

AUGUST

05

TUESDAY

“VNIndex topped July’s peak with GAS’ record jump”

ADVISORY DIARY

- **VNIndex topped July peak with GAS’ record jump**
- **Bright prospect for textile and garments in 4Q2014**
- **TCM – 2Q2014 Result Update**

VNIndex topped July peak with GAS’ record jump

Positive market sentiment helped anchor VNIndex on the up side throughout the entire session. However, it was GAS’ sudden jump near the end of the day that locked the index in a 1.5-percent gain for the day. At the end of the day, GAS closed up VND5,000/share or 0.4%, its historical intraday gain in both absolute and relative terms since the stock first listed in 2012; volume doubled that of yesterday at 696 thousand shares, almost half of which was foreign investors’ trading. The heavy involvement of foreign investors in GAS today, in our opinion, may have something to do with PVN’s plan to sell 20% of stakes in GAS for outside investors, which has been discussed widely since June but has yet to see any confirmable transactions.

Aside from GAS, other stocks also reached a high consensus during the session. The HSX saw 166 gainers and only 58 losers with 23 out of 30 stocks in the VN30 landing on the up side. Market-wide volume reached 86.6 million shares, valued at VND1,619.6 billion.

With the remarkable performance GAS, VNIndex finally topped its July peak of 605. Even though many took this as a sign that funds has returned in abundance to the stock market, others view this now more than an act of big players preparing to liquidate their own holding. Anyway, after today, VNIndex is still in a formidable resistance zone between 605 and 610, where selling pressure is expected to surge as the market marches toward its previous peak of 609.

Bright prospect for textile and garments in 4Q2014

By our observations, since September, besides of taking advantage the business results in the third quarter, cash flows in the stock market usually go into sectors whose high seasons fall into the last quarter of the year; and textile and garment is one of those sectors.

According to the General Statistics Office of Vietnam, Vietnam’s textile and garment exports in the first 7 months rose by 19.4% as compared to the same period in last year, to nearly VND 11.5 billion. In July, the textile and garments surpassed mobile phones and parts to become the largest sector by export, accounting for 17% of the total exports of Vietnam.

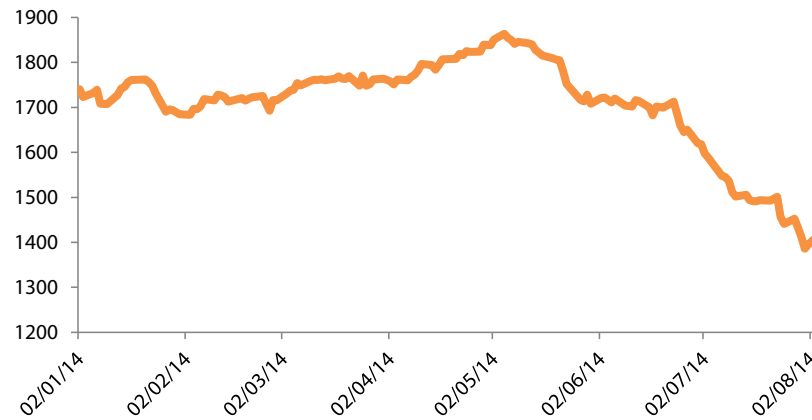
In the last few months of 2014, when the shopping for holidays increase considerably, the opportunity for textile-garment companies is widened. As far as we concern, some listed textile companies like TCM or GMC already got enough orders to produce until the end of 2014. GMC has even had manufacturing plan till May 2015, having recently established a subsidiary in US to meet to attract new orders.

From now on, Vietnamese textile companies may be advantaged by decreasing price of imported input materials, such as fiber, cotton... Since beginning of this year, the forward price of cotton for December delivery in the US has gone down by 24%; prices in India and China has also dropped significantly. The drop of cotton price will have first-hand effect on the profit margins of companies which have closed-end production line like TCM or DHM. When the price of other materials in the production chain like yarns and fabrics go down, companies like TNG, GMC, GIL and NPS will be the beneficiaries.

The third quarter is often low period of some consumer-goods sector, including textile and garments. However, we suppose that growth opportunity for textile companies will still be large.

