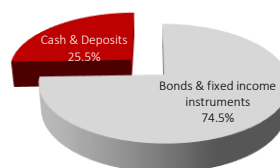


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance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

Snapshot

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

Investment allocation



Investment performance

VFF's net asset value (NAV) per unit was VND16,435 at the end of August, increasing 0.5% month-on-month (mom) and 5.7% year-to-date (YTD). VFF's NAV growth in August was attributed to cumulative interest from corporate bonds and fixed income instruments, and capital gain from listed stock investments.

As of August 2019, VFF's total NAV was VND160.8 billion (USD6.9 million), versus VND183.7 billion (USD7.9 million) at the end of July 2019. Bonds and fixed income instruments accounted for 74.5% of VFF's total NAV and VFF preserved 25.5% 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 August and successfully mobilised VND10.8 trillion (USD0.5 billion) worth of bonds with tenors from 5- to 30-year. Total issued value in August decreased 66% compared to July 2019. Investors paid the most attention to the 10-year and 15-year tenors, occupying 40% of the total issues in the month.

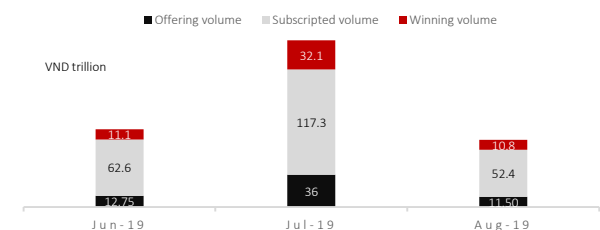
ST primary bond yields of all tenors decreased from 9 to 26 bps. Particularly, yields from bonds of 20- and 30-year tenors decreased 9 and 16 bps, respectively, while yields from the shorter tenors fell by 22 to 26 bps. After 8M2019, the ST has mobilised a total VND144.1 trillion (USD6.2 billion) worth of bonds, delivering 55% of total target in 2019.

Secondary bond market: The secondary market in August was more active compared to the previous month due to higher demand from investors in response to lower yields. Total trading value in August increased to VND99.16 trillion (USD4.3 billion) from VND97.2 trillion (USD4.0 billion) in July, representing a mom increase of 2.9%. As a result, secondary government bond (g-bond) yields recognised a decrease of 18 to 40 bps for all tenors compared to last month.

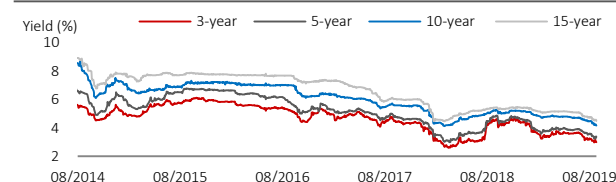
In 2019, the ST targets to mobilise VND260 trillion (USD11.2 billion) worth of 5- to 30-year tenors via auction with the following breakdown:

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	160.8			
NAV ¹ /Unit, VND	16,435			
NAV performance				
m-o-m	0.5%			
YTD	5.7%	3.3%	4.5%	4.5%
Annualised Return				
2019	8.5%	5.0%	6.8%	6.7%
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	64.4%	34.2%	43.8%	43.2%

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.

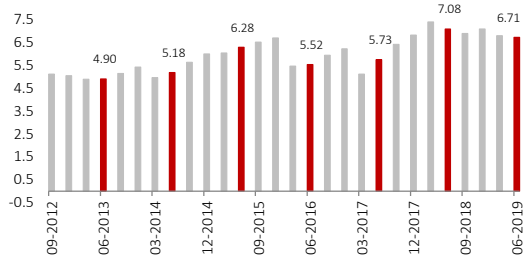
Target

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

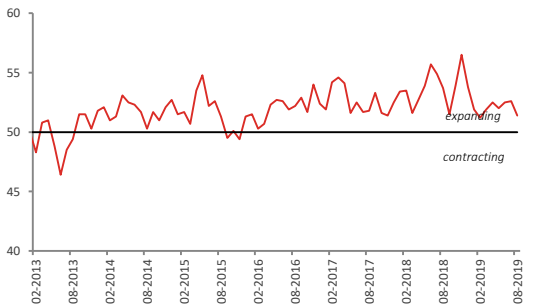
Portfolio Manager: Ms. Xuan Dung Nguyen
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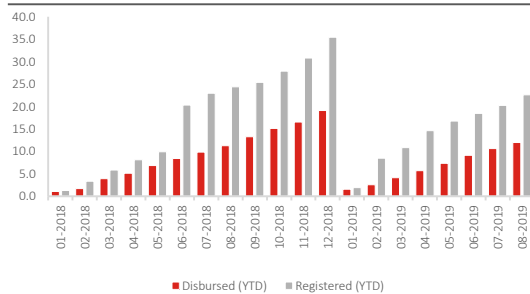
Quarterly GDP growth (%)



