VIETFUND MANAGEMENT

NEWSLETTER | VFM
Quarter II/2011




Issued by July 27th,2011
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Contents

Margin calls pushed the market down in May

The VN Index fell 11.73% to 421 in the reporting period (28 April to 31 May), following a mid-month plunge on concerns about the Property/Banking nexus. This was triggered by media stories pan ning developers, and simultaneous moves by the SBV to bring "non productive" lending down to 22% of loan books. The combination proved fatal for Real Estate companies, which went into free fall and booked losses of 15-55%. Brokers were not far behind with declines of 15-35%. The descent was aggravated of course by margin calls and as these spiraled throughout the market, the net effect was to bring the benchmark off by nearly 20% in two weeks. The VN-Index, which had been cruising nicely in the 480's, went to a low of 386.

Sharp rebound confirms support in 425-450 range, with help from new market trading rules and valuation

The encouraging thing was that the VN-Index rebounded smartly, quickly clawing back about two-thirds of its losses. It ended the month higher and then kept on moving, and as of 27 June, was 13% off its bottom at 434. It all seemed to confirm support for the mar ket in the 420-45 range, per the pattern that has been set in stone for many months now. One reason is value. Assuming our forecasts are accurate, the Top-50 PER of 8.5x 2011, on 15% fully-diluted EPS growth, does pay investors to hold stocks - one of the few emerging markets where this is the case. There was a further boost this month from new trading rules - multiple brokers per account, same-day settlement, legalization of margin lending - that should do a lot to professionalize market operations.

So far, NPAT 1Q2011 +11.4%. Diversified Financials and Property were hit while Banking's NPAT grew +29%

456 companies out of 661 listed companies released 1Q2011 results thus far. It is encouraging to see NPAT growth of +11.4% year-on-year in 1Q2011 despite the fiscal and monetary tightening over the last six months. Diversified Financials and in particular brokerage firms were worst hit with reported NPAT growth at –53% whilst Property recorded a drop of –41% in NPAT. Contrary to market expectations, Banking reported NPAT growth of +29%. Seasonally, the first quarter is always the slowest quarter, and we therefore maintain our NPAT growth forecast for our top 50 at +20% for 2011.

CPI is expected to peak in Aug at 21.8% then declines to 18.3% in Dec

The signs are that mom CPI has already peaked and from June will decelerate significantly. June CPI came in at 1.1% mom compared to 2.2% and 3.3% in May and April respectively. We forecast inflation to peak at 21.8% yoy on August then dip to 18.3% in December.

Prudent monetary policy slows down inflation

The recent CPI decelerating is on the back of sustained tightening during the last 6 months, May credit growth was +6.2% ytd, with the authorities looking to retrench it further on the USD lending side. And May M2 growth was +1.6% ytd which is low compared to its 10-year historical average of +8.9% ytd. The economy at large continues to slow down. GDP scored +5.6% in 1H11 vs +6.2% in 1H10, and real 3m/3m retail sales averaged +5.3% vs +24.2%.

USD deposit cap lowered to 2% and increase in USD reserve requirement by 100bps to 7%

Given the presently high VND lending rates (22%-24%) and signs of decelerating month-on-month inflation, further tightening of VND liquidity appears unnecessary. However SBV will need to pay more attention to USD credit which increased +22.2% ytd as of mid June. To curb USD lending growth, State Bank of Vietnam (SBV) increased the USD reserve requirement ratio from 6% to 7%, a 300 bps increase over two months. At the same time SBV lowered the USD deposit rate cap by 100 bps to 2% for individuals and by 50 bps to 0.5% for corporate deposits. These decisions will support enhancing the stability of the FX market by increasing the interest rate differential between VND and USD and controlling USD credit growth.

... but SBV will need to increase USD reserve requirement further

The cost of USD funding for banks are 250-300 bps lower than a month ago due to lower USD deposit caps. Meanwhile the 300 bps increase in the USD reserve requirement is just enough to offset the lower cost of funding. Hence, there has been no change to the USD lending rates and we therefore expect SBV to further increase the USD reserve ratio in the coming months to control USD credit growth.

Banking liquidity will be improved further but economy liquidity is still constrained

Interbank interest rates have dropped and stabilized in the past three weeks. The O/N rate is now at 12-13% compared to 17-20% previously and the 1 week rate is at 15-16% compared to 20-24% previously. The recent Government bond auction was oversubscribed by five times with lower ceiling rates. However, VND lending rates have not dropped yet. We need to differentiate between banking liquidity and economy liquidity. These two concepts are linked but not the same. If credit growth is capped banks can have good liquidity but economy can lack of liquidity. We believe that SBV is trying to lower lending rates to below 20% in the next few months, but that it will, at the same time, want to control credit growth by strictly imposing

The Dong has been strengthening as a result of targeted government intervention

Despite high inflation rates during the past four months, the VND/USD exchange rate appreciated by 3.7% to 20,580 in the interbank market and, even more Impressively, by 7.1% to 20,560 in the unofficial market. This marks the first time since the 2008 global financial crisis that the unofficial exchange rate is lower than the interbank exchange rate, indicating a much improved sentiment which stands in stark contrast to the recent years when sentiment drove the depreciation of the local currency. Using the REER methodology (Real Effective Exchange Rate), with 2005 as the base year, the case can be made that the local currency is presently valued appropriately and a look at the Balance of Payments reveals that USD inflows are larger than outflows, further supporting the case. We believe the forex market will remain stable until at least Oct when the trade deficit makes its mark for the year.

