OCTOBER

ADVISORY DIARY

22

THURSDAY

- **Break out 595 but lowering liquidity**
- **SKG updates**

Break out 595 but lower volumes

Positive market breadth thanks to compounding impact of VIC and VCB. Market was so positive with strong impact of VCB and VIC, especially sudden movement of VIC in late morning session. Therefore, VNIndex broke out 595 to close at 595.08. Simultaneously, VNIndex's surge spread over other tickers, with gainers 2.6 times losers.

Risk is revealing as volumes drop. Total matching-order volumes reached 119.9 million shares, down 6% compared to yesterday, showing that new capital inflow is not very high. Hence, without support from new players, markets will be more vulnerable. More information will be released by the end of this month, most of which are about policies of Vietnam as well as global markets (FED meeting, ECB meeting). Any bad news can hit markets in such a low volumes situation.

Unclear trend of foreigners' trading activities. In spite of net buying 3 days in a row, value was relatively low at VND24 billion. Foreigners seem to wait for above mentioned meeting news. Decisions after those meetings can affect interest rate and FX rates of major currencies such as USD, EUR, JPY. They are main factors that affect trading activities of foreign investors. We expect more definitive actions from these investors could be revealed by the end of October, after announcements of important news.

With sudden surge and low liquidity in large cap stocks, typically VCB and VIC, market's risk seems quite high. Therefore, in such dedicate time, remaining or even lowering stock weight in portfolio will be reasonable for hedging risk. Moreover, diminishing in liquidity should be observed further to realize clearly market risk.

"Breaking out 595 but lowering liquidity"

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SKG updates

A development in Vietnam tourism industry: segmented by tourism sites

Phu Quoc Island is one of the most attractive places to visit.

According to Vietnam national administration of Tourism, the number of foreign visitors reached 626,324 in the first 9 months of year, upped 8.3% yoy. However, the overall picture remained bleak in the 1H2015, with the number of visitors decreasing by 13.7% yoy in Q1/2015 and 8.33% in Q2/2015. In contrast to the plunge in foreign tourists, the domestic demand has expanded since the beginning of year. In 1H2015, the number of domestic tourists in Vietnam increased to 48.8 million (accounting for 90% of the total of visitors), upped 27% as compared to the whole year 2014. Among that, Phu Quoc is the highlight spot with a 90% increase in the domestic tourists as compared to the same period. Moreover, some places also had a high-speed rate including Lao Cai (+46% yoy) and Da Nang (+22% yoy).

Strong increase in Phu Quoc tourism industry is in compline with the economic growth in this island. In the first 3Q2015, Phu Quoc witnessed an increase of 31.1% as compared to the same period, among that, industrial and services sectors rose by 23.72% and 22.32% yoy. Moreover, according to the 2015 target plan, Phu Quoc aims to appeal to 1.05 million visitors with 206,000 foreign tourists. However, the figure overestimated 26.6% of 2015 plan.

With a rapid development of Phu Quoc Island, we expect that the upwards trend of tourism arrivals to Phu Quoc Island will keep its growth rate when services infrastructure would be completed in upcoming years. According to Decision No.633/ QD – TTg, Phu Quoc is expected to attract about 2-3 million people/year and about 5-7 million people till 2030 (foreign visitors accounting for 35-50%).

Figure: International and domestic tourists arrivals to Phu Quoc (thousand people)

Source: Kiengiangvn.vn, RongViet Research

SKG- Growth and the battle of keeping and gaining market share

Superdong JSC (HSX- SKG) has been correlated with Phu Quoc's growth. Besides, oil price's downward trend has benefited the company. *We assess that SKG is at the right place and right time regarding its business cycle. In terms of internal progress of SKG itself, concerns are risen when the profitability grows, competition on market shares is parts and parcels.*

SKG is not the first to provide passenger transport service on the Kien Giang- Phu Quoc route. However, thanks to the effective and stabilised service quality and the growing value added to customers, SKG has managed to keep the growth. The company needed only 3 quarters to achieve the annual budgets. The revenue was VND 236.8 billion (+38.01% y.o.y) and PAT was VND 137.3 billion (+72.64% y.o.y). SKG served around 900,000 passengers during 9 months of 2015, 20% more than the 2014 whole year 's figure of 750,000. SKG's utilization rate thereby was maintained at a high level between 70 and 85%.

