VIETNAM EQUITY HOLDING

Quarterly Report - Q2 2013

SAIGON ASSET MANAGEMENT

Economic Overview

Vietnam's economy continues to produce remarkably stable macroeconomic results such as inflation and trade balance while growth continues to lag at 4.9% on a yearly basis. However, this is a slight improvement over 4.4% during the same period last year. To further improve growth and strengthen the economy, during Q2 2013, Vietnam's government approved a number of significant policy measures to stimulate the economy both directly and indirectly. These improvements and new policies increasingly contribute to improving sentiment regarding Vietnam's future growth prospects.

The government began by approving the proposal for creating the Vietnam Asset Management Company (VAMC), designed to provide commercial banks with an official avenue for disposing of nonperforming loans, thereby creating space on their books to provide new (and hopefully better) loans – the VAMC is expected to conclude its first deals in late Q3 or early Q4. The subsequent approval of the $1.5 billion low-income housing loan stimulus package will likely help to stimulate demand for the mass-market residential segment that has been out of reach for many due to low supply and lack of affordable financing during past years. Additionally, an immediate cut to the corporate income tax rate from 25% to 20% for small businesses should provide vital support to the economy by reducing their costs, specifically helping the private sector.

New proposals that could further improve the structure of the economy include the continued restructuring of state owned enterprises (SOEs) and the opening of certain industries to foreign investors. A suggested lifting of foreign ownership restrictions in domestic Vietnamese banks from 30% in aggregate (maximum 20% for any single investor), to 49% could increase the attraction of domestic banks to foreign institutions. Currently, the low level of foreign ownership makes investments in banks and unattractive to foreign investors and institutions that want a controlling stake in order to reform and improve the banks. The restructuring of SOEs continues very slowly with only a few divestments and IPOs announced. While there is agreement that the inefficient SOEs are a drag on the economy, there is little motivation to sell off state assets at current low valuations due to the slow economy. Thus, it seems efforts are focused on spurring the private sector to drive economic growth to a point where selling state assets could be politically acceptable.

In the meantime, the economy continues to provide a mixture of positive and mediocre results. Encouragement can be drawn from the largely stabilized CPI; inflation appears to be stable at just under 7% on a yearly basis. The trade balance has also been encouraging. Though it ended the quarter with a YTD deficit of close to $1bn, this is much improved from the situation during this period two years ago when Vietnam had a YTD deficit of more than $6bn. The relatively small trade deficit during the first half contributed to the continuing currency strength that Vietnam experienced for more than a year. However, weakening currencies throughout the region and a strengthening US dollar on US Federal Reserve QE "tapering" concerns resulted in a 1% devaluation of the Vietnam Dong in June.

The opposite effect of stabilized inflation is that it also reflects very cautious and subdued consumer spending. The HSBC Purchasing Managers' Index results detailed how manufacturers ran into trouble during the second quarter when overly optimistic retailers placed large orders. When those retailers failed to move merchandise and inventories rose, they aggressively cut back on orders, causing the index to fall from 50.8 in March to 46.4 in June. However, the second half of the year is traditionally a time of greater consumption, leading to optimism that manufacturing conditions will improve, potentially resulting in greater than expected economic growth for the full year. Expectations are for 5.0% to 5.3% growth, anything above this would be a very positive signal for the economy.

Markets Overview

During the second quarter, the Vietnam Index (VNI) was relatively volatile and ended down -4.6% Q-o-Q in EUR terms (down -2.0% Q-o-Q in VND terms) to 481.13 from 491.04 at the end of Q1 2013. On a yearly basis, the VNI was up 16.0% in EUR terms and 16.3% in VND terms making it one of the best performing markets in the region (in both EUR terms and USD terms).

The release of poor first quarter results from many companies in April caused a slight interruption in the VNI's bullish market trend that started in late 2012. The market recovered strongly in May and increased until June 10th when it hit an intraday high of 533.15, the highest value since April 2010. Unfortunately, concerns over possible US Federal Reserve QE "tapering" and a possible credit crunch in China spooked investors around the world and caused foreign investors to sell Vietnam shares heavily starting in late May.

At first, domestic investors were able to support the VNI, pushing it to its June 10th high, but the steady wave of foreign selling as well as emerging domestic imbalances caused domestic investor sentiment to turn negative. Domestic imbalances included strong depreciating pressure on the Vietnam Dong – mostly due to a very high domestic premium to international gold prices – and continued weak manufacturing conditions.

