Annual report
and audited financial statements
for the period from 20 November 2015
to 31 December 2016

PXP VIETNAM SMALLER COMPANIES FUND LIMITED

(formerly known as PXP Vietnam Value Fund Limited)

Contents

GENERAL INFORMATION

Registered Office	**Harneys Services (Cayman) Limited** 4th Floor, Harbour Place, 103 South Church Street PO Box 10240, Grand Cayman, KY1-1002 Cayman Islands
Board of Directors	Mr Christopher Vale (Chairman) Mr John Gavin
Investment Manager	**PXP Vietnam Asset Management Limited** Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands www.pxpam.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) Ltd.** 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 Company on Cayman Islands Law	**Harney Westwood & Riegels** Two Exchange Square, 8 Connaught Place, Central Hong Kong
Legal Adviser to the Company on Vietnamese Law	**Freshfields Bruckhaus Deringer LLP** 11th Floor, Saigon Tower, 29 Le Duan Boulevard, District 1 Ho Chi Minh City, Vietnam
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 Smaller Companies Fund Limited ("the Company") is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of smaller Vietnamese companies.

LAUNCH OF PXP VIETNAM SMALLER COMPANIES FUND LIMITED

The Company was registered with the Cayman Islands Monetary Authority as a mutual fund on 20 November 2015 and was launched on 8 December 2015.

FINANCIAL SUMMARY

Financial position	31 December 2016
Total Net Assets	US$6,260,683
Participating shares of US$0.05 in issue	2,216,256
Net Asset Value ("NAV") per share (average)	US$2.825

Results for the period	From 20 November 2015 to 31 December 2016
Net profit for the period	US$139,179
Expense ratio[1]	3.71%

VIETNAM MARKET DATA

	31 December 2016	8 December 2015
Vietnamese dong ("VND")/US dollar ("US$") exchange rate	22,770	22,470
Viet Nam Index	664.87	574.15
Viet Nam Index adjusted US$ rate	411.48	360.08

RELATIVE PERFORMANCE

Performance for the periods to 31 December 2016	NAV per share[2]	Viet Nam Index[3]
One year	13.4	13.4
Since launch date	12.8	14.3

1 The expense ratio is calculated as total expenses, excluding brokerage commissions, performance fee, foreign exchange gain/(loss) and preliminary expenses on the launch of PXP Vietnam Smaller Companies Fund Limited, as a percentage of the average month-end net assets for the period and is presented on an annualised basis.

2 The performance shown is based on the Dealing NAV of the Lead Series of the Company, which differs from the NAV calculated under IFRS as explained in the Directors' Report, page 5.

3 Viet Nam Index performance is the total percentage movement in the Viet Nam Index (presented in US dollar terms) for the stated period up to 31 December 2016.

DIRECTORS' REPORT

The Board of Directors of PXP Vietnam Smaller Companies Fund Limited (the "Company") presents its report and the Company's financial statements as at 31 December 2016 and for the period from 20 November 2015 to 31 December 2016.

THE COMPANY

The Company was incorporated in the Cayman Islands on 27 March 2008 under the Companies Law as an exempted company with limited liability. Its Certificate of Incorporation number is CD-207503.

The name of the Company was changed to PXP Vietnam Smaller Companies Fund Limited on 11 June 2015.

The Company was established as a closed-end investment company. The Company was converted to an open-ended mutual fund effective from 20 November 2015. It is registered under Section 4(3) of the Mutual Funds Law (2015 Revision), with registration number 1266252. The Company had not traded since incorporation up to the initial issue of shares on 8 December 2015.

From 1 January 2016, the registered office of the Company 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.

THE BOARD OF DIRECTORS

The members of the Board of Directors during the period and at the date of this report were:

Name	*Position*	*Date of appointment*
Mr Christopher Vale	Chairman	9 November 2015
Mr John Gavin	Director	9 November 2015

Christopher Vale is an independent non-executive director.

John Gavin is the Chief Financial Officer of PXP Vietnam Asset Management Limited ("the Investment Manager") and has been appointed as a Director to create operational efficiencies in the initial phase of the Company's operation. He receives no remuneration from the Company in order to minimise costs during the post-launch period. The Board has made a commitment that when the Net Asset Value of the Company reaches US$10 million, John Gavin will resign from the Board and be replaced by one or more independent directors.

DIRECTORS' INTERESTS

There are no service contracts in existence between the Company and any of its directors.

At no time during the period and to the date of this report did any director have a direct interest in the shares of the Company, and the Company has not been a party to any arrangement to enable the directors of the Company to acquire any direct interest in the shares of the Company.

DIRECTORS REGISTRATION AND LICENSING LAW

The Directors are registered as directors pursuant to Section 4 of the Directors Registration and Licensing Law, 2014 of the Cayman Islands (the "Licensing Law").

