ADVISORY DIARY

OCTOBER

09

FRIDAY

- **Decline trend in oil price allows LPG and CNG to enhance their price competitiveness**
- **PGS & CNG update: Q3/2015 profit margin slightly declined due to deep drop of FO**
- **An easy "T+3"**

Decline trend in oil price allows LPG and CNG to enhance their price competitiveness

In the third quarter, oil price continued to drop which led to the lowest points in August, 2015 in both CP Aramco price (affecting domestic LPG) and FO 3%S price (1st area) (affecting domestic CNG). This led to the decline in gas price, decreasing by 6.33% in retail gas price and 22.06% in CNG price. In the previous years, although natural gas was a clean energy, manufacturing firms unlikely used it. However, LPG and CNG price have recently dropped to the more competitive prices as compared to other sources. (Table: Coal, Electricity, CNG, LPG, FO and Biomass prices).

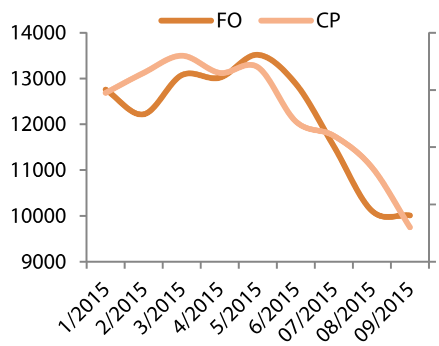
Regarding gas firms, we suppose this year would be the suitable time for them to find more customers.

Current prices of several fuel types

No.	Types	Price (VND/kg)	Compared to earlier 2015	Energy value (kCal/kg)	Energy prices (VNĐ/1000 kCal)
1	**Coal**	1,100-1,800	No changes	5,000 – 7,000	400 – 1,000
2	**CNG**	8,300-8,500	-26%	12,000	2,083
3	**LPG**	7,500-8,000	-19%	12,000	2,083
4	**FO (or DO)**	9,810	-26%	9,800	1,730
5	**Electricity**	1,500 VND/kWh	+5%	860 kCal/kWh	1,740
6	**Wood pellets**	2,200 – 2,600	na	4,500	480 – 580

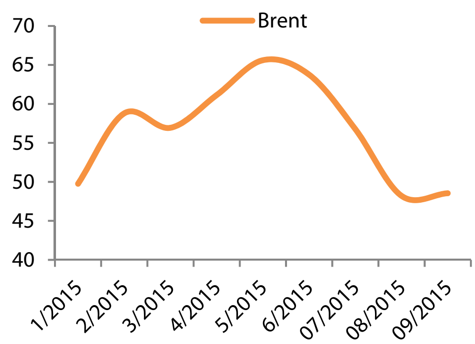
Source: Rongviet Research

FO and CP Aramco prices



Source: Bloomberg

Brent crude oil prices



Source: Bloomberg

PGS & CNG update: Q3/2015 profit margin slightly declined due to deep drop of FO.

According to the company, strongly decreased sales prices resulted in VND 1,247 billion revenue for Q3/2015, equivalent to 36.41% decrease y.o.y. Meanwhile, consolidated profit before tax inclined was around VND 58 billion slightly comparing to the previous quarter (-38.53% y.o.y), where that of the parent company was estimated at VND 35-36 billion. In terms of LPG, as mention in the latest report, the shift to tank products has become noticeable. LPG bulk volume was 119,350 tons, inclining 0.1% y.o.y, while tank LPG volume almost halved. Profits from LPG

"An easy "T+3""

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remained stable, whereas CNG saw a decreased gross profit margin, since the company benefits less from FO price's tumble than it would when FO was stable at VND 12,000/kg. As estimated from our analyst, Q3's gross profit margin from CNG was 2% less than that of the previous quarter. CNG volume remained stable, as consolidated volume was 130.7 million m3, going up by 11.33% y.o.y.

At this moment, PGS is the largest LPG distributor in Southern area, 2015 market share is expected to increase by 1-2%. Meanwhile, CNG segment has new customer which is Samsung CE and start getting gas at the end of 11/2015. Consumption could maintain at approximately 10 million m3/year. After negotiation period, the selling could be floating with the discount factor of 88% FO instead of fixed prices as the previous update. CNG output from PGS in 2016 was estimated to reach 115.10 million m3, increased by 28% compared to 2015.

