



VIETFUND  
MANAGEMENT

VIETNAM ACTIVE FUND (VFA)

# PROSPECTUS

OFFERING FOR SALE OF VFA INVESTMENT FUND CERTIFICATES  
TO THE PUBLIC AND LISTING

# IMPORTANT NOTICE

As provided below, before their subscription for Vietnam Active Fund (hereafter referred to as “VFA”), investors are provided with important information which they are obligated to carefully read and review before making any decisions on investing in VFA.

VFA fund certificates are permitted to issue to the public based on the information and commitments disclosed in

this Prospectus. Fund Management Company (VFM) and its representatives will not be accounted for pledges or information given by brokers, distribution agents or others, and such information is not included in this Prospectus, and neither. No person shall be entitled to deliver any pledge or information contrary to the contents of this Prospectus and attached documents. VFA fund certificates are issued subject to the information and commitments disclosed in this Prospectus and the attached financial information. The circulation of this Prospectus as well as the distribution or issue of the fund certificates shall, under no circumstances, be construed as having any impact on the Fund’s operational activity from the date of this Prospectus.

This Prospectus shall not constitute an offer for sale to any person in any country where such an offer is not approved or to whom such offer is not permitted under the law of that country. This Prospectus and distribution of its fund certificates may be restricted for circulation in some countries by their laws. Investors who wish to subscribe to buy the Fund certificates are obliged to do research, understand, and comply with any regulatory restrictions, foreign exchange, and duties laws of their respective countries.

Investors, including foreign investors, are obliged to seek professional advice concerning how tax matters,

regulatory provisions on foreign exchange transactions and control of the acquisition and sale of fund certificates will be regulated or adjusted in their countries.

Investors should be aware that fund certificates and any potential income arising out of their investments in the Fund may fluctuate in value without notice. Accordingly, at the date of dissolution, the residual value of fund certificates held by the Investors may be lower than the original value paid.

Investors should remember that the fund management company’s past business results shall not be an indicator of future ones.

Prior to making any investments, investors are obliged to carefully scrutinize this Prospectus, the Fund Charter, and other documents related to Vietnam Active Fund (VFA) issued by the fund management company and its designated distribution agents, whose names are included herein.

Particularly, the value of the fund certificates, profit-generating potential and potential risks as provided in this document shall serve for reference purposes only, and may vary subject to market circumstances. Any investment in VFA shall not be construed as a way to ensure profitability for investors. Investors are advised to scrutinize any possible risks described in this Prospectus prior to deciding to make any investments.

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**I.**

**KEY PERSONS RESPONSIBLE  
FOR THE PROSPECTUS  
CONTENT**

Issuing Organization

**VIETFUND MANAGEMENT (VFM)**

Establishment License: No. 45/UBCK-GP granted by the SSC dated January 08, 2009.

Address : 10th Floor, Central Plaza Building,  
17 Le Duan St., Ben Nghe Ward, District 1 HCMC, Vietnam

Tel : (84.8) 3825 1488 Fax : (84.8) 3825 1489

**Mr. TRAN THANH TAN**

**Chairman / CEO of VietFund Management (VFM)**

**Ms. LE THI THANH TAM**

**Financial Director of VietFund Management (VFM)**

We hereby certify that the information and figures contained herein are thoroughly collected, investigated, true and accurate.

# II.

## TERMS/ DEFINITIONS

The following terms and abbreviated terms shall be defined and used throughout this Prospectus:

“Vietnam Active Fund”

(hereinafter referred to as “VFA”) means the securities investment fund incorporated under the Law on Securities passed by the National Assembly of the Socialist Republic of Vietnam on 29th June 2006 and other related regulatory documents and subject to the administrative control of the State Securities Commission (SSC), which issues securities investment fund certificates to the public. Initial contributed capital of VND300,000,000,000.

**VFA implements an active investment strategy which acquires more special tactics than other traditional funds in the market.**

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“VietFund Management (VFM)”

(hereinafter referred to as “Viet Fund Management (VFM)”), a joint stock company which the founders are Dragon Capital Management and Saigon Thuong Tin Commercial Joint Stock Bank, is incorporated under the License No. 45/UBCK-GP dated January 08, 2009, issued by the SSC, and conducting capital mobilization for and the management of VFA Investment Fund.

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“Saigon Thuong Tin Commercial Joint Stock Bank – Sacombank”

(Hereinafter referred to as Sacombank), means a commercial joint stock bank, established under the license No. 0006/NH-GP dated 05/12/1991 issued by State Bank of Vietnam under the banking law of Vietnam and a founding shareholder of VFM.

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“Dragon Capital Management Limited”

(Hereinafter referred to as DCM) means a limited liability company established under the laws of British Virgin Islands, is a member of Dragon Capital Group and is a founding shareholder of VFM.

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“Distribution agent”

Defined as a capable entity operating in the fields of securities, finance, and banking, to be designated by the fund management company to distribute non-exclusive VFA fund certificates subject to the Contract for distribution of fund certificates.

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“Custodian Bank”

Defined as a Bank which is incorporated under the license issued by the State Bank of Vietnam pursuant to the Law on Credit Organizations, and granted with Depository Registration Certificate by the SSC to undertake the preservation and depository of securities, economic contracts, documents relating to the Fund’s assets, in addition to its Custodian Bank of the Fund’s activities. The Custodian Bank shall be designated by the General Meeting of Investors.

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“Auditing Company”

is an independent company, appointed by the General Meeting of Investors, of VFA Investment Fund performing the auditing of the Fund’s annual assets.

“HCMC Stock Exchange”	(hereinafter referred to as “HOSE”) means a state-owned corporate entity organized as a one-member limited liability company, operating under the Law on Securities, the Law on Enterprise, its Charter, and related statutory regulations.
“Hanoi Stock Exchange”	(hereinafter referred to as HNX) means a state-owned corporate entity organized as a one-member limited liability company, an independent unit with its own stamp, operating under the Law on Securities, the Law on Enterprise, its Charter, and related statutory regulations.
“Prospectus”	means the documents or electronic data publicizing objective, truthful and accurate information about the offer for sale or listing of VFA Fund Certificates.
“Fund’s Charter”	Defined as the charter, adopted by the investors at the General Meeting of Investors, to be prepared in accordance with the relevant regulations of the Vietnamese laws, for governing the organization and operation of VFA Investment Fund.
“Supervisory Contract”	is the contract signed between the fund management company and the Custodian Bank of VFA.
“Closed-end Securities Investment Fund”	(hereinafter referred to as “Closed-end Fund”) means a public fund whose fund certificates, upon having been offered for sale to the public, shall not be redeemed as requested by investors.
“Investor”	are domestic, overseas individuals and institutional who hold VFA Fund certificates.
“General Meeting of Investors”	Defined as a regular or irregular general meeting of investors where investors are entitled to vote, to pass important matters relating to VFA Investment Fund. It is the supreme power of VFA Investment Fund.
“Board of the Fund Representatives”	Defined as representatives of investors elected by the General Meeting of Investors to act on their behalf to supervise the operations of the Fund, the Fund Management Company (VFM) and the Custodian Bank.
“Fund’s Charter Capital”	Defined as the total capital in cash, as recorded in this Charter, contributed by all Investors.
“Fund unit”	Defined as the Charter Capital which is divided into equal units with par value of VND10,000 per unit at its initial issue, each of which shall represent an equal proportion of profit and capital of the Fund.



“VFA fund certificate”	(hereinafter referred to as the “fund certificate”) means the securities issued by VFM on behalf of VFA Investment Fund, which certify lawful rights and benefits of investors with regard to the assets or capital of the Fund as counted in a proportion equal to the Fund’s unit contributed to the charter capital of VFA Investment Fund by such Investors.
“Issuing Price”	Means the price of each Fund unit which is in the initial public offer equivalent to the par value of Fund unit plus fees for issuance
“Placing Fee”	Defined as the fee payable by the Fund to the Fund Management Company for the costs and expenses incurred by it during the issue of fund certificates to the public. Such fee shall be added to the par value of a fund unit and payable upon issue, but not exceed the maximum of 3% of a par value.
“Management Fee”	Defined as the fee payable to the Fund Management Company for its provision of fund management service as defined in Item 5.2 – Part VI of the Prospectus.
“Incentive fee”	is the fee which is paid by VFA to the fund management company plus the Fee for management of the Fund. The incentive fee is specified in Item 5.5 – Part VI of this Prospectus.
“Fund Dividends”	is the retained earning of the Fund after deduction of appropriate costs divided in accordance with percentage ownership of Investors as determined by the General Meeting of Investors.
“Closing Day”	Defined as the day on which the capital mobilization for VFA completes in accordance with the applicable laws.
“Fiscal Year”	Defined as a period of twelve months which commences on the beginning of the 1st of January and ends on the end of the 31st of December according to calendar year. The first fiscal year of VFA Investment Fund is calculated from the day on which it is officially issued a license by the SSC until the end of the 31st of December of the same year.
“Net Asset Value of the Fund”	(Hereinafter referred to as NAV) is the total value of assets and investments owned by the VFA minus liabilities of the VFA at the time of valuation.
“Time of valuation”	is the last business day of determination of the net asset value of one Fund Certificate unit by the VFM.
“Related person”	as defined in Clause 34 of Article 6 of the Securities Law No. 70/2006/QH11 passed June 29, 2006 by National Assembly of Socialist Republic of Vietnam.
“Other definitions”	Other definitions (if any) shall be construed as set forth in the law on securities and other relevant documents.

**III.**

**OUTLOOK FOR INVESTMENT  
OPPORTUNITIES**

# 01.

## VIETNAM'S ECONOMIC DEVELOPMENT OUTLOOK



### A.

#### Vietnam's economic outlook in the overall global economic picture

During the global economic crisis, economies are facing many difficulties and potential risks to their financial and real estate markets. However, there are growing signs of potential economic recovery. The economies of Asia, especially China, are showing signs of recovering faster than forecast. Asia enjoys relative freedom from loose foreign currency exchanges and Asia's economic growth momentum has recovered at a greater rate in the past due to increased demand from developed countries.

Government economic stimulus packages and financial/foreign currency policies will be felt from the end of 2009 and into 2010, the effects of tax reductions and currency support will be clearer in Asia. The relatively better situation of Asian banks, compared to other regions, creates conditions for the better use of economic stimulus packages to invigorate domestic demand. However, continued implementation of loose monetary policy and stronger cash demands could lead to the danger of inflation in many economies. Besides that, forecast financial deficits will increase strongly in developed and developing countries as Governments continue to pursue their economic stimulus measures.

Following economic growth averaging more than 7% for many years, Vietnam's economy endured a small decline in the first months of 2009. Positive signs have now emerged in almost all economic sectors. Quarter I/2009 GDP grew 3.1%, Quarter II was up 4.5%, Quarter III growth was 5.76% and growth for the first nine months of 2009 increased 4.59% compared to

the same period last year. While relatively low, this level of growth is significant when considered in light of the global recession. 2009 GDP is forecast to exceed 5%.

Vietnam is seen has having great economic growth prospects after the crisis, buoyed by high domestic consumer demand and existing development potential. In the short-term, the Government will concentrate on strengthening exports; promoting investment and macro-economic stability and preventing the risk of inflation – these being the foundations for long-term solutions. In the long-term, the Government will aim improve the efficiency and competitive potential of the economy through economic restructuring, business restructuring, structural investment and manufacturing, as well as post-crisis actions to create conditions for sustainable growth in Vietnam.

Besides that, the Government's development and management policy is for strong development of the private sector, attraction of foreign capital investment, equitization of state owned enterprises and investment in the development of national infrastructure to be factors assisting the Vietnamese economy.

## B. Economic Situation In Vietnam

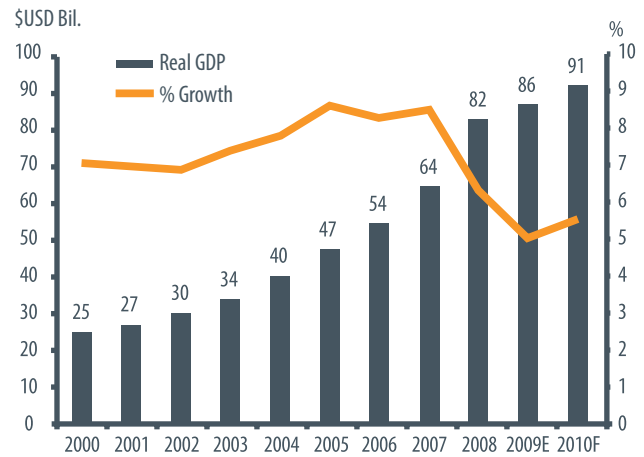
### Rapid economic recovery through domestic consumption and Government stimulus

Vietnam's economy in the first nine months of the year stood up well to the difficulties of the economic crisis and recession due to the large, ongoing Government stimulus package.

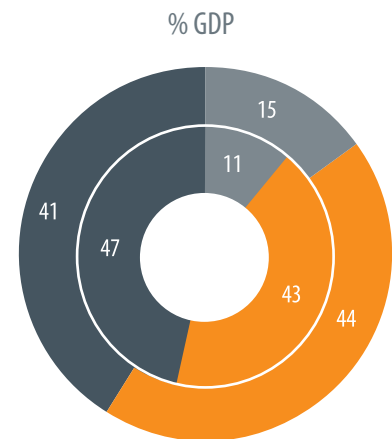
GDP recovered quickly from its low of 3.1% in Quarter I/2009 to 4.5% in Quarter II and 5.76% in Quarter III, with the total for the first nine months of the year reaching 4.56% compared to the same period last year. The V-shaped recovery expected by many is gradually taking place. In difficult periods, the Vietnamese economy has been supported by domestic consumption. Total turnover for goods and services in the first nine months increased 18.6% compared to the same period last year, or 12% if price increase factors are discounted. When consumption is the largest component of GDP, *consumer confidence creates differentiation in relation to the recovery process*. The value of industrial production quickly increased, returning to 13.8% compared to September 2008 or 6.5% for the first nine months of the year.

With positive new information, large organizations like BMI, EIU, ANZ, Standard Chartered and ADB have also adjusted their forecasts to reflect increased growth for 2009 and 2010. Asia is a bright spot in the economic recovery outlook and Vietnam is one of the shining lights in the regional recovery.

Vietnam continues to have high post-crisis economic growth prospects through strong growth in foreign investment, industrial production and private investment, together with the economy's expanded channels of new capital mobilization from the ongoing process of strong administrative reforms.



Source: General Statistics Office, VFM forecast



- Agriculture (%)
- Industrial (%)
- Services (%)

Source: General Statistics Office, VFM forecast

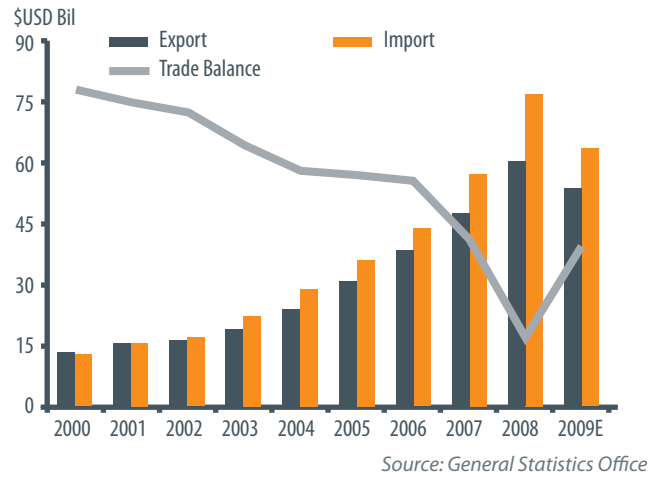
### Stable Economic Sector Structure

With a relatively stable economic structure for many years, forecast sector ratios for 2010 put Industrials at 44%, Services 41% and Agriculture 15%. The outlook for additional growth value comes from Agriculture,

Forestry and Aquatic Products increasing 3-3.4%; the Industrial and Construction sectors increasing 7-7.5%; and the Services sector increasing 7.8-8.3%.

## Nine month export prices fall on higher volumes

Export values for the first nine months fell 14.3% compared to the same period last year primarily due to prices of a number of major export commodities falling and low levels of demand in primary export markets. Many major export commodities fell despite higher volumes, with rice exports rising 33% by volume but falling 8% by value, coffee export volumes rose 15.7% but value fell 18.8%, and rubber volumes rose 10.3% while export value fell 40%. We forecast exports to recover slightly from now until mid-2010 and a faster recovery to take place from mid to end 2010 when global demand and commodity prices should stabilize.



