VIETFUND MANAGEMENT

BOND MARKET
May 2017

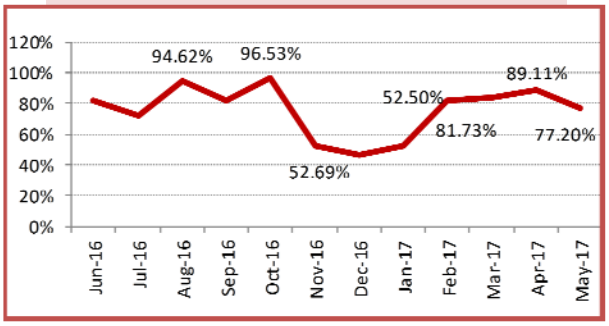
PRIMARY MARKET

In May, The State of Treasury (ST) has issued total VND 20,766 billion Government bond (declined 17.22% compared to March's amount) over VND 26,900 billion of calling amount, equivalent to 77% winning ratio. In that, the tenor contributed are short-term bond with tenor from 5-year to 7-year bond (account for 56% winning amount), whereas in the previous months, the highest contribution coming from 15-year and above tenor. In the first 5 months, the State of Treasury has accomplished successfully raising VND 83,415 billion, achieved 55.48% yearly plan. In 7-year and above terms, ST finished nearly 80% of entire year plan. Thus, the thing that forwarding investors to shorter-term bond, maintaining supply at reasonable level which could keep yield curve be sustainable is the key aim of State of Treasury in remaining of the year.

The winning yield dramatically slumped in all tenors. The issued yield of 5-year and 7-year bond enormously went down 14 to 17 bps while that of 10-year and above tenor moderately decline 8 to 12 bps. The winning yield ranged 5.03%-5.22%/year for 5-year bond, 5.34%-5.48%/year for 7-year bond, 5.91%-6.00%/year for 10-year bond, 6.64%-6.76%/year for 15-year bond, 7.00%-7.09%/year for 20-year bond and 7.55%-7.63%/year for 30-year bond. Auction results in the first half of May are better than in the second half when almost auction sessions finished issuing 100% of calling amount.

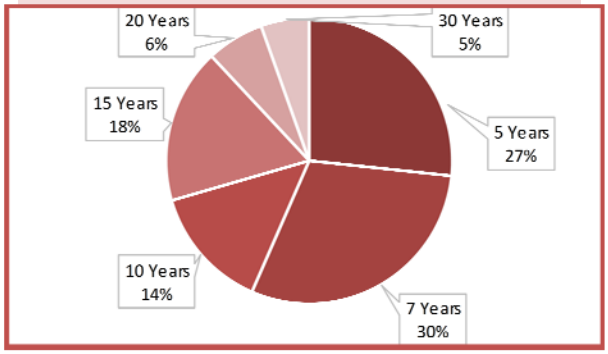
Also in May, HNX VND 2.980 billion Government guaranteed bond (GGB) and successfully raised VND 2,020 billion, equivalent to 67.24% winning rate. The end of May, the Vietnam bank of social VND 6,220 billion in 2017, equivalent to 67.24% of yearly target plan (VND 9,250 billion). The funding cost in May decreased for a sharped decline in money market rate. Therefore, banks can buy fixed-income assets with lower yield and overcome short-term and small volatilities as long as having long enough holding period. The impressive results from ST and SBV indicates the high demand from banks. The accumulated issuing amount exceed 60% of year plan within less than 6 months, putting to less pressure on the issuer and giving them the flexibilities to launch new products. Therefore, bond yield is forecasted to be flat and supply for long tenor bond will be likely to decline which can help avoiding any significant in this tenor.

RATIO OF SUCCESSFULL BID/OFFER ON PRIMARY MARKET



Source HNX/VFM

PROPORTIONS OF BOND TERMS ISSUED IN MAY 2017



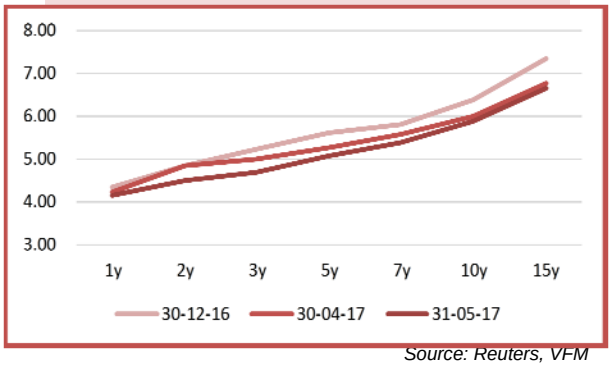
Source: HNX/VFM

GOVERNMENT BOND ISSUANCE—MAY 2017

Terms	Number of auc-tions	Call amount (VND Billion)	Bid amount (VND Bil-lion)	Success amount (VND Billion)	Winning Yield	Bid/Offer Ratio
5 Year	5	7,600	30,328	5,543	5.03-5.22	**5.471**
7 Year	5	7,100	18,264	6,200	5.34-5.48	**2.946**
10 Year	3	4,100	6,493	2,900	5.91-6.00	**2.239**
15 Year	3	4,100	9,283	3,640	6.64-6.76	**2.550**
20 Year	2	2,000	5,650	1,350	7.00-7.09	**4.185**
30 Year	2	2,000	3,412	1,133	7.55-7.63	**3.011**
Total	**20**	**26,900**	**73,430**	**20,766**		**1.623**

