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MONDAY

- **Another correction session in accordance with Asia markets**
- **Vietnam's steel manufacturing technology: is it capable of competing on price against Chinese steel?**

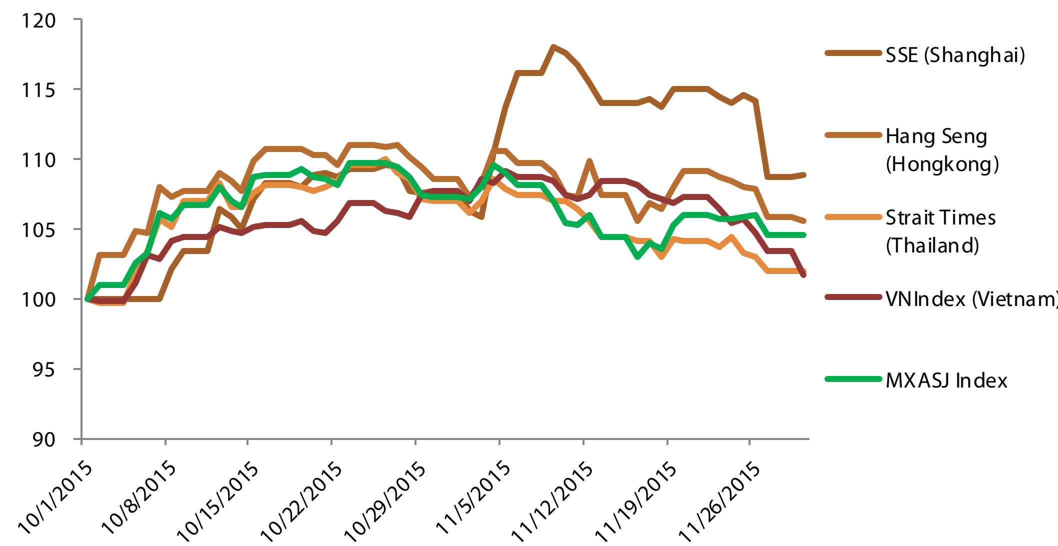
The last session of this month has yet witnessed reserve. Today, market continued decline with market breadth bias to losers, with 314 losers to 118 gainers. Therefore, both market indices declined with VNIndex down 1.66% and HNXIndex down 1.07%. Meanwhile, market demand was lower than average of recent sessions, with order-matching volume in HSX and HNX down 22% and 27% against average of last week.

However, foreigners' transactions were more positive. In the first session of this week, they turned back to net-buying position at value of VND 33.6 billion after three consecutive net-selling weeks. In HNX, foreigners remained net buying activities, with today net buying value of VND0.9 billion.

Asia market continued to be affected by movements in China market. Since 9/11, Vietnam market and other Asia markets have correlated highly with negative movements in China market. Therefore, currently, Vietnam market is short of supporting news, we think China market would be an indicator for other Asia market, especially Vietnam.

"Another correction session in accordance with Asia markets"

Figure: Correlations between Asia markets



Source: Rongviet Research

Currently, China market is awaiting whether RMB would be added to IMF's currency portfolio. According to Rongviet Research macroeconomics analyst's opinion, one of China purposes under recent currency policy changes was to support RMB to be nodded by IMF. Therefore, if RMB is added to that portfolio, market will probably see more positive in short-time. Conversely, China market will probably fluctuate strongly and affect indirectly other markets, including Vietnam market.

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Vietnam's steel manufacturing technology: is it capable of competing on price against Chinese steel?

In the first three quarters, numerous listed steel traders and producers recorded losses. In terms of the construction steel segment, most producers' financial ratios saw deterioration as compared to the same period.

