

OCTOBER

29

WEDNESDAY

“Stocks flooded in a green shade though cautiousness remained”

ADVISORY DIARY

- **Textile-garment sector witnessed encouraging results in 9M2014**
- **Stocks flooded in a green shade though cautiousness remained**

Textile-garment sector witnessed encouraging results in 9M2014

On October 27, the TPP Finance Ministry Meeting in Sydney curtailed with several progresses but without a conclusion. With the US and Japan, the two largest economies in the TPP, accounting for a combined 60% of total exports, Vietnam’s textile-garment industry stands to benefit the most from the “trade pact of the century. In the nine months ended September, Vietnam’s textile-garment exports jumped 18.7% from a year earlier to VND15.5 billion.

As textile-garment manufacturers took turns to announce their Q3 earnings over the past two weeks, we find it necessary to give investors an overview of the companies’ nine-month performance.

Q3 reports showed that most industry players saw an improvement in both revenue and NPAT as compared to the 9M2013 with revenue growing at an average 16% and NPAT an impressive 73%. In contrast, TET post a 12-percent decline revenue and KMR announced nine-month NPAT 16% lower than a year earlier. Along with GIL, TET and KMR are all small players who have modest manufacturing scales and vulnerability to the volatility of export orders and therefore stand to benefit only little from industry growth. On the other hand, TNG’s NPAT jumping 89% helped explain in part the fact that the stock has added over 100% since June (**See page 3**).

The gross and net profit margins of listed textile-garment companies in general were little changed over the one-year period as the majority of companies kept producing mainly under the CMT (Cut-make-trim) method. In the meantime, GMC and TCM, have been following FOB orders for quite some time; the two made praiseworthy efforts to expand production to more value-added products and thus posted noticeable improvements in both gross and net margins. Whereas TCM has begun to manufacture high-end woven fabric, GMD has picked up ODM orders through a California-based joint-venture called Blue Saigon LLC.

Of all the above mentioned firms, TCM is our favorite. With yarn trading accounting for nearly 50% of the Company’s revenue, a sharp decline of yarn price since the year started cause revenue growth to stall in the nine-month period. Nonetheless, the Company was still able to generate increases in the gross profit margins of it other business lines and. As the result, NPAT expanded 36.4% from a year earlier in 9M2014.

Considering the prospect of Vietnam’s textile-garment industry in the long term, the room for these stocks to grow is still plenty. However, only such companies with sufficient manufacturing capacity and capability as well as a desire for a better place in the value chain as GMC and TCM may be able to make the most out of the upcoming opportunities.

Stocks flooded in a green shade though cautiousness remained

Investors reacted to the news of the latest interest rate cut by the SBV pretty the way they do to a high dose of caffeine. Though the bulls had already brought stock up high the afternoon before, overwhelming optimism still had control over the market today. As investors’ sentiment improved, buy orders at higher prices flooded not only blue-chips but also stocks of lower capitalization. Whereas PVD, KDC, DRC and SSI led VN30, PVT, PXS, NBB and TDC topped the list of best-gaining mid-caps. Market width remained positive throughout the entire session and the HSX closed with 6 gaining stocks for every losing one. Even the “disfavored” OGC ended at the highest price of the day.

Such optimism reminded us of the stock market in late August, when the SBV first announced an interest rate cut. Putting the pictures side-by-side, however, the only thing absent is a boom of liquidity. The fact that liquidity dropped 4% in the HSX and picked up a mere 2% in the HNX despite foreign trading reverting to net purchase of VND101 billion showed some local investors remained immune to the surrounding excitement. The return of foreign buyers is a good sign.

