05/11/2018

Investment Strategy November 2018

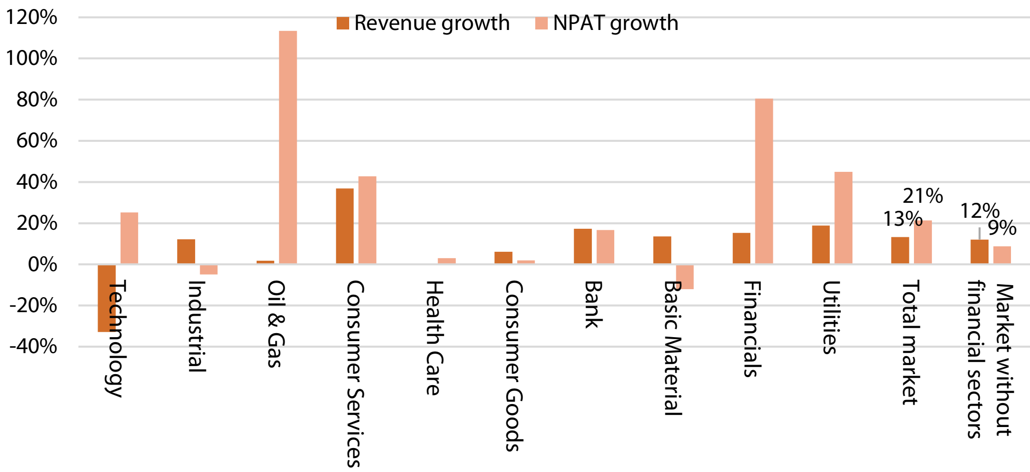
SHORT-TERM REBOUND?

On October 30th the VN-Index closed at 889, trading at a current P/E of 15.7x. The market has rarely declined below a P/E 15.6x in the last two years. Therefore, it can be possible that the VN-Index is at a relatively strong support level. In fact, the day after, the VN-Index increased 26 points with flows into the market 25% higher than the average of the ten previous trading days.

In our last month's strategy report, we mentioned that there would be a chance for disbursements in November. Our view seems to point to the right direction so far. The market will typically recover after experiencing a sharp fall, although it is difficult to predict the exact timing. It is important to keep in mind that it will not be a V-shape recovery. We also expect that the Index will rise in the final weeks of 2018 as it is the key time for investors to do portfolio rebalancing.

Excluding financials and banking sectors, revenue growth and NPAT growth of the market in Q3 was only 12% YoY and 9% YoY, respectively. A significant portion of earnings growth is from the financial sector, GAS and MSN. We worry that the growth of these big pillars might not be that great next year. Therefore, the stock market is expected to face a tougher time in 2019. However, emerging markets will continue to attract investors. Latin American emerging markets like Mexico and Brazil have done well this year, currently outperforming Asia emerging markets. We expect the opposite next year.

Revenue and NPAT growth in Q3 2018 by sectors



Source: FiinPro, Rong Viet Securities

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Please see penultimate page for additional important disclosure

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As we mentioned in our October report, we believed that there would be good opportunities to buy stocks in November when bad news would be priced in. However, we think this short-term opportunity will be limited to a small sample of stocks. Following our analysts' recommendations, we would like to highlight stocks which could report positive results in 4Q 2018.

Based on our database, earnings of the real estate sector grew fast in 3Q and 9M 2018. Despite of that, our analyst believes that some companies still can report strong growth in 4Q. We like **HDG** the most because (1) HDG reported NPAT of VND 139 Bn in 9M 2018 (9M 2017: lost VND 21 Bn), equivalent to 25% of our forecast for 2018. This means that HDG can report VND 428 Bn (+96% YoY) in 4Q mostly contributed by the Centosa project and (2) for 2019, our analyst expects that HDG's new power projects can help the company generating a stable cash flow. The second choice of our real estate analyst is **VHM**, a subsidiary of VIC. For 2018, he expects that VHM can fulfill its target of VND 17 Tn in NPAT with the contribution of Goldend River, Central Park and the Harmony projects and other key segments. For the longer run, the Vincity mega project will help VHM maintain its growth. The last one in this sector is **DIG**, a developer with a huge land bank. Catalyst for DIG comes from its divestment progress. Particularly, DIG plans to complete the divestment in Vina-Dai Phuoc (8% ownership) and Viet Thien Lam (22% ownership) by 2018. If successful, the company can record VND 180 Bn in divestment PBT, which would boost the company's earnings by three times YoY in 4Q 2018. However, the company will make issuance to develop its current land bank. Therefore, dilution is the risk that investors should keep in mind in this case.

Other interesting ideas are consumer-related stocks such as MWG, VJC, and PME. In terms of **VJC**, our analyst believes that income from sales and lease back will be flat in 4Q. Meanwhile, due to the high growth of international visitors, VJC's core business has been improving. He expects that core earnings will grow 39% YoY and total earnings will grow 14% YoY in 2018. Regarding **MWG**, our analyst expects that Bach Hoa Xanh, MWG's grocery brand name, will reach its breakeven point in 4Q 2018, resulting in a growth of 53% YoY for total earnings. Including cash dividend, VJC and MWG are trading 28% and 44%, respectively, lower than our target prices. However, these two stocks are in the VN30 basket, which may easily be sold by index-tracking funds. In the pharmaceutical sector, earnings of IMP, PME and DHG met 71%, 71% and 62% of our analyst forecast for 2018. While DHG starts to see some growth challenges, the progress to penetrate the ETC segment by IMP has been slower than our analyst's expectations. Therefore, our analyst prefers **PME** as its sale in ETC is better than IMP. Moreover, the stock has catalyst as STADA plans to increase its ownership in PME from 49% to around 70%. We think PME will be a good choice for defensive investors. Moreover, given the high correlation of VNIndex and global equity markets at this time, we think PME will be a good choice for defensive investors. In the ten months so far in 2018 the VNIndex lost 7% YTD but PME lost 2%.

PVS and TCM, two of our favorite stocks in August and September, also recorded good earnings results in 9M 2018. However, for the last quarter of 2018, we have some concerns. For **PVS**, we still believe in the company outlook in 2019, but for 4Q 2018, earnings may not be as good as that in first nine months. We think PVS will report a loss by dissolving its subsidiary, which will destroy the company's earnings in 4Q 2018. Sears, a US client of TCM, has filed for bankruptcy in October 2018. This retailer accounts for 7% of TCM's total revenue and has around VND 95 Bn in TCM's current receivables. Our analyst expects that **TCM** will make provision of 30% of the total amount (i.e. VND 28 Bn) in 4Q 2018, and the remaining will be made in 2019. In this scenario, our revised forecasted 2018 and 2019 EPS will be VND 3,440 and VND 2,540 respectively. We also reduce the target price of TCM to VND 25,500 per share.

In our thematic portfolio nothing has changed in October. The portfolio, since inception in late June, outperforms the VN Index by around 10%. The level of cash is 20%, which we will put some of that to work in November.

Analysis of 58 stocks of Rong Viet Research, discussion with companies and specific evaluation in the "Company Report" or "Analyst Pinboard"

Relative trade? Buy Asia ex Japan/ short the US

The economic cycle in the US, and for that matter Europe, is entering into its late stage. Asia ex Japan, however, is still booming. Some people are afraid that China's economic growth will collapse. Well, they have been wrong, even though there are clear signs that a slight slowdown is taking place. We have heard of shadow banking, empty buildings and factories producing nothing for years. True, the stock market has failed to deliver but that is the nature of immature capital markets. India's economy, with all the issues it faces, from Mr. Modi's weakening grip on the political establishment to an urgent need for infrastructure investments, is still growing at more than 6.5% per year in real terms.

By our estimation, the economies of emerging Asia will expand by the size of the entire Mexican economy in the next few years. In five years, emerging Asia will grow by the size of the Japanese economy, and in ten years, by the size of the European economy. That means a lot of potential cash flow.

That is what, generally, investors buy: cash flow.

Recent market turmoil in the US equity market has been triggered by the belief that economic growth and corporate earnings are peaking as interest rates rise and the boost from tax cuts fades. The US economy is at an inflection point and is moving toward a clear deceleration. Real estate prices in certain parts of the countries have pushed buyers out of the market.

Year to date emerging Asia and other markets have massively underperformed the S&P 500. There are various reasons for that but the main one is that global money has been going towards US assets. Hence the strength of the US dollar and the Yen. This is actually a risk aversion move by investors.

Table 1: Price return year to date, in USD

Index	Returns
S&P 500	-0.6
MSCI World	-5.6
Euro Stoxx 50	-14.6
MSCI Asia Pacific	-15.7
MSCI ASEAN	-15.3
VN Index	-11.0
S&P 500	-0.6

Source: Bloomberg
As of Oct 29th

Equity fundamentals are good in Asia, except for return on investment (RoE), which need to improve. For this to happen, Asian ex Japan corporates have to improve capital productivity. Obviously, this depends on politics as well as domestic regulations. One of the key positive for most of Asia is that it is at the forefront of digitalization. According to a recent IMF report, "digitalization may well be a key driver of productivity growth".

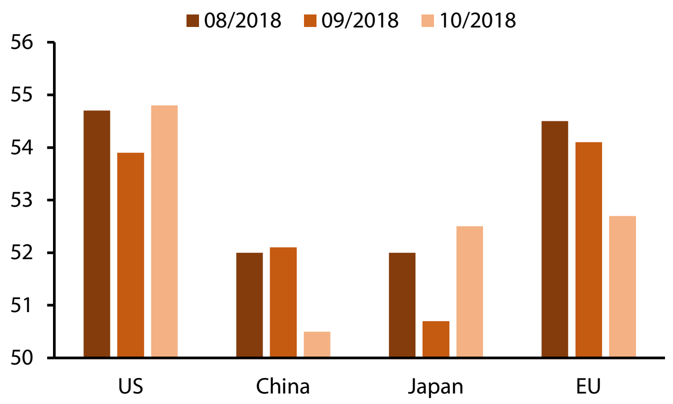
Table 2: Comparison between the S&P 500 and the MSCI Asia Pacific

Current levels	S&P 500	MSCI Asia Pacific
P/E	18.7x	11.7x
EV/Ebitda	12.5x	7.7x
Dividend yield	2%	3%
RoE	15.5%	11.5%
Profit margin	10%	9%

Source: Bloomberg
As of October 29th

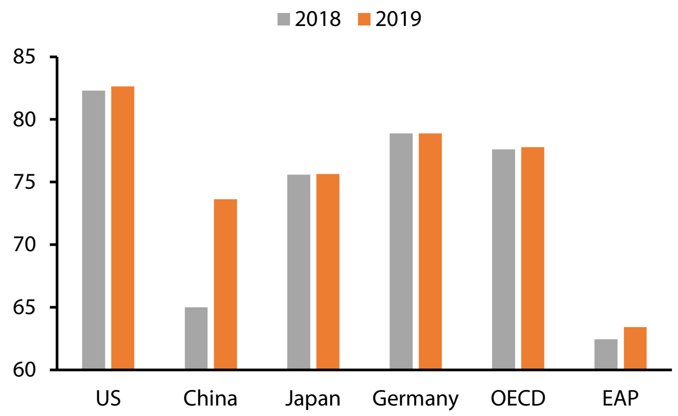
We recommend buying Asia ex Japan and shorting the S&P 500. The carry is positive. The larger issue for this trade is that Asian money will stay in Asia, driven by the reconnaissance that things are 'better' in the region than elsewhere in relative terms.

