24

THURSDAY

"A Merry Session"

Van Banh

+ 84 8 6299 2006 | Ext: 1316

Van.btt@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 1318

Tuan.hm@vdsc.com.vn

- **A Merry Session**
- **2015 inflation rate increased below 1%**
- **Timber industry under exporting perspective**

A Merry Session

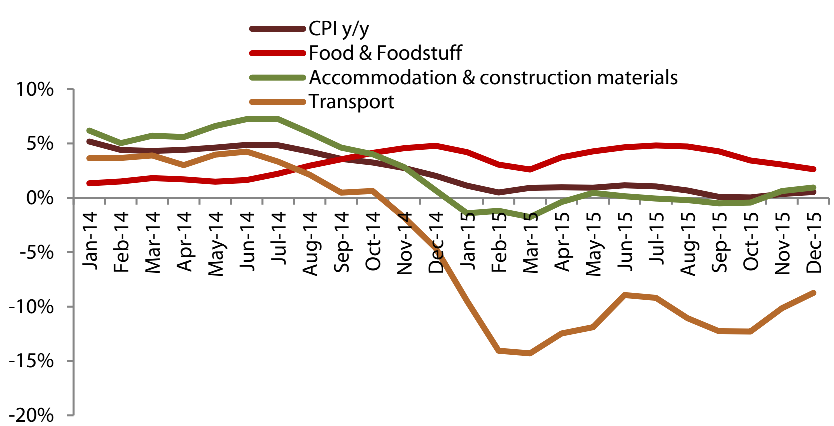
"4" is the lucky number for investors on Christmas time. "4 down 1 up" seems to be the rule for VNIndex in 2015. After 4 days losing 2.25%, VNIndex went green with a slight improvement of 0.34%. Oil & Gas stocks and others of FMCG such as VNM and MSN "rang the bell" for markets. Today markets are expected to bring wealth, luck and happiness to all investors and their families for the year-end holidays as well as a prosperous 2016.

Selling pressure of foreigners is lessen, which is probably because VNM ETF has reached its target cash for dividend payment. After turning to net-buying position yesterday, foreigners today just sold the net value of VND 8.2 billion in both exchanges. This lower selling pressure is likely thanks to less selling activities of VNM ETF. Specifically, VNM ETF declared to pay USD0.499 per certificate with payment date on 28/12. Based on share outstanding just before ex-dividend date (21/12) of 25,65 million shares, cash demand of VNM ETF for dividend payment is about USD 12.83 million while this fund's cash in account was only USD 303 thousand. Therefore, this fund's additional cash is about USD 12.5 million, equivalent to merely VND288 billion. So, VNM ETF would sell their stocks to meet this demand. Under T+3 transaction rule in Vietnam stock market and process of foreign cash transfer, we think VNM ETF did these selling activities in recent days (likely happened on 21/12). Therefore, if this prediction is true, selling pressure of VNM ETF will be not considerable in remaining sessions of 2015.

2015 inflation rate increased below 1%

The General statistics office of Vietnam has recently announced December and 2015 consumer price index. In particular, this index upped by 0.02% and 0.6% as compared to last month and last year respectively. As a result of the two consecutive drops in oil price in mid-November and early December, Transport group declined by 1.57% comparing to last month which accounted for the largest contribution to CPI. Regarding to lowering oil as well as commodity prices, inflation rate would likely lower in the upcoming year.

