



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 B L U E - C H I P S F U N D | V F 4

**ANNUAL REPORT 2011**  
VIETNAM BLUE - CHIPS FUND

**VF4**

## ABBREVIATIONS

---

**AR**

Annual Report

**BOR**

Board of Representative

**CEO**

Chief Executive Officer

**EPS**

Earning per share

**HNX**

Hanoi Stock Exchange

**HOSE**

Hochiminh Stock Exchange

**IR**

Investor Relations

**JSC**

Joint Stock Company

**NAV**

Net Asset Value

**Q**

Quater

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## FUND INFORMATION

Fund name	Vietnam Blue-chips Fund (VF4)
Abbreviation name	VFMVF4
Investment objective	VF4 aims to achieve long term capital growth with optimal risk through investing in IPOs of the big State Owned Enterprises and blue chips companies. These companies have shown consistent growth over the years, and are expected to sustain growth in the future.
Fund type	Closed-end public fund
Current chartered capital	806,460,000,000 VND
Outstanding fund unit	80,646,000 units
Inception date	February 29, 2008
Listing date	June 12, 2008
Fund term	10 years
Management Fund	VietFund Management (VFM)
Custodian	HSBC Bank (Vietnam) Ltd., Hochiminh City Branch
Management fee	2%NAV/year
Depositing fee	0,06%NAV/year
Custodian fee	0,02%NAV/year
Dividend	By annual, based on realized return and approved by Annual Meeting of Investors.

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

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### FINANCIAL STATEMENT

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## FINANCIAL HIGHLIGHTS

	2011	2010	2009	(***)2008	
Fund size (VND billion)	806.5	806.5	806.5	806.5	
NAV (VND billion)	444.4	(**)739.6	(*)943.5	687.7	
NAV/unit (VND)	5,510	9,171	11,699	8,527	
NAV 52-week high (VND)	9,319	12,882	15,539	10,937	
NAV 52-week low (VND)	5,433	8,312	7,582	8,193	
Expenses (%)	2.3	2.3	2.4	1.9	
Portfolio Turnover (%)	43.2	64.9	82.2	38.5	
Yearly growth (%)	(39.9)	(13.1)	48.9	(17.4)	
VN-Index	(27.5)	(2.0)	56.8	(66.0)	
HNX-Index	(48.6)	(32.1)	60.0	(67.5)	
Cumulative growth since inception (%)	(24.9)	11.7	27.0	(14.7)	
	<i>VN-Index</i>	(48.8)	(29.4)	(27.9)	(54.0)
	<i>HNX-Index</i>	(74.7)	(50.8)	(27.6)	(54.8)
		<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>
Cumulative Growth (%)	(39.9)	(48.7)	(11.9)	(24.9)	
	<i>VN-Index</i>	(27.5)	(28.9)	11.4	(48.8)
	<i>HNX-Index</i>	(48.6)	(65.1)	(44.1)	(74.7)
Compound annual growth rate (%)	(39.9)	(28.4)	(4.1)	(7.2)	
	<i>VN-Index</i>	(27.5)	(15.7)	3.7	(16.0)
	<i>HNX-Index</i>	(48.6)	(40.9)	(17.6)	(30.1)

Note:

(\*) Exclude dividend payment of VND 1,000/unit in 2009

(\*\*) Exclude dividend payment of VND 1,000/unit in 2010

(\*\*\*) VF4 did not operate fully in 12 months (1st operated on 28/02/2009) therefore growth in 2008 was averaged growth of 10 operating months

## A SUMMARY OF VIETNAM ECONOMY 2011

### Highlight of Vietnam Economy 2011

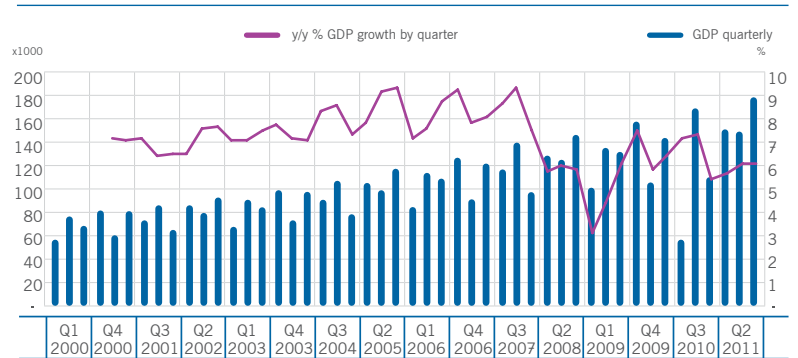
The economy grew by 5.89% in 2011 and encountered many difficulties due to a long period of overheating. However, it has achieved encouraging results. Particularly foreign trade value stood at US\$202 billion, producing trade deficit of US\$9.5 billion, equivalent to 9.86% of export value (target 18%). 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.

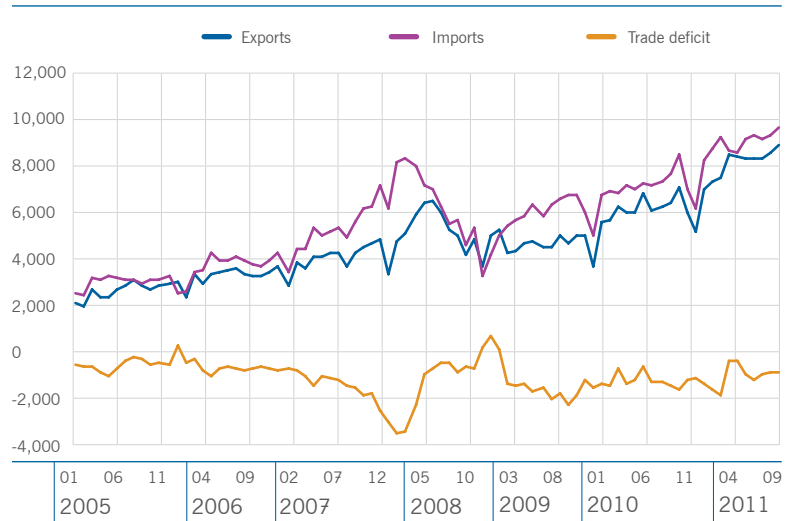
The economic woes adversely affected the corporate sector, which encounter slowed revenue growth and squeezed margins. Listed companies were expected to post revenue growth of 30% but delivered net income growth of only 4.5%, making EPS decline by approximately 17% in 2011. Especially, real estate and 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

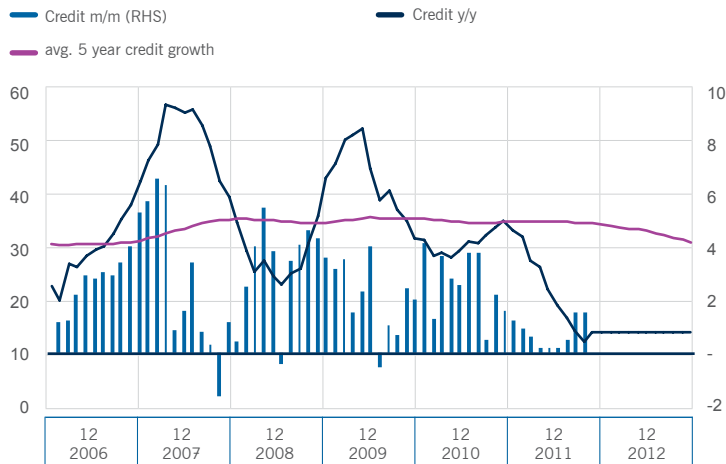
### Export and Trade Deficit (2005-2011)



Source: HSC, VFM

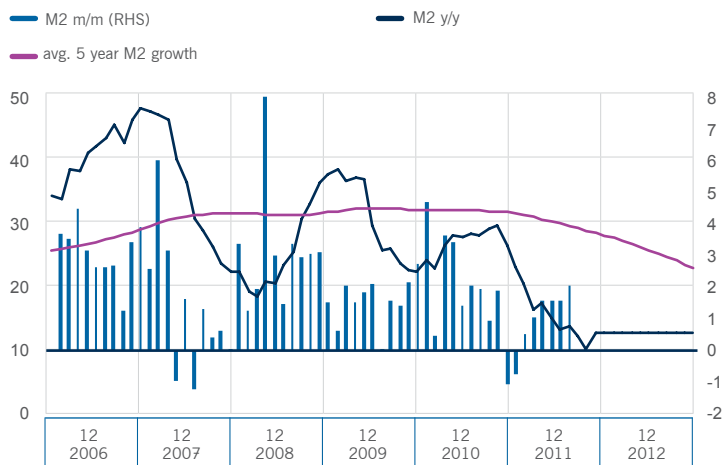
## The Causes

### Credit Growth 2006-2011



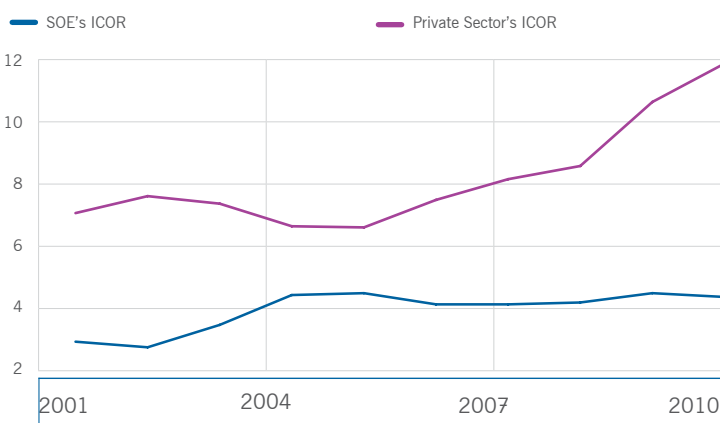
Source: Dragon Capital

### 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		484.7	114.2
<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



“According to Circular 183 issued by the Ministry of Finance, we and the Fund manager are preparing proposals in converting VF4 closed-end fund into an open-end fund for investors’ consideration in the shortest time.”

Dear Investors,

The adverse movements of the Vietnam economy in 2011 have been reflected by the gloominess over the stock market. The economy is clearly showing weaknesses and facing great difficulties by both objective and subjective reasons as the world economy recession evolves and domestic macro - regulatory policies is implemented.

The credit tightening policy, margin call pressure in some companies along with the absence of new investment inflows has hindered market recovery. Toward year end, the pressure of increasing cash ratio resulted in selling securities at any price despite transactions under book values, which negatively affected the investors’ trust. Key stocks that form the market liquidity suffered the largest sale pressure due to their high liquidity although their financial performances have not declined. VF4 Fund has been operated in such a difficult and challenging environment, so its performance in 2011 has not met its plan. However, beside monitoring and responding to market movements timely in order to adjust our investment portfolio, we recognized the strong effort from the Fund manager in proactively amending the management fee for the year in order to share with investors during this difficult time.

Entering the year 2012 with prudent forecasts on market developments, but with the stock market restructuring plans from the government and newly issued regulations on establishment of open-end fund will create more opportunities for VF4 Fund to execute new plans. According to Circular 183 issued by the Ministry of Finance, we and the Fund manager are preparing proposals in converting VF4 closed-end fund into an open-end fund for investors’ consideration in the shortest time.

We believe that with the stability of the macro-economy, the growth of the stock market will create great drivers for VF4 Fund to achieve desirable results.

