



VIETFUND  
MANAGEMENT

# MONTHLY UPDATE SEPTEMBER.2014

Issued as at 13/10/2014



# CONTENTS

## **ECONOMIC AND MARKET REVIEW SEPTEMBER 2014**

### **FUND PERFORMANCE UPDATE**

Vietnam Securities Investment Fund (VFMVF1)

Vietnam Blue-chips Fund (VFMVF4)

Vietnam Active Fund (VFMVFA)

Vietnam Bond Fund (VFMVFB)

## **DISCLAIMER**

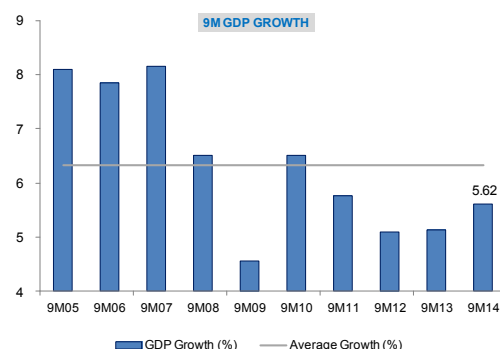
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# MACRO REVIEW

## GDP CONTINUES TO EXPAND

The economy continued to expand in the third quarter with GDP growing by 5.62%, higher than 5.14% and 5.1% of the same period of 2013 and 2012. In addition, the trend of expansion was good with when GDP edged up by 6.19% in the third quarter after surging by 5.42% and 5.09% in the second and first quarters. Noticeably, industry grew well at 6.42% and contributed 2.46 percentage point to GDP growth. The expansionary trend of the economy emerges more when manufacturing activity has expanded in the last 13 consecutive months with the PMI standing at 51.7 in September and retail sales continues its positive trend with 6.2% growth in nine months.

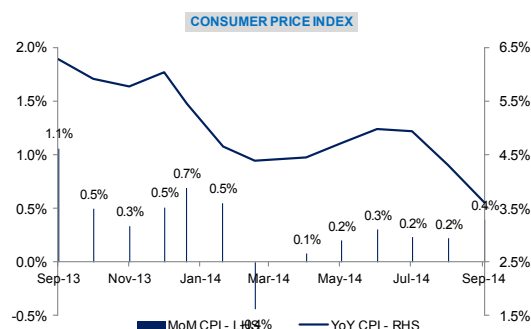
In the fourth quarter, the economy is expected to build on this stronger fundamental. The Government estimates 2014 GDP growth at 5.8%, in line with plan. Recovery momentum is expected to accelerate in 2015 and the Ministry of Planning and Investment forecasts growth at 6.2%. However, the economy may expand further than expected.



## INFLATION FALLS FURTHER

In September, the consumer price index climbed by 0.4% compared with 0.22% and 0.23% in August and July respectively, pressing annualized inflation to 3.63% compared with 6.3% a year earlier. The inflationary pressure in September could be attributed to changes in prices of food and food services (+0.22%), pharmaceuticals and healthcare services (+0.22%), footwear and apparels (+0.32%).

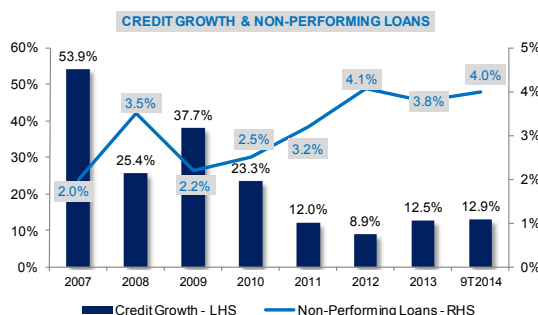
It is expected that currency depreciation, changes in prices for electricity, drug and healthcare services, and educational services will add more to inflation in the third quarter due to policy changes. However, annualized inflation is estimated at below 5% for the whole year, the lowest level in 10 years, creating more macro stability and paving the way for more rate cuts, which we expect at around 0.5% in the rest months of the year.



## CREDIT GROWTH PICKS UP

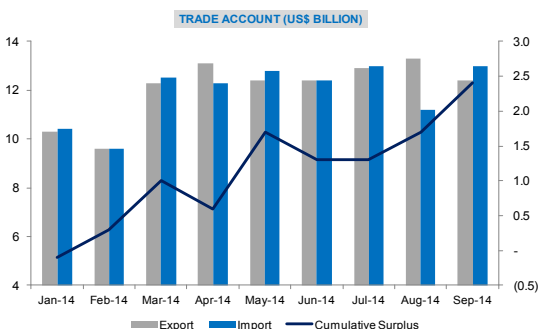
Banks' lending activity in September picked up at the highest rate in nine months, registering a 2.6% growth rate compared with 0.9% in August and 0.1% in July, bringing year-on-year growth to 12.9% on 9/2013 and year-to-date growth to 7.3%. In the same period last year, credit growth was 13.7%. Banks have disbursed more to big projects of state-owned companies and infrastructure projects and showed intention to do more in the last quarter of the year. Therefore, credit growth of the whole year could surpass the 12% estimation level.

