

**VIETNAM ACTIVE FUND (VFA)**

**- VFA INVESTMENT FUND -**

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# **CHARTER**

## **REGULATIONS ON ORGANIZATION AND OPERATION OF FUND**

**Ho Chi Minh City, 03/2011**

# TABLE OF CONTENT

<b>1. LEGAL BASIS.....</b>	<b>4</b>
<b>2. CONCEPTS &amp; DEFINITIONS.....</b>	<b>5</b>
<b>CHAPTER 1 GENERAL PROVISIONS .....</b>	<b>8</b>
ARTICLE 1. Name and Contacted Address.....	8
ARTICLE 2. Investment Objectives .....	8
ARTICLE 3. Term of Operation .....	8
ARTICLE 4. Organization Principles.....	8
ARTICLE 5. Chartered Capital, Mobilization of Funds and numbers of Issuing Fund Unit.....	8
ARTICLE 6. Appointment of representatives for raising capital and issuing Fund Certificates .....	9
ARTICLE 7. Fund Management Company .....	9
ARTICLE 8. Custodian bank .....	9
<b>CHAPTER II PROVISIONS ON INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS.....</b>	<b>10</b>
ARTICLE 9. Investment objectives.....	10
ARTICLE 10. Investment Strategy.....	10
ARTICLE 11. Investment restrictions.....	11
ARTICLE 12. Investment selection method .....	12
<b>CHAPTER III INVESTORS, REGISTER OF INVESTORS AND ASSIGNMENT OF FUND CERTIFICATES .....</b>	<b>15</b>
ARTICLE 13. Investors.....	15
ARTICLE 14. Rights and obligations of Investors.....	15
ARTICLE 15. Register of Investors.....	15
ARTICLE 16. Transference of Fund Certificates .....	16
ARTICLE 17. Inheritance of Fund Certificates.....	16
ARTICLE 18. Solutions for losses of the Fund .....	16
<b>CHAPTER IV GENERAL MEETING OF INVESTORS .....</b>	<b>17</b>
ARTICLE 19. Annual General Meetings of Investors.....	17
ARTICLE 20. Extraordinary General Meetings of Investors.....	17
ARTICLE 21. Rights and duties of the General Meeting of Investors .....	18
ARTICLE 22. Conditions for and manner of holding the General Meeting of Investors .....	18
ARTICLE 23. Decisions of the General Meeting of Investors .....	18
<b>CHAPTER V BOARD OF REPRESENTATIVES.....</b>	<b>19</b>
ARTICLE 24. Board of Representatives .....	19
ARTICLE 25. Criteria for selecting members of the Board of Representatives.....	20
ARTICLE 26. Rights and obligations of members of the Board of Representatives.....	20
ARTICLE 27. Chairman of the Board of Representatives.....	21
ARTICLE 28. Procedures for management of the Board of Representatives .....	21
ARTICLE 29. Suspension and dismissal of members of the Board of Representatives .....	21
ARTICAL 30. Operation of the Board of Representatives of the Fund .....	22
<b>CHAPTER VI FUND MANAGEMENT COMPANY .....</b>	<b>22</b>
ARTICLE 31. Criteria for selecting the Fund Management Company.....	22
ARTICLE 32. Rights and obligations of the Fund Management Company .....	22
ARTICLE 33. Termination of rights and obligations of the Fund Management Company to the Fund .....	23
ARTICLE 34. Restriction of activities of Fund Management Company .....	24
<b>CHAPTER VII THE CUSTODIAN BANK.....</b>	<b>25</b>
ARTICLE 35. Criteria for selecting the Custodian bank .....	25
ARTICLE 36. Rights and obligations of the Custodian bank.....	25
ARTICLE 37. Termination of rights and obligations of the Custodian bank to the Fund .....	25
<b>CHAPTER VIII ACCOUNTING, AUDITING, AND REPORTING SYSTEM.....</b>	<b>26</b>
ARTICLE 38. Criteria for selecting and changing the auditing firm .....	26
ARTICLE 39. Fiscal year .....	26
ARTICLE 40. Accounting system .....	26
ARTICLE 41. Financial Reports .....	26
ARTICLE 42. Other reports .....	26
<b>CHAPTER IX METHOD OF DETERMINING NET ASSET VALUE OF THE FUND .....</b>	<b>27</b>
ARTICLE 43. Determination of the Net Asset Value of the Fund.....	27
ARTICLE 44. Method of determining the Net Asset Value of the Fund.....	27

<b>CHAPTER X</b>	<b>ISSUANCE OF ADDITIONAL FUND UNITS .....</b>	<b>28</b>
ARTICLE 45.	Issuance of additional Fund Units.....	28
<b>CHAPTER XI</b>	<b>DISSOLUTION AND LIQUIDATION OF ASSET OF THE FUND.....</b>	<b>28</b>
ARTICLE 46.	Conditions for dissolution of Fund .....	28
ARTICLE 47.	Liquidation of the Fund’s Assets.....	29
ARTICLE 51.	Depository and Custodian Fees .....	30
ARTICLE 52.	Other Costs .....	30
ARTICLE 54.	Dividends .....	30
ARTICLE 55.	Incentive Fee.....	30
<b>CHAPTER XIII</b>	<b>SETTLEMENT OF CONFLICTS OF INTERESTS .....</b>	<b>31</b>
ARTICLE 56.	Control of conflicts of interests.....	31
<b>CHAPTER XIV</b>	<b>DISCLOSURE OF INFORMATION AND AMENDMENT OF THE CHARTER.....</b>	<b>32</b>
ARTICLE 57.	Disclosure of information .....	32
ARTICLE 58.	Amendment of the Charter .....	32
ARTICLE 59.	Registration of the Charter .....	32
ARTICLE 60.	Implementation provisions.....	32
<b>APPENDIX 1:</b>	<b>COMMITMENTS OF THE FUND MANAGEMENT COMPANY VIETFUND MANAGEMENT (VFM) .....</b>	<b>33</b>
<b>APPENDIX 2:</b>	<b>COMMITMENTS OF THE CUSTODIAN BANK.....</b>	<b>35</b>
<b>APPENDIX 3:</b>	<b>MUTUAL COMMITMENTS OF THE FUND MANAGEMENT AND THE CUSTODIAN BANK.....</b>	<b>36</b>
<b>APPENDIX 4:</b>	<b>METHOD OF DETERMINING INCENTIVE FEE .....</b>	<b>37</b>

## 1. 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 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. 85/2010/ND-CP of the Government dated 02 August 2010 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.