Recently, expanding to new markets has been SKG's strategy. In the beginning of October 2015, the company moved its Superdong II serving on Ha Tien- Phu Quoc route to Rach Gia- Nam Du route, after having moved Superdong I to the line in June 2015 in order to compete with its rival (Ngoc Thanh). Evaluating this strategy, we anticipate a successful outcome because (1) SKG's brand name, (2) stable service quality, (3) The ability to utilise the boats flexibly. It was mentioned by the company that the strategy is based from a growing demand from tourists going to Nam Du, while that of Ha Tien- Phu Quoc is lower during the tourism's off-season. (Both Superdong I and II were serving on Ha Tien- Phu Quoc route).

Besides, in 4Q2015, SKG intends to add further Superdong IX boat and we expect that Superdong IX will operate in Ha Tien - Phu Quoc route. Subsequently, in 1Q2016, the Superdong X boat will operate in Rach Gia - Phu Quoc route. The flexibility in transfer SKG's boats could not only help optimize its operational capacity but also expand its market share to the new routes. Based on that assumption, we expect the 4Q2015's gross margins of SKG might stand at around 64-65%.

Next year, Kien Giang will be the host for the National Tourism Year 2016, therefore, SKG might have many advantages thanks to the development of Phu Quoc Island. Recent updates from SKG's representative shows that the Company is accelerating the current investment projects to meet the deadline stated at the beginning 2015. Specifically Superdong IX and X boats will operate in Q4/2015 and Q1/2016; ferry project will put into operation from Q3/2016.

Relating to ferry project, the Company unveiled that the location of the new port is near Bai Vong. As planned, this area situated in one of the passenger transportation permitted locations in terms of Phu Quoc island's development plan and it is close to many major places such as hotels, resorts and administrative centers… Currently, Thanh Thoi are considered as the major competitor of SKG. In the first nine months, Thanh Thoi was constantly putting into operation many new projects such as Thriving 3 ferry (April, 2015) and is conducting new Thriving 4 ferry. Compared to this rival, the competitive advantages related to brand name, quality of service, its own harbor activities and especially the higher speed of ferry transportation could help SKG compete with Thanh Thoi.

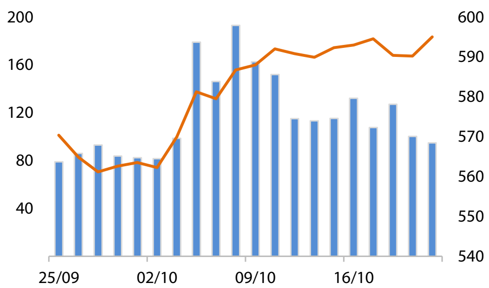
Currently, the company is following "excess supply" strategy by deploying more ships. Hence, the expected capacity for FY2016 is estimated to exceed 10% market demand. The more visitors to Phu Quoc, the more competitiveness SKG might face, especially VIC with investment projects in entertainment, resort and International port. However, we highly appreciate quick adaptation and new strategy, which are advantages of SKG.

Base of conservative assumptions of average oil price fluctuating around USD66/barrel (EIU forecast) and expected capacity is 60%, we forecast GPM of ferry project will fall in 32.11%, lower than that of speedboat project.

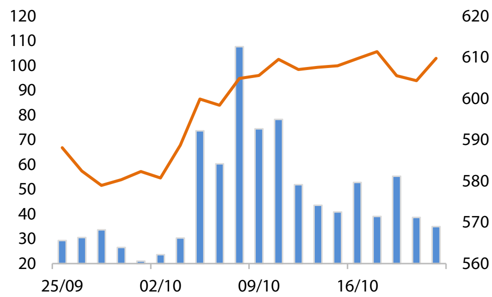
SKG's Projects might start earlier than previously estimated; therefore, we revised our forecast with revenue and NPAT reaching at VND 404.86 billion and 215.4 billion in 2016, respectively. Therefore, EPS could record VND8,281/share. Combing two valuation methods being FCFE and P/E, we think the appropriate price for SKG share to be VND 100,000/share and recommend investors to **ACCUMMULATE** in the **LONG-TERM.**

In recent times, SKG's liquidity has improved with the 3-month volume average of 59,321 shares/session, upped 84% as compared to the previous update. Our analyst also suppose that Phu Quoc development as well as the profit coming from new investment projects could supports for SKG's price in the short and middle-term.

