06/06/2017

Investment Strategy June 2017

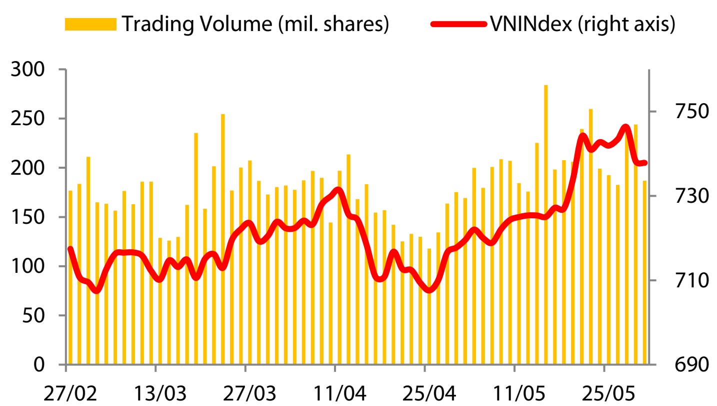
Scanning Stocks for Long-term Goals

After successfully passed the 732.9 milestone in the middle of May, VNIndex fluctuated around 740 over the last two weeks of May. Mid and small-cap stocks outperformed large-cap stocks last month in terms of index growth and liquidity. Liquidity surprised us with total trading value of VND5,042 bil for both stock exchanges, 37% higher than the average of the first 5 month in 2017 and doubled the average amount of 2016. During that period, foreign investors continuously accumulated with the total net buying value of VND 7,000 bil, the highest level since 2008.

For the remaining months of 2017, we believe that stock market sentiment will be positive and demand remains still high from not only the domestic but also foreign investors. The arguments are as followed:

- *The international investors continue to highly rate Vietnam's business environment following the Government commitments to stabilize the economy. Regarding of recent review, Fitch made upward adjustment to Vietnam's credit rating from "stable" to "positive". In addition, the CDS 5-year index of Vietnam has been on the downward trend to the lowest level set in 2017. The lower index is considered as the less risky of Vietnam's economy.*
- *The Government released the Instruction no. 24/CT-TTg, which requires the related ministries to have specific solutions for 2017's GDP growth target of 6.7%. In addition to this, the credit growth for 2017 is also required to achieve more than 18% YoY threshold to support this target.*
- *Low inflation in May 2017 will support the Government in an effort to keep macro indicators such as lending rate and FX variation to as stable as they committed. In fact, after a temporary increase in the first months, interest rate has been cool down in recent weeks, proving through the decrease of average overnight lending rate in the interbank market to 2.43%.*
- *Although VNIndex has climbed to the highest level for years, the PE has actually been stable around 16x. It might indicate that relative valuation of Vietnam stock exchanges is still more attractive than other markets such as Arab Saudi, Malaysia, Indonesia and Philippines. Moreover, as our observation, VNIndex has a negative correlation with CDS Index in past years. Assuming that the relationship will be true in upcoming period, the probability that VNIndex can reach the higher peak by the end 2017 is quite high.*

VNIndex fluctuated quite narrowly around 740 points after successfully surpassing 732. The pressure to reduce margin on some "hot" stocks may be a reason for investors to be cautious again. Notwithstanding, the gap in frontier basket, couple with Government's commitment to stabilize macro factors will keep the money in the markets. For June 2017, we expect VNIndex to hover between 730 – 760 with the total trading volume to be around VND4,000 bil.



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We think it's time for investors to restructure their portfolio: Considering to take profit from groups which significantly increased in stock prices since the beginning of the year, especially stocks whose price rally is mostly driven by one-off earnings expectation. Moreover, given positive prospects of Vietnam's macroeconomics, it is the ideal period that investors can scan for tickers with good fundamental aspects and positive long-term prospects. Those industries could be candidates which will be benefit from the Government's effort to push GDP growth.

Business performance of the steel industry overall has been in line with our expectation in the first five months of 2017. Because global steel prices were at high-levels during early-2017, the strong earnings growth of steel industry mostly came from capacity expansion while only a small proportion came from input price movements. As we discussed about construction steel in the previous strategy reports, color coated steel is another story that we would like to introduce to investors at this time. Two large color coated steel makers, HSG and NKG are going to directly benefit from the decision. Another coated steel candidate, Ton Dong A, is expected to be listed in late-2017. Briefly, Ton Dong A is the third-largest domestic coated steel producer and expanding capacity aggressively as their new plant is under construction. Their product mix focuses on high-quality coated steel and the targeted markets are different to the traditional steel sheet users. Therefore, we think Ton Dong A is another name that is also worth paying attention to.

We recognize several catalysts for the rally of the banking industry stocks. Particular, in the first five months of 2017, credit growth reached 6.53% (YTD on May 25th), the fastest growth rate for years. Moreover, following the recent issued Instructions for the economy in the next six months, 2017 credit growth will be much higher than the target of 18% during early 2017. It is valuable to notice that credit growth in some listed banks such as ACB or VCB fulfilled 30-50% their room for credit growth in 2017. Therefore, we expect that these banks will be approved to lift the room for their credit growth. Regarding the progress of bad debt solving, corridor of laws has been completed step by step. In May 2017, the National Assembly discussed on the Draft Decision on Bad Debt Solution. We expect that this Decision will be approved quickly to be effective on July 1st 2017. Moreover, early June, Circular 53/2017/TT-BTC to instruct the implementation of Decree 69/2016/NĐ-CP on debt trading servicing business conditions was also issued. Although we do not think that the bad debt recovery rate will have a huge pace before 2018, the progress of improving laws has been sending a positive signal for this issue outlooks.

Hydropower sector in Q2 2017 still possess strong outlook thanks to the favorable hydrological condition in the Central, Central Highlands and the South. It brings 10 – 30% higher in rainfall than the average of years. Meanwhile, since the North and the Central regions also have several phases of extremely hot weather condition in May and June 2017, the selling price in Competitive Generated Market remains high in Q2 2017. Therefore the profit of hydropower companies have been enhanced. Moreover, with new policy of the Government to purchase solar electricity at 9.35 US cent/kWh (even higher than average electricity-retail price) and the downtrend in investment costs of solar projects, we expect that solar powers have become very profitable. In solar power development, we highly rank SHP and CHP for their strong prospects in the expansion of production capacity with specific projects that are deployed smoothly.

Last but not least, given high demand in infrastructure investment and development, as well as their high proportion of Gen Y population with growing income which is more and more attractive to FDI inflows, we maintain our positive perspective on construction, consumers, and infrastructure-related sectors.

46 stocks of RongViet Research (analyzing, discussing with companies) and have analysis and specific evaluation in "Company report" or "Analyst pinboard".

WORLD ECONOMY

- US: The Fed is Likely to Raise Interest Rates in June
- EU: Recovery Continues
- China: Growth Momentum Has Softened

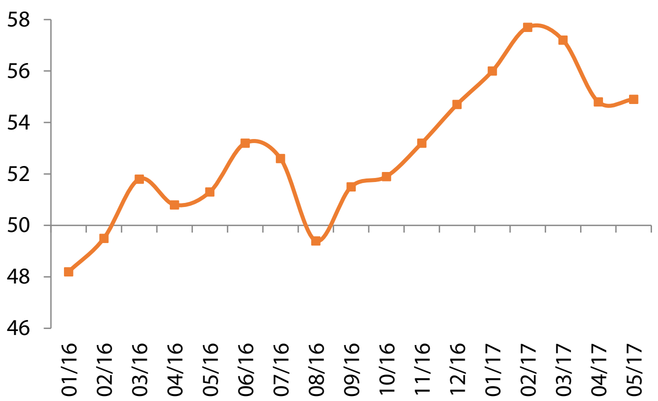
The U.S. growth was not so bad after revisions in Q12017, the economy is expected to have a moderate in the next quarter thanks to the resilience in manufacturing and private consumption. In addition, strong labor market also supports the ability that the Fed will raise interest rates in the next meeting on 13-14 June. For now, the Eurozone economic recovery continues and investors expected that ECB policy makers could take a more benign view of the economy and become less dovish. In Asia, China's economic growth started showing some signs of slowdown at the onset of Q2, 1Q17 may also mark the peak of the ongoing cyclical recovery in this country.

US: The Fed is Likely to Raise Interest Rates In June

Revised data showed that the economy grew faster than initially reported, with upward revisions to private consumption and business fixed investment. GDP rose at 1.2% annualized rate, revised from 0.7%. Consumer spending, the biggest part of the economy, rose 0.6%, revised from 0.3%. However, GDP growth was nowhere near the 2.1% expansion recorded in the last quarter of 2016, confirming the signs that the U.S. economy had experienced a bumpy ride at the beginning of the year.

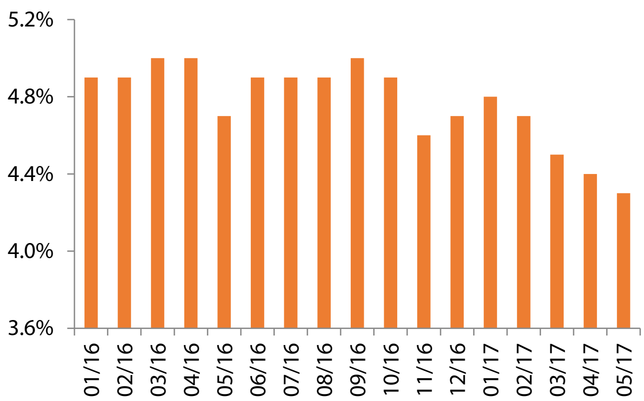
Heading into Q2, manufacturing and private consumption are expected to show more resilience, providing further round for the Fed to increase rates at its upcoming 13-14 June meeting. The ISM manufacturing index rose slightly from 54.8 in April to 54.9 in May, after having declined for two consecutive months. The details of May's report are very encouraging. Specifically, output growth slipped marginally while demand for manufacturing production was reportedly stronger in the month, with new orders growth accelerating markedly. Regarding the labor market, the unemployment rate dropped to 4.3% in May, the lowest level in 16 years. According to the May report, the U.S. job market is near full employment despite weak payroll growth.

Figure 1: ISM Manufacturing Index



Source: Bloomberg

Figure 2: The U.S. Unemployment Rate



Source: Bloomberg

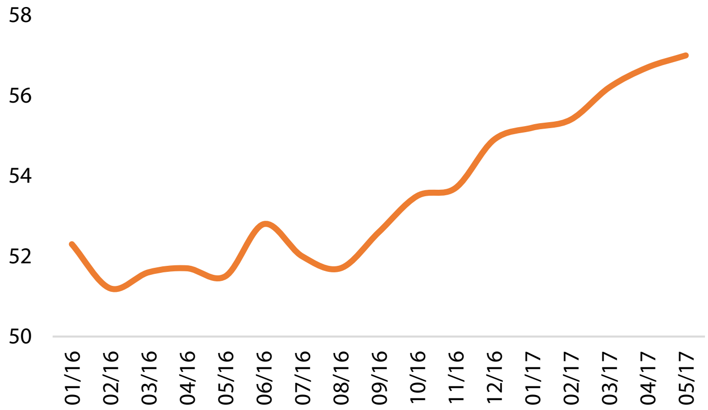
EU: Recovery Continues

Leading indicators for the second quarter remain positive as both the composite PMI and economic sentiment were at multi-year highs. In May, the Eurozone Composite PMI increased slightly to 57, the best result since April 2011. May's data reflected the strongest job growth in over a decade as widespread optimism prevails among firms. Output expanded at the best pace in six years, although new order growth moderated slightly. Regarding the two largest Eurozone economies, economic conditions improved in France and Germany, and the PMIs rested at multi-year highs. In addition, the ZEW Economic Sentiment Index* in the bloc continuously improved in May (35.1 points), the best result since August 2015.

Investors are awaiting for an upcoming monetary meeting from the ECB at the outset of June 2017. There are concerns that ECB policy makers could take a more benign view of the economy and become less dovish. This expectation and bright economic data led the euro to hit a six-month high against the USD at the end of May.

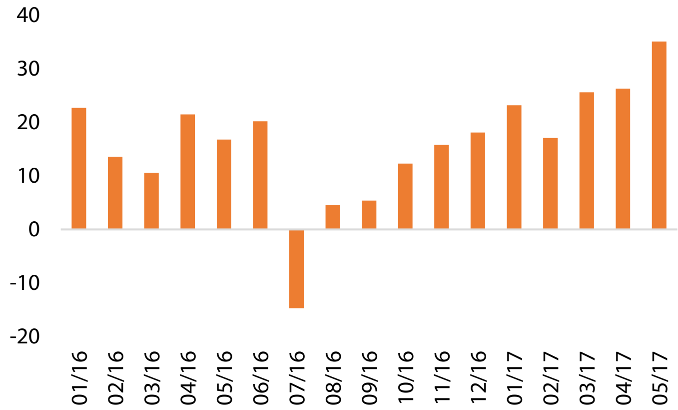
** the ZEW Economic Sentiment Index measures the level of optimism that analysts have about current economic situation and expected economic developments for the next 6 months.*

Figure 3: Eurozone PMI



Source: Bloomberg

Figure 4: Economic Sentiment in EU



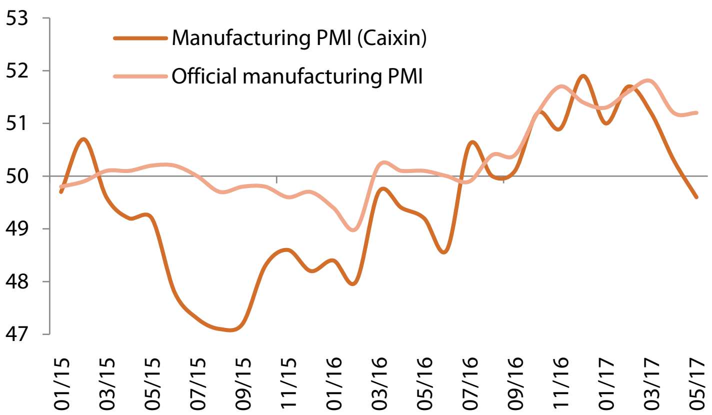
Source: Bloomberg

China: Growth Momentum Has Softened

Weaker external demand and manufacturing activity weighed on growth in April, while investments in the real estate sector and infrastructure remained resilient. In April, industrial production in China expanded 6.5% YoY, down from March's 7.6% rise. The slowdown in April reflected weaker growth in manufacturing output and in electricity, gas and water supply activities. In the first 4 months of the year, urban fixed-asset investment (FAI), excluding rural households, expanded 8.9% annually, which was below the 9.2% increase in the Q1 period. Despite the moderation in investment growth, the real estate development indicator expanded at the fastest pace in over two years, suggesting that dynamics in the property sector remain strong. Based on above data, growth momentum has softened at the beginning of Q2.

