



V I E T F U N D
M A N A G E M E N T

V I E T N A M S E C U R I T I E S I N V E S T M E N T F U N D | V F 1

ANNUAL REPORT 2011
VIETNAM SECURITIES INVESTMENT FUND

VF1

ABBREVIATIONS

AR	Annual Report	HOSE	Hochiminh Stock Exchange
BOR	Board of Representative	IR	Investor Relations
CEO	Chief Executive Officer	JSC	Joint Stock Company
EPS	Earning per share	NAV	Net Asset Value
HNX	Hanoi Stock Exchange	Q	Quater

FUND INFORMATION

English name	Vietnam Securities Investment Fund
Trading Code	VFMVF1
Investment objective	VF1 aims to invest to listed and unlisted shares fixed-income securities and other financial instruments to build a balanced portfolio
Fund type	Closed-end public fund
Current chartered capital	1,000,000,000,000 VND
Outstanding fund unit	100,000,000 units
Inception date	May 20, 2004
Listing date	November 8, 2004
Fund term	10 years
Management Fund	VietFund Management (VFM)
Custodian	Joint Stock Commercial Bank for foreign trade of Vietnam (Vietcombank)
Management fee	2%NAV/year
Custodian & depositing fees	0,08%NAV/year
Dividend	By annual, based on realized return and approved by Annual Meeting of Investors

ROE	Return on Equity	VF2 Investment Fund or VF2	Vietnam Growth Investment Fund
VFM	VietFund Management	VF1 Investment Fund or VF1	Vietnam Securities Investment Fund
VND	Vietnam Dong	UPCOM	The Unlisted Public Companies Market
VFA Investment Fund or VFA	Vietnam Active Fund	VN-Index/ VNI	Over-the-counter
VF4 Investment Fund or VF4	Vietnam Blue-chips Fund	P/E	Price-Earnings Ratio

FINANCIAL HIGHLIGHTS

	2011	2010	2009
Fund size (VND billion)	1,000	1,000	1,000
NAV (VND billion)	1,298.3	2,126.3	2,479.9
NAV/unit (VND)	12,983	21,263	24,799
NAV 52-week high (VND)	21,891	26,300	29,158
NAV 52-week low (VND)	12,848	20,230	15,423
Expenses (%)	2.2	2.1	2.15
Portfolio turnover (%)	35.7	50.4	63.1
Annualized growth (%)			
NAV	(38.9)	(8.2)	46.1
VN-Index	(27.5)	(2.0)	56.8
HNX-Index	(48.6)	(32.1)	60.0
Cumulative growth since inception (%)			
NAV (*)	29.8	127.6	160.0
VN-Index	34.4	85.3	89.1
HNX-Index	(41.3)	14.2	68.2
	1 year	2 years	3 years
Cumulative growth (%)			
NAV	(38.9)	(47.6)	(23.5)
VN-Index	(27.5)	(28.9)	11.4
HNX-Index	(48.6)	(65.1)	(44.1)
Compound annual growth rate (%)			
NAV	(38.9)	(27.6)	(8.5)
VN-Index	(27.5)	(15.7)	3.7
HNX-Index	(48.6)	(40.9)	(17.6)

Note: (*) NAV excludes dividend payment

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2008	2007	2006	2005	2004
1,000	1,000	500	300	300
1,697.0	3,837.1	1,564.1	381.6	304.5
16,970	38,371	31,281	12,718	10,158
37,569	52,041	33,552	12,850	10,158
16,313	33,042	12,957	10,121	10,000
1.9	2.3	14.0	4.0	1.5
17.9	19.4	45.7	51.5	53.7
(52.6)	28.1	157.8	27.7	1.6
(66.0)	23.3	144.5	28.5	(8.5)
(67.5)	33.2	152.4	(3.8)	N/A
81.7	300.7	227.8	29.7	1.6
20.7	254.4	187.4	17.6	(8.5)
5.1	223.6	142.9	(3.8)	N/A
4 years	5 years	6 years	7 years	Since inception (20/05/2004)
(66.2)	(17.0)	240.2	326.4	29.8
(62.1)	(53.2)	14.3	46.9	34.4
(81.8)	(75.8)	(39.0)	(41.3)	N/A
(23.7)	(3.7)	22.6	23.0	3.5
(21.5)	(14.1)	2.3	5.6	4.0
(34.7)	(24.7)	(7.9)	(7.3)	N/A

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A summary of Vietnam Economy 2011

Highlight of Vietnam Economy 2011

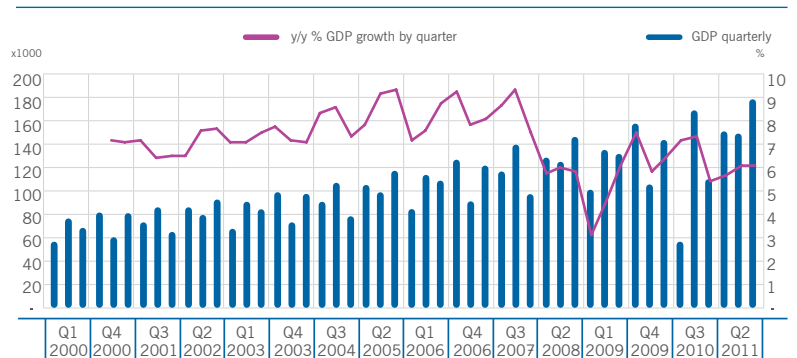
The economy grew by 5.89% in 2011 and encountered many difficulties due to a long period of overheating. However, it has achieved encouraging results. Particularly foreign trade value stood at US\$202 billion, producing trade deficit of US\$9.5 billion, equivalent to 9.86% of export value (target 18%). Remittance reached US\$9 billion, a year-on-year increase of 12%. The balance of payment is expected to lean to US\$3 billion of surplus compared with US\$3 billion of deficit in 2010 and US\$8.8 billion of deficit in 2009.

Vietnam's economy is now in the toughest time ever since 1998. Economic indicators, mainly GDP growth and consumer price index, have been revised negatively. The Dong has been depreciated against the Dollar. Additionally, industrial production index has declined from July, indicating economic contraction due to slowing consumption and rising costs.

In 2011, structural weaknesses and imbalances of the economy emerged, leading to escalating prices, currency depreciation, abnormally high interest rates, soaring trade deficit, decreasing reserves, and illiquidity of the banking sector.

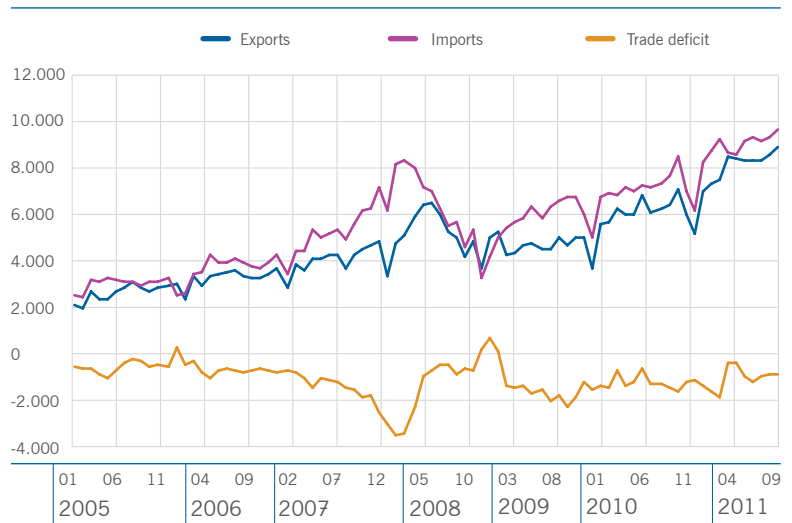
The economic woes adversely affected the corporate sector, which encounter slowed revenue growth and squeezed margins. Listed companies were expected to post revenue growth of 30% but delivered net income growth of only 4.5%, making EPS decline by approximately 17% in 2011. Especially, real estate and securities companies may face higher probability of bankruptcy due to cash flow problems and manufacturing firms encounter slowdown in consumption and rising production costs.

Quarterly GDP Value and Growth (2000-2011)



Source: HSC, VFM

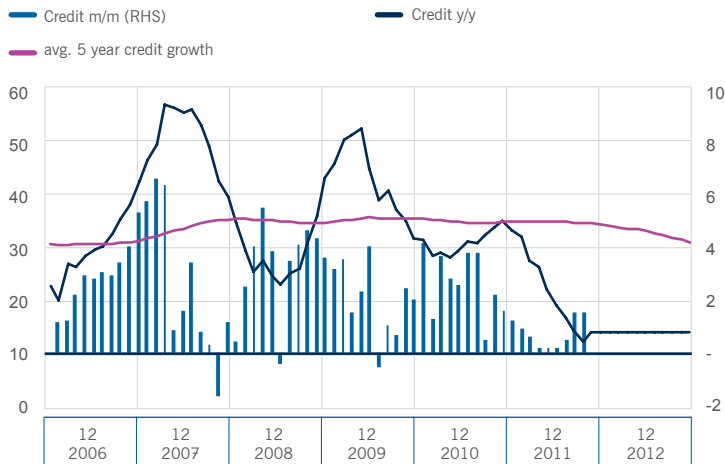
Export and Trade Deficit (2005-2011)



Source: HSC, VFM

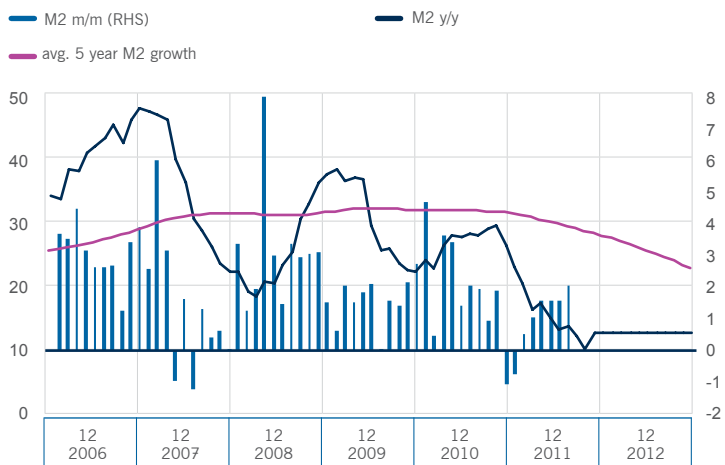
The Causes

Credit Growth 2006-2011



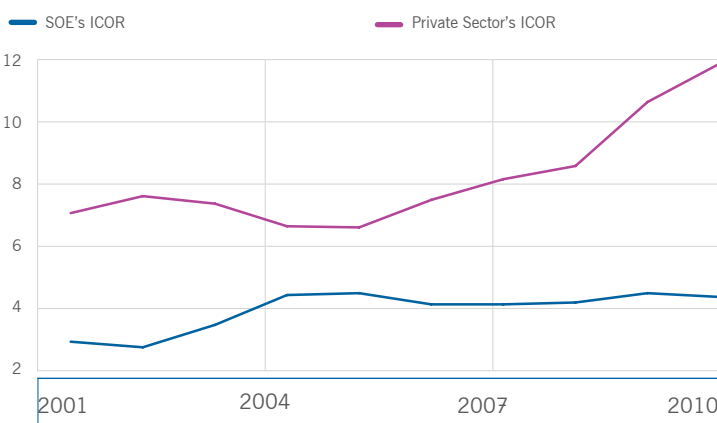
Source: Dragon Capital

Money Supply 2006-2011



Source: Dragon Capital

ICOR —Private Sector and SOEs



Source: HSC

The economy faced cyclical problems in 2009-2011 due to the following main causes.

- The global economy was in recession. While not having truly recovered from the 2008 crisis, the global economy has to cope with brutal effects of the European debt catastrophe, the earthquake in Japan, and political unrests in world hot spots.
- Growth has heavily depended on credit and investment while efficiency is low.
- The regulatory policy for the economy has not been very effective and still obtains generalized solutions.
- Credit and money supply (M2) increased at a fast pace since 2006. Annualized credit growth and money supply were 35% and 25% respectively in 2006-2010. Easy credit led to widespread inefficient investment with total investment averaging up to 42%/year in three years before 2011. Economic growth deepened its reliance on investment, especially public investment. Accordingly, state-owned enterprises accounted for 40%-50% of total investment but contributed only 15%-20% to GDP and employed only 5% on total labor.
- In the first six months, public policies focused on growth, ignoring escalating economic woes. This led to inconsistent policy administration and deteriorated market confidence and business stability.

The government has fully identified and acknowledged the causes, and implemented strategic changes to address the structural issues. They have developed a comprehensive and consistent set of measures to fix the problems, a significant change in policy administration.

Solutions for and Prospects of Vietnam's Economy

No.	Items	Plan 2012	Actual 2011(%)
1.	GDP growth	6	5.9
2.	Export growth	13	33
3.	Trade deficit (% export)	11-12	10
4.	Budget deficit (% GDP)	4.8	4.9
5.	Total investment(% GDP)	33.5	34.6
6.	Inflation	Under 10	18.53
7.	Credit growth	15-17	12
8.	Money supply growth	Under 15	10.2

Source: Resolution 11/2011/QH13 on Social and Economic Development 2012 by the National Assembly on 9/11/2011.

- Economic growth targets for 2011-2015 have been revised. The main focuses of this period are to control inflation, stabilize the economy, maintain moderate economic growth, and restructure the economy. GDP growth for 2012 is targeted at a modest level of 6% and consumer price index at 10%.
- Restructuring the economy will focus on public investment, state-owned enterprises, and the banking sector.
- The consistent implementation of monetary tightening policy since February has delivered positive results and has been proved appropriate for the long-term stabilization.
- Banking reform has been in focus and rigorously implemented. Accordingly, three small banks were merged in December and the restructuring process will be pushed in 2012.
- Fiscal policy has been modified to control fiscal deficit and rein in public investment.
- Formal estimates show that the economy could make positive progress in 2012, which will contribute to the long-term prospect. The structural problems of the economy have been addressed and solutions have been sought, paving the way for economic stability and corporate business recovery and growth.
- Consistent implementation of economic policies produced positive results in the fourth quarter of the year, seeing through decelerating consumer price index, controlled foreign exchange market, and interest rates.

Stock Market and a New Phase

	Total	HOSE	HNX
Index level 30/12/2011		351.6	58.7
Index level 31/12/2011		481.4	112.64
<i>Change</i>		<i>-27.5%</i>	<i>-48.6%</i>
Number of share	672	289	383
Market capitalization (mil.VND)	537,505	453,784	83,721
Market capitalization (mil.USD)	25,552	21,572	3,980
P/E	6.81	6.89	6.40
P/B	1.08	1.16	0.68
ROA (%)	9.00	9.29	7.50
ROE (%)	18.13	18.31	17.19
EPS	3,086	3,139	2,811

Source: VFM

- The deteriorating economic fundamentals of Vietnam have damaged the stock markets with VN-Index falling by 27% and HNX-Index losing 48%.
- Additionally, the economic woes undermined financial performance of the corporate sector in 2011. In combination with economic problems, poor performance of listed companies brings market valuations down and deteriorates investors confidence.
- With limited fresh cash flows to the market and concerns over the economic problems, investors have lost confidence in the market.
- At the end of 2011, the Vietnam stock market had very low valuation compared with regional peers in terms of relative valuation indicators P/E and P/B.
- However, with positive changes going on, the corporate sector is expected to improve performance.
- The stock market is expected to recover in 2012, following economic stabilization, recovery of credit supply from the banking sector, and the shift in economic growth model.

