

JUNE

24

TUESDAY

“Stocks picked up after news of gasoline price increase and low inflation”

ADVISORY DIARY

- **Stocks picked up after news of gasoline price increase and low inflation**
- **Vietnam Textile Corporation – Vinatex IPO update**

As anticipated by RongViet Securities in our Advisory Diary of June 17th, last night, the Vietnam National Petroleum Group – Petrolimex increased the retail prices of RON92 and RON95, each by VND300/liter to VND25,230/liter and VND25,730/liter respectively while holding diesel price constant at VND22,530/liter.

This lifting of gasoline prices this time may have some effects on July’s CPI growth rate. However, we do not think the impact will be consequential as the increase was incremental at VND300/liter for the two commonly used types of gasoline. Besides, frail consumption still makes firms reluctant to raise their sale prices at the moment.

In fact, according to the latest numbers by the General Statistics Office, the Consumer Price Index (CPI) grew only 0.3% from a year ago in June, just below our prediction of 0.35-0.4% in yesterday’s Advisory Dairy. Low as it was, that CPI growth has been picking up in the last 3 months suggests that July’s inflation would still be on a rising trend.

The news of the gasoline price raise and the low June’s inflation has been largely expected by analyst community in the past one week and thus did not have much influence on today’s trading in the stock market such that liquidity bottomed at 67.6 million shares in the HSX and 42.7 million shares in the HNX. The southern exchange saw a focus of cash flows in stocks of VN30 and it was the support of some of the largest-caps such as VNM, GAS, SSI and PVD that kept VNIndex on the upside for the entire session; the gauge closed up 0.68% from yesterday at 569.74.

No sooner had the afternoon session started when trading in the HNX began to speed up wherein PVX unexpectedly flew to the ceiling, pushing other tickers such as VND, PVC and VCG along its way and adding points to the overall index. However, trading of most key tickers still showed a lack of confidence and hence liquidity. HNIndex closed up 0.85% at 76.62. Whereas the value of net foreign buying in the HSX continued to decline, the figure jumped to VND47.89 billion in the northern market. PVS alone was bought a net VND28.2 billion by foreign investors, which landed the stock on the up side despite the fact that it was a loser for nearly the whole session.

Now that the market cannot look to economic news for support, information on the IPOs of major state-own enterprises (SOEs) provides hopes of more exciting trading in the upcoming periods. On the July 4th, Vietnam Textile Corporation (Vinatex) will have its pre-IPO roadshow open in HCMC. With the total offering value of up to VND1,220 billion, this is the biggest SOE IPO of 2014 so far.

With regard to the core business, Vinatex has been a key player in the textile and garments sector of Vietnam in the many years, contributing up to 14% of the sector’s total exports in 2013. The Group plans to divestment from some of its portfolio companies, retaining only 10 subsidiaries and about 20 firms which it holds more than 50%, including prominent garment producers such as Phong Phu, Viet Tien, Nha Be, Honosimex, Duc Giang, Garco 10, etc... These companies comprise the closed-end textile-garment production line from yarn spinning to dyeing and sewing Vinatex now operates. This is going to a huge competitive advantage for the Group once Vietnam joins international trade agreements such as the Vietnam-EU FTA and the TPP.

Besides, the Group now runs a chain of supermarkets under the brand of Vinatex Mart with more than 58 retail sites across the countries. With proper management and operation, this distribution system could allow Vinatex to exploit the highly potential domestic market. The Group plans to invest up to VND11,500 billion from now to 2017 to finalize its production line and expand its retail arm. The financing, as far as we concern, possibly comes from ADB loans with ultra-low interest rates.

From Vinatex' announcement, the auction will be held on July 22nd 2014 at an initial offering price of 11,000/share, which, by our estimate, means a premium of ~10% over the post-appraisal per-share book value of the company. Given Vinatex' competitive position as well as the big opportunity for the textile-garment sector of Vietnam in a near future, it should not be too risky investing in the company at this price. However, the lack of detailed information regarding the financial and operating aspects of the business makes it extremely difficult to determine whether this is a good investment or not. Our analyst will have timely updates on Vinatex after the coming roadshow.

Exhibit: Revenue and labor size comparison of selected listed textile-garment companies

	TNG	TCM	GMC	HDM	Vinatex
Workers	7,268	4,591	3,797	3,725	4,741
2013 Revenue (VND bn)	1,180.3	2,554.4	1,228.5	1,306.6	10,953
Revenue per worker (VND bn)	0.162	0.556	0.323	0.350	2.310

