AUGUST

19

WEDNESDAY

ADVISORY DIARY

- **TCM, VHC, VPH Update**
- **The nervous psychology with the exchange rate has gradually been discounted in the market**

The nervous psychology with the exchange rate has gradually been discounted in the market

In recent 3 consecutive Advisory Diary from last week (10 - 11 – 12/08/2015), we mentioned the impact from the restructuring of Chinese currency trading system on Vietnam exchange rate. Particularly, the movement of exchange rates, especially the decision to raise the fluctuation margin from +/- 1% to +/-2% of the State Bank (11/08/2015) had negative effect on Vietnam stock markets over the last few days. After the decision, Yuan has depreciated by 3.04%. Under this situation, the State Bank announced to increase the margin further to +/-3% this morning. After the announcement, listed exchange rate in commercial banks increased near the celling level. The closed exchange rate from Vietcombank was 22,440 VND/USD, increased by 1.5% compared to the previous day.

From the both adjustments, the depreciation of VND was relatively equivalent to the devaluation of Yuan. According to macro analyst, it demonstrated that the State Bank has closely monitored the movements of Yuan in order to adjust domestic exchange rates. Since earlier this year, the real effective exchange rate of Yuan compare to its partners (REER) increased by further 4.5%. Several financial institutions believed that Yuan could depreciate by additional 1 – 1.5% until the end of 2015. Therefore, if such forecast become reality and exchange rate policy of Vietnam has followed the movements of Yuan, it could be speculated that the State Bank's currency adjustment would not stop here. In joint statement, the State Bank asserted that after 2 adjustments, Vietnam dong has the fiscal place for flexible adjustment under global negative effects until early 2016. In personal perspective, the change in exchange rate policy could be seen as not only being more flexible but also the stability of currency which depends on external forces. In other words, VND does not have enough internal power to represent Vietnamese economic position and the impact on the depreciation of domestic current needs time to be evaluated. In short-term, the depreciation of VND which is equivalent to Yuan pointed out that the trading balance between both countries could be less affected. Vietnam wants to export more to China instead of cheaper imports.

"The nervous psychology with the exchange rate has gradually been discounted in the market"

In other perspective, we believe that the aggressive actions of the Central Bank in this correction has widen the flexibility of the stakeholders, empowered the risk management for these actors. In addition, differences in purchase price and sale price of USD tend to widen sharply, which makes the transaction of import and export enterprises are small and can be more costly.

Today, the stock market is negative when VNIndex decreased more than 10 points. However, some stocks of export produce such as seafood and textiles to hold or increase prices. Specifically, RongViet stock list is closed in the green, for example TCM (+ 5.2%), TNG (+ 2.7%), GMC (+ 2%), VHC (+ 2.4%), FMC (+ 6.1%), IDI (+ 3.9%).

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In the end of Q2/2015, the gap between liabilities and assets of TCM was equivalent to USD33.15 million. Assuming FX rate remains unchanged until the end of Q3/2015 (VND depreciation by 2.5%), we estimate that TCM may incur an FX loss of VND15 – 20 billion. In short term, VND depreciation causes a negative effects on FY2015 earning results. In long term, textile products of China are benefit from new exchange rate regime (floating CNY) as they are cheaper than those from Vietnam in general and TCM in specific. SBV's announcement on relaxing volatility band for

VND is positive factor that can help garments of TCM maintain theirs price competitiveness. We believe the impact of FX on operation of the company will be clearer in 2016 when it begins to sign new orders. Moreover, stock prices will be supported by the information of recommencing TPP negotiation in Mexico this week.

Slashing another 2% of VND brings benefits to sectors that have high export value such as Fishery. VHC is able to gain great advantages thanks to its main market is USA, which occupies 62% of total revenue in the context of non-existent anti-dumping duties. Revenue in US market of VHC skyrocketed 49% in 1H2015 in contrary to others competitors who have to reduce their market share.

