

MARCH

16

MONDAY

*“The
balancing
week of two
ETFs: The
market could
return active!”*

ADVISORY DIARY

- **Differences in the growth story of 2007 and 2015 real estate sector**
- **The rebalancing week of two ETFs: The market could return active!**

Differences in the growth story of 2007 and 2015 real estate sector

Real estate market experienced a notable event last week. It was the conference that purported to collect enterprises’ opinions on the Draft of implementation instruction decree of 2014 real estate trading law held by VCCI. On this occasion, we would like to share our view on how the real estate market in 2015 differs with that in 2007.

In our Advisory Diary dated on the 15th Jan 2015, we mentioned the 2015 outlook of real estate market with some positive supporting factors such as infrastructure investment promotion, low interest rate and some other supporting policies. In early months of 2015, real estate market has seen some recovery signals in which HCMC real estate firms joined the race of opening many projects in medium and high-class segment. According to Ha Noi Real Estate Association, capital market has had 1.550 success deals from earlier of 2015 to mid-Feb 2015 which is three times higher than corresponding period. As a result, this has raised selling price in secondary market up from 10% to 15% and brought some concerns on a possible “overheating” like in 2007.

Comparing to 2007, the real estate market in 2015 has some similarities:

- **Real estate lending is untightened.** In 2007 and 2015, deposit and lending rate are at low level (below 10% per annum), especially real estate lending rate. In 2007, lending risk ratio was not increased and real estate also was not in the restriction lending list. In 2015, those barrels are also removed. Recently, lending condition from VND30,000 billion credit packages was untightened, lending rate also decreased to 5% per annum while maximum lending period prolong to 15 years. Economic experts asserted that the State bank of Vietnam is considering executing VND50,000 billion packages for commercial housing segment with 7% per annum interest rate in 10 years.
- **High prospect on foreign funds in real estate (FDI).** Participating in WTO in 11/2006, Vietnam expected the flow of FDI would pour into different segments, especially real estate in 2007 (FDI implementation increases 13.9% from 2006 to 2007). Furthermore, according to the statistic from Foreign Investment Agency, in the first 2 months, real estate segment maintained second position in term of attracting FDI with over 111.43 million USD.
- **The principle of the idle cash flow.** If the dramatically decreasing of the stock market in the period of 2006 – 2007 after the “bubble” growth time made the investor shift into real estate segment. The immediate turn around in second half of 2014 due to the objective global factors (oil price) and internal factors (Circular 36) also participated in the movement of cash flow into real estate segments.

With the convergence of above-mentioned factors, the question is whether “the bubble” may be inflated again. In our view, an “overheating” period like 2007 could hardly happen because the real estate market is moving in line with the fundamental elements:

- Market size is growing up with diversified, abundant supplies at many segments instead of just focusing on the premium one as in the past.
- Thanks to previous experience, the state management follows the market closer to reduce pushing-up price of some speculation groups. Another issue recently debated is the increase of minimum legal capital of a real estate business to VND50 billion from

VND20 billion (stated in the Law on Real Estate 2014). Although the problem remains controversial, the proposed regulations partly suggest the views of legislators in limiting the hot growth of the number of real estate enterprises. In the recent report of General Statistics Office, the quantity of newly established real estate businesses increased 89% in the first two months over the same period last year. It means that there was about 22-23 new registered real estate companies per day.

- Foreign investor's form of participation has changed from a joint venture, association to acquisition or merger. This gives the freedom to the market in the form of competition but not subject to regulation by administrative order of the State as before. Besides, the new Housing Law, which allows foreign individuals to own houses in Vietnam, has taken effect since 07/01/2015. Thereby, the policy would help raise the demand in 2015, especially in the premium segment.
- Monetary policy and credit, in contract, do not have much incentive as in 2007. Even VND30.000 billion credit package is aimed at those who "have difficulties in buying a new home" and the project in accordance with the income of the majority of homebuyers. The prudence in selecting borrowers was the reason why only one third of VND30,000 billion disbursed over a year and a half.
- The State now pays more attention to real society needs to ensure the "fundamental factors" in the development of Real estate market. In 2014, the Ministry of Construction encouraged the investment projects in low housing price with 102 social housing projects, including 38 housing projects for low-income people. In 2015, 150 social housing projects including 91 projects for low-income people will continue to be building up.