Letter from the Chairman of the Board of Representative



“Our strategies have been carefully deliberated under the supervision of the Investment Committee in order to issue the most appropriate policies at each stage of the market by streamlining the portfolio and increasing number of high liquidity stocks.”

Dear valued investors,

Vietnam stock market witnessed a sharp plunge in 2011 due to economic uncertainty and global economic recession. High inflation, over government spending, increased trade deficit and below-target GDP growth, resulted from the monetary tightening policy, has created a deeper negative impact on both Indices in the Vietnam stock market.

Being affected by prolonged negative movements, VF1 performance was not an exception although we have done all our best to maintain the fund value. To prepare for the fund maturing in the next coming time, our strategies have been carefully deliberated under the supervision of the Investment Committee in order to issue the most appropriate policies at each stage of the market by streamlining the portfolio and increasing number of high liquidity stocks.

The market of 2012 is forecasted to remain difficult due to the loss of confidence and trading hesitation from the investors. However, the government has committed to restructuring the capital market, reforming the banking system, and adjusting the trading structure. In addition, Circular 183 regulated open-end fund operation has just issued last year as a foundation and motivation for the market in the next coming years, as well as a favorable condition for the fund to convert from closed-end fund to open-end fund. We hope stock market will attain some positive signals to meet investors' expectation.

Sincerely thanks and wish you all a very happy prosperous year.

Truly yours,

A handwritten signature in blue ink, appearing to read 'L. Duc Khanh', with a horizontal line underneath.

Luu Duc Khanh

Chairman of the Board of Representatives

Letter from C.E.O of Vietfund Management

Dear Investors,

Vietnam stock market last year witnessed the most difficult time during the five recent years. The local turmoil has originated from the global economic uncertainties and European debt crisis which negatively influenced on Vietnam economy. The stock market still followed the downtrend, trading transaction and liquidity plunge sharply, creating difficulties to investment funds in Vietnam.

VFM's funds have not met the plan mainly due to the fall of VN-Index. VFM follows the value-base investment strategy, so that we do not follow the buy/sell policy that is led by the market – mover stocks. Our goal is to maximize the Fund's value growth as the market recovers.

Entering 2012, although the market is forecasted to remain difficult, positive actions from the authorities including commitments to stabilize macro economy, restructure the stock market, especially that the newly issued regulation on the open-end fund operation have opened new opportunities to the market and investors. The regulation is a strong foundation to stimulate foreign and local funds to operate in a more sufficient matter.

With the issuance of Circulation 183, VFM is ready to establish new open-end funds for investors' consideration. The transformation of current closed-end funds into the open-end fund will definitely help solving many difficulties for both investors and the fund management companies. We will present clear explanations on the pros and cons of the transformation for shareholders to vote as per benefits of investors and expectation of the majority. This transformation has not yet happened in Vietnam stock market; therefore, dealing with the legal processes and converting portfolio to more liquid stocks are our greatest challenges.

We hope that the market will show some recovery signals and investor will share and companion with us to complete this important mission.

Truly yours,



Tran Thanh Tan
Chief Executive Officer



"VFM is ready to establish new open-end funds for investors' consideration.

The transformation of current closed-end funds into the open-end fund will definitely help solving many difficulties for both investors and the fund management companies."

OPERATION REPORT



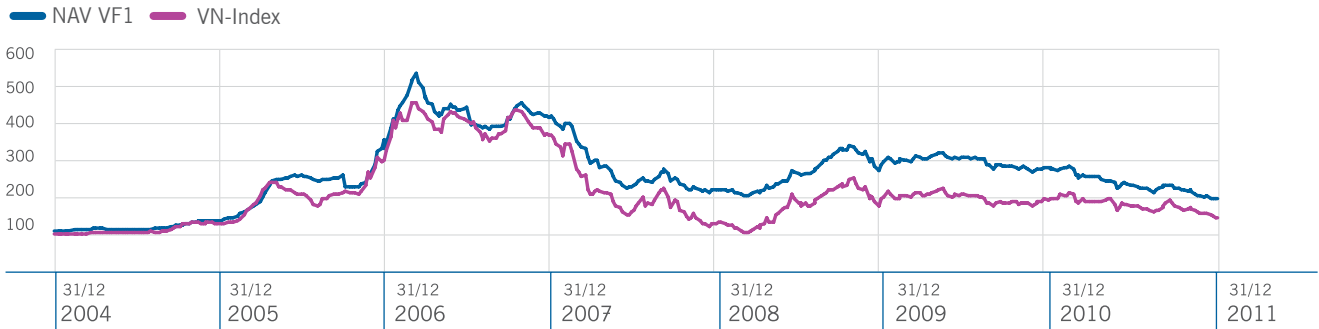
Index	Value	Change	%	Change
INDEX	11,696.91	0.810	%	187.780
K PF	5,777.65	-0.130	%	-15.300
DEX	6,250.69	0.120	%	6.670
DEX	4,060.50	0.020	%	0.990
DEX	1,196.48	-0.000	%	-0.040
		0.180	%	2.110
			%	
	1,996.65	0.060	%	1.220
			%	

BULGARI
 CIR-COMP
 UNICREDIT
 ENI
 FONDIARIA-SI
 GEIX
 INTESA SANPA
 LOTTOMATICA
 MEDIABANCA
 MONDADORI
 PIRELLI & C
 B P MILANO
 FTSE Italia - All

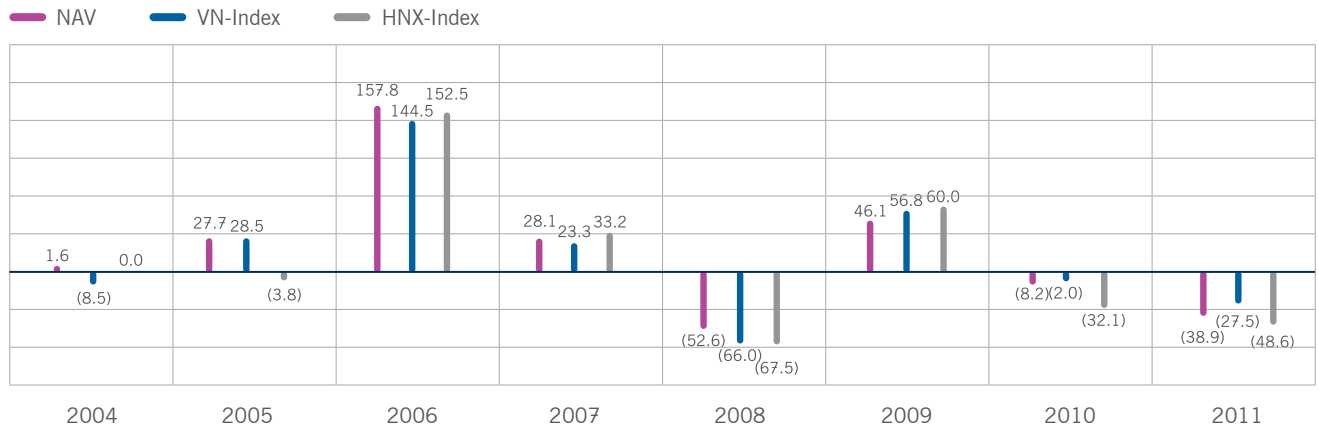


NAV REPORT

NAV growth since inception of VF1 vs Index (20/05/2004=100)



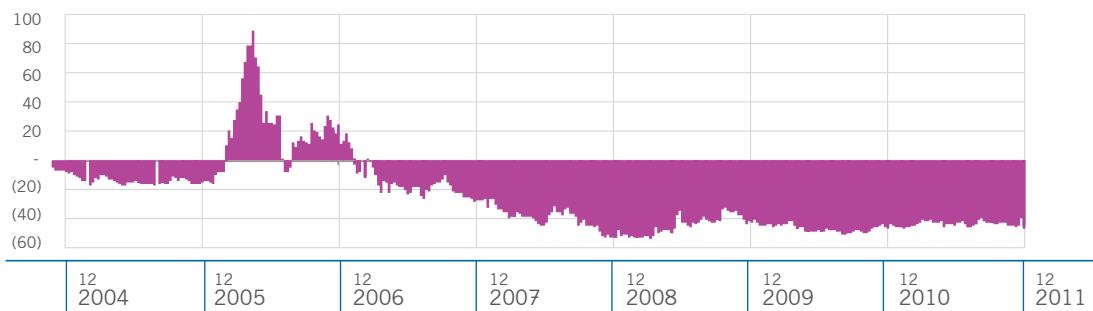
Annualised growth (%)



At the end of fiscal year 2011, VF1’s net asset value reached VND1,298.3 billion, equivalent to VND 12,983 per unit, decreased 38.9% compared to the beginning of the year.

During 2011, Vietnam stock market continued to plunge on both VN-Index (down 27.5%) and HNX- Index (down 48.6%). This was the second consecutive year that VN-Index has been influenced by the four-stock group with low liquidity but high proportion of over 40% of market capitalization. After excluding those stocks, the VN-Index fell 37%, and the VN-Top15 by market capitalization of market decreased 50.1%. The 2011 indices’ performance presents a difficult and gloomy year of Vietnam stock market.

Price’s discount/premium to NAV (%)



The stock market continued to decline in 2011, VF1 certificates were still being traded at high discount compared to net assets value per unit (NAV/unit), at the average of 45% discount, fluctuating between 40.8% and 49.2%.

OPERATION REPORT

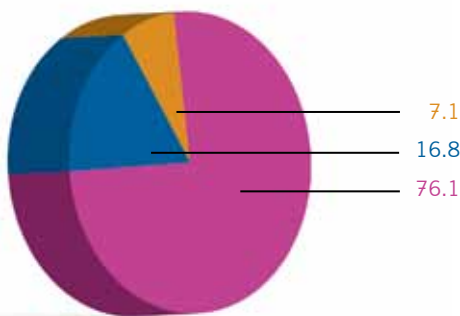
Asset allocation strategy in 2011

The 2011 asset allocation plan was to increase cash holding, to reduce the proportion of unlisted stocks and to maintain the proportion of listed stocks at a reasonable level.

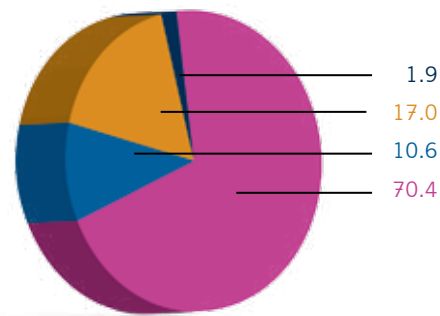
Regarding to asset allocation by sectors, VF1 focused its investments into Food & Beverage, Energy, Retailing and Materials sectors.

Asset allocation (% NAV)

2010



2011

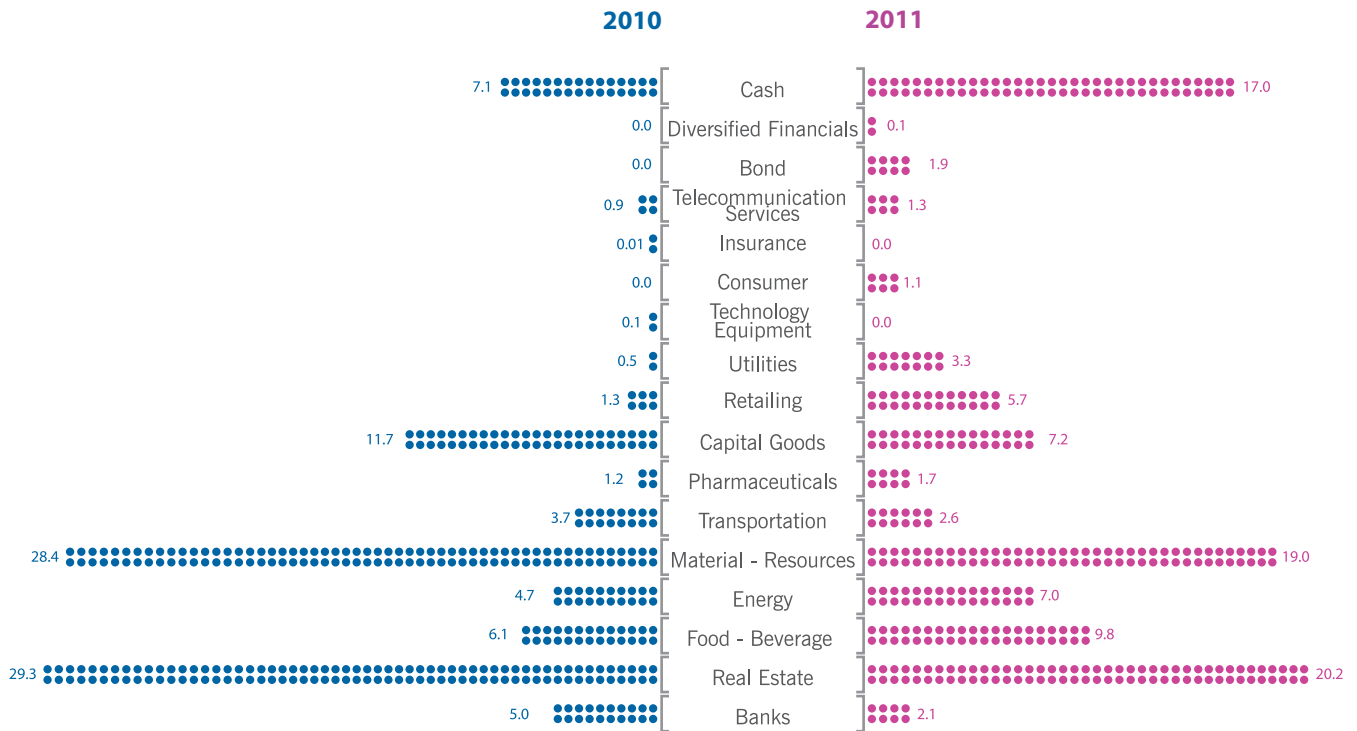


Legend: Listed stock (pink), Unlisted stock (blue), Cash & Others (orange), Bonds (dark blue)

As planned, in the early of the year VF1 reduced the proportion of unlisted stocks and increase the proportion of cash. As at December 31, 2011 VF1 has reduced the proportion of unlisted stocks from 16.8% NAV down to 10.6% NAV and increased cash ratio from 7.1% NAV at the beginning of the year up to 17.0% NAV on December 31, 2011.

In 2011, VF1 reduced the proportion of small cap stocks, which lost its growing potential, and divested them completely. By narrowing the portfolio down, the proportion of listed stocks declined from 76.1% NAV to 70.4% NAV year-on-year.

