

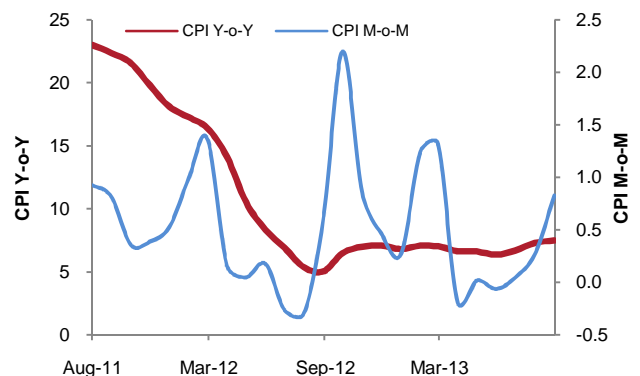
Macroeconomic and Market Update

- Vietnam's currency stabilized in August following State Bank of Vietnam (SBV) actions in July. Despite the strengthening VND throughout the month, concerns of a possible devaluation circulated the market periodically due to the VND's strength relative to other Asian currencies, and to support exporters. The trade deficit widened slightly on preliminary numbers to \$578mn YTD, but this is still very manageable and may even revert back to a surplus in subsequent months. Foreign Direct Investment (FDI) disbursement continues steadily and has increased 4.1% YoY. Newly registered FDI (to be potentially disbursed in subsequent years) has increased 19.5% YoY as is on track to register the first annual increase in the last four years.
- Following a 5% increase in retail electricity prices at the beginning of August, continued fuel price hikes due to rising international prices, and slightly rising food prices (although rice is the exception as Thailand is now trying to reduce its massive stocks), has inflation once again become concern of investors and registered an increase of 0.83% on a monthly basis, up 7.5% on a yearly basis. Again, it looks as if inflation will remain at relatively elevated levels through the rest of the year despite continued low consumer confidence. HSBC's Purchasing Managers' Index result for August was 49.4, an improvement over 48.5, but still below the breakeven level of 50.0.
- Another area of concern is the government's budget deficit as tax revenues have been hit by reductions to corporate income taxes, personal income taxes, and VAT. Expenditures appear to be progressing according to plan, but the government faces a dilemma in that it wants to increase spending but also maintain a low budget deficit. Estimates are that the budget deficit will be approx 5% for 2013. The government is considering ways to alleviate this pressure and one proposal under discussion is the legalization of casino gambling (for Vietnamese as foreigners are already allowed to gamble) and sports betting. This is a sensitive topic in Vietnam and we do not expect an announcement on legalization for some time. Meanwhile, the IMF again suggested that SOEs pay dividends to boost government revenue.
- Credit growth increased to 5.4% and the SBV announced NPLs fell to 4.46% of outstanding loans as of end of June 2013. The Vietnam Asset Management Company has not yet made any purchases of loans from banks since the company's operational guidelines were only completed in early September. The target amount of purchases through the rest of 2013 has been reduced from VND70tr (~\$3bn) to VND30tr (~\$1.5bn). Given the pace at which the VAMC is progressing, even this lower target seems slightly optimistic.
- The Vietnam Index (VNI) fell -3.2% in EUR terms (down -3.9% in VND terms) to close at 472.7. Volume on the VNI fell to an average of \$40mn traded daily compared to \$43mn in the previous month. On several instances, volume fell to YTD low levels.
- Foreigners were net sellers of stocks in August, divesting a net \$29mn, reducing the YTD net purchase to \$111.5mn. The foreign selloff that has affected many stock exchanges in the region and hit large cap Vietnamese stocks hard, is likely caused by several factors including concerns over the timing of the Federal Reserve "tapering" and recently increased impact from the Syrian conflict.

Manager's Assessment: As the SBV acted to ensure the stability of the VND, concerns shifted back to inflation. A growing budget deficit, increasing credit growth, and increases in government-controlled prices (electricity, fuel, healthcare, and soon, education) appears to many as a potent combination to stimulate inflation, though we maintain that it will likely end 2013 at approximately 7%-8%. We continue to await the first purchases of the VAMC to observe how it will operate, and more specifically how it will price the assets to be sold (will there be discounts and how big will they be?). Disbursement of the \$1.5bn low-income housing package continues to be slow and some are calling for a change in the conditions for application and approval in order to accelerate disbursement. State-owned enterprise restructuring also continues to be slow with occasional news that an SOE has divested from its interest in another, but no substantial IPOs have been held. The selloff of stocks by foreign investors dented the confidence of domestic investors who are also closely following the above issues and the impacts they could make on earnings and economic growth. However, with the summer drawing to a close and economic activity increasing, we expect investor confidence to increase. Positive catalysts will be the initiation of the VAMC, approval for the extension of foreign ownership limits (a proposal is now at the Prime Minister's office for review), and successful management of inflation and of the currency – a small devaluation may occur before the end of the year.