Yours sincerely,

A handwritten signature in blue ink, consisting of a series of fluid, connected strokes.

**Dang Thai Nguyen**

Chairman of the Board of Representatives

## Letter from C.E.O of Vietfund Management



“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.”

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.

Yours sincerely,

A stylized, handwritten signature in blue ink, consisting of several fluid, overlapping strokes.

**Tran Thanh Tan**  
Chief Executive Officer

# OPERATION REPORT

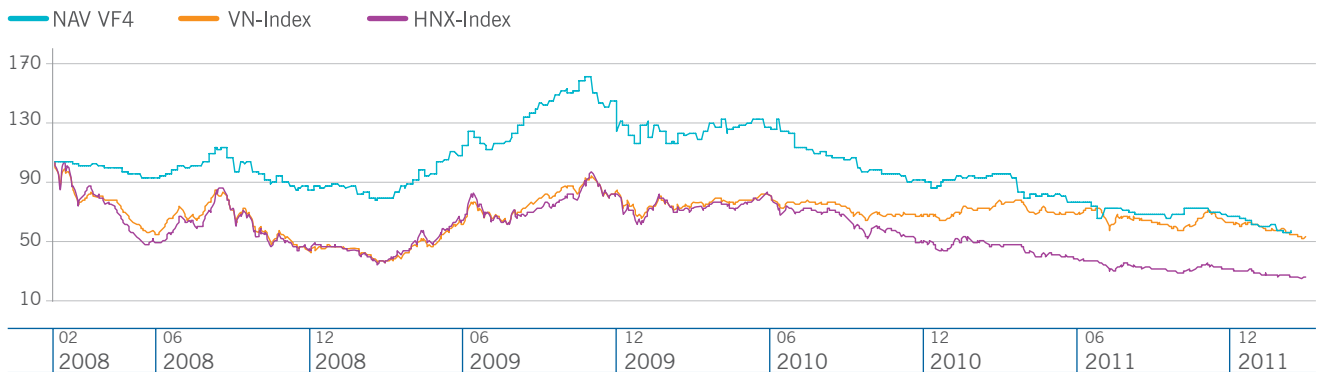


UNCH	-41.20	47.28	00	00	12,773,000	W	
-82	▼	-85.30	66.90	66.76	66.05	7,704,000	W
-85	▼	+37.53	87.95	88.54	87.01	4,307,500	W
+17	▲	-23.20	41.14	39.70	39.13	2,726,750	W
-06	▼	-16.71	23.25	23.54	22.64	50,495,000	W
-18	▼	-35.00	16.74	16.89	16.53	37,308,407	W
-65	▼	-69.25	36.35	35.87	35.34	8,038,000	W
-73	▼	-24.37	70.49	70.10	69.34	3,674,000	W
-45	▼	-48.50	24.65	25.10	24.41	4,488,750	W
-36	▼	-42.05	50.32	49.87	49.24	1,729,400	W
-52	▼	-62.78	44.25	43.02	42.47	9,740,000	W
-86	▼	-83.07	64.14	63.71	62.70	9,275,000	W
			84.00	84.50	83.12	10,220,000	W
					36.36	20,400,000	W
							W



## NAV REPORT

### Cumulative growth since inception (28 Feb 2008 = 100)

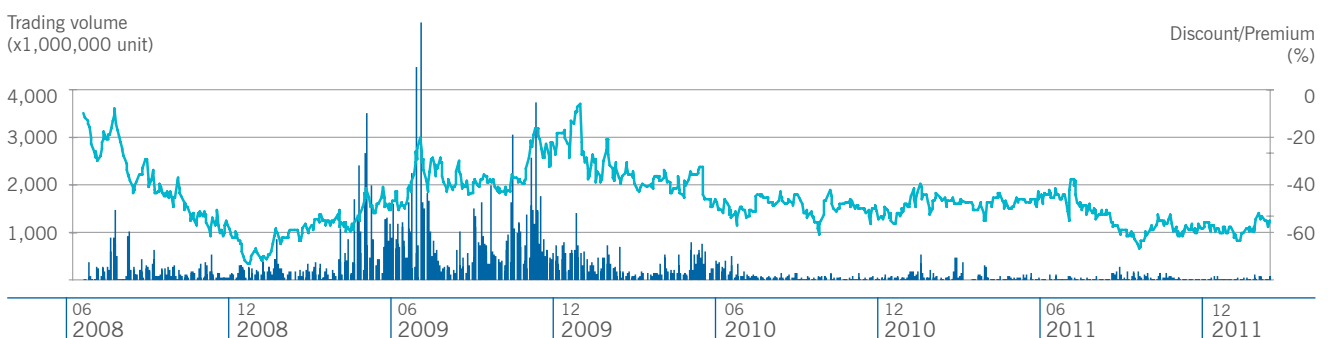


VF4's total Net Asset Value as at 31/12/2011 reached VND444.4 billion, equivalent to VND5,510 per unit, declined 39.9% year-on-year.

During 2011, VN-Index and HNX-Index declined 27.5% and 48.6% respectively. Furthermore, the VN-Index excluded stocks, which have very low liquidity but consumed up to 30% of total market capital declined 37% year-on-year. The results of Vietnam stock market's indices present the poor performance across Vietnam equity market.

Since inception February 2008, VF4's NAV reported a 24.9% down in term of absolute value (include dividends paid in 2009 and 2010). In the same period, VN-Index and HNX-Index declined 48.8% and 74.7% respectively.

### Price's discount/premium to NAV (%)



In 2011, VF4 fund units were being traded at discount of between 28.2% and 49.9%. On average, market value of VF4 fund unit in 2011 was 39.5% lower than NAV.

The daily average volume of VF4 in 2011 reached 47,000 units per day, which is 64% lower than the average daily volume of 130,000 units in 2010. The decline of VF4 fund unit's liquidity was in line with Vietnam stock market's liquidity in which turnover on HOSE and HNX slumped 38% and 14% respectively.

## OPERATION REPORT

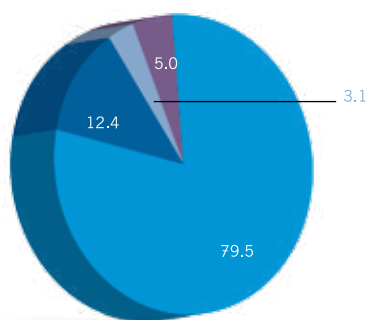
### Asset Allocation Strategy

The General Meeting of 2010 unanimously agreed VF4's action plan with the following objectives:

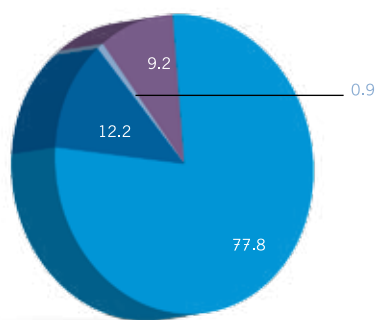
- Focus on the growth and stability objectives of the portfolio.
- Keep pursuing value investment by seeking stocks with good performance and stable growth but being under-valued.
- Increase portfolio liquidity by focusing on stocks of high liquidity and those with listing plan of under 6 months.
- Keep maintaining investment structure with stocks of large and medium capitalization.
- Actively seek investment opportunities in listed and to be listed stocks under the role of strategic partners through private placements with favorable preferential like placing price, direct information publication and involvement in company's activities.
- Participate in IPO of leading enterprises in Energy, Telecommunication sectors, etc.

### Portfolio Structure (%NAV)

2010



2011



■ HOSE

■ HNX

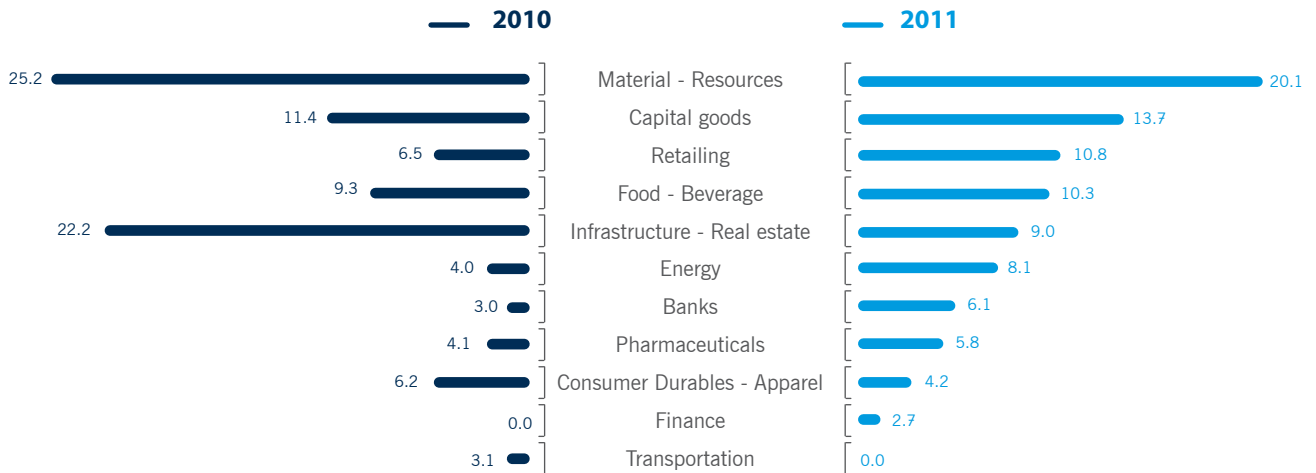
■ Unlisted stock

■ Cash & other assets

VF4's asset allocation, at the end of 2011, still maintained the core structure into blue-chip stocks, with 90% holding into listed stocks and 0.9% holding into OTC. Cash holding reached 9.2% NAV, which is higher than the cash available of 5%NAV in 2010, and is being invested if market is favorable.

The current VF4 portfolio as at 31<sup>st</sup> December 2011 consisted of 25 investment items in 10 different sectors (2010: 34 stocks and 10 sectors). The asset allocation in 2011 has showed the significant movement between sectors due to the result of investing and divesting activities as well as the effect of market performance during the year.

### Investment by industry (% NAV)



The largest holding by sector is still Material & Resources with 20.1% NAV (2010: 25.2%). The dropping of 5% was traced back to the divesting activities from unfavorable companies, which were hit hardest by the tighten monetary policy (such as Constructional Steel, Logging, Rubber Planting, etc.)

The second largest holding by sector is Capital Goods with 13.7% NAV (2010: 11.4%). In 2011, VF4 invested into stocks in this sector with high dividend yield and low market price to maintain the defensiveness for the portfolio in the downturn market period.

Especially the holding of Real Estate & Infrastructure was significantly decreased from 22.2% in 2010 down to 9% in 2011. Number of stocks in Real Estate & Infrastructure sector was also reduced down to 3 from the previous year of 6 companies. Due to turmoil of Real Estate market, companies in this sector were facing many challenging and could not meet the planned revenue; as a result, their stocks plunged hard during 2011.

On the other hand, sectors of Retailing and Food & Beverage still maintained their growth in revenue and stock price steadily. In 2011, VF4 increased these two sectors holding up to 10.8% and 10.3% NAV respectively (2010:6.5% and 9.3% respectively) via investing activities and benefitting from their slighter price slip.

In 2011, VF4 also invested into sectors of Bank and Energy, which increased their holding in NAV up to 6.1% and 8.1% respectively (2010: 3.0% and 4.0% respectively) due to the fact that these two sectors are still having top profitable companies in Vietnam economy.