Figure: Consumer price index movement



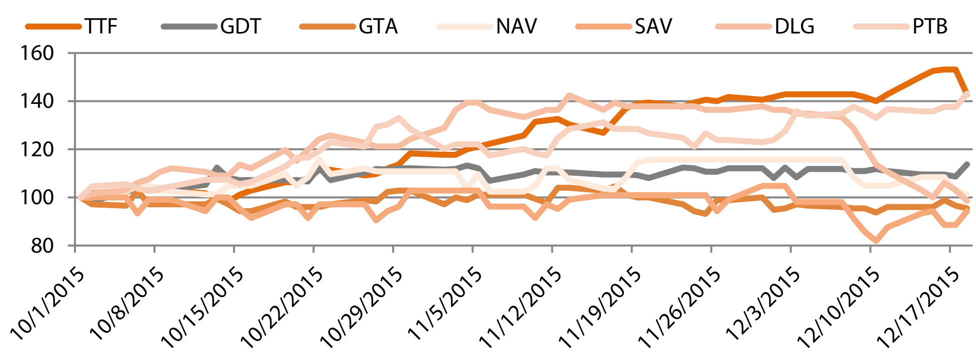
Source: GSO, RongViet Research

Timber industry under exporting perspective

In 11M2015, Vietnam Customs Statistics recorded USD 6.1 bn (+9.2% y-o-y) by exporting wood and wooden products. Based on the historical data of wood and wooden products, we realized that growth rate of export wood products has been slowed down since 2010 and it shows no sign of heating up. Since there is only a month ahead, it is easy to predict 2015 growth rate of Vietnam wood and wooden products would be around 10%; and would not be back to the "golden period" in 2011-2012. One month left until 2016, the industry growth rate was forecasted to achieve about 10%, and it could be difficult to return to the "Golden Age" between 2010-2011 (~15%) This is contrast to the forecast from earlier this year when TPP had been expected to bring the optimistic prospect for the total exporting value of the industries, which directly benefit from new trade agreement including timber, fishery and textile.

Stocks' prices were also expected to match to the positive prospects of the above three industries. As regards to fishery and textile industry, the rate of return is mostly zero or even negative if held these stocks in 1 years; meanwhile wood tickers have provided high profit as along with recent price performance. However, export value did not benefit from the sign of the free trade agreements (TPP). As a result, the growth in wood stocks' prices is likely to be stable within 2015. In the earlier 2 months, there are specific differentiation and relatively in line with the business result. Large-cap stocks such as TTF, GDT witnessed positive movements with two-digit growth in 3Q2015; meanwhile, small-cap tickers such as SAV, NAV had negative business result and price movements.
Although there have been no specific impacts on industries recently, we still expect TPP would bring advantages in short-term. Currently, in term of wood and wood products, Vietnam positions at the top ten largest exporters and has tax incentives compared to other competitors such as China, Germany, Italy.

Exhibit: Price Movement of Furniture Stocks



Source: RongViet Research

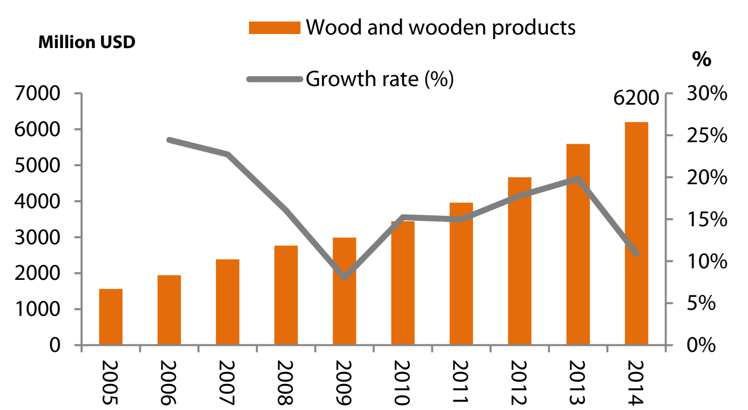
Table: Earning result of Furniture Listed Companies

Companies	Revenue (VND bn)			NPAT (VND bn)		
	3Q2015	3Q2014	% y-o-y	3Q2015	3Q2014	% y-o-y
DLG	500,4	236,3	112%	17,07	26,69	-36%
GDT	76,95	76,2	1%	18	16,32	10%
GTA	149,1	130,5	14%	3,94	3,364	17%
NAV	41,5	47,3	-12%	0,427	1,29	-67%
SAV	155	160	-3%	-6,6	0,31	-2229%
TTF	410	310,6	32%	101,1	32,6	210%

