PXP VIETNAM ASSET MANAGEMENT LTD

Newsletter As at 31 August 2005

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$ 2.454 as at 31 August 2005

Number of shares in issue:	8,564,000
Fund size:	US$ 20.6 million
Number of holdings:	19

Performance	1 month	3 months	1 YR
PXPVF	**+2.21%**	+2.72%	+2.89%
Viet Nam Index	**+3.65%**	+4.20%	+9.52%

TOP 10 HOLDINGS

	% of net assets
Gemadept (GMD)	9.68
Vinamilk	8.88
Sacom Cable (SAM)	7.85
Southern Seed (SSC)	4.88
REE (REE)	4.13
Hoa An (DHA)	4.07
Chau Thoi 620 Concrete (BT6)	3.58
Transimex (TMS)	3.48
Savimex (SAV)	2.87
Bibica (BBC)	2.82

INVESTMENT COMMENT

During August the Fund's net asset value per share rose by 2.21% compared to the Viet Nam Index (VNI) gain of 3.65%. The Fund's equity holdings as a percentage of Net Assets increased from 62.9% at the end of July 2005 to 66.5% as at 31 August 2005. The Fund declared a 10% holding in Bibica (BBC) during August in accordance with State Securities Commission (SSC) regulations.

In typically "no smoke without fire" fashion, rumours of the impending raising of the foreign ownership limit resurfaced, underpinning the index's biggest (and only second) monthly gain in the last 5, which gathered momentum on greatly increased turnover into September, peaking well above US$ 2 million as the index breached the 31 March 2004 high on 20 September. Average daily turnover year to date through 31 August 2005 was approximately US$400,000.

Foreign participation was not significant in the rally, leading us to believe that a combination of local institutional money (including from the insurance sector), liquidity switching from the potentially troublesome local property market and, presumably, foreigners buying through Vietnamese nominees, are somewhat responsible for the gains. The raising of the foreign ownership limit to 49% is expected to come into force by the end of October 2005.

The economy continues to grow at an impressive rate. Exports for 8M 2005 were up 18.7% versus the same period last year, boosted by strong exports of crude oil (+ 30%), rice (+ 35%), furniture (+ 47%) and coal (+ 91%). Although garment export growth was flat we expect it will rise in-line with expectation by the end of the year due to the strong surge in fabric imports during August. The rising price of refined oil imports (+ 43.9%) contributed to the 20.4% increase in imports and a US$ 3.25 billion trade deficit. Interestingly, by the end of July the trade surplus with the USA had reached US$ 2.87 billion.

The private sector continues to grow with 19,056 new companies established during 1H 2005. Whilst industrial production growth for the whole country rose by 16.2%, the private sector rose by a record 23.5%. The growth of this sector is strengthening domestic demand as evidenced by the 19.1% rise in retail sales to US$ 19.1 billion 8M 2005.

FDI continues to flow in at a notable pace. New commitments 8M 2005 were up 88% versus 8M 2004 to US$ 2.4 billion. Actual FDI disbursements were up 13% to US$ 2.14 billion whilst increases from existing FDI operations were up 8% to US$ 1.12 billion.

Our main area of concern remains inflation which has increased 6.1% YTD. However, this figure is lower than the 8.1% recorded for the same period last year and it seems that the Government has the issue firmly under control.