Newsletter

– 28 March 2012 –

Vietnam Emerging Equity Fund Limited (VEEF)

A Cayman-domiciled open-ended fund with monthly liquidity. 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.

Summary

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Bloomberg Ticker
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Subscriptions:
Monthly, at month end
Redemptions:
Monthly (30 Days Notice)

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I• Fund details

Launch Date	3 November 2005
Issue Price	US$ 5.000
NAV per share (Lead Series)	**US$ 4.058** as at 29 February 2012
Number of shares in issue	8,114,296
Fund size	US$ 32.93 million
Number of holdings	Listed: 44 Pre-Listed: 3

Performance	YTD	1 Year	2 Years
VEEF*	**+22.52%**	**+1.096%**	**-26.67%**
VNI**	+21.71%	-7.944%	-21.91%
Performance	**3 Years**	**4 years**	**5 Years**
VEEF*	**+53.65%**	**-50.58%**	**-68.50%**
VNI**	+44.69%	-51.14%	-71.40%

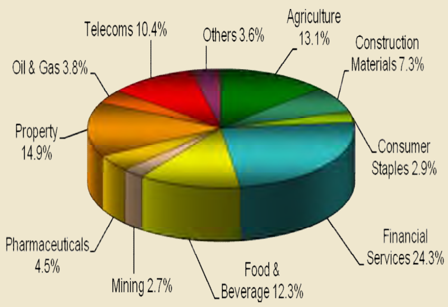
* All figures are NET of fees ** Index performance in US$

II• Top 10 holdings

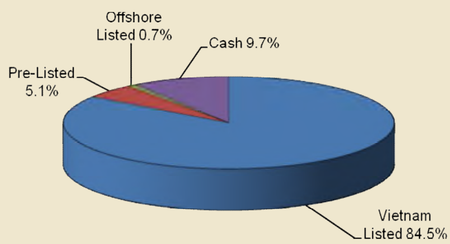
	% of Net assets
Sacombank (STB)	9.3
Vinamilk (VNM)	8.8
FPT Corp (FPT)	7.5
Hoang Anh Gia Lai (HAG)	6.4
Dong Phu Rubber (DPR)	5.8
Hoa Phat Group (HPG)	4.3
Petrovietnam Fertiliser (DPM)	3.8
Asia Commercial Bank (ACB)	3.7
HCMC Securities (HCM)	3.6
Petrovietnam Drilling (PVD)	3.6

IV• VEEF portfolio

Sectoral Breakdown (as at 29 February 2012)



Segments (as at 29 February 2012)



III• Investment comment

Investment in this market, in common with other similarly nascent arenas has much to do with the timing of commitments. As supporting evidence of this mini-thesis: had one invested in the Viet Nam Index (assuming that were possible) at the end of December 2011 (when the outlook for equities was almost universally sentimentally depressed) one would be sitting on profits year-to-date of approximately 25% at the time of writing. Similarly, had one invested in the Fund three years ago at the end of February one would be up over 50%, whereas an investment four years ago would have resulted in current losses of close to 50%. So what's the point? It is our firmly held belief that Vietnam, due to a much-improved macro outlook over the past six months as well as having come from a fire-sale level in terms of equity valuations, albeit selectively, is now in the very early stages of a new structural bull market and it is not too late to get onboard. Whilst a jump of 25% in less than three months might be regarded by some as a bit quick, the fact that such a move leaves us at a point 70% lower than the all-time high in US$ lessens the feeling of vertigo which is possibly becoming a factor elsewhere.

Another consideration for longer-term investors is that the rise has not been in a straight line and so gains have so far been consolidated in a surprisingly mature way. The majority of investors in this market remain short-term in outlook, prone to a residual feeling of doubt and therefore tend to reverse their views in a knee-jerk reaction to news, particularly concerning macro releases. This has led to the opening of new windows of opportunity at lower levels twice during March for those reluctant to chase prices (see chart below).

Concerns about the inflationary impact of a 10% fuel price increase in early March proved completely unfounded as the consumer price index for the month rose by only 0.16% over February's level, but resulted in a 10% decline in the VNI in the interim. The annual rate of inflation fell by over 2% to 14.15% from 16.44% in February and reinforces our view that the worst is behind us. As Matt Hildebrandt, JP Morgan's Singapore based economist so succinctly put it in an interview with Bloomberg on 24 March: "Higher oil prices may slow the pace of decline in year-on-year inflation, but they aren't going to reverse the direction."

Similarly, a "disappointing" first quarter GDP growth estimate of 4% rumoured during market hours yesterday morning knocked the index by 5%, possibly because it gave investors an excuse to lock in some short-term profits, but it really shouldn't be cause for undue concern, particularly since the fall in the rate of inflation is giving the State Bank some flexibility on interest rates. The first quarter is generally the slowest due to the Tet (Lunar New Year) Holiday, and the last time we saw a similarly low number (3.3% in 1Q 2009), full-year growth still managed to come in at 5.5%. The VNI, incidentally (and for not entirely dis-similar local reasons after the macro shocks of 2008) rose by over 100% during the two quarters subsequent to the 2009 first quarter release as growth accelerated.

Apropos of the foregoing, we would like to gently remind anyone still with us and contemplating current levels as an interesting entry point that subscriptions to the Fund for this month can be accepted until close of business tomorrow (29 March 2012). Please do not hesitate to contact us as at left for further information, including subscription forms.

Viet Nam Index YTD to 28 March 2012