



Interim report (unaudited)
for the six months ended 30 June 2019

PXP VIETNAM EMERGING EQUITY FUND LIMITED



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This condensed interim financial information for the six months ended 30 June 2019 does not include all the notes of the type normally included in an annual financial statement. Accordingly, this report should be read in conjunction with the annual financial statements for the year ended 31 December 2018 and any public announcements made by PXP Vietnam Emerging Equity Fund Limited during the interim reporting period.

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	30 June 2019	31 December 2018	% change
Total Net Assets	US\$76,740,000	US\$88,610,000	-13.4%
Participating shares of US\$0.05 in issue	8,379,602	9,709,767	-13.7%
Net Asset Value (“NAV”) per share (average)	US\$9.158	US\$9.126	0.4%
NAV per share (Lead Series)	US\$9.087	US\$9.063	0.3%

Results for the six month period ended	30 June 2019	30 June 2018
Net profit/(loss) for the period	US\$1,624,000	(US\$5,827,000)
Expense ratio ¹	1.88%	1.85%

VIETNAM MARKET DATA

	30 June 2019	31 December 2018	% change
Vietnamese dong (“VND”)/US dollar (“US\$”) exchange rate	23,303	23,190	0.5%
Viet Nam Index	949.94	892.54	6.4%
Viet Nam Index adjusted US\$ rate	574.46	542.37	5.9%

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

DIRECTORS' REPORT

INVESTMENT OBJECTIVE AND POLICIES

The primary investment objective of PXP Vietnam Emerging Equity Fund Limited and its investment policies and restrictions have remained unchanged throughout the interim period to 30 June 2019.

PERFORMANCE AND POSITION

Over the six month period ended 30 June 2019, the Net Asset Value per share for the lead series of the Fund increased from US\$9.063 to US\$9.087, a gain of 0.3% compared to an increase in the Viet Nam Index ("VNI") in US dollar terms of 5.9% over the same period.

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

Investments held as at 30 June 2019 were valued at US\$74,851,000 (31 December 2018: US\$90,738,000). Changes to investments are shown in Note 4 of this interim report.

Net assets attributable to participating shareholders at 30 June 2019 amounted to US\$76,740,000 (31 December 2018: US\$88,610,000). The Fund had no borrowings as at 30 June 2019 or 31 December 2018.

ECONOMY AND STOCK MARKET

Vietnam GDP growth of 6.76% year-on-year for the first half of 2019 was lower than the 7.08% growth rate for the first half of 2018, but still represents the second highest growth rate over six months since 2011, and is continuing to be driven by industries with foreign direct investment and expansion in the domestic retail sector. Total exports of goods for the first six months of 2019 at US\$122.5 billion was up 7.2% over the same period in 2018, contributing to a trade surplus of US\$1.6 billion. The Vietnamese dong (the "Dong") depreciated by 0.5% against the US dollar as at 30 June 2019 and the consumer price index in June 2019 increased by 1.4% compared to December 2018.

After the fall of 9.3% in the VNI for the calendar year 2018, the Vietnam stock markets recovered strongly at the start of 2019 with the VNI increasing by 13.4% to reach 1011.86 points on 18 March 2019. This was a period of strength in global markets amid optimism that the U.S.-China trade war could be settled amicably. From mid-March, global concerns around the inversion of the U.S. yield curve impacted the Vietnam markets with an initial 4% fall in the VNI over one week. From there until the end of June, developments in the U.S.-China trade war, uncertainty around the positive or negative consequences for Vietnam arising from the trade war and the absence of any significant boost to the Vietnam market resulted in the VNI trading in a range from 940 to 1000 points, ending the period on 30 June 2019 at 949.94 points.

PRINCIPAL RISKS

The Fund's assets consist mainly of listed securities and the principal risks are market related such as price volatility and foreign exchange risk. The Fund is exposed to market price risk on all of its investments. Most of the investments of the Fund are in equity securities of listed Vietnamese companies, resulting in a concentration of market price risk as the value of the financial assets of the Fund are particularly heavily dependent on the performance of the Vietnam stock markets. Other risks faced by the Fund are described in the Prospectus of the Fund dated January 2010 and most recently updated in November 2018 and more details are included in the Financial Risks note in the Annual Report for the year ended 31 December 2018, both of which documents may be found in the section relating to the Fund on the website of PXP Vietnam Asset Management Limited: www.pxpvietnam.com.

