05/10/2018

Investment Strategy October 2018

KEEP DEFENSIVE STATUS

The fact that the United States and Canada came up with an agreement on NAFTA shows that the US attitude toward trade relations is not as negative as President Trump claims. This does not ensure that US-China trade relations will improve, but it is likely that tensions have somehow abated. Markets should not be too concerned at this point although risks remain.

However, factors that influence the flow of capital to emerging markets are still mixed. The Fed's intention to raise interest rates three times in 2019 is quite unexpected. Meanwhile, US 10-year Treasury bond yields reached 3.2% this past week, breaking through a 37-year downward slopping trend line. This bond sell-off, as we mentioned a few months ago, is significant as it indicates the end of an era of low interest rates and, hence, 'free money'.

US 10-year Treasury bond yields 1975-2019

Source: Bloomberg

The fact that Vietnam was added to the FTSE watch list is very positive news. In addition, liquidity gradually increased. Fears of 'missing out' may encourage investors to return to the market.

After dropping in the past few months, the Dong has stabilized. Interest rates have also not fluctuated dramatically. In that context, Q3 business results will likely determine the trend for the market. We think that there will be more diversion between companies' stock price movements. Positive results overall will support the market. However, the amplitude of share price movements will not be as big as what happened in the beginning of 2018.

In summary, we believe the worst period of 2018 is behind us. After the weak performance in 1h 2018, emerging and frontier markets have started recovering. Vietnam is not an exception.

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Stock prices of the oil & gas industry have risen substantially since mid-July. The US decision to impose sanctions on Iran has created a 'supposedly' supply shortage and pushed oil prices to higher levels. From mid-July, the stock price of leading companies in the sector, such as GAS, PVD, PVS, PVB, PXS, increased on average by more than 50% and are the best performers in the last two months.

Restarting oil & gas projects is the main driving force that supports the share price of the whole sector. However, the momentum of some stocks is too strong if compared to the upcoming reality. In the case of PVD, even though the company will get more contracts from new projects, the jack-up rig day rate remains low due to oversupply in SE Asia. Besides, the company is trying to look up job for PVD V but the probability is quite low as this rig is only for a unique project. Possibly, the prospect for PVD V will be clearer after 2019. As a result, PVD will find it hard to record positive earnings from its core business despite good potential results in the upcoming quarters. For GAS – the prime winner from the uptrend in oil prices- it is vulnerable to a possible increase in global supply if Russia starts hiking its production.

Stable macro factors and the latest 'stories' about Vietnam joining the MSCI emerging market index from frontier status in a few years continued to support investors' sentiment. As a result, large cap stocks drove the market in recent weeks. Since this MSCI rebalancing is a long way out, we believe that stocks with high dividend yields should remain a safe place for risk-averse investors. Our list includes 23 stocks which have expected cash dividend for 2018 from 9% and ROE from 11%. Stocks which investors can consider are **SJD**, **NNC**, **CIA**, **HAH**, **SFG**, **HTI**, **TVT**, **PLC**, and **AAA.**

In the model portfolio the position in Vinh Hoan has been reduced by half because the stock has gone up 67% since early July. As a result cash has risen to 20%.

The portfolio is up 11.7% since inception in late June 2018 while the VN Index is up 6.6%. Our target range for the main Vietnamese Index is still 960-1040. As we get into November we will reduce the cash position to benefit for, what we expect, a December end of the year 'exhaustion' move.

Analysis of 58 stocks of RongViet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

Global Banks

It has not been a great year so far for shareholders of most major banks…unless you were invested in Vietnam!

We looked at valuations and stock price movements of a sample of banks across various geographies.

Year-to-date Vietnamese banks (the last four in Table 1) have been doing much better than their peers around the world, even though they are much more expensive if measured by P/BV or P/E ratios. The only one in that small sample that comes a bit close to the price return of those is JPMorgan Chase (+8%). European banks have definitely underperformed, led by the two German giants.

We admit that cross country valuation of banks is a futile exercise but stock prices don't lie!

Table 1: Valuation and performance of global banks

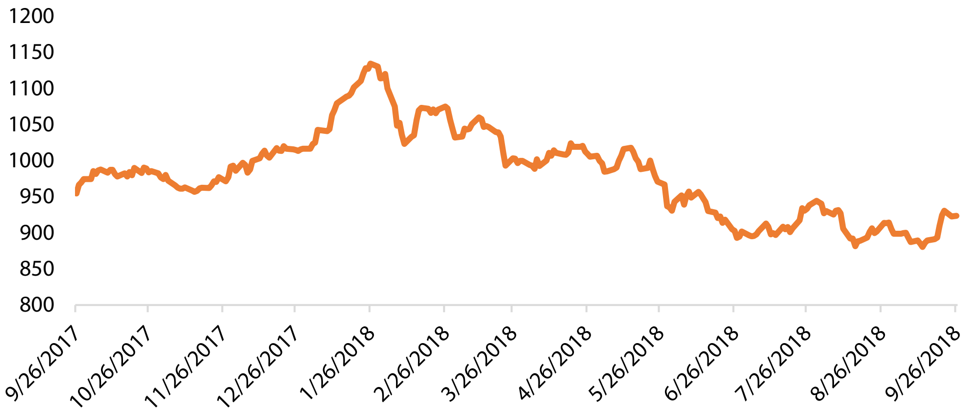
Region/ Bank	P/BV	P/E	Stock Price ytd (local currency)
EUROPE			
BNP Paribas	0.8x	9x	-12%
Société Générale	0.5	8	-11
Crédit Agricole	0.7	9	-6
Deutsche Bank	0.3	26	-35
Commerzbank	0.4	13	-24
Barclays	0.6	9	-14
Royal Bank of Scotland	0.7	9	-8
HSBC	1.1	12	-11
UBS	1.2	11	-8
Banco Santander	0.8	9	-18
NORTH AMERICA			
Bank of America	1.3	12	+2
Citigroup	1.0	11	Flat
Wells Fargo	1.5	13	-12
JPMorgan Chase	1.7	13	+8
Royal Bank of Canada	2.1	12	+2
Bank of Nova Scotia	1.6	11	-4
ASIA PACIFIC			
National Australia Bank	1.5	13	-8
Mitsubishi UFG	0.6	9	-14
Sumitomo Mitsui FG	0.6	9	-6
Mizuho	0.6	9	-2
ICBC	1.0	7	-9
China Construction Bank	1.0	7	-8
Bank of China	0.8	6	-8
DBS	1.4	11	+6
Bangkok Bank	1.0	11	+4
Maybank	1.5	13	Flat
Bank Rakyat	2.3	12	-16
Bank of the Philippine Islands	1.6	15	-22
Vietcombank	4.0	21	+20
Techombank	2.1	11	+20
BIDV	2.4	20	+37
HDB	2.7	14	+5

Source: Bloomberg, Rong Viet Securities.
As of September 26.

The Nasdaq Global Bank Index is down around 10% ytd in US$ (see Figure 1). It tracks the price movement of 30 "Global Systemically Important Banks, G-SIBs", as defined by the Financial Stability Board[1].

[1] *The FSB, in consultation with the Basel Committee on Banking Supervision and national authorities, has identified global systemically important banks (G-SIBs) since 2011. (www.fsb.org)*

Figure 1. Nasdaq Global Bank Index, daily



Source: Bloomberg

What next?

Banks are always a barometer of economic activity or economic strength. The muted price movement in share prices of large global banks seems to indicate that market participants are getting a bit more cautious on the outlook for asset prices. We do not believe that P/BV or RoEs are a catalyst for bank stock price movements. The two biggest drivers for banks' share prices are qualitative:

- vision, meaning a clear plan to follow a rational strategy to grow earnings;
- investor's confidence in the management team.

It was proven by banks such as JPMorgan, Wells Fargo and DBS which executed, over the years, turnaround or growth strategies that made sense, including controlling NPLs. According to the Bank for International Settlements (BIS)[2] "evidence shows that the proactive tackling of NPLs is an effective catalyst for the banking sector".

On the contrary Deutsche Bank, ABN Amro, a couple of Chinese and Japanese banks and others have been punished because of their lack of strong corporate governance and failed attempts to move to geographies or product segments they knew little about.

In Vietnam, we expect that in the next few years there will be some consolidation in the sector because there are too many banks that are endogenously weak and possibly cannot fulfill the requirements of Basel II. Three years ago the State Bank of Vietnam selected ten banks that should be Basel II compliant by 2020. So far only a handful have made it. We also note that even though 5-year CDS spreads have gone up in Vietnam, from around 120 to 155 since the beginning of the year, they are way below levels of around 500 in 2008 and 2011.

Rong Viet has an **accumulate** rating on HDB (market cap of USD 1.6 bn).

ASEAN markets

The distribution of price returns in ASEAN equity markets has been uneven in the third quarter. Currency stability has helped some more than others.

Table 2. Third quarter returns, in USD

Index	Returns
Thailand (SET)	+12.2%
Vietnam (VNIndex)	+4.2
Malaysia (FBMKLCI)	+3.6
Philippines (COMP)	Flat
Singapore (STI)	-1.0
Indonesia (JCI)	-1.3
Thailand (SET)	+12.2%

Source: Bloomberg

[2] *https://www.bis.org/publ/qtrpdf/r_qt1803h.pdf*

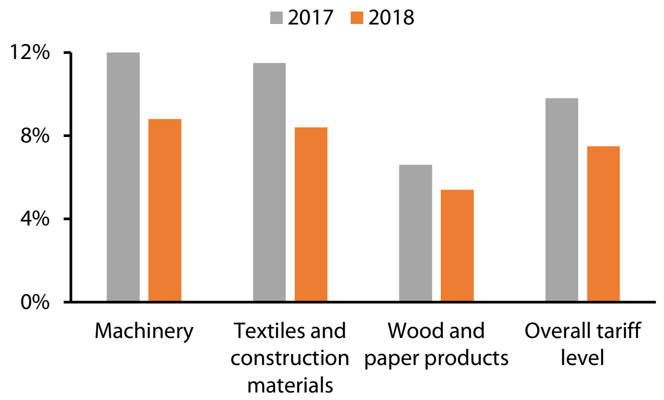
GLOBAL MACRO WATCH IN SEPTEMBER

The trade relationship between the US and its allies improved

U.S. and Europe Outline Deal to Ease Trade Feud	Trump Signs Revised Korean Trade Deal	US, Japan agreed to negotiate a FTA	US, Canada, Mexico agreed on a revised NAFTA, called USMAC
• Hold off on further tariffs • Toward dropping tariffs on steel and aluminum • Seek a deal to eliminate tariffs, nontariff on industrial goods, excluding autos	• US imposed 25%tariff on Korean trucks until 2041 • Exclude South Korea from the steel tariffs • South Korea capped its exports to US at 70% of the average of its export levels from 2015 through 2017	• US is seeking more access to the Japanese auto market	• Canada will increase market access for US dairy, poultry and eggs. • 75% of car parts must be made in Canada, Mexico or US • US-Mexico-Canada will meet every 6 years to kill, renew or extend the USMAC