Overall, equity market conditions are improving as companies are benefitting from falling interest rates and an economy which is accelerating, slowly. An additional government initiative to possibly extend the foreign ownership restrictions on publicly listed companies from 49% to perhaps as high as 60% has helped attract foreign investment. Taken together, most of the recent government initiatives have encouraged investors that the government is actively restructuring the economy for higher and more sustainable growth, helping to fuel the current bull trend in the equity market.

On the other hand, government initiatives have not yet had such an immediate positive impact on the real estate market. While the government is clearly attempting to improve conditions in the market by stimulating demand by supporting financing with the $1.5 billion stimulus package and the Vietnam Asset Management Company, the effects of these programs will not likely become visible to investors for some time.

We continue to believe that there is a sizeable amount of pent up demand for real estate, specifically affordable housing. Residentially focused developers are increasingly introducing affordable housing products. However, the current overhang of high-end supply built at high cost means that many developers have to either incur more costs (usually by taking on more loans) to attempt to repurpose those existing developments or are now introducing new projects that will take several years to complete. Many developers without the ability to apply either strategy seem content to simply wait until the market returns to its former strength, though their credibility among homebuyers who search for strong and active developers suffers the longer they wait.

Other segments of real estate had varying results during the second quarter. Ho Chi Minh City's retail segment saw falling rents as several key tenants pulled out of the two Vincom malls due to high rents and low foot traffic. Supply in Hanoi's retail segment will more than double with the opening of Vincom's new mega malls Royal City in July and Times City later in the year. The opening of these two malls will likely put significant pressure on rents, occupancy, and the profitability of existing retail locations. Hanoi's office space segment is still suffering from high supply while HCMC's offices are increasing occupancy with rents gradually increasing accordingly.

Listed real estate developers performed relatively well following the announcement of the VAMC and the $1.5bn housing stimulus package, but many sank back down in price in the weeks that followed as excitement faded into the reality that it would take time for these programs to become effective. On the other hand, many investors are taking a bullish stance in Vietnam as shown with the 20% stake sale of Vincom's retail assets to private equity firm Warburg Pincus for approximately $200 million, with the possibility of an additional $125 million investment in the near future. As such, we have noticed that international players are increasing their investment activities in the country.

The demographics of the country translate into enormous demand for real estate that far surpasses current supply, however at present it is difficult to say when that demand will start to support a recovery in the real estate market. The prevailing attitude among homebuyers is cautiousness due to the current weak conditions in the economy, but as the economy recovers, we anticipate a surge in buying interest in real estate.

Financial Results

At June 30th 2013, the Fund's total Net Asset Value was € 52,758,171. The discount of the share price to the NAV per share at June 30, 2013 was 36.8%.

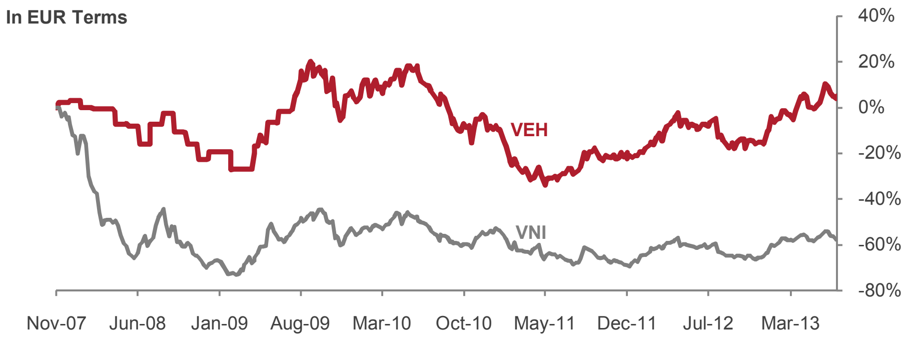
Results & Performance	June 30, 2013	Quarterly	YTD	YoY	Since Inception
NAV per share	€ 2.45	0.9%	17.0%	15.8%	4.8%
Share price	€ 1.55	2.6%	19.2%	10.7%	-41.5%
VN Index in EUR	(VND) 481.13	-4.6%	16.0%	9.4%	-57.2%