As at 30 June 2019 the holding of the Fund in Ho Chi Minh City Securities Corporation represented 21.9% of the assets of the Fund. The holding increased to over 20% from its previous level of 18.3% when shares were acquired from a rights issue on 3 May 2019. The Board and the Investment Manager recognised that action was required to limit this concentration of risk, and the position was reduced to below 20% on 29 July 2019.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

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

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

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

For and on behalf of the Board of Directors:

Philip Smiley
Chairman
29 August 2019

INVESTMENT MANAGER’S REVIEW



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.

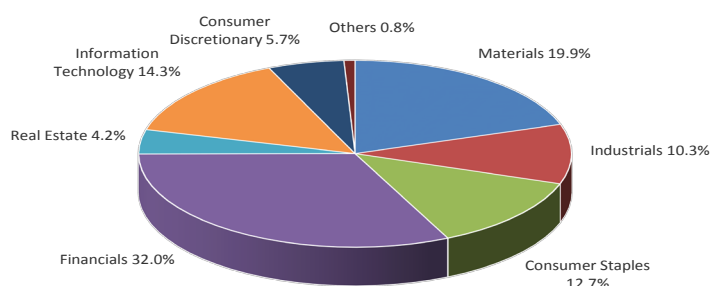
REVIEW OF THE INTERIM PERIOD

During the period under review the Fund’s Net Asset Value (“NAV”) per Share for the Lead Series increased by 0.3%, from US\$9.063 to US\$9.087. This compares with an increase in the Viet Nam Index (“VNI”) of 5.9% in US dollar terms over the same period. A disappointing six months, with a single positive just about offsetting five negative months, and only two posting outperformance against the VNI.

The Vietnamese dong (the “Dong”) depreciated by 0.5% over the period under review. The table below presents NAV performance as compared to that of the VNI in US dollar terms for the stated periods to 30 June 2019:

	NAV per share ²	Viet Nam Index ³
	%	%
6 months	0.3	5.9
1 year	-11.1	-2.6
2 years	-1.5	19.3
3 years	26.6	43.8
4 years	43.4	49.3
5 years	46.1	50.4
6 years	88.8	78.8
7 years	118.1	101.6
8 years	142.8	93.3
9 years	68.6	53.2
10 years	99.9	61.8
11 years	110.9	71.9
12 years	-25.1	-35.8
13 years	37.4	26.5

An analysis of the portfolio at an industry sector level as at 30 June 2019 is shown in the chart below.



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 periods up to 30 June 2019.

INVESTMENT MANAGER'S REVIEW

THE STOCK MARKET

Individual stock performance was decidedly polarised in the period under review, with substantially the entire index gain of 57.4 points contributed by a mere seven of the 381 stocks listed on the Ho Chi Minh City exchange at the end of June 2019. Three of those seven comprise the Vingroup “stable” (VIC, VHM and VRE) on which our views regarding transparency have been oft expounded; the remainder (VCB, GAS, SAB and PLX) are expensive and/or have extremely restricted free floats. The Fund owns none of those seven as they don't sit well with our investment philosophy, resulting in a basically flat performance for the first six months of the year, in line with the rest of the index.

Owning an ETF or fund that similarly focuses on size, liquidity and foreign availability would have certainly provided more profitable exposure in the period, albeit by mid-single digits, and given the lack of progress in opening the market there is a danger that that continues unless there is a shift of emphasis to quality and more reasonable valuations in months to come, which will, at the top end of the index in terms of market capitalisation hopefully revolve around the delivery of continued improvements in the earnings outlook rather than a sell-off. Somewhat fortuitously earnings estimates are being raised with better results in the second after first quarter disappointments.

MACROECONOMIC OVERVIEW

The Vietnamese economy continues to do well, in spite of – and also to an extent because of – global trade frictions. GDP growth was 6.76% in the first half of 2019, slower than the 7.08% recorded in the same period of 2018 but still a creditable performance in these uncertain times, with foreign direct investment into export industries continuing to drive the advance. Exports rose by 7.2% to US\$122.5 billion in the first half according to the Customs Office, delivering a trade surplus of US\$1.6 billion. The rate of inflation slowed to 2.16% year-on-year in the period, not least due to severe weakness in pork prices (the highest-weighted input) as a result of African Swine Flu, and the currency depreciated by a shade under 0.5%. All of this arguably provides support for a renewed and broader advance for the stock market in the second half of the year.