Composite PMI indices (Points)



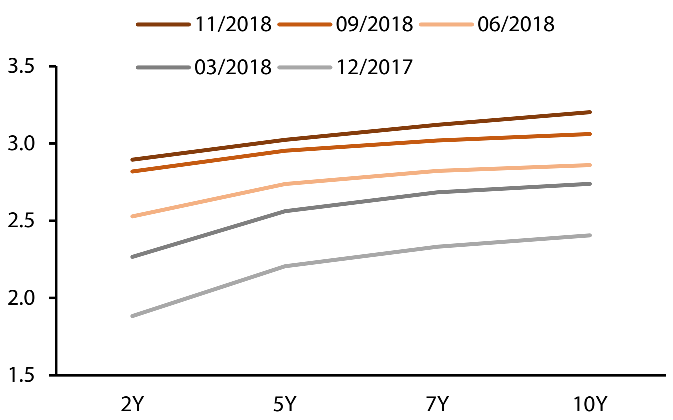
Source: Bloomberg, Rong Viet Securities

Ease of Doing Business Score (Points)



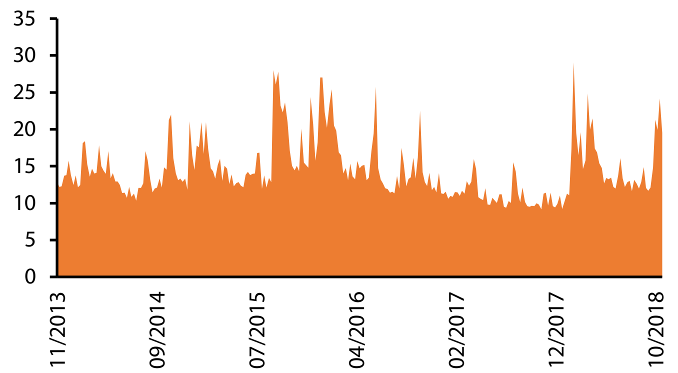
Source: WB, Rong Viet Securities

US bond yield curve (%/year)



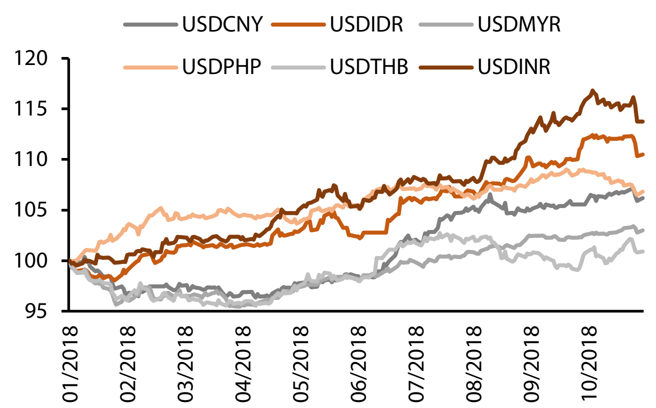
Source: Bloomberg, Rong Viet Securities

VIX - CBOE Volatility Index (Points)



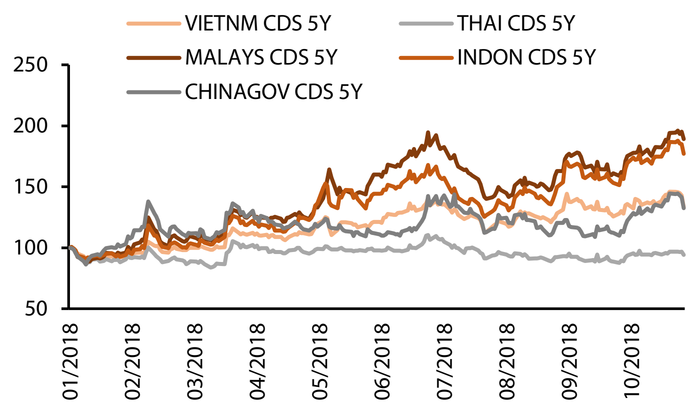
Source: Bloomberg, Rong Viet Securities

Asian currencies in 2018 (Points)



Source: Bloomberg, Rong Viet Securities

Asia 5-Year CDS (Points)



Source: Bloomberg, Rong Viet Securities

VIETNAM MACRO

- Vietnam's economy slowed down in October
- November's events expected to drive the FX rate

Vietnam's economy slowed down in October

In general, the manufacturing and service sectors, the two biggest contributors to Vietnam's economy, grew at a lower annual pace in October. The manufacturing sector saw an annual decreasing since June and was just up 7.7% YoY this month. There are three significant highlights, including:

- The production of electronic products was not as good as last year. This is shown by lower industrial production indices in Bac Ninh and Thai Nguyen provinces where Samsung's factories are located. In addition, the export and import values of such products also slowed down.
- Mining, except for crude oil, and heavy industries performed well. Steel production kept a steady upward momentum due to the operation of Formosa. Coal and cement manufacturing are benefiting from higher prices and better exports to China and ASEAN. In the case of cement, there are more and more foreign factories in Vietnam. Although that contributes to Vietnam's GDP, there are some concerns about the issues of natural resources loss.
- The operation of domestic refinery factories resulted in higher import value of crude oil. While Vietnam's crude oil output saw a gradual decrease, total expenditure on imported crude oil surged to USD 1.6 Bn, up 282% YoY. In the next few years, Vietnam is likely to be a net crude oil importer.

In the tourism sector, the number of international visitors dipped in October and grew at a slower pace in the first ten months of 2018. The credit growth is under strict control while more and more real estate projects are being delayed.

In our opinion, Vietnam's GDP growth will slip in the upcoming years as the upward momentum is still unclear. That is more conservative than MOIT's 2019 macroeconomic plan. Recently, international organizations like the IMF, WB and ADB also revised down the prospect of regional and global GDP growth. Besides, we estimate that credit and M2 growth will be 15% and 14% YoY, respectively, in 2019.

Table 3: Macroeconomic indicators 2017-2019

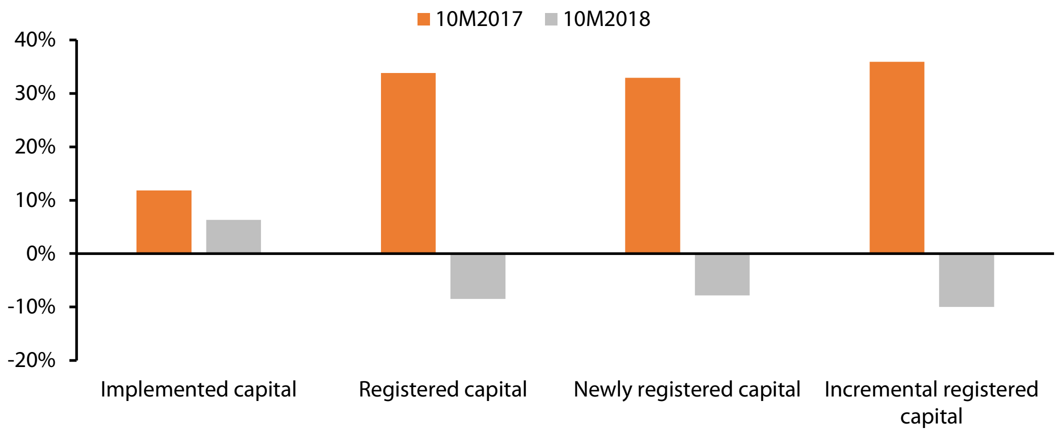
	2017	2018E	2019P
GDP growth	6.80%	6.80%	6.6%-6.8%
Inflation	3.5%	4.0%	4.0%-5.0%
M2 growth	15%	14%	14%
Credit growth	18%	15%-16%	15%

Source: Rong Viet Research

While the foreign direct investment to Vietnam is temporarily affected by the current trade war, the billion-dollar projects of private corporations can be a key pillar for the economy in 2019. Currently, FDI projects' implemented capital is slowing down while the value of registered FDI dropped. Foreign corporations are cautious about the trade war and the uncertainties in brings.

Therefore, we expect a higher contribution of Vietnamese private corporations. For example, our analysts reckoned that lots of constructers and construction material producers expect to get involved in the Vincity project, a large-scale real estate project. Besides, the operation of the Hoa Phat – Dung Quat steel project is also good news for Vietnam's economy, at least, in the short term. Such projects implies a huge support from the government. However their success or failure will have a big impact the economic development and macroeconomic stability.

