

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	183.7			
NAV ¹ /Unit, VND	16,360			
NAV performance				
m-o-m	1.0%			
YTD	5.2%	2.9%	4.0%	3.9%
Annualised Return				
2019	8.9%	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	8.0%	5.1%	6.5%	6.4%
Total return since inception	63.6%	33.7%	43.2%	42.6%

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 1.5% >= 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.

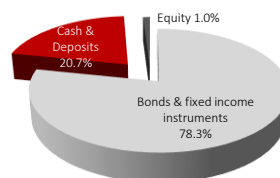
Portfolio Manager: Ms. Xuan Dung Nguyen
dung.xuan.nguyen@vina-capital.com

Investor Relations: irm@vina-capital.com
 Tel: +84 28 38 27 85 35

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 VND16,360 at the end of July, increasing 1% month-over-month (m-o-m) and 5.2% year-to-date (YTD). VFF's NAV growth in July was attributed to cumulative interest from corporate bonds and fixed income instruments, and capital gains from listed stock investments.

As of July 2019, VFF's total NAV was VND183.7 billion (USD7.9 million), compared to VND225.9 billion (USD9.7 million) at the end of June 2019. Bonds and fixed income instruments accounted for 78.3% of VFF's total NAV and VFF preserved 20.7% 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 July and successfully mobilised VND32.1 trillion (USD1.4 billion) worth of bonds with tenors from 5- to 30-years. Total issued value in July increased 188% compared to June 2019. Investors paid the most attention to the 10-year and 15-year tenors, occupying 42% and 39% respectively of the total issues in the month.

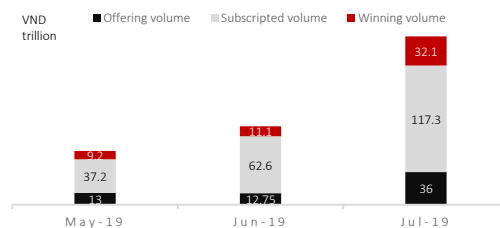
ST primary bond yields of all tenors decreased from 20 to 43 bps. Particularly, yields from 15-year and 20-year bonds exhibit the highest decrease, 32 and 43 bps respectively. After 7M2019, the ST mobilised a total of VND133.2 trillion (USD5.7 billion) worth of bonds, delivering 51% of total target in 2019.

Secondary bond market: The secondary market in July was more active compared to the previous month due to higher demand from investors in response to lower yields. Total trading value in July increased to VND97.2 trillion (USD4.2 billion), from VND69.2 trillion (USD3.0 billion) in June, representing a m-o-m increase of 40.4%. As a result, secondary government bond (g-bond) yields recognised an increase of 1 to 8 bps on 1-, 2-, 3- and 5-year tenors, while 7-, 10-, 15-year g-bond yields declined significantly by 23 to 51 bps compared to the previous month.

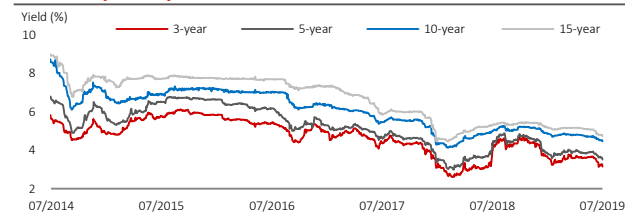
In 2019, the ST aims to mobilise VND260 trillion (USD11.2 billion) worth of 5- to 30-year tenors via auction with the following breakdown:

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

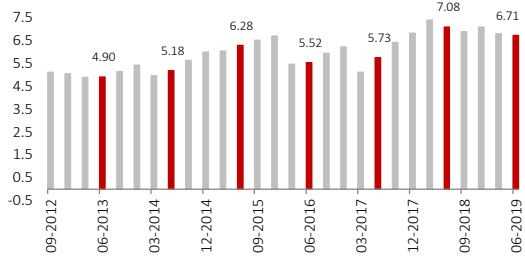
Bond auction result



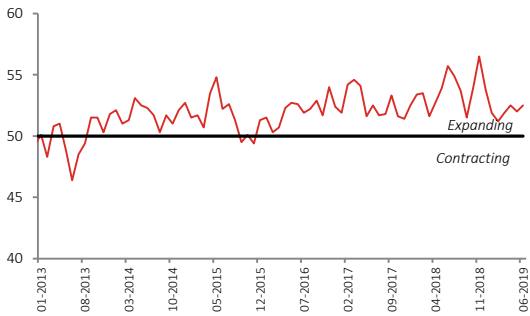
Secondary bond yield



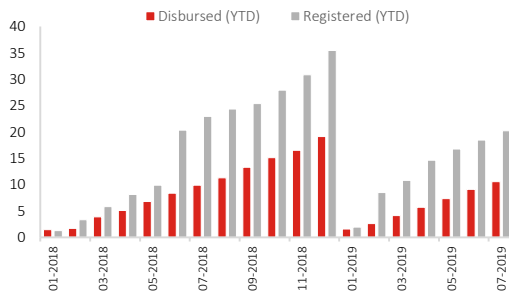
Quarterly GDP growth (%)



