AUGUST

25

THURSDAY

"Industry/sector prospect revisit"

ADVISORY DIARY

- **How Revenue of retail companies affected as the VND took the drop?**
- **The competitive pressure from Chinese products comparing to Vietnamese products**
- **How the downtrend in oil price affects to plastic and fertilizer industry?**

Both floors returned to green today as VN-Index ended the session up 0.58%. However, investor sentiment is observed to remain not optimistic yet weighing on USD/VND FX rate news. This session going with high liquidity could be an opportunity to settle such leveraged account being called. Elsewhere, Asian markets saw positive developments closing higher than yesterday's. This fragile recovery is believed to reflect pretty much the state of the market right now.

What we shall concern now is to re-evaluate all those effects having on certain industry for the purpose of portfolio rebalancing regarding the possible risk factors to come. In today Advisory Diary, we would hereby answer those concerns for the Technology, Steel, Plastics and Fertilizer.

As the Vietnam dong took the drop, some investors have raised the concern of whether consumption of high value-added imported goods, say, hi-tech devices will decrease and put a drag on the revenue of retail companies selling these products?

Upon discussions with several retailers on this matter, the our analyst has found out that aside from some electronics parts, imported devices such as mobile phones and consumer electronics are paid for using the Vietnam dong. The trading of these products, therefore, should be little affected by the higher exchange rate. In the longer term, the exchange rate risk can be passed on to end consumers. Looking back at periods after past exchange rate increases, we did not see much fluctuation in the sales of the hi-tech products in the middle-end segment, which merchandises have seen on steady consumption growth for quite some time now. On the other hand, Q4 is usually the peak season of the market for electronics and hi-tech devices. Hence, our analyst sees no intermediate reason to be concerned about the short-term prospect of this sector.

Although having positive outlook, MWG is being traded at less-than-10x of P/E forward. We believe that the P/E is quite attractive in term of a leading mobile retailer and a 3rd leading electronic retailer in Vietnam like MWG. Recently, the Company has announced its seven-month business result. Particularly, total revenue reached VN12,920 bn after seven months, up by 158% YoY and fulfilled 55% of the whole year target. Net profit-after-tax was VND548 bn, up by 150% YoY and met 62% of yearly guidance. In first seven month, MWG not only opened new thegioididong shops as previous years but also pushed up widening electronic network with more than 13 new stores, bringing the total number of dienmayXANH shops to 33. Thanks to growing of electronic retail market, we expect that dienmayXANH could become a new motive for MWG's growth in upcoming years. We also believe that MWG can make a better business result than its 2015 plan. Consequently, we make a reservation about our BUY recommendation to MWG as our previous report on May 25th 2015 at the target price of VND101,000 per share.

Recently, information about steel import from China increased by 40.3% in output during the first 7 months of this year. The question was whether Yuan devaluation could increase the competitive pressure from Chinese products comparing to Vietnamese products, especially with listed companies?

Rongviet Research analysts asserted that the correction of exchange rate from the State Bank has relatively compensated the equivalent amount compare to Yuan. Therefore, domestic companies could receive less impact from price competition with Chinese products. Regarding listed companies, steel from China have not been in similar segment. The major concern could be from the defensive measures of importing countries such as Indonesia with galvanized steel to protect domestic production. The orders of Vietnam exports to these markets could be negatively affected. Concerning this issue, representative from company pointed out that demand for steel and galvanized sheet has been stable. However, we believe that HSG, NKG could bear the risk from such issue.

Steel producers are facing FX risk from USD denominated loans?

Foreign loans dominate 30%-50% the loan structure of HPG, NKG and HSG. So, these firms could face a risk of FX loss as the VND depreciated 4% so far this year and thing could see exacerbated for firm without USD source of revenue like HPG.

In overall, apart from market incentives such as falling iron ore price and increasing demand, steel industry is still facing headwinds. On that basis, producers that have effective production chain and inventory management would have advantages. HPG, HSG and NKG are ranked now on the falling risk scale. Actually, HPG saw a net foreign investors' buy of VND58 billion after dropping to the attractive buying region.

