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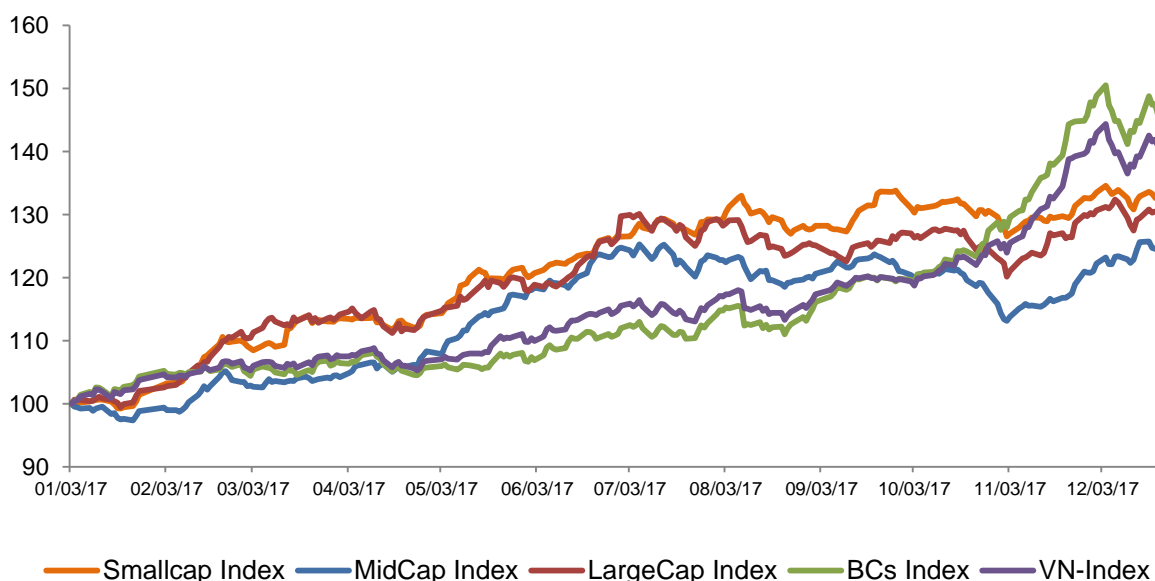
SUMMARY OF THE INVESTMENT STRATEGY 2017

1. Assessment of the stock market and all sectors in 2017 of BSC

In order to revise the BSC's performance in the Sector Outlook Report of 2017, we considered these following factors: (1) Market movement in 2017; (2) Sector Investment Strategy. To be details:

(1) General movements of the stock market in 2017

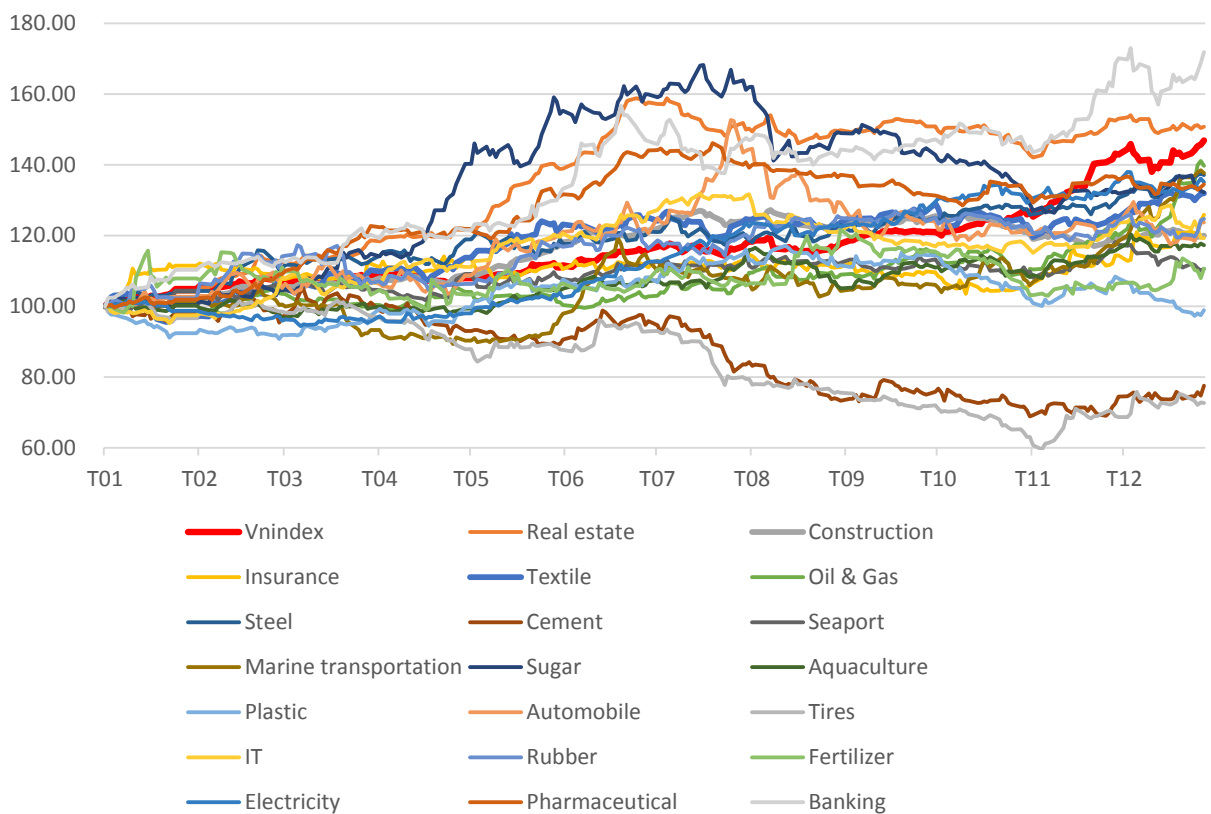
- **In terms of indexes.** For the first point, BSC forecasts quite close to the VN-Index in 2017 in Q1 and Q2 but the difference is quite large when the market was much better than the assumption of approximately 50%, which is in the group of Fastest stock market growth in 2018 and returning to the peak of ten years since 2007.
- **Market movements.** Secondly, forecasts of market movements in June-August were quite close to Forecast for the third quarter of BSC. Thus, in the third quarter, market index fluctuated in 740-800 area and conquered new heights thanks to the large cap stocks in the fourth quarter as forecast. However, the market has received good signal which are beyond expectations to help VN-Index approaching nearly 1000 points such as foreigners were net buyers as well as successful billion USD divestment of government (VNM, SAB).



- **Group of stocks.** Third, in terms of stocks, in the fourth quarter prospect report, BSC predicted that Bluechips and Banking, Real estate, Consumption and Manufacturing sectors would strongly increase and lead the market. The market has occurred under the scenario as the prediction, but we have not mentioned the Oil and gas sector when it was positive with the oil price surpass the old peak in 2016. In the second half of the year, information of divestment from SCIC and large amount of cash released from foreign net buying on the exchange such as HPG, VNM, SAB were leading the market.
- **Comments on information affecting the VN Index and the stock market in 2017.** Factors that we believe will have an impact on the market and business have taken place as predicted are: (1) the world market movements, information from the Fed meeting (especially the session IV), (2) domestic macroeconomic forecasts such as positive interest rates and cash flow from foreign investors and (3) state capital divestments will release large amounts of cash in the market from

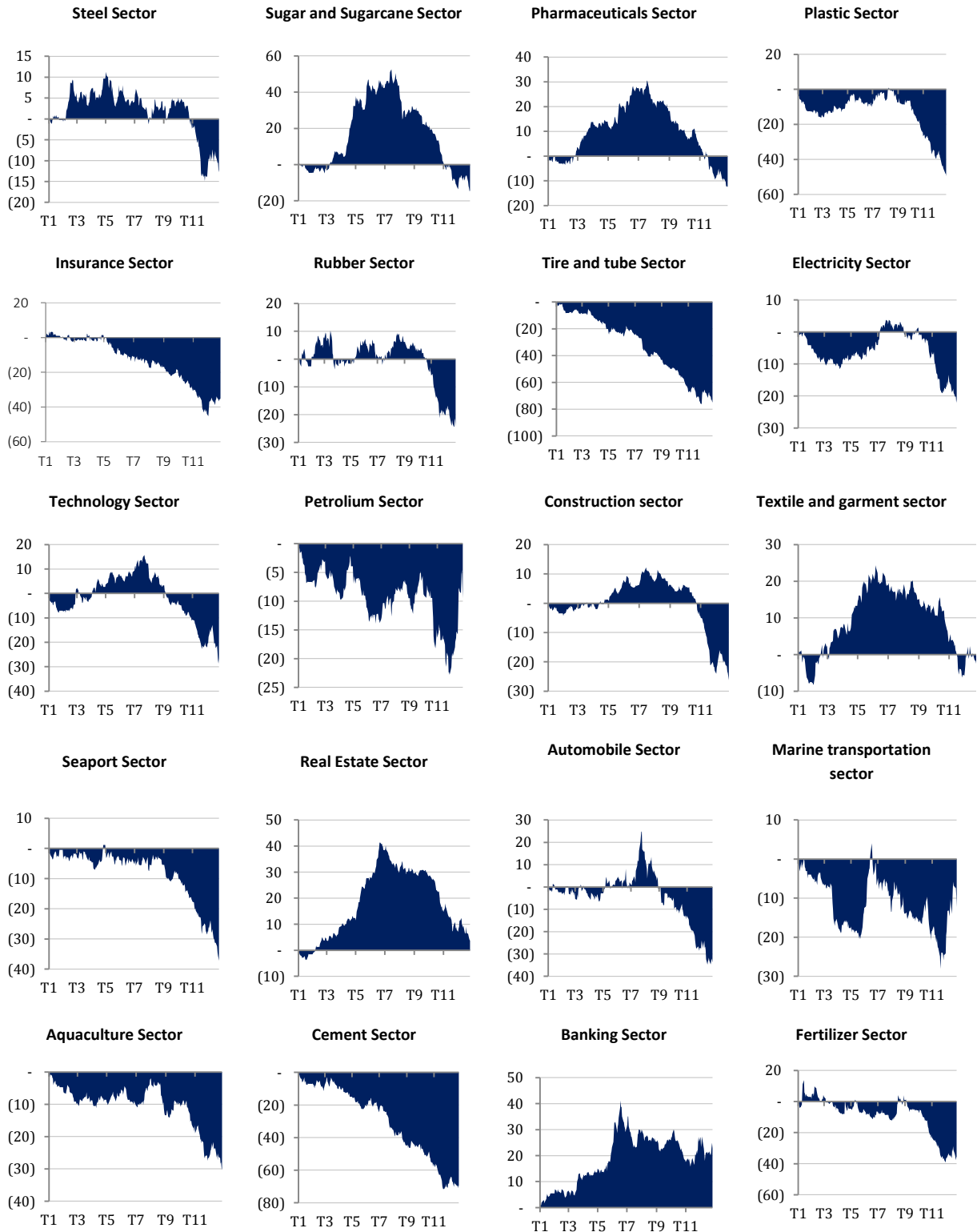
the funds and (4) the market will depend on the effect of Resolution 42 on dealing with bad debt that gives confidence to the Banking sector expressed by the rising stock price. In addition, we have 3 reports to assess the Banking sector (1) Raise investment views from the neutral to positive, (2) Resolution dealing with bad debt and (3) Assessing the SBV's impact on lowering interest rates shows a positive outlook.

Development of VN-Index and sectors



Source: Bloomberg, BSC incorporated

2. Comparison of sector growth and VN-Index in 2017



Source: Bloomberg, BSC incorporated

3. Top of the Stocks in 2017: *BSC incorporated*

Top 5 leaders of VN-Index

STOCK	30/12/2017	1 year (%)	Index pt
VNM	208.600	73,70	15,92
VIC	77.300	84,49	11,28
GAS	97.400	82,91	10,22
VCB	54.300	59,89	8,89
CTG	24200	88,55	5,51

Top 5 leaders of HNX-Index

STOCK	30/12/2017	1 year (%)	Index pt
ACB	30.600	109,6	16,7
SHB	8.000	102,1	4,6
VCS	203.600	144,1	3,4
DL1	17.800	865,9	3,1
PVS	24.900	56,5	2,1

Top 5 laggards of VN-Index

STOCK	30/12/2017	1 year (%)	Index pt
BHN	127.600	-1,93	-0,26
SBT	20.800	-17,13	-0,24
HSG	24.500	-13,53	-0,22
HT1	15.550	-15,01	-0,15
HID	4.150	-86,57	-0,12

Top 5 laggards of HNX-Index

STOCK	30/12/2017	1 year (%)	Index pt
DBT	6.900	-80,3	-1,03
DBC	29.300	-12,6	-0,26
MSC	13.000	-56,5	-0,25
VC3	17.900	-32,4	-0,24
SIC	10.500	-65,7	-0,19

Top 5 strongest increase of VN-Index

(Price > 10,000 VND. Average liquidity > 70,000 shares per)

STOCK	Price	Price at the	%Chg
KAC	4.280	21.250	501%
ANV	2570	11050	382%
APC	18100	82500	365%
LDG	4710	19850	325%
QCG	3410	14900	301%

Top 5 strongest increase of HNX-Index

(Price > 10,000 VND. Average liquidity > 70,000 shares per)

STOCK	Price	Price at the end	%Chg
DL1	6.720	67.700	866%
ATS	10.700	61.700	493%
ALV	2.450	13.100	463%
SHS	4.370	21.200	420%
MIM	2.900	14.400	397%

Top 5 strongest decrease of VN-Index

(Price > 10,000 VND. Average liquidity > 70,000 shares per)

STOCK	Price beginning of	Price at the end of the year	%Chg
HID	30.600	4.150	-87%
CDO	8.410	2.180	-78%
HTT	15.100	4.450	-71%
EVG	14.150	5.800	-59%
DHM	7.220	3.750	-55%

Top 5 strongest decrease of HNX-Index

(Price > 10,000 VND)

STOCK	Price beginning of	Price at the end of the year	%Chg
C92	37.900	7.200	-81%
DST	31.900	6.900	-80%
KDM	14.000	2.800	-80%
CMI	7.600	2.000	-73%
CET	14.820	4.100	-72%

Top 5 liquidity of VN-Index

STOCK	Trading volume / session
FLC	16.953.257
HQC	8.973.181
FIT	3.823.393
MBB	2.971.470
HAI	2.816.711

Top 5 liquidity of HNX-Index

STOCK	Trading volume / session
SHB	10.523.782
KLF	5.101.464
ACB	2.875.650
VCG	2.206.236
SHS	1.596.141

4. Performance of portfolio

- Average growth of BSC recommended stocks in 2017 was 30%, and 30.42% for the recommended stocks from Reported by the beginning of 2017, which is fairly high but still lower than the growth of VN-Index (48%).
- In our recommendation list, 57/76 stocks gained with an average of 47.23% (equivalent to Vnindex). Even in the same sector, the division of stock price movements is quite large. This shows that although the year 2017 is a strong growth year, if our choices was wrong, profit in the year would be significantly less than the general index.
- DXG was the strongest leader (+114.9%), Banking stock also reach the high level of growth rate with MBB (+102.2%), ACB (+94.2%), Techonology sector also increased significantly in 2017 with CMG up 93.3% and FPT increased 52.6%. In addition, some stocks were affected by the poor performance of the sector and the stock price was down such as BCC decreased 42.90%, HT1 - 18.7%, BMP -16.6%.

