AUGUST

24

MONDAY

ADVISORY DIARY

- **What "killed" the market?**
- **How will ETF delisting affect the market?**
- **Shall falling August CPI be a concern?**
- **What to expect in the upcoming days?**
- **So, what to do and not-to-do at the mean time for an investor?**

Today, VNIndex lost a record 31 points or 5.28% with nearly 120 stocks closing on the floor. We understand in this "period of distress", many of our readers are frowning over what to do next. By placing ourselves in your shoes and ask your questions, we hope to find reasonable answers and help investors find their ways in these bleak days.

"So, what to do and not-to-do at the mean time for an investor?"

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What "killed" the market?

We believe today's plunge came from the breakout of a series of negative news and its sentiment on already-shaken market sentiment; something echoed from last week while other events just came into light during the weekend. Below is a list of events/factors/speculation that may have taken a hold on investors' confidence.

Event/factor/speculation	Level of effect on investor confidence	Potential sentimental effect in coming days	Days since emergence
World's stock markets plunged in sync	Strong	Average	4
Foreigner net sales on the rise	Strong	Average	11
Falling crude oil and commodity prices	Strong	Strong	35
Yuan depreciation	Strong	Weak	14
Ukraine crisis	Average	Average	1
Korean tension	Average	Average	3
FOL extension disappointment	Average	Average	5
US rate hike in September	Average	Average	26
Slowed TPP talks	Average	Weak	24
Negative August CPI growth	Weak	Weak	3
Bank leader/inspection rumour	Weak	Weak	12

How will ETF delisting affect the market?

FTSE UCITS Vietnam ETF fund is currently listed on 10 exchanges in Europe with total NAV of USD360 million (see table). DB made an important announcement that they will delist this fund from Nasdaq OMX (Stockholm) and Euronext (Paris) due to low demand as well as small number of fund certificates after a long time listed. We think the there is a low chance foreign investors withdrawing the capital from ETF for this reason because: (1) low trading volumes of FTSE Vietnam ETF in Nasdaq OMX and Euronext (see table); (2) stock markets in Europe are highly interconnected; thus, fund certificates will be able to be traded in the rest 8 markets.

This DB restructuring will not affect Vietnam stock market significantly. However, as it is always said: "The third copy is a far cry from the original", the "copy restatement" of some "players" did show some effects on many investors' sentiment today. In contrast to fearfulness of domestic investors, foreigners turned into net buyers today to the tune of VND104 billion in HCM and VND81 billion in Hanoi after series of net selling last week.

Table: 2-month average daily trading value of FTSE Vietnam ETF in international bourses

Echange	2-month average daily trading value (USD)
Euronext Paris	127.040
Stockholm Stock Exchange	20.847
London Stock Exchange - ETF	341.505
Borsa Italiana	344.214
Deutsche Borse - Xetra	576.445
Hong Kong Stock Exchange	405.829
SIX - Swiss Exchange	28.434
London Stock Exchange SETS	990.364
Singapore Exchange Securities	120.211
Stuttgart Stock Exchange	68.363

Source: Bloomberg, RongViet Research

Table: Constituents of FTSE Vietnam ETF

Ticker	Weight (%)
MSN	15.72
VIC	15.66
HPG	12.04
VCB	9.87
PVD	6.38
STB	6.26
SSI	6.20
HAG	5.90
DPM	5.28
KBC	3.35
KDC	3.31
BVH	2.88
ITA	2.59
FLC	1.77
HVG	1.42
GAS	1.38

Source: Bloomberg, RongViet Research

Shall falling August CPI be a concern?

Despite a 0.07% fall in July CPI, August CPI upped 0.61% yoy. For the year to date, CPI was down 0.83% compared to the same period last year. This is the first time the CPI of August recorded a month on month decrease since 2005.

RongViet macro analyst attributed that fall to the two petrol retail prices adjustments (on July 20 and August 04) plus imported gas prices down in the third consecutive month (on August 21

Advisory Diary) leading transport group to decline 2.12% and impacting the overall CPI measure. Given the relatively low inflation rate so far, August CPI is therefore expected but not an indicator of deflation in economic activity yet.

