

## 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.

### Summary

- I• Fund details
- II• Top 10 holdings
- III• Investment comment
- IV• PXPVF Portfolio

### Portfolio Managers

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**Bloomberg Ticker**  
PXPVIET KY <Equity>

**ISIN**  
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**PXP VIETNAM  
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## I• Fund details

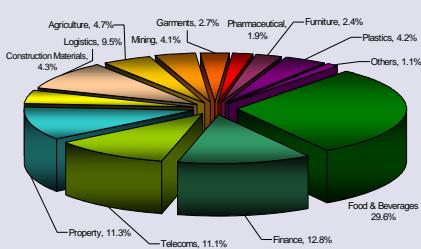
<b>Launch Date</b>	31 December 2003		
<b>Issue Price</b>	US\$ 2.50		
<b>NAV per share</b>	<b>US\$ 10.793</b> as at 28 September 2007		
<b>Number of shares in issue</b>	12,000,000		
<b>Fund size</b>	US\$ 129.5 million		
<b>Number of holdings</b>	34		
<b>Performance</b>	1 month	3 months	YTD
<b>PXPVF</b>	+12.08%	+4.35%	+49.18%
<b>VNI</b>	+15.25%	+2.16%	+39.25%
<b>Performance</b>	1 year	2 years	3 years
<b>PXPVF</b>	+114.3%	+307.4%	+350.5%
<b>VNI</b>	+98.7%	+261.8%	+348.9%

## II• Top 10 holdings

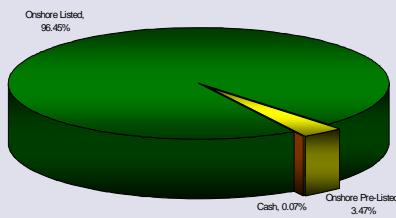
	% of Net assets
<b>REE (REE)</b>	11.3
<b>Sacom Cable (SAM)</b>	11.1
<b>Vinamilk (VNM)</b>	10.8
<b>Sacombank (STB)</b>	9.4
<b>Gemadept (GMD)</b>	7.0
<b>Kinh Do Corp (KDC)</b>	5.1
<b>Agifish (AGF)</b>	4.5
<b>Binh Minh Plastics (BMP)</b>	4.2
<b>Binh Dinh Minerals (BMC)</b>	3.5
<b>Bao Viet Securities (BVS)</b>	3.3

## IV• PXPVF portfolio

PXPVF Sectoral Breakdown (as at 28/09/07)



PXPVF Segments (as at 28/09/07)



## III• Investment comment

The Viet Nam Index had its 3<sup>rd</sup> best monthly performance of 2007 in September, rising 15.25% on average daily turnover over 50% greater than that seen in the previous month. Foreign participation continued to be dominated by the bid side and increased in absolute terms as a result of positive comment externally (and in reaction to the effective bail-out of the Bao Viet Insurance "strategic" investors by HSBC), but averaged only around 20% of the total. With turnover exceeding US\$ 100 million on several days at the beginning of October it appears that margin lending restrictions have been relaxed, albeit on an informal basis, and that the state-owned banks have now entered the financing arena. Retail investors are as a consequence once again armed and potentially dangerous. Which is, of course, good news in terms of the prospects of our year end VNI target of 1,200 points being achieved.

On top of this revitalised retail interest, we have today (15 October 2007) been joined in our enthusiasm for the round number above by Viet Fund Management (the Dragon Capital / Sacombank joint-venture manager of listed **VFMVF1**) and also by the strategist formerly known as Spencer White from his new digs just around the corner from here. We anticipate further interest to follow the dissemination of a bullish piece by CLSA's Christopher Woods in his "Greed & Fear" last week.

**As a result of this renewed fervour we now expect a test of the 1,170 all-time high within the next week, with further upside before 31 December 2007.**

Regular readers (if we have any) will realise, of course, that we are reluctant to allow our bullishness to be unrestrained by an occasional visit to the shores of reason, and we do have a couple of concerns which might influence the medium-term health of the listed market if not addressed pragmatically:

- 1) Decree 139 in essence now permits the 100% foreign ownership of certain *unlisted* companies (since listed companies are governed by the Securities Law) which are not in sensitive sectors (as loosely defined). We have mentioned previously our belief that foreign limits will be relaxed or removed and the passage of this piece of legislation makes such a move (again, in our opinion) inevitable before very long. Otherwise such an inconsistency might very well act as a disincentive to listing (if one accepts the premise that greater competition produces higher prices), which would seem contrary to the government's determination to expand the public capital markets over the past year or so. We have seen no other "evidence" to suggest that this policy has been reversed in favour of the effective promotion of the OTC market, and neither do we expect to.
- 2) The Vietcombank auction(s) might also throw up an interesting anomaly due to the likely differing mechanics between on- and offshore offerings. The recent delay whilst awaiting improved sentiment (or financing) should ensure strong domestic demand, which might result in the average onshore price (for domestic investors only) exceeding that paid in the single-price offshore IPO. We are not entirely sure that selling Vietnamese (single share class) assets cheaper to foreigners than to its citizens will ultimately prove wise.