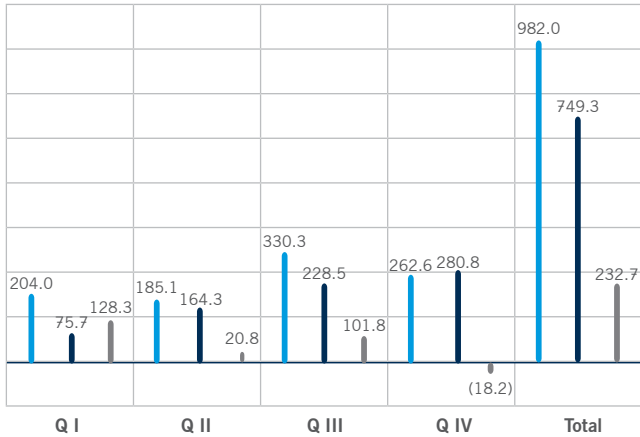
Moreover, VF4 decided to exit Transportation sector due the challenging nature of this sector. Pharmaceuticals, Consumer Durables, and Diversified Finance were maintain small holding in NAV as of 5.8%, 4.2%, 2.7% respectively at the end of 2011 and focusing only into the leading companies.

## DISBURSEMENT - DIVESTMENT ACTIVITIES

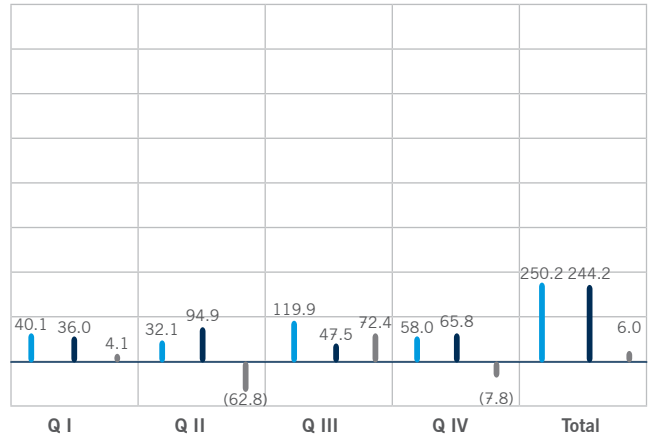
### Disbursement - Divestment Activities

■ Disbursement ■ Divestment ■ Net Disbursement/(Divestment)

#### 2010



#### 2011

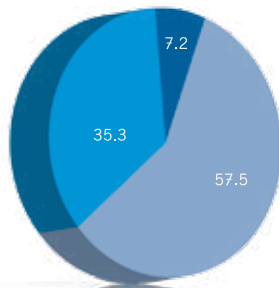


Vietnam stock market in 2011 declined in both price and liquidity. The investing and divesting activities therefore was only one-third of 2010. Along with market activities, VF4's total investment value was VND250.2 billion (2010: VND982 billion) and total divestment value was VND244.2 billion (2010: VND749.3 billion). Total net buying was VND6 billion (2010: 232.7 billion).

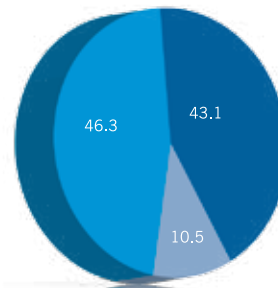
### Cumulative Disbursement - Divestment structure (%)

#### 2010

Disbursement

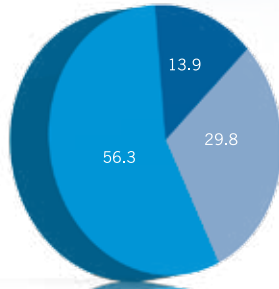


#### 2011

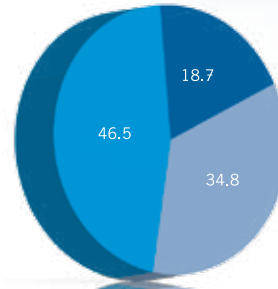


#### 2010

Divestment



#### 2011



■ Cyclical stock ■ Defensive stock ■ Growth stock

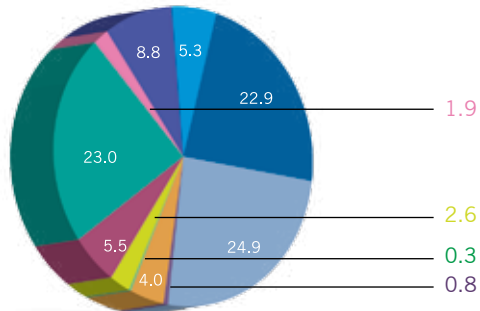
The focus of investing and divesting activities was to restructure portfolio to reduce holding of cyclical stocks or stocks impacted heavier by tightened monetary policy; to increase holding of defensive stocks or stocks with high dividend yield and stable cash flow; and to lift the holding of growth stocks since growth stocks value has decreased steeply during 2011.



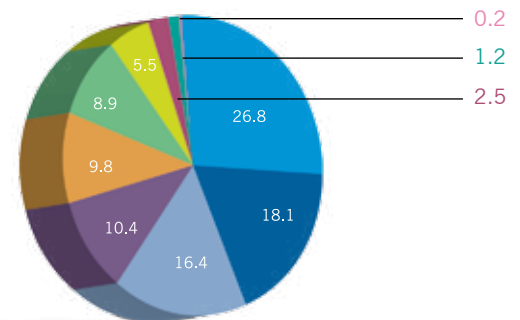
### Disbursement value - Divestment by industry (%)

2010

Disbursement

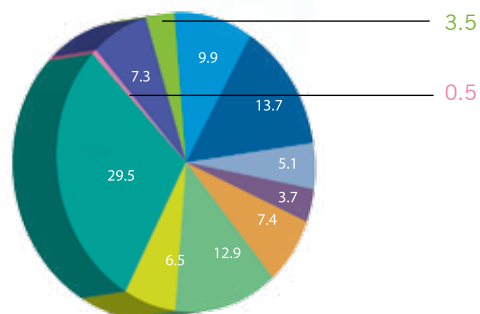


2011

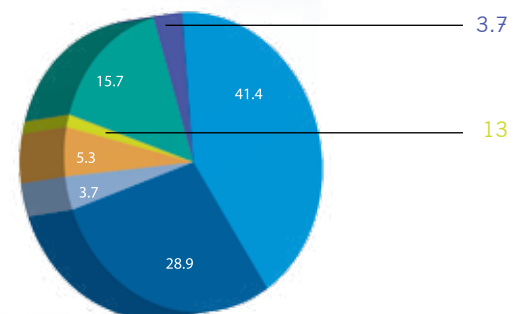


2010

Divestment



2011



The investment in 2011 was into sectors of Food & Beverage, Material & Resources, Capital Goods, Energy with value which occupied up to 70% of total investment value (in 2010, the leading investing sectors were Real Estate & Infrastructure, Materials & Resources, and Capital Goods.)

Besides, 80% of divestment value was into sectors of Real Estate & Infrastructure, Food & Beverages, Materials & Resources (in 2010 the highest divesting sectors were Real Estate & Infrastructure, Food & Beverages, Materials & Resources, Bank and Retailing).

The investing activities were primarily on the HOSE (up to 86% of investment value) due to that fact that HOSE included the blue-chip stocks with higher liquidity than the HNX exchange. In 2011, investment into OTC was only carried out into one specific stock and that stock already has the plan to be listed soon.

The divesting activities were also primarily on HOSE due to its liquidity. During 2011, VF4 has aggressively divested the OTC investment to increase the portfolio liquidity and growth potentials.

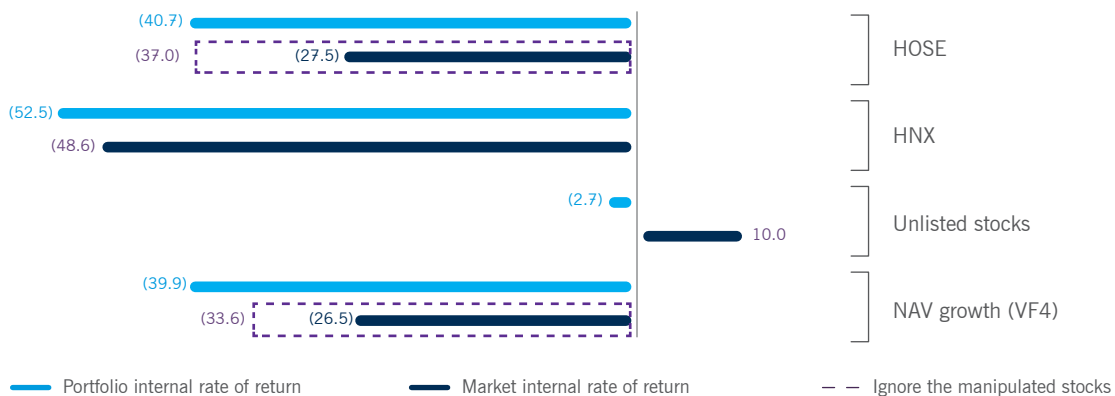
## OPERATING RESULT

Net Profit	2011	2010	2009	2008	Since inception
Realized profit	(115.1)	33.3	149.5	(71.1)	(3.4)
Other income		1.4			1.4
Unrealized profit	(196.4)	(161.4)	184.6	(101.8)	(275.0)
Dividends received	24.2	21.6	15.7	11.2	72.7
<b>Gain/loss from Investment Activities</b>	<b>(287.3)</b>	<b>(105.1)</b>	<b>349.8</b>	<b>(161.7)</b>	<b>(204.3)</b>
Interest received	4.9	2.0	9.9	57.5	74.3
Expense	12.8	20.1	23.2	14.6	70.7
<b>Net Gain/ Loss</b>	<b>(295.2)</b>	<b>(123.2)</b>	<b>336.5</b>	<b>(118.8)</b>	<b>(200.7)</b>

In 2011, VF4 incurred net loss of VND295.2 billion. The net loss from investment activities was VND287.3 billion, including unrealized loss of VND196.4 billion, realized loss of VND115.1 billion, and dividend of VND24.2 billion.

The accumulated net gain loss since inception up to end of 2011 was VND200.7 billion came mostly from unrealized loss. The profit & loss account has been accounted for dividend declared in 2009 and 2010 of total VND161.3 billion.

