

Monthly Strategy: January 2012

2 February 2012



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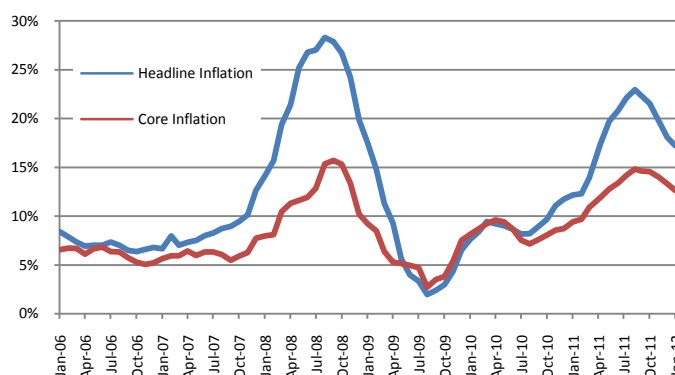
VNIndex posts biggest one-month gain in a year as macro picture improves

Inflation continued to decline in YoY trend

January's national CPI rose 1% MoM cf. December's 0.53%, driving YoY CPI to drop 90bps to 17.3%. This was the fifth consecutive month of declining YoY inflation and the third month where MoM inflation came in below its past decade average. Considering the early Lunar New Year this year, the 1% MoM increase in prices is a vast improvement compared to last January's 1.7% MoM CPI. Moreover, core inflation, which had been relatively sticky a few months ago has shown signs of easing. It fell 70bps in January YoY to 12.6%, retreating 200bps from its peak in August.

(at month's end)	Dec	Jan
VNIndex	351.5	387.9
HNX Index	58.7	60.5
	Dec	Jan
Retail sales (% change YoY)	24.2	22.0
CPI (% change YoY)	18.1	17.3
Exports value (million USD)	8,900	6,500
Imports value (million USD)	9,600	6,600
FDI disbursements (million USD)	1,000	400
	2011	2012F
Real GDP (% change YoY)	5.9	5.5
CPI (% change YoY)	18.2	12.0
Exports value (% change YoY)	33.3	19.9
Imports value (% change YoY)	24.7	17.5
Trade balance/GDP (%)	-7.8	-7.0
Implemented FDI (billions USD)	11.0	11.5
M2/GDP (%)	108	103
Total credit/GDP (%)	98	108

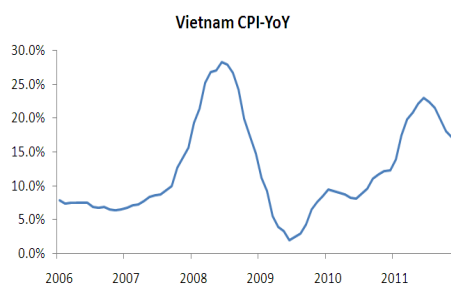
Figure 1: Headline and core YoY inflation



Source: GSO, VCSC estimates

The higher January CPI compared to December was mainly led by the Lunar New Year effect and a 5% increase in electricity prices on December 19th. Almost 80% of January's inflation was attributed to food & foodstuff, housing & construction (in which utilities belong), and clothing as Vietnamese were preparing for the biggest festivities of their calendar.

We are encouraged that the trend is clearly one of easing inflation and though we can expect MoM inflation to accelerate somewhat in February due to the Lunar New Year (which fell on January 23rd), we believe the overall YoY downtrend will remain intact. So long as there are no shocks to the system and further utility price revisions are postponed, we could see improvements over the next four months of as much as 400-500bps from where we are now as we remove last year's unseasonably high inflation figures. We forecast CPI by yearend could drop to 12% YoY cf. 18.1% in 2011.



Trade deficit improves in January as imports decline faster than exports

The trade deficit in January fell to USD100mn thanks to a faster decline in imports growth compared to exports according to preliminary GSO estimates; the lowest trade deficit on record since April 2009.

