AUGUST

12

WEDNESDAY

“As hot as exchange rate”

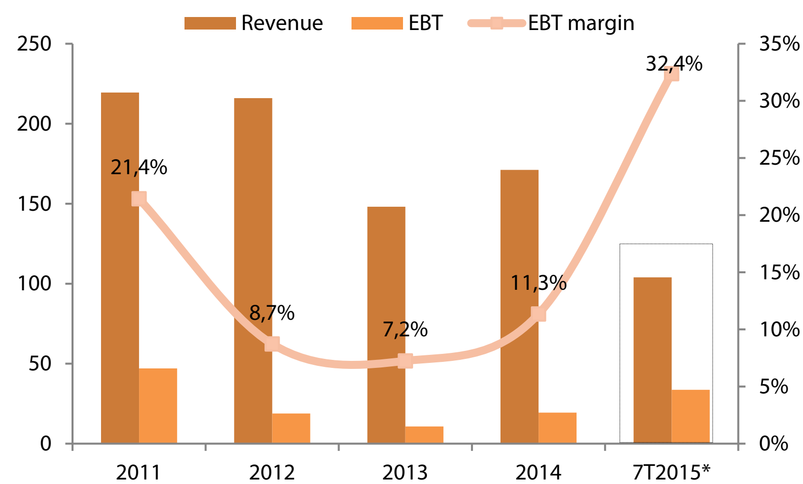
ADVISORY DIARY

- **DHA: Positive movement in earning results**
- **As hot as exchange rate**

DHA: Positive movement in earning results

Hoa An JSC (DHA-HSX) used to be the familiar ticker of interest during 2009-2011 period. However, DHA business results had been stumbling caused by the dropping in real estate market & construction activities and the expiry of mining license of Hoa An quarry (in 2010). Since 2011, Nui Gio, Tan Cang 3 and Thanh Phu 2 quarries came to replace but failed to provide the company its previous profitability due to difficult mining condition and quality at new mines.

Graph 1: Earning result in the 2011-2015 period



Source: DHA

The picture is getting better as DHA successfully completed the transfer of Thuong Tan quarry (Tan Uyen District, Binh Duong) which has relatively low stone quality and cost-ineffective. Therefore, DHA recorded abnormal profit of VND6.7 billion at the start of 2015. Also, quality of mining products have seen improvements too at the remaining mines with time and hence higher the company’s profit margin is.

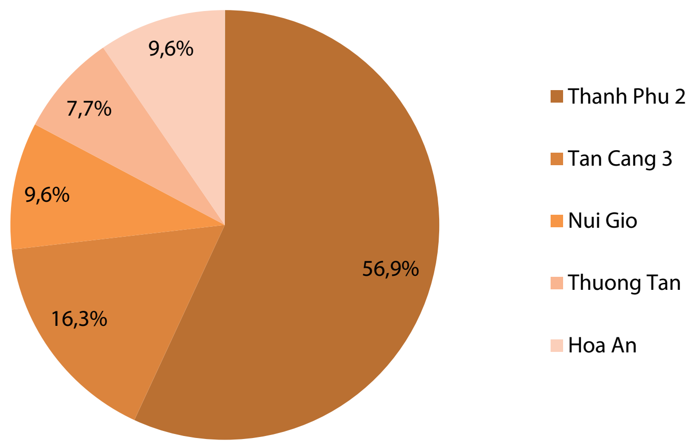
Table: Main information of DHA’s quaries

Items	Unit	Nui Gio	Tan Cang 3	Thanh Phu 2	Thuong Tan
Starting time		06/2011	06/2011	06/2011	06/2006
Remaining time	year	27	9	14	Tranferred
Breakeven point	m^3/year	96,000	288,000	456,000	300,000
Area	ha	18,7	20	20	16.87
Allowed depth	m	cos-60	cos-80	cos-80	cos -70

Source: DHA

In particulars, Thanh Phu 2 quarry contributed about 57% in revenue and quantity sitting near Saigon River, hence facilitating the use of cost-effective barge transport. Also, higher stone quality and better market access support selling prices (up 5-10% since 2015). Therefore, DHA’s PBT improved in the first 7 months of this year (up to 25.7% from 9.9%). Similarly, Nui Gio quarry has high quality resources too, but only constituted 14% in total revenue due to the low annual mining quantity permit Tan Cang 3, the last one, saw the same situation caused by difficulties in mining conditions.