Source: RongViet Securities

Tai Nguyen

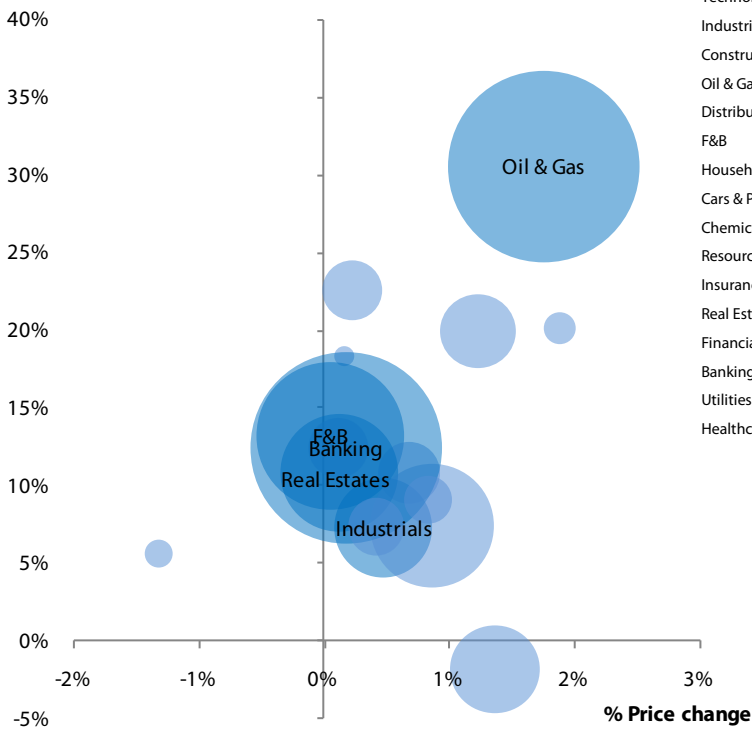
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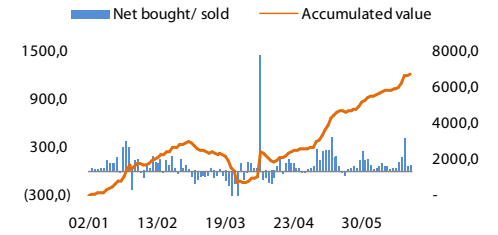


Industry Movement

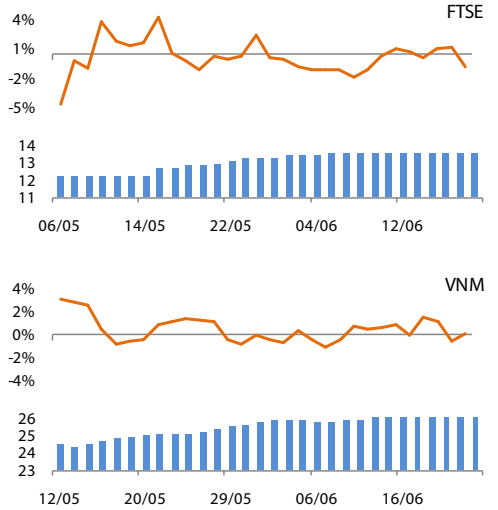
Industry ROE



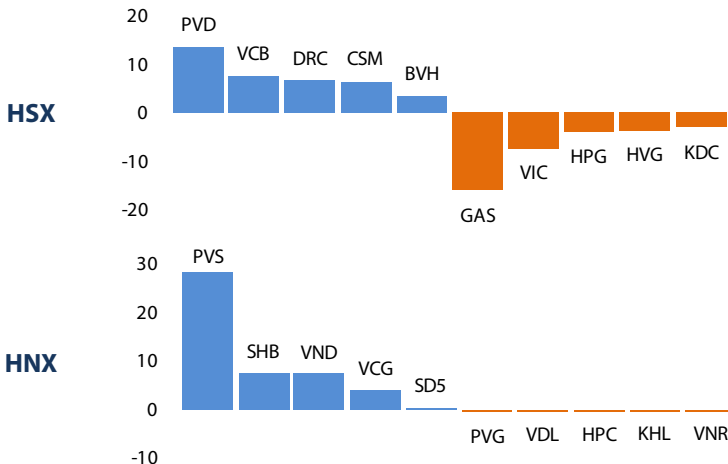
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



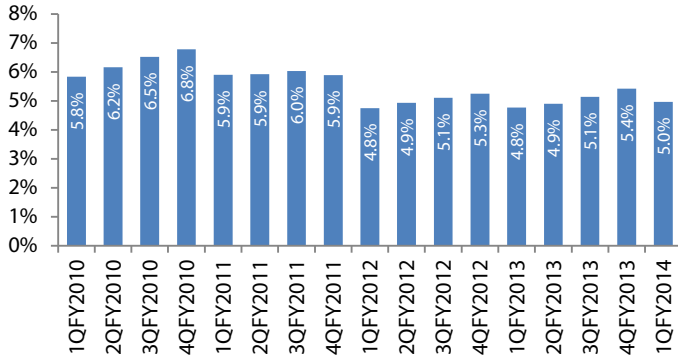
Top Active

Ticker	Price	Volume	% price change
FLC	10,80	8,86	2,9%
HQC	7,60	2,58	1,3%
SSI	25,60	2,40	2,0%
VHG	9,20	1,85	3,4%
ITA	8,00	1,83	0,0%

