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Investment Strategy January 2016

From market-following to stock-picking

Vietnamese stocks show little response to the FED announcing it would let USD interest rates rise the first time in almost a decade in mid-December where indices remained mostly flat and stocks continued oscillating. Just as we expected, foreigners kept running away from the market, depressing the local's sentiment and liquidity in the process. For the last month of 2015, the market witnessed a decline of over 20% in trading volume where foreigners sold a net VND2,058 billion on both exchanges. Against optimistic forecasts of an increase between 10% and 15% for the year of 2015, VNIndex ended up only 6% although two-thirds of the sectors closed on the upside.

Following a better-than-expected year of 2014, the revelation of a murky economic landscape was the main reason the stocks could not break into a definite trend last year. As opposite to 2013 and 2014, when optimism was widespread and it was tempting to stray away from value stocks that are less correlated to the market, investors' appetites diverged greatly in 2015. Stocks led by "stories" such as earnings surprises, project announcements, capital raises, et cetera, could not hold on to upside but gains were more sustainable in stocks with low beta that have long been perceived as undervalued, namely CTD, BMP, KSB, VSC, GMD, etc. Separately, our earnings analysis confirmed that the best gainers of 2015, i.e. auto retailers, construction, transport-logistics and building material companies were indeed supported by positive top-line and bottom-line growth.

We believe the stock market dynamism will not change much next year. In a top-down approach, there may be more selections for growth investors who focus on sectors that serve development of infrastructures, both soft and hard, like construction, technology, utilities, logistics, etc. where companies with sound fundamentals and a market leading status will have a huge advantage. For those with above-average high tolerance who intend to invest the long term, contrarian opportunities can still be found in sectors that are struggling at the bottom of the business cycle such as oil & gas and commodities.

The expected range in January for VNIndex is 555-580 and HNIndex in 78-80

We expect the January stock market to witness a significant divergence between stocks that are fundamentally supported and with less transparent outlook. In other words, stocks that have already appreciated could continue moving for further gains and break away from current price level. As a result, we put more weight on stock picking than market-following for the time being. We maintain the stock and sector recommendations laid out in December's 2015 Strategy report. More detailed analyses and recommendations await in the forthcoming RongViet Research's 2016 Stock Market Report to be published in 1Q2016.

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68 stocks of RongViet Research (analyzing, discussing with companies) and have analysis and specific evaluation in "Company report" or "Advisory Diary" till now

The January stock market is expected to stay in line with that of the previous months as stocks oscillating between narrow ranges with multiple reversals. We see it likely that indices will continue to move without a defined trend for some more time. January can still be a good time to accumulate stocks for the long-term horizon. The investment portfolio of 2016 should include stocks (1) of leading companies, (2) with solid fundamental foundation and (3) belonging to sectors with positive business outlook.

Given the need to prepare the infrastructures for FDI and economic growth after the conclusion of major trade agreements, the construction industry should be the first destination of growth. In fact, upbeat revenue and earnings growth have been reported by a great many listed constructors in 9M2015. Considering the rising number of transport and real estate projects in 2016, we maintain an optimistic outlook of construction industry going forward.

As the integration process is accelerating, logistics and transport companies and seaport operators are favored first by growth of cargo volume on both the import and export sides. Along with the manufacturing sector expansion, industries that cater for the manufacturing sector such as technology, utilities and supporting industries will also exhibit some good growth.

- Transport: GSP, PVT, GMD
- Seaport: HAH, VSC
- Construction: LCG, HUT, FCN, CTD
- Technology: FPT, ELC
- Utilities: NT2, CHP, SHP, PPC, REE
- Real estate: BCI, KDH, NBB, VPH, LHG
- Retail: SVC, PET
- Building materials: DNP, BMP, HT1, KSB, HPG, HSG
- Textile-garment: TCM, STK
- Oil & Gas: PGS, PVS, PLC
- Others: SKG, DHC, BMI, MAC, PAC, DMC, DPM

Industries movement in December, 2015 and P/E, P/B of industries at the end of the month

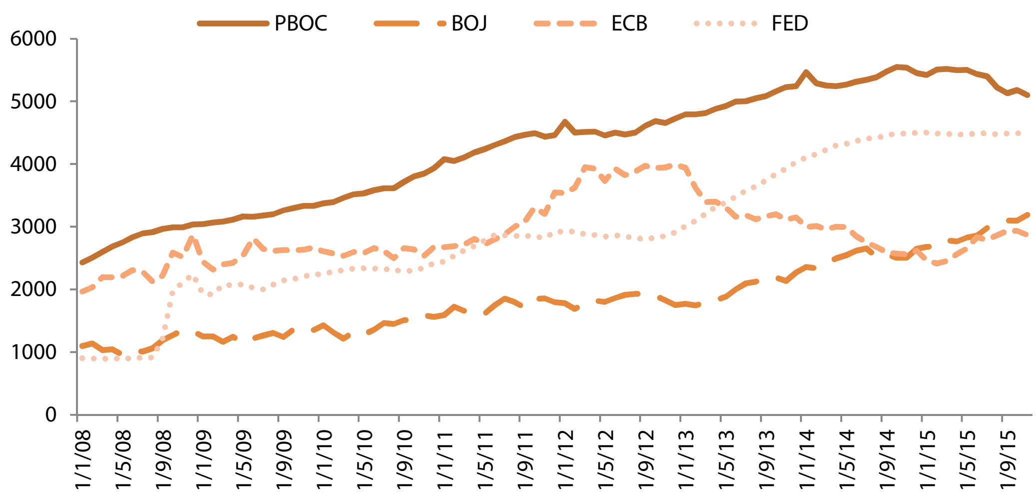
WORLD ECONOMY

- The wave of economic stimulus through monetary easing policy
- US placed first in the race, developing countries struggled, China was on a bumpy road of growth

The wave of economic stimulus through monetary easing policy

As mentioned in the 2015 Vietnam Stock Market Report, a wave of monetary easing was happening over the globe, from the developed countries to developing countries. We can say that this wave was a special situation when the United State has been going in a reverse trend with a tight monetary policy.

Figure 1: Total Assets of Major central banks (Unit: billion USD)



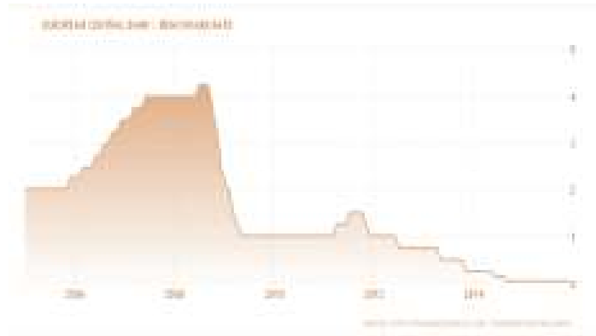
Sources: Bloomberg, RongViet Research

Last year, the policy makers in the major economies including the European (ECB), Japan (BOJ) and China (PBOC) were implementing monetary easing through various measures, such as cutting interest rates, lowering reserve requirement and using quantitative ease packages... In Europe, negative interest rate policy has continued to be used. The interest rate fell to - 0.3% at the end of 2015 as well as the quantitative easing program has been extended to 03/2017. Similar to the ECB, the Bank of Japan (BOJ) has maintained the interest rate at 0% since 2011. Besides current asset purchasing program, the BOJ would implement a new program to buy ETF funds with a scale equal to USD2.45 million. The most notable event came from the PBOC. Under the impact of declining growth, the PBOC turned to implement monetary easing very aggressively, especially in the second half of 2015. Unlike the asset purchasing program of the other central banks, the PBOC used lots of solutions including rate cuts, reserve requirement ratios lowering and credit support to exporters.

Figure 2: Policy interest rates in China

Sources: Bloomberg, RongViet Research

Figure 3: Policy interest rates in EU



Sources: Bloomberg, RongViet Research

The wave of monetary easing not only occurred in the major economies but also that has spread through the developing countries, especially the ones in Asia. According to Goldman Sachs, the interest rate of those countries has decreased from 10 to 245 percentage points during 2015. On contrary, in a regularly scheduled meeting in December, 2015, Fed raised interest rates by 0.25% when the macro indicators such as economic growth, production, consumption and employment showed positive signals.

Table 1: Policy interest rates in Asian countries

	2010	2011	2012	2013	2014	2015
China	3.85	3.93	3.25	5.34	4.45	2.00
India	6.25	8.50	8.00	7.75	8.00	7.25
South Korea	2.50	3.25	2.75	2.50	2.00	1.50
Indonesia	6.50	6.00	5.75	7.50	7.75	7.50
Malaysia	2.75	3.00	3.00	3.00	3.25	3.25
Philipines	4.00	4.50	3.50	3.50	4.00	4.00
Thailand	2.00	3.25	2.75	2.25	2.00	1.25
Taiwan	1.63	1.88	1.88	1.88	1.88	1.75

Sources: Goldman Sachs, RongViet Research

US placed first in the race, developing countries struggled, China was on a bumpy road of growth

According to our observations, the affects from monetary easing policy on the recovery existed without the consistency.

After nearly 10 years of zero-interest-rate policy, the US economy was recovering in last year when the macro indicators have showed positive signals. Two main factors which are the inflation and the unemployment rate mostly achieved Fed's target at the end of last year. Overall, the consumption is the leading factor for growth throughout 2015 as US consumers were getting more optimistic about the economic outlook. In addition, US manufacturing activities continuously recorded momentum thanks to the positive expansion of domestic demand. Notably, the unemployment rate of the US economy has hit the Fed's target rate (5 %) associated with the rise of wage and job creation.

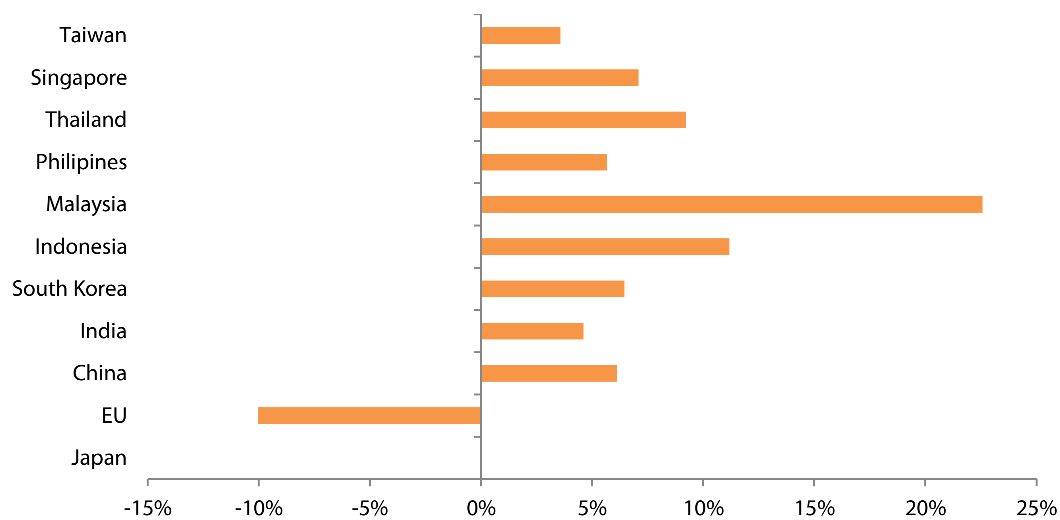
In the past year, India was one of countries having the highest growth of economic in the world. That thanks to their interest rate cut policy since 2011. Besides, they also have gotten significant benefits from the decline in commodity prices. Meanwhile, the EU and Japan had slow recoveries despite implementing many economic stimulus programs. However, the operating policies of those countries affected the economy in several aspects. Specifically, in 2015, the production activities in EU were positive with a PMI index remaining stable at the level of expansion (>50 points). In addition, the unemployment rate decreased from 11.4% to 10.7% over the period. Thanks to monetary easing policy, in Japan, the economic growths as well as the manufacturing activities have gradually improved since the second half of 2015.

Regarding of China, their stimulus program was implemented later than the other countries whose implementation have started at the beginning of the economic downturn. The growth of China is estimated at 6.8% in 2015 and is expected to continue to decline in 2016. There are many experts stating that the Chinese economy would have a slower and more fluctuated growth in 2016. Orientation to focus on domestic consumption could face difficulty to balance the deterioration of production activities.

In the context of opposition between the US monetary policy and the other counties' policies as well as the uneven growth rates across countries, the movements of many currencies could be considered as the significant points of the global economic landscape in 2015. The Statistics from Bloomberg showed the US Dollar index increasing by 7.4 % compared to last year. Under the dollar appreciation pressure, other major currencies, except Japan, were devalued. Especially for the Asian region, the currencies of these countries have decreased from 4% to 23% over the last year.

Over the last year, China has been constantly adjusting exchange rates and monetary policies in order to get the acceptation for the yuan into a special basket of reserves (SDR) from IMF. They applied several measures from changing the reference rate policy, issuing 5 billion yuan of international bonds, lifting the deposit interest rate celling... Thus, the yuan has been accepted to basket SDR at the end of Nov 2015. In addition, since mid-Dec 2015, China changed the exchange rate policy by calculating the RMB-index depends on a group of currencies instead of the US dollar. However, the yuan continues to lose its value after this move with the depreciation rate of 4.6% in 2015.

