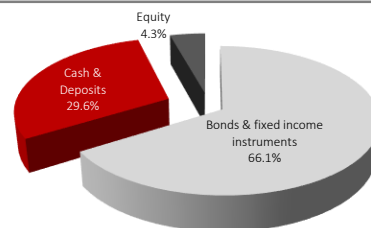


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance 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 VND16,065 at the end of May, increasing 0.5% month-over-month (m-o-m) and 3.3% year-to-date (YTD). VFF's NAV growth in May was attributed to cumulative interest from bond holdings and other fixed income instruments.

As of May 2019, VFF's total NAV was VND249.1 billion (USD10.6 million), versus VND266.5 billion (USD11.4 million) at the end of April 2019. Bonds and fixed income instruments accounted for 66.1% of VFF's total NAV and VFF preserved 29.6% 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 May and successfully mobilised VND9.2 trillion (USD0.39 billion) worth of bonds with tenors of 5-year, 10-year, 15-year, 20-year, and 30-year. Total issued value in May decreased 26.6% compared to April 2019. Investors paid the most attention to the 15-year tenor with issued volume accounting for VND3.0 trillion (USD128.12 million), occupying 32.6% of the total issues in the month. Bonds with 10-year tenors came second with issued value worth VND2.83 trillion (USD120.86 million), accounting for 26.1% of total issues.

ST primary bond yields of the 10-year and 15-year tenors increased 2 and 3 bps respectively, while the 5-year stayed unchanged, remaining at 3.7% compared to their last issues. Meanwhile, the 20-year ST bond yield posted a moderate m-o-m decline of 1 bp and the 30-year ST bond yield increased 3 bps compared to last month.

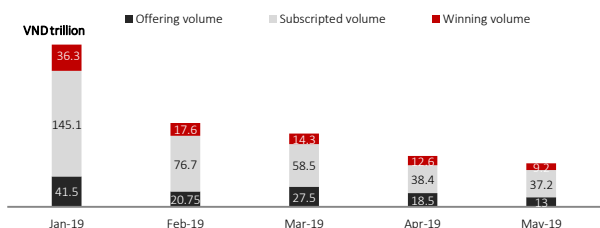
After 5 months of 2019, the ST has mobilised a total VND90.03 trillion (USD3.85 billion) worth of bonds, delivering 34.6% of total target in 2019.

Secondary bond market: The secondary market in May was more active compared to the previous month. Total trading value in May increased to VND86.11 trillion (USD3.68 billion) from VND77.21 trillion (USD3.31 billion) in April, representing a m-o-m increase of 11.5%. As a result, secondary government bond (g-bond) yields recognised an increase of 1 to 2 bps on 1-, 3- and 7-year tenors, while 2-, 5-, 10-, 15-year g-bond yields declined moderately by 3 to 7 bps compared to last month.

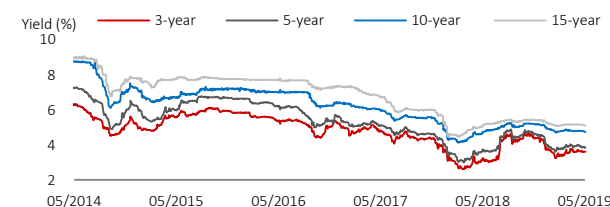
In 2019, the ST targets to mobilise VND260 trillion (USD11.2 billion) worth of 5- to 30-year tenors via auction with the following breakdown:

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



Performance versus Benchmark

	VFF	4 SOCBs 3M deposit ²	4 SOCBs 12M deposit ³	VCB 12M deposit ⁴
Total Assets, VND billion	249.1			
NAV ¹ /Unit, VND	16,065			
NAV performance				
m-o-m	0.5%			
YTD	3.3%	2.1%	2.8%	2.8%
Annualised Return				
2019	8.0%	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	7.9%	5.1%	6.5%	6.4%
Total return since inception	60.7%	32.9%	42.1%	41.5%

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 • 1.5% > / = 12 and < 24 months • 0.75% > / = 24 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.

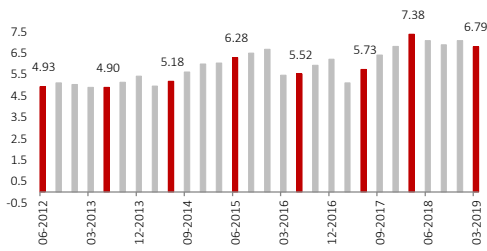
Target

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

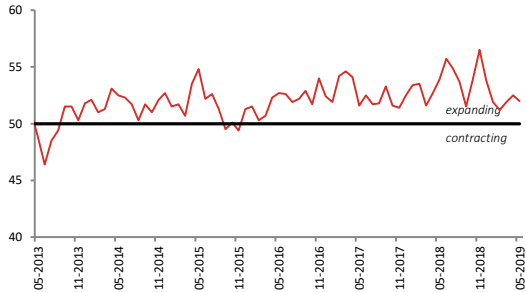
Portfolio Manager: Ms. Xuan Dung Nguyen
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 Tel: +84 28 38 27 85 35

