AUGUST

10

MONDAY

"The story of SCIC and the milk cow"

ADVISORY DIARY

- **The story of SCIC and the milk cow (VNM-HSX)**
- **Brief updates on PetroVietnam Transportation Corp. (PVT-HSX)**

The story of SCIC and the milk cow (VNM-HSX)

Information discussed by specialists and Government officers at 2015 Vietnam M&A Forum last week has "warmed up" the market in the second trading week of August. To investors interested in room expanding possibility and government-owned firms ' reengineering progress, the latest news that is likely to raise abnormal expectations in the market is Mr. Dang Huy Dong, Deputy Minister of Planning and Investment's statement on the government's divestment schedule at Vinamilk (VNM-HSX). In recent years, the story has been drawing the press and analysts' attention. The latest news on a radical change has been "SCIC have had to propose a schedule divesting the government's contribution in VNM step-by-step". After Decree 2344 announced in 12/2013, VNM has remained in the group along with FPT Telecom (FTC), VNR and DHG, whose shares SCIC has maintained and unchanged after 1.5 years. Being an enterprise that brought about a great achievement for the government's investment throughout many years, VMN makes up VND 48,500 billion, a large proportion in SCIC's portfolio, which could explain VNM price's reaching its ceiling in the Monday trading session, right after the news went public.

In finance, a practice known as the "mosaic theory" of investing – is method of collecting many small pieces in giving recommendation about specific company. At first glance, above news is expected by many investors, however, we think this is a very long process after looking back the SOEs restructuring process in general, the divestment process of SCIC plus the recent corporate governance story of VNM in particular.

- About prospects of relaxed FOL (Foreign-ownership limits) in Vietnamese equities – from viewpoint of listed companies in which SCIC holds a majority stake: According M&A forum discussion, authorities will urgently complete written guidance documents relating Decree 60. However, if the schedule remains unchanged, appropriate time to identify opportunities for foreign investors shall fall in 1st half of 2016 as decision on percentage for foreign owners must be approved at AGM. As for VNM, SCIC is currently dominant by 45% shares holding. We still remember perspective of SCIC's leader on divestment issues: "Prime Minister asked SCIC to divest from some companies but we need to reconsider because there are still businesses worthy after 8 years of holding. Industries and sectors in our long-term investment list are the ones that are operating effectively", said he. In the end of July 2015, SCIC Ltd. Company – a subsidiary of SCIC, announced that it had sold 822,700 shares of VNM, which was a sign of change. However, we assess this is a very small change in term of action; moreover, repercussion after 2015 annual AGM also reinforce our belief that there will be high chances SCIC will persist in co-operating with VNM.
- In term of the capital divestment process of SCIC: In late 2013, SCIC holds stakes in 361 enterprises. In 2014, SCIC targeted of carrying out divestment plans at 290 enterprises, however, by the end of this year, SCIC has just divested in state capital at 76 stated-owned enterprises (~ 26.3% of the plan). In 2015, SCIC need to carry out divestment plans at around 229, by the end of Q1/2015, it could only complete ~9.6% of the plan. From the beginning of July, 2015, a series of shares auction was announced with the urge to implement the goal of 2015. Our overall comment on the results of SCIC divestment process is that the objective cannot be reached in terms of quantity but can be reached in

term of the value. 1 year ago, we also recorded the views of representatives SCIC for the divestment process: "Whatever can be done will be done. Do the easy bits first, leave difficult bits until last." We think VNM is a difficult case, if SCIC really want divestments in VNM, the process will still very far away.

By and large, making above arguments, we think more than 10-ponit-increase of VNIndex with the support of many shares in SCIC's portfolio in today's trading is likely a short term psychological effect. This was repeated again and again in Vietnam Stock Market. Though we think it would be short-lived, but in view of positive side, the expectation about the room expansion, the opportunity to invest in good enterprises that state hold large stakes is extremely high.