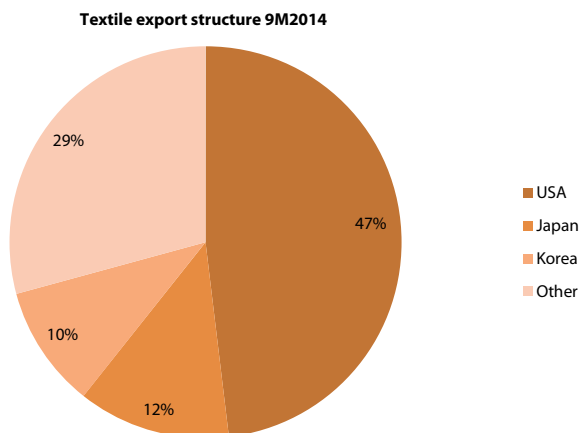
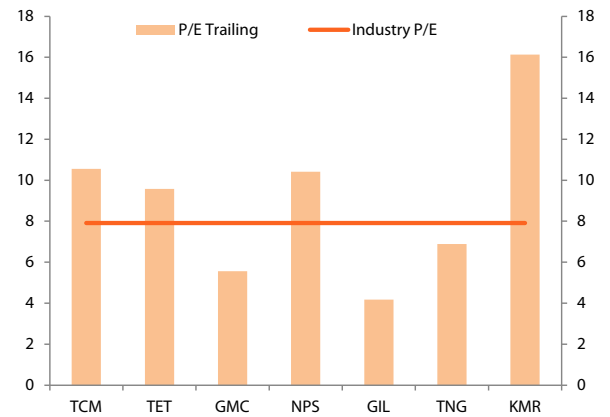
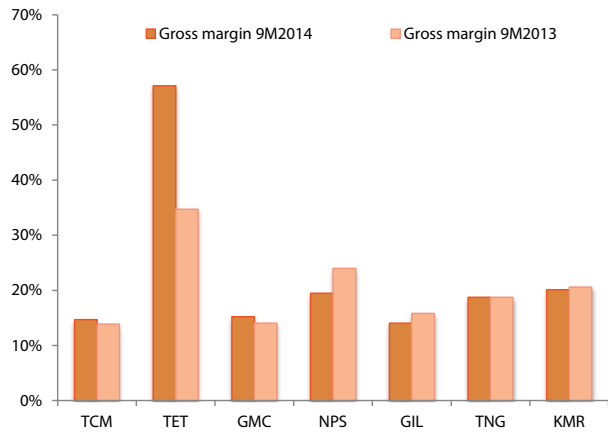
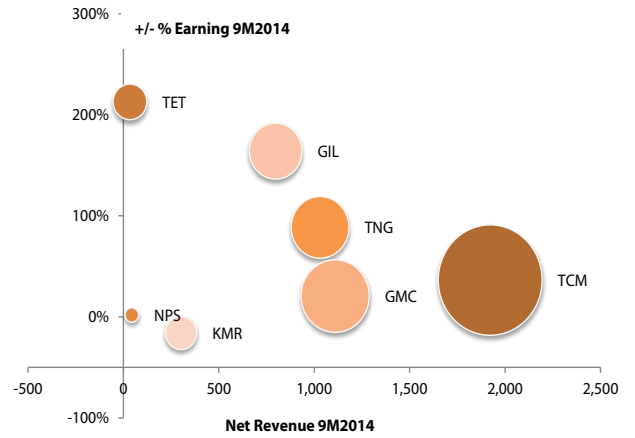
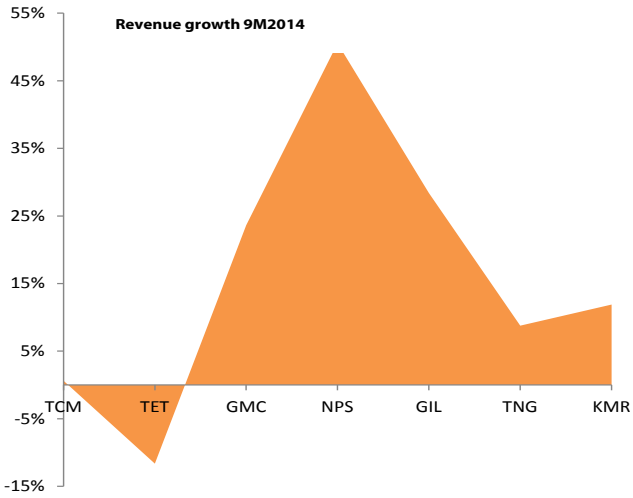
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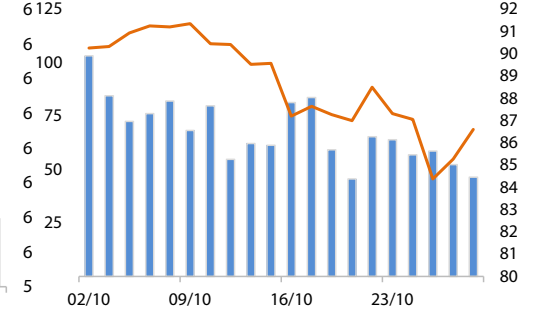
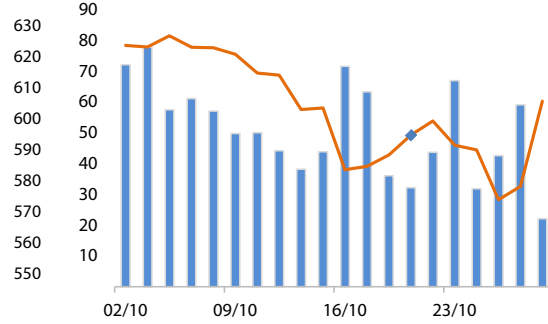
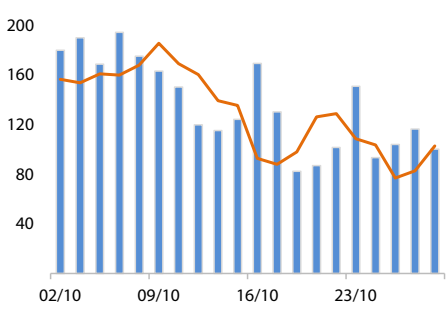
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However, if liquidity does not recover, we see it unlikely for the August rally to repeat.

