

SEPTEMBER

08

MONDAY

*“Supplemented
cash flows for
mid-caps and
pennies”*

ADVISORY DIARY

- **Are Vietnamese stocks no longer cheap?**
- **Supplemented cash flows for mid-caps and pennies**

Are Vietnamese stocks no longer cheap?

As Vietnam’s stock market climbed high, many investors must have felt the need to revisit the question whether or not Vietnamese stocks are still attractive in the eyes of foreign investors. According to our statistics of 20 major frontier-and-emerging-market indices (see table 01), Vietnamese stocks had the second highest P/E increases in August, after Ukraine, or 6.7% for the HSX and 9.5% for the HNX respectively. With this climb, VNIndex fell one notch and HNIndex two in our valuation attractiveness ranking.

We believe that the two main forces behind the market jump last month are: (1) hopes about measures to be taken by the government to improve the nation’s business environment and promote growth, especially strong statements of the Prime Minister and his cabinet in their monthly meeting in late August; (2) an hike of capital supply as funds were drained from channel deposits when deposit interest rates were lowered at the end of August. Under a stricter look, however, all these driving forces are expectations and short term in nature, which are poor indicators of real progresses in the economy. Thus, while domestic investors are still head-deep in the optimism emitting from information overly colored by the media, foreign investors seem to be more cautious. After buying net VND262 billion in July, foreigners turned to sell net VND312 billion in August while stocks rallied to new highs. Since the beginning of September, the foreign sector net buying value was only reported at 63.6 billion VND.

In the short term, ample, cheap and somehow careless cash flows from other investment channels can make up the tightened foreign capital inflows. In the long term, however, the most important is whether promises will be kept and commitments realized. Should economic recovery to fails to catch up with the stock market, the market will see itself without a firm footing for further progress.

Supplemented cash flows for mid-caps and pennies

Ever since late August, we have spotted a shift of cash flows from blue-chips (except large oil-gas tickers such as GAS, PVC and PVS) to mid-cap and penny stocks, i.e. TCM, BCC, HT1, HVG and KBC ... of which, TCM and KBC have attracted the most market attention.

KBC has added constantly after an extended accumulation around VND11,000/share, closing at VND15,200/share today. It was just known that the Haiphong Economic Zone Authority had granted Saigon-Haiphong Industrial Park Corporation (SHP), a subsidiary of KBC, the license to develop phase 2 (364 hectares) of Trang Due Industrial Park. Furthermore, the Prime Minister signed in earlier September the decision to include the entire land area of phase 2 of the industrial park in Dinh Vu-Cat Hai Economic Zone (phase 1 was merged in August 2013). Like all business in the zone, companies within Trang Due IP are subject to much favorable economic treatments such as: 10-percent income tax in 15 years, tax exemption in the first 4 years, 50% tax cut in the next 9 years and exemption of land and water surface lease in 15 years after since operation... KBC is pushing land clearance and infrastructure development here while preparing to hand over the land to LG Electronics (Korea) for the foreign investor’s 40.2-hectare hi-tech complex, whose 1.5-billion-dollar budget will be deployed in 2 phases: \$510 million from 2013 to 2017 and \$990 million from 2017 to 2023.

Like KBC, TCM has picked up substantial since its breaking-out from VND34,200/share; the stock added another VND900 today to end at VND38,500/share. The jump of TCM could have been driven by expectations of the Company's August results. In the analyst meeting in mid-August, TCM revised up its 2014 NPAT guidance by 5.5% and disclosed that it had ordered 1,000 tons of cotton for December 2014 and closed the price for August's yarn sales somewhere between \$3.23-3.25/kg. The firm expects to make 8-9% gross profit on yarns in Q3 and Q4 and perhaps over 10% in August alone. As the result, TCM's could have experienced an earnings jump in August. As far as we concern, TCM's positive results in FY2014 may have come partly from high-quality fabric sales, a new direction the firm has taken on as early as this year. Considering new progresses in the firm's core business and August's earnings, which will be available in the next few days, we will consider revising 2014's earnings forecast and the target price for TCM.

