07/09/2015

Investment Strategy September 2015

Increased uncertainties call for a long-term view

In the last two weeks of August, the stock market of Vietnam experienced extremes it had not witnessed since crude oil plunged in 2014. The devaluation of the yuan shook the market in mid-August and rumors pushed indices further on the down side. In a broader picture, however, the stock market of Vietnam, like other emerging/frontier markets, has been pressured by great concerns over the well-being of the world's economy, which worried may have ignited mass redemption of the shares of the two ETFs (i.e. Van Eck's and FTSE's). The worth of Vietnamese share accumulated by foreigners dropped 8.6% in August wherein forceful sales were witnessed in (1) real estate stocks like VIC and KBC, (2) O&G stock such as PVD, PVD and GAS and (3) food/agricultural securities the like of HAG, KDC, SBT, HNG.

What have been dreading foreign investors in Vietnam stock market may be: (1) the likely FED rate hike in September, (2) the likelihood that the TPP will not be concluded this year and (3) the stability of Vietnam's economy when China's pumps the brakes. In fact, the flight from the shares of commodity producers is evidence that foreigners have made a bet on the US rate hike the resulting rise of the greenback. With the same concerns, local investors will likely be impacted significantly by foreigner sales.

It always takes time for the market to regain balance after extreme shocks like those in August. As the result, we do not see much chance for stocks to move in a defined trend at least until two thirds of September has passed, by which time the two ETFs will have finished their quarterly review and the FED will have reached to the big decision of whether to let their target interest rate increase and the plan for the schedule for next TPP gathering will have probably been announced. Given investors have long prepared for whatever the outcome of such events, reactions in the stock market should last no longer than 2-3 days. We suppose how the stock market will behave after September 18th will depend largely on how it does right before that and will be in the opposite direction. In other words, weak corrections do not promise strong recoveries. We expect the SBV following the FED action and considerations of the resulting market turnings will send a clear message of its policy for the last 3 months of 2015. All these factors combined will have important implications to market sentiment as they will lower the risk of uncertainties and boost investor confidence in their decisions. Liquidity enhancement will be something to look for during this period.

Before all the things above happen, it will be difficult to any sector leading the market and indices will have to stop at important resistance and support levels. We are still concerned that blue-chips and large-caps will remain vulnerable against shifting in the macroeconomy and overseas funds flows. What can put a halt or even reverse foreign investor's net selling trend is probably the MPI's issuance of the list of industries eligible for 100% FOL extension.

VNIndex is expected to move between 535 and 578 and HNIndex 74 and 79 in September.

Given the current market conditions, we think investors should adopt a 3-4 month view we once recommended in May 2015 Investment Strategy Report. Opportunities will open in stocks overly discounted by the market for the factors outside the underlying firms' control that have had adverse impact on the businesses.

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We do not expect the stock market to exhibit a trend or rather a "mood" this month. Facing the risk of adverse information, it seems that the buy side now has a better position to bargain than the sell side. For that, cash holders can afford to wait until the market makes a dip and stocks sells at a good price. On contrary, those who still have shares should take profits and balance the stock and cash portions of their portfolio.

- The O&G sector will have significant influence on the landscape of September stock market every time there is sudden a turning in the market for crude oil. More factors supporting the recovery of crude have come to light recently for which we favor Morgan Stanley's good-case scenario for the average price at the end of the year. Therefore, if the prices of O&G stocks fall below the book value of the securities under the effect of any sudden drop in oil price, that will a buy opportunity for issues with high beta against oil price such as PVD and PVS.
- Following a decline in August, the weighted average P/B of bank stocks is now 1.9x (as compared to a regional average of 1.5x). At the current price level, we believe bank stocks are becoming reasonable rather than being "cheap" as we believe numerous issues have not reflected in stock prices. September is the deadline for banks to bring their NPL ratios to below 3%, and although the NPL ratios of most listed banks are already under 3%, the institution are still required to make provisions with their profit for VAMC bonds. Also, income from trading of foreign currencies and financial instruments may not be positive this year. If investors look to long-term improvements in bank earnings, we are convinced that further correction will make these stocks more attractive.
- Last month, we looked at the on-going M&As in the property market. While the New Land Law allows foreigners residing in Vietnam to own houses, the lifting of the FOL in public real estate companies will make it much easier for overseas developers to acquire local players with ready land bank to reduce lead time and establish their own pipeline in the country. While the former flow of foreign funds will be beneficial for high-end and luxury property developers such as VIC, KDH and NLG, smaller companies such as BCI, NBB, DIG, ITC, CEO … will make potential acquisition targets.
- The stocks of leading brokerage houses such as SSI and HCM reacted positively to the news of the FOL extension. However, there have already been long-standing expectations of such lifting. Given their relative cap size, securities stocks can stir investor enthusiasm rather than leading a new trend.
- Recent exchange rate volatility may affect the Q3 bottom line of shipping and cement companies with heavy foreign currency debts. However, the volume of cargo for oil and gas shippers like PVT and GSP is ample and will increase steadily over a foreseeable future. Similarly, its large market share in the South, HT1's sale volume is being supported by robust construction sector growth and the recovery of the real estate. Overreaction by the market against fx losses may make these stocks more appealing for long-term investment.

Industries movement in August, 2015 and P/E, P/B of industries at the end of the month

62 stocks of RongViet Research (analyzing, discussing with companies) and have analysis and specific evaluation in "Company report" or "Advisory Diary" since the beginning of this year till now.

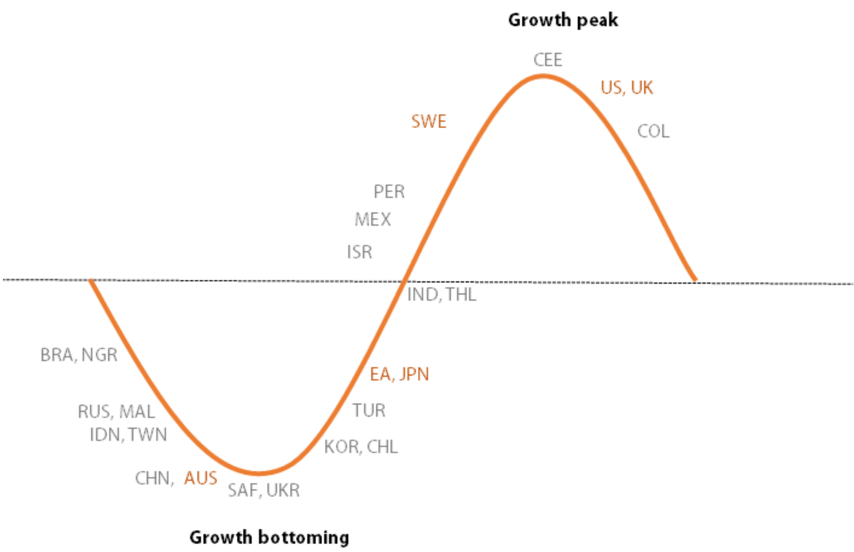
WORLD ECONOMY

- Global economic growth – Segmentation of the flow
- The wave of loose monetary policy
- Risks existing in the global economy

Global economic growth – Segmentation of the flow

Over the last month, major economies in the world respectively published the statistics about GDP growth in Q2/2015. Overall, the clear segmentation of economic growth exists between developed and developing countries. Regarding developed countries, sharp recovery was recorded in US and UK with GDP of Q2/2015 respectively achieved 3.7% and 0.7%. Under this situation, there were several small recoveries in EU, evidenced by the data of economic growth and labor markets. Growth rate of this section reached 0.3% for GDP Q2/2015, in parallel with the improvement of unemployment rate, at 10.9% - lowest since 2012.

Figure 1: Global growth cycle (*): developed economies and emerging economies



Sources: Morgan Stanley, RongViet Research,(*) position corresponds to country's stage in growth cycle

Meanwhile, in the group of emerging economies (BRICS), the situation of economic growth was relatively contrary with the stagnation of several economies, except India. Over the first half of 2015, India confirmed its economic position with the growth of 7%. According to the forecast of Morgan Stanley, GDP growth in 2015 from India could achieve 7.5%, surpass the estimation of 6.8% from China.

Base on IMF's assessment, the slowdown of China economy could negatively impact on the growing pace of several emerging economies, at the same time, this region could face many risks when the capital inflow has been lower, interest rates increase and there could be fluctuation in financial market if FED adjusts the interest rate. In monthly report 07/2015, IMF adjusted the forecast for the global economic growth to only 3.3% and expected to make further change in the upcoming reports for October. Recently, Morgan Stanley also dropped the forecasts of global economic growth to 3.1% and 3.4% respectively for 2015 and 2016, equivalent to 30 and 50 percentage points compared to 07/2015 report.

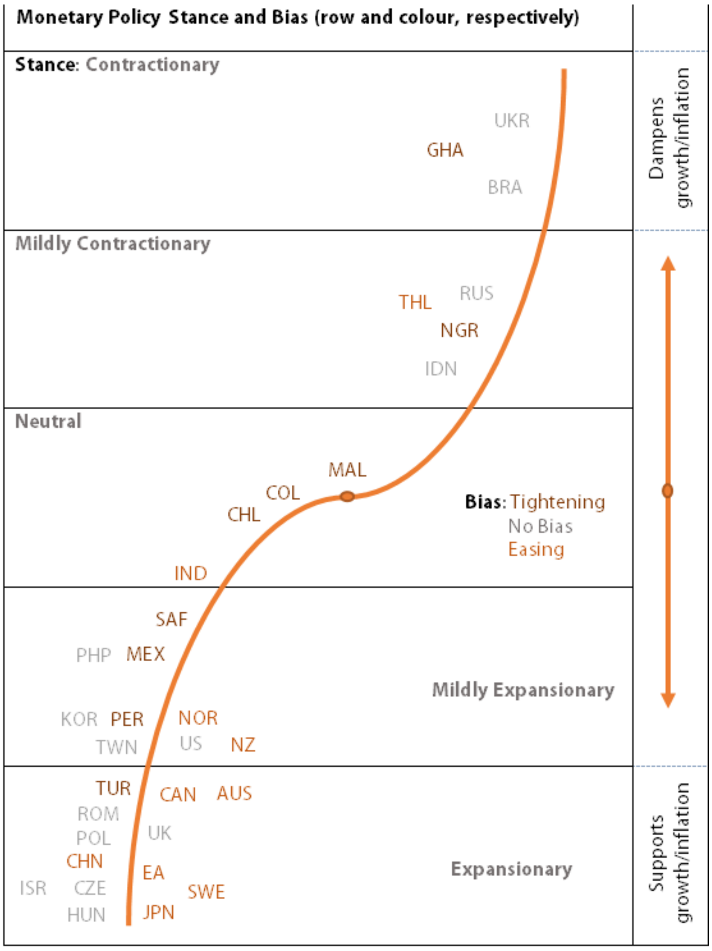
Table 1: Overview of the World Economic Outlook Projections

					Difference from April 2015 projections	
	2013	2014	2015F	2016F	2015	2016
World Output	3.4	3.4	3.3	3.8	**-0.2**	**0**
Advanced Economies	1.4	1.8	2.1	2.4	**-0.3**	**0**
United States	2.2	2.4	2.5	3	**-0.6**	**-0.1**
EU	-0.4	0.8	1.5	1.7	**0**	**0.1**
Japan	1.6	-0.1	0.8	1.2	**-0.2**	**0**
UK	1.7	2.9	2.4	2.2	**-0.3**	**-0.1**
Emerging Market and Developing Economies	5	4.6	4.2	4.7	**-0.1**	**0**
Russia	1.3	0.6	-3.4	0.2	**0.4**	**1.3**
China	7	6.8	6.6	6.4	**0**	**0**
India	6.9	7.3	7.5	7.5	**0**	**0**
ASEAN-5	5.1	4.6	4.7	5.1	**-0.5**	**-0.2**

Sources: IMF, RongViet Research

The wave of loose monetary policy

Figure 2: Global monetary policy



Sources: Morgan Stanley, RongViet Research

The segmentation of growth in economies leads to the difference in policy orientation from the State banks. In group of developed countries, according to several forecasts, US Federal Reserve (FED) and Bank of England (BOE) could implement tight money policies in the future. In contrast, Bank of Japan (BOJ) and European Central Bank (ECB) could maintain the easing monetary policies. Earlier 09/2015, ECB announced to maintain record low interest rate (0.05%) and provided many implications of possible expansion of QE asset purchasing program up to 03/2016

Under this situation, majority of State banks in emerging region have been maintained easing monetary policies. Since late 2014, PBoC has implemented to cute interest rate for 5 times, decrease the require reserve ratios for 4 times to support the downturn economy. Recently, PBoC continues to implement economic stimulus through interest rate cut to 4.6% - lowest in the last 10 years. In the same context, other economies such as Russia, Indonesia, and Turkey… are under easing monetary policies. In contrast, Brazil has become the exception when implementation tight monetary policy to fight against high inflation.

Table 2: Monetary policy rate (%)

	2015F	2016F	2017F
Global	3.22	3.34	3.54
US	0.375	1.375	2.375
EU	0.05	0.05	0.05
Japan	0.1	0.1	0.1
UK	0.5	1	1.5
EM	5.69	5.52	5.38
China	4.35	4.35	4.35
India	6.75	6.75	7
Brazil	14.25	12	11
Russia	10.5	8.5	6

Sources: Morgan Stanley, RongViet Research

Currently, the likelihood that FED will hike interest rate in the next FOMC meeting (September 16th to 17th) has received a lot of attention. China's economic slowdown caused the two concerns: (1) lowering commodity prices will affect US targeted inflation rate; (2) the global economic outlook is likely to deteriorate the recovery of US economy. Based on FED's members' speeches as well as the arguments of upcoming monetary policy, we suppose that FED will be more cautious when deciding to raise interest rate. If FED hikes interest rate, it will be based on the slow pace of the rate hikes.

