

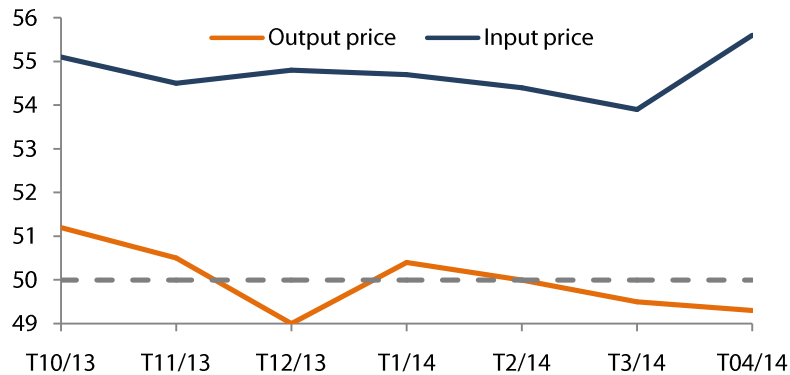
“Improved sentiment at elevated liquidity”

- **HCMC and Hanoi’s May inflation diverged**
- **The textile and garments sector: Vietnamese or Chinese FDI firms, which will be in TPP favor**
- **Improved sentiment at elevated liquidity**

HCMC and Hanoi’s May inflation diverged

Yesterday, the two major cities of HCM and Hanoi announced the Consumer Price Index for the month ended in May. The gauge of inflation for Hanoi inched down 0.07% in May after picking up a slight 0.12% in the previous month. On the other hand, HCMC’s CPI grew 0.36% from April and 0.51% from a year earlier in May. These results differed from our predictions earlier this way in that the rise in land freight rates as the result of the load check campaign along highways across the country was not reflected in May’s inflation. From this, we can see that even with the restrictions on truck load, carriage service providers have yet to adjust in their rate schedule on a wide scale given the on-going uptrend of the manufacturing sector input prices. However, if this situation stretch over June or even months after that, land transport companies may likely suffer from shrinkage in profit margins.

Exhibit 01: HSBC’s manufacturing sector output and input price indices



Sources: HSBC, RongViet Securities

The textile and garments sector: Vietnamese or Chinese FDI firms, which will be in TPP favor

While local textile and garments manufacturing are struggling in preparation for the TPP, Chinese companies has been pouring capital into Vietnam looking to share in the fruits of the upcoming trade pact. There have been some major projects funded by Chinese FDI in the last one year, including Texthong Textile 300-million-dollar yarn mill in Quang Ninh, Shenzhou International 140-million-dollar fashion and high-end garment center in HCM and Jiangsu Yulun Textile’s 68-million-dollar yarn-to-garment line in Nam Dinh. For these Chinese companies, the shift to Vietnam is a strategy to make gain eligibility for zero-percent tariffs when exporting to into TPP countries while lowering production cost by taking advantage of Vietnam’s cheaper labor and FDI incentives.

As compared to Chinese FDI players, Vietnamese textile and garments companies are in no positions to compete in term of capital base and technology. Even listed firms like GMC, GIL and TET are still dependent for Chinese imported materials. Aside from firms with closed-end production line such as TCM, HDM and certain players under Vinatex’ umbrella, we see very few Vietnamese textile and apparels producers able to satisfying TPP’s yarn-forward requirement. Therefore, it is undoubted that Vietnamese producers will lose a substantial portion share of textile and apparels export market share to Chinese FDI firms once TPP comes around.

