

If you are in any doubt as to any aspect of this Circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in PXP Vietnam Emerging Equity Fund Limited, you are requested to immediately hand this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

If you have submitted a redemption request for your shares in PXP Vietnam Emerging Equity Fund Limited, and this redemption request has been accepted and processed and you are waiting for your redemption proceeds to be paid, your consideration of the contents of this Circular is not required.

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# **PXP VIETNAM EMERGING EQUITY FUND LIMITED**

(Incorporated in the Cayman Islands)

## **Shareholder Circular**

**Concerning Proposed Merger with**

**PXP Vietnam Fund Limited**

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## PART 1 – LETTER FROM THE BOARD OF DIRECTORS

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### PXP VIETNAM EMERGING EQUITY FUND LIMITED

(Incorporated under the laws of the Cayman Islands with Limited Liability)

*Directors:*

Antony Jordan  
Christopher Vale  
Brook Tellwright

*Registered office:*

CARD Corporate Services Ltd.  
Zephyr House  
122 Mary Street  
P.O. Box 709  
Grand Cayman KY1-1107  
Cayman Islands

To the participating shareholders (the “**Shareholders**”) of PXP Vietnam Emerging Equity Fund Limited (“**VEEF**”)

5 December 2014

Dear Shareholder,

#### PROPOSED MERGER WITH PXP VIETNAM FUND LIMITED

##### INTRODUCTION

The investment manager of VEEF, PXP Vietnam Asset Management Limited (the “**Investment Manager**”), has submitted a proposal to the Board of Directors of VEEF (the “**Board**”) that VEEF merge with PXP Vietnam Fund Limited (“**PXPVF**”), a Cayman Islands investment company which is also managed by the Investment Manager (the “**Merger**”).

The rationale for the proposal is that the shareholders of both constituent entities would benefit from being members of an enlarged fund with the combination of similarly focused investment portfolios, savings from economies of scale and a reduction in concentration risk for shareholders. Shareholders of VEEF will benefit from the increased size of VEEF, with more flexibility in terms of portfolio realisations to fund redemptions.

The consent of PXPVF shareholders is required to approve the Merger, by the passing of a special resolution which is to be considered at an Extraordinary General Meeting (“**EGM**”) on 17 December 2014. The Articles of Association of VEEF specify that participating shares in VEEF are non-voting, except on matters that would materially affect or prejudice the rights attached to such shares. The Board has determined that the Merger will not materially affect or prejudice the rights attached to participating shares and so Shareholders are not required to vote to approve the Merger. The voting rights in VEEF are held by the management shares. The sole holder of such management shares is the Investment Manager. The Board and the Investment Manager will take all necessary steps to approve the Merger on behalf of VEEF, subject to the approval of PXPVF shareholders at the EGM.

##### INFORMATION CONCERNING PXP VIETNAM FUND LIMITED

PXPVF is a closed-ended investment company, with its shares currently listed on the premium segment of the Official List of the United Kingdom Listing Authority (“**UKLA**”). If the Merger proposals are approved, it is intended that PXPVF will apply to the UKLA for the cancellation of the listing of its shares on the Official List of the UKLA.

PXPVF currently has similar investment policies, objectives and restrictions as those for VEEF, with the main differences being that PXPVF invests in the equity securities of listed companies which either have a capitalisation or net asset value in excess of US\$5 million at the time of investment (VEEF: US\$20 million); PXPVF will not

invest more than 10% of its Net Asset Value at the time of investment in a single issuer (VEEF: 20% of its assets); and PXPVF restricts its investments in pre-listed companies to no more than 30% of its Net Asset Value at the time of investment (VEEF: 10% of its assets). The Merger would have the effect of imposing VEEF's current investment policies, objectives and restrictions on former PXPVF shareholders once the merger is complete.

The portfolios of both VEEF and PXPVF are managed by the Investment Manager and are currently managed by the same individual, Kevin Snowball, and thus shareholders in the new merged entity would also benefit from centralised portfolio construction.

The current board of directors of PXPVF comprises five independent non-executive directors: Philip Smiley (Chairman), Christopher Vale (also a Director of VEEF), Antony Jordan (also a Director of VEEF), Urs Bolzern and Trinh Thanh Mai.

