

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.

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Portfolio Manager

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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	US\$ 4.327		
(Lead Series)	as at 31 May 2012		
Number of shares in issue	8,298,211		
Fund size	US\$ 35.90 million		
Number of holdings	Listed: 45 Pre-Listed: 3		
Performance	YTD	1 Year	2 Years
VEEF*	+30.69%	+19.00%	-23.95%
VNI**	+23.31%	+0.59%	-22.87%
Performance	3 Years	4 years	5 Years
VEEF*	+6.13%	-11.57%	-66.12%
VNI**	-11.00%	-19.14%	-69.34%

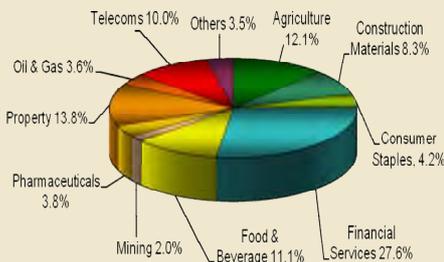
* All figures are NET of fees ** Index performance in US\$

II Top 10 holdings

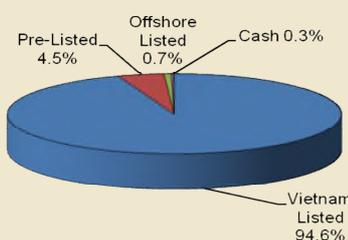
	% of Net assets
Sacombank (STB)	11.1
FPT Corp (FPT)	8.0
Vinamilk (VNM)	7.6
Hoang Anh Gia Lai (HAG)	6.2
Hoa Phat Group (HPG)	5.3
Dong Phu Rubber (DPR)	5.2
HCMC Securities (HCM)	4.4
Petrovietnam Fertiliser (DPM)	4.1
Asia Commercial Bank (ACB)	3.7
Petrovietnam Drilling (PVD)	3.6

IV VEEF portfolio

Sectoral Breakdown (as at 31 May 2012)



Segments (as at 31 May 2012)



III Investment comment

For anyone who was persuaded that Vietnam was uncorrelated to global equity markets the past several weeks have provided a reminder that in times of global stress external factors cannot be ignored. Whilst Vietnamese domestic retail investors may not be unduly concerned with whether or not Greece continues to use the Euro as its domestic currency, the behaviour of foreigners in the local market certainly has an impact. Approximately US\$ 20 million was withdrawn from the two ETFs in the last two weeks of May, with a larger net amount sold by other foreign investors month-to-date in June 2012. Whilst at current turnover levels this net selling (which appears to be slowing over recent days) represents in total roughly a single day's business at the Ho Chi Minh City Stock Exchange, such a reversal after more than four months of strong net inflows has put a bit of a dampener on things domestically at least temporarily in spite of continuing macro improvements. Certain brokers are attempting to whip up a little more enthusiasm by looking at various technical indicators including increasing deposits in margin accounts and base building at 430 on the Viet Nam Index (VNI); our view remains very simply that the local market is selectively very cheap and that underlying fundamentals and macro are supportive in isolation for whenever investors feel sufficiently adventurous to take the plunge, but that risk off is risk off and nothing we can say is going to change that.

An announcement on 13 June 2012 by the Governor of the State Bank of Vietnam that "Vietnam will consider raising foreign ownership caps (in the banking sector) on a case-by-case basis ahead of finalizing regulation" seems to have been interpreted by us alone as an indication that more than serious consideration is being given to raising the foreign ownership level for banks from its current 30%. Nine small "weak" banks are slated for merger or reorganisation by the end of this month (the "case-by-case" element), but the "finalisation of regulations" implies to us that a broader move is on the cards. Whether this eventuates or is extended to stocks in other non-sensitive sectors remains to be seen but we maintain our view that the mood is in favour of a more welcoming attitude to foreign investment in the listed equity space in order to broaden the investor base and at the same time address concerns regarding access to the higher quality stocks.

In the meantime we are encouraged that the government is showing itself willing to provide whatever solutions are necessary to get the economy moving again, including the creation of a fund designed to get non-performing loans off of the balance sheets of commercial banks in order to get them lending again to promote renewed economic activity, in tandem with providing further stimulus measures. Whilst this does create justifiable concerns of future inflationary pressures we expect to see the consumer price index drop below 6% for the year to June and with credit growth for the year just about tipping into the positive we have some way to go before that becomes a major worry. Downside limited.

Peer Group NAV Performance YTD to 31 May 2012

