

Between enthusiasm and profit-taking

Since the beginning of the year, the circumstance of Vietnam's stock market has changed dramatically. Concerns over external forces such as exchange rates, USD interest rates, trade relations with China are no longer an obstruction on the gaining path of indices. On top of that, robust participation of foreign capital has reignited enthusiasm of stock investors. In April, VNIndex beat the resistance at 580, closing the month with a return of nearly 3% and HNIIndex also gain 2%. The year-to-date accumulated of foreign investors is still negative VND2,000bn but excluding the bond-conversion-related sales of VIC, foreigners bought a net VND1,237 bn in April and VND1,086bn over the four-month period. We believe the low valuation in term of P/E and the increasing openness of local companies with regard to lifting the foreign ownership limit have played the key role in the return of foreign investors.

The market is under positive support of information, now that the new government has shown a lot of commitment in improving the business climate to prepare for the TPP, promoting capital market development in SOE restructuring and interest rate cuts. Though the cut in interest rates is selective and sector-specific, these statements should have a positive impact on the market's sentiment. Besides, the lifting of the FOL has remained an area of much focus. This month, two of VNIndex's largest-capitalization companies, i.e. BVH and VNM, will hold their 2015 AGMs. VNM deleted seven conditional operations subject to foreign ownership limit from its scope of business in early April. Given its status of the Vietnam's largest listed company by capitalization and the foreign sector's ever-growing interest in the company's stock, a possible FOL increase by VNM can send a strong message to the market and become a model for other companies.

With ample liquidity and increasing enthusiasm in foreigner trading in recent weeks, market confidence should remain strong this month. When the time is right, i.e. mid and small-caps begin to rally, the market will face substantial pressure from profit-takers. Therefore, we expect to see the market struggling as it moves without a clear-cut direction in May.

VNIndex is expected to move between 590 and 619 and HNIIndex between 78 and 82 this month.

We see two risks for the market in May, i.e. a decline in liquidity and a weakening of larger stocks. For the liquidity part, we notice that trading volume has picked up steadily since VNIndex pierced through 580. Liquidity dropped right before the long holiday but rebounded right after the market opened again. In the first two trading days of the month, liquidity maintained over 150 million shares. If this should continue, there will be opportunities "to buy low and sell high". However, the buy-and-hold strategy may require that investors wait for an appropriate entry point rather than following the market for now.

With regard to sector positioning, our statistics of Q1 earnings performance of 75% of the companies listing in the HNX and HSX has indicated stark divergence with only half the market posting positive revenue and profit growth in 1Q2016. Of the sectors we like in 2016, Construction and Building materials (including steel), Personal and household goods, Real estate and Food and Beverages has the most companies reporting earnings growth. In contrast, Seaports and Auto retailers experienced a slowdown attributable to strong competition and supply outgrowing demand. The divergence was even more noticeable at the company level as larger companies like CTD, SVC, PTB, HSG posted sales and profit growth way higher than industry averages.



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Large put through transactions aside, we notice that the foreign sector has been grown more confident over the last one month. The fact that liquidity has sustained even in slow-trading and down days is a sign of good sentiment. Whereas earnings announcements may only affect the course of specific stocks, we expect news on VNM's foreign room extension to have a spreading impact on larger stocks and then the whole market. Even so, increasing the positions in large-caps and high-beta stocks to take advantage of the market's upturn may not return significantly. It is also advised that buy-and-hold investors wait for an appropriate entry point rather than chasing the market at the moment.

With regard to Q1 earnings, construction and building material companies stood out with strong growth in both sales and profits. CTD, the largest civil contractor in the country, posted revenue growth of nearly 100% YoY and NPAT three times as high as that of 1Q2015, largely thanks to the large construction works carried over from 2015 and an increase in the proportion of Design-Build projects in the pipeline. Building material manufacturers in our conviction list such as DNP, BMP, KSB and HSG all reported two-digit growth in Q1 profits from a year earlier; HSG's NPAT increased three folds from the previous in the second quarter of the fiscal year 2016 (starting January). Given the robust real estate market and the government's push for infrastructure development, we see that the chances are high for these businesses to sustain strong growth throughout 2016.

Companies in Auto dealership and Travel also maintained their earnings power in 1Q2016. Contrary to a slowdown in the market for commercial vehicles, passenger car dealers like SVC and PTB reported strong sales last quarter. PTB's car sales jumped 24% YoY and SVC revenue expanded 50% YoY in Q1. We have a positive view of both companies in the intermediate and long term considering their high showroom counts solid market shares and strengthening consumer confidence.

- ✓ Transportation: PVT
- ✓ Seaports: HAH, VSC
- ✓ Construction: FCN, CTD
- ✓ IT: FPT, ELC
- ✓ Electricity: NT2, PPC, REE
- ✓ Real estate: BCI, KDH, NBB, LHG
- ✓ Special retailers: SVC, PTB, MWG
- ✓ Building materials: DNP, BMP, HT1, KSB, HPG, HSG
- ✓ Textile - garments: TCM, STK
- ✓ Oil & Gas: PGS, PVS, PLC
- ✓ Food & Beverages: VNM
- ✓ Other sectors: SKG, DHC, DRC, PTI, PAC, DPM

HIGHLIGHT STOCKS

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31 stocks of RongViet Research (analyzing, discussing with companies) and have analysis and specific evaluation in "Company report" or "Analyst pin board" till now

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Industries movement in April 2016 and P/E, P/B of industries at the end of the month



WORLD ECONOMY

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Over the last 4 months, major economies experienced remarkable movements. Specifically, there were short-term recovery signals from China, EU and US after struggles in 1Q2016. In contrast, emerging economies (Russia and Brazil) have been under the growth trap. In upcoming quarters, stimulus policies will gradually take effects along with positive domestic demand. As a result, growth momentum for global economy will be created.

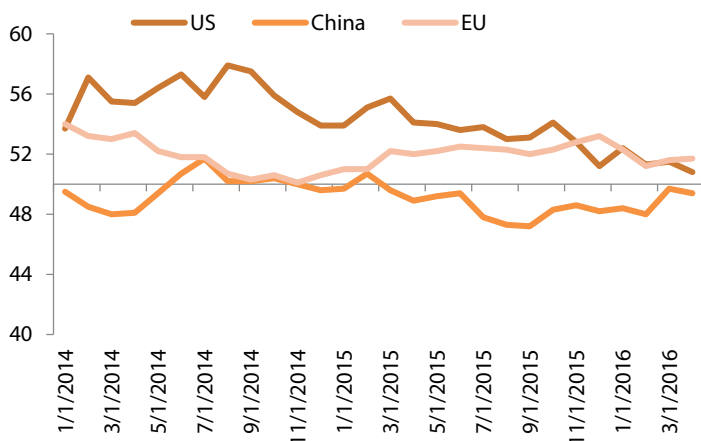
China – expect the recovery in coming quarters

In the first quarter of 2016, Chinese economy experienced pessimistic growth at 6.7% - lowest figure since 1Q2009. However, economic indicators provided several positive signals within Q1 and earlier 2Q2016. Remarkably, China trading activities started to recover. Over the last 3 months, exports improved by 11.5% yoy (January and February experienced -11.2% yoy and -25.4% yoy respectively). In term of imports, the decline rate narrowed down, achieved 7.6% (January and February experienced -18.8% yoy and -13.8% yoy respectively).

In addition, industrial activities experienced positive movements with 38/41 sectors to record positive growth rates. Entire industry achieved 6.8% yoy increase. Continue such trend, Chinese April Manufacturing PMI also improved, reached 49.4 points – strengthened the recent recovery of industrial activities.

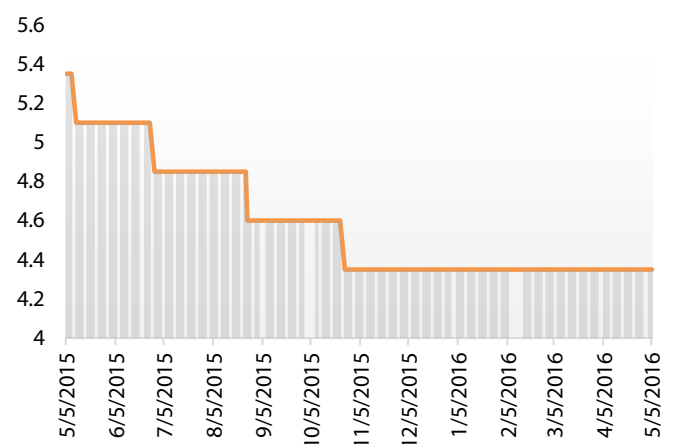
Furthermore, expansionary monetary policy is still the focus of PBOC when approximately CNY 7,500 billion has been pumped into the economy. Combined with stable domestic demand and global recovery, Chinese economy is expected to have a short-term leap in next months. According to Goldman Sachs, Chinese GDP growth rate for Q2/2016 was forecasted to be 7%, compared with 6.7% of 1Q2016 and 6.87% of 4Q2015.