## 2. CONCEPTS & DEFINITIONS

Unless otherwise defined by context of this Charter, the following terms will have the meanings below:

“Vietnam Active Fund”	(hereinafter referred to as “ <b>VFA</b> ”) means the securities investment fund incorporated under the Law on Securities passed by the National Assembly of the Socialist Republic of Vietnam on 29 <sup>th</sup> 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.
“VietFund Management (VFM)”	(Hereinafter referred to as VFM) means a shareholding company with founding shareholder as Saigon Thuong Tin Commercial Joint Stock Bank and Dragon Capital Management Limited, established in accordance with License for establishment and operation No. 45/UBCK-GP dated 08 Jan 2009 issued by SSC. VFM is the official fund management company of VFA.
“Sai Gon 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.
“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.
“Custodian bank”	means Far East National Bank – Ho Chi Minh City Branch, being established under the license No. 03/NHNN-GP issued by the State Bank of Vietnam dated May 20, 2004, and is granted the Certificate of Custodial Activity Registration No. 21/UBCK-GCN by SSC dated July 27, 2007, to carry out activities of custody of securities, economic contracts and documents and records related to the Fund’s assets as well as to supervise the Fund’s activities. The obligations and rights of the Custodian bank is regulated at Chapter VII in this Charter.
“Auditing firm”	is a independent auditing firm of VFA, conducting the annual audit of assets of the VFA and is in the appointed auditing firm list of the SSC. The auditing firm is appointed by the General Meeting of Investors.
“VFA’s Charter”	The Charter on organization and operation of VFA adopted by the General Meeting of Investors. In the first share issuing tranche, the Charter is made in accordance with the relevant legal documents in Vietnam.
“Prospectus”	Means the documents or electronic data publicizing objective, truthful and accurate information about the offer for sale or listing of VFA’s Fund Certificates.
“Supervisory Contract”	Is the contract signed between the fund management company and the Custodian bank of VFA.
“Closed securities investment fund”	(Hereinafter referred to as Closed Fund) means a public fund in which the Fund Certificates having been offered for sale to the public shall not be redeemed at the request of Investors.
“Investors”	are domestic, overseas individuals and institutional who hold VFA Fund certificates.
“Preferential Investors”	are Investors who subscribe to purchase VFA Fund certificates at the first public offering at a discount issuing price according to the VFA Issuing Announcement after the SSC has issued the Certificates of registration of a public offer of fund certificates. The Preferential

investors are as follows:

- + Investors who own Vietnam Securities Fund (VF1) certificates at the time of issuing Vietnam Active Fund (VFA)
- + Investors who own Vietnam Blue-Chips Fund (VF4) certificates at the time of issuing Vietnam Active Fund (VFA)
- + Investors who own Vietnam Growth Fund (VF2) certificates at the time of issuing Vietnam Active Fund (VFA)
- + Investors who subscribe to purchase more than 5,000 (five thousand) VFA Fund certificates

“General Meeting of Investors”	Means the general meeting of Investors with voting rights which may be organized on a regular basis or extraordinary meetings in order to approve important matters related to VFA Investment Fund. The General Meeting of Investors is the highest authority of the VFA Investment Fund.
“Board of Representatives”	Means the representatives of the Investors elected by the General Meeting of Investors in order to implement the supervision of the operation of the VFA Investment Fund, the VFM and the Custodian bank on behalf of the Investors.
“Charter Capital”	Means the total capital in cash (Vietnam Dong) actually contributed by all Investors and stated in the Charter.
“Fund Unit”	Means the charter capital divided into equal units with a par value of VND 10,000 per unit in the first share-issuing tranche. Each fund unit represents an equal portion of profit and capital of the Fund.
“VFA Investment Fund Certificate”	(Hereinafter referred to as Fund Certificate) means a type of security issued by the VFM on behalf of the VFA Investment Fund, certifying legal rights and interests of Investors with respect to assets or capital of the VFA Investment Fund in proportion to the number of the fund units held by such Investors in the charter capital of the VFA Investment Fund.
“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
“Fee for issuance”	Means the fee payable by the VFA investment fund to the fund management company in order to cover all costs for public issue of Fund Certificates. Such fee shall be added to the par value of a VFA Investment Fund Certificate and be collected upon issuance and shall not exceed a maximum of 3% of the par value of the VFA Investment Fund Certificate.
“Management fee”	Means the fee payable to the fund management company providing services being management of funds as stipulated in Article 51 in this Charter.
“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 Article 55 and Appendix 4 of this Charter.
“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 Date”	is the day in which the raising of capital for the VFA is closed in accordance with current regulations.

"Fiscal year"	is twelve months calculated from the beginning of 1st January to 31st December in a calendar year. The first financial year of the VFA shall be calculated from the date the SSC issues the certificate of registration to establish the Fund to the investment fund, to 31st December in 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.

## **CHAPTER 1 GENERAL PROVISIONS**

### **ARTICLE 1. Name and Contacted Address**

Name of the Public Fund:	Quỹ Đầu tư Năng động Việt Nam (VFA)
Transaction name:	Vietnam Active Fund
Abbreviated name:	VFA
Contacted Address:	10th Floor, Central Plaza Building, 17 Le Duan St, District 1, HCMC, Vietnam
Tel:	+84 - 8 3825 1488
Fax:	+84 - 8 3825 1489
Website:	www.vinafund.com

### **ARTICLE 2. Investment Objectives**

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 trend-following. 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 quantitative analysis, focusing in trend-following strategy. Fund Management company implements the investment strategies in accordance with the current law. In addition, the objectives are able to change according to the decision of General Meeting of Investors which complied with current law and be registered to the SSC.

### **ARTICLE 3. Term of Operation**

1. Term of operation of VFA shall be five (05) years from the date of completion of mobilizing capital and registration of establishment the Fund with the competent body.
2. The Term may be extended according to the decision of General Meeting of Investors and approved by SSC.
3. Where there is any change in the Term, this Article shall be revised accordingly.

