

**VIETCOMBANK FUND MANAGEMENT**

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Global Knowledge. Local Expertise

**PAPERS FOR THE INVESTOR  
GENERAL MEETING**

**VCBF TACTICAL BALANCED FUND  
&  
VCBF BLUE CHIP FUND**

**HO CHI MINH CITY, 12 APRIL 2018**

**PAPERS FOR THE  
INVESTORS GENERAL MEETINGS  
of  
VCBF BLUE CHIP FUND  
VCBF TACTICAL BALANCED FUND  
12 APRIL 2018**

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<i>Note:</i> All conversions of VN Dong to US Dollars in these Papers are calculated at Vietcombank’s selling rate as at 28 Feb 2018 of VND22,790 per US Dollar unless otherwise indicated.
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**ACRONYMS and ABBREVIATIONS**

Art	Article
bp	basis point, or 1/100ths of 1%
CEO	Chief Executive Officer
Charter	Charter of the Fund
Circular 183	Circular No. 183/2011/TT-BTC Guiding the Establishment and Management of Open Ended Funds dated 16 December 2011 as amended by Circular No. 15/2016/TT-BTC dated 20 January 2016
CPI	Consumer Price Index
FDI	Foreign Direct Investment
FRB	Fund Representative Board (of VCBF-TBF)
Fund(s)	VCBF Blue Chip Fund and/or VCBF Tactical Balanced Fund as the context requires
GDP	Gross Domestic Product
GSO	General Statistics Office
H	half of the year
HNX	Hanoi Stock Exchange
HSX	Ho Chi Minh Stock Exchange
IGM	Investors General Meeting (of a Fund)
IPO	Initial Public Offering
Manager	VCBF, being the manager of the Funds
m-o-m	month on month
NAV	Net Asset Value
no.	number
OEF	Open-ended Fund
Q	Quarter
q-o-q	quarter on quarter
SIP	Systematic Investment Plan
SBV	State Bank of Vietnam
SSC	State Securities Commission
TPP	Trans-Pacific Partnership
trn	trillion
VCBF-BCF	VCBF Blue Chip Fund
VCBF-TBF	VCBF Tactical Balanced Fund
VNI	Index of the Ho Chi Minh Stock Exchange
y-o-y	Year-on-year
ytd	year to date



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## **Letter from the Chief Investment Officer**

Hanoi, March 2018



Dear Investors,

2017 has been a record year. After a slow start, the Vietnamese economy achieved its highest rate of growth in ten years. Manufacturing and exports developed strongly, agriculture and fishing benefitted from benign conditions, and the services sector prospered with strong domestic consumer demand, rising wages and low inflation. The good economic conditions were reflected in the equity markets, which had the highest gains in a decade and rewarded our investors with high returns. And even as I write, the stock market index is testing ground to reach new record highs.

As long-term investors, in order to maintain sustainable and sound growth of your investment with us, we continue to look very carefully at the long-term plans and prospects, in relation to valuation, of the companies we are considering. This is critical in times like these when the market seems continually to find higher valuations and expectations are repeatedly exceeded. In this environment we work to ensure that the investments we make with your funds are in robust companies at reasonable prices that should endure when market sentiment or conditions sour and turn. While the market will as a result be more exuberant than we are in its valuations at times, we are all the more vigilant to seize opportunities at valuations attractive to us when the market fluctuates.

The growth momentum from 2017 has continued. The first quarter developments have given Vietnam a strong start and the outlook for 2018 is good. There are some clouds, notably the imposition of new trade tariffs and boundaries and intentions to raise interest rates in some markets, which make the outcome uncertain. But we remain convinced of Vietnam's resilience and its long-term outlook.

Consequently as long-term fundamental investors we continue to look for companies that have strong secular growth, good management teams, and reasonable valuations. We believe these investments will have the highest probability of creating long-term wealth for you, our clients.

We thank you for trusting and investing with Vietcombank Fund Management and look forward to continuing to serve you. For more detail about the funds' performance, please visit us at [www.vcbf.com](http://www.vcbf.com).

Yours sincerely,

Vu Quang Dong, Ph.D  
Chief Executive Officer & Chief Investment Officer

## **I. APPROVAL OF CHAIRPERSON AND AGENDA OF IGMs**

Pursuant to Art 20 (3) of the Charters of VCBF-BCF and VCBF-TBF, the Manager has convened the IGM on 12 Apr 2018 and prepared the agenda for the IGMs.

The tabled agendas for the IGMs are:

- I. Approval of the agenda, secretariat and voting committee of the IGM;
- II. Presentation of the Funds' operations and financial statements as at 31 Dec 2017 and update of the Funds' operations as at 31 Mar 2018;
- III. Report of the Supervisory Bank for the period ending 31 Dec 2017;
- IV. Report of the FRB for 2017;
- V. Resolution to delegate authority to the FRB;
- VI. Resolution to amend the Charters of VCBF-BCF and VCBF-TBF;
- VII. Investors' Questions and Answers; and
- VIII. Approval of the minutes of the IGM and resolutions of the IGMs.

Pursuant to Art 22 (1) of the Funds' Charters, the Chairperson of the FRB, Mr. Nguyen Trung Kien, shall preside as chairperson of the IGM.

The IGM is requested to approve the following resolutions:

**THAT** the Agenda as tabled be approved; and

**THAT** the Voting Committee and secretariat to the IGMs be approved.

## II. REPORTS OF FUNDS 2017

### 1A) VCBF-BCF

#### FUND DATA – 31 Dec 2017

**Total Net Asset Value:**  
VND 431,176,480,979.0

**NAV per unit:**  
VND 19,361.76

**Number of units:**  
22,269,477.29

**Inception:** 22 August 2014

**Trading day:** Weekly on Wednesday

**Subscription Fee (Max):** 2%

**Management Fee:** 1.9%

#### FUND BENCHMARK

The fund's benchmark return is VN100 Index's return

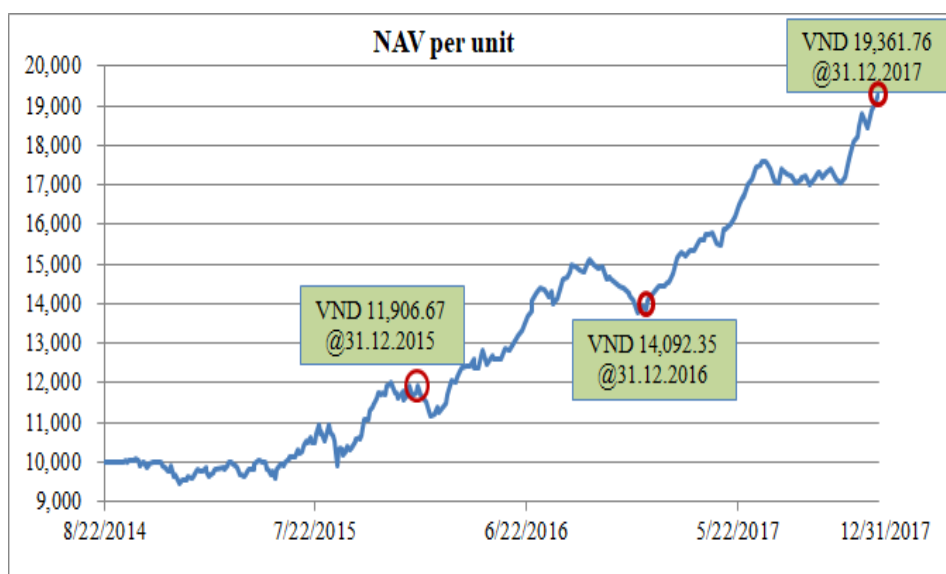
#### FUND MANAGERS

#### VCBF BLUE CHIP FUND (VCBF – BCF)

##### FUND STRATEGY

- VCBF Blue Chip Fund (VCBF-BCF) will primarily invest in a diversified portfolio of stocks listed on the Ho Chi Minh Stock Exchange (HSX) and Hanoi Stock Exchange (HNX) which have a large market capitalization and are liquid. Stocks with large market capitalization are considered as those with market capitalization larger than the hundredth largest stock listed on the HSX.
- The Fund follows a blend of value and growth style of investing. In seeking sustainable growth characteristics, VCBF evaluates the long term market opportunity and competitive structure of an industry to target leaders and emerging leaders. In assessing value, the Manager considers whether security prices fully reflect the balance of sustainable growth opportunities relative to business and financial risks.
- The Fund will follow a bottom-up approach to selecting stocks for investment, focusing on the individual attributes of a company, and choosing companies across sectors. In evaluating sector weighting in the Fund's investment portfolio, the investment manager considers, but may deviate from the relative weightings of sectors in the benchmark index.

