

During the second quarter, Vietnam Equity Holding (VEH) unaudited NAV per share decreased 3.5% compared to a 6.6% decrease of the VN Index in EUR terms or 6.2% in local currency terms. The share price of VEH fell to €1.02, a decrease of 24.4% during Q2. Since inception, VEH NAV declined 30.8%, while the VN-Index lost 64.4% in EUR terms during the same period.

Vietnam Property Holding (VPH) unaudited NAV per share decreased 11.8% in Q2. Since inception, VPH NAV per share decreased 19.3%.

	NAV per Share (€)	% Change in NAVPS			Share Price (€)	% Change in Share Price			Discount (%)	NAV (€)
		Quarterly	YTD	Since Inception		Quarterly	YTD	Since Inception		
VEH	1.62	-3.5	-23.4	-30.8	1.02	-24.4	-46.3%	-61.5	37.0	35,229,661
VPH	1.89	-11.8	-25.5	-19.3	1.38	-14.8	-18.3	-47.9	27.0	23,897,650

## Summary

The main theme throughout much of the second quarter was the relentless rise of inflation and the government's response through Resolution 11, introduced in late February. The resolution's goal is to tame inflation by reducing credit growth through the raising of interest rates and by reducing government investment in the economy, typically a main driver of GDP growth. It is clear that the government has refocused from growth at all costs and is prioritizing macroeconomic stability to ensure future, sustainable growth.

The government took decisive steps to slow the growth of inflation throughout Q2 with mixed early results. For the first six months of 2011, inflation rose 13.3% and closed out the month of June with a CPI year-on-year increase of 20.82%. The actions have had the most effect on real estate companies, developers, and banks. The commercial banks are under serious pressure to keep their loans to "non-productive" sectors (real estate and stock market margin lending) at fewer than 16% of their total loans for 2011.

It is important to note that this round of high inflation is not attributed to excess money growth as it was in 2007-2008. There are several factors which have been the main drivers of inflation, namely the devaluation in February, an end to fuel subsidies (which increased prices by 18%), an increase in food and commodity prices, and the deregulation of electricity prices (which increased prices by 15%). These events were the main drivers of the high inflation in Vietnam during H1 2011, and most were onetime events that will not need to be repeated in the future.

It is clear that, at first, many investors did not take the government actions seriously, as there was relative stability in the VNI through April that then gave way to incredible volatility during the month of May. The volatility was most likely brought about by the sudden scrambling by banks to meet the SBV requirements to reduce their stock market margin lending by the end of June. After the major selloff, June saw some much needed stability in the index, and ended the month at 432.53, an increase of 2.7% in VND terms.

There have been a couple significant bright spots during the quarter. First, the "unofficial" exchange rate has been brought in line with the official exchange rate following the 9% devaluation in February. Second, the Credit Default Swap (CDS) rate to insure against default of the Vietnam government in the international bond market peaked early in the year at 400 basis points over the US Treasury rate and is currently trading just over 300 basis points. This is indicative that foreign investors are beginning to believe that the worst is over for Vietnam's macro economy in this cycle.

**At the end of Q2, 92% of VEH's NAV and 59% of VPH's NAV were comprised of listed shares**

## Equity Market Overview

The VN Index showed remarkable stability during April posting a gain of 4.1% and closing at a peak of 480.08. This easy gain would be shattered in May as uncertainty and volatility rocked the Vietnam market.

A mere three weeks into May, the VNI bottomed out for a total loss of 117.0 points, or 24%. There were many rumors floating around at this time and the market managed to correct itself after the government officially announced that it would delay the second electricity price hike. Another rumor floating around, which turned out to be false, was that the government would delay implementing its new regulations requiring banks to reduce stock market lending. The rumor and the official announcement helped to restore a measure of confidence in the market, resulting in it closing the month with only a 12% decline.

Vietnam lagged most of the CIVETS markets (Colombia, Indonesia, Vietnam, Egypt, Thailand, South Africa), as well as most of ASEAN, throughout the quarter. We can also see that many foreign investors sold by a good margin more than they bought during the month of June, which exacerbated the market.

June actually closed with a gain of 2.5%, however it made most of this gain towards the very end of the month, the rest of which being generally poor. Volume throughout the month remained virtually flat as fears of macro instability kept investors away.

Looking forward, in our view, the two Vietnam markets are close to bottom. The HNX at 72 is near its all-time low of 66 in May, and is lower than its March 2009 low at 80. This contrasts with the fact that the macroeconomic situation was certainly worse in 2008 and early 2009. Thus, we believe that these markets are oversold and will continue to look dire until stocks get cheap enough to spark a significant rebound. We see Q3 as a difficult quarter for equity investment as inflation will probably remain high. Q4, on the other hand, should show much better investment opportunities, as by then, inflation will have cooled, removing a critical destabilizing factor.