Brief updates on PetroVietnam Transportation Corp. (PVT-HSX)

Last week, PetroVietnam transportation corporation (PVT-HSX) held the "Analyst Meeting". According to this meeting, PVT made known that 6M business activity relatively remained stable. Simultaneously, due to lower oil price as well as the significantly increase in oil products (such as crude oil, gasoline and LPG), the operation of fleets witnessed capacity expansions. In 6M2015, Dung Quat oil filter factory imported 3.4 million tons of crude oil, equivalent to 63% of 2014 volume). Apart from the efficient ship's operation, the company also experienced two positive modifications: (1) Booking the revenue of VND 500 billion in 2015 due to transporting coal for Vung Ang thermal power plant since Q4/2014; (2) Since May, 2015, PVT put into operation the FSO Dai Hung and signed the O&M contract for Chim Sao FPSO. Because of the stable operations of FSO as well as high profit margin, Q2/2015 earnings results recorded positively. To sum up, in 6M2015, PVT achieved 50% of 2015 revenue guidance, meanwhile, achieving 89% of profit plan. In the second half of 2015, the company expects that earning result is likely similar to 2014's. Because not booking VND 100 billion from selling asset compared to 2014, our analyst supposed that keeping the same earning is the highlight spot for 2015.

Table: The business result in 1H2015 and 2H2015 prospect

	2014 actual	**1H2015**	**2015 plan**	**1H2015/ 2015 plan**	**2015 forecast**	**Compared to 2014 actual**
Consolidated Revenue (VND bn)	5,623	2,532	5,085	49.8%	5,594	-0.5%
Consolidated EBT (VND bn)	486	215	241	89.2%	500	2.9%
Parent revenue (VND bn)	1,991	1,030	2,036	50.5%	2,240	12.5%
Parent EBT (VND bn)	313	152	145	105%	350	11.8%
BVPS (dong)	12,236	12,576	na	na	12,805	na
EPS (dong)	1,333	1,411	na	na	1,373	na

Source: PVT

Beside the current news, our analysts has developed a more optimistic view after meeting with the company's management on its medium and long term potential based on the following reasons:

(1) The PM's decision for PVN to keep holding 51% shares at PVT has been of great importance for PVN's growth and opportunities to take on PVN's large projects in the future (5 coal thermal electricity plants having PVN as an investor)

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(2) Enhancing Vietnam's refinery capability (Nghi Son (2017), Dung Quat expansion (2018)…) results in an increase in demand for crude oil imports and transportation. Therefore, PVT, at its current position, is going to take charge of transporting PVN's crude oil in the mother company's projects.

(3) Having been in the FSO and FPSO industry for a fairly short amount of time, PVT however has its large crude oil tanker team as an advantage, thus could conveniently deploy the tankers into FSO floating storage.

(4) PVT has been divesting/contracting its non-related industry investments in order to focus on their core business activities, which indirectly better off its performance via provision withdrawals from subsidiary companies.

At the moment PVT is trading at the stable price range with trailing P/E at 9x. The company's future business expanding potential is supposedly a factor that makes PVT an opportunity for a long-term investment.

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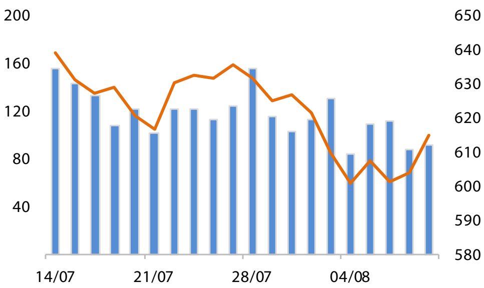
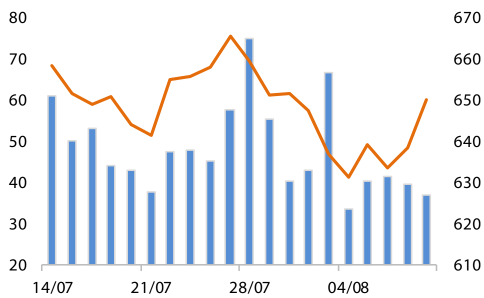
Appendix: Top 20 investments in SCIC's portfolio

