

Market strategy

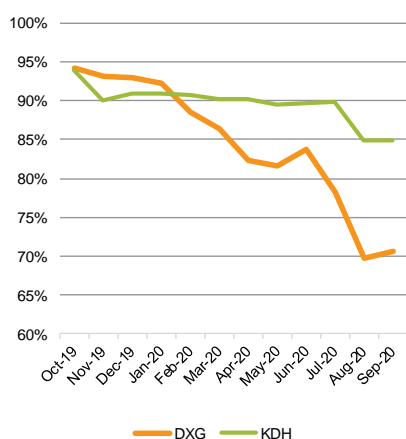
07 Oct 2020

ETF MONITOR

Shining like the (VN)Diamond

- ETF VFMVN Diamond's fund size has expanded robustly by 23 times since its first trading on Ho Chi Minh Stock Exchange (HOSE) on 12 May 2020, reaching a net assets value (NAV) of VND2,352bn on 6 Oct 2020.
- VN Diamond Index rose 13.4% during May-Oct 20, outperforming both VN30 Index and VN-Index.
- DXG and KDH are likely to be removed from VN Diamond in the Oct 2020 review, per our estimates.

Figure 1: Foreign ownership ratio (FOR) of KDH and DXG from Oct 19 to Sep 20 (%)



FOR is calculated by the percentage of shares owned by foreign investors / foreign ownership limit (%).

Source: VNDirect research, Fiipro

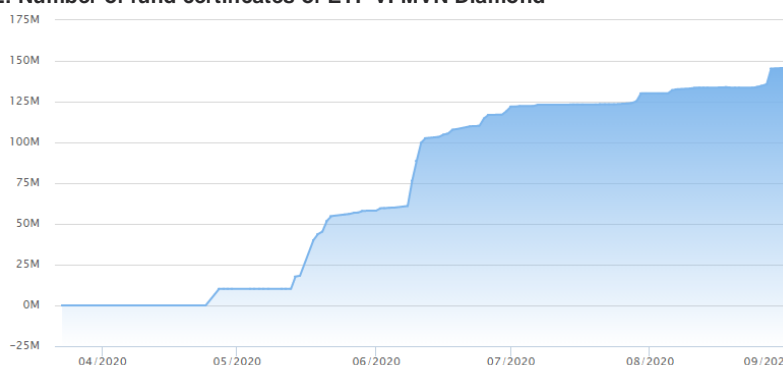
ETF VFMVN Diamond's NAV has expanded robustly since 12 May 2020

ETF VFMVN Diamond uses the VN Diamond Index as the base index, which has been calculated by HOSE since Nov 2019. This is an investment index with a limited number of stocks (between 10-20 stocks), with the weight of each share not exceeding 15% and of each industry not exceeding 40%. The criteria to select VN Diamond constituents are the foreign ownership ratio, market capitalisation, and liquidity.

VFMVN Diamond ETF debuted on HOSE on 12 May 2020 with an initial fund size of VND102bn. So far, it has experienced a 23-time expansion in Net asset value (NAV). The most notable growth is observed in two periods, the first of which was from 12 May to 22 May 2020 when the number of listed fund certificates increased from 10.2m to 54.8m, while the second period lasted during 8-12 Jun 2020 when the number of listed fund certificates jumped to 102.6m. As at 6 Oct 2020, the number of fund certificates of VFMVN Diamond ETF was 145.7m, equivalent to a NAV of VND2,352bn.

With such the NAV, ETF VFMVN Diamond has become one of the largest ETFs invested in Vietnam, ranking 4th after the Vanneck VNM ETF, VFM VN30 ETF and FTSE VN ETF with respective NAV of VND8,700bn, VND6,150bn and VND5,100bn.

Figure 2: Number of fund certificates of ETF VFMVN Diamond



Sources: VND RESEARCH, VFM

Analyst(s):



Bach Phan Nhu

bach.phannhu@vndirect.com.vn

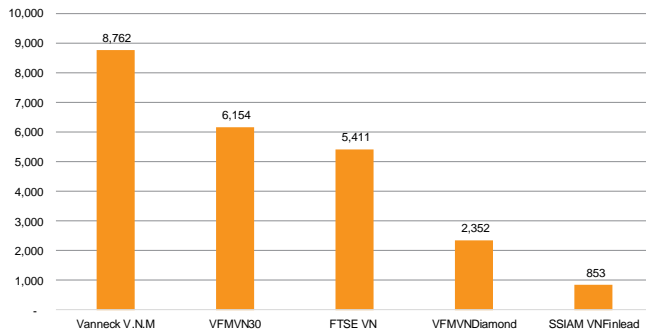
VN Diamond Index outperformed both VN30 Index and VN-Index

Following the market rally post COVID-19 outbreak in Apr 2020, VN Diamond Index grew 13.4% during May - Oct 2020, outperforming the 9.5% increase of VN-Index and 10.9% increase of the VN30 Index.

