

SEPTEMBER

19

FRIDAY

*“Liquidity peaked as ETF review ended”*

ADVISORY DIARY

- **Liquidity peaked as ETF review ended**
- **TCM and GMD Update**

As always, portfolio rebalancing activities of the two ETFs, i.e. FTSE and VNM, brought much excitement to the market today. Following a liquidity peak in the ATC session, the HSX closed with 218 million shares changed hands and the HNX with 86.3 million. The foreign sector acquired nearly 36 million shares of FLC during the ATC today. Of all tickers subject to the ETFs’ rebalancing, PPC reacted most positively, hitting the ceiling price by the end of the day with over 5.7 million transacted. On the other hand, the selling volume ITA, SHB, VCG and GMD also expanded sharply. Demand was so ample, however, that the ETFs were even able to rid their holdings of stocks such as PVS and GMD at good prices. In fact, GMD did not gain much during the last market rally, making a stock worth some attention in the upcoming days. On the fundamental aspect, we also see some improvements in the Company’s core businesses.

GMD’s operating performance on overall has been positive in 1H2014. While revenue growth was moderate, earnings before tax grew 406% from a year earlier, thanks mostly to the profit recognition of the transfer of Gemadept Tower (~VND570 billion) to CJ Group (Korea) in 2Q2014.

From now to the end of 2014, the operation Nam Hai Dinh Vu port with design capacity of 500,000 Teus/year is the main growth driver for GMD. At 65% capacity, the new port would relieve Nam Hai port from over-capacity and make up the foregone income from office rent (~VND85billion/year). Additionally, with 0% income tax rate in the first 4 years, Nam Hai Dinh Vu port offers a desirable net profit margin of nearly 30%. Therefore, port operation income is expected to see positive growth in upcoming years.

Regarding the logistics arm, the recent restriction of truckload by the Ministry of Transport has had a positive impact on GMD’s road transport segment since it has significantly increased the rate of truck use. The performance of 3PL logistics services has been very solid as well with the two distribution centers, whose floor area totals 30,000m<sup>2</sup>, being operated at high capacity (over 90%). GMD also plans to construct another DC of about 24,000m<sup>2</sup> in 2015 to expand its capacity in this segment.

Notably, GMD will initiate in 11/2014 the construction of the Vientian Complex. The real estate sits at a prime location, next to the Laos Government Office and on the tourism trail to Luang Prabang. It is also the first world-class 5-star hotel in the country’s capital city and, as known from GMD, would be operated by a

world-renowned hotel brand. GMD has by now obtained all required documents to start the construction of the real estate. Given its many desirable traits, we consider this is a very potential project. However, it may take 3-4 years before the project can generate stable profits for the Company.

In general, we highly value the port and logistics businesses of GMD, both now operating at high efficiency and expected to create the steady growth for the Company in upcoming years. GMD also possesses some very potential projects requiring high capital investment. However, the revenue and profits streams of these projects all fall in the long term. As a result, in the next few years, it is hard to expect such high jumps in GMD earnings as in the last 2 years.

TCM made public yesterday, September 18th, the content of the Vinh Long project Investment Certificate, inclusive of the project's timeline, investment budget and financing plan. The 3-phase project is will be in development till 2017 for a total investment of VND645 billion and is part of TCM's long-term expansion plan. Particulars of the projects are summarized as follow:

**Exhibit: Selected information of the Thanh Cong - Vinh Long**

Phase	Line	Investment timeline		Capacity	Total invest Debt
		Start	End		
Phase 1	Garments	09-2017	01-2015	6.1 mil. pcs./year	132.4
Phase 2	Garments	03-2015	11-2015	6.1 mil. pcs/year	98.0
Phase 3	Knitting, Dyeing	03-2016	04-2017	Knitting: 4,818 tons/year Dyeing: 10,650 tone/year	285.5
					<b>516.0</b>

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*Sources: TCM, RongViet Securities*

Phase 1 of Vinh Long project will comprise three workshops with 23 sewing lines for roughly 1,500 workers. In our estimate, this step would boost the capacity and revenue of TCM's sewing segment now making up nearly 51% of revenue and more than 70% of gross profit about 15-17% in 2015. From 2016 onward, the incremental revenue and NPAT from first-phase factory is expected ~VND300 billion and ~VND15-20 billion respectively.