Figure 1: PMI of China, EU and US



Source: Bloomberg

Figure 2: China interest rate



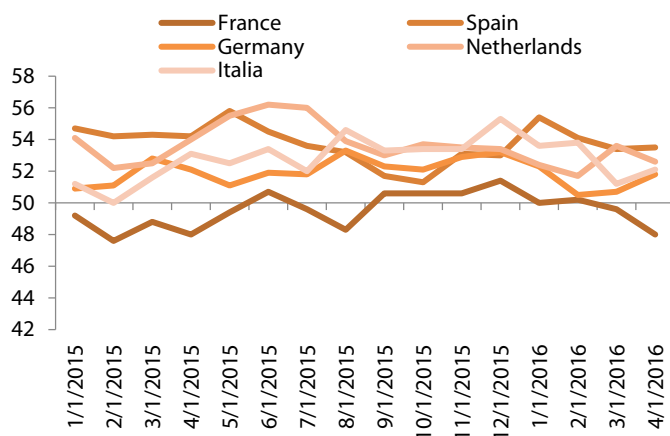
Source: Tradingeconomics

EU: Impressive growth in 1Q2016

Eurozone recorded 1.6% yoy growth rate in 1Q2016, higher than forecast of 1.4% with strong supporting from the recovery in France's and Spain's economy. Accordingly, those economies improved by 1.3% yoy and 3.4% yoy respectively. Industrial activities, especially in major economies, continued to expansion trend since late 2014. Eurozone Manufacturing PMI posted 51.7 points in April, higher than 51.6 points in March, 2016. Specifically, key economies such as Italian, Spain, Austria, Netherlands and Germany have expanded in industrial activities over the last 3 months. In addition, German employment market also improved with 35-year lowest unemployment rate. As a result, Eurozone unemployment rate dropped to 10.2% in March 2016, lowest level since 08/2011.

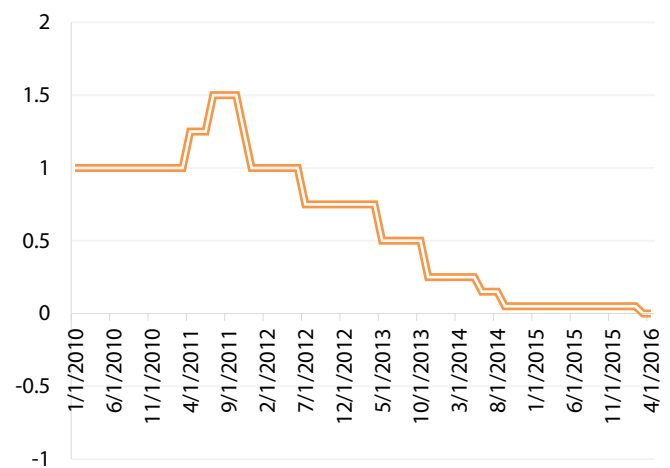
Expansionary monetary policy from European Central Bank since late 2014 is taking effects and has contributed to the recovery of EU economy. In April, 2016 meeting, ECB decided to maintain the refinancing rate at a record level of 0%. Alongside with current asset repurchasing program, ECB will initiate corporate bond purchasing program in June, 2016.

Figure 3: PMI several major economies in EU region



Source: Bloomberg

Figure 4: EU interest rate



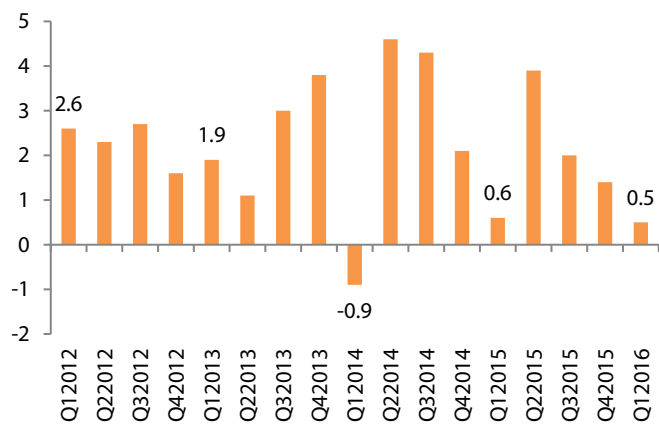
Source: Bloomberg

Divergence in monetary policy indirectly impacts major currencies' movement

In the first 4 months of the year, major currencies' movements went in accordance with monetary policies. However, the Yen is up against USD (inclined 11% since the end 2015) as Bank of Japan (BOJ) kept benchmark interest rates -0.1% in the April meeting. At the same time, BOJ's policy makers also made known the possible chances of lowering interest rates, deferring consumption tax increase (the plan implemented in April, 2017) as well as launching additional stimulus programs. In the early year, investors were concerned that the negative impact from China likely to spread out adversely to global market, thus, led to higher demand on Yen. This results on the extraordinary situation with this currency. According to the World Bank, in 2016, Japan's economy grew 1.7% estimate, higher than the 1.1% increase in 2015.

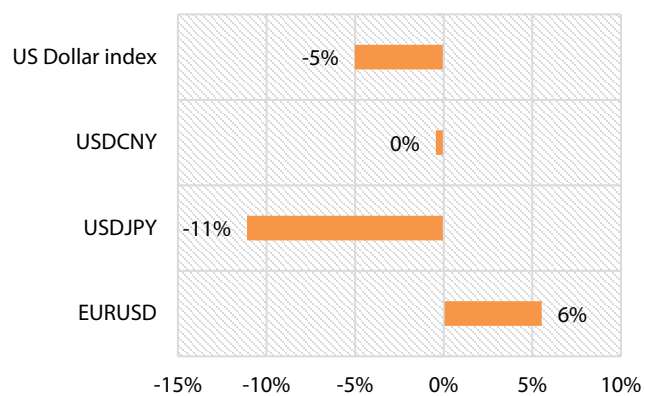
Meanwhile, at the April meeting, the Fed decided to maintain the current benchmark interest rate. Although the US's labor market has still improved, US economy remains at lower growth than expected. 1Q2016 US GDP growth rate was only 0.5%, lower than 0.6% and 1.4% in 1Q2015 and 4Q2015, which is likely to reduce the probability of FED hiking rate in next meeting. According to Bloomberg, only 10% of economists believe that the interest rate adjustment will take place next month, while the majority of economists believe that rate hikes will occur in the end of 2016 or the early 2017.

Figure 5: US GDP growth rate



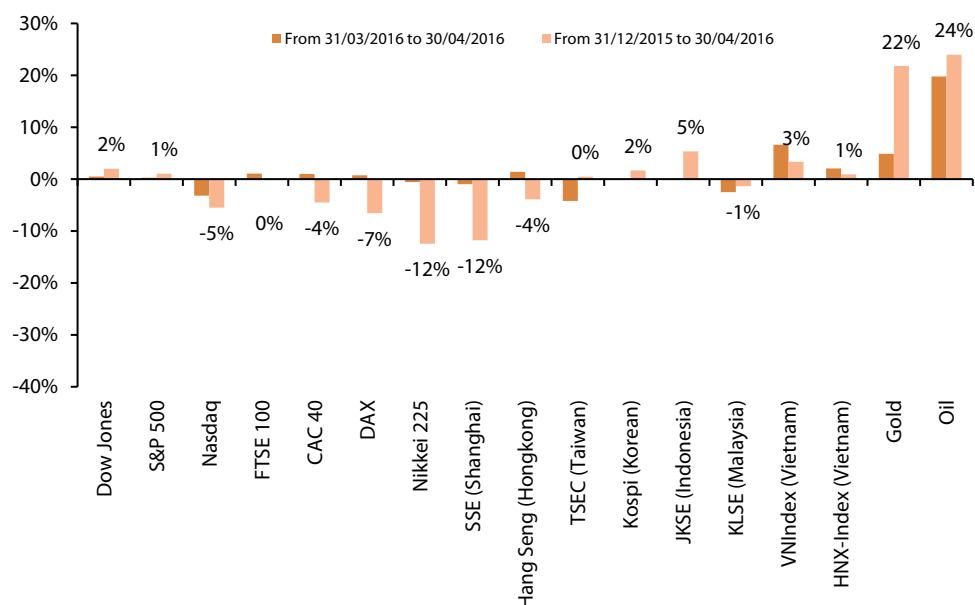
Source: Bloomberg

Figure 6: Exchange rate movements



Source: Bloomberg

Figure 7: World stock markets in April



Sources: Bloomberg, RongViet Research

After riding on rollercoaster in 1Q/2016, stock markets around the world remained balanced in April. The strong gain which started in mid-February was a “bottom fishing” response after a previous abnormal decline. Hence, most market could not sustain the rally when it came to April.

