

Macroeconomic Update

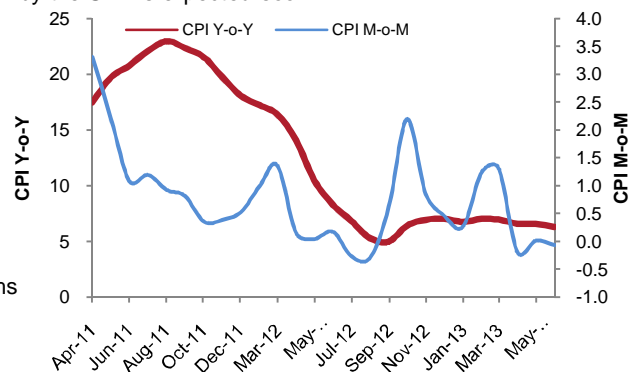
Vietnam's National Assembly meeting began in May and brought with it several new policy measures and other interesting developments: the \$1.5bn low income housing loan stimulus package was approved and implemented; the Vietnam Asset Management Company (VAMC) was approved by the Prime Minister to be set up to purchase approximately \$2.0bn - \$3.5bn of nonperforming loans (NPLs) from banks and will likely be set up and implemented in Q3; the State Bank of Vietnam (SBV) announced another interest rate cut of 100bps to key policy rates, but kept the deposit interest rate stable; and the loan classification guidelines have officially been postponed to next year. Discussions during the meeting also brought up renewed hope that foreign ownership limits (FOLs) will be extended above the current 49% (likely on a case-by-case basis and by issuing non-voting shares) and banks may receive similar treatment as the Prime Minister may approve to extend the foreign ownership limit above the current 30% in order to attract foreign banks and other investors.

These new measures caused optimism to spread throughout the market initially, but this has since subsided as implementation of several of the measures, notably the VAMC and the extension of FOLs, will likely be difficult despite assurances from the government stating otherwise. Banks that have NPL ratios of greater than 3% will be required to sell bad loans to the VAMC, however since many banks are understating their NPL ratios, it may end up being difficult to force banks to sell loans to the VAMC, thus prolonging the pain. In fact, the implementation of the VAMC may have benefitted from the new loan classification guidelines which have been delayed for a year.

Discussions surrounding the extension of FOLs have arisen several times this year, however there seems to be more recognition among the government that banks in particular need recapitalization and foreign sources seem to be the most ready providers of new capital. In terms of FOLs for listed companies in general, the State Securities Commission has been pushing for an increase since Q2 2012 when they declared that observed positive correlations between foreign inflows into the stock market and general stock market performance. This is a very sensitive topic but it seems like a decision to increase FOLs of at least certain companies or banks may be forthcoming, which would be positive for economic prospects.

These important new announcements did not mask the fact that Vietnam's macroeconomic situation remains precarious. During May, the CPI fell 0.6% on a monthly basis and on a yearly basis to 6.36% from 6.61% in the previous month. Credit growth has reached 2.3% YTD which likely means that banks will be under significant pressure in the second half of 2013 in order to come close to making the target of 12%. The HSBC Purchasing Managers' Index fell from a high of 51.0 in April to 48.8 on weaker domestic sales whereas exports remained stable. The trade deficit continued to widen in May and reached \$1.92bn YTD, putting pressure on the Vietnam Dong. State-owned banks are now trading Dong at VND21,036 per US\$1, which is the upper allowable limit set by the SBV. Unofficially, the Dong has been trading above the upper limit in at approximately VND21,200, thus some intervention by the SBV is expected soon.

Indicators	May-13	YTD	Y-o-Y	2012
GDP Growth (%)			4.89%	5.0%
Inflation (%)	-0.1%	2.4%	6.4%	6.8%
Exports (\$Bn)	\$10.8	\$49.9	15.1%	\$114.6
Imports (\$Bn)	\$12.0	\$51.9	16.8%	\$113.8
Trade Surplus or (Deficit)	(\$1.2bn)	(1.9bn)	N/A	\$780 Mn
Disbursed FDI (\$Bn)	\$0.8	\$4.6	2.2%	\$10.5
VND/USD	21,030	0.8%	0.7%	20,860



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

Equity Market Update

The Vietnam Index (VNI) gained strongly during May, up 10.3% in EUR terms (up 9.2% in VND terms) and closed at 518.39 on significantly improved volume. The market was very responsive to press announcements of approved measures to support the economy during the first half of the month. As such, both domestic and foreign investors were very active on the two stock exchanges with an average of \$55mn traded daily compared with \$44mn during the previous month and foreign investors registered as cumulative net buyers of stocks on the VNI of approximately \$60mn. Small and mid cap stocks made big gains while several large cap stocks, such as Vinamilk, continued to advance steadily. However, towards the end of the month, the sentiment on Vietnam's stock markets began to shift on several concerns. News that manufacturing in China was relatively weak in April and that the US Federal Reserve may begin to "taper off" its quantitative easing programs rippled throughout the international markets, and contributed to a few stumbles on Japan's Nikkei index. Consequently at the end of the month, foreign investors began to register as net sellers of stocks on the VNI on a daily basis and though retail investors did not immediately react, it is probable that a withdrawal of support from foreign investors will cause the broader Vietnam market to correct. The long-term prospects of Vietnam's equity market remain positive, however we are predicting some volatility during the coming summer months.

