JULY

07

TUESDAY

ADVISORY DIARY

- **Spillover effect of banking shares**
- **NKG and PET business updates**

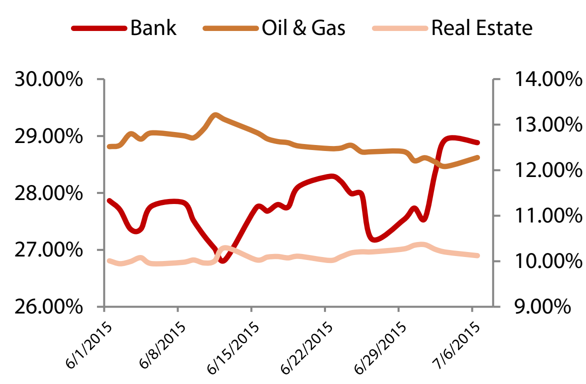
Spillover effect of banking shares

During a discussion of our team, we acknowledge that each industry has different spreading effects on stock market when it leads index. Particularly, in 2014, oil & gas sector took part in a leading role and influenced most market. It is easy to see because "P" shares stretch out in many industries from construction, port, gas distribution, transportation and other technical services. However, in 2015, even though banking segment was expected to be the leading factor, we still concern about the influence into other sectors. Increasing movements in Q1/2015 from banking segment demonstrated that such concern is not unfounded. However, up to this point, when reviewing our perspective, we believe that banking sector – accidentally or intentionally – has cleverly and undoubtedly lead the market since early 6/2015 and created certain influence.

Recently, banking segment with the ratio of market capitalization accounting for over 30% of total market capitalization has effortlessly generated the upward movement for the indices. According to our observation, index gains along with low growth rate in portfolio are the main concern from investors in June. The problem arose for investors who missed the increasing wave and have been cautious with other segments is that what groups could response to this trend? The answers seem to be unveiled when insurance industry has significantly breakthrough in early 7/2015.

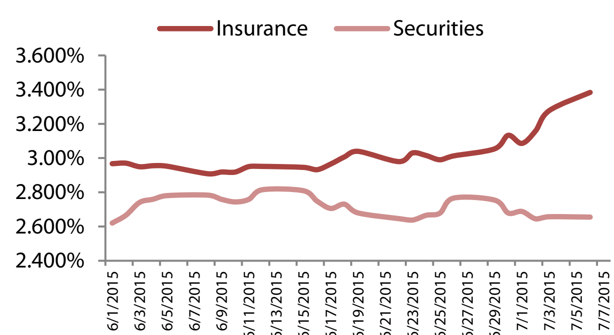
"Spillover effect of banking shares"

Figure: Market capitalization of some leading industries



Source: Bloomberg, RongViet Research

Figure: Market capitalization of related industries



Source: Bloomberg, RongViet Research

According to our analyst, since 2014, insurance industry has shown signs of recovery with double-digit growth rate along with compensation rate for retaining responsibility under controlled. The outlook for three main non-life insurance segments in 2015 was assessed as:

(1) Motor insurance: good growth prospect due to increase in car consumption, premiums has

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been adjusted from 1.3% to 1.5% in term of insured property value.

(2) Property and damage insurance are supported by real estate and construction activities recovery. In addition, FTAs and positive signs from TPP could stimulate business investment and expansion in term of factory and machinery.

(3) Personal insurance: optimistic thanks to young population with 0.9%/year population growth rate

In 2015, we believe that there are 3 positive trends for insurance industry. First of all, companies focus on core business (insurance), restructure investment portfolio under the decline of interest rate on deposits and bonds in order to harmonize growth and control risks. Secondly, insurance market in Vietnam recorded more positive growth compared to other emerging markets in South East Asia. Thirdly, insurance companies could invest and explore oversea markets, especially Laos and Cambodia. Therefore, prospect to be the "pioneer" in such markets could help companies to develop further. Moreover, our analyst asserted that recent increasing motivation in insurance segment could come from unofficial information that insurance companies are not in the group having the requirements for room expansion. Regarding listed insurance companies, we are interested in stocks from Bao Minh Insurance Corporation (BMI – HSX). Our analyst pointed out that this stock could be receiving support from the possibility of 10% capital increase in the next quarter. Investors could follow the result update report and stock valuation from Rongviet Research on BMI releasing this week.