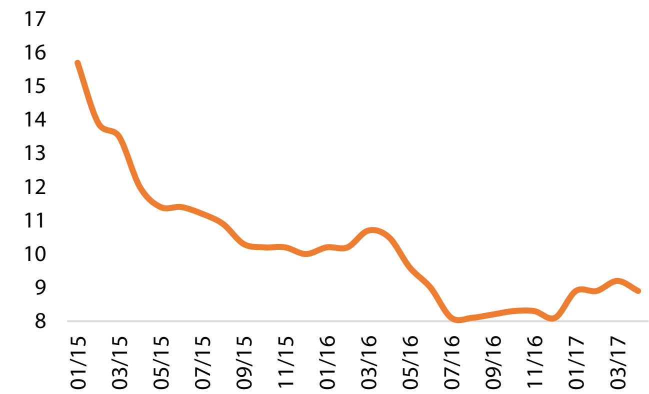
In May, China has two diplomatic events. The country hosted the first Belt and Road Forum on 14-15 May, this program is the cornerstone of China's internationalization strategy and earmarks more than USD 1 trillion for investments over the coming years in more than 60 countries. Moreover, China and the U.S. unveiled a set of trade deals on 11 May, which are expected to ease tensions between the two countries.

Figure 5: China Manufacturing PMI



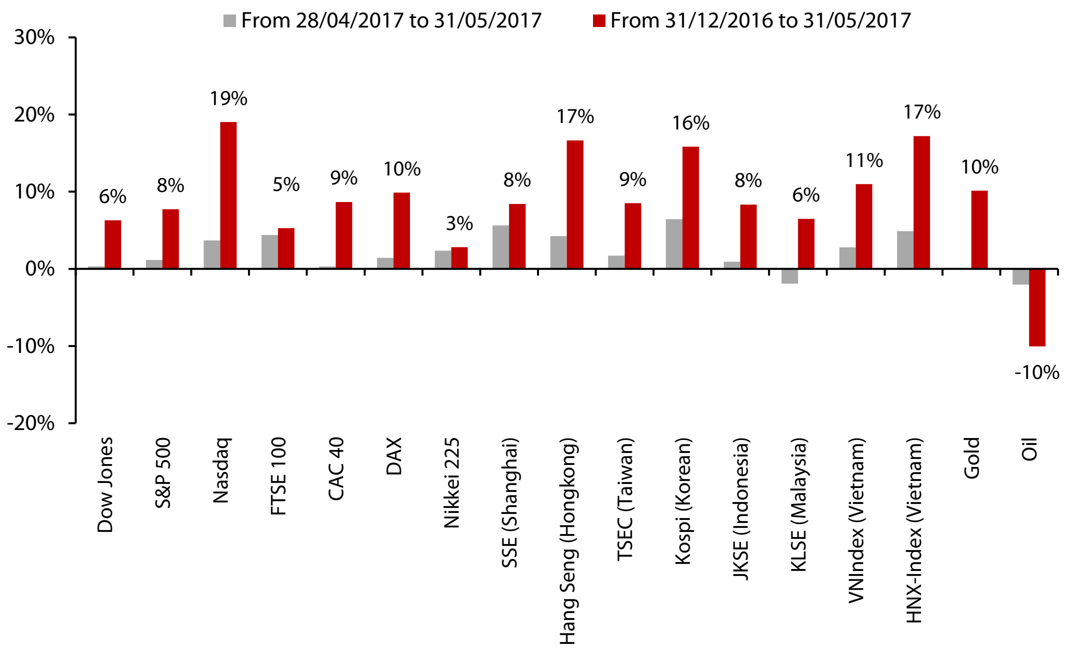
Source: Bloomberg

Figure 6: FAI Investment Growth



Source: Bloomberg

Figure 7: Performance of some major global stock market indexes in May



Source: Bloomberg, RongViet Research

There was an increase in many stock market indexes last month. Overall, "Sell in May" is no longer the obsession of the stock markets this year.

US market finished its earnings Q1/2017 earnings announcement. According to JP Morgan, 75% of US enterprises has achieved higher sales and profit than forecast. Almost all sectors have improved their business results, which has set the benchmark for the S & P 500 up nearly 1.2% in the past month. Notably, macro data in May also showed that the US economy continued to improve slightly. Although US jobs growth disappoints in May with just 138,000 new positions created against expectations of up to 185,000, many analysts think that this was a cyclical factor when the spring recruitment had passed and a large number of graduating students had not joined the labor force yet. On the other hand, the US Labor Department also released positive data: unemployment rate in May was 4.3%, which was the lowest level since the Global Financial Crisis of 2008. Along with outstanding micro and macro factors, not surprisingly, when US stock markets indices all increased: Dow Jones (+ 0.3%), S&P 500 (+ 1.2%) and Nasdaq (+3.7%).

In Europe, French president-elect Emmanuel Macron's victory can cease temporarily the fears of leaving EU. Almost all of EU markets like France and Germany were not very volatile, so investors turned their attention to England. In the second half of April, UK Prime Minister Theresa May called for an early general election in June in order to speed up the Brexit process as well as arrange a soft landing for the UK from the EU exit negotiations. After her announcement, the FTSE 100 fell sharply because investors bet the Conservatives continued to win. However, economic data has been weakened before General Election and the ONS predictions that economic growth will slow whereas interest rates will remain at a record low of 0.25%, Mrs. May will face many difficulties. Not to mention the polls made the market skeptical of her ability to win the election. It was force to devalue the British pound and facilitate the FTSE 100 Index - a basket of nearly 70% foreign-owned firms, up to 4.39%.

In Asia region, investors looked for the president election result of Korea. KOSPI gained the most 6.4% in the region as investors expect new policies of new president will push forward the economy of Korea and can improve the diplomatic relation between North and South Korea, which has gone to the worst since 1950.

Oil price saw strong volatility in May. Oil price surged prior to OPEC meeting then strongly decreased and moved sideways after. Traders showed their disappointment on the extension 9 months because they believed that OPEC could do better by expanding to another 12 months instead. Besides, Libyan output was recovering from a technical issue at an oilfield. The production can increase from 784,000 barrels/day to 800,000 barrels/day, above the highest output since Feb 2017. In conclusion, the OPEC meeting did not support oil price in May so it dropped more than 2%, adding to the YTD decline of 10%.

VIETNAM ECONOMY

- Policy Makers Put Their Focuses on Growth - The Degree of Loosening Monetary Policy Has Increased
- Credit Growth Trend is Not Sustainable
- Reflation Turned into Disinflation
- The New Resolution in Handling Bad Debts: The Next Chapter

At the onset of June, the Government has come up with a set of measures to promote economic growth, including both short-term and long-term solutions. In the short run, the resumption of the Formosa plant and the recovery of the agricultural sector are the two basis for better economic growth for the rest of the year. However, we think that there are lacks of reasons for growth in the industrial and construction sectors to achieve the Government's target. From the view of RongViet Research, the new point in the credit growth target does not bring much optimism to promote economic growth because we think that credit growth in the recent time is not sustainable and preferential credits are going to sectors with unclear growth potential. In the long run, the Decree on handling of bad debts accompanying with a series of Law's amendments will come into effect in early of July 2017 are expected to promote the process of dealing with bad debts, thereby promoting economic growth.

Finally, the sharp decline in the food price index has led us to change our view on inflation rate for the whole year. With overall inflation at 4%, especially core inflation at 2%, the Government may be more aggressive in loosening monetary policy. However, the easing monetary policy and the effective capital inflows are two completely different things.

Policy Makers Put Their Focuses on Growth - The Degree of Loosening Monetary Policy Has Increased

Despite a modest growth in 1Q17, the Government keeps pursuing a 6.7% GDP growth target for this year. The new directive issued at the beginning of June (24/CT-TTg) revealed some groundwork to realize that growth target. Based on the analysis below, we see that the Government set an ambitious goal for agriculture and manufacturing sector with a growth of 3.05% and 13.0%, respectively. There are two reasons to expect higher growth: (1) the recovery of agriculture output thanks to better weather conditions; (2) Formosa returned to operation in the last month of 2Q17. We think the growth target for agriculture industry is achievable but that target for manufacturing and construction sectors are quite optimistic. Additionally, the Government changed its target for credit growth, signaling a more easing monetary policy. Actually, the credit growth in the first 5 months of the year was better than our expectation. At the moment, we do not have a breakdown data on credit growth, however, we think the credit growth in the first 5 months is not sustainable to support economic growth in the short run (see analysis in Page 8). As a result, we suppose the GDP target for 2017 is still infeasible and policy makers will need to play a careful balancing game, to better regulate the quality of credit and ensure a stable growth of the economy in the upcoming years.

Table 1: Growth Target for Specific Industries in 2017

	2016	1Q2017	2017's target
GDP	**6.21%**	**5.12%**	**6.70%**
Agriculture, forestry and fisheries	1.36%	2.03%	3.05%
- Export (USD billion)	32.1	7.6	33.0
Industrial & Construction	**7.57%**	**3.85%**	**7.34%**
- Manufacturing	11.9%	8.3%	13.0%
- Mining	-4.0%	-10.0%	-9.7%
- Electricity	11.6%	9.5%	11.5%
- Construction	10%	6.1%	10.5%
Services	**6.98%**	**6.52%**	**7.19%**
- International visitors growth	26%	29%	30%
Taxes and Subsidies	**6.38%**	**6.0%**	**8.0%**

Source: GSO, MARD, Directive 24/CT-TTg, RongViet Research estimates

Table 2: RongViet Analysis on The Feasibility of GDP Growth's Target

Situation in the first 5 months of 2017	Solutions	RongViet's comments
Agriculture		
- Winter-spring paddy: unchanged compared to the same period of last year, rice yield declined slightly. - Summer-autumn paddy: there was a strong recovery in planting at Mekong River Delta. - There was a decline in pig breeding industry.	- Encourage hi-tech agriculture, complete supply chain. - Apply many measures to curb the pig oversupply. - Provide low-interest rates credit package for farmers. - Push the export of agriculture products to China.	There was a slight recovery in agriculture sector in the first quarter of 2017, we also expect output in summer-autumn paddy will support the continuous recovery. There was also better growth in the forestry and fisheries industry in the first 5 months of the year. Based on the latest data, we think a 3.05% growth for agriculture sector is achievable.
Forestry		
- The area of concentrated forestation was up 5.8% YoY.		
Fisheries		
- Aquaculture output increased by 3.7% YoY, better than the same period last year.	- Focus on the US market in exporting fishery.	
Manufacturing		
- Manufacturing sector grew by 9.7% YoY in May, improved from a 9.3% increase in April, 2017. - PMI declined to 51.6 in May, the business sentiment was weaker. - Implemented FDI reached USD6.15 bn, increased by 6% YoY.	- Provide favorable lending rates for manufacturing sector. - Formosa is back into operation in June 2017.	We see there are lacks of conditions for manufacturing sector to achieve a 13% growth target because: 1. Industrial production improved in the second quarter but is still lower than the same period of last year. 2. Growth should be steadied due to weaker business confidence. Such as, the return of Formosa is the main key to push growth of this sector. According to Ministry of Planning & Investment, the operation of Formosa will contribute 0.16% into GDP.
Mining		
- In the first 4 months of the year, the crude oil volume achived 5.25 million tons, completed 37% of the yearly plan. - Mining sector growth is -9.1% YoY in the first 5 months.	- Remove difficulties for minerals inventories. - Adjust the plan for exploitating crude oil in 2017.	Even raising the volume of crude oil exploitation, 2017's target for mining sector is still negative. Based on the current stituation of oil market as well as oil operators in Vietnam, we think the Government will not put efforts to push growth in this sector.
Electricity		
- Electricity production grew by 10.4% YoY in the first 5 months.	- Complete the solution for electricity prices in 2017.	We think the target for electricity production is feasible thanks to the positive growth in manufacturing sector and strong demand in residential area.
Construction		

- Construction sector witnessed a sharp decline in growth in the first quarter of this year. - Public investment increased slowly because of the delay in capital disbursement. - Investment/GDP was only 32% in 1Q17.	- Push the pace of disbursing public investment capital in the second half of the year. - Investment/GDP: 34-45%.	The real estate sector remains buoyant this year but we think it is challenging to gain higher growth. The directive 24 is not supposed to solve the problems in public investment (high public debts and narrowed budget revenue).
Services		
- Retail sector remains strong in the first quarter while there are better growth in real estate and banking sector. - In the first 5 months, retail sales increased by 7.8% YoY (excluding price factors).	- New decree on bad debt resolutions. - Revised the credit growth target to more than 18%.	Strong growth momentum in retail sector as well as financial sector are the key factors supporting a 7.2% growth target for services industry.