Major indices saw declines or minor gains. In US, DJI rose 0.5% and S&P made a monthly gain of 0.27% while Nasdaq continued to retreat another 2% due to sharp drop 5.8% of technology sector. The anticipated FED deciding to keep rate unchanged did not have effect on market sentiment. In Europe, FTSE 100, CAC 40 and DAX reversed and earned monthly returns of 1.08%, 1% and 0.74% consecutively. Most markets in Europe experienced lower liquidity as trading values fell 20% y-o-y because investors were showing their great concern on unstable political geography. In Asia region, Vietnam stock market represented by VNIndex (+6.62% m-o-m) and HNIIndex (+2.02% m-o-m) was among few strong markets besides Hong Kong market with Hang Seng Index slightly up 1.4%. The Asia markets were mainly affected by disappointed BoJ’s announcement of unchanged stimulus policies.

Crude oil price continued to aggressively rally in April. Specifically, Brent oil futures and WTI respectively reached 18.5% and 21.7% strong growth in the first half of the month and traded around USD42 – USD45/barrel. Although Doha meeting did not reach a consensus on freezing output, protests in Kuwait causing supply disruption and declining production figures in US and Russia were good impetus for oil prices.

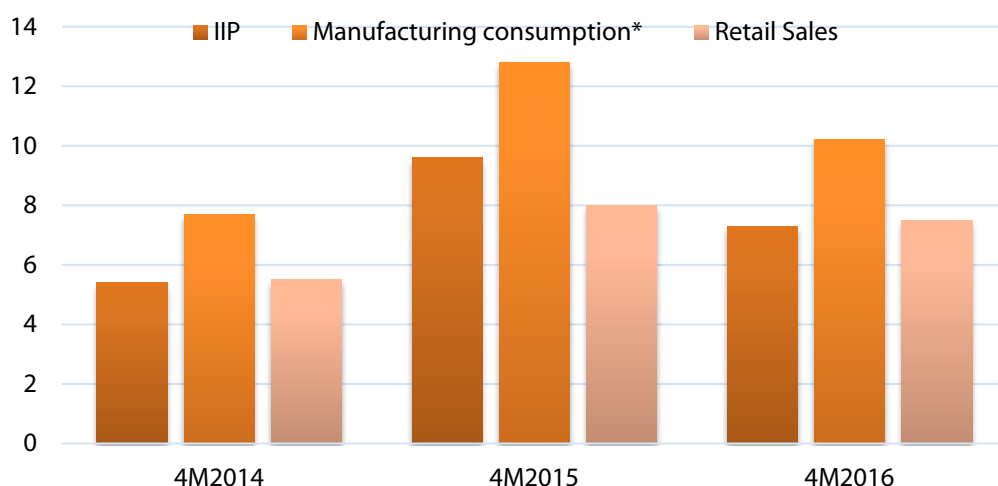
VIETNAM MACRO

- Economic core activities have been stable at lower level
- Trade deficit with China declined – optimistic or pessimistic?
- Concerns arising in upcoming quarters

Economic core activities have been stable at lower level

Continuing the pessimistic statistics in Q1, economic situation in April was lacked of improvement. Agriculture and mining sector deteriorated at faster pace, while others remained stable at lower growth rate compared to 2015. Regarding of agriculture, cultivated and harvested area decreased over the same period. Until April 15th, 2016, harvested area for Spring – Winter season declined by 4.1% yoy, specifically, Mekong Delta region experienced 6.2% of decrease. Industrial activities slightly declined compared to last month. Accumulated for 4 months, industrial index slightly improved by 7.3%, lower than 9.6% of the same period. In addition, consumption of industrial products and consumer goods have been stable with lower growth rate than the same period.

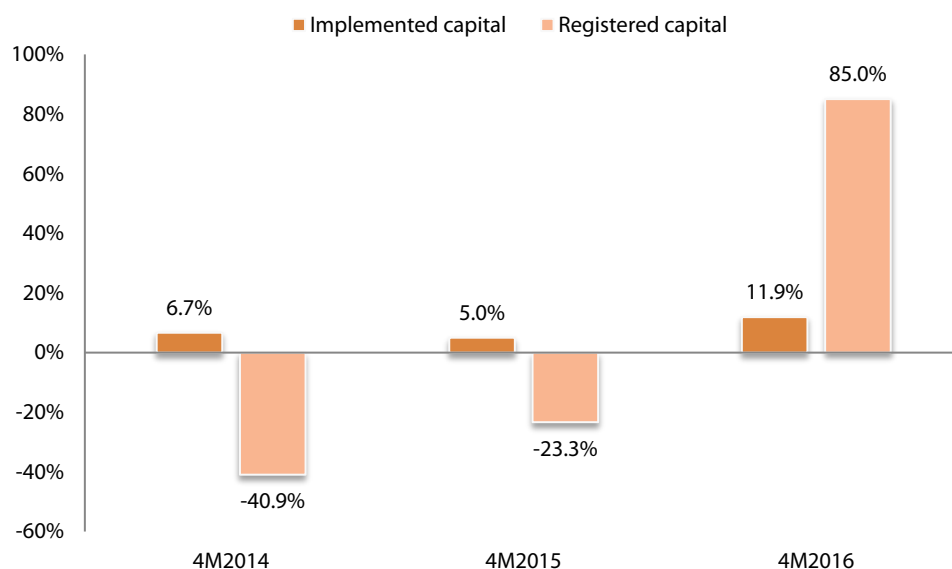
Figure 8: Main macro indicators' growth rate in 4M2016



Sources: GSO, RongViet Research, *until Q12016

In term of investment, total state investment improved over the last month. Moreover, foreign sector continued to be the highlight in term of attracting and disbursing investment capital. Until 20/04, total disbursement value achieved USD 4.7 billion, increased by 12% yoy. Newly registered and supplemented capital surged (+85% yoy), reached USD 6.9 billion. Furthermore, significant improvement in credit growth supported the economy. According to SBV, credit growth in intermediate and long-term increased by 5% compared to earlier this year. As a result, we expected that there will be improvement in investment to boost economic growth in the second half of 2016.

Figure 9: Foreign direct investment in the first 4 months



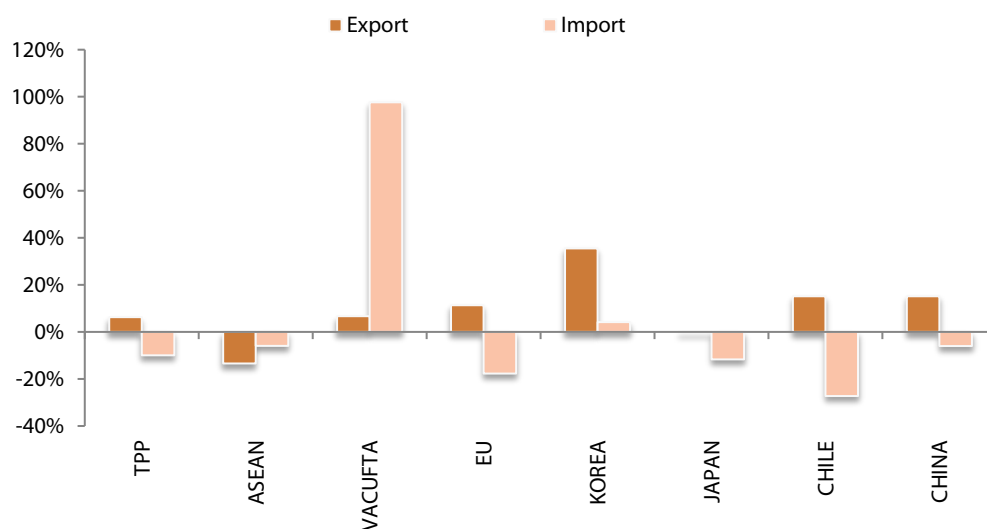
Sources: FII, RongViet Research

Trade deficit with China declined – optimistic or pessimistic?

Even though Q12016 recorded USD 1 billion in trade surplus, the same period deficit was USD 2.75 billion. However, growth rate in commercial activities has been relatively pessimistic with 6.4% yoy growth in exported (achieved USD 38.6 billion) and -4.2% yoy growth in imports (achieved USD 37.4 billion). The catalyst mainly came from FDI sector while domestic im-ex value remained unchanged. Remarkably, there was -16% yoy decline in trade deficit with China over Q12016. In particular, exported increased by 15.2% yoy along with -6% yoy in imports.

