

Newsletter

A Cayman-domiciled mutual fund with twice-monthly liquidity. The primary investment objective of the Fund is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies.



Manager's Commentary

We apologise for the very late dispatch of this month's missive, but since the market has, in essence, been treading water in anticipation of the MSCI Emerging Market Index review we felt that you might be prepared to tolerate a similar stance from us since there has really been very little else to focus on outside of tariffs and trade wars, and that is becoming more than a little tedious. Even the broad acceptance that Vietnam is an ultimate major beneficiary of such posturing has failed to stimulate any enthusiasm for the market: likewise the imminent enactment of the free trade agreement with the European Union due this coming Sunday, 30th June. It might behove the United Kingdom to borrow Vietnam's trade negotiating team at some point in the next few months, but I digress.

Overnight we have had confirmation that Vietnam has once again fallen short of satisfying the criteria for inclusion on the watch-list. Whilst we had been optimistic that the flexibility that MSCI theoretically allows itself would permit a longer term view of the progress being made, it seems that the watch-list has become a rigid one year way point on the path to re-designation, and in that sense the declaration earlier this month that Vietnam had made "no progress" in the past year in spite of the introduction of a draft Securities Law was the death knell for our immediate hopes. The last countries to have spent more than the minimum one year on the watch-list were, if our information is correct, Qatar and the United Arab Emirates, residing there from 2008 to 2014 before accession. Whilst it may, from the point of view of certainty, make some sense to restrict the amount of time that a country spends in upgrade limbo, if inclusion on the watch-list automatically means being added to the index a year later (effective a year after that) the watch-list becomes a bit pointless. It might be worth someone mentioning to MSCI that Vietnam is an oil exporter if all else fails.

So what about the future? Foreign ownership limits are without question the single largest obstacle to Vietnam's inclusion, and whilst we constantly hear that the government wishes to open the market further to foreigners that is clearly not a unanimous view. Whoever is responsible for the creation of the completely ludicrous and opaque list of 200-odd "restricted sectors" can take full credit for Vietnam's failure to achieve the recognition that the country deserves and until this rectified there is very little chance of Vietnam achieving its goal. Instead of discussion between opposing factions in order to seek a compromise, we are currently mired in a situation whereby an insurmountable obstacle is inserted by the obviously dissenting faction which the proposing party then seeks to circumvent in order to reach a modified goal; a massive waste of time and effort in our view.

Both the Enterprise Law and Securities Law apparently include language to permit the introduction of Non-Voting Depository Receipts (NVDRs), but such a move will take at least a couple of years to put into practice even if everyone is on board. At a recent conference I asked a panel of lawyers and representatives of regulatory-type bodies whether we would need NVDRs if Vietnam didn't have its impenetrable web of restricted sectors. There were a couple of wry smiles and some suppressed laughter, which says it all.

We are currently in the summer doldrums (which started before Spring and will probably continue well into Autumn) wherein a lack of significant foreign interest puts the retail punter firmly back in control of the market using ruler and pencil, to the extent that the index is now range-bound between 900 and 1,000 points with no sign of relief. There will come a time in the hopefully not too distant future when Vietnam is going to have to decide once and for all whether it wants to be an emerging market, allowing it to continue advertising its undoubted attractions on the world stage and generating broad and inclusive returns, or whether it is content having an insular view and a retail market which allows a small number of investors the ability to make a bit of money from insider trading and market manipulation before the other side of the trade wanders off to find more interesting pastimes. The solution is simple; all that is missing is the conviction.

Fund NAV

Launch Date	3 November 2005
Issue Price	US\$ 5.00
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NAV per share	At 31 May 2019
Series 1 (Lead Series)	US\$ 9.286
Series 1A	US\$ 10.182
Series 1B	US\$ 10.181
Series 40, 42, 43, 45-51	US\$ 9.286
Series 41, 44	US\$ 9.287
Series 52	US\$ 9.283
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Fund Size	US\$ 78.0mn (31 May 2019)

Top 10 Holdings

(As at 31 May 2019)	% of Assets
HCMC Securities (HCM)	22.5
Hoa Phat Group (HPG)	15.7
FPT Corporation (FPT)	14.9
Vinamilk (VNM)	12.4
Danang Rubber (DRC)	5.4
CotecCons Construction (CTD)	5.4
PXP Vietnam Smaller Companies Fund*	4.7
Vietnam Container Shipping (VSC)	4.4
Nui Nho Stone (NNC)	3.1
Viet Capital Securities (VCI)	2.2
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Number of Holdings	Listed 24 Unlisted 3

