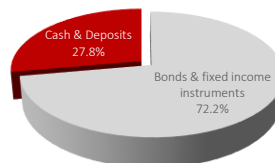


The performance data featured represents past performance, which is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your fund units. Current performance may be higher or lower than the performance 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 VND 16,634 at the end of October, increasing 0.7% month-on-month (mom) and 7% year-to-date (YTD). VFF's NAV growth in October was attributed to realised capital gains and cumulative interest from corporate bonds and fixed income instruments.

As of October 2019, VFF's total NAV was VND106 billion (USD4.6 million), versus VND129.7 billion (USD5.6 million) at the end of September 2019. Bonds and fixed income instruments accounted for 72.2% of VFF's total NAV and VFF preserved 27.8% 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 in the primary g-bond market with issuance values worth VND8.69 trillion (USD0.37 billion) of 5- to 30-year ST bonds, representing an increase of 109.2% compared to September.

Primary g-bond yields of all tenors decreased from 30 to 58 basis points (bps) month-on-month (mom). Particularly, yields from g-bonds of 7- to 30-year tenors decreased 41 to 58 bps, while yields on 5-year g-bonds fell by 30 bps.

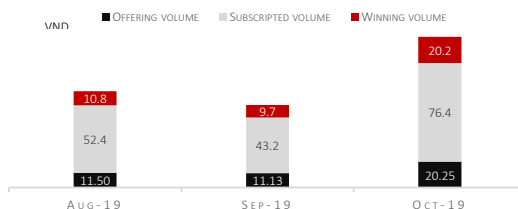
After ten months of 2019, the ST has mobilized a total of VND173.9 trillion (USD7.5 billion) worth of bonds, delivering 67% of the total target in 2019.

Secondary bond market: The secondary market in October was more active compared to the previous month due to higher demand from investors in response to lower yields. Total trading value in October increased to VND124.4 trillion (USD5.4 billion) from VND102.4 trillion (USD4.4 billion) in September, representing a mom increase of 21.4%. As a result, secondary g-bond yields recognized a decrease of 38 to 66 bps for all tenors. G-bond yields with tenors from 1- to 3-years fell from 63 to 66 bps while the longer tenors decreased 38 to 53 bps.

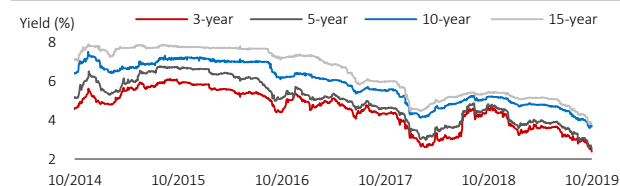
In 2019, the ST targets to mobilize VND260 trillion (USD11.2 billion) worth of 5- to 30-year tenors via auction with the following breakdown:

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 results



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	106.0			
NAV ¹ /Unit, VND	16,634			
NAV performance				
m-o-m	0.7%			
YTD	7.0%	4.2%	5.7%	5.6%
Annualised Return				
2019	8.3%	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	66.3%	35.0%	45.0%	44.3%

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.

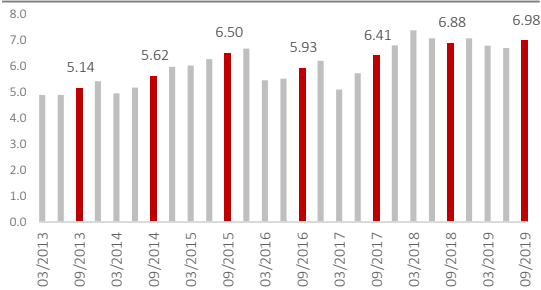
Target

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

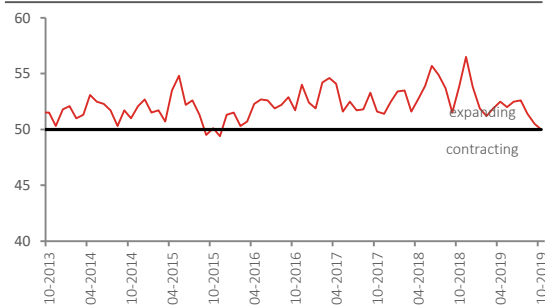
Portfolio Manager: Ms. Xuan Dung Nguyen
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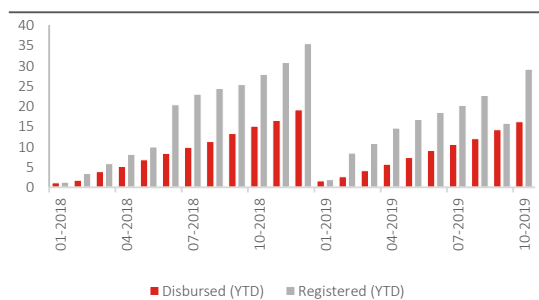
Quarterly GDP growth (%)



