NOVEMBER

24

TUESDAY

"Be greedy when others are fearful"

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ADVISORY DIARY

- **Be greedy when others are fearful**
- **Macro update: inflation rate upped slightly in November**
- **3Q2015 business update on Vinh Hoan JSC (HSX: VHC)**

Be greedy when others are fearful

"Rally in the morning, decline in the afternoon" pattern has not repeated. Selling pressure from leading stocks emerged during early of the session. The pressure continued to grow and push the exchanges into bewildered sentiment along with massive sell orders on the large scale during the afternoon. However, strong demand also appeared at about 590 points and helped to balance the markets, brought VNIndex to 593 points. HNIndex continued the narrow trading activities, slightly dropped by 0.29 points to 81.64 points. Total trading volume surged to 204.5 million shares (+16%), equivalent to total trading value of VND2,900 billion.

Contrast to "bottom-seeking" activities from domestic investors, foreign investors was in net-sell position with VND101 billion on HSX and net-buy position with VND20 billion on HNX. Except two new tickers appeared in the selling listed, HDC (VND-68.7 billion) and HHS (VND-33.6 billion), VNM, MSN and AG continued the net-selling.

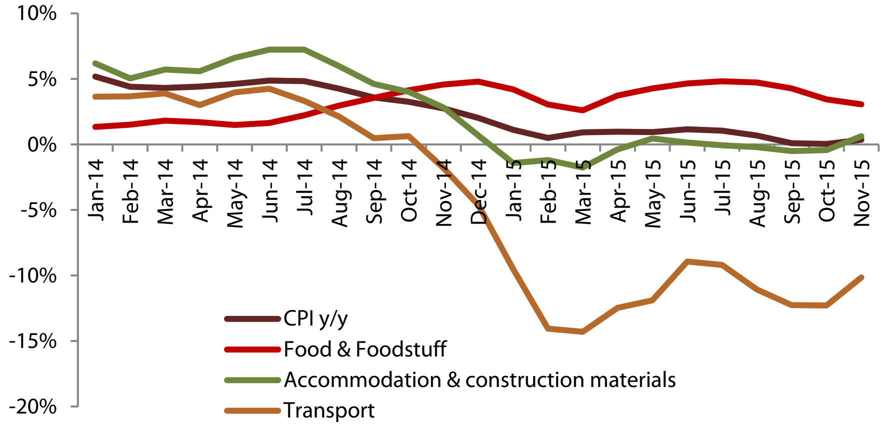
Capital still flew into mid and small cap stocks but we saw signal of shifting in direction of the money flow. Participation ratios of the two groups tend to halt up or even start to drop. Specifically, mid cap stock only account for 25.78% (-3.27%) while the small cap stocks contributed 17.64% (unchanged) to the total trading value of today session, which we believe reasonable figures at present. Statistics data since beginning of 2015 shows that only 24.88% of chances that mid cap stocks could contribute more than 30% to the whole market value per session. The probability is even lower at 14.35% for the small cap stocks to account for 20% of total trading value in the market. In reference to higher liquidity, it is very likely that profit-takers start to restructure their portfolios by selling out mid and small cap stocks, most of the gainers in these groups were speculative ones, and opening long positions to the large cap group.

In conclusion, according to the "trace" of money flow and "just-in-time awakening" of today market, we still recommend investors to minimize short-term trading during this time and accumulate stocks which are fundamental and have the seasonal characteristics of positive business results during end of the year or earlier next year. There are hardly chances to execute such strategy in such a context like today session as a wise man used to say: "Be greedy when others are fearful and be fearful when others are greedy."

Macro update: inflation rate upped slightly in November

GSO has announced the November inflation rate with a slight increase (0.07% as compared to October) - the second consecutive month. Furthermore, core inflation rate saw a marginal gain, upped 0.14% and 1.59% comparing with last month and last year respectively. Due to seasonal factors, November inflation rate was continuously affected which 9 out of 11 segment group increased namely Household appliances (+0.19%), Beverage & Tobacco (+0.16%), Garment, hats, footwear (+0.14%),… Notably, because of an increase in gas and water price, there was a significant gain in accommodation & construction materials (+0.32%). Thus, 2015 CPI is likely to increase below 1%.