In Q12016, products experienced increase in exporting value to China were: vegetables, electronic products and components, fiber and yarns... Products with declining exporting value were: tea, cassava, wood and wood products... Among major exporting markets of Vietnam, China is the second largest market with highest growth rate, only after US over first 3M2016.

Figure 10: Import and Export growth in Q12016



Sources: Customs, RongViet Research

In term of imports, the decline in importing components and machineries was the main reason for the deterioration of imports from China. However, this issue mainly resulted from FDI sector. In contrast, importing activities for machineries of domestic companies still strongly improved. We believe that this will be a positive factor for industrial production prospects. With positive disbursement of foreign capital and the improvement of private sector investment, the stagnation in industrial growth could maintain in short-term.

Table 1: Export/import growth rates of key trading commodities with China in Q12016

No.	Exports		Imports	
1	Computers, electronic products and components	11%	Computers, electronic products and components	-13%
2	Vegetable	74%	Vegetable	-21%
3	Fibers, yarns	10%	Fibers, yarns	4%
4	Crude oil	131%	Crude oil	6%
5	Cassava and cassava products	-29%	Cassava and cassava products	3%
6	Cameras, camcorders and accessories	-5%	Cameras, camcorders and accessories	10%
7	Rice	62%	Rice	114%
8	Machinery, equipment, tools and spare parts	47%	Machinery, equipment, tools and spare parts	34%
9	Footwear	15%	Footwear	4%
10	Telephones and components	105%	Telephones and components	-44%

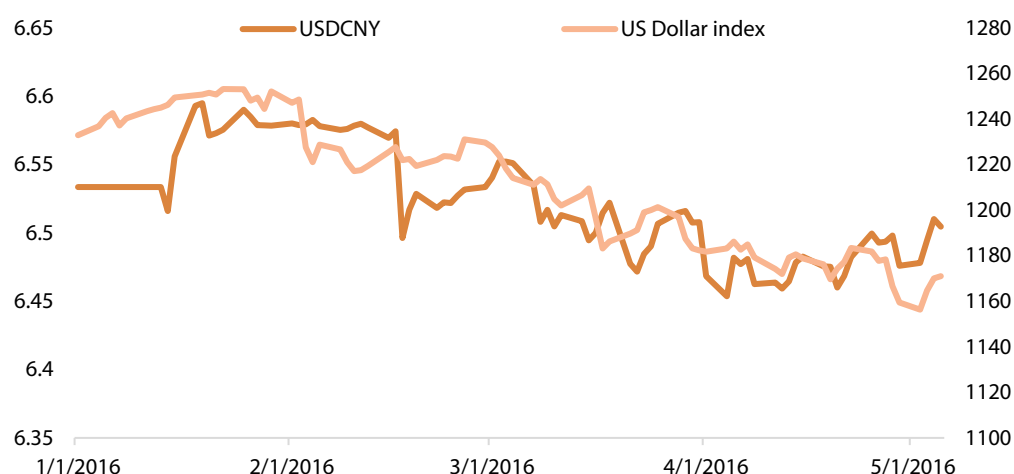
Sources: Customs, RongViet Research

From above arguments, the decline in Chinese growth could not seriously hinder demand for Vietnamese products. In addition, Vietnamese enterprises tend to import machineries and equipment from non-Chinese trading partners. Therefore, we favor the optimistic assessment when trading activities between China and Vietnam have narrowed down.

Concerns arising in upcoming quarters

Observing the adjustment of operating policy in Vietnam and others, we recognized that the macroeconomic risks were eased. For instance, the new exchange rate policy has stabilized the domestic exchange rate; FED has not raised interest rate and China's economy has performed a recovery thanks to the stimulation, which has reduced pressure on exchange rate.

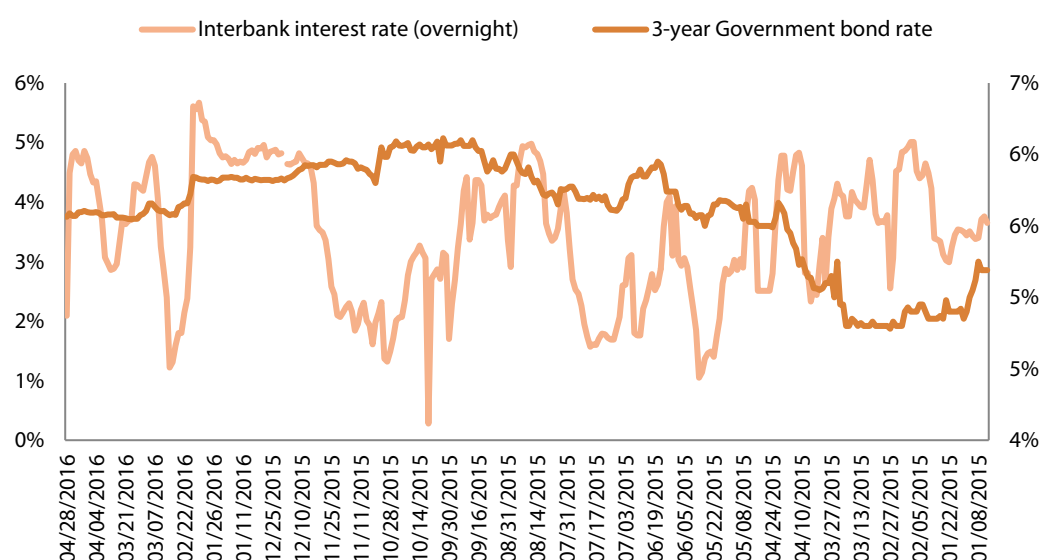
Figure 11: Change in USDCNY and US Dollar Index



Source: Bloomberg

In terms of interest rate, the latest message from Central Bank and the major banks' action have partly eased concern of rate increase. In late April 2016, Central Bank committed to keep lending rate stable, additionally, the Prime Minister also directed a 1%-decrease of rate in priority sectors. This orientation was followed by a lot of banks, especially key players. Particularly, Vietcombank launched the stimulus package including medium-and-long term rate ceiling of 10% for 1 year and VND 300 billion budget package to support business activities; BIDV reduced short-term rate of 0.5% for good customers and applied medium-term selling rate of 10%/year; Vietinbank reduced rate of 0.5%-1%/year in key businesses. Other banks as TPBank, SHB also provided stimulus credit package in priority segments. Currently, the money market condition has been stable enough to implement this policy. However, the orientation can be rather supportive than pushing the economy growth.

Figure 12: Change in interbank interest rate (overnight) and 3-year Government bond rate



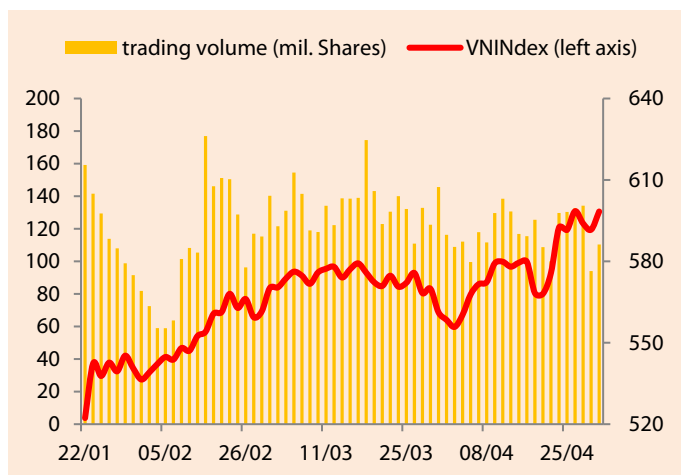
Sources: Bloomberg, SBV

In addition to the existing risks which cannot be immediately resolved such as public debt and budget deficit, there are some other arising risks as inflation, low growth of commercial trading and agriculture activities dulled due to the unfavorable weather. In our opinion, the risk relating to agriculture will impact immediately and most significantly on growth and can last until at least the end of Q2/2016. Meanwhile, inflation will not play a key role unless the crude oil price recovers sharply; low-commercial growth was forecasted previously due to the world economy trend. The devaluation to boost export activities may not be in this year's priority in policy making, however, there would be a risk of currency devaluation if FED decides to raise interest rate and China's economic recovery does not last long enough.

