OCTOBER

ADVISORY DIARY

28

WEDNESDAY

- **Markets saw the third drop of the week**
- **Macro updates: Doing Business 2015 and October CCI survey**
- **Automobile industry - Riding on a bumped road in 2016**

**Markets saw the third drop of the week**

**Indices continued to slip.** VNIndex is facing a threshold at 600. By the end of today, VNIndex lost 2.2 pts and closed at 596.24 pts while HNIndex stood still at 81 pts. Liquidity climbed higher 12.4% with total matching-order volumes reached 136 million shares, equivalent to VND2,460 billion.

**Large cap continued to be main causes of index's decrease while mid and small tried to support the index**. In early October, large cap leaded the index from 565 to 590 but that leading role does not exist now. Excepting for FPT and HHS, most of stocks in VN30 closed at and below reference prices. Currently, cash flow is likely to support Mid and Small cap. VN30 dipped 0.37% while VNMid and VNSml surged 2.28% and 0.73%.Foreigners turned to net sellers after 6 days net buying. Total value foreigners sold was VND54 billion. However, this is such a small value compared to total accumulated value of this month (around 1.03%). Hence, net sellers are not a big concern at this moment.

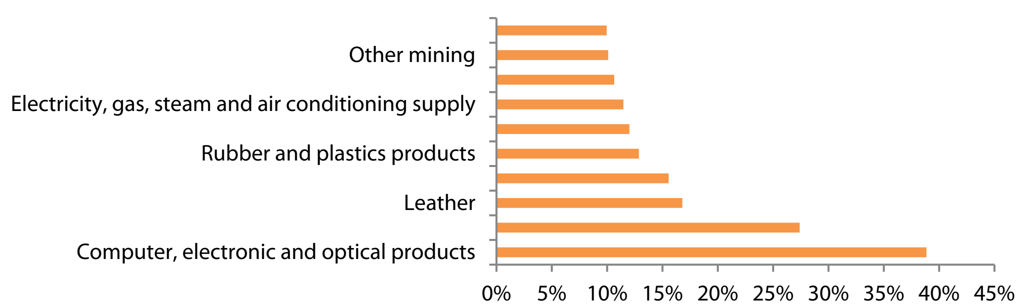
**Beside tracking which group money is flowing into, investors may use top-down method to select stocks based on industrial production index.**

According to GSO, industrial production increased by 3.4% compared with last month. Regarding 10-month accumulation, industrial production index improved by 9.7% yoy. Based on the accumulated growth, it could be seen that industry growth has been stabilized. In particulars, growth rate in manufacturing computers and electronic products industry (has the highest growth rate since early 2015 with ~39%) has experienced the stagnation since 7/2015. Similarly, motor vehicle manufacturing industry (second highest growth rate) recorded a significant growth in Q2/2015.

In term of consumption, we recognized several major trends. Industries related to manufacturing activities with the highest growth rates regarding consumption are electronic product and motor vehicle. Meanwhile, consumption strongly increases in several industries linked to infrastructure investment and the recovery of real estate industry (including steel and concrete). Furthermore, supporting industries such as packaging, livestock feed or battery also experience the increase in consumption demand.

Based on top-down method, listed companies operating in high growth sectors in term of production and consumption also recorded positive growth in business results, as a consequence, reflecting in the stock prices over recently.

