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VIETNAM ACTIVE FUND (VFMVFA)

No.: 07/VFA-2013/NQĐH

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

HCMC, April 24, 2013

RESOLUTION

ANNUAL GENERAL MEETING 2012

VIETNAM ACTIVE FUND (VFMVFA)

- Pursuant to Securities Law no. 70/2006/QH11 dated 29 June 2007 by Nation Assembly and amended, supplemented on 24 November 2010;
- Pursuant to Circular no. 224/2012/TT-BTC dated 26 December 2012 by Finance Ministry;
- Pursuant to the revised License for Establishing and Issuing fund certificate of Vietnam Active Fund no. 03/GCN-UBCK dated 18 April 2013 by the SSC;
- Pursuant to Meeting Minute no. 06/VFA-2013/BBĐH dated 24 April 2013.

RESOLUTES

The General Meeting unanimously passed the Resolution as follows:

Article 1: VFA's operation report in 2012

The General Meeting unanimously agreed VFA's operation report in 2012 as follow:

NAV REPORT

As at 31/12/2012, VFA's NAV reached VND172.2 billion, equivalent to VND 7,163.5/fund unit, increased 0.3% year-to-date.

VFA fund implemented cautious investment in 2012. Consequently, both portfolio turnover and volatility reduced strongly compared to year 2011's numbers.

Liquidity and discount of VFA's fund unit have been improved, respectively 11,583 shares/ day and 26.3% (compared to that of 2011: 705 shares/ day and 33.0%).

PORTFOLIO

In early 2012, Model-Averaging-trend-following (MATF) strategy increased the weights of long-term parameters and reduced the weights of short-term parameters basing on updating market's behaviors in 2011. Long-term parameters will enter the long position when market shows the up-trend strongly. The advantage of these parameters is the reduction of frequent whipsaw trades but the asymptotic top and bottoms of buy/sell signal is not close.

According to approval of Investment Committee (IC), VFA replaced Model-Averaging trend following (MATF) strategy on Indices by Stock-based MATF strategy since QIII/2012. The new strategy not only inherits the advantage of risk management and buys/ sells signals from MATF strategy but also applies on different groups of stocks.

The identification of different movements from different groups of stocks increased the diversification for the trend-following strategy. Besides, when investing in different groups of stocks, the effect of some big-cap stocks with large contribution to the return of VN-Index also decreases.

Board of representative (BOR) of VFA approved to allocate 30% NAV to VN30' basket in order to diversify the portfolio and reduce risk of stock-based MATF strategy. In QIII and QIV, the low investment of stock-based MATF strategy resulted in the increase of cash holding which was between 50% and 70% NAV.

In December 2012, the Resolution of the extraordinary general meeting (EGM) agreed the proposal of conversion to open-end fund of VFA. To cater the converting process, EGM also chose the 100% cash holding plan in VFA asset allocation. Consequently, VFA divested the whole portfolio and had 100% NAV of cash as at December 31, 2012.

Article 2: Audited Financial Statements

The General Meeting unanimously agreed VFA Audited Financial Statements in 2012.

Article 3: Custodian contract of VFMVFA

The General Meeting unanimously agreed Custodian contract of VFMVFA.

Article 4: Action plan in 2013 for VFMVFA

The General Meeting unanimously agreed the 2013 action plan of VFMVFA as follow:

In 2013, VFA will operate under the new form: open-end fund. With open-end fund, the frequency of subscription and redemption will be high. Furthermore, according to the regulation from SSC (State Securities and Commission of Vietnam), the open-end fund cannot hold more than 49% of cash in the portfolio; therefore, the fund will also invest in Government Bond. As a result, in 2013, VFA will improve the infrastructure for open-end fund operation and at the same time, develop risk and liquidity management system that will minimize the effect of subscription/ redemption on the trend-following model.

Besides, when stock market develops and starts to differentiate good stocks from bad stocks, a more insight analysis is needed. VFA's quantitative research team plans to search for more investment opportunities by researching more deeply into market structure using intra-day database and fundamental database. Furthermore, the new models of VFA will both actively reduce number of trades and increase the winning probability of each trade in order to reduce liquidity risk and slippage risk.

Article 6: Auditor selection for VFMVFA in 2013

The General Meeting unanimously agreed to choose KPMG as auditor of the fund in 2013 .

Article 7: Budget plan for BOR in 2013

The operating budget of the Board of Representatives in 2013 is 318.983.440 are computed based on the structure of Representative Committee of 7 members and 1 secretary.

