JULY

03

FRIDAY

ADVISORY DIARY

- **Where will banking and blue chips lead the market to?**

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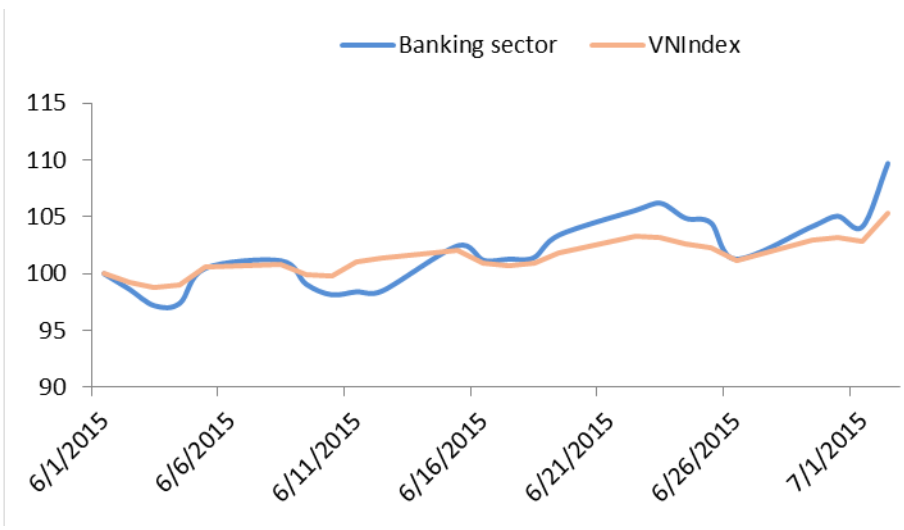
Following a rise in the previous session, the stock market continued to have an explosion session. VNI Index and HNX Index closed with a rise of 1.77% and 0.94%, respectively. Thus, this week, VNIndex and HNXINDEX rose more than 35 points and 2 points compared to last week, the largest increase since the beginning of the year so far. Besides, the foreign investors had a total amount of net buying up to VND839 bn. However, contrary to the increase of the index, market liquidity is unchanged about VND2.609 bn (+8.7%).

Last week, capital flow mainly concentrated on large-cap stocks such as VCB, MSN, FPT, BVH, HCM, SSI. In fact, rising streak in recent 2 days was prominently supported by Blue-chips that led VNIndex to reach and maintain at 600 points. Moreover, gain momentum was partially preceded from Security stocks that advanced from room expansion up to 100% for foreigners.

Not only security stocks, Banks also witnessed a spike in which VCB, BID, STB were the most impressive tickers. Other stocks such as MBB, EIB rose but their trading was not eventful. The table below showed a significant net buying activity in June in STB and VCB with trading values of VND657 billion and VND 122 billion

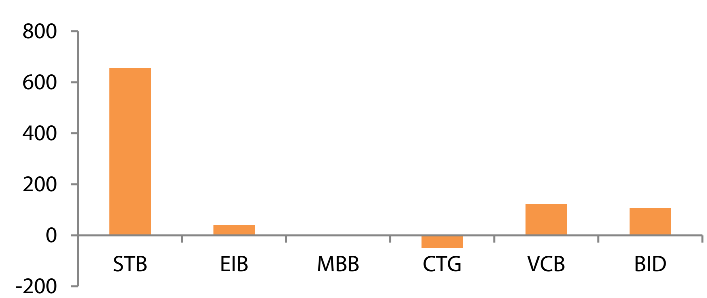
*"Where will banking and blue chips lead the market to?"*

**Figure: Relative strength between banking index and VNIndex**




*Source: RongViet Research*

**Table: Net bought value of Foreign investors (Unit: VND bn)**




*Source: RongViet Research*

Interviewing some investors holding a majority of banking stocks in their portfolio, we found that most of them expect in (1) 2Q2015 earning result of banks will have positive outlooks (2) Extraordinary profit from reversal bad debts written off in the previous year (3) the special interest of foreign investors in some stocks and many investment funds increased the proportion of banking stocks in their portfolios.

According to our banks analyst expert and our March Strategic Report, we believe that banks industry has overcome its darkest days. Credit growth in the first 6 months of 2015 was positive with 6.28% compared to 2.03% in 2014. Sustainable consumer confidence index along with recovery in private manufacturing segment were the basis for the optimistic prospects from banking sector. RongViet's analyst pointed out that it could be possible to expect a change in banking business results; however, it will be dependent on specific situation due to the fact that several banks could not achieve remarkable results because of additional provision for bad debts. Those are the result from restrict regulation issued earlier this year.

