

OCTOBER

30

THURSDAY

“Liquidity remained low, market was still bleak”

ADVISORY DIARY

- **Ability of attracting foreign investment was still high**
- **Cadivi: Good choice for stock market**
- **IPO Vietnam Airlines: milestone for SOE privatization**
- **Liquidity remained low, market was still bleak**

Ability of attracting foreign investment was still high

Lately, World Bank just published the 12th annual Investment environment report with forecasts of 2015 investment environment for 189 countries. Of which, Vietnam currently ranks at 78th position over 189 countries, dropping 6 spots from 72th in 2014.

One of the two brightest spots about Vietnam investment environment has been the establishment of the national credit information institution. The institution commenced operation in 1/2014 and to the month of April 2014 has been able to provide credit information on 23 out of 47 commercial banks in Vietnam. Besides, World Bank also appreciated the 30% corporate income tax cut in 2009 to support small and medium sized enterprises in reducing corporate tax expense, laying foundation for Vietnam to achieve higher ranking in coming years.

Looking at the evaluation report, it is discernible to see the fall in ranking from most of Vietnam’s important. Noticeably, the establishment of new enterprises dropped 5 ranks from 120 to 125, which has been an unexpected results given Vietnam effort in supporting enterprises development in many areas. According to GSO statistics, in 10/2014, there are 6.831 new registered companies nationwide and on the contrary 7.141 companies saw operation suspended or ceased.

In addition, the loans fell by 6 levels, from 30 to 36 because of the low accessibility of corporate loan and low level of transparency of credit information. According to the State Bank, as the 24, October, the credit system grows by 7.85% compared to 2013, relatively far from the target of State Bank. However, as noted in 28/10 Advisory Diary, the possibility to complete the credit growth target is achievable for this year because the interest rates of deposits and loans are lowered within a day. On the other hand, the loose monetary policy of the SBV is only effective when the companies know how to locate and improve the business activities and the output of consumption for a sustainable development. Several other indicators such as protecting investors, paying taxes and international trade of Vietnam also fell 1-2 grade average.

In addition, the World Bank also recognizes the positive about Vietnam market through increased building permits and property registration by one level. This suggests that a number of policies to simplify administrative procedures of Government over time have taken effect gradually.

Overall, based on the assessment of World Bank, the business environment of Vietnam is still limited, but the promoted potential is still high, especially when considering the extensive look, Vietnam ranks behind only three countries including Singapore, Malaysia and Thailand in Southeast Asia. At the same time, the positive signals from the macro economy would attract the domestic and foreign investment.

Exhibit: Environment business ranking for Vietnam 2014 – 2015

Topics	2015 Rank	2014 Rank	+/-
Starting a Business	125	120	-5
Dealing with Construction Permits	22	23	+1
Getting Electricity	135	135	0
Registering Property	33	34	+1
Getting Credit	36	30	-6
Protecting Minority Investors	117	115	-2
Paying Taxes	173	171	-2
Trading Across Borders	75	74	-1
Enforcing Contracts	47	47	0
Resolving Insolvency	104	104	0

Source: World Bank, RongViet Research

Cadivi: Good choice for stock market

On October 28th 2014, HCMC Securities Commission issued the decision No.415/QĐ-SGD HCM on accepting the stock listing application for Electric Cable JSC CADIVI (CAV). Being owned 65% by Vietnam Electrical Equipment Corporation, Cadivi is one of the two state-owned organizations that receive lots of attention from investors with regard to government privatization policy for state-owned organizations in Q4/2014. With the strategy to build a strong domestic presence prior to any overseas moves, CADIVI has been establishing a solid domestic ground in the supply of household electric cable accounting for more than 30% national market share, especially in Southern region (90%), central region(70%). Besides, CADIVI also step by step improves its product quality, diversifying product lines to meet exporting market conditions in markets such as Myanmar, Indonesia, USA...As 25% revenue coming from power sector projects, the route to develop the Government’s 500KW power distribution system network in 2015-2030 period would be an opportunity for CADIVI. Moreover, having witnessed the history of fellow electric cable JSC’s VTH stocks – Chartered capital of VND50billion (~17% CADIVI) reaching ceiling price within the first 2 trading sessions. We believe that with the leading position in the industry, CADIVI promises to refresh the market in the final months of 2014.