Graph 2: Stone volumes of DHA in the first 7 months



Source: DHA

Besides, compared to peers such as C32 or NNC, DHA has its own advantages in the exploitation sufficient for the Company to operate in more than 10 years. Moreover, DHA might be permitted to exploit at higher depth, therefore, the time of mining license could be longer. Demand for building stone of the Southeastern provinces in 2015 (the main market of DHA) is predicted to be 31 million m^3 and could rise to 45 million m^3 in 2020. Thus, the salability of stone products DHA is quite positive in the long term.

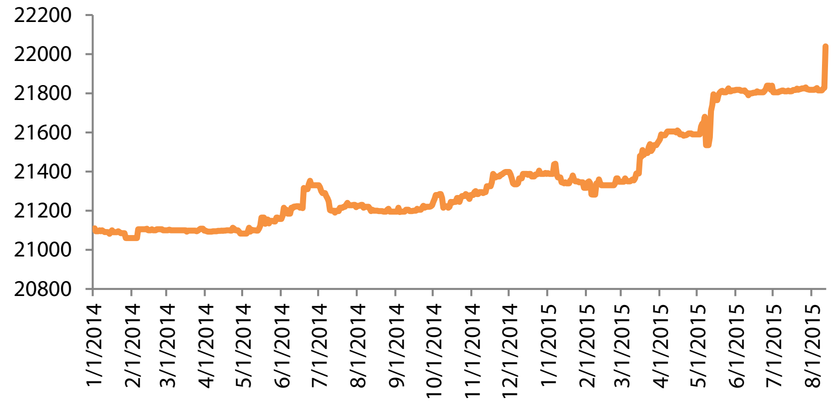
Our industry analyst estimates that EBT of DHA in 2015 could reach about VND50 billion (up ~ 40% of the plan). Meanwhile, year-end EPS may drift ~ 2,590 VND/share, equivalent to a P/E forward of about 7,0x. Also, based on the positive earnings of the first 7 months, the Company might make cash dividend payment in advance at the rate of 10% as set out in the 2015 shareholder meeting.

As hot as exchange rate

Exchange rate is a debatable issue and attracts much attention of the financial world in the past two days. Today, People's Bank of China went on devaluing RMB by another 1.6% after slashing the value of the currency by an unprecedented 1.9% yesterday. Based on our research, there are two reasons for this decision: the Middle Land is concerning about its economy conditions after series of pervious devaluation announcements and this might be a trigger for a currency war. Yuan depreciation might spread instability across other currencies in Asia region as well as raise international financial markets' awareness. We believe that shocking moves of China leave a seismic jolt to investors; hence, sentiment cannot be stabilized overnight.

Following the devaluation of the yuan, this morning the SBV has announced to increase the exchange rate from 1% to 2%. Our macro analyst supposes that above decision is equivalent to depreciate VND by 1%. We found that exchange rates of many commercial banks were listed at approximately 22,000 VND/USD, quite close to the new ceiling and remained unchanged until the end of the trading day.

Graph 3: VND/USD exchange rate movement



Source: Bloomberg

Within the scope of today's advisory, we want to consider more aspects of commercial trade between Vietnam and China. In the period 2009-2014, exports between the two countries maintained at high growth rates, however, the growth rate of exports to China has leveled off in recent times, with an increase of only 12.64% in 2014. Meanwhile, the trade deficit between the two countries maintain strong with an average growth rate of over 20%.

In the first 6 months of 2015, the trend of up in import growth, down in export growth between Vietnam and China continued. According to the General Department of Customs, the accumulated six- month export value to China reached VND 7.73 billion, up 4.3% yoy. Meanwhile, import value from China recorded an increase by 22.97% YOY, reaching VND 24.2 billion. To sum up, the accumulated trade deficit in the first half of this year reached USD16.49 billion, equivalent to an increase of 37.42% compared to the same period.

In the import good structure, the largest proportion of commodities included machinery and equipment (18.74%), telephones and accessories (13.84%) and fabrics (10.45 %). In contrast, Vietnam mainly exports commodities such as agricultural products, fisheries and raw material commodities to China. If the yuan continues to remain low, even devaluate more by 6% based on some international financial experts predicts, we suppose that the trade deficit between Vietnam and China is likely to widen.

