JULY

14

TUESDAY

## ADVISORY DIARY

- **Momentum investing sentiment is guiding the market**
- **6M business result update: CSM**
- **Company update: PetroVietnam Drilling & Well Services Corporation (PVD-HSX)**

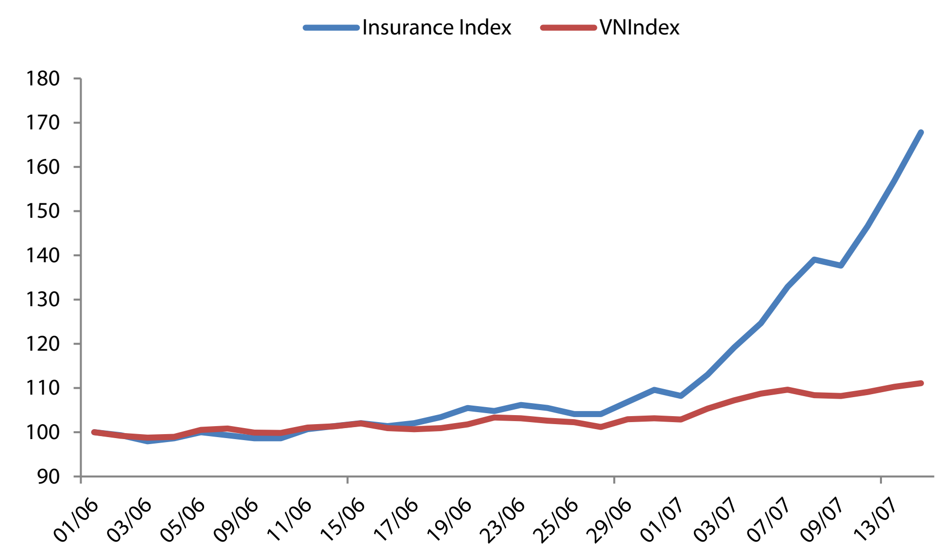
*"Momentum investing sentiment is guiding the market"*

**Momentum investing sentiment is guiding the market**

As mentioned in yesterday advisory diary, the cash flow has rapidly rotated between industries (except banking segment which has led the market with large cash flow position). Today, stock markets continued to follow the cash flow. Insurance industry which has received large capital inflow maintained the overbought position with celling prices appearing in almost stocks such as BMI, PTI, BVH and PGI… In term of trading activities, this segment had been received any attention due to low liquidity and no surge in business results. However, with several information related to room expansion and finance media attention, investors are drastically "hunting" for insurance stocks. Our industry analyst asserted that investors who hold insurance shares pursue long-term investment strategy. Therefore, shareholder structures of insurance companies are relatively concentrated (average free-float (*) ratio of the industry is under 20%). As a result, under the situation of increase in demand for insurance stocks, if hold-side continues to maintain such strategy (long-term investment), insurance stocks could remain positive in upcoming trading sessions. We believe that herd mentality and strategic investment to follow the cash flow could occur with insurance segment. Beside insurance industry, banking has continued the strong-buy situation since morning session, concentrated in several stocks such as SHB, MBB, EIB, BID and CTG.

*(*): free float ratio= number of shares hold by large investor (ownership proportion above 5% of total shares) to total outstanding shares. The free float ratio of some main insurance tickers: BVH (11.09%), (BMI (16.35%), PVI (14.88%), PTI (26.88%), BIC (21.62%), PGI (22.45%),…*

