

OCTOBER

07

TUESDAY

“Pennies and mid-caps stirred at steady liquidity”

ADVISORY DIARY

- **Credit growth picked up speed in September**
- **KBC jumped after positive release ... again!**

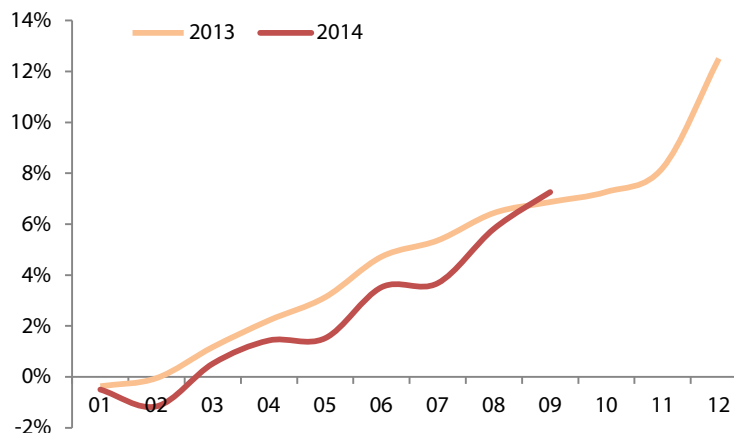
Credit growth picked up speed in September

The SBV has announced the operating results of monetary policy and banking operations in September and the first nine months of 2014. To be detailed, the credit growth in the first 9 months reached 7.26%; the total means of payment increased 10.73% and deposit volume rose 11.01%. Credit growth jumped 1.44% in just one month (the first 8-month-announced figure was 5.82%). Since early year, this is the first time credit growth was higher than that of the same period in 2013.

As our macro analysts mentioned in October Investment Strategy Report, on condition that VND credit is still lower than foreign currency credit (VND credit rose ~ 4.5% to mid-September, while the foreign currency credit climbed nearly 21%), the recorded achievement of \$35 million foreign exchange reserves is contributed to the economy a large amount of money. It is also a signal showing that the dampers of monetary policy are operated at full capacity.

After nine months, system-wide credit growth has not reached even two third of the 12-14% whole-year growth target. However, if credit growth is maintained at the paces seen in September, especially with expected high import-export lending in the later months of the year, accomplishing this year credit growth goal is nothing out of reach.

Exhibit: Accrued credit month by month, 2013 and 9M2014 (Unit: %)



Source: RongViet Securities

KBC jumped after positive release ... again!

Today, KBC continued escalating to 17,500/share at trading volume of nearly 7.3 million shares, roughly 1 million of which were bought by foreign investors. KBC has climbed more than 58% over the last 2 months as news on positive turnings in the Company’s business was constantly perpetuated by the media.

In the press release coming out yesterday, KBC made known that Dragon Capital has registered to purchase VND375 billion in VND1,200 billion worth of convertible bonds the Company plans to

issue. Alongside the said bond, last week, KBC also held a shareholder poll on the issuance of VND120 million shares at an expected price of VND15,000/share under private placement.

With 2,400 hectares of “clean” land in Bac Ninh and Hai Phong, KBC has a huge advantage to become the leading industrial zone developer in the Northern region. Trang Due Industrial Park, an industrial zone owned 90% by KBC via a subsidiary, has a lot of potential to develop. As part of Dinh Vu-Cat Hai Economic Zone, Trang Due Industrial Park offers investor multiple incentives: 15 years of 10% corporate income tax (CIT), 4 years of tax exemption and 50% tax cut in the next 9 years... KBC signed in August an MOU with LG Electronics for comprehensive cooperation wherein LG expressed the intention to lease another 50ha in Trang Due Industrial Park for a total price of VND650 billion. KBC said the Company is pushing infrastructures construction to welcome not only LGE but also the Korean-based group’s satellite companies.

Despite its various advantages, KBC has seen its growth in the last few years inhibited by the enormous debt pile and interest expense pressure. By 2Q2014, KBC’s combined value of short-term and long-term debts was reported at VND3,651 billion, putting the Company at Debt-to-Equity ratio of 71.7%. In 1H2014, the Company recorded total interest expense of 170 billion.

In our estimate, the coming debt and equity issuance, if succeed, may bring KBC at least VND3,000 billion to pay off a substantial part of its current debt pile and save the Company nearly VND400 (or VND1,000/share at the current outstanding shares) of interest expense a year. Under preliminary analysis, KBC’s outlook for the coming years looks positive. However, upon considering KBC for long-term investment, investors should be aware of the risk of interest dilution after the convertible bond and equity issuance.