Investment by industry (% NAV)



Forecasting the challenges in the non-manufacturing industries, VF1 focused to restructure the portfolio to concurrently reduce non-manufacturing sectors and increase the proportion of firms with strong growth and good fundamentals.

In 2011, VF1 Fund slashed the proportion of sector of Material & Resources (down by 9.4%), Real Estate & Infrastructure (down by 9.1%), and Capital Goods (down by 4.5%).

In the midst of liquidity problems and credit tightening economy, some sectors still showed growth and a minimal negative impact such as Retailing, Food & Beverage, and Utilities. VF1 has been investing into these sectors by increasing their holdings: Retailing from 1.3% up to 5.7% NAV, Food & Beverages from 6.1% up to 9.8% NAV, and Utilities holding up to 2.8% NAV.

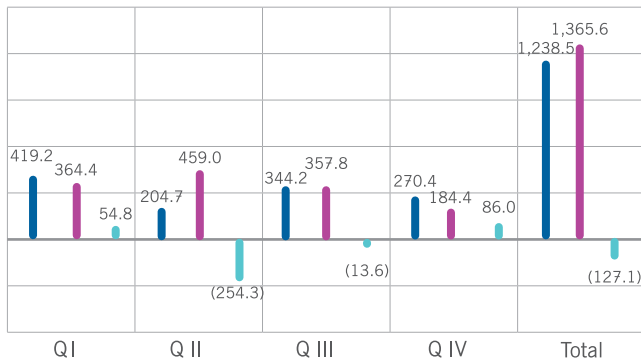
In 2011, VF1 divested two minor sectors, which were Insurance and Technology Hardware, at the same time, maintained holdings with the blue-chips stocks in the following sectors of Banking at 2.1% NAV, Transportation at 2.6% NAV, Pharmaceuticals at 1.7% NAV, Consumer Durable at 1.1% NAV, Telecommunication Services at 1.3% NAV, and Diversified Finance at 0.1% NAV.

INVESTMENT OPERATING

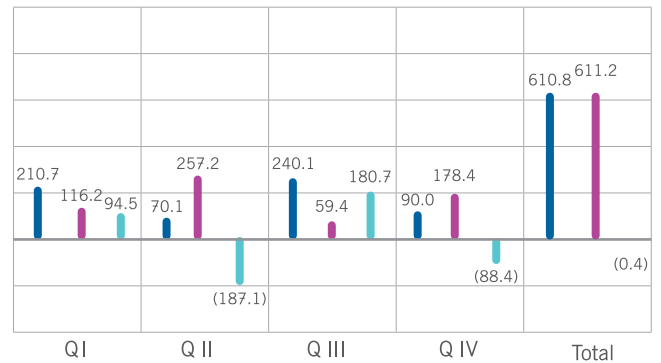
Investment – Divestment value by quarter (VND billion)

Disbursement Divestment Disbursement/Divestment

2010



2011

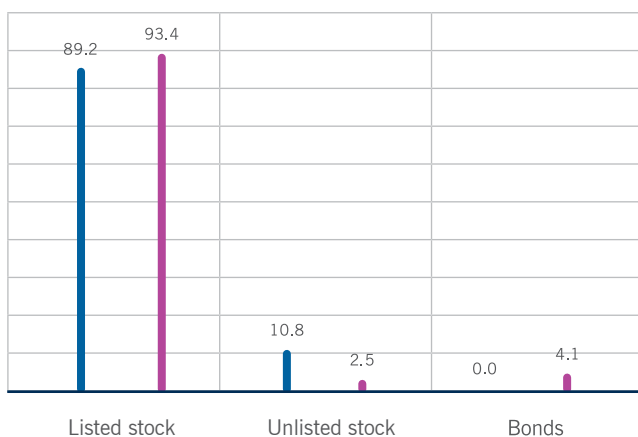


In 2011, even though many stocks were newly listed, market's trading volume and value still declined significantly. According to internal statistics, the total trading volume in the year decreased by 29.4% compared to 2010 level and total 2011 transaction value decreased 58.3% compared to 2010 level.

The sharp decline of trading in both volume and value negatively impacted VF1's disbursement and divestment activities. Consequently, the trading value of VF1 was less than half of 2010's. The investment and disbursement value respectively reached VND610.8 billion (2010: VND1,238.5 billion) and VND611.2 billion (2010: VND1,365.6 billion).

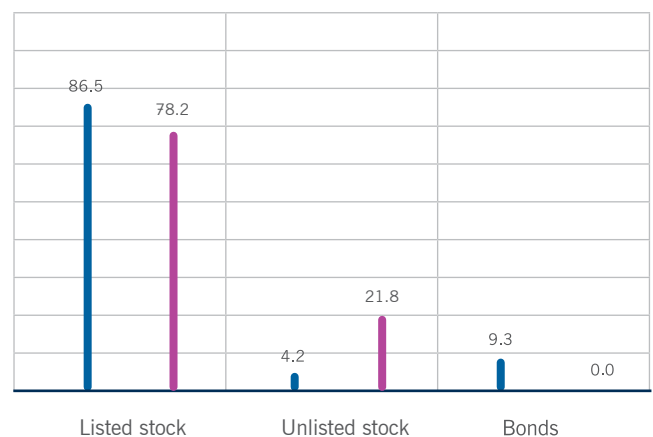
Cumulative disbursement structure (%)

2010 2011



Cumulative divestment structure (%)

2010 2011

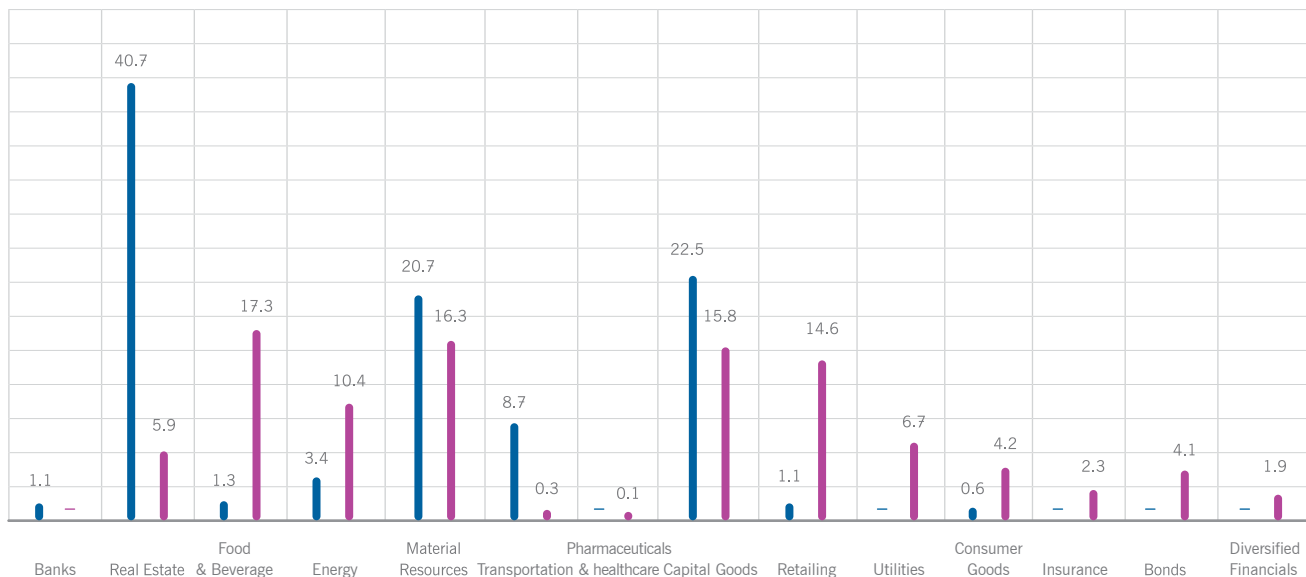


In order to increase the liquidity of VF1's portfolio, the Fund focused on investing into listed stocks and divesting in unlisted stocks. As a result, VF1's investment into listed stocks comprised of 93.4% of the total investment value, and divestment on unlisted stocks reached 21.8% of the total divestment value.

DISBURSEMENT - DIVESTMENT ACTIVITIES

Disbursement by sectors (%)

2010 2011



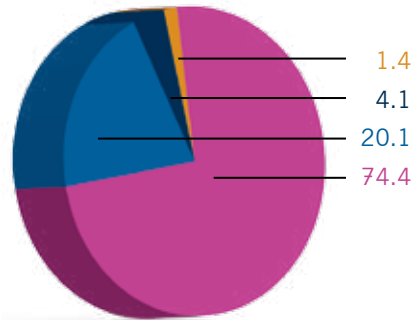
Divestment by sectors (%)

2010 2011

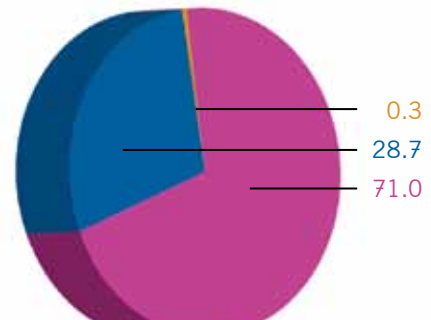


In 2010, VF1's major investments were into sectors of Real Estate & Infrastructure, Capital Goods, and Material & Resources. However in 2011, VF1 reduced the investments into above sectors along with divesting on Materials & Resources (38.6%), Food & Beverage (20.5%) and Real Estate & Infrastructure (13.3%) of total divestment value. In particular, the divestment on Food & Beverage in the year was to realize profit on the stocks which already hit the targeted price.

Investment by market cap 2011 (%)



Divestment by market cap 2011 (%)



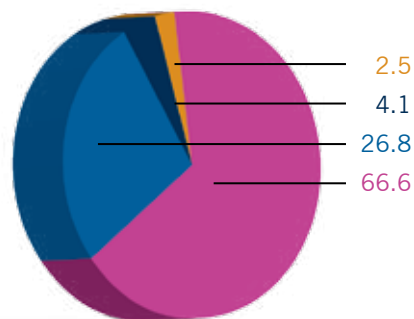
Large - cap

Medium - cap

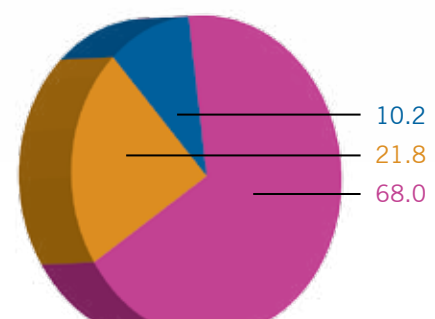
Small - cap

Bonds

Investment by bourse 2011(%)



Divestment by bourse 2011(%)



HOSE

HNX

UPCOM

Bonds

Accordance with the investment strategy in 2011, VF1 primarily disbursed into the large cap stocks and mid cap stocks which respectively accounted for 74.4% and 20.1% of disbursement value. Moreover, 66% of total investment value was mainly into large cap stocks and high liquidity ones which were listed on HOSE.

The VF1's portfolio mainly included blue-chips on HOSE. Therefore, divestments activities in 2011 were primarily on HOSE (68.0%) due to its liquidity, while the second highest divestment value was on UPCOM stocks (21.8%) and the remaining 10.2% was on stocks listed in HNX. These divestments aimed to increase the proportion of listed stocks that have higher liquidity and better growth rate.

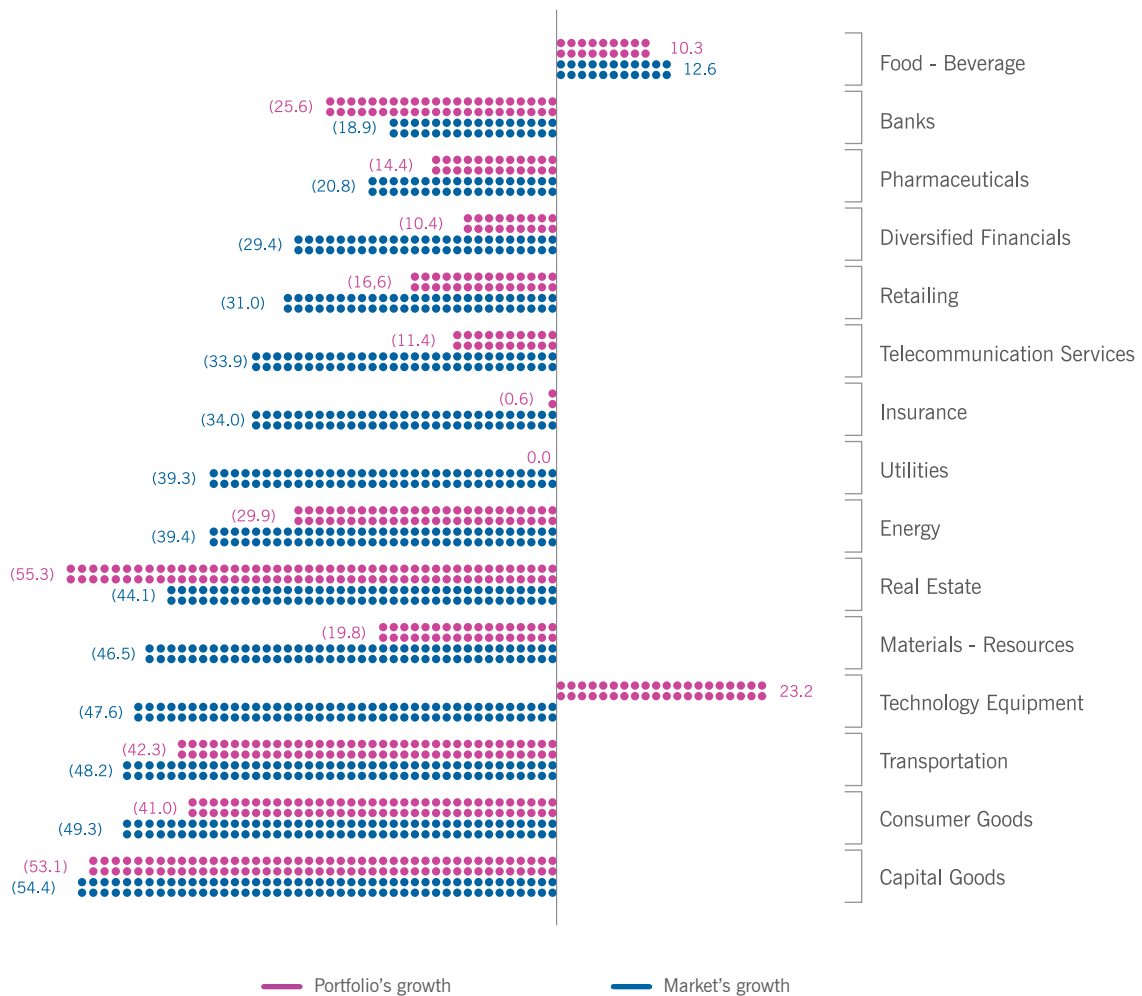
Operational Results

Net Profit	2011	2010	2009	2008	2007
Realized gain/(loss)	(123.4)	49.4	224.6	(300.4)	358.8
Unrealized gain/(loss)	(777.9)	(292.4)	648.7	(1,824.2)	383,8
Dividend & coupon	89.4	73.8	61.8	121.6	31.5
Profit/(Loss) from investment activities	(811.9)	(169.2)	935.0	(2,003.0)	774.1
Interest	21.3	17.2	16.9	35.4	39.2
Expenses	37.4	51.6	49.1	52.6	63.4
Net Profit/(Loss)	(827.9)	(203.6)	902.9	(2,020.2)	749.9

In 2011, VF1 recorded a loss of VND811.9 billion due to investment activities, including losses from revaluation of securities accounted for 95.8% and losses from divestment after adjusting dividend accounted for 4.2%.