Quarterly Update

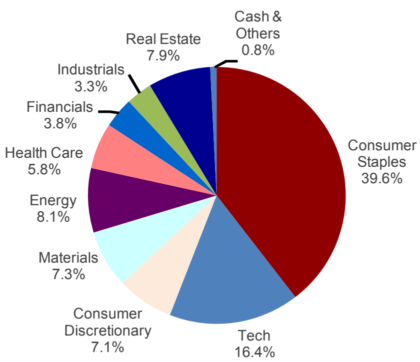
VEH outperformed the Vietnam Index (VNI) during the quarter in EUR terms as well as in VND terms with a gain of 3.7% compared to the VNI which lost -2.0%. Much of this outperformance can be attributed to the terrific gains made by our largest shareholding, Vinamilk (VNM), which gained 14% and contributed more than 4% to the overall NAV gain. During the quarter, we took the opportunity to rebalance certain positions as well as add several strong names to the portfolio. Our focus was on finding undervalued large cap companies as well as small and mid cap companies that have reasonable valuations and high growth potential. As such, we added 6 strong positions to the portfolio, and increased holdings in notable large caps such as PetroVietnam Drilling (PVD) and FPT, each of which had share price gains of 11%. Other outstanding gainers include Danang Rubber Company which gained 16%, Drilling Mud JSC (PVC) which gained 26%, and Japan Vietnam Medical Instruments which gained 10%. Several of our real estate holdings performed well following the approval of the VAMC and low income housing stimulus package, but sank back down as the excitement abated and a lack of other significant good news for the real estate market. We remain convinced in the future bullish performance of Vietnam's stock market, however the domestic and global economy remain quite weak and volume on the stock market (indicative of investor interest) still has not picked up to levels that would drive a strong small and mid cap rally.

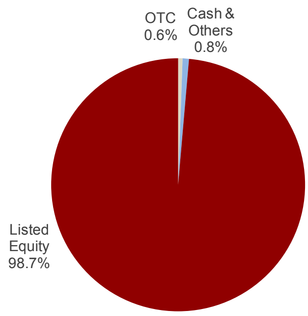
Performance Chart

Since inception



Sector and Asset Allocation





Top Holdings

Company	Percent of NAV
Vinamilk (VNM)	33.9%
FPT Corp (FPT)	13.1%
PetroVietnam Drilling (PVD)	5.4%
Phu Nhuan Jewelry (PNJ)	4.6%
Japan Vietnam Medical Instruments (JVC)	4.6%

Top Portfolio Holdings

VINAMILK (VNM)

Vinamilk is the largest diary company in Vietnam with 46% market share in 2012. The company has consistently delivered a solid performance over the last 5 years with CAGR revenue growth of 34% and CAGR profit growth of 47%. VNM was one of the first Vietnamese companies listed in Forbes Asia list “Best Under A Billion.” Recently, it was featured in a Bloomberg News segment that named it as one of the most profitable dairy companies in Asia.

Vinamilk’s revenues continued to grow strongly during the second quarter despite moderate economic growth. The company has progressed with expanding its capacity and expects to open a new mega liquid milk factory in September. This follows on its current plan to increase the proportion of liquid milk in its domestic sales. Export sales increased strongly and now account for about 15% of total revenue. Much of this increase in export sales was made possible by the opening of a new powdered milk factory in April. In July 2013, Vinamilk received an FDA certificate to export its milk products to the US market.

Revenue is expected to grow 19% for FY2013 due to continued strength in domestic sales volume growth, a price increase applied in Q1, and continued export growth. VNM was one of the best performing stocks during the first half and strongly supported the growth of the NAV.

Key Share Data @ June 30, 2013

Market capitalization ($mn)	5,292
Share price @ June 30, 2013 (VND)	132,000
Share price @ March 31, 2013 (VND)	116,000
Trailing P/E	17.2
Outstanding shares (mn)	834
Dividend yield (%)(*)	3%
52-week high (VND)	140,000
52-week low (VND)	57,000
Average daily volume	203,995

(*) Based on cash dividend payment plan in AGM 2013

Income Statement Summary (bn VND)

	Q1 2013	Q2 2013
Revenue	6,676	8,070
COGS	4,220	4,948
Gross Profit	2,450	3,122
Gross Margin	37%	39%
Operating Profit	1,749	2,084
Operating Margin	26%	26%
Net Profit	1,531	1,843
Net Margin	23%	23%

FPT Corporation

FPT dominates Vietnam’s technology industry with four core businesses: Systems Integration, Telecommunications, Software Outsourcing, and IT & Mobile Phone Distribution. Achieving a net earnings growth rate of 20% per annum over the last 10 years, the company also has been expanding aggressively in foreign markets to sustain revenues and earnings. The company is trading at a trailing P/E ratio of 7.2.