### Internal rate of return by asset class (IRR) (%)

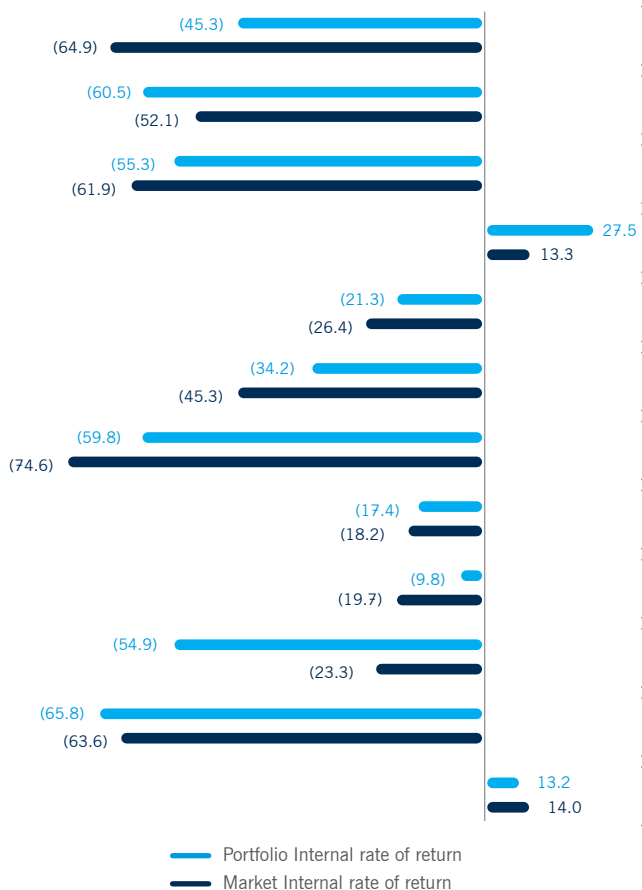


During 2011, due to many challenges in the macro-level from both Vietnam economy and world economy along with the tightened monetary policy by the government, Vietnam stock market was negatively impacted throughout the year. In addition, Vietnam stock market was under pressure of capital outflow when no new money was being added.

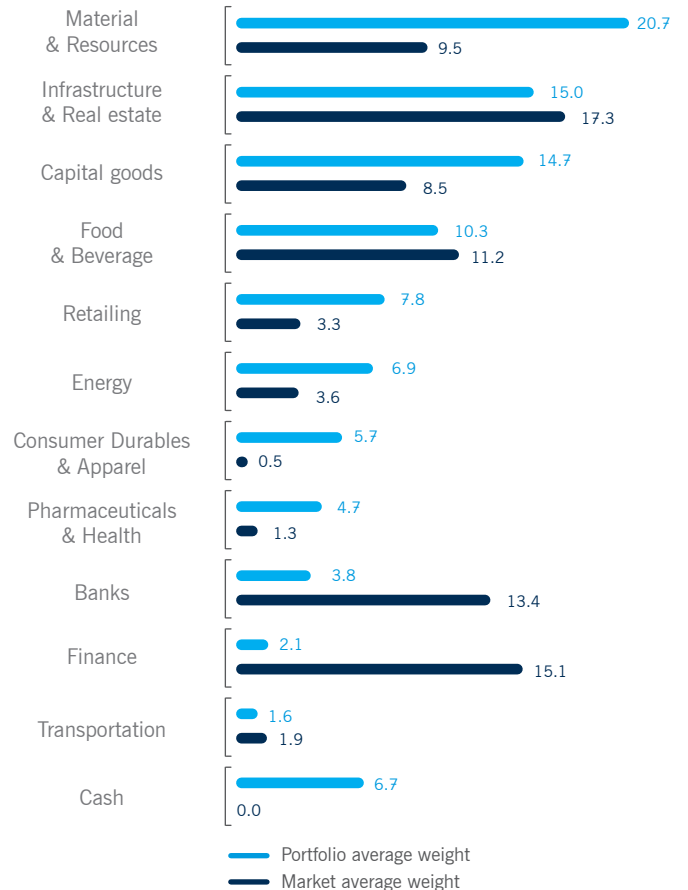
With those challenges, stock's market price incurred a significant loss despite of business operating result. Since blue-chip stocks have high liquidity, their selling pressure caused them to have the equivalent decrease in price compared to small and mid cap stocks.

As the result, HNX-Index slipped 48.6% year on year and reached the all-time low during 2011. VNI-Index declined 25.9% year-on-year. If the calculation ignores stocks with big capital but high risk and low liquidity, the pure VNI-index realistically slipped 37% during 2011.

**VF4's Portfolio rate of return (%)**



**Portfolio's asset allocation by sectors versus market's asset allocation by sectors (%)**



At the same time, 90% of VF4's portfolio is listed stocks and allocated into the blue-chip stocks, which from the above explanation, incurred heavier loss in this downturn period. In another perspective, VF4's stocks have the equivalent decline compared to the market performance.

During 2011, beside Food & Beverage sector with a positive return of 27.5% (higher than sector market return which is only 13.3%), other sectors all yielded a negative performance.

Almost every sector incurred loss in return-on-investment during the market downturn of 2011, and VF4's performance by sectors are relatively close to the sector market performance. Bank sector with 9.8% negative return is the sector with least decline in VF4 portfolio, while Transportation sector incurred 65.8% loss, and Real Estate & Infrastructure of 60.5% declining.

Sectors with larger proportions in NAV also the one which caused the worsen decline to NAV. For example, Real Estate & Infrastructures occupied on average 15% of NAV and yielded 60.5%, Material & Resources occupied 20.7% NAV and incurred 45.3% loss, and Capital Goods occupied 14.7% NAV and incurred 55.3% loss. Three above sectors caused up to 70% of NAV loss in 2011. VF4 has taken steps to reduce the proportion of three above sectors, but the negative impact was still significant.

At the end of the year, P/E ratio of VF4 is 5.1 times, much lower than market's P/E ratios of 6.9 times in HOSE and 6.4 times in HNX. According to the market price status, the possibility of decrease of worsen decline stocks is very low, but returning to their value in the near future is much higher possibility.

## TOP HOLDINGS



VINAMILK



**DPM**  
FERTILIZER & CHEMICALS





# VINAMILK

## 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

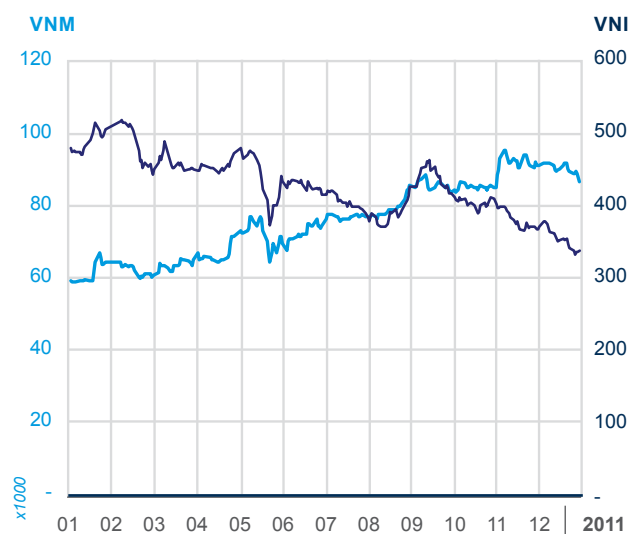
- Vinamilk continues to invest heavily in expanding production capacity in two main projects Megafactory and Dielac O2, which are expected to go into operation in late 2012 and 2013.
- Milk consumption in Vietnam is still low, about 14kg/person/year compared to around 60kg/person/year in Asia. According 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

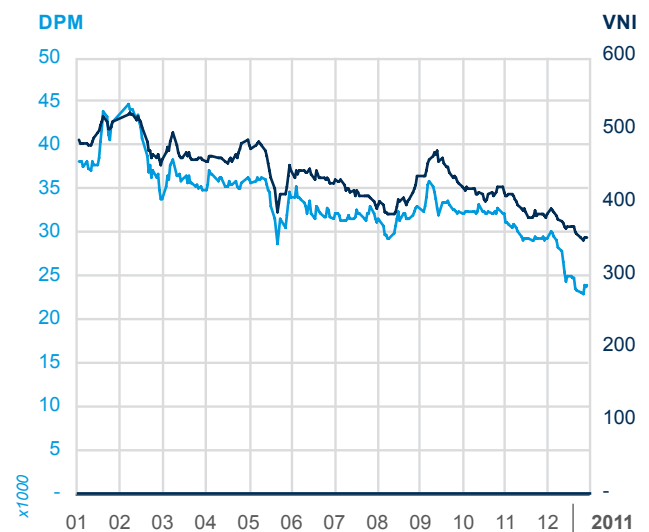
- The market entry of Ca Mau Urea Plant in 2012, in which Urea Ca Mau products will be distributed by DPM, will reinforce the DPM's dominant market share in Vietnam of urea (about 80%).
- The objective of DPM is to provide the domestic market a stable and high quality fertilizer. Additionally, DPM aims 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

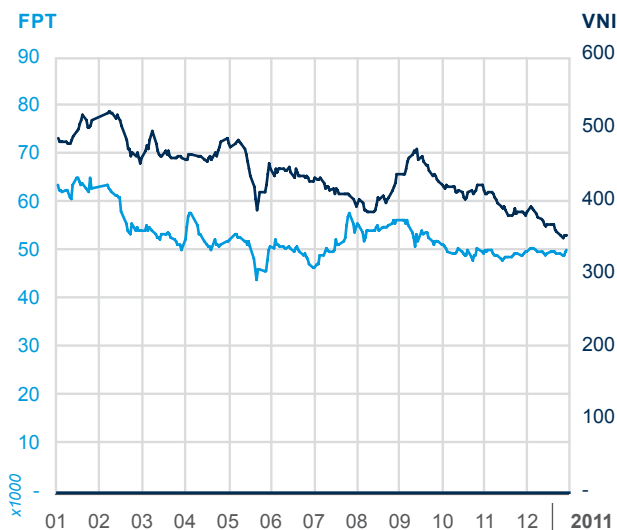
- The integrated systems segment is growing fast with high margin. The telecommunications segment will be key driver for the company's profit in the next years. Additionally, the software business is building up its global strength by setting foot on new market while maintaining the key markets Japan 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 billion)	10,735.2	15,181.9
Revenue (VND billion)	25,439.8	20,017.3
Net profit after tax (VND billion)	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%

Source: FPT, VFM Research.  
(\*) VFM estimates



FPT's stock price fluctuation in 2011





## 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

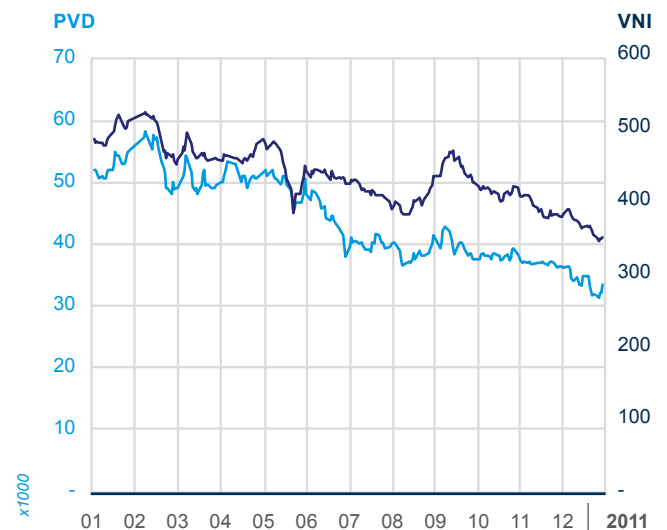
- 2012 is expected to be a very good year for PVD with high growth thanks to TAD rig full-year operation at a high day rate of 205,000 USD/day.
- The long term objective of PVD is to become the leading provider of drilling services and related services. In this direction, PVD will continue to invest 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)	6.82	12.6
P/B (x)	1.14	2.1
Dividend yield	6.0%	3.8%

(\*):VFM estimates



PVD's stock price fluctuation in 2011



## JS. COMMERCIAL BANK FOR FOREIGN TRADE OF VIETNAM (VCB)

The biggest commercial bank in Vietnam

- Bank for Foreign Trade of Vietnam (Vietcombank), established in 1963 and privatized in 2007, is the largest private commercial bank by asset in Vietnam. With state ownership of 91%, Vietcombank (VCB) has operated as a private bank since May 2008. The bank has reached an agreement to sell a 15% strategic stake to Mizuho, the biggest financial group in Japan, raising its chartered capital VND23,640 billion.
- VCB is the market leader in international payment (20%) and trade finance (30%). Especially, the bank has dominated the payment cards segment (53% market share) and foreign currency trading (up to 80% market share). In addition, the bank ranks fourth in the market for deposit and loan, holding approximately 13% market share. VCB aims to become the 70th largest financial group in Asia (excluding Japan), with target for total asset at VND1,127.50 trillion by 2020.

