Stock selection weighs as enthusiasm boil

The market in June shifted strongly in a much brightened macro economic landscape. First, the issuance of Decree 60/ND-CP promised to officially remove the barrier against the foreign investors holding of the listed companies. The market reacted with increasing enthusiasm towards to the end of June when GSO reported H1 GDP growth of multiple-year high at 6.11%. Credit growth rate in the first two quarters at 6.1%, the highest in the last five years also provided a powerful push to the price of banking stocks and effectively both VNIndex and HNIndex.

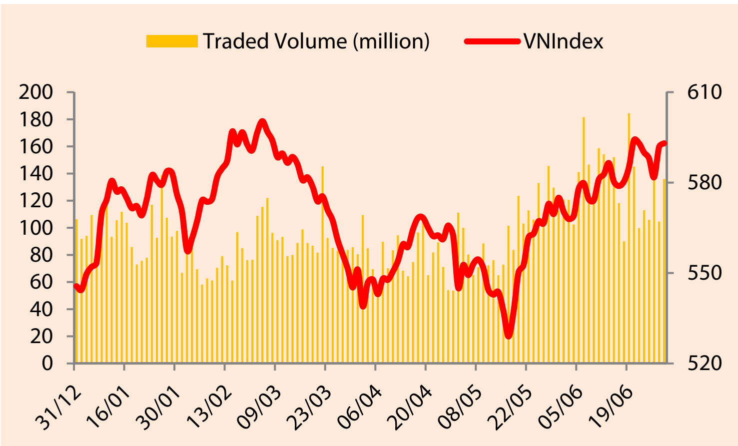
Major stock indices picked up good gains in June, fueled by solidified liquidity on both the HSX and HNX. Despite boiling optimism, the market was still shadowed by the gains of blue-chips and the few largest-caps. VCB, BID, BVH, SHB and CTG took turn to lead the two indices, driving them away from the actual happenings on the market. For the entire month, bank stocks outperformed VN30 by a wide margin of 9.3% and VNIndex by 9.9%.

At the current momentum of large-cap tickers, we see the market may add more gains in the first half of July. Also, trading volume may swell after VNIndex jumped over the "psychological resistance" of 600. Indices may continue trending upward in overall but the majority of stocks should see little gains or go sideways. In that scenario, the widening gap between blue-chips and the rest of the market would increase the probability of a correction from the middle of the month.

The range of fluctuations for VNIndex in July is expected between 595 and 639 and HNIndex 86 and 92.

Tepid portfolio gain despite robust market activities caused real concerns in the hearts of retail investors in June. In late June and early July, we saw cash flows, in fear of regret, leaving speculatives and small- and micro-caps to join the "wave" of blue-chips and large-caps. Nonetheless, indices reaching new heights will naturally put smaller-cap issues in a more advantageous position in the valuation aspect. Smart money will then flows to stocks that have yet to gain substantially.

Credit growth and stable interest rate are the basis for the improvement in macroeconomic indicators such as (1) private sector investment (2) index of industrial production (3) domestic consumption and (4) GDP. Tightening foreign ownership restrictions as well as recovering macroeconomic outlook helps to bring foreign capital flow into Vietnam stock market. Thus, the Decree guidance on foreign ownership limit regarding conditional sectors should attract market attention in July.



Analysis and Investment Advisory

Truc Doan – Head of Research

truc.dtt@vdsc.com.vn

Tai Nguyen

tai.nbp@vdsc.com.vn

Ha My Tran

my.tth@vdsc.com.vn

Diem My Tran

my.ttd@vdsc.com.vn

Lam Nguyen

lam.ntp@vdsc.com.vn

Tam Bui

tam.bt@vdsc.com.vn

Trien Le

trien.lh@vdsc.com.vn

Huong Pham

huong.pt@vdsc.com.vn

Nam Huynh

nam.hk@vdsc.com.vn

Hoang Nguyen

hoang.nh@vdsc.com.vn

Van Banh

van.btt@vdsc.com.vn

Tuan Huynh

tuan.hm@vdsc.com.vn

Kien Nguyen

kien.nt@vdsc.com.vn

Thien Bui

thien.bv@vdsc.com.vn

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As mentioned above, we expect large-caps and blue-chips to climb further upward with strengthening liquidity in the first half of July. For short-term investors and trend-followers, opportunities will lie with stocks that (1) has strong recent price momentum, (2) being accumulated by foreigners and (3) have run out of "room" for foreign investors.

Though recent price movements are encouraging, there are numerous things investors should look out for.

- For the banking sector, asset quality and the pace of NPL clean-up remain huge concerns that may hinder banks' profits even though the credit growth figure was reported optimistic. Expectations surely have brought the stocks of many banks, especially state-run one like VCB and BID to seemingly unjustifiable heights. VCB is trading at 3.3 times its book value per share as compared to the industry average of 2.17 times and the regional average of 1.57 times; at 2.0 times of BVPS, BID does not seem to be attractive as compared to the other 7 bank stocks also.
- On the other hand, low oil price does not justify too much expectation for growth in the business results of O&G explorers and service providers like GAS, PVD, PVS and PVC not only this year but also in the year 2016.
- Though the building material sector is being bolstered by increasing demand, the steel industry, represented in VN30 by HSG and HPG, is facing a surplus of supply and bleak sale prospect.

In the second half of July, it would become increasingly difficult for large stocks to maintain their strength as their valuations reach even higher. Then money will finds its way to stocks that still have plenty growth potential. In this migration, we recommend that investors look for stock that (1) have small or medium market capitalization, (2) belong to sectors with positive prospect in the intermediate and long term and (3) have attractive valuations relative to the overall market.

  - Textile-garment: TCM, STK and TNG
  - Real estate: BCI, KDH, NBB and VPH
  - Construction: LCG
  - Building materials: DNP
  - Oil & Gas: PLC, PGS
  - Retail: SVC
  - Others: SKG, VSC, DHC, BMI

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

56 stocks of RongViet Research (analyzing, discussing with companies) and have analysis and specific evaluation in "Company report" or "Advisory Diary" since the beginning of this year till now.

WORLD ECONOMY

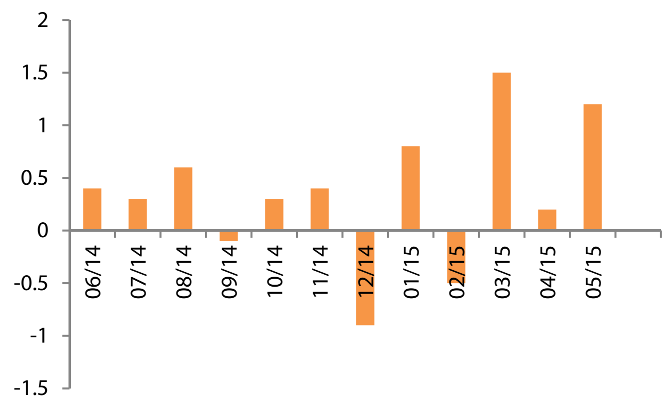
- US – More positive signals for the recovery in Q2/2015
- EU – Continuous recovery
- China - The growth challenges

US – More positive signals for the recovery in Q2/2015

As mentioned in the June Investment Strategy Report, the positive macro-economics signals confirmed the argument related to the US solid recovery, especially in contruction sector. According to HSBC, PMI in June reached 53.4 points, lowest since 10/2013. Even though components in this survey such as output and orders have been slowed down, employment indicator had many significant changes with the highest growth since November, 2014. Besides, consumer confidence index continued to prove the reliability and sustainability when surged to 96.1 points, the highest level in the five-month period. In addition, retail sales in May recorded positive growth with 1.2%-increase compared to last month, meanwhile automobiles, foods and gasoline had optimistic growth.

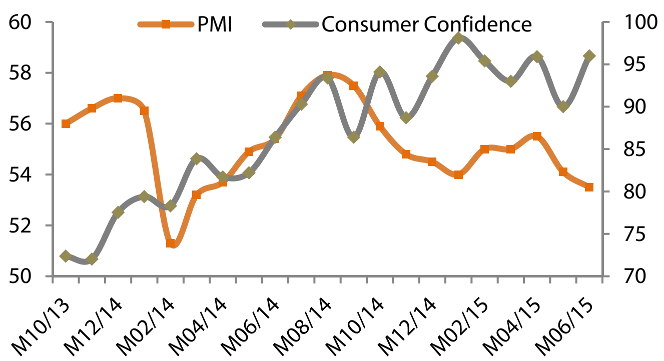
Unlike the previous debate and suggestion for the appropriate time to raise interest rate, in recent speeches, FED has been decisive to raise the interest rate in this year. According to the representative of FED, there are several positive signs from wage increase which support the economy to reach full employment of labour resouces. Therefore, instead of relying on inflation and unemployment target as before, this factor could be the basis for FED's decision to choose the suitable time to raise interest rate.

Figure 1: US retail sales



Source: Tradingeconomics, RongViet Research

Figure 2: Statistics about FED's increase interes rate



Source: Tradingeconomics, HSBC, RongViet Research

EU – Continuous recovery

Continue the positive momentum in May, EU economy recorded several optimistic signs in June. According to statistics from Markit, PMI Index in this region achieved 52.5 points, the highest since 4/2014. In addition, production activities expanded in most of countries, excluding Greece. Thanks to the significant improvement in component indicators such as orders and output, Germany PMI reached 51.9 points in June, slightly increased from 51.1 points in May. Furthermore, positive growth also took place in major economies such as France, Italy and Spain with 50.7, 54.1 and 54.6 points of PMI, respectively. Notably, France recorded a bright spot for the first time in 14 months with PMI index surpassing 50 points. However, unemployment rate in region maintained at high level implies that there are difficulties EU has to face during the rest of 2015.

For the story of Greece, in recent referendum, Greek rejected the demands from the creditors on the application of additional austerity in exchange for the risk of new bailout plan for the Government. Meanwhile, the tension increased when the Minister of Finance announced his resignation recently. According to Bloomberg, with the recently developments, economists from JP Morgan Chase and Barclays asserted that the possibility of Grexit is even more unwarranted. Also, according to Tradingeconomics, EUR/USD has lost 3.5% of its value in June.

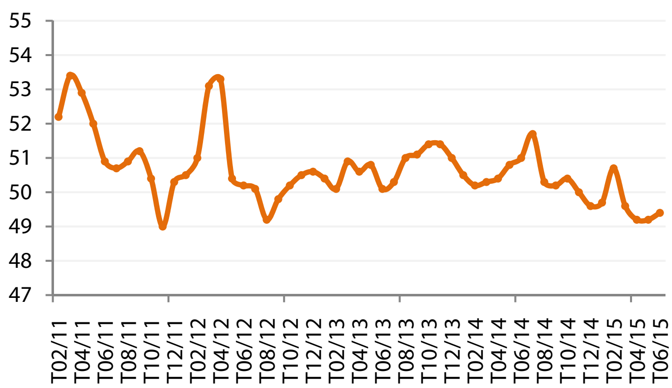
Figure 3: EURUSD movement

Source: Bloomberg, RongViet Research

China faces the growth challenges

The intrinsic difficulties of Chinese economy forced People's Bank of China (PBOC) to cut basic interest rate further to 4.85% on 06/28/2015, the lowest level ever, and decreased required reserve ratio in several banks. Since 11/2014, this is the 4th interest rate adjustment from Chinese Government. Also implementing the expansion of monetary policy as EU, however, the effectiveness of such policies has not positively reflected on the economy. In June, China production has not changed much with PMI (HSBC) at 49.4 points. Meanwhile, retail activities experienced the growth rate of 10.1% in May, however, this rate was lower than 12.5 from the same period. In addition, investment in real estate also significantly declined.

