

15 August 2014

PXP Vietnam Fund Limited (“the Company”)

Interim Management Statement

This Interim Management Statement relates to the period from 1 April 2014 to 15 August 2014.

Investment Objective

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 Vietnamese companies, whether established with domestic or foreign ownership, which are either listed companies or pre-listing companies.

Material Events and Transactions

Annual General Meeting (“AGM”)

The AGM of the Company was held on 30 May 2014. All of the ordinary resolutions proposed at the meeting were duly passed by the shareholders, including a resolution to renew the authority given to the Directors of the Company to issue up to 20 million C Shares on the same terms and conditions as approved at the 2012 AGM for a further three months from the date of the 2014 AGM.

AGM voting results can be viewed on the Announcements section relating to the Company on the website of PXP Vietnam Asset Management (“the Investment Manager”) at www.pxpam.com.

Cancellation of C Share Offer

On 27 June 2014, the Board of Directors decided that having regard to the continuing Ordinary Share discount and general market conditions, the C Share Offer should be cancelled and will no longer take place.

No other material events or transactions have taken place since the date of the latest available interim report of the Company for the six month period ended 31 March 2014.

Performance as at 31 July 2014

	4 months	1 year	2 years	3 years	4 years	5 years
Net asset value (NAV) *	-3.5%	26.7%	68.8%	114.3%	51.6%	57.2%
Viet Nam Index (VNI) **	0.1%	20.7%	41.3%	42.5%	8.6%	7.2%

* All figures are NET of fees

** Index performance in US\$

Investment Manager’s Comments

The bull market for the Vietnamese stock market continues through its third year, with the VNI having gained 17.32% in US dollar terms to the end of July. The index peaked at a four year closing high of 607.73 points on 5 August 2014, and has since fallen back to trade around the 600 level.

Relative performance over the calendar year-to-date has been slightly behind that of the index, with the Company’s unaudited Net Asset Value per Share, as at 31 July 2014, up 15.68%. The rally of the market from the beginning of January to the end of March, which saw the index move from 504.63 points to a high of 607.55 on 23 March 2014, was driven by a pick-up in confidence and involvement by domestic investors and was augmented by renewed foreign inflows. In April 2014 the market saw a healthy tightening of margin lending to domestic retail investors which acted to moderate year-to-date gains through forced-selling on some of the more speculative stocks. Then

in early May the placement of a Chinese state-owned oil-rig near the disputed Paracel Islands, off the east coast of Vietnam, and firmly within Vietnamese exclusive economic zone waters, caused a drop of 8.2% in the VNI over three trading days. The initial impact of skirmishes and use of water cannon and minor boat collisions between the Vietnamese and Chinese was expected, but the outpouring of nationalistic fervour onshore that followed was not. The Vietnamese government took the unusual step of allowing demonstrations against the Chinese that rather predictably ended in violence. This however was directed by the mob not just at Chinese factories, but also those of Taiwanese, Singaporean, Japanese and South Korean companies operating in the Binh Duong industrial zone near Ho Chi Minh City. The reaction of the Chinese was to quickly blame Vietnam for endangering its citizens despite the blatant act of territorial aggression by China in the first place. The rig has subsequently been moved towards China's Hainan Island and out of Vietnamese waters, and out of the main summer typhoon path, and the negative impact appears to have been short-lived. Foreign-direct investment remains strong with disbursed FDI of US\$6.8bn year-to-date to the end of July, an increase of 2.3% year-on-year. Showing continued confidence in Vietnam as a manufacturing destination, Samsung committed a further US\$1.1bn for a new display facility in July and Intel's CEO stated that by 2015 80% of their new generation microprocessors will be manufactured in Vietnam. We await further industrial production and FDI data to assess the potential long-term impact of the riots, but remain bullish in our outlook and see no signs of long-term damage.

Evidence of continuing macroeconomic health in the domestic economy with lower inflation, currency stability, improving GDP growth and an economy on track for a third successive annual trade surplus has encouraged long-term investors. The benign (and improving) macroeconomic outlook has renewed foreign inflows, and increased interest saw the discount in the price of the shares of the Company trading in London fall to just 0.9% compared to the Net Asset Value per Share on 18 April 2014. As a result of this penultimate piece of the puzzle falling into place the Company launched the abortive C Share issue. The subsequent arrival of the Chinese rig and resultant onshore violence put a brake on optimism, and the widening of the discount in the Ordinary Shares in late-May as the market recovered from its closing low of 513.91 points on 13 May 2014 ultimately meant less in subscriptions than the Vietnam-focused Exchange Traded Funds attract almost every single day, despite the clear drawbacks of their portfolio construction methodology and resultant underperformance relative to the Company. Whether the failure of the issue is also symptomatic of a greater malaise in the single country closed-end fund model itself remains to be seen. What is clear is that the Fund is destined not to increase in size in its current structure, other than via the performance that we will continue to strive to deliver.

The final piece of the puzzle – more foreign access to a bigger market through increased foreign-ownership limits – has seemingly been kicked into the long-grass as the State Securities Commission wrote the process off as “too complicated” to achieve, and we have since heard nothing more. We continue to view the relaxation of foreign-ownership limits as crucial if the government is to successfully achieve its stated aim of selling down 432 state-owned enterprises by the end of 2015. The progress of this equitisation to privatisation process is beginning to encompass larger scale offerings but with national textiles company Vinatex not planning to list for three years after the auction and the small free float of Vietnam Airlines (3.5% of shares outstanding) there are clearly hurdles to be overcome.

Financial Position as at 31 July 2014

Investments	US\$82,601,000
Cash and other net current assets/(liabilities)	US\$2,748,000
Net assets attributable to ordinary shares	US\$85,349,000
Net asset value per ordinary share	US\$7.112
Share price	US\$6.16
Discount	13.4%
Gearing	Nil

Portfolio Analyses

Top Ten Holdings as at 31 July 2014

	% of Net assets
Vinamilk (VNM)	22.8
Hoa Phat Group JSC (HPG)	9.0
Ho Chi Minh City Securities (HCM)	7.0
Sacombank (STB)	6.6
REE (REE)	6.5
Petrovietnam Drilling and Well Services JSC (PVD)	6.0
FPT Corporation (FPT)	5.3
Hoang Anh Gia Lai JSC (HAG)	3.4
Vietnam Container Shipping JSC (VSC)	2.8
Da Nang Rubber JSC (DRC)	2.5

Sector Breakdown as at 31 July 2014

	% of Portfolio
Consumer Staples	25.7
Energy	6.2
Financials	19.8
Property	6.0
Information Technology	5.4
Industrials	16.3
Materials	18.5
Others	2.1
Total	100.0

Controlled Undertakings as at 31 July 2014

The Company has no controlled undertakings.

Further information including regular updates on the Company's performance and the outlook for the Vietnam market (including Newsletters and daily estimated NAVs) can be found on the Investment Manager's website at www.pxpam.com.

All figures presented in this Interim Management Statement are unaudited.

This Interim Management Statement has been prepared solely to provide information to meet the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007.

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