##### FUND PERFORMANCE

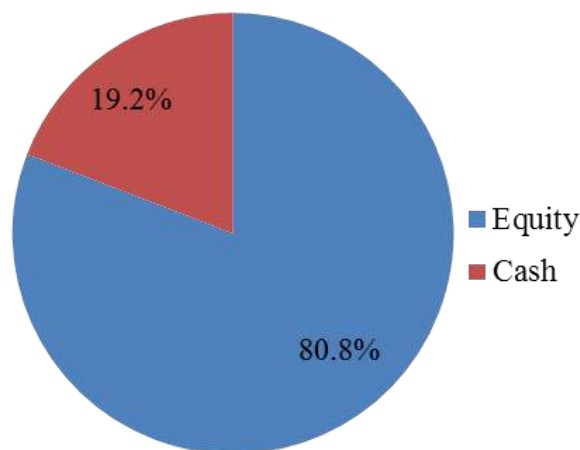


Return (w/o Subscription fee)	Fund	Benchmark
Since inception (annually compounded)	21.7%	14.7%

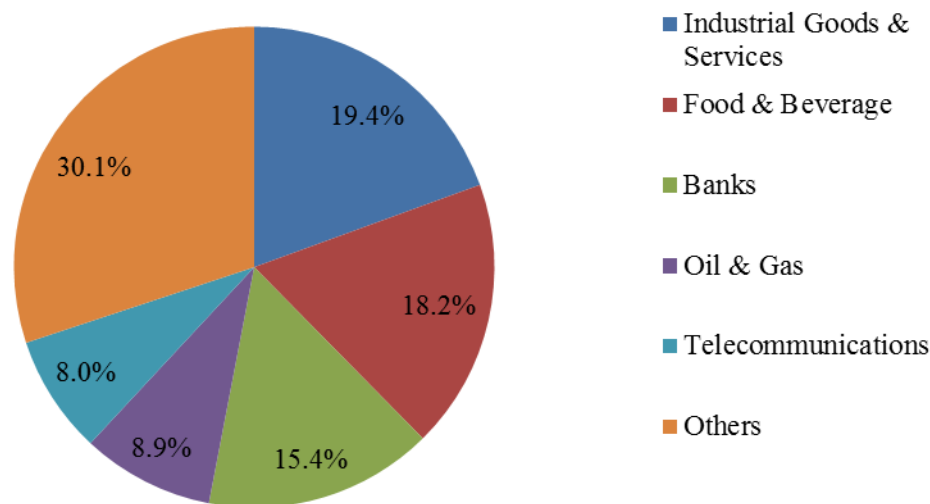
Ms. Nguyen Thi Hang Nga,  
CFA  
Ms. Duong Kim Anh  
Ms. Nguyen Trieu Vinh, CFA

3 years (annually compounded) 26.1% 19.1%  
2017 37.4% 51.3%

**ASSETS ALLOCATION**



**Top 5 Sectors in VCBF - BCF**



TOP 5 STOCK HOLDINGS	% of Fund NAV
Vietnam Dairy Product (VNM)	12.2%
Military Bank JSB (MBB)	6.9%
Noi Bai Cargo Terminal Services (NCT)	6.0%
FPT Corporation (FPT)	4.7%
PetroVietnam Technical Service Corporation (PVS)	4.6%

*Holdings as of 31 Dec 2017*

The Fund increased 37.4% in 2017, underperformed the benchmark by 13.9%. The Fund's equity allocation ranged between 70-80%, lower than the 100% of the benchmark. In addition, among top contributors to VN100, the Fund did not invest in VIC, MSN, ROS and VCB, either because it is a related party company (VCB), or share price movements could not be fundamentally explained (ROS) or business outlook is highly unpredictable and companies are penetrating in highly competitive and heavily invested sector (VIC, MSN). If excluding these four stocks, VN100 would increase 34.1% rather than 51.3%. Top contributors to the Fund's performance in 2017 were Vinamilk (HSX: VNM), Military Bank (HSX: MBB), Thanh Cong Textile Company (HSX: TCM), FPT Corporation (HSX: FPT), and Noi Bai Cargo Services (HSX: NCT). Except for VNM whose increase was mainly supported by net purchase of foreign investors, MBB, FPT, TCM & NCT gains were all thanks to earnings growth in 2017. In addition, TCM and NCT recovered after being oversold in 2016 due to disappointed earnings recorded in 2016.

**1B) VCBF-TBF****FUND DATA – 31 Dec 2017**

**Total Net Asset Value:**  
VND 251,751,917,501

**NAV per unit:**  
VND 19,801.28

**Number of units:**  
12,713,916.54

**Inception:** 24 Dec 2013

**Trading day:** Weekly on  
Wednesday

**Subscription Fee (Max):** 2%

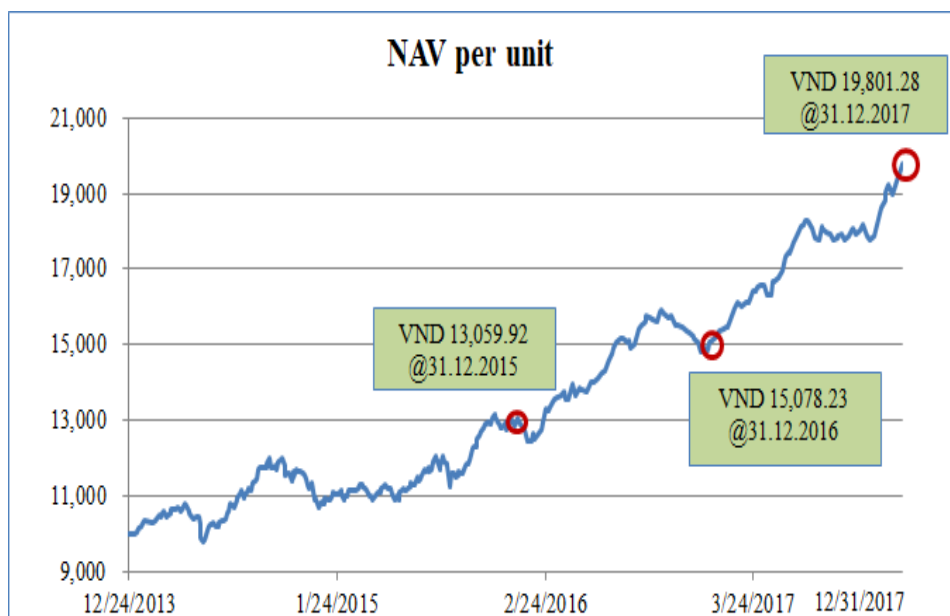
**Management Fee:** 1.5%

**FUND BENCHMARK****VCBF TACTICAL BALANCED FUND (VCBF – TBF)****FUND STRATEGY**

- VCBF-TBF has a balanced allocation of 50% of its total assets in equity securities and 50% in fixed income securities. The asset allocation may vary tactically from the balanced allocation by  $\pm 25.0\%$  subject to VCBF's investment team's assessment of risk and return in these asset classes and the availability of investment opportunities.
- The high quality fixed income securities include bank deposits, Vietnam Government bonds and municipal bonds or bonds guaranteed by the Government or listed corporate bonds. Listed corporate bonds are considered only if the bonds meet certain safety requirements.
- The fund invests in a diversified portfolio of stocks which have a large market capitalization and are liquid on HSX and HNX.
- The fund follows a bottom-up approach to stock-picking by valuing fundamentals of the companies and chooses companies across various sectors.
- The investment objective of the fund is to provide long-term total return via growth of capital and current income by investing in stock and high quality fixed income instruments.