Figure 4: China Manufacturing PMI



Source: Tradingeconomics, RongViet Research

Figure 5: China benchmark interest rate

Source: Bloomberg, RongViet Research

WORLD STOCK MARKETS

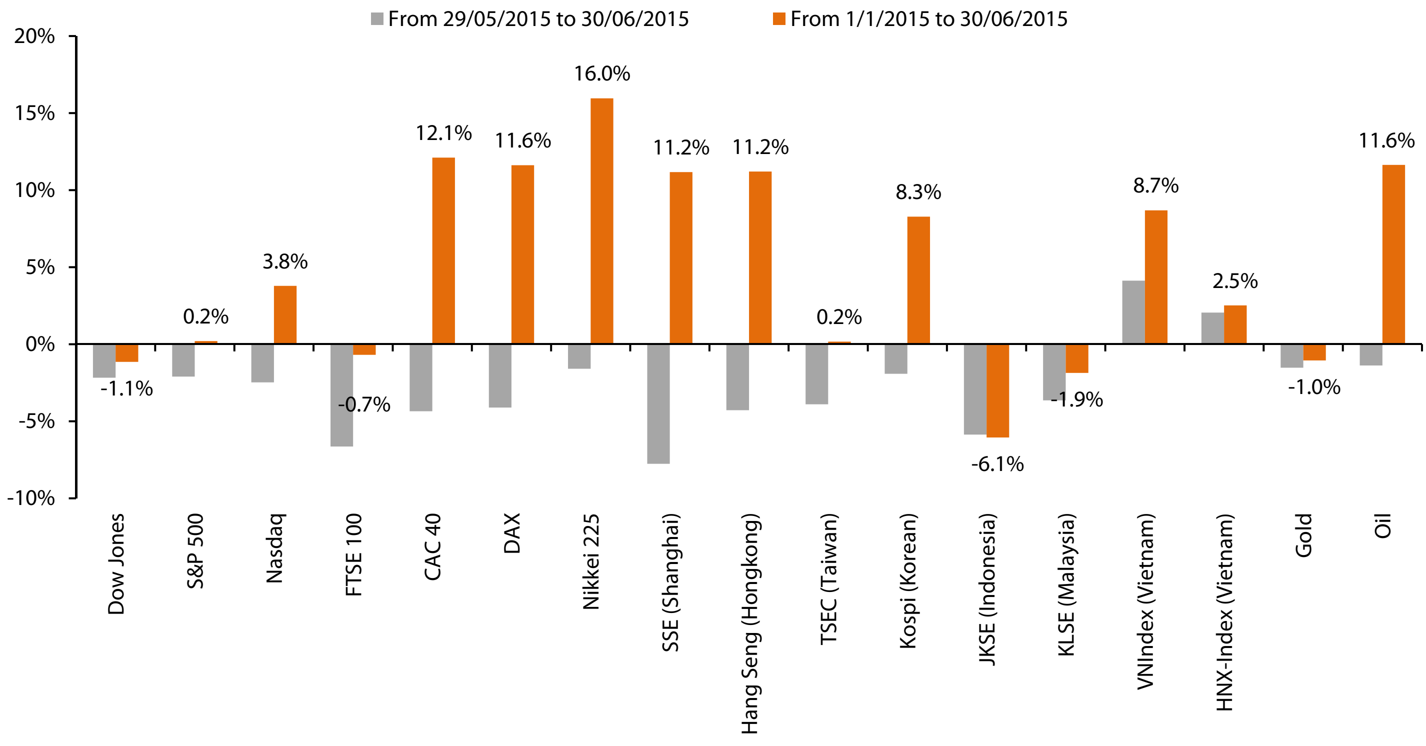
World markets, in June, witnessed unsuccessful trading month with decreases in most of major indices.

In the US, investors were not affected by positive economic news such as consumer confidence index (up to 96 points from 90 points in May) and PMI (remaining above 50 points). All three main indices including the Dow Jones, S&P 500 and Nasdaq decreased in June by respectively 2.17%, 2.10% and 2.47%.

In European market, the recovery of key economies like France, Germany and Span was not strong enough to positively affect on stock market. In stead of that, market was affected by worsen situation in Greek in second consecutive months. Consequently, in June 2015, FTSE100 witnessed a deepest decrease (i.e. 6.64%) while CAC40 and DAX was down by 4.35% and 4.11% respectively.

With an view regarding China economy comparing other large economies, SSE experienced a down by 7.76%. Besides, some other decreased stock indices were JKSE (-5.86%), HangSeng (-4.28%), TSEC (-3.9%). Also in June, oil price reduced by 1.38% as OPEC decided not to cut down the exploitation volume.

Figure 6: World stock indices movement in June, 2015



Sources: Bloomberg, Marketwatch, RongViet Research

VIETNAM ECONOMY

- Positive economic developments during the first half of 2015
- Factors contributed to the economic growth in the first half of 2015 could maintain during the remaining half of 2015
- Comparative advantages in trade between FDI and domestic enterprises

Positive economic developments during the first half of 2015

*As the title from 2015 Strategic report, "**HOPE FOR THE BEST**" was the assessment from Rongviet Research about Vietnamese economy in 2015. Looking back at the first half of 2015, the doors opened for economic recovery has been widened as ever through the positivity in macroeconomic indicators such as GDP growth, inflation, industrial production, consumer confidence index, credit growth…In contrast, the trade balance which has been reversed to the direction of trade deficit, the uncertainty in the commitment of stabilizing the exchange rate, weak ability to settle bad debts and slow re-structuration have been the remaining issues. (More information in page 25)*

Optimistic GDP growth rate along with stable price level

Summarizing the first 6 months of 2015, GDP continued to record positive growth of 6.28%, the highest for the last 4 years. The notable aspect came from significant growth in industrial segment, increased by 9.09% compared to 5.12% in the same period. Furthermore, this sector also contributed 2.98 percentage points in total growth, accounted for the highest proportion, reinforcing the arguments about the recovery came from the PMI survey in the first 6 months. Accordingly, this index has maintained to be above 50 points, along with the improvement in the index components such as output, orders and jobs, contributing to the stable growth in the first 6 months of 2015. Low inflation in first half of 2015 was the element to recognize the stability of Vietnam economy. According to GSO, nominal inflation and core inflation both have maintained at the lowest growth since 2007. Comparing with other countries in the region, Vietnam has been in the lowest inflation group with accumulative inflation reaching 0.94% in 1H2015. This also supported the retail activities and domestic consumption. Accumulating in 6 months, retail revenue in goods and services (excluding price factors) recorded growth rate of 9.38%, higher than 6.02% in the same period.

Improvement in investment capital

In the first 6 months of 2015, social investment achieved 553.8 billion dong, increased by 9.4% y.o.y. Particularly, the significant aspect came from the improvement in growth rate from non-state sector, increased by 11.4% compared to 7.9% over the same period. Under low inflation and interest rate levels, this sector experienced more positive improvement than last year. This also coincided with our assessment in 2015 strategic report.

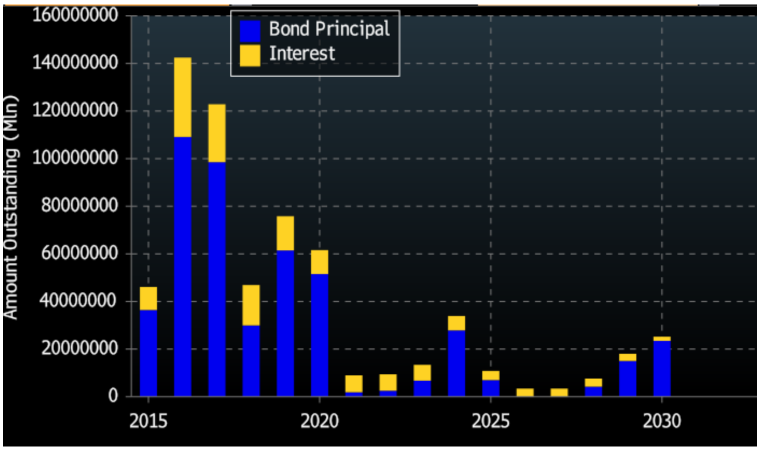
However, direct investment to Vietnam continued to decline in term of registered capital. Accumulating in 6 months, new registered capital and additional capital dramatically decreased, equivalent to 21% and 17% y.o.y respectively. Despite of the improvement in the rate of reimbursement (increased by 9.6% y.o.y), maintaining growth rate and disbursement rate could be affected in the future due to the decline of registered capital.

State budget revenue achieved better result than forecast

According to GSO, state budget revenue in the first 6 months this year has been more positive than expectation early 2015, reached 406.2 trillion dong, equivalent to 7.8% increase y.o.y. Contribution to this growth came from optimistic growth in domestic income, with 16.4% increase y.o.y. particularly, income from charges and fees improved 5 times y.o.y. In contrast, expense from state budget maintained at high growth rate, achieved 11.5% y.o.y. Notably, debt and grant payments increased by approximately 29%.

As of 15/6/2015, the state budget deficit accumulated to 95,000 billion dong, equivalent to 42% of the forecast this year. Under such situation, in short-term, we believe that budget deficit which affected the debt ceiling could be reduced, but the debt pressure could be relatively high when capital raising channel as government bond is struggling.

Figure 7: The schedule of Government Debt payable between 2015-2030



Source: Bloomberg

In June 2015, government bond mobilization significantly increased compared to last month. However, the issuance plan has only achieved 1/3 of whole year plan. According to our statistics, the amount of bonds raised on the primary market in June reached 7,381 billion dong, increased by 116.6% comparing to May. Furthermore, the winning rate on term deposits had several signs of increasing, demonstrated the increase in investment demand on bills being narrowed down. Specifically, coupon rate of 5 year bond was from 5.45% to 6.4% per annum, increased by approximately 39 percentage points compared to earlier this year. For 10 year and 15 year terms, the coupon rates fluctuated between 6.5 – 6.6% and 7.6 – 7.64%, increased by 10 and 4 percentage points respectively.

Expectation to ease the devaluation of Vietnam dong

Concern about the exchange rate was proven when the State bank fully adjusted the exchange rate based on the targeted amplitude during the first half of 2015. Overall, the devaluation of USD over other currencies negatively impacted on the exports from agricultural and fishery products. In addition, such circumstances also affected travel services. Up to now, exchange rate has increased by about 1.95% compared to earlier this year. The exchange rate has been trade at near celling level demonstrated the existence of the expectation to devaluate VND. In Q2/2015, the State bank intervened to stabilize the exchange through using foreign exchange reserve. We believe such tool could continue to be used during the remaining quarters of 2015 when the import demand increases.

The settlements of bad debts and equitization process showed little signs of changes.

While exchange rate has remained to be the hot issue, credit growth maintained stable growth rate over last months. Accordingly, credit recorded positive growth of 6.09% - highest over the last 4 years. However, the system's bad debts had remained a major challenge. From the statistics of the State bank, by the end of 3/2015, total bad debts in the balance sheet in the banking system accounted for 5.53% of total loans, significantly increased by 3.25% compared to the end of 12/2015. Meanwhile, the Government issued more power to Vietnam Asset Management Company (VAMC) through promulgation of Decree 34 (05/04/2015). As of May 06/2015, this organization has bought 28,194 billion dong original debt balance, increased total debts to 143,800 billion dong, however, recovered and sold only 8,670 billion dong of bad debts. Furthermore, equitization has been conducted at slow pace. According to the Ministry of Finance, by the end of 05/2015, there have been only 43 enterprises which were equitized in total of 289 companies in the plan. During the remaining 7 months of 2015, the progress will significantly depend on the preparation from the companies rather than the subjective perspective from the Government.

