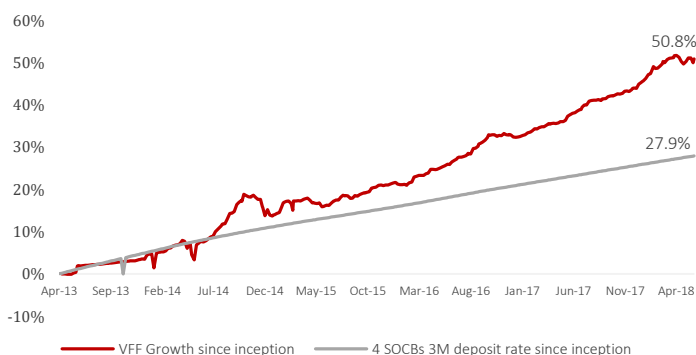


VFF NAV Growth since inception (Apr 2013 – May 2018)

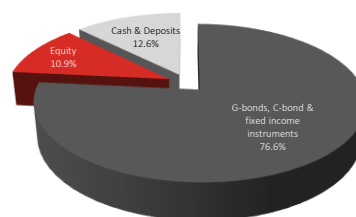


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance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

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 VND15,090 at the end of May 2018, increasing 0.8% month-over-month (m-o-m) versus the m-o-m decline of 1% in April. Year-to-date, VFF's NAV increased 3.6% compared to that of 2.8% at the end of April. The increase of VFF's NAV in May was attributed by:

- Capital gains from investments in government bonds;
- Realized and unrealized profits from corporate bonds and other fixed income instruments which generated stable income streams to the fund and protected the fund's NAV from any large fluctuations resulting from various stages of the bond and equity markets; and,
- Realized and unrealized profits from equity investments following the recovery of the stock market after its sharp correction in April.

As of May, VFF's total NAV was VND721.4 billion (USD31.6 million), versus that of VND 754.5 billion (USD 33.2 million) at the end of April. Bonds and fixed income instruments accounted for 76.6% of VFF's total NAV at the end of May while listed equity accounted for 10.9%. VFF continued to preserve 12.6% 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.

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	721.4	15,090	0.8%	3.6%	4.7%	8.8%	6.7%	9.0%	9.9%	50.8%
4 SOCBs 3M deposit ²				2.0%	5.2%	5.9%	4.7%	5.1%	4.8%	27.9%
4 SOCBs 12M deposit ³				2.8%	5.8%	7.1%	6.1%	6.6%	6.7%	35.2%
VCB 12M deposit ⁴				2.6%	5.8%	7.0%	6.1%	6.4%	6.5%	34.6%

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%	
	VINAFLEX ⁵	VINASAVE ⁶
Redemption fee	• 2.5% <= 12 months • 1.0% > 12 months	• 2.0% <= 24 months • 0.0 > 24 months
Minimum subscription	VND2,000,000/~USD90	VND500,000/~USD22
Custodian and Supervisory Bank	Standard Chartered Bank Ltd. (Viet Nam)	
Auditor	Ernst & Young (Vietnam)	
Trading frequency	Once a week, on Tuesday	

⁵ Flexible investment plan

⁶ Saving plan encouraging periodic contribution

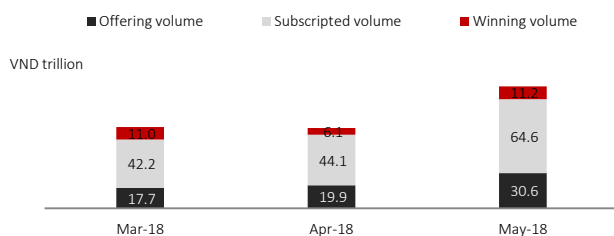
Portfolio Manager: Ms. Xuan Dung Nguyen
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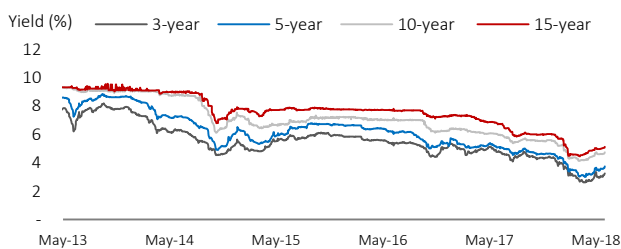
Macro indicators

		May-18	Apr-18	2017A	2018F
GDP	% y/y			6.81	6.70 - 6.80
PMI		53.90	52.70	52.50	
CPI	% y/y	3.01	2.80	3.53	4.00
Trade balance	USD billion	3.39	3.39	2.93	4.50
Imports	% y/y	8.20	10.10	21.87	13.70
Exports	% y/y	15.80	19.00	21.73	10.00
FDI, registered	USD billion	9.90	8.06	35.88	
FDI, disbursed	USD billion	6.75	5.10	17.50	
FX reserve	USD billion	63.00	63.00	51.50	
USD/VND	VND	22,804	22,760	22,714	22,900

