

PXP VIETNAM EMERGING EQUITY FUND LIMITED

Annual Report
2018





Contents

General information	1
Objective and highlights	2 - 3
Directors' report	4 - 7
Investment Manager's report	8 - 10
Ten largest investments	11 - 12
Independent auditors' report	13 - 15
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in net assets attributable to participating shareholders	18
Statement of cash flows	19
Notes to the financial statements	20 - 40
Full portfolio listing	41
EU Alternative Investment Fund Managers Directive	42 - 43

GENERAL INFORMATION

Registered Office	Harneys Fiduciary (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 3rd Floor, 1 Pemberton Row, London EC4A 3BG United Kingdom
Legal Adviser to the Fund on Vietnamese Law	Freshfields Bruckhaus Deringer LLP 11th Floor, Saigon Tower, 29 Le Duan Boulevard, District 1 Ho Chi Minh City, Vietnam
Swiss Representative Agent	ARM Swiss Representatives SA Route de Cite-Ouest 2 1196 Gland Switzerland
Auditors	Ernst & Young Ltd. 62 Forum Lane, Camana Bay P.O. Box 510, Grand Cayman, KY1-1106 Cayman Islands

OBJECTIVE AND HIGHLIGHTS

OBJECTIVE

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

FINANCIAL SUMMARY

Financial position	31 December 2018	31 December 2017	% change
Total Net Assets	US\$88,610,000	US\$163,032,000	-45.6%
Participating shares of US\$0.05 in issue	9,709,767	14,596,733	-33.5%
Net Asset Value (“NAV”) per share (average)	US\$9.126	US\$11.169	-18.3%
NAV per share (Lead Series)	US\$9.063	US\$11.059	-18.0%

Results for the year	2018	2017
Net (loss)/profit	(US\$15,666,000)	US\$59,372,000
Expense ratio ¹	1.87%	1.71%

VIETNAM MARKET DATA

	31 December 2018	31 December 2017	% change
Vietnamese dong (“VND”)/US dollar (“US\$”) exchange rate	23,190	22,709	2.1%
Viet Nam Index	892.54	984.24	-9.3%
Viet Nam Index adjusted US\$ rate	542.37	610.77	-11.2%

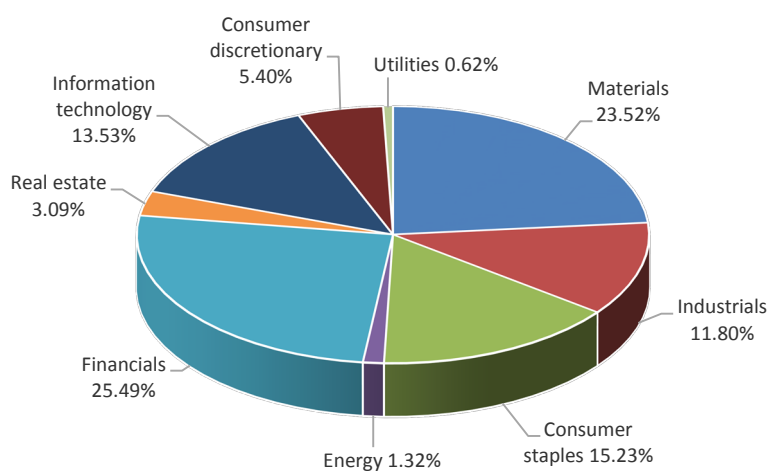
¹ The expense ratio is calculated as total expenses, excluding brokerage commissions, performance fee and foreign exchange gain/(loss), as a percentage of the average month-end net assets for the year.

OBJECTIVE AND HIGHLIGHTS

RELATIVE PERFORMANCE

Performance for years to 31 December 2018	NAV per share ²	Viet Nam Index ³
	%	%
1 year	-18.0	-11.2
2 years	24.3	31.8
3 years	38.8	49.5
4 years	48.8	50.8
5 years	67.8	60.8
6 years	119.1	93.7
7 years	173.6	130.3
8 years	90.0	54.8
9 years	60.4	43.7
10 years	192.6	113.2
11 years	-22.7	-33.5
12 years	-3.6	-17.8
13 years	80.6	99.2

PORTFOLIO BY SECTOR AT 31 DECEMBER 2018



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

³ Viet Nam Index performance is the total percentage movement in the Viet Nam Index (presented in US dollar terms) for the stated number of years up to 31 December 2018.

DIRECTORS' REPORT

The Board of Directors of PXP Vietnam Emerging Equity Fund Limited (the “Fund”) presents its report and the Fund’s financial statements as at and for the year ended 31 December 2018.

INVESTMENT OBJECTIVE

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

The primary objective of the Fund has remained unchanged throughout the year ended 31 December 2018.

INVESTMENT POLICIES

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

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

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

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

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

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

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

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

Investment restrictions

The Fund observes the following restrictions:

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

DIRECTORS' REPORT

INVESTMENT POLICIES (CONTINUED)

Investment restrictions (continued)

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

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

ECONOMY AND STOCK MARKET

Vietnam GDP growth was 7.1% for 2018, exceeding the 6.8% figure of the previous year and achieving the highest annual growth since 2011. The largest contributors to this expansion were the services sector, including a 12.4% increase in domestic retail sales, and the industry and construction sector with strong manufacturing growth continuing to be driven by industries with foreign direct investment. Export turnover of goods increased by 13.8% in 2018, delivering a trade surplus of US\$7.2 billion for the year. Consumer price inflation increased 3% year-on-year to December 2018, within the government's 4% target. The Vietnamese dong (the "Dong") was relatively stable for most of 2018 resulting in a 2.1% depreciation against the US dollar for the year.