The most important factor is of course the global outlook and its impact on Vietnam's ability to weather the storm of America's view on restraining free trade. According to the Financial Times, “since January 2018 every major economy except India's has seen a deterioration in its purchasing manager's indices”. This is in stark contrast to Vietnamese PMI data which shows an expansion that has lasted 44 months to July 2019. This supports the consensus view that the Sino-US trade war is accelerating the relocation of manufacturing capacity from China to Vietnam. The IHS Markit PMI comment in July suggested that firms in Vietnam are not currently able to expand as quickly as they can take new orders, even as the US-China trade dispute hampers global trade flows. The long-term positive outlook for Vietnam through new Foreign Direct Investment into productive capacity (disbursed FDI in seven-months 2019 was up 7.1% y/y to US\$10.6 billion) continues to transform the country and economy from a historically agricultural focus towards a modern globalised manufacturing base, promoting growth of the consumer class.

The trade war has however thrown things off-kilter in a number of areas, and the erratic nature of negotiations creates much uncertainty. For Vietnam the first issues concerned products in which we compete for exports with China. Once tariffs were announced there was a rush by both Chinese sellers and American buyers to source as much product as possible to beat the clock, meaning orders from Vietnam were delayed. This created bottlenecks in both air and port cargo capacity to the US, which held back earnings growth in places. There are problems of Chinese production also seeking new markets having been shut out of the US, and the dumping of Chinese tyres and trans-shipment of steel products into and through Vietnam are two examples.

More recently there has appeared the threat of American tariffs on Vietnamese exports. Vietnam's exports to the US grew by 24.4% y/y in the first seven months of 2019 to US\$32.5 billion in total. We are watching for announcements from the US on trade with Vietnam, which has now been added to the US “Currency Manipulator Watchlist”. President Trump has hinted at tariffs on Vietnam calling the country “the single worst abuser of everybody” in June, although that is not greatly different from the language previously used in respect of (at least) China and India.

INVESTMENT MANAGER'S REVIEW

MACROECONOMIC OVERVIEW (CONTINUED)

The Vietnamese government has done a sterling job in anticipating and beginning the process of managing the risk of US tariff imposition. Regular dialogue has been initiated with US trade representatives at the same time as well publicised high profile orders for American airplanes and a plan to import liquefied natural gas. Vietnamese imports from the US were up 7% y/y to US\$8.2 billion in the first seven months of 2019, including purchases of seafood (+80% y/y), fruit & vegetables (+72% y/y), machinery (+50% y/y) and cotton (up 10.5% y/y to US\$1.1 billion). The hope is that early evidence of increasing imports from the US, as well as regular inspections at Industrial Parks for trans-shipped goods, will hold Trump's ire at bay even if issues elsewhere are resolved.

Further signs of the Vietnamese government's efforts to diversify its export base and safeguard the economy come as the EU-Vietnam Free Trade Agreement was signed at the end of June 2019. Whilst still in need of final ratification by the government of both sides, the commitment by the EU to abolish 86% of tariffs on Vietnamese goods will encourage Vietnamese firms to seek new customers in the bloc where a little more than 40% of total exports currently end up. Within seven years of taking effect the EU will abolish 99% of tariffs on Vietnamese exports. Vietnam is arguably at the forefront of reducing dependence on the US as an export destination.

OUTLOOK AND STRATEGY

In summary, we anticipate a further broadening of stock participation and a decent advance through the remainder of the year, predicated on a still vibrant economy, an improving earnings outlook and less pressure on the trade gap with the US, as the idea of Vietnam as a counterbalance to China's East (or South China) Sea hegemony overrides the need for a "win" against a perceived easy target.

The missing piece of the puzzle (of vital importance to a continued advance into 2020 and beyond) remains the further opening of the market to foreign investors in a meaningful way whilst they still care. We hear anecdotes of large piles of foreign cash desperate to find a way in to the Vietnam market but being frustrated by the glacial progress of legislation facilitating that, and questions are increasingly being asked about the government's real level of commitment to developing the market. The danger is, of course, that by the time the relevant functionaries fully understand the benefits of a more diversified investor base, the close to optimal conditions, both macro and micro, that we have in place now may have waned somewhat as the cycle matures, and it may prove too little, too late. That's still a way off and the Vietnamese have proven themselves pretty adept at pulling metaphorical rabbits out of conical hats, so it isn't time to despair yet.

In terms of portfolio construction we continue to believe wholeheartedly in the fundamental tenet of our investment philosophy, which is that in the long term – which remains our investment horizon – the single most important determinant of superior performance is *quality*, including of management, of business models, of earnings, of corporate governance, and so on.