Figure 1: Growth rate of FDI capital



Source: GSO, Rong Viet Securities

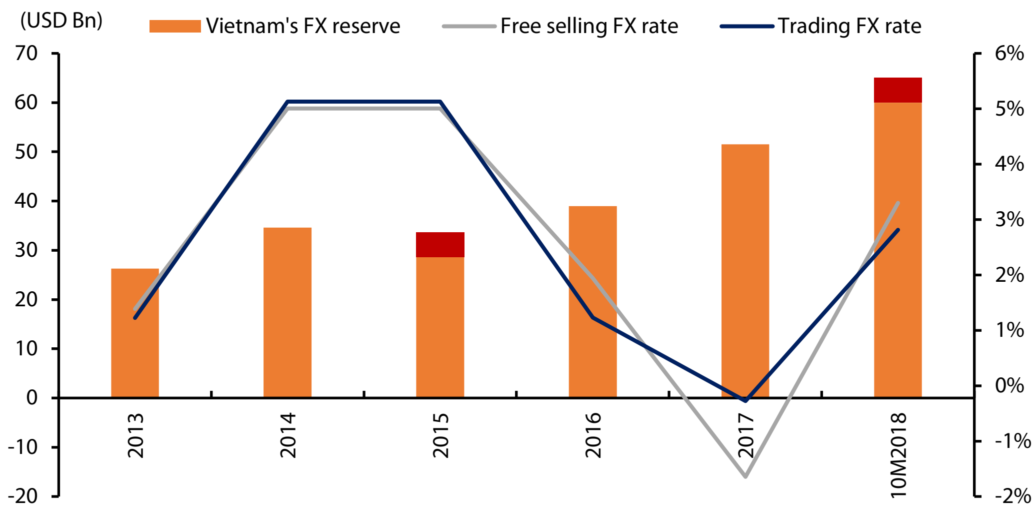
November's events driving the FX rate

According to the government, Vietnam's international FX reserves is around USD 60 Bn, significantly lower than the peak of USD 65 Bn. That implies that the State Bank of Vietnam used USD 5 Bn, to intervene to support the Dong. Up to the end of October, bankers' trading FX rate increased by 2.8% while the free rate went up over 3%. The fluctuation of the FX rate has resulted in higher short-term borrowing cost of USD and VND in the interbank market.

The key drivers of the FX rate are related to changes in the yuan and US dollar. Currently, it is highly possible for the yuan to reach the 7 threshold. Meanwhile, the US Dollar Index is in a range of 96-97 points as the Euro is weakening because of geopolitical risks such as Brexit negotiations and Italy's budget. In November, investors should keep an eye on two important events, including the US mid-term elections November 6 and the meeting between US's president Donald Trump and China's president, Xi Jinping, on November 30.

Investors are still sensitive to the Dong exchange rate and prefer to hold the greenback whenever the FX market gets turbulent. In 2015, the central bank spent USD 5 Bn on intervening the Dong after the yuan depreciated strongly. At this time, the bank managed to keep investors calm. However, the current gradual changes in the FX rate is different and serious. We would not be surprised to see an over 3% depreciation of the Dong in 2019.

Figure 2: FX reserve vs FX rate

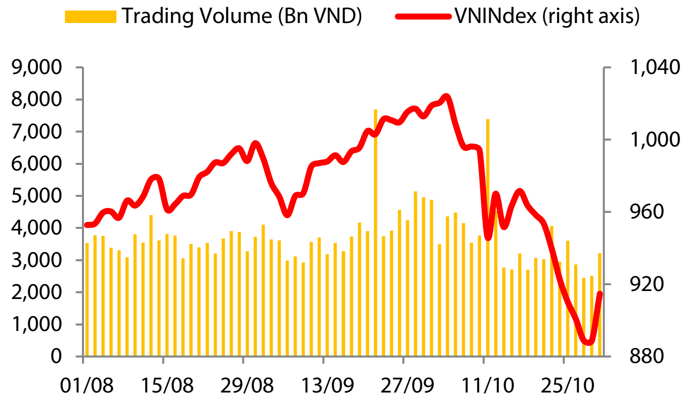


Source: Bloomberg, Rong Viet Securities

VIETNAM'S STOCK MARKET IN OCTOBER: A BIG SLUMP

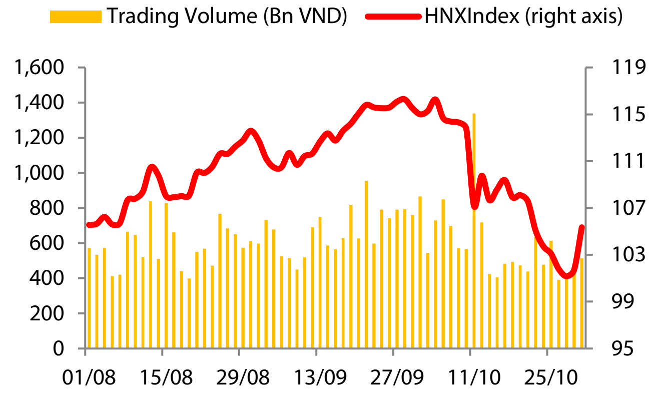
It took three months for the VN-Index to recover by 15% from the bottom at 885 and only one month to blow that away. The VN-Index failed to break the 200-day moving average before constantly going lower than important support levels.

Figure 3: VNIndex movement in October



Source: Rong Viet Securities

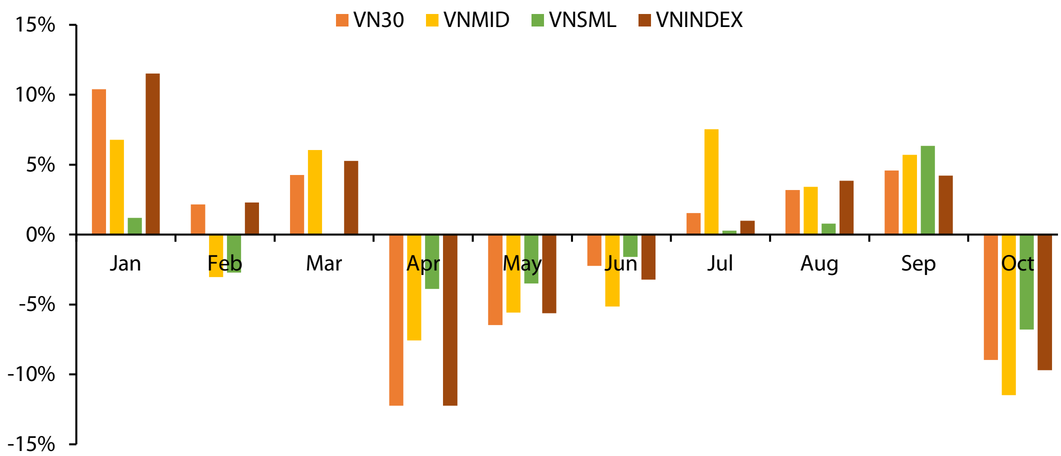
Figure 4: HNXIndex movement in October



Source: Rong Viet Securities

The VN30-Index and the VNMID-Index dropped 9.4% and 11.7% respectively, while small cap did a bit 'better': VNSML-Index fell 7.2%.

Figure 5: Performance of VN30, VNMID, VNSML and VNINDEX

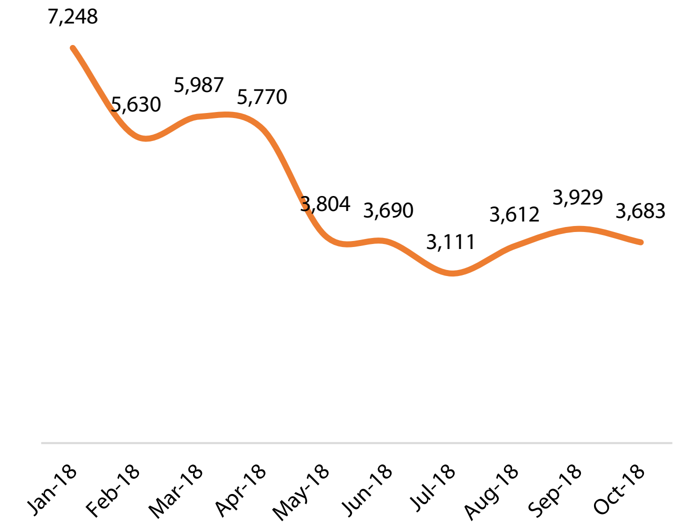


Source: Fiinpro, Rong Viet Securities

Liquidity dropped quite a bit compared to September. Order-matching value was high when the VN-Index started to drop and declined as the index approached 885 for the fourth time in the last three months.

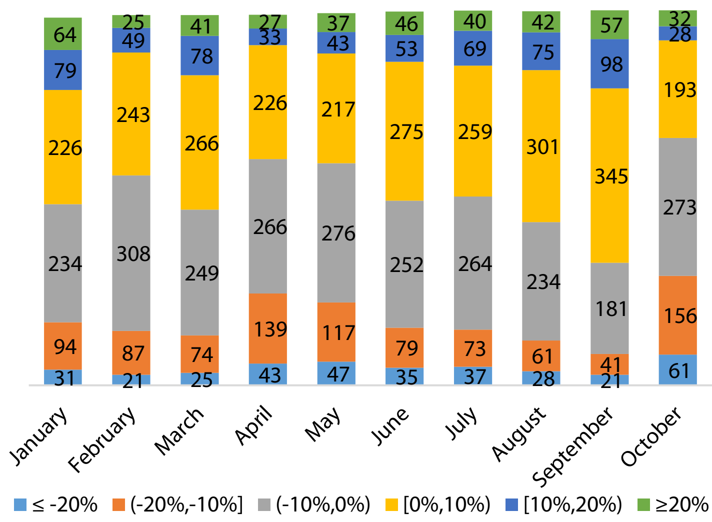
Market breadth was very negative as the massive sell-off happened on a large scale. Losers outweighed gainers (490 versus 253). 217 stocks fell more than 10%, which was the highest since the beginning of this year.

Figure 6: Monthly average trading value on HOSE (VND bn)



Sources: FiinPro, Rong Viet Securities

Figure 7: Numbers of stocks by return



Sources: FiinPro, Rong Viet Securities

Q3 earnings update (based on 590 companies that announced their results:

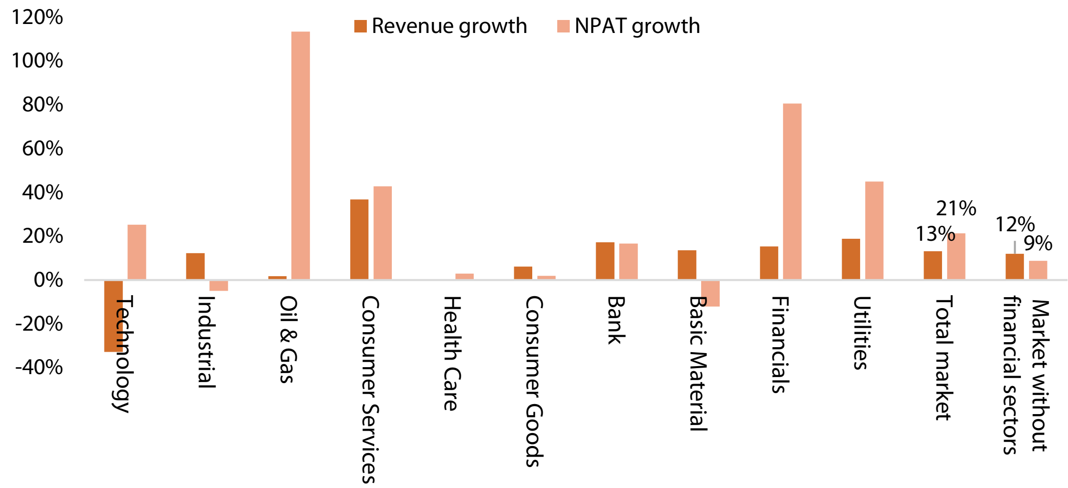
Banks grew at a slower rate than previous quarters (17% YoY). This is in line with what we expected; earnings of this sector seemed to have peaked in 1H 2018.

