Opportunities on the dips

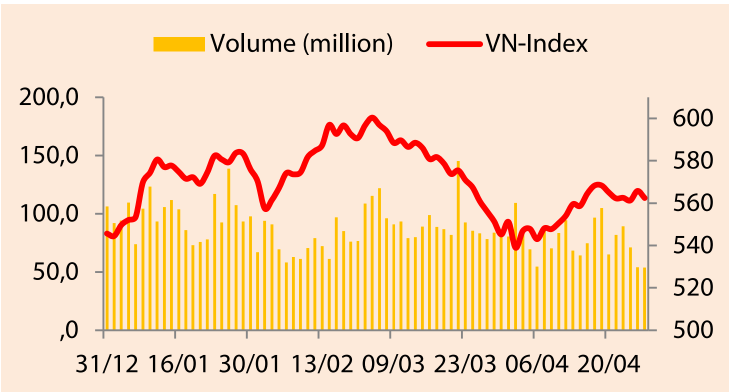
Four months into 2015, robust trading has been rarely seen on the stock market, especially after Circular 36 came into practice. As the market moved out of Q1 and into Q2, it kept repeating itself in a rather frustrating pattern: declining liquidity, zigzag movements and low volatility. In April, VNIndex saw 8 up days, 10 downs and one day the index closed mostly unchanged. A low degree of fluctuations (0.5-1%/day) made it hard for day traders to make money. Despite the turbulences, dampened sentiment and the lack of a driving force, indices managed to end higher for the month.

The question to ask now is what an investor can expect of the current market. If the answer says a clear uptrend and ample liquidity – like what seen in 2014, the investor's patience will be put to the test as it may take months for stock to get out of sideways movements. Therefore, it is advisable that investors cast their gaze over the period of a quarter or longer rather than a few weeks or a month. As the market slowly walks through its highs and lows, there will be opportunities for investors to rotate their holdings and lower the cost price.

Rather than trying to capitalize on speculative "short waves", investors may be better off accumulating stocks in the expectation of firm's earnings growth and for the enhancement of income (See Table: Dividend yields of selected stocks)

In the first week of May, the stock market experienced a surge in volatility, which probably stemmed from stirred sentiment as another Chinese oil rig moved in Bien Dong. However, it did not take long for stocks to regain their balance. Foreigners also returned with substantial net purchases on both exchanges. This leads us to believe willing buyers are still present but the" price must be right". Therefore, there may be a little more excitement on the stock market in May than in April even though a defined trend is still nowhere to be seen.

The range of variation in May is 540-570 for VNIndex and 80-84 for HNIndex. Buying on the dips should be a viable option for both medium-and-long-term investors and day traders.



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We see it likely for the market to continue move sideways in May, yet with more volatility and a higher chance for extreme movements than in April.

The range of variation in May is 540-570 for VNIndex and 80-84 for HNIndex.

With those predictions, we believe "buying on the dips" will be the appropriate strategy for both medium-and-long-term investors as well as day traders. The specific action recommendations are as follow:

- ✓ *Investors with above average risk* tolerance can consider accumulating over the span of the month and a "buy-and-hold" strategy for an investment horizon of 3-6 months.
- ✓ *Day traders* (*low risk aversion*) can buy when stock prices are falling and sell when prices are increasing, keeping the proportion of equity in the portfolio constant.
- ✓ *Investors with an investment horizon under 3 months (below average risk tolerance*) can consider buying stocks with high dividend yields. In the table below are stocks under RongViet's coverage, which have current dividend yields (by the unpaid portion of 2014 cash dividends) over 6% and a history of dividend payment between May and August.

For the selection of stocks and sectors, we suggest focusing on stock of market-leading firms in sectors with 2015 positive outlook (See RongViet's 2015 Stock Market Outlook) , such as Textile-garment, Seafood, Real estate, Construction and Materials, Automobile retail, Logistics…

The GSO's Business Trends of the Manufacturing Sector 1Q2015, the garment industry shows the most positive outlook the next quarter. Garment manufacturers were optimistic is all 6/7 production indicators except unit cost *(Table: Manufacturing business trends in 2Q2015 as compared to 1Q2015)* in which 29.1% of the firms in the survey answered they expected production cost to increase in Q1, highest of other industries. This can be justified by fast-rising labor cost in the industry as the result of a higher number of FDI competitors.

Expectations for garment consumption seems quite optimistic with 61.7% the total surveyed companies see more orders in Q2 (the third higher after pharmaceuticals, medicinal chemical, botanical products and electrical equipment and other manufacturing). Selling price is also expected to rise in Q2. Given the signing of the VKFTA and refreshed progress in TPP talks, a bright future awaits Vietnam garment producers in the upcoming quarter.

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

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

WORLD ECONOMY

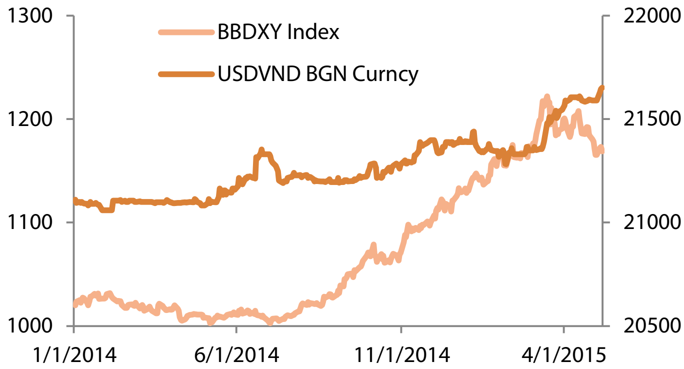
- US – Unfavorable factors in short-term affect economy health
- EU - Clearer recovery among leading economies
- China – Slow growth

US – Unfavorable factors in short-term affect economy health

US economic growth in the first quarter of 2015 was 0.2%, much lower than expectation. Extreme weather also partially affected GDP growth of 1Q2015. However, the decline of exports and investments in crude oil exploitation were two main reasons impacted on the economic. According to Bloomberg, USD index increased by 15.2% over the beginning of 2014, as a result, the strengthening of USD weakened the competitiveness of US products. Therefore, exports declined by 7.2% qoq in Q1/2015. On the other hand, WTI remaining at average of 49 USD/barrel in Q1 leaded to crude oil exploitation, especially mining through shale oil technology dropped by over 45.7% comparing to the peak in Sep, 2014. Such issue could continue affecting US economy over the rest of 2015 if oil price remains stable at 60 USD/barrel. Meanwhile, consumption (important factor contributes to US economy) which increased by only 1.9% in 1Q2015, much lower than 4.4% of 4Q2014, could become strong momentum clearance on the recovery of US economic. In addition, consumer confidence index in US dramatically dropped in 3/2015 from 95.4 points to 93 points.

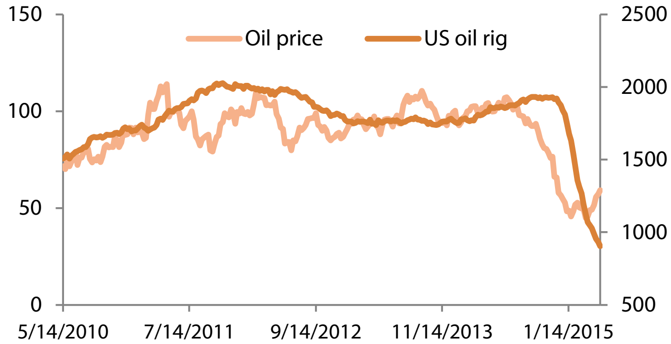
According to latest statistics, unemployment rate in Mar, 2015 maintained at 5.5%, while inflation declined by 0.1% yoy, core inflation remained at 1.8%. Recent movements from FED in FOMC at the end of Apr, 2015 demonstrated the sign for raising capital at least until US economic showing a clearer signs of recovery. In many statements, the ability that FED will increase interest rates could last at least until next FOMC in Sep, 2015.

Figure 1: Dollar index and USDVND Exchange Rate



Source: Bloomberg, RongViet Research

Figure 2: Change in oil price and US oil rig



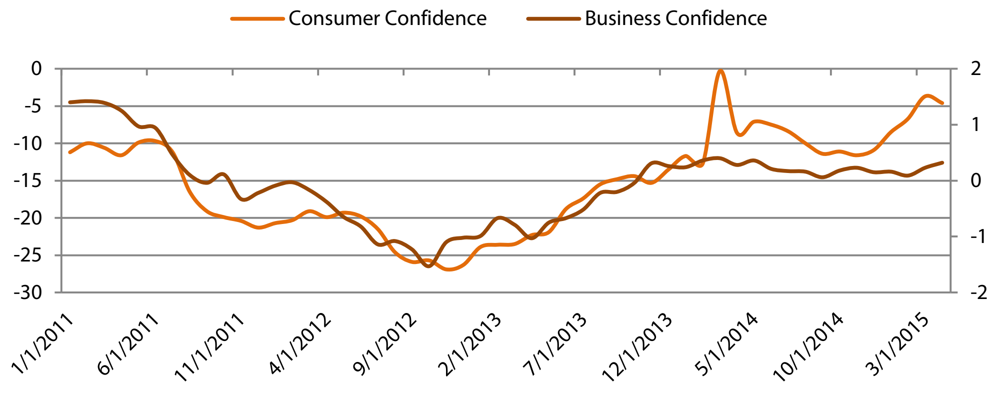
Source: Bloomberg, RongViet Research

EU - Clearer recovery among leading economies

Since the beginning of this year, the overall picture of EU economy has been more prosperous, especially in several major economies such as Germany and Spain. According to Markit's statistics, PMI index have improved in April 2015. Particularly, German PMI achieved 52.1 points in April, slightly declined over the peak in 10 months which was achieved in March. In addition, Spanish economy has various positive signals with the GDP growth of 0.9% yoy in 1Q2015, higher growth rate since 2007. Furthermore, Spanish PMI maintained the growth momentum, reached 54.2 points in April.

Data on consumer and business confidence index also gradually improved in Q1/2015. Meanwhile, inflation in euro area in Europe showed positive signs; decline momentum was narrowed down along with 0.6% of core inflation in March. Early of Mar, 2015, European Central Bank (ECB) began implementation of economic stimulus package worth approximately 1,200 USD; however, many statements argued that this package was not enough to improve the remaining weaknesses of the European currency area.

