

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

	VFF	4 SOCBs 3M deposit ²	4 SOCBs 12M deposit ³	VCB 12M deposit ⁴
Total Assets, VND billion	484.7			
NAV/Unit, VND	15,358			
NAV performance				
m-o-m	0.4%			
YTD	5.4%	4.7%	5.0%	6.5%
Annualised Return				
2018	6.5%	4.7%	6.7%	6.5%
2017	9.9%	4.8%	6.7%	6.5%
2016	9.0%	5.1%	6.6%	6.4%
2015	6.7%	4.7%	6.1%	6.1%
2014	8.8%	5.9%	7.1%	7.0%
2013	6.3%	5.2%	5.8%	5.8%
Since inception	7.9%	5.1%	6.5%	6.4%
Total return since inception	53.6%	30.0%	38.1%	37.6%

¹ NAV is net of 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	01 April 2013
Management fee	1.2% per annum
Subscription fee	0.0%
Redemption fee	<ul style="list-style-type: none"> 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	PwC Vietnam
Trading frequency	Once a week, on Tuesday
Benchmark	Average 3-month VND denominated deposit rate by four SOCBs, namely VietinBank, Agribank, BIDV, and VietcomBank.

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.

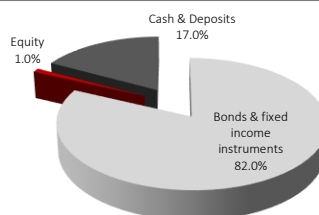
Target
Deliver attractive and stable return from capital appreciation, coupon payment, and yield enhancement instruments.

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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 VND15,358 at the end of October, increasing 0.4% month-over-month (m-o-m) and posting a 5.4% return year-to-date (ytd). VFF's NAV growth in October was attributed to:

- Cumulative interest from corporate bonds and fixed income instruments.

As of October, VFF's total NAV was VND484.7 billion (USD20.8 million), versus VND586.0 billion (USD25.1 million) at the end of September. Bonds and fixed income instruments accounted for 82% of VFF's total NAV while listed equity accounted for 1%. VFF preserved 17% of the fund's total NAV in cash and short-term deposits.

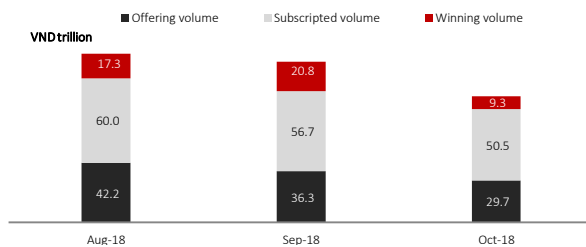
Bond market brief

Primary bond market: The State Treasury (ST) and Vietnam Bank for Social Policy (VBSP) raised VND9.3 trillion (USD396.5 million) worth of bonds in October, a decrease of 55% m-o-m, with the success ratio declining to 31% from 57% in September. ST bonds accounted for 58% of total issues with VND975 million (USD41.8 million) worth of 5-year tenor, VND2.7 trillion (USD114.2 million) worth of 10-year tenor and VND1.7 trillion (USD73.9 million) worth of 15-year tenor. 5-year ST bond yield increased 70 basic points (bps) compared to its last issue in August while 10- and 15-year ST bond yields posted a m-o-m increase of 32 bps and 36 bps respectively. The ST also scheduled auctions for 20- and 30-year tenors in October, however, both tenors failed as investors expected higher yields. The VBSP issued VND1 trillion (USD42.8 million) worth of 5-year and VND2.9 trillion (USD123.8 million) worth of 15-year bonds in October, declining 24% compared to September, and bond yields contracted by 3 bps and 2 bps, respectively, compared to last month.

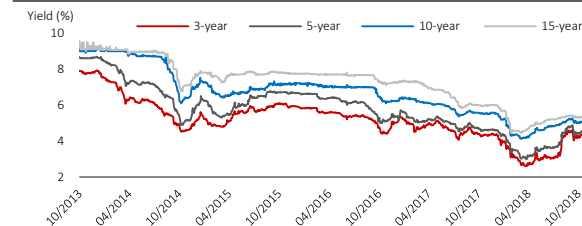
In early October, the ST revised the total auction value in 2018 from VND200 trillion (USD8.6 billion) to VND175 trillion (USD7.5 billion). Accordingly, the ST has fulfilled 72.6% of the total issuance target for 2018.

Secondary bond market: The secondary bond market was less active in October with VND55.8 trillion (USD2.39 billion) worth of bonds transacted, a decline of 13% compared to September. As a result, secondary government bond yields recognised a m-o-m increase of 13 bps to 29 bps across the yield curve.