Source: GSO, RongViet Research

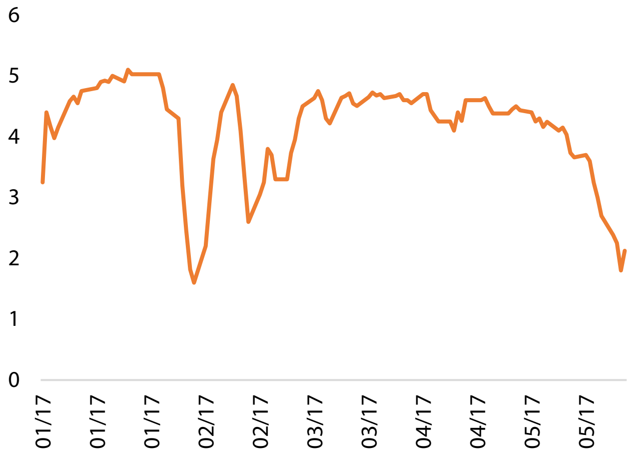
Credit Growth Trend is Not Sustainable

According to the SBV, credit growth of banking system reached 6.53% as of 25/05/2017, higher than the growth of 5% in the same period of last year. This growth is seen as the highest growth during 8 years period and many investors look at this data and hope for better GDP growth. However, in our opinion, there are a lot of concerns in credit growth in the first 5 months. Data on a breakdown of total credit growth are not available, so we can not provide a clear conclusion on credit growth trend. However, we think there are 3 main points that investors should pay attention to:

1. Taking HCMC market as an example, we see **short-term credit increased significantly in the first 5 months of 2017**. At the end of May 2017, total credit in HCMC increased by 8.3% compared to the end of 2016. Data showed that short-term credit grew 12.99% YTD, performing much better than medium and long-term credit growth (only 4.72% YTD). The concentration on providing short-term loans could be seen as a consequence of Circular 06's impact (reducing the maximum ratio of short-term funds used for medium and long-term loans). In our view, the economy needs both short-term and long-term credit, however, we see long-term credit should be a key driver to support economic growth.
2. **The return of liquidity surplus in banking system.** In May, the SBV injected VND21,459 billion via OMO channel. Meanwhile, the matured amount was VND51,145 billion. As a result, the SBV made a net cash withdrawal of VND29,000 billion via OMO channel in the last month. Compared to April 2017, the open market operations were less active, in addition, the continuous withdrawal indicated the return of liquidity surplus in banking system. This movement was paralleled by a sharp fall in intebank interest rates. Interbank interest rates for short terms period (overnight, 1-week and 2-week) have tumbled since early of May 2017. Specifically, the overnight, 1-week and 2 week rates respectively fell 2.58%, 2.41% and 1.89% to 1.8%/year, 2.3%/year and 2.88%/year. In conjunction with the high winning ratio in primary bond market, we see these movements as a leading indicator for a slowdown in credit growth in the upcoming months.
3. A strong motivation of the Government to **provide favorable credits in order to support sectors with unclear growth potentials.** At the beginning of April 2017, the SBV issued detailed instructions for borrowing the VND100,000 billion low-interest credit package for hi-tech agriculture investment. Currently, there is an increasing wave of investment into hi-tech agriculture in Vietnam. However, besides caring about this sector is going to enjoy cheaper capital and preferential policies, we think the regulation on lending process plus the efficiency of hi-tech agriculture products' projects are questionable. In a recent crisis of pig farmers, the Government has asked the central bank to extend loan repayments and provide low-interest rate loans for farmers and companies involved in the pork trade. Based on this

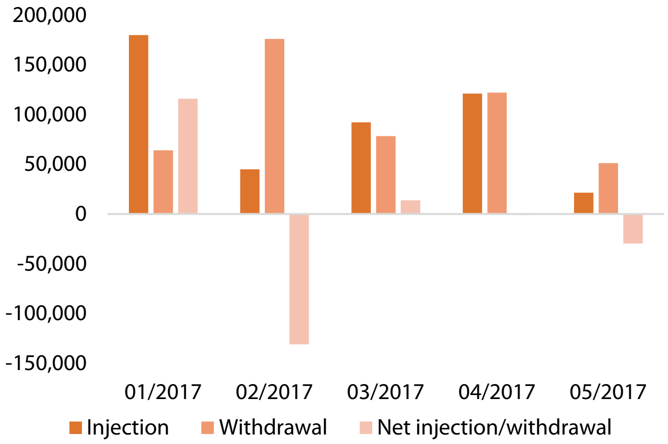
example, we think the Government has not approached policies to solve the root of the problems in agriculture industry. Lacking of long-term vision to support economic growth, we are afraid that short-term gains might trigger long-term pains in banking system.

Figure 8: Overnight Interest Rate (%)



Source: Bloomberg

Figure 9: Open Market Operation (VND billion)

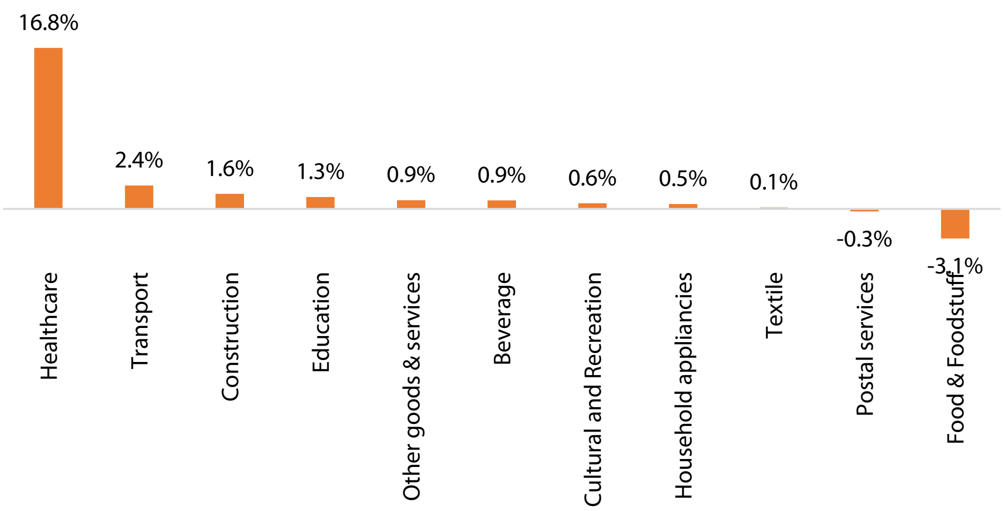


Source: Bloomberg

Reflation Turned into Disinflation

May inflation data showed that CPI inflation dropped into negative territory for the first time in 20 months. Headline CPI in May 2017 decreased by 0.53% compared to previous month. This drop is due to the decline in pork and chicken prices, causing a decrease of 2.27% MoM in foodstuff prices index. Indeed, foodstuff prices index has declined in a 6-month row, the longest string since 2012. On a year over year basis, food prices index had a negative growth of 2.34%, completely contrary to our expectation in the beginning of the year. For the second half of this year, healthcare service providers in 29 provinces and Hanoi will apply new hospital fees for more than 1,900 medical services to patients without health insurance in August, while 14 other provinces and HCMC in October, and the remaining 18 localities in December. At the end of May 2017, healthcare prices index increased 16.83% compared to December 2016. With the above roadmap of applying higher healthcare fees, the contribution of healthcare prices index into 2017 CPI is still in line with our expectation. Besides, it is worthy to note that in recent the permanent meeting, the Government has instructed not to raise electricity prices to control inflation as well as support economic growth. As a result, our projection for headline CPI is adjusted to 4% in 2017, meaning that the Government could achieve the target for CPI this year.

Figure 10: CPI breakdown by sector (compared to December 2016)



Source: GSO

The New Resolution in Handling Bad Debts: The Next Chapter

By the end of May 2017, the National Assembly passed a resolution on handling bad debts. There are 3 key points in this resolution, including:

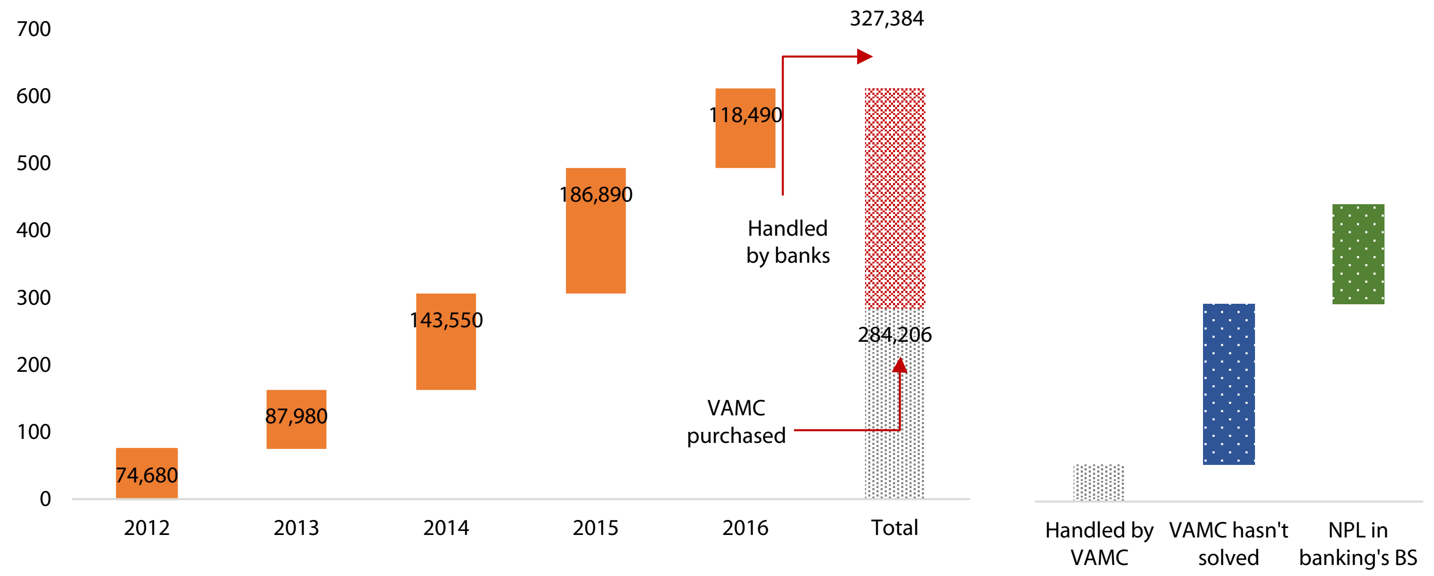
1. Allowing VAMC to buy off-balance sheet bad debts and to sell bad debts that VAMC bought with special bonds at market prices (lower than book value is acceptable). This opened the next step for both banks and VAMC after making provision for bad debts and buying debts via special bonds. In addition, bad debt buyers may also include organizations who have no debt purchasing function.

2. Remove the knots in the land law regarding to the right to seize collateral assets. Specifically, the party who owns collateral assets must be obligated to hand over the property together with all necessary papers and legal documents of the bad debt to the credit institutions as agreed in the contract and the law relating collateral assets. This regulation helps banks to shorten their collecting time on collateral assets.

3. The resolution extends the record period for unrecognized interest of bad debts and unsettled assets to not more than 10 years. This will reduce the pressure on financial statements of banks suffering from irrecoverable debts in the short term.

The above resolution will come into effect from 01/07/2017 together with guidelines on appraising the value of bad debts and collateral assets added in the Property Auction Law passed by the National Assembly at the end 2016. This move is expected to be the next step in the bad debt handling process and the beginning of a real market for transacting bad debts. By the end of February 2017, the bad debt ratio in the banking system was 2.56%. If including the outstanding debts that VAMC has not handled yet, the bad debt ratio is estimated at 6.7%. According to the SBV, if including potential bad debts, the NPL ratio is quite high ~10.08%. Among the amount of VND284,000 billion that VAMC bought via special bonds, only VND53,236 billion was handled, accounting for 19% of the total purchased debts. In particular, the handled bad debts which are treated through selling collateral assets measures was VND17,100 billion, accounting for 2.8% of total handled bad debts. Thus, accelerating the process of handling bad debts has become a critical condition for lower lending rates. We also believe that the easing monetary will take full effects to promote economic growth when "blood clots" named bad debts is eliminated.

