5	0.5	7.5	7.5	7.5
50	Sudico	10,000	-54.1	47	0.1	0.1	30.9	267.1	ltp	10.0	-3.3	32.2	29.3	0.6	0.6	0.6	-	-	-
	AGGREGATES	**472.7**	**14.3**	**41,803**	**83.4**	**87.8**	**23.7**	**-13.3**	**28.3**	**12.4**	**14.6**	**11.1**	**9.9**	**2.0**	**1.8**	**1.7**	**3.8**	**3.6**	**3.1**

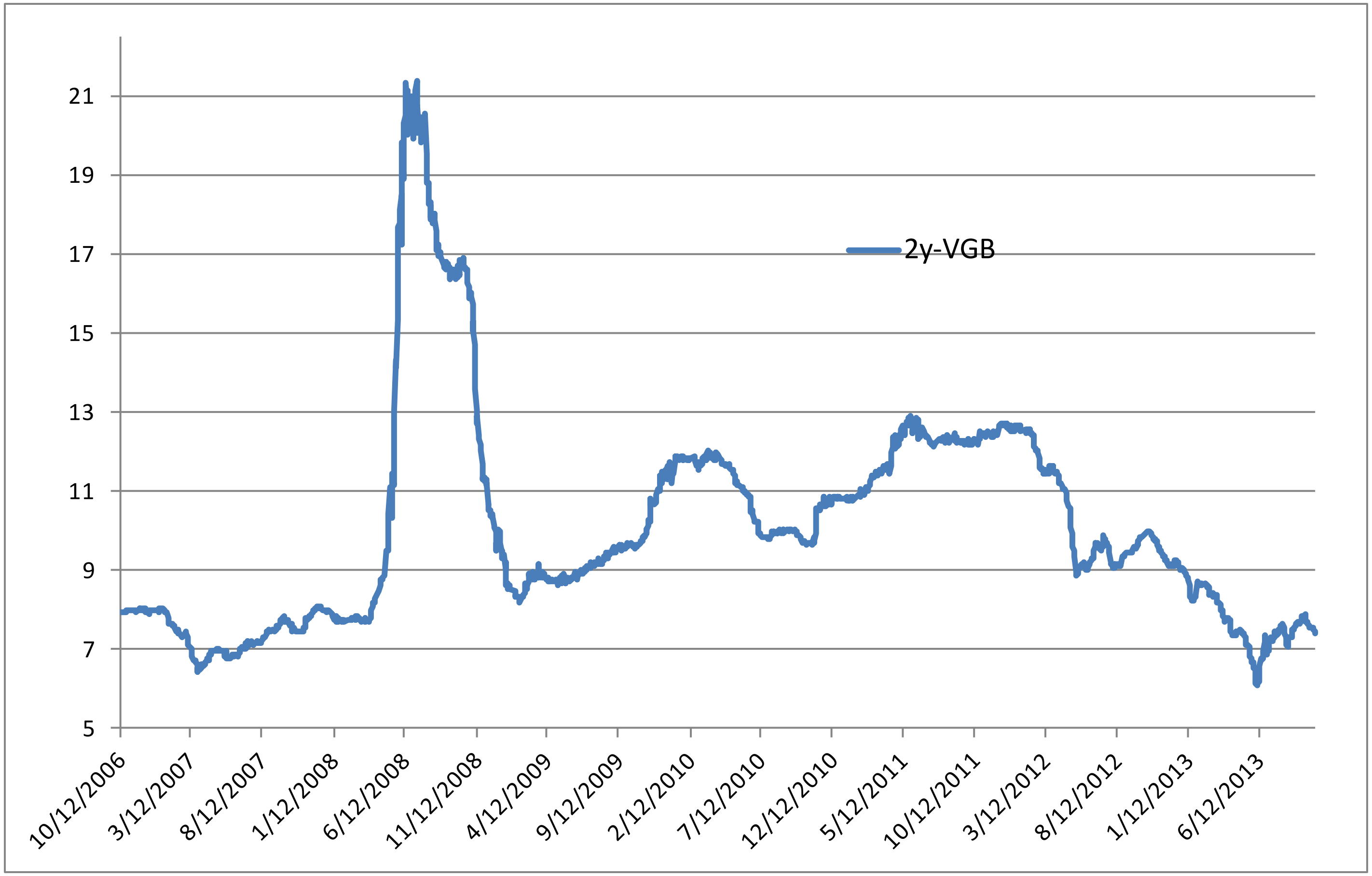
BOND MARKET

Vietnam Government Bond Yields



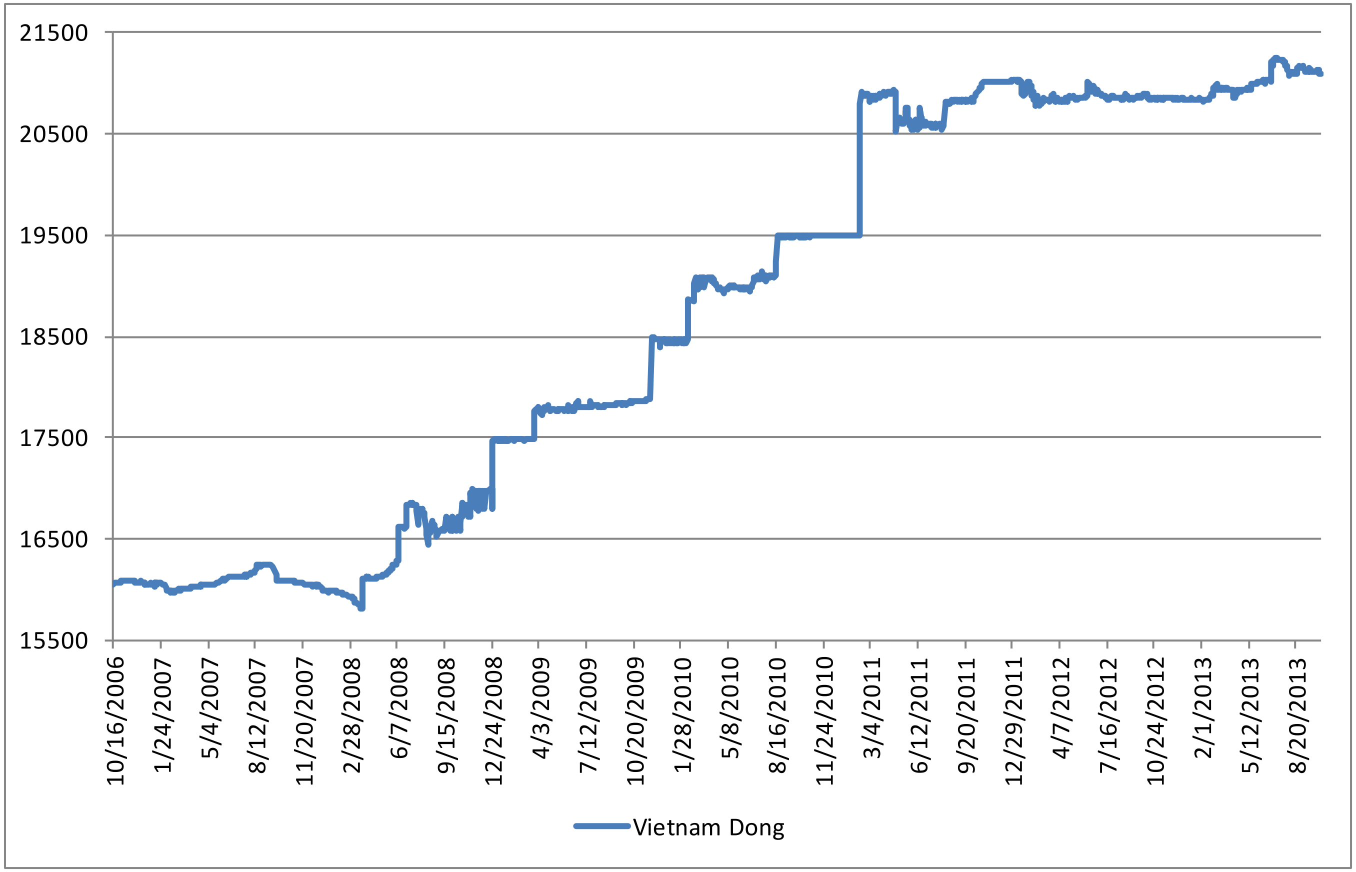
- Bond yields have now been back to pre-crisis levels, suggesting that the macroeconomic conditions in Vietnam are now being stabilized.

Vietnam benchmark government bond yield



- Benchmark bond yields (2-year) are now higher than those levels in June 2013 and this reflects a tighter liquidity situation due to seasonal effects as we move closer to the year end.

VND The local currency is stable



- After the Resolution 11 was issued in 2011 to stabilizing the economy and the local currency, the forex and gold markets have been strictly controlled → one stabilizing factor for the dong.
- The other favorable factors for the dong are lower trade deficit, lower inflation and larger foreign reserves → the Vietnam dong is now obviously stabilizing.