The strong performance of the Vietnam stock markets in 2017, with the Viet Nam Index ("VNI") increasing 48% for the year, continued into the start of 2018. The VNI was up 13% at 1,115.64 points on 26 January before global volatility and understandable profit-taking resulted in a fall to 1,003.94 points by 9 February. After this market consolidation, renewed inflows focused on blue chip stocks brought the VNI to an all-time high, surpassing the previous peak from 2007 and reaching a new closing high of 1,204.33 points on 9 April. From then on, sustained profit-taking and foreign outflows during a period of notable global turmoil over trade issues brought the Vietnam stock markets down heavily, with the VNI falling below 900 points in July. A market recovery through August and September on optimism around Vietnam's continuing macroeconomic health and manufacturing strength proved to be short-lived, with further falls in October and December resulting in the VNI ending the year at 892.54 points, a decline in the year of 11.2% in US dollar terms.

PERFORMANCE AND POSITION

Over the financial year to 31 December 2018, the NAV per share for the Lead Series of the Fund decreased from US\$11.059 to US\$9.063, a loss of 18.0% compared to a decrease in the VNI in US dollar terms of 11.2% 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.

2018

The five stocks with the largest negative contribution to the loss for the year ended 31 December 2018 were as follows:

Holding	Return ⁴	Net losses and dividends
	%	US\$'000
Vinamilk	(19.8)	(7,695)
Coteccons Construction JSC ⁵	(27.4)	(2,739)
Ho Chi Minh City Securities Corporation	(9.3)	(2,302)
FPT Corporation	(10.3)	(1,516)
Petrovietnam Drilling and Well Services Corporation	(28.8)	(967)

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

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

DIRECTORS' REPORT

PERFORMANCE AND POSITION (CONTINUED)

The five stocks with the largest positive contribution for the year ended 31 December 2018 were as follows:

Holding	Return	Net gains and dividends
	%	US\$'000
Military Commercial Joint Stock Bank	27.9	1,175
Asia Commercial Joint Stock Bank (ACB)	19.1	708
VNDirect Securities Corporation	8.1	474
Nui Nho Stone JSC	18.9	460
Ho Chi Minh City Development Joint Stock Commercial Bank	31.1	357

2017

The five stocks with the largest positive contribution to the net income for the year ended 31 December 2017 were as follows:

Holding	Return	Net gains and dividends
	%	US\$'000
Vinamilk	63.2	20,400
Ho Chi Minh City Securities Corporation	122.5	13,889
Hoa Phat Group JSC	71.7	11,288
FPT Corporation	54.3	5,347
Refrigeration Electrical Engineering Corporation	59.5	3,485

The five stocks with the largest negative contribution for the year ended 31 December 2017 were as follows:

Holding	Return	Net losses and dividends
	%	US\$'000
Danang Rubber JSC	(18.6)	(1,270)
Vietnam Container Shipping JSC	(12.3)	(586)
Binh Thanh Import-Export Production and Trade JSC	(16.7)	(175)
Hoa Binh Rubber JSC	(12.6)	(60)
The Southern Rubber Industry JSC	(10.0)	(34)

Investments held as at 31 December 2018 were valued at US\$90,738,000 (31 December 2017: US\$172,118,000). Changes to investments are shown in Note 4 to the financial statements on pages 25 to 27.

Net assets attributable to participating shareholders at 31 December 2018 amounted to US\$88,610,000 (31 December 2017: US\$163,032,000). The Fund had no borrowings as at 31 December 2018 or 31 December 2017.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

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

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

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

AUDITORS

The auditors of the Fund are Ernst & Young Ltd.

RESPONSIBILITIES OF THE INVESTMENT MANAGER AND THE BOARD OF DIRECTORS IN RESPECT OF THE FINANCIAL STATEMENTS

The Investment Manager is responsible for the preparation and fair presentation of the financial statements of each financial year in accordance with International Financial Reporting Standards, and for such internal control as the Investment Manager 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, the Investment Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is inappropriate to presume that the Fund will continue in business.

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which present fairly, in all material respects, the financial position of the Fund as at 31 December 2018 and its financial performance, changes in net assets attributable to participating shareholders, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

For and on behalf of the Board of Directors:

Philip Smiley
Chairman
13 May 2019

INVESTMENT MANAGER'S REPORT

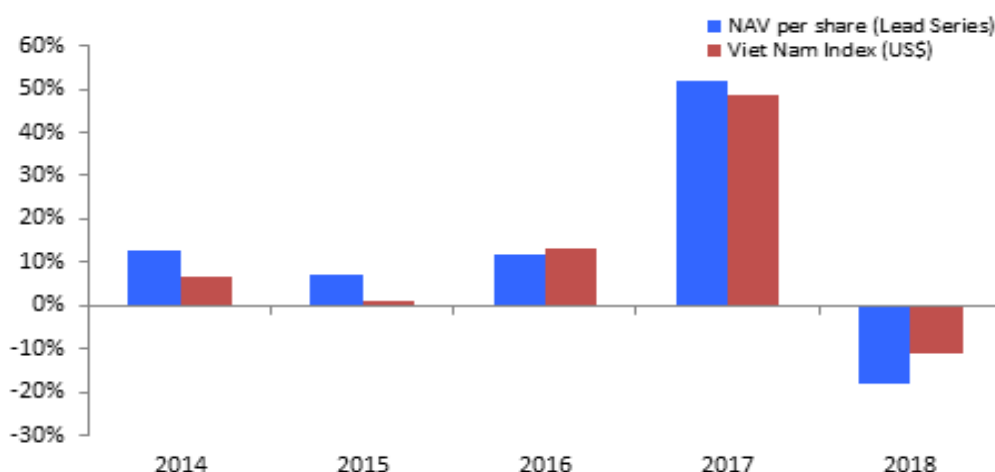


The Fund is managed by PXP Vietnam Asset Management Limited, a British Virgin Islands company incorporated in October 2002. Kevin Snowball, the Chief Executive Officer and Chief Investment Officer of the Investment Manager has been Portfolio Manager since the Fund's inception in 2005.

