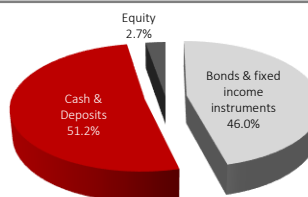


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance 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 VND15,881 at the end of March, increasing 0.3% month-over-month (m-o-m) and 2.1% year-to-date (YTD). VFF's NAV growth in March was attributed to:

- Cumulative interest from bond holding and other fixed income instruments; and
- Capital gain from equity investment.

As of March 2019, VFF's total NAV was VND283.2 billion (USD12.2 million), versus VND320.3 billion (USD13.8 million) at the end of February 2019. Bonds and fixed income instruments accounted for 46.0% of VFF's total NAV and VFF preserved 51.2% 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 March and successfully mobilised VND14.3 trillion (USD0.6 billion) worth of bonds with tenors of 5-year, 10-year, 15-year, 20-year, and 30-year. Total issued value in March decreased 18.8% compared to February 2019. Investors paid the most attention to the 15-year tenor with issued volume accounting for VND6.81 trillion (USD293.46 million), comprising 47.7% of the total issues in the month. Bonds with a 10-year tenor came second with issued value worth VND5.78 trillion (USD249.26 million), accounting for 40.5% of total issues.

ST primary bond yields of the 5-year to 30-year tenors generally increased from 2 to 7 basis points (bps) compared to their last issues in February 2019. However, the 20-year ST bond yield posted a decrease of 45 bps compared to the previous month.

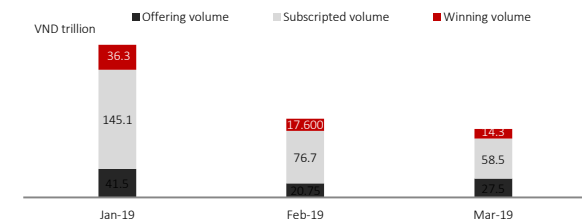
After the first quarter of 2019, the ST has mobilised a total of VND69.47 trillion (USD2.99 billion) worth of bonds, delivering 26.7% of the total target for 2019.

**Secondary bond market:** The secondary market in March was more active compared to the previous month. Total trading value in March was VND78.99 trillion (USD3.41 billion), representing an increase of 19% from February 2019. Secondary bond yield realised a m-o-m increase of 7 to 27 bps across the yield curve.

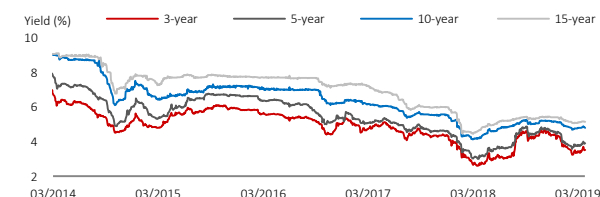
In 2019, the ST targets to mobilize VND260 trillion (USD 11.2 billion) worth of 5- to 30-year tenors via auction with the following breakdown:

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



## 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	283.2			
NAV <sup>1</sup> /Unit, VND	15,881			
<b>NAV performance</b>				
m-o-m	0.3%			
YTD	2.1%	1.2%	0.1%	1.7%
<b>Annualised Return</b>				
2019	8.6%	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>58.8%</b>	<b>32.1%</b>	<b>41%</b>	<b>40.4%</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

## 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.

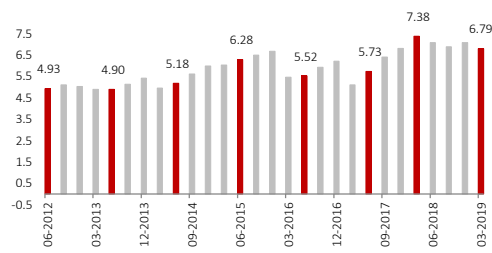
### Target

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

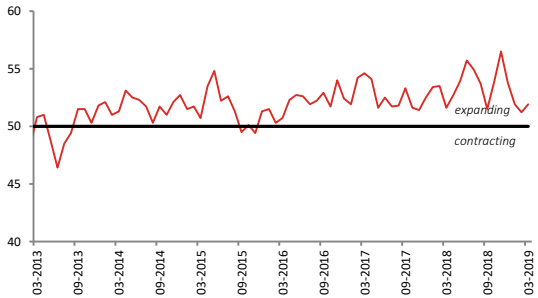
Portfolio Manager: Ms. Xuan Dung Nguyen  
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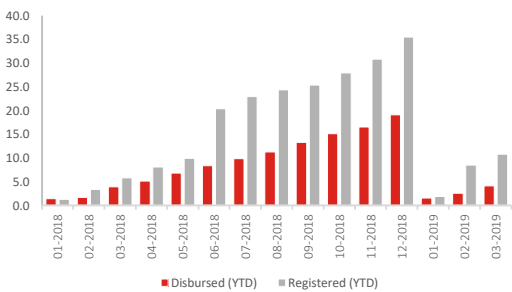
## Quarterly GDP growth (%)