## Import increases return, high trade deficit

The total value of imports in the nine months fell 25.2% compared to the same period last year, however rapid rises occurred in Quarter II and Quarter III compared to Quarter I/2009. The trade deficit stood at USD 1.52 billion in September and USD 6.43 billion for the first nine months of the year.

If maintained at the current rate, the estimated trade deficit will be approximately USD 10.5 billion in 2009 and put considerable pressure on the balance of payments as well as the VND/USD exchange rate. The trade deficit will be compensated for by (1) foreign investment not including all foreign direct investment (FDI) and Indirect investment (FII), (2) overseas remittances, and (3) ODA Government borrowings.

### 1.

Registered FDI at 30 September was USD 12.6 billion, a significant fall compared to the USD 57.1 billion for the same period last year, while disbursements reached USD 7.2 billion, a fall of 11.1% compared to the same period last year. This slight fall reflects investor confidence in Vietnam's long-term outlook. A noteworthy portion of FDI disbursements are capital mobilizations from domestic sources, especially in relation to real estate projects and enterprises increasing their FDI capital investments. FII forecasts for 2009 are unremarkable and will only recover from 2010.

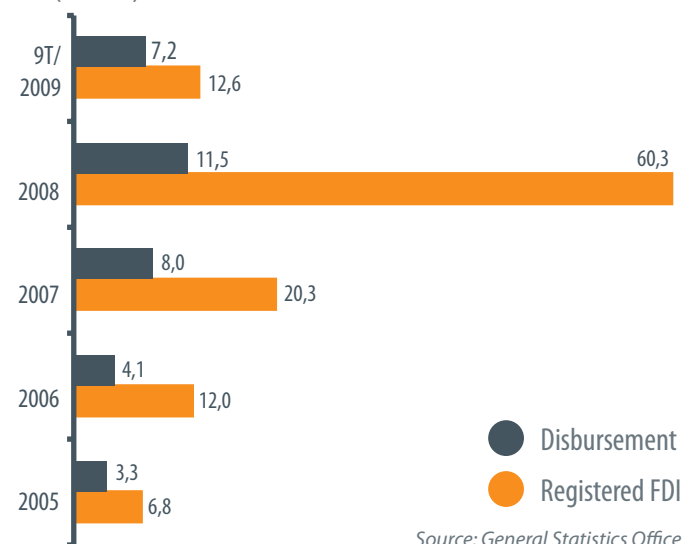
### TRADE DEFICIT



### 2.

With the economic recession, remittances to Vietnam will not increase, but rather fall compared to the previous year. According to Mr. Nguyen Quang Huy, Head of Foreign Exchange Management at the Central Bank of Vietnam, 2009 estimates are for remittances to reach USD 5.8 to 6 billion, a not insignificant level given the global economic situation.

### FDI (USD Bil)



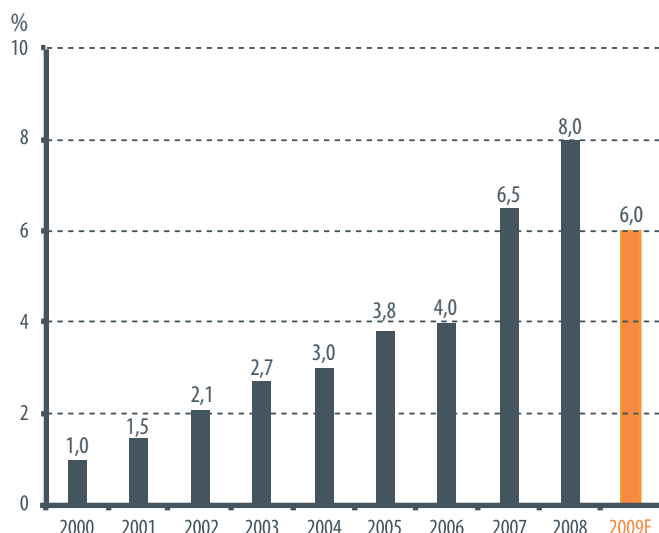
### 3.

ODA disbursements for the first nine months of the year reached USD 1.71 billion, 90% of the planned amount. The level of pledged ODA for Vietnam, including all pledges from Japan, reached more than USD 6 billion and it remains a notable compensator for the balance of payments deficit as well as a source for important infrastructure works.

In addition, the balance of payments remains contingent upon external payments such as Vietnamese investment in overseas countries or Government loan liabilities (estimated at close to USD 1.5 billion). Experts forecast the balance of payments deficit for 2009 will be under USD 1 billion and therefore have little potential to create a crisis, although this will put pressure on foreign exchange reserves and the VND/USD exchange rate in the future.

### OVERSEAS REMITTANCE

Source: General Statistics Office



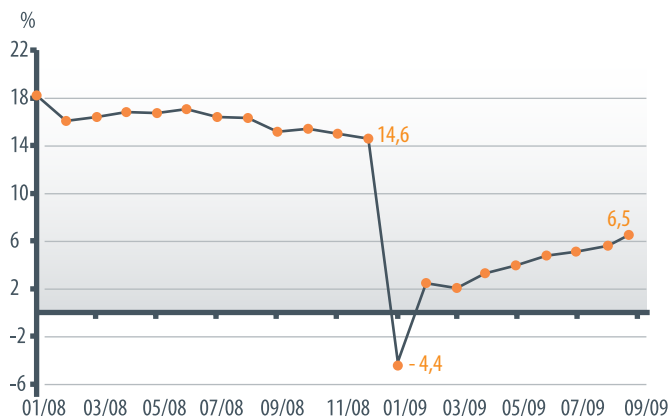
### Industrial output

#### recovers strongly and high growth continues

According to data from the Ministry of Commerce and Industry, the value of industrial manufacturing in September grew 2.9% compared to the previous month and reached VND 62.56 trillion, continuing to show a strong recovery. If extrapolated to the first nine months of 2009, total value would reach VND 506 trillion, an increase of 6.5% compared to the same period in 2008. In the remaining months of 2009, the Government will continue to step up industrial production development to create impetus to grow the economy.

Levels of industrial output growth value for the period after 2010 are forecast to maintain average levels above 15%.

### INDUSTRIAL PRODUCTION GROWTH (YOY)



Source: General Statistics Office, Ministry of Commerce and Industry

### Strong development of the private sector creates impetus for economic development

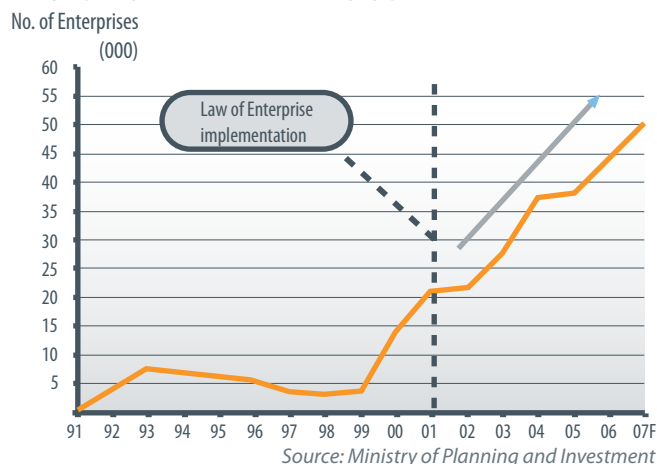
The private sector is playing an increasingly important role in Vietnam's economy, contributing to the recovery process and strengthening economic growth in the coming years. Forecasts are for the private sector to contribute an average of 40% of GDP; 30% of total national industrial output and to maintain average industrial production rates of greater than 20%.

In agriculture, the private sector is also a significant contributor, not only in production and livestock, but also in the course of developing the processing and export sectors. Agricultural structure is moving towards high value commodities from the private sector.

In addition, the private sector also contributes greatly to strengthening development of Vietnam's market economy and renovation of the financial system

through creating new competition in the market and other fields, strengthening development of the capital, labor technology, land and real estate markets and bolstering economic reform.

### NUMBER OF PRIVATE ENTERPRISES BY YEAR



Source: Ministry of Planning and Investment

## 02.

# INVESTMENT OPPORTUNITIES ON THE VIETNAMESE SECURITIES MARKET

Vietnam's stock market (VN-Index) continues to display levels of growth amongst the strongest in the region, at 84.1% above its 31 December 2008 level (data from 30 September 2009), greater than both the Indonesian JSX and the Shanghai Composite exchanges. Similarly, the Hanoi Stock Exchange (HNX-Index) also increased 75.3% above its 31 December 2008 level. Set against the unresolved global economic downturn, the growth of both Vietnamese stock exchanges is seen as very positive.

Continuing to create a legal avenue for the trading of shares in unlisted public companies, in June 2009 the Government approved the establishment of an Upcom market, leading to a transparent, state-of-the-art OTC market.

With clear direction towards development, the stock market in the future will be an avenue for efficient mobilization of capital for the development of Vietnam's economy.

### Listed companies

At 30 September 2009, the Ho Chi Minh City and Hanoi Stock Exchanges had a combined total of 400 companies officially listed, with a total market capitalization of VND 619 trillion, comprising almost 40% of GDP. According to VFM forecasts, from now until the end of 2009, approximately 30 more companies will be permitted to list on the official markets.

On the Upcom market, reserved for shares in unlisted public companies, currently there are 15 companies

permitted to be traded with total capitalization of VND 2,483 billion. According to plans, from now until the end of 2009, the State Securities (SSC) will move all these public companies onto the board to be traded. Therefore, approximately 973 public companies (registered with the SSC) will be required to lodge central deposits and officially list or go on the Upcom board. This will create large volumes of commodities on Vietnam's stock markets in general.

### Equitized corporations – continue to be a great opportunity

Equitization continues to be a great opportunity, especially in State Owned Enterprises (SOE). The 2007–2011 economic plan calls for Government to dispose of 1,553 enterprises, of which 950 are slated for equitization. These are relatively large enterprises, belonging to General Corporations, which have great potential for very significant advantages.

According to state regulations, which require simultaneous equitization and listing, these shares will become blue-chip companies when listed, and will be represented in all the major sectors of the Vietnamese economy.

# 3.

## INVESTMENT OPPORTUNITIES FROM QUANTITATIVE ANALYSIS

### INVESTING THROUGH TREND FOLLOWING

The quantitative analysis investment method began in the 1980's in the U.S., based on the principle of using mathematical computer models to find profitable opportunities from volumes of information and masses of data. The data analyzed may consist of fundamental and technical analysis data. The profit and risk levels of quantitative analysis investment models do not correlate to the profit and risk levels of traditional investment models.

From the time it became popular in the 1980's, the quantitative investment model has developed quickly with advances in computing and applied scientific research into investing, along with the successes of quantitative investment funds. According to statistics, approximately half of all hedge fund assets are now managed by quantitative analysis methods. Over half the total number of buy and sell orders on large stock markets are issued from quantitative models. All the leading investment banks have a professional quantitative investment department. Leading world universities have regular forum discussions around the issues of quantitative analysis.

Four investment strategies around the world currently use quantitative methods:

Market trend investments – **Trend Following**;

Investments into derivatives – **Derivatives/Convertible Bonds**;

Trading totally based upon computer systems/Trading on high frequencies – **Algorithmic/High frequency**

**Trading**; and

Trading based upon relative statistical spreads – **Statistical Arbitrage/Statistical Trading**.

These four strategies can use high or low financial leverage, market directional or market neutral strategies. On the Vietnamese markets, with no specific regulations on short selling and undeveloped derivatives, Trend Following is the only investment strategy with the potential for success.





## About the Trend Following quantitative investment strategy

Trend Following is one of the basic quantitative investment strategies. This strategy is founded on the principle of market's general rising (buying) or falling trends (selling), with these trends being clear and long-term. At the same time, positive results can ultimately also be achieved when these general trends are isolated or not present and the market enters a period of fluctuation (sideways). Besides these main principles, risk management strategies through stop loss, asset allocation and investment diversification regimes are still quantified and applied.

In terms of investment results, this model has, and is, being widely used across the global investment community. A classic example of success is the "Turtle" Trend Following investment strategy model, established by Richard Dennis and William Eckard. This system is being used successfully by many investment funds and banks around the world, for example, MAN Fund with USD 40 billion in assets under management, Chesapeake Capital is another with over USD 1 billion in assets under management and managed by Jerry Parker, a disciple of Richard Dennis and William Eckard.

## Trend Following quantitative investment strategy in Vietnam

A number of scientific research papers have proven that Trend Following quantitative investment strategies are more effective in emerging markets like China, Malaysia, Thailand, etc., compared to developed markets like the U.S., Europe, etc. because fluctuations in emerging markets are larger and general market trends are clearer.

Investment opportunities in Vietnam using this investment model have considerable potential to deliver highly effective investments from strong fluctuations in uncertain markets, with improving liquidity and the gradual appearance of broad general trends. However, the implementation of Trend Following investment in Vietnam has some limitations which can influence investment outcomes, such as limited data, no regime for short selling to take advantage of falling market trends and other underdeveloped financial markets (like foreign exchange, interest and commodities markets) in order to undertake diversification.

VFM has researched and is currently using the Trend Following investment strategy on Vietnam's stock markets successfully, while minimizing the limitations noted above by applying Artificial Intelligence and Information Theory tools to the investment model. With these successful steps, the outlook for the quantitative analysis strategy in Vietnam's markets into the future is very great.

**IV.**

**INFORMATION ABOUT  
FUND MANAGEMENT  
COMPANY (VFM)**

# 01.

## GENERAL INFORMATION ABOUT FUND MANAGEMENT COMPANY (VFM)



VietFund Management (VFM) is a leading financial services and investment firm, providing a comprehensive range of investment management and discretionary portfolio management products, to domestic and international investors.

VFM, established in July 2003, was the first domestic fund manager in Vietnam to be approved by the State Securities Commission (SSC), under license no.01/GPDT-UBCK.

VFM was initially formed by joint venture (JV) between a leading domestic bank, Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank) (51% ownership) and Dragon Capital Management Limited (Dragon Capital) (48.5% ownership) and Dragon Capital Markets (Europe) (0.5%). In January 01 2009, VFM received approval from the SSC to change its legal status from Joint Venture Company to Joint Stock

Company (JSC) under license no.45/UBCK-GP following new regulations requiring all JVs to re-register as JSCs.

At present, VFM is managing total assets of over US\$200mil through its products such as Vietnam Securities Investment Fund (VF1) incepted in May 2004, Vietnam Growth Investment Fund (VF2) incepted in Dec 2006, Vietnam Blue-chips Fund (VFA) and asset management services incepted in June 2008, entrusted by over 15,000 domestic and foreign corporate as well as individual investors.

As the pioneer of the local fund management industry, VFM corporate goal is to be the leading local fund management company in Vietnam. VFM strive to execute successful investment strategies and deliver superior financial performance and services to our clients through integrity, teamwork, innovation and commitment to excellence.

# INTRODUCTION TO THE FOUNDING PARTNERS OF VFM

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## Saigon Thuong Tin Commercial Joint Stock Bank (Sacombank)

Established in 21 December 1991 with an initial chartered capital of VND 3 billion and operated within Ho Chi Minh City.

By 2007, Sacombank has achieved a leadership position among Vietnamese Joint Stock Commercial Banks with:

- Chartered capital of VND 5,116 billion.
- 239 transaction points covering 45 provinces, cities nationwide and 1 representative office in China.
- 9,700 agencies of 250 banks in 91 countries and territories in the world.
- Over 5000 enthusiastic, creative and dynamic staffs.
- More than 60,000 shareholders.

On 12 July 2007, Sacombank became the first joint-stock commercial bank to list on the HCMC Stock Exchange. Sacombank's ticker, STB, is a leading market indicator of the VN Stock Index. Sacombank current market cap is VND 30,000 billion.

On 16 May 2008, the Sacombank Financial Group made its official debut and Sacombank is the nucleus of the Group and coordinates finance and non-finance activities of 10 members. A Financial Group represents a synergy that pools resources from members. The resources include advanced technology, management experience and business processes that enhance collective strengths. Forming a corporate group or a conglomerate is a strategic choice of both Sacombank and its subsidiaries and associates that are moving in like-mindedness to provide a package of financial solutions. In 2008, Sacombank received 11 different big awards which 5 come from domestic and 6 comes from international. This has once again reassured Sacombank's brand and its prestigious position domestically and internationally. Especially, Sacombank has received an award from the Prime Minister for Sacombank staff about its special social community responsibility.



## Dragon Capital Management Group

Dragon Capital Group (DCG) is an integrated financial services provider with an exclusive focus on Vietnam capital markets. Established in 1994, the Group is now one of the largest and most experienced asset managers in Vietnam with total group assets in excess of US\$1.5bn.