Business activities from subsidiary company (CNG – HSX) remained stable and had not gained much from field development in the North. According to the latest meeting with CNG, revenue and profit before tax in Q3 could reach VND 251.03 billion (-16.26 y.o.y) and VND billion dong (-18.32 y.o.y). CNG output in 3Q2015 was estimated at 64 million m3, increased by 21.67% y.o.y and equivalent to 87.33 of the yearly plan. As PGS, the decline in revenue and profit came from the lowest level of FO prices since early this year, resulting in the unexpected business result.

At the end of 3Q/2015, gas field Tien Hai Thai Binh began exploration. As the company's share, gas selling price in Northern market is far below that in the South (~85% FO). Besides, input prices received a huge discount due to competition coal which is mainly used in the North. Currently, CNG's main clients (5-6 clients) all come from construction material, ceramic, pottery which could withstand high-temperature . We think that market expansion in the North is a bright spot to the company outlook. However, with the current gas price and initial capex requirement, we do not expect this new gas field could contribute profit to the company's bottom line in this year. CNG output from Tien Hai –Thai Binh field estimates to be about 8 million m3 and could increase to 26 million m3.

In addition to market expansion to the North, CNG has prepared to distribute Viglacera with about 20 million m3/year. However, the project has been relatively behind the schedule because Viglacera has not solved the internal issue. Therefore, it is high possibility that the gas getting time could be pushed to be after Q2/2016. Among gas companies, CNG has the characteristic of stable activities with business results following the plan.

In 2015, we estimated the revenue and profit of the Company to be at VND 940.73 billion (-13.34 y.o.y) and VND 140.86 billion (+8.90 y.o.y) respectively. The benefits from expansion from new customers need more time and favorable factors to be reflected into business efficiency. According to Rongviet Research analyst, CNG could be suitable for the investors with risk-adverse characteristics and favor high dividends. Following the plan, CNG could pay dividends at 30% in 2015, and the time could fall into early the next financial year. With the closing price of 30,900 VND/share, the dividend yield could be attractive compared to bank interest rates for 1 year term (~10%).

Business result adjustment for PGS. In 2015, we estimated that PGS could achieve total revenue and profit after tax at VND 5,635.14 billion (-24.71% y.o.y) and VND 141.05 billion (+0.57% y.o.y) respectively after excluding minority interests. According to several reports, the crude oil price could maintain at low level with slight increase of 5 USD/year. Therefore, the business results were adjusted to decline compared to previous forecasts because the crude oil prices have significantly declined compared to the average of 60 – 65 USD/barrel to 55 USD/barrel.

Figure: PGS business result forecasts

Particulars	Q32015	Q42015E	2015E
LPG (thousand tons)	171.46	51.22	222.68
CNG (million m3)	130.70	46.90	177.60
Revenue (bil d)	4,157.60	1,477.54	5,750.14
PBT (bil d)	173.06	62.03	235.09
PAT to shareholders (bil d)	110.76	30.39	141.05

Source: RongViet Research

Figure: CNG business result forecasts

Particulars	Q32015	Q42015E	2015E
CNG (million m3)	65.70	24.22	89.92
Revenue (bil d)	707.40	233.32	940.72
PBT (bil d)	106.56	34.30	140.86
PAT (bil d)	85.25	27.44	112.69

Source: RongViet Research

An easy "T+3"

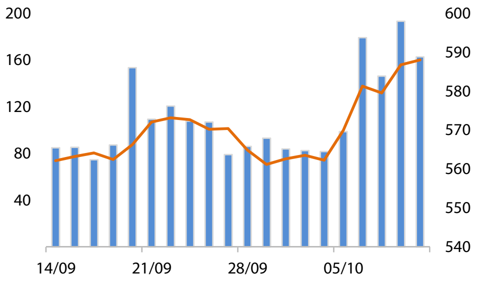
Profit takers made their moves. After an lively week, many stocks have increased more than 10% and reached the short-term targets of many investors. Contrast movements of Index between morning and afternoon session were a proof of short-term profit taking. Strong sale appeared at resistance 590, preventing index from crossing this level. However, markets were able to maintain its upward momentum thanks to strong demand of fresh money inflows. Divergence was witnessed in different groups of stocks, especially Insurance sector in which BVH was the only advancer and Real Estate group with opposite movements between ITA, KBC, HUT etc.

