

PXP Vietnam Fund Limited

A Cayman-domiciled closed-end fund listed in Ireland. 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.

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I • Fund details

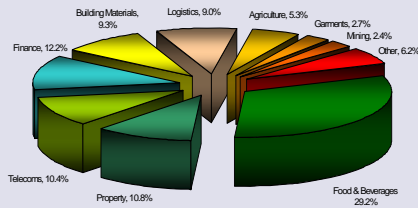
Launch Date	31 December 2003		
Issue Price	US\$ 2.50		
NAV per share	US\$ 9.192 as at 31 July 2007		
Number of shares in issue	12,000,000		
Fund size	US\$ 110.3 million		
Number of holdings	35		
Performance	1 month	3 months	YTD
PXPVF	-11.13%	-4.31%	+27.05%
VNI	-11.39%	-1.73%	+20.78%
Performance	1 year	2 years	3 years
PXPVF	+123.4%	+282.8%	+281.6%
VNI	+114.9%	+269.8%	+280.8%

II • Top 10 holdings

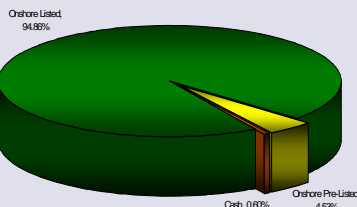
	% of Net assets
Vinamilk (VNM)	12.4
REE (REE)	10.9
Sacom Cable (SAM)	10.5
Sacombank (STB)	8.6
Gemadept (GMD)	6.7
Kinh Do Corp (KDC)	5.4
Agifish (AGF)	4.8
Binh Minh Plastics (BMP)	4.4
Bao Viet Securities (BVS)	3.7
Southern Seed (SSC)	2.8

IV • PXPVF portfolio

PXPVF Sectoral Breakdown (as at 31/07/06)



PXPVF Segments (as at 31/07/06)



III • Investment comment

A couple of examples of continuing foreign interest in specific areas are cause for long-term optimism in our stock selection in spite of some recent short-term underperformance against the benchmark:

- The scramble amongst foreign investors to be at the front of the queue bidding 5% above the previous close to secure the relatively small amounts of Binh Minh Plastics (BMP), Gemadept (GMD), REE and Tu Duc House (TDH) that occasionally become available suggest that there is undiminished enthusiasm for quality counters, and;
- The reported price to be paid by Sumitomo Mitsui for a 15% stake in Eximbank implies a capitalization of US\$ 1.5 billion for the whole; a valuation almost identical to that of listed Sacombank. One wonders what a similar buyer would have been prepared to pay for the vastly superior latter if such a stake were available. Utterly hypothetical, of course, since the maximum price payable for shares in a listed entity is 5% higher than the previous close.

With close to 50% of the portfolio in stocks at or close to the foreign ownership limit (which we would undoubtedly have difficulty replacing were we to sell them), and with the equitisation programme seemingly stalled awaiting a return of confidence we see no need to be raising cash levels, particularly given our bullish views in terms of the listed market post 2Q results as espoused in 8 August's Market Commentary.

Portfolio activity over the past couple of months has been mainly confined to adding to holdings through the increasingly prevalent (but not necessarily optimally priced) heavily discounted rights issues. A brace of private auctions in the seafood sector complete the somewhat muted recent activity; one listed (Agifish at a somewhat tighter price vis-à-vis prevailing market) and one pre-listing (Vinh Hoan).

Chickens, eggs, running, walking?

- The cannibalisation of local securities companies appears to have started in earnest with premium salaries presumably being paid for anyone with in excess of a couple of days' experience; an inevitable consequence, we feel, of the issue of roughly 50 new broking licenses over the past year, taking the total to around 65 after just over seven years of operation. Funnily enough, with average daily turnover around US\$ 30 million and commission rates of 20bps or less, it seems that very few are making any money.
- The transformation of the Ho Chi Minh City Securities Trading Centre into the Vietnam Stock Exchange in early August and the granting of its independence from the regulator may hold the key to resolving the negative impact on turnover of the introduction of continuous matching. Necessary authorisation protocols should now have been simplified to the extent that the consent of the entire government to the overdue upgrading of the software will no longer be required.

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