PXP VIETNAM FUND LTD

Newsletter

– 22 April 2012 –

PXP Vietnam Fund Limited

A Cayman-domiciled closed-end fund listed on the Main Market of the London Stock Exchange. The investment objective of the Company is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies.

Summary

Portfolio Manager
Kevin Snowball

Bloomberg Ticker
VNF LN <Equity>

ISIN
KYG7301W1033

Market Makers

HSBC:
Hugh Harvey-Kelly
+44 207 991 5241

Jeffries International:
Mark Mulholland
+44 207 898 7106
Bloomberg **JJFD**

LCF Rothschild:
Johnny Hewitson
+ 44 207 845 5960
Bloomberg **LCFR**

NUMIS:
David Cumming
+44 207 260 1376
Bloomberg **NUMS**

Seymour Pierce
Jacqui Briscoe
+44 207 107 8329

PXP VIETNAM ASSET MANAGEMENT

PXP Vietnam Asset Management
Vietnam Representative Office
6th Floor, Opera View Building
161 Dong Khoi, District 1
Ho Chi Minh City, Vietnam

Tel. Nº. + (84) 8 3827 6040
Fax Nº. + (84) 8 3827 6043
www.pxpam.com

I• Fund Details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 4.121** as at 30 March 2012
Number of shares in issue	12,000,000
Fund size	US$ 49.45 million
Number of holdings	Listed: 38 Pre-Listed: 0

Performance	**YTD**	**1 Year**	**2 Years**
PXPVF*	**+24.01%**	**+16.41%**	**-18.51%**
VNI**	+26.71%	-4.04%	-19.04%
	3 years	**4 years**	**5 years**
PXPVF*	**+57.83%**	**-22.71%**	**-62.38%**
VNI**	+34.29%	-33.99%	-68.33%
	6 years	**7 years**	**8 years**
PXPVF*	**-9.94%**	**+70.22%**	**+57.59%**
VNI**	-33.03%	+35.89%	+22.00%

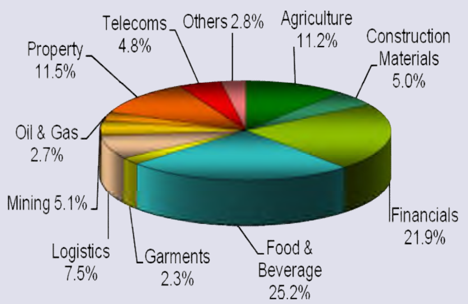
* All figures are NET of fees ** Index performance in US$

II• Top-10 Holdings

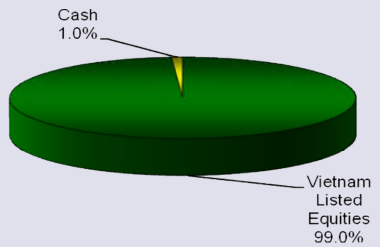
	% of Net assets
Vinamilk (VNM)	22.1
Sacombank (STB)	13.1
REE (REE)	5.8
FPT Corporation (FPT)	4.7
Dong Phu Rubber (DPR)	4.3
Hoa Phat Group (HPG)	4.2
HCMC Securities (HCM)	4.0
Southern Seed Corp (SSC)	3.6
Hoang Anh Gia Lai (HAG)	3.6
Transimex (TMS)	2.9

IV• PXPVF Portfolio

Sectoral Breakdown (as at 30 March 2012)



Segments (as at 30 March 2012)



III• Investment Comment

The market continues to behave in a rational way with upward moves consolidated before further advances. The March trading range was established in the first four trading days of the month which then allowed us to reinvest the proceeds of the Fund's sale of Binh Minh Plastics in an orderly fashion so that we were once again fully invested before the index resumed its uptrend on record volumes. We are also encouraged by frequent availability within the daily trading range of a number of stocks at the foreign ownership limit; this has enabled us to increase the Fund's holding of FPT Corporation by a little over 20% in terms of number of shares since the middle of March, for example.

The brokers continue to attempt to call the start of a deeper consolidation whenever the index falls by 1% in a day, which we feel is somewhat missing the implications of a huge and sustained surge in turnover since the beginning of the year. For us the relevant question is not "who is selling?" but "who is buying?" Foreign participation on a daily basis has declined on average from around 15% to under 10% as turnover has increased so the additional participation is clearly mainly domestic; the rotational nature of individual stock (rather than index) movements suggests that money is being recycled rather than taken off the table, which we consider a very bullish signal.

We are convinced that the government is aware that increased foreign participation is desirable and that this will pick up again when concerns regarding access and supply are addressed, bringing improvements in choice and diversity, and we look forward to positive news on this front.

The macro picture continues to improve, with a rumoured sub-0.1% month-on-month April CPI release in the next couple of days reducing the annual rate below 11%. Whilst a 3% increase in fuel costs at the back end of last week may possibly negate the positive implications on sentiment of the monthly number for a day or two, long term investors should focus on and applaud the decline in the annual rate by over half since August 2011.

The currency continues stable, buoyed by demand from domestic as well as foreign investors as recent stability improves confidence and cash and gold are removed from beneath the mattress to take advantage of a roughly 10% differential between VND and USD deposit rates or a desire to participate in the bull market for equities.

If all of the above isn't enough to convince everyone but those readers of The Economist who trust no-one else for objective and informed economic commentary that the country is back on track; Vietnam in the first quarter had its first trade surplus since the gold exporting version of 2009.

Two 1% cuts in interest rates in little more than a month - although in line with reported government policy to cut by that amount quarterly, falling as they did in March and April – may have observers worrying about "too much too soon", but the 4% first quarter GDP growth figure and a 2% contraction in credit over the same period are raising fears locally that the economy is slowing too much. The fine-tuning and willingness to act quickly now becoming evident in monetary policy should not, in our view be regarded as negative.

The effect on corporate earnings of cheaper borrowing should also be highlighted. Whilst we feel that the theory that "every 1% cut adds 5% in absolute terms to the bottom line of the market" is overly simplistic given the erosion of time we do agree that it is a positive. A market that started the year on around 7.5 times our 2012 forecast earnings with an index up by a third year to date should now be on around 10 times. However, having raised forecast earnings growth for the market to 18% for 2012 we have it below 9 times and if one discounts the big ugly overpriced stocks that we won't be buying that falls back to 8 times; still at the bottom of the 8 to 35 times historic average. Early days.