Vietnam Sovereign Ratings

Vietnam Bond Market Association

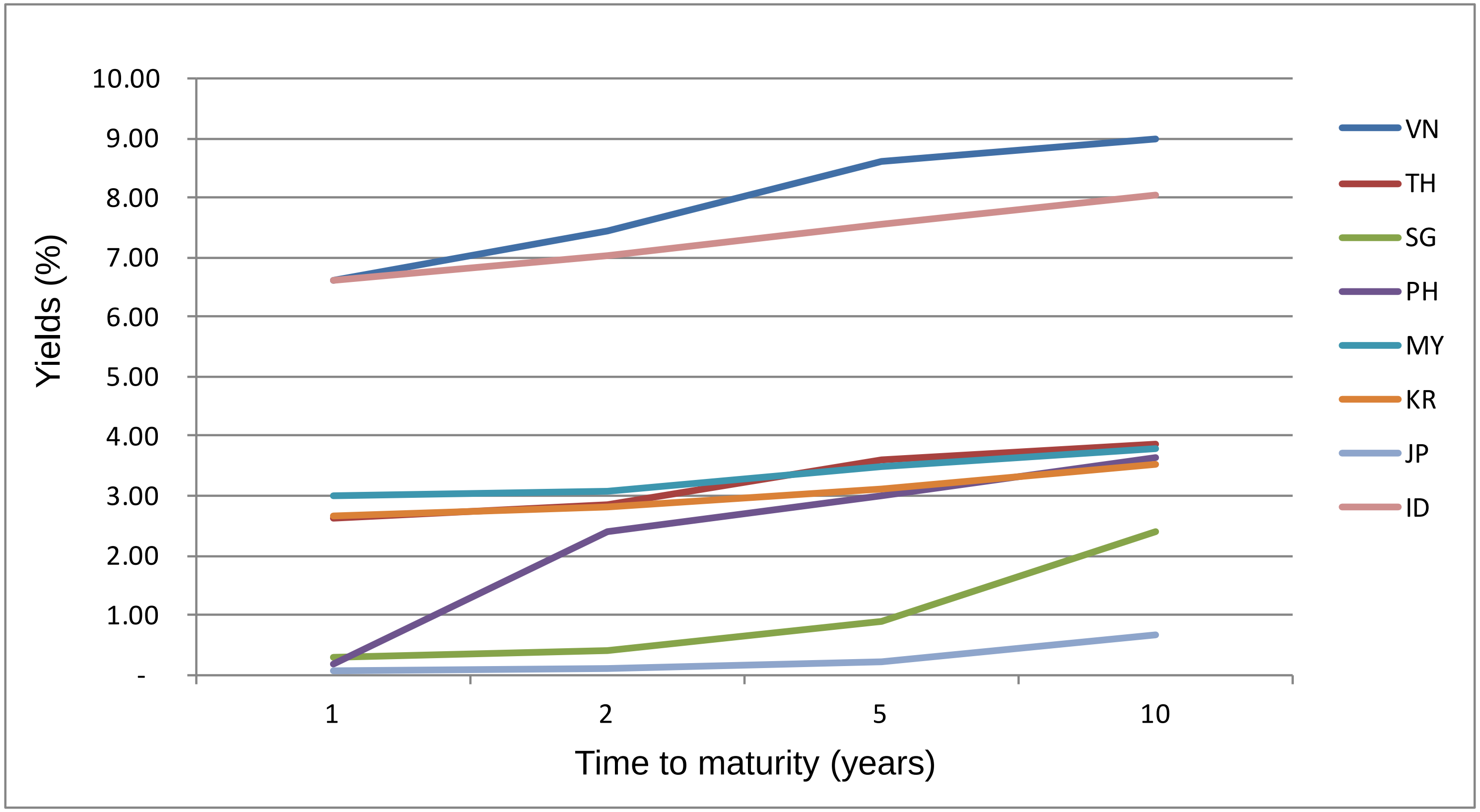
Sovereign Ratings

Market	Fitch		R&I		S&P	
CN	A+	Stable	A+	Stable	AA-	Stable
HK	AA+	Stable	AA+	Stable	AAA	Stable
ID	BBB-	Stable	BBB-	Stable	BB+	Stable
JP	A+	Negative	AA+	Stable	AA-	Negative
KH					B+	Stable
KR	AA-	Stable	A+	Stable	A+	Stable
MY	A-	Negative	A	Stable	A-	Stable
PH	BBB-	Stable	BBB-	Stable	BBB-	Stable
SG	AAA	Stable	AAA	Stable	AAA	Stable
TH	BBB+	Stable	BBB+	Stable	BBB+	Stable
VN	B+	Stable	BB-	Stable	BB-	Stable