In 2011, net profit of VF1 was -VND827.9 billion after expense.

VF1's Portfolio rate of return (%)



At 31st December, 2011 VF1 has invested into fifteen sectors. The market performance by sector of fourteen out of those fifteen returned negatively, except that Food & Beverage sector showed a positive gain of 12.6% during 2011. In 2011 VF1's portfolio, while the two sectors showing positive gains were Food & Beverage and Technology Equipment, the rest yielded a negative rate of return.

Since the poor performance of the market, most of sectors were affected critically in 2011. VF1's performance by sectors was seemingly correlated with market performance. Besides, many VF1's sectors recorded a better return than the market sectors. Even though VF1 divested a large amount in the top three sector holdings, VF1's portfolio was still negatively impacted by the top three sectors' heavy loss. In addition, Real Estate & Infrastructure recorded a -55.3% return, or 11.2% lower than market's level (-44.1%), Material & Resources lost -19.8%, or less than the market's level (-46.5%), Food & Beverage gained 10.3%, or 2.3% lower than the market's level (12.6%).

TOP HOLDINGS



VINAMILK



DPM
FERTILIZER & CHEMICALS





PetroVietnam Drilling JSC (PVD)

Huge investment for long term sustainable growth

- PetroVietnam Drilling and Well Services (PVD) is the market leader in drilling services and platform leasing in Vietnam with 50% (up 40% over 3 years) national market share in drilling and a commanding 80% market share for related drilling services.
- In the downturn of the economy, PVD continues to perform very well in 2011 with sales and net profit increasing by 12% and 24.7% thanks to performance of semi submersible rig (TAD) and to the high utilization rate of three owned drilling rigs and four leased rigs in the year. The land rig contract in Algeria has also been announced officially in November 2011.
- PVD actively develops in-depth specialized services related to drilling, with the goal of becoming a full and strong drilling service provider in the region.

GROWTH POTENTIAL

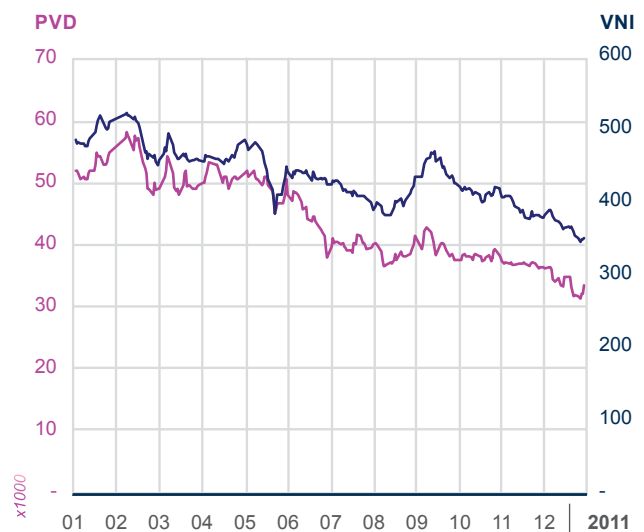
- 2012 is expected to be a very good year for PVD with high growth thanks to TAD rig full-year operation at a high day rate of 205,000 USD/day.
- The long term objective of PVD is to become the leading provider of drilling services and related services. In this direction, PVD will continue to invest in two new rigs in 2012 with total investment of about US\$230 million.
- Moreover, Vietnam plans to explore approximately 900 onshore and offshore oil and gas wells by 2015, approximately 50 new wells/year. With the advantage of being a member of the PetroVietnam Group, PVD will certainly obtain a material competitive advantage.

RISKS

- High leverage: The actual PVD's debt on equity ratio is around 120%. This ratio is forecasted to be higher in the next two years due to new loans to finance new rigs construction.
- Technological risk: PVD operates in the field of high technology, and small operational mistake may cause serious environmental consequences.

Items	2011(*)	2010
Market capitalization (VND bn)	6,988.9	11,130.0
Revenue (VND bn)	8,255.0	7,572.0
NPAT (VND bn)	1,023.0	881.9
Net profit margin	12.4%	11.7%
ROE	16.7%	16.9%
EPS Growth	5.9%	8.5%
P/E (x)	6.8	12.6
P/B (x)	1.1	2.1
Dividend yield	6.0%	3.8%

(*): VFM estimates



PVD's stock price fluctuation in 2011



Vietnam Dairy Products Joint Stock Company (VNM)

Impressive track records and potential growth

- Vietnam Dairy Products Joint Stock Company (VNM) is the market leader in the dairy industry and nutritional products with more than 200 product items. The products are grouped into four main categories: powder milk, condensed milk, liquid milk, and yogurt. Vinamilk is the largest dairy producer in Vietnam in terms of market share, brand name, production capacity and distribution network with more than 140,000 points of sales.
- The year 2011 marked a new phase of growth for VNM by important investments in overseas raw materials sources: Miraka Powder Milk Plant in New Zealand (19,3% owned by VNM) came into operation in August 2011.
- The company's sales surpassed the US\$1 billion milestone, reaching VND21,821 billion, an increase of 40%. Accordingly, net profit was reported at VND4,166 billion, an increase of 16%.

POTENTIAL GROWTH

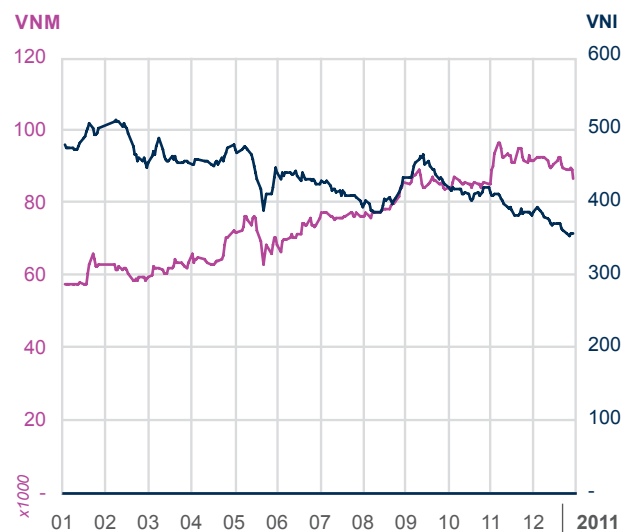
- Vinamilk continues to invest heavily in expanding production capacity in two main projects Megafactory and Dielac O2, which are expected to go into operation in late 2012 and 2013.
- Milk consumption in Vietnam is still low, about 14kg/person/year compared to around 60kg/person/year in Asia. According to Tetrapak's forecasts, dairy products consumption in Vietnam would grow at 15%/year from now to 2015.
- In addition, improving consumers' perception of milk's benefits on health and rising per capita income are among factors contributing to VNM's future growth potential.

RISKS

- Competition is extremely fierce, especially in the two segments of liquid and powder milk. Dutch Lady, Abbott and Mead Johnson are among VNM's direct competitors in the dairy market where VNM's market share is not much higher than these competitors and the competition is predicted to be tougher in the coming years.
- The high dependence on imported raw materials might make Vinamilk more vulnerable due to the stability of the supply source and to the fluctuating price of raw materials.

Items	2011(*)	2010
Market capitalization (VND bn)	48,076.7	30,358.0
Revenue (VND bn)	21,821.4	15,752.9
NPAT (VND bn)	4,166.6	3,616.2
Net profit margin	19.1%	23.0%
ROE	43.7%	50.2%
EPS Growth	16.7%	51.4%
P/E (x)	11.7	8.1
P/B (x)	4.4	3.7
Dividend yield	3.5%	4.8%

(*): VFM estimates



VNM's stock price fluctuation in 2011



PetroVietnam Fertilizer and Chemicals JSC (DPM)

Significant advantage from economies of scale and controlling market share

- PetroVietnam Fertilizer and Chemicals Company (DPM) is the first Vietnamese company to apply integrated technology to the production of nitrogen fertilizers (Urea) from gas, using European technology.
- DPM is the market leader in nitrogen fertilizer production with a capacity of 800,000 tons/year. The company holds the largest share of the domestic production and trading of fertilizers: 50% of the urea market, 30% DAP, NPK, and SA in Vietnam.
- In 2012, DPM will exclusively distribute around 560 thousand tons of urea for Ca Mau Plant, raising its supply capability and market position.

POTENTIAL GROWTH

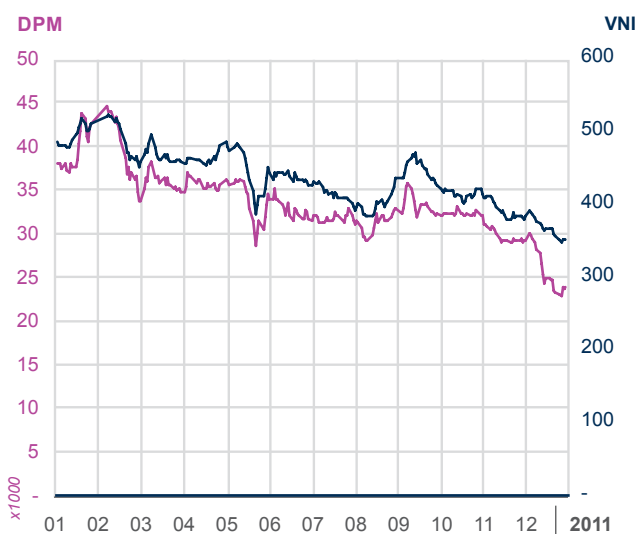
- The market entry of Ca Mau Urea Plant in 2012, in which Urea Ca Mau products will be distributed by DPM, will reinforce the DPM's dominant market share in Vietnam of urea (about 80%).
- The objective of DPM is to provide the domestic market a stable and high quality fertilizer. Additionally, DPM aims to promote new related products with a target to control 20-30% chemicals and 7-10% agrochemicals markets.

RISKS

- Input price: with the new roadmap for the gas price, DPM will see its input price soar in 2012 (+40% in 2012 and +2%/year from 2013). Accordingly, DPM's net profit is forecasted to decrease compared to that of 2011.
- Urea supply – World urea price: It is forecast that there will be around 20 new urea plants in the world will go into operation in 2012, supplying a huge urea source and negatively affecting the domestic urea price.
- DPM's plan to acquire Ca Mau Urea plant would negatively affect its near-future performance for two reasons: much lower financial income from the current cash position and much higher depreciation (assuming the scenario that DPM would own more than 51% of Ca Mau Urea Plant).

Items	2011(*)	2010
Market capitalization (VND bn)	9,044.0	14,440.0
Revenue (VND bn)	9,226.5	6,618.8
NPAT (VND bn)	3,103.7	1,706.9
Net profit margin	39.6%	25.8%
ROE	35.5%	27.4%
EPS Growth	84.2%	26.3%
P/E (x)	2.9%	8.5%
P/B (x)	0.9	2.3
Dividend yield	6.3%	5.3%

(*): VFM estimates



DPM's stock price fluctuation in 2011



FPT Corporation (FPT)

The leading ICT and telecommunications corporation in Vietnam

- FPT Corporation is a group of companies operating in four main businesses: mobile phone and IT product distribution, telecommunications, integrated systems, and software.
- After 20 years of development, FPT has transformed from a food processing company into a diversified group, securing its position and large market share in its operating segments. In recent years, the company has diversified into education, real estate, banking and finance with encouraging achievements.
- Reaching US\$1 billion in sales, the company is speeding up investment in developing ICT products with its own brand name, expanding global presence, and becoming the country's largest ICT group.

POTENTIAL GROWTH

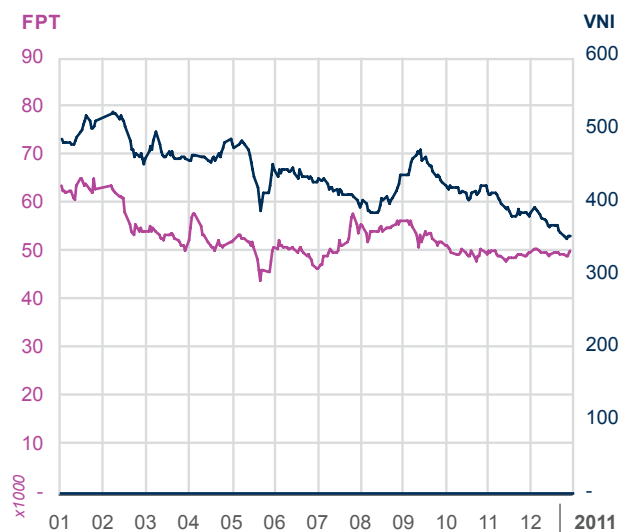
- The integrated systems segment is growing fast with high margin. The telecommunications segment will be key driver for the company's profit in the next years. Additionally, the software business is building up its global strength by setting foot on new market while maintaining the key markets Japan and the US.
- FPT is investing in its own brand ICT products: FMobile, FPT tablet, creating more room for growth when the distribution segment reaches its plateau.

RISKS

- Information technology and telecommunications are fast changing industries and very competitive. FPT has to compete with many sizable rivals in each business segment (CMC in information system HiPT in software development, PET and Tran Anh in retailing). Competition is expected to intensify in the high margin segments: information system, telecommunications, and software development.
- FPT has to maintain its competitive advantage by putting more capital expenditure on research and development, and improve its assets. The company's expansion into other industries may lead to inefficiency and less focus on core businesses.

Items	2011(*)	2010
Market capitalization (VND bn)	10,735.2	15,181.9
Revenue (VND bn)	25,439.8	20,017.3
NPAT (VND bn)	2,089.0	1,691.7
Net profit margin	8.1%	8.5%
ROE	37.6%	33.0%
EPS Growth	4.0%	10.2%
P/E (x)	6.2	8.2
P/B (x)	1.9	2.1
Dividend yield	3.5%	3.1%

(*): VFM estimates



Graph for FPT price movement as compared to VN-Index in 2011



Vinh Son Song Hinh Hydropower JSC (VSH)

Largest hydropower company on HCM stock exchange

- Vinh Son Song Hinh Hydropower JSC (VSH) currently owns two hydropower plants Vinh Son and Song Hinh with total capacity of 133MW. On average, the firm produces more than 850 million kWh annually. The company is finishing the expansion of the plants' reservoirs, increasing annual production by 50 kWh.
- In the period 2011-2015, VSH will have to invest VND5,700 billion on the Thuong Kon Tum hydropower project with a designed capacity of 220 MW. This is a key project of the company in the years to come.