Factors contributed to the economic growth in the first half of 2015 could maintain during the remaining half of 2015

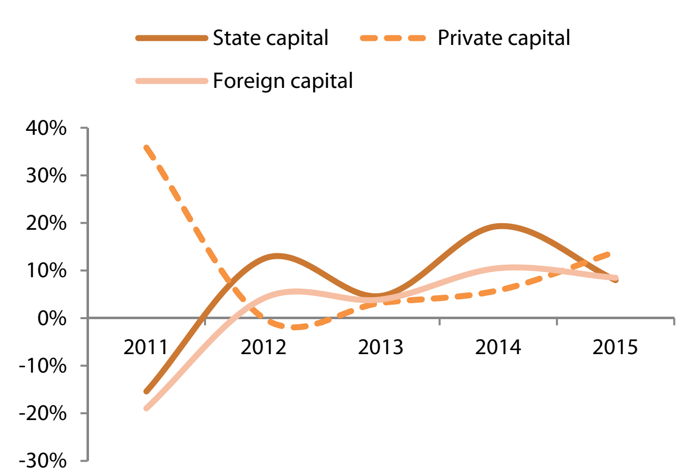
Credit recovery has stimulated economic growth

According to statistics from State bank of Vietnam, in the first 6 months of 2015, system credit growth by 6.28% y.o.y, highest over 3 years. The recovery of credit growth was the positive sign and associates with investment in private sector. Specifically, investment from private sector in the first half of 2015 achieved 202,800 billion dong, increased by 13.9% y.o.y.

Comparing to foreign and public segments, private sector recorded the best growth in 6 months. In addition, we recognized that there is an optimistic change in capital structure. Accordingly, investment from private sector accounted for 36.6% of total investment, nearly reached the amount from public sector of 38.6%. It could be said that, credit growth which is set in major goal to achieve investment growth could be implied that private sector has prospered.

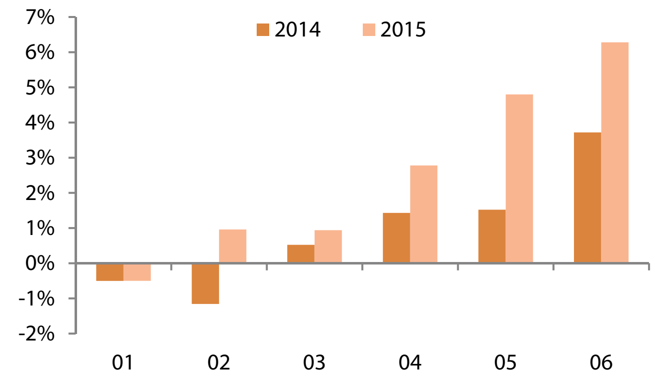
By GSO, in the first 6 months of 2015, number of new established enterprises increased by 21.7% and total registered capital increased by 22.3% y.o.y. Business trends in processing and manufacturing industry maintained the stability and growth in production and new orders. Such factors promoted economic growth not only in the first half of 2015 but also the upcoming months.

Figure 8: Investment segments



Sources: GSO, RongViet Research

Figure 9: 2015 and 2014 credit growth



Sources: GSO, RongViet Research

Although the recovery was newly shaped, by the end of 6/2015, deposit rate has demonstrated several signs of increasing. Initially, there were some minor adjustments from 0.05 to 0.5% per annum in several small banks, followed by major banks. Furthermore, lending rate has also slightly inched from 0.02 to 0.05% per annum. This situation came from the self-adjustment in term of supply and demand from commercial banks, under a broader perspective, reasons could come from: (1) deposit growth is lower than credit growth; (2) banks need to attract deposits to finance credit growth demand in the last months of 2015; (3) deposit channels became less attractive compared to other asset channels such as real estate, USD, securities… According to assessment from Rongviet Research, credit growth could continue the positive trend in the second half of 2015, surpass 13 – 15% goal due to the recovery in production sector and private enterprises. Reversing trend of interest rates cannot negatively impact on the lending activities when the central bank lending rates maintained at the celling level for priority areas. In addition, bad debt reduction and risk provision for banks could regulate the funding allocation to be more efficient.

Consumption of industrial products has improved

Stable growth in industrial production is the factor we usually mentioned in the assessment of micro picture. Considering the growth in production and consumption by industries, we believe that processing and manufacturing industry is divided into 3 groups:

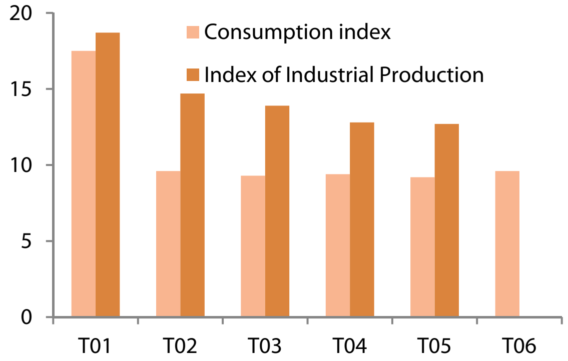
(1) Positive – domestic production and optimistic consumption: communication devices, electronic products, motor vehicles, packaging, paper, textiles, animal feed, concrete, gypsum…
(2) Expansion opportunity – stable production with better growth in demand: milk, batteries, cables, steel, pharmaceutical…
(3) Production increased more than demand: cement, electronic components, food…

The results in production and consumption partially demonstrated the business activities from each industry in the first half of 2015. Regarding consumer goods, the proportion of private sector's sales in total retail sales of goods & services continuously increased since early this year. In particular, growth in retail sales records a strong increase of approximately 13% and higher than 10% from the previous period. In the first 6 months of 2015, industrial and construction sectors grew by 9.09% y.o.y, meanwhile, service segment achieved only 5.9%. Agricultural sector even recorded a decline in growth with only 2.36%. Therefore, leading factor for economic growth in the first half of 2015 was industrial sector, under expansion trend from PMI index; we expected this sector will continue to be the growth momentum in the last two quarters of this year.

Recently, in monthly meeting resolution of 6/2015, the Government requested the Ministry of Industry and Trade to increase domestic crude oil output. This is a sign of shifting in policy objectives: early this year, ensuring the stability in macro economy is the most important goal – later, in the latest resolution, orientation slightly inclined to promote economic growth to surpass the initial goal. However, the provided resolution concentrated on solving the disadvantage in crude oil price movements through increased output.

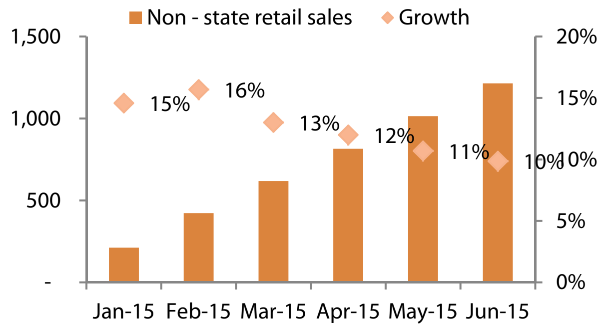
According to GSO, crude oil revenue reached 30,200 billion dong as of 15/06, declined by 32.5% y.o.y. However, state budget has been more positive than our forecast due to the increase in crude oil output along with other revenue sources. In 1H2015, crude oil output estimated at 9.26 million tons, increased by 9.2% y.o.y and equivalent to 55% of the plan from PVN. Occasionally, crude oil output requested by the Government was lower than targeted amount from PVN; as a result, we believe that the increase in output as mentioned has been under the plan from PVN. Therefore, whether increase in output could stimulate economic growth? Under our perspective, this has been happened in the first half of 2015. Specifically, growth in mining industry in 6 months achieved 8.18%, while over the same period, it dropped by 1.13%. Increase in crude oil output could significantly contribute to this industry's growth in the first half of this year, thereby supporting GDP growth.

Figure 10 Production and consumption growth in processing and manufacturing segments



Source: GSO, RongViet Research

Figure 11: Non- state retail sales



Source: GSO, RongViet Research

Comparative advantages in trade between FDI and domestic enterprises

In previous updates, we usually mentioned the highlight aspect from FDI companies. In this report, we analyze comparative advantages in trade between FDI and domestic enterprises.

Statistics in the first 5 months this year demonstrated the growth in exports mainly from FDI, with high growth products including: (1) mobile phones and accessories; (2) computers, cameras, camcorders and (3) textile and clothing. They are labour intensive sectors, therefore, workforce in FDI sector sharply increased in the first half of 2015 with approximately 10.5%, especially focusing in Thai Nguyen (+61.7% y.o.y) – where the Samsung factory placed. In addition, if we separate FDI segment, advanages from domestic enterprises could come from (1) fisheries, (2) agriculture, (3) textiles, (4) wood and (5) footwear. In the first 5 months of 2015, wood and footwear products recorded high growth rates; textiles achieved positive growth while fisheries and agriculture had the decline. *Under the stable exchante rate, price risk could continue to be the burden for domestic companies in agriculture and fishery segments during the remaining quarters of 2015.*

In term of imports, we noticed the demand for imported machinery and raw materials from FDI segment to be positive (+58.1% y.o.y). Meanwhile, domestic segment could recover reflecting through the increase in demand for imported machinery and equipment with +16% y.o.y, not as strong as FDI sector. *New investment demand from domestic enterprises appears limited and we believe "recovery" is the right word to describe the production from this segment under current situation.*

Besides, we have seen the divergence in production trend between domestic and FDI enterprises. Particularly, FDI products which have high demand to import are (1) iron and steel products, (2) computers and electronic components, (3) phones and accessories. Meanwhile, import demand from domestic segment increases in (1) animal feed, (2) paper products, (3) base metal, (4) household electrical goods and components and (5) textile materials. Moreover, notable imported products in domestic sector was domestic automobiles with 189% growth y.o.y, however, those only accounted for approximately 1.8% in total import structure the first 5 months of this year. *Overall, imported products from FDI sector directly served the manufacturing activities, therefore, meet the export orders. On the other hand, main imported products from domestic sector demonstrated no clear impact on the export structure of this sector.*

(More information in page 23)

THE STOCK MARKET IN JUNE: Expectations of investors are being realized gradually

The realization of the expectations related to the TPP and policy of extending room for foreign investors,…supported the upward trend of the market in June. However, on contrary to booming sessions in second half of May, market in June witnessed more fluctuations. It, especially in second half of June, seems as if market lost its momentum, but the market reached new highs thanks to strong demand of foreign investors at various large cap stocks, typically VCB, SSI, BID, BVH .... Rong Viet Research supposes that the mix of gaining and losing sessions in June would make positive sentiment to the market in the next stage. In a sustainable upturn, slight corrections would mitigate investors' concern on risk relating to "virtually booming" and give chances for investors to accumulate their preferred shares, especially investors following movement of market cash flow.

At the end of June, VNIndex and HNIndex reached 593.05 points (+4.1% mom), 84.94 (+2.1% mom) points respectively. To accumulate the first-half year, VNIndex rose by 8.7% meanwhile HNIndex gained 2.4%.

Table 1: Market movement summary

	June		First six months	
	VNINDEX	HNX	VNINDEX	HNX
Average of volume (million shares)	131.6	97.4	97.4	44.5
Average of traded volume (billion dong)	2,012.5	781.5	1,597.7	590.9
Index movement	4.1%	2.1%	8.7%	2.4%

Source: RongViet Research

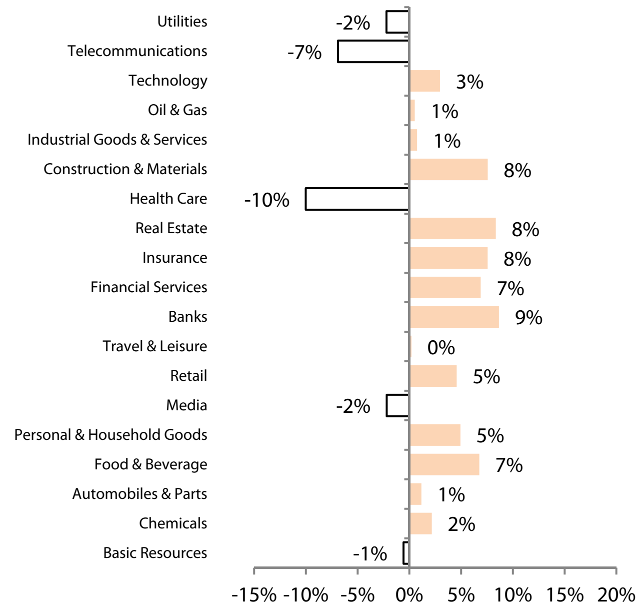
Current rally relatively well maintained in terms of time which was longer than 1.5 months. In the beginning of this year, the market has experienced a 2.5-month-uptrend-wave (from end of 2014 to end of Feb 2015). However, the positive of this second wave attracted more money to be involved. The average matching volume of last 1.5 months was VND2.700 bn/session, 28% higher than the first rally wave. In contrast to the first wave rally which only reflected positive movement of banking stocks, current rally, driven alternately by banking stocks and some other leading segments, has been spread to many other market participants. In addition, although the first wave lasted longer than two months, the fluctuation and variation has dramatically changed. On the contrary, this wave has been quite harmonious and had an involving of all members, with a combination of strong growth in second half of May and hover rising in June. Cash flow to markets increased gradually. There is average of 228.9 million trading shares in June, increased by 23% compared with May and 61% compared with the annual average.