Arguments for FED raises interest rate

- US interest rate has remained at 0% for a long time (six years). Extending this condition might lead to unpredictable risks for the financial market.
- US labor market witnessed a positive recovery. Unemployment rate plunged to 5.1% and Q2/2015 GDP growth rate increased by 3.7%. US economy has reached full employment.
- The US average wage growth increased by 0.3% in August, compared to the same period of 2.5%..

Arguments against FED raises interest rate

- China and EM 's economic slowdown had negative effects on the recovery of US economy.
- Lowering commodity prices might affect US targeted inflation rate. US core inflation rate remained at 1.2%, lowering than 2% FED's target.
- • Regarding Goldman Sachs, a 10% decrease in stock market will lead to a 0.15% decrease in US interest rate. S&P 500 index went down 9% since PBoC's new exchange rate policy.

Risks existing in the global economy

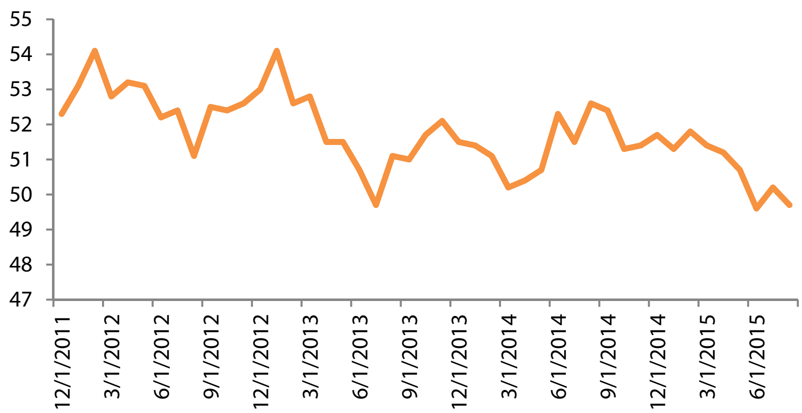
Under rough operating conditions, unprecedented risks can dampen the world's economic activities. Negative signals are emerging, however, higher risks may occur if: (1) China's economic growth is worsened; (2) FED raises interest rate sooner and by greater amount; and (3) Emerging economies stagnates.

Currently, China's economic operation has been unknown which is risky for the global economy. If the Chinese government decides to give up growth to reconstruct its economy, other countries might be discouraged, including the growing US.

China's stagnation has been one of the causes of the emerging countries' slowdown, beside low commodity prices and international trade which decrease exports. Various monetary policies and political instability are another risk that could lower the nations' growing trend.

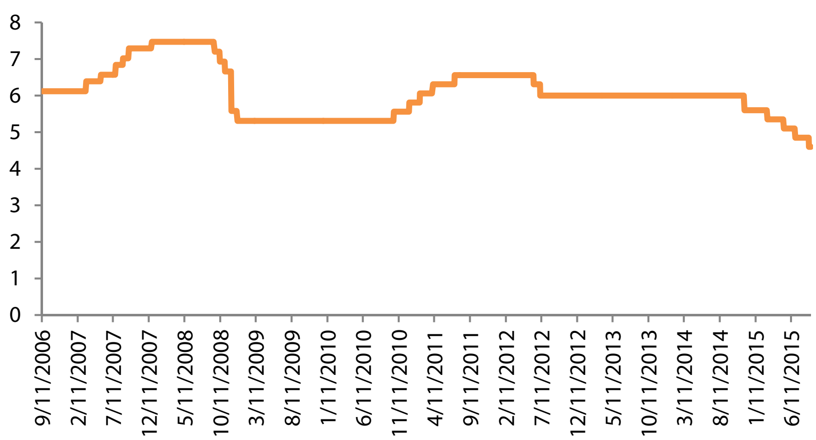
In regards to the chance of FED raising interest rates, this has been among the top issues interested by the global finance, as a change in the interest rate can have a great impact on asset valuation, which may result in capital flow reverse and capital withdrawal from emerging markets. Therefore, we are concerned that if FED raises interest earlier than expected, the global financial market might be put under harmful influence.

Figure 3: Emerging market PMI



Sources: Bloomberg, RongViet Research

Figure 4: PBoC's benchmark lending interest rate (%)



Sources: Bloomberg, RongViet Research

WORLD STOCK MARKETS

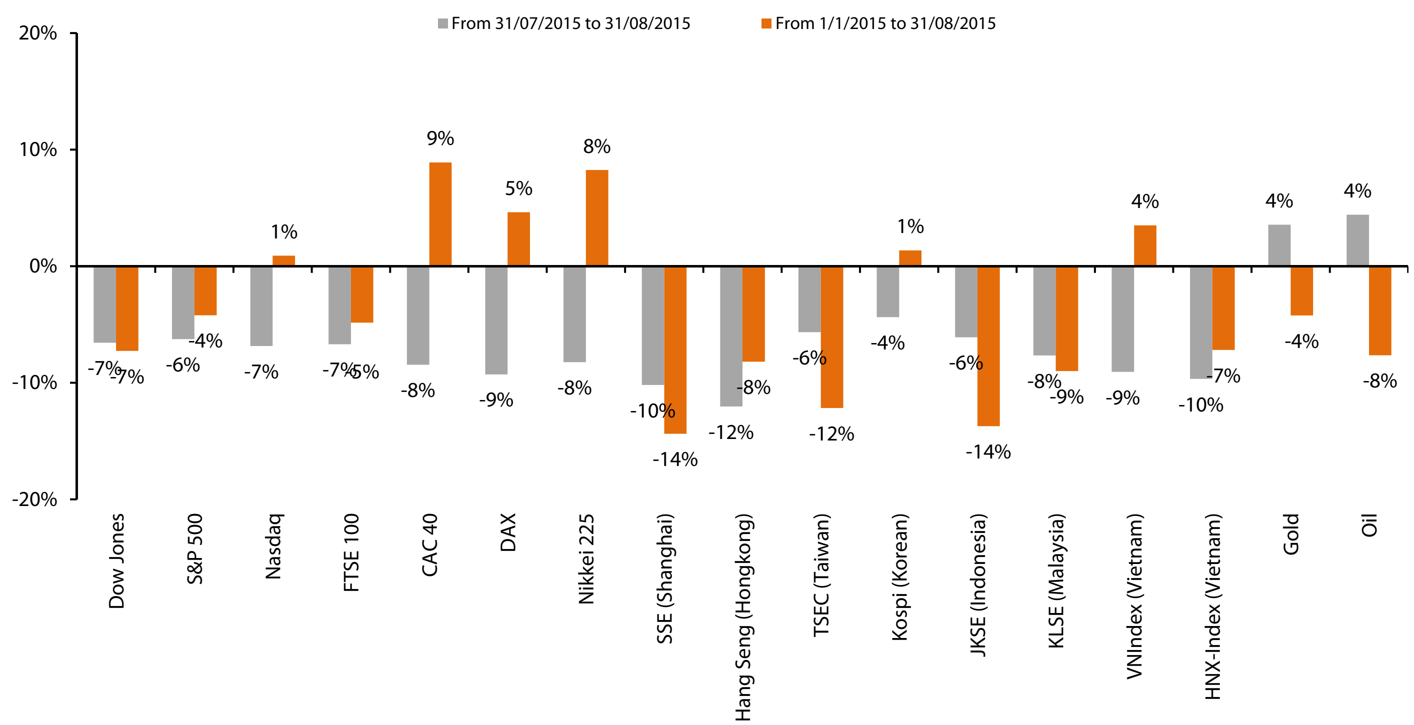
World stock markets experienced uneasy month. All markets entered August with major concern about the health of China's hugh economy, especially after China government changed its FX regime, which led to a currency depreciation trend in Asia. Poor picture of this country's economy also revealed via its lower export value (-8% yoy) and slipping PMI. Also, More reasons could be blamed for a dark month as oil tumbled around 20% from beginning of August to the fourth week of the month and anticipations of FED raising rates in middle of September.

China stocks crashed another 10% in August. On Monday, August 24th, Shanghai Composite finished down 8.5%, wiped out all gains this year. Other Asian markets also plunged last month as China worries intensified: Hang Seng (-12.04%), Nikkei 225 (-8.23%) and TSEC (-5.66%)

Sell-off spread to US stock market on same day. "Black Monday" saw Dow Jones suffering its biggest lost in four years, which DJ Index dropped 588 points, after having shed more than 1,000 points at the open in the morning. S&P 500 and Nasdaq did not have chances to stay out the wipe-off when they lost 3.94% and 3.82% consecutively. In addition, after a stormy month, Dow Jones fell 6.57% while S&P plunged 6.26% and Nasdaq recorded a loss of 6.85%.

European stock markets suffered their worst days trading since 2011 on "black Monday". To sum up a bearish month, FTSE 100, CAC 40 and DAX all together slumped 6.70%, 8.45% and 9.28% ascendingly compared to July.

Figure 5: World stock indices movement in August, 2015



Sources: Bloomberg, RongViet Research

VIETNAM ECONOMY

- The effects of the devaluation on inflation is negligible but relatively influence the interest rate policies
- The recent adjustment could make the public debt crisis come 1 year earlier
- The influence degree of external risks into Vietnam economy

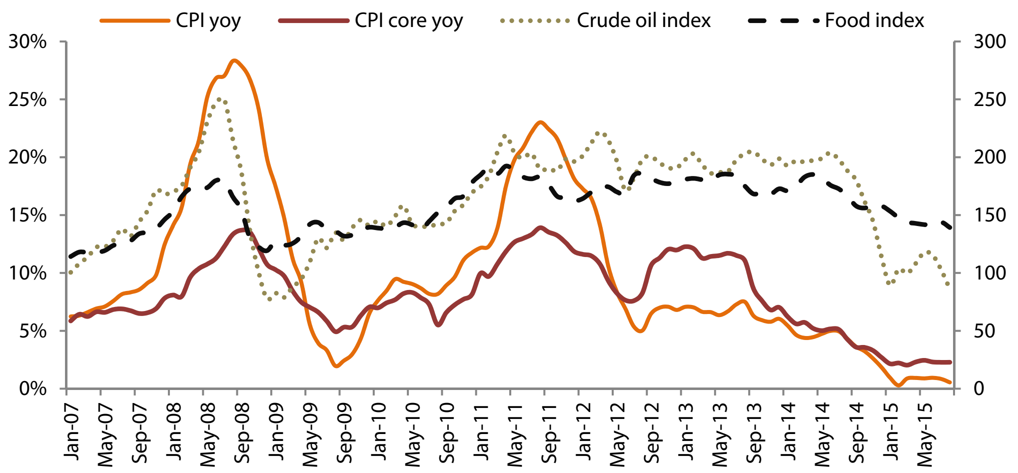
In August, 2015, after PBoC changed the exchange rate mechanic, the State Bank of Vietnam reacted against the fluctuation of Yuan through adjust the exchange rate of USDVND margin further to +/- 2% (12/08/2015). After that, there were further adjustment to +/- 3% and 1% increase in interbank rate (19/08/2015). Up until the present, VND has depreciated by 3% compared to the period before Yuan devaluation. Comparing to earlier this year, the depreciation rate was 5.1% in total.

The impact of the devaluation on inflation, interest rate and public debt

The effects of the devaluation on inflation is negligible but relatively influence the interest rate policies

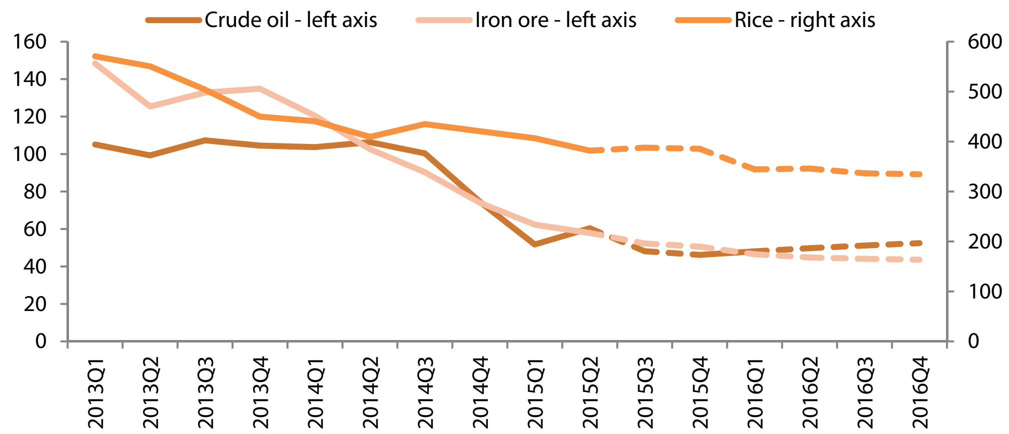
The depreciation of domestic currency raised the concern of inflation. Historical data demonstrated that when the currency depreciates, inflation increases with the lag of 3 – 6 months. However, the inflation from previous adjustments was placed under the situation of recovery in commodity and energy prices. In this time, the situation is relatively different when the commodity prices have been in bear market and expected to drop further in 2016. Moreover, the effects of import products on domestic prices could be slowed down thanks to the higher depreciation rate of several currencies than VND. Therefore, we believe that the impact of VND devaluation on inflation could be negligible. This could support the Government in term of implementing easing monetary policy, decrease deposit rates. However, in fact, deposit rate has slightly declined since earlier this year.