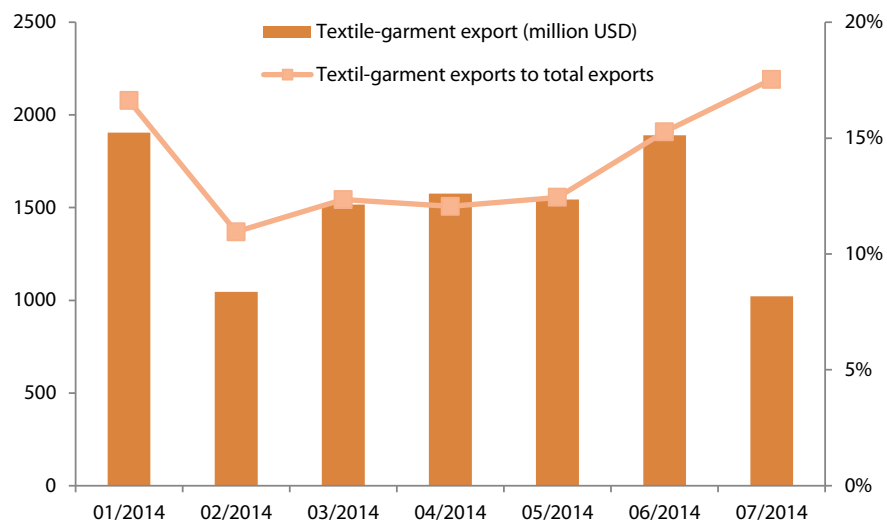
Therefore, this low period would probably be a good chance for investors to select stocks that have consistently good business results and potential development at the appropriate prices.

Exhibit 01: December-delivery cotton future price in US market (USD/metric ton)



Sources: Bloomberg, RongViet Securities

Exhibit 02: Vietnam’s textile-garment exports from January to July’s first half 2014



Sources: General Department of Vietnam Customs, RongViet Securities

TCM – 2Q2014 Result Update

Yesterday, TCM released their business results for 2Q2014. Net revenue only increased 1.5%, compared to the same period last year, but net profit surges 32.6% due to trimmed interest expense after the Company restructured its long-term liabilities. In the first 6 months, TCM net revenue grew about 8.9%, as to the same period of 2013 to VND1,305 billion and net income increased 45% to VND 83.7 billion. Without effect of the 1-percent exchange rate increase in June, the growth rate of TCM’s net profit could have been better.

In the first 2 quarters, cotton price steadied at a high level, causing the gross profit margin of TCM to stay mostly unchanged as compared to the same period last year. However, as mentioned above, as significant drop of cotton price will positively influence TCM’s profit margin in last 2 quarter of 2014. Now, the revenue from yarn sales accounted for ~ 40% of TCM’s total revenue at gross profit margin between 6-13%.

In July, TCM started the construction of a new 6-million-product-per-year sewing factory in Hoa Phu Industry zone, Vinh Long. This factory will enable TCM to increase productivity at the sewing

Tai Nguyen

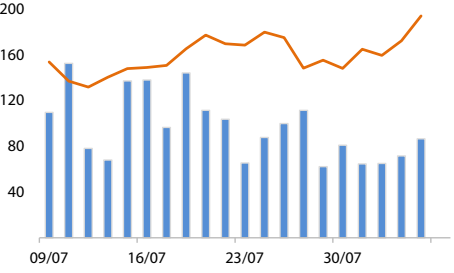
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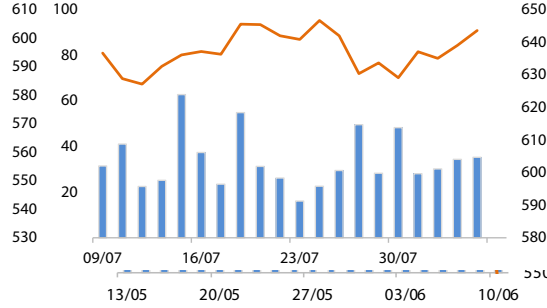
line by roughly 33%. This is the largest driver for TCM's growth in 2015 now that all their current sewing lines are at maximum with the number of new order is still increasing quickly.

For the whole year, we expect that TCM 's net revenue to increase by 13.4% as compared with 2013 to 2,895 bn VND, and earnings after tax will be 171 bn VND, up by 5.9% and equivalent to EPS of 3,476 VND. At the today's closing price of 27,300 VND, TCM was trading at a forward P/E ratio of 7.8x. We would continue observing TCM's results in July and August to assess more comprehensively the effect of decreased cotton prices on the earnings outlook in the next two quarters.