The fund's benchmark return is the average of VN-Index and 10-year government bond yield



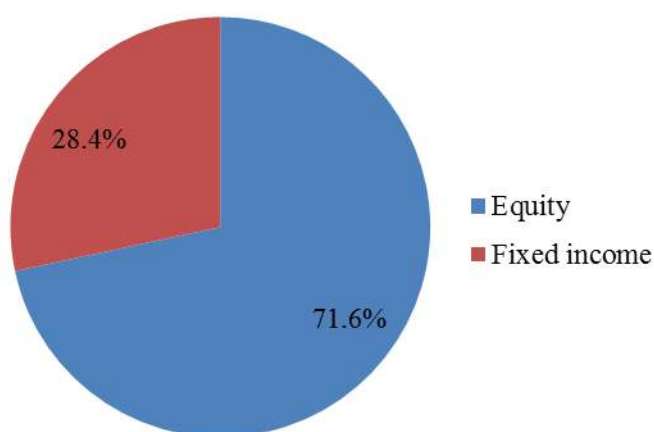
### FUND MANAGERS

Ms. Nguyen Thi Hang Nga, CFA  
 Ms. Duong Kim Anh  
 Ms. Nguyen Trieu Vinh, CFA

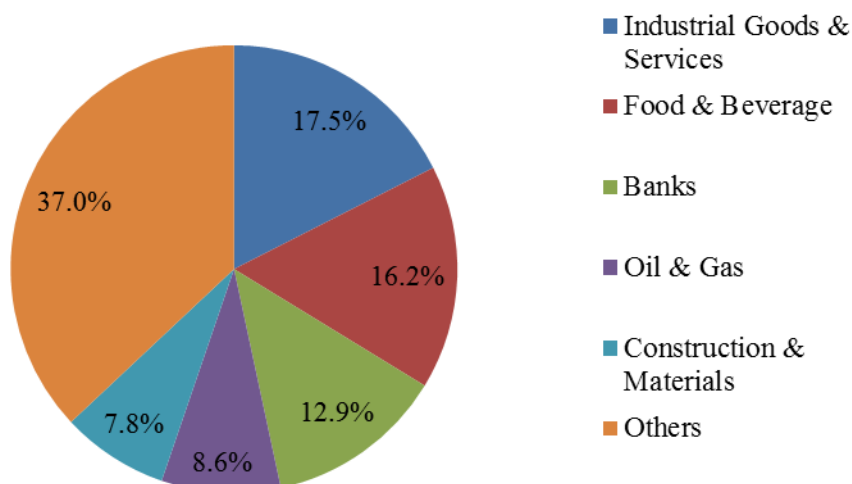
### FUND PERFORMANCE

Return (w/o subscription fee)	Fund	Benchmark
Since inception (annually compounded)	18.5%	13.0%
3 years (annually compounded)	21.9%	14.6%
2017	31.3%	27.1%

### ASSET ALLOCATION



**Top 5 Sectors in VCBF - TBF**



TOP 5 HOLDINGS	% of Fund NAV
Vietnam Dairy Product (VNM)	9.9%
Military Bank (MBB)	5.2%
Noi Bai Cargo Terminal Services (NCT)	4.4%
FPT Corporation (FPT)	4.1%
Viglacera Tien Son Bond (VIT Bond)	4.0%

*Holdings as of 31 December 2017*

The Fund increased 31.3% in 2017, outperformed the benchmark by 4.2%. The Fund outperformance is because the Fund's equity allocation during the year was maintained around 70%, outweighing the 50% equity allocation of the benchmark. Top contributors to the Fund's performance in 2017 were Vinamilk (HSX: VNM), Thanh Cong Textile Company (HSX: TCM), Military Bank (HSX: MBB), Hochiminh Securities (HSX: HCM) and Asia Commercial Bank (HNX: ACB). Except for VNM whose increase was mainly supported by net purchase of foreign investors, TCM, MBB, HCM and ACB gains were all thanks to strong earnings growth in 2017. In addition, TCM recovered after being oversold in 2016 due to disappointed earnings recorded in 2016. We continue to expect strong earnings growth for MBB, HCM and ACB in 2018.

## 2 Macro and Market reviews, Manager's Perspective

### MACRO UPDATE

#### **GDP growth for 2017 above target and the strongest in 10 years**

Supported by strengthening global growth, the Vietnamese economy outperformed expectations in 2017, especially those early in the year. Growth in the 4Q reached 7.7%, pushing 12M GDP growth to 6.8%, the highest growth rates since 2007. In contrast though to the overheating in 2007, the economy was neither too hot nor too cold, with the Government also fulfilling its other targets and pledges to prioritise stable development.

Each sector of the economy contributed to the robust growth in 2017. Agriculture, Forestry & Fishing, accounting for 15.3% of GDP, recovered from the climate and environmental conditions of 2016 and grew by 2.9% yoy against 1.4% in 2016. The Services sector, accounting for 41.3% of GDP, grew by 7.4% yoy against 7.0% in 2016. Notable are strong contributions from wholesale and retail sales, financial services and real estate services, all recording higher growth rates than in the last five years. Tourism has also developed well, revenues increasing by 10.4% yoy against 2016 and foreign arrivals up 29.1% yoy to 12.9m.

#### **Manufacturing strong growth driver**

The Industry & Construction sector, accounting for 33.3% of GDP, grew by 8.0% yoy and rose from 7.6% in 2016 but is still lower than in 2015 at 9.6%. Manufacturing continues to be the main growth driver, and for 12M 2017 rose by 14.4% yoy, the fastest rate in seven years. Computers, Electronic and Optical Products, which includes mobile telephones and televisions, grew at the fastest pace at 32.7% yoy. However, due to lower crude oil and coal output, Mining and Quarrying decreased by 7.1% yoy in 2017 (against a decrease of 4.0% in 2016) and lowered the GDP growth rate by 0.5 percentage points.

#### **PMI expansionary for whole of 2017 – business confidence high**

The PMI has strengthened to 52.5 points in Dec 2017 after softening in the two preceding months. The PMI has now been expansionary for over two years due to higher new orders, also for exports, purchases and new job creation. The GSO's business survey shows a high level of confidence with 48.2% the canvassed businesses expecting improving conditions and 35.7% stable conditions in 1Q 2018.

#### **Domestic demand as main growth driver in terms of expenditure**

Domestic demand is the main growth driver if looking from the expenditure angle and consumer confidence is high. Strong labour demand has both reduced poverty and increased wages strongly in the private sector since 2014<sup>1</sup>. The World Bank assesses that 2.9m net new jobs were created in the three years until end 2016, of which 1.6m net in manufacturing and 0.7m in construction and services. As a result of availability of jobs, rising wages and low inflation, spending power has

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<sup>1</sup> See: World Bank, Taking Stock – An Update of Vietnam's Recent Developments, 12.12.2017; average monthly wages in the private sector increased by 8.4% while those in the public sector were constrained at 3.0% until 2016 and raised by 7.0% in Jul 2017.

