AUGUST

21

FRIDAY

ADVISORY DIARY

- **Overview of gas industry in Q2 and prospect for the last 6 months of 2015 – there is still room for growth**
- **Market on 21/8/2015 – Concerns spread out**

"Concerns spread out"

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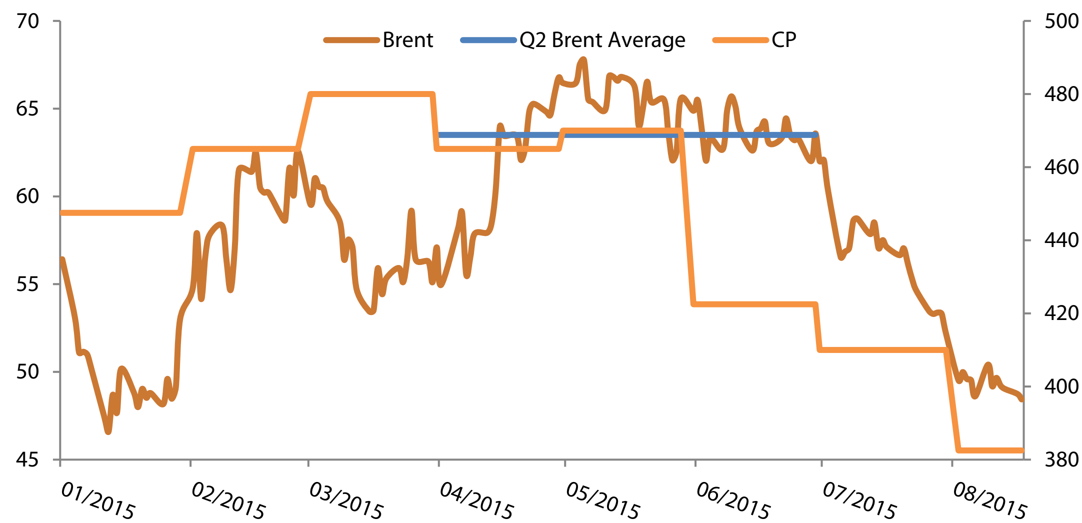
Overview of gas industry in Q2 and prospect for the last 6 months of 2015 – there is still room for growth

Recently, gas industry has been negatively impacted by the movement of global crude oil. As the previous assessment, the effect of crude oil into different segments could be various. Comparing to the up-stream and mid-stream companies, business results from down-stream companies (distribution) have been more positive. Therefore, the prospect for the last 6 months of 2015 could attract investors.

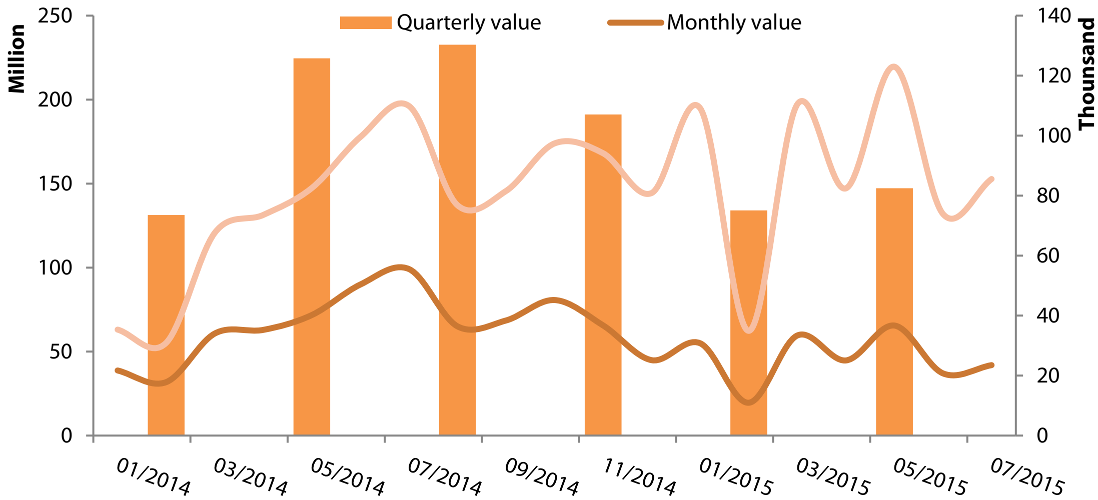
Brent and CP Aramco Price (unit: USD)