POTENTIAL GROWTH

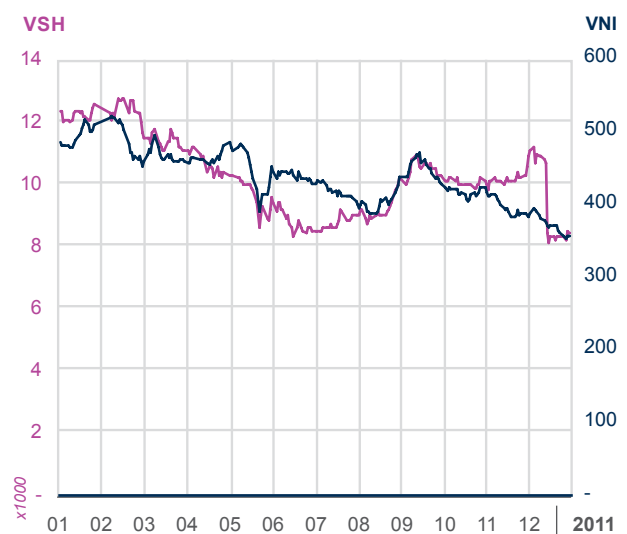
- With annual power generating time of more than 6,000 hours for each plant, VSH is running more efficiently than its peers in the industry, which run at around 4,000 – 4,500 hours, thanks to VSH's the ideal location and favorable weather.
- Moreover, although the plants have been depreciated by over 60%, they don't face any downward pressure in production thanks to the high quality of the originally invested assets. As a result, VSH is building up its competitiveness over rivals and its future profit is expected to be gradually improved.

RISKS

- Negotiation for 2010 electricity price between VSH and its sole customer EVN has not come to an end. Therefore, output price is still a big variable for the company and its investors. Currently, VSH apply a discount of 10% on 2009 price to prepare financial statements.
- Thuong Kon Tum hydropower project: VSH has disbursed VND300 billion for the project. The company plans to use 70% leverage for the VND5,700 billion project. In this monetary tightening environment, the company may face difficulties finding adequate financing.

Items	2011(*)	2010(**)
Market capitalization (VND billion)	1,711.8	2,557.4
Revenue (VND billion)	451.2	425.5
Net profit after tax (VND billion)	330.4	302.4
Net profit margin	73.0%	71.0%
ROE	13.0%	13.0%
EPS Growth	10.0%	-32.0%
P/E (x)	5.1	8.4
P/B (x)	0.7	1.0
Dividend Yield	14.5%	9.7%

(*): Unaudited figures
(**): 90% of 2009-selling price



VSH's stock price fluctuation in 2011



Binh Duong Minerals and Construction JSC (KSB)

Synonymous with exploiting and processing building stones

- Binh Duong Minerals and Construction is a market leader in the South East of Vietnam in the field of exploiting and processing minerals and construction materials, with large reserves: Tan Dong Hiep (reserve of 4.1 million m³), Phuoc Vinh and Tan My mines (6.3 million m³, expansion by 50 ha).
- Besides, the company has also diversified into the industrial real estate with Dat Cuoc industrial park consisting of Zone A: 103 ha (79% occupancy) and Zone B: 108 ha (16% occupancy).

POTENTIAL GROWTH

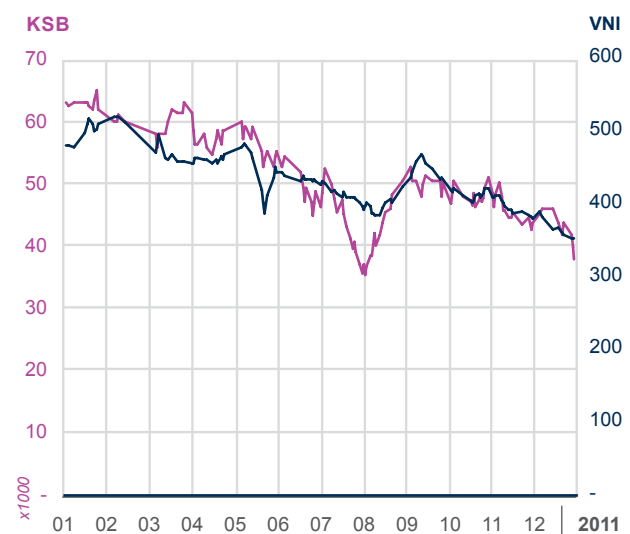
- In the long run, demand for mineral, especially for construction materials in Vietnam continues to be strong due to the rapid urbanization and industrialization of the country. For the past 10 years, the annual growth rate of the construction industry is approximately 15%.
- Furthermore, KSB has just obtained a license to develop Minh Long kaolin mine with total reserve of 12.1 million m³. Therefore, we expect KSB's earnings will be gradually increased from next year.

RISKS

- Macro-economic turmoil: in the short term, with the government's tightening investment policies, KSB may face a tough time ahead since many infrastructure projects have been delayed. Accordingly, the company revenue and profit may decline slightly compared with that of 2011.
- In the long term, we are also concerned about the downside risk after 2013 when Tan Dong Hiep mine is closed. The company management wanted to expand the mine for 2-3 more years but it is quite uncertain because of the state's current strict policies.

Items	2011(*)	2010
Market capitalization (VND billion)	396.9	663.4
Revenue (VND billion)	545.9	498.7
Net profit after tax (VND billion)	121.0	125.9
Net profit margin	22.2%	25.2%
ROE	28.8%	33.3%
EPS Growth	-3.9%	18.8%
P/E (x)	3.6	5.3
P/B (x)	1.0	1.8
Dividend Yield	6.1%	8.1%

(*): Unaudited figures



KSB's stock price fluctuation in 2011

BOARD OF REPRESENTATIVES ACTIVITIES



Board of Representatives Members



Mr. LUU DUC KHANH
Chairman



Ms. NGUYEN BOI HONG LE
Deputy Chairwoman



Mr. LE VAN PHU
Member



Mr. HOANG KIEN
Member



Mr. DANG THAI NGUYEN
Member



Mr. PHAN MINH TUAN
Member

Board of Representatives (BOR)



Investment fund plays an important role in the development of Vietnam securities markets in general and the fund management industry in particular; at the same time it contributes in boosting the growth of the economy. In developed markets, investment fund is considered the most interesting and trustworthy investment channels for investors compared to others investment tools. To help fund's processes and investment strategy be more transparent and effective, with the purpose of protecting investors' interests, the role of the Board of Representatives (BOR) is raised to an upper level.

BOR members were elected by investors at the 2010 Annual General Meeting, including 01 Chairman, 02 Vice-Chairmen, and members with the three-years term of operation. Members have profound experience & knowledge in economy, financial and stock market management which assist them in guiding and monitoring the fund's activities.

VF1 has gone through 8 years of operation with the ups and downs of Vietnam stock market. All members, with their highest responsibilities, have involved in the fund operation patiently, contributing their knowledge, experiences and effort with the Fund Manager to bring the most optimal results for the fund.

Board of Representatives Activities in 2011

In 2011, VF1 BOR held four (04) formal meetings, in which one (01) meeting under voting in paper regarding to fund performances, strategic operation direction for the fund.



In the first meeting on February 2011, all members of the BOR came to agreement of the VF1's planning and direction of investment activities in Quarter I/2011.

By the end of the first quarter, members of the BOR and representatives of Vietcombank custodian bank held a regular meeting on April 5, 2011. At the meeting, agreeing that the macro-economy situation showed no signs of positive changes and expected to last longer, the BOR passed the proposals to preserve the value of the fund, not to divest/ invest into high beta stocks. In this period, VF1 should focus more on strengthening and streamlining the investment portfolio. In addition, at the meeting, the BOR approved the proposal to select PWC as the auditing firm for VF1 in 2011.

On 12 July 2011, VF1 held its regular meeting in HCM City with the attendance of 06 members. In order to obtain and understand more about macro-economy situation and market

trends, the Fund's management board invited Dr. Tran Hoang Ngan to attend together the meeting and discussed on market forecast, major challenges and effects, etc. on the stock market. The Fund is expected to mature in 2014, BOR members proposed VF1 to prioritize in choosing stocks or investment deals with high liquidity. The fund management board also provided investor relation activities information and the open-ended fund infrastructure progress with the purpose to grasp the new market opportunities.

In the last meeting in Hanoi, the VF1 investment portfolio was reported to be streamlined and focused in high liquidity stocks. Besides, the meeting conducted regular discussion on analyzing and evaluating the Fund's investment activities, approving the investment plan for the fourth quarter. All the members reviewed and approved plan and budget for VF1 Annual Report and Annual General Meeting in 2011.



V I E T F U N D M A N A G E M E N T

Established in 2003, VietFund Management (VFM) was the first local fund management company in Vietnam. With an in depth local knowledge and an excellent eight-year proven track record in the Vietnam security market, VFM has established itself as a leader in financial service provider to domestic and international investors. VFM services include three publicly listed funds, one member fund, portfolio management services, and a wide range network of local and foreign investors.

During the challenging global business environment in 2011, the Vietnamese government introduced some macro-economic solutions in the early part of the year which had proved effective. To benefit from this action plan, VFM successfully introduced various actions to steer and govern its services and operations in response to the economic circumstances. This included maintenance of basic services and a range of measures to balance and optimize fixed costs to protect the VFM's core business. In order to focus our resources on our core activities of research and investment, we set up a Risk Management Committee, to oversee all aspects of the operation. We continued to seek experienced personnel and invest in our human resources through various training activities to meet future development goals of the company.

As 2012 unfolds, a range of expert opinions on the outlook of the global and local economies have to be taken into account. VietFund Management remains confident that the financial market structuring from the Government will bring great opportunities to enterprises and investors in the year ahead.

The new regulation on open-ended funds is positive news for the stock market and huge opportunity for fund management companies. VFM developed a new range of financial products which are tailored to the specific conditions of the Vietnamese marketplace. We intend to launch specialized funds such as index funds, bond funds, pension funds, ETFs and various structured products. We have researched these investment vehicles with the support of Dragon Capital and other partners in the financial industry. VFM is well positioned to leverage its established facilities, infrastructures, IT systems and trained staff to offer structured products that meet investors' expectations in the mid and long-term future.



EVENTS AND SOCIAL ACTIVITIES IN 2011



TERRY FOX RUN PROGRAM

To create fresh air and meaningful activities for the staff and their family, VFM continues sponsoring The Terry Fox run in late November this year. The event was organized by the Canadian Consulate to fund cancer research and this is the fifth consecutive years VFM has participated in.

TOGETHER WE SHARE

The special disadvantage and unfortunate cases are always our VFM's Charity Committee's concern and destination during a year. Wishing to relieve their pain, we visited to give small Tet gifts for poor patients in the Blood transfusion hematology hospital, and to offer some donations to eye cancer treatments of a special younger patient in the Oncology hospital. We expect our share will support their courage to overcome difficulties in life.

BUILDING BRIDGES

With the goal to remove the various dangerous bridges in and around rural areas of Vietnam, VFM has contributed to building bridge named Xeo Lang in the West village of Tan Binh Commune, Chau Thanh District in Dong Thap Province. This concrete bridge completed after nearly two months of construction was funded from charitable donations by VFM officials and employees. From this point on we are happy to say both sides of the river are resuming their close relationship. The people and young children can now cross safely over the rivers.



ACCOMPANY THE VIRTUAL SECURITIES FESE 8 COMPETITION

VFM continues to be one of the main sponsors of the virtual stock FESE 8th competition (www.fese.uel.edu.vn) by University of Economics - Law which was held from 12 to 26th November for universities throughout the city. This is an important annual activity for the students who desire to test their skill on an actual model of the two HOSE and HNX in Vietnam stock market. This year, more than 2,000 students attended the competition in which there were prizes for individuals and team participants. This annual activity will support students and future investors obtain experience and improve their knowledge entering their professional career.

ECONOMICS COMPETITION – YOUR AND MY VISION

In response to the practical activities for students in universities, VFM has sponsored the economics competition – “Your and my vision” which was held by the Faculty of Economics Development - University of Economics Ho Chi Minh City from 17 March to 14 May 2011. With the participation of more than 5,000 students, this useful event not only applied their knowledge into actual Vietnam economics cases but also exchanges their experience among students in their schools and others in the city.

Products and Services

Vietnam stock market has seen the VN-Index dropped significantly in the last couple days of 2011. The dramatic movement in the market is correlated to the macroeconomic instability, high inflation, tightening monetary policies facing Vietnam. The result of which was a significant decline in the capital inflow to the stock market. Leading indicators are showing recovery signals for some of the world's economies leading us to forecast that Vietnam's macro economic picture will stabilize in the near future. This stabilization will be aided with different fiscal stimuli packages to restructure the damaged parts of economy and support the stock market in particular. This underlines the government's attention to ensuring a balanced and stable recovery for the economy in particular financial system in 2012-2013.

During the past 10 years of operation, VFM has been committed to protect shareholder value especially during the difficult market conditions. Although the fund performance obtained certain positive results, the fund trading price followed the market trend lower. The market price of VFM fund certificates is currently trading at 50% discount compared to the Fund's NAV. This reveals many obstacles in operating a closed – end fund. By adding value, VFM works hard to close the gap between the Fund certificates market value and that of its NAV. Foreseeing the problems, VFM has tried to research and develop alternative effective investment products in meeting investor's demand as well as lobbying the authorities in improving the legal framework. The State Security Committee (SSC) has recently issued the Circular 183/2011/TT-BTC dated December 16, 2012 in establishment and management Open-end Fund. This is an important base for new investment products to attract more investment capital.

According to the global trends, 90% of mutual funds in the world are open-end mutual funds. The circular is considered a positive action from the government to aid the recovering the stock market as well as a possible solution for VFM to resolve the discounting mechanics of closed-end funds.

An open-end fund is an active and efficient investment asset class for investors where they can execute the transaction directly with the fund management company. The fund charter capital is variable based on fund investment in or outflows. It can be VND100 billion, VND200 billion, VND500 billion or VND1,000 billion depending on market circumstances where the investors can subscribe and redeem certificates without the influence of the discount between NAV and the market price. Investors can trade the fund certificates directly to fund management company at NAV regardless the impact of market supply and demand. Open-end funds are a new channel which effectively attracts more capital inflow from foreign investors especially to such a young market as Vietnam.

In order to meet the investors' demand with the newly issued open-end fund circular, VFM is proactive in researching open-end fund model as well as extensive training at countries which obtain similar financial model to Vietnam. VFM is ready to take advantage of these new opportunities, step by step launching several financial products which meet the changing demand in Vietnam market. With the strong support from our Dragon Capital experts, VFM has studied many open-end fund models in the world in order to select the best suitable one to the Vietnam market. Our company is in the process of completing the facilities, infrastructure, and IT system to support for the operation of the open-end fund.

Open-end funds are best opportunity for VFM to provide diversified investment channels and attract new capital. We are planning to introduce to investors several investment fund products such as Index Fund, Bond Fund, money market fund or even provident Fund etc. The Circular has an important role in resolving many problems of closed-end fund, diversifying investment products and improving life insurance and social welfare areas.