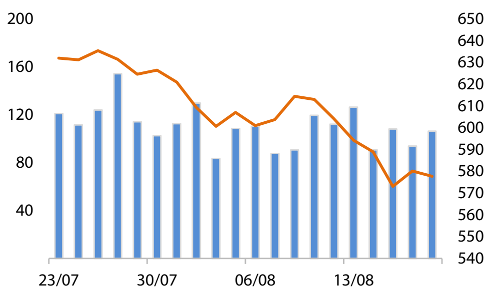
Beside, another stock in cover list of RongViet Research is VPH having closed at ceiling price (VND8,000/share). Mentioning in Advisory Diary dated 31/07/2015, we remain our positive view on business prospects of VPH in 2H2015 thanks to possibility to record revenue from large deals such as (1) transferring Block 2 La Casa to An Gia (VND173.5 billion) and (2) transferring 26ha land at Nhon Duc Resident Area to University of Physical Education And Sports and the University of Natural Resources and Environment. Recently, The HCMC People's Committee has publicly promoted building a special economic zone in the South of the city, including District 7, Binh Chanh, Nha Be and Can Gio, in which real estate prices have not gained so far. As a well-known company with experience and land bank in South Saigon area, VPH has the opportunity to grow stronger when authorities' policies as well as market attentions focus on this area once again.

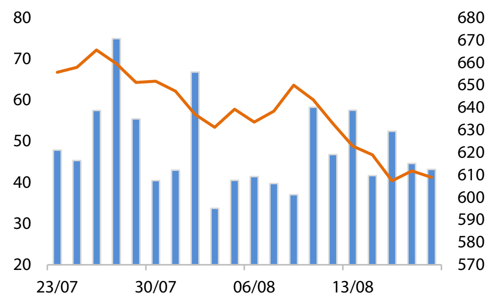
Today, VNIndex closed with a slight decrease of 2.4 point (0.41%). As mentioned in Advisory Diary yesterday, liquidity and cash flow stayed at very low level. Thus, it was understandable when there was a slight improvement of liquidity and cash flow. Matching volume and value increased respectively 10% and 9%. Foreign investors continuously traded in negative way when they net-sold VND 144.7 billion, focusing on PVD (VND 34.5 billion), KDC (VND 29.4 billion) and PVS (VND 10.8 billion). Besides, VNM ETF has continued to withdraw additional amount of 50,000 certificates. Currently, VNM ETF has traded with a discount of -0.8%. Because exchange rate has fluctuated and the time limit of FED's raising rate has approached, certificates can be drawn additionally in upcoming time.

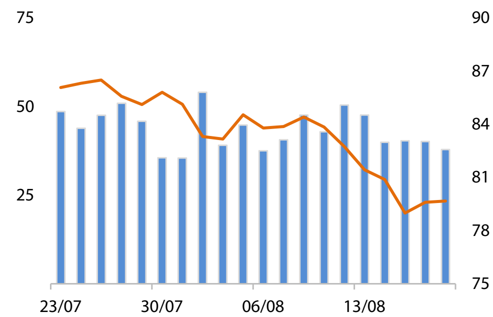
The unexpected recovery of VN-Index as today session ending showed investors' nervousness and cautious sentiments have gradually been dissipating. News on Petrol typed RON92 retail price adjusted further down VND700 and Circular 123/2015/TT-BTC announced late this afternoon look to support the market. The Circular comprises content on instructing enterprises in the process of lifting the FOL as to decision 60. Thus, we expect the market to recover at some degree tomorrow especially for financial stocks (SSI, HSC, VND) and insurance firms (BMI, BVH, PVI).

To be frank, investors are not advised to put so much reliance on this particular to buy rallying shares in the upcoming session. For those who have been accumulating stocks at low price may continue to hold.