The credit rating agency Moody's has just issued a positive note on the Vietnamese banking sector thanks to the stabilized macro environment. Accordingly, local banks now face less liquidity risk, streamline governance, and improve risk management although industry issues such as high non-performing loans, questioned asset quality, and low profitability still linger. We think that the banking sector still needs more time to solve the issues of high non-performing loans and operational efficiency.



## EXPORT KEEPS MOMENTUM

Although slowing down slightly in the third quarter compared to the momentum in the second quarter, export still registered a strong growth rate of 14.1% while seeing import increase by 11.1% in the first nine months. This balanced trade has led of a surplus of US\$2.4 billion in nine months, mainly thanks to the FDI sector who contributed 67.5% by their products in phones and accessories, computers and accessories, and textile and garment. Export is expected to keep its momentum in the last months of the year, making a strong foundation into 2015 thanks to continued performance of the FDI sector. Therefore, we expect a trade surplus of US\$2-3 billion for 2014, helping maintain currency stability and lifting foreign reserves.



# STOCK MARKET

## HIGH LIQUIDITY ALBEIT MARKET ADJUSTMENT

Ending September 2014, The VN-Index closed at 598,8 point, a decrease of 37.85 points, equivalent to 5.95% compared to last month. Total trading volume equaled to 3.4 billion shares, or a month-on-month increase of 33%. Total trading value achieved VND64,300 billion, an increase of 31% MoM. Investment flow continued to pour into the market and concentrated on speculative stocks in some sectors such as fisheries, securities brokers and Petro Vietnam-related stocks. However, the VN-Index still decreased strongly with high selling pressure of blue-chip stocks such as GAS (made VN-index decrease by 2.92%), VIC (made VN-Index decrease of 1.21%) VCB (0.5%) and VNM (0,5%). Furthermore, profit-taking activities at some stocks which related to Petro Vietnam also made VN-Index drop further.

In contrast with VN-index trend in September 2014, HNX-Index had good trading month with close point of 88.63 point, an increase of 1.3 point, equivalent to 1.49% increase compared to last month. Total trading volume achieved 1.7 billion shares, an increase by 35% MoM and trading value increased by 49% MoM to achieve VND24,700 billion.

## THREE MONTHS OF NET SELLING BY FOREIGN INVESTORS

In September 2014, foreign investors continued to be net sellers in Vietnam stock market. In HOSE bourse, foreigners had 11 sessions of net selling and only 9 sessions of net buying with total net selling value of VND839 billion. In Ha Noi bourse, foreigners also sold more than they bought with total value of VND290 billion.

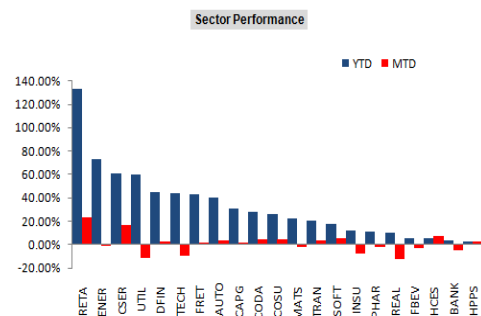
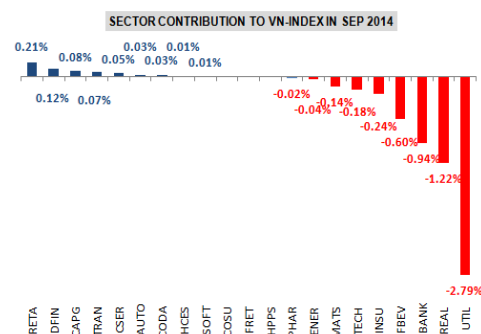
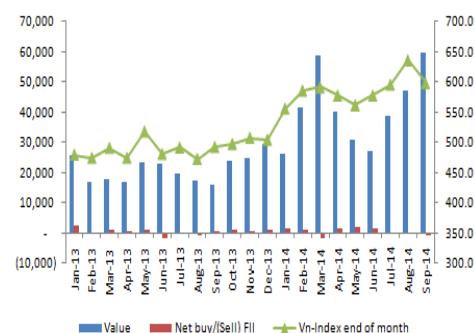
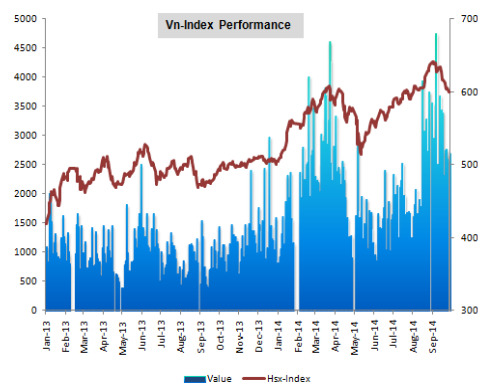
However, two big foreign ETF funds had more subscription than redemption with total net subscription value of US\$39 million. This is the biggest value of net subscription value since May 2014 even the trading price of two ETF funds were lower than their NAV. Specifically, DB ETF fund had US\$35 million in net subscription at the end of September when market was down and this action is similar to their action in May 2014.