FPT’s businesses performed very well during the second quarter. While the Distribution business continues to be affected by weak consumer spending it still posted increasing revenue and the Software Outsourcing has been increasing revenues strongly through new contracts signed with US and Japanese customers, up 54% and 30% respectively. The Telecom business has also been growing domestically, increasing broadband subscriptions by 12% YTD and geographic presence by 9%. Finally, the Systems Integration business increased its revenues by booking large contracts with government and banking clients, a customer group that has been quite slow in recent years.

FPT’s share price gained 11% during Q2, adding 1.3% to the total NAV. The company recently appointed a new CEO who will ideally help develop a solid long-term growth plan for and coordinate the efforts of the many businesses within the group.

Key Share Data @ June 30, 2013

Market Capitalization ($mn)	548
Share price @ June 30, 2013 (VND)	41,800
Share price @ March 31, 2013 (VND)	37,800
Trailing P/E	7.2
Outstanding shares (mn)	275
Dividend yield (*)	5%
52-week high (VND)	49,200
52-week low (VND)	32,300
Average daily volume	193,985

(*) Based on cash dividend payment plan in AGM 2013

Income Statement Summary (bn VND)

	Q1 2013	Q2 2013
Revenue	5,682	6,585
COGS	4,489	5,220
Gross Profit	1,193	1,365
Gross Margin	21%	21%
Operating Profit	552	681
Operating Margin	10%	10%
Net Profit	475	584
Net Margin	6%	7%

Top Portfolio Holdings – continued

PetroVietnam Drilling and Well Services (PVD)

PetroVietnam Drilling specializes in drilling rig leasing activities to oil exploration companies operating in Vietnam, namely the state oil and gas monopoly, PetroVietnam Group. PVD currently owns four modern drilling rigs and one land rig and it also subcontracts four rigs that are leased internationally accounting for approximately 50% market share. Thus, it will operate a total of 9 drilling rigs during 2H2013 with daily rates ranging from US$150k – US$165k, in line with global market prices. The company reports its financials in USD due to its many offshore activities.

During the first half of 2013, PVD posted sales and net income growth of 31% and 41% respectively, fulfilling 57% and 63% of management's sales and net income 2013 guidance. This outperformance is being supported by an increase in the rig rental fee by approximately 10%-15% and contribution from two recently subcontracted rigs.

Sales are forecasted to grow by 27% for 2013 via continued increase of rental rates and additional subcontracted rigs. This stable and relatively high growth company has recently been performing very well on the stock market with indications of strong investor interest. As such, we have been increasing allocation to this stock.

Key Share Data @ June 30, 2013

Market Capitalization ($mn)	473
Share price @ June 30, 2013 (VND)	47,200
Share price @ March 31, 2013 (VND)	42,400
Trailing P/E	7.3
Outstanding shares (mn)	210
Dividend yield (*)	N/A
52-week high (VND)	52,000
52-week low (VND)	32,300
Average daily volume	237,164

(*) Based on cash dividend payment plan in AGM 2013

Income Statement Summary (thousands USD)

	Q1 2013	Q2 2013
Revenue	152,627	160,743
COGS	114,831	121,643
Gross Profit	37,796	39,100
Gross Margin	25%	24%
Operating Profit	28,683	29,512
Operating Margin	19%	18%
Net Profit	21,738	23,018
Net Margin	13%	13%

Phu Nhuan Jewelry (PNJ)

Phu Nhuan Jewelry is a growing Vietnamese jewelry brand that portrays itself as the domestic equivalent to world-renowned "Tiffany's" and is the largest jewelry company in Vietnam. PNJ targets a wide customer base through four product lines: PNJ Gold (women over 30), PNJ Silver (youths), Jemma (clients between mid-income and high-income groups), and CAO (high-end market). The company has been focusing on expanding its retail presence and divesting its non-core businesses to maintain its growth.

