



Vietnam Emerging
Equity Fund



Annual Report 2017

PXP VIETNAM EMERGING EQUITY FUND LIMITED



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GENERAL INFORMATION

Registered Office	Harneys Services (Cayman) Limited 4th Floor, Harbour Place, 103 South Church Street P.O. Box 10240, Grand Cayman, KY1-1002 Cayman Islands
Board of Directors	Mr Philip Smiley (Chairman) Mr Antony Jordan Mr Christopher Vale Ms Trinh Thanh Mai Mr Simon Raybould
Investment Manager	PXP Vietnam Asset Management Limited Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola VG1110 British Virgin Islands www.pxpvietnam.com
Administrator and Registrar	Apex Fund Services Ltd. 3rd Floor, Williams House, 20 Reid Street, Hamilton HM11 Bermuda
Administrator and Registrar's Agent	Apex Fund Services (HK) Limited 17th Floor, Beautiful Group Tower, 77 Connaught Road, Central Hong Kong
Custodian	DBS Bank Ltd., Hong Kong Branch 18th Floor, The Center, 99 Queen's Road, Central Hong Kong
Vietnam Sub-Custodian	Standard Chartered Bank (Vietnam) Limited Hanoi Towers, 49 Hai Ba Trung Street, Hoan Kiem District Hanoi, Vietnam
Legal Adviser to the Fund on Cayman Islands Law	Harney Westwood & Riegels Two Exchange Square, 8 Connaught Place, Central Hong Kong
Legal Adviser to the Fund on Vietnamese Law	Freshfields Bruckhaus Deringer LLP 11th Floor, Saigon Tower, 29 Le Duan Boulevard, District 1 Ho Chi Minh City, Vietnam
Swiss Representative Agent	ARM Swiss Representatives SA Route de Cite-Ouest 2 1196 Gland Switzerland
Auditors	Ernst & Young Ltd. 62 Forum Lane, Camana Bay, Grand Cayman, KY1-1106 Cayman Islands

OBJECTIVE AND HIGHLIGHTS

OBJECTIVE

The investment objective of PXP Vietnam Emerging Equity Fund Limited (the “Fund”) is to seek long-term capital appreciation of its assets by investing in a portfolio of equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Fund may also invest up to 30% of its assets at the time of investment in the shares of overseas-listed companies.

FINANCIAL SUMMARY

Financial position	31 December 2017	31 December 2016	% change
Total Net Assets	US\$163,032,000	US\$124,196,000	31.3%
Participating shares of US\$0.05 in issue	14,596,733	16,958,354	-13.9%
Net Asset Value (“NAV”) per share (average)	US\$11.169	US\$7.324	52.5%
NAV per share (Lead Series)	US\$11.059	US\$7.290	51.7%

Results for the year	2017	2016
Net profit	US\$59,372,000	US\$13,309,000
Expense ratio ¹	1.71%	1.78%

VIETNAM MARKET DATA

	31 December 2017	31 December 2016	% change
Vietnamese dong (“VND”)/US dollar (“US\$”) exchange rate	22,709	22,770	-0.3%
Viet Nam Index	984.24	664.87	48.0%
Viet Nam Index adjusted US\$ rate	610.77	411.48	48.4%

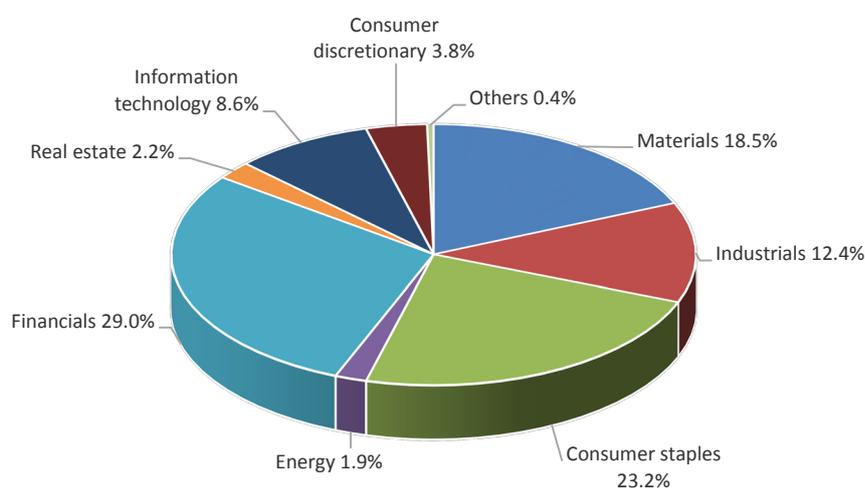
¹ The expense ratio is calculated as total expenses, excluding brokerage commissions, performance fee and foreign exchange gain/(loss), as a percentage of the average month-end net assets for the year.

OBJECTIVE AND HIGHLIGHTS

RELATIVE PERFORMANCE

Performance for years to 31 December 2017	NAV per share ²	Viet Nam Index ³
	%	%
1 year	51.7	48.4
2 years	69.3	68.3
3 years	81.6	69.8
4 years	104.7	81.1
5 years	167.3	118.1
6 years	233.9	159.3
7 years	131.8	74.4
8 years	95.7	61.9
9 years	257.1	140.1
10 years	-5.7	-25.1
11 years	17.6	-7.4
12 years	120.3	124.4

PORTFOLIO BY SECTOR AT 31 DECEMBER 2017



² The Fund adopted series accounting with effect from 29 July 2011 and from that date onwards the NAV of the Lead Series is the published NAV of the Fund. Prior to that date there was a common NAV for all the shares of the Fund.

³ Viet Nam Index performance is the total percentage movement in the Viet Nam Index (presented in US dollar terms) for the stated number of years up to 31 December 2017.

DIRECTORS' REPORT

The Board of Directors of PXP Vietnam Emerging Equity Fund Limited (the "Fund") presents its report and the Fund's financial statements as at and for the year ended 31 December 2017.

INVESTMENT OBJECTIVE

The primary investment objective of the Fund is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or prelisting Vietnamese companies, whether established with domestic or foreign ownership. The Fund may also invest up to 30% of its assets at the time of investment in the shares of overseas-listed companies.

The primary objective of the Fund has remained unchanged throughout the year ended 31 December 2017.

INVESTMENT POLICIES

The Fund invests in the equity securities of listed companies which either have a capitalisation or net asset value in excess of US\$20 million at the time of investment.

The Fund also invests in the equity securities of prelisting companies if the Investment Manager believes, by reference to the average price to earnings ratio of companies then listed on the Vietnam Stock Exchanges, that the capitalisation of the particular prelisting company under consideration for investment is likely to exceed US\$20 million when it is listed.

The Fund may invest up to 30% of its assets in overseas-listed companies which have a capitalisation or net asset value which is in excess of US\$100 million at the time of investment.

The Fund intends to invest across a range of industries. It is the Fund's current intention to invest no more than 40% of its assets at the time of investment in any one sector.

The Fund's uncommitted assets will be held on deposit, or in other high-quality fixed-income securities denominated in US dollars, by the Custodian or the Vietnam Sub-Custodian for the benefit of the Fund.

The Fund is permitted to borrow money and to grant security over its assets. However, the Board has determined that such borrowings are restricted to 25% of the latest available Net Asset Value of the Fund at the time of the borrowing.

All guarantees or indemnities that expose the Fund to a contingent liability in excess of 25% of its latest available Net Asset Value must be signed by two Directors pursuant to a duly authorised resolution of the Board in order to be valid.

The Fund may hold up to 30% of its assets in cash at any time before or after the Investment Manager determines that the Fund has become fully invested should the Investment Manager consider that market conditions warrant such a move.

Investment restrictions

The Fund observes the following restrictions:

- a) The Fund restricts its investment in prelisting companies to no more than 10% of its assets at the time of investment;
- b) The value of the Fund's holding of units or shares in other collective investment schemes may not in aggregate exceed 10% of its total Net Asset Value;
- c) The Fund will not invest more than 20% of its assets at the time of investment in the shares of a single issuer;
- d) No more than 20% of the assets of the Fund may be exposed to the creditworthiness or solvency of a single counter party, in each case calculated at the time of investment;
- e) The Fund will not take or seek to take legal or management control of the issuer of underlying investments;

DIRECTORS' REPORT

INVESTMENT POLICIES (CONTINUED)

Investment restrictions (continued)

- f) The Fund will not directly invest in real property; and
- g) The Fund will not directly invest in commodities.

The restrictions outlined in (a), (b), (c) and (d) apply to any investment at the time that investment is made.