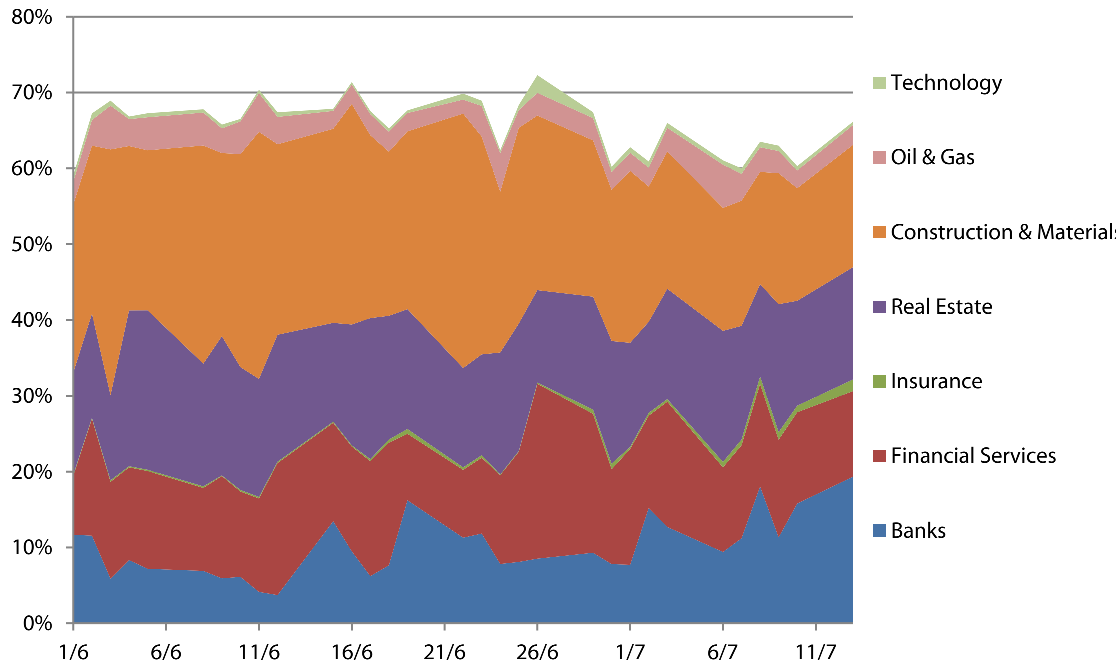
**Figure: Relative strength between insurance index and VNIndex** (unit: %)




*Source: Rongviet Research*

According to our volume statistics in each industry, we noticed that construction and materials industry has fell sharply in volume since July, with average volume of the first two weeks down by 30% compared to June. In addition, the financial services sector has also put the brakes with the transaction volume in July equivalent to the transaction volume in June. Meanwhile, some industries have increases significantly in July including banks (+63%), insurance (+200%) and health care (+141%). Not as strong as insurance and banking sectors, health care stocks have been positive in term of investors' sentiment in July. Except JVC, the transaction volume of health care stocks has been 50% higher than previous month such as DHG, DCL, OPC.

**Figure: Proportion of volume of major industries from June till current**




*Source: Rongviet Research*

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As our observation, investors' cash inflow was strong and stable during today trading session. That is quite different from previous sessions, in which investors only bought aggressively in some specific time, for example: when VNIndex met the supporting points. Meanwhile, today liquidity was above VND 3,000 billion again (traded volume today was about VND 3,600 billion), with the ratio of domestic investor participating in market at above 90%.

VNIndex closed at 638.69, approaching the peak in nearly 5 years. Therefore, in the next session, the market will face a major sentiment resistance, which needs to overcome to establish a new price level. In these periods, there are usually some "tug of war" bounces to test the sentiment of two sides (buyers and sellers). With this scenario, the intermediate and long-term investors should stop accumulating the "hot" rising stocks. In contrast, investors, which follow the trend of cash flow, can still take of advantage of correction during the trading session.

**6M business result update: CSM**

Our industry analyst, yesterday, attended the analyst meeting of CSM. According to the Company, CSM recorded the 6M revenue of VND 1,954 billion (+33% y-o-y) and PBT of VND 205 billion (-5.5% y-o-y). Including in those, their real estate business (projects at 9 Nguyen Khoai and 504 Nguyen Tat Thanh) contributed about VND 400 billion to total revenue and VND 67.5 billion to total PBT of CSM. Regarding to the core business, their traditional tyre business remained the same gross margin despite of high decreases in input price (rubber and carbon fiber) due to (1) output prices were adjusted to decrease by 8% to compete against other businesses, and (2) exports to Yamen were delayed in first four months because of political instability and have just recovered by 50%.