Sector	Stock	Price on 04/01/2017	Price on 30/12/2017	Up and down	Average volume 2017
Real estate	VIC*	41,600	77,300	85.8%	1,007,346
	DXG*	10,027	21,550	114.9%	4,285,825
	KDH*	16,813	27,400	63.0%	171,251
Construction	CTD*	177,933	226,500	27.3%	108,528
	HBC*	22,468	44,400	97.6%	2,060,080
	FCN*	18,068	24,300	34.5%	756,713
	HUT*	10,208	10,800	5.8%	1,477,852
	CTI*	24,176	30,500	26.2%	416,123
Ceramic tiles	CVT*	26,990	53,800	99.3%	634,755
	VIT*	19,882	18,000	-9.5%	37,666
	VGC	14,547	26,400	81.5%	528,401
Technology	FPT*	37,420	57,100	52.6%	1,301,791
	CMG	15,000	29,000	93.3%	112,147
Seaport	GMD	26,850	40,150	49.5%	801,450
	PHP*	15,776	13,300	-15.7%	10,668
	VSC*	48,750	43,000	-11.8%	148,887
	CDN	20,082	20,900	4.1%	6,636
	HAH	24,670	20,000	-18.9%	39,773
Textile	TNG*	10,250	13,600	32.7%	300,412
	TCM*	13,783	28,550	107.1%	733,581
	VGT*	16,343	10,300	-37.0%	29,673
	EVE*	22,788	20,100	-11.8%	224,546
	VGG*	60,474	58,000	-4.1%	22,174
Electricity	NT2*	24,924	33,500	34.4%	342,332
	PPC*	15,138	22,750	50.3%	218,460
	SJD*	15,435	23,550	52.6%	47,391
	VSH*	14,678	17,200	17.2%	62,595
	CHP*	19,303	26,450	37.0%	85,689

Fertilizer	DPM	20,345	21,500	5.7%	818,339
	LAS*	11,993	14,400	20.1%	184,763
	BFC*	27,244	33,650	23.5%	206,376
Beverages	VNM	122,439	208,600	70.4%	795,284
	SAB	197,000	249,300	26.5%	55,697
	BHN	119,771	127,600	6.5%	22,432
	WSB	49,940	54,500	9.1%	21,293
	SMB	25,990	31,000	19.3%	27,104
Cement	HT1*	19,133	15,550	-18.7%	533,208
	BCC*	13,315	7,600	-42.9%	231,511
	BTS*	9,800	4,500	-54.1%	22,278
Automobiles	SVC*	46,617	49,800	6.8%	50,413
	TMT*	14,600	8,900	-39.0%	29,785
	HAX	25,500	36,650	43.7%	158,566
Insurance	PVI*	23,465	32,000	36.4%	243,987
	PGI*	21,907	22,700	3.6%	51,325
	VNR*	19,293	22,800	18.2%	48,238
	BMI*	23,159	35,500	53.3%	41,737
Plastic	BMP*	102,660	85,600	-16.6%	316,941
	AAA*	23,306	33,100	42.0%	1,332,302
	NTP*	62,442	70,000	12.1%	159,309
Steel	HSG*	28,708	24,500	-14.7%	2,928,367
	NKG*	23,197	38,800	67.3%	564,670
	HPG	27,462	46,850	70.6%	4,544,337
Sugar cane	SLS*	85,839	176,000	105.0%	17,092
	QNS	71,637	54,400	-24.1%	117,382
	SLS	85,839	176,000	105.0%	17,092
	BHS	10,697	N/A	N/A	2,236,651
	SBT	26,000	20,800	-20.0%	2,156,161
Bank	MBB*	12,559	25,400	102.2%	2,971,470
	VCB	36,460	54,300	48.9%	1,517,696
	ACB	19,000	36,900	94.2%	2,875,650
	CTG	14,893	24,200	62.5%	1,993,043
Aquaculture	VHC*	56,900	53,300	-6.3%	92,160
	HVG	8,900	7,850	-11.8%	749,096
	FMC	14,903	22,800	53.0%	147,892
Petroleum	CNG*	37,286	31,900	-14.4%	20,510
	PVD*	20,800	23,350	12.3%	2,710,496
	PVS*	16,212	23,600	45.6%	2,919,850
	PGS*	14,601	25,000	71.2%	178,387
	PXS*	8,370	10,300	23.1%	290,970
	PGC	11,641	15,700	34.9%	53,726
	PVT*	11,251	18,850	67.5%	520,353
Sea transportation	GSP*	9,908	14,000	41.3%	19,471
	SKG	52,817	31,650	-40.1%	158,930
	VIP	6,857	8,150	18.9%	148,983
	VTO	7,226	8,750	21.1%	157,106

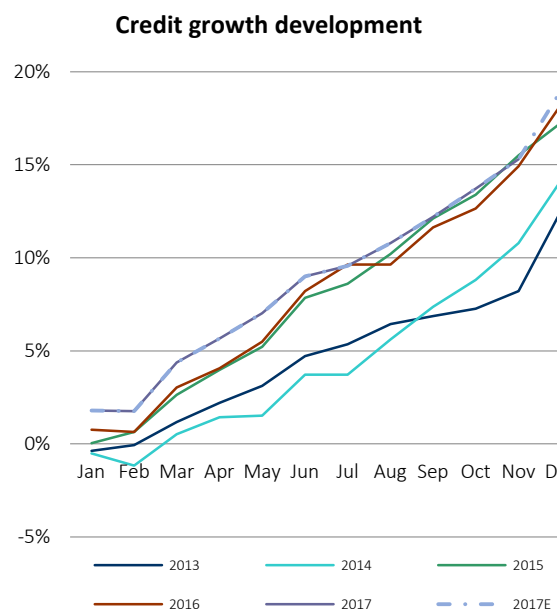
Rubber	TRC	25,880	28,800	11.3%	81,706
	PHR	25,140	43,350	72.4%	571,503
Average				30.0%	

Banking sector 2017 [Strong growth]

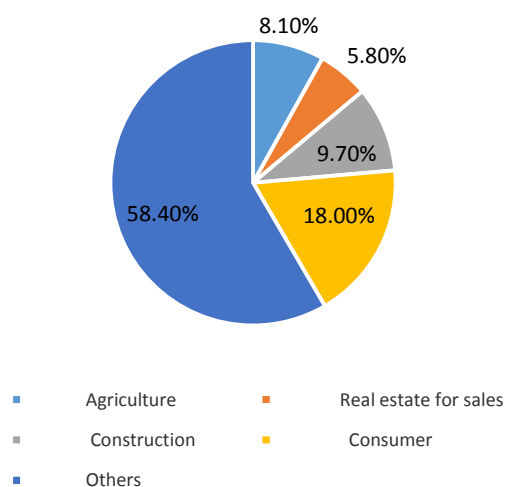
- Credit and customer deposit up 19% in 2017
- The mobilizing interest rate increased by 0.02% - 0.15% on average, lending interest rates were stable
- Interbank rates remained low. The overnight interbank rates fluctuated from 0.64% -1%, the one-week interest rate fluctuated from 0.82% -1.36% in the last week of December 2017.
- Resolution on bad debt resolution (Resolution 42) officially takes effect from 15/8/2017. In 2017, credit institutions have processed more than VND 70 trillion of bad debt, the bad debt ratio at the end of quarter 3/2017 reduced to 2.34%.
- Five banks (VIB, KLB, LPB, VPB and BAB) will list their shares in 2017. The total capitalization of the banking sector as of 31/12/2017 is USD26.88 billion.
- By 9M2017, net profit from trading of listed banks increased 34% YoY and NPAT increased 31% YoY.

Credit growth is about 19% in 2017, according to data from the National Financial Supervisory Commission. Of which, VND's credit accounted for 91.6%, up 15.6% YTD. Agricultural loans accounted for 8.1%, real estate loans accounted for 5.8% (down from 7% in 2016), construction accounted for 9.7%. Consumer credit increased by 65% (accounting for 18%), of which home loans and home repairs accounted for 52.9%. According to estimates by the National Financial Supervisory Commission, credit growth in 2017 is equivalent to 2016, about 19%.

Deposits increased 19% in 2017, equivalent to 2016's growth (19.3%). Mobilization through the issuance of valuable papers increased to 38% by some credit institutions to increase capital to improve the CAR. The average LDR of the system is 87.3%, higher than 2016 (85.6%).

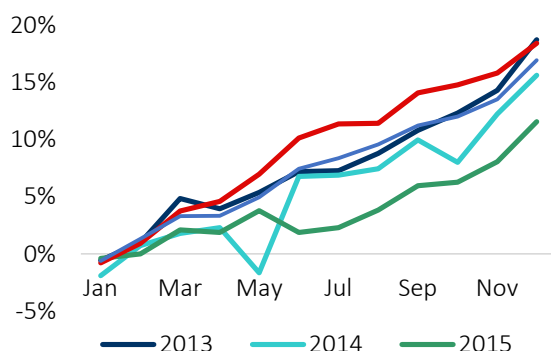


Source: SBV, NFSC

Credit structure in 2017

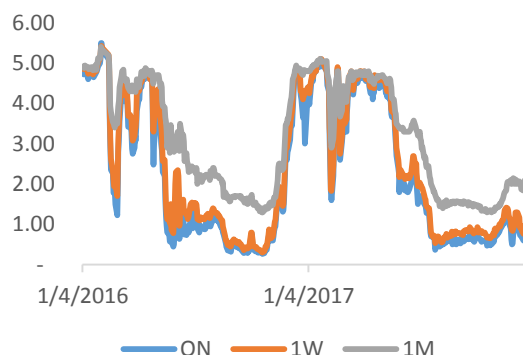
Source: NFSC

Growth rate of capital mobilization



Source: SBV, NFSC

Interbank interest rate development



Source: Bloomberg

The mobilizing rate increased by 0.02-0.15% on average. In 2017, commercial banks have three big interest rate adjustments. Interest rates increased in March 2017 then fell back in September and slightly increased in November, after Vietinbank and BIDV raise short-term deposit rates. As of November, the average one-month deposit rate was 4.85% (0.15% higher than last month), 6 months at 5.72%, 12 months at 6.8%, 12-36 months at 7.07% (increase from 0.04 to 0.15%).

Lending rates are stable. At present, lending interest rates in five priority sectors are 6.5%. Especially with commercial banks at 6% which is the normal business sector, the common interest rates are at 6.8-11% term from 6 months or more. Remarkably, on 07/07/2017, the SBV issued a decision to reduce the 0.5% maximum short-term lending interest rate in VND for some priority sectors and reduce the interest rate by 0.25%. After this decision, many banks announced lower interest rates on priority sectors such as VPB, Vietinbank, Agribank, LienVietPostbank, ...

Interbank exchange rate movements. The interbank rates remained high in the first five months of 2017, then quickly fell and remained at a low level since June 2017. By the end of 2017, the interbank rates tended to increase slightly, the overnight rate ranged from 0.64% - 1%, the one-week interest rate ranged from 0.82% - 1.36%, and the one-month interest rate ranged from 1.98% - 2.56 % in the last week. Interbank rates fluctuated at a low level partly due to stable liquidity after SBV bought USD7.5 billion, and net injection of VND 124 trillion (Financial Supervisory Commission).

Resolution on bad debts (Resolution 42) officially came into effect from 15/8/2017. On 20/7/2017, the SBV issued Directive No. 06/VT-NHNN on the implementation of Resolution No. 42. As we mentioned in the impact assessment report of the Resolution and the Law amending and supplementing the Law Credit institutions, these legal provisions will strongly support the credit institutions in the process of recovering and dealing with bad debts and collateral. In the short term, the NPL ratio may increase slightly as banks are more transparent to benefit from the enforcement mechanisms in the Resolution. In the long term, this is expected to solve bad debts in commercial banks. The impact of the Resolution on each bank depends on the ability to handle bad debt and the size of the bad debt, collateral assets of the bank itself. Some banks have a large ratio of NPLs, large collateral including BID, CTG, STB, SHB, VPB, EIB.

Non-performing loans dropped to 2.34% at the end of September 2017. At the sector conference on 10/1/2018, SBV Deputy Governor Nguyen Kim Anh said that the NPL ratio was 2.3% Total outstanding debt is estimated to decrease to 7.91% by the end of 2017, down from 10.08% at the end of 2016. Total

NPLs recovered in 11M2017 were VND 93.7 trillion, 42. Credit institutions also choose to handle their debt instead of transferring their debt to VAMC. Out of this year, 54% of debt collection from customers, 42.3% of credit losses, and 2.3% of assets were disposed of. The credit risk reserve of the system increased by 24.7%. The ratio of credit losses against NPLs is estimated at 65.8%.

A number of articles of the Law on Credit Institutions issued on 20/11/2017 officially entered into force on 15/01/2018. Some key points (1) Reducing and addressing cross-ownership; (2) Early intervention and treatment of problematic credit institutions; plans to restructure credit institutions under special control including rehabilitation plan, merger, consolidation, transfer of all shares, capital contribution; Plan of dissolution; Mandatory transfer plan; Bankruptcy plan.

Five more banks listed on the Vietnam stock market, including VIB (charter capital of VND 5,644 billion), KLB (Charter capital of VND 3,000 billion), LPB (Charter capital of VND 6,460 billion), VPB (Charter capital of VND15.706 billion) and BAB (listed on 28/12/2017 with chartered capital of VND 5,000 billion). Vietnam currently has 14/36 listed banks. Notably, on 17/08/2017, 1.33 billion shares of VPB were listed on HOSE with the reference price of 39,000 VND/ share, capitalization of over VND 60 trillion.

Some banks are listed in 2017

Stock	Listed date	Open price	Current price	ROA	ROE	P/E	P/B
VIB	09/01/2017	17,000	23,000	0.66%	0.83%	16.59	1.45
KLB	29/06/2017	10,000	10,500	0.78%	7.47%	12.12	0.90
LPB	05/10/2017	14,800	12,900	1.04%	17.24%	5.97	0.91
VPB	17/08/2017	39,000	41,000	2.48%	28.61%	9.75	2.33
BAB	28/12/2017	20,000	25,000	0.62%	8.14%	24.98	2.15

Source: BSC research

The commercial banks increased charter capital. In order to meet capital requirements towards Basel II compliance and expansion of business operations, many banks increased their chartered capital. VPB increased its chartered capital by VND 6,525 billion to VND 15,706 billion from stock dividends and private placement. HDB added VND 1.710 trillion from dividends and private placement, raising its chartered capital to VND 8,100 billion, the bank approved SBV to raise capital to VND 9.809 trillion. MBB increased its charter capital by VND 1,028 billion to VND 18,155 billion. ACB increased chartered capital by VND 896 billion to VND 10,273 billion. TCB will increase its chartered capital to VND 11,655 billion in 2017 and further increase its chartered capital by VND 4,300 billion by 2018.

Positive business results. Ending 9M2017, net profit from operations of listed banks increased by 34% YoY and NPAT increased by 31% YoY. Some banks with strong net profit growth including EIB (+ 136% YoY), SHB (+ 109% YoY), VPB (+ 72% YoY), TCB (+ 70% YoY), LPB (+61% YoY), STB (+ 59% YoY), ACB (+ 53% YoY), VIB (+ 51% YoY) and MBB (+ 41% YoY). By the end of 2017, many banks are forecasting to exceed their pretax profit target, including VCB (estimated at VND 10.5 trillion), CTG, OCB and LPB (estimated at VND 1700 billion, exceeding 13%), TPB (VND 1050 billion, reaching EBT of VND 950 billion, surpassing 22% of plan), VIB (estimated at VND 1,050 billion of pre-tax profit in 11M2017, exceeding 41% of plan).

Comparison of listed commercial banks

3Q 2017	VCB	CTG	BID	MBB	ACB	STB	SHB	EIB	NVB	VIB	TCB	VPB	HDB
Size													
Chartered capital	35,978	37,234	34,187	18,155	10,273	18,852	11,197	12,355	3,010	5,644	8,878	15,706	8,100
Equity (VND bil)	54,246	62,280	46,536	28,464	15,423	22,783	13,379	13,788	3,204	8,930	19,433	27,624	10,671
Total assets (VND bil)	898,484	1,062,292	1,125,909	291,943	270,265	363,488	264,300	138,343	63,807	116,574	233,502	253,847	174,594
Total equity/total assets	6.04%	5.86%	4.13%	9.75%	5.71%	6.27%	5.06%	9.97%	5.02%	7.66%	8.32%	10.88%	6.11%
Growth (ytd)													
Growth of assets	14.03%	11.97%	11.87%	13.92%	15.66%	9.48%	12.97%	7.41%	-7.54%	11.54%	-0.79%	10.96%	16.17%
Growth of loans to customers	16.33%	15.28%	14.41%	16.92%	12.90%	12.15%	18.08%	9.93%	12.79%	20.22%	-3.68%	15.90%	17.50%
Growth of deposits	16.52%	10.68%	13.37%	8.61%	13.03%	7.17%	15.97%	10.70%	7.58%	12.20%	-4.11%	3.22%	14.34%
Demand deposit	27.14%	14.34%	16.84%	26.43%	14.22%	12.98%	8.72%	12.88%	7.19%	20.67%	19.97%	10.17%	8.57%
Loans/Customer deposits	77.92%	105.26%	100.60%	83.30%	78.83%	71.35%	99.25%	84.31%	63.60%	108.81%	82.59%	131.23%	81.79%
Asset quality													
NPLs	1.15%	1.21%	2.08%	1.33%	1.04%	5.95%	1.91%	2.46%	2.37%	2.37%	1.93%	3.06%	1.59%
NPL ratio including reclassified assets	1.15%	2.05%	3.69%	2.06%	1.51%	19.36%	5.19%	7.08%	21.32%	4.84%	1.93%	5.03%	2.77%
Provision for bad debts/total NPLs	1.90%	1.22%	1.75%	1.16%	1.57%	1.13%	1.15%	1.02%	1.14%	1.18%	1.32%	1.51%	1.16%
Interest	97%	98%	99%	97%	100%	102%	92%	94%	112%	105%	87%	100%	99%
Interest and fees	1.26%	2.02%	1.22%	1.92%	1.72%	11.23%	0.00%	1.32%	9.18%	1.43%	4.17%	2.54%	3.55%
Doubtful assets	14,532	42,440	67,394	18,822	9,733	91,283	29,282	10,609	17,797	5,176	17,488	34,119	12,889
% Total asset	1.62%	4.00%	5.99%	6.45%	3.60%	25.11%	11.08%	7.67%	27.89%	4.44%	7.49%	13.44%	7.38%
% Total equity	26.79%	68.14%	144.82%	66.13%	63.10%	400.66%	218.87%	76.94%	555.46%	57.96%	89.99%	123.51%	120.78%
Performance efficiency													
% net interest	73.88%	83.20%	83.20%	79.64%	76.07%	67.15%	24.12%	77.37%	89.74%	83.16%	61.23%	85.03%	82.67%
Earnings before tax	12,441	13,895	17,333	5,938	3,495	1,250	1,149	943	108	1,112	7,376	11,256	2,665
% yoy	14.77%	21.22%	36.16%	51.62%	93.45%	534.52%	#DIV/0!	-16.18%	13.78%	17.24%	26.98%	58.41%	86.14%
Cost of provision for bad debts	(4,507)	(6,663)	(11,763)	(1,936)	(1,491)	(225)	(620)	(486)	(98)	(489)	(2,536)	(5,620)	(753)
% of earning before tax	36.22%	47.95%	67.86%	32.60%	42.67%	18.00%	53.97%	51.56%	90.62%	43.95%	34.38%	49.93%	28.24%
NPAT (VND bill)	6,366	5,855	4,211	3,192	1,527	771	426	375	7	499	3,890	4,501	1,538
% yoy	25.87%	12.97%	-8.86%	41.15%	53.18%	403.92%	109.27%	135.88%	-2.81%	52.56%	69.87%	71.68%	196.38%
NIM (TTM)	2.62%	2.62%	2.93%	4.07%	3.31%	1.77%	1.91%	2.16%	1.79%	2.91%	3.97%	8.76%	3.89%
CIR (TTM)	43.12%	41.95%	37.37%	40.69%	56.23%	77.68%	61.34%	63.03%	87.36%	60.81%	30.13%	35.96%	52.42%
ROA (TTM)	0.98%	0.74%	0.54%	1.39%	0.73%	0.20%	0.55%	0.39%	0.02%	0.66%	2.05%	2.48%	1.06%
ROE (TTM)	15.80%	12.26%	12.48%	13.78%	12.59%	3.00%	10.17%	3.85%	0.40%	8.33%	23.54%	28.61%	17.36%
EPS (TTM)	2,261	2,008	1,685	2,078	1,882	380	1,253	427	44	1,303	5,324	4,207	2,155
Diluted EPS (TTM)	2,261	2,008	1,685	2,081	1,655	380	1,233	427	44	1,303	5,713	4,207	1,402
Book value	15,034	16,652	12,801	15,871	13,338	12,085	13,119	11,159	10,643	15,821	21,889	17,588	13,175