Regarding the reversal of provision for surge, we believe that it could not happen. However, investors should look at it as abnormal profits and calculate the benefits for each share instead of coloring EPS if such situation could be come true.

Being asked about valuation of Vietnam banking sector in comparison with those in regions, Ms. Lam Nguyen, who is VDSC banking analyst, informed that the average P/B of this industry is much higher than average P/B of other regional countries' banking sectors. VCB (P/B is estimated at 3.3x) contributes largest part in high comparable P/B; hence, if VCB is excluded from calculation, the average banking P/B is about 1.5x.

**Table: P/B of listed banks**

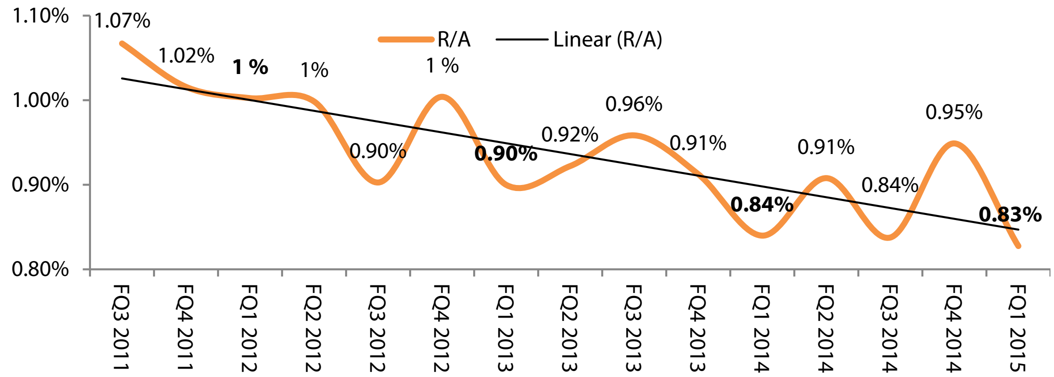
| Banks | P/B | Market caps (bn) |
|---|---|---|
| VCB | 3.27 | 145.244 |
| CTG | 1.33 | 74.840 |
| BID | 1.98 | 69.156 |
| STB | 1.26 | 21.593 |
| ACB | 1.58 | 19.987 |
| MBB | 1.08 | 17.855 |
| EIB | 1.15 | 16.597 |
| SHB | 0.71 | 7.620 |
| NVB | 0.64 | 2.054 |
| Vietnam Average | 2.17 | 69.156 |
| Asean Average | 1.57 | 21.593 |

**Average of 48 banks in ASEAN*

*Source: Bloomberg*

In long term, considering 1Q2015 earnings of 9 listed banks, our analyst notices a constant decline in operating expense ratio, which implies that commercial banks have turn their consideration for operation efficiency and asset quality. Besides, the ratio of operating income / total assets seems to have bottomed. Such signal brings expectation of a recovery in banking sector earnings. Also, by 2016, VAMC will be focusing on writing off bad debts. Action of VAMC could help reversing the provisions for banks (by the end of 2015 May, VAMC has only recovered VND8,670 million via writing off bad debts). Thus, our industry analyst remains a long term positive point of view on banking sector.

**Figure: Total operating income/total asset of listed banks**




*Source: RongViet Research*

On the other hand, on the opposite of the excitement of market and banking sector, automobile sector last week fluctuates strongly, especially HHS. Today's session witnesses sudden high demand at the bottom at HHS, which makes HHS to rally (+1,000 VND). This is the first rally session after the three consecutive sessions closing with flooring price due to unfavorable rumors relating to the company's operation. Official statement and promise to buy shares of Do Huu Ha, a chairman makes positive psychological effect on shareholders. Similarly with HHS, after two consecutive session's floor, TMT - other stocks in the automobile sector, also has a successful session with closing price at the ceiling (+ 2,500 VND). Notably, JVC also has the second consecutive session ending in the ceiling price (+500 VND) after 15 sessions of the stock exchanges.

Our market analyst suggests that next week the market would probably reach a new higher if banking sector and blue chips continue their trend. However, it is more likely to see the market money flow shifting to mid - caps and penny. Therefore, investors may reduce the proportion of stocks in portfolios and take profits of stocks having increased significantly and invest in mids and penny stocks.