REVIEW OF THE YEAR

During the year under review the Fund's Net Asset Value ("NAV") per share for the Lead Series decreased by 18.0% net of all fees, from US\$11.059 to US\$9.063. This compares with a decrease in the Viet Nam Index ("VNI") of 11.2% in US dollar terms over the same period. The Vietnamese dong depreciated by 2.1% against the US dollar over the period under review.

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



Reflecting on the first year of negative returns after six positive annual outcomes, the pull-back was perhaps overdue and the underperformance against the benchmark hopefully understandable, after the Fund's Net Asset Value gained 233.9% versus a VNI gain of 159.3% in the years 2012 to 2017 inclusive. Only one Vietnam fund can boast superior NAV returns over that period; ours came without price risk.

THE STOCK MARKET

A disappointing year for the stock market, mainly notable for sharply increased volatility in comparison with the steady progression of the previous year. For those wanting a real-time, blow-by-blow account of 2018 market action we would recommend our monthly Newsletters (<http://pxpvietnam.com/our-products/#newsletter>) or the Fund's Interim Report (<http://pxpvietnam.com/wp-content/uploads/2018/08/PXP-VEEF-Interim-Report-30-June-2018.pdf>) instead of our re-hashing it here at over four months' remove from the end of the period under review. We trust that the following summary will suffice to highlight the most important elements of a forgettable year:

The stock market's year began much as 2017 had finished, with record foreign interest flowing from ever larger private sector IPOs into the listed market, pushing the VNI to an all-time closing high of 1204.33 on 9 April 2018, albeit at a level less than 3% above the 2007 vintage. At around the same time a confluence of the greed and hubris of current and former investment bankers, both onshore and off, in launching new issues at a time of heightened trade and geopolitical tensions saw the walls come tumbling down.

INVESTMENT MANAGER'S REPORT

THE STOCK MARKET (CONTINUED)

The VNI retreated by a little under 26% in the following three months, bottoming on 11 July just below 900, before bouncing by decreasing amounts and then re-testing support at the same level a couple of times, ebbing and flowing with global risk sentiment before settling at 892.54 at the end of the year.

MACROECONOMIC OVERVIEW

Vietnam's economy, on the other hand, had a storming year. GDP growth exceeded 7% for the first time since 2007, with the rate of inflation remaining moderate at just below 3%. The country posted a record trade surplus in 2018 of US\$7.2 billion (almost 2.5 times that of the previous year), in spite of the afore-mentioned trade tensions between the USA and China, whilst the currency weakened by 2.1%; a shade more than the policy range of 1.5 to 2% but nothing to be overly worried about in a year when safe havens were of primary concern.

We expect a continuation along the same path in 2019 and beyond; growth a little slower from a higher base, inflation perhaps a little higher but remaining below 4%, a narrower trade surplus as tariff avoiding/production base expanding FDI follows earlier movers into an increasingly welcoming manufacturing hub. Currency stability is likely to be slightly more challenging with strength in demand for the dollar globally likely to be offset to an extent by Vietnam's desire to avoid being labelled a "currency manipulator" and thereby attracting the ire of the American President. Recent dollar purchases by the government may have made a small contribution to Dong weakness but have enabled the creation of a relatively substantial war chest should stimulating a reversal prove politic. Increased investment flows, both direct and indirect would obviously also assist in exchange rate management so we are not unduly concerned about potential currency depreciation.

Threats to the economy are, in general, likely to be external with Vietnam's trade surplus with the USA possibly coming under scrutiny either as a diversion from or a supplement to the trade wars, but our view that Vietnam may be a beneficiary from either outcome in said dispute seems to be gaining traction. If global trade conditions improve, Vietnam continues to participate and its share grows; if the two combatants are unable to resolve their differences the wake-up call of disruptions to the global supply chain see Vietnam's status as an alternative production base to China firmly in the spotlight.

OUTLOOK AND STRATEGY

We have mentioned elsewhere how our high-conviction, qualitative focus rebounded on us in the final quarter of 2018, taking year-to-date NAV performance from double the index gain (admittedly up 1.28% versus +0.63%) at the end of September to almost 7% behind three months later as sentiment turned against our (at the time) top-3 holdings.

It would have been less than prudent of us not to re-evaluate our theses in selecting the stocks in our portfolio, particularly in the face of a seemingly unanimous disagreement with the outlook for our highest conviction holdings at least among the leading brokers, if not occasionally our own analysts. Our review has led me, as Portfolio Manager, to re-affirm my belief that in the long run the criterion that matters the most is quality; of management, of focus, of transparency and most of all of corporate governance.

The stocks in the upper echelons of our holdings by weight satisfy that philosophy, and for that reason we do not expect their prices to be negatively impacted by the government's ongoing review of business practices, also known as "the anti-corruption drive". Furthermore, given that said brokers seem to have discounted every potential bit of bad news to the n th degree in these stocks whilst exhibiting astonishing levels of confidence in the ability of other, often much larger companies to justify stratospheric valuations, we are firmly of the opinion that our holdings are more likely to deliver upside earnings surprises than the brokers' favourites, and so we'll stick with our conviction, making portfolio quality enhancements as analysis dictates and as opportunities arise.

INVESTMENT MANAGER'S REPORT

OUTLOOK AND STRATEGY (CONTINUED)

In general, and in closing, we feel that 2019 is, *ceteris paribus* (as they used to say in Italy) likely to deliver a mildly positive year. The recent illness of the General Secretary of the Communist Party, cum President, Mr Trong is a potential mild gathering of vapour on the horizon from the viewpoint of political stability - and we naturally wish him a full and speedy recovery - but it should be borne in mind that the timing is not necessarily a concern given that succession conversations should in any event be underway with less than two years left of the term of the current regime to run.