Figure 6: Inflation and dong depreciation



Sources: SBV, GSO, RongViet Research

Figure 7: Crude oil, iron ore and rice price forecast

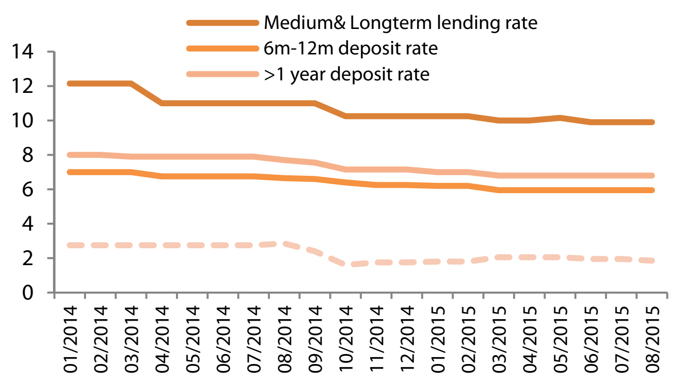


Sources: IMF, RongViet Research

It could be seen that, the devaluation of the currency could not immediately affect the deflation and expected inflation but impact the operating policies of the State Bank with the interest rate. According to the newest report of the State Bank, 1 year term deposit rate in VND could be stable at 6.4 – 7.2%/year, meanwhile, deposit rate in USD for organization is 0.25%/year and for individuals is be 0.75%/year. With the level of VND since earlier this year, individuals who deposit in USD and VND actually have the equivalent rates. Therefore, exchange rate policy partially puts the pressure on the operation ability and orientation of monetary policy.

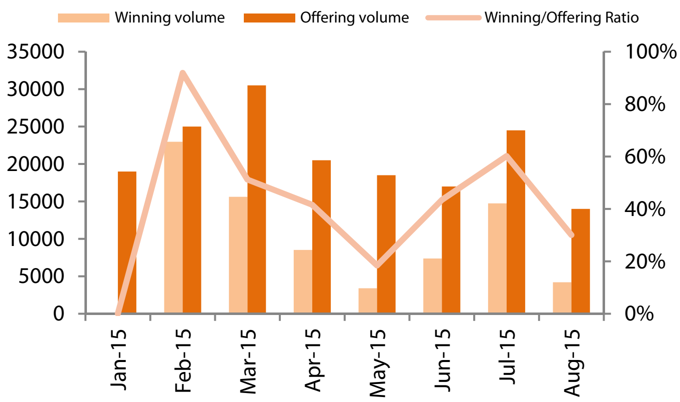
In addition, credit growth since the start of 2015 has been at positive level (+9.54% compared to earlier this year and is the highest level over the last 5 years) and created the pressure to ensure the liquidity level to meet the demand for loan until the end of this year. On the primary bond market, the buying demand for the Government bonds significantly declined over the last half of 8/2015 even though the offer yield was higher. Earlier 9/2015, several commercial banks slightly adjusted to increase the deposit rate for additional 0.1 – 0.3%/year, With the growing trend for the last months of 2015, the level of deposit rate could slightly increase, equivalent to the possibility of stable lending rates. Overall, we believe that the State Bank could not adjust the lending rate for the priority segments, however, demand –supply balance along with the pressure of bad debt settlements could force commercial banks to adjust the leading rates for other entities.

Figure 8: Interest movement



Source: SBV, RongViet Research

Figure 9: Government bond auctions

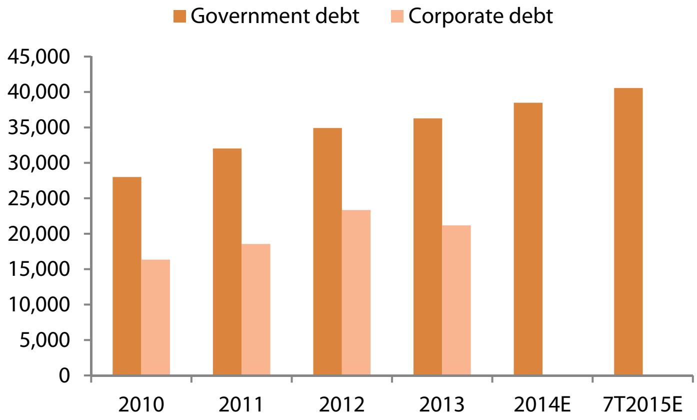


Source: VBMA, RongViet Research

The recent adjustment could make the public debt crisis come 1 year earlier

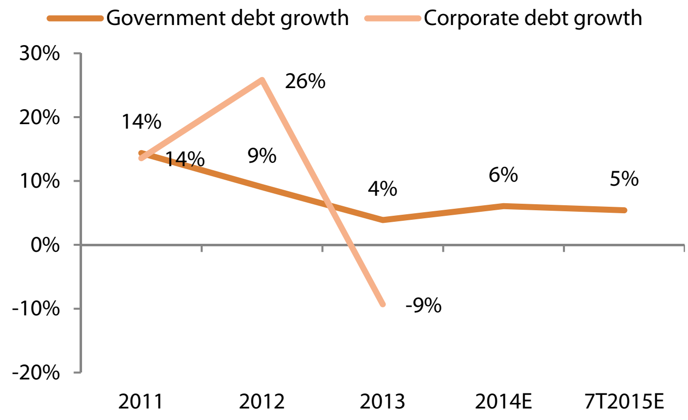
According to World Bank, by the end of 2014, total outstanding public debt of Vietnam has been estimated at USD 110 billion, equivalent to 59.6% of GDP. Regarding debt structure, foreign debt of the Government is stable around 27-28% of GDP, accounts for ½ of total outstanding debt of Vietnam. Over the last few year, the rate of domestic debt has rapidly increased but the growth rate of foreign loan slowed down at 5% average.

Figure 10: Foreign government and corporate debt



Sources: MoF, RongViet Research estimate

Figure 11: Foreign debt growth



Sources: MoF, RongViet Research estimate

According to our estimation, debts in USD accounted for approximately 30-35% of foreign debt structure. Loan in JPY has been equivalent to loan in USD and EUR debt accounted for 6-7% of total outstanding loan. Based on the movement of currency pairs since earlier this year, the principal repayment obligations in domestic currency could increase by VND 15,000 – 20,000 billion after the exchange rate fluctuation. However, this impact could be distributed over time based on repayment period. In short-term, Vietnam has to pay about USD 1.5 billion in order to meet the principal and interest obligation on foreign debts. Relative estimation demonstrated the possible VND 1,000 billion increase in debt repayment after recent currency adjustments. In 2016, principal and debt repayment of USD 2.5 billion with exchange rate risk could create significant pressure on the budget if there will be no solution for additional funding in the upcoming year.

Based on the research of National Assembly Economic Committee and UNDP about Public debt and the stability in Vietnam, we believe that the basic budget deficit/GDP in 2015 will be estimated at 2%. Under the positive* scenario, Vietnam public debt could reach the threshold at 65% in 2019. Simulation of public debt ratio under exchange rate demonstrated that 1% of depreciation in domestic currency could increase the public debt by 0.8%. Therefore, after the exchange rate adjustments, the risk of debt crisis could come a year sooner.

** Positive scenario during 2012 – 2020 as follow:*

+ Economic growth: 6%

+ Inflation: 6%

+ Change in USDVND: 4%

+ New interest rate for new domestic debts: 9%

+ New interest rate for new foreign debts: 3%

Table 3: The influence degree of external risks into Vietnam economy

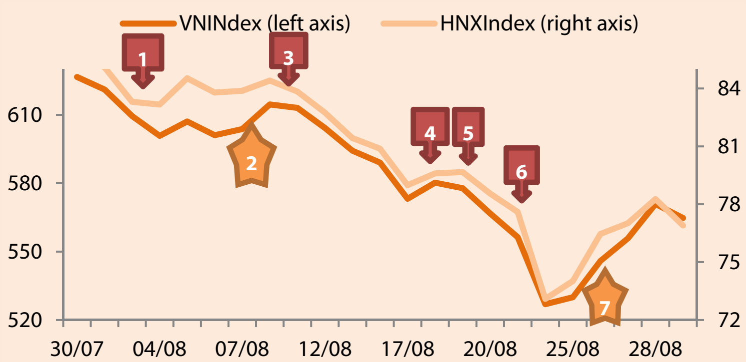
Risk	Probability/Time of impacts	Channels	Impact level	Policy/Reaction
The sharp decline of China economic growth	**Low/Short-term & Intermediate** According to IMF, 2015 economic growth in China was forecasted at 6.8% and declined to 6% for the next two years. Under this scenario, China implements parallel restructuring the economy and monetary easing to support economic growth. As a result, the probability of significant decline of China economic growth was assessed to be low by IMF. Since China has been the critical trading partner of Vietnam (10% of exports and 30% of imports), the influent period has estimated to be short and medium.	The decline of China economic growth leads to the decrease in exporting activities from Vietnam. Foreign investment flows from China to Vietnam. Domestic enterprises producing goods that compete with China could face difficulties. The impact of China on regional economies could affect Vietnam commerce.	**High** Trade deficit between Vietnam and China could increase. The inflow of foreign direct investment from China accounts for a small proportion of total registered capital. Therefore, the impact could be negligible. Products in consumer goods, agriculture and construction material sectors could face high competitive pressures. Private economic sector contributes 50% to GDP growth. The competitiveness of domestic enterprises that would not be enhanced could be the risk for Vietnam economic growth.	**Fewer choices** Fastest tool to reduce the competitive pressure from Chinese products could be exchange rate. Under the scenario of 6.5 in USDCNY at the end of 2015, USDVND exchange rate could be estimated at 22,547 Policies to support enterprises through interest rates and taxes. At this moment, the interest rate is not likely to fall further while business income taxes could drop by 20% in 2016. Fiscal policies are under pressure, budget revenues have not been largely improved to offset the expenses. Consequently, the probability for a stimulus package as in 2009 would be relatively low.
FED makes earlier and more aggressive decision of increasing interest rate than expectation.	**Low/ Short-term** Under the scenario of global economic downturn and recent debate concerning the probability to increase interest rate in 9/2015, FED will prudently raise interest rate.	Asset and commodity prices could decrease due to the appreciation of USD. Capital is withdrawn out of emerging markets.	**Low** Commodity prices have been in bear market for several years. The decreases could make the budget being in difficulties but in return, this issue could support the domestic production and consumption. Capital withdrawing trend from emerging markets could affect Vietnam balance of payment.	USDVND pegs in USD could overvalue the VND against other currencies. The flexibility In exchange rate management upon USD fluctuation is necessary.
TPP continues to be delayed	**High/Intermediate** TPP protests in several countries and elections of US and Canada could be the boundaries for further negotiation process and lead to the delay.	Production shifting to Vietnam to take the benefits from TPP could be affected. Expectation for commerce and economic growth could be delayed further.	**Low** Currently, TPP has brought to Vietnam economic the expectation rather than tangible benefits, excluding the shift of textile manufacturers to Vietnam. However, the elements for such trend could be not only from TPP prospects but also young and cheap labor forces.	Vietnamese enterprises have more time to prepare to meeting the conditions of the agreement and develop the commercial relations with markets in TPP.

Source: GSO

THE STOCK MARKET IN AUGUST: Macroeconomic incidents driving market to plunge sharply

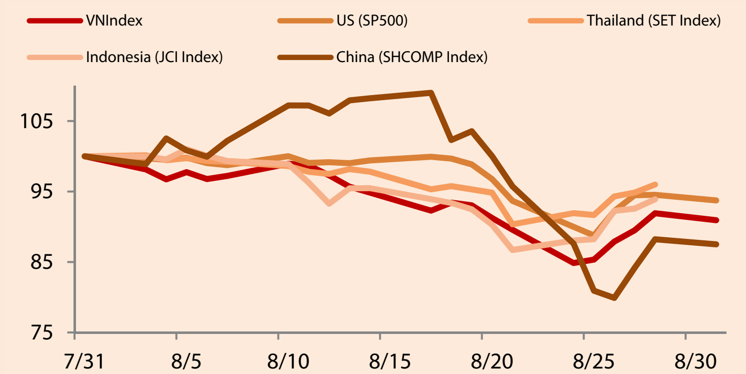
We mentioned, in our July strategy report, that large-size market participants seemed to stay out the market in late of July and the market would be likely to set up a new reasonable level in August. As that thought, other additional incidents in August such as: unexpected agreement of TPP meeting in Hawaii (as date of 31/07) and macroeconomic shocks in the world as well as in Vietnam,.. caused Vietnam market to plunge sharply in August (VNIndex: -9.0%, HNXIndex: -9.6%). After that crash, a new price level of market was eventually formed at relatively lower than this year average, with PER of Vietnam market (represented by PER of VNIndex) in the end of August at merely 11x, a 12.7% lower than first 7-month average. Specially, the PER, at the bottom of market (dated 24/08) was just 10.3x (according to Bloomberg data).