Huong Pham

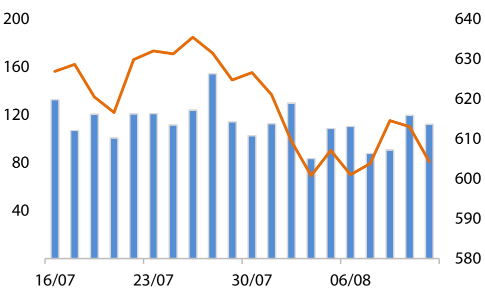
+ 84 8 6299 2006 | Ext: 1314

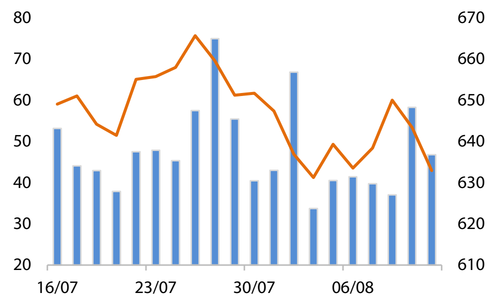
huong.pt@vdsc.com.vn

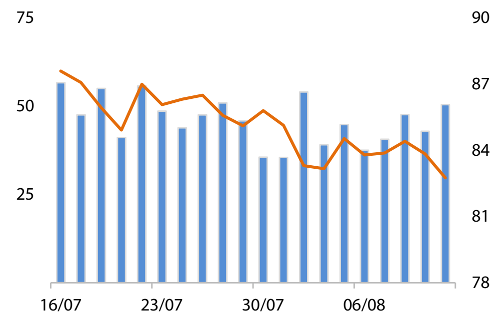
Regarding the commodity markets, it seems that gold price recorded an increase of 0.83% in just one day while other commodities continued to drop including oil (-4.36%), lead (-2%) , copper (-3%) ... Based on historical factors, gold is a valued commodity and when this metal increases, it seems that risk is increasing and capitals flow in it.

The drastic devaluation of China also caused pessimism attitude over global stock markets (both in developed and developing markets); many stock market declined such as HongKong (-2.38%), Paris (-2.1%), Indonesia (-3.56%), Mexico (-2.08%)... Therefore, the decline of Vietnam stock market from China's devaluation is quite understandable. Ending the session, the 2 indices closed in the red with the VNIndex and HNIndex fell 1.44% and 1.3%, respectively. The decline occurred consensus in all of stock group from large to medium and small cap and no industry groups could be the pillar of the indices. Taken together, we believe that the move to ease amplitude of exchange rate of SBV today is a timely intervention to help rebalance the exchange rate policy of China. However, with 3.5% devaluation of the yuan plus current exchange rate amplitude of China was already 2%, we believe that the pressure on not only VND but also other currencies in the region is still in ahead.