Figure: Inflation rate



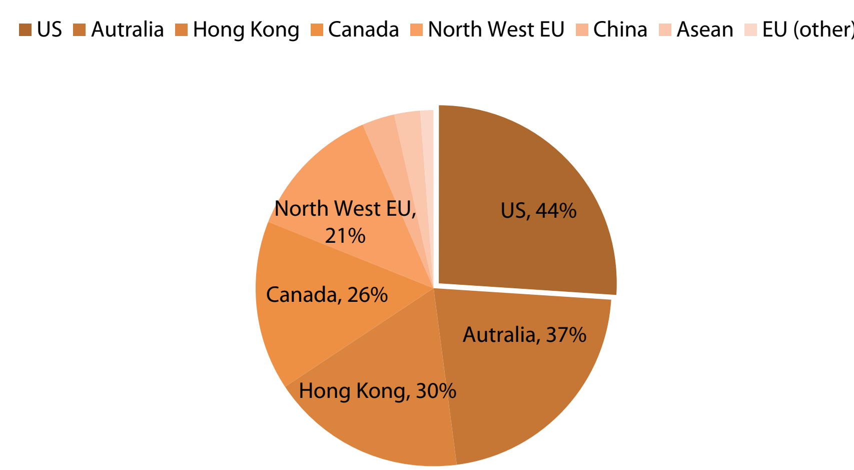
Source: GSO, RongViet Research

3Q2015 business update on Vinh Hoan JSC (HSX: VHC)

9M2015 business result

Business results in fishery industry announced recently seemed to be under expectation. Revenue growth in HVG and IDI were still relatively good but profits fell sharply, down 87% and 14% yoy, respectively. Similarly, VHC suffered the same condition as revenue and PAT reached at VND1,451 billion and VND59 billion. To accumulate 9M2015, revenue was about VND4,666 billion (+8% yoy) and NAT was VND250 billion (-37% yoy). Therefore, the Company has completed 78% of the profit target in 2015. Excluding the extraordinary net profit on selling Vinh Hoan Feed from net profit in the first 9M2014 (VND182 billion), the slight decline in NAT by 3% was found this year. As VHC's sharing, export volumes rose of 20-25% but the drop in export price caused significant impact on gross profit margin. However, bright spots related to VHC's prospects also appeared in pessimistic industry outlook. Particularly, thanks to aiming to the premium segment with high proportion of value-added products, VHC's export price only fell by 7-8%; meanwhile, the export activity showed improvements as the market share in Vietnamese export value at EU increased from 20% (2014) to 23% (9M2015).

Figure: VHC's share in various export markets



Source: VHC

4Q2015 business result forecast

In our opinion, pangasius price is likely to remain at low rate in 4Q2015 as soybean meal, corn price has reached at 1-5 year record low. However, demand is forecasted to robust in the last quarter when Christmas and Easter event is upcoming. By the latest update, the Company said that export orders in the late October and November accelerated considerably in comparison with prior months.

Notably, the revenue contribution of collagen (~VND140 billion) is hardly to record as VHC's plan. Currently, there were only trial products sold to pharmaceutical companies as the GMP-WHO standard had been approved. This segment is expected to contribute to total revenue next year and to contribute to profit till 2017. Therefore, the main growth depends on the core business with volume growth of 25% yoy. At the basis, VHC's revenue is about VND7,359 billion (+17%) and NAT is about VND325 billion (+10% yoy as calculating based on core business).

VHC's prospect: long road ahead

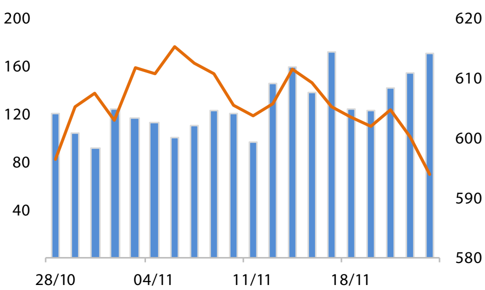
Based on material price outlook in the upcoming year, we forecast prudently that fish farming cost is projected to remain at the low price. Thus, volume boost to offset the price decline is considered to be VHC's strategy. By sharing, the Company plans to remain an annual growth of 20-30% in export volumes. Moreover, marketing activity would accelerate in purpose to increase brand recognition; thus, the selling price would be less impacted by other competitors.

