

PXP VIETNAM EMERGING EQUITY FUND LIMITED



Interim report (unaudited)
for the six months ended 30 June 2017



Contents

General information	1
Objective and highlights	2
Directors' report	3 - 4
Investment Manager's review	5 - 8
Ten largest investments	9
Interim statement of comprehensive income	10
Interim statement of financial position	11
Interim statement of changes in net assets attributable to participating shareholders	12
Interim statement of cash flows	13
Notes to the condensed interim financial information	14 - 23

This condensed interim financial information for the six months ended 30 June 2017 does not include all the notes of the type normally included in an annual financial statement. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2016 and any public announcements made by PXP Vietnam Emerging Equity Fund Limited during the interim reporting period.

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	Hugo Fund Services SA 6 Cours de Rive, CH-1204 Geneva 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	30 June 2017	31 December 2016	% change
Total Net Assets	US\$145,486,000	US\$124,196,000	17.1%
Participating shares of US\$0.05 in issue	15,628,919	16,958,354	-7.8%
Net Asset Value (“NAV”) per share (average)	US\$9.309	US\$7.324	27.1%
NAV per share (Lead Series)	US\$9.223	US\$7.290	26.5%

Results for the six month period ended	30 June 2017	30 June 2016
Net profit for the period	US\$31,273,000	US\$8,913,000
Expense ratio ¹	1.71%	1.80%

VIETNAM MARKET DATA

	30 June 2017	31 December 2016	% change
Vietnamese dong (“VND”)/US dollar (“US\$”) exchange rate	22,720	22,770	-0.2%
Viet Nam Index	776.47	664.87	16.8%
Viet Nam Index adjusted US\$ rate	481.60	411.48	17.0%

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

DIRECTORS' REPORT

OBJECTIVE, STRATEGY AND ACTIVITY

The primary investment objective, strategy and activity of PXP Vietnam Emerging Equity Fund Limited and its investment policies and restrictions have remained unchanged throughout the interim period to 30 June 2017.

PERFORMANCE AND POSITION

Over the six month period ended 30 June 2017, the Net Asset Value per share for the lead series of the Fund increased from US\$7.290 to US\$9.223, a gain of 26.5% compared to an increase in the Viet Nam Index ("VNI") in US dollar terms of 17.0% over the same period.

The table on page 5 presents the historic performance of the Fund since its launch in comparison to the VNI.

Investments held as at 30 June 2017 were valued at US\$148,932,000 (31 December 2016: US\$126,737,000). Changes to investments are shown in Note 4 of this interim report.

Net assets attributable to participating shareholders at 30 June 2017 amounted to US\$145,486,000 (31 December 2016: US\$124,196,000). The Fund had no borrowings as at 30 June 2017 or 31 December 2016.

ECONOMY AND STOCK MARKET

Vietnam GDP growth of 5.7% for the first six months of 2017 continued to be driven by industries with foreign direct investment and expansion in the domestic retail sector. This rate was higher than the 5.5% growth for the equivalent period in 2016, although below the Government target with a large impact from the decline in oil export revenue. Total exports of goods for the first six months of 2017 at US\$97.8 billion was up 18.9% over the same period in 2016, and the trade deficit of US\$2.7 billion was largely attributable to the import of machinery and equipment, electronics and other components for production. The Vietnamese dong ("the Dong") has been stable year-to-date, appreciating by 0.2% against the US dollar as at 30 June. Price inflation, which had increased to 4.7% for the full year 2016, was subdued in the first six months of 2017 with the CPI in June 2017 increased by only 0.2% compared to December 2016.

The Vietnam stock markets made impressive gains over the six month period, with the VNI increasing from 664.87 points on 31 December 2016 to reach a nine-year high close of 776.47 points on 30 June 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.

PRINCIPAL RISKS

The Fund's assets consist mainly of listed securities and the principal risks are market related such as price volatility and foreign exchange risk. The Fund is exposed to market price risk on all of its investments. 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 markets. Other risks faced by the Fund are described in the Prospectus of the Fund dated January 2010 and most recently updated in March 2017 and more details on the market risks are included in the Financial Risks note in the Annual Report for the year ended 31 December 2016, both of which documents may be found in the section relating to the Fund on the website of PXP Vietnam Asset Management Limited: www.pxpvietnam.com.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of related party transactions during the period can be found in Note 8 to the accompanying condensed interim financial information.