Vietnam market plunged due to macroeconomic incidents and high volatility of global finance markets

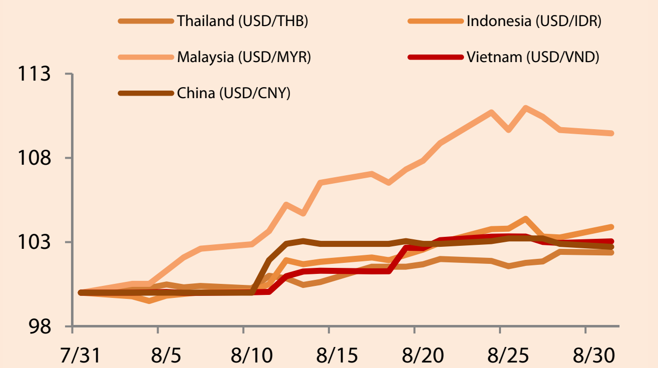


Highlighted events in August
(1): TPP: Hawaii talks end without deal
(2): SCIC divestment rumors relating to their investment in profitable companies: VNM, FPT,….
(3): PBOC announced 1.9 percent devaluation of the Yuan and moved to new exchange rate regime
(4): SBV devaluated his currency by additional 1% and lifting acceptable volatility to 3%
(5): Circular 123 released on lifting FOL
(6): Global financial market (stock, commodity, gold, crude oil,…) fluctuated highly
(6): Crude oil rallied to above 50 USD/barrel

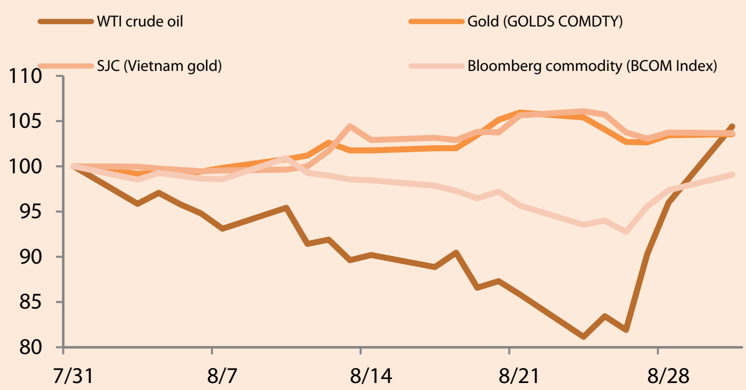
Vietnam market plunged in accordance with global market's tumble



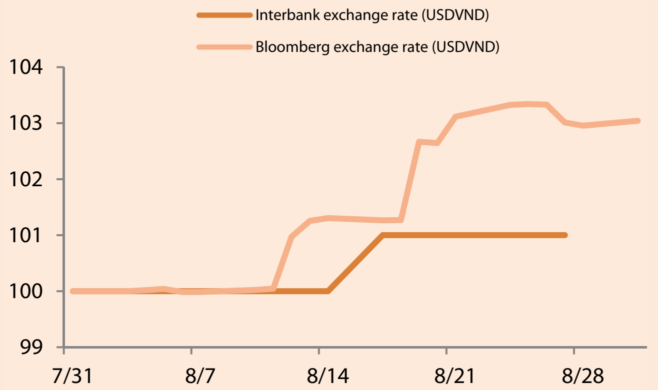
Many countries joined currency "devaluation race" after PBOC announcement of devaluating the Yuan by 1,9% and floating its exchange rate



Commodity and gold fluctuation made investor worried about economy prospect as well as relevant company business outlook



In trend of devaluating domestic currency, Vietnam interbank exchange rate adjusted by 1% and volatility range of USDVND lifted to 3% from 2%



However, at PER of nearly 10.3x (dated 24/08), market was supported actively by large cash inflow for bottom-fishing activities at various industries. Many worst falling industries rallied considerably, such as: oil&gas, financial services, retail, banking. Most of those rallies were not sufficient to offset losses in the early stage of August, except for brokerage stocks. They recovered strongly by over 14% after drop of 10% in negative market stage, closing at 2% higher than August opening price. Main driver was from huge demand of both domestic and foreign investors when decision of FOL lifting to 100% was enacted officially. Statistically, foreigners have kept net bought position at most leading companies such as SSI (+132 billion dong), HCM (+6 billion dong), VND (+7 billion dong).

Also, **media** industry had positive resistance in context of high market volatility, being the only industry not dropping in the bearish stage of market. Main characteristics of the industry are low market cap as well as liquidity, typically: EID, PNC, SED, STC, EBS, ONE. Besides, their business performances were quite attractive, with growth of 2015Q2 revenue and net income at 40% and 35%, respectively. In recent 3 years, they pay cash dividend stably and reasonably due to sustainable growth in business.

Table 4: Cash dividend payment history of some companies in media industry

Ticker	Market price (31/08/2015)	Cash dividend payout (*based on ex-dividend announcement date*)		
		2014 (%)	**2013** (%)	**2012** (%)
EID	13,400	15	13	13
SED	16,700	15	18	18
STC	24,000	13	22	21
EBS	7,600	8	10	10
ONE	10,400	10	22	0 (year 2011: 10)

Source: Rongviet Research

Table 5: Q2 business performance

	Market cap (billion VND)	ROE (%)	P/E	P/B	ROA (%)	ROS (%)	EV/EBITDA	Price performance (%)	Revenue growth (%)	PAT growth (%)
Industrial Goods & Services	160,690	13	18.3	2.0	5	7	11.9	-8.1	23	47.5
Food & Beverage	187,936	21	15.6	4.1	10	14	12.6	0.0	21	227.1
Banks	340,175	10	15.1	1.8	1	11	n/a	-11.2	4	4.1
Construction & Materials	62,353	13	8.9	1.2	4	6	7.4	0.4	22	156.2
Financial Services	31,983	8	17.4	1.5	5	39	n/a	2.0	32	56.0
Basic Resources	18,561	4	5.5	4.6	1	1	n/a	-5.2	3	-19.2
Retail	8,563	14	8.6	1.2	5	3	6.0	1.1	18	173.8
Health Care	13,371	18	10.7	2.1	8	5	6.8	-4.1	2	1.3
Oil & Gas	121,801	22	6.9	1.9	13	13	3.6	-16.5	-14	-13.7
Utilities	32,771	22	9.8	1.4	11	13	9.5	-4.7	-9	124.3
Real Estate	119,259	6	30.0	1.9	2	10	15.0	-7.3	-4	-5.6
Media	1,239	12	10.5	1.3	6	5	7.3	4.6	40	34.8
Insurance	45,203	9	20.3	2.1	3	9	13.9	-8.4	20	35.6
Personal & Household Goods	19,836	17	9.9	1.8	7	6	7.5	-0.3	6	46.7
Travel & Leisure	6,827	12	10.0	2.0	6	8	10.9	-0.7	10	30.5
Technology	20,665	15	10.1	1.6	7	3	6.2	-10.9	14	12.0
Chemicals	34,145	14	7.5	1.2	8	9	5.2	-2.7	69	63.3
Automobiles & Parts	7,650	23	9.6	2.2	10	8	6.5	-9.1	23	9.8

Source: Rongviet Research

Market price and business result relevance: Q2 business result contribution depreciated by August panic selling

On overall market perspective, concerns on macroeconomic issues discounted nearly total contribution of Q2 business results to market's uptrend. In upward period of Q2 (from middle of May to end of July), positive news relating to business results was also one of market pillars. In our statistics, business results of listed companies were considerably positive. There were 15/18 industries taking high business growth in Q2, with average figure (by arithmetical average of positive growth figures) at 55%. However, market panic originating from macroeconomic issues accelerated depreciation in that contribution.

On perspective of high resistance industry against market chaos, some positive business performance industries seemed quite safe for investing, typically: food & beverage, building & material construction, financial services, retail, media, personal & household, travel & leisure. On below table, despite falling in negative stage, they afterward rallied when market uncertainty was mitigated. Conversely, most of industries experiencing negative business results were in top losers of market, such as: oil&gas, basic resources.

Table 6: Industry index performance and relationship between price performance and Q2 business result

	Index performance in bearish period (31/7-24/8) (%)	**Index performance in recovery period (25/8-31/8)** (%)	**August index performance** (%)	**Q2 PAT growth** (%)
Food & Beverage	-4.6	4.8	0.0	227
Retail	-8.0	9.9	1.1	174
Construction & Materials	-3.6	4.1	0.4	156
Utilities	-6.9	2.3	-4.7	124
Chemicals	-6.1	3.6	-2.7	63
Financial Services	-10.6	14.1	2.0	56
Personal & Household Goods	-3.5	3.2	-0.3	47
Industrial Goods & Services	-11.8	4.2	-8.1	47
Insurance	-13.4	5.7	-8.4	36
Media	2.1	2.4	4.6	35
Travel & Leisure	-5.8	5.3	-0.7	30
Technology	-13.6	3.1	-10.9	12
Automobiles & Parts	-11.3	2.5	-9.1	10
Banks	-18.5	9.0	-11.2	4
Health Care	-8.9	5.2	-4.1	1
Real Estate	-9.9	2.9	-7.3	-6
Oil & Gas	-30.9	20.8	-16.5	-14
Basic Resources	-5.8	0.6	-5.2	-19

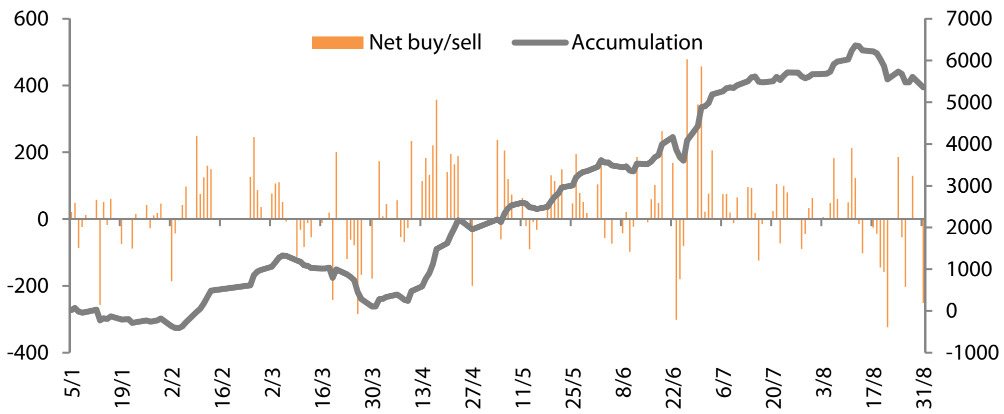
Source: RongViet Research

FOREIGN INVESTOR'S ACTIVITY: ETF versus non-ETF

In August, Circular No.123/2015/TT-BTC was issued though yet resolved problems about conditional sectors having limited FOL. It's not to mention worries of FED raising rates in September and unexpected macroecomic volatilities that turned foreign investors into net sellers after four month net buying. Alone the period from 20 – 31/08, one day after the official issuance of Circular No.123, foreign investors net sold a tune of VND672 billion. For a whole month, the total number was net selling VND316 billion.

In HCM exchange, NT2 and SSI were top buying at the value of VND220 billion and VND132 billion while HAG and VCB were shorted the most with total value equal to VND227 billion and VND160 billion. In Hanoi exchange, a real-estate stock named CEO was on top of buy list when foreigners turn to net buyers on this stock to the tune of VND44 billion. In contrast to CEO, PVS was strongly sold VND149 billion.

Figure 12: Foreign trading activities



Source: RongViet Research

In a more general aspect, total accumulated value of foreigners reached its highest point VND6,360 billion on August 12th. Thing happened similarly in 2014 when total accumulation reached VND6,327 billion on July 31rd then foreigners turned net buyers in August (net sold VND313.4 billion). Therefore, a reasonable explanation for this event is that Vietnam stock market has reached its threshold to obtain more foreign capital and it is vital to increase the supply via different methods such as speeding up equitization of state-owned enterprises, extending FOL for listed firms etc.

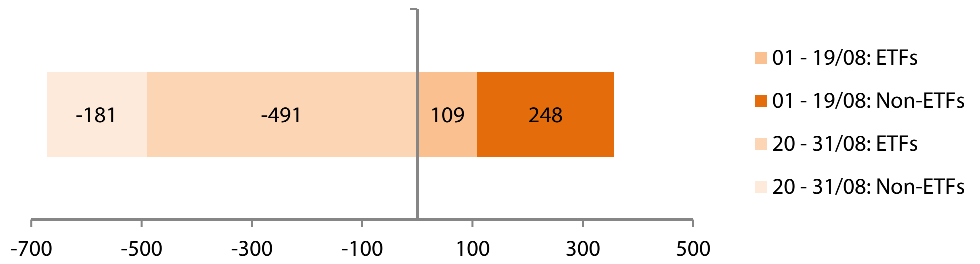
In August, trading status of FTSE and VNM ETF are contradictory. Accordingly, except for August 24th trading session (discounted nearly 3.62%), FTSE traded at a stable premium/ discount rate while issued a further 509.000 certificates. On the other hand, the number of VNM fund certicates was declined by 2.35 million. VNM ETF was also discounted for a whole month (the highest dicount was 5.34%). Based on our calculation, FTSE and VNM net sold a total volumes of VND382 billion (FTSE ETF bought VND279 billion while VNM ETF withdrew VND661 billion on Vietnam stock market). From August 20th till the the end of the month, net selling volumes of both ETF funds were equal to 491 billion VND while total trading volumes of foreign investors recorded a value of 672 billion VND. Notably, for the first 20 days of August, foreign investors bought in VND356 billion. Thus, based on the ETF funds and foreign investors' statistical result, we conclude that net buy/sale of foreign investors in this month were biased by 2 ETF funds. Excluding the impact of ETFs, we estimate that foreign investors were actually net buyers to a minor tune of VND66 billion in August.