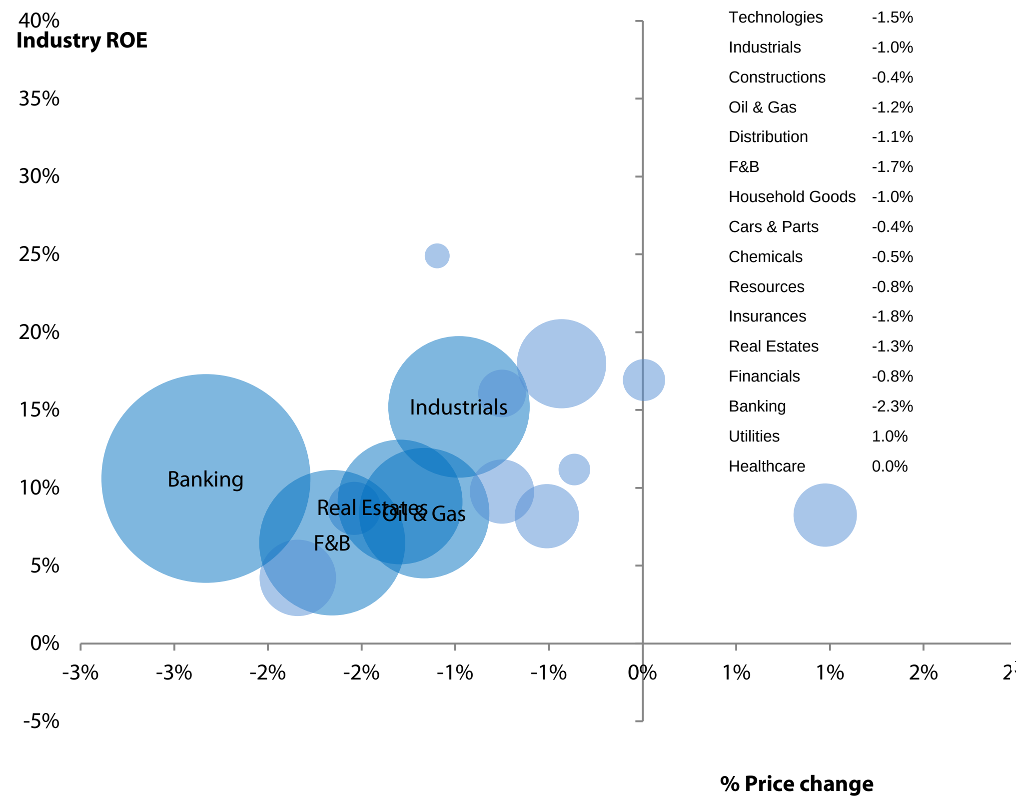
VNINDEX	-1.44%	604.24	VN30	-1.64%	632.90	HNXINDEX	-1.30%	82.75





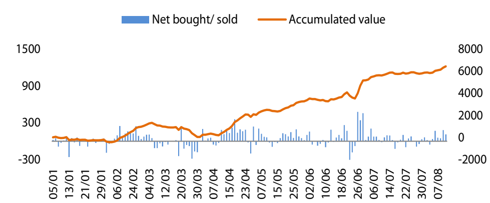


Industry Movement

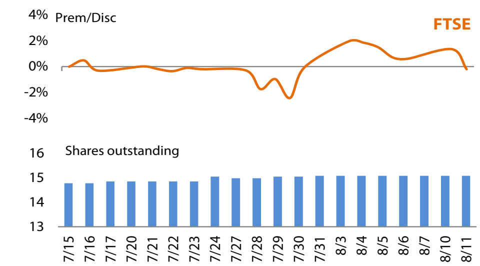


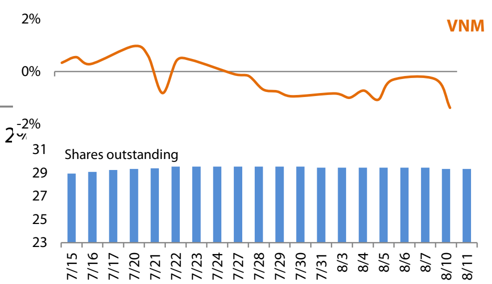
Industry	% change
Technologies	-1.5%
Industrials	-1.0%
Constructions	-0.4%
Oil & Gas	-1.2%
Distribution	-1.1%
F&B	-1.7%
Household Goods	-1.0%
Cars & Parts	-0.4%
Chemicals	-0.5%
Resources	-0.8%
Insurances	-1.8%
Real Estates	-1.3%
Financials	-0.8%
Banking	-2.3%
Utilities	1.0%
Healthcare	0.0%

Foreign Investors Trading



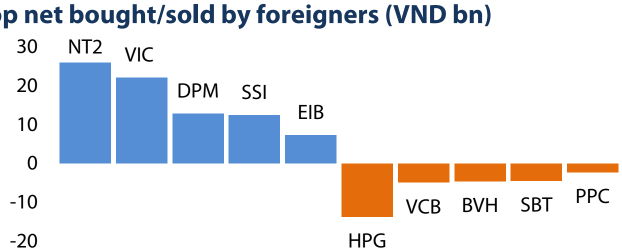
ETF



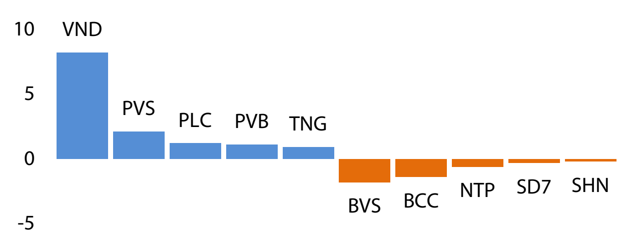


Top net bought/sold by foreigners (VND bn)