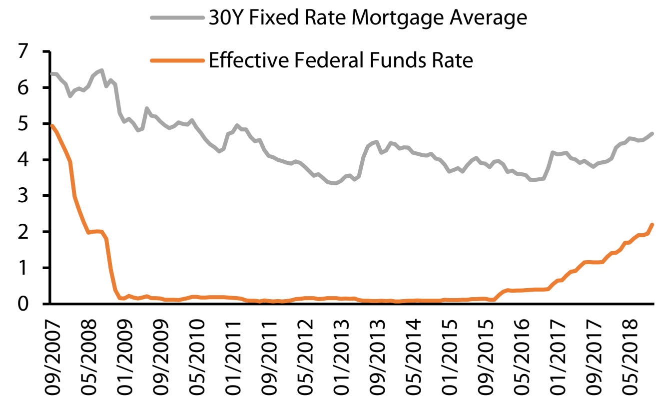
Source: RongViet Securities

China reduced import tariffs



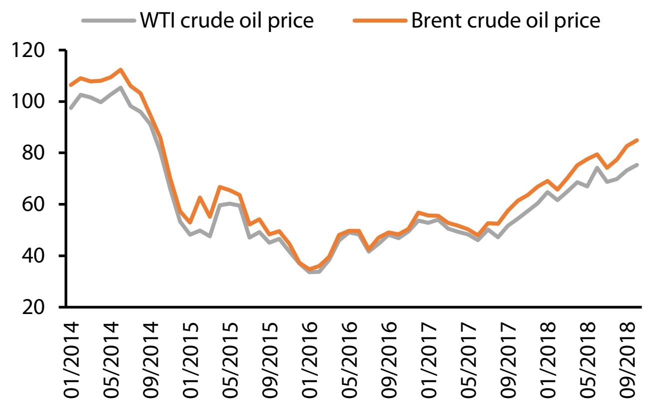
Source: Media news, RongViet Securities

US interest rates increased



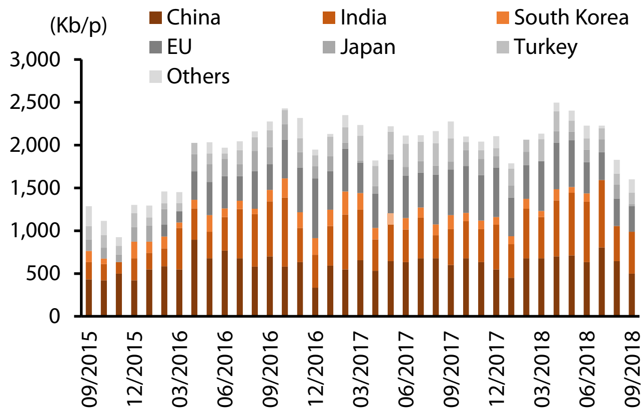
Source: Bloomberg, RongViet Securities

Crude oil prices doubled over the last two years



Source: Bloomberg, RongViet Securities

Countries may stop importing crude oil from Iran



Source: Bloomberg, RongViet Securities

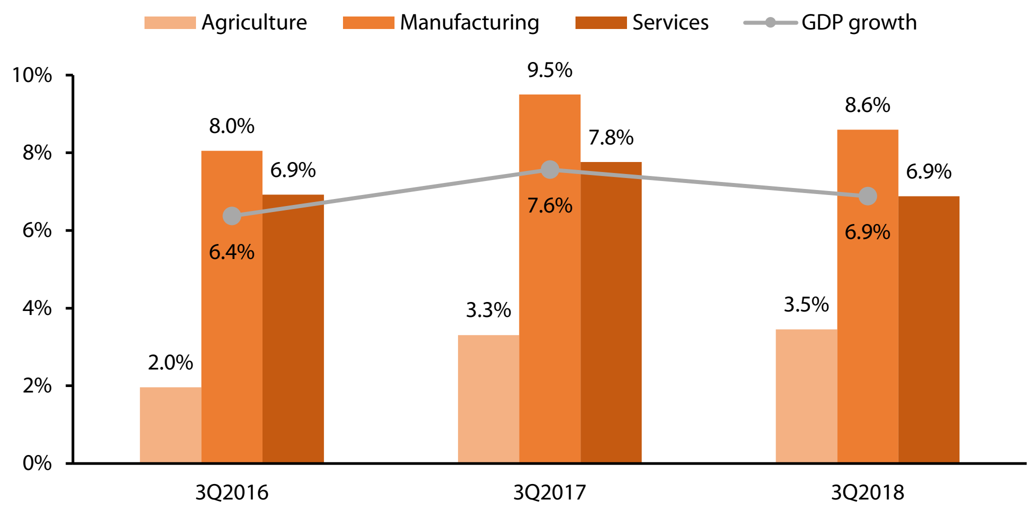
- Slower GDP growth is in line with our expectations
- Oil, money flows and public debt – three key risks for emerging and developing economies

Slower GDP growth is in line with our expectations

According to GSO's data, 9M2018's GDP growth is approximately at 7%, the highest level since 2011. However, Vietnam's economy grew at an annual pace of 6.9% in the third quarter, lower than 3Q 2017's 7.6% growth rate. On the aggregate supply front, the agriculture sector saw the most improvement. Manufacturing and services sectors growth slowed down compared with the same period a year ago.

Agriculture producers have had a good year due to better export orders. While rice exporters are busy, fruit and fish exports are showing signs of strength. Notably, Vietnam's fish sector seems to benefit from trade tensions as the US softens its regulation and taxes put on imported fish. Meanwhile, China also reduced its import taxes to meet domestic demand. Forestry products exports growth soared in 9M2018.

Figure 2: 3Q GDP growth (%, YoY)

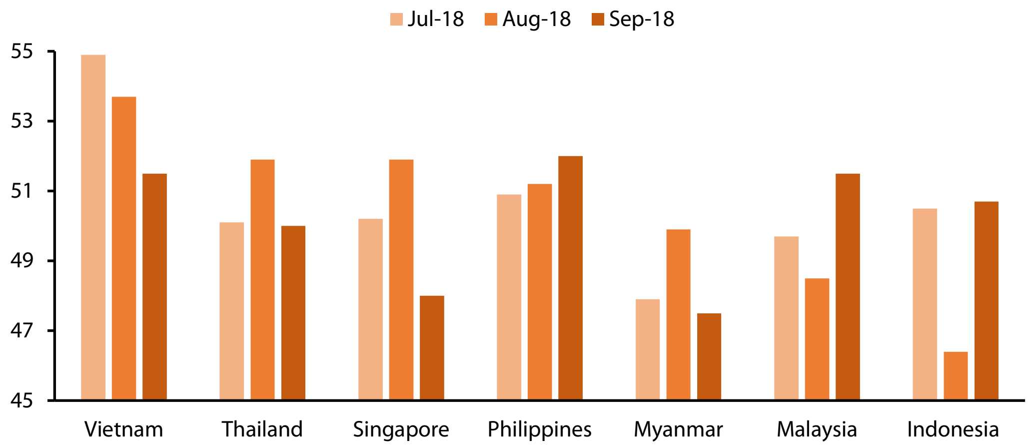


Source: GSO, RongViet Securities

In the manufacturing sector, growth slowed down in the third quarter compared with 2017 although it is higher than during the 2011-2016 period. While large-scale projects in steel and the oil refinery sectors are in their initial phase, textile, furniture, pharmaceutical and car producers are benefiting from trade tensions and Vietnam's tariffs. Nevertheless, Samsung is still an essential part of the economy.

According to a Nikkei report, Vietnam's manufacturing PMI gradually decreased and was at 52 in September, the lowest level since November 2017. Although the country is still the 'bright star' in ASEAN, there were less orders in September while output and job creation softened.

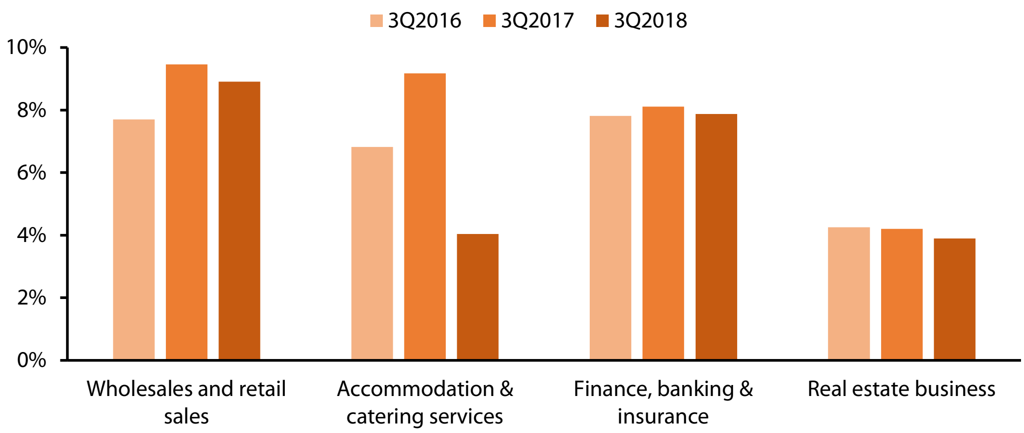
Figure 3: PMI (%, YoY)



Source: Nikkei, RongViet Securities

Meanwhile, the service sector, contributing nearly a half of Vietnam's GDP, also recorded a slower growth. Wholesale and retail sales, accommodation and catering services, finance and banking as well as real estate saw lower growth. The slip of wholesale and retail sales is an early signal of a potential peak in consumption. Slower growth of international visitors is not good for the accommodation and catering services. Tighter monetary conditions are affecting the financial services sector.