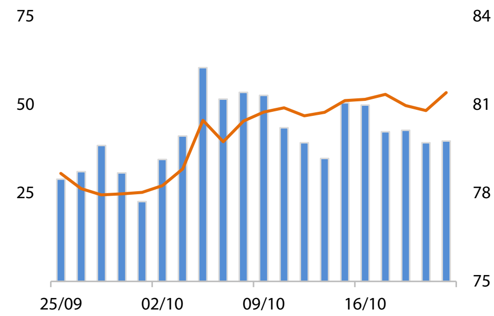
VNINDEX	0.82%	595.08



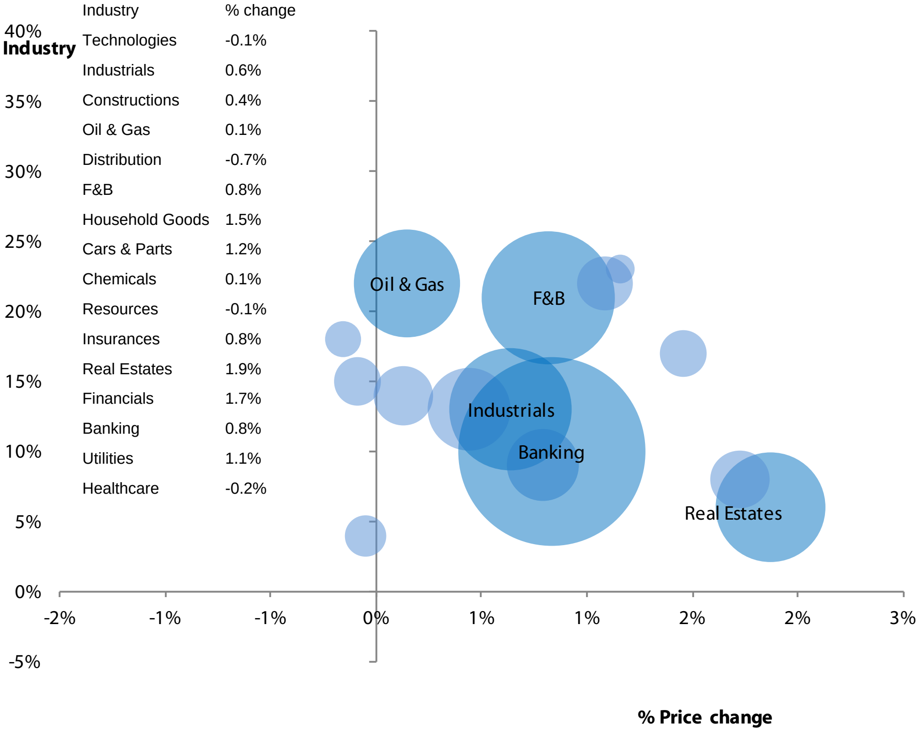
VN30	0.90%	609.78



HNXINDEX	0.75%	81.41

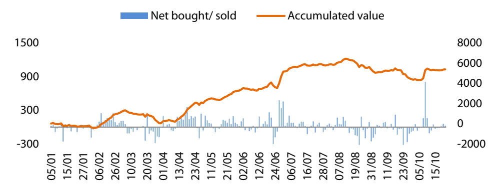


Industry Movement

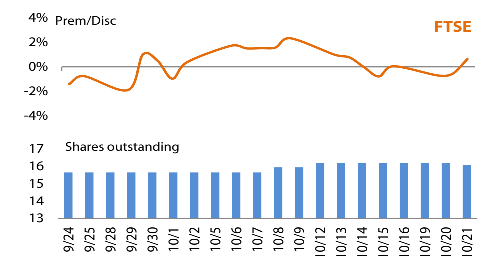


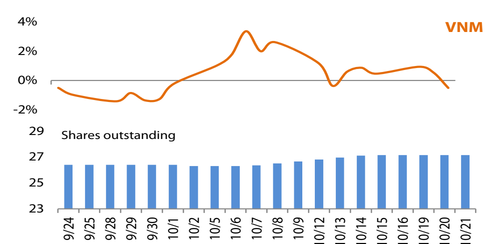
Industry	% change
Technologies	-0.1%
Industrials	0.6%
Constructions	0.4%
Oil & Gas	0.1%
Distribution	-0.7%
F&B	0.8%
Household Goods	1.5%
Cars & Parts	1.2%
Chemicals	0.1%
Resources	-0.1%
Insurances	0.8%
Real Estates	1.9%
Financials	1.7%
Banking	0.8%
Utilities	1.1%
Healthcare	-0.2%