ECONOMY AND STOCK MARKET

Vietnam GDP growth was 6.8% for 2017, exceeding both the 6.2% growth of the previous year and the Government's target of 6.7%. The largest contributors to this growth were the services sector, including a 10.9% increase in domestic retail sales, and the industry and construction sector with strong manufacturing growth continuing to be driven by industries with foreign direct investment. Export turnover of goods increased by 21.1% in 2017, delivering a trade surplus of US\$2.7 billion for the year. Consumer price inflation was subdued in the first half of the year, but price increases in services industries and the impact of global crude oil prices contributed to a 3.5% increase in the CPI year-on-year to December 2017. The Vietnamese dong (the "Dong") was relatively stable for most of 2017 and strengthened in the last two months resulting in a 0.3% appreciation against the US dollar for the year.

The Vietnam stock markets made impressive gains over the year, with the Viet Nam Index ("VNI") increasing 48% from 664.87 points on 31 December 2016 to reach a nine-year high close of 984.24 points on 31 December 2017. The stable macroeconomic conditions and strong growth in manufacturing and services sectors have underpinned this market rally, which has pushed on despite the slow progress of blue chip stocks in relaxing their foreign ownership limits and the non-inclusion of Vietnam in the MSCI Emerging Markets Index watch-list as announced in June. Many of the largest stocks by market capitalisation in the Ho Chi Minh City Stock Exchange had a particularly strong year.

PERFORMANCE AND POSITION

Over the financial year to 31 December 2017, the NAV per share for the Lead Series of PXP Vietnam Emerging Equity Fund increased from US\$7.290 to US\$11.059, a gain of 51.7% compared to an increase in the VNI in US dollar terms of 48.4% over the same period. The VNI is a capitalisation-weighted index comprising the listed shares of every company listed on the Ho Chi Minh City Stock Exchange.

The table on the next page shows the holdings which contributed more than +/-5% of the net investment income for the Fund in the years to 31 December 2017 and 31 December 2016.

DIRECTORS' REPORT

PERFORMANCE AND POSITION (CONTINUED)

Contribution to net investment income

Holding	Return ⁴	Net gains and dividends	Relative contribution
	%	US\$'000	%
31 December 2017			
Vinamilk	63.2	20,400	29.3
Ho Chi Minh City Securities Corporation	122.5	13,889	20.0
Hoa Phat Group JSC ⁵	71.7	11,288	16.2
FPT Corporation	54.3	5,347	7.7
Refrigeration Electrical Engineering Corporation	59.5	3,485	5.0
Other portfolio holdings - net	25.2	15,125	21.8
Net investment income		69,534	
31 December 2016			
Vinamilk	20.7	6,399	39.4
Hoa Phat Group JSC	67.6	6,169	38.0
Coteccons Construction JSC	56.3	3,193	19.7
Nui Nho Stone JSC	54.4	1,182	7.3
Refrigeration Electrical Engineering Corporation	16.6	873	5.4
Other portfolio holdings - net	(1.9)	(1,594)	(9.8)
Net investment income		16,222	

The table on page 3 presents the historic performance of the Fund since its launch in comparison to the VNI.

Investments held as at 31 December 2017 were valued at US\$172,118,000 (31 December 2016: US\$126,737,000). Changes to investments are shown in Note 4 to the financial statements on pages 25 to 27.

Net assets attributable to participating shareholders at 31 December 2017 amounted to US\$163,032,000 (31 December 2016: US\$124,196,000). The Fund had no borrowings as at 31 December 2017 or 31 December 2016.

CORPORATE GOVERNANCE

The Fund is committed to high standards of corporate governance and is accountable to the shareholders. The Fund's governance model reflects the need to oversee the activities of the Fund, and the Board believes it is appropriate for an open-ended mutual fund. The Board is responsible for the overall policies, control, direction, review, instructions and supervision of the Fund and its portfolio of assets. The Board at the date of this report consists of five members, all of whom are independent and act independently of the Investment Manager.

The Board of Directors has overall responsibility for the Fund's affairs. The Board delegates through the Investment Management Agreement and through specific instructions the day to day management of the Fund to the Investment Manager. The Fund has no executives or employees.

⁴ Return comprises net gains/(losses) on investments and dividend income divided by opening valuation and cost of any purchases in the year.

⁵ "JSC" is an abbreviation for "Joint Stock Company"

DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONTINUED)

Matters reserved for the Board's decision include, inter alia: decisions on strategy; establishing investment objectives, policies and restrictions; gearing; declaration of dividends; corporate governance; convening general meetings; Board appointments outside of general meetings; and the appointments of the Custodian, the Administrator, the Registrar, the Fund Secretary (if any) and the Auditor.

AUDITORS

The auditors of the Fund are Ernst & Young Ltd.

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Fund and of its results, cash flows and changes in net assets for the year then ended. In preparing those financial statements, the Board of Directors is required to:

- ensure that the financial statements comply with the International Financial Reporting Standards as published by the International Accounting Standards Board;
- select suitable accounting policies and then apply them on a consistent basis;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

The Board of Directors is responsible for keeping proper accounting records, for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Fund has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which present fairly, in all material aspects, the financial position of the Fund as at 31 December 2017 and of its results of operations, changes in net assets attributable to participating shareholders, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

For and on behalf of the Board of Directors:

Philip Smiley
Chairman
14 May 2018

INVESTMENT MANAGER’S REPORT

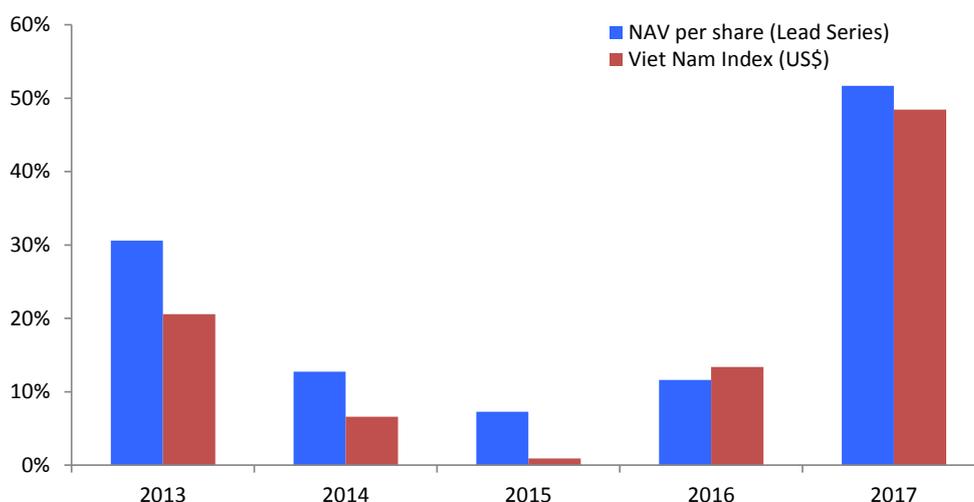


The Fund is managed by PXP Vietnam Asset Management Limited, a British Virgin Islands company incorporated in October 2002. Kevin Snowball, the Chief Executive Officer and Chief Investment Officer of the Investment Manager has been Portfolio Manager since the Fund’s inception in 2005.

REVIEW OF THE YEAR

During the year under review the Fund’s Net Asset Value (“NAV”) per share for the Lead Series increased by 51.7% net of all fees, from US\$7.290 to US\$11.059. This compares with an increase in the Viet Nam Index (“VNI”) of 48.4% in US dollar terms over the same period. The Vietnamese dong appreciated by 0.3% against the US dollar over the period under review.

The graph below presents the year-on-year NAV performance as compared to that of the VNI in US dollar terms for the past five financial years.



The Fund recorded the third best annual return of its twelve full years in existence, falling short of only 2006 and 2009 in terms of gains and leading the open-ended peer group with only one other member of that group also outperforming the VNI.

MACROECONOMIC OVERVIEW

The concerns that we expressed in the Fund’s 2017 Interim Report regarding the potential inflationary impact of the Vietnamese Prime Minister’s seemingly single-minded pursuit of economic growth through accelerated credit growth proved unfounded, with the proposed higher targets never adopted as formal policy. Absent that, investors were able to focus on Vietnam’s stable currency, moderate inflation, strong GDP growth, robust FDI disbursements and booming export growth. As we opined at the time, such an enviable macroeconomic environment represented “a good base on which to build further index gains”, and so it proved.