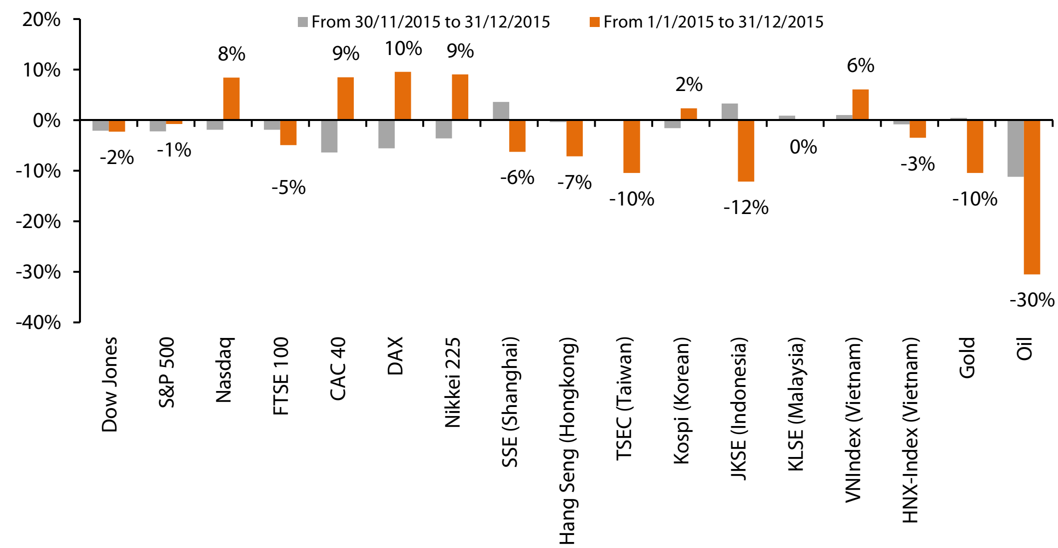
Figure 4: Exchange rate movements



Sources: Bloomberg, RongViet Research

WORLD STOCK MARKETS: Slimmer chances than what it takes in 2014

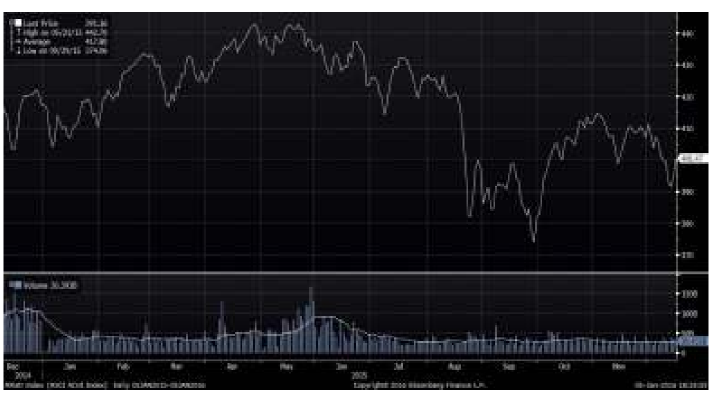
Figure 5: Performances stock markets around the world in 2015



Sources: Bloomberg, RongViet Research

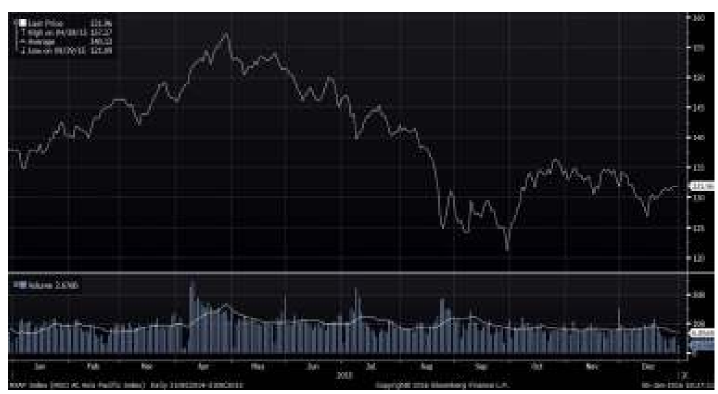
Stock markets around the world mixed as there were more decliners than gainers. Three main events that affected movement of markets can be listed as: (1) the slowdown of commodities prices whereas crude-oil price lost another 30% in 2015 to the 11-year-low of $35/barrel after having plunged by 45% in 2014; (2) soft economic data of China as well as new exchange rate regime applied by PBoC that slashed the CNY and negatively shocked the financial markets in Q3/2015; and (3) higher FED rates that hurt the foreign capital into emerging and frontier markets. By the end of 2015, MSCI All Country Index lost 4.4%.

Figure 6: 2015 MSCI World Index performance



Source: Bloomberg

Figure 7: 2015 MSCI Asia Pacific Index performance



Source: Bloomberg

Except for Nasdaq gaining 8%, Dow Jones and S&P 500 recorded drops of 2.2% and 0.7% respectively. For Dow Jones, this is the first time since 2008 that the Index could not go higher. In Europe, despite unstable political conditions, monetary easing policy from ECB pushed forward major markets in this region as CAC 40 and DAX ended higher 8.53% and 9.56% while only FTSE 100 down 5%.

Asia markets as a whole could not perform better than other regional ones. The MSCI Asia Pacific Index also lost 4.4%, which was the second year lost in a row since its first time in 2002. Shanghai Composite Index of China closed a year full of surprise when it finally recorded a 9.4% up after a sharp drop of 40% in late August 2015 as the market suffered from sale-offs. By the end of 30/12/2015, Nikkei 225 of Japan and Kospi of Korea shared the joy as they outperformed 2014 by 9.3% and 2.4%. On the other hand, another large market, Hang Seng Index failed 7.2%. In South East Asia, Vietnam stock market was the best one as it gained around 6%. STI (-15%), SET Index (-14%) and Jakarta Composite Index (-12%) were biggest losers.

VIETNAM ECONOMY IN 2015

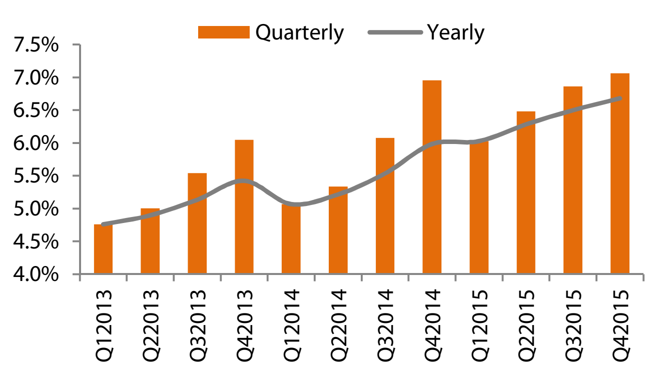
- Vietnam economy growth surpassed expectation
- Trade has weaken in front of the widening door of integration
- External shocks caused instability in exchange rate
- The restructuring process achieved changes in "quantity"
- Lowering budget deficit to curb the public debt acceleration

Vietnam economy growth surpassed expectation

As mentioned in the 2015 Vietnam Stock Market Outlook report, Vietnam was at the threshold of recovery thanks to the two main drivers for economic growth including manufacturing expansion and consumption. The year 2015 is over as the improvement in gross domestic product moves towards our estimation and even beats our initial forecasts.

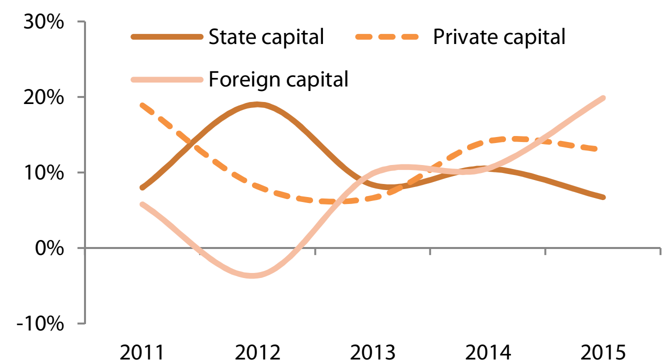
Regarding manufacturing production, this sector has maintained its high growth rate as domestic business condition improved positively. According to Markit, Vietnam manufacturing purchasing Managers' index (PMI) has been in the pace of expansion (>50) over the two years period; meanwhile, other countries remain sluggish. It could imply that the positivity of FDI sector along with the declining interest rate played a key role for manufacturing expansion.

Figure 8: Vietnam economy growth



Sources: GSO, RongViet Research

Figure 9: Capital investment by segments



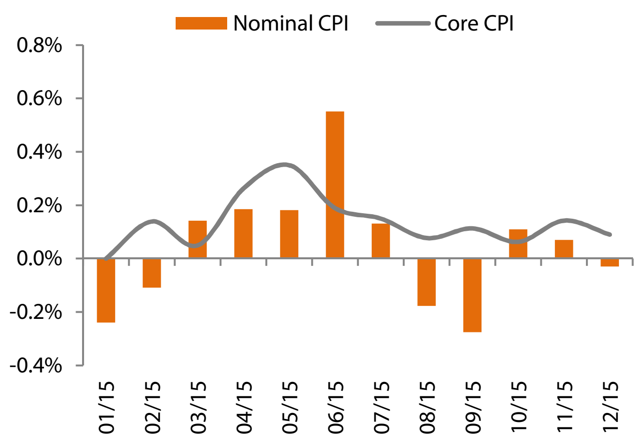
Sources: GSO, RongViet Research

In 2015, the economy also recorded a positive recovery in terms of business performances. According to GSO, the number of new businesses founded and the total registered capital of new firms hit a record with an increase of 26.6% yoy and 39.1% yoy respectively. Statistics from Bloomberg showed that ROE of listed companies had a remarkable growth rate last year. At the end of 2015, the figure reached 15.89%, a slight increase as compared with that of 14.55% in 2014. In terms of the whole economy, the improvement of business conditions resulted in private sector's willing to invest more than in the previous period. Therefore, private and FDI sectors saw a sustainable growth, increasing by 13% and 19.9% respectively. At the same time, better business condition also supported for the strong credit growth in the economy, reaching 18% and beat a plan of 15%.

Due to the other driver for economy growth, there was a leap in consumption growth. This sector experienced a tailwind thanks to the lowering oil price. With a plunge in commodity and oil prices, inflation rate only saw an increase of below 1% for a whole year. Thus, consumer confidence has remained positively which has been enabled for the recovery of domestic retail sales. According to ANZ, the consumer confidence index reached 144.8

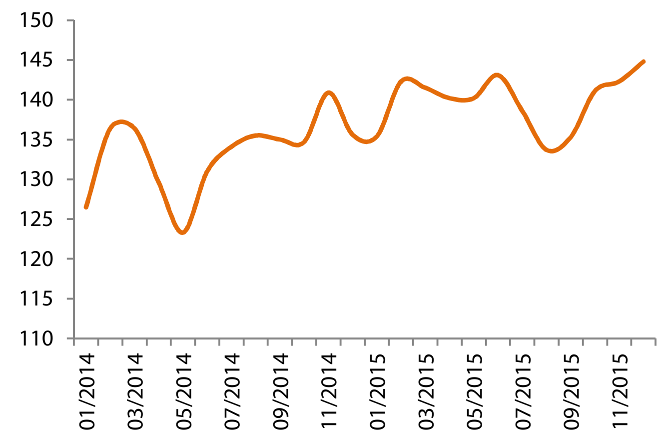
point at the end 2015, increased by 9.2 points as compared to 2014. According to IMA Asia, Vietnam has remained among the top level countries in term of business condition in Asia.

Figure 10: Inflation rate in 2015



Sources: GSO, RongViet Research

Figure 11: Consumer confidence in 2015

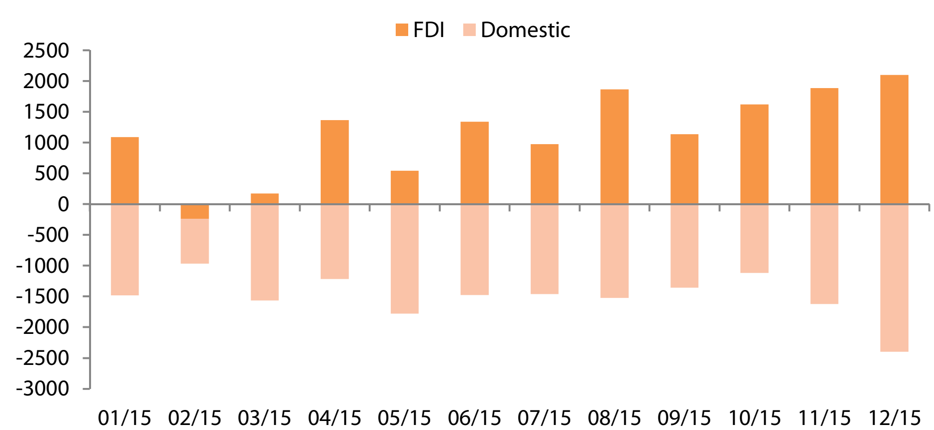


Sources: ANZ, RongViet Research

Trade has weaken in front of the widening door of integration

In 2015, Vietnam recorded a trade deficit of approximately USD6 billion. The reason for the reversal trend in trade balance was the deterioration of exports, mainly from domestic business sector. In 2014, trade deficit from domestic sector was about USD8 billion and this figure has increased by more than 2 times this year, equivalent to USD17 billion. In contrast, FDI sector has been leading the exporting activities of Vietnam with positive growth. Total annual exports of FDI sector achieved ~USD112 billion (accounted for 69% of total exports and increased by 19% yoy). The trade surplus expanded to USD13 billion, maintained the growth from last year (+44% yoy).

Figure 12: Trade balance of FDI and domestic sector



Sources: Customs, RongViet Research

The materiality of FDI enterprises in commercial activities strengthened the characterized process of Vietnamese economies in global trade. The proportion of intermediate goods and capital goods (non-consumption) accounted for over 75% of imports. In term of exports, the proportion of raw materials and primary processing of Vietnam declined due to the decrease in global commodity prices. Meanwhile, the proportion of processed goods for FDI improved compared to 2014. Consumer good section which is the strength of

Vietnamese enterprises has lower growth rate than previous period, especially textile with only 9% this year.

