

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\$ 2.375 as at 28 February 2005

Number of shares in issue: 4,282,000

Fund size: US\$ 10.2 million

Number of holdings: 17

Performance	1 month	YTD	1 YR
PXPVF	+0.47%	-1.21%	-7.08%*
Viet Nam Index	+0.76%	-1.75%	-9.79%

* The Fund started to invest on 11 February 2004

TOP 5 HOLDINGS

	% of net assets
Vinamilk	11.53
Gemadept (GMD)	10.41
Sacom Cable (SAM)	10.18
Chau Thoi 620 Concrete (BT6)	7.81
REE (REE)	6.81

INVESTMENT COMMENT

During February the Fund's net asset value per share rose by 0.47% compared to the Viet Nam Index (VNI) gain of 0.76%. The Fund's equity holdings as a percentage of Net Assets rose from 73.4% at the end of January 2005 to 86.9% as at 28 February 2005.

The most significant development in Vietnam's capital markets during the past month, and quite possibly the past 18 months, was the auction of 11.5% of the government's stake in Vinamilk. As illustrated above, the Fund secured a slightly more than full weighting (owing to the "all or nothing" nature of the auction process) at a roughly 9% discount to the average price paid. We are confident that Vinamilk, having now achieved the 15% "free float" requirement for listing, will complete the remaining listing requirements by the end of June 2005. The average price paid at auction implies a market capitalisation on listing of approximately US\$ 310 million, some 14% bigger than the existing market as a whole.

The "significance" of the above event should not, in our opinion, be regarded lightly; this was the first such auction conducted under the auspices of the Securities Trading Centre and the premium paid should go a long way to persuading other relatively large-scale state-owned enterprises of the benefits of raising funds from the capital markets rather than relying on the state and private commercial banking sectors.

A further highlight occurred on March 1st with the listing of Southern Seed Corporation (SSC), the Fund's first "pre-listing" holding and now Vietnam's 4th largest listed company by market capitalisation. Although the Fund was not able to secure a full weighting prior to listing, we are encouraged by the fact that its debut, within four months after the Fund's first purchase, was comfortably inside the six-month policy. SSC

last traded (14 March 2005) at price a little over 16% higher than the Fund's average cost per share.

The unaudited FY 2004 results of the remaining listed companies were released during February. Chau Thoi 620 Concrete (BT6) reported 2004 net profits up 5.91% after tax on the previous year, a little better than anticipated in view of sharply higher raw material costs during 2004 and the consequent impact on the margins of pre-existing contracts. The weighted average price/earnings ratio of the Fund's holdings was 8.1 times unaudited 2004 net profits as at 28 February 2005, a little higher than the overall market's 7.74 times. This discrepancy is perhaps best explained by the relatively higher prices that investors are willing to pay for the larger counters, in which the Fund is more heavily weighted.

Arrangements for the Fund's latest capital raising are now well advanced, with the Placing Memorandum and Addendum thereto having been distributed last week. Shareholders have until 5pm New York time this Thursday (17 March 2005) to complete Application Forms relating to their entitlement to one new share for each existing share held at the Fund's Net Asset Value per share on 28 February 2005, which was US\$ 2.375 per share, as above. Any shares of the total 4,282,000 available not subscribed by existing shareholders will be offered for subscription by new investors until 5pm New York time on 23 March 2005, at the same price but subject to a Placing Fee of up to US\$0.06 per share. Full details are available in the Placing Documents referred to above. If you are a Shareholder but you have not received a copy of the Placing Memorandum and Addendum or the Application Forms, please contact the Placing Agent, PXP Capital Markets Limited via info@pxpcm.com.