Source: Bloomberg, Gas Energy Australia

In Q2/2015, low gas price continued to push up demand for consumption. Particularly, Q2 experienced the stability in global crude oil prices and LPG prices also stably remained in the region of USD450/tons for CP in the same quarter. However, gas prices went down 10-11% q.o.q in June 2015 leading household gas retail prices to a 6.56% fall to VND285,000 for a 12kg cylinder from VND305,000. Again, prolonged declining gas retail prices resulted in higher demand and hence saw total imported gas quantity reaching 279.25 thousand tons in 2Q2015 (up 9.74% to 1Q2015 and 9.24% y.o.y). Especially, it is observed that 2015 May saw the highest imported LPG at 122.96 thousand tons since the start of 2014. Besides, GSO posted positive growth figure for LPG refinery industry at 8.4% in the first 6 months of this year.

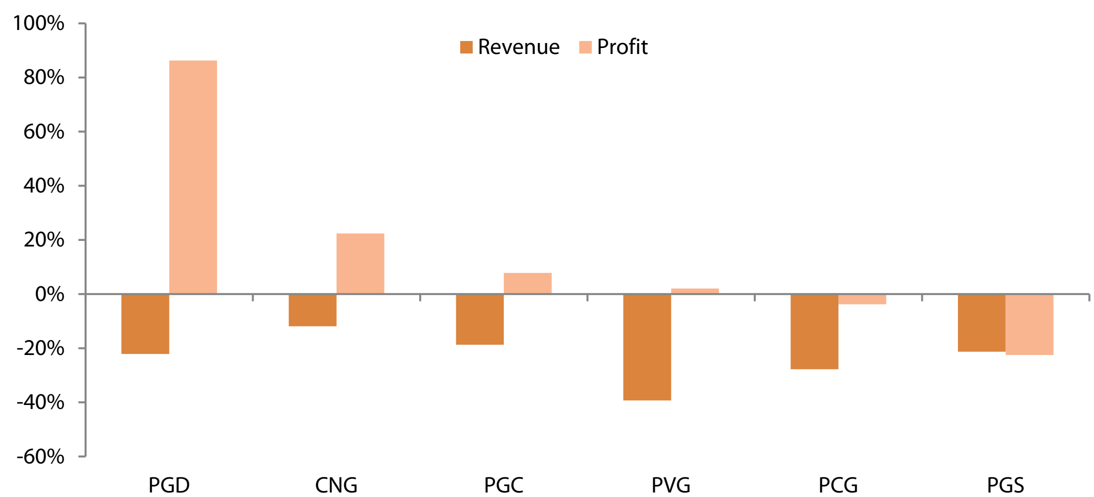
Production and import value of LPG



Source: Vietnam customs

Despite an improvement in the volume of imports as production growth, the enterprises in the sector are still facing with negative revenue growth due to yield not keep pace with deep discounts. Revenue in Q2/2015 of the gas Company declined in the range of 20% -40% y.o.y, the strongest decline has come from small and medium enterprises in this sector as PVG (-39.29% y.o.y) or PCG (-27.76% y.o.y), to compensate for the drop in revenue, margins improved, particularly from business with stable activities including CNG (22.06%-27.46%) or PGC (14.51%-22.85%). In addition, the adjustment of the gas price formula for certain subsidiaries (CNG, PGS, PGD) also makes the profit margin of the gas business increased.

Revenue and profit growth y.o.y



Source: Rongviet Research

Overall, over that last 2 quarters, gas companies maintained the stability in business results under several negative impacts from global crude market. We believe that the prospect for the last 6 months of 2015 could be optimistic due to:

(1) LPG segment: we suppose the recovery of world LPG price in the second half of this year is unlikely to happen regarding to current low oil price. Thus, LPG importers like PGS and PVG could enjoy benefits in the next time.