The VN Index – Q2 2011



Source: Bloomberg

Foreign Investors Net Buy on HOSE

Date	Volume (Mn Shares)	Value (US\$ Mn)
Q2 2011	8.4	75.7
Jun – 2011	-17.1	38.5
May – 2011	7.0	-0.7
Apr – 2011	18.5	38.0
Q1 2011	46.1	73.2
Mar – 2011	1.6	0.9
Feb – 2011	0.2	-0.3
Jan-2011	44.3	72.7
Q4-2010	126.0	297.6

Source: HOSE ([www.hsx.vn](http://www.hsx.vn))

## Real Estate Market Overview

The property market did poorly during this quarter. Because of high interest rates, many developers and real estate companies are finding it increasingly difficult to receive new or refinance old loans, resulting in many falling into debt.

Decree 69 and 71 have significantly restricted the growth of the real estate sector by effectively raising property taxes on new projects and by limiting the amount of financing that can come from customers' advance payments. This means that to complete their projects, companies need to take out more loans, however lending rates have risen and are above 20% p.a. Banks are also under pressure from the SBV to keep loans to the real estate sector under 16% of their total loans for 2011, effectively cutting off a critical source of financing for real estate companies.

The high interest rates and the difficulty in receiving new financing have prompted a couple M&A deals by foreign investors. CaptiaLand Vietnam acquired two large projects in Binh Chanh District and District 9, while the Thien Minh Tourism Company recently acquired a chain of six hotels and resorts from Hong Kong's EEM Victoria, valued at US\$45mn. We expect to continue to see M&A deals through 2011 and into 2012.

Prices in the office segment continued to fall for the seventh straight quarter. The current HCMC grade A average price is \$34.21 per square meter, while grade B and C office lease rates are at levels not seen since 2004. All of this makes for difficult markets for offices in HCMC and Hanoi.

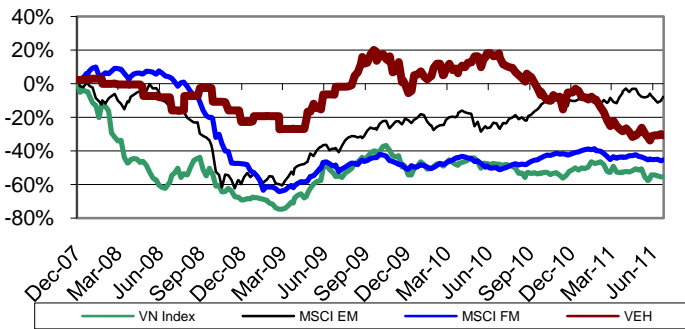
In the residential segment, the condominium market as well as rents for serviced apartments continued to track downwards. However, in the Central Business District, there is no more room for supply of serviced apartments, which should support prices going forward. Currently, villas and townhouses remain the investors' top choice with stable prices and increasing demand. In this segment, Savills Vietnam reported an absorption rate of 23% and expects that demand for the segment will continue its upward climb over the next few years.

There has been no new retail supply in Ho Chi Minh City. Though, there has been a slight increase in rent of department stores and a slight decrease in rent of non-shopping centers. Hanoi, on the other hand, saw a sharp increase of 30% q-o-q of new supply, a slight increase in rent of shopping centers, and stable rent in department stores.

The real estate sector has been hit hard by government policies and probably will not recover until inflation is brought under control and government policies are eased. However, with real estate companies underwater on some of their loans, they are being forced to sell their assets at low and attractive valuations, resulting in the appearance of many good investment opportunities. Our reasoning is that the middle class will continue to grow as it has for the last decade, and that they will need places to live, resulting in renewed, strong demand in the future.

## Vietnam Equity Holding (VEH) Performance

In Q2 2011 Vietnam Equity Holding (VEH)'s NAV per share decreased 3.5% to EUR 1.62 from EUR 1.68 at the end of Q1 2011, compared to a 6.6% fall in the VN Index in Euro terms. Since inception, VEH's NAV has declined 30.8% versus a 64.4% decline of the VN Index in EUR terms.



Performance (%)	Q1 2011	Q2 2011	YTD	12 Months Prior	Inception
VEH NAV	-20.6	-3.5	-23.4	-41.4	-30.8
VEH Share Price	-28.9	-24.4	-46.3	-15.7	-61.5
VN Index in EUR	-16.1	-6.6	-21.6	-33.1	-64.4
MSCI EM Index in EUR	-3.9	-4.4	-8.1	5.4	-5.9
MSCI FM Index in EUR	9.9	-5.1	-16.2	-5.9	-44.4

	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Total NAV	39,090,743	36,500,800	35,319,153	33,658,625	35,229,661
NAV per Share (€)	1.80	1.68	1.62	1.55	1.62

## VEH Portfolio Performance

VEH outperformed the VN Index in EUR terms during Q2 because of heavy foreign investment flows concentrated into a limited number of liquid, large cap stocks to mitigate the risks accompanying a volatile market. VEH was ideally positioned to take advantage of this concentration into large cap stocks.

