

Vietnam Macroeconomic Monthly Update

December 2011

December ended a tumultuous year for Vietnam with some important objectives attained by the government's efforts to restructure its economy, though with many yet to accomplish. With m-o-m inflation coming in at 0.53%, December marks the fourth consecutive month with inflation below 1%. Other highlighted year-end estimates of the results are as follows: inflation down to 18.13% y-o-y from 19.83% in November but up slightly m-o-m from 0.39% in November; credit growth 12% y-o-y; money supply 10% y-o-y; GDP 5.89% y-o-y. The key success is the slowing of inflation; the government was almost successful in bringing it down to its goal of below 18% y-o-y. There has been a slight increase in the m-o-m inflation rate, but this is expected due to the holidays and the lead up to the Tet Lunar New Year festival. More importantly, it is much lower than last December's m-o-m rate of 1.98% that had confirmed the beginning of the inflation cycle.

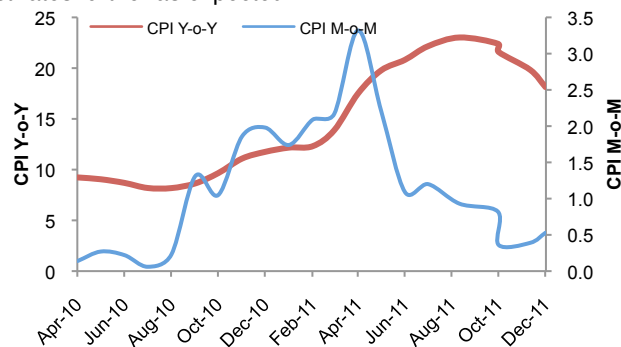
Following the release of the SBV's (State Bank of Vietnam) plan to consolidate the banking sector into three tiers, the first action towards implementing the plan was announced on the 7th of December, with the merger of three banks. The SBV's efforts to keep all banks afloat led it to merge these banks as they were believed to be suffering from liquidity problems. Fitch Ratings praised the merger calling it "a positive step towards strengthening the banking system." Much of the pressure on banks is coming from non-performing loans, expected to account for approximately 3.8% of total loans according to the government, estimates are higher when using international loan classification standards. We expect similar mergers in the near future to further execute the SBV's strengthening plan for the banking sector.

The foreign exchange situation deteriorated in December as pressure on the VND increased; apparent through the two VND reference rate cuts to the level of 20,828, the first cut since the October 28th rate of 20,803. The SBV stated that in Q3 foreign exchange reserves had increased to cover 7.5 weeks of imports, though concerns of the reserves declining have returned as the VND is under renewed pressure from a shortage of dollars in the system and gold trading. These factors are also cited in estimates that the SBV may need to depreciate the currency up to 5-6% in 2012.

Weighing everything, we believe that interest rates will remain high at least through Q1 2012 with some reductions possibly coming in Q2. The big test to know whether inflation is truly slowing will come after the Tet holidays: if the m-o-m rate remains below 1% in March, then this trend will most likely be validated. We expect to see that most of 1H 2012 will remain difficult in Vietnam, with prospects looking up in the second half as the government reduces interest rates further as expected.

Indicators	Dec-11	2011	Y-o-Y	2010
GDP Growth (%)	6.1%	5.9%	5.9%	6.7%
Inflation (%)	0.5%	18.1%	18.1%	11.8%
Exports (\$Bn)	\$8.9	\$96.2	33.3%	\$71.6
Imports (\$Bn)	\$9.6	\$105.8	24.7%	\$84.0
Trade Deficit (\$Bn)	\$0.7	\$9.5	-23.4%	\$12.4
Disbursed FDI (\$Bn)	\$0.9	\$11.0	0.0%	\$11.0
VND/USD	21,036	-7.9%	-7.9%	19,500

Source: Government Statistics Office (GSO), Vietcombank



Equity Market

December was a rough month for the stock market despite the oversubscription in BIDV's (Bank of Investment and Development) IPO, showing that many investors still recognize value investments. The VN Index fell 7.7% in VND terms (down 4.4% in EUR terms) to its lowest level since 2009 at 351.55. Volume was low throughout the month at an average of approximately 25 million shares traded per day. Historical analysis generally shows a slowing of trading activity from November to December, possibly from retail investors cutting investment activities to save their cash for the Tet festivities. The Hanoi stock exchange did better than the Ho Chi Minh stock exchange and finished the month down 2.86% in VND terms, and this is after hitting a new all-time low of 56.7 on December 27th. During the month, technical analysis experts stated that the bottom of the VN Index could be around 330 and that there should be strong support at that level with subsequent sideways movement or upside gain. However, we believe that the current low levels of liquidity and poor performance of the stock market are more attributable to general market sentiment with respect to macroeconomic conditions and is less quantifiable. We maintain that we will not see a substantial increase in the index until interest rates come down and give businesses some breathing space and as mentioned above, this might be not until 2H 2012.