The Group's inaugural fund, VEIL, has an asset base of over US\$500m and the best track record of any Vietnam country fund. VEIL remains a definitive vehicle for institutions seeking to access the Vietnam investment case. The Fund's objective is to invest in publicly or privately issued securities of Vietnamese companies or Vietnam-related companies. The Group's other internationally-incorporated funds which include Vietnam Growth Fund (VGF) and Vietnam Dragon Fund (VDF), offer further access to listed and listable opportunities. Vietnam Resource Investments (VRI), the company's first specific asset class fund, offers access to Vietnamese mining and natural resource opportunities; whilst Vietnam Property Fund (VPF), provides immediate access to the property sector in Vietnam across all sectors and established conurbations. Vietnam Debt Fund (VDeF), the first dedicated fund for Vietnam's debt markets targets government and private sector corporate debt.

In addition to its offshore fund management business, the Group holds a 49% share in VFM. The Group also operates in the fields of advisory, securities and research. Dragon Capital benefits from a dedicated team of corporate finance specialists who are capable of providing advisory services and delivering corporate restructuring solutions in the following areas: (i) Listings; (ii) Privatizations; (iii) Risk Management; (IV) Mergers and Acquisitions; (v) Corporate Governance and (vi) Corporate Restructuring. The Group's Securities team is involved in brokerage, market making, underwriting, and distribution. Dragon Capital produces industry standard research products on market sectors and

individual companies, serving its internal investment managers, as well as clients and prospective clients. The Group's team of equity analysts covers the largest 100 Vietnamese companies across all sectors, with a strong focus on the top 30 companies.

Currently, the World Bank through its investment arm, the International Finance Agency, own 10% of the Group and Proparco, a subsidiary of Agencies France du Development, the development finance agency of the French government, hold the remaining 5% stake. Dragon Capital employs over 90 people based in offices in Ho Chi Minh City, Hanoi and the UK. The UK office, Dragon Capital Markets (Europe), is authorized by the FSA.

## 01.2 Introduction to the Board of Management of VietFund Management (VFM)

Mr. Tran Thanh Tan	Chairman/ CEO
Mr. Dominic Scriven	Vice Chairman
Ms. Huynh Que Ha	Vice Chairwoman
Ms. Nguyen Thi Binh	Member
Mr. To Thanh Hoang	Member
Mr. Le Anh Minh	Member

Below is brief information of members of VietFund Management (VFM)'s Board of Directors



### **Mr. Tran Thanh Tan**

Chairman & CEO

- MBA at Universite' Libre de Bruxelles (Belgium).
- More than 15 years experience in investment and equity securities market.
- Co-founder and Partner of Dragon Capital since 1994.
- CEO of VFM since 2003.
- Standing Member of Club of listed companies.
- President of the Pre-Board of Management of Fund Management Club.
- Chairman and CEO of VFM since October 2008.



### **Mr. Dominic Scriven**

Vice Chairman

- Honour Degree in Law and Sociology of Exeter University (United Kingdom).
- Over 20 years of investment management and equity market development, of which over 18 years in Asia, especially in Hongkong Vietnam.
- Co-founder of Dragon Capital Group in 1994.
- Strategic shareholder of several Security Company in Ho Chi Minh City and member of the Board of Director in various banks and listed company in Vietnam stock exchange.
- Vice Chairman of VFM since 2003.
- Member of the Board of Directors in VFM since October, 2008.
- Vice Chairman of VFM since February, 2009



### **Ms. Huynh Que Ha**

Vice Chairwoman

- MBA at Pacific Western University (USA).
- Many years experiences in business development and management.
- Sacombank major shareholder since 1995.
- Vice chairwoman Sacombank Group Since 2003.
- Chairperson of Sacombank -ANZ Card Company.
- Vice chairwoman of VFM since October 2008.



### **Ms. Nguyen Thi Binh**

Member

- MBA at Raffles Institute, Singapore.
- Many years experiences in banking and security, debt and asset management.
- Team leader in assisting Sacombank's BoD to develop long-term strategy and monitor business operation.
- Member of VFM Board of Directors since October, 2008.



### **Mr. To Thanh Hoang**

Member

- Bachelor in Management at the University of Commerce.
- Experience in accounting, finance and currency trading.
- Chairman of Audit and Risk Management Committee, Sacombank Financial Group;
- Deputy General Director in charge of Treasury Division, Sacombank.
- Chairman of Sacombank Jewelry Co., Ltd.
- Chairman of Sacombank Remittance Express Co., Ltd.
- Member of the Board of VFM since February, 2009.



### **Mr. Le Anh Minh**

Member

- 20 years of experience in Finance investment and management;
- Coca-Cola in South East Asia - Financial Controller for 4 years;
- Senior Analyst Peregrine Capital Vietnam;
- Masters degree in Business Administration majoring in Corporate Finance and International Banking at Wharton Business School, University of Pennsylvania.
- Member of the Board of Directors at VietFund Management Joint Stock Company.

## 01.3

# Introduction to the Board of Director of VietFund Management (VFM)

Mr. Tran Thanh Tan	CEO (refer to introduction in 1.2)
Mr. Pham Khanh Lynh	Deputy General Director
Ms. Doan Pham Hong Duc	Deputy General Director
Ms. Le Thi Thanh Tam	Financial Director
Mr. Tran Anh Tuan	Research Director
Ms. Luong Thi My Hanh	Investment Director
Mr. Ngo Duc Vu	Director (in charge of Hanoi branch)

Below is brief information of VFM's Board of Director.



### **Mr. Pham Khanh Lynh**

Deputy CEO

- Master degree in Finance and Accounting, Swinburne University, Australia.
- Many years of experience in business development and Vietnam stock market.
- Business Development Director of VFM since 2003.
- Deputy C.E.O in charge of Business Development of VFM.



### **Ms. Doan Pham Hong Duc**

Deputy CEO

- MBA Diploma, The Liverpool John Moores University, UK.
- Many years of experience in investment, finance, banking and management.
- Manager of Trade Finance Department- Sacombank Head Office since 2003.
- Manager of Sacombank, District 4 Branch, since April 2007.
- Deputy CEO of VFM since January, 2009.



### **Ms. Le Thi Thanh Tam**

Financial Controller

- Bachelor of Finance and Accounting from Ho Chi Minh City University of Finance and Accounting.
- Member of the Association of Chartered Certified Accountants ("ACCA") & lecturer of ACCA Programme.
- More than 13 years experiences in finance, auditing and accounting.
- Financial Controller in VFM since 2008.





**Mr. Tran Anh Tuan**

Research Director

- Master in Banking and Finance from University of Economics of Ho Chi Minh City.
- 12 years of experience in Banking and Finance and Investment consultancy.
- Portfolio Manager of VFM from 2005 to 2007.
- Investment Director of VFM in 2007.
- Research Director of VFM since 2008.



**Ms. Luong Thi My Hanh**

Chief Investment Officer

- Bachelor in business management at the University of Economy in Ho Chi Minh city.
- Many years of experience in Vietnam fund management and securities investment.
- Portfolio Manager of VFM from 2005 to 2007.
- Investment Director of VFM since 2008.



**Mr. Ngo Duc Vu**

Hanoi Branch Director

- Post-graduated from ESCP-EAP European School of Management major in finance and investment, Paris, France.
- MBA granted by School of Management, Asian Institute of Technology, Thailand.
- Fund management license issued by Vietnam SSC in 2006.
- More than 5 years of finance experience in organizations of European Commission and Danish Government.
- VFM - Ha Noi Branch Director since 2008.

## 01.4 Introduction to the Investment Committee of VietFund Management (VFM)

Mr. Le Anh Minh	Chairman of the Investment Committee (refer to 1.2)
Mr. Dominic Scriven	Member (refer to 1.2)
Mr. Tran Thanh Tan	Member (refer to 1.2)
Mr. Hoang Kien	Member
Mr. Michael Kokalari	Member
Ms. Luong Thi My Hanh	Member (refer to 1.3)

Below is brief information about the members of the Investment Committee of VietFund Management (VFM):



### **Mr. Hoang Kien**

Member

- Masters degree in Business Administration majoring in Corporate Finance, Southern Methodist University;
- More than 10 years experience in fund management and stock market;
- Asset Management Directors at Dragon Capital Ltd since 2000.



### **Mr. Michael Kokalari**

Member

- 15 years Quantitative investing experience in Tokyo and London.
- Masters degree in Business, Engineering and Mathematics at Stanford, Harvard University.
- Managed Quantitative Portfolios over \$1 billion in big investment Banks: Credit Suisse, First Boston, JP Morgan Chase, Lehman Brothers, Paribus, West LB.
- Teaching Quantitative investing at Vietnam University.

## 02.

# INFORMATION ABOUT VFM'S OPERATIONS

Founded on 15th July 2003 under the Establishment License No. 01/GPDT-UBCKNN granted by the SSC, VFM, with its total initial investment capital of VND 16 billion as compared with its total asset value of about VND5,000 billion, was the first of this kind in Vietnam in providing services of investment fund management, investment and finance consulting. In 2006, VFM increased its charter capital up to VND100 billion contributed by the Sacombank and Dragon Capital Management. It now offers a new service on discretionary portfolio management.

Funds managed by VFM:

### VF1 – Vietnam Securities Investment Fund

VF1 is Vietnam's first closed-end public fund which initial chartered capital of VND300bn was raised within ten days, listing on the HSX in November 2004. After two consecutive years of profit, VF1 was raised from VND 300bn to VND500bn in 2006 and from VND500bn to VND1000bn in 2007.

### VF2 – Vietnam Growth Investment Fund

This is the first member fund managed by VFM. VF2 was established in December 2006 by 15 big partners

comprising companies in finance, banking industries, listed companies, and the FMO, a financial institution of the Government of the Netherlands. The initial mobilized capital of VF2 is VND 400 billion which increased to VND 963.9 billion in December 2006.

### VF4 – Vietnam Blue-chips Fund

Launched in January 2008, VF4 is our third closed-end fund, with an initial chartered capital of VND806.46bn and 10 years of operation. It listed on the HSX in June 2008.

### Discretionary Portfolio Management Service

At the beginning of VFM first operation, VFM has already managed a portfolio more than VND 50 billion for Sacombank. From then, VFM has managed more than VND 75 billion for clients.

Information relating to VFM's operations in the past shall not be implied as a way to ensure its future operation results.

# 03.

## INTRODUCTION TO THE MANAGEMENT STAFF OF VFA INVESTMENT FUND

Ms. Luong Thi My Hanh Portfolio Management Manager (refer to 1.3)

Mr. Ngo Duc Vu Assistant to Portfolio Team Leader (refer to 1.3)

Ms. Le Thi Kim Anh Assistant to Portfolio Team Leader

Mr. Nguyen Thi Thu Hang Legal Assistant

Below is brief information of the members of the Management team of the portfolio Management of VFA Investment Fund.



### **Ms. Le Thi Kim Anh**

Assistant to Portfolio Team Leader

- Bachelor in Accounting – Auditing at Ho Chi Minh Economy University
- 4 years experience at PricewaterhouseCoopers Vietnam Ltd.
- 5 years experience in fund management
- Portfolio Manager in VFM



### **Ms. Nguyen Thi Thu Hang**

Legal Assistant

- Bachelor in Commercial Law at Ho Chi Minh Law University
- Graduated from Vietnam Judicial Academy (Major: Public Prosecutor).
- 4 years experience for People's Procuracy of Ho Chi Minh city.
- Many years experience in Youth Joint stock company.
- Worked for VietFund Management as Legal assistant and Compliance officer from March of 2008.

Besides, for achieving effective investment analysis and selection, VietFund Management (VFM) also sets up an independent Research Department with specialists who are equipped with extensive knowledge and expertise from leading domestic and oversea financial institutions to introduce research model on macro, microanalysis, industry and company.

## 04. CUSTODIAN BANK

Custodian Bank for VFA Investment Fund is Far East National Bank – Ho Chi Minh Branch.

## 05. AUDITING COMPANY

Each year, VFM submits a list of at least two auditing companies to the Board of Representative of the Fund for its selection to audit VFA. The selected auditor will conduct annual auditing of VFA's assets as well as VFM's management to ensure that investors will be provided with accurate figures and data. The proposed auditor for VFA can be either Ernst & Young Vietnam Co., Ltd. or KPMG Co., Ltd.

## 06. LEGAL ADVISORY FIRM

In order to ensure its full compliance with the regulations and laws throughout its incorporation and course of operations, VFA will select the Vietnam International Law Firm (VILAF) as its legal advisory service provider

## 07. LIST OF VFA'S FUND CERTIFICATES - DISTRIBUTING AGENTS.

VFA's fund certificates will be distributed through designated agents as listed in Annex 1 of the Prospectus.



**INFORMATION ABOUT  
VFA INVESTMENT FUND**

# 01. GENERAL INFORMATION OF VFA INVESTMENT FUND

## 01.1 Name and contact details

<b>Vietnamese name</b>	: <b>Quỹ đầu tư Năng Động Việt Nam (VFA)</b>
English name	: Vietnam Active Fund
Short name	: VFA
Address	: 10th Floor, Central Plaza Building, 17 Le Duan, District 1, Ho Chi Minh City, Vietnam
Telephone	: +84-8 3825 1488
Fax	: +84-8 3825 1489
Website	: <a href="http://www.vinafund.com">www.vinafund.com</a>

## 01.2 License for issue and fund size

The initial public offering of VFA is authorized by the SSC under license No. 05/UBCK - GCN dated December 28, 2009.

Initial public offering sizes of VFA is at VND300 billion (three hundred billion Vietnam Dong), in its initial

public offering, minimum mobilized capital will be 80% of targeted capital, equal to VND240 billion (or 24 million fund units).

## 1.3 Fund Type and Operation Term

VFA is a public closed-end securities investment fund managed by VFM throughout its operation term, unless it is transferred to be managed by another fund management company or pre-maturely dissolved subject to the decision of the General Meeting of Investors.

Operation term of VFA is 5 (five) years subject to its operational objectives, and may be extended as proposed by VFM and approved by the General Meeting of Investors and the SSC.

# 02.

## FUND CHARTER

The Fund Charter can be summarized as follows:

### 02.1

#### Fund Charter

##### Organization Principles

- VFA is a closed public fund, shall operate in accordance with and be governed by the Law on Securities No. 70/2006/QH11 passed June 29, 2006 by National Assembly of Socialist Republic of Vietnam, provisions of the prevailing laws and this Charter.
- During the Term, VFA has no obligation to redeem the Fund Certificates which have been issued to the Investors.
- The highest authority body of VFA shall be the General Meeting of Investors.
- The Board of Representatives of VFA, elected by the General Meeting of Investors, will act on behalf of the General Meeting of Investors to supervise frequent activities of VFA, VFM and the Custodian Bank.
- VFM, elected by the General Meeting of Investors, will perform the investment management for the Fund.

##### Chartered Capital, Mobilization of Funds and numbers of Issuing Fund Unit

- The total capital of VFA is made by the contribution capital of the Investors. Contribution of capital may be made in cash or transferred to the escrow account of VFA opening at the Custodian Bank
- The capital raised in the initial public offering of VFA on the signing and effective date of this Charter is VND300,000,000,000 (three hundred billions), equivalent to 30 millions Fund Certificates with per value of VND10,000/Fund Certificate
- The increase or decrease of the VFA's Charter Capital shall be decided by the General Meeting of Investors and approved by the SSC.

### 02.2

#### Investment Objectives, Strategy and Restrictions of VFA

##### Objective

The main objective of VFA would be to capture medium to long-term capital appreciation on Vietnam market, accompanied by capital preservation during

adverse market conditions, based on the main strategy of trendfollowing.

##### Strategy

In order to achieve the above-mentioned investment objective, VFA employs a proprietary trend-following based model. Trend-following is a quantitative investment approach that relies on statistical models and computer database for utilization of medium and long-term moves that appear to incontrovertibly experience in various markets. The system aims to work on the market trend mechanism, i.e. buy during

upward trends and conversely sell during downward trends. Since short-selling is not yet allowed in Vietnam, trend-following methodology applied by VFA is not capable of enjoying the profits from both sides of the stock market as with the original trend-following system, i.e. buy in an up-trend and sell-short in a down-trend. However, the systems still retain the capacity for profiting from market trends in both directions once





the short-sale limitation is uplifted. Trend-followers do not aim to forecast market levels but rather jump on the trend and ride it. Besides, this methodology seeks to provide returns that are uncorrelated to traditional

“buy and hold” investment style as trend-following maintains the mechanism for capital preservation during adverse market conditions.