INVESTMENT MANAGER'S REPORT

MACROECONOMIC OVERVIEW (CONTINUED)

GDP growth actually came in at a shade above 6.8% in 2017 without the need for artificial stimulus. With inflation remaining benign at 2.6% on an annualised basis and a trade surplus approaching US\$3 billion after being in small deficit at the half-way mark, the currency was once again among the most stable in Asia. Export growth was 21% in a year which had begun with fears of increased protectionism and, whilst those fears may have been postponed rather than conquered, inward foreign direct investment – one of the main drivers of increased production for export – also increased by 10.8% as the success of earlier entrants, particularly in the electronics sector spearheaded by Samsung, engendered confidence that Vietnam is an increasingly easier place to establish a production base. A number of trade agreements due to come into effect during 2018 - including the re-vamped Trans-Pacific Partnership (“TPP”), now prefixed “Comprehensive and Progressive” (naturally) and re-designated “CPTPP” with China, perhaps somewhat ironically, stepping into the shoes vacated by the United States as the global standard bearer for free trade – may offset any deterioration in trade relations with the USA if the President’s attention moves further west and a little south.

We see no other obvious reason for a worsening of the macroeconomic landscape in 2018. Although inflation may tick up to 3.5% or so any implied pressure on the currency is likely to be counteracted to an extent by a further increase in the trade surplus to above US\$5 billion for the first time. First quarter GDP growth at 7.4% is unlikely to be maintained against a higher base for the remainder of the year but a 6.7% growth target for 2018 is unlikely to prove too much of a challenge and so the stock market, save unexpected external financial calamity, currently has little to fear from the macro.

THE STOCK MARKET

2017 was the year that Vietnam returned to international institutional radar screens with a vengeance. The ability to secure substantial stakes in ever-larger (and still increasing) new and secondary issues, coupled with a demonstration late in the year by a subsidiary of the Jardine Matheson group that secondary market liquidity was available if approached in a determined enough fashion, gave foreign institutional investors comfort that the market is finally beginning to mature. Four of the top-14 VNI components by market capitalisation at the end of 2017 (none of which were Fund holdings but which contributed 10.3% of the 48.4% index gain) were not listed at the beginning of the year and cumulatively contributed US\$13.8 billion of the US\$50.6 billion the index added in total capitalisation over the year, with the Ho Chi Minh City exchange finishing 2017 at a nominal US\$116 billion.

Aside from new listings, perhaps the two highlights in terms of transaction size were:

- The government’s sale of a 3.3% stake in Vinamilk to Platinum Victory Pte Ltd (a subsidiary of Jardine Cycle & Carriage) in November 2017 which, together with an earlier purchase of 2.2% of the outstanding shares formed the basis for a swift and well-executed move to a 10% holding - totalling roughly US\$ 1billion - within a week, and;
- Thai Beverage’s December 2017 purchase of a 53.5% indirect holding in Saigon Brewery (known as “Sabeco”) for approximately US\$4.8 billion, also from the government.

Taken as a whole, the market scaled new heights in terms of size, accessibility and liquidity during 2017 (although the VNI’s all-time high was not breached until 22 March 2018) and the issue of foreign ownership limits took a back seat in spite of the country having fallen short of MSCI’s criteria for inclusion on its Emerging Market Index watch-list, for the time being at least. Possibly in 2019 if the new Securities Law (expected in draft form in November 2018) is enacted in time to prove encouraging to MSCI by broadening foreign accessibility and improving bilingual reporting requirements; otherwise 2020.

INVESTMENT MANAGER'S REPORT

OUTLOOK AND STRATEGY

The VNI's 22.5% gain in USD in the final quarter of 2017 was followed by a 19% gain in the first quarter of 2018, and the index added a further 2.5% in the first six trading days of April before suffering four single day falls of more than 2.5% in the remainder of the month (as compared to none in the whole of 2017, and only 3 in the whole first quarter of 2018) as valuations specifically in the top-10 stocks by market capitalisation became notably stretched, and a couple of US\$ 900 million plus new issues proved a drain on liquidity. At the time of writing the index is consolidating after a fall of 17.1% in less than a month from the traded high of 1,211.34 to just above strong support at 1,000 points. Whilst we anticipate continuing heightened volatility for the remainder of this year with an upward bias from current levels, consideration might be given during periods of weakness to a fresh look by those dis-incentivised to act after the continuation of the late 2017 surge into the first quarter of 2018. A less congested new issue calendar would allow newer participants to take a broader view of the established market and the more reasonably priced stocks therein, and broker focus outside of the still severely restricted core research coverage would certainly assist in that process.

We are conscious not to allow our investment style (ultra-high conviction with a long-term perspective) to drift as a result of short-term over enthusiasm with the new issues market, and, lest we should ever fall victim to temptation are fortunately assisted in maintaining that focus by the Fund's relatively modest size, since we are neither big nor sufficiently swinging to qualify as a cornerstone investor and allocations are likely to remain somewhat insulting outside of that cabal, even in the few examples that have passed our inspection. Given our strongly held belief that the most important characteristics of a company in determining long-term outperformance are transparency, good corporate governance and the integrity of management, we are hopeful that in the maturation phase of the market, qualitatively constructed, concentrated portfolios will ultimately look quite similar to the Fund's.

On behalf of the Investment Manager

Kevin Snowball
14 May 2018

TEN LARGEST INVESTMENTS AS AT 31 DECEMBER 2017

		Valuation	% of NAV
		US\$'000	%
VNM	<p>Viet Nam Dairy Products JSC (Vinamilk) Vinamilk is the largest producer and distributor of dairy products in Vietnam and continues to expand its production capacity to capitalise on growing demand. VNM is the second largest listed company in Vietnam and has been a core holding in the Fund's portfolio since inception.</p>	38,810	23.8
HPG	<p>Hoa Phat Group JSC Hoa Phat Group JSC is a vertically integrated steel producer with a 24% market share in construction steel and 26% market share in steel pipes. A significant contributor to 2017 as it was re-rated by investors during the year. Now trading at 10.4 times 2018 earnings falling to 6.2 times 2020 earnings.</p>	27,067	16.6
HCM	<p>Ho Chi Minh City Securities Corporation Ho Chi Minh City Securities Corporation is the second largest broker by market share on the Ho Chi Minh City Stock Exchange ("HOSE") with 11.9% in 2017. HCM profits from securities brokerage, margin lending, investment banking and equity research. The firm is recognised for its experienced, relatively conservative management team and good corporate governance standards.</p>	24,772	15.2
FPT	<p>FPT Corporation FPT Corporation is the leading ICT company in Vietnam with top three market share across most business lines including systems integration, software outsourcing and internet services. The company reduced its stakes in distribution and retail subsidiaries in late 2017, to focus on higher margin business.</p>	14,747	9.0
CTD	<p>Coteccons Construction JSC (CotecCons) CotecCons is one of the leading construction groups in Vietnam. CTD has been the general contractor for a large number of projects in residential, commercial and industrial sectors in Vietnam and has established a reputation for high quality construction and civil engineering.</p>	9,999	6.1

TEN LARGEST INVESTMENTS AS AT 31 DECEMBER 2017

		Valuation	% of NAV
		US\$'000	%
REE	Refrigeration Electrical Engineering Corporation REE Corporation was one of the first two stocks listed on the HOSE. Traditionally involved in mechanical and electrical engineering services, the manufacture and distribution of white goods and office leasing, REE has been focusing its investment portfolio in utilities and energy in recent years and this accounted for nearly 48% of its total assets as at December 2017.	6,031	3.7
VND	VNDirect Securities Corporation VNDirect Securities Corporation is the fourth largest broker on the HOSE with 7.2% market share in 2017. VND offers securities brokerage and margin lending through a network of retail brokers and is investing in its online offering. The core focus is on retail customers who usually account for 80 to 85% of daily trading volume on Vietnam's main stock exchanges.	5,298	3.2
DRC	Danang Rubber JSC Danang Rubber JSC is a Vietnamese tyre manufacturer with over 30 years in operation. DRC ranks number one in producing tyres for trucks in the domestic market and was the first Vietnamese company to produce radial tyres.	5,195	3.2
MBB	Military Commercial Joint Stock Bank Military Bank is the second largest listed private bank by assets in Vietnam with total assets of US\$13.8 billion as at 31 December 2017. The bank was listed in 2011 and limited its foreign ownership to 20% in anticipation of investment from a strategic partner.	4,203	2.6
VSC	Vietnam Container Shipping JSC Vietnam Container Shipping JSC is one of the leading container port operators in Vietnam, with a container terminal and warehouse in Hai Phong City running near full capacity, and trucking lines for container and conventional cargo transportation services throughout Vietnam.	4,017	2.5
		140,139	85.9



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Independent Auditors' Report