January exports reached USD6.5bn down 28% MoM and imports came in at USD6.6bn down 29% MoM. The declines in both exports and imports could largely be explained by seasonal factors as international trade often slows at the beginning of the year. Exports dropped 11.1% YoY while imports pulled back 18.7% YoY. The Lunar New Year holiday that essentially closed down the country for the full last week of the month, could also partly explain the decline; in 2011 the holiday fell on February 3rd affecting most of that month's figures.

Compared to the previous month, exports declined across the board except for crude oil and pepper. Imports saw the same trend with the exception of petroleum products which grew by 6.3% MoM.

The GSO also revised the trade deficit for December down to USD269mn from its previous estimate of USD700mn. Accordingly the 2011 trade deficit came in at USD9.8bn, improving significantly compared to USD12.6bn in 2010. Excluding gold, the numbers are even better - USD10.2bn in 2011 ex-gold cf. USD14.2bn in 2010 ex-gold.

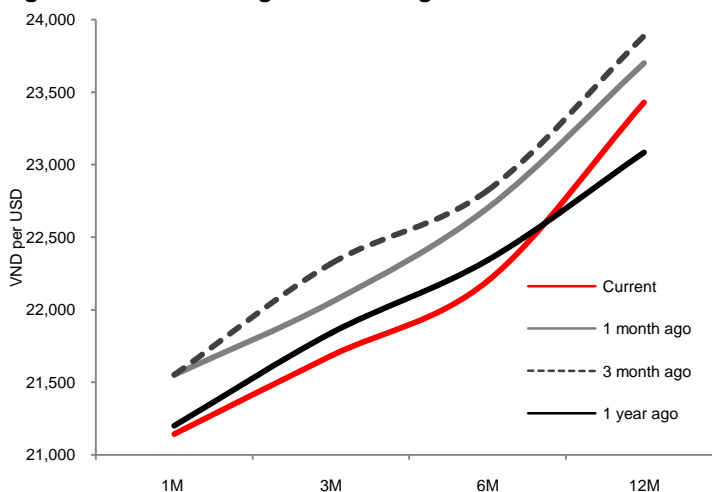
The trade deficit is likely to continue to shrink as the government is determined to pursue macroeconomic stability. We forecast the trade deficit to shrink to USD9bn in 2012. However, we expect export growth to be less favorable than in 2011 due to the sluggish global economy which could lead to slow domestic demand and flat commodities prices. At the same time, we also expect import growth to slow in light of the tight monetary and fiscal policies.

Spot and NDF currency rates strengthen in January

Though we would normally expect to see some pressure on the currency in advance of the Lunar New Year, this year the VND proved relatively resilient. On the contrary, the dong continuously appreciated for the first three weeks of the month, which could partly be due to an influx of USD in early January from the c.USD550mn Mizuho/Vietcombank deal. The stability in the currency could also be attributed to the lower trade deficit and USD2.5bn balance of payment surplus thanks to strong capital inflows from FDI and remittances.

By the end of January the currency had gained 60bps on the grey market compared to the end of December, while it had appreciated 100bps on the interbank market. The gap between market rates and the upper official band have almost all but disappeared.

Figure 2: Vietnam Dong NDF exchange rates



Source: Bloomberg

This strength in the spot market has been reaffirmed on the NDF market, though 12-month contracts do indicate that fear of devaluation remain. In particular, the VND/USD exchange rate on 1-month NDF contracts has declined significantly to VND21,143/USD as of January 31st falling by 189bps compared to the NDF contract price one and three months earlier. The overall outlook for the VND looks brighter with all NDF contracts except for the 12-month term contract dropping from a year ago showing the higher confidence in the VND, at least in the short-term compared to last year. In particular the 1-month NDF fell by 27bps while the 3-month and 6-month dropped by 72bps and 65bps respectively. Only the 12-month NDF contract saw an increase of 149bps.

Consequently, we believe the possibility of an imminent devaluation is rather remote. However, the strength of the VND ultimately depends on the government's ability to restore confidence in the currency and this will be put to the test in 2012 again, but we do think the situation has improved markedly.

Interbank interest rates remain high, not much improvement in dong liquidity

Throughout the month of January, dong liquidity remained weak as many banks, including larger ones contravened the deposit rate cap of 14%, offering higher rates to their VIP clients. There were reports of deposit interest rates reaching 20% at smaller banks.