APRIL STOCK MARKET: The return of large cap stocks

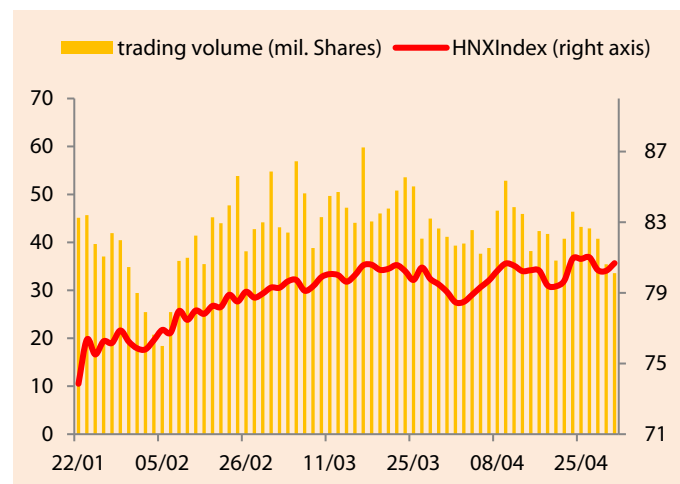
Large cap stocks came back. In March, market participants were still interested in penny stocks which either have price below VND10,000 or listed in Upcom. However, in April, thanks to news from parliament positions proposed, cash flows surged at stocks listed in HSX, especially large cap stocks. Therefore, VNIndex and VN30Index quickly rallied with 5 consecutive upward sessions to the peak established in March, also the peak of the first quarter.

Figure 13: VNIndex movements in April



Source: RongViet Research

Figure 14: HNXIndex movements in April



Source: RongViet Research

Besides, abnormal transactions of foreigners in 22th April caused investors to get confused. On that day, foreigners net bought over VND200 billion at large cap stocks. This supported VNIndex to break out 580 pts smoothly and then also established new price range. Consequently, there were two deductive reasons from investors about this cash flow. First, this cash flows were just for speculative purpose. Second, this cash flows were from investors who followed the strategy that they bought stocks in the early phase of new government tenure.

However, only new market price range was established but the market sentiment after that session has been not improved. VNIndex in remaining sessions' after that session fluctuated strongly around the range of 590-600 pts. These accumulating sessions were supposed to make the uptrend more reliable. However, the "Sell in May" anomaly would probably become a constraint for this trend in May.

Q1 earnings results and AGM notes were quickly reflected in stocks prices. Besides effects from the 13th National Assembly's 11th meeting, all potential stocks as well as sectors enjoyed attractive increases in prices in April thanks to Q1 earnings results as well as notes from their AGM. The AGM of VIC, VCB, BID, etc, affected market sentiments deeply. Discussions with these companies' managers at these meetings made investors more confident in short-term outlook of market. Therefore, VNM's AGM in May was expected to take same impact as these.

However, overall earnings result of market has so far been less than our expectation and dispersed strongly between sectors. We did statistics on 513 companies announced their earnings results (about 74% of listed companies in HSX and HNX). While market indices went higher attractively in April (VNIndex:+6.5% and HNXIndex: 2.8%), total earnings of these companies in the first quarter was relatively less attractive. According to this statistics, we recognized that their total revenue increased 6.0% (yoy) but NPAT for

parent shareholders decreased 5.5 (yoy) in the first quarter. However, there were some stocks as well as sectors getting very high growths in their profits. In the VN30 portfolio, only 25% of companies publishing their results had earnings growth above 10%. In addition, 47% of our sample experienced earnings growths higher than 10%. These positive results came from companies which took benefits of either low commodity input prices or strong investments in public transportation infrastructure as well as private real estates.

Table 2: Revenue and profit growth in Q1 by market indices (Units: %)

	VNIndex	VN30-Index	VNMid-Index	VNSml-Index
Revenue growth	8.8	6.0	22.8	6.8
NPAT growth	-8.7	-0.1	4.5	20.0

Source: FiinPro, Rongviet Research

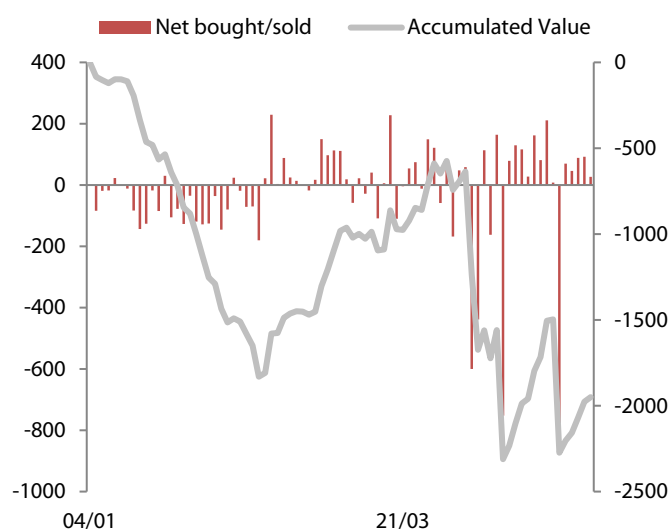
Table 3: Revenue and profit growth in Q1 by sectors

	Revenue growth	NPAT growth
Industrial Goods & Services	29%	41%
Food & Beverage	12%	32%
Construction & Materials	18%	21%
Financial Services	30%	-27%
Basic Resources	1%	603%
Retail	14%	-41%
Health Care	6%	19%
Oil & Gas	-22%	-53%
Utilities	-13%	-47%
Real Estate	-3%	-11%
Media	-1%	11%
Personal & Household Goods	9%	18%
Travel & Leisure	16%	-30%
Technology	19%	-48%
Chemicals	-14%	-24%
Automobiles & Parts	1%	10%

Source: FiinPro, Rongviet Research

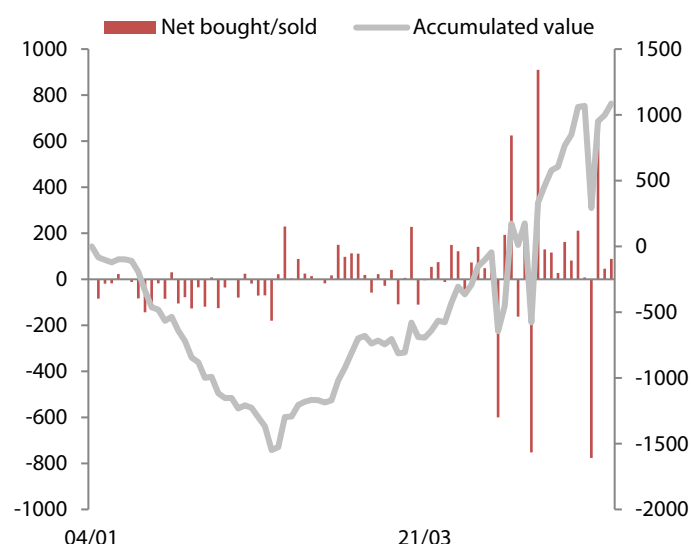
Foreign trading activities: Follow the YTD trend

Figure 15: Foreign investors trading



Source: RongViet Research

Figure 16: Foreign investors trading (excluding VIC)



Source: RongViet Research

Foreigners were quite active in spite of the absence of ETFs (ETFs finished their reconstitution in March and did not record inflows in April). Foreigners had the 3 out of 4 months' net selling in HSX as they net sold VND1,560 billion worth of shares. In HNX, offshore investors continued to net purchase with the total value of VND233 billion in April. The total values were biased by uncommon large selling at VIC (-VN2,563 billion). Probably, investors turned profit takers due to the convertible prices of USD300 million convertible bonds were lower than the current market prices. In HSX, SSI, HPG, GAS were top buys while VIC and VSH were top sells. In HNX, PVS continued to be the one that had the highest purchased value.

We are not worried about the YTD net selling values, which were biased by VIC. Excluding the large block selling of VIC, foreigners were net buyers with total values of VND1,086 billion. Besides, the participation of offshore investors remained stable at 9% notwithstanding ETFs' activities (in term of order-matching values), which was the monthly average from the beginning of 2016. **However, investors should be concern of the current inflows of foreigners as (1) the inflows in April majorly came from P-notes, which normally have short-term targets and high concentration.** Indeed, we observed that there had been 6/20 days that foreigners' participation surged to 11%- 15% with large trades concentrated on banking stocks such as VCB, BID, MBB, CTG and other financial service stocks like BVH, SSI. P-notes possibly targeted at these stocks. **The second reason is that the 5-yr-CDS of Vietnam usually forms bottom in May and increases sharply in 2-3 months later, which has been observed since 2011 – 2015.** The surge of CDS implies that foreign investors could withdraw their capital as they have higher risk assessment for Vietnam investment environment.

MAY STOCK MARKET OUTLOOK: BETWEEN ENTHUSIASM AND PROFIT-TAKING

Since the beginning of the year, the circumstance of Vietnam's stock market has changed dramatically. Concerns over external forces such as exchange rates, USD interest rates, trade relations with China are no longer an obstruction on the gaining path of indices. On top of that, robust participation of foreign capital has reignited enthusiasm of stock investors. In April, VNIndex beat the resistance at 580, closing the month with a return of nearly 3% and HNIIndex also gain 2%. The year-to-date accumulated of foreign investors is still negative VND2,000bn but excluding the bond-conversion-related sales of VIC, foreigners bought a net VND1,237 bn in April and VND1,086bn over the four-month period. We believe the low valuation in term of P/E and the increasing openness of local companies with regard to lifting the foreign ownership limit have played the key role in the return of foreign investors.