At the end of today's trading day, market kept the increase momentum in HSX with VNIndex up by 5.05 points (+0.81%) to 630.27 points, market breadth was quite balance with 113 gainers and 113 losers. In contrast, red color dominated HNX exchange with 102 losers and only 76 gainers, HNXIndex decreased slightly 0.02 points (-0.03%) to 89.44 points.

Today, besides the strong growth of insurance industry, we also saw the encouraging gain at mid-cap stocks with good fundamentals (Steel: HSG, HPG, NKG; Household goods: GDT, RDP, PAC; Tires: DRC, CSM and Other: PLC, VNS…). The reasons could stem from overall trend of cash flow partly, simultaneously; we suppose that the preliminary Q22015 business result also support investors for making decision to be bullish on those stocks.

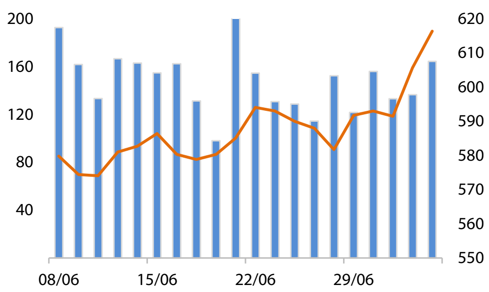
Below are quick updates on the business results of PET and NKG:

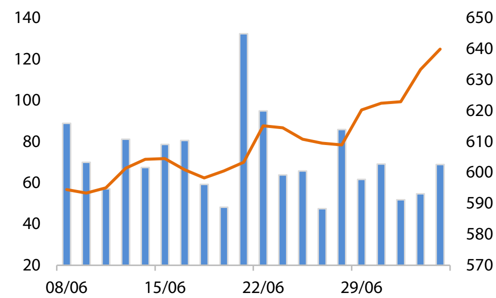
PET: In the first six months of 2015, PET's revenue reached at VND 5,100 billion, lowering 11% compared to the previous period and NPT was relatively similar to last year, reaching at VND 117 billion. Specifically, supply of oilfield materials and equipment witnessed the highest jump, achieving VND 42 billion, a 51% increase yoy. The company made known that, this increase came from recording revenue of the previous contracts, with a worth of VND 20 billion. Moreover, distribution services, the major service only witnessed a negative result, in which, revenue and NPT recorded VND 4,081 billion (-15%) and VND 75 billion (-13%). More specific, distribution of telecom, IT and electronic products (contributing a majority of revenue segment of the above service) still remained a 1% higher NPT as compared to the previous period (VND 47.7 billion), however, revenue plunged 18% yoy (VND 2,108 billion). Distribution services in terms of Samsung products decreased significantly, whereas, other products which had higher profit margin namely Philips, Lenovo, HTC,… kept PET's profit remaining the same. For the remaining of the year, the company made known that the revenue and NPT are expected to reach at VND 11,500 billion and VND 320 billion, respectively. In addition, after having 6M2015 audited earning result, PET also expects to pay a cash dividend in advance of 8-10%.

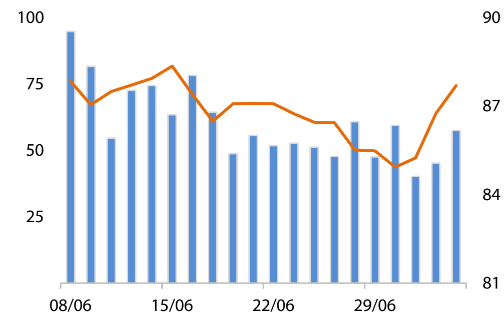
NKG: According to the Company, sale volume in Q2/2015 was estimated at 82,000 tons, grew by 17% compared to Q1, in which May was the peak season. The export sale accounted for 50%, especially; the Company had some new customers from Europe with demand about 500-1,000 tons per month in 1H2015. In term of the concern about export market in Southeast Asia, the Company said that the anti-dumping event in Indonesia market has not affected negatively to NKG while export to Philippines has been troubles due to the fierce competitiveness with China. Furthermore, export market still has positive outlook thanks to the improvement of industrial activities of ASEAN economies. Besides, US market is also a potential market that the Company is heading to.

