

**Macroeconomic Update**

During February, Vietnam celebrated the week long Tet Lunar New Year Festival. As most shops close during the festival, people have to stock up on food and other items beforehand, sending prices upwards. As such, the CPI increased 1.32% M-o-M on food price increases, but declined to 7.02% Y-o-Y. We estimate Inflation in 2013 to be approximately 8%-9% because of increasing healthcare costs (about 15 provinces – including Ho Chi Minh City and Hanoi – still need to increase their healthcare prices), the likelihood of retail electricity prices being increased by 7% this year, and other factors. During the month, the government resisted pressure from petroleum retailers to increase retail prices by increasing the subsidized amount, but if global petrol prices continue to rise, the government will eventually have to increase retail prices. The exchange rate fluctuated during the month and came close to the upper 1% trading limit apparently on rumors that the State Bank of Vietnam (SBV) would devalue the VND; these were dispelled when the SBV announced that there were no plans for devaluations in the near future. The rumors also sparked a widening of the premium of the domestic gold price to the international gold price; at one point, gold was trading \$220 per ounce higher than international prices.

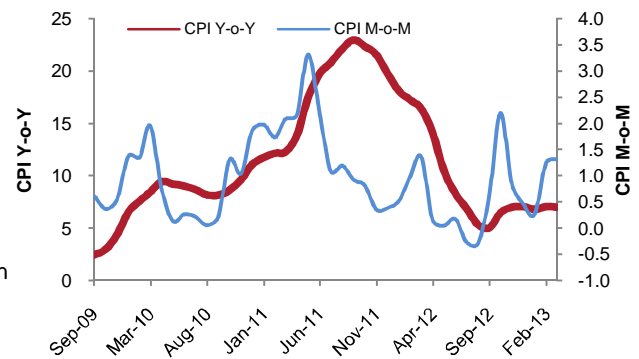
The revised trade balance was announced at a modest trade deficit of approximately \$94 million for the month, bringing the YTD trade surplus to approximately \$782 million. Production and manufacturing slowed during the month with the HSBC Purchasing Managers' Index showing that excessive inventory holdings were the main reason as well as slow retail sales. The HSBC PMI fell to 48.3 from 50.1 in January, even after accounting for seasonal factors, specifically the Tet holidays.

The standoff between Vietnamese state-owned shipbuilder Vinashin and its creditors over a \$600 million loan that it had defaulted on late in 2010 has finally come to an end. The main creditor, Credit Suisse, agreed to a restructuring plan in which the original loan plus accrued and unpaid interest will be swapped for government-guaranteed bonds from the Ministry of Finance. Credit Suisse subsequently wrote a letter to other creditors urging them to agree to the deal. As the Vinashin default was one of the main reasons for the cutting of Vietnam's credit rating, this is an important development that will hopefully improve confidence in Vietnam's government and investment opportunities among foreign investors.

The SBV announced that total bad debt among Vietnamese banks has dropped from 8% in June 2012 to 6% currently due to aggressive write-offs and loan restructuring by the banks. However, this percentage is set to increase again in June when the definition of bad debt is expanded. Banks have continued to be very cautious as total outstanding credit has fallen a modest 0.16% YTD. Meanwhile, the SBV is still formulating the proposal for the debt asset management company (with the purpose of removing bad debt from bank balance sheets) to be presented to the Prime Minister, hopefully by the end of the quarter and to be implemented by some point in the 2H 2013.

Indicators	Feb-13	YTD	Y-o-Y	2012
GDP Growth (%)				5.0%
Inflation (%)	1.3%	2.6%	7.0%	6.8%
Exports (\$Bn)	\$7.2	\$18.7	22.0%	\$114.6
Imports (\$Bn)	\$7.2	\$17.9	14.1%	\$113.8
Trade Surplus or (Deficit)	(\$94 Mn)	\$782 Mn	N/A	\$780 Mn
Disbursed FDI (\$Bn)	\$0.6	\$1.1	5.0%	\$10.5
VND/USD	20,980	0.6%	0.5%	20,860

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



**Equity Market Update**

The Vietnam Index (VNI) stumbled during the middle of February and was in a consolidation pattern for the rest of the month and into the beginning of March. During the month, the VNI fell 1.1% in VND terms (up 2.3% in EUR terms) to 474.56 after reaching a high of 494.83 on February 20<sup>th</sup>. Investors were optimistic that the VNI would break through the 500 barrier for the first time since 2010, but the next day it plunged 3.7% to 476.73 first on rumors that fuel prices may increase and then solidly on rumors that the Chairman of state-owned Bank for Investment and Development (BIDV) had been arrested. The rumors turned out to be false after the Chairman made an official appearance and requested authorities to investigate the source of the rumors. Nevertheless, the market struggled to recover after this hit and has been trading in the same range ever since. Notably, foreign investors curbed trading activities in February and though they were net buyers of shares, they were net sellers in terms of value (by a very minimal amount), a stark contrast from the net purchase of \$120 million of shares in January. Many firms released poor Q4 2012 results which also contributed to the loss of excitement in the market in the final weeks of the month. Mainly, investors are waiting for implementation of announcements surrounding SOE restructuring, introduction of non-voting depository receipts to allow foreign investors to purchase more than the current 49% foreign ownership limit on listed companies, and specifically the establishment of the debt asset management company. The VNI should experience decent boosts as these policy actions are implemented throughout the rest of the year.