Source: RongViet Research

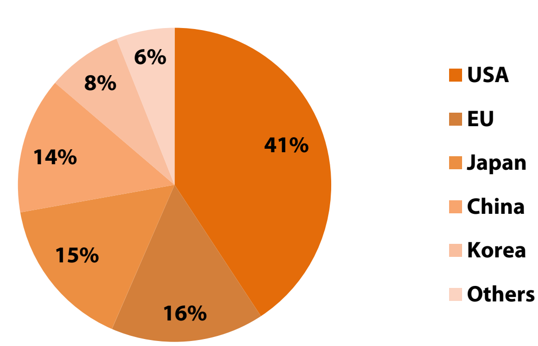
WorldRichestCountries data prove that Vietnam is the sixth largest wood exporters after China, Germany, Italy, Netherlands, US and Mexico (as of the end of 2014). Specifically, 2014 wood export turnover of Vietnam was more than $6 billion, equivalent to 2.7% of total worldwide exports. Vietnam has experienced positive growth rate for 10 years. For the latest 5 years, growth rate of wood exports recorded at a double-digit number. According to a report of General Department of Customs, main markets of Vietnam exporters are US (40.7%), EU (15.8%), Japan (15.6%), China (14.0%) and Korea (7.7%)

Exhibit: Furniture Export of Vietnam in 2005-2014



Source: Customs, RongViet Research

Exhibit: Top main exporting markets of Vietnam in the 11M2015



Source: Customs, RongViet Research

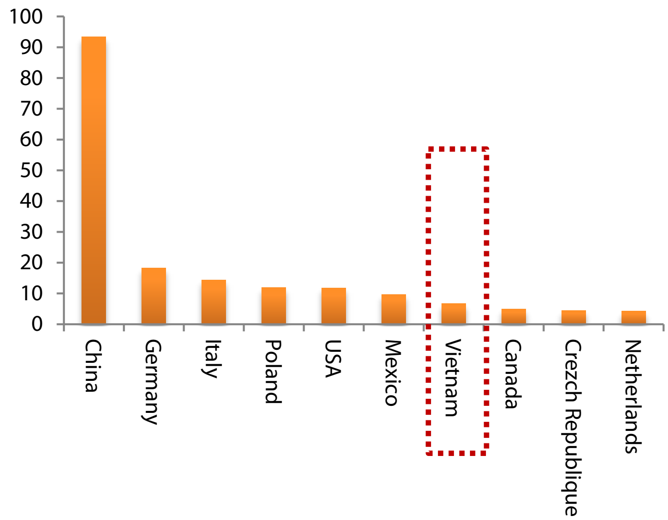
With the above advantages, expanding export markets is in Vietnam's hand when joining TPP. Top wood and wooden imported countries such as USA, Germany, …..are also the top main exporting markets of Vietnam. In comparison to other competitors, Vietnam owns certain advantages including (1) lower selling price than Chinese products cause USA imposed anti-dumping duties on Chinese Furniture products, (2) Lesser competitors in low end segment as top exporting countries in Europe such as Germany, Netherlands are currently shifting from producing low to high end products. Furthermore, according to the trade agreement, Timber companies are entitled to import machine to produce wood and wooden products with 3-4% import tariff (current import tariff is 17-20%). In general, Vietnam is facing a great opportunity to enhance its export value in timber industry if it can make use of these existed advantages. If we assume that furniture industry would have stable 10% growth rate in the upcoming year and Vietnam can lift its market share in USA from 11% to 12%, total export value of Vietnam wood and wooden products would be increased to 20%.

Biggest challenge of Vietnam is to secure the source of materials that can meet TPP requirement. Under TPP's regulations, a product must have a localization rate of at least 55% total value. According to the Ministry of Agriculture and Rural Development, each year, Vietnam imported nearly 5 million m3 of timber, equivalent to 70% -80% of the raw material for manufacturing wood product in Vietnam. On the other hand, Vietnam customs also recorded that the main source of raw of materials of Vietnam is come from Cambodia from Cambodia (33 million), China (21.5 million) and the United States (18.5 million). As can be seen from the above figure, two third of Vietnam's largest timber importers are non TPP members. Huge timber imported value and most of it come from non TPP members, 55% localization rate is considered as great challenge for Vietnam. Moreover, Vietnam still has to face other challenges such as technology and worker skills are low, most products are low products.