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### Investment structure

VFA will allocate assets between listed shares and cash, or other assets equivalent to cash, in different ratios at different times depending upon forecasts for the buy/sell conditions in the market. The structure of VFA listed shares will be investments into a basket of shares, representative of the VN-Index, which will closely mirror the movements of the VN-Index.

With a specific need to invest in high liquidity asset types, VFA will invest in the following asset classes:

- Listed shares;
- Listed bonds, consisting of Government, local authority and company bonds;
- Monetary instruments consisting of deposit certificates, treasury bonds and commercial papers maturing in not less than one (1) year; and

- Other financial asset types as regulated by law and approved in writing by the General Meeting of Investors.

VFA will invest in listed shares and will not invest in other markets such as interest, foreign exchange, commodities, etc. in the near future as these other markets in Vietnam are underdeveloped. However, VFA remains open to potential investments into unlisted shares as well as other assets if the markets for those assets are permitted by Law and they meet the quality and liquidity requirements

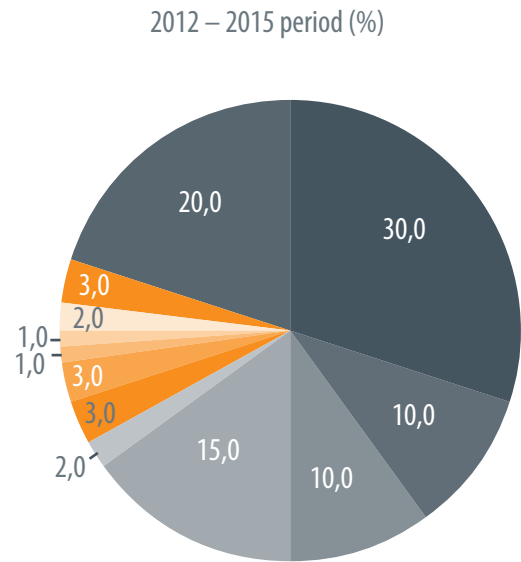
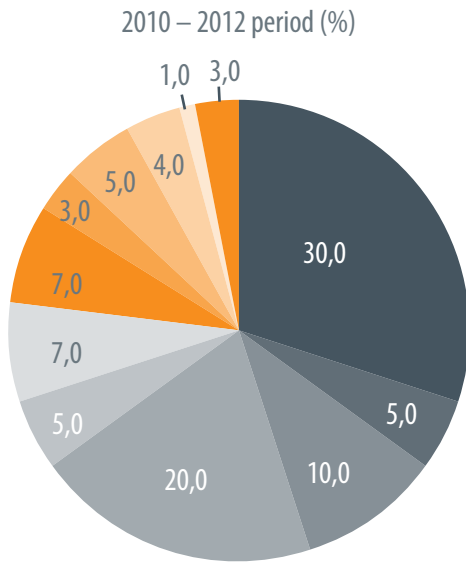
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### Investment areas

With a strategy of investing in shares representative of the VN-Index, VFA Fund's investment portfolio structure by industries will primarily be based upon sectors with large market capitalization stocks. As almost all large equitized state-owned corporations and private companies have large levels of charter capital, they significantly influence total market capitalization and ratios of current listed shares when listed on the share market.

The Fund's investment structure will change as equitized state owned companies and large private corporations progressively list.

VFA's proposed investment areas will be divided into 12 industry sectors with percentage ratios divided into two stages based upon the expected rates of progress for equitization and listing of large companies.



## Investment restrictions

VFM shall manage the fund's portfolio in line with the fund's charter and applicable laws and regulations. Besides, pursuant to Decision No. 45/2007/QĐ – BTC

regulated by the Ministry of Finance, dated June 05, 2007, VFM will be subjected to follow the below restrictions

### 1.

#### Restrictions by VFA size

- To invest not more than 20% of the total Net Asset Value of the Fund in currently circulating securities of a single issuing organization;
- To invest not more than 30% of the total Net Asset Value of the Fund in companies in the same group or with mutual ownership relationship.
- To invest not more than 10% of the total Net Asset Value of the Fund in real estate;
- Not to use capital and assets of the Fund to provide loan or guarantee for any loan;
- To invest not more than 10% of the total asset value of the Fund in securities of company conducting private offering.
- VFA shall not borrow loans to finance investment project except for a short-term loan to pay for necessary expenses. However, in all case the total value of short-term loans must not exceed 5 per cent of total Net Asset Value and the maximum term of such loan shall be 30 days.

## 2.

### Restrictions by investment size

- To invest not more than 15% of total circulating securities of a single issuing organization;
- Not to invest in other securities investment fund;
- Not to use assets of VFA for the purpose of joint venture, business cooperation or investment in

VFA itself or in an economic organization being the Related person of VFM, Member of the Board, General Director, Deputy General Director of VFM, fund management practitioners at VFM

## 3.

There may be a deviation in the permitted investment structure of VFA but such deviation shall not exceed 15% of the investment restrictions. The deviation must be the result of an increase or decrease in the market value of investment assets, and the change in value must be a result of the exercise of preferential rights

of investment assets and of lawful payments made by the Fund. VFM shall be liable to report the above deviation to the SSC. Within 03 months from the date the deviation arises, VFM must adjust the investment portfolio to ensure the compliance with the investment restrictions set forth in Clause 1 and 2 of this Article.

## Investment Selection Method

VFA determines the general market direction and generates trade signals based on pre-programmed algorithm for:

- (i) buy/sell indicators
- (ii) money management
- (iii) risk management.

This is for the purpose of comprising a full, professional trading system. This mechanical trend following model for timing the market is anticipated to flash a major buy/sell signals 3-4 times a year. This buy/sell signal would be a buy/sell signal on the overall market, but not a signal on individual stocks in the market. So the actual stocks held in the VFA will always be a basket which is a close proxy to the VN-Index

The first element of the system allows for:

- (i) automated initiation of a trade to enter in the market shortly after the upward trend confirmed by the model;
- (ii) automated exit the profitable trade once the previous trend turns to the opposite direction .

The money management element of the system allows for the position size of a trade over the course of the trend so as to balance the maximization of the growth rate of the capital and the minimization of the risk of ruin. The information theory is utilized to develop the money management and risk management system for VFA.

The risk management element of the system allows for:

- (i) cut-loss rule during the losing periods when the system produces false buy signal as the determined up- trend turns out to be counter-trend;
- (ii) re-enter rule when the system generate false cut-loss signal as the trend re-establishes so as not to miss the next trend.

Besides, the optimization of parameters of model variables is also undertaken for:

- (i) minimizing the deviations of buy/sell realms from the peak/trough for more effective buy/sell signals;
- (ii) preventing too many “whipsaw losses” ;
- (iii) trading size reduction in case of technical counter indicators.

The optimization methods used is derived from the machine learning technique.

This model is back-tested using historical data on proprietary computer software to ensure the robustness of the strategy so as to survive different market scenarios. The back-testing is performed in-sample and out-of-sample. In conducting a back-test, issues such as transaction costs and slippage are taken into account to reflect the most realistic situation.

We conduct a “unit testing” as we test each trading strategy as a stand-alone unit. That is to split VFA portfolio into sub-portfolios.

#### **a. Buy/ Sell indicators:**

In order to ascertain the state of the market and to uncover the good buy/sell signals on the Vietnam stock market, technical indicators based on price, volume, and volatility, and fundamental indicator based on interest rate were examined.

#### **Price indicator:**

As the main concern, the market price tells you what the market is doing. Promising trading rules based on price have been identified, including but not limited to

- Simple moving average crossover: A moving average can be thought of as rolling mean or running average. It is used with time series data to smooth out short-term fluctuations and highlight longer term trends. We buy when the short-term moving average crosses above long-term moving average or price crosses above a percent variation from the moving average, as upward momentum is confirmed; and sell in the reverse direction as downward momentum is confirmed.
- Regression slope based indicator: We use the time series regression slope of moving average of price to gauge the momentum of the market, i.e. the rate of increase or decrease in the market. If the market is trending up, the slope should be significantly positive, and vice versa. This indicator is essential since momentum analysis gives us clues about the underlying health of a market. For example a market may be in an uptrend but if the rate of increase in the market is slowing that could be a sign that the market is about to reverse course.
- Parabolic SAR: This indicator takes into account the highest value reached by the price during the uptrend or the lowest value during a downtrend. At each step within a trend, the SAR is updated based on the previous SAR calculation. As the price of the stock rises/falls, SAR will rise/fall as well, first slowly and then picking up speed and accelerating with the trend. Therefore, as a rule, buy when the SAR appears below the price and sell when the SAR appears above the price.
- Donchian channel breakout: The highest high and lowest low over the last period time intervals form the upper and lower boundaries of the channel. Any breakout of this price range will signal buy (price breaking above) or sell (price breaking below).

#### **Volume indicators:**

This is the second basic building block for trading strategy as it can identify the trending state of the market. Following are some key potential trading rules based on volume information.

- Moving average of volume: As a general rule, volume slowly increases in the direction of a trend and a volume spike can indicate the end of a trend and declining volume can reflect a soon to die move. We buy when the five-day rate of change of moving average of volume becomes positive and sell when it becomes negative
- Market breadth indicator: Advancers/decliners ratio of the past 60 trading days is calculated to signify the overall market health. For example, if the index is still moving up but over 50% of individual shares are moving down that could mean that the increase in the market is about to slow down. We buy for a large ratio that significant larger than 1 as it indicates a strong market performance (positive market momentum), and sell for a ratio that near to 0 as it represents a weak performance (negative market momentum).

#### **Volatility indicators:**

Volatility provides additional confirmation of price behavior, along with volume. Such effective volatility-based-trading-rules are as follows

- Bollinger band: This indicator is to provide a relative definition of high and low and to identify relative extremes in volatility, and hence trend. We study two ways of using Bollinger band as (1) trend confirmation signal and (2) trend reversal signal. As a trend confirmation, buy(sell) when price breaks out of the upper band (lower band) and the band width is increasing. As a trend reversal, buy (sell) when price breaks out of the lower band (upper band) and the band width is decreasing.
- Historical volatility: We use two types historical volatility based on standard deviation of closing prices. The first one is the relative historical volatility and second one is the absolute historical volatility. As with relative volatility, markets that have extremely low short-term volatility readings compared to their longer-term readings have a high likelihood of exploding (i.e., making a large move), however the direction is unsure. Therefore, it has to be used in conjunction with trendfiltering-systems. As with absolute volatility, the indicator is asymmetric and only gives good buy signal, hence it has to be incorporated with other indicators. The buy signal goes by “If historical volatility is higher than a pre-

determined level for a number of period and then drops below that level, then buy the market”

**Fundamental indicators:** VFA quantitative model integrates both technical analysis indicators and fundamental analysis indicators related to macroeconomic conditions, thus making it more advanced than technical analysis. Interest rate is presumably considered as having an effect on stock market. We use short-term interest rate spread and long-term interest rate spread to build indicators for the model. The first one is considered to reflect the banking system liquidity, and thus having negative relationship with the stock market; whilst the second one is regarded as a so-called yield curve that indicates long-term expectation of investors on the overall macroeconomic conditions, and hence having positive relationship with the stock market.

### **b. Money Management & Risk Management:**

VFA focuses more attention to researching the vital topics of money management and risk management as it can result in a dramatic difference in NAV performance over longer time periods due to the dramatic effect of compounding over time. With an effective money management and risk management, the growth in the equity curve is smoothed out.

#### **• Money management system:**

This determines how much money to put at risk at any time based on the trading edge of the model so as to balance between maximization of the growth rate of the capital and minimization of the risk of ruin. In order to build such money management system, we utilize the information theory, which was first developed by Bell Labs scientist Claude Shannon to improve the reliability of communication over voice and wireless

phone lines, A key measure of information in the theory is known as entropy, expressed as the average number of bits needed for communication. The more reliable the information is, the higher the information rate for a given channel capacity. Shannon’s theory also considers equivocation—the chance the message is wrong—and shows you must subtract equivocation from the channel capacity to determine the information rate. Information in the stock market setting is consistent with the idea of equivocation in a sense that true information is also probabilistic because information is something the market does not already know. Therefore, information theory has application to money management in stock market in a sense that it tells us precisely how to take the best guess in the face of partial information on how reliable buy/sell signals from the quantitative model are so as to adequately allocate capital to each of the “sub portfolios” associated with each buy/sell strategy.

#### **• Risk management system:**

This rule sets limit on portfolio loss to prevent the entire portfolio from losing substantial money from either too many “whipsaw losses” or from stock market crash. Besides, the reenter rule is set up to reduce the likelihood that we would buy higher than we would like as a result of a false cut-loss signal when the trend re-establishes. On other hand, risk management rule defines technical counter indicators which signal the timing of when to reduce positions in the market. This can be done by optimization methodology based on machine learning in general and evolutionary algorithms in specific. Evolutionary algorithms mimic the biological evolution process to search out the best answers to complicated problems. Key feature is that it adapts itself to changing circumstances in the stock market as market conditions change.

## **Shortcoming of VFA model**

- This mechanical trend-following system is prone to losses when the market “whipsaws”. In a buy whipsaw situation the momentum technical indicator flashes a “buy” signal as the market appears to start a new uptrend, but then the market reverses back to the stop loss point, causing the trader to sell out the position. On the other hand, cut-loss whipsaw exits the position entirely but finally the market begins a genuine uptrend movement and the system re-enters into the long position. The fund’s overall returns are diminished versus a passive buy-and-hold strategy because of the loss taken the first time the market hits the stop loss point. An effective way to avoid whipsaw losses and to ensure a more smooth growth in the fund’s capital value is to use a variety of collaborating indicators. This can be done by synthesizing several collaborating technical indicators and to form them

into a scoring system to produce one indicator. Trading decisions are then made off that market health indicator.

- Besides, there is a research issue in Vietnam related to limited price history, whilst any kind of quantitative trading system works better with lots of data.
- The mechanism for trend-following to work best is using one to two very simple trading systems applied to many different markets. This is not feasible in Vietnam. The alternative way is to get some diversification by trading many different systems on the same market. We optimize this situation by researching indicators that really work and put emphasis on effective money management and risk management to enhance the performance of the fund.

## 02.3

# Investors, register of investors and transfer of fund certificates

### Investors

Investors of VFA may be foreign and domestic legal entities and individuals, owning at least 2,000 Fund Units or more and without a maximum limit of the total capital intended to be issued. Investors shall not be liable or have any other obligations to the Fund other than the responsibilities within the the value of the Fund Units owned by them.

### Rights and obligations of Investors

#### **An investor shall have the following rights:**

- a) To be distributed Fund Dividends from investment activities of the Fund under decision of the General Meeting of Investors based on business results of end of each Fiscal year in commensurate to number of Fund Units owned by that Investor.
- b) To transfer or sell Fund Units as stipulated in Article 16 of this Charter.
- c) Upon liquidation, dissolution, bankruptcy of Fund, to receive a part of remaining Fund in proportion to numbers of Fund Unit owned by that Member.
- d) To be provided with information regularly or irregularly of situations of activities of Fund and monthly reports of Net Asset Value of Fund.
- e) To be entitled to buy new issued Fund Units in case where VFA increases Charter Capital, in proportion to numbers of Fund Units currently hold by that Member according to the list of Investors as provided by HoSE or Securities Depository Centre.
- f) To stand for election or to be voted to the Board of Representatives.
- g) To vote for important issues relating to the operation and management of the Fund in the General Meeting of Investors under Article 21 of this Charter.

#### **An investor shall have the following obligations:**

- a) To comply with this Charter, Decisions of the General Meeting of Investors.
- b) To pay fully for the purchased Fund Units as committed and be responsible for debts and other obligations of assets of Fund to the extent of the value of Fund Certificates contributed to the Fund.
- c) To comply with this Charter.
- d) To suffer losses in proportion to its contributed capital (if any).

### Register of Investors

The Fund Management Company or the Custodian Bank must prepare, file and promptly update the register of Investors from the time VFA completes its initial public offering. The register of Investors of the Fund is in writing, in the form of electronic information data files.

The register of Investors must contain the following information items:

- a) Name of the Fund,
- b) Number of the certificate of registration of the offer, total value of capital raised and the operational duration of the Fund,
- c) Name, number of licence and head office address of the Fund Management Company and of the Custodian Bank,
- d) Total number of Fund Certificates which it was permitted to offer, class of Fund Certificates which it was permitted to offer,
- e) List of Investors, contact addresses, number and ownership percentage of Fund Certificates and date of registration to own Fund Certificates,
- f) Date of preparing the register of Investors.