## About Vietnam Equity Holding

Vietnam Equity Holding (VEH) is an investment fund established as a closed-end company listed on the Frankfurt Stock Exchange and Xetra. The objective of VEH is to maximize capital appreciation by making equity investments in promising listed, pre-listing and private companies in Vietnam. VEH was ranked as the No. 1 performing Vietnam focused equity fund in 2008 by LCF Rothschild. For more information, please visit [www.saigonam.com](http://www.saigonam.com)

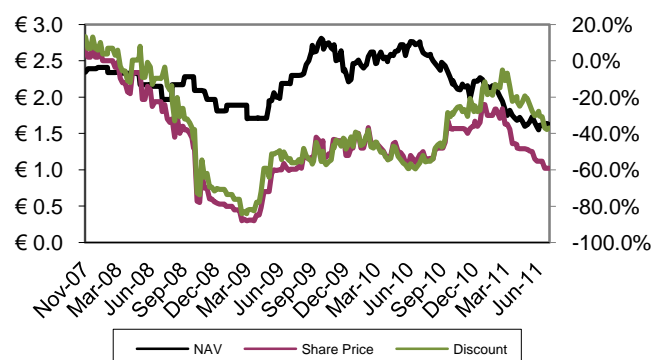
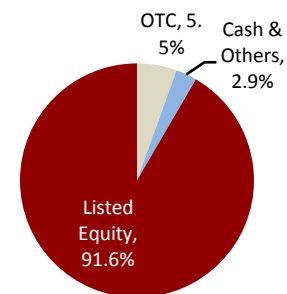
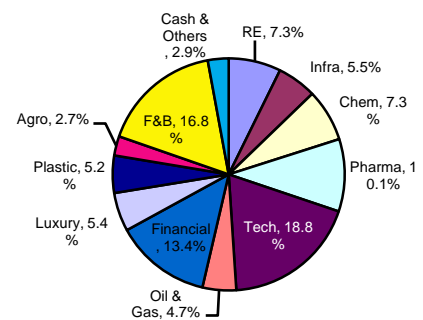
Structure	Cayman Islands registered closed-end fund
Funds launch	November 2007
Duration	5 Years (subject to shareholder vote for extension)
Fiscal Year End	31 December
Listed	Frankfurt Stock Exchange (FSE) and Xetra
NAV Frequency	Monthly
Management Fee	2% of NAV
Performance Fee	20% of gains over 8% hurdle with high water mark
Investment Manager	Saigon Asset Management
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	<b>886 AG</b> +49 6101 98861 18, www.886ag.de <b>LCF Rothschild</b> +44 207 845 5900, www.lcfr.co.uk
Bloomberg	3MS:GR
Reuters	3MS.DE
ISIN	KYG936251043
German Securities	A0M12V

## VEH Strategy

VEH remains predominantly invested in listed equities, which represent 91% of the total NAV, while 6% is invested in the OTC market.

VEH's strategy is to source reasonably priced small-to-mid cap companies that can demonstrate high growth potential. VEH prefers companies with significant exposure to the domestic market that can capitalize on the strong growth of Vietnamese middle class consumption

## Portfolio by Sector and Asset Allocation



## VEH Top Portfolio Holdings

### 1. Vinamilk (VNM)

Vinamilk is the largest dairy company in Vietnam with 39% market share (2010). The company has consistently delivered a solid performance over the last 5 years with revenue growth around 20%, profit growth around 40%. Vinamilk's foreign ownership quota is full and foreign investors have recently been paying premiums in excess of 10% of the market price to purchase the shares from other foreign sellers.

The company's liquid milk business constitutes 35% of sales and enjoys a 40% market share and a 30% gross margin. In Q2 of 2011, Vinamilk continued to focus on operating efficiently in their core liquid milk business while expanding the condensed milk, powdered milk, yogurt, and other business lines. The company delivered a solid performance with sales growth of 20% and profit growth of 10% q-o-q. However, due to inflation impacts on soaring input costs, gross margin and net profit margin declined (from 33% to 31% and from 22% to 20%, respectively).

It is likely that Vinamilk's sales growth will remain high well into the future due to demographic factors (i.e. young adults getting married and having children), Vietnam's current low per capita milk consumption (about 1/5 the world average), and the strong brand name Vinamilk has built. Our concern is competition from TH Milk which aims to supply half the market by 2017 by investing \$1.2 billion into dairy farms under management of Mr. Tran Bao Minh, who used to be the Vice GM of Vinamilk, and successfully created a marketing revolution on Vinamilk's liquid milk.

