

“Chou: Vietnam will bring juicy returns to Taiwanese investors”

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Taiwanese producers are moving their production bases from China to Vietnam for lower labor and land costs, Jeff Chou, senior tax expert at Ernst & Young of Taiwan said in an interview with our friend Keith Hilden of Squawkonomics (Taipei) yesterday.

Nonetheless, Taiwanese investors are more concerned of transparency in Vietnam, especially in the financial reporting quality, Chou added, saying that even with juicy returns, the efficiency of the financial system and capital control are problems needed to be resolved if the country is to attract more investment from Taiwan.

“The bien Dong tensions will damage Taiwanese investors' faith in the short term.” In May, anti-China protests broke out near Taiwanese-invested industrial facilities across the country, most notably one at the 2-billion-dollar steel complex of Formosa Plastics Group (Taiwan) in Ha Tinh. “In medium and long term, investors will find a way to expand the production base in Vietnam, for example, hiring Vietnamese managers to replace the Taiwanese personnel”, said Chou. Therefore, the commitment of Taiwanese investors in Vietnam should be little impacted in the long term.

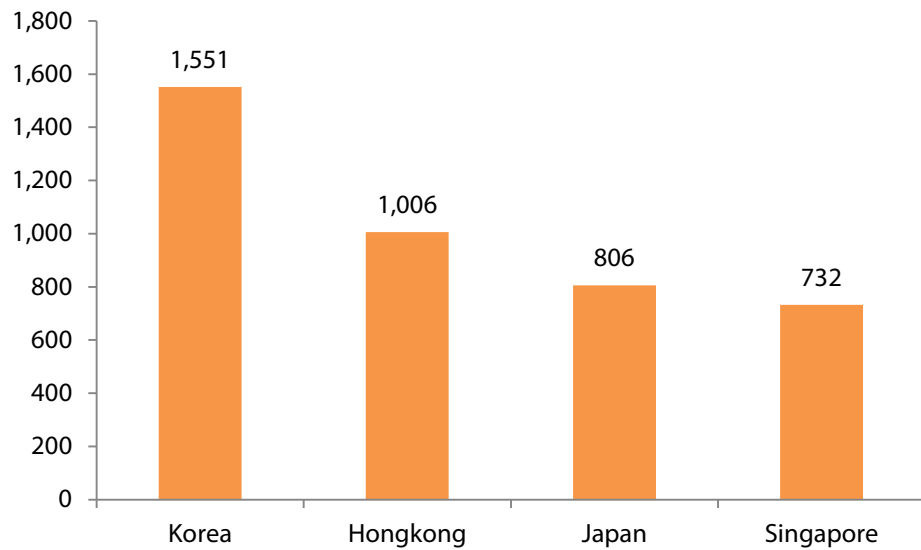
Taiwan has been one of the largest foreign investors in Vietnam much as it is in other Southeast Asian countries. Consequently, Taiwanese investors are usually those favored the most by many investment incentives. Formosa, for instance, is being offered unprecedented incentives such as a 15-year exemption from land lease, a 10-percent income tax bracket, exemption from income tax for the first 4 years and a 50-percent tax cut in the next 9 years; it is not even regulated by the article of the Land Law that allows the government to reclaim land for socio-economic purposes.

“I think the textile sector and traditional non-hi-tech are doing very well doing over there (Vietnam)...” Chou added, pointing out Taiwanese investors have had a good foundation in Vietnam textiles and will keep growing there. “For textile, we don't need a highly educated labor force but for hi-tech, we do need a good quality labor force”, said Chou as he explained why the textile sector of Vietnam is a bright spot for Taiwanese investors while the hi-tech sector is not.

With regard to labor quality, Indonesia is beating out Vietnam other Southeast Asian countries. Fortunately, the Koreans are picking up the slack as Samsung has committed another USD1 billion for a high-definition display R&D facility in the Samsung Complex in Bac Ninh, bringing its total investment in Vietnam to USD6.8 billion so far. Whereas Taiwan fell to the 8th place as a foreign investor, Korea rose to the top in the first half of 2014. Clearly, Asian investors like Korea, Japan and Singapore still view the sectors of Vietnam as “juicy” investments. This means that they would continue leading the foreign investment flows into the country for a foreseeable future.

Taiwanese investors are not the only ones to see the prospect of Vietnam's textile industry. The coming 2.7-trillion-dong IPO of the Vietnam Textile & Garment Group (Vinatex) has drawn much attention on the market lately. The Group said in the Hanoi roadshow yesterday that it is focusing resources in consummating its cotton-to-garment production line in preparation for the TPP and the Vietnam-EU FTA. We presented excerpts from this offering in our Advisory Dairy of June 24th and will provide more in-depth information after our analyst is back from the HCMC IPO roadshow tomorrow.