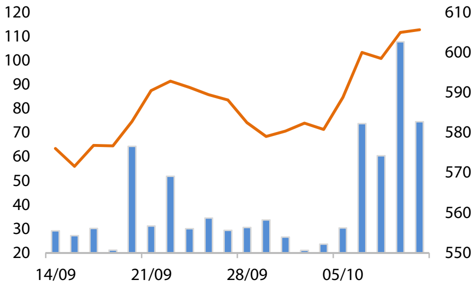
TPP effect supported market from 05-09/10. Sideways as the markets moved between 565-575 with low liquidity (average trading volume estimated at 80 shares/session) prior to TPP effect, which supported VNIndex and HNIndex to rise 4.57% and 3.55% consequently. Buyers diversified their portfolios through almost all listed stocks. However, the top 4 attractive sectors were only Oil & Gas, Banking, Real Estate and Insurance with noticeable choices ITA, BVH etc.

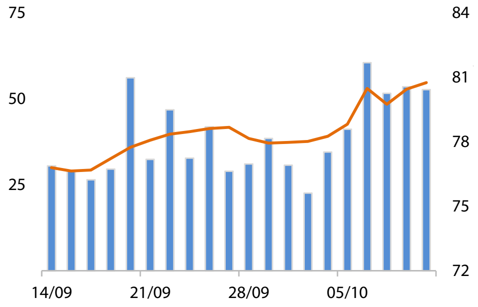
Liquidity increased significantly with average volume reached 180 million shares/session, up 87% w-o-w and higher 93% m-o-m. Foreigners were also affected by positive signs, represented by ETF prices appreciating and CDS dropping more than 20 pts. Specifically, after two consecutive net sale month, foreigners turned net buyers VND1,115 billion last week (real net value was VND471.2 billion excluding MBB transaction). Foreigners' top buying stocks were those in Real Estate and Insurance such as DLG, BVH, CEO, SCR etc.

The support for gain momentum in the following weeks still derives from expected information. We believe that the two positive factors for the market in October are TPP negotiations (already shown) and estimated 3Q business results. Despite huge stock volumes are likely to be sold in certain session, investor sentiment might be stable. As our opinion, demand (from domestic and foreigner) is enough to absorb supply and move stock prices up to new levels. In case that liquidity is the same as the current amount, eventful trading in upcoming week is considered to be highlight in this October.

