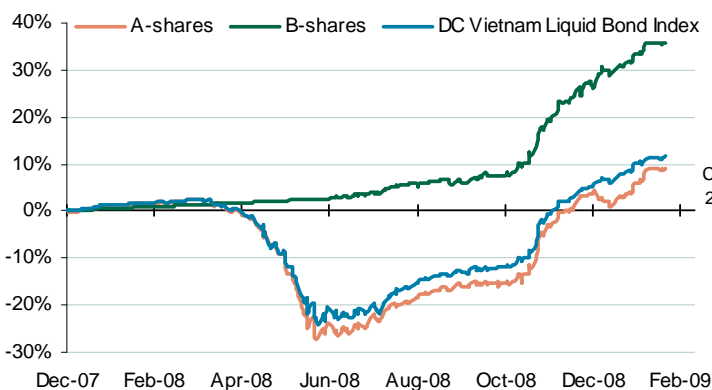


FUND PERFORMANCE

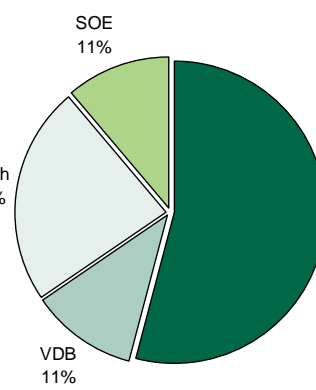
The last successful primary auction was Jan 13 with 2, 3, 5 years sold between 8% and 8.15%. Since then, aggressive rate ceilings and poor timing have led to failed auctions, most recently a Feb 9 auction with 2 and 3 years at 6.7%. The two share classes saw gains with the A-shares +5.8% and the B-shares were +3.9%. The performance difference was from a lower modified duration and an unmoved corporate debt market, resulting in the B-shares to under perform our benchmark. Plans are to continue tweaking the modified duration and capturing the occasional arbitrage opportunity.

	NAV*	NAV/share*	Modified duration	VND Return (%)			US\$ Return (%)		
				Monthly*	YTD	Inception (19 Dec 07)	Monthly*	YTD	Inception (19 Dec 07)
VDeF-A	US\$12,988,083	US\$980.38	-3.05	5.86	5.86	6.83	5.91	5.91	-1.96
VDeF-B	US\$19,525,585	US\$1,231.28	-2.17	3.88	3.88	34.18	3.93	3.93	23.13
DC-LQD	111.08		-3.10	4.87	4.87	11.08	4.92	4.92	1.94

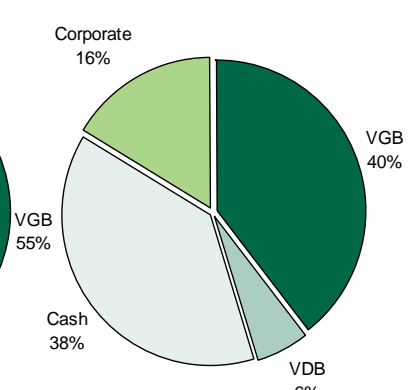
NEXT SUBSCRIPTION WINDOW: 17 APR 2009



A-SHARE



B-SHARE

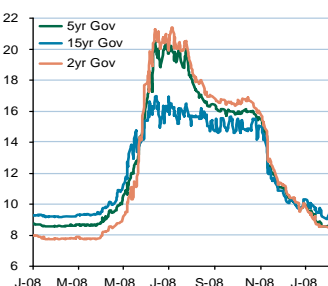


*Designates audited NAV, other figures are DC calculations off current VBF quoted on Bloomberg

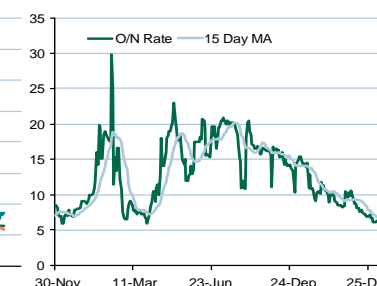
MARKET OVERVIEW

The January macro numbers were dismal. Industrial production down by 4%, imports down 44% and exports down 25%. Price factors and seasonality from a January (as opposed to February) Tet are at play, but the feeling is that the numbers represent Vietnam catching the global economic pandemic. In terms of how virulent the strain, we're less exposed to the consumption squeeze on high-end exports. However, Vietnam is an investment dependent economy. Growth comes capital investment pulling agriculture labor into more productive, higher wages sectors. The import numbers, which has traditionally been capital goods, combined with weak FDI pledges for the month (some \$200m), suggest that the investment-growth nexus is clogged on the external side. But the domestic side of the growth equation is another matter. Interest rates are at levels not seen since early 2007 with O/N rates 5%-6%. And following the current fashion of government stimulus package, Vietnam is implementing a 4% interest rate subsidy to kick-start new investment. While the program might show some benefits a couple quarters out, for now we expect the program will primarily be used to refinance existing loans. By creating an artificial gap between cost of capital for banks and borrowers, the program does provide a monetary type impact without pressure on the FX. And following recent announcements by the PM and SBV, it appears the currency stability is a key priority. We understand financing for the program to come from the forex reserves, which fits the trend across Asia given regular BOP surpluses and flush accounts. That said, the government will need to raise more financing given the abysmally low oil prices will hurt the fiscal position. The problem, and this is one all countries are now facing, is how can government's raise cash without squeezing-out the private sector investment?