A return of cash flows to blue-chips was still nowhere to be seen even though many of them, i.e. VIC, GMD, VNM, PET, FPT, DRC, etc. ... ended higher today. The share of VN30 in the HSX's total trading value even dropped to 51.5% from 55% in the last session.

We would like to remind investors that RongViet Research's September Investment Strategic Report was published today. In this month's report, we stress that risks outweigh returns at the current price level. Of course, short-term investors will have opportunities to "strike fast" with technically attractive issues. However, all trading should be performed with a high degree of caution and best with stocks not having participated in the last rally already. On the other hand, intermediate-and-long-term positions can still be maintained and investors should consider taking profits with stocks that has met their expected returns. Finally, new purchases should be strictly limited; it is best for investors to stay on watch until the market corrects to before deciding to open any new positions.

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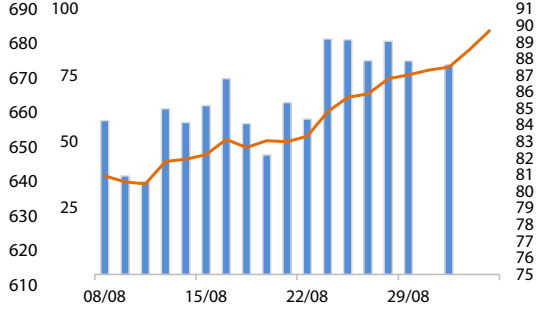
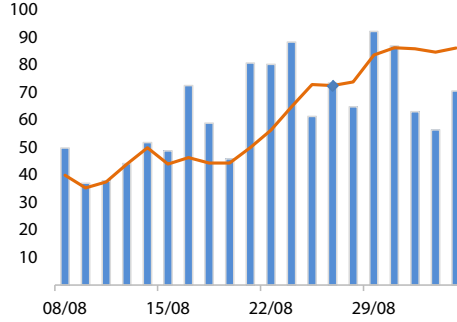
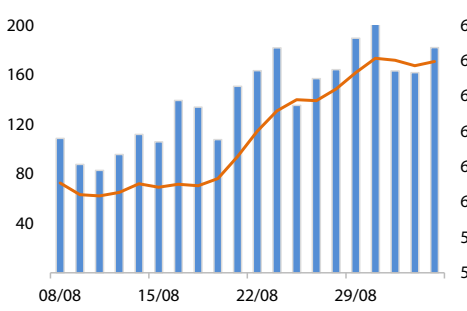
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Table 01: P/E and P/B ratios of emerging and frontier markets, July-August 2014

No.	Market	Representative Index	31-07-2014		No.	Market	Representative Index	29-08-2014	
			P/E	P/B				P/E	P/B
1	Argentina	MERVAL Index	10.2	1.5	1	Hong Kong	HSI INDEX	10.8	1.4
2	Hong Kong	HSI INDEX	10.8	1.4	2	Argentina	MERVAL INDEX	12.0	1.6
3	Pakistan	KSE INDEX	12.9	0.3	3	Pakistan	KSE INDEX	12.2	0.3
4	Singapore	FSTAS INDEX	13.6	1.3	4	Singapore	FSTAS INDEX	13.4	1.3
5	Vietnam	HNXINDEX	13.7	1.1	5	Nigeria	NGSE INDEX	13.7	2.5
6	Kazakhstan	KZKAK INDEX	13.8	0.9	6	Kazakhstan	KZKAK INDEX	14.0	0.9
7	Nigeria	NGSE INDEX	13.9	2.5	7	Vietnam	HNXINDEX	15.0	1.2
8	Vietnam	VNINDEX	14.9	2.0	8	New Zealand	NZSE50FG INDEX	15.4	1.7
9	New Zealand	NZSE50FG INDEX	15.2	1.7	9	Vietnam	VNINDEX	15.9	2.1
10	Kenya	KNSM INDEX	15.6	2.9	10	Kenya	KNSM INDEX	16.3	3.1
11	Qatar	DSM INDEX	16.1	2.1	11	Korea	KOSPI INDEX	16.5	1.2
12	Korea	KOSPI INDEX	16.5	1.2	12	Malaysia	FBMEMAS INDEX	16.6	2.0
13	Malaysia	FBMEMAS INDEX	16.7	2.0	13	Qatar	DSM INDEX	16.8	2.2
14	Thailand	SET INDEX	17.3	2.1	14	Thailand	SET INDEX	18.0	2.2
15	Taiwan	TWSE INDEX	19.4	1.9	15	Taiwan	TWSE INDEX	19.6	1.9
16	Saudi Arabia	SASE INDEX	19.6	2.5	16	Philippines	PCOMP INDEX	20.7	2.8
17	Philippines	PCOMP INDEX	20.1	2.8	17	Indonesia	JCI INDEX	20.9	2.8
18	Indonesia	JCI INDEX	20.7	2.7	18	Saudi Arabia	SASE INDEX	21.2	2.7
19	Ukraine	PFTS INDEX	61.6	0.8	19	Ukraine	PFTS INDEX	57.5	0.7