(2) Expected consumption demand could be positive in the last quarter for both LPG and CNG. In general, LPG demand will follow the trend of consumption in the second half of the year while CNG demand will be supported by the manufacturing of construction materials and food & beverage companies.
(3) Ham Rong – Thai Binh natural gas system started its operations on August 07, 2015, provides gas to industrial customers in northern through PGD (Su Hao Canh Co., Viglacera Ceramic Co., Mikado Ceramic Co....). At the end of May, 2015, CNG, PVG are going to provide CNG by tanker. Estimated output in phase 1 is 200 million m3 per year (50% will be distributed by PGD while the rest belongs to CNG and PVG). At the beginning, we expect that gas volume is small (8-9 million m3 for CNG and 26 million m3 for PVG). Profitability rate in the first phase is quite low because the priority is expanding customers' network. According to the companies, though the input price is high, there will be small positive earning with net margin about 3-4%, equivalent to 0.3 to 0.4 USD/MMBTU. Therefore, we think there could be an increase in revenue and profit for PVG, CNG and PGD in the last quarter.

In the end of today trading session, gas stocks dropped such as PGS (-3.5%), CNG (-1.4%), PGD (-0.3%)… We believe that, those stocks followed the selling trend from the negative prospect of crude oil. Therefore, the markets could "over-react" with companies in gas segment. Consequently, with less effect than companies from up and mid-stream, this could be the appropriate time to accumulate gas stocks.

Market on 21/8/2015 – Concerns spread out

VNindex (-1.8%) and HNXindex (-1.2%) closed in red with market sentiment saw a negative spread, among that O&G stocks as well as the market being faced selling pressure. Foreign investors kept their net sought with a worth of VND 332.4 billion. It might result from the multi-directional information for Vietnam and global economy. For Vietnam, the exchange rate could still be a hammer hanging over trade activity, public debt, interest rate, cash flow… Today, USD/VND exchange rate in the free market recorded the highest level, with a value of 22,600-22,700VND/USD. Additionally, oil price movement was lower than the target price for 2015 Government budget plan. According to our expectation, if the oil price remains at USD40/barrel, budget deficit will increase by VND 11,500 billion.

Global news also demonstrated negative signs. In today's trading, the purchasing manager indexes of some countries including China and EU saw stagnation. Among that, Chinese PMI (August, 2015) plunged to 47.1 (below than the level of 50) as well as France, Netherlands and Spain also had a negative sign. Although Germany PMI (the principal economy in EU) still improve which enables EU PMI reached at 52.4, immigration wave and the information related to resignations of some high-ranking officials might lead to the instability of EU area in upcoming times.

Liquidity improved with good demand and the sign of bad news was deliberately "fried" on some media and public forums with unfavorable rumors are spread, partly proved with the ready players. However, unlike the previous decline was due to rumors or individual events, recent developments have a combination of factors that cannot be quantified. Hence, a scenario the decline is slowing and the market recovers mildly promising risk reduction for purchases in the coming weeks. In addition, our market analyst noted, the amount of money coming from dividends of Kido (~VND4.500 billion) will account for the following week, the opportunity to join the market may come to those investors receive cash dividends from Kido.

Many macroeconomics news relating to inflation index, consumer confidence index, retail sales, manufacturing index… will be released. In 1H2015, consumer confidence index remains positive but it seems less positive in July (ANZ: 138 points (July), Nielsen: 104 points (2015Q2)). In tandem with that, retail sales also improves in first 6 months and shows sign of slowdown in July. However, with decreasing in oil and commodity price, our industry analyst believes that consumer confidence index and retail sales in second half would remain as first half.

Appendix

Stock list with high liquidity (monthly average over 100,000) and high beta (higher than 1) with the prices are close to lowest of 2015

	2015				% Current price (increase/decrease) from		
	Highest	Lowest	Current	14/07/2015	Highest	Lowest	14/07/2015
KBC	17,300	12,700	12,700	15,600	-26.6%	0.0%	-18.6%
FIT	17,827	10,500	10,500	12,100	-41.1%	0.0%	-13.2%
IJC	14,600	10,200	10,200	12,000	-30.1%	0.0%	-15.0%
VIP	18,000	10,200	10,200	11,800	-43.3%	0.0%	-13.6%
HUT	15,000	9,800	9,800	11,900	-34.7%	0.0%	-17.6%
KLS	11,700	7,600	7,600	10,000	-35.0%	0.0%	-24.0%
S99	13,800	7,300	7,300	8,800	-47.1%	0.0%	-17.0%
FCM	12,900	6,800	6,900	7,500	-46.5%	1.5%	-8.0%
HVG	25,098	16,400	16,800	20,200	-33.1%	2.4%	-16.8%
DIG	14,700	10,500	10,700	13,000	-27.2%	1.9%	-17.7%
DLG	12,800	6,700	7,100	9,200	-44.5%	6.0%	-22.8%
PPI	13,583	5,750	6,400	7,200	-52.9%	11.3%	-11.1%
SHB	8,879	7,009	7,200	8,879	-18.9%	2.7%	-18.9%
SHS	12,400	6,300	7,200	8,600	-41.9%	14.3%	-16.3%
HHS	30,500	15,000	18,200	19,500	-40.3%	21.3%	-6.7%
LCG	9,500	6,600	7,300	8,300	-23.2%	10.6%	-12.0%
SJS	27,800	19,000	21,300	24,700	-23.4%	12.1%	-13.8%
BVS	15,700	12,400	13,300	15,300	-15.3%	7.3%	-13.1%

