

Vietnam Macroeconomic Monthly Update

November 2011

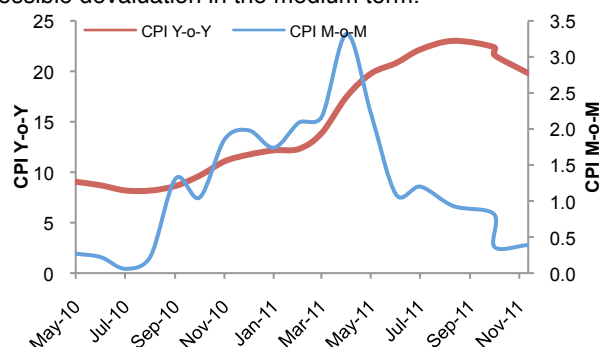
Reflecting the instability of Vietnam's banking system, a significant, but unsurprising event in November was S&P's downgrading of Vietnam's Banking Industry Country Risk Assessment (BICRA) score from group 9 to group 10. This score measures the risks that banks in a particular country face relative to those in other countries, and group 10 reflects "very high risks." Reasons given for this downgrading were the immaturity of the financial system, an imbalanced economy after years of high growth, and concerns over rapid credit growth in the last few years.

The Government seems to agree that these factors "increase the vulnerability of the economy to severe shocks." At a meeting of the National Assembly in November, the State Bank of Vietnam (SBV) Governor, Mr. Binh, outlined a plan in which the banking sector would be made up of three tiers: the top tier includes 15 large commercial banks; the second tier being smaller, but healthy banks; the third tier being firms that are facing "financial difficulties" and need to be closed or merged with stronger firms. Also discussed at the National Assembly were the subjects of increasing transparency in the financial sector through enforcement of reporting regulations and increasing state efficiency through privatization. As such, a 7% stake of Bank of Investment and Development (BIDV), the nation's third-largest lender and wholly state-owned, will be offered in an IPO occurring in late December with up to 15% to be offered to a strategic investor in the coming year. Some are saying that this move is too small and ill timed, though we believe that privatizations of this type are symbolically important and will become more frequent. This move is a positive signal as it shows the government's commitment to fixing problems and not merely to "kick the can down the road."

Inflation expectedly ticked up 3 basis points to come in at 0.39% M-o-M as the holiday rush is already beginning. This continued low level of inflation growth has led to it falling to 19.83% from 21.59% Y-o-Y in October. Projections show that inflation will come in at between 18.2-18.7% for the year of 2011, showing that the government almost attained its goal. Pressure on the VND moderated despite soaring interbank rates (above 30%), fluctuating yields for government bonds, and the domestic gold price being consistently higher than the global price. The VND was unchanged since the October 28th reference rate of 20,803 as the SBV concentrated on enforcing banking regulations and net withdrawing VND 12.6 trillion through open-market-operations to ease pressure. Hopefully, seeing the VND at the same rate for an extended period of time will help restore some confidence in the currency. In the short term, we expect to see the VND kept steady, however a nationwide spending spree accompanies the holiday season, thus we expect seasonal increased pressure on the VND with a possible devaluation in the medium term.

Indicators	Nov-11	YTD 2011	Y-o-Y	2010
GDP Growth (%)		5.8%	5.8%	6.7%
Inflation (%)	0.39%	17.5%	19.8%	11.8%
Exports (\$Bn)	\$8.6	\$87.2	34.7%	\$71.6
Imports (\$Bn)	\$9.3	\$96.1	26.4%	\$84.0
Trade Deficit (\$Bn)	\$0.7	\$8.9	-16.5%	\$12.4
Disbursed FDI (\$Bn)	\$1.0	\$10.1	1.1%	\$11.0
VND/USD	21,011	-7.7%	-7.7%	19,500

Source: Government Statistics Office (GSO), Vietcombank



Equity Market

The VN Index tumbled 9.5% in VND terms (6.7% in EUR terms) in November from 420.81 to an abysmal 380.69 and averaged very low daily trading volume at approximately 22 million shares. It seemed impossible, but during November the news coming out of Europe worsened and eroded confidence in Vietnam's markets. The Ho Chi Minh Stock Exchange (HOSE) fell on each successive round of bad news coming out of Greece, Italy, Egypt, and the US to end the month at lows that we saw back in August, while the HNX fell to a new all-time low of 60.47. Foreigners pared back their holdings during November, however it seems they consolidated into large cap stocks and posted a net purchase for the month. Domestically, the Government is proving that it is taking the country's problems seriously by offering the IPO for BIDV at the end of the year and by announcing that regulations allowing open-ended funds are forthcoming in a bid to increase liquidity in the market. We expect to see M&A activities to consolidate the banking sector in the near future accompanied by continued hardship as the market reacts to new announcements concerning the banking sector. We are also hoping that the SBV will manage to keep the VND steady, at least until the end of the year, to show some semblance of stability, as this will vastly increase confidence in the currency and will be positive for the listed equity market.