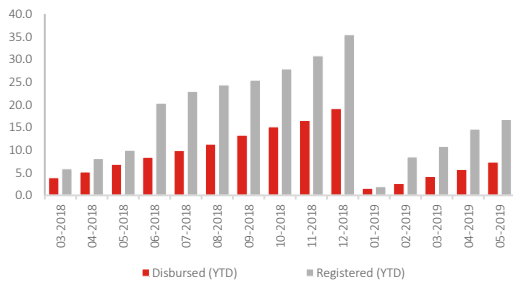
Quarterly GDP growth (%)



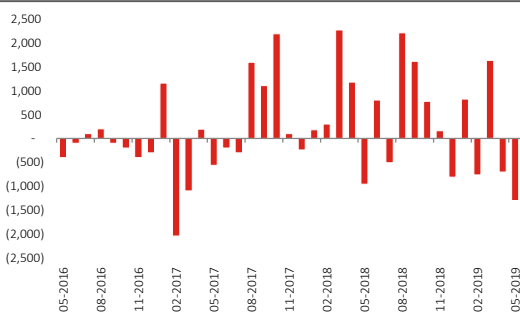
Purchasing Managers' Index



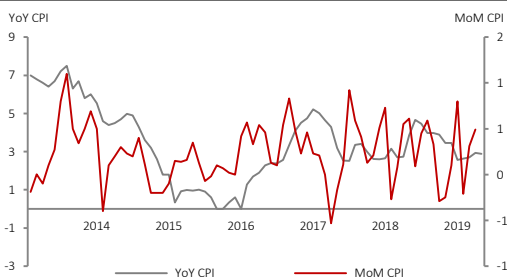
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



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



Economics Commentary, May 2019

Inflation in Vietnam remained stable in May but fell from 3.9% year-on-year (y-o-y) in May 2018 to 2.9% y-o-y in May 2019, driven by a collapse in medical price inflation, which subtracted -0.8%pts from the headline consumer price index (CPI) inflation rate. Food price inflation fell from 4.3% a year ago to 3.4% in May 2019, which subtracted -0.3%pts from the CPI inflation rate. This drop was due to a transitory effect related to African Swine Fever (ASF), which will reverse in 2H19, meaning that inflation is likely to reach 3.5-4% later in the year.

Specifically, farmers have been dumping their pigs onto the market since ASF first came to Vietnam in February, which is currently depressing pork prices that contribute about 6% to the CPI basket and that fell by about -0.6% mom in May. However Vietnam has aggressively culled over 2 million pigs (or 7% of its total swine population and which is more than the number of pigs culled in China), so we expect a shortage of pork to push food price inflation up later in the year (note that food price inflation in China is currently about double that in Vietnam).

Next, the growth of Vietnam's manufacturing output was nearly unchanged at 12% y-o-y in 5M18 and 11% in 5M19, which was reflected in a modest purchasing managers' index (PMI) reading of 52 in May.

The growth of Vietnam's industrial base is supported by an 8% y-o-y increase in FDI disbursements to USD7.3 billion. Newly registered FDI soared 27% y-o-y to USD9.1 billion, which was clearly a result of the on-going US-China trade tensions; newly registered FDI from China soared more than three-fold from 5M18 to 5M19 to USD1.7 billion, making the country the second highest foreign investor in Vietnam this year. We assume that this surge in new Chinese FDI projects is an attempt to circumvent US tariffs on imports from China.

Another consequence of the trade war was a 28% y-o-y surge in Vietnam's exports to the US, and a concurrent 19% increase in imports from China, making the US Vietnam's largest export market (22% of total), and China its biggest source of imports (29% of total). This dynamic is a positive for Vietnam's economy, but raises concerns that local firms could be importing Chinese products and essentially re-exporting them to the US via Vietnam, which could make Vietnam vulnerable to punitive measures from the US government.

The surge in exports to the US helped drive 7% y-o-y export growth in 5M19. Although this was a significant drop from the 17% growth the country achieved in 5M18, it was superior to the estimated -5% y-o-y export growth of Korea, Thailand, and Thailand so far this year.

That said, Vietnam moved from a USD2.6 billion trade surplus in 5M18 to an estimated USD550 million deficit in 5M19 according to the Government Statistics Office (GSO), as import growth of 10% in 5M19 outpaced export growth. This, coupled with an escalation of the US-China trade war during the month of May, put pressure on the unofficial value of VN Dong. After having remained stable for months, the VN Dong depreciated by about 0.9% during the month, versus a 2.5% depreciation in the USD-CNY exchange rate.

Macro indicators

		May-19	Apr-19	Mar-19	2018A	2019F
GDP	% y/y	N/A	N/A	6.79	7.08	6.60 - 6.80
PMI		52.0	52.50	51.90	53.80	
CPI, average	% y/y	2.74	2.71	2.70	3.45	3.57
Trade balance, cumulative	USD billion	0.55	-0.70	1.41	7.78	6.81
Imports	% y/y	8.3	10.40	7.82	11.58	13.70
Exports	% y/y	7.5	5.80	5.55	14.24	14.42
FDI, registered	USD billion	16.74	14.60	10.81	35.46	
FDI, disbursed	USD billion	7.3	5.70	4.12	19.10	
FX reserve	USD billion	66.00	66.00	64.00	60.00	65.00
USD/VND	VND	23,415	23,280	23,189	22,655	23,880

Forecasted figures are compiled by SSI Research

Important information

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Source: Bloomberg