Newsletter

– 23 June 2011 –

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 equity securities of companies with a significant presence in Vietnam.

Summary

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Subscriptions:
Monthly
Redemptions:
Monthly (30 Days Notice)

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I• Fund details

Launch Date	3 November 2005
Issue Price	US$ 5.000
NAV per share	**US$ 3.636** as at 31 May 2011
Number of shares in issue	7,444,495
Fund size	US$ 27.07 million
Number of holdings	Listed: 44 Pre-Listed: 3

Performance	YTD	1 Year	2 Years
VEEF*	**-23.77%**	-36.10%	-10.82%
VNI**	-17.57%	-23.32%	-11.52%
Performance	**3 Years**	**4 years**	**5 Years**
VEEF*	-25.69%	-71.53%	-45.41%
VNI**	-19.62%	-69.52%	-39.33%

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

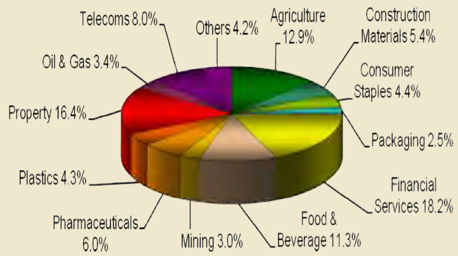
II• Top 10 holdings

	% of Net assets
Sacombank (STB)	8.7
Vinamilk (VNM)	8.3
Dong Phu Rubber (DPR)	6.4
Hoang Anh Gia Lai (HAG)	5.7
Pinaco (PAC)	4.4
FPT Corp (FPT)	4.3
Binh Minh Plastics (BMP)	4.2
SSG Construction*	4.2
Hoa Phat Group (HPG)	3.8
Asia Commercial Bank (ACB)	3.7

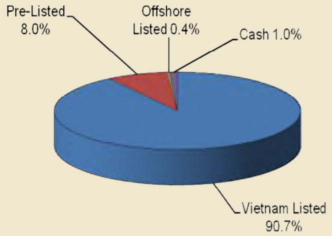
* Pre-listing holding

IV• VEEF portfolio

Sectoral Breakdown (as at 31 May 2011)



Segments (as at 31 May 2011)



III• Investment comment

Last chance to take advantage of Early Bird Discounts?

We would like to take this opportunity to remind our reader of our suggested timing signifiers for investment into Vietnam-listed equities. Not in an "aren't we clever" kind of way; more as an update on macroeconomic progress since the government heeded the chorus of external commentators and started to take the need for monetary policy focus seriously back in February:

1. Currency stability: Achieved over the past couple of months with the elimination of the two-tier foreign exchange market as a direct result of government action on interest rates. Temporary weakness last week was consistent with the rest of the region on concerns over the situation in Greece and renewed strength this week would tend to support that view.
2. Inflation slowing: Monthly CPI releases are showing gradual improvement with June headline number expected at around 1% after 3.3% in April and 2.2% in May. July and August CPI are likely to dip below 1% month-on-month, the sentimental turning point.
3. Sustained strong monetary and fiscal measures aimed at stabilising the economy. The government continues to demonstrate its conviction toward policy initiatives, with appeals by some banks to delay the 30 June 2011 deadline for compliance with limits on non-production loans rejected out of hand. The Prime Minister has stated that interest rates will continue to be held close to current official caps through the rest of 2011 and into 2012 if necessary.
4. Rebuilding of foreign exchange reserves: The State Bank of Vietnam has been consistently buying dollars over the past two months, with current estimates of reserves now edging up toward US$15 billion; a dramatic improvement on rumours of a meagre $10 billion at the end of 2010. Monthly official releases would definitely make this item less of a concern and we sense that the government will soon be ready to take this step in order to reduce the sentimental collateral damage caused by ignoring the rumour mill.
5. Moderating views on the medium-term macro outlook: As a result of the determination shown to date in tightening monetary policy, several of the international investment banks which regularly comment on Vietnam have recently quietly begun to take a more sanguine view on currency direction and 2012 inflation prospects, suggesting a higher level of confidence in future stability.
6. Trade deficit: May's deficit looks likely to be restated some US$300 million lower than the original figure of $1.7 billion with June expected at a much more palatable $400 million. Effective enforcement of restrictions on imports of luxury items and moderating demand for imports of capital goods as growth continues to slow should result in the deficit remaining at manageable levels, with FDI disbursements steady.

All-in-all we are heartened by progress made to date along a path predictable given consistent enforcement of the monetary policies gradually introduced by the government over the past several months. We are confident that the next two months will provide the remaining pieces of the jigsaw resulting in restored long-term investor confidence. As far as short-term market action is concerned we would not be at all surprised to see some index weakness for the remainder of June as loan books are brought into line with government directives and the necessary margin unwind is completed, but once July dawns that technical selling pressure will be off, at least until year end compliance limits are in focus, probably not until November. By that time we expect the local investment environment to be entirely different, with all of the above signifiers stable or continuing to improve.

Stocks are cheap, the macro environment is, in our opinion, well past the worst and sentiment IS improving. Hence the headline; by September we expect the resumption of a bull market after a four-year hiatus and if one wants to be at least partially invested at the start now is quite possibly the optimal time for action or one may run the risk of having to fight for space on the bandwagon.