INDEX FUND

Index fund is one of the biggest investment fund models in the world stock market. With the purpose of tracking the index, the investor, instead of trading individual stock, can trade the entire stock basket through trading the index fund certificates. With the advantage of size and popularity, Index fund obtain more advantages than other mutual fund model such as:

- Low total expense
- Performance parallel with the market
- Eliminating wrong stock picking
- Operating in the form of open – end fund which decreases the risk of discount between price and NAV compared to the closed – end fund.

Index fund usually tracks a target index which comprises stock basket, represents market with large capital value, high liquidity and low price fluctuation. The State Securities Commission is in the progress of constructing different index baskets in order to meet variety investor demands and build a strong foundation for the Vietnam stock market. According to the plan, the first index will be launched is VN-30. This will help VFM introduce our index fund product to investors.

BOND FUND

Bond fund is a safe and largest investment model in any financial market in the world. The Vietnam bond market is even at its small size but the trading has encountered many difficulties. Therefore, bond fund will be a best selection for those investors who have small amount of capital; because investing in a bond fund requires a lesser amount of money than investing a bond directly which they can still obtain a more diversified bond portfolio. In addition, bond investment demand from those financial institutions is enormous since bond is their core asset management.

Understanding the investment needs from the big financial institutions, VFM team together with bond investment specialists from Dragon Capital are in the progress of researching and launching a bond fund with a diversified portfolio and active management which brings the most effective performance for investors.

PROVIDENT FUND

Retaining key talents for corporate has always been VFM's sole mission in developing our financial products. VFM provident fund is a specialized investment fund with the objective of supporting employees' futures. We offer a combination of capital liquidation and future income, which can protect employees from the depreciation of social benefits and give way to the possibility of outliving income in the retirement years.

In the recent years, many provident funds in the world have come across many difficulties due to the ageing in the population. Vietnam will be soon in this position. Therefore, VFM believe to be one of the pioneers in providing the provident fund in order to protecting Vietnam key employees.

Investor Activities in 2011

In 2011, the global economy received very little positive signals to move markets forward. Vietnam was not removed from the negative impact to the stock market around the world. During these difficult times, VietFund Management (VFM) maintained their discipline in their fund's operation activities, strengthened its investor relations and increased its effort to improve our communication between VFM and you our valued investors.

- We provide periodical reports such as NAV reports, Monthly updates and Quarterly Newsletter through email, post and on website.
- In December 2011, we launched our updated website www.vinafund.com with new functions that help us more feasible in finding information related to our funds operation.
- We always welcome all feedback and questions from our investors at ir@vinafund.com and via our hotline (08) – 3825 1480.

In recent years, we appreciate the support and ideas we received our domestic and international investors. It is this relationship which motivates for us to improve our investor relation activities especially during these difficult times.

Annual General Meetings in 2010

In 22 & 24 March 2011, VFM held Annual General Meeting (AGM) for VF1 and VF4 investors at Rex Hotel, Ho Chi Minh City. A week later, we also have the first AGM for VFA in Sofitel Plaza, Ho Chi Minh City in 29 March 2011 and the AGM for

capital contributors for VF2. At AGMs, investors contributed and shared their value opinions with the Fund Board of Management on funds' operation.



Investor Relations Road Map in 2012

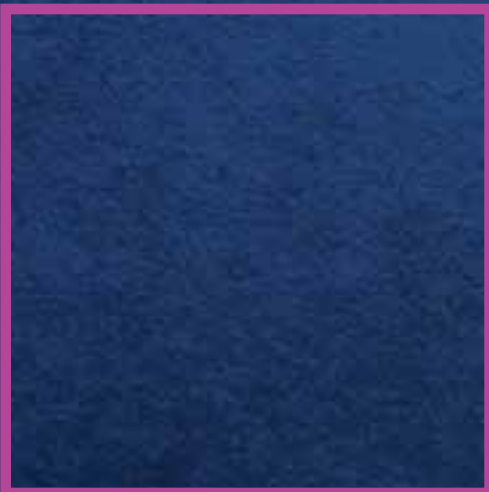
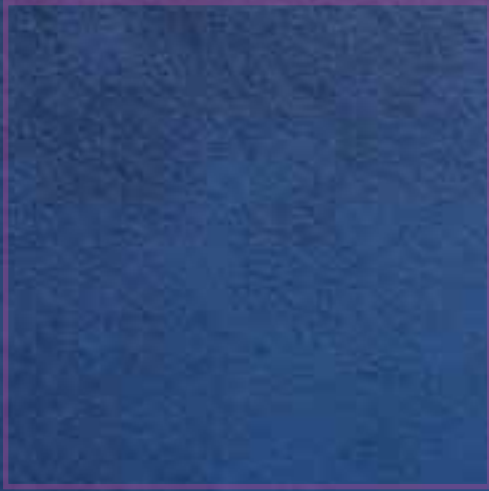
In 12 January 2011, the Ministry of Finance has issued an official Circular 183 on open-end fund and is currently drafting a circular guiding the establishment and management of securities investment funds, including open-ended funds, fund members, ETF funds, real estate investment funds and other investment company securities. The circular on open-end fund will create a legal foundation to make new investment products, increase the involvement of institutional investors, and provide more options for investment fund flows.

Prior to the opportunities and challenges from the stock market, in 2012, our Investor Relations department will focus on promoting IR activities:

- Periodically provide updated information on the performance of the funds to investors;
- Organize meetings and workshops to create a two-way information exchange between VFM and investment funds;
- Organize seminars to introduce open-end fund models, advice on operation scheme, its benefits and answer your questions related to this model.

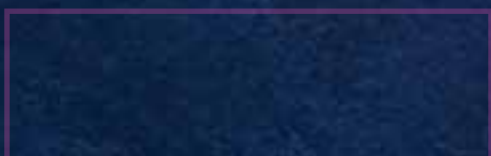
The schedule for 2010 Annual General Meetings is as follows:

March - 2012				
Monday	Teusday	Wednesday	Thursday	Friday
			01/03/2012	02/03/2012
				VFM send invitation to attend AGM and Annual report to investors.
05/03/2012	06/03/2012	07/03/2012	08/03/2012	09/03/2012
<i>Investors confirm attendance at AGM 2011 by dialing 08 – 3825 1488 or send us proxy in case of absence by fax to us at 08 – 3825 1489.</i>				
12/03/2012	13/03/2012	14/03/2012	15/03/2012	16/03/2012
<i>Investors confirm attendance at AGM 2010 by dialing 08 – 3825 1488 or send us proxy in case of absence by fax to us at 08 – 3825 1489.</i>				
19/03/2012	20/03/2012	21/03/2012	22/03/2012	23/03/2012
	VF1 Investment fund AGM 2011 Lotus Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC		VF4 Investment fund AGM 2011 Lotus Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC	
26/03/2012	27/03/2012	28/03/2012	29/03/2012	30/03/2012
	VFA Investment fund AGM 2011 Sun Flower Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC		VF2 Investment fund AGM 2011 Sun Flower Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC	



FINANCIAL STATEMENTS

VIETNAM SECURITIES INVESTMENT FUND (VF1)



Financial Statements for the year ended 31 December 2011

General Information	45	Statement of Income (Form B 02 - QDT)	51
Report of the Board of Representatives	46	Statement of Assets (Form B 05 - QDT)	53
Independent Auditors' Report	47	Statement of Changes in Net Assets (Form B 06 - QDT)	55
Balance Sheet (Form B 01 - QDT)	49	Statement of Investment Portfolio (Form B 07 - QDT)	56
		Notes to the Financial Statements (Form B 04 - QDT)	59

GENERAL INFORMATION

Licence issuing Fund Certificates to the public	No. 01/UBCK-QDT dated 24 March 2004
Licence listing Fund Certificates	No. 01/UBCK-NYQDT dated 22 September 2004
Establishment Registration Certificate	No. 01/UBCK-DKQDT dated 20 May 2004 Establishment Registration Certificate was issued by the State Securities Commission for a period of 10 years.
Board of Representatives	
Mr. Luu Duc Khanh	Chairman
Ms. Nguyen Boi Hong Le	Vice Chairwoman
Mr. Hoang Kien	Member
Mr. Phan Minh Tuan	Member
Mr. Le Van Phu	Member
Mr. Dang Thai Nguyen	Member
Fund management company	Vietnam Investment Fund Management Joint Stock Company
Registered Head Office	10th Floor, Central Plaza Building, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City
Supervising bank	Joint Stock Commercial Banking for Foreign Trade of Vietnam
Auditor	PricewaterhouseCoopers (Vietnam) Limited

REPORT OF THE BOARD OF REPRESENTATIVES

STATEMENT OF THE FUND MANAGEMENT COMPANY'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management of Vietnam Investment Fund Management Joint Stock Company ("the Fund Management Company") is responsible for the financial statements prepared and presented in accordance with Vietnam Accounting Standards, Decision 63/2005/QD-BTC issued by the Ministry of Finance on the promulgation of accounting system for securities investment funds and Decision 45/2007/QD-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds which give a true and fair view of the financial position of the Fund as at 31 December 2011 and the results of its financial performance for the year then ended. In preparing these financial statements, the Fund Management Company is required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business.

Management of the Fund Management Company is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Fund and which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. Management of the Fund Management Company is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Vietnam Investment Fund Management Joint Stock Company's management confirms that they have complied with the above requirements in preparing the financial statements of the Fund for the year ended 31 December 2011.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 49 to 72 which give a true and fair view of the financial position of Vietnam Securities Investment Fund ("the Fund") as at 31 December 2011 and of the results of its financial performance for the year then ended in accordance with Vietnamese Accounting Standards, Decision 63/2005/QD-BTC and Decision 45/2007/QD-BTC issued by the Ministry of Finance.

On behalf of the Board of Representatives



Luu Duc Khanh

Chairman

13 February 2012



Independent Auditor's Report to the Investors of Vietnam Security Investment Fund

We have audited the accompanying financial statements of Vietnam Securities Investment Fund ("the Fund") which were approved by the Board of Representatives on 13 February 2012. The financial statements comprise the balance sheet, the statement of assets, the statement of investment portfolio as at 31 December 2011, the income statement and the statement of changes in net assets for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on page 49 to 72.

Management's Responsibility for the Financial Statements

Management of Vietnam Investment Fund Management Joint Stock Company ("the Fund Management Company") is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnam Accounting Standards, Decision 63/2005/QD-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds and Decision 45/2007/QD-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Fund Management Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2011 and its financial performance for the year then ended in accordance with Vietnam Accounting Standards, Decision 63/2005/QD-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds and Decision 45/2007/QD-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds.



Ian S. Lydall
AC No. N.0559/KTV
Chairman
PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM3004
13 February 2012



Le Van Hoa
AC No. 0248/KTV

As indicated in Note 2.1 to the financial statements, the accompanying financial statements are not intended to present the financial position and results of financial performance in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

BALANCE SHEET

Form B01 - QDT

Code	Items	Note	As at 31 December	
			2011 VND	2010 VND
A.	ASSETS			
110	1. Cash in banks	3.1	183,786,302,756	142,813,506,433
120	2. Investments in securities	3.2	1,077,061,023,628	1,976,976,468,686
130	3. Receivables from investing activities	3.3	59,395,227,800	2,080,506,400
131	4. Other receivables	3.4	7,031,105,821	16,725,608,391
200	TOTAL ASSETS		1,327,273,660,005	2,138,596,089,910
B.	RESOURCES			
300	I. LIABILITIES		28,937,869,426	12,328,300,187
311	1. Payables for investing activities	3.5	25,295,874,551	7,184,788,836
314	2. Remunerations payable to the Board of Representatives		92,000,000	91,999,996
315	3. Payables to the Fund Management Company and the Supervising Bank	3.6	2,256,527,673	3,706,154,663
318	4. Other payables	3.7	1,293,467,202	1,345,356,692
400	II. OWNERS' EQUITY		1,298,335,790,579	2,126,267,789,723
410	1. Capital contributed by investors		2,224,170,820,910	2,224,170,820,910
	<i>In which:</i>			
411	1.1 Share capital	3.8.1	1,000,000,000,000	1,000,000,000,000
412	1.2 Share premium	3.8.2	1,224,170,820,910	1,224,170,820,910
420	2. (Accumulated losses) / Undistributed earnings	3.9	(925,835,030,331)	(97,903,031,187)
430	TOTAL RESOURCES		1,327,273,660,005	2,138,596,089,910

The notes on pages 59 to 72 are an integral part of these financial statements.

OFF BALANCE SHEET TIEMS

Form B01 – QDT

Items	Note	As at 31 December	
		2011 VND	2010 VND
Securities at par value		570,655,090,000	497,679,710,000



Joint Stock Commercial Bank for
Foreign Trade of Vietnam - Ho Chi Minh City Branch
Ms. Ha Thi Thuy Vinh
Chief Accountant



Vietnam Investment Fund
Management Joint Stock Company
Mr. Nguyen Minh Dang Khanh
Deputy CEO cum Finance Controller



Joint Stock Commercial Bank for
Foreign Trade of Vietnam - Ho Chi Minh City Branch
Ms. Truong Thi Thuy Nga
Director



Vietnam Investment Fund
Management Joint Stock Company
Mr. Tran Thanh Tan
Chief Executive Officer

INCOME STATEMENT

Form B02 - QDT

Code	Items	Note	For the year ended 31 December	
			31.12.2011 VND	31.12.2010 VND
A.	REALISED OPERATING RESULTS			
10	I. (Loss)/profit from investing activities		(10,868,154,837)	142,176,696,232
11	1. Dividends		89,415,596,000	67,443,282,226
12	2. Coupons		-	6,340,065,000
13	3. Interest income from deposits		21,345,927,696	17,212,174,596
14	4. (Loss)/profit from securities trading		(121,658,863,351)	47,774,114,974
18	5. Other incomes		29,184,818	3,407,059,436
30	II. Expenses		39,163,416,754	53,383,728,016
31	1. Fund management fees	3.11 (i)	33,529,972,546	47,222,643,954
32	2. Custody and supervision fees	3.11 (ii)	1,374,728,878	1,946,394,612
33	3. Meeting expenses		751,513,593	935,800,583
34	4. Audit fees		349,206,413	295,749,300
38	5. Other fees and expenses	3.10	3,157,995,324	2,983,139,567
50	III. Net realised profit for the year		(50,031,571,591)	88,792,968,216

The notes on pages 59 to 72 are an integral part of these financial statements.