**Real Estate Market Update**

The government continues to focus on social housing, specifically providing cheap credit to buyers and developers of social housing projects. It appears that the government is attempting to have developers focus on this segment of the market and away from more expensive (and generally more overly supplied) segments. As this program of providing cheap funding for social housing has not started yet, loans to real estate are still quite high, and as there has been no credit growth to date, it is unlikely that developers or buyers are receiving loans at affordable rates. The aggressive loss provisioning by banks is serving to discourage further lending to real estate. On the other hand, the Ministry of Finance has issued a circular providing implementation guidelines on the establishment of real estate investment trusts (REITs). These investment structures will operate like closed-end funds to buy and operate real estate assets to achieve a stable income to be distributed to shareholders. It will be interesting to see the effect REITs will have on the real estate market when they are eventually launched, but we do not anticipate that it will happen soon. In accordance with the wider stock market, most real estate stocks fell or traded sideways for much of February. Again, the catalyst for real estate stocks as well as the rest of the stock market will be the implementation of the government's promised measures and reforms.



**SAIGON ASSET  
MANAGEMENT**

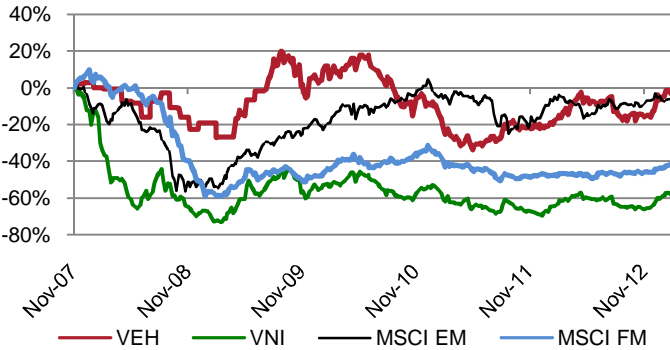
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**Vietnam Equity Holding (VEH) Monthly Update**

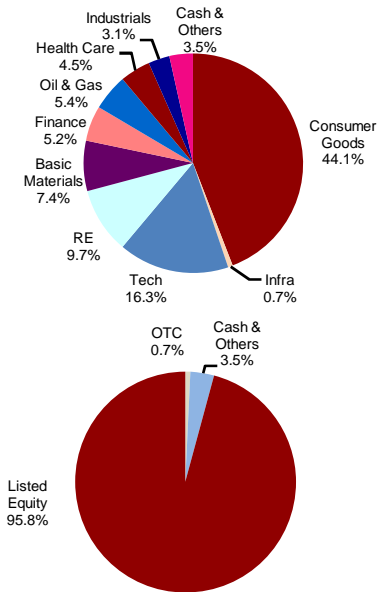
**February 2013**

NAV per share	€2.27
Outstanding Shares	21,589,310
Share price	€1.42 (Bid Price Quoted by LCF Rothschild)
Discount	37.4%
Total NAV	€49,059,386

	%	Monthly	YTD	Year End 2011	Since Inception
NAV per share		1.7	9.1	25.07	-2.9
Share price		9.2	9.2	36.5	-46.4
VN Index in EUR		2.3	15.2	34.7	-57.4
MSCI EM in EUR		2.6	1.0	14.2	-3.8
MSCI FM in EUR		3.6	8.1	11.4	-40.6



**Portfolio by Sector and Asset Allocation**



**VEH Update**

In February, VEH's un-audited NAV per share was €2.27, representing an increase of 1.7% from €2.23 at the end of the prior month. Over the same period, the VN Index increased 2.3% in EUR terms (down 1.1% in VND terms). The NAV increase was mainly due to a 3.3% unrealized FX gain from the depreciation of the EUR against the VND offset by a 1.6% decrease in portfolio value from the decrease in prices of listed stocks.

**Listing of VEH Update**

On March 1<sup>st</sup>, the Board and the Investment Manager met with officials from the Stuttgart Stock Exchange to discuss a possible listing. As a result of the positive meeting, a decision on VEH's application to list on the Stuttgart Stock Exchange is expected within the coming month.

**Investment Manager Update**

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 an anticipated long-term rebound in the Vietnam stock market.

**VN Index – last 6 months: Bloomberg**



Top Holdings	% of NAV
Vinamilk (VNM)	27.9%
FPT Corp (FPT)	12.6%
Phu Nhuan Jewelry (PNJ)	5.7%
DABACO Corp (DBC)	5.5%
Development Investment Corp (DIG)	4.1%

Foreign Investors' Net Buy on HOSE		
Date	Volume (Mn shares)	Value (\$Mn)
Feb-13	5.5	-0.3
Jan-13	120.2	120.9
Dec-12	33.6	66.9
Q4 2012	60.9	140.8

**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.

**Louis Nguyen**  
Chairman & CEO

**Kevin Flaherty**  
Managing Director  
Energy & Natural Resources Investments

**Peter Dinning**  
Managing Director  
Real Estate Investments

**Hung Pham**  
Director  
Investment Banking

**Eric Schaar**  
Managing Director  
Advisory Services

**Spencer White**  
SAM Independent Board Member

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

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