DECEMBER

ADVISORY DIARY

08

TUESDAY

- **Unexpected reversal in late afternoon session**
- **DHG update**

Unexpected reversal in late afternoon session

Strong rally in late afternoon session. Indices witnessed strong declines in more than 75% trading time. During that time, VNIndex even drop over 1.18%. However, in late afternoon session, thanks to large cap stocks' bullish movements, typically BVH, VCB, BID, VNM, FPT,…, many other stocks in VN30 simultaneously rallied, with number of gainers to losers at 18/4. Therefore, VN30 and VNIndex surged 1.65% and 1.87%, respectively.

However, liquidity has yet rallied as happened in indices' movement. Order-matching volume in HSX remained below 100 million shares. However, market just recovered in late today session so there was not enough evidence to confirm that demand of market recovered or not. Therefore, if volume in HSX in next sessions climbs to 120-150 million shares, the signal of market bottom-up will be more obvious.

Another day of strong sell from foreigners. Foreign investors were net sellers to the tune of VND187 billion and VND43 billion worth of shares in HSX and HNX. Not to count in today number, foreigners has withdrawn such a large amount of their capital equivalent to VND658 billion since beginning of this month. However, we did not saw mass capital outflow from two ETFs (FTSE and VNM ETF) as there was only VND23 billion drawn out from VNM ETF.

Numbers of declining days of this downtrend wave have accounted for more than 85% total ascending days of previous uptrend wave (a market anomaly described in AD 27/11/2015). If the rule is not broken, it is possible that markets are close to a bottom. More demand – supply tests in upcoming sessions to confirm the bottom. However, market risks seem to weaken as markets are in shortage of sup.

"Unexpected reversal in late afternoon session"

DHG - Update on 2015 bussiness result estimate and 2016 outlook

Investors have been relatively "impatient" for disbursing into the defensive sector as pharmaceuticals as based on investment return from the year to date. It is derived from the drop in revenue of most companies in the industry as accelerating competition in OTC market. Actually, the difficulties have been provoked since 2014 when Circular 01 was applied. However, in order to accomplish the 2014 plan, such a leading company with large-scale revenue as DHG had to maintain a growth rate of 15%. Consequently, sales discount policy in late 2014 caused oversupply regarding to DHG's products. In 2015, the market automatically adjusted to fit to actual demand and the result was implied on business performance in 1Q2015 (declined by 8% yoy). Under the circumstance, the new strategy related to sales has been settled. Accordingly, instead of focusing on certain large customers, DHG's salesmen should approach and develop small customers (with low sales).

This strategy began to be applied from 2014, but until 2015, the first signal is recorded. Growth in small customers group upped 49% in 9M2015 and the proportion in revenue increased from 19% to 26%. On the other hand, as compared to the strong gain in 2014, the 2015 revenue growth remained relatively stable.

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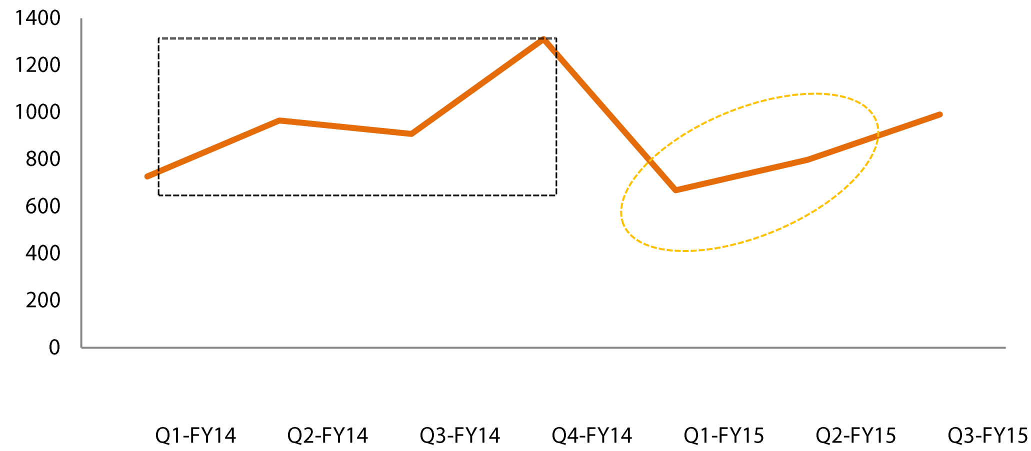
Figure: DHG's revenue from 1Q2014 to 3Q2015