Figure 3: EU Consumer confidence and Business confidence



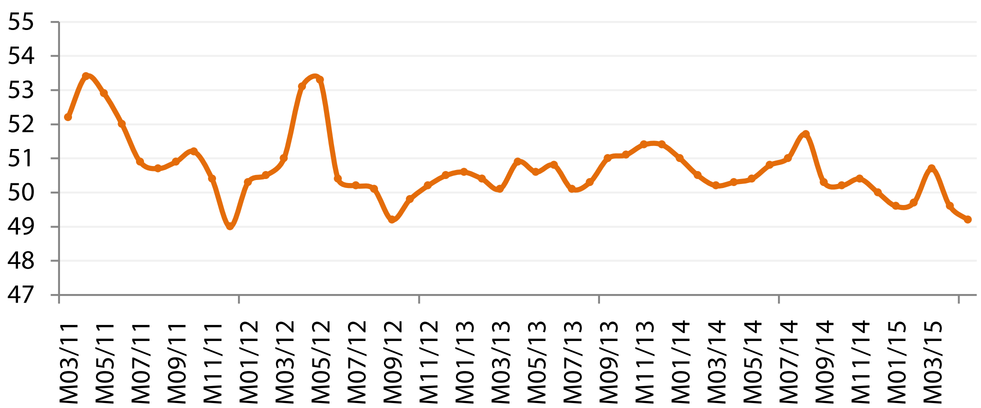
Source: Trading economics, RongViet Research

China – Slow growth

Recent macro records confirmed the deterioration of second largest economy health in Q1/2015. Particularly, GDP increased by only 7% yoy and 1.3% qoq. Statistical results demonstrated the gloomy impact in production activities, retail sales and real estate investment which negatively affect the overall economic growth. According to Markit, manufacturing activity has been slowed down along with the decline in orders and jobs made PMI in April in China remained under 50, achieved only 49.2 points – lowest in 12 months. Meanwhile, China's retail also experienced dramatically decreased over the last 9 years. To be more specific, in early 3 months of 2014, this index raised by 10.2%, much lower than average of 14.32% in the period of 2010 – 2014. Furthermore, consumer confidence index in China (ANZ) started decline trend in 4 beginning months of 2015; reached 144.5 points, lower than approximately 5% comparing with the average of 152 points in 2014.

2015 is a transformed year of China economy to more stable period and focus on domestic consumption and the service sector, however, some recent easing programs such as cutting key interest rate or banking reserve requirement seem not enough for the economy and require more easing programs.

Figure 4: China PMI



Source: HSBC, RongViet Research

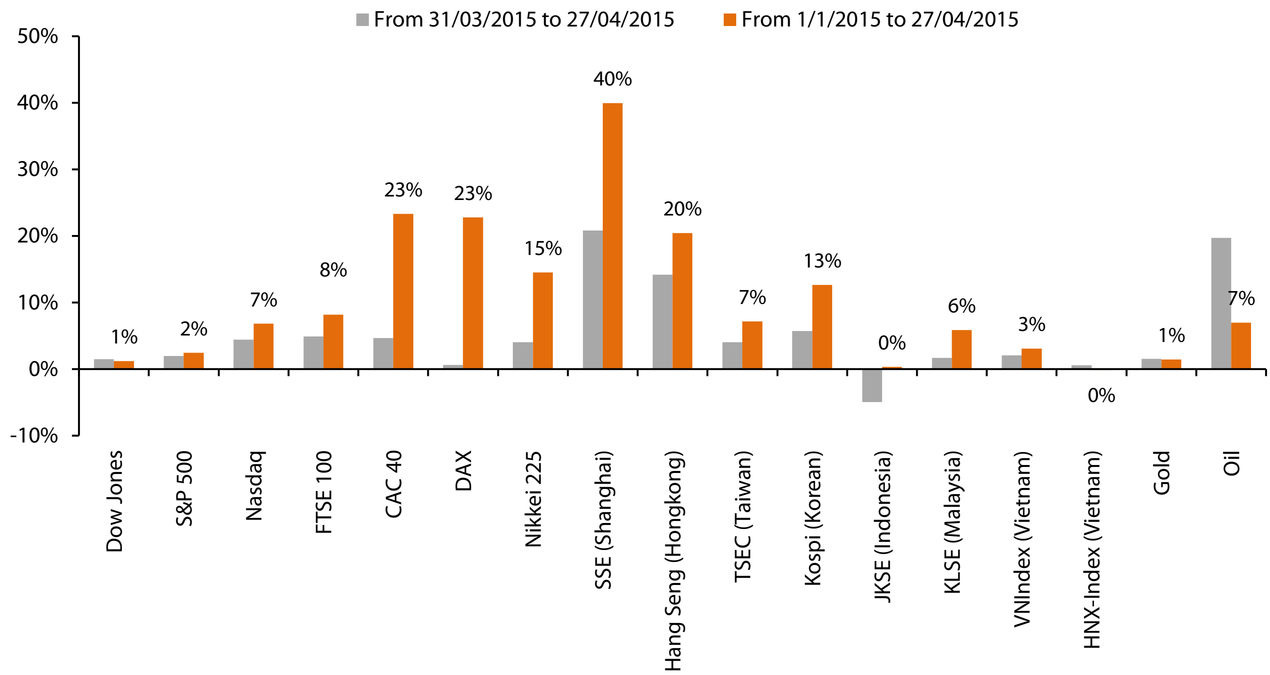
WORLD STOCK MARKETS

The US indices, including Dow Jones, S&P 500 and Nasdaq, were up slightly in April thanks to the stability of macroeconomic factors such as growth from GDP, consumer confidence indicator and stable unemployment rate. On April 27, Dow Jones and S&P 500 growths were 1.47% and 1.98%, respectively. Meanwhile, the Nasdaq had higher growth compared to others at 4.42%.

Although there is no consensus in the recovery of the economy, the stock market in Europe continues to have remarkable growing-step. Besides, the inflation in the region has stopped falling and remained same as in March. Among the stock market indices in Europe, the growth of the FTSE 100 and CAC 40 were positive, 4.89% and 4.67% respectively. Meanwhile, the DAX index had a slight rise at approximately 0.61%.

Asian stock markets had relatively successful transactions month when most indices were increased, with the exception of Indonesia JKSE index (-4.95%)., The index of the SSE (Shanghai) and Hang Seng (Hong Kong) increased impressively, 20.80% and 14.19% in April, respectively. In addition, oil prices have also had certain signs of recovery when recorded an impressive growth of 19.73%.

Figure 5: World stock indices movement in April, 2015



Source: Bloomberg, Marketwatch, RongViet Research

VIETNAM ECONOMY

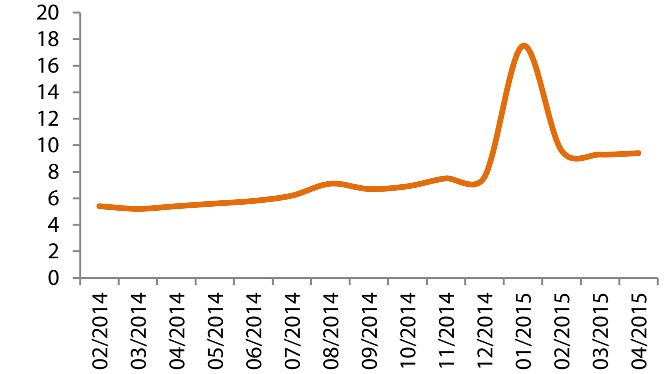
- Growth of industrial production: Positive but partial – FDI sector plays best
- Retail services are the highlights of Vietnam economy
- Budget is under pressure of finding capital mobilization and exchange rates' fluctuation
- Trade deficit from deterioration of exports and increase in machinery imports of FDI
- VAMC: more power, more challenges

An overall view for Vietnam economy in the first 4 months of 2015 include not only an outstanding patch of light such as consumer confidence, strong recovery of manufacturing but also a shadow of unequal growth in FDI sector's favor. In the context of low oil price, Government budget balance was more positive than we predicted, but the story of mobilizing capital for State budget expenditure is changing. Policy orientation for capital mobilization is overlapping the function of State Bank. Meanwhile, VAMC has more power now to handle bad debts but we still concern about the challenge to achieve the "real" bad debt ratio's target.

Growth of industrial production: Positive but partial – FDI sector plays best

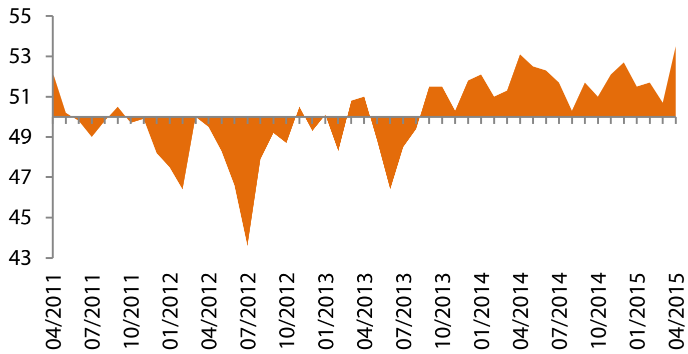
As Q1/2015 statistics, we recognized a remarkable growth of the processing and manufacturing sector, respectively up 9.51% yoy, compared with Q1/2014 one of 5.97% yoy, which was seen as a key element contributing in GDP growth. This continuously posted a good record in April with the increase of 10.9% yoy. Additionally, the movement was similar to the HSBC survey, which recorded the highest PMI in 20 recent months, reaching 53.5 point. However, an increase in output as well as new orders, according to HSBC, came from the latest FDI companies. For this reason, the positive growth of manufacturing industry in particular and GDP in general raised a concern relating to this sector's spreading through whole businesses.

Figure 6: Index of industrial Production



Source: GSO, RongViet Research

Figure 7: Vietnam PMI



Source: HSBC, RongViet Research

According to RongViet Research, in the total FDI amount of USD 256 billion accumulated to April 2015, the capital pouring manufacturing and processing sector took account for 56%. Domestic ones in this industry are mostly small-scale assembling and outsourcing corporations. In accordance with the quarterly survey of the business activity trend of this industry, 67% of them rated positive in 1Q2015 performance and stable compared with 4Q2014 (in which, 28.8% of rating positive and 38.2% of rating stable). In terms of each group, FDI enterprises reached the most positive result in 1Q2015. While, the majority of SOEs faced more difficulty than the last quarter and non-State-enterprises estimated stable result.