A variety of industries such as Banking, Securities, Construction and materials, Real Estate, Technology were absorbed large capital flows and demonstrated rises in the wide range amid the bull market.

Apart from the usual group of industries attracted cash flow, insurance industry (defensive stocks) also recorded an increase of more than 7.6% point in June; +22% in the first 6M of 2015. According to our specialist sectors, the overall outlook of insurance industry will be positive. In Asia, during 2014, Vietnam's insurance industry had a better growth rate than other countries since Indonesia started restructuring entire insurance sector; Malaysia cut budget for infrastructure; Thailand's political was unstable. Simultaneously, the Vietnamese Insurance market has a lots of potential (Insurance sector contributes only about 2% of

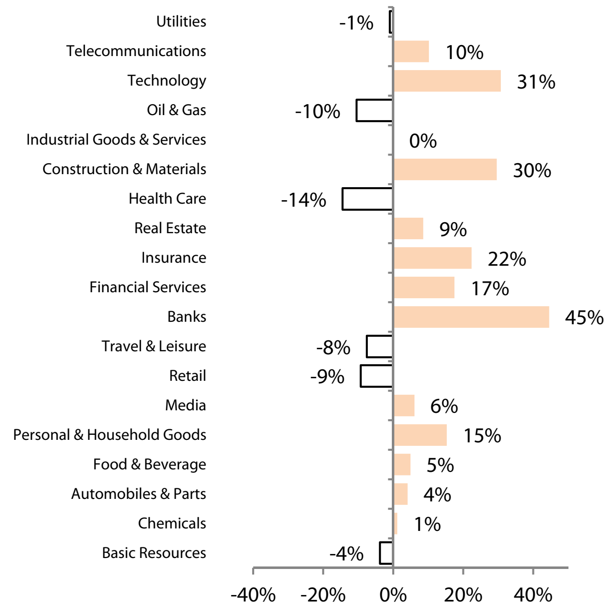
GDP) so this market can attract further foreign insurance business partner. Moreover, Insurance companies are currently looking to expand its overseas markets, especially in Laos and Cambodia, in order to improve operational efficiency in core business.

Figure 12: Industry index movement in June



Source: Bloomberg, RongViet Research

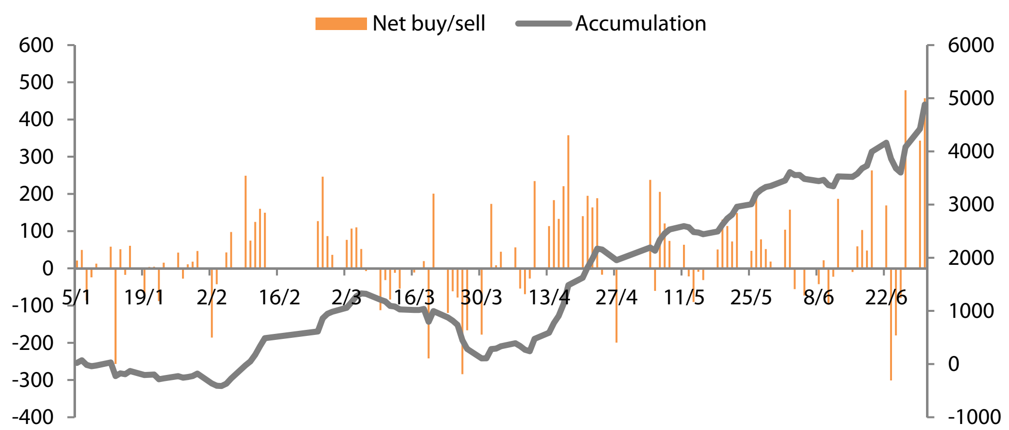
Figure 13: Industry index movement in first six months



Source: SBV, RongViet Research

FOREIGN INVESTOR'S ACTIVITY: stability

Figure 14: Foreign trading activities



Source: RongViet Research

Foreign investors' activities were positively maintained with net buy position in June. Total trading value was approximately 1,532 billion dong, increased by 10% compared to May. Through the first half of 5148, foreign investors' sentiment has significantly improved compared to earlier this year. In Q1, market experienced bad news such as the possibility of raising interest rate from FED and the fluctuation in global oil price. In addition, information related to room expansion for foreign investors demonstrated no signs of improvement leading to cautious sentiment. Particularly, there is no stability in foreign transactions in Q1 with net sell position in January (179.7 billion dong) and March (874.3 billion dong). Until the end of Q1, total net trading value accumulated to only 108.9 billion dong, decreased by

86% compared to Q1/2014.

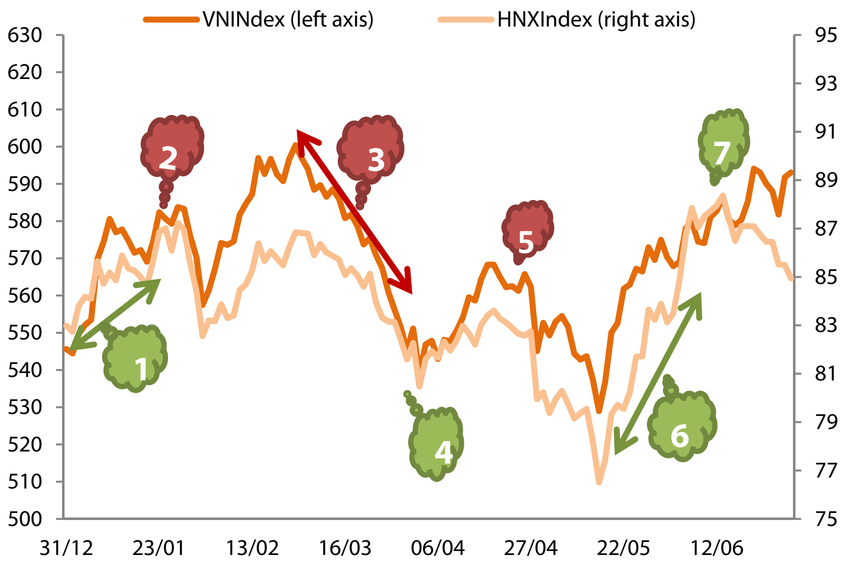
However, foreign investors changed their positions in second quarter. FED delayed to increase interest rate. Besides, the official announcement to issue the Decree (the Decree 60) of extending room for foreign investors made positive impact on the market. Therefore, in 30 June, the accumulated buying value was VND 4,881.2 bn, decreased by 13.2% compared to 2014Q2. Especially, with the supporting information relating to foreign investor's room extended, their transactions were focused on broking services (SSI, VND), banking (BID, STB, VCB). Other preferred stocks bought by foreign investors were BVH (VND 94.4 bn), PVS (VND 192.7 bn).

The fund certificated prices (P) of two Vietnam ETFs including the FTSE and VNM was higher than the NAV from the second half of June. Therefore, the number of fund certificates also increased, approximately 450,000 FTSE fund certificates and 1.1 million VNM fund certificates. With the additional value, both ETFs were traded fairly active on Vietnam's stock market in the second half of June, with a total capital value of VND1,300 bn, representing 85% of the foreigners net buying value.

Generally, in the first 6 months, the volume of fund certificates from both ETFs was contrasted. Accordingly, the FTSE ETF fund certificates fell from 14.07 million to 14.01 million, equivalent to about VND323 bn. In contrast, the number of VNM ETF fund certificate has increased more than 11% to 28 million fund certificates, equivalent to about VND896 bn to be added to the Vietnam market. Thus, the total value of both ETFs, which have poured into the market during the first 6 months, was approximately VND573 bn, representing about 12% of the net value of foreign investors in the first 6 months.

In the last 6 months, we believe that the specific regulation about the foreign ownership limit will promote the growth of foreign investors trading activity. However, according to our macro analyst, FED will probably raise interest rates in September. Hence, foreign capital flows from the US could be affected negatively, especially VNM ETF funds. We believe that the ability of some stocks in the VNM ETF portfolio may be withdrawn by foreign investors in the last 6 months.

Figure 15: VNIndex and HNIndex movement and relevant news



(1): News relating to M&A in banking sector

(2): SBV purchase Constructing bank at price of 0 VND

(3): Exchange rate adjusted by 1%

(4): Short term upward trend of WTI price after surpassing USD50/barrel

(5): Banking stocks affected by regulation of dividend payout ceiling

(6): News relating to TPP

(7) News relating to extend room for foreign investors

Source: Rongviet Research

The market in June shifted strongly in a much brightened macro economic landscape. First, the issuance of Decree 60/ND-CP promised to officially remove the barrier against the foreign investors holding of the listed companies. The market reacted with increasing enthusiasm towards to the end of June when GSO reported H1 GDP growth of multiple-year high at 6.11%. Credit growth rate in the first two quarters at 6.1%, the highest in the last five years also provided a powerful push to the price of banking stocks and effectively both VNIndex and HNIndex.

Major stock indices picked up good gains in June, fueled by solidified liquidity on both the HSX and HNX. Despite boiling optimism, the market was still shadowed by the gains of blue-chips and the few largest-caps. VCB, BID, BVH, SHB and CTG took turn to lead the two indices, driving them away from the actual happenings on the market. For the entire month, bank stocks outperformed VN30 by a wide margin of 9.3% and VNIndex by 9.9%.

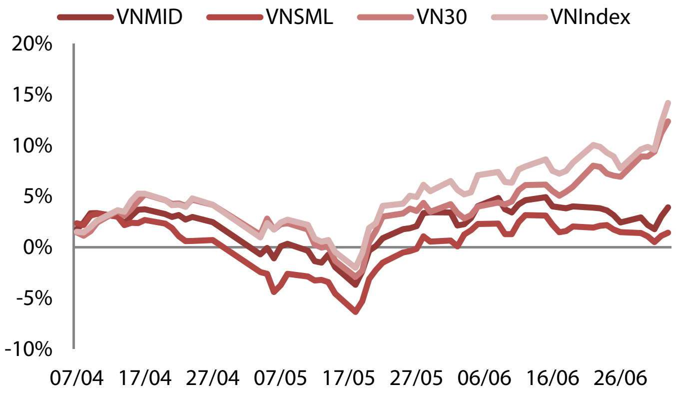
At the current momentum of large-cap tickers, we see the market may add more gains in the first half of July. Also, trading volume may swell after VNIndex jumped over the "psychological resistance" of 600. Indices may continue trending upward in overall but the majority of stocks should see little gains or go sideways. In that scenario, the widening gap between blue-chips and the rest of the market would increase the probability of a correction from the middle of the month.

The range of fluctuations for VNIndex in July is expected between 595 and 639 and HNIndex 86 and 92.

Tepid portfolio gain despite robust market activities caused real concerns in the hearts of retail investors in June. In late June and early July, we saw cash flows, in fear of regret, leaving speculatives and small- and micro-caps to join the "wave" of blue-chips and large-caps. Nonetheless, indices reaching new heights will naturally put smaller-cap issues in a more advantageous position in the valuation aspect. Smart money will then flows to stocks that have yet to gain substantially.

