VIETNAM EMERGING EQUITY FUND

Newsletter

– 9 June 2010 –

Vietnam
Emerging Equity
Fund Limited (VEEF)

A Cayman-domiciled open-ended fund with monthly liquidity. 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.

Summary

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I• Fund details

Launch Date	3 November 2005
Issue Price	US$ 5.000
NAV per share	**US$ 5.690** as at 31 May 2010
Number of shares in issue	2,132,403
Fund size	US$ 12.13 million
Number of holdings	Listed: 35 Pre-Listed: 3

Performance	1 month	YTD	1 Year
VEEF*	**-7.284%**	**+0.708%**	+39.56%
VNI**	-6.502%	-0.231%	+15.39%

Performance	2 Years	3 years	4 Years
VEEF*	+16.29%	-55.44%	-14.58%
VNI**	+4.83%	-60.24%	-20.87%

* All figures are NET of fees ** Index performance in US$

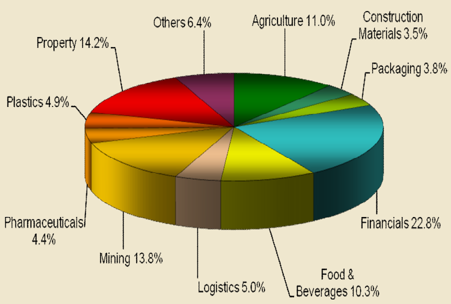
II• Top 10 holdings

	% of Net assets
Sacombank (STB)	12.3
Vinamilk (VNM)	7.7
Nui Nho*	7.4
Song Da Urban (SJS)	7.3
Dong Phu Rubber (DPR)	6.2
Binh Duong Minerals (KSB)	5.5
HCMC Securities (HCM)	5.2
Binh Minh Plastics (BMP)	4.9
REE (REE)	4.8
Tan Tien Package (TTP)	3.8

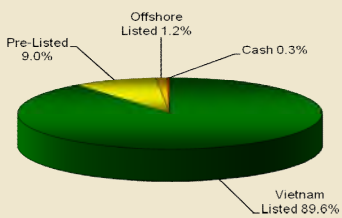
* Pre-listing holding

IV• VEEF portfolio

Sectoral Breakdown (as at 31 May 2010)



Segments (as at 31 May 2010)



III• Investment comment

The listing of Mekophar (MKP) on 2 June 2010 reduces the Fund's pre-listing exposure to two stocks representing 8.95% of net assets as at 31 May 2010. One of those, Da Nui Nho, is expected to be admitted to trading on the Ho Chi Minh City bourse by the end of this month, at which time the Fund's unlisted holding will represent less than 1% of assets.

With the Vietnam Index currently demonstrating that we are once again not immune to the contagion of negative sentiment emanating from developed markets, we feel that this may be an opportune time to restate our view on the outlook for the domestic market once one is able to look beyond the debt burdens of the western European siesta economies and the seeming inability of the US to create jobs in any meaningful way.

We firmly believe that the VNI, on approximately 11.5 times 2010 earnings on a weighted average basis, is cheap. The macro picture is improving, with the trade deficit manageable and moderating as exports pick up, the currency now stable and inflation having peaked in February this year (giving cause for optimism that the full year CPI figure will come in below 10% and may meet the government target of 8%). GDP growth forecasts are trending higher with the Prime Minister having raised guidance from 6.5% for 2010 to 6.5-7% at the World Economic Forum meeting in Ho Chi Minh City at the weekend. Whilst there is not necessarily any empirical evidence for a meaningful correlation between GDP growth and stock market performance, we feel that the overall macro environment is supportive and that Vietnam has emerged from the global financial crisis relatively unscathed. The production base is likely to get a boost in relative competitiveness now that China is seeing fairly significant wage increases, particularly in the foreign-invested sector (viz. Foxconn and Honda) which should further underpin export expansion.

How quickly and how effectively the market can recognise and act upon the fairly benign local macro environment and thereby allow the index to recover from recent setbacks is, in our opinion, largely dependent on diversification of the investor base. As we have previously observed, foreign investors have for some time now been responsible for only 5% of daily turnover. The 95% which is traded between domestic investors is dominated by retail investors, many of whom trade on margin because they don't actually have the money to settle trades in the size in which they prefer to deal, with the result that their outlook is very short term (roughly the length of the T+3 settlement cycle, give or take 5 minutes). Rather than hoping for some magical reversal of retail habits we feel that a more long-term fundamental approach is likely to come from beyond these shores, but that the timing of such inflows on a broad front is entirely dependent on a greater appetite for risk which in turn requires a modicum of stability elsewhere. Comment on the likely timing of that is obviously beyond our remit, but given that the Fund now offers monthly liquidity we hope that the flexibility will prove convenient as and when the timing is opportune. For further detail on subscriptions and redemptions please do not hesitate to contact KHSnowball@pxpam.com at any time.