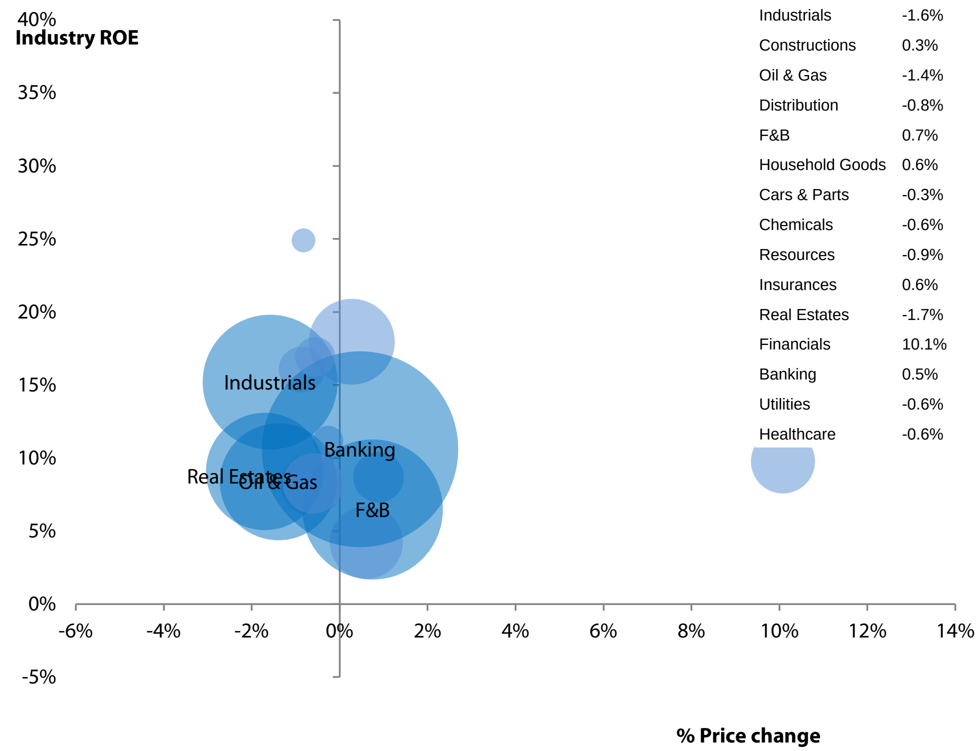
VNINDEX	-0.41%	577.82	VN30	-0.47%	608.91	HNXINDEX	0.09%	79.67





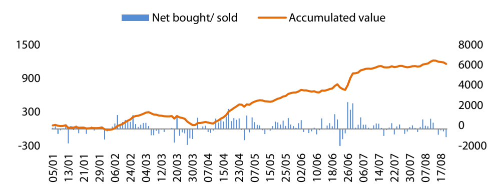


Industry Movement

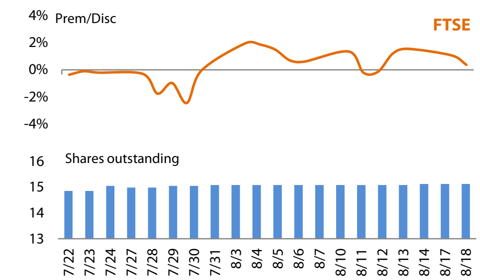


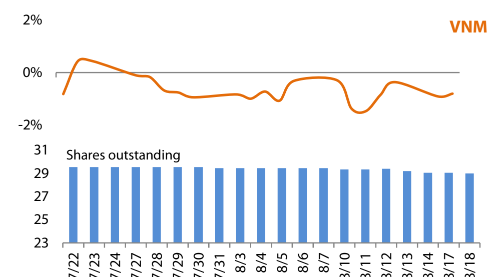
Industry	% change
Technologies	0.9%
Industrials	-1.6%
Constructions	0.3%
Oil & Gas	-1.4%
Distribution	-0.8%
F&B	0.7%
Household Goods	0.6%
Cars & Parts	-0.3%
Chemicals	-0.6%
Resources	-0.9%
Insurances	0.6%
Real Estates	-1.7%
Financials	10.1%
Banking	0.5%
Utilities	-0.6%
Healthcare	-0.6%

