



Newsletter

– 18 January 2010 –

Vietnam
Emerging Equity
Fund Limited (VEEF)

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.

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I • Fund details

Launch Date	3 November 2005		
Issue Price	US\$ 5.000		
NAV per share	US\$ 5.657		
	as at 31 December 2009		
Number of shares in issue	2,132,403		
Fund size	US\$ 12.06 million		
Number of holdings	Listed: 33 Pre-Listed: 6		
Performance	1 month	2009	2 Years
VEEF*	+1.380%	+82.66%	-51.75%
VNI**	-1.791%	+48.09%	-53.70%
Performance	3 Years	4 years	Inception
VEEF*	-39.85%	+12.71%	+13.14%
VNI**	-42.84%	+38.52%	+32.02%

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

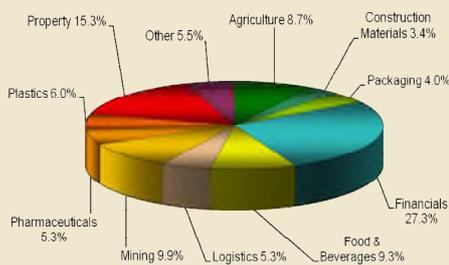
II • Top 10 holdings

	% of Net assets
Sacombank (STB)	14.9
Song Da Urban (SJS)	7.4
Vinamilk (VNM)	6.7
Binh Minh Plastics (BMP)	6.0
REE (REE)	6.0
Nui Nho*	5.9
HCMC Securities (HCM)	5.9
Tan Tien Package (TTP)	4.0
Gemadept (GMD)	3.5
Dong Phu Rubber (DPR)	3.4

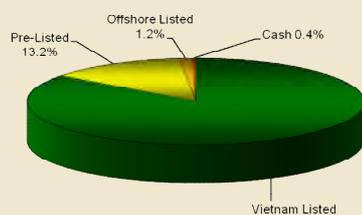
* Pre-listing holding

IV • VEEF portfolio

Sectoral Breakdown (as at 31 December 09)



Segments (as at 31 December 09)



III • Investment comment

Calendar 2009 began with a mildly distracting but ultimately successful defence of the Fund's existence and ended, we are heartened to be able to report, with the Fund posting (to the best of our knowledge) the strongest 2009 Net Asset Value performance of its peer group and concurrently beating the Viet Nam Index's rise in US\$ by a tad over 34.5% in absolute terms. If we were ever prone to hubristic outburst we might consider that something more than ironic, but luckily we're not so we'll say no more on the subject and move on to trying to repeat the job in 2010.

At the Fund's Extraordinary General Meeting held on 21 December 2009 51% of Shareholders voted unanimously in favour of all Resolutions concerning the conversion of the Fund into an open-ended vehicle and the welcome return of the original Board of Directors. First redemptions and subscriptions will be accepted on 26 February 2010 subject to the completion of all necessary formalities in the Cayman and British Virgin Islands. It is the intention of the Investment Manager to recommend that net inflows be limited to a maximum of US\$ 20 million per month on a "first come, first served" basis in order to minimize market and performance impact. The final draft Prospectus will be available shortly.

The market may trend higher before Tet with a number of positives, both micro and macro justifying an advance. The Prime Minister has announced the temporary closure of the numerous domestic gold trading floors (essentially unregulated futures exchanges) by the end of March 2010, which has already shown some evidence of benefitting the stock market by diverting flows into equities, with a substantial increase in turnover in the first few trading days of the New Year providing counter-liquidity for the continuing unwind of margin positions. The scheduled reduction of the settlement cycle by a day to T+2 is also likely to help with an accelerated recycling of short-term interest. Brokers are noticeably more comfortable forecasting 2009 corporate profits now that the year is over and are discovering a few upside surprises, which should help focus minds more on fundamentals than liquidity, at least for a while.

Full-year GDP growth came in at 5.3% after a fourth quarter spike to 6.9%, with the global financial crisis turning out to have impacted Vietnam's progress by less than 1% during 2009. A moderate resumption of global demand for Vietnam's products should see a return to the 10-year average GDP growth trend of 7.5% this year, and whilst such strength is unlikely to come without inflationary pressures, particularly if expected increases in the price of food materialise (which constitute over 40% of the CPI basket), the government appears to be ahead of the curve via its decision to shift focus away from promoting growth to controlling inflation through monetary policy. Full year inflation reached 6.5% with the anticipated pick-up in the final quarter, and is likely to continue along a similar path for at least the first half of 2010. The December trade deficit also showed signs of improvement, declining to US\$ 1.3 billion from US\$ 2.08 billion in November for a full-year 32% decline from 2008 and this seems to have quietened talk of impending catastrophe.