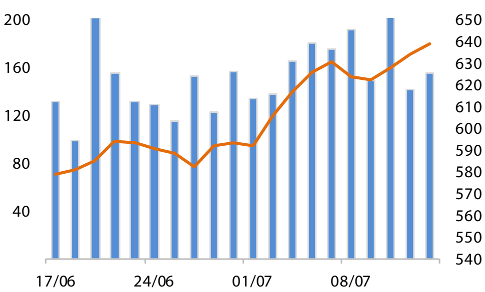
Besides, the Company was also affected by its Radial tyre business since it recorded high depreciation of the factory (nearly VND 180 billion) and expensed the long term interest cost of the loan for the Radial tyre project. However, the Company has produced over 50,000 tires and sold over 40,000 of them in first 6 months, equivalent to the revenue of VND 180 billion. As the Company's plan, in the remaining 6 months, the expected consumption would be 8,000 tires/month. Our industry analyst shared that guidance quantity would hardly make a significant impact on the operation result. Therefore, investors who have followed CSM could continue to consider the effectiveness of the Radial factory to make final investment decisions.

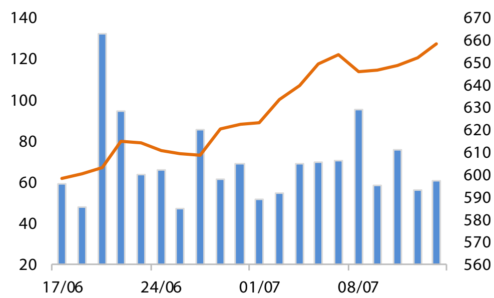
**Company update: PetroVietnam Drilling & Well Services Corporation (PVD-HSX)**

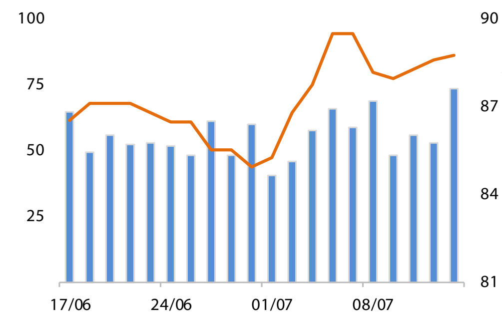
At a hard time like now, PVD still has many advantages in the drilling industry not only in Vietnam but also in South East Asia. Firstly, it processes young oil rigs with high efficiency. Secondly, the ability to connect drilling projects in order to bring the partners' rig to Vietnam then maintain a large market share. Last but foremost, the day-rates and service prices of PVD have lagged compared to region and the discount level is also lower. However, we concern that the unencouraging outlook of oil price and jack-up supply has created pressure on the Company's operation in 2015 and 2016. After the year of 2016, we are more optimistic about the recovery of the Company's business result thanks to new projects in domestic market.

PVD's revenue and NPAT in 2015 are estimated at VND16,028 bn and VND2,041 bn (-16% compared to 2014). Excluding the prospect of Block B – O Mon in the valuation model, we use relative valuation methods (P/E and EV/EBITDA) to identify reasonable price for PVD in **Intermediate Term**. In South East Asia, the Company competes directly with international drillers like Seadrill and Transocean, thus, we assume suitable P/E and EV/EBITDA for PVD at around 10.6x and 7.4x, respectively. Based on the forecast for 2015 and 2016, we rate PVD stock as **ACCUMULATION** with a target price of 61,700VND/share. The Company will implement 2014 stock dividend (15%) and cash dividend (15%) on 07/17/2015.