The above observation demonstrated that *domestic exports have been negatively affected by the decline trend in commodity prices this year. If there were no FDI sector, Vietnam trading activities could have not been a spotlight for gloomy picture of global trade. In addition, the machinability, intensive processing capacity, quality improvement for the increase in export value seems to be blurry.*

Regarding of trade partners, Vietnam has positively explored new markets in Latin America and Europe. Meanwhile, exporting activities to major trading partners such as Asia Pacific countries did not demonstrate the optimistic prospect during 2015. The statistics about exporting activities between Vietnam and trading partners in existing, negotiating and potential trade agreements showed no signs of improvement. Specifically, in 2015, export growth rate to TPP group was estimated at 7%, to EU achieved 11% and to AEC at 4%. All of these figures declined compared to last year. Exports to Korea increased (by more than 25%) but trade deficit with this countries significantly raised from USD13 billion to USD18 billion in 2015.

Table 2: Vietnam trade activities with several major trading partners

	Export	Import	Trade balance
TPP	57,197	33,208	23,989
ASEAN	16,834	21,678	(4,844)
VACUFTA	1,353	662	690
EU	28,041	9,193	18,848
South Korea	8,190	25,462	(17,272)
Japan	12,875	13,176	(300)
Chile	604	269	335
China	15,501	44,998	(29,497)

Sources: Customs, RongViet Research

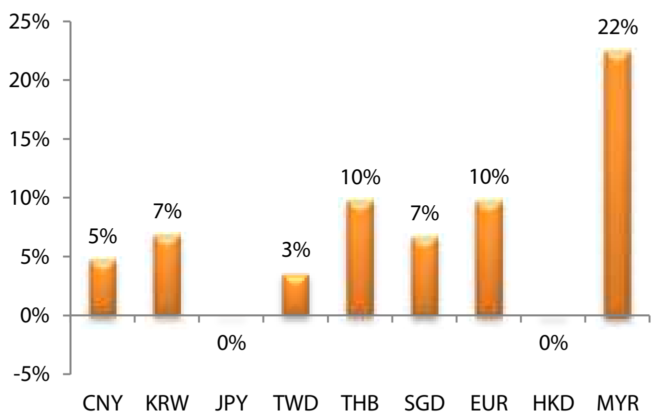
2015 marked several historic milestones related to Vietnam trading relations when Vietnam – Korea FTA and AEC took effect. More importantly, TPP negotiation reached an end in 10/2015 with final general statements between participants bringing inspiration for many entities in the economy. Even though TPP will take a long time to take effect, we believe that the economic impacts have been initiated through the improvement in FDI flows and the growth rate of production activities over the last year. It could be said that, the belief and hope are being seeded on the barren land of Vietnam.

External shock caused the instability of exchange rate

Exchange rate has been utilized to enhance export competitiveness by the State bank of Vietnam (SBV) over the past years. After two proactive devaluation during mid and late-2015, SBV faced new challenge when China changed the exchange rate policy. It is understandable because China is the major trading partner with Vietnam accounting for over 20% in exports. For the whole year, VND depreciated by approximately 5.1%, equivalent to the depreciation rate of RMB. The surprised factor from China made us to put a further analysis in Vietnam exchange rate policy under international impacts.

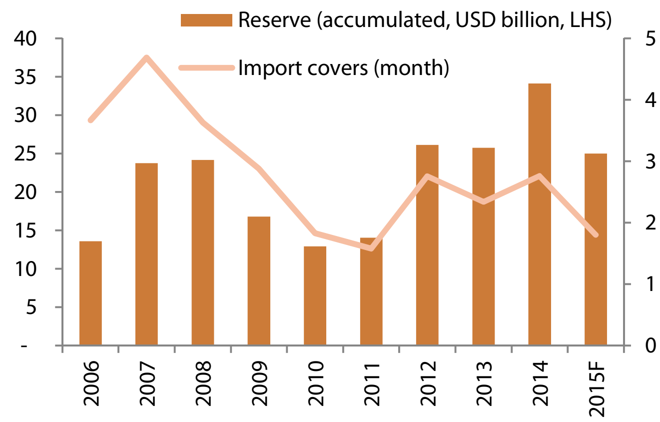
Overall, in term of trading activities, the results from exchange rate management last year constrained the risk of trade deficit expansion between Vietnam and China. However, the competitiveness of Vietnamese products could decline compared to other countries in region such as Malaysia or Thailand, where the domestic currencies have significantly devaluated in 2015. Commitment to maintain VND value after the adjustment in August, 2015 made SBV to suffer from the losses of foreign exchange reserve account. According to our estimation, SBV has used at least USD10 billion to stabilize exchange rate over the second half of 2015, push the macro-economic balance in term of foreign reserve back to the precarious situation.

Figure 13: Exchange rate fluctuation of several major trading partners with Vietnam (compared with USD)



Sources: Bloomberg, RongViet Research

Figure 14: Vietnam foreign exchange reserve



Sources: Bloomberg, RongViet Research

The restructuring process achieved changes in "quantity"

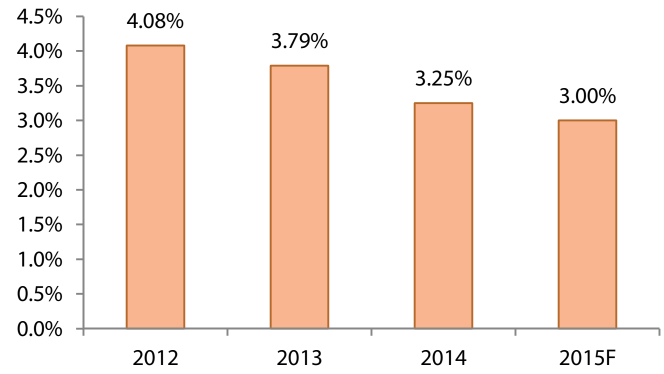
In the macroeconomic outlook part of our 2015 Viet Nam Stock Market Report, we gave a conclusion that the economy is set to make important achievements in term of quantitative changes during the process of economic reform. Reality proved that many "quantity" indicators have been achieved in 2015.

Banking sector got an encouraging result in handling bad debts and restructuring weak banks. By the end of 2015, SBV has achieved the goal of bringing the NPL ratio to below 3% (the latest figures was 2.72% as of November, 2015). In 11 months of 2015, VAMC bought VND98,000 billion of bad debts, accumulated bad debts sold to VAMC was up to VND227,000 billion by issuing special bonds.

According to SBV, approximately VND463,000 billion of NPLs has been removed from banking since 2012, equivalent to the value of bad debts estimated at September, 2012. Regarding to the weak banks reform, SBV purchased three commercial banks at 0 dong (Construction Bank, Ocean Bank and GP Bank). Also, there were 4 M&A deals over the year (including MHB and BIDV (BID), PGBank merged into VietinBank (CTG), Mekong Development Bank (MDB) with Maritime Bank (MSB), Southern Bank (PNB) with Sacombank (STB)).

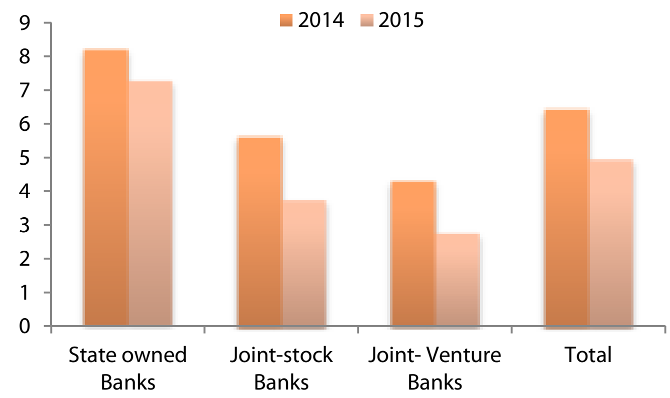
Along with restructuring activities, we find that the SBV implemented effectively for controlling banking liquidity through capital pumping and injection as well as administrative measures when currency market fluctuates strongly (primarily due to the exchange rate fluctuation). Thus, the changes in "quantity" basically achieved towards the banking sector - the backbone of economic activities. However, in term of the "quality", VAMC has yet to find out the solution for selling collected bad debts and new leaders of banks have not created real changes in the business after restructuring. In 2015, VAMC has sold only VND17,000 billion of bad debts (approximately 7.7% of total purchased NPLs). Banking system remains burdened for provisioning bad debts, which affects negatively to the bank profitability.

Figure 15: Bad debt ratio of the banking system



Sources: SBV, RongViet Research

Figure 16: Return on Equity (ROE) of the banking system

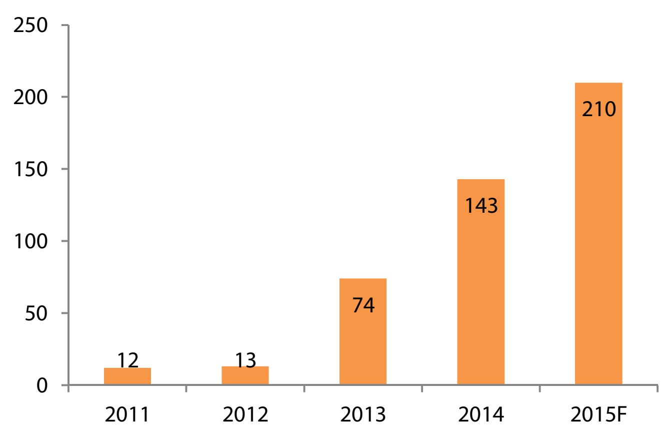


Sources: SBV, RongViet Research, as of Q32015

During the year, the restructuring of state enterprises (SOEs) achieved satisfactory results in term of quantitative targets but we think that the process was still slow and did not get to the back of the problems in the process of restructuring economy. According to the Government, as of November 10, 2015, 471 enterprises have been classified and reorganized, of which, 408 enterprises being equitized (equal to 79.37% of the 2011 – 2015 plan). According to preliminary estimates, in case of speeding up the equitization process, there will be 210 enterprises being equitized in 2015.

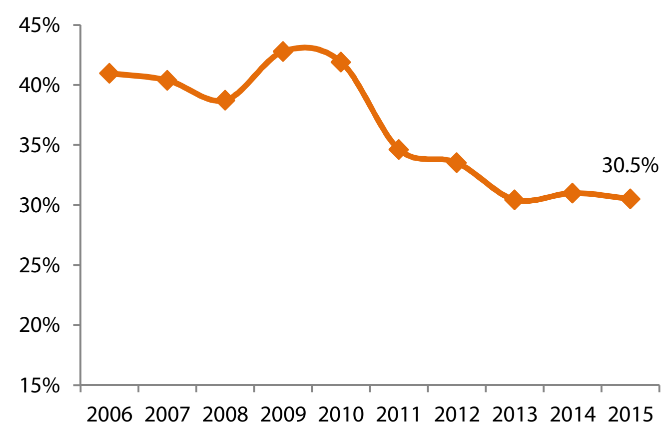
SOEs divestment activities are fairly good, total returns on capital is approximately VND14,000 billion, 1.5 times of book value. In particular, the withdrawals from the sale of non-core investments (including banking, securities, insurance, real estate) were not as good as from the divestment from enterprises that Government should not hold. IPO activities recorded the slowest and least effectiveness when only 38% sold of the total shares offered, the number of enterprises with successful share offering ratio (> 90%) is only 55/93. Overall, we believe the route of restructuring SOEs in 2015 is constrained by a number of problems: (1) the harder it is for SOEs to move up; (2) the quality and business efficiency of restructured SOEs are uneven, decreasing its appeal to investors, especially foreign investors; (3) difficulties relating to legal issues and transparency of SOEs are hindering the change in "quality" of SOEs reform.

Figure 17: Number of equitized SOEs



Source: RongViet Research

Figure 18: Investment/GDP ratio



Sources: GSO, RongViet Research

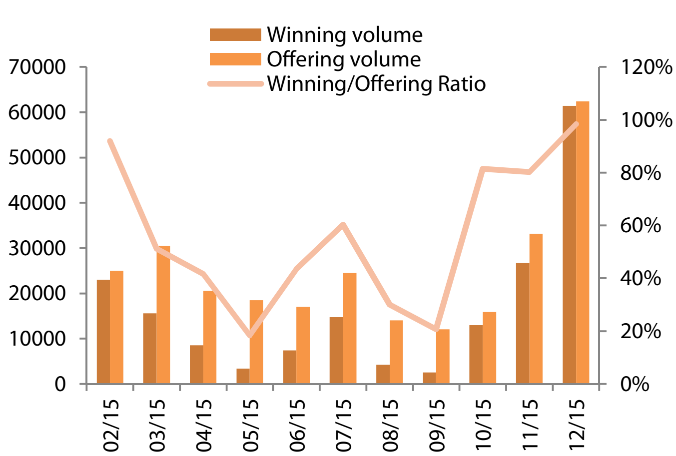
Restructuring of public investment does not attract many attentions from media but we can see there are many positive changes. In 2015, the total investment/GDP is estimated at 30.5%, down from 31% in 2014. In particular, the budget capital was more than VND220,000 billion, up 6% over the same period. The goal to reduce the share of the public investment has been achieved over the past year, with the share of state capital in total investment reduced to 38% from 40% in 2014. The key investment sectors in 2015 were Transportation (+19% yoy), Health (+63.5%) and education and training (+25.1%). Investment scheme has changed in the past year thanks to the revised laws including Investment Law, Corporate Law, Procurement Law, Decree of investment in the form of public-private partnerships... A typical example of reform in the public investment is the construction of infrastructure in transportation. In 2015, total disbursed capital is estimated at VND80,437.3 billion, of which 9% from the State budget, 39% from government bonds and the remaining about 52% from out-of-budget capital. Basically, the public investment has not been totally efficient yet, but we are optimistic that this had positive changes compared to the past.