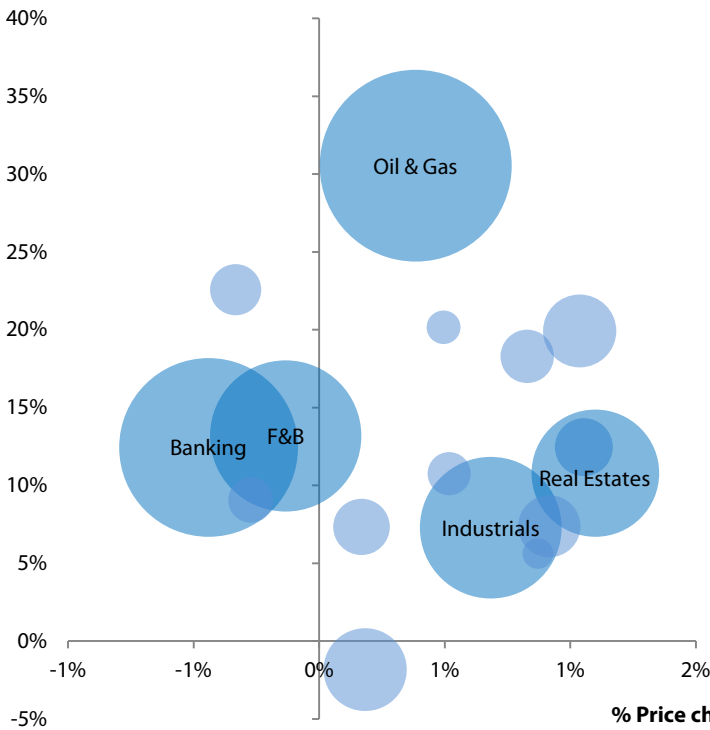
Sources: Bloomberg, RongViet Securities

VNINDEX 0.19% **639.85** **VN30** 0.18% **678.83** **HNXINDEX** 1.31% **89.70**



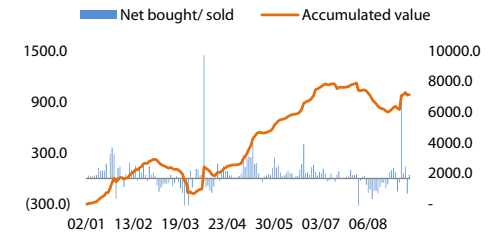
Industry Movement

Industry ROE

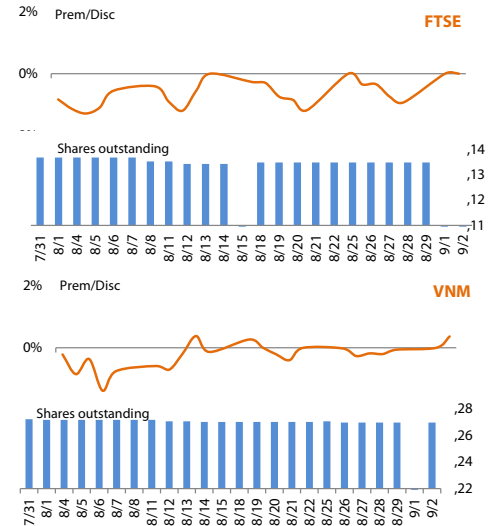


Industry	% change
Technologies	0.8%
Industrials	0.7%
Constructions	0.2%
Oil & Gas	0.4%
Distribution	0.9%
F&B	-0.1%
Household Goods	0.5%
Cars & Parts	0.5%
Chemicals	1.1%
Resources	-0.3%
Insurances	1.0%
Real Estates	1.1%
Financials	0.9%
Banking	-0.4%
Utilities	0.2%
Healthcare	-0.3%