**Exports robust and trade balance back in surplus**

risen. Growth of real retail sales reached 9.5% yoy in Dec 2017 and has thus continued the steady rise from 4.7% in Dec 2011.

Exports continued to grow throughout 2017, finally to outpace imports with 21.1% yoy growth and reached US\$214.0bn. Exports of mobile telephones and other electronic products account for a third of all exports and grew by 33.3% yoy to US\$71.2bn, and exports of garments and footwear grew by 10.1% to US\$40.7bn. Vietnam's exports of agricultural goods and seafood have also performed strongly, growing by 13.7% and 18.5% to US\$15.3bn and US\$8.3bn respectively. Commodities, notably crude oil and rubber, benefited from recoveries in export prices. The U.S.A. and EU make up the two largest markets for Vietnamese exports, growing by 8.0% and 12.8% yoy and accounting for 19.4 and 17.9% of total exports followed by China which grew by 60.6% to US\$35.3bn.

Imports grew by 20.8% to US\$211.1bn so the trade surplus for 2017 reached US\$2.9bn. Electronics, computers and components are the largest import category, accounting for 17.9% of total imports, and grew by 34.4% yoy to US\$37.7bn. Machinery, equipment and spare parts followed at US\$33.7bn or 16.0% of the total, and grew by 17.9%. China and Korea are the largest suppliers accounting for 27.7% and 22.2% of total imports, with imports from Korea growing particularly strongly by 45.5%.

**FDI inflows remain strong; foreign exchange rate stable**

Total FDI approvals, both for existing and new projects, outpaced those in 2016 throughout the year and amounted to US\$29.7bn, an increase of 44.2% over 2016. Of the total, 47.6% or US\$14.1bn are for manufacturing and processing projects and 28.2% or US\$8.4bn for power, water and gas projects. Japan was the largest foreign investor at US\$7.7bn, followed by South Korean (US\$4.0bn), Singapore (US\$3.8bn) and China (US\$1.4bn). FDI disbursements rose by 10.8% yoy to US\$17.5bn.

**FII surged, foreign reserve at record level, foreign exchange rate stable**

Net foreign indirect investments reached US\$1.1bn in 2017, more than the total over the previous five years. Altogether, the capital inflows from investments, remittances and trade have kept the exchange rate very stable: the commercial bank VND : USD exchange rate appreciated by 0.2% yoy while the State Bank of Vietnam has augmented its reserves to the highest level on record at US\$52.0bn.

**Credit growth and money supply under control; inflation remains muted**

The monetary indicators show a much more stable course than in 2007 and, to a lesser extent, following the expansionary policies applied in 2009 after the global financial crisis. Credit growth for 2017 of 18.2% remained lower than in 2016 at 18.7%. Money supply has also remained in step, with M<sub>2</sub> growing by 16.0% against 16.5% in 2016.

Headline inflation was low in 2017 with the CPI increasing 2.6% yoy against 4.7% in 2016; average core inflation eased from 1.8% in 2016 to 1.4% in 2017. The main contributor to inflation in 2017 was the 42.3% increase in medical costs following the Government's revision of its pricing of medical services, and a 9.1% increase in education costs.

**Budget deficit within target though revenues under plan**

The Government managed to keep the budget deficit of VND170.8trn (US\$5.1bn) and marginally under the target limit of 3.5% of GDP. Government revenues remained 8.9% under plan mainly due to lower revenue generated from corporates and state-owned enterprises. By managing expenditures to just 87.7% of the plan, particularly by using just 72.3% of the investment and capital construction budget, the Government could still contain the budget deficit. Due to the higher GDP growth rate, public debt remained under the cap of 65.0% of GDP and improved from 63.7% in 2016 to 61.3% for 2017.

**Outlook 2018**

Similarly to previous years, the Government announced its targets and priorities for 2018 after getting approval from National Assembly in late 2017 at the outset of the year. For the most part, 2018 targets are similar to 2017. The successful mix of policies in 2017 will also be continued, encouraging growth and maintaining stability. More effort is to be directed to developing the agricultural sector and achieving good industrial growth, also with higher value-added and greater factor productivity.

Given the budgetary constraints imposed by the high proportion of current government expenditures and the limited flexibility to increase public debt if needed, a number of alleviating measures are planned. Greater scrutiny of recurrent and investment expenditures and tighter fiscal discipline is intended. Regular expenditures are to remain at 64.1% of the total while 26.0% are to be used for development expenditures. The budget deficit is to be contained at 3.7% of GDP and the public debt under 65.0% of GDP.

**Key Economic Indicators**

		Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015
Quarter GDP growth	yoy	7.7%	7.5%	6.3%	5.2%	6.7%	6.4%	5.8%	5.5%	7.0%
YTD GDP growth	yoy	6.8%	6.4%	5.7%	5.2%	6.2%	6.0%	5.5%	5.5%	6.7%

		Dec 2017	Nov 2017	Oct 2017			Dec 2017	Nov 2017	Oct 2017
CPI	{ mom	0.2%	0.1%	0.4%	VN Index (HSX)	{ ytd	48.0%	42.9%	25.9%
	{ yoy	2.6%	2.6%	3.0%		{ yoy	48.0%	42.8%	23.9%
Money Supply (M <sub>2</sub> )	ytd	14.1%	n.a.	n.a.	HNX Index	{ ytd	45.9%	43.3%	31.3%
Credit growth	ytd	17.0%	15.3%	13.6%		{ yoy	45.9%	42.3%	27.8%
Real retail sales growth	yoy	9.5%	9.5%	9.4%	Foreign Net Purchases (\$ m)	mth	\$ 66.2	\$ 495.6	\$ (5.1)
Industrial Prod Index	{ mom	2.0%	2.8%	8.0%	Registered New FDI (\$ m)	mth	\$ 1,879	\$ 4,297	\$ 2,190
	{ yoy	11.2%	17.2%	17.0%	Disbursed FDI (\$ m)	mth	\$ 1,500	\$ 1,800	\$ 1,700
Manufacturing Index	{ mom	2.0%	4.7%	6.7%	Exports (\$ m)	mth	\$ 19,549	\$ 19,990	\$ 20,292
	{ yoy	17.8%	24.3%	22.3%	Imports (\$ m)	mth	\$ 19,808	\$ 19,394	\$ 18,111
PMI	mth	52.5	51.4	51.6	Trade Balance (\$ m)	ytd	\$ 2,915	\$ 3,174	\$ 2,578

Sources: GSO, VCB, Customs, Nikkei + press

denotes improvement  denotes deterioration or unchanged

## **EQUITY MARKET**

**Equity market recorded a very strong performance year. VNIndex approaching 1,000 points.**

**Liquidity and market size increased sharply**

VNIndex closed 2017 at 984.24 points, closely approaching 1,000 points, surpassing all predictions at the beginning of the year. At this level, VNIndex rose 22.4% in the 4Q 2017, marking one of few years of continuous increase in 4 consecutive quarters. For the entire year, the VNIndex rose by 48.0%, recorded the third highest annual growth since its establishment, just below a skyrocket of 144.5% in 2006 and the recovery of from impacts of global crisis - 56.8% in 2009. 2017 also marked the 6th consecutive year VNIndex posted positive return. Exceeding expected GDP growth, accommodative monetary policy, stable inflation and exchange rate, record foreign net purchase, great success in state capital divestments in Saigon-Beer-Alcohol-Beverage Corporation - Sabeco (HSX: SAB) & Vinamilk (HSX: VNM) and strong corporate earnings are key drivers of the market.

Trading value for the entire year 2017 reached more than VND1,040 trillion (US\$45.7bn), the average trading value per session reached more than VND4.100 billion (US\$180.3m), overtaking the Philippine stock market<sup>2</sup>.