The game changer to the upside would be Vietnam's addition to the MSCI Emerging Market Index watch-list, a decision due within five weeks at the time of writing. Whilst we have no inside knowledge of the likely outcome of the review, we do feel that the country merits an upgrade not only because of its strides toward satisfying the criteria but also due to a dearth of better candidates. Time will tell quite soon but given that we appear to be alone in promoting Vietnam's case there is unlikely to be a great deal of disappointment-inspired downside if we are wrong and everyone else is right. Whichever it is, there is still no question in our minds that Vietnam as a market, and indeed as a country, is developing at a rate and in a direction unmatched globally; why wouldn't you want to invest here with a long-term perspective?

On behalf of the Investment Manager

Kevin Snowball
13 May 2019

TEN LARGEST INVESTMENTS

AS AT 31 DECEMBER 2018

		Valuation	% of NAV
		US\$'000	%
HPG	Hoa Phat Group JSC Hoa Phat Group JSC is a vertically integrated steel producer with a 24% market share in construction steel and 28% market share in steel pipes. HPG is in the process of gradually increasing its capacity from 2.3 million tonnes in 2018 to 4 million tonnes in 2020 by developing a new manufacturing complex in central Vietnam.	17,347	19.6
HCM	Ho Chi Minh City Securities Corporation Ho Chi Minh City Securities Corporation is the second largest broker by market share on the Ho Chi Minh City Stock Exchange ("HOSE") with 11.2% in 2018. HCM profits from securities brokerage, margin lending, investment banking and equity research. The firm is recognised for its experienced, relatively conservative management team and good corporate governance standards.	15,637	17.6
VNM	Viet Nam Dairy Products JSC (Vinamilk) Vinamilk is the largest producer and distributor of dairy products in Vietnam. VNM is the third largest listed company in Vietnam and has been a core holding in the Fund's portfolio since inception.	13,823	15.6
FPT	FPT Corporation FPT Corporation is the leading ICT company in Vietnam with top three market share across most business lines including systems integration, software outsourcing and internet services. The company reduced its stakes in distribution and retail subsidiaries in late 2017, to focus on higher margin business.	12,274	13.9
CTD	Coteccons Construction JSC (CotecCons) CotecCons is one of the leading construction groups in Vietnam. CTD has been the general contractor for a large number of projects in residential, commercial and industrial sectors in Vietnam and has established a reputation for high quality construction and civil engineering.	6,081	6.9

TEN LARGEST INVESTMENTS AS AT 31 DECEMBER 2018

		Valuation	% of NAV
		US\$'000	%
DRC	Danang Rubber JSC Danang Rubber JSC is a Vietnamese tyre manufacturer with over 30 years in operation. DRC ranks number one in producing tyres for trucks in the domestic market and was the first Vietnamese company to produce radial tyres.	4,520	5.1
VSC	Vietnam Container Shipping JSC Vietnam Container Shipping JSC is one of the leading container port operators in Vietnam, with two container terminals and a warehouse in Hai Phong City running near full capacity, and trucking lines for container and conventional cargo transportation services throughout Vietnam.	3,710	4.2
PXP VSCF	PXP Vietnam Smaller Companies Fund Limited PXP Vietnam Smaller Companies Fund Limited is an open-ended mutual fund which is also managed by PXP Vietnam Asset Management Limited, the Investment Manager of the Fund. PXP VSCF invests in a portfolio of the equity securities of smaller Vietnamese companies with a market capitalisation of US\$20 million to US\$250 million at time of initial investment.	3,424	3.9
NNC	Nui Nho Stone JSC Nui Nho Stone JSC is a construction stone processor with two mines in south-east Vietnam serving fast-growing construction demand in infrastructure, industrial and residential segments in Ho Chi Minh City and its satellite provinces.	2,195	2.5
VCI	Viet Capital Securities JSC Viet Capital Securities JSC is the third largest securities company in Vietnam with 11.0% market share on HOSE. It provides investment banking, brokerage and margin lending services, as well as proprietary trading. VCI is renowned in Vietnam for its leading investment banking with estimated 50% market share in this segment.	2,116	2.4
		81,127	91.7

Independent Auditors' Report

The Board of Directors
PXP Vietnam Emerging Equity Fund Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PXP Vietnam Emerging Equity Fund Limited (the "Fund") which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in net assets attributable to participating shareholders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

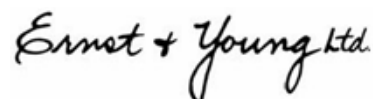
This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept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

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

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

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

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



13 May 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		US\$'000	US\$'000
Income			
Net (losses)/gains on financial assets at fair value through profit or loss	4	(17,796)	65,043
Dividend income		4,737	4,491
Other income		56	73
		(13,003)	69,607
Operating expenses			
Management fee	10.1	(1,837)	(2,050)
Performance fee	10.1	(312)	(7,775)
Custodian, administration and secretarial fees		(197)	(185)
Transaction costs		(103)	(56)
Directors' fees	10.2	(105)	(105)
Foreign exchange (loss)/gain – net		(17)	15
Other operating expenses		(92)	(79)
		(2,663)	(10,235)
Net (loss)/profit for the financial year		(15,666)	59,372
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation differences		(2,499)	352
Total comprehensive (loss)/profit for the financial year		(18,165)	59,724

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017
		US\$'000	US\$'000
Assets			
Financial assets at fair value through profit or loss	4	90,738	172,118
Other receivables and prepayments		397	346
Receivables from brokers		-	1,237
Cash and cash equivalents	7	385	5,298
Total assets		91,520	178,999
Liabilities			
Performance fee payable	10.1	-	7,602
Accrued fees and other payables		910	338
Redemptions payable		-	7,527
Subscriptions received in advance		2,000	500
Total liabilities (excluding net assets attributable to participating shareholders)		2,910	15,967
Net assets attributable to participating shareholders	8	88,610	163,032

