Newsletter – 26 November 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$ 4.583** as at 29 October 2010
Number of shares in issue	2,023,497
Fund size	US$ 9.27 million
Number of holdings	Listed: 34 Pre-Listed: 1

Performance	1 month	YTD	1 Year
VEEF*	**-4.739%**	**-18.885%**	-29.913%
VNI**	-0.533%	-13.298%	-29.375%
Performance	**2 Years**	**3 years**	**4 Years**
VEEF*	+17.302%	-63.505%	-36.312%
VNI**	+12.542%	-64.951%	-27.050%

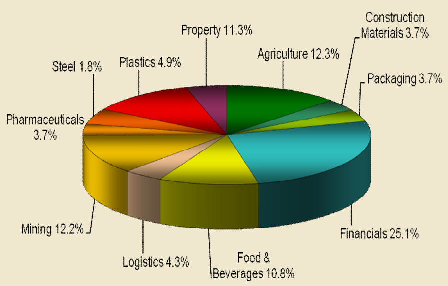
* All figures are NET of fees ** Index performance in US$

II• Top 10 holdings

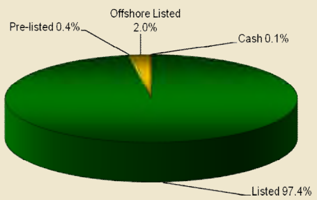
	% of Net assets
Sacombank (STB)	16.4
Vinamilk (VNM)	9.6
Dong Phu Rubber (DPR)	7.6
Song Da Urban (SJS)	6.5
Binh Duong Minerals (KSB)	6.4
Nui Nho (NNC)	5.4
Binh Minh Plastics (BMP)	5.1
Tan Tien Package (TTP)	3.8
REE (REE)	3.7
HCMC Securities (HCM)	3.5

IV• VEEF portfolio

Sectoral Breakdown (as at 29 October 2010)



Segments (as at 29 October 2010)



III• Investment comment

We would like to thank all Shareholders who took the time and trouble to give their consent on the proposal to merge your Fund with Vietnam Lotus Fund. A total of 78.7% of VEEF shares were voted in favour of the merger, comfortably ahead of the minimum 75% required for approval. 80.2% of Vietnam Lotus Fund shares also supported the merger which will, subject to obtaining all of the necessary regulatory approvals, become effective on 1 December 2010. This will increase the size of the Fund significantly; the total net assets of Vietnam Lotus Fund as at 29 October 2010 were US$ 20.7 million which implied a combined Fund of US$ 30 million if the merger had been effective at that date.

The Fund's Net Asset Value performance year to date has been somewhat disappointing in comparison with the Viet Nam Index. A small part of that under-performance can be attributed to the costs associated with the open-ending of the Fund in January this year but the major reason for the divergence is as a result of the recent dynamics of foreign participation in the market.

Regular readers of our various publications may remember our oft-stated view that it would be difficult for the market to make any sustained advance without significant diversity in the characteristics of the investor base which has, for much of the past two years been overwhelmingly dominated by domestic investors, with foreigners contributing only roughly 5% of daily turnover. This has changed fairly dramatically over the past 2 months with foreign participation having risen to between 15 and 20% on a daily basis and rising to over 30% on several days. Unsurprisingly given their lacklustre presence prior to recent improvements the bulk of foreign activity has been on the buy-side. One must, however, be careful what one wishes for.

Inflows to the 2 Vietnam Exchange Traded Funds (ETFs) have been responsible for the majority of foreign flows with the combined size of these instruments now in excess of US$ 450 million. Stock selection in an ETF is obviously very different to our own fundamental, research driven, bottom-up approach; initially requiring the creation of an index which has as its primary criteria for inclusion size, liquidity and accessibility; a quantitative filter as opposed to our own qualitative methodology. The two largest holdings in the Vietnam Emerging Equity Fund portfolio, Sacombank (STB) and Vinamilk (VNM), are both among the ten largest stocks by market capitalisation but are at their respective foreign ownership limits (30% and 46%) and cannot therefore be included in the ETF indices. Consequently, all other things being equal, in excess of 26% of the VEEF portfolio is currently deriving no benefit from the fairly narrowly-focused foreign inflows.

To illustrate the fundamental difference between the two approaches (qualitative v. quantitative): STB and VNM are on less than 8.5 times 2010 earnings, whereas the top-2 holdings in the US-listed ETF are on roughly 40 and over 60 times 2010 holdings respectively. So why should there be any reason for this situation to change any time soon? Our view (or hope?) is that as both foreign and domestic investors become more comfortable with the market and more discriminating in terms of what they want to own from a more fundamentally-oriented perspective, there will be a flight to quality and our lagging performance will begin to rectify itself. It is difficult, in our opinion, to argue that the quantitative approach gives one effective access to a market on 10.5 times weighted average earnings if your main exposure is to companies on several times that multiple. Then again, I don't suppose that anyone is actually arguing that as fundamentals are not exactly the point of an ETF.