On the demand side, money flew into the stock markets as interest rate remained low. Contrary to 2016 when the overnight interbank rate increased sharply in 4Q, the rate was stable between 50-60 bps in 4Q 2017. As M2 increased 16.0%, State Bank of Vietnam net purchased US\$ 13.0 billion, liquidity in the banking system continued to enjoy the abundance. Stable economic growth while stock market consistently boasted strong performance over the past six years also encouraged investors to pour money into the stock markets.

On the supply side, market capitalization of HSX has increased 75.2% in 2017 from US\$66.3 billion at the beginning of the year to 115.0 billion by the end of 2017. There are four stocks making their debut in HSX that have market capitalization over US\$1.0 billion each, a record number of billion USD listings since the establishment of the stock market. Together with price increase, this lifted up the market size in 2017. The number of billion-US-dollar stocks at the end of 2017 has reached 21, compared with just 14 stocks at the beginning of the year. Compulsory listing or trading registration of public companies before 31<sup>st</sup> December 2017 and listing/trading registration on parallel with equitization also had a big role in increasing market size. Number of new listings in HSX and Hanoi Stock Exchange (HNX) were as high as 32 companies and number of trading registrations on Upcom increased impressively by 371 companies, more than double the companies trading on that floor at the beginning of the year (319 companies).

2017 also witnessed the establishment of derivative market in Vietnam. The first products are futures contract on VN30. Opening on 10<sup>th</sup> August

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<sup>2</sup> <https://www.bloomberg.com/news/articles/2017-11-27/vietnam-s-stock-market-sheds-its-minnow-status>



**Large capitalization stocks were key market drivers**

2017, the transaction volume had reached over 1.1 million contracts and nominal contract value had gone over VND96 trillion by the end of the year.

VN30 increased 55.3%, VN100 increased 51.3% compared to 48.0% of VNIndex in 2017. Top five contributors to indices accounted for 50% of VNIndex, 54.9% of VN100, and 60.0% of VN30. Top contributors to the indices include Vinamilk (VNM), Vingroup (VIC), PetroVietnam Gas Corporation (GAS), Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID), Hoa Phat Corporation (HPG), Masan Group JSC (MSN) and Military Bank (MBB).

**Foreign investors net bought the most since 2007**

In the contrary to the net sales of approximately USD350m in 2016, foreign investors net bought nearly USD1.1 billion on HSX, focusing on large market capitalization stocks and they bought the most in 4Q 2017. In 4Q 2017 alone, foreign investors net bought around USD480bn in 2017, which was mainly comprised of the net purchase of approximately US\$230 million of Vincom Retail JSC (VRE) and around US\$118 million of VNM in November 2017. Foreign ownership in VNM has increased 53.2% to nearly 60.0% at the end of 2017. This net buy of USD1.1 billion have not counted the USD4.8bn transacted off-exchange for the purchase of 53.59% of Sabeco by Thai Beverage Public Company Limited, via Vietnam Beverage Ltd, completed on 28 December 2017. This was the biggest transaction in Vietnam so far and in Southeast Asia over the last three years.<sup>3</sup>

**The success of the divestments of VNM & SAB inspired the market**

State Capital Investment Corporation (SCIC) has successfully sold 3.33% of VNM on an auction held on 10<sup>th</sup> November 2017 at VND186,000 per share, 31.0% higher than selling price in the previous auction. This successful divestment and strong interest in VNM from foreign investors, as mentioned above, pushed up VNM's share price by 40.8%, contributing 18.5% to the market's increase in 4Q 2017 and by 71.7%, accounting for 15.8% of the market's increase in 2017.

Similarly, the Ministry of Industry and Trade has successfully sold 53.59% in SAB on the auction dated 18<sup>th</sup> Dec 2017 at the price of VND320,000 per share. This translates to a PE2017 of ~44.0x, 120% higher than the market's valuation and approximately 50% higher than valuation of VNM, a valuation that is deemed to pay for the controlling right in the company that holds more than 40% share of Vietnam's beer market. SAB's share price was therefore increased ~67.0% until 5<sup>th</sup> Dec 2017 compared to beginning of the year, contributed 11.2% to the market increase until that point of time, before falling 24.5% to the end of the year.

Some stocks also advanced as the Government announced its plans to divest from those companies as Domesco Medical Import and Export Joint Stock Company (HSX: DMC), Dry Cell and Storage Battery JSC -

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<sup>3</sup> News wise

**Banking stocks, which are considered “King Stocks” in bull markets posted impressive growth in 2017.**

Pinaco (PAC), Bao Minh Insurance Joint Stock Corporation (HSX: BMI), Binh Minh Plastic JSC (HSX: BMP), PVI JSC (HNX: PVI).

Three out of 10 top contributors to VNIndex in 2017 were banking stocks, contributing 18.8% to the increase of the Index. Shares of three state owned banks all posted strong gain in 2017, ranging between 56.5% (VCB) and 85.3% (BID). Military Bank (MBB), which was not on the list of top contributors, as it only accounted for 1.58% of the VNIndex at the beginning of the year, also posted 98.6% gain. The banking sectors therefore rose 61.2%, and was one of sectors that have the best returns in 2017. Impressive earnings growth, which is resulted from high credit and fee income growth and lower provisioning expenses, as well as high gain from divestments in some cases have boosted prices of these stocks. Following impressive rise of listed banking stocks, a number of banks have listed/registered to trade on Upcom or have plan to list in 2018, which again will help increase market size, such as VPBank (listed on HSX on 13<sup>th</sup> Oct 2017), Lien Viet Postbank (traded on Upcom since 5<sup>th</sup> Oct 2017), HDBank (listed on HSX on 5<sup>th</sup> Jan 2018), Tien Phong Commercial Joint Stock Bank (filed for listing on 29/12/2017)...

Travel and Leisure, Financial Services, Retail, Technology and Real Estate posted the highest gains in 2017. These were again driven by large market capitalization stocks in each sector. VJC accelerated 148.8%, helped the Travel and Leisure sector increase 111.2%, MSN advanced 85.9%, so the Financial Services sector rose 65.5%, MWG gained 69.3%, led to 62.1% increase in Technology and VIC rose 84.1%, pushed the Real Estate up 62.4% in 2017. Regarding Financial Service Sector, in addition to support from MSN, the strong performance in equity market with high volume and high value divestments deals raised earnings expectation in brokerage companies, which led to 26.9% increase in the Investment Services in 4Q 2017 and 66.4% in 2017.

**Strong corporate earnings**

Trailing 12-month profit of companies listed on VNIndex increased approximately 19.7% y.o.y by 3Q 2017. Therefore, despite the market's growth of 48.0%, the market valuation P/E only increased 23.7% from 15.6x at the end of 2016 to 19.3x at the end of 2017. All consumption related sectors posted strong growth as Financial Services, Banking, Consumption Coods, Consumption Services, Retail and Travel and Leisure. Robust consumption, which was again resulted from strong economic growth and low inflation are considered key drivers to that healthy growth.

**BOND MARKET**

**Government Bond Market was active in the first two quarters and quieter**

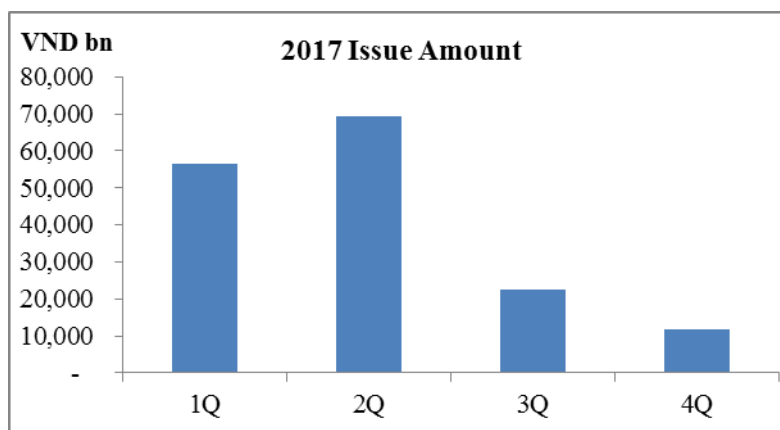
In 2017, VND159.9 billions' G-Bond was issued, satisfying 87.2% issue plan set up at the beginning of the year. Long tenor G-Bonds (15YR and longer) account for 43% of total issue, compared to 21% in 2016.



toward the year end.