Anyways, at the current price level, we notice that many stocks under our coverage, including NBB, TCM, DHC, PVD and HPG, have return to the an ACCUMULATE status. Given that, we find it reasonable to say that that until a new uptrend to established, there is still time for intermediate-and-long-term investors to strengthen their holdings.

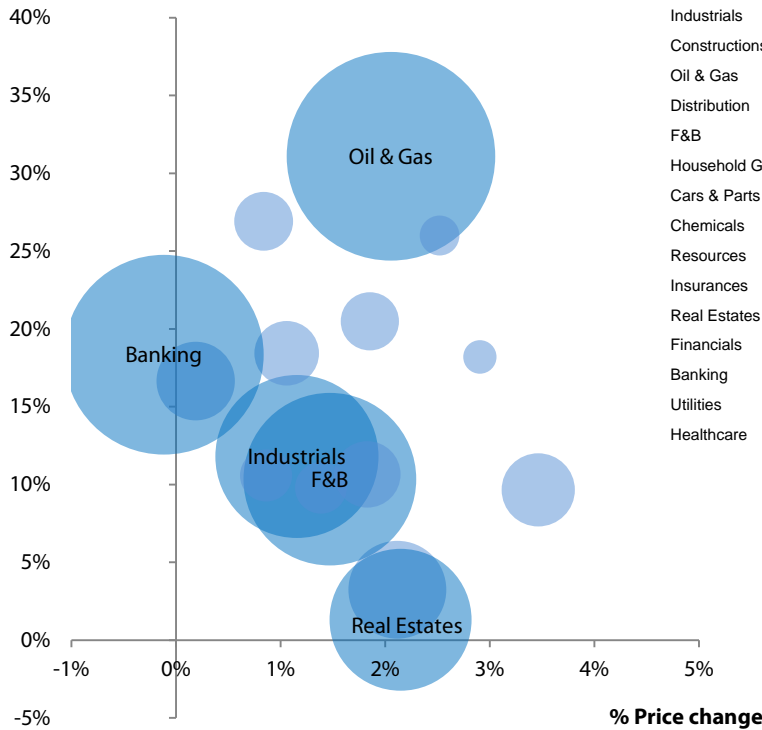


VNINDEX 1.38% 591.20 VN30 3.97% 643.54 HNXINDEX 1.56% 86.60



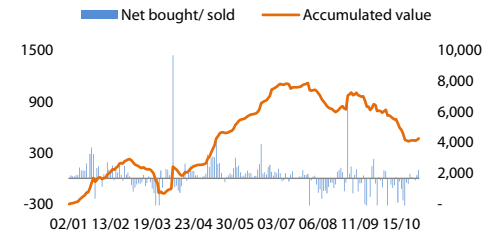
Industry Movement

Industry ROE

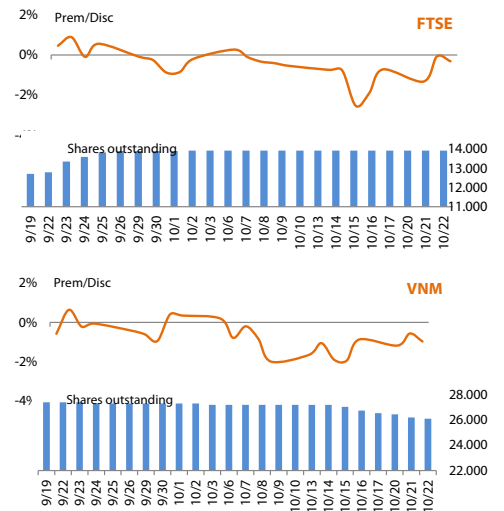


Industry	% change
Technologies	1.9%
Industrials	1.2%
Constructions	2.1%