### **ARTICLE 4. Organization Principles**

1. VFA is a closed public fund, shall operate in accordance with and be governed by Law on Securities passed by National Assembly of Socialist Republic of Vietnam on 29<sup>th</sup> June 2006, current regulations and this Charter. VFA is able to change form of the Fund according to the decision of General Meeting of Investors and approved by the SSC.
2. During the Term, VFA has no obligation to buy back the Fund Certificates which have been issued to the Investors.
3. The highest authority body of VFA shall be the General Meeting of Investors.
4. 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.
5. VFM, elected by the General Meeting of Investors, will perform the investment management for the Fund.

### **ARTICLE 5. Chartered Capital, Mobilization of Funds and numbers of Issuing Fund Unit**

1. 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.
2. 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.
3. The increase or reduction of the VFA's Charter Capital shall be decided by the General Meeting of Investors and approved by the SSC.
4. Where there is any change in capital of VFA, this Article shall be revised accordingly.



## **ARTICLE 6. Appointment of representatives for raising capital and issuing Fund Certificates**

1. VFA shall appoint VFM as its representative to mobilize the capital and issue new Fund Certificates for increase of Charter Capital of VFA. The issuance of new Fund Certificates must be approved by General Meeting of Investors and SSC. Detailed plan for issuance of Fund Certificates must be approved in the latest meeting of the General Meeting of Investors.
2. Related person of VFM, fund management practitioners in VFM, person working in VFM are only permitted to buy, sell Fund Certificate through the trading system by the method of matching orders at the HoSE when VFA's Fund Certificates are listed at the HOSE. In the first share issuing tranche, Related person of VFM, fund management practitioners and staffs of VFM are restricted from registration for purchase of VFA's Fund Certificates.

## **ARTICLE 7. Fund Management Company**

VFM is a shareholding company with founding shareholder as Sai Gon Thuong Tin Commercial Joint Stock Bank and Dragon Capital Management Limited, established in accordance with Licence for establishment and operation No. 45/UBCK-GP dated 08 Jan 2009 issued by SSC. VFM is the official fund management company of VF1. VFM operates under Law of Investment, Law of Enterprise and Law on securities and securities market.

- **Head office in Ho Chi Minh City**

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## **ARTICLE 8. Custodian bank**

Far East National Bank – Ho Chi Minh City Branch is appointed by the General Meeting of Investors as the Custodian bank of VFA. HSBC is established under 03/NHNN-GP issued by the State Bank of Vietnam on 20 May 2004 and Custodian License 21/UBCK-GCN issued by the SSC on 27 July 2007.

Address:

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Tel: (84-8) 38 220 566 Fax: (84-8) 38 220 560

## **CHAPTER II PROVISIONS ON INVESTMENT OBJECTIVES, POLICIES AND RESTRICTIONS**

### **ARTICLE 9. Investment objectives**

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 trend-following.

### **ARTICLE 10. Investment 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, ie. 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, ie. 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.

#### **a. 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) one 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

#### **b. Investment areas:**

With a strategy of investing in shares representative of the VN-Index, VFA'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.

#### **Period from 2010 to 2012:**

- Bank – Diversified financials: 30%
- Food - Beverages: 5%
- Contructions materials - Minerals: 10%
- Infrastructure – Real Estates: 20%

- Utilities: 5%
- Energy: 7%
- Retails: 7%
- Consumer goods: 3%
- Insurance: 5%
- Capital goods: 4%
- Pharmaceuticals – Health care: 1%
- Transportation: 3%

**Period from 2012 to 2015**

- Bank – Diversified financials: 30%
- Food - Beverages: 10%
- Contructions materials - Minerals: 10%
- Infrastructure – Real Estates: 15%
- Utilities: 2%
- Energy: 3%
- Retails: 3%
- Consumer goods: 1%
- Insurance: 1%
- Capital goods: 2%
- Transportation: 3%
- Telecommunication services: 20%

**ARTICLE 11. 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 Board of Representatives row 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.

## **ARTICLE 12. 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:

- (1) automated initiation of a trade to enter in the market shortly after the upward trend confirmed by the model;
- (2) 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:

- (1) 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;
- (2) 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:

- (1) minimizing the deviations of buy/sell realms from the peak/trough for more effective buy/sell signals;
- (2) preventing too many "whipsaw losses" ;
- (3) 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 indicators:** 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, ie. 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 trend-filtering-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 re-enter 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.

### **CHAPTER III INVESTORS, REGISTER OF INVESTORS AND ASSIGNMENT OF FUND CERTIFICATES**

#### **ARTICLE 13. Investors**

1. Investors of VFA may be foreign and domestic legal entities and individuals, owning Fund Certificates. Investors shall not be liable or have any other obligations to the Fund other than the responsibilities within the scope of the number of the Fund Certificates owned by them.
2. Investors being legal entities shall comprise socio-economic organizations recognized by the law of Vietnam. An investor being a legal entity shall appoint a lawful representative to represent the number of Fund Certificates owned by it. The appointment of such representative must be made in writing and sent to the Fund Management Company, except the legal representative. The appointment, revocation or replacement of such representative must be notified in writing and signed by the legal representative of the investor being a legal entity.

#### **ARTICLE 14. Rights and obligations of Investors**

1. 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.
2. 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).

#### **ARTICLE 15. Register of Investors**

1. 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.
2. The register of Investors shall be kept at the office of the Fund Management Company, but a written notice thereof must be sent to the SSC.

**ARTICLE 16. Transference of Fund Certificates**

1. The transference of Fund Certificates will comply with current regulations on securities and the stock market
2. The transference of Fund Certificates from the Board of Representatives is regulated at Article 24, Article 26 in this Charter.

**ARTICLE 17. Inheritance of Fund Certificates**

1. 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.
2. 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.
3. The transference of the fund certificates ownership due to the inheritance shall comply with the process of the Depository Centre and its branches

**ARTICLE 18. Solutions for losses of the Fund**

1. 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;
2. The increase or decrease of the Charter Capital as provided in Clause 1 in this Article and shall be subject to the approval of General Meeting of Investors and SSC.
3. 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.



## **CHAPTER IV GENERAL MEETING OF INVESTORS**

### **ARTICLE 19. Annual General Meetings of Investors**

1. The General Meeting of Investors is the highest decision-making authority of VFA. 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.
2. 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.
3. 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.
4. 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.
5. All costs for the General Meeting of Investors and the initial General Meeting of Investors shall be paid by VFA.

### **ARTICLE 20. Extraordinary General Meetings of Investors**

1. 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 this 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 this Charter or the Prospectus;
  - d. To consider an increase in fees above the range stipulated in this 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 member of Board of Representatives members less than 03 (three) members.
2. 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;
3. 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.
4. 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.
5. 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.