Foreign Investors Trading

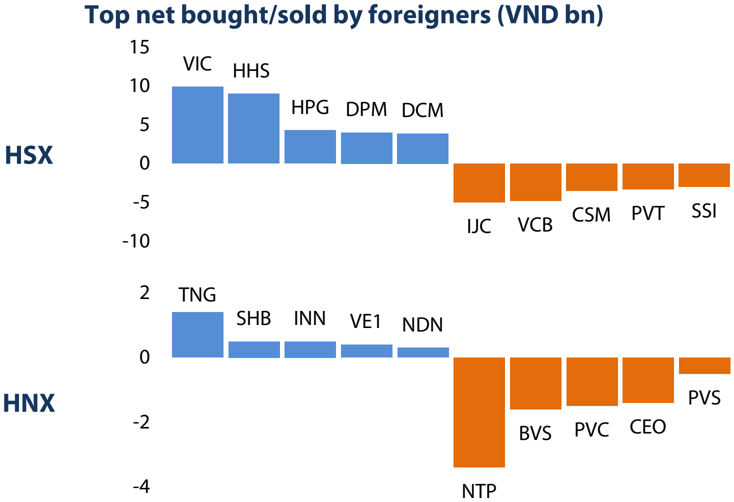


ETF





Top net bought/sold by foreigners (VND bn)



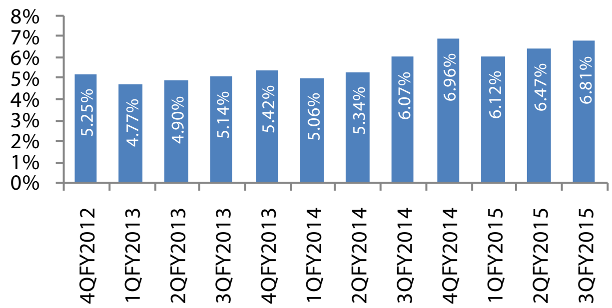
Top Active

Ticker	Price	Volume	% price change
HQC	6.4	9.63	1.6%
ITA	6.8	7.24	6.3%
FLC	7.0	5.45	1.4%
HHS	18.5	3.90	4.5%
BHS	19.6	2.19	1.6%

Ticker	Price	Volume	% price change
TIG	11.5	2.79	4.5%
KLF	4.5	1.57	2.3%
PVS	22.6	1.55	1.3%
SCR	8.0	1.35	0.0%
SHB	6.8	1.34	1.5%