The Board of Directors
PXP Vietnam Emerging Equity Fund Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PXP Vietnam Emerging Equity Fund Limited (the "Fund") which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in net assets attributable to participating shareholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Other information consists of the General information, Objective and highlights, Directors' report, Investment Manager's report, Ten largest investments, Full portfolio listing and EU Alternative Investment Fund Managers Directive. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

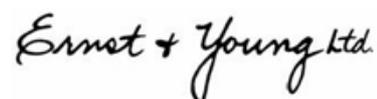
This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young Ltd

14 May 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		US\$'000	US\$'000
Income			
Net gains on financial assets at fair value through profit or loss	4	65,043	11,125
Dividend income		4,491	5,097
Other income		73	12
		69,607	16,234
Operating expenses			
Management fee	10.1	(2,050)	(1,861)
Performance fee	10.1	(7,775)	(628)
Custodian, administration and secretarial fees		(185)	(177)
Transaction costs		(56)	(40)
Directors' fees	10.2	(105)	(105)
Foreign exchange gain/(loss) - net		15	(31)
Other operating expenses		(79)	(83)
		(10,235)	(2,925)
Net profit for the financial year		59,372	13,309
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation differences		352	(1,562)
Total comprehensive profit for the financial year		59,724	11,747

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	31 December 2017	31 December 2016
		US\$'000	US\$'000
Assets			
Financial assets at fair value through profit or loss	4	172,118	126,737
Other receivables and prepayments		346	221
Receivables from brokers		1,237	355
Cash and cash equivalents	7	5,298	1,382
Total assets		178,999	128,695
Liabilities			
Performance fee payable	10.1	7,602	615
Accrued fees and other payables		338	291
Redemptions payable		7,527	3,593
Subscriptions received in advance		500	-
Total liabilities (excluding net assets attributable to participating shareholders)		15,967	4,499
Net assets attributable to participating shareholders	8	163,032	124,196

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Numbers of shares outstanding	Net assets attributable to participating shareholders US\$'000
As at 1 January 2016	19,716,955	129,179
Proceeds from participating shares issued	1,412,452	10,517
Redemptions of participating shares	(4,171,053)	(27,247)
Net profit for the year	-	13,309
Currency translation differences	-	(1,562)
As at 31 December 2016	16,958,354	124,196
Proceeds from participating shares issued	805,177	6,680
Redemptions of participating shares	(3,159,188)	(27,568)
Participating shares decreased on series consolidation	(7,610)	-
Net profit for the year	-	59,372
Currency translation differences	-	352
As at 31 December 2017	14,596,733	163,032

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	US\$'000	US\$'000
Cash flows from operating activities		
Purchases of financial assets at fair value	(7,729)	(11,672)
Proceeds from sales of financial assets at fair value	27,392	20,605
Dividends received	4,407	5,250
Other income received	29	6
Performance fee paid	(788)	(86)
Other expenses paid	(2,420)	(2,076)
Net cash generated from operating activities	20,891	12,027
Cash flows from financing activities		
Proceeds from participating shares issued	6,658	10,517
Redemptions of participating shares	(23,633)	(23,790)
Net cash used in financing activities	(16,975)	(13,273)
Net increase/(decrease) in cash and cash equivalents	3,916	(1,246)
Cash and cash equivalents at beginning of the financial year	1,382	2,628
Cash and cash equivalents at end of the financial year (Note 7)	5,298	1,382

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

PXP Vietnam Emerging Equity Fund Limited (the “Fund”) was incorporated in the Cayman Islands on 25 July 2005 under the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability with Certificate of Incorporation number CD-152440. Initially it was a closed-end investment company. The Fund was converted to an open-ended mutual fund effective from 29 January 2010. It is registered under Section 4(3) of The Mutual Funds Law, with registration number 17399.

The registered office of the Fund is located at Harneys Services (Cayman) Limited, 4th floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss that have been measured at fair value.

The accounting policies adopted are consistent with those of the previous financial year.

The Fund presents its statement of financial position in order of increasing liquidity. The financial assets at fair value through profit or loss comprise equity securities which are intended to be held for the long-term in accordance with the Fund’s investment objective. The Investment Manager does not classify the equity securities into those that are intended to be sold within 12 months or retained longer. A decision to sell particular holdings could be taken based on new information, new analysis, industry developments, economic or geopolitical events, or more promising alternative investment opportunities. All other assets on the statement of financial position are expected to be recovered within 12 months of the reporting date and all liabilities on the statement of financial position are expected to be settled within 12 months of the reporting date.

The financial statements are presented in US dollars (US\$) and all values are rounded to the nearest thousand (‘000) except where otherwise indicated.

2.2 New standards, amendments and interpretations

(a) Standards, amendments to standards and interpretations that are effective for the year ended 31 December 2017

There are no new standards, amendments to existing standards or IFRIC interpretations that are effective for the year ended 31 December 2017 that have a material impact on the Fund’s financial statements.

(b) New standard that is not yet effective and has not been early adopted by the Fund

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018. There are significant changes to existing guidance in IAS 39, including the multiple classification and measurement models in IAS 39 being replaced with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity’s business model for managing the financial assets and the contractual characteristics of the financial assets. Adoption of IFRS 9 is expected to have minimal impact on the financial statements of the Fund.

There are no other new standards, amendments to existing standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Functional and foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The functional currency of the Fund is the Vietnamese dong (the “Dong”), which reflects the Fund’s primary activity of investing in equity securities of listed or prelisting Vietnamese companies. The majority of the Fund’s investments are originally made in Dong denominated securities and will be realised in Dong.

The Fund has adopted the US dollar as its presentation currency, as its shareholders are based outside SR Vietnam and the US dollar is a more widely used and recognised currency than the Dong. The shareholders’ investments in the Fund are made in US dollar and any redemptions will be paid to the shareholders in US dollar.

The Fund’s results and financial position are translated from its functional currency to its presentation currency as follows:

- (i) assets and liabilities, including participating shares, are translated at the closing rate at the reporting date;
- (ii) equity items are translated using the exchange rate at the transaction date;
- (iii) income and expenses are translated using the exchange rate at the transaction date; and
- (iv) all exchange differences arising on translation are recognised in the statement of comprehensive income within “Other comprehensive income/(loss)”.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rates prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are recognised in the statement of comprehensive income within “Foreign exchange gain/(loss) – net”.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are recognised in the statement of comprehensive income within “Net gains/(losses) on financial assets at fair value through profit or loss”.

2.4 Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities, and related derivatives, as financial assets at fair value through profit or loss.

This category has two sub-categories:

- (i) Financial assets designated at fair value through profit or loss upon initial recognition

These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with the Fund’s investment strategy, as set out in the Fund’s Prospectus.

- (ii) Financial assets held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. All derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Financial assets at fair value through profit or loss (continued)

(b) Recognition/derecognition

The Fund recognises a financial asset when it becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment.

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired or the Fund has transferred its rights to receive cash flows from the asset and either: (i) the Fund has transferred substantially all the risks and rewards of the asset; or (ii) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of comprehensive income in the period in which they arise. Dividends earned on these investments are recorded separately in dividend income.

(d) Fair value estimation

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value for financial assets traded in active markets is based on their closing prices on the relevant stock exchange as at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the reporting date. Valuation techniques include the use of comparable recent arm's length transactions, earnings multiples, net asset valuations, discounted cash flow analysis and option pricing models.

From time-to-time, the Fund may hold rights to acquire shares, which are financial instruments that are not quoted in an active market. Fair values of such derivative financial instruments are determined using valuation techniques, usually an option pricing model.

(e) The fair value hierarchy

Financial instruments carried at fair value are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Amounts due from and due to brokers

Amounts due from and due to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the reporting date. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within borrowing in current liabilities on the statement of financial position.

2.8 Accrued fees and expenses

Accrued fees and expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.9 Participating shares

The Fund issues one class of participating shares which are redeemable at the holder's option. Participating shares are issued at prices based on the net asset value per share of the Fund's Lead Series at the time of issue. Subscription monies received before the subscription dealing day are recorded as subscriptions received in advance.

The Fund issues a new series of shares each time there is a subscription. If a performance fee is payable on more than one series in respect to a financial year, every series on which a performance fee is payable in respect to that financial year will be consolidated into the Lead Series or the earliest issued series on which a performance fee is payable.

Participating shares can be put back to the Fund, on the terms set out in the Prospectus, for cash equal to the net asset value per share of the relevant series as adjusted for the applicable redemption fee and any price adjustments and transaction costs as set out in the Prospectus.

The participating shares are classified as financial liabilities.

The participating shares are carried at the redemption amount that would be payable at the reporting date, before adjustment for the applicable redemption fee and any price adjustments and transaction costs, if the holder exercises the right to put the shares back to the Fund.