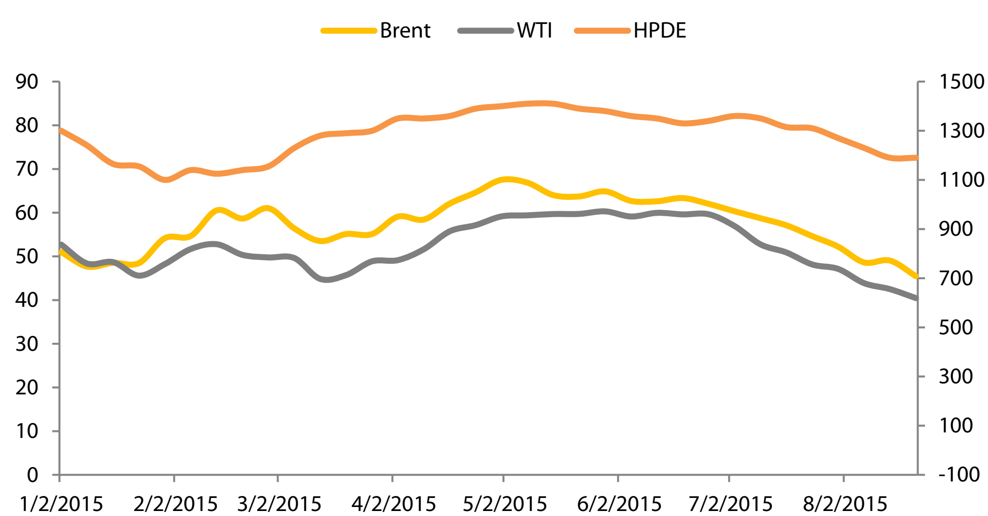
How the downtrend in oil price affects to plastic and fertilizer industry?

Plastics

The price movement in raw materials used in plastic industry has a positive correlation with the world oil prices. Up to now, the crude oil price was only around USD39/barrel. According to sharing of Dong Nai Plastic JSC (DNP), imported plastic powder prices have fallen about 15% from late June 2015 over the same period. By accounted by about 70% COGS, we estimate that this reduction might enhance the gross margin by about 10%; thus, positively affect earnings result of DNP in the two remaining quarters. Currently, DNP is trading at a P/E forward ~5 times.

With positive reviews, we maintain Buy recommendation for DNP stock as stated in our company report on May 09, 2015 (the target price is VND21,900/share).

Pictures: Price movements of HPDE plastic, WTI and Brent oil in 2015



Source: RongViet Research

Fertilizer

Similar to plastic industry, fertilizer is also among the segments which benefit from the decline trend of crude oil price. The current gas price is approximately 3.9 USD/MMBTU; 47% lower than the same period. According to our calculation, under such situation, DPM's profit margin could improve by 8% and positively affect 2015 business result. DPM is currently traded at 9.63 P/E trailing while P/E forward is about 8.56. Rongviet Research analysts believe that the prospect for fertilizer stocks is still positive at this moment.

Figure: DPM stock price from 2014 to now

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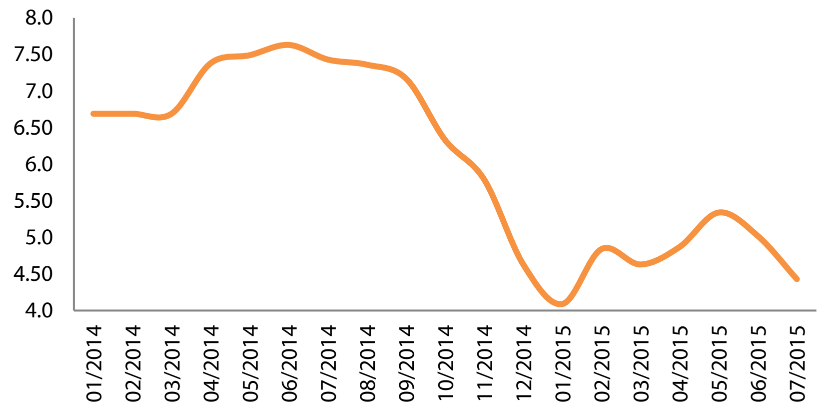
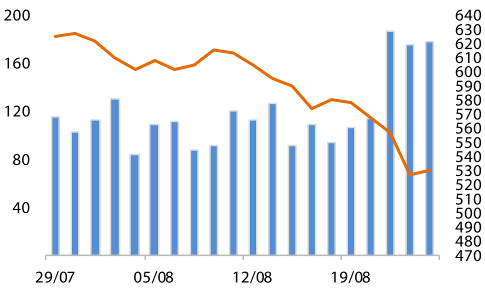
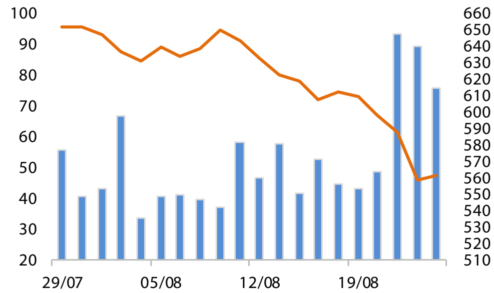
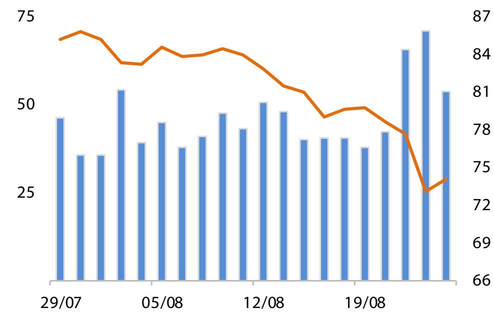