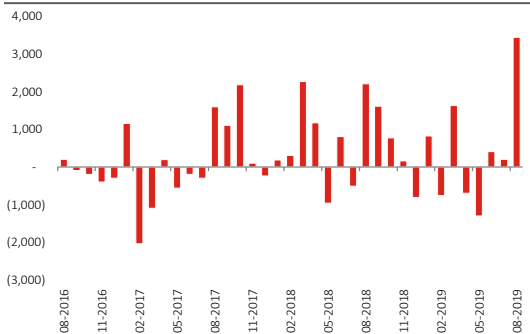
Purchasing Managers' Index



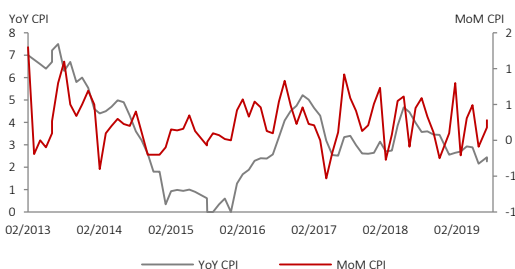
Registered & disbursed FDI, cumulative YTD (USDbn)



Monthly trade balance (USDmn)



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



Economics Commentary, August 2019

Vietnam's consumer price index (CPI) inflation rate eased from 2.4% year-on-year (y-o-y) in July to 2.3% in August 2019, but fell from 4% in August 2018, driven by a collapse in food price inflation and by a circa 20% y-o-y drop in oil prices. These both subtracted about one percentage point from the headline CPI inflation rate.

The decline in food price inflation was related to African Swine Fever (ASF), which we have discussed in previous monthly reports. We expect that pork prices, which contribute about 6% to the country's CPI basket, will begin to rise over the balance of the year as shortages start to become more severe. For comparison, China's food price inflation was circa 9% y-o-y due mainly to pork prices that are up about 100% y-o-y.

Next, the growth of Vietnam's real retail sales, which is an accurate proxy for consumption (65% of GDP), was unchanged at 9% y-o-y in 8M19, as was the growth in manufacturing output (20% of GDP). Accordingly, Vietnam's GDP growth remains on track to come in at about 6.8% in Q3, unchanged from 1H19.

That said, Vietnam's purchasing managers' index (PMI) reading fell to a six-month low of 51.4 in August, in concert with a plunge in PMI readings around the world. Note that Asean's PMI reading fell to 48.9 in August, and about 70% of the world's major economies had PMIs below '50' last month, meaning that manufacturing contracted.

The growth of Vietnam's industrial base is being supported by a 6.3% y-o-y increase in FDI disbursements to USD12 billion, although newly registered FDI fell 31% y-o-y to USD13 billion in 8M19. It is worth noting, however, that this plunge was attributable to an unusually high USD10.4 billion worth of FDI Vietnam attracted in June 2018, including a USD4.1 billion real estate development project in Hanoi.

At the same time, FDI from China more than doubled from USD1.2 billion in 8M18 to USD2.8 billion in 8M19, which is attributable to an attempt by companies 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, and a concurrent 18% increase in imports from China, making the US the Vietnam's largest export market (23% of total exports), 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, especially because Vietnam's trade surplus with the US surged from USD22 billion in 8M18 to USD29 billion in 8M19. The Vietnamese government has stepped up inspections of goods to help prevent improper exports.

The surge in exports to the US helped drive 8.1% y-o-y export growth in 8M19, bringing Vietnam's trade surplus to USD5.4 billion in 8M19 (compared to a USD4.9 billion surplus in 8M18), according to the Vietnam Customs. Despite the circa 4% devaluation of the Chinese Yuan against the US Dollar during the month, the unofficial value of the VND actually ended August unchanged; the VND depreciated by about 0.5% around the time that the USD-CNY broke the psychologically important '7' level, but then later re-appreciated as the month progressed.

Finally, the level of interbank interest rates in Vietnam's banking system remained below 3% for most of the month, which helped drive a circa 30 bps decline in the yields on 10-year Vietnam Government Bonds to 4.1%. However, the interest rates that smaller commercial banks pay to depositors edged up by about 20 bps, driven by the impending introduction of stricter Asset Liability Mismatch (ALM) macro-prudential regulations. Many smaller banks pay interest rates of over 8% on 1-year term deposits in local currency, or circa 5% real interest rates (i.e., inflation adjusted), which presents a credible alternative to the stock market investment for savers, which helps explain why the VN-Index ended the month nearly unchanged.

Macro indicators

		Aug-19	Jul-19	2018A	2019F
GDP	% y/y	N/A	6.71	7.31	6.60 - 6.80
PMI		51.4	52.5	53.8	
CPI, average	% y/y	2.26	2.64	2.98	3.57
Trade balance, cumulative	USD billion	3.71	0.03	7.20	6.81
Imports	% y/y	8.5	10.0	11.50	13.70
Exports	% y/y	7.3	8.5	13.80	14.42
FDI, registered	USD billion	22.63	18.47	25.57	
FDI, disbursed	USD billion	12.00	9.1	19.10	
FX reserve	USD billion	67.00	66.00	60.00	65.00
USD/VND	VND	23,196	23,301	23,175	23,880

Forecasted figures are compiled by SSI Research

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Source: Bloomberg