We expect liquidity to improve somewhat in February as pre-Lunar New Year demand, spurred by "lucky money" envelopes recedes. However, we think that liquidity within the sector will continue to remain a concern especially among smaller, weaker banks. Our view is that weaker banks will continue to face liquidity constraints especially when the central bank reinforces compliance with the ceiling deposit cap.

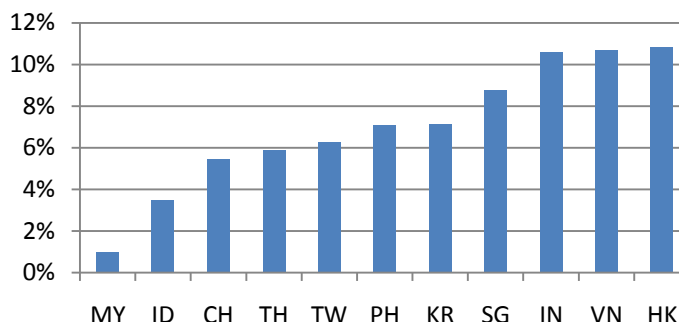
Bigger banks have not been willing to lend to smaller ones, on the interbank market, without collateral as the SBV will not backstop losses in case of default. Furthermore, small banks cannot access capital on the open market without government bonds. Meanwhile, the weaker banks do not want to borrow money via refinancing channels as these loans often come loaded with conditions. In addition, possible merger rumors within weaker banks could put pressure on liquidity as those banks may face an imbalance of withdrawals-to-deposits despite the central bank assurance that deposits would be protected

In our opinion, the timeline for lower interest rates could be delayed to after the start of the second quarter given the liquidity issues. In a recent interview, the governor confirmed that though inflation has declined the SBV hasn't lowered interest rates as liquidity remains weak and that they would revisit the idea at the end of the first quarter. We will obviously maintain a close watch of the banking sector in 2012 as developments in this area could dictate much of the market's movements in the coming months.

VNIndex posts best January performance in 5 years and the biggest one-month gain in the last 12 months

Though cut short due to the Lunar New Year holiday, January was a phenomenal month for Vietnamese equities. The continuous flow of negative newsbytes in 2011 had translated into extreme pessimism towards stocks. Back in December we had contended that markets were being unfairly punished considering the macro picture had improved markedly towards the end of the year. Consequently, the mid-January rally isn't all unexpected and certainly welcomed. The VNIndex posted the best January performance since January 2007 and the biggest one-month gain in the last twelve months. The VNIndex was second only to Hong Kong's Hang Seng Index in terms of MoM performance among its Asian peers.

Figure 3: January's performance of country's major index



Source: Bloomberg

January saw both volatility and range spike against December's values, with daily volatility reaching 1.4% cf. 0.9% while the range widened to 48.3 points between the monthly peak and trough cf. 43.4 points in December. As mentioned in our 2012 Strategy Report, the 330 mark proved to be an important support level where most downside risk was relatively limited. By the end of the month the market had gained 15.8% after making a new two-year low at 334.9.

The VNIndex ended January at 387.97, up 10.7% MoM, though the total number of shares traded fell by 39.0% cf. December partly explained by the a shorter trading month due to the Lunar New Year holiday. Average daily turnover fell slightly to USD28.3mn from December's average of USD32.7mn, but managed to post the second highest value in the last four months.

The gains came on the back of value buying by institutional investors, a series of strong results from key blue chips, rate cut hopes by the end of Q1 as inflation eases, and improved global market sentiments on better US economic data and the Fed's decision to keep rates near zero to 2014.

Excluding two massive divestitures out of STB and VIC, foreign investors would have turned net buyers for the first time since August 2011 by injecting VND486.1bn (USD23.1mn) into Vietnamese equities. However, raw foreign trading data in January which shows foreigners net selling VND2,222.7bn (c.USD111.1mn) worth of equities on the HSX was skewed mainly by ANZ's strategic

sale of its 93mn shares of STB to Eximbank, worth approximately VND1,562.4bn (c.USD92.9mn). There was also considerable selling of VIC over the month of January as well, as foreigners offloaded VND757.0bn (c.USD36.0mn) worth of the stock. The stocks foreign investors net bought the most of during January were FPT, VCB and MSN, of which they accumulated an aggregate VND269.6bn (c.USD12.8mn) worth of shares.