Source: RongViet Research

VNINDEX	0.58%	529.98	VN30	0.37%	561.00	HNXINDEX	1.27%	74.02

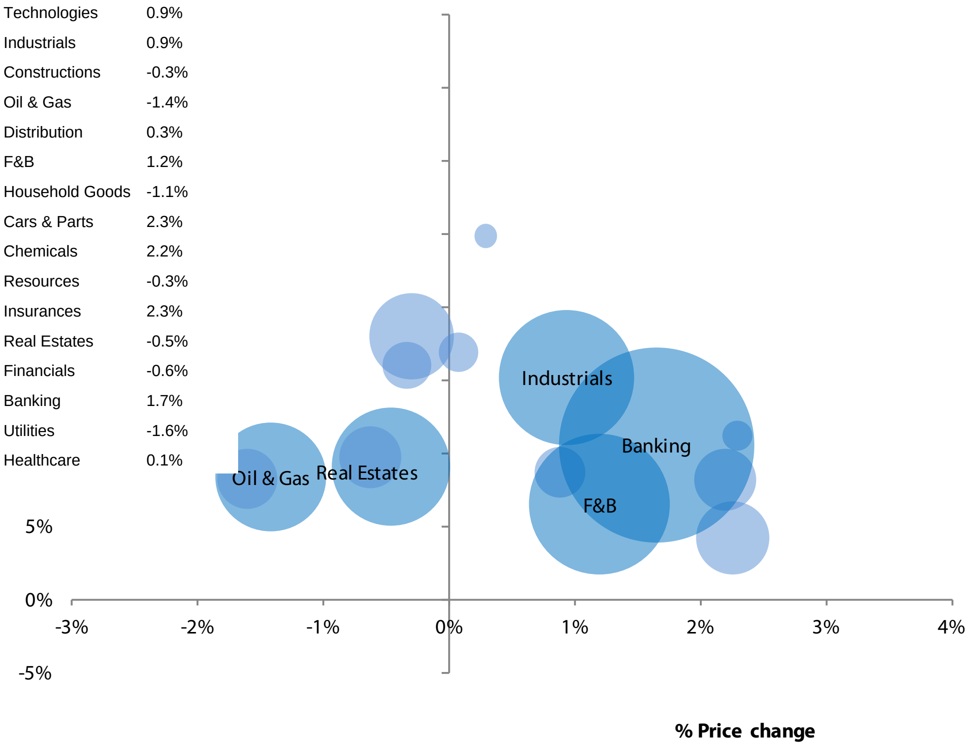




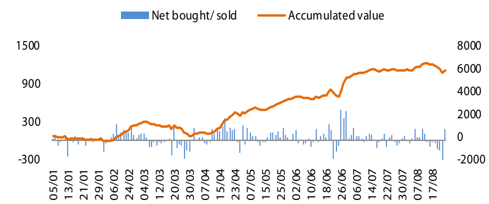


Industry Movement

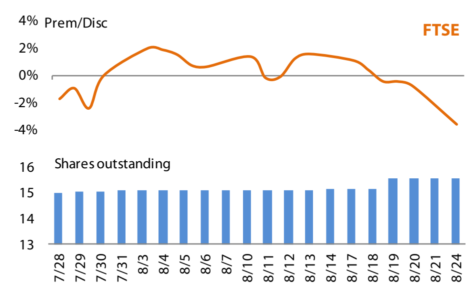
Industry	% change
Technologies	0.9%
Industrials	0.9%
Constructions	-0.3%
Oil & Gas	-1.4%
Distribution	0.3%
F&B	1.2%
Household Goods	-1.1%
Cars & Parts	2.3%
Chemicals	2.2%
Resources	-0.3%
Insurances	2.3%
Real Estates	-0.5%
Financials	-0.6%
Banking	1.7%
Utilities	-1.6%
Healthcare	0.1%

