



Vietnam Lotus Fund Limited

A Cayman-domiciled closed-end fund listed in Ireland. The investment objective of the Company is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies.

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I Fund details

Launch Date	15 December 2006		
Issue Price	US\$ 5.000		
NAV per share	US\$ 5.311		
	as at 31 January 2008		
Number of shares in issue	9,165,500		
Fund size	US\$ 48.7 million		
Number of holdings	Listed: 27 Pre-Listed: 4		
Performance	1 month	3 months	6 months
VLF	-7.875%	-12.24%	+1.724%
	2007	Inception	
	+15.83%	+6.220%	

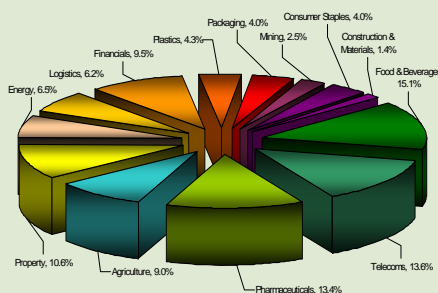
II Top 10 holdings

	% of Net assets
Saigon Post & Telecoms*	12.1
Imexpharm (IMP)	7.2
Gemadep (GMD)	6.3
Hau Giang Pharma (DHG)	6.0
Hoa Binh Rubber (HRC)	5.2
SSG Construction*	5.1
Viet Fund (VF1)	4.8
Pha Lai Power (PPC)	4.5
Nam Viet (ANV)	4.3
Binh Minh Plastics (BMP)	4.3

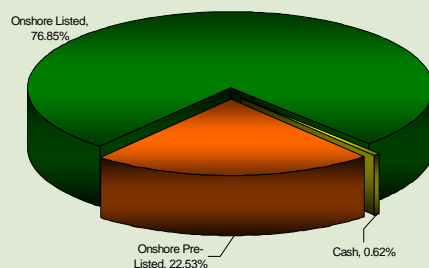
* Pre-listing holding

IV VLF portfolio

VLF Sectoral Breakdown (as at 31 Jan 08)



VLF Segments (as at 31 Jan 08)



III Investment comment

I Love the Smell of Capitulation in the Morning...

With apologies; I have been waiting to use that headline for at least a couple of years and the market finally obliged me last week with an almost complete meltdown hot on the heels of what at first glance appeared to be aggressive and welcome anti-inflation measures from the government. Further investigation revealed that the planned removal of US\$ 1.3 billion from circulation in March corresponds uncannily closely to the US\$ 1.2 billion pumped into the system during the early part of the week in an attempt to alleviate a liquidity crunch, with several local banks rumoured to have simply exhausted their Dongs, as it were. We have previously adopted an optimistic view of the government's ability to deal with an economic situation that is beginning to have offshore commentators dusting off the word "crisis", and are not yet ready to throw in any towels on that opinion even if the sugarplums of a couple of months ago are beginning to be nudged from our dreams by the occasional subliminal flash of rabbits in headlights.

We noted from Bloomberg TV last week that in Singapore (South East Asia's other bastion and paragon of one-party political stability) inflation is close to a 25-year high and that consideration is being given to allowing further currency appreciation as a panacea. Hopefully, once their economic mandarins have finished with the textbook Singapore will let Vietnam borrow it since the volume doesn't obviously feature on the local economics library's bookshelves.

In any event, we are now pretty close to the (3-words including) "or bust" inflexion point. It is 5 calendar days and 11.5% of downside since we wrote that the market is "starting to....look more interesting, even (dare we say it) selectively cheap on a relative basis" in the Vietnam Emerging Equity Fund Newsletter. The market's collapse since that was written (and in a manner which had the feel of a selling climax of enforced, indiscriminate liquidation of margin positions by banks desperate to improve liquidity) has nullified our equivocation; unless one's opinion tends to the "bust" side of the equation the market is now definitely cheap on a relative basis. Three consecutive sharp falls have brought the index if not to its knees then certainly to a weighted average of 15 times 2008 earnings; if you are convinced, as we are, that the Vietnam "story" is intact and in need of neither epilogue nor epitaph then it is time to begin to buy.

We have noticed a number of index "bottom pickers" surfacing to share their views in the past few days; an activity which we would personally consider likely to be as useful as the theoretical practice from which the metaphor is derived. It is all very well trying to guess a number in order to lay the foundations for future guru status but if one believes that the bottom is potentially in sight (for whatever reason) then it is also time to remove one's shoes and socks in preparation for a little toe-dipping.

All this positiveness in the face of the market's recent capitulation might be regarded as somehow connected with our marketing efforts for the Fund's upcoming increase in issued share capital. We would counter, however, that success or failure is rather more likely to be determined by the market's actual performance during March than by anything we have to say about what it *might* do. We remind shareholders (who as always have first refusal of the bulk of the new shares) that the issue price for you will be equivalent to the Net Asset Value on 29 February 2008 and that the issue will close on 31 March 2008.