Change in material wood has been considered as a key aspect determining the growth rate in revenue from export sector among this industry. Therefore, wood import restructuring is necessary for Vietnamese timber industry in order to achieve such positive prospects. At this moment, TPP members such as Canada, Australia, New Zealand, US… maintain the high value of exports in the region. Accordingly, with the advantage geography and wood exports reached approximately USD2.9 billion (in 2014), we believe that Malaysia could be a potential candidate for Vietnamese wood companies to look for when changing the material supply.

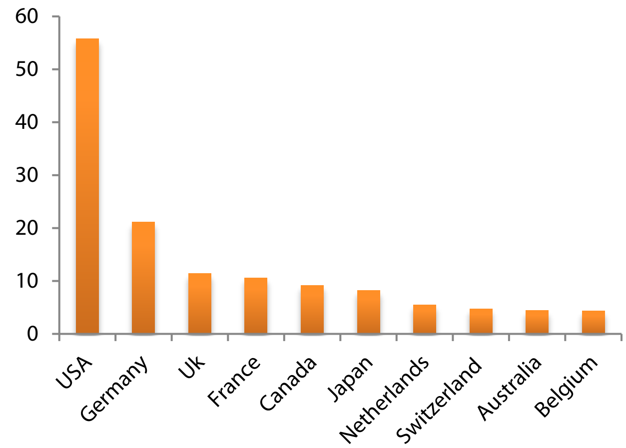
Appendix

Exhibit: Top 10 Furniture Exporters in 2014 (Billion USD)



Source: WorldRichestCountries

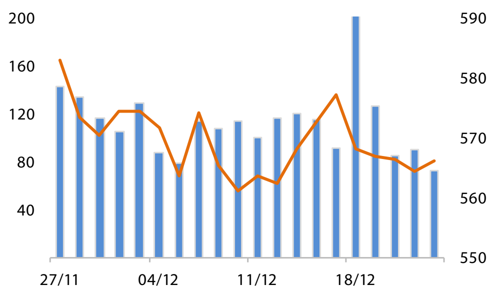
Exhibit: Top 10 Furniture Importers 2014 (Billion USD)