The market is under positive support of information, now that the new government has shown a lot of commitment in improving the business climate to prepare for the TPP, promoting capital market development in SOE restructuring and interest rate cuts. Though the cut in interest rates is selective and sector-specific, these statements should have a positive impact on the market's sentiment. Besides, the lifting of the FOL has remained an area of much focus. This month, two of VNIndex's largest-capitalization companies, i.e. BVH and VNM, will hold their 2015 AGMs. VNM deleted seven conditional operations subject to foreign ownership limit from its scope of business in early April. Given its status of the Vietnam's largest listed company by capitalization and the foreign sector's ever-growing interest in the company's stock, a possible FOL increase by VNM can send a strong message to the market and become a model for other companies.

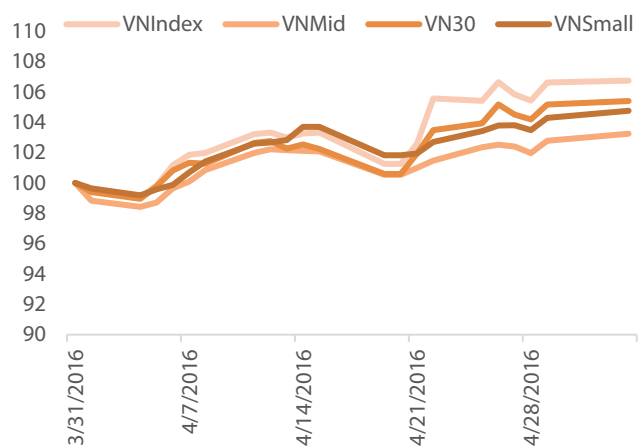
With ample liquidity and increasing enthusiasm in foreigner trading in recent weeks, market confidence should remain strong this month. When the time is right, i.e. mid and small-caps begin to rally, the market will face substantial pressure from profit-takers. Therefore, we expect to see the market struggling as it moves without a clear-cut direction in May.

VNIndex is expected to move between 590 and 619 and HNIIndex between 78 and 82 this month.

We see two risks for the market in May, i.e. a decline in liquidity and a weakening of larger stocks. For the liquidity part, we notice that trading volume has picked up steadily since VNIndex pierced through 580. Liquidity dropped right before the long holiday but rebounded right after the market opened again. In the first two trading days of the month, liquidity maintained over 150 million shares. If this should continue, there will be opportunities "to buy low and sell high". However, the buy-and-hold strategy may require that investors wait for an appropriate entry point rather than following the market for now.

With regard to sector positioning, our statistics of Q1 earnings performance of 75% of the companies listing in the HNX and HSX has indicated stark divergence with only half the market posting positive revenue and profit growth in 1Q2016. Of the sectors we like in 2016, Construction and Building materials (including steel), Personal and household goods, Real estate and Food and Beverages has the most companies reporting earnings growth. In contrast, Seaports and Auto retailers experienced a slowdown attributable to strong competition and supply outgrowing demand. The divergence was even more noticeable at the company level as larger companies like CTD, SVC, PTB, HSG posted sales and profit growth way higher than industry averages.

Figure 17: Market-cap indices' performance in April



Source: RongViet Research

Table 4: ASEAN market P/E and P/B comparison

Benchmark	Country	P/E	P/B
VNIndex	Vietnam	13.08	1.77
JCI Index	Indonesia	23.78	2.35
FBMEMAS Index	Malaysia	18.13	1.55
PCOMP Index	The Philippines	21.52	2.48
STI Index	Singapore	11.74	1.09
SET Index	Thailand	19.18	1.79

Sources: Bloomberg, RongViet Research

Large put through transactions aside, we notice that the foreign sector has been grown more confident over the last one month. The fact that liquidity has sustained even in slow-trading and down days is a sign of good sentiment. Whereas earnings announcements may only affect the course of specific stocks, we expect news on VNM's foreign room extension to have a spreading impact on larger stocks and then the whole market. Even so, increasing the positions in large-caps and high-beta stocks to take advantage of the market's upturn may not return significantly. It is also advised that buy-and-hold investors wait for an appropriate entry point rather than chasing the market at the moment.

With regard to Q1 earnings, construction and building material companies stood out with strong growth in both sales and profits. CTD, the largest civil contractor in the country, posted revenue growth of nearly 100% YoY and NPAT three times as high as that of 1Q2015, largely thanks to the large construction works carried over from 2015 and an increase in the proportion of Design-Build projects in the pipeline. Building material manufacturers in our conviction list such as DNP, BMP, KSB and HSG all reported two-digit growth in Q1 profits from a year earlier; HSG's NPAT increased three folds from the previous in the second quarter of the fiscal year 2016 (starting January). Given the robust real estate market and the government's push for infrastructure development, we see that the chances are high for these businesses to sustain strong growth throughout 2016.

Companies in Auto dealership and Travel also maintained their earnings power in 1Q2016. Contrary to a slowdown in the market for commercial vehicles, passenger car dealers like SVC and PTB reported strong sales last quarter. PTB's car sales jumped 24% YoY and SVC revenue expanded 50% YoY in Q1. We have a positive view of both companies in the intermediate and long term considering their high showroom counts solid market shares and strengthening consumer confidence.

- Transportation: PVT
- Seaports: HAH, VSC
- Construction: FCN, CTD
- IT: FPT, ELC
- Electricity: NT2, PPC, REE
- Real estate: BCI, KDH, NBB, LHG
- Special retailers: SVC, PTB, MWG
- Building materials: DNP, BMP, HT1, KSB, HPG, HSG
- Textile - garments: TCM, STK
- Oil & Gas: PGS, PVS, PLC
- Food & Beverages: VNM
- Other sectors: SKG, DHC, DRC, PTI, PAC, DPM

Table 5: Sectors' key information

ICB – Supersector	+/- Rev 1Q2016* (%)	+/- NPAT 1Q2016* (%)	P/E trailing (x)	P/B (x)	ROA (%)	ROE (%)	Mar. Cap (VND bn)	+/- Price 1-month (%)	+/- Price YTD (%)
Retail	26.0	48.7	13.2	4.1	19.5	42.8	15,139	3.2	-3.1
Real estate	89.4	29.8	12.7	1.1	4.3	11.3	75,594	5.2	3.2
Technology	-35.7	-19.3	11.9	1.8	7.4	18.7	24,805	1.9	1.5
Oil & Gas	-64.2	-88.7	3.8	0.7	8.4	20.1	17,174	7.0	-5.8
Financial Services	16.3	-10.1	11.2	1.2	5.8	9.0	26,502	1.9	-4.1
Utilities	-12.6	-43.7	7.4	2.2	21.4	33.1	132,863	16.5	31.5
Travel & Leisure	3.0	-45.8	27.5	3.5	17.9	21.0	12,357	-1.9	-6.5
Industrial Goods & Services	7.2	1.6	12.9	1.9	11.8	22.7	66,306	2.3	2.3
Personal & Household Goods	16.2	27.3	13.2	2.4	10.2	21.7	25,614	6.7	18.8
Chemicals	-7.5	-15.7	9.0	1.3	10.5	21.2	40,313	1.9	0.9
Automobiles & Parts	18.3	-24.4	10.3	2.0	13.0	28.1	12,022	7.8	-4.1
Basic Resources	2.5	315.8	16.3	2.3	5.7	12.4	66,188	8.8	15.7
Food & Beverages	37.2	46.3	25.9	2.6	4.2	8.9	99,927	4.9	2.0
Media	-2.6	27.3	13.4	1.9	6.4	10.3	1,979	18.8	210.0
Construction & Materials	13.2	1.6	14.6	2.0	7.0	12.2	72,612	3.5	10.1
Healthcare	6.3	18.4	11.2	2.3	13.5	19.5	15,922	2.5	27.1

Sources: Fiinpro, RongViet Research, * from 579 companies with Q1 financial statement published by 04/05/2016

