

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\$ 4.731 as at 31 August 2006		
Number of shares in issue:	12,000,000		
Fund size:	US\$ 56.8 million		
Number of holdings:	27		
Performance	1 month	3 months	1 Year
PXPVF	+14.99%	+0.51%	+92.79%
Viet Nam Index	+16.28%	-8.86%	+93.00%

TOP 10 HOLDINGS

	% of Net Assets
Sacom Cable (SAM)	12.57
Vinamilk (VNM)	10.69
Sacom Bank (STB)	8.36
REE (REE)	7.90
Gemadep (GMD)	7.55
Agifish (AGF)	4.88
Southern Seed (SSC)	3.94
Fimex (unlisted)	3.90
Hoa An (DHA)	3.58
Bibica (BBC)	3.41

INVESTMENT COMMENT

During August the Fund's net asset value per share rose by 14.99% compared to the Viet Nam Index (VNI) gain of 16.28%. The Fund's equity holdings as a percentage of Net Assets increased from 79.0% at the end of July 2006 to 87.3% as at 31 August 2006.

The strong bounce from the 2 August low has been followed by a relative lull through September as the market consolidates recent gains. The theoretical stimulation of new demand as a result of the (as yet unconfirmed) impending removal of the foreign ownership limit in non-sensitive sectors was balanced from the supply side by the announcement of the cancellation of the 2-year 50% tax holiday on listing with effect from 1 January 2007, the latter intended to inspire the dawdlers to list before its too late to obtain the benefit. Estimates currently range between 20 and 50 new listings by 31 December 2006.

Our take, in brief, on these new developments;

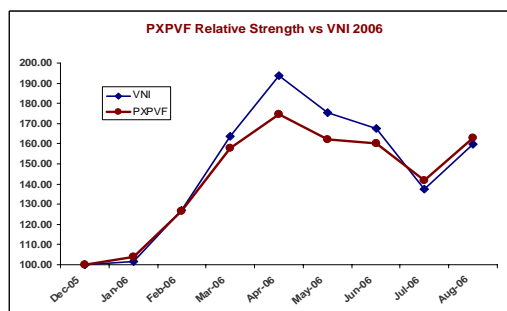
The main beneficiaries of the removal of foreign limits, if and when it happens, will be those foreigners who have ready access at the time. That pre-supposes an acceptable level of comfort with the reliability of on-the-ground research, and that the price of entry is reasonable given the potential. Certainly foreign access is much improved since the Merrill Lynch attention grabber in February this year. Only 3 stocks are currently at the foreign limit, however, and it is unlikely that the restriction will be eased in the banking sector for the time being, which might otherwise be regarded as offering the best access to the macro-economic dynamics. Neutral.

Whilst it is understandable at first sight for the intended last quarter rush (or rash?) of listings to be perceived as a potential drain on liquidity, it should be noted that locally

there has never been an IPO as understood outside of Vietnam. All listings to date have been by introduction, which suggests that there are unlikely to be any attendant cash calls before the year end. The diffusion of whatever demand does eventuate over a broader (and hopefully more diverse) group of stocks should result in a decrease in short-term volatility which should in turn enable a broader base of participants to gain entry. Long-term positive.

Where from 1 January 2007 in the post-tax incentive world? Nothing has been said regarding the removal of post-equitisation incentives, so we assume they will continue. One interpretation might be that the government is losing patience with the speed at which soon-to-be designated "public" companies are moving to the more formal arena and is indicating a preference to concentrate on attempting to satisfy through equitisation and IPOs the *real* foreign demand which must, of course, be for big caps at this stage of the market's development. Very positive if our interpretation is correct.

In short, the final quarter of this year is likely to begin to provide the answer to a number of interesting questions and we look forward to developments.



This newsletter is prepared on behalf of the PXP Vietnam Fund (the "Fund") by PXP Vietnam Asset Management Limited, and is solely communicated to, and directed only at persons who are investment professionals, high net worth companies or others who are entitled to be given the newsletter under the law of the jurisdiction in which it is given. Persons receiving this newsletter should note that past performance is no guide to the future and, in particular, that the past returns of the Vietnamese stock market, or of companies listed on it, are no guarantee of the future returns of the PXP Vietnam Fund. This newsletter and the information contained herein must not be acted on or relied on for any purpose whatsoever. This newsletter is strictly confidential and may not be copied or distributed or passed on by any recipient. No understanding representation or warranty or other assurance, express or implied, is made or given by any person to the accuracy, fairness or completeness of the information or opinions contained in this newsletter and no responsibility or liability is accepted for any such information or opinions. It is the responsibility of every person reading this document to satisfy himself as to the full observance of laws of any relevant country, including obtaining any government or other consent which may be required or observing any other formality which needs to be observed in that country.