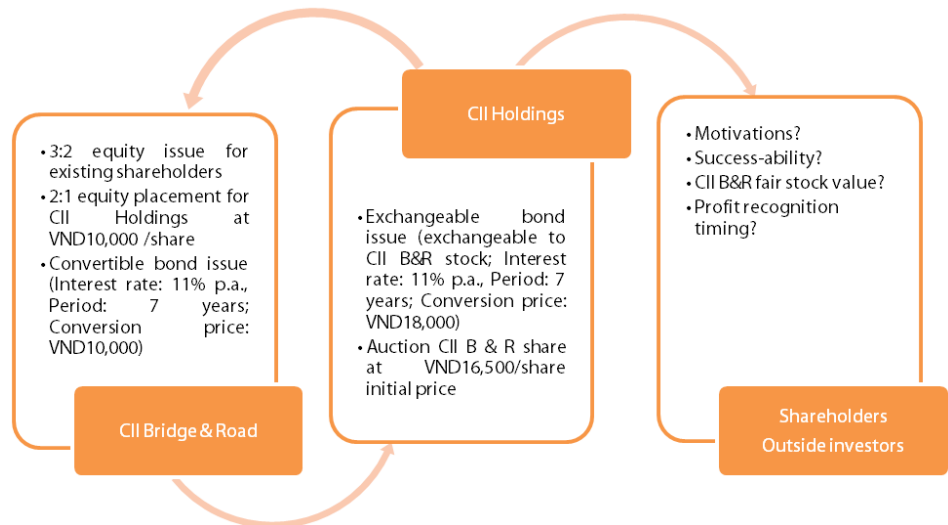


- **CII' raising capital story**
- **CPI in August is still low – SBV will lower the ceiling deposit rate?**

CII' raising capital story

This morning, our analyst joined Extraordinary General Meeting of HCMC Infrastructure Investment JSC (HSX – CII). In order to broadcast the most updated news for investors, our analyst gives brief comments about a plan to raise capital for its subsidiary (CII Bridge & Road, HSX: LGC) through a series of share and debt issuances.



Source: CII, RongViet Securites

According to CII’s management, behind such complex maneuver are qualitative and quantitative motivations:

(1) CII should be able to transfer it infrastructure project pipeline to CII B&R with a decent profit. However, simply selling the projects will not allow CII to book profit as any gains would be eliminated on the consolidate income statement given CII B&R’s subsidiary status. Meanwhile, the parent company would still be subject to a substantial amount of income tax. On the other hand, the profit from exchangeable bond conversion will be taxed only when bondholders exchange the debts for the stock of CII B&R (in 7 years starting 2016).

(2) By current regulations, the equity portion of a BOT project must be at least 20% the project’s total investment outlay, which amount must be contributed within 30 days after the project inception. This means a humongous front payment for the entire project pipeline of CII. If the CII were to raise capital by its own name, it would put a hot coal in the Company’s shareholders’ pockets.

(3) The chance of success in the ensuing debt and equity issues for CII B&R and others of CII’s subsidiaries will be higher given their relative independence with the parent company and much more streamline operational structure. Besides, a remaining 10% room in its share capital will not allow CII to extract much from foreign capital.

As regards the feasibility of raising chartered capital (including bonds and stocks), we believe that the BOD’s arguments are reasonable due to following factors: (1) Gains in road construction industry are implicit; especially, in term of a new investment decision, a pattern of Public-Private

“CPI in August is still low – SBV will lower the ceiling deposit rate?”

Partner (PPP) witnesses incremental growth and it turns into a spotlight to attract investors' attentions related to project portfolio and stock issuance of CII B&R; (2) Offer price of CII B&R for outside investors is VND16,500 and proceeded from prominent financial institutions' valuation based on 7 bridges constructions transferred to CII B&R as CII's plan; (3) Exchangeable bonds price (second year since the issuance date) is VND18,000 per share (+10%) and is recognized as reasonable price for investment.

Total potential profit	VND1,372.7 bn
Profit from holding CII B&R shares	VND412.7 bn
- Gain compared to book value	VND223.7 bn
- Profit from shares' auction	VND188.9 bn
Profit from swapping bonds	VND960 bn
Potential gain from civil works of CII E&C*	Not yet calculated

() CII E&C will be the main contractor for road-works of CII, have determined after-tax profit margin about 7.5%
Source: CII report at extraordinary general meeting*

However, the most noticeable point is potential profits planned to be received, especially incremental profit under circumstance of exchangeable bonds. However, it might not occur in reality in case of bond issuance could not meet expectation. In addition, the gain compared to book value of CII B&R could not realize if CII do not sell out. The share issuance will be executed at the beginning of 4Q2014, meanwhile, bond issuance should move to 1Q2015 in order to give more time as well as more attention on this occurrence.