Source: DHG

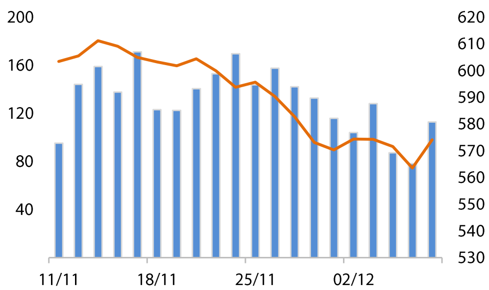
In fact, when the participation in OTC market has been incremental, sales boost at certain large customers is the first priority. Thus, according to our estimate, an approach to small customers helps DHG to evaluate properly demands in specific region. As a result, the market share is maintained under circumstance of accelerating competition.

However, any business plan always contains trade-offs. For the strategic, cost control is perhaps the biggest problem that DHG must take to reach optimum efficiency. The dispersal of the small customers requires extensive coverage of the salesmen as well as the ability to manage the whole system appropriately. Above all, the product portfolio should also be calculated in detail when combined with the exclusive distribution of the foreign partners to increase distribution efficiency.

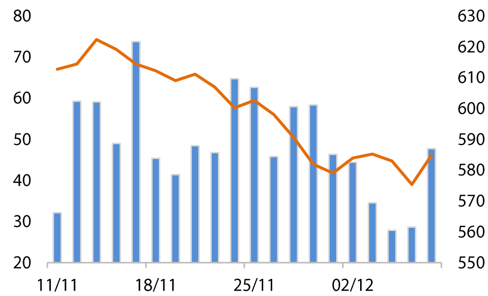
Moreover, DHG also had a long-term plan to invest in new factories producing drug effervescent package and effervescent tablets namely Hapacol based on PIC/S standard. Unlike many pharmaceutical firms upgrading their plants to prepare for ETC market, DHG made known that its ETC proportion only accounting for 10%. The products in new plant will sell in OTC and export market (the target revenue in 2020 is expected to reach at USD 4.5 million). Furthermore, DHG also intends to develop generic products of Cosmeceuticals industry or biological cosmeceuticals products. Besides, it is also mentioned that many plans related to cooperation with Japanese partners in order to develop mobile clinics. Thus, in addition to changing the core distribution strategy, these plans are the key factors for the upcoming growth of 15% in the next 2016-2020.

Regarding to 20105 earnings results, the company expects revenue reaching VND 3,624 billion (downed 7.4% as compared to the same period) and profit after tax remaining around 8.6% in the same period. To sum up, the Company would likely achieve 90% of the 2015 plan. Meanwhile, EPS in 2015 is expected to record VND 6,654 per share. With a closing price of VND 66,000/share in today's session, we think the market is reflected fairly DHG's earnings result. In terms of 2016 plan, the company made known that revenue is projected to reach VND 3,732 billion, an increase of ~ 20% over the same period (excluding sales promotion, direct wholesale distribution in 2015). We believe that the plan is based on expectations of stable operation of the new distribution system. However, as discussed above, the cost will probably be the second criteria to determine the effectiveness of this strategy. We believe that the decision to invest in DHG will depends on two conditions (1) ability to fulfill sales plan (2) the ability to control costs. With these arguments, we believe the stock deserves to be monitored and to wait for business result in the next 6 months.