IPO Vietnam Airlines: milestone for SOE privatization

Today, our analyst has joined the Road Show of Vietnam Airlines Corporation. For Vietnamese’ investors and even RongViet Research, air transportation is a whole new world to us that we do not have much experiences. To get a thorough view about such “big” IPO deal within a short period of time is impossible. Thus, in a small-scale of today Advisory Diary, we come up with an angle by comparing Vietnam Airlines to other comparable airlines in area.

	Market cap (bn VND)	Total Assets (bn VND)	Total Equity (bn VND)	P/E	EV/EBITDA	Net profit margin (%)	ROA (%)	ROE (%)	Debt/Assets (%)	Debt/Equity (%)	Rev. Growth (%)	Profit Growth (%)
Vietnam Airlines	31,400*	59,336	10,016	Na	Na	0.28	0.25	1.47	63.78	377.82	6.02	Na
Air China	188,759	714,288	187,232	18.11	8.47	3.45	1.67	6.29	54.42	193.93	(0.75)	(32.23)
China Eastern	133,786	487,845	93,698	15.83	15.52	2.69	1.80	10.07	52.64	257.98	3.51	(22.76)
China Southern	94,479	575,402	119,565	36.77	7.08	2.02	1.29	5.91	55.99	217.89	(0.97)	(24.17)
Garuda Indonesia	24,026	62,266	23,518	Na	Na	0.30	0.40	0.99	34.01	89.92	7.02	(90.02)
Air Asia	43,190	114,706	32,125	8.55	11.52	7.08	2.16	7.34	56.96	203.38	3.35	(54.14)
Malaysia Airlines	27,555	140,395	16,289	Na	Na	(8.07)	(5.98)	(74.27)	53.86	290.52	9.49	(171.32)
Cebu Airlines	20,627	32,075	10,014	19.32	10.63	1.25	0.79	2.37	43.55	139.49	8.18	(85.67)
Thai Airways	20,384	197,889	36,622	Na	10.23	(5.84)	(3.94)	(19.16)	57.43	309.83	(1.33)	(293.41)

Sources: Bloomberg, Vietnam Airlines, RongViet Research
Data from FS in 2013
* Estimated based on debut price 22,300 VND/share

Despite its being at the helm of Vietnam's airline industry, Vietnam Airline seem undersized standing next to other players (except Cebu Airlines) in the region in term of both asset and equity sizes. By the end of 2013, the corporation has a fleet of 83 aircrafts with an average age of 5.34 years, also younger than most Asia-based fleets.

If examining some important financial indicators such as profit margin, ROA, ROE and growth ratio, we recognize that the airline industry seems not to be an attractive industry for investors and individuals. The Vietnam Airlines IPO deal, according to our assessment, has brought meaningful result at the macro level, which is estimated to be a turning point for the process of SOE restructuring. "Can the company sell shares to strategic investors?" has come into mind. We think that if Vietnam Airlines find successfully strategic partners, it will be more positive highlight of the roadmap of restructuring SOEs for not only Vietnam economy but the company development. According to shares at the Roadshow, 2 investors expressed their concern to become strategic partners. Finding the suitable partner can be a long way after the company IPO on 11.14.2014.

Focusing solely on such key profitability indicators as profit margins, earnings growth, ROE and ROA, the airline industry does not seem like fertile plot of land in the eyes of individual investors. In a broader perspective, however, Vietnam Airline's IPO marks a turning point in Vietnam's SOE restructuring scheme. If the firm can manage to find strategic investors, it will be a good sign with regard to the government's efforts to overhaul the SOE system in general and to the firm development prospect as well. Two investors has expressed interests and the due diligence process has only just begun, said an official of Vietnam Airline during the roadshow. Anyway, it is a long way before the first partners are named after the IPO on November 14.

Liquidity remained low, market was still bleak.