In 2Q2015, gross profit margin increased by 1-2% due to putting into operation of cold rolling lines since March, 2015. Simultaneous, HRC's price remained stable around USD 380-390 per ton while output price is unchanged. This becomes a plus point for NKG. 2Q2015 NPAT is expected to reach VND 40-50 billion, doubling to 1Q2015 earning result. The company expects the overall NPAT is about to VND 130 billion, EPS remained at VND 3,000/share (after paying preferred stocks). NKG is trading at P/E forward of 4.86x, lowering than 21% as compared to the leading producer (HSG).

VNINDEX	0.81%	630.27	VN30	0.57%	653.27	HNXINDEX	-0.03%	89.44

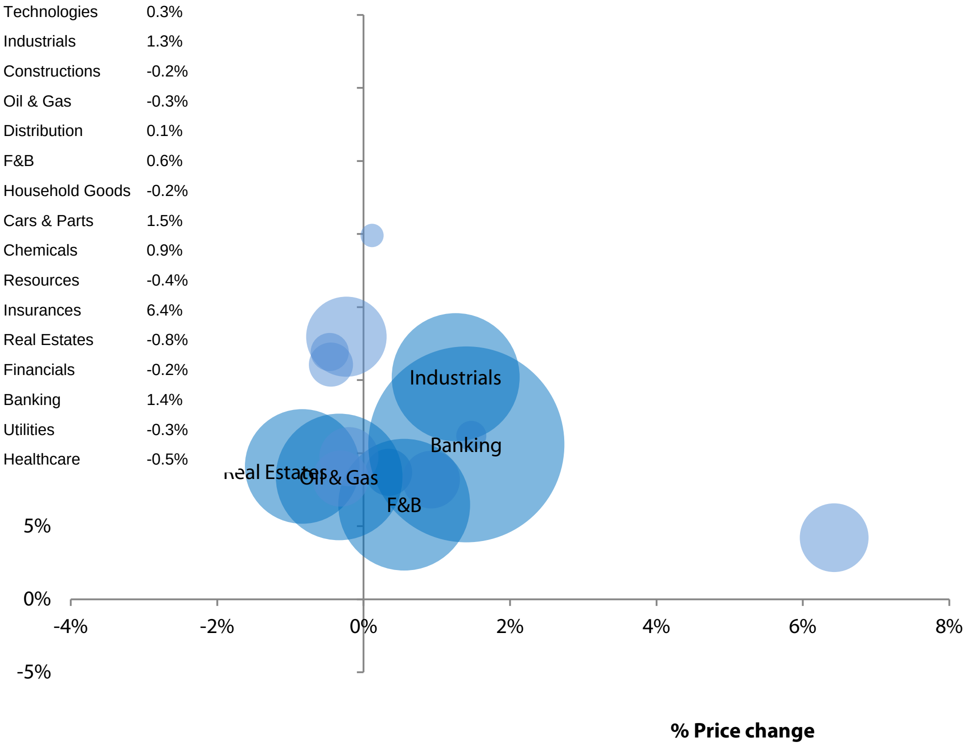




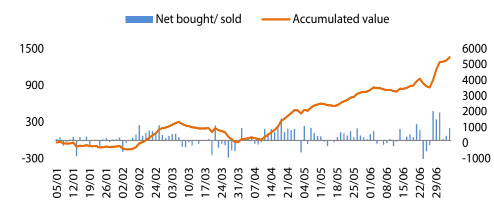


Industry Movement

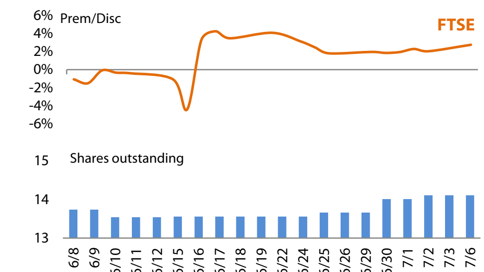
Industry	% change
Technologies	0.3%
Industrials	1.3%
Constructions	-0.2%
Oil & Gas	-0.3%
Distribution	0.1%
F&B	0.6%
Household Goods	-0.2%
Cars & Parts	1.5%
Chemicals	0.9%
Resources	-0.4%
Insurances	6.4%
Real Estates	-0.8%
Financials	-0.2%
Banking	1.4%
Utilities	-0.3%
Healthcare	-0.5%