HSX



HNX



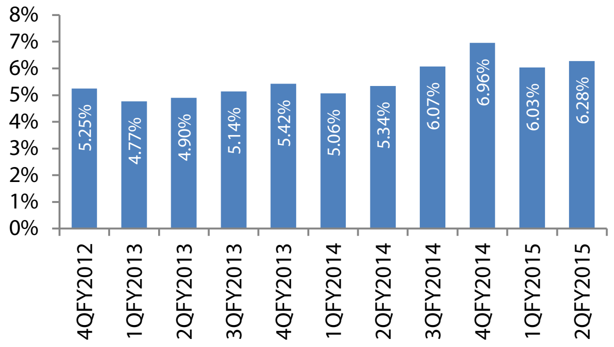
Top Active

Ticker	Price	Volume	% price change
FLC	7.8	6.34	-1.3%
SSI	26.9	5.91	-1.8%
SBT	15.0	4.61	-2.6%
ASM	10.0	4.05	-2.0%
MBB	15.8	3.63	-1.9%

Ticker	Price	Volume	% price change
FIT	12.4	6.72	-1.6%
KLF	5.8	3.70	-1.7%
SHB	7.5	2.70	-2.6%
KVC	13.5	2.26	-9.4%
VND	14.7	2.02	1.4%

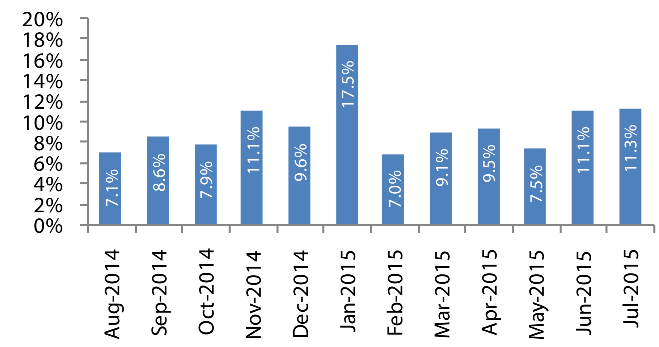
MACRO WATCH

Graph 1: GDP Growth



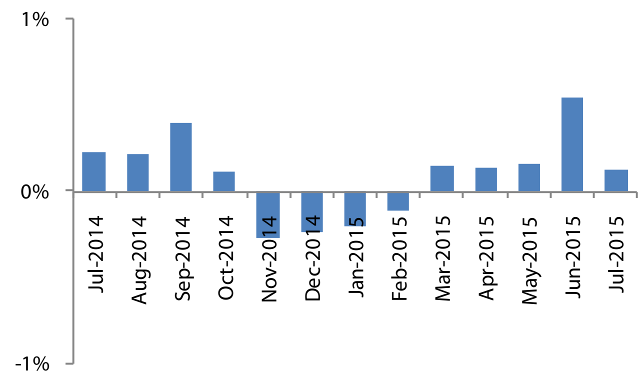
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



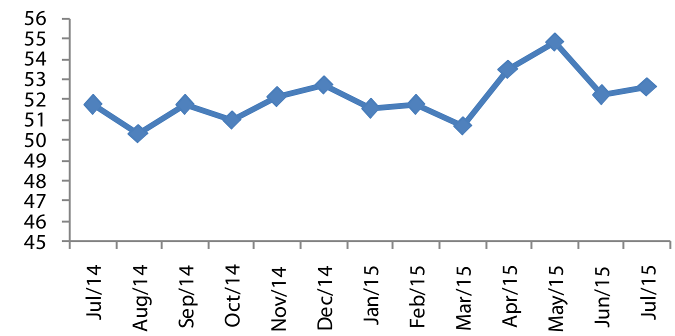
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