After two reluctantly gaining sessions, market today demonstrated instability as VNIndex moved around reference point, closing at the lowest of 589 points. Weak demand increasingly exhausted while selling pressure concentrated on blue-chips, such as GAS (-2,000), KDC (-1,000), HCM (-700), so, correction was unavoidable. Similarly, although HNINdex rose slightly by 0.2 point, market breadth was prone to dropping tickers (125 tickers), leading by heaviest – weighted stock, PVS (-400) after negative 3Q business result. Today's liquidity remained very low (lowest since August) with matching value of VND 2,124 billion.

In last 2 days, many large enterprises, such as CII, KDC, PVT, GAS, PPC, FPT published earning results. However, market still neglected with this information and capital flow measured the dreary of market most clearly even in virtually surging session like last session. As mentioned in

our October strategy report, market will not be too excited in time of parliamentary meetings, as well as 3Q business result will not reflect to market's price. Investors seem to await further information, that's why prudent trading and accumulating good stocks for long-term is necessary at this time.

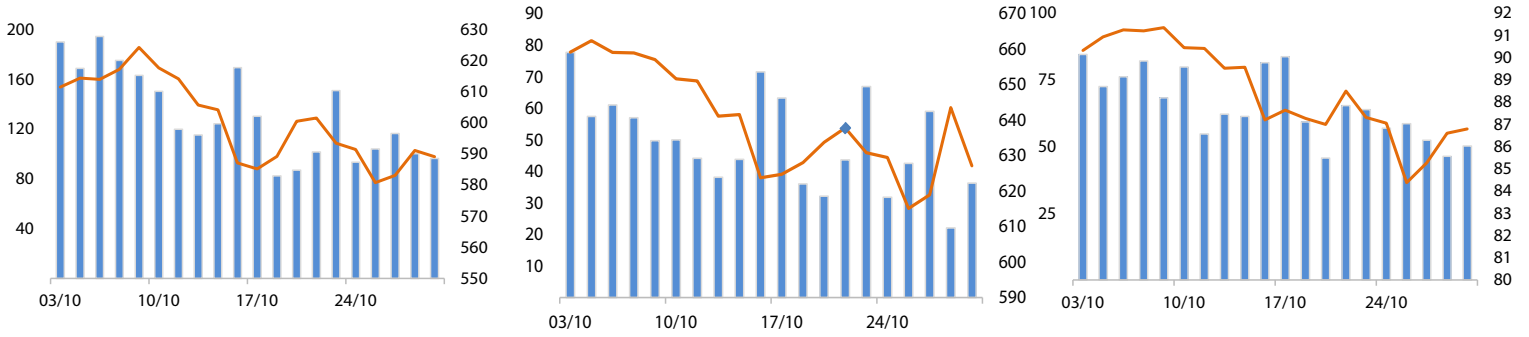
Yesterday, FOMC meeting just ended and announcement of FED about halting QE3, maintained interest rate of zero. This might be the highlight of global news today. In difference to slight increase of American and Europe market after this important information, Asian markets witnessed growth today. Going along with this trend, foreign investors today continuously net bought by VND 119 billion, focus on PVD, HPG, KDC, SSI. In the last two weeks, foreigners were back to net buy with total value of VND 200 billion, not too much but with higher intension, we supposed this is a positive signal.

