

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.

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I• Fund details

Launch Date	31 December 2003		
Issue Price	US\$ 2.50		
NAV per share	US\$ 3.240 as at 31 May 2011		
Number of shares in issue	12,000,000		
Fund size	US\$ 38.88 million		
Number of holdings	Listed: 42 Pre-Listed: 0		
Performance	1 Month	YTD	1 Year
PXPVF*	-7.455%	-23.84%	-35.56%
VNI**	-12.293%	-17.57%	-23.32%
Performance	3 years	5 years	7 years
PXPVF*	-22.75%	-31.17%	+30.23%
VNI**	-19.62%	-39.33%	+28.01%

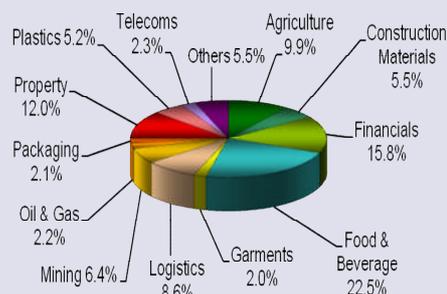
* All figures are NET of fees ** Index performance in US\$

II• Top 10 holdings

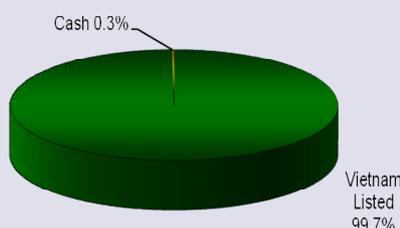
	% of Net assets
Vinamilk (VNM)	21.1
Sacombank (STB)	9.9
Dong Phu Rubber (DPR)	5.1
REE (REE)	4.9
Binh Duong Minerals (KSB)	4.9
Binh Minh Plastics (BMP)	4.8
Hoa Phat Group (HPG)	4.4
Gemadep (GMD)	3.2
Transimex (TMS)	2.8
Southern Seed Corp. (SSC)	2.6

IV• PXPVF portfolio

Sectoral Breakdown (as at 31 May 2011)



Segments (as at 31 May 2011)



III• Investment Comment

There has been much recent talk locally of the need to replace the Viet Nam Index with a "more representative" barometer. But more representative of what, exactly? The index is dominated by large cap stocks, as one would expect in a simple market capitalisation-weighted index, with the four biggest stocks representing a touch over 40% of the index and the remaining 280 stocks making up the balance. It is not possible, for a foreign investor at least, to replicate the VNI because of foreign ownership limits and the index itself is not tradable due to the absence of derivatives. So all the VNI is, in its current form, is a weighted average of the stocks listed in Ho Chi Minh City and the movement is a weighted average of changes in price over a given period. It exists as a reference point, to give observers an idea of the direction of the market. That, in our humble opinion, it does reasonably well over time given the limitations imposed by the method of calculation and the still nascent stage of the market's development.

For the past year or so the Fund's relative performance against said benchmark has been rather poor, in large part due to the portfolio not including the 3 largest stocks, and that has also had a negative impact on the longer-term relative numbers (bearing in mind that the Fund's Net Asset Value returns exceeded those of the index in 2006, 2007 and 2009 and that the divergence was only 2 1/2% in 2008, albeit in a shockingly poor year for the market). We are not about to add our voice to those calling for change just because movements in a handful of stocks have been giving a distorted picture of the performance of the broader market for a relatively short period. Not due to any ingrained reluctance to embrace change, but purely and simply because, since we had no complaints about the composition of the index in 2009 (when the Fund's Net Asset Value increased by 76.6% whilst the VNI gain was "only" 48.3%), it would be downright hypocritical of us to criticise the benchmark now.

It is, in any event, not as if investors wanting to gain 100% exposure to Vietnamese-listed equities have a choice between buying PXP Vietnam Fund (PXPVF) and buying the VNI, given the absence of proxies for the latter. The choice is between closed-ended (PXPVF and possibly one or two more recently established funds), and open-ended (the Deutsche Bank Tracker only, since neither Vietnam Emerging Equity Fund nor the Van Eck version of an ETF currently have 100% exposure to Vietnam-listed stocks). Although the DB Tracker itself was only launched in February 2008, the FTSE Vietnam Investible Index has just passed its 4th birthday, and we insert a table below to show how the Fund's one-to-five-year NAV performance to 31 May 2011 compares to the theoretical alternative over that period.

	FTSE VNII	PXPVF NAV
	%	%
1 Month	-13.364	-7.455
YTD	-26.669	-23.836
1 Year	-34.096	-35.561
2 Years	-32.228	-14.013
3 Years	-38.025	-22.747
4 Years	-77.406	-70.684

Whilst a single month of NAV downside outperformance against the Viet Nam Index (VNI) in particular is not evidence of a corner having been turned we do note some recent positive markers of a broadening of investor interest in Vietnamese listed equities which may bode well for a return to form in the coming months and years. Flows into the ETFs have all but dried up in the past month, which may result in the price movement of certain of their constituents becoming more reliant on fundamentals.