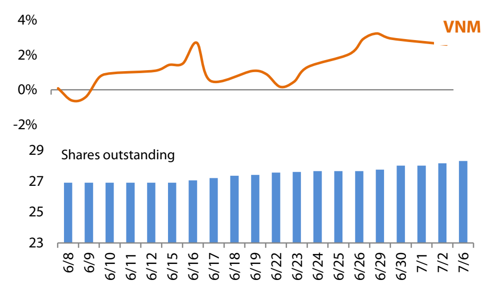


Foreign Investors Trading



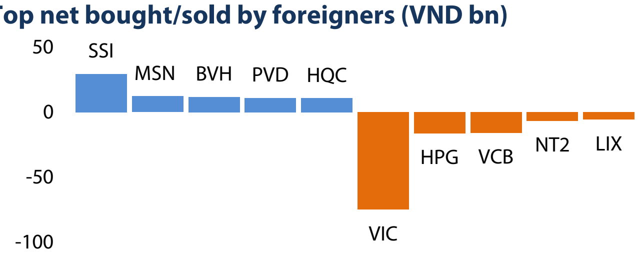
ETF



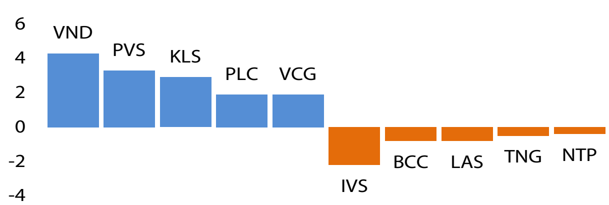


Top net bought/sold by foreigners (VND bn)

HSX



HNX



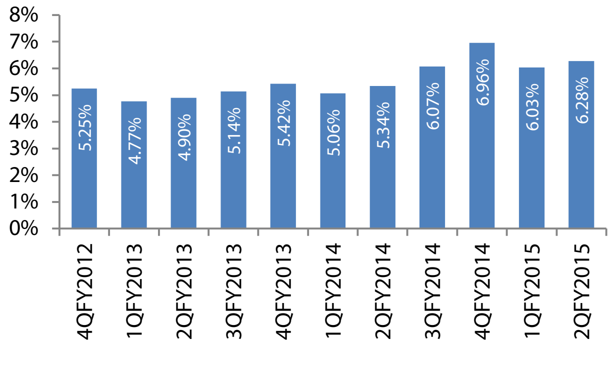
Top Active

Ticker	Price	Volume	% price change
FLC	8.7	11.35	1.2%
JVC	9.0	10.12	-2.2%
HAI	10.7	9.11	7.0%
SSI	26.4	6.60	-0.4%
CII	25.8	6.42	-2.3%

Ticker	Price	Volume	% price change
FIT	13.0	6.73	2.4%
SHB	8.7	4.94	0.0%
KLF	7.0	4.31	1.4%
SCR	8.9	3.52	0.0%
PVS	29.3	2.25	-2.3%

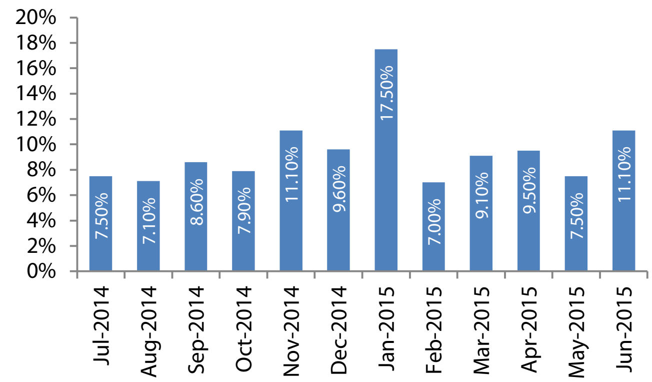
MACRO WATCH

Graph 1: GDP Growth



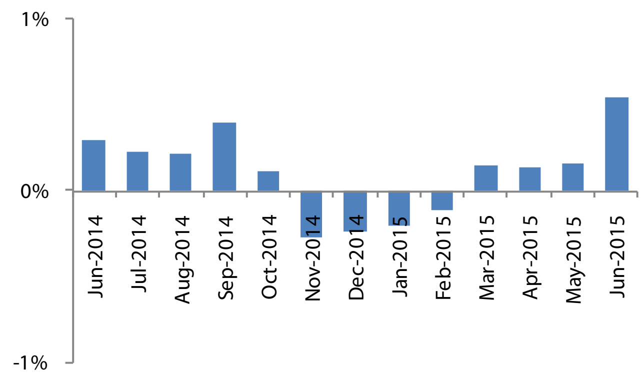
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