Source: Rongviet Research

Revenue (billion dong)

	Q2-FY15	Q1-FY15	Q1-FY14	q.o.q	y.o.y
PGS	**1,566.95**	1,431.05	1,702.84	9.50%	**-21.30%**
CNG	**245.41**	210.57	232.17	16.55%	**-11.90%**
PVG	**640.07**	770.33	1,044.76	-16.91%	**-39.29%**
PGC	**615.26**	620.39	792.19	-0.83%	**-18.72%**
PCG	**168.30**	150.46	192.45	11.86%	**-27.76%**
PGD	**1,361.98**	1,185.79	1,465.26	14.86%	**-22.13%**

Source: Rongviet Research

Profit after tax (billion dong)

	Q2-FY15	Q1-FY15	Q1-FY14	q.o.q	y.o.y
PGS	**47.90**	43.51	39.85	10.07%	**-22.51%**
CNG	**35.47**	22.50	24.92	57.63%	**22.38%**
PVG	**12.54**	3.88	-21.46	223.31%	**2.06%**
PGC	**30.61**	22.28	16.76	37.40%	**7.81%**
PCG	**2.30**	1.78	4.95	29.10%	**-3.78%**
PGD	**93.22**	78.76	50.05	18.36%	**86.26%**

Source: Rongviet Research

Financial indicators

	Biên lợi nhuận gộp	ROE	ROA	Vòng quay hàng tồn kho	Khả năng thanh toán hiện hành
PGS	19.67%	3.13%	1.09%	28.20	1.00
CNG	27.46%	9.02%	5.92%	12.60	2.16
PVG	12.36%	3.22%	0.98%	11.05	0.87
PGC	22.85%	4.31%	1.51%	3.48	0.83
PCG	3.29%	1.06%	0.67%	6.24	2.52
PGD	13.08%	7.44%	3.00%	64.54	1.31

Source: Rongviet Research

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index plunged 32.73 points (or 5.55%), closed at 556.3. Trading volume increased 15%, up to 577 million shares.

VN-Index fell sharply and broke down the long-term moving average SMA(200) as well as the Fibonacci Retracement 61,8% threshold. The decrease of the index was only stopped at 542 and the Fibonacci Retracement 78.6% was maintained temporarily.

It seems that VN-Index became attractive when it fell to area around 550. The rising of liquidity showed that buying forces was stronger.

Looking at technical indicators, both the MACD and the RSI kept moving down sharply and are in the oversold territory.

A recovery may be coming soon and that will be a good chance for buyers who have high cash ratio.

HNX-Index

HNX-Index lost 3.28 points (or 4.05%), close at 77.6. The trading volume was equivalent to previous week with about 202 million shares changed hands. HNX-Index went down for six continuous weeks.

The expected strong resistance at around 79 was broken. A recovery appeared when HXN-Index touched its previous trough (at around 76).

Looking at technical indicators, both the RSI and the MACD remains bearish. Almost indicators are in oversold territories. Recovery sessions may come soon. In that case, the resistance will be at around 80.

To reverse the current trend, HNX-Index needs more positive signals next week.

Recommendation:

VN-Index and HNX-Index kept going down sharply to lower supports. The buying forces were stronger at lower troughs. At this stage investors should accumulate stocks partly for long-term purposes.

