

Vietnam Equity Holding (VEH) Monthly Update
April 2013
Macroeconomic Update

In terms of growth, Vietnam posted another round of mediocre results while the government continues to debate how to reform and restructure the economy. The CPI ended flat on a monthly basis in April by gaining 0.02% and decreasing on a yearly basis to 6.64%, indicating continued weak consumption. The State Bank of Vietnam (SBV) announced that credit growth has moved into positive territory by growing 2.11% YTD, the SBV also capped maximum credit growth for Tier 1 lenders at 12% for 2013. The trade balance aggressively swung from a surplus to a deficit during April with close to a \$1bn monthly deficit, however it turns out that this is due to increased imports by foreign invested companies, usually for the purpose of developing manufacturing capacity for exports. The HSBC Purchasing Managers' Index made gains over the previous month, increasing to 51.0 on increased production, new orders in general and export orders in particular.

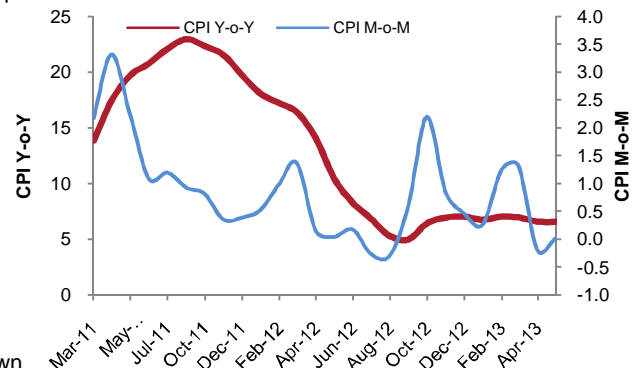
Reforms continue to occur slowly in Vietnam, and perhaps to spur the government into action, the IMF, World Bank, and ADB revised their GDP growth forecasts down to 5.2% for 2013 and the same or just slightly higher in 2014. The institutions noted that the slow progress of banking sector reform and restructuring or divestment of state-owned enterprises is curtailing growth. Key policy measures were delayed further during April probably due to the upcoming meeting of the National Assembly in May. Specifically, the "final decisions" on the Vietnam Asset Management Company (VAMC) established to purchase nonperforming loans from banks and on the low income housing loan assistance package to support buyers and developers of social and affordable housing were both delayed but are expected to be implemented by June.

The local media carried stories that the SBV was considering delaying the implementation of new loan classification guidelines, initially scheduled for June. The reason given was that nonperforming loans at banks would jump from 5%-6% up to around 14%-16% and that this would make banks risk averse exactly when the SBV is encouraging them to increase lending. We take this as meaning that nonperforming loans are actually at those levels if international loan classification guidelines are in place, but we agree that implementing these guidelines when the economy is just beginning to recover could be detrimental.

The Vietnam Dong has come under pressure and depreciated to about VND21,200 per US\$1. This is likely due to a combination of effects including the large domestic gold price premium to the international prices (lately between 10%-15% even while international prices dropped), the recently returned trade deficit, and uncertainty among the populace as rumors of the SBV changing the banknotes caused a rush to buy US Dollars. Even though the rumors were quickly dispelled, it is an indication that people are very uncertain about a "recovery" and this is mostly due to very little "change" occurring. Thus, the obligation is on the government to increase the rate of reforms and convince the population that the future is more positive and certain than the past.

Indicators	Apr-13	YTD	Y-o-Y	2012
GDP Growth (%)			4.89%	5.0%
Inflation (%)	0.0%	2.4%	6.6%	6.8%
Exports (\$Bn)	\$10.0	\$39.1	16.0%	\$114.6
Imports (\$Bn)	\$10.9	\$39.9	17.0%	\$113.8
Trade Surplus or (Deficit)	(\$936 Mn)	(\$724 Mn)	N/A	\$780 Mn
Disbursed FDI (\$Bn)	\$1.1	\$3.8	5.6%	\$10.5
VND/USD	20,965	0.5%	0.2%	20,860

Source: General Statistics Office of Vietnam (GSO), Vietcombank


Equity Market Update

At the beginning of the month, the Vietnam Index (VNI) crossed the psychological barrier of 500 and hit a two year high of 518.46 on April 10th.

The VNI then trended downwards from that high as selling pressure strengthened and ended the month at 474.51 down 5.9% in EUR terms (down 3.4% in VND terms), giving back the previous gains made in March. Deteriorating investor sentiment mid-month can be attributed to generally poor first quarter earnings being unveiled at the multitude of annual general meetings that were held during April. Reduced appetite for riskier assets among foreign investors may have caused redemptions from Vietnam ETFs and corresponding large selling orders that caused the market to drop significantly during a few at-the-close sessions. The market recovered some of its losses in early May and many market participants are anticipating a renewed bull leg. On the administrative front, the State Securities Commission (SSC) broadened the scope of possible administrative offences and has imposed heavier fines for acts of noncompliance, thus increasing the SSC's scrutiny of the market and working to improve transparency and compliance. Domestic investor sentiment is particularly focused on awaiting the results of the National Assembly meeting in May, and as a result, the term "sell in May and go away" has become quite popular throughout the market. However, if the results of the meeting are positive and the important policy measures are resolved, future positive gains may be expected in the market.

