SAIGON ASSET MANAGEMENT

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Vietnam Macroeconomic Monthly Update — October 2011

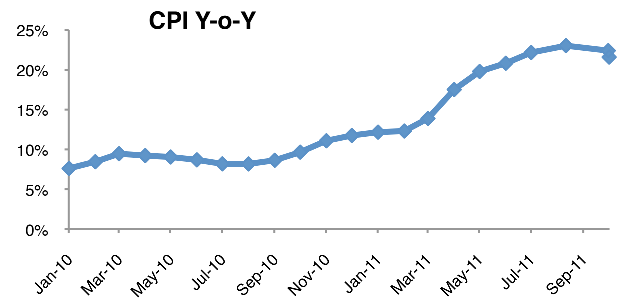
The European sovereign debt crisis continued to deteriorate while Vietnam's macroeconomic problems have showed some signs of improvement and some signs of deterioration in October. Inflation rose only 0.36% for the month in comparison to 0.93% and 0.83% in September and August respectively, reinforcing predictions of yearly inflation coming in at 20% or less. Optimism that the State Bank of Vietnam (SBV) is serious about stabilizing the macroeconomic situation grew on October 10th when it increased the refinance rate to the June level of 15% (they had decreased it 1% in July and hinted towards further decreases if inflation continued to slow). The government separately stated to the public that its commitment to slowing the growth of inflation remains strong.

The VND faced continuous downward pressure during the month due to fluctuations in domestic gold prices in relation to global prices, maturing dollar denominated loans taken out earlier in the year, uncertainty about the trade deficit, and the inability of the SBV to support the market due to "thin" FX reserves that data suggests stand at approximately $15bn, equivalent to about 2 months of import though not enough for the SBV to fully support the market. Thus, the reference rate for the VND was raised more than 10 times this month in minuscule increments as the SBV switched tactics to adopt a more gradual approach of aligning the official rate with the black market rate. This is in contrast to the old strategy of just announcing one sudden and large devaluation at the end of an unstable period. Some market participants have zeroed in on the weakness of the VND as one of the most important investment challenges to Vietnam, stemming from inflation, which is why the SBV must remain committed to its policy.

Two large sources of uncertainty stem from the seemingly out of control domestic gold trade and the trade deficit. Gold remains an attractive investment to many Vietnamese and since the country is not a producer of the commodity (which is increasingly viewed as a currency, or at least a hedge against the VND), the SBV must import it. There remains a large divergence between global and domestic prices, which the SBV is struggling to close. Meanwhile, the trade deficit has been narrowing and has remained in reasonable limits throughout the year, however as soon as it jumps up suddenly, as in September, that market starts to worry. Exports have been growing steadily and when new factories like Intel's come online, the deficit will narrow and eventually move to surplus.

Government bond prices and yields fluctuated with demand from commercial banks and on expectations of a possible growing trade deficit. Yields increased in the beginning of the month after the September trade deficit was shown to have increased to $1.5bn from $400mn in August. Yields continued to rise throughout the month as it became clear that local banks were unable to buy debt due to low liquidity from nonperforming loans and other factors. To strengthen the banking sector, the SBV has announced that banks should start to actively examine each other for mergers and acquisitions to consolidate the industry.

Indicators	Oct-11	YTD 2011	Y-o-Y	2010
GDP Growth (%)		5.8%	5.8%	6.7%
Inflation (%)	0.36%	17.1%	21.6%	11.8%
Exports ($Bn)	8.3	78.0	34.6%	71.6
Imports ($Bn)	9.1	86.4	27.2%	84.0
Trade Deficit	0.8	8.4	-11.9%	12.4
Disbursed FDI ($Bn)	0.9	9.1	1.1%	18.6
VND/USD	21,011	-7.7%	-7.7%	19,500



Equity Market

The VN Index did not do very well this month by closing on October 31st with a decline of 1.6% in VND terms and 7.1% in EUR terms. The index opened the month by continuing the fall that had started after the quick rally in August and September and fell to a low of 399.08 before bouncing back on relatively low liquidity to close the month at 420.81. The index fell on news that Slovakia had initially rejected the expansion of the EFSF, and further on news of violent demonstrations in Greece, but gained to hit its high for the month of 422.45 on news that Europe had come to a "deal" over Greece. Volume of shares traded daily was weak through much of the month, hitting levels that we have not seen since July with one week averaging 16mn shares traded daily. Many people in the market are starting to believe that the lackluster performance of the VNI is a result of the downward pressure on the VND and that the market will not recover until inflation is firmly under control and confidence in the VND returns. Thus, we believe that the VNI will continue to bounce along between its support level of 400 and an apparent upper limit 450 until it is clear that the SBV is in control of inflation growth, not merely reacting, and the domestic price of gold is brought more in line with global prices to make it less of an attractive investment.