## SOME BIG SECTORS HAD SLOWER RETURN THAN VN-INDEX GROWTH

From the beginning of this year, the VN-Index has grown more than 18.66%, including main contribution from the small cap sectors. However, three large-cap sectors has big attribution of VN-Index has slower growth than VN-Index growth. These sectors are banking (18,04% proportion of VN-Index) has only grown 3,13%, food and beverages (19.44% proportion of VN-Index) has grown 5.69% and property (contributed 8.64% VN-Index market capitalization) has only increased 10.59% since the beginning of the year. With good trend of market and support from macro-economics, we do hope growth of these three big sectors will contribute better in growth of VN-Index in the last 3 month of 2014.

## STRONG SELLING BY PROPRIETARY TRADING DESKS

In July and August 2014, brokers were net buyers in stock market with total VND364 billion and VND16 billion, helping VN-Index grow by 9.91%. However, in September 2014, brokers changed their position to net selling value of VND50.6 billion. This action more or less had some negative effect to VN-Index in September 2014.



# INVESTMENT FUND VF1

Sep 2014

## FUND FACTS

Fund name	Vietnam Securities Investment Fund
Fund Code	VFMVF1
Fund Type	Open ended fund
Currency	VND
Inception date	20/05/2004
Conversion date	8/10/2013
Fund Manager	VietFund Management (VFM)
Custodian Bank	Standard Chartered Bank VN.
Transfer Agency	Vietnam Securities Depository (VSD)
Distributors	HSC, FPTIS, KIS, SBS, SSI, VCBS, VSC, VCSC, VDSC, VFM
Management fee	1.95%
Subscription fee	From 0.2% to 1% based on total subscribed amount (million VND)
Redemption fee	From 0% to 1.5% based on holding period since subscription date (days)
Switching fee	0.2% based on total switched amount
Minimum subscription order	1 million VND
Minimum account balance	100 units
Trading cycle	Every Thursday (T day)
Cut-off time	10:30am, T-1 day
Dividend	Dividend reinvested

Total NAV (billion VND)	974.0
Number of fund unit	42,346,469.1
NAV/unit 12-month high (VND)	23,917.2
NAV/unit 12-month low (VND)	18,756.1
Expense Ratio (%)	2.3
Turnover Ratio (%)	58.5

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## INVESTMENT OBJECTIVES

The objective of VFMVF1 is to seek long-term earnings from equity growth and income through investing into a balanced and diversified portfolio, including equity, convertible and debt securities in Vietnam.

The Fund normally invests approximately 80% of its NAV in equity and 20% in fixed income and cash. The targeting investments are growth stocks among large and mid-sized market capitalization stocks. The manager will apply a bottom-up approach to pick stocks in consideration of business model, long-term earning, asset value, cash flow potential and quality of management. The Fund may from time to time change the weight of equity and fixed-income investments at around +/-10% NAV from the targeted allocation to get an optimal asset mix in consideration of changes in economic market conditions.

## FUND PERFORMANCE

September witnessed corrections of many blue-chips in the market. NAV of VF1 closed at VND 23,000 per share, a decrease of 3% MoM, but still outperformed VNIndex by 2.9%.

Most stocks in the portfolio suffered the same trend of the market, including some large holdings such as GAS (-13%), FPT (-9%), VNM (-5%), and VIC (-13). In the contrast, DBC rose by 15%, DIG +12%, SSI +10%. Besides, as long tenor bond yields dropped significantly in September, the investment in 10-year VGB (accounting for 3.5% NAV) recorded a capital gain of 8% MoM.

There were some changes in the top holdings, particularly VF1 reduced FPT to 8.8% NAV, GAS thus became the largest ticker in the portfolio (10.2% NAV). We still expect GAS to grow for some reasons mentioned in the prior report. GAS declined in September mostly due to net sell of foreigners.