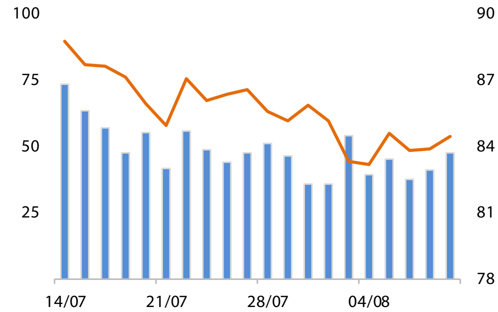
No	Company	Ticker	Charter Capital (VND bn)	SCIC Owner ship	Stated-owned capital (VND bn)	Market price (dong) (08/10/2015)	Market value of state-owned capital (08/10/2015)
1	Vinamilk	VNM	10,064	45.06%	4,535	107,000	48,523
2	Vinaconex	VCG	4,417	57.79%	2,553	13,500	3,446
3	Quang Ninh Thermal	NDQN	4,500	11%	514	na	na
4	FPT Telecom	FTC	997	50%	500	na	na
5	SCIC Ltd.	SIC	500	100%	500	na	na
6	Vinh Son Song Hinh Hydropower	VSH	2,062	24%	495	14,200	703
7	Hai Phong Thermal	NDHP	5,000	9%	450	na	na
8	Vinare	VNR	1,311	31.05%	407	23,800	969
9	Viettronics	VEIC	438	88%	385	na	na
10	Bao Minh Insurance	BMI	755	50.70%	383	22,000	842
11	Hau Giang Pharmaceutical	DHG	872	43.42%	378	74,500	2,820
12	Bao Viet Group	BVH	6,804	3.26%	222	50,000	1,109
13	Tien Phong Plastics	NTP	563	37.10%	209	47,000	982
14	Vietnam Infrastructure investment and development	VIID	336	48%	160	na	na
15	FPT	FPT	3,440	4.19%	144	48,500	699
16	Binh Minh Plastics	BMP	455	29.51%	134	96,000	1,288
17	Khanh Hoa Mineral	Minexco	140	89%	125	na	na
18	Constrexim	Constrexim	264	46.11%	122	na	na
19	Royal International	RIC	899	13.28%	119	10,000	119
20	Binh Duong Mineral	KSB	180	50.05%	90	28,000	252