Source: HNX/VFM

BOND YIELD CURVE—APRIL AND MAY 2017 (%)



Source: Reuters, VFM

TOTAL ISSUED AMOUNT AND TARGET PLAN 2017

Terms	Winning amount in April 2017	Plan for Q2	% Plan Q2	Total issued amount	Yearly plan 2017	% Yearly plan 2017
<= 5 Year	8,593	20,000	43%	22,150	108,300	20%
7 Year	8,170	10,000	82%	20,755	25,000	83%
10 Year	6,800	8,000	85%	9,036	5,000	**181%**
15 Year	6,890	10,000	69%	16,743	20,000	84%
20 Year	5,180	8,000	65%	12,330	10,000	**123%**
30 Year	10,216	10,000	102%	21,333	15,000	**142%**
Total	**45,849**	**66,000**	**69%**	**102,348**	**183,300**	**56%**

Source: HNX/VFM

VIETFUND MANAGEMENT

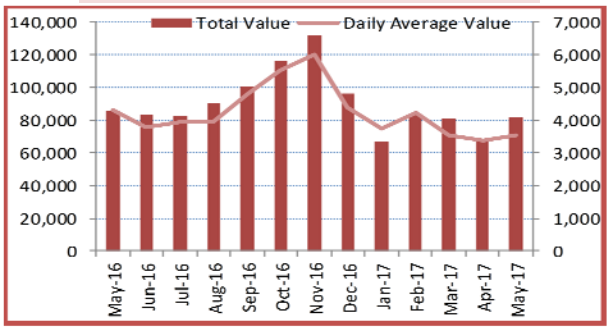
BOND MARKET
May 2017

SECONDARY MARKET

THE SECONDARY MARKET WAS NO LONGER QUIET

Trading Government bond in secondary market performed many positive signals in May when average trading volume per session increased after two consecutive declining months. Total transaction value reached VND 81,427 billion, 20.44% higher than that value in April (VND 67,609 billion). The average trading volume was VND 3,540 billion/ session that is slightly enhanced compared to VND 3,380 billion/session in last month (increased 4.73%). Investors still focusing on short-term bond. In particularly, 3-year to 5-year bond amounted 37.86% total trading value, followed by below-3-year bond (account for 25%) and 15-year and above (14.2%). The foreign investor turned to net sell with VND 340 billion concentrating on 10-year and 15-year bond. This is the first net-selling month from Nov 2016.

VALUE OF OUTRIGHT TRANSACTION OVER MONTHS

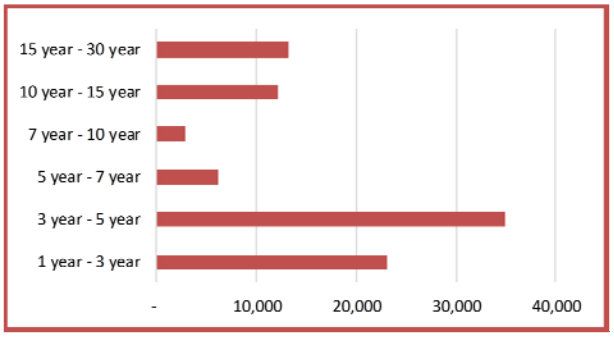


Source: HNX/VFM

SECONDARY TRADING YIELD DECREASED

Trading yield on the secondary market dropped dramatically thanks to declining in interbank interest rate. Due to considerable slump in yield, the bond whose tenors are ranged from 7 years bond to 15 years bond become attractive due to acceptable risk tolerance compared to shorter-term bond and higher yield than average interest rate in the money market (one-month interest rate is 4.5%/year). Almost trading was executed around the winning yield on the primary market with the band from 2 to 5 bps. The yield is forecasted to be flat with low tolerance in the first half of June when investor become more conservative with actions from SBV, FOMC meeting on June about possibility increasing interest rate and State budget disbursement progress.

VALUE OF OUTRIGHT TRANSACTION OVER TENORS



Source: HNX/VFM

CHANGE OF BOND YIELD FOR DIFFERENT MATURITIES ON SECONDARY MARKET – MAY IN COMPARISON TO APRIL 2017

	1 year	2 years	3 years	5 years	7 years	10 years	15 years
31-05-2017 (%) (T Day)	4.15	4.50	4.70	5.05	5.38	5.89	6.65
30-04-2017 (%)	4.22	4.85	5.00	5.25	5.58	6.00	6.76
31-12-2016 (%)	4.35	4.83	5.21	5.60	5.81	6.38	7.34
T Day - 30 Change (Bp)	-7.00	-35.00	-30.00	-20.00	-20.00	-11.00	-11.00
T Day - 31-12-2016 Change (Bp)	-20.00	-32.50	-51.30	-55.00	-43.30	-48.50	-69.30