

Vietnam
Emerging Equity
Fund Limited (VEEF)

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 companies with a significant presence in Vietnam.

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I• Fund details

Launch Date	3 November 2005		
Issue Price	US\$ 5.000		
NAV per share	US\$ 4.468		
	as at 31 July 2008		
Number of shares in issue	7,663,750		
Fund size	US\$ 34.24 million		
Number of holdings	Listed: 31 Pre-Listed: 8		
Performance	1 month	3 months	1 year
VEEF	+3.690%	-26.62%	-59.44%
	2 years	Inception	2007
	-28.67%	-10.64%	+24.68%

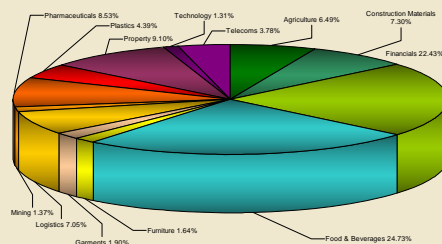
II• Top 10 holdings

	% of Net assets
Sacombank (STB)	15.6
Vinamilk (VNM)	11.4
Gemadept (GMD)	5.3
REE (REE)	5.2
Binh Minh Plastics (BMP)	4.8
Vietcombank*	4.3
Sacomb Cable (SAM)	4.1
Phu My Fertiliser (DPM)	4.0
Sao Mai Construction*	3.9
Bimico*	3.9

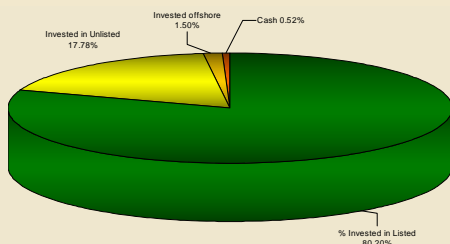
* Pre-listing holding

IV• VEEF portfolio

Sectoral Breakdown (as at 31 Jul 08)



Segments (as at 31 Jul 08)



III• Investment comment

Another short-term disappointment in relative terms, with the Viet Nam Index returning 13% in July for its best monthly performance since September 2007 and only the second positive month of the year. With Vinamilk having reached its 46% foreign limit in July the Fund's top-5 holdings are now isolated somewhat and movement will depend purely on local sentiment until such time as a more liberal regime regarding foreign trading is introduced, or at least expanded from the newly-formed ultra exclusive club (membership: one) detailed below.

A pointer to the likely reaction to a relaxation of foreign limits (which we have no doubt will be taken eventually) was evident in the July sale by the International Finance Corporation ("IFC") of 6.2% of its 7% holding in Hanoi-listed (and foreigner-untradeable) Asia Commercial Bank (ACB) at a 50% premium to the prevailing market price, having received special dispensation from the authorities to effect a trade outside of the daily trading band restriction, which applies to the rest of us. We believe that this IFC is closely related to the investment arm of the World Bank which lists as one of its *strategic priorities* "developing domestic financial markets". Quite how obtaining an exception to local trading rules for your sole benefit constitutes a contribution to the *development* of domestic capital markets completely escapes us, but who are we to question the motives of such an august institution?

Four or so years ago we were the first to moot the idea of a foreign board, which would have been comparatively cheap and easy to introduce and would potentially have been of great educational benefit to a nascent investor base in the sense that it would have allowed domestic investors to observe the different stock selection methodologies of the supposedly more sophisticated foreigners without being stripped of their holdings at the entrance to the party. (Those who remember the feeding frenzy in the first quarter of 2007 and the raising of a huge pile of cash at the top will understand the use of the pejorative "supposedly" there, I am sure.)

In any event, we no longer consider a foreign board to be the best solution to the dilemma of foreign access to stocks at the ownership limit. That is a view that we have arrived at in spite of (and to an extent *because* of) such a move being likely to benefit the funds under our management more than anyone else (and not wanting to be accused of self-interest being our sole *raison d'être* in Vietnam). *IFC please take note:* We arrived at this conclusion because we feel that the market as whole will derive the greatest long-term benefit by NOT excluding domestic investors from the gains to be made after a modification of the rules governing foreign investment in Vietnam-listed companies. If the limits were to be raised (or even better, removed, at least in non-sensitive sectors) then *all* shareholders would benefit from price appreciation as foreigners were allowed access to stocks from which they have been denied for a couple of years in some cases.

From a governance perspective it could also be argued that shareholders of companies whose directors have recently destroyed value by choosing to punt the stock market rather than concentrate on the development of their supposed core business(es) might benefit from more focused and experienced management by strategic foreign partners unrestrained by historical ownership structures. Are we alone in thinking that the market would benefit if directors of companies were made accountable for their actions?