Vinamilk has successfully acquired 19.3% of NZ's Miraka Limited, a company which is capable of producing 32,000 ton of milk powder. This aligns with VNM's plan to become one of top 50 leading dairy manufacturers in the world by 2017 with total revenues of \$3 billion.

### 2. FPT Corporation (FPT)

FPT dominates Vietnam's technology industry with four core businesses: Systems Integration, Telecommunications, Software Outsourcing, and IT& Mobile Phone Distribution. Achieving a net earnings growth rate of 20% per annum over the last 10 years, the company also has one of the most highly-respected management teams in Vietnam. The company is trading at a trailing PE of 7.2.

In Q2 of 2011, the company achieved a revenue of 7,115 billion VND and a q-o-q sales growth rate of 40%, mainly attributed by 34% growth in distribution. This growth is a result of the change in Nokia's distribution method in which FPT would distribute Nokia products to the North and North Central markets. It can also be attributed to 143% growth in IS as a result of the completion of large contracts for ATM installation services, PIT systems, etc. Gross margin has declined from 23% to 18% due to the decline in ARPU of ADSL service and the increased investment in international broadband, decline in sales of high-margin F-mobiles and decrease in sales proportion of high-margin Telecom and Software businesses. Net margin in Q2 remained flat due to lower FX loss (VND devalued 7% during Q1).

In July 2011, the company successfully issued 19.8 million shares which will be listed in August for the acquisition of 100% subsidiaries' stake. FPT is in the process of recovering its 708 billion VND deposit for the EVN telecom deal, and it is likely that FPT will recover most of it.

#### VNM Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	2,022
Share Price (VND)	109,000
Trailing P/E	10
Outstanding shares (mn)	371
Dividend Yield 2011 (%) <sup>(*)</sup>	3%
Market value 30 June 2011	109,000
Market value 31 March	92,000
52-week high <sup>(**)</sup>	117,000
52-week low <sup>(**)</sup>	82,000
Average Daily Volume <sup>(**)</sup>	79,559

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

#### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	4,535	5,420
<b>COGS</b>	3,026	3,719
<b>Gross profit</b>	1,509	1,702
Gross margin	33%	31%
<b>EBIT</b>	1,078	1,169
EBIT margin	24%	22%
<b>Net profit</b>	1,006	1,107
Net profit margin	22%	20%

#### FPT Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	463
Share Price (VND)	78,000
Trailing P/E	7.2
Outstanding shares (mn)	193
Dividend Yield 2011 (%) <sup>(*)</sup>	3%
Market value 30 June 2011	48,000
Market value 31 March	51,000
52-week high <sup>(**)</sup>	77,000
52-week low <sup>(**)</sup>	41,300
Average Daily Volume <sup>(**)</sup>	252,718

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

#### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	5,075	7,115
<b>COGS</b>	3,914	5,824
<b>Gross profit</b>	1,161	1,291
Gross margin	22.8%	18.1%
<b>EBIT</b>	648	656
EBIT margin	12.7%	9.2%
<b>Net profit</b>	416	553
Net profit margin	8.2%	7.7%

## VEH Top Portfolio Holdings

### 3. Hau Giang Pharmaceutical Joint Stock Company (DHG)

DHG is the top company in Vietnam's pharmaceutical industry with a 11% market share of locally manufactured drugs. The company owns a wide distribution network with 9 subsidiaries, 30 branches, 2 agencies and 61 drug stores located throughout Vietnam with a portfolio of strong brand names including Hapacol (paracetamol), Aticef (antibiotic) and Eugica (herbal remedy), etc. Currently, DHG is the only local pharmaceutical capable of producing high profit margin products. For the last 5 years DHG's sales growth outpaced the industry and the company ran out of production capacity sooner than anticipated.

In Q2 of 2011, revenue grew by 1% due to sales volume growth. A slight change in product mix from low margin to high margin products also increased gross margin from 48% to 49%. The Selling expenses/Sales was reduced from 25% in Q1 2011 to 20% in Q2 2011 while net profit margin increases from 15% in Q1 2011 to 20% in Q2 2011. The company successfully cut 18% of expenditures for marketing and selling activities while improving the operation.

In May 2011, the company started operations at its new production line after a total investment of VND57.6bn. It has a production capacity of 40 million units, increasing total current capacity by a further 1%. The company also completed land filling for the new factory which is expected to come into operation at the end of Q2 2012 (six months earlier than scheduled) to produce a twice the output of the current factory in Tan Phu Thanh industry park. Unfortunately, on 3 August 2011, an explosion occurred at Non Betalactam workshop that caused a loss of circa VND34bn (it mainly damaged finished products and raw materials).

Our main concern about DHG is that pharmaceutical prices, which rose rapidly from 2002 – 2007, are now under stricter price controls. Going forward we expect the market to grow around 15% per annum.