### POTENTIAL GROWTH

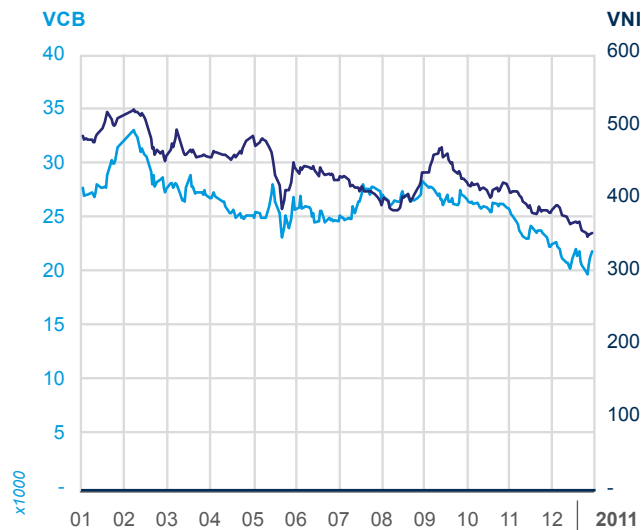
- Vietnam has maintained high economic growth in recent years. Despite the economic woes, Vietnam's GDP is expected to reach 6% in 2011. The banking sector, as the source of financing for the economy, will be the momentum for growth and at the same time benefit from the growing economy. Banking services in Vietnam are in an early stage of development with a banking service penetration rate estimated at approximately 10% of the population, one of the lowest in the world. This nascent market offers considerable opportunities for retail banking development.
- Overall, Vietnam's banking sector is in the early stage with an average growth rate of over 37% in the period 2008-2010. Compared with other banks, VCB is the most effective thanks to its equity base, dominant position in foreign exchange, card services, trade finance, and early application of qualitative method in classifying bad debt.
- In the period 2006-2010, VCB was always in the top-tier banks in terms of profitability. We expect that the bank will maintain this outstanding performance, especially with more support from its new strategic shareholder Mizuho.

### RISKS

- The rising competition from local banks and foreign-owned banks is one of major threat to the development of Vietcombank.
- In addition, VCB is facing a changing policy environment and strong intervention from the central bank, such as: credit growth, deposit rate ceiling and non-manufacturing loans. Moreover, the banking sector is under pressure of increasing bad debts in the context of deteriorating economic fundamentals.

Items	2011(*)	2010
Market capitalization (VND Billion)	42,941.7	42,315.9
Total assets (VND Billion)	368,527.4	307,496.1
NPAT (VND Billion)	4,527.9	4,214.5
Loan/Deposit	95.0%	82.1%
ROE	18.3%	22.7%
EPS Growth	-31.4%	2.7%
P/E (x)	7.9	9.6
P/B (x)	1.5	2.0
Dividend yield	2.3%	0.0%

(\*):VFM estimates



VCB's stock price fluctuation in 2011



## S.P.M CORPORATION

A fast growing pharmaceutical company

- S.P.M Corporation (SPM) is a leading manufacturer of effervescent vitamin in Vietnam with a 22% market share. The company possesses a well-developed pharmaceutical distribution system that covers 19,000 drug stores, 700 hospitals, and 2,000 medical centers, clinics and agents. In addition, the company also exports to the USA, Myanmar, Laos, Thailand, and Singapore.
- SPM specializes in producing vitamins and prescription medicines, focusing on four main groups vitamins, antifungal antibiotic, cardiovascular and gastrointestinal. Additionally, SPM always maintains the quality and high supply of its non-prescription (OTC) drugs.

### POTENTIAL GROWTH

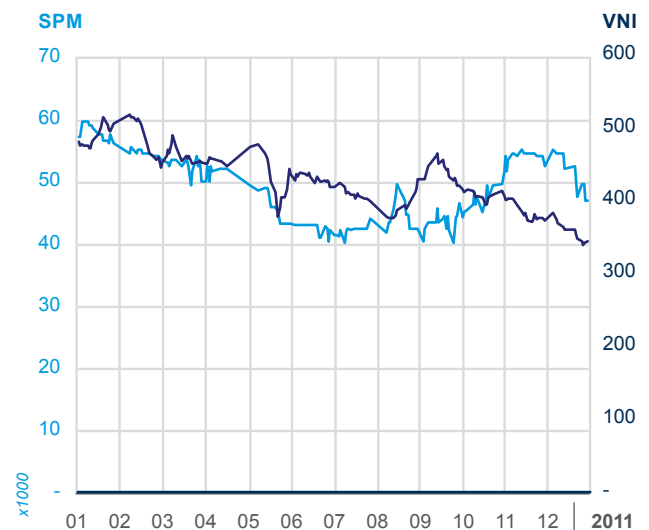
- SPM has a stable revenue source from pharmaceuticals and growth potential from other non-traditional activities. Over the last five years, in-house medicine sales contributed approximately 86% to total revenue and constituted 56% of NPAT, which increased 26.6% CAGR/year. In addition, SPM plans to diversify into health care, real estate and mining industries with on-going projects: Viet Tri Hospital, a pharmaceutical factory in Myanmar, white-stone quarry in Yen Bai, ...
- In 2010, the company registered a revenue growth rate of 37.3% and a net profit of 104.8%, remarkably higher than industry average of 21.4% and 26.2%, respectively. The medicine products contributed approximately 95% to revenue, in which, the share of effervescent vitamin accounts for 30% of total revenue and 23% of net profit. Net profit margin increased from 25% (2009) to 37.3% (2010), also higher than the average level 15.1% of companies in the industry.
- Revenue and profit of the company are expected to surge remarkably in 2012 thanks to its efforts in restructuring product portfolio to boost margins and non-core business investments.

### RISKS

- Declining net profit margin: increased competition in the pharmaceutical industry is squeezing its margin. The company's net margin dropped from 29% in 2007 to 24% in 2010.
- The diversification into non-traditional businesses such as real estate and white stone may increase its management risk and investment risks.

Items	2011(*)	2010
Market capitalization (VND billion)	700.0	805.0
Total assets (VND billion)	322.2	349.7
NPAT (VND billion)	59.4	131.2
Loan/Deposit	18.4%	37.5%
ROE	9.7%	31.1%
EPS growth	-55.0%	47.2%
P/E (x)	11.1	6.1
P/B (x)	1.1	1.3
Dividend yield	6.0%	5.2%

(\*): VFM Estimates



SPM share price movements vs VNI in 2011

# BOARD OF REPRESENTATIVES ACTIVITIES



## Board of Representatives Members



**Mr. TRAN THIEN HA**  
Deputy Chairman



**Mr. DANG THAI NGUYEN**  
Chairman



**Ms. DO THI ĐỨC MINH**  
Deputy Chairwoman



**Mr. HUYNH VAN THON**  
Member



**Mr. LE TRUNG THANH**  
Member



**Mr. LE HOANG ANH**  
Member

## Board of Representatives Contribution



Established during the uncertainty of the Vietnam stock market and the volatility of the economy, VF4 investment fund encountered many difficulties and challenges during its course of operation. Controlling cut losses and preserving capital for investors are the most critical targets for the fund managers during the global financial crisis. The decision of buying and selling require flexibility, prudence and rationale at each stage of the market. Therefore, the tasks and role of the Board of Representatives (BOR) members are the keys in protecting investors' interests during the recession.

With the highest determination, all the BOR members have made great efforts to fulfill all of their rights and duties to closely monitor the fund investment operations. Having the support from the BOR and the Fund Investment Committee, VF4 fund management team had more confidence in managing the fund and achieved the best optimal results in the condition of prolonged financial crisis.

## Board of Representatives Activities in 2011



The first meeting of the VF4 BOR was held in Hanoi on 25 February 2011 with the participation of all BOR members together with the representative of HSBC Custodian bank. After in-depth studying of market conditions as well as all the views on the financial reports the BOR members discussed and agreed that the difficulties and the uncertainty of the financial market would still persist; hence the investment operations and plans had to be taken into more cautious matter. The credit tighten would be pushed strongly and affected directly to the real estate industry; hence, the BOR suggested to reduce the proportion of these stocks in the Fund's portfolio. Cash increase in Fund's portfolio, transaction limitation, investment opportunities signals, etc. were also the major messages from this meeting.

At the regular meeting on May 2011, the performance report showed that VF4 portfolio had been streamlined, the cash holdings level has been raised to take advantage from the high rate deposit while maintaining its value investment strategy

and staying from market-mover stocks. In addition, BOR member also approved to select KPMG as the VF4 auditing firm in 2011.

The third meeting of BOR was held in Ho Chi Minh City on July 2011. The BOR members shared the same view that there would not be seen any recovery signals for the stock market until the year end and the fund investment operation and plan would not be changed much. Besides, in the spirit of understanding and sharing difficulties with investors during the gloomy time of the market, after discussing, the fund's manager and the BOR approved the proposal to reduce 25% of management fee (from 2% to 1.5% / NAV) for the last 6 months (effective from July 01 2011 to December 31 2011).

During the last meeting in Hanoi on October 2011, all members approved VF4 investment fund reports and QIV/2011 plans. The plan for the Annual Report and the General Annual meeting was also approved in the meeting.