Monetary policy is in its right path but fiscal policy remains a question

The Government's commitment to macroeconomic stability appears to be firm as ıt continues stressing that inflation control is now the primary objective, which is evidenced by the increase in the 7 days reserve repo, refinancing and discount rates by 200 bps, 500 bps, and 600 bps respectively. In addition, SBV has focused on credit quality and strictly sticks with credit growth target. However, we have not seen significant improvement on fiscal austerity. There is no clear figures on how much the government has cut back on SOEs and public

Legal Updates Quarter II/2011

To facilitate investors' investment activities and improve the liquidity of the securities market, on 01 June 2011, Ministry of Finance has issued Circular No. 74/2011/TT-BTC on guidance securities trading on the Stock Exchanges with the following outstanding points:

* Investors (domestic and foreigner) can open more than one trading account for securities trading on the Stock Exchanges.

* Investors can buy and sell the same securities within a trading day with specific require ments as bellows:

    • An investor must sell and buy the same within a trading day using one trading account open at the same securities company;

    • The purchase and sale orders must comply with the requirement on securities deposit;

    • An investor is not allowed to conduct trades that make ownership of a securities remain unchanged.

* Investors are allowed to conduct margin trading for securities. Margin trading is the practice of buying stock with money that the investors borrow funds from a securities company and use that stock with other securities in their account as the collateral.

* An investor can authorize a securities company or a depository bank to conduct the trading of securities on Stock Exchanges on behalf of the investor.

VF1

Fund name	Quỹ đầu tư Chứng khoán Việt Nam Fund (VF1)
English name	Vietnam Securities Investment Fund
Trading Code	VFMVF1
Fund type	Closed-end public fund
Current chartered capital	1,000,000,000,000 VND
Outstanding fund unit	100,000,000 units
Inception date	May 20, 2004
Listing date	November 8, 2004
Fund term	10 years
Management Fund	VietFund Management (VFM)
Custodian	Joint Stock Commercial Bank for foreign trade of Viet nam (Vietcombank)
Management fee	2%/NAV/year
Custodian & depositing fees	0.08%/NAV/year
Dividend	By annual, based on realized return and approved by Annual Meeting of Investors.
Investment objective	VF1 aims to invest to listed and unlisted shares, fixed-income securities and other financial instruments to build a balanced portfolio.

TOP 5 HOLDINGS

Stock	Stock exchange	NAV (%)
DPM	HOSE	7.7
NTL	HOSE	7.7
SJS	HOSE	6.6
PVD	HOSE	4.1
KSB	HOSE	3.9

Fund performance in QII/2011

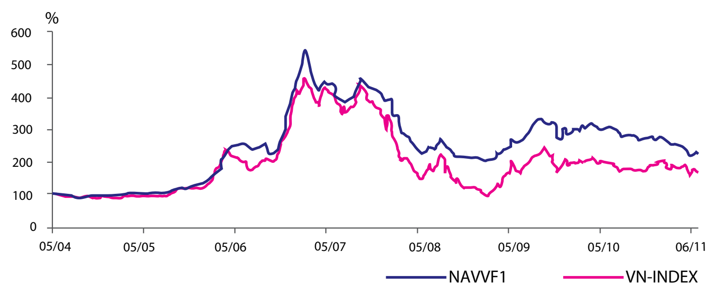
During QII/2011, Vietnam' stock market plunged as VN-Index dropped 6.2% down to 432.5 points and HNX-Index lost 18.7% down to 74.4 points. On a quarter-on-quarter basis, VF1 dropped 13.5%, which underperformed VN-Index (dropped 6.2%) and outperformed HNX-Index (plunged 18.7%).