### 4. Sacombank (STB)

STB is the 4th largest bank in Vietnam and the second largest privately owned bank after ACB. It is one of the most aggressive banks and has expanded assets by over 60% CAGR for the last 4 years. It has the largest retail network with over 250 offices nationwide and a very strong customer base, particularly in the Chinese-Vietnamese community.

In Q2 2011, net income and EPS declined by 10% q-o-q, attributed by 1% q-o-q decrease in net interest income due to improvement of NIM, a loss in short-term securities trading of 116 billion VND and 12% increase of operating expenses (mainly salary increase). Towards the end of Q2, Sacombank completed 54% of net interest income target, 49% of net service fee income target, and 43% of net income of 2011 budget.

In July 2011, the SBV approved for STB to increase its chartered capital from VND9,179 billion to VND10,740 billion by issuing additional shares at ratio 100:15 to existing shareholders and 100:2 to employees at par. In August 2011, The company will pay a cash dividend of VND1,500 per share for 2010.

#### DHG Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	185
Share Price (VND)	57,000
Trailing P/E	8.8
Outstanding shares (mn)	65
Dividend Yield 2011 (%) <sup>(*)</sup>	0
Market value 30 June 2011	57,000
Market value 31 March	46,300
52-week high <sup>(**)</sup>	61,500
52-week low <sup>(**)</sup>	43,300
Average Daily Volume <sup>(**)</sup>	36,553

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

#### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	579	584
<b>COGS</b>	301	298
<b>Gross profit</b>	278	286
Gross margin	48.0%	48.9%
<b>EBIT</b>	90	125
EBIT margin	15.5%	21.4%
<b>Net profit</b>	88	121
Net profit margin	15.2%	20.7%

#### STB Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	551
Share Price (VND)	12,000
Trailing P/E	6.8
Outstanding shares (mn)	918
Dividend Yield 2011 (%) <sup>(*)</sup>	12%
Market value 30 June 2011	12,000
Market value 31 March	14,000
52-week high <sup>(**)</sup>	17,700
52-week low <sup>(**)</sup>	11,600
Average Daily Volume <sup>(**)</sup>	1,592,974

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

#### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	-	-
<b>COGS</b>	-	-
<b>Gross profit</b>	1,581	1,535
Gross margin	34.7%	33.5%
<b>EBIT</b>	916	789
EBIT margin	20.1%	17.2%
<b>Net profit</b>	571	516
Net profit margin	12.5%	11.3%

## VEH Top Portfolio Holdings

### 5. Phu My Bridge Corporation (PMC)

The Phu My Bridge Corporation is the project owner of the Phu My Bridge, the largest suspension bridge in South Vietnam linking District 2 and District 7 of HCMC. Because the bridge cuts an hour off the drive from the port area to downtown HCMC and connects the east and west of southern Vietnam, the Government took an active role in this key Build Operate Transfer (BOT) infrastructure project.

PMC expects traffic over the bridge to increase when the road connecting Phu My Bridge and the Hanoi national highway is completed. However, progress on this BT project (approach roads) is going slowly. The Government recently completed the clearance process and handed over the last 3km of approach roads to PMC on July 29<sup>th</sup> 2011. As of June 30<sup>th</sup>, PMC has completed 80% of the BT project work with a total investment of VND1,100bn.

Due to materially adverse changes in PMC's financial plan attributed mainly to the Government side (much lower toll fee revenues, and failing to direct trucks to the bridge, etc.), the company has submitted a letter to the Prime Minister to request either for an advance to cover the investment costs, or to transfer the project to the Government now and get the money back instead of operating it as originally planned.

#### PMC Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	59
Share Price (VND)	15,900
Trailing P/E	N/A
Outstanding shares (mn)	75
Dividend Yield 2011 (%) <sup>(*)</sup>	0
Market value 30 June 2011	15,900
Market value 31 March	15,900
52-week high <sup>(**)</sup>	N/A
52-week low <sup>(**)</sup>	N/A
Average Daily Volume <sup>(**)</sup>	N/A

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

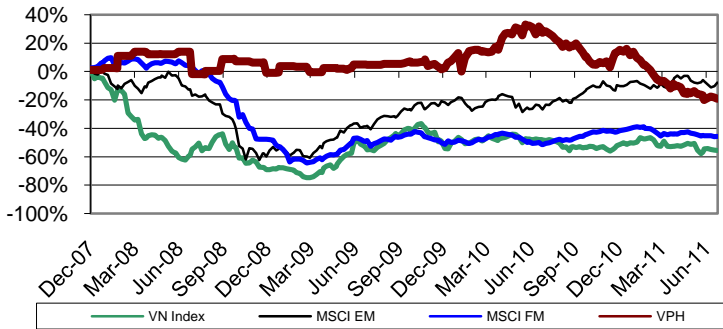
<sup>(\*\*)</sup> Bloomberg

#### Income Statement Summary (billion VND)

	H1 2010	H1 2011
<b>Revenue</b>	13	31
<b>COGS</b>	3	10
<b>Gross profit</b>	10	22
Gross margin	77%	69%
<b>EBIT</b>	5	(70)
EBIT margin	-	-
<b>Net profit</b>	4	(70)
Net profit margin	31%	-223%