Foreign Investors Trading

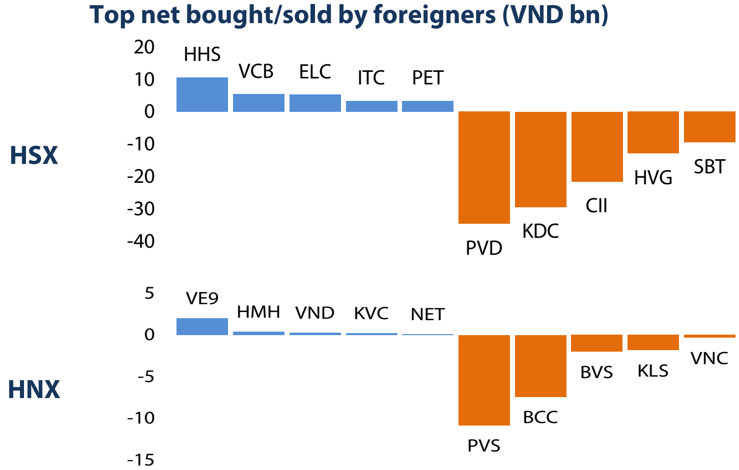


ETF





Top net bought/sold by foreigners (VND bn)



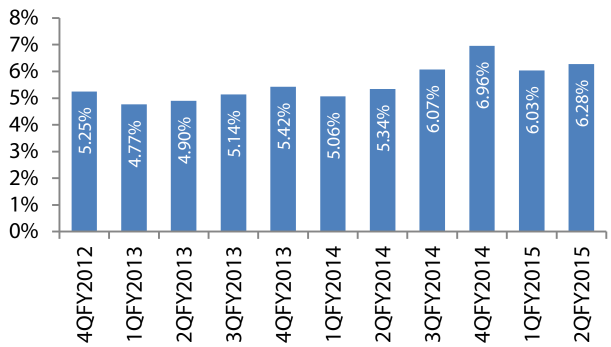
Top Active

Ticker	Price	Volume	% price change
CII	26.6	7.69	1.9%
SSI	25.2	5.06	3.3%
OGC	2.4	4.21	-4.0%
FLC	7.5	3.87	-1.3%
FIT	12.0	3.37	-20.0%

Ticker	Price	Volume	% price change
VND	15.1	2.86	4.9%
PVX	3.6	2.44	2.9%
SCR	8.2	2.30	-1.2%
KLF	5.5	2.28	0.0%
SHB	7.3	2.06	-1.4%

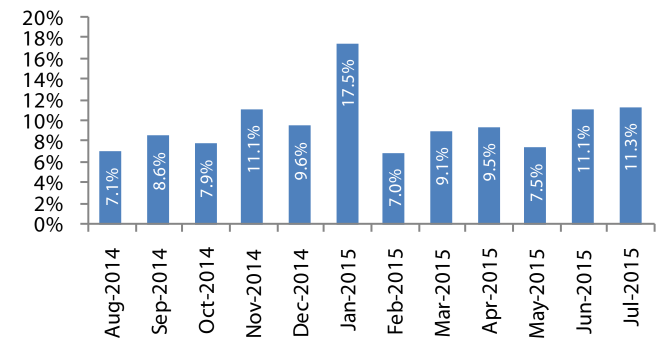
MACRO WATCH

Graph 1: GDP Growth



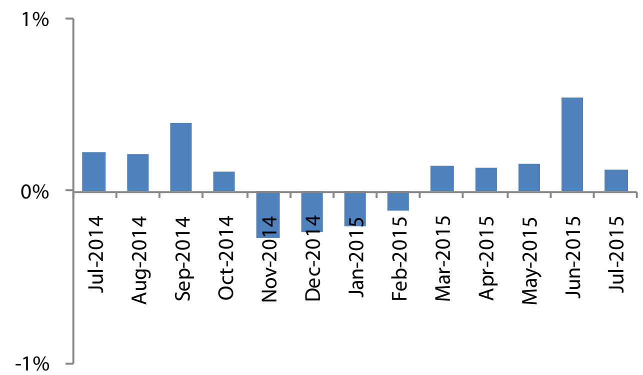
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