Movement in net asset value (NAV)

	30/06/2011			Performance (%)					
	Fund size (VND bil.)	NAV (VND bil.)	Unit NAV (VND)	1-month	3-month	6-month	9-month	YTD	Since inception (20/05/2004)
VF1	1,000	1,648.4	16,484	1.6	(13.5)	(22.5)	(25.1)	(22.5)	76.8
VN-Index			432.5	2.7	(6.2)	(10.8)	(4.8)	(10.8)	65.3
HNX-Index			74.4	7.0	(18.7)	(34.9)	(41.6)	(34.9)	(25.7)

NAV VF1 Performance VS. INDEX

20/05/2004 = 100



NAV performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-date	YTD annualized
2011	2.2	(10.7)	(1.8)	(5.2)	(10.2)	1.6							(22.5)	(39.9)
2010	(0.8)	0.6	2.3	7.0	(4.6)	0.2	1.3	(7.9)	(0.2)	(0.6)	(3.9)	1.4	(8.2)	(8.2)
2009	(1.4)	(7.5)	4.5	8.6	10.7	8.4	7.7	14.3	8.5	(0.6)	(8.6)	1.5	50.9	50.9
2008	(6.0)	(15.0)	(15.7)	(9.0)	(20.0)	(4.2)	6.7	14.2	(9.7)	(14.0)	(1.0)	0.6	(55.8)	(55.8)
2007	25.0	47.6	33.0	19.9	24.9	0.1	(3.5)(*)	(2.1)	5.8	8.8	(4.2)	(2.1)	46.1(*)	46.1(*)
2006	6.0	14.7	10.3	33.5	4.0	3.2	(8.4)	1.3	4.7	(4.4)(*)	15.2	31.0	175.1(*)	175.1(*)
2005	0.04	2.4	1.1	(2.4)	0.2	0.5	0.2	3.5	5.6	5.8	4.7	1.2	25.2	25.2
2004						1.0	(0.6)	(0.2)	0.3	0.6	(0.2)	0.6	1.6	3.2

(*): based on weighted average chartered capital

Portfolio review

		Gain/Loss (%)		% NAV
		QII/2011	Year-to-date	
	NAV (%)	**-13.5**	**-22.5**	**100**
	Total investment	**-13.4**	**-22.2**	**83.8**
By asset classes	HOSE	-13.0	-21.9	55.7
	HNX	-21.7	-31.7	15.1
	Unlisted	1.3	-5.5	11.5
	Bond	0	0	1.5
Top 5 industries	Infrastructure – Real estate	-25.0	-37.1	24.9
	Materials – Resource	-3.6	-7.6	18.0
	Food - Beverage	8.4	9.2	5.7
	Energy	-16.7	-17.2	6.9
	Capital goods	-25.5	-35.8	11.2

The listed investments in VF1's portfolio (accounted for 70.8% NAV) decreased 15.2%, which underperformed VN-Index and outperformed HNX-Index. Unlisted stocks (11.5% NAV) gain 1.3% in QI/2011.

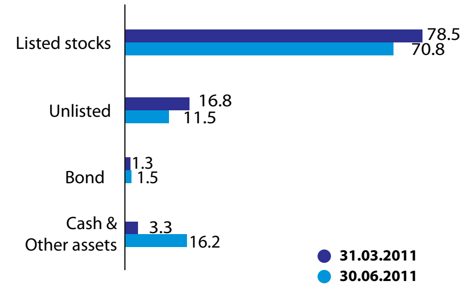
Amongst Top 5 industries (comprised of 66.7% NAV), Real Estate sector still occupied the largest proportion (24.9% NAV) and lost 25.0% while Materials - Resources sector (18.0% NAV) decreased 3.6% in QII/2011.

Total investment value in QII/2011 was 70.1 billion dong, which were focused in Food - Beverage (63.9 billion dong) and Energy sector (4.8 billion dong).

Total divestment value was 256.1 billion dong, which were focused in Materials & Resources (130.9 billion dong) and Food - Beverage sector (111.9 billion dong).

The investing and divesting activities in QII/2011 were primarily trading activities for the purpose of restructuring the portfolio.

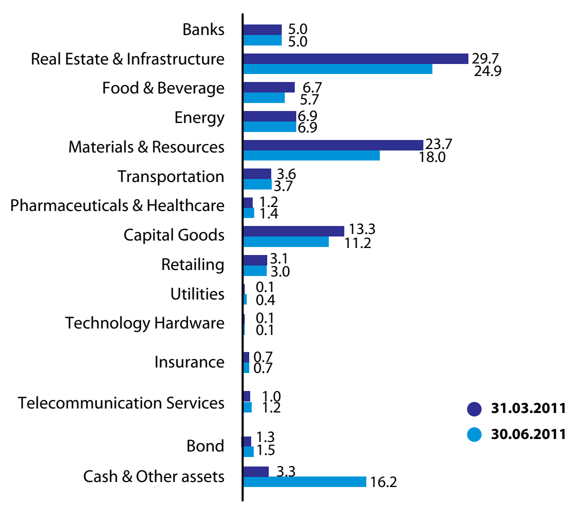
Asset allocation (%)



In QII/2011, Vietnam's stock market still received bad macro news so VF1's Fund divested listed shares to decrease the decline of portfolio value. Furthermore, VF1's Fund devested listed shares and unlisted shares to take profit. Consequently, listed stocks' proportion decreased to 70.8% NAV and unlisted stocks' proportion increased to 16.8% NAV.