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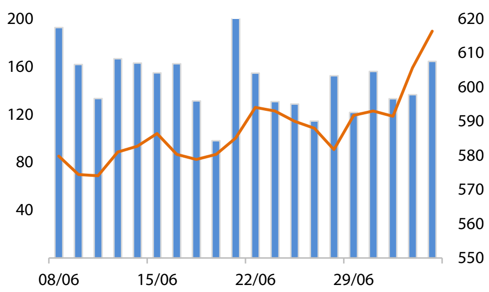
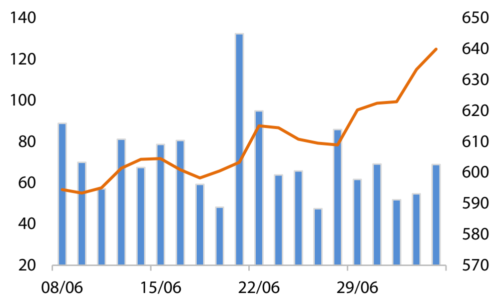
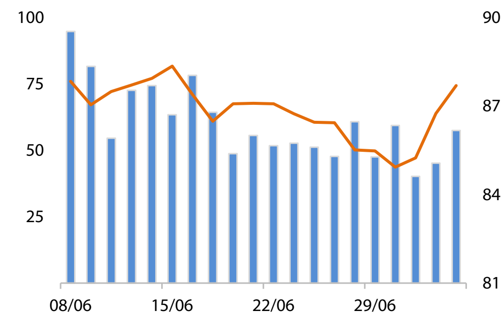
| VNINDEX | 1.77% | 616.43 | VN30 | 1.04% | 639.87 | HNXINDEX | 1.08% | 87.70 |
|---|---|---|---|---|---|---|---|---|