Oil & Gas	2.1%
Distribution	2.9%
F&B	1.5%
Household Goods	1.4%
Cars & Parts	2.5%
Chemicals	1.1%
Resources	0.8%
Insurances	0.2%
Real Estates	2.1%
Financials	3.5%
Banking	-0.1%
Utilities	1.8%
Healthcare	0.9%

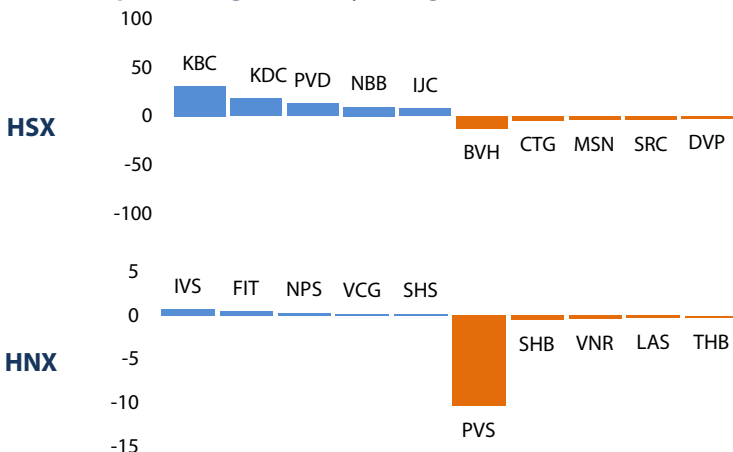
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



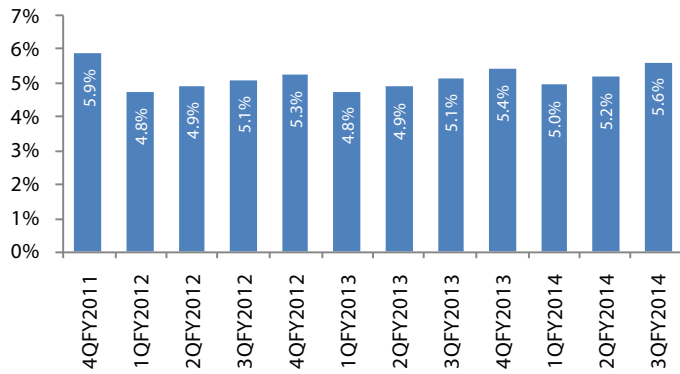
Top Active

Ticker	Price	Volume	% price change
FLC	11.3	11.20	3.7%
SSI	30.8	8.55	4.1%
VHG	14.4	6.14	5.1%
OGC	10.1	6.11	6.3%
KBC	16.3	4.96	3.8%

Ticker	Price	Volume	% price change
KLF	11.40	5.25	4.6%
FIT	25.40	4.48	5.8%
PVX	6.00	4.17	1.7%
SCR	9.80	1.91	3.2%
SHS	11.40	1.82	1.8%