What to expect in the upcoming days?

Our macro analyst believes the market would expect to see additional negative news in the next few days. However, developing news on FED rate hike possibility and oil prices movement could still have lasting impact on investors' sentiment. In overall, we believe investor's confidence is likely to restore as soon as investors realise causes of the market rout are to ambiguous to believe.

So, what to do and not-to-do at the mean time for an investor?

At this point, buyers are seen to have a higher bargaining power. It would take time for the market to digest all the disadvantaged news and hence bottom fishing is not recommended now. Thus, downside risk of highly leveraged tickers commanding relatively high market beta plus weak fundamental factors remain significant. Again, investors shall not bottom-fish at current market condition.

Has oil price bottomed out? Is this the right time to go contrarian with O&G stocks?

We were asked the same question the last time O&G stocks recovered. Last time, the answer was a clear '"no" and this time, it is "not just yet" but the opportunity may be nearing.

In fact, our O&G analyst sees that oil price may go lower before bottom out between USD30-45/barrel somewhere in the last 4 months of this year since oil demand may have peaked in early Q3 while supply is on the rise, especially with new stock from Iran and Angola. For those who look to cash in at the turnaround point of crude, PVD and PVS should be the stocks to consider.

Both companies reported optimistic earnings growth in 1H2015. However, our analyst has reasons to believe things will be all different in the second year-half. PVD has have its rigs leasing rate anchored with some flexibility to oil price so that with Brent crude averaging USD40/barrel, the average day rates for PVD 1, 2, 3, 6 is about USD120,000. If Brent crude reaches for USD30/barrel, PVD's day rate may retreat to the historical low of USD100,000. From this, it can be seen that PVD's darkest days may be still ahead.

Thanks to large onshore projects such as Song Hau Thermal Power Plant and Nghi Son Refinery, PVS' growth prospect in the construction segment (56% revenue) remains upbeat. The FPSO segment (6% revenue) may not be hit as hard by the oil price fall as the technical service segment (26% revenue). As a provider of service for foreign-invested O&G projects and partnerships, PVS stands to weather the storm of low oil price better than PVD and is thus more fit of a high-risk strategy in this period.

… and banks?

At the beginning of July, when the average P/B for bank stocks up to 2.17x (versus 1.57x within region), we were quite concerned about the possibility of correction of this group. With today's closing prices, the P/B of bank stocks is only 1,63x (compared to the average in the region of 1.4x). At this level, we believe that the prices of bank stocks are relatively reasonable levels but they are not that "cheap" by this sector because there are still many factors that need to be concerned at the price discount. Indeed, although the NPL ratio was down almost 3%, banks will have to continue to use the profit to provisioning for VAMC bonds. Meanwhile, foreign exchange operations and investment of bank bonds is difficult to harvest the fruits against unfavorable changes in exchange rates and interest rates recently.

Table: Vietnam bank P/B ratios

	P/B 03/07/15	P/B 24/08/15
Average of the Asia-Pacific region	**1.57**	**1.40**
Industry average	**2.17**	**1.63**
VCB	3.27	2.30
CTG	1.33	1.20
BID	1.98	1.67
STB	1.26	0.96
ACB	1.58	1.24
MBB	1.08	0.97
EIB	1.15	1.04
SHB	0.71	0.60
NVB	0.64	0.64

Source: Bloomberg, RongViet Securities

Table: NPL ratios of listed banks

	ACB	BID	CTG	EIB	MBB	SHB	STB	VCB
FY2014	2.2%	2.0%	1.1%	2.5%	2.7%	2.0%	1.2%	2.3%
6T2015	1.7%	2.7%	1.5%	2.1%	2.1%	2.5%	1.2%	2.5%

Table: Q2 ending position of listed banks in major currencies * (billion)

	ACB	BID	CTG	EIB	MBB	SHB	STB	VCB
USD	*-7,136*	*-6,612*	*1,989*	*-2,065*	*-574*	*-92*	*-1,225*	*3,338*
EUR	*-168*	*3*	*-8,632*	*7*	*-41*	*7*	*289*	*N/A*
JPY	*-303*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*34*	*N/A*

Source: RongViet Securities
**Note: the currency positions may have changed significant from 30/06/2015*

Without TPP in the horizon, are textile stocks still attractive?