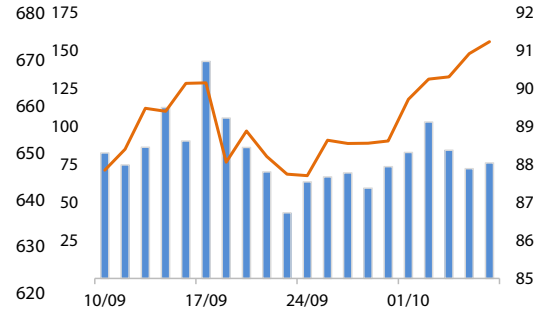
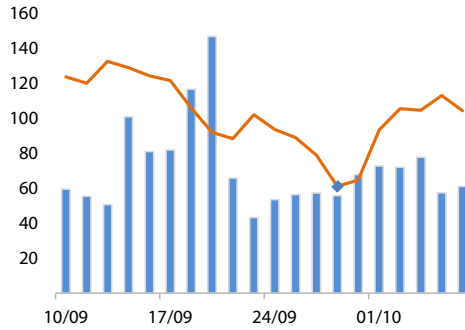
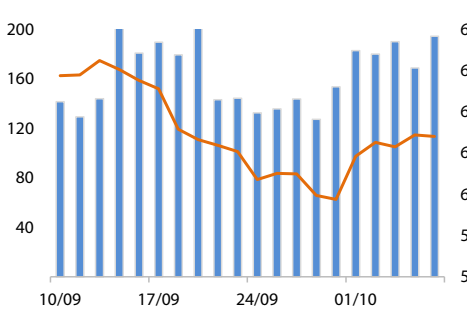
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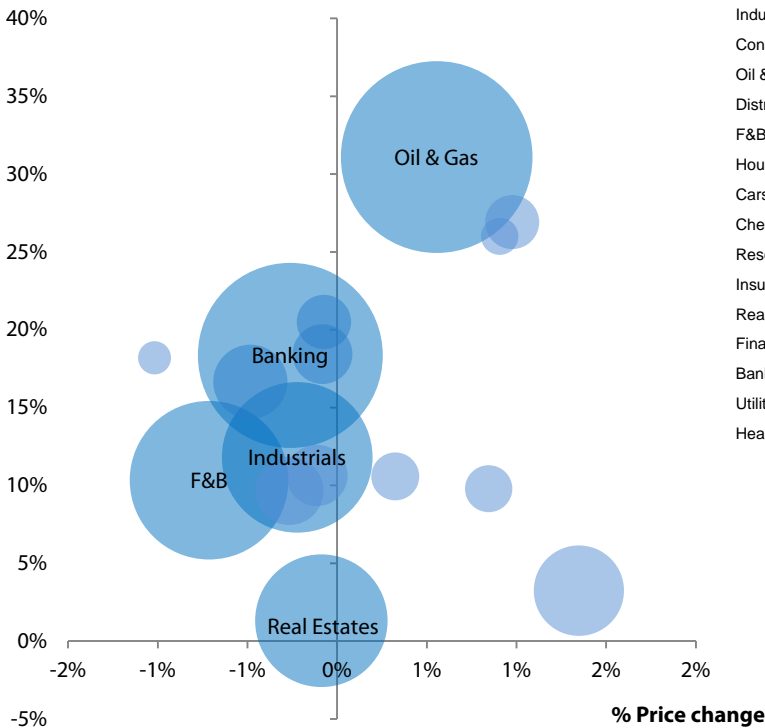
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VNINDEX -0.06% 614.08 VN30 -0.49% 659.16 HNXINDEX 0.35% 91.25