Table 1: Vietnamese steel companies' 9M2015 performances

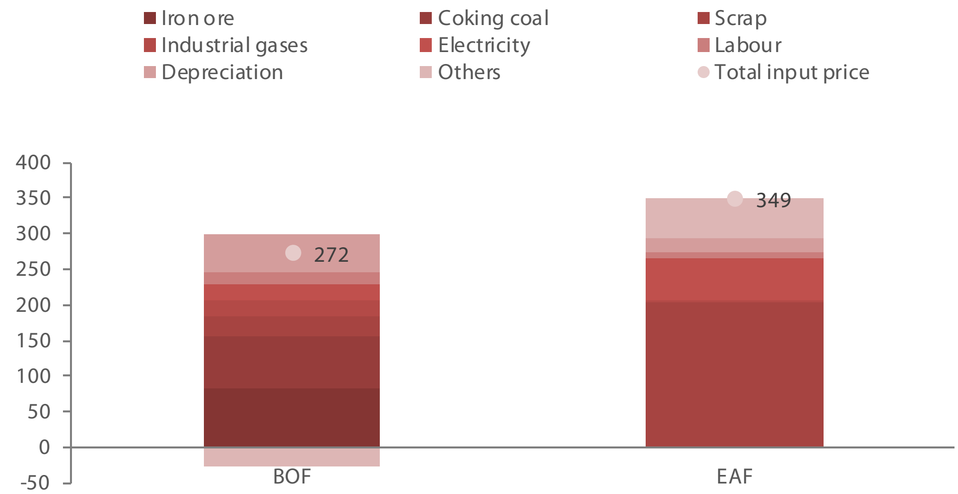
		Exchange	Gross Margin	Net Margin	ROA	ROE	Inventory t
1	DNS	UPCOM	3.4%	-5.4%	-4.5%	-15.3%	
1	DNY	HNX	4.4%	0.6%	0.3%	2.0%	
2	DPS	HNX	3.3%	2.6%	-	-	
3	DTL	HOSE	9.1%	0.7%	-0.2%	-0.6%	
3	HMC	HOSE	2.7%	0.6%	1.2%	3.9%	
4	HPG	HOSE	22.5%	20.2%	14.8%	26.4%	
5	HSG	HOSE	17.1%	6.0%	7.1%	24.5%	
6	ITQ	HNX	9.4%	6.1%	6.0%	12.2%	
7	KKC	HNX	-2.1%	-7.2%	-9.6%	-27.4%	
8	KMT	HNX	5.2%	0.2%	0.6%	2.3%	
9	KVC	HNX	13.6%	5.8%	-	-	
10	MHL	HNX	8.6%	2.2%	3.1%	11.0%	
11	NKG	HOSE	9.2%	3.8%	3.9%	22.3%	
12	POM	HOSE	6.0%	0.3%	0.2%	0.6%	
14	SHA	HNX	20.5%	7.3%	8.6%	20.7%	
15	SHI	HOSE	16.2%	5.9%	4.4%	16.2%	
16	SMC	HOSE	1.1%	-3.7%	-5.0%	-42.8%	
17	SSM	HNX	10.9%	5.1%	5.5%	10.9%	
18	TDS	UPCOM	5.7%	3.8%	8.9%	23.7%	
19	TIS	UPCOM	6.8%	2.3%	-	-	
20	TLH	HOSE	5.2%	0.9%	1.1%	2.4%	
21	VCA	UPCOM	7.7%	3.9%	7.3%	17.0%	
22	VGS	HNX	4.4%	1.4%	2.2%	5.7%	
23	VIS	HOSE	7.0%	-1.6%	-0.9%	-3.0%	
24	VNSTEEL	OTC	7.4%	2.3%	-	-	

Source: RongViet Research compiled

In 3Q2015, most steel producers had negative revenue growth rates, whereas their gross profits remained relatively unchanged. Regarding listed steel companies namely Pomina (POM), Tien Len (TLH), Viet Italy (VIS) and Dana Y (DNY), their profit margins were below 1%, even VIS recorded -1.1% leading to its negative percentages in both ROA and ROE. While most domestic steel producers have faced tough challenges in the most recent two years because of high inventory costs as well as the fierce competition against cheaper Chinese products, Hoa Phat (HPG) would apparently be a brighter story. HPG's gross profit margin remained higher than other competitors thanks to its production methods, which has brought about more advantages.

