



Newsletter - September 2007 -

Vietnam Emerging Equity Fund Limited (VEEF)

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.

Summary

- I • Fund details
- II • Top 10 holdings
- III • Investment comment

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I • Fund details

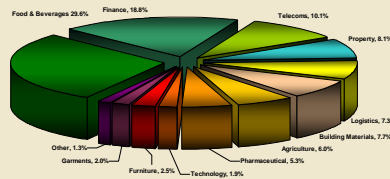
Launch Date	3 November 2005		
Issue Price	US\$ 5.000		
NAV per share	US\$ 11.268		
	as at 31 August 2007		
Number of shares in issue	7,663,750		
Fund size	US\$ 86.4 million		
Number of holdings	37		
Performance	1 month	3 months	6 months
VEEF	+2.28%	-11.76%	-12.54%
	YTD	1 year	Inception
	+19.82%	+65.27%	+125.4%

II • Top 10 holdings

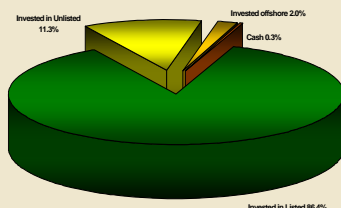
	% of Net assets
Sacombank (STB)	12.6
Sacomb Cable (SAM)	10.7
REE (REE)	8.6
Vinamilk (VNM)	8.1
Gemadept (GMD)	6.5
Agifish (AGF)	6.3
Binh Minh Plastics (BMP)	5.7
North Kinh Do (NKD)	4.5
Bao Viet Securities (BVSC)	4.1
Viet Fund (VF1)	3.1

IV • VEEF portfolio

VEEF Sectoral Breakdown (as at 31/08/07)



VEEF Segments (as at 31/08/07)



III • Investment comment

Recent adjustments to existing onshore holdings have mainly occurred as a result of rights issues. We have also added to pre-listing holdings - two in the seafood sector and a furniture manufacturer - via private placements. We continue to shift focus to the domestic market, with offshore listed holdings now a negligible presence in the portfolio.

Nine of the Fund's 23 listed holdings, representing over 43% of net assets, are now at the foreign ownership limit and would generally be expected to underperform the broader market except on occasions where room is created via foreign sales. Whispers of the potential relaxation or removal of such limits have recently begun to percolate around the fringes of the market, however, with the effect that this sub-segment of the portfolio more than held its own during August as believers quietly accumulated stock. Stocks which saw more foreign availability during the month fared better than those in which little or no room became vacant.

Sacomb Cable (SAM), which was one of the first stocks to reach the 49% limit, found an alternative route to outperformance in August. A discounted placement to domestic "strategic investors" created approximately 8% of "new" foreign room through the exclusion of foreign shareholders from the issue with the effect that the share price staged a 17% rally during the month, far outpacing the Viet Nam Index's (nearly) ½ point gain. This somewhat oxymoronic (in the sense that an action questionable under best corporate governance practice generated a windfall profit) benefit to shareholders is likely, in the absence of any new initiatives from the exchange, to provide the most effective stimulus to relatively moribund share prices.

Thong Nhat Rubber (TNC), one of the Fund's smaller pre-listing holdings, became the sixth company to list at the Vietnam Stock Exchange in 2007 when making its debut on 22nd August. The closing price, although at the bottom of the first day's permissible 20% range either side of the theoretical listing price, represents 2 ½ times the Fund's cost price (it has since risen a further 20%) and reminds us of the good old days when it was possible to buy a stock at a public auction for an amount per share likely to be earned by the company before the end of this century.

Vinamilk (VNM) announced the appointment of JP Morgan as its advisor in the forthcoming listing of 5% of its shares on an overseas market, originally expected to be Singapore but apparently still open for discussion. This has generated absolutely no interest onshore with the stock our worst performer during the month in absolute terms. Foreign market participants seemingly want to make the corporate finance job as easy as possible by not allowing the foreign-owned percentage to stray too far from 44% in either direction.

An unauthorized and apparently accidental raising (from 30% to 49%) of the foreign ownership limit in **Sacombank (STB)** briefly occurred in the week ending 24th August 2007 when someone at the securities depository allegedly made a mistake whilst adjusting the number of listed shares to account for a recent rights issue. The frenzy which followed until the brakes were applied 20 minutes into the session indicates that foreigners have spotted the irony of Eximbank having an implied valuation equivalent to Sacombank's even if domestic investors haven't (see PXP Vietnam Fund August Newsletter).

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