PXP VIETNAM ASSET MANAGEMENT LTD

Newsletter as at 30 June 2006

VIETNAM EMERGING EQUITY 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 companies with a significant presence in Vietnam.

FUND DETAILS

Launch Date: 3 November 2005 **Issue Price:** US$ 5.000

NAV per share: US$ 6.613 as at 30 June 2006

Number of shares in issue:	7,663,750
Fund size:	US$ 50.7 million
Number of holdings:	24

Performance	1 month	3 months	Inception
VEEF	-0.721%	+1.96%	+32.26%

TOP 10 HOLDINGS

	% of Net assets
Sacom Cable (SAM)	8.42
Yue Yuen Industrial	6.15
Sanyang Industrial	5.82
Vinamilk (VNM)	5.32
Tiberon Minerals	4.23
Fimex	3.96
Ellipsiz	3.59
REE (REE)	3.34
Bibica (BBC)	2.98
Agifish (AGF)	2.20

INVESTMENT COMMENT

Once again we must proffer our sincere apologies for the lack of recent communication. The explanation combines a somewhat unexpected traffic accident with the aftermath of the Fund's capital raising in April 2006. As we have often stated we prefer to conduct our investing activity without local media focus and hope that Shareholders are understanding if not sympathetic! Normal service will now be resumed; this is, after all, a monthly not a quarterly Newsletter.

The Viet Nam Index (VNI), having peaked at 632.69 points on 25 April 2006 finishing April up 18.25% on the month and 105.75% year-to-date, has subsequently returned two down months, of 9.5 and 4.3 per cent in May and June respectively. The Fund's Net Asset Value retreated a more moderate 1.813% in May and 0.72% in June. Average daily turnover, almost US$ 12 million in April, fell to $ 4.6 million in June even accounting for period-end window dressing and large fund to fund crosses. This discrepancy is, of course, mostly explained by the sharply increased levels of cash generated from the fund-raising exercise which closed 3 days after the high. As can be seen from the portfolio data above, we have since focussed the investment programme on a conservative basis outside of Vietnam in the so-called "regional plays" as the local market seeks a more comfortable level. Onshore activity has been largely confined to participation in new or further issues, with limited direct involvement in the market.

Foreigners, if there is currently more than one active participant on a regular basis, are still an insignificant physical presence in the listed market although expectations of future activity remain high. The simple reason for this absence is that the VNI went too far, too fast in the first 4 months of 2006 and the excesses needed to be corrected.

The pullback in emerging markets globally over the past few months as a result of diminishing confidence in the continued avarice of the American consumer has been noted locally, and this, together with a proportionately large (to current turnover) variety of cash calls from existing listed companies and a plethora of new listings has combined to scare the recent liquidity. Which, as we may have mentioned on occasion before, is relatively unsophisticated, retail and potentially margined up to the eyeballs. One wonders at holding power in a stagnant market within a high interest rate environment, particularly if faith in the ability of the index to hold above 500 points proves unfounded, as we continue to expect will ultimately be the case.

Those, therefore, are the bases of the current malaise. We believe that the cure lies in a good, old-fashioned shake-out, and the sooner the better. A 10-15% consolidation from the current 500-point level will return the market to more sensible valuation levels given its *actual* stage of development and at the same time help to focus the attention of listed companies on realistic issuance pricing. The market now needs to adjust for its proportionately large impending capacity increase, which has created a short-to-medium term excess of supply over effective demand; as long as the entry-price is reasonable when the *potential* appetite has extracted itself from the barriers we are confident that the market will resume its advance.

The new Securities Law, due to come into effect on 1 January 2007, was passed at the recent National Assembly and should further cement the progress that continues to be made in the development of the Ho Chi Minh City Securities Trading Centre. The listing of Sacombank on 12 July and the transfer of Vinh Son-Song Hinh Hydropower from the Hanoi exchange are but two of an expected 10 listings due in the month of July which will take market capitalisation well above US$ 3 billion and fulfil the year end target. Included in that list are two of the Fund's smaller Pre-Listing holdings, Imexpharm and Interfoods, both currently valued at cost in accordance with the Fund's practice.