SAIGON ASSET MANAGEMENT

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Vietnam Macroeconomic Monthly Update January 2012

In January, Vietnam's government reaffirmed its commitment to macroeconomic stability by keeping the VND and policy interest rates steady. The State Bank of Vietnam (SBV) continues to make it very clear that with bad debt and credit risk increasing now is not the time to lower policy interest rates, though they hinted that policy shifts might be coming after Q1. Despite concerns about falling FX reserves, the VND ended at the same level as it started.

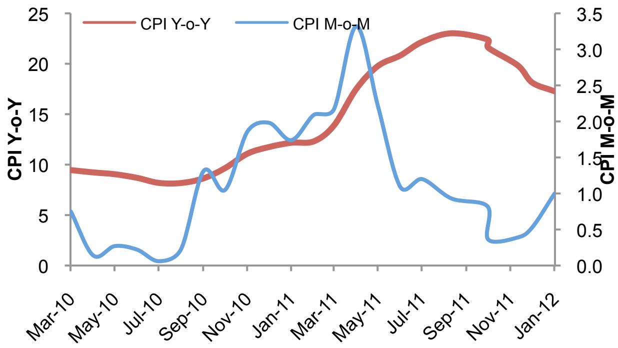
During the lead up to the week long Lunar New Year Festival (Tet), strong overseas remittances and increased domestic consumption led to the VND appreciating to well below the 1% upper trading limit that is officially permitted by the SBV. The VND later depreciated to the original rate as demand for the currency fell during and after the Tet festival. Inflation during the month expectedly accelerated to 1.0% m-o-m, 17.3% y-o-y. Notably this is the lowest m-o-m result for a Tet month that we have seen. Despite the increased consumption, the trade deficit came in at only $100mn, and we saw a decrease in y-o-y figures for both exports and imports, probably because retailers stocked up for the lead up to Tet and then shut down during the 10 day holiday.

We are seeing an increase in confidence among the larger Vietnamese banks as they find it easier to purchase government debt since their own lending activities have fallen significantly over the past year. This is evidenced by falling government bond yields and increasing auction success rates. To continue along this economic restructuring and strengthening path, the SBV announced that the merger of up to three more banks can be expected in Q1, while the Prime Minister asked SOEs to submit restructuring plans to cut down on inefficiency in the public sector.

Looking forward, the SBV Governor stated that interest rates may start to come down in Q2, thus a slightly more vibrant economy is on the horizon. Indeed, if the government hopes to hit its target of 6% growth for 2012, they will have to ease off the brake pedal. In the short term, we expect the monthly inflation rate to start trending downwards again after three months of increases and we believe that single-digit inflation may be attainable by Q4 2012. Overall, we believe that Vietnam is heading in a healthy direction. It remains to be seen whether the SBV will time its policy loosening correctly since loosening too early could spark another inflationary cycle while too late could mean further economic slowdown and pain.

Indicators	Jan-12	YTD	Y-o-Y	2011
GDP Growth (%)				5.9%
Inflation (%)	1.0%	1.0%	17.3%	18.1%
Exports ($Bn)	$6.5	$6.5	-11.1%	$96.2
Imports ($Bn)	$6.6	$6.6	18.7%	$105.8
Trade Deficit ($Bn)	$0.1	$0.1	-90.0	$9.5
Disbursed FDI ($Bn)	$0.4	$0.4	-4.8%	$11.0
VND/USD	21,036	0.0%	-7.9%	21,036

Source: Government Statistics Office (GSO), Vietcombank



Equity Market

After dropping to a low of 332.28 on January 9th, levels we have not seen since May 2009, the VN Index rallied strongly. From its low, the VNI climbed 16% to its close of 387.97 at the end of the month. Having started at 351.55, throughout the month the VNI climbed 10.4% in VND terms (9.5% in EUR terms). The VNI started its rally on low liquidity before closing for 10 days during the Tet holiday. When trading restarted on the 30th, retail and foreign investors started to pile on. This rally was started by an influx of foreign investors purchasing large cap stocks via the ETFs and it gained strength on the hope that the historically low CPI number for January will translate into loosening monetary policy in the near future. At the time of this report, policy interest rates have not fallen, but the rally has continued, leading to an increase in the index of 20% from its low. Large cap stocks have been the big winners during this rally, with an interesting emphasis on the financial sector; this sector has been relatively weak over the past few months and was seriously discounted. Seeing an increase in government debt auction success rates, investors seem to have regained some confidence in the larger banks.

Though this particular rally may be hampered by short-term corrections during this quarter, overall we expect a strong rally in the VN Index through the rest of 2012. The overall rally will be amplified as more investors take notice of the relative strength of the VND, downward trending inflation, banking sector reform, the prospects of lower interest rates, and the excellent discounts on the country's two bourses.