STATEMENT OF THE BOARD OF DIRECTORS IN RESPECT TO THE INTERIM REPORT

The Directors confirm that the condensed interim financial information has been properly prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

For and on behalf of the Board of Directors:

Philip Smiley
Chairman
31 August 2017

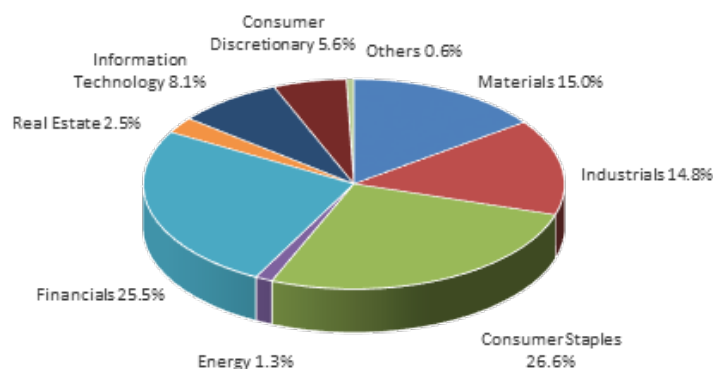
INVESTMENT MANAGER'S REVIEW

REVIEW OF THE INTERIM PERIOD

During the period under review the Fund's Net Asset Value ("NAV") per Share for the Lead Series increased by 26.5%, from US\$7.290 to US\$9.223. This compares with an increase in the Viet Nam Index ("VNI") of 17.0% in US dollar terms over the same period. The Vietnamese dong ("the Dong") appreciated by 0.2% over the period under review. The table below presents NAV performance as compared to that of the VNI in US dollar terms for the stated periods to 30 June 2017:

	NAV per share ²	Viet Nam Index ³
	%	%
6 months	26.5	17.0
1 year	28.5	20.6
2 years	45.6	25.2
3 years	48.3	26.1
4 years	91.6	49.9
5 years	121.3	69.0
6 years	146.5	62.1
7 years	71.1	28.5
8 years	102.9	35.7
9 years	114.0	44.1
10 years	-24.0	-46.2
11 years	39.5	6.0

An analysis of the portfolio at an industry sector level as at 30 June 2017 is shown in the chart below.



We are pleased to report that the Fund's performance in the period under review was its best first half of a Financial Year since 2009 during the post-Lehman crisis rebound. Only 2006 and 2007 have so far also delivered better first half returns. Whether we go on to make exceptional returns as in 2006 and 2009 or give some back as we did in 2007 will depend, in our opinion, on how Vietnam deals with the macro and market challenges ahead, and we are somewhat hesitant in unreservedly stating the bull case going forward, particularly with regards to the former.

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 30 June 2017.

INVESTMENT MANAGER'S REVIEW

MACRECONOMIC OVERVIEW

On the face of it, with a continuing stable currency, moderate inflation, strong GDP growth, booming FDI disbursements, strong export growth and a small trade deficit, the Vietnamese economy continues to forge ahead as we have been describing in a fairly formulaic way in our semi-annuals for the past several years. We would now, however, like to introduce a note of caution in response to the seeming obsession with meeting 2017 GDP growth targets at the highest levels of government.

On an almost weekly basis we are hearing that the Prime Minister is encouraging banks to increase credit growth targets above 20% to drive growth to the magical 6.7% target, with nary a word on risk management or learning from past mistakes in lending practices or any other potential pratfalls. What could possibly go wrong? Those of us who have been here for a while remember that monetary policy for at least 15 years prior to 2011 focused solely on "growth above everything", and that worked very well in terms of a broad inclusion of the populace in lifestyle improvement until the constant running of the currency printing presses to achieve that goal - in the guise of, you guessed it, excessive credit growth - drove the economy off the rails as the boom/bust cycles went round in ever-decreasing circles and led to a near complete collapse of the banking system a year or so later from which we are possibly, hopefully, close to recovering. The recent development allowing the Vietnam Asset Management Company - the body charged with steering the banks out of the Badlands - to seize and sell the collateral backing bad debts is a welcome if overdue development, and the first such asset seized and put up for sale - a Ho Chi Minh City skyscraper which should have been a landmark building six years or so ago but which is both eyesore and embarrassment in its half completed state - is a very well-considered place to start.

