

**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\$ 5.065 as at 28 April 2006

**Number of shares in issue:** 12,000,000

**Fund size:** US\$ 60.77 million

**Number of holdings:** 21

Performance	1 month	3 months	1 Year
<b>PXPVF</b>	<b>+10.69%</b>	<b>+68.22%</b>	<b>+110.69%</b>
<b>Viet Nam Index</b>	<b>+18.25%</b>	<b>+90.66%</b>	<b>+141.82%</b>

**TOP 10 HOLDINGS**

	<b>% of Net Assets</b>
Sacom Cable (SAM)	11.08
Vinamilk (VNM)	10.37
REE (REE)	8.50
Gemadep (GMD)	7.62
Southern Seed (SSC)	4.31
Hoa An (DHA)	3.46
Agifish (AGF)	3.21
CT 620 Concrete (BT6)	2.82
Bibica (BBC)	2.80
Transimex (TMS)	2.78

**INVESTMENT COMMENT**

We apologise for the lack of communication over the past couple of months, due largely to fund-raising activity which has taken the Fund to its maximum size of 12 million issued shares. The lack of a brass section within the Investment Management company has also enabled us to allow recent results to speak for themselves without our wasting time consulting Monsieur Roget in order to discover whether any self-congratulatory superlatives had been overlooked by our peers.

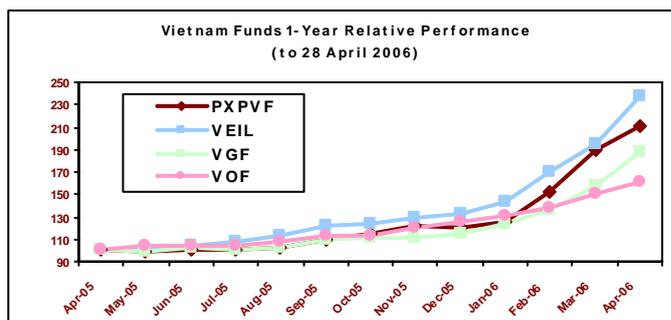
We continue to believe that valuations of listed companies are stretched and that the involvement of a large number of highly geared, unsophisticated retail investors (purportedly fuelled by the Vietnamese equivalent of “student loans”) has potential severe pitfalls particularly as the market experiences greater volatility above and around the previous (2001) high. The decision to move to a higher level of cash through fund-raising rather than asset sales enables the Fund to protect its holdings in a foreign-ownership restricted environment whilst hopefully reducing the downside.

The local weakness at the same time as the recent downturn in international, particularly emerging, markets should be viewed as coincidence rather than as a factor of the supposed internationalisation of the market subsequent to Vietnam’s “discovery” by Merrill Lynch. As we have pointed out on a number of occasions, activity in the past 4 months, which has seen average daily turnover expand more than 10-fold, has been dominated by domestic investors over foreign at a ratio close to 19:1. The former category of investors do not have the option to put their money to work outside of Vietnam: the rationale for the pull-back is therefore more concerned with the expected increase in supply both through new listings and in the form of capital raising by many of the larger listed

stocks in the medium term. One hopes that margin calls do not forcibly impart a greater sense of urgency to the raising of liquidity domestically.

The expected pick up in listing activity post the Communist Party elections is beginning to show signs of life with the recent listing of the Ho Chi Minh City Infrastructure Development company, CII (at 50 times 2005 earnings!) and the award of a listing license to Sacombank (expected to be exercised in late June or early July 2006). This landmark first listing of a bank is expected to take total market capitalisation close to US\$ 3 billion as a result of recent OTC banking sector exuberance, but we await clarification on the level of permissible foreign investor participation in listed bank stocks in order to determine whether such a listing is likely to be of broad interest outside of Vietnam.

Membership of the World Trade Organisation looks increasingly likely this year after finalisation of negotiations with the United States this month, and signing of the trade agreement may take place as early as next month in Ho Chi Minh City during the pre-APEC deliberations of the Ministers Responsible for Trade.



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