

Vietnam Equity Holding (VEH) Monthly Report

April 2012

Macroeconomic Update

Vietnam's progress towards a lower inflation rate and a more stable economy continued in April with CPI falling to 10.54% Y-o-Y from 14.2% in the previous month, and registering only 0.05% M-o-M growth. These low numbers can be attributed to slowing food prices and other factors that are mitigating the effects of the 12% fuel price increase in March and another of 3.9% in April.

On April 11th, the State Bank of Vietnam (SBV) cut the refinance and repurchase by 100 basis points each to 13% and 12% respectively, following less than a month after the identical cut in March, and before the release of the April inflation results. The rate cut was anticipated, however many were surprised at the brevity between rate cuts; the IMF exhibited the most shock and concern that it could negatively affect the FX situation. The FX situation remained stable, but it must be noted that the cut also reflects the fact that the SBV is committed to attain 6% economic growth for 2012; market consensus is that the target is increasingly unreachable and a pair of government advisors have stated that they want the targets lowered.

As previously noted, larger banks have had vastly increased liquidity due to lending restrictions and few available options to invest surplus cash besides purchasing government bonds. However, the SBV governor announced that bad debt throughout the system has risen to 3.6% from 3.2% at the end of 2011, with NPL ratios 'much higher' at 'some' lenders. On April 25th, two small banks, Habubank (HBB) and Saigon Hanoi bank (SHB), announced a draft plan to merge since the former is suffering from bad debts made to the defunct state-owned shipbuilder Vinashin. The lack of mergers in Q1 likely resulted from the SBV's preference for banks to merge voluntarily rather than forcing the mergers like the previous merger at YE 2011. More mergers are expected as weak banks find partners or buyers.

So far this year, the trade deficit has been reined in through tight monetary and fiscal policy that has held back demand for imports. For January and March, trade deficits were revised to surpluses, resulting in the YTD trade deficit currently standing at only \$176 million. This has helped in stabilizing the currency and allowing the SBV to rebuild its FX reserves to approximately 9 weeks of imports, though with the recent loosening, we can expect the trade deficit to widen as business and trade activities revive.

The stabilization theme continues with little fluctuation in the exchange rate, slowing inflation, a low trade deficit, and the banking sector restructuring process. A loosening of monetary policy is welcome, and though the pace has been a little fast, we are not yet overly concerned.

Indicators	Apr-12	YTD	Y-o-Y	2011
GDP Growth (%)		4.0%		5.9%
Inflation (%)	0.1%	2.6%	10.5%	18.1%
Exports (\$Bn)	\$8.6	\$33.4	22.1%	\$96.2
Imports (\$Bn)	\$9.0	\$33.6	4.4%	\$105.8
Trade Deficit (\$Bn)	\$0.4	\$0.2	-96.4%	\$9.5
Disbursed FDI (\$Bn)	\$1.1	\$3.6	-0.3%	\$11.0
VND/USD	20,930	0.5%	-1.0%	21,036

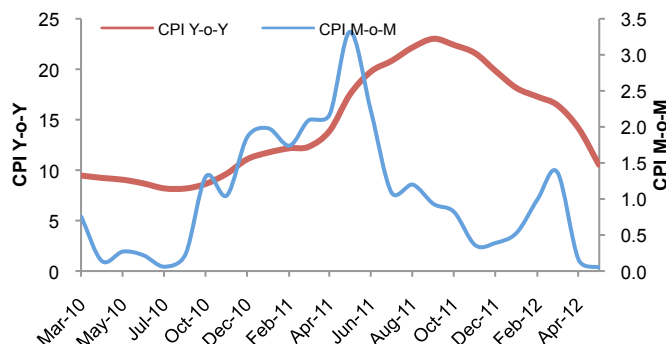
Source: General Statistics Office of Vietnam (GSO), Vietcombank

Equity Market

The Vietnam Index (VNI) continued its phenomenal rise through April by gaining 8.2% in EUR terms (7.4% in VND terms) and is now up 33.2% YTD. The market again reacted positively to the interest rate cut as well the release of another round of low CPI numbers. Domestic investors have clearly been moving away from competing asset classes such as USD, gold, or simply depositing money in bank accounts, while foreign investors have been piling in, with many companies reaching their foreign ownership limits. In fact, offshore, open-ended, Vietnamese-focused equity funds have had the most consistent inflows of all Asian emerging market funds this year, demonstrating that foreign interest in Vietnam's economy is growing substantially. Even the bond market is becoming more attractive with a lot of press surrounding the fact that Vietnamese dollar bonds have some of the best returns in Asia at approximately 10%. With foreign investors finding that ownership limits are full in many companies and domestic investors looking for the next big thing, we have seen a dramatic shift towards small-to-mid cap equities. With the VNI up so substantially YTD, it is unsurprising that it experienced resistance at the 470 level and we expect some profit taking in the near future; though we believe that barring any serious shocks, this will continue to be a good year for Vietnam.