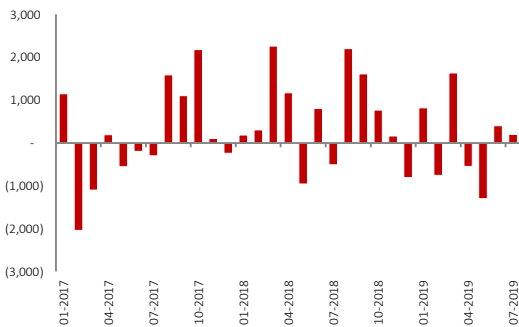
Purchasing Managers' Index



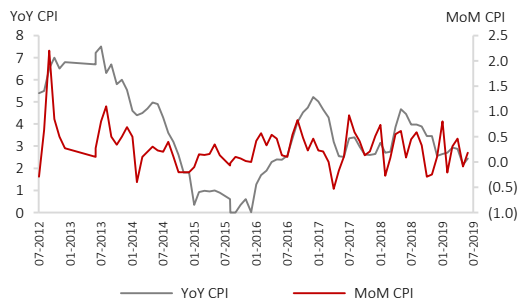
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



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



Economics Commentary, July 2019

Vietnam's consumer price index (CPI) inflation rate ticked up from 2.2% year-on-year (y-o-y) in June to 2.4% in July 2019, but fell from 4.5% in July 2018, driven by a collapse in food price inflation, and stable world oil prices, which both subtracted about one percentage point from the headline CPI rate.

The decline in food prices was due to a transitory effect related to African Swine Fever (ASF), which will almost certainly reverse in 2H19, meaning that inflation is likely to reach 3.5-4% later in the year. Specifically, farmers have been aggressively selling their pigs into the market since ASF was first discovered in Vietnam in February, resulting in a 30% y-o-y decline in the price of pork, which contributes about 6% to the country's CPI basket.

However, Vietnam has culled over 10% of its total swine population (which fell 16% y-o-y), so we expect a shortage of pork to push food price inflation up later in the year. Note that Vietnam's 2.3% food price inflation in July was much lower than China's circa 8% y-o-y rate because pork prices in China, which suffered its first major ASF outbreaks about eight months before Vietnam, are up about 30% y-o-y.

The growth of Vietnam's manufacturing output was nearly unchanged at 10.8% y-o-y in 1H19 and 10.7% in 7M19, which was reflected in a modest uptick in Vietnam's purchasing managers' index (PMI) reading of 52.6 in July. Industrial base growth is being supported by a 7% y-o-y increase in FDI disbursements to USD10.6 billion, although newly registered FDI fell 36% y-o-y from USD18.6 billion in 7M18 to USD11.7 billion in 7M19. This plunge was attributable to the unusually high USD10.4 billion worth of FDI the country attracted in the month of June 2018, including Sumitomo's USD4.1 billion real estate development project in Hanoi.

In contrast to that plunge, Chinese FDI more than doubled from USD1.1 billion in 7M18 to USD2.5 billion in 7M19, making China the third-largest investor of registered FDI in Vietnam this year. We assume that this surge is attributable to an attempt to circumvent US tariffs on imports from China. Another consequence of the trade war was a 25% y-o-y surge in Vietnam's exports to the US – making it Vietnam's largest export market (22% of total exports) – and a concurrent 17% increase in imports from China, making that country its biggest source of imports (29% of total).

This dynamic is 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, especially because Vietnam's trade surplus with the US surged from USD13.8 billion in 7M18 to USD24.2 billion in 7M19.

The surge in exports to the US helped drive 8% y-o-y export growth in 7M19, however it was a significant drop from the 17% growth the country achieved in 7M18. As a result, Vietnam's trade surplus shrank from USD2.6 billion in 7M18 to an estimated USD1.8 billion in 7M19 according to the General Statistics Office. Despite that modest deterioration, the value of the VND appreciated by about 0.4% m-o-m, and 0.1% YTD at the end of July.

At the time of writing, the US-China trade war escalated with the US designating China a "currency manipulator." Although the dispute would appear to be ratcheting up, and global economic conditions remain uncertain, we continue to believe that Vietnam's stable macroeconomic growth will continue to prevail.

Macro indicators

		Jul-19	Jun-19	2018A	2019F
GDP	% y/y	N/A	6.71	7.31	6.60 - 6.80
PMI		52.6	52.5	53.8	
CPI, average	% y/y	2.64	2.64	2.98	3.57
Trade balance, cumulative	USD billion	1.79	0.03	7.20	6.81
Imports	% y/y	8.3	10.0	11.50	13.70
Exports	% y/y	7.5	8.5	13.80	14.42
FDI, registered	USD billion	20.22	18.47	25.57	
FDI, disbursed	USD billion	10.60	9.1	19.10	
FX reserve	USD billion	66.00	66.00	60.00	65.00
USD/VND	VND	23,205	23,301	23,175	23,880

Forecasted figures are compiled by SSI Research

Important information

The information contained herein has been prepared by VinaCapital Fund Management Joint Stock Company (the "Company") and is subject to updating, completion, revision, further verification and amendment without notice.

The information contained herein has not been approved by any listing authority or any investment regulator. The information does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall they or any part of them form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever. Forward-looking information is based on the estimates and opinions of the Company's at the time the statements are made. The Company assumes no obligation to confirm or update forward-looking statements should circumstances or management's estimates or opinions change.

No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of the Company or any of its directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained herein and no responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligence or otherwise for any other communication written or otherwise.

The information herein may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose. By accepting receipt of this document, you agree to be bound by the limitations and restrictions set out above.

Neither these pages nor any copy of them may be taken or transmitted into or distributed in any jurisdiction where the distribution of such material would be prohibited under the jurisdiction's applicable securities laws. Any failure to comply with this restriction may constitute a violation of national securities laws.