PXP VIETNAM FUND LTD

Newsletter

– 23 April 2010 –

PXP Vietnam Fund Limited

A Cayman-domiciled closed-end fund listed in Ireland. 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
PXPVIET KY <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
Leti McManus / Sam Tully
+44 207 107 8095

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. N⁰. + (84) 8 3827 6040
Fax N⁰. + (84) 8 3827 6043
www.pxpam.com

I• Fund details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 5.057** as at 31 March 2010
Number of shares in issue	12,000,000
Fund size	US$ 60.68 million
Number of holdings	Listed: 41 Pre-Listed: 2

Performance	YTD	1 Year	2 Years
PXPVF*	**-1.538%**	+93.68%	-5.16%
VNI**	**-2.353%**	+65.83%	-18.47%
Performance	**3 years**	**4 years**	**5 years**
PXPVF*	-53.83%	+10.51%	+108.9%
VNI**	-60.89%	-17.30%	+67.8%

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

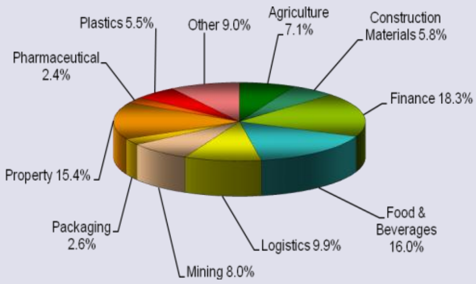
II• Top 10 holdings

	% of Net assets
Vinamilk (VNM)	14.3
Sacombank (STB)	9.4
REE (REE)	7.6
HCMC Securities (HCM)	5.7
Binh Minh Plastics (BMP)	5.1
Gemadept (GMD)	4.8
Binh Duong Minerals (KSB)	4.0
Hoa Phat Group (HPG)	3.9
Nui Nho*	3.9
Southern Seed Corp (SSC)	3.1

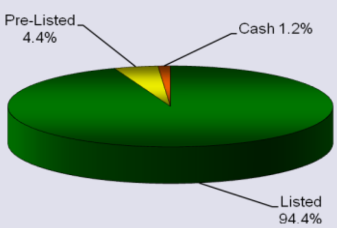
* Pre-listed holding

IV• PXPVF portfolio

Sectoral Breakdown (as at 31 March 2010)



Segments (as at 31 March 2010)



III• Investment Comment

The Fund was listed on the Main Market of the London Stock Exchange on 7 April 2010 with the ticker **VNF**. To date activity has been somewhat underwhelming with less than a small handful of trades, but we are encouraged by the reduction of the spread to only 20 cents and by the willingness of five market makers to participate in creating a more transparent market. We are optimistic that liquidity will improve in time once far-flung frontier markets reappear on risk radar.

For those who have been spared a visit by the author over the past 10 days and to reiterate for those who had fallen asleep before the denouement we would outline our rationale for feeling that the market is at (or, after yesterday's move possibly just beyond) a turning point. Top-down commentators have tended over the past couple of years to take fright at Vietnam's perceived economic weaknesses. The bears have more recently taken to declaring themselves "negative in the short term on macro issues" with a four-point checklist, namely; the trade deficit; inflation; the currency, and lastly; stress in the banking system.

At PXP we feel that concerns in those areas are somewhat exaggerated, and that the following might provide some balance if not a reason for outright optimism:

- The trade deficit is structural in nature and is perhaps inevitable given the stage that Vietnam is at in terms of industrialising and modernising its economy. Imports of machinery are by far the single largest inward item. The deficit is, in any event, more than covered by disbursements from foreign direct investors and remittances from overseas Vietnamese;
- Inflation ballooned to 23% in 2008 largely due to global increases in the prices of food and foodstuffs (40% plus of Vietnam's CPI basket) and petroleum products. 2009 saw a much more moderate 6.9% and the government's 2010 target of less than 7% whilst still looking somewhat optimistic has begun to look less so, with year-on-year inflation having fallen from 9.46% in March to 9.23% in April 2010, and monthly figures appearing to have peaked in February;
- The Vietnamese Dong (VND) has suffered from 3 years of weakness beyond the government's preferred gradual 1 ½ to 2% annual adjustment against the US dollar. February's devaluation (the second since November 2009) seems to have done the trick in combination with the closure of the local gold exchanges (which it turns out were more casino than reflection of some fundamental mistrust of the currency), to the extent that the official and black market rates are now almost indistinguishable and the Dong has even strengthened slightly over the past two months. Evidence suggests that dollars are now relatively freely available in the system for the first time in over two years. A stable currency will maintain Vietnam's low-cost competitive advantage until such time as further enhanced by a likely revaluation of the Yuan;
- The 38% growth in loans during 2009 is superficially worrying, but commentators who focus on this often fail to connect the statistic with the fact that, in a nation with a population close to 90 million, there are less than 10 million bank accounts and loan to deposit ratios of less than one which to us at least suggests significantly less stress on the system.

A presentation outlining our views will appear on our website next week, but, in summary: if perceived macro weaknesses are not actually particularly troublesome, more attention might conceivably instead be paid to micro *strengths*, and with a weighted average market P/E ratio on the southern bourse of less than 13 times 2010 forward estimates (with many companies a great deal more reasonably valued than that) in an economy likely to return in 2010 to 10-year historic growth rates above 7%, Vietnam might in fact be considered relatively cheap, an observation reported earlier this week from a proper authority. Take a bow Dr. Mark Mobius.