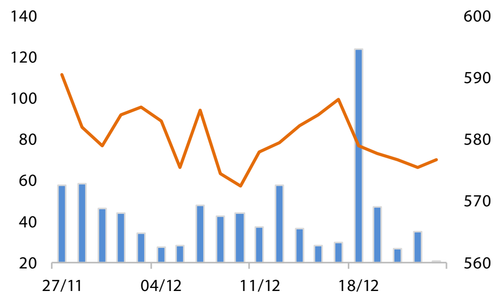
Source: WorldRichestCountries

RONGVIET SECURITIES

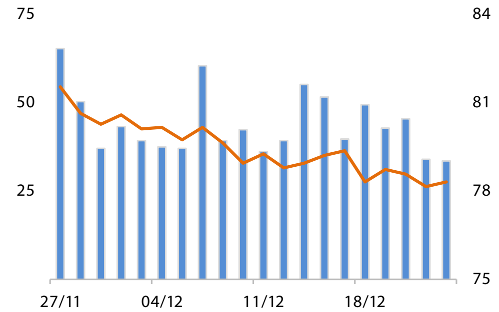
VNINDEX	0.34%	566.17



VN30	0.22%	576.71

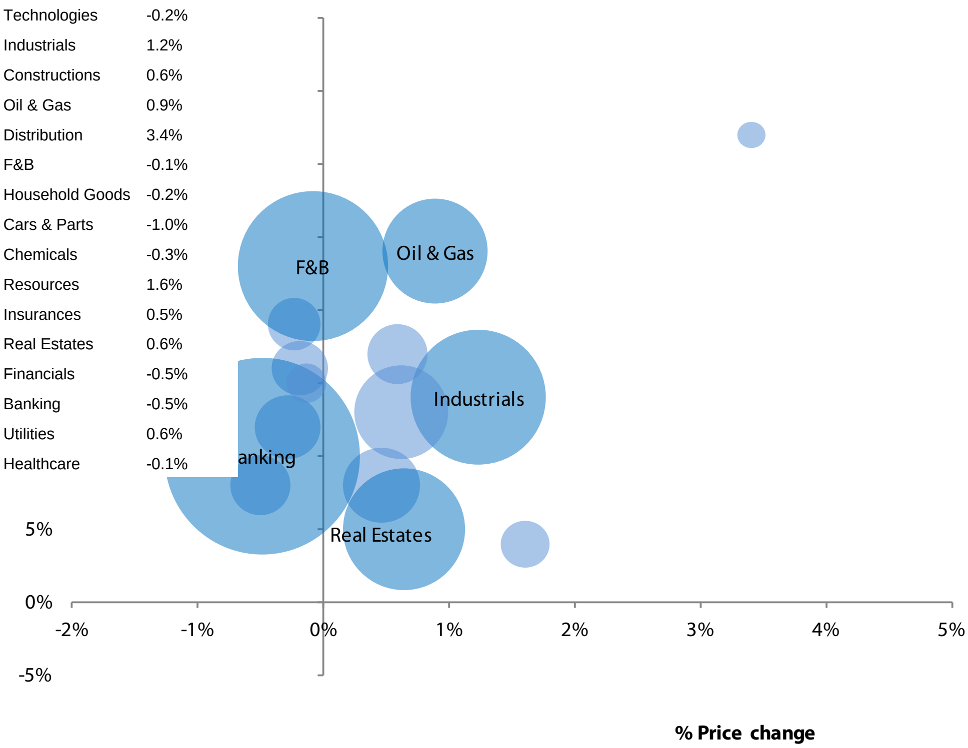


HNXINDEX	0.23%	78.29

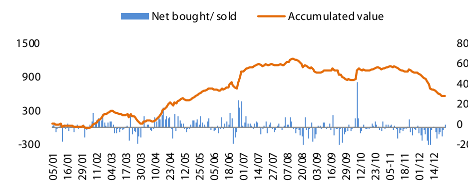


Industry Movement

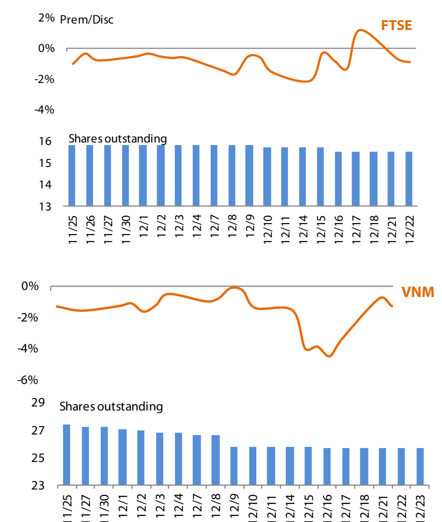
Industry	% change
Technologies	-0.2%
Industrials	1.2%
Constructions	0.6%
Oil & Gas	0.9%
Distribution	3.4%
F&B	-0.1%
Household Goods	-0.2%
Cars & Parts	-1.0%
Chemicals	-0.3%
Resources	1.6%
Insurances	0.5%
Real Estates	0.6%
Financials	-0.5%
Banking	-0.5%
Utilities	0.6%
Healthcare	-0.1%



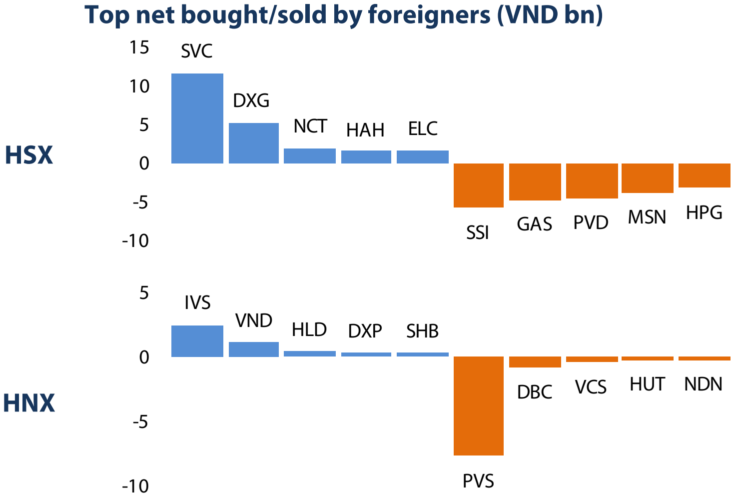
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