Figure 11: The Process of Handling Bad Debts (Unit: VND bn)

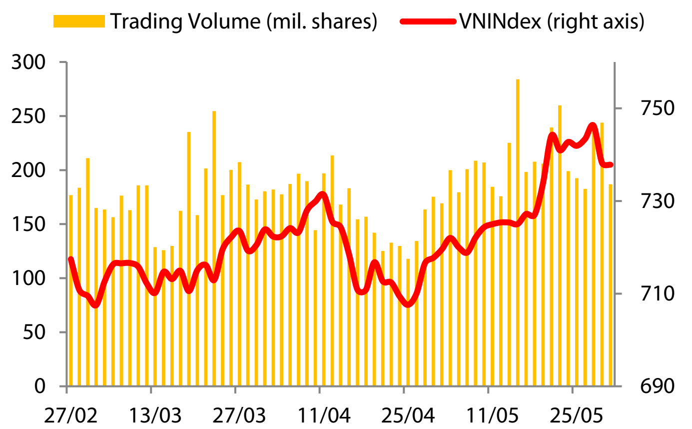


Source: SBV, RongViet Research

VIETNAM STOCK MARKET MAY: NEW MILESTONES ACHIEVED

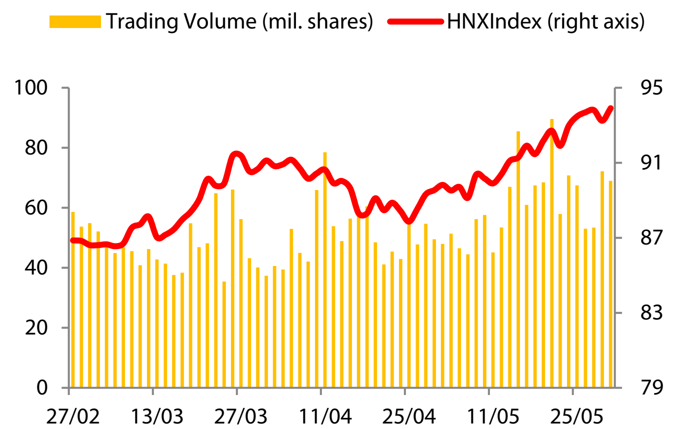
The market regained all points lost in April, and even achieved new milestones such as 2017's new record gain in one session and session with record liquidity of nearly VND6,000 billion. The VN-Index hovered around 736-748 (highest level since 2009) and ended the month at 737.82 points (+2.8%), while the HNX-Index also had an impressive gain of 5%. Accordingly, the market had increased in May for the last three years, suggesting that the saying "Sell in May" seems does not apply for the Vietnam market.

Figure 12: VN-Index movement in May



Source: RongViet Research

Figure 13: HNX-Index movement in May



Source: RongViet Research

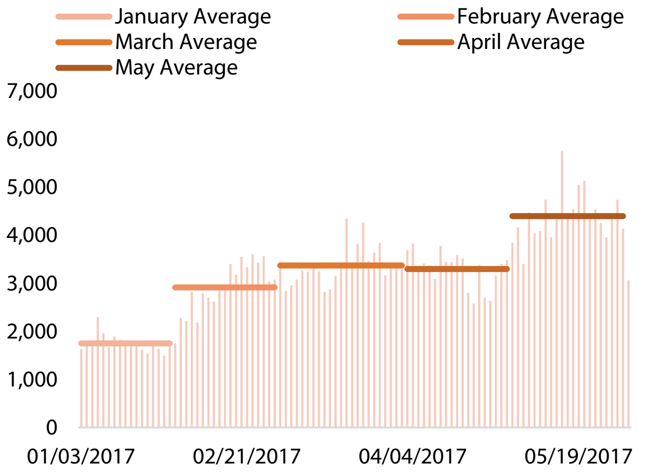
The breakthrough of the VN-Index is attributed to PLX, banking and brokerage stocks. PLX received great appreciation from the market and up nearly 30% in one month thanks to its leading position in petroleum transportation and distribution networks. Meanwhile, supporting information such as Decree 61 and the Draft on NPL solutions continue to be the driving force for the banking sector.

Other sectors also performed well in particular sessions, namely textile stocks with the expectation of the TPP's revival, and fertilizer stocks supported by investigative measures. However, **the increase rate of these stocks is no matched to that of penny stocks such as QCG, NVT or SGT.** The reasons for their rally are quite diverse: from project transfer (QCG) to business restructuring (NVT) to earnings beating consensus (SGT). Due to the surge in prices, these stocks also experienced sharp declines in some sessions, and thus were not intended for risk averse investors.

Top 10 gainers on HSX in May	Sector	Gain
QCG	Real Estate	161.7%
NVT	Real Estate	107.8%
SGT	Technology	98.0%
MCG	Construction & Material	95.4%
DTA	Real Estate	79.5%
QBS	Chemical	54.1%
TNT	Basic Resources	53.2%
CLG	Real Estate	40.7%
IDI	F&B	39.5%
ANV	F&B	39.0%

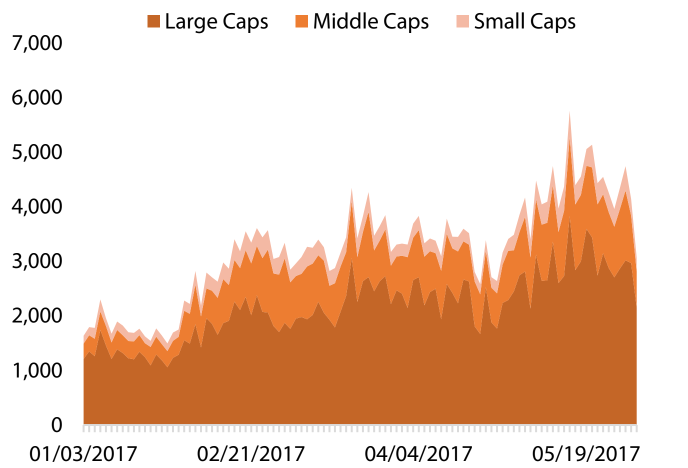
The liquidity reached a new level. There was no large-scale reviews from the ETF funds this May, but the market liquidity still increased sharply with the average value of more than VND4,400 billion per session. Compared to April, the average trading value of large, mid and small caps increased by 28%, 40% and 60%, respectively. We believe that the ample liquidity from banking system along with capital from foreign investors are the main reasons for the strong inflows.

Figure 14: Total value in terms of marching-order on HSX



Source: FiinPro

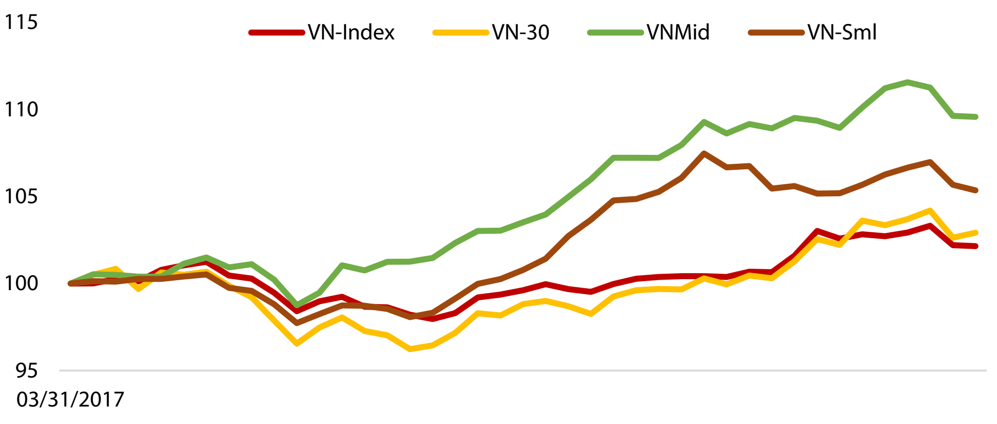
Figure 15: Total value in terms of marching-order by small, mid and large-caps



Source: FiinPro

Prior to May, many investors missed the uptrend as it mainly came from the increase of banking sectors. After that, **investors seemed to be afraid of the new peak of the market and, consequently, sought opportunities from mid and small caps.** This behavior could explain the outperformance of the VN-Mid (+6%) and VN-Sml (+5%) compared to the VN-Index (+3%) this month. While stocks in the VN-Mid basket are supported by excellent Q1 business results, the VN-Sml's upward momentum comes from the rise of specific stocks like CTI, TCM, RAL, HAX and TDH.

Figure 16: Relative performance of main indices

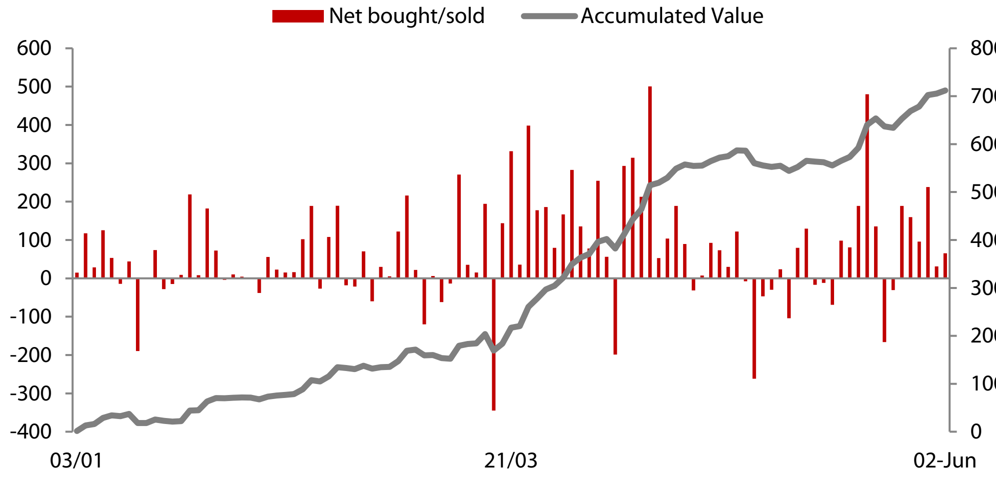


Source: FiinPro

We find that there was also differentiation among mid and small-cap stocks. There was significant increase in liquidity of Chemical (+156%), Finance Services (+106%), Construction and Material (+71%), Utilities (+61%) and Household (+59%) stocks. For these stocks, it seems easy to create “a game” to attract investors. Some typical examples include HCM, which raised foreign ownership room to 100% so that it could be added to ETFs’ portfolio, BHS and SBT with the story of M&A, and real estate stocks such as QCG with an extraordinary profit from asset liquidation or DIG with the story of state’s divestment, and so on. Overall, large-cap stocks like banking stocks, VNM and PLX led the market, but mid-cap and small-caps with their own story were main source of profits for investors this May.

Foreign Investors Trading

Figure 17: Net trading value of foreign investors



Source: RongViet Research

Foreign investors net bought for the fifth month. Total value on both bourses was VND1,178 billion. The highest value fell in the week from 22-26/05 when foreigners net bought VND607 billion, accounting for more than 50% of the whole month amount. Oil & gas shocked the market players due to its second rank in the top buying list thanks to VND639 billion net buy from PLX. The company successfully sold 20 million treasury shares to increase its free-float to 5.7% As it is the 7th largest stock in term of market cap, PLX could be the next nominee for the Q3/2017 ETFs' reconstitution because for this Q2 it still misses the requirement on liquidity. The real estate sector, as usual, was on the top of net selling list with VIC (-VND290 billion) and QCG (-VND267 billion) dominating. It seems like VinaCapital just cut loss after 7 years investing in QCG. 3 funds VOF Investment Limited, Asia Investment & Finance Limited and VOF PE Holdings 5 Limited sold 29.42 million shares of QCG on 03/05/2017.

To sum up, the 5-month accumulated foreign trading value officially breached VND7,000 billion, more precisely VND7,023 billion. This figure is very closed to the height VND7,266 billion after 7 months in 2014. We think the figure can be far higher and possibly break the record VND8,000 billion of 7 months in 2008. We think this is achievable because liquidity is still increasing gradually and the story of market upgraded to emerging market classification will definitely attract more off-shore investors.

In May, Db x-trackers FTSE Vietnam ETF and VanEck Vectors Vietnam ETF will reconstitute their portfolios. Db x-trackers FTSE Vietnam ETF officially announced the results, which showed that they would delete NT2, BVH, HAG and add NVL, STB. As our estimation, this ETF will sell 2.9 million shares of NT2, 1.6 million shares of BVH and 10.2 million shares of HAG. On the contrary, it will buy 15.7 million shares of STB and 8.7 million shares of NVL. VanEck Vectors Vietnam ETF will not change much as it won't delete or add any stocks for this quarter.