Source: SCIC, RongViet Research

VNINDEX	1.78%	614.53	VN30	1.82%	649.99	HNXINDEX	0.63%	84.41

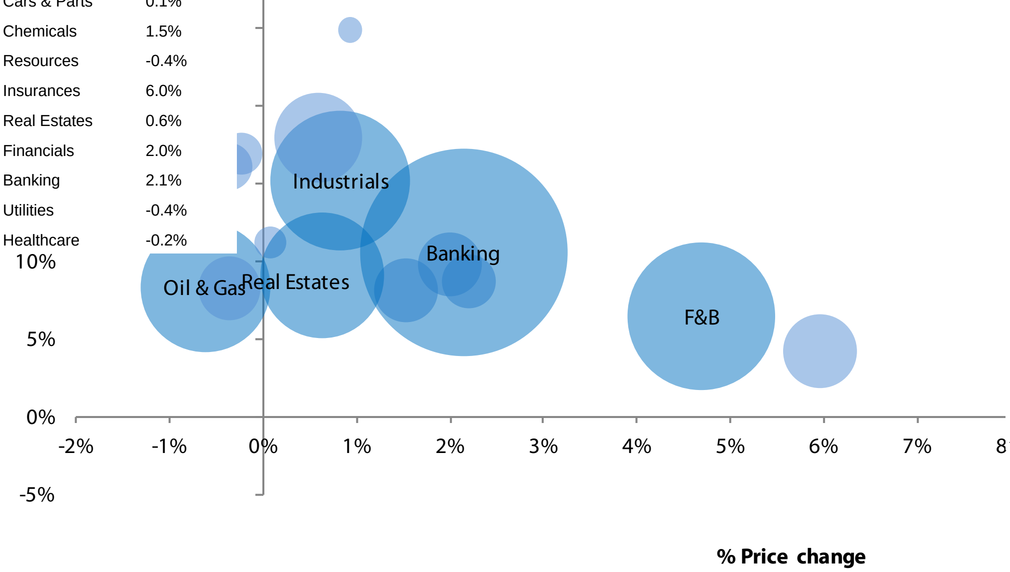




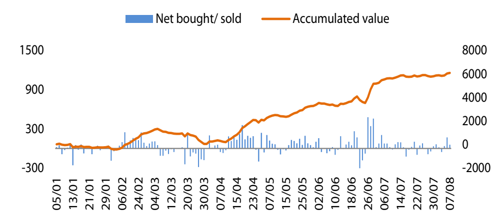


Industry Movement

Industry	% change
Technologies	2.2%
Industrials	0.8%
Constructions	0.6%
Oil & Gas	-0.6%
Distribution	0.9%
F&B	4.7%
Household Goods	1.5%
Cars & Parts	0.1%
Chemicals	1.5%
Resources	-0.4%
Insurances	6.0%
Real Estates	0.6%
Financials	2.0%
Banking	2.1%
Utilities	-0.4%
Healthcare	-0.2%



Foreign Investors Trading



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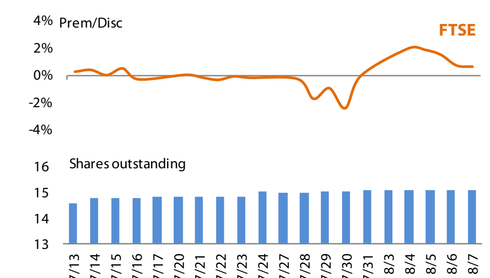
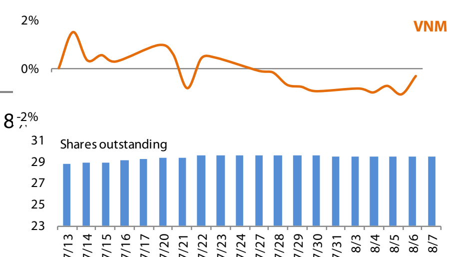
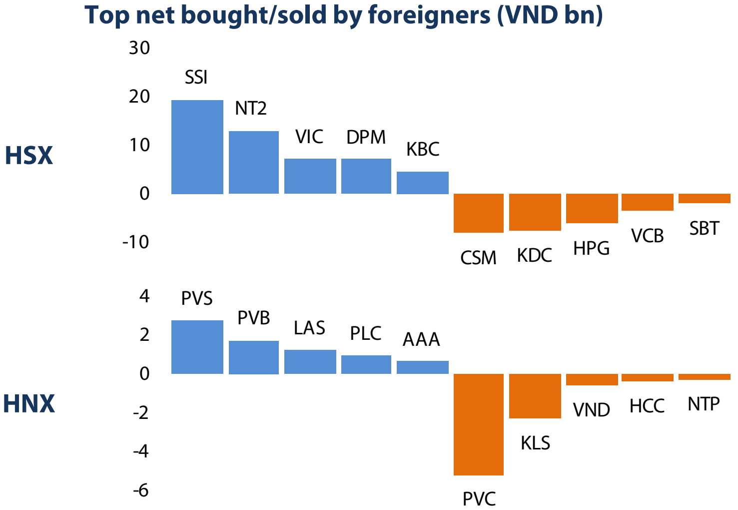




Top net bought/sold by foreigners (VND bn)



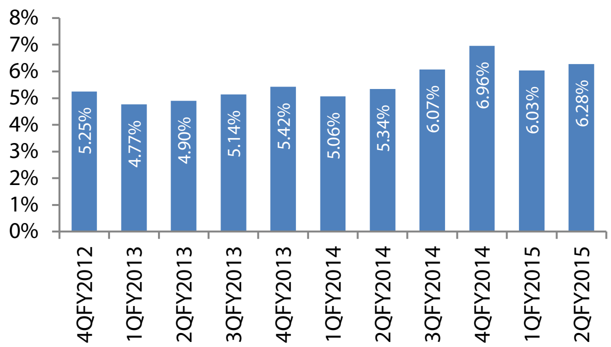
Top Active

Ticker	Price	Volume	% price change
SSI	27.6	3.87	3.0%
FLC	8.0	3.52	0.0%
KDC	48.2	3.19	0.4%
ASM	10.2	2.39	1.0%
MBB	16.1	2.29	0.6%

Ticker	Price	Volume	% price change
KVC	16.5	2.99	-4.6%
FIT	12.3	2.71	-2.4%
FID	14.7	2.67	9.7%
SCR	8.5	2.58	1.2%
KLF	6.0	2.40	-1.6%