Earnings of real estate stocks, such as NLG, NVL and DXG surged as companies recognized profits this quarter.

PVS profited from the Sao Vang Dai Nguyet project in Q3. PVS and PVD also had a reversal of provision. This boosted the earnings of the Oil & Gas sector considerably (Including PVB, PVC, PVD, and PVS).

Basic materials stocks did not do well. Almost all steel companies (HSG, NKG, VIS, POM, and TLH) struggled due to higher input prices and rising competition. HPG is the only exception.

Figure 8: Revenue and NPAT growth in Q3 2018 by sectors



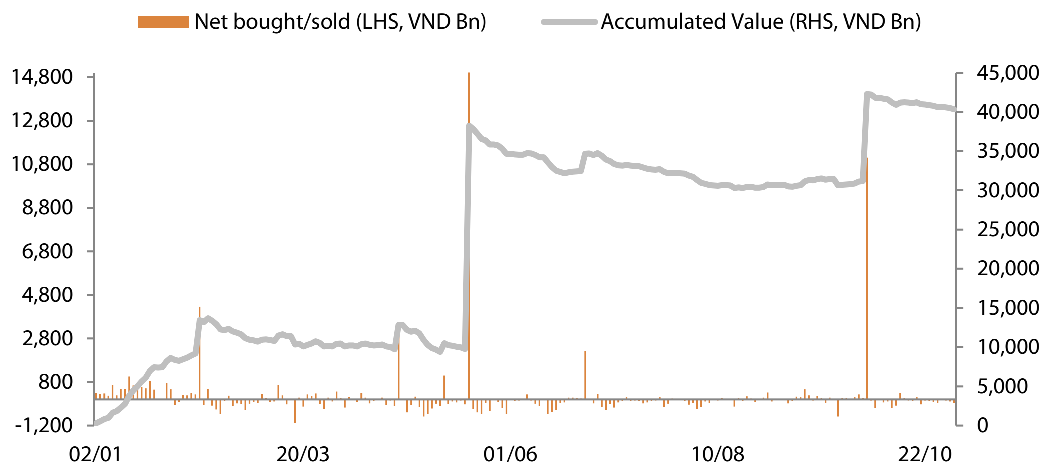
Source: FiinPro, Rong Viet Securities

NPAT of the market increased by 21% YoY, of which VHM and GAS contributed significantly. However, **excluding financials and banking sectors, revenue growth and NPAT growth of the market was only 12% YoY and 9% YoY, respectively.**

In conclusion, we can see that a significant portion of earning growth is from the financial sector, GAS and MSN. We worry that the growth of these big pillars might not be that great next year.

Foreign investors trading

Figure 9: Net trading value of Foreign Investors



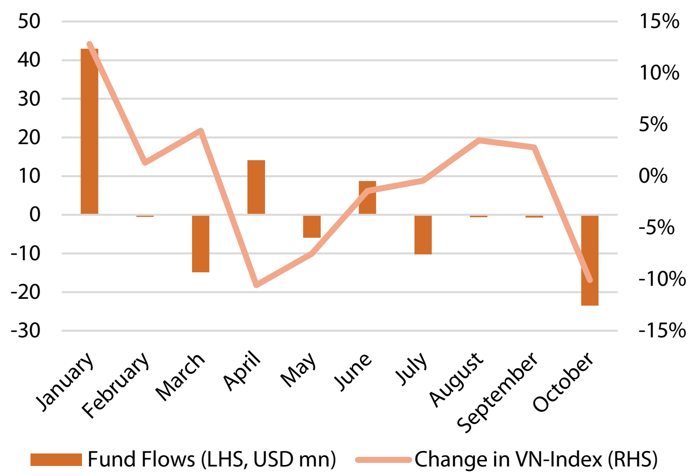
Source: FiinPro, Rong Viet Securities

Foreign investors net bought VND 9,242 bn in the month. On October 2nd, SK Group bought VND 10,121 bn of MSN, making this the second largest put-through transaction of the year, just behind the VHM deal in May.

However, if we exclude the MSN transaction, foreigner investors would have net sold VND 879 bn. They net sold in 17 of the 23 trading sessions and this significantly put pressure on market sentiment (VN-Index dropped 10% in October). Overseas investors however turned net buyers in the middle of the month.

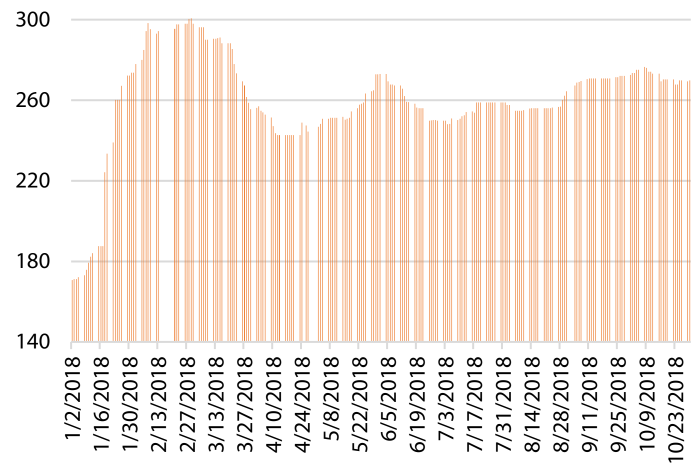
As Vietnam's stock market went down, the VanEck Vectors Vietnam ETF and FTSE Vietnam ETF also witnessed strong outflows in October. For the VFMVN30 ETF, it saw net outflows of 3.7 million fund certificates in October, equivalent to VND 54.4 bn in value.

Figure 10: Total ETFs' Fund Flows (VNM ETF and FTSE Vietnam ETF) and Change in VN-Index this year



Sources: Bloomberg, Rong Viet Securities

Figure 11: VFMVN30's number of certificates (millions)



Sources: FiinPro, Rong Viet Securities

Table 4: Foreign investors' net trading by sector on both exchanges

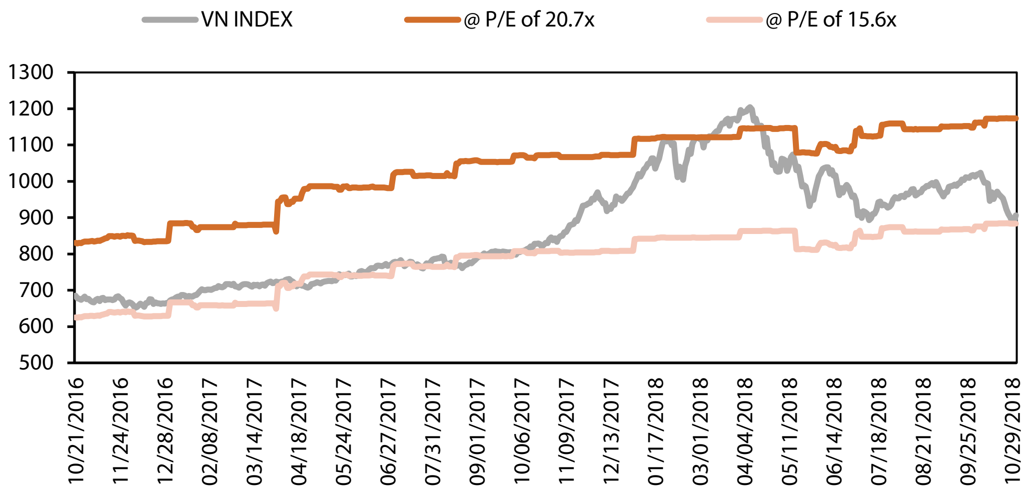
Sector	HSX		HNX	
	Net volume (thousand shares)	Net value (VND Bn)	Net volume (thousand shares)	Net value (VND Bn)
Oil & Gas	-7,347	-162	142	4
Chemicals	-4,898	-99	-20	-0
Basic resources	-4,055	9	-137	1
Construction and building materials	6,332	247	-269	19
Industrial goods & services	4,152	86	184	-8
Automobile & parts	1,625	40	10	0
Food & beverage	99,828	10,215	34	2
Personal & household goods	115	-1	-188	-3
Healthcare	3,079	327	115	4
Retail	710	23	-	-
Communication	345	87	8	0
Travel & leisure	-4,729	-551	-163	-2
Utilities	-2,125	-80	58	1
Bank	31,671	486	-4,481	-85
Insurance	-0	-13	-19	-1
Real estate	-31,198	-1,506	2,222	27
Financial services	3,199	167	1,014	12
Technology	-360	-2	-72	-1

Source: FiinPro, Rong Viet Securities

Is it time to buy?

On October 30th the VN-Index closed at 889, trading at a current P/E of 15.7x. The market has rarely declined below a P/E 15.6x in the last two years. Therefore, it can be possible that the VN-Index is at a relatively strong support level. In fact, the day after, the VN-Index increased 26 points with flows into the market 25% higher than the average of ten previous trading days.

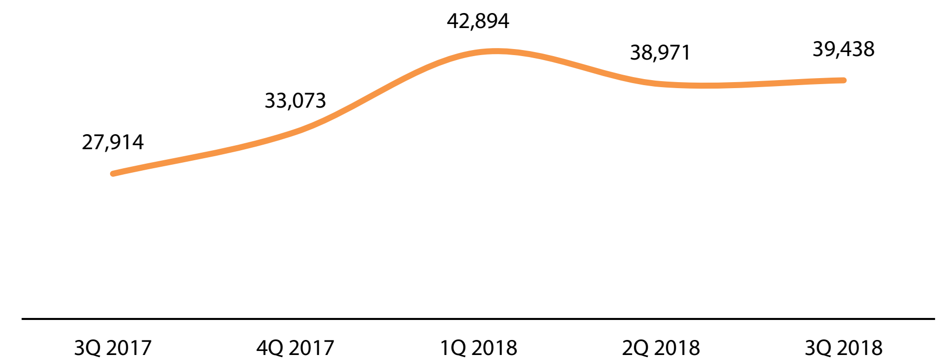
Figure 12: The P/E band of the VN index for the last two years



Source: Bloomberg

Margin loans of brokerage houses increased slightly in Q3 to the level of Q2 2018. Although the margin level is approximately VND 40,000 bn, margin pressure appears not to be a significant matter.