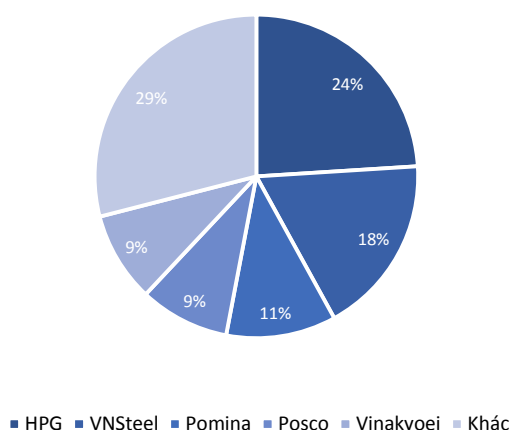
Source: BSC research

Steel Sector 2017 [The trend of increasing capacity]

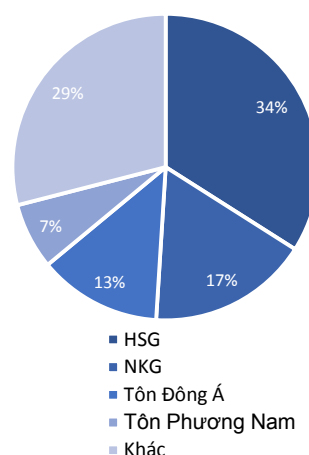
- Domestic consumption was high, with an average growth of 14%.
- Iron ore prices have fluctuated sharply from 50 USD/tonne to 95 USD/tonne.
- Large enterprises increase capital and increase capacity

Domestic consumption in 2017 still maintained the growth momentum. Sales of construction steel in the first 11 months of 2017 reached 8.3 million tons, up 2% over the year 2016 and up 14.4% over the 11 months of 2016. With the steel pipe, the consumption of 11 months reached nearly 2 million tons, + 16% yoy; Galvanized steel also recorded a growth of 12.7% compared to 2016 when the total output of the first 11 months reached 3.2 million tons. The steel sector is still dominated by leading companies such as HPG, HSG and NKG.

Market share of construction steel



Market share of galvanized steel



Sources: VSA report

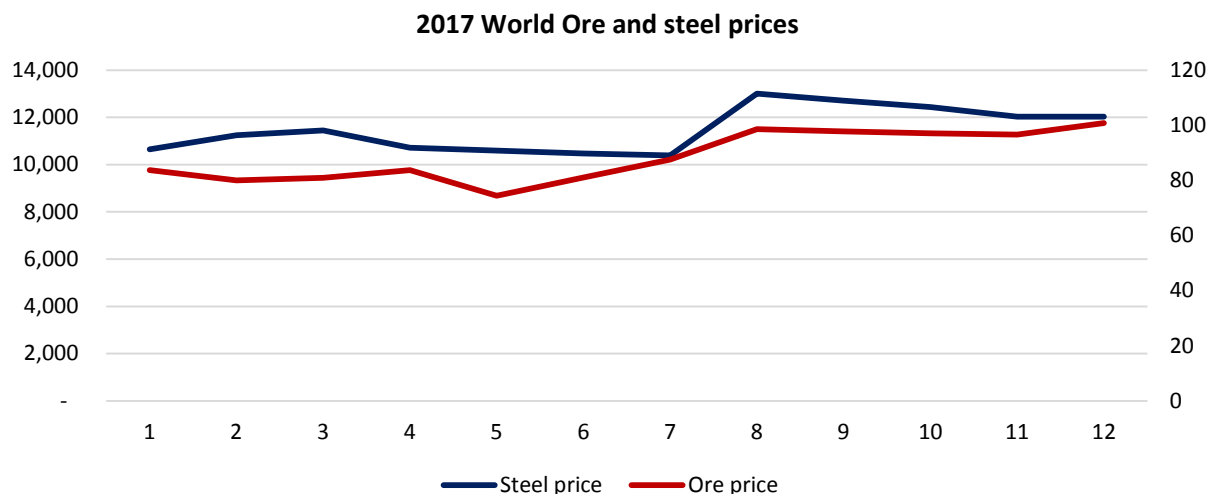
The price of raw materials fluctuated sharply in 2017. In 2017, China, the world's largest consumer and producer of steel, has begun cutting production in line with the need to reduce environmental pollution. This has greatly affected the prices of input materials.

Iron ore price: Iron ore price in 2017 is quite strong; peaked at USD 95 per tonne at the beginning of the year then fell sharply to USD 53 per tonne, iron ore prices then rebounded to USD 80 per tonne after falling further after fear of slashing Steel's output. China in winter, but the Chinese government's success in sustaining demand has supported higher steel prices, supporting iron ore prices rebounding around 20% by the end of the year and are now trading at USD 60 per tonne. In addition, due to China's need to reduce environmental pollution, soaring demand for high quality iron ore has also created a gap in relative prices of high quality ores compared to the quality of ore lower quality.

Coke Prices: 2017 coal prices remain high (180-190 USD /tons) as production from major exporters such as China, North America, and Australia is cut under restrictive mining policies. The government as well as the influence of Lanina makes the weather more rain.

Chinese steel prices increased sharply in the past year as the government closed down poor quality factories and cut production in winter, causing supply shortages, putting pressure on prices. Domestic steel prices are influenced by iron ore prices and Chinese steel prices also fluctuate sharply in the first

eight months and stabilize again in the last months of the year. For the whole year 2017, the domestic steel price has increased about 20% compared to 2016



Sources: Bloomberg, VSA report

Firms increase capital and implement many new projects. In 2017, many large steel companies have increased capital to invest in new projects: HPG (+80% through dividends and additional issuance) HSG (+75% through dividends and bonus shares), NKG (+50% through dividends and private placement). Many plants have been put into operation or will be operational in 2018. It is expected growth of businesses and the steel sector in the coming time: HPG with Dung Quat project with the capacity of 2 million tons long steel and 2 million tons of HRC (the current capacity of HPG is 2 million tons of long steel), NKG with Nam Kim 3 plant doubled its capacity to 1,200 tons per year, HSG with projects in Yen Bai, Binh Dinh increased capacity to 2,200 tons / ton

9M business results update: With positive movements of domestic steel prices and high demand for construction in 2017, most steel companies have seen strong growth in sales over the year. 2016. However, the fluctuation of input price has impacted the profit margin of steel enterprises, making it possible for enterprises to have reasonable inventory policy to get positive business results.

	Revenue 9M2017	Revenue 9T2016	+yoy	EAT 9M2017	EAT 9M2016	+yoy
HPG	33,417	23,333	43.22%	5,614	4,656	20.58%
HSG	20,381	13,973	45.86%	890	1,314	-32.27%
NKG	9,297	6,478	43.51%	557	454	22.69%
VIS	4,614	2,308	99.91%	67	34	98.55%
SMC	9,058	6,552	38.25%	219	288	-24.13%

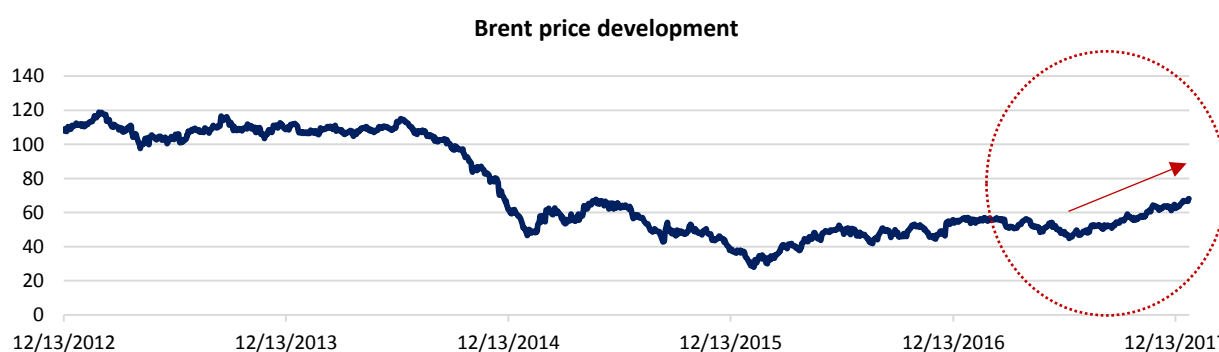
Source: Financial Statements

Oil & Gas Sector 2017 [Oil Price is at bottom level]

- Oil prices have risen 49% since the bottom of 44.82 USD/barrel on 21/06/2017
- OPEC officially agreed to cut crude oil production from 1/1/2017
- Oil and gas projects continue to stagnate.

Facts in 2017

Oil prices recovered sharply from the end of June 2017. Oil prices have shown signs of optimism in 2017, Brent prices on 29/12/2017 reached 66.87 USD/barrel, up 49% from 44.82 USD/barrel on 21/6/2017. The reason for oil prices increasing is that demands begun to exceed Supplies, due to OPEC efforts to cut output, political turmoil in Saudi Arabia and pipeline disruptions in Libya and the North Sea.



Source: Bloomberg

The result seems to reach the bottom. Domestic oil and gas projects continued to stagnant, except for GAS, which achieved impressive growth from LPG and pipeline transport, the EBT of 9M2017 was VND 7.618 billion (+45% yoy). The rest of the sector is declining compared to the same period at last year. The business results depend on the provision reversals from previous years (PVD, PXS, PVB, PVS).

Stock	Revenue 9M2017	Revenue 9M2016	+yoy	Profit from business 9M2017	Profit from business 9M2016	+yoy	EBT 9M2017	EBT 9M2016	+yoy	EPS 9M2017
GAS	47,489	43,546	9.05%	7,568	5,212	45.21%	7,618	5,250	45.10%	2,972
PVD		4,540	-40.2%	(337)	195	N/A	(191)	207	N/A	N/A
PVS		13,160	-17.4%	824	873	-5.68%	906	1,001	-9.47%	1,459
PLX	112,427	88,029	27.72%	3,340	4,002	-16.6%	3,546	4,064	-12.8%	2,217
PXS	766	1,276	-40%	28	105	-73.3%	46	105	-56.5%	567
PVB		4	1708%	(30)	(77)	N/A	18	(44)	N/A	818

Source: Financial reports

Fertilizer sector 2017 [Favourable time]

- 10M2017, urea output increased 17.5% yoy, NPK increase 9.9% yoy, phosphorus decreased 5.2% yoy
- Fertilizer imports increased 15% yoy, reaching 4,239 thousand tons, in which 40% from China.
- Average fertilizer price in 2017 higher than 2016, urea increased 8%, DAP and NPK increased 1%.
- In 2017, FO price increased 39% yoy, global coal price increased 48% and H2SO4 price increased 9%.
- Imposed protective tariff DAP, MAP 1.855.790 VND/ton until 8/3/2018
- Sector business results improved. Revenues and profits after tax grew 4% and 11%, respectively, in 9M2017.

Fertilizer output increased. In 10M2017, Total urea fertilizer production was 1,991 tons, up 17.5% yoy, NPK was 2,036 tons, up 9.9% yoy and 1,110 tons (-5.2% yoy). Fertilizer export was good in 11M2017, up 29.5% in volume over the same period in 2016, reaching 881 thousand tons.

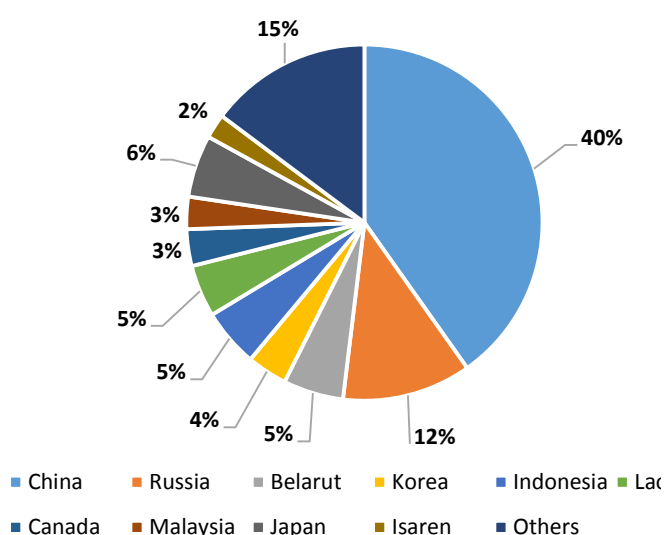
Fertilizer import increased 15% yoy, reaching 4,239 thousand tons. Vietnam imports all potassium because there are no domestic factories for this products and raw materials. Imports of DAP continued to account for the highest proportion, and are growing, reaching 780 thousand tons in 10M2017. The fastest growth was in NPK fertilizers with 76% yoy, followed by DAP with 27% yoy and SA with 8% yoy, only Urea decreased by 16% yoy because of domestic output growth, especially in Ninh Binh and Ha Bac Nitrogenous Fertilizer Factories. Vietnam mainly imports fertilizers from China (40% of total imports), Russia (12%).

Fertilizer supply in 10M2017

Unit: thousand tons

	Production	Import khẩu	Total
Urea	1,991	410	2,401
NPK	2,036	444	2,480
DAP	N/A	780	N/A
Lân	1,110	N/A	N/A
SA	N/A	892	N/A

Source: Ministry of Sector and Trade,
Ministry of Agriculture and Rural
Development

Import structure of fertilizer by country

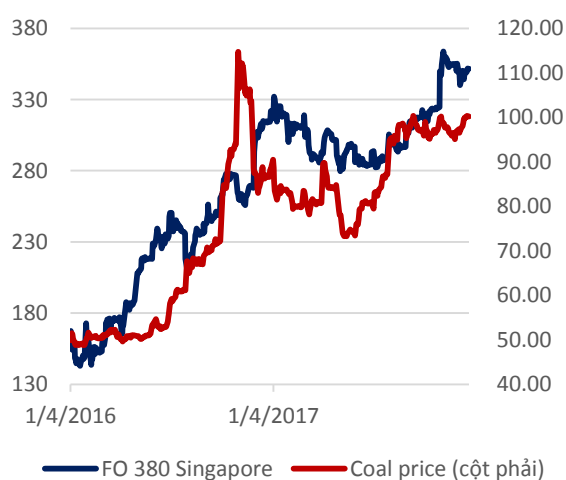
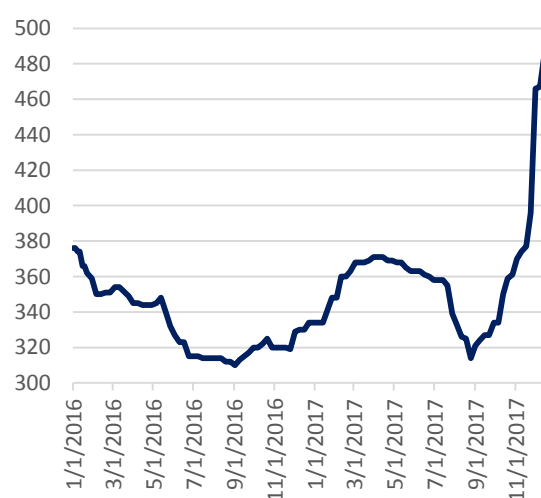
Source: Ministry of Agriculture and Rural Development

Global fertilizer price increased. Average fertilizer prices in 2017 higher than 2016, Urea up 8%, DAP and NPK up 1%. In the fourth quarter of FY2017, fertilizer prices increased sharply, with Urea prices up 28%, DAP and NPK up 7% and 2% respectively qoq. Urea price increased sharply due to (1) high number of the fertilizer factories in China closed; (2) higher production costs due to increased in gas and coal

prices, and increased environmental costs and regulations. Although the supply of DAP was negatively impacted by Hurricane Irma's hit Florida, however China, the world's largest fertilizer producer (38% of global demand) expediting exports, DAP price almost unchanged, only up 1% over the same period last year.

Input prices increased sharply. In 2017, FO price increased 39% yoy on average, world coal price increased 48% and H₂SO₄ price increased by 9%. In the fourth quarter of 2017, FO prices increased by 14%, coal increased by 5% and H₂SO₄ increased by up to 20% compared to the last quarter. Input prices rose sharply, while output prices increased more slowly as shown above, reducing the profit margin of urea and phosphate producers. DPM's profit margin fell from 32% in 9M2016 to 26% in 9M2017.

Price movements of coal and gas

Price movements of H₂SO₄

Source: Bloomberg

Officially imposed protective tariff 1,855,790 VND/ton to DAP and MAP imports from 19/8/2017, effective time not exceed 200 days. This means that the protective tariff expires on March 6, 2018, or when the Ministry of Sector and Trade issued a decision imposing an officially protective tariff. This is expected to reduce the unfair competition of DAP, MAP produced domestically with imported fertilizers, thereby improving the domestic business situation of DAP and MAP fertilizer producers such as DDV. On 10/11/2017, the Ministry of Sector and Trade has issued Decision No. 4236 / QD-BCT extending the time limit for investigating cases of application of safeguard measures for DAP and MAP imported into Vietnam for additional 2 months before the final conclusion. Thus, the deadline for investigation of the case is January 12, 2018.

