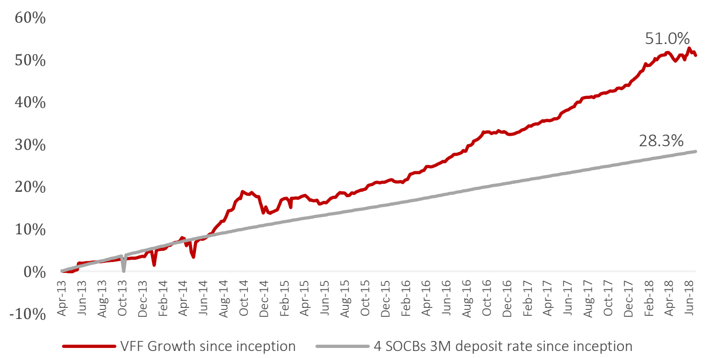
VinaWealth Enhanced Fixed Income Fund (VFF)

As of 30 June 2018

VFF NAV Growth since inception (Apr 2013 – Jun 2018)



The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance data quoted.

Performance versus Benchmark

	Total Assets (VND bn)	NAV/unit (VND)	NAV growth[1] m-o-m	YTD	2013	2014	2015	2016	2017	Since Inception (Apr 2013)
VFF	708.9	15,103	0.1%	3.7%	4.7%	8.8%	6.7%	9.0%	9.9%	51.0%
4 SOCBs 3M deposit[2]				2.3%	5.2%	5.9%	4.7%	5.1%	4.8%	28.3%
4 SOCBs 12M deposit[3]				3.3%	5.8%	7.1%	6.1%	6.6%	6.7%	35.8%
VCB 12M deposit[4]				3.2%	5.8%	7.0%	6.1%	6.4%	6.5%	35.2%

[1] NAV growth is net profit after deducting management fee and administrative expenses
[2] VFF's benchmark is the average trailing 3-month deposit rate by four state-owned commercial banks (SOCBs): VCB, BIDV, Vietinbank, and Agribank
[3] Average trailing 12-month deposit rate by the four SOCBs mentioned above is an additional reference
[4] Average trailing 12-month deposit rate by VCB is additional reference

Details

Inception	9 April 2013
Management fee	1.2% per annum
Subscription fee	0.0%
Redemption fee	• 2.5% </= 12 months • 1.0% > 12 months
Minimum subscription	VND2,000,000 / ~USD90
Custodian and Supervisory Bank	Standard Chartered Bank Ltd. (Viet Nam)
Auditor	PricewaterhouseCoopers (Vietnam)
Trading frequency	Once a week, on Tuesday

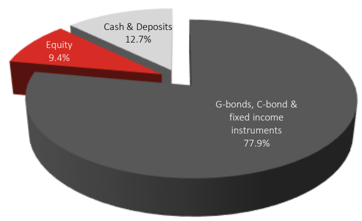
Portfolio Manager: Ms. Xuan Dung Nguyen
dung.xuan.nguyen@vinacapital.com

Investor Relations: irwm@vinacapital.com
Tel: +84 28 38 27 85 35

Snapshot

Structure	Open-ended Bond Fund
Investment risk	LOW
Investment return	LOW AVG HIGH
Fees	LOW AVG HIGH

Investment highlight



Investment performance

VFF's net asset value (NAV) per unit was VND15,103 at the end of June 2018, increasing 0.1% month-over-month (m-o-m) versus the m-o-m increase of 0.8% in May. Year-to-date, VFF's NAV increased 3.7% compared to that of 3.6% at the end of May. The increase of VFF's NAV in June was due to:

- Cumulative interest from investments in government and corporate bonds;
- The sharp correction of the stock market eroded unrealized profit from VFF's equity investments, which accounted for 9.4% of the fund's total NAV as of June 2018; and,
- Realized and unrealized profits from other fixed income instruments, which generated stable income streams to the fund and protected the fund's NAV from any large fluctuations under different stages of the bond and equity markets.

As of June, VFF's total NAV was VND708.9 billion (USD30.8 million), versus that of VND 721.4 billion (USD 31.6 million) at the end of May. Bonds and fixed income instruments accounted for 77.9% of VFF's total NAV at the end of June while listed equity accounted for 9.4%. VFF continued to preserve 12.7% of the fund's total NAV in cash for potential investments in the coming months.