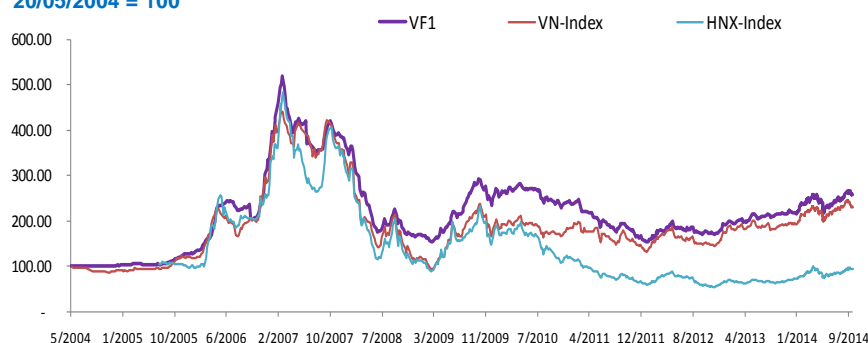
Ending 3Q2014, VF1 grew 8.3% QoQ, while VNIndex only advanced 3.6% QoQ. In which, main contributors were FPT (+14%), PVD (+25%), PVS (+19%), and DBC (+30%).

## NAV PERFORMANCE

	NAV/Unit (VND) & Indices	Performance (%)				
		1 month	3 months	YTD	Trailing 12 months	Since Inception (20/5/2004)
VFMVF1	23,000.2	(3.0)	8.3	20.7	22.4	130.0
VN-Index	598.8	(5.9)	3.6	18.7	21.6	128.9
HNX-Index	88.6	1.8	13.7	30.6	45.4	n/a

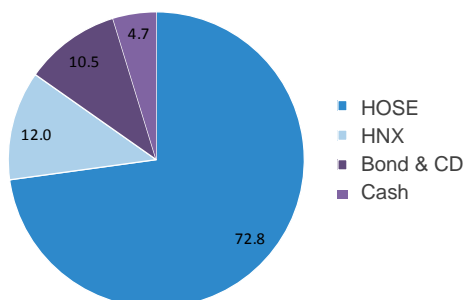
## VF1 PERFORMANCE VS. INDEX

20/05/2004 = 100



(VF1 performance includes dividends paid to investors)

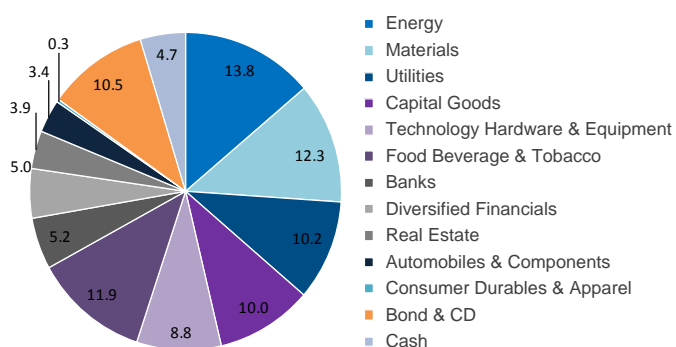
## ASSET ALLOCATION BY ASSET CLASS (% NAV)



## TOP 5 HOLDINGS

Stock	Sector	Bourse	% NAV
GAS	Utilities	HOSE	10.2
FPT	Technology Hardware & Equipment	HOSE	8.8
HPG	Materials	HOSE	7.1
PVD	Energy	HOSE	7.0
PVS	Energy	HNX	6.8

## ASSET ALLOCATION BY SECTOR (% NAV)



## FUNDAMENTAL STATISTICS

	VF1	VN-Index
Median P/E	13.6	10.3
Weighted Average P/E	19.6	15.3
Median P/B	2.1	1.0
Weighted Average P/B	2.5	2.0
ROE (%)	19.4	13.5
Dividend Yield (%)	3.7	3.7
Number of holdings	29	302

(Source: VFM và Bloomberg)

## INVESTMENT RESTRICTIONS

Investment Assets	Limit
Cash & cash equivalents	49% TA
Assets issued by the same group of companies	30% TA
Securities in circulation of an issuer	20% TA
Securities in circulation of an issuer	10% OS
Shares/bonds to be listed or registered for trading	10% TA
Holdings of 5% or more of TA in aggregate	40% TA

(TA: Total Asset of the Fund; OS: Outstanding shares)

## RISK STATISTICS

	VF1	VN-Index
Beta	0.8	1.0
Standard Deviation (%)	15.5	15.7
Sharpe Ratio	1.0	1.3

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# INVESTMENT FUND VF4

Sep 2014

## FUND FACTS

Fund name	Vietnam Blue-chips investment Fund
Fund Code	VFMVF4
Fund Type	Open ended fund
Currency	VND
Inception date	28/02/2008
Conversion date	16/12/2013
Fund Manager	VietFund Management (VFM)
Custodian Bank	Deutsche Bank AG - HCMC
Transfer Agency	Vietnam Securities Depository
Distributors	HSC, FPTS, KIS, SSI, VCSC, VDSC, VFM, VCBS, SBS
Management fee	1.93%
Subscription fee	From 0.2% to 1% based on total subscribed amount (million VND)
Redemption fee	From 0% to 1.5% based on holding period since subscription date (days)
Switching fee	0.2% based on total switched amount
Minimum subscription order	1 million VND
Minimum account balance	100 units
Trading cycle	Every Wednesday (T day)
Cut-off time	10:30am, T-1 day
Dividend	Dividend reinvested

Total NAV (billion VND)	463.5
Number of fund unit	44,501,740.8
NAV/unit 12-month high (VND)	10,901.6
NAV/unit 12-month low (VND)	8,289.5
Expense Ratio (%)	2.3
Turnover Ratio (%)	64.5

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## INVESTMENT OBJECTIVES

The objective of VFMVF4 is to seek long-term earnings from equity growth and dividends through investing in top-ranking enterprises operating in the essential sectors of Vietnam economy. The target investments shall be the blue-chip stocks listed or pre-listed on Vietnam stock markets. The Fund will deploy fundamental analysis as the principle for equity investment to assess growth potential, sustainability and risks of investment opportunities.