**Figure 1: Industrial production indices in several sectors**




## "Markets saw the third drop of the week"

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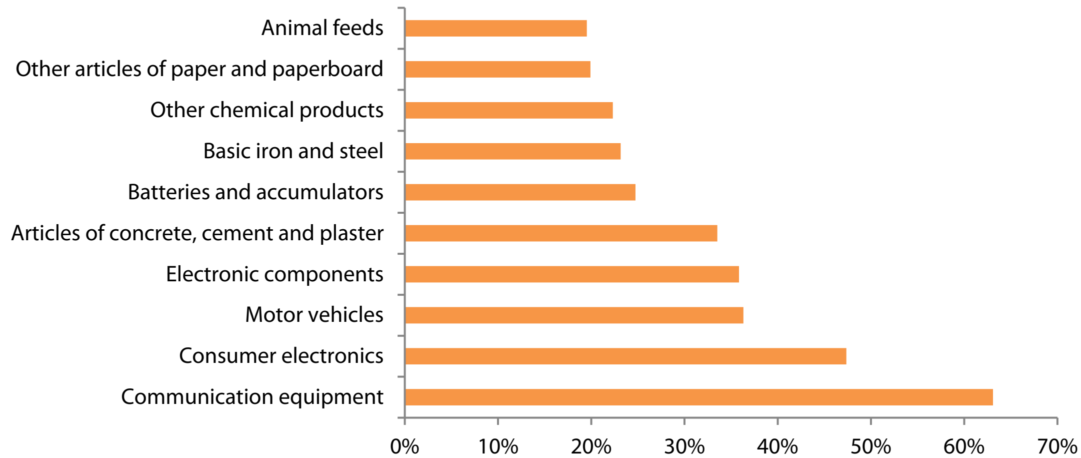
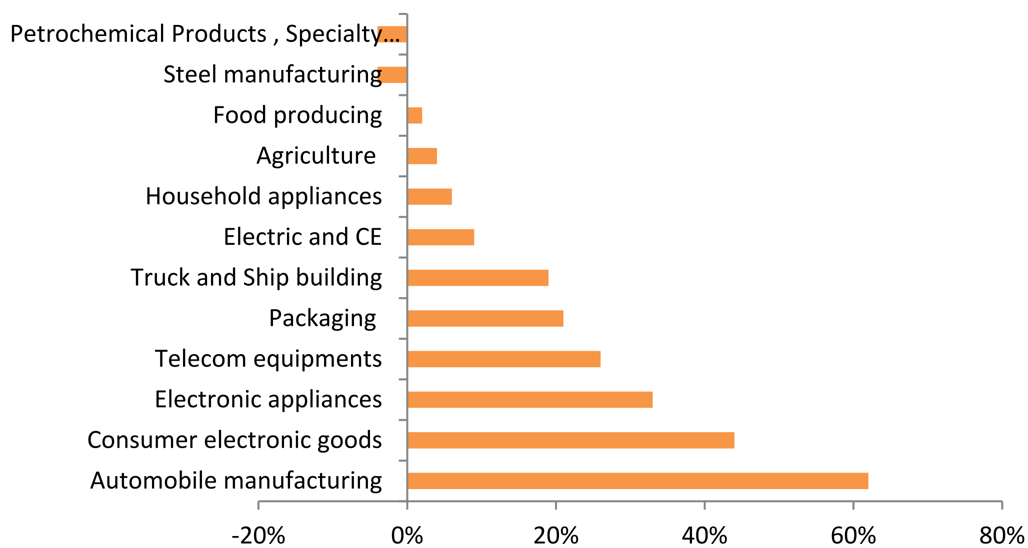
Sources: GSO, RongViet Research

**Figure 2: Consumption indices in several typical industrial products**




Sources: GSO, RongViet Research

**Figure 3: Net revenue growth (y-o-y) of industrial sectors**




Sources: GSO, RongViet Research

**Macro updates: Doing Business 2015 and October CCI survey**

According to Doing Business 2015 published by World Bank on 10/27/2015, Vietnam climbs three places from last year ranking, ranks 90 out of 189 surveyed economies. In East Asia – Pacific, Vietnam ranks 11 among 25 economies, has a relatively high ranking in dealing with construction permits and getting credit indicators. The report showed that during the previous year, Vietnam has improved most in three areas including getting electricity (up 22 places), access to credit (up 8 places) and starting a business (up 6 places).