HIGHLIGHT STOCKS

Ticker	Sector	Target price (VND)	Current price (VND)	Rating	Horizon	Financial			2016		Valuation		Trading			
						2015	2015	Debt /Equity (x)	+/- Rev (%)	+/- PAT (%)	P/E Trailing (x)	P/B (x)	+/- Price 1y (%)	Avg. vol. 3m (shares)	Mar. Cap (VND bn)	Foreign room (%)
DRC	Automobiles & Parts	52,000	47,500	Neutral	Long-term	2.0	17.7	0.6	17.7	21.5	9.9	2.5	(7.8)	500,456	194	19.7
PAC	Automobiles & Parts	37,000	41,000	Neutral	Intermediate-term	4.5	21.4	0.8	13.8	21.1	12.9	2.3	92.8	98,891	56	24.3
ACB	Banks	22,500	17,900	Accumulate	Long-term	2.8**	8.6	-	12.5	38.3	16.3	1.3	13.9	134,508	718	19.0
VCB	Banks	46,700	46,100	Neutral	Long-term	22.5**	15.2	-	11.3	27.7	23.1	2.7	32.3	959,736	5,502	28.0
DPM	Chemicals	32,500	30,200	Neutral	Intermediate-term	2.3	34.1	0.0	(8.9)	11.8	7.5	1.3	16.5	490,705	529	24.7
BMP	Construction & Materials	142,000	141,000	Neutral	Long-term	15.6	37.7	0.0	14.3	9.4	12.4	3.2	96.9	114,186	287	0.4
CTD	Construction & Materials	171,000	174,000	Neutral	Long-term	79.1	105.0	-	19.8	17.8	10.9	2.5	142.9	94,106	365	7.6
NT2	Electricity	35,600	29,000	Buy	Intermediate-term	(4.7)	(28.2)	1.2	(10.0)	(10.7)	7.4	1.7	20.5	822,497	370	29.4
PPC	Electricity	20,900	17,800	Accumulate	Long-term	2.4	(46.3)	0.8	(5.2)	44.4	10.2	1.0	(20.4)	737,749	254	36.0
MWG	Electronic & Electrical Equipment	93,000	77,500	Buy	Intermediate-term	60.3	59.7	0.8	50.8	31.6	10.3	4.4	(10.3)	119,359	509	-
VNM	Food Producers	145,000	142,000	Neutral	Long-term	14.6	28.0	0.1	13.0	11.0	21.5	8.1	69.6	1,375,780	7,632	-
DHC	Forestry & Paper	38,200	36,700	Neutral	Long-term	17.9	85.1	0.2	10.5	15.3	8.3	2.1	106.1	157,558	38	16.9



REE	General Industrials	31,000	23,500	Buy	Long-term	0.5	(19.2)	0.1	2.0	16.1	7.5	1.0	(4.1)	501,411	284	0.1
SVC	General Retailers	41,700	36,200	Accumulate	Long-term	24.7	86.0	0.7	5.1	16.0	8.2	1.0	99.7	131,050	40	14.8
PTB	Household Goods & Home Construction	130,000	119,000	Neutral	Long-term	24.2	51.5	0.9	20.1	34.9	9.4	3.2	183.7	39,701	96	41.1
HPG	Industrial Metals	39,700	35,000	Neutral	Long-term	7.6	7.8	0.5	27.1	24.3	7.0	1.7	24.1	2,218,263	1,149	9.9
HSG	Industrial Metals	50,000	50,000	Neutral	Intermediate-term	16,4***	59,1***	1.4	4.1	30.6	8.6	1.9	93.4	1,245,207	293	17.3
HAH	Industrial Transportation	56,000	41,200	Buy	Intermediate-term	21.9	26.9	0.4	11.0	(4.6)	5.6	1.8	-5.9*	200,900	42	38.0
PVT	Industrial Transportation	13,500	11,400	Accumulate	Long-term	9.4	7.6	0.8	3.9	17.0	7.9	0.9	(3.4)	1,291,670	131	33.9
VSC	Industrial Transportation	76,000	57,500	Buy	Long-term	4.1	11.5	0.3	30.0	(8.3)	8.5	1.9	39.1	141,158	107	-
KSB	Mining	53,900	50,000	Neutral	Long-term	18.2	29.5	-	7.4	19.0	8.8	2.1	106.6	746,391	52	31.3
PTI	Nonlife Insurance	28,500	22,500	Accumulate	Long-term	31.3	138.1	0.0	21.6	25.9	11.6	1.0	29.3	57,713	81	11.1
PLC	O&G	36,000	28,900	Buy	Intermediate-term	1.6	23.1	2.2	3.6	1.2	7.1	2.0	12.3	108,391	105	43.7
PVS	Oil Equipment, Services & Distribution	18,000	16,700	Neutral	Intermediate-term	(25.9)	(18.1)	0.2	(15.7)	(25.6)	5.1	0.7	(30.8)	1,803,809	334	23.5
TCM	Personal Goods	30,500	25,300	Accumulate	Long-term	8.6	(8.7)	1.3	24.7	20.0	8.1	1.4	(9.5)	569,952	55.63	-
BCI	Real Estate Investment & Services	28,000	23,700	Accumulate	Long-term	92.3	200.6	0.2	3.2	(13.3)	7.0	1.0	48.3	83,944	92	39.0
LHG	Real Estate Investment & Services	22,000	24,500	Neutral	Long-term	(25.7)	176.5	0.2	7.8	0.4	9.1	0.9	135.4	522,946	29	43.8



ELC	Software & Computer Services	32,000	22,100	Buy	Long-term	118.8	18.3	0.3	35.0	89.3	12.7	1.3	44.0	429,827	42	30.7
FPT	Software & Computer Services	52,000	48,100	Neutral	Long-term	16.3	17.3	0.9	7.5	10.1	10.0	2.3	16.7	785,379	860	-
SKG	Travel & Tourism	120,000	119,000	Neutral	Long-term	36.3	69.5	-	30.5	34.9	17.3	6.0	176.5	51,177	130	0.9