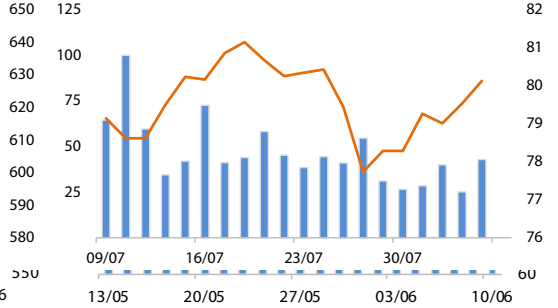
VNINDEX 1.45% 607.73



VN30 0.72% 643.56

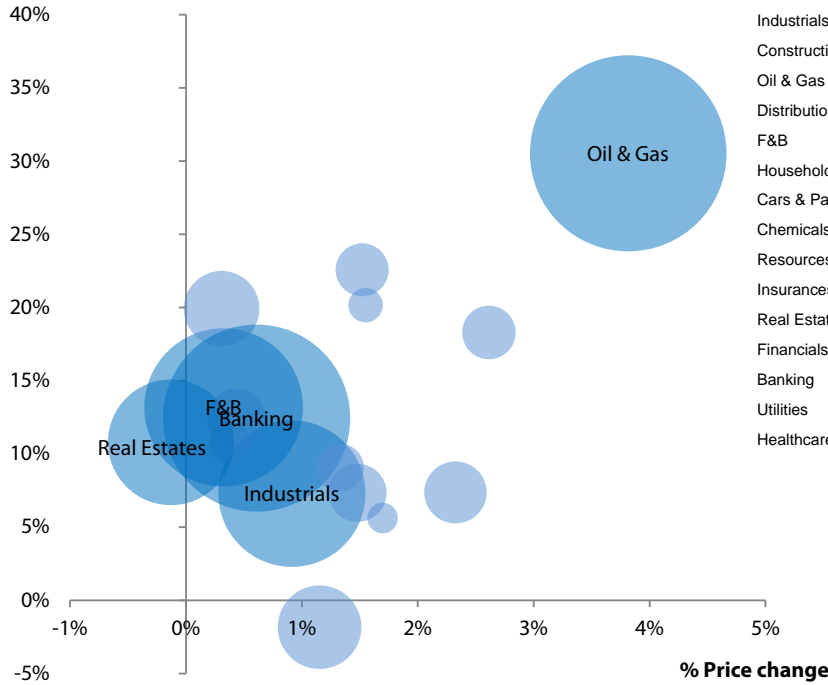


HNXINDEX 0.74% 80.12

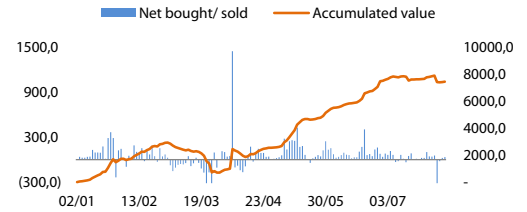


Industry Movement

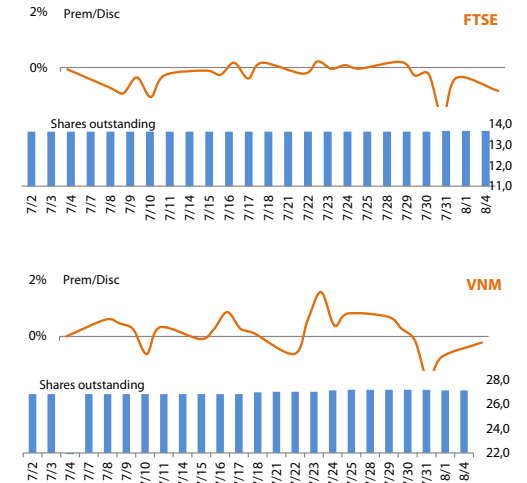
Industry ROE



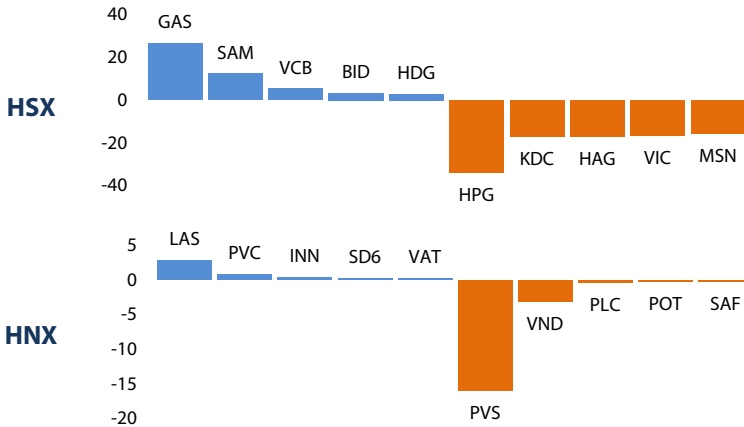
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)