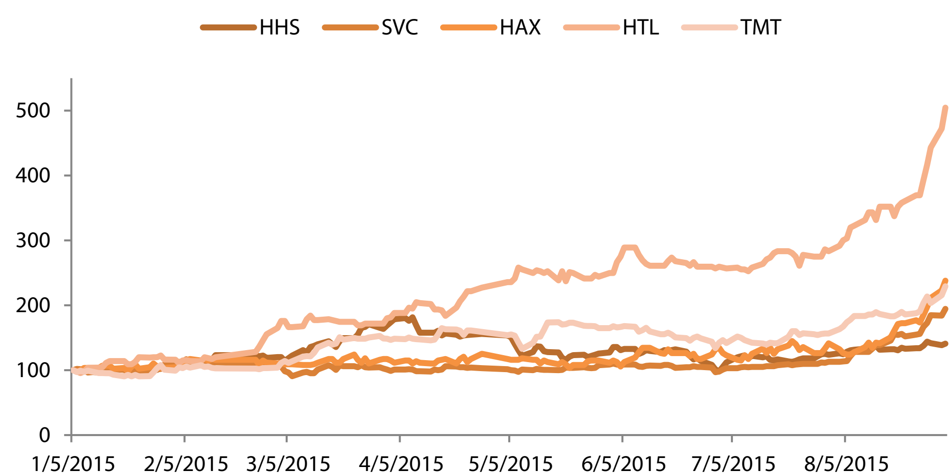
ANZ announced October CCI (consumer confidence index) of Vietnam. The index made its gain to 141.1 pts after significant fall in last two months. Considerably, consumers are more positive about their financial status (+5 m-o-m) compared to how they reacted in last year. We think such confidence will contribute to higher consumption for the year-end period. The data also show that Vietnam is taking the lead in consumption among regional countries while the country only came as third place after China and Indonesia last month.

**Automobile industry - Riding on a bumped road in 2016**

According to the statistical result by VAMA, for 9M/2015, the total sales volume car in Vietnamese market reached 163,433 cars (+ 53% yoy). Particularly, passenger cars and commercial vehicles reached 95,192 (+ 40.1% yoy) and 59,944 vehicles (+ 71% yoy) respectively.

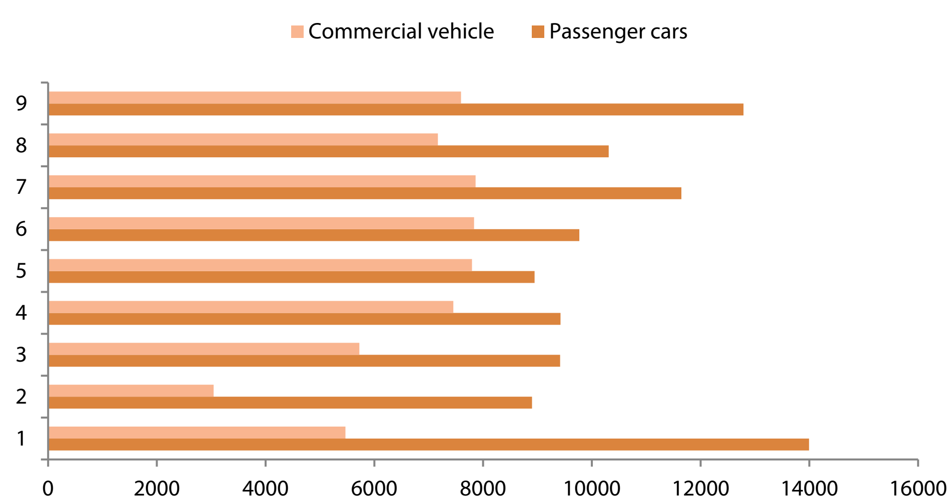
Positive figure from the automotive industry is simultaneously reflected in the earnings of the companies in the industry. Up to September/2015, 4/5 of enterprises exceeded annual targets NPAT; namely TMT (over 23%), HAX (over 7%), HTL (over 72%), SVC (exceeding 20%). Meanwhile, even though not yet complete but HHS also reached 75.8% of the planned annual NPAT. With the aboved positve news, unsurprisingly, the stock prices of automobile firms had been sharply fluctuated.

