

AUGUST

01

FRIDAY

“PMI dropped at slowed manufacturing sector expansion”

ADVISORY DIARY

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- **CII – Massive capital plan for CII Bridge&Road**
- **PMI dropped at slowed manufacturing sector expansion**

REE – 1H2014 Business Update

REECorp (REE: HSX) is one of the few blue-chips that has yet to release Q2 consolidated financial reports. Having spoken with the Company’s management, we understand that REE’s core business saw steady growth in the first half of 2014.

The M&E segment may have grown 10% from a year ago in the 6 months through June 2014. New contract value in the 1H2014 reached as high as VND2,400 billion with the additions of high-value projects such as the Vietinbank Building, the Saigon Center Tower and The Waterfront Saigon. As in Q1, as a number of large projects reached the final stage of construction, the gross profit margin of the segment was substantially widened last quarter.

Whereas occupancy rate and lease rates at REE’s office buildings did not increase (the average occupancy rate in 1H2014 was 98%), lease revenue may have added slightly as more leases moved in REE Tower than in 1H2013.

The air-condition retail segment, i.e. Reetech, still suffered from harsh competition with import brands. In the 6 months ending in June 2014, REE’s retail arm completed only 45% of the revenue guidance and 1/3 of the net profit guidance of FY2014.

For Q2, REE may recognize substantial cash dividends from its associates and investee companies, including PPC (~VND50 billion), TBC (~52 billion) and TMP (~50 billion). Nonetheless, the amount of dividends from the associates may have largely offset REE’s share in Q2 profits of these companies.

In 1Q2014, REE raised its holding of Thac Ba Hydropower JSC (TBC – HSX) from 24% to over 58%. Instead of consolidating TBC’s result in Q2 financial result, REE said it would continue booking its share in TBC’s profits in a one-line item in 2Q2014. Moreover, the shared profits would be deducted the amortization of the goodwill resulting from REE acquiring TBC shares at a price higher than the investee’s proportionate book value in the previous quarter. From Q3 forward, REE will consolidate TBC’s results in its financial report.

Given TBC’s 2014 revenue estimate of roughly 360 billion, the consolidation with TBC may boost the Company’s revenue in the second half of the year. We estimate that REE’s net revenue may expand 19% yoy to 2,871 and net income may reach VND856 billion, or VND3,381/share in FY2014. At today’s close of VND27,200, REE is trading at a forward P/E of 8,3x.

CII – Massive capital plan for CII Bridge&Road

CII announced on Wednesday a plan to raise up to VND2,000 from now to 2018 for its largest subsidiary, CII Bridge & Road JSC (previously Lu Gia Mechanical Electric JSC) (LGC: HSX).

Under the plan, CII Bridge&Road will raise its chartered capital to VND725 billion between 2014 and 2015 through a series of share issuances, including issuance for existing shareholders and private placement for the parent company, after which CII will own another VND49 million shares of LGC.

In September 2014, LGC will proceed to issue VND1,200 billion worth of 7-year, 11-percent, convertible bond for CII. At a conversion price of VND10,000/share, the conversion ratio is 120

million shares.

Then in October 2014, CII itself will submit for an issuance of the same worth of convertible bonds, also with a similar maturity and interest rate. The only difference between these bonds and those mentioned above is that they can be converted not to CII's stocks but those of LGC. Also in October, CII will move on to auction 31.5 million LGC shares at an initial price of VND16,500/share.