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

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 2018

	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	805,177	6,680
Redemptions of participating shares	(3,159,188)	(27,568)
Participating shares decreased on series consolidation	(7,610)	-
Net profit for the year	-	59,372
Currency translation differences	-	352
As at 31 December 2017	14,596,733	163,032
Proceeds from participating shares issued	959,246	9,706
Redemptions of participating shares	(5,867,718)	(65,963)
Participating shares increased on series consolidation	21,506	-
Net loss for the year	-	(15,666)
Currency translation differences	-	(2,499)
As at 31 December 2018	9,709,767	88,610

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	US\$'000	US\$'000
Cash flows from operating activities		
Purchases of financial assets at fair value	(1,948)	(7,729)
Proceeds from sales of financial assets at fair value	64,312	27,392
Dividends received	4,658	4,407
Other income received	93	29
Performance fee paid	(1,914)	(788)
Other expenses paid	(1,830)	(2,420)
Net cash generated from operating activities	63,371	20,891
Cash flows from financing activities		
Proceeds from participating shares issued	5,206	6,658
Redemptions of participating shares	(73,490)	(23,633)
Net cash used in financing activities	(68,284)	(16,975)
Net (decrease)/increase in cash and cash equivalents	(4,913)	3,916
Cash and cash equivalents at beginning of the financial year	5,298	1,382
Cash and cash equivalents at end of the financial year (Note 7)	385	5,298

Significant non-cash transactions in the year were the reinvestment of performance fee payable to the Investment Manager of US\$6,000,000 as at 31 December 2017 in the form of two subscriptions into the Fund of US\$2,000,000 each and a further subscription of US\$2,000,000 which was instructed in December 2018 and is treated as a subscription in advance as at 31 December 2018. See Note 10.1.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

2.2 New standards, amendments and interpretations

(a) New standards, amendments to standards and interpretations that are effective for the year ended 31 December 2018

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018 and has been adopted in these financial statements. IFRS 9 replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The multiple classification and measurement models in IAS 39 are 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 has no impact on the financial statements of the Fund:

- All financial assets previously classified at fair value through profit or loss under IAS 39 continue to be held as financial assets at fair value through profit or loss under IFRS 9.
- IFRS 9 requires the Fund to record expected credit losses on trade receivables. However the trade receivables of the Fund are short-term only and have been assessed to have no expected credit losses.
- The Fund did not apply hedge accounting under IAS 39 and nor will it apply hedge accounting under IFRS 9.

There are no other new standards, amendments to existing standards or IFRIC interpretations that are effective for the year ended 31 December 2018 that have a material impact on the Fund’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 New standards, amendments and interpretations (continued)

(b) Standards issued but not yet effective

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

2.3 Functional and foreign currencies

(a) Functional and presentation currency

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

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

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

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

(b) Transactions and balances

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

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

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

2.4 Financial assets at fair value through profit or loss

(a) Classification

The Fund adopted IFRS 9 *Financial Instruments* in the financial statements for the year ended 31 December 2018. As explained in Note 2.2(a), adoption of IFRS 9 has no impact on the financial statements of the Fund. On the basis of both (i) the Fund's business model for managing its financial assets; and (ii) the contractual characteristics of the financial assets, the Fund classifies its investments in equity securities, and related derivatives, as financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(b) Recognition/derecognition

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

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

(c) Measurement

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

(d) Fair value estimation

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

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

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

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

(e) The fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Amounts due from and due to brokers

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

2.6 Offsetting financial instruments

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

2.7 Cash and cash equivalents

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

2.8 Accrued fees and expenses

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

2.9 Participating shares

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

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

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

The participating shares are classified as financial liabilities.

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

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

Net gains or losses on financial assets at fair value through profit or loss are changes in the fair value of financial assets held, and exclude 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 Fund's holdings in that asset. The cost base in the calculation of average cost of a holding is the fair value of such assets at the start of the year and the cost of such assets acquired during the year.

2.11 Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 Dividend distribution on participating shares

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

2.14 Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Accounting estimates and assumptions

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

Fair value of securities not quoted in an active market

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

3.2 Judgements in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

3.2 Judgements in applying accounting policies (continued)

Going concern

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

Functional currency

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

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	31 December 2017
	US\$'000	US\$'000
Equity instruments:		
- Listed equity securities	86,191	164,257
- Unlisted equity securities	1,123	2,218
- Listed investment fund shares	-	1,898
- Unlisted investment fund shares	3,424	3,745
Total financial assets at fair value through profit or loss	90,738	172,118

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

	2018	2017
	US\$'000	US\$'000
Opening balance	172,118	126,737
Purchases	1,948	8,250
Sales proceeds	(63,075)	(28,273)
Net (losses)/gains recognised in profit or loss	(17,796)	65,043
Difference arising on translation to presentation currency	(2,457)	361
Closing balance	90,738	172,118

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

As at 31 December 2018, the Fund holds an interest of 21.0% (31 December 2017: 38.0%) in the redeemable non-voting shares of PXP Vietnam Smaller Companies Fund Limited, an open-ended mutual fund which is also managed by PXP Vietnam Asset Management Limited, the Investment Manager of the Fund, with a fair value of US\$3,424,000 (31 December 2017: US\$3,745,000).

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

	31 December 2018	31 December 2017
	US\$'000	US\$'000
SR Vietnam	87,314	166,475
Cayman Islands	3,424	5,643
	90,738	172,118

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

	31 December 2018	31 December 2017
	US\$'000	US\$'000
Vietnamese dong	87,314	166,475
UK sterling	-	1,726
US dollar	3,424	3,917
	90,738	172,118

The year-end exchange rates were:

	31 December 2018	31 December 2017
Vietnamese dong/US dollar	23,190	22,709
UK sterling/US dollar	0.79	0.74

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

	2018	2017
	US\$'000	US\$'000
Realised gains on sales of financial assets at fair value	3,372	7,009
Unrealised (losses)/gains on financial assets at fair value	(21,168)	58,034
Net (losses)/gains recognised in profit or loss	(17,796)	65,043

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

5. FAIR VALUE ESTIMATION

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

	Level 1	Level 2	Level 3	Total balance
	US\$'000	US\$'000	US\$'000	US\$'000
31 December 2018				
Equity instruments:				
- Equity securities	86,191	-	1,123	87,314
- Investment fund shares	-	3,424	-	3,424
Total financial assets measured at fair value	86,191	3,424	1,123	90,738
31 December 2017				
Equity instruments:				
- Equity securities	164,257	1,148	1,070	166,475
- Investment fund shares	1,898	3,745	-	5,643
Total financial assets measured at fair value	166,155	4,893	1,070	172,118

All fair value measurements disclosed are recurring fair value measurements.