9M2017 business results update. End of 9M2017, total net revenues and profits after tax of listed fertilizer companies were VND 31,480 billion (+ 4% yoy) and VND 1,821 billion (+ 11% yoy), respectively. Some companies with strong growth included QBS (+ 102.2% yoy), PCN (+ 667.7% yoy), DCM (+ 57.6% yoy thanks to higher sales volume of 19% yoy, average selling price increased 4% yoy, meanwhile, gas price was temporarily calculated at constant price from the beginning of the year at low level), DDV (from loss of VND 324 billion in 9M2016 to loss of VND 32 billion in 9M2017, profit of more than VND 8 billion. Meanwhile, some companies with weak business results included PSW (-50.2% yoy), PSE (-36.6% yoy), PCE (-37% yoy), DPM (-40.1% yoy due to H₂SO₄ increased sharply).

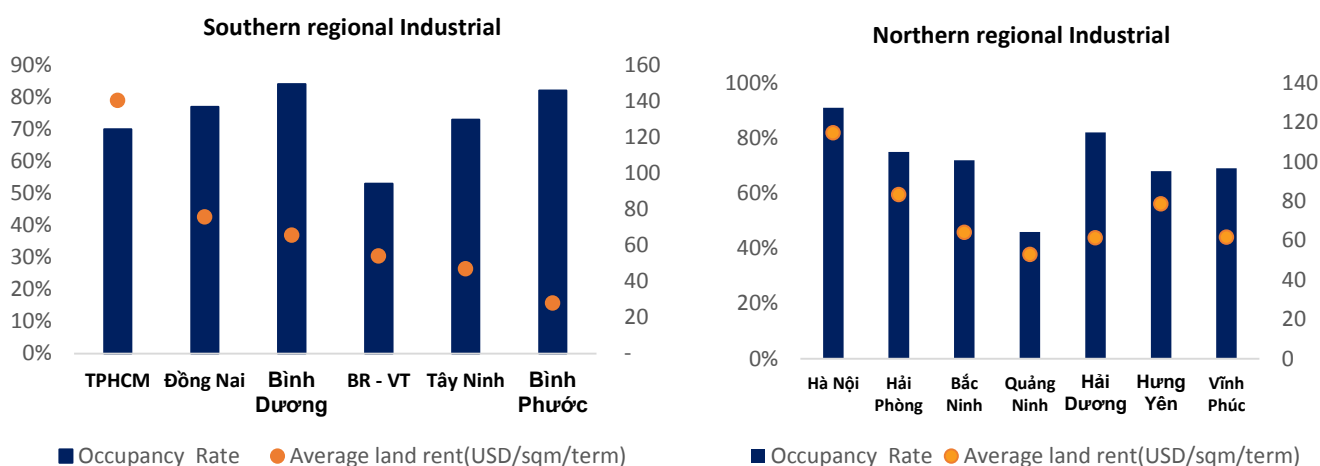
	Main product	9M2017 revenues	% yoy	9M2017 profit	% yoy	9M2017 GP margin	9M2017 EBIT margin	ROA	ROE
DPM	Urea	6,463	3.00%	604	-40.10%	26.00%	8.91%	7.18%	8.78%
DCM	Urea	4,196	33.00%	604	57.60%	29.00%	17.95%	6.62%	13.88
LAS	Phosphate	2,683	0.00%	123	39.30%	20.00%	6.29%	6.31%	13.08
VAF	Phosphate	914	4.00%	40	0.90%	23.00%	5.37%	7.06%	9.52%
NFC	Phosphate	449	6.00%	17	8.90%	18.00%	3.94%	9.40%	10.98
SFG	Phosphate	1,812	8.00%	77	12.70%	11.00%	4.70%	7.82%	16.99
BFC	NPK	4,779	6.00%	280	9.60%	15.00%	9.47%	8.23%	25.56
DDV	DAP	1,368	63.00%	-32		6.00%	-8.11%	-8.64%	-
QBS	Commerce	2,676	-28.00%	68	102.20	6.00%	3.88%	2.49%	6.28%
PCE	Commerce	1,695	2.00%	11	-37.10%	3.00%	0.90%	7.19%	11.43
PSE	Commerce	1,694	-4.00%	11	-36.60%	3.00%	0.84%	6.00%	8.99%
PSW	Commerce	1,651	2.00%	11	-50.20%	3.00%	0.45%	6.23%	7.75%
PMB	Commerce	1,072	1.00%	14	-27.70%	5.00%	0.97%	7.95%	9.81%
PCN	Commerce	27	-86.00%	-7	667.70	-2.00%	-13.77%	-	-

Source: BSC research, Bloomberg

Real Estate 2017 [Continue to be positive]

- The real estate market is going well in 2017, but there is a divide in both segment and region
- Most of the business results are good and the division is narrowing, total revenue of 9M/2017 increased by 38.5% yoy.

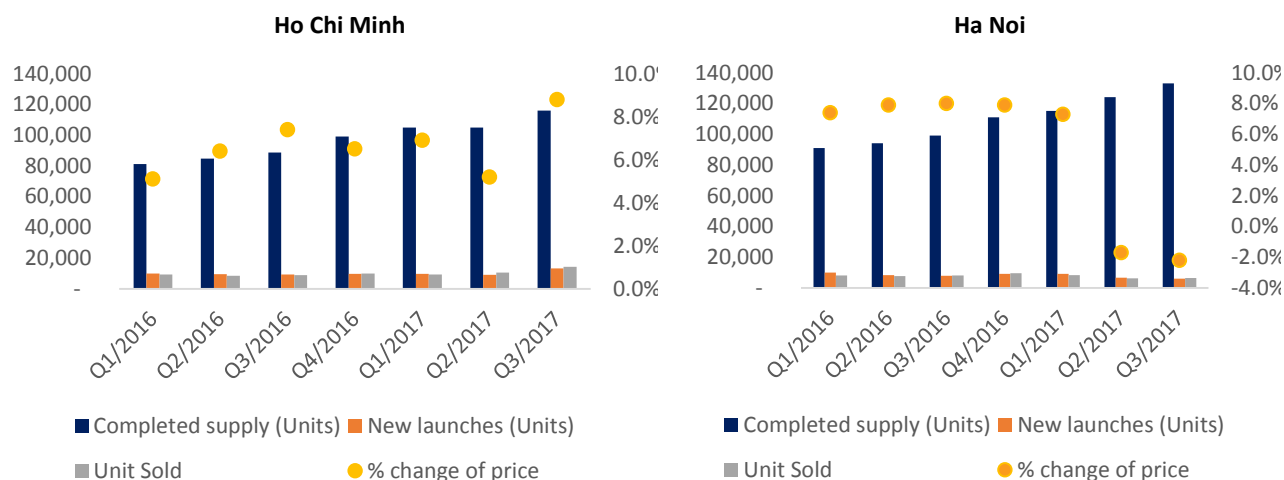
The real estate market is positive in 2017, but there is a divide in both segment and region. In particular, the industrial and commercial real estate segment grew quite well in terms of both rental and occupancy rates supported by FDI inflows, while the segment of residential condominiums was facing more difficult due to the strong increase in supply in the past. Specifically for the industrial property market, occupancy rates in 9M2017 in the South East and North Vietnam were 74.5% and 72% respectively.



Source: JLL, BSC Research

The growth of residential real estate varies by segment. Particularly in the segment of residential real estate, the villa and land segment have witnessed a strong growth in both price and the number of transactions. According to JLL, the number of townhouses sold in HCMC in 9M/2017 was 4,090 (+127% yoy), and the selling price has increased by 12.0% compared to end of 2016. (1) On the segment of apartment, accumulating 9 months, in Hanoi, about 20,789 apartments were sold (-12% yoy) while the number in HCMC was 30,041 units (+20.5% yoy), growth is still concentrated mainly in the medium segment. (2) Average selling price increased slightly by 8.8% in Ho Chi Minh City while average selling price in HN decreased by 2.2% YoY. (3) Total real estate inventory as of 20/11/2017 was VND 25,700 billion, down 17% from the beginning of this year, and 80% compared to the first quarter of 2013.

Vietnam Sector Outlook 2018
Part 1 – 2017 Review



Source: JLL, BSC Research

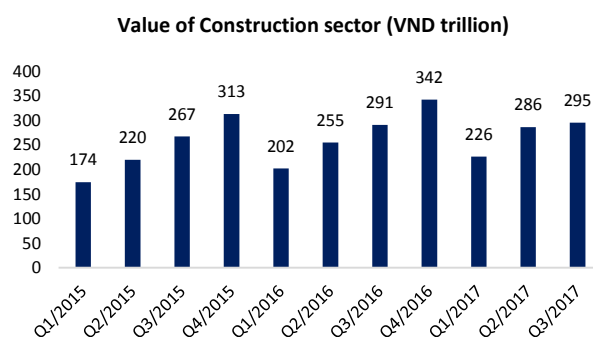
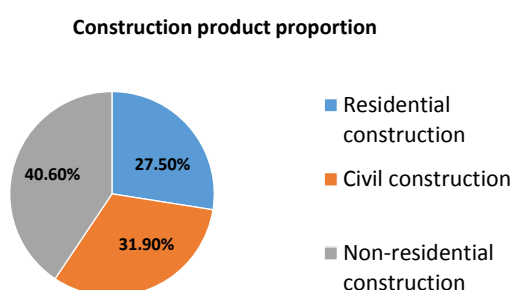
Most of the business results have recorded good growth and the division is gradually narrow. According to our statistics, accumulating 9 months' total revenue reached VND 92.3 trillion (+38.5% yoy) and EAT was VND 6.6 trillion (+32% yoy). We noted the EAT of 9M2017 of real estate companies has gradually reflected the corresponding level of revenue growth, this is what the real estate companies have not done in 2016 (revenue 9M2016 increased 50% yoy and 9M2016 EAT increased only 18.2% yoy). Division in the sector continued to shrink when 36 out of 70 businesses posted a growth compared to last year, occupied of 51.4%, compared with 47.1% in 9M2016. Companies with the highest EAT were still VIC, DXG, KDH, KBC, NLG, PDR, QCG.

Stock	REVENUE 1H2017	REVENUE 1H2016	% up/down	EAT 1H2017	EAT 1H2016	% up/down	Inventory	Advances from customers	Advances from customers/ Inventory 9M 2017	Advances from customers/ Inventory 1H 2017
VIC	57,166	34,655	65%	2,108	1,719	23%	52,333.3	60,858.1	116%	108%
KDH	2,424	1,662	46%	374	271.0	38%	4,509.6	987.7	22%	19%
PDR	1,094	226	384%	240	68	252%	7,480.6	860.7	12%	
KBC	1,010	1,567	-36%	543	520	4%	4,483.0	802.0	18%	5%
DXG	1,676	1,321	27%	460	144	219%	884.8	527.9	60%	65%
NLG	1,637	1,672	-2%	352	163	117%	3,822.0	884.2	23%	33%
DIG	872	828	5%	40	40	0%	3,032.0	665.2	22%	24%
HDG	1,065	803	33%	(21)	50	-141%	2,599.7	1,840.6	71%	
SCR	821	406	102%	87	161	-46%	2,606.3	2,628.8	101%	73%
TDH	1,483	743	99%	128	70	84%	268.5	25.0	9%	
ITC	475	89	431%	68	2	3706%	2,703.7	288.3	11%	12%

Construction Sector [Growth with Real Estate]

- The growth rate of the construction sector has slowed down, but still recorded a relative increase of 8% yoy.
- Good industrial growth thanks to good disbursement of FDI (up 11.9% yoy)
- The civil construction market in 2017 still maintained a good growth rate.

The growth rate of the construction sector has slowed down, but still has relative level. The production value of the construction sector in 9M/2017 was estimated at VND 807 trillion, increasing by 8% over the same period of 2016. Of which, the non-state sector continued to contribute modestly in proportion with construction value of VND 706.1 trillion (+ 8.5% YoY). Classified by construction purposes, the residential still occupies the main proportion 40.6%, civil engineering accounted for 31.9%, 27.5% the none-housing.



Source: GSO, BSC Research

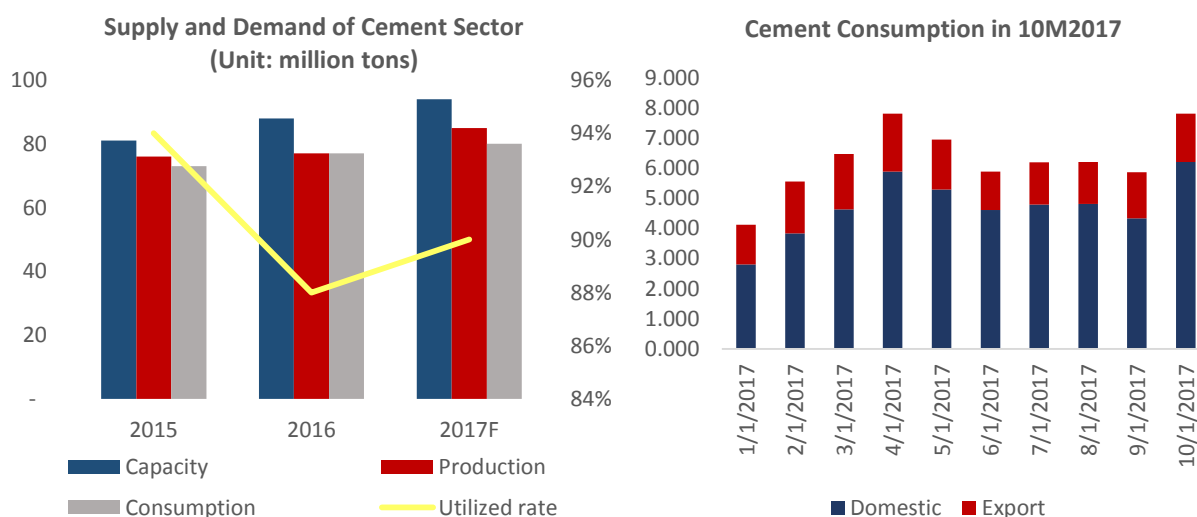
Industrial construction has good growth prospective thanks to the disbursement of FDI. As of 20/11/2016, FDI disbursed reached USD 16 billion, up 11.9% over the same period in 2016. In which, the processing sector, manufacturing continues to be the field Most of capital attracted, accounting for 45.2% of total capital, production and distribution of electricity accounted for the second with 25.3% of total capital. Some projects licensed in 11M/2017 included: Nghi Son 2 (USD 2.8 billion), Thermal power plant BOT Van Phong (USD 2.6 billion), Samsung Display (USD 2.5 billion), Thermal power plant BOT Nam Dinh (USD 2.1 billion), B - O Mon gas pipelines (USD 1.27 billion).

The civil construction market in 2017 maintained fairly good growth rate. Civil construction market was reflected by the amount of new properties sold during the year. According to JLL, total primary supply of apartments for sale in both Ho Chi Minh City and Hanoi is 3% and -16% respectively over the same period of 2016. We note growth This year's apartment segment supply has fallen compared to the same period of 2016, mainly due to the lunar calendar this fall in September, so the investors are concentrating on selling their projects in Q4 / 2017. In Q4/2017, the supply of apartments in Ho Chi Minh City and Hanoi is expected to reach about 15,000 units (+ 69% yoy) and 12,400 units (+ 34.7% yoy) respectively.

Cement 2017 [Difficulty]

- The sector's capacity was 93.39 million tons (7.6% YoY), 46% higher than domestic demand.
- Domestic consumption in 10M2017 decreased by 3.5% YoY while export volume increased sharply by 30.6% YoY.
- The selling prices were quite stable while the price of some inputs rose significantly
- Operating results of cement firms in 9M2017 experienced a decline.

The sector's capacity was 93.39 million tons (+ 7.6% YoY), 46% higher than domestic demand. In October, the total capacity of cement sector increased by 6.7 million tons from Long Son and Xuan Thanh II projects, reaching 93.39 million tons per year (+ 7.6% YoY). Its current capacity exceeds the estimated domestic demand in 2017 by 29.8 million tons. Taking into account the estimated 15 million tons of exported cement output for 2017, the production output is equivalent to 90% of the total capacity (86.7 million tons at the beginning of 2017).



(Source: Vietnam Cement Association)

(Source: General Department of Vietnam Customs)

Domestic consumption in 10T2017 fell by 3.5% YoY while export volume surged 30.6% YoY. The accumulated domestic sales in 10M2017 was estimated at 47.2 million tons (-3.5% YoY), approximately 73% of the forecasted number for this year. In the circumstance of difficult domestic consumption, the export volume of cement in the first 10 months soared by 30.6% over the same period of 2016 despite concerns about the competitiveness of Vietnamese cement exports due to negative effects of Decree 100/2016/ND-CP and Decree 122/2016/ND-CP. According to the General Department of Customs, cement export in 10M2017 reached 15.1 million tons, equivalent to the value of USD 532.3 million, of which the greatest amount belonged to Bangladesh with a 61.05% increase, accounting for 39.3% of the total export.

Cement prices were quite stable while prices of some inputs rose significantly. The selling prices of cement in 9M2017 posed no sustainable change as compared to the same period of last year, ranging from VND 900,000 to 1,800,000 per ton. Meanwhile, expenses increased notably due to rising raw material and fuel prices. In November 2016, Vinacomin decided to adjust prices of some coal types by 6-9%, resulting in fuel expense (comprising 25-30 % of COGS) of clinker plants increased relatively.

Moreover, the Decree No.164/2016/ND-CP on environmental protection charges for mineral resources exploitation (effective from 1/1/2017) stipulated the fee of VND 1,000-3,000 per ton of limestone, clay and other additives used in cement production resulted in rising raw material costs, affecting the profit margin of companies.