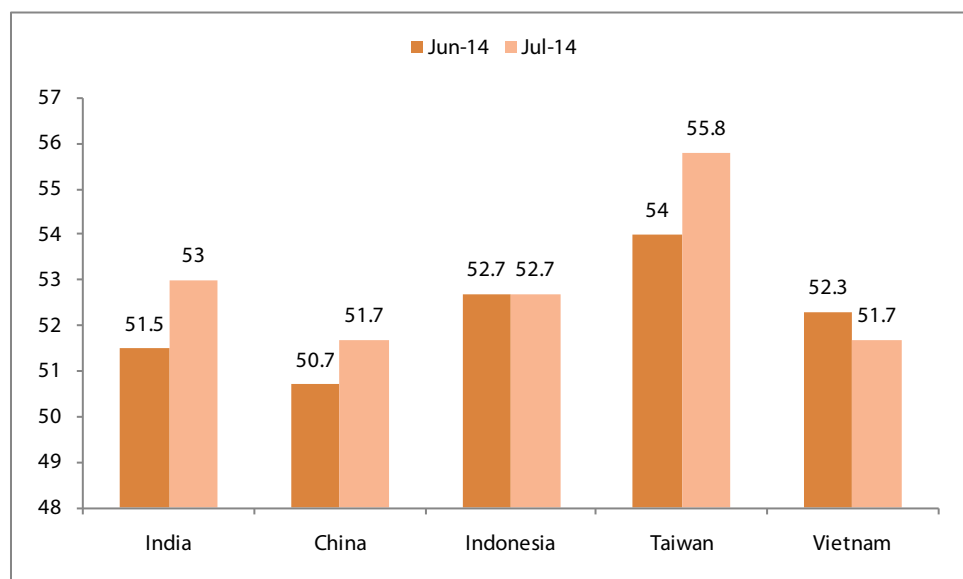
As LGC will use the entire proceeds from the issuances to purchase a portfolio of 7 infrastructure projects from the parent company at a total book value of VND1,955 billion, this plan would benefit CII in several ways. First, it helps with the financing of the Company's massive infrastructure portfolio. Second, it creates a diversified shareholder base for LGC wherein CII is guaranteed the majority share. Third, the differences between the conversion prices of the convertible bonds issued by LGC and those issued by CII and between the auction price and the price at which LGC issue shares to its parents. Such surpluses will compensate CII for the profit it would forfeit selling the projects to LGC at book value.

PMI dropped at slowed manufacturing sector expansion

HSBC has just announced July's Manufacturing Purchasing Manager Index (PMI) for Vietnam at 51.7, which indicated that production in the manufacturing sector has improved for the 11th straight month. However, the weakest PMI reading since April pointed out that rate of improvement slowed down significantly last month wherein new orders also grew at the lowest rate in 4 months. HSBC's PMI release was quite consistent with the socio-economic report of General Statistics Office in July. Stalled progress of the macro-economic environment has never been a good sign for stock investors.

Manufacturing PMIs for other developing Asian economies were also released today. With neighboring countries all reporting PMIs either equal to or higher than in June, the tepid expansion rate of the Vietnamese manufacturing sector may have disappointed foreign investors, causing them to hold back significant in recent trading days.

Exhibit: Manufacturing PMIs of Vietnam and other Asian countries June-July 2014



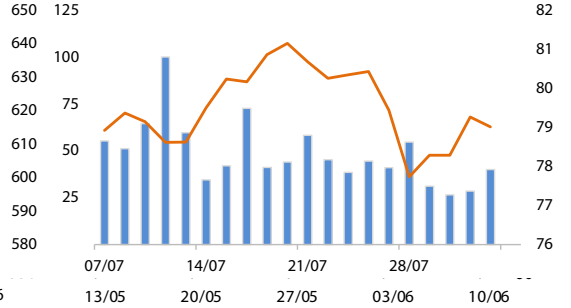
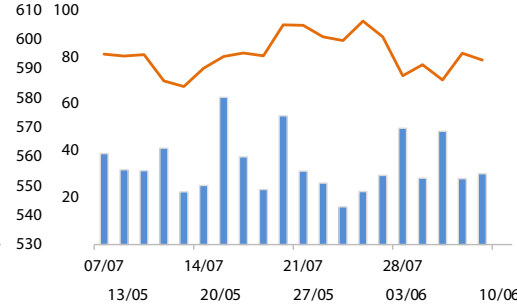
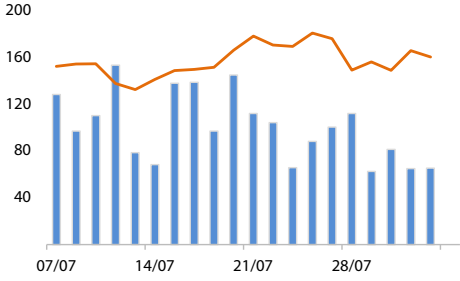
Sources: HSBC, RongViet Securities