Vietnam Macro & Market Releases

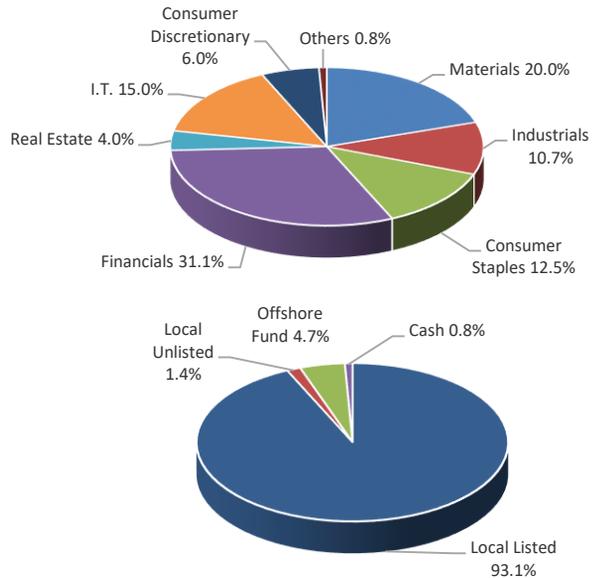
	2018	2019 YTD
GDP Growth y/y**	7.08%	6.79%
Trade surplus/(deficit)*	US\$ 7.2bn	(US\$ 0.5bn)
CPI y/y*	2.98%	2.88%

Latest	
Vietnam Dong / USD*	23,414
Nikkei PMI*	52.0
Disbursed FDI y/y*	7.8%

HCMC Stock Exchange	May 18	May 19
Market Cap*	US\$ 126bn	US\$ 138bn
Average Daily Trade*	US\$ 284mn	US\$ 174mn
Foreign Buying YTD*	US\$ 1,556mn	US\$ 414mn

Source: GSO, Customs Office & Bloomberg
*Latest monthly data **Latest quarterly data

Portfolio Breakdown



NAV Performance: Rolling

	PXP VEEF*	Viet Nam Index**
May 2019	-2.28%	-2.64%
1 Year	-12.31%	-3.78%
2 Years	+7.73%	+26.19%
3 Years	+34.02%	+48.42%
4 Years	+55.83%	+57.02%
5 Years	+51.78%	+54.20%
6 Years	+84.39%	+65.82%
7 Years	+114.61%	+98.91%
8 Years	+155.39%	+100.08%
9 Years	+63.20%	+53.42%
10 Years	+127.77%	+77.02%
11 Years	+89.78%	+60.84%
12 Years	-27.28%	-39.01%
13 Years	+39.41%	+21.40%
Inception	+85.72%	+102.06%

NAV Performance: Calendar

	PXP VEEF*	Viet Nam Index**
YTD	+2.46%	+6.52%
2018	-18.05%	-11.20%
2017	+51.70%	+48.43%
2016	+11.62%	+13.39%
2015	+7.26%	+0.91%
2014	+12.72%	+6.61%
2013	+30.58%	+20.47%
2012	+24.91%	+18.89%
2011	-30.58%	-32.76%
2010	-15.56%	-7.16%
2009	+82.43%	+48.31%
2008	-73.59%	-68.81%
2007	+24.68%	+23.61%
2006	+87.37%	+142.38%

*All figures are NET of fees **Index performance in US\$
All performance data as at 31 May 2019

Fund Information

Legal Form: Cayman Islands Mutual Fund
Fund Manager: PXP Vietnam Asset Management
Inception: 3 November 2005
Issue Price: US\$ 5.00
Administrator: Apex Fund Services
Custodian: DBS Bank Ltd, Hong Kong Branch
Auditor: Ernst & Young Ltd
Swiss Representative Agent: ARM Swiss Representatives SA
Swiss Paying Agent: Banque Cantonale de Genève
ISIN: KYG7306V1005
FATCA GIIN: GI1WDZ.99999.SL.136
Bloomberg: PXPVEEF KY

Fund Directors

Mr. Philip Smiley
Mr. Antony Jordan
Ms. Trinh Thanh Mai
Mr. Simon Raybould
Mr. Christopher Vale
(all Non-Executives)

Portfolio Manager

Mr. Kevin Snowball

Liquidity & Fees

Dealing Day: First business day and 15th calendar day of each month
Subscriptions: 2 business days notice
Redemptions: 10 business days notice
Management fee: 1.5% per annum
Performance fee: 15% over 8% per annum with high water mark
Redemption fee: 1% payable to the Fund

For further details please refer to the Fund's Prospectus via www.pxpvietnam.com