PXP VIETNAM FUND LTD

Newsletter

– 21 June 2013 –

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

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Kevin Snowball

Bloomberg Ticker
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I• Fund Details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 5.808** as at 31 May 2013
Number of shares in issue	12,000,000
Fund size	US$ 69.69 million
Number of holdings	Listed: 43 Pre-Listed: 0

Performance	YTD	1 month	1 year
PXPVF*	+30.72%	+9.69%	+35.86%
VNI**	+24.41%	+9.02%	+19.96%
	2 years	**3 years**	**4 years**
PXPVF*	+79.26%	+15.51%	+54.14%
VNI**	+20.66%	-7.48%	+6.76%
	5 years	**6 years**	**7 years**
PXPVF*	+38.48%	-47.45%	+23.39%
VNI**	-3.01%	-63.22%	-26.79%
	8 years	**9 years**	**Inception**
PXPVF*	+143.11%	+133.44%	+132.32%
VNI**	+60.49%	+54.46%	+131.65%

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

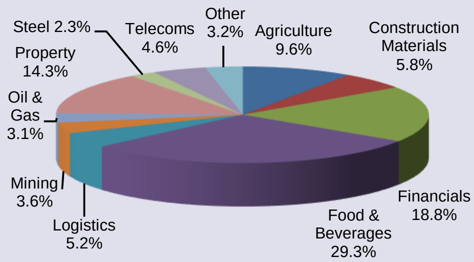
* All YTD figures are from 28 December 2012

II• Top-10 Holdings

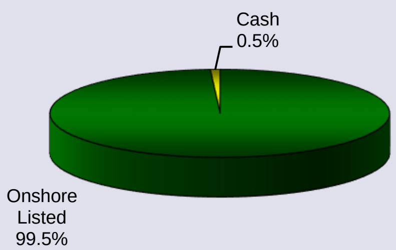
(As at 31 May 2013)	% of Net assets
Vinamilk (VNM)	28.7
Sacombank (STB)	8.0
REE (REE)	8.0
Hoa Phat Group (HPG)	5.4
FPT Corporation (FPT)	4.6
Hoang Anh Gia Lai (HAG)	3.6
HCMC Securities (HCM)	3.5
Petrovietnam Drilling (PVD)	3.1
Southern Seed Corp (SSC)	2.9
Dong Phu Rubber (DPR)	2.9

IV• PXPVF Portfolio

Sectoral Breakdown (as at 31 May 2013)



Segments (as at 31 May 2013)



III• Investment Manager's Comment

We apologise for our lack of output year-to-date in the current format, but trust that we have suitably communicated our views and performance data through other media – including regularly updated Presentations and in the Fund's unaudited Interim Report for the six months ended 31 March 2013, published on 22 May 2013 – to keep Shareholders sufficiently abreast of developments.

We must confess ourselves somewhat bemused by the closed end fund market's seeming obsession with discount levels to the exclusion of qualitative consideration of holdings, which prevented the launch of the Fund's proposed C Share issue between the 2012 and 2013 Annual General Meetings, held on 31 May in the respective years, and which continues to obstruct planning post- the renewal of authority. At the date of the former Meeting the Fund was trading at a 12.7% discount to Net Asset Value ("NAV"); a year later that had widened to 13.1% whilst the NAV had increased by almost 36%. All pretty obvious in terms of the benefits of holding the existing shares over the period. The C Share issue, had it happened, would have effectively resulted in the conversion of C Shares at parity and so returns would have been less impressive, all other things remaining the same, but still somewhat better than one would have achieved putting the money on deposit in US dollars. Not much that we can do to change market behavioural patterns, of course, but we hope our reader will excuse our frustration given our continuing bullishness.

On 6 June 2013 Dr Vu Bang, the Chairman of the State Securities Commission, stated that the Ministry of Finance will submit a proposal to the government next month recommending the raising of the foreign ownership limit in listed non-bank equities from the current 49% in recognition of the importance of foreign investment to the further development of the local stock markets. We do not profess any unique insight into when and how such a move might eventuate but are encouraged to think "sooner rather than later" by what we interpret as recognition that the longer the restriction is in place in its current form the worse the situation will become if nothing is done to improve foreign access. In other words, if limits are not raised we will soon reach a situation where all stocks which have some fundamental attractiveness to foreign bottom-up investors are only accessible through non-ETF funds (given that the Vietnam ETFs are structurally unable to own stocks at foreign limits).

As for the market, so for portfolio construction. There is, for the time being, sufficient availability in fundamentally attractive stocks approaching limits to justify at least a doubling of the size of the Fund. An extensive delay in being able to do so will see a decline in the amount which we are comfortable deploying since we do not wish to dilute our disciplined approach by buying stocks which are outside of our core group. Investing a further US$ 50 million or so would take a handful of those stocks close to their foreign ownership limit and we would argue that the benefits of that will be optimised before rather than after limits are raised.

Assuming that we are talking about "when" rather than "if" limits are raised, we are firmly of the opinion that the stocks which are at the foreign limit (of which the Fund's current portfolio contains nine, representing approximately 50.7% of net assets at the time of writing) will increase in price thereafter as renewed foreign access is facilitated. We did field suggestions on a recent round of discussions with investors that stocks at the limit might actually decline in price after limits are raised. It took a little while to figure out the logic behind that argument but we got there in the end; it implies a strict adherence to the maxim "buy on rumour, sell on news" which would only be valid if the group (ie. foreigners) who want to buy those stocks were actually able to do so before the event so that they could take profits thereafter.