

Macroeconomic Update

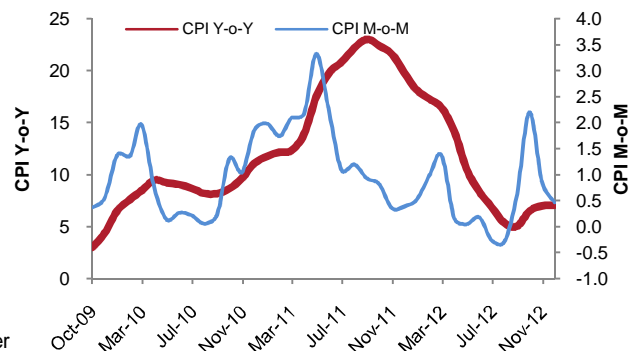
Macroeconomic indicators continued to improve during November. Inflation continued to slow to 0.47% M-o-M from 0.85% in the prior month. Year-to-date inflation is at 6.5%, and full year inflation is expected to be between 7.0%-7.5%. The trade situation remains very stable with a \$14mn trade surplus – though according to revised statistics, the trade surplus may be much more substantial, approximately greater than \$1bn YTD. Foreign direct investment continues to be disbursed at a steady pace with \$1bn disbursed during November. The increased allocation of foreign investment to the manufacturing sector will help to support export growth as more companies continue to see Vietnam as a viable location to diversify their manufacturing supply chains. The Vietnam Dong remains stable and many market participants do not expect a devaluation until June 2013. For the first time in 14 months, the HSBC Purchasing Managers' Index moved above the threshold indicating an expanding economy (threshold is 50), registering a monthly result of 50.5. HSBC specifies that it is too early to tell whether this better performance will be sustained, nevertheless it is an achievement for the country's economy.

Despite the lack of decisive action during the National Assembly meeting on the resolution of nonperforming loans (NPLs), the State Bank of Vietnam (SBV) has been making significant efforts to restructure the banking sector. During the month, the SBV announced that it has finished inspecting the nation's banking system with results being that it found that many banks have loan-to-deposit ratios of above 100%, and many are reporting profits when they actually have losses. At least five banks are being restructured including state-owned Agribank, the nation's largest bank by assets and acknowledged to have the highest NPL ratio of all state-owned banks. Also announced was that the SBV has drafted and submitted regulations regarding cross-ownership of banks – some banks have already begun announcing divestments of their stakes from other banks. The announcement that is most promising and relevant to the NPLs problem is that new guidelines to classify debt and capital adequacy ratios will be issued in 2013. Year-to-date, outstanding loans have increased 4.2%, deposits are up 16.0%, and M2 money supply is up 15.3%. With the aforementioned actions and the fact that M2 has grown substantially while credit growth has stagnated, it seems the focus is on research into the actual situation of the banking system, shoring it up with liquidity, and repairs where necessary. Wide-ranging reforms to fix the banking system will likely come next year with the strengthening of the rest of the economy.

Government bond yields fell during the month due to increased purchasing from banks trying to disburse all the extra liquidity. The banks are merely looking for stable mid-to-long term investments for their cash that would normally be going to loans. In addition to increased demand, the government has sold the entire planned amount of bonds for 2012 and is planning to halve the amount of bonds on offer next year, thus banks are scrambling to get bonds while they still can.

We are encouraged by the improved macroeconomics, but we would have preferred to see decisive decisions and action coming out of the National Assembly meeting. In particular, we are optimistic that due to much improved inflation results, the SBV may reduce the interest rates by another 100 basis points in the near future and that they can do this without reigniting runaway inflationary pressures. This will help increase the attractiveness of both the equity market and the real estate market. In the meantime, we continue to monitor government action and announcements.

Indicators	Nov-12	YTD	Y-o-Y	2011
GDP Growth (%)	Q3: 5.4%	4.7%		5.9%
Inflation (%)	0.5%	6.5%	7.1%	18.1%
Exports (\$Bn)	\$10.2	\$104.0	18.4%	\$96.2
Imports (\$Bn)	\$10.3	\$104.0	6.8%	\$105.8
Trade Deficit (\$Bn)	\$0.1	\$14 Mn	-100.2%	\$9.5
Disbursed FDI (\$Bn)	\$1.0	\$10.0	-1.0%	\$11.0
VND/USD	20,870	-0.8%	-0.7%	21,036



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

Equity Market

Vietnam's stock markets continued to fall during November with the Vietnam Index (VNI) falling 3.0% in EUR terms (down 2.7% in VND terms). Average daily traded volume fell once again this month from an average of 29 million in October to approximately 22 million during November, the lowest average in 10 months.

However, foreign investors took advantage of this time to be massive net purchasers of stocks by the most since March 2012. Early in the month, the market experienced significant volatility when the Chairman of Sacombank and his wife, who was on the board of directors at Societe de Bourbon Tay Ninh (SBT), – Vietnam's largest sugar company – resigned from the boards of those two companies. It was revealed that the Chairman of Sacombank and his son, a director at Sacomreal – Sacombank's real estate subsidiary – were being questioned by the police, though neither has been officially charged with any offense yet. Once the market calmed down, it began to erase some of its losses on optimism due to developments at the National Assembly meeting, but quickly sank after the end of the meeting on disappointment due to the lack of decisive action regarding nonperforming loans. The index slowed its fall on expectations that the SBV will lower interest rates and slowly gained strength during the beginning of December. We agree with the consensus that the government has some room to lower interest rates, however the government might not take this action yet as it would coincide with the holidays and igniting inflationary pressures is still a concern. In the meantime, we could see some momentum trading towards the upside as domestic investors move en masse on these expectations.