## **ARTICLE 21. Rights and duties of the General Meeting of Investors**

The General Meeting of Investors shall have the following rights:

1. To elect, remove or dismiss the Chairman or any member of the Board of Representatives;
2. To make decisions on remuneration and operating costs of the Board of Representatives;
3. To consider and change costs payable to the Fund Management Company and the Custodian bank;
4. 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;
5. To make decisions on amendments of and additions to this Charter and the Supervisory Contract and to make decisions on the listing of closed Fund Certificates;
6. To make decisions on fundamental changes in investment policies, the plan for profit distribution, investment objectives and dissolution of the Fund;
7. 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;
8. To make decisions on change of the Fund Management Company and the Custodian bank in case such company or bank are revoked license, bankrupted or violate seriously this Charter or the law.
9. To request the Fund Management Company and the Custodian bank to submit books or transaction documents at the General Meeting of Investors;
10. To approve the annual financial statements of assets and operation of the Fund;
11. To approve the selection of an accredited auditor to audit the annual financial statements of the Fund.
12. To make decisions on dissolution, merger, unification or changing form of the Fund according to this Charter and current law.

## **ARTICLE 22. Conditions for and manner of holding the General Meeting of Investors**

1. The time, program and the proposed agenda for the General Meeting of Investors must be publicly announced (Post on VFM's website) to Investors and reported to the SSC at least five (05) business days prior to the date on which the meeting is to be held.
2. A meeting of the General Meeting of Investors may be conducted when the attending Investors represent at least 51% of this 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 this Charter.
3. 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.
4. The General Meeting of Investors may be held in the form of either face-to-face meeting or distant meeting by written consultation;
5. General Meeting of Investors shall be presided over by Chairman of the Board of Representative. 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
6. All the General Meeting of Investors shall be documented and kept at the head office of the Fund Management Company.

## **ARTICLE 23. Decisions of the General Meeting of Investors**

1. 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.
2. The General Meeting of Investors shall pass decisions within its authority by way of voting or by collecting written opinions
3. 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 this 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.
4. 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.
5. 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 this 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.
6. 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 this Charter.
7. 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.
8. 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.
9. In case of any decision of the General Meeting of Investors is not complied with this Article, the decision shall not become effective. The decision shall automatically be cancel. The fund management company have responsibility to announce to the SSC and Investors about this matter.

## **CHAPTER V BOARD OF REPRESENTATIVES**

### **ARTICLE 24. Board of Representatives**

1. Board of Representatives of VFA is elected by the General Meeting of Investors in order to represent interests of the Investors.
2. 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.
3. The Board of Representatives of VFA has a term of three (3) years and may be re-appointed in next General Meeting of Investors.
4. 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 shall have one vote. The members of the Board of Representatives will not authorize any other person to perform their rights and obligations to the Fund. However, in special case can not attend the meeting of the Board of Representatives directly, the members of the Board of Representatives can appoint a representative to attend meeting and the representative has no right to vote.

The Meetings of the Board of Representatives shall be conducted when there are two-thirds (2/3) or more of the total members attending, including the member do not attend the meeting directly but send a written opinion or attend by means of communications (such as telephone, video conference...)

5. 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 Board of Representatives is no longer incumbent. These regulations on transaction restrictions only apply to Members of Board of Representatives making the commitment at the time of listing.
6. During the fund operation, when Members of the Board of Representatives be suspended or dismissed according to Article 29 of this Charter reduces to no less than three (3) members, the remaining number of members of the Board of Representatives will operate normally and continue their duties. The supplementary members of the Board of Representatives will be voted at the next annual General Meeting of Investors or by collecting written opinions of the General Meeting of Investors, to satisfy with the requirement of this charter.

During the fund operation, when the Board of Representatives reduces to less than three (03) members, the Board of Representatives must convene the extraordinary General Meeting of Investors or by collecting written opinions of the General Meeting of Investors to vote for supplementary members members of the Board of Representatives to satisfy with the requirement of this charter, within two (2) months from the date of the notice the change in the Board of Representatives.

7. 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.

#### **ARTICLE 25. 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.

#### **ARTICLE 26. Rights and obligations of members of the Board of Representatives**

Each Member of the Board of Representatives shall have the following rights and obligations:

1. 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;
2. 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;
3. To supervise the operation of the Fund Management Company, the Custodian bank and service providers of the Public Fund in compliance with this Charter and law;
4. To inspect and supervise the performance of the process and method of determining the net asset value of the Fund;
5. To propose investment policies and objectives of the Public Fund;
6. To recommend the level of profits to be distributed to Investors; to approve the period and procedures for distribution of profits;
7. To propose change of the Fund Management Company or the Custodian bank in case such company or bank are revoked license, bankrupted or violate seriously this Charter or the Prospectus;
8. 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, public-spirited and selfless and in compliance with scope and powers properly assigned, or in compliance with powers assigned in accordance with this Charter or Regulation of the Board of Representatives and law.
9. To elect, remove or dismiss positions in the Board of Representatives under the jurisdiction of the Board of Representatives;
10. Research, evaluate the operation situation and result, and give comment to construction of annual and quarter tasks plan and growth strategy of the Fund.
11. 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.
12. 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.

13. To implement the resolutions of the General Meeting Investors and decisions of the Board of Representatives.
14. 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.
15. To be authorized by the Chairman in making decisions in some particular works.
16. To comply with other laws and this Charter.
17. The members of Board of Representatives have the right to monthly compensation, with the level of compensation determined by the General Meeting of Investors.
18. To comply the engagement on the restriction for transferring Fund Certificates according to Clause 5 of Article 24 of this Charter.
19. To comply regulation on disclose information of VF4 Fund Certificates' transactions which it is implemented by the member of the Board of Representatives, namely:
  - 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.
  - 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.
  - 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.

**ARTICLE 27. Chairman of the Board of Representatives**

1. 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.
2. 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 this Charter.

**ARTICLE 28. Procedures for management of the Board of Representatives**

1. In the event that the Chairman of the Board of Representatives Board of Representatives 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.
2. 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.