**VNINDEX** 0.73% **638.69** | **VN30** 0.92% **658.28** | **HNXINDEX** 0.18% **88.74**

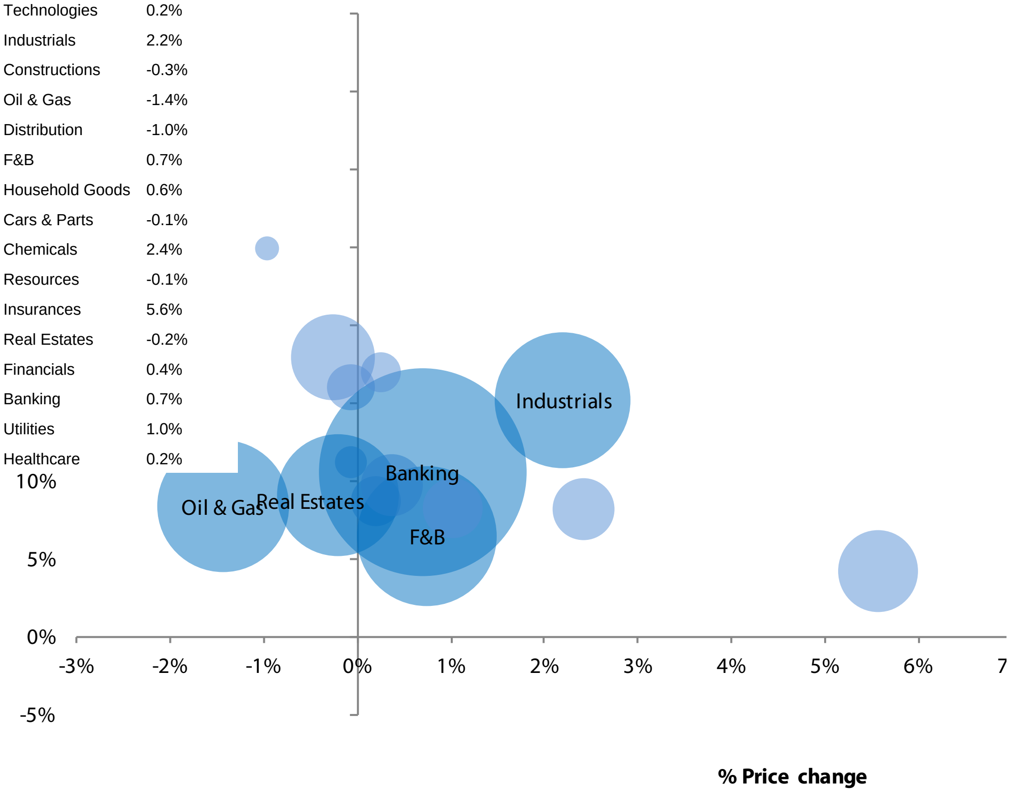


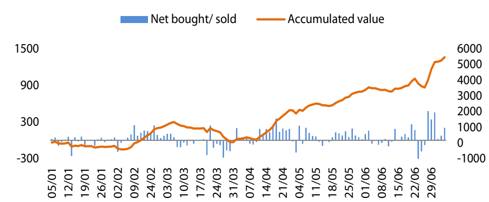




## Industry Movement

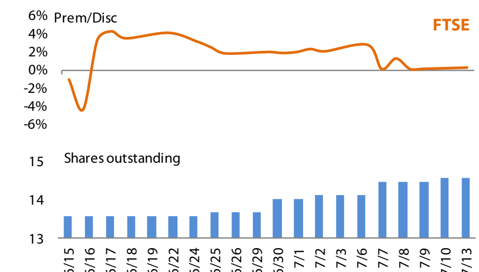
| Industry | % change |
|---|---|
| Technologies | 0.2% |
| Industrials | 2.2% |
| Constructions | -0.3% |
| Oil & Gas | -1.4% |
| Distribution | -1.0% |
| F&B | 0.7% |
| Household Goods | 0.6% |
| Cars & Parts | -0.1% |
| Chemicals | 2.4% |
| Resources | -0.1% |
| Insurances | 5.6% |
| Real Estates | -0.2% |
| Financials | 0.4% |
| Banking | 0.7% |
| Utilities | 1.0% |
| Healthcare | 0.2% |