Table: Notable projects in 2015 at Ho Chi Minh and Hanoi

PROJECTS	NO. OF UNITS
Hanoi	
Sun Square	492
Diamon	120
FLC complex 36 Pham Hung	500
Home City Trung Kinh	1222
Goldmark City	5000
Trang An	500
Ho Chi Minh	
Jamona	1290
Sky Center	495
The Easter City	120
Vinhomes Central Park	10000
Dai Quang Minh	1131
Masstery	3000
Estella Heights	700
Ha Long Star	114
Binh Dang Project	224
Khang Gia Chanh Hung	141
CT36 Dream Home	200
Goldmark City	300

Source: RongViet Research

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According to these factors, we believe that the real estate market in 2015 will grow to make the financial statement of real estate companies be more “attractive”. Also, the market will remain at an acceptable price to meet the real demand.

The rebalancing week of two ETFs: The market could return active!

As mentioned in our last week Advisory Diary, the market experienced low growth motivation and trading value. Today’s market continued to plunge due to the impact of large-cap stocks such as banking group as well stocks in VN30 group. However, the liquidity was improved significantly relative to the previous week, with trading volume increasing by 15% compared to the average figure of the previous week. Besides, the cash flow was also more positive with trading value increased by 27% than last week’s figure.

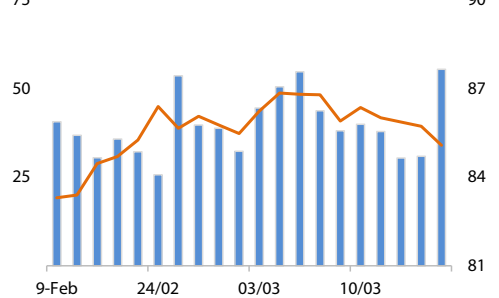
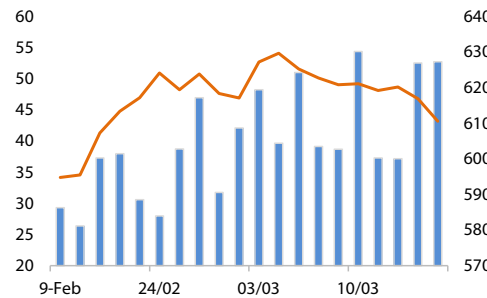
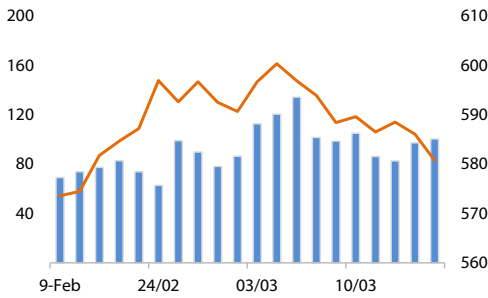
In addition, the dynamics of the ETF VNM fund may also have an impact on the market. Last weekend, the 2015Q1 review result of this fund was quite surprising. Specifically, the proportion of Vietnam shares in his portfolio has been increasing from 70% to 77.5%. In particular, the fund will add KBC and KDC to his portfolio, which had positive impact on the ticker’s trading, with over 3 million shares of KDC traded (closing price up 5.8%) and exceeding 10 million shares of KBC traded (closing prices rose 1.7%).

In the transaction week of the two foreign ETFs, we believe that the market would probably become more active. Notably, the recent selling pressure from the foreign investors may be mitigated (VNM ETF fund is expected to buy about VND700 billion). In addition to the liquidity improvement, there is possibility that the market would have short-term gain this week.