Exhibit: Top 4 FDI investors in Vietnam 6M2014 (million USD)



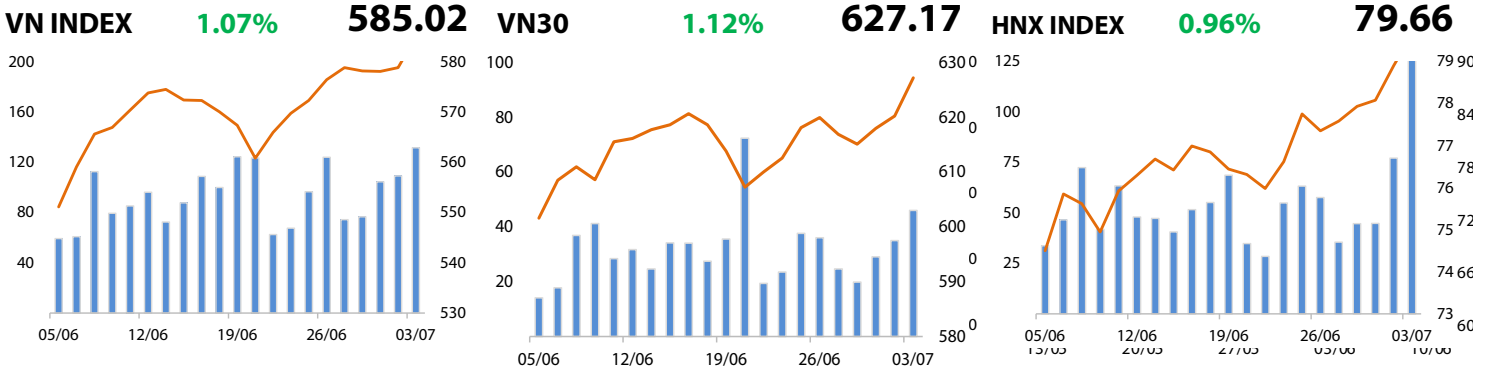
Source: The Foreign Investment Agency of the Ministry of Planning and Investment, RongViet Securities

Back to the stock market, today was a great day for stocks on both the HSX and HNX. The sharp, sustained increase and booming volume resulted from a resonance among stocks of all cap sizes. More optimistically, ticks of good fundamentals such as HPG, PXS, FPT and TCM all added substantially. The excitement in the HNX, though not as powerful, still spread widely across stocks. Although they could not manage to close at their intraday heights, SHB, SCR and VCG helped anchored HNIIndex in the green zone for the day despite some retracement in the middle of the afternoon. At the close, VNIIndex was up 1.07% at 585, HNIIndex 0.96% at 79.7; trading volume stopped at 131.5 million and 77.8 million shares respectively.

