PXP VIETNAM FUND LTD

Newsletter

– 11 August 2010 –

PXP Vietnam Fund Limited

A Cayman-domiciled closed-end fund listed on the Main Market of the London Stock Exchange. 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.

Summary

I• Fund details
II• Top 10 holdings
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Portfolio Manager
Kevin Snowball

Bloomberg Ticker
VNF LN <Equity>
ISIN
KYG7301W1033

Market Makers
HSBC:
Hugh Harvey-Kelly
+44 207 991 5241
Jefferies International:
Mark Mulholland
+44 207 898 7106
Bloomberg **JJFD**
LCF Rothschild:
Johnny Hewitson
+ 44 207 845 5960
Bloomberg **LCFR**
NUMIS:
David Cumming
+44 207 260 1376
Bloomberg **NUMS**
Seymour Pierce
Leti McManus
+44 207 107 8095

I• Fund details

Launch Date	31 December 2003
Issue Price	US$ 2.50
NAV per share	**US$ 4.691** as at 30 July 2010
Number of shares in issue	12,000,000
Fund size	US$ 56.29 million
Number of holdings	Listed: 44 Pre-Listed: 0

Performance	**YTD**	**1 Year**	**2 Years**
PXPVF*	**-8.664%**	+3.691%	+17.66%
VNI**	**-3.409%**	-1.275%	-3.94%
Performance	**3 years**	**4 years**	**5 years**
PXPVF*	-48.97%	+14.03%	+95.38%
VNI**	-54.03%	-2.00%	+67.24%

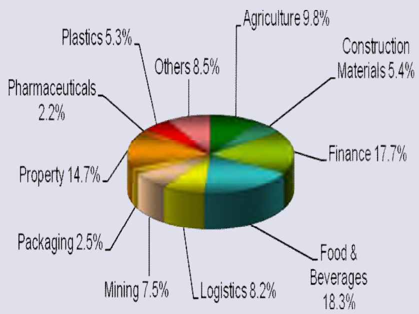
* All figures are NET of fees ** Index performance in US$

II• Top 10 holdings

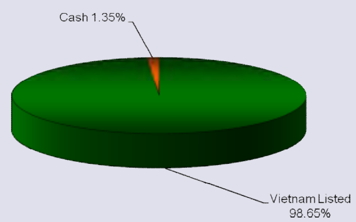
	% of Net assets
Vinamilk (VNM)	16.7
Sacombank (STB)	10.8
REE (REE)	6.7
Binh Minh Plastics (BMP)	4.9
HCMC Securities (HCM)	4.8
Binh Duong Minerals (KSB)	4.4
Gemadept (GMD)	4.3
Dong Phu Rubber (DPR)	4.2
Hoa Phat Group (HPG)	3.7
Southern Seed Corp (SSC)	3.3

IV• PXPVF portfolio

Sectoral Breakdown (as at 30 July 2010)



Segments (as at 30 July 2010)



III• Investment Comment

We were quoted on Bloomberg on 26 July 2010 having said that the Viet Nam Index “may climb as high as 700 (points) this year”. Obviously, with some mild capitulation currently in evidence and the index apparently having broken some major theoretical support levels we (by which I mean “I” since I said it) might be considered to be looking pretty stupid at this point. However, and without wishing to hide behind the rather equivocal “may”, we feel that now would be a good time to expand upon our reasons for having made the remarks, and to restate our opinion that such a move is not beyond the bounds of possibilities before the end of this year.

As we have mentioned several times in recent months, the investor base is currently homogenous, with foreign participation averaging around 5% of daily turnover. It follows that domestic investors are responsible for the remaining 95%, and with retail investors and proprietary trading books dominant, chart and rumour obsessed and short-term in approach the market is a little lacking in contrarian, or even just basic fundamental thought in order to assist in plugging the dyke.

According to Bloomberg the market was on a touch above 10 times historic earnings and a little over 9.5 times 2010 forecast profits as at the close on 10 August 2010. Whilst that is not a historic low (the VNI was on around 5.5 times earnings when the Fund was launched in 2003, for example), the index is a completely different animal than it was the last time the market was this cheap. So what needs to change in order for Vietnam to begin to share in the current wave of global equity optimism? Simply (or simplistically if you prefer); diversification of the investor base in order to create something more akin to a traditional two-way market, and to demonstrate that positive market moves need not be solely reliant on the easy availability of margin financing.

Pushing down the market in the face of a relatively stable economy and an encouraging first-half earnings season because local banks are choosing (or being persuaded) not to chase loan growth targets by opening the margin sluice gates (which really isn’t such a bad thing) may soon play into the hands of fundamental long-term investors by making the market irresistibly cheap.

Local chatter has it that a significant number of international institutions have been quietly opening trading accounts this year. Whilst these have not yet been activated the bottleneck avoidance lessons of 2006 and 2007 have obviously been learnt; if you want to deal in Vietnam when you feel that the time is right you need to be set up to do so in advance of the decision to execute. Our feeling is that the summer doldrums will last whilst the world takes a rest through August, after which a refreshed and rejuvenated emerging markets force may begin to cast the net a little wider in order to seek more exciting returns for the rest of 2010; Assuming that their gaze alights upon ASEAN, the comparable current index valuations as at 10 August (according to Bloomberg) based on forecast 2010 earnings were; Indonesia 15.15 times; Malaysia 15.16 times; Philippines 13.06 times, and Thailand 12.44 times. A re-rating of the VNI to the simple ASEAN ex-Singapore average of 13.95 times would catapult the index to 670.

Whilst we appreciate that heads far wiser than our own with far greater understanding of the markets in the mini-universe created above may well find gaping (or even black) holes in our argument, we really just wanted to demonstrate that we didn’t just make up a number to get our name in the papers. Time will tell whether anyone really cares, but our view is that the market is close to the bottom and that it won’t take too much to reverse the tide.

PXP VIETNAM ASSET MANAGEMENT

PXP Vietnam Asset Management
Vietnam Representative Office
6th Floor, Opera View Building
161 Dong Khoi, District 1
Ho Chi Minh City, Vietnam

Tel. N°. + (84) 8 3827 6040
Fax N°. + (84) 8 3827 6043
www.pxpam.com