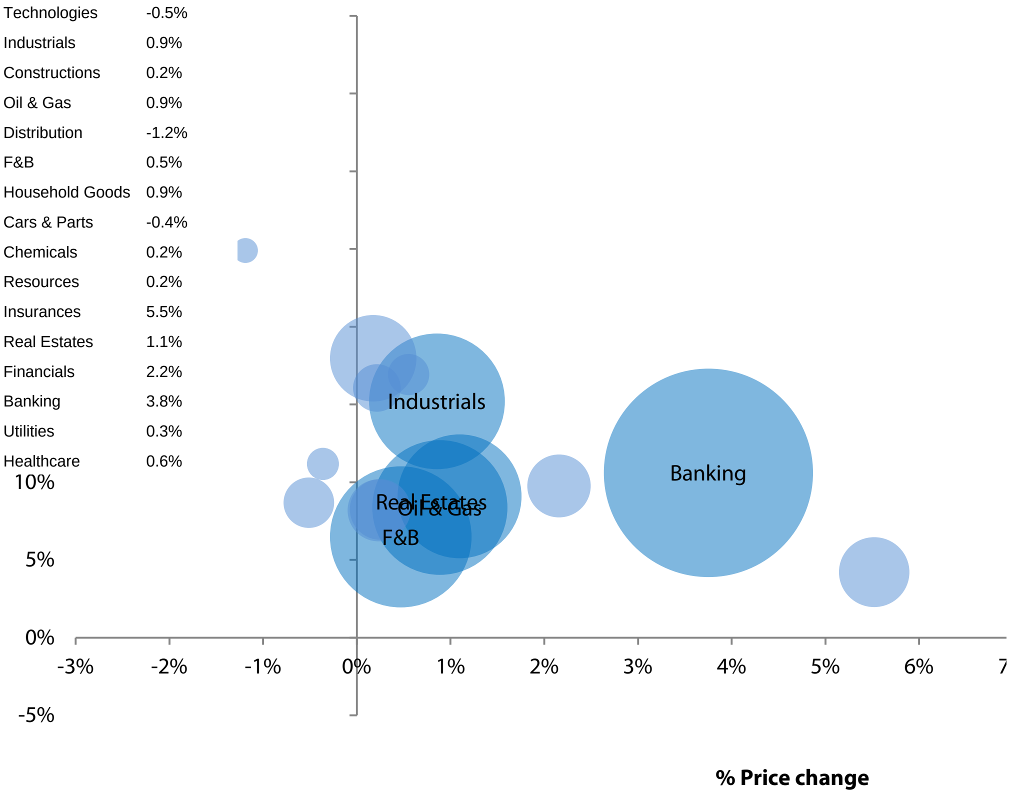


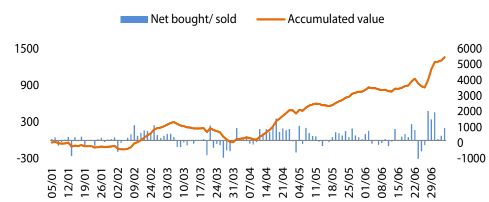




## Industry Movement

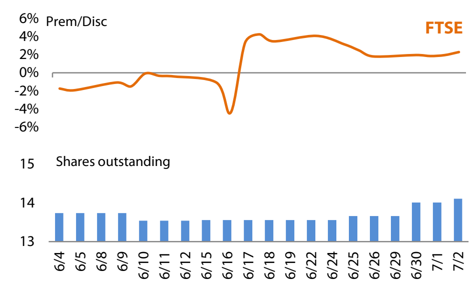
| Industry | % change |
|---|---|
| Technologies | -0.5% |
| Industrials | 0.9% |
| Constructions | 0.2% |
| Oil & Gas | 0.9% |
| Distribution | -1.2% |
| F&B | 0.5% |
| Household Goods | 0.9% |
| Cars & Parts | -0.4% |
| Chemicals | 0.2% |
| Resources | 0.2% |
| Insurances | 5.5% |
| Real Estates | 1.1% |
| Financials | 2.2% |
| Banking | 3.8% |
| Utilities | 0.3% |
| Healthcare | 0.6% |

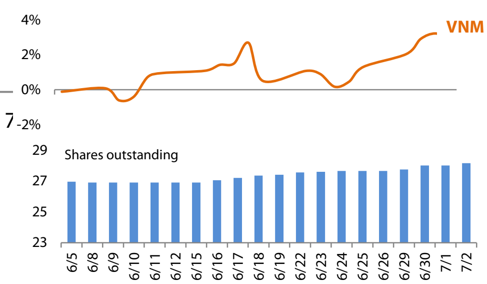



## Foreign Investors Trading



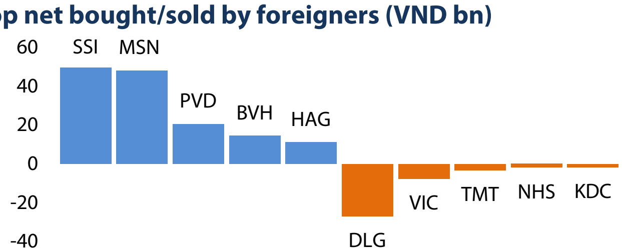

## ETF



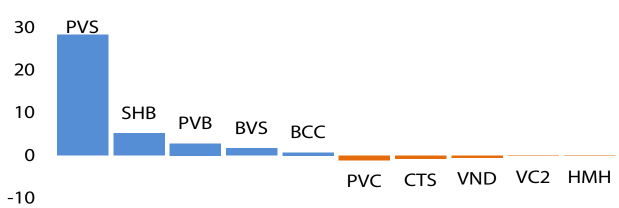




## Top net bought/sold by foreigners (VND bn)

HSX




HNX



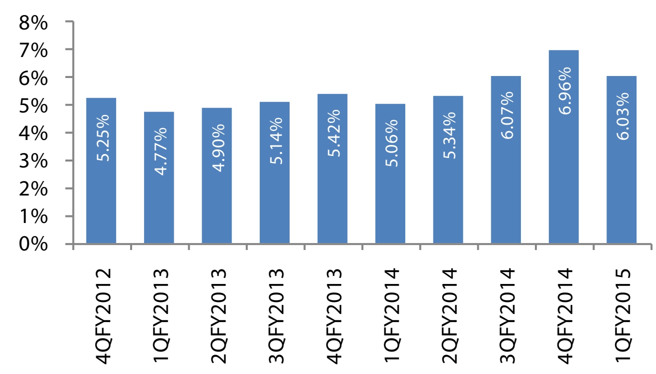

## Top Active

| Ticker | Price | Volume | % price change |
|---|---|---|---|
| FLC | 8.6 | 15.68 | 0.0% |
| HAI | 10.0 | 11.56 | 6.4% |
| MBB | 15.4 | 9.90 | 0.7% |
| SSI | 26.0 | 8.76 | 3.6% |
| HHS | 21.5 | 7.67 | 4.9% |

| Ticker | Price | Volume | % price change |
|---|---|---|---|
| SHB | 8.6 | 5.98 | 2.4% |
| SCR | 8.6 | 5.50 | 1.2% |
| FIT | 12.8 | 3.60 | 0.0% |
| KLF | 7.0 | 3.45 | 0.0% |
| VIX | 11.6 | 3.04 | -0.9% |