Table 3: Net buying/selling value of foreign investors classifying by sectors in May

Sectors	HSX		HNX	
	Net volume	Net value (bn VND)	Net volume	Net value (bn VND)
Oil & gas	7,822,620	609.46	-1,294,407	-25.70
Chemicals	-5,107,540	-12.95	39,172	1.36
Basic resource	3,636,600	122.98	-393,690	-1.53
Construction & building materials	3,080,180	239.10	378,748	22.69
Industrial goods & services	3,259,850	52.97	-60,101	5.60
Automobiles & parts	219,410	-31.26	-174,923	-1.86
Food & beverage	4,282,290	558.55	221,859	0.19
Personal and household goods	-1,743,030	-25.60	284,139	-3.39
Healthcare	-271,470	-14.97	85,005	6.53
Retail	-1,797,040	-62.74	50,200	0.69
Communication	-680	-0.01	166,400	3.30
Travel & leisure	125,600	5.89	492,729	20.75
Utilities	493,450	48.00	-1,115,943	-20.51
Banks	5,436,426	132.70	1,290,418	7.96
Insurance	-727,120	-40.26	-148,980	-3.93
Real estate	-23,414,887	-501.18	822,625	20.63
Financial services	-12,887,786	6.27	4,767,866	65.67
Technology	-243,980	-0.75	-510,002	-6.66

Source: FiinPro, RongViet Research

HSX			
Tickers	Net buying value	Tickers	Net selling value
PLX	693.73	VIC	-289.85
VNM	604.77	QCG	-267.33
HPG	138.28	BMP	-137.47
CTD	117.09	DCM	-98.61
HBC	113.16	FIT	-87.24
GAS	107.95	PVD	-84.27
CII	92.52	NT2	-80.42
PC1	83.45	HT1	-69.82
HCM	82.54	DRC	-60.34
KBC	73.83	KDC	-56.44
BID	66.13	SBV	-55.70
VCB	63.41	BVH	-39.97
BFC	61.21	DHG	-37.78
PHR	55.63	GTN	-34.20
TCD	45.41	CTI	-33.56
ROS	44.84	SSI	-31.41
MSN	40.53	HSG	-28.59
FLC	39.36	TDH	-28.15
BCG	39.08	PDR	-26.15
PVT	34.44	SAB	-18.59

Source: RongViet Research

HNX			
Tickers	Net buying value	Tickers	Net selling value
SHS	23.68	PVS	-29.08
VND	22.29	PGS	-20.19
MAS	19.87	VNT	-7.84
HUT	19.05	DBC	-7.35
VGC	12.75	CKV	-6.49
CEO	11.41	ICG	-6.19
IVS	9.65	SIC	-4.25
SHB	9.42	NET	-4.25
BVS	7.96	VNR	-2.63
INN	7.00	VGS	-2.38
IDV	6.79	NDN	-2.31
CAN	5.24	DNP	-1.95
DHT	4.34	VKC	-1.86
API	3.94	SDT	-1.78
PVC	3.73	NDF	-1.70
CVT	2.88	HOM	-1.41
CTS	2.76	ACB	-1.36
VSA	2.48	PVI	-1.32
LHC	2.41	KHB	-1.30
HKB	2.29	PLC	-1.27

Source: RongViet Research

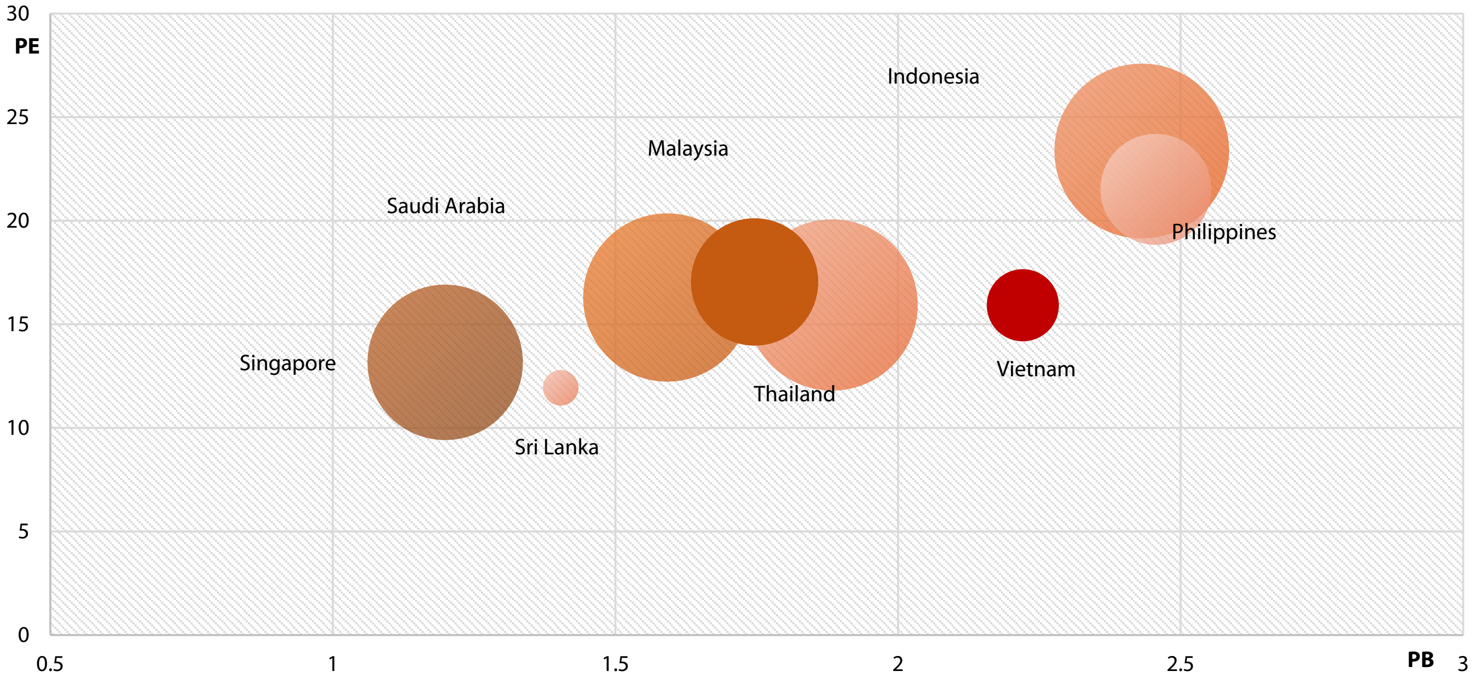
JUNE STOCK MARKET OUTLOOKS

After a mild difficulty in April, VNIndex successfully surpassed 740 points in May. Liquidity surprised us with total trading value of VND5,042 bil for both stock exchanges, 37% higher than the average of the first 5 month in 2017 and doubled the average amount of 2016. During that period, foreign investors continuously accumulated with the total net buying value of VND 7,000 bil, the highest level since 2008.

For the remaining months of 2017, we believe that stock market sentiment will be positive and demand remains still high from not only the domestic but also foreign investors. The arguments are as followed:

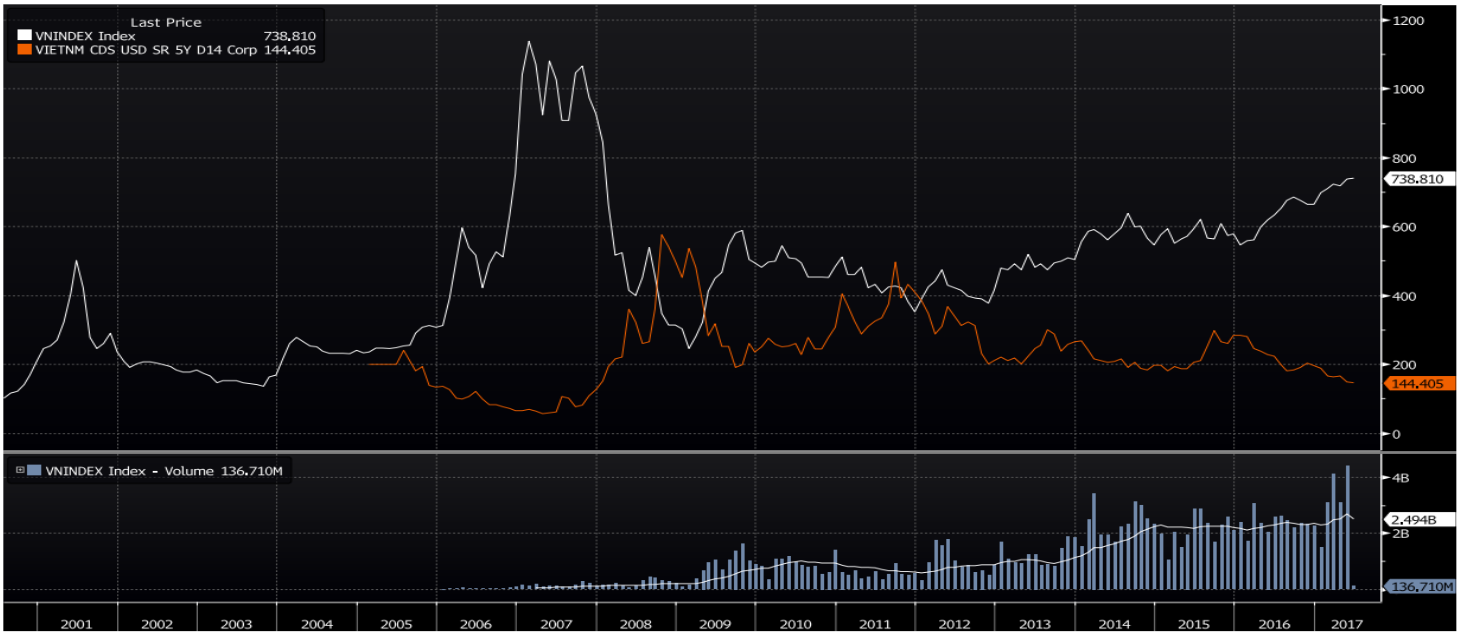
- The international investors continue to highly rate Vietnam's business environment following the Government commitments to stabilize the economy. Regarding of recent review, Fitch made upward adjustment to Vietnam's credit rating from "stable" to "positive". In addition, the CDS 5-year index of Vietnam has been on the downward trend to the lowest level set in 2017. The lower index is considered as the less risky of Vietnam's economy.
- The Government released the Instruction no. 24/CT-TTg, which requires the related ministries to have specific solutions for 2017's GDP growth target of 6.7%. In addition to this, the credit growth for 2017 is also required to achieve more than 18% YoY threshold to support this target.
- Low inflation in May 2017 will support the Government in an effort to keep macro indicators such as lending rate and FX variation to as stable as they committed. In fact, after a temporary increase in the first months, interest rate has been cool down in recent weeks, proving through the decrease of average overnight lending rate in the interbank market to 2.43%.
- Although VNIndex has climbed to the highest level for years, the PE has actually been stable around 16x. It might indicate that relative valuation of Vietnam stock exchanges is still more attractive than other markets such as Saudi Arabia, Malaysia, Indonesia and Philippines. Moreover, as our observation, VNIndex has a negative correlation with CDS Index in past years. Assuming that the relationship will be true in upcoming period, the probability that VNIndex can reach the higher peak by the end 2017 is quite high.

Figure 18: Relative Valuation Compared to Other Regional and Frontier Markets



Source: Bloomberg

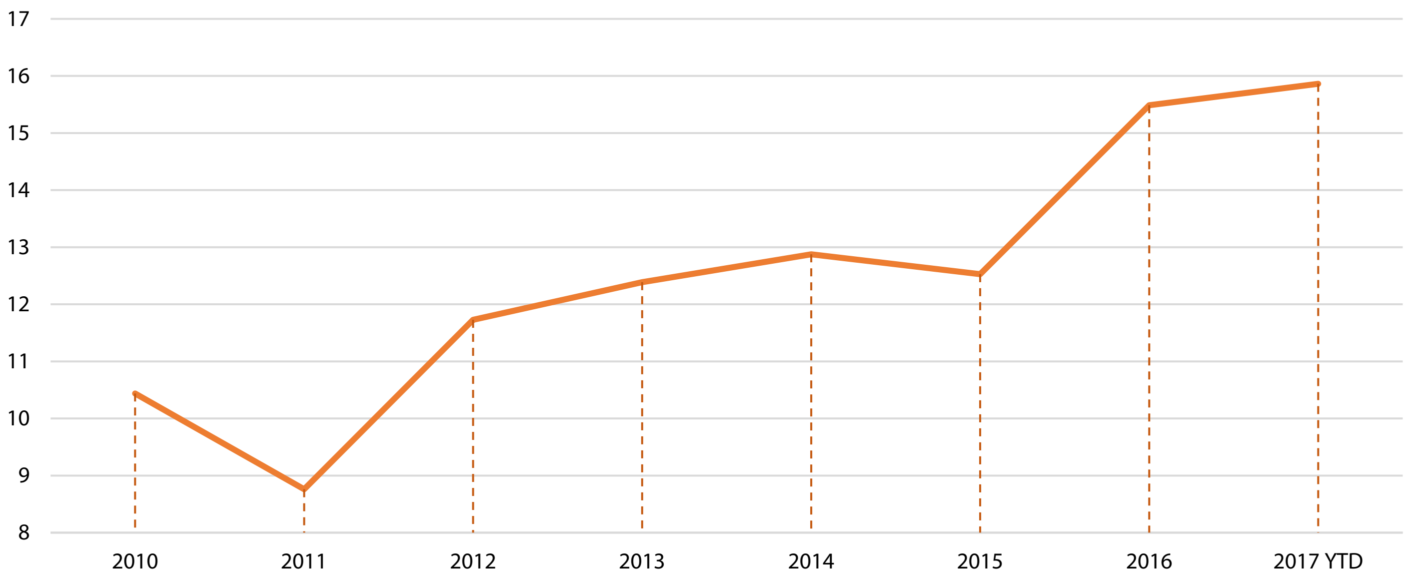
Figure 19: The Lower CDS the Higher VNIndex



Source: Bloomberg

VNIndex fluctuated quite narrowly around 740 points after successfully surpassing 732. The pressure to reduce margin on some "hot" stocks may be a reason for investors to be cautious again. Notwithstanding, the gap in frontier basket, couple with Government's commitment to stabilize macro factors will keep the money in the markets. For June 2017, we expect VNIndex to hover between 730 – 760 with the total trading volume to be around VND4,000 bil.