Real Estate Market

The Vietnamese property market experienced a significant policy change when the State Bank of Vietnam reclassified loans for real estate purposes. According to a new directive, lending to certain categories of real estate will not be considered "non-productive": home buyers for self-occupancy with proven sources of income; low income housing projects; social housing projects for workers in industrial parks; and residential projects that are to complete construction and handover to buyers by January 1st, 2012. Thus, we may see a loosening of credit to these segments of real estate, however, with banks facing a liquidity crisis, it is doubtful that credit will suddenly flow freely as fears over non-performing loan ratios increase. Presently, the SBV estimates that non-performing loans account for 3.3% of all outstanding loans and is likely to rise to 4% by the end of the year. Moody's estimates the ratio could be as high as 10%. Through the month we continued to see developers offer steep discounts and ever more innovative payment terms to offload their products, though there have not been many reports that this strategy has been successful. Overall, we can expect to see mergers among developers and a definitive shift towards affordable housing projects as credit towards that segment has been loosened and it is one of the few segments with tangible demand and very little new supply.

Vietnam Equity Holding (VEH) Monthly Update

November 2011

NAV per share	€1.82
Share price	€0.90
Discount	50.6%
Total NAV	€39,629,519

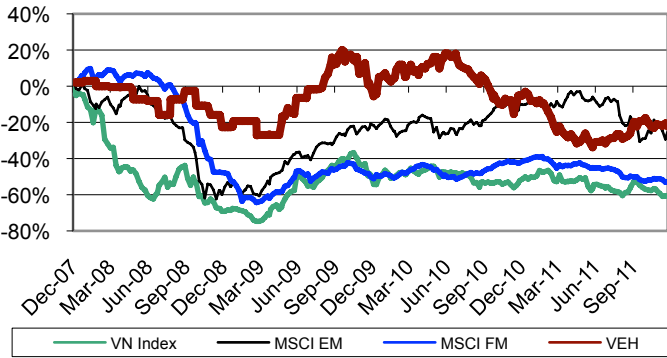
VEH Update

In November, VEH's un-audited NAV per share was €1.82, representing a decrease of 0.2% from €1.83 at the end of the prior month. Over the same period, the VN Index decreased 6.7% in EUR terms (down 9.5% in VND terms). The NAV decrease was mainly due to a 3.1% decrease in portfolio value from the decrease in price of listed stocks, offset by a 2.9% gain unrealized FX gain from the depreciation of the EUR against the VND and USD. 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	-0.2	-13.8	-26.1	-22.1
Share Price	-5.3	-52.6	-40.0	-66.0
VN Index in EUR	-6.7	-27.2	-27.7	-67.0
MSCI EM in EUR	-3.9	-19.8	-0.2	-17.8
MSCI FM in EUR	-0.2	-21.6	-0.3	-48.0

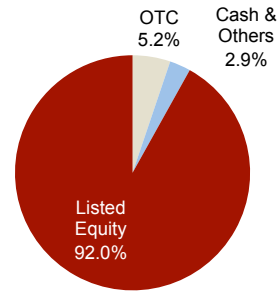
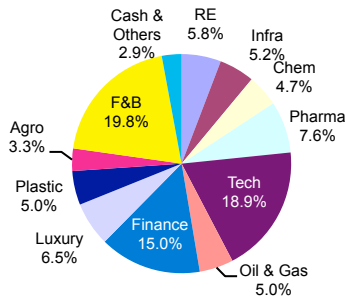
Performance



VN Index - last 6 months



Source: Bloomberg



Foreign Investors' Net Buy on HOSE

Date	Volume (Mn shares)	Value (\$Mn)
Nov-11	-19.0	6.6
Oct-11	-5.8	-0.4
Sep-11	-33.6	-47.8
Q3 2011	-32.7	-50.5

Top Holdings

Vinamilk (VNM)	19.8%
FPT Corp (FPT)	16.0%
Sacombank (STB)	9.6%
Hau Giang Pharmaceutical (DHG)	7.3%
Phu Nhuan Jewelry (PNJ)	6.5%

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