Table: Percentage of processing and manufacturing firms forecasting business situation (1Q2015 vs 4Q2014)

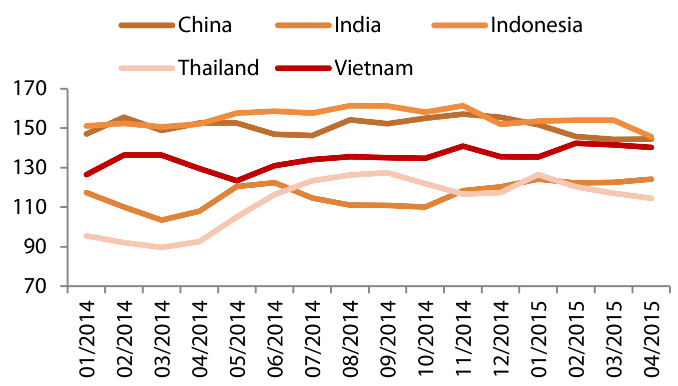
	SOEs	Non State enterprises	FDI enterprises
The trend in business situation			
Stronger	30.0	26.8	39.6
Stable	30.4	38.2	35.1
Weaker	39.6	40.6	26.1
The trend in a number of new orders			
Stronger	30.8	25.2	32.5
Stable	37.6	40.1	41.9
Weaker	31.7	34.7	25.7
The trends in export orders			
Stronger	25.6	24.3	25.9
Stable	45.6	48.4	53.5
Weaker	28.8	27.4	20.7

Source: GSO, RongViet Research

Retail services are the highlights of Vietnam economy

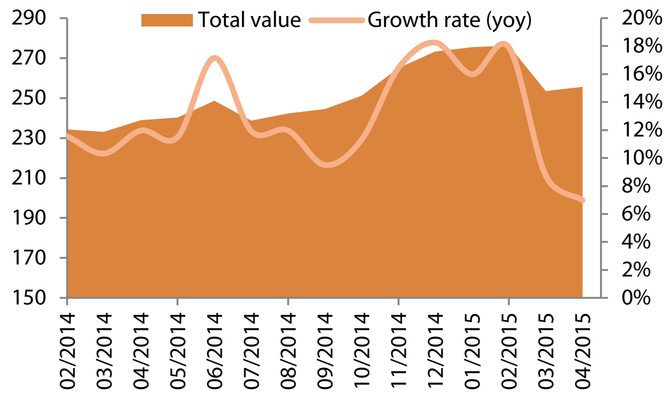
According to GSO, total retail and consumer services revenue continued with positive growth in April, achieved 255.6 trillion VND, and increased by 7.1% yoy. For the first 4 months of 2015, retail sales recorded an 8% growth (excluding price factor), higher than 6% growth over the same period. According to ANZ, consumer confidence index in Vietnam positively maintained the increase momentum over the last 10 months, especially when comparing with other countries in the Asia-Pacific region. Consumer confidence which was improved along with low level of inflation (consumer price index increased by only 0.8% over the same period of 2014) is the positive factor supporting domestic consumption early this years and upcoming months. Considering regional aspects, non-State economic region (accounts for 86% of retail sales) recorded growth rate of approximately 9% over the same period. Therefore, this could demonstrate the consumption demand from private sectors leading the growth of retail industry in 2015.

Figure 8: Asia-Pacific Consumer confidence



Source: ANZ, RongViet Research

Figure 9: Change in Retail Sales

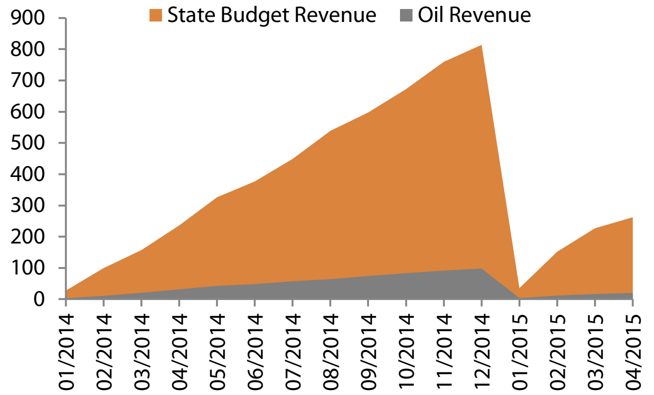


Source: GSO, RongViet Research

Budget is under pressure of finding capital mobilization and exchange rates' fluctuation

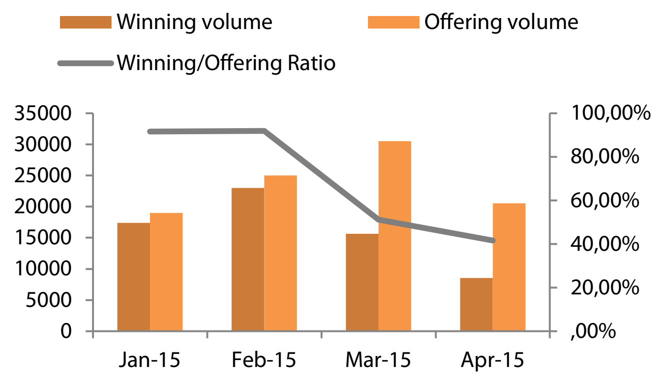
As our concern in the beginning of the year, low oil price made a huge impact on the budget revenues in the first months of 2015. However, the State budget's situation has been more optimistic than expectation. Particularly, in the first 4 months, oil price for payment only reached 58.3 USD/barrel, 41.7% lower than the plan price, thought, due to the increase in output, state budget revenue declined by 32.6% over the same period. In addition, the State budget revenue was under positive growth thanks to stable industrial production and better consumption, domestic revenue was approximately 238.7 trillion VND, increase by 17% over the same period. Accumulated 4 months, the State budget revenue achieved 314.1 billion VND, equivalent to 34.5% of expectation and increased by 9.4% over the same period. In contrast, the State budget expenditure continued to be closed to estimate, however, debt payments and grants dramatically increased (+30.7% over the same period). Accumulation of 4 months, budget deficit was approximately 48,550 billion VND, equivalent to 21.5% of yearly estimate. We believe this could be a positive signal for budget balance; however, the Ministry of Finance is still facing the challenges of raising capital to support State expenditure.

Figure10: Stage Budge Revenue and Oil Revenue (monthly)



Source: GSO, RongViet Research

Figure 11: Result of the government bond tender in 4 months



Source: VBMA, RongViet Research

In the previous year, when the liquidity of banking system was abundant along with low credit growth, capital mobilization through issuing government bonds achieved positive results. However, since Mar, 2015, the winning ratio for government bonds have been dramatically decreased and according to VBMA's statistics, total amount of capital mobilization through government bonds in April was only 8,523 billion VND over total bid value of 20,500 billion VND, approximately 41.6%. By April 2015, the State budget could only raise a quarter of whole year plan through issuing government bonds. Under such issues, the Ministry of Finance is under pressure of opening more channels for raising capital and solution to release the pressure was accomplished in early May 2015 by private issuance of foreign currency bonds (about 1 billion USD) for Vietcombank with an interest rate of 4.8% per annum for 5 – 10 years. This is the first time the Government allows private placement of foreign currency bonds in large quantities. In our perspectives, this situation was considered "the difficulty emerges the wisdom" in the context of oil revenue affected by oil prices and negative sign from government bond channel. Though, the downside of capital mobilization through foreign currency from a large commercial bank could impact on the demand-supply side of foreign currency on the market. That movement pushed dollar price at commercial bank to celling price ~21,673VND/USD and floating USD price had high volatility to 21,800VND immediately after announced information. Therefore, there is no free lunch and we believe that pressure on policy executives was overlapped when the State Bank of Vietnam insisted on the objective of controlling VND dumping margin at 2% in 2015.

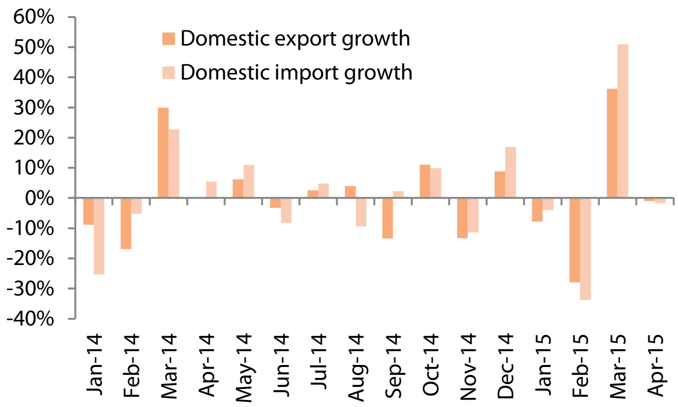
Aside from mentioned solution, the Government assigned the Ministries and State bank to research and propose to lend State budget from foreign currency reserves in order to supplement investment and development funds. We believe this could be notable risk because foreign currency reserves were seen as a tool to manage exchange rate rather than sources for spending. The lesson from the usage of foreign currency reserves for stimulus package has been still there and the State Bank of Vietnam is inherently less independent. If this proposal was passed, the independency could become more and more dependent. Within the situation of low oil price, Saudi Arabia implemented a similar way; however the foreign currency reserves of this country were up to 755 billion USD, more than 21.5 times Vietnamese foreign currency reserves. Not to mention the pressure on exchange rate when the tool of reserves were seen as a "damper" to keep the exchange rate stable.

In addition to above embodiments, a further solution which is being considered was to continue raising foreign capital in order to issue government bonds for the period of 2016 – 2010. However, we still have several concerns regarding the issuance of international bonds: (1) the possibility of FED to raise interest rate; (2) risks of celling limitation from public debts; (2) the efficiency of the use of loans.