Figure 13: Total margin in the market (Bn VND)



Source: Fiinpro, Rong Viet Securities

Tension between US and China has somewhat eased; President Trump has asked official to draft a possible trade deal with China. This seems to be a support for market sentiment.

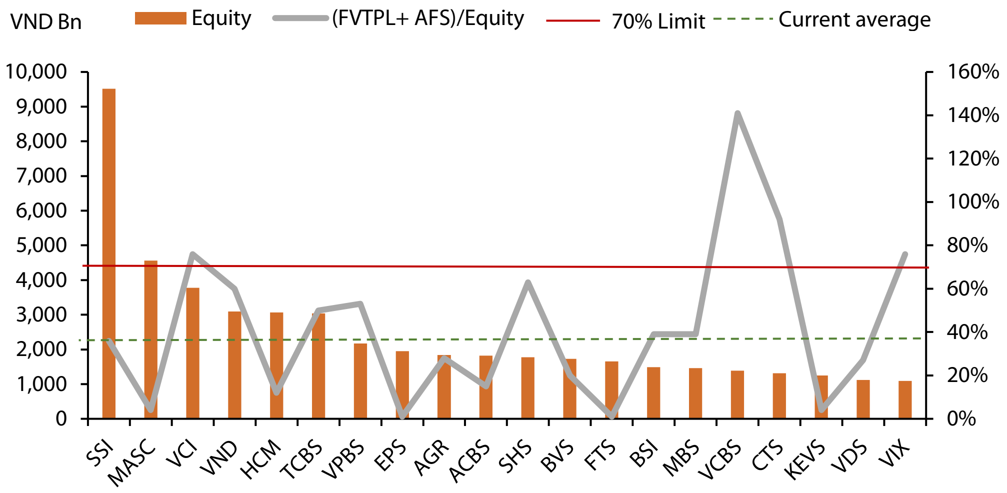
In our last month's strategy report, we mentioned that there would be a chance for disbursements in November. Our view seems to point to the right direction so far. The market will typically recover after experiencing a sharp fall, although it is difficult to predict the exact timing. It is important to keep in mind that it will not be a V-shape recovery. We also expect that the Index will rise in the final weeks of 2018 as it is the key time for investors to do portfolio rebalancing.

The stock market is expected to face a tougher time in 2019. However, emerging markets will continue to attract investors. Latin American emerging markets like Mexico and Brazil have done well this year, currently outperforming Asia emerging markets. We expect the opposite next year.

Who will be the pioneer?

3Q balance sheets of the twenty largest securities firms show that most of these companies did not use their entire limit in direct investments. The SSC says that a securities firm can invest in financial instruments a maximum 70% of their equity. Except for outliers like VCBS, CTS, and VIX, the rest maintained their investment positions below this level. The weighted average (FVPTL + AFS) divided is 39%, much below the limited level. These twenty companies have total equity of around VND 49,111 bn, which means they can invest a maximum 31% more of their total equity in the stock market through FVPTL and AFS instruments, equaling to VND 15,230 bn.

Figure 14: Current status of Investment of 20 securities companies

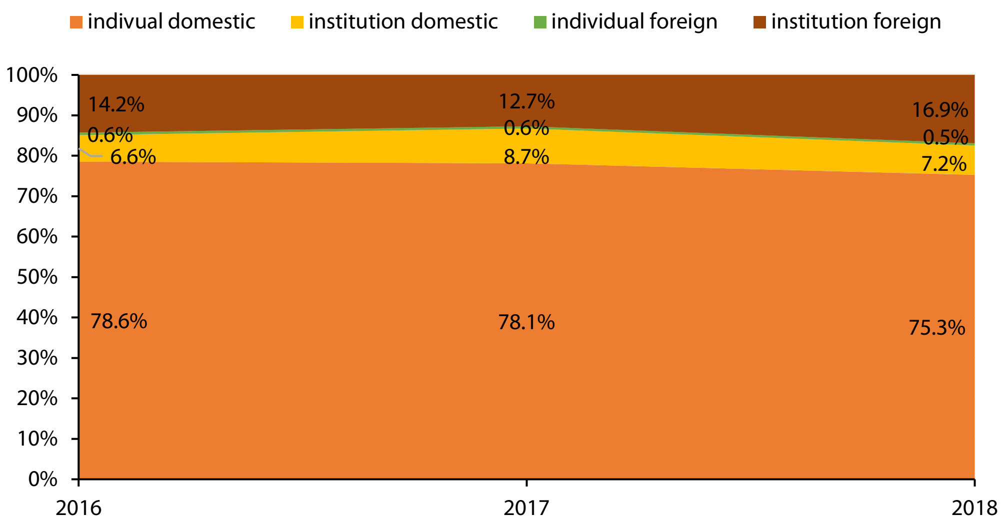


Source: Fiinpro, Rong Viet Securities

Meanwhile, reports by funds at the end of September showed a mixture of cash position. There are funds that maintained high cash position such as VFMVF1, VFF, VCBF-TBF, and ENF, ranging from 20% to nearly 40% NAV. In contrast, VOF had only 5.5% cash in its portfolio. VEIL was even much lower as the report on October 31st revealed, 0.7%.

We think leading institutional investors will have a huge impact on where the market goes. However, since foreign investors have net sold for many sessions and leading funds such as VEIL and VOF have low levels of cash, domestic institutions could play a bigger role for the upcoming months. The degree might not be too big, as some might still hesitate to take part in another wave after suffering three big drops this year.

Figure 15: Contribution of Investors to market trading value



Source: Fiinpro, Rong Viet Securities

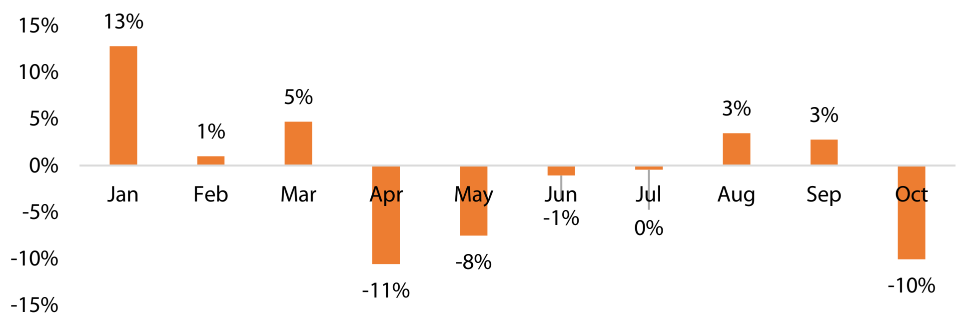
Most companies released their earnings results for 3Q and 9M 2018. Fifty-four out of 57 companies in our coverage list (accounting for ~60% of total market cap of HSX, HNX and UpCom) announced their business results, of which 28 firms were in line. Of the remainders, 13 firms were better and another 13 firms were worse than our expectations. While merely 24% in the coverage list showed earnings worse than expectation, stock prices of most companies poorly performed in October, regardless if they were large, mid, or small cap stocks.

	Market cap (VND Bn)	Index change (%, MoM)	3Q revenue growth (%, QoQ)	3Q NPAT (%, QoQ)	9M revenue growth (%, YoYP	9M NPAT (%, YoY)
Media	10,167	20.9	2.1	0.2	12.0	19.0
Insurance	86,502	-1.6	16.9	-24.0	19.2	-19.1
Chemicals	39,940	-4.2	9.9	22.7	6.0	0.2
Personal & Household Goods	34,577	-6.8	16.9	27.5	17.3	17.5
Industrial Goods & Services	95,107	-6.9	24.6	1.1	21.1	26.0
Basic Resources	110,391	-7.3	14.7	-20.3	23.1	-4.9
Utilities	243,749	-9.0	18.8	44.9	18.1	36.8
Technology	31,507	-9.0	-32.9	25.2	-35.1	20.4
Food & Beverage	529,689	-9.2	5.9	-1.8	6.9	9.5
Retail	46,236	-9.5	23.3	10.5	28.7	26.1
Real Estate	766,672	-9.5	14.7	101.4	45.8	86.9
Construction & Materials	132,662	-9.8	5.5	-9.7	4.9	-25.0
Health Care	34,375	-10.5	-0.3	2.7	-2.4	-2.5
Travel & Leisure	88,509	-10.6	86.4	64.9	44.3	31.6
Banks	720,621	-11.9	17.3	16.6	23.7	39.7
Automobiles & Parts	15,484	-12.6	-5.6	23.3	-8.5	-6.7
Financial Services	52,253	-14.3	19.2	35.3	46.5	28.7
Oil & Gas	85,267	-15.8	1.8	113.4	5.6	10.9

Source: Rong Viet Securities

While macro indicators were in line with the Government's target and domestic companies still did well, the Vietnam stock market has been more sensitive to global markets and international events. Therefore, October was the second worst month of the year as the VNIndex went down by 10% (April: -11% MoM) following the decrease of global stock markets and bad news related to the trade war, Iraq, etc. Moreover, there was a net withdrawal from large ETF funds in stocks such as VNM ETF, FTSE ETF, and VFMETF. The current trend is different from the situation in the same period last year, making us a little bit worried about next year prospects for the equity market.

Figure 16: Monthly change of the VNIndex in 2018



Source: Rong Viet Securities

As we mentioned in our October report, we believed that there would be good opportunities to buy stocks in November when bad news would be priced in. However, we think this short-term opportunity will be limited to a small sample of stocks. Following our analysts' recommendations, we would like to highlight stocks which could report positive results in 4Q 2018.