Table 7: Net buying/ selling value by sectors

Sectors	Net buying(+)/ selling(-) in August (unit: VND billion)	Accumulated net buying(+)/ selling(-) (unit: VND billion)
Electricity	**160.0**	70.1
Chemical	**149.5**	486.7
Construction & Materials	**133.8**	**1,174.6**
Financial Services	**111.6**	**1,474.0**
Retail	65.1	598.9
Logistics	43.6	212.3
Electronic & Electrical Equipment	40.1	722.1
Industrial Engineering	18.3	75.9
Software & Computer Services	17.3	81.6
Non-durable Household Products	7.7	55.2
Gas & Water & Multiutilities	6.8	82.1
Travel & Entertainment	5.5	15.8
Pharmaceutical & Biology Technology	4.7	108.3
General Industrials	3.7	748.7
Electronic Office Equipment	1.2	9.5
Media	1.0	9.3
Tobacco	0.5	0.6
Beverage	0.3	25.5
Business Support Services	0.1	31.9
Aerospace & Defense	0.1	0.1
Industrial Metals & Mining	-	16.8
Forestry & Paper	-1.0	17.5
General Mining	-2.0	14.9
Automotives & Equipments	-9.6	1.7
Durable Household Products	-10.7	170.1
Health Care Services & Medical Equipment	-26.9	-26.9
Non-life Insurance	-32.5	270.3
Oil & Gas Producers	-53.1	-20.4
Banking	-67.3	**2,294.2**
Real Estate Investment & Services	-152.4	864.5
Oil Equipment, Services & Distribution	-259.3	-155.6
Food	-635.5	-256.2

Source: RongViet Research

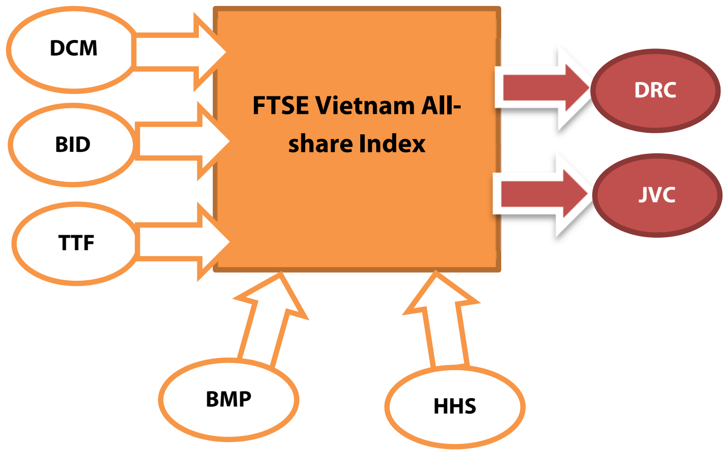
Figure 13: Foreigners aggressively shorted stocks in the late August (unit: billion dong)



Source: RongViet Research

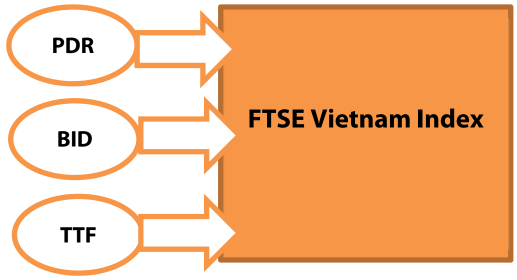
On September 04th, FTSE ETF announced their new portfolio for Q3/2015. According to the result, BID, PDR and TTF will be added to FTSE Vietnam Index and none of current constituents will be excluded. For FTSE Vietnam All-Share Index, there will be 5 stocks going in the new portfolio, which are BID, DCM, BMP, TTF and HHS while DRC and JVC will be deleted from the Index basket. RongViet Research also forecast the portfolio of VNM ETF in Q3/2015 in which HHS, HT1 and VHC will be added; on the contrary, DRC will be excluded from the new list.

Figure 14: Added/Deleted constituents of FTSE Vietnam All-share Index



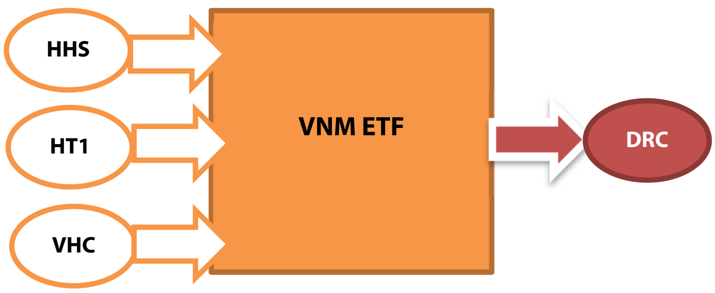
Source: FTSE Vietnam Index, RongViet Research

Figure 15: Added/ Deleted constituents of FTSE Vietnam Index



Source: FTSE Vietnam Index, RongViet Research

Figure 16: Added/Deleted constituents of VNM ETF



Source: RongViet Research

SEPTEMBER STOCK MARKET OUTLOOK: Increased uncertainties call for a long-term view

In the last two weeks of August, the stock market of Vietnam experienced extremes it had not witnessed since crude oil plunged in 2014. The devaluation of the yuan shook the market in mid-August and rumors pushed indices further on the down side. In a broader picture, however, the stock market of Vietnam, like other emerging/frontier markets, has been pressured by great concerns over the well-being of the world's economy, which worried may have ignited mass redemption of the shares of the two ETFs (i.e. Van Eck's and FTSE's). The worth of Vietnamese share accumulated by foreigners dropped 8.6% in August wherein forceful sales were witnessed in (1) real estate stocks like VIC and KBC, (2) O&G stock such as PVD, PVD and GAS and (3) food/agricultural securities the like of HAG, KDC, SBT, HNG. On the contrary, the substantial net sales of VCB were largely net foreigner purchases of BID; in the eight months to August 31, foreign investors accumulated nearly VND2,300 billion of bank shares and almost VND1,500 billion of financial services company equities.

What have been dreading foreign investors in Vietnam stock market may be: (1) the likely FED rate hike in September, (2) the likelihood that the TPP will not be concluded this year and (3) the stability of Vietnam's economy when China's pumps the brakes. In fact, the flight from the shares of commodity producers is evidence that foreigners have made a bet on the US rate hike the resulting rise of the greenback. With the same concerns, local investors will likely be impacted significantly by foreigner sales.

It always takes time for the market to regain balance after extreme shocks like those in August. As the result, we do not see much chance for stocks to move in a defined trend at least until two thirds of September has passed, by which time the two ETFs will have finished their quarterly review and the FED will have reached to the big decision of whether to let their target interest rate increase and the plan for the schedule for next TPP gathering will have probably been announced. Given investors have long prepared for whatever the outcome of such events, reactions in the stock market should last no longer than 2-3 days. We suppose how the stock market will behave after September 18th will depend largely on how it does right before that and will be in the opposite direction. In other words, weak corrections do not promise strong recoveries. We expect the SBV following the FED action and considerations of the resulting market turnings will send a clear message of its policy for the last 3 months of 2015. All these factors combined will have important implications to market sentiment as they will lower the risk of uncertainties and boost investor confidence in their decisions. Liquidity enhancement will be something to look for during this period.

Before all the things above happen, it will be difficult to any sector leading the market and indices will have to stop at important resistance and support levels. We are still concerned that blue-chips and large-caps will remain vulnerable against shifting in the macroeconomics and overseas funds flows. What can put a halt or even reverse foreign investor's net selling trend is probably the MPI's issuance of the list of industries eligible for 100% FOL extension.

VNIndex is expected to move between 535 and 578 and HNIndex 74 and 79 in September.

Given the current market conditions, we think investors should adopt a 3-4 month view we once recommended in May 2015 Investment Strategy Report. Opportunities will open in stocks overly discounted by the market for the factors outside the underlying firms' control that have had adverse impact on the businesses. We will discuss such sectors and companies in details in this report.

On top of expectations for large items of non-recurring income in the second-half of the year, real estate stocks should find some support from the FOL extension given the growing wave of M&As and FDI inflows in Vietnam property market.

After hitting a short-term trough in August, oil crude may pick up some strength in coming *periods since the balance are shifting to the demand side of the crude market. Given their high correlation with the oil price, there are chances for the stocks of leading O&G companies to recover in September*

Recent pumping in the forex market has been a headwind for shipping and cement companies with heavy long-term debts in foreign currencies (USD and EUR). In general, the unrealized currency gains/losses should not have a significant impact on the long-term prospect of these businesses given the increasing growth rate of trade and construction value.

Table 8: Net foreigner sales/purchases

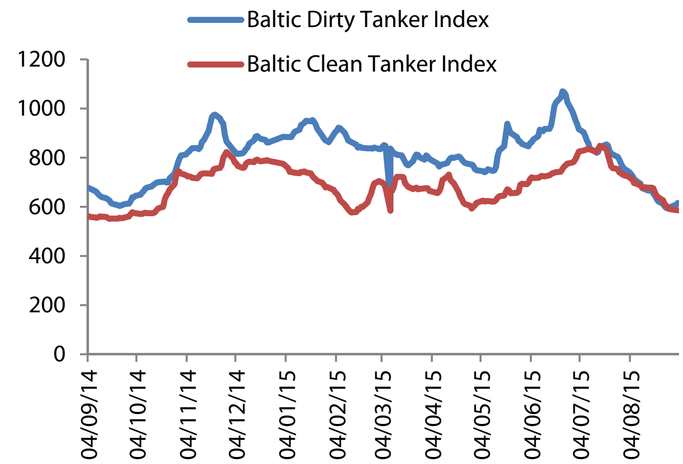
No.	Industry	YTD	3-month	1-month
1	General Retailers	598.9	4.1	65.1
2	Nonlife Insurance	270.3	113.0	-32.5
3	General Industrials	748.7	205.3	3.7
4	Industrial Engineering	75.9	41.6	18.3
5	Real Estate Investment & Services	864.5	-612.7	-152.4
6	Support Services	31.9	13.9	0.1
7	Financial Services	1,474.0	1,230.7	111.6
8	Oil Equipment, Services & Distribution	-155.6	117.1	-259.3
9	Travel & Leisure	15.8	-9.1	5.5
10	Pharmaceuticals & Biotechnology	108.3	6.1	4.7
11	Electricity	70.1	-167.9	160.0
12	Beverages	25.5	5.2	0.3
13	Gas, Water & Multi-utilities	82.1	-4.6	6.8
14	Household Goods & Home Construction	170.1	-9.8	-10.7
15	Chemicals	486.7	397.3	149.5
16	Industrial Metals & Mining	16.8	2.4	0.0
17	Mining	14.9	-23.2	-2.0
18	Forestry & Paper	17.5	17.3	-1.0
19	Banks	2,294.2	991.8	-67.3
20	Software & Computer Services	81.6	23.0	17.3
21	Oil & Gas Producers	-20.4	-0.4	-53.1
22	Electronic & Electrical Equipment	722.1	98.1	40.1
23	Health Care Equipment & Services	-26.9	-58.3	-26.9
24	Tobacco	0.6	-0.8	0.5
25	Food Producers	-256.2	-1,284.9	-635.5
26	Technology Hardware & Equipment	9.5	2.7	1.2
27	Media	9.3	-1.7	1.0
28	Industrial Transportation	212.3	216.6	43.6
29	Personal Goods	55.2	34.1	7.7
30	Construction & Materials	1,174.6	295.5	133.8
31	Automobiles & Parts	1.7	-89.3	-9.6
	SUM	**9,174.0**	**1,553.1**	**-479.5**

Source: RongViet Research

FX losses pose no significant risk to long-term prospects of shipping companies and cement producers

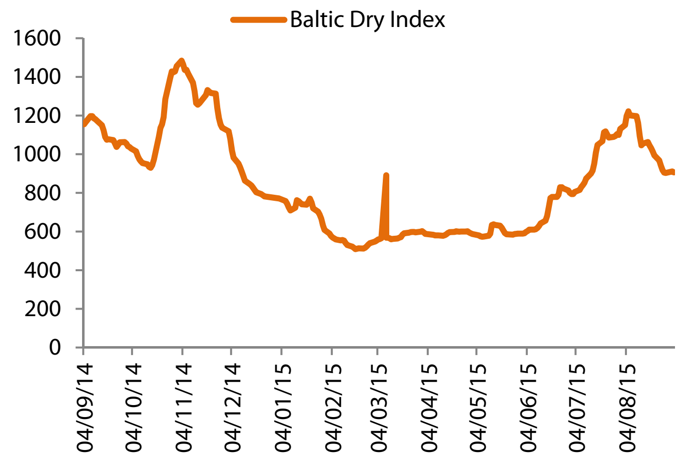
According to 1H2015 results, Vietnamese shipping firms have been recovering slowly and at different paces . In particular, oil and LPG tanker operators such as PVT, VIP, VTO and GSP fared relatively better with slight but steady growth in operating performance thanks to: (1) the majority of vessels operating on time-charter contracts at high utilisation rate (over 80%), (2) freights falling at a slower speed than fuel cost, (3) uninterrrupted operation of Dung Quat refinery plant. In contrast, China's economic slowdown has continued to depress transport demand of materials such as clinker, cement, iron ore and coals … and put Vietnamese bulk cargo shipping firms through a difficult time despite supporting policies such as truckload control, prioritization of Vietnamese flagged vessels on domestic routes and the Vietnam Sea Transport Industry Master Restructuring Plan (Decision 1481/QĐ-BGTVT effective from April 27, 2015).