### Transference of the Fund Certificates

The transference of Fund Certificates will comply with current regulations on securities and the stock market.

### Inheritance of Fund Certificates

- The inheritance of Fund Certificates must comply with current regulations on inheritance. VFA shall accept lawful inheritors only, and shall not be responsible for any dispute related to the inheritance or the inheritors.
- The Fund Management Company or the Custodian Bank shall register the lawful inheritors in the register of Investors after such inheritors have provided in full appropriate evidence of their inheritance.
- The transference of the fund certificates ownership due to the inheritance shall comply with the process of the Depository Centre and its branches



## 02.4

# Performance distribution

### Fund profit distribution method

VFA conducts dynamic strategic investments with a wide range of specific differentiations from other existing investment fund products on the market. VFA Fund is always oriented towards maximum profit distribution to investors. Therefore, VFA Fund is specifically regulated as follows:

Fund dividends distributed to investors are based on proposals from the Fund Management Company, approved by Board of Representatives, then submitted to and passed by a General Meeting of Investors. Dividends are only distributed when the Fund has realized a profit. The amount of cash or equivalent assets paid as dividends is a minimum 50% of realized profit for the year. Fund dividends may be paid in cash, fund certificate purchase rights or other assets according to legal regulations. Only investors recorded in the Investor Register on the closing date provided by the Securities Deposit Center shall receive Fund dividends.

If considered appropriate, based upon the recommendation of the Fund Management Company and approved by Board of Representatives, the Board of Representatives may decide to advance dividends to investors should profits or other VFA Fund reserves allow. This advance may be made once in six (6) months or in a suitable period (not to exceed twelve (12) months) to investors at the proscribed level.

### Solutions for losses of the Fund

In case where VFA is in losses and may lead to bankruptcy, the Board of Representatives has to find out the reasons for losses to determinate the responsibility. If the losses due to the force majeure, unintentional reasons... include but not limited to: act of God, earthquake, storm, flood, fire, war, militia or military coup, rival action, terrorism, diseases, riot, public utilities, recessions and financial crisis which is the result of the international effects as well as the consequences in the area. The Investors shall bear such losses at a portion equivalent to its capital contribution ratio and is not entitled to receive dividend(s) in such period. In this case, the Board of Representatives shall consider and propose to the General Meeting of Investors one of the following solutions:

- (i) To remain unchanged the Charter Capital;
- (ii) To decrease and re-register the new Charter Capital;

VFM must compensate for all damages incurred by VFM due to the non-performance or improper performance of obligations by its staffs or VFM fails to perform the obligations as provided for under the laws or in breach of laws and regulations on securities activities and securities market. The compensation amount must be accepted by the Investors, including those who used to hold Fund Certificates at the time of the occurrence of the event



## 02.5

### General meeting of investors

#### Annual General Meetings of Investors

- The General Meeting of Investors is the highest decision-making authority of the Fund. All Investors, who are in the list prepared on the closing date for attendance of the meeting according to the notice made by HoSE prior to the convention for meeting, shall be entitled to attend the General Meeting of Investors.
- The annual General Meeting of Investors shall be convened by the Board of Representatives and held within ninety (90) days after the last day of the Fiscal year.
- Annual General Meeting of Investors shall be held once per year and the time period between the two sessions of the meetings shall not exceed fifteen (15) months.
- The first General Meeting of Investors shall be convened and held by the Fund Management Company within twenty-five (25) days after completion of the issuing tranche.
- All costs for the General Meeting of Investors and the initial General Meeting of Investors shall be paid by VFA.

#### Extraordinary General Meetings of Investors

- An extraordinary meeting of the General Meeting of Investors may be convened in the following circumstances by the Fund Management Company, by the Board of Representatives, by the Custodian Bank or by a group of Investors representing at least 10% of the Charter Capital for a continuous period of 6 months:
  - (a) To consider amendments of and additions to the Fund charter, the Prospectus, or the Supervisory Contract;
  - (b) To consider a change in the orientation of the investment policy, the plan for profit distribution, the investment objectives of the Fund and dissolution of the Fund;
  - (c) To consider a change of the Fund Management Company or the Custodian Bank in case where such company is withdrawn the operational license, goes into bankrupt or is in material breach the Fund Charter or the Prospectus;
  - (d) To consider an increase in fees above the range stipulated in the Fund Charter for the Fund Management Company or Custodian Bank at the request of such company or bank;
  - (e) To consider dissolution of the Fund, or merger or consolidation of the Fund.
  - (f) Number of Board of Representatives members is less than 03 (three) members.
- Investors/investor representative groups holding at least 10% of the Fund's chartered capital continuously for at least six (6) months may call an Extraordinary General Meeting of Investors by petitioning in

writing. The petition must clearly set out the reason and purpose of the meeting and be duly signed by the petitioning investor;

- The Extraordinary General Meeting of Investors, called by an investor/investor representative group holding at least 10% of the Fund's chartered capital continuously for at least six (6) months, as stipulated at Item 1 of this Article, must be organized by the Fund Management Company and Board of Representatives, and held within thirty (30) days of receipt of a valid written petition calling for the meeting. The petitioning party shall make the Extraordinary General Meeting of Investors publicly known to investors not less than fifteen (15) days prior to the General Meeting of Investors.
- The Fund Management Company, Board of Representatives and Custodian Bank must hold the Extraordinary General Meeting of Investors, petitioned under item 1 of this Article, within thirty (30) days from the date the Extraordinary General Meeting of Investors is announced. The petitioning party must make the Extraordinary General Meeting of Investors publicly known to investors not less than fifteen (15) days prior to the General Meeting of Investors.
- The costs of an extraordinary General Meeting of Investors shall be paid by the Fund except in the case stipulated in clause 1(d) of this article, in which case the costs of holding the extraordinary General Meeting shall be paid by the Fund Management Company or the Custodian Bank.

#### Rights and duties of the General Meeting of Investors

- To elect, remove or dismiss the Chairman or any member of the Board of Representatives;
- To make decisions on remuneration and operating costs of the Board of Representatives;
- To consider and change costs payable to the Fund Management Company and the Custodian Bank;
- To consider and deal with breaches by the Fund Management Company, the Custodian Bank and the Board of Representatives which cause loss to the Fund;
- To make decisions on amendments of and additions to the Fund Charter and the Supervisory Contract and to make decisions on the listing of closed Fund Certificates;
- To make decisions on fundamental changes in investment policies, the plan for profit distribution, investment objectives and dissolution of the Fund;



- To make decisions on an additional issue in order to increase capital of the Fund, on the issue plan and on the use of capital obtained from the issue;
- To make decisions on change of the Fund Management Company and the Custodian Bank in case such company or bank is revoked license, bankrupted or violate seriously Fund Charter or the law.
- To request the Fund Management Company and the Custodian Bank to submit books or transaction documents at the General Meeting of Investors;
- To approve the annual financial statements of assets and operation of the Fund;
- To approve the selection of an accredited auditor to audit the annual financial statements of the Fund.
- Decisions in Fund dissolution, merger, and unification shall follow regulations in the Fund Charter.

### Conditions for and manner of holding the General Meeting of Investors

- The time, program and agenda proposed for the General Meeting of Investors must be publicly announced to Investors and reported to the SSC at least five (5) working days prior to the date on which the meeting is to be held.
- A meeting of the General Meeting of Investors may be conducted when the attending Investors represent at least 51% of the Fund charter capital. The form of attendance at a meeting shall be direct in person, or via a proxy or in other forms specifically stipulated in the Fund Charter.
- Where the initial meeting does not take place because the conditions stipulated in clause 2 of this article were not satisfied, the meeting may be convened for a second time within thirty (30) days from the date on which the first meeting was intended to be opened. In this case, the meeting of the General Meeting of Investors shall be conducted irrespective of the number of attending Investors.
- The General Meeting of Investors may be held in the form of either face-to-face meeting or distant meeting by written consultation;
- General Meeting of Investors shall be presided over by Chairman of the Board of Representatives. In case of absence of the Chairman, Vice Chairman of the Board of Representatives or a representatives elected by the General Meeting of Investors shall preside over the meeting
- All the General Meeting of Investors shall be documented and kept at the head office of the Fund Management Company.

### Decisions of the General Meeting of Investors

- Each Fund Unit shall have one vote. The Custodian Bank, the Fund Management Company, the auditor, lawyers and real estate valuers (if any) supplying services to the Fund shall have the right to attend the General Meeting of Investors but not to vote.
- The General Meeting of Investors shall pass decisions within its authority by way of voting or by collecting written opinions
- A decision of the General Meeting of Investors shall be passed at a meeting when the following conditions are satisfied:
  - a) It is approved by the number of Investors representing at least 51% of the total number of voting rights of the Investors attending the meeting and of Investors participating in voting via other forms;
  - b) In the case of a decision on amending or supplementing the Fund Charter, or on dissolution, merger or consolidation of the Fund, it is approved by the number of Investors representing at least 65% of the total number of voting rights of all Investors attending the meeting and of Investors participating in voting via other forms.
- In a case of voting by way of collecting written opinions, a decision of the General Meeting of Investors shall be passed when it is approved by the number of Investors representing at least 75% of the total voting rights of Investors participating in the voting.
- Decisions of the General Meeting of Investors of the following cases shall be approved by voting at the meeting:
  - a) Approval in adjustment of any fee which is not regulated in the Fund Charter for Fund Management Company and Custodian Bank;
  - b) Approval in the Fund annual financial reports;
  - c) Approval in Fund's demerger, merger, dissolution, or replacement Fund Management Company or replacement Custodian Bank .
- The Fund Management Company and the Custodian Bank shall be responsible to ensure that all decisions of the General Meeting of Investors comply with law and the Fund Charter.
- Within seven (7) days from the end of a General Meeting of Investors, the Fund Management Company and the Board of Representatives shall be responsible to prepare minutes and the resolutions of the General Meeting of Investors, and to send them to the SSC.
- The SSC shall have the right to request a change in items of decisions made in a resolution of the General Meeting of Investors when such items are contrary to law.



## 02.6

### Board of Representatives

#### Board of Representatives

- The Board of Representatives of VFA is elected by the General Meeting of Investors in order to represent interests of the Investors.
- The Board of Representatives of VFA shall comprise from 5 to 9 members, of which at least two thirds of the total number of members of the Board of Representatives are independent (not being related persons) of the Fund Management Company or the Custodian Bank.
- The Board of Representatives of VFA has a term of three (3) years and may be re-appointed in next General Meeting of Investors.
- Any decisions of the Board of Representatives shall be passed by way of voting at the meeting, collecting written opinions. Each member of the Board of Representatives of VFA shall have one vote. The members of the Board of Representatives of VFA will not authorize anyone to implement their duty.
- When the Fund is registered to list, the Members of Board of Representatives at that time shall commit to transaction restrictions as currently regulated by law. This transaction restriction commitment is legally binding for the life of the transaction restriction statute, including circumstances where that Member of the Board of Representatives is no longer incumbent. These regulations on transaction restrictions only apply to Members of the Board of Representatives making the commitment at the time of listing.
- Where a Member of Board of Representatives is suspended or removed as regulated at Article 29 of the Fund Charter, if the remaining members number not less than three (3) members, the Board of Representatives shall fulfill its duties and organizational structure with the remaining members. The appointment of Members to Board of Representatives, to fulfill the complement of members as regulated by the Fund Charter, will be undertaken at the next Annual General Meeting.
- Where the remaining members of the Board of Representatives number less than three (3) members, within two (2) months from the date the above change is made public, the Board shall convene an Extraordinary General Meeting of Investors to elect additional members to ensure the number of members of Board of Representatives conforms to the Fund Charter.
- The Fund Management Company must publicly announce to investors (on the Fund Management Company's website) the changes to the Board of Representatives and report to the SSC, HoSE and the Custodian Bank.

#### Criteria for selecting members of the Board of Representatives

Each Member of Board of Representatives shall meet fully the following conditions:

- (i) Being a Member or a lawful representative of Member which is an organization, possessing at least 3% of Chartered Capital or being a prestigious expert in economic, financial and capital market management. Independent members will not be Related person of Fund Management Company and the Custodian Bank.
- (ii) The member who is chairman or vice chairman of the Board of Representatives must be a well-qualified person in economic management, finance, and good knowledge of operations and business of the Investment Fund.

#### Rights and obligations of members of the Board of Representatives

- To exercise the delegated rights and perform his/her delegated duties honestly in accordance with the law in force and the Charter which is approved by the General Meeting of Investors;
- To be loyal to the interest of the Fund, avoid conflicts of interests which may damage the Fund, ensure complying with the principles when the conflicts of interests between members and the Fund or between members and related person of the Fund;
- To supervise the operation of the Fund Management Company, the Custodian Bank and service providers of the Public Fund in compliance with the Fund Charter and law;
- To inspect and supervise the performance of the process and method of determining the net asset value of the Fund;
- To propose investment policies and objectives of the Public Fund;
- To recommend the level of profits to be distributed to Investors; to approve the period and procedures for distribution of profits;
- To propose change of the Fund Management Company or the Custodian Bank in case such company or bank is revoked license, bankrupted or violate seriously this Charter or the Prospectus;
- No member of the Board of Representatives shall be individually responsible for their activities or any other activities which are done on behalf of the Fund in the manner of willingness, faithfulness, unblemished, publicspirited and selfless and in compliance with

scope and powers properly assigned, or in compliance with powers assigned in accordance with the Fund Charter or Regulation of the Board of Representatives and the laws.

- To elect, remove or dismiss positions in the Board of Representatives under the jurisdiction of the Board of Representatives;
- Research, evaluate the operation situation and result, and give comment to construction of annual and quarter tasks plan and growth strategy of the Fund.
- The Board of Representatives shall not be allowed directly or indirectly:
  - a. To use assets of VFA to provide loan to any Investor of the Fund;
  - b. To use assets of VFA to guarantee or as pledges for any loan of any Investors
  - c. To use assets of VFA to guarantee or as pledges for any loan of any company;
  - d. To provide with information of VFA or client, which is not allowed to disclose to any person.
- To attend meetings of the Board of Representatives, to directly discuss and vote or send the vote (in case of absence or collecting written opinions by the Chairman) in order to decide matters belonged to the meeting's content.
- To implement the resolutions of the General Meeting Investors and decisions of the Board of Representatives.
- More than 2/3 (two third) of number of members of Board of Representatives have right to convene the extraordinary General Meeting of Investors or the meeting of Board of Representatives.
- To be authorized by the Chairman in making decisions in some particular works.
- To comply with other laws and the Charter.
- The members of Board of Representatives have the right to monthly compensation, with the level of compensation determined by the General Meeting of Investors.
- To comply the engagement on the restriction for transferring Fund Certificates according to Clause 5 of Article 24 of this Charter.
- To comply with regulation on disclose information of VF4 Fund Certificates' transactions which it is implemented by the member of the Board of Representatives, namely:
  - a) Before implementing any VFA Fund Certificates' transaction (for example: give, offer, assign, inherit or an issue of fund certificates purchase rights,...), the member of Board of Representatives must report to the SSC, HoSE and VFM on the standard form issued by HoSE, no later than one (01) business days prior to the transaction and only implement the transaction after twenty four (24) hours when HoSE has the announcement on website of HoSE
  - b) Within three (03) business days after the completion of the VFA Fund Certificates' transaction, the

member of Board of Representatives must report the trading results to SSC, HoSE and VFM on the standard form issued by HoSE.

- c) In the case of no transaction has been implemented, the member of Board of Representative also must report the causing reasons to SSC, HoSE within three (03) day since the last day of estimated trading period.

## Chairman of the Board of Representatives

- The General Meeting of Investors shall elect a Chairman of the Board of Representatives from its members. The Chairman of the Board of Representatives must be an independent member.
- The Chairman of the Board of Representatives shall have the following rights and duties:
  - a) To prepare working programs and plans of the Board of Representatives;
  - b) To prepare programs, contents and documents for the meeting; to convene and chair meetings of the Board of Representatives;
  - c) To monitor the implementation of the decisions of the Board of Representatives.
  - d) Board of Representatives promulgates the suspension and dismissal decisions of Members of Board of Representatives, regulated at Clause 1, Article 29 of the Fund Charter.

## Procedures for management of the Board of Representatives

- In the event that the Chairman of the Board of Representatives is absent or has lost his/her ability to perform assigned duties, any member of the Board of Representatives authorized by the Chairman shall perform rights and duties of the Chairman of the Board of Representatives.
- Where such a member is unavailable, other members of the Board of Representatives shall select one person from the independent members to temporarily hold the position of the Chairman in accordance with the principle of unanimity. Re-election of the Chairman of the Board of Representatives shall be carried out at the next annual General Meeting of Investors.