At its current level, the market is trading at an average current PE of 7.9x and 1.3x book value, compared to 10.8x PE and 1.9x book at the end of January last year.

Our view: *Vietnamese equities have gotten off to a great start in 2012. As inflation abates and the economy stabilises further, we believe that equity market could continue to impress this year. Lower interest rates cued for the second quarter, should inflation continue on its downward trend, could help domestic funds flow back into the markets. Though we might see some volatility due short-term trading, as investors start believing that the economy is truly on the right track and market psychology improves, momentum should pick up providing stronger support to the market. There would be opportunities to focus on higher beta stocks to benefit from increasing liquidity in the market once it comes.*

Other investment ideas may include the ones highlighted in our 2012 Strategy Report; (1) while valuations are at historical lows, we think not all is warranted, (2) with asset prices depressed, cash rich companies could go on an M&A spree, (3) the year of the Dragon means a huge boost in babies and companies that cater to infants, (4) Vietnam has become one of Asia's top agricultural goods exporters.

Earnings Outlook

So far this year, about 150 companies, many of them small caps, have issued 2011 financial reports. Though initial assessment show mixed results, we are just entering earnings season for the larger caps and will be looking to update our clients as news come out. Some of the companies we cover announced their 2011 earnings and 2012 preliminary outlook.

CNG – In 4Q2011, PVGas increased CNG's input gas price 30% from USD6.14 to USD8.00 per MMBTU. Despite Q4 revenue doubling to VND215bn, profit before tax tumbled 72% from VND46.9bn to VND 27.3bn QoQ. Full year financial results came in with revenue of VND 782bn (+174%) and net profit of VND204bn (+93%) compared to 2010. Including the recent input hike in October and an earlier hike in March, input gas prices has increased in total 60% in 2011, driving gross margins down to 38% in 2011 cf. 46% in 2010.

For 2012 we expect revenue to grow 28% to VND1,000bn but net income to drop 37% to VND129bn as the full impact of the input gas cost increase is felt. Although we expect gas volumes and ASP to improve compared to 2011, gains may be offset by another 20% increase input gas price in 2012. At VND 23,500 per share, CNG Vietnam remains relatively cheap, trading at 3.6x our FY12F EPS of VND6,524, but this represents 35% EPS decrease over 2011.

CNG Vietnam face risk of annual input costs hikes from its dependency on its single supplier; PGD - Petrol Vietnam Low Pressure Gas Distribution, a member of PVGas. PVGas plans to adjust prices upwards annually in January of each year. With world oil prices sitting at USD100 per barrel, the price of CNG is USD16.80 per MMBTU. Because CNG's price is pegged to oil, there is not much room for CNG Vietnam to raise ASP to its customers. Hence, we believe gross margins will continue to be pressured.

The company spent about VND120bn to increase its capacity from 50mn cubic meters per year (MCMY) of gas to 70 MCMY, or about VND4bn per MCMY. In addition to the costs of handling of compressed natural gas at high pressure (from 200 to 250 bar), the company must import special tanks to transport the gas to clients. At the client's plant, the CNG must then be decompressed by a pressure station. For each new customer, further investments in new tanks and pressure stations must be made thus the company's customer acquisition costs are quite high.

DHG – Consolidated FY11 results came in with net revenue totaling VND2,491bn (+22.4% YoY) and net income at VND429.7bn (+12.7%) slightly beating our forecast of VND2,443bn and VND411bn respectively. Its FY11 adjusted EPS reached VND6,593 (+5.7% YoY). We attribute the difference to DHG's actual expenses on sales & marketing and on general & admin accounting for 28% of net revenue, which is a bit lower than our estimates of 30%.

Running full capacity at the moment, DHG is waiting for a new plant to come into operation in early 2013. This will double its production capacity, thus enabling DHG to meet the rising domestic demand for pharmaceuticals.

