

Economy

Vietnam's efforts to stimulate the economy in 2009 appear to have paid off as the economic fundamentals have improved gradually in Q2 and are expected to gather pace in the second half of the year. GDP growth was 4.5% compared to 3.1% in Q1, averaging 3.9% for 2009 thus far. Q2 exports were US\$28bn, 10% decrease year-on-year due to the slowdown in global consumption. Q2 imports were US\$30bn, 34% decrease year-on-year as a result of the reduction in machinery and raw materials import. Trade deficit was US\$2bn, an 86% year-on-year decrease. In contrast, domestic consumption improved when Q2 industrial production increased 4.8% compared to Q1's figure of 2.5%. Domestic retail sales continued to grow at a brisk pace of 20%.

GDP expanded by 4.4% year-on-year in Q2 compared to 3.1% previously. Inflation continues to ease, currently at 3.9%, but upside risks are building due to rising food and oil prices. The State Bank maintained interest rate at 7%, keeping the reserve ratio at 3% and USD-VND trading band at 5%. The USD/VND exchange rate was stable during the period. The bid / ask rate was VND 17,760 / 17,786 at the end of June (Reuters). The first US\$1bn in the stimulus package was fully deployed into the government's 4% interest subsidy program to SMEs. This helped 17% credit growth rate in the first half of the year. Given the resilience of personal consumption expenditure, retail trade remains strong.

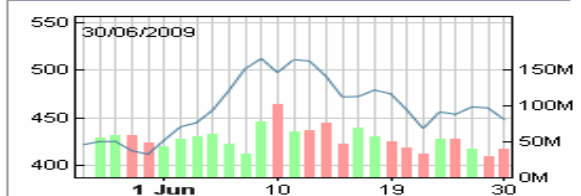
Economic Indicators		
	2008	Q2 2009 *
GDP	US\$87.5bn	US\$43bn
CPI	19.8% yoy	3.9% yoy
Export turnover	US\$62.9bn	US\$27.6bn
Import turnover	US\$80.4bn	US\$29.7bn
Trade deficit	US\$17.5bn	US\$2.1bn
FDI	US\$71.1bn	US\$8.9bn
Industrial production	US\$39bn	US\$19.1bn
Foreign visitor arrivals	4.3mn people	1.9 mn people
USD/VND **	16,977	16,953
VN Index	316	448

* Figures were estimated from General Statistics Office of Vietnam (GSO)

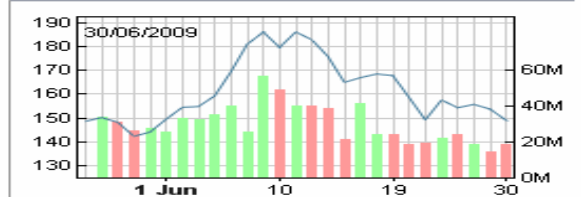
** Vietnam's Interbank rate, set daily by State Bank of Vietnam

Source: GSO (December 31, 2008), HOSE, HaSTC

VN Index ↘ 448.29 -12.13 (-2.63%)



HNX Index ↘ 149.04 -4.76 (-3.09%)



Source: Ho Chi Minh Securities Corporation

Equities and Real Estate Markets:

The Vietnam Index rose by 60% in April-June, the first positive quarter since September 2008 and making it the best-performing market in Asia. From the bottom in March to the peak in June, the index was up 117%. It closed at 448 points as of June 30, 2009, a 42% increase year-to-date. Trading volume at the Ho Chi Minh Stock Exchange (HOSE) set an all time record high in the last 3 months. Q2 average trading per day was 43.5 million shares, a 284% increase compared to Q1. Average trailing P/E and P/B were at approximately 14x and 2.0x respectively. By the end of the second quarter, HOSE and Hanoi Stock Exchange (HNX) had a combined market capitalization of US\$24 bn. Notable listings in Q2 were the two long awaited HOSE listings of Vietcombank (a top SOE bank in Vietnam) and Bao Viet Holding (a leading insurer in Vietnam) plus 13 smaller IPOs; the total number of listed stocks on HOSE reached 166. Market performance in Q2 may well be remembered as the transition quarter from a bear to a bull market.

In Q2, most property sectors have seen positive movements driven mainly by local participants. The residential market appears to benefit from local investors shifting profit from the raising stock market into clear land lots and affordable housing, where is still a supply and demand mismatch. In the commercial market, namely hotel and office, the downturn on rents continued as tenants have more choices with upcoming supply and are renegotiating for lower rental rate, less space, and more flexible terms. The retail market keeps going ahead with the food & beverage and fashion retailers leading the way. Rates are expected to soften slightly in Q3 for outlying retail locations as additional retail space will come to the market, such as Kumho Asiana Plaza. While some foreign investors, due to the global financial crisis, are stepping back to review their strategies, local joint stock companies have surprised many with stronger confidence and acquisition of some key assets, most notably in the multi-million dollar hotel purchases and industrial deals.

Performance Summary:

In Q2 2009, Vietnam Equity Holding's (VEH) net asset value increased 27.4% compared to the prior quarter. Year to date, VEH's NAV increased 20.4%, compared to a 41.9% increase in the Vietnam Index. Since inception, VEH's NAV has decreased 6.6% compared to -58.3% of the index.

Vietnam Property Holding (VPH) increased its net asset value 5.5% in Q2 2009. Since inception, VPH gained 5.1%. VPH was ranked by LCF Rothschild as Vietnam No.1 performing real estate fund with the year-to-date NAV increase of 5.9%.

	NAV per share June 30, 2009 (EUR) *	Monthly Change (%)	Change Since Inception (%)	Price June 30, 2009 (EUR)	Monthly Change (%)	Change since Inception (%)	Issued Shares	Bloomberg	Reuters	ISIN
VEH	2.19	10.6%	-6.4%	1.01	1%	-61%	21,745,510	3MS:GR	3MS.DE	KYG936251043
VPH	2.46	2.9%	5.1%	1.06	-1.1%	-60%	12,893,972	3MT:GR	3MT.DE	KYG9361R1074

* unaudited

Investment Manager's News:

Due to expansion, we have moved to 172 Hai Ba Trung Street, 12th Floor, District 1, Ho Chi Minh City, Vietnam. Our website, email addresses, phone and fax numbers remain unchanged

About us

Established in 2007, Saigon Asset Management (SAM) is the investment manager for Vietnam Equity Holding (VEH) and Vietnam Property Holding (VPH), which are both Cayman Islands investment companies listed on the Frankfurt Stock Exchange and on Xetra.

VEH & VPH were ranked within the top three Vietnam performing funds in 2008

SAM's competitive advantage is its hybrid structure as a foreign fund manager and its domestic partnership with Hanoi Fund (HFM), a locally licensed fund management company and the investment arm of Vietnam Military Commercial Bank, which offers funds managed by SAM a wide range of opportunities and channels for investments and advisory services.

SAM employs over 20 investment professionals formerly working with leading international and domestic financial corporations whose expertise is fortified by deep-rooted local knowledge and industry experiences with proven track records and abilities to source high quality deal flow to produce results in Vietnam.

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