Source: RongViet Research

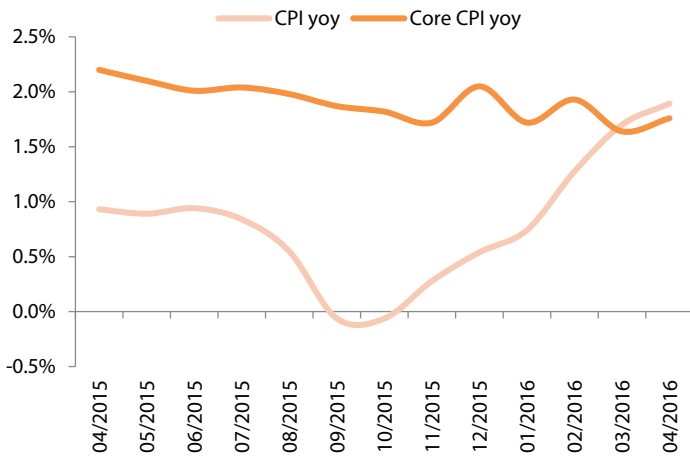
*Price change since listing

** Total operating income growth

***Fiscal year ending in September

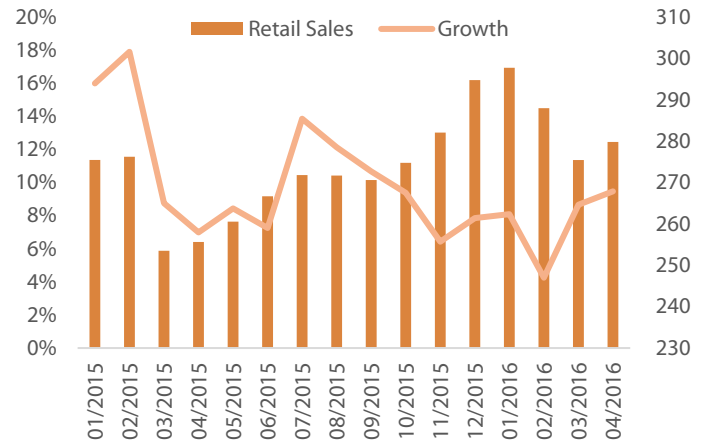
MACRO WATCH

Inflation surged in April



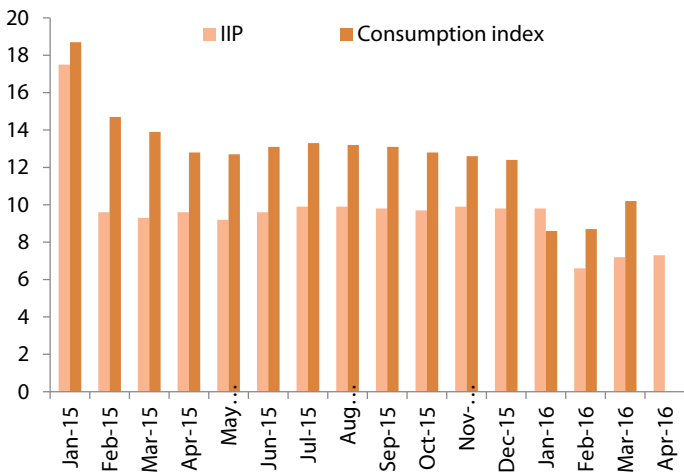
Source: GSO, RongViet Securities

Retail sales improved rapidly



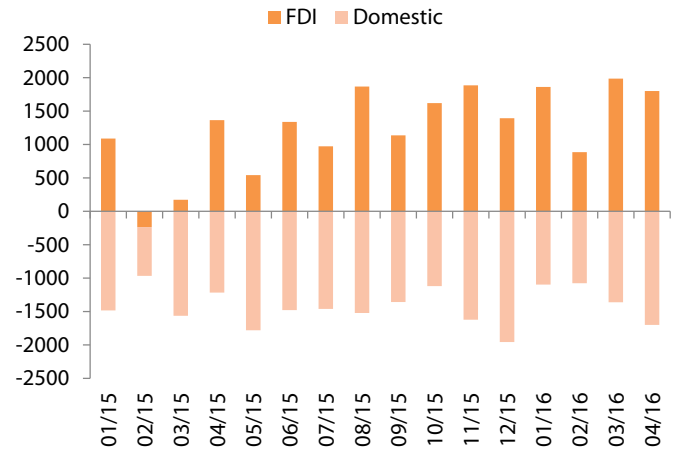
Source: GSO, RongViet Securities

Industrial production remained stable



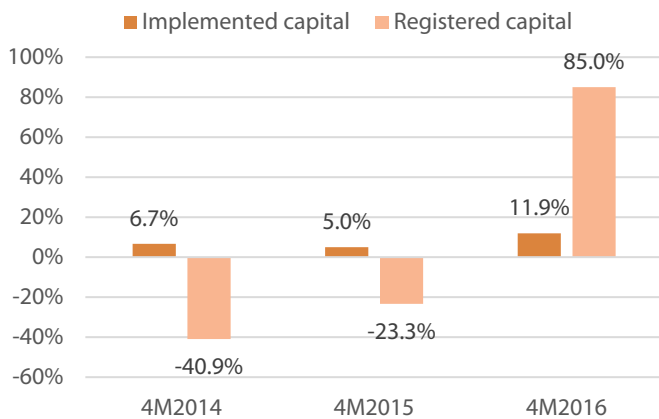
Source: GSO, RongViet Securities

Domestic firm's trade deficit increased significantly



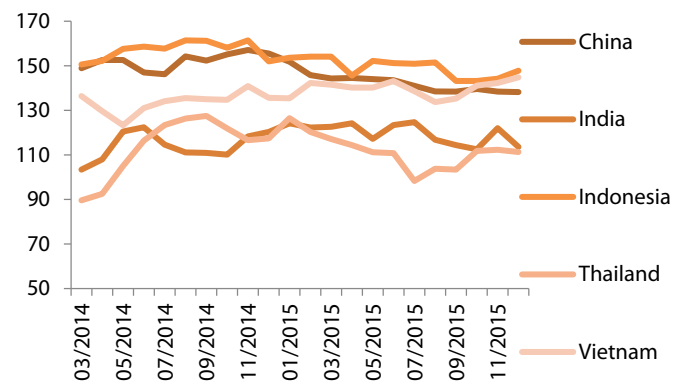
Source: GSO, RongViet Securities

Implemented FDI capital remained high



Source: GSO, RongViet Securities

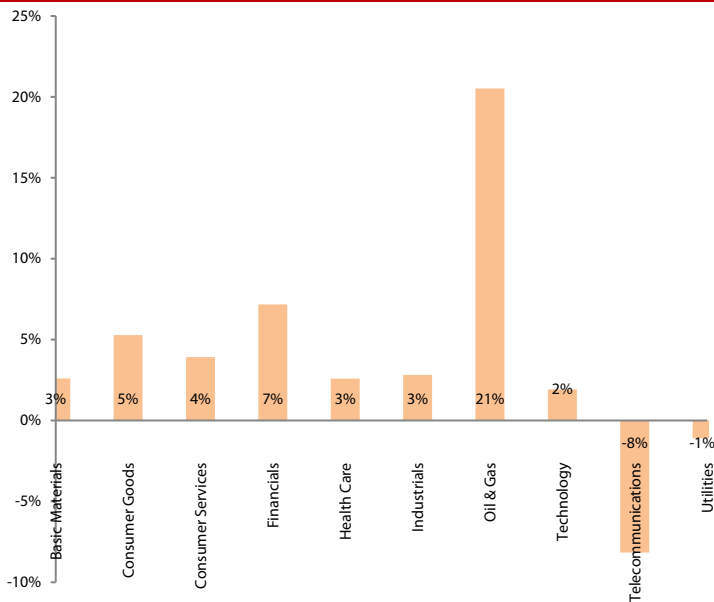
Vietnamese consumer confidence is the top among Asian's



Source: ANZ, RongViet Securities

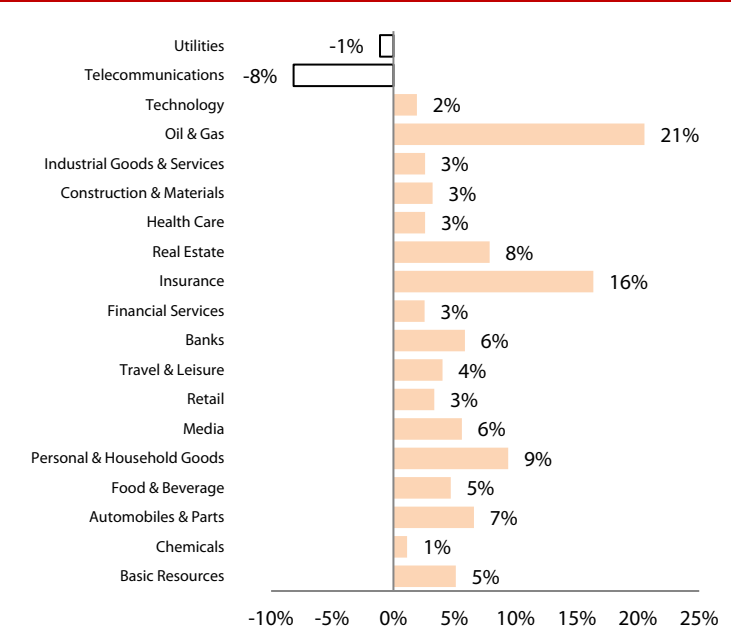
INDUSTRY INDEX

Level 1 industry movement



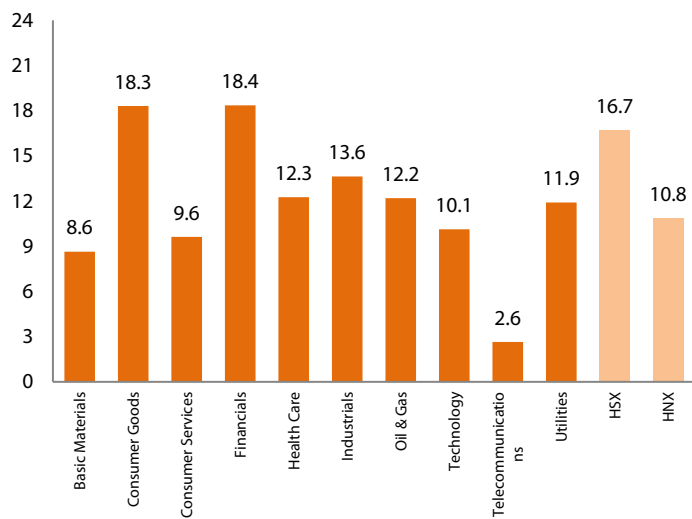
Source: RongViet Research

Level 2 industry movement



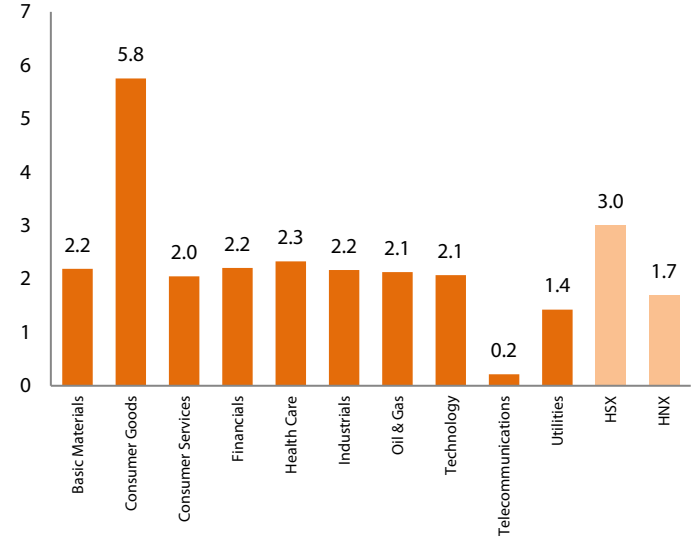
Source: RongViet Research

Industry PE comparison



Source: RongViet Research

Industry PB comparison



Source: RongViet Research

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