In QII/2011, the investment and divestment caused the proportion of cash to increase from 3.3% to 16.2%.

Investment by industries (%)



Investments by industries during QII/2011 barely changed as compared with previous quarter when the two largest sectors belonged to Real Estate & Infrastructure and Materials & Resources. Real Estate and Materials & Resources were continued to be divested and consequently decreased their proportions from 29.7% and 23.7% NAV down to 24.9% and 18.0% NAV.

As at June 30, 2011, Top Five industries including Energy, Real Estate & Infrastructure, Food & Beverage, Materials & Resources and Capital Goods were accounted for 66.7% NAV.

VF4

Fund name	Quỹ đầu tư Doanh nghiệp Hàng đầu Việt Nam (VF4)
English name	Vietnam Blue-chips Fund
Trading Code	VFMVF4
Fund type	Closed-end public fund
Current chartered capital	806.460.000.000 VND
Outstanding fund unit	80.646.000 units
Inception date	28/02/2008
Listing date	12/6/2010
Fund term	10 years
Management Fund	VietFund Management (VFM)
Custodian	HSBC Bank (Vietnam) Ltd., Hochiminh City Branch
Management fee	1.5%/NAV/year
Custodian & depositing fees	0.08%/NAV/year
Dividend	By annual, based on realized return and approved by Annual Meeting of Investors.
Investment objective	VF4 aims to achieve long term capital growth with optimal risk through investing in IPOs of the big State Owned Enterprises and blue chips companies. These companies have shown consistent growth over the years, and are expected to sustain growth in the future.

Top 5 Holdings

Stock	Stock exchange	NAV (%)
DPM	HOSE	6.45
HPG	HOSE	6.21
FPT	HOSE	5.41
TCM	HOSE	5.73
HAG	HOSE	5.16

Fund performance in QII/2011

In QII, stock market declined and observed low trading volume due to the government's effort in stabilizing macro-economy by tightening monetary policy. In June, inflation showed sign of slowing down; however, interest rate is still at the record high level which caused to shrink the cash flow. Those above elements negatively affected investor's believes and caused VN-Index and HNX-Index plummeted. At points during QII/2011, VN-Index and HNX-Index reached the lowest level in 2 years at 371 and 66 respectively before recovering toward the end of June. As at the end of QII/2011, VN-index and HNX-index declined 6.2% and 17.9% QoQ respectively.

NAV at 30/06/11 reached 6,735 VND/unit, declined 13.7% compared to NAV at 31/03/2011.

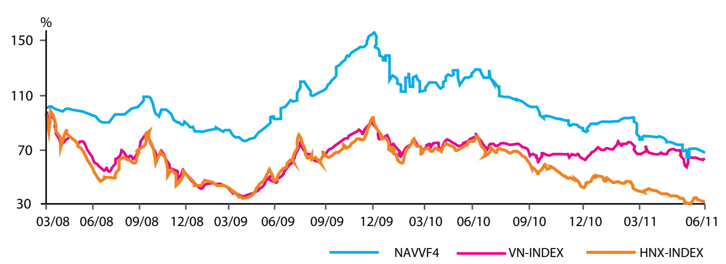
Movement in net asset value (NAV)

	30/06/2011			Performance (%)				
	Fund size (VND bn.)	NAV (VND bn.)	Unit NAV (VND)	1-month	3-month	6-month	Year-to-date	Since inception (28/02/2008)
VF4	806.5	543.1	6,735*	2.4	(13.7)	(26.6)	(26.6)	(12.7)
VN-Index			432.5	2.7	(6.2)	(10.8)	(10.8)	(36.2)
HNX-Index			74.4	7.0	(17.9)	(34.9)	(34.9)	(68.0)

(*) excluding unit dividend of VND1,000 advancing in 04/2010

NAV VF4 Performance VS. INDICES

28/02/2008 = 100



NAV performance	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-date	YTD annualized
2011	1.0	(13.0)	(3.1)	(4.3)	(12.0)	2.4							(26.6)	(46.1)
2010	(3.4)	1.6	3.3	8.0	1.4	(0.8)	(4.1)	(9.4)	(10.7)	(2.2)	(3.3)	4.9	(13.1)	(21.6)
2009	(1.3)	(9.0)	8.3	11.2	13.0	6.5	7.6	16.6	6.1	(1.4)	(13.2)	0.5	48.9	48.9
2008			(2.0)	(0.9)	(5.7)	0.4	6.3	11.5	(8.5)	(12.7)	(3.7)	1.7	(17.4)	(17.4)