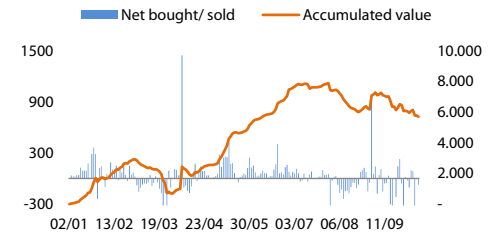
Industry Movement

Industry ROE

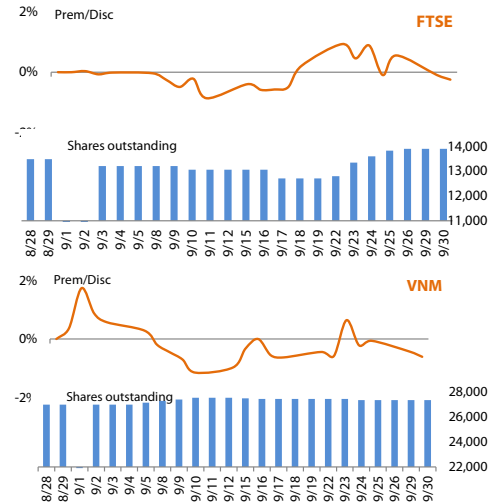


Industry	% change
Technologies	-0.1%
Industrials	-0.2%
Constructions	1.3%
Oil & Gas	0.6%
Distribution	-1.0%
F&B	-0.7%
Household Goods	0.8%
Cars & Parts	0.9%
Chemicals	-0.1%
Resources	1.0%
Insurances	-0.5%
Real Estates	-0.1%
Financials	-0.3%
Banking	-0.3%
Utilities	-0.1%
Healthcare	0.3%

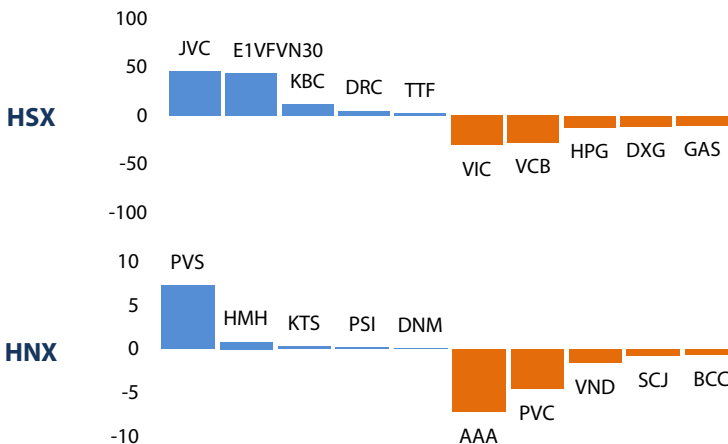
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



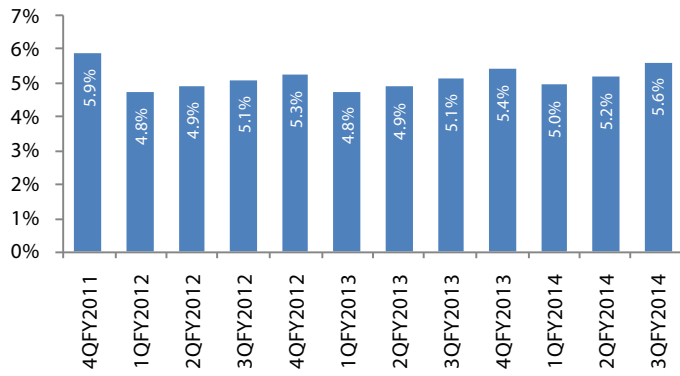
Top Active

Ticker	Price	Volume	% price change
FLC	12.0	15.23	0.8%
ITA	9.4	12.86	1.1%
HQC	8.8	9.91	3.5%
KBC	17.5	7.29	5.4%
OGC	13.4	5.43	-0.7%

Ticker	Price	Volume	% price change
KLF	12.20	6.57	-0.8%
PVX	6.50	5.20	-1.5%
SCR	10.90	4.19	-0.9%
VGS	8.40	3.45	3.7%
KLS	13.00	3.35	-0.8%