Investment Approach

Asset allocation

Invest at least 80% of the fund's total net assets into government bonds, government-guaranteed bonds, municipal bonds, valuable papers issued by high creditworthy institutions, and short-term bank deposits.

Invest up to 15% of the fund's total net assets into listed stocks with strong fundamentals, high potential upside, and stable dividend yield for downside risk mitigation.

Target

Deliver attractive and stable return from capital appreciation, coupon payment, and yield enhancement instruments.

Benchmark

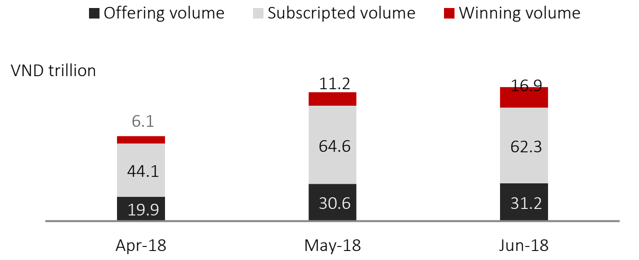
Average 3-month VND denominated deposit rate by four SOCBs, namely VietinBank, Agribank, BIDV, and VietcomBank.

VinaCapital

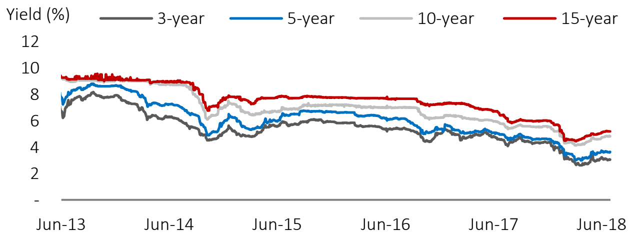
Macro indicators

		June-18	May-18	2017A	2018F
GDP	*% y/y*	7.08		6.81	6.70 - 6.80
PMI		55.70	53.90	52.50	
CPI	*% y/y*	3.29	3.01	3.53	4.00
Trade balance	*USD billion*	2.71	3.39	2.93	4.50
Imports	*% y/y*	10.00	8.20	21.87	13.70
Exports	*% y/y*	16.00	15.80	21.73	10.00
FDI, registered	*USD billion*	20.33	9.90	35.88	
FDI, disbursed	*USD billion*	8.37	6.75	17.50	
FX reserve	*USD billion*	63.50	63.50	51.50	
USD/VND	*VND*	22,938	22,804	22,714	22,900

Auction result



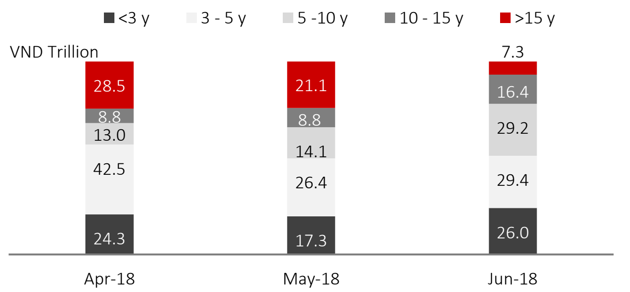
Secondary bond yield



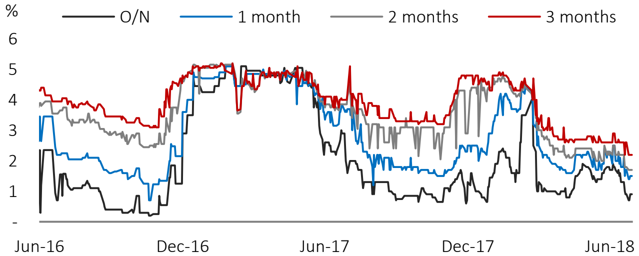
Secondary bond yield movement

Tenor	Month 05/2018	Month 06/2018	Change
1 year	2.46	2.34	-0.12
2 years	2.76	2.69	-0.07
3 years	3.23	3.06	-0.17
5 years	3.73	3.65	-0.08
7 years	4.16	4.16	0.00
10 years	4.73	4.83	0.10
15 years	5.11	5.20	0.09

Secondary trading by tenor



Interbank rate



Source: Bloomberg

Market update, June 2018

Economic growth remained solid, amid headwinds from external factors: Vietnam's GDP posted another quarter of strong growth with an increase of 6.79% in Q2 and a year-over-year (y-o-y) increase of 7.08% at the end of June. This is mainly due to the surge in manufacturing growth (+13.2% y-o-y), healthy demand from both domestic and global markets, and Vietnam's relatively stable macroeconomy. However, rising inflationary pressure and implications from trade tensions between the United States and China may challenge Vietnam's GDP growth target in 2018 and towards 2019.