Today, both TCM and TNG dropped to the floor, making the highest expectations in the conclusion of TPP agreement also feel restless. Despite many unfavorable factors, there is still hope for the TPP at the end of this year. In the long term, the Renminbi float policies are making cheap Chinese textiles compared to products of Vietnam. The recent move could help the central bank to maintain price competitiveness for export garments of Vietnam. We believe that the impact of the exchange rate to the operation of the textile business will be clearer in 2016 when businesses began signing new orders.

Particularly with TCM, we learned that the Company has now signed a contract until the end of October sold yarn and is maintained around 8% gross profit margin in this business. The Company's profit before tax in July was more than VND28 billion and profit after tax of approximately VND20 billion; 7 months overall, EAT of TCM in about VND107 billion. With the prospect of orders for the last 6 months, we believe that TCM will likely exceed VND170 billion EBT this year.

What sector should I look? And in that group, which stocks?

Real estate companies (except those with large foreign currency debt such as VIC) are among businesses that are least affected by the depreciation of currencies. In fact, a weaker VND may bring more foreigner and “Viet kieu” to luxury, high-end projects of reputable developers. However, the plunge of the equity market has turned our heads to stocks of smaller companies with decent land banks, improving fundamental and low price-to-book ratios.

Among one of RongViet's top picks for the sector, VPH announced in the weekend that it had signed a clearance contract with HCMC University of Physical Education and Sports for 22.6ha in Nhon Duc Residential Area. According to estimation provided in 2014 AGM, the transaction could bring VPH more than VND600 billion.

ITC has also report Q2 NPAT of VND3 billion as compared to a loss of VND12 billion in 2Q2014 and VND0.4 billion the previous quarter. According to our findings, ITC may have finished arranging up to VND600 billion from convertible bonds for the development of Intresco Plaza (6,500m^2, 83 Ly Chinh Thang, Dist 3, HCMC). The total investment of Intresco Plaza is estimated between VND1.7-1.9 trillion. There is a possibility that ITC will call out for co-investment or even transfer the project away once it has finished all legal works (i.e. LUR acquisition). Since Resco revealed its intention to withdraw from ITC, the stock has witnessed large put-through transactions by foreigners.

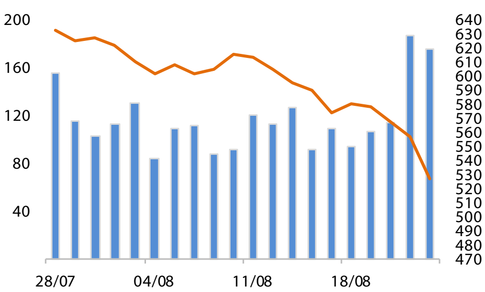
ITC, VPH are two of the real estate stocks with the lowest P/B ratios in the market (VPH's is 0.46x and ITC 0.39x). With brewing transactions that may bring large, non-recurring income in 2H2015 and FY2016, these securities are attractive to accumulate during down days.

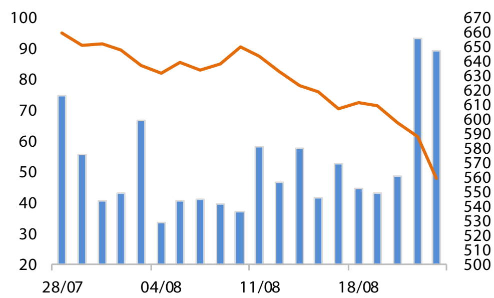
Aside from textile-garment and real estate, we have received more than one questions about other sectors fit for investment now, on which our analysts will provide in-depth analyses in the coming Advisory Diaries.