In the case of changing in BOR member's quantity, this budget will be changed according to the following formula:

New Budget = Proposed Budget / 8 * [the number of members in the new BOR]

Article 8: Amendment, supplement to the Fund Charter

The Annual Meeting unanimously passed the amendment and supplement to the Fund Charter as details below:

1. Amendment, supplement to Article 10 of the Charter: to suit operation of the fund.

Article 10. Investment Strategy

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1. Investment Structure:

VFMVFA Fund shall be allowed to invest in the following assets:

- a) Deposits at commercial bank as stipulated by banking laws;

- b) Money market instruments, foreign currencies, valuable papers, transferable instruments in accordance with banking laws;
- c) Government bonds, bonds underwritten by the Government and municipal bonds, including Government bond repo contracts in accordance with the Ministry of Finance Laws;
- d) Listed shares, registered *shares*, and listed bonds of issuers that operate within Vietnam's law.
- e) Listed and registered derivatives at Stock Exchanges as a hedge;
- f) *Assets arising from the execution of any rights attached to the shares;*
- g) Other assets as stipulated with the Vietnam law and approved in writing by the General Investors' Meeting;

VFA will invest in listed shares and will not invest in other markets such as interest market, foreign exchange market, commodities market, etc. in the near future as these other markets in Vietnam are underdeveloped, except *VFA will focus on investing* in listed securities, government bonds and term deposits at commercial banks. However, VFA remains open to potential investments into unlisted shares as well as other assets if the markets for those assets are permitted by Law and they meet the quality and liquidity requirements.

2. **Amendment, supplement to Article 13 of the Charter:** to suit operation of the fund.

Article 13. Investment Selection Method

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The risk management element of the system allows for:

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

(iii) scanning rule to eliminate stocks with high probability of bankruptcy or trading halt.

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a) Buy/Sell indicators:

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

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- **Risk management system:** This rule sets limit on portfolio loss to prevent the entire portfolio from losing substantial money from either too many "whipsaw losses" or from stock market crash. Besides, the re-enter rule is set up to reduce the likelihood that we would buy higher than we would like as a result of a false cut-loss signal when the trend re-establishes. On other hand, risk management rule defines technical counter indicators which signal the timing of when to reduce positions in the market. This can be done by optimization methodology based on machine learning in general and evolutionary algorithms in specific. Evolutionary algorithms mimic the biological evolution process to search out the best answers to complicated problems. *In addition, VFA has mechanism to monitor and eliminate stocks with high risk of bankruptcy and high risk of trading halt by continuously updating the fundamental data as well as trading halt alerts on exchanges' websites.* Key feature is that it adapts itself to changing circumstances in the stock market as market conditions change.

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The mechanism for trend-following to work best is using one to two very simple trading systems applied to many different markets. This is not feasible in Vietnam. The alternative way is to get some diversification by trading many different systems on the same market as well as *using diversified parameters on each strategies* and applying these strategies on uncorrelated groups of stocks in the market. We optimize this situation by researching indicators that really work and put emphasis on effective money management and risk management to enhance the performance of the fund.

3. Amendment, supplement to Section 2 Article 37 of the Charter: to suit current law.

Article 37. Restriction of operations of the Fund Management Company

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2. Except cases of making capital contribution, trading fund certificates of open ended funds managed by the fund management company *and other cases provided by law*, related person of the fund management company, the fund management practitioners, person working for Fund Management Company shall not be permitted to be purchasers or sellers in transactions of the purchase and sale of assets of the fundbe partner in other transactions with the Fund.

4. Amendment, supplement to Article 59 of the Charter: to suit operation of the fund.

Article 59. Principles, criteria for selecting, changing quotation providers

a) Each year, the fund management company shall select and submit the Board of Representatives to approve a list of quotation service providers to provide a quote for the Fund. The selected quotation service provider must satisfy the following conditions:

1 i. Have function and be licensed to provide quotation service.

2 ii. Fully able to provide a quote.

3 iii. Not the affiliated persons of the fund management company or custodian bank

b) *Events and/or Criteria for changing quotation providers: when incurring one of the followings:*

i. *The Fund Management Company opens a security trading account at the security company which is the quotation of the Fund.*

ii. *The quotation provider is not functioned or licensed to provide quotation service.*

iii. *The quotation provider becomes related people of the fund management company or custodian bank.*

iv. *There is changes of govermental ageneies relating to quotation.*

5. Amendment, supplement to Article 62 of the Charter: to suit operation of the fund.

Article 62. Fees paid by investors

1. Subscription fees at the trading cycles after conversion:

- Subscription fee is the fee that investors must pay when buying a fund unit at the issue of fund certificates to the public after conversion of the fund. Such fee shall be payable upon the issuance and counted as a percentage of the subscription amount.

- Subscription fee shall be 1% of the subscription amount.