Manufacturing sector expanded at a stronger pace: The Nikkei Purchasing Managers' Index (PMI) accelerated to 55.7 in June from 53.9 in May. Growth of both outputs and new orders continued to increase on the back of stronger demand.

FDI was in the spotlight with new large projects in major cities: Registered FDI surged from USD9.9 billion at the end of May to USD20.33 billion at the end of June, mainly from the USD4.1 billion Smart City project in Hanoi, the Polypropylene and Liquefied Petroleum Gas in Ba Ria Vung Tau (USD1.2 billion), the increase of capital in the Laguna project in Hue (USD1.1 billion), the USD600 million Lotte Mall project in Hanoi, and LG Innotek injecting additional capital into the LG Innotek Project in Haiphong. Year to date (y-t-d), the processing and manufacturing sector attracted the largest amount of FDI capital (USD7.91 billion) to account for 38.9% of all total registered FDI. Japan recorded the largest amount of FDI invested in Vietnam with USD6.47 billion to account for 31.8% of the total registered FDI. As of June, USD 8.37 billion worth of FDI projects was disbursed, increased 8.4% compared to the same period of 2017.

Strong imports narrowed trade surplus: June posted two consecutive months of trade deficit with a USD0.1 billion deficit versus that of USD 0.8 billion in May, resulting in the y-t-d trade surplus narrowed from USD3.39 billion in May to USD2.71 billion. After 1H2018, total exports value was USD 113.93 billion, equivalent to 53.2% of total exports value in 2017, mainly driven by FDI corporates. Imports value remained a high at USD111.2 billion during the reported month with computers, electronic spare parts, machines, and machinery equipment among the major imported items. The escalation of trade tension between the US and China may negatively affect Vietnam's exports in the coming months.

Inflationary pressure building up: Inflation increased 0.61% m-o-m in June mainly due to rising prices of foods and gasoline. As of June, average inflation increased to 3.29% from 3.01% as of May while y-o-y inflation spiked to 4.67% versus that of 3.86% as of May.

VND depreciated in tandem with the tendency of other world' currencies: The State Bank (SBV) gradually reduced the VND/USD reference rate by 1% y-t-d amid a stronger USD following the Fed's rate hikes since late 2015. At the end of June, USD was traded around 22,940 VND against USD versus 22,800 at the end of May and 22,710 at the end of 2017. Increased foreign reserves (USD63.5 billion as of June versus USD 52 billion at the end of 2017) and FDI/FII inflows are expected to give the SBV an adequate cushion to manage a 2% - 3% depreciation of the VND without tightening monetary policy in 2018.

Liquidity remained intact in banking system: Deposits grew at a faster pace than credit growth (7.8% versus 6.35%) while the banking system saw healthy liquidity during the reported month, thus prompting a more active bond market in June.

Primary bond market: The total value of bonds issued in June reached VND16,940 billion (USD739 million), increasing 51.5% month-over-month, and all bonds were issued by the State Treasury (ST). The winning ratio improved from 36.6% in May to 54.3% in June while bid-to-cover ratio stayed unchanged at two times. The offerings of 7- and 30-year ST bonds were unsuccessful as investors expected higher yields. Meanwhile, 5-, 10-, 15-, and 20-year ST bond yields experienced m-o-m increases of 10, 11, 10, and 6 basis points (bps), respectively.

At the end of June, the ST has fulfilled 37.3% of the government's total issuance target for 2018 (VND200 trillion or USD8.79 billion), falling behind the authority's schedule.

Secondary bond market: The total secondary bond trading value was VND108.30 trillion (USD4.72 billion) in June, increasing 23.6% compared to that in May. Short-term government bond yields continued to decline by 7 to 17 bps m-o-m while long-term government bond yields increased by 9 to 10 bps m-o-m and stayed flat on 7-year tenor.