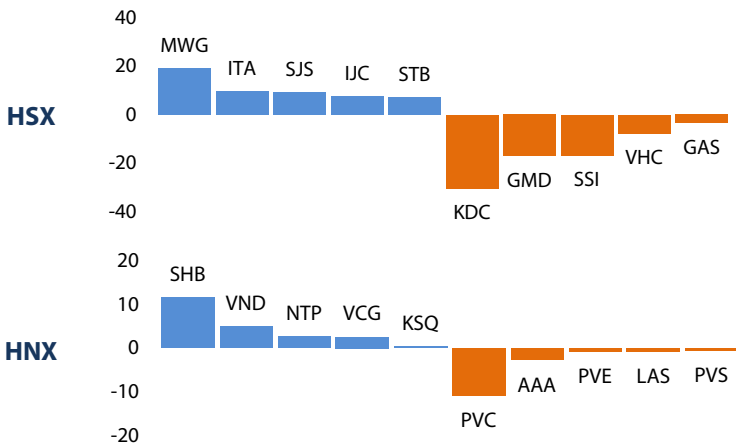
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



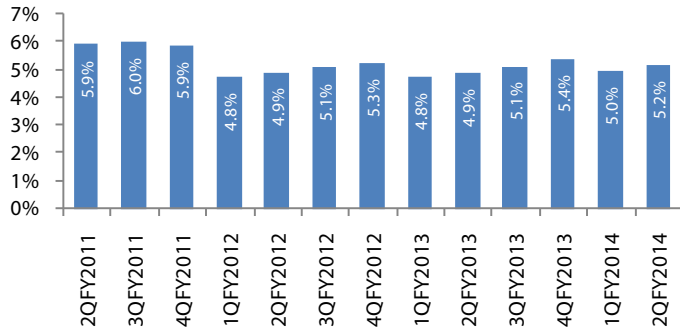
Top Active

Ticker	Price	Volume	% price change
FLC	13.20	21.00	1.5%
ITA	9.40	7.73	1.1%
OGC	12.60	5.13	-0.8%
SAM	11.70	4.66	-0.9%
PTL	4.30	4.46	4.9%

Ticker	Price	Volume	% price change
PVX	6.30	10.01	3.3%
SHB	9.70	6.40	-1.0%
SCR	10.70	4.80	-0.9%
PVS	43.50	4.68	5.8%
KLS	12.50	4.27	0.0%

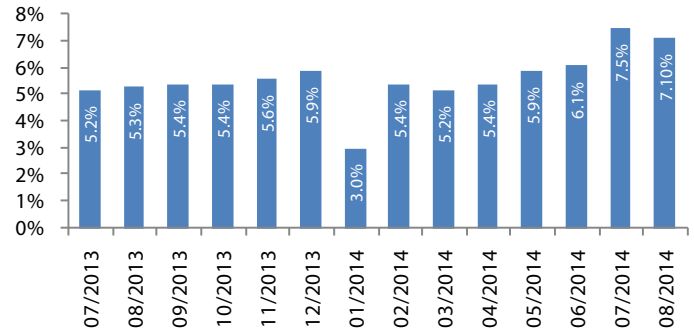
MACRO WATCH

Graph 1: GDP Growth



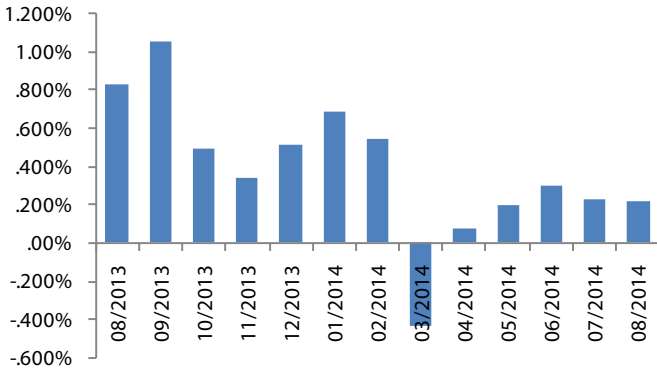
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