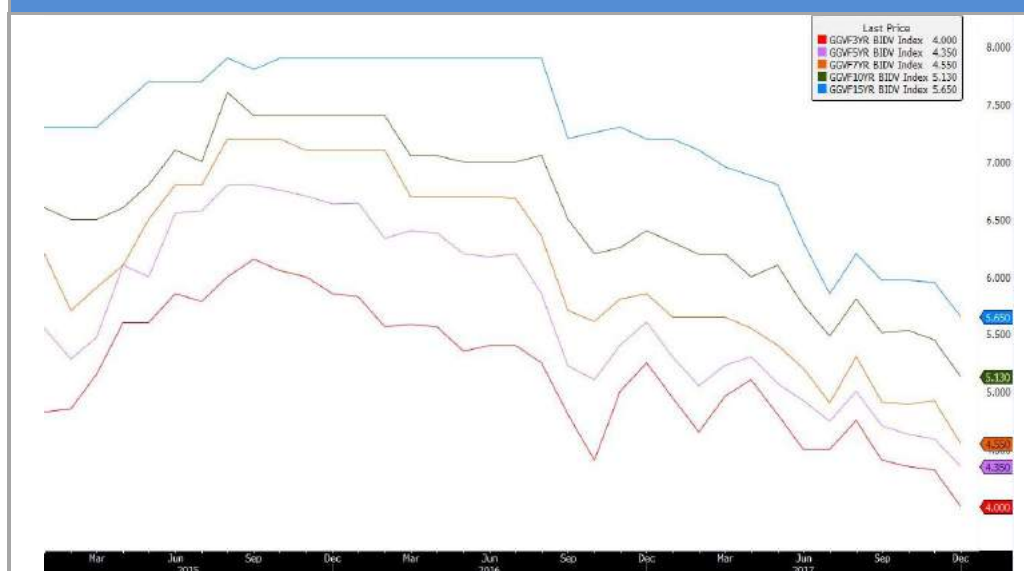
In 2017, rates of all tenors experienced sharp falls, reaching the record lows from 2009. 10YR and shorter tenors experienced drops of around 100bps, 15YR fell by 160bps, while 20YR and 30YR tenors recorded the most severe downs of 188bps.

Rates dropped in all tenors with the highest fall recorded for 20 and 30 year tenors



Tenor	2017 Issuance Plan (VND Billion)	2017 Issued Amount (VND Billion)	% Issuance Plan
3 year and shorter	28,000	0	0%
5 year	80,300	37,344	46.5%
7 year	25,000	34,664	138.7%
10 year	5,000	19,176	394.3%
15 year	20,000	21,459	107.3%
20 year	10,000	18,899	189.0%
30 year	15,000	27,838	185.6%
<b>Total</b>	<b>183,300</b>	<b>159,921</b>	<b>87.2%</b>

**Government bond yield 3-15 years**



Source: Bloomberg

The significant falls in yields in 2017 could be explained by the following factors:

- Abundant liquidity of banks mainly resulting from (i) stronger balance sheet and (ii) SBV's continuing purchase of USD to increase national reserve (estimated to reach US\$11 billion during 2017).
- Non-insurance investors (banks and asset managers) participated in 20YR and 30YR tenor auctions, which is driven mainly by the yield gaps.
- Slow disbursement of capital raised and better control of budget deficit put State Treasury under no pressure to fulfill the issue plan, and thus allowed them to keep the auction winning rates low.

The successful divestment of state stake in Vinamilk and Sabeco during the last quarter of 2017, bring in US\$5.2 billion to the State budget strengthened state's liquidity and thus further improved the market liquidity. This is expected to put rates under pressure to fall in 1Q 2018. Shorter tenor rates, experiencing less fall in 2017, are more like fall first, which will be followed by longer tenor rates when the yield gaps widen enough to attract the investors. That the amount of G-Bonds to mature in 2018 (VND63.6K billions, of which VND26.6K billions to mature in 1Q 2018) is much less than that of 2017 (VND98.5K billions) further contributes to the falling rate pressures.

**Secondary market was active in 2017, more transactions recorded in longer tenors.**

Total transaction value in the secondary market (excluding repo transactions) in 2017 reached VND1,100 trillion, up 15.2% compared to 2016. Average transaction value per day was VND4,513 billion. Transaction value in longer tenors taking rising portion. In 2017, total transaction value of over 5 year tenor has accounted for more than 36.1% of total transaction value, compared to just 16.3% in 2016. The main reason is because rates were falling rapidly and investors, particularly commercial banks moved toward longer terms, especially over 15 years tenors to enjoy higher rate. Foreign investors purchased VND78 trillion and sold VND57 trillion, accounting for 5.9% of outright transaction value. So foreign investors net bought over VND20 trillion (~USD880 million) in 2017.

**Government plans to issue VND200 trillion in 2018**

State Treasury set the issue plan of VND200 trillion in 2018. However, with ample liquidity from successful divestments in 2017, continuing divestment activities in 2018 and large IPOs of state owned enterprises in 2018, we think it is under no pressure to complete this issue plan so as to maintain interest rate at low level to support economic growth.

**MANAGER'S PERSPECTIVE**

Key drivers to economic growth in 2017, Manufacturing and Services, are expected to maintain their momentum in 2018. FDI, the largest contributor to the growth of Manufacturing continued to record high capital inflows as mentioned above. Whereas, Consumer confidence in

Vietnam rose to a five-year high in 2Q 2017, at 117, the fifth highest in the world, indicating that wholesale and retail sector, which accounted for 25.9% of the Service sector, will continue to grow well in 2018. Tourism industry will play a bigger role in driving growth of the Service sector because the Government will allow more countries exempted from visas. Provincial featured festive activities and private companies' initiatives will also help attract more foreign visitors.

Global economy has also been supporting economic outlook of Vietnam. Most of the forecasts show that the growth momentum exceeding expectation gotten in 2017 will continue in 2018. Although more than 21% export growth is difficult to repeat, export value and trade surplus will maintain at high level as FDI disbursement was particularly high in 2017. Up to 75% of participants, many of whom are leading economic experts, in a macroeconomic conference recently hosted by Bizlive and VTV24, expected that GDP in 2018 could exceed Government's high end target of 6.7%.

Following great success in divestments of VNM and SAB, the Government continues to accelerate equitization and divestments. In January 2018 alone, three largest enterprises belonging to Viet Nam Oil and Gas Group (PVN) will hold auctions for equitization, including Binh Son Refining and Oil Co., Ltd, Petro Vietnam Power Corporation and Petro Vietnam Oil Corporation. A number of large companies are also on the list of Government's divestments as Airport Corporation of Vietnam (Upcom: ACV), Vietnam National Petroleum Group (HSX: PLX), Vietnam Airlines JSC (Upcom: HVN), etc... Privatization of leading state-owned enterprises in Vietnam will allow them to increase business efficiency, which will help improve allocation of national limited resources, and hence long-term GDP growth. Proceeds from Government divestments, if used effectively for key infrastructure projects, will also have a spillover effect on the economy.

Meanwhile, investors' interest in the stock market continue to rise, both from domestic investors and foreign investors, which will support the stock market in 2018.