Figure 4: Service sectors' growth (%, YoY)



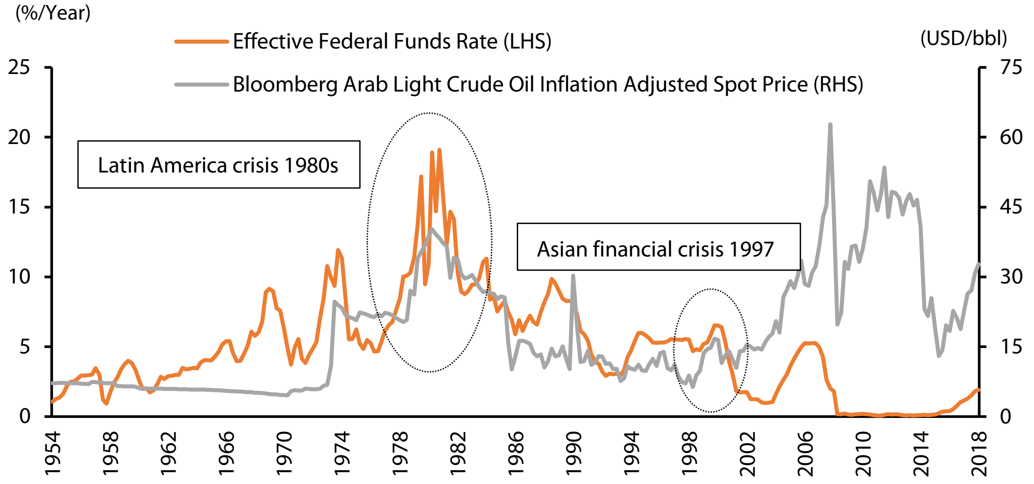
Source: GSO, RongViet Securities

We maintain our view that the economy is stepping into the late phase of the business cycle. FDI corporations alone cannot drive the economy. Although there are large-scale private projects but most of them still depends on credit flows. The ratio of total credit to GDP has now reached 164%, the second highest level compared with other regional countries. On top of that monetary policy will be tighter in the next few years. The economy's recent momentum has been driven by domestic consumption. Can it last?

Oil, money flows and public debt – three key risks for emerging and developing economies

While the economy is stepping into a late cycle phase and its momentum is not clear, the macro-stability is being threatened by three key risks, including crude oil prices, money flows and public debts. Historically, these have been the root of many crisis, especially in Latin America in the 1980s and the Asian financial crisis in 1997. Both WTI and Brent crude oil prices doubled in the last two years. From our point of view, WTI crude oil will be at USD 80 per barrel soon as the second round of the US sanctions targeting Iran's energy sector will take effect in November. There are more and more countries stopping imports of Iran's crude oil.

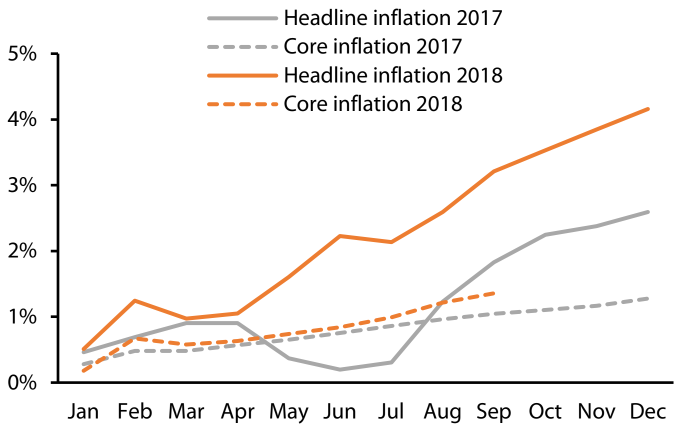
Figure 5: Effective Federal Funds Rate



Source: Bloomberg, RongViet Securities

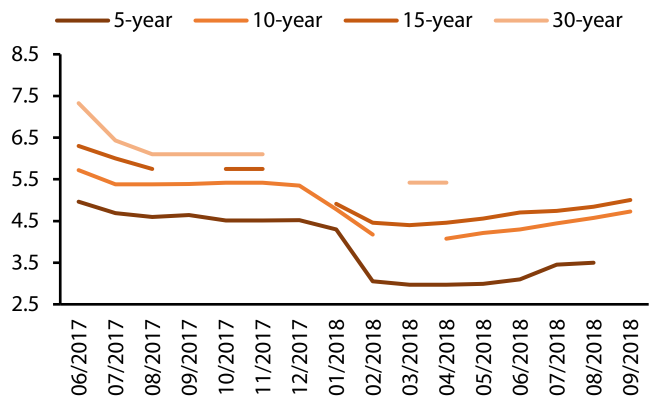
In the case of Vietnam, macro-stability is being somehow threatened. It is possible to think about cost-push inflation as input costs rose sharply in the past few months. Oil and electricity prices are the main drivers. In addition, food prices surged. Although core inflation is still low, we recorded a slightly stronger month-over-month growth. Producers might eventually pass it on to consumers. For 2018, Vietnam's inflation is estimated at 4-4.2% YoY.

Figure 6: Inflation



Source: SBV, RongViet Securities

Figure 7: Primary government bond yields (%/year)



Source: HNX, RongViet Securities

Higher global inflation and interest rates are reasons why Vietnam's primary government bond yields are bottoming out. Looking closely at G-bond issuance, 10Y and 15Y G-bonds are the most attractive ones because of gradually month-after-month rising yields since April. By September 2018, Vietnam State Treasury (VST) has already fulfilled nearly two-third of the initial plan in terms of its bond issuance.

Table 3: Planned and actual G-bond issuance (VND Bn)

Maturity	Plan 2018	Plan Q1 2018	Plan Q2 2018	Plan Q3 2018	Actual vs Plan (%)			
					Q1 2018	Q2 2018	Q3 2018	9M 2018
<5Y	20,000							
5Y	30,000	5,000	12,000	15,000	157%	11%	15%	36%
7Y	36,000	5,000	12,000	8,000	117%	3%	6%	27%
10Y	37,000	11,000	16,000	20,000	86%	98%	131%	109%
15Y	32,000	11,000	13,000	18,000	58%	106%	99%	91%
20Y	20,000	5,000	6,000	7,000	91%	45%	4%	42%
30Y	25,000	8,000	6,000	7,000	79%	3%	1%	31%
Total	**200,000**	**45,000**	**65,000**	**75,000**				

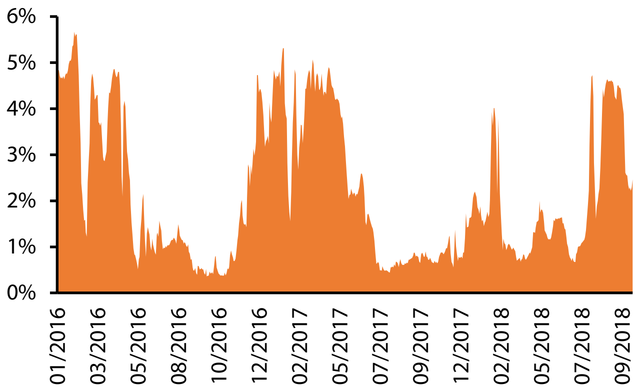
Source: HNX, RongViet Securities

In the interbank market, there was a significant drop of overnight interest rate. This is due to a huge amount of notes returning back to commercial banks. However, the liquidity demand is still high as the interbank market's trading volume rocketed in the second half of September.

We are questioning whether the SBV intervenes in the FX market. Although there is need for an official declaration by the administration, commercial banks can buy cheaper US Dollar from the SBV than their peers in the interbank market. Obviously, the Dong is under pressure as the Renminbi is near to its peak.

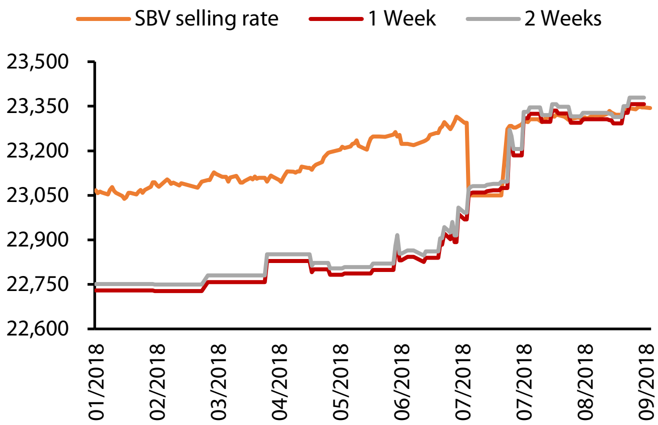
In our opinion, the overnight interest rate can move in a range of 3-4% in 4Q 2018.

Figure 8: Overnight interest rate



Source: SBV, RongViet Securities

Figure 9: USD/VND in the interbank market

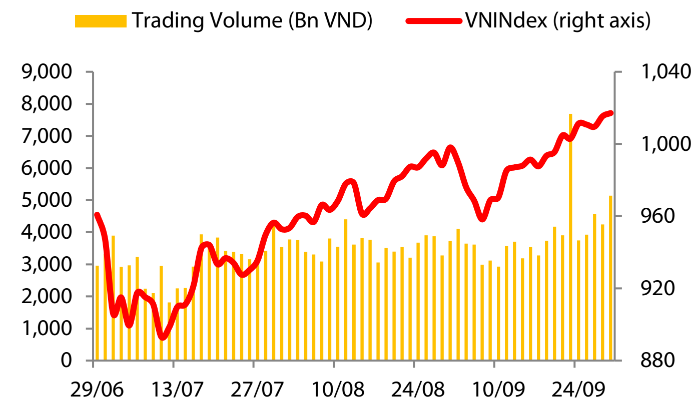


Source: Fiinpro, RongViet Securities

VIETNAM'S STOCK MARKET IN SEPTEMBER: THE VN INDEX SURPASSES 1,000

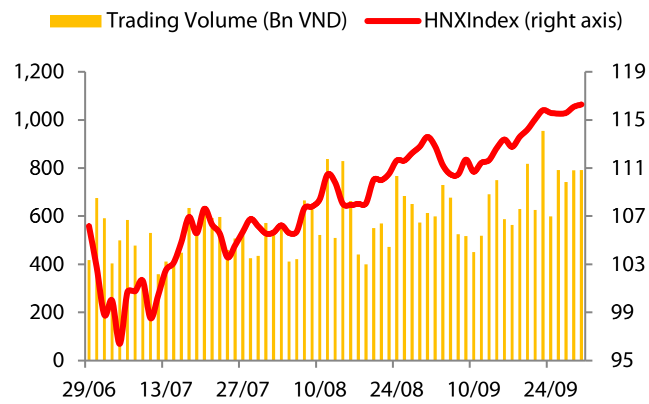
Despite some profit taking pressure at the beginning of September, the market maintained its uptrend for the rest of the month. The VN-Index surpassed the 1,000 level, closing at 1,017 (+2.8%).