INCOME STATEMENT (continued)

Form B02 - QDT

Code	Items	Note	For the year ended 31 December	
			31.12.2011 VNĐ	31.12.2010 VNĐ
B. UNREALISED OPERATING RESULTS				
60	I. Income		65,818,390,996	144,324,651,799
61	1. Gain from revaluation of investments		65,818,390,996	144,324,651,799
70	II. Expenses		843,718,818,549	436,720,384,413
71	1. Loss from revaluation of investments		843,718,818,549	436,720,384,413
80	III. Net unrealised loss for the year		(777,900,427,553)	(292,395,732,614)
90	Net loss for the year		(827,931,999,144)	(203,602,764,398)



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Director



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Chief Executive Officer

STATEMENT OF ASSETS

Form B05 - QDT

Code	Items	As at 31 December	
		2011 VND	2010 VND
1	Cash	183,786,302,756	142,813,506,433
2	Investments	1,077,061,023,628	1,976,976,468,686
2.1	Bonds	25,041,095,890	-
2.2	Equity shares	1,052,019,927,738	1,975,772,968,686
2.2.1	<i>Listed equity shares</i>	<i>914,455,849,400</i>	<i>1,617,484,177,300</i>
2.2.2	<i>Unlisted equity shares</i>	<i>137,564,078,338</i>	<i>358,288,791,386</i>
2.3	Listed equity share purchase right	-	1,203,500,000
3	Dividend receivables	3,928,704,000	13,937,191,726
4	Interest receivable	3,102,401,821	1,738,416,665
5	Receivables from investing activities	59,395,227,800	2,080,506,400
6	Other receivables	-	1,050,000,000
	Total assets	1,327,273,660,005	2,138,596,089,910

The notes on pages 59 to 72 are an integral part of these financial statements.

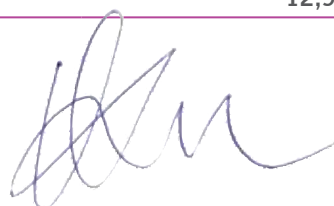
STATEMENT OF ASSETS (continued)

Form B05 - QDT

Code	Items	As at 31 December	
		2011 VND	2010 VND
7	Payables for investing activities	25,295,874,551	7,184,788,836
8	Other payables	3,641,994,875	5,143,511,351
	Total liabilities	28,937,869,426	12,328,300,187
	Net assets	1,298,335,790,579	2,126,267,789,723
9	Total number of fund units	100,000,000	100,000,000
10	Net asset value per fund unit	12,983	21,263



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Director



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Chief Executive Officer

STATEMENT OF CHANGES IN NET ASSETS

Form B05 - QDT

Code	Items	For the year ended	
		31.12.2011 VND	31.12.2010 VND
I	Opening balance	2,126,267,789,723	2,479,870,554,121
II	Changes in net assets in the year	(827,931,999,144)	(353,602,764,398)
	<i>In which:</i>		
1	Changes in net assets due to investing activities during the year	(827,931,999,144)	(203,602,764,398)
2	Changes in net assets due to distribution of earnings to investors during the year	-	(150,000,000,000)
III	Closing balance	1,298,335,790,579	2,126,267,789,723



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Director



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Chief Executive Officer

STATEMENT OF INVESTMENT PORTFOLIO as at 31 december 2011

Form B07 - QDT

No.	Items	Quantity held	Market price per share as at 31.12.2011 VND	Total value VND	Percentage of total assets %
I	Listed equity shares			914,455,849,400	68.90%
1	BVS	12	8,900	106,800	0.00%
2	BCI	1,952,530	14,900	29,092,697,000	2.18%
3	CCL	996,090	10,300	10,259,727,000	0.77%
4	DPM	6,577,960	23,800	156,555,448,000	11.80%
5	DPR	792,960	46,300	36,714,048,000	2.77%
6	FPT	1,268,490	49,700	63,043,953,000	4.75%
7	HAG	1,916,120	19,500	37,364,340,000	2.81%
8	IMP	174,000	38,700	6,733,800,000	0.51%
9	GMD	1,728,600	17,900	30,941,940,000	2.33%
10	LSS	778,770	20,300	15,809,031,000	1.19%
11	KSB	1,327,580	37,100	49,253,218,000	3.71%
12	MSN	10,000	90,500	905,000,000	0.07%
13	NTL	5,633,580	12,700	71,546,466,000	5.39%
14	PVC	928,900	12,000	11,146,800,000	0.84%
15	PVD	1,713,640	33,200	56,892,848,000	4.29%
16	PVX	2,278,255	6,800	15,492,134,000	1.17%
17	PVS	1,899,000	14,700	27,915,300,000	2.10%
18	SDT	1,332,000	9,400	12,520,800,000	0.94%
19	SJS	3,465,000	22,800	79,002,000,000	5.95%
20	SD5	1,153,800	21,300	24,575,940,000	1.85%
21	TCM	1,716,580	8,400	14,419,272,000	1.09%
22	TTF	16,409	5,800	95,172,200	0.01%
23	VCS	317,357	10,700	3,395,719,900	0.26%
24	VC2	823,760	14,100	11,615,016,000	0.88%
25	VNM	1,023,165	86,500	88,503,772,500	6.67%
26	VSH	4,000,000	8,300	33,200,000,000	2.50%
27	VMC	718,000	15,000	10,770,000,000	0.81%
28	XMC	2,011,000	8,300	16,691,300,000	1.26%

The notes on pages 59 to 72 are an integral part of these financial statements

STATEMENT OF INVESTMENT PORTFOLIO

as at 31 december 2011 (continued)

Form B07 - QDT

No	Items	Quantity held	Market price per share as 31.12.2011 VND	Total value VND	Percentage of total assets %
II	Unlisted equity shares			137,564,078,338	10.36%
1	Vietnam Maritime Commercial Joint Stock Bank	2,489,534	8,333	20,745,286,822	1.56%
2	Soc Trang Seafood Joint Stock Company	770,000	23,333	17,966,410,000	1.35%
3	Vietnam Ocean Shipping Agency Corporation	221,638	10,667	2,364,212,546	0.18%
4	Nha Be Water Supply Joint Stock Company	550,000	16,400	9,020,000,000	0.68%
5	Can Tho Import - Export Seafood Joint Stock Company	321,319	16,950	5,446,357,050	0.41%
6	Eastern Asia Commercial Joint Stock Bank	714,600	8,700	6,217,020,000	0.47%
7	Central Pharmaceutical Joint Stock Company No. 25	300,000	52,167	15,650,100,000	1.18%
8	Construction Investment Corporation 3 - 2	808,840	2,400	1,941,216,000	0.15%
9	A&B Development Joint Stock Company	11,922	2,977,560	35,498,470,320	2.67%
10	PetroVietnam Gas Joint Stock Corporation	216,800	28,667	6,215,005,600	0.47%
11	Viettel Global Investment Joint Stock Company	1,500,000	11,000	16,500,000,000	1.24%
III	Listed equity shares purchase right			-	-
1	PVX purchase right (*)	4,683,100	-	-	-
IV	Convertible bond			25,041,095,890	1.89%
1	Convertible bond Dabaco	250,000	100,164	25,041,095,890	1.89%

(*) At the valuation date, market value of underlying shares is lower than the exercise price hence the value of right subscription is nil (0). At the reporting date, the Fund has refused to exercise this right.

STATEMENT OF INVESTMENT PORTFOLIO

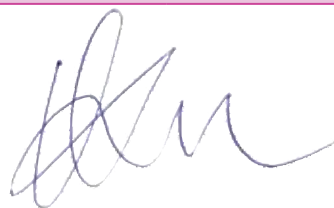
Form B07 - QDT

as at 31 december 2011 (continued)

No.	Items	Quantity held	Market price per share as at 31.12.2011 VND	Total value VND	Percentage of total assets %
V	Other current assets			66,426,333,621	5.00%
1	Dividend receivables			3,928,704,000	0.30%
2	Interest receivable			3,102,401,821	0.23%
3	Receivables from investment activities			59,395,227,800	4.47%
VI	Cash			183,786,302,756	13.85%
1	Cash in banks			183,786,302,756	13.85%
VII	Grand Total			1,327,273,660,005	100.00%



Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch
Ms. Ha Thi Thuy Vinh
Chief Accountant



Vietnam Investment Fund Management Joint Stock Company
Mr. Nguyen Minh Dang Khanh
Deputy CEO cum Finance Controller



Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch
Ms. Truong Thi Thuy Nga
Director



Vietnam Investment Fund Management Joint Stock Company
Mr. Tran Thanh Tan
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 december 2011

Form B04 - QDT

1. GENERAL INFORMATION

Vietnam Securities Investment Fund (“the Fund”) was established as a closed-end investment fund in Vietnam in accordance with License No. 01/GP-QDT issued by the State Securities Commission (“SSC”) on 24 March 2004. According to this License, the Fund is authorised to issue 30,000,000 fund units to the public with par value of VND 10,000 per unit. The Fund was licensed to operate for a period of ten years, according to Decision No. 01/UBCK- DKQDT dated 20 May 2004 by the SSC.

The Fund is listed on the Ho Chi Minh City Stock Exchange in accordance with License No. 01/UBCK-NYQDT issued by the SSC dated 22 September 2004.

Pursuant to Decision No. 468/QD-UBCK issued by the SSC dated 5 July 2006, the Fund increased its authorised fund units by 20,000,000 to 50,000,000 with a par value of VND 10,000 per unit to increase its chartered capital to VND500 billion.

According to Decision 144/QD-UBCK issued by the SSC dated 15 March 2007, the Fund was authorised to issue additional 50,000,000 fund units with par value of VND10,000 per unit to increase number of fund units from 50,000,000 to 100,000,000. The Fund’s chartered capital increased to VND1,000 billion accordingly.

The Fund has no employees and is managed by Vietnam Investment Fund Management Joint Stock Company (“Fund Management Company”), and Joint Stock Commercial Bank for Foreign Trade of Vietnam was appointed as the supervising bank of the Fund.

The principal activities of the Fund are to invest and achieve a balanced and diversified portfolio of investments capable of yielding maximum earnings and/or capital gains while minimising risks. Most investments will be in listed and pre-listing securities on the stock exchanges in SR Vietnam. These would include listed shares, government bonds, corporate bonds and pre-listing shares. In addition, another objective of the Fund is to add value to these investments by financial restructuring, developing corporate governance, increasing competitiveness, etc., to increase the investors’ value and the Fund’s investments.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, Decision 63/2005/QD-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds and Decision 45/2007/QD-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds.

The accompanying financial statements are not intended to present the financial position and results of financial performance in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

In accordance with Decision No. 63/2005/QD-BTC dated 14 September 2005 issued by the Ministry of Finance, the Fund’s financial statements include the following reports:

1. Balance sheet
2. Income statement
3. Statement of assets
4. Statement of changes in net assets
5. Statement of investment portfolio
6. Notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

Form B04 - QDT

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Currency

The financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.3 Fiscal year

The Fund's fiscal year starts on 1 January and ends on 31 December.

2.4 Registered accounting documentation system

The registered accounting documentation system is the general journal system.

2.5 Investments in securities

Classification

The Fund classifies listed shares and unlisted securities purchased for trading purposes as trading securities.

Recognition/derecognition

Purchases and sales of investments are recognised on trade date basis – the day on which the Fund commits to purchase or sell the investment. Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Initial and subsequent measurement

Investments are initially recognised at cost of acquisition and revalued at the balance sheet date in accordance with Decision 45/2007/QD-BTC dated 5 June 2007 issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds. Listed securities are revalued based on their last traded price at the last official close of Ho Chi Minh City Stock Exchange and Hanoi Stock Exchange on the relevant valuation day. Unlisted securities and convertible bonds are revalued at the average price of transacted prices provided by three securities companies that are independent from the Fund Management Company and the Supervising Bank, on the valuation date. Where there is insufficient broker quotes, unlisted equity securities and convertible bonds are revalued by using appropriate revaluation model.

Any unrealised gains or losses on revaluation of securities investments are recognised in the statement of income in accordance with Decision 63/2005/QD-BTC dated 14 September 2005 issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds.

The cost of trading securities is determined by weighted average method.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Share capital and share premium

The Fund's units with discretionary dividends are classified as equity. Each unit has par value of VND10,000.

Share premium represents the amount in excess of the par value of units received by the Fund from unit-holders on its issue of fund units.

2.7 Net asset value per fund unit

The net asset value per unit is calculated by dividing the total net assets of the Fund by the number of outstanding units at the balance sheet date.

2.8 Cash

Cash comprises cash in banks.

2.9 Receivables

Receivables represent the amount of receivables from the activities of securities trading, dividends receivable, interest income from bonds, interest incomes from deposits and other debtors. Receivables are stated at cost less provisions for doubtful debts.

2.10 Payables

The payables and other payables are stated at cost.

2.11 Provisions

Provisions are recognised when: the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2.12 Income tax

According to the prevailing regulations, the Fund is not subject to business income tax. However, when the Fund distributes dividends to its corporate Unitholders, regardless of local or overseas corporate Unitholders, it is required to withhold 25% of distributed profit (except for distributed profit portions already imposed with CIT in the previous stage and bond interest collected from tax-free bonds in accordance with the current regulations) in accordance with Official Letter No. 10945/BTC-TCT dated 19 August 2010 issued by the Ministry of Finance.

2.13 Expenses

Expenses are accounted for on an accruals basis. Expenses are charged to the income statement except for those incurred on acquisition of investments which are included in the cost of that investments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Revenue

Revenue is recognised to the extent that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income from deposit at banks and bonds is recognised in the income statement on an accrual basis unless collectability is in doubt.

Dividend income

Dividend income is recognised in the income statement when the Fund's right to receive the dividends is established.

Income from securities trading

Income from securities trading activities is recognised in the statement of income upon receipt of the trading report from the Vietnam Securities Depository Center which is verified by the supervising bank (for listed securities) and completion of the agreement on transfer of assets (for unlisted securities).

2.15 Bonus shares and stock dividends

Bonus shares and stock dividends are recorded as investments at nil cost at inception and are revalued at market value at the balance sheet date by reference to the value of the underlying securities on that date.

2.16 Securities right subscriptions

Securities right subscriptions are recorded at market value less purchase price. Securities right subscriptions are revalued at the reporting date.

2.17 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Fund, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Fund. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Fund that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Fund and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.18 Off-balance-sheet items

According to the definition of Decision 63/2005/QD-BTC dated 14 September 2005 issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds, off-balance-sheet items are presented in respective notes to these financial statements.

2.19 Nil balances

Items or balances required by Decision 63/2005/QD-BTC dated 14 September 2005 issued by the Ministry of Finance on the promulgation of accounting systems for securities investment fund that are not presented in these financial statements indicate nil balance.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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3. ADDITIONAL INFORMATION

3.1 Cash in banks

Cash in banks represent cash in Vietnamese Dong deposited at the following banks at year end:

	2011 VND	2010 VND
1. Demand deposits at Joint Stock Commercial Bank For Foreign Trade of Vietnam	30,495,590,484	5,813,506,433
2. Term deposits at:		
Bank for Investment and Development of Vietnam	40,000,000,000	-
Vietnam Export Import Commercial Joint Stock Bank	-	60,000,000,000
Housing Development Commercial Joint Stock Bank Ho Chi Minh City	10,000,000,000	30,000,000,000
Vietnam Tin Nghia Commercial Joint Stock Bank	20,290,712,272	40,000,000,000
Joint Stock Commercial Bank For Foreign Trade of Vietnam	83,000,000,000	7,000,000,000
	183,786,302,756	142,813,506,433

3.2 Investments in securities

All the investee companies (listed and unlisted) as stated in the Statement of investment portfolio are incorporated in Vietnam.