Figure 20: VNIndex PE 2010 – 2017 YTD



Source: Bloomberg

Table 4: Key sectors performance

No	Name	% 1M Price Change	% 3M Price Change	Market Cap (VND Billion)	ROA (%)	ROE (%)	Basic P/E	P/B
1	Retail	11.7%	10.6%	32,824	14.1%	29.1%	15.5	3.0
2	Insurance	0.0%	0.5%	59,913	3.4%	12.8%	21.8	2.4
3	Real Estate	1.7%	0.2%	233,131	2.5%	8.4%	20.7	3.0
4	Technology	8.2%	8.3%	29,408	9.9%	14.2%	11.7	2.0
5	Oil & Gas	23.0%	0.2%	85,261	4.6%	19.2%	14.3	2.9
6	Financial Services	15.9%	19.4%	33,490	2.7%	6.3%	12.2	1.3
7	Utilities	1.7%	-4.8%	146,805	10.6%	25.0%	12.8	2.3
8	Travel & Leisure	0.9%	13.0%	8,014	3.1%	8.5%	11.7	2.3
9	Industrial Goods & Services	3.2%	2.9%	71,704	0.0%	0.0%	10.9	1.7
10	Personal & Household Goods	2.7%	7.6%	27,940	9.9%	27.9%	13.4	3.4
11	Chemicals	5.4%	4.2%	42,485	7.3%	14.3%	9.5	1.3
12	Banks	7.4%	5.5%	367,178	0.8%	13.2%	14.9	1.7
13	Automobiles & Parts	3.8%	8.8%	18,232	11.6%	16.3%	12.6	1.7
14	Basic Resources	5.8%	13.9%	73,117	12.9%	42.4%	6.2	1.5
15	Food & Beverage	-0.3%	2.6%	352,716	10.1%	27.3%	19.1	5.9
16	Media	1.4%	11.1%	2,362	6.2%	11.2%	16.4	1.8
17	Construction & Materials	-4.4%	-1.1%	173,240	0.0%	0.0%	15.7	4.2
18	Health Care	10.7%	25.6%	31,012	8.1%	24.4%	18.4	3.0

After successfully passed the 732.9 milestone in the middle of May, VNIndex fluctuated around 740 over the last two weeks of May. Mid and small-cap stocks outperformed large-cap stocks last month in terms of index growth and liquidity. However, the decrease of liquidity since late-May has raised some concerns at that time. It could be the reason that brokerage firms has tightened their margin policies, especially for stocks that have experienced strong growth since the beginning of 2017.

Meanwhile, the Government target for the last six months of 2017 has clearly shown in Instruction no. 24/CT-TTg issued on 3rd June. Therefore, we believe several macro indicators such as FX variation and interest rate, will be stabilized. Additionally, to support the GDP growth, expansionary monetary policy could be implemented further. Hence, our previous concerns that cash will be withdrawn from stock market to support manufacturing or other business activities has been temporary excluded. Even if this scenario happens, the amount will be not large enough to cause significant negative effects on stock market.

Therefore, we think it's time for investors to restructure their portfolio: Considering to take profit from groups which significantly increased in stock prices since the beginning of the year, especially stocks whose price rally is mostly driven by one-off earnings expectation. Moreover, given positive prospects of Vietnam's macroeconomics, it is the ideal period that investors can scan for tickers with good fundamental aspects and positive long-term prospects. Those industries could be candidates which will be benefit from the Government's effort to push GDP growth. This month, we would like to provide several ideas about steel, banking and power sectors. Along with that, other industries which have been evaluated to possess bright long-term prospects will be discussed.

Business performance of the steel industry overall has been in line with our expectation in the first five months of 2017. Because global steel prices were at high-levels during early-2017, the strong earnings growth of steel industry mostly came from capacity expansion while only a small proportion came from input price movements. As we discussed about construction steel in the previous strategy reports, color coated steel is another story that we would like to introduce to investors at this time. Following the counter-vailing duty on rebar and billets (March 2016), the anti-dumping duty on GI/GL (September 2016), the counter-vailing duty on color coated steel has finally been announced and is considered to be an essential part of the shield for the domestic producers amid the global oversupply and dumping trend. However, the duty rate is lower than expected so we suppose that for now the protection measures act as the supportive news for the coated steel tickers in the short run. For long-term, we believe that the improvements in earnings are going to rely mainly on capacity expansion, not price movements or trade protections.

Table 5: Protection Measure on Color Coated Steel Imports

	Quota (thousand tons)					Duty for exceeding quota
	China	Korea	Taiwan	Others	Total	
15/06/2017-14/06/2018	323	34	14	9	381	19%
15/06/2018-14/6/2019	355	38	16	10	419	
15/06/2019-14/6/2020	391	42	17	11	461	
15/06/2020 onward (if not revised)	0	0	0	0	0	0%

Source: MoIT, RongViet Research compiled

Two large color coated steel makers, HSG and NKG are going to directly benefit from the decision. RongViet Research estimates that color coated steel accounted for over 25% of HSG's total revenue (FY2015-2016), while the product contributed 14% to NKG's sales volume in 2016. Another coated steel candidate, Ton Dong A, is expected to be listed in late-2017. Briefly, Ton Dong A is the third-largest domestic coated steel producer and expanding capacity aggressively as their new plant is under construction. Their product mix focuses on high-quality coated steel and the targeted markets are different to the traditional steel sheet users. Therefore, we think Ton Dong A is another name that is also worth paying attention to.

Table 6: Capacity of top producers

	HPG	HSG	NKG
2013	900,000	630,000	350,000
2014	1,300,000	800,000	400,000
2015	1,645,000	1,200,000	400,000
2016	2,211,000	1,600,000	500,000
2017E	2,500,000	2,100,000	800,000
2018F	2,900,000	2,580,000	1,200,000
5-year CAGR	26%	33%	28%

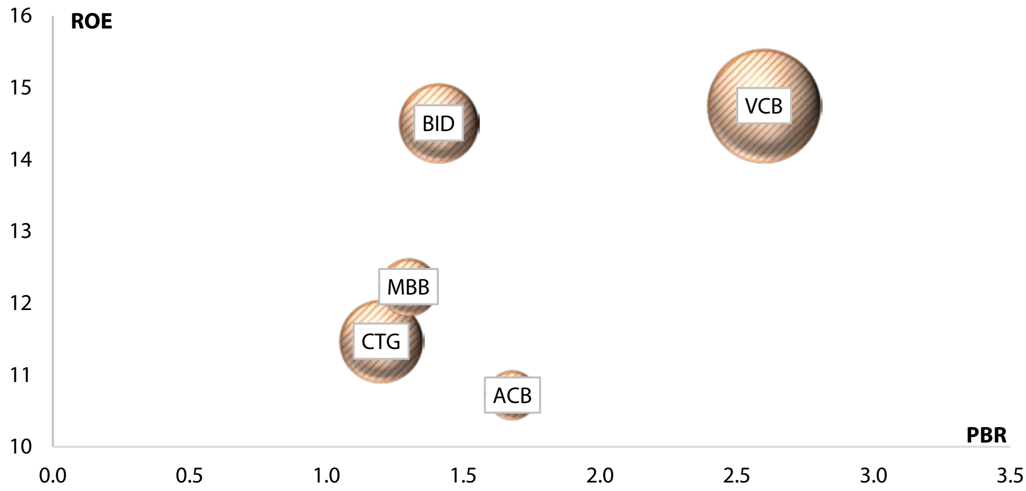
Source: RongViet Research

Currently, we recognize several catalysts for the rally of the banking industry stocks. Particular, in the first five months of 2017, credit growth reached 6.53% (YTD on May 25th), the fastest growth rate for years. Moreover, following the recent issued Instructions for the economy in the next six months, 2017 credit growth will be much higher than the target of 18% during early 2017. It is valuable to notice that credit growth in some listed banks such as ACB or VCB fulfilled 30-50% their room for credit growth in 2017. Therefore, we expect that these banks will be approved to lift the room for their credit growth. And it is obvious that higher credit growth means higher interest income.

Regarding the progress of bad debt solving, corridor of laws has been completed step by step. In May 2017, the National Assembly discussed on the Draft Decision on Bad Debt Solution. We expect that this Decision will be approved quickly to be effective on July 1st 2017. Moreover, early June, Circular 53/2017/TT-BTC to instruct the implementation of Decree 69/2016/NĐ-CP on debt trading servicing business conditions was also issued. Although we do not think that the bad debt recovery rate will have a huge pace before 2018, the progress of improving laws has been sending a positive signal for this issue outlooks.

VCB's relative valuation is always maintained at high level. The main reason comes from VCB's concrete role in Vietnam's banking industry, their brand name, networking as well as assets quality. Therefore, we still rank VCB highest among banking sector. For MBB, given that they have solution for their growth issue which will be based on consumer finance and insurance, we increase the relative valuation for MBB. Therefore, the fair value of MBB is forecasted to be around VND 21,000 per share. Furthermore, ACB is fairly priced and we recommend to hold this stock. However, the bad debt recovery rate of ACB is better than the industry overall. Therefore, at some point in time, the market might overreact to these information. Consequently, that is the time to take profit.

Figure 21: Listed banks' ROE and PBR



Source: FiinPro

Hydropower sector in Q2 2017 still possess strong outlook thanks to the favorable hydrological condition in the Central, Central Highlands and the South. It brings 10 – 30% higher in rainfall than the average of years. Meanwhile, since the North and the Central regions also have several phases of extremely hot weather condition in May and June 2017, the selling price in Competitive Generated Market remains high in Q2 2017. Therefore the profit of hydropower companies have been enhanced. Moreover, with new policy of the Government to purchase solar electricity at 9.35 US cent/kWh (even higher than average electricity-retail price) and the downtrend in investment costs of solar projects, we expect that solar powers have become very profitable. In solar power development, we highly rank SHP and CHP for their strong prospects in the expansion of production capacity with specific projects that are deployed smoothly. In particular, the AGM of CHP approved the new investment in Cu Jut solar power project with total capacity of 50 MW (CHP's current capacity is 170 MW). SHP also expects to propose the new solar power project in the area of Da Dang plant with total capacity of about 30 MW (SHP's current capacity is 122.5 MW) in this AGM 2017. As a result, we recommend SHP and CHP for investors who prefer an exposure to low-risk & growth stocks and the solar power segment. We believe these companies are suitable for both short-term and long-term investments.

REE is also another name that is worth to look at as their investment portfolio into utility sectors.

Last but not least, given high demand in infrastructure investment and development, as well as their high proportion of Gen Y population with growing income which is more and more attractive to FDI inflows, we maintain our positive perspective on construction, consumers, and infrastructure-related sectors. Industrial park developers are among the first to benefit from increasing FDI inflow. Continuous growth in FDI inflow during 5M2017 (Registered FDI reached USD12.1 billion, raised by 10.4%YoY while Disbursed FDI recorded USD6.1 billion, improved by 6%YoY) would boost the demand for industrial lands to set up factories and manufacturing facilities in Vietnam. Given diminishing land bank in first tier city, industrial developers in second tier cities such as Hai Phong, Hai Duong, Bac Ninh in the North or Binh Duong, Dong Nai in the South would be the attractive destinations for manufacturing FDI thanks to competitive lease rates, favorable location near major trading hub and in some cases, having the advantage of being close to input material sources. Meanwhile, seaport operators would experience strong divergence in business results on the backdrop of positive cargo growth rate (10-12% annually). Recovery in garment and aquaculture exports in 5M2017 has not been helpful enough for seaport companies to gain back growth momentum. As a consequence, there is lackluster share price development. Strong wave of seaport physical expansion in Hai Phong recently raises the concern of short-term oversupply if cargo growth rate stalls. Competition would subdue somewhat in the first 3 quarters of this year, which would expect to lift up seaport results, before coming back when Nam Dinh Vu port (600 thousand Teus/year) comes online in late 2017. Given this outlook, investors are recommended to monitor further development in cargo growth of downstream ports in Cam River which is regarded to have more competitiveness given better location before making investment decision.

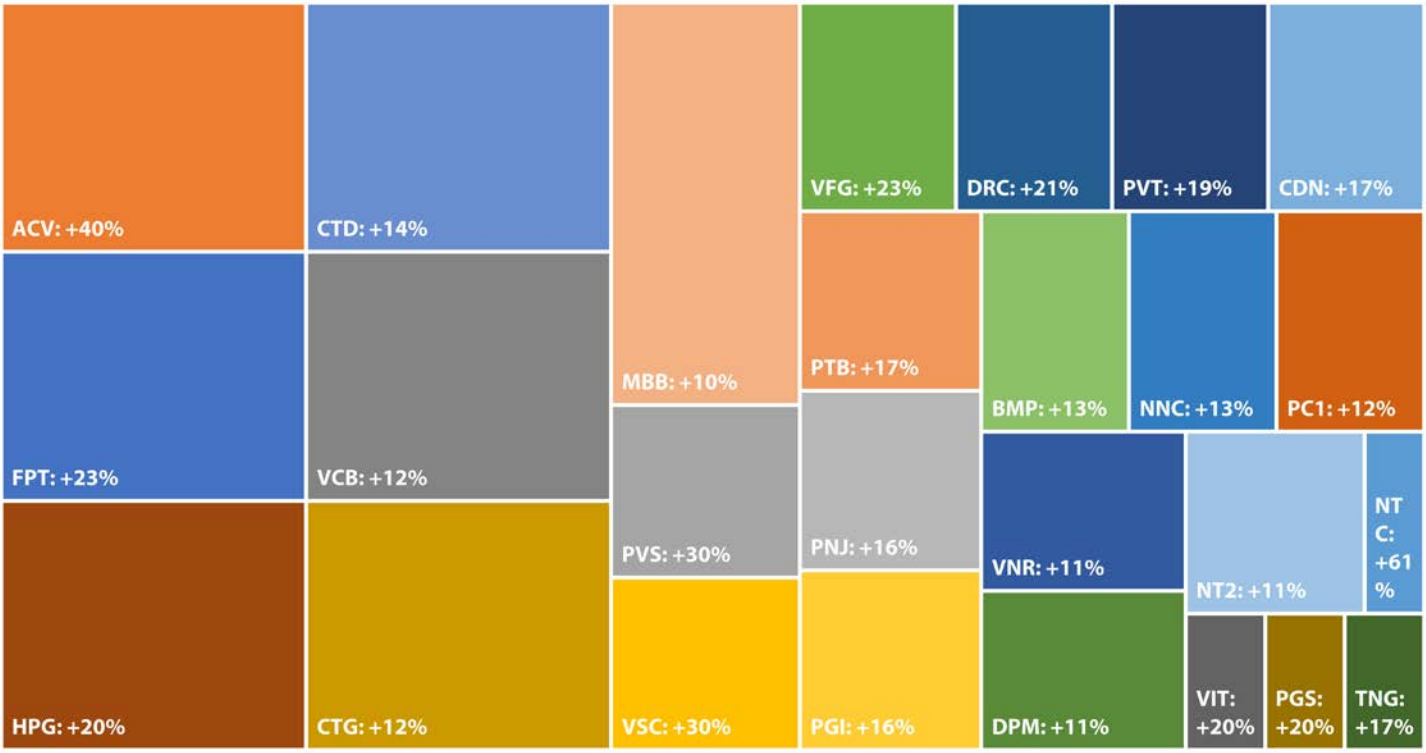
In May 2017, we also released five analysis reports on tickers: VIT, FPT, PGS, NTC and PC1. Investors who are interested in these stocks can find the full report on our website at Company reports.

