VIETNAM ASSET MANAGEMENT LTD

Newsletter As at 30 July 2004

PXP VIETNAM FUND LIMITED

A Cayman-domiciled closed-end fund listed in Ireland. The investment objective of the Fund is to achieve long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies, whether established with domestic or foreign ownership, which are either listed companies or pre-listing companies.

FUND DETAILS

Launch Date: 31 December 2003 **Issue Price:** US$ 2.500

NAV per share: US$ 2.409 as at 30 July 2004

Number of shares in issue:	4,282,000
Fund size:	US$ 10.31 million
Number of holdings:	10

Performance	**1 month**	**3 months**	**YTD**
PXPVF	-2.51%	-4.74%	-3.64%*
Viet Nam Index	-4.51%	-9.83%	+42.83%

* The Fund started to invest on 11 February 2004

TOP 5 HOLDINGS

	% of net assets
Gemadept (GMD)	7.81
Sacom Cable (SAM)	7.64
REE (REE)	5.75
Agifish (AGF)	5.12
Transimex (TMS)	5.02

INVESTMENT COMMENT

During July the Fund's net asset value per share fell 2.51% compared to the Viet Nam Index (VNI) decline of 4.51%. The Fund's equity holdings as a percentage of Net Assets rose from 44.8% at the end of June to 48.4% as at 30 July 2004.

The third-largest stock by market capitalisation, Refrigeration and Electrical Engineering Corporation (better known as "REE"), on 23 July became the seventh listed stock to reach the 30% foreign ownership limit. As a consequence, and in spite of unaudited first half 2004 results advancing 84.5% on the corresponding period last year, its share price has subsequently underperformed against the VNI (down 8.7% in the four weeks since that date, with the market down 6.8%).

At the time of writing (19 August 2004) the total capitalisation of the Viet Nam stock market has fallen below US$ 210 million. Foreign availabilty in the 10 largest stocks (which comprise 89.3% of the market) is $14.2 million, of which $10.6 million is in the top two (Gemadept and Sacom Cable) and $3.4 million is in the two stocks which have listed this year (Cobovina and Hoa An), neither of which we consider attractive as anything other than a liquidity play. The market, with current availability in the remaining 6 of the top 10 stocks (all of which are core holdings of the Fund) totalling less than $250,000, is effectively locked. With no significant new listings on the immediate horizon it is clear that inaction on the part of the authorities might begin to damage the long-term prospects of the market.

The focus of various lobbies (including the Securities Trading Centre and the Ministry of Planning and Investment) appears to be on widening foreign ownership limits to 49% for sensitive sectors and to 100% for all others.

This is a logical step since, for example, both the Sheraton and Sofitel Hotels in Ho Chi Minh City are 100% foreign-owned, whilst Saigon Hotel (SGH), as a listed stock has a 30% foreign maximum. Similarly, Coca Cola's Vietnam business as compared to Tribeco (TRI).

Obviously we would support such a move to a more level playing field for both direct and indirect foreign involvement, but we restate our concerns at such a move absent the introduction of a takeover code or, alternatively, as a short-term 'fix'; a restriction on individual foreign shareholdings at the current 30% total.

Additionally, we believe that it is at least as important to increase the number and quality of listed stocks as it is to improve foreign access to the 24 already listed. Two new listings per year is hardly likely to provoke a rush of new foreign institutional participants. A recent increase in the number of companies issuing shares to the public with no stated desire to seek a listing does not suggest that there is as yet a concerted intent to restrain the OTC market in order to allow the stock exchange to develop.

On the positive side (finally!); preparations for the listing of at least two private joint stock commercial banks in the first quarter of 2005 are advancing, with particulars under discussion with the central bank, and the value of land-use rights may now be included as an asset by State-Owned Enterprises (SOEs) undergoing equitisation. The latter removes the main objection of many such organisations to taking such a step.

We remain concerned about the rate of inflation, with CPI up 7.7% for the first 7 months on the same period last year.