

Vietnam Equity Holding (VEH) Monthly Update

January 2013

Macroeconomic Update

In the month before the Lunar New Year Holidays, there were some expected developments as well as some surprises. Historically, consumption increases during the month before the holidays, having an impact on the trade surplus, which narrowed during the month, and on inflation which accelerated more quickly than expected. For January, inflation was up 1.25% M-o-M and 7.07% Y-o-Y, compared to 0.27% and 6.81% during the previous month, respectively. This increase in inflation is worrying and many market constituents have begun to revise their inflation forecasts upwards. While consumption likely increased during the month, the Purchasing Manager's Index signaled only a modest gain and we do not yet see signs that demand has returned substantially, as yet this month's inflation is not significantly higher than months that precede the holidays in past years.

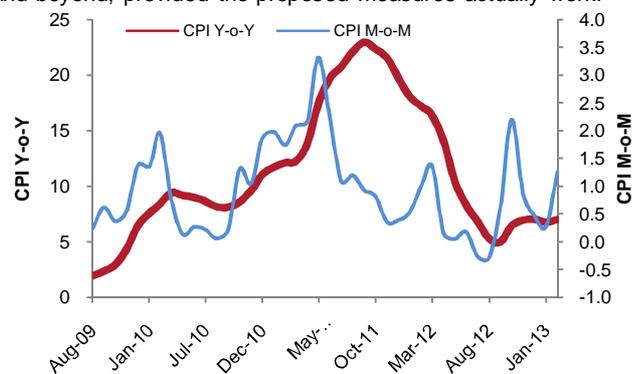
Both the World Bank and the IMF announced during the month that they are concerned with the State Bank of Vietnam's (SBV) current monetary policy of increasing liquidity at the banks, evidenced by 20.1% money supply growth in 2012 and cutting of interest rates. Under normal circumstances, this would ignite inflationary pressures, though we have not yet seen this translate into extensive credit growth and thus do not necessarily see a sustained inflationary spike for 2013. We do, however, believe that the SBV should adopt a tighter monetary policy approach and limit the amount of money supply growth this year, especially as the Prime Minister and President have called upon ministries and provinces to accelerate development of infrastructure projects, thereby increasing fiscal spending. Currently, we see banks are putting a lot of this money into bonds as yields have dropped quite significantly over recent months, however we would prefer that the SBV keep monetary policy firm for the time being and let the economy recover slowly so as not create another credit bubble. Banks are learning to stand by themselves, it will take time.

The government released a draft of a new constitution during the month with several key changes, one of the most important being the removal of language that makes state-owned enterprises (SOEs) "assume the leading role" in the economy. By removing this language, there will no longer be basis for excessively pumping state money into the SOEs nor for receiving special treatment. This is a major milestone in the effort to reform the national economy and restructure the SOEs. The government has pledged that a restructuring plan for SOEs will be finalized by June. Measures included will be the selling of stakes and IPOs for approximately 50 wholly state-owned groups.

The government is progressing on the formation of a debt asset management company to help solve the NPLs issue continues, but there is optimism that such a company will be put in place during the first half of 2013 with operations starting in 2H 2013. Additionally, the World Bank has offered a loan to help deal with the problem, however it is unlikely the government will exercise this option. The removal of these toxic assets from bank balance sheets will be a catalyst for growth in 2013 and beyond, provided the proposed measures actually work.

Indicators	Jan-13	Y-o-Y	2012	2011
GDP Growth (%)			5.0%	5.9%
Inflation (%)	1.3%	7.1%	6.8%	18.1%
Exports (\$Bn)	\$10.1	43.2%	\$114.6	\$96.2
Imports (\$Bn)	\$9.9	42.3%	\$113.8	\$105.8
Trade Surplus or (Deficit)	\$200 Mn	16.3%	\$780 Mn	(\$9.5 Bn)
Disbursed FDI (\$Bn)	\$0.4	5.0%	\$10.5	\$11.0
VND/USD	20,865	-0.8%	-0.8%	21,036

