PXP VIETNAM FUND LTD Newsletter – 19 January 2011 –

PXP Vietnam Fund Limited

A Cayman-domiciled closed-end fund listed on the Main Market of the London Stock Exchange. 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
VNF LN <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
+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. Nº. + (84) 8 3827 6040
Fax Nº. + (84) 8 3827 6043
www.pxpam.com

I• Fund details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 4.254** as at 31 December 2010
Number of shares in issue	12,000,000
Fund size	US$ 51.05 million
Number of holdings	Listed: 45 Pre-Listed: 0

Performance	2010	2 Years	3 Years
PXPVF*	**-17.173%**	+46.29%	-57.38%
VNI**	**-7.163%**	+37.69%	-57.05%
Performance	**4 years**	**5 years**	**6 years**
PXPVF*	-41.20%	+46.64%	+76.96%
VNI**	-46.91%	+28.67%	+63.85%

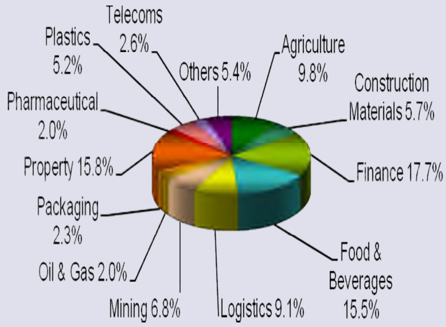
* All figures are NET of fees ** Index performance in US$

II• Top 10 holdings

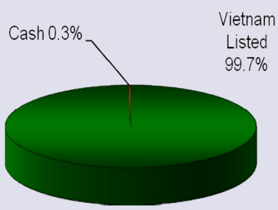
	% of Net assets
Vinamilk (VNM)	14.3
Sacombank (STB)	11.1
REE (REE)	6.5
Dong Phu Rubber (DPR)	4.9
Binh Minh Plastics (BMP)	4.8
Binh Duong Minerals (KSB)	4.4
Hoa Phat Group (HPG)	4.3
Gemadept (GMD)	3.6
HCMC Securities (HCM)	3.4
Transimex (TMS)	3.4

IV• PXPVF portfolio

Sectoral Breakdown (as at 31 December 2010)



Segments (as at 31 December 2010)



III• Investment Comment

Following 2009's outperformance against the Viet Nam Index was always going to be a difficult task, and so it proved with the Fund's Net Asset Value lagging the benchmark by a full 10% in 2010. We do not seek to excuse but rather to explain the difference whilst remaining cautiously optimistic that 2011 will provide a more conducive environment for fundamental stock picking, so that the Fund's longer-term track record is not further diminished.

The underperformance can be broken down into internal and external factors. In the former category, fees were a little higher than normal due to the transfer of the Fund's listing from Dublin to the Main Market of the London Stock Exchange. As we mentioned in the Fund's 2010 Annual Report (available at the website by clicking here: http://www.pxpam.com/userfiles/data/pxp/452_341.pdf), we trust that Shareholders will agree that the decision to move the listing (which has resulted in the bid-offer spread being reduced from a somewhat shaky, subject 40 cents to a firm 4 cents, as well as seeing a reduction in the discount from 32% to at one stage as low as 4%) was the correct one and worth the incremental cost.

Externally, relative performance was negatively impacted by the nature of flows into the market. As we have mentioned previously the two ETFs were responsible for the bulk of foreign investment into the market in 2010. Given the sheer size of the flows, combined with the narrow (in terms of number of stocks), quantitative (in terms of stock selection) approach of the ETFs, the Fund's NAV was never likely to perform in line with either the index (distorted as it was by buying focused on a handful of big cap stocks which we didn't and don't own because, even if they had passed our other qualitative tests, we regarded them from the outset as significantly overpriced relative to our existing portfolios) or the ETFs themselves. In short, 2010 was a bad year relatively speaking, for which we apologise unreservedly, and we would like to now draw a line under it and move on to a consideration of the more positive outlook in 2011.

At the time of writing, the VNI is approximately 20.5% above its 22 November 2010 traded low and closed this morning at a six-month high. Today's break (and close) above the psychologically-important 500 point level on the index should lead to further gains in the short-term in the lead-up to and beyond Tet (Lunar New Year). The unofficial confirmation of a second 5-year term of office for the incumbent Prime Minister, Mr. Nguyen Tan Dung, is likely to further underpin a return of confidence to the local bourse. The first 6 months of his current term, from mid-2006, coincided with the rapid development of the market and local discussion is expecting renewed vigour in a similar direction. Longer-term sentiment will depend very much on how successfully macroeconomic issues are addressed but certainly controlling inflation seems for the moment at least to be high on the list of priorities. Reasons to be cheerful, at last.