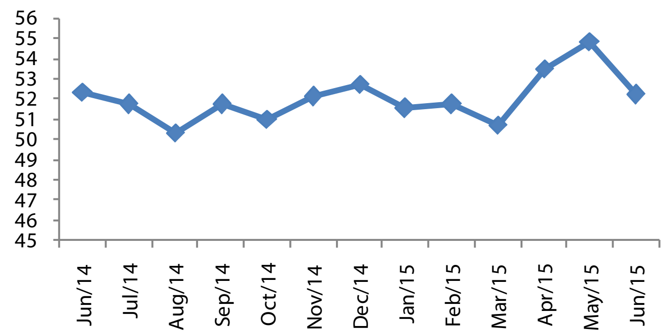
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



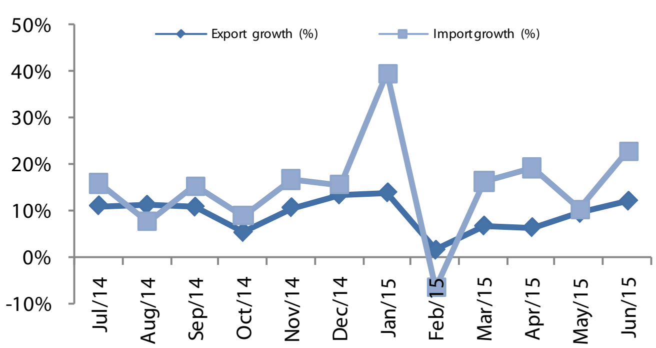
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



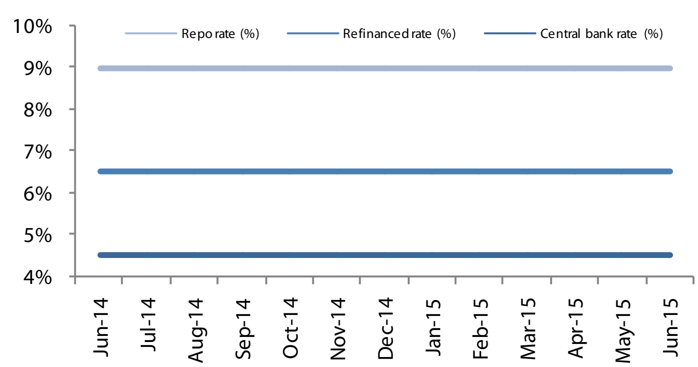
Sources: GSO. Rongviet Securities database

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
SKG - Growing alongside the pearl island	June 24th, 2015	Buy – Long term	64,300
VTO-Profitability sets for steady improvement	June 22th, 2015	Monitor	
MWG - Optimistic business outlook in 2015	May 25th, 2015	Buy – Intermediate term	101,000
FPT - Positive recovery in the technology business	May 12th, 2015	Accumulate – Long term	60,900
GSP- Heading for a new growth period	May 11th, 2015	Accumulate – Long term	16,600

Please find more information at http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx

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	30/06/2015	0% - 0.75%	0% - 2.5%	11,729	11,675	0.46%
VEOF	30/06/2015	0% - 0.75%	0% - 2.5%	9,821	9,767	0.55%
VF1	06/07/2015	0.2% - 1%	0.5%-1.5%	22,992	22,728	1.16%
VF4	01/07/2015	0.2% - 1%	0%-1.5%	9,961	9,932	0.29%
VFA	03/07/2015	0.2% - 1%	0%-1.5%	7,426	7,307	1.62%
VFB	03/07/2015	0.3% - 0.6%	0%-1%	12,211	12,185	0.21%
ENF	03/07/2015	0% - 3%	0%	11,424	11,271	1.36%
MBVF	02/07/2015	1%	0%-1%	10,563	10,536	0.26%
MBBF	01/07/2015	0%-0.5%	0%-1%	12,133	12,115	0.15%

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