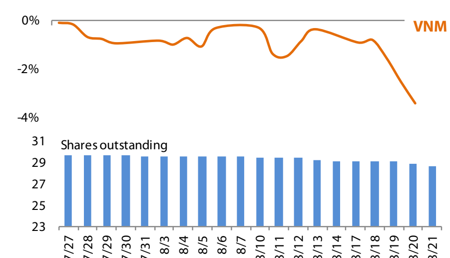


Foreign Investors Trading



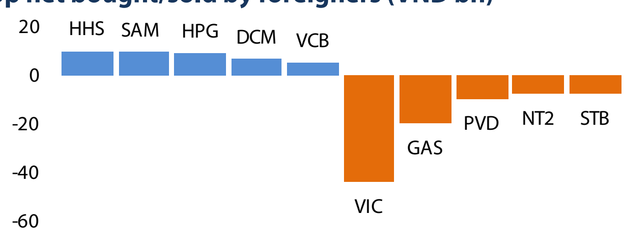
ETF



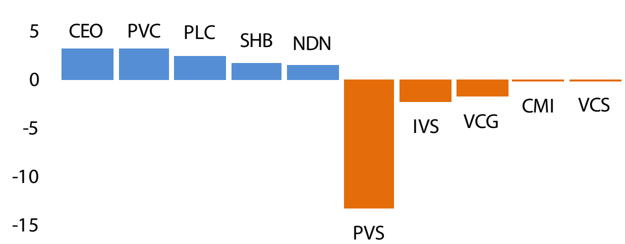


Top net bought/sold by foreigners (VND bn)

HSX



HNX



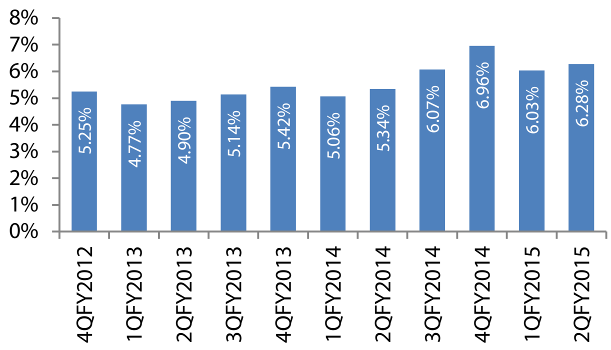
Top Active

Ticker	Price	Volume	% price change
FIT	9.5	14.24	-3.1%
CII	23.0	12.33	-6.1%
FLC	6.1	11.52	-4.7%
SAM	7.9	7.96	-4.8%
OGC	2.3	5.97	4.5%

Ticker	Price	Volume	% price change
KLF	4.1	6.14	-8.9%
SHB	7.0	4.84	1.4%
PVX	2.9	2.42	-3.3%
PVS	19.0	2.30	4.4%
VIX	7.0	2.26	-6.7%