In the years ended 31 December 2018 and 31 December 2017, there were no reclassifications of financial assets and no transfers between levels.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FAIR VALUE ESTIMATION (CONTINUED)

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. As at 31 December 2018, instruments included in Level 1 comprise primarily equities listed on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange. The shares of two closed-end funds, which are traded on the London Stock Exchange Main Market and London Stock Exchange AIM respectively, which were also included in Level 1 as at 31 December 2017, were sold in January 2018.

Financial instruments in Level 2

The Level 2 equity amount as at 31 December 2018 is a holding in the redeemable shares of PXP Vietnam Smaller Companies Fund Limited which are not traded in an active market. 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 Level 2 financial assets as at 31 December 2017 consisted of a holding in the redeemable shares of PXP Vietnam Smaller Companies Fund Limited and a prelisting equity holding for an issuer which listed on the Ho Chi Minh City Stock Exchange in January 2018. The fair value of the prelisting equity holding was valued based on its listing reference price, and it was sold in full in January 2018.

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 31 December 2018 and 31 December 2017 consists of two unlisted equity securities.

Valuation process

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

Fair value of unlisted equity securities

The valuation of the holding of shares in a property development company as at 31 December 2018 was US\$1,123,000 (31 December 2017: US\$1,070,000), using a net asset valuation with a market discount.

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

	31 December 2018	31 December 2017
Market price of land bank	VND11 million/sqm to VND29 million/sqm	VND11 million/sqm to VND29 million/sqm
Discount rate	10.3%	10.8%
Market discount	25%	25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

Fair value of unlisted equity securities (continued)

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

Input	Sensitivity used *	Effect on fair value	
		31 December 2018	31 December 2017
		US\$'000	US\$'000
Market price of land bank	10% increase	15	11
	10% decrease	(15)	(11)
Discount rate	2% increase	(88)	(79)
	2% decrease	120	108
Market discount	10% increase	(150)	(143)
	10% decrease	150	143

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

The valuation of the holding of shares in a telecommunications company was marked down to US\$1 as at 31 December 2013 and is unchanged during the year ended 31 December 2018.

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

Movement

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

	2018	2017
	US\$'000	US\$'000
Opening balance	1,070	703
Total gains recognised in profit or loss, included in "Net (losses)/gains on financial assets at fair value through profit or loss"	76	470
Total (losses)/gains recognised in other comprehensive (loss)/income, included in "Currency translation differences"	(23)	2
Sales proceeds	-	(105)
Closing balance	1,123	1,070
Change in unrealised gains or losses for Level 3 assets held at the year-end and included in "Net (losses)/gains on financial assets at fair value through profit or loss"	76	441

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6. FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit or loss	Measured at amortised cost	Total
	US\$'000	US\$'000	US\$'000
Assets as per statement of financial position			
31 December 2018			
Financial assets at fair value through profit or loss	90,738	-	90,738
Other receivables	-	375	375
Cash and cash equivalents	-	385	385
Total	90,738	760	91,498
31 December 2017			
Financial assets at fair value through profit or loss	172,118	-	172,118
Receivables from brokers	-	1,237	1,237
Other receivables	-	333	333
Cash and cash equivalents	-	5,298	5,298
Total	172,118	6,868	178,986

Liabilities as per statement of financial position

Net assets attributable to participating shareholders are classified as financial liabilities at fair value through profit or loss.

All other financial liabilities in the statement of financial positions at 31 December 2018 and 31 December 2017 were classified as subsequently measured at amortised cost.

7. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
	US\$'000	US\$'000
Current account in VND	315	1
Current account in US\$	70	5,297
	385	5,298

8. SHARE CAPITAL

The Fund's authorised share capital at 31 December 2018 and at 31 December 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

8. SHARE CAPITAL (CONTINUED)

8.1 Participating shares

	Number of issued shares	Net assets attributable to participating shareholders
		US\$'000
As at 31 December 2018	9,709,767	88,610
As at 31 December 2017	14,596,733	163,032

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

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

8.2 Management shares

	Number of issued shares	Amount paid-up
		US\$
Balance at 31 December 2018 and at 31 December 2017	100	100

The management shares have been issued to PXP Vietnam Asset Management Limited, the Investment Manager, for the purpose of enabling all the shares to be redeemed without liquidating the Fund and to enable the Investment Manager to vote on issues affecting the Fund which require the vote of shareholders, but to not materially effect or prejudice the rights attaching to the participating shares. The management shares are not redeemable, do not carry any rights to dividends, and on a winding-up rank only for a return of paid up nominal capital *pari passu* out of the assets of the Fund after the return of nominal capital paid up on the participating shares. The management shares were fully paid as at 31 December 2017 and as at 31 December 2018.