Two steel-making technologies most frequently seen in global steel mills are the Blast oxygen furnace (BOF) and the Electric arc furnace (EAF) which can be distinguished by their input materials and energy consumptions. HPG, along with 80% of other world's steel producers have BOF mills, while POM, TLH, VIS and DNY have been equipped with EAF technology. As a reference, an input usage comparison for the US market's steel producers can illustrate the relative differences between the two technologies, as well as can partly explain the gap between HPG's gross margin and those of other companies:

Figure 1: Input price estimation for 1 ton of steel billets (USD)

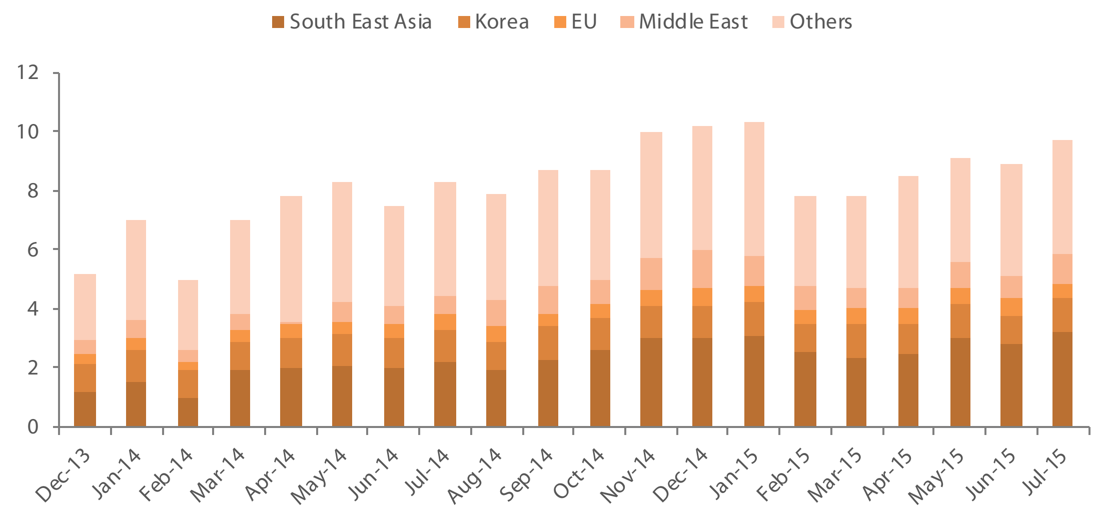


Source: Steel on the net, RongViet Research compiled

It can be seen that BOF technology consumes less electricity and is cost-saving as it uses some by-products as an energy source for subsequent production steps, as the Others costs are negative illustrated on the graph. The 22.1% lower production cost is likely the reason for large global steel mills to choose BOF. Under reasonable assumptions concerning electricity and material prices for Vietnamese producers, RongViet Research estimates that 1 ton of BOF steel costs 21.1% lower to produce than EAF does. Therefore, it can be said that HPG has a considerable advantage, since iron ore price has been decreasing at a greater rate than end product steel price has been.

Regarding cheap Chinese steel, particularly imported billets, technology is the main factor that help HPG survive the dumping effect. It is remarkable that most Chinese steel mills have BOF method, meaning a similar level of production cost, assuming the two countries' electricity and labour prices are not vastly different. On the other hand, China's billet export price was USD 256 per ton in mid-November 2015, 15% below Vietnamese billet's production cost using the same method, meaning China has been dumping billet exports. Due to its oversupply of hundred tons per year, Chinese manufacturers have to dump their products to boost exports. Located in the same region with China, Vietnam and other ASEAN nations consumed over 16 million tons in 1H2015, being the main consumers for Chinese steel overseas, making way for it putting harsh pressure on domestic companies.