Outlook: Positive Negative Stable Evolving

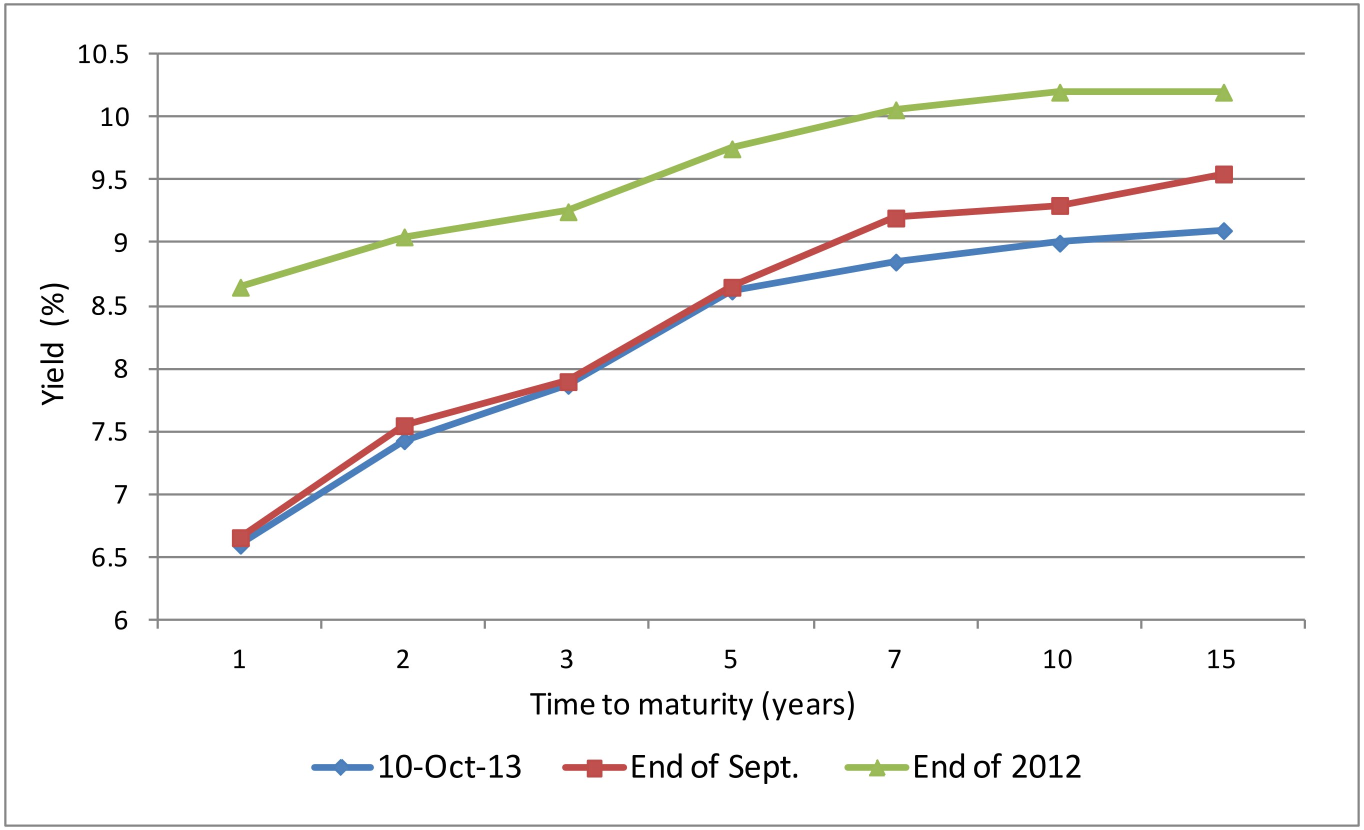
- Given a rating of BB- with a stable outlook, the economy of Vietnam has already been bottoming out at the beginning of 2013. However, the deleveraging process still continues.
- Therefore, the recovery process is longer than expected but the economy is actually stabilizing.