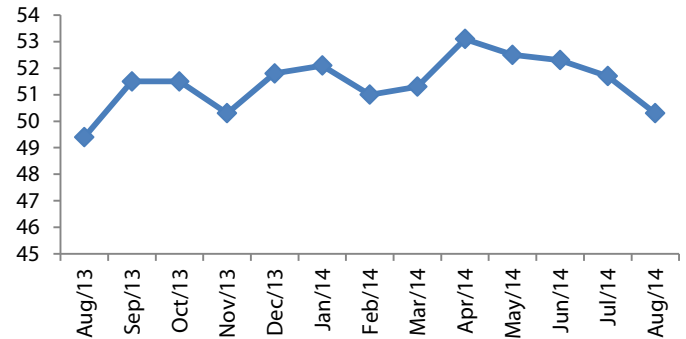
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



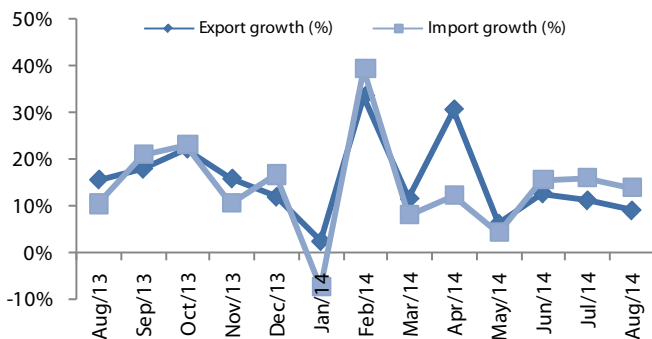
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



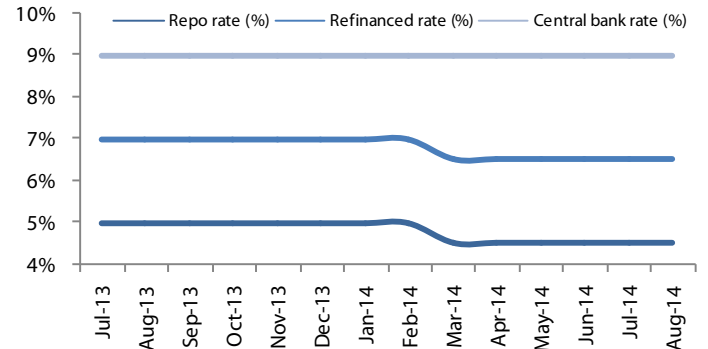
Sources: GSO. Rongviet Securities database

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
HSG - The hard part has gradually done!	Aug 21 st . 2014	Accumulate – Intermediate term	48.100
HPG - On the way to dominate nationwide' market shares	Aug 12 th . 2014	Accumulated – Intermediate-term	66.400
NBB – A new chaater with co-investment	Jul 31 st . 2014	Buy – Intermediate term	27.400
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

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	03/09/2014	0-0.75%	0-2.5%	11,440	11,436	0.03%
VF1	04/09/2014	0.20% - 1.00%	0.50%-1.50%	23,744	23,444	1.28%
VF4	03/09/2014	0.20% - 1.00%	0.00%-1.50%	10,900	10,807	0.86%
VFA	05/09/2014	0.20% - 1.00%	0.00%-1.50%	7,830	7,799	0.39%
VFB	05/09/2014	0.30% - 0.60%	0.00%-1.00%	11,262	11,239	0.21%
ENF	29/08/2014	0.00% - 3.00%		10,703	10,432	2.60%

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