

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\$ 2.364 as at 31 January 2005		
Number of shares in issue:	4,282,000		
Fund size:	US\$ 10.1 million		
Number of holdings:	16		
Performance	1 month	3 months	1 YR
PXPVF	-1.66%	-0.96%	-4.95%*
Viet Nam Index	-2.49%	+0.31%	+8.87%

TOP 5 HOLDINGS

	% of net assets
Gemadep (GMD)	10.37
Sacom Cable (SAM)	10.07
Chau Thoi 620 Concrete (BT6)	7.63
REE (REE)	6.81
Transimex (TMS)	5.39

* The Fund started to invest on 11 February 2004

INVESTMENT COMMENT

During January the Fund's net asset value per share fell 1.66% compared to the Viet Nam Index (VNI) decline of 2.49%. The Fund's equity holdings as a percentage of Net Assets rose from 70.2% at the end of December 2004 to 73.4% as at 31 January 2005.

Most of the 26 listed companies reported unaudited 2004 full year results during January and whilst we do not necessarily agree with such releases, we are generally satisfied with the performance of the stocks in the Fund's portfolio last year. The 24 companies that have reported indicate average net earnings growth of 15.5% over FY2003. Market average price/earnings ratio at 31 January 2005 was 7.62 times 2004 earnings (8.94 times 2003). The returns of the ten largest stocks by market capitalisation that have released results (excluding BT6, which has not yet reported) are below;

Stock	Mkt Cap	PAT 2004	P/E Ratio
	(US\$ Mln)	Change (%)	(x)
GMD	56.0	9.5	7.96
SAM	41.1	21.1	8.87
REE	34.2	53.8	9.00
NKD	9.7	65.5	6.43
AGF	9.0	-20.5	8.01
SAV	8.4	10.2	7.26
DHA	6.9	16.5	4.95
TMS	6.6	6.0	8.28
BBC	6.0	-13.4	10.31
TRI	5.7	-52.9	10.02

Although the opening of the Hanoi exchange has been delayed until after Tet (Lunar New Year), registration for the auction of 11.49% of Vinamilk on 17 February 2005 closed on 4 February. The state will sell 1.827 million shares with a floor price of VND 220,000 (approximately US\$ 13.94) per share. Unconfirmed reports suggest an oversubscription in excess of 10%. The Fund has registered for its participation in the auction at the Securities Trading Centre.

Next on the block, in March 2004, will be the sale of 35% of the US\$ 80 million Vinh Son – Song Hinh Hydraulic Power Plant. We await further details. The listing of Southern Seed Corporation is now expected in March and we estimate total equity market capitalisation of at least US\$ 600 million by the end of June this year. Recent strong rumours suggest an increase in foreign ownership limits in the 2nd quarter of 2005; whether to 49% or 100% remains to be clarified.

The economy continues to power ahead with the Government targeting 8.5% GDP growth for 2005 (FY 2004 7.7%). The re-emergence of avian flu (a major factor in FY 2004 inflation of 9.5%) is a cause for concern (not least for our own continued good health!) and may make the 2005 inflation target of 6.5% a little optimistic. Other 2004 highlights include export growth of 29% and import growth of 25%, resulting in a trade deficit of US\$5.5 billion; more than covered, as usual, by inward remittances in the form of FDI dispersals (US\$2.85 billion; up 7.5%), increases in existing projects (\$1.94 billion, up 68.3%) and payments from overseas Vietnamese (estimated at \$ 3.8 billion). Overall industrial production growth of 16% in 2004 was achieved thanks to particularly strong growth (22.8%) in the private sector. Retail sales rose 20.1% to US\$ 23.7 billion.

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