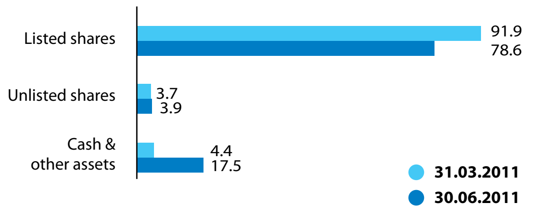
Portfolio review

		Gain/Loss (%) QII/2011	Gain/Loss (%) Year-to-date	NAV (%)
	NAV performance (%)	**(13.7)**	**(26.6)**	**100.0**
	Total investment performance (%)	**(13.4)**	**(24.6)**	**82.5**
By listing status	Listed stocks	(12.5)	(25.3)	78.6
	Unlisted stocks	(8.5)	(2.6)	3.9
Top 5 industries	Materials-Resources	(9.6)	(22.5)	22.4
	Real Estate-Infrastructure	(24.5)	(37.5)	14.5
	Capital Goods	(18.9)	(29.3)	12.4
	Retailing	(2.4)	(22.1)	6.8
	Energy	(16.3)	(23.2)	6.5

Total investments of VF4 represented for 82.5% NAV as at 30/06/2011 and possessed the loss of 13.4% QoQ in QII/2011.

In top five sectors, Infrastructure – Real estate, Capital Good, and Energy recorded the biggest loss at 24.5%, 18.9% and 16.3% respectively.

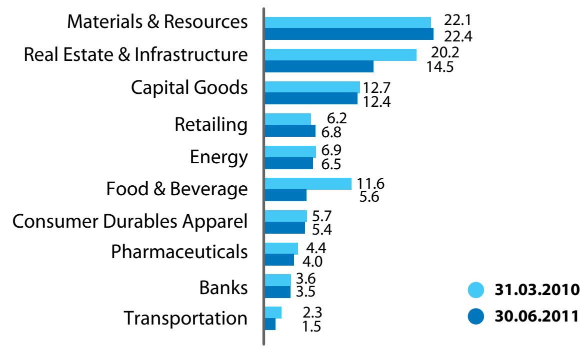
Asset allocation (%)



In QII/2011, the proportion of listed stocks decreased significantly from 91.9% (31/03/2011) down to 78.6% (30/06/2011) linked to VF4's net selling of stocks in Real Estate-Infrastructure sector and realizing profit of stocks in Food-Beverage sector. The proportion of unlisted stocks increased slightly from 3.7% (31/03/2011) up to 3.9% (30/06/2011) due to appreciation in value.

Cash holding increased strongly from 4.4% (31/03/2011) up to 17.5% (30/03/2011).

Investment by industries (%)



During QII/2011, the portfolio structure by sector change dramatically in Food and Beverage sector with report of declining from 11.6% (31/03/2011) down to 5.6% (30/06/2011). Materials & Resources, Infrastructure – Real estate, and Capital Goods sectors are still major holdings in the portfolio. Meanwhile, other sectors do not have many considerable changes compared to last quarter.

As at 30/06/2010, VF4 owned 30 stock investments in 10 sectors, in which top three holdings (49,3% of total NAV and 59.8% of total investment value) were :

- Materials – Resources (22.4%)
- Infrastructure – Real estate (14.5%),
- Capital Goods (12.4%).

VFA

Fund name	Quỹ đầu tư Năng động Việt Nam (VFA)
English name	Vietnam Active Fund
Trading Code	VFMVFA
Fund type	Closed-end public fund
Current chartered capital	240,437,600,000 VND
Outstanding fund unit	24,043,760 units
Inception date	02/05/2010
Listing date	08/09/2010
Fund term	5 years
Management Fund	VietFund Management (VFM)
Custodian	Far East National Bank - Hochiminh City Branch
Management fee	2%/NAV/year
Custodian & depositing fees	0.04%/NAV/year
Dividend	Distribute at least 50% of its realized profit to investors every year.
Investment objective	To capture medium to long-term capital appreciation on Vietnam market, accompanied by capital preservation during adverse market conditions, based on the main strategy of trend-following.

Fund performance in QII/2011

With the approval from Investment Committee, the trend-following strategies on VN-Index were replaced with a new strategy - Model averaging trend-following on both VN-Index and HNX-Index (in brief : Model Averaging strategy - MATF), which was applied from the beginning of June 2011. Model Averaging strategy applies a new risk management approach which diversifies entries/exits as well as diversified trading stock (adding more stocks with low correlation to the current portfolio).

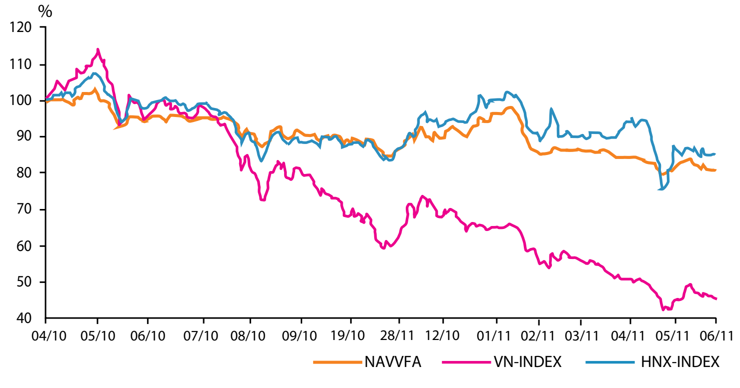
In QII/2011, Vietnamese stock market continued its down trend as VN-Index dropped 6.2% and HNX-Index plunged 18.7%. In the same period, VFA's NAV dropped 6.0% to 8,080.3 VND/unit, which outperformed both VN-Index and HNX-Index.