VF4 could at anytime be fully-invested in equity. Additionally, to create flexibility in seeking investing opportunities and bringing added value to cash available, VF4 could invest into fixed-income securities. In the normal market condition, proportion of assets other than equity such as cash, cash equivalents, and fixed income shall not exceed 20% of total fund assets to optimize cash flow.

## FUND PERFORMANCE

During September, net asset value of VF4 certificate suffered stock market correction, thus decreased by 4.5%. In which, the most negative contributors were large holdings such as GAS (-13%), and VNM (-5%). However, most of VF4 holding stocks are blue-chips, which helped NAV decline less than the market (VNIndex: - 5.9%, VN30: - 4.8%). In addition to that, VF4 are holding some stocks which well performed against general market, namely SSI (+10%), DIG (+12%), DRC (+6%)...

Utilizing the market correction, VF4 continued to disburse in potential sectors like Real Estate, Consumer Durables & Apparel for anticipation of growth opportunities in 2015.

Accumulative from the begin 2014, VF4 increased 23.1%, outperformed VNIndex by 4.5%.

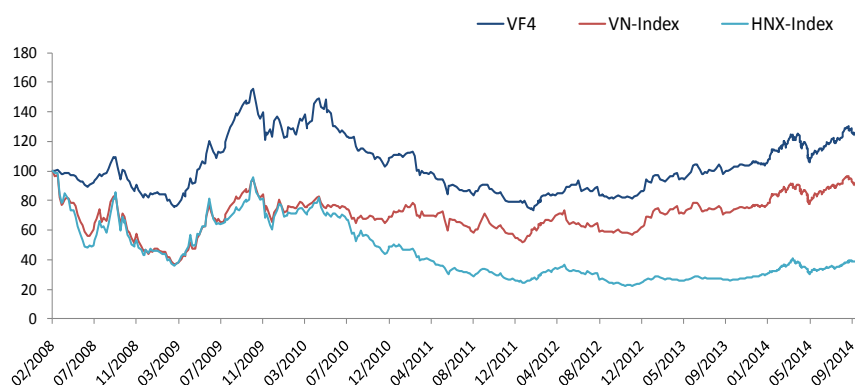
## NAV PERFORMANCE

	NAV/Unit (VND) & Indices	Performance (%)				
		1 month	3 months	YTD	Trailing 12 months	Since Inception (28/2/2008)
<b>VFMVF4</b>	10,415.5	(4.5)	7.6	23.1	25.3	24.2
<b>VN-Index</b>	598.8	(5.9)	3.6	18.7	21.6	(9.7)
<b>HNX-Index</b>	88.6	1.8	13.7	30.6	45.4	(61.2)

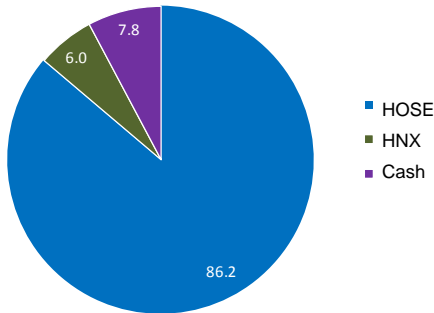
(\*) Including dividends

## VF4 PERFORMANCE VS. INDEX

28/02/2008 = 100



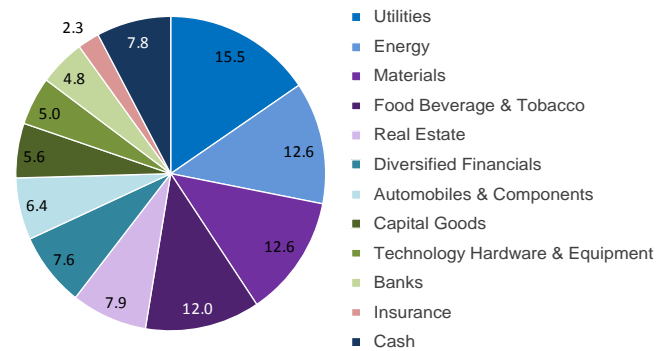
## ASSET ALLOCATION BY ASSET CLASS (% NAV)