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



Equity Market Update

The Vietnam Index (VNI) continued the rally that started at the end of November during January and gained an impressive 12.7% in EUR terms (up 16.0% in VND terms) to hit 479.79 on much stronger volume, averaging 77 million shares traded per day. Foreign investors are the cause of this rally as they net purchased approximately \$120.9 million of shares during the month, the largest monthly net purchase since early 2011. Much has already been said in the press about the recovery of investor sentiment throughout the world, with the Dow Jones Industrials reaching 5 year highs and the VIX (index of investor apprehension) hitting 6 year lows. Thus, as foreign investors are scrambling to find risk and returns, they are pouring into Vietnam, and many companies have once again maxed their foreign ownership levels. However, a good piece of news that helped sustain this rally was the announcement that the State Securities Commission (SSC) was looking to propose allowing foreign investors own more than the current 49% foreign ownership cap (30% for banks), perhaps through the introduction of non-voting shares. Consequently, the stocks that benefitted the most were the mid to large caps, the very good companies that are well-known to foreign investors. Domestic investors have yet to get off the sidelines and participate in this rally in significant numbers, but they probably will not stay dormant for long considering how much higher returns on equities are than any other asset class in Vietnam. Predictions are that the VNI will break 500 by the end of the quarter, possibly earlier. Where it will go from there is a bit of mystery because of fears that this rally may not be able to sustain itself, but we are optimistic that it will keep climbing into the end of the first half.

Real Estate Market Update

Contrasting the equity market, the real estate market continues to perform poorly, however the government has been proposing measures to prop it up. The proposition includes reserving credit to real estate through lower interest rates and setting aside funds to lend to real estate at commercial banks who then receive long-term funding incentives. The government also continues to focus its efforts on social housing to "warm up the market" and has proposed using indirect stimulus such as only charging 10% CIT on profits from social housing, rather than the standard 25%. The debt asset management company is still quite far from being implemented meaning little credit will be extended to real estate buyers or developers in the interim. There are some interesting contrasts between real estate developers' strategies for getting through these tough times with Vincom Group (VIC) halting sales efforts of its projects until completion to resist price cuts and Hoang Anh Gia Lai (HAG) cutting the prices of its units by up to 50% in order to move inventory. The difference is that VIC has the capability to develop its projects out of its cash reserves. HAG is more like some of the smaller developers that are struggling to attain funding at favorable rates and then struggling to sell the units. Many large cap real estate stocks rallied strongly during the month, however small and mid cap companies continued to be shunned. Until domestic investors join the stock market rally, we do not expect small and mid cap stocks to rally much while the large caps that are known to foreign investors will continue to do well.



**SAIGON ASSET
MANAGEMENT**

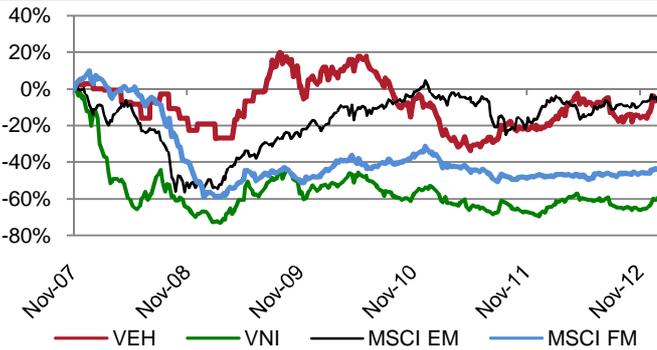
Saigon Asset Management
172 Hai Ba Trung, 12th Floor
Ho Chi Minh City, Vietnam
Tel: +84-8-5404-3488
Fax: +84-8-5404-3487
Email: IR@saigonam.com
Website: www.saigonam.com