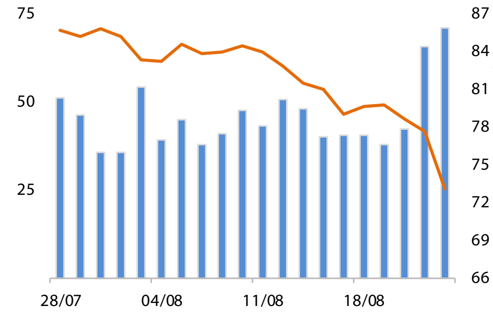
RONGVIET SECURITIES

Advisory Diary

VNINDEX	-5.28%	526.93	VN30	-4.92%	558.92	HNXINDEX	-5.81%	73.09

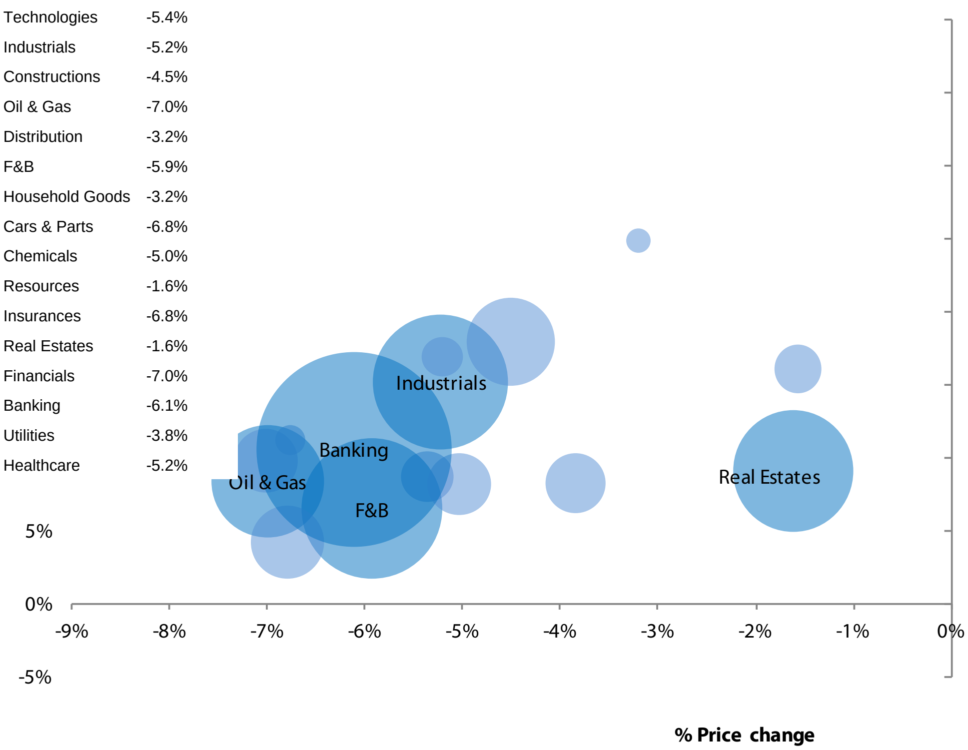




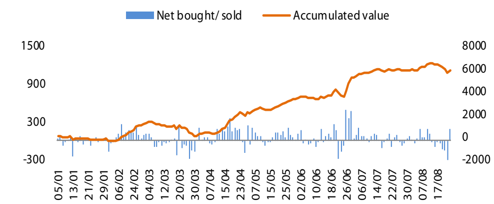


Industry Movement

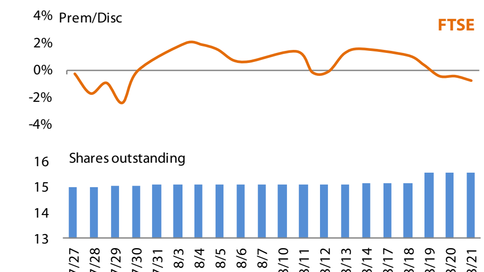
Industry	% change
Technologies	-5.4%
Industrials	-5.2%
Constructions	-4.5%
Oil & Gas	-7.0%
Distribution	-3.2%
F&B	-5.9%
Household Goods	-3.2%
Cars & Parts	-6.8%
Chemicals	-5.0%
Resources	-1.6%
Insurances	-6.8%
Real Estates	-1.6%
Financials	-7.0%
Banking	-6.1%
Utilities	-3.8%
Healthcare	-5.2%

