

STOCK RECOMMENDATIONS

February 19th 2014

ANH THOMAS INVESTMENT

A DELAWARE LIMITED-LIABILITY COMPANY

Dear Mr [REDACTED], February 19th 2014,

Instructions:

The following recommendations have been reviewed and approved by Anh Thomas' internal committee. For a portfolio worth [REDACTED] Dongs, we recommend buying the six stocks listed in the first table below for about [REDACTED] Dongs each. Please note that "Price limit" is the stock price above which recommendation is no longer valid. The second table shows securities that we consider slightly less attractive but that could still, in our minds, constitute great assets in a portfolio. Given the size of your investment and because a portfolio needs to be diversified, we recommend you to invest in at least six different securities. From page two, you will find a quick overview for each recommended stock. Our team is constantly monitoring stocks and we will contact you if you need to divest from a company in order to rebalance your portfolio.

Methodology:

It is not unusual that our new clients are surprised by our stock selection. You might indeed find in the list some companies that you would not have considered or companies that have struggled lately. Similarly, you might be surprised not to see some large and successful companies. There are actually good reasons for this. It is indeed important to keep in mind that our main objective is to build you a portfolio that will offer the highest possible total return and that a good company and a company's stock that makes a good investment are two different things. If you overpay for a stock from

a good company you are not making a wise investment. One of the best ways to build a portfolio that will achieve strong returns is to look for solid undervalued stocks.

Naturally, finding these stocks is not an easy task and requires a lot of work, researches and to make a couple of assumptions. The valuation of a stock price over the long-term is based on the current value of its future cash flows. Undervalued stocks generally have low price to earnings per share ratio. However, many companies have low price to earnings for good reasons and even the most advanced financial ratios analysis cannot tell the whole story. Financial ratios should always be viewed contextually. We have frequent contacts with local experts of specific industries and sectors in order to obtain all information we can gather about current trends and we keep up to date with regulation. We also take into consideration other factors such as modelling future growth, studying comparable companies or assessing management quality.

We also look at companies that we believe have a strong and sustainable competitive position while favouring those which pay high dividends.

Warning:

Unfortunately and even though our historical performance is impressive, no one can read the future with certainty and stocks go up and down. Past performance does not guarantee future results and you may not necessarily get back the amount you originally invested.



| Recommendation strength | |
|---|--------------|
|  | Strong Buy |
|  | Buy |
|  | Moderate Buy |

| Highly recommended stocks list | | | | |
|--------------------------------|--|---|---|---|
| Symbol | Industry & Sector | Recommendation strength | Estimated number of shares | Price limit |
| TBC | Utilities: Conventional Electricity |  | 7,700 | 13,000 |
| | Financials: Bank |  |  |  |
| | Consumer Goods: Farming & Fishing |  |  |  |
| | Industrials: Industrial Machinery |  |  |  |
| | Consumer Services: Broadline Retailers |  |  |  |
| | Financials: Full Line Insurance |  |  |  |

| Optional stocks list | | | | |
|----------------------|------------------------------------|---|---|---|
| Symbol | Industry & Sector | Recommendation strength | Estimated number of shares | Price limit |
| | Consumer Goods: Automobiles |  |  |  |
| | Industrials: Electrical Components |  |  |  |
| | Industrials: Heavy Construction |  |  |  |