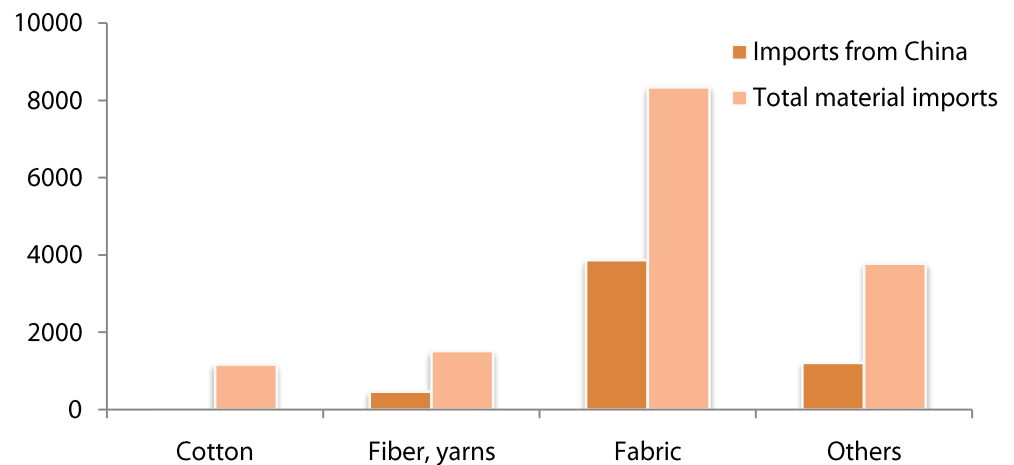
Tai Nguyen

+84 8 6299 2006 | Ext: 315

tai.nbp@vdsc.com.vn

Also regarding this one sector, some of our clients have raised the question that how much recent incident in the East Sea will affect the Vietnam-China textile and garments trade business. According to statistics, Vietnam imported by value 46% of its fabrics and 32% of yarns and fibers from China in 2013. Thus, should the trade relation between the two nations heats up, the production cost for the domestic textile and garments sector will be somewhat affected. Nonetheless, local producers can still shift to other sources such as India, Brazil, Pakistan for yarns and fibers and Thailand, Taiwan and Koreas for fabrics. The goods from these sources are little different from those from China in term of price, such that the switching cost will not be particularly high. Nonetheless, one key point to take into consideration is that none of the countries mentioned above belong to the TPP. Therefore, just switching suppliers would not help Vietnam in meeting the yarn-forward requirement. Sooner or later, local manufacturers still have to invest their own closed-end production line in order to reduce dependence on imported materials as a whole, not just those made in China.

Exhibit 02: Textile and garments materials imports in 2013 (million VND)



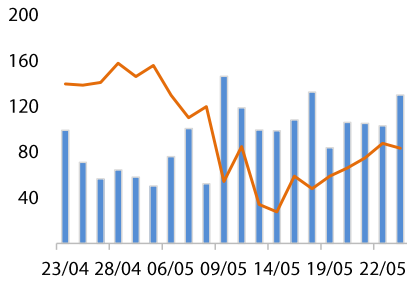
Sources: General Department of Vietnam Customs, RongViet Securities

Improved sentiment at elevated liquidity

The most positive in today's session is the return of confidence to both the buy and sell sides. The indices fluctuated in higher frequency but restricted ranges and liquidity in both the HSX and HNX improved to a good extend as compared to previous sessions. After 4 consecutive up days, concerns over stock holders locking in profit should have slowed the trading day; yet in fact, selling pressure was almost completely absorbed by the buy side. In theory, adequate price fluctuations and high liquidity make great opportunities for share trading. However, in these sensitive days, news from East Sea, on Nguyen Duc Kien and Duong Chi Dung's trial may still have unexpected and drastic impacts on market. We maintain our opinion that investors will be better with a high cash-to-stock ratio, low leverage and a calm disposition during heating up moves. On the other, long-term investors still have time to select stocks for their value investing strategy and can consider accumulating "cannot-wait" issues during market plunges.

