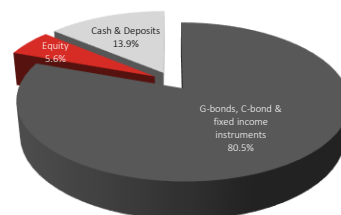


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance 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 VND15,120 at the end of July. Year-to-date (YTD), the fund's NAV posted a 3.8% return, almost unchanged compared to last month. The slowdown of VFF's NAV in July was due to:

- Cumulative interest from corporate bonds and fixed income instruments, balanced out by the decline in unrealized profit from government bond investments due to rising bond yields;
- Moderate impact from fragile stock market on equity investments, accounting for 5.6% of the total NAV;

As of July, VFF's total NAV was VND690.2 billion (USD29.6 million), versus that of VND708.9 billion (USD30.8 million) at the end of June. Bonds and fixed income instruments accounted for 80.5% of VFF's total NAV at the end of July, while listed equity accounted for 5.6%. VFF continued to preserve 13.9% 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 <sup>1</sup>							Since Inception (Apr 2013)
			m-o-m	YTD	2013	2014	2015	2016	2017	
VFF	690.2	15,120	0.1%	3.8%	4.7%	8.8%	6.7%	9.0%	9.9%	51.1%
4 SOCBs 3M deposit <sup>2</sup>				2.7%	5.2%	5.9%	4.7%	5.1%	4.8%	28.7%
4 SOCBs 12M deposit <sup>3</sup>				3.9%	5.8%	7.1%	6.1%	6.6%	6.7%	36.4%
VCB 12M deposit <sup>4</sup>				3.7%	5.8%	7.0%	6.1%	6.4%	6.5%	35.7%

<sup>1</sup> NAV growth is net profit after deducting management fee and administrative expenses

<sup>2</sup> VFF's benchmark is the average trailing 3-month deposit rate by four state-owned commercial banks (SOCBs): VCB, BIDV, Vietinbank, and Agribank

<sup>3</sup> Average trailing 12-month deposit rate by the four SOCBs mentioned above is an additional reference

<sup>4</sup> 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	<ul style="list-style-type: none"> <li>• 2.5% &lt; 12 months</li> <li>• 1.0% &gt; / = 12 months</li> </ul>
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

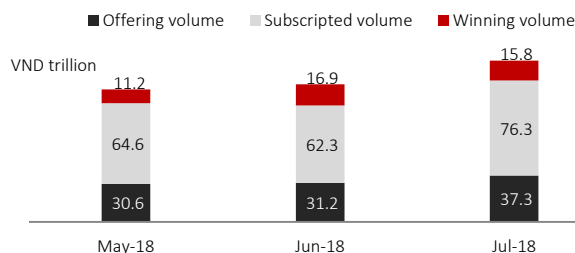
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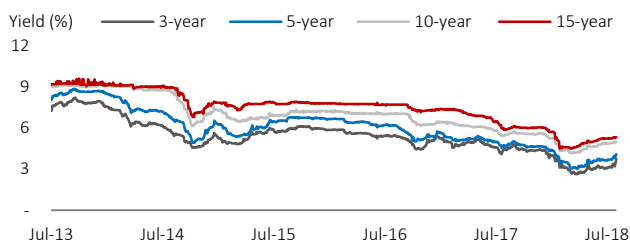
## Macro indicators

		July-18	June-18	2017A	2018F
GDP	% y/y		7.08	6.81	6.70 - 6.80
PMI		54.90	55.70	52.50	
CPI	% y/y	3.46	3.29	3.53	4.00
Trade balance	USD billion	3.06	2.71	2.93	4.50
Imports	% y/y	10.20	10.00	21.87	13.70
Exports	% y/y	15.30	16.00	21.73	10.00
FDI, registered	USD billion	22.94	20.33	35.88	
FDI, disbursed	USD billion	9.85	8.37	17.50	
FX reserve	USD billion	61.50	63.50	51.50	
USD/VND	VND	23,283	22,938	22,714	23,900