At the current price of VND60,500 per share, DHG is trading at 8.7x our forecasted FY12F EPS of VND7,000 (+11%).

FPT – FY11 consolidated revenues reached VND26,000bn (+27% YoY), reaching c.97% of target revenue. FY11 profit before tax stayed at VND2,515bn (+24.3% YoY), completing c.96% of target. The net profit of the parent company grew by c.33.8% cf. last period to VND1,691bn, fulfilling c.97% of its plan.

FPT's core segments are still seeing impressive growth such as telecom, software outsourcing, system integration and other IT services which all achieved above 30% revenue growth. The trading segment saw 22% growth but 37% PBT growth. These results translated to FY11 EPS of VND7,905 per share (+20% YoY).

In 2012, FPT plan to put aside VND500bn to VND700bn for M&A to fuel growth. In the telecom business, FPT will invest VND220bn in the Asian Pacific Gateway fibre optic line which is expected to go online in 2014; another VND350bn is planned to be invested in telco infrastructure.

At the Davos World Economic Forum (taking place in Switzerland), FPT's Chairman Mr. Truong Gia Binh, reached a number of agreements with Intel and SK Planet (member of SK Telecom). FPT and Intel will collaborate to develop markets in Africa. For Nigeria, FPT and Intel's representatives (Intel Nigeria limited and FPT Nigeria) will cooperate in market development, particularly in the field of education. With SK Planet, Mr. Truong Gia Binh also discussed with Mr. Jin Woo So on digital content and outsourcing. The detailed content of the cooperation will be discussed specifically at the end of the congress.

At its current price of VND49,700 per share, FPT is trading at a 5.3x our FY12F EPS estimates.

HPG – In 2011, sales witnessed strong growth thanks to volume and price increases. However, rising input costs and financial expenses hurt margins leading to a drop in net profit. Assuming no significant changes to these unaudited figures, HPG hit its sales target but missed its net profit target by 32%. FY11's EPS comes in at VND3,849 per share.

January 30th was the record date for HPG's 10% of share dividend. This is the second payment of FY10 following a 20% cash dividend which has already been paid. HPG's total outstanding share increases to 344.9 shares from 313.6 shares. FY11 dividend payout has been approved at VND4,000 per share which we expect to be paid in late 2012 and probably in a 50:50 cash and stock.

Monthly Strategy: January 2012

We believe the real estate and infrastructure construction market outlook will more likely remain dim for the first half of 2012 with no catalyst in sight until interest rates start moving down. Moreover, we are rather unenthusiastic about HPG's earning perspective in 2012 as all of the major input costs are expected to be elevated such as energy, labour cost and forex rate.

Sales volume of construction steel for the year are conservatively forecasted to increase by 4.1% YoY to 662,000 tons with the projected average selling price to remain flat at around VND15mn per ton. We estimate HPG's FY12 revenue and net profit at VND18,800bn (+5.4%) and VND1,315bn (7.5%). The stock is trading at 4.9x our FY12F EPS estimates of VND3,760.

PGD – Consolidated 4Q2011 revenues reached VND1,909bn (+207%) and net profit VND48bn (-30%) compared to 4Q2010. FY11 revenue reached VND3,342bn (+57%) with VND303bn in net profit (+40%). Including the recent input hike in October and an earlier hike in March, input gas prices increased a total of 60% in 2011, driving net profit margins down to 9.1% in 2011 cf 10.2% in 2010. At the current price of VND29,800 per share PGD is trading at 4.2x FY11 EPS. We will be publishing revised forecasts for the company shortly.

PGS – The company announced its unconsolidated 4Q2011 financial results with revenue of VND1,350bn (+27.7% YoY) and a net profit of VND11bn (-40.2% YoY). Full year 2011 revenue reached VND4,823bn (+42.2% YoY) with VND130bn in net profit (+62.5% YoY, excluding one-time profits from the 2010 liquidation of PGD).

In 2011, PGS acquired all of Petrol Vietnam's stake in CNG Vietnam JSC (HSX:CNG), increasing its ownership to 60%. CNG Vietnam earned VND204bn in net profit for 2011 (see our Vietnam Today January 20, 2012). Hence, PGS expects to deliver consolidated net income of VND252bn (+116% YoY) from the contribution of compressed natural gas (CNG) sales. PGS should earn VND6,632 per share on consolidated income.