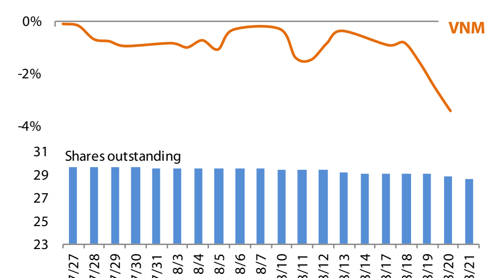


Foreign Investors Trading



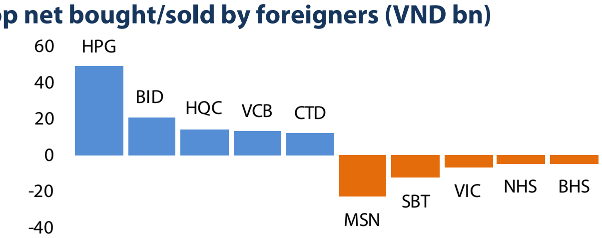
ETF



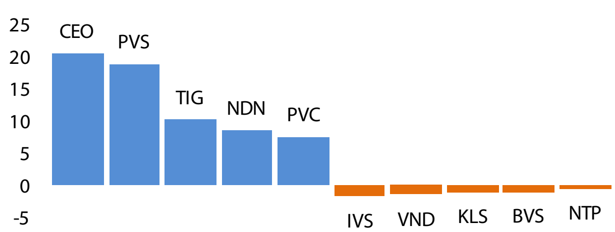


Top net bought/sold by foreigners (VND bn)

HSX



HNX



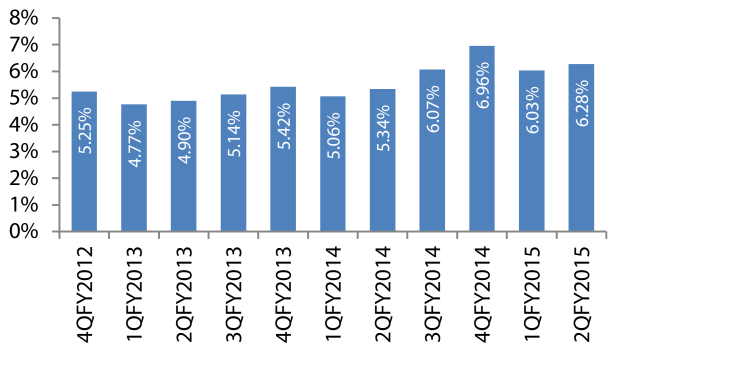
Top Active

Ticker	Price	Volume	% price change
FLC	6.4	12.04	-5.9%
SSI	23.2	8.26	-6.8%
CII	24.5	7.80	-6.8%
KBC	12.0	6.47	-5.5%
MBB	13.5	5.69	-6.3%

Ticker	Price	Volume	% price change
SHB	6.9	5.25	-4.2%
KLF	4.5	4.82	-8.2%
SCR	7.5	4.11	-6.3%
PVS	18.2	3.65	-8.5%
PVX	3.0	2.97	-9.1%