VNINDEX	0.21%	588.02	VN30	0.11%	605.60	HNXINDEX	0.39%	80.75

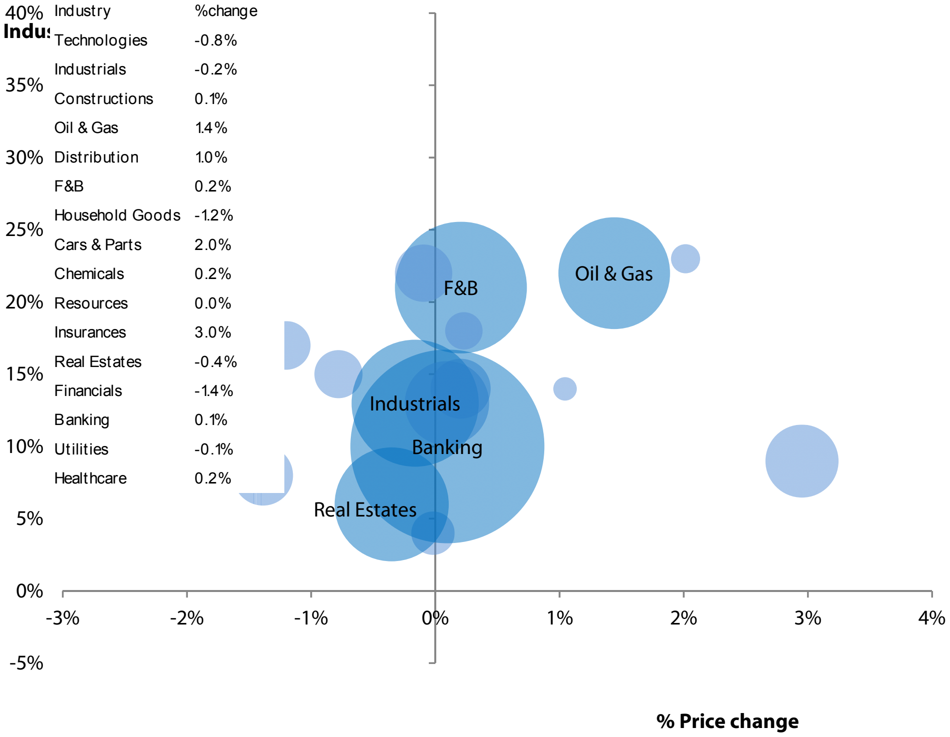




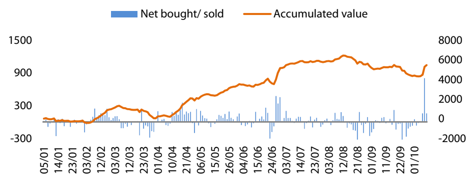


Industry Movement

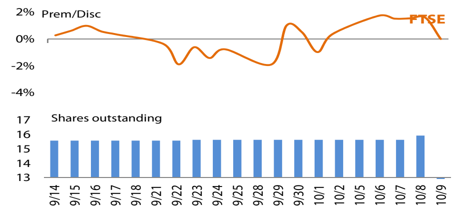
Industry	%change
Technologies	-0.8%
Industrials	-0.2%
Constructions	0.1%
Oil & Gas	1.4%
Distribution	1.0%
F&B	0.2%
Household Goods	-1.2%
Cars & Parts	2.0%
Chemicals	0.2%
Resources	0.0%
Insurances	3.0%
Real Estates	-0.4%
Financials	-1.4%
Banking	0.1%
Utilities	-0.1%
Healthcare	0.2%

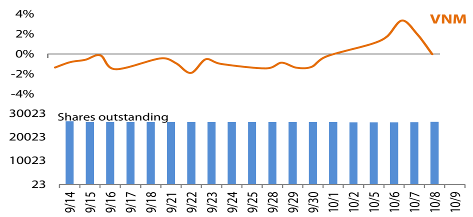


Foreign Investors Trading

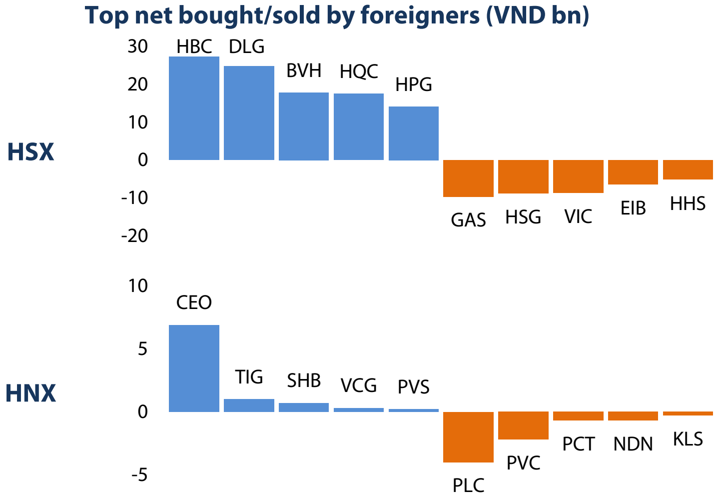


ETF





Top net bought/sold by foreigners (VND bn)



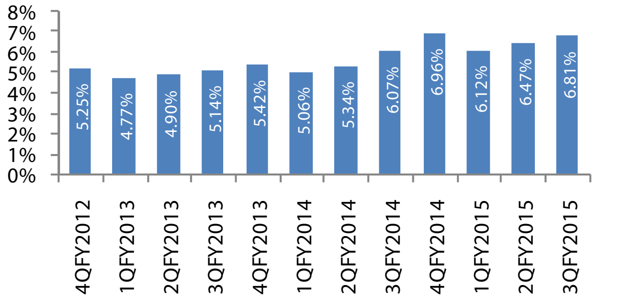
Top Active

Ticker	Price	Volume	% price change
FLC	7.3	15.09	2.8%
HAG	15.3	9.65	2.0%
ITA	6.2	9.35	3.3%
CII	23.1	7.50	-1.3%
DLG	7.4	6.55	1.4%

Ticker	Price	Volume	% price change
SCR	8.3	6.56	-1.2%
KLF	4.6	5.47	-2.1%
PVX	3.2	3.64	6.7%
PVS	22.9	3.20	3.2%
SHB	6.9	2.84	0.0%