Movement in net asset value (NAV)

	30/06/2011			Performance (%)					
	Fund size (VND bill.)	NAV (VND bill.)	Unit NAV (VND)	1-month	3-month	6-month	9-month	Year-to-date	Since inception (2/4/2010)
VFA	240.4	194.3	8,080.3	0.2	(6.0)	(12.3)	(11.0)	(12.3)	(19.2)
VN-Index			432.5	2.7	(6.2)	(10.8)	(4.8)	(10.8)	(15.3)
HNX-Index			74.4	7.0	(18.7)	(34.9)	(41.6)	(34.9)	(54.7)

NAV VFA performance VS.INDICES

02/05/2010 = 100

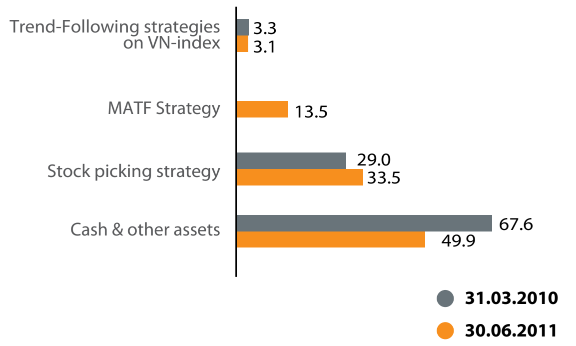


Portfolio review

	% NAV	IRR QII/2011	Contribution to NAV (%)
Trend-Following strategies on VN-index	33.4	4.8	1.6
MATF Strategy	23.3	(3.6)	(0.8)
Stock picking strategy	43.3	(14.4)	(6.3)
Total	**100**		**(5.5)**

During QII/2011, the entire trend following strategies maintained high cash level (almost 100%) in their holding when market went down. Consequently, these strategies' average IRR was 4.8%. Model Averaging strategy invested portion of their holding in stocks and had IRR of (3.6%)

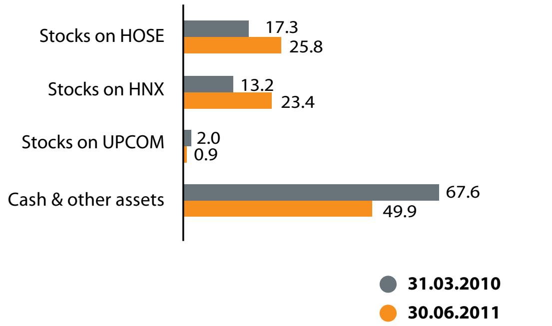
By strategies (%)



With a more sophisticated risk management, Investment Committee approved to raise Model Averaging strategy's proportion from 50% NAV to 70% NAV. In June 2011, this strategy disbursed 13.5% NAV in stock.

In QII/2011, stock picking strategy implemented additional investment in stocks as the average interest rate showed signs of decrease. Consequently, their proportion increased from 29.0% to 33.5% NAV.

By asset allocation (%)



Because of the independence of the buy/sell signals of Model Averaging strategy on VN-Index and HNX-Index, the amount of investment on HOSE's and HNX's stock in any period are different. In June 2011, Model Averaging strategy invested primarily in stocks listed in HNX. As a result, HNX's stocks' proportion increased from 13.2% to 23.4% NAV. On the other hand, HOSE's stocks' proportion increased from 17.3% to 25.8% NAV as stock picking strategy invested mainly in stocks listed in HOSE.

PetroVietnam Fertilizer & Chemicals Company (DPM)

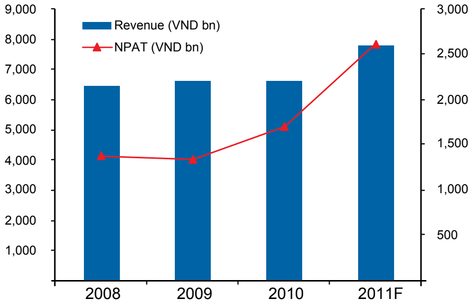
Ticker : **DPM**
Exchange : **HOSE**
Sector : **Oil & Gas**

Company profile

PetroVietnam Fertilizer and Chemicals Company (DPM) is the first Vietnamese company to apply integrated technology to the production of nitrogen fertilizers (Urea) from gas, using state-of-the-art European technology.

DPM is the market leader in nitrogen fertilizer production with a capacity of 800,000 tons/year. The company holds the largest share of the domestic production and trading of fertilizers: 50% of the urea market, 30% DAP, NPK, and SA in Vietnam.