**Exhibit: Price movement of automobile shares**




*Source: RongViet Research*

**Exhibit: Total sale of passenger cars and commcercial vehicles in 9M/2015**



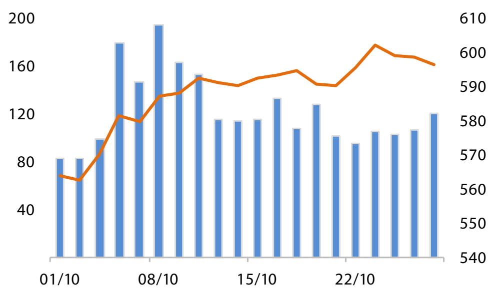

*Source: RongViet Research*

The real value of the industry tickers has gradually impacted on market price when their performance has been published. However, investors raised a concern that these stocks has been trading high price. As our calculation, this industry P/E 2015 traded at 7x; particularly, HHS reached P/E forward of 4x, others got 10x. Compared with the P/ E ratio of about 11x of VNIndex, we realize that the automotive industry share is no longer attractive.

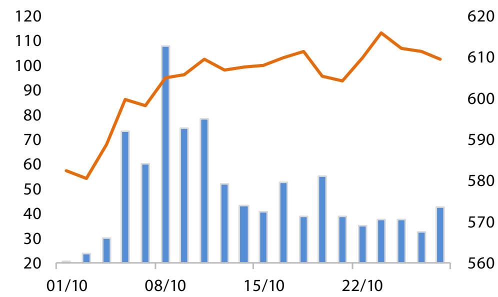
On the other hand, investors should also look for the industry outlook to determine the reasonable valuation in 2016 cause the fiscal year 2015 is about to end. In terms of commercial vehicles, we believe that growth may slowdown compared to the big leap in 2015. The reasons are (1) the Ministry of Finance released the draft "Adjustment of tax import of trucks and specialized vehicles ", with an increase from 2% to 40% for some imported vehicles, (2) Circular tightening overload truck oversized would not have a significant impact as of in 2014 and 2015. Thus, the automobile firm whom distributes commercial vehicles such as HHS, TMT or HTL may be unable to achieve the strong revenue growth (over 100%) as in 2015. In particular, HHS is forecast most badly affected when import duties for International and Feeightliner trucks would increase from 20% to 25%. *The detailed analysis of HHS could be found in the newly updated report released today (10/28/2015) by Rong Viet Research (Please download the report here)*

Regarding to passenger car, the growth as our estimate is likely to down slightly but remain two-digit figure as (1) tariffs automobiles imported from ASEAN types will decline from the current level of 50% to 40% in 2016, and then further decrease to 0% in 2018, (2) the number of vehicles per capita of Vietnam is about 33/1000, lower than the other regional countries. Based on the analysis above, we expect that in spite of maintaining the growth, it is not “smooth road” for automobile industry to jump as this year.