Real Estate Market

The real estate market continues to underperform due to lending restrictions, high interest rates, increasing uncertainty surrounding non-performing loans, and low absorption rates of certain components of the market. Rents in the office component continued to fall, but at a slower pace and occupancy rates increased in new buildings as a result of large discounts offered. On the other hand, large discounts offered by developers in the residential component during the last few months have failed to generate enough sales to be a viable strategy. In response, several developers are turning their buy-to-let projects into rental units or using a management agent to turn them into serviced apartments. The retail market softened a little as the tough economic conditions are keeping domestic consumption restrained. Nevertheless, the opening of the largest retail mall in Ho Chi Minh City and the entrance of several leading international brands including Coach, DKNY, the Gap, and Burger King demonstrates that international retailers see a promising consumer market poised to rebound. We continue to maintain our strong position in cash rich real estate companies with clear, large residential and commercial land banks in good locations in HCMC and Hanoi. Overall, we expect the real estate sector to continue its sideways movement for the medium term as the government continues to focus on quelling inflation. If, and, when we see that inflation is on track to come in at 10% or less for 2012, we will change our outlook.

Vietnam Equity Holding (VEH) Monthly Update

December 2011

NAV per share	€1.84
Share price	€1.04
Discount	43.5%
Total NAV	€40,073,791

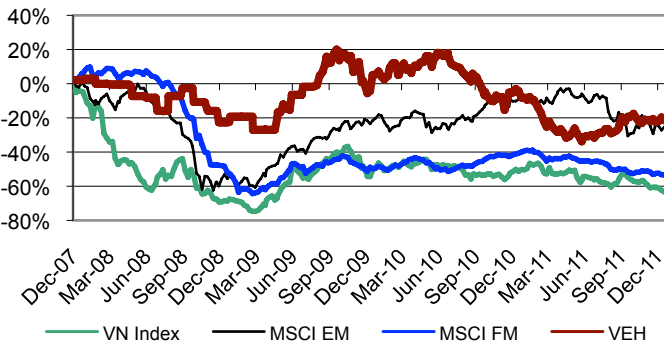
VEH Update

In December, VEH's un-audited NAV per share was €1.84, representing an increase of 1.1% from €1.82 at the end of the prior month. Over the same period, the VN Index decreased 4.4% in EUR terms (down 7.7% in VND terms). The NAV increase was mainly due to a 2.3% decrease in portfolio value from the decrease in price of listed stocks and a write down of an OTC holding, offset by a 3.4% unrealized FX gain from the depreciation of the EUR against the VND. The investment manager has been rebalancing into small and mid cap stocks with strong fundamentals and higher reward/risk ratio to capitalize on the potential upside gain from an anticipated rebound in the Vietnam stock market.

Performance

	% Monthly	YTD	Year End 2009	Since Inception
NAV per share	1.1	-12.8	-25.3	-21.3
Share Price	15.6	-45.3	-30.7	-60.8
VN Index in EUR	-4.4	-30.4	-30.9	-68.4
MSCI EM in EUR	2.4	-17.8	2.2	-15.8
MSCI FM in EUR	2.6	-19.6	2.2	-46.7

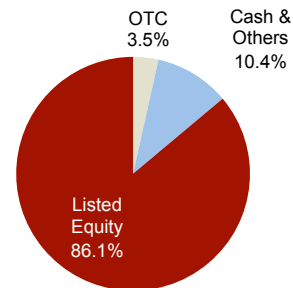
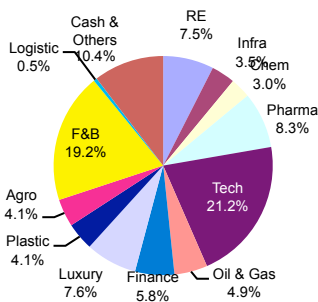
Performance



VN Index- last 6 months



Source: Bloomberg



Foreign Investors' Net Buy on HOSE

Date	Volume (Mn shares)	Value (\$Mn)
Dec-11	-43.6	-74.1
Nov-11	-19.0	6.6
Oct-11	-5.8	-0.4
Q3 2011	-32.7	-50.5

Top Holdings

Vinamilk (VNM)	19.2%
FPT Corp (FPT)	16.6%
Phu Nhuan Jewelry (PNJ)	7.6%
Hau Giang Pharmaceutical (DHG)	6.6%
Elcom (ELC)	4.6%

About Saigon Asset Management

Established in 2007 and based 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

Chinh Hoang
Director, Equity Investments

Hien Vu
Managing Director,
Real Estate Investments

Kevin Flaherty
Managing Director,
Energy and Natural Resources Investments

Peter Dinning
Senior Managing Director,
Real Estate Investments

Huy Do
Executive Vice Chairman

Antony Nezic
Director of Economics

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.lcf.co.uk
Bloomberg	VEH: 3MS:GR VPH: 3MT:GR
Reuters	VEH: 3MS.DE VPH: 3MT.DE
ISIN	VEH: KYG936251043 VPH: KYG9361R1074