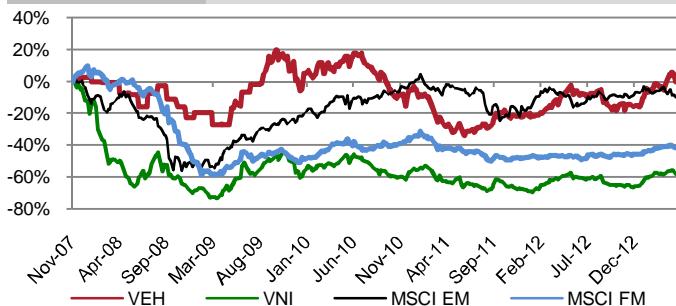
Real Estate Market Update

Focus is currently on the \$1.5 billion low-income housing loan assistance package and its possible implications. This package is currently expected to be approved during the National Assembly meeting in May after some further deliberations. The package will target government employees, army personnel, and low income earners with a certain percentage being allocated to developers of projects with units that are smaller than 70 square meters and offered for less than VND15mn per sqm (~\$700 per sqm). This package may help stimulate demand for residential units in the lower price segments, however resolving the current overhang of supply in higher price segments will likely continue to be difficult and cause prices to fall further. The Vietnam Asset Management Company to purchase nonperforming loans (NPLs) from banks and enable them to increase lending is also expected to be approved during the National Assembly meeting, however it will probably take longer to set up and subsequently begin operating at such a level that the positive effects can be felt in the economy. Positive movement on these two initiatives will likely help lift the share prices of listed developers and help them recover from being the worst performing sector on the Vietnam Index.

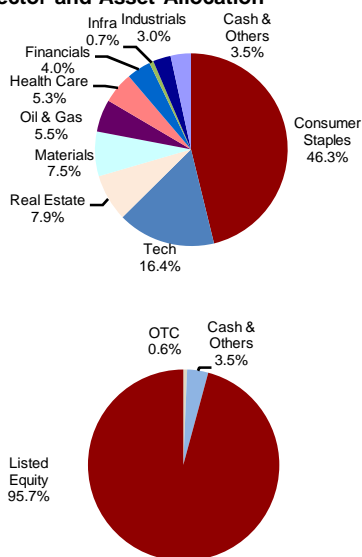
NAV per share	€2.33
Outstanding Shares	21,496,810
Share price	€1.47
Discount	36.8%
Total NAV	€50,073,820

Performance

	%	Monthly	YTD	Year End 2011	Since Inception
NAV per share		-4.2	11.1	28.2	-0.5
Share price		-2.6	13.1	41.3	-44.5
VN Index in EUR		-5.9	14.3	33.6	-57.8
MSCI EM in EUR		-2.2	-1.3	11.6	-6.0
MSCI FM in EUR		-0.3	9.6	13.0	-39.8



Top Holdings	% of NAV
Vinamilk (VNM)	32.7%
FPT Corp (FPT)	12.3%
Phu Nhuan Jewelry (PNJ)	4.8%
Japan Vietnam Medical Instruments (JVC)	4.5%
Development Investment Corp (DIG)	4.2%

Portfolio by Sector and Asset Allocation

About Saigon Asset Management

Established in 2007 in the Cayman Islands with representative offices in Ho Chi Minh City, SAM manages Vietnam Equity Holding (VEH) and Vietnam Property Holding (VPH) and employs over twenty professionals with diverse international financial backgrounds and proven track records.

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VEH Update

In April, VEH's un-audited NAV per share was €2.33, representing a decrease of 4.2% from €2.43 at the end of the prior month. Over the same period, the VN Index decreased 5.9% in EUR terms (down 3.4% in VND terms). The NAV decrease was mainly due to a 2.0% decrease in portfolio value from the decrease in prices of listed stocks combined with 2.7% unrealized FX loss from the appreciation of the EUR against the VND, offset by a 0.4% gain from the repurchase of 92,500 shares.

Vinamilk proved to be a key defensive player in the VEH portfolio during the month as it added 2.1% to the NAV performance, compensating for losses in real estate, financials, and technology. Real estate and financials in particular are expected to recover in the coming months on implementation of key policy measures such as the loan assistance package and the Vietnam Asset Management Company following the National Assembly meeting and trading activity in general is expected to increase as investors rejoin the market in May.

We continue to screen for opportunities to rebalance into small and mid cap stocks with strong fundamentals and higher reward/risk ratios to capitalize on the potential upside gain from a long-term rebound in the Vietnam stock market. During the month, investors were distracted by the multitude of annual general meetings that were held and so trading activity was relatively light.

Listing and Share Buyback

On April 3rd, 2013, VEH was granted a listing on the Stuttgart Stock Exchange and opened at a bid price of €1.47 under the same trading codes as previously. During the month, VEH repurchased 92,500 of its own shares.

VEH Financial Statements

The audited financial statements for VEH as of December 31, 2012 have been posted on the SAM website in the Investor Relations area. Please visit www.saigonam.com to review the documents.

Structure	Cayman Islands registered closed-end funds	
Funds launch	November 2007	
Duration	5 Years (extended by shareholder vote for 3 years on 10/3/2012)	
Listed	Stuttgart Stock Exchange	
Management Fee	2% of NAV	
Performance Fee	20% of gains over 8% hurdle with high water mark	
Auditor	Grant Thornton	
Legal Counsel	Reed Smith LLP & Appleby	
Administrator	Deutsche Bank (Cayman) Ltd	
Custodian	Deutsche Bank AG, Ho Chi Minh City Branch	
Clearing/Settlement	Euroclear or Clearstream	
Market Makers	886 AG +49 6101 98861 18, www.886ag.de	
	LCF Rothschild +44 207 845 5900, www.lcfr.co.uk	
	Numis Securities Ltd. +44 207 260 1000, www.numiscorp.com	
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Reuters	VEH: 3MS.DE	VPH: 3MT.DE
ISIN	VEH: KYG936251043	VPH: KYG9361R1074