

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\$ 2.471 as at 30 June 2004

Number of shares in issue: 4,282,000

Fund size: US\$ 10.58 mn

Number of holdings: 10

Performance	1 month	3 months	YTD
PXPVF	-0.68%	-5.51%	-1.16%*
Viet Nam Index	-0.91%	-10.00%	+49.57%

TOP 5 HOLDINGS

	% of net assets
Sacom Cable (SAM)	6.02
Gemadept (GMD)	5.98
Transimex (TMS)	5.28
REE (REE)	5.18
Agifish (AGF)	5.13

* The Fund started to invest on 11 February 2004

INVESTMENT COMMENT

During June the Fund's net asset value per share fell 0.68% compared to the Viet Nam Index (VNI) decline of 0.91%. The Fund's equity holdings as a percentage of Net Assets fell from 85.4% at the end of May to 44.8% as at 30 June 2004 as a result of the increase in the Fund's Issued Shares. The Offer of Additional Shares closed on 21 June 2004, on which date 2,242,000 new shares were issued at US\$ 2.488 per share.

During June 2004 the Fund increased its holding in 3 stocks (SAV, GIL & AGF) to over 5% of their issued share capital and made announcements to that effect at the Ho Chi Minh City Securities Trading Centre (STC).

The market's correction slowed down last month as demand began to rise, in part due to the successful launch of Vietnam's first domestic investment fund which began to participate toward the end of May. Most foreign investors remained quiet as the availability to them of relative quality diminished.

The partial equitisation in June of the second largest State-owned insurance company, Bao Minh, is evidence of the government's willingness to press ahead with the equitisation of larger SOEs in the coming months. How quickly the renewed vigour in the equitisation process translates into the promised expansion of the stock market remains to be seen, however.

The economy, which suffered from both bird flu and bad weather earlier in the year, remains on track with first half GDP growth reaching 7.00%, a slight acceleration from the 6.9% growth experienced in the corresponding period of 2003. The government expects growth of 7.8% - 8.0% in the remainder of the year, which should result in FY 2004 GDP

growth achieving the lower end of the target range of 7.5% - 8.0%. The value of exports grew by 19.8% (1H '03, +32.6%), largely due to robust crude prices and, to a lesser extent, the rise in electronics (+28.0%) and furniture (+88.5%) exports. Although garment and shoe export growth (+7.8% and +12.9% respectively) were lower than in the first half of 2003, the 43.6% increase in fabric imports during the first six months of 2004 may translate into an increase in exports in the second half. Total imports grew 14.7% (1H '03, +38.5%). This slowing of growth is mainly due to the reduction in machinery imports (-17.6%). However, there was a noticeable rise in the value of imported oil-related products (petroleum, +25.6%; plastics, +37%; chemicals, +16.9%) and steel (+21.3%) which resulted in a trade deficit of US\$ 2.36 mn, slightly less than in the first 6 months of 2003. Total industrial production grew 15.4% (1H '03, +15.7%), including private sector contribution of +21.8%.

Of increasing concern is the rate of inflation, which reached 7.2% YTD. The main causes were bird flu and the higher cost of raw material imports. The lingering effects of bird flu continue to push up the price of food, which has a CPI weighting of approximately 40%. Further pressures on inflation are expected in the second half of the year; the rise in petrol / diesel prices has finally been passed on to the market after the government reduced its subsidies in late June; water prices are expected to rise by 30% in Ho Chi Minh City in July; and civil servants' salaries are expected to rise by 30% in October. As a result, we could see inflation reach 10% by the end of the year. The cost of borrowing is set to rise after the State Bank substantially raised compulsory bank reserves in June, and we await further measures to restrain the upward pressure on prices.