Figure 10: VNIndex movement in September



Source: RongViet Securities

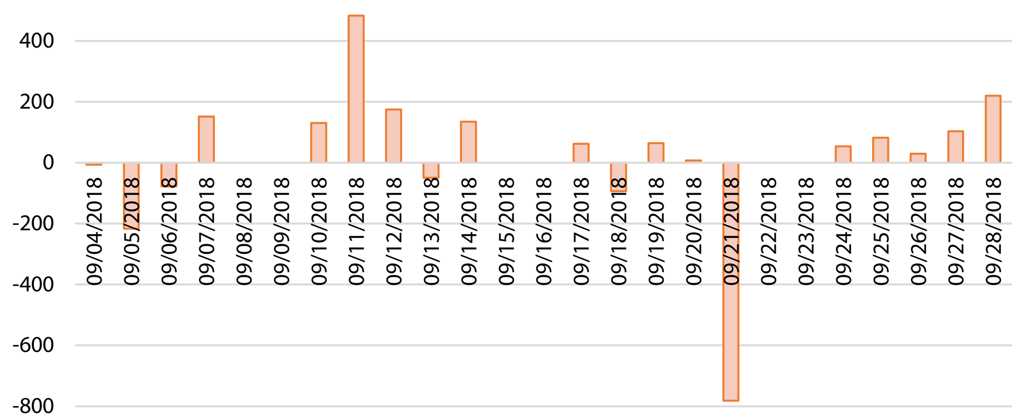
Figure 11: HNXIndex movement in September



Source: RongViet Securities

Foreign investors net sold less aggressively this month, and even turned net buyers in many sessions.

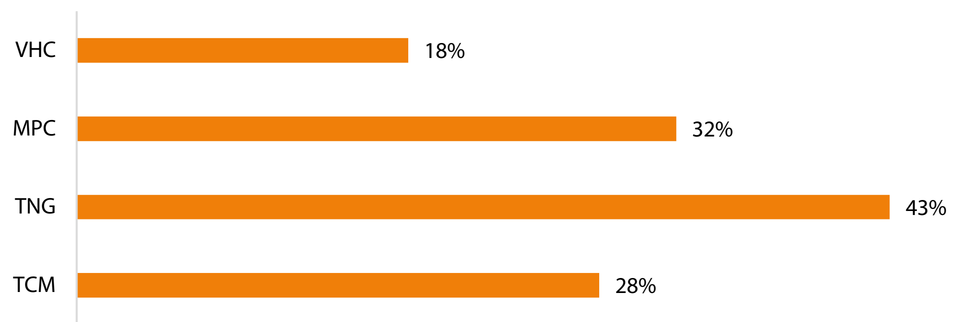
Figure 12: Foreign investor's net trading value in September (VND Bn)



Source: Fiin Pro. RongViet Securities

Short-term money was looking for stocks that benefited from the trade war such as textile or seafood. TNG, TCM, MPC, VHC and HVG have performed very well this month.

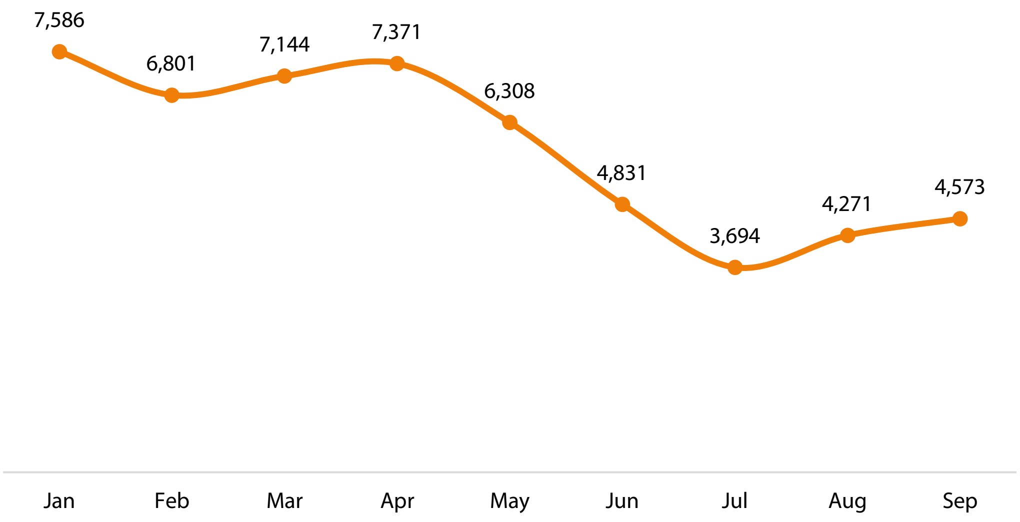
Figure 13: Performance of Textile and Seafood stocks in September



Source: RongViet Securities

Market volatility narrowed down as positive news supported the market. Liquidity improved; sessions with VND 5,000 billion - 6,000 billion in trading volume appeared more frequently than in the early summer months.

Figure 14: Average trading volume on HOSE (VND Bn)



Source: FiinPro

Capital still flew mostly to the banking and real estate sectors. However, we notice that flows into oil & gas and industrials have increased significantly in August and September. This explains why oil and gas stocks have performed very well recently. Another sector, which had good growth in liquidity was healthcare. Capital flow in this sector grew 47% in August and 34% in September.

Figure 15: Trading volume in different sectors (VND Bn)

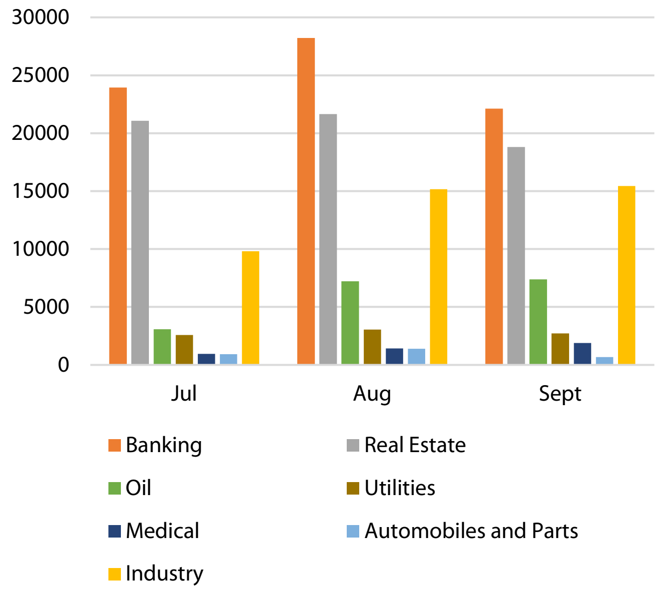
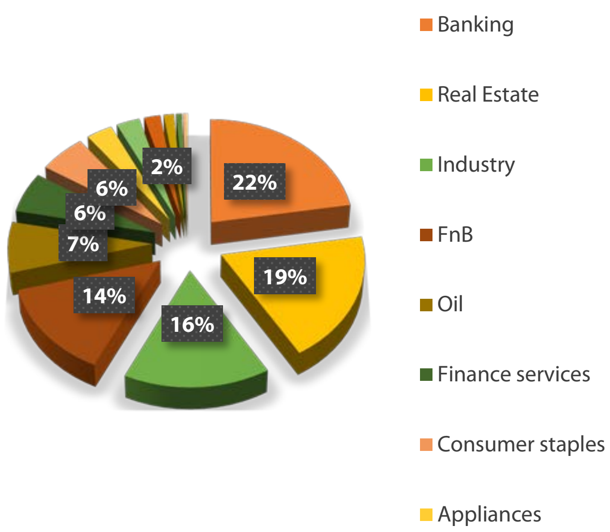


Figure 16: Trading volume by sector in September (%)



Source: RongViet Securities

Once again, the reclassification story

In September 27, FTSE Russell added Vietnam's equity market onto its watch list for possible reclassification. This was a positive news for Vietnam, after failing to join the MSCI list this June.

FTSE Russell and MSCI are the two biggest institutions providing global indices that are used as tracking benchmarks by ETFs around the globe. 250 ETFs use MSCI's indices while 156 ETFs use FTSE.

Figure 17: The FTSE Classification Process

A policy of engagement from FTSE to help Vietnam understand what steps would need to be taken to improve current assessments to Vietnam eligible for promotion (or to prevent demotion).

A defined communication and implementation timetable to allow portfolio managers to make the necessary preparations for changes to classifications

Source: FTSE, RongViet Securities

FTSE classifies markets into four tiers: Developed (21 criteria), Advanced Emerging (15 criteria), Secondary Emerging (9 criteria) and Frontier (5 criteria). **Vietnam has met 9/9 criteria for Secondary Emerging.**

FTSE's Secondary Emerging does not require criteria such as no or selective incidence of foreign ownership restrictions, free and well-developed foreign exchange market, short selling permitted and a developed derivatives market. Those criteria caused Vietnam to fail the review of MSCI 2018.

There are not many discriminations between Advanced Emerging and Secondary Emerging in the FTSE Emerging Markets index. Constituents from China and India still account for the highest weights in the index even though these two countries are classified as Secondary Emerging.

Figure 18: Top ETFs to track against the FTSE Emerging Markets Index

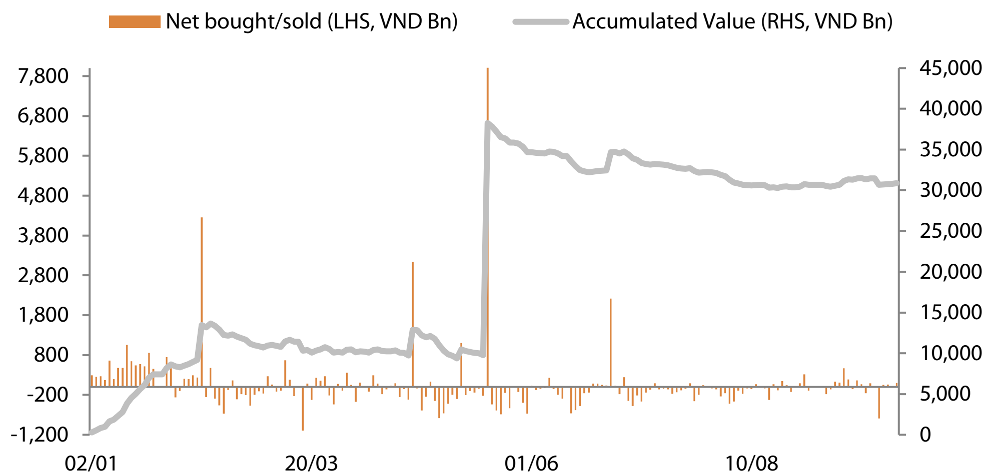
ETFs	Total asset value (USD bn)
Vanguard FTSE Emerging Markets ETF	60.4
Schwab Emerging Markets Equity ETF	4.8
Schwab Fundamental Emerging Markets Large Company Index ETF	2.2
PRF - Invesco FTSE RAFI US 1000 ETF	1.1
Total	68.5

Source: RongViet Securities

If Vietnam's weight in the FTSE Emerging Markets Index would be over 0.4%, based on FTSE Vietnam Index's market cap (USD 19 bn) versus the total FTSE Emerging Index's market cap (USD 4,450 bn), there would be approximately USD 300 mn of passive inflows into the equity market.