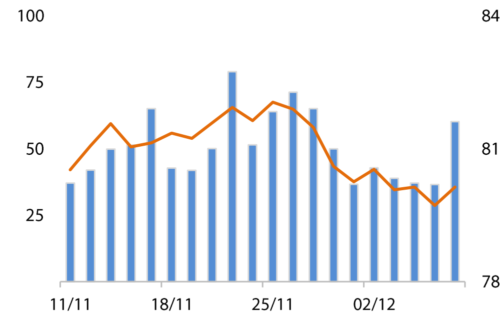
VNINDEX	1.87%	574.15



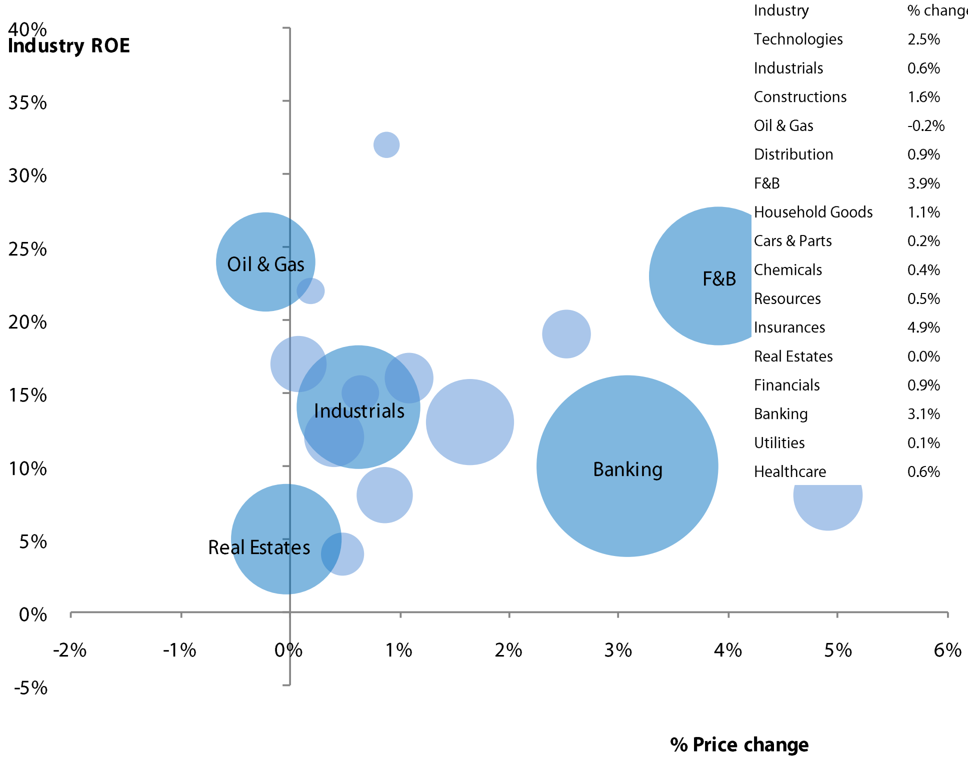
VN30	1.65%	584.85



HNXINDEX	0.53%	80.14

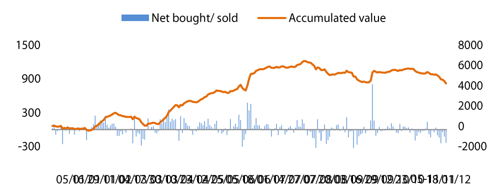


Industry Movement

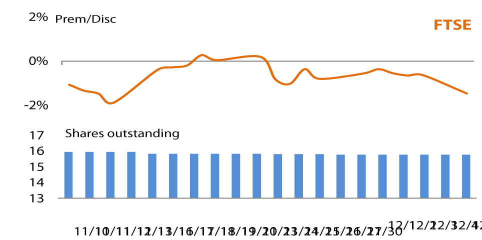


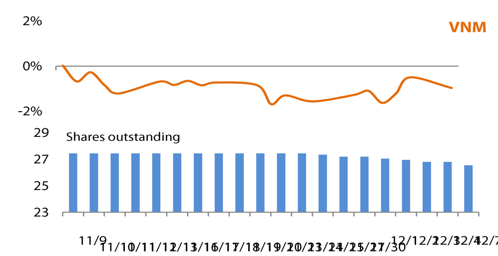
Industry	% change
Technologies	2.5%
Industrials	0.6%
Constructions	1.6%
Oil & Gas	-0.2%
Distribution	0.9%
F&B	3.9%
Household Goods	1.1%
Cars & Parts	0.2%
Chemicals	0.4%
Resources	0.5%
Insurances	4.9%
Real Estates	0.0%
Financials	0.9%
Banking	3.1%
Utilities	0.1%
Healthcare	0.6%