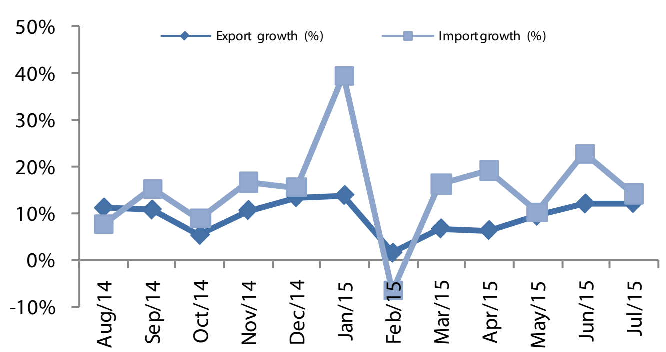
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



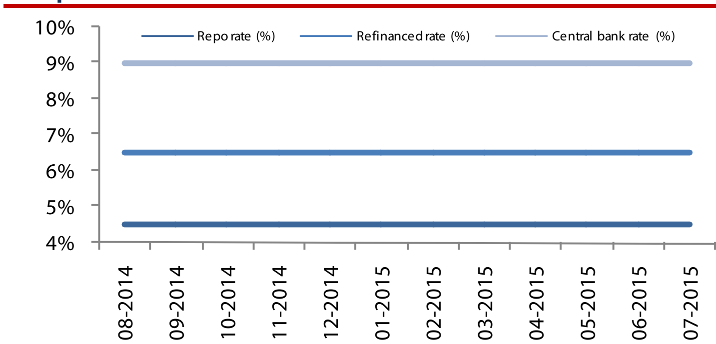
Sources: GSO. Rongviet Securities database

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	21/07/2015	0% - 0.75%	0% - 2.5%	11,817	11,748	0.59%
VEOF	21/07/2015	0% - 0.75%	0% - 2.5%	9,945	10,100	-1.53%
VF1	31/07/2015	0.2% - 1%	0.5%-1.5%	23,561	23,582	-0.09%
VF4	29/07/2015	0.2% - 1%	0%-1.5%	10,715	10,752	-0.34%
VFA	31/07/2015	0.2% - 1%	0%-1.5%	7,606	7,606	0%
VFB	31/07/2015	0.3% - 0.6%	0%-1%	12,282	12,260	0.18%
ENF	24/07/2015	0% - 3%	0%	11,626	11,557	0.60%
MBVF	30/07/2015	1%	0%-1%	10,578	10,626	-0.45%
MBBF	29/07/2015	0%-0.5%	0%-1%	12,300	12,295	0.04%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 1308

truc.dtt@vdsc.com.vn

Hoang Nguyen

+ 84 8 6299 2006 | Ext: 1319

Hoang.nh@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 1313

lam.ntp@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 1318

Tuan.hm@vdsc.com.vn

Kien Nguyen

+ 84 8 6299 2006 | Ext: 1320

Kien.nt@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 1309

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 1310

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 1311

my.ttd@vdsc.com.vn

Van Banh

+ 84 8 6299 2006 | Ext: 1316

Van.btt@vdsc.com.vn

Thien Bui

+ 84 8 6299 2006 | Ext: 1321

Thien.bv@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 1317

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 1315

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 1314

huong.pt@vdsc.com.vn

Nam Huynh

+ 84 8 6299 2006 | Ext: 1312

Nam.hk@vdsc.com.vn

HỘI SỞ TẠI TP. HCM

Tầng 1-2-3-4 toà nhà Viet Dragon
141 Nguyễn Du, P. Bến Thành, Q.1, TP. HCM

T + 84 8 6299 2006
F + 84 8 6291 7896
E info@vdsc.com.vn
W www.vdsc.com.vn

CHI NHÁNH HÀ NỘI

2C Thái Phiên, Q. Hai Bà Trưng, Hà Nội

T + 84 4 6288 2006
F + 84 4 6288 2008
E info@vdsc.com.vn
W www.vdsc.com.vn

CHI NHÁNH NHA TRANG

50 Bis Yersin, Tp. Nha Trang, Khánh Hòa

T + 84 058 3820 006
F + 84 058 3820 008
E info@vdsc.com.vn
W www.vdsc.com.vn

CHI NHÁNH CẦN THƠ

08 Phan Đình Phùng, Q. Ninh Kiều, Tp. Cần Thơ

T + 84 0710 381 7578
F + 84 0710 381 7789
E info@vdsc.com.vn
W www.vdsc.com.vn