Lowering budget deficit to curb the public debt acceleration

Due to some major changes in the terms and issuance method of government bonds while private-sector lending rebounded, the Vietnamese government faced a lot of difficulties in borrowing money last year. The entire amount raised through government bond issuance in the entire year of 2015 reached VND197,745 billion, just 80% of the annual guidance. In months May and September, winning rates at government bond biddings fell below 20%. Fortunately, measures were taken to make money-raising less painful for the government. From the beginning to the end of the year, the rates on government at all maturities stepped up 0.5% to 1% where the largest increase went to the 3-year maturity.

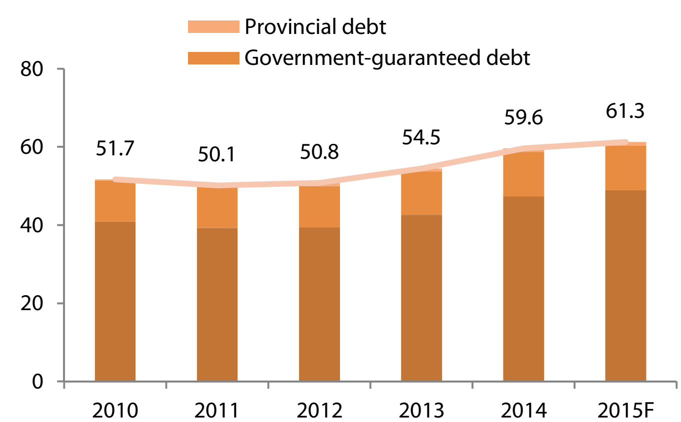
As the cost of borrowing rose, the government turned to taxes and fees to balance with it spending needs. By the 15th of December, government revenue reached VND884.8 billion, an increase of 9% from a year earlier where environmental taxes, land use taxes, registry fees all exceeded the respective targets from by 30-80%. On the other hand, expenditures also picked up 10% from the previous years where debt and sovereign assistance repayment increased by 24%. As of December 15, 2015, the accumulated budget deficit was VND179,700 billion, equivalent to 80% of the guidance. The budget deficit was under control in 2015, keeping the public debt at safe range. However, high public debt has been warned many times this year and no signs of going down in the near future.

Figure 19: Government bond tender and winning value



Source: VBMA, RongViet Research

Figure 20: Vietnam Public Debt



Source: WB, RongViet Research

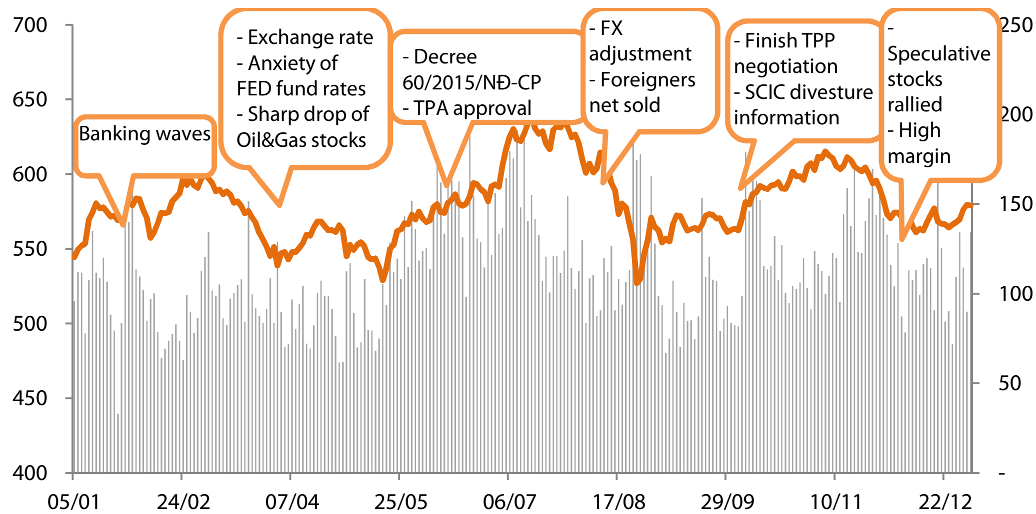
2015 STOCK MARKET: MODEST GROWTH WITH HIGH VOLATILITY

2015 market review

Vietnam stock market closed at 579 points , up 5.5% compared to FY2014. However, this year average liquidity was only VND2,500 billion, lost 19.2% over last year because credit cash inflows into stock market has been limited by Circular 36/2014/TT-NHNN. Market capitalization stood at U$58 billion, up 14.35% y-o-y.

Compared with FY2014, investors had a harder year to stand firm till the end. On the contrary to 2014, the waves in 2015 were shorter longer at higher frequency and created much surprise. 3 up and 3 down waves have been witnessed in 2015.

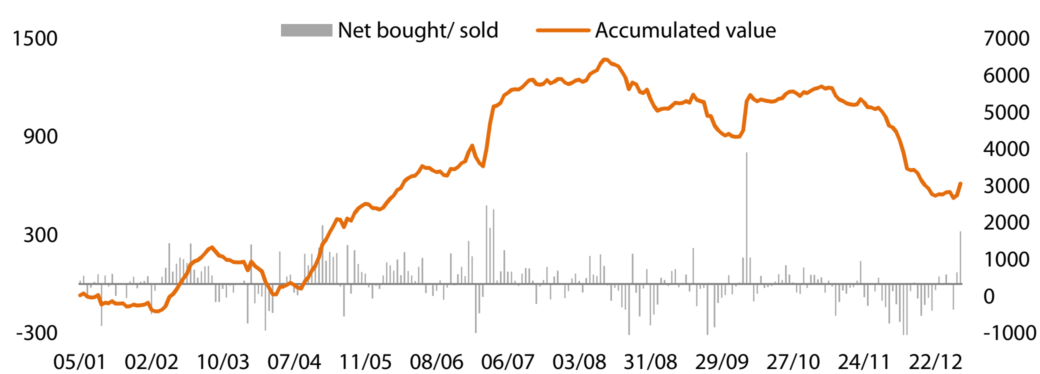
Figure 21: Major events in 2015



Source: RongViet Research

New policies for markets, we noticed 2 remarkable ones. They are Decree 60/2015/NĐ-CP on FOL lifting and Circular 203/2015/TT-BTC guiding on new trading mechanisms. Though more efforts needed to be done, the new policies will create catalysts for markets to be upgraded to Emerging Market (based on MSCI criteria).

Figure 22: Foreigners' trading activities



Source: RongViet Research

In 2015, Vietnam stock market was placed under quite many pressures from external factors, which were the declining oil price and FX fluctuation. Besides, foreigners turned to net sellers to a great value also negatively interfered in domestic investors' actions

However, RongViet Research still believes that Vietnam stock market is proving its attractiveness to global investors. First of all, market P/E was estimated around 11.8x in 2015, far lower than the average 16x of other markets in South East Asia regions. Secondly, Vietnam was the only market that experienced a positive Sharpe ratio and last but not least, Vietnam was among minority of markets that could attract the FII.

Table 3: Relative comparison between Vietnam and other markets in South East Asia

	Vietnam	Indonesia	Malaysia	Philippines	Singapore	Thailand
Sharpe ratio	0.13	-1.19	-0.52	-0.48	-1.34	-1.20
P/E	11.31	25.86	16.67	20.00	13.33	16.84
P/B	1.75	2.33	1.49	2.49	1.15	1.71
FII						
Bond	-246.04	6951.8	N/A	1325.2	N/A	-4348
Equity	135.96	-1571.2	N/A	-1194.4	N/A	-634.4

Source: RongViet Research

In terms of foreign cash flows on stock market, FY 2015 was marked as an optimistic year in comparison with others in the region; only Vietnam had positive foreign cash flow. Accordingly, foreign investors continued pouring approximately VND3,000 billion into Vietnam's stock market, however, this number was 13% lower compared with FY2014. In FY2015, 3 groups attracting the highest capital amount were (1) banking (about VND3,100 billion), (2) financial services (VND1,900 billion) and (3) construction and building materials (VND1,000 billion).

The trading of two ETF funds also created much surprise to the market due to buying BID in mistake and not adding HHS to the fund basket as expectation of many brokerage companies. In addition, another interesting point was that VNM ETF increased the proportion of Vietnam stocks from 77.5% to 82% at its last quarter review.

In general, the participation rate of foreign capital flows remained at ~8-15%/day of total trading value and the cash flow was also quite selective; highly focus on only some sectors or even some stocks. According to our statistics, there were about 94% of businesses having unfilled room for foreign investors but just10% of those currently in a state of full room. Perhaps, we need more support in policy to attract foreign investors to Vietnam stock market in future.

Table 4: Business growth of listed firms in 2011-2015 ***(Unit: %)***

	Yearly			9M			
	2012	**2013**	**2014**	**2012**	**2013**	**2014**	**2015**
Net sales	0.4	8.2	15.0	0.4	6.3	15.8	6.2
Gross profit	-0.8	11.6	15.7	0.9	8.2	16.1	14.1
Selling expense	13.4	18.7	17.3	14.2	19.5	15.5	16.5
G&A expense	9.9	9.3	10.9	10.4	5.9	11.1	10.3

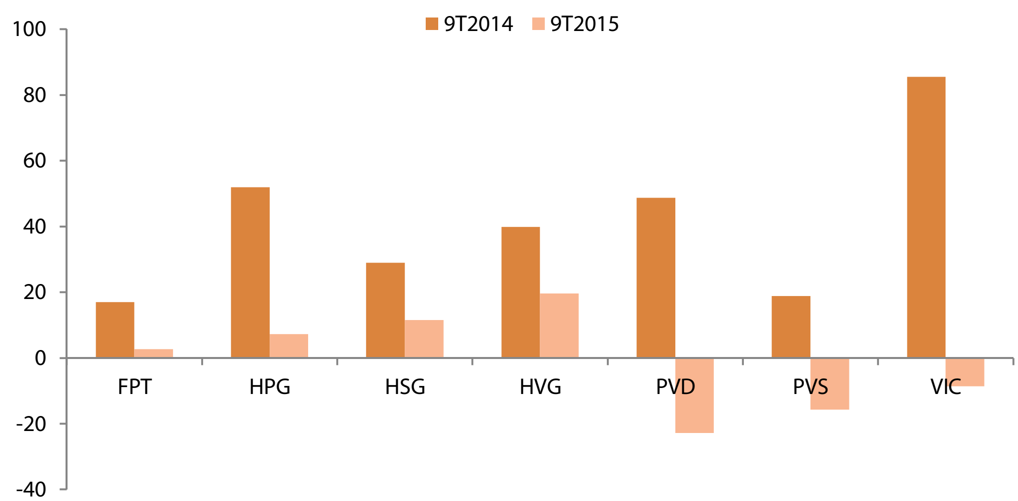
Finance income	-18.0	26.0	-6.0	-16.0	26.0	-18.0	53.0
Finance cost	-25.0	-4.0	1.0	-15.0	-10.0	-4.0	18.0
Operating profit	-9.0	25.6	10.4	-10.9	24.3	4.7	29.4
PBT	-10.1	24.2	11.4	-10.6	22.6	4.8	28.0

Source: RongViet Research

2015's business result trend: profit remained positive thanks to higher gross profit margin and extraordinary income at large capital firms but sales growth was lower.

Statistics on non-financial firms showed that net sales grew only 6.2%, nearly a half of last year figure, which was caused by slowdown at leading firms (more details in below chart).

Figure 23: 9M revenue growth



Source: RongViet Research

However, profit of them remained bright (with PBT up 28% compared to 9M2014) thanks to (1) extraordinary income at large firms (KDC, MSN) and improvement in gross profit margin thanks to downtrend of commodity prices, typically VNM. In which, KDC recorded abnormal profit from divestment of its confectionary business and MSN witnessed gross profit growth at 44% yoy thanks to consolidation of its animal protein business (Proconco and Anco). As a consequence of over 1 percent improvement in gross margin, gross profit of listed firms increased 14.1%. Therefore, PBT also grew 14.5% (not accounting for abnormal profit at KDC).