VNINDEX -0.90% 580.80

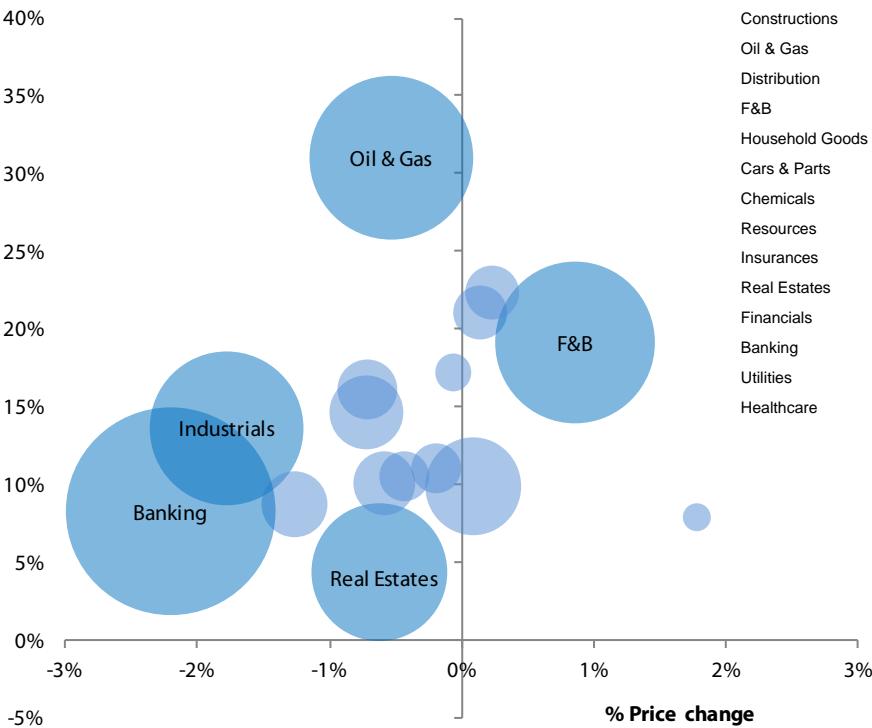
VN30 -1.02% 610.63

HNXINDEX -0.75% 85.08



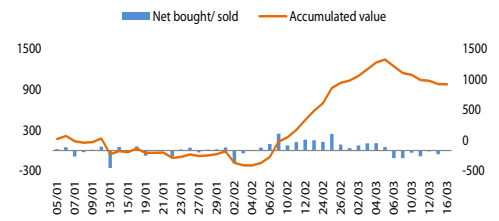
Industry Movement

Industry ROE

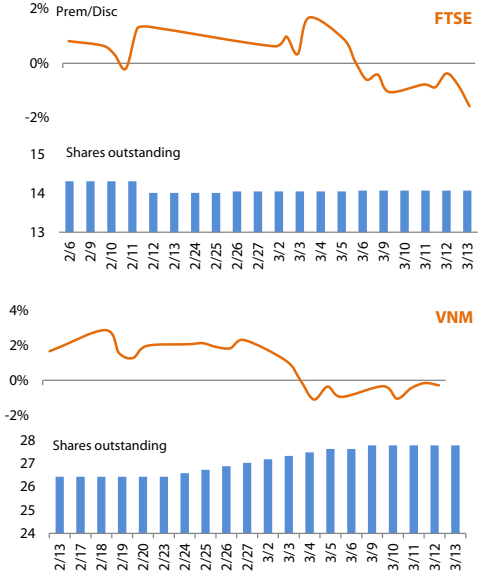


Industry	% change
Technologies	0.1%
Industrials	-1.8%
Constructions	0.1%
Oil & Gas	-0.5%
Distribution	1.8%
F&B	0.9%
Household Goods	-0.2%
Cars & Parts	-0.1%
Chemicals	-0.7%
Resources	0.2%
Insurances	-0.7%
Real Estates	-0.6%
Financials	-1.3%
Banking	-2.2%
Utilities	-0.6%
Healthcare	-0.4%