DPM has recorded an outstanding performance in 2010 with a NPAT growth of more than 26% over the same period although revenue fell slightly due to the shrink of revenue from imported urea.



REVENUE & NET PROFIT

Growth potential & Risks

DPM aims to provide the domestic market with a high and stable quality of fertilizer. In addition to urea, the main product, DPM will focus on the development of chemical products. By 2015, DPM strives to reach production capacity of:

- 1,000,000 tons of urea/year, 400,000 tons of NPK/year.
- 300,000 tons of DAP.
- 400,000 tons of sulfuric acid, NH4Cl and other chemicals, holding 20%-30% the market share of chemical products.

The roadmap to increase gas price (approved by the Goverment in 2009) will highly affect DPM's production costs.

DPM's financial performance might be affected after taking over State Ownership in Ca Mau fertilizer plant, a newly established producer.

The State currently holds 60% of the company's stake, making coporate governance an issue.

Half-year Updates

The DPM's 2010 AGM has approved a relatively conservative plan for revenue and NPAT for 2011.

In the first half of 2011, DPM registered VND4,400 billion in revenue, achieving more than 50% of its plan but finished almost its NPAT plan with VND1,387 billion (99% of VND1,400 billion of planned profit).

Financial Information	2008	2009	2010	2011F
Revenue (VND ml)	6,475,368	6,630,061	6,618,784	7,795,428
Revenue Growth	71.3%	2.4%	-0.2%	17.8%
NPAT (VND ml)	1,385,292	1,343,348	1,703,176	2,618,507
NPAT Growth	4.2%	-3.0%	26.8%	53.7%
EPS (VND)	3,646	3,535	4,491	6,891
Gross margin	28.6%	29.9%	35.9%	42.2%
Net margin	21.4%	20.3%	25.7%	33.6%
ROE	30.6%	26.4%	28.9%	36.3%
ROA	25.3%	23.3%	25.3%	32.6%
BVPS	12,477	14,545	16,916	21,583
Debts/ Total Assets	8.7%	12.6%	10.2%	8.0%

Source: DPM, VFM estimates

DONG PHU RUBBER JSC.

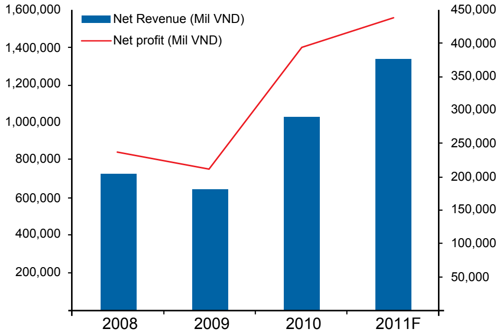
Code : **DPR**
Exchange : **HOSE**
Sector : **Materials (natural rubber)**

Company profile

Dong Phu Rubber Company (DPR), previously the Thuan Loi operation of the French company Michelin, is one of the leading natural rubber companies with the 6th largest output capacity among affiliates of Vietnam Rubber Group. The company has major competitive advantages in size, productivity, and profitability. DPR is currently a member of the Vietnam Rubber Group (VRG) and is the second largest listed rubber company by market cap and plantation acreage.

DPR specializes in the plantation and processing of natural rubber products. The company possesses 10,083 ha of rubber plantation, of which 7,236 ha has been put into tapping with an average yield of 2.01 tons/ha. This is the highest yield level in the industry, thanks to the high proportion of young plantation area (rubber trees of 11-15 years old), accounting for 32% of the plantation acreage.

Among the listed rubber companies, DPR has the most diverse product mix: block rubber concentrate 50%, latex 25% and others 25%. In addition, the company does not depend on the Chinese market as the other rubber companies do. Its major export markets are the U.S., Singapore, Malaysia, and Korea. Therefore, it helps reduce product and market risks, maintaining a high level of net margin around 38.5% compared with approximately 29.0% of industry average.



REVENUE & NET PROFIT

Growth potential & Risks

Volume expansion: DPR has expanded into Cambodia, Dak Nong and Kon Tum. The plantation is progressing well and will increase tapping acreage from 2012. These projects are planted with a new generations of seeds from Malaysia, which will shorten the time to harvest (after 5 years) and produce higher yield (3 tons/ha). In 2011, around 1,300 ha in Tan Hung Plantation will be put into operation, increasing production in coming years.

Price prospect: Rubber price has continuously risen since the beginning of 2010 and is forecasted to remain high. The key support is undersupply situation. Accordingly, the global market is in the shortage of about 300,000 tons in 2011. Additionally, crude oil price remains at high level, helping buoy the rubber price in the medium term.

Diminishing yield: Similar to other companies in VRG, DPR is facing a decrease in productivity. In 2007-2010, productivity was over 2,2 tons/ha. However in 2011, yield is forecasted at just 2.01 tons due to higher pace of liquidation, in which new annual tapping area is about 60% of the liquidation area.