## Vietnam Property Holding (VPH) Performance

During Q2, Vietnam Property Holding (VPH)'s NAV per share fell 11.8% to EUR 1.89 from EUR 2.14 at the end of Q2 2011. Since inception, VPH's NAV per share has decreased by 19.3% compared to a fall in the VN index of 64.4%.



Performance (%)	Q1 2011	Q2 2011	YTD	12 Months Prior	Inception
VPH NAV	-17.8	-11.8	-25.5	-37.7	-19.3
VPH Share Price	-4.1	-14.8	-18.3	3.8	-47.9
VN Index in EUR	-16.1	-6.6	-21.6	-33.1	-64.4
MSCI EM Index in EUR	-3.9	-4.4	-8.1	5.4	-5.9
MSCI FM Index in EUR	9.9	-5.1	-16.2	-5.9	-44.4

	Feb-11	Mar-11	Apr-11	May-11	Jun-11
Total NAV	27,888,652	27,102,342	25,440,015	24,587,357	23,897,650
NAV per Share (€)	2.21	2.14	2.01	1.95	1.89

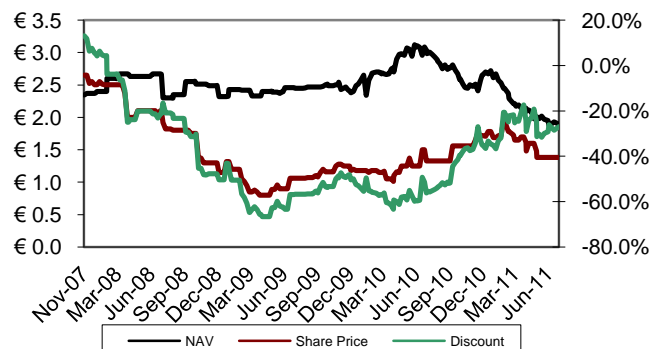
## VPH Portfolio Performance

An 11.8% decrease in NAV in Q2 2011 was attributed to new regulations which restrict the growth of the real estate sector and their sources of financing. These new regulations have caused many real estate companies to fall into debt with the banks that were financing the projects.

## About Vietnam Property Holding (VPH)

Vietnam Property Holding (VPH) is an investment fund established as a closed-end company listed on the Frankfurt Stock Exchange and Xetra. The objective of VPH is to maximize capital gains from investing in a diversified portfolio of real estate projects and companies in Vietnam. VPH was ranked as the No. 1 performing Vietnam focused real estate fund in 2009 by LCF Rothschild. For more information, please visit [www.saigonam.com](http://www.saigonam.com)

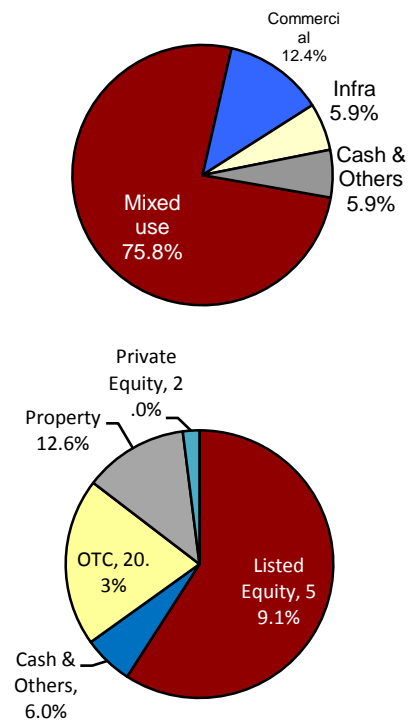
Structure	Cayman Islands registered closed-end funds
Funds launch	November 2007
Duration	5 Years (subject to shareholder vote for extension)
Fiscal Year End	31 December
Listed	Frankfurt Stock Exchange (FSE) and Xetra
NAV Frequency	Monthly
Management Fee	2% of NAV
Performance Fee	20% of gains over 8% hurdle with high water mark
Investment Manager	Saigon Asset Management
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	3MS:GR
Reuters	3MS.DE
ISIN	KYG936251043
German Securities	A0M12V



## VPH Strategy

VPH's strategy remains unchanged with asset allocation dominated by listed real estate stocks. However, the Investment Manager is aggressively rebalancing the portfolio into highly liquid and undervalued micro and small cap real estate stocks. Selection requires strong fundamentals and favorable risk/reward ratios to capture potential upside gains in the anticipated start of a bull market in Q4.