Tickers	Target Price (VND)	Brief comments
VIT	33,900	As a leading manufacturer of granite tiles, Vigalcera Tien Son Joint Stock Company has significantly benefited from the recovery of real estate market and construction activities. During 2013-2016, its business results improved strongly with the compound growth rate of revenue and NPAT of 20.8% and 70.4%, respectively. However, the potential of capacity growth for existing plants is relatively low when the utilization rate of design capacity has been already high. Therefore, VIT acquired My Duc factory at cost (including repair and upgrading) of ~30% lower than new investment, and this factory might start to operate in June 2017. We expect that this factory will run smoothly after operation and will be growth force for VIT's earnings in 2017-2018. VIT also plans to invest in Phase 2 of My Duc factory from 2018. Besides, its existing plants could see improvement in gross profit margin this year as the conversion of CNG technology completed, production efficiency increases and Tien Son plant is fully depreciated. We estimate that sales and EAT in 2017 could reach VND1,146 and VND68 billion respectively, up by 18.8% YoY and 18.5% YoY. Forecasted EPS for 2017 and 2018 are VND 3,708 and VND 3,721 respectively.
FPT	53,200	FPT Corporation JSC (FPT-HSX) has been among RongViet Research's favorite stock list owing to its fundamental aspects. FPT has the leader position in all markets it operates in, namely telecommunication, IT outsourcing and high-tech device distribution & retailing, which allows it to record sustainable growth. We expect Distribution & Retail to have opposing results regarding growth in 2017 while Telecom (FOX) and software will solidly remain to be the two major contributors to the corporation's profit. FPT also possesses a solid financial strength including a strong operating cash flow and a decent cash holding, which allow the company to offer a consistent cash dividend policy. Forecasted EPS for 2017 and 2018 are VND 4,532 and VND 6,473 respectively.
PGS	21,700	With the orientation to focus more on LPG products to make a firm base of PGS's business, there will be continuous expansion and improvement in business efficiency for this segment. Its CNG segment will experience the modest performance due to the control of GAS in term of input prices. RongViet Research forecasted revenue and PAT of PGS for 2017 to be VND 6,780 bil (+36.4% YoY) and VND 124 bil, respectively. Forecasted EPS for 2017 and 2018 are VND 2,464 and VND 2,632 respectively.
NTC	73,800	Nam Tan Uyen Industrial park JSC (NTC- Upcom) is the developer and manager of Nam Tam Uyen industrial park. Competitive land leasing rate, located right at timber source and close to HCMC are NTC's competitiveness in attracting investors, especially furniture makers. NTC could potentially access the rubber plantation bank of PHR for long-term expansion. With occupancy rate of 97% at NTU1 and 82% at NTU2, the firm still has 43ha of industrial land to lease in 2017. Therefore, FY2017 Revenue and Gross profit expect to grow 21%YoY and 9%. Excluding the one-off expense reversal last year, FY2017 Gross profit should grow 26%YoY. Regarding 2017 LUR payment, the actual LUR payment could be 30-40% lower than initial plan as majority of land to be paid LUR this time is located in NTU1 (started leasing in 2005) having lower LUR rate than at NTU2. Short-term slowdown in 2017 profit growth would definitely be a good opportunity to invest in the stock with regard to growth catalyst from NTU3 expansion in late 2017. Located side by side with NTU2, NTU3 expects to carry on the fast occupancy rate of NTU2 (5-6 years) since Binh Duong continued to receive massive USD1.5 bn of registered FDI in 5M2017. Cash-rich business model allows NTC to develop new industrial park with little need to access bank loan or raise additional capital. Therefore, shareholder interest is protected and maximizing. Forecasted EPS for 2017 and 2018 are VND 5,930 and VND 6,664 respectively.
PC1	48,100	We appreciate PC1 for its strong core businesses in power construction, steel structure manufacturing, and its high quality project portfolio in hydropower and real estate development segments. With the inherent competitive advantage of the company, the favorable market condition in 2017 – 2020 period, and the strong prospect in export activity, we believe that power construction and steel structure manufacturing segment would experience high growth at 15 – 20% in 2017 – 2018. Meanwhile, the hydropower and real estate projects coming into operation can also add further catalysts to PC1 robust growth in FY2018. In the long-term, hydropower expects to play a greater role in PC1's overall performance with stable cash flows and continuous improvement

in operating efficiency. Meanwhile, further growth can be achieved from the expansion to the new segment as the company acquires another company in its construction value chain.

Forecasted EPS for 2017 and 2018 are VND 2,965 and VND 4,354 respectively.

Figure 22: RongViet Research's stock pick



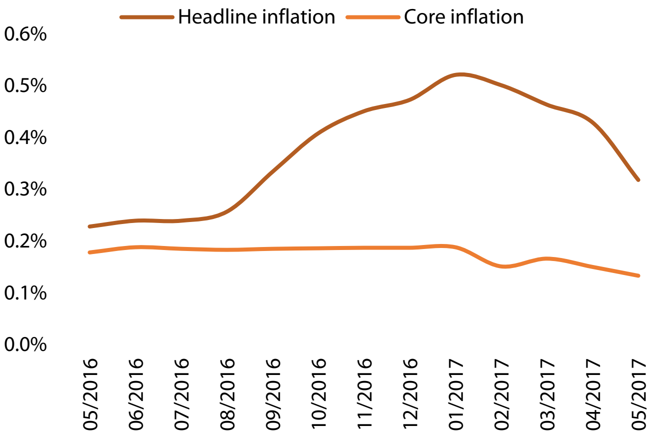
Source: RongViet Research; Price @ May 5th, 2017

HIGHLIGHT STOCKS

Ticker	Exchange	Target price (VND)	Price @ June 5th (VND)	Upside (%)	Rating	Time horizon	2016 +/- Rev. (%)	2016 +/- NPAT (%)	2017F +/- Rev. (%)	2017F +/- NPAT (%)	2018F +/- Rev. (%)	2018F +/- NPAT (%)	PER Trailing (x)	PER 2017F (x)	PBR Cur. (x)	Div Yield (x)	+/- Price 1y (%)	3M avg. daily vol. ('1000 shares)	3M avg. daily turnover (USD thousand)	Market cap (USD mn)	Foreign remaining room (%)
ACB	HNX	24,500	25,000	-2.0%	Neutral	Long-term	21.6	28.9	11.4	21.9	27.9	46.2	16.5	16.8	1.7	0.0	50.3	4,003,412	4,103	1,084	-
ACV	UPCOM	67,000	49,000	36.7%	Buy	Long-term	21.1	198.2	16.2	-20.1	17.1	26.3	30.9	22.3	4.3	1.0	0.0	223,754	499	4,677	45.6
BFC	HSX	41,000	41,000	0.0%	Neutral	Long-term	-1.6	21.0	17.8	18.4	15.8	10.1	7.8	7.9	2.5	7.3	78.3	344,500	558	103	29.9
BMP	HSX	208,400	183,000	13.9%	Neutral	Long-term	18.5	20.9	11.2	7.9	13.1	10.0	15.9	13.7	3.5	4.2	35.0	97,451	815	366	1.5
CHP	HSX	25,000	22,200	12.6%	Accumulate	Intermediate-term	-10.9	-21.5	28.6	53.5	-14.5	-22.8	7.2	7.8	1.5	3.2	0.0	153,750	152	123	45.7
CTD	HSX	237,700	213,000	11.6%	Neutral	Long-term	52.0	113.5	30.4	22.2	9.9	9.8	9.9	10.1	2.5	2.6	62.3	185,330	1,615	721	4.6
CTG	HSX	21,000	18,900	11.1%	Neutral	Long-term	16.3	20.0	8.2	17.3	7.4	14.5	10.2	8.8	1.2	3.7	15.2	1,275,451	1,026	3,094	-
CTI	HSX	31,500	32,700	-3.7%	Neutral	Long-term	23.8	58.4	22.3	12.4	12.8	22.3	11.4	17.9	2.1	4.4	41.1	417,256	531	62	22.9
DHG	HSX	83,500	112,400	-25.7%	Sell	Long-term	4.9	20.6	12.4	10.0	9.7	9.2	20.1	14.3	3.2	1.3	121.5	136,885	821	646	-
DNP	HNX	29,600	26,700	10.9%	Neutral	Long-term	60.9	91.6	34.7	50.6	17.6	10.8	9.7	6.2	1.8	0.0	26.0	57,684	67	35	45.7
DPM	HSX	25,000	22,450	11.4%	Neutral	Long-term	-18.8	-23.3	16.4	4.9	20.5	-3.8	9.3	8.6	1.1	4.5	-10.4	949,061	999	386	29.5
DRC	HSX	35,900	30,650	17.1%	Accumulate	Long-term	1.3	-4.8	17.4	-1.3	14.4	7.9	9.6	10.1	2.2	7.3	-10.2	369,413	499	160	20.2
FPT	HSX	53,200	42,100	26.4%	Accumulate	Long-term	4.1	3.1	21.7	21.0	13.2	46.7	10.8	7.3	2.2	2.4	25.2	965,567	1,993	983	-
HPG	HSX	36,000	29,200	23.3%	Accumulate	Long-term	21.2	89.4	30.7	13.2	19.4	4.4	4.9	5.3	1.2	0.0	56.5	3,748,816	5,629	1,623	12.3
HSG	HSX	29,500	32,400	-9.0%	Reduce	Intermediate-term	16.5	145.3	31.7	-0.5	17.6	22.2	5.9	3.9	2.2	1.5	65.9	1,453,368	3,131	458	19.5
HT1	HSX	21,200	21,300	-0.5%	Neutral	Long-term	8.3	9.5	6.6	13.7	5.2	6.7	10.3	10.3	1.5	0.0	-11.6	420,864	407	357	40.6
IMP	HSX	50,000	57,200	-12.6%	Reduce	Long-term	4.8	8.9	24.6	33.5	18.4	17.8	18.2	18.6	1.6	3.7	61.1	54,366	146	108	-
MBB	HSX	19,400	19,450	-0.3%	Neutral	Long-term	12.4	16.7	16.5	16.7	7.4	18.4	11.0	10.7	1.3	1.5	39.2	1,730,185	1,252	1,465	-
MWG	HSX	67,250	97,000	-30.7%	Sell	Intermediate-term	76.7	47.2	63.2	41.4	35.9	16.5	17.1	8.0	3.4	0.8	137.1	231,062	1,584	1,312	-
NKG	HSX	30,740	31,700	-3.0%	Neutral	Intermediate-term	55.4	310.7	62.0	29.0	14.6	10.4	4.7	3.4	1.2	0.0	184.7	408,514	709	138	18.3
NNC	HSX	90,100	80,000	12.6%	Accumulate	Intermediate-term	14.9	49.8	23.5	25.7	8.1	3.4	7.2	7.7	3.0	4.1	58.9	24,724	83	58	28.1
NT2	HSX	31,900	27,600	15.6%	Accumulate	Long-term	18.6	-4.9	-13.2	-10.6	4.5	0.3	7.6	8.6	1.5	4.5	0.9	356,946	478	349	27.3
NTC	UPCOM	73,800	43,100	71.2%	Buy	Long-term	17.8	121.4	21.6	-17.7	14.0	12.0	5.1	7.3	2.1	0.6	0.0	78,072	176	30	49.0
PAC	HSX	38,800	42,700	-9.1%	Neutral	Long-term	9.4	107.5	16.2	-32.4	8.8	30.9	16.5	17.0	3.5	6.0	61.0	201,063	333	87	20.0