During the first half of 2013, PNJ posted revenue growth of 4% and net profit decline of 33%, achieving 49% and 37% of management's 2013 guidance respectively. Revenue from the low margin gold bar trading segment increased 16% due to customers looking to take advantage of recent significant gold price volatility. Unfortunately, continued restrained consumer spending took a toll on PNJ's silver jewelry. The company cut prices to boost its sales leading to tighter margin and revenues declined by 19%. Slow consumer spending also forestalled the company's expansion plans as it only opened one new gold trading shop in the first half of 2013 out of the planned 14 stores for all of 2013. The company's fortunes are expected to improve as the economy slowly recovers.

Key Share Data @ June 30, 2013

Market Capitalization ($mn)	93
Share price @ June 30, 2013 (VND)	27,000
Share price @ March 31, 2013 (VND)	28,400
Trailing P/E	9.2
Outstanding shares (mn)	72
Dividend yield (*)	7%
52-week high (VND)	37,500
52-week low (VND)	25,300
Average daily volume	36,150

(*) Based on cash dividend payment plan in AGM 2013

Income Statement Summary (bn VND)

	Q1 2013	Q2 2013
Revenue	1,769	2,050
COGS	1,593	1,913
Gross Profit	176	137
Gross Margin	10%	7%
Operating Profit	98	49
Operating Margin	6%	2%
Net Profit	66	24
Net Margin	4%	1%

Top Portfolio Holdings – continued

Japan Vietnam Medical Instruments (JVC)

Japan Vietnam Medical Instruments is the largest distributor of medical equipment from well known brands such as Hitachi, CareStream, Fujifilm, Toray, Nemoto, and others. Supplying directly to hospitals throughout the country, JVC has been benefitting from increased health awareness that has accompanied increasing incomes, as well as efforts made by the Vietnamese Government, the World Bank, and Japanese development agencies to build and upgrade hospitals in underdeveloped areas.

Distributing to over 170 hospitals nationwide, JVC holds market share of about 30%-40% in X-ray, CT scanner, and MRI machines, and holds 90% market share in medical consumption materials. In the first half of 2013, JVC posted 130% and 149% YoY increase in revenue and net profit respectively. Compared to management's 2013 guidance, the company has reached 25% and 7% net profit targets respectively. Much of JVC's revenues and profits are on a project basis and are traditionally booked in the second half of the year, thus underperforming the targets in the first half is not a concern. The stock currently has a very attractive P/E valuation compared to the market and the rest of the sector, and it has proven that it can maintain its high growth pace.

Key Share Data @ June 30, 2013

Market Capitalization ($mn)	46
Share price @ June 30, 2013 (VND)	19,400
Share price @ March 31, 2013 (VND)	20,300
Trailing P/E	3.9
Outstanding shares (mn)	49
Dividend yield (*)	8%
52-week high (VND)	21,600
52-week low (VND)	16,177
Average daily volume	147,659

(*) Based on cash dividend payment plan in AGM 2013

Income Statement Summary (thousands USD)

	Q1 2013	Q2 2013
Revenue	83	158
COGS	55	118
Gross Profit	28	41
Gross Margin	34%	26%
Operating Profit	21	30
Operating Margin	25%	19%
Net Profit	7	4
Net Margin	9%	3%

Vietnam Equity Holding Company Details

Structure	Cayman Islands registered open-end fund
Fund 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
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 Code	3MS:GR
Reuters Code	3MS.DE
German Securities Code	A0M12V
ISIN	KYG936251043

About Saigon Asset Management

Saigon Asset Management (SAM) manages Stuttgart-listed mutual funds Vietnam Equity Holding (3MS:GR) and Vietnam Property Holding (3MT:GR) and is currently growing its energy & natural resources advisory business. SAM focuses on making value-investments in high-growth Vietnamese companies that have significant exposure to the domestic market. Since inception in late-2007, Vietnam Equity Holding has significantly outperformed the benchmark Vietnam Index and is one of the best performing Vietnam-focused diversified equity funds over that period. SAM was established in 2007 and is based in Ho Chi Minh City.

Contact Details:
Saigon Asset Management
TMS Building, 12th Floor
172 Hai Ba Trung, District 1
Ho Chi Minh City, Vietnam
Tel: +84-8-5404-3488
Fax: +84-8-5404-3487
Email: IR@saigonam.com
Website: www.saigonam.com