## Auction result



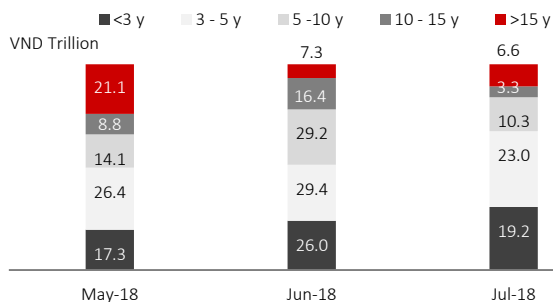
## Secondary bond yield



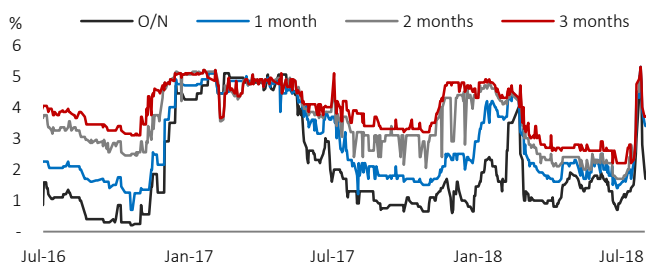
## Secondary bond yield movement

Tenor	Month		Change
	06/2018	07/2018	
1 year	2.34	3.50	1.16
2 years	2.69	3.61	0.92
3 years	3.06	3.73	0.67
5 years	3.65	4.06	0.41
7 years	4.16	4.28	0.12
10 years	4.83	4.98	0.15
15 years	5.20	5.29	0.09

## Secondary trading by tenor



## Interbank rate



Source: Bloomberg

## Market update. July 2018

**Inflation slowing down:** July's inflation posted a moderate month-on-month (m-o-m) decline of 0.09% due to lower medical check-up prices and a reduction in the price of gasoline during the last week of June. Inflation, on average, increased 3.45% after the first seven months of 2018, but nevertheless the year-on-year (y-o-y) figure showed a faster increase of 4.46 as a result of a low base effect.

**Lower PMI amid strong manufacturing growth momentum:** The Nikkei Vietnam Purchasing Managers' Index (PMI) slipped to 54.9 from 55.7 in June amid the goods-producing sector remaining solid with sharp expansion in both output and new orders.

**Steady FDI inflows:** USD9.85 billion worth of FDI projects were disbursed as of July, increasing 8.8% y-o-y and accounting for 56% of total disbursed FDI in 2017. The country saw registered FDI reach USD22.94 billion after the first seven months of 2018, an increase of 4.6% y-o-y, and accounted for 64% of total registered FDI in 2017, amid the absence of new mega-projects in 2018. The top three largest FDI investors remained unchanged, led by Japan, South Korea and Singapore.

**Strong domestic consumption boosted retail sales:** Total retail sales of goods and services in the first seven months of 2018 posted VND2,493 trillion (USD107 billion), an increase of 11.1% y-o-y. Retail sales of foods, garments, home appliances, education and transportation contributed the most.

**VND devaluation might have already affected July's imports and exports:** Imports sustained its rise since February this year and posted a m-o-m increase of 4% while exports continued its slowdown, reporting a m-o-m decline of 1.7% during the reported month, in line with the VND's devaluation of 1.4% in July. Total exports declined from USD19.8 billion in June to USD19.5 billion in July and imports increased from USD19 billion in June to USD 19.8 billion in July. Accordingly, July experienced a USD300 million trade deficit, resulting in a USD3.06 billion trade surplus YTD versus the adjusted trade surplus of USD3.36 billion as of June. The pressure on the VND and the escalation of trade tension between the US and China may continue to negatively affect Vietnam's imports and exports in the coming months.

**Rising pressure on the VND:** At the end of July, the USD traded around 23,285 VND compared to 22,938 at the end of June and 22,710 at the end of 2017, translating to a m-o-m devaluation of 1.4% and a 2.5% devaluation YTD. Rising pressure on the VND prompted the State Bank (SBV)'s intervention of selling approximately USD2 billion to cool down the FX market during the month. Therefore, the foreign reserve declined from USD64 billion at the end of June to approximately USD62 billion at the end of July.

**Primary bond market:** The State Treasury (ST) and Vietnam Bank for Social Policy (VBSP) issued VND15.770 trillion (USD677 million) worth of bonds in July, a decrease of 6.9% compared to that of June, with a winning rate of 42.3% compared to 54.3% in June. ST bonds accounted for 92% of total issues (VND15.420 trillion or USD662 million) while 5-year ST bond yields accelerated 35 basis points (bps) m-o-m and 7-year ST bond yields experienced a 47 bps rise compared to its last issue in April 2018. 10- to 20-year ST bond yields also increased, yet at a slower pace, from 2 to 11 bps versus last month while 30-year ST bond yield remained flat.

5-year VBSP bond accounted for the remaining 2% of total bond issuances in July. Meanwhile, total issued value was VND350 billion (USD15 million) and bond yields were cut by 130 bps compared to its last issue in May 17. The auctions of 10- and 15-year VBSP bonds were unsuccessful due to unattractive yields.

As of July, the ST has delivered 21% of the government's bond issuance target for Q3 2018 (VND75 trillion or USD3.2 billion), fulfilling 45% of the government's target for 2018 (VND200 trillion or USD8.79 billion).

**Secondary bond market:** The total value of secondary bond trading was VND62.40 trillion (USD2.68 billion) in July, a decrease of 42.4% compared to that in June. Short-term government bond yields surged from 41 to 116 bps m-o-m and long-term government bond yields experienced an increase from 9 to 15 bps m-o-m.

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