Tai Nguyen

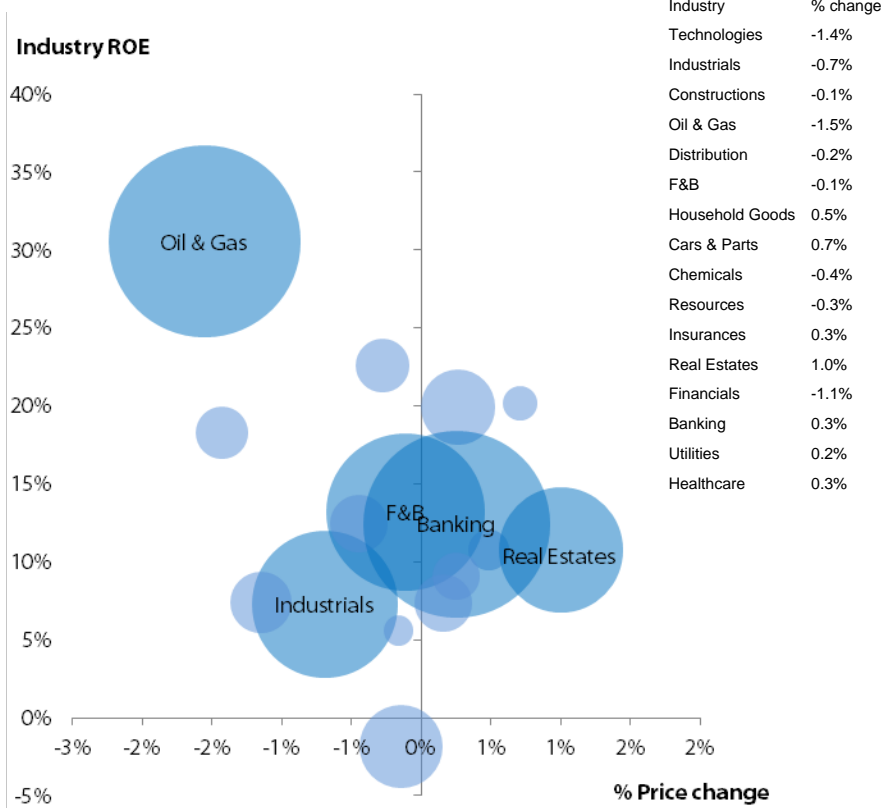
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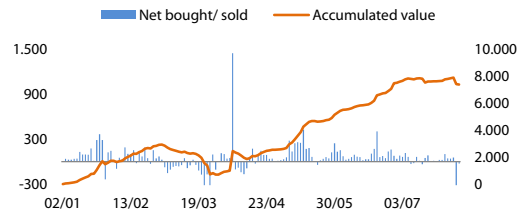
VNINDEX -0.36% 593.90 **VN30 -0.32% 635.01** **HNXINDEX -0.32% 79.01**