## TOP 5 HOLDINGS

Stock	Sector	Bourse	% NAV
GAS	Utilities	HOSE	14.6
PVD	Energy	HOSE	9.0
HPG	Materials	HOSE	8.3
VNM	Food, Beverage & Tobacco	HOSE	8.0
REE	Capital Goods	HOSE	5.0

## ASSET ALLOCATION BY SECTOR (% NAV)



## FUNDAMENTAL STATISTICS

	VF4	VN-Index
Median P/E	16.9	10.1
Weighted Average P/E	22.5	16.5
Median P/B	2.2	1.0
Weighted Average P/B	2.1	2.2
ROE (%)	14.3	13.5
Dividend Yield (%)	2.0	3.7
Number of holdings	25	302

(Source: VFM và Bloomberg)

## INVESTMENT RESTRICTIONS

Investment Assets	Limit
Cash & cash equivalents	49% TA
Assets issued by the same group of companies	30% TA
Securities in circulation of an issuer	20% TA
Securities in circulation of an issuer	10% OS
Shares/bonds to be listed or registered for trading	10% TA
Holdings of 5% or more of TA in aggregate	40% TA

(TA: Total Asset of the Fund; OS: Outstanding shares)

## RISK STATISTICS

	VF4	VN-Index
Beta	0.9	1.0
Standard Deviation (%)	16.9	15.2
Sharpe Ratio	1.6	1.5

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# INVESTMENT FUND VFA

Sep 2014

## FUND FACTS

Fund name	Vietnam Active Fund
Fund Code	VFMVFA
Fund Type	Open ended fund
Currency	VND
Inception date	02/04/2010
Conversion date	18/4/2013
Fund Manager	VietFund Management (VFM)
Custodian Bank	HSBC Vietnam Ltd.
Transfer Agency	HSBC Vietnam Ltd.
Distributors	VFM, HSC, VCSC, KIS, VDSC, FPT S
Management fee	Up to 2%
Subscription fee	From 0.2% to 1% based on total subscribed amount (million VND)
Redemption fee	From 0.5% to 1.5% based on holding period since subscription date (days)
Switching fee	0.2% total switched amount
Minimum subscription order	1 million VND
Minimum account balance	100 units
Trading cycle	Every Friday (T day)
Cut-off time	10:30am, T-1 day
Dividend	Dividend reinvested

Total NAV (bil VND)	91.1
Number of fund unit	11,885,261.7
NAV/unit 12-month high (VND)	7,901.8
NAV/unit 12-month low (VND)	6,906.1
Expense ratio (%)	2.2
Turnover ratio (%)	168.5

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## INVESTMENT OBJECTIVE

The main objective of VFMVFA would be to capture medium to long-term capital appreciation on Vietnam market, accompanied by capital preservation during adverse market conditions, based on the main strategy of trend-following which is one of Quantitative Investment Models.

## FUND PERFORMANCE

In September 2014, the Vietnamese stock market had opposite movement as the VN-Index dropped 5.9% to under 600, but the HNX-Index rose 1.8% to 88.6. In the meantime, the VN30-Index was decreased by 4.8%. As of September 30, 2014 VFMVFA's NAV/unit was VND 7,665.4, fell 2.1% versus the last month.

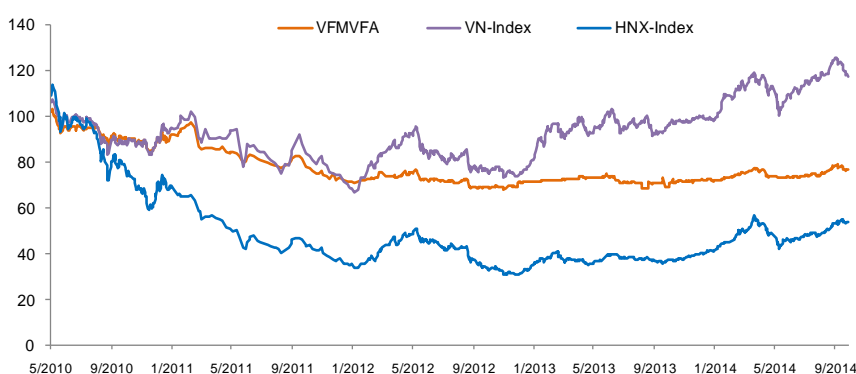
In September 2014, VFA's investment strategies had net buy on HOSE but low amount so the allocation by asset class changed slightly when VFA increased stock proportion (accounted for 58.3% NAV) and decreased risk-free assets (accounted for 41.7% NAV). In this month the allocation by strategies did not change much while Stock-based MATF strategy, High quality strategy, High velocity trend following 1.0 and High velocity trend following 1.1 comprised 29.6% NAV, 30.7% NAV, 10.5% NAV and 29.2% NAV, respectively.