Given the labor-intensive characteristic of sewing, the Vinh Long factory stands to be favored by low labor cost in areas surrounding its sewing workshops in early periods of production. According to research, the typical month salary of sewing machine operator in Vinh Long now ranges from VND2-4 million, 20% percent lower than that of a worker in TCM's current apparel workshops (VND4.7 million/month in 2013 and nearly VND5 million/month now on average). However, low labor cost should not be a sustainable advantage in the long term, which is why TCM would instead focus on raising the efficiency through advanced manufacturing organization and management and labor training.

In the first eight months of FY2014, TCM announced VND1,740 billion of revenue and VND117 billion of net income, fulfilling around 70% of the adjusted earnings plan for the year. We see a high chance that TCM would do better than this plan for the whole-year period. Our projection for FY2014's NPAT is about VND181 billion or VND 3,681/share, up by 6.3% from FY2014.

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TCM dropped for the fourth straight day today at a decline of 0.6% or VND200/share. The stock exhibited a lot of intraday fluctuations though the intensity did ease a little as compared to previous sessions. TCM are among stocks underpinned by solid fundamentals and positive long-term outlook, explaining why there was always substantial demand for the stock after sharp declines.

## WEEKLY TECHNICAL VIEW

### VN-Index

VN-Index sank 19.21 points (or 3.04%), closed at 613.29. About 927 million shares changed hands (+15.9% compared to previous week's volume).

The decline of VN-Index continued after a slight recovery last week. VN-Index went down for the whole week on high volumes. The support at around 620 was broken. In a short-term, a down channel formed. Traders should watch for an extended move down toward 608 area or a rebound to retest the upper trend line at 625.

On weekly chart, a long black candlestick appeared on high volume, showing that the selling forces dominated over the buying forces.

The EMA (26) turned down after a long time of going up. The up channel of VN-Index from May 2014 might be terminated.

Looking at technical indicators, both the MACD and the RSI are falling sharply.

The correction of VN-Index is in progress.

### HNX-Index

HNX-Index performed well better than VN-Index. For the whole week, HNX-Index lost 0.6 points (or 0.67%), closed at 88.89. Volume rose up to 19.33% with about 537 million shares.

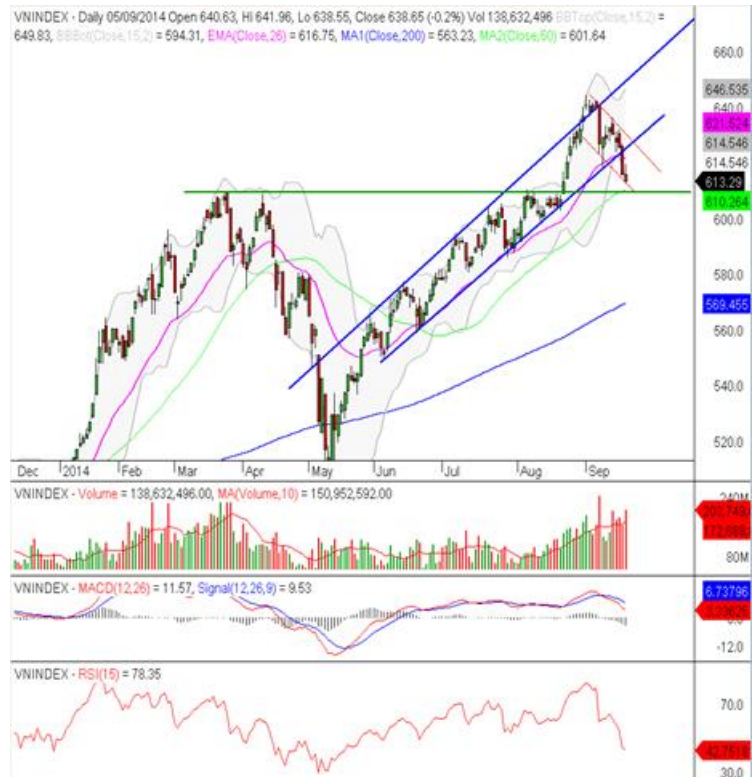
HNX-Index tried to break above its resistance at 90 but failed. Traders should watch for an extended move down to the support area at 85-86 or a rebound to retest its resistance at 90.

Looking at technical indicators, the RSI moved off its highs while the MACD could be turning bearish.

The ADX is going down slightly, indicates that the uptrend of HNX-Index is weakening in a short-term.