Trade deficit from deterioration of exports and increase in machinery imports of FDI

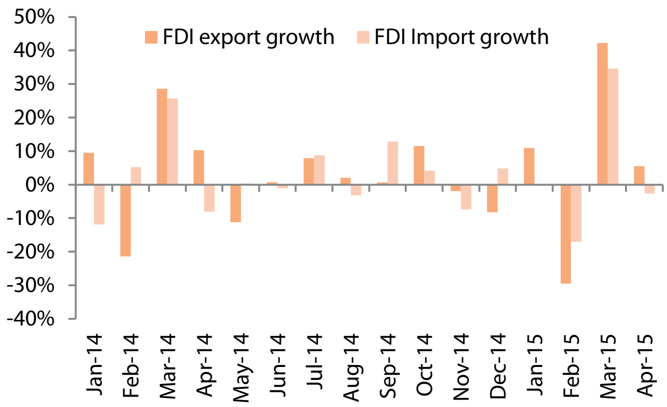
Over 3 billion USD trade deficit raised the concerns about the trading balance in the first months of 2015. According to the estimate from GSO, accumulation in first 4 months of 2015, exports reached 50 billion USD, with the growth rate of 8.1% over the same period – lowest since 2010. Meanwhile, imports dramatically increased (+20.6% yoy) and achieved 53.4 billion USD in 4 months. Considering separated segments, exports from FDI have continues to be positive, growth of 18.3% over the same period, while imports for this segment also reach high figure (+27.4% yoy). However, FDI still ensured the surplus of 1.9 billion USD, decreased by 46% over the same period in 2014. Regarding domestic businesses, imports were still in negative aspect in early months of 2015, exports declined by 9% yoy, while imports increased by 11.5%. This segment recorded a trade deficit of 5.3 billion USD over the early months of 2015.

Figure 12: Export/import growth in domestic sector



Source: Customs, GSO, RongViet Research

Figure 12: Export/import growth in FDI sector

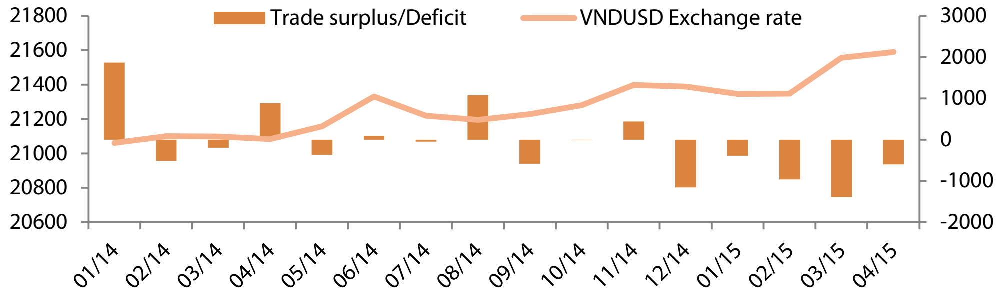


Source: Customs, GSO, RongViet Research

The deterioration of export activities early 2015 raised the concerns in agricultural commodities, fishery and crude oil. Under import aspects, machinery and vehicles experienced a high increase compared to the same period, in strong import markets such as Korea, Japan, China and Taiwan. The reasons for the improvement in this segment could be from the disbursement progress of FDI enterprises in Vietnam. According to the data of foreign investment, over the first 4 months of 2015, FDI disbursement reached 4.2 billion USD, increased by 5% yoy; in contrast, registered and increased capital sharply declined, only 3.7 billion USD, decreased by 23.3% yoy.

Trade deficit issue in first 4 months this year could impact on the confidence of VND, especially during recent period. We believe that the risk from foreign currency demand and supply while the increase in import which mainly came from FDI enterprises would not be intimidating. However, low export growth and increase in VND price comparing to other currencies (currencies directly compete with VND in export markets) could be significant factors affecting the timing and level of VND devaluation in the future.

Figure 13: Trade balance and Exchange rate (monthly)

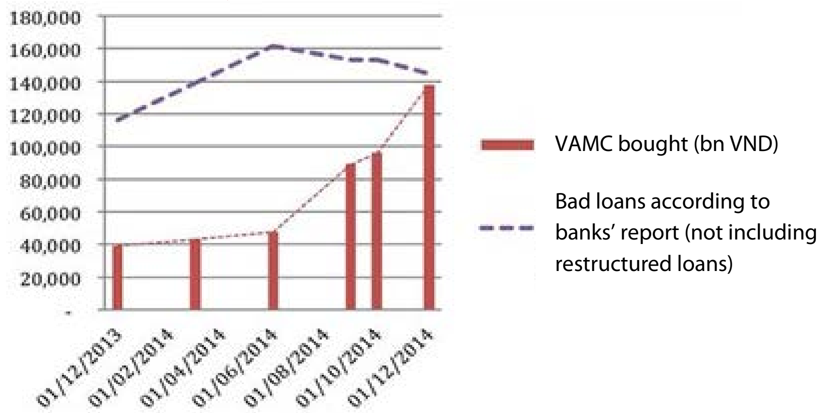


Source: Bloomberg, GSO, RongViet Research

VAMC: more power, more challenges

In contrast to "heat up" situation from exchange rate, the liquidity of banking system and credit growth rate could still maintain steady pace over the early months of 2015. Furthermore, credit still experienced the increase improvement with +2.78% in first 4 months this year – highest over the last 3 years. However, difficulties of banking system have not been resolved yet. According to the latest statistics from the State bank of Vietnam, total amount of bad debts in balance sheets in banking system by the end of Jan, 2015 accounted for 3.49% of total outstanding loans, slightly increase comparing to 3.25% at the end of Dec, 2014. With the orientation to bring bad debt ratio below 3% at the end of this year, recently, the Government established several guidelines in order to enhance the power and scale for Vietnam Asset Management Company (VAMC). Particularly, decree 34 issued on 5/4/2015 allows (1) increase VAMC charter capital from 500 billion VND to 2,000 billion VND; (2) allow VAMC issuing special bonds to buy back bad debts under market price, and allow to buy 100% of the debts instead of 70% as before; (3) banks are loosen the provision times for the debts sold to VAMC from 5 years to 10 years. With the new issued decree, we found out that (1) VAMC receiving more money actually to resolve bad debts (1,500 billion VND is relatively small comparing to targeted bad debt ratio in 2015); (2) the possibility that customer accept to sell debts to VAMC have not been proven; (3) extending the time to resolve bad debts could cause the diseases to be "incubated" longer. In Q1/2015, VAMC bought approximately 6,000 billion VND bad debts on the books from 6 to 7 credit institutions. From the inception to the end of Mar, 2015, VAMC has bought 129,000 billion of bad debts on the books from credit system, specifically, VAMC has recovered and issued guaranteed assets worth over 6,200 billion VND – extremely modest figure compared to total purchased debt.

Figure 14: Bad debts bought by VAMC

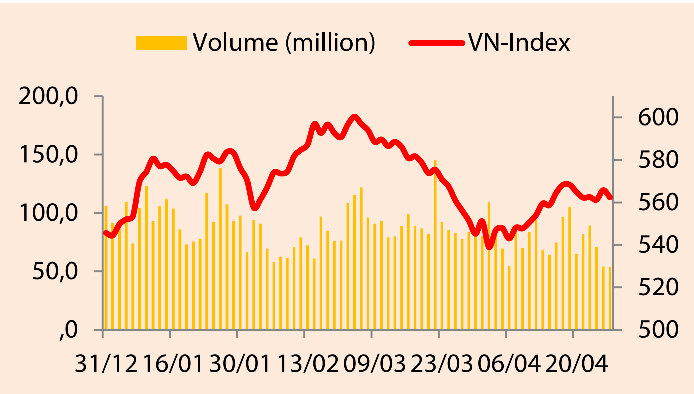


Source: VAMC, RongViet Research

APRIL STOCK MARKET REVIEW: VNIndex failed to conquer the 580

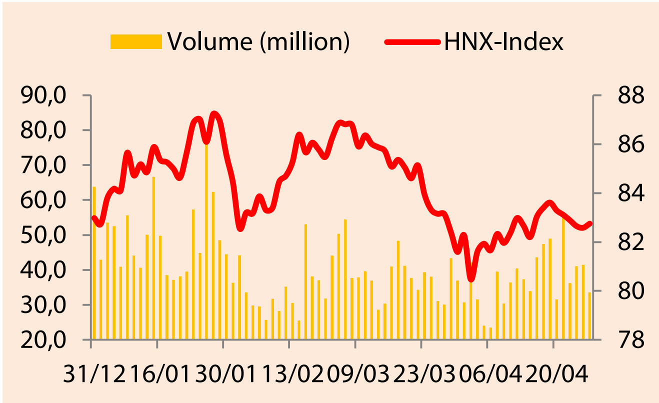
After experiencing significant decrease in last week of March due to USD/VND exchange rate and selling pressure of foreign investors, Vietnam stock market had a positive recovery in the first haft of April 2015 and varied in a narrow range for the remaining time of the month. Liquidity was stable with low volume because of lack of supporting information. In the last session of April, VNIndex closed at 562.4 and HNIndex closed at 82.75, higher than that of March around 2% and 0.6% respectively. Comparing with the last session of 2014, VNIndex was up by 3.1% and HNIndex was up by 0.3%. The total average matching volume was 118.8 million shares per session, which was down by 11.7% (qoq) and 8.2% lower than that of first four months.

Figure 15: VNIndex movement



Source: RongViet Research

Figure 16: HNIndex movement



Source: RongViet Research

April is considered as a season of annual general meeting. During this time, investors can have positive or negative reactions depending on business plan of listed companies. Regarding 2015 business plan, we analyzed 223 listed companies. The result showed that 75.4% of observing firms plan higher than 2014's business result, in which 31.4% plan a growth of less than 10% and 41.7% plan a growth higher than 10%. Although planning good growth in revenues, only about 30% of the observed firms have growth plans in terms of profit-before-tax (PBT) and most of those firms have planned a growth of 20% or above. On the other hands, the others have a decrease of more than 20%.

Table: 2015 business plan against actual 2014 results

		Revenue	PBT
Higher	<10%	31.4%	7.6%
	<20%	12.1%	4.4%
	<30%	5.4%	3.6%
	>=30%	24.2%	14.2%
Lower	<10%	13.0%	7.6%
	<20%	6.3%	16.4%
	<30%	2.7%	14.7%
	>=30%	4.9%	31.6%

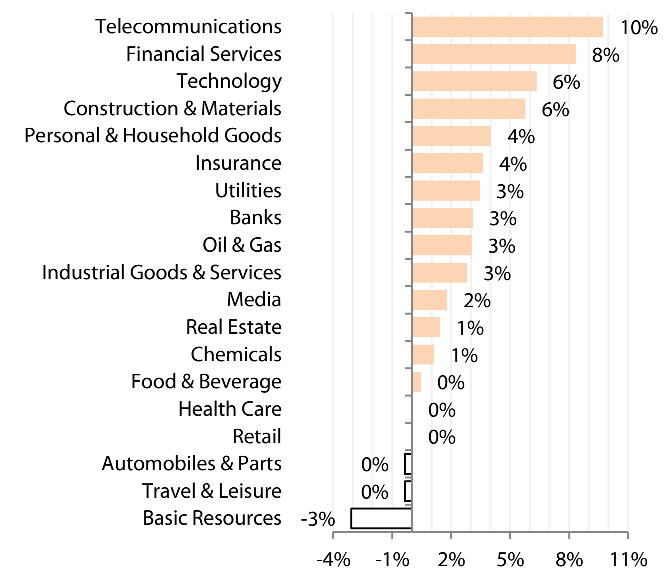
Source: Stoxpro, Rongviet Research

Based on optimistic revenue plans of listed firms, it seems investors on the stock market had a more positive assessment of the market outlook, considering their same sentiment during the period (April) in 2013 and 2014. Thus, the market indices are more positive. According to our observation of the movement of VNIndex and HNXIndex in April from 2010-2015, both have increased slightly in 2015 after the consecutive declines in 2013 and

2014.