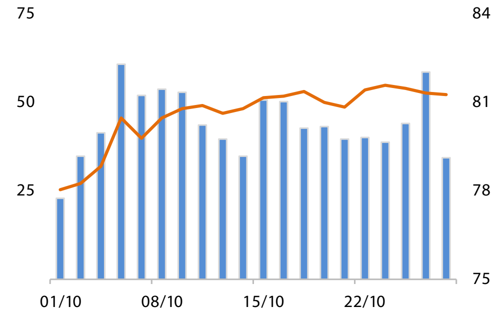
**VNINDEX** -0.37% **596.24**




**VN30** -0.31% **609.68**

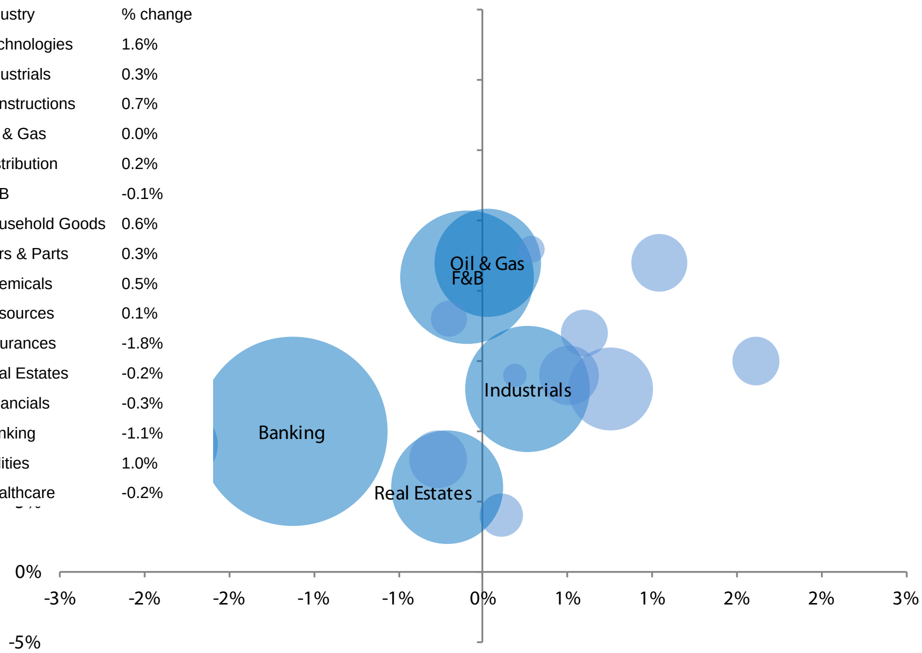



**HNXINDEX** -0.10% **81.22**

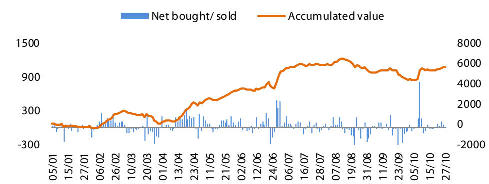



## Industry Movement

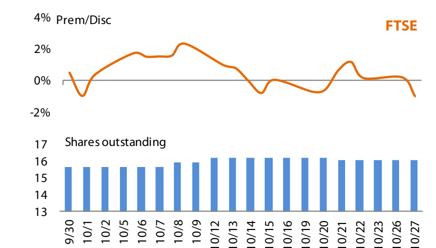
| Industry | % change |
|---|---|
| Technologies | 1.6% |
| Industrials | 0.3% |
| Constructions | 0.7% |
| Oil & Gas | 0.0% |
| Distribution | 0.2% |
| F&B | -0.1% |
| Household Goods | 0.6% |
| Cars & Parts | 0.3% |
| Chemicals | 0.5% |
| Resources | 0.1% |
| Insurances | -1.8% |
| Real Estates | -0.2% |
| Financials | -0.3% |
| Banking | -1.1% |
| Utilities | 1.0% |
| Healthcare | -0.2% |

