

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

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I• Fund details

Launch Date	3 November 2005		
Issue Price	US\$ 5.000		
NAV per share	US\$ 5.589		
	as at 29 August 2008		
Number of shares in issue	7,663,750		
Fund size	US\$ 42.83 million		
Number of holdings	Listed: 28 Pre-Listed: 8		
Performance	1 month	3 months	YTD
VEEF	+25.09%	+14.224%	-52.33%
	1 year	2 years	2007
	-50.40%	-18.03%	+24.68%

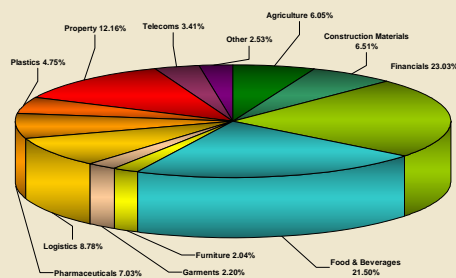
II• Top 10 holdings

	% of Net assets
Sacombank (STB)	16.5
Vinamilk (VNM)	9.0
REE (REE)	8.4
Gemadep (GMD)	6.7
Binh Minh Plastics (BMP)	4.7
Phu My Fertiliser (DPM)	3.7
Agfish (AGF)	3.6
Vietcombank*	3.5
Sacomb Cable (SAM)	3.4
Sao Mai Construction*	3.1

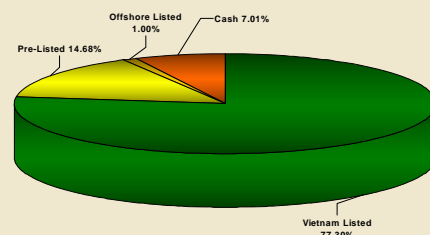
* Pre-listing holding

IV• VEEF portfolio

Sectoral Breakdown (as at 29 August 08)



Segments (as at 29 August 08)



III• Investment comment

We are pleased to finally be able to deliver some encouraging returns to shareholders in this most trying of years. August 2008 saw the second-best monthly performance in the Fund's 2 year and 10 month history, and the best since January 2007. The Fund's net asset value was still down 52% year-to-date at the reference date but we are feeling increasingly optimistic for the longer term that a corner has been turned in terms of maturity and hope that we will eventually be able to look back on the first half of 2008 as a mere stumble in the development of the Vietnam Stock Exchange. Portfolio activity remains muted as performance begins to catch up although we took advantage of the strength in the latter part of August to lighten exposure to companies which we feel are failing to justify our previous confidence in governance or their ability to deliver long-term results.

As we said in our Market Commentary on 4 September 2008, we felt that the market was getting a little ahead of itself and would benefit from a period of consolidation. We now feel that having been buffeted (no pun intended) from malign global influences and barring future shocks, the recent consolidation is complete and a base has been formed from which a year-end rally is at least plausible. Our target for the 2008 year-end VNI is 625 points, which would still leave us down on the year by 32.6% (not such a bad result considering) but indicates potential upside of 32.8% from the current level (470.43 at the time of writing on 25 September 2008).

The index had given back all of its August gains by mid-September with no small amount of assistance from the financial meltdown in the US. This has been the catalyst for even our notoriously uncorrelated index to fall into line, at least in the short-term, providing recognition (if proof was necessary) that no-one is immune to global economic catastrophe and that there are unlikely to be any survivors if this really is the Death of Capitalism. Let's hope there are enough "market guys" around to ensure that that doesn't happen. One is a little bemused (from an admittedly far remove) as to exactly what the end-game was intended to be for the allegedly super-aggressive bears of investment banking stocks amongst the hedge fund community. Who would you have left to deal with if you killed all the counterparties? Not literally of course. And how can you have hedge funds if no-one is allowed to go short? We are fortunately spared having to spend too much time contemplating such deep philosophical issues by the absence of any hedging for the authorities to restrict.