

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\$ 2.404 as at 31 December 2004

Number of shares in issue: 4,282,000

Fund size: US\$ 10.3 million

Number of holdings: 15

Performance	1 month	3 months	YTD
PXPVF	+2.08%	+0.33%	-3.84%*
Viet Nam Index	+4.24%	+2.62%	+43.34%

* The Fund started to invest on 11 February 2004

TOP 5 HOLDINGS

	% of net assets
Sacom Cable (SAM)	10.46
Gemadept (GMD)	10.40
Chau Thoi 620 Concrete (BT6)	7.91
REE (REE)	6.64
Savimex (SAV)	5.41

INVESTMENT COMMENT

During December the Fund's net asset value per share rose 2.08% compared to the Viet Nam Index (VNI) gain of 4.24%. The Fund's equity holdings as a percentage of Net Assets rose from 66.6% at the end of November to 70.2% as at 31 December 2004.

This Newsletter marks the first anniversary of the Fund's launch, and whilst the performance figures above do not make particularly impressive reading we expect the year to 31 March 2005 to more accurately reflect the Fund's relative standing. All of the VNI's gains were made in the first 3 months of 2004, during the first six weeks of which period the Fund was excluded from participation pending the award of its trading code. The year's high was achieved on 1 April 2004 at a fraction below 280 points; the subsequent pullback to 239.29 at the year end saw the VNI fall 13.75% for the nine months to 31 December 2004 with the Fund's NAV down 8.07% over the same period.

OK, big deal; a Fund which went from approximately 20% in cash to roughly 60% in cash in a falling market managed to outperform the index. So what have we *really* achieved? We believe that the PXP Vietnam Fund is an "access Fund" in the true sense of the phrase: It is not possible for a foreign investor to replicate the Fund's portfolio *at any price* under the current rules of the Vietnam stock exchange. At the time of writing (11 January 2005) seven stocks are at the maximum 30% foreign shareholding limit; the Fund owns stakes in all of them totalling a little over 35% of net assets (50% of the invested portfolio) and holds in excess of 5% of the issued shares of six of those seven. At 68% invested in listed stocks the Fund unquestionably has the highest proportionate exposure to the Vietnam stock exchange of any such listed vehicle. The Fund's first (and to date only) pre-listing

investee company, Southern Seed Corporation, has recently received permission to list at the Vietnam stock exchange and is expected to do so within a month.

Progress at the stock exchange is gathering pace with Vinamilk apparently slated to become the first company to offer shares to the public through the stock exchange before the end of January 2005. According to a company spokesman, the Government will auction 16% of the issued shares, reducing its holding to 64% in order to clear the final hurdle to listing. Whether this will represent the first true IPO is currently unclear, but assuming that it does list in the near term, Vinamilk is likely to more than double the market capitalisation of the Ho Chi Minh City Securities Trading Centre to over US\$ 500 million, halfway to the year-end target of US\$ 1 billion. We estimate that 16% of Vinamilk is likely to fetch in the region of US\$ 40 million, and will seek to obtain a full weighting for the portfolio.

Other highlights for the New Year include the opening of a second stock exchange in Hanoi, also expected this month, with 10 companies apparently listing on the first day of trading. The raising of the foreign ownership limit is also now on the agenda with a recommendation to that effect being tabled by the Ministry of Finance for Government consideration.

All things considered, the outlook for 2005 and beyond is looking increasingly positive and we will be contacting shareholders shortly with a view to increasing the Fund's issued shares by the end of the first quarter of 2005 in order to allow the Fund to continue to enjoy an active role in the development of the Vietnam stock exchange. We wish both our readers a Happy and Prosperous New Year.