Figure 2: Chinese steel exports' major markets



Source: Chinese Customs, RongViet Research compiled

While iron ore price has displayed no recovery signals and China's industry restructuring and capacity cut have not taken clear effects, the global market is predicted to continue to suffer from injuries caused by China's steel dumping. Consequently, the affected markets may need to enter an elimination phase, where inefficient players get "knocked out" and only competent participants who can survive global commodity price shocks may remain in the game.

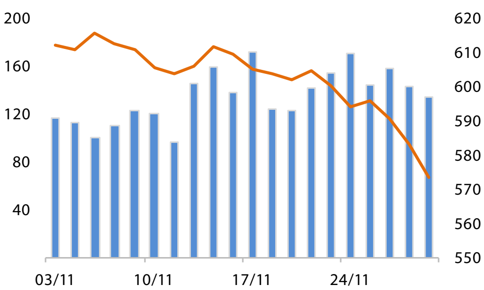
Table 2: Performances of some steel companies in the emerging market

Nation		Company	Mkt cap (VND bn)	ROE	ROA	Gross margin	Net margin
India	1	JINDAL STEEL & POWER LTD	27,806	-5.9%	-1.8%	-	-6.6%
India	2	MOIL LTD	11,229	13.2%	12.0%	-	52.0%
Taiwan	3	TON YI INDUSTRIAL CORP	16,028	5.1%	2.0%	11.9%	1.5%
Taiwan	4	FENG HSIN STEEL CO LTD	15,068	12.2%	10.1%	10.4%	7.3%
Taiwan	5	YEONG GUAN ENERGY GROUP CO	14,270	14.1%	9.2%	30.9%	17.3%
Taiwan	6	TUNG HO STEEL ENTERPRISE COR	11,609	3.7%	2.2%	7.9%	2.3%
Taiwan	7	TANG ENG IRON WORKS CO LTD	10,838	-17.3%	-4.9%	-11.5%	-12.0%
Korea	8	SEAH BESTEEL CORP	20,272	-	-	12.5%	4.9%
Korea	9	POSCO CHEMTECH CO LTD	15,403	15.3%	10.7%	11.1%	5.3%
Korea	10	KISWIRE LTD	14,256	23.5%	13.7%	16.6%	22.3%
Korea	11	DONGKUK STEEL MILL CO LTD	12,451	-18.6%	-4.8%	11.3%	-17.2%
Korea	12	SEAH HOLDINGS CORP	11,753	7.3%	2.6%	9.5%	2.7%
Hong Kong	13	CHINA HANKING HOLDINGS LTD	21,502	-13.5%	-3.4%	30.0%	-23.8%
Thailand	14	STP & I PUBLIC CO LTD	12,938	31.8%	21.1%	55.7%	30.9%
China	15	HANGZHOU IRON & STEEL CO-A	22,740	-13.0%	-5.8%	-1.8%	-6.1%
China	16	KAILUAN ENERGY CHEMICAL CO-A	23,439	-6.0%	-1.9%	1.1%	-8.3%
China	17	JULI SLING CO LTD-A	24,063	0.9%	0.5%	25.2%	1.9%
China	18	HEILONGJIANG HEIHUA CO-A	22,074	-	-15.3%	-16.1%	-20.0%
China	19	XINJIANG BA YI IRON & STEE-A	22,580	-	-12.4%	-19.5%	-29.3%