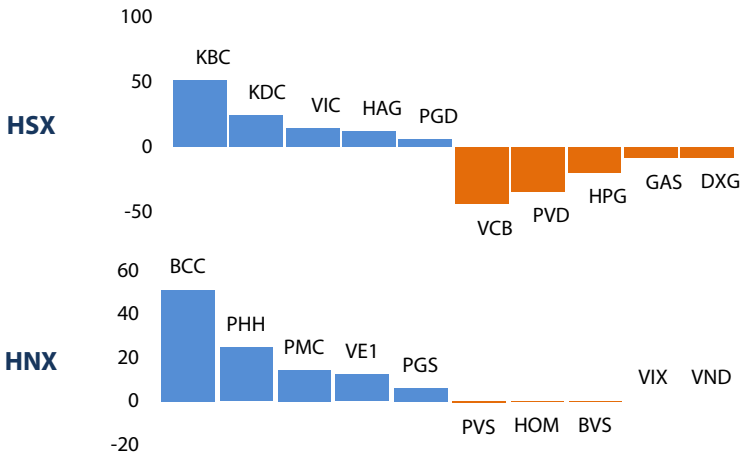
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



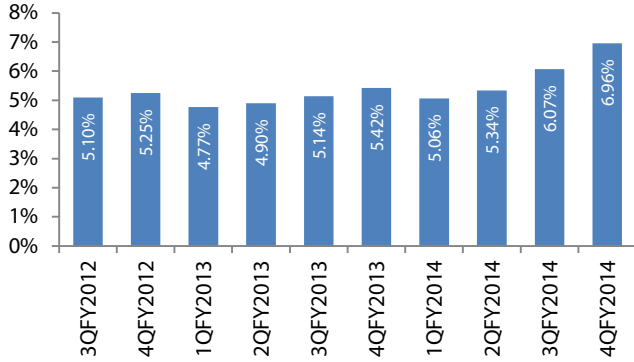
Top Active

Ticker	Price	Volume	% price change
FLC	12.2	18.13	2.5%
KBC	17.2	10.38	1.8%
HQC	7.0	3.98	1.4%
KDC	48.9	3.05	5.8%
GTN	16.0	2.45	-6.4%

Ticker	Price	Volume	% price change
KLF	10.7	5.04	0.9%
FIT	18.5	4.15	2.8%
PVS	25.6	2.17	-3.0%
SHB	8.8	1.83	-1.1%
NHP	20.6	1.36	9.6%

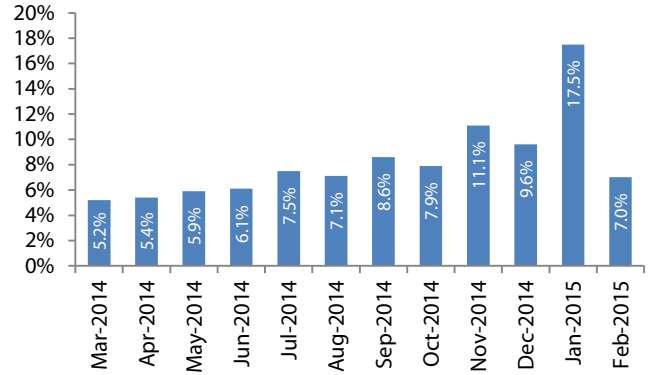
MACRO WATCH

Graph 1: GDP Growth



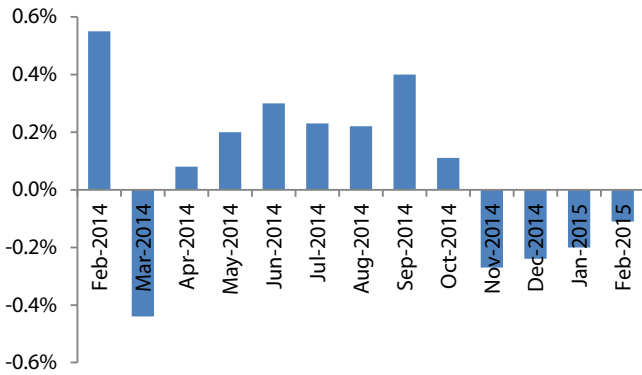
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



