PXP VIETNAM FUND LTD

Newsletter

– 8 June 2010 –

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. 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$ 5.028** as at 31 May 2010
Number of shares in issue	12,000,000
Fund size	US$ 60.34 million
Number of holdings	Listed: 42 Pre-Listed: 2

Performance	**YTD**	**1 Year**	**2 Years**
PXPVF*	**-2.103%**	+33.44%	+19.89%
VNI**	**-0.226%**	+15.39%	+4.83%
Performance	**3 years**	**4 years**	**5 years**
PXPVF*	-54.51%	+6.82%	+110.5%
VNI**	-60.24%	-20.87%	+73.5%

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

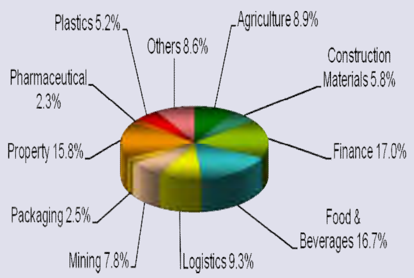
II• Top 10 holdings

	% of Net assets
Vinamilk (VNM)	15.2
Sacombank (STB)	9.0
REE (REE)	7.5
HCMC Securities (HCM)	5.2
Binh Minh Plastics (BMP)	4.8
Gemadept (GMD)	4.3
Hoa Phat Group (HPG)	4.0
Binh Duong Minerals (KSB)	4.0
Nui Nho*	3.8
Dong Phu Rubber (DPR)	3.8

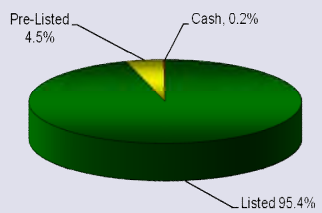
* Pre-listed holding

IV• PXPVF portfolio

Sectoral Breakdown (as at 31 May 2010)



Segments (as at 31 May 2010)



III• Investment Comment

The listing of Mekophar (MKP) on 2 June 2010 reduces the Fund's pre-listing exposure to a single stock, Da Nui Nho (3.8% of net assets as at 31 May 2010) which is expected to be admitted to trading on the Ho Chi Minh City bourse by the end of this month. The Fund's holdings will then be 100% listed and marked-to-market daily.

With the Vietnam Index currently demonstrating that we are once again not immune to the contagion of negative sentiment emanating from developed markets, we feel that this may be an opportune time to restate our view on the outlook for the domestic market once one is able to look beyond the debt burdens of the western European siesta economies and the seeming inability of the US to create jobs in any meaningful way.

We firmly believe that the VNI, on approximately 11.5 times 2010 earnings on a weighted average basis, is relatively cheap. The macro picture is improving, with the trade deficit manageable and moderating as exports pick up, the currency now stable and inflation having peaked in February this year (giving cause for optimism that the full year CPI figure will come in below 10% and may meet the government target of 8%). GDP growth forecasts are trending higher with the Prime Minister having raised guidance from 6.5% for 2010 to 6.5-7% at the World Economic Forum meeting in Ho Chi Minh City at the weekend. Whilst there is not necessarily any empirical evidence for a meaningful correlation between GDP growth and stock market performance, we feel that the overall macro environment is supportive and that Vietnam has emerged from the global financial crisis relatively unscathed. The production base is likely to get a boost in relative competitiveness now that China is seeing fairly significant wage increases, particularly in the foreign-invested sector (viz. Foxconn and Honda) which should further underpin export expansion.

How quickly and how effectively the market can recognise and act upon the fairly benign local macro environment and thereby allow the index to recover from recent setbacks is, in our opinion, largely dependent on diversification of the investor base. As we have previously observed, foreign investors have for some time now been responsible for only 5% of daily turnover. The 95% which is traded between domestic investors is dominated by retail investors, many of whom trade on margin because they don't actually have the money to settle trades in the size in which they prefer to deal, with the result that their outlook is very short term (roughly the length of the T+3 settlement cycle, give or take 5 minutes). Rather than hoping for some magical reversal of retail habits we feel that a more long-term fundamental approach is likely to come from beyond these shores, but that the timing of such inflows on a broad front is entirely dependent on a greater appetite for risk which in turn requires a modicum of stability elsewhere. Comment on the likely timing of that is obviously beyond our remit, but we do feel that the discounts currently available in the closed-end fund arena may provide a cushioning effect should global volatility continue.

We refer to "inflows on a broad front" because obviously such conditions are essential in order to get the index to move; however, as we have seen today with 3 ½ million shares of Sacombank (STB) available for foreigners, appetite for certain restricted names remains robust. The entire block was bid for within a second of the market opening at 8:30; similarly (as usual) for the slightly over 30,000 shares of Vinamilk that were available today. It is an idiosyncrasy of the local market that, unlike in most locations where foreign ownership restrictions often give rise to premia, in Vietnam it is possible on a day-to-day basis to gain exposure at an effective discount to market.