# MACRO WATCH

### Graph 1: GDP Growth

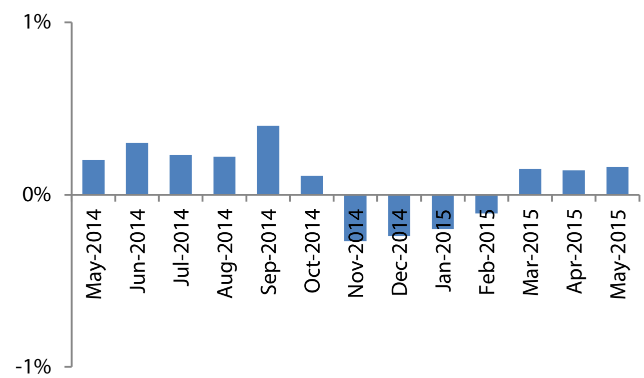



*Sources: GSO. Rongviet Securities database*
*(*) Comparision price in 1994*

### Graph 2: IIP

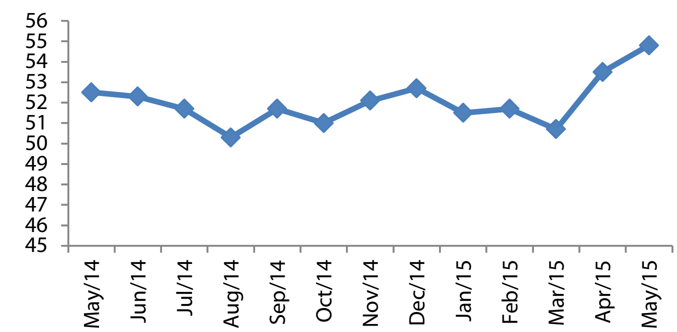

*Sources: GSO. Rongviet Securities database*

### Graph 3: Monthly CPI



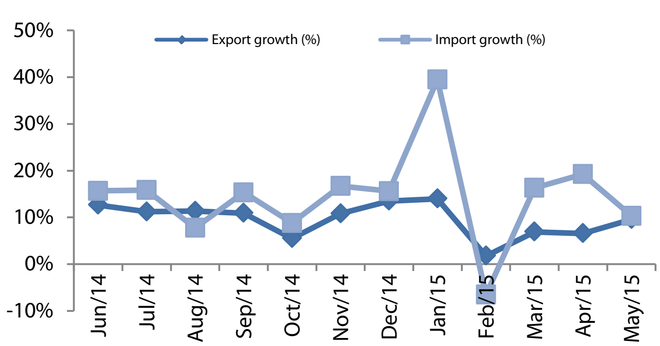

*Sources: GSO. Rongviet Securities database*

### Graph 4: HSBC - PMI



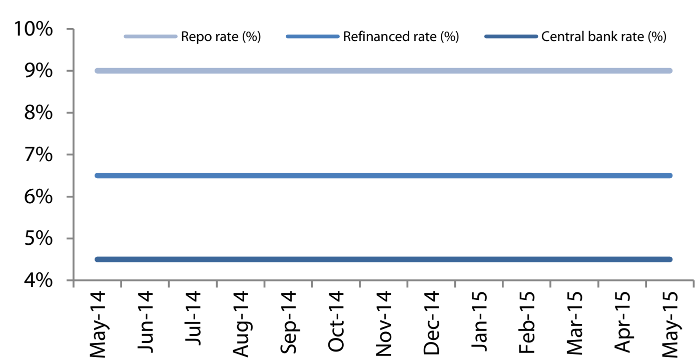

*Sources: GSO. Rongviet Securities database*

### 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 | 16/06/2015 | 0% - 0.75% | 0% - 2.5% | 11,620 | 11,627 | -0.06% |
| VEOF | 16/06/2015 | 0% - 0.75% | 0% - 2.5% | 9,740 | 9,463 | 2.93% |
| VF1 | 19/06/2015 | 0.2% - 1% | 0.5%-1.5% | 21,904 | 21,861 | 0.20% |
| VF4 | 17/06/2015 | 0.2% - 1% | 0%-1.5% | 9,736 | 9,678 | 0.59% |
| VFA | 19/06/2015 | 0.2% - 1% | 0%-1.5% | 7,289 | 7,312 | -0.32% |
| VFB | 19/06/2015 | 0.3% - 0.6% | 0%-1% | 12,167 | 12,170 | -0.02% |
| ENF | 12/06/2015 | 0% - 3% | 0% | 11,156 | 11,006 | 1.36% |
| MBVF | 18/06/2015 | 1% | 0%-1% | 10,551 | 10,541 | 0.09% |
| MBBF | 17/06/2015 | 0%-0.5% | 0%-1% | 12,120 | 12,139 | -0.16% |

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