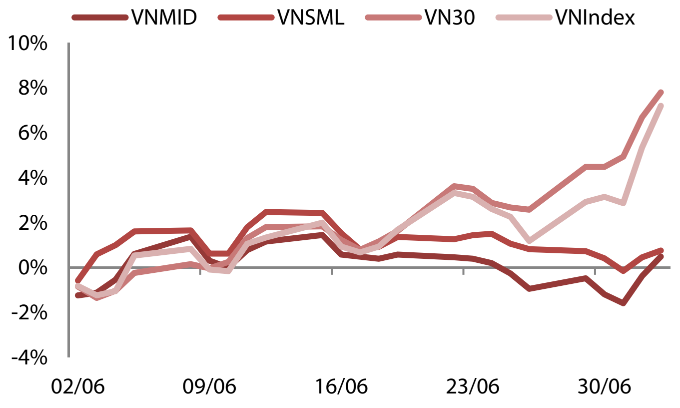
Credit growth and stable interest rate are the basis for the improvement in macroeconomic indicators such as (1) private sector investment (2) index of industrial production (3) domestic consumption and (4) GDP. Tightening foreign ownership restrictions as well as recovering macroeconomic outlook helps to bring foreign capital flow into Vietnam stock market. Thus, the Decree guidance on foreign ownership limit regarding conditional sectors should attract market attention in July.

Figure 16: 3-month price performance of HSX market-cap indices



Source: HSX, RongViet Research

Figure 17: June price performance of HSX market-cap indices



Source: HSX, RongViet Research

PICKING THE RIGHT STOCKS: THERE IS STILL TIME

The imbalance in the export structure between the FDI sectors and local enterprises we mentioned in *Marco-economy* section above have many implications for selecting the right sector of stock in the upcoming months. In this trend, manufacturing companies in export sectors where Vietnam has an advantage should see the most positive output and sales growth.

Last quarter, ***textile-garment*** producers saw much optimistic growth of export order and sales volume. TNG recorded a revenue growth rate of 45% and an earnings growth rate of 180% in Q1 while TCM booked a 10% fall in NPAT due to difficulties on the yarn market; GMC also report moderate sales and profit growth. However, no sooner than late June when the news broke out that the Trade Promotion Authority was passed by US President Obama had textile-garment stocks begun to pick up significantly.

This month, we expect stock prices in this sector to react positively to companies' Q2 earnings announcement. Given the 10.1% increase in textile exports last quarter, upbeat results from textile-garment firms are foreseeable. The second half of Q3 and Q4 is usually the peak season of Vietnam's garment exports. In the latest survey by the GSO, 55.9% of the surveyed businesses expected stronger output and 65.4% expected a higher number of new export orders in Q2. Also, with the TPA in place, it can be expected that TPP talks will speed up significantly in later 2015, bringing the sector a supporting factor. Though textile stocks have already started to climb, the opportunity for accumulation will present itself should the market correct.

Unlike the textile sector, Vietnam ***seafood*** industry, especially small-sized seafood producers, suffered from a year-over-year decline in export value in the three month to March 2015 (14%). According to the GSO, shrimp export dropped 29% in value and pangasius export 10% from a year earlier in the first five months of 2015; prices also fell 7-10% for shrimp and 2-3% for catfish export orders. The strengthening of the USD and the resulting decline of demand from Japan and EU, coupled with increased production in India, Thailand and Indonesia depressed export prices and volume of Vietnamese seafood.

In 2Q2015, seafood exports expanded by an estimated 22% from Q1 but dropped 14% from the previous year. We expect sales and earnings of seafood companies to exhibit the same trend in Q2 so that there will likely be some divergence in the price performance of seafood stocks this month. Positive earnings growth should persist for larger, better-positions companies while smaller firms would not see much improvement. Looking forward, Q3 is usually the best quarter for seafood exporters. We expect to see the recovery of demand from the US market in late 2015 when last year's inventories have been eventually freed up. As the result, there is still for the stock of leading seafood companies like VHC and FMC, who are advantaged by high their value-added products and the ability to self-supply raw materials.

Table 2: Key particulars of stock sectors

No.	Sector	Price performance* 1M (%)	3M (%)	6M (%)	Profitability ROE (%)	ROA (%)	Growth +/- Rev. 1Q15 (%)	+/- NPAT 1Q15 (%)	Valuation* P/E	P/B	EV/ EBITDA
1	Nonlife Insurance	21.5	26.3	15.7	4.2	1.2	46.4	-13.3	19.6	1.7	11.4
2	Banks	17.1	34.3	59.2	0.0	0.0	4.5	7.8	-	-	-
3	Real Estate Investment & Services	11.1	10.4	31.9	9.1	3.2	16.8	-23.7	23.4	2.5	15.6
4	Food Producers	8.9	7.6	7.4	6.3	3.1	5.1	6.7	16.2	3.9	11.4
5	Construction & Materials	8.2	17.7	57.0	18.0	5.8	25.6	223.1	10.3	1.2	8.4
6	Oil Equipment, Services & Distribution	6.8	22.8	-16.0	8.8	3.8	-6.4	2.9	7.2	1.2	3.2
7	General Industrials	6.4	9.3	-4.3	5.1	1.9	8.6	-4.0	33.4	2.9	13.3
8	Software & Computer Services	5.9	28.6	35.8	7.2	2.7	34.9	25.6	10.3	2.0	6.3
9	Household Goods & Home Construction	5.7	13.5	43.0	109.9	54.9	29.2	52.2	10.1	1.5	7.0
10	Financial Services	5.6	27.4	23.0	9.8	6.2	-2.6	-36.9	18.3	1.3	8.6
11	Personal Goods	5.6	13.1	45.4	165.2	70.4	-4.5	36.9	12.2	2.3	10.4
12	Gas, Water & Multiutilities	4.8	8.4	13.1	19.7	8.6	-21.8	54.9	20.8	1.4	14.4
13	Support Services	4.7	3.3	61.0	19.9	7.5	12.1	28.8	14.4	1.4	7.1
14	Industrial Engineering	4.6	25.7	148.6	140.3	32.7	57.7	142.6	12.2	2.4	8.3
15	Industrial Transportation	3.8	7.7	38.2	17.7	8.4	1.6	49.1	9.4	1.8	7.3
16	Chemicals	3.2	4.5	43.0	8.2	4.8	39.5	39.4	7.3	1.3	4.8
17	Industrial Metals & Mining	2.8	-0.5	-21.4	8.8	2.3	4.7	-258.6	29.0	0.8	13.9
18	General Retailers	2.8	-5.5	-27.2	24.9	11.2	5.5	195.6	15.8	2.1	7.6
19	Forestry & Paper	2.2	15.1	53.1	119.0	70.0	13.5	47.7	12.1	1.0	7.1
20	Oil & Gas Producers	1.6	0.2	-39.1	8.1	5.7	-2.1	-17.5	8.7	3.1	4.9
21	Electronic & Electrical Equipment	1.1	-5.7	64.4	21.7	9.5	27.8	17.9	14.5	4.4	10.1
22	Technology Hardware & Equipment	0.4	6.7	27.9	25.0	12.0	47.5	406.4	14.4	1.0	9.5
23	Automobiles & Parts	0.1	1.8	12.7	11.2	5.3	8.1	-11.1	10.6	2.5	8.2
24	Pharmaceuticals & Biotechnology	0.0	-7.4	-10.0	20.5	9.2	2.3	10.0	11.3	2.2	7.0
25	Fixed Line Telecommunications	0.0	1.9	-23.9	7.7	6.1	-0.5	189.1	2.0	0.3	-0.1
26	Mining	-0.7	-2.9	-0.5	7.9	3.1	14.0	-13.3	36.7	5.8	-44.8
27	Electricity	-1.4	0.8	22.9	5.3	2.9	-6.5	-51.4	9.7	1.4	5.7
28	Media	-2.0	2.5	21.0	86.1	43.4	30.1	434.3	12.8	1.1	4.7
29	Nonlife Insurance	-2.1	0.1	22.5	74.5	36.2	5.1	10.1	17.1	2.1	9.8
30	Banks	-3.7	-2.6	21.4	39.3	13.8	-26.8	-32.4	7.3	1.3	5.9
31	Real Estate Investment & Services	-3.7	19.0	61.0	17.5	7.1	113.3	410.3	8.7	1.6	4.0
32	Food Producers	-6.3	-10.4	14.7	10.6	7.2	7.1	-80.0	14.6	3.4	11.6
33	Construction & Materials	-55.6	-54.3	-18.0	4.5	3.3	40.7	208.5	3.8	1.4	6.9
	VNIndex	7.2	12.5	13.2	15.2	2.6	12.7	5.5	13.6	2.7	8.9
	HNIndex	4.5	7.0	6.0	10.5	1.8	-14.9	2.9	10.3	1.8	6.2

Source: RongViet Research
**As of 01/07/2015*

In June, ***bank*** stocks attracted lots of attention on the stocks market, rising more than 17% within a month. The credit growth rate of 6.1%, the highest in the last five years was the spotlight of banking industry In the first six months of 2015. However, looking back at 1Q2015, the revenue growth rate of most of the banks were still well below that of the previous years. As the institution shifted their focus to cost reduction and improvement of asset quality, the entire system saw in 1Q2015 a 22% increased in the provision for credit risk from a year earlier while Operating income/Total assets ratio decreased 0.8% (from 0.9% in 4Q2014). At 2.93%, the industry average Net interest margin in Q1 was also lower than the same period last year (3.0%). Without mentioning the bad debts situation, the overall picture of banking sector will be far from complete. At the end of 1Q2015, the bad debt ratio of the nine listed banks was reported 2.2%, lower than the average of the entire system. In the first 5 months of 2015, VAMC bought VND 12,737 billion, or 17% of its 2015 plan while collecting about VND8,670 billion from asset liquidation and debt recovery. However, banks still have to sell more than VND43,000 billion worth of bad debts to VAMC. At the current handling rate, there are still lots of works before banks can free their minds of NPL concerns.

Even with more than one reasons to believe that the 2Q2015 business results of the banking sector will be positive, we expect that the profitability of the banks will be little improved because (1) provision expense is expected to remain high and (2) operating costs may rise further. On the other hand, due to the rise of stock prices in the first 6 months of 2015, the P/E and P/B ratios of commercial banks, especially state-owned ones, i.e. VCB, CTG, BID, have became much less attractive than they were earlier this year even with the brighter outlook of the sector.

The recovery of the ***real estate*** market and mortgage lending was particularly meaningful the credit growth. According to CBRE, up to 10,000 apartment units were transacted in HCMC and nearly 4,500 units were successfully sold in Hanoi, up by 57% and 80% from a year earlier in 1H2015.

Due to the accounting characteristics of the real estate businesses, however, the majority of apartment sales by listed companies will not be recognized until hand-over. For this reason, sector-wide NPAT dropped 23.7% in Q1 despite optimistic sales statistics. Nonetheless, optimism over the new legal frameworks for the industry (New Land Law, New Housing Law and New Real Estate Business Law), which took effect on July 1st and the approved development of Long Thanh Airport ignited a rally among property stocks like LCG, DIG, DXG, KDH…

We see much brightness in Q2 earnings landscape of the real estate sector as companies with nonrecurring income from asset liquidation or project transfer begin to book profits from such transactions. As a result, earnings expectation will lead real estate stocks not only in July but also in the remaining months of 2015. On the other hand, those companies whose land bank disperse across such areas as Binh Chanh, Nha Be, Vung Tau and Dong Nai stand to benefit from the development of the Metro line No.3, the Ben Luc-Long Thanh Expressway and Long Thanh Airport. The list should include BCI, VPH, ITC and NBB.

Specifically mentioned with details in our "*Contrarian Investment Strategy*" (RongViet Research's Stock Market Strategy Report 2015) the ***oil & gas*** sector showed respectable price performance in 1H2015 though the impact of the oil price plunge on O&G firms' business results was formidable. Low oil price has negatively influenced the prices of service companies like PVS and PVC and the input price policy for natural gas distributors such as PGD, PGS and CNG. O&G survey and exploitation activities also saw many delays and setbacks in schedule.