Vietnam Equity Holding (VEH) Monthly Update

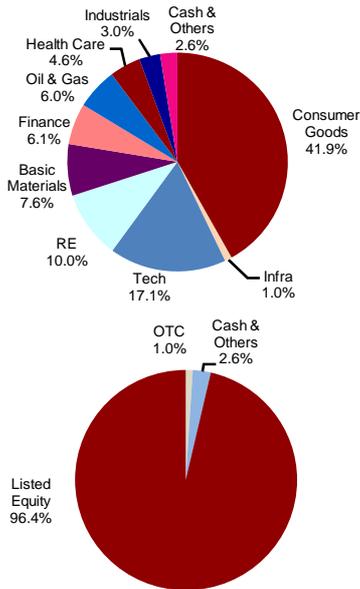
January 2013

NAV per share	€2.23
Outstanding Shares	21,589,310
Share price	€1.30 (Last traded price on FSE)
Discount	41.7%
Total NAV	€48,241,097

	% Monthly	YTD	Year End 2011	Since Inception
NAV per share	7.3	7.3	23.0	-4.6
Share price	0.0	0.0	25.0	-50.9
VN Index in EUR	12.7	12.7	31.7	-58.4
MSCI EM in EUR	-1.6	-1.6	11.3	-6.2
MSCI FM in EUR	4.3	4.3	7.5	-42.7



Portfolio by Sector and Asset Allocation



VEH Update

In January, VEH's un-audited NAV per share was €2.23, representing an increase of 7.3% from €2.08 at the end of the prior month. Over the same period, the VN Index increased 12.7% in EUR terms (up 16.0% in VND terms). The NAV increase was mainly due to a 10.4% gain in portfolio value from the increase in prices of listed stocks offset by a 2.9% unrealized FX loss from the appreciation of the EUR against the VND.

Listing of VEH Update

It appears that of the approximately 700 companies delisted from the Frankfurt Stock Exchange, most, if not all, of those companies applied to list on the Stuttgart Stock Exchange. Flooded with requests, the exchange initially denied the applications of most companies, including VEH. However, we are continuing to pursue a listing on Stuttgart and are making progress in our discussions with the Exchange on this initiative. We cannot yet set out a timeframe for the listing due to the Exchange still being flooded with requests, but we will announce a timeframe as soon as it is possible to adhere to one. The Board and the Investment Manager are working to achieve a listing for the fund, however in this case, we are beholden to the speed at which the Stuttgart Stock Exchange processes the large amount of applications received.

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)	26.9%
FPT Corp (FPT)	13.4%
Phu Nhuan Jewelry (PNJ)	5.7%
Development Investment Corp (DIG)	5.6%
DABACO Corp (DBC)	4.6%

Foreign Investors' Net Buy on HOSE		
Date	Volume (Mn shares)	Value (\$Mn)
Jan-13	120.2	120.9
Dec-12	33.6	66.9
Nov-12	20.7	66.5
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

Structure	Cayman Islands registered closed-end funds	
Funds launch	November 2007	
Duration	5 Years (extended by shareholder vote for 3 years on 11/3/2012)	
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 Custodian	Deutsche Bank (Cayman) Ltd 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.lcf.co.uk	
Bloomberg	VEH: 3MS:GR	VPH: 3MT:GR
Reuters	VEH: 3MS.DE	VPH: 3MT.DE
ISIN	VEH: KYG936251043	VPH: KYG9361R1074

This document was prepared by Saigon Asset Management (SAM) and is for information only and does not constitute or form part of, and should not be construed as, any offer, inducement or an invitation to sell, acquire or issue, or any solicitation of any offer to purchase or subscribe for, any shares or securities, including any ordinary shares, in VIETNAM PROPERTY HOLDING and/or VIETNAM EQUITY HOLDING (the "Funds(s)") in any jurisdiction. No undertaking, representation, warranty or other assurance, express or implied, is made by either SAM or any other person, in relation thereto. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, goals, assumptions or future events or performance are not statements of historical fact and may be "forward looking statements." Forward looking statements are based on expectations, estimates and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipate. All information is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. SAM has not made any independent verification of any such information and makes no implied or express warranties on the information provided. SAM does not guarantee the accurateness and completeness of statements made herein. Any opinions expressed herein are subject to change at any time without notice. Past performance of the Investment Manager and funds and any forecasts are not indicative of the future or likely performance of the Investment Manager.