9. NET ASSET VALUE PER SHARE

	31 December 2018	31 December 2017
Net assets attributable to participating shareholders (US\$)	88,610,000	163,032,000
Number of shares in issue (Note 8)	9,709,767	14,596,733
Net asset value per share (US\$ per share) (average)	9.126	11.169

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. NET ASSET VALUE PER SHARE (CONTINUED)

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

	31 December 2018	31 December 2017
	US\$	US\$
Series 1 (Lead Series)	9.063	11.059
Series 1A and Series 1B	9.937	12.126
Series 28 *	-	11.123
Series 29 *	-	11.173
Series 30 *	-	11.256
Series 31 *	-	11.251
Series 32 *	-	11.198
Series 33 *	-	11.085
Series 34 *	-	11.103
Series 35 *	-	11.360
Series 36 *	-	11.321
Series 37 *	-	11.500
Series 38 *	-	11.512
Series 39, 40, 41, 42, 43, 45, 46, 47, 48, 49, 50	9.063	-
Series 44	9.064	-

* These series on which a performance fee was payable in respect to the year ended 31 December 2017 were consolidated into the Lead Series in January 2018.

10. RELATED PARTIES TRANSACTIONS

10.1 Investment Manager

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

Fees

The Fund pays to the Investment Manager a monthly management fee of one-twelfth of 1.5% of the net asset value of the Fund, which is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. When there is a mid-month dealing in a month, the management fee is calculated separately for each half month period. Total management fee to the Investment Manager for the year ended 31 December 2018 was US\$1,837,226 (2017: US\$2,050,347) and the outstanding fee payable at 31 December 2018 was US\$765,063 (31 December 2017: US\$194,466).

The Investment Manager is also entitled to receive an annual performance fee (15%) for increases in the net asset value per share subject to adjustments for the “high water mark” so that any losses from prior periods must be recouped before a performance fee is earned and a hurdle rate of 8% per annum which is applied to the higher of the opening net asset value or high water mark for each share at the start of each year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

10. RELATED PARTIES TRANSACTIONS (CONTINUED)

10.1 Investment Manager (continued)

Fees (continued)

Movement in performance fee payable in the year:

	2018	2017
	US\$'000	US\$'000
Opening balance	7,602	615
Performance fee payable	312	7,775
Performance fee paid	(1,914)	(788)
Performance fee reinvested	(6,000)	-
Closing balance	-	7,602

The Investment Manager reinvested US\$2,000,000 performance fee payable as a subscription into the Fund for the issue of 178,794.92 participating shares in May 2018 and reinvested US\$2,000,000 performance fee payable as a subscription into the Fund for the issue of 211,483.56 participating shares in July 2018.

In December 2018, the Investment Manager instructed a further subscription of US\$2,000,000 by reinvestment of performance fee payable for the dealing day of 2 January 2019. This is treated as a subscription in advance as at 31 December 2018.

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:

	2018	2017
	Number of shares	Number of shares
Opening balance	1,077,104	1,402,663
Participating shares acquired	390,279	6,025
Participating shares redeemed	(350,000)	(331,584)
Closing balance	1,117,383	1,077,104

Loan

On 18 May 2018, the Investment Manager granted to the Fund a loan of US\$900,000 to cover the shortfall when making a redemption payment. The loan bore no interest. The Fund has fully paid back the loan to the Investment Manager on 8 June 2018.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. RELATED PARTIES TRANSACTIONS (CONTINUED)

10.2 Directors

Remuneration

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

The total directors' remuneration for the year ended 31 December 2018 was US\$105,000 (2017: US\$105,000) and the outstanding directors' fees payable as at 31 December 2018 was US\$105,000 (31 December 2017: US\$105,000).

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 25,668.55 participating shares in the Fund, including 9,443.76 shares subscribed for in the year to 31 December 2018.

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

11. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

11.1 Introduction

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

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

11.2 Risk management structure

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

11.3 Market risk

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

(a) Price risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

11.3 Market risk (continued)

(a) Price risk (continued)

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

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

	31 December 2018		31 December 2017	
	US\$'000	%	US\$'000	%
Financials	23,127	25.5	49,874	29.0
Materials	21,346	23.5	31,926	18.5
Consumer staples	13,823	15.2	39,902	23.2
Information technology	12,274	13.6	14,747	8.6
Industrials	10,708	11.8	21,346	12.4
Consumer discretionary	4,897	5.4	6,470	3.8
Real estate	2,807	3.1	3,817	2.2
Energy	1,196	1.3	3,352	1.9
Utilities	560	0.6	684	0.4
	90,738	100.0	172,118	100.0

As at 31 December 2018, the Fund has four holdings with value exceeding 10% of the net asset value of the Fund, as follows:

	% of net asset value	
	31 December 2018	31 December 2017
Sector of issuer		
Materials	19.6%	16.6%
Financials	17.6%	15.2%
Consumer staples	15.6%	23.8%
Information technology	13.9%	9.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

11.3 Market risk (continued)

(a) Price risk (continued)

Sensitivity analysis

The following table summarises the sensitivity of the Fund's net assets and average NAV per share to movements in the VNI, which is the capitalisation-weighted index comprising the listed shares of every company listed on the Ho Chi Minh City Stock Exchange, as at 31 December 2018. The historical beta of the Fund's equity portfolio with upward movements in the VNI is 0.88 (31 December 2017: 0.75) of the index gain and 0.59 (31 December 2017: 0.40) of downward movements in the index. Based on the assumption that the fair value of the Fund's portfolio of equity securities moved according to its historical correlation with the VNI, a 20% increase and a 20% decrease in the VNI with all other variables held constant would have the following effect:

	31 December 2018		31 December 2017	
	Net assets/ Profit or loss US\$'000	NAV per share US\$	Net assets/ Profit or loss US\$'000	NAV per share US\$
Effect of a 20% increase in the VNI	15,970	1.64	25,818	1.77
Effect of a 20% decrease in the VNI	(10,707)	(1.10)	(13,769)	(0.94)

The Investment Manager uses the VNI as a reference point. However, the Investment Manager does not manage the Fund's investment strategy to track the VNI or any other index or external benchmark. The sensitivity analysis presented is based upon the historical correlation of the Fund's investment portfolio to the VNI. The composition of the Fund's investment portfolio and the correlation to the VNI can be expected to change over time. The sensitivity analysis prepared as at 31 December 2018 is not necessarily indicative of the effect on the Fund's net assets and NAV per share of future movements in the VNI.

