

**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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**Portfolio Manager**

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**Bloomberg Ticker**

PXPVEEF KY <Equity>  
**ISIN**  
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**Subscriptions:**

Monthly, at month end

**Redemptions:**

Monthly (30 Business  
Days' Notice)

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**I• Fund details**

<b>Launch Date</b>	3 November 2005		
<b>Issue Price</b>	US\$ 5.000		
<b>NAV per share</b>	<b>US\$ 4.542</b>		
(Lead Series)	as at 28 February 2013		
<b>Number of shares in issue</b>	6,256,400		
<b>Fund size</b>	US\$ 28.45 million		
<b>Number of holdings</b>	Listed: 40 Unlisted: 4		
<b>Performance</b>	<b>Month</b>	<b>YTD</b>	<b>1 year</b>
<b>VEEF*</b>	<b>-2.03%</b>	<b>+9.79%</b>	<b>+11.93%</b>
<b>VN Index**</b>	<b>-1.65%</b>	<b>+14.08%</b>	<b>+11.44%</b>
	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>
<b>VEEF*</b>	<b>+13.15%</b>	<b>-17.93%</b>	<b>+71.98%</b>
<b>VN Index**</b>	<b>+2.59%</b>	<b>-12.97%</b>	<b>+61.25%</b>
	<b>5 years</b>	<b>6 years</b>	<b>7 years</b>
<b>VEEF*</b>	<b>-44.68%</b>	<b>-64.75%</b>	<b>-21.49%</b>
<b>VN Index**</b>	<b>-45.55%</b>	<b>-68.13%</b>	<b>-7.67%</b>

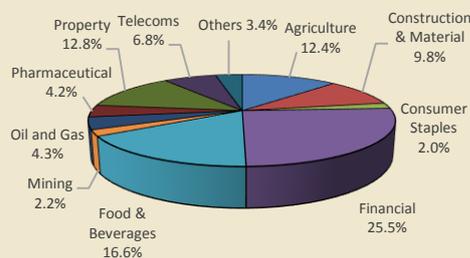
\* All figures are NET of fees \*\* Index performance in US\$

**II• Top 10 holdings**

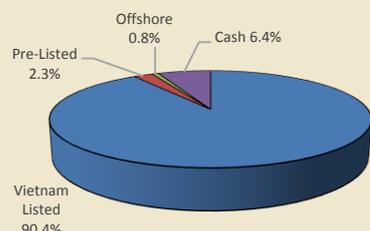
(as at 28 February 2013)	% of Net assets
<b>Vinamilk (VNM)</b>	16.2
<b>Sacombank (STB)</b>	10.5
<b>Hoang Anh Gia Lai (HAG)</b>	8.1
<b>Hoa Phat Group (HPG)</b>	8.1
<b>Dong Phu Rubber (DPR)</b>	6.8
<b>FPT Corp (FPT)</b>	6.5
<b>HCMC Securities (HCM)</b>	5.3
<b>Petrovietnam Drilling (PVD)</b>	4.9
<b>Petrovietnam Fertiliser (DPM)</b>	4.1
<b>Military Bank (MBB)</b>	3.7

**IV• VEEF portfolio**

**Sectoral Breakdown** (as at 28 February 2013)



**Segments** (as at 28 February 2013)



**III• Investment Manager's comment**

The strong rally in the Viet Nam Index, which extended 33% from a traded low of 374.15 on 28 November 2012 to a high of 497.87 at the open on 18 February 2013, has been followed by what appears to us a healthy period of consolidation. Most other local commentators however have taken the recent relative stasis as a signal to revert from "confused" to their default position of "technically obsessed with a bearish bias".

We detect a strong level of impatience locally with the speed of the government's progress with its plans for 2013, aimed at resolving the bad debt issues within the banking system, reorganising state owned enterprises to promote more efficient use of capital going forward, and improving access to the market through the relaxation of foreign ownership limits.

The local preference seems to be that the government should publish the full set as soon as possible in order to allow the index to discount the positives and get back to focusing on the negatives. Our view, conversely, inspired by the government's impressive handling of the macroeconomic stresses of a couple of years ago is that the powers that be are more likely very sensibly taking their time to formulate effective, sustainable long-term solutions within a self-imposed timeframe rather than playing to the crowd and that this will allow the market to progress on a much more orderly and extended path. In short, a good, old fashioned bull market is in prospect if the government gets it right.

The government has, for example set a target of the end of the first quarter for the establishment of a so-called "Asset Management Company" designed to alleviate the mostly self-inflicted suffering in the banking system caused by a surge in non-performing loans and have reinforced the timeline in recent days as well as announcing the establishment of a steering committee designed to ensure the long-term health of the banking system. In any event, according to our calendar the first quarter finishes on 31 March each year rather than on any other date and so we don't think that a couple of extra weeks of patience is too much to ask if the benefits to sentiment thereafter are tangible.

We are firmly of the belief that conditions on both macro and micro levels are broadly supportive of an extended bull run in this market. Add to that a government which seems increasingly interested in promoting the development of Vietnam's capital markets and it seems to us that the only thing standing in the way of a renewed strong rally are the technical analysts.

The Viet Nam Index has neither closed nor even traded above the 500-point level since 18 February 2011. Once it gets above that barrier there is no short or medium-term resistance to a sustained advance for the techies to get excited about. We expect the breach within the next week or two at the latest, into an area which used to be known as "blue sky" when I were a lad.