Real Estate Market

Disappointingly, there have not been any new developments on the structure or size of the new debt asset management company to be formed to buy and manage the bad debt (mostly towards real estate) that is undermining the banking sector and the economy. As noted above, outstanding loans have grown 4.2% YTD, however we doubt that much of this has gone towards real estate, either for homebuyers or developers. In fact, reflecting the unwillingness of banks to lend in general, and specifically to the real estate sector, banks have been pouring cash into government bonds and have apparently purchased approximately US\$8.9bn worth of the securities which is "a lot more" than in previous years, according to the SBV Governor. During the month, there was some discussion by several government ministers about the feasibility of some fiscal stimulus to "unfreeze" the real estate market. However, the government has been running a budget deficit in recent years, thus this stimulus might not be very substantial. On the stock markets, real estate stocks continue to be laggards, though the potential for a small interest rate cut could possibly support real estate share prices coming into the end of the year.



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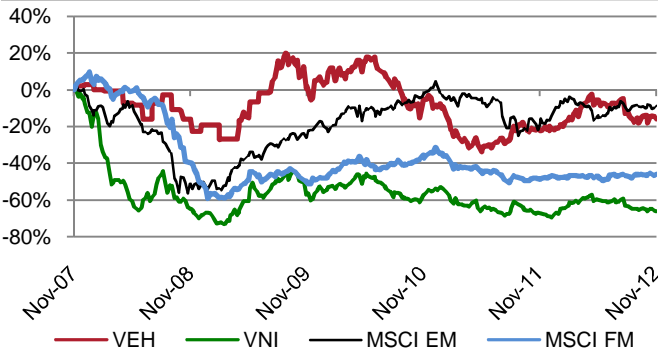
Vietnam Equity Holding (VEH) Monthly Update

November 2012

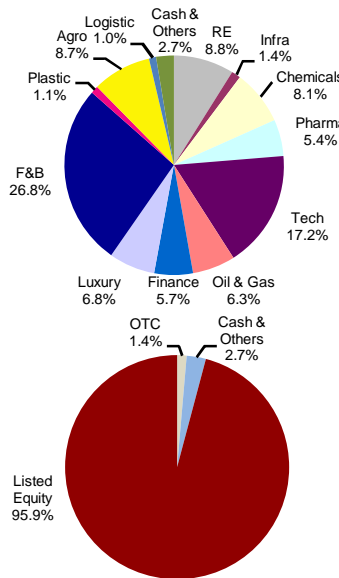
NAV per share	€1.99
Outstanding Shares	21,617,010
Share price	€1.31
Discount	34.2%
Total NAV	€43,025,999

Performance

	% Monthly	YTD	Year End 2010	Since Inception
NAV per share	-0.6	9.6	-5.9	-15.0
Share price	-9.7	26.0	-31.1	-50.6
VN Index in EUR	-3.0	8.2	-24.7	-65.8
MSCI EM in EUR	1.0	9.7	-9.9	-7.7
MSCI FM in EUR	1.4	2.6	-17.5	-45.3



Portfolio by Sector and Asset Allocation



VEH Update

In November, VEH's un-audited NAV per share was €1.99, representing a decrease of 0.6% from €2.00 at the end of the prior month. Over the same period, the VN Index decreased 3.0% in EUR terms (down 2.7% in VND terms). The NAV decrease was mainly due to a 0.5% loss in portfolio value from the decrease in price of listed stocks and a 0.3% unrealized FX loss from the appreciation of the EUR against the VND.

Share Buyback Program

The NAV was supported by 0.2% through the implementation of the share buyback program in November, during which 40,900 shares were repurchased. In total, 128,500 shares have been repurchased through the share buyback program.

Investment Manager Update

We continue to screen for opportunities to rebalance into small and mid cap stocks with strong fundamentals and higher reward/risk ratios to capitalize on the potential upside gain from an anticipated long-term rebound in the Vietnam stock market.

VN Index – last 6 months: Bloomberg



Top Holdings	% of NAV
Vinamilk (VNM)	26.8%
FPT Corp (FPT)	12.8%
Phu Nhuan Jewelry (PNJ)	6.8%
DABACO Corp (DBC)	5.8%
Development Investment Corp (DIG)	5.0%

Foreign Investors' Net Buy on HOSE		
Date	Volume (Mn shares)	Value (\$Mn)
Nov-12	20.7	66.5
Oct-12	6.6	7.4
Sep-12	-3.0	6.7
Q3 2012	22.8	39.2

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
Energy & Natural Resources Investments

Hung Pham
Director
Investment Banking

Eric Schaar
Managing Director
Advisory Services

Harry 'Hien' Vu
Director
USA Operations

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

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