

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\$ 2.780 as at 31 October 2005

Number of shares in issue: 8,564,000

Fund size: US\$ 23.8 million

Number of holdings: 22

Performance	1 month	3 months	1 YR
PXPVF	+4.95%	+15.79%	+15.64%
Viet Nam Index	+6.25%	+25.20%	+28.46%

TOP 10 HOLDINGS

	% of Net assets
Sacom Cable (SAM)	9.99
Gemadep (GMD)	9.48
REE (REE)	8.01
Vinamilk	7.82
Southern Seed (SSC)	6.29
Hoa An (DHA)	4.61
CT 620 Concrete (BT6)	4.60
Transimex (TMS)	4.44
Savimex (SAV)	3.54
Bibica (BBC)	3.46

INVESTMENT COMMENT

During October the Fund's net asset value per share rose by 4.95% compared to the Viet Nam Index (VNI) gain of 6.25%. The Fund's equity holdings as a percentage of Net Assets increased from 70.6% at the end of September 2005 to 80.9% as at 31 October 2005.

The market's strength in September continued into October in anticipation of the effective raising of the foreign limit on 24 October 2005, with the index closing above 300 points on 14 October for the first time since November 2001 on vastly increased turnover. Average daily turnover for the first eight months of 2005 was a little over US\$ 400,000; October's average was a few thousand dollars short of US\$ 2 million. Turnover peaked, somewhat predictably, on 24th October at approximately US\$6.3 million as multiple block trades (all foreign buying) contributed 75% of the day's total. A number of mixed rights issues and private placements have subsequently attracted the major proportion of foreign participation.

An increase in the frequency of auctions bodes well for the acceleration of the development of the stock market, including the auction of a further 9% or so of the government's stake in Vinamilk due on 29 November 2005 in preparation for a January 2006 listing. We have been asked to clarify the impact on net assets of a mark-to-(OTC) market valuation in Vinamilk; assuming a price of VND 420,000 (the minimum permissible bid at the forthcoming auction), the revaluation of the Fund's holding would enhance NAV by approximately 3.7%. The expansion from 19 to 22 holdings in the Fund's portfolio during October was as the result of securing initial stakes at auction in Binh Minh Plastics, Hoa Binh Rubber and Tan Tien Packaging. We continue to aim to participate where appropriate.

Vietnam's ambitions to join the World Trade Organisation by the end of this year appear to have been thwarted (or rather postponed to mid-2006) at least in part by US concern over the slow speed of compliance with capital markets reform commitments under the Bi-lateral Trade Agreement of 2001. The raising of the foreign ownership limit and the successful inaugural sovereign bond issue at the end of October might be considered to be too little, too late (although hopefully with more emphasis on the latter).

The pricing of the bond issue at a more favourable rate of interest than that current for the Indonesian and Philippine equivalents should not pass unremarked, and may be a portent of eventual relative parity in the respective equity markets.

The spectre of bird flu seems to be of a less threatening hue than previously at least for the noticeable hordes of European tourists in Vietnam at present. We managed to obtain a supply of Tamiflu in Hong Kong last week and are therefore hopeful that this edition of the Newsletter will not be our last.