Ticker	Price	Volume	% price change
PVX	4,40	12,28	7,5%
OCH	25,60	7,86	-0,1%
KLF	11,10	5,42	-0,6%
PVS	27,50	3,96	-0,5%
FIT	14,30	3,57	0,0%

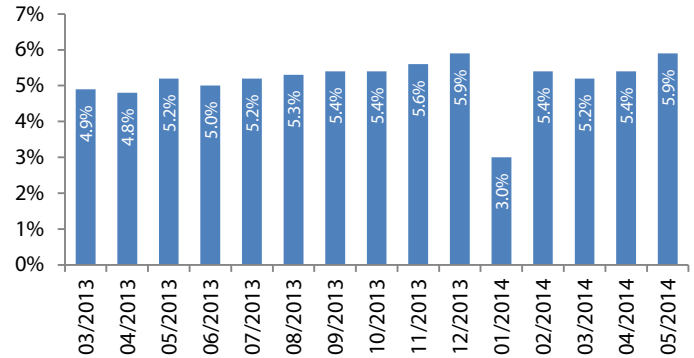
MACRO WATCH

Graph 1: GDP Growth



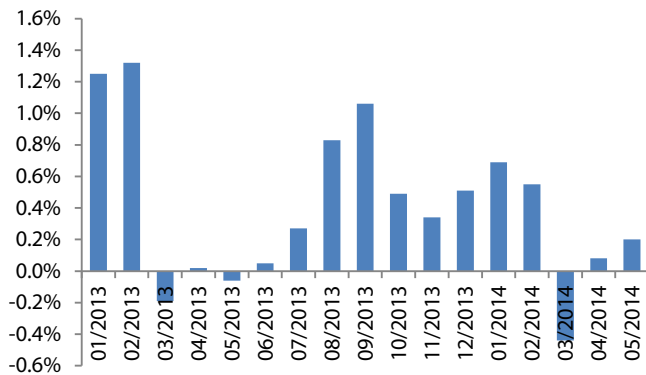
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



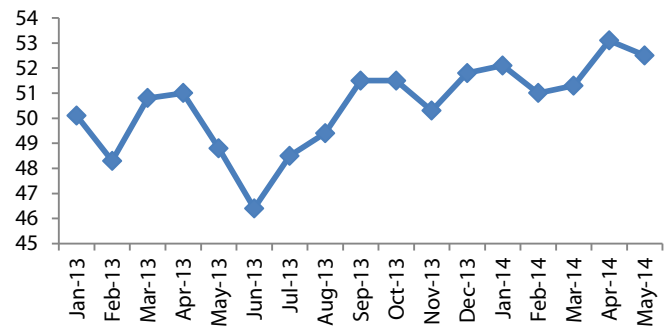
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



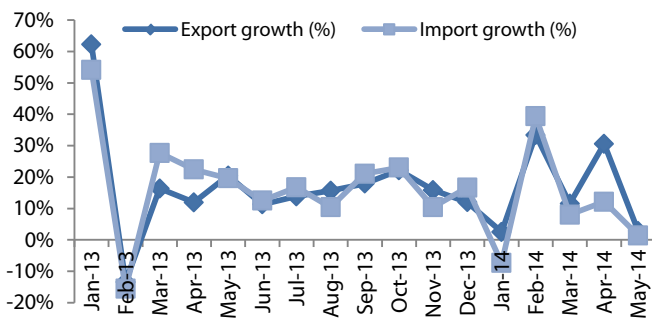
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



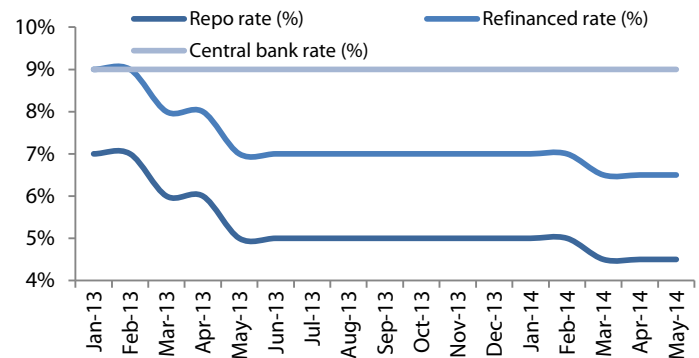
Sources: GSO, Rongviet Securities database

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	17/06/2014	0.75%	0.75%	10,790	10,761	0,27%
VF1	19/06/2014	0.20% - 1.00%	0.50%-1.50%	20,974	20,784	0,92%
VF4	18/06/2014	0.20% - 1.00%	0.00%-1.50%	9,545	9,395	1,59%
VFA	20/06/2014	0.20% - 1.00%	0.00%-1.50%	7,358	7,363	-0,07%
VFB	20/06/2014	0.30% - 0.60%	0.00%-1.00%	10,788	10,799	-0,11%
ENF	13/06/2014	0.00% - 3.00%		9,789	9,609	1,87%

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