Ngoc Chung

+ 84 8 6299 2006 | Ext: 318

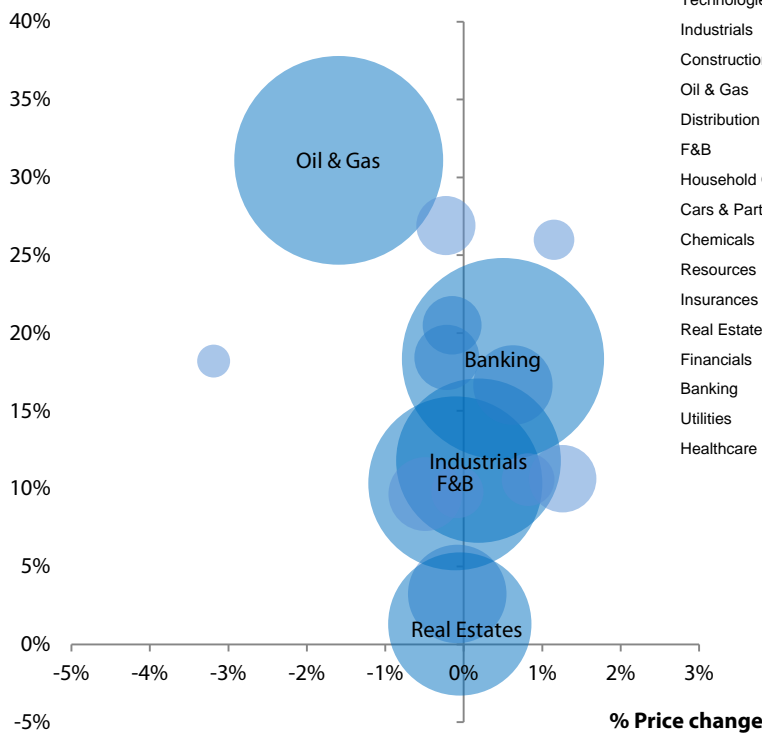
ngoc.cb@vdsc.com.vn

VNINDEX -0.35% 589.14 VN30 -2.54% 627.21 HNXINDEX 0.22% 86.79



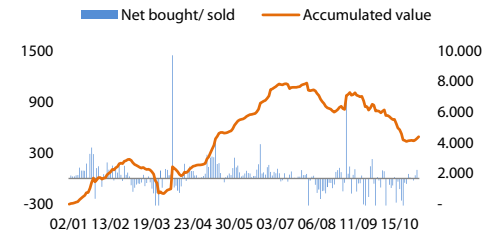
Industry Movement

Industry ROE

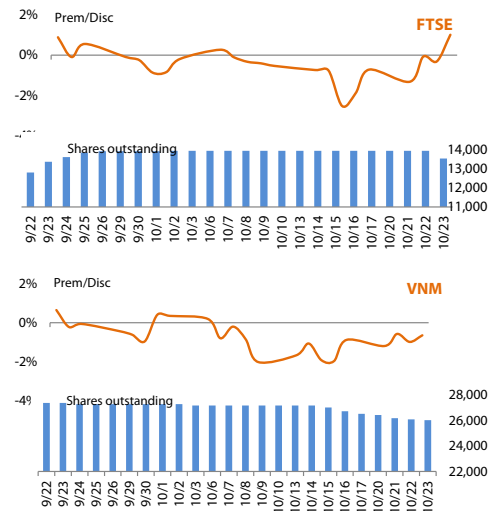


Industry	% change
Technologies	-0.1%
Industrials	0.2%
Constructions	-0.1%
Oil & Gas	-1.6%
Distribution	-3.2%
F&B	-0.1%
Household Goods	-0.1%
Cars & Parts	1.1%
Chemicals	-0.2%
Resources	-0.2%
Insurances	0.6%
Real Estates	-0.1%
Financials	-0.5%
Banking	0.5%
Utilities	1.3%
Healthcare	0.8%

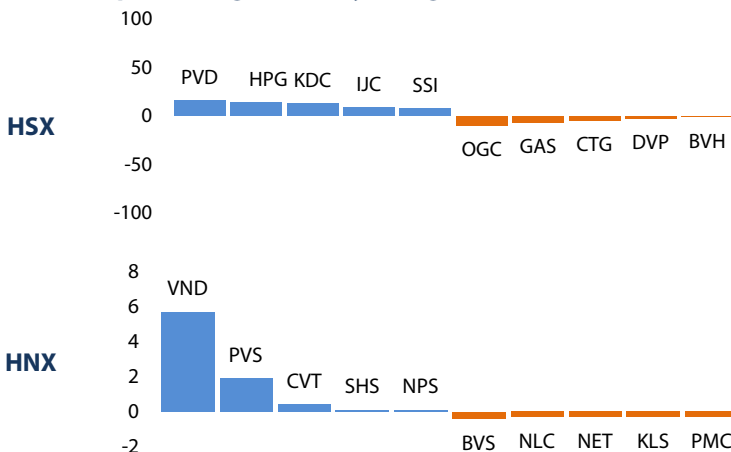
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



