

## PXP VIETNAM FUND LIMITED

A Cayman-domiciled closed-end fund listed in Ireland. The investment objective of the Fund is to achieve long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies, whether established with domestic or foreign ownership, which are either listed companies or pre-listing companies.

### FUND DETAILS

**Launch Date:** 31 December 2003      **Issue Price:** US\$ 2.500

**NAV per share:** US\$ 4.114 as at 31 July 2006

**Number of shares in issue:** 12,000,000

**Fund size:** US\$ 49.4 million

**Number of holdings:** 24

Performance	1 month	3 months	1 Year
<b>PXPVF</b>	<b>-11.37%</b>	<b>-18.78%</b>	<b>+71.35%</b>
<b>Viet Nam Index</b>	<b>-18.07%</b>	<b>-29.06%</b>	<b>+72.04%</b>

### TOP 10 HOLDINGS

	% of Net Assets
Sacom Cable ( <b>SAM</b> )	10.94
Vinamilk ( <b>VNM</b> )	9.85
Sacom Bank ( <b>STB</b> )	8.66
REE ( <b>REE</b> )	7.43
Gemadep ( <b>GMD</b> )	7.42
Agifish ( <b>AGF</b> )	4.39
Fimex (unlisted)	4.13
Southern Seed ( <b>SSC</b> )	3.70
Hoa An ( <b>DHA</b> )	3.39
Bibica ( <b>BBC</b> )	2.61

### INVESTMENT COMMENT

During July the Fund's net asset value per share fell by 11.37% compared to the Viet Nam Index (VNI) loss of 18.07%. The Fund's equity holdings as a percentage of Net Assets increased from 70.6% at the end of June 2006 to 79.0% as at 31 July 2006.

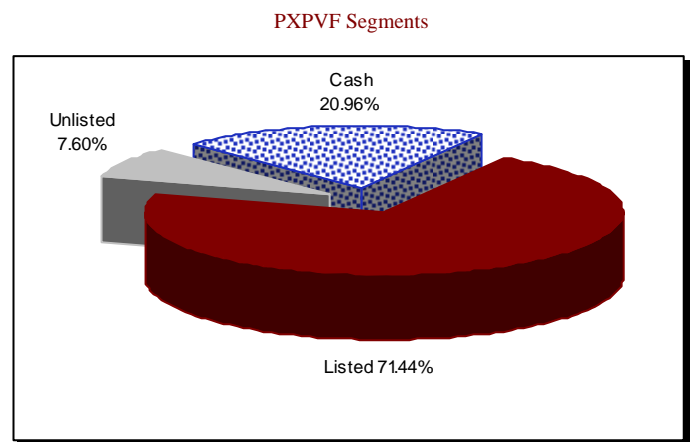
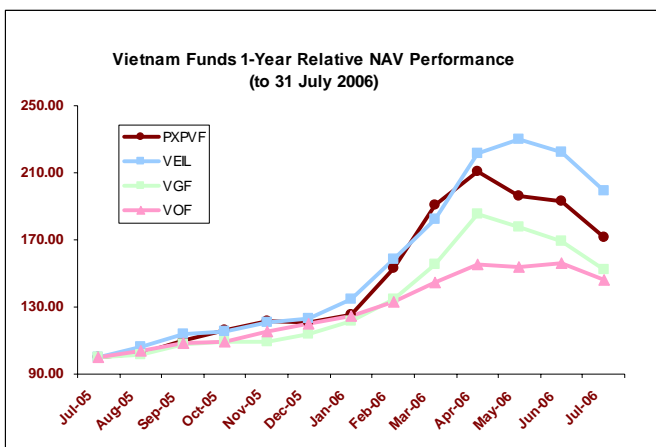
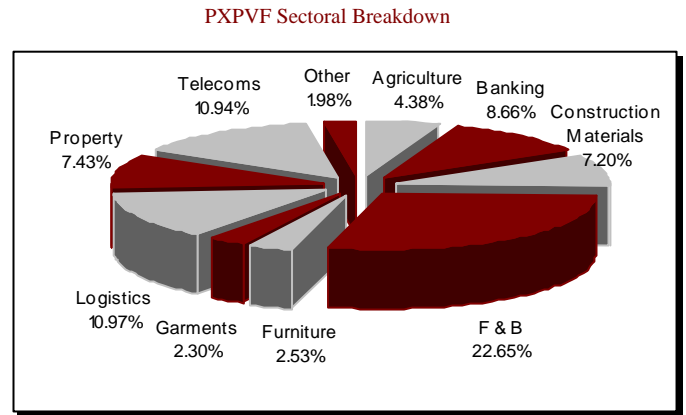
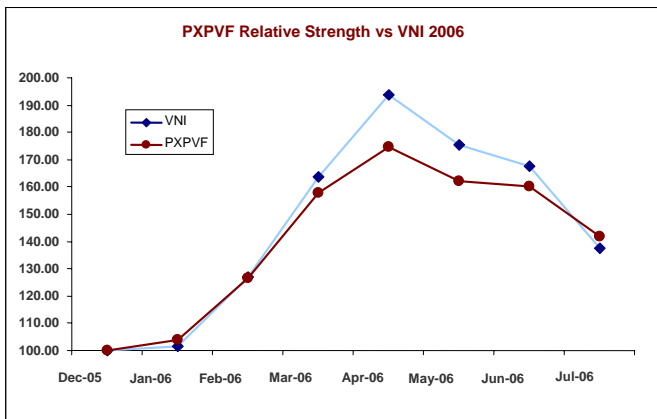
Although July was something of a "be careful what you wish for" month (see last month's offering), we now feel fully vindicated in having raised cash in a frothy market in March 2006 to give the Fund some protection against the inevitable correction. Year-to-date performance is now in line with the index, as can be seen in the chart on page 2, below.