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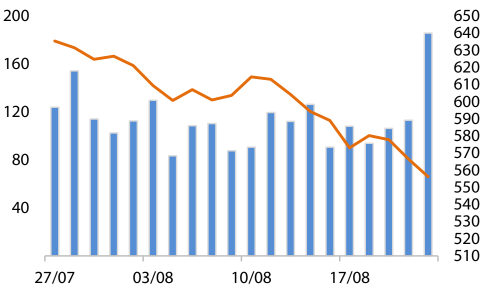
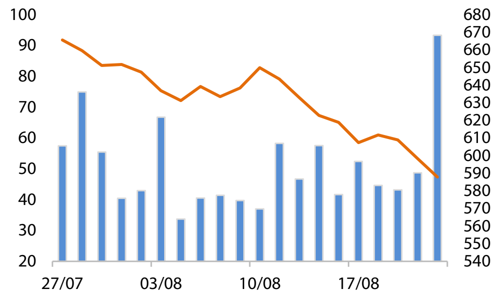
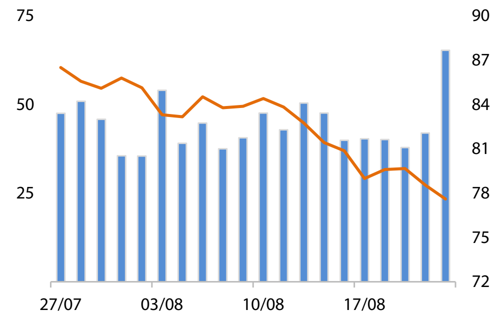
VNINDEX	-1.83%	556.30	VN30	-1.74%	587.83	HNXINDEX	-1.21%	77.60

