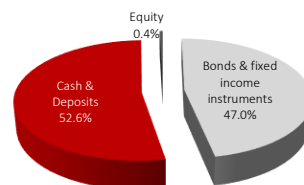


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance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

## Snapshot

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

## Investment highlight



## Performance versus Benchmark

	VFF	4 SOCBs 3M deposit <sup>2</sup>	4 SOCBs 12M deposit <sup>3</sup>	VCB 12M deposit <sup>4</sup>
Total Assets, VND billion	320.3			
NAV <sup>1</sup> /Unit, VND	15,826			
<b>NAV performance</b>				
m-o-m	0.6%			
YTD	1.8%	0.8%	0.1%	1.1%
<b>Annualised Return</b>				
2019	10.9%	5.0%	6.8%	6.8%
2018	6.8%	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	8.3%	5.1%	6.5%	6.4%
<b>Total return since inception</b>	<b>58.3%</b>	<b>31.6%</b>	<b>40.4%</b>	<b>39.8%</b>

<sup>1</sup> NAV is net of 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

## Investment performance

VFF's net asset value (NAV) per unit was VND15,826 at the end of February, increasing 0.6% month-over-month (m-o-m) and 1.8% year-to-date (ytd). VFF's NAV growth in February was attributed to:

- Cumulative interest and capital gain from government bonds (g-bonds), corporate bonds and fixed income instruments.
- Realized capital gain from equity investment during the month.

As of February 2019, VFF's total NAV was VND320.3 billion (USD13.8 million), versus VND329.3 billion (USD14.1 million) at the end of January 2019. Bonds and fixed income instruments accounted for 47.0% of VFF's total NAV. VFF preserved 52.6% of the fund's total NAV in cash and short-term deposits for new investment opportunities and for liquidity.

## Bond market brief

**Primary bond market:** The State Treasury (ST) was the sole issuer on the primary bond market in February and successfully mobilized VND17.6 trillion (USD0.8 billion) worth of bonds with tenors of 5-years to 30-years, a decrease of 51.6% from January 2019. Investors paid highest attention to the 15-year tenors with issued volume worth VND7.4 trillion (USD319.77 million, comprising 42% of the total issues in the month. Bonds with 10-year tenors came second with an issued value of VND7.0 trillion (USD302.48 million) accounting for 40% of total issuance.

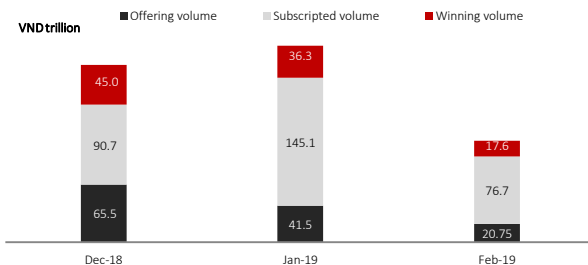
ST primary bond yields generally eased from 1 to 17 basis points (bps) compared to their last issues in January 2019. However, yield from the 20-year tenor inched up by 6 bps compared to last month.

**Secondary bond market:** The secondary market in February was less active compared to the previous month. Total trading value in February was VND66.55 trillion (USD2.88 billion), representing a decrease of 12% from January 2019. Secondary bond yield recognized a m-o-m decrease of 4 to 35 bps across the yield curve.

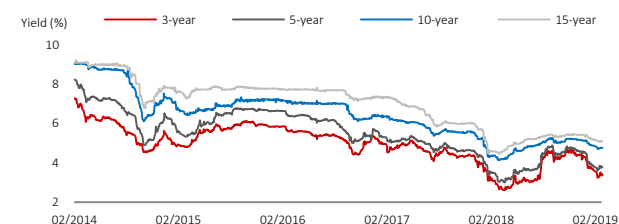
In 2019, the ST targets to mobilize VND260 trillion (USD11.2 billion) worth of 5- to 30-year tenors via auction with the following breakdown:

Tenor	5 years	7 years	10 years	15 years	20 years	30 years	Total
Amount, billion VND	40,000	30,000	70,000	78,000	20,000	22,000	260,000

## Bond auction result



## Secondary bond yield



## Details

Inception	01 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>1.5% &gt; / = 12 and &lt; 24 months</li> <li>0.75% &gt; / = 12 months</li> </ul>
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.

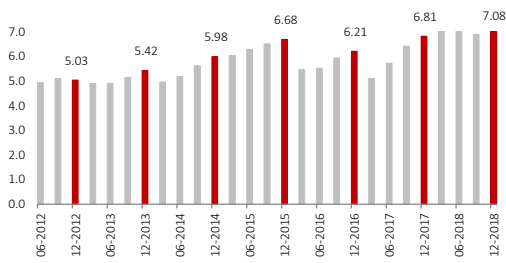
### Target

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

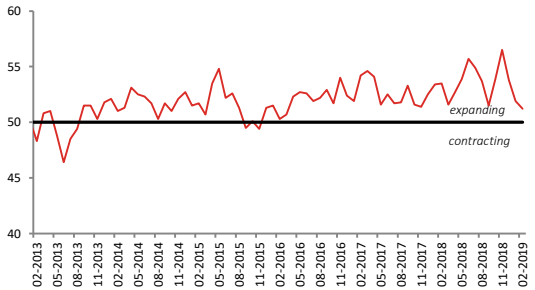
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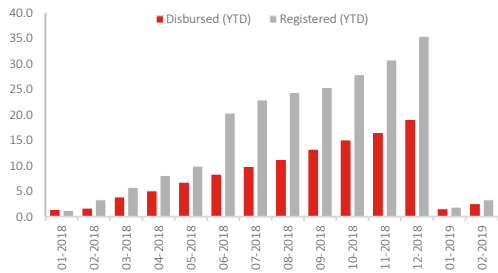
## Quarterly GDP growth (%)