- *This fee will be paid to the fund management company and distribution agents. The payments to distribution agents will be calculated based on the distribution contracts signed between the fund management company and distribution agents. Custodian and supervisory bank will transfer corresponding fees directly to the fund management company and distribution agents based on the calculation of the related service provider and payment instructions of the fund management company. Fund management company and distribution agents will issue tax invoices for investors for the fee they pay.*

In case that the fund management company obtains promotions causing the change in the subscription fee during a fixed period of time, the company shall announce in details at the Issue Announcement listed at Distribution agencies and VFM.

2. Redemption fee:

- Redemption fee is the fee that investors must pay when selling a fund unit at the trading cycles. Such fee is substracted from the trading price of a fund unit and payable as the fund pays to investors and counted as a percentage of the redemption price of a fund unit.

- Redemption price at the next subsequent trading cycles shall be applied as the following:
 - o Redeemption fee shall be 2% of the redemption price, if the holding period is within 12 months (365 days) since the subscription date.
 - o Redeemption fee shall be 1% of the redemption price, if the holding period is from 12 months (365 days) to 24 months (730 days) since the subscription date.
 - o Redeemption fee shall be 0.5% of the redemption price, if the holding period is more than 24 months (730 days) since the subscription date.

The holding period is determined by “first in, first out” principle (FIFO)

- *This fee will be paid to the fund management company and distribution agents. The payments to distribution agents will be calculated based on the distribution contracts signed between the fund management company and distribution agents. Custodian and supervisory bank will transfer corresponding fees directly to the fund management company and distribution agents based on the calculation of the related service provider and payment instructions of the fund management company. Fund management company and distribution agents will issue tax invoices for investors for the fee they pay.*

3. Switching fee:

- Investors shall pay switching fee when register switching order at every trading cycle after the conversion of VFMVFA.
- Investors shall not be paid any subscription or redemption fee for the switching units.
- Switching fee shall be ~~0.03~~ **0,3%** of the trading amount of the switched fund.

6. **Amendment, supplement to Article 63 of the Charter:** to suit current law.

Article 63. Fees paid by the fund

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- b. The maximum total cost of the custody fee, supervisory fee, transaction fees paid to the depository bank, fund management fee, transfer agent fee is 0.45% NAV/year.

The above fees are exclusive of VAT (if applicable) in accordance with the law.

Article 9: Voting on the BOR for the term from 2013 to 2015

BOR candidates for the term from 2013 to 2015 consist of:

1. Mr Đỗ Văn Bình represented for Song Da Urban & Industrial zone Investment and Development Joint Stock Company.
2. Mr Nguyễn Kiên Cường represented for Dragon Capital Markets Limited
3. Mr Nguyễn Trường Giang represented for Post Insurance Joint Stock Company (PTI)
4. Mr Nguyễn Mạnh Hải represented for PG Bank
5. Mr Đỗ Linh Phương represented for Vietnam Joint Stock Commercial Bank for Industry and Trade
6. Mr Bùi Nguyên Quỳnh represented for Cement Finance Company
7. Mr Nguyễn Quang Trung represented for the group of investors including Housing Developing Bank (HDBank) and Mr Nguyễn Thanh Hùng

Election result

Full name	%/ total number of fund units in circulation participated the vote	%/total number of fund units in circulation as at the voting time	Result
Mr Đỗ Văn Bình	100%	94,87%	Elected
Mr Nguyễn Kiên Cường	84,49%	80,16%	Elected

Mr Nguyễn Trường Giang	100%	94,87%	Elected
Mr Nguyễn Mạnh Hải	100%	94,87%	Elected
Mr Đỗ Linh Phương	100%	94,87%	Elected
Mr Bùi Nguyên Quỳnh	100%	94,87%	Elected
Mr Nguyễn Quang Trung	100%	94,87%	Elected

Election Chairman of BOR for the term 2013 - 2015

The General Meeting unanimously agreed Mr Nguyen Truong Giang will be Chairman of BOR for the term 2013 – 2015

Election Vice Chairman of BOR for the term 2013 - 2015

The General Meeting unanimously agreed Mr Do Van Binh will be Vice Chairman of BOR for the term 2013 – 2015.

List of BOR for the term 2013 – 2015 after voting consists of:

1. Chairman : Mr Nguyễn Trường Giang
2. Vice chairman: Mr Đỗ Văn Bình
3. Member : Mr Nguyễn Kiên Cường
4. Member : Mr Nguyễn Mạnh Hải
5. Member : Mr Đỗ Linh Phương
6. Member : Mr Bùi Nguyên Quỳnh
7. Member : Mr Nguyễn Quang Trung

BOR of the fund term 2013 – 2015 will inherit all rights and obligations from the predecessor.

Article 10: Effectiveness of the Resolution

The resolution is effective from its signing date.

On behalf of The Annual General Meeting

(signed)

NGUYEN TRUONG GIANG

Chairman of the BOR

On behalf of Fund Management Company

(signed & sealed)

TRAN THANH TAN

CEO