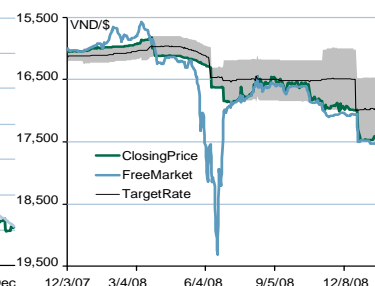
VGB YIELDS



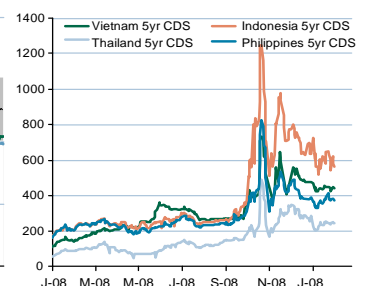
O/N RATE



CURRENCY



CDS

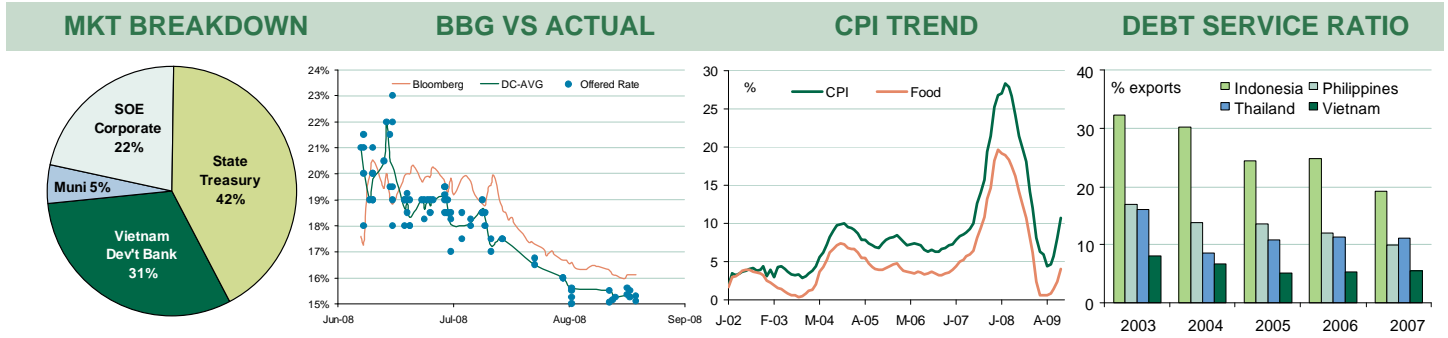


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BOND MARKET OVERVIEW

The market is small at US\$13bn but 4x 2005 levels. It is highly fragmented, with approximately 600 issues, mostly sovereign or quasi-sovereign, average sizes of US\$20m and daily trading of US\$35m. Corporate issuers are mostly unrated SOEs. A yield curve is just starting to develop. Offshore access to the market is available, but dealing is problematic. Pricing is opaque, dispersed, and screen quotes are unreliable. Fair prices are only obtained by calling around the market. For now, attention is focused on sovereigns, concentrated in sub-5yrs with substantial near-term re-issuance requirements. But exciting opportunities will emerge in quasi-sovereign, municipal, provincial and corporate bonds, where information is most scarce and financial needs, greatest.



INVESTMENT STRATEGY

VDeF is a Cayman registered, segregated portfolio company, with two legally separate share classes; A and B. Investors may invest in either, or both classes, with each class differentiated by levels of risk:

A shares: Lower risk, with a minimum weighting of 60% sovereigns, and up to 40% in Vietnam Development Bank, municipal, provincial and SOE corporate bonds. Target returns: 9-10% pa (net of fees).

B shares: Higher risk, with up to 100% in municipal, provincial and SOE/private corporate bonds, as these become available. Can hold up to 100% in sovereigns, and invest in private placements, loans and deposits. Target returns: 12-13% pa (net of fees).

VDeF will have first mover advantages in Vietnam's nascent market, from our unique market perspective, strong dealing capability and high-quality research (to overcome lack of ratings and anticipate major market shifts). In the absence of agencies, we are developing a system of credit ratings based on financial and fiscal fundamentals and intangibles, e.g. governance. The Fund will target tenures in line with a scenario that sees inflation and interest rates declining from late 2008.

INVESTMENT MANAGER

Dragon Capital (DC) seeded VDeF with US\$20m and its Debt Team has been in place for two years. DC is an experienced foreign portfolio investor in Vietnam's capital markets. Established in 1994, it has pioneered numerous investment forms and has an outstanding dialogue at every level of business and government. In 2003, its JV subsidiary became the country's first domestic asset manager. AUM are in excess of US\$1.5bn across equity, debt, resources and property. We employ over 100 staff at offices in Ho Chi Minh, Hanoi, and the UK. DC's shareholders comprise the International Finance Corporation, Proparco, and management.

VDeF is managed by Dan Svensson, a Fulbright Scholar who holds graduate degrees in finance, including an MBA from UC Berkeley. Before joining DC in 2007, he held positions in the Swedish Debt Office, the European Bank for Reconstruction and Development and Handelsbanken. He was closely engaged in debt management, financial policies, derivatives structuring and Basel II compliance. Dan's team consists of a PhD economist, an MBA holder and two graduates in actuarial science. He is supported by DC's equity research team which oversees the industry's biggest macro and corporate database and fields 12 sectoral analysts, plus its own MA economist, a Johns Hopkins-trained American. Investment decisions will be made by a committee of eight DC professionals with skill sets in fixed-income, economics, company research, credit assessment and public policy.

INVESTMENT MANAGER

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SHARE DEALING

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alexpasikowski@dragoncapital.com

FUND STRUCTURE

Quarterly subscription with one month's notice
Quarterly redemption subject to company discretion
5% liquidity gate
A shares - sovereign and quasi-sovereign debt
B shares - corporate and other debt

PERFORMANCE FEES

A shares: 0.8% +10% with 10% hurdle
B shares: 1.2% +10% with 12% hurdle