## NAV PERFORMANCE

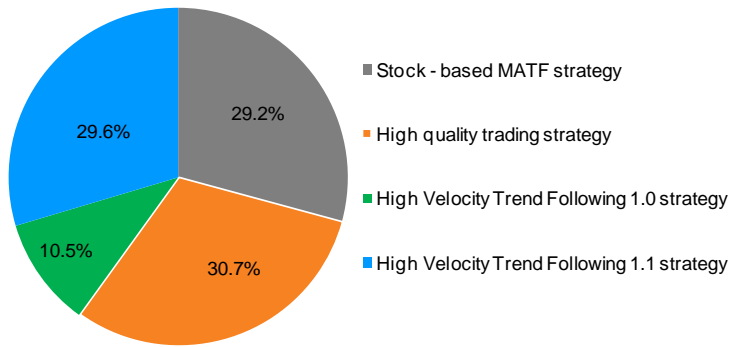
	NAV/Unit (VND) & Indices	Performance (%)					Since inception (02/04/2010)
		1 month	3 months	YTD	Trailing 12 months		
VFMVFA	7,665.4	(2.1)	4.2	6.2	11.0	(23.3)	
VN-Index	598.8	(5.9)	3.6	18.7	21.6	17.3	
HNX-Index	88.6	1.8	13.7	30.6	45.4	(46.0)	
VN30-Index	644.3	(4.8)	4.7	14.4	16.8	20.6	

## VFA PERFORMANCE VS. INDEX

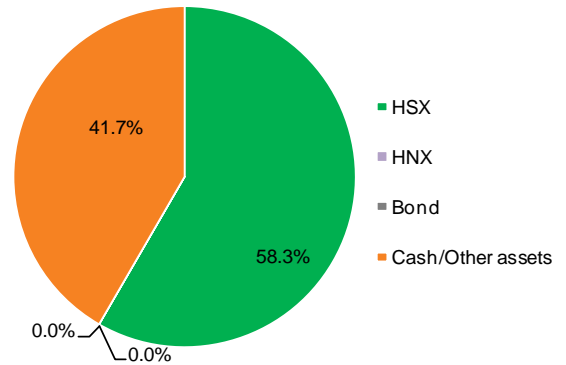
02/04/2010=100



## ALLOCATION BY STRATEGY (%NAV)



## ALLOCATION BY ASSET CLASS (%NAV)



## RISK STATISTICS

	VFA	VN-Index
Beta	0.2	1.0
Standard Deviation (%)	7.4	15.7
Sharpe Ratio	0.7	1.3

## INVESTMENT RESTRICTIONS

Investment Assets	Limit
Deposits at commercial bank and money market instruments ...	49% TA
Assets issued by the same group of companies	30% TA
Securities in circulation of an issuer	20% TA
Securities in circulation of an issuer	10% OS
Stocks/bonds to be listed or registered for trading	10% TA
Holdings of 5% or more of TA in aggregate	40% TA

(TA: Total Asset of the Fund; OS: Outstanding shares)

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# INVESTMENT FUND VFB

Sep 2014

## FUND FACTS

Fund name	Vietnam Bond Fund
Fund Code	VFMVFB
Fund Type	Open ended fund
Currency	VND
Inception date	10/06/2013
Fund Manager	VietFund Management (VFM)
Custodian Bank	Deutsche Bank AG HCMC
Transfer Agency	Deutsche Bank AG HCMC
Distributors	HSC, KIS, VCSC, VDSC, VFM, FPT
Management fee	0.9%/NAV/year
Subscription fee	From 0.3% to 0.6% based on total subscribed amount (million VND)
Redemption fee	0% to 1% based on holding period since subscription date (days)
Switching fee	0.2% total switched amount
Minimum subscription order	1 million VND
Minimum account balance	100 units
Trading cycle	every Friday (T day)
Cut-off time	10:30am, T-1 day
Dividend	Annually (satisfied the requirements)

Total NAV (billion VND)	83.9
Number of fund unit	7,146,888.4
NAV/unit 12-month high (VND)	11,735.1
NAV/unit 12-month low (VND)	9,440.9
Annualized Turnover Ratio (%)	210.5

**Mr. Tran Le Minh - Fund Manager**

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## INVESTMENT OBJECTIVES

The objective of VFMVFB is to achieve income primarily from investments in fixed income securities (including but not limited to Vietnamese Government bonds, Government guaranteed bonds, municipal bonds, corporate bonds in accordance with Vietnamese law, etc.), commercial notes and money market instruments.

## FUND PERFORMANCE

VFMVFB NAV per unit grew 4.35% MoM in September 2014. This growth is resulted from sharp declines of government bond yields across all maturities. This decline has not been seen in both secondary and primary markets since 2011. The most dramatic fall incurred in long tenor bond yields, especially for 10 and 15-year tenors and 10-year rate at the end of September was 198 basis points lower in comparison corresponding figure at end of August. On primary market, auction winning rate of 15-year bond fell from 8% at 11 September to 6.96% at 2 October. The fall of bond yields has exceeded the expectation of market participants, however, movements of macroeconomic, money market, interest rates, credit growth and money supply are still in favor of further reduction of bond yields. Municipal bond and corporate bond market had considerable excitement in September observing increasing issuance thanks to lower offer rates and more demand from the market. Market liquidity maintained at a high level with an average daily trading value was VND 2,798 billion in September.