Overall, Q2 earnings prospect of O&G companies may have an upgrade from Q1 where sector-wide revenue dropped 6.1% and NPAT added a slight 2.9%; yet there would still be a significant decline from a year earlier. Of the O&G stocks in our list, PGS, PGD, PVG stand out with upbeat earnings outlook in 2H2015, which reflected partly in the stocks' performance last month (PGS was up 12% and PGD 8%). PVB will also book profit from Nam Con Son Phase 1 and Ham Rong- Thai Binh projects in the upcoming quarters. The sectors' largest stocks, i.e. GAS, PVD, PVS and PVC should also report better business performance in Q2 as compared to Q1 as well as their whole-year guidance.

Recent development of block B- O Mon project brings hopes for a large amount of works for companies in the service and exploitation fields such as PVE, PVS, PVC, PXS and PVD. However, we see the implementation of the project quite far into the future, at least late 2016. For now, oil price volatility remains the major drives of O&G stock price. Therefore, a portfolio with high concentration in O&G stocks is particularly risky. Instead, investors should only increase holding of these issues after some strong corrections.

As mentioned above, we expect large-caps and blue-chips to climb further upward with strengthening liquidity in the first half of July. For short-term investors and trend-followers, opportunities will lie with stocks that (1) has strong recent price momentum, (2) being accumulated by foreigners and (3) have run out of “room” for foreign investors. Below are some stocks with such characteristics.

Table 3: Large-cap stocks with strong recent price performance

Ticker	Price (VND)	Market-cap (VND bn)	P/E (x)	P/B (x)	3M average volume (shares)	FOL (%)	1M foreigner trading (VND bn)	Beta (x)	+/- 1M price (%)	+/- 3M price (%)	+/- 6M price (%)
ACB	20,700	18,552.9	22.0	1.5	461,525	19.0	-	1.7	13.2	38.5	52.1
BID	21,900	61,565.3	11.7	1.8	1,930,594	47.3	126.6	1.5	19.4	46.3	101.9
BVH	40,500	27,559.1	22.2	2.2	236,369	24.3	110.1	2.0	30.0	35.9	40.7
EIB	12,900	15,859.7	126.6	1.1	487,514	23.0	39	0.5	3.1	4.7	5.5
FPT	46,800	18,600.6	11.0	2.2	612,697	0.0	-	0.5	6.3	12.9	15.3
HCM	37,700	4,795.1	15.9	2.0	545,983	0.0	(4.0)	1.3	24.0	30.9	34.7
HSG	42,000	4,045.2	8.4	1.6	204,611	5.4	16.7	0.9	14.8	20.6	-7.5
HT1	22,400	7,122.1	12.8	1.8	269,533	40.2	9	0.6	6.6	10.2	30.5
ITA	6,600	5,532.7	26.1	0.6	2,782,688	33.4	85.9	1.1	7.9	0.0	-15.0
MBB	14,900	17,275.0	7.0	1.0	2,062,386	39.0	0.2	0.5	11.6	14.1	18.5
MSN	81,500	59,968.4	50.3	4.0	149,615	14.0	109	1.1	4.3	12.0	0.6
PVD	53,000	16,040.8	7.1	1.3	846,001	11.0	22	1.6	4.8	21.1	-10.7
PVS	27,700	12,373.6	6.8	1.1	1,728,983	22.1	238.5	1.2	8.0	24.1	8.8
REE	26,900	7,237.9	7.4	1.3	411,621	0.1	(0.5)	0.7	9.6	6.2	3.8
SHB	8,100	7,177.3	9.5	0.7	2,593,777	31.1	30.4	1.0	7.5	2.4	6.2
SSI	24,800	10,597.7	16.6	1.8	2,891,412	6.7	500.7	1.5	14.5	28.7	15.1
STB	18,700	21,365.0	9.6	1.1	1,435,403	40.4	672	1.0	4.4	0.5	8.0
VCB	48,500	129,253.5	28.4	2.9	664,971	27.8	104.9	1.6	25.1	56.0	74.6
VCG	14,000	6,183.9	15.2	1.1	1,008,481	38.6	44	1.9	5.2	18.8	18.8
VNM	114,000	114,013.5	18.3	5.4	149,946	0.0	0.4	0.3	10.5	11.6	22.0

Source: RongViet Research

Though recent price movements are encouraging, there are numerous things investors should look out for.

- For the banking sector, asset quality and the pace of NPL clean-up remain huge concerns that may hinder banks’ profits even though the credit growth figure was reported optimistic. Expectations surely have brought the stocks of many banks, especially state-run one like VCB and BID to seemingly unjustifiable heights. VCB is trading at 3.3 times its book value per share as compared to the industry average of 2.17 times and the regional average of 1.57 times; at 2.0 times of BVPS, BID does not seem to be attractive as compared to the other 7 bank stocks also.
- On the other hand, low oil price does not justify too much expectation for growth in the business results of O&G explorers and service providers like GAS, PVD, PVS and PVC not only this year but also in the year 2016.
- Though the building material sector is being bolstered by increasing demand, the steel industry, represented in VN30 by HSG and HPG, is facing a surplus of supply and bleak sale prospect.

In the second half of July, it would become increasingly difficult for large stocks to maintain their strength as their valuations reach even higher. Then money will finds its way to stocks that still have plenty growth potential. In this migration, we recommend that investors look for stock that (1) have small or medium market capitalization, (2) belong to sectors with positive prospect in the intermediate and long term and (3) have attractive valuations relative to the overall market.

- Textile-garment: TCM, STK and TNG
- Real estate: BCI, KDH, NBB and VPH
- Construction: LCG
- Building materials: DNP
- Oil & Gas: PLC, PGS
- Retail: SVC
- Others: SKG, VSC, DHC, BMI

Macro-economy and businesses' performance may remain positive in the remaining time of 2015.

The market in June shifted strongly in a much brightend macro economic landscape. First, the issuance of Decree 60/ND-CP promised to officially remove the barrier against the foreign investors holding of the listed companies. Second, the official approval of the Trade Promotion Authority -TPA (aka "fast track") paved the way of the conclusion of TPP talks and brought excitement to the stock market. Moving towards to the end of June, the market reacted with increasing enthusiasm when GSO published the multiple-year-high H1 GDP growth of 6.11%. Credit growth rate in the first 2 quarters were also reported at 6.1%, the highest in the last five years. These factors provided a powerful push to the price of banking stocks and effectively both VNIndex and HNIndex.

Credit growth and stable interest rate are the basis for the improvement in macroeconomic indicators such as (1) private sector investment (2) index of industrial production (3) domestic consumption and (4) GDP. Tightening foreign ownership restrictions as well as recovering macroeconomic outlook helps to bring foreign capital flow into Vietnam stock market. Thus, the Decree guidance on foreign ownership limit regarding conditional sectors should attract market attention in July.

According to the latest survey of GSO, most of the manufacturing sectors positively rated by RongViet Research, may achieve a better business results in 2Q2015 than 1Q2015. Given the performance estimation in 2Q2015, around 41% of surveyed companies expressed positive opinion in production volume; only 20% of them said they expected difficulties and the rest (39%) estimated unchanged business conditions. Such result was much more optimistic than the previous quarter.

In specific categories, 44.3% of surveyed businesses agreed that production volumes will surge in Q3. This should results from a rise in the number of orders, especially export orders. Production costs are forecasted by 59.4% of the surveyed businesses to be stable in spite of upward trend in oil & gas and electricity prices. Meanwhile, output prices are likely to remain constant or increase slightly.

Table 4: Survey on business result trend in 2Q2015

	Production volumes	Orders	Export orders	Production cost	Output price	Inventory	Material inventory
2Q2015 business results							
Higher	44.30%	37.00%	29.30%	30.90%	18.50%	21.10%	19.70%
Stable	36.60%	43.80%	51.20%	59.40%	70.20%	46.20%	49.70%
Lower	19.10%	19.20%	19.50%	9.70%	11.30%	32.70%	30.60%
3Q2015 business results							
Higher	52.00%	45.80%	40.70%	23.90%	20.60%	16.00%	15.30%
Stable	36.60%	43.40%	46.50%	64.80%	70.80%	50.60%	53.00%
Lower	11.10%	10.80%	12.80%	11.30%	8.60%	33.40%	31.70%

Source: GSO, RongViet Research
**Percentage of surveyed firms*

Table 5: Business trend estimation in 3Q/2015*

Criteria / Industry	Overall business	Production volumes	New orders	New export orders	Finished goods inventories	Material inventories	Unit cost	Unit price	Payrolls
Tobacco	60.0	50.0	10.0	50.0	30.0	60.0	0.0	20.0	30.0
Pharmaceuticals, medicinal chemical and botanical products	52.8	72.2	0.0	45.8	2.8	2.8	22.2	22.2	19.4
Wearing apparel	49.0	65.9	2.0	55.4	29.7	27.3	18.1	24.9	42.2
Beverages	48.2	57.4	9.3	56.3	33.3	20.4	0.0	5.6	22.2
Leather and related products	45.1	54.9	3.7	49.3	2.4	1.2	24.4	25.6	30.5

Textiles	40.8	54.8	1.3	53.9	28.7	21.0	13.4	18.5	26.8
Food Products	38.9	50.9	3.9	34.8	11.4	11.6	18.0	16.2	25.6
Rubber and plastics products	38.6	50.8	1.5	41.6	13.7	12.2	9.1	13.7	22.8
Paper and paper products	34.0	46.2	6.6	18.0	14.2	11.3	18.9	8.5	21.7
Chemicals and chemical products	31.3	52.8	4.3	23.4	6.1	12.3	11.7	3.7	24.5
Other non-metallic mineral products	28.2	48.5	8.6	20.0	11.7	12.1	13.6	11.7	12.3
Wood and of products of wood and cork (except furniture)	18.1	34.3	8.8	8.1	34.8	34.3	4.4	0.0	6.4
Publishing	8.3	58.3	0.0	50.0	4.2	8.3	16.7	8.3	8.3
Coke and refined petroleum products	20.0	20.0	0.0	0.0	20.0	20.0	0.0	20.0	0.0

Source: GSO, RongViet Research
**Percentage of surveyed firms*

APPENDIX 1: TRADE GROWTH IN TERM OF AREAS

Table 6: Export growth 5M2015 compared to the same period

Products	FDI	Overall	Domestic
Fishery products	-5%	-15%	-16%
Fruits and Vegetables	10%	4%	3%
Coffee	-25%	-38%	-45%
Pepper	-5%	4%	7%
Pastrycooks, sweets and cereals products	-6%	3%	8%
Chemicals	6%	12%	16%
Chemical products	-2%	-2%	-3%
Plastics	20%	25%	34%
Plastic products	4%	2%	-2%
Rubber	48%	-1%	-5%
Rubber products	15%	11%	6%
Handbags, purses, suit-cases, headgears	19%	17%	13%
Wooden and wooden products	6%	10%	14%
Paper and paper products	-7%	-2%	7%
Yarrn	12%	8%	0%
Textile	11%	10%	9%
Footwears	24%	22%	12%
Ceramic products	0%	-2%	-3%
Glass and glasswear	28%	24%	-24%
Precious stones	-1%	1%	16%
Iron and steel	-26%	-14%	-5%
Iron and steel products	12%	10%	4%
Other base metals	32%	22%	-6%
Computer, electrical products	61%	60%	38%
Telephones	20%	20%	13%
Still image, video camera	143%	135%	-45%
Machine and equipment	14%	14%	15%
Insulated wwired and cables	19%	20%	24%
Mean of transportations	-16%	-15%	7%
Other products	7%	2%	-29%

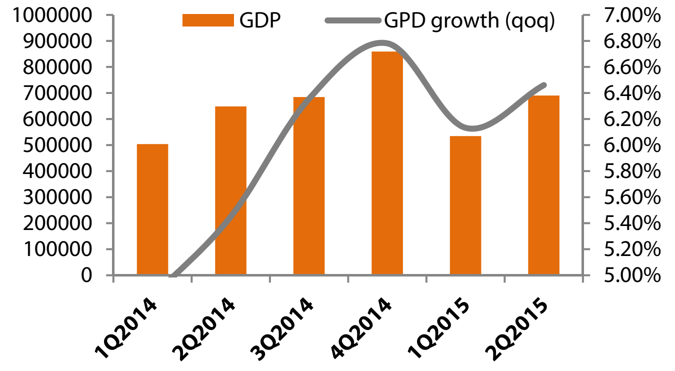
Table 7: Import growth 5M2015 compared to the same period