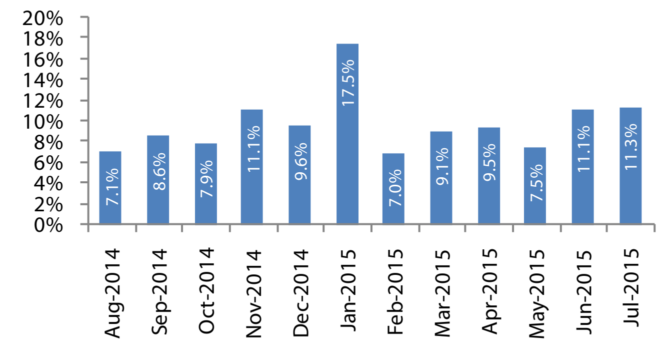
MACRO WATCH

Graph 1: GDP Growth



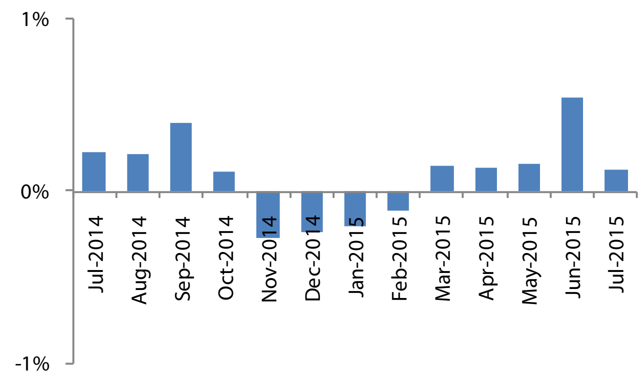
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



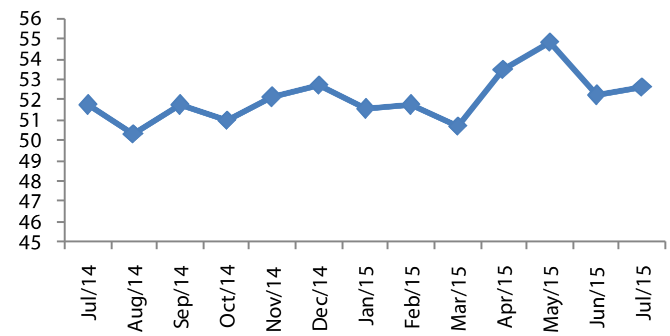
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



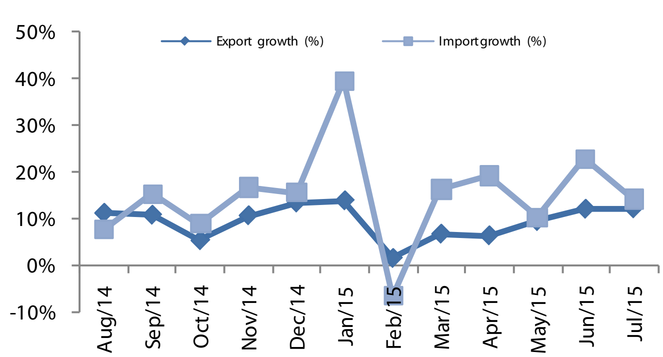
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



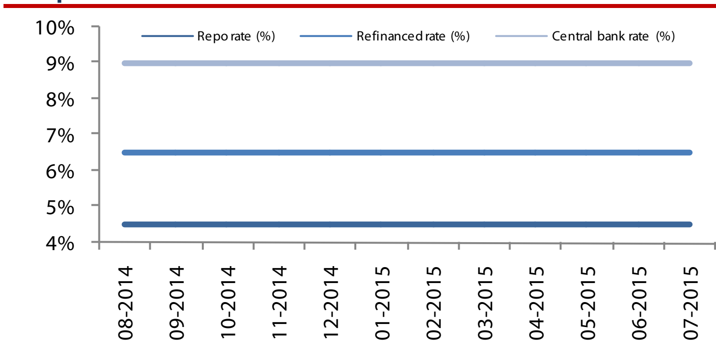
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600
NT2 - Growth in stability	July, 30th 2015	Buy – Intermediate term	30,200
FMC - Leaping in overseas waters	July 23rd, 2015	Accumulate – Intermediate term	27,000
SVC - Firing up the engine	July 20th, 2015	Accumulate – Intermediate term	24,100
LCG - A new cycle begins	July 16th, 2015	Accumulate – Intermediate term	9,500

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

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	11/08/2015	0% - 0.75%	0% - 2.5%	11,851	11,856	-0.04%
VEOF	11/08/2015	0% - 0.75%	0% - 2.5%	10,298	10,011	2.87%
VF1	14/08/2015	0.2% - 1%	0.5%-1.5%	23,279	23,537	-1.09%
VF4	14/08/2015	0.2% - 1%	0%-1.5%	10,459	10,573	-1.08%
VFA	14/08/2015	0.2% - 1%	0%-1.5%	7,404	7,482	-1.04%
VFB	14/08/2015	0.3% - 0.6%	0%-1%	12,331	12,311	0.16%
ENF	07/08/2015	0% - 3%	0%	11,601	11,665	-0.55%
MBVF	06/06/2015	1%	0%-1%	10,735	10,578	1.48%
MBBF	05/08/2015	0%-0.5%	0%-1%	12,299	12,300	-0.01%

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