PXP VIETNAM FUND LTD

Newsletter

– 17 July 2013 –

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

Portfolio Manager
Kevin Snowball

Bloomberg Ticker
VNF LN <Equity>

ISIN
KYG7301W1033

Market Makers

Jefferies 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**

Investec Securities
Peter Brown
+44 207 597 5063

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. N°. + (84) 8 3827 6040
Fax N°. + (84) 8 3827 6043
www.pxpam.com

I• Fund Details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 5.508** as at 28 June 2013
Number of shares in issue	12,000,000
Fund size	US$ 66.10 million
Number of holdings	Listed: 44 Pre-Listed: 0

Performance	**YTD**	**1 month**	**1 year**
PXPVF*	**+23.97%**	**-5.17%**	**+31.64%**
VNI**	+14.76%	-7.76%	+12.78%
	2 years	**3 years**	**4 years**
PXPVF*	**+65.55%**	**+14.35%**	**+33.49%**
VNI**	+8.16%	-14.27%	-9.46%
	5 years	**6 years**	**7 years**
PXPVF*	**+46.41%**	**-46.75%**	**+18.67%**
VNI**	-3.84%	-64.10%	-29.25%
	8 years	**9 years**	**Inception**
PXPVF*	**+128.36%**	**+122.91%**	**+120.32%**
VNI**	+46.44%	+43.59%	+113.67%

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

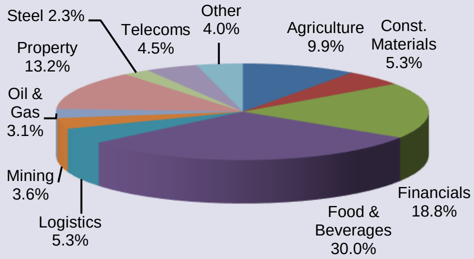
* All YTD figures are from 28 December 2012

II• Top-10 Holdings

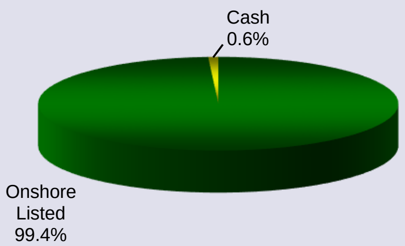
(as at 28 June 2013)	% of Net assets
Vinamilk (VNM)	29.6
Sacombank (STB)	8.3
REE (REE)	7.5
Hoa Phat Group (HPG)	4.8
FPT Corporation (FPT)	4.5
HCMC Securities (HCM)	3.6
Southern Seed Corp (SSC)	3.5
Hoang Anh Gia Lai (HAG)	3.4
Petrovietnam Drilling (PVD)	3.0
Dong Phu Rubber (DPR)	2.8

IV• PXPVF Portfolio

Sectoral Breakdown (as at 28 June 2013)



Segments (as at 28 June 2013)



III• Investment Comment

A period of relative global market calm since our last publication at the end of June has seen the Viet Nam Index ("VNI") rise from 480 to 495 points, partially recovering some of the losses sustained last month.

During June the NAV of the Fund fell by 5.2%, whilst the VNI fell by 7.8%, the Market Vectors ETF fell by 10.9% and the DB-X Tracker fell by 13.3%. Outperformance of the Fund relative to the two tracker funds came as "hot money" outflows in the form of redemptions from these ETFs drove some stocks lower, but with only limited impact on the Fund's portfolio. The Fund also continues to outperform the VNI over every period since inception nearly ten years ago, and we are firm in our conviction of the portfolio's compelling long-term value resulting from its composition of the highest-quality stocks; a number of which have reached their foreign-ownership limits. Meanwhile the discount applied to the Fund's NAV in London, which expanded to 15.6% as the market declined, has not narrowed accordingly as the global outlook improves.

Returning to domestic matters, much commentary has been given to a possible depreciation of the Vietnamese currency, and despite a 1% devaluation of the dong by the State Bank of Vietnam ("SBV") in June, it remains one of the best performing regional currencies YTD even as Bernanke-driven USD strength continues.

The relative stability in the dong is backed by solid evidence that Vietnam is successfully achieving long-term economic stability. We have mentioned our thoughts on an earlier than expected transition to trade surplus, as the country diversifies from textiles into higher-value assembly and manufacturing; the trade deficit in the first half of this year was just US$1.4bn and the SBV has reduced its full year deficit expectations from US$9bn to US$3-4bn. Growth in exports of footwear, both crude and refined oil, electronics, rice, coffee and natural rubber are behind this shrinking of the deficit and the SBV has built FX reserves of three months of imports. We remain confident in our 2013 GDP growth target of 5.5% (compared to World Bank and IFC forecasts of 5.3% and 5.2% respectively). In the first half of 2013 GDP grew by 4.9% whilst on a quarterly improvement trend, and inflation is well under control, with the government plan to maintain CPI at under 7% achievable following a rise of 6.7% in the first half.

Last week saw the start of activities of the Vietnam Asset Management Company ("VAMC"), with the "Bad Bank" to take debt from banks with non-performing loans in excess of 3% of total lending in return for bonds. With details still to follow on loan classifications, the stock market response could best be described as "muted" for now, but it is clear to us that not all banks will need assistance. A number of those with stronger balance sheets have already bumped up against the 2013 loan growth ceiling of 12% imposed by the SBV.

As more faith is given to the currency and macroeconomic management there is room for multiple expansion - the PXP Universe is trading on a 2013 earnings multiple of 10.2 times, which falls to just 9.4 times if key ETF inflated stocks are excluded. In the short-term the 50% of the Fund's NAV currently invested in stocks at their foreign ownership limits will benefit greatly from any relaxation of those limits, a process under discussion now in the Prime Minister's office. One logical result of increased limits would be a rapid narrowing in the Fund's discount to NAV, as well as a rally based on pre-emptive domestic and foreign investor enthusiasm.