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| Thac Ba Hydropower JSC | |
|---|-------------------|
| Recommendation | |
| Strength of recommendation: | ★★★ |
| Symbol: | TBC |
| Price limit: | 13,000 VND |
| Number of share: | 7,700 |
| Total investment: | ~ 100 million VND |
| Company description | |
| <p>The company is mainly engaged in electric power generation and trading through the operation and management of hydropower plants.</p> <p>The company is also involved in the management, operation, repair, maintenance, overhaul, and rehabilitation of hydraulic works, architectural works, equipment of hydropower plants, and transformer stations</p> <p>The company was established in 1971 and was listed on the HOSE stock market in 2009.</p> <p>The company is the first hydropower manufactory in Vietnam.</p> | |
| Selected financial information | |
| Market Capital (VND billion) | 1,231 |
| PE (times) | 8 |
| Gross Profit Margin (%) | 58 |
| ROA (%) | 16 |
| ROE (%) | 16 |
| Quick Ratio (times) | 13 |
| Chart | |
| <h3>Stock Chart</h3> | |
| Investment rationale | |
| <p>We expect a continuous increase in electricity demand in Vietnam in the coming years. In our mind, there is little doubt that this industry show promise for the future.</p> <p>The company's stock has been out of favor for quite a long time now but we expect that this will change soon. We view the company's credit risk as limited and we expect profitability to improve gradually over the coming years.</p> <p>Several major expansion projects of Thac Ba Hydropower JSC have been recently approved and we expect most of them to be successful ones.</p> <p>In terms of valuation, we have strong reasons to believe that the firm's stock is currently undervalued. Not only Thac Ba Hydropower JSC P/E currently stands around 8 (which is lower than its main competitors) but when using a discounted cash flow approach we have also found that Thac Ba Hydropower's intrinsic value was above its current market value. Altman Z-score is also relatively strong in comparison of current valuation. Finally, it is worth noting that we also expect the company to pay large cash dividends to its shareholders in the coming years.</p> <p>Taking into account the information we have on this company, including financial and non-financial data, we believe that this stock is likely to go up in the years to come. Furthermore, this specific stock would fit well in your overall portfolio.</p> | |
| Ownership structure | |
| <p>Even though the Vietnamese government does not have controlling interest, the company benefits from a large support from the Government. We expect the Vietnamese government to remain a major shareholder of the company for at least the next 5 years and we do not expect this ownership to negatively impact the operational aspects of the company while credit risk is significantly lowered thanks to the implied support of the State.</p> | |
| Management quality | |
| <p>The company is run by experienced managers who show appropriate commitment to the company's activities.</p> <p>The following information have been checked:</p> <ul style="list-style-type: none"> - Age and previous experience of managers ✓ - Corporate Governance ✓ - Quality and Efficiency of Boards meetings ✓ - Skills and effectivity of the board of directors ✓ - Organization Structure ✓ - Frequency of Boards meetings ✓ - Commitment ✓ - Track records Vs. Statements ✓ <p><i>Some information about Management quality cannot be disclosed in the report due to the sensitivity and nature of information.</i></p> | |