MACRO WATCH

Graph 1: GDP Growth

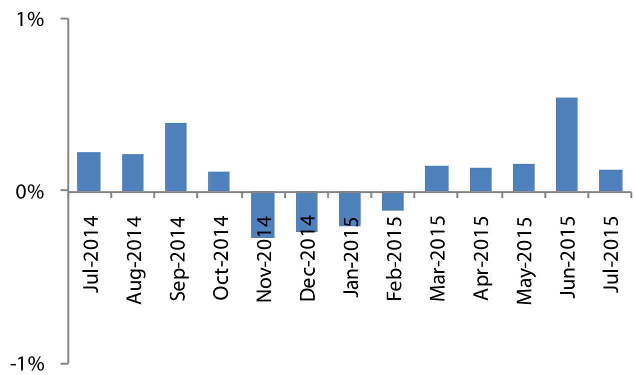


Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP

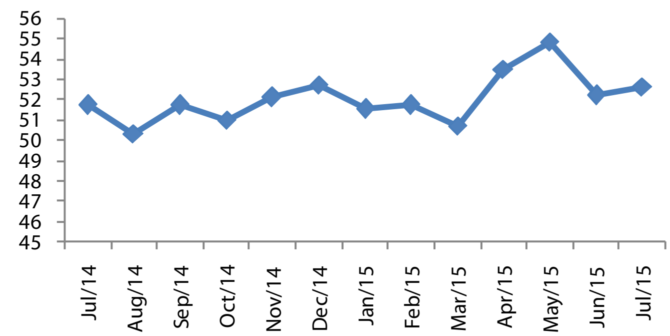
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



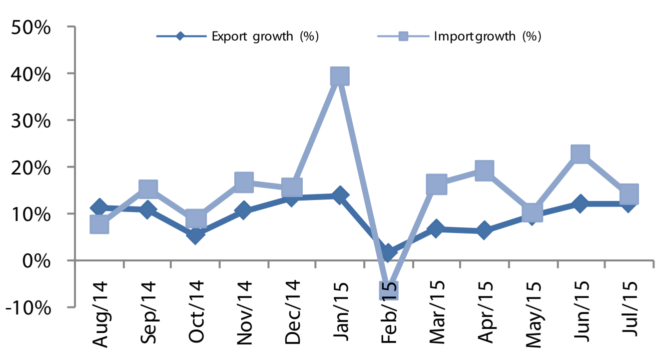
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



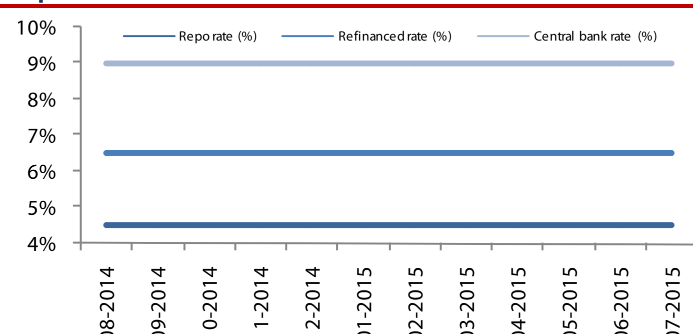
Sources: GSO. Rongviet Securities database

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
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
PVD - Well-positioned in the industry but still early to expect upturn	July 14th, 2015	Accumulate – Intermediate term	61,700

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	21/07/2015	0% - 0.75%	0% - 2.5%	11,817	11,748	0.59%
VEOF	21/07/2015	0% - 0.75%	0% - 2.5%	9,945	10,100	-1.53%
VF1	31/07/2015	0.2% - 1%	0.5%-1.5%	23,561	23,582	-0.09%
VF4	29/07/2015	0.2% - 1%	0%-1.5%	10,715	10,752	-0.34%
VFA	31/07/2015	0.2% - 1%	0%-1.5%	7,606	7,606	0%
VFB	31/07/2015	0.3% - 0.6%	0%-1%	12,282	12,260	0.18%
ENF	24/07/2015	0% - 3%	0%	11,626	11,557	0.60%
MBVF	30/07/2015	1%	0%-1%	10,578	10,626	-0.45%
MBBF	29/07/2015	0%-0.5%	0%-1%	12,300	12,295	0.04%

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