### Recommendation:

*VN-Index was down strongly while HNX-Index performed better. The markets are experiencing period of correction. Short-term investors may be temporarily out of the markets while long-term investors continue to hold stocks for long-term goals.*

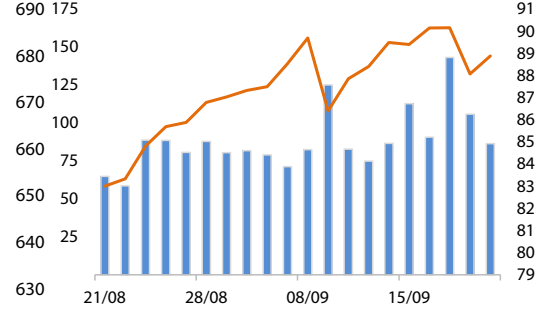
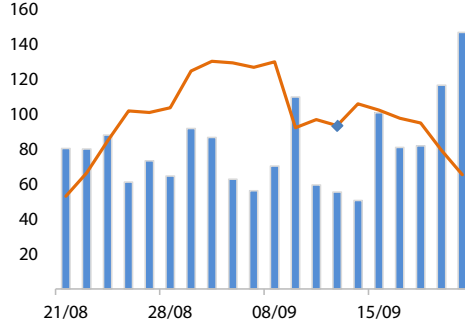
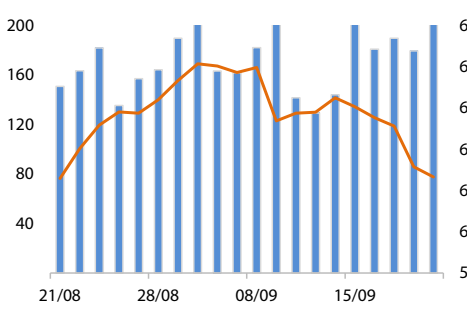


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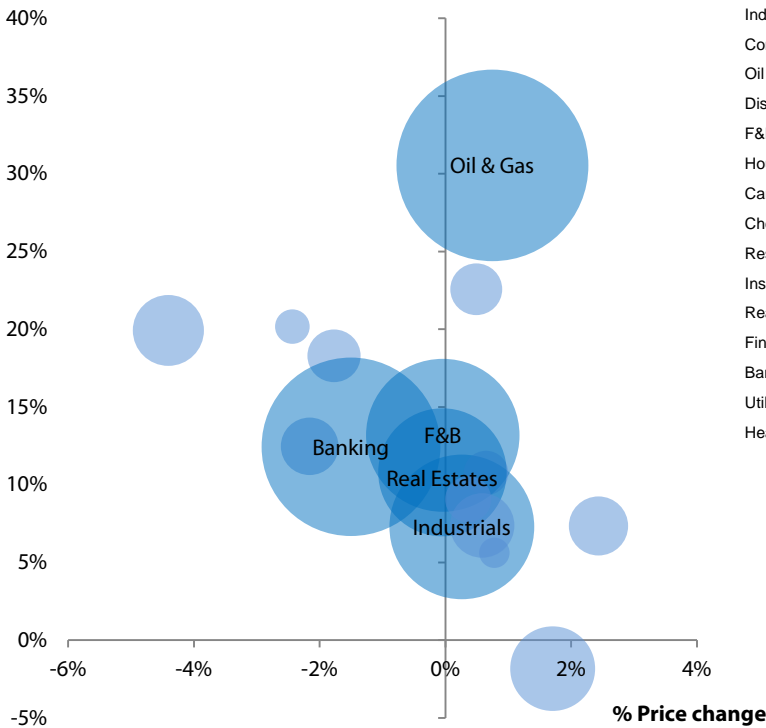
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**VNINDEX -0.41% 613.29**    **VN30 -0.80% 654.54**    **HNXINDEX 0.93% 88.89**