## 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](http://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 - 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 discipline in our fund's operation activities, strengthened its investor relation activities and increased effort to improve our communication between VFM and 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](http://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](mailto: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 3 – 2012				
Monday	Tuesday	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
	<b>VF1 Investment fund AGM 2011</b>  Lotus Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC		<b>VF4 Investment fund AGM 2011</b>  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
	<b>VFA Investment fund AGM 2011</b>  Sun Flower Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC		<b>VF2 Investment fund AGM 2011</b>  Sun Flower Ballroom, 1st floor, Rex Hotel, 141 Nguyen Hue, District 1, HCMC	







**FINANCIAL STATEMENTS**  
VIETNAM BLUE - CHIPS FUND

## Financial Statements for the year ended 31 December 2011

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## GENERAL INFORMATION

Fund Unit Issuance Certificate	04/UBCK-GCN dated 18 December 2007														
Listing Approval Certificate	58/QĐ- SGDHCM dated 3 June 2008														
Establishment Registration Certificate	11/UBCK-GCN dated 28 February 2008  The Establishment Registration Certificate was issued by the State Securities Commission and is valid for 10 years.														
Fund Representative Committee	<table border="0"> <tr> <td>Mr. Dang Thai Nguyen</td> <td>Chairman</td> </tr> <tr> <td>Ms. Do Thi Duc Minh</td> <td>Vice Chairwoman</td> </tr> <tr> <td>Mr. Tran Thien Ha</td> <td>Vice Chairman</td> </tr> <tr> <td>Mr. Le Hoang Anh</td> <td>Member</td> </tr> <tr> <td>Mr. Le Trung Thanh</td> <td>Member</td> </tr> <tr> <td>Mr. Huynh Van Thon</td> <td>Member</td> </tr> <tr> <td>Ms. Ta Ngoc Phuc</td> <td>Secretary</td> </tr> </table>	Mr. Dang Thai Nguyen	Chairman	Ms. Do Thi Duc Minh	Vice Chairwoman	Mr. Tran Thien Ha	Vice Chairman	Mr. Le Hoang Anh	Member	Mr. Le Trung Thanh	Member	Mr. Huynh Van Thon	Member	Ms. Ta Ngoc Phuc	Secretary
Mr. Dang Thai Nguyen	Chairman														
Ms. Do Thi Duc Minh	Vice Chairwoman														
Mr. Tran Thien Ha	Vice Chairman														
Mr. Le Hoang Anh	Member														
Mr. Le Trung Thanh	Member														
Mr. Huynh Van Thon	Member														
Ms. Ta Ngoc Phuc	Secretary														
Fund Management Company	Vietnam Investment Fund Management Joint Stock Company														
Registered Office	10 <sup>th</sup> Floor, Central Plaza Building 17 Le Duan Street, Ben Nghe Ward, District 1 Ho Chi Minh City Vietnam														
Supervising Bank	HSBC Bank (Vietnam) Ltd.,														
Auditors	KPMG Limited Vietnam														

## REPORT OF THE FUND MANAGEMENT COMPANY

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

Management of Vietnam Investment Fund Management Joint Stock Company's ("the Fund Management Company") is responsible for the financial statements, prepared in accordance with Decision 63/2005/QĐ-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds, Decision 45/2007/QĐ-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds, Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements, which give a true and fair view of the state of affairs of the Fund as at 31 December 2011 and of its results of operations for the year then ended. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Fund and to ensure that the accounting records comply with the requirements of Decision 63/2005/QĐ-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds, Decision 45/2007/QĐ-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds, Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements. The 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.

For and on behalf of Vietnam Investment Fund Management Joint Stock Company



Mr. Tran Thanh Tan  
Chief Executive Officer

## REPORT OF THE FUND REPRESENTATIVE COMMITTEE

### APPROVAL OF THE FINANCIAL STATEMENTS

I, Dang Thai Nguyen, being the Chairman of the Fund Representative Committee and on behalf of the Unitholders of Vietnam Blue-Chips Fund ("the Fund"), do hereby approve the attached financial statements of the Fund for the year ended 31 December 2011, which have been prepared in accordance with Decision 63/2005/QD-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds, Decision 45/2007/QD-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds, Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

On behalf of the Fund Representative Committee



Mr. Dang Thai Nguyen  
*Chairman*



## INDEPENDENT AUDITORS' REPORT

To the Unitholders  
Vietnam Blue-Chips Fund

### Scope

We have audited the accompanying balance sheet, the statement of assets and the statement of investment portfolio of Vietnam Blue-Chips Fund ("the Fund") as of 31 December 2011 and the related statements of income and changes in net assets for the year then ended and the explanatory notes thereto which were authorised for issue by the Fund Representative Committee on 15 February 2012. These financial statements are the responsibility of the management of Vietnam Investment Fund Management Joint Stock Company as the Fund Management Company and have been verified by HSBC Bank (Vietnam) Ltd., as the Supervising Bank of the Fund. 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 plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management of the Fund Management Company, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion, the financial statements give a true and fair view of the financial position of Vietnam Blue-Chips Fund as of 31 December 2011 and of its results of operations for the year then ended in accordance with Decision 63/2005/QĐ-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds, Decision 45/2007/QĐ-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds, Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

### KPMG Limited

Vietnam

Investment Certificate No: 011043000345

Audit Report No: 11-01-241



Nguyen Thanh Nghi  
CPA No. 0304/KTV  
Deputy General Director

Lam Thi Ngoc Hao  
CPA No. N0866/KTV

Ho Chi Minh City, 15 February 2012

## Balance Sheet at 31 December 2011

Form B01 - QDT

Code	Items	Note	31/12/2011 VND	31/12/2010 VND
<b>A.</b>	<b>ASSETS</b>			
110	1. Cash in banks	3	35,086,811,122	22,444,292,332
120	2. Investments in securities	4	403,586,076,400	709,684,847,325
130	3. Receivables from investment activities	5	7,167,929,555	10,492,363,556
<b>200</b>	<b>TOTAL ASSETS</b>		<b>445,840,817,077</b>	<b>742,621,503,213</b>
<b>B.</b>	<b>RESOURCES</b>			
<b>300</b>	<b>I. LIABILITIES</b>		<b>1,461,649,846</b>	<b>2,996,307,633</b>
311	1. Payables for investment activities	6	26,969,514	596,023,111
314	2. Remunerations payable to the Fund Representative Committee		48,000,000	48,000,000
315	3. Payables to the Fund Management Company and the Supervising Bank	7	586,613,221	1,285,480,022
318	4. Other payables	8	800,067,111	1,066,804,500
<b>400</b>	<b>II. EQUITY</b>		<b>444,379,167,231</b>	<b>739,625,195,580</b>
410	1. Capital issued to Unitholders	9	806,460,000,000	806,460,000,000
420	2. Accumulated losses	10	(362,080,832,769)	(66,834,804,420)
<b>430</b>	<b>TOTAL RESOURCES</b>		<b>445,840,817,077</b>	<b>742,621,503,213</b>

*The accompanying notes are an integral part of these financial statements*

## Balance Sheet at 31 December 2011 (continued)

Form B01 - QDT

### OFF-BALANCE SHEET ITEMS

Items	31/12/2011 VND	31/12/2010 VND
Securities at par value (excluding rights issue)	203,990,260,000	198,249,720,000



HSBC Bank (Vietnam) Ltd.  
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Head of Fund Services  
HSBC Securities Services

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Deputy CEO cum Finance Controller



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

15 February 2012



## Statement of Income

for the year ended 31 December 2011

Form B02 - QDT

Code	Items	Note	2011 VND	2010 VND
<b>A.</b>	<b>REALISED OPERATING RESULT</b>			
<b>10</b>	<b>I. Realised (loss)/profit from investment activities</b>		<b>(86,028,118,260)</b>	<b>58,301,774,394</b>
11	1. Dividend income		24,157,063,800	21,587,151,300
13	2. Interest income from bank deposits		4,949,919,805	2,037,774,396
14	3. (Losses)/gains from securities trading		(115,135,101,865)	33,277,033,498
18	4. Other income		-	1,399,815,200
<b>30</b>	<b>II. Expenses</b>		<b>12,758,943,809</b>	<b>20,070,139,420</b>
31	1. Management and performance fees	13a	10,044,746,193	16,747,449,240
32	2. Custody and supervision fees	13b	579,428,126	678,503,523
33	3. Meeting expenses		464,840,371	765,416,750
34	4. Audit fees		260,116,670	248,844,750
38	5. Other fees and operating expenses	11	1,409,812,449	1,629,925,157
<b>50</b>	<b>III. Net realised operating (loss)/profit for the year</b>		<b>(98,787,062,069)</b>	<b>38,231,634,974</b>

*The accompanying notes are an integral part of these financial statements*

## Statement of Income for the year ended 31 December 2011 (continued)

Form B02 - QDT

Code	Items	Note	2011 VND	2010 VND
<b>B.</b>	<b>UNREALISED RESULT</b>			
<b>60</b>	<b>I. Income</b>		<b>72,048,880,937</b>	<b>58,010,598,623</b>
61	1. Gains on securities investments revaluation		72,048,880,937	58,010,598,623
<b>70</b>	<b>II. Expenses</b>		<b>268,507,847,217</b>	<b>219,443,474,384</b>
71	1. Loss on securities investments revaluation		268,507,847,217	219,443,474,384
<b>80</b>	<b>III. Net unrealised loss for the year</b>		<b>(196,458,966,280)</b>	<b>(161,432,875,761)</b>
	<b>NET LOSS FOR THE YEAR</b>		<b>(295,246,028,349)</b>	<b>(123,201,240,787)</b>
	Loss per fund unit	12	(3,661)	(1,528)



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Head of Fund Services  
HSBC Securities Services

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Mr. Nguyen Minh Dang Khanh  
Deputy CEO cum Finance Controller



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

15 February 2012

## Statement of Assets at 31 December 2011

Form B05 - QDT

No.	Items	Note	31/12/2011 VND	31/12/2010 VND
1	Cash in banks	3	35,086,811,122	22,444,292,332
2	Investments in securities	4	403,586,076,400	709,684,847,325
2.1	Listed shares		399,641,497,200	679,935,829,500
2.2	Unlisted shares		3,944,579,200	23,081,200,000
2.3	Rights issue		-	6,667,817,825
3	Dividend receivables	5	1,558,861,500	2,451,894,000
4	Interest receivables from bank deposits	5	532,055,555	92,305,556
5	Receivables from securities trading	5	5,077,012,500	7,948,164,000
	<b>Total assets</b>		<b>445,840,817,077</b>	<b>742,621,503,213</b>
6	Payables for investment activities	6	(26,969,514)	(596,023,111)
7	Remunerations payable to the Fund Representative Committee		(48,000,000)	(48,000,000)
8	Payables to the Fund Management Company and the Supervising Bank	7	(586,613,221)	(1,285,480,022)
9	Other payables	8	(800,067,111)	(1,066,804,500)
	<b>Total liabilities</b>		<b>(1,461,649,846)</b>	<b>(2,996,307,633)</b>
	<b>Net assets of the Fund</b>		<b>444,379,167,231</b>	<b>739,625,195,580</b>
	<b>Number of fund units</b>		<b>80,646,000</b>	<b>80,646,000</b>
	<b>Net asset value per fund unit</b>		<b>5,510</b>	<b>9,171</b>



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Chief Executive Officer

15 February 2012

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Net Assets for the year ended 31 December 2011

Form B06 - QDT

No.	Items	2011 VND	2010 VND
I	Net assets at the beginning of the year	739,625,195,580	943,472,436,367
II	Changes in net assets during the year	(295,246,028,349)	(203,847,240,787)
<i>In which:</i>			
1	Changes in net assets due to investment activities of the Fund during the year	(295,246,028,349)	(123,201,240,787)
2	Changes in net assets due to distribution of results of the Fund to Unitholders during the year	-	(80,646,000,000)
III	Net assets at the end of the year	444,379,167,231	739,625,195,580



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15 February 2012

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## Statement of investment portfolio at 31 December 2011

Form B07 - QDT

NO	Items	No. of shares	Market price per share as at 31/12/2011 VND	Total value as at 31/12/2011 VND	% of total assets of the Fund
<b>I</b>	<b>Listed shares</b>			<b>399,641,497,200</b>	<b>89.64%</b>
1	BCI	391,160	14,900	5,828,284,000	1.30%
2	DPM	1,591,500	23,800	37,877,700,000	8.50%
3	FPT	826,533	49,700	41,078,690,100	9.21%
4	HAG	783,297	19,500	15,274,291,500	3.43%
5	HBC	548,075	22,900	12,550,917,500	2.82%
6	HPG	481,880	17,500	8,432,900,000	1.89%
7	PET	564,930	12,000	6,779,160,000	1.52%
8	PLC	1,121,215	14,200	15,921,253,000	3.57%
9	PVC	573,200	12,000	6,878,400,000	1.54%
10	PVD	758,257	33,200	25,174,132,400	5.65%
11	PVX	1,637,215	6,800	11,133,062,000	2.50%
12	PXS	1,057,200	7,100	7,506,120,000	1.68%
13	REE	1,397,370	11,300	15,790,281,000	3.54%
14	SD5	431,200	21,300	9,184,560,000	2.06%
15	SJS	835,000	22,800	19,038,000,000	4.27%
16	SPM	538,220	47,500	25,565,450,000	5.73%
17	SSI	881,740	13,700	12,079,838,000	2.71%
18	TCM	2,226,945	8,400	18,706,338,000	4.20%
19	TTF	22,155	5,800	128,499,000	0.03%
20	TTP	748,190	28,000	20,949,320,000	4.70%
21	VC2	343,900	14,100	4,848,990,000	1.09%
22	VCB	1,243,199	21,800	27,101,738,200	6.08%
23	VNM	528,945	86,500	45,753,742,500	10.26%
24	XMC	730,100	8,300	6,059,830,000	1.36%
<b>II</b>	<b>Unlisted shares</b>			<b>3,944,579,200</b>	<b>0.88%</b>
1	PetroVietnam Gas Joint Stock Corporation	137,600	28,667	3,944,579,200	0.88%
<b>III</b>	<b>Rights issue</b>			-	-
1	PVX (*)	1,758,300	-	-	-

(\*) The value of the rights issue is nil due to the fact that the market price of underlying share as at 31 December 2011 was less than the subscription price. Subsequent to the balance sheet date, the Fund did not exercise the rights.