Though the company's results are commendable, we had forecasted PGS' FY11 net income at VND281bn, or VND7,408 per share, or about 12% higher than the announced figures. PGS missed our target due to a couple of unexpected factors. In speaking with the company, we learned that it had to write off goodwill arising from an acquisition. Also, it was unable to fully pass through input costs to its clients thus gross margins dropped from 11.4% in Q42010 to 9.8% in Q42011. We will be publishing revised forecasts for the company shortly.

VNM – The company has announced VND22,264bn (USD1.06bn) revenue (+38% YoY) and VND4,166bn (USD198.6mn) net profit (+16% YoY) in 2011. It is important to note that if we take out the extraordinary income of c.VND350bn from the sales of VNM's Saigon coffee factory to Trung Nguyen in 2010, earnings growth from core business remains strong at 27.6% in 2011. According to management, selling prices have increased by c.15% on average across all product portfolios; however, price increases did not fully cover material cost increases. Gross margin has shrunk from 33.6% in 9M10 to 31.2% in 9M11. Full year EPS reached VND7,623.

Our view remains positive for VNM in 2012. VNM continues to lead the condensed milk and yogurt markets with more than 80% market share. Liquid milk shows strong growth as market share has increased to c.50% from 43% in 2010, while second player Dutch Lady has c.30% of the market. Powdered milk has also gained an impressive c.30% market share and has become a more comparable substitute to other foreign brands like Abbott and Mead Johnson.

We think Vinamilk's growth story will continue, especially, in the liquid and powdered milk segments. The Mega Factory is expected to come online in 4Q12 and double the current liquid milk production.

We are positive that VNM can continue to gain market share in this segment on back of its established brand name and extensive distribution network. Regarding THMilk, the rising competitor in the liquid milk market, we will continue to watch the competition; as of now, THMilk is only serving a relatively small market compared to VNM.

Meanwhile, VNM's powdered milk, specifically its infant formula, has gradually gained market share as consumers have acknowledged its comparable quality and competitive pricing compared to other foreign products. VNM has raised market share from 23% in 2010 to 30% in 2011 and expects high growth of c.40% in 2012 for this specific segment.

We believe 2012 is going to be an exceptional year for births in Vietnam as prospective parents rush to have dragon babies, an opportunity that comes only every 12 years. Consequently, we expect VNM to be a direct beneficiary of the Dragon year baby boom. VNM's management is guiding for a 25% top-line growth and 20% bottom-line growth in 2012. That translates to 2012 EPS of VND9,064 and PER FY12F of 9.5x.

Top gainers

HSX

Stock	Industry	Market cap	Index weight	Price 31/1/12	Performance
CTG	Financials	\$ 2,283,068,571	2.12%	23,000	29.9%
BVH	Financials	\$ 1,782,187,048	8.41%	52,000	26.8%
STB	Financials	\$ 890,484,762	4.63%	19,000	25.8%
MSN	Financials	\$ 2,576,361,333	12.15%	107,000	18.2%
KDC	Consumer Goods	\$ 175,914,381	0.84%	30,500	17.3%
HVG	Consumer Goods	\$ 75,219,101	0.36%	23,300	15.9%
KBC	Financials	\$ 173,856,310	0.84%	11,600	14.9%
PVD	Oil & Gas	\$ 387,200,286	1.83%	38,000	14.5%
DIG	Industrials	\$ 79,236,768	0.37%	11,900	14.4%
REE	Industrials	\$ 150,631,262	0.70%	12,900	14.2%

