

Economy

Vietnam's 2008 GDP growth ended at 6.2%, compared to 8.5% in the previous year. Export growth and industrial output have decreased due to the impact of the global financial crisis and economic slowdown. Government's effort to curb import has resulted in export growth outpacing import growth YOY for the first time. Exported goods, led by crude oil, was \$US62.9 bn, while import, led by machinery & equipment, ended at US\$80.4 bn. As Vietnam's growth relies heavily on export and deployed FDI, the slowdown in these indicators will be closely watched in 2009. To further stimulate export growth, reduce the risk of a misalignment of exchange rate, and improve the confidence in local currency, the government devalued the VND against the USD by 3% in December. The buy and sell rates at year end for the USD were 17,250 and 17,300, respectively, a 5% increase since Q3.

Inflation decreased to 19.8% and appears to have stabilized by global deflationary trends. Vietnamese consumers appear to be not as worried by dismal economic news. Retail sales increased 31% for the year and on pace with previous months. To further stimulate the economy and prevent a recession, the government announced a stimulus package of US\$6 billion to boost the economy, cut corporate 30% income tax, and delay the 20% capital gains tax. The State Bank has cut interest rates three times since October, closing at 8.5%. Other bank measures were implemented to improve bank liquidity and credit available to businesses.

Economic Indicators		
	2007	2008
GDP	US\$70 bn	US\$87.5 bn
CPI	12.6% yoy	19.8% yoy
Export turnover	US\$48.4 bn	US\$62.9 bn
Import turnover	US\$60.8 bn	US\$80.4 bn
Trade deficit	US\$12.4 bn	US\$17.5 bn
FDI (announced)	US\$21.3 bn	US\$64.1 bn
Industrial production	US\$34.7 bn	US\$39.1 bn
Foreign visitor arrivals	4.2 mil people	4.3 mil people
VND/USD	16,114	16,977
VN index	927	316



Source: General Statistics Office of Vietnam (December 31, 2008), HOSE, HaSTC

Source: Ho Chi Minh Securities Corporation

Equities and Real Estate Markets

Vietnam Index closed the year at 316, a 66% decline from 2007. Market capitalization dropped to US\$9.4 bn from US\$21.7 bn in 2007. Liquidity remained low with average trading volume of 12 million shares. Vietinbank, a large SOE, managed to pull off an IPO in December, raised US\$62m by selling all 4% or 54 million offered shares. Less than 2% of the total IPO was bought by foreign investors. Poor liquidity and weak market sentiment have prevented many companies from listing their shares. Only 80 SOEs successfully listed in 2008 out of 262, reaching 28% of the government's plan. Forward PE appears more inline with regional and emerging market averages, which will help the line up of the large equitizations in 2009 including Mobifone, Vinaphone, Vietnam Airlines, BIDV, and Vinatex.

The property market has also suffered from the impact of constrained capital financing, speculative demand, and correction from the recent excesses. Only high quality projects are able to find capital while many other projects are under extreme pressure to seek funding in order to avoid distressed situations. Banks have resumed very limited lending, but with much higher requirements and at low LTVs. As a result, there are many attractive opportunities for those with capital. We are currently focused on areas where there is real demand and where occupancy is expected to remain high, such as commercial properties and middle income housing.

In both equities and real estate, opportunities for investment in undervalued or distressed assets is becoming more prevalent as the global turmoil continues to worsen. In the last few years the primary sources of capital for Vietnam investments were loans by the banking system, funds raised in the international markets and the local stock markets. Currently, banks are much more conservative, the funds are almost fully invested and liquidity has dried up in the stock market. We expect valuations to become very attractive in 2009, reflecting extreme scarcity of capital in Vietnam.

Performance Summary:

In Q4 2008, Vietnam Equity Holding's (VEH) net asset value decreased 15.8% compared to the prior quarter. Year to date, VEH decreased 24.3% compared to a 66% decline in the Vietnam Index. Since inception, VEH has decreased 22.7%. This result is relatively good compared to global markets in the last 12 months. VEH was ranked the #1 performing Vietnam equity focused fund in 2008 by LCF Rothschild, a financial institution that tracks emerging investment funds around the world.

VPH decreased 9% in Q4 mainly due to the price drop in one of our listed portfolio companies and foreign exchange loss (EUR/VND). Year to date, NAV decreased 2.15% compared to a 66% decline in the Vietnam Index. Since inception, VPH remains nearly flat with a 0.8% slight decline. VPH was ranked the #3 performing Vietnam property focused fund in 2008 by LCF Rothschild, a financial institution that tracks emerging investment funds around the world.

	NAV Dec 2008 (EUR) *	Monthly Change (%)	Change Since Inception (%)	Price Dec 31, 2008 (EUR) *	Monthly Change (%)	Change since Inception (%)	Issued Shares	Bloomberg	Reuters	ISIN
VEH	1.81	- 7.95%	- 22.65%	0.50	-10.71%	- 78.63%	21,745,510	3MS:GR	3MS.DE	KYG936251043
VPH	2.32	- 6.87%	- 0.88%	1.20	-4.00%	- 54.72%	12,893,972	3MT:GR	3MT.DE	KYG9361R1074

*Unaudited

About us

Saigon Asset Management (SAM), formerly Anpha Capital, is the investment manager for Vietnam Equity Holding (VEH) and Vietnam Property Holding (VPH), two Cayman Islands exempted companies listed on the Frankfurt Stock Exchange and Xetra, the worldwide electronic securities trading system.

SAM's strategy is to achieve outstanding capital growth for VEH and VPH through investment in an actively managed and diversified portfolio of listed and private companies, including real estate.

SAM's team members and partners consist of investment professionals who come from leading international and Vietnam's fund management companies whose expertise is fortified by deep-rooted local knowledge and industry experiences. The management team is comprised of exceptional results-oriented international senior business executives, all with proven track records and abilities to source high quality deal flow.

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Strategic signing ceremony between SAM & PMC and between SAM & Thanh Danh LTD



Strategic signing ceremony between SAM & Savimex, a HOSE listed company

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