Based on our database, earnings of the real estate sector grew fast in 3Q and 9M 2018. Despite of that, our analyst believes that some companies still can report strong growth in 4Q. We like **HDG** the most because (1) HDG reported NPAT of VND 139 Bn in 9M 2018 (9M 2017: lost VND 21 Bn), equivalent to 25% of our forecast for 2018. This means that HDG can report VND 428 Bn (+96% YoY) in 4Q mostly contributed by the Centosa project and (2) for 2019, our analyst expects that HDG's new power projects can help the company generating a stable cash flow. The second choice of our real estate analyst is **VHM**, a subsidiary of VIC. For 2018, he expects that VHM can fulfill its target of VND 17 Tn in NPAT with the contribution of Goldend River, Central Park and the Harmony projects and other key segments. For the longer run, the Vincity mega project will help VHM maintain its growth. The last one in this sector is **DIG**, a developer with a huge land bank. Catalyst for DIG comes from its divestment progress. Particularly, DIG plans to complete the divestment in Vina-Dai Phuoc (8% ownership) and Viet Thien Lam (22% ownership) by 2018. If successful, the company can record VND 180 Bn in divestment PBT, which would boost the company's earnings by three times YoY in 4Q 2018. However, the company will make issuance to develop its current land bank. Therefore, dilution is the risk that investors should keep in mind in this case.

Other interesting ideas are consumer-related stocks such as MWG, VJC, and PME. In terms of **VJC**, our analyst believes that income from sales and lease back will be flat in 4Q. Meanwhile, due to the high growth of international visitors, VJC's core business has been improving. He expects that core earnings will grow 39% YoY and total earnings will grow 14% YoY in 2018. Regarding **MWG**, our analyst expects that Bach Hoa Xanh, MWG's grocery brand name, will reach its breakeven point in 4Q 2018, resulting in a growth of 53% YoY for total earnings. Including cash dividend, VJC and MWG are trading 28% and 44%, respectively, lower than our target prices. However, these two stocks are in the VN30 basket, which may easily be sold by index-tracking funds. In the pharmaceutical sector, earnings of IMP, PME and DHG met 71%, 71% and 62% of our analyst forecast for 2018. While DHG starts to see some growth challenges, the progress to penetrate the ETC segment by IMP has been slower than our analyst's expectations. Therefore, our analyst prefers PME as its sale in ETC is better than IMP. Moreover, the stock has catalyst as STADA plans to increase its ownership in PME from 49% to around 70%. We think PME will be a good choice for defensive investors. Moreover, given the high correlation of VNIndex and global equity markets at this time, we think PME will be a good choice for defensive investors. In the ten months so far in 2018 the VNIndex lost 7% YTD but PME lost 2%.

PVS and TCM, two of our favorite stocks in August and September, also recorded good earnings results in 9M 2018. However, for the last quarter of 2018, we have some concerns. For **PVS**, we still believe in the company outlook in 2019, but for 4Q 2018, earnings may not be as good as that in first nine months. We think PVS will report a loss by dissolving its subsidiary, which will destroy the company's earnings in 4Q 2018. Sears, a US client of TCM, has filed for bankruptcy in October 2018. This retailer accounts for 7% of TCM's total revenue and has around VND 95 Bn in TCM's current receivables. Our analyst expects that **TCM** will make provision of 30% of the total amount (i.e. VND 28 Bn) in 4Q 2018, and the remaining will be made in 2019. In this scenario, our revised forecasted 2018 and 2019 EPS will be VND 3,440 and VND 2,540 respectively. We also reduce the target price of TCM to VND 25,500 per share.

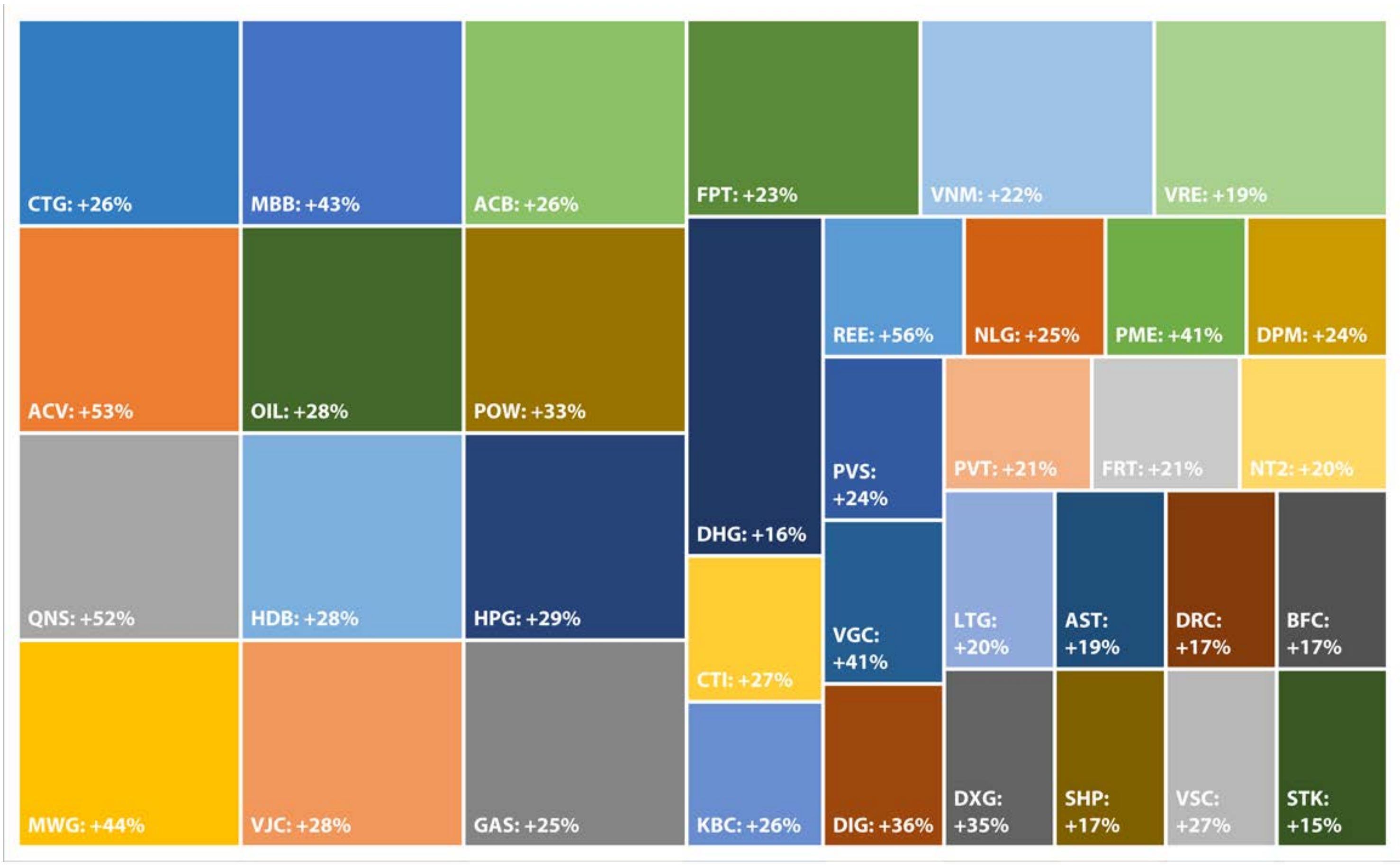
In our thematic portfolio nothing has changed in October. The portfolio, since inception in late June, outperforms the VN Index by around 10%. The level of cash is 20%, which we will put some of that to work in November.

Table 5: Vietnam thematic portfolio for long-term absolute-return investors

Sector	Name	Ticker	Weight (%)	Purchase price (VND)	Current price (VND)	Gain/ Loss (%)
Cons Services	VietJet Air	VJC	10	131,000	135,500	3.4
Cons Goods	Quang Ngai Sugar	QNS	10	35,600	41,200	15.7
Cons Goods	Vinh Hoan	VHC	5	56,500	94,800	67.8
Basic Materials	Phuoc Hoa Rubber	PHR	10	19,000	28,900	52.1
Industrials	Taseco Air Services	AST	10	62,400	65,800	5.4
Industrials	Airport Corp Vietnam	ACV	10	86,000	80,900	-5.9
Basic Materials	Nam Kim Steel	NKG	10	14,400	8,630	-40.1
Financials	Dat Xanh	DXG	5	24,900	26,150	5.0
Utilities	Central Hydro Power	CHP	10	23,000	22,200	-3.5
Cash			**20**			
Total			**100**			
	VN Index			**957.0**	**924.9**	**-3.4**
	Portfolio					**6.4**

Readers should refer to the relevant Rong Viet research reports for detailed analysis and disclosures.
Prices as of Nov 2nd
Source: Rong Viet Securities