If a share redemption order is received and approved by the Fund Administrator, the amount payable is posted to share redemption payables on the applicable redemption dealing day, based on the net asset value per share of the relevant series on the relevant valuation point as adjusted for the applicable redemption fee and any price adjustments.

2.10 Net gain or loss on financial assets at fair value through profit or loss

Net gain or loss on financial assets at fair value through profit or loss includes changes in the fair value of financial assets held for trading or designated upon initial recognition as at fair value through profit or loss and excludes dividend income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Net gain or loss on financial assets at fair value through profit or loss (continued)

Unrealised gains and losses comprise changes in the fair value of financial assets for the year for those financial assets that are held at the year-end. Realised gains and losses on disposals of financial assets classified as at fair value through profit or loss represent the difference between the asset's disposal amount and average cost of the Fund's holdings in that asset. The cost base in the calculation of average cost of a holding is the fair value of such assets at the start of the year and the cost of such assets acquired during the year.

2.11 Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

2.12 Transaction costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. They include commissions paid to brokers. Transaction costs, when incurred, are immediately recognised as an expense in the statement of comprehensive income.

2.13 Dividend distribution on participating shares

Dividends on participating shares are recognised as liabilities in the statement of financial position and as expenses in profit and loss when the dividends are approved by the Board of Directors.

2.14 Taxation

The Fund is domiciled in the Cayman Islands. Under the current laws of the Cayman Islands, there is no corporate tax, capital gains tax or other taxes payable by the Fund.

The Fund is subject to tax of 0.1% of the gross proceeds when it sells all or part of its investments in domestic securities in Vietnam. Equity shares of non-public joint stock companies and ownership interests in limited liability companies in Vietnam are not regarded as securities and are subject to income tax on any gain made. The Fund classifies tax on sales of securities as a deduction from net gains/(losses) on financial assets in the statement of comprehensive income and tax on sales of interests in non-public joint stock companies or limited liability companies within income tax expense in the statement of comprehensive income.

Dividends received by the Fund from equity investments in Vietnam are not subject to withholding taxes. Dividends received by the Fund from holdings in investment funds in Vietnam, interest from cash deposits at banks operating in Vietnam, interest from Vietnamese bonds and interest from certificates of deposits are subject to withholding taxes. The Fund classifies withholding taxes on dividends and interest within income tax expense in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

3.1 Accounting estimates and assumptions

The key area of estimation and assumption in applying accounting policies that has a significant effect on the amounts recognised in the financial statements is noted below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1 Accounting estimates and assumptions (continued)

Fair value of securities not quoted in an active market

The fair value of equity securities that are not traded in an active market is determined by using valuation techniques. The research team of the Investment Manager performs the valuations of unlisted equity holdings using its own models, which primarily employ earnings multiples, discounted cash flows and net asset valuation methods, with the application of marketability discounts.

3.2 Judgements in applying accounting policies

The key areas of judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are noted below.

Going concern

Management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Functional currency

Management considers the Dong the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Fund's primary activity is to invest in equity securities of listed or prelisting Vietnamese companies. The majority of the Fund's investments are originally made in Dong denominated securities and will be liquidated and realised in Dong. Expenses of the Fund are mainly denominated in US dollar, with the largest expenses being based on the net asset value of the Fund which is substantially determined by the value of the investments held. The funds from financing activities of the Fund are generated in US dollar, but in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* priority is given to the primary indicators when determining the functional currency.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Financial assets designated at fair value through profit or loss upon initial recognition		
- Listed equity securities	164,257	120,433
- Unlisted equity securities	2,218	703
- Listed investment fund shares	1,898	3,834
- Unlisted investment fund shares	3,745	1,767
Total financial assets at fair value through profit or loss	172,118	126,737

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Movements in financial assets at fair value through profit or loss in the year:

	2017	2016
	US\$'000	US\$'000
Opening balance	126,737	126,540
Purchases	8,250	11,672
Sales proceeds	(28,273)	(20,960)
Net gains recognised in profit or loss	65,043	11,125
Difference arising on translation to presentation currency	361	(1,640)
Closing balance	172,118	126,737

As at 31 December 2017, the Fund holds an interest of 38.0% (31 December 2016: 28.1%) in the redeemable non-voting shares of PXP Vietnam Smaller Companies Fund Limited, an open-ended mutual fund which is also managed by PXP Vietnam Asset Management Limited, the Investment Manager of the Fund, with a fair value of US\$3,745,000 (31 December 2016: US\$1,767,000).

Analysis of financial assets at fair value through profit or loss by country of incorporation of the issuer:

	31 December 2017	31 December 2016
	US\$'000	US\$'000
SR Vietnam	166,475	121,136
Cayman Islands	5,643	5,601
	172,118	126,737

Analysis of financial assets at fair value through profit or loss by currency of denomination:

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Vietnamese dong	166,475	121,136
UK sterling	1,726	3,834
US dollar	3,917	1,767
	172,118	126,737

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The year-end exchange rates were:

	31 December 2017	31 December 2016
Vietnamese dong/US dollar	22,709	22,770
UK sterling/US dollar	0.74	0.81

Net gains arising from changes in the fair values of financial assets at fair value through profit or loss in the year:

	2017	2016
	US\$'000	US\$'000
Realised gains on sales of financial assets at fair value	7,009	487
Unrealised gains on financial assets at fair value	58,034	10,638
Net gains recognised in profit or loss	65,043	11,125

Net gains arising from changes in the fair values of financial assets at fair value through profit or loss as presented above is calculated with reference to the fair values of assets held at the start of the year and the costs of assets acquired during the year.

5. FAIR VALUE ESTIMATION

Financial instruments carried at fair value are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Fund's financial assets (by class) that are measured at fair value:

	Level 1	Level 2	Level 3	Total balance
	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2017				
Financial assets designated at fair value through profit or loss upon initial recognition:				
- Equity securities	164,257	1,148	1,070	166,475
- Investment fund shares	1,898	3,745	-	5,643
Total financial assets measured at fair value	166,155	4,893	1,070	172,118

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. FAIR VALUE ESTIMATION (CONTINUED)

	Level 1	Level 2	Level 3	Total balance
	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2016				
Financial assets designated at fair value through profit or loss upon initial recognition:				
- Equity securities	120,433	-	703	121,136
- Investment fund shares	3,834	1,767	-	5,601
Total financial assets measured at fair value	124,267	1,767	703	126,737

All fair value measurements disclosed are recurring fair value measurements.

Transfers between levels

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

In the years ended 31 December 2017 and 31 December 2016, there were no reclassifications of financial assets and no transfers between levels.

Financial instruments in Level 1

The fair values of financial assets traded in active markets are based on their closing prices at the last official close of the relevant stock exchange on or before the reporting date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equities listed on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange and the shares of two closed-end funds which are traded on the London Stock Exchange Main Market and London Stock Exchange AIM respectively, which are all designated as financial assets at fair value through profit or loss.

Financial instruments in Level 2

The Level 2 financial assets as at 31 December 2017 consist of a holding in the redeemable shares of PXP Vietnam Smaller Companies Fund Limited which are not traded in an active market and a prelisting equity holding for an issuer with approved listing on the Ho Chi Minh City Stock Exchange in January 2018. The fair values of investments in shares of funds that are not traded in an active market are based on the NAV per share of the fund. Management uses its judgement to assess if a premium or discount, if any, should be applied to the NAV figures. As this fund permits its shares to be redeemed on a monthly basis with three months' notice at NAV per share, the investment in redeemable shares held in this fund is valued at the latest published NAV per share at the reporting date. The fair value of the prelisting equity holding which was approved to list in January 2018 is valued based on its listing reference price.

The Level 2 financial asset as at 31 December 2016 was a holding in the redeemable shares of PXP Vietnam Smaller Companies Fund Limited.

Financial instruments in Level 3

If one or more of the significant inputs required to fair value an instrument is not based on observable market data, the instrument is included in Level 3. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

The Level 3 equity amount at 31 December 2017 consists of two unlisted equity securities and at 31 December 2016 consisted of three unlisted equity securities.

Valuation process

The research team of the Investment Manager performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are reviewed by the Chief Financial Officer of the Investment Manager. The valuations are reviewed and approved by the Board of the Fund on a quarterly basis.

Fair value of unlisted equity securities

The valuation of the holding of shares in a property development company as at 31 December 2017 was US\$1,070,000 (31 December 2016: US\$628,000), using a net asset valuation with a market discount.