The long-awaited 12 July 2006 listing of Sacombank (STB), the first such from the financial sector and representing over one-third of the market by capitalisation, was met with profit-taking from local investors realising windfall profits of several hundred percent in a little less than a year. The Fund was legally unable to participate in that particular party, but has been an active buyer since the listing date of the VNI's new bellwether, establishing close to a full weighting in the stock by the reference date. STB's price weakness was also a result of its proposed 30 million share issue (now postponed) and this caused the index to fall below the (locally) psychologically-important 500 point level in mid-July. Across-the-board selling followed (we presume exacerbated by forced margin unwind) and the index ended the month at 426.49, within touching distance of our 15% correction target. Two days (and a further 8.8% fall) later, sentiment reversed as if at the full extension of a bungee cord as the release of news of the award of trading codes to various foreign institutions (including, most notably, Merrill Lynch) combined with the realisation that the much feared cash calls from the big caps have been shelved, at least temporarily.

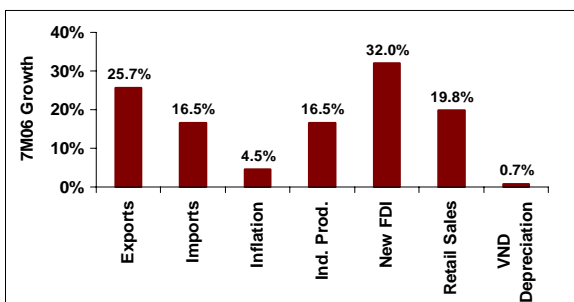
Eight of the expected 10 new listings debuted during July, the exceptions being two of the Fund's holdings, Interfood and Imexpharm. Given the market conditions prevailing during most of July, however, we do not expect their respective share prices to suffer unduly on listing as a result of the delay.

Also of recent note;

- the July listing of Vietcombank's convertible bonds (of limited immediate interest to foreign investors, who are precluded from ownership), which we regard as the first step along the path to a full listing of Vietnam's largest (and state-owned) bank, hopefully around the middle of next year;
- international press coverage, both positive ("Good morning at last" *The Economist*, 5 August 2006) and negative ("Death penalty looms for Vietnam trader" <http://news.bbc.co.uk/2/hi/business/5257270.stm>, 8 August 2006). The potential impact on sentiment of the latter has, we hope, been mitigated by foreign ministry comment to the extent that the dispute will be resolved "without impacting foreign investment";
- Only one stock, BT6, is currently at the foreign-ownership limit. At least REE, AGF and STB are likely to reach their respective limits by the end of August given increasing foreign participation. The reaction of the relevant authorities to almost 40% of market capitalisation thereafter being effectively unavailable to new foreign investors will be important. It may not surprise our regular reader to hear that the introduction of a foreign board would be our favoured response, but we do not fully discount the possibility of the lifting of restrictions.

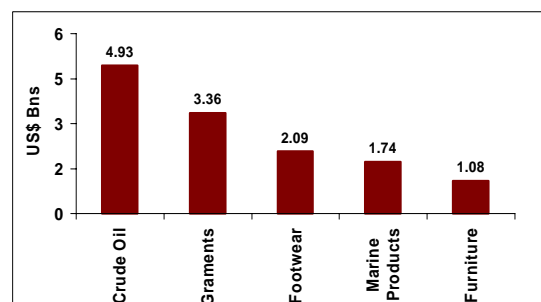


**Economic Indicators  
7M 2006 Growth**



Sources : General Statistics Office, State Bank of Vietnam, PXP Research

**Top 5 Exports  
7M 2006**



Sources : General Statistics Office, State Bank of Vietnam, PXP Research

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