Admittedly, in 2010 credit growth was closer to 35% than 20, so the alarm bells aren't yet at deafening volume, but the rhetoric sounds a little too similar for our hyper inflationary-phobic tastes and we want to raise the flag early. We are advised that this year's laser focus on meeting the growth target is a one-off and that unless or until the State Bank gets round to sending a letter to the banks informing them that they must lend more money the targets aren't official, so if it turns out we're making a fuss about nothing we will happily stand corrected as we watch the economy continuing its recent excellent progress. Will anyone outside government really feel that Vietnam has failed if GDP growth is "only" 6.3 or 6.5% this year?

Before this turns into two-thirds of a Marc Faber newsletter, we would point out that in the event that this is an isolated government over-concentration on GDP growth targets, we go back to the bit where Vietnam has a continuing stable currency, moderate inflation, strong GDP growth, booming FDI disbursements, strong export growth and a small trade deficit, and that is an enviable macroeconomic environment to inhabit, and a good base on which to build further index gains.

As a final caveat, the absence of TPP - which we were never convinced would happen due to the relatively short preparation time before last year's US elections, and the likelihood that the incoming President (whoever it was, and we certainly never guessed) would be less committed to its ultimate passage - has been inconsequential, and trade agreements with various Asian countries and groupings as well as the European Union are held up as reasonable substitutes. It should be noted, however, that the latter treaty is not yet in force and a recent disagreement with Germany may jeopardise its final ratification if that issue is not resolved satisfactorily from an international treaty obligation perspective. That is an area in which we will certainly retain a watching brief.

MARKET MATTERS

Our outperformance versus the index in the period under review we put down to our reluctance to be diverted by market noise from our core philosophy of high-conviction investment in those companies which, in our view, represent the highest quality listed companies available in Vietnam from a long-term perspective. The first half of 2017 saw strong net inflows from foreign investors on an almost daily basis, with a focus on size and liquidity under a qualitative overlay (for which we thank recent distinct improvements in the quality of sell-side research, at least in the top-30 or so of Vietnam's almost one thousand listed or semi-listed stocks). That approach to new foreign investment has tended to exclude the two stocks (ROS and SAB) which were jointly and entirely responsible for our underperformance versus the VNI in 2016 whilst simultaneously including several of the highest conviction stocks in the Fund's portfolio.

INVESTMENT MANAGER’S REVIEW

MARKET MATTERS (CONTINUED)

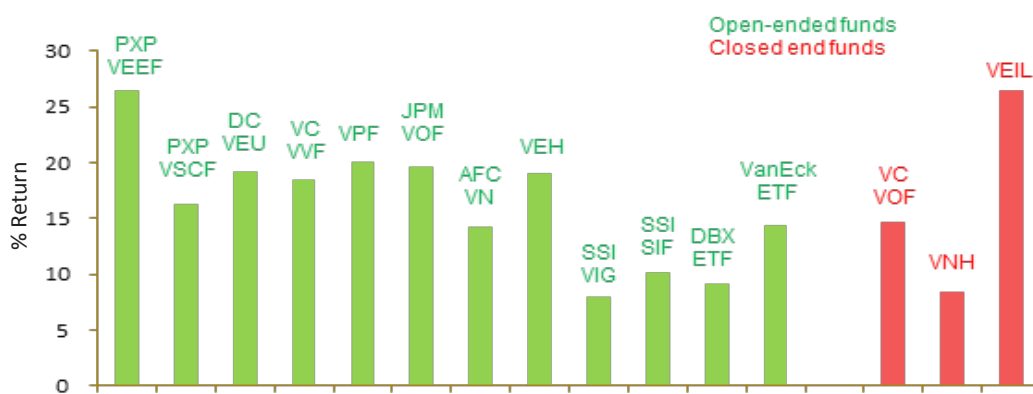
Whilst it would be easy to be distracted given changes in market dynamics, including by the prospect of making short-term gains in new issues seemingly guaranteed of success by the presence of an over-funded (given the relative size of said new issues) IPO-hungry platform, we feel unable to justify such an approach as it would involve punting stocks which we do not feel comfortable owning from a qualitative standpoint. Further than that, we actually believe that the reportedly increasingly aggressive stance of said platform in attempting to put pressure on various domestic investment banks to over-allocate to it may ultimately paradoxically be the cause of the breakdown of the new issues market in spite of having done so much to ensure its success.