DIRECTORS' REPORT

DIRECTORS REGISTRATION AND LICENSING LAW (CONTINUED)

As a registered director, each director is subject to the supervision of the Cayman Islands Monetary Authority (the "Authority") and the Authority may at any time examine the affairs or business of any director for the purpose of a general review of directorship services in the Cayman Islands or for the purpose of satisfying itself that the Licensing Law and any regulation made under the Licensing Law are being complied with.

OBJECTIVE AND STRATEGY

The primary investment objective of the Company is to seek long-term appreciation of its assets by investing in a portfolio of smaller Vietnamese companies.

The Investment Manager, PXP Vietnam Asset Management Limited, applies a fundamental, research-driven, bottom-up approach which aims to achieve superior returns and generate value for shareholders of the Company over the longer term.

INVESTMENT POLICIES

The Company will invest in the equity securities of listed companies which either have a capitalisation or net asset value in excess of US$20 million and not more than US$250 million at the time of investment.

The Company will also invest 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 but not be more than US$250 million when it is listed.

The Company intends to invest across a range of industries. It is the Company's current intention to invest no more than 40% of its latest available Net Asset Value at the time of investment in any one sector.

The Company'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 Company.

The Company is not permitted to borrow money, to grant security over its assets or to give any guarantees.

The Company may hold up to 30% of its assets in cash at any time should the Investment Manager consider that market conditions warrant such a move.

Investment restrictions

The Company will observe the following restrictions:

(a) the Company restricts its investment in prelisting companies to no more than 10% of its latest available Net Asset Value at the time of investment;

(b) the Company will not invest more than 20% of its assets at the time of investment in the shares of a single issuer;

(c) no more than 20% of the assets of the Company may be exposed to the creditworthiness or solvency of a single counterparty, in each case calculated at the time of investment;

(d) the value of the Company's holding of units or shares in other collective investment schemes may not in aggregate exceed 10% of its total Net Asset Value;

(e) the Company 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 Company will not directly invest in real property; and

(g) the Company 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.

LAUNCH OF PXP VIETNAM SMALLER COMPANIES FUND

The Company was launched on 8 December 2015.

PERFORMANCE AND POSITION

The initial issue price for shares of the Company at launch on 8 December 2015 was US$2.50 per share.

Over the period from launch to 31 December 2016, the NAV per share for the Lead Series of the Company (Dealing NAV) increased to US$2.820, a gain of 12.8% compared to an increase in the Viet Nam Index ("VNI") in US dollar terms of 14.3% 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.

In accordance with the Prospectus of the Company, preliminary expenses will be amortised on a straight-line basis over a period of two years from the initial issue of shares for the purposes of determining the Dealing NAV. As at 31 December 2016 there is an unamortised balance of preliminary expenses of US$19,010 which comprised legal, professional and regulatory fees in connection with the preparation of the Company's Prospectus and the launch of the Company. Under IFRS, such preliminary expenses are charged to the income statement when incurred, resulting in a difference of US$19,010 in the net assets at 31 December 2016 in these financial statements in comparison to the net asset valuation used for the purposes of the Dealing NAV.

Investments held as at 31 December 2016 were valued at US$6,155,503. Changes to investments are shown in Note 4 to the financial statements on page 23.

Net assets attributable to participating shareholders at 31 December 2016 amounted to US$6,260,683 (after preliminary expenses adjustment). The Company had no borrowings as at 31 December 2016.

ECONOMY AND STOCK MARKET

Vietnam GDP growth was 6.2% for 2016, compared to 6.7% for the previous year, but was a resilient performance considering the regional trade slowdown and the impact of adverse weather conditions on agricultural output. Strong manufacturing growth continues to be driven by industries with foreign direct investment and there was a 10.2% increase in domestic retail sales. After a trade deficit in 2015, an 8.6% increase in exports in 2016 delivered a trade surplus of US$2.6 billion for the year. The Vietnamese dong was relatively stable for most of 2016, before weakness in the last two months resulted in a 1.3% depreciation for the year. Consumer price inflation, which was low for the previous two years, increased to 4.7% year-on-year to December 2016, below the Government's target of 5%.

DIRECTORS' REPORT

ECONOMY AND STOCK MARKET (CONTINUED)

The Vietnam stock markets were adversely impacted by global market factors in January 2016 - low oil prices and the slowdown in China - and domestic political uncertainty around the leadership succession, with the VNI falling from 579.03 points on 31 December 2015 to 521.88 points on 21 January. The market recovered robustly from this low, maintaining an upward trend to reach 675.12 points by 13 July, before concerns on slow global growth and oil prices again came to the fore, and the index fell to 627.39 points on 5 August. Following the removal of its foreign ownership limit in July, Vinamilk contributed strongly to the market rally which brought the index to 674.63 points on 31 August. After reaching an eight-year traded high for the VNI of 692.17 points on 29 September, the market was hindered by the failure of other blue chip stocks to relax their foreign ownership limits, largely due to contradictory legislation and uncertainty around sector-specific restrictions, and the index ended the year on 664.87 points.