LCY Government Bond Yield Movements – as of Oct. 10, 2013



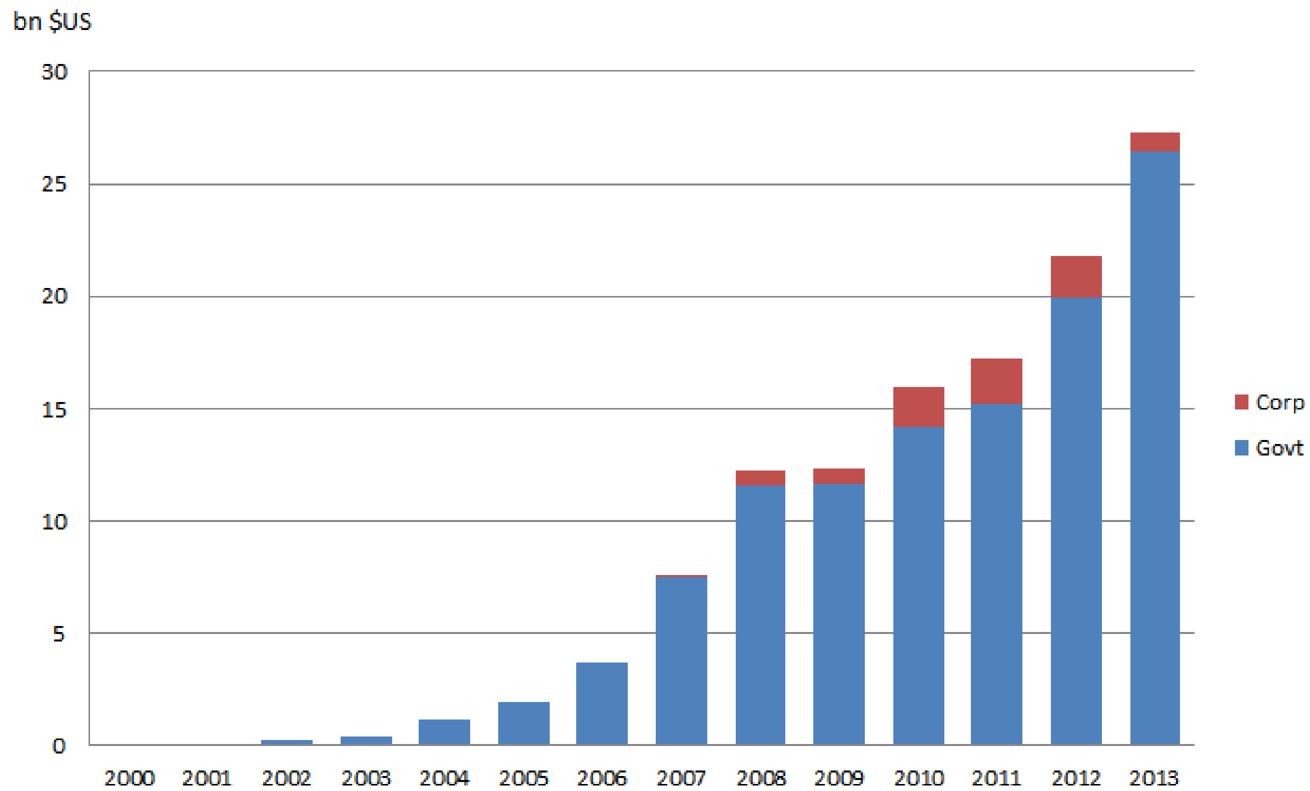
- Bond yields in Vietnam have been reducing compared to the levels in previous years but still at highest levels in the region.
- And with a more stabilizing currency now, these current levels of bonds yields are now considered attractive compared other countries in the region.