Figure 17: BCTI & BDTI



Source: Bloomberg, RongViet Research

Figure 18: Baltic Dry Index



Source: Bloomberg, RongViet Research

For 2H2015, those shipping firms financed by large USD debts would likely incur FX losses given the possibility of further depreciation of the VND. However, investors should keep in mind that these losses derive from the revaluation of the companies' foreign currency assets and liabilities (USD here) at reporting date and therefore would not trigger immediate payment liability.

Table 9: VND/USD and VND/EUR forecast

	VND/EUR	VND/USD
31/12/2014	26,480	21,405
30/06/2015	24,478	21,840
30/09/2015	25,875	22,500
31/12/2015	25,425	22,500

Source: RongViet Research

Table 10: Estimated unrealized FX gains/losses for Vietnamese shipping firms* (million VND)

	3Q2015	2015
VTO	-26,260	-39,715
VIP	-11,390	-16,438
PVT	-80,403	-123,770
GSP	-874	-1,242
VOS	-50,550	-82,264

Source: RongViet Research

** Including fx gains/losses from foreign currency assets*

For the mid and long-term business outlook, PVT and GSP are two prospective companies. For **PVT**, the company has been favored by Dung Quat Refinery's increased imports of low priced oil. PVT's FSO business, with higher profit margin than the tanker business (~30% compared to 12%), is expected to inject growth to PVT's performance results in the 2H2015 with the operation of FSO Dai Hung Queen. Also, FSO's technical nature tied to specific oil field and its long-term contract would mean stable revenues for PVT in the years to come. Besides, since 2014, the transportation of coals for Vung Ang thermal power plant, which would grow to 1 million tons in 2015 a compared to 500.000 tons in 2014, has generated additional revenue for PVT. Also, a large proportion of dollar-denominated income would largely offset possible FX losses.

The year-round operation of Dung Quat Refinery in 2015 has come as a great advantage for **GSP,** which dominates almost 90% of Vietnam's volume of LPG transported by sea. Moreover, the firm's gross profit margin has expanded greatly as two vessels namely Hong Ha and VietGas are fully depreciated. For 1H2015, GSP's revenue and PAT increased 11.9% and 70% yoy respective. We estimated GSP would achieve NPAT of VND55 billion (+70% yoy) or VND1,830 per share this year. This results in an attractive forward P/E ratio of 7x. More importantly, low leverage with USD borrowing just around VND30 billion should immune GSP from fx risk.

Our base-case scenario implies that if VND/USD and EUR/USD exchange rate reach VND22,500 and EUR1.15, at the end of third quarter respectively, which means that many cement firms under Vicem's umbrella would have to incur loss from revaluation of EUR debts. However, if the VND/EUR exchange rate ends at VND 25,425 at the end of fiscal year, HT1 BCC, BTS and HOM can still record some foreign exchange gains.

Table 11: Estimated foreign exchange gain/loss resulting from revalution EUR loans of cement firms* (million VND)

	Q3	2015
HT1	- 88,694	61,171
BCC	- 58,824	39,671
BTS	- 49,414	35,141

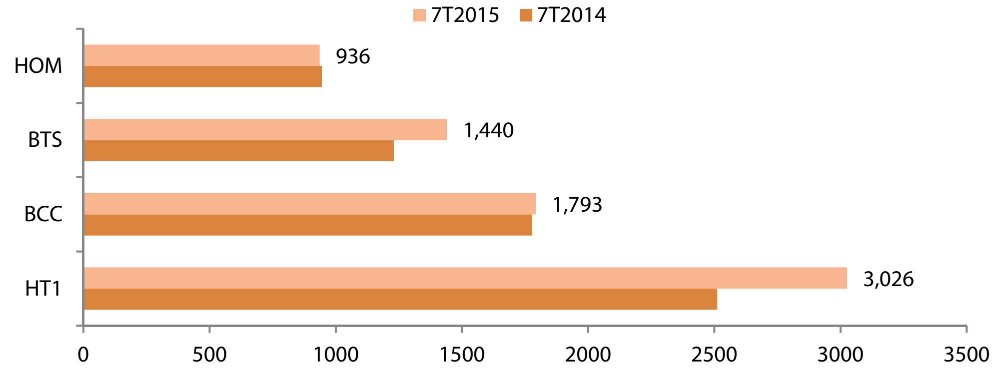
Source: RongViet Research

** Not including fx gains/losses from foreign currency assets*

In the 1H2015, the above-mentioned firms recognised postive sale growth thanks to the recovery of both real estate and construction industry. In the eight month ending August 2015, estimated domestic cement sale and exports were 46.92 million tonnes, up 10% yoy and completed 50% of the target set by the Ministry of Construction. In particular, HT1 and BTS recorded the fastest sale growth, or 20% and 17% respectively (see exhibit below). With regard to HT1, we estimated that sale growth in 2015 can increase by 17% while gross profit magin would be better than 2015, reached 21%.

Unlike in Q2, construction activities in the third quarter tend to slow down due to rainy season. However, we expect that earnings of cement firms, especially leading ones like HT1, will still be better than the same period last year. Q4 is the peak season of cement consumption, hence, revenue and profit of cement producers can record some breakthroughs. In overall, we believe that changes in foreign exchange rate would have only a slight impact on earnings of listed cement firms. In the short terms, potive sale growth could mitigate impact of changes in foreign exchange rate on bottom-line profit.

Figure 19: Cement consumption of listed firms in 7M2015 (thousand tons)

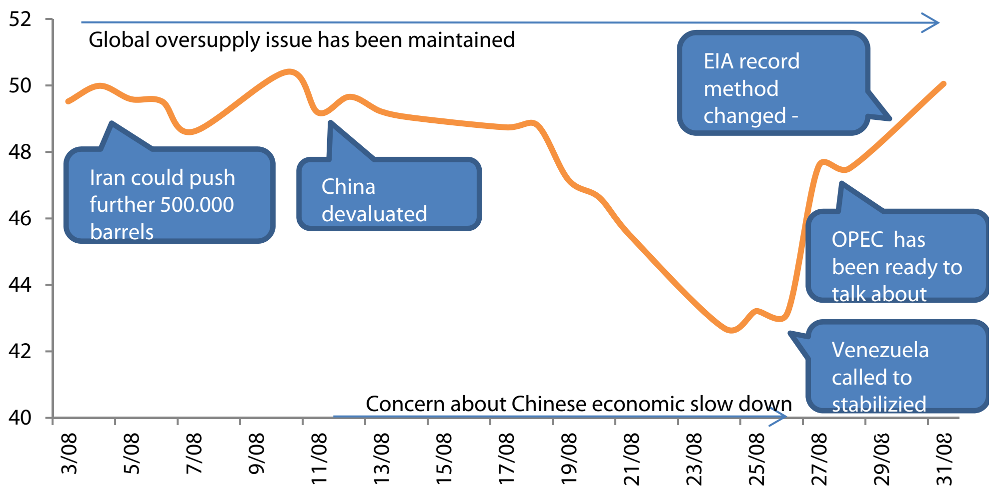


Source: Vietnam National Cement Association, RongViet Research

More optimistic outlook for crude oil

Entering September, the prospects of the global economy and information about crude oil production of US and OPEC could be the main factors leading the oil market. According to EIA's statistics, even though the rig counts have been declined by 57.24% y.o.y, in 8/2015, crude oil production still increased by 8.19% y.o.y. The output from OPEC in August was estimated to reach 32.32 million barrels/day, increased by 108,000 barrels/day compared to July and 6% y.o.y. Based on our research, the improvement in shale technology has pushed down the break-even points in prices of several crude producers to the lowerst level of USD 20-24/barrel.

Figure 20: Brent oil future contract prices and relevant information timeline



Sources: Rongviet Research

Global oil price significantly dropped at the end of August has made OPEC to make announcement about the extraordinary meetings to deal about production agreements. This was a positive sentimental catalyst that helped oil price to recover. However, we believe that it would take OPEC a long time to reach the agreements and even though there would be a dea

l, OPEC could not significantly cut the production. According to Morgan Stanley, global crude oil has been sensitive with the information about demand and supply. Therefore, any official or unofficial information and contradictory statistics could lead to the trend shifting in crude market. There are 3 scenerios for the 4th quarter of 2015: (1) USD 44/barrel with base scenario, (2) USD 58/barrel with positive scenario, (3) USD 35/barrel with negative scenario. In 2016, Brent prices were forecasted to recover to USD 59/barrel by EIA and USD 61/barrel by World Bank.

Under the worst case when (1) OPEC has not reached the agreement to drop the output, (2) FED increases interest rate this year, (3) Chinese economy continues to slow down, (4) negative prospects from US or Europe economies, we believe that the USD 30/barrel case could happen. However, this price would lead to the reaction from crude production countries such as US or OPEC. In August, Venezuela called for the stabilization in prices while EIA implemented new recording method after the significant decline in oil prices to below USD 40/barrel. Consequently, we still lean toward side-way or slight increase scenarios in near future.

Table 12: Factors could affect crude oil prices during late 2015

FACTORS	IMPACT
Supply side	
OPEC's crude output could decline due to seasonal mantainance	+
Extraordinary meeting between OPEC crude exporting countries	
Reach the agreement to decline the production	++
Maintaining the output level	-
US past the peak season and the production could drop	+
Iran nuclear agreement achieves further progress	-
Shale technology continuously improves with lower cost and effiencient production/stable output	
Demand side	
The possibilities of FED to increase interest rate	
FED increases	-
FED does not increase	
China continues to stimulate the economy	+
Renewable energy resources are focused to develop to lower the independency on fossil energy	-
USD appreciates against the curriences of crude importing countries	-
Sentimental affect from macro statistics	
Positive prospects from oil importing countries such as China, India…	+
Global economic slows down	-

Sources: Rongviet Research

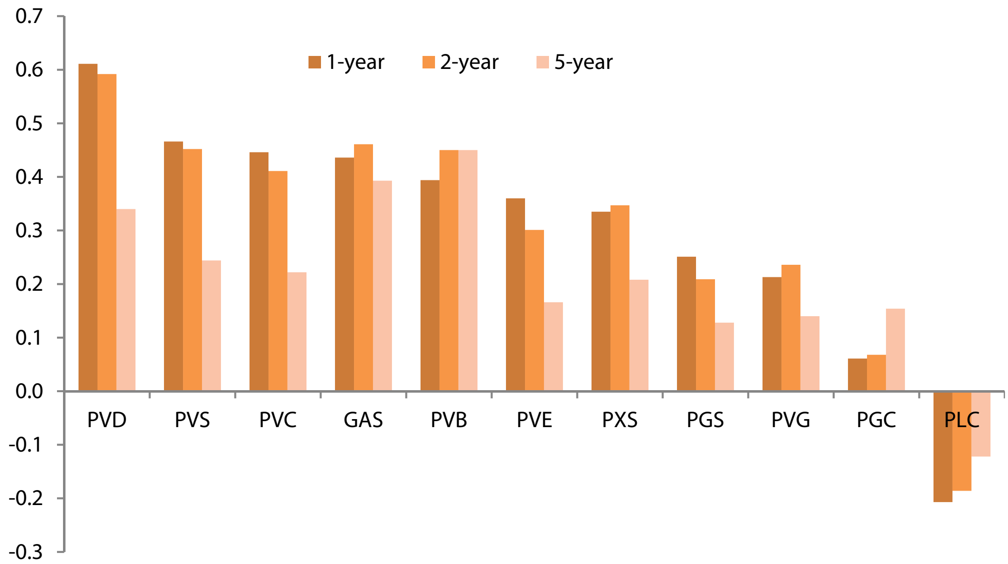
Table 13: Factors could affect crude oil prices during late 2015

FACTORS	IMPACT
Supply side	
OPEC's crude output could decline due to seasonal mantainance	+
Extraordinary meeting between OPEC crude exporting countries	
Reach the agreement to decline the production	++
Maintaining the output level	-
US past the peak season and the production could drop	+
Iran nuclear agreement achieves further progress	-
Shale technology continuously improves with lower cost and effiencient production/stable output	
Demand side	
The possibilities of FED to increase interest rate	
FED increases	-
FED does not increase	
China continues to stimulate the economy	+
Renewable energy resources are focused to develop to lower the independency on fossil energy	-
USD appreciates against the curriences of crude importing countries	-
Sentimental affect from macro statistics	
Positive prospects from oil importing countries such as China, India…	+
Global economic slows down	-

Sources: Rongviet Research

In the oil & gas stocks, PVS and PVD have the highest beta against crude oil price. However, PVS faces less risks than PVD due to the participation in on-shore projects (Song Hau thermal power plant, Nghi Son oil refinery). Meanwhile, the leasing contracts for PVD's rig number 1,2,3,6 have been based on crude oil price, the harsh period for PVD has not been over.