We have recently observed a number of our peer group managers *chasing* performance, by adding the out-performers year-to-date to their portfolios well into the cycle, regardless of professed antipathy to sub-optimal fundamentals, and/or in effect, *buying* performance by selling foreign ownership limit stocks and taking in premia from those (in many cases) higher quality stocks now to try to reverse short-term underperformance against a lower quality basket, such as that typical of a Vietnam ETF.

We consider both to be somewhat risky short-term strategies likely to act as constraints on long term performance, and trust that our esteemed Shareholders agree that the courage of our convictions (including being the second-largest Shareholder in the Fund) should not be shaken by a desire to grab short-term performance by any means. We remain optimistic in the long-term outlook for our portfolio holdings, and thank you for your continuing support.

On behalf of the Investment Manager

Kevin Snowball
29 August 2019

TEN LARGEST INVESTMENTS AS AT 30 JUNE 2019

Company and Activities		Valuation	% of assets
		US\$'000	%
HCM	Ho Chi Minh City Securities Corporation Securities brokerage, research and investment banking	16,798	21.9
HPG	Hoa Phat Group JSC ⁴ Integrated steel producer	11,655	15.2
FPT	FPT Corporation Information and communications technology and related services	10,739	14.0
VNM	Viet Nam Dairy Products JSC (Vinamilk) Production and distribution of dairy products	9,518	12.4
CTD	Coteccons Construction JSC Construction	4,047	5.3
DRC	Danang Rubber JSC Bias and radial tyre production	3,849	5.0
PXPVSCF	PXP Vietnam Smaller Companies Fund Limited ⁵ Investment fund	3,632	4.7
VSC	Vietnam Container Shipping JSC Port management and logistics	3,070	4.0
NNC	Nui Nho Stone JSC Mining of stones; manufacture of construction materials	2,451	3.2
VCI	Viet Capital Securities JSC Securities brokerage, research and investment banking	1,703	2.2
		67,462	87.9

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

⁵ Management fee and performance fee, if any, paid to the Investment Manager by PXP Vietnam Smaller Companies Fund Limited in respect to the investment by the Fund is rebated in full to the Fund by the Investment Manager.

INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	2019	2018
		US\$'000 (Unaudited)	US\$'000 (Unaudited)
Income			
Net gains/(losses) on financial assets at fair value through profit or loss	4	921	(6,621)
Dividend income		1,513	2,462
Other income		26	29
		2,460	(4,130)
Operating expenses			
Management fee	8.1	(642)	(1,072)
Performance fee	8.1	-	(312)
Custodian, administration and secretarial fees		(68)	(115)
Transaction costs		(33)	(91)
Directors' fee	8.2	(52)	(52)
Foreign exchange gain/(loss) - net		-	(14)
Other operating expenses		(41)	(41)
		(836)	(1,697)
Net profit/(loss) for the period		1,624	(5,827)
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Currency translation differences		(380)	(1,361)
Total comprehensive profit/(loss) for the period		1,242	(7,188)

The notes on pages 13 to 21 are an integral part of this condensed interim financial information

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	30 June 2019	31 December 2018
		US\$'000 (Unaudited)	US\$'000 (Audited)
Assets			
Financial assets at fair value through profit or loss	4	74,851	90,738
Other receivables and prepayments		289	397
Receivables from brokers		240	-
Cash and cash equivalents		1,448	385
Total assets		76,828	91,520
Liabilities			
Accrued fees and other payables		88	910
Subscriptions received in advance		-	2,000
Total liabilities (excluding net assets attributable to participating shareholders)		88	2,910
Net assets attributable to participating shareholders		76,740	88,610

The notes on pages 13 to 21 are an integral part of this condensed interim financial information

INTERIM STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Numbers of shares outstanding	Net assets attributable to participating shareholders US\$'000
As at 1 January 2019	9,709,767	88,610
Proceeds from participating shares issued	302,312	2,750
Redemptions of participating shares	(1,632,477)	(15,864)
Net profit for the period	-	1,624
Currency translation differences	-	(380)
As at 30 June 2019 (Unaudited)	8,379,602	76,740
As at 1 January 2018	14,596,733	163,032
Proceeds from participating shares issued	284,385	3,170
Redemptions of participating shares	(4,312,569)	(49,933)
Participating shares increased on series consolidation	21,505	-
Net loss for the period	-	(5,827)
Currency translation differences	-	(1,361)
As at 30 June 2018 (Unaudited)	10,590,054	109,081

The notes on pages 13 to 21 are an integral part of this condensed interim financial information

INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	2019	2018
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Purchases of financial assets at fair value	(5,010)	(1,543)
Proceeds from sales of financial assets at fair value	21,189	52,038
Dividends received	1,623	2,571
Other income received	27	51
Performance fee paid	-	(292)
Expenses paid	(1,652)	(776)
Net cash generated from operating activities	16,177	52,049
Cash flows from financing activities		
Proceeds from participating shares issued	750	1,270
Redemptions of participating shares	(15,864)	(57,460)
Net cash used in financing activities	(15,114)	(56,190)
Net increase/(decrease) in cash and cash equivalents	1,063	(4,141)
Cash and cash equivalents at beginning of the period	385	5,298
Cash and cash equivalents at end of the period	1,448	1,157

The notes on pages 13 to 21 are an integral part of this condensed interim financial information

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

This condensed interim financial information was approved for issue on 29 August 2019.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed interim financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

2.2 Accounting policies

The accounting policies applied in this condensed interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

There are no new or amended IFRS or IFRIC interpretations that are mandatory for the first time for the financial year beginning 1 January 2019 that have an impact on the condensed interim financial information of the Fund.

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing this condensed interim financial information, the significant judgements made by management in applying the Fund’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2019

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
	US\$'000	US\$'000
Equity instruments		
- Listed equity securities	70,073	86,191
- Unlisted equity securities	1,146	1,123
- Unlisted investment fund shares	3,632	3,424
Total financial assets at fair value through profit or loss	74,851	90,738

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

	For the six months ended 30 June	
	2019	2018
	US\$'000	US\$'000
Opening balance	90,738	172,118
Purchases	5,010	1,543
Sales proceeds	(21,429)	(55,389)
Net gains/(losses) recognised in profit or loss	921	(6,621)
Difference arising on translation to presentation currency	(389)	(1,347)
Closing balance	74,851	110,304

As at 30 June 2019, the Fund holds an interest of 20.9% (31 December 2018: 21.0%) 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\$3,632,000 (31 December 2018: US\$3,424,000).

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

	30 June 2019	31 December 2018
	US\$'000	US\$'000
Vietnamese dong	71,219	87,314
US dollar	3,632	3,424
	74,851	90,738

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

Exchange rate at the reporting dates:

	30 June 2019	31 December 2018
Vietnamese dong/US dollar	23,303	23,190

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

	For the six months ended 30 June	
	2019	2018
	US\$'000	US\$'000
Realised gains on sales of financial assets at fair value	2,796	3,960
Unrealised losses on financial assets at fair value	(1,875)	(10,581)
Net gains/(losses) recognised in profit or loss	921	(6,621)

5. FAIR VALUE ESTIMATION

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

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

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
30 June 2019				
Equity instruments:				
- Equity securities	70,073	-	1,146	71,219
- Investment fund shares	-	3,632	-	3,632
Total financial assets measured at fair value	70,073	3,632	1,146	74,851

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

5. FAIR VALUE ESTIMATION (CONTINUED)

	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

All fair value measurements disclosed are recurring fair value measurements.

Transfers between levels

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred.

In the interim periods to 30 June 2019 and 30 June 2018, there were no reclassifications of financial assets and no transfers between levels.

Financial instruments in Level 1

The fair values of financial assets traded in active markets are based on their closing prices at the 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 30 June 2019 and 31 December 2018, instruments included in Level 1 comprise primarily equities listed on the Ho Chi Minh City Stock Exchange or Hanoi Stock Exchange.

Financial instruments in Level 2

The Level 2 equity amount as at 30 June 2019 and 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.

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.

Valuation process

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

Fair value of unlisted equity securities

The Level 3 equity amount as at 30 June 2019 and 31 December 2018 consists of two unlisted equity securities.

The valuation of the holding of shares in a property development company as at 30 June 2019 was US\$1,146,000 (31 December 2018: US\$1,123,000).

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

	30 June 2019	31 December 2018
Market price of land bank	VND11 million/sqm to VND29 million/sqm	VND11 million/sqm to VND29 million/sqm
Discount rate	9.7%	10.3%
Market discount	25%	25%

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

Input	Sensitivity used *	Effect on fair value	
		30 June 2019	31 December 2018
		US\$'000	US\$'000
Market price of land bank	10% increase	14	15
	10% decrease	(14)	(15)
Discount rate	2% increase	(94)	(88)
	2% decrease	132	120
Market discount	10% increase	(152)	(150)
	10% decrease	152	150

* 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 interim period to 30 June 2019.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