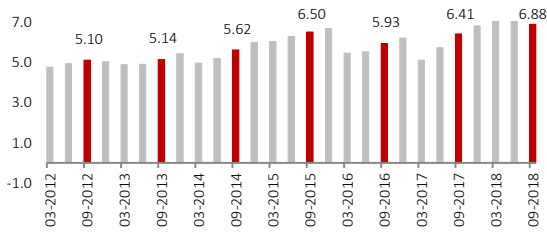
Bond auction result



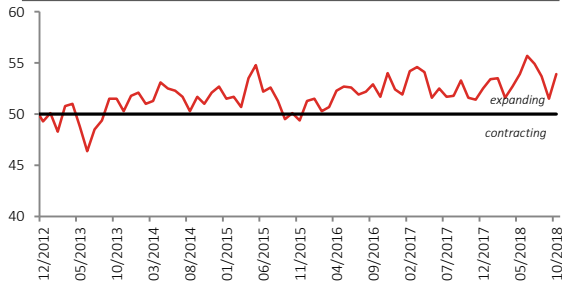
Secondary bond yield



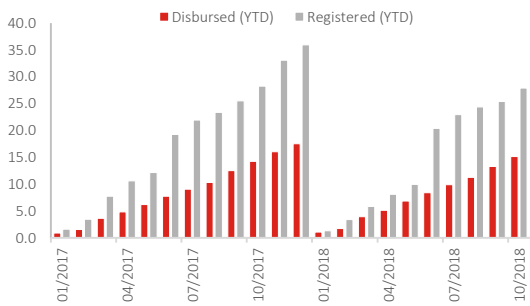
Quarterly GDP growth (%)



Purchasing Managers' Index



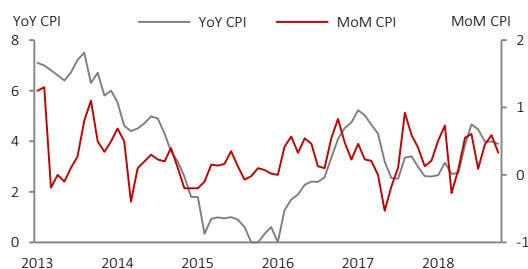
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



Year-on-year and month-on-month inflation (%)



Economics Commentary, October 2018

During the month of October, Vietnam's stock market declined along with the rest of the world's major stock markets, but the country's economic performance continued to outpace those of its regional emerging market peers. Vietnam's growth continued to power ahead, driven by consumption and manufacturing, while the government's prudent macro-economic management helped to stabilise the USD-VND exchange rate and to temper inflation.

Vietnam's inflation fell from a 4% year-on-year (y-o-y) increase of the country's consumer price index (CPI) in September, to a 3.9% inflation rate in October, despite a circa 3.5% hike in retail petrol prices during the month, which drove a 1.5% month-on-month (m-o-m) increase in Vietnam's transport prices that account for 9% of the CPI basket.

The country's modest inflation rate, coupled with a trade surplus estimated to be 3% of GDP in 10M18, alleviated some of the depreciation pressure on Vietnam's currency that most Asian EM economies have endured since April 2018, as did a 36% y-o-y increase in FDI inflows to USD6.3 billion, and a 6.3% y-o-y in FDI inflows to USD15.1 billion in the first 10 months of the year.

That said, the State Bank of Vietnam (SBV) sold about USD1.6 billion of its FX reserves during the month in order to maintain an essentially unchanged VN Dong exchange rate in October. As a result, the unofficial USD-VND exchange rate had depreciated by about 3% YTD as of the end of October, which is where the country's unofficial FX rate stood at the end of September. Note that the SBV's FX reserves fell from a peak of about USD63.5 billion at the end of 1H18 to an estimated USD58 billion at the end of October.

Finally, while the global stock market correction in October was partly driven by signs of an imminent growth slowdown in most of the world's major economies, and by concerns about the US-China trade war, Vietnam's household consumption continued to grow by an estimated 9% y-o-y in 10M18, manufacturing output grew by 12.7% y-o-y, and optimism about the potential benefits of the trade war for Vietnam helped lift the country's Purchasing Manager Index (PMI) in October.

The increase in Vietnam's PMI from 51.5 in September to 53.9 in October contrasts with declines in the PMIs of almost every other country in Asia during the month due to trade war concerns, and was driven by an acceleration in the growth rate of new orders, and particularly of new export orders. This phenomenon seems likely to persist, given mounting anecdotal evidence of manufacturing firms either moving, or preparing to move production activities from China to Vietnam in order to circumvent tariffs on their exports to the US.

Macro indicators

		Oct-18	Sep-18	2017A	2018F
GDP	% y/y	N/A	6.88	6.81	6.70 - 6.80
PMI		53.90	51.50	52.50	
CPI, average	% y/y	3.60	3.57	3.53	4.00
Trade balance	USD billion	6.40	5.39	2.93	4.50
Imports	% y/y	11.80	11.80	21.87	13.70
Exports	% y/y	14.20	15.40	21.73	10.00
FDI, registered	USD billion	21.57	25.37	35.88	
FDI, disbursed	USD billion	15.10	13.25	17.50	
FX reserve	USD billion	60.00	61.00	51.50	
USD/VND	VND	23,344	23,315	22,714	23,900*

*VinaCapital's forecast

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