Operating results of cement firms in 9M2017 witnessed a decline. Listed firms all experienced a slump in sales due to unfavorable condition of supply and demand, along with influence of rainy weather. Gross profit margin of cement companies in 9M2017 plunged due to rising coal price as well as increasing the portion of clinker grinding outside (in HT1, BCC). Some companies with outstanding loans in foreign currency such as HT1 also recorded unrealized exchange losses as the EUR and USD rates went up by 11.7% and 1.4% YTD respectively. As a result, net income in almost firms such as HT1, BTS, HOM decreased sharply, even BCC recorded loss.

Ticker	Sales 9M2017 (VND bn)	%YoY	GPM 9M2017	GPM 9M2016	Net income 9M2017 (VND bn)	%YoY	EPS T12M (VND)
HT1	5,982	-1.0%	16.7%	21.0%	318	-49.5%	1,343
BCC	2,598	-19.1%	10.9%	19.5%	(61)	N/A	220

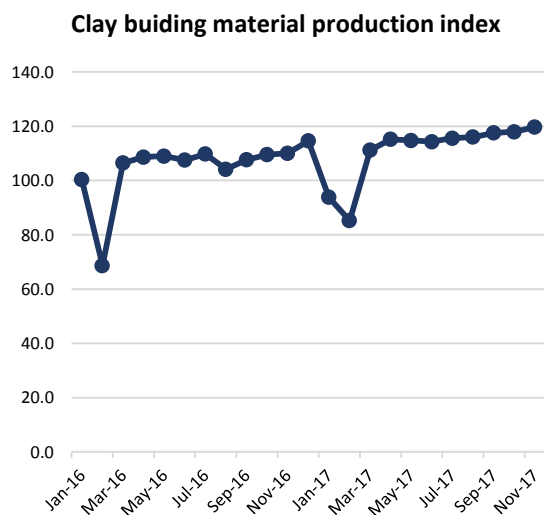
(Source: Financial Statements, BSC Research)

Tiles Sector 2017 [Slow-down sign]

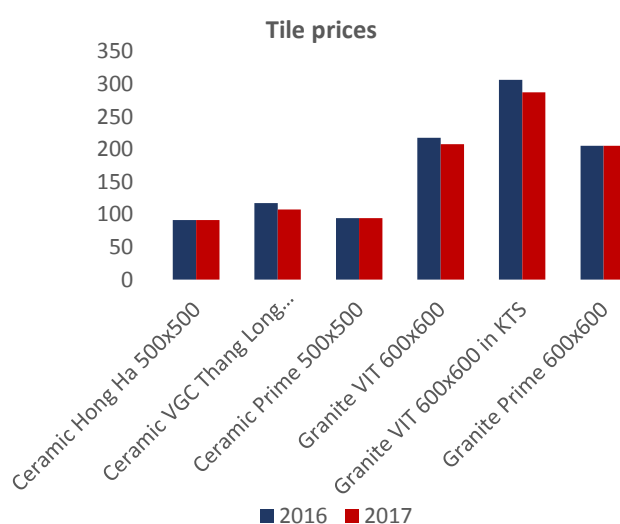
- The total capacity in 2017 increased slightly compared to the end of 2016.
- Tiles consumption was supported by demand of finished material for projects under construction.
- The selling prices were on a downtrend due to higher competitive pressure as a result of capacity expansion.
- Operating results in 9M2017 witnessed a divergence in revenue growth, but almost firms posed a decline in profit margin.

The sector's capacity in 2017 rose slightly as compared to the end of 2016. After the race in capacity expansion in 2016, the production capacity of granite is estimated to increase slightly by 10.5 million m² (+ 17.5%) from Thach Ban- Bac Giang (8 million m²), Viglacera My Duc (2.5 million m²), CMC 2 (3 million m² - put into operation in early 2018) ... while there were not many new investment projects on ceramic tiles. Currently, tiles capacity has fully met the domestic demand and exported 20-25% of production output annually (equivalent to 100-120 million m²).

Tiles consumption was supported by demand of finished material for projects under construction. In 2016, many apartments, villas and office buildings under construction (estimated nearly 60,000 apartments and 8,100 villas were for sale, of which 32% in Q4/2016) will go into completion in 2017. According to JLL, in Hanoi and Ho Chi Minh City alone, in 9M2017, the total completed supply increased by 22,000 and 16,000 units as well as 27,000 units is estimated to be completed in Q4/2017, creating a great demand for finished material products, including tiles.



(Source: GSO, BSC research)



(Source: Vietnam Association for Building Materials, BSC research)

The selling prices were on a downtrend due to higher competitive pressure as a result of capacity expansion in recent years. According to our statistics on tile prices of some large enterprises such as Viglacera, CMC, prices of ceramics, granite and porcelain were down by 5-7%, 3-6% and around 6% respectively. However, as a solution for downtrend in selling price, tiles firms promoted the consumption of new products with higher prices to maintain profit margin.

Operating results in 9M2017 witnessed a divergence in revenue growth, but almost firms posed a decline in profit margin. Most listed companies recorded positive sales compared to 2016 thanks to strong output growth, excluding TTC (-5.1% YoY) and TCR (-13.2% YoY). The highest growth rate belonged to VGC with net revenue of VND 6,806 billion (+19.4% YoY), mainly driven by strong performance in real estate and industrial parks sectors as well as a rise of 11-14% YoY due to increased capacity at VIT and VHL. Competitive pressure forced tiles firms to lower the price, resulting in declining gross margin in most firms, except for CVT and VIT. CVT's gross profit margin improved significantly from 21.7% to 24.7% in 9M2017 thanks to the selling promotion of high price products with good profit margin like large-size granite.

Ticker	Sales 9M2017 (VND bil)	%YoY	GPM 9M2017	GPM 9M2016	Net income 9M2017 (VND bil)	%YoY	EPS T12M (VND)
VGC	6,806	19.4%	23.4%	25.2%	643	41.4%	2,038
CVT	855	13.0%	24.7%	21.7%	129	45.6%	6,907
VIT	673	2.1%	14.9%	14.1%	39	4.6%	3,362
TTC	253	-5.1%	15.7%	16.4%	15	-15.5%	3,119
TCR	989	-13.2%	12.8%	20.3%	(50)	-417.5%	(798)
VHL	1,512	14.5%	17.8%	20.7%	104	21.7%	5,587
GMX	155	2.8%	30.6%	33.5%	15	7.1%	3,082

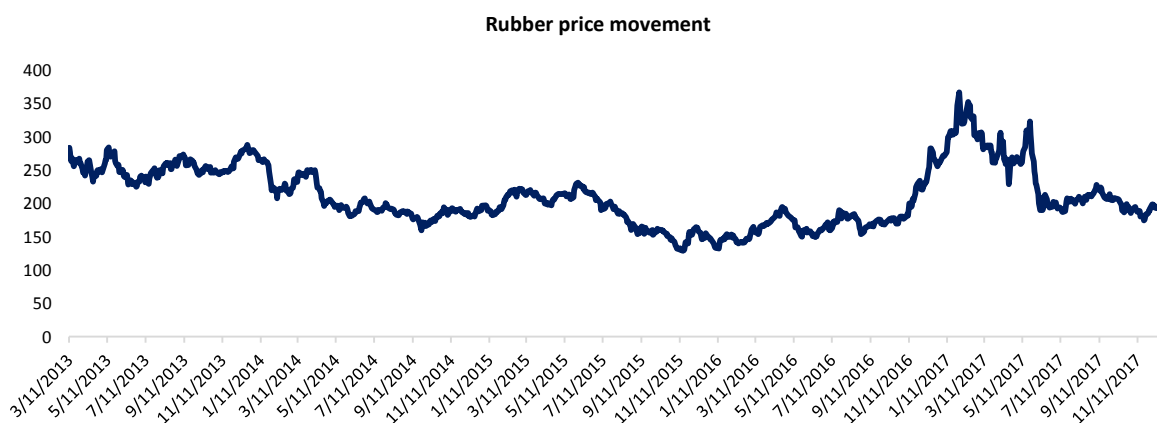
(Source: Financial Statements, BSC Research)

Rubber Sector 2017 [Outperform]

- In 11M2017, Vietnam's rubber export output increased by 8.4% YoY in quantity, up 39% YoY in value.
- Solid rubber prices in the fourth quarter of 2017. The rubber price in 4Q2017 was 194.5 JPY / kg, down 41% from the beginning of the year.
- The rubber enterprises recorded significant revenue and NPAT in 3Q2017

The value of rubber exports increased in 11T2017 compared with the same period last year, thanks to the price of rubber increased sharply in 2017. According to preliminary statistics of the General Department of Customs, exports of natural rubber in 11T2017 reached 1,215 thousand tons (+ 8.4% YoY) with a value of US \$ 2,011 million (+ 39% YoY). Accordingly, the average export price of 11T2017 reached \$ 1,655 / ton, 28.3% higher than the same period of 11T2016. The major market for rubber is China (accounting for 64% of rubber exports).

The rubber price stabilized in Q3 and Q4/2017. However, it declined significantly compared to the beginning of this year. Rubber prices on 29/12/2017 were traded at 205.4 JPY / kg, down 41% from the peak in January 2017. In terms of average price, the average rubber price for the whole year of 2017 was 238.6 JPY / kg (+ 35.7% YoY), but the average rubber price in the fourth quarter only reached an average of 194.5 JPY / kg (+10.65 % compared to 2016).

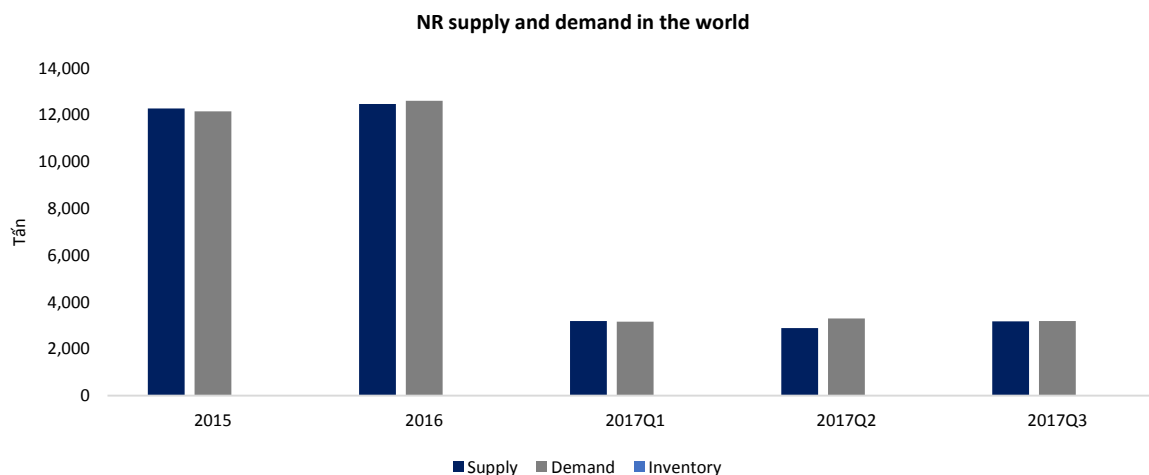


Source: Bloomberg, BSC Research

The rubber price was affected by:

1. The supply of natural rubber up 6.5% in 11M2017: The ANRPC's export amount of rubber (which accounts for 92% of global rubber production) rose 6.5% YoY to 8,729 million tons. The IRTC, including Malaysia, Indonesia and Thailand, agreed to cut rubber export volumes to address falling world rubber prices. Under the agreement, the association will cut 350,000 tonnes of rubber in the first three months of 2018.
2. (2) Demand for rubber in 9T2017 was 9.64 million tons, 0.4 million tons higher than the supply. However, according to the ANRPC, this situation will end in December 2017. In addition, the

world inventory in June 2016 is currently at 5.677 thousand tons, which is equal to the amount of the same period last year.



1. Market factors also affect the price of rubber, including exchange rate fluctuations of large rubber consuming countries/producers, general merchandise movement, especially the oil prices.

The rubber business recorded high-profit growth thanks to rubber prices recover. Rubber prices in 3Q2017 increased sharply is the main driving force which helps rubber enterprises recorded revenue and NPAT increased significantly. Some companies recognized extraordinary profit as PHR recorded VND 1120.6 billion (+ 45.5% YoY) and VND 249.2 billion (+ 87.2% YoY), TRC recorded VND 273 billion (+ 36% YoY) and VND 88.2 billion (+133% YoY).

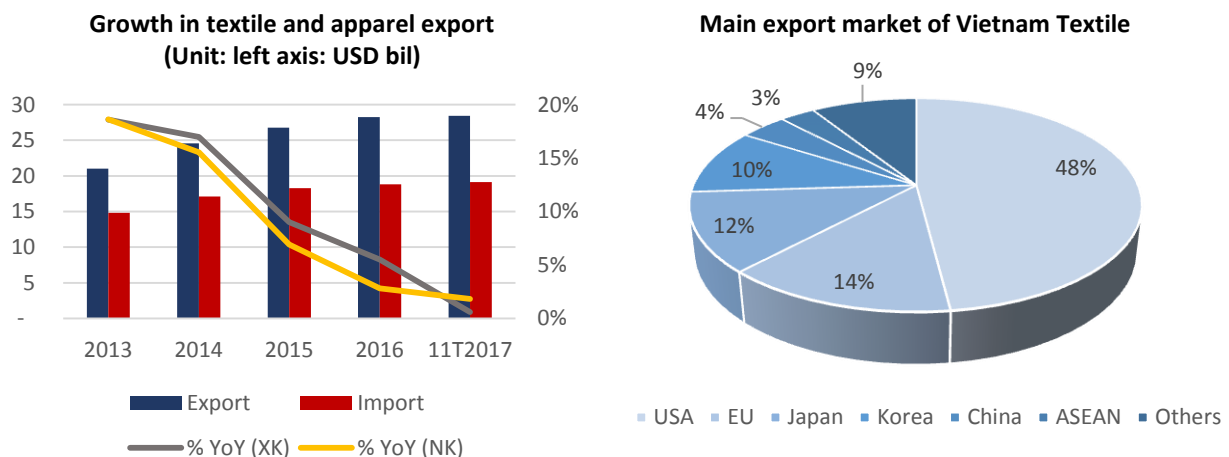
9M2017	Revenue (bill.)	%yoy	NPAT	%yoy	Dividend policy in 2017
HRC	104.5	125.7%	5.1	-33%	N/A
TNC	48.3	30.2%	23.1	9.7%	N/A
TRC	273	36.1%	89.2	133%	15% cash
DPR	788.1	50.5%	207.4	138%	20%
PHR	1120.6	45.5%	249.2	87.2%	N/A
DRI	414	66.2%	99.1	N/A	>7%

(Source: FINANCIAL REPORTS, BSC research)

Textile and Garment Sector 2017 [Signal of prosperity]

- Textile and apparel export in 2017 is estimated at USD 31 billion, up 9.7% over the same period.
- USA is still the largest export market for Vietnamese textiles and garments, and the proportion of new markets have also increased.
- The global cotton price is recovering strongly.
- The business results of the garment enterprises in 9M2017 have improved.

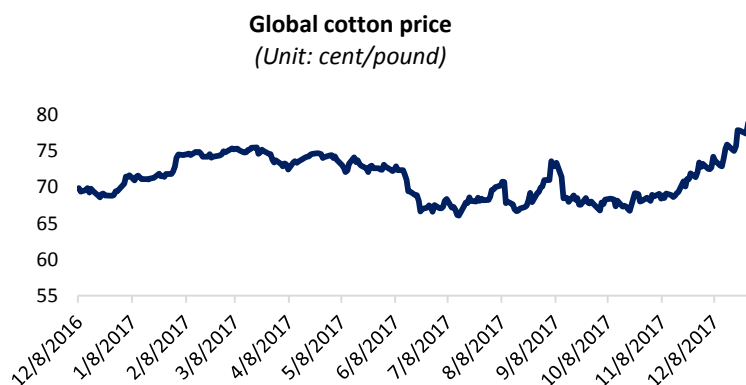
Textile exports in 2017 flourished, growing by 9.7% YoY. By the end of November, 2017, the export value of textile and apparel products is estimated at USD 28.4 billion, equivalent to the turnover of the whole year 2016. According to the Vietnam Textile and Garment Association, garment export turnover in 2017 would reach USD 31 billion (+9.7% YoY), higher than the growth rate of 5.5% in 2016; of which, textile and garment export value reached USD 25.91 billion, up 8.7%; export of yarns is estimated at USD 3.51 billion, up 19.9%.



(Source: General Department of Customs, BSC Research)

USA is still the largest export market for Vietnamese textiles and garments, and the proportion of new markets have also increased. The United States remained the main export market of Vietnam garment with total value of USD 12.53 billion (+8.9% YoY), accounting for 48.3% of the total export; followed by EU, Japan and South Korea. The growth of Vietnam's textile and garment export to traditional partners retains high proportions, but tends to decline, ceding the proportion to new markets such as Korea (up from 9.6% to 9.9%), China (up from 3.3% to 4%).

The world cotton price is recovering strongly. After establishing a relatively low price in the third quarter, world cotton price has recovered strongly since early November. Currently cotton price is trading at 78.81 cents/lb, up 12.7% from the previous year due to lower world production in South Asian countries, along with rising demand



in India, Indonesia and Turkey, resulting in low inventory.