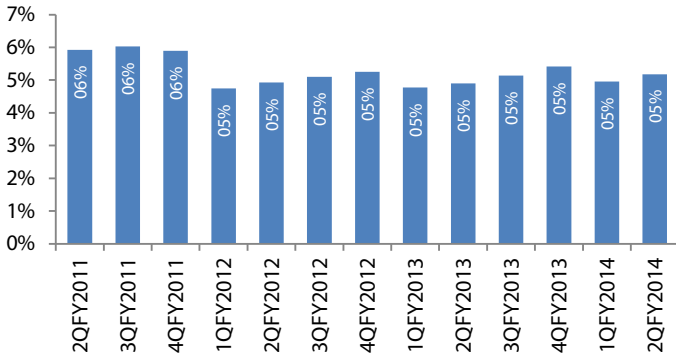


Top Active



MACRO WATCH

Graph 1: GDP Growth



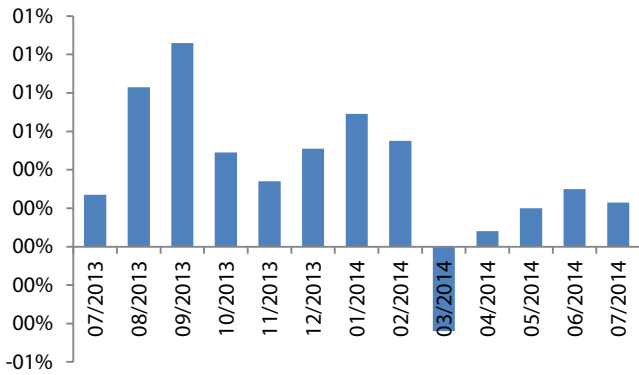
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



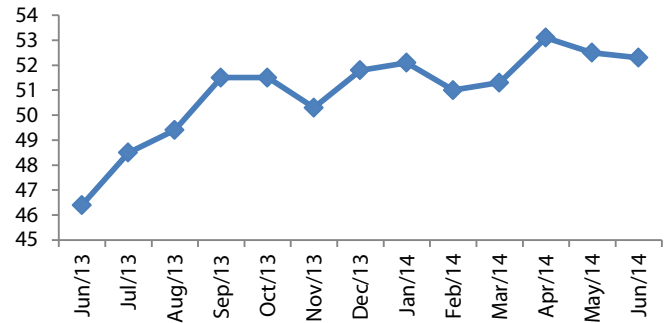
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



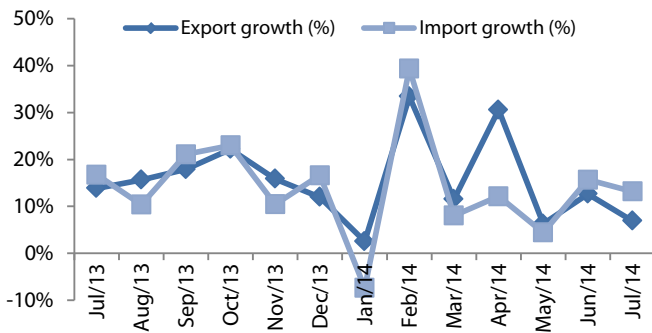
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



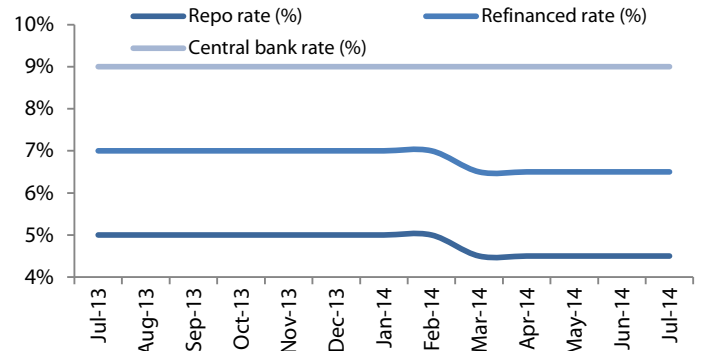
Sources: GSO, Rongviet Securities database

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 | 22/07/2014 | 0.75% | 0.75% | 11,065 | 11,000 | 0,59% |
| VF1 | 24/07/2014 | 0.20% - 1.00% | 0.50%-1.50% | 22,261 | 21,961 | 1,36% |
| VF4 | 23/07/2014 | 0.20% - 1.00% | 0.00%-1.50% | 10,157 | 9,975 | 1,83% |
| VFA | 25/07/2014 | 0.20% - 1.00% | 0.00%-1.50% | 7,516 | 7,479 | 0,50% |
| VFB | 25/07/2014 | 0.30% - 0.60% | 0.00%-1.00% | 10,982 | 10,975 | 0,07% |
| ENF | 18/07/2014 | 0.00% - 3.00% | | 10,105 | 10,009 | 0,96% |

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