

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\$ 2.908		
	as at 31 December 2008		
Number of shares in issue	12,000,000		
Fund size	US\$ 34.90 million		
Number of holdings	Listed: 35 Pre-Listed: 5		
Performance	1 month	2008	2 Years
PXPVF*	-3.357%	-70.87%	-59.81%
VNI	+0.280%	-65.95%	-58.02%
Performance	3 years	4 years	5 years
PXPVF*	+0.241%	+20.965%	+16.32%
VNI	+2.641%	+31.899%	+89.06%

* All figures are NET of fees

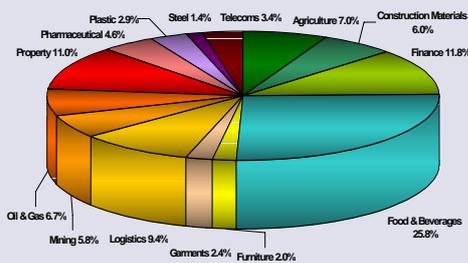
II• Top 10 holdings

	% of Net assets
Vinamilk (VNM)	16.4
Sacombank (STB)	10.1
REE (REE)	7.3
PetroVietnam Drilling (PVD)	6.6
Gemadept (GMD)	5.0
Bimico KSB*	4.0
Sacom Cable (SAM)	3.4
Transimex (TMS)	3.4
Binh Minh Plastics (BMP)	2.9
Nui Nho*	2.7

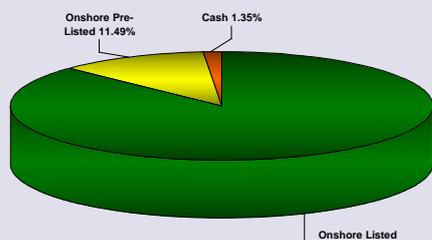
* Pre-listed holding

IV• PXPVF portfolio

PXPVF Sectoral Breakdown (as at 31/12/08)



PXPVF Segments (as at 31/12/08)



III• Investment comment

The 31st December 2008 brought a miserable, forgettable year to a welcome close and concurrently marked the 5th anniversary of the launch of PXP Vietnam Fund. We at least managed to finish the year with the Net Asset Value well above the original issue price and along the way managed 5th place in the BarclayHedge Top-10 Emerging Markets Asia for the 3 years to 30 September 2008; one of only 3 non-China funds to make the list. Admittedly it doesn't look so impressive now. Otherwise the year was devoid of highlights and we hope that Shareholders will accept our humble apologies for our contribution to the pain in a year which is ultimately likely to be explained away as a *Black Swan* event by people who haven't actually read the book.

We would point out in mitigation of the dreadful relative performance figures at left that the Net Asset Value return is represented in US\$ net of management fees whereas the index is in the local currency (the Vietnamese *Dong*). The *Dong* depreciated by 8.9% during 2008. Whilst we are not one of those who would have you compound the index's loss by the full extent of the currency weakness, its simple weighting does attest that we performed in line net of fees as calculated also by Bloomberg.

We hope for a better 2009 and refer those who wish an explanation of why we think it all went wrong to the Fund's Annual Report for the Year Ended 30 September 2008, due to be published by the end of this month.

At least two of the Fund's pre-listed holdings look likely to make the journey from OTC to listing within the first quarter and we continue to encourage the others to follow a similar path. The pre-Christmas listing of Hoang Anh Gia Lai (**HLA**), best known outside of Vietnam (in name at least) for its contributions to Arsenal Football Club's pitch-side advertising revenues, was the first company to list its shares at a realistic reference price since the system was introduced, with the result that the share price actually went *up* after listing, an almost unheard of recent occurrence. Although there is an element of assistance to that performance (post-listing support by the company and a very tight free float), we are optimistic that the point has been taken and that this will be only the first example of a more holistic approach to the pricing of new listings in months to come. Vietcombank, for example, which has submitted application listing documents, is currently trading in the low- to mid- VND 30,000s and is far more likely to go up (with a consequent positive impact on both the level of the index and general market sentiment) if listed at a sensible reference price pitched at a similar level than if introduced at the average auction price from December 2007 above VND 100,000. It would, of course, also be in the top-3 listed stocks by market capitalisation even at the current level and the only listed bank available for foreign investment, which just might make it attractive to foreign portfolio managers on a relative basis at least.

In general, the market has returned to levels last seen in 2005; not only in terms of the index but also in terms of relative foreign participation. The tsunami of offshore cash has receded dramatically over the past year leaving us and our Vietnam-dedicated offshore closed-end fund manager peers more or less stranded in that sense. At some point in the future when the world feels a little less negative on emerging markets generally and on Vietnam in particular the tide will come back in and we will endeavour to ensure that the Fund remains optimally positioned. We remain confident for the prospects for the development of Vietnam in general and its capital markets in particular; it is now once again a long-term hold in our (admittedly fallible) opinion.

The index is in virtual flat-line currently, with a reluctance to go either below 300 or above 320 without a dramatic change in sentiment. Recent early releases of 4th quarter earnings suggest less stress than anticipated but are not being interpreted as a source of comfort for the outlook.

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