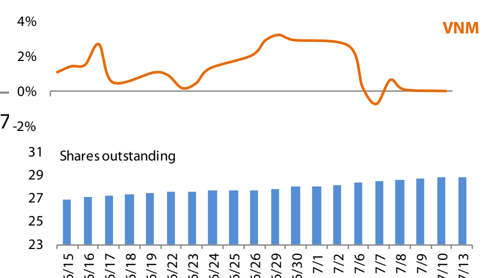



## Foreign Investors Trading



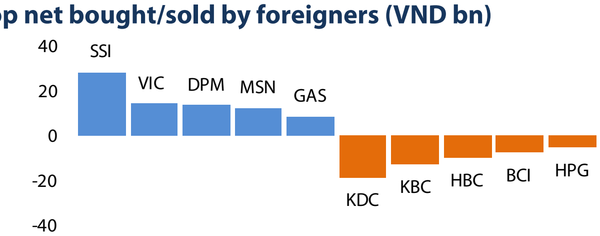

## ETF



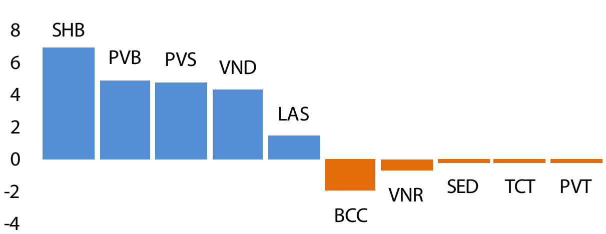




## Top net bought/sold by foreigners (VND bn)

HSX




HNX



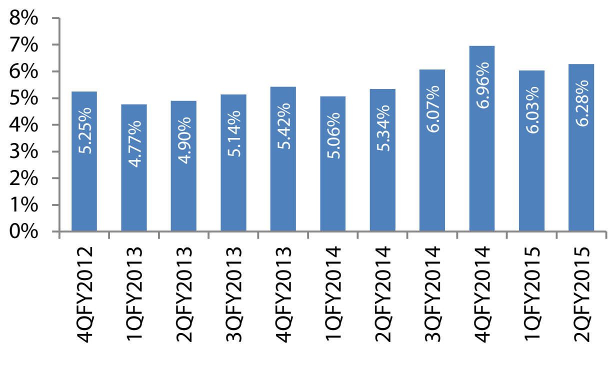

## Top Active

| Ticker | Price | Volume | % price change |
|---|---|---|---|
| CII | 27.8 | 11.49 | -1.4% |
| SSI | 26.8 | 9.02 | 2.3% |
| MBB | 16.7 | 7.99 | 0.0% |
| DLG | 9.2 | 7.10 | 2.2% |
| FLC | 8.3 | 6.77 | -1.2% |

| Ticker | Price | Volume | % price change |
|---|---|---|---|
| SHB | 9.5 | 20.28 | 5.6% |
| FIT | 12.1 | 4.38 | -3.2% |
| SCR | 8.8 | 3.73 | -2.2% |
| KLF | 6.7 | 3.59 | 0.0% |
| VND | 14.3 | 2.86 | 2.9% |