Our analyst said that in case of the auction of shares succeeds, a VND189 bn profit could be recorded in 2015 because 2014' profit of CII has been expected to be encouraging already. Above story and how CII do it could attract investors' attention for a further period, we think this is a new and creative strategy, but in order to get the result, trust would be an important element deciding the success of CII.

CPI in August is still low – SBV will lower the ceiling deposit rate?

CPI in August released last week with the increase of 0.22% mom, for the first 8 months of 2014, overall CPI only rose by 1.83% while inflation rate was only 4.31%. Typically, Foodstuff segment improved markedly in August 2014 with a steep growth level of 0.45% after 3 subsequently falling months. Foodstuff price climbed significantly mainly due to rice' price. As statistics of Agrimonitor, a huge export quota of rice through unofficial cross-border trade narrowed domestic supply, so could not meet the demand of the highly valued exporting orders to Malaysia and Philippine recently, then push rice price up. Additionally, in previous months, medical fee and education fee were adjusted, whereas, the increase of medical and education were only about 0.22%, much lower than that of last month. It proves that the impact of regulating commodity on inflation is mitigated. Until the end of this year, we suppose that the main factor of inflation will only be seasonal factor, furthermore, the decline of gasoline price also offset this factor. Thus, we expect inflation rate will remain at low level.

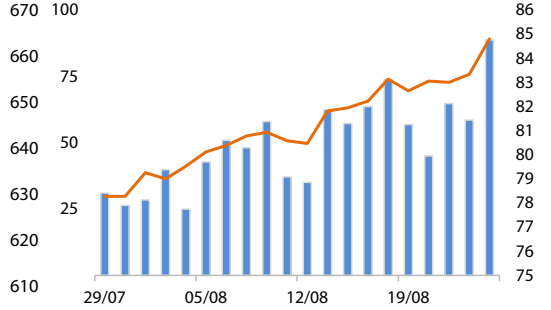
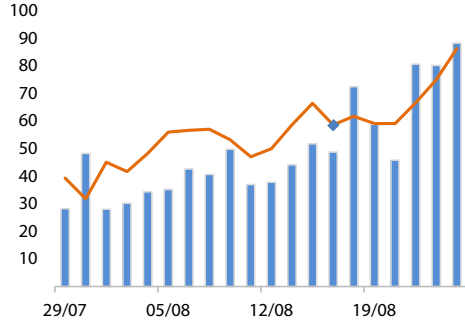
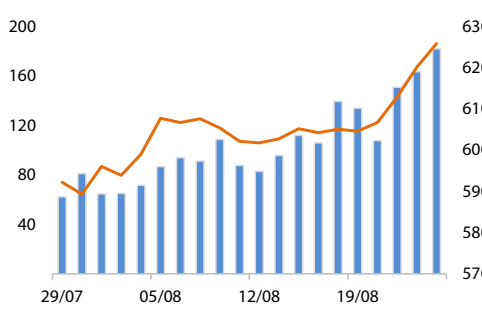
In the recent Advisory Diary, we mentioned about the ability that SBV might taper off the ceiling deposit rate, in combination with low inflation trend, we think our reasons will be enhanced. Today, Vietcombank has just announced the decrease of 0.2%/year of deposit rate most of term. The decrease of ceiling deposit rate like our expectation would be a positive factor for Vietnam stock market and reinforce cash flow, especially in recent trading days.

Back to today' session, market converged many positive factors: high liquidity, widen market breadth and strong net bought by foreign investors. As a result, VNIndex beat its highest peak since 2009, we believe with the strength of cash flows, the market will be able to increase in more than 1-2 sessions before testing the resistance of 630 points level.