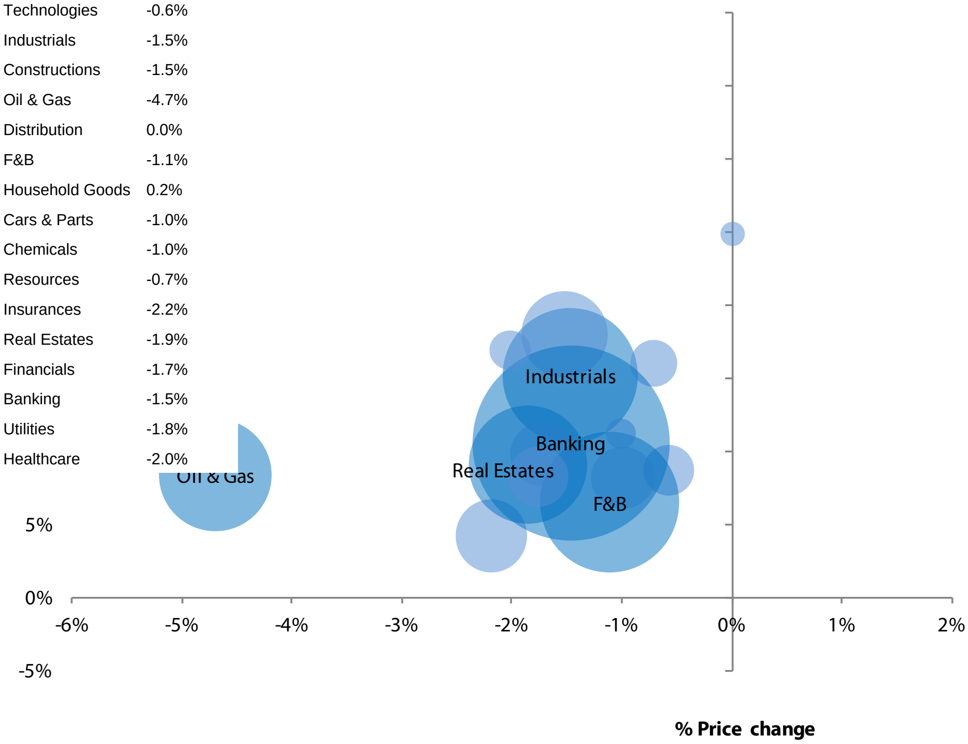




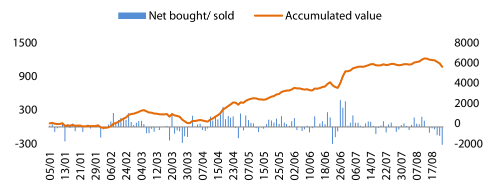


Industry Movement

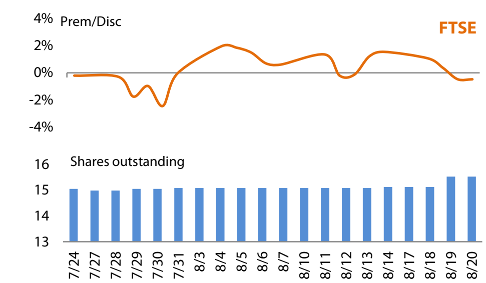
Industry	% change
Technologies	-0.6%
Industrials	-1.5%
Constructions	-1.5%
Oil & Gas	-4.7%
Distribution	0.0%
F&B	-1.1%
Household Goods	0.2%
Cars & Parts	-1.0%
Chemicals	-1.0%
Resources	-0.7%
Insurances	-2.2%
Real Estates	-1.9%
Financials	-1.7%
Banking	-1.5%
Utilities	-1.8%
Healthcare	-2.0%

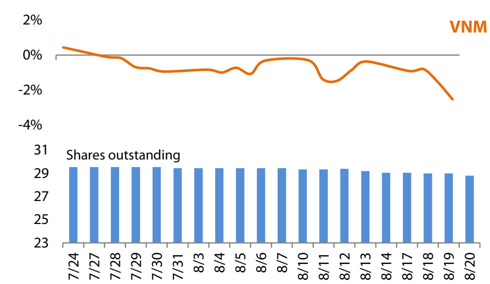


Foreign Investors Trading

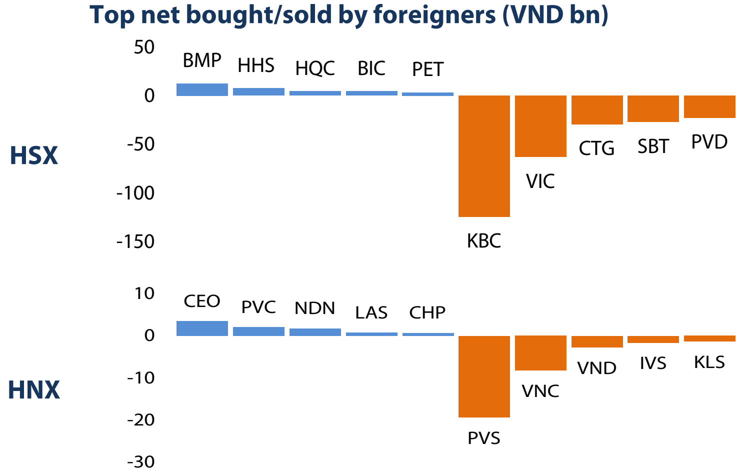


ETF





Top net bought/sold by foreigners (VND bn)



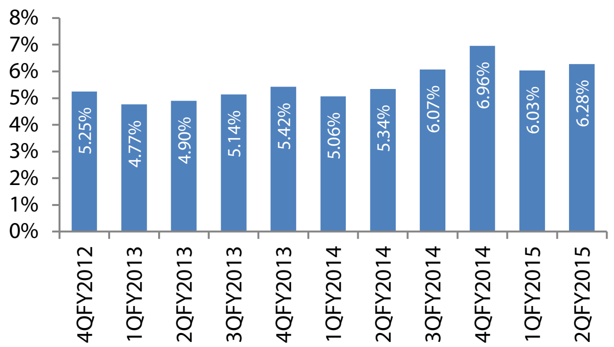
Top Active

Ticker	Price	Volume	% price change
KBC	12.7	17.48	-5.9%
FLC	6.8	17.37	-5.6%
DLG	7.1	9.28	6.0%
SSI	24.9	7.43	0.0%
ITA	5.5	6.57	-5.2%

Ticker	Price	Volume	% price change
SHB	7.2	13.18	-1.4%
KLF	4.9	6.99	-5.8%
SCR	8.0	3.56	0.0%
PVS	19.9	2.31	-1.0%
VIX	8.3	2.07	-5.7%