Figure 21: Beta of several oil & gas stocks against crude oil price



Sources: Bloomberg, Rongviet Research

Table 14: Key particulars of stock sectors

No.	Sector	Price performance* 1M (%)	3M (%)	6M (%)	Profitability ROE (%)	ROA (%)	Growth +/- Rev. 2Q15 (%)	+/- NPAT 2Q15 (%)	Valuation* P/E	P/B
1	Tobacco	7.2	6.9	11.4	16.7	5.8	24.1	-4.2	7.7	1.3
2	Household Goods & Home Construction	5.0	14.2	27.2	16.6	7.6	21.2	88.5	8.1	1.7
3	Fixed Line Telecommunications	5.0	-11.1	5.2	6.6	5.2	-48.4	-217.1	3.7	0.3
4	Media	5.0	6.5	16.9	12.3	6.2	39.6	34.8	10.5	1.3
5	Beverages	4.6	1.4	11.0	17.2	11.0	-7.6	-30.6	17.1	3.0
6	Aerospace & Defense	1.9	9.8	6.6	16.5	7.2	-48.4	-34.1	11.2	1.9
7	Financial Services	1.8	11.4	21.7	8.0	4.8	32.0	56.0	17.4	1.5
8	General Retailers	1.4	0.5	-13.6	14.2	5.1	17.5	173.8	8.7	1.2
9	Construction & Materials	0.4	15.5	38.2	12.6	4.3	21.7	156.2	8.9	1.2
10	Food Producers	-0.3	12.8	9.9	21.3	10.4	22.1	239.3	15.6	4.2
11	Travel & Leisure	-0.7	0.6	-6.5	11.7	6.1	9.8	30.5	10.0	2.1
12	Support Services	-1.6	8.3	19.7	10.3	3.8	16.9	26.3	13.4	1.3
13	Pharmaceuticals & Biotechnology	-1.7	-1.5	-10.3	17.8	7.7	3.2	3.1	10.7	2.2
14	Chemicals	-2.2	4.3	32.2	13.6	8.2	68.6	63.3	7.5	1.2
15	Forestry & Paper	-2.6	5.1	39.9	12.5	7.6	2.7	936.0	5.9	1.1
16	Mining	-3.8	-4.0	-6.0	5.9	2.2	9.4	363.4	4.0	6.3
17	Industrial Transportation	-4.4	4.0	16.2	13.2	6.6	21.2	-9.6	8.7	1.9
18	Software & Computer Services	-4.6	-0.5	27.3	15.9	7.2	11.4	10.1	10.1	1.7
19	Gas, Water & Multi-utilities	-4.7	7.8	14.9	10.8	4.8	-24.1	-10.3	25.2	1.7
20	Electricity	-4.9	-5.3	-5.7	24.4	12.0	6.1	179.4	6.6	1.4
21	Industrial Engineering	-5.7	6.5	70.1	19.1	4.6	58.1	324.1	6.7	1.9
22	Real Estate Investment & Services	-7.0	1.8	2.3	5.7	2.2	-3.7	-5.6	30.0	1.9
23	Electronic & Electrical Equipment	-7.3	-9.7	-12.2	16.9	7.0	20.9	45.6	12.4	3.1
24	Nonlife Insurance	-8.2	24.4	39.3	8.7	2.6	20.1	35.6	20.4	2.1
25	General Industrials	-9.0	1.4	-3.5	11.9	4.9	21.8	79.4	23.0	1.9
26	Automobiles & Parts	-9.1	-10.6	-7.1	23.0	9.7	23.1	9.8	9.6	2.3
27	Personal Goods	-9.1	-2.2	4.3	18.6	7.1	-12.4	-13.7	13.2	2.1
28	Industrial Metals & Mining	-9.3	-8.3	-24.0	0.1	0.0	-0.5	-140.0	10.2	0.6
29	Banks	-11.3	6.6	41.6	10.4	0.8	3.6	4.1	15.2	1.9
30	Oil Equipment, Services & Distribution	-15.5	-11.1	-20.1	8.8	3.9	-14.1	-4.4	5.8	1.0
31	Oil & Gas Producers	-16.6	-20.9	-27.3	30.9	23.3	-13.7	-17.5	7.2	2.2
32	Health Care Equipment & Services	-32.3	-72.4	-65.8	11.7	6.8	-50.9	-77.5	10.4	2.0
33	Technology Hardware & Equipment	-63.1	-62.8	-55.8	9.0	4.0	70.2	54.4	12.9	1.0

Source: RongViet Research
**Trailing, as of 04/09/2015*

SEPTEMBER INVESTMENT STRATERGY

We do not expect the stock market to exhibit a trend or rather a "mood" this month. Facing the risk of adverse information, it seems that the buy side now has a better position to bargain than the sell side. For that, cash holders can afford to wait until the market makes a dip and stocks sells at a good price. On contrary, those who still have shares should take profits and balance the stock and cash portions of their portfolio.

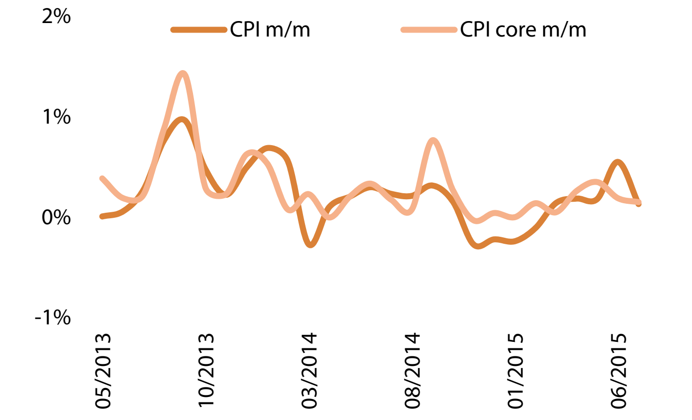
- The O&G sector will have significant influence on the landscape of September stock market every time there is sudden a turning in the market for crude oil. More factors supporting the recovery of crude have come to light recently for which we favor Morgan Stanley's good-case scenario for the average price at the end of the year. Therefore, if the prices of O&G stocks fall below the book value of the securities under the effect of any sudden drop in oil price, that will a buy opportunity for issues with high beta against oil price such as PVD and PVS.
- Following a decline in August, the weighted average P/B of bank stocks is now 1.9x (as compared to a regional average of 1.5x). At the current price level, we believe bank stocks are becoming reasonable rather than being "cheap" as we believe numerous issues have not reflected in stock prices. September is the deadline for banks to bring their NPL ratios to below 3%, and although the NPL ratios of most listed banks are already under 3%, the institution are still required to make provisions with their profit for VAMC bonds. Also, income from trading of foreign currencies and financial instruments may not be positive this year. If investors look to long-term improvements in bank earnings, we are convinced that further correction will make these stocks more attractive.
- Last month, we looked at the on-going M&As in the property market. While the New Land Law allows foreigners residing in Vietnam to own houses, the lifting of the FOL in public real estate companies will make it much easier for overseas developers to acquire local players with ready land bank to reduce lead time and establish their own pipeline in the country. While the former flow of foreign funds will be beneficial for high-end and luxury property developers such as VIC, KDH and NLG, smaller companies such as BCI, NBB, DIG, ITC, CEO … will make potential acquisition targets.
- The stocks of leading brokerage houses such as SSI and HCM reacted positively to the news of the FOL extension. However, there have already been long-standing expectations of such lifting. Given their relative cap size, securities stocks can stir investor enthusiasm rather than leading a new trend.
- Recent exchange rate volatility may affect the Q3 bottom line of shipping and cement companies with heavy foreign currency debts. However, the volume of cargo for oil and gas shippers like PVT and GSP is ample and will increase steadily over a foreseeable future. Similarly, its large market share in the South (38.6% in the South East and 25.8% in the Mekong Delta), HT1's sale volume is being supported by robust construction sector growth and the recovery of the real estate market. As the result, any fx losses should have minimal impact on the outlook of these businesses. However, overreaction by the market may make these stocks more appealing for long-term investment.

As the market become increasingly uncertain, the fundamentals of each firm and sectors will be the only place stock prices can hold on to. Investors are advised to shift their attention to stocks (1) in industries with positive medium and long-term prospect, (2) have optimistic H2 earning outlook and (3) are attractively valued compared with the overall market. RongViet Research's top picks include:

- Textile-garment: TCM, STK and TNG
- Real estate: BCI, KDH, NBB, CEO and VPH
- Construction: LCG
- Building materials: DNP, BMP
- Shipping: PVT, GSP
- Oil & Gas: PLC, PGS
- Utilities: NT2
- Retail: SVC
- Others: SKG, VSC, DHC, BMI, VSC

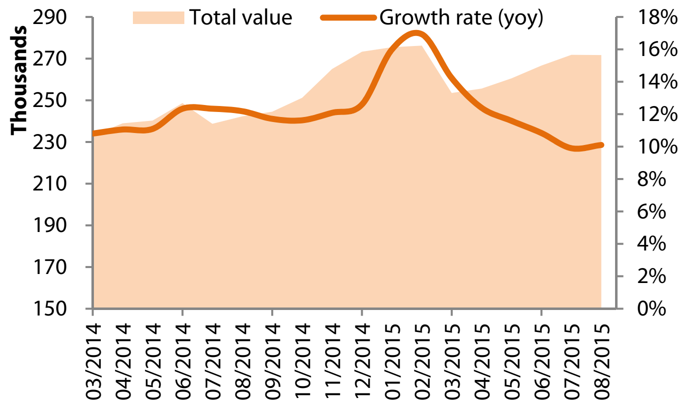
AUGUST MACRO WATCH

Core inflation jumped 0.8%



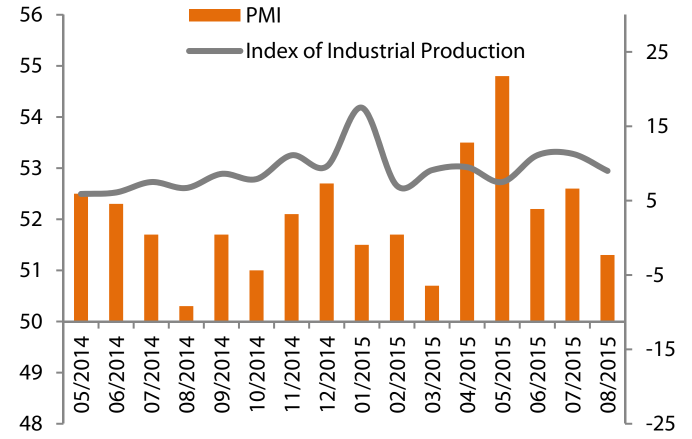
Sources: GSO. Rongviet Securities database

Retail Sales improved slightly



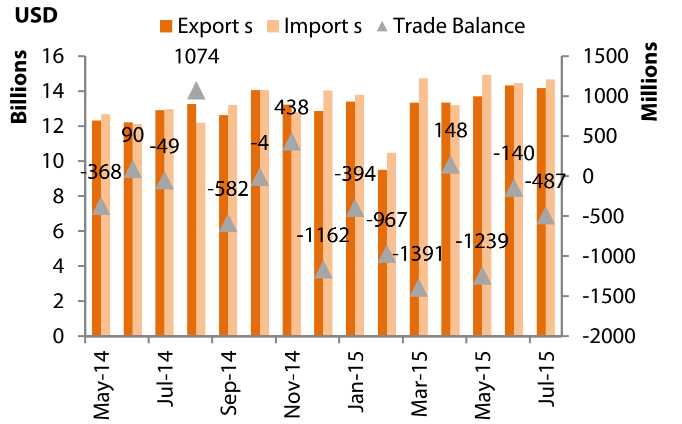
Sources: GSO. Rongviet Securities database

IIP saw a stagnation



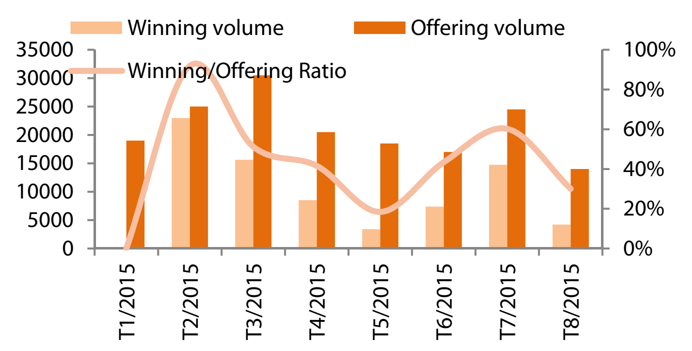
Sources: GSO, Rongviet Securities database

Trade deficit continued



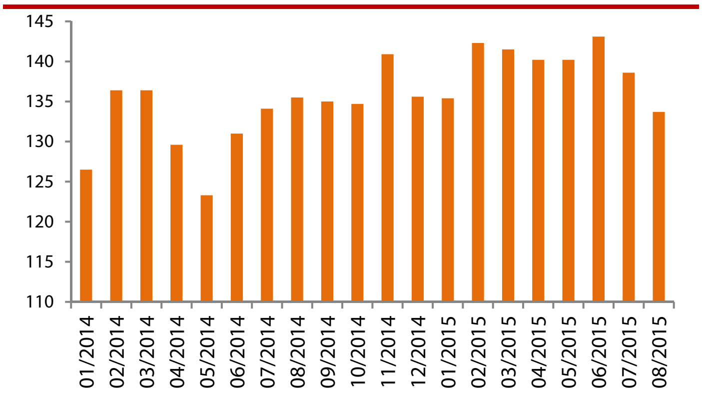
Sources: GSO, Rongviet Securities database