## Suspension and dismissal of members of the Board of Representatives

- A member of the Board of Representatives shall be automatically suspended or dismissed if:
  - (a) Is instituted or prosecuted;
  - (b) Is declared lost, died or has limited capacity of civil acts by court;
  - (c) Is forbidden from being a Member of the Board of Representatives by laws, SSC or award, decision of court, authorized agency;
  - (d) Resigns, passes away, or his office term is expired.

- A member of the Board of Representatives shall be suspended or dismissed if:
  - (a) Is suspended or dismissed according to this Charter.
  - (b) Reveals secrets which are contrary to or make a breach of interests of Fund;
  - (c) Is suspended or dismissed according to Decision of General Meeting of Investors;
  - (d) Not participating in activities of the Board of Representatives for nine (9) consecutive months, except for force majeure cases;
  - (e) To infringe serious obligations and threatening damages for the Fund.
  - (f) Not satisfying the criteria and conditions stipulated in article 25 of the Fund Charter;

### Operation of the Board of Representatives of the Fund

- The Chairman of Board of Representatives has the right to convene meetings of Board of Representatives.
- Board of Representatives shall meet at least once per quarter to confer and decide on issues within its jurisdiction.
- Extraordinary Meetings of Board of Representatives may be called by the Chairman of the Board of Representatives, the Fund Management Company,

the Custodian Bank, or by a total of not less than two-thirds (2/3) of the members of Board of Representatives.

- Two-thirds (2/3) of the total number of members or more present at Meetings of Board of Representatives shall constitute a quorum. Decisions of Board of Representatives are carried if the majority of members present are in favor. Where votes are equal, the final outcome shall be decided according to the vote cast by the Chairman of Board of Representatives.
- The Fund Management Company and Custodian Bank have the right to participate in meetings of Board of Representatives, but without voting rights.
- Board of Representatives shall appoint a competent person from the Fund Management Company as the Secretary to record the minutes for Board of Representatives meetings.
- Proceedings of Board of Representatives meetings shall be fully recorded in the minutes. The Chairman and the Secretary are jointly responsible for the honest and accurate record of minutes from Board of Representatives meetings.
- All meeting expenses and fees for meetings of Board of Representatives shall be paid by the Fund.

## 02.7

### Fund Management Company

#### Criteria for selecting the Fund Management Company

##### **Fund Management Company to be selected to manage VFA must meet following conditions in full:**

- Being issued a Fund Management Operating License by SSC;
- Being completely independent to the Custodian Bank;
- Having full capacity to manage the Fund;
- Agreeing to fulfill its commitments to the Fund as stated in Appendices 1 and 3 of this Charter

#### Rights and obligations of the Fund Management Company

##### **The Fund Management Company shall have the following obligations:**

- To comply with this Charter and protect rights and interests of Investors;
- To be fair, honest, for the sake of the Fund and Investors;
- To safely protect and separately manage assets of each fund under its management; to ensure separation of organization and personnel of fund management activities from those of other business activities of the Fund Management Company; In respect of VFA's transactions implemented by Fund Management Company with participation of Related

Persons of Fund Management Company therein, to ensure fairness and keep harmless to rights and interests of VFA;

- To ensure to keep interests of VFA harmless from authorization to the third party and any changes of organization, management of Fund Management Company;
- The fund management company must compensate for losses to VFA caused as a result of the fund management company or its staff failing to correctly discharge their obligations in accordance with law or breaching the Law on securities and securities market. The amount of compensation must be approved by investors, who previously held fund certificates at the time of the occurrence of the event.
- All securities transactions of managers and staffs of Fund Management Company must be reported to and controlled in Fund Management Company under supervision of internal auditing section;
- When Fund Management Company sells or buys assets of VFA, Members of the Board of Management, General Director, Deputy General Director, Fund operator shall not be entitled to any interests for Fund Management Company or themselves, other than the remunerations and bonus set out in this Charter;

- Determine value of Net Assets of Fund in compliance with the laws and the provisions of this Charter;
- Where the Custodian Bank detects and notice Fund Management Company that a transaction is not in compliance with the regulations of laws and this Charter or beyond jurisdiction of Fund Management Company, Fund Management Company must repeal that transaction or perform sales or purchase of assets of VFA to recover such assets of VFA to the same value as before the transaction, at expenses of Fund Management Company;
- Fund Management Company shall strictly comply with commitments as listed in Annex 1 and Annex 3 of this Charter;

**Fund Management Company will have the following rights:**

- To be entitled to remunerations and bonus in accordance with this Charter and the prevailing laws;
- To be entitled to conduct business and provide services in accordance with the prevailing laws;
- To participate in the annual meeting of the Board of Representatives.
- To decide in investment decisions which comply with Fund Charter and other current regulations.

**Termination of rights and obligations of the Fund Management Company to the Fund**

**The Fund Management Company shall terminate its rights and obligations to the Fund in the following circumstances:**

- Fund Management Company proposes to terminate its rights and obligations to the Fund in accordance with the provisions of the Fund Charter and such proposal is approved by the General Meeting of Investors;
- At the request of the Custodian Bank or the Board of Representatives and approved by the General Meeting of Investors;
- The Fund Management Company's license is revoked pursuant to the regulations of the Securities Law;
- Voluntarily terminate its operation;
- At the expiry of the operation term of the Fund
- The Fund Management Company is merged or acquired by other Fund Management Company and handing over right and obligation to the new Fund Management Company created after merger or consolidation is completed and this new Fund Management Company is issued establishment and operation license.

**Restriction of activities of Fund Management Company**

- The Fund Management Company must be not a Related Person to the Custodian Bank.
- Members of the Board of Management of Fund Management Company, General Director, Deputy General Director, operator of Fund Management Company will not concurrently work at the Custodian Bank.
- Related person of the Fund Management Company, fund management practitioners, person working for Fund Management Company are only permitted to buy, sell Fund Certificate through the trading system by the method of matching orders at the HoSE.
- Except for the purchase and sales mentioned in Clause 3 of this Article, Related persons of Fund Management Company, fund management practitioners, person working for Fund Management Company can not be the in other transaction with the Fund.
- All transactions of members of the Board of Management, General Director, Deputy General Director, fund management practitioners and staffs of the Fund Management Company must be reported to the internal inspection division prior to and right after the transaction is made and must be centralized control at the Company under the supervision of internal inspection division.
- When the Fund Management Company performs any transaction involving the assets of the Fund, members of the Board, the General Direction, Deputy General Direction, fund management practitioners and all staffs of Fund Management Company do not have right to request for or receive, under his/her individual or Fund Management Company's behalf, any remuneration, profits or benefits from the performance of any transaction involving the assets of the Fund provided by a third party, except for the fee, bonus as specified in the Charter.
- The Fund Management Company shall not:
  - (a) use Fund's assets to invest in the Fund itself.
  - (b) use Fund's assets to invest in other public funds managed by itself.
  - (c) use the company's assets, entrusted assets under the investment portfolio managed by itself to invest in the Fund.
- The Fund Management Company shall not use assets of the Fund to provide loan, guarantee for any loan of the Company, Related person of Company, or to pay any debt for any Related person of the Company or of any third party.
- The Fund Management Company must control and ensure the expenses in any transaction involving the assets of the Fund remained at a reasonable rate and not higher than the average rate in the market place.
- The Fund Management Company must comply with the investment restrictions in fund management operation as set forth at Article 11 of this Charter.



## 02.8

# The Custodian Bank

### Criteria for selecting the Custodian Bank

**The selected Custodian Bank must satisfy the following conditions:**

- Being a commercial bank having Certificate of Custodial Activity issued by SSC and having function to perform the businesses of depository and Custodian Bank securities of public fund
- The Custodian Bank, members of the Board of Management, Board of Directors, direct services administrators and staff of the Bank discharging the duties of supervision of the operation of the Fund must not be Related Person(s) or have ownership, lending or borrowing relationship with the Fund Management Company or vice versa.
- Having sufficient ability to provide supervisory/ custodial services.
- Agreeing to fulfill its commitments to the Fund as stated in Appendices 2 and 3 of this Fund Charter.

### Rights and obligations of the Custodian Bank

**Obligations of the Custodian Bank:**

- To supervise the Fund Management Company in order to ensure that its management of the Fund is compliant with the Fund Charter and the prevailing laws;
- The Custodian Bank may proceed with the registration of Fund Units' ownership for Investors; to make favorable conditions and carry out the activities which help the Investors in exercise of their rights related to the possession of Fund Units;
- To store and preserve assets of the Fund safely, To act on behalf of the Fund to effect the rights relating the assets of the Fund (except voting right), payment for transactions of the Fund according to the prevailing laws, the Fund Charter, the Supervisory Contract and lawful orders or directions of the Fund Management Company;
- To manage assets of the Fund separately to assets of the Custodian Bank and other assets which are managed by the Custodian Bank; under no circumstances, capital and assets of the Fund shall be allowed to use for paying for debts of any organization or individual other than the Fund;

- To conform reports relating assets and operation of the Fund which are made by the Fund;
- To report and manage files according to the prevailing laws, the Fund Charter and the Supervisory Contract .
- To comply fully the regulations of the Law on Securities, related laws, the Fund Charter and the Supervisory Contract;
- Not receive any other interests (except the fees according to Supervisory Contract ) for itself or any third person.

**Rights of the Custodian Bank**

- To be entitled to service fees of supervising and preserving assets of the Fund as stipulated in the Fund Charter in accordance with the prevailing laws.
- To attend the periodic meetings of the Board of Representatives.

### Termination of rights and obligations of the Custodian Bank to the Fund

- The Custodian Bank shall terminate its 's rights and obligations with respect to the Fund in the following events
- Custodian Bank voluntarily terminates its rights and obligations to the Fund in accordance with the provisions of the Fund Charter and such proposal is approved by the General Meeting of Investors;
- Custodian Bank temporarily ceases, terminates its operation, dissolves or declares bankruptcy;
- At the request of Fund Management Company or Board of Representatives and approved by the General Meeting of Investors
- The Fund goes in bankruptcy or terminates its operation;
- The Fund is merged or acquired by other fund according to decisions of the General Meeting of Investors;
- The Custodian Bank services license is revoked pursuant to the Article 51.2 of the Securities Law.
- The Custodian Bank is merged or acquired by other bank.



## 02.9

# Accounting, Auditing, And Reporting System

### Criteria for selecting and changing the auditing firm

Each year, Fund Management Company shall propose at least two (2) auditing companies to the General Meeting of Investors. the General Meeting of Investors shall authorize the Board of Representatives to determine an auditing company to conduct auditing for the Fund. Selected auditing company shall satisfy the following conditions in full:

- (i) having obtained auditing licence by the Ministry of Finance;
- (ii) having full capacity to provide auditing service;
- (iii) having approved the SSC for providing auditing services to the Fund;
- (iv) not being a Related person to the Fund Management Company or the Custodian Bank.

### Accounting system

The Fund shall apply the Vietnamese Accounting System (VAS) and comply with other regulations related to the accounting works of the Fund as provided for by the competent bodies.

### Financial Reports

- Fund Management Company shall be responsible for prepare the regularly financial reports on the business results and financial status of the Fund and other necessary reports to demonstrate the Fund's business activities.
- Financial reports shall be audited independently and annually by a selected auditing company. The copies of auditing report and operation report of the Fund will be sent to each Member of the Board of Representatives and publish on the website of the Fund Management Company for reference by Investors.

### Other reports

Fund Management Company shall comply with the prevailing regulations of SSC on report and disclosure of information related to the business of the Fund.

# 03.

## RISK FACTORS

Any investments in a fund shall not be guaranteed or undertaken to be guaranteed, by any bank or organization or the Fund, to ensure to achieve set investment objectives.

Investments in a securities investment fund should be meant to pursue long-term profits; and therefore, Investors should not expect short-term returns from their investments.

Despite not full coverage in this Prospectus, investors are, however, advised to consider main risks as specified hereunder prior to deciding to invest in VFA.



### 03.1

#### Market risks

This type of risks occurs when the assets the Fund invests decrease in value wholly or partially within a period of time, and may cause the fall of the whole market due to their domino effect; and thus, go beyond VFM's control. However, the Fund has risk management regimes in place like stop loss and asset allocation in order to minimize market risks.

### 03.2

#### Market liquidity risks

One of the crucial factors for the Fund is to enter or exit the market at the appropriate times. Therefore market liquidity is important to the Fund's profits. The Fund's Trend Following and quantitative analysis investment models use algorithms aimed at predicting market peaks and bottoms. These are points where liquidity remains quite good, satisfying investment requirements and realization of profit. At the same time, the liquidity of Vietnam's Stock markets is gradually improving.





### 03.3 Legal risks

Since Vietnam officially began operating a market-oriented economy at the beginning of 1990s, the Government has, and continues to, perfect the legal framework for securities and securities markets. Securities, securities investment funds and securities market operations were amended by legal documents issued in 1998. In 2006, faced with an exploding securities market and imminent entry into the WTO, the Government instituted several regulations, including the Law on Securities, guidance decrees, operating statutes, etc. However, legal risks remain whilst the Government continues the process of adjusting and perfecting the legal framework governing securities and the operations of the securities markets. These adjustments may influence the VFA Fund's operations in the future.

### 03.4 Conflicts of interest

The Fund Management Company will face conflicts of interest between the investment funds and other investment products which it manages. This is not a systemic risk and can be controlled through the establishment of an internal "information firewall" (Chinese Wall) aimed at minimizing the conflicts of interest between the investment fund and other financial products being managed by the Fund Management Company.



### 03.5 Risk of declines in Fund Net Asset Value (NAV)

This risk arises principally because of falling prices of listed shares on the share market in which VFA Fund has invested. In that case, the Fund's NAV may fall and directly affect its price on the market. This risk is minimized by a stop loss mechanism before the market falls significantly.

### 03.6 Quantitative model risks

This risk arises when there are large market fluctuations which affect the efficiency of the investment model. However, the model applied to the VFA Fund has been researched and tested (back testing) to be capable of accommodating many different market conditions (robustness). At the same time, a correcting mechanism has been constructed which is aimed at providing for large and complex market changes.



### 03.7 Basic data risks

As Vietnam's Stock markets have just on 10 years of historical data, the data on the influences of the economic cycle on the securities markets is not voluminous. This is a systemic risk outside the control of the Fund Management Company. The model has been tested on the basis of the oldest possible data separated into small cycles to test potential adjustments to the Model.

**VI.**

**ISSUING PLANS OF VFA  
FUND CERTIFICATES**

# 01.

## LEGAL BASIS

The incorporation and operation of VFA and other relevant matters are governed by the:

- Law on Securities passed by the National Assembly of the Social Republic of Vietnam, on 29 June 2006 and effective as from 01 January 2007
- Decree No. 14/2007/ND-CP of the Government dated 19 January 2007 providing detailed regulations for implementation of a number of articles of the Law on securities;
- Decree No. 36/2007/ND-CP of the Government dated 08 March 2007 on penalties for administrative offences in securities and securities market sector;
- Decision No. 35/2007/QD-BTC of the Ministry of Finance dated 15 May 2007 issuing Regulations on organization and operation of Fund Management Companies;
- Decision No. 125/2008/QD-BTC of the Ministry of Finance dated 26 December 2008 amending and supplementing some articles of the Regulation on Organization and Operation of Fund Management Companies promulgated with Decision No. 35/2007/QD-BTC on 15/5/2007;
- Decision No. 63/2005/QD-BTC of the Ministry of Finance dated 14 Sep 2005 promulgating the accounting regime applicable to Fund Management Company
- Decision No. 45/2007/QD-BTC of the Ministry of Finance dated 05 June 2007 issuing Regulations on establishment and management of Securities Investment Fund;
- Decision No. 63/2005/QD-BTC of the Ministry of Finance dated 14 Sep 2005 promulgating the accounting regime applicable to Securities Investment Fund.
- Decision No. 55/2009/QD-TTg of the Prime Minister of Vietnam dated 15 April 2009 on the Foreign Investors' participation rates in Vietnam's securities market;
- Decision No. 121/2008/QD-BTC of the Ministry of Finance dated 24 December 2008, promulgating the Regulation on activities of foreign investors on Vietnam's securities market.
- Decision No. 88/2009/QD-TTg of the Prime Minister of Vietnam dated 18 June 2009 on promulgation of Regulation on capital contribution, shares purchasing by foreign investors in Vietnam enterprises.
- Decision No. 15/2008/QD-BTC of the Ministry of Finance dated 27 March 2008 issuing Regulations on Securities practise;
- Other relevant legal documents.