Foreign Investors Trading



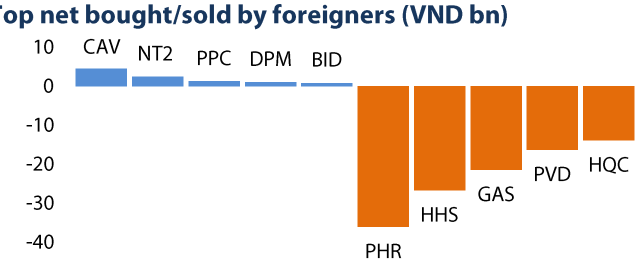
ETF



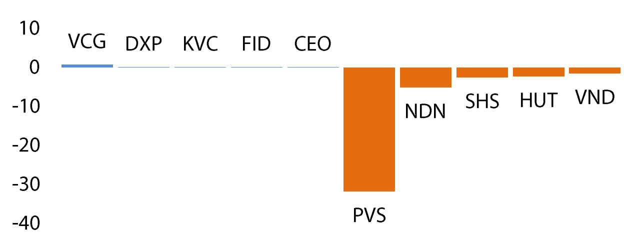


Top net bought/sold by foreigners (VND bn)

HSX



HNX



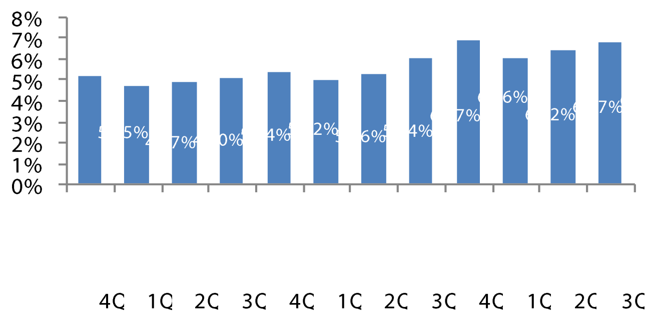
Top Active

Ticker	Price	Volume	% price change
FLC	8.2	10.91	2.5%
HQC	6.1	7.51	-6.2%
HHS	15.3	5.08	0.7%
OGC	3.9	3.87	0.0%
KDC	27.9	3.75	1.5%

Ticker	Price	Volume	% price change
SHB	6.4	3.17	0.0%
PVS	18.7	3.07	0.0%
SCR	8.3	2.85	1.2%
KLF	4.7	2.56	0.0%
KSQ	4.1	2.22	-8.9%

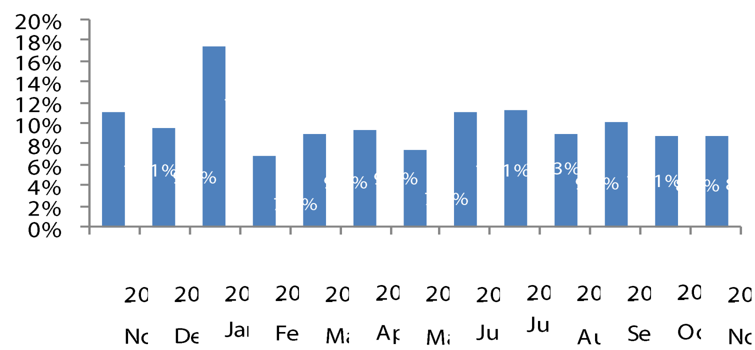
MACRO WATCH

Graph 1: GDP Growth



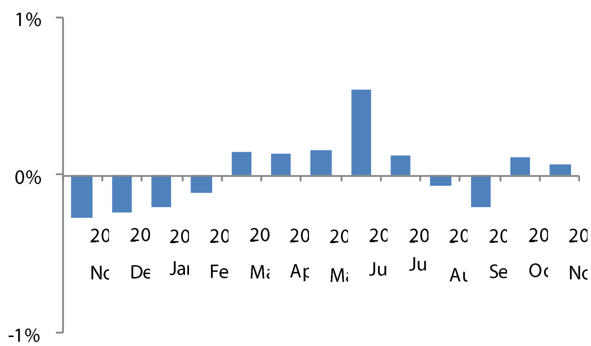
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



