

VJC EXPECTED TO BE ADDED IN FTSE VIETNAM INDEX AND MVIS VIETNAM INDEX

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*The MVIS Vietnam Index is run by MVIS, a subsidiary of VanEck. This index is a market cap-weighted index that tracks the performance of the largest and most liquid companies in Vietnam.

Figure 1: 1-year price movement of CII (VND)



Source: VNDIRECT

Figure 2: 1-year price movement of VJC (VND)



Source: VNDIRECT

FTSE ETF (FTSE Vietnam Index) and V.N.M ETF (MVIS Vietnam index) will announce their results of portfolio review on this 6 Sep and 13 Sep 2019, respectively. Then, these ETFs, which are managing a total of US\$746.1m in NAV, will carry several trading activities to rebalance the weight of stocks in these portfolios according to the newly structured indexes.

FTSE Vietnam Index: VJC in – CII out

Based on data as at 20 Aug 2019, we believe VJC has met all the requirements to be added to the FTSE Vietnam index, including trading liquidity, available foreign room and investable market cap for foreign investors. VJC's last 3-month average daily trading value was US\$3.6m, higher than the minimum requirement of US\$1.0m (Noted that, US\$1.0m is equivalent to 40% of average daily trading value of all existing stocks in FTSE Vietnam Index). Additionally, VJC's current available foreign room was 10.8%, above the 10% level required by FTSE. We estimate the allocation of VJC in the FTSE Vietnam Index will be about 4.4%, equivalent to about US\$12.6m of this stock possibly acquired by FTSE ETF.

On the other hand, CII might be removed from FTSE Vietnam Index as the stock has just fallen short of FTSE's requirements in terms of trading liquidity. CII's last 3-month average daily trading value was US\$0.4m, far below the minimum requirement of US\$0.5m (Noted that, US\$0.5m is equivalent to 20% of average daily trading value of all existing stocks in the FTSE Vietnam Index).

Figure 3: New FTSE ETF portfolio based on our estimation

Ticker	Weight Before	Weight After	Buy/Sell volume (shares)	Buy/Sell value (US\$m)	ADTV (US\$m)	Buy/Sell value as % of ADTV
VIC	15.66%	15.00%	(370,652)	(1.9)	2.0	94.9%
VNM	14.83%	15.00%	86,874	0.5	4.0	11.7%
VHM	15.40%	15.00%	(325,446)	(1.2)	3.0	39.8%
VRE	10.17%	9.21%	(1,852,254)	(2.8)	2.2	127.0%
MSN	10.19%	8.59%	(1,402,650)	(4.5)	1.5	302.6%
HPG	7.87%	7.80%	(234,672)	(0.2)	5.4	4.3%
VCB	5.68%	5.50%	(157,611)	(0.5)	2.6	19.8%
NVL	4.96%	5.09%	134,386	0.4	1.3	27.1%
VJC-added	0.00%	4.35%	2,247,390	12.6	3.6	350.3%
PLX	2.83%	2.72%	(124,671)	(0.3)	2.5	13.2%
SSI	2.06%	1.80%	(774,800)	(0.7)	1.3	58.1%
POW	1.54%	1.50%	(177,090)	(0.1)	1.2	8.2%
STB	1.40%	1.38%	(90,794)	(0.0)	1.5	2.7%
GEX	1.17%	1.21%	165,566	0.1	0.6	25.6%
TCH	0.98%	1.10%	367,493	0.4	0.9	38.9%
SBT	0.98%	1.05%	326,220	0.2	1.0	21.8%
KBC	0.84%	1.00%	722,777	0.5	1.5	32.1%
PDR	1.07%	0.96%	(272,528)	(0.3)	1.1	29.3%
ROS	0.85%	0.90%	138,886	0.2	13.5	1.1%
PVD	0.78%	0.85%	319,173	0.2	2.0	11.0%
CII-removed	0.75%	0.00%	(2,409,835)	(2.2)	0.4	535.7%

Source: FTSE ETF, VNDIRECT RESEARCH

Figure 4: 1-year price movement of NT2 (VND)



Source: VNDIRECT

MVIS Vietnam Index: VJC in – NT2 out

We believe VJC stock is also well aligned with MVIS’ requirements of liquidity (at least US\$1.0m) and available foreign room (at least 10%). Additionally, the stock’s full market cap was US\$3bn as at 20 Aug, far above the minimum requirement of US\$150m.