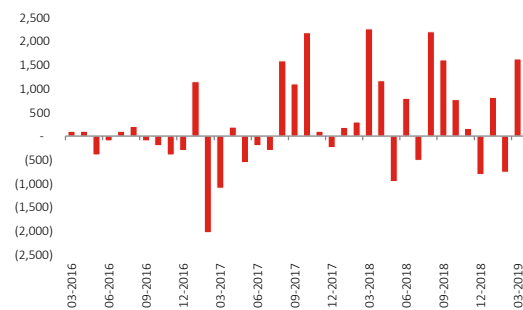
## Purchasing Managers' Index



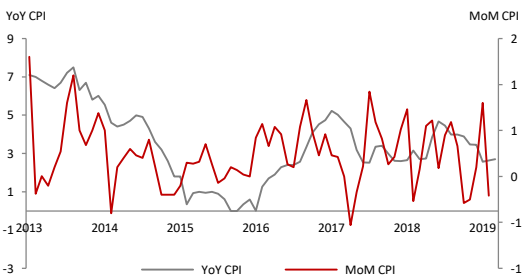
## Registered & disbursed FDI, cumulative YTD (USDbn)



## Monthly trade balance (USDmn)



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



Source: Bloomberg

## Economics Commentary, March 2019

GDP growth in Vietnam decelerated from 7.4% year-on-year (y-o-y) in 1Q18 to 6.8% in 1Q19, driven by a slowdown in industrial production (IP) growth from 13% to 9%, although inflation was unchanged at 2.7% y-o-y in both March 2018 and March 2019.

The slowdown in Vietnam's industrial production was driven by a one-month shut down of the Nghi Son oil refinery during Q1 due to certain technical issues, as well as driven by an estimated 10% y-o-y drop in the production of smartphones, which was attributable to the global "peak smartphone" phenomenon.

Despite these issues, Vietnam's manufacturing Purchasing Managers' Index (PMI) ticked up from 51.2 in February to 51.9 in March and has been over the '50' expansion-contraction threshold for 70 months, which augers well for growth for the rest of 2019.

That said, we are somewhat concerned about the possibility that the ongoing slowdown of China's economy may impact Vietnam. For example, Chinese tourist arrival growth has decreased from 49% in 2017 to 24% in 2018, and contracted -6% y-o-y in 1Q19, driving a reduction in Vietnam's overall tourist arrival growth from 29% in 1Q18 to 9% y-o-y in 1Q19. Note that foreign visitors contribute over 10% of Vietnam's retail sales. Overall real retail sales growth was nearly unchanged at about 9% y-o-y in both 1Q18 and 1Q19.

China's slowdown also depressed exports from Vietnam to China from 17% growth in 2018, to a -7% y-o-y contraction in 1Q19, driven by a 69% drop in cell phone exports to China. As a result, Vietnam's overall export growth declined from 25% in 1Q18 to just 5% in 1Q19, resulting in the country's trade surplus falling from USD2.7 billion in 1Q18 to an estimated USD 1.41 billion in 1Q19.

In our opinion, Vietnam's modest export growth in Q1 was notable given that world trade is falling at the quickest pace since the global financial crisis, according to a report from the Dutch government. By comparison, Korean exports fell by nearly 10% y-o-y during the quarter.

Despite the drop in Vietnam's trade surplus, the unofficial value of the VN Dong appreciated by about 0.3% YTD, primarily because the central bank bought an estimate USD6 billion of FX reserves, bringing total reserves back to three-months' worth of imports. The source of those reserves included US\$4.1 billion of disbursed FDI, a 6% y-o-y increase over FDI disbursements in 1Q18.

Finally, Vietnam's headline inflation rate was unchanged at 2.7% y-o-y in March 2019, which was up slightly from 2.6% in February 2019. In short, a rebound in food price inflation from a very low base in 2018 to nearly 5% in 2019 added 1.5%pts to Vietnam's headline inflation rate, but this was completely offset by a collapse in medical price inflation from 22% in March 2018 to a negligible level in 2019 as government mandated health care price increases have ended for the time being.

We expect inflation to pick up to 3.5% by the end of 2019, due to a circa 7% hike in electricity prices at the end of March, and by the nascent (in Vietnam) Asian Swine Fever epidemic, which is likely to cause a shortage of domestic pork supply later in the year.

## Macro indicators

		Mar-19	Feb-19	2018A	2019F
GDP	% y/y	6.79	N/A	7.08	6.60 - 6.80
PMI		51.9	51.2	53.8	
CPI, average	% y/y	2.70	2.64	3.45	3.57
Trade balance, cumulative	USD billion	1.41	0.08	7.78	6.81
Imports	% y/y	7.82	7.50	11.58	13.70
Exports	% y/y	5.55	5.90	14.24	14.42
FDI, registered	USD billion	10.81	8.47	35.46	
FDI, disbursed	USD billion	4.12	2.58	19.10	
FX reserve	USD billion	64.00	64.00	60.00	65.00
USD/VND	VND	23,189	23,199	22,655	23,880

Forecasted figures are compiled by SSI Research

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