# 02.

## ISSUING PLANS

### 02.1

#### General provisions

- Investors are: domestic and overseas individuals, institutional
- Preferential investors are as the following:
  - (i) Investors who own Vietnam Securities Fund (VF1) certificates at the time of issuing Vietnam Active Fund (VFA)
  - (ii) Investors who own Vietnam Blue-Chips Fund (VF4) certificates at the time of issuing Vietnam Active Fund (VFA)
  - (iii) Investors who own Vietnam Growth Fund (VF2) certificates at the time of issuing Vietnam Active Fund (VFA)
  - (iv) Investors who subscribe to purchase more than 5,000 (five thousand) VFA Fund certificates
- Duration of issue: within 20 days, or 90 days to the maximum, as from the date of issue as specified in the issue announcement upon VFA being licensed by the SSC to issue its fund certificates to the public;
- Placing price: VND10,300 per unit (inclusive of issuing fee).
- Placing price for promoted investors: to be announced in the Announcement - offering for sale of VFA investment fund certificates to the public which has been approved by the SSC
- Minimum number of subscription: 2,000 (two thousand) units.
- Form of payment: in cash or transfer to VFA's account at the Custodian Bank in Vietnamese Dong or any foreign currency converted into Vietnamese Dong at the foreign exchange rate on the date of payment.

#### **Place of issuance:**

#### **VietFund Management (VFM)**

#### **Head office**

10th Floor, Central Plaza Building, 17 Le Duan.,  
District 1, Ho Chi Minh City, Vietnam

#### **Hanoi Branch**

Suite 1208, 12th Floor, Pacific Place Building,  
83B Ly Thuong Kiet Street, Hoan Kiem District,  
Hanoi, Vietnam

## Related partners to the issue:

Issuing organization:	Vietnam Active Fund (VFA)
Issuing representative:	VietFund Management (VFM)
Legal adviser:	Vietnam International Law Firm (VILAF)
Auditing company:	Ernst & Young Co., Ltd. or KPMG Co, Ltd.
Custodian Bank:	Far East National Bank – Ho Chi Minh branch

## 02.2

### Subscription and payment for placing the fund certificates

#### Minimum subscription:

2.000 Units

#### Subscription method:

Submitting the Subscription Form directly to the appointed Distribution Agents at their distribution locations or VFM.

#### Form of payment:

Payable at the Distribution Agents or transfer to the account of Vietnam Active Fund (VFA) at Custodian Bank during the issuing period and stated clearly in the Prospectus after VFA Investment Fund license has been issued.

#### Term of payment:

Payment must be made prior to the Closing Day.

#### The subscription of the fund certificates shall be deemed to have been completed when:

- investors fill in the Subscription Form of fund certificate;
- investors submit required documents;
- investors make payment to the above-mentioned account of the Fund.

In case where the subscription of the fund certificates violates the applicable laws or regulations on subscription of the fund certificates, VFM shall reserve the right to decline or accept (whole or a part of ) of the subscribed Fund shares.



## 02.3

### Distribution Principles

Fund certificates will be impartially and publicly distributed within the term of issue and in compliance with the applicable laws on restrictions of ownership levels, including the maximum rate of 49% of fund charter capital permitted to be owned by foreigners, or subject to other regulatory restrictions from time to time.

- Where the number of the fund certificates subscribed is less than or equal to the number of the fund certificates offered for sale, all investors will receive their subscribed fund certificates in full;
- Where the subscribed number of the fund certificates exceeds the maximum amount of mobilized charter capital, investors shall receive fund certificates in the ratios as follows:
  - a) All investors subscribing for fund certificates to the value of VND 200,000,000 or less (equivalent to 20,000 fund units) will receive their issue in full. Investors with this minimum level of investment will be left off the allocation list according to the ratio.
  - b) The total outstanding fund certificates will be proportionally distributed to the remaining investors.
  - c) During the proportional distribution process, to comply with regulations on the minimum level of 100 units per transaction and for the issue not to

exceed 30,000,000 issued fund certificates, investor subscriptions will be rounded down to the nearest hundred.

- d) For foreign investors, the proportion-based distribution must ensure that the total number of subscribed fund certificates will not exceed the maximum rate of 49% of the proposed mobilized charter capital.
  - e) The amount exceeding the maximum proposed mobilized charter capital will be reimbursed to investors within ten (10) days of the Closing Date.
- Where the total number of fund certificates subscribed is below the minimum level as provided by in applicable laws after the offer period is completed, including the extension period, VietFund Management will cancel the issue and report to the SSC whilst disclosing information regarding the failure of the capital mobilization within 2 (two) working days of the completion of the offer. All subscribed amounts of fund certificates will be refunded to investors, in addition to all costs and expenses arising out of, and in connection with, such capital mobilization within fifteen (15) days of the completion date of the offer. VFA will list the fund certificates on the Stock Exchange in accordance with the applicable laws.



## 02.4

### Restriction on transaction of related person in VietFund Management in the first issuance of VFA fund certificates:

As per strictly regulated at VFA's Fund charter, relevant persons, practitioners and workers of VietFund Management are not allowed to buy VFA fund certificates during the initial issuance. Only after the

fund is listed, can they trade VFA fund certificates through the transaction system by means of centralized auction at HOSE.

# 03.

## SUMMARY OF THE TERMS AND CONDITIONS OF THE ISSUE



Issuing organization:	VIETNAM ACTIVE FUND (VFA)
Form of the fund:	Public closed-end fund
Proposed initial capital mobilization:	300 (three hundred) billion Vietnamese Dong
Par value:	10,000/fund unit
Minimum capital mobilization:	240 (two hundred and forty) billion Vietnamese Dong
Proposed issue quantity:	30,000,000 fund unit
Minimum issue quantity:	24,000,000 fund unit
Issuing Price:	VND 10,300/fund unit
Minimum subscription quantity:	2,000 fund units
Underwriting:	Underwriting service is not applicable to this issuing plan
Term of the Fund:	5 years
Form of ownership:	booking entry
Issuing date:	will be specified in the Issue Announcement after VFA is licensed to issue to the public.
Closing Day:	within 20 days, but not more than 90 days to the maximum as from the date of issue.
Custodian Bank:	Far East National Bank, HCMC Branch
Auditing company:	Ernst&Young Co., Ltd. or KPMG Co., Ltd.
Law advisory firm:	Vietnam International Law Firm (VILAF)

# 04.

## VALUATION METHOD OF THE NET ASSET VALUE

### 04.1

#### Date of valuation

The Fund's NAV is valued on the weekly basis, on the valuation day. Upon the valuation of its NAV being confirmed by the Custodian Bank as valid and

appropriate with the applicable laws and the Charter, the NAV will be publicly announced to investors per current regulation.

### 04.2

#### Method of valuation

The NAV means total asset values and investments owned by VFA, less its related liabilities (such as brokerage fees, Custodian Bank fees, administrative duties, valuation fees, bank interests, if any etc.) at the time of valuation.

The valuation is specified as follows:

**Its asset value and investments are valued based on the following principles:**

- To listed securities, the price will be determined according to the closing price of the nearest transaction day prior to the valuation day;
- To unlisted securities traded at securities companies, their price will be determined according to average price on the basis of transaction price quoted by three (3) securities companies which are not the Related Person of Vietfund Management and the Custodian Bank.
- To listed shares without being transacted for a period of less than two (2) weeks as calculated to the valuation date, their price will be determined according to average price on the basis of call price provided by three (3) securities companies which are not the Related Person of Vietfund Management and the Custodian Bank.
- To listed shares without being traded for a period of over two (2) weeks as calculated to the valuation date, their price will be determined as follows:
  - a) By 80% of liquidation value of a share on the date

- of latest balance sheet, if the issuing organization is under the process of division, separation, merger, consolidation, dissolution, bankruptcy; or
- b) By placing price in other cases; or
- c) By other valuation method which is approved by the Custodian Bank and the General Meeting of Investors.

- To other assets such as treasury bills, bank drafts, commerce notes, transferable deposit fund certificates, bonds with the term of under 1-year maturity as from the date of valuation, the price will be determined on the basis of placing price, plus accrued interest therein as from the date of valuation. In case of discount bonds, asset value will be determined by cash flow valuation method or linear interpolation method based on placing price and par value of bonds;
- To bonds with the term of over 1-year maturity as from the date of valuation, convertible bonds, the price will be determined on the basis of market price in respect of listed securities or quotation by three (3) securities companies which are not the Related Person to Vietfund Management and the Custodian Bank. In case where such securities are transacted through agreement without market price, the price of the securities will be determined on the basis of appropriate bond valuation method;
- To derivative securities, the price will be determined according to the market price for the listed securities



or quotation by three (3) securities companies which are not the Related Person to Vietfund Management and the Custodian Bank. In case where such securities are transacted through agreement without market price, the price of the securities will be determined on the basis of appropriate derivative valuation method;

- To other assets of the Fund such as dividends, receivable interests, cash, short-term deposits of less than 365 days, and over one year-term deposits as from the time of valuation, the value will be determined on the actual price basis at the time of determination;
- In respect of the Fund's assets as fixed assets, the value shall be determined by an independent valuation organization subject to the approval of the Custodian Bank and the General Meeting of Investors. Such independent valuation organizations shall not be a Related Person to Vietfund Management and the Custodian Bank. Such fixed assets must be examined and valued on a periodical basis of every six (6) months. In case of any occurrence that would affect asset value, Vietfund Management and the Custodian

Bank must report to the independent valuation organization;

- Investments for which valuation methods are not specified above will be valued based on their initial investment value (the cost price), and such method remains unchanged throughout the unassigned life of such investments.
- Value of other assets will be determined on an objective, scientific valuation basis as adopted by the Custodian Bank and approved by the General Meeting of Investors.
- VFA's total payable liabilities include its debts or obligations up to the date of valuation, and valuation methods for all such payable liabilities and obligations must be certified by the Custodian Bank in accordance with relevant laws.

**The fund's NAV = Fund's total assets – Fund's total liabilities payable**

The fund unit value is equal to the fund's net asset value divided by total in-circulation units.

# 05.

## EXPENSES, FEES, AND INCENTIVE FEE

### 05.1 Placing fee

Placing fee, which shall be 3% of the par value of the fund unit, is a one-time payment paid by investors for their subscription of VFA's fund certificates during the initial issuance or issuance to increase the capital of VFA.

Therefore, the issuing price for VFA's fund certificates is VND 10,300 per fund unit.

### 05.2 Management fee

Management fee is 2% of VFA's NAV per fiscal year. This fee is paid to VFM for carrying out fund management services for VFA. This fee is fixed during the term of fund management service provision rendered by VFM for VFA. The fee is temporary calculated and paid to VFM on monthly basis based on VFA's monthly NAV.

Monthly management fee for VFA is calculated as below:

**Monthly management fee = 2% management fee (year)/12 x NAV on the last day of the month**



## 05.3 Custodian Bank and depository fees

Depository and Supervision Fees will be paid to the Custodian Bank for providing the Custodian Bank services and detailed in the Supervisory contract. The fees are temporarily calculated and collected monthly based on the NAV to be determined on of the last day of the month. This fee shall not include normal fees such as payment cost for Securities Depository Centre; legal advisory fees; mailing cost; ...

The Fund will pay to the Custodian Bank for its registration service and the benefits of the Investors such as: registration and confirmation of ownership, depository of Fund Certificates, maintenance and update the Investors' data to the Investors Book, carrying out the confirmation report and cross-check the list of Investors with the Securities Depository Centre; pay the dividend to the Investors. The rate and method of payment are provided for in the Supervisory Contract.



## 05.4 Other expenses and fees

### **Other expenses and fees include:**

1. Reasonable, valid brokerage fee relating to the transactions of the Fund's assets;
2. Tax, cost, and fee payable in accordance with the laws;
3. Loans payable incurred by the Fund in accordance with the laws and the Charter;
4. Expenses and fees relating to auditing services for the Fund;
5. Legal advisory fee for the Fund;
6. Expenses for engaging independent organizations to provide valuation, asset valuation services for the Fund;
7. Expenses for amending the Charter for the benefit of Investors;
8. Expenses for organizing and convening of General Meeting of Investors and Board of Representatives not as required or not for benefits of VietFund Management or the Custodian Bank;
9. Expenses relating to printing, publication, and information of the Fund's activities, issuance of prospectus, if more Fund's Certificates to be issued;
10. Remuneration for the Board of Representatives;
11. Other reasonable, valid fees and expenses as decided by the Board of Representatives.

Total of expenses and costs mentioned in this Article shall not exceed 1% of the Net Asset Value of the Fund/year.

## 05.5

### Incentive fee

**Apart from the management fees, VFM may be entitled to a performance bonus paid by VFA, also called as incentive fee which is calculated as follows.**

#### a. Conduct principles:

Performance levels are calculated on the basis of percentage profit exceeding market hurdle profits which are adjusted in accordance with VFA's investment portfolio structure (see the performance fee calculation method at item (c) below). Performance is drawn from the actual income of the Fund's investments (if any) and paid annually to the Fund Management Company.

The Fund's profit percentage for calculating the performance fee consists of NAV growth at the end of the year compared to NAV at the start of the year and accounting for dividends paid during the year. NAV for the year will be adjusted in circumstances where the Fund increases its capital.

The performance fee will be reduced or not paid at all if the investments over the immediately preceding years are losses and these have not yet been recovered. NAV growth to determine performance will be calculated beginning from when the losses have been fully recovered. The level of the reduction shall be subject to the approval of the Board of Representatives, on the basis of the specific market situation.

The performance fee will be paid after all other payable obligations have been met. The performance fee is based upon the audited financial statements of that year.

#### b. Accounting Recognition method:

Incentive fee is paid monthly basis, calculated based on the Fund's performance against the set targets, and will be recalculated and settled based on the actual performance of the year. Monthly, according to the below presented formula, VFM temporarily calculates the incentive fee (if any) for the period from the 1st day to the year to date of calculation. The difference (if any) between the recent month calculation and incentive fee which has been calculated at the end of the prior month will be adjust to the next month NAV. After closing of fiscal year, the actual annual incentive fee (if any) will be compared to amount temporarily calculated and paid during the year and differences (if any) will be entered in the accounts when closing the

books for the fiscal year. The accounting recognition method must comply with the all fund accounting standards.

#### c. Incentive fee calculation method:

VFM will only be entitled to such incentive fee if the growth rate of VFA's NAV is higher the hurdle rate (h) (refer to details below). The incentive fee is equal to 20% of  $L_i$  (refer to details below) of the financial year.

Incentive fee = 20% x  $L_i$

$$L_i = V_i - \{V_{i-1} \times (100\% + h + 1\%) + N_i \times [100\% + (h + 1\%) \times d/365]\}$$

#### Where:

$L_i$ : is the relevant amount on which the annual incentive fee is calculated.

$V_i$ : means the NAV of all investments as at 31 December (or the nearest business day) of the year (i), plus distributed dividends in that year.

$V_{i-1}$ : is the NAV of all investments as at 31 December (or the nearest business day) of the year (i-1).

1%: Surpassing rate

$N_i$ : the proceeds from fund certificate's issuance in year (i),

$d$ : the number of days as calculated from the date of new mobilized capital to be disbursed to 31 December of year (i)

$h$ : is basic index as calculated below:

$$h = W_{ho} \times R_{ho} + W_{ha} \times R_{ha} + W_o \times R_{Is}$$

#### Where:

- $W_{ho}$ : is the percentage of VFA investment's NAV on HCM Stock Exchange to total VFA investment portfolio's NAV annually.
- $R_{ho}$ : is the growth rate of VN-Index (%).
- $W_{ha}$ : is the percentage of VFA investment's NAV on Hanoi Stock Exchange to total VFA investment portfolio's NAV annually.
- $R_{ha}$ : is the growth rate of HNX-Index (%).
- $W_o$ : is the percentage of VFA investment's NAV on unlisted or unlisted stocks (include bonds, deposits, cash ...) to total VFA investment portfolio's NAV annually.
- $R_{Is}$ : is the deposit interest rate of average 12 months from 4 Banks which include: Vietnam Bank for Agriculture and Rural Development (Agribank), Bank for Investment and Development of Vietnam (BIDV), Joint Stock Commercial Bank of Foreign Trade of Vietnam (Vietcombank), Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietin Bank).