Significant unobservable inputs used in this fair value measurement are as follows:

	31 December 2017	31 December 2016
Market price of land bank	VND11 million/sqm to VND29 million/sqm	VND11 million/sqm to VND29 million/sqm
Discount rate	10.8%	12.1%
Market discount	25%	50%

Sensitivity analysis to significant changes in unobservable inputs used in the fair value measurement:

Input	Sensitivity used *	Effect on fair value	
		31 December 2017	31 December 2016
		US\$'000	US\$'000
Market price of land bank	10% increase	11	7
	10% decrease	(11)	(7)
Discount rate	2% increase	(79)	(46)
	2% decrease	108	60
Market discount	10% increase	(143)	(126)
	10% decrease	143	126

* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value

The Fund held shares in a pharmaceutical company, with the holding valued at US\$75,000 as at 31 December 2016. The shares were listed and the Fund sold its holding in August 2017.

The valuation of the holding of shares in a telecommunications company was marked down to US\$1 as at 31 December 2013 and is unchanged during the year ended 31 December 2017.

No interrelationships between unobservable inputs used in the Fund's valuation of its Level 3 equity investments have been identified.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

Movement

The following table presents the movement in Level 3 instruments, all of which are in the equity securities class of financial instrument.

	2017	2016
	US\$'000	US\$'000
Opening balance	703	639
Total gains recognised in profit or loss, included in "Net gains on financial assets at fair value through profit or loss"	470	73
Total gains/(losses) recognised in other comprehensive income, included in "Currency translation differences"	2	(9)
Sales proceeds	(105)	-
Closing balance	1,070	703
Change in unrealised gains or losses for Level 3 assets held at the year-end and included in "Net gains on financial assets at fair value through profit or loss"	441	73

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Assets at fair value through profit or loss	Total
	US\$'000	US\$'000	US\$'000
Assets as per statement of financial position			
31 December 2017			
Financial assets at fair value through profit or loss	-	172,118	172,118
Receivables from brokers	1,237	-	1,237
Other receivables	333	-	333
Cash and cash equivalents	5,298	-	5,298
Total	6,868	172,118	178,986

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Loans and receivables	Assets at fair value through profit or loss	Total
	US\$'000	US\$'000	US\$'000
Assets as per statement of financial position			
31 December 2016			
Financial assets at fair value through profit or loss	-	126,737	126,737
Receivables from brokers	355	-	355
Other receivables	205	-	205
Cash and cash equivalents	1,382	-	1,382
Total	1,942	126,737	128,679

All financial liabilities in the statement of financial positions at 31 December 2017 and 31 December 2016 were classified as other financial liabilities.

7. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
	US\$'000	US\$'000
Current account in VND	1	1,355
Current account in US\$	5,297	27
	5,298	1,382

8. SHARE CAPITAL

The Fund's authorised share capital at 31 December 2017 and at 31 December 2016 is US\$2,000,000 which is divided into 39,998,000 participating shares of a par value of US\$0.05 each and 100 management shares of US\$1 each.

Participating shares

	Number of issued shares	Net assets attributable to participating shareholders
		US\$'000
As at 31 December 2017	14,596,733	163,032
As at 31 December 2016	16,958,354	124,196

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. SHARE CAPITAL (CONTINUED)

Participating shares (continued)

The participating shares are redeemable on the terms set out in the Prospectus, which include the ability of the Fund to limit cash redemptions in specified circumstances. The participating shares do not carry a right to vote; they carry rights to dividends and rights to share in any surplus assets in a winding-up after the return of nominal capital paid up on the management shares. All issued participating shares are fully paid.

To ensure the equitable allocation of performance fee (if applicable) between participating shares, the Fund issues a new series of shares each time there is a subscription. Performance fee (if applicable) is charged to each series separately. If a performance fee is payable on more than one series in respect to a financial year, every series on which a performance fee is payable in respect to that financial year will be consolidated into the Lead Series or the earliest issued series on which a performance fee is payable.

Management shares

	Number of issued shares	Amount paid-up
		US\$
Balance at 31 December 2017 and at 31 December 2016	100	100

The management shares have been issued to PXP Vietnam Asset Management Limited, the Investment Manager, for the purpose of enabling all the shares to be redeemed without liquidating the Fund and to enable the Investment Manager to vote on issues affecting the Fund which require the vote of shareholders, but to not materially effect or prejudice the rights attaching to the participating shares. The management shares are not redeemable, do not carry any rights to dividends, and on a winding-up rank only for a return of paid up nominal capital *pari passu* out of the assets of the Fund after the return of nominal capital paid up on the participating shares. The management shares were fully paid as at 31 December 2016 and as at 31 December 2017.

9. NET ASSET VALUE PER SHARE

	31 December 2017	31 December 2016
Net assets attributable to participating shareholders (US\$)	163,032,000	124,196,000
Number of shares in issue (Note 8)	14,596,733	16,958,354
Net asset value per share (US\$ per share) (average)	11.169	7.324

The average net asset value per share is determined by dividing the net assets attributable to participating shareholders by the number of participating shares issued and outstanding at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. NET ASSET VALUE PER SHARE (CONTINUED)

Net asset value per share for each series in issue at the reporting date:

	31 December 2017	31 December 2016
	US\$	US\$
Series 1 (Lead Series)	11.059	7.290
Series 1A	12.126	7.609
Series 1B	12.126	7.609
Series 1C *	-	7.290
Series 14 *	-	7.290
Series 15 *	-	7.253
Series 16 *	-	7.262
Series 17 *	-	7.241
Series 18 *	-	7.290
Series 19 *	-	7.291
Series 20 *	-	7.303
Series 21 *	-	7.267
Series 22 *	-	7.253
Series 23 *	-	7.322
Series 24 *	-	7.288
Series 25 *	-	7.291
Series 26 *	-	7.215
Series 27 *	-	7.325
Series 28 **	11.123	7.332
Series 29 **	11.173	7.332
Series 30 **	11.256	7.331
Series 31 **	11.251	7.332
Series 32 **	11.198	7.333
Series 33 **	11.085	-
Series 34 **	11.103	-
Series 35 **	11.360	-
Series 36 **	11.321	-
Series 37 **	11.500	-
Series 38 **	11.512	-

* These series on which a performance fee was payable in respect to the year ended 31 December 2016 were consolidated into the Lead Series in January 2017.

** Subsequent to the year-end, these series on which a performance fee was payable in respect to the year ended 31 December 2017 were consolidated into the Lead Series.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. RELATED PARTIES TRANSACTIONS

10.1 Investment Manager

The Fund is managed by the Investment Manager, PXP Vietnam Asset Management Limited, a company incorporated with limited liability under the laws of the British Virgin Islands.

Fees

The Fund pays to the Investment Manager a monthly management fee of one-twelfth of 1.5% of the net asset value of the Fund, which is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. When there is a mid-month dealing in a month, the management fee is calculated separately for each half month period. Total management fee to the Investment Manager for the year ended 31 December 2017 was US\$2,050,347 (31 December 2016: US\$1,861,086) and the outstanding fee payable at 31 December 2017 was US\$194,466 (31 December 2016: 156,359).

The Investment Manager is also entitled to receive an annual performance fee (15%) for increases in the net asset value per share subject to adjustments for the "high water mark" so that any losses from prior periods must be recouped before a performance fee is earned and a hurdle rate of 8% per annum which is applied to the higher of the opening net asset value or high water mark for each share at the start of each year. Total performance fee to the Investment Manager for the year ended 31 December 2017 was US\$7,775,197 (31 December 2016: US\$628,071) of which US\$173,017 was paid out during the year (2016: US\$13,559) and US\$7,602,180 was payable at 31 December 2017 (31 December 2016: US\$614,512).

Shares

Movements in combined beneficial interests in the Fund's participating shares held by the Investment Manager and the owners of the ultimate holding company of the Investment Manager, Mr Kevin Snowball and Ms Joelle Daumas-Snowball:

	2017	2016
	Number of shares	Number of shares
Opening balance	1,402,663	1,477,071
Participating shares acquired	6,025	2,000
Participating shares redeemed	(331,584)	(76,408)
Closing balance	1,077,104	1,402,663

10.2 Directors

Remuneration

The Board of Directors of the Fund determines the fees payable to each director, subject to a maximum aggregate amount per annum payable to the Board as a whole, as set out in the Prospectus of the Fund, which is currently US\$120,000.

The total directors' remuneration for the year ended 31 December 2017 was US\$105,000 (2016: US\$105,000) and the outstanding directors' fees payable as at 31 December 2017 was US\$105,000 (31 December 2016: US\$105,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. RELATED PARTIES TRANSACTIONS (CONTINUED)

10.2 Directors (continued)

Shares

A trust of which Philip Smiley's family members are the principal beneficiaries holds 44,232.03 participating shares in the Fund.