Table 5: Mixed of industries' business growth

	Yearly			9M			
	2012	2013	2014	2012	2013	2014	2015
Stable growth							
	9.7	13.9	14.4	12.1	10.9	15.7	15.8
Food and Beverage	13.3	14.8	16.5	13.5	14.0	14.2	22.4
	-26.0	-8.0	17.7	-35.7	-6.0	8.3	9.6
New growth cycle							
Construction and	-7.6	4.2	12.1	-9.5	5.5	9.0	11.9

materials	-19.3	1.0	10.2	-15.2	-5.9	11.8	17.6
	-58.5	-30.5	276.8	-62.1	-70.7	523.9	100.0
	9.9	5.2	1.1	10.1	7.3	2.1	14.0
Media	14.4	8.5	0.1	13.4	11.3	0.1	17.3
	10.7	-7.9	-6.3	13.8	-8.7	-8.6	12.1
	10.2	-11.7	-1.3	12.9	-12.7	-5.6	4.6
Chemicals	-7.5	-13.2	-12.8	-1.9	-11.3	-18.0	14.4
	-10.0	-24.3	-29.5	-4.4	-21.3	-36.1	13.4
	-8.3	11.3	27.9	-10.6	10.4	22.9	50.7
Automobiles&Parts	36.8	15.8	17.6	37.6	19.1	9.9	36.4
	71.3	35.0	10.6	73.6	43.5	2.8	79.0
Positive in profit but lower revenue growth							
	6.1	-0.9	-1.9	-0.8	5.2	-0.1	-1.1
Travel&Leizure	11.1	-20.2	1.1	0.8	-3.1	-0.8	6.6
	-2.9	-5.2	-365.5	8.8	-20.0	-50.8	103.3
	-5.4	8.5	22.8	-5.0	5.7	17.9	8.0
Technology	-7.0	14.4	16.0	-5.3	9.0	15.5	23.1
	3.6	8.1	0.0	3.0	6.0	-2.2	12.9
Seem to slowdown							
	-3.7	4.2	15.7	-3.7	1.4	17.2	5.6
Basic resources	-18.1	15.7	14.6	-19.4	1.8	26.9	11.0
	-34.4	46.4	35.8	-37.0	14.9	63.9	13.1
	10.7	12.0	10.8	10.8	12.6	13.7	-14.1
Utilities	-0.5	14.1	0.4	7.5	19.8	-13.8	21.2
	27.2	43.2	-14.1	-15.8	105.2	-37.4	-0.7
Industrial Goods&Services	4.0	4.3	10.5	4.6	3.4	11.6	9.3
	-1.1	0.1	15.8	-4.0	-1.0	14.4	25.8
	5.8	29.1	44.2	6.0	36.1	21.9	7.1
Personal & Households Goods	-28.6	11.9	10.0	-30.4	6.6	15.1	1.4
	-9.2	5.0	29.4	-8.4	4.4	26.2	9.5
	-30.2	7.8	50.3	-30.0	9.6	39.4	20.5
	-1.9	6.7	6.1	-0.5	3.6	9.4	-11.6
Retail	-18.9	-0.9	16.7	-21.7	-5.1	14.3	7.0
	-26.0%	-8.0%	17.7%	-35.7%	-6.0%	8.3%	9.6%

In downturn cycle. Real estate witnessed growth at sales and gross profit but PBT was negative for the second straight year but construction and materials, directly relating to real estate turned to upward cycle

	20.6	45.5	33.8	21.0	36.1	50.0	19.5
Real Estate	12.7	49.5	38.1	15.1	40.6	49.3	13.2
	-27.1	198.0	-12.6	-21.7	181.0	-13.4	-13.4
Health care	18.2	13.4	8.8	22.0	15.4	9.5	0.9

	15.4	9.1	15.8	17.0	11.9	12.2	-4.7
	17.8	8.1	11.3	16.2	17.1	8.3	-0.2
	10.8	9.2	29.0	11.4	11.1	28.8	-17.1
Oil & Gas	15.6	27.0	13.3	24.9	16.0	18.0	-10.7
	18.7	21.2	24.6	43.1	14.5	33.5	-11.5

Notes:

Net sales growth
Gross profit growth
PBT growth

Source: RongViet Research

Vietnamese stocks show little response to the FED announcing it would let USD interest rates rise the first time in almost a decade in mid-December where indices remained mostly flat and stocks continued oscillating. Just as we expected, foreigners kept running away from the market, depressing the local's sentiment and liquidity in the process. For the last month of 2015, the market witnessed a decline of over 20% in trading volume where foreigners sold a net VND2,058 billion on both exchanges. Against optimistic forecasts of an increase between 10% and 15% for the year of 2015, VNIndex ended up only 6% although two-thirds of the sectors closed on the upside.

Following a better-than-expected year of 2014, the revelation of a murky economic landscape was the main reason the stocks could not break into a definite trend last year. As opposite to 2013 and 2014, when optimism was widespread and it was tempting to stray away from value stocks that are less correlated to the market, investors' appetites diverged greatly in 2015. Stocks led by "stories" such as earnings surprises, project announcements, capital raises, et cetera, could not hold on to upside but gains were more sustainable in stocks with low beta that have long been perceived as undervalued, namely CTD, BMP, KSB, VSC, GMD, etc. Separately, our earnings analysis confirmed that the best gainers of 2015, i.e. auto retailers, construction, transport-logistics and building material companies were indeed supported by positive top-line and bottom-line growth.

We believe the stock market dynamism will not change much next year. In a top-down approach, there may be more selections for growth investors who focus on sectors that serve development of infrastructures, both soft and hard, like construction, technology, utilities, logistics, etc. where companies with sound fundamentals and a market leading status will have a huge advantage. For those with above-average high tolerance who intend to invest the long term, contrarian opportunities can still be found in sectors that are struggling at the bottom of the business cycle such as oil & gas and commodities.

The expected range in January for VNIndex is 555-580 and HNIndex in 78-80

We expect the January stock market to witness a significant divergence between stocks that are fundamentally supported and with less transparent outlook. In other words, stocks that have already appreciated could continue moving for further gains and break away from current price level. As a result, we put more weight on stock picking than market-following for the time being. We maintain the stock and sector recommendations laid out in December's 2015 Strategy report. More detailed analyses and recommendations await in the forthcoming RongViet Research's 2016 Stock Market Report to be published in 1Q2016.

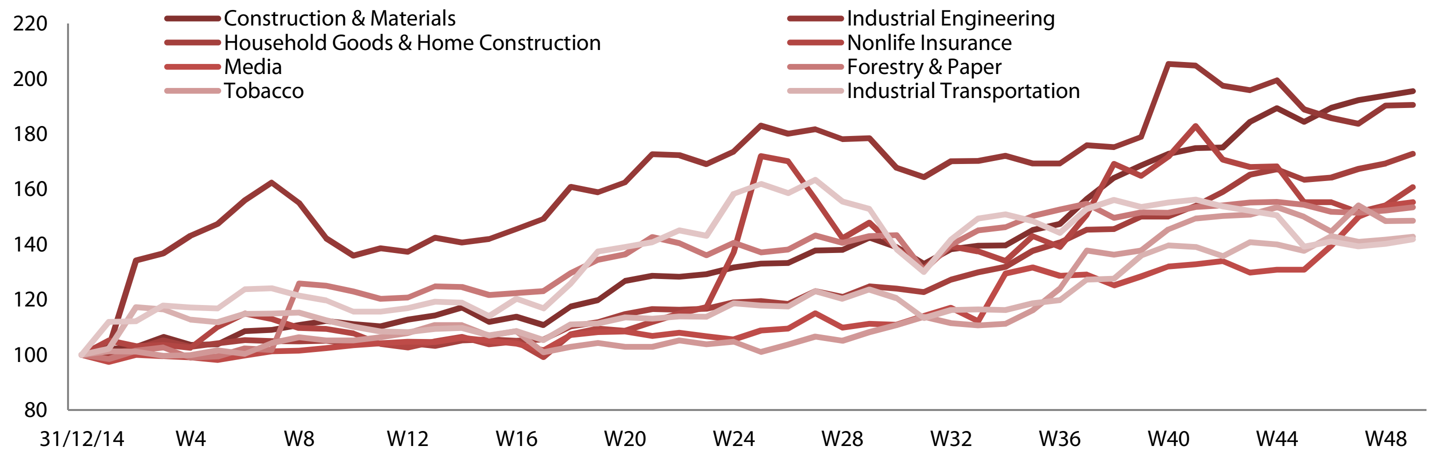
Industry performance in 2015 showed a real sign of divergence

FY2015 was pretty much a "tough" year for investors in the sense that strategies that had once worked proved ineffective under a strong divergence of cash flows on both the industry to stock levels. Of 33 industries price indices, 23 gained in 2015, 18 added 10% or more; there were only10 losers.

The biggest and most consistent outperformers in 2015 included (1) **construction** & **building materials**, (2) **auto dealership**, (3) **non-life insurance**, (4) **transport**, (5) **banking**, followed by (6) **supporting services**, (7) **telecom**, (8) **software**, (9) **personal goods**, (10) **retail** and (1) **real estate**. For the whole year of 2015, 10 out of 12 industries rated Postive by RongViet Research ended higher (except beverages and car & parts). Conversely, oil & gas, pharmaceutical, car &

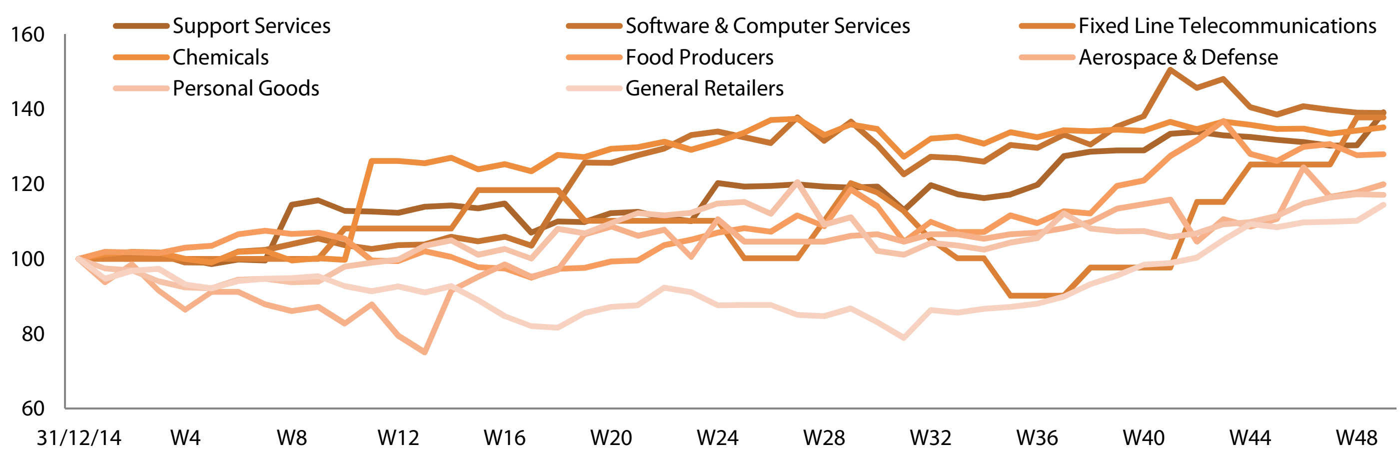
car parts, medical equipment, beverages, industrial metals all went downwards.

Figure: 1st quartile of 2015 returns (weekly)



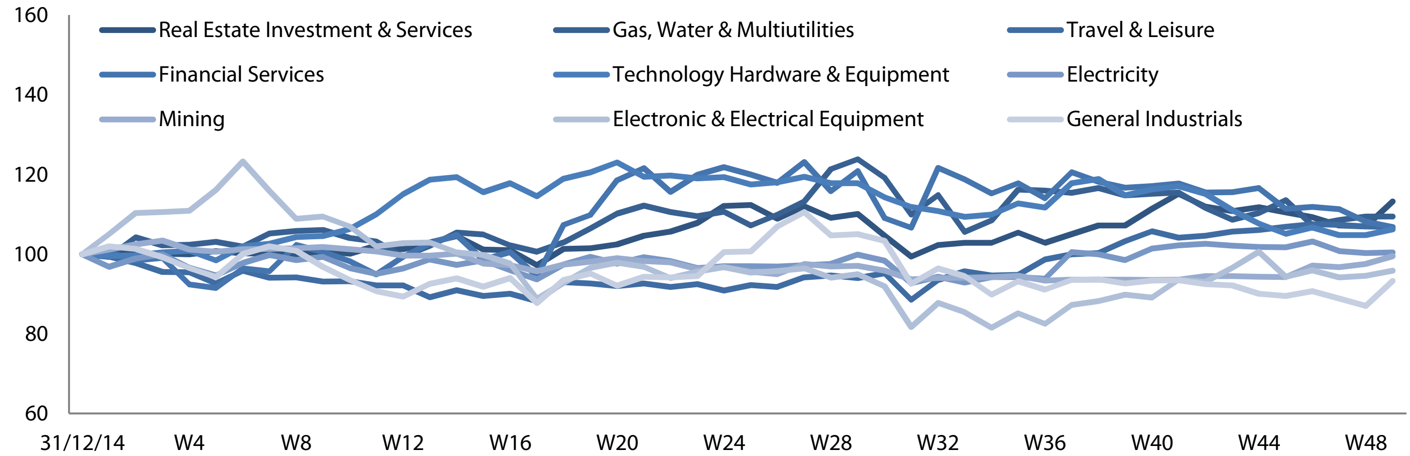
Source: RongViet Research

Figure: 2nd quartile of 2015 returns (weekly)



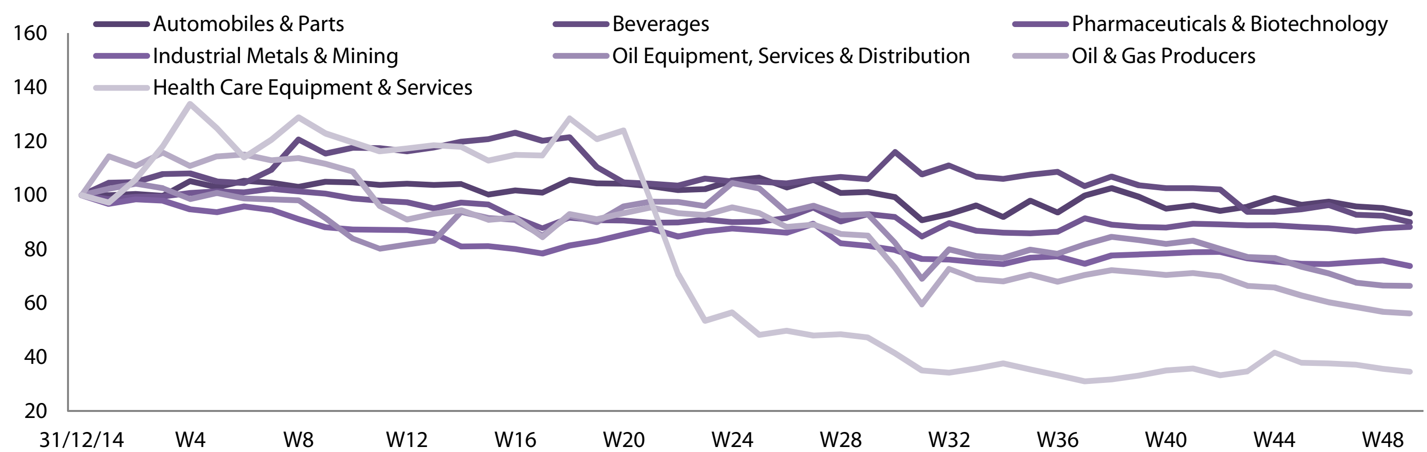
Source: RongViet Research

Figure: 3rd quartile of 2015 returns (weekly)