*Note:  $W_{ho}$ ,  $W_{ha}$ , and  $W_o$  are shares of investment portfolio and calculated in monthly reports and are the basis for whole-year calculation.*

### Example of share calculation of asset groups:

Month	Rate			Actual NAV (billion VND)			
	Listed shares Ho ( $W_{ho}$ )	Listed shares Ha ( $W_{ha}$ )	Other assets ( $W_o$ )	Total	Value of listed shares HOSE	Value of listed shares HNX	Value of other assets
	- 1	- 2	- 3	- 4	- 5	- 6	- 7
T1				<b>300,0</b>	135,0	120,0	45,0
T2				<b>304,5</b>	140,1	124,8	39,6
T3				<b>309,0</b>	145,2	129,9	33,9
T4				<b>313,8</b>	150,6	135,0	28,2
T5				<b>318,3</b>	156,0	140,1	22,2
T6				<b>323,1</b>	161,7	138,9	22,5
T7				<b>328,2</b>	167,4	137,7	23,1
T8				<b>333,0</b>	173,1	136,5	23,4
T9				<b>338,1</b>	179,1	135,3	23,7
T10		Issuance of 3,00 billion		<b>641,1</b>	308,7	257,1	75,3
T11				<b>652,8</b>	333,0	267,6	52,2
T12				<b>662,4</b>	357,6	278,1	26,4
<b>Whole year (a)</b>	50%	41%	9%	<b>4.824,0</b>	<b>2.407,5</b>	<b>2.001,0</b>	<b>415,5</b>

At line (a):

- $W_{ho} (1) = (5)/(4) = 2.407,5/4.824,0 = 50\%$
- $W_{ha} (2) = (6)/(4) = 2.001,0/4.824,0 = 41\%$
- $W_o (3) = (7)/(4) = 415,5/4.824,0 = 9\%$

### Example of basic index and incentive fee calculation:

Index	Note	Value
NAV at the beginning of year (VND billion)	(a)	300,0
NAV at the end of year (VND billion)	(b)	662,1
New capital issuance in year (VND billion)	(c)	300
Number of days which proceeds are used	(d)	100
VN-Index growth	(e)	15%
HNX-Index growth	(f)	14%
Average deposit rate of 12 months	(g)	9%
Surpassing rate	(h)	1%
Basic index	(i) = $Who \times (e) + Wha \times (f) + Wo \times (g) =$	14,1%
<b>Li (billion)</b>	(k) = $(b) - (a) \times (1 + (i) + (h)) - (c) \times [1 + (i) + (h) \times (d)/365]$	4,51
<b>Bonus (billion)</b>	<b>(n) = 20% x (k)</b>	<b>0,9</b>
<b>Bonus / NAV (%)</b>		<b>0,1%</b>

## 06.

# CERTIFYING TITLE OF FUND CERTIFICATES

VFM or its duly authorized body will certify the investor's ownership to their subscribed fund certificates in the form of booking entry or electronic record.

- The duration for certifying investor's buying right of Fund Certificate will be within 15 days after the completion of all subscription procedures.
- The duration for certifying investor's ownership of Fund Certificate will be within 15 days after the effective date of Fund Registration License.

## 07.

# TRADING OF THE FUND'S CERTIFICATES

VFA is a closed-end fund; and therefore, does not oblige to redeem its fund certificates from investors. Investors may trade their fund certificates on the Ho Chi Minh City Stock Exchange when fund certificates have been listed.

## 08.

# RECOGNITION METHOD FOR INCOME AND FUND'S PROFIT DISTRIBUTION PLAN

Fund dividends distributed to investors are based on a proposal from the Fund Management Company, approved by Board of Representatives, submitted to and passed by the General Meeting of Investors. Dividends are only distributed when the Fund has realized a profit. The amount of cash or equivalent assets paid as dividends is a minimum 50% of realized profit for the year. Fund dividends may be paid in cash, fund certificate purchase rights or other assets according to legal regulations. Only investors recorded in the Investor Register on the closing date provided by the Securities Deposit Center shall receive Fund dividends.

If considered appropriate, based upon the recommendation of the Fund Management Company and approved by Board of Representatives, the Board of Representatives may decide to advance dividends to investors should profits or other VFA Fund reserves allow. This advance may be made once in six (6) months or in a suitable period (not to exceed twelve (12) months) to investors at the proscribed level.

## 09.

# REPORTING REGIME

VFM will prepare periodical reports for itself and VFA and send to the SSC as stipulated by the applicable laws.

Annual audited financial statements and other Fund operational reports will be sent to the members of VFA's Board of Representative and published on its website freely.

## 10.

# CONTACT ADDRESSES FOR INQUIRIES

### Head office in Ho Chi Minh City:

VietFund Management (VFM)  
10th Floor, Central Plaza Building, 17 Le Duan St.,  
Ben Nghe Ward, District, 1HCMC, Vietnam  
Tel: (84.8) 3825 1488  
Fax: (84.8) 3825 1489  
Email: [info@vinafund.com](mailto:info@vinafund.com)  
Website: [www.vinafund.com](http://www.vinafund.com)

### Hanoi Branch Office:

VietFund Management (VFM)  
Suite 1208, 12th Floor, Pacific Place Building,  
83B Ly Thuong Kiet St., Hoan Kiem District,  
Hanoi, Vietnam  
Tel: (84.4) 942 8168  
Fax: (84.4) 942 8169

# VII.

## **LISTING OF THE FUND'S CERTIFICATES**

VFA is a closed-end fund with its fund certificates being listed on the Stock Exchange in accordance with the applicable laws.

The certificate-listing plan is as follows:

- Requesting the General Meeting of Investors to approve the listing of its fund certificates and adoption of the Fund's Charter.
- Preparing application for obtaining the establishment certificate of the Fund and listing its fund certificates.
- Holding a concentrated depository of its fund certificates at the HCMC Securities Depository Center.
- Listing the fund certificates on the HCMC Stock Exchange.

# VIII.

## **UNDERTAKINGS**

VFM shall hereby undertake, in its good faith, to bear full liability for the accuracy and authenticity of the contents in this Prospectus and other documents as attached herein.



# IX.

## APPENDICES

1. The list of VFA's fund certificates-distribution agents,
2. Addresses where this Prospectus is provided,
3. Form of subscription for VFA
4. The Draft Charter for the organization and operation of VFA.

# APPENDIX 1 – VIETNAM ACTIVE FUND (VFA)'S DISTRIBUTORS LIST AND PROSPECTUS PROVIDER LOCATIONS.

The Prospectus of Vietnam Active Fund (VFA) can be obtained at the following addresses:

## 1. BAO VIET SECURITIES COMPANY (BVSC)

### Headquarter in Hanoi:

Address : 6 Le Thai To, Hoan Kiem Dist, Ha Noi

Tel : (84-4) 3928 8080

Fax : (84-4) 3928 9888

### Branch in Ho Chi Minh City:

Address : 6 Le Thanh Ton St., Dist 1, Ho Chi Minh City

Tel : (84-8) 3821 8564

Fax : (84-8) 3914 1991

## 2. SAIGON THUONG TIN SECURITIES COMPANY, LTD (SBS)

### Headquarter in Ho Chi Minh City:

Address : 278 Nam Ky Khoi Nghia, Ward 8, Dist 3, Ho Chi Minh City

Tel : (84-8) 6268 6868

Fax : (84-8) 6255 5939

### Branch in Hanoi:

Address : Floor 6 & 7 – 88 Ly Thuong Kiet, Hoan Kiem Dist, Ha Noi

Tel : (84-4) 3942 8076

Fax : (84-4) 3942 8075

## 3. HOCHIMINH CITY SECURITIES CORPORATION (HSC)

### Headquarter in Ho Chi Minh City:

Address : Floor 1, 2 & 3, Capital Place Building, 6 Thai Van Lung,  
Dist 1, Ho Chi Minh City

Tel : (84-8) 3823 3299

Fax : (84-8) 3823 3301

### Branch in Hanoi:

Address : 6 Le Thanh Tong, Hoan Kiem Dist, Ha Noi

Tel : (84-4) 3933 4693

Fax : (84-4) 3933 4822

#### 4. KIM ENG VIETNAM SECURITIES (KEVS)

##### Headquarter in Ho Chi Minh:

Address	:	1st Floor, 255 Tran Hung Dao, Dist 1, Ho Chi Minh City
Tel	:	(84-8) 3838 6636
Fax	:	(84-8) 3838 6639

#### 5. THANG LONG SECURITIES COMPANY, LTD (TSC)

##### Headquarter in Hanoi:

Address	:	6th Floor, Toserco, 273 Kim Ma, Ba Dinh Dist, Hanoi
Tel	:	(84-4) 3733 7671
Fax	:	(84-4) 3733 7670

##### Branch in Ho Chi Minh City:

Address	:	01 – 05 Le Duan St., Ben Nghe Ward, Dist 1, Ho Chi Minh City
Tel	:	(84-8) 3910 6411
Fax	:	(84-8) 3910 6412

#### 6. VIETTINBANK SECURITIES COMPANY, LTD (VIETTINBANKSC)

##### Headquarter in Hanoi:

Address	:	306 Ba Trieu, Hanoi
Tel	:	(84-4) 6278 0012
Fax	:	(84-4) 3974 1760

##### Branch in Ho Chi Minh City:

Address	:	1st Floor, 63 Pham Ngoc Thach, Ward 6, Dist 3, Ho Chi Minh City
Tel	:	(84-8) 3820 9987
Fax	:	(84-8) 3820 0921

#### 7. VIET DRAGON SECURITIES CORPORATION (VDSC)

##### Headquarter in Ho Chi Minh City:

Address	:	147-149 Vo Van Tan, Dist. 3, Ho Chi Minh City
Tel	:	(84-8) 3824 2897
Fax	:	(84-8) 3824 2997

##### Branch in Hanoi:

Address	:	1-2-3 floors, 74 Ba Trieu Building, Hoan Kiem Dist, Hanoi
Tel	:	(84-4) 3936 6321
Fax	:	(84-4) 3936 6311

## 8. SAIGON SECURITIES INCORPORATION (SSI)

### Headquarter in Ho Chi Minh City:

Address	:	72 Nguyen Hue, Dist 1, Ho Chi Minh City
Tel	:	(84-8) 3824 2897
Fax	:	(84-8) 3824 2997

### Branch in Hanoi:

Address	:	1C Ngo Quyen, Hoan Kiem, Hanoi
Tel	:	(84-4) 3936 6321
Fax	:	(84-4) 3936 6311

## 9. ACB SECURITIES COMPANY LTD. (ACBS)

### Headquarter in Ho Chi Minh City:

Address	:	107N Truong Dinh, Ward 6, Dist 3, Ho Chi Minh City
Tel	:	(84-8) 5404 3054
Fax	:	(84-8) 5404 3085

### Branch in Hanoi:

Address	:	95-97 Tran Quoc Toan St., Hoan Kiem Dist., Ha Noi
Tel	:	(84-4) 3942 9395
Fax	:	(84-4) 3942 9407

## 10. APSI SECURITIES INSTITUTION (APSI)

### Headquarter in Hanoi:

Address	:	75A Tran Hung Dao, Hoan Kiem Dist, Ha Noi
Tel	:	(84-4) 3941 0276
Fax	:	(84-4) 3941 0270

### Branch in Ho Chi Minh City:

Address	:	2nd Floor, 13 Cao Thang, Dist 3, Ho Chi Minh City
Tel	:	(84-8) 3929 1488
Fax	:	(84-8) 3929 1430

## 11. FPT SECURITIES JOINT STOCK COMPANY (FPTS)

### Headquarter in Hanoi:

Address	:	2nd Floor, Nguyen Chi Thanh St. Dong Da Dist, Ha Noi
Tel	:	(84-4) 3773 7070 / 6271 7171
Fax	:	(84-4) 3773 9058

### Branch in Ho Chi Minh City:

Address	:	31 Nguyen Cong Tru, Dist 1, Ho Chi Minh City
Tel	:	(84-8) 6290 8686
Fax	:	(84-8) 6291 0607

# APPENDIX 2 - SUBSCRIPTION FORM TO PURCHASE FUND CERTIFICATES FOR VIETNAM ACTIVE FUND (VFA)

Reference no.  

## I. SUBSCRIPTION INFORMATION:

Fund name: Vietnam Active Fund (VFA)

Par value: VND10,000/ fund unit

Note:

- Offering price = par value + placement fee
- Number of fund certificates being subscribed must be multiples of 100, min. subscription number is 2,000
- Value = Number of fund certificate x offering price

### A. To preferential investor:

Offering price\*:           VND/ fund unit

Total amount\*:               units

Value\*:                     VND

In words: \_\_\_\_\_

### B. To other investors:

Offering price\*:           VND/ fund unit

Total amount\*:               units

Value\*:                     VND

In words: \_\_\_\_\_

## II. INVESTOR'S INFORMATION:

Investor:  Individual  Institutional

### A. Individual Investor:

1.Full name\*:  

2.ID Card/ Passport no.\*:   issued date\*:   issued by\*:  

3.Permanent residence:  

4.Contact address\*:  

5.Tel\*:   Nationality\*:  

6.Cell phone no.:   Email\*:  

7.Stock trading account (if any):   at:  

### B. Institutional Investor:

1.Full name\*:  

2.Business registration no.\*:   issued date\*:   issued by\*:  

3.Representative\*:   Title\*:  

4.Contact address\*:  

5.Tel\*:   Nationality\*:  

6.Email\*:   Fax\*:  

7.Stock trading account (if any):   at:  

(\*) Information is required

### III. INVESTOR'S COMMITMENT:

1. After examining VFA's Prospectus, Charter, Certificate of registration of a public offer of fund certificates and other relevant documents, I/we volunteer to register to purchase VFA's fund certificates.
2. The register to purchase VFA's fund certificates with the above offering price will not be aborted by any reason unless VFA denies a part or the full registration as mentioned in Part IV, clause 2 of the Issue Plan from VFA's Prospectus.
3. I/we commit that:
  - (a) I/we have full knowledge to evaluate possible risks of the investment in VFA;
  - (b) I/we have carefully researched and understood the possible risks for the decision to invest in VFA as mentioned in the Prospectus and operation process of VFA;
  - (c) I/we accept the possible risks and damages of the investment.
4. I/we commit to comply to current regulations and agree to compensate any damage that arises (if any) regarding to VFA for breach actions effecting to VFA's benefits.
5. I/we shall be responsible for all the information that I/we provide in VFA's Subscription form and VFM shall obtain full right to use this information.
6. I/we shall compensate any expense that arises regarding to VFA due to direct/indirect actions that breach the above commitments or incorrect delegates authority or any incorrect information that I/we provided.

Sign and seal:

Full name: \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

After filling in the Subscription form, please send this form and a copy of your ID card/ Passport or Business Registration to distributor agents or VFM at:

**VietFund Management (VFM)**  
**10th Floor, Central Plaza Building, 17 Le Duan, District 1, HCMC**  
**Tel: +84 8 3825 1488**  
**Fax: +84 8 3825 1489**  
**Email: [marketing@vinafund.com](mailto:marketing@vinafund.com)**

### IV. FOR DISTRIBUTOR ONLY

Distributor name:		Other enclosed documents:	
Receiving date:		VFM's confirmation:	
Received by:		Other comments:	



# RECEIPT (VFA)

Reference no. \_\_\_\_\_

**Distributor:**

Code: \_\_\_\_\_

Hereby confirm to receive full subscription profile to buy VFA fund certificate from  Individual  Institutional

**Investor**

Full name: \_\_\_\_\_

ID Card no/ BR no./ Passport No.\*: \_\_\_\_\_

issued date\*: \_\_\_\_\_

issued by: \_\_\_\_\_

Offering price 1: \_\_\_\_\_

VND/ fund unit

Total amount 1\*: \_\_\_\_\_

units

Offering price 2: \_\_\_\_\_

VND/ fund unit

Total amount 2\*: \_\_\_\_\_

units

Value\*: \_\_\_\_\_

VND

In words: \_\_\_\_\_

**Subscription profile from investors including:**

Subscription form

Preferential certificate (if any)

ID Card no/ BR no./ Passport No.

Proxy form & ID card (copy)/ Passport of Proxy (to institution)

**Signed and sealed from distributor**

Full name: \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_



VIETFUND  
MANAGEMENT

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10th floor, Central Plaza Building  
17 Le Duan St., District 1,  
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Tel: (84.8) 3825 1488 | Fax: (84.8) 3825 1489  
info@vinafund.com | www.vinafund.com

Branch in Ha Noi:  
Suite 1208, 12th Floor, Pacific Place Building,  
83B Ly Thuong Kiet Street, Hoan Kiem District,  
Hanoi,  
ĐT: (84.4) 3942 8168 | Fax: (84.4) 3942 8169