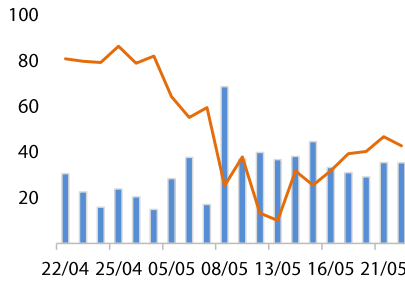
VNINDEX +0,40%

541,73



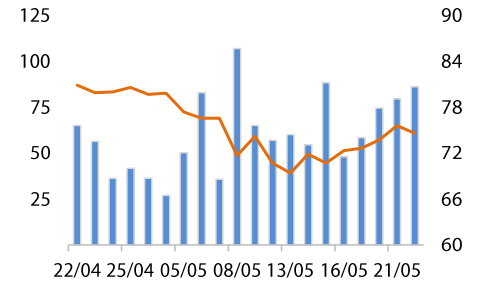
VN30 -0,68%

592,75



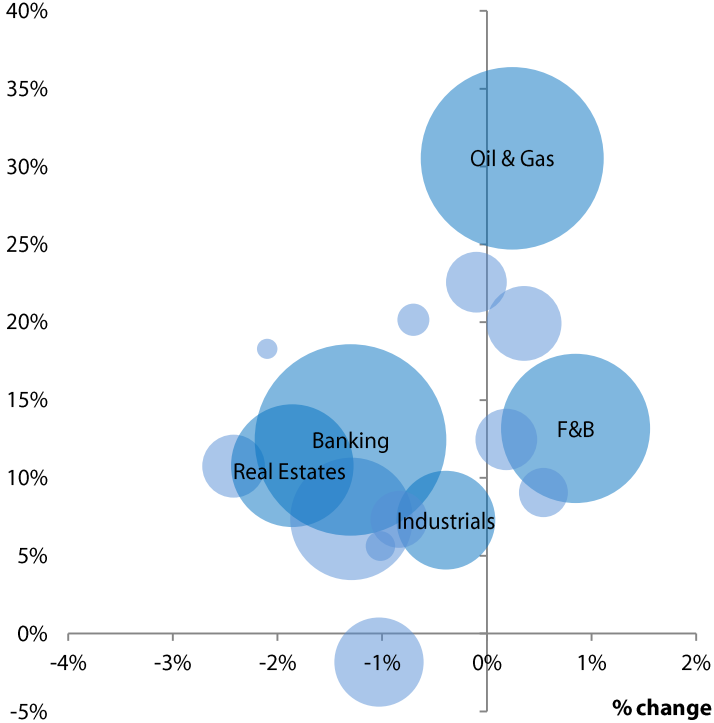
HNXINDEX -1,32%

74,57

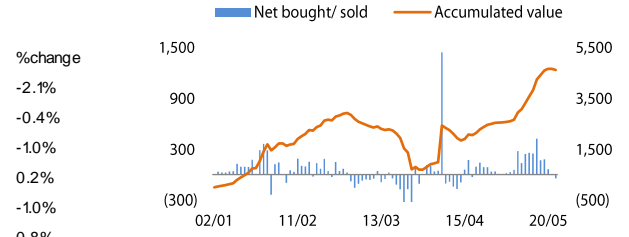


Industry Movement

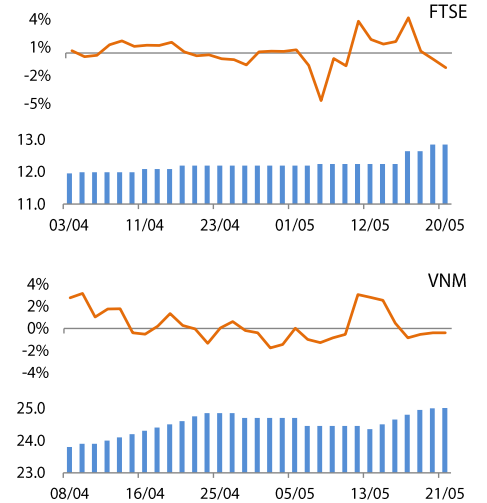
ROE



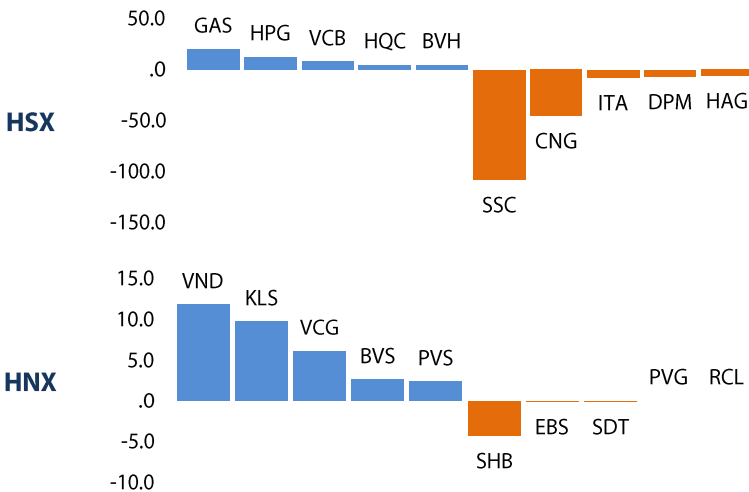
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