If one were, for example, a large foreign institution attracted to the recent heat of the Vietnam market and in particular by the theoretical size and liquidity of the new issues coming to the market it would be a severe test of one’s patience after only a small number of frustrating experiences whereby allocations are zero because the lion’s (and the lioness’s and the tiger’s) share has gone to a single buyer. One could, of course, buy in the after-market or upon listing at a premium, but is one’s objective really to provide liquidity and profits for flippers? In the recent case of VP Bank we hear that so much of the issue was placed to a small number of foreign investors that the 30% foreign ownership limit was easily reached by the time it was listed and the only way to access the stock as a foreigner (not that we tried either at the IPO or subsequently; see above) has been at a premium effectively dictated by those who were able to allegedly strong-arm the broker into giving them a generous allocation. At the same time, the relative paucity of allocations to domestic players combined with a lack of on-market foreign participation has created very little interest in an issue rumoured (see paragraph below) to have been over four times subscribed, and has consequently seen it trade below the (again, rumoured) issue price since the second day of trading, and never above it other than via block trades in the two weeks since listing. That is not something often observed in nature and might be considered to call into question how successful an issue it actually was.

We must admit that beyond quality concerns we are also a little disappointed by the lack of transparency from the broker(s?) to these deals, which in their defence may merely reflect a lack of experience given the relatively recent renaissance of the Vietnamese IPO market. For example, when we were at school Chinese walls were supposed to exist primarily to prevent the leak of price sensitive information around investment banking activity, particularly ahead of new issues and mergers and acquisitions. We have therefore been surprised by the lack of official announcements of even the most basic details (number of shares sold and at what price, for example) even after completion of deals, and by the reluctance to enquire as to the results behind the walls on behalf of client-facing broking staff. Citing VP Bank once again; the Prospectus wasn’t even published until two months after the deal closed. Flying blind just because something is hot doesn’t even come close to our investment philosophy.

Hopefully competition for deals and experience in running them might eventually persuade participants that one broker running all the deals and one institution or platform buying them does not a particularly open, interesting or efficient market make, but only time will tell. In the meantime, the table below illustrates first half performance across the peer group and hopefully further justifies our approach to stock selection if the ramblings above are insufficiently clear.

Peer Group NAV Performance YTD to 30 June 2017



Key: see page 24

INVESTMENT MANAGER'S REVIEW

MARKET MATTERS (CONTINUED)

Speaking of open markets, we were obviously disappointed that Vietnam was not included on the MSCI Emerging Markets Index watch list in the last month of the period under review, having perhaps allowed ourselves to get somewhat carried away by the mild euphoria of strong market performance and a temporary (as it seems to have turned out) resumption of the selective removal of foreign ownership limits.

A cynic might, with the benefit of hindsight, ponder whether the timing of that limit loosening activity might have been designed to attract the attention of MSCI with a view to a last minute positive review or equally, from the opposite viewpoint suggest that there is no mileage to be gained by MSCI moving everything around this year and leaving nothing to be done to generate interest in the future. We would never subscribe to either theory, of course.