## Portfolio by Sector and Asset Allocation





## 1. NBB Investment Corporation (NBB)

NBB is a leading property developer and infrastructure contractor affiliated with CIENCO 5, the state-owned construction company under the Ministry of Transportation. NBB is also the owner of large-scale projects in construction stones, titanium mining, hydro-power, and mineral water. The company owns over 100ha of cleared residential land acquired at low cost, as well as 520ha of land in the process of compensation.

In Q2 of 2011, the revenue decreased by 47% (q-o-q) and the gross margin declined from 25% in Q1 to 24% in Q2 mainly due to the slow sales collection and the decrease in selling price in City Gate project. In addition, Quang Ngai titanium's reclassification of d also increase some of SG&A expense. However, NBB recorded a profit of VND37bn by transferring 40% of equity position in NBB I project, thus the company pushed finance income in Q2 higher than in Q1, leading Q2 2011 net margin to increase by 78% q-o-q.

SAM is an exclusive financial consultant to NBB for the purpose of seeking co-investment partners for the three projects in Quang Ngai and NBB II project in HCMC.

### NBB Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	58
Share Price (VND)	64,500
Trailing P/E	-
Outstanding shares (mn)	18
Dividend Yield 2011 (%) <sup>(*)</sup>	3%
Market value 30 June 2011	64,500
Market value 31 March	75,000
52-week high <sup>(**)</sup>	90,500
52-week low <sup>(**)</sup>	40,900
Average Daily Volume <sup>(**)</sup>	2,273

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	145	78
<b>COGS</b>	109	59
<b>Gross profit</b>	36	18
Gross margin	25%	24%
<b>EBIT</b>	30	7
EBIT margin	21%	8%
<b>Net profit</b>	19	34
Net profit margin	13%	44%

## 2. Century 21 JSC (C21)

C21 is a leading local property developer that has its historical roots in one of the most influential media groups in the country named Tuoi Tre newspaper. The company focuses on the development of affordable housing and operation of commercial and hospitality properties and owns over 217ha of cleared residential land acquired at low cost in prime locations in HCMC. This includes one fully occupied grade C office building in District 3. The Company also owns 166ha of clear resort land near Nha Trang that includes the Thap Ba resort, a popular mineral bath resort. The project has a 24% CAGR and attracts more than 40% of all the tourists visiting Nha Trang.

In the Q2 of 2011, the revenue increased 133% (q-o-q) due to better performance in Thap Ba resort and better sales collection from Song Giong project, leading gross margin and net margin to increase from 64% and 34% in quarter 1 2011 to 70% and 43% in quarter 2 2011, respectively.

On July 15<sup>th</sup>, C21 successfully listed on HOSE at the reference listing price of VND35,000/share. The company also received the SSC's approval to buy 1mn treasury shares starting on 16 Aug 2011. In Q2 2011, the company's book value was revalued at VND68,000/share compared to the book value VND69,000/share valued in Q1 2011.

### C21 Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	26
Share Price (VND)	27,000
Trailing P/E	-
Outstanding shares (mn)	19.3
Dividend Yield 2011 (%) <sup>(*)</sup>	-
Market value 30 June 2011	27,000
Market value 31 March	27,000
52-week high <sup>(**)</sup>	28,000
52-week low <sup>(**)</sup>	15,700
Average Daily Volume <sup>(**)</sup>	20,132

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	26	60
<b>COGS</b>	9	18
<b>Gross profit</b>	16	42
Gross margin	64%	70%
<b>EBIT</b>	10	35
EBIT margin	40%	59%
<b>Net profit</b>	9	26
Net profit margin	34%	43%

## VPH Portfolio Holding

### 3. Vinaconex TDC – Mo Plaza, Property, Hanoi

Mo Plaza is a 25-storey mixed-use retail, office, and condo project located on a 14,700 square meter plot in the central business district of Hanoi. The construction will produce 86,000 square meters gross floor area (GFA), consisting of 24,000 square meters of retail space, 47,000 square meters of office space, and 90 condo units to be sold on a 50-year leasehold basis.

Construction is on schedule and using the proceeds from pre-sales, the five-storey retail podium was completed. Proceeds from pre-sales have been the primary means of financing, which means that unlike many other projects, Mo Plaza currently has no bank debt.

Mo Plaza appointed Savills to advise the company on office rental and condo selling prices. However in order to protect the interests of all shareholders, three major shareholders with a combined 45% stake (VP Capital, Viettel, and VPH) requested the company to provide an open tender for the office space with priority given to existing shareholders.