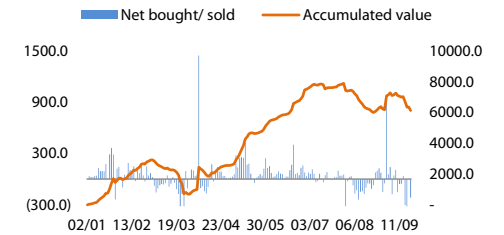


**Industry Movement**

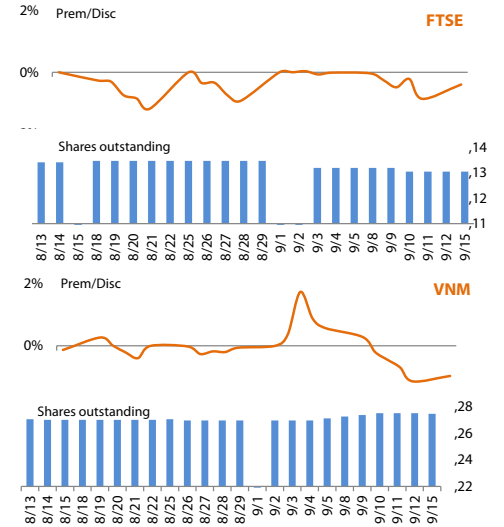
**Industry ROE**



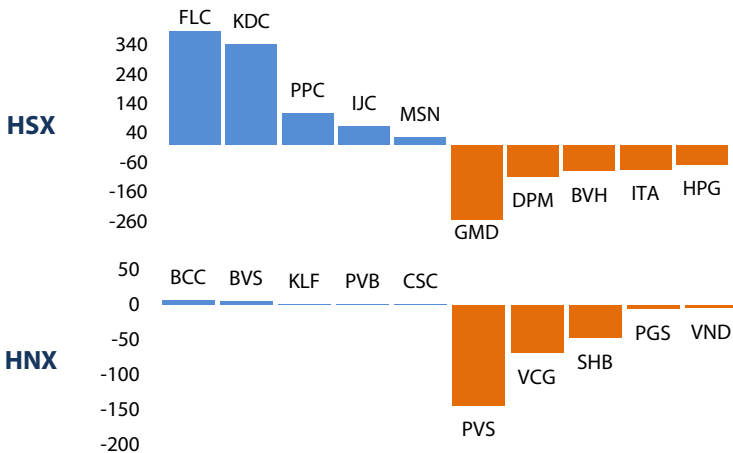
**Foreign Investors Trading**



**ETF**



**Top net bought/sold by foreigners (VND bn)**



**Top Active**

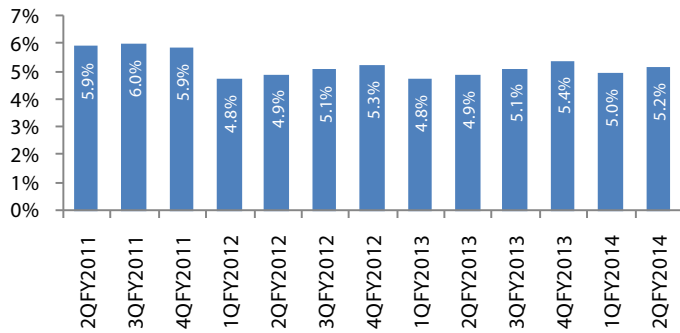
Ticker	Price	Volume	% price change
FLC	12.0	48.97	2.6%
ITA	8.4	14.16	-1.2%
HAG	24.5	7.19	0.4%
GMD	35.1	7.05	1.4%
KDC	62.0	6.95	6.0%

Ticker	Price	Volume	% price change
KLF	13.00	9.87	-2.3%
PVS	42.00	9.50	2.4%
PVX	6.30	8.72	5.0%
SHB	9.10	7.79	-2.2%
VCG	13.90	7.39	-0.7%

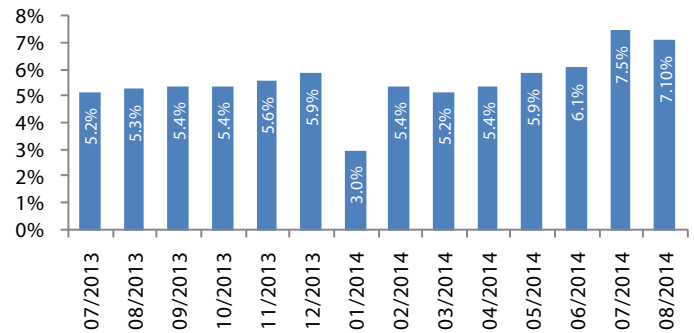
**MACRO WATCH**

**Graph 1: GDP Growth**



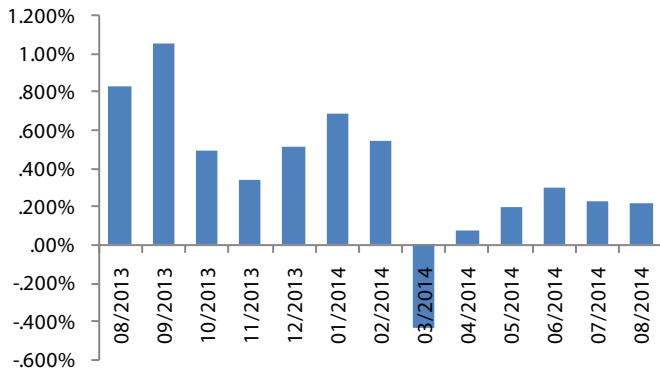
Sources: GSO. Rongviet Securities database  
(\* ) Comparision price in 1994