Whatever the actual reasons for exclusion it is fairly clear that Vietnam has not made enough real progress to warrant re-designation as an emerging market, and whilst MSCI itself received some criticism for not recognising Vietnam's efforts when raising the status of Pakistan and Saudi Arabia we hope that note of what remains to be done has been taken in the Vietnamese corridors of market reforming power in order for a successful case to be made in 2018. It would be a good start to have the mantra "equitable treatment of foreign and domestic investors" translated properly into Vietnamese; opening a derivatives market trading index futures and effectively excluding foreigners from participation probably doesn't qualify, however, whereas allowing them (us) to buy a basket of stocks without foreign ownership restrictions would be a step in the equitable direction.

OUTLOOK AND STRATEGY

The market should continue to increase in size for the rest of the Fund's Financial Year and beyond through new listings including of at least a couple more private commercial banks, and we await further improvements through the promised secondary sales of large cap state-owned enterprises to further improve access and choice in order to accommodate new and larger investors. Of course, the likelihood of successful issuance will be improved if market conditions are accommodative and the government's requirement to fund the continued development of infrastructure to further encourage FDI inflows is likely to play no little part in that.

Although we may seem a little less gung-ho than in the past we do feel that our concerns are relatively easily overcome in regard to monetary policy by clear signs that we are not returning to over-emphasis on economic growth at the expense of macro stability. Likewise a sensible resolution of diplomatic matters in Europe would provide a boost in sentiment.

We are firm subscribers to the tenet that "the weight of money argument always wins" particularly as we see the initiation of coverage of the market from as disparate locations as Cairo and New York, and we are hopeful that pragmatism will ultimately continue to play a major part in the opening and development of the market, so that the relative quiet since the end of the period under review will turn out to have been a time of consolidation and reflection ahead of a resumption of upward movement. North Korea, China and the increasingly divided states of America permitting, naturally.

On behalf of the Investment Manager

Kevin Snowball
31 August 2017

TEN LARGEST INVESTMENTS

As at 30 June 2017

Company and Activities		Valuation	% of NAV
		US\$'000	%
VNM	Viet Nam Dairy Products JSC⁴ (Vinamilk) Production and distribution of dairy products	38,481	26.4
HCM	Ho Chi Minh City Securities Corporation Securities brokerage, research and investment banking	18,069	12.4
HPG	Hoa Phat Group JSC Integrated steel producer	16,560	11.4
FPT	FPT Corporation Information and communications technology: mobile telephone distribution, systems integration, software outsourcing and development, provision of internet services and education	12,094	8.3
CTD	Coteccons Construction JSC Construction	9,319	6.4
DRC	Danang Rubber JSC Bias and radial tyre production	6,807	4.7
REE	Refrigeration Electrical Engineering Corporation Mechanical and engineering services, manufacture and distribution of air conditioning, office leasing, real estate and investments in utilities and energy production	5,685	3.9
VSC	Vietnam Container Shipping JSC Port management and logistics	5,365	3.7
VND	Vndirect Securities Corporation Securities brokerage, research and investment banking	4,860	3.3
MBB	Military Commercial Bank Commercial banking	3,513	2.4
		120,753	82.9

⁴ "JSC" is an abbreviation for "Joint Stock Company"

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	2017	2016
		US\$'000	US\$'000
		(Unaudited)	(Unaudited)
Income			
Net gains on financial assets at fair value through profit or loss	4	33,964	8,602
Dividend income		2,519	2,388
Other income		14	1
		36,497	10,991
Operating expenses			
Management fee	8.1	(964)	(867)
Performance fee	8.1	(4,073)	(973)
Custodian, administration and secretarial fees		(88)	(88)
Transaction costs		(23)	(30)
Directors' fee	8.2	(52)	(52)
Foreign exchange gain/(loss) - net		14	(22)
Other operating expenses		(38)	(46)
		(5,224)	(2,078)
Net profit for the period		31,273	8,913
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation differences		263	1,040
Total comprehensive profit for the period		31,536	9,953

The notes on pages 14 to 23 are an integral part of this condensed interim financial information

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017	31 December 2016
		US\$'000 (Unaudited)	US\$'000 (Audited)
Assets			
Financial assets at fair value through profit or loss	4	148,932	126,737
Other receivables and prepayments		510	221
Receivables from brokers		-	355
Cash and cash equivalents		732	1,382
Total assets		150,174	128,695
Liabilities			
Performance fee payable and accrued	8.1	3,964	615
Accrued fees and other payables		91	291
Redemptions payable		-	3,593
Subscriptions received in advance		633	-
Total liabilities (excluding net assets attributable to participating shareholders)		4,688	4,499
Net assets attributable to participating shareholders	6	145,486	124,196

