PXP VIETNAM FUND LTD

Newsletter

– 9 September 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$ 5.488** as at 30 August 2013
Number of shares in issue	12,000,000
Fund size	US$ 65.86 million
Number of holdings	Listed: 44 Pre-Listed: 0

Performance	YTD	1 month	1 year
PXPVF*	+23.52%	-2.21%	+32.15%
VNI**	+12.68%	-3.73%	+17.58%
	2 years	**3 years**	**4 years**
PXPVF*	+54.07%	+27.81%	+2.01%
VNI**	+9.83%	-4.10%	-27.01%
	5 years	**6 years**	**7 years**
PXPVF*	+8.18%	-43.01%	+16.00%
VNI**	-31.36%	-59.97%	-26.99%
	8 years	**9 years**	**Inception**
PXPVF*	+123.63%	+130.10%	+119.52%
VNI**	+39.64%	+51.86%	+109.81%

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

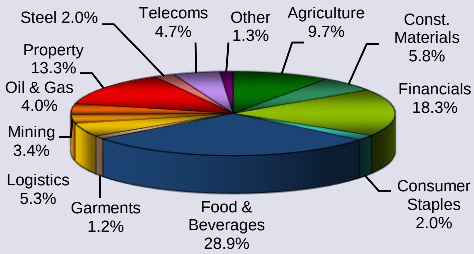
* All YTD figures are from 28 December 2012

II• Top-10 Holdings

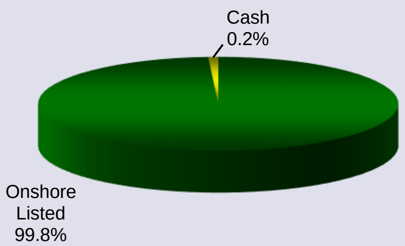
(as at 30 August 2013)	% of Net assets
Vinamilk (VNM)	28.4
Sacombank (STB)	8.0
REE (REE)	7.6
Hoa Phat Group (HPG)	5.4
FPT Corporation (FPT)	4.7
Petrovietnam Drilling (PVD)	4.0
HCMC Securities (HCM)	3.6
Southern Seed Corp (SSC)	3.6
Hoang Anh Gia Lai (HAG)	3.6
Dong Phu Rubber (DPR)	2.6

IV• PXPVF Portfolio

Sectoral Breakdown (as at 30 August 2013)



Segments (as at 30 August 2013)



III• Investment Manager's Comment

August started well but was ultimately a disappointing month for the Vietnam stock market, with the VNI ending down 3.7% in USD after having been up a little over 4% as of the 19th of the month. External pressures from a regional sell-off due to tapering concerns were initially ignored, trumped by domestic optimism toward the possible relaxation of foreign ownership limits, but a combination of hawkish statements toward Syria from the West chilling (in the post-teen sense of the word) relations with Russia together with understandable disappointment vis-a-vis the reported recommendations on the form that improvements in foreign access might take stopped the local rally in its tracks.

What we had, perhaps naively, hoped would be a simple and straightforward raising of foreign ownership limits in non-sensitive sectors from 49% to 60% seems to have unfortunately morphed (if press reports are accurate) into a recommendation that this additional 11% be available only to "strategic investors" (whoever they may be, since the term, although frequently bandied about is not currently legally defined). The logic behind this complication is presumably either that it is better to restrict the number of investors able to participate in an off-market transaction in order to keep the price down rather than using the stock market to allow investors of any shape or size to compete to acquire shares - and we confess ourselves totally ill-equipped to follow that rationale – or that you want to ensure that a particular seller (presumably a major shareholder) is able to participate by selling part of their holding. In the latter case, fair enough, but surely that would work better via a public offering of some description since individual companies should be able to set the terms on how and when their own limits are raised and lowered as they are now, and a successful issue above current market prices would likely provide some positive stimulus to the market.

Further to the above proposal, it was also suggested that "institutional investors" (ditto comment re. strategics above) "may be allowed to increase holdings above (the) current limit of 49% through additional purchase of 10% non-voting shares" (source: Bloomberg, 19 August 2013). Please note "non-voting *shares*" rather than the non-voting depository receipts that the market (except us) had been hoping for; that is a limited issue new class of shares, presumably intended to be issued by companies which have need for a new injection of capital. Admittedly a fairly large group, at least in the property and banking sectors in this market, but one which almost certainly does not include any of the stocks currently at the foreign ownership limit. So what would be the point of that? And the intended buyers are whom? A group of investors who don't care how the companies in which they invest are run under any circumstances? Good luck rounding them up.

The messiness of the two above statements when taken in tandem suggests to us that this is more a menu for Prime Ministerial delectation than intended to be a coherent unified policy recommendation, or at least we – by which in this instance we mean the whole market for those who have not spotted the coincidence between the date of the end of the August gravity defying mini-rally and the publication of these proposals some two hours or so after the market had closed for the day – hope so.

Not our decision of course, and we are sure that no-one cares for our opinion but as far as we are aware we're still allowed to have one, whatever you may have read elsewhere.

The Viet Nam Index has once again retreated below 500 points as investors refocus on the negatives but if our cautious optimism that the right decision will ultimately be taken in respect of the further opening of the market proves correct, we are of the opinion that we have not yet seen the highs for the year barring the outbreak of World War III in the next couple of weeks. Wait for the cannons if you must.