**ARTICLE 29. Suspension and dismissal of members of the Board of Representatives**

1. 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.
- 2. 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 this Charter;

**ARTICAL 30. Operation of the Board of Representatives of the Fund**

- 1. The Chairman of the Board of Representatives has the right to convene meetings of the Board of Representatives. The Board of Representatives shall meet at least once per quarter to confer and decide on issues within its jurisdiction.
- 2. Extraordinary Meetings of the 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 the Board of Representatives.
- 3. Two-thirds (2/3) of the total number of members or more present at Meetings of the Board of Representatives shall constitute a quorum. Decisions of the 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 the Board of Representatives.
- 4. The Fund Management Company and Custodian Bank have the right to participate in meetings of the Board of Representatives, but without voting rights.
- 5. The Board of Representatives shall appoint a competent person from the Fund Management Company as the Secretary to record the minutes for the Board of Representatives meetings.
- 6. Proceedings of the 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 the Board of Representatives meetings.
- 7. All meeting expenses and fees for meetings of the Board of Representatives shall be paid by the Fund.

**CHAPTER VI FUND MANAGEMENT COMPANY**

**ARTICLE 31. Criteria for selecting the Fund Management Company**

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

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

**ARTICLE 32. Rights and obligations of the Fund Management Company**

- 1. The Fund Management Company shall have the following obligations:
  - a. To comply with this Charter and protect rights and interests of Investors;
  - b. To be fair, honest, for the sake of the Fund and Investors;
  - c. 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;
  - d. 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;
  - e. To ensure to keep interests of VFA harmless from authorization to the third party and any changes of organization, management of Fund Management Company;

- f. The fund management company must compensate for loss 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.
  - g. 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;
  - h. 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;
  - i. Determine value of Net Assets of Fund in compliance with the laws and the provisions of this Charter;
  - j. 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;
  - k. Fund Management Company shall strictly comply with commitments as listed in Appendix 1 and Appendix 3 of this Charter;
2. Fund Management Company will have the following rights:
- a. To be entitled to remunerations and bonus in accordance with this Charter and the prevailing laws;
  - b. To be entitled to conduct business and provide services in accordance with the prevailing laws;
  - c. To participate in the annual meeting of the Board of Representatives.
  - d. To decide in investment decisions which comply with Fund Charter and other current regulations.

**ARTICLE 33. Termination of rights and obligations of the Fund Management Company to the Fund**

1. The Fund Management Company shall terminate its rights and obligations to the Fund in the following circumstances:
  - a. Fund Management Company propose to terminate its rights and obligations to the Fund in accordance with the provisions of this Charter and such proposal is approved by the General Meeting of Investors;
  - b. At the request of the Custodian bank or the Board of Representatives and approved by the General Meeting of Investors;
  - c. The Fund Management Company's license is revoked pursuant to the regulations of the Securities Law;
  - d. Voluntarily terminate its operation;
  - e. At the expiry of the operation term of the Fund
  - f. 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.
2. In the case stipulated in Cause 1 of this Article, the rights and obligations of the Fund Management Company to the Fund must be transferred to another Fund Management Company which agreed to replace. The replaced Fund Management Company must transfer promptly all vouchers and any information relating the Fund to the replacing Fund Management Company in order to ensure that the replacing Fund Management Company has enough information to perform fully its rights and obligations in accordance with law for the Fund as stipulated.
3. Compensation when change of Fund Management Company  
In case of change of the Fund Management Company, the Fund shall pay to the Fund Management Company a compensation amount (in addition to the fees provided for under this Charter) according to the below schedule:

<b>Fee based on NAV at the time of change</b>	<b>Time of change</b>
2,0%	From the commencement of operation to 01 year later
1.5%	After 03 years from the commencement date

Such fee is to compensate for all arising cost to Fund Management Company as the consequence of downsize, change of personnel, management system and infrastructure.

If the General Meeting of Investors decides to change the Fund Management Company due to the violation of the laws and approved by SSC, the Fund in this case is not obligated to pay the above mentioned fee to the Fund Management Company.

The Fund shall pay to the Fund Management Company an accumulated bonus up to the date of change (if any).

#### **ARTICLE 34. Restriction of activities of Fund Management Company**

1. The Fund Management Company must be not a Related Person to the Custodian bank.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. The Fund Management Company must comply with the investment restrictions in fund management operation as set forth at Article 11 of this Charter.



## **CHAPTER VII THE CUSTODIAN BANK**

### **ARTICLE 35. Criteria for selecting the Custodian bank**

The selected Custodian bank must satisfy the following conditions:

1. Being a commercial bank having Certificate of Custodial Activity issued by SSC and having function to perform the businesses of depository and custodian securities of public fund
2. 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 Board of Representatives borrowing relationship with the Fund Management Company or vice versa.
3. 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.
4. Having sufficient ability to provide supervisory/custodial services.
5. Agreeing to fulfill its commitments to the Fund as stated in Appendices 2 and 3 of this Charter.

### **ARTICLE 36. Rights and obligations of the Custodian bank**

1. Obligations of the Custodian bank:
  - a. To supervise the Fund Management Company in order to ensure that its management of the Fund is compliant with this Charter and the prevailing laws;
  - b. 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;
  - c. 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, this Charter, the Supervisory Contract and lawful orders or directions of the Fund Management Company;
  - d. 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;
  - e. To conform reports relating assets and operation of the Fund which are made by the Fund;
  - f. To report and manage files according to the prevailing laws, this Charter and the Supervisory Contract.
  - g. To comply fully the regulations of the Law on Securities, related laws, this Charter and the Supervisory Contract;
  - h. Not receive any other interests (except the fees according to Supervisory Contract) for itself or any third person.
2. Rights of the Custodian bank
  - a. To be entitled to service fees of supervising and preserving assets of the Fund as stipulated in this Charter in accordance with the prevailing laws.
  - b. To attend the periodic meetings of the Board of Representatives.

### **ARTICLE 37. Termination of rights and obligations of the Custodian bank to the Fund**

1. The Custodian bank shall terminate its 's rights and obligations with respect to the Fund in the following events
  - a. Custodian bank voluntarily terminate its rights and obligations to the Fund in accordance with the provisions of this Charter and such proposal is approved by the General Meeting of Investors;
  - b. Custodian bank temporarily ceases, terminates its operation, dissolves or declares bankruptcy;
  - c. At the request of Fund Management Company or Board of Representatives and approved by the General Meeting of Investors
  - d. The Fund goes in bankruptcy or terminates its operation;

- e. The Fund is merged or acquired by other fund according to decisions of the General Meeting of Investors;
  - f. The Custodian bank services license is revoked pursuant to the Article 51.2 of the Securities Law.
  - g. The Custodian bank is merged or acquired by other bank.
2. In the cases as stipulated in Clause 1, the rights and obligations of the Custodian bank to the Fund are transferred to the other Custodian bank in accordance with the prevailing laws.