AUDITORS

The auditors of the Company 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 Company and of its results, cash flows and changes in equity for the period 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 Company will continue in business.

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

The Board of Directors confirms that the Company 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 Company as at 31 December 2016 and of its results of operations, changes in equity, and cash flows for the period from 20 November 2015 to 31 December 2016 in accordance with International Financial Reporting Standards.

For and on behalf of the Board of Directors:

Christopher Vale
Chairman
11 May 2017

INVESTMENT MANAGER'S REPORT

PXP Vietnam Asset Management

The Company is managed by PXP Vietnam Asset Management Limited, a British Virgin Islands company incorporated in October 2002. The co-portfolio managers for the Company are Nguyen Ngoc Dao Chi and Lawrence Brader, under the supervision of the Chief Investment Officer, Kevin Snowball.

REVIEW OF THE PERIOD

From the inception of the Company on 8 December 2015 to 31 December 2016 the Company's Net Asset Value ("NAV") per share for the Lead Series increased by 12.8% net of all fees, from US$2.500 to US$2.820. This compares with an increase in the Viet Nam Index ("VNI") of 14.3% in US dollar terms over the same period. The Vietnamese dong depreciated by 1.3% against the US dollar over the period since inception.

The table below presents NAV performance as compared to that of the VNI in US dollar terms for the periods to 31 December 2016.

	NAV per share [4]	Viet Nam Index [5]
	%	%
2016	13.4	13.4
Since launch date	12.8	14.3

Following a turbulent start to the year, where external pressure from Chinese growth concerns and renewed oil price weakness combined with wholly-unexpected domestic political uncertainty, 2016 recovered to finish in a positive fashion with the Viet Nam Index gaining 13.39% in US dollar terms to the end of December 2016. The NAV of the Lead Series Shares of the Company posted a gain of 13.44% over the same period.

The new Vietnamese Politburo which was installed in January 2016 has since proven itself to be competent and more reform-minded than the outgoing administration, and maintains a supportive environment for Vietnam stock market investors. The first significant popularity test came soon after the political transition - in April 2016 - as stories broke of tonnes of fish washing up dead on the shores of central Vietnam in the vicinity of a US$11 billion Formosa-invested steel plant. Subsequent investigations and the general public blamed Formosa who in June agreed to pay US$500 million in compensation. Vietnam is now more sensitive to potential environmental degradation and will no longer rubber-stamp proposals which degrade Vietnam's natural environment, which should be positive in the long-run for those companies adhering to best-practices.

Developments in the stock market have been significant through 2016, and build on confidence for the outlook for long-term increases in institutional and fundamental (as opposed to retail) participation. In July the State Securities Commission, the Vietnam market regulator, gave its approval for the removal of foreign ownership limits in Vinamilk, Vietnam's largest listed company. This was a positive signal for the market and for Vinamilk's share price, and at the time of writing Vinamilk is more than 50% owned by foreign corporations or individuals with no ill effect to its business operations.

4 The performance shown is based on the Dealing NAV of the Lead Series of the Company, which differs from the NAV calculated under IFRS as explained in the Directors' Report, page 5.

5 Viet Nam Index performance is the total percentage movement in the Viet Nam Index (presented in US dollar terms) for the stated period up to 31 December 2016.

INVESTMENT MANAGER'S REPORT

REVIEW OF THE PERIOD (CONTINUED)

The process of complying with Decree 60 to remove foreign ownership restrictions in non-sensitive sectors stalled shortly thereafter however, with changes in just under 20 of the nearly 700 companies listed on the two exchanges by the end of April 2017. Concern arose about the impact of foreigners owning more than 51% of the shares of a stock which may then be treated as a foreign company despite being incorporated under the laws of Vietnam, and with foreign companies subject to a different tax regime and being unable to bid for government contracts, amongst other limitations, this has held the rest of the pack back. As we continue through the 2017 Annual General Meeting season (mostly April and May) we have begun to see a resumption of companies asking shareholder approval for proposed relaxation in foreign limits. This is positive for the development of the market and crucial for the oft-stated Government aim of achieving transition to MSCI Emerging Market status in the shortest possible time-frame.

Further evidence of a reform-minded Government moving to increase depth and breadth of the market has come from listings of a number of large state-owned enterprises. This process has also been driven by a Government budget deficit which has arisen from falling crude oil prices and production volumes through 2016. State brewer Hanoi Brewery (Habeco), Vietnam Airlines and Airports Corporation of Vietnam, for example, had all registered for trading on Vietnam's Unlisted Public Companies Market (UPCOM), seen as a stepping stone to the main markets. Habeco subsequently moved to a full listing on the Ho Chi Minh City Stock Exchange (HOSE) whilst Saigon Brewery (Sabeco) when straight to the main market. There was some excitement in the market as these listings came to pass, which when combined with their small free floats meant that share price moves were dramatic; Sabeco (which, like Habeco conducted its IPO as long ago as early 2008) achieved its listing on HOSE on 6 December 2016 and was up 52% by the year-end. All of these companies were outside of the investable universe for PXP VSCF; which meant that there was limited excitement and even possibly some selling by domestic investors in portfolio holdings to fund buying in the new larger companies, which contributed to NAV underperformance through the second half of the year.

