PXP VIETNAM FUND LTD Newsletter – 14 August 2012 –

PXP Vietnam Fund Limited

A Cayman-domiciled closed-end fund listed on the Main Market of the London Stock Exchange. 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.

Summary

I• Fund details
II• Top 10 holdings
III• Investment comment
IV• PXPVF Portfolio

Portfolio Manager
Kevin Snowball

Bloomberg Ticker
VNF LN <Equity>

ISIN
KYG7301W1033

Market Makers

HSBC:
Hugh Harvey-Kelly
+44 207 991 5241

Jeffries International:
Mark Mulholland
+44 207 898 7106
Bloomberg **JJFD**

LCF Rothschild:
Johnny Hewitson
+ 44 207 845 5960
Bloomberg **LCFR**

NUMIS:
David Cumming
+44 207 260 1376
Bloomberg **NUMS**

Seymour Pierce
Jacqui Briscoe
+44 207 107 8076

PXP VIETNAM ASSET MANAGEMENT

PXP Vietnam Asset Management
Vietnam Representative Office
6th Floor, Opera View Building
161 Dong Khoi, District 1
Ho Chi Minh City, Vietnam

Tel. Nº. + (84) 8 3827 6040
Fax Nº. + (84) 8 3827 6043
www.pxpam.com

I• Fund Details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 4.213** as at 31 July 2012
Number of shares in issue	12,000,000
Fund size	US$ 50.55 million
Number of holdings	Listed: 42 Pre-Listed: 0

Performance	**YTD**	**1 Year**	**2 Years**
PXPVF*	**+26.78%**	**+26.97%**	**-10.19%**
VNI**	+18.91%	+0.83%	-23.15%
	3 years	**4 years**	**5 years**
PXPVF*	**-6.87%**	**+5.67%**	**-54.17%**
VNI**	-24.13%	-26.18%	-64.67%
	6 years	**7 years**	**8 years**
PXPVF*	**+2.41%**	**+75.47%**	**+74.89%**
VNI**	-24.69%	+28.52%	+31.26%

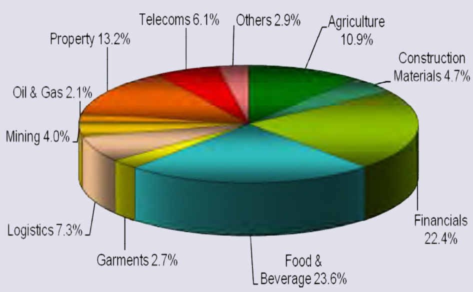
* All figures are NET of fees ** Index performance in US$

II• Top-10 Holdings

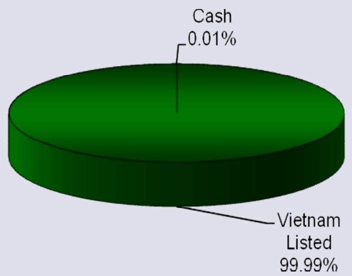
	% of Net assets
Vinamilk (VNM)	21.0
Sacombank (STB)	12.8
REE (REE)	6.8
FPT Corporation (FPT)	6.1
HCMC Securities (HCM)	4.8
Hoang Anh Gia Lai (HAG)	4.4
Hoa Phat Group (HPG)	4.1
Dong Phu Rubber (DPR)	3.9
Southern Seed Corp (SSC)	3.4
Transimex (TMS)	3.0

IV• PXPVF Portfolio

Sectoral Breakdown (as at 31 July 2012)



Segments (as at 31 July 2012)



III• Investment Comment

Local sentiment has recently turned cautiously optimistic, with most brokers pointing out bullish chart formations but unwilling to commit in the absence of a "catalyst". A number have pointed out that the market usually goes up in August, which is true insofar as seven of the twelve Augusts (not including this one) of the VNI's history have featured gains. More recently six of the past seven Augusts have been positive and it could therefore be argued (although not by us) that the moon will ultimately turn out to have been the catalyst.

Our unequivocally bullish view for the remainder of the year and beyond is somewhat more fundamentally rooted, and given that we don't remember anyone spotting a specific catalyst for the 48.2% bottom to top rally between January and May this year (with turnover not increasing in any meaningful way until 3 weeks and around 15% of upside from the bottom) we are not going to attempt to identify one. What we prefer to focus on is the local macro / micro environment which we believe underpins the chances of a sustained advance, as it did earlier this year.

The past twelve months have featured a dramatic improvement in the country's macroeconomic management, as evidenced by sharply lower inflation, persistent currency stability and a negligible trade deficit. Over the past several months investors have turned their attention to slowing GDP growth, rising non-performing loans (NPLs) and a halt in credit growth. Since these concerns have been at the fore for the past three months we would argue that they have been discounted and, in any event, since the government's monetary policy team is well aware of those issues we do not believe them to be standing idly by with fingers crossed.

GDP growth tends to accelerate in the second half of the year so we are not unduly worried on that score, particularly since the government seems to be in mild stimulatory mode. A couple of banks have recently had credit expansion limits raised with the positive implications as to their financial health not missed by the market, at least in the case of the listed Military Bank (**MBB**). NPLs are generally likely to be higher in certain state-owned banks and in the smaller banks than in those the Fund owns and we are optimistic that action will be taken to rationalise the situation by moving problem loans into an "asset management" company (roughly akin to a "bad bank" pool) in order to assist in unfreezing lending. All in all we feel that any surprises are now likely to be to the upside.

From a micro perspective we are seeing earnings growth for the first half of 2012 at a reasonable, and in some cases exceptional level in the Fund's core holdings, which testifies to selective resilience in these somewhat troubled times.

In summary, our view for the remainder of 2012 is that we have seen the worst of recent weakness in the index barring a renewed outbreak of global depression. Even this eventuality may have a muted impact since the general risk aversion globally has limited the visible participation of foreigners in the market over the past few months, although a couple of stocks, including **REE** have recently reached the foreign ownership limit. There are still premium buyers off market for decent stakes in certain stocks at the foreign limit. We would prefer such activity to be formalised in some way in order to aid transparency and help the market to develop but seem to be in a tiny minority (just us) in holding that view.

The VNI seems to be content to trade between 400 and 440 for the time being with the lower band likely to prove resilient and the upper range moving out to 500 for the medium term. Any pickup in GDP and credit growth is likely to be well received and we expect any break from the medium-term range to be to the upside, although that may not occur until calendar 2013. We remain extremely positive over the long term.