Top Active

Ticker	Price	Volume	% price change
SBT	23.3	7.32	5.9%
OGC	4.2	4.90	5.0%
FLC	8.0	4.55	0.0%
HAG	11.1	3.19	-1.8%
ASM	15.4	2.84	1.3%

Ticker	Price	Volume	% price change
SCR	8.3	5.84	1.2%
TIG	11.7	2.98	0.0%
PVX	3.2	1.31	3.2%
SHA	11.2	1.11	0.0%
PVS	17.0	1.06	0.0%

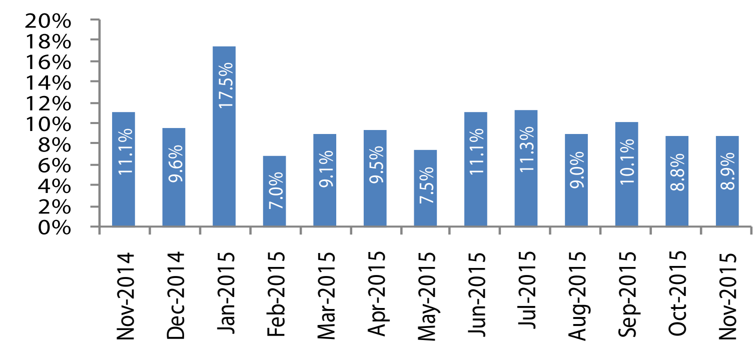
MACRO WATCH

Graph 1: GDP Growth

Sources: GSO. Rongviet Securities database

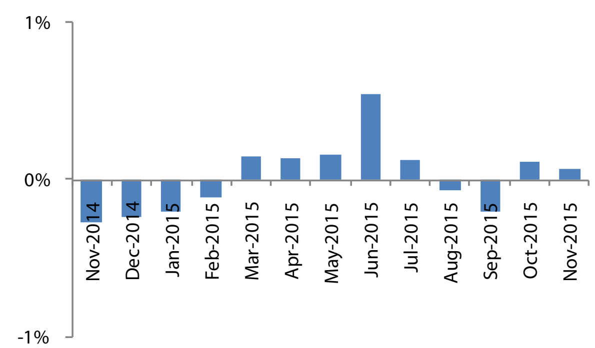
(*) Comparision price in 1994

Graph 2: IIP



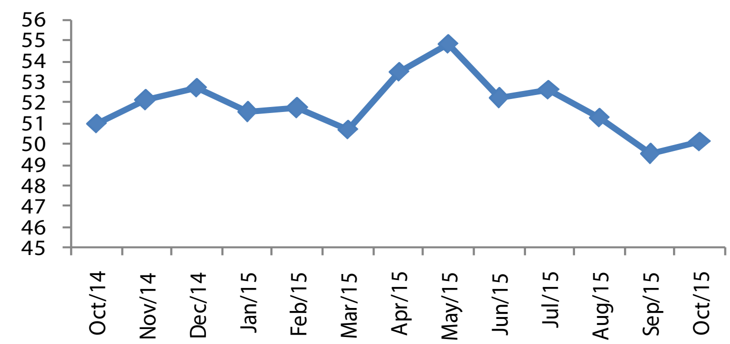
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



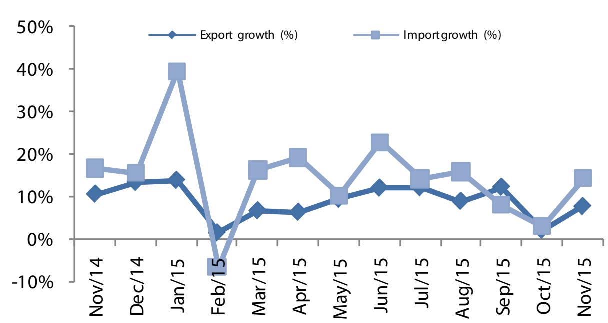
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