The notes on pages 14 to 23 are an integral part of this condensed interim financial information

INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

For the six months ended 30 June 2017

	Numbers of shares outstanding	Net assets attributable to participating shareholders
		US\$'000
As at 1 January 2017	16,958,354	124,196
Proceeds from participating shares issued	548,849	4,200
Redemptions of participating shares	(1,870,674)	(14,446)
Participating shares decreased on series consolidation	(7,610)	-
Net profit for the period	-	31,273
Currency translation differences	-	263
As at 30 June 2017 (Unaudited)	15,628,919	145,486
As at 1 January 2016	19,716,955	129,179
Proceeds from participating shares issued	91,086	587
Redemptions of participating shares	(3,254,094)	(20,334)
Net profit for the period	-	8,913
Currency translation differences	-	1,040
As at 30 June 2016 (Unaudited)	16,553,947	119,385

The notes on pages 14 to 23 are an integral part of this condensed interim financial information

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	2017	2016
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Purchases of financial assets at fair value	(1,354)	(2,458)
Proceeds from sales of financial assets at fair value	13,749	19,187
Dividends received	2,247	2,195
Other income received	6	-
Performance fee paid	(724)	(73)
Expenses paid	(1,368)	(1,159)
Net cash generated from operating activities	12,556	17,692
Cash flows from financing activities		
Proceeds from participating shares issued	4,833	6,187
Redemptions of participating shares	(18,039)	(20,469)
Net cash used in financing activities	(13,206)	(14,282)
Net (decrease)/increase in cash and cash equivalents	(650)	3,410
Cash and cash equivalents at beginning of the period	1,382	2,628
Cash and cash equivalents at end of the period	732	6,038

The notes on pages 14 to 23 are an integral part of this condensed interim financial information

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

PXP Vietnam Emerging Equity Fund Limited (“the Fund”) was incorporated in the Cayman Islands on 25 July 2005 under the provisions of the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is 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 (2009 Revision), with registration number 17399.

The principal activity of the Fund is investment holding with an objective 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.

This condensed interim financial information was approved for issue on 31 August 2017.

This condensed interim financial information has neither been audited nor reviewed by the auditors.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed interim financial information for the six months ended 30 June 2017 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The condensed interim financial information is presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand (‘000) unless otherwise indicated.

2.2 Accounting policies

The accounting policies applied in this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

There are no new or amended IFRS or IFRIC interpretations that are mandatory for the first time for the financial year beginning 1 January 2017 that have an impact on the condensed interim financial information of the Fund.

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund’s interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Fund’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017	31 December 2016
	US\$'000	US\$'000
Financial assets designated at fair value through profit or loss upon initial recognition		
- Listed equity securities	141,767	120,433
- Unlisted equity securities	1,395	703
- Listed investment fund shares	2,545	3,834
- Unlisted investment fund shares	2,063	1,767
	147,770	126,737
Financial assets held for trading		
- Derivatives	1,162	-
Total financial assets at fair value through profit or loss	148,932	126,737

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

	For the six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Opening balance	126,737	126,540
Purchases	1,354	2,531
Sales proceeds	(13,394)	(19,187)
Net gains recognised in profit or loss	33,964	8,602
Difference arising on translation to presentation currency	271	1,011
Closing balance	148,932	119,497

As at 30 June 2017, the Fund holds an interest of 25.9% (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\$2,063,000 (31 December 2016: US\$1,767,000).