During 12 May – 05 Oct 2020, 11 out of 14 stocks in the VN Diamond basket experienced strong performance; the top movers included: REE (34%), followed by GMD (29.5%); CTG (27%), TPB (25.4%) and MWG (24.8%).

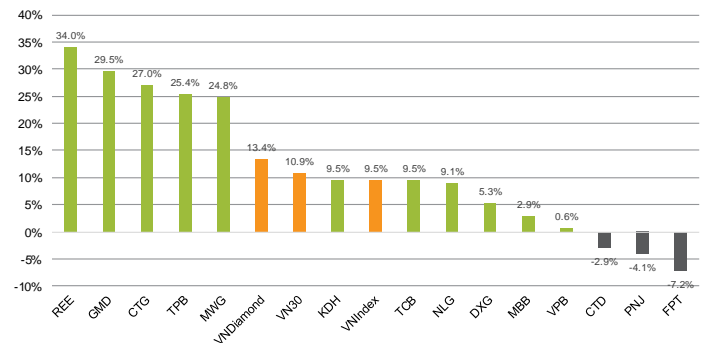
Meanwhile, CTD, PNJ and FPT's stock price witnessed decreases during this period.

Figure 3: NAV of ETFs invested in Vietnam's stock market as at 05 Oct 2020 (VNDbn)



Sources: VND RESEARCH, ETFs' websites

Figure 4: Performance of VN Diamond stocks, VN Diamond Index vs VN30 and VN-Index from 12 May to 05 Oct 2020 (%)



Sources: VND RESEARCH, Fiiipro

We expected DXG and KDH to be removed from VN Diamond in the Oct 2020 review

HOSE will conduct a periodic review of the HOSE-Index in Oct 2020, in which constituents of the VN Diamond index will be updated and will be announced on 19 Oct 2020. The effective date of the new index basket is 02 Nov 2020.

Based on data as at 5 Oct 20, we forecast that DXG and KDH would be excluded from the VN Diamond, which will cut the number of constituents in this index to 12 for the Oct 2020 - Apr 2021 period.

The average 12-month foreign ownership ratio (FOR) of DXG and KDH were 89.6% and 84.5%, respectively, which did not meet the criterion (average 12-month FOR must be larger than 90%) to stay in the VN Diamond Index. The FOR is calculated by the percentage of shares owned by foreign investors/ the stock's foreign ownership limit (%).

We forecast that ETF VFMVN Diamond will sell around 6.8m of DXG shares and 5.1m of KDH shares in this review to execute the change in index constituents. Besides, ETF VFMVN Diamond will also conduct buying/selling activities to rebalance its portfolio, under which TCB has the largest number of shares bought by VFM (2.7m shares) and MBB has the largest number of shares sold by VFM (1.7m shares).

Figure 5: New VFMVN Diamond portfolio based on our estimation (data as at 05 Oct 2020)

Stock	Current weight (5/10/2020)	New weight (Estimate)	Net buy/sell volume (Shares)	Net buy/sell value (VNDbn)	Average daily trading value (VNDbn)	Transaction days (Estimated)
FPT	14.06%	15.00%	437,874	22.11	97.46	0.23
MWG	16.63%	15.00%	-368,694	-38.34	82.07	0.47
TCB	10.62%	13.25%	2,746,065	61.92	102.21	0.61
PNJ	7.30%	10.85%	1,363,220	83.43	42.88	1.95
VPB	10.18%	10.67%	473,585	11.46	116.68	0.10
MBB	8.92%	7.61%	-1,744,314	-30.87	96.33	0.32
REE	4.33%	6.40%	1,160,642	48.69	17.48	2.79
GMD	4.18%	6.21%	1,909,374	47.73	20.08	2.38
CTG	6.20%	5.29%	-778,484	-21.41	139.14	0.15
NLG	2.65%	4.28%	1,447,792	38.37	37.75	1.02
TPB	3.72%	3.18%	-502,314	-12.63	23.18	0.55
CTD	1.68%	2.26%	204,901	13.73	57.03	0.24
DXG	3.20%	0.00%	-6,874,610	-75.28	45.02	1.67
KDH	5.42%	0.00%	-5,161,959	-127.50	24.06	5.30

Sources: VND RESEARCH, VFM

DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Hien Tran Khanh – Deputy Head of Research

Email: hien.trankhanh@vndirect.com.vn

Bach Phan Nhu – Analyst

Email: bach.phannhu@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>