MACRO WATCH

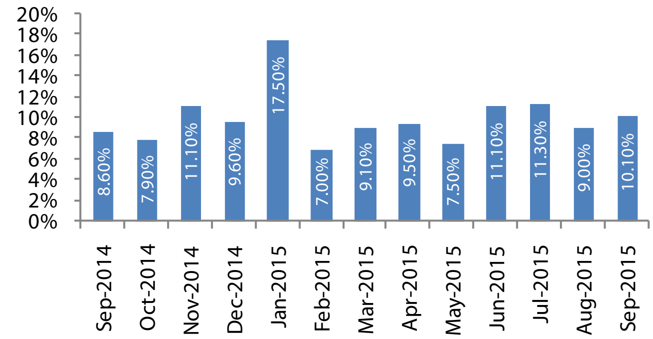
Graph 1: GDP Growth



Sources: GSO. Rongviet Securities database

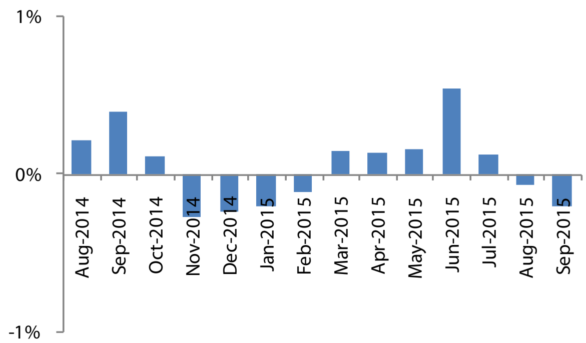
(*) Comparision price in 1994

Graph 2: IIP



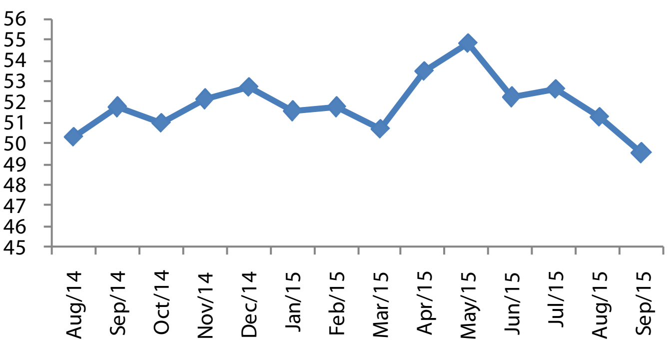
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



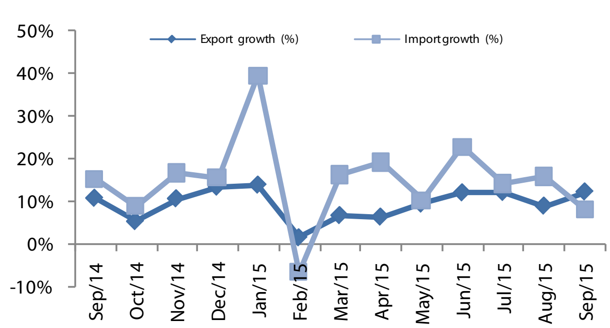
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



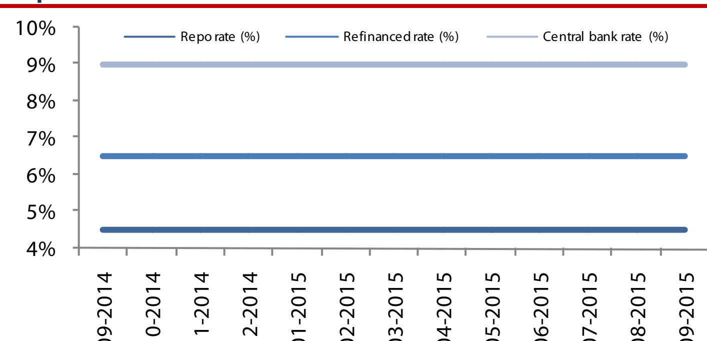
Sources: GSO. Rongviet Securities database

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
CHP- Off season advantages	Sep, 30th 2015	Buy - Intermediate	23,600
PXS - Invest to strengthen construction capacity	Sept, 4th 2015	Accumulate - Intermediate	17,000
SHP - Positive over long-term	Sept, 3rd 2015	Accumulate - Intermediate	20,800
PET - Tracking the progress of Thanh Da land plot transfer	Aug, 20th 2015	Stable	N/a
VNC - Embrace the new wave of international commerce	Aug, 14th 2015	Neutral – Long term	28,900

Please find more information at [*http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302*](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	06/10/2015	0% - 0.75%	0% - 2.5%	11,935	11,922	0.11%
VEOF	06/10/2015	0% - 0.75%	0% - 2.5%	10,347	10,241	1.14%
VF1	16/10/2015	0.2% - 1%	0.5%-1.5%	23,599	23,545	0.23%
VF4	16/10/2015	0.2% - 1%	0%-1.5%	10,558	10,511	0.45%
VFA	16/10/2015	0.2% - 1%	0%-1.5%	7,488	7,457	0.42%
VFB	16/10/2015	0.3% - 0.6%	0%-1%	12,409	12,391	0.14%
ENF	09/10/2015	0% - 3%	0%	11,842	11,582	2.24%
MBVF	08/09/2015	1%	0%-1%	10,696	10,574	1.15%
MBBF	07/09/2015	0%-0.5%	0%-1%	12,395	12,383	0.10%

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