Source: Bloomberg, Market cap > USD50mn

HNX

Stock	Industry	Market cap	Index weight	Price 31/1/12	Performance
FLC	Financials	\$ 25,095,238	0.60%	28,500	45.9%
DBC	Consumer Goods	\$ 33,019,833	0.78%	15,500	24.0%
HGM	Industrials	\$ 30,457,143	0.72%	106,600	22.5%
VCS	Industrials	\$ 33,061,667	0.45%	13,100	22.4%
SCR	Financials	\$ 33,809,524	0.78%	6,800	15.3%
BVS	Financials	\$ 36,797,167	0.87%	10,200	14.6%
KLS	Financials	\$ 92,571,429	2.19%	9,100	13.8%
OCH	Financials	\$ 56,666,667	1.34%	11,000	11.1%
SHB	Financials	\$ 155,779,369	3.69%	6,500	10.2%
HBB	Financials	\$ 92,287,857	2.14%	4,700	9.3%

Source: Bloomberg, Market cap > USD25mn

Top losers

HSX

Stock	Industry	Market cap	Index weight	Price 31/1/12	Performance
PDR	Financials	\$ 101,060,000	0.48%	16,000	-14.9%
PNJ	Consumer Services	\$ 110,282,833	0.52%	38,500	-4.2%
BMP	Industrials	\$ 59,896,673	0.28%	33,600	-4.0%
OGC	Financials	\$ 121,428,571	0.57%	7,800	-2.5%
VHC	Consumer Goods	\$ 62,582,958	0.30%	28,200	-0.7%
VNM	Consumer Goods	\$ 2,302,805,143	10.87%	86,000	-0.6%
FPT	Telecommunications	\$ 519,586,190	2.45%	49,700	0.0%
VSH	Utilities	\$ 80,896,500	0.39%	8,300	0.0%
BCI	Financials	\$ 48,866,256	0.23%	15,000	0.7%
SBT	Consumer Goods	\$ 80,001,423	0.41%	12,300	1.7%

Source: Bloomberg, Market cap > USD50mn

HNX

Stock	Industry	Market cap	Index weight	Price 31/1/12	Performance
PVS	Oil & Gas	\$ 197,116,619	4.73%	13,900	-5.4%
NTP	Industrials	\$ 59,228,595	1.40%	28,500	-5.0%
SQC	Basic Materials	\$ 440,000,000	9.47%	84,100	0.2%
VCG	Industrials	\$ 226,190,476	3.24%	9,000	1.1%
VNR	Financials	\$ 50,413,827	1.19%	10,500	1.9%
NVB	Financials	\$ 113,397,929	2.71%	8,000	2.6%
PVI	Financials	\$ 188,142,667	4.53%	19,000	3.3%
VND	Financials	\$ 36,650,107	0.86%	7,200	4.3%
PGS	Oil & Gas	\$ 35,285,714	0.85%	19,500	4.8%
ACB	Financials	\$ 942,161,714	22.85%	21,200	7.6%

Source: Bloomberg, Market cap > USD25mn

Sector performance

HSX

Financials	17.39
Oil & Gas	12.80
Health Care	11.28
Basic Materials	10.52
Industrials	7.51
Utilities	4.38
Consumer Goods	3.65
Technology	0.73
Telecommunications	0.12
Consumer Services	-0.09

Source: Bloomberg

HNX

Consumer Goods	14.18
Consumer Services	11.37
Health Care	8.79
Financials	7.71
Industrials	7.09
Utilities	3.14
Technology	2.98
Basic Materials	1.46
Oil & Gas	-0.59
Telecommunications	-12.73