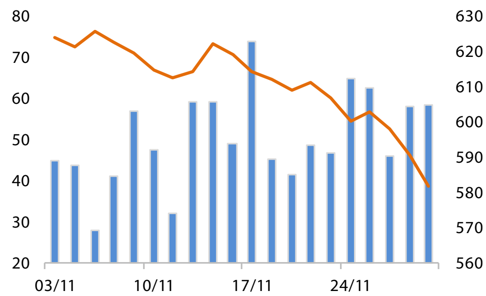
China	20	JIANGSU YULONG STEEL PIPE -A	24,379	5.1%	3.3%	15.2%	4.5%	3
China	21	SILVERY DRAGON PRESTRESSED-A	24,679	18.5%	10.9%	18.4%	6.6%	7
China	22	ANYANG IRON & STEEL INC-A	25,498	-19.6%	-3.9%	-7.6%	-16.1%	3
China	23	XINYU IRON & STEEL CO LTD-A	25,964	0.3%	0.1%	2.2%	-1.9%	7
China	24	JIANGSU CHANGBAO STEELTUBE-A	18,750	7.7%	5.6%	15.9%	9.2%	3
China	25	SHANDONG JINLING MINING CO-A	17,602	0.0%	0.0%	-2.0%	-10.4%	4
China	26	JIANGSU FASTEN CO LTD-A	17,564	0.4%	0.1%	13.6%	0.0%	2
China	27	ANHUI HONGLU STEEL CONSTRU-A	17,590	5.7%	1.9%	19.6%	6.2%	1
China	28	LUYIN INVESTMENT GROUP CO-A	17,538	0.9%	0.2%	8.4%	1.0%	0
China	29	LINGYUAN IRON & STEEL CO-A	17,440	-19.5%	-4.4%	6.1%	-0.9%	8
China	30	GREAT WALL INTERNATIONAL A-A	17,714	-0.7%	-0.3%	32.7%	6.3%	3
China	31	DAYE SPECIAL STEEL CO LTD-A	17,379	7.4%	5.2%	9.1%	5.0%	5
China	32	HENAN HENGXING SCIENCE -A	17,308	4.0%	1.8%	21.4%	5.4%	4
China	33	SHANXI ANTAI GROUP CO LTD -A	16,742	-46.7%	-9.9%	-1.5%	-30.5%	2
China	34	LIAONING FU-AN HEAVY INDUS-A	17,082	16.3%	5.6%	27.7%	13.4%	1
China	35	BAODING HEAVY INDUSTRY CO-A	16,442	1.7%	1.4%	16.8%	3.7%	1
China	36	SHANGDONG GEO-MINERAL CO L-A	15,007	-2.9%	-0.8%	26.3%	12.1%	2
China	37	YUNNAN YUNWEI CO LTD-A	14,797	-	-9.2%	-15.7%	-43.6%	5
China	38	GUANGZHENG GROUP CO LTD-A	14,563	-10.6%	-4.3%	32.4%	-5.2%	3
China	39	SUZHOU HESHENG SPECIAL - A	29,485	-13.3%	-8.6%	14.9%	3.1%	2
China	40	XINING SPECIAL STEEL CO-A	14,176	-12.6%	-1.3%	-0.4%	-19.7%	2
China	41	HUNAN VALIN STEEL CO LTD -A	31,487	-11.0%	-1.5%	1.4%	-9.0%	4
China	42	ANHUI FENGXING WEAR RESIST-A	13,792	9.9%	4.4%	25.8%	7.2%	2
China	43	SHANDONG HONGDA MININGCO-A	31,024	4.0%	2.5%	7.7%	3.3%	6
China	44	CHANGCHUN GAS CO LTD -A	13,927	1.1%	0.5%	36.8%	7.2%	2
China	45	ANHUI FUHUANG STEEL STRUCT-A	13,275	7.6%	1.4%	13.0%	2.1%	1
China	46	SANSTEEL MINGUANG CO LTD -A	12,444	-26.6%	-7.3%	-9.9%	-12.5%	9
China	47	GUIZHOU WIRE ROPE CO LTD-A	11,891	1.3%	0.9%	14.2%	1.1%	3
China	48	BEIJING LIER HIGH-TEMPERAT-A	32,782	5.0%	3.4%	38.4%	10.9%	2
China	49	MAANSHAN DINGTAI RARE-A	11,915	2.6%	1.9%	15.6%	4.3%	4
China	50	BGRIMM MAGNETIC MATERIALS-A	11,655	-12.3%	-9.0%	21.1%	2.9%	4
		Average	18,329	0.1%	0.8%	12.8%	0.1%	4