- *We believe that profitability is likely to increase in the coming quarters.*
- *Management team is rather strong*
- *Stock is clearly out of favour at the moment.*
- *A company could be undervalued if it is trading below similar companies. For instance, if it has a lower price to earnings or price to book value than a rival, it could be a good deal. Of course, it could have lower profit margins, have higher debt levels, or be growing slower than rivals. The ideal scenario is to find a firm that is more profitable, growing faster, and more conservatively managed that is trading at a lower multiple of earnings or cash flow than the peer group.*
- *Intrinsic Value above Market Value: The DCF approach is the essence of stock valuation. If the firm's future cash flows per share are discounted back to today and the value is significantly above where the stock is trading at, then the stock is likely undervalued. Estimating the cash flows can take time, and the wider the value disparity the better, which helps offset the risk that the cash flow estimates were off or don't turn out as expected.*
- *its current intrinsic value is not well represented in the stock price, it is possible an undervalued company is a good bet for some investors.*
- *The final rule for finding undervalued stocks is to be patient. Sometimes the overall market gets expensive and none of the companies you follow will seem to be trading for attractive values, and that's OK. Bargains will come, so if you can't find a n undervalued stock, don't force an investment that you'll later regret*
- *Taking into account the information we have on this company, including financial indicators and also other financial data not shown in this report, we believe that the company will benefit from an improving liquidity position and that its stock price is currently undervalued.*
- *Finally, it is worth noting that we also expect the company to pay large dividends to its shareholders in the coming years.*
- *On this basis, we strongly advise you to consider the possibility to invest in this company's stock and believe that this stock will fit well in your portfolio.*
- *So many factors affect a company's health that it is nearly impossible to construct a formula that will predict success.*
- *A lot of information is intangible and cannot be measured.*
- *Bad news in the price – there's been much comment about the likely fall in dividends as profits fall against a backdrop of slower economic growth. The good news is that much bad news is already reflected in the price*
- *Strong companies generate a lot of cash and, particularly, have a large flow of free cash. Free cash is what is left over after the company reinvests in itself to keep the business operating. Another way to think of this is how much cash you could pull out of the business without forcing a change in operations (closing plants, layoffs and so on).*
- *Every company is going to have periods where the stock loses value. This is natural, especially during times of economic difficulty and market upheaval. Instead, look for the overall stability as it relates to the economic conditions*
- *Relative Strength in Industry*
- *Take a look at the company's industry overall. Does the industry that the stock is in show promise for the future? If so, look closer at the company. What is the company's relative strength in the industry? Is it well placed against its competitors? Take into account the industry as a whole, and the company's place in it.*
- *Reviewing the business model can help you figure that out. If the business model is unrealistic, there is probably little hope that the business will succeed. For established companies, find out if the company's direction is clearly defined, if it's a leader in the market and, if so, whether the company can retain that leadership. If it's a new company, decide if the business model makes sense to you – is it feasible, is there a market and can they make a profit?*
- *The group has a strong business profile characterised by both product range and geographic diversification as well as strong financials with rising profits and improving leverage ratios.*
- *The company held more than €318m in cash and cash equivalents and has access to ample liquidity under its unused Revolving Credit Facility of €500m which matures in July 2016.*
- *The group has a leading market positions in agriculture, industrial and consumer markets, and as a strong growth momentum and leadership in healthcare. Its resilient revenue model with low exposure to cyclical volatility is supported by its diversified business profile.*
- *Even though the group is exposed to volatility of jet fuel price, its primary cost, and operates in a cyclical industry, it has a strong market position, good level liquidity and a high diversity of income streams.*
- *It has diversified income streams, a strong liquidity profile and a highly qualified and experienced management team with a proven track record of steering the company through difficult operating environment.*
- *The group is well positioned in key growth regions, has strong financials and generate significant free cash flows.*

- *The group benefits from a good geographic diversity in its oil and gas properties and increased oil and natural gas production from large-scale oil and gas developments is expected within the coming years.*
- *The group has a well-diversified portfolio, a leading market position and a strong liquidity position supported by strong operating cash flow generation.*
- *The group has a strong liquidity position, sound risk management, higher-than-average capital position and there is a high probability that Morgan Stanley would receive support from the authorities if required because of its strategic importance domestically.*
- *The group has excellent liquidity with significant oil-weighted production and long-lived mining oil sands reserves.*
- *The group benefits from its large scale and has a high geographic diversification. In 2013, equity growth and debt reduction are expected to further improve the debt-to-capital ratio.*
- *Sasol is exposed to volatility in ZAR/USD exchange rate and in oil prices as well as South African country risk. However the group is a well-entrenched market leader in liquid fuels and chemicals production in South Africa and has a robust financial profile resulting from sound and sustained cash flow generation together with low leverage.*
- *Shell's business profile is characterized by its large, globally diversified exploration, production, and LNG operations, as well as strong and consistently profitable global downstream operations.*
- *The group has significant production scale, competitive production costs relative to peers and a well-diversified profile.*
- *WFC is a global enterprise that has grown through numerous acquisitions building up its presence in fuel supply and logistics across all transport modes and continents. Its revenues have grown steadily over the past years and the group appears to have escaped the global financial crisis and its aftermath unscathed. WFC is very well diversified with coverage of marine, land and air transportation and as such enjoys access to vast and virtually unlimited supplier and customer base, significantly mitigating the risk of non-payment. It has also disclosed the use of credit insurance and Receivable Purchase Agreement allowing it to sell of up to \$125m of receivables. The group's financial position is strong with good revenue generation, low level of debt and ample liquidity available.*
- *The group has a geographically diverse production, strong financials with low debt level, high liquidity and a strong and experienced management team.*
- *Anh Thomas believes that the management team currently in place has all the skills required to manage the company efficiently.*