Simon Raybould holds 16,393.44 participating shares in the Fund.

At no time during the year did any Director have any other direct or indirect interest in the shares of the Fund.

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

11.1 Introduction

The Fund invests in equity securities for the long term so as to achieve its investment objective, as set out in the Directors' Report. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to investment limits and other controls. The Fund is exposed to market risk (which includes price risk, currency risk and interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

The maximum risk arising from financial instruments equals their fair value. The Fund does not engage in short selling.

11.2 Risk management structure

The Board has established an ongoing process for risk management, with the Fund's Investment Manager responsible to identify, evaluate and manage the principal risks affecting the Fund. The Investment Manager performs a risk assessment which is updated and reported to the Board at least on an annual basis. The Investment Manager provides a regular report to the Board on compliance matters and internal control.

11.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity securities prices, foreign exchange rates and interest rates.

(a) Price risk

Price risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

The Fund is exposed to market price risk on all of its investments. Currently most of the investments of the Fund are in equity securities of listed Vietnamese companies, resulting in a concentration of market price risk as the value of the financial assets of the Fund are particularly heavily dependent on the performance of the Vietnam stock exchanges.

The Vietnam stock markets may be impacted by global market factors and by geopolitical risks, including the possibility of maritime disputes with China.

The Fund attempts to limit its risks through a number of strategies. The Fund and its Investment Manager practise portfolio diversification, and have adopted a range of appropriate investment restrictions and policies, including the Fund may not invest more than 20% of the net asset value in any single investee company at the time of investment. The current intention is to invest no more than 40% of the Fund's assets at the time of investment in any one sector.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

11.3 Market risk (continued)

(a) Price risk (continued)

Analysis of financial assets at fair value through profit or loss by industrial sector:

	31 December 2017		31 December 2016	
	US\$'000	%	US\$'000	%
Consumer discretionary	6,470	3.8	8,361	6.6
Consumer staples	39,902	23.2	33,185	26.2
Energy	3,352	1.9	2,964	2.3
Financials	49,874	29.0	27,364	21.6
Healthcare	-	-	75	0.1
Industrials	21,346	12.4	21,060	16.6
Information technology	14,747	8.6	9,855	7.8
Materials	31,926	18.5	19,436	15.3
Real estate	3,817	2.2	3,944	3.1
Utilities	684	0.4	493	0.4
	172,118	100.0	126,737	100.0

As at 31 December 2017, the value of one holding in the equity of an issuer within the consumer staples sector is 23.8% of the net asset value of the Fund (31 December 2016: 26.0%), the value of one holding in the equity of an issuer within the materials sector is 16.6% of the net asset value of the Fund (31 December 2016: 11.1%) and the value of one holding in the equity of an issuer within the financials sector is 15.2% of the net asset value of the Fund (31 December 2016: 8.6%). There are no other holdings with value exceeding 10% of the net asset value of the Fund as at 31 December 2017.

Sensitivity analysis

The following table summarises the sensitivity of the Fund's net assets and average NAV per share to movements in the VNI, which is the capitalisation-weighted index comprising the listed shares of every company listed on the Ho Chi Minh City Stock Exchange, as at 31 December 2017. The analysis is based on the assumptions that the VNI increased and decreased by 20% with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the VNI. The historical beta of the Fund's equity portfolio with upward movements in the VNI is 0.75 (31 December 2016: 0.78) of the index gain and 0.40 (31 December 2016: 0.40) of downward movements in the index.

	31 December 2017		31 December 2016	
	Net assets/ Profit or loss	NAV per share	Net assets/ Profit or loss	NAV per share
	US\$'000	US\$	US\$'000	US\$
Effect of a 20% increase in the VNI	25,818	1.77	19,771	1.17
Effect of a 20% decrease in the VNI	(13,769)	(0.94)	(10,139)	(0.60)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

11.3 Market risk (continued)

(a) Price risk (continued)

Sensitivity analysis (continued)

The Investment Manager uses the VNI as a reference point. However, the Investment Manager does not manage the Fund's investment strategy to track the VNI or any other index or external benchmark. The sensitivity analysis presented is based upon the historical correlation of the Fund's investment portfolio to the VNI. The composition of the Fund's investment portfolio and the correlation to the VNI can be expected to change over time. The sensitivity analysis prepared as at 31 December 2017 is not necessarily indicative of the effect on the Fund's net assets and NAV per share of future movements in the VNI.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. To the extent that the Fund may hold assets and liabilities that are denominated in a currency other than the functional currency, the value of the Fund's assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates. The Investment Manager monitors the exposure on all foreign currency denominated assets and liabilities.

Sensitivity analysis

The following table indicates the foreign currencies to which the Fund had significant exposure at 31 December on its monetary financial assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Dong on an increase or decrease in net assets attributable to shareholders with all other variables held constant.

	Change in currency rate	Effect on net assets attributable to shareholders (relates to monetary financial assets and liabilities)	
		2017	2016
	%	US\$'000	US\$'000
US dollar	+3	(303)	(134)

The following table indicates the foreign currencies to which the Fund had significant exposure at 31 December on both its monetary and non-monetary financial assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Dong on an increase or decrease in net assets attributable to shareholders with all over variables held constant.

	Change in currency rate	Effect on net assets attributable to shareholders (relates to both monetary and non-monetary financial assets and liabilities)	
		2017	2016
	%	US\$'000	US\$'000
US dollar	+3	(186)	(81)
UK sterling	+3	52	115

An equivalent decrease in each of the above mentioned currencies against the Dong would have resulted in an equivalent but opposite impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

11.3 Market risk (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis (continued)

The following tables set out the Fund's exposure to foreign currency exchange rates on monetary financial assets and liabilities and total financial assets and liabilities at the reporting date.

Concentration of foreign currency exposure

	2017	2016
<p>% of total monetary financial assets</p>		
US dollar	77.9%	1.7%
	77.9%	1.7%
<p>% of total monetary financial liabilities</p>		
US dollar	100.0%	100.0%
	100.0%	100.0%
<p>% of total financial assets</p>		
US dollar	5.2%	1.4%
UK sterling	1.0%	3.0%
	6.2%	4.4%
<p>% of total financial liabilities</p>		
US dollar	100.0%	100.0%
	100.0%	100.0%

Conversion risk

The majority of the Fund's investments are denominated in Dong and pay dividends in Dong. Shareholders' investments in the Fund are made in US dollar, and the Fund converts such US dollar into Dong prior to making investments. The Fund may need to convert Dong to a foreign currency to make distributions, if any, to shareholders or to settle redemptions of participating shares, but the Dong currently is not a freely convertible currency. There have been occasions in the past when there was limited availability of hard currency in the Vietnam banking system, and this situation may recur. The most recent such period ended in the first half of 2011. It is possible that the Fund may have difficulty accomplishing the conversion of Dong into foreign currencies, or such conversion may only be possible at exchange rate levels at which the Fund will suffer considerable exchange losses. Any delay in conversion increases the Fund's exposure to devaluation of the Dong against other currencies. If conversion is not effected at all, some of the Fund's assets may be denominated in a non-convertible currency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

11.3 Market risk (continued)

(b) Foreign currency risk (continued)

Conversion risk (continued)

The Fund may seek to hedge against a decline in the value of the Fund's investments in US dollar terms resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Fund will be successful in protecting against currency depreciation. The Fund has no outstanding hedging instrument as at 31 December 2017 and as at 31 December 2016.

(c) Interest rate risk

Interest rate risk is the risk that the value of interest-bearing assets will fluctuate in value as a result of changes in interest rates.

The majority of the Fund's financial assets are non-interest bearing. As a result, the Fund does not have direct exposure to a significant amount of risk due to fluctuations in the prevailing level of market interest rates. The Fund may be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. The investment research team of the Investment Manager incorporates exposure to interest rate changes in its valuation models for investee companies when appropriate.

11.4 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. For transactions of listed securities in Vietnam, the risk of default is considered minimal as it is a pre-funding market. The availability of cash for a buy trade or securities for a sell trade is confirmed to the relevant broker by the custodian bank before trade execution. Securities are settled through the Vietnam Securities Depository and the cash settlement is outsourced to a Vietnamese State-owned bank.

The bank accounts of the Fund are held at the Hong Kong branch of a Singapore bank that has a Standard & Poor's rating of short-term A-1+, long-term AA- and outlook stable as at 31 December 2017 and in the Vietnam subsidiary of a United Kingdom bank which does not have a separate credit rating.

None of the financial assets held by the Fund as at 31 December 2017 and as at 31 December 2016 was either past due or impaired at the reporting date.