As we proceed through 2017 the Viet Nam Index has continued to post new multi-year highs, towards levels not seen since the VNI declined by 68.8% in USD in 2008. This is the result of a number of core elements which remain in place for further strong index performance through the rest of this year, namely; a supportive macroeconomic environment, political stability, a reform-minded government, reasonable earnings growth and increased market visibility and a surge in (particularly foreign) interest.

ECONOMY

The economy remained strong in 2016 but with diminished levels of growth when compared to 2015. Overall GDP growth of 6.2% year-on-year was slower than the 6.7% target, and slower than the 2015 rate of 6.7%. The rate of GDP growth accelerated through the year; 5.5% year-on-year in the first quarter, then 5.8%, 6.6% and back to 6.7% year-on-year by the fourth quarter. This temporary (but not relative on a regional basis) weakness came as the country experienced both flooding and a drought during the year, meaning lower agricultural and hydroelectric output, blamed on atmospheric conditions related to the El Niño phenomenon. There were also lower levels of activity in the oil & gas sector, with declines in both pricing and output year-on-year. Vietnam's Consumer Price Inflation remains under control, rising to 4.7% year-on-year in December.

The manufacturing sector continues its run of rude health; driven by FDI disbursements which rose 9.0% year-on-year to US$15.8 billion in 2016 to continue adding to the manufacturing capacity which is largely responsible for the US$2.6 billion trade surplus in 2016. This surplus should have been larger still had Samsung not needed to recall its Note 7 products on risk of explosion; the impact of which has dragged on into Q1 2017 export and production data in Vietnam, but the surplus was enough to support strength in the VND / USD exchange rate even amid US Federal Reserve rate hikes. Credit growth was 18.7% year-on-year in 2016 on a refinancing rate and discount rate which were maintained at 6.5% and 4.5% respectively. With Nikkei PMI numbers above 50 throughout 2016, and rising to a 22-month high in March 2017, the manufacturing sector outlook remains extremely positive. This in turn will drive infrastructure development, domestic consumption and further growth in the burgeoning middle classes in Vietnam.

INVESTMENT MANAGER'S REPORT

OUTLOOK AND STRATEGY

We retain our conviction that there are compelling growth and value opportunities in the under-researched smaller companies' space. Valuations for selected equities remain attractive due to a combination of limited sell-side research, limited foreign participation and a lack of fundamental consideration by domestic investors. This did not change in any meaningful sense in 2016; the number of listed companies increased (more so if you count the UPCOM as "listed") for a combined market capitalisation approaching US$80 billion.

As the development of the Vietnamese stock markets and the economy proceeds we may begin to see levels of participation by institutional investors rising as a consequence of improved access for foreign participants, as well as ever increasing focus on standards of corporate governance and information disclosure. We would also hope to see an increasing number of smaller private corporates listing on the stock exchanges, in addition to the transition of larger State Owned Enterprises from UPCOM to the main markets, all of which will act to increase the scale and breadth of Vietnam's capital markets. We aim to build and maintain a high conviction portfolio of the best of these companies, from within the universe of smaller companies with a market capitalisation of US$20 million up to US$250 million, and have already witnessed an increase in the number of companies available to us since inception of the Company.

The Government of Vietnam and the State Securities Commission are working towards the goal of re-classification of Vietnam as an emerging market by MSCI. As a result, we expect ongoing moves to increase access, liquidity and ease of participation, especially for foreign institutions. Retail will begin to give way to institutional; both domestic (pension funds, insurance books) and offshore. This will act to increase the proportion of fundamental research-driven investment and as market efficiency increases we hope to see flows into companies already held in the Company's portfolio as they appear on a greater number of investors' radars. Diversification of the investor base to dilute the impact of the domestic retail investor is important to support the next leg higher. The total removal of foreign ownership limits and other changes such that there is "equitable treatment of foreign and domestic investors" will be required to go from the MSCI promotion watch-list to actual implementation.

We remain positive over the short, medium and long-term for the outlook for the Vietnamese stock markets. We will continue with our long-term strategy to build and maintain a high conviction portfolio providing Shareholders with access to the highest quality smaller companies listed in Vietnam and we thank you for your support.