(b) Foreign currency risk

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

Sensitivity analysis

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

	Change in currency rate	Effect on net assets attributable to shareholders (relates to monetary financial assets and liabilities)	
		2018	2017
	%	US\$'000	US\$'000
US dollar	+3	(25)	(303)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

11.3 Market risk (continued)

(b) Foreign currency risk (continued)

Sensitivity analysis (continued)

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

	Change in currency rate	Effect on net assets attributable to shareholders (relates to both monetary and non-monetary financial assets and liabilities)	
		2018	2017
	%	US\$'000	US\$'000
US dollar	+3	78	(186)
UK sterling	+3	-	52

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

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

Concentration of foreign currency exposure

	2018	2017
% of total monetary financial assets		
US dollar	11.0%	77.9%
% of total monetary financial liabilities		
US dollar	100.0%	100.0%
% of total financial assets		
US dollar	3.8%	5.2%
UK sterling	0%	1.0%
	3.8%	6.2%
% of total financial liabilities		
US dollar	100.0%	100.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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

11.3 Market risk (continued)

(b) Foreign currency risk (continued)

Conversion risk

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

The Fund may seek to hedge against a decline in the value of the Fund's investments in US dollar terms resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Fund will be successful in protecting against currency depreciation. The Fund has no outstanding hedging instrument as at 31 December 2018 and as at 31 December 2017.

(c) Interest rate risk

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

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

11.4 Credit risk

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

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

The bank accounts of the Fund are held at the Hong Kong branch of a Singapore bank that has a Standard & Poor's rating of short-term A-1+, long-term AA- and outlook stable as at 31 December 2018 and 31 December 2017, and in the Vietnam subsidiary of a United Kingdom bank which does not have a separate credit rating.

None of the financial assets held by the Fund as at 31 December 2018 and as at 31 December 2017 was either past due or impaired at the reporting date.

11.5 Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

11.5 Liquidity risk (continued)

Participating shares

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

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

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

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

Financial assets

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

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

Financial liabilities

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

	Less than one month	One month to 12 months	Total
	US\$'000	US\$'000	US\$'000
31 December 2018			
Management fee payable	765	-	765
Accrued fees and other payables	14	131	145
Contractual cash out flows	779	131	910
31 December 2017			
Performance fee payable	7,602	-	7,602
Management fee payable	194	-	194
Redemptions payable	7,527	-	7,527
Accrued fees and other payables	25	119	144
Contractual cash out flows	15,348	119	15,467

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

11.5 Liquidity risk (continued)

Financial liabilities (continued)

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

11.6 Capital risk management

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

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

The Fund's objectives when managing capital are:

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

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

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

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

12. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements as at and for the year ended 31 December 2018 were approved by the Board of Directors of the Fund on 13 May 2019.

FULL PORTFOLIO LISTING AS AT 31 DECEMBER 2018

	Valuation	% of NAV
	US\$'000	%
Hoa Phat Group JSC	17,347	19.6
Ho Chi Minh City Securities Corporation	15,637	17.6
Viet Nam Dairy Products JSC (Vinamilk)	13,823	15.6
FPT Corporation	12,274	13.9
Coteccons Construction JSC	6,081	6.9
Danang Rubber JSC	4,520	5.1
Vietnam Container Shipping JSC	3,710	4.2
PXP Vietnam Smaller Companies Fund Limited *	3,424	3.9
Nui Nho Stone JSC	2,195	2.5
Viet Capital Securities JSC	2,116	2.4
VNDirect Securities Corporation	1,950	2.2
Dong Phu Rubber JSC	1,541	1.7
Thu Duc Housing Development Corporation	1,276	1.4
Petrovietnam Drilling and Well Services Corporation	1,196	1.3
SSG Group JSC *	1,123	1.3
Can Don Hydro Power JSC	560	0.6
Tien Phong Plastic JSC	453	0.5
Kinh Bac City Development Share Holding Corporation	408	0.5
Fecon Corporation	407	0.4
Hoa Binh Rubber JSC	263	0.3
Savimex Corporation	236	0.3
The Southern Rubber Industry JSC	112	0.1
Petrovietnam General Services Corporation	57	0.1
Binh Thanh Import-Export Production and Trade JSC	29	0.0
Saigon Posts & Telecommunications Services JSC *	-	0.0
Total holdings	90,738	102.4
Cash and other net assets/(liabilities)	(2,128)	(2.4)
	88,610	100.0

* Unlisted holding

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

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

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

Transparency requirements

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

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

The Annual Report and Financial Statements of the Fund for the year ended 31 December 2018 includes the statement of financial position, income and expenditure account and report on the activities of the financial year as required by the AIFMD.

There are no material changes in the information disclosed to shareholders in the updated Prospectus issued in November 2018 up to the end of the financial year.

The remuneration disclosures are as follows:

	2018	2017
	US\$	US\$
Total remuneration paid to the staff of the Investment Manager		
Fixed	1,051,223	1,073,234
Variable	290,817	140,089
Total	1,342,040	1,213,323

The amount of remuneration set out above relates to 24 members of senior management and staff (2017: 25). This is the total remuneration of senior management and staff, as there is no allocation of costs performed between the Fund and other portfolios managed by the Investment Manager.

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

EU ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

Periodic disclosures

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

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

No assets of the Fund were subject to special arrangements arising from their illiquid nature and there were no new arrangements for managing the liquidity of the Fund employed during the financial year ended 31 December 2018 and up to the date of approval of this Annual Report.

The risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks are described in Note 11 to the financial statements on pages 34 to 40.

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

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

The Fund has not employed leverage during the financial year ended 31 December 2018 and up to the date of approval of this Annual Report.

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