Figure 17: Rong Viet Securities' coverage list



Price as of Nov 2nd; Size of stocks is its market cap

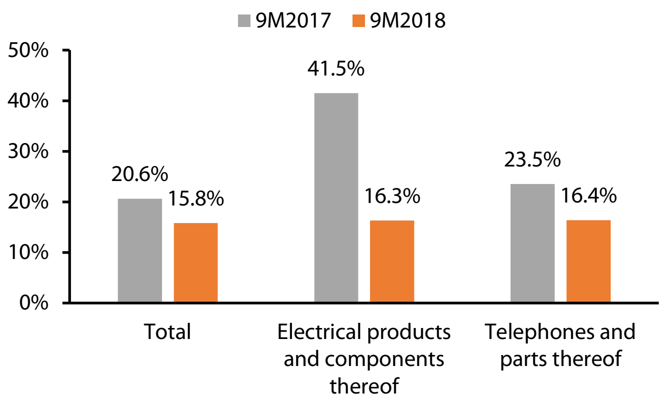
HIGHLIGHTED STOCKS

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Price @Nov 2nd (VND)	Total Return (%)	Rating	2017		2018F		2019F		PER Trailing (x)	PER 2018F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
ACB	HNX	1,623	38,400	30,400	26.3	Buy	81.0	59.8	14.3	138.2	13.4	15.8	8.7	7.7	1.9	0.0	29.0	5,882	0.0
ACV	UPCOM	7,537	123,000	80,900	53.2	Buy	-5.5	-18.1	21.5	58.9	13.8	15.1	28.5	28.3	5.9	1.1	16.5	226	45.4
AST	HOSE	101	74,500	65,800	19.3	Accumulate	108.0	236.1	27.9	4.5	12.6	21.4	15.1	18.9	4.7	6.1	0.0	242	26.2
BFC	HOSE	65	28,500	26,500	17.0	Accumulate	6.1	0.2	4.7	-24.0	-1.9	-9.0	7.3	7.8	1.5	9.4	-17.9	44	35.1
BID	HOSE	4,750	35,000	32,450	10.0	Accumulate	13.2	10.3	13.2	10.3	11.8	50.6	13.3	19.0	2.2	2.2	48.2	4,314	27.3
CHP	HOSE	132	29,000	22,200	37.4	Buy	32.5	59.2	-52.2	-95.4	118.4	2,091.0	30.6	157.4	1.9	6.8	-3.4	65	45.7
CTD	HOSE	507	160,100	151,500	9.0	Accumulate	30.7	16.2	5.0	-5.7	0.0	1.0	7.1	8.7	1.5	3.3	-30.8	1,231	4.6
CTG	HOSE	3,747	28,900	23,500	26.0	Buy	23.3	9.2	10.5	3.2	12.5	43.3	11.4	14.3	1.3	3.0	27.0	6,172	0.0
CTI	HOSE	67	31,500	24,900	26.5	Under review	7.1	39.2	131.3	214.9	-44.0	-80.7	10.3	8.7	1.2	0.0	-6.2	865	24.0
DHG	HOSE	469	94,100	83,800	15.9	Accumulate	7.4	-9.5	2.3	12.2	8.3	8.3	18.4	17.3	3.7	3.6	-4.2	1,154	-0.4
DIG	HOSE	155	19,500	14,300	36.4	Buy	68.4	31.7	54.0	56.1	-7.0	25.2	21.8	13.5	1.2	0.0	3.5	1,200	11.7
DPM	HOSE	315	22,400	18,800	24.5	Buy	0.9	-39.1	35.1	-13.1	7.4	67.3	11.3	14.3	0.9	5.3	-0.4	454	27.9
DRC	HOSE	110	24,300	21,550	17.4	Accumulate	0.0	0.1	-1.8	-6.3	7.4	13.2	18.7	16.5	1.7	4.6	12.1	333	24.7
DXG	HOSE	392	35,281	26,150	34.9	Buy	14.9	39.8	56.2	37.7	-24.8	-20.7	8.6	8.7	2.0	0.0	79.1	3,719	1.6
FPT	HOSE	1,127	50,900	42,900	23.3	Buy	8.0	47.0	-45.8	-31.5	13.5	14.7	8.1	13.2	2.2	4.7	2.6	1,707	0.0
FRT	HOSE	207	84,000	71,000	21.1	Buy	21.0	40.0	20.6	30.3	26.3	25.1	14.1	13.3	4.7	2.8	0.0	79	1.1
GAS	HOSE	8,416	125,900	102,700	24.5	Buy	9.3	36.4	14.3	15.9	10.6	-2.3	15.7	18.0	4.6	1.9	49.5	2,306	45.4
GMD	HOSE	350	30,800	27,500	12.0	Accumulate	4.9	29.3	-39.6	228.8	8.9	-72.2	4.3	5.4	1.4	0.0	-5.6	1,419	3.6
HAX	HOSE	24	30,000	15,900	88.7	Under review	33.1	8.1	34.1	34.2	30.3	32.6	6.2	4.9	1.3	0.0	-32.8	106	36.8
HDB	HOSE	1,407	42,000	33,500	28.4	Buy	38.5	136.6	31.5	57.4	19.2	24.2	13.4	12.0	2.2	3.0	0.0	2,764	2.7
HDG	HOSE	141	37,446	34,800	9.0	Accumulate	14.1	-16.0	64.2	186.5	10.3	-26.6	8.6	5.8	2.3	1.4	34.7	380	35.6
HPG	HOSE	3,638	51,400	40,000	28.5	Buy	38.7	21.3	25.5	24.6	44.7	55.5	9.2	9.2	2.2	0.0	60.9	10,492	9.6
IDC	UPCOM	256	33,500	20,000	67.5	Under review	11.1	-14.0	3.1	-14.3	5.7	21.5	2.9	20.9	1.9	0.0	0.0	97	49.0
IMP	HOSE	108	54,200	51,000	9.8	Accumulate	15.4	16.0	8.2	19.3	14.4	13.6	19.7	20.4	1.7	3.5	-5.5	66	1.2
KBC	HOSE	244	15,350	12,150	26.3	Buy	-36.0	4.9	84.5	23.3	-5.7	13.5	10.7	9.6	0.7	0.0	2.1	1,220	30.5
LTG	UPCOM	105	39,500	36,300	19.8	Accumulate	12.0	28.5	5.3	9.6	6.3	9.5	6.4	6.3	1.1	11.0	-19.7	68	4.4
MBB	HOSE	2,017	30,504	21,800	42.7	Buy	40.7	39.7	33.4	64.4	10.9	54.9	9.3	8.9	1.5	2.8	18.0	6,123	0.0
MWG	HOSE	1,555	160,000	112,500	43.6	Buy	48.7	39.8	42.1	38.9	15.4	20.0	13.0	12.3	4.5	1.3	-4.9	3,077	0.0
NCS	UPCOM	28	57,400	36,600	62.3	Under review	15.4	24.2	10.4	-15.5	14.0	22.5	10.6	10.2	2.9	5.5	-19.1	3	47.2
NKG	HOSE	67	18,000	8,630	120.2	Under review	41.2	36.6	56.4	-20.5	43.9	10.4	4.1	3.4	0.5	11.6	-64.3	477	57.4
NLG	HOSE	258	35,490	28,450	24.7	Buy	24.8	55.0	13.8	61.0	-61.1	7.4	6.7	8.2	1.5	0.0	28.2	947	0.0
NT2	HOSE	304	27,100	24,700	19.8	Accumulate	-15.3	-25.3	14.2	-9.2	2.1	-6.9	8.4	10.0	1.9	10.1	2.5	271	27.4
OIL	UPCOM	633	18,232	14,200	28.4	Buy	52.0	-13.6	-3.7	-7.2	14.2	18.5	36.4	34.1	1.5	0.0	0.0	1,263	0.0
PAC	HOSE	88	38,000	44,300	-8.6	Reduce	12.7	-42.6	18.4	9.3	5.0	10.3	15.2	14.9	3.3	5.6	1.6	45	20.3
PC1	HOSE	128	37,000	22,600	63.7	Buy	5.1	-22.1	55.2	99.5	3.3	24.0	6.4	6.0	1.0	0.0	-22.9	255	12.6
PGI	HOSE	62	24,900	16,200	61.1	Buy	0.0	24.9	10.5	7.7	11.2	58.2	10.6	8.4	1.0	7.4	-6.5	2	28.2
PHR	HOSE	168	30,200	28,900	11.4	Accumulate	40.4	48.5	-4.1	85.6	12.5	77.3	8.2	4.7	1.5	6.9	30.2	510	41.5
PME	HOSE	223	95,800	69,300	41.1	Buy	7.6	19.7	10.0	12.4	15.0	17.1	17.4	16.3	3.1	2.9	0.0	35	0.0

Ticker	Exchange	Market cap (USD mn)	Target price (VND)	Price @Nov 2nd (VND)	Total Return (%)	Rating	2017		2018F		2019F		PER Trailing (x)	PER 2018F (x)	PBR Cur. (x)	Div Yield (%)	+/- Price 1y (%)	3-month avg. daily turnover (USD thousand)	Foreign remaining room (%)
							+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)	+/- Rev. (%)	+/- NPAT (%)							
PNJ	HOSE	684	103,000	98,500	7.6	Accumulate	28.2	61.1	31.7	28.6	13.4	26.0	17.4	17.1	4.7	3.0	45.2	2,507	0.0
POW	UPCOM	1,378	18,400	13,800	33.3	Buy	5.4	82.1	20.0	7.9	7.9	28.3	12.1	15.8	1.3	0.0	0.0	1,313	34.6
PPC	HOSE	246	23,000	17,900	42.5	Buy	4.3	52.5	11.1	28.0	2.3	-22.6	5.9	5.5	1.0	14.0	-2.9	211	34.3
PVS	HNX	383	22,500	18,700	24.1	Buy	-10.5	-22.9	-8.1	-11.2	-2.7	30.2	10.7	12.6	0.8	3.7	38.4	5,756	28.5
PVT	HOSE	218	21,200	18,050	21.3	Buy	-9.0	0.7	24.9	28.3	12.4	15.3	8.7	10.1	1.3	3.9	32.5	212	14.7
QNS	UPCOM	518	61,000	41,200	51.7	Buy	9.6	-27.9	7.8	19.6	5.2	9.5	10.8	8.5	2.4	3.6	-8.7	593	37.4
REE	HOSE	425	48,400	32,000	56.3	Buy	36.5	26.0	11.3	19.9	6.5	9.0	6.3	6.1	1.1	5.0	4.2	975	0.0
SHP	HOSE	92	25,400	23,000	17.0	Accumulate	20.3	88.9	-1.9	-7.1	3.0	16.3	11.1	12.6	1.8	6.5	13.7	4	44.1
STK	HOSE	48	21,200	18,850	15.1	Accumulate	46.6	242.3	18.9	68.8	16.2	20.4	7.0	6.8	1.3	2.7	16.5	48	40.8
TCM	HOSE	58	25,500	24,900	6.4	Accumulate	4.5	67.8	6.7	2.6	-2.4	-21.6	5.8	7.2	1.1	4.0	15.9	829	0.0
VCB	HOSE	8,657	60,000	56,200	8.2	Accumulate	18.2	33.0	18.3	27.2	11.3	16.5	16.7	21.0	3.3	1.4	38.5	4,888	9.2
VGC	HNX	299	20,972	15,600	40.5	Buy	11.4	23.7	-4.0	7.1	-0.2	4.0	12.4	10.9	1.1	6.1	-21.5	1,309	24.3
VGS	HNX	13	15,500	8,300	101.2	Under review	31.4	-12.3	27.9	14.2	3.2	32.0	5.2	4.0	0.5	14.5	-7.8	12	42.8
VHC	HOSE	375	95,400	94,800	4.1	Neutral	11.6	4.7	13.7	74.2	10.6	7.5	7.2	9.3	2.3	3.5	127.5	766	61.9
VIC	HOSE	13,119	95,041	96,000	-1.0	Neutral	68.4	74.1	39.2	74.7	27.1	45.6	79.7	40.9	5.9	0.0	93.6	7,320	39.4
VJC	HOSE	3,142	170,000	135,500	27.7	Buy	54.0	81.0	27.8	27.5	24.3	20.9	13.5	12.7	5.9	2.2	49.1	4,902	6.2
VNM	HOSE	8,836	141,800	118,500	22.2	Buy	9.1	10.1	5.6	0.2	7.1	11.6	21.3	22.2	8.1	2.5	-6.1	6,602	41.1
VRE	HOSE	2,957	35,429	29,650	19.5	Accumulate	-13.6	-17.2	49.1	19.9	23.9	23.0	28.0	23.3	2.5	0.0	0.0	3,013	17.5
VSC	HOSE	87	50,000	40,500	27.2	Buy	20.4	-5.6	0.9	26.4	2.5	4.0	7.0	7.5	1.3	3.7	6.2	378	12.4
VSH	HOSE	149	22,100	16,900	36.7	Buy	17.5	10.8	15.8	18.9	101.9	7.0	10.6	9.9	1.2	5.9	7.7	33	35.3