We will continue to monitor inflation, interest rates, exchange rates, budget deficits and US' trade policy, key concerns that we have mentioned several times in our quarterly reports. The fact that the State Bank of Vietnam (SBV) has set a credit growth target of 17.0% in 2018, lower than 18.1% of 2017 is a positive signal, indicating a prudent and well-prepared SBV. How proceeds of equitization and SOE divestment is used will also be monitored, as this is a potential risk of inflation and asset bubbles, if it is not properly used. Raising VAT from 10% to 11% from January 1, 2019, is also a potential factor to watch for inflation and consumption in mid-term.

In terms of valuation, VNIndex is no longer cheap compared to other markets in the region, which means the market risk is rising. However,

valuation is mainly high in large capitalization stocks. Median PE of both exchanges, HSX & HNX is just more than half of VNIndex's as shown in the table below. Therefore, there are still opportunities for bargains. As usual, we will continue to seek for such bargains in strong fundamental and well managed companies.

Figure 7: Vietnam Stock Market Valuation Compared to Some Other Emerging Markets

Country	Index	Median 2018E		TTM		LFI
		GDP Growth (%)	ROE (%)	EV/EBITDA	PE	PB
China	SHCOMP Index	6.5	11.0	13.8x	17.2x	1.8x
Thailand	SET Index	3.7	11.6	10.8x	17.4x	2.1x
Malaysia	FBMKLCI Index	5.3	10.7	9.5x	16.5x	1.7x
Indonesia	JCI Index	5.3	11.4	12.0x	23.0x	2.5x
India	MXIN Index	6.7	13.9	13.7x	23.7x	3.1x
The Philippines	PCOMP Index	6.6	11.6	13.5x	23.6x	2.6x
<b>Vietnam</b>	<b>VNIndex</b>	<b>6.6</b>	<b>14.8</b>	<b>14.1x</b>	<b>20.0x</b>	<b>2.9x</b>
<b>Vietnam</b>	<b>VNIndex &amp; HNX Index - Median</b>		<b>9.8</b>	<b>7.5x</b>	<b>10.7x</b>	<b>1.0x</b>

Source: Bloomberg @ 4<sup>th</sup> Jan 2018

### 3 Investor Activity 2017

Investor activity in both Funds built up throughout the year Subscriptions, including those of many new investors to the Funds, were particularly strong in 3Q 2017, while more existing investors took profits in 4Q 2017. As a result, net subscriptions, including many in SIPs, of over VND200.0bn were raised in 2017.

VCBF continued to pay significant attention to improve investor communications and to improve investors' awareness of general investment topics. Monthly newsletters are sent to all investors and cover fundamental and topical investment subjects. The on-line investor chat portal continues to be very active and allows investors to obtain immediate attention to any questions or concerns. VCBF's website is also updated continually whenever new information on the Funds is released or other notices or information is provided for investors.

### 4 Audited Financial Statements 1 Jan – 31 Dec 2017

Pursuant to the delegated resolution of the investors at the IGM on 14 Apr 2017, Ernst & Young Vietnam Ltd was appointed by the FRB as auditor of both Funds for the financial year ending 31 Dec 2017. Please refer to Appendix 1A and 1B attached to these papers containing the audited financial statements of VCBF-BCF and VCBF-TBF for the period 1 Jan – 31 Dec 2017.

It is noted that the Auditors' Report is unqualified.

The IGM is requested to approve the following resolution for each Fund respectively:

A: For the investors of VCBF-BCF:

**THAT** the audited financial statements of VCBF-BCF for 1 Jan – 31 Dec 2017 be approved.

B: For the investors of VCBF-TBF:

**THAT** the audited financial statements of VCBF-TBF for 1 Jan – 31 Dec 2017 be approved.

**5. Update of the Fund for the period 1 Jan – 31 Mar 2018**

The Manager shall provide further detail of the Funds' development for 1Q 2018 in its next Quarterly Report and at the IGM.

The plan for the Funds in 2018 is to pursue the investment objective of the Fund as stated in the Funds' Charters, namely:

- for VCBF-BCF, to provide medium to long-term capital appreciation by investing primarily in a diversified portfolio of stocks listed on the HSC and HNX which have a large market capitalization and are liquid
- for VCBF-TBF, to provide long-term total return via growth of capital and current income by investing in stock and high quality fixed income instruments.

It is not planned to pay profits of the Funds as a dividend to the Unitholders, and instead will be re-invested.

\* \* \* \* \*

With the exception of the resolution in 4, this Item is intended for information purposes and no action of the IGM is required, unless otherwise determined.

### **III. REPORT OF THE SUPERVISORY BANK**

#### **SUPERVISORY BANK'S REPORT**

We, appointed as the Supervisory Bank of the VCBF Blue Chip Fund (“the Fund”) for the financial period from 01<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017 recognize that the Fund operated and was managed in the following matters:

- a) During our supervision of the Fund’s investments and asset transactions for the period from 01<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017, the Fund’s investment portfolio complied with investment restrictions under the prevailing regulations for the open-ended funds, Fund Prospectus, and other relevant policies.
- b) Assets Valuation and Pricing of the Fund units were carried out in accordance with Fund Charter, Fund Prospectus, and other prevailing regulations.
- c) Fund subscriptions and redemptions were carried out in accordance with Fund Charter, Fund Prospectus, and other prevailing regulations.
- d) For the period from 01<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017, the Fund did not pay dividend to Fund Unit Holders.

**SUPERVISORY BANK  
REPRESENTATIVE**

**SUPERVISORY BANK OFFICER**

**Vu Huong Giang**  
Supervisory Bank Senior Manager

**Truong Thi Hoang Yen**  
Supervisory Bank Staff

### **SUPERVISORY BANK'S REPORT**

We, appointed as the Supervisory Bank of the VCBF Tactical Balanced Fund (“the Fund”) for the financial period from 01<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017 recognize that the Fund was operated and managed in the following matters:

- a) During our supervision of the Fund’s investments and asset transactions for the period from 01st January 2017 to 31st December 2017, the Fund’s investment portfolio complied with investment restrictions under the prevailing regulations for the open-ended funds, Fund Prospectus, and other relevant regulations.
- b) Assets Valuation and Pricing of the Fund units were carried out in accordance with Fund Charter, Fund Prospectus, and other prevailing regulations.
- c) Fund subscriptions and redemptions were carried out in accordance with Fund Charter, Fund Prospectus, and other prevailing regulations.
- d) For the period from 01st January 2017 to 31st December 2017, the Fund did not pay dividend to Fund Unit Holders.

**SUPERVISORY BANK REPRESENTATIVE**

**SUPERVISORY BANK OFFICER**

**Vu Huong Giang**  
**Supervisory Bank Senior Manager**

**Truong Thi Hoang Yen**  
**Supervisory Bank Staff**

#### **IV. REPORT OF THE BOARD OF REPRESENTATIVES FOR 2017**

The Board of Representatives of VCBF Blue Chip Fund (“the Fund”) is pleased to present this report and the financial statements of the Fund for the year ended on 31 December 2017.

##### **THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE FUND MANAGEMENT COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Management of Vietcombank Fund Management (“the Fund Management Company”) is responsible for the financial statements of each financial year which give a true and fair view of the financial position, investment portfolio of the Fund as at 31 December 2017 and of the results of its operations, changes in its net assets, transactions of fund units and its cash flows for the year then ended. In preparing those financial statements, the Board of Management of 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 applicable to the Fund 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 its business.

The Board of Management of the Fund Management Company is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Fund and to ensure that the accounting records comply with the applied accounting system. The Board of Management 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.

The Board of Management of the Fund Management Company confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

##### **APPROVAL OF THE FINANCIAL STATEMENTS**

We hereby approved the accompanying financial statements which, based on the confirmation of the Board of Management of the Fund Management Company, give a true and fair view of the financial position, investment portfolio of the Fund as at 31 December 2017 and of the results of its operations, changes in its net asset value, transactions of fund units and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System applicable to open-ended funds and statutory requirements relevant to preparation and presentation of open-ended funds’ financial statements.