Real Estate Market

By all indications, the real estate market remains frigid despite the interest rate cuts and increased FDI being attracted by the sector. Lately, there has been increasing support forthcoming from the government. With loans to real estate for the purpose of end use already allowed, the SBV again loosened its grip on the sector by reclassifying "non-productive sectors" so that loans to be used for building, fixing, or buying houses for rent, a.k.a. second homes, are no longer discouraged. The SBV also asked the country's lenders to reduce the interest rates on outstanding loans that were made at times when rates were higher, opening the door for renegotiation of loans issued at excessively high rates last year, and probably benefitting developers by offering them a temporary reprieve until demand increases. To further support the real estate sector and the banking system, the Ministry of Construction announced that it would consider purchasing real estate projects from developers to be used for social housing and resettlement purposes. This removes the potentially toxic assets from banks' balance sheets and benefits distressed developers. Under the new looser policies, a rally of listed real estate companies is beginning to take hold as retail investors begin to understand the value behind these companies with their discounted valuations and improving prospects for increased demand in the future.



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NAV per share	€2.21
Share price	€1.31
Discount	40.6%
Total NAV	€47,979,452

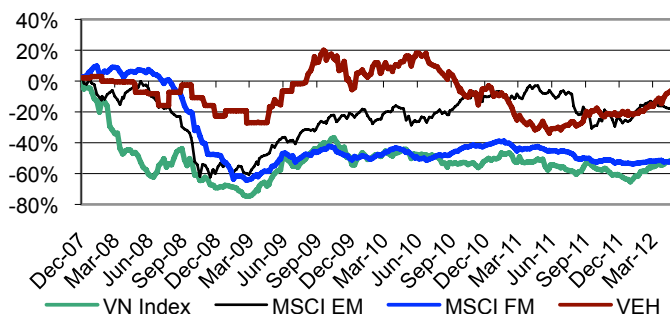
Performance

	%	Monthly	YTD	Year End 2010	Since Inception
NAV per share		10.4	21.4	4.4	-5.8
Share price		-3.0	26.0	-31.1	-50.6
VN Index in EUR		8.2	33.2	-7.3	-57.9
MSCI EM in EUR		-1.3	9.6	-9.9	-7.7
MSCI FM in EUR		-1.1	-0.1	-19.7	-46.8

VEH Update

In April, VEH's un-audited NAV per share was €2.21, representing an increase of 10.4% from €2.00 at the end of the prior month. Over the same period, the VN Index increased 8.2% in EUR terms (up 7.4% in VND terms). The NAV increase was mainly due to a 9.7% increase in portfolio value from the increase in prices of listed stocks, offset by a 0.8% unrealized FX loss from the appreciation of the EUR against the VND. The investment manager continues to rebalance into small and mid cap stocks with strong fundamentals and higher reward/risk ratio to capitalize on the potential upside gain from an anticipated long-term rebound in the Vietnam stock market.

Performance

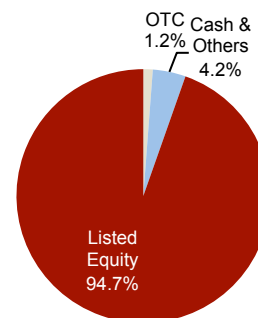
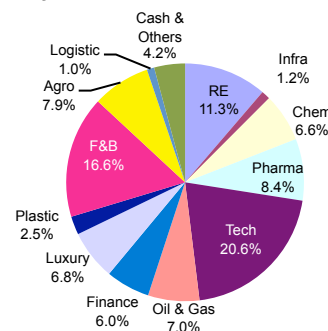


VN Index – last 6 months



Source: Bloomberg

Portfolio by Sector and Asset Allocation



Top Holdings

Vinamilk (VNM)	16.6%
FPT Corp (FPT)	16.4%
Development Investment Corp (DIG)	7.2%
Phu Nhuan Jewelry (PNJ)	6.8%
Japan Vietnam Medical Instrument (JVC)	5.1%

Foreign Investors' Net Buy on HOSE

Date	Volume (Mn shares)	Value (\$Mn)
Apr-12	-25.9	-35.4
Mar-12	44.8	64.8
Feb-12	75.5	72.5
Q1 2012	-24.0	40.6

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

Hien Vu
Managing Director
Real Estate Investments

Chinh Hoang
Director, Equity Investments

Antony Nezig
Director, Economics

Tuan Nguyen
Deputy Director
Real Estate Investments

Structure	Cayman Islands registered closed-end funds
Funds launch	November 2007
Duration	5 Years (subject to shareholder vote for extension)
Listed	Frankfurt Stock Exchange (FSE) and Xetra
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.lcfr.co.uk
Bloomberg	VEH: 3MS:GR VPH: 3MT:GR
Reuters	VEH: 3MS.DE VPH: 3MT.DE
ISIN	VEH: KYG936251043 VPH: KYG9361R1074