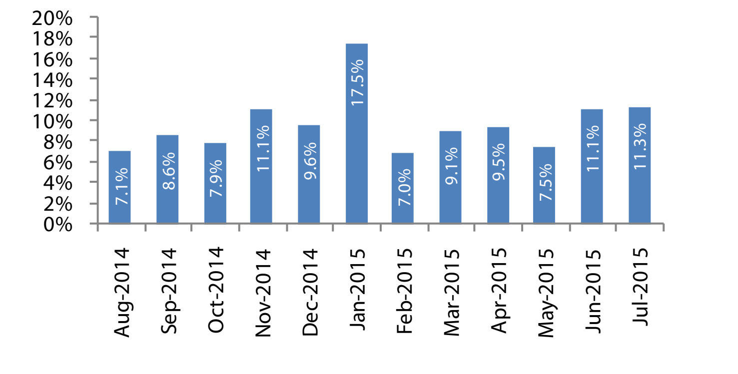
MACRO WATCH

Graph 1: GDP Growth



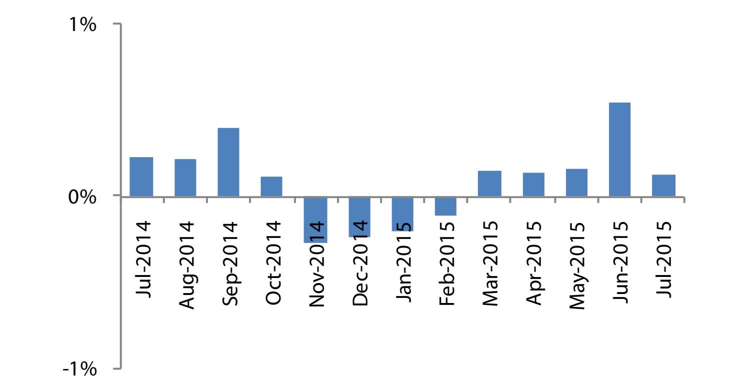
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



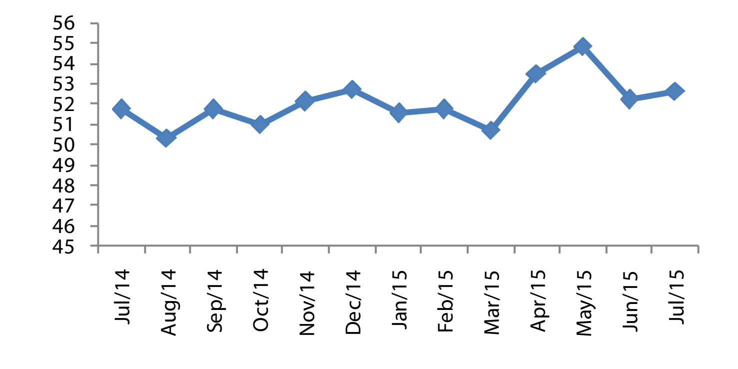
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



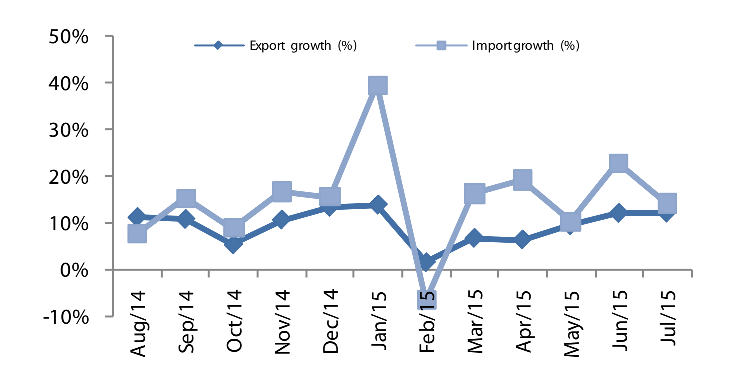
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



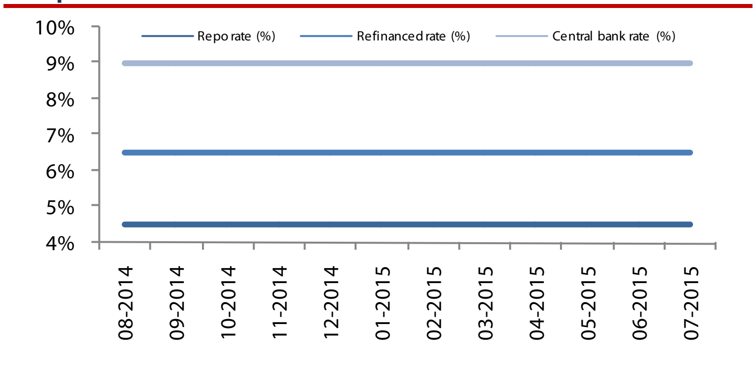
Sources: GSO. Rongviet Securities database

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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