## **CHAPTER VIII ACCOUNTING, AUDITING, AND REPORTING SYSTEM**

### **ARTICLE 38. 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.

### **ARTICLE 39. Fiscal year**

1. The Fiscal year is twelve months calculated from 1 January to 31 December each calendar year. The first Fiscal year of the Fund shall commence on the date the SSC grants the certificate of establishment of a fund/license for establishment and operation to the Fund and end on 31 December of that year
2. In case the period from the date the SSC grants the certificate of establishment of a fund/license for establishment and operation to 31st December of the same year is less than 90 days, the first Fiscal year of the Fund shall commence on the issuance date of the establishment and operation license and end on the 31st December of the following year.

### **ARTICLE 40. 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.

### **ARTICLE 41. Financial Reports**

1. Fund Management Company shall be responsible for prepare regularly financial reports on the business results and financial status of the Fund and other necessary reports to demonstrate the Fund's business activities.
2. 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.

### **ARTICLE 42. 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.

## **CHAPTER IX METHOD OF DETERMINING NET ASSET VALUE OF THE FUND**

### **ARTICLE 43. Determination of the Net Asset Value of the Fund**

1. Determination of the Net Asset Value of the Fund shall be carried out by the Fund Management Company and the Custodian bank must certify that such determination complied with law and this Charter.
2. The Net Asset Value of the Fund must be determined periodically and must be publicly notified on the mass media to Investors after certification of the Custodian bank is obtained.

### **ARTICLE 44. Method of determining the Net Asset Value of the Fund**

#### 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.

#### 2. Method of determining:

- In the case of listed securities, their value shall be the closing price of the trading day most recent to the valuation day.
- In case of the unlisted securities which are registered at for trading at UPCOM, their value shall be the closing price at the trading day most recent to the valuation day. For securities without being traded from or more than 12 months, the price which is used to value these securities is the lower of:
  - Cost price and
  - The closing price of these securities at the latest trading day prior to the valuation day
- In the case of listed securities which have not been traded for a period of less than two (2) weeks prior to valuation day, their value shall be the average price on the basis of the offering price supplied by three securities companies which are not Related person to the Fund Management Company or the Custodian bank. In case of obtaining less than 3 offering prices supplied by these three securities companies, the price which is used to value these securities is the closing price of these securities at the latest trading day prior to the valuation day.
- In the case of listed shares which have not been traded for a period of from more than two (2) weeks prior to valuation day, their value shall be fixed as follows:
  - Equal to 80% of the liquidation value of one share as at the date of preparation of the most recent balance sheet in the case of an issuing organization which is in the process of division, demerger, merger, consolidation, dissolution or bankruptcy; or
  - Equal to the purchase price in other cases; or
  - Equal to the cost price; or
  - 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.

## **CHAPTER X ISSUANCE OF ADDITIONAL FUND UNITS**

### **ARTICLE 45. Issuance of additional Fund Units**

1. VFA can increase its Charter Capital by raising additional capital from the existing Investors by offering for sale of additional Fund Units to the existing Investors by way of issuance of right of purchase of Fund Units which is transferable. In case where the existing Investors do not exercise its right of purchase, the unpurchased Fund Units may be offered to the other Investors.
2. The offer for increase of capital must be in compliance with the prevailing laws.
3. The plan for issuance of additional Fund Unit and investment plan of the capital contributed must be approved by the General Meeting of Investors.

## **CHAPTER XI DISSOLUTION AND LIQUIDATION OF ASSET OF THE FUND**

### **ARTICLE 46. Conditions for dissolution of Fund**

1. VFA shall be disclosed in the following circumstances:
  - a. On expiry of the operational term of the Fund stipulated in this Charter and on expiry of the certificate of registration to establish the Fund without such certificate being extended;
  - b. The general meeting of investors may make a decision to dissolve the Fund prior to expiry of its operational term in the following cases:
    - (i) The fund management company is dissolved or made bankrupt or its licence for establishment and operation is revoked by the SSC without appointment of a replacement fund management company within 03 (three) months the time of the occurrence of the even;
    - (ii) The fund management company requests termination of the rights and obligations it owes to the Fund without appointment of a replacement fund management company within 03 (three) months the time of the occurrence of the even;
    - (iii) The custodian bank is dissolved or made bankrupt or its licence for establishment and operation is revoked by the SSC without appointment of a replacement custodian bank within 03 (three) months the time of the occurrence of the even;

- (iv) The custodian bank requests termination of the rights and obligations it owes to the Fund without appointment of a replacement custodian bank within 03 (three) months the time of the occurrence of the even;
- (v) The general meeting of investors issues a decision to transfer the entire assets of the Fund to another Fund;

2. The dissolution of VFA must be approved by the SSC

#### **ARTICLE 47. Liquidation of the Fund's Assets**

1. The money proceeds from liquidation of assets of the Fund and residual assets shall be paid in the following priority order on dissolution:
  - a. Payment of the costs of dissolution and other Fund items payable to the Fund Management Company and the Custodian bank. In a case where a Fund is compulsorily dissolved because the license for establishment and operation of the Fund Management Company or the certificate of registration of securities depository operation of the Custodian was revoked by the SSC, such Fund items payable shall not in fact be paid to the company or the Custodian bank as from the date on which such license or certificate was revoked;
  - b. Discharge of financial obligations owing to the State;
  - c. Payment of other Fund items payable in accordance with law (if any);
  - d. The residual assets of the Fund shall be used to pay Investors in accordance with the percentage of their capital contribution to the Fund.
2. Where Fund's assets are not enough to reimburse the amount of paid-up capital, each Investor shall suffer a loss in proportion to his percentage of ownership in the Fund.

#### **ARTICLE 48: Conditions for consolidation or merger of Fund**

1. VFA shall be consolidate or merge in accordance with law.
2. The consolidation or merger of Fund must be approve by the SSC.

### **CHAPTER XII ISSUING FEES, INCOME AND OPERATIONAL COSTS**

#### **ARTICLE 49. Fee for issuance of closed-end fund**

The Investors only pay the issuing fee in the first share-issuing tranche and/or increase of capital. The issuing fee in the first share-issuing tranche is 3%/par value of Fund Units.

