

Vietnam Emerging Equity Fund Limited (VEEF)

A Cayman-domiciled open-ended fund with monthly liquidity. 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 companies with a significant presence in Vietnam.

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Portfolio Manager

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Bloomberg Ticker

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Subscriptions:

Monthly, at month end
Redemptions:
 Monthly (30 Business Days' Notice)

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I• Fund details

Launch Date	3 November 2005		
Issue Price	US\$ 5.000		
NAV per share (Lead Series)	US\$ 5.036 as at 31 May 2013		
Number of shares in issue	6,012,396		
Fund size	US\$ 30.92 million		
Number of holdings	Listed: 38 Unlisted: 4		
Performance	Month	YTD	1 year
VEEF*	+5.93%	+21.73%	+16.39%
VN Index**	+9.02%	+24.41%	+19.96%
VEEF*	2 years	3 years	4 years
VEEF*	+38.50%	-11.49%	+23.52%
VN Index**	+20.66%	-7.48%	+6.76%
VEEF*	5 years	6 years	7 years
VEEF*	+2.92%	-60.56%	-24.40%
VN Index**	-3.01%	-63.22%	-26.79%

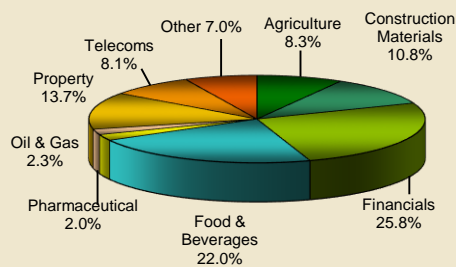
* All figures are NET of fees ** Index performance in US\$

II• Top 10 holdings

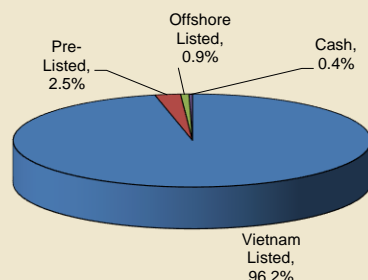
(as at 31 May 2013)	% of Net assets
Vinamilk (VNM)	19.4
Hoa Phat Group (HPG)	8.7
Sacombank (STB)	8.6
FPT Corp (FPT)	7.2
Hoang Anh Gia Lai (HAG)	7.1
Dong Phu Rubber (DPR)	5.9
HCMC Securities (HCM)	5.1
Military Bank (MBB)	3.4
Vietnam Sec. Fund (VFMVF1)	2.9
Aquaproduct Ben Tre (ABT)	2.4

IV• VEEF portfolio

Sectoral Breakdown (as at 31 May 2013)



Segments (as at 31 May 2013)



III• Investment Manager's comment

Recent market action has been volatile globally, with concerns over QE tapering and a credit crunch in China negatively impacting sentiment toward emerging markets. Vietnam has not been spared the ravages of redemptions, but we would like to argue that this has created the prospect of enhanced returns in a market where the medium- and long-term bull case arguments remain intact.

We have for some time now been encouraging potential investors to look through perceptions of macroeconomic management difficulties and on to solutions to the so-called banking "crisis", and performance over the past 18 months has proven our thesis. The government shows no sign of weakening in its resolve with regard to the continued stability of the economy and seems able to address the consequences of firm action where necessary. From a micro perspective share prices reflect valuations at reasonable levels where not distorted by flows from ETFs, and bottom line growth is likely to further improve into 2014 as the economy continues to develop. The recent first signs of an acceleration in credit growth should encourage a similar move across the economy into the second half of 2013 and beyond. Certain banks are concerned that they will soon be approaching the 12% credit growth limit for 2013 and have asked the State Bank to review said limit, although system-wide loan growth has just topped anaemic.

"Hot money" foreign flows into the Vietnamese market since November last year have been largely directed through ETFs, which have substantially different holdings to our own. As we have mentioned on more than one occasion, these vehicles are quantitative in their approach to portfolio construction whereas we apply a disciplined bottom-up approach, and the diametrically-opposed portfolios produce very different results (see chart below). If withdrawals from the ETFs continue, selling pressure will continue to be concentrated away from our core holdings and on theirs. The next catalyst for a renewed uptrend in the Vietnam Index will, in our opinion, be a relaxation in the foreign ownership limit for listed stocks. Since the market is aware that such a proposal is due to arrive on the Prime Minister's desk in July we do not suppose that its delivery will not be altogether surprising to him, and we conclude that a decision will not be too long in the taking. The ETFs will not benefit from any appreciation in the price of stocks at the foreign ownership limit because they don't (and can't) own them. The current holdings of stocks at the foreign ownership limit in VEEF stands at 42%.

Relative performance YTD to 26 June 2013 (%)