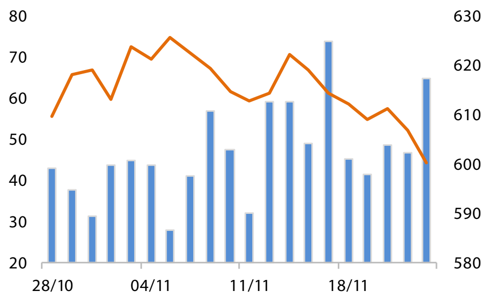
Regarding TPP's impact, we believe that in the largest export market (US), VHC in particular and fishery industry in general, do not receive direct incentives as import duty is 0%; meanwhile, the anti-dumping duty continues to impose on pangasius products. In a preliminary decision on 11th administrative review (POR11), VHC and Bien Dong Ltd did not suffer tax rate as not included in the list in POR10 and POR11. Moreover, until 2017, VHC might still receive tax incentive of 0USD/kg. Therefore, the US market seems to be attractive for VHC to take advantage. As regard EU market, the import tax from Vietnam products would drop from 5.5% to 0% within 7 years according to FTA VN-EU agreement. As a result, the VHC's market share in EU is expected to improve; in fact, the rate has been risen from 20% (2014) to 23% in 9M2015.

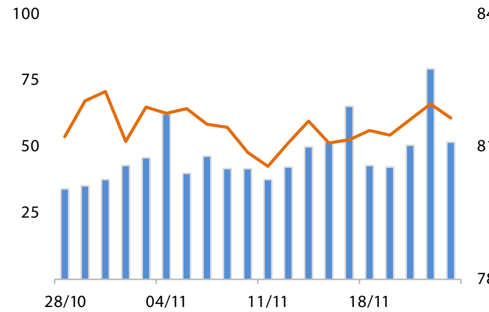
VHC also said that the annual growth by 20-30% in next year would be supported by the capacity expansion at Van Duc Tien Giang. This farm capacity is projected to be 100 ton/day and thus, the total capacity would increase of 20%.

The decline in export price left considerable impact on business result in fishery industry. Therefore, on prudence, we forecast the revenue in 2016 is about VND8,666 billion (+17%) and NAT is about VND376 billion (+15%). EPS is about 4,072 VND per share in 2016 and in comparison with today's closed price, the Company is now trading at P/E of 8.7, relatively closed to the P/E forward of 9x in fishery industry.