My Tran

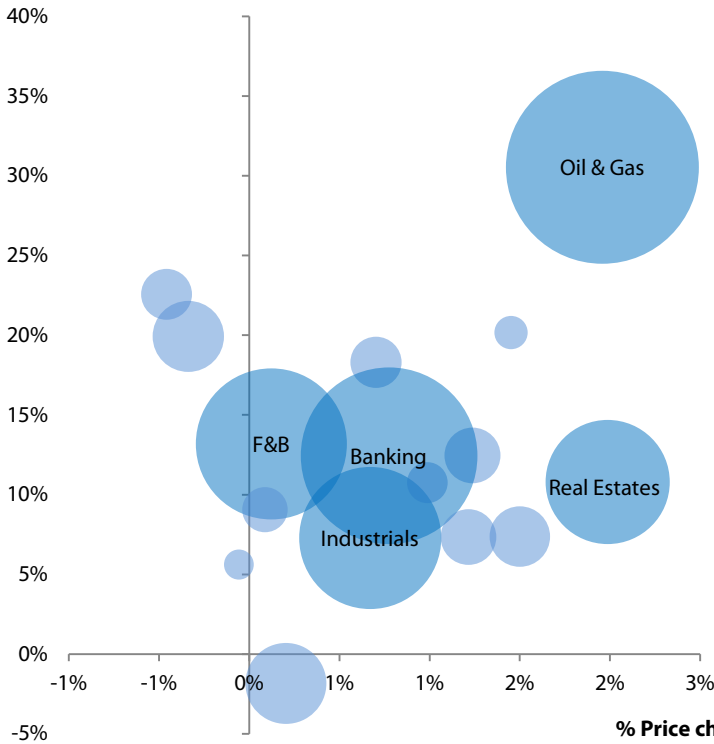
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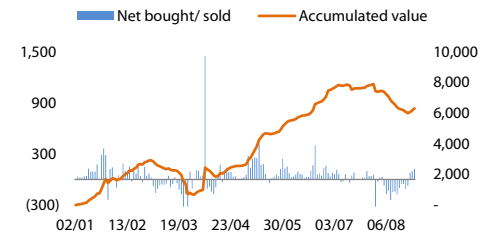


Industry Movement

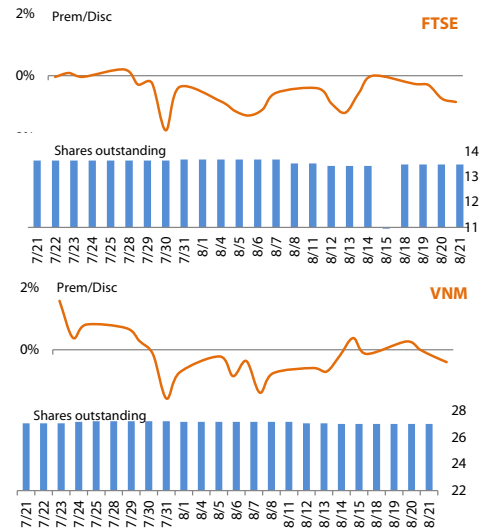
Industry ROE



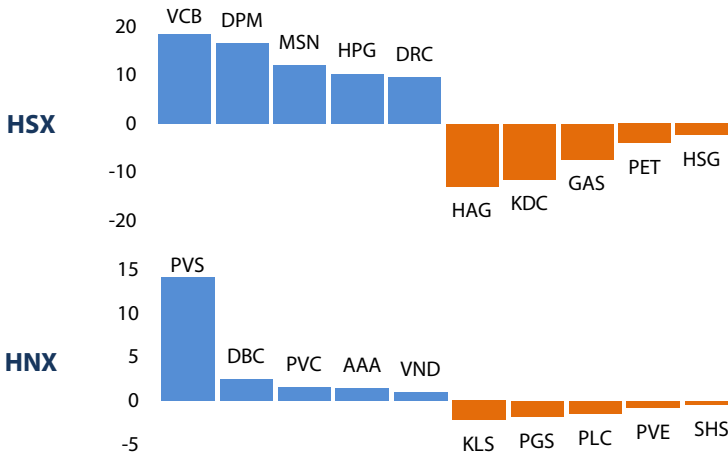
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



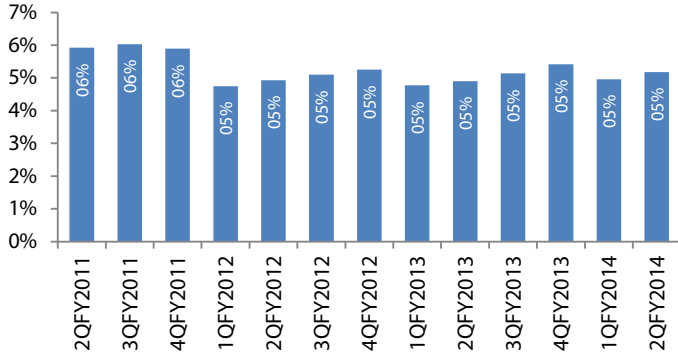
Top Active

Ticker	Price	Volume	% price change
ITA	8.7	14.32	2.4%
FLC	13.0	11.68	2.4%
IJC	14.6	7.35	-3.3%
SAM	11.2	7.30	-1.8%
HQC	8.3	7.27	3.8%

Ticker	Price	Volume	% price change
PVX	5.0	13.87	4.7%
KLF	12.9	8.33	4.1%
SCR	10.3	7.95	3.3%
SHB	9.2	7.18	2.6%
PVS	39.5	5.94	4.4%