Indicators	Aug-13	YTD	Y-o-Y	2012
GDP Growth (%)			4.9%	5.0%
Inflation (%)	0.8%	3.5%	7.5%	6.8%
Exports (\$Bn)	\$11.5	\$84.8	14.7%	\$114.6
Imports (\$Bn)	\$11.8	\$85.4	14.9%	\$113.8
Trade Surplus or (Deficit)	(\$300 Mn)	(\$578 Mn)	N/A	\$780 Mn
Disbursed FDI	\$0.9 Bn	\$7.6 Bn	4.1%	\$10.5
Registered FDI	\$720 Mn	\$12.6 Bn	19.5%	\$7.9 Bn
VND/USD	21,180	1.5%	1.4%	20,860

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





**SAIGON ASSET
MANAGEMENT**

Vietnam Equity Holding (VEH) Monthly Update

August 2013

NAV per share	€2.43
Outstanding Shares	21,474,510
Share price	€1.57
Discount	35.4%
Total NAV	€52,188,979

Performance

	% Monthly	YTD	Year End 2011	Since Inception
NAV per share	-1.6	15.9	33.8	3.8
Share price	-2.5	20.8	51.0	-40.8
VN Index in EUR	-3.2	12.4	31.3	-58.5
MSCI EM in EUR	-1.3	-12.1	-0.6	-16.3
MSCI FM in EUR	-1.7	10.3	13.5	-39.4

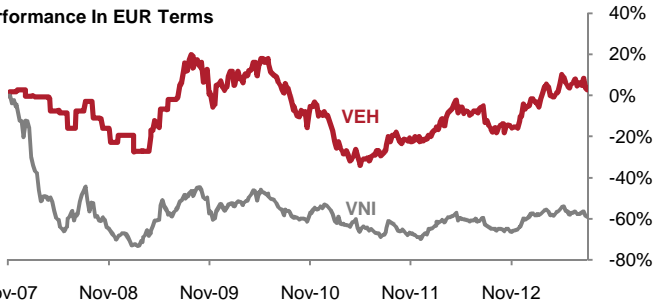
VEH Update

In August, VEH's un-audited NAV per share was €2.43, representing a decrease of -1.6% from €2.47 at the end of the prior month. Over the same period, the VN Index decreased 3.2% in EUR terms (down 3.9% in VND terms). The NAV decrease was mainly due to a 2.5% decrease in portfolio value from the decrease in prices of listed stocks, offset by a 0.8% unrealized FX gain from the depreciation of the EUR against the VND, and support of 0.1% by repurchasing 21,960 shares. In total, 270,660 shares of VEH have been repurchased through the share buyback program.

Given VEH's heavy concentration in Vinamilk (VNM), the portfolio was dragged downwards by 3% by this stock alone due to the heavy foreign selloff of stocks and the Fonterra whey protein scare (bacteria that can cause botulism was found in whey protein that is exported for the production of milk products) even though VNM confirmed that it does not purchase whey protein from Fonterra Co-op Group (New Zealand). The best performing holding was PetroVietnam Drilling (PVD) with a share price increase of 16%, contributing 1.1% to the NAV on very favorable 1H2013 results due to continued strong growth of Vietnam's oil & gas sector. Laggard in previous months Elcom (ELC) supported the NAV by 0.3% through a gain of 13% during the month and our holdings of basic materials and industrials stocks performed relatively well contributing 0.2%. However, real estate stocks continued to perform poorly, dragging the NAV down by 0.6%. Overall, as market volume was quite low during August, we expect an improvement in trading conditions in the rest of the second half of the year and that this will support the performances of VEH's holdings.

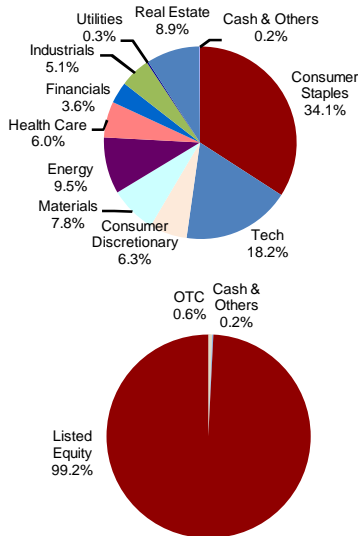
We continue to screen for opportunities to rebalance some of our large cap holdings into stocks with strong fundamentals and higher risk/reward ratios to capitalize on the potential upside gain from a long-term rebound in the Vietnam stock market.

Performance In EUR Terms



Top Holdings	% of NAV
Vinamilk (VNM)	28.8%
FPT Corp (FPT)	14.9%
PetroVietnam Drilling (PVD)	7.1%
Phu Nhuan Jewelry (PNJ)	4.5%
Japan Vietnam Medical Instruments (JVC)	4.3%

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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Structure	Cayman Islands registered open-end fund	
Funds launch	November 2007	
Subscriptions	Prior to each Dealing Day (first business day of each calendar month)	
Minimum Initial Subscription	US\$100,000 or its equivalent in another currency	
Redemptions	Beginning in June 2014; up to 10% available quarterly; must be submitted a minimum of 60 days before relevant Redemption Day; processed on a pro-rata basis	
Redemption Fee	3% of NAV of the redeemed shares	
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	
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Reuters	VEH: 3MS.DE	VPH: 3MT.DE
ISIN	VEH: KYG936251043	VPH: KYG9361R1074

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