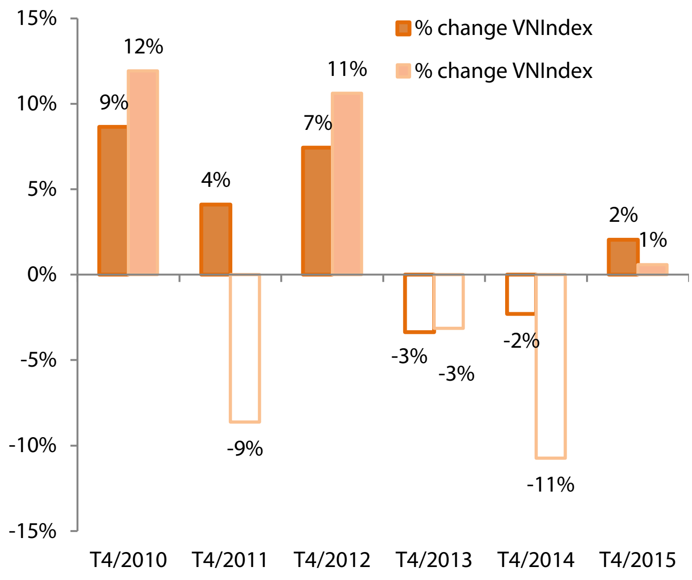
Most industry sectors rallied in April, in which the highest increase was telecommunications, finance, IT and construction and construction materials, with the increase of 9.7%, 8.3%, 6.3% and 5.8% respectively. In reverse, the natural resources declined the most (-3.1%), two other industries declined were cars & spare parts (-0.4%) and travel & entertainment (-0.4%).

Figure 18: Industry indices development in April 2015



Source: RongViet Research

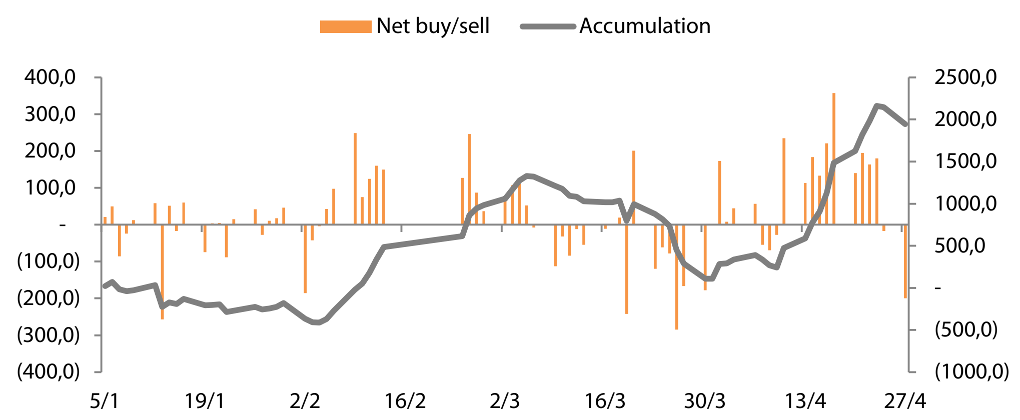
Figure 19: VNIndex and HNIndex development in April from 2010 to 2015



Source: RongViet Research

Foreign Investor's activity: Positive

Figure 20: Foreign trading activities



Source: RongViet Research

After net -in March, foreign investors returned to net-buy position with the total value reaching VND1, 837.4 billion in April. This is seen as an encouraging sign and somewhat "dispels" concerns on the possibility of overseas capital flows "evaporation" in 2015. In particular, the net trading value on the HSX was VND1,645.1 billion; representing 90% of total net-buy value of the two bounces. Banking stocks remained foreign investors' favorites with net-buy value of BID (VND204.6 billion), CTG (VND186.9 billion) and VCB (VND184,7 billion). Besides, potential industry of 2015, including construction industry (CII, VNE and HUT) and the real estate industry (NLG, KBC and ITA) have been attracted much attention. Unexpectedly, oil and gas stocks attracted foreigners' cash flow again after period of being estranged with PVD (VND228.2 billion) and PVS (VND75 billion). Conversely, VIC (VND246.7 billion), NSC (VND144.2 billion) and GAS (VND90.4 billion) became net-sold by foreign investors.

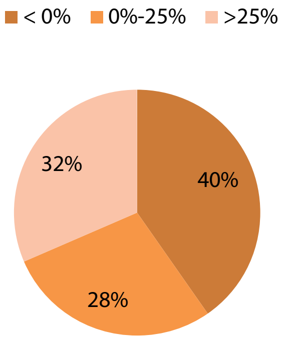
The development of the two ETFs looked similar to foreign investors' activities but at a lesser degree. Specifically, FTSE had injected capital seven times in April with total funding of VND193 billion and the number of fund certificates increased by 378,000. Besides, after the withdrawal move seen in March, VNM also began to pour VND127 billion back to the market and the fund certificate number was up by 350,000. Overall, the evolution of the two ETFs has stabilized and looked more positive. At the close of April 27th, both funds are trading at premium of 1.08 % for FTSE and 4.92 % for VNM.

Preliminary observations of 1Q2015 business results: Improving gradually

Statistics over 300 listed companies which have announced business results in 1Q2015 demonstrate that companies with negative profit after tax account for 12%, slightly improved than 13% from previous year when comparing with sample data. In addition, approximately 5% of the companies that recorded negative profit in 2013 were profitable in 2014.

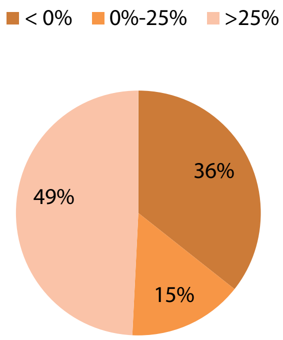
Companies so far have released better 1Q2015 earnings relatively to the corresponding period. Within the scope of this statistics, proportions of firms that reported year-on-year positive quarterly growth of revenue and net income are 60% and 64% respectively. Of which, 20% of the covered firms (60 companies) saw robust quarterly growth of over 25% for both revenue and net income compared to that of last year. Those results mainly come from SMEs concentrated in the construction, building materials, real estate services and minerals industry. At the meantime, our industry analysts expect leading businesses to deliver positive news of first quarter results as well.

Figure 21: Structure of revenue growth (y-o-y) of companies that released the results



Source: RongViet Research

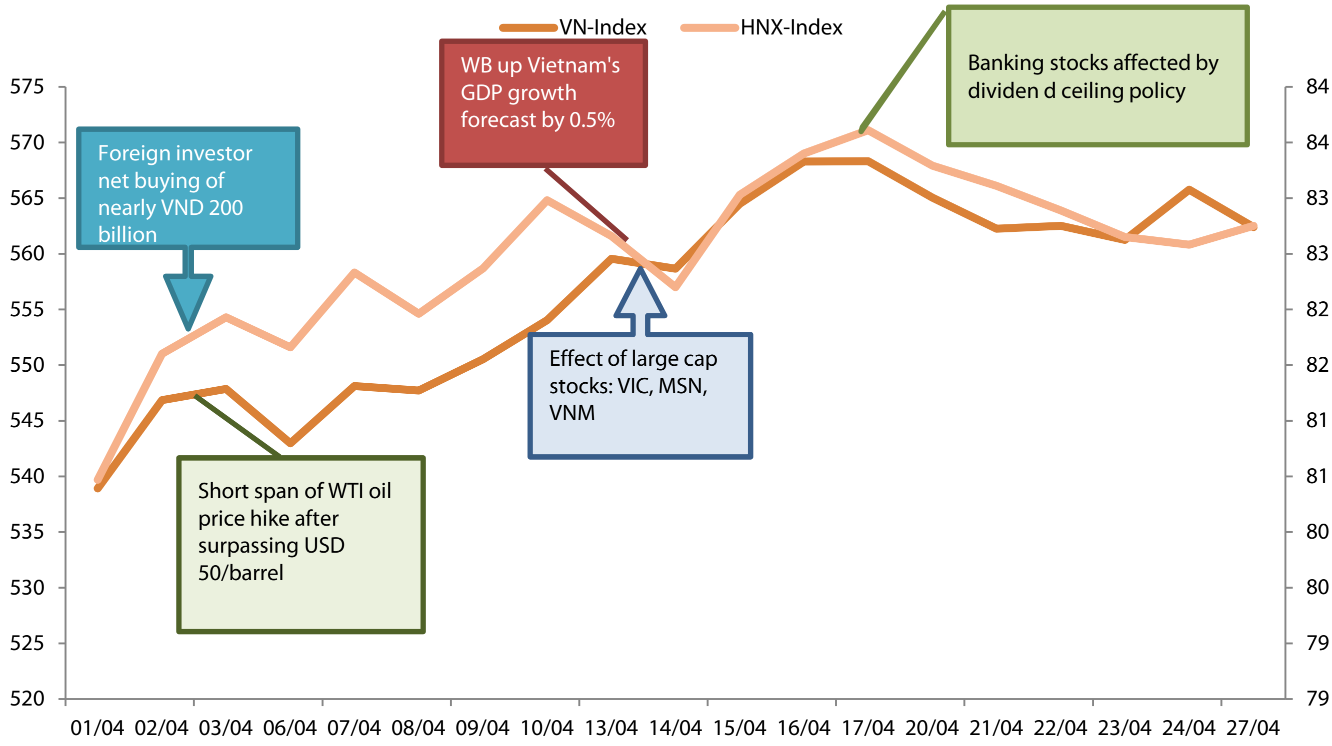
Figure 22: Structure of net profit growth (y-o-y) of companies that released the results



Source: RongViet Research

After the preliminary observations of the early 1Q2015 business results, we found that overall business results of the market could be relatively more optimistic than last year, creating a momentum for this year's performance.