Foreign investors trading

Figure 19: Net trading value of Foreign Investors



Source: FiinPro, RongViet Securities

Last month was the first month since May that overseas investors turned to net buyers, with a net bought value of VND 428 bn, in spite of the ETSs' restructuring. The top net-buying stocks were HPG (VND 360 bn), VNM (250 bn) and DXG (210 bn) while NVL (VND -265 bn) and MSN (VND -187 bn) were net-sold the most.

The ETFs' restructuring took place during the third week of the month, when foreign investors net sold VND 792 bn on both exchanges.

Table 4: Foreign investors' net trading by sector in both exchanges

Sector	HSX		HNX	
	Net volume (thousand shares)	Net value (VND Bn)	Net volume (thousand shares)	Net value (VND Bn)
Oil & Gas	469	33	2,964	68
Chemicals	1,041	17	170	3
Basic resources	5,355	325	-301	2
Construction and building materials	-5,073	-1	786	12
Industrial goods & services	2,403	19	256	3
Automobile & parts	-672	-4	4	0
Food & beverage	-1,873	82	-198	-13
Personal & household goods	-315	-8	-1,133	-17
Healthcare	-1,821	-124	35	2
Retail	1,022	34	7	0
Communication	395	87	22	0
Travel & leisure	-1,252	-101	55	0
Utilities	-336	50	-64	-1
Bank	13,382	215	866	7
Insurance	-434	2	-12	-0
Real estate	-9,330	-350	-12,185	-50
Financial services	7,201	204	-7,553	-63
Technology	-510	-5	5	1

Source: FiinPro, RongViet Securities

Global factors: a mixed picture

The fact that the United States and Canada came up with an agreement on NAFTA shows that the US attitude toward trade relations is not as negative as President Trump claims. This does not ensure that US-China trade relations will improve, but it is likely that tensions have somehow abated. Markets should not be too concerned at this point although risks remain.

However, factors that influence the flow of capital to emerging markets is still mixed. The Fed's intention to raise interest rates three times in 2019 is quite unexpected. Meanwhile, US 10-year Treasury bond yields reached 3.2% this past week, breaking through a 37-year downward slopping trend line. This bond sell-off, as we mentioned a few months ago, is significant as it indicates the end of an era of low interest rates and, hence, 'free money'.

Figure 20: US 10-year Treasury bond yields 1975-2019

Source: Bloomberg

For now, capital flows from Korea to Vietnam are still strong. The VND 11 trillion deal between SK group and Masan (MSN:HSX) is a good example of that.

Market sentiment improved

The fact that Vietnam was added to the FTSE watch list is very positive news. In addition, liquidity gradually increased. Fears of 'missing out' may encourage investors to return to the market.

Q3 business results will likely determine the direction of the market

After dropping in the past few months, the Dong has stabilized. Interest rates have also not fluctuated dramatically. In that context, Q3 business results will likely determine the trend for the market. We think that there will be more diversion between companies' stock price movements. Positive results overall will support the market. However, the amplitude of share price movements will not be as big as what happened in the beginning of 2018.

In summary, we believe the worst period of 2018 is behind us. After the weak performance in 1h 2018, emerging and frontier markets have started recovering. Vietnam is not an exception.

Oil & Gas

Stock prices of the oil & gas industry have risen substantially since mid-July. The US decision to impose sanctions on Iran has created a 'supposedly' supply shortage and pushed oil prices to higher levels. From mid-July, the stock price of leading companies in the sector, such as GAS, PVD, PVS, PVB, PXS, increased on average by more than 50% and are the best performers in the last two months.

Figure 21: Oil price (USD)

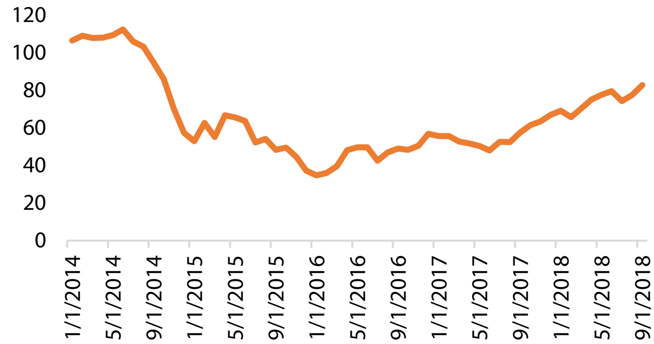
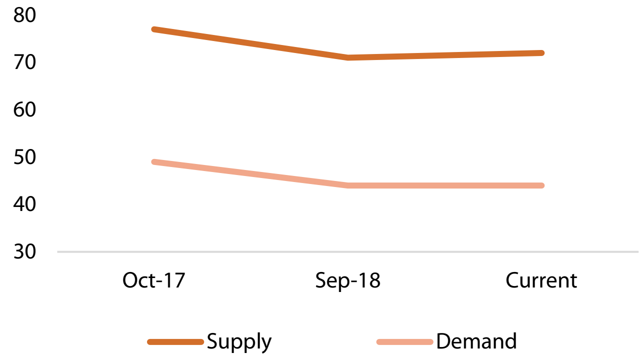


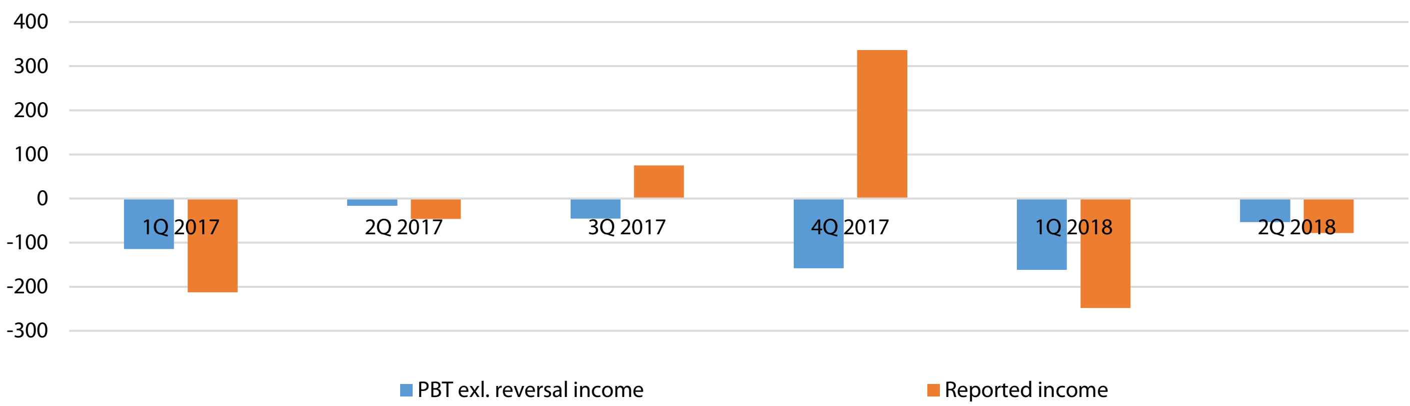
Figure 22: Rig's supply and demand



Source: Bloomberg, RongViet Securities

Restarting oil & gas projects is the main driving force that supports the share price of the whole sector. However, the momentum of some stocks is too strong if compared to the upcoming reality. In the case of PVD, even though the company will get more contracts from new projects, the jack-up rig day rate remains low due to oversupply in SE Asia. Besides, the company is trying to look up job for PVD V but the probability is quite low as this rig is only for a unique project. Possibly, the prospect for PVD V will be clearer after 2019. As a result, PVD will find it hard to record positive earnings from its core business despite good potential results in the upcoming quarters. For GAS – the prime winner from the uptrend in oil prices- it is vulnerable to a possible increase in global supply if Russia starts hiking its production.

Figure 23: PVD's quarterly PBT in recent six quarters (VND Bn)



Source: RongViet Securities

High dividend yield stocks

Stable macro factors and the latest 'stories' about Vietnam joining the MSCI emerging market index from frontier status in a few years continued to support investors' sentiment. As a result, large cap stocks drove the market in recent weeks. Since this MSCI rebalancing is a long way out, we believe that stocks with high dividend yields should remain a safe place for risk-averse investors. Our list includes 23 stocks which have expected cash dividend for 2018 from 9% and ROE from 11%. We then classify the list into three groups:

- The first group includes stock having expected cash dividend for 2018 significantly higher than their median cash dividend yield in 2011 – 2018. We expect that stock price appreciation will bring the current expected dividend yield to approach its median. Stocks in this group are **THG**, **SJD**, **TDC**, and **IJC**. In this group, we prefer SJD.Thanks to favorable hydrological conditions in 3Q 2018, the total electricity output of SJD continued to grow by 6.6% YoY from a high base in 3Q 2017, implying a strong operational performance. As a result, we expect positive earnings growth for the company this quarter. SJD's current expected dividend yield is 9.3%, which is higher than its median of 8.4%. SJD will pay VND 4,500 per share for its extraordinary cash dividend in 4Q 2018. In the meanwhile, although **BFC** and **SRF** have high dividend yield, 9.1% and 10.6% respectively, the ratio is lower than their median, implying less upside for their stock price.

- The second group includes stocks having a good history of cash dividends. The group includes **NNC**, **CIA**, **HAH**, **SFG**, **HTI**, **TVT**, **PLC**, and **AAA**.

- The last groups include stocks having high expected dividend yields for 2018. However, when looking at historical dividend yields, we find that the ratio has fluctuated widely, or missed dividend payments in some years. Therefore, investors should carefully track the companies' business if they are in line with their plan before deciding to invest in these stocks. Stocks in this group include CVT, HMC, VCA, S4A, NDX, SKG, HDC, VGS, and HDA, in which, **CVT** is the case that investors can take a look at. In 2017, investors were attracted by CVT's growth story of granite and its investment in new high-end product lines. At that time, the company's total capacity was expected to add 25% more from these new products. However, the investment process and sales volume have been slower than expectation in 9M2018, resulting the stock price slumped. Therefore, although CVT's expected dividend yield is the highest ratio in last eight years, we think investors should follow the sales growth of new products will be the signal to invest in CVT.