*The accompanying notes are an integral part of these financial statements*

## Statement of investment portfolio at 31 December 2011 (continued)

Form B07 - QDT

No.	Items	Total value as at 31/12/2011 VND	% of total assets of the Fund
<b>IV</b>	<b>Other assets</b>	<b>7,167,929,555</b>	<b>1.61%</b>
1	Dividend receivables	1,558,861,500	0.35%
2	Interest receivables	532,055,555	0.12%
3	Receivables from securities trading	5,077,012,500	1.14%
<b>V</b>	<b>Cash in banks</b>	<b>35,086,811,122</b>	<b>7.87%</b>
<b>VI</b>	<b>Total investment portfolio</b>	<b>445,840,817,077</b>	<b>100.00%</b>



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

15 February 2012

## Notes to the Financial Statements for the year ended 31 December 2011

Form B04 - QDT

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### 1. Reporting entity

Vietnam Blue-Chips Fund ("the Fund") is established as a public close-ended fund under Establishment Registration Certificate No. 11/UBCK-GCN issued by the State Securities Commission of Vietnam on 28 February 2008. The Fund was licensed to operate for 10 years from the Establishment Registration Certificate date.

The maximum total capital of the Fund as stipulated in the Establishment Registration Certificate is VND8,000 billion. According to this Certificate, the Fund is authorised to issue 80,646,000 fund units to the public with par value of each fund unit of VND10,000 per unit for the first fund mobilisation.

The primary objective of the Fund is to invest in top-ranking companies operating in all fundamental sectors of the Vietnam economy. Most of the investments are listed on the Vietnamese stock exchanges. The investment portfolio of the Fund will be managed to maximise profits and minimise risks to the Fund's investments.

The Fund Unit Certificate is listed on the Ho Chi Minh City Stock Exchange under Listing Approval Certificate No. 58/QD-SGDHCM dated 3 June 2008.

The Fund has no employees and is managed by Vietnam Investment Fund Management Joint Stock Company, an investment management company incorporated in Vietnam. The Fund is supervised by HSBC Bank (Vietnam) Ltd.

### 2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Fund in the preparation of these financial statements.

#### (a) Basis of financial statement preparation

The financial statements, expressed in Vietnam Dong ("VND"), have been prepared in accordance with Decision 63/2005/QD-BTC issued by the Ministry of Finance on the promulgation of accounting systems for securities investment funds, Decision 45/2007/QD-BTC issued by the Ministry of Finance on the promulgation of regulations on establishment and management of securities investment funds, Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

The accompanying financial statements have not been prepared to express the financial position and the operating results in accordance with accounting principles and practices generally accepted in other countries and other jurisdictions outside Vietnam. The accounting principles and practices applicable in Vietnam may be different with those in other countries and other jurisdictions.

According to Decision 63/2005/QD-BTC, the Fund's financial statements include the following reports:

- Balance sheet;
- Statement of income;
- Statement of assets;
- Statement of changes in net assets;
- Statement of investment portfolio; and
- Notes to the financial statements.

The financial statements of the Fund are prepared on the accruals basis using the historical cost concept, except as discussed in Note 2(g).

The accounting policies set out below have been consistently applied by the Fund during the year.

#### (b) Annual accounting period

The annual accounting period of the Fund is from 1 January to 31 December.

## Notes to the Financial Statements for the year ended 31 December 2011

Form B04 - QDT

**(c) Adoption of Circular No. 210/2009/TT-BTC of the Ministry of Finance on presentation and disclosures of financial instruments**

Effective from 1 January 2011, the Fund adopted the requirements of Circular No. 210/2009/TT-BTC of the Ministry of Finance on presentation and disclosures of financial instruments ("Circular 210") prospectively. The adoption of Circular 210 did not have a material effect on the measurement or presentation of financial instruments in the Fund's financial statements. The financial statements disclosures specified in Circular 210 are not required for corresponding figures due to the prospective application.

**(d) Accounting documentation system**

The registered accounting documentation system of the Fund is the General Journal system.

**(e) Foreign currency transactions**

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded as expenses or income in the statement of income in accordance with Vietnamese Accounting Standard No. 10 ("VAS 10") – The Effects of Changes in Foreign Exchange Rates.

**(f) Cash in banks**

Cash in banks comprises current accounts and term deposits at banks with original term to maturity of not more than three months.

**(g) Investments in securities**

Securities investments are initially stated at cost, which comprises the purchase price and attributable costs incurred on the acquisitions of the investments, and are 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. Any unrealised gains or loss 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.

*(i) Classification*

The Fund classifies its listed securities and unlisted securities which are purchased for trading purposes as trading securities.

*(ii) Recognition*

The Fund recognises investments in securities on the transaction date.

*(iii) Measurement*

According to Decision 45/2007-QD-BTC issued by the Ministry of Finance on 5 June 2007, investments are revalued at the balance sheet date as follows:

Listed securities are revalued by reference to market prices of securities at the balance sheet date obtained from the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange.

Unlisted securities are revalued at the average quoted price obtained from three securities companies, which are not affiliated to the Fund Management Company or the Supervising Bank, at the balance sheet date.

Bonus shares, share dividends and rights issue 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.



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(iv) *Derecognition*

Investments in securities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Cost of trading securities is determined on a weighted average basis.

(h) **Receivables**

Receivables from investment activities and other receivables are stated at cost less allowance for doubtful debts.

(i) **Payables**

Payables for investment activities and other payables are stated at their cost.

(j) **Provisions**

A provision is recognised if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) **Taxation**

Under current tax regulations in Vietnam, the Fund is not subject to corporate 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.

(l) **Issued capital**

Fund units issued to Unitholders are classified as equity.

(m) **Revenue**

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

(i) *Interest income and dividend income*

Interest income is recognised in the statement of income as the interest accrues unless collectability is in doubt. Dividend income is recognised when the right to receive payment is established.

(ii) *Income from securities trading*

Income from securities trading activities is recognised in the statement of income upon receipt of the Notice for securities trading transactions result from the Vietnam Securities Depository (for listed securities) which are verified by the Supervising Bank and completion of the agreement on transfer of assets (for unlisted securities).

(n) **Expenses**

Expenses are recognised on the accruals basis. All expenses are recognised in the statement of income except for expenses incurred on the acquisition of an investment which are included in the cost of that investment.

## Notes to the Financial Statements

### for the year ended 31 December 2011

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(o) **Earnings/loss per fund unit and net asset value per fund unit**

The Fund presents basic earnings/loss per fund unit ("EPU") for its fund units. Basic EPU is calculated by dividing the profit or loss of the Fund by the weighted average number of fund units outstanding during the year. Net asset value ("NAV") per fund unit is calculated by dividing the net assets of the Fund by the number of outstanding fund units as at the balance sheet date. Net assets is determined as total assets less total liabilities.

(p) **Segment reporting**

The Fund operates as one segment.

(q) **Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Other investment funds under the management of the Fund Management Company and shareholders of the Fund Management Company are considered related parties to the Fund.

(r) **Off balance sheet items**

Amounts which are defined as off balance sheet items under the Decision 63/2005/QD-BTC dated 14 September 2005 issued by the Ministry of Finance on promulgation of accounting systems for securities investment funds and the Vietnam Accounting System are disclosed in the relevant notes to these financial statements.

(s) **Nil balances**

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

### 3. Cash in banks

Cash in banks represents cash in Vietnam Dong deposited at the following banks at year end:

	<b>31/12/2011</b> <b>VND</b>	<b>31/12/2010</b> <b>VND</b>
HSBC Bank (Vietnam) Ltd.	1,086,811,122	4,444,292,332
<b>Term deposits</b>		
Joint Stock Commercial Bank for Foreign Trade of Vietnam	19,000,000,000	8,000,000,000
Vietnam Export Import Commercial Joint Stock Bank	-	10,000,000,000
Bank for Investment and Development of Vietnam	15,000,000,000	-
	<b>35,086,811,122</b>	<b>22,444,292,332</b>

Term deposits as at 31 December 2011 earned nominal interest rate of 14% per annum and will mature at the end of February 2012 and March 2012.

## Notes to the Financial Statements for the year ended 31 December 2011

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### 4. Investments in securities

All the investee companies (both listed and unlisted) as shown in the statement of investment portfolio are incorporated in Vietnam.

The Fund does not seek to 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 and therefore, the Fund's investments are recorded on the basis set out in Note 2(g), rather than being consolidated or equity accounted.

The details of investments in securities are as follows:

2011	At cost VND	Revaluation loss VND	Market value at 31/12/2011 VND
Listed shares	674,720,148,526	(275,078,651,326)	399,641,497,200
Unlisted shares	3,984,380,000	(39,800,800)	3,944,579,200
	678,704,528,526	(275,118,452,126)	403,586,076,400

2010	At cost VND	Revaluation (loss)/gain VND	Market value at 31/12/2010 VND
Listed shares	765,098,512,471	(85,162,682,971)	679,935,829,500
Unlisted shares	23,245,820,700	(164,620,700)	23,081,200,000
Rights issues	-	6,667,817,825	6,667,817,825
	788,344,333,171	(78,659,485,846)	709,684,847,325

### 5. Receivables from investment activities

	31/12/2011 VND	31/12/2010 VND
Receivables from securities trading (*)	5,077,012,500	7,948,164,000
Interest receivables from bank deposits	532,055,555	92,305,556
Dividend receivables	1,558,861,500	2,451,894,000
	7,167,929,555	10,492,363,556

(\*) Receivables from securities trading represent the proceeds from disposals of listed shares which are received after three working days (T+3) from the trade date (T) according to the prevailing securities trading practice in Vietnam. No allowance for doubtful debts was made in respect of the outstanding receivables from securities trading as of 31 December 2011 due to credit risk relating to unsettled transactions is very small.