Auction result



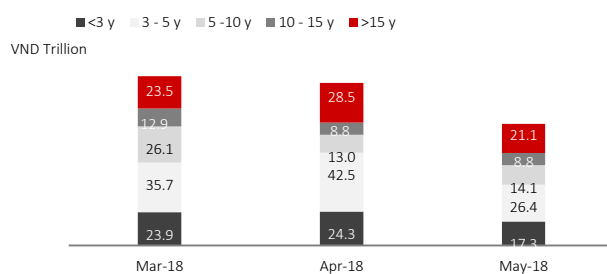
Secondary bond yield



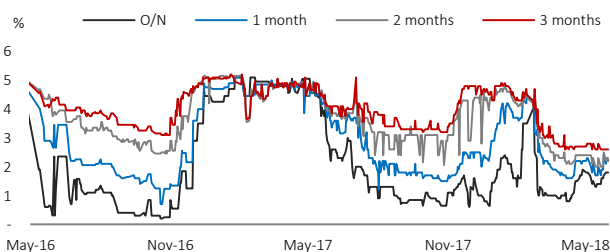
Secondary bond yield movement

Tenor	Month		Change
	04/2018	05/2018	
1 year	2.50	2.46	-0.04
2 years	2.75	2.76	0.01
3 years	3.31	3.23	-0.08
5 years	3.61	3.73	0.12
7 years	3.90	4.16	0.26
10 years	4.66	4.73	0.07
15 years	5.03	5.11	0.08

Secondary trading by tenor



Interbank rate



Source: Bloomberg

Market update, May 2018

Vietnam's sovereign rating upgraded: In May, Fitch Ratings upgraded Vietnam's Long-Term Foreign-Currency Issuer Default Rating (IDR) to BB from BB-, affirming Vietnam's stable outlook. The upgrade was on the back of Vietnam's positive economic performance with a five-year average GDP growth of 6.2% at the end of 2017, compared to BB median of 3.4%, strong FDI inflows and improved external buffers with recorded foreign reserve of USD 63 billion as at May 2018.

Fast expansion from contraction in manufacturing output: The Nikkei Purchasing Managers' Index (PMI) for Vietnam climbed from 52.7 in April to 53.9 in May, the highest PMI reading since May 2017. The month saw a sharp increase in new orders, especially from a surge in new business from overseas markets.

Strong disbursed FDI: FDI inflows remained strong in the first five months of 2018 with total disbursed capital reaching USD6.75 billion, an increase of 9.8% against the same period last year. Meanwhile, registered capital declined 18.4% year-over-year (y-o-y) in the absence of new mega projects as in 2018, with USD 9.9 billion capital registered year-to-date (y-t-d); manufacturing and processing attracted the largest share of total registered FDI and accounted for 52% of total investments.

Trade surplus bolstered by strong exports from foreign invested firms: Trade balance posted a surplus of USD3.39 billion at the end of May with foreign invested firms delivering a surplus of USD13.78 billion (including crude oil) while domestic firms saw a trade deficit of USD10.39 billion. The United States remained Vietnam's largest export market while China continues to dominate Vietnam's import market.

Inflation was inching up: Inflation recorded an increase of 0.55% m-o-m in May as the result of rising foods, gasoline, electricity, and fresh water prices. Nevertheless, the average inflation after the first five months of 2018 was still under control and was at 3.01%, compared to that of 2.80% at the end of April.

Historical high foreign reserve accommodated a stable VND: At the end of May, total foreign reserves was estimated at USD63 billion (equivalent to about 3.5 months of exports), resulting in healthy liquidity in the banking system and a stable VND. Y-t-d, the VND declined 0.4% against USD, following the central bank's recent move to soften the USD/VND reference exchange rate of by 0.8%.

Primary bond market: Total value of bonds issued in May was VND11,178 billion (USD490 million), an increase of 84.6% compared to last month, and all bonds were issued by the State Treasury (ST). The winning ratio improved from 30.4% in April to 36.6% in May while bid-to-cover ratio stayed unchanged twice. The offerings of 7- and 30-year ST bonds were unsuccessful in May as investors asked for higher yields. Meanwhile, 5-, 10-, 15-, and 20-year ST bond yields experienced m-o-m increases of 3, 16, 13, and 2 basis points, respectively. The slowdown of the primary bond market was mainly due to faster credit growth, which was estimated at 6.2% at the end of May, much stronger compared to that of 4.3% last month.

At the end of May, the ST has completed 26.5% of the government's issuance plan for Q2 2018 (VND65 trillion or USD2.86 billion) to fulfill 28.8% of total issuance target for 2018 (VND200 trillion or USD8.79 billion).

Secondary bond market: Total secondary bond trading value was VND87.65 trillion (USD3.84 billion) in May, declining 25.2% compared to that in April. Short dated government bond (g-bond) yields contracted by 4 to 8 bps m-o-m as the result of an increased risk appetite from bond investors whilst yields of longer dated g-bonds increased from 1 to 26 bps compared to last month due to concern on possible increase in interest rate toward the year-end.

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