The business results of the apparel enterprises in 9M2017 have improved. Taking the first 9 months as a whole, almost listed textile companies recorded growth in revenue and profit (except for EVE, net income dropped sharply over the same period). The best performance in terms of revenue growth in 9M2017 belonged to STK with revenue of VND 1,431 billion (+47.4% yoy) thanks to the increase of sales in domestic market as well as Korea and Japan, against the anti-dumping duty applied for DTY yarn from Vietnam implemented by Turkey government. The others also recorded positive revenue growth thanks to huge number of orders and strong domestic demand such as TNG (+27.3% YoY), VGT (+15.6%), VGG (+12.3% %). In terms of profit growth, TCM was the leader with a growth rate of 89.6% yoy thanks to recording other income of VND 26.9 billion net profit from Xuyen A Industrial Park along with a 64% growth in core business due to improved productivity in Vinh Long factory, boosting the output of fabrics exported to Japan with better margin. For EVE, although revenue increased slightly by 6% (mainly due to sales volume was boosted in the third quarter thanks to seasonal factor as well as the effect of the strong spending on advertisement) but not enough to offset selling and general & administrative expenses which increased 48% YoY and 53% YoY respectively, resulting in a net income of VND 32.6 billion (-56.2% YoY).

Ticker	Revenue 9M2017 (VND bn)	% YoY	Gross profit margin 9M2017	Gross profit margin 9M2016	EAT 9M2017 (VND bn)	% YoY	EPS T12M (VND)
VGT	13,046	15.6%	9.4%	11.4%	512	12.5%	505
VGG	6,356	12.3%	11.7%	11.6%	303	7.6%	7,185
TCM	2,449	6.1%	15.9%	13.1%	171	89.6%	3,087
TNG	1,848	27.3%	17.3%	17.5%	88	25.1%	2,442
STK	1,431	47.4%	10.4%	10.2%	67	70.7%	859
EVE	649	5.5%	33.4%	34.2%	33	-56.2%	1,169

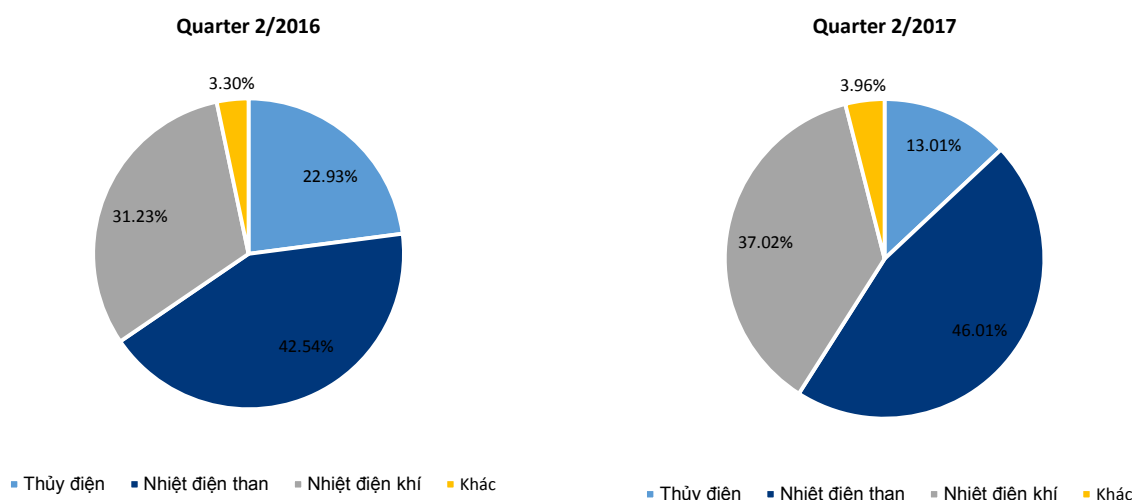
(Source: Financial Statements, BSC Research)

Electricity 2017 [Maintaining growth]

- Electricity production and purchase of EVN grew by 9.22% in 10M2017.
- Hydropower proportion increased sharply in Q2 FY2017 to 24%
- Gas, oil and coal prices increased sharply, +43% yoy with gas prices.
- EVN raised electricity prices did not have a big impact on listed electricity companies.
- 9M2017 business results: hydropower remains to be highlighted.

Commercial output growth was slowing down. In 10M2017, EVN's electricity output grew only 9.22% yoy, reaching 144.902 billion kWh, while the same period of 2016 recorded a growth rate of 11.8%. The cause of low growth is due to the rainy weather, affecting the power supply infrastructure. As a result, the demand for electricity in the management and residential groups has grown at a very low rate of 4.62% (much lower than the 10% growth in the same period in 2016), this group occupied about 33% of total commercial electricity output.

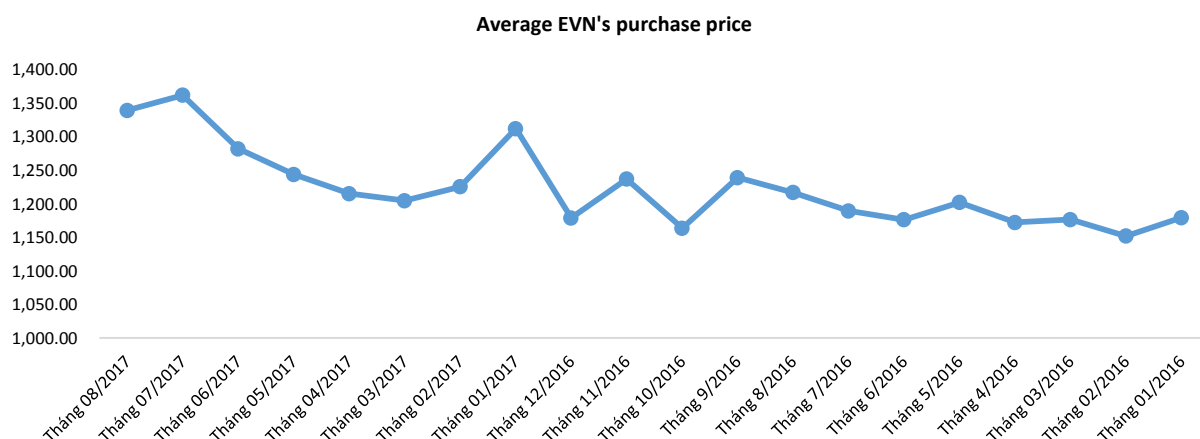
Quarter 2/2017, the proportion of hydropower increased sharply. Hydropower proportion has doubled over the same period in 2016, from about 13% to 24%, strongly supported by favorable hydrological situation in the first half of 2017.



Source: EVN

.... However, EVN's average 8M2017 input cost still increased 7.6% yoy, Average price of 8M2017 is at 1,273.08 VND/kWh. The main reason is that the proportion of coal and gas thermal power still accounts for more than 70% of EVN's total electricity input. Meanwhile coal prices have risen 5-10% since 1/10/2016, gas prices also increased about 46% over the same period in 9 months 2017

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Source: EVN

Price of gas, oil increased sharply. According to government regulations, since 1/4/2014, the purchase price of gas on Cuu Long and Nam Con Son mines is equal to 70% of the market price (equal to 46% MFO + shipping cost), from 1/7/2014 is equal to 80% of market price, 1/10/2014 equals 90% of market price and from the beginning of 2015 equals 100% of market price. Up to now, the price of gas sold for electricity at the Cuu Long and Nam Con Son mines and the price of gas sold to power at PM3 will fluctuate along with oil prices. Since the beginning of the year, the input gas prices have increased sharply, negatively affecting the gas thermal power plants such as NT2, BTP

	Cuu Long and Nam Mon Son (USD/milBTU/ ton)	% yoy	Ca Mau gas (USD / mil BTU / ton)	% yoy	DO Oil (dong / liter)	% yoy	FO Oil (dong / liter)	% yoy
1/1/2017	5.04	51%	3.7	83%	13.430	13%	11.030	29%
1/4/2017	4.74	-5%	3.4	-10%	13.830	40%	11.250	48%
1/7/2017	4.7	16%	3.33	22%	12.830	4%	10.810	18%

Source: Ministry of Commerce

EVN raised the electricity price by 6.08% to 1,720.65 VND/kWh which did not have a significant impact on the listed electricity companies. The electricity sold by the listed company is EVN's input, with the price agreed in the PPA contract (fluctuated by raw material cost). The electricity sold in the competitive market depends on the price of the participating companies. Therefore, EVN's electricity price increase has not had a big impact on the companies.

Some gas thermal power companies are strongly affected by the fluctuation of EUR/VND. While USD/VND is relatively stable, EUR/VND fluctuates sharply. As of 6/12/2017, the EUR/VND exchange rate has increased by 13.19% compared to the beginning of 2017, causing businesses with large EUR loans such as NT2, BTP strongly affected. 9M2017, NT2 recorded a loss of VND 258 billion (the same period only recorded losses of VND 25 billion in 2016)

Business results 9M2017. Thermoelectric businesses posted a slight increase in revenue mainly from higher input gas prices, which helped increase PPA's output and selling price. However, EAT decreased deeply, especially for gas thermal power companies due to: (1) Gross profit margin decreased due to increase in input gas price. (2) unfavorable exchange rate movements, especially EUR / VND. In the case

of PPC, the profit increased sharply thanks to the sharp decrease in the effect of exchange rate differences. In contrast to thermal power, hydropower companies continue to record high growth compared to the same period of 2016 due to the end of El Nino, the volume of water to lake increased.

Summary of 3Q2017's business reports

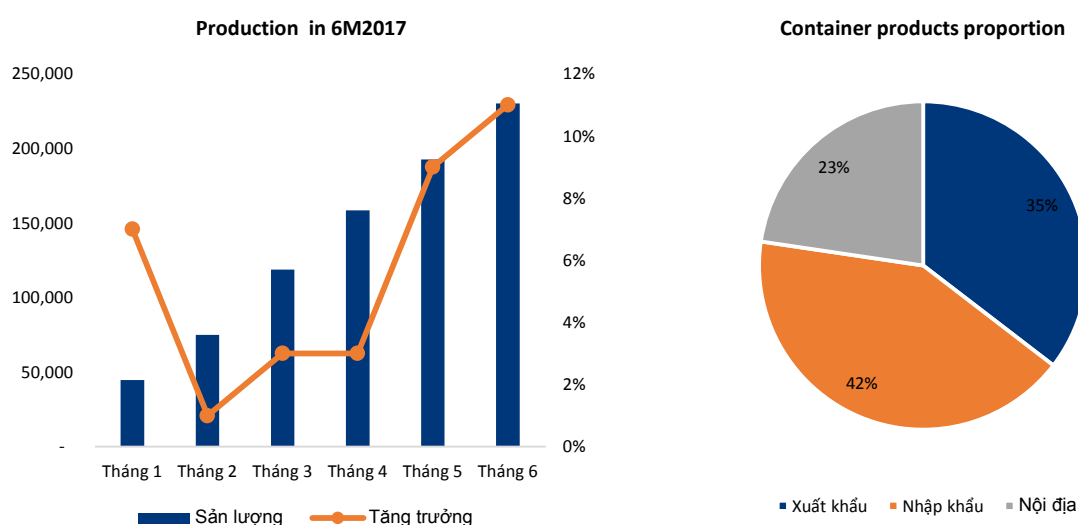
	Sector	Capacity	Location	Revenue 3Q2017	%yoy	EAT 3Q2017	%yoy	P/E	P/B
NT2	Gas turbines	750	Dong Nai	4,686	5%	489	-43%	9.20	1.51
VSH	Hydroelectric	136	Binh Dinh	406	24%	234	16%	12.20	1.25
KHP				2,841	9%	29	-67%	50.88	0.70
SJD	Hydroelectric	104	Binh Phuoc, Gia Lai, Dien Bien	398	51%	173	80%	8.05	1.49
PPC	coal-fired power generation	1040	Hai Duong	4,628	3%	744	N/A	4.34	1.17
HJS	Hydroelectric	12	Ha Giang	125	2%	31	15%	15.28	1.65
TBC	Hydroelectric	120	Yen Bai	248	12%	127	9%	15.37	1.84
BTP	Gas turbines	388	Vung Tau	733	-41%	-66	NA	16.76	0.67
TMP	Hydroelectric	150	Binh Phuoc	541	56%	243	198%	10.11	2.53
NBP	Hydroelectric	100	Ninh Binh	475	-5%	7	-71%	18.08	0.75
CHP	Hydroelectric	170	Hue	583	102%	264	1000%	7.79	2.10
SHP	Hydroelectric	123	Lam Dong	435	28%	119	170%	12.37	1.77
SBA	Hydroelectric		Quang Nam	228	119%	96	433%	7.96	1.38
DRL	Hydroelectric	16	Dac Nong	56	47%	34	48%	7.23	3.09

Source: Financial reports

Seaport Sector 2017 [Slow growth]

- The container throughput of 6M2017 increased slowly, at 5%
- Bach Dang Bridge is slow progress, predicted completion of Quarter 1/2018, but does not affect the trend of moving ships to Dinh Vu peninsula
- Business results of 9M2017: Decrease in service prices affects the gross profit margin of Hai Phong ports

Total container throughput increased 6% yoy. 6M2017, total cargo throughput increased by 11% to 254 million tons, contributing mainly were liquid and dry cargo, growing 12% and 24% respectively over the same period of 2016. In general, growth of container was 5% reached 6.5 million TEUs, of which exports grew the most, with 10% reaching 2.4 million TEUs, accounting for 35% of total production..



Source: Marine Department, BSC incorporated.

Bach Dang bridge is expected to be completed in the first quarter of 2018, slow progress compared to planned due to unfavorable weather. However, we think that Bach Dang bridge is slow to put into use, causing little change in cargo traffic through ports since the beginning of 2017, the shipping companies have tended to shift to exploit ports downstream of Cam River.

Business results of 9M2017. Generally, port operators in Hai Phong recorded gross profit margins decrease compared to the same period of 2016 due to increased domestic logistics costs and reduced port handling charges. According to some ports in the region, prices have dropped by about 10% over the previous year. The ports within Bach Dang Bridge as we mentioned in previous reports are under pressure on the source of goods shipped by shipping companies to exploit ports in Dinh Vu peninsula. This trend will continue in the fourth quarter of 2017 and 2018.

Business results in 2017.

	Revenue		Gross profit margin		EAT		P/E	P/B
	9M2017	yoy	9M2017	9M2016	9M2017	yoy		
GMD	2,847	5%	25.93%	27.97%	376	13.91%	20.37	1.86
VGP	2,046	NA	0.60%	37.05%	1	-85.71%	18.45	1.38
PHP	1,559	-12%	35.63%	39.71%	362	-13.22%	9.99	1.20
TMS	1,400	220%	13.55%	28.14%	172	37.94%	7.67	1.27
VSC	959	22%	31.58%	35.55%	190	0.42%	9.28	1.40
SGP	870	7%	36.51%	38.46%	362	658.70%	5.55	1.23
TCL	621	6%	19.05%	18.12%	70	6.99%	5.81	0.95
DVP	462	-3%	52.15%	53.69%	224	1.91%	8.70	2.55
CDN	440	8%	36.36%	36.10%	101	3.48%	11.46	1.72
PDN	375	27%	31.70%	33.18%	69	34.82%	13.70	2.81
CLL	198	-9%	41.87%	41.82%	62	-5.04%	11.76	1.60
PRC	98	-2%	8.78%	9.35%	3	21.74%	5.90	0.67
DXP	59	-35%	28.43%	37.98%	18	-44.69%	13.21	1.02

Source: Financial reports

Non life Insurance 2017 [Slowdown]

- Gross written premium grew by 11.5% in 2017.
- 10M2017 claim ratio increased slightly to 35.9%, compared to 34.5% in 10M2016
- In 9M2017, Insurance companies had different results of the insurance and investment activities

Non-life insurance market's growth slows down in 2017. According to the Insurance Association of Vietnam (IAV), the non-life insurance market is estimated to reach VND 40,561 billion in 2017, up 11.5% over the same period. This is lower than the average growth of 15.2% in the period 2010-2016 and 13.5% in 2016.

Total compensation in 10M2017 was estimated at VND 11,844 billion, corresponding to the claim ratio of 35.9%, higher than the 35.9% in 10M2016.

Business results of the insurance companies 9M2017 leveled off. Gross premiums of leading companies increased by 7%, lower than the sector growth of 12%, and their total EBT rose by 17%. These leading companies had different results in both of core insurance and investment activities.

9M 2017 VND Bill	BVH	PVI	BMI	PGI	BIC	PTI	VNR
Gross premium rev	5821	5009	2444	1813	1320	2,307	1233
% yoy	23%	-3%	11%	2%	9%	5%	-9%
% Compensation (1)	48%	50%	41%	56%	40%	55%	48%
%yoy	-2%	1%	-1%	8%	1%	-12%	-3%
Combined ratio (2)	100%	98%	99%	101%	101%	102%	94%
%yoy	1%	3%	-3%	2%	1%	1%	-1%
Investment activities							
Invested cap	6282	8,514	2,664	2,753	3,162	3,203	3470
%yoy	-8%	7%	7%	28%	4%	6%	6%
Gross profit of investment	279.22	431	142	126	140	136	170
%yoy	11%	138%	-6%	47%	-1%	-3%	24%
ROI	4.4%	5.1%	5.3%	4.6%	4.4%	4.2%	4.9%
NPBT 9T2017	280.75	519.28	178.33	120.90	134.05	105	251
%yoy	-1%	52%	23%	14%	-5%	-21%	21%

Compensation ratio was computed by dividing total compensation amount (included provision) to gross insurance revenue.