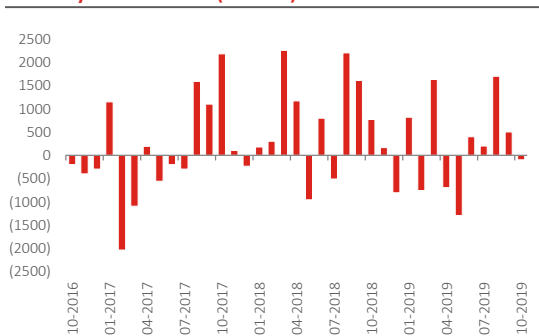
Purchasing Managers' Index



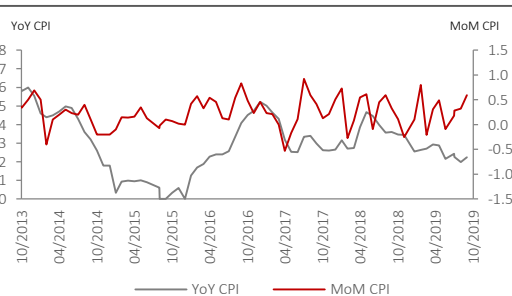
Registered & disbursed FDI, cumulative YTD (USD bn)



Monthly trade balance (USDmn)



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



Economics Commentary, October 2019

Vietnam's CPI inflation rate increased from 2% year-on-year (y-o-y) in September to 2.2% in October, driven by an increase in food price inflation from 1.8% y-o-y to 2.7%, which was in-turn driven by a circa 8% month-on-month increase in retail pork prices due to the unfolding African Swine Fever (ASF) outbreak in Vietnam. As we have mentioned in the past few monthly reports, the ASF outbreak in Vietnam has lagged China's outbreak by about six months. China has seen food price inflation of circa 11% due to wholesale pork prices that have increased 100% y-o-y. Accordingly, we believe it is inevitable that Vietnam's CPI inflation will continue to increase into early-2020

The growth of Vietnam's real retail sales, which is an accurate proxy for consumption (65%/GDP), nudged up from 9.2% y-o-y in 9M19 to 9.4% in 10M19, driven by a 55% y-o-y surge in Chinese tourist arrivals. Approximately one-third of Vietnam's total tourist arrivals come from China, and we estimate that tourists contribute over 10% of Vietnam's total retail sales.

The other major driver of Vietnam's GDP growth in 2019 is manufacturing (20%/GDP), which grew 10.8% in 10M19, a modest slowdown from the 12.7% rate in 10M18. This was partly due to global smartphone sales declining about 5% y-o-y this year due to the "peak smartphone" phenomenon; smartphones account for an estimated 10% of Vietnam's manufacturing output.

This slowdown in smartphone sales, coupled with a general slowdown in the global economy led to a drop of Vietnam's purchasing managers index (PMI) survey reading from 50.5 in September to '50' in October, breaking a near four-year streak of remaining above the '50' expansion-contraction threshold.

That said, Vietnam's industrial base continued to be supported by a 7% y-o-y increase in FDI disbursements to USD16 billion in 10M19. Newly registered FDI fell 15% y-o-y to USD18 billion, but this drop was attributable to the unusually high USD10.4 billion worth of FDI the country attracted in the month of June 2018, including a massive USD4.1 billion real estate project in Hanoi.

In contrast to that drop, Chinese registered FDI surged by 200% to USD3.2 billion in 10M19, which is attributable to an attempt by companies to circumvent US tariffs on imports from China. Another consequence of the trade war was a 27% y-o-y surge in Vietnam's exports to the US, and a concurrent 36% surge in Vietnam's trade surplus with the US to USD38 billion. This surge in exports to the US helped drive 7% y-o-y export growth in 10M19. Meanwhile, Vietnam's trade surplus was nearly unchanged at about USD7 billion in both 10M18 and 10M19, according to the initial estimate of the General Statistics Office.

The value of the VN Dong was unchanged during the month and has appreciated 0.3% YTD (unofficial rate). The currency has been supported by continued positive macroeconomics as well as the government's announcement that the State Bank of Vietnam has increased its FX reserves by about USD14 billion this year to USD73 billion, or well over three months' worth of imports.

Finally, interbank interest rates in Vietnam's banking system hovered around 2% for most of the month, which helped drive a circa 40bp decline in 10-year Vietnam Government Bond yields to 3.7%. However, the interest rates that smaller commercial banks pay to depositors edged up by about 20 bps during the month, driven by the impending introduction of stricter Asset Liability Mismatch (ALM) macro-prudential regulations. Many smaller banks pay interest rates of over 8% on one-year time deposits, or circa 5% real interest rates (i.e., inflation adjusted), which presents a credible alternative to the stock market investment for savers and which helps explain why the VN-Index ended the month nearly unchanged.

Macro indicators

		Oct-19	Sep-19	2018A	2019F
GDP	% y/y	N/A	6.98	7.31	6.60 - 6.80
PMI		50	50.5	53.8	
CPI, average	% y/y	2.24	1.98	2.98	3.57
Trade balance, cumulative	USD billion	7.05	5.87	7.20	6.81
	Imports % y/y	7.8	8.9	11.50	13.70
	Exports % y/y	7.4	8.2	13.80	14.42
FDI, registered	USD billion	29.10	15.77	25.57	
FDI, disbursed	USD billion	16.2	14.20	19.10	
FX reserve	USD billion	67.00	67.00	60.00	65.00
USD/VND	VND	23,202	23,203	23,175	23,880

Forecasted figures are compiled by SSI Research

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