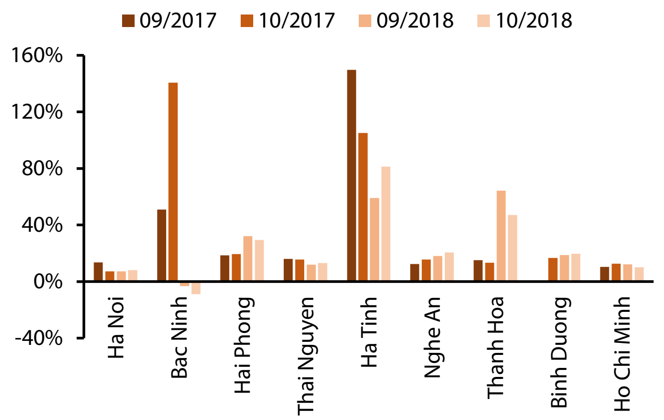
(*) Total Return = Stocks' Upside plus dividend yield

Trade growth in first nine months



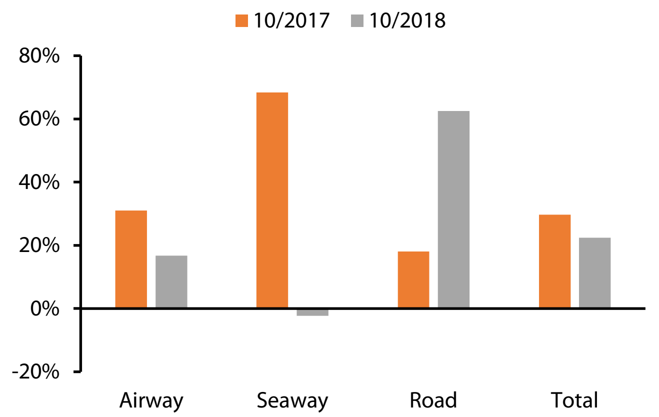
Source: Rong Viet Securities

Provinces' industrial production indices



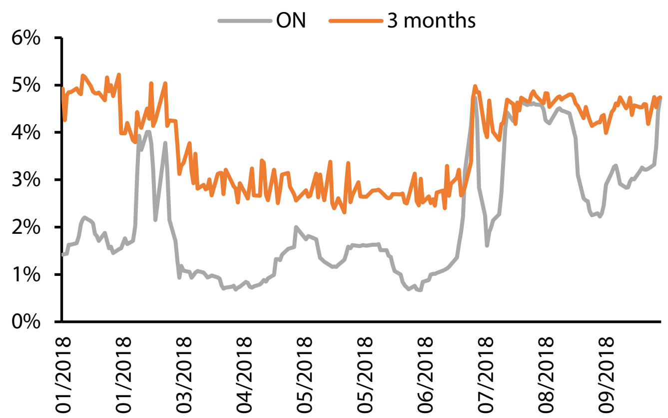
Source: GSO, Rong Viet Securities

International visitors' growth (%,YoY)



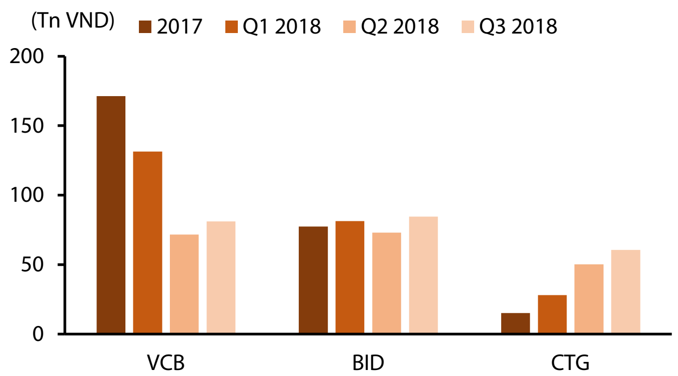
Source: GSO, Rong Viet Securities

Interest rates in the interbank market



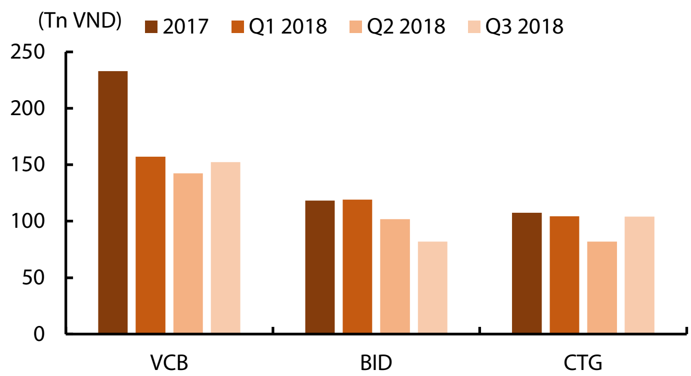
Source: HNX, Rong Viet Securities

VST's cumulative deposits at big commercial banks



Source: Banks' FS, Rong Viet Securities

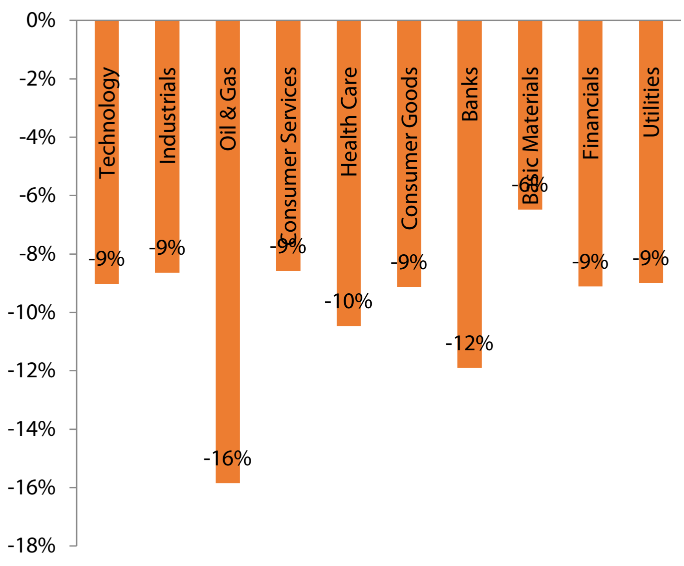
Cumulative balances and loans to other credit institutions



Source: Banks' FS, Rong Viet Securities

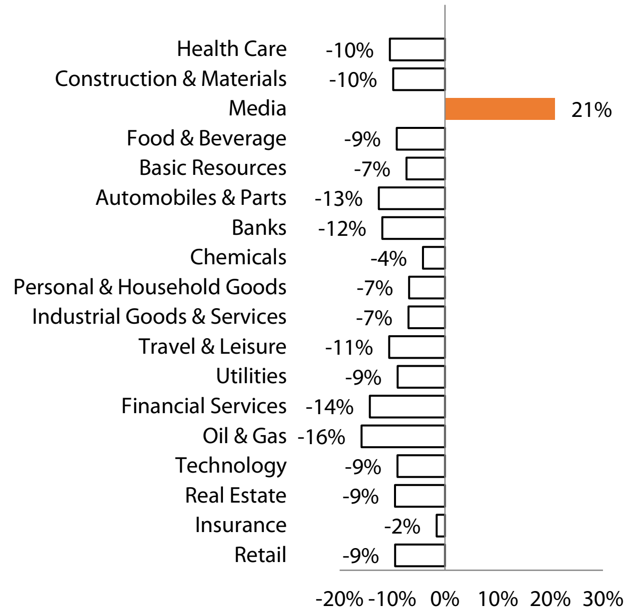
INDUSTRY INDEX

Level 1 industry movement



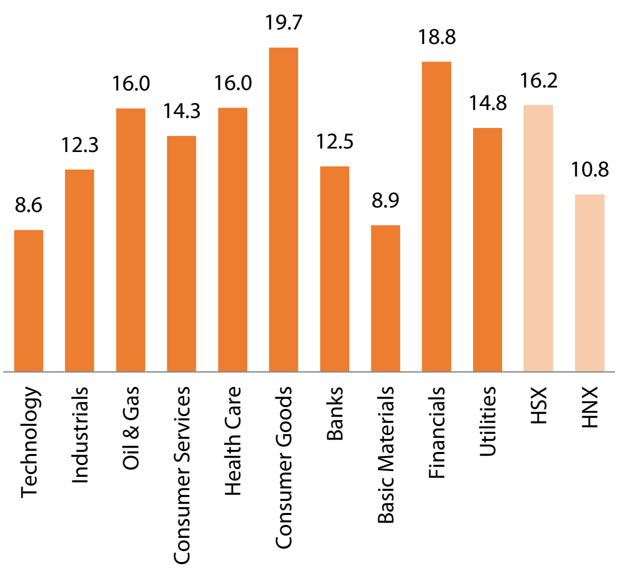
Source: Rong Viet Securities

Level 2 industry movement



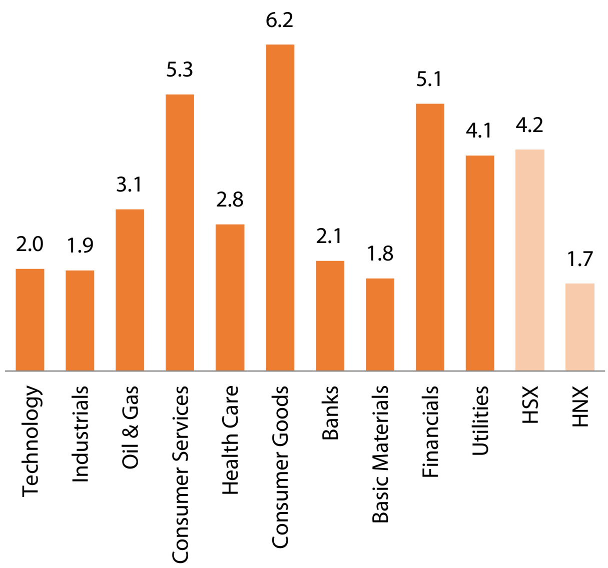
Source: Rong Viet Securities

Industry PE comparison



Source: Rong Viet Securities

Industry PB comparison



Source: Rong Viet Securities

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