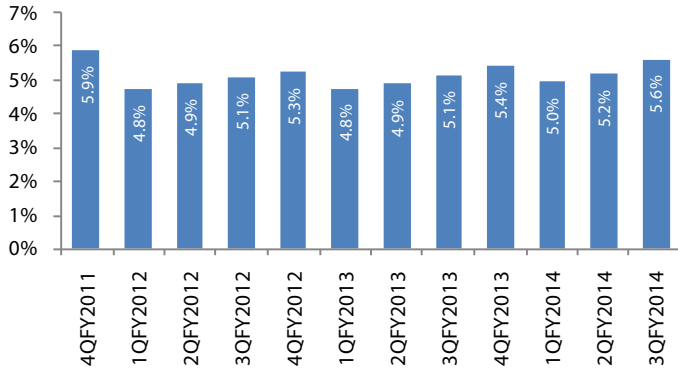
Top Active

Ticker	Price	Volume	% price change
HAR	11.4	8.14	6.5%
FLC	11.2	6.52	-0.9%
OGC	9.6	5.74	-5.0%
REE	28.8	5.04	2.1%
KBC	16.1	4.20	-1.2%

Ticker	Price	Volume	% price change
NVB	7.0	8.86	0.1%
KLF	11.3	5.85	-0.9%
PVX	5.9	3.11	-1.6%
VND	16.4	2.99	3.9%
SHB	8.6	2.22	0.1%

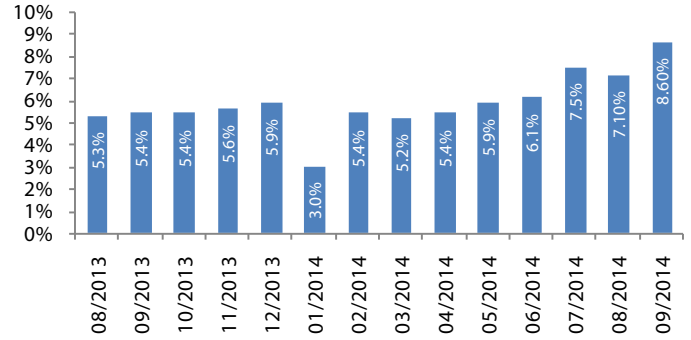
MACRO WATCH

Graph 1: GDP Growth



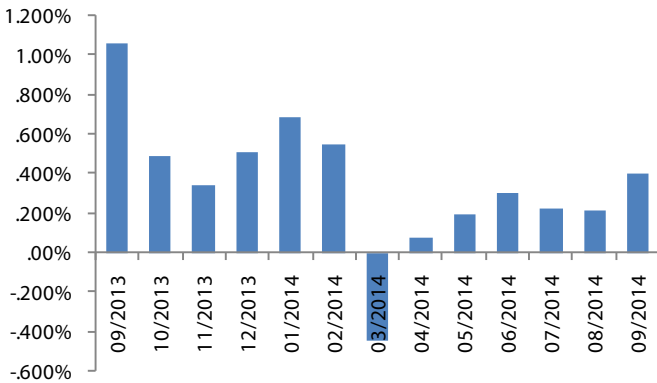
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



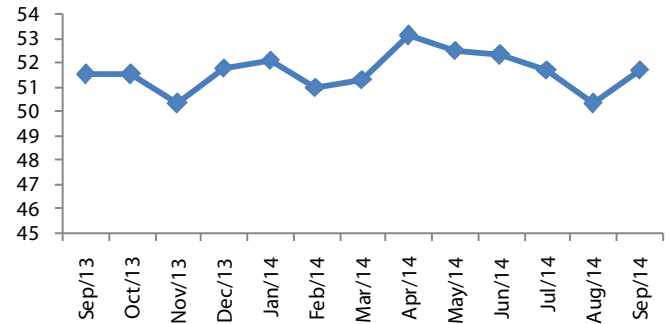
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