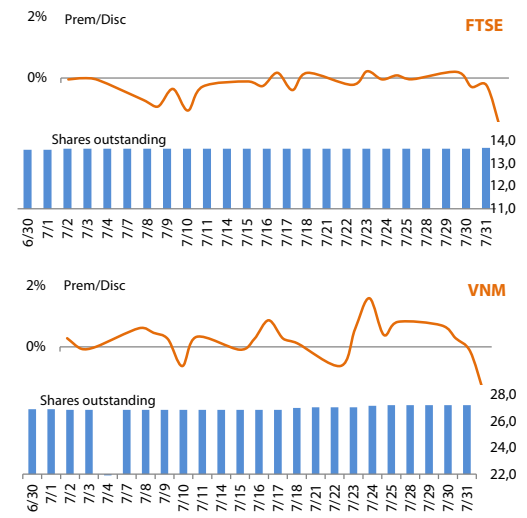
Industry Movement



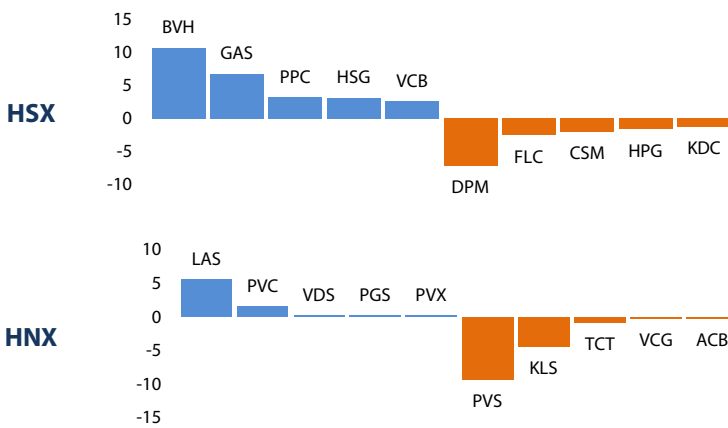
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



Top Active

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| FLC | 13.30 | 13.03 | 1.5% |
| SAM | 10.60 | 4.64 | 1.9% |
| HQC | 7.70 | 2.55 | -2.5% |
| TTF | 10.60 | 2.02 | 2.9% |
| SSI | 25.10 | 1.65 | -1.2% |

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| DXP | 39.00 | 0.31 | 0.0% |
| PVS | 33.50 | 0.29 | 0.0% |
| LAS | 35.40 | 0.16 | 1.4% |
| KLS | 10.80 | 0.40 | -2.7% |
| PVC | 22.10 | 0.07 | 3.8% |

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index lost 6.24 points (or 1.04%), closed at 593.90. Trading volume continued to reduce with 361 million shares changed hands (-17.4%).

After reaching its resistance at 603 area, VN-Index moved lower to its trend line support at 590 and then recovered slightly on low volume. At this moment, the up channel of VN-Index is still valid. VN-Index is also supported by the 26-day moving average. Traders should watch for a rebound higher to retest its resistance at 603 or a breakdown toward its lower support at 580.

Looking at technical indicators, the MACD cut down the signal line as predicted and the RSI broke down its uptrend line support, too. The ADX indicator was down below 20, showing that the intermediate uptrend of VN-Index is weakening.

Trading volume reduced day by day and VN-Index might go into a trading range between 580 and 600.



HNX-Index

HNX-Index reduce 0.25 points (or 0.3%), closed at 79.01. Totally, about 175 million shares changed hands, 15% lower than previous week volume.

HNX-Index broke down its support at 79.5 and then continued move down to 78 area (equivalent to the 50-day moving average). At this threshold, HNX-Index recovered slightly on low volume to test the 79.5 support. Traders should watch for an extended rebound above 79.5 or a move down to 77.

Looking at technical indicators, the MACD turned bearish and kept moving down while the RSI is hesitating at around 50.



Recommendation:

Both indexes recovered slightly on low volumes after strong corrective sessions. Traders should continue taking profit and wait for new signals from the markets.

