

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

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I• Fund details

Launch Date	31 December 2003
Issue Price	US\$ 2.50
NAV per share	US\$ 9.981
	as at 31 December 2007

Number of shares in issue	12,000,000
Fund size	US\$ 119.8 million
Number of holdings	Listed: 32 Pre-Listed: 5

Performance	1 month	3 months	YTD
PXPVF	-3.575%	-7.523%	+37.95%
VNI	-4.662%	-11.448%	+23.31%

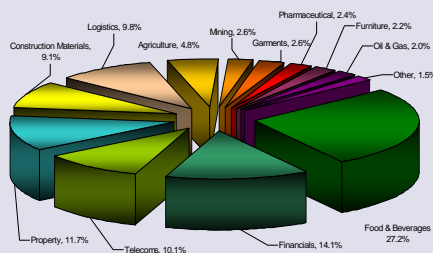
Performance	1 year	2 years	3 years
PXPVF	+37.95%	+244.1%	+315.2%
VNI	+23.31%	+201.5%	+287.4%

II• Top 10 holdings

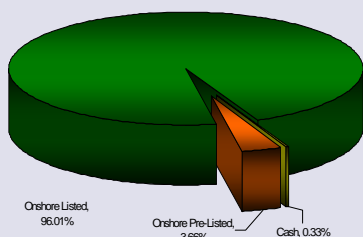
	% of Net assets
REE (REE)	10.9
Vinamilk (VNM)	10.7
Sacom Cable (SAM)	10.3
Sacombank (STB)	9.6
Gemadept (GMD)	7.1
Binh Minh Plastics (BMP)	4.1
Agifish (AGF)	3.9
Kinh Do Corp (KDC)	3.9
Bao Viet Securities (BVS)	3.5
Binh Dinh Minerals (BMC)	2.6

IV• PXPVF portfolio

PXPVF Sectoral Breakdown (as at 31/12/07)



PXPVF Segments (as at 31/12/07)



III• Investment comment

The fourth year of the PXP Vietnam Fund's operations saw Net Asset Value appreciation comfortably outstrip that of the Viet Nam Index, and we are confident that the Fund was also the best performer among its peers over the year. At the recent Extraordinary General Meeting shareholders approved plans to extend the Fund's life and to increase authorised share capital from 12 million to 50 million shares although the Resolution to introduce a performance fee was narrowly defeated. We thank shareholders for their support for the continuation and extension of our mandate, and appreciate the comments of those who were opposed.

Outlook

The index has today (7 January 2008) unsurprisingly and comprehensively broken through its supposed 900-point technical support level. The imposition of margin lending restrictions combined with money supply control-related lack of availability of Vietnam Dong have combined to effectively choke demand from domestic and foreign investors respectively. Lending policies will be maintained for the time being and the proximity of Tet (Lunar New Year) and its traditional inflows make further exchange rate relaxation unlikely until mid-February at the earliest. With overseas investors now having returned from an extended holiday season, we are firmly of the opinion that if the market doesn't go up this week it won't go up until there are some significant changes in monetary policy, and we would consequently anticipate further weakness for the remainder of the Year of the Pig with a test of the 800-point level likely before the dawn of the Rat.

It must of course be understood that the Government has more pressing matters than the health of the Viet Nam Index to attend to with double-digit inflation now a reality and some collateral damage inevitable, but the development of an offshore market in derivative instruments might be of more lasting impact. Rumour has it that not only has trade in participation certificates themselves begun in preference to their creation and cancellation, but that the market in such instruments is at a premium to the onshore underlying. Not good for the liquidity of the market if the participants decide that the relative ease of entry and exit makes the local variety less attractive in the long-term. It will be extremely difficult for the authorities to do anything to counter this development, particularly under the current policy regime where offering alternative options is not a priority.

Vietcombank

Our reader will doubtless recall that we were not overly keen on participation in the Vietcombank ("VCB") auction over the holidays, but we did feel that a toe dipped into the tepid waters was necessary given our oft-mooted long-term ambitions to create Vietnam blue-chip portfolios. At the overall average auction price of VND107,860 VCB has an implied market capitalisation of a shade over US\$10.1 billion. As at 31 December 2007, total market capitalisation in Ho Chi Minh City was US\$22 billion, suggesting that VCB will be roughly one-third of the market on listing. Although there remains a substantial overhang (particularly if no foreign strategic investors feel inclined to pay the average auction price for 10-15% of the bank), we feel that our entry price of VND 103,500 for 240,000 shares is a defensible initial position.