On behalf of the Board of Representatives:

Signed: Mr. Nguyen Trung Kien Chairman  
Ho Chi Minh City, Vietnam

22 March 2018



The Board of Representatives of VCBF Tactical Balanced Fund (“the Fund”) is pleased to present this report and the financial statements of the Fund for the year ended on 31 December 2017.

## **THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE FUND MANAGEMENT COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS**

The Board of Management of Vietcombank Fund Management (“the Fund Management Company”) is responsible for the financial statements of each financial year which give a true and fair view of the financial position, investment portfolio of the Fund as at 31 December 2017 and of the results of its operations, changes in its net assets, transactions of fund units and its cash flows for the year then ended. In preparing those financial statements, the Board of Management of 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 applicable to the Fund 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 its business.

The Board of Management of the Fund Management Company is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Fund and to ensure that the accounting records comply with the applied accounting system. The Board of Management 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.

The Board of Management of the Fund Management Company confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

We hereby approved the accompanying financial statements which, based on the confirmation of the Board of Management of the Fund Management Company, give a true and fair view of the financial position, investment portfolio of the Fund as at 31 December 2017 and of the results of its operations, changes in its net asset value, transactions of fund units and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System applicable to open-ended funds and statutory requirements relevant to preparation and presentation of open-ended funds’ financial statements.

On behalf of the Board of Representatives:

Signed: Mr. Nguyen Trung Kien Chairman  
Ho Chi Minh City, Vietnam  
22 March 2018

## **V. DELEGATION OF AUTHORITY OF THE IGM TO THE FRB**

The delegation of selected authorities of the IGM to the FRB was approved in the Funds' IPOs and the last IGMs on 14 Apr 2017. Pursuant to Art 21 (3) of the Fund Charters (and in accordance with Art 28 (5) (d) of Circ 183), such delegation must be reconfirmed at the next IGM to be continued.

It is proposed that the delegation of the authority to the FRB is reconfirmed for both VCBF-BCF and VCBF-TBF as was approved in the last IGM, namely:

- b. To replace the Supervisory Bank;
- c. To approve fundamental changes in a Fund's investment policies and objectives;
- d. To approve the consolidation or merger of a Fund;
- e. To temporarily suspend Fund Certificate transactions except for the Manager's decision under the Law; to split the Fund;
- f. To dissolve a Fund;
- g. To elect, remove or discharge the Chairperson or a member of the Fund Representative Board; to approve the remuneration and operating expenses of the Fund Representative Board; to approve the selection of the approved auditing firm to audit annual financial statements of the Fund; to approve reports on the financial position, assets and annual operations of the Fund; and
- h. To approve an increase the fee payable to the Manager or the Supervisory Bank.

The FRB shall conduct the reports of decisions in accordance with the Fund's Charter and the Law, to the Unitholders and to the SSC on those issues resolved under its powers delegated by the IGM. It is noted that the same resolution as below is being proposed at the IGM of VCBF-TBF.

Subject to revisions, the IGM is requested to approve the resolution for each Fund respectively:

A: For the investors of VCBF-BCF:

**THAT** the authority of the IGM to approve motions contained in Art 21 (2) sub-clauses b), c), d), e), f), g) and h) of the Fund Charter of VCBF-BCF is delegated to the FRB until further notice be approved.

B: For the investors of VCBF-TBF:

**THAT** the authority of the IGM to approve motions contained in Art 21 (2) sub-clauses b), c), d), e), f), g) and h) of the Fund Charter of VCBF-TBF is delegated to the FRB until further notice be approved.

## **VI. AMENDMENTS TO THE FUND CHARTER**

A number of changes of the Charter of VCBF-BCF and VCBF-TBF are proposed as listed below.

Pursuant to Art 62 of the Fund Charter, the IGM is requested to review and approve a number of changes to the Charters as listed below. (Note: the changes presented are defined by the Vietnamese language Charter; the English translations below are for orientation only.)

The changes are indicated in underlined text for insertions and in ~~striketrough~~ for deletions.

### **1. Article 26. Rights and obligations of the Fund Representative Board**

Clause 2 of Article 26 to be amended as follows:

“To approve the list of quotation service providers, the principles and method of NAV determination; to approve the bank list that the Funds deposit money, money instruments and other assets in which the Funds are authorised to invest; to approve transactions of the Funds’ assets within its authority according to the Law for transactions in the form of ~~negotiation~~ put-through transactions and sales or purchases of unlisted securities or securities not registered for trading;”

### **2. Article 52. Methodology to determine Net Asset Value**

The first note under Box A Asset Value in Clause 3 of Article 52 is to be amended as follows:

*“- Methods listed for each type of asset shall be used in priority order subject to its being considered appropriate and available method. For the avoidance of doubt, for the valuation of the Fund's assets the Manager will give priority to the first available valuation method in the order of its listing. Approval from the Pricing Committee is required to apply a valuation method which is considered the appropriate method that has a lower priority order although another method with a higher listing order is available.”*

\* \* \* \* \*

Subject to review, the IGM of each Fund is requested to approve the proposed amendments to the Charters of VCBF-BCF and VCBF-TBF respectively and approve the following resolutions:

A: For the investors of VCBF-BCF:

**THAT** the amendments of the VCBF-BCF Charter to Articles 26 2) and 52 3) (The first paragraph of the “Notes” under the box “Asset Value”) as tabled be approved.

B: For the investors of VCBF-TBF:

**THAT** the amendments of the VCBF-TBF Charter to Articles 26 2) and 52 3) (The first paragraph of the “Notes” under the box “Asset Value”) as tabled be approved.

## **VII. INVESTORS' QUESTIONS AND ANSWERS --**

Following the voting on the administrative items in Nos. V and VI above, the investors attending the IGMs of the Funds are invited to participate in questions and answers with the Manager. This section can be continued as time and the number of questions allows.

### **VIII. APPROVAL OF THE IGM MINUTES AND IGM'S RESOLUTIONS**

Subject to completion by the IGM secretariat and presentation to the IGM, the IGM is requested to approve the IGM Minutes and the IGM's resolutions for both Funds respectively, which are the approval of the audited financial statements as in Item II 3, the delegation of authority to the FRB and the amendments to the Funds' Charter as in Items V – VI (the "IGM Resolutions"), by passing the following resolution:

A: For the investors of VCBF-BCF:

**THAT** the IGM Minutes and the IGM's Resolutions for VCBF-BCF be approved; and

**THAT** the Chairman and the Secretariat sign the IGM Minutes and the IGM Resolutions for VCBF-BCF be approved.

B: For the investors of VCBF-TBF:

**THAT** the IGM Minutes and the IGM's Resolutions for VCBF-TBF be approved; and

**THAT** the Chairman and the Secretariat sign the IGM Minutes and the IGM Resolutions for VCBF-TBF be approved.

## **APPENDIX 1A: AUDITED FINANCIAL STATEMENTS VCBF-BCF**



### **VCBF Blue Chip Fund**

**Audited Financial Statements**

**as at 31 December 2017**

Note: This appendix is attached in the printed format and, to manage total file sizes, is not attached in soft-copy. Please obtain the file from <http://www.vcbf.com/en/open-ended-funds/investors-general-meeting/>

## **APPENDIX 1B: AUDITED FINANCIAL STATEMENTS VCBF-TBF**



### **VCBF Tactical Balanced Fund**

**Audited Financial Statements**

**as at 31 December 2017**

Note: This appendix is attached in the printed format and, to manage total file sizes, is not attached in soft-copy. Please obtain the file from <http://www.vcbf.com/en/open-ended-funds/investors-general-meeting/>