5. FAIR VALUE ESTIMATION (CONTINUED)

Financial instruments in Level 3 (continued)

Movement

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

	For the six months ended 30 June	
	2019	2018
	US\$'000	US\$'000
Opening balance	1,123	1,070
Total gains recognised in profit or loss, included in "Net gains/(losses) on financial assets at fair value through profit or loss"	29	91
Total losses recognised in other comprehensive income/(loss), included in "Currency translation differences"	(6)	(12)
Closing balance	1,146	1,149
Change in unrealised gains or losses for Level 3 assets held at the period-end and included in "Net gains/(losses) on financial assets at fair value through profit or loss"	29	91

6. SHARE CAPITAL

The Fund's authorised share capital as at 30 June 2019 and 31 December 2018 is US\$2,000,000 which is divided into 39,998,000 participating shares of a par value of US\$0.05 each and 100 management shares of US\$1 each.

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

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

7. NET ASSET VALUE PER SHARE

	30 June 2019	31 December 2018
Net assets attributable to participating shareholders (US\$)	76,740,000	88,610,000
Number of shares in issue	8,379,602	9,709,767
Net asset value per share (average) (US\$ per share)	9.158	9.126

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

7. NET ASSET VALUE PER SHARE (CONTINUED)

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

	30 June 2019	31 December 2018
	US\$	US\$
Series 1 (Lead Series)	9.087	9.063
Series 1A, 1B	9.964	9.937
Series 39 *	-	9.063
Series 40, 41, 43, 45, 48, 49	9.088	9.063
Series 42, 46, 47, 50	9.087	9.063
Series 44	9.088	9.064
Series 51, 52	9.088	-
Series 53	9.087	-

* Series 39 shares were redeemed in full in the period to 30 June 2019

8. RELATED PARTIES TRANSACTIONS

8.1 Investment Manager

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

Fees

There has been no change to the basis of calculation of management fee in the six month period to 30 June 2019. Management fee for the six month period to 30 June 2019 amounted to US\$642,431 (six month period to 30 June 2018: US\$1,072,163) and there was no outstanding fee payable at 30 June 2019 (31 December 2018: US\$765,063).

There has been no change to the basis of calculation of performance fee in the six month period to 30 June 2019. There was no performance fee paid out during the six month period to 30 June 2019 (six month period to 30 June 2018: US\$292,255).

For the interim financial information, performance fee accrued is calculated as 15% of the excess of the net asset value per share at the reporting date above the hurdle for that share which is pro-rated to the reporting date at 8% per annum. Performance fee is only paid if the full year performance exceeds the 8% per annum hurdle, or if shares are redeemed during a year, in which case any accrued performance fee on such shares will be payable to the Investment Manager at the time of the share redemption. There was no performance fee accrued as at 30 June 2019 and no performance fee payable as at 31 December 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

8. RELATED PARTIES TRANSACTIONS (CONTINUED)

8.1 Investment Manager (continued)

Shares

Movements in combined beneficial interests in the Fund's participating shares held by the Investment Manager and the owners of the ultimate holding company of the Investment Manager, Mr Kevin Snowball and Ms Joelle Daumas-Snowball:

	For the six months ended 30 June	
	2019	2018
	Number of shares	Number of shares
Opening balance	1,117,383	1,077,104
Participating shares acquired	220,677	178,795
Participating shares redeemed	-	(350,000)
Closing balance	1,338,060	905,899

8.2 Directors

Remuneration

There has been no change to the basis of calculation of Directors' remuneration or to the amounts payable per annum in the six month period to 30 June 2019.

Directors' remuneration accrued for the six month period to 30 June 2019 amounted to US\$52,500 (six month period to 30 June 2018: US\$52,500).

Shares

A trust of which Philip Smiley's family members are the principal beneficiaries holds 44,232.03 participating shares in the Fund.

Simon Raybould holds 25,668.55 participating shares in the Fund.

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

9. FINANCIAL RISKS

9.1 Financial risk factors

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

The interim condensed financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's financial statements as at 31 December 2018.

There have been no changes in the risk management policies employed by the Fund since 31 December 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

9. FINANCIAL RISKS (CONTINUED)

9.2 Liquidity risk

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

	Less than one month	One month to 12 months	Total
	US\$'000	US\$'000	US\$'000
30 June 2019			
Accrued fees and other payables	20	68	88
Contractual cash out flows	20	68	88
31 December 2018			
Management fee payable	765	-	765
Other accrued fees and other payables	14	131	145
Contractual cash out flows	779	131	910

10. SEASONALITY

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

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