Real Estate Market

Conditions for the real estate market have not changed significantly since the previous month. Real estate continues to underperform due to lending restrictions, high interest rates, uncertainty surrounding non-performing loans, and low absorption rates of certain components of the market. Despite all the uncertainty, some of the larger international developers are forging ahead with Singapore's Keppel Land starting work on the second phase of its Saigon Trade Center and Malaysia's Setia (Malaysia's second largest listed developer) shopping for projects in both Ho Chi Minh City and Hanoi. We continue to maintain our strong position in cash rich real estate companies with clear, large residential and commercial land banks in strategic 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.

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Vietnam Equity Holding (VEH) Monthly Update — January 2012

NAV per share	**€1.88**
Share price	**€1.05**
Discount	**44.2%**
Total NAV	**€40,920,309**

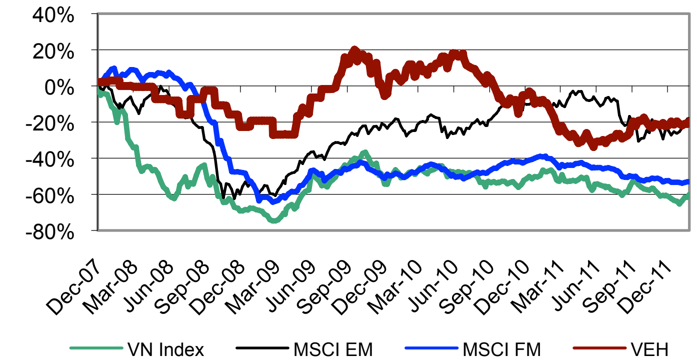
Performance

%	Monthly	YTD	Year End 2010	Since Inception
NAV per share	2.1	2.1	-11.0	-19.6
Share price	1.0	1.0	-44.7	-60.4
VN Index in EUR	9.5	9.5	-23.8	-65.4
MSCI EM in EUR	10.2	10.2	-9.5	-7.2
MSCI FM in EUR	-0.5	-0.5	-20.0	-46.9

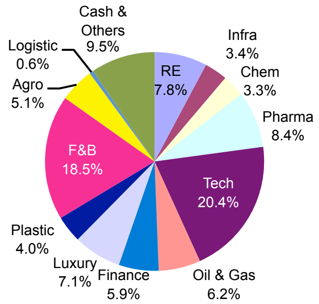
VEH Update

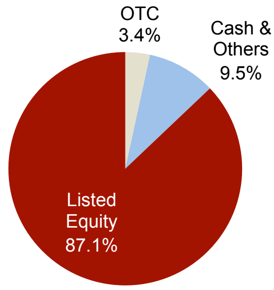
In January, VEH's un-audited NAV per share was €1.88, representing an increase of 2.1% from €1.84 at the end of the prior month. Over the same period, the VN Index increased 9.5% in EUR terms (up 10.4% in VND terms). The NAV increase was mainly due to a 2.9% increase in portfolio value from the increase in price 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

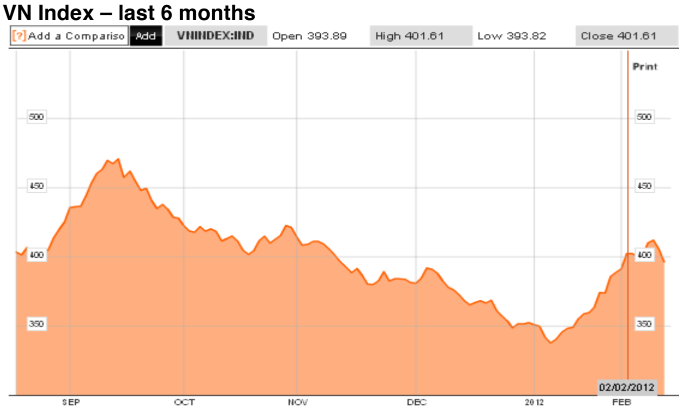


Portfolio by Sector and Asset Allocation





VN Index – last 6 months



Source: Bloomberg

Top Holdings	
Vinamilk (VNM)	18.5%
FPT Corp (FPT)	16.1%
Phu Nhuan Jewelry (PNJ)	7.1%
Hau Giang Pharmaceutical (DHG)	6.2%
Elcom (ELC)	4.3%

Foreign Investors' Net Buy on HOSE

Date	Volume (Mn shares)	Value ($Mn)
Jan-12	-144.3	-97.9
Dec-11	-43.6	-74.1
Nov-11	-19.0	6.6
Q4 2011	-68.4	-67.9

About Saigon Asset Management

Established in 2007 in the Cayman Islands and 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

Chinh Hoang
Director, Equity Investments

Peter Dinning
Senior Managing Director
Real Estate Investments

Kevin Flaherty
Managing Director
Energy & Natural Resources Investments

Hien Vu
Managing Director
Real Estate Investments

Huy Do
Executive Vice Chairman

Antony Nezic
Director, 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.lcfr.co.uk	
Bloomberg	**VEH:** 3MS:GR	**VPH:** 3MT:GR
Reuters	**VEH:** 3MS.DE	**VPH:** 3MT.DE
ISIN	**VEH:** KYG936251043	**VPH:** KYG9361R1074