Products	FDI	Overall	Domestic
Grain	-3.5%	-5.3%	-7%
Maize	26.9%	18.7%	13%
Animal, vegetable fats and oils	10.7%	-3.9%	-20%
Animal fodders and animal fodder materials	3.6%	19.0%	31%
Other petroleum products	-5.6%	7.6%	18%
Chemicals	-2.1%	3.7%	13%
Chemical products	12.3%	9.4%	5%
Pharmaceutical materials	-6.8%	-6.4%	-6%
Pharmaceutical products	22.8%	22.5%	22%
Rubber	6.2%	7.8%	12%
Wood and wooden products	2.6%	-12.2%	-16%
Paper	4.7%	1.0%	-3%
Paper products	16.3%	26.3%	47%
Cotton	13.3%	8.1%	-2%
Yarn	7.9%	1.2%	-11%
Fabrics	10.9%	9.3%	7%

Textile, leather and foot-wear materials and auxiliaries	11.1%	11.8%	14%
Iron and steel	-10.1%	0.6%	9%
Iron and steel products	73.0%	57.9%	25%
Other base metals	5.0%	10.5%	23%
Other base metal products	22.6%	24.8%	34%
Computers, electrical products, spare-parts and components thereof	38.9%	38.1%	29%
Electric consumer products and parts thereof	18.5%	35.4%	63%
Telephones, mobile phones and parts thereof	31.6%	29.9%	19%
Machine, equipment, tools and instruments	58.1%	41.2%	16%
Insulated wires and cables	23.7%	21.3%	12%
Parts and accessories of motor vehicles	25.9%	46.8%	81%
Motorcycles and parts, accessories thereof	16.5%	-34.7%	-45%
Other products	10.2%	17.5%	-12%

THE FIRST HALF YEAR'S MACRO WATCH

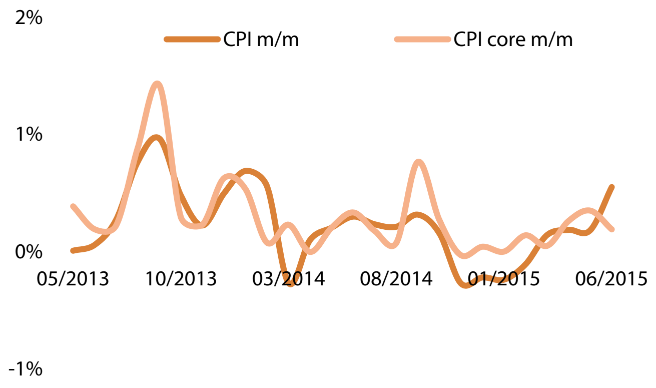
2Q2015 GDP growth increased by 6.28%



Sources: GSO. Rongviet Securities database

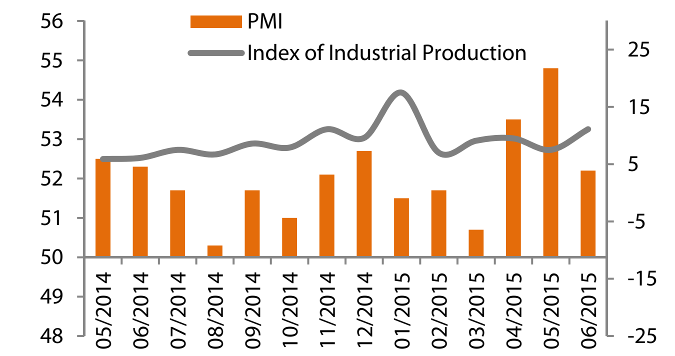
(*) Comparision price in 1994

Core inflation increased slightly 0.19%



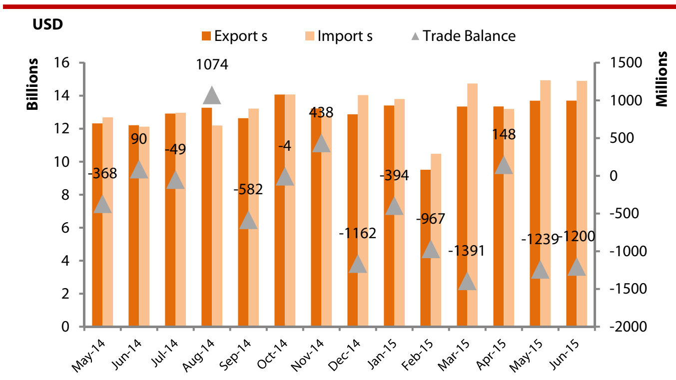
Sources: GSO. Rongviet Securities database

IIP witnessed an accumulated increase of 9.6%



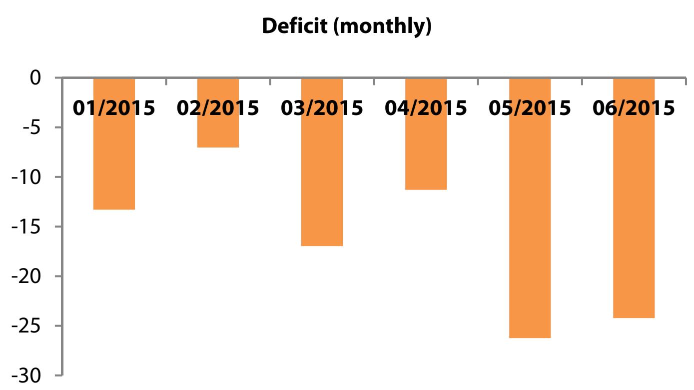
Sources: GSO. Rongviet Securities database

Accumulated trade deficit reached at VND 3.8 bl



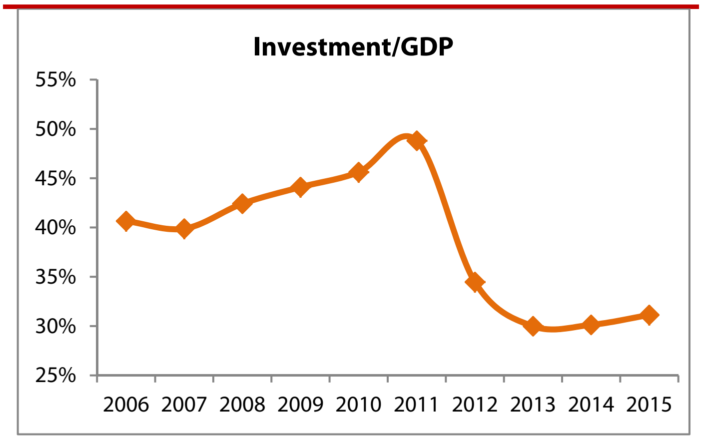
Sources: GSO. Rongviet Securities database

Accumulated deficit achieved 43.83% of plan



Sources: GSO. Rongviet Securities database

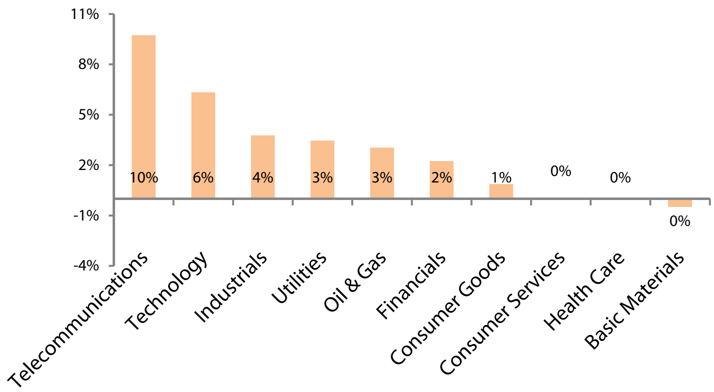
Investment accounted for 30% of GDP



Sources: GSO, Rongviet Securities database

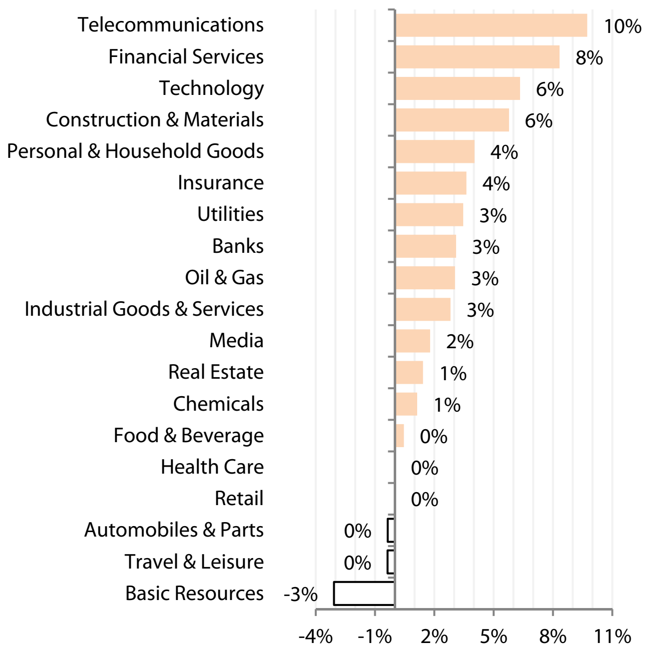
Industry Index

Level 1 industry movement



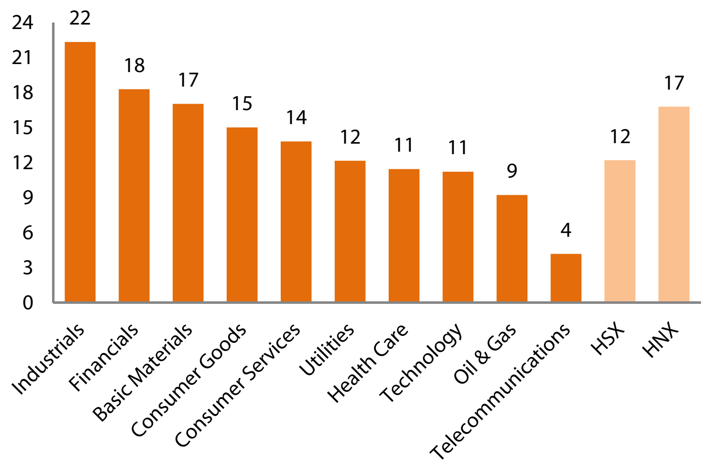
Source: RongViet Research

Level 2 industry movement



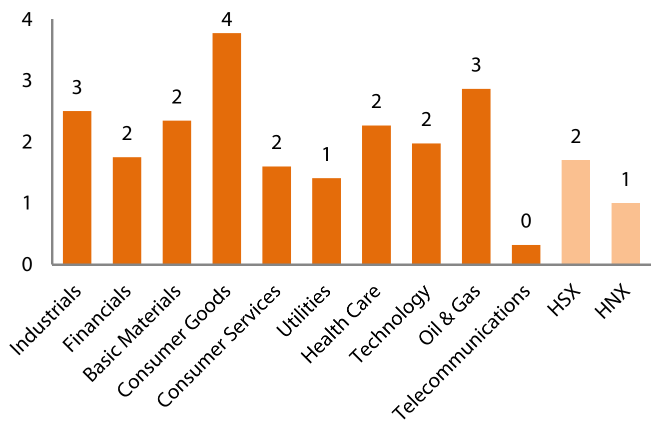
Source: RongViet Research

Industry PE comparison



Source: RongViet Research

Industry PB comparison



Source: RongViet Research

No.	Industry	Q2/2015 Profit trend vs Q1/15	Q2/2015 Profit trend vs Q2/14	Note
1	Textiles	++	++	• Q2 & Q3 are usually the peak seaons of textile companies.
2	Automobiles & Parts - Tires	++	++	• Prices of input materials, especially rubber and black coal drop significantly.
3	Automotive Retail	+	+++	• Automotive market is still on growth momentum.
4	Packaging	+	++	• Indirect positive impact from increasing consumer orders. • Prices of input materials drop.
5	Construction	+	+	• Rainy season may affect construction progress. • VND20,000 billion loan package for average commercial housing.
6	Construction Materials	+	+	• The recovery of real esate market and construction boosts demand for different types of construction materials.
7	Consumer Goods	+	+	• Import turnover increases.
8	Electronics Retail (***)	+	+	• Historical data show that business results in Q2 are often better than those in Q1.
9	Banks	+	+	• According to cyclicality, low seaon of banking industry falls in Q1; results recover in Q2 and reach peak season in Q4. • With income structure depends on interest income, positive credit growth is a good sign for this industry.
10	Real Estate	+	+	• Liquidity and prices increase.
11	Insurance	+	+	• Recovery of macro economy, increasing income per capita, strong FDI inflows. • Insurance premiums from motor vehicle segment in Q1/2015 remained high proportion 30.98% (source: ISA) while experts forcast a rising consumption of cars in Q2, which may have some positive impact on non-life insurance premiums.
12	Food & Beverage	+	+	• Prices of inputs such as skim milk etc continue to decline. • 15% advertising tax ceiling was abolished in the early of this year. • High inventories from the beginning 2015 has decreased as to increasing of orders.
13	Travel & Leisure	+	+	• Longer holidays in Q2/2015 promote tourism growth.
14	Pulic Utilities (Electricity)	+	+	• Earnings are forecasted to be divergent: • + Dry season in 2015 is longer than the previous year; earnings of hydropower enterprises in Q2 are better than those in Q1 but lower than those y-o-y.