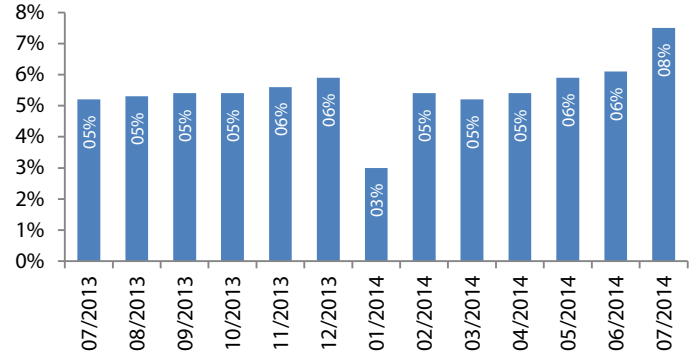
MACRO WATCH

Graph 1: GDP Growth



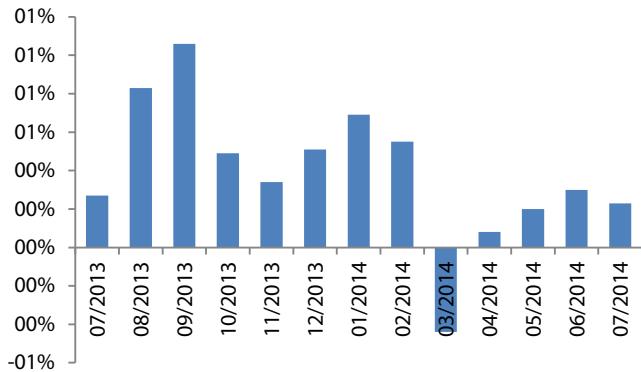
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



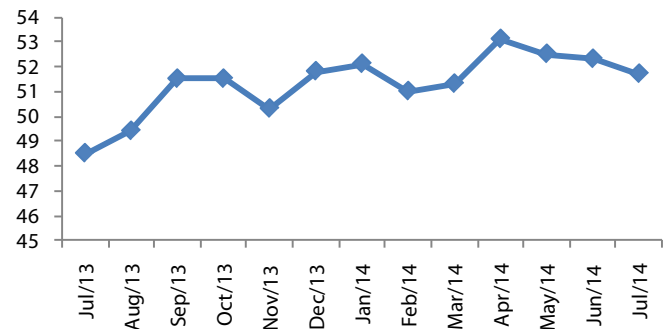
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



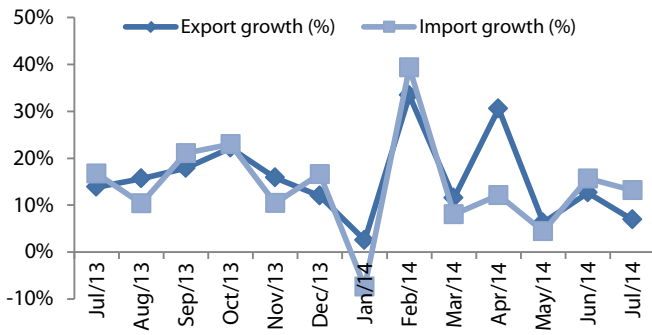
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



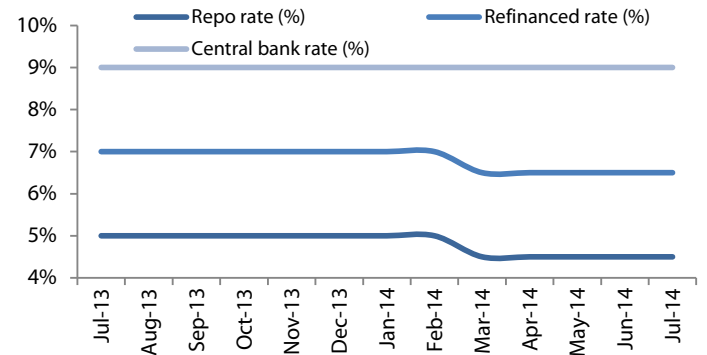
Sources: GSO, Rongviet Securities database

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
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	12/08/2014	0-0.75%	0-2.5%	11,191	11,182	0.08%
VF1	14/08/2014	0.20% - 1.00%	0.50%-1.50%	22,289	22,263	0.11%
VF4	13/08/2014	0.20% - 1.00%	0.00%-1.50%	10,088	10,211	-1.21%
VFA	15/08/2014	0.20% - 1.00%	0.00%-1.50%	7,571	7,537	0.45%
VFB	15/08/2014	0.30% - 0.60%	0.00%-1.00%	11,110	11,120	-0.10%
ENF	08/08/2014	0.00% - 3.00%		10,255	10,152	1.01%

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