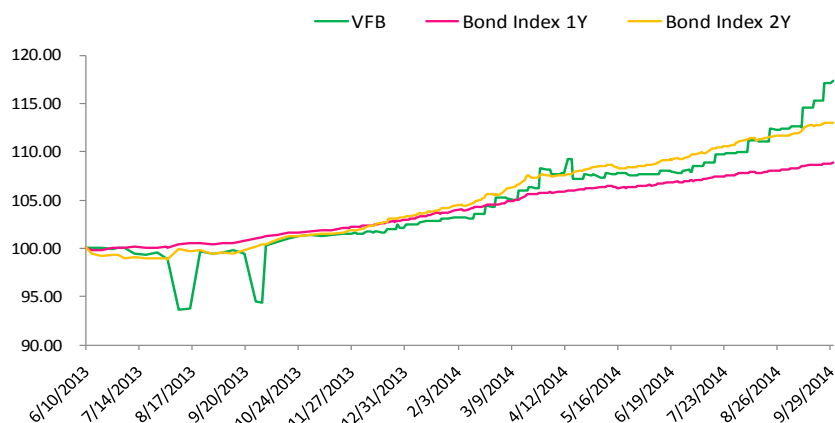
In September, VFMVFB maintained a better performance than its benchmark and outperformed other local bond funds in the market. There was no investing and divesting activities in the fund's portfolio in September.

## NAV PERFORMANCE

	NAV/Unit (VND) & Indices	Performance (%)			
		1 month	3 months	YTD	Since Inception (20/5/2004)
VFMVFB	11,735.1	4.3	8.6	14.5	17.3
Bond-Index 1Y	195.5	0.6	1.7	5.7	8.8
Bond-Index 2Y	210.3	1.2	3.2	9.4	13.0

## VFB PERFORMANCE (\*) VS. BOND\_INDEX (\*\*)

10/06/2013 = 100



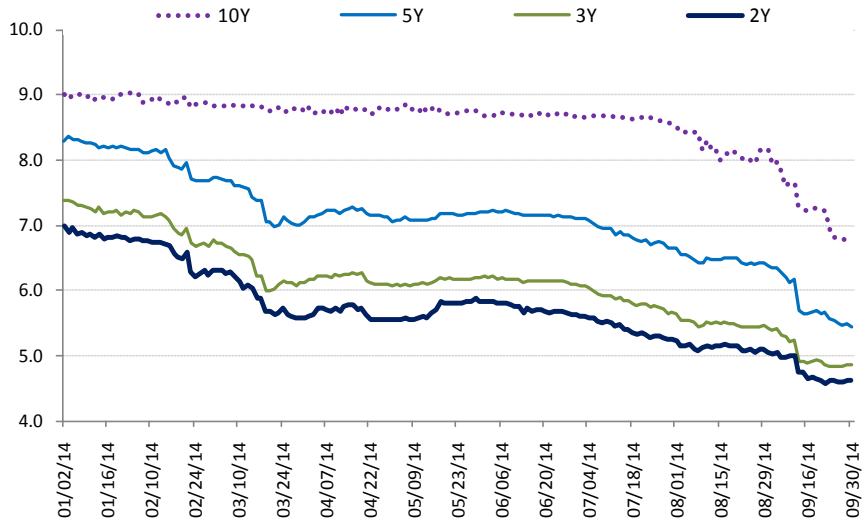
### Notes

(\*) NAV of VFMVFB showed abnormal volatility at 08/08/2013 and 26/09/2013 due to the occurrences of abnormal volatility in trading prices. The volatility was majorly due to the technical NAV calculation methodology and did not really reflect accurate fund NAV at the dates. Under the NAV calculation methodology being applied before 01/10/2013, VFMVFB must value investment bond with the market traded price although the price may not correctly reflect the value of bond. After 01/10/2013, NAV of VFMVFB will be no longer affected by such abnormal volatility.

(\*\*) One and two-year bond indices are prepared by Dragon Capital Debt Management Limited. The copyright is belonged to Dragon Capital Group. VFM is using the indices with permission from Dragon Capital Group.



## YIELD CURVE



## INVESTMENT RESTRICTIONS

Investment Assets	Limit
Assets issued by the same group of companies	30% TA
Securities in circulation of an issuer	20% TA
Securities in circulation of an issuer	10% OS
Shares/bonds to be listed or registered for trading	10% TA
Bonds and derivatives issued by companies operating in VN	30% TA

(TA: Total Asset of the Fund; OS: Outstanding shares)

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