On behalf of the Investment Manager

Lawrence Brader & Nguyen Ngoc Dao Chi
Ho Chi Minh City
11 May 2017

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Independent Auditors' Report

The Board of Directors
PXP Vietnam Smaller Companies Fund Limited
(formerly known as PXP Vietnam Value Fund Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PXP Vietnam Smaller Companies Fund Limited (the "Company") which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 20 November 2015 to 31 December 2016, 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 Company as at 31 December 2016 and its financial performance and its cash flows for the period from 20 November 2015 to 31 December 2016 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 Company 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 in the Company's 2016 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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 Company 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 Company'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 Company'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 Company 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.

11 May 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

	Note	2016
		US$
Income		
Net gains on financial assets at fair value through profit or loss	4	159,923
Interest income		26
Dividend income		169,502
Foreign exchange gain - net		530
		329,981
Operating expenses		
Management fee	12.1	(52,725)
Performance fee	12.1	(15,581)
Custodian, administration and secretarial fees		(45,728)
Transaction costs		(9,648)
Directors' fee	12.2	(5,329)
Preliminary expenses		(36,342)
Other operating expenses		(25,449)
		(190,802)
Net profit for the period		**139,179**
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
Currency translation differences		(107,469)
Total comprehensive profit for the period		**31,710**

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016
		US$
Assets		
Financial assets at fair value through profit or loss	4	6,155,503
Receivables and prepayments		14,925
Cash and cash equivalents	8	473,464
Total assets		**6,643,892**
Liabilities		
Accrued fees and other payables	9	34,681
Payables to brokers		63,958
Subscription in advance		284,570
Total liabilities		**383,209**
Net assets	11	**6,260,683**
Equity		
Share capital	10	110,813
Share premium	10	6,118,160
Cumulative translation reserve		(107,469)
Retained earnings		139,179
Total equity		**6,260,683**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

	Share capital	Share premium	Cumulative translation reserve	Retained earnings	Total equity
	US$	US$	US$	US$	US$
As at 20 November 2015	-	-	-	-	-
Issue of participating shares	110,813	6,118,160	-	-	6,228,973
Net profit for the period	-	-	-	139,179	139,179
Currency translation differences	-	-	(107,469)	-	(107,469)
As at 31 December 2016	**110,813**	**6,118,160**	**(107,469)**	**139,179**	**6,260,683**

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

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

	2016
	US$
Cash flows from operating activities	
Purchases of financial assets at fair value	(6,204,172)
Proceeds from sales of financial assets at fair value	164,795
Dividends received	162,216
Interest received	26
Expenses paid	(163,044)
Net cash used in operating activities	**(6,040,179)**
Cash flows from financing activities	
Proceeds from participating shares issued	6,513,543
Proceeds from management shares issued	100
Net cash generated from financing activities	**6,513,643**
Net increase in cash and cash equivalents	**473,464**
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at the end of the period	**473,464**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

1. CORPORATE INFORMATION

PXP Vietnam Smaller Companies Fund Limited (the "Company") was incorporated in the Cayman Islands on 27 March 2008 under the Companies Law as an exempted company with limited liability with the name PXP Vietnam Value Fund Limited. Its Certificate of Incorporation number is CD-207503.

The name of the Company was changed to PXP Vietnam Smaller Companies Fund Limited on 11 June 2015.

The Company was established as a closed-end investment company. The Company was converted to an open-ended mutual fund effective from 20 November 2015. It is registered under Section 4(3) of the Mutual Fund Law (2015 Revision), with registration number 1266252.

The Company had not traded since incorporation up to the initial issue of shares on 8 December 2015.

From 1 January 2016, the registered office of the Company 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 for the period from 20 November 2015 to 31 December 2016 are the first annual financial statements to be prepared for the Company.

The financial statements of the Company 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 financial statements are presented in US dollars (US$).

The Company 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 Company'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.

2.2 Standards issued but not yet effective and not early adopted by the Company

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 Company.

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 Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

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 Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The functional currency of the Company is the Vietnamese dong (the "Dong"), which reflects the Company's primary activity of investing in equity securities of listed or prelisting Vietnamese companies. The majority of the Company's investments will be originally made in Dong denominated securities and will be realised in Dong.

The Company 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 Company are made in US dollar and any redemptions will be paid to the shareholders in US dollar.

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

(i) assets and liabilities 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 Company 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 Company's investment strategy, as set out in the Company's Prospectus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Classification (continued)

(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 Company does not classify any derivatives as hedges in a hedging relationship.

(b) Recognition/de-recognition

The Company 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 Company 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 Company has transferred its rights to receive cash flows from the asset and either: (i) the Company has transferred substantially all the risks and rewards of the asset; or (ii) the Company 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 revenue.

(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 will be determined by using valuation techniques. The Company will use a variety of methods and will make 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 Company 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 will be determined using valuation techniques, usually an option pricing model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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 Company 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.