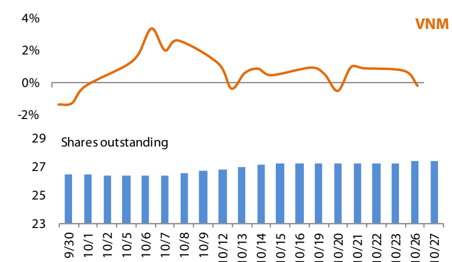



## Foreign Investors Trading

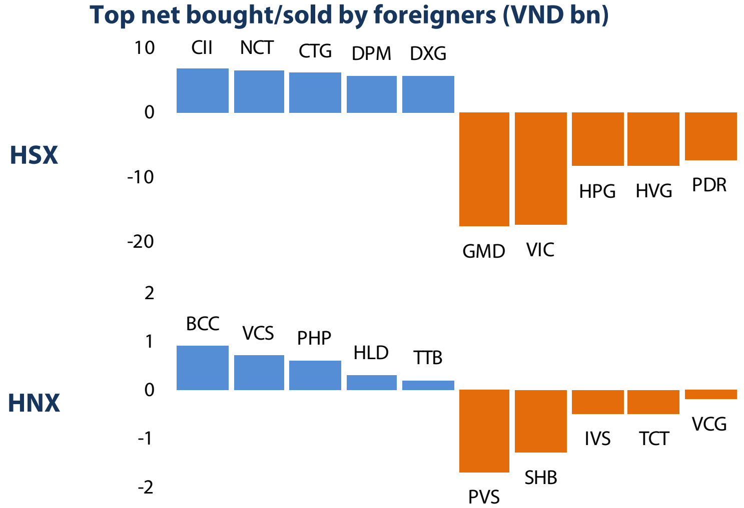



## ETF




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



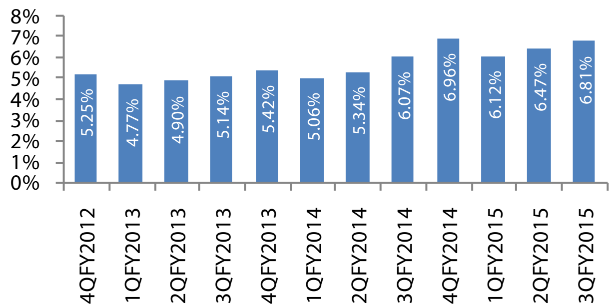

## Top Active

| Ticker | Price | Volume | % price change |
|---|---|---|---|
| FLC | 7.0 | 5.37 | 1.4% |
| ITA | 6.5 | 5.19 | -3.0% |
| HAG | 14.0 | 5.06 | -2.1% |
| CII | 24.2 | 4.53 | 1.3% |
| HQC | 6.6 | 4.36 | -2.9% |

| Ticker | Price | Volume | % price change |
|---|---|---|---|
| TIG | 11.2 | 2.98 | 1.8% |
| PVS | 21.5 | 1.87 | -1.8% |
| SCR | 8.0 | 1.67 | -1.2% |
| SHB | 6.7 | 1.66 | 0.0% |
| KLF | 4.4 | 1.48 | 0.0% |