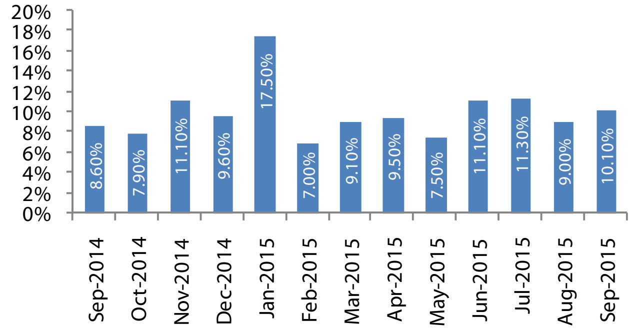
MACRO WATCH

Graph 1: GDP Growth



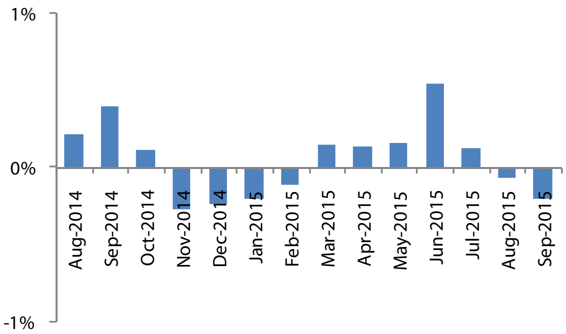
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



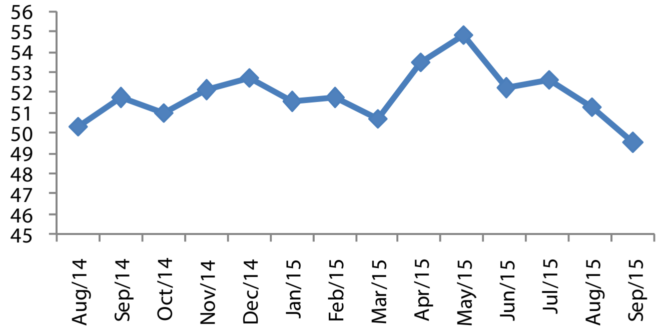
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



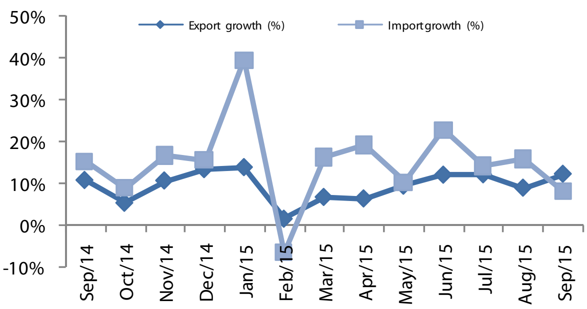
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



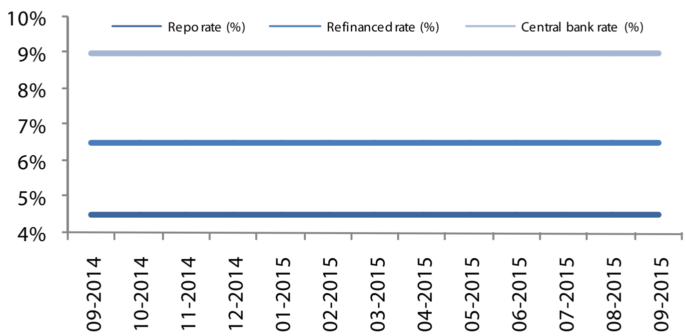
Sources: GSO. Rongviet Securities database

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
CHP- Off season advantages	Sep, 30th 2015	Buy - Intermediate	23,600
PXS - Invest to strengthen construction capacity	Sept, 4th 2015	Accumulate - Intermediate	17,000
SHP - Positive over long-term	Sept, 3rd 2015	Accumulate - Intermediate	20,800
PET - Tracking the progress of Thanh Da land plot transfer	Aug, 20th 2015	Stable	N/a
VNC - Embrace the new wave of international commerce	Aug, 14th 2015	Neutral – Long term	28,900

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	29/09/2015	0% - 0.75%	0% - 2.5%	11,922	11,900	0.18%
VEOF	29/09/2015	0% - 0.75%	0% - 2.5%	10,241	10,156	0.84%
VF1	02/10/2015	0.2% - 1%	0.5%-1.5%	22,761	22,699	0.27%
VF4	02/10/2015	0.2% - 1%	0%-1.5%	10,112	10,095	0.16%
VFA	02/10/2015	0.2% - 1%	0%-1.5%	7,097	7,217	-1.66%
VFB	02/10/2015	0.3% - 0.6%	0%-1%	12,375	12,361	0.12%
ENF	25/09/2015	0% - 3%	0%	11,578	11,326	2.22%
MBVF	24/09/2015	1%	0%-1%	10,538	10,391	1.41%
MBBF	23/09/2015	0%-0.5%	0%-1%	12,372	12,336	0.29%

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