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 Share capital

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Company's net assets in the event of the Company's liquidation;
- The redeemable shares are in the class of instruments that is subordinate to all other classes of instruments;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Share capital (continued)

- All redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features;

- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Company's net assets; and

- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Company over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Company must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Company; and

- The effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

Upon the issuance of shares, the consideration received is included in equity. Transaction costs incurred by the Company in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Own equity instruments that are reacquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Company's policy is not to keep shares in treasury, but rather to cancel them once repurchased.

No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

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.

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 Company'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 Company's right to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Taxation

The Company 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 Company.

The Company 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 Company 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 Company from equity investments in Vietnam are not subject to withholding taxes. Dividends received by the Company 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 Company 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 Company'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.

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 Company's ability to continue as a going concern and is satisfied that the Company 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 Company's ability to continue as a going concern. Therefore, the financial statements are 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 Company's primary activity is to invest in equity securities of listed or prelisting Vietnamese companies. The Company's investments will be originally made in Dong denominated securities and will be liquidated and realised in Dong. Expenses of the Company are mainly denominated in US dollar, with the largest expenses being based on the net asset value of the Company which is substantially determined by the value of the investments held. The funds from financing activities of the Company 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2016
	US$
Financial assets designated at fair value through profit or loss upon initial recognition	
- Listed equity securities	6,155,503
Total financial assets at fair value through profit or loss	**6,155,503**

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

	From 20 November 2015 to 31 December 2016
	US$
Realised losses on sales of financial assets at fair value	(31,404)
Unrealised gains on financial assets at fair value	191,327
Net gains recognised in profit or loss	**159,923**

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

	From 20 November 2015 to 31 December 2016
	US$
Opening balance	-
Purchases	6,268,130
Sales proceeds	(164,795)
Net gains recognised in profit or loss	159,923
Difference arising on translation to presentation currency	(107,755)
Closing balance	**6,155,503**

As at 31 December 2016, all of the financial assets at fair value through profit or loss are equity securities of companies incorporated in SR Vietnam and all of the equity securities are denominated in Vietnamese dong.

The year-end exchange rate was:

	31 December 2016
Vietnamese dong/US dollar	22,770

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

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

As at 31 December 2016, all of the financial assets at fair value through profit or loss held by the Company are categorised in Level 1, being equity securities listed on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange. The fair value of listed equity securities is based on their closing prices on the relevant exchange as at the reporting date.

There were no holdings in Level 2 or Level 3 financial assets in the period from 20 November 2015 to 31 December 2016, and there were no reclassifications of financial assets and no transfers between levels.

All fair value measurements are recurring fair value measurements.

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	**Assets at fair value through profit or loss**	**Total**
	US$	**US$**	**US$**
Assets as per statement of financial position			
At 31 December 2016			
Financial assets at fair value through profit or loss	-	6,155,503	6,155,503
Receivables	7,286	-	7,286
Cash and cash equivalents	473,464	-	473,464
Total	**480,750**	**6,155,503**	**6,636,253**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

7. OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2016
	US$
Dividends receivable	7,286
Prepayments	7,639
	14,925

8. CASH AND CASH EQUIVALENTS

	31 December 2016
	US$
Current account in VND	181,986
Current account in US$	291,478
	473,464

9. ACCRUED FEES AND OTHER PAYABLES

	31 December 2016
	US$
Performance fee payable (Note 12.1)	15,581
Administration and custodian fees payable	3,575
Directors' fees payable (Note 12.2)	5,329
Legal and professional fees accruals	10,000
Other payables	196
	34,681

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

10. SHARE CAPITAL

The Company's authorised share capital at 31 December 2016 is US$1,000,000 which is divided into 19,998,000 participating, non-voting shares of a par value of US$0.05 each and 100 management shares of a par value of US$1 each.

Participating shares

The participating shares are redeemable on the terms set out in the Prospectus, which include the ability of the Company to limit redemptions in specified circumstances. The participating shares do not carry a right to vote, except in relation to a modification of rights attached to the participating shares. The participating shares 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.

Participating shares may be issued on the first business day of every month and may be redeemed on the first business day of every month after giving notice of at least three months.

All issued participating shares are fully paid.

To ensure the equitable allocation of performance fee (if applicable) between participating shares, the Company 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.

The number of shares issued and outstanding in the period was as follows:

	Number of issued shares	Share capital	Share premium
		US$	US$
As at 20 November 2015	-	-	-
Participating shares issued for cash	2,216,256	110,813	6,118,160
As at 31 December 2016	**2,216,256**	**110,813**	**6,118,160**

There were no redemptions of participating shares in the period to 31 December 2016.

Management shares

The 100 management shares were issued to the Investment Manager, PXP Vietnam Asset Management Limited, at par value and were paid in full during the period to 31 December 2016.

The management shares carry a right to vote, except in relation to a modification of rights attached 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 before the balance of any surplus assets is shared by the participating shareholders.