Source: Bloomberg

Major corporate actions

1. **Vietnam Shipping Firm VOS Buy Back 1.89M Shares** Vietnam Ocean Shipping JSC (VOS), listed on the Hochiminh Stock Exchange, bought back 1.89 million shares from December 5-30. VOS, with a registered capital of VND1.4 trillion, had a market value of VND546 billion as of January 3.
2. **Singapore Fund Buys 4.3M Shares of Vietnam IT Giant FPT** Singapore-based Orchid Fund Private Limited bought 4.3 million shares of FPT Corporation (FPT), the information technology giant in Vietnam, between November 4 and January 4. As a result, the fund raised its holding in the Vietnamese software exporter to 8.94% equal to 19.31 million shares from earlier 6.94%. It wants to buy additional 12.88 million shares in FPT between January 10 and March 10, expecting to increase its ownership to 14.9% equal to 32.19 million shares. Foreign ownership reached the 49% cap in January.
3. **Vietnam Military Bank to Issue 160M New Shares to Public** Military Commercial JS Bank (MBB), listed on the Hochiminh Stock Exchange, plans to issue 160 million new shares to public soon. The shares will be offered at a 16-for-73 ratio at VND10,000 each to the shareholders on record as of Feb. 15, MBB said in a statement sent to Vietnam Securities Depository. It will additionally issue 10 million new shares to its staff, the statement said.
4. **Vietnam Steel Maker HSG to Buy Back 2M Shares Hoa Sen Group (HSG)**, one of Vietnam's leading steel and corrugated iron producers and listed on the Hochiminh Stock Exchange, plans to buy back two million shares soon. As a result, HSG expects to raise its number of treasury shares to 4.02 million, the company said on its website. HSG made a consolidated net profit of VND67 billion (\$3.19 million) on revenues of VND1.64 trillion in the first two months of its fiscal year beginning October 2011.
5. **Vietnam Investment Firm EFI Buys Back 1.56M Shares Education Financial Investment JSC (EFI)**, listed on the Hanoi Stock Exchange, bought back 1.56 million shares between October 14 and December 30. As a result, EFI raised its number of treasury shares to 2.68 million. EFI had 13.43 million outstanding shares and a market capitalization of VND61.52 billion on the HNX as of January 6.
6. **Vietnam VietinBank to List 66.4M New Shares on HOSE** Vietnam JS Bank for Industry and Trade (CTG), or Vietinbank, has received approval from the Hochiminh Stock Exchange (HOSE) to list 66.4 million new shares on the bourse. The shares, previously offered to shareholders, will be ready for trading from January 16, the bourse said on its website. The additional listing will help CTG raise its total listed volume to 398.4 million shares
7. **Vietnam Shipping Lines to Equitize Five Units by 2015** Vietnamese Prime Minister has recently approved the restructuring plan of state-owned enterprises (SOEs) directly under Vietnam National Shipping Lines (Vinalines) in the period of 2011-2015, the government online website said. Vinalines will be allowed to make equitization of five firms namely Khuyen Luong Port, Nam Can Port, East Sea Transport, Vinalines Haiphong and Vinalines Nha Trang, of which the mother company will hold over 50% stake

Viet Capital Securities research department reports

In January, our research department published the following reports:

Date	Name	Ticker	Recommendation	Target price
4 Jan	Monthly Strategy: December 2011	N/A	N/A	N/A
8 Jan	Strategy Report: Vietnam 2012 Outlook	N/A	N/A	N/A
13 Jan	Macro Update: Comments on SBV Governor interview	N/A	N/A	N/A
18 Jan	Monetary Market Update: Interest rates may decline after Tet but dong liquidity remains a concern	N/A	N/A	N/A

Should you request a copy or should you have questions regarding these reports please contact our Head of Research, Marc Djandji at marc.djandji@vcsc.com.vn or +(84 8) 3914 3588 - ext: 116.

Analyst Certification

I, Marc Djandji and Hoai Doan, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC's Rating System and Valuation Methodology

Absolute performance, long term (fundamental) rating key: The recommendation is based on implied absolute upside/downside for the stock from the target price, defined as $(\text{target price} - \text{current price}) / \text{current price}$, and is not related to market performance. This structure applies from 1 November 2010.

Equity rating key	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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Valuation Methodology: To derive the target price, the analyst may use different valuation methods, including, but not limited to, discounted free cash-flow and comparative analysis. The selection of methods depends on the industry, the company, the nature of the stock and other circumstances. Company valuations are based on a single or a combination of one of the following valuation methods: 1) **Multiple-based models** (P/E, P/cash flow, EV/sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, and historical valuation approaches; 2) **Discount models** (DCF, DVMA, DDM); 3) **Break-up value approaches** or asset-based evaluation methods; and 4) **Economic profit approaches** (Residual Income, EVA). Valuation models are dependent on macroeconomic factors, such as GDP growth, interest rates, exchange rates, raw materials, on other assumptions about the economy, as well as risks inherent to the company under review. Furthermore, market sentiment may affect the valuation of companies. Valuations are also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

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