Price risk: Rubber price is at the highest level in 10 years, and is expected not to surge more. The Chinese market, consuming around 30% of the world rubber output, is under a monetary tightening policy, reducing demand and price in the short term.

Half-year Updates

The company plans to revenue and profit for 2011 at VND1,323 billion and VND403 billion respectively. The planned revenue growth is nearly 17% in comparison with 2010.

In the first half of 2011, the company registered revenue at VND699 billion, completing 53%of revenue plan. Net profit was VND224 billion, fulfilling 56% of the plan. In particular, sales were at about 5,546 tons at average selling price of VND97 million /ton.

In addition, the company produced handsome income from disposal of old rubber trees. Liquidation price was at nearly VND200 million/ha, bringing about VND40 billion in six months. Financial revenue reached VND35 billion, mainly from interest collection.

Items	2008	2009	2010	2011F
Net Revenue (mil VND)	726,358	648,310	1,028,421	1,334,068
Revenue growth (%)	3.2%	-10.7%	58.6%	29.7%
NPAT (mil VND)	236,251	210,757	395,766	436,616
NPAT growth (%)	1.8%	-10.8%	88.0%	10.2%
EPS (VND)	11,813	5,269	9,537	10,154
Gross margin (%)	34.7%	36.0%	45.0%	34.6%
Net margin (%)	32.5%	32.5%	38.5%	32.7%
ROE (%)	34.6%	24.3%	31.7%	27.9%
ROA (%)	22.6%	16.9%	23.6%	21.4%
Debt/total asset (%)	34.5%	29.0%	23.9%	23.4%

Source : DPR and VFM forecast

PetroVietnam Drilling and Well Services JSC

Ticker : **PVD**
Exchange : **HOSE**
Sector : **OIL & GAS**

Company profile

PetroVietnam Drilling and Well Services (PVD) is the market leader in drilling services and platform leasing in Vietnam with 50% (up 40% over 3 years) national market share in drilling and a commanding 80% market share for related drilling services.

The full-year deployment of the PVD 2 and PVD 3 rigs and three newly leased rigs in 2010 has strengthened PVD's operation remarkably. Despite the fact that offered leasing rates remain depressed below the pre-crisis levels, 2010 revenues still grew more than 50%.

We expect that PVD will increase its drilling rigs to 9 at the end of 2011: PVD1, PVD2, PVD3, PVD11, TAD and 04 other leased rigs.

Growth potential & Risks

PVD's long-term goal is to maintain its the leading position in drilling and related services. Also, the company has invested in a TAD rig (semi-submersible) to serve the deep-water drilling market. This market has high potential, representing 40% of global exploration. A contract was signed with Bien Dong POC to lease the TAD (5 years) from Quarter IV/2011.

Moreover, Vietnam plans to explore approximately 900 onshore and offshore oil and gas wells by 2015, approximately 50 new wells/year.

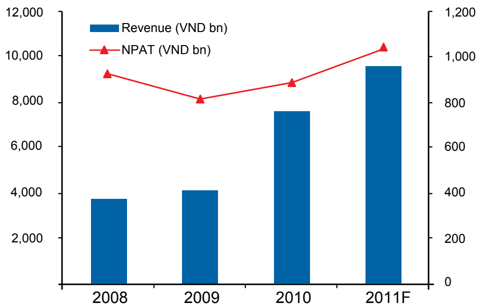
With the advantage of being a member of the PetroVietnam Group, with which all drilling contracts must be signed, PVD will certainly obtain a material competitive advantage.

Geo-political risk: South East Asia Sea waters are sensitive to the sovereign disputes over the sea.

Technological risk: PVD operates in the field of high technology, and small operational mistake may cause serious environmental consequences.

Half-year updates

In the first half of 2011, PVD registered revenue at VND4,000 billion, up 23% yoy. The company has fulfilled more than 50% of its plan, outstandingly achieved almost 60% of its 600-billion profit plan.



REVENUE & NET PROFIT

Items	2008	2009	2010	2011F
Revenue (VND ml)	3,728,746	4,096,780	7,572,009	9,558,338
Revenue Growth	36.2%	9.9%	84.8%	26.2%
NPAT (VND ml)	992,259	814,612	881,949	1,029,382
NPAT growth (%)	61.2%	-17.9%	8.3%	16.7%
EPS (VND)	6,981	3,869	4,193	4,894
Gross margin (%)	32.4%	30.3%	23.20%	23.2%
Net margin (%)	26.6%	19.9%	16.8%	17.5%
ROF (%)	43.2%	19.2%	16.8%	17.5%
ROA (%)	10.6%	6.6%	6.0%	5.7%
BVPS	16,150	20,102	24,830	27,810
Debt/total asset (%)	69.6%	65.7%	64.2%	66.1%

Source : PVD, VFM estimates

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