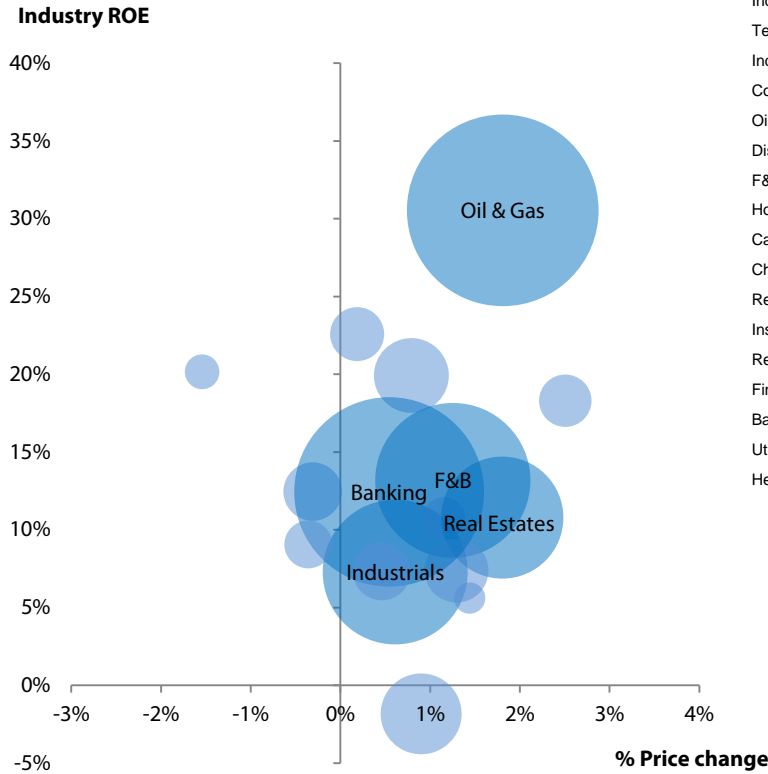
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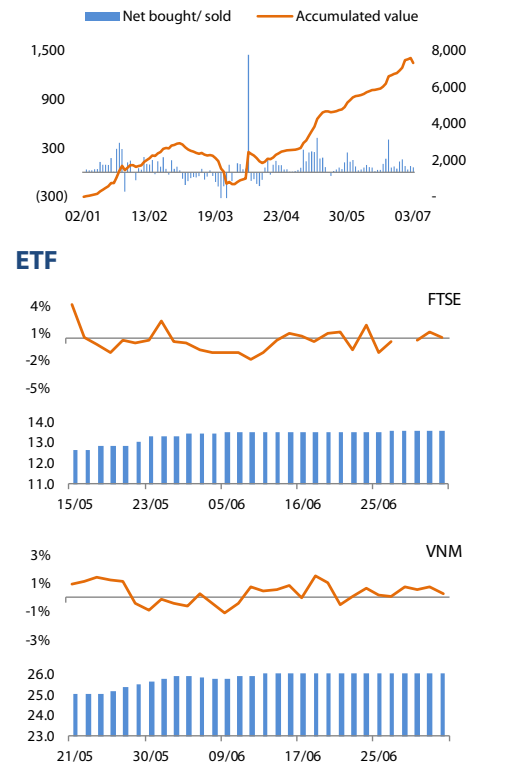
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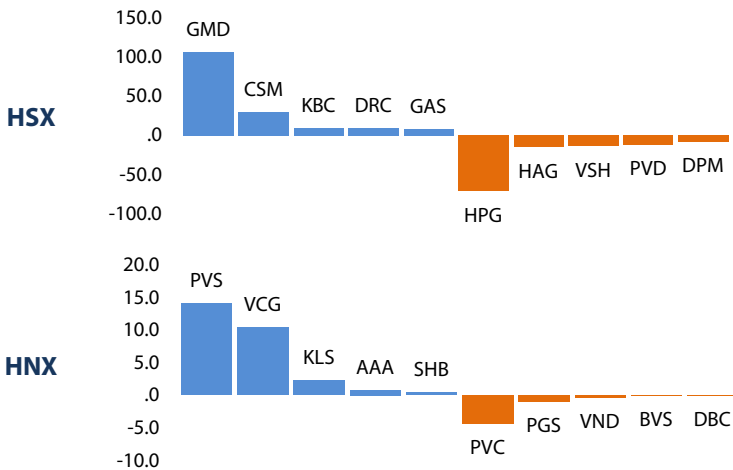
Industry Movement



Foreign Investors Trading



Top net bought/sold by foreigners (VND bn)



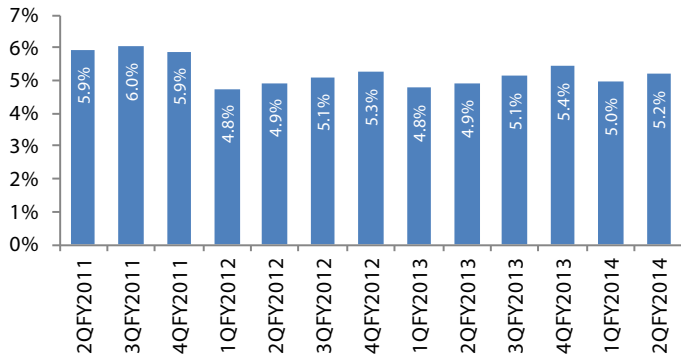
Top Active

Ticker	Price	Volume	% price change
ITA	8.50	11.70	3.7%
FLC	12.30	10.95	3.4%
HQC	8.40	4.62	1.2%
HAG	25.00	3.58	1.2%
SSI	26.90	3.29	0.7%

Ticker	Price	Volume	% price change
SHB	9.90	42.21	1.3%
NVB	7.20	11.13	2.8%
SHS	9.40	10.11	0.6%
SCR	8.90	7.25	3.0%
PVX	4.50	5.57	1.0%