				• + Thermal power enterprises are expected to better y-o-y.
15	Steels	+	+	• Downward selling prices of construction steel boost the domestic demand. • April 2015, sales volume of VSA gained 27% over the same period, steel pipes (+37.7% yoy) and galvanized steek (+16.4% yoy). • Galvanized steel enterprises tend to outperform construction steel ones in improving profit margin due to
16	Oil & Gas	+	-	• Q2 earnings between Oil & Gas firms will have divergence. • PVD: workload reduction nd service price correction. However, with steady oil prices between \$60 - \$65/ barrel, PVD is expected to exceed the Q2 earnings plan. • Earnings results of similar petroleum engineering firms (PXS, PVS, PVC) are expetecd to exceed Q2 plan. • Gas companies (PGS, PVG) are also expected to achieve postitve earnings in Q2/2015.
17	Health Care	+	-	• According to periodicity, Q2 and Q4 earnings are often better than earnings in the remaining quarters. • However, increasing competitive pressures may challenge earnings of firms in this sector.
18	Minerals	+	-	• Crude mineral prices show no signs of recovery.
19	Fishery	+	-	• Raw material prices tend to decrease. • FTAs have been signed. • Seafood Exports in Q2/2015 are estimate to increase 16% compared to Q1/2015 but 24% lower y-o-y.
20	Fertilizer	+	-	• Oil prices are maintained at low levels may continue to support enterprises cost. • Oversupplying is still likely to continue in coming months. • Ure price is likely to decline. • Q2 – Summer & Autumn (May & June) harvest boosts fertilizer demand.
21	Warehouse & Freight	-	+	• Q2 is off season as to low demand in import-export and consumption. • Input costs increase due to higher fuel prices. • Many FDI enterprises inject capital into VN, which make higher logistics demand compared to the same period.
22	Natural Rubber	-	-	• Prices show no signs of recovery.

Note: +: Optimistic; ++: Very optimistic; +++: Extremely optimistic; -: Unoptimistic; - -: Very unoptimistic; - - -: Extremely unoptimistic

HIGHLIGHT STOCKS

Fundamental stocks with earning outlook from stable to positive

STT		1Q2015 results (VND bn)		1Q2015 growth (% yoy)		2Q2015 Profit trend		Trailing P/E	P/B (*)	Market price (VND/share) (03/07/2015)	Valuation	Recommendation/Outlook
		Revenue	NPAT	Revenue	NPAT	vs 2Q14	vs 1Q15					
1	CSM	689.73	54.64	1%	-30%	-	+	8.75	1.9	40,000		Neutral-Intermediateterm
2	DRC	766.28	87.58	13%	2%	+	+	13.69	2.98	53,000		Neutral-Intermediateterm
3	HBC	1,050.06	32.81	73%	2044%	+	+	12.27	1.31	23,500		Unoptimistic-Intermediateterm
4	HT1	1,599.81	250.36	1%	12481%	+	-	12.96	1.82	22,700		Optimistic-Intermediateterm
5	BMP	581.48	108.13	16%	29%	+	+	9.28	2.04	82,000	87,700	Accumulate-Longterm
6	NTP	645.91	70.70	15%	5%	+	+	6.82	1.89	45,100	64,500	Buy-Longterm
7	CII	432.54	172.00	113%	84%	+	+	7.36	1.68	25,300		Optimistic-Longterm
8	BCE	13.36	0.01	-32%	-97%	+	+	12.48	0.69	8,100		Stable-Longterm
9	TNG	296.97	11.30	45%	180%	+	+	7.16	1.69	25,300		Optimistic-Longterm
10	TCM	609.14	33.53	-5%	-10%	+	+	10.49	2.05	35,100	42,500	Buy-Longterm
11	GMC	293.32	15.46	5%	12%	+	+	8.44	2.33	45,000		Optimistic-Longterm
12	PNJ	2,137.06	114.53	-13%	46%	0%	0%	13.84	2.77	39,200		Stable-Intermediateterm
13	GMD	813.32	66.05	32%	67%	+	+	6.49	0.74	31,600	44,400	Optimistic-Longterm
14	VSC	226.83	57.39	14%	20%	+	+	7.73	1.79	48,200		Optimistic-Longterm
15	TCL	197.25	21.28	7%	3%	-	-	5.59	1.14	29,000		Optimistic-Longterm
16	HVG	3,120.02	36.99	-16%	-65%	0%	0%	9.97	1.41	19,400		Stable-Intermediateterm
17	VNM	8,716.04	1,556.86	14%	12%	+	+	18.44	5.46	115,000	110,000	Stable-Longterm
18	DBC	1,245.94	57.10	3%	81%	0%	0%	7.27	0.94	26,800	30,000	Stable-Longterm
19	PET	2,501.57	31.93	-2%	-20%	+	+	8.49	1.08	17,900		Stable-Longterm
20	FPT	14,713.02	424.66	35%	17%	+	+	11.00	2.22	47,000	61,000	Neutral-Longterm

21	CMI	18.53	3.24	-31%	-57%	+	+	5.26	0.98	11,200		Optimistic-Longterm
22	GDT	60.63	12.18	14%	31%	+	+	8.16	2.17	36,500	41,300	Neutral-Intermediateterm
23	PGS	1,431.00	33.40	-16%	20%	+	+	7.91	1.18	22,500	25,000	Accumulate-Intermediateterm
24	PVS	4,954.91	328.27	-13%	23%	0%	0%	6.94	1.15	28,300		Stable-Shortterm
25	PXS	463.93	28.75	30%	38%	+	+	8.93	1.69	23,400	22,000	Neutral-Shortterm
26	NBB	38.70	0.62	21%	-97%	0%	0%	106.44	1.1	24,000	26,800	Accumulate-Longterm
27	DXG	171.60	36.60	86%	72%	0%	0%	9.47	1.6	17,600		Optimistic-Intermediateterm
28	NTL	22.04	1.86	-46%	-79%	0%	0%	30.08	1.05	14,700		Unoptimistic-Intermediateterm
29	VIC	6,394.14	427.94	4%	-60%	0%	0%	31.38	3.93	44,600		Optimistic-Longterm
30	HPG	5,837.94	648.87	-10%	-25%	0%	0%	7.14	1.7	28,700		Optimistic-Intermediateterm
32	REE	676.38	144.90	23%	-37%	0%	0%	7.49	1.31	27,400	29,700	Accumulate-Intermediateterm
33	PVD	4,395.49	482.15	2%	-19%	0%	0%	7.33	1.37	54,500		Stable-Shortterm
34	BID	5,278.68	1,854.65	15%	21%	+	+	13.12	1.98	24,600		Optimistic-Longterm
35	APC	22.04	5.57	2%	-2%	0%	0%	8.99	1.27	18,800	20,000	Stable-Intermediateterm
36	CNG	210.57	22.50	-9%	-10%	+	+	7.1	1.95	29,000		Accumulate-Longterm
37	DHC	149.14	12.51	44%	36%	+	+	8.07	1.42	24,500	26,200	Buy-Intermediateterm
38	DIG	110.66	0.49	-39%	-97%	0%	0%	78.69	0.9	12,100		Stable-Longterm
39	PAC	491.24	19.55	18%	64%	+	+	9.87	1.53	26,500	27,500	Neutral-Intermediateterm
40	SVC	1,856.63	10.43	17%	9%	+	+	9.25	0.64	19,500		Optimistic-Intermediateterm
41	GSP	232.00	14.96	-12%	21%	+	-	11.45	1.00	12,700	16,600	Optimistic-Longterm
42	DPM	2,324.07	478.23	-7%	25%	0%	0%	9.48	1.23	29,800	36,100	Accumulate-Intermediateterm
43	SFG	476.02	29.93	n/a	n/a	-	-	6.47	1.05	15,000		Stable-Longterm
44	LAS	1,342.78	76.93	-26%	-49%	0%	0%	5.92	1.39	27,800		Stable-Longterm
45	SKG	63.62	34.77	26%	54%	+	+	9.78	2.98	47,000		Optimistic-Longterm
46	VNS	1,016.47	72.56	13%	-10%	0%	0%	6.89	1.54	31,000		Optimistic-Longterm
47	DPR	126.61	28.91	-28%	-38%	-	+	6.86	0.59	32,700		Neutral-Longterm

48	NT2	1,758.10	503.44	4%	2231%	+	+	4.18	1.25	23,100		Optimistic-Intermediateterm
49	VPH	58.17	2.47	18%	187%	0%	0%	115.85	0.77	12,500	15,300	Accumulate-Intermediateterm
50	PLC	1,818.25	59.21	10%	31%	0%	0%	8.13	1.97	32,500	40,000	Accumulate-Intermediateterm
51	BT6	225.16	11.82	110%	341%	+	+	8.62	0.43	6,800		Optimistic-Intermediateterm
52	HMH	32.39	6.74	38%	-40%	-	-	5.9	0.98	22,000	33,800	Buy-Longterm
53	PCT	243.59	5.40	-13%	53%	+	+	9.35	0.73	8,600		Optimistic-Intermediateterm
54	HSG	4,355.15	115.54	30%	70%	0%	0%	8.36	1.58	41,900		Optimistic-Intermediateterm
55	MWG	5,496.48	231.56	58%	39%	+	-	13.8	6.06	74,000	101,000	Buy-Intermediateterm
56	VTO	294.88	12.10	-29%	220%			9.55	0.55	7,400		Monitor-Intermediateterm

07/07/2015

RONG VIET SECURITIES

VIET DRAGON SECURITIES CORPORATION

Floor 1-2-3-4, Viet Dragon Tower,

141 Nguyen Du St. - Dist 1 – HCMC

Tel: (84 8) 6299 2006

Fax : (84 8) 6291 7986

Email: info@vdsc.com.vn

Website: www.vdsc.com.vn

Hanoi Branch

2C Thai Phien St., Hai Ba Trung Dist, Hanoi City

Tel: (84 4) 6288 2006

Fax: (84 4) 6288 2008

Can Tho Branch

8 Phan Dinh Phung – Can Tho

Tel: (84 71) 381 7578

Fax: (84 71) 381 7579

Nha Trang Branch

50Bis Yersin St, Nha Trang

Tel: (84 58) 382 0006

Fax: (84 58) 382 0008