Table 5: Stocks with high dividend yields

No.	Ticker	Exchange	Market cap (VND Bn)	Current price (VND)	ROE (%)	ROA (%)	2018 cash dividend (VND)				Dividend yield (%)							
							Planned	Paid	Remaining	Median	2018 (expected)	2017	2016	2015	2014	2013	2012	2011
1	NNC	HOSE	1,120	51,100	37.9	31.8	6,000		6,000	12.3	11.7	25.4	11.7	5.9	11.7	12.9	13.7	13.7
2	CVT	HOSE	1,020	27,800	31.8	13.6	3,500		3,500	5.9	12.6	5.4	3.6	9.0	1.8	6.5	4.0	7.2
3	HMC	HOSE	300	14,300	27.8	10.3	1,300		1,300	7.3	9.1	21.0	7.7	0.0	7.0	5.9	7.0	15.4
4	VCA	UPCOM	213	14,000	26.4	15.9	2,000		2,000	6.4	14.2	21.4	10.7	10.7	2.1	0.0	1.8	2.1
5	S4A	HOSE	1,139	27,000	26.2	10.7	3,000	500	2,500	5.7	11.1	11.5	5.9	1.9	7.4	5.6	0.0	0.0
6	THG	HOSE	384	29,100	25.8	9.7	4,000	1,200	2,800	6.9	13.7	10.3	10.3	6.9	4.5	4.3	5.2	6.9
7	NDX	HNX	79	13,900	22.4	9.8	2,000		2,000	1.8	14.4	0.0	3.6	10.8	7.2	0.0	0.0	0.0
8	CIA	HNX	291	30,300	20.8	13.1	3,000		3,000	6.6	9.9	6.6	13.2	6.6	19.5	0.0	0.0	0.0
9	SKG	HOSE	1,411	24,500	20.8	19.9	2,500		2,500	4.1	10.2	6.1	4.1	4.1	4.1	4.1	0.0	0.0
10	SJD	HOSE	1,856	26,900	19.0	13.3	2,500		2,500	8.4	9.3	0.0	8.6	9.3	9.3	8.2	7.4	5.6
11	TDC	HOSE	885	8,850	18.4	2.8	1,200		1,200	12.7	13.6	0.0	11.9	11.3	11.3	15.8	14.7	22.6
12	BFC	HOSE	1,572	27,500	17.5	5.6	2,500		2,500	10.2	9.1	12.7	10.9	10.9	10.2	10.2	0.0	0.0
13	SRF	HOSE	445	14,200	17.2	4.7	1,500		1,500	14.1	10.6	10.6	14.1	14.1	8.5	15.8	24.6	28.2
14	HAH	HOSE	646	13,400	16.6	10.6	2,000		2,000	11.2	14.9	14.9	14.9	22.4	7.5	0.0	0.0	0.0
15	SFG	HOSE	623	13,000	15.2	6.5	1,200		1,200	9.2	9.2	10.0	9.2	11.5	15.4	0.0	0.0	0.0
16	HTI	HOSE	316	12,650	15.2	3.9	1,200		1,200	9.5	9.5	14.2	9.5	9.5	12.6	0.0	7.9	11.9
17	HDC	HOSE	682	13,650	14.9	7.3	1,500		1,500	5.5	11.0	0.0	7.3	0.0	3.7	0.0	7.3	7.3
18	TVT	HOSE	460	21,900	13.2	5.7	2,500		2,500	10.3	11.4	11.4	11.4	9.1	11.4	0.0	6.8	0.0
19	VGS	HNX	368	9,800	13.1	4.5	1,200		1,200	2.3	12.2	0.0	15.3	10.2	2.6	2.0	1.1	0.0
20	IJC	HOSE	1,164	8,490	12.4	2.6	1,200		1,200	9.4	14.1	11.8	9.4	4.7	9.4	7.1	7.1	13.0
21	HDA	HNX	116	10,100	11.9	7.7	1,200		1,200	8.9	11.9	0.0	11.9	7.9	9.9	14.9	0.0	0.0
22	PLC	HNX	1,446	17,900	11.6	3.9	2,000		2,000	11.2	11.2	11.2	11.2	16.8	16.8	8.4	8.4	2.8
23	AAA	HOSE	2,928	17,100	11.2	4.1	2,000		2,000	6.1	11.7	11.7	11.7	4.1	0.0	5.8	5.8	6.4

Source: FiinPro, RongViet Securities

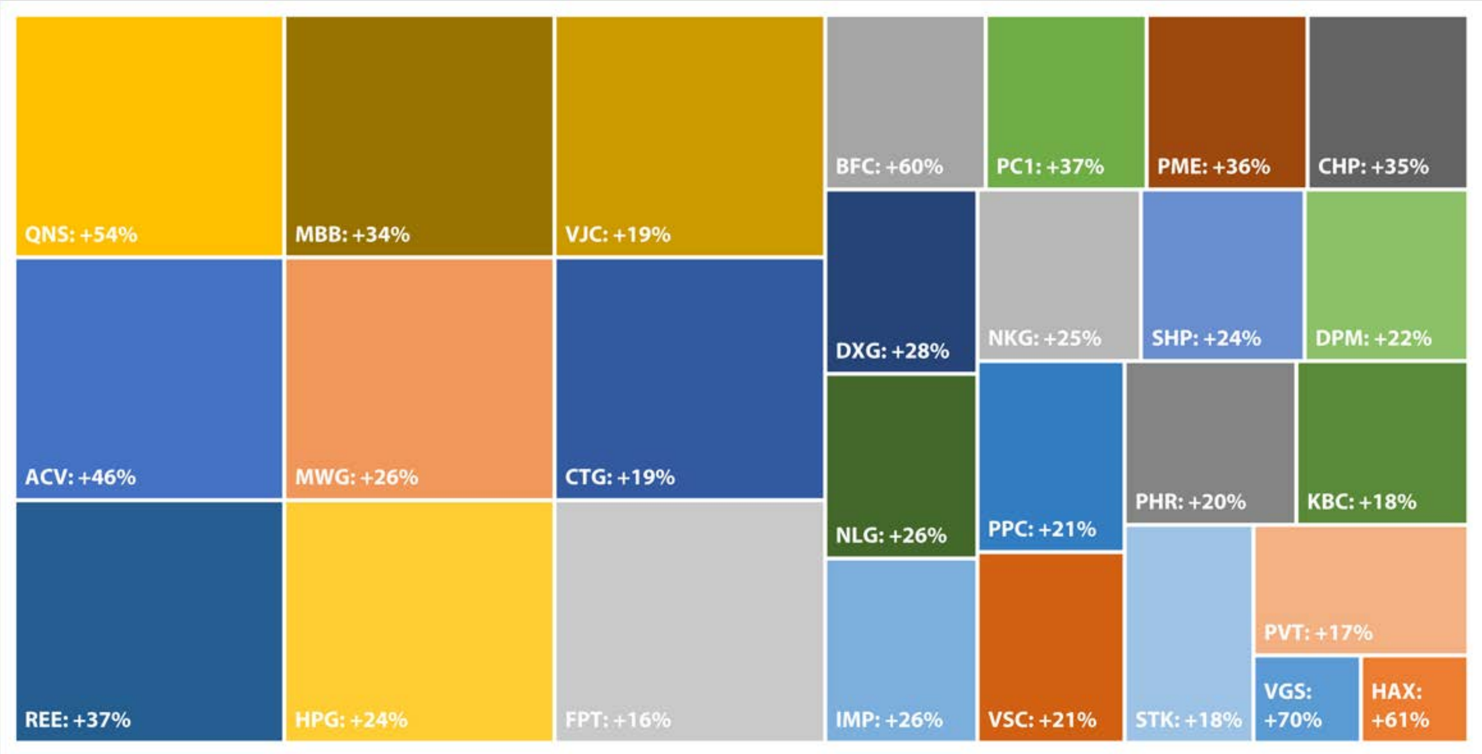
In the model portfolio the position in Vinh Hoan has been reduced by half because the stock has gone up 67% since early July. As a result cash has risen to 20%.

The portfolio is up 11.7% since inception in late June 2018 while the VN Index is up 6.6%. Our target range for the main Vietnamese Index is still 960-1040. As we get into November we will reduce the cash position to benefit for, what we expect, a December end of the year 'exhaustion' move.

Sector	Name	Ticker	Weight (%)	Purchase Price	Current Price	Gain/ Loss (%)
Cons Services	VietJet Air	VJC	10	131,000	144,800	10.5
Cons Goods	Quang Ngai Sugar	QNS	10	35,600	40,600	14.0
Cons Goods	Vinh Hoan	VHC	5	56,500	94,400	67.1
Basic Materials	Phuoc Hoa Rubber	PHR	10	19,000	26,800	41.1
Industrials	Taseco Air Services	AST	10	62,400	67,400	8.0
Industrials	Airport Corp Vietnam	ACV	10	86,000	85,500	-0.6
Basic Materials	Nam Kim Steel	NKG	10	14,400	15,250	5.9
Financials	Dat Xanh	DXG	5	24,900	28,100	12.9
Utilities	Central Hydro Power	CHP	10	23,000	22,600	-1.7
Cash			**20**			
Total			**100**			
		VN Index		**957.0**	**1,020.4**	**6.6**
		Portfolio				**11.7**

Readers should refer to the relevant Rong Viet research reports for detailed analysis and disclosures.
Prices as of Oct 3rd
Source: Rong Viet Securities