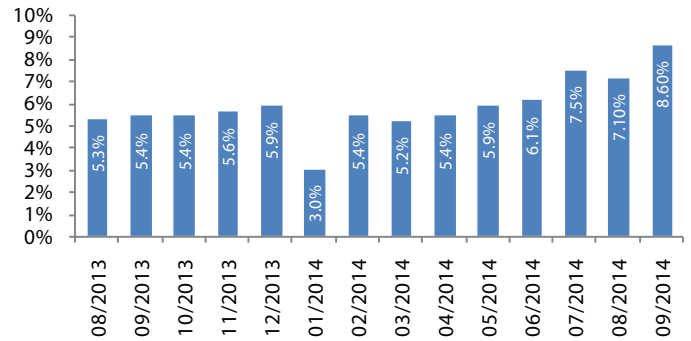
MACRO WATCH

Graph 1: GDP Growth



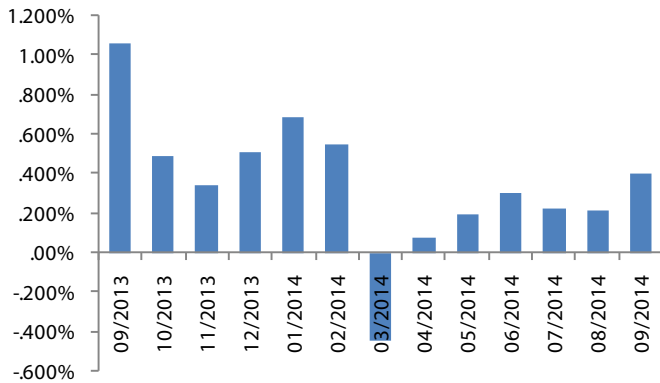
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



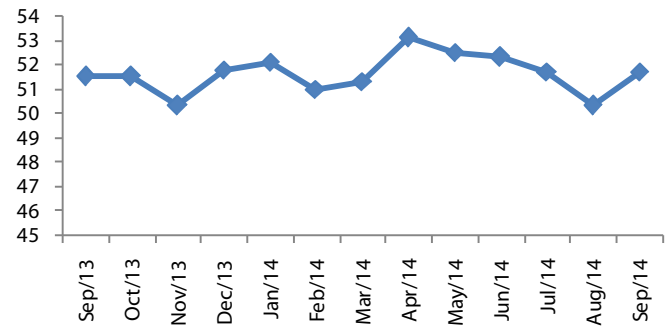
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



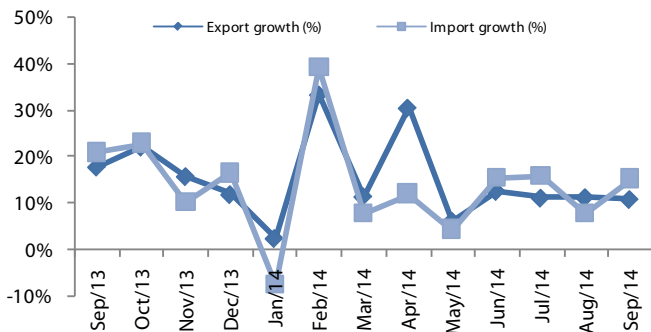
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



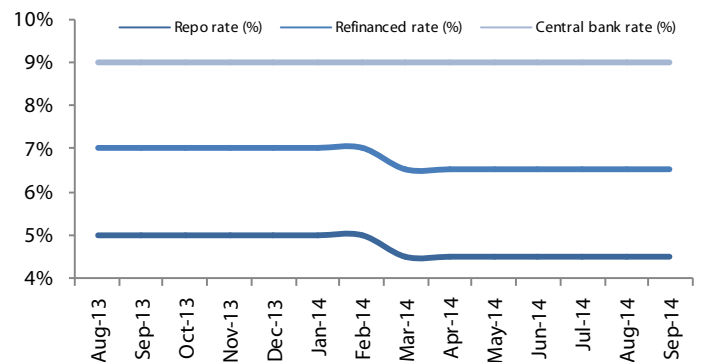
Sources: GSO. Rongviet Securities database

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
DHC - Restructuring yielded juicy fruits	Sep 29 th , 2014	Buy – Intermediate term	25,200
DCL – Chances as bad debts to be solved	Sep 22 th , 2014	Neutral – Long term	37,000
PVD – Busy O&G exploitation brought warmth	Sep 17 th , 2014	Accumulate – Long term	122,00
REE - Solid ground s for sustainable growth	Sept 9 th , 2014	Neutral - Long term	29,700
HSG - The hard part has gradually done!	Aug 21 st , 2014	Accumulate – Intermediate term	48,100

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	23/09/2014	0-0.75%	0-2.5%	11,702	11,645	0.49%
VF1	26/09/2014	0.20% - 1.00%	0.50%-1.50%	23,267	23,041	0.98%
VF4	24/09/2014	0.20% - 1.00%	0.00%-1.50%	10,541	10,868	-3.01%
VFA	26/09/2014	0.20% - 1.00%	0.00%-1.50%	7,690	7,709	-0.25%
VFB	26/09/2014	0.30% - 0.60%	0.00%-1.00%	11,709	11,532	1.53%
ENF	19/09/2014	0.00% - 3.00%		10,761	10,705	0.52%

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