² *Combined ratio calculated by = (Total insurance service expenses + admin expenses)/Rev from insurance contracts.*

Tires sector 2017 [Output recovered]

- Tire consumption dropped by 9.6% YoY due to high competition.
- Average product prices increase by 10% in 2017.
- High competition from China, domestic and foreign enterprises.
- Rubber price dropped 20% in 3Q2017 which helps businesses overcome the decrease of profit margin
- Business results in 2017 are not good

The tires consumption of domestic enterprises decreased. Total tire sales of DRC and CSM reached 1,140,000 tires in 9M2017, down 9.6% YoY, due to high competition from foreign and domestic products. DRC's Radial Tire Sales increased sharply (+ 50.3% YoY), but that of CSM slightly decreased by 4.5%. Radial tire sales of DRC reached 246 thousand tires in 9M2017, gross margin is -3.3%. At the same time, CSM's radial tire consumption reached 65,000 tires, equivalent to an average consumption of 7.2 thousand tires per month. CSM's sales of steel radial tires increased sharply, from 10.7 thousand tires to 104.7 thousand tires, mainly exported to the US.

Highly competitive. (1) High competitive pressure still arises from excess supply from China as the United States levies anti-dumping and anti-subsidy duties on tires and light-duty tires imported from China. The United States is China's largest importer of tires, accounting for about 11% of total sales. At a price lower than Vietnamese companies of 30-40%, Vietnamese enterprises will have to compete fiercely to win market share. (2) Domestic firms are also competing on products and selling prices push up the competition of the tire market. DRC plans to deploy the second phase of the Radial plant in Q42018, raising the plant's capacity to 600,000 tires/year (2 times), with an investment capital of 700 billion VND. CSM currently has a capacity to produce 500,000 tons of steel radial per year and is planning to expand its capacity on the existing Radial plant. (3) Foreign firms expanding their investment, increasing their capacity in the Vietnamese market, although mainly for export, may also exacerbate competitive pressures on the domestic market.

Rubber price increases. As raw material rubber accounts for 50% of the total cost of production of tire business, the sharp increase in rubber prices in 2017 is a major drag on the tire business. However, Q2 and Q3/2017 rubber prices have fallen by 15% and 20% respectively compared with 2017Q1, causing the gross margin to recover slightly in Q3. In 3Q2017, DRC posted a gross margin of 14.8%, gradually recovering from 111.8% and 5.5% of Q1 and Q2. Similarly, the gross margin of CSM was 12.1% in Q3/2017.

The price of tires increased by 10% in 2017. Due to the high price of rubber, tire enterprises have to raise the price of its products. Because tire sector is highly competitive, tire enterprises cannot raise its product prices. Consequently, the increase in its price is lower than that of rubber. On average, the selling price of DRC and CSM tires has increased by 10% over the beginning of 2017.

The decline in business results of three Vietnamese tire manufacturers. Ending 9M2017, total net sales and EAT of these 3 companies reached 5.907 trillion dong (+ 10% YoY) and 221.8 billion dong (-57%

YoY) respectively. It is because of the poor performance due to rising rubber prices. In addition to this, the radial tire production has still not reached the break-even point. DRC's EAT dropped 53.6% to VND130.6 billion, CSM dropped 72.4% to VND62.1 billion.

Stock	Rev. (bill. VND)	%yoy	Gross profit margin	EBIT Margin	NI (Bill. VND)	%yoy	ROE (TTM)	ROA (TTM)
DRC	2,642	8.8%	14.8%	6.2%	130.6	-53.6%	8.42%	4.7%
CSM	2573	12.9%	12.1%	2.2%	62.1	-72.4%	4.9%	1.73%
SRC	692	4.7%	17.3%	5.2%	29.1	-45.2%	8.3%	3.7%

Source: BSC Research

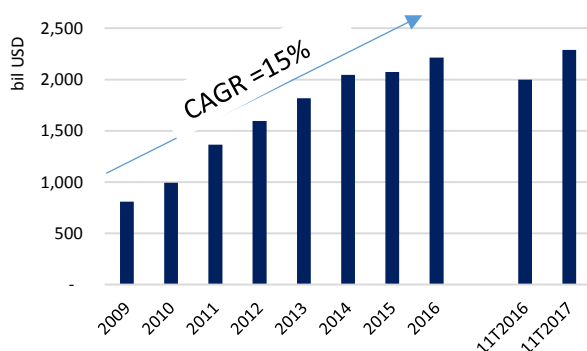
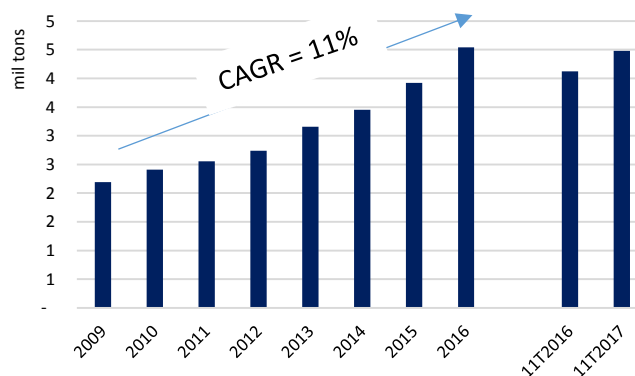
The performance of Q4 was better than the first three quarters in 2017. As rubber prices have decreased by 20% in 2017Q3 and the average selling price has increased by 10%, the tire business was recovered in the fourth quarter of 2017. EBT of DRC is expected to reach VND 213 billion (-50.1% YoY) in 2017, equivalent to EPS of 1,170 VND/share. CSM expects EBT of VND 68 billion (-80% YoY) and EPS of 525 VND /share.

Plastic Sector 2017 [Raising FOL and state-owned divestment]

- Plasticizer Raw material import increased 8.64% in volume and export of plastics product increased 14.56% in value in 11M2017.
- High competition, especially in the plastic pipe production segment.
- HDPE price increased by 2%, LDPE price increased by 3%, PP price increased by 10% yoy, PVC price increased by 16% yoy.
- Change of ownership structure, SCIC divestment
- Business results of diversified companies. High competition, especially in the plastic pipe production segment.

Plastic product exports value increased reach 2.3 billion USD in 11M2017, up 14.56% yoy. Vietnam's main export markets for plastics are the EU (26%), Japan (23), the United States (15%) and South Korea (6%).

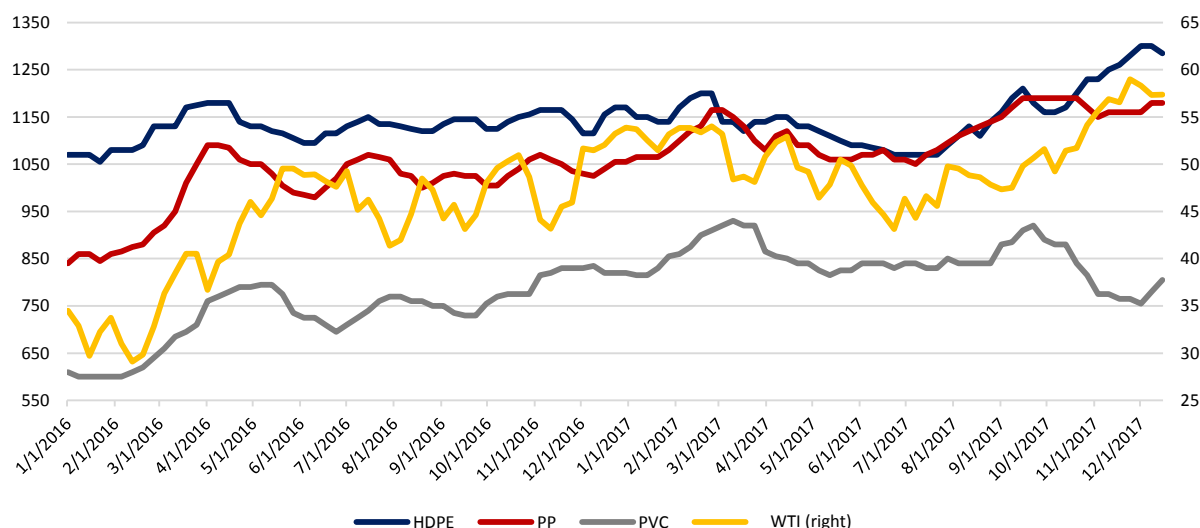
Raw material imports volume reach 4.5 million tons, up 8.64% and up 17.4% in value (reach 6.7 billion USD). The growth rate of imports reflects the growth rate of plastic products because Vietnam must imported 80-90% plastic resin.

Export plastic products of Vietnam**Importing plastic materials from Vietnam**

Sources: General Department of Vietnam Customs

High competition, especially in the plastic pipe production segment. The growth rate of plastic pipe sector slowed down (increase about 10% compared to 20% in 2016). Meanwhile, HSG and Tan A Dai Thanh continuously expand their plastic pipe production capacity. HSG's capacity will increase 21,000 tons of plastic pipes and fittings in 2017 and is expected to increase to 83,000 tons in the second half of 2018; Tan A Dai Thanh's capacity has completed the increase of 20 thousand tons of pipes in 2016 and 150 thousand tons of plastic pipes in Long An in October 2017. By the same token, HSG maintains a high discount policy, with a discount of 35-39% for uPVC pipes, 36-38% for HDPE and 67-68.5% for PPR, with 5% lower prices compared to NTP, BMP. This forced the plastic pipe manufacturers to increase discount for customers, so profits narrowed, especially in the context of plastic resin prices increased. BMP has increased 4% of the discount rate for customers from Q2 FY2017 and a further 4% on the company's 40th anniversary (from October 9-16, 2017).

Plastic resin prices increase. In the whole of 2017, HDPE price increased by 2%, LDPE price increased by 3%, PP price increased by 12% and PVC price increased by 15% compared to 2016 average price. In Q4/2017, LDPE up 10%, HDPE up 5%, PP up 4% while PVC dropped 7% compare to Q3/2017. PVC resin price dropped 7% in 4Q17, helping to improve BMP profit margins in the first quarter of 2018 because BMP average stockpile is more than one quarter.



Sources: Bloomberg

Separated business results. Ending 9M2017, total net sales and after tax profit of listed companies were VND14,208 bil (+16.93% yoy) and VND 1,112bil (-3.47% yoy), respectively. Some companies with strong net profit were AAA (+ 86.14% yoy) thanks to a 79.13% yoy increase in sales volume, TPC (+50% yoy) and NTP (+27.82% yoy) thanks to a VND 70 bil profit from the issuance of capital increase in Southern Tien Phong Plastic JSC, DAG (+18.6%). At the same time, some of the companies that suffered a slump in performance were TPP (-88.89% due to high raw material costs and financial expenses), BMP (-35.56% due to higher raw material prices, while the company raised a 4% discount for customers) RDP (-34% yoy due to higher raw material price, financial expense increased 24% to VND24 billion in 9M2017).

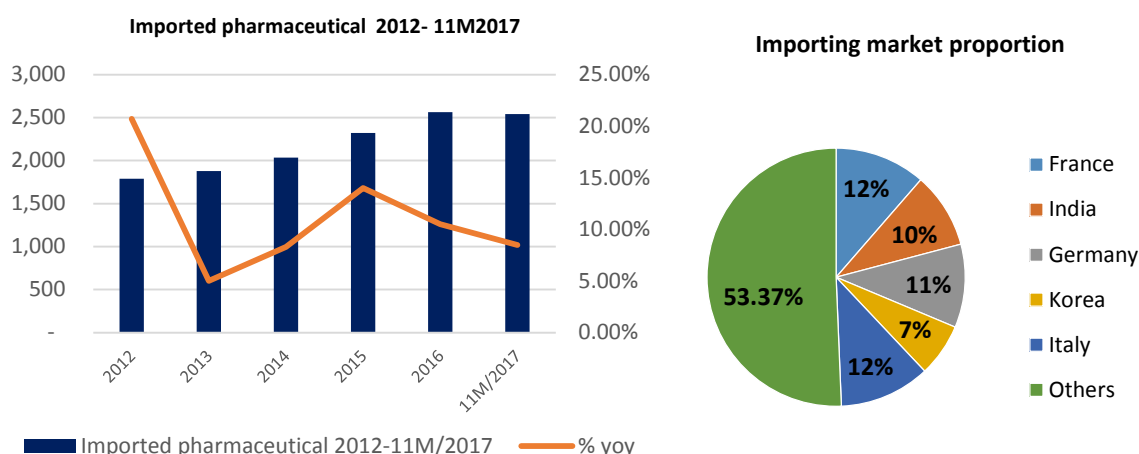
Stock	Main product	9T2017	% yoy	EAT 9T2017	% yoy	Gross profit margin 9T2017	EBIT margin 9T2017	ROA	ROE
BMP	Plastic Pipe	2619	5.65%	348	-35.56%	24.40%	16.81%	15.23%	18.01%
NTP	Plastic Pipe	3329	7.28%	363	27.82%	33.79%	11.17%	12.72%	24.47%
DNP	Plastic pipe and clean	1043	-3.43%	69	6.15%	19.08%	8.44%	3.48%	14.22%
DPC	Plastic Pipe	49	-5.77%	2	0.00%	20.41%	4.93%	7.05%	7.66%
DAG	Plastic door, profile	1321	27.88%	51	18.60%	8.33%	6.17%	5.47%	12.41%
AAA	Package	2644	79.13%	188	86.14%	13.38%	9.75%	5.93%	18.09%
RDP	Package	941	5.73%	33	-34.00%	10.41%	5.35%	2.99%	8.20%
TPP	Package	394	2.34%	2	-88.89%	14.47%	4.17%	0.83%	3.67%
SPP	Package	807	31.65%	12	9.09%	11.03%	7.56%	1.91%	8.05%
VBC	Package	543	6.89%	20	-9.09%	11.42%	5.97%	5.93%	23.56%
TPC	Package	518	-2.63%	24	50.00%	9.46%	4.09%	4.87%	9.22%

Sources: BSC research, FiinPro

Pharmaceutical Sector 2017 [Exciting M & A activity]

- Pharmaceuticals imports continued to grow, rising 8.5% yoy in the first 11 months of 2017.
- The foreign room for pharmaceutical sector has made its first steps.
- Wave of divestment of SCIC
- Business results of the pharmaceutical sector maintained a relatively high growth rate over the same period of 2016, total revenue of nine months increased 8.1% yoy. High competition, especially in the plastic pipe production segment.

Pharmaceutical imports still maintain growth. According to statistics from the General Department of Vietnam Customs, import turnover in the first 11 months increased 8.5% yoy to USD 2.54 billion when imports from all major markets slowed down: France (+1.4% YoY) , India (+3.5% YoY). Meanwhile, import of pharmaceutical raw materials in 11M2017 decreased 2% YoY to USD 332.6 million due to a decline in main import markets: China (-7.8% YoY), Italy (-16.4% YoY) Nation (-39.6 YoY) and France (-43.9% YoY).



Foreign room for pharmaceutical sector has made the first step. DMC was the first enterprise in the pharmaceutical sector opening room for foreigners, after that, strategic shareholder Abbott Group has completed raising its stake in DMC to 51.69%. In 8/2017, DHG is the next company after DMC has been approved by the shareholders raising the percentage of ownership up to 100%, currently Taisho owns about 24.4% of DHG's capital. Currently, there is no specific information on the approval of this room, but we expect that in 2018, DHG will be able to complete the procedure to expand their room to 100%.

Wave of divestment of SCIC. In the end of 11/2017, SCIC held a roadshow to sell their equity at DMC (about 34.71%), marking the beginning of SCIC's divestment plan at pharmaceutical companies in Vietnam, it is expected that the divestment plan will be announced and implemented in early 2018. Besides, SCIC currently owns some other pharmaceutical companies such as DHG (43.31%), LDP (33.88%), TRA (21.23%). In 2017, LDP is the next company in the list of capital sold by SCIC, but the first sale of capital failed. LDP will continue registering for the second time with a 33.8% stake to be completed on 29/12/2017. Currently, Nguyen Kim Group holds 10.4% of LDP's registered capital and has

registered to buy 27% of LDP's capital. We expect SCIC's divestment in pharmaceuticals to continue to be implemented, with the names like TRA and DHG expected to attract the interest from foreign pharmaceutical corporations.

Business results of the pharmaceutical sector maintained a relatively high growth rate over the same period of 2016. Total revenue of listed pharmaceutical companies was VND 9.0206 billion (+8.1% YoY), total net income of 9M2017 was VND 1364.3 billion (+12.5% YoY), higher than the revenue mainly due to (1) Gross profit margin of most large pharmaceutical companies improved thanks to the optimization of input cost. (2) Most pharmaceutical companies try to improve the management of operating expenses, or get the benefits of tax rates like DHG. Except for LDP, PMC, DBT, and PPP which are small businesses recording negative growth in net income, large enterprises recorded good growth, so we found a clear division in the pharmaceutical sector because large enterprises with the advantage of (1) production scale and distribution system, (2) higher standard product quality.