Source: RongViet Research compiled

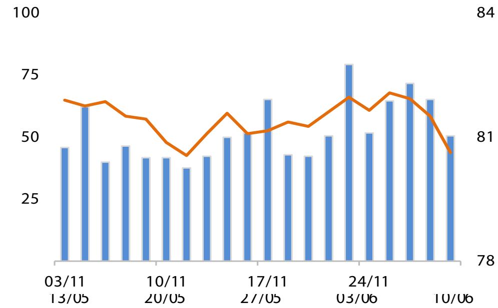
VNINDEX **-1.66%** **573.20**



VN30 **-1.46%** **581.94**

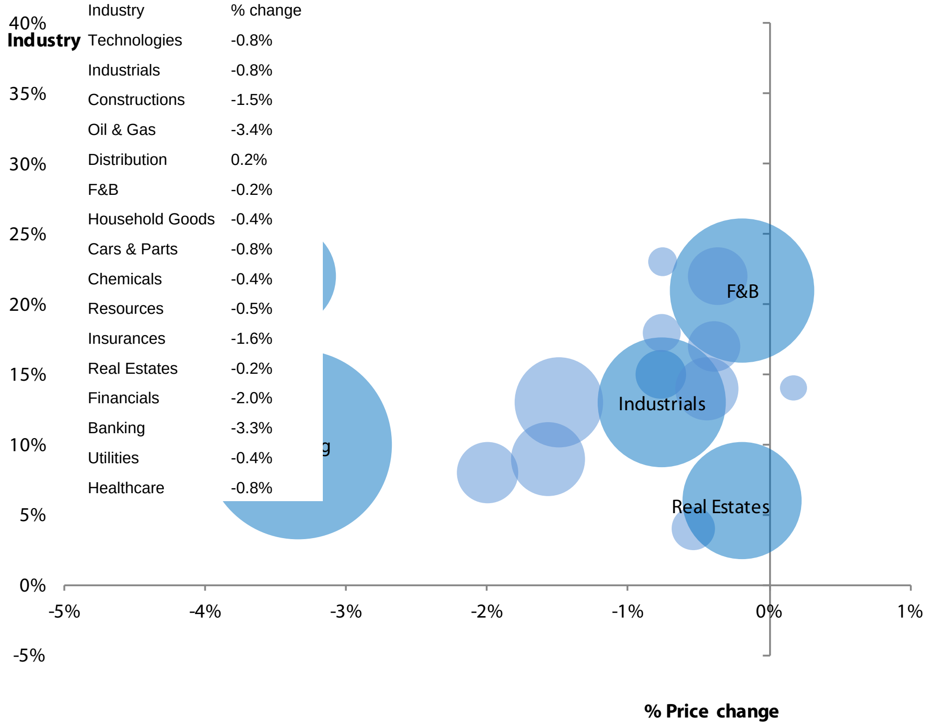


HNXINDEX **-1.08%** **80.61**

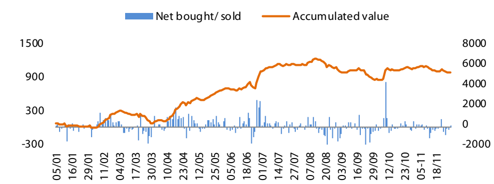


Industry Movement

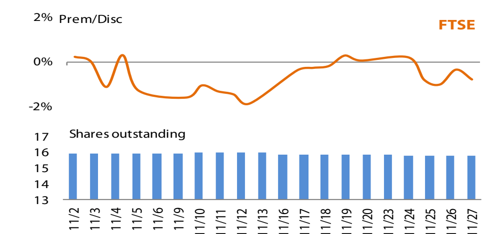
Industry	% change
Technologies	-0.8%
Industrials	-0.8%
Constructions	-1.5%
Oil & Gas	-3.4%
Distribution	0.2%
F&B	-0.2%
Household Goods	-0.4%
Cars & Parts	-0.8%
Chemicals	-0.4%
Resources	-0.5%
Insurances	-1.6%
Real Estates	-0.2%
Financials	-2.0%
Banking	-3.3%
Utilities	-0.4%
Healthcare	-0.8%