11.5 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Participating shares

The Fund is exposed to the possibility of regular cash redemptions of shares. Prior to April 2017, shares were redeemable on a monthly basis. From April 2017 the Fund has moved to twice-monthly redemptions. Substantial withdrawals by investors within a short period of time could require the Fund to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of the Fund's assets and/or disrupting the Fund's investment strategy.

In order to manage the Fund's overall liquidity, there is a notice period for redemptions. This notice period was reduced from 30 business days to 10 business days with effect from April 2017. Furthermore, if required, the maximum net redemption on each dealing day will be restricted to the average daily turnover at the Ho Chi Minh City Stock Exchange of the 10 business days preceding that dealing day.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

11.5 Liquidity risk (continued)

Participating shares (continued)

The Investment Manager will seek to satisfy redemption requests firstly by endeavoring to raise new subscriptions for the Fund.

The policy of the Fund is to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Investments in prelisting equity investments are restricted to no more than 10% of the Fund's assets at the time of investment.

Financial assets

For all purchases of listed securities in Vietnam, as it is a pre-funding market, the Fund will have sufficient cash available before trade execution to settle the liability.

When making investments in prelisting companies, the intention of the Fund is that liquidity will be provided by the subsequent listing of the shares of the prelisting company. However, the length of time before a prelisting company completes a listing of its shares usually cannot be forecasted accurately at the time of investment, and it is possible that in certain cases the prelisting company does not accomplish a listing and the Fund will be holding a relatively illiquid investment.

Financial liabilities

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than one month	One month to 12 months	Total
	US\$'000	US\$'000	US\$'000
As at 31 December 2017			
Performance fee payable	-	7,602	7,602
Management fee payable	194	-	194
Redemptions payable	7,527	-	7,527
Accrued fees and other payables	25	119	144
Contractual cash out flows	7,746	7,721	15,467
As at 31 December 2016			
Performance fee payable	-	615	615
Management fee payable	156	-	156
Redemptions payable	3,593	-	3,593
Accrued fees and other payables	16	119	135
Contractual cash out flows	3,765	734	4,499

If it was required, the Fund could sell listed equity securities to raise sufficient cash in less than 5 days to settle outstanding financial liabilities as presented above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

11.6 Capital risk management

The capital of the Fund is represented by the net assets attributable to shareholders. The amount of net assets attributable to holders of participating shares could change significantly on a monthly basis as the Fund is subject to subscriptions and redemptions at the discretion of shareholders.

The Fund is not subject to externally imposed capital requirements. As the Fund is registered under Section 4(3) of The Mutual Funds Law of the Cayman Islands, there is a minimum size of initial subscription that can be accepted from new shareholders, which is set out in the Prospectus as US\$250,000 with the Directors having discretion to accept a lesser amount providing it is not lower than US\$100,000. The Fund has no other legal restrictions on the issue or redemption of redeemable shares beyond those included in the Fund's Articles and Prospectus.

The Fund's objectives when managing capital are:

- To invest the capital in investments meeting the investment policies and within the investment restrictions as set out in the Prospectus;
- To achieve superior returns and generate value for shareholders of the Fund over the longer term; and
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Endeavour to raise new subscriptions for the Fund;
- Monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate within the redemption notice period; and
- Redeem and issue new shares in accordance with the Prospectus of the Fund, which includes the ability to restrict redemptions in specified circumstances.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to shareholders.

12. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant events occurring after the statement of financial position date which would require adjustments or disclosures to be made in the financial statements.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements as at and for the year ended 31 December 2017 were approved by the Board of Directors of the Fund on 14 May 2018.

FULL PORTFOLIO LISTING AS AT 31 DECEMBER 2017

	Valuation	% of NAV
	US\$'000	%
Viet Nam Dairy Products JSC (Vinamilk)	38,810	23.8
Hoa Phat Group JSC	27,067	16.6
Ho Chi Minh City Securities Corporation	24,772	15.2
FPT Corporation	14,747	9.0
Coteccons Construction JSC	9,999	6.1
Refrigeration Electrical Engineering Corporation (REE)	6,031	3.7
VNDirect Securities Corporation	5,298	3.2
Danang Rubber JSC	5,195	3.2
Military Commercial Joint Stock Bank	4,203	2.6
Vietnam Container Shipping JSC	4,017	2.5
PXP Vietnam Smaller Companies Fund Limited *	3,745	2.3
Asia Commercial Joint Stock Bank (ACB)	3,704	2.3
Petrovietnam Drilling and Well Services Corporation	3,352	2.0
Viet Capital Securities JSC	3,077	1.9
Nui Nho Stone JSC	2,430	1.5
Dong Phu Rubber JSC	2,084	1.3
Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank)	2,030	1.2
Thu Duc Housing Development Corporation	1,909	1.2
Vietnam Enterprise Investments Limited (VEIL)	1,726	1.1
Ho Chi Minh City Development Joint Stock Commercial Bank (HDB)	1,148	0.7
National Seed JSC	1,092	0.7
SSG Group JSC *	1,070	0.7
Nam Long Investment Corporation	837	0.5
Binh Thanh Import-Export Production and Trade JSC	819	0.5
Tien Phong Plastic JSC	800	0.5
Can Don Hydro Power JSC	684	0.4
Fecon Corporation	401	0.2
Hoa Binh Rubber JSC	345	0.2
Savimex Corporation	278	0.2
The Southern Rubber Industry JSC	178	0.1
Vietnam Holding Limited (VNH)	172	0.1
Petrovietnam General Services Corporation	98	0.1
Saigon Posts & Telecommunications Services JSC *	-	0.0
Total holdings	172,118	105.6
Cash and other net assets/(liabilities)	(9,086)	(5.6)
	163,032	100.0

* Unlisted holding

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The EU Alternative Investment Fund Managers Directive (No. 2011/61/EU) (the "AIFMD") imposes obligations on the managers ("AIFM") of alternative investment funds ("AIF") in the EU or managers who market shares in such funds to EU investors.

The Investment Manager notified the UK Financial Conduct Authority on 10 June 2014 that it would market the shares of the Fund under the UK National Private Placement Regime.

Transparency requirements

In accordance with the transparency requirements specified by the AIFMD, an annual report of an AIF that is marketed in the EU is required to include:

- (a) *a statement of financial position or a statement of assets and liabilities;*
- (b) *an income and expenditure account for the financial year;*
- (c) *a report on the activities of the financial year;*
- (d) *any material changes in the information listed in Article 23 (Disclosure to investors) during the financial year covered by the report; and*
- (e) *specified disclosures of remuneration paid by the AIFM to its staff.*

The Annual Report and Financial Statements of the Fund for the year ended 31 December 2017 includes the statement of financial position, income and expenditure account and report on the activities of the financial year as required by the AIFMD.

There are no material changes in the information disclosed to shareholders in the updated Prospectus issued in March 2017 up to the end of the financial year.

The remuneration disclosures are as follows:

	2017	2016
	US\$	US\$
Total remuneration paid to the staff of the Investment Manager		
Fixed	1,073,234	1,494,169
Variable	140,089	88,323
Total	1,213,323	1,582,492

The amount of remuneration set out above relates to 25 members of senior management and staff (2016: 23). This is the total remuneration of senior management and staff, as there is no allocation of costs performed between the Fund and other portfolios managed by the Investment Manager.

The Investment Manager has a policy to allocate a proportion of profit of the Investment Manager for each financial year to a bonus pool. The directors of the Investment Manager decide on the allocation of the bonus pool to each department and, in consultation with the head of each department, the allocation of the bonus to individual staff members based on an assessment of their performance and contribution to the company during the financial year.

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

Periodic disclosures

AIFMs are required for each AIF that is marketed in the EU to periodically disclose to investors:

- (a) the percentage of the AIF's assets which are subject to special arrangements arising from their illiquid nature;*
- (b) any new arrangements for managing the liquidity of the AIF; and*
- (c) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks.*

No assets of the Fund were subject to special arrangements arising from their illiquid nature and there were no new arrangements for managing the liquidity of the Fund employed during the financial year ended 31 December 2017 and up to the date of approval of this Annual Report.

The risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks are described in Note 11 to the financial statements on pages 35 to 41.

AIFMs marketing AIFs in the EU that employ leverage are required, for each AIF, to disclose:

- (a) any changes to the maximum level of leverage which the AIFM may employ on behalf of the AIF as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement; and*
- (b) the total amount of leverage employed by the AIF.*

The Fund has not employed leverage during the financial year ended 31 December 2017 and up to the date of approval of this Annual Report.

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