Figure 23: VNIndex, HNIndex movements and related news



Source: RongViet Research

Four months into 2015, robust trading has been rarely seen on the stock market, especially after Circular 36 came into practice. As the market moved out of Q1 and into Q2, it kept repeating itself in a rather frustrating pattern: declining liquidity, zigzag movements and low volatility. In April, VNIndex saw 8 up days, 10 downs and one day the index closed mostly unchanged. A low degree of fluctuations (0.5-1%/day) made it hard for day traders to make money. Despite the turbulences, dampened sentiment and the lack of a driving force, indices managed to end higher for the month.

The question to ask now is what an investor can expect of the current market. If the answer says a clear uptrend and ample liquidity – like what seen in 2014, the investor's patience will be put to the test as it may take months for stock to get out of sideways movements. Therefore, it is advisable that investors cast their gaze over the period of a quarter or longer rather than a few weeks or a month. As the market slowly walks through its highs and lows, there will be opportunities for investors to rotate their holdings and lower the cost price.

Rather than trying to capitalize on speculative "short waves", investors may be better off accumulating stocks in the expectation of firm's earnings growth and for the enhancement of income (See Table: Dividend yields of selected stocks)

In the first week of May, the stock market experienced a surge in volatility, which probably stemmed from stirred sentiment as another Chinese oil rig moved in Bien Dong. However, it did not take long for stocks to regain their balance. Foreigners also returned with substantial net purchases on both exchanges. This leads us to believe willing buyers are still present but the" price must be right". Therefore, there may be a little more excitement on the stock market in May than in April even though a defined trend is still nowhere to be seen.

The range of variation in May is 540-570 for VNIndex and 80-84 for HNIndex. Buying on the dips should be a viable option for both medium-and-long-term investors and day traders.

Another macro look - There is more to expect in the medium and long term

Despite some concerns in the overall picture, we still see three factors that may have an impact on the market looking into the second half of the year:

The passage of Decision No.58 Amended with a provision of the increase of foreigner ownership in public companies. In fact, the extension of the foreign room has been much anticipated in the last 2 years. However, it was not until the legislation passed through the Ministry of Justice's approval that the topic began to gain popularity again. First, declining trading activity has turned local investors to the foreign sector as a potential source of liquidity. Second, the Government is pressured to privatize 262 SOEs in the 9 months to December 2015 and that needs a towering amount of capital is need to accomplish. Third, from foreign investors' perspective, Vietnam stocks are much cheaper now than just six months ago. To increase exposure in a seemingly undervalued market, global usually buy into ETFs and the market's blue-chips, many of which in Vietnam have reached the limit for foreigner ownership. With all those arguments, it should be clear that a lift of the cap on foreigner ownership in stocks will be a boon for the majority of market participants.

Next, the TPP has just got one step closer. In mid-April, the Senate Finance Committee and in the House Ways and Means Committee passed the Trade Promotion Authority, a legislation that will give President Barrack Obama the authority to finish negotiating the "trade agreement of the century". After the agreement is concluded the US Congress may approve or reject it cannot change it. Though there are still tall obstacles to tackle between the US and Japan in TPP talks, this should hasten the negotiations.

In the first week of May, Vietnam signed with Korea a free trade agreement after more than two years of talking. Korea is a large market for many of Vietnam exports, including seafood, garments, furniture, footwear, agricultural products… and also the largest FDI investor in Vietnam last year (39.4% of total commitment). Under the VKFTA, Korea will eliminate 95% tariff lines on Vietnamese imports while Vietnam will do the same to 89% of tariff lines. The conclusion of the VKFTA is good news to sectors like textile-garment, seafood and car retail.

May Strategy: Opportunities on the dips

We see it likely for the market to continue move sideways in May, yet with more volatility and a higher chance for extreme movements than in April.

The range of variation in May is 540-570 for VNIndex and 80-84 for HNIndex.

With those predictions, we believe "buying on the dips" will be the appropriate strategy for both medium-and-long-term investors as well as day traders. The specific action recommendations are as follow:

- *Investors with above average risk tolerance* can consider accumulating over the span of the month and a "buy-and-hold" strategy for an investment horizon of 3-6 months.
- *Day traders (low risk aversion)* can buy when stock prices are falling and sell when prices are increasing, keeping the proportion of equity in the portfolio constant.
- *Investors with an investment horizon under 3 months (below average risk tolerance)* can consider buying stocks with high dividend yields. In the table below are stocks under RongViet's coverage, which have current dividend yields (by the unpaid portion of 2014 cash dividends) over 6% and a history of dividend payment between May and August.

For the selection of stocks and sectors, we suggest focusing on stock of market-leading firms in sectors with 2015 positive outlook (See *RongViet's 2015 Stock Market Outlook*) , such as *Textile-garment, Seafood, Real estate, Construction and Materials, Automobile retail, Logistics…*

The GSO's Business Trends of the Manufacturing Sector 1Q2015, the garment industry shows the most positive outlook the next quarter. Garment manufacturers were optimistic is all 6/7 production indicators except unit cost *(Table: Manufacturing business trends in 2Q2015 as compared to 1Q2015)* in which 29.1% of the firms in the survey answered they expected production cost to increase in Q1, highest of other industries. This can be justified by fast-rising labor cost in the industry as the result of a higher number of FDI competitors.

Expectations for garment consumption seems quite optimistic with 61.7% the total surveyed companies see more orders in Q2 (the third higher after pharmaceuticals, medicinal chemical, botanical products and electrical equipment and other manufacturing). Selling price is also expected to rise in Q2. Given the signing of the VKFTA and refreshed progress in TPP talks, a bright future awaits Vietnam garment producers in the upcoming quarter.

Table: Stocks with high dividend yields

No.	Ticker	2014 Dividend/ Share capital	Paid dividend	Unpaid dividend	Current price	Dividend yield	Time of 2013 dividend payment
1	LAS	40%	0%	40%	32,400	12%	06/2014
2	IDI	10%	0%	10%	8,400	12%	07/2014
3	CVT	25%	0%	25%	23,500	11%	07/2014
4	PHR	20%	0%	20%	20,400	10%	05/2014
5	TCO	12%	0%	12%	11,800	10%	06/2014
6	PPS	13%	0%	13%	12,300	10%	07/2014
7	VMD	20%	0%	20%	19,600	10%	08/2014
8	SBA	10%	0%	10%	10,900	9%	05/2014
9	DXP	40%	0%	40%	45,000	9%	05/2014
10	VPK	20%	0%	20%	23,000	9%	05/2014
11	GSP	12%	0%	12%	13,000	9%	05/2014
12	UIC	15%	0%	15%	19,000	8%	05/2014
13	L10	12%	0%	12%	15,100	8%	05/2014
14	SZL	16%	0%	16%	18,900	8%	06/2014
15	ACC	25%	0%	25%	32,500	8%	06/2014
16	AAA	10%	0%	10%	12,900	8%	06/2014
17	SD9	12%	0%	12%	14,300	8%	07/2014
18	SC5	20%	0%	20%	25,700	8%	07/2014
19	DIC	6%	0%	6%	7,700	8%	08/2014
20	HBC	15%	0%	15%	19,300	8%	08/2014
21	NET	20%	0%	20%	27,300	7%	05/2014
22	TC6	10%	0%	10%	14,200	7%	06/2014
23	VNR	15%	0%	15%	22,100	7%	06/2014
24	IJC	8%	0%	8%	10,800	7%	07/2014
25	CLW	11%	0%	11%	17,700	6%	05/2014
26	PVB	20%	0%	20%	35,800	6%	05/2014
27	BMI	10%	0%	10%	17,000	6%	05/2014
28	GTA	9%	0%	9%	15,800	6%	05/2014
29	CSM	25%	0%	25%	38,700	6%	06/2014
30	VKC	5%	0%	5%	8,600	6%	07/2014
31	PVC	12%	0%	12%	21,800	6%	07/2014
32	BID	10%	0%	10%	18,000	6%	08/2014
33	SDP	5%	0%	5%	8,200	6%	08/2014

Source: RongViet Research

Table: Manufacturing industry business trends in 2Q2015 as compared to 1Q2015 (only consolidated results are showed in each column)

No.	Industry	Overall business	New orders	New export orders	Finished goods inventories	Material inventories	Unit cost	Unit price	Payrolls
	Manufacturing sector	**43.0**	**40.4**	**28.8**	**-17.6**	**-13.6**	**15.6**	**12.2**	**13.9**
1	Pharmaceuticals, medicinal chemical and botanical products	82.1	80.0	47.1	10.7	17.9	3.6	17.9	10.7
2	Electrical equipment	63.8	57.6	31.3	-10.1	-4.4	8.7	20.3	27.5
3	Other manufacturing	59	50.0	24.2	-7.7	-10.3	18.0	15.4	4.01
4	Beverages	58.8	54.4	18.2	-21.6	-17.7	17.7	3.9	7.8
5	Wearing apparel	56	52.6	44.7	-22.7	-13.3	32.9	23.9	29.9
6	Tobacco	54.6	22.2	50	-9.1		18.2	18.2	
7	Chemicals and chemical products	52.0	51.7	21.8	-3.3	-9.3	15.3	6.0	10.0
8	Computer, electronic and optical products	51.0	44.7	48.9	-20.4	-20.4	-4.1	8.2	14.3
9	Leather and related products	48.7	41.2	49.2	-299.7	-21.6	6.8	13.5	23.0
10	Motor vehicles; trailers and semi-trailers	46.5	47.5	39.1	-23.3	-11.6	14.0		16.3
11	Machinery and equipment n.e.c	46.4	32.2	-5.6	-17.9	-17.9	10.7	-3.6	7.2
12	Textiles	46	42.5	32.4	-21.6	-16.2	19.6	20.3	21.6
13	food Products	44.2	39.8	26.2	-10.0	-6.0	16.2	16.2	18.0
14	Paper and paper products	41.6	48.1	15.7	-20.4	-8.9	11.5	3.5	12.4
15	Other non-metallic mineral products	40.1	38.5	27.9	-21.4	-19.8	16.7	11.3	4.2
16	Reproduction of recorded media	38.1	50.0	-33.3	4.8	4.8	38.1	28.6	14.3
17	Fabricated metal products (except machinery and equipment)	37.8	32.4	8.9	-26.4	-24.1	17.6	13.2	10.0
18	Rubber and plastics products	36.7	42.4	31.8	-8.1	-1.9	11	4.3	21.0
19	Furniture	35.8	36.5	36.9	-19.0	-13.2	18.4	16.3	15.3
20	Other transport equipment	32.7	32.6	13.6	-17.3	-11.5	17.3	7.7	1.9
21	Wood and of products of wood and cork (except furniture)	29.6	18.8	10.3	-29.1	-22.2	11.8	7.9	5.4
22	Basic metals	29.6	31.3	28.6	-17.0	-22.7	-11.4	-11.4	-8.0
23	Coke and refined petroleum products	20.0				-20.0	-20.0		20.0
24	Repair and installation of machinery and equipment							-50.0	