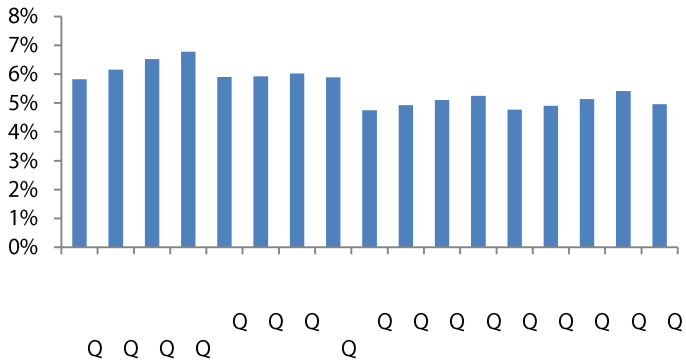
Top Active

Ticker	Price	Volume	% price change
FLC	10.10	17.30	0.0%
ITA	7.90	7.64	-4.8%
HQC	7.20	6.06	1.4%
VHG	7.60	4.87	2.7%
SSI	23.10	3.71	-1.3%

Ticker	Price	Volume	% price change
SHB	8.90	9.52	0.1%
PVX	4.70	8.78	-1.9%
KLS	10.50	8.59	-0.1%
SCR	8.20	8.25	-2.2%
SHN	4.20	5.03	9.1%

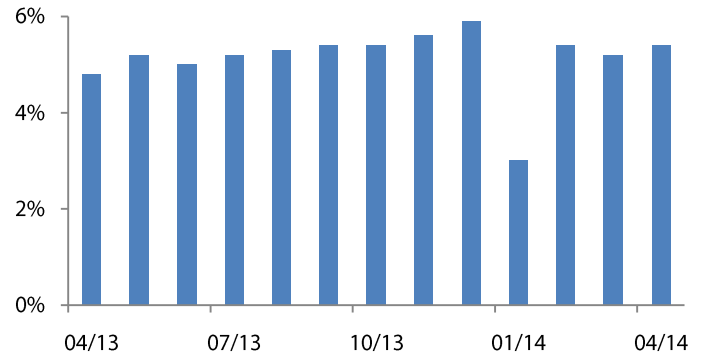
MACRO WATCH

Graph 1: GDP Growth



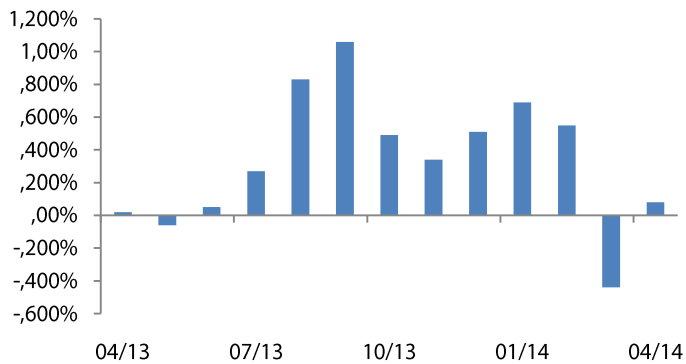
Sources: GSO, Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



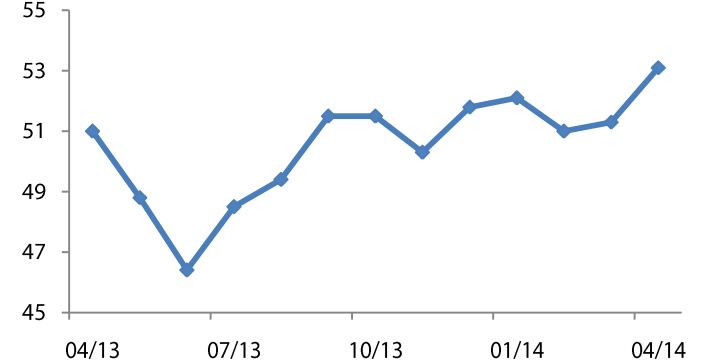
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



