

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\$ 2.412 as at 30 June 2005

Number of shares in issue: 8,564,000

Fund size: US\$ 20.7 million

Number of holdings: 19

Performance	1 month	YTD	1 YR
PXPVF	+0.96%	+0.33%	-2.39%
Viet Nam Index	+1.05%	+3.14%	-1.16%

TOP 10 HOLDINGS

	% of net assets
Vinamilk	9.04
Gemadept (GMD)	8.93
Sacom Cable (SAM)	7.93
REE (REE)	3.99
Chau Thoi 620 Concrete (BT6)	3.65
Hoa An (DHA)	3.61
Transimex (TMS)	3.47
Southern Seed (SSC)	3.37
Savimex (SAV)	2.73
Bibica (BBC)	2.38

INVESTMENT COMMENT

During June the Fund's net asset value per share rose by 0.96% compared to the Viet Nam Index (VNI) gain of 1.05%. The Fund's equity holdings as a percentage of Net Assets increased from 56.1% at the end of May 2005 to 60.7% as at 30 June 2005.

The stock market expansion plans referred to in last month's newsletter were seemingly modified in a statement by Finance Minister Nguyen Sinh Hung at a financial sector seminar in Hanoi in early July, with 100 state-owned companies (rather than 178) now apparently required to list by the end of 2005. Although both targets seem extremely ambitious given the number of trading days left this year, anything close to a total of 100 listed companies by 31 December 2005 will be a significant achievement.

A couple of small steps in the right direction were taken in July with the doubling of total new listings this year (from two to four) and an acceleration in the frequency of auctions at the Securities Trading Centres. Somewhat disappointingly only around US\$ 4 million was added to total market capitalisation in Ho Chi Minh City and one of the auctions (of Hue Garment and Textile Company) had to be cancelled when not a single person or institution registered to participate. Investor enthusiasm for the auction of shares in a Petro Vietnam subsidiary (PV Engineering and Construction) was also muted as a result of the arrest of its deputy director on charges of misappropriating state funds a week before the sale. Better than a week *after* the auction.

The Hanoi Securities Trading Centre, which opened in March, welcomed six companies for trading purposes on 14 July. This is very much a second market, with all trades conducted on a negotiated basis rather than through matching of bids and

offers as in Ho Chi Minh City.

Other highlights in brief:

- Moody's raise Vietnam's foreign currency credit rating for the first time in almost eight years (to Ba3 from B1)
- State shareholding in Vinamilk to be reduced at auction by 9% to 51% prior to listing this year
- Domestic demand continues to improve with retail sales up 18.9% year-on-year in the first half of 2005
- First half GDP growth 7.63%. The economy needs to grow by 9.3% in the second half to achieve the government's full year target of 8.5%
- Exports up 17.4%, imports up 22% year-on-year for the first six months of 2005; trade deficit stands at US\$ 3.56 billion
- Inflation (CPI) 5.2% year-to-date, 7.6% year-on-year; unlikely to be within 6.5% target for the year