Figure 24: RongViet Securities' coverage list



Price as of Oct 3rd; Size of stocks is its market cap

HIGHLIGHT STOCKS

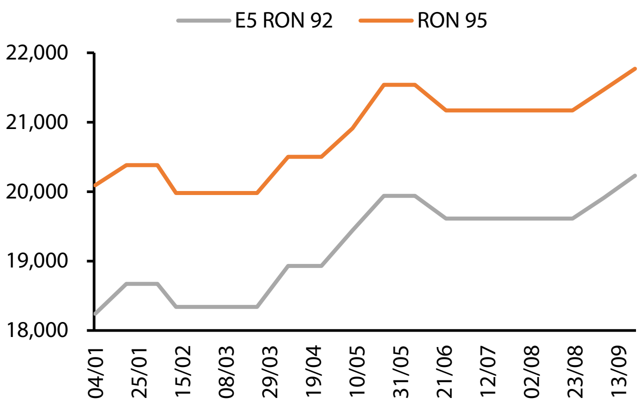
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Price @Oct 3rd (VND)	Total Return (%)	Rating	2017		2018F		2019F		PER Trailing (x)	PER 2018F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
ACV	UPCOM	8,022	124,000	85,800	45.6	Buy	-5.5	-18.1	38.8	58.9	13.4	15.1	33.6	30.0	6.7	1.0	30.5	347	45.4
PVT	HOSE	226	21,200	18,750	16.8	Accumulate	-9.0	0.7	24.9	28.3	12.4	15.3	9.1	10.4	1.4	3.7	36.3	212	14.7
PGI	HOSE	68	24,900	17,900	45.8	Buy	0.0	24.9	10.7	7.7	11.2	58.2	12.8	9.3	1.1	6.7	-6.3	2	28.2
PNJ	HOSE	749	103,000	107,800	-1.7	Neutral	28.2	61.1	31.7	28.6	13.4	26.0	20.2	18.7	5.2	2.8	44.6	2,264	0.0
FPT	HOSE	1,196	50,900	45,500	16.3	Accumulate	8.0	47.0	-45.8	-31.5	13.5	14.7	9.0	14.0	2.4	4.4	14.8	1,893	0.0
HPG	HOSE	3,757	51,400	41,300	24.5	Buy	38.7	21.3	35.7	35.2	33.8	43.3	9.7	8.7	2.4	0.0	49.0	9,873	9.5
VGC	HNX	353	30,200	18,400	69.3	Buy	11.4	23.7	14.4	41.8	15.6	27.2	13.2	8.7	1.3	5.2	-13.2	1,509	24.1
MBB	HOSE	2,137	30,504	23,100	34.2	Buy	40.7	39.7	29.7	57.2	12.7	31.9	11.1	9.9	1.7	2.2	30.3	5,690	0.0
PPC	HOSE	277	22,000	20,200	21.3	Buy	4.3	52.5	11.8	32.7	1.4	-25.4	6.7	6.0	1.1	12.4	13.4	185	33.7
CTG	HOSE	4,385	31,900	27,500	18.5	Accumulate	23.3	9.2	10.4	13.8	12.8	28.6	13.2	15.2	1.5	2.5	49.5	6,489	0.0
SHP	HOSE	87	25,400	21,650	24.2	Buy	20.3	88.9	-1.9	-7.1	3.0	16.3	11.1	11.8	1.9	6.9	6.0	5	44.1
STK	HOSE	46	20,700	18,000	17.8	Underreviewing	46.6	242.3	2.0	27.7	7.9	16.0	8.1	8.6	1.3	2.8	8.1	38	41.1
ACB	HNX	1,789	38,400	33,500	14.6	Accumulate	81.0	59.8	14.3	138.2	13.4	15.8	11.6	8.5	2.3	0.0	39.9	6,778	0.0
DPM	HOSE	322	22,400	19,200	21.9	Buy	0.9	-39.1	35.1	-13.1	7.4	67.3	11.8	14.6	1.0	5.2	-6.9	469	28.4
CHP	HOSE	134	29,000	22,600	35.0	Buy	32.5	59.2	-26.1	-38.4	12.1	31.6	16.2	13.0	1.9	6.6	-2.6	74	45.8
TCM	HOSE	67	28,570	29,000	2.0	Neutral	4.5	67.8	-0.9	-9.1	8.8	10.5	8.3	9.2	1.4	3.4	15.0	518	0.0
PHR	HOSE	156	30,200	26,800	20.1	Buy	40.4	48.5	2.3	92.4	13.3	35.5	8.8	7.0	1.4	7.5	15.4	345	40.0
CTI	HOSE	69	31,500	25,500	29.8	Buy	7.1	39.2	131.3	214.9	-44.0	-80.7	11.8	8.9	1.3	6.3	-15.4	473	24.9
NT2	HOSE	322	27,100	26,100	13.4	Accumulate	-15.3	-25.3	14.2	-9.2	2.1	-6.9	8.8	10.6	2.1	9.6	27.6	347	27.6
REE	HOSE	485	48,400	36,500	37.0	Buy	36.5	26.0	13.3	23.3	4.6	2.1	6.9	6.7	1.3	4.4	10.5	906	0.0
DRC	HOSE	138	24,300	27,200	-7.0	Underreviewing	0.0	0.1	-0.2	7.2	5.7	-1.1	24.6	19.7	2.2	3.7	27.7	333	24.6
PC1	HOSE	154	37,000	27,000	37.0	Buy	5.1	-22.1	55.2	99.5	3.3	24.0	8.7	7.2	1.2	0.0	-11.3	154	17.1
BFC	HOSE	67	40,500	27,500	60.0	Buy	6.1	0.2	8.2	10.6	14.7	25.0	7.3	5.1	1.6	12.7	-23.6	41	35.1
VCB	HOSE	9,707	60,000	63,000	-3.5	Neutral	18.2	33.0	18.3	27.2	11.3	16.5	20.1	23.5	3.9	1.3	67.6	5,244	9.2
IMP	HOSE	113	67,100	53,500	26.4	Buy	15.4	16.0	20.4	21.6	21.2	20.0	21.8	21.0	1.8	0.9	-2.4	63	1.0
DHG	HOSE	543	102,000	97,000	8.2	Accumulate	7.4	-9.5	15.2	31.8	9.3	1.8	21.3	17.1	4.3	3.1	-6.0	1,320	-0.3
VJC	HOSE	3,359	170,000	144,800	19.5	Accumulate	54.0	81.0	27.8	27.5	24.3	20.9	16.6	13.6	6.7	2.1	70.6	4,899	5.5
VNM	HOSE	10,210	141,800	136,900	5.8	Underreviewing	9.1	10.1	5.6	0.2	7.1	11.6	24.3	25.7	9.2	2.2	14.3	6,620	40.9
NLG	HOSE	288	40,200	31,800	26.4	Buy	24.8	55.0	13.8	61.0	-61.1	7.4	13.4	9.2	1.9	0.0	46.3	819	0.0
QNS	UPCOM	506	61,000	40,600	53.9	Buy	9.6	-27.9	7.8	19.6	5.2	9.5	10.9	8.4	2.4	3.7	-25.2	349	37.9
LTG	UPCOM	110	39,500	38,000	9.2	Accumulate	12.0	28.5	5.3	9.6	6.3	9.5	6.1	6.6	1.1	5.3	-19.7	65	4.4
VSH	HOSE	155	22,100	17,500	32.0	Buy	17.5	10.8	3.2	-3.1	112.7	12.7	10.3	13.1	1.2	5.7	2.6	33	35.3
HDG	HOSE	159	31,277	39,100	-18.7	Reduce	14.1	-16.0	49.6	103.8	-0.2	29.8	13.6	8.2	2.8	1.3	44.1	297	36.2
HAX	HOSE	28	30,000	18,600	61.3	Buy	33.1	8.1	34.1	34.2	30.3	32.6	6.6	5.8	1.7	0.0	-26.2	98	36.9

							2017		2018F		2019F								
Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Price @Oct 3rd (VND)	Total Return (%)	Rating	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	PER Trailing (x)	PER 2018F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
PME	HOSE	231	95,800	71,900	36.0	Buy	7.6	19.7	10.0	12.4	15.0	17.1	18.3	16.9	3.3	2.8	0.0	39	0.0
IDC	UPCOM	279	33,500	21,600	55.1	Buy	11.1	-14.0	3.1	-14.3	5.7	21.5	3.2	22.5	2.1	0.0	0.0	147	49.0
DIG	HOSE	190	19,500	17,600	10.8	Accumulate	68.4	31.7	54.0	56.1	-7.0	25.2	29.2	16.6	1.5	0.0	21.4	1,206	10.9
VIC	HOSE	13,969	95,041	102,200	-7.0	Reduce	68.4	74.1	39.2	74.7	27.1	45.6	90.0	43.6	7.8	0.0	142.0	7,647	41.5
GAS	HOSE	10,057	125,900	122,700	4.2	Neutral	9.3	36.4	14.3	15.9	10.6	-2.3	20.9	21.5	5.4	1.6	88.4	2,175	45.4
VRE	HOSE	3,379	43,400	41,500	4.6	Neutral	-13.6	-17.2	49.1	19.9	23.9	23.0	39.3	32.6	2.9	0.0	0.0	3,453	17.5
DXG	HOSE	421	36,106	28,100	28.5	Buy	14.9	39.8	56.2	37.7	-24.8	-20.7	9.8	9.3	2.3	0.0	68.8	4,103	1.0
HTM	UPCOM	77	15,500	8,300	89.2	Buy	-5.8	-20.0	26.2	136.3	11.3	119.8	56.6	21.5	0.8	2.4	0.0	16	34.3
POW	UPCOM	1,660	18,400	16,600	10.8	Accumulate	5.4	82.1	20.0	7.9	7.9	28.3	14.6	19.0	1.6	0.0	0.0	1,147	-22.4
PVS	HNX	463	22,500	24,200	-4.1	Neutral	-10.5	-22.9	-8.1	-11.2	-2.7	30.2	14.9	16.4	1.0	2.9	53.8	5,140	28.8
VGS	HNX	16	15,500	9,800	70.4	Buy	31.4	-12.3	27.9	37.8	3.2	9.4	4.7	4.4	0.6	12.2	2.1	16	42.6
AST	HOSE	104	70,000	67,400	9.8	Accumulate	108.0	236.1	27.9	4.5	12.6	21.4	16.2	19.3	5.2	5.9	0.0	193	25.5
OIL	UPCOM	758	18,232	17,400	4.8	Neutral	52.0	-13.6	-3.7	-7.2	14.2	18.5	43.6	41.8	1.8	0.0	0.0	1,215	0.0
KBC	HOSE	262	15,350	13,000	18.1	Underreviewing	-36.0	4.9	84.5	23.3	-5.7	13.5	13.9	10.3	0.7	0.0	-8.1	1,127	31.3
NCS	UPCOM	30	57,400	39,000	52.3	Buy	15.4	24.2	10.4	-15.5	14.0	22.5	8.4	10.9	2.9	5.1	-14.5	5	47.2
VHC	HOSE	373	95,400	94,400	4.6	Underreviewing	11.6	4.7	13.7	74.2	10.6	7.5	11.2	9.3	2.7	3.5	95.7	509	60.7
NKG	HOSE	119	18,000	15,250	24.6	Buy	41.2	36.6	56.4	-20.5	43.9	10.4	4.5	6.1	0.9	6.6	-40.0	297	58.9
CTD	HOSE	548	160,100	163,500	1.0	Neutral	30.7	16.2	5.0	-5.7	0.0	1.0	7.6	9.4	1.7	3.1	-17.4	1,315	5.1
HDB	HOSE	1,657	42,000	39,450	9.0	Accumulate	38.5	136.6	31.5	57.4	19.2	24.2	14.1	14.1	2.7	2.5	0.0	2,536	2.5
FRT	HOSE	220	84,000	75,500	13.9	Accumulate	21.0	40.0	29.9	35.5	41.8	40.7	15.9	13.3	5.4	2.6	0.0	207	1.3
VSC	HOSE	91	50,000	42,500	21.2	Buy	20.4	-5.6	0.9	26.4	2.5	4.0	7.6	7.9	1.4	3.5	-6.6	271	12.2
GMD	HOSE	338	30,800	26,600	15.8	Accumulate	4.9	29.3	-39.6	228.8	8.9	-72.2	4.2	5.2	1.3	0.0	-21.0	1,000	5.0
BID	HOSE	5,366	35,000	36,650	-2.6	Neutral	13.2	10.3	13.2	10.3	11.8	50.6	15.5	21.5	2.5	1.9	84.6	4,260	27.5
MWG	HOSE	1,771	160,000	128,100	26.1	Buy	48.7	39.8	42.1	38.9	15.4	20.0	15.1	14.1	5.5	1.2	10.1	2,882	0.0