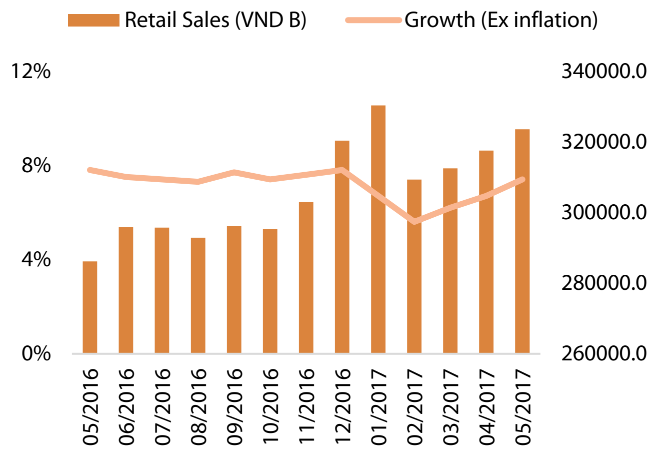
Ticker	Exchange	Target price (VND)	Price @ June 5th (VND)	Upside (%)	Rating	Time horizon	2016 +/- Rev. (%)	2016 +/- NPAT (%)	2017F +/- Rev. (%)	2017F +/- NPAT (%)	2018F +/- Rev. (%)	2018F +/- NPAT (%)	PER Trailing (x)	PER 2017F (x)	PBR Cur. (x)	Div Yield (x)	+/- Price 1y (%)	3M avg. daily vol. ('1000 shares)	3M avg. daily turnover (USD thousand)	Market cap (USD mn)	Foreign remaining room (%)
PC1	HSX	37,000	33,000	12.1%	Neutral	Long-term	-3.0	24.1	13.6	5.8	46.1	76.2	11.5	10.8	1.6	0.0	0.0	209,473	364	139	21.8
PGI	HSX	24,900	21,800	14.2%	Neutral	Long-term	9.0	5.2	10.3	55.5	13.2	-13.5	13.5	9.8	1.8	1.8	32.7	185,554	185	68	47.9
PGS	HNX	21,900	19,300	13.5%	Accumulate	Intermediate-term	-16.5	206.7	36.4	-63.7	6.8	6.5	9.9	7.8	1.0	2.3	17.7	352,115	281	42	35.8
PHR	HSX	30,600	31,900	-4.1%	Neutral	Intermediate-term	-4.0	3.9	61.0	48.6	20.0	11.0	8.0	9.9	1.1	0.6	85.0	638,605	808	110	43.8
PNJ	HSX	111,000	97,000	14.4%	Neutral	Long-term	11.1	496.3	33.1	56.7	21.8	26.3	16.6	14.8	5.5	0.2	66.7	260,398	1,030	419	-
PPC	HSX	19,400	19,800	-2.0%	Neutral	Long-term	-22.0	-2.2	17.7	33.0	1.8	-3.3	7.5	9.4	1.1	3.8	29.9	103,324	85	277	32.1
PTB	HSX	128,700	136,000	-5.4%	Reduce	Intermediate-term	20.2	52.8	21.8	26.1	16.1	9.0	10.9	11.7	3.9	0.0	41.9	54,046	315	129	37.3
PVT	HSX	15,400	13,700	12.4%	Neutral	Long-term	16.9	12.9	6.2	1.3	10.6	10.0	8.6	9.8	1.1	3.3	29.9	778,602	447	170	23.3
REE	HSX	35,500	33,500	6.0%	Neutral	Long-term	38.4	28.2	23.1	19.0	6.4	13.7	7.7	8.8	1.5	1.5	71.3	1,485,968	1,888	457	-
SAB	HSX	158,400	189,500	-16.4%	Sell	Long-term	12.6	31.3	11.2	4.2	12.9	4.2	26.1	27.7	9.7	1.1	0.0	74,408	648	5,343	39.2
SHP	HSX	22,800	20,600	10.7%	Accumulate	Intermediate-term	-13.7	-40.4	19.7	78.7	-0.3	1.0	13.8	11.1	1.7	7.8	17.2	13,015	11	85	45.1
SVC	HSX	54,500	52,500	3.8%	Neutral	Long-term	38.0	18.4	11.2	20.4	-5.0	4.5	10.7	9.8	1.5	3.0	45.8	98,965	226	58	7.3
TCM	HSX	25,300	32,800	-22.9%	Sell	Long-term	10.0	-25.6	6.2	55.6	1.9	7.4	11.5	10.7	1.7	1.5	26.9	812,351	895	71	-
TNG	HNX	17,000	14,500	17.2%	Accumulate	Intermediate-term	-1.9	13.9	17.0	16.5	10.5	11.1	6.0	6.0	0.9	0.0	-11.9	172,171	107	22	26.6
VCB	HSX	41,700	36,700	13.6%	Neutral	Long-term	17.3	28.6	7.7	14.1	12.9	32.0	18.4	16.5	2.6	2.2	11.6	1,223,896	1,983	5,805	9.3
VFG	HSX	90,700	71,100	27.6%	Accumulate	Long-term	13.4	5.2	9.6	16.2	6.1	7.6	9.3	8.5	1.6	1.4	12.2	8,818	29	57	27.7
VGC	HNX	14,600	17,800	-18.0%	Sell	Long-term	4.1	56.4	7.9	17.3	13.6	9.1	9.0	9.5	1.3	3.9	0.0	378,006	259	240	39.9
VIT	HNX	33,900	28,400	19.4%	Accumulate	Long-term	41.6	53.5	18.8	18.7	15.4	14.9	7.0	7.7	1.8	5.3	38.5	35,808	46	19	46.1
VJC	HSX	121,000	131,000	-7.6%	Neutral	Long-term	38.6	113.3	41.7	24.9	22.0	25.2	15.2	13.6	8.0	1.1	0.0	492,510	2,787	1,797	5.6
VNM	HSX	151,800	152,000	-0.1%	Neutral	Long-term	16.8	20.3	19.9	12.1	13.4	10.9	21.7	23.4	8.9	0.3	36.1	1,130,052	6,999	9,699	45.0
VNR	HNX	27,300	25,000	9.2%	Neutral	Long-term	-2.8	-1.2	18.2	9.7	4.3	6.8	13.1	12.5	1.2	3.4	49.3	82,949	92	144	19.3
VSC	HSX	73,700	56,800	29.8%	Accumulate	Long-term	16.6	-10.0	18.2	23.8	6.0	9.6	10.4	9.2	1.9	6.2	6.8	119,587	306	114	-

Headline Inflation Turned to Negative



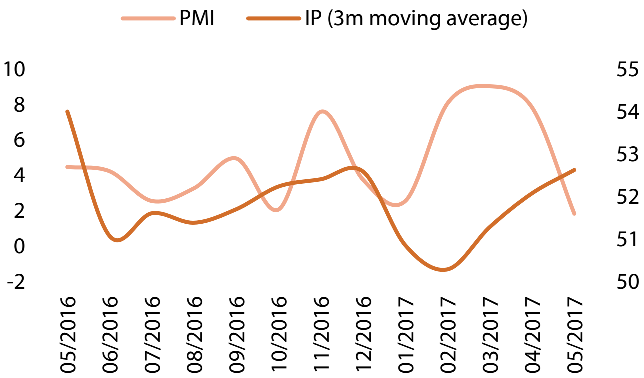
Source: GSO, RongViet Research

Continuous Improving in Retail Sales



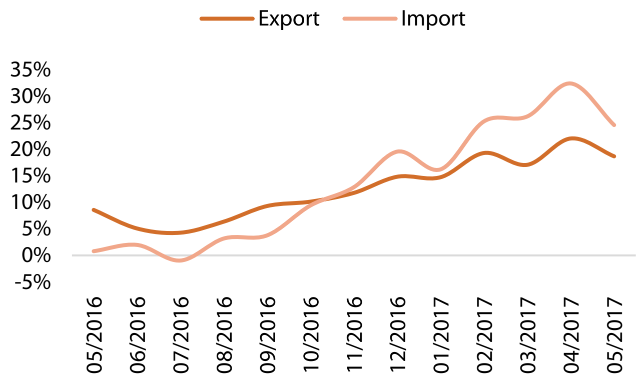
Source: GSO, RongViet Research

PMI Declined Significantly



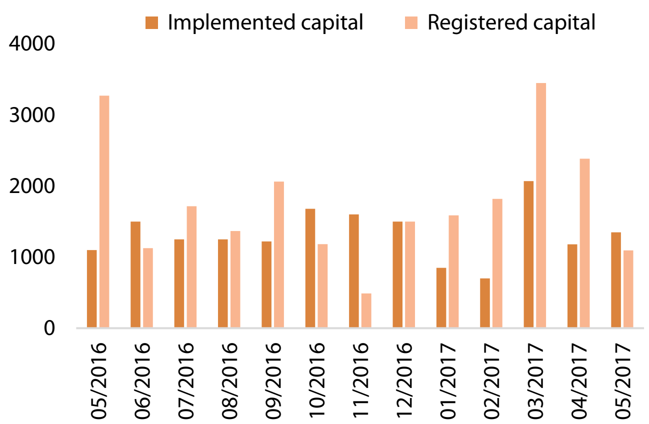
Source: GSO, RongViet Research

Trade Growth Steadied



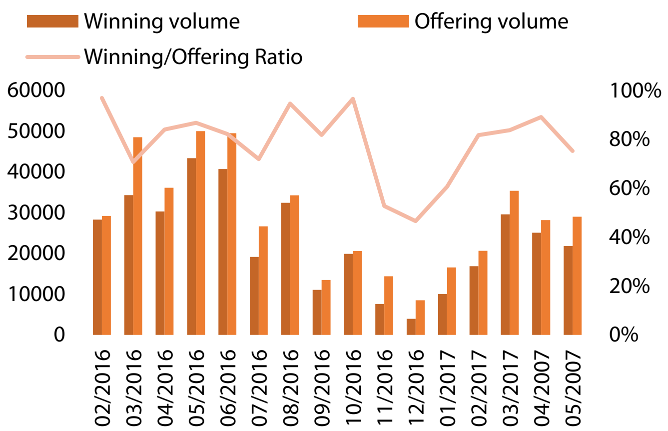
Source: GSO, RongViet Research

Positive Improvement in Implemented Capital



Source: FII, RongViet Research

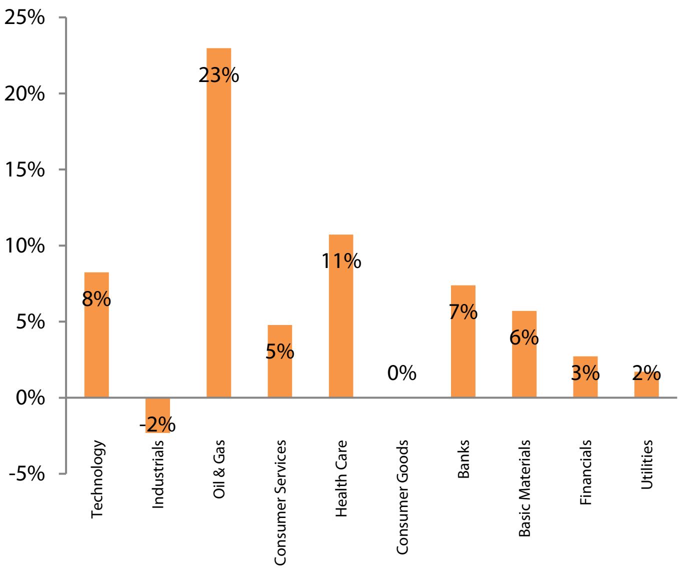
Wining Volume Increased



Source: VBMA, RongViet Research

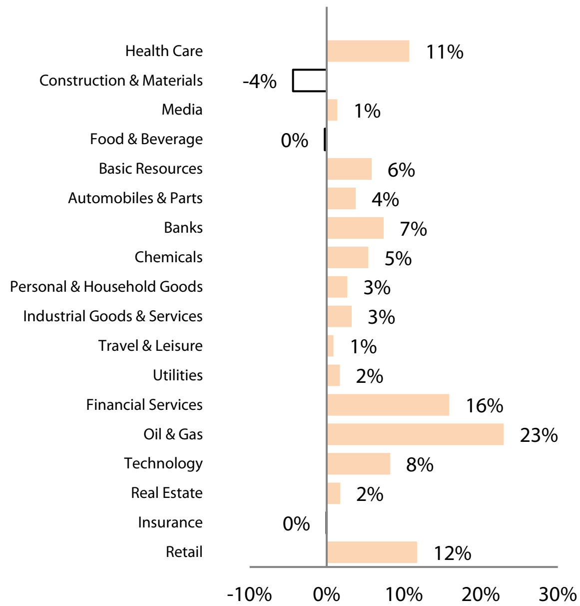
INDUSTRY INDEX

Level 1 industry movement



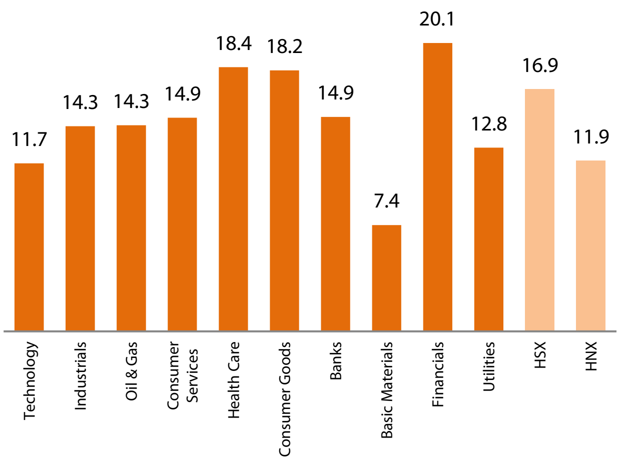
Source: RongViet Research

Level 2 industry movement



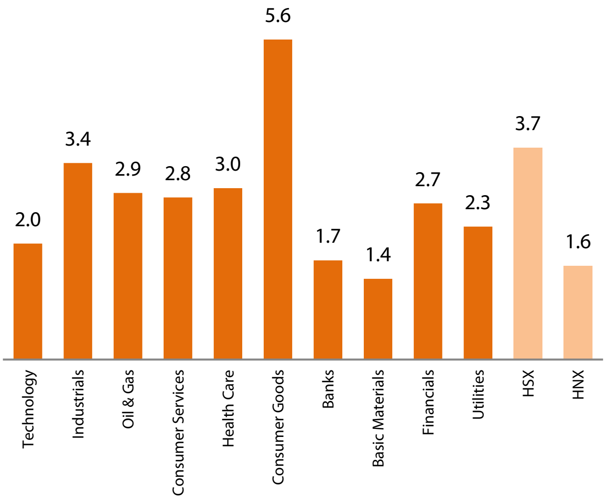
Source: RongViet Research

Industry PE comparison



Source: RongViet Research

Industry PB comparison



Source: RongViet Research

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