

**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**

<b>Launch Date</b>	31 December 2003		
<b>Issue Price</b>	US\$ 2.50		
<b>NAV per share</b>	<b>US\$ 3.768</b>		
	as at 29 May 2009		
<b>Number of shares in issue</b>	12,000,000		
<b>Fund size</b>	US\$ 45.21 million		
<b>Number of holdings</b>	Listed: 34 Pre-Listed: 5		
<b>Performance</b>	<b>YTD</b>	<b>1 Year</b>	<b>2 Years</b>
<b>PXPVF*</b>	<b>+29.574%</b>	<b>-10.157%</b>	<b>-65.907%</b>
<b>VNI**</b>	<b>+28.295%</b>	<b>-9.143%</b>	<b>-65.531%</b>
<b>Performance</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
<b>PXPVF*</b>	<b>-19.949%</b>	<b>+57.723%</b>	<b>+51.447%</b>
<b>VNI**</b>	<b>-31.419%</b>	<b>+50.398%</b>	<b>+44.702%</b>

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

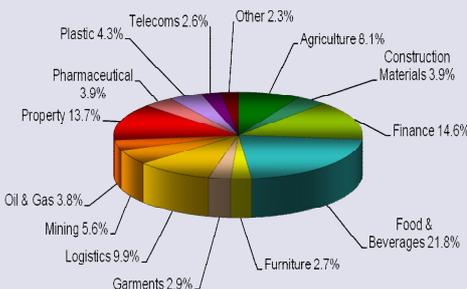
**II• Top 10 holdings**

	% of Net assets
<b>Vinamilk (VNM)</b>	13.2
<b>Sacombank (STB)</b>	11.8
<b>REE (REE)</b>	10.7
<b>Gemadept (GMD)</b>	5.7
<b>Binh Minh Plastics (BMP)</b>	3.9
<b>Southern Seed Corp (SSC)</b>	3.5
<b>PetroVietnam Drilling (PVD)</b>	3.4
<b>Bimico KSB*</b>	2.8
<b>Gilimex (GIL)</b>	2.6
<b>Transimex (TMS)</b>	2.5

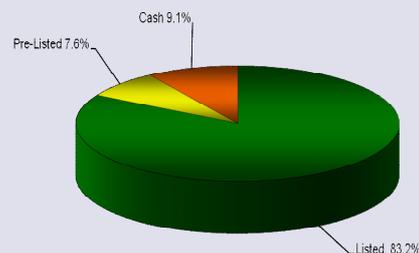
\* Pre-listed holding

**IV• PXPVF portfolio**

Sectoral Breakdown (as at 29 May 2009)



Segments (as at 29 May 2009)



**III• Investment comment**

The Viet Nam Index's seemingly gravity defying surge beyond 500 points on record turnover has reinforced the concerns voiced in last month's edition of this missive, and the higher we climb the more cautious we become. There is no question that the stimulus package (much of which is rumoured to have found its indirect way into the equity market), has been an unqualified success, at least as far as restoring confidence in the stock market is concerned. What we seem to be overlooking is the broader implications on the macro side. The stimulus package and the budget deficit (which the World Bank is now projecting at a worrying 12% of GDP) need to be funded somehow, but the government is finding it extremely difficult to get VND bond issues away. So either interest rates need to increase or the currency printing presses are going to start working overtime, which will raise the spectre of renewed inflationary pressures and currency weakness, in spite of bullish statements from the government on 2009 CPI. A new target for 2010 GDP growth at 6 ½ to 7% implies that the global recession will turn out to have been a mere blip in the inexorable advance of humanity, whilst the lowering of the 2009 growth target to 5% from 5 to 5 ½% has been ignored, as is, of course, the way of these things in a bull market. But hang on a minute: bull market? In a world of equities that seem to be discounting a V-shaped recovery even though less than 20% of economists think that that is likely? At least we can take comfort from the fact that Vietnam is not the only country in which logic seems to have been thrown out of the window of a very high building.

We would hate to be considered a party-pooper, but feel duty-bound to report that we have also spotted another little local cloud on an otherwise seemingly rosy horizon. We have already referred to the incredible expansion of local liquidity, with combined Ho Chi Minh City and Hanoi market turnover now surpassing US\$ 200 million per day and in the process driving total market capitalisation back above US\$ 20 billion. We hear tell that almost 50 companies have recently applied to list their shares across the 2 main markets, plus we're about to get another market, to be known as "UPCoM" (code for Unlisted Public Companies Market). Most of the 50 new entrants will be relatively small, and only 17 OTC companies will launch the new market (although several hundred may join by year-end), but just 3 pending full listings (Bao Viet Insurance, Vietcombank and Vietinbank) will, by our estimates, add around 20% to the total size of the market. So the vastly increased turnover will soon be spread over a much larger pie, and we expect to see the index settle down somewhat. We hope so anyway, at least for the market's longer-term health.

A quick note on recent performance; as one can detect at left, we are ahead of the index year-to-date to the end of May 2009. This performance is likely to tail off slightly due to increased cash levels (which currently stand a little above 14% of net assets) but given that YTD performance currently outstrips the closest non-PXP managed rival in our peer group by very close to 10%, it will take a little while before peer relative returns become an issue even if we are wrong about market direction in the short-term.

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