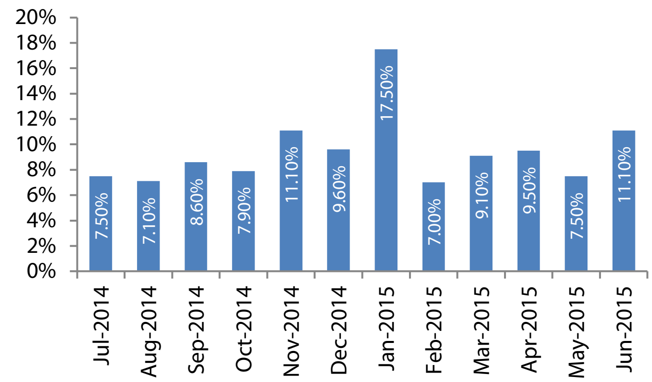
# MACRO WATCH

### Graph 1: GDP Growth



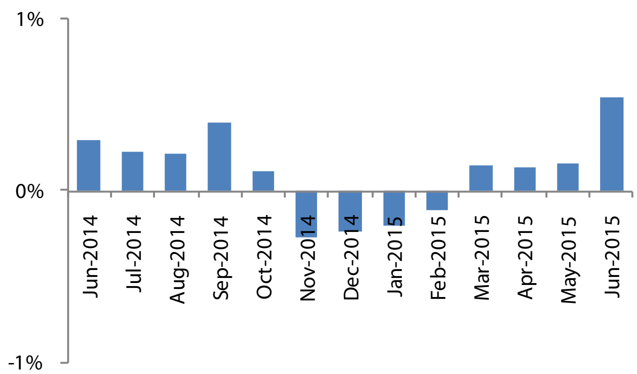

*Sources: GSO. Rongviet Securities database*
*(*) Comparision price in 1994*

### Graph 2: IIP



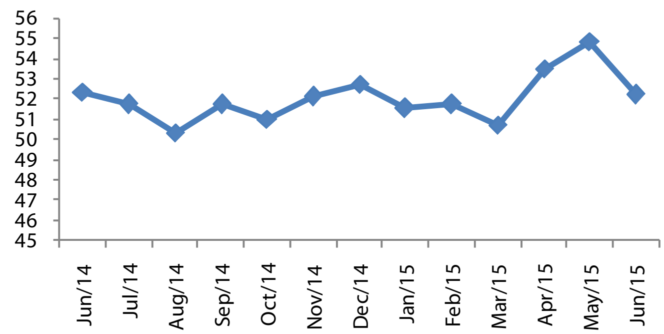

*Sources: GSO. Rongviet Securities database*

### Graph 3: Monthly CPI



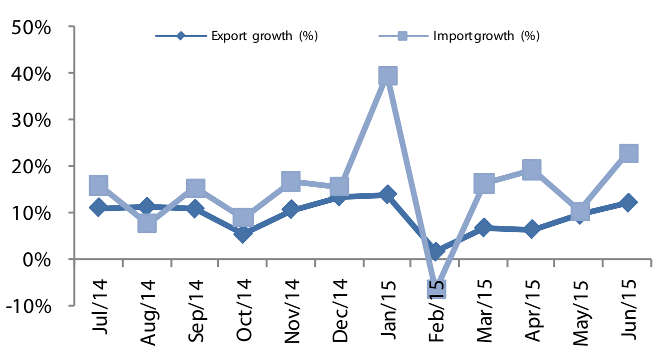

*Sources: GSO. Rongviet Securities database*

### Graph 4: HSBC - PMI



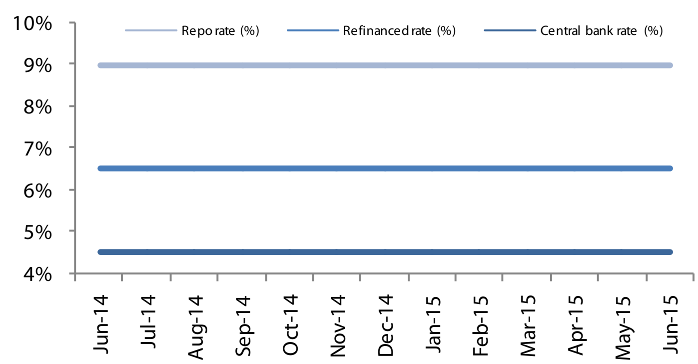

*Sources: GSO. Rongviet Securities database*

### 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 |
|---|---|---|---|
| SKG - Growing alongside the pearl island | June 24th, 2015 | Buy – Long term | 64,300 |
| VTO-Profitability sets for steady improvement | June 22th, 2015 | Monitor | |
| MWG - Optimistic business outlook in 2015 | May 25th, 2015 | Buy – Intermediate term | 101,000 |
| FPT - Positive recovery in the technology business | May 12th, 2015 | Accumulate – Long term | 60,900 |
| GSP- Heading for a new growth period | May 11th, 2015 | Accumulate – Long term | 16,600 |

*Please find more information at http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx*

## 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 | 30/06/2015 | 0% - 0.75% | 0% - 2.5% | 11,729 | 11,675 | 0.46% |
| VEOF | 30/06/2015 | 0% - 0.75% | 0% - 2.5% | 9,821 | 9,767 | 0.55% |
| VF1 | 06/07/2015 | 0.2% - 1% | 0.5%-1.5% | 22,992 | 22,728 | 1.16% |
| VF4 | 01/07/2015 | 0.2% - 1% | 0%-1.5% | 9,961 | 9,932 | 0.29% |
| VFA | 03/07/2015 | 0.2% - 1% | 0%-1.5% | 7,426 | 7,307 | 1.62% |
| VFB | 03/07/2015 | 0.3% - 0.6% | 0%-1% | 12,211 | 12,185 | 0.21% |
| ENF | 03/07/2015 | 0% - 3% | 0% | 11,424 | 11,271 | 1.36% |
| MBVF | 02/07/2015 | 1% | 0%-1% | 10,563 | 10,536 | 0.26% |
| MBBF | 01/07/2015 | 0%-0.5% | 0%-1% | 12,133 | 12,115 | 0.15% |

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