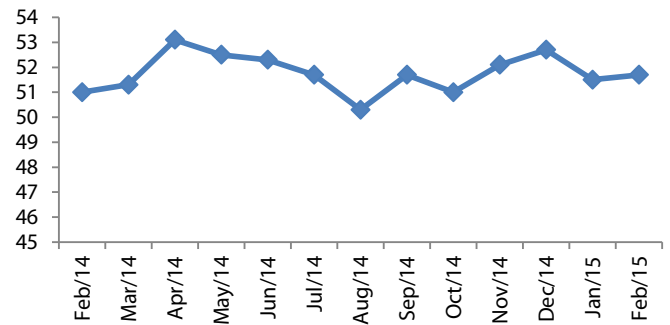
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



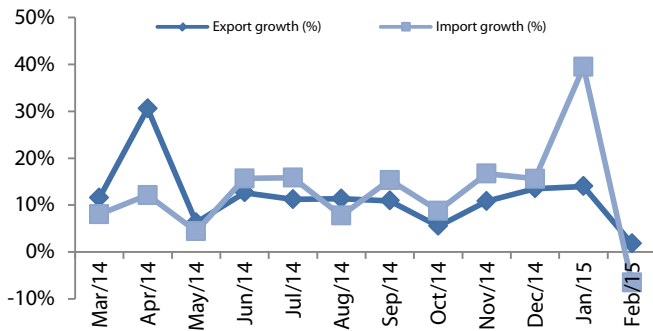
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



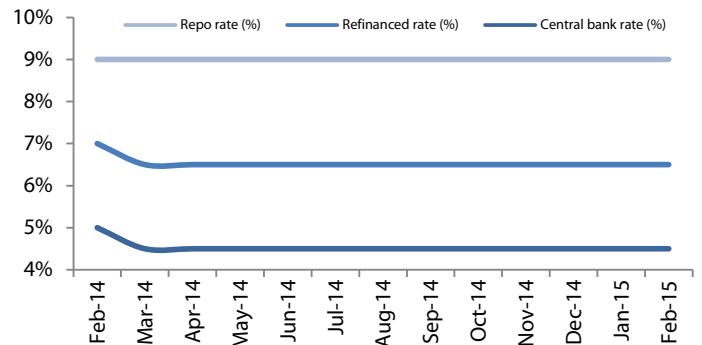
Sources: GSO. Rongviet Securities database

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
PAC- Opportunities along with challenges	Jan 14 th , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 th , 2015	Accumulate – Long term	33,800
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 th , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 th , 2014	Monitor	

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	27/01/2015	0%-0.75%	0%-2.5%	11,583	11,454	1.13%
VEOF	27/01/2015	0%-0.75%	0%-2.5%	9,627	9,567	0.63%
VF1	30/01/2015	0.2% - 1%	0.5%-1.5%	21,515	21,452	0.29%
VF4	28/01/2015	0.2% - 1%	0%-1.5%	9,337	9,218	1.29%
VFA	30/01/2015	0.2% - 1%	0%-1.5%	7,415	7,371	0.58%
VFB	30/01/2015	0.3% - 0.6%	0%-1%	12,015	11,912	0.86%
ENF	23/01/2015	0% - 3%	0%	10,481	10,790	-2.86%
MBVF	22/01/2015	1%	0%-1%	11,115	11,176	-0.54%
MBBF	21/01/2015	0%-0.5%	0%-1%	11,880	11,921	-0.34%

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