The Fund does not participate in day-to-day financial and operating policy decisions of the investee companies. Accordingly, the Fund does not intend to exert a controlling or significant influence over the investee companies. Therefore, the investments of the Fund are recognised on the basis which is presented in Note 2.5, rather than being recorded based on equity accounting or consolidation.

Details of investments in securities are as follows:

	At cost VND	Revaluation gain/ (loss) VND	Market value as at 31.12.2011 VND
Listed equity shares	1,705,760,214,377	(791,304,364,977)	914,455,849,400
Unlisted equity shares	262,356,476,672	(124,792,398,334)	137,564,078,338
Convertible bond	25,041,095,890	-	25,041,095,890
	1,993,157,786,939	(916,096,763,311)	1,077,061,023,628

	At cost VND	Revaluation gain (loss) VND	Market value as at 31.12.2010 VND
Listed equity shares	1,732,443,523,867	(114,959,346,567)	1,617,484,177,300
Unlisted equity shares	382,729,280,577	(24,440,489,191)	358,288,791,386
Listed equity shares purchase right	-	1,203,500,000	1,203,500,000
	2,115,172,804,444	(138,196,335,758)	1,976,976,468,686

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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3. ADDITIONAL INFORMATION (continued)

3.3 Receivables from investment activities

Receivables from investing activities represent proceeds from disposal of investments which are received after three working days from the date of transaction (T+3) according to prevailing securities trading practice in Vietnam.

3.4 Other receivables

	2011 VND	2010 VND
Bank deposit interest receivable	3,102,401,821	1,738,416,665
Dividends receivable	3,928,704,000	13,937,191,726
Other receivable (*)	-	1,050,000,000
	7,031,105,821	16,725,608,391

(*) Other receivable in 2010 represent a deposit of 10% of bidding price for purchase of 1 million shares issued by Construction Investment Corporation 3-2. This transaction was exercised in 2011.

3.5 Payables for investing activities

	2011 VND	2010 VND
Payables for purchases of securities (*)	25,000,000,000	6,973,468,000
Brokerage fee payable	295,874,551	211,320,836
	25,295,874,551	7,184,788,836

(*) Payables for purchase securities in 2011 represents the deposit from third parties for securities trading.

Balance of payables for purchases of securities in 2010 represents amount payable for purchase of investments which are settled after 3 (three) working days from the date of transaction (T+3) according to prevailing securities trading practice in Vietnam.

3.6 Payable to the Fund Management Company and the Supervising Bank

	2011 VND	2010 VND
Fund management fees	2,167,653,864	3,549,956,574
Custody and supervision fees	88,873,809	156,198,089
	2,256,527,673	3,706,154,663

3.7 Other payables

This amount represents outstanding audit fees and other miscellaneous payables as at 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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3. ADDITIONAL INFORMATION (continued)

3.8 Capital contributed by investors

3.8.1 Share capital

	2011 VND	2010 VND
Opening balance	1,000,000,000,000	1,000,000,000,000
Increase for the year	-	-
Decrease for the year	-	-
Closing balance	1,000,000,000,000	1,000,000,000,000

Each fund unit has a par value of VND10,000. All fund units have the same rights, in regard to voting right, dividends, redemption of capital and others. Each issued and fully paid fund unit carries one vote at general meetings of the Fund and is entitled to receive dividend as declared by the Fund from time to time.

3.8.2 Share premium

	2011 VND	2010 VND
Opening balance	1,224,170,820,910	1,224,170,820,910
Increase for the year	-	-
Decrease for the year	-	-
Closing balance	1,224,170,820,910	1,224,170,820,910

3.9 Accumulated losses

	2011 VND	2010 VND
Opening balance	(97,903,031,187)	255,699,733,211
Loss for the year	(827,931,999,144)	(203,602,764,398)
Distributed dividends during the year (*)	-	(150,000,000,000)
Closing balance	(925,835,030,331)	(97,903,031,187)

(*) Annual General Meeting ("AGM") for the fiscal year 2009 on 25 March 2010 approved for the second cash dividend for fiscal year 2009 at the rate of 10% and interim cash dividend for fiscal year 2010 at the rate of 5% to shareholders based on the actual profit of fiscal year 2009 and actual profit of the Fund at the AGM date. Accordingly, cash dividends of VND150 billion were paid out by the Fund on 12 May 2010.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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3. ADDITIONAL INFORMATION (continued)

3.10 Fees and other expenses

	2011 VND	2010 VND
Design, printing and delivery fees	204,599,258	275,995,723
Board of Representatives meeting fees	155,199,335	179,519,333
Brokerage fees for selling securities	1,762,598,311	1,749,090,731
Board of Representatives' remunerations (Note 3.11(iii))	598,000,004	597,999,996
Others	437,598,416	180,533,784
	3,157,995,324	2,983,139,567

3.11 Related parties

i) *Vietnam Investment Fund Management Joint Stock Company, the fund manager*

	2011 VND	2010 VND
Fund management fee	33,529,972,546	47,222,643,954

In accordance the Fund's Charter, the Fund Management Company is entitled to receive management fee and performance fee. Management fee is calculated on a monthly basis and is equal to one-twelfth of two per cent (2%) of the net asset value of the Fund on the last day of the month. Performance fee is calculated at year end at 20% of the excess amount of the increase in net asset value of the Fund and the growth rate of the market which is adjusted in accordance with the Fund's average investment portfolio during the year. The performance fee will be adjusted and will not be payable if the Fund incurred loss from investments activities in previous year and the loss has not been fully covered. No performance fee for the year was accrued (2010: nil).

ii) *Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank"), the Supervising bank*

	2011 VND	2010 VND
Custody and supervision fee	1,374,728,878	1,946,394,612

The Fund has appointed Vietcombank as the Supervising Bank of the Fund. In accordance with the Fund's Charter, the Fund pays the Supervising Bank a monthly supervision and custody fee which equal to one-twelfth of zero point zero two (0.02%) and zero point zero six per cent (0.06%) of the net asset value of the Fund on the last day of the month, respectively. Supervision fee is subjected to 10% VAT.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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3. ADDITIONAL INFORMATION (continued)

3.11 Related parties (continued)

iii) Board of Representatives' remuneration

	2011 VND	2010 VND
Board of Representatives' remuneration	598,000,004	597,999,996

Other than remuneration, there are no other contracts to which the Fund and any member of the Board of Representatives is a party to where a member of Board of Representatives has a material interest. Remuneration and associated expenses to members of the Board of Representatives is recognised as expenses of the Fund in the statement of income.

4. INDICES

I. Investment ratios

	2011 %	2010 %
1. Value of securities investment/Total assets	81.15	92.44
2. Value of equity shares/Total assets	79.26	92.39
3. Value of listed equity shares/Total assets	68.90	75.63
4. Value of unlisted equity shares/Total assets	10.36	16.75
5. Value of bonds/Total assets	1.89	0.00
6. Value of other securities/Total assets	0.00	0.06
7. Cash/ Total assets	13.85	6.68
8. Value of investments in real estates/Total assets	0.00	0.00
9. Incomes/Total assets	-59.43	-7.02
10. Expenses/Total assets	2.95	2.50

II. Market ratios

	2011	2010
1. Outstanding fund units at the end of the year (units)	100,000,000	100,000,000
2. Number of fund units held by employees of VietFund Management Company/Total fund units	0,088%	0,322%
3. Number of fund units traded/Total number of fund units	27.68%	96.79%
4. Net assets value per fund unit (VND)	12,983	21,263

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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5. RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:

Credit risk
Liquidity risk
Market risk

The Fund's investment portfolio comprises listed, unlisted securities, bond and deposits at bank. The Management of the Fund Management Company has been given a discretionary authority to manage the Fund's assets in line with the Fund's investment objectives. Compliance with the target asset allocations, the composition of the portfolio is monitored by the Fund Management Company and the Supervising Bank on a weekly basis. In instances where the portfolio has diverged from the target asset allocations, the Management of the Fund Management Company is obliged to take actions to rebalance the portfolio in line with the established targets.

(a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash in banks, investments in securities and receivables from investment activities.

All call deposits and term deposits were placed with financial institutions where the Fund does not expect any losses arising from the non-performance of these financial institutions.

The Fund's listed and unlisted securities will only be traded on or subject to the rules of the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange or with counterparties which have a specified credit rating. All transactions in listed and unlisted securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal since the delivery of securities sold is made only once the broker has received payment. A purchase payment is only made once the securities have been received by the broker. If either party fails to meet their obligations, the trade will fail.

Receivables from investment activities includes receivables from securities trading, interest receivables from bank deposits and dividends receivables. Receivables from securities trading represent sale transactions awaiting settlement. Credit risk relating to unsettled transactions is considered minimal due to short settlement period involved. The Fund Management Company believes no allowance for doubtful debts was considered necessary as at 31 December 2011.

The maximum exposure to credit risk faced by the Fund is equal to the carrying amounts of cash in banks and receivables from investment activities.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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5. RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund's approach to managing liquidity risk is to ensure that it will always have sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Fund's financial assets include listed and unlisted securities. The unlisted securities generally are illiquid. The Fund's investments in listed securities are considered to be readily realisable as they are traded on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange. As a result the Fund may be able to liquid some of its investments in due time in order to meet its liquidity requirements.

As at 31 December 2011 and 2010 the contractual maturities of non-derivative financial liabilities were as follows:

	Less than 1 year VND	Between 1 and 2 years VND	Between 2 and 5 years VND
As at 31 December 2011			
Payables for investing activities	25,295,874,551	-	-
Remunerations payable to the Board of Representatives	92,000,000	-	-
Payables to the Fund Management Company and the Supervising Bank	2,256,527,673	-	-
Other payables	1,293,467,202	-	-
	28,937,869,426	-	-
As at 31 December 2010			
Payables for investing activities	7,184,788,836	-	-
Remunerations payable to the Board of Representatives	91,999,996	-	-
Payables to the Fund Management Company and the Supervising Bank	3,706,154,663	-	-
Other payables	1,345,356,692	-	-
	12,328,300,187	-	-

At the reporting date of the financial statements, there is no derivative financial statement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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5. RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and market prices will affect the Fund's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Fund's financial instruments will fluctuate as a result of changes in market interest rates. The Fund's exposure to market risk due to change in interest rates is minimal since all term deposits have maturities of not more than three months.

Currency risk

Currency risk is the risk that the value of the Fund's financial instruments will be affected by changes in exchange rates. The Fund is not exposed to currency risk as the Fund's assets and liabilities are denominated in Vietnam Dong which is the Fund's functional currency.

Market price risk

Market price risk is the risk that the value of the financial instruments will decrease as a result of change in equity indices and the values of individual securities.

The Fund has invested in listed and unlisted securities that are affected by market price risk arising from the uncertainty in the fluctuation of the future market value of these securities. Market price risk is managed by the Fund Management Company by diversifying the investment portfolio and careful selection of securities within specified limits.

At 31 December 2011, if market price of listed shares and unlisted shares had increased/decreased 10% (2010: 10%) with all other variables including tax rate being held constant, the Net Asset Value of the Fund would have been higher/lower VND105,201,992,774 (2010: VND197,577,296,869).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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5. RISK MANAGEMENT (continued)

(d) Fair value of financial assets and liabilities

The table below presents the carrying value and fair value of the Fund's financial assets and liabilities:

	At cost		Market value	
	31.12.2011 VND	31.12.2010 VND	31.12.2011 VND	31.12.2010 VND
Financial assets				
Investments held for trading	1,077,061,023,628	1,976,976,468,686	1,077,061,023,628	1,976,976,468,686
- Bonds	25,041,095,890	-	25,041,095,890	-
- Listed shares	914,455,849,400	1,617,484,177,300	914,455,849,400	1,617,484,177,300
- Unlisted shares	137,564,078,338	358,288,791,386	137,564,078,338	358,288,791,386
- Share purchase right	-	1,203,500,000	-	1,203,500,000
Other receivables	66,426,333,621	18,806,114,791	66,426,333,621	18,806,114,791
- Receivables from securities trading	59,395,227,800	2,080,506,400	59,395,227,800	2,080,506,400
- Other receivables	7,031,105,821	16,725,608,391	7,031,105,821	16,725,608,391
Cash at bank	183,786,302,756	142,813,506,433	183,786,302,756	142,813,506,433
Total	1,327,273,660,005	2,138,596,089,910	1,327,273,660,005	2,138,596,089,910
Financial liabilities				
Payables for securities trading	25,295,874,551	7,184,788,836	25,295,874,551	7,184,788,836
Payables for related parties	2,348,527,673	3,798,154,659	2,348,527,673	3,798,154,659
Other payables	1,293,467,202	1,345,356,692	1,293,467,202	1,345,356,692
Total	28,937,869,426	12,328,300,187	28,937,869,426	12,328,300,187

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Fund uses the following methods and assumptions in estimation of fair value for financial assets and liabilities:

- Fair value of listed securities is based on the market prices of securities at the balance sheet date obtained from the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange.
- Fair value of unlisted securities is based on the average quoted price at the balance sheet date obtained from three securities companies which are not affiliated to the Fund Management Company or the Supervising Bank.
- Fair value of rights issue is based on the market value of the underlying securities at the balance sheet date minus subscription prices.
- Fair values of other financial assets and liabilities approximate their carrying values as at 31 December 2011 due to the short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011 (continued)

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6. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

As at 13 February 2012, net asset value of the Fund has increased by VND95,217,097,638 to VND1,393,552,888,217 as compared to net asset value of the Fund as at 31 December 2011:

	31.12.2011 VND	9.2.2012 VND	Movement VND
Net asset value	1,298,335,790,579	1,393,552,888,217	95,217,097,638

7. APPROVAL FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were authorised for issue by the Board of Representatives on 13 February 2012.



Joint Stock Commercial Bank for
Foreign Trade of Vietnam - Ho Chi Minh City Branch
Ms. Ha Thi Thuy Vinh
Chief Accountant



Joint Stock Commercial Bank for
Foreign Trade of Vietnam - Ho Chi Minh City Branch
Ms. Truong Thi Thuy Nga
Director



Vietnam Investment Fund
Management Joint Stock Company
Mr. Nguyen Minh Dang Khanh
Deputy CEO cum Finance Controller



Vietnam Investment Fund
Management Joint Stock Company
Mr. Tran Thanh Tan
Chief Executive Officer

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This Annual report is issued by VietFund Management (VFM). All statistics relating to Fund's financial report are approved by Custodian. This Annual report is aimed to provide information on activities of VF1, VF4 investment funds and other services. The other mentioned statistics relating to Vietnam stock market are collected from reliable sources; however, VFM does not ensure that all these statistics are totally adequate and exact. Any opinion or estimate contained in this material is subject to change without notice and accordingly, no warranty is given and no liability is accepted for any loss arising whether directly or indirectly. The use of any information herein (partly or totally), except for reference purpose, shall be approved in writing by VFM.



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