The management shares are classified as a liability in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

11. NET ASSET VALUE PER SHARE

	2016
Net assets per Dealing NAV (US$)	6,279,693
Preliminary expenses deferred for Dealing NAV purposes (US$)	(19,010)
Net assets per the financial statements (US$)	**6,260,683**
Number of shares in issue	2,216,256
Net asset value per share (average) per the financial statements (US$ per share)	**2.825**

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.

In accordance with the Prospectus of the Company, preliminary expenses will be amortised on a straight-line basis over a period of two years from the initial issue of shares for the purposes of determining the Dealing NAV. As at 31 December 2016 there is an unamortised balance of preliminary expenses of US$19,010 which comprised legal, professional and regulatory fees in connection with the preparation of the Company's Prospectus and the launch of the Company. Under IFRS, such preliminary expenses are charged to the statement of comprehensive income when incurred, resulting in a difference of US$19,010 in the net assets at 31 December 2016 in these financial statements in comparison to the net asset valuation used for the purposes of the Dealing NAV.

Net asset value per share (Dealing NAV) for each series in issue at the reporting date:

	31 December 2016
	US$
Series 1 (Lead Series)	2.820
Series 2*	2.818
Series 3	2.841
Series 4	2.841
Series 5	2.840
Series 6	2.840
Series 7	2.840
Series 8*	2.837

* Subsequent to the period-end, these series on which a performance fee was payable in respect to the year ended 31 December 2016 were consolidated into the Lead Series.

12. RELATED PARTIES TRANSACTIONS

12.1 Investment Manager

The Company 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 Company pays to the Investment Manager a monthly management fee of one-twelfth of 1.5% of the net asset value of the Company, which is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. Total management fee to the Investment Manager for the period from 20 November 2015 to 31 December 2016 was US$52,725 and there was no outstanding fee payable at 31 December 2016.

The Investment Manager is also entitled to receive an annual performance fee 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 payable to the Investment Manager for the period from 20 November 2015 to 31 December 2016 was US$15,581 and outstanding performance fee payable as at 31 December 2016 was US$15,581.

Shares

On the initial launch of the Company on 8 December 2015, the Investment Manager invested US$999,975 to subscribe for 399,990 participating shares of the Company. As at 31 December 2016 this holding of 399,990 shares represents 18.05% of the issued participating shares of the Company.

The Investment Manager holds all of the 100 management shares of the Company. Share capital of US$100 was paid in full during the period to 31 December 2016.

12.2 Directors

Remuneration

The fee payable to the Directors is determined from time to time by an Ordinary Resolution of the shareholders entitled to vote, and is currently a maximum of US$40,000 per annum, subject to an individual limit of US$5,000 per annum per Director until such time as the Company's net asset value exceeds US$10 million.

The total directors' remuneration for the period from 20 November 2015 to 31 December 2016 amounted to US$5,329 and the outstanding directors' fees payable as at 31 December 2016 was US$5,329.

Shares

At no time during the period did any Director hold shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

13.1 Introduction

The Company 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 Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to investment limits and other controls. The Company 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 Company does not engage in short selling.

13.2 Risk management structure

The Board performed an initial risk assessment in connection with the launch of the Company. The Board has established an ongoing process, with the Company's Investment Manager responsible to identify, evaluate and manage the principal risks affecting the Company. The Investment Manager will perform a risk assessment which will be 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.

13.3 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 Company is exposed to market price risk on all of its investments. Currently all of the investments of the Company 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 Company are particularly heavily dependent on the performance of the Vietnam stock markets.

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

The Company attempts to limit its risks through a number of strategies. The Company and its Investment Manager practise portfolio diversification, and have adopted a range of appropriate investment restrictions and policies, including the Company 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 Company's assets at the time of investment in any one sector.

As at 31 December 2016, the investment portfolio of the Company held 21 different stocks.

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

13.3 Market risk (continued)

(a) Price risk (continued)

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

	31 December 2016	
	US$	%
Consumer discretionary	774,296	12.6
Consumer staples	599,711	9.7
Energy	372,700	6.1
Financials	948,961	15.4
Industrials	2,202,719	35.8
Materials	703,720	11.4
Property	319,126	5.2
Utilities	234,270	3.8
	6,155,503	**100.0**

As the Company has been investing for only one year, it is currently not practical to prepare an analysis of the sensitivity of the Company's portfolio to movements in the Viet Nam Index based on historical correlation.

(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 Company may invest in securities and other investments that are denominated in a currency other than the functional currency, the value of the Company's assets 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.

The following table indicates the foreign currencies to which the Company 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 equity with all other variables held constant.

	Change in currency rate	Effect on equity (relates to monetary financial assets and liabilities)
		2016
	%	US$
US dollar	+5	12,850

An equivalent decrease in US dollar against the Dong would have resulted in an equivalent but opposite impact.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

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

13.3 Market risk (continued)

(b) Foreign currency risk (continued)

The Company had no non-monetary financial assets or liabilities denominated in foreign currencies as at 31 December 2016.