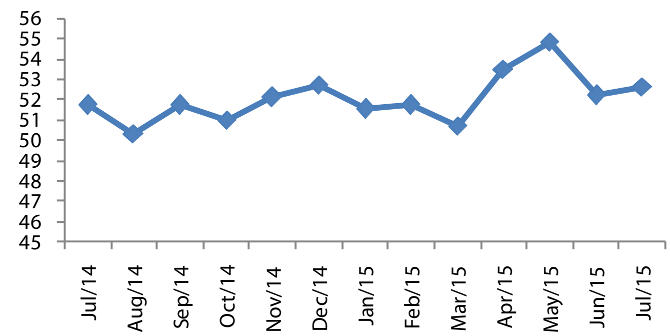
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



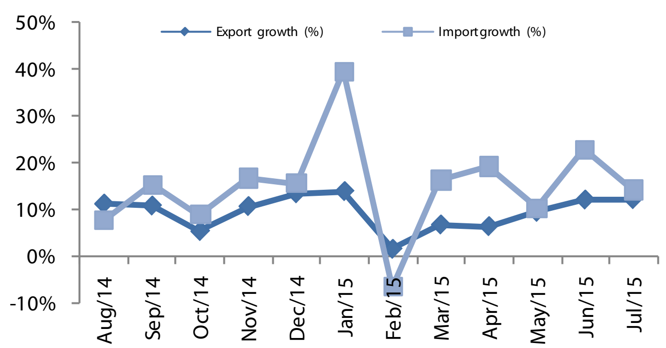
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



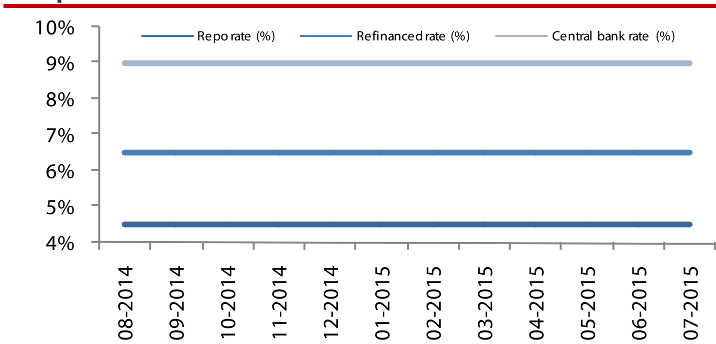
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600
NT2 - Growth in stability	July, 30th 2015	Buy – Intermediate term	30,200
FMC - Leaping in overseas waters	July 23rd, 2015	Accumulate – Intermediate term	27,000
SVC - Firing up the engine	July 20th, 2015	Accumulate – Intermediate term	24,100
LCG - A new cycle begins	July 16th, 2015	Accumulate – Intermediate term	9,500

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	11/08/2015	0% - 0.75%	0% - 2.5%	11,851	11,856	-0.04%
VEOF	11/08/2015	0% - 0.75%	0% - 2.5%	10,298	10,011	2.87%
VF1	14/08/2015	0.2% - 1%	0.5%-1.5%	23,279	23,537	-1.09%
VF4	14/08/2015	0.2% - 1%	0%-1.5%	10,459	10,573	-1.08%
VFA	14/08/2015	0.2% - 1%	0%-1.5%	7,404	7,482	-1.04%
VFB	14/08/2015	0.3% - 0.6%	0%-1%	12,331	12,311	0.16%
ENF	07/08/2015	0% - 3%	0%	11,601	11,665	-0.55%
MBVF	06/06/2015	1%	0%-1%	10,735	10,578	1.48%
MBBF	05/08/2015	0%-0.5%	0%-1%	12,299	12,300	-0.01%

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