Source: RongViet Research

Figure: 4th quartile of 2015 returns (weekly)

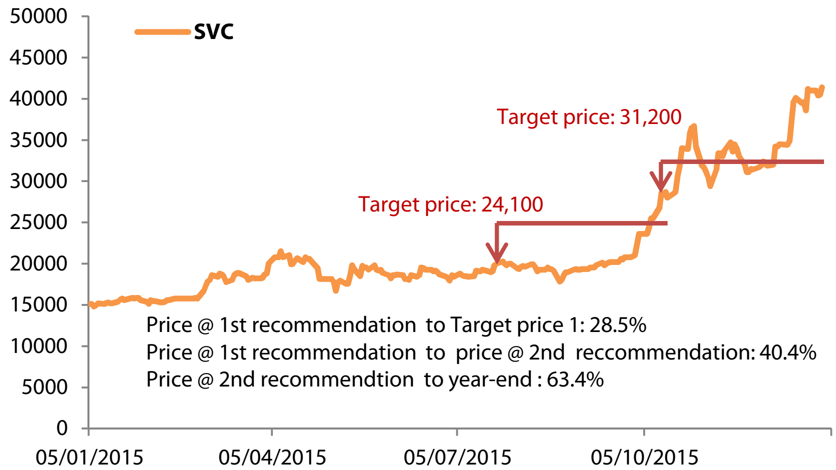


Source: RongViet Research

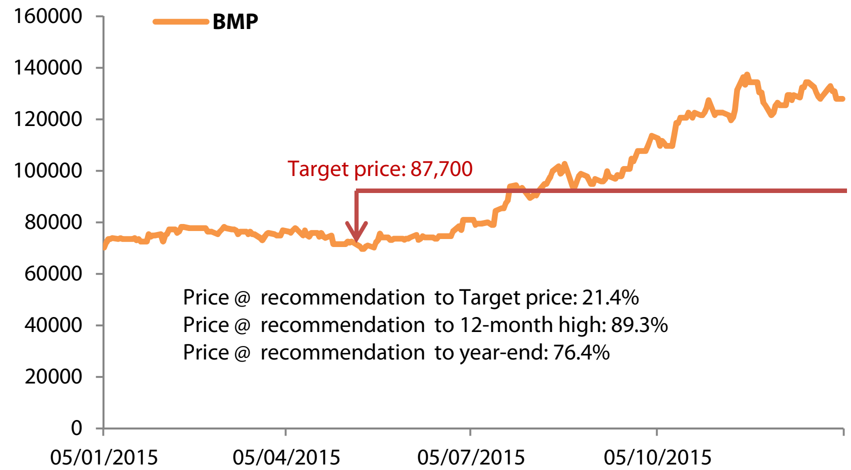
Looking back on the price movements of the various industries in 2015, we realized two main trends. In the first trend, high expectations over supportive policies such as FOL lifting, favorable sector policies, state divestment... could not extend the gains for the banking-insurance-real estate trio when the earnings of industry players, even major corporations like VIC, VCB, BID, and MBB hardly improved. Similarly, the last currency shock has had a negative effect on the sales of textile and seafood exporters like HVG, VHC, TCM, STK, and FMC even though the TPP did not created a lot of enthusiasm for these stocks in the later months of the year.

In the second trend, the price change in sectors like auto retail, construction, building materials, logistics, supporting services, and general retail… reflected the growth in the business performance of companies in these industries. As a rule, **value stocks often outperform in years when the market go sideways**. In this group, CTD, NCT, VSC, KSB, BMP, and NTP were among the stocks that showed outstanding performance throughout 2015 for the "formula of gold": (1) positive early-growth-phase revenue and earnings growth, (2) an industry-leading position, (3) an extended past period of low relative valuation and (4) a small number of free-floats. Moreover, we believe that this group of corporation will continue to perform excellent result in 2016.

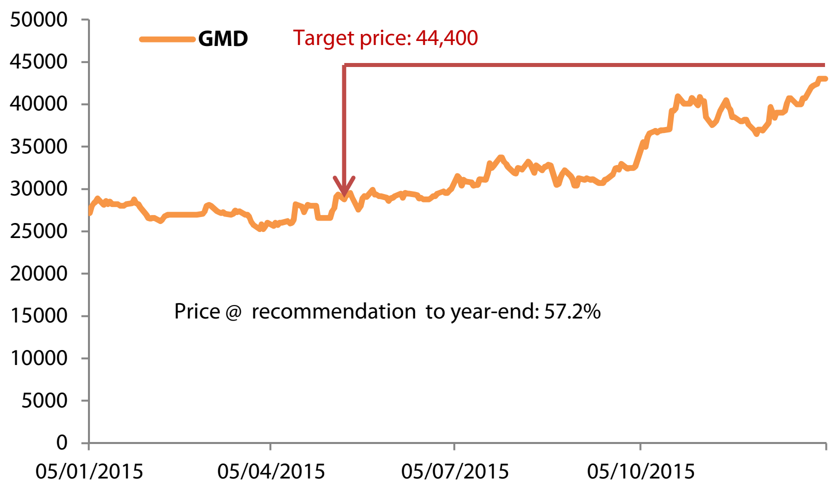
For the year of 2015, 24 out of 36 recommended by RongViet stocks have increased in price, 11 of which gained over 20 since the time of recommendation. Our best outperformers belonged to the auto retail, building materials, and logistics industries. Below is summary of some outperforming stocks.



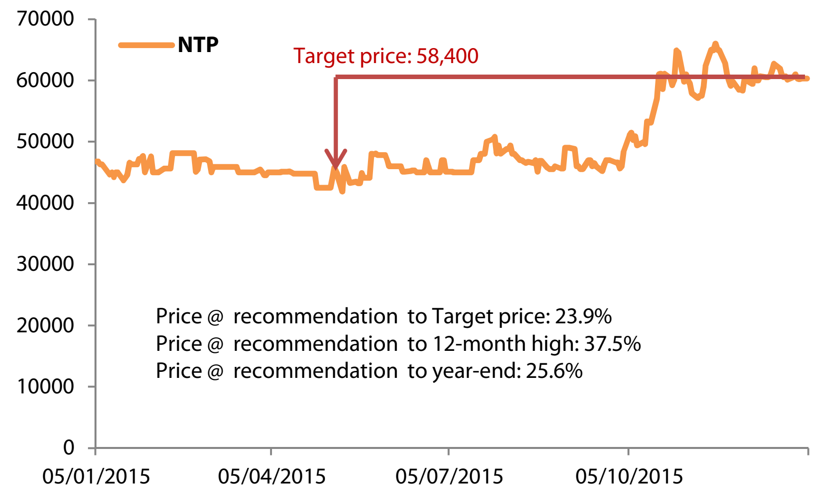
SVC
Target price: 31,200
Target price: 24,100
Price @ 1st recommendation to Target price 1: 28.5%
Price @ 1st recommendation to price @ 2nd reccommendation: 40.4%
Price @ 2nd recommendtion to year-end : 63.4%
50000 45000 40000 35000 30000 25000 20000 15000 10000 5000 0
05/01/2015 05/04/2015 05/07/2015 05/10/2015



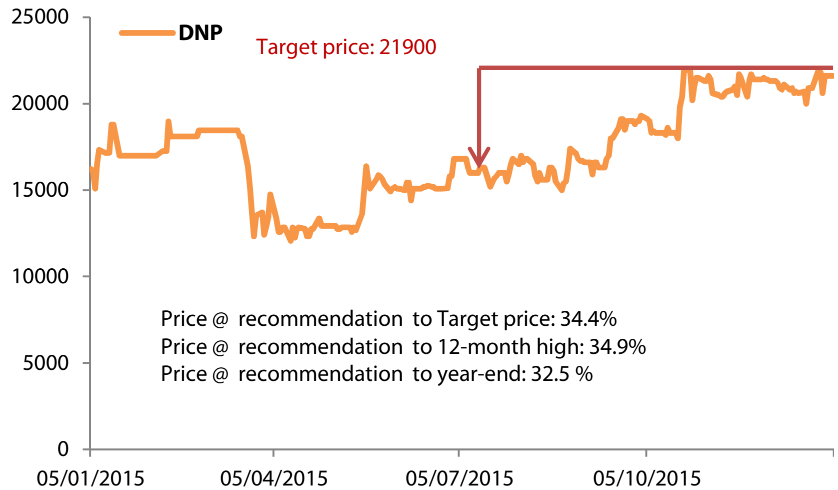
BMP
Target price: 87,700
Price @ recommendation to Target price: 21.4%
Price @ recommendation to 12-month high: 89.3%
Price @ recommendation to year-end: 76.4%
160000 140000 120000 100000 80000 60000 40000 20000 0
05/01/2015 05/04/2015 05/07/2015 05/10/2015

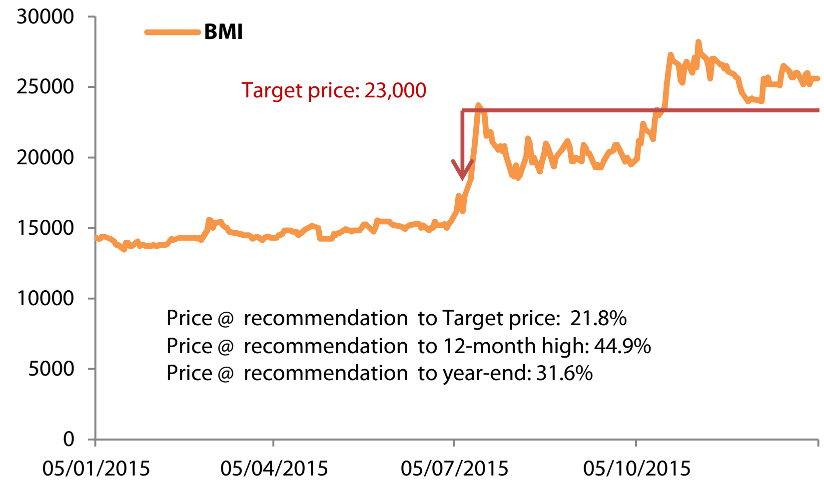


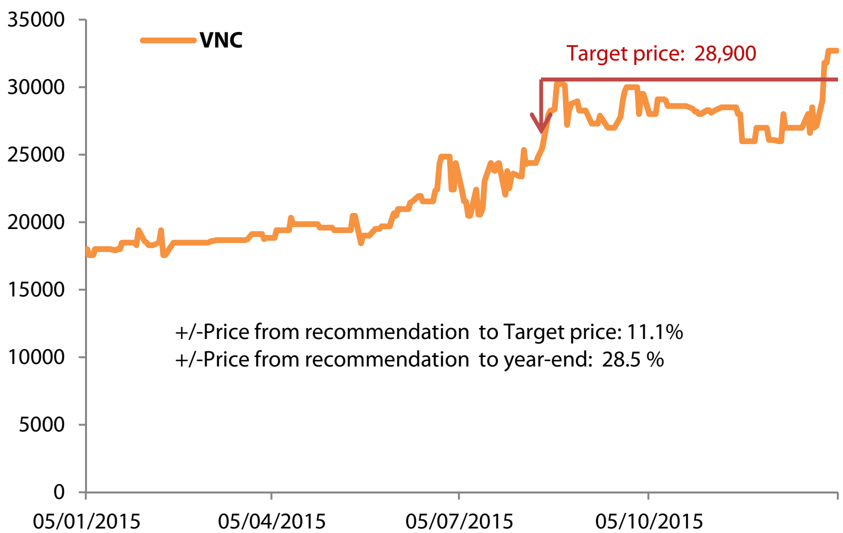
GMD
Target price: 44,400
Price @ recommendation to year-end: 57.2%
50000 45000 40000 35000 30000 25000 20000 15000 10000 5000 0
05/01/2015 05/04/2015 05/07/2015 05/10/2015

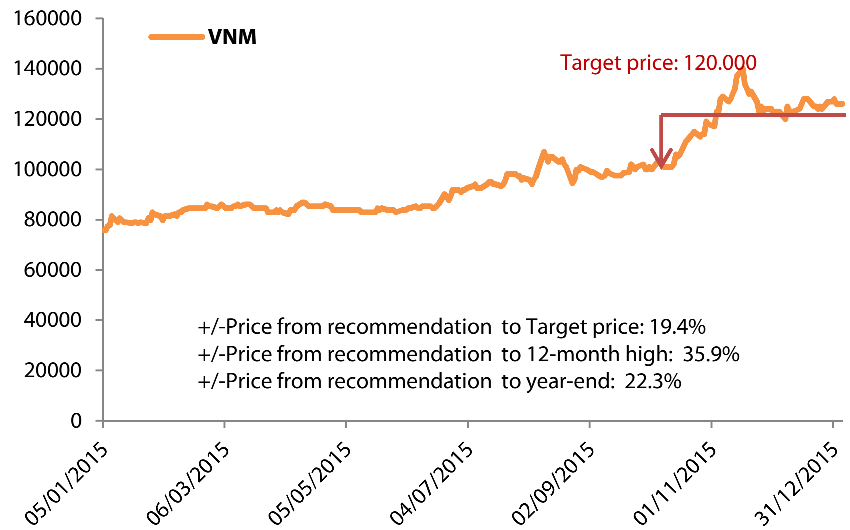


NTP
Target price: 58,400
Price @ recommendation to Target price: 23.9%
Price @ recommendation to 12-month high: 37.5%
Price @ recommendation to year-end: 25.6%
70000 60000 50000 40000 30000 20000 10000 0
05/01/2015 05/04/2015 05/07/2015 05/10/2015