The registered office of PXPVF is: CARD Corporate Services Ltd.  
Zephyr House, 122 Mary Street  
Grand Cayman KY1-1107  
Cayman Islands

### **PXP Vietnam Fund - Net Asset Value and Portfolio of Assets**

As at 31 October 2014, PXPVF had an unaudited Net Asset Value of US\$86,874,198. With 12,000,000 participating shares in issue, this gives an average Net Asset Value per Share of US\$7.240.

The balance sheet of PXPVF as at 31 October 2014 comprises:

- 41 listed Vietnamese companies - total unaudited fair value<sup>1</sup> of US\$86,785,169
- One Vietnamese open-ended fund - unaudited fair value<sup>2</sup> of US\$182,061
- Cash (unaudited) – US\$28,464
- Other net liabilities (unaudited) - US\$121,496

The portfolio of PXPVF is diversified and is invested across a range of industries, as shown below:

<i>Sector</i>	<i>Number of assets as at 31 October 2014</i>	<i>Unaudited Fair Value as at 31 October 2014</i> <b>US\$</b>	<i>% of total assets</i> <b>%</b>
Consumer Discretionary	2	1,091,007	1.3
Consumer Staples	4	19,763,252	22.7
Energy	1	5,530,025	6.4
Financials	7	18,607,191	21.4
Healthcare	2	710,527	0.8
Industrials	9	15,671,218	18.0
Information Technology	1	4,530,940	5.2
Materials	10	14,953,657	17.2
Property	6	6,109,413	7.0
<b>Total</b>	<b>42</b>	<b>86,967,230</b>	<b>100.0</b>

*Source: PXP Vietnam Asset Management Limited (Investment Manager of PXPVF)*

<sup>1</sup> Fair values of listed investments are based on last traded prices on the valuation date. Price sources: Ho Chi Minh City Stock Exchange, Hanoi Stock Exchange and Bloomberg.

<sup>2</sup> Fair value of open-ended fund is based on latest published NAV per share at the balance sheet date. Price source: Viet Fund Management's website.

The portfolio of PXPVF includes some of the most sought after blue-chip stocks in Vietnam, such as Vinamilk, Hoa Phat Group and FPT Corporation. The ten largest holdings as at 31 October 2014 were:

	% of Net Assets (unaudited) %
Vietnam Dairy Products JSC (Vinamilk) (VNM)	20.7
Ho Chi Minh City Securities JSC (HCM)	9.3
Hoa Phat Group JSC (HPG)	8.5
Refrigeration Electrical Engineering Corporation (REE)	6.8
Petrovietnam Drilling and Well Services JSC (PVD)	6.4
Sai Gon Thuong Tin Commercial JSC (Sacombank) (STB)	6.3
FPT Corporation (FPT)	5.2
Da Nang Rubber JSC (DRC)	4.8
Hoang Anh Gia Lai JSC (HAG)	4.2
Vietnam Container Shipping JSC (VSC)	2.9

*Source: PXP Vietnam Asset Management Limited (Investment Manager of PXPVF)*

## **DETAILS OF THE PROPOSED MERGER**

The surviving entity in the Merger would be VEEF.

Pursuant to the Merger, shareholders in PXPVF would have their PXPVF shares cancelled in return for the issue of new participating shares in VEEF based on a share exchange ratio which would be calculated on the basis of the respective NAV per Share of each of VEEF (Lead Series) and PXPVF on the valuation date, which is 31 December 2014.

The share exchange ratio will be rounded to six decimal places. Entitlements to VEEF shares will be rounded to three decimal places. The NAVs of both VEEF and PXPVF will be finalised as soon as possible after the valuation date, and it is expected that final figures for both funds will be available on 9 January 2015.

If approved by PXPVF shareholders, the Merger is expected to become effective on 2 February 2015. The effective subscription price of the new shares to be issued to PXPVF shareholders will be the NAV per Share of VEEF Lead Series shares (before deduction of performance fee, if any) on 30 January 2015 which is the valuation day relating to the dealing day of 2 February 2015 as at which date the shares will be issued.

If the Merger is implemented, the initial Benchmark and High Water Mark applicable to the VEEF shares to be issued to former shareholders of PXPVF will be the effective subscription price. The hurdle rate of 8% per annum will be applied to this subscription price.