**Graph 2: IIP**



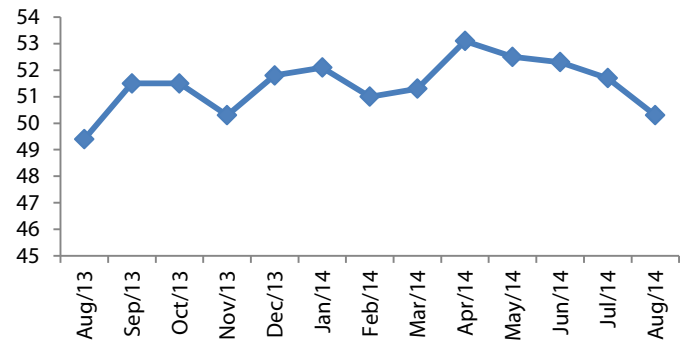
Sources: GSO. Rongviet Securities database

**Graph 3: Monthly CPI**



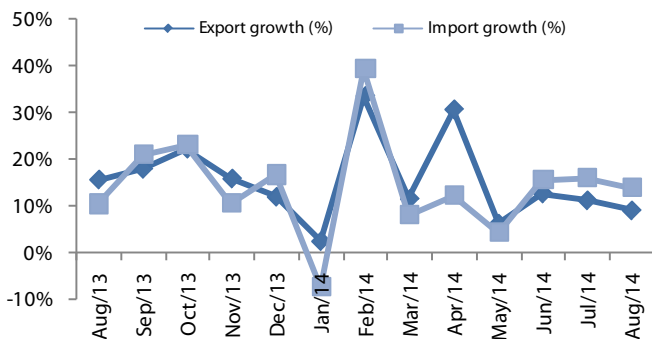
Sources: GSO. Rongviet Securities database

**Graph 4: HSBC - PMI**



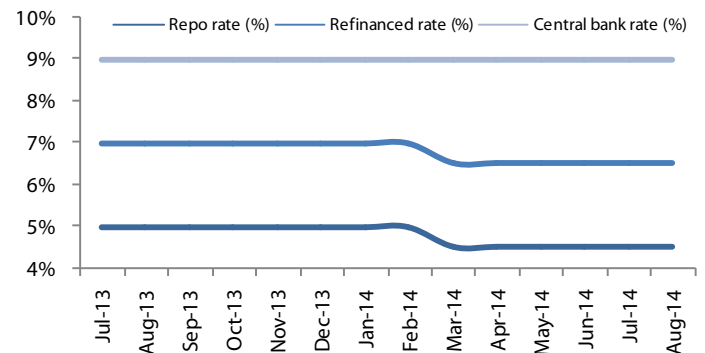
Sources: GSO. Rongviet Securities database

**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
REE - Solid ground s for sustainable growth	Sept 9 <sup>th</sup> , 2014	Neutral - Long term	29,700
HSG - The hard part has gradually done!	Aug 21 <sup>st</sup> , 2014	Accumulate – Intermediate term	48,100
HPG - On the way to dominate nationwide’ market shares	Aug 12 <sup>th</sup> , 2014	Accumulated – Intermediate-term	66,400
NBB - A new chapter with co-investment	Jul 31 <sup>st</sup> , 2014	Buy – Intermediate term	27,400
DBC- Benefit from decline in material price	May 27 <sup>th</sup> , 2014	Buy – Long-term	28,000

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	09/09/2014	0-0.75%	0-2.5%	11,476	11,440	0.31%
VF1	11/09/2014	0.20% - 1.00%	0.50%-1.50%	23,531	23,744	-0.90%
VF4	10/09/2014	0.20% - 1.00%	0.00%-1.50%	10,733	10,900	-1.53%
VFA	12/09/2014	0.20% - 1.00%	0.00%-1.50%	7,777	7,830	-0.67%
VFB	12/09/2014	0.30% - 0.60%	0.00%-1.00%	11,451	11,262	1.67%
ENF	05/09/2014	0.00% - 3.00%		10,740	10,703	0.35%

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