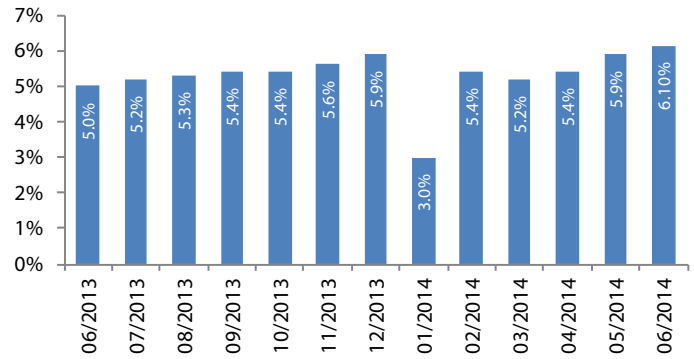
MACRO WATCH

Graph 1: GDP Growth



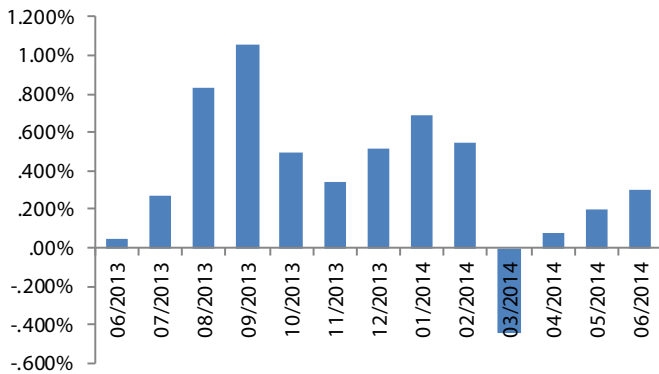
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



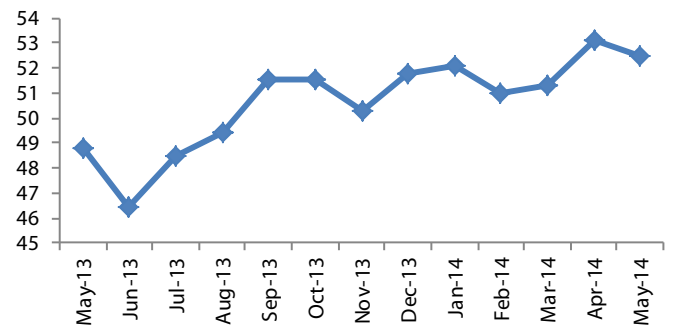
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



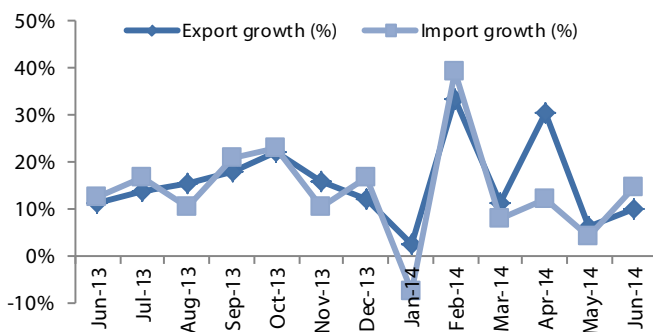
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



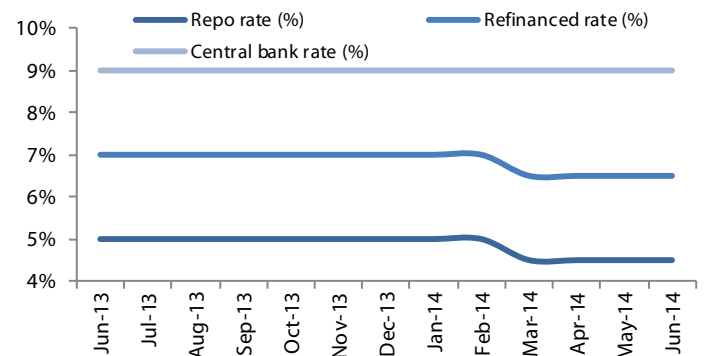
Sources: GSO, Rongviet Securities database

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
DBC-Benefit from decline in material price	May 27 th , 2014	Buy – Long-term	28,000
FPT-Leaping revenue	May 27 th , 2014	Accumulate – Intermediate-term	51,600
NBB-Strengthened cash flows	May 07 th , 2014	Buy – Long-term	36,300
DIG-Reboot	April 28 th , 2014	Accumulated – Long-term	19,200
HPG-Sustainable Development	April 24 th , 2014	Accumulated – Intermediate-term	55,100

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

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	24/06/2014	0.75%	0.75%	10,833	10,790	0.4%
VF1	26/06/2014	0.20% - 1.00%	0.50%-1.50%	21,100	20,974	0.60%
VF4	25/06/2014	0.20% - 1.00%	0.00%-1.50%	9,527	9,545	-0.19%
VFA	26/06/2014	0.20% - 1.00%	0.00%-1.50%	7,377	7,358	0.25%
VFB	26/06/2014	0.30% - 0.60%	0.00%-1.00%	10,799	10,788	0.10%
ENF	20/06/2014	0.00% - 3.00%		9,785	9,789	0.04%

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