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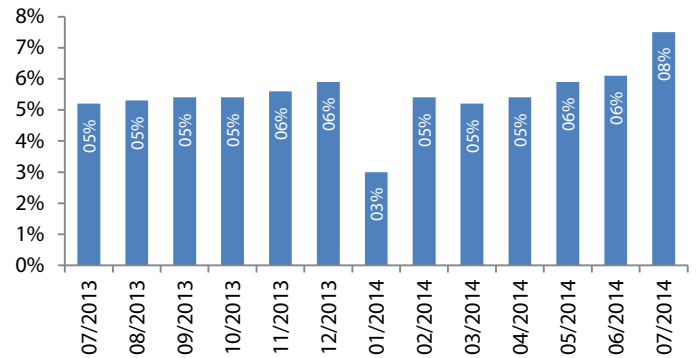
MACRO WATCH

Graph 1: GDP Growth



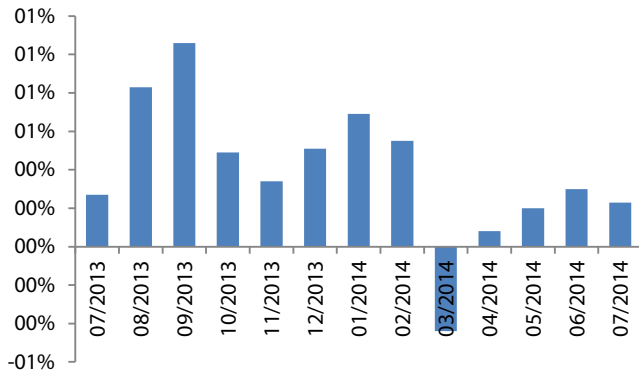
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



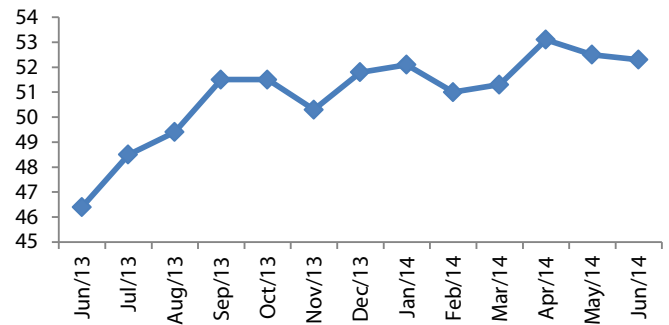
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



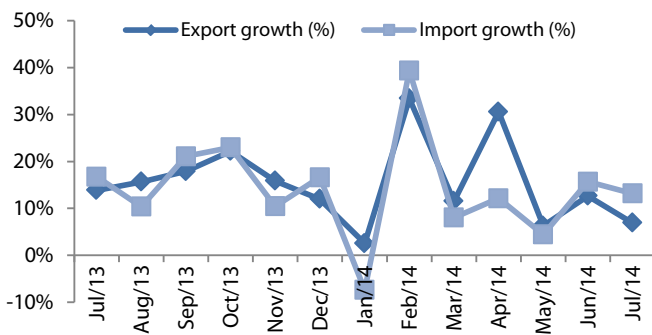
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



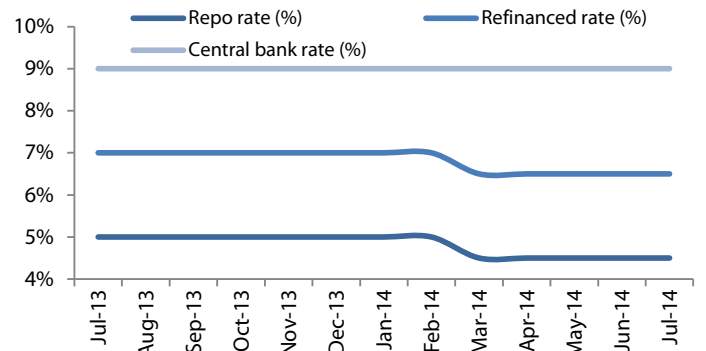
Sources: GSO, Rongviet Securities database

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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