### 4. Savimex (SAV)

SAV is one of the leading wooden furniture manufacturers in Vietnam. The company also has a 23ha clear residential land bank, which was acquired at low cost. SAM has been actively engaged in restructuring the wooden furniture business and speeding up real estate project development for the 5.2ha Phu My condo project. SAM coordinated with SAV's management team to prepare a restructuring plan for approval by the BOD at the end of Feb 2011.

SAM and BVIM actively assisted SAV to recruit a CFO and Deputy General Director for restructuring purposes. To show the level of its interest, Capitaland, a leading Singaporean property developer, actively aided SAV to revise its master plan for zoning approval submission.

SAV launched the sales and marketing effort for the Ngoc Lan project in Dec 2010, and is on track for handover to tenants in Dec 2011, however sales collection was low through H1 2011.

#### SAV Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	14
Share Price (VND)	28,500
Trailing P/E	-
Outstanding shares (mn)	10
Dividend Yield 2011 (%) <sup>(*)</sup>	-
Market value 30 June 2011	28,500
Market value 31 March	32,000
52-week high <sup>(**)</sup>	35,600
52-week low <sup>(**)</sup>	17,200
Average Daily Volume <sup>(**)</sup>	1,766

(\*) Based on cash dividend payment plan in AGM 2011

(\*\*) Bloomberg

#### Income Statement Summary (billion VND)

	Q1 2011	Q2 2011
<b>Revenue</b>	114	106
<b>COGS</b>	95	196
<b>Gross profit</b>	13	11
Gross margin	11%	10%
<b>EBIT</b>	-	-
EBIT margin	-	-
<b>Net profit</b>	2	0
Net profit margin	1%	0%

## VPH Portfolio Holding

### 5. Phu My Bridge Corporation (PMC)

The Phu My Bridge Corporation is the project owner of the Phu My Bridge, the largest suspension bridge in South Vietnam linking District 2 and District 7 of HCMC. Because the bridge cuts an hour off the drive from the port area to downtown HCMC and connects the east and west of southern Vietnam, the Government took an active role in this key Build Operate Transfer (BOT) infrastructure project.

PMC expects traffic over the bridge to increase when the road connecting Phu My Bridge and the Hanoi national highway is completed. However, progress on this BT project (approach roads) is going slowly. The Government recently completed the clearance process and handed over the last 3km of approach roads to PMC on July 29<sup>th</sup> 2011. As of June 30<sup>th</sup>, PMC has completed 80% of the BT project work with a total investment of VND1,100bn.

Due to materially adverse changes in PMC's financial plan attributed mainly to the Government side (much lower toll fee revenues, and failing to direct trucks to the bridge, etc.), the company has submitted a letter to the Prime Minister to request either for an advance to cover the investment costs, or to transfer the project to the Government now and get the money back instead

#### PMC Key Share Data @ 30 June 2011

Market Capitalization (\$mn)	59
Share Price (VND)	15,900
Trailing P/E	N/A
Outstanding shares (mn)	75
Dividend Yield 2011 (%) <sup>(*)</sup>	0
Market value 30 June 2011	15,900
Market value 31 March	15,900
52-week high <sup>(**)</sup>	N/A
52-week low <sup>(**)</sup>	N/A
Average Daily Volume <sup>(**)</sup>	N/A

<sup>(\*)</sup> Based on cash dividend payment plan in AGM 2011

<sup>(\*\*)</sup> Bloomberg

#### Income Statement Summary (billion VND)

	H1 2010	H1 2011
<b>Revenue</b>	13	31
<b>COGS</b>	3	10
<b>Gross profit</b>	10	22
Gross margin	77%	69%
<b>EBIT</b>	5	(70)
EBIT margin	-	-
<b>Net profit</b>	4	(70)
Net profit margin	31%	-223%

## 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.

- **Inception:** August 2007
- **AUM at Inception:** US\$125mn
- **Incorporated:** Cayman Islands
- **Main Office:** Ho Chi Minh City, Vietnam
- **Business Models:**
  - Fund Management
  - Trading and Investment, US-Vietnam (2012)
- **Track Record and Pertinent Info:**
  - Vietnam Equity Holding (VEH)
    - No. 1 performing equity fund in 2008 <sup>(\*)</sup> and best performing equity fund since 2007
    - Focus on small to mid cap equities
    - Key Portfolio Holdings: VNM, FPT, DHJ, STB, PMC
  - Vietnam Property Holding (VPH)
    - No. 1 performing property fund in 2009 <sup>(\*)</sup>
    - Focus on listed real estate companies with large land banks
    - Key Portfolio Holdings: NBB, C21, Mo Plaza, SAV, PMC
- **Management:**
  - Louis Nguyen – Chairman & CEO
  - Chinh Hoang – Director of Equity Investment
  - Henrik (Hien) Vu – Managing Director of Real Estate Investment