

Macroeconomic Update

During October, Vietnam's National Assembly initiated a month long meeting for the purpose of reviewing the year's progress and to set social and economic targets for 2013. The meeting deviated from the norm as at the outset the Prime Minister apologized to the Assembly and the nation for mismanagement and mistakes caused in recent years. The present makeup of the government did not change, and while emphasizing that the main focus of the government was on restructuring the economy, there was a lack of substantive discussion and decisive decisions on how to accomplish that goal. In relation to the banking sector and nonperforming loans (NPLs), the government continues to discuss the creation of a debt asset management company to buy collateralized NPLs, though it is still strongly debated whether this strategy will prove to be effective in solving the financial sector's problems.

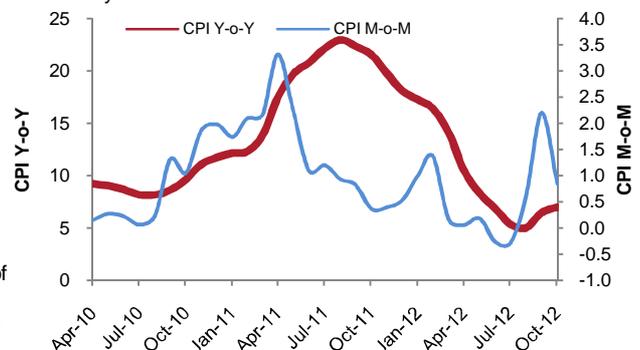
Monthly inflation fell in October to 0.85% from the high of 2.2% in September that was caused by one-off price adjustments. In comparison to the deflation of the summer months, this level of monthly inflation is encouragingly higher demonstrating slightly increased consumption. Annual inflation increased modestly to 7.0% from 6.45% in the previous month. Imports slightly outpaced exports in October due to increased demand for imported goods to prepare for the holiday season. However, the YTD trade deficit was recorded at a very low US\$357 million due to surprising export strength and a slight trade surplus in previous months. Monthly inflation is expected to remain at around the current levels even as economic activity picks up for the end of the year and the coming Tet holidays (taking place in February 2013), while the trade deficit is expected to widen slightly with increasing holiday consumption. The government reported that it will be very difficult for the country to attain its target of 5.2% yearly GDP growth as the economy would have to grow by 6.5% in the fourth quarter to be able to hit the target. Given the performance of the economy YTD, this level of quarterly growth appears unlikely.

Outstanding loans have only increased approximately 2.77% YTD, showing that it has been very difficult for businesses and consumers to access credit. The high uncertainty surrounding non-performing loans remains the largest issue restraining bank lending. However, it has emerged that many banks in the system have a net short position in physical gold ahead of a November 25th ban on banks' practice of accepting gold deposits and lending gold, leading to them scrambling to increase their stocks. So far, they have purchased approximately 60 tons of gold (all while prices have been quite high), though they still have to purchase another 20 tons before the deadline to be able to cover all deposit withdrawals. The government is considering extending this deadline through to the end of the year to ensure liquidity in the banking system. At the present high price levels, the banks will be able to entice members of the public to sell their gold and thus the banks will be able to meet their requirements, though this situation is causing significant losses at the banks. With this gold stocks situation and the uncertain fate of NPLs, loan growth is expected to remain weak through the rest of the year and likely in Q1 2013.

Recent signs of renewed growth in China as well as monetary stimulus in the United States, Europe, and Japan suggest that international demand will improve slowly, which is expected to support Vietnam's resilient exports as well as foreign direct investment through the end of the year and into the near future. The National Assembly meeting is scheduled to end in late November and significant measures are expected to be announced towards restructuring the economy, removing a great deal of uncertainty from the economy.

Indicators	Oct-12	YTD	Y-o-Y	2011
GDP Growth (%)	Q3: 5.4%	4.7%		5.9%
Inflation (%)	0.9%	6.0%	7.0%	18.1%
Exports (\$Bn)	\$9.9	\$93.5	18.4%	\$96.2
Imports (\$Bn)	\$10.4	\$93.8	6.8%	\$105.8
Trade Deficit (\$Bn)	\$0.5	\$0.4	-95.7%	\$9.5
Disbursed FDI (\$Bn)	\$0.9	\$9.0	-1.1%	\$11.0
VND/USD	20,865	-0.8%	-0.7%	21,036

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



Equity Market

Vietnam's stock exchanges continued to be governed by the mixed emotions of domestic investors due to the uncertainty surrounding the financial sector, the arrests and resignations of prominent executives throughout the economy, and the rumors of possible outcomes of the National Assembly meeting starting in October. Closing the month with a 1.1% decline to 388.42 from 392.57 at the end of September, the Vietnam Index (VNI) had initially climbed throughout the month on low liquidity before falling back down a little past its starting point. Corporate earnings were announced as being generally weak due to the slowing demand in the economy. There were several companies with strong results, but because of the uncertainty throughout the market, their share prices have not yet benefitted from those results. Liquidity has been quite low – averaging approximately 29 million shares traded daily, lower than last month's 31.5 million shares – though foreigners have been taking advantage of this time of uncertainty to be net buyers in the markets. Large cap stocks continued to be resilient during the month while small and mid caps were generally out of favor. Significantly, during the month the State Securities Commission (SSC) proposed that foreign ownership limits on securities companies and former FDI enterprises may be completely lifted. At present, there are 7 former FDI enterprises listed on Vietnam's stock exchanges which qualify for full foreign ownership. This is hopefully the beginning of a trend of allowing more foreign ownership in public companies in Vietnam, which will be beneficial for the market in general.