Graph 5: Winning/offering ratio declined



Sources: VBMA, Rongviet Securities database

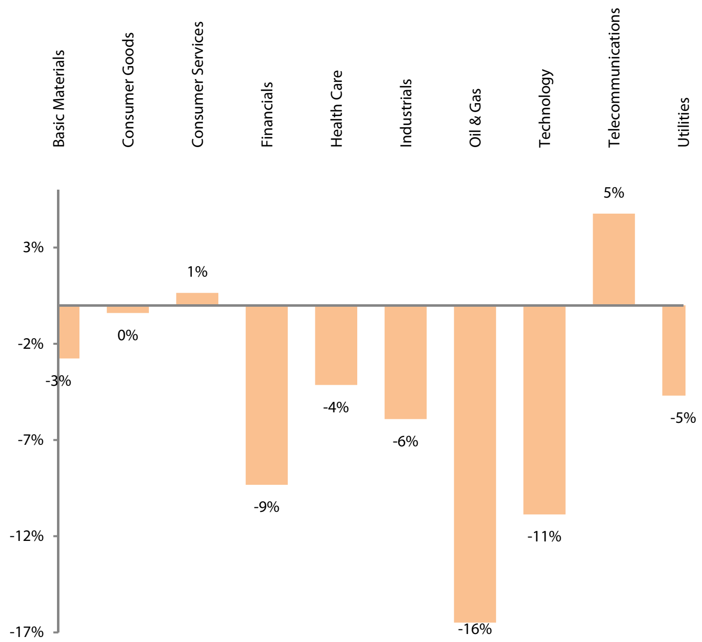
Consumer confidence lowered



Sources: ANZ. Rongviet Securities database

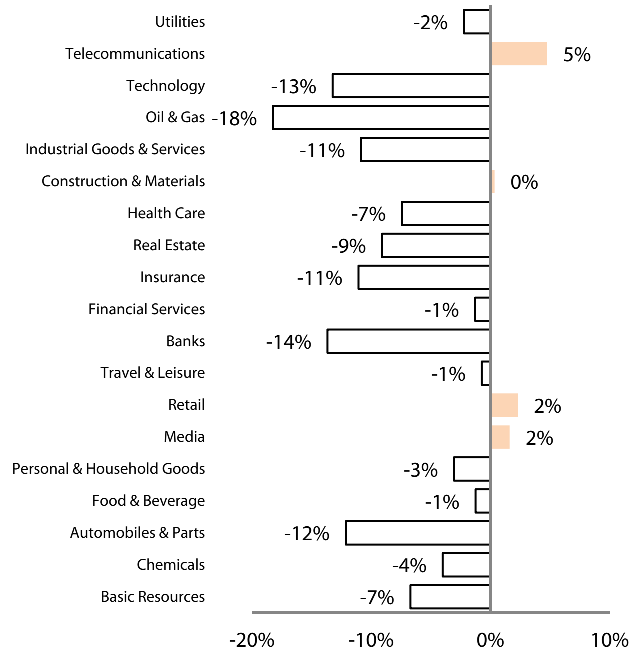
Industry Index

Level 1 industry movement



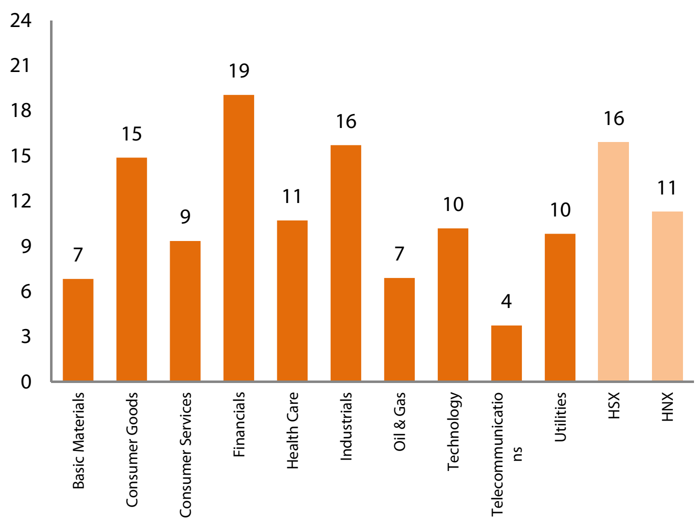
Source: RongViet Research

Level 2 industry movement



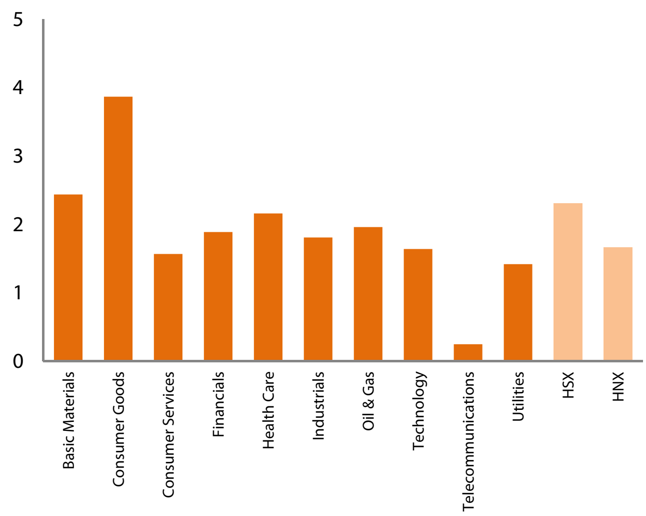
Source: RongViet Research

Industry PE comparison



Source: RongViet Research

Industry PB comparison



Source: RongViet Research

HIGHLIGHT STOCKS

Fundamental stocks with earning outlook from stable to positive

STT	Ticker	2Q2015 results (VND bn)		2Q2015 growth (% yoy)		3Q2015 Profit trend		Trailing P/E	P/B (*)	Market price (VND/share) (04/09/2015)	Valuation	Recommendation/Outlook
		Revenue	NPAT	Revenue	NPAT	vs 3Q14	vs 2Q15					
1	APC	27.3	6.9	20	32	+	+	8.2	1.2	17,900	22,000	Stable - Intermediate term
2	BID	5,785.0	644.3	8	56	+	+	12.0	2.1	23,000		Optimistic - Intermediate term
3	BMI	547.1	50.8	2	121	+	+	11.4	0.8	22,000	23,000	Accumualate -Intermediate term
4	BMP	722.9	166.1	17	55	+	+	9.7	2.4	98,000	87,700	Accumualate - Long term
5	CII	317.1	366.0	-74	356	+	+	4.8	1.0	22,600		Optimistic-Long term
6	CMI	24.4	4.3	-6	-16	-	+	5.0	0.9	10,000		Neutral - Long term
7	CNG	245.4	35.4	-12	35	+	+	6.8	2.1	29,300		Accumualate -Long term
8	CSM	1,255.6	105.7	60	16	+	+	6.4	1.6	28,000		Neutral -Intermediate term
9	DBC	1,499.3	53.2	25	156	+	+	5.8	0.8	24,500	30,000	Stable-Long term
10	DHC	161.2	21.1	11	71	+	+	7.1	1.5	23,000	26,200	Accumualate -Intermediate term
11	DIG	200.3	18.4	46	-1294	+	+	42.2	0.8	11,200		Stable-Long term
12	DNP	222.8	14.9	89	399	+	+	4.2	1.1	16,600	21,900	Buy - Long term
13	DPM	2,804.0	290.1	13	8	+	+	9.5	1.3	30,400	36,100	Accumualate -Intermediate term
14	DPR	123.8	74.2	-19	169	-	+	5.4	0.5	32,000		Neutral -Long term
15	DRC	910.7	115.1	5	16	+	+	12.1	3.1	48,800		Neutral - Intermediate term
16	DXG	212.3	116.6	80	272	+	+	6.4	1.3	16,400		Optimistic - Intermediate term
17	FMC	727.6	20.6	6	9	+	+	5.6	1.2	22,900	27,000	Accumulate - Intermediate term
18	FPT	11,744.4	456.6	10	7	+	+	10.1	1.8	43,800	61,000	Buy - Long term
19	GDT	73.4	11.8	9	-14	+	+	8.1	2.0	35,000	41,300	Neutral - Intermediate term
20	GMC	362.7	32.5	16	110	+	+	7.3	2.2	49,500		Optimistic-Long term

21	GMD	909.3	137.4	23	-70	+	+	15.9	0.8	32,900	44,400	Optimistic-Long term
22	GSP	268.7	19.0	46	275	+	+	8.3	0.9	13,100	16,600	Optimistic-Long term
23	HBC	1,290.1	23.0	61	184	+	+	9.3	1.1	15,400		Unoptimistic-Intermediate term
24	HMH	36.6	10.9	94	-21	-	-	5.6	0.9	19,000	33,800	Buy - Long term
25	HPG	7,647.8	1239.1	14	31	+	-	6.7	1.7	29,700		Optimistic-Intermediate term
26	HSG	4,830.1	241.4	12	118	+	-	6.3	1.4	40,100		Optimistic-Intermediate term
27	HT1	2,063.0	146.5	19	1197	+	+	10.1	1.7	22,000		Optimistic-Intermediate term
28	HVG	4,571.1	13.0	24	-80	-	+	9.3	0.9	15,400		Stable-Intermediate term
29	LAS	1,413.8	96.6	4	63	+	-	5.6	1.7	29,000		Stable-Long term
30	LCG	352.3	14.3	73	10	+	+	28.5	0.5	6,800	9,500	Buy-Intermediate term
31	MAC	30.0	4.4	14	840	-	-	6.0	0.9	11,700	17,600	Buy - Long term
32	MWG	5,363.3	221.2	54	56	+	+	10.7	4.6	63,000	101,000	Buy-Intermediate term
33	NBB	34.2	40.0	-36	5457	+	+	16.6	1.0	22,000	26,800	Accumualate - Long term
34	NT2	1,986.1	119.0	37	52	+	+	4.5	1.4	23,800	30,200	Buy-Intermediate term
35	NTL	102.2	20.1	73	7333	+	+	17.0	1.0	13,800		Stable-Intermediate term
36	NTP	990.5	104.8	19	9	+	+	9.1	2.0	49,000	64,500	Buy - Long term
37	PAC	601.2	27.8	12	28	+	+	9.3	1.6	26,900	27,500	Neutral-Intermediate term
38	PCT	232.3	5.2	-15	36			8.9	0.8	8,700		Optimistic-Intermediate term
39	PET	2,864.8	68.6	-8	21	+	-	7.0	0.8	15,800		Stable-Long term
40	PET	2,864.8	68.6	-8	21	+	-	7.0	0.8	15,800		Stable - Long term
41	PGS	1,564.3	31.8	-19	-22	+	+	7.4	0.9	18,600	25,000	Buy-Intermediate term
42	PLC	1,781.3	127.5	10	112	-	-	6.9	2.0	31,700	34,500	Accumulate - Intermediate term
43	PNJ	1,717.8	-5.9	-30	-110	+	+	15.6	2.6	33,800		Stable-Intermediate term
44	PVD	3,857.6	529.5	-31	-28	-	-	6.0	1.0	35,000	57,400	Buy-Intermediate term
45	PVS	7,550.8	550.2	1	6	+	-	5.1	0.9	20,800		Optimistic-Intermediate term
46	PXS	599.7	48.9	15	19	-	-	5.9	1.2	15,000	22,000	Buy -Short term

47	PXS	599.7	48.9	15	19	-	+	5.9	1.2	15,000	17,000	Accumulate - Intermediate term
48	REE	683.8	237.6	10	15	+	+	6.7	1.1	25,100	29,700	Neutral-Long term
49	SFG	752.8	29.2	8	-21	-	-	6.1	1.1	13,500		Stable-Long term
50	SHP	112.4	14.9	-19	-72	+	+	11.6	1.6	18,100	22,000	Accumulate - Intermediate term
51	SKG	91.5	54.4	48	92	+	-	10.3	3.5	60,500	64,300	Accumualate - Long term
52	SVC	2,224.1	30.5	24	203	+	+	7.0	0.5	20,500	24,100	Accumulate-Intermediate term
53	TCL	223.8	26.4	3	-1	-	-	5.1	1.0	26,500		Optimistic-Long term
54	TCM	729.7	53.9	10	15	+	+	10.0	2.1	35,000	42,500	Buy - Long term
55	TNG	500.5	22.7	56	41	+	+	6.7	1.6	24,300		Optimistic-Long term
56	VIC	6,031.5	289.3	-22	-66	+	+	38.3	2.5	41,500		Optimistic-Long term
57	VNC	103.4	7.1	23	49			11.1	1.8	29,000	28,900	Neutral - Long term
58	VNM	10,500.1	2185.2	14	39	+	+	17.3	5.6	98,500	110,000	Stable-Long term
59	VNS	1,068.3	86.5	18	16	+	+	6.8	1.5	31,800		Optimistic-Long term
60	VPH	62.4	-1.6	15	-80	+	+	28.4	0.7	7,700	10,200	Buy-Intermediate term
61	VSC	225.7	78.4	-5	21	+	+	7.2	1.7	54,500		Optimistic-Long term
62	VTO	351.8	14.5	-7	-13	+	+	9.1	0.5	6,700		Monitor

Source: Stockplus, RongViet Research

**BID: Total operating income*

07/09/2015

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