DNP
Target price: 21900
Price @ recommendation to Target price: 34.4%
Price @ recommendation to 12-month high: 34.9%
Price @ recommendation to year-end: 32.5 %
25000
20000
15000
10000
5000
0
05/01/2015
05/04/2015
05/07/2015
05/10/2015


BMI
Target price: 23,000
Price @ recommendation to Target price: 21.8%
Price @ recommendation to 12-month high: 44.9%
Price @ recommendation to year-end: 31.6%
30000
25000
20000
15000
10000
5000
0
05/01/2015
05/04/2015
05/07/2015
05/10/2015


VNC
Target price: 28,900
+/-Price from recommendation to Target price: 11.1%
+/-Price from recommendation to year-end: 28.5 %
35000
30000
25000
20000
15000
10000
5000
0
05/01/2015
05/04/2015
05/07/2015
05/10/2015


VNM
Target price: 120.000
+/-Price from recommendation to Target price: 19.4%
+/-Price from recommendation to 12-month high: 35.9%
+/-Price from recommendation to year-end: 22.3%
160000
140000
120000
100000
80000
60000
40000
20000
0
05/01/2015
06/03/2015
05/05/2015
04/07/2015
02/09/2015
01/11/2015
31/12/2015

HIGHLIGHT STOCKS

No.	Ticker	Subsector	Mkt. cap* (VND bn)	Mkt price* (VND)	ROA (%)	ROE (%)	Trailing P/E* (x)	P/B* (x)	Valuation (VND/share)	Last Recommendation date	+/- Price from recommendation to year-end** (%)	Performance 3M	6M	YTD	Rating	Time horizon
1	CTD	Heavy Construction	6,564	152,000	8.8	19.3	12.8	2.4	-	03/12/2015		54.3	98.7	184.8	Optimistic	Long term
3	CII	Heavy Construction	4,976	22,800	7.5	32.1	4.8	1.4	-	05/05/2015		3.0	3.9	29.7	Optimistic	Long term
4	HBC	Heavy Construction	1,436	19,000	2.0	12.7	10.5	1.4	-	05/05/2015		11.8	9.9	75.8	Stable	Medium term
5	FCN	Heavy Construction	942	20,600	6.1	18.4	6.8	1.3	-	03/12/2015		2.5	(0.2)	5.7	Optimistic	Long term
5	LCG	Heavy Construction	526	6,900	0.9	2.0	36.1	0.5	9,500	16/07/2015	(15.9)	1.5	(13.8)	(18.8)	Buy	Medium term
6	GMD	Transportation Services	5,144	43,000	3.6	6.4	16.0	1.0	44,400	05/05/2015	57.2	32.3	45.5	58.3	Neutral	Long term
7	TCL	Transportation Services	633	30,200	12.0	22.1	6.3	1.2	-	05/05/2015		13.5	6.0	(0.3)	Optimistic	Long term
8	HMH	Transportation Services	224	17,600	13.5	14.7	6.0	0.9	33,800	06/01/2015	(20.4)	6.2	(2.1)	(20.4)	Buy	Long term
9	MAC	Transportation Services	139	10,600	10.8	15.7	5.9	0.8	16,900	05/10/2015	1.0	3.1	(4.6)	2.1	Buy	Long term
10	VSC	Marine Transportation	3,168	76,500	20.0	28.1	9.8	2.6	-	05/05/2015		26.4	61.0	90.2	Optimistic	Long term
11	PVT	Marine Transportation	2,584	10,100	3.0	9.2	8.7	0.8	15,900	20/10/2015	(9.8)	(2.9)	(15.8)	(25.7)	Buy	Long term
12	VTO	Marine Transportation	536	6,800	2.1	4.1	12.4	0.5	-	16/06/2015		3.0	(4.2)	(16.9)	Stable	Medium term
13	GSP	Marine Transportation	468	15,600	8.4	14.7	8.6	1.2	15,400	05/10/2015	20.0	17.3	22.8	40.6	Neutral	Long term
14	VNC	Business Support Services	343	32,700	10.1	15.2	13.5	2.1	28,900	14/08/2015	28.5	16.8	31.5	81.5	Neutral	Long term
15	APC	Business Support Services	213	18,000	12.3	15.7	7.7	1.2	-	05/10/2015		2.3	(1.6)	5.3	Neutral	Medium term
16	DHC	Paper	483	28,000	14.6	22.2	8.2	1.7	32,000	05/10/2015	16.9	16.5	30.7	58.7	Buy	Medium term
17	PAC	Auto Parts	1,007	32,900	6.6	17.7	10.6	2.0	-	07/01/2015		16.2	30.5	85.5	Optimistic	Medium term
18	DRC	Tires	3,975	43,500	12.4	26.2	10.0	2.6	52,000	05/11/2015	(4.0)	(6.0)	(17.9)	(10.2)	Accumulate	Long term
19	CSM	Tires	1,821	24,600	9.1	22.3	6.1	1.3	-	05/05/2015		(8.9)	(21.7)	(26.9)	Stable	Medium term
20	FPT	Software	18,998	47,800	7.9	21.4	11.0	2.3	52,900	05/10/2015	6.2	7.4	5.3	19.8	Neutral	Long term
21	NT2	Alternative Electricity	7,286	26,600	14.4	35.1	5.2	1.6	29,700	05/10/2015	5.0	10.5	28.0	48.7	Accumulate	Medium term

22	CHP	Alternative Electricity	2,608	20,700	6.3	15.9	12.2	1.8	23,600	30/09/2015	10.7	10.7	15.0	45.9	Accumulate	Medium term
23	SHP	Alternative Electricity	1,780	19,000	7.2	19.1	8.1	1.5	22,000	03/09/2015	5.0	1.6	5.6	(1.2)	Accumulate	Medium term
24	CNG	Gas Distribution	869	32,200	16.9	26.9	7.9	2.1	-	05/05/2015		14.2	16.2	20.3	Optimistic	Long term
25	PGS	Gas Distribution	845	16,900	4.3	12.0	6.8	0.9	-	05/05/2015		(6.8)	(18.0)	(5.9)	Stable	Medium term
26	REE	Diversified Industrials	6,754	25,100	11.6	16.9	6.9	1.1	29,700	05/05/2015	(2.3)	-	(6.7)	(4.9)	Accumulate	Long term
27	VIC	Real Estate Holding & Development	88,739	47,500	1.3	6.4	63.9	4.0	-	05/05/2015		13.9	9.2	25.5	Optimistic	Long term
28	DIG	Real Estate Holding & Development	1,995	9,300	1.1	2.1	33.6	0.8	-	05/05/2015		(17.0)	(16.3)	(22.7)	Stable	Long term
29	DXG	Real Estate Holding & Development	2,203	18,800	14.4	30.2	5.1	1.5	-	05/05/2015		5.6	15.3	59.2	Optimistic	Medium term
30	NBB	Real Estate Holding & Development	1,216	20,900	1.3	3.1	28.3	1.0	26,800	05/05/2015	(5.4)	(6.3)	(12.9)	-	Accumulate	Long term
31	NTL	Real Estate Holding & Development	756	12,400	3.5	5.7	12.7	0.9	-	05/05/2015		(5.3)	(4.7)	(2.6)	Stable	Medium term
33	VPH	Real Estate Holding & Development	440	9,700	0.5	2.0	45.7	0.9	10,200	05/08/2015	21.3	21.3	15.5	36.0	Neutral	Medium term
34	HHS	Real Estate Holding & Development	2,890	12,400	32.0	45.0	2.4	2.0	20,100	29/10/2015	(32.6)	(24.8)	(31.3)	6.9	n/a	Short term
35	SVC	Specialty Retailers	1,094	43,800	3.5	11.8	12.0	1.4	31,200	12/10/2015	123.1	108.6	139.2	190.0	n/a	Medium term
36	PNJ	Specialty Retailers	4,226	43,000	9.1	20.4	15.2	3.0	-	05/05/2015		31.8	10.1	42.9	Optimistic	Medium term
37	MWG	Clothing & Accessories	11,587	79,000	24.1	53.7	11.8	5.1	101,000	25/05/2015	1.9	29.5	7.5	(8.6)	Accumulate	Long term
38	PET	Electronic Equipment	1,117	13,200	3.4	13.5	5.8	0.8	-	20/08/2015		(15.4)	(19.3)	(19.7)	Stable	Medium term
39	ELC	Electronic Equipment	919	22,500	6.7	10.4	12.4	1.4	33,000	03/12/2015	(4.3)	8.2	45.2	n/a	Buy	Long term
40	BMI	Computer Services	2,126	25,600	2.6	6.4	15.3	1.0	23,000	05/08/2015	31.6	28.0	67.6	78.8	Neutral	Long term
41	BID	Full Line Insurance	69,058	20,200	0.9	16.6	10.4	1.7	-	05/05/2015		(14.8)	(4.3)	73.5	Optimistic	Long term
42	SKG	Banks	2,154	88,000	39.4	41.2	13.2	4.6	100,000	05/11/2015	4.8	8.6	84.1	141.8	Neutral	Long term
43	VNS	Travel & Tourism	2,036	30,000	12.7	22.9	6.1	1.3	-	05/05/2015		(2.4)	(7.0)	(15.3)	Stable	Long term
44	PCT	Travel & Tourism	260	11,300	6.2	8.9	11.6	1.0	-	05/05/2015		7.6	34.5	74.8	Optimistic	Medium term

45	KSB	Travel & Tourism	878	37,500	15.5	22.3	7.7	1.6	38,400	28/10/2015	22.1	29.3	50.0	69.1	Neutral	Medium term
46	HPG	General Mining	21,107	28,800	14.9	26.6	6.2	1.5	-	05/05/2015		(5.3)	(0.3)	(16.6)	Optimistic	Medium term
47	HSG	Diversified Industrials	4,219	32,200	6.6	24.5	6.2	1.5	39,900	04/12/2015	(0.3)	2.6	(1.5)	(7.6)	Accumulate	Long term
48	PLC	Diversified Industrials	2,884	35,700	9.8	27.5	8.2	2.2	40,500	05/11/2015	7.2	12.2	36.6	47.8	Accumulate	Medium term
49	HT1	Integrated Oil & Gas	8,553	26,900	6.0	19.5	11.4	2.0	-	05/05/2015		22.3	18.0	54.6	Optimistic	Medium term
50	BMP	Building Materials & Fixtures	5,821	128,000	24.0	27.5	11.7	3.0	87,700	05/05/2015	76.4	16.6	66.0	82.4	Optimistic	Long term
51	NTP	Building Materials & Fixtures	3,737	60,300	13.0	23.5	10.6	2.3	58,400	05/05/2015	25.6	32.2	34.0	29.0	Neutral	Long term
52	DNP	Building Materials & Fixtures	292	21,600	8.3	30.0	3.4	1.3	21,900	09/07/2015	32.5	13.7	36.7	33.3	Neutral	Long term
53	GDT	Building Materials & Fixtures	489	37,700	19.3	27.0	8.3	2.2	-	05/05/2015		12.2	9.2	39.1	Stable	Medium term
54	TCM	Furnishings	1,493	30,400	7.9	20.5	8.8	1.7	42,500	05/05/2015	5.4	(17.2)	(10.9)	(3.1)	Stable	Long term
55	TNG	Clothing & Accessories	557	18,800	5.3	23.7	6.4	1.4	-	05/05/2015		(13.3)	(7.8)	24.8	Optimistic	Long term
56	GMC	Clothing & Accessories	431	37,000	8.9	28.3	6.4	1.9	-	05/05/2015		(18.7)	(11.9)	7.9	Optimistic	Long term
57	VNM	Clothing & Accessories	151,218	126,000	30.5	37.9	21.5	8.0	120,000	05/10/2015	22.3	26.0	38.5	66.2	Neutral	Long term
58	DBC	Food Products	1,631	26,000	7.3	16.2	5.6	0.9	27,000	05/10/2015	3.1	7.7	9.9	(5.4)	Neutral	Long term
59	HVG	Food Products	2,460	13,000	0.9	4.2	20.2	0.9	-	05/05/2015		(23.1)	(33.3)	(35.9)	Neutral	Medium term
60	FMC	Farming, Fishing & Plantations	500	25,000	7.5	27.3	5.6	1.3	25,500	05/10/2015	10.5	11.8	30.0	39.2	Neutral	Medium term
61	DMC	Farming, Fishing & Plantations	1,101	41,200	14.6	19.3	8.0	1.5	48,000	05/10/2015	(1.4)	(1.0)	1.9	5.5	Accumulate	Medium term
62	DPR	Pharmaceuticals	1,344	33,500	6.2	9.2	6.5	0.6	-	05/05/2015		9.1	10.1	(3.6)	Neutral	Long term
63	DPM	Commodity Chemicals	10,790	28,400	12.5	14.5	8.1	1.2	35,800	05/10/2015	(3.3)	(1.1)	3.9	3.9	Buy	Medium term
64	LAS	Specialty Chemicals	2,296	29,500	17.1	30.7	5.7	1.7	-	05/05/2015		(1.4)	12.5	(0.2)	Stable	Long term
65	CMI	Specialty Chemicals	133	8,300	7.0	14.4	6.6	0.7	-	05/05/2015		(24.5)	(23.9)	(44.3)	Stable	Long term
66	PVD	General Mining	9,154	26,300	8.3	17.1	5.7	0.7	-	05/11/2015	(27.1)	(23.1)	(40.8)	(49.0)	Stable	Medium term

67	PVS	Oil Equipment & Services	7,460	16,700	6.7	19.9	4.0	0.8	-	05/05/2015		(19.7)	(34.9)	(32.7)	Optimistic	Short term
68	PXS	Oil Equipment & Services	696	11,600	6.9	16.1	5.9	1.0	17,000	05/09/2015		(23.7)	(39.8)	(36.8)	Buy	Medium term

Source: RongViet Research

**Based on stock price as of 04/01/2016*

JANUARY STOCK MARKET STRATEGY

The January stock market is expected to stay in line with that of the previous months as stocks oscillating between narrow ranges with multiple reversals. We see it likely that indices will continue to move without a defined trend for some more time. January can still be a good time to accumulate stocks for the long-term horizon. The investment portfolio of 2016 should include stocks (1) of leading companies, (2) with solid fundamental foundation and (3) belonging to sectors with positive business outlook.