As at the date of this report, receivables from securities trading and dividend receivables have been fully collected.

## Notes to the Financial Statements for the year ended 31 December 2011

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### 6. Payables for investment activities

	<b>31/12/2011 VND</b>	<b>31/12/2010 VND</b>
Securities purchases awaiting for settlements (*)	-	476,000,000
Brokerage fees payable	26,969,514	120,023,111
	<b>26,969,514</b>	<b>596,023,111</b>

(\*) Securities purchases awaiting for settlements represent amount payables for acquisition of investments in listed shares which are settled after three working days (T+3) from the trade date (T) according to the prevailing securities trading practice in Vietnam.

### 7. Payables to the Fund Management Company and the Supervising Bank

	<b>31/12/2011 VND</b>	<b>31/12/2010 VND</b>
Fund management fee payable to the Fund Management Company	556,207,226	1,234,851,126
Custody and supervision fees payable to the Supervising Bank	30,405,995	50,628,896
	<b>586,613,221</b>	<b>1,285,480,022</b>

### 8. Other payables

	<b>31/12/2011 VND</b>	<b>31/12/2010 VND</b>
Dividends payable to Unitholders not registered with the Vietnam Securities Depository	83,000,000	83,040,000
Accrual of meeting expenses	625,628,236	747,875,000
Accrual of audit fees	91,438,875	235,889,500
	<b>800,067,111</b>	<b>1,066,804,500</b>

## Notes to the Financial Statements for the year ended 31 December 2011

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### 9. Issued capital

The Fund's maximum authorised capital is VND8,000 billion, equivalent to 800,000,000 fund units of VND10,000 each. Up to 31 December 2011, total capital subscribed by existing Unitholders was VND806,460 million, equivalent to 80,646,000 fund units (31/12/2010: VND806,460 million, equivalent to 80,646,000 fund units).

There were no movements in issued capital during the year.

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.

### 10. Accumulated losses

	2011 VND	2010 VND
Balance at the beginning of the year	(66,834,804,420)	137,012,436,367
Net loss for the year	(295,246,028,349)	(123,201,240,787)
Dividends	-	(80,646,000,000)
Balance at the end of the year	(362,080,832,769)	(66,834,804,420)

### 11. Other fees and operating expenses

	2011 VND	2010 VND
Brokerage fees for selling securities	504,809,524	828,327,921
Fund Representative Committee's remunerations (Note 13 (c))	312,000,000	312,000,000
Fund Representative Committee's meeting fees	289,536,891	191,345,269
Sundry expenses	303,466,034	298,251,967
	1,409,812,449	1,629,925,157

### 12. Loss per fund unit

The calculation of loss per fund unit for the year ended 31 December 2011 was based on the loss for the year of VND295,246,028,349 (2010: VND123,201,240,787) and a weighted average number of fund units outstanding of 80,646,000 (2010: 80,646,000) units during the year.

## Notes to the Financial Statements for the year ended 31 December 2011

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### 13. Significant transactions with related parties

During the year there were the following transactions with related parties:

#### (a) Vietnam Investment Fund Management Joint Stock Company, the Fund Management Company

	2011 VND	2010 VND
Management fee	10,044,746,193	16,747,449,240

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. Due to the general decline in securities markets in Vietnam, the Fund Management Company agreed to reduce the monthly management fee to one-twelfth of one point five per cent (1.5%) of the Net Asset Value of the Fund for the six-month period from 1 July 2011 to 31 December 2011.

Performance fee is calculated at year end based on the excess 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. There was no performance fee recorded for the year ended 31 December 2011 because the conditions were not met.

#### (b) HSBC Bank (Vietnam) Ltd., the Supervising Bank

	2011 VND	2010 VND
Custody and supervision fees (*)	464,656,618	678,503,523

The Fund has appointed HSBC Bank (Vietnam) Ltd., to be the Supervising Bank of the Fund. In accordance with the Fund's Charter, the Fund has to pay the Supervising Bank a monthly custody and supervision fee in arrears equal to one twelfth of zero point zero eight per cent (0.08%) of the Net Asset Value of the Fund on the last day of the month. In which the supervising fee is equal to one twelfth of zero point zero two per cent (0.02%) of the Net Asset Value of the Fund and the custody fee is equal to one twelfth of zero point zero six (0.06%) per cent of the Net Asset Value of the Fund. The supervising fee is subject to Value Added Tax at rate of 10%.

(\*) The custody and supervision fees for the year ended 31 December 2011 has not included the custody fees paid to the Vietnam Securities Depository of VND114,771,508 (2010: Nil).

#### (c) Fund Representative Committee

Other than the remunerations, there is no other contracts to which the Fund and any member of the Fund Representative Committee is a party where a member of the Fund Representative Committee has a material interest. Remunerations and associated expenses to members of the Fund Representative Committee is recognised as expenses of the Fund in the statement of income.

	2011 VND	2010 VND
Fund Representative Committee's remunerations	312,000,000	312,000,000

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### 14. Indices

No.	Indices	31/12/2011	31/12/2010
<b>I Investment ratios</b>			
1	Securities investments/Total assets	90.52%	95.56%
2	Shares investments/Total assets	90.52%	94.67%
3	Listed shares/Total assets	89.64%	91.56%
4	Unlisted shares/Total assets	0.88%	3.11%
5	Other securities/Total assets	0.00%	0.90%
6	Cash in banks/Total assets	7.87%	3.02%
7	Average income/Total assets	(63.36% )	(13.89%)
8	Average expenses/Total assets	2.86%	2.70%
<b>II Market ratios</b>			
1	Number of fund units in circulation (units)	80,646,000	80,646,000
2	Number of fund units held by employees of the Fund Management Company/Total fund units	0.062%	0.075%
3	Number of fund units traded/Total number of fund units	28.31%	52.66%
4	Net asset value per the fund unit (VND)	5,510	9,171

### 15. Financial 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 and unlisted securities. 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

## Notes to the Financial Statements

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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.

#### (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.

	Carrying amount VND	Undiscounted contractual cash flow VND	Less than 1 month VND	From 1 to 3 months VND	3 months to 1 year VND
<b>31 December 2011</b>					
Payables for investment activities	26,969,514	26,969,514	26,969,514	-	-
Remunerations payable to the Fund Representative Committee	48,000,000	48,000,000	48,000,000	-	-
Payables to the Fund Management Company and the Supervising Bank	586,613,221	586,613,221	586,613,221	-	-
Other payables	800,067,111	800,067,111	800,067,111	-	-
	1,461,649,846	1,461,649,846	1,461,649,846	-	-
<b>31 December 2010</b>					
Payables for investment activities	596,023,111	596,023,111	596,023,111	-	-
Remunerations payable to the Fund Representative Committee	48,000,000	48,000,000	48,000,000	-	-
Payables to the Fund Management Company and the Supervising Bank	1,285,480,022	1,285,480,022	1,285,480,022	-	-
Other payables	1,066,804,500	1,066,804,500	1,066,804,500	-	-
	2,996,307,633	2,996,307,633	2,996,307,633	-	-



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### (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.

As at 31 December 2011, the market value of the Fund's listed securities is VND399,641,497,200 (as at 31 December 2010: VND679,935,829,500). During 2011, the difference between the highest and lowest monthly VN Index was approximately 31%. Had the market prices of these securities declined or increased by 31% as at 31 December 2011 with all other variable remaining constant, the Fund's net loss for the year would have increased or decreased by VND123,888,864,132 (31 December 2010: VND210,780,107,145) respectively, accordingly the Fund's Net Asset Value would have decreased or increased by VND123,888,864,132 (31 December 2010: VND210,780,107,145) respectively.

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### 16. 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:

	31/12/2011		31/12/2010	
	Carrying amounts VND	Fair value VND	Carrying amounts VND	Fair value VND
<b>Financial assets</b>				
Cash in banks	35,086,811,122	35,086,811,122	22,444,292,332	22,444,292,332
Investments in securities	403,586,076,400	403,586,076,400	709,684,847,325	709,684,847,325
<i>Listed shares</i>	399,641,497,200	399,641,497,200	679,935,829,500	679,935,829,500
<i>Unlisted shares</i>	3,944,579,200	3,944,579,200	23,081,200,000	23,081,200,000
<i>Rights issue</i>	-	-	6,667,817,825	6,667,817,825
Receivables from investment activities	7,167,929,555	7,167,929,555	10,492,363,556	10,492,363,556
	445,840,817,077	445,840,817,077	742,621,503,213	742,621,503,213
<b>Financial liabilities</b>				
Payables for investment activities	26,969,514	26,969,514	596,023,111	596,023,111
Remunerations payable to the Fund Representative Committee	48,000,000	48,000,000	48,000,000	48,000,000
Payables to the Fund Management Company and the Supervising Bank	586,613,221	586,613,221	1,285,480,022	1,285,480,022
Other payables	800,067,111	800,067,111	1,066,804,500	1,066,804,500
	1,461,649,846	1,461,649,846	2,996,307,633	2,996,307,633

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.

## Notes to the Financial Statements for the year ended 31 December 2011

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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.

### 17. New regulation on open-ended funds

#### (a) Sales of SJS shares

On 14 December 2011, the Fund entered into a sales agreement with an individual whereby the Fund will sell 835,000 SJS shares held by the Fund for a consideration of VND24,215,000,000. According to this sales agreement, sales transaction is only valid if the following conditions are met:

- The transaction is approved by SJS's Board of Directors;
- The transaction is approved in writing by the State Securities Commission of Vietnam; and
- The transaction is approved in writing by other relevant authorities, if any.

As at 16 January 2012, the Fund obtained approval from the State Securities Commission of Vietnam for the aforementioned sales transaction. On 1 February 2012, an amount of VND14,529,000,000 (equivalent to 60% of the transaction value) was received by the Fund in accordance with the payment term of the agreement.

#### (b) Conversion plan to open-ended fund

On 16 December 2011, the Ministry of Finance issued Circular No. 183/2011/TT-BTC guiding the establishment and management of open-ended funds. Accordingly, from the effective date of this Circular on 1 March 2012, investors shall have legal basis to establish new open-ended funds. The Circular also allows open-ended funds to be formed by converting from closed-end funds provided that:

- There exists at least VND50 billion of net assets at the time of lodging the application file for the fund conversion;
- Investment portfolio includes only shares listed and registered at the Stock Exchanges, cash and cash equivalent at the percentage of restriction on investment as stipulated; and
- There is a plan for fund conversion approved by the general meeting of investors.

The conversion of the Fund from a closed-end fund to an open-ended fund was discussed in the Fund Representative Committee meeting on 13 February 2012. Accordingly the Fund Representative Committee delegated the Fund Management Company to prepare a fund conversion plan to be submitted to the Fund Representative Committee for review before the Annual General Meeting of the Fund Unitholders. The plan will analyse advantages and disadvantages of the fund conversion as well as conversion process and associated costs. The Fund Representative Committee will review the plan and, if possible, present this plan at the Annual General Meeting of the Fund Unitholders for approval.

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### 18. Approval for issue the financial statements

The financial statements as of and for the year ended 31 December 2011 were authorised for issue by the Fund Representative Committee on 15 February 2012.



HSBC Bank (Vietnam) Ltd.  
Ms. Le Thi Thanh Tam

A handwritten signature in blue ink, likely belonging to Mr. Nguyen Minh Dang Khanh.

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*

15 February 2012

## **DISCLAIMER**

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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