VNINDEX	-1.03%	593.83	VN30	-1.11%	600.21	HNXINDEX	-0.37%	81.64

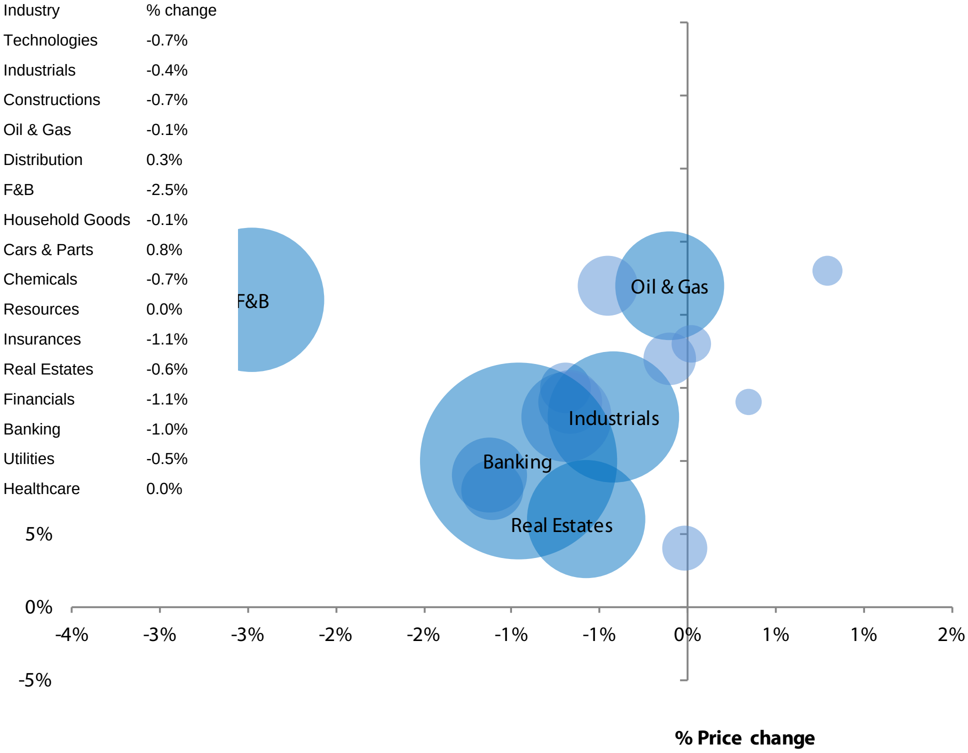




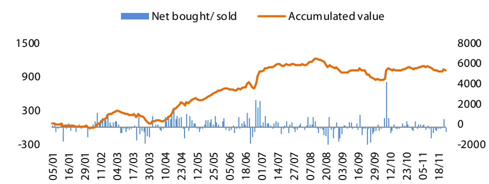


Industry Movement

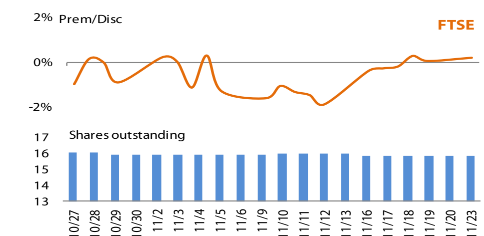
Industry	% change
Technologies	-0.7%
Industrials	-0.4%
Constructions	-0.7%
Oil & Gas	-0.1%
Distribution	0.3%
F&B	-2.5%
Household Goods	-0.1%
Cars & Parts	0.8%
Chemicals	-0.7%
Resources	0.0%
Insurances	-1.1%
Real Estates	-0.6%
Financials	-1.1%
Banking	-1.0%
Utilities	-0.5%
Healthcare	0.0%

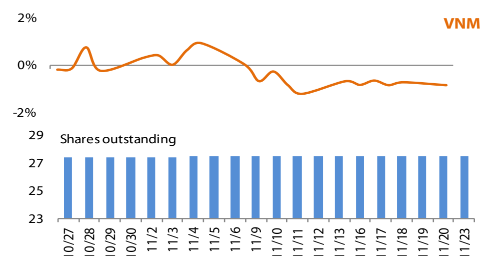


Foreign Investors Trading

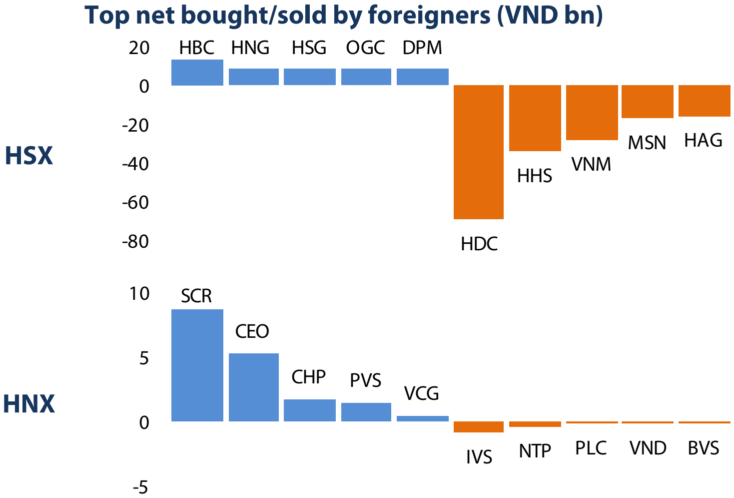


ETF





Top net bought/sold by foreigners (VND bn)



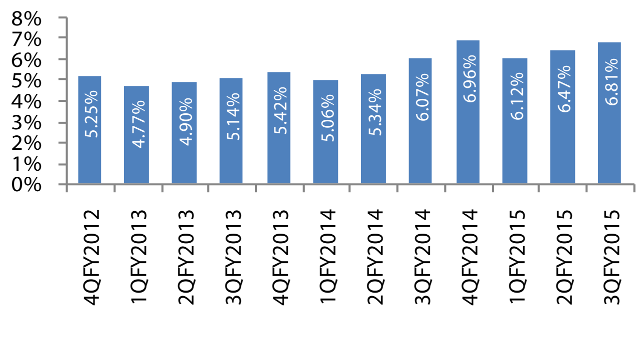
Top Active

Ticker	Price	Volume	% price change
FLC	9.0	22.38	-1.1%
VHG	8.4	8.97	3.7%
OGC	4.1	8.81	5.1%
JVC	6.7	7.39	4.7%
HHS	17.1	6.24	-2.3%

Ticker	Price	Volume	% price change
KLF	4.5	6.03	-4.3%
SCR	8.7	5.29	0.0%
TIG	11.0	3.45	1.9%
KHB	3.3	1.81	3.1%
PVX	3.1	1.77	-3.1%