Source: GSO

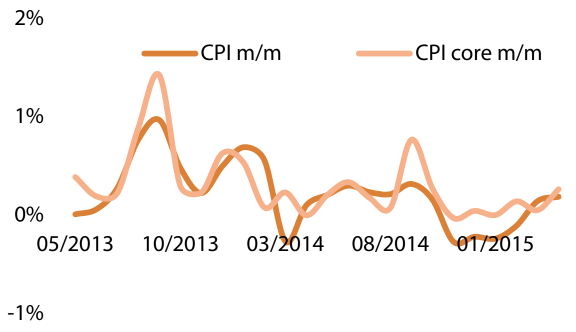
Table: Manufacturing industry business trends in 1Q2015 as compared to 4Q2014 (only consolidated results are showed in each column)

No.	Industry	Overall business	New orders	New export orders	Finished goods inventories	Material inventories	Unit cost	Unit price	Payrolls
	Manufacturing sector	**-4.3**	**-4.3**	**0.4**	**-4.3**	**-5.5**	**22.8**	**4**	**-3.2**
1	Pharmaceuticals, medicinal chemical and botanical products	50	52	12.5	-10.7	3.6	17.9	10.7	25
2	Electrical equipment		4.4	6.4	-10.1	-4.4	8.7	-4.4	-2.9
3	Other manufacturing			-8.8	5.1	-2.6	18	-10.3	-15.4
4	Beverages	-2	8.7	30.8	-3.9	-11.8	29.4	13.7	-3.9
5	Wearing apparel	12	13.5	10.7	-9.4	-3	37.6	14.1	8.1
6	Tobacco	-9.1	-30	33.3	27.3	18.2	-18.2	-18.2	-18.2
7	Chemicals and chemical products	-2.7	2.8	4.1	16.7	-1.3	24	2.7	3.3
8	Computer, electronic and optical products	-4.1	-2.2			-6.1	24.5	18.4	20.4
9	Leather and related products	10.8	5.8	10.5	-122.2	-16.2	13.5	9.5	6.8
10	Motor vehicles; trailers and semi-trailers	14			-14	-4.7	9.3	-4.7	-4.7
11	Machinery and equipment n.e.c	14.3	11.1	6.7	-10.7		10.7	-10.7	
12	Textiles	-20.9	-7.9	7.2	10.1	10.8	20.9	-0.7	-6.8
13	food Products	-5.3	0.4	-5.3	-4.3	-9.7	25.7	6.2	-3.7
14	Paper and paper products	5.3	1.9	5.4	4.4	7.1	31.9	0.9	-0.9
15	Other non-metallic mineral products	-16.9	-18.8	-4.7	5.6	-1	25	3.8	-10.5
16	Reproduction of recorded media			-33.3	-4.8	-9.5	28.6	14.3	-4.8
17	Fabricated metal products (except machinery and equipment)	-5.9	-19.1	-15.2	-12.9	-15.8	19.9	4.4	-0.6
18	Rubber and plastics products	7.1	9.9	6.7	-8.1	-4.8	19.1	-2.9	-3.8
19	Furniture	2.1	-2.2	5.2	-14.7	-5.3	27.9	9.5	0.5
20	Other transport equipment	5.8	13.1	-18.2	-23.1	-13.5	9.6	7.7	-21.2
21	Wood and of products of wood and cork (except furniture)	-14.8	-20.9	-16.5	-13.3	-7.4	22.7	6.9	-9.4
22	Basic metals	-25	-26.5	14.7	-9.1	-9.1	-9.1	-27.3	-10.2
23	Coke and refined petroleum products		-33.3	-66.7	-20	-20			
24	Repair and installation of machinery and equipment	-50							-50

Source: GSO

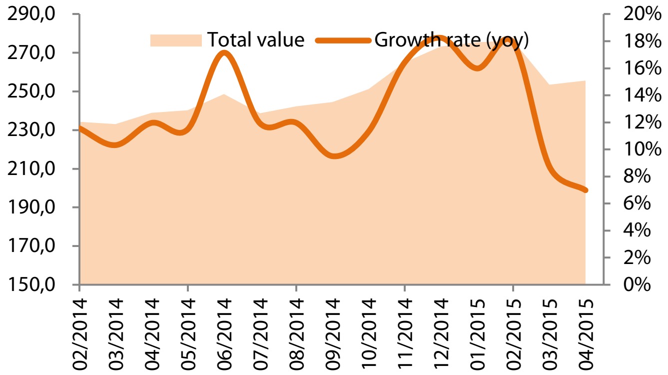
APRIL MACRO WATCH

Figure: Core inflation jumped 0,26%



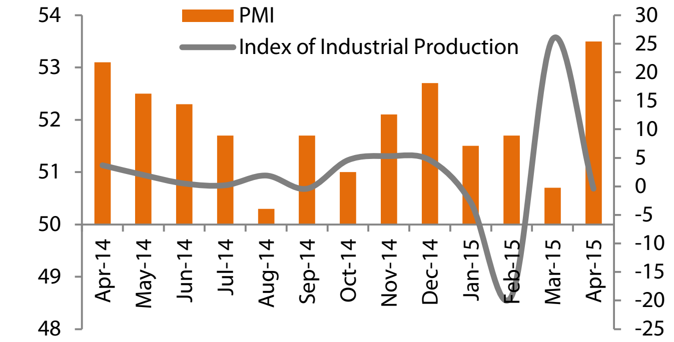
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Figure: Retail Sales witnessed an optimistic growth



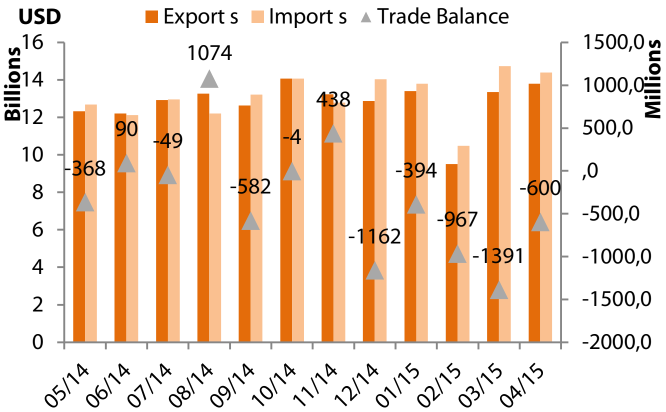
Sources: GSO. Rongviet Securities database

Figure: IIP increased by 9.5% yoy



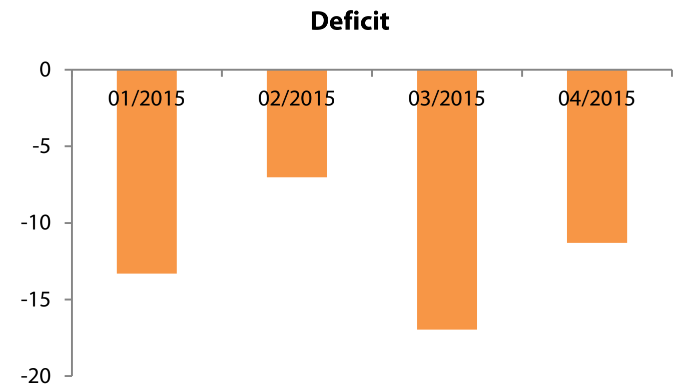
Sources: GSO. Rongviet Securities database

Figure: Trade deficit continued



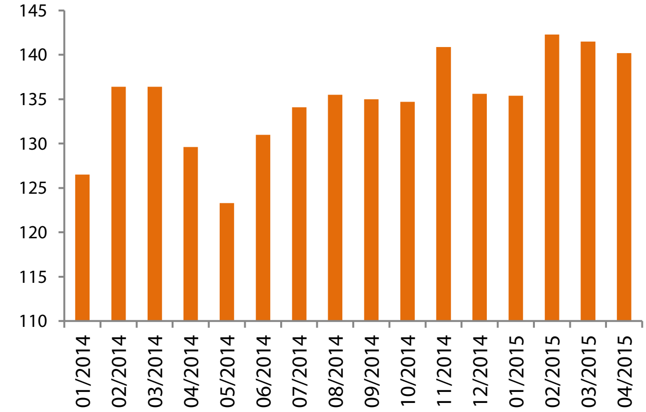
Sources: GSO. Rongviet Securities database