## Purchasing Managers' Index



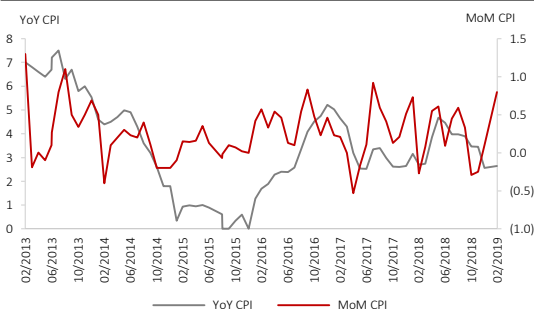
## Registered & disbursed FDI, cumulative YTD (USDbn)



## Monthly trade balance (USDmn)



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



Source: Bloomberg

## Economics Commentary, February 2019

Vietnam's inflation rate remained unchanged in February. Consumer prices increased 2.6% year-on-year (y-o-y), although the consumer price index increased 0.8% month-on-month (m-o-m), driven by a 1.7% mom increase in food prices, which was primarily due to the Lunar new Year holiday, which began on Feb 2<sup>nd</sup>. An outbreak of swine flu in China could drive food price inflation higher as the year progresses (although pork prices in Vietnam actually fell by 3% mom in February), and the government recently announced that retail electricity prices will increase 8% in March (which will boost CPI by about 0.4%pts), so we expect Vietnam's inflation rate to reach a manageable 3.5% by the end of 2019.

While economic growth continues to be robust, year-on-year GDP growth is likely to be held back by a high base effect from surging Samsung production growth in early 2018, when production of the popular Galaxy S9 phone was under way. Specifically, manufacturing grew 12% in 2M19, lower than the same period a year earlier. Furthermore, production constraints led to a 12% y-o-y drop in crude oil production volume in 2M19, although petrol production nearly doubled thanks to the launch of a new oil refinery in Vietnam.

The Samsung effect also hit exports. As we have previously noted, the company accounts for one-quarter of Vietnam's exports, so the above-mentioned decline in cell phone production growth led to a 4% drop in the export of the high-tech products, which account for about one-third of the country's total exports. The General Statistics Office (GSO) estimates that Vietnam ran a USD900 million trade deficit in February, which would bring the country's year-to-date trade balance to a deficit of USD80 million. According to the GSO, Vietnam's exports grew 6% y-o-y, while imports grew 8% from 2M18 to 2M19. It is important to note, however, that the GSO's initial monthly trade forecasts tend to differ significantly from the final figures that Vietnam Customs typically releases a few weeks later.

The outlook for export growth for the rest of 2019 has dimmed somewhat on the back of weaker order books in both Vietnam and the rest of Asia. Vietnam's PMI survey reading fell from 51.9 in January to 51.2 in February as weak export orders led to the first monthly drop in manufacturing employment in three years.

Finally, during US President Trump's visit to Hanoi in late February, Vietjet and Bamboo Airlines signed orders to purchase aircraft and jet engines from Boeing and GE worth USD21 billion. Vietnam's trade surplus with the US shrunk from USD41 billion in 2017 to USD35 billion in 2018, driven by a 37% surge in Vietnam's imports from the US to USD13 billion.

The VN Dong exchange rate was unchanged in February (although unofficially it has appreciated by about 0.3% YTD), supported by the fact that the State Bank of Vietnam has bought over USD4 billion of FX reserves YTD, and by a 10% y-o-y increase in disbursed FDI inflows in 2M19 to USD2.6 billion.

## Macro indicators

		Feb-19	Jan-19	Dec-18	2017A	2019F
GDP	% y/y	N/A	N/A	7.08	6.81	6.60 - 6.80
PMI		51.2	51.9	53.8	52.50	
CPI, average	% y/y	2.64	2.56	3.45	3.53	3.57
Trade balance, cumulative	USD billion	0.09	-0.8	7.78	2.93	6.81
Imports	% y/y	7.5	3.1	11.58	21.87	13.70
Exports	% y/y	5.9	-1.3	14.24	21.73	14.42
FDI, registered	USD billion	3.26	0.81	35.46	35.88	
FDI, disbursed	USD billion	2.58	1.55	19.10	17.50	
FX reserve	USD billion	64.00	64.00	60.00	51.50	65.00
USD/VND	VND	23,199	23,201	22,655	22,714	23,880

Forecasted figures are compiled by SSI Research

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