Issuing price in the first VFA public offering for Preferential Investors will be announced in the VFA Issuing Announcement after the SSC has issued the VFA Fund certificates of registration of a public offer certificate.

#### **ARTICLE 50. Income of the Fund**

Income of the Fund includes:

1. Dividend
2. Bond interest
3. Deposit interest
4. Difference between the sale and purchase arising from the investment activities of the Fund.
5. Other income, if any, from the investment of properties of the Fund.

#### **ARTICLE 51. Management fee**

1. 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.
2. 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**

## **ARTICLE 52. Depository and Custodian Fees**

1. Depository and Supervision Fees will be paid to the Custodian bank for providing the custodian 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; ...
2. 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.

## **ARTICLE 53. Other Costs**

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

## **ARTICLE 54. Dividends**

The dividends shall be distributed annually to the Investors at the proposal of the Fund Management Company and the approval by the Board of Representatives and the general meeting of investors. The dividends shall only be paid in case of positive realized gains. The minimum dividend rate shall be 50% of realized gains. The dividends shall take the form of cash, right to purchase fund certificate, and/or other assets permitted by law. Only Investors in the list of Investors at the cum-dividend date, provided by Vietnam Securities Depository, are entitled to receive the dividends.

In case of appropriately available realized gains and/or other reserves of the Fund, the dividends shall be distributed in advance, at the proposal of the Fund Management Company and the approval by the Board of Representatives. These advanced dividend shall be settled once every six months or suitable timeline not exceeding twelve months at the pre-determined dividend rate.

## **ARTICLE 55. 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 1<sup>st</sup> 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: is mentioned in details at Appendix 4 in this Charter.

## **CHAPTER XIII SETTLEMENT OF CONFLICTS OF INTERESTS**

### **ARTICLE 56. Control of conflicts of interests**

1. The Fund Management Company must:
  - (i) Separate the investment strategies from the investment objectives of each fund which is managed by the Fund Management Company;
  - (ii) Separate assets of the Fund Management Company from assets of the funds managed by the Fund Management Company and assets of the entrusting Investors; and separate assets of the funds managed by the Fund Management Company.
2. All transactions of members of the Board of Management or the Members' Council, the Chairman of the Fund Management Company, members of the Board of Directors, members of the Board of Controllers, inspectors, fund management practitioners and employees of the Fund Management Company must be reported and controlled in compliance with this Charter and current regulations.
3. An internal control system and a risk management system must be established and any conflicts of interests in the Fund Management Company must be supervised.

## **CHAPTER XIV DISCLOSURE OF INFORMATION AND AMENDMENT OF THE CHARTER**

### **ARTICLE 57. Disclosure of information**

1. Disclosure of information of operation of VFA shall be conducted in accordance with regulations of SSC and HoSE
2. Notice of meeting of the Board of Representatives shall be deemed as properly informed to each member of the Board of Representatives if it is notified verbally or in writing to the address which is provided to Fund by that Member of the Board of Representatives.
3. Any notices and documentation shall be published and delivered to Investor by Fund Management Fund in direct way to individual or by post to address registered by Investor. Investor shall notify officially in writing to Fund Management Company of any its change of address.
4. Any notice sent by post shall be deemed to successfully deliver to registered address of Member after one week from delivery. To prove this, it only requires full evidences of the fact that notice has been stamped and delivered at the registered address.
5. Letters of convene, notices, demands, or documents which need to be delivered to the Fund or Fund operator shall be sent by hand or by post to address of office registered by Fund, in a stamped envelope bearing name of the Fund or Fund operator.
6. The Fund Management Company must disclose information according to provisions of Securities Law and securities market.

### **ARTICLE 58. Amendment of the Charter**

This Charter shall only be amended or supplemented by a approval by the General Meeting of Investors

### **ARTICLE 59. Registration of the Charter**

1. This Charter include 14 Chapters, 60 Articles and 04 Appendices is approved by the General Meeting Investors and adopted by SSC, takes effect as from approval day.

The excerpts or copies of this Charter as issued by the Fund only are valid when they have been signed by the Chairman of the Board of Representatives.

2. This Charter is made seven (07) versions in Vietnamese and all of versions are equal. In which:
  - Two (02) is registered at the government agency as stipulated by law;
  - Two (02) is kept at the head office at the Fund;
  - Two (02) is kept at the head office at the Fund Management Company;
  - One (01) is kept at the head office at the Custodian bank.

### **ARTICLE 60. Implementation provisions**

The Fund shall be officially established after SSC issues a fund establishment registration certificate and list the Fund Unit. The Fund Management Company is liable for completing all dossier and procedure in according with provision of the prevailing laws.

#### **Attached appendix:**

APPENDIX 1: COMMITMENTS OF THE FUND MANAGEMENT COMPANY

APPENDIX 2: COMMITMENTS OF THE CUSTODIAN BANK

APPENDIX 3: MUTUAL COMMITMENTS OF THE FUND MANAGEMENT AND THE CUSTODIAN BANK

APPENDIX 4: METHOD OF DETERMINING INCENTIVE FEE

**FOR AND ON BEHALF OF  
FUND MANAGEMENT COMPANY  
TRAN THANH TAN  
CHAIRMAN / CEO**



**APPENDIX 1: COMMITMENTS OF THE FUND MANAGEMENT COMPANY VIETFUND  
MANAGEMENT (VFM)**

Licence for establishment and operation No. 45/UBCK-GP dated 08 January 2009 issued by SSC

The head office of VFM is located at 10th Floor, Central Plaza Building, 17 Le Duan Street, District 1, HCMC, Vietnam.