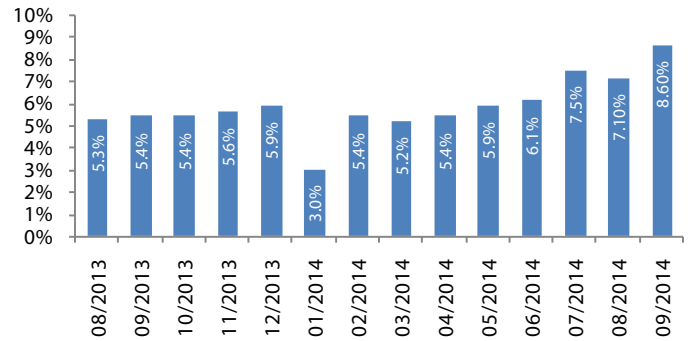
MACRO WATCH

Graph 1: GDP Growth



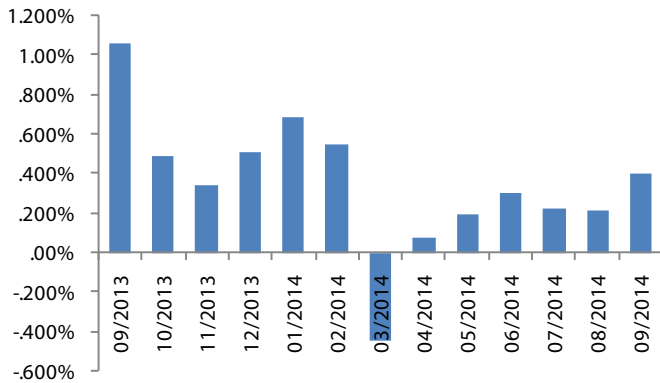
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



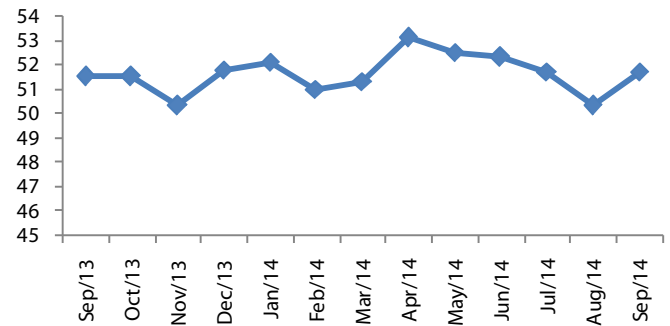
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



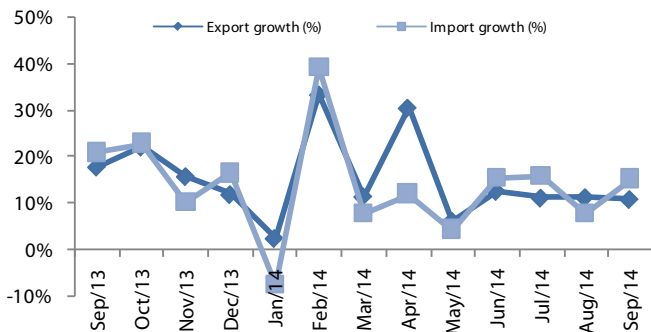
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



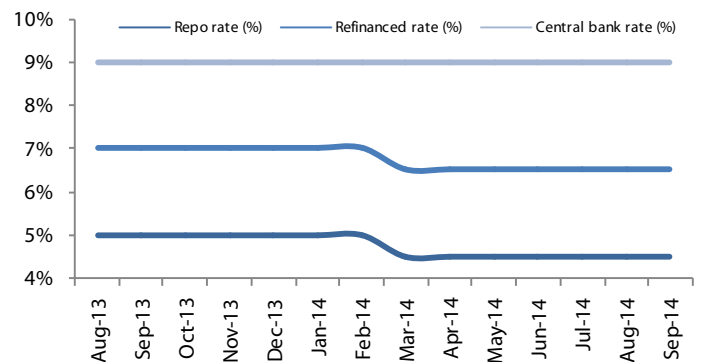
Sources: GSO. Rongviet Securities database

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
SBA - Growth season ahead	Oct 24 th , 2014	Buy – Intermediate term	14,500
APC - Incremental demands for irradiation industry	Oct 23 rd , 2014	Buy – Intermediate term	22,000
TCM - Moving up the value chain	Oct 14 th , 2014	Accumulate – Long term	42,500
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

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	21/10/2014	0-0.75%	0-2.5%	11,829	11,859	-0.25%
VF1	24/10/2014	0.20% - 1.00%	0.50%-1.50%	22,611	22,908	-1.29%
VF4	22/10/2014	0.20% - 1.00%	0.00%-1.50%	10,274	10,475	-1.91%
VFA	24/10/2014	0.20% - 1.00%	0.00%-1.50%	7,560	7,509	0.68%
VFB	24/10/2014	0.30% - 0.60%	0.00%-1.00%	11,932	11,943	-0.10%
ENF	17/10/2014	0.00% - 3.00%		10,641	11,149	-4.56%

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