MACRO WATCH

Graph 1: GDP Growth

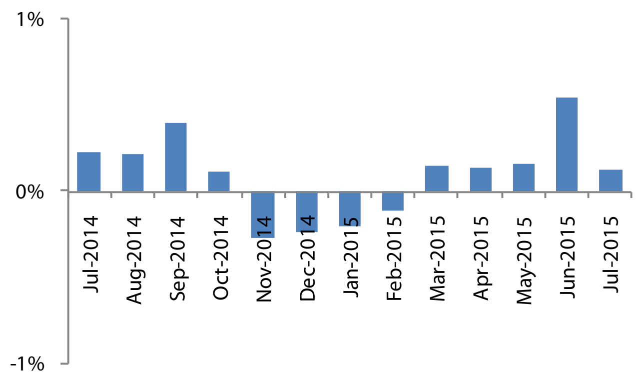


Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP

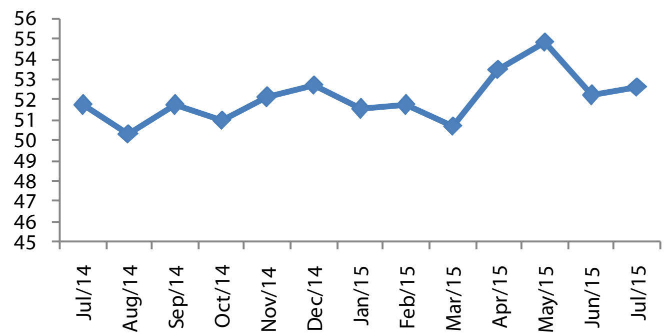
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



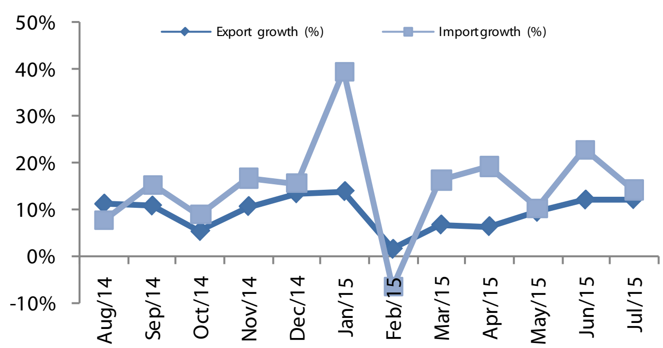
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



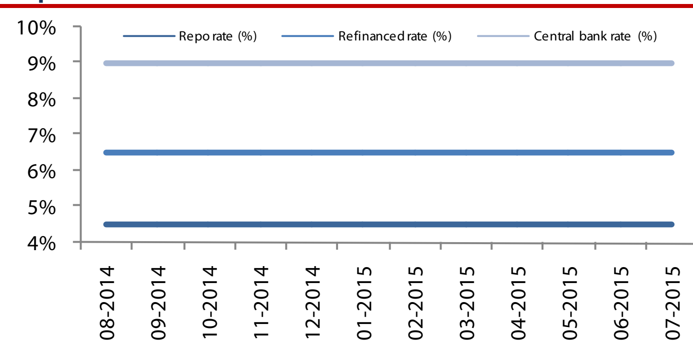
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600
NT2 - Growth in stability	July, 30th 2015	Buy – Intermediate term	30,200
FMC - Leaping in overseas waters	July 23rd, 2015	Accumulate – Intermediate term	27,000
SVC - Firing up the engine	July 20th, 2015	Accumulate – Intermediate term	24,100
LCG - A new cycle begins	July 16th, 2015	Accumulate – Intermediate term	9,500

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	11/08/2015	0% - 0.75%	0% - 2.5%	11,851	11,856	-0.04%
VEOF	11/08/2015	0% - 0.75%	0% - 2.5%	10,298	10,011	2.87%
VF1	14/08/2015	0.2% - 1%	0.5%-1.5%	23,279	23,537	-1.09%
VF4	14/08/2015	0.2% - 1%	0%-1.5%	10,459	10,573	-1.08%
VFA	14/08/2015	0.2% - 1%	0%-1.5%	7,404	7,482	-1.04%
VFB	14/08/2015	0.3% - 0.6%	0%-1%	12,331	12,311	0.16%
ENF	07/08/2015	0% - 3%	0%	11,601	11,665	-0.55%
MBVF	06/06/2015	1%	0%-1%	10,735	10,578	1.48%
MBBF	05/08/2015	0%-0.5%	0%-1%	12,299	12,300	-0.01%

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