LCY Government Bond Yield Movements in Vietnam



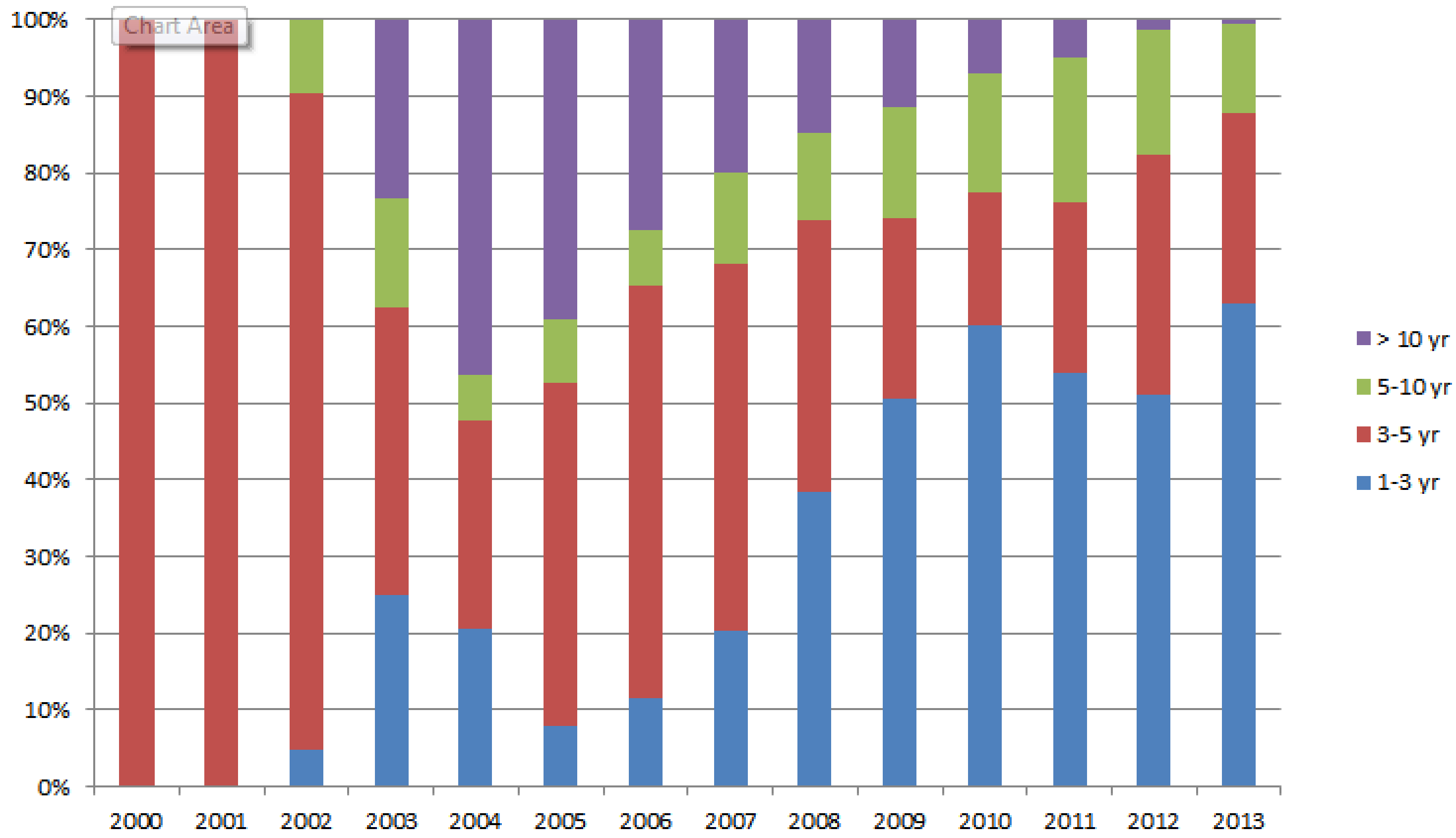
- Recent bond yields in Vietnam are much lower than those levels by the end of 2012 as abundant liquidity in the banking system, due to low credit growth, has been used to buy g-bonds.
- The long-end of the curve is now lower and also more flattened due to lower expected inflation.

Size of LCY Bond Market in Vietnam



- The size of the corporate bond market in Vietnam is still very small, around 2.5% GDP, due mainly to very limited and imperfect information, no rating agencies, unreliable benchmark yield curve.

Government Securities Maturity Profile - LCY



- The short-end of the yield curve is more liquid than the long-end one within the last 5 years because of two main reasons: (1) high volatility of inflation numbers, and (2) local banks being key market players.

Current developments in Vietnam equity market

- Two stock exchanges, Hanoi and Hochiminh, have been under consideration to be merged.
- The new trading platform will be put into place in the near future.
- Hochiminh Stock exchange will have a new set of stock indices such as VNMidcap, VNSmallcap, VNAllshare.
- Structured financial products such as options, stock index futures will be introduced.
- ETF products are about to go live in early 2014.

Current developments in Vietnam bond market

- The current market conditions and the mindset of the government leaders are now very supportive for the healthy development of the bond market.
- The Central Bank, Ministry of Finance, Vietnam Bond Market Association, and other related government agencies are all seriously studying the application of new products such as long-term zero-coupon bonds, bond index, bond index futures, inflation-linked bonds…
- An information center for corporate bonds will be in place in the near future.
- A credit rating agency is being set up.