Given the need to prepare the infrastructures for FDI and economic growth after the conclusion of major trade agreements, the construction industry should be the first destination of growth. In fact, upbeat revenue and earnings growth have been reported by a great many listed constructors in 9M2015. Considering the rising number of transport and real estate projects in 2016, we maintain an optimistic outlook of construction industry going forward.

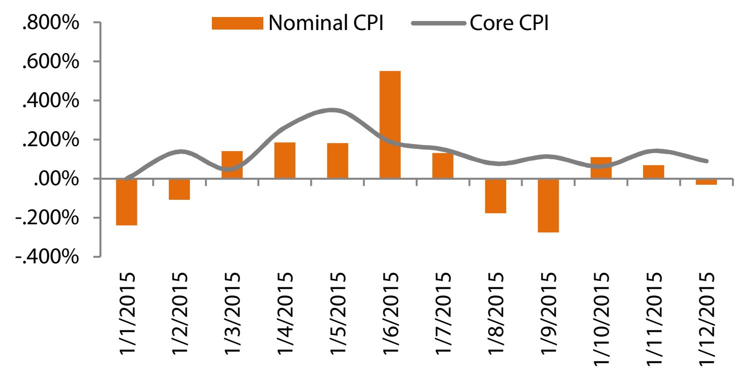
As the integration process is accelerating, logistics and transport companies and seaport operators are favored first by growth of cargo volume on both the import and export sides. Along with the manufacturing sector expansion, industries that cater for the manufacturing sector such as technology, utilities and supporting industries will also exhibit some good growth.

- Transport: GSP, PVT, GMD
- Seaport: HAH, VSC
- Construction: LCG, HUT, FCN, CTD
- Technology: FPT, ELC
- Utilities: NT2, CHP, SHP, PPC, REE
- Real estate: BCI, KDH, NBB, VPH, LHG
- Retail: SVC, PET
- Building materials: DNP, BMP, HT1, KSB, HPG, HSG
- Textile-garment: TCM, STK
- Oil & Gas: PGS, PVS, PLC
- Others: SKG, DHC, BMI, MAC, PAC, DMC, DPM

Upon review 2015 full-year results, more detailed analyses on the issues and strategy recommendation will be included in RongViet Research *2016 Stock Market Report*.

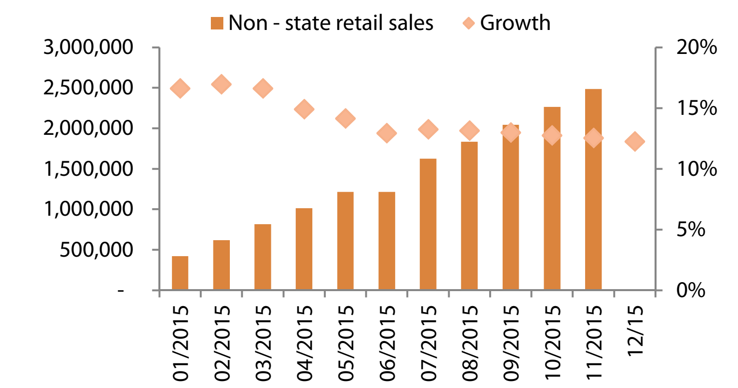
DECEMBER MACRO WATCH

Core inflation jumped 0.09%



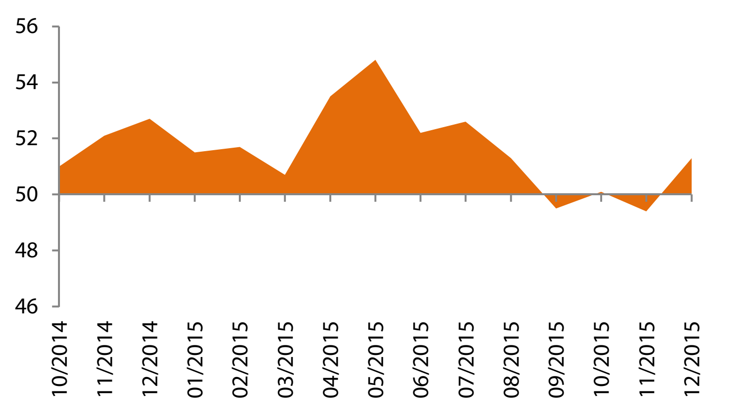
Sources: GSO. Rongviet Securities database

Retail Sales improved slightly



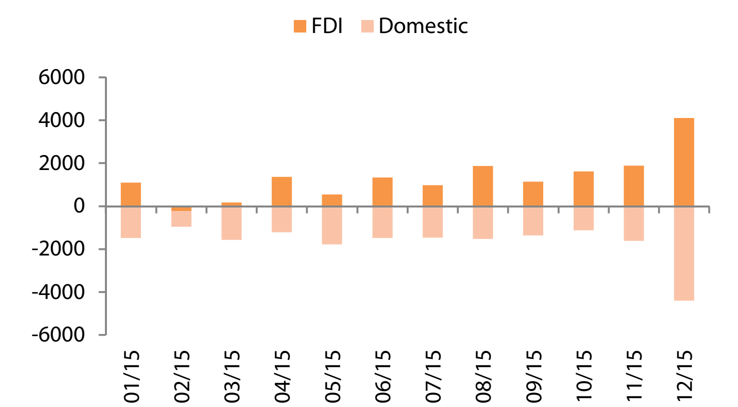
Sources: GSO. Rongviet Securities database

Manufacturing bounced back



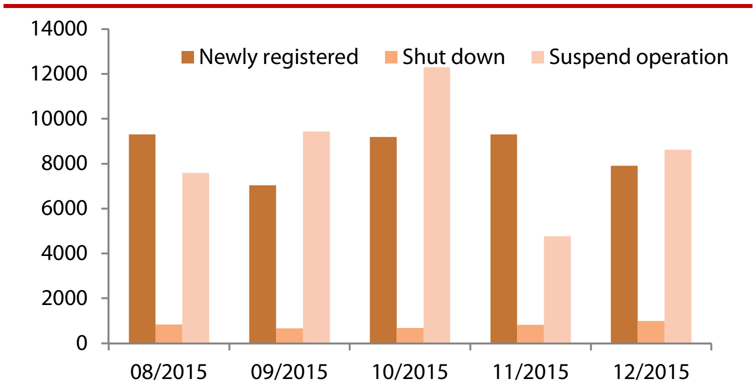
Sources: Markit, Rongviet Securities database

Domestic firms' trade deficit increased significantly



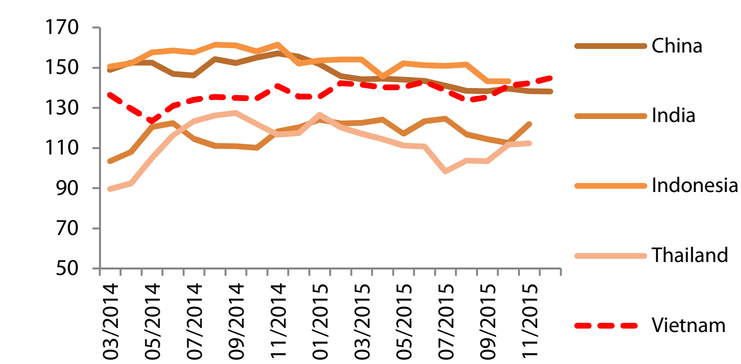
Sources: GSO, Rongviet Securities database

Business performance improved significantly



Sources: GSO, Rongviet Securities database

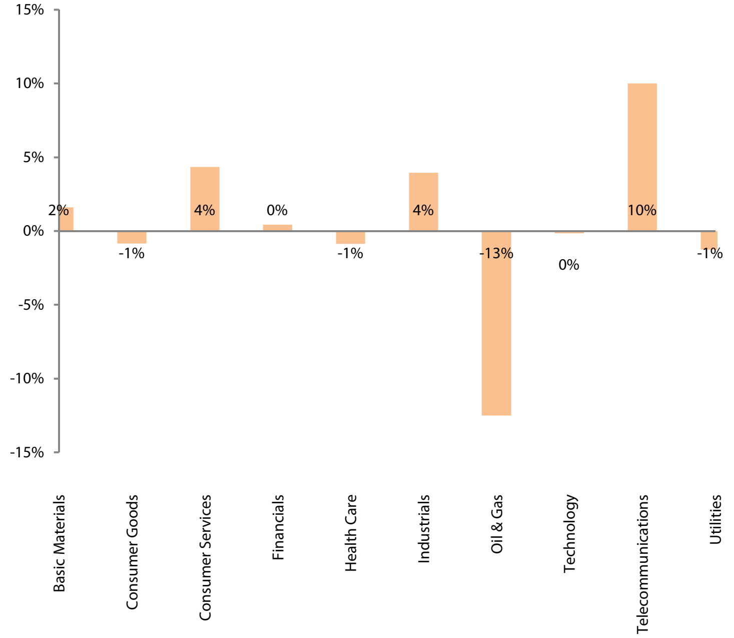
Vietnamese consumer confidence is the top among Asian's



Sources: ANZ. Rongviet Securities database

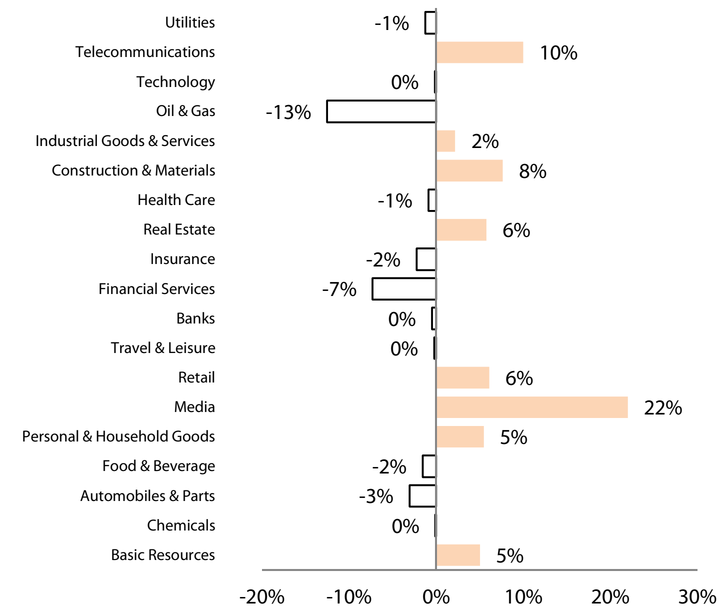
INDUSTRY INDEX

Level 1 industry movement



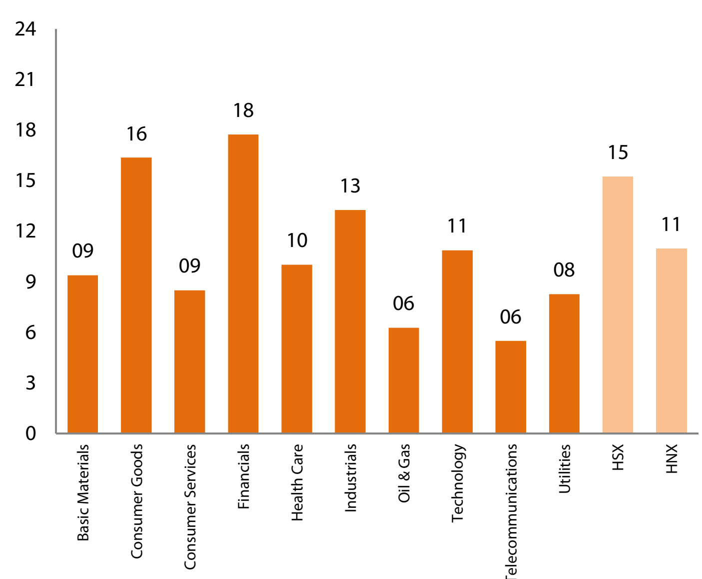
Source: RongViet Research

Level 2 industry movement



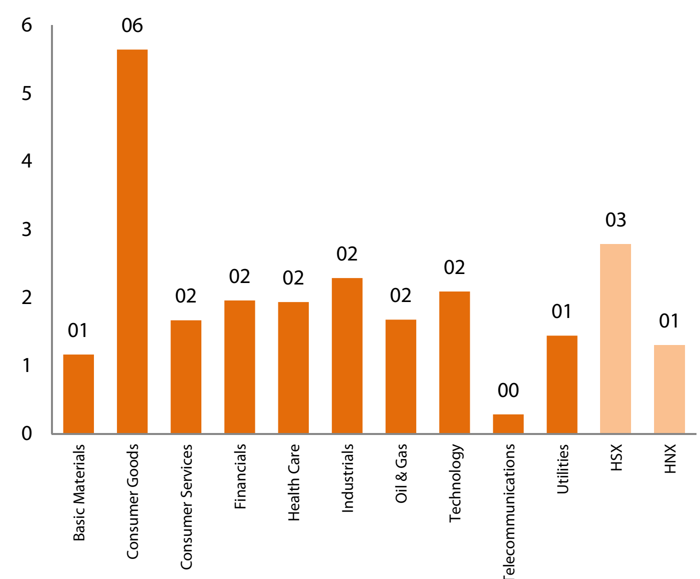
Source: RongViet Research

Industry PE comparison



Source: RongViet Research

Industry PB comparison



Source: RongViet Research

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