Other than this holding, the Fund does not hold any interests of more than 20% in the equity of the issuers.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

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

	30 June 2017	31 December 2016
	US\$'000	US\$'000
Vietnamese dong	144,324	121,136
UK sterling	2,396	3,834
US dollar	2,212	1,767
	148,932	126,737

Exchange rates at the reporting dates were:

	30 June 2017	31 December 2016
Vietnamese dong/US dollar	22,720	22,770
UK sterling/US dollar	0.77	0.81

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

	For the six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Realised gains on sales of financial assets at fair value	2,309	519
Unrealised gains on financial assets at fair value	31,655	8,083
Net gains recognised in profit or loss	33,964	8,602

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

5. FAIR VALUE ESTIMATION (CONTINUED)

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
As at 30 June 2017				
Financial assets designated at fair value through profit or loss upon initial recognition:				
- Equity securities	141,767	634	761	143,162
- Investment fund shares	2,545	2,063	-	4,608
Financial assets held for trading:				
- Derivatives	-	1,162	-	1,162
Total financial assets measured at fair value	144,312	3,859	761	148,932
As at 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 interim periods to 30 June 2017 and 30 June 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, which are all designated as financial assets at fair value through profit or loss.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 2

The Level 2 equity amount as at 30 June 2017 consists 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 July 2017. 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 July 2017 is valued based on its listing reference price. The Level 2 equity amount as at 31 December 2016 was a holding in the redeemable shares of PXP Vietnam Smaller Companies Fund Limited.

The Level 2 derivative amount as at 30 June 2017 represents rights to acquire shares in one issuer that is listed on the Ho Chi Minh City Stock Exchange. The rights are not listed and have been valued using an option pricing model. There were no holdings in Level 2 financial assets as at 31 December 2016.

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.

The Level 3 equity amount at 30 June 2017 and at 31 December 2016 consists of three unlisted equity securities.

The methods used for the valuations of the three unlisted equity holdings are:

- property development company: net asset valuation with a market discount;
- pharmaceutical company: earnings multiple valuation with the application of a marketability discount; and
- telecommunications company: written-down to US\$1.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

Fair value of unlisted equity securities

The valuation of the holding of shares in a property development company as at 30 June 2017 was US\$640,000 (31 December 2016: US\$628,000).

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

	30 June 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	11.4%	12.1%
Market discount	50%	50%

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

Input	Sensitivity used *	Effect on fair value	
		30 June 2017	31 December 2016
		US\$'000	US\$'000
Market price of land bank	10% increase	7	7
	10% decrease	(7)	(7)
Discount rate	2% increase	(51)	(46)
	2% decrease	68	60
Market discount	10% increase	(128)	(126)
	10% decrease	128	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 holding of shares in a pharmaceutical company is valued at US\$121,000 as at 30 June 2017 (31 December 2016: US\$75,000) and reasonable possible changes to the unobservable inputs in the valuation for this holding would not change fair value significantly.

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 interim period to 30 June 2017.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 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.

	For the six months ended 30 June	
	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"	57	98
Total gains recognised in other comprehensive income, included in "Currency translation differences"	1	5
Closing balance	761	742
Change in unrealised gains or losses for Level 3 assets held at the period-end and included in "Net gains on financial assets at fair value through profit or loss"	57	98

6. SHARE CAPITAL

The Fund's authorised share capital at 30 June 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.

The 100 management shares were issued to the Investment Manager, PXP Vietnam Asset Management Limited, and are fully-paid.

Movements in participating shares during the period are shown in the statement of changes in net assets attributable to participating shareholders.

7. NET ASSET VALUE PER SHARE

	30 June 2017	31 December 2016
Net assets attributable to participating shareholders (US\$)	145,486,000	124,196,000
Number of shares in issue	15,628,919	16,958,354
Net asset value per share (US\$ per share) (average)	9.309	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 CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

7. NET ASSET VALUE PER SHARE (CONTINUED)

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

	30 June 2017	31 December 2016
	US\$	US\$
Series 1 (Lead Series)	9.223	7.290
Series 1A	9.927	7.609
Series 1B	9.927	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	9.275	7.332
Series 29	9.324	7.332
Series 30	9.405	7.331
Series 31	9.400	7.332
Series 32	9.348	7.333
Series 33	9.248	-
Series 34	9.264	-

* At the beginning of 2017, these series on which a performance fee was payable in respect to the year ended 31 December 2016 were consolidated into the Lead Series.