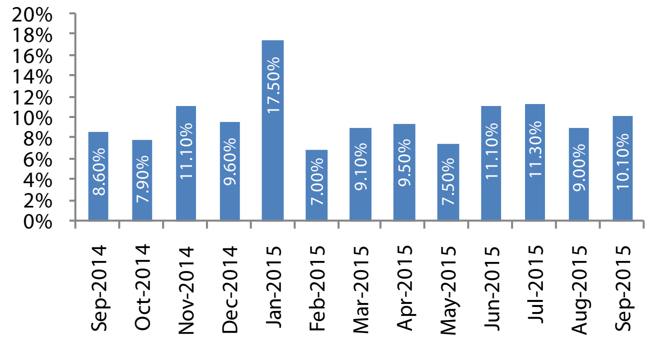
# MACRO WATCH

### Graph 1: GDP Growth



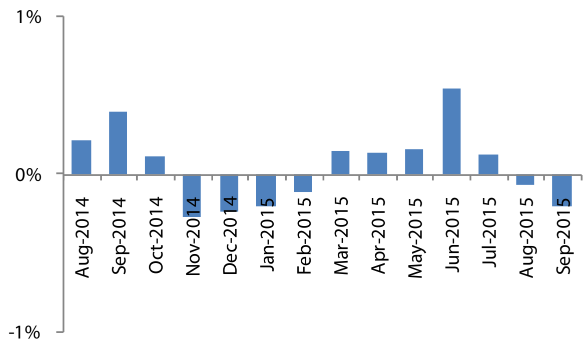

*Sources: GSO. Rongviet Securities database*
*(*) Comparision price in 1994*

### Graph 2: IIP



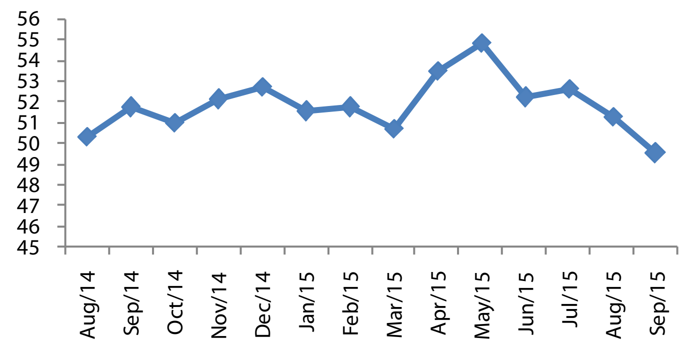

*Sources: GSO. Rongviet Securities database*

### Graph 3: Monthly CPI



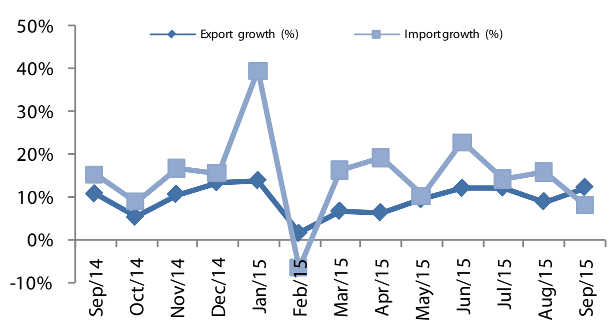

*Sources: GSO. Rongviet Securities database*

### Graph 4: HSBC - PMI



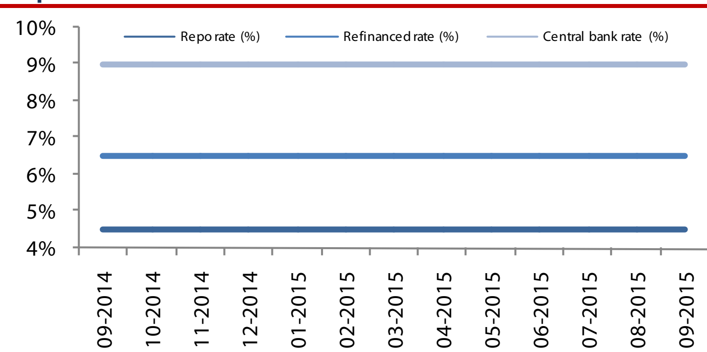

*Sources: GSO. Rongviet Securities database*

### 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 |
|---|---|---|---|
| PVT - Upside potential outweighs short-term risks | October 20th, 2015 | Buy – Long-term | 15,900 |
| 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 |

*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 | 06/10/2015 | 0% - 0.75% | 0% - 2.5% | 11,935 | 11,922 | 0.11% |
| VEOF | 06/10/2015 | 0% - 0.75% | 0% - 2.5% | 10,347 | 10,241 | 1.14% |
| VF1 | 16/10/2015 | 0.2% - 1% | 0.5%-1.5% | 23,599 | 23,545 | 0.23% |
| VF4 | 16/10/2015 | 0.2% - 1% | 0%-1.5% | 10,558 | 10,511 | 0.45% |
| VFA | 16/10/2015 | 0.2% - 1% | 0%-1.5% | 7,488 | 7,457 | 0.42% |
| VFB | 16/10/2015 | 0.3% - 0.6% | 0%-1% | 12,409 | 12,391 | 0.14% |
| ENF | 09/10/2015 | 0% - 3% | 0% | 11,842 | 11,582 | 2.24% |
| MBVF | 08/09/2015 | 1% | 0%-1% | 10,696 | 10,574 | 1.15% |
| MBBF | 07/09/2015 | 0%-0.5% | 0%-1% | 12,395 | 12,383 | 0.10% |

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