All PXPVF shares shall be cancelled by operation of the Merger and any certificates or other documents of title in respect of PXPVF shares will be invalid and treated as cancelled.

A draft Plan of Merger is enclosed at Part 2 of this Circular (the “**Plan of Merger**”) and includes a worked example of the Merger mechanism.

### **Calculation of NAV**

The Fund Administrator for both VEEF and PXPVF is HSBC Trustee (Cayman) Limited, with HSBC Institutional Trust Services (Asia) Limited acting as the Administrator’s delegate. The Administrator calculates the NAV per Share for both VEEF and PXPVF on a monthly basis in accordance with their respective valuation policies. As confirmed by the Boards of each fund, the valuations of investments made under the valuation policies of both VEEF and PXPVF are consistent with International Financial Reporting Standards.

The NAV per Share for each of VEEF (Lead Series) and PXPVF used for calculating the merger share exchange ratio will be such unadjusted NAV per Share for each of VEEF (Lead Series) and PXPVF as calculated by the Administrator as at the valuation date.

## **THE INVESTMENT MANAGER'S RATIONALE FOR MAKING THE PROPOSAL**

The Investment Manager (being also the investment manager of PXPVF) has suggested to the Board of Directors of both funds that a proposal be put to shareholders for them to consider a merger of the two funds into a single vehicle with the open-ended structure of VEEF the surviving entity.

The Investment Manager has made the recommendation as it feels that a merger would confer significant benefits on the shareholders of both funds, as outlined below.

In general, the Investment Manager is of the view that the single country closed-end fund model is no longer functioning effectively as far as Vietnam is concerned. There has been no new issuance for a number of years and wide discounts persist. The Investment Manager believes that the main reason for any narrowing of discounts in Vietnam-focused closed-end funds in general in a now three year bull market has been through share buy-backs, and that such share buy-backs have not made substantial or enduring differences to the discounts. This suggests either a lack of interest in the Vietnamese market (which the increase in ETF assets under management over the past two years would refute) or some apathy toward the closed-end structure itself.

The Investment Manager believes that under current and reasonably foreseeable market conditions, and without the influence of open-ending opportunities it is unlikely that the discount at which PXPVF shares trade to PXPVF's Net Asset Value would be eliminated in the context of a closed-end fund and that therefore PXPVF shareholders would benefit from a move to an open-ended structure.

The proposed Merger, if adopted, will allow VEEF Shareholders the opportunity to participate in a fund approximately three times its current size. In addition to savings from economies of scale it should be noted that in view of the fact that the two largest current shareholders of VEEF in total represent 53% of the issued participating shares, the Merger would significantly reduce the redemption risk from those shareholders to the continued viability of VEEF.

## **BENEFITS OF THE PROPOSED MERGER**

- The Merger would create a fund of sufficient size for the shareholders of both constituent entities to enjoy economies of scale. The largest costs of VEEF are based on NAV – such as management fee, administration and custodian fees. There would be some economies of scale and savings in fixed costs per share, including directors' fees, auditor's fee and fixed elements of the administration and custodian fees. It has been estimated that expenses will reduce from US\$0.164 per share per annum to US\$0.120 per share per annum after the merger (based on 31 October 2014 NAV and adjusted for the merger share exchange ratio).
- The benefits of being invested in a larger fund would be attained without losing focus on the investment objective of VEEF, through the combination of the portfolio of VEEF with a portfolio of similarly focused holdings (both portfolios being over 50% exposed to Vietnam-listed stocks at their respective foreign ownership limits).
- The ability of VEEF to attract a more diversified shareholder base by being able to attract investors with size restrictions and therefore reducing concentration risk for existing shareholders.
- The increased size of VEEF would give more flexibility in terms of portfolio realisations to fund redemptions.
- The elimination of the potential confusion that might result from the existence of two open-ended funds managed by the Investment Manager with very similar mandates (if the Merger is not approved by shareholders of PXPVF and if such shareholders subsequently vote to open-end that fund in accordance with the special resolution that is to be put to the 2015 annual general meeting).

## **RISKS ARISING FROM THE PROPOSED MERGER**

- The move by PXPVF shareholders to an open-ended structure presents a risk of substantial withdrawals by shareholders within a short period of time which could require the post-Merger VEEF to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of assets and/or disrupting the investment strategy.

