VIETFUND MANAGEMENT

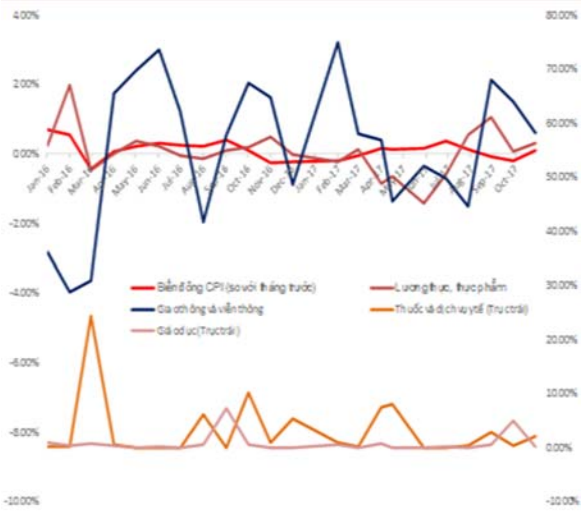
MACROECONOMIC REPORT

OCT 2017

INFLATION SLIGHTLY ROSE AND PUT PRESSURE ON INTEREST RATE

Inflation in October continued to increase for the 4th consecutive month, up 0.41% compared to September's, up 2.98% over the same period last year and up 2.25% over the end of 2016. Notably, the increase of inflation in October came from rising prices of all 11 groups of goods and services. In that, the group of drugs and medical services rose the most with 2.14% due to continued price adjustment in 9 new other provinces; housing and construction materials went up by 0.63% and traffic enhanced by 0.61% due to 2 times adjustment of gasoline prices in September. The growth of inflation in recent months has increased pressure on interest rates in Vietnam, as some banks began to raising deposit rates and the interbank interest rates also surged gradually (20 to 40 basis points per tenor). In the coming months, inflation is forecasted to be subject to be due to rising natural disaster in some provinces (storms and floods), on the other hand, the increase in the price of health care and pharmaceuticals is regulated by Circular 02/2017-BYT. In addition, world oil prices rebounded, causing petrol prices to rise by more than 30% in the first 10 months of this year, directly affected domestic petrol prices, which may contribute to inflation in the last months of 2017.

MONTHLY CPI INDEX IN PERIOD 2016 - 2017

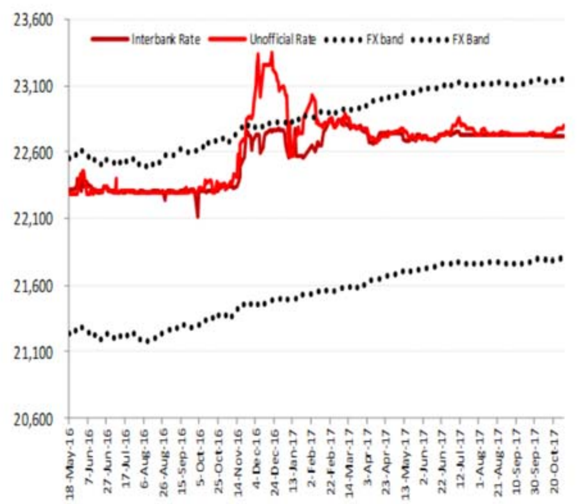


Source: GSO

EXPORT AND FOREIGN INVESTMENT SUPPORTED FX STABABILITY

The domestic currency market in recent months has been stable due to the macro-economic factors which have brought about favorable results. The trade balance from July continuously trade surplus, in which August and September surged at a high level (USD 1.58 billion and USD 1 billion), especially USD2.18 billion in October, bringing the total export surplus in the first 10 months to USD2.56 billion. In addition, FDI inflows, FII, and remittances continue to be favorable. In October, the State Bank lowered the bidding USD price for the first time and made purchase of foreign currency with commercial banks. Particularly, USD buying price of the State Bank of Vietnam has three consecutive decreasing sessions, and was kept stable at 22,710 VND. In addition, the State Bank of Vietnam bought USD1.5 billion from commercial banks, bringing the total amount of foreign currency had bought since the beginning of the year to over USD7 billion, and the foreign exchange reserves the country also increased to USD46 billion. The balance of payments improved significantly in October, helped to stabilize the foreign exchange market. The interbank foreign exchange rates fell sharply from 22,730- 22,735 at beginning of the month to 22,712-22,715 at the middle of month and remained unchanged throughout the month. The exchange rate is expected to remain stable from now until the end of 2017 due to the huge support from cash inflows and almost none of significant impact from the international forex market.

USD/VND EXCHANGE RATE FROM 2016-2017

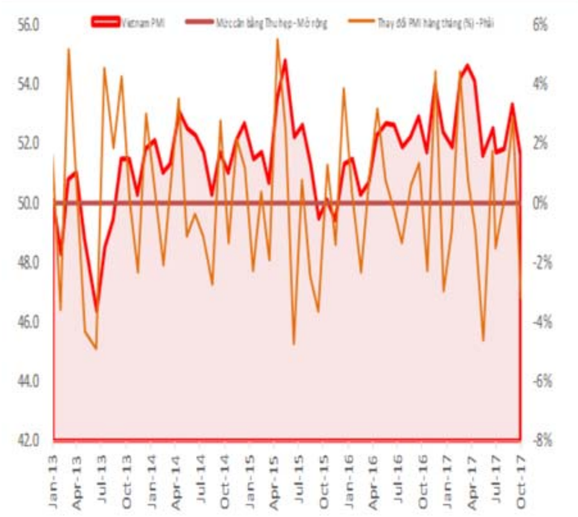


Source: FIA

PRODUCTION CONTINUES TO BE EXPANDED

October 2017 was estimated to rise by 17% against October 2017, in which the manufacturing and processing sector increased sharply by 22.3% and electricity production and distribution by 12%. However, the PMI reached only 51.6 points in October 2017, the lowest level since May 2017. In the ASEAN economic community, PMI of Vietnam still ranked second in the region, after leading in September (53.3 points), and yielded the lead to the Philippines with 53.7 points. One of the reasons for PMI's decline in September was the shortage of raw materials affecting the manufacturing sector, increasing input costs and prolonging delivery time. It is also easy to understand when Vietnam has a chain of three consecutive Super exports months. With the APEC event in early November and the ability to successfully negotiate the CPTTP, the agreement will open up opportunities for Viet Nam to attract investment capital, production orders and sponsors.

MONTHLY PMI FROM 2013 TO 2017



Source: FIA