Real Estate Market

Real estate continued to perform weakly during October. Developers continue to feel the pinch of financing and slow sales and many continue to reduce their prices to promote sales as much as possible. During the month, the Ministry of Construction encouraged developers to restructure their products so that they can be sold at more affordable prices. This means reducing the offering size from the standard 35 square meters to a relatively cramped but much more affordable 25 square meters. Of course, there exists a large supply of already completed buildings in which it will be almost impossible to change the size of the units, thus this initiative may help in the future but there is still an overhang of units that will take some time to sell. The discussion on how to manage the problem of the nonperforming loans (NPLs) in the market continues with ideas being proposed such as removing the value-added tax and prioritizing lending to first-home buyers. However, the majority of the discussion is focused on the establishment of a debt asset management company run by the state to buy NPLs from banks to improve their balance sheets. More information on this initiative – including the size of the company and its strategy for trading debt – is expected to come in November. Real estate prices are expected to continue to come down even after the establishment of this government entity, and thus, this strategy is not expected to be an immediate remedy to the woes of the financial sector and real estate market.



SAIGON ASSET MANAGEMENT

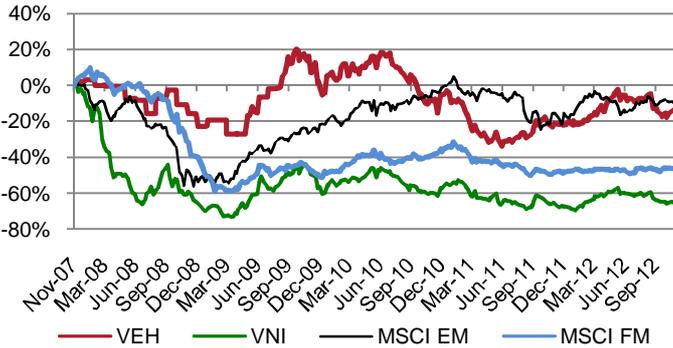
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Vietnam Equity Holding (VEH) Monthly Update

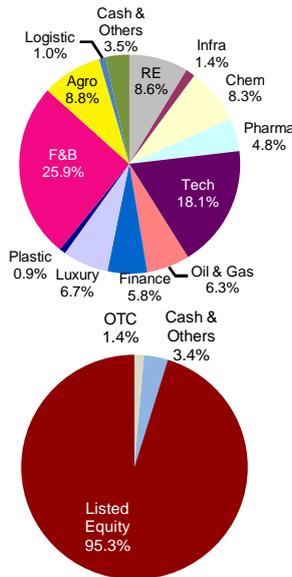
October 2012

NAV per share	€2.00
Outstanding Shares	21,657,910
Share price	€1.45
Discount	27.6%
Total NAV	€43,370,125

	%	Monthly	YTD	Year End 2010	Since Inception
NAV per share		1.1	10.2	-5.3	-14.5
Share price		9.0	39.4	-23.7	-45.3
VN Index in EUR		-1.7	11.6	-22.3	-64.7
MSCI EM in EUR		-1.5	8.6	-10.7	-8.5
MSCI FM in EUR		-1.5	1.2	-18.7	-46.1



Portfolio by Sector and Asset Allocation



VEH Update

In October, VEH's un-audited NAV per share was €2.00, representing an increase of 1.1% from €1.98 at the end of the prior month. Over the same period, the VN Index decreased 1.7% in EUR terms (down 1.1% in VND terms). The NAV increase was mainly due to a 1.5% gain in portfolio value from the increase in price of listed stocks offset by a 0.6% 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 October, during which 45,600 shares were repurchased. In total, 87,600 share 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)	25.9%
FPT Corp (FPT)	13.9%
Phu Nhuan Jewelry (PNJ)	6.7%
DABACO Corp (DBC)	5.8%
Development Investment Corp (DIG)	4.6%

Foreign Investors' Net Buy on HOSE		
Date	Volume (Mn shares)	Value (\$Mn)
Oct-12	6.6	7.4
Sep-12	-3.0	6.7
Aug-12	20.1	28.6
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

Peter Dinning
Managing Director
Real Estate Investments

Kevin Flaherty
Managing Director
Energy & Natural Resources Investments

Antony Nezic
Managing Director
Impact & Agriculture Investments

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.886aq.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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