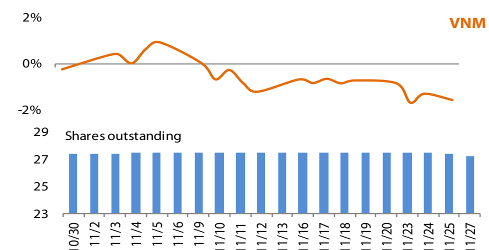


Foreign Investors Trading



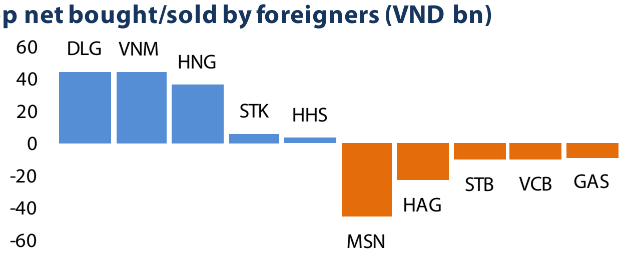
ETF



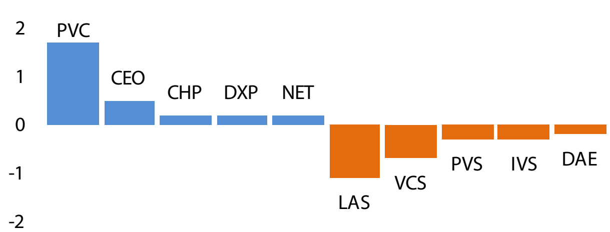


Top net bought/sold by foreigners (VND bn)

HSX



HNX



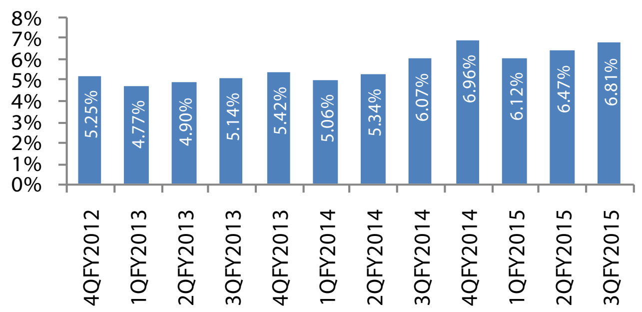
Top Active

Ticker	Price	Volume	% price change
FLC	8.0	19.51	-3.6%
FIT	9.6	4.33	-5.0%
HAG	12.2	4.01	-3.2%
VHG	7.5	3.60	-3.8%
HHS	15.7	3.49	-1.9%

Ticker	Price	Volume	% price change
KLF	4.7	5.15	-6.0%
PVX	3.2	3.91	-8.6%
TIG	11.2	3.24	-2.6%
SCR	8.5	2.91	-3.4%
VIX	7.5	1.67	-3.8%

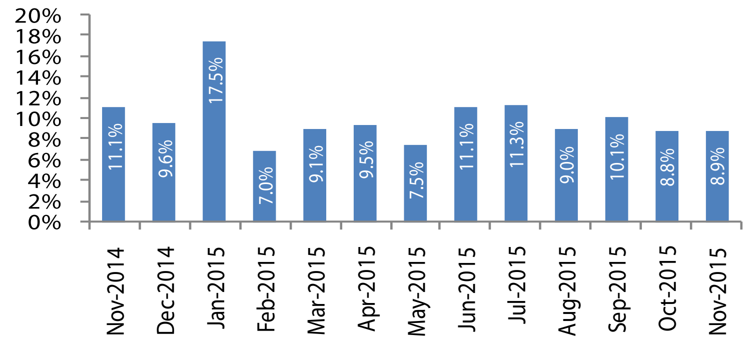
MACRO WATCH

Graph 1: GDP Growth



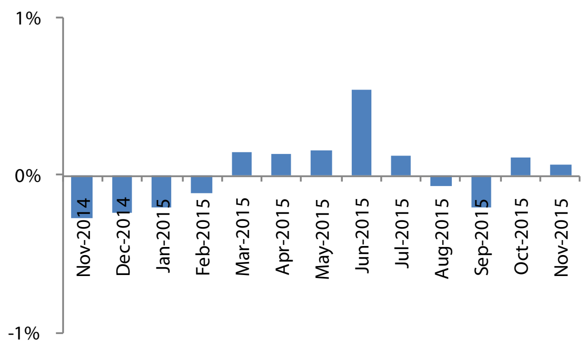
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