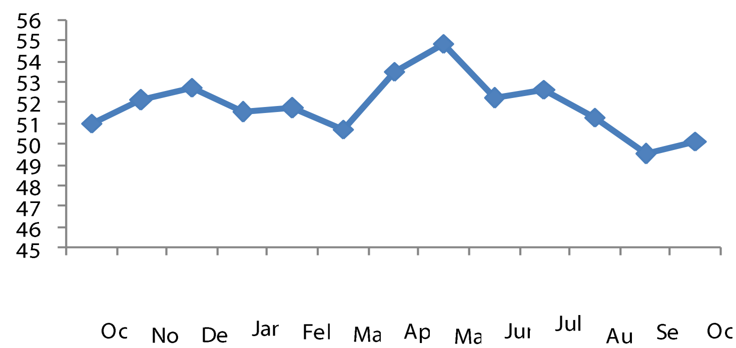
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



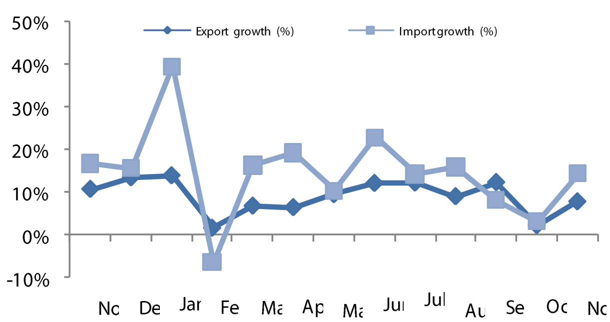
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



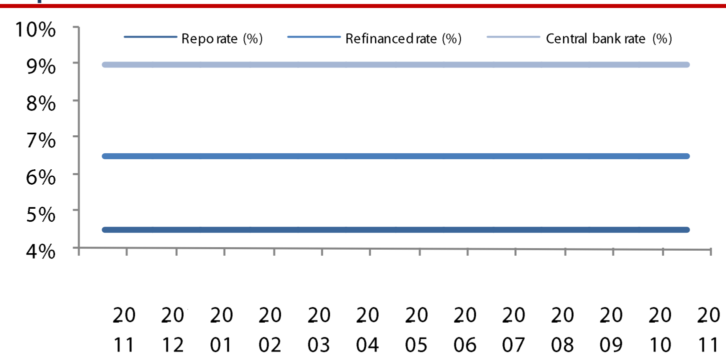
Sources: GSO. Rongviet Securities database

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
LHG - In the right time, in the right place	November 17th, 2015	Buy – Long term	25,700
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
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500

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	17/11/2015	0% - 0.75%	0% - 2.5%	12,109	12,099	0.08%
VEOF	17/11/2015	0% - 0.75%	0% - 2.5%	10,276	10,663	0.59%
VF1	25/11/2015	0.2% - 1%	0.5%-1.5%	23,903	23,764	0.59%
VF4	25/11/2015	0.2% - 1%	0%-1.5%	10,847	10,768	0.74%
VFA	19/11/2015	0.2% - 1%	0%-1.5%	7,429	7,418	0.15%
VFB	19/11/2015	0.3% - 0.6%	0%-1%	12,523	12,506	0.14%
ENF	20/11/2015	0% - 3%	0%	12,225	12,156	0.57%
MBVF	19/11/2015	1%	0%-1%	10,740	10,902	-01.49%
MBBF	18/11/2015	0%-0.5%	0%-1%	12,494	12,485	0.07%

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