Real Estate Market

The real estate market continues to perform weakly under the auspices of high interest rates. The increase of the refinance rate by the SBV may have been heralded by some, but was most assuredly unwelcome news in the real estate market. Specifically, the office market continues to underperform due to oversupply and a lack of business expansion to take up the available space. CBRE noted that it expects office rents to continue to fall throughout 2012, reaching a bottom at some point in early 2H 2012, and Jones Lang LaSalle expects rents to fall as much as 7% in 2012. Meanwhile the villa sector in cities is still strong while outside the cities, many land transactions have taken place, mostly for the development of low-to-middle income housing. We expect that landed property values will continue to stay strong while sectors that are oversupplied, office and high-end residential, will continue to suffer in the short-term. We expect that capital mobilization into the property market will not start in earnest until the VND is stabilized and investments in gold become unattractive.

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Vietnam Equity Holding (VEH) Monthly Update — October 2011

NAV per share	**€1.83**
Share price	**€0.95**
Discount	**48.0%**
Total NAV	**€39,725,970**

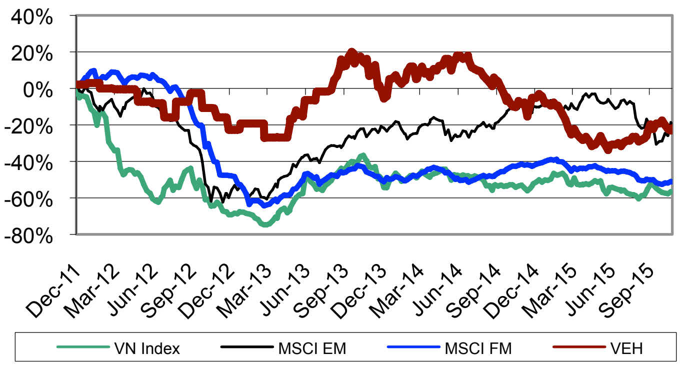
Performance

%	Monthly	YTD	Year End 2009	Since Inception
NAV per share	-4.9	-13.6	-25.9	-21.9
Share Price	-5.0	-50.0	-36.7	-64.2
VN Index in EUR	-5.7	-22.0	-22.5	-64.6
MSCI EM in EUR	7.8	-17.0	3.2	-15.0
MSCI FM in EUR	-1.9	-21.9	-0.7	-48.2

VEH Update

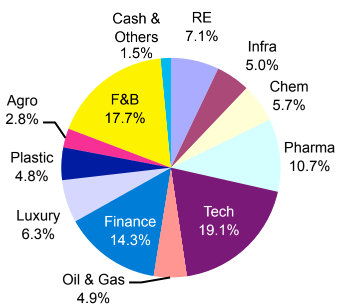
In October, VEH's un-audited NAV per share was €1.83, representing a decrease of 4.9% from €1.92 at the end of the prior month. Over the same period, the VN Index decreased 5.7% in EUR terms (down 1.6% in VND terms). The NAV decrease was mainly due to a 0.3% decrease in price of listed stocks, and a 4.4% loss in portfolio value resulting from unrealized FX loss of the VND against the EUR. 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.

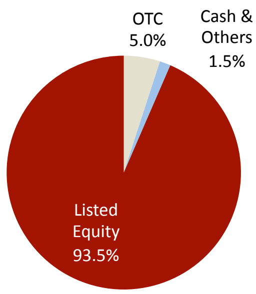
Performance



VN Index- last 6 months

Source: Bloomberg





Foreign Investors' Net Buy on HOSE

Date	Volume (Mn shares)	Value ($Mn)
Oct-11	-5.8	-0.4
Sep-11	-33.6	-47.8
Aug-11	2.3	-9.1
Q2 2011	8.4	75.7

Top Holdings

Vinamilk (VNM)	17.7%
FPT Corp (FPT)	15.6%
Hau Giang Pharmaceutical (DHG)	10.6%
Sacombank (STB)	8.6%
Phu Nhuan Jewelry (PNJ)	6.3%

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