The following tables set out the Company'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

	2016
% of total monetary financial assets	
US dollar	60.6%
% of total monetary financial liabilities	
US dollar	35.0%

	2016
% of total financial assets	
US dollar	4.4%
% of total financial liabilities	
US dollar	83.3%

Conversion risk

All of the Company's equity investments are denominated in Dong and pay dividends in Dong. Shareholders' investments in the Company are made in US dollar, and the Company converts such US dollar into Dong prior to making investments. The Company will 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 Company 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 Company will suffer considerable exchange losses. Any delay in conversion increases the Company's exposure to devaluation of the Dong against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

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

13.3 Market risk (continued)

(b) Foreign currency risk (continued)

Conversion risk (continued)

The Company may seek to hedge against a decline in the value of the Company'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 Company will be successful in protecting against currency depreciation. The Company has no outstanding hedging instrument 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 Company's financial assets are non-interest bearing. As a result, the Company does not have direct exposure to a significant amount of risk due to fluctuations in the prevailing level of market interest rates. The Company may be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Company invests. The investment research team of the Investment Manager incorporates exposure to interest rate changes in its valuation models for investee companies when appropriate.

13.4 Credit risk

The Company 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 Company are held at a bank in Hong Kong that has a Standard & Poor's rating of short-term A-1+, long-term AA- and outlook stable as at 31 December 2016 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 Company as at 31 December 2016 is either past due or impaired at the reporting date.

13.5 Liquidity risk

Liquidity risk is the risk that the Company 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 Company is exposed to monthly cash redemptions of shares. Substantial withdrawals by investors within a short period of time could require the Company to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of the Company's assets and/or disrupting the Company's investment strategy.

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

13.5 Liquidity risk (continued)

Participating shares (continued)

In order to manage the Company's overall liquidity, there is a notice period of three months for monthly redemptions. Furthermore, if required, the maximum net redemption on each dealing day will be restricted to the average daily turnover at the Hanoi Stock Exchange of the 10 business days preceding that dealing day.

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

The policy of the Company 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 Company'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 Company will have sufficient cash available before trade execution to settle the liability.

When making investments in prelisting companies, the intention of the Company 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 Company will be holding a relatively illiquid investment.

Financial liabilities

The Company is not permitted to borrow money or to grant security over its assets.

The table below analyses the Company'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
	US$	US$
At 31 December 2016		
Performance fee payable	-	15,581
Payables to brokers	63,958	-
Accrued operating expenses	3,671	15,329
Contractual cash out flows	**67,629**	**30,910**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 20 NOVEMBER 2015 TO 31 DECEMBER 2016

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

13.6 Capital risk management

The capital of the Company is represented by the redeemable participating shares. The capital of the Company could change significantly on a monthly basis as the Company is subject to monthly subscriptions and redemptions at the discretion of shareholders. As the Company has been in operation for just over one year and there have been no redemptions to date, currently it is not possible to forecast the expected cash outflow on redemptions.

The Company is not subject to externally imposed capital requirements. As the Company is registered under Section 4(3) of The Mutual Funds Law (2015 Revision) 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$100,000. The Company has no other legal restrictions on the issue or redemption of redeemable shares beyond those included in the Company's Articles and Prospectus.

The Company'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 Company over the longer term;
- To maintain sufficient liquidity to meet the expenses of the Company, and to meet redemption requests as they arise; and
- To reach sufficient size to make the operation of the Company cost-effective. In order to maintain or adjust the capital structure, the Company's policy is to perform the following:
- Endeavour to raise new subscriptions for the Company;
- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within three months; and
- Redeem and issue new shares in accordance with the Prospectus of the Company, 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 of the Company.

14. 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.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements as at and for the period ended 31 December 2016 were approved by the Board of Directors of the Company on 11 May 2017.

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 17 November 2015 that it would market the shares of the Company 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 Company for the period from 20 November 2015 to 31 December 2016 includes the statement of financial position, income and expenditure account and report on the activities of the period as required by the AIFMD.

There are no material changes in the information disclosed to shareholders in the updated Prospectus issued in December 2015 up to the end of the financial year.

The remuneration disclosures are as follows:

	2016
	US$
Total remuneration paid to the staff of the Investment Manager	
Fixed	1,494,169
Variable	88,323
Total	**1,582,492**

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

The Investment Manager has a policy to allocate a fixed percentage 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 Company were subject to special arrangements arising from their illiquid nature and there were no new arrangements for managing the liquidity of the Company employed during the period ended 31 December 2016 and up to the date of approval of this Annual Report.

The risk profile of the Company and the risk management systems employed by the Investment Manager to manage those risks are described in Note 13 to the financial statements on pages 29 to 34.

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 Company has not employed leverage during the period ended 31 December 2016 and up to the date of approval of this Annual Report.