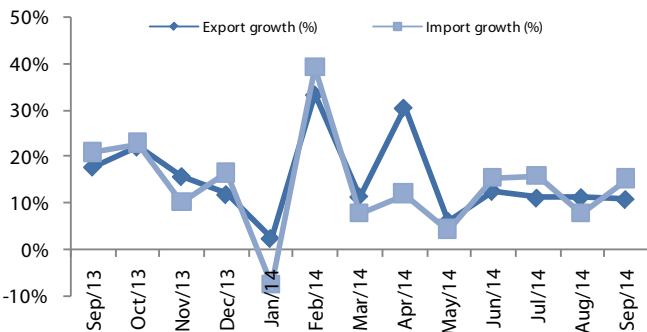
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



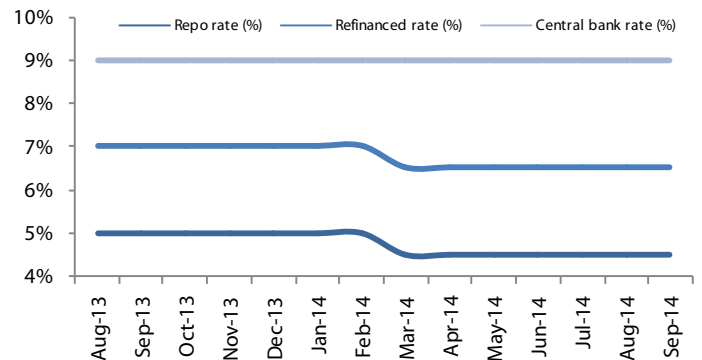
Sources: GSO. Rongviet Securities database

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
SBA - Growth season ahead	Oct 24 th , 2014	Buy – Intermediate term	14,500
APC - Incremental demands for irradiation industry	Oct 23 rd , 2014	Buy – Intermediate term	22,000
TCM - Moving up the value chain	Oct 14 th , 2014	Accumulate – Long term	42,500
DHC - Restructuring yielded juicy fruits	Sep 29 th , 2014	Buy – Intermediate term	25,200
DCL – Chances as bad debts to be solved	Sep 22 th , 2014	Neutral – Long term	37,000
PVD – Busy O&G exploitation brought warmth	Sep 17 th , 2014	Accumulate – Long term	122,000
REE - Solid grounds for sustainable growth	Sept 9 th , 2014	Neutral - Long term	29,700

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	21/10/2014	0-0.75%	0-2.5%	11,829	11,859	-0.25%
VF1	24/10/2014	0.20% - 1.00%	0.50%-1.50%	22,611	22,908	-1.29%
VF4	22/10/2014	0.20% - 1.00%	0.00%-1.50%	10,274	10,475	-1.91%
VFA	24/10/2014	0.20% - 1.00%	0.00%-1.50%	7,560	7,509	0.68%
VFB	24/10/2014	0.30% - 0.60%	0.00%-1.00%	11,932	11,943	-0.10%
ENF	17/10/2014	0.00% - 3.00%		10,641	11,149	-4.56%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 314

truc.dtt@vdsc.com.vn

Ngoc Chung

+ 84 8 6299 2006 | Ext: 318

ngoc.cb@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 318

lam.ntp@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 348

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 344

my.ttd@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 339

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 348

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 317

huong.pt@vdsc.com.vn

HỘI SỞ TẠI TP.HCM

Tầng 1-2-3-4, tòa nhà Viet Dragon
141 Nguyễn Du, P.Bến Thành, Q.1, TP.HCM

- T** +84 8 6299 2006
- F** +84 8 6291 7986
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn

CHI NHÁNH HÀ NỘI

2C Thái Phiên, Q.Hai Bà Trưng, Hà Nội

- T** +84 4 6288 2006
- F** +84 4 6288 2008
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn

CHI NHÁNH NHA TRANG

50 Bis Yersin, TP.Nha Trang, Khánh Hòa

- T** +84 058 3820 006
- F** +84 058 3820 008
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn

CHI NHÁNH CẦN THƠ

08 Phan Đình Phùng, Q.Ninh Kiều, TP.Cần Thơ

- T** +84 0710 381 7578
- F** +84 0710 381 7789
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn



This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

This research report is copyrighted by Rong Viet Securities. All rights reserved. Therefore, copy, reproduction, republish or redistribution by any person or party for any purpose is strictly prohibited without the written permission of VDSC.