8. RELATED PARTY TRANSACTIONS

8.1 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

8. RELATED PARTY TRANSACTIONS (CONTINUED)

8.1 Investment Manager (continued)

Fees

There has been no change to the basis of calculation of management fee in the six month period to 30 June 2017. Management fee for the six month period to 30 June 2017 amounted to US\$963,908 (six month period to 30 June 2016: US\$866,790) and there was no outstanding fee payable at 30 June 2017 (31 December 2016: US\$156,359).

There has been no change to the basis of calculation of performance fee in the six month period to 30 June 2017. Performance fee paid out during the six month period to 30 June 2017 was US\$723,577, being US\$614,512 in respect to performance in 2016 and US\$109,065 in respect to performance on shares that were redeemed during the period to 30 June 2017 (six month period to 30 June 2016: US\$72,821).

For the interim financial information, performance fee accrued is calculated as 15% of the excess of the net asset value per share at the reporting date above the hurdle for that share which is pro-rated to the reporting date at 8% per annum. Performance fee is only paid if the full year performance exceeds the 8% per annum hurdle, or if shares are redeemed during a year, in which case any accrued performance fee on such shares will be payable to the Investment Manager at the time of the share redemption. Performance fee accrued as at 30 June 2017 is US\$3,960,215 in respect to performance for the six month period to 30 June 2017 and performance fee payable at 30 June 2017 is US\$3,314 in respect to performance on shares that were redeemed in June 2017.

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:

	For the six months ended 30 June	
	2017	2016
	Number of shares	Number of shares
Opening balance	1,402,663	1,477,071
Participating shares redeemed	-	(76,408)
Closing balance	1,402,663	1,400,663

8.2 Directors

Remuneration

There has been no change to the basis of calculation of Directors' remuneration or to the amounts payable per annum in the six month period to 30 June 2017.

Directors' remuneration accrued for the six month period to 30 June 2017 amounted to US\$52,500 (six month period to 30 June 2016: US\$52,500).

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 period did any Director have any other direct or indirect interest in the shares of the Fund.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

9. FINANCIAL RISKS

9.1 Financial risk factors

The Fund invests in equity securities for the long term so as to achieve its investment objective, as set out in Note 1. In pursuing this objective, the Fund is exposed to a variety of risks that could result in a reduction in the Fund's net assets. These risks include market price risk, interest rate risk, credit risk, liquidity risk, currency risk and conversion risk.

The interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's financial statements as at 31 December 2016.

There have been no changes in the risk management policies employed by the Fund since 31 December 2016.

9.2 Liquidity risk

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
<i>As at 30 June 2017</i>			
Performance fee payable	3	-	3
Accrued fees and other payables	15	76	91
Contractual cash out flows	18	76	94
<i>As at 31 December 2016</i>			
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

In March 2017, the Board of Directors approved a move from monthly to twice-monthly liquidity and a reduction in the notice period for redemptions from 30 business days to 10 business days with effect from April 2017.

10. SEASONALITY

Due to the nature of its business, the Fund is not subject to any seasonal fluctuations that have a material impact on the results of the Fund within a financial year.

Key to the graph on page 7

PXP VEEF	PXP Vietnam Emerging Equity Fund Limited
PXP VSCF	PXP Vietnam Smaller Companies Fund Limited
DC VEU	DC Developing Markets Strategies plc - Vietnam Equity (UCITS) Fund
VC VVF	Forum One - VCG Partners Vietnam Fund
VPF	Vietnam Phoenix Fund Limited
JPM VOF	JPMorgan Vietnam Opportunities Fund
AFC VN	AFC Vietnam Fund
VEH	Vietnam Equity Holding
SSI VIG	SSIAM UCITS - Vietnam Value Income and Growth Fund
SSI SIF	Andbanc Investments SIF - Vietnam Value And Income Portfolio (SSI)
DB ETF	db x-trackers FTSE Vietnam UCITS ETF
VanEck ETF	VanEck Vectors Vietnam ETF
VC VOF	VinaCapital Vietnam Opportunities Fund Limited
VNH	Vietnam Holding Limited
VEIL	Vietnam Enterprise Investments Limited

www.pxvietnam.com

