

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 Dec 2003 | | |
| Issue Price: | US\$2.50 | | |
| NAV per share: | US\$2.488 as at 31 May 2004 | | |
| Number of shares in issue: | 2,040,000 | | |
| Fund size: | US\$5.08m | | |
| Number of holdings: | 10 | | |
| Performance | 1 month | 3 months | YTD |
| PXPVF | -1.62% | -2.66% | -0.48% |
| Viet Nam Index | -4.70% | -3.30% | +50.90% |

TOP 5 HOLDINGS

| | % of net assets |
|------------------------------|-----------------|
| Gemadep (GMD) | 12.55 |
| Sacom Cable (SAM) | 11.30 |
| Chau Thoi 620 Concrete (BT6) | 10.35 |
| REE (REE) | 10.01 |
| Agifish (AGF) | 9.76 |

INVESTMENT COMMENT

During May the Fund's NAV per share fell 1.62% compared to the Viet Nam Index (VNI) decline of 4.70%. The Fund's equity holdings as a percentage of Net Assets rose from 81.8% at the end of April to 85.4% as at 31 May 2004.

The past 2 months have seen the VNI undergoing an overdue but healthy correction. As at 31 May 2004 the index was 9.8% below its year high of 279.44, achieved on 1 April 2004. Very little selling pressure has been in evidence, with average daily turnover in May less than US\$ 300,000, barely 20% of its March 2004 level. Foreign selling represents an insignificant percentage of current turnover, as does foreign buying. So where have all the foreigners gone?

Therein, as Hamlet (or was it Shakespeare?) said, lies the rub. *We* are still here, obviously, and a steady stream of foreign institutions continue to include Vietnam in their Asian itineraries; the problem is in the ability to access quality listings beyond the top-3 stocks by market capitalization. We have mentioned a number of times the stocks which have reached the foreign ownership limit, but at the other end of the (very small) spectrum there are few signs of interest and little reason for that to change. Ten stocks are less than 10% owned by foreigners; the 3 most recent listings (2 of which are among the 10 largest stocks) are less than 2% foreign owned.

The total capitalisation of these "under-owned" stocks was US\$ 36.3 million at 31 May 2004 (approximately 14.8% of the total), suggesting that size *is* an issue in this market. The two bigger stocks in that group have suffered partly from the over exuberance of the grey market's reaction to the award of a listing certificate (stocks can continue to trade for several weeks outside the market before listing), as well as the fact that the respective companies are projecting unexciting earnings for the next couple of years.

The relevant authorities under the Ministry of Finance are clearly aware of the shortcomings of the current system and have announced that they are considering various measures to improve the situation, including:

- The raising of the foreign ownership limit from the current level of 30%, and;
- The simultaneous equitisation and listing of large-scale State Owned Enterprises (all listings to date have been by means of introduction).

We continue to be confident that the Vietnamese Government is determined to ensure the acceleration of the development of the Stock Exchange over the coming few months, and we are proceeding with plans for an issue of Additional Shares. The Closing Date for the issue is 21 June 2004. If you have not received details, please contact info@pxpam.com.