Real Estate Market Update

The final approval of the \$1.5bn low-income housing loan stimulus package and the Vietnam Asset Management Company (VAMC) to purchase nonperforming loans (NPLs) from banks brought some much needed optimism to the real estate market. Several state-owned banks have already pledged that they will disburse up to two-thirds of the stimulus package by the end of 2013 and it is expected that the VAMC will begin operations in Q3 or Q4 with some rather bold claims that it will manage to resolve up to \$2bn worth of bad loans through the rest of this year alone. The Ministry of Construction announced that in an effort to attract foreign investors to higher-end and oversupplied segments of the real estate market, they were working on a draft decree to allow foreigners to purchase and sublease offices and also to allow them to own landed property. In retail property, large cap developer Vincom announced the sale of 20% of the retail subsidiary holding seven of its retail assets to international PE firm Warburg Pincus for approximately \$200mn, with the possibility that an additional \$125mn may be invested in the near future. Conditions in real estate seem to be improving slightly and share prices of listed developers reflected this by performing well during the month on approval of the low-income housing loan stimulus package and speculative optimism that this program will stimulate demand enough to change the fortunes of developers.



**SAIGON ASSET
MANAGEMENT**

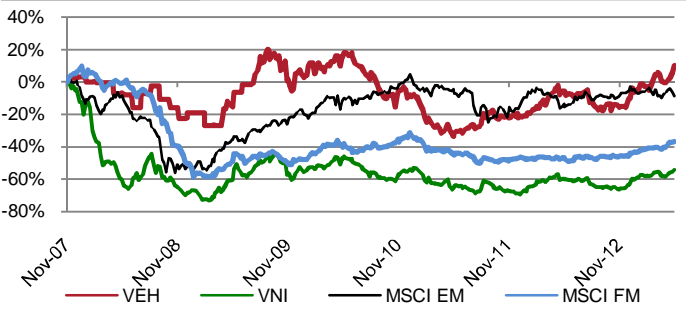
Vietnam Equity Holding (VEH) Monthly Update

May 2013

NAV per share	€2.58
Outstanding Shares	21,496,810
Share price	€1.55
Discount	40.0%
Total NAV	€55,491,538

Performance

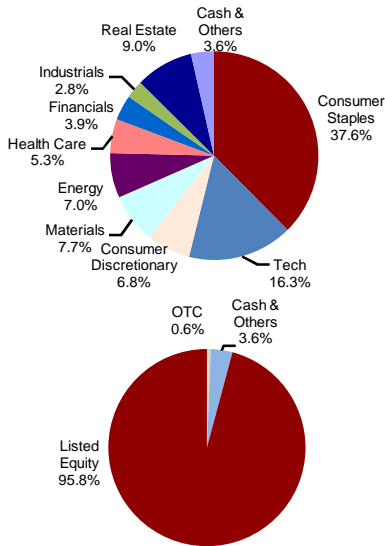
	%	Monthly	YTD	Year End 2011	Since Inception
NAV per share		10.8	23.1	42.1	10.3
Share price		5.4	19.2	49.0	-41.5
VN Index in EUR		10.3	26.1	47.4	-53.4
MSCI EM in EUR		-1.7	-3.0	9.8	-7.6
MSCI FM in EUR		5.8	16.0	19.5	-36.3



Top Holdings

Company	% of NAV
Vinamilk (VNM)	32.2%
FPT Corp (FPT)	13.4%
Development Investment Corp (DIG)	4.6%
Japan Vietnam Medical Instruments (JVC)	4.5%
Phu Nhuan Jewelry (PNJ)	4.4%

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 May, VEH's un-audited NAV per share was €2.58, representing an increase of 10.8% from €2.33 at the end of the prior month. Over the same period, the VN Index increased 10.3% in EUR terms (up 9.2% in VND terms). The NAV increase was mainly due to a 9.8% increase in portfolio value from the increase in prices of listed stocks combined with a 1.0% unrealized FX gain from the depreciation of the EUR against the VND.

VEH's portfolio gained strongly from the performance of several key positions such as FPT, Vinamilk, and PetroVietnam Drilling. In particular, FPT's share price increased 20% during May as this relatively undervalued large cap company was noticed. Only a few positions in VEH's portfolio decreased during May, specifically tech company Elcom, which dropped 22% due to the release of poor first quarter results. It appears that foreign investors' net purchase of approximately \$60mn (\$248mn YTD) continued to support share price appreciation in large caps while retail investors became bullish due to the consistency of foreign interest and improved first quarter results in various small cap companies. Among others, real estate stocks did well during the month with mid-cap real estate developer DIG contributing approximately 1% to the NAV gain (share price gain of 19%) on approval of the low-income housing loans stimulus package.

We continue to screen for opportunities to rebalance into small and mid cap 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.

Vietnam Index – Previous 6 months – Bloomberg



Structure	Cayman Islands registered closed-end fund	
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	
Bloomberg	VEH: 3MS:GR	VPH: 3MT:GR
Reuters	VEH: 3MS.DE	VPH: 3MT.DE
ISIN	VEH: KYG936251043	VPH: KYG9361R1074