

## VIETNAM EMERGING EQUITY FUND LIMITED

A Cayman-domiciled closed-end fund listed in Ireland. 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 companies with a significant presence in Vietnam.

### FUND DETAILS

Launch Date: 3 November 2005 Issue Price: US\$ 5.000

NAV per share: US\$ 5.785 as at 28 February 2006

Number of shares in issue: 2,763,400

Fund size: US\$ 15.99 million

Number of holdings: 12

Performance	1 month	3 months	Inception
VEEF	+13.32%	+16.16%	+15.70%
PGA*	+14.16%	+23.78%	+28.76%

### TOP 5 HOLDINGS

	% of Net assets
Sacom Cable (SAM)	18.35
Vinamilk (VNM)	14.55
REE (REE)	6.46
Bimico (Unlisted)	4.10
Southern Seed (SSC)	2.80

\* Peer Group Average is a simple average of the respective performances of the 4 other established Vietnam Funds, namely VEIL, VGF, VOF and PXPVF

### INVESTMENT COMMENT

This is the first edition of the Fund's "monthly" Newsletter; we apologise to Shareholders for our tardiness, which we hope is justified by our desire to maintain a low profile in terms of publication whilst building market exposure from launch on 3 November 2005.

During February the Fund's net asset value per share rose by 13.32% in spite of having begun the month only 37.2% invested. This performance can be mainly attributed to a Merrill Lynch-inspired post-Lunar New Year surge in the Vietnam Index ("VNI"), up 25.1% in February to 4-year highs with large-cap stocks leading the charge. The Fund's equity holdings as a percentage of Net Assets increased to 57.5% as at 28 February 2006.

The exuberance has continued unabated through most of March and valuations of listed stocks have become stretched. Foreign participation, which domestic investors appear to be "anticipating" remains muted at around 5% of average daily turnover, and may not be so eagerly forthcoming with valuations touching 20 times 2005 earnings if the extreme optimism regarding 2006 returns goes unrewarded as the year unfolds. The initial excitement of many recent explorers has, in any event, been tempered by discovery of the relatively complex participation process which may require a change in the law to simplify. Breathless anticipation no longer, we trust.

The absence of any declarations of single holdings passing the 5% or 10% level on average daily turnover in the region of US\$ 5 million in a market dominated by domestic investors should have caused the triggering of at least silent alarms at the Ho Chi Minh City Securities

Trading Centre in recent weeks. Either there is a degree of amnesia prevalent regarding the alerting of the authorities to disclosable stakes or there is a tremendous amount of churning going on, which may suggest a high retail content in market activity. Given that the foreign rush may be coming later rather than sooner, there is definitely a *caveat emptor* flavour to the listed market in the short-term.

So, is it all about to be over? Far from it. The US\$ 2.5 to 3 billion year-end 2006 total market capitalisation target was never intended to be achieved by a doubling of the prices of the 35 currently-listed stocks, but rather by the introduction of a number of new, sectorally-diverse relatively large-cap counters. The listed market may have got a little ahead of itself recently but the booming bourse may have some positive side-effects on the equitisation process in terms of its speed. We also anticipate quality beginning to feature more prominently.