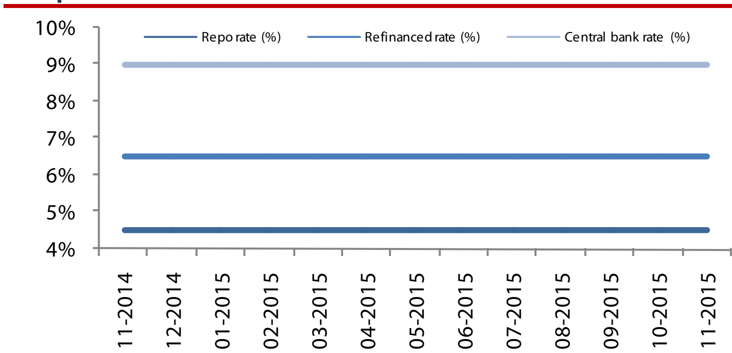
Sources: GSO. Rongviet Securities database

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
ELC- A new growth cycle	December 3rd , 2015	Buy – Long term	33,000
PPC- Positive core business	December 2nd, 2015	Neutral –Long term	21,100
DRC - Expecting on replacement segment	November 13th, 2015	Accumulate – Long term	52,000
NKG - Capital ravels to be untangled	November 6th, 2015	Neutral – Intermediate term	17,400
DMC- Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000

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
VF1	17/12/2015	0.2% - 1%	0.5%-1.5%	23,829	23,685	0.61%
VF4	17/12/2015	0.2% - 1%	0%-1.5%	10,840	10,763	0.72%
VFA	17/12/2015	0.2% - 1%	0%-1.5%	7,230	7,173	0.8%
VFB	17/12/2015	0.3% - 0.6%	0%-1%	12,611	12,611	0%
ENF	11/12/2015	0% - 3%	0%	11,938	12,029	-0.76%
MBVF	10/12/2015	1%	0%-1%	10,883	10,839	0.41%
MBBF	09/12/2015	0%-0.5%	0%-1%	12,523	12,507	0.13%
VF1	17/12/2015	0.2% - 1%	0.5%-1.5%	23,829	23,685	0.61%
VF4	17/12/2015	0.2% - 1%	0%-1.5%	10,840	10,763	0.72%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 1308

truc.dtt@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 1313

lam.ntp@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 1318

Tuan.hm@vdsc.com.vn

Thien Bui

+ 84 8 6299 2006 | Ext: 1321

Thien.bv@vdsc.com.vn

Hoang Nguyen

+ 84 8 6299 2006 | Ext: 1319

Hoang.nh@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 1309

my.tth@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 1315

tam.bt@vdsc.com.vn

Van Banh

+ 84 8 6299 2006 | Ext: 1316

Van.btt@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 1317

trien.lh@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 1310

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 1311

my.ttd@vdsc.com.vn

Kien Nguyen

+ 84 8 6299 2006 | Ext: 1320

Kien.nt@vdsc.com.vn

Trinh Nguyen

+ 84 8 6299 2006 | Ext: 1331

Trinh.nh@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 1314

huong.pt@vdsc.com.vn

HEAD OFFICE
141 Nguyen Du St., Dist. 1, HCMC
T +84 8 6299 2006
F +84 8 6291 7986
E info@vdsc.com.vn
W www.vdsc.com.vn

HA NOI BRANCH
2C Thai Phien St., Hai Ba Trung Dist., Ha Noi City
T +84 4 6288 2006
F +84 4 6288 2008
E info@vdsc.com.vn
W www.vdsc.com.vn

NHA TRANG BRANCH
50 Bis Yersin, Nha Trang City
T +84 058 3820 006
F +84 058 3820 008
E info@vdsc.com.vn
W www.vdsc.com.vn

CAN THO BRANCH
08 Phan Dinh Phung St., Ninh Kieu Dist., Can Tho
T +84 0710 381 7578
F +84.710 381 8965
E info@vdsc.com.vn
W www.vdsc.com.vn