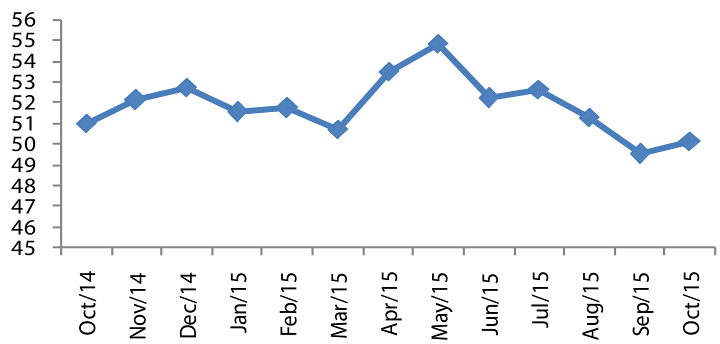
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



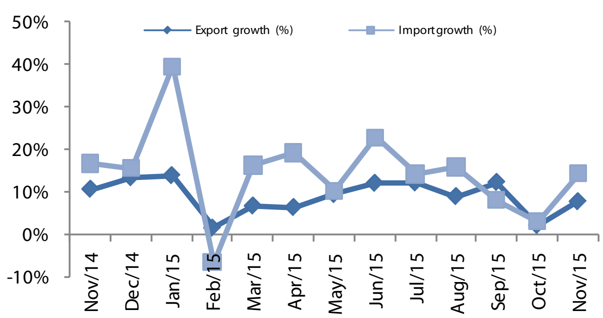
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



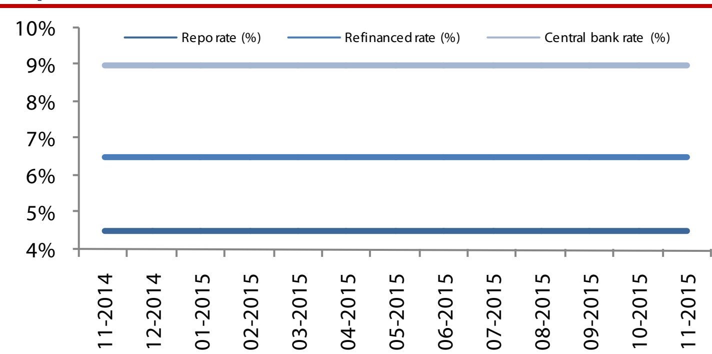
Sources: GSO. Rongviet Securities database

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
LHG - In the right time, in the right place	November 17th, 2015	Buy – Long term	25,700
DRC - Expecting on replacement segment	November 13th, 2015	Accumulate – Long term	52,000
NKG- Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500

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	17/11/2015	0% - 0.75%	0% - 2.5%	12,109	12,099	0.08%
VEOF	17/11/2015	0% - 0.75%	0% - 2.5%	10,276	10,663	0.59%
VF1	25/11/2015	0.2% - 1%	0.5%-1.5%	23,903	23,764	0.59%
VF4	25/11/2015	0.2% - 1%	0%-1.5%	10,847	10,768	0.74%
VFA	19/11/2015	0.2% - 1%	0%-1.5%	7,429	7,418	0.15%
VFB	19/11/2015	0.3% - 0.6%	0%-1%	12,523	12,506	0.14%
ENF	20/11/2015	0% - 3%	0%	12,225	12,156	0.57%
MBVF	19/11/2015	1%	0%-1%	10,740	10,902	-01.49%
MBBF	18/11/2015	0%-0.5%	0%-1%	12,494	12,485	0.07%

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