Figure: Accumulated deficit achieved 21.5% of plan



Sources: GSO. Rongviet Securities database

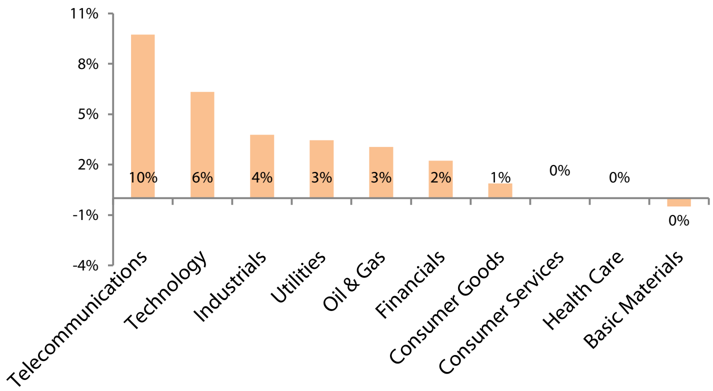
Figure: Consumer confidence improved



Sources: SBV. Rongviet Securities database

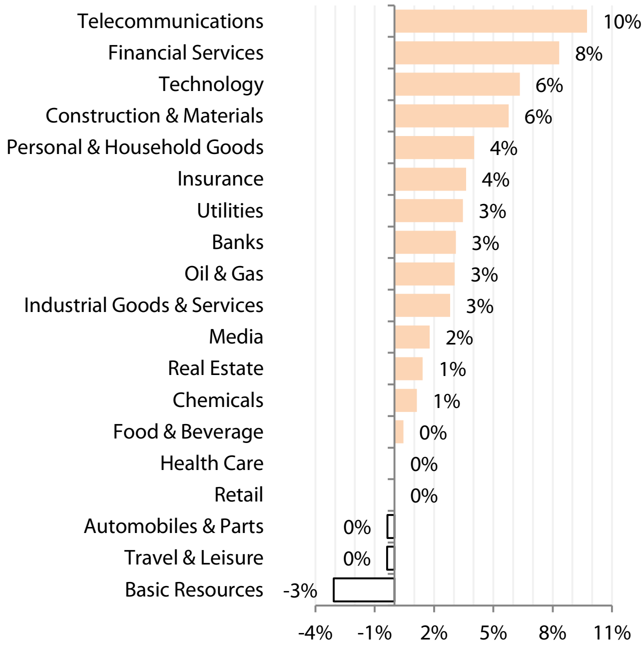
Industry Index

Figure: Level 1 industry movement



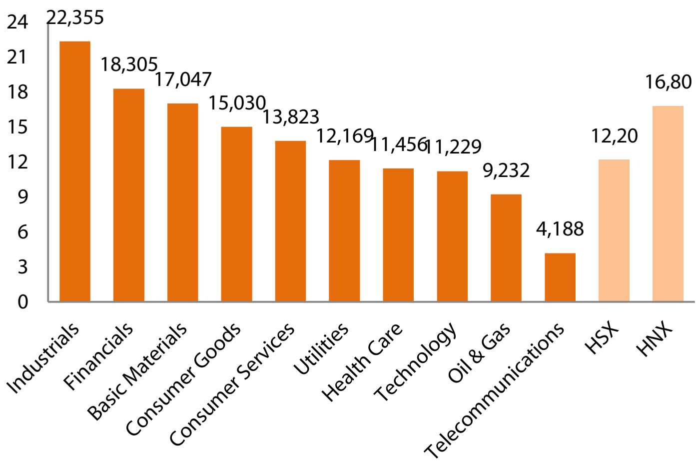
Source: RongViet Research

Figure: Level 2 industry movement



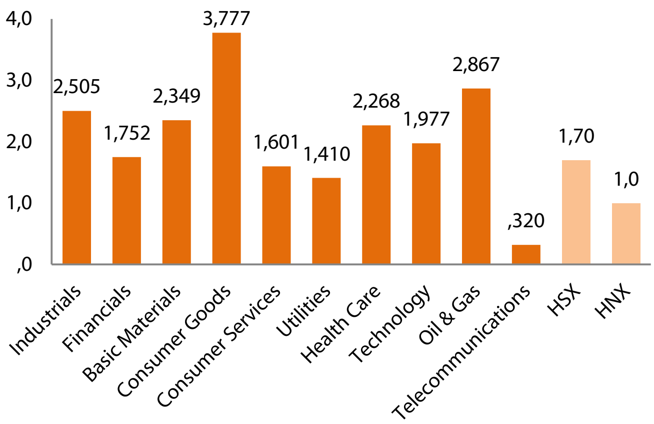
Source: RongViet Research

Figure: Industry PE comparison



Source: RongViet Research

Figure: Industry PB comparison



Source: RongViet Research

HIGHLIGHT STOCKS

Fundamental stocks with earning outlook from stable to positive

STT		1Q2015 results (VND bn)		1Q2015 growth (% yoy)		2Q2015 Profit trend		Trailing P/E	P/B (*)	Market price (VND/share)	Valuation	Recommendation/Outlook
		Revenue	NPAT	Revenue	NPAT	vs 2Q14	vs 1Q15					
1	CSM	689.73	54.64	1%	-30%	+	+	8.5	1.8	38,700	-	Neutral-Intermediate term
2	DRC	766.28	87.58	13%	2%	+	+	14.1	3.1	60,000	-	Neutral-Intermediate term
3	HBC	N/a	N/a	n/a	n/a	-	-	14.4	1.1	19,300	-	Unoptimistic-Intermediate term
4	HT1	1599.81	250.36	1%	12481%	+	-	21.6	1.8	20,700	-	Optimistic-Intermediate term
5	BMP	N/a	N/a	n/a	n/a	+	-	9.2	2.0	76,000	87,700	Accumulate-Long term
6	NTP	N/a	N/a	n/a	n/a	+	-	6.3	1.8	47,200	64,500	Buy-Long term
7	CII	N/a	N/a	n/a	n/a	+	+	6.2	1.4	20,500	-	Optimistic-Long term
8	BCE	13.36	0.01	-32%	-97%	-	-	13.2	0.7	8,600	-	Stable-Long term
9	TNG	296.97	11.30	45%	180%	+	+	6.6	1.6	23,300	-	Optimistic-Long term
10	TCM	N/a	N/a	n/a	n/a	+	+	8.6	1.8	29,400	42,500	Buy-Long term
11	GMC	N/a	N/a	n/a	n/a	+	+	6.9	1.8	35,900	-	Optimistic-Long term
12	PNJ	N/a	N/a	n/a	n/a	+	+	15.1	2.8	48,500	-	Stable-Intermediate term
13	GMD	N/a	N/a	n/a	n/a	+	+	6.3	0.7	28,800	44,400	Optimistic-Long term
14	VSC	N/a	N/a	n/a	n/a	+	+	7.1	1.7	51,000	-	Optimistic-Long term
15	TCL	N/a	N/a	n/a	n/a	+	+	5.5	1.2	28,500	-	Optimistic-Long term
16	HVG	N/a	N/a	n/a	n/a	+	+	9.8	1.1	19,100	-	Stable-Intermediate term
17	VNM	N/a	N/a	n/a	n/a	+	+	17.5	5.4	106,000	110,000	Stable-Long term
18	DBC	1245.94	57.10	3%	81%	+	+	7.3	0.9	26,800	30,000	Stable-Long term
19	PET	N/a	N/a	n/a	n/a	+	+	7.0	1.0	19,300	-	Stable-Long term
20	FPT	N/a	N/a	n/a	n/a	+	+	10.5	2.2	50,000	55,700	Neutral-Long term

21	CMI	N/a	N/a	n/a	n/a	-	+	5.6	1.1	13,000	-	Optimistic-Long term
22	GDT	60.63	12.18	14%	31%	+	+	7.5	2.1	40,500	41,300	Neutral-Intermediate term
23	PGS	1431.00	33.40	-16%	20%	-	+	7.0	1.0	19,800	25,000	Buy-Intermediate term
24	PVS	N/a	N/a	n/a	n/a	+	-	6.2	1.2	25,300	-	Stable-Short term
25	PXS	463.93	28.75	30%	38%	+	-	7.9	1.5	20,600	22,000	Neutral-Short term
26	NBB	N/a	N/a	n/a	n/a	+	+	29.2	0.8	22,100	26,800	Accumulate-Long term
27	DXG	N/a	N/a	n/a	n/a	+	+	5.2	1.1	14,600	-	Optimistic-Intermediate term
28	NTL	N/a	N/a	n/a	n/a	-	-	19.1	0.9	11,500	-	Unoptimistic-Intermediate term
29	VIC	N/a	N/a	n/a	n/a	+	+	21.3	3.5	48,800	-	Optimistic-Long term
30	HPG	N/a	N/a	n/a	n/a	+	+	7.3	1.7	44,200	-	Optimistic-Intermediate term
32	REE	N/a	N/a	n/a	n/a	+	+	6.4	1.2	25,700	29,700	Accumulate-Intermediate term
33	PVD	N/a	N/a	n/a	n/a	-	-	6.9	1.5	55,000	-	Stable-Short term
34	BID	N/a	N/a	n/a	n/a	+	+	10.2	1.5	18,000	-	Optimistic-Long term
35	APC	N/a	N/a	n/a	n/a	+	+	7.8	1.2	17,100	20,000	Stable-Intermediate term
36	CNG	210.57	22.50	-9%	-10%	+	+	7.7	2.1	31,500	-	Accumulate-Long term
37	DHC	149.14	12.51	44%	36%	+	+	7.0	1.2	21,400	26,200	Buy-Intermediate term
38	DIG	N/a	N/a	n/a	n/a	+	+	48.0	0.9	11,800	-	Stable-Long term
39	PAC	491.24	19.55	18%	64%	+	+	9.1	1.4	28,000	27,500	Neutral-Intermediate term
40	SVC	1856.63	24.22	17%	153%	+	+	8.4	0.6	18,800	-	Optimistic-Intermediate term
41	GSP	N/a	N/a	n/a	n/a	+	-	12.3	1.1	13,000	-	Optimistic-Long term
42	DPM	N/a	N/a	n/a	n/a	+	-	10.5	1.3	30,200	36,100	Accumulate-Intermediate term
43	SFG	N/a	N/a	n/a	n/a	+	-	7.3	1.3	17,000	-	Stable-Long term
44	LAS	1342.78	76.93	-26%	-49%	-	+	6.9	1.6	32,400	-	Stable-Long term
45	SKG	63.62	34.77	26%	54%	+	+	9.5	2.9	55,000	-	Optimistic-Long term
46	VNS	1016.47	72.72	13%	-10%	-	-	7.0	1.6	37,800	-	Optimistic-Long term

47	DPR	N/a	N/a	n/a	n/a	+	+	6.6	0.7	33,700	-	Neutral-Long term
48	NT2	N/a	N/a	n/a	n/a	-	+	4.6	1.4	25,400	-	Optimistic- Intermediate term
49	VPH	58.17	2.47	18%	187%	+	+	104.7	0.7	11,300	15,300	Buy-Intermediate term
50	PLC	N/a	N/a	n/a	n/a	+	+	8.7	2.1	33,000	40,000	Accumulate-Intermediate term
51	BT6	N/a	N/a	n/a	n/a	+	+	5.3	0.5	8,000	-	Optimistic- Intermediate term
52	HMH	N/a	N/a	n/a	n/a	+	+	5.3	1.0	22,100	33,800	Accumulate-Long term
53	PCT	243.59	5.40	-13%	53%	+	+	7.8	0.6	7,200	-	Optimistic- Intermediate term
54	HSG	N/a	N/a	n/a	n/a	+	+	8.2	1.5	37,000	-	Optimistic- Intermediate term

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