MACRO WATCH

Graph 1: GDP Growth

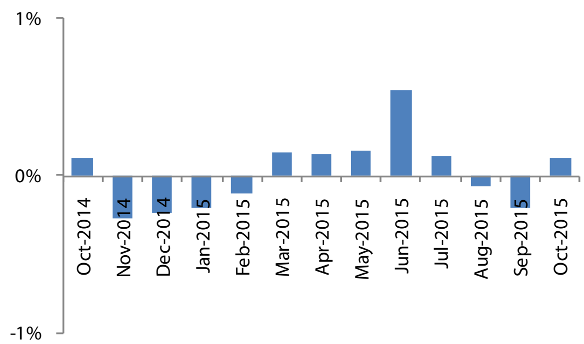


Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP

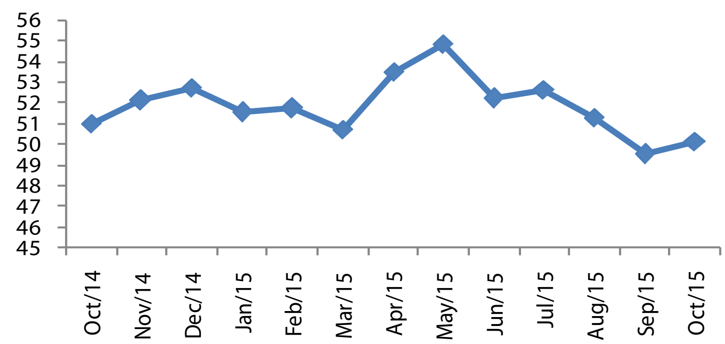
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



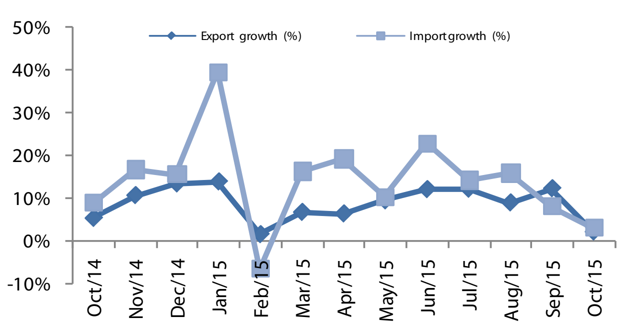
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



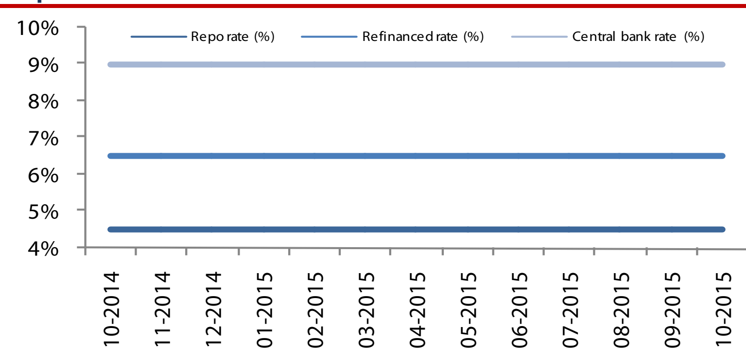
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
DRC - Expecting on replacement segment.	November 13th, 2015	Accumulate – Long term	52,000
NKG- Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500
KSB - Rock-solid foothold in the construction stone	October 28th, 2015	Buy – Intermediate term	38,400

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	03/11/2015	0% - 0.75%	0% - 2.5%	12,058	12,047	0.09%
VEOF	03/11/2015	0% - 0.75%	0% - 2.5%	10,674	10,488	1.77%
VF1	11/11/2015	0.2% - 1%	0.5%-1.5%	24,055	24,092	-0.15%
VF4	11/11/2015	0.2% - 1%	0%-1.5%	10,886	10,869	-0.02%
VFA	05/11/2015	0.2% - 1%	0%-1.5%	7,517	7,461	0.76%
VFB	05/11/2015	0.3% - 0.6%	0%-1%	12,490	12,409	0.66%
ENF	06/11/2015	0% - 3%	0%	12,233	12,170	0.52%
MBVF	05/11/2015	1%	0%-1%	10,974	10,991	-0.15%
MBBF	04/11/2015	0%-0.5%	0%-1%	12,489	12,438	0.41%

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