(*) Total Return = Stocks' Upside plus dividend yield

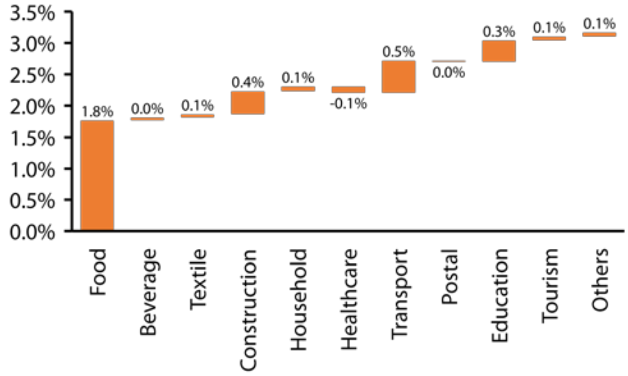
VIETNAM MACRO WATCH IN SEPTEMBER

Domestic retail gasoline prices gradually rose in 2018



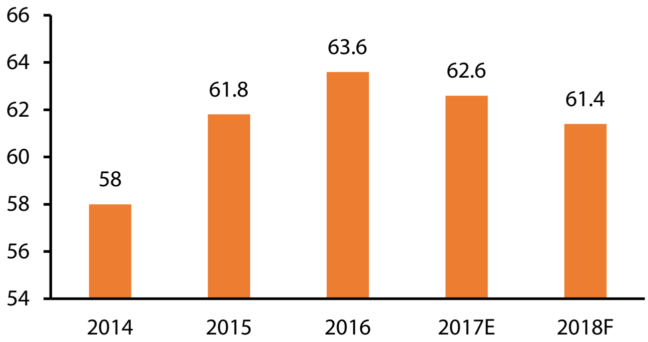
Source: RongViet Securities

Contribution to Vietnam's CPI 2018



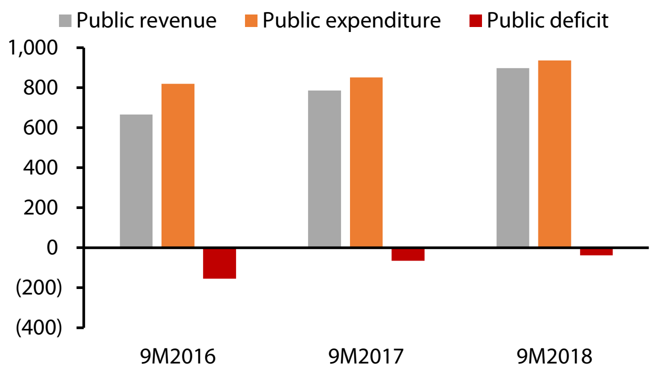
Source: GSO, RongViet Securities

Public debt to GDP decreased (%)



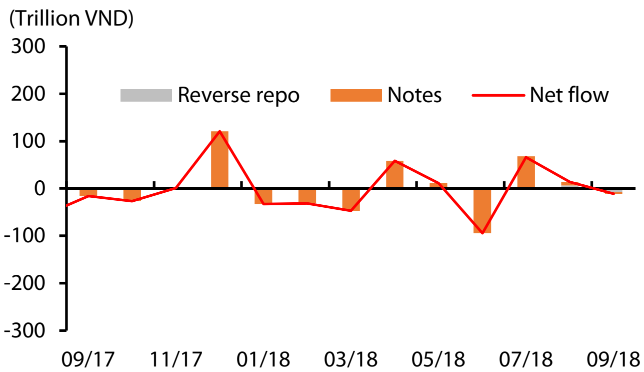
Source: MOF, RongViet Securities

Public budget deficit shrunk (VND Bn)



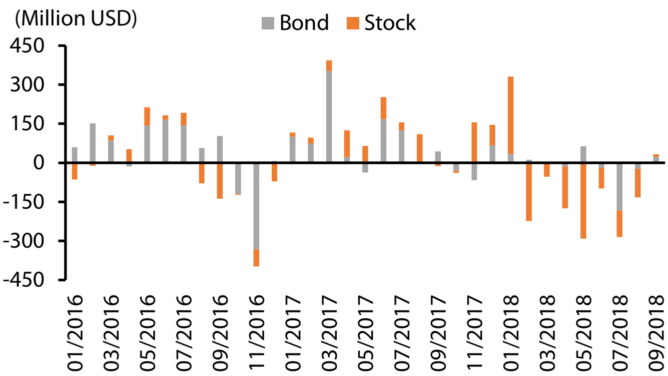
Source: HNX, RongViet Securities

SBV withdrew money again via OMO



Source: SBV, RongViet Securities

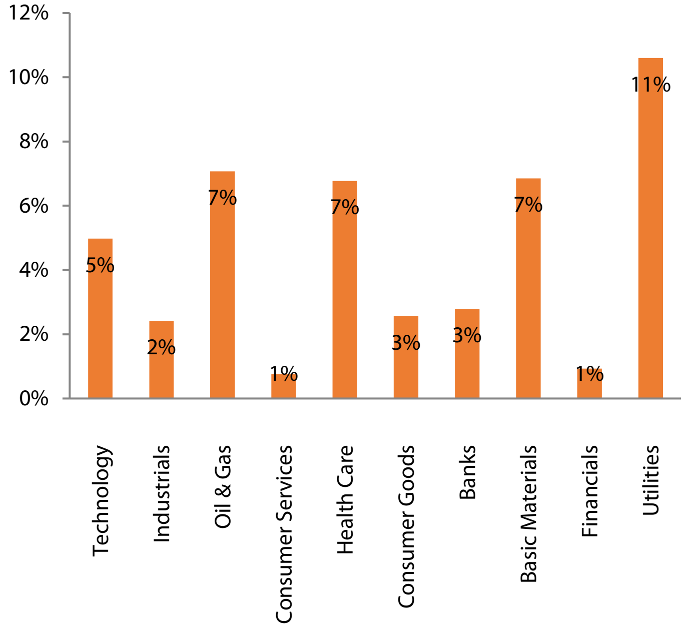
Foreigners net bought local financial assets



Source: Bloomberg, RongViet Securities

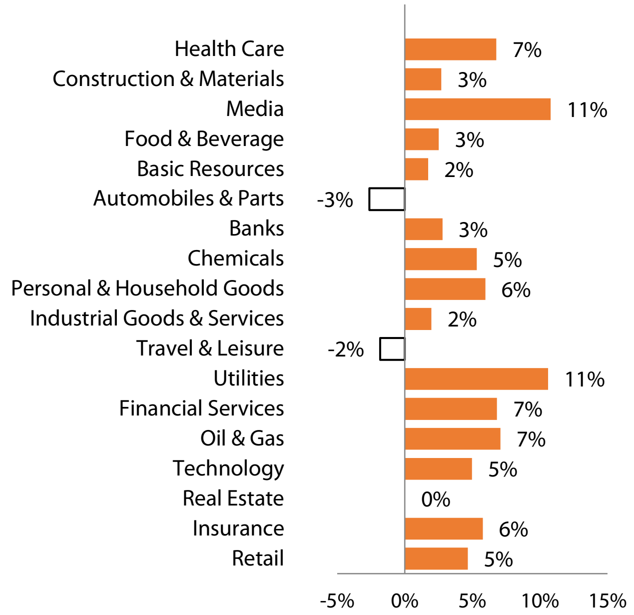
INDUSTRY INDEX

Level 1 industry movement



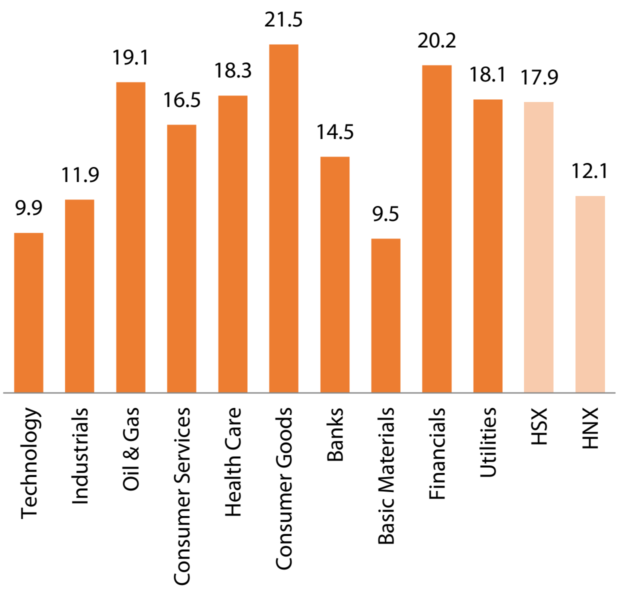
Source: RongViet Securities

Level 2 industry movement



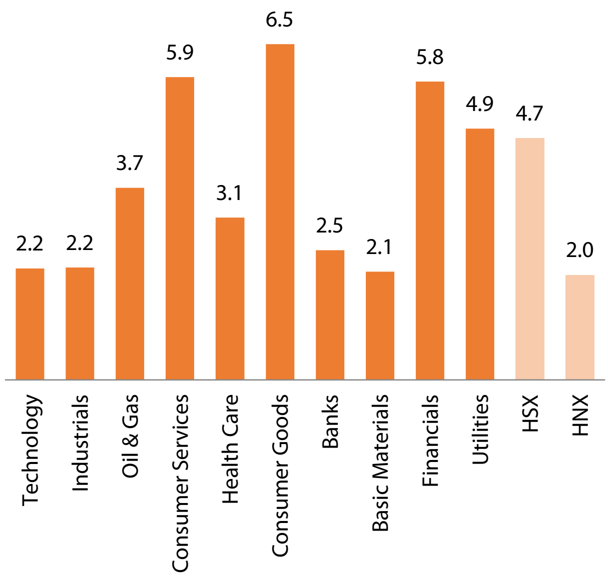
Source: RongViet Securities

Industry PE comparison



Source: RongViet Securities

Industry PB comparison



Source: RongViet Securities

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