## CONSENTS REQUIRED FOR THE MERGER

The requirements of the Merger are governed by The Companies Law (2013 Revision) of the Cayman Islands. Pursuant to Section 233(6) thereof, a plan of merger shall be authorised by each constituent company by way of:

- (a) a special resolution of the members of each such constituent company; and
- (b) such other authorisation, if any, as may be specified in such constituent company's articles of association.

For the purpose of the Merger, each of VEEF and PXPVF is a "constituent company", with VEEF being the surviving entity.

The Articles of Association of VEEF specify that participating shares in VEEF are non-voting, except on matters that would materially affect or prejudice the rights attached to such shares. The Board has determined that the Merger will not materially affect or prejudice the rights attached to participating shares and so Shareholders are not required to vote to approve the Merger. The voting rights in VEEF are held by the management shares. The sole holder of such management shares is the Investment Manager. The Board and the Investment Manager will take all necessary steps to approve the Merger on behalf of VEEF, subject to the approval of PXPVF shareholders at the EGM.

## IF THE MERGER IS NOT APPROVED

If the Merger is not approved by PXPVF shareholders, VEEF will continue at its current scale.

## TIMELINE FOR THE MERGER

17 December 2014	Management shareholder of VEEF votes to approve the Merger
17 December 2014	Hold EGM of shareholders of PXPVF
18 December 2014	Announcement of the results of the EGM of PXPVF
18 December 2014	Submit draft Plan of Merger to the Cayman Islands Registrar of Companies
31 December 2014	NAV valuation day for Merger share exchange
9 January 2015	Announcement of 31 December 2014 NAVs of VEEF and PXPVF, and share exchange ratio
9 January 2015	Submit Plan of Merger to the Cayman Islands Registrar of Companies for final approval
30 January 2015 7.30am UK time	Suspension of the listing of shares of PXPVF
2 February 2015	Effective date of Merger
2 February 2015 6.00 p.m. UK time	PXPVF share register closes
3 February 2015 8.00 a.m. UK time	Cancellation of the listing of shares of PXPVF
9 February 2015	Contract notes issued to former Shareholders of PXPVF informing them of their new holdings in VEEF

## **COSTS OF THE PROPOSED MERGER**

The total legal and professional costs to be incurred on the proposed Merger are estimated to be no more than US\$90,000. The Boards of VEEF and PXPVF have agreed that the legal and professional costs will be allocated to the two funds pro-rata to their respective Net Asset Values.

In addition, the transfer of assets from PXPVF to VEEF in Vietnam will incur: (i) central depository transaction charges at 0.1% of the value of the assets transferred, payable by the transferor, and 0.1% of the value of the assets transferred, payable by the transferee, and (ii) taxation at 0.1% of the value of the assets transferred, payable by the transferor. It should be noted, however, that these costs are similar to those that would be incurred if VEEF were to receive a large subscription and invest the proceeds into the market, but without the market impact risk of such an infusion.

## **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection free of charge at any time during normal business hours on business days from the date of this Circular up to 5.00 p.m. (Cayman Islands time) on 15 December 2014 at the offices of the Company Secretary for VEEF:

CARD Corporate Services, Zephyr House, 122 Mary Street, George Town, Cayman Islands:

- (a) Memorandum and Articles of Association of PXPVF;
- (b) Prospectus of PXPVF dated June 2006, and Summary Document dated March 2010;
- (c) Audited financial statements of PXPVF for the year ended 30 September 2014;
- (d) Draft of the Plan of Merger; and
- (e) The Companies Law (2013 Revision) of the Cayman Islands.

## **CONCLUSION**

It is the opinion of the Board that the proposals described are in the best interests of all shareholders.

The holders of management shares intend to vote in favour of the Merger and to approve the Plan of Merger, subject to the PXPVF shareholders approving the Merger by passing a special resolution at the EGM on 17 December 2014.