Tel: (08) 3825 1488

Fax: (08) 3825 1489

Website: [www.vinafund.com](http://www.vinafund.com)

The Fund Management Company commits to perform the following obligations to the VFA:

1. To strictly comply with law and this Charter on the operation of management of the Fund.
2. To perform the fund management duties in an effective, honest and diligent manner and in compliance with the investment objectives of the Fund giving priority to legitimate rights and interests of Investors.
3. To ensure that the Fund has a custodian bank at all times.
4. To pay all fees to the Custodian bank and other service providers in accordance with this Charter.
5. To periodically provide the Custodian bank with the following information:
  - (a) Operational reports and financial statements of the Fund, the register of Investors and the number of Fund Certificates held by the Investors.
  - (b) Reports related to the Fund or the assets and investment portfolio of the Fund..
  - (c) An assessment of the Net Asset Value of the Fund and the Net Asset Value of a fund unit.
  - (d) All information related to the operation of management of the fund and other obligations.
6. To provide free-of-charge or to be entitled to collect a reasonable fee when providing copies of this Charter (and its attached appendices) and the prospectus (and its attached appendices) to Investors who so request.
7. Not to invest in securities, or assets in which the Fund Management Company or related persons of the Fund Management Company have interests or have a relation to such interests, except for cases permitted by law.
8. Not to abuse the status of the Fund Management Company in operation of management of the fund in order to benefit directly or indirectly the company or related persons or to harm the interests of Investors.
9. To carry out valuation and the work of accounting of the Fund in a truthful, accurate and prompt manner.
10. To provide free-of-charge or to be entitled to collect a reasonable fee when providing copies of annual reports and other reports of the Fund to Investors who so request.
11. To provide free-of-charge or to be entitled to collect a reasonable fee when providing copies of annual reports of the Custodian bank on assessment of the operation of management of the fund by the Fund Management Company to Investors who so request.
12. To ensure that all information disclosed by or on behalf of the Fund Management Company is sufficient, truthful and accurate and does not omit any events affecting the interests of Investors, any events

affecting the contents of disclosed information, includes information required by law to be disclosed and does not cause misunderstanding to Investors.

13. To fully provide necessary information so that the independent auditor of the Fund can carry out its audit duties effectively and promptly.
14. To promptly report to the SSC in a case of inconsistency when checking current assets/liabilities of the Fund Management Company and the Custodian bank.
15. To convene the General Meeting of Investors of the Fund in accordance with law.

**VIETFUND MANAGEMENT**

**TRAN THANH TAN  
CHAIRMAN/CEO**

**APPENDIX 2: COMMITMENTS OF THE CUSTODIAN BANK**  
**FAR EAST NATIONAL BANK – HO CHI MINH BRANCH**

Far East National Bank – Ho Chi Minh Branch is issued establishment and operation license No. 03/NHNN-GP date 20 May 2004 by the State Bank of Vietnam.

Far East National Bank – Ho Chi Minh Branch is granted with Certificate of Custodial Activity Registration No. 21/UBCK-GCN date 27 July 2007 by SSC.

The Custodian bank commits:

1. To strictly comply with law and this Charter on the supervisory operation.
2. To ensure that the Fund has a fund management bank at all times.
3. To carry out the functions of the Custodian bank in a diligent, truthful and prudent manner with respect to the Fund.
4. To implement depository, payment, preservation and supervision of all assets and securities of the Fund on behalf of Investors; to check the current assets/liabilities of the fund and the Fund Management Company at least once a month and to report to the SSC in case of any inconsistency in the current assets/liabilities of the Fund Management Company and the Custodian bank.
5. To separate assets of the fund from assets of the Custodian bank, assets of the Fund Management Company from assets of other funds and assets of other clients of the Custodian bank.
6. To manage the investment portfolio of the Fund, the valuation of assets of the Fund, the determination of the Net Asset Value of the Fund and the Net Asset Value of a Fund Certificate unit in accordance with current regulations and this Charter.
7. To guarantee the performance of the supervisory obligations in order for the Fund Management Company not to abuse its fund management status for the purpose of bringing benefit directly or indirectly to the Fund Management Company or related persons or harming the interests of Investors.
8. To record and monitor all transactions, interest, dividends and income of the Fund to be received or distributed.
9. To ensure that the Fund shall be audited annually by an independent auditor.

**SHANGHAI BANKING CORPORATION LIMITED**  
**HO CHI MINH CITY BRANCH**

**GENERAL DIRECTOR**

**APPENDIX 3: MUTUAL COMMITMENTS OF THE FUND MANAGEMENT AND THE CUSTODIAN BANK**

**VIETFUND MANAGEMENT (VFM)**

Licence for establishment and operation No. 45/UBCK-GP dated 08 January 2009 issued by SSC

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1. Jointly commit to protect interests of Investors.
2. Jointly commit to comply with law and this Charter during the operational duration of the Fund.
3. Jointly commit to exercise voting rights arising in connection with the ownership of shares/contributed capital invested by the Fund in the spirit and in the interests of Investors at the general meeting of shareholders of issuing organizations or at the members' council of any enterprises to which the Fund contributes its capital.
4. Jointly commit to not receive any remuneration, profit or benefit not specified in this Charter or the prospectus from the performance of transactions involving assets of the Fund or transactions involving other assets.

**SHANGHAI BANKING CORPORATION LIMITED  
HO CHI MINH CITY BRANCH**

**GENERAL DIRETOR**

#### APPENDIX 4: METHOD OF DETERMINING INCENTIVE FEE

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 Li (refer to details below) of the financial year.

Incentive fee = 20% x Li

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

Where:

- Li: 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			Total	Actual NAV (billion VND)		
	Listed shares Ho (Who)	Listed shares Ha (Wha)	Other assets (Wo)		Value of listed shares HOSE	Value of listed shares HNX	Value of other assets
	-1	-2	-3		-5	-6	-7
T1				300,0	135,0	120,0	45,0
T2				304,5	140,1	124,8	39,6
T3				309,0	145,2	129,9	33,9
T4				313,8	150,6	135,0	28,2
T5				318,3	156,0	140,1	22,2
T6				323,1	161,7	138,9	22,5
T7				328,2	167,4	137,7	23,1
T8				333,0	173,1	136,5	23,4
T9				338,1	179,1	135,3	23,7
T10		Issuance of 3,00 billion		641,1	308,7	257,1	75,3
T11				652,8	333,0	267,6	52,2
T12				662,1	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)	300,0
Number of days which proceeds are used	(d)	100
VN-Index growth	(e)	15%
HaSTC-Index growth	(f)	14%
Average deposit rate of 12-months	(g)	9%
Surpassing rate	(h)	1%
Basic index	$(i) = W_{ho} \times (e) + W_{ha} \times (f) + W_o \times (g) =$	14,1%
Li (billion)	$(k) = (b) - (a) \times [1+(i)+(h)] - (c) \times \{1+ [(i)+(h)] \times d/365\}$	4,51
<b>Bonus (billion)</b>	<b>(n) = 20% x (k)</b>	<b>0,90</b>
<b>Bonus / NAV (%)</b>		<b>0,1%</b>