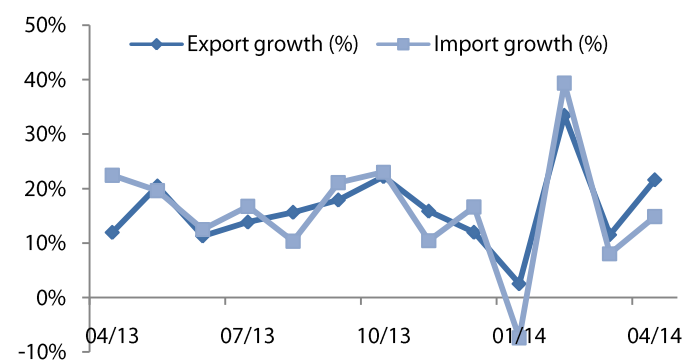
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



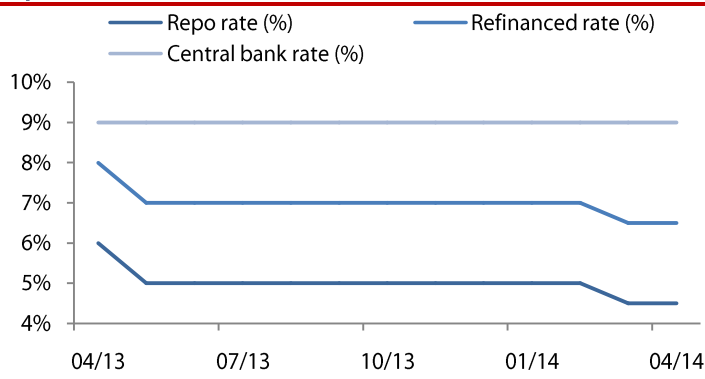
Sources: GSO, Rongviet Securities database

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
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
CSM-Radial and long-term growth	April 4 th , 2014	Neutral –Intermediate-term	46,700
PPC-Stay firm	April 4 th , 2014	Neutral –Long-term	25,200

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	06/05/2014	0.75%	0.75%	10,455	10,727	-2.54%
VF1	08/05/2014	0.20% - 1.00%	0.50%-1.50%	21,227	21,917	-3.15%
VF4	07/05/2014	1.00%	0.50%-2.00%	9,502	9,946	-4.46%
VFA	09/05/2014	0.20% - 1.00%	0.00%-1.50%	7,344	7,400	-0.76%
VFB	09/05/2014	0.30% - 0.60%	0.00%-1.00%	10,775	10,771	0.03%
ENF	02/05/2014	0.00% - 3.00%		9,796	9,773	-1.06%

ANALYSTS
Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 314

truc.dtt@vdsc.com.vn

Huyen Ho –Deputy of Research

+ 84 8 6299 2006 | Ext: 339

huyen.htt@vdsc.com.vn

Huy Nguyen

+ 84 8 6299 2006 | Ext: 344

huy.nt@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

tai.ntp@vdsc.com.vn

My Tran

+ 84 8 6299 2006 | Ext: 348

my.tth@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 318

lam.ntp@vdsc.com.vn

Khoi Nguyen

+ 84 8 6299 2006 | Ext: 318

khoi.nlm@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 348

tam.bt@vdsc.com.vn

HỘI SỞ TẠI TP.HCM

Tầng 1-2-3-4, tòa nhà Viet Dragon
141 Nguyễn Du, P.Bến Thành, Q.1, TP.HCM

- T** +84 8 6299 2006
- F** +84 8 6291 7986
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn

CHI NHÁNH HÀ NỘI

2C Thái Phiên, Q.Hai Bà Trưng, Hà Nội

- T** +84 4 6288 2006
- F** +84 4 6288 2008
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn

CHI NHÁNH NHA TRANG

50 Bis Yersin, TP.Nha Trang, Khánh Hòa

- T** +84 058 3820 006
- F** +84 058 3820 008
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn

CHI NHÁNH CẦN THƠ

08 Phan Đình Phùng, Q.Ninh Kiều, TP.Cần Thơ

- T** +84 0710 381 7578
- F** +84 0710 381 7789
- E** info@vdsc.com.vn
- W** www.vdsc.com.vn



This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securites from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

This research report is copyrighted by Rong Viet Securities. All rights reserved. Therefore, copy, reproduction, republish or redistribution by any person or party for any purpose is strictly prohibited without the written permission of VDSC.