The Directors of VEEF, whose names appear on page 1, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of VEEF (who have taken all reasonable care to ensure this is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Yours faithfully

The Board of Directors  
**PXP Vietnam Emerging Equity Fund Limited**

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**PART 2 – PLAN OF MERGER**

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[            ] 2014

**PLAN OF MERGER**

**For the Merger of**  
**PXP Vietnam Emerging Equity Fund Limited (“VEEF”)**  
**and**  
**PXP Vietnam Fund Limited (“PXPVF”)**  
**(the “Merger”)**

**in accordance with Section 233 of the Companies Law (2013 Revision)**

1. *Name and registered office of each constituent company:*

*Name:* **PXP Vietnam Emerging Equity Fund Limited**

*Registered Office up to 31 December 2014:* **Zephyr House, 122 Mary Street  
George Town  
Grand Cayman KY1-1107  
Cayman Islands**

*Registered Office from 1 January 2015:* **Harneys Services (Cayman) Limited  
4th Floor, Harbour Place  
103 South Church Street  
George Town  
Grand Cayman KY1-1002  
Cayman Islands**

*Name:* **PXP Vietnam Fund Limited**

*Registered Office:* **Zephyr House, 122 Mary Street  
George Town  
Grand Cayman KY1-1107  
Cayman Islands**

2. *Surviving company:* **PXP Vietnam Emerging Equity Fund Limited**

3. *Share Capital in respect of each constituent company:*

(a) **PXP Vietnam Emerging Equity Fund Limited:**

**Authorised:**

**US\$2,000,000 divided into:**

**100 Management Shares of par value US\$1 each  
39,998,000 Participating Shares of par value US\$0.05 each**

**Issued:**

**100 Management Shares of par value US\$1 each  
[5,952,473.491] Participating Shares of par value \$0.05 each**

(b) PXP Vietnam Fund Limited:

Authorised:

US\$2,500,000 divided into  
50,000,000 Shares of par value US\$0.05 each

Issued:

12,000,000 Shares of par value US\$0.05 each

4. The Merger is intended to take effect on 2 February 2015.
5. *The terms and conditions of the proposed merger or consolidation, including the manner and basis of converting shares in each constituent company into shares in the consolidated or surviving company:*

Pursuant to the Merger, the current shareholders of PXPVF (who all hold shares of the same class) will be issued Participating Shares in VEEF, the surviving company, on a straight line NAV valuation basis.

The valuation date for the purpose of the Merger will be 31 December 2014 (the "Valuation Date").

Shares will not be converted.

Shareholders in PXPVF will have their PXPVF Shares cancelled in return for the issue of new Participating Shares in VEEF based on a share exchange ratio which will be calculated on the basis of the respective NAV per share of VEEF (Lead Series) and PXPVF on the Valuation Date.

The effective subscription price of the new Participating Shares to be issued to PXPVF shareholders will be the NAV per Share of VEEF Lead Series shares (before deduction of performance fee, if any) on 30 January 2015 which is the valuation day relating to the dealing day of 2 February 2015 as at which date the shares will be issued.

All PXPVF shares shall be cancelled in the Merger.

#### *Worked example*

By way of example, if the Merger had taken effect as of 31 October 2014:

The NAV (before accrued performance fee) of the VEEF Lead Series was US\$16,256,807 as at 31 October 2014. The total NAV of the other series in issue was US\$24,615,519 as at 31 October 2014.

VEEF Lead Series had 2,397,038.981 Participating Shares in issue at that date, giving a NAV per Participating Share of US\$6.782.

The NAV of PXPVF was US\$86,874,198 as at 31 October 2014.

PXPVF had 12,000,000 Shares in issue at that date, giving a NAV per Share of US\$7.240.

The combined NAV of the merged entity post-Merger (before accrued performance fee in VEEF) would therefore have been US\$127,746,524 as at 31 October 2014.

As PXPVF had a higher NAV per share in this example, on a straight line NAV basis each PXPVF shareholder would receive 1 VEEF Participating Share for every 0.936740 PXPVF Shares.

Thus 12,810,384.952 new VEEF Participating Shares would be issued in return for the cancellation of all issued PXPVF Shares. The NAV per Participating Share of shares issued to PXPVF shareholders would be US\$6.782.

As an example, a shareholder with 100,000 Shares in PXPVF with NAV of US\$724,000 prior to the Merger, would receive  $100,000 / 0.936740 = 106,753.208$  Participating Shares in VEEF with NAV of US\$724,000.