	Revenue 9M/2017	Revenue 9M/2016	% yoy	EAT 9M/2017	EAT 9M/2016	% yoy	Gross profit margin 9M2017	Gross profit margin 9M2016	ROE	ROA
DHG	2.710	2.608	5%	497.7	470.6	5.7%	44,9%	45,3%	23,2%	19,4%
TRA	1.311	1.502	-13%	165	154	7%	57,0%	49,0%	22,4%	16,5%
DMC	948	896	6%	158	128	24%	42,0%	38,3%	22,1%	18,8%
IMP	751	644	17%	89	64	40%	42,9%	39,9%	9,6%	9,5%
OPC	724	581	25%	69	59	17%	39,6%	45,8%	15,3%	9,3%
DCL	553	531	4%	56	54	2%	32,4%	32,4%	13,7%	10,1%
PMC	320	304	6%	55	55	-1%	43,0%	43,7%	30,7%	25,1%
DBD	1.014	1.000	1%	117	101	16%	36,5%	32,4%	18,8%	11,3%
PME	1.212	1.119	8%	215	174	24%	48,0%	47,7%	19,7%	16,0%
DHT	1.088	876	24%	44	26	67%	14,7%	14,1%	37,6%	13,7%
LDP	423	387	9%	15	15	-1%	15,4%	14,2%	19,8%	6,9%
DP3	251	167	50%	27	18	46%	55,1%	48,5%	22,7%	14,0%
DBT	586	414	42%	14	16	-18%	24,2%	25,8%	14,2%	3,9%
PPP	99	88	12%	5	6	-20%	19,9%	19,4%	8,9%	5,3%

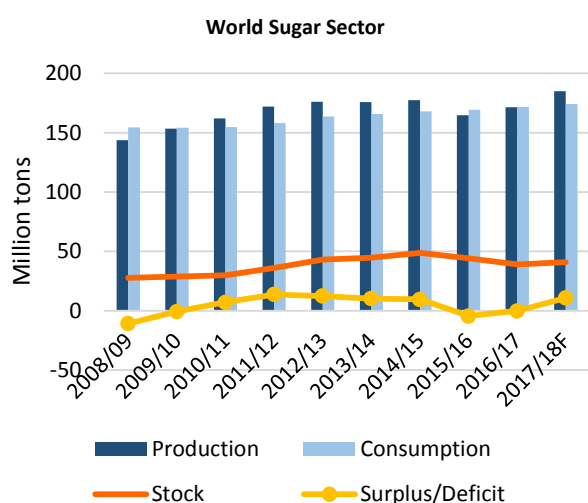
Source: Financial reports

Sugar sector [Outperform]

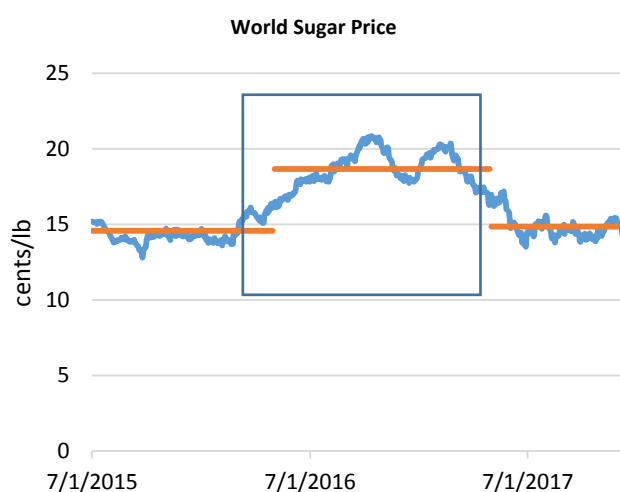
- World sugar demand and supply in the 2016/2017 season is quite balanced.
- World Sugar prices at the season-start continuously increased to 20.79 cent/lb, the average annual crop increased by 25% YoY.
- Domestic production decreased 0.1% YoY, the situation of smuggling evolved complicatedly, the inventory at the end of the crop increased 58.3%.
- Domestic sugar prices increase positively in 2016/2017 but are now sticking to world sugar prices in a downward trend of 6-10% YTD.
- FY2016-2017 sugar business results are satisfactory, but witness the first quarter differentiated results in 2017/2018.

World market

World sugar demand and supply in the 2016/2017 season is quite balanced. 2016/2017, sugar production world production reached 171.47 million tons (+ 4.1% YoY) Sugar output in Brazil and the EU increased by 4.5 million tonnes (+ 13% YoY) and 2.2 million tons (+15.5% YoY), respectively. YoY) while India's output continued to decline 19% due to the negative impact of the weather. Demand increased slightly by 1.4% YoY to 171.62 million tonnes, inventory continued to decline for the second straight year to 39 million tonnes.



Source: USDA, BSC research



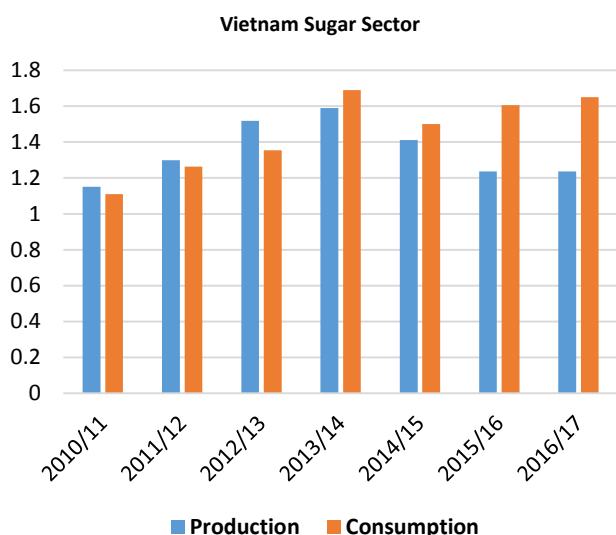
Source: Bloomberg, BSC research

World Sugar prices at the season-start continuously increased to 20.79 cent/lb, the average annual crop increased by 25% YoY. Last year's 2015/2016 season was the first crop in five years in a row, the sharp fall in sugarcane stockpiles led to a sharp increase in sugar prices in the beginning of the 2016-2017 season. Higher sugar prices were maintained until November 2016 due to low inventories, but then adjusted downward as production in Brazil and the EU increased (yield of ethanol decreased, more favorable) together with the expected full-season production will recover. Average sugar futures were 18.6 cents/lb (+ 25% YoY).

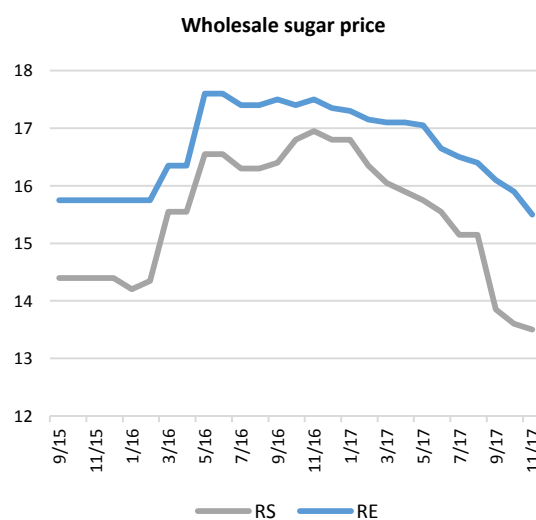
Domestic market

Domestic production decreased 0.1% YoY, the situation of smuggling evolved complicatedly, the inventory at the end of the crop increased 58.3%. 2016/2017, sugar production reached 1.23 million tons (-0.1% YoY), imports under the WTO commitments of 85,000 tons, import of Hoang Anh Gia Lai is 30,000 tons and imported an addition of 100,000 tons to balance demand and supply. However, smuggling across the border was not strictly controlled, resulting in a sharp increase in smuggled sugar to 400,000 tons, which made consumption of domestic enterprises difficult, as of August 15/8/2017 hit a record 554,456 tons (higher than same period last year of 350,181 tons).

Domestic sugar prices increase positively in 2016/2017 but are now sticking to world sugar prices in a downward trend of 6-10% YTD. After the end of the 2016/2017 season with positive price movements (the average wholesale price increased by 5-9% YoY), sugar prices fell sharply despite the fact that sugar prices are usually high when new season press has not started and inventory level were decreasing. According to a report by MARD, the wholesale price of white sugar at the factory (with VAT) at the beginning of the 2017/2018 season was 14,500-16,000 VND/kg but had fallen sharply to only 13,000-13,800 VND/kg, the selling price off RS lines fell more strongly than RE (-10% YTD vs. -6% YTD). The explanation for the development of sugar prices over the past time may include some reasons: (i) inventory of sugarcane late in 2016/2017 record high despite production decline due to uncontrollable smuggling (ii) some wholesalers temporarily postpone entry of production lines to wait for the commitment time in ATIGA to be effective for importing sugar at low cost; (iii) world sugar prices are in a downward trend.



Source: MARD ministry, OECD, BSC research



Source: Price management department, BSC research

FY2016-2017 sugar business results are satisfactory, but witness the first quarter differentiated results in 2017/2018. Turnover of sugarcane enterprises in 2016/2017 has increased significantly compared to the same period of last year due to the increase in selling price (except for SLS due to lower sales

volume). First quarter of the new crop year 2017/2018, the business situation of the group of sugar companies have differentiation when witnessing the breakthrough in small enterprises such as KTS (NET REVENUE: VND 158 billion 384 times thanks to the sugar sales), SLS (NET REVENUE: VND 537 billion, + 43% YoY, EAT: 30 billion, + 43% YoY). Thanh Thanh Cong Sugar Corporation recorded its 1Q 2017/2018 business result with a 72% increase in revenue due to merger with BHS, but the company also reported that the export sugar price at the beginning of the season decreased by 15% over the same period. And that, creates a negative impact on profitability.

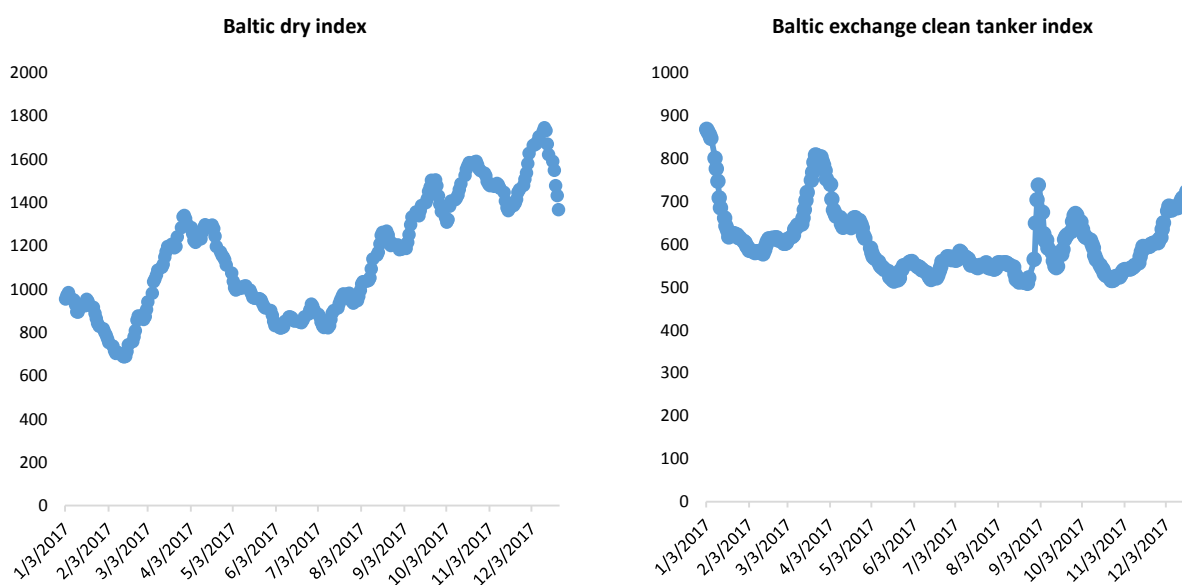
Stock	NET REV 16/17 (VND bil)	% YoY	GPM 16/17	GPM 15/16	PAT 16/17 (VND bil)	% YoY	EPS T12M (đ)	Rev 1Q 17/18 (VND bil)	% YoY	PAT 1Q 17/18 (VND bil)	% YoY
SBT	4,498	11.7%	14%	15%	340	16%	1,308	1,562	72%	88	17%
BHS	5,347	22.5%	12%	14%	301	21%	1,256	N/A	N/A	N/A	N/A
LSS	2,374	18.1%	14%	14%	127	25%	1,521	214	-53%	12	-67%
SLS	537	-9.7%	37%	26%	163	20%	21,090	140	153%	30	43%
KTS	295	1.3%	17%	17%	42	3%	8,525	158	38435%	1	N/A

(Source: FINANCIAL REPORTS, BSC research)

Sea transportation Sector 2017 [Difficulties remain]

- BDI reached 1366 points, up 43% from the beginning of the year, while BIDY dropped 16%.
- Volume of shipments increased by 9.7% in 5M2017
- 9M2010 results: Earnings decline in most of the sector

BDI is recovering strongly. Closed on 22/12/2017, the BDI is 1,366 points, nearly doubling over the same period of 2016 and up 43% over the beginning of the year. The strong increase of BDI is due to the demand of transportation of coal and iron ore increased sharply which mostly come from China. In 6 months 2017, the supply of dry cargo increased by 5% and were forecasted to keep growing until the end of the year, while the demand of shipping was forecast to grow by 4.3% in 2017. Meanwhile, The finished product was unchanged from the beginning of the year, closing on 22/12/2017 at 720 points, down 16%



Source: Bloomberg.

In 5M2017, the volume of transport carried by Vietnam's shipping fleet reached 28.1 million tons (+ 9.7% yoy). The import-export market of Vietnam's sea-going ships is mainly Middle East, Southeast Asia and Asia, and a small number of Vietnamese ships have exported to Eastern European countries, especially after the transport route to Kazakhstan is opened. For import and export of dry cargo, the Vietnamese fleet occupies about 12% of the market. There are ships running directly to Eastern Europe, Middle East, South America but in small quantities

9M2017 profit of most businesses have decreased. For bulk carriers, the difficulty of the freight market and freight rates continues, causing no revenue and profit improvements. Many businesses have canceled the listing because of negative profit for 3 consecutive years. Likewise, liquid-cargo transporters have not produced much compared to the same period of 2016 due to reduced demand for crude oil transport as BSR goes into regular repair (this factor is no longer maintained in Q4 / 2017) and reduce of imported oil.

Business result summary 9M2017.

	Revenue 9M2017	YoY	Net income 9M2017	YoY	P/E	P/B
PVT	4447.3	-8.62%	312.2	-17%	13.88	1.48
VOS	1100.8	15.76%	-231.1	NA	-1.37	1.23
VTO	942.7	5.21%	73.7	1%	7.36	0.58
GSP	898.4	-2.32%	36.2	-27%	9.46	1.09
VIP	542.2	21.13%	47.6	-40%	10.98	0.49
PJT	445.6	53.81%	29.5	15%	5.12	1.04
VNA	393.7	-5.18%	-86.5	NA	-0.20	0.00
VFR	157.2	-23.13%	58.1	-653%	4.44	0.82
HTV	142.4	-3.72%	15	-23%	9.21	0.66
TJC	136.9	1.33%	-0.4	NA	163.26	0.49
TCO	120.5	2.90%	13.3	-41%	10.91	1.02

Source: Financial reports

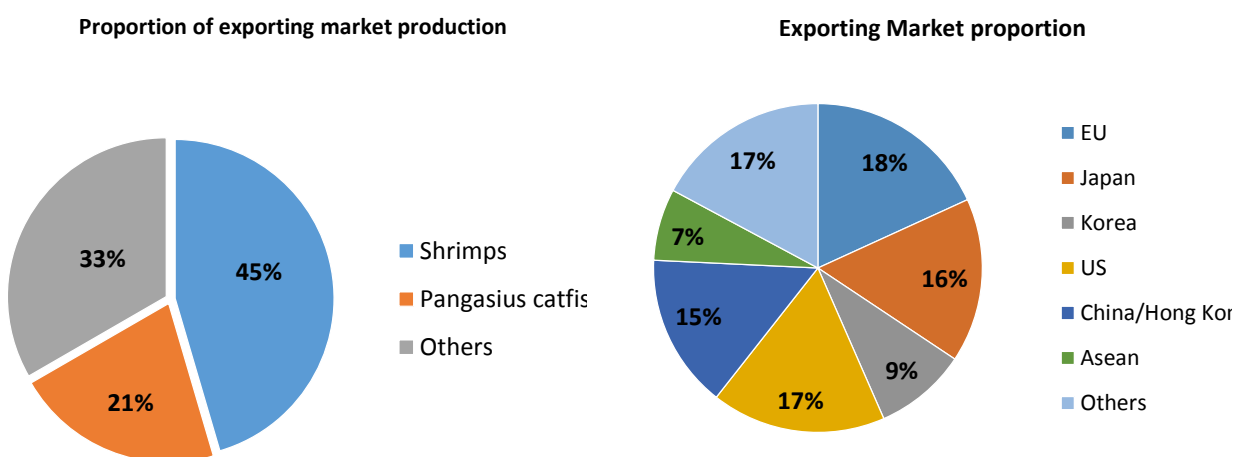
Aquaculture 2017 [Many difficulties]

- Seafood exports reached US \$ 7.6 billion, up 18% yoy
- The EU has become the largest export market, with exports to China surging sharply.
- Raw material prices tend to increase in October.
- Business results 9T2017

11M2017, total seafood export value of the country is estimated at over 7.6 billion, up nearly 18% over the same period last year. The forecast for seafood export in 2017 is about USD 8.3 billion, an increase of 18% compared to 2016.

- Shrimp exports up to US \$ 3.5 billion (+ 22% yoy), of which white shrimp was estimated at US \$ 2.3 billion, (+ 28% yoy), shrimp estimated at 802 million USD (-5.5% yoy). The forecast for shrimp export in 2017 will be about USD 3.8 billion (+ 20% yoy), of which white shrimp will reach USD 2.5 billion and USD 334 million respectively. Pangasius catfish exports in the past 11 months reached \$ 1.6 billion, up 5% over the same period last year and forecasts for the whole year 2017 reached nearly \$ 1.8 billion (+ 4% yoy).
- Pangasius catfish exports in the past 11 months reached \$ 1.6 billion, up 5% over the same period last year and forecasts for the whole year 2017 reached nearly \$ 1.8 billion (+ 4% yoy).

Top 4 seafood export markets of Vietnam have changed: EU, USA, Japan, China. Exports of aquatic products to the EU market reached \$ 1.215 billion (+ 21.2% yoy). Meanwhile, seafood exports to the US slowed down and decreased slightly -2.5% in turnover. The main reason is that the US Department of Commerce imposed high anti-dumping duty on shrimp and Pangasius catfish, which made them less competitive than their counterparts.



Source: BSC Research

Disclosure

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