NT2 could be excluded from the MVIS Vietnam Index as the stock just fell out of the top 98% market capitalization of qualified stocks in the current portfolio, based on our estimation. The country weight of Vietnam is expected to stay at 71.67% post-review. We estimate that VNM ETF will probably buy US\$19.2m of VJC shares, weighing 4.2% of its portfolio.

Figure 5: New V.N.M ETF portfolio based on our estimation

Ticker	Weight Before	Weight After	Buy/Sell volume (shares)	Buy/Sell value (US\$m)	ADTV (US\$m)	Buy/Sell value as % of ADTV
VIC	8.49%	8.00%	(428,580)	(2.2)	2.0	109.0%
VNM	8.08%	8.00%	(70,036)	(0.4)	4.0	9.4%
VHM	7.70%	7.00%	(862,743)	(3.2)	3.0	108.4%
NVL	6.97%	6.50%	(790,546)	(2.1)	1.3	162.3%
VCB	6.99%	6.00%	(1,401,672)	(4.5)	2.6	172.0%
VRE	5.68%	5.50%	(551,275)	(0.8)	2.2	38.0%
BVH	4.39%	4.45%	78,175	0.3	0.8	30.7%
MSN	4.12%	4.22%	144,446	0.5	1.5	31.2%
VJC-added	0.00%	4.21%	3,434,609	19.2	3.6	533.3%
HPG	3.67%	3.81%	635,454	0.6	5.4	11.6%
POW	3.51%	3.40%	(872,661)	(0.5)	1.2	40.3%
SSI	2.74%	2.63%	(550,255)	(0.5)	1.3	40.9%
ROS	2.28%	2.20%	(341,967)	(0.4)	13.5	2.8%
SBT	2.18%	2.15%	(168,919)	(0.1)	1.0	11.4%
TCH	1.97%	1.95%	(89,943)	(0.1)	0.9	9.7%
GEX	1.81%	1.66%	(801,658)	(0.7)	0.6	123.2%
NT2-removed	1.09%	0.00%	(4,625,159)	(5.0)	0.2	2919.6%

Source: V.N.M ETF, VNDIRECT RESEARCH

Figure 6: Expected buy/sell value by 2 ETFs in 3Q19 rebalancing

Ticker	VNM ETF Buy/Sell value (US\$m)	VNM ETF Buy/Sell volume (shares)	FTSE ETF Buy/Sell value (US\$m)	FTSE ETF Buy/Sell volume (shares)	Total Buy/Sell value (US\$m)	Total Buy/Sell volume (shares)	ADTV (US\$m)	Buy/Sell value as % of ADTV
VJC	19.2	3,434,609	12.6	2,247,390	31.8	5,681,999	3.6	883.6%
KBC			0.5	722,777	0.5	722,777	1.5	32.1%
HPG	0.6	635,454	(0.2)	(234,672)	0.4	400,781	5.4	7.3%
TCH	(0.1)	(89,943)	0.4	367,493	0.3	277,550	0.9	29.2%
BVH	0.3	78,175			0.3	78,175	0.8	30.7%
PVD			0.2	319,173	0.2	319,173	2.0	11.0%
SBT	(0.1)	(168,919)	0.2	326,220	0.1	157,301	1.0	10.4%
VNM	(0.4)	(70,036)	0.5	86,874	0.1	16,838	4.0	2.3%
STB			(0.0)	(90,794)	(0.0)	(90,794)	1.5	2.7%
ROS	(0.4)	(341,967)	0.2	138,886	(0.2)	(203,081)	13.5	1.6%
PDR			(0.3)	(272,528)	(0.3)	(272,528)	1.1	29.3%
PLX			(0.3)	(124,671)	(0.3)	(124,671)	2.5	13.2%
GEX	(0.7)	(801,658)	0.1	165,566	(0.5)	(636,093)	0.6	97.6%
POW	(0.5)	(872,661)	(0.1)	(177,090)	(0.6)	(1,049,752)	1.2	48.5%
SSI	(0.5)	(550,255)	(0.7)	(774,800)	(1.3)	(1,325,055)	1.3	99.1%
NVL	(2.1)	(790,546)	0.4	134,386	(1.8)	(656,160)	1.3	135.2%
CII			(2.2)	(2,409,835)	(2.2)	(2,409,835)	0.4	535.7%
VRE	(0.8)	(551,275)	(2.8)	(1,852,254)	(3.7)	(2,403,529)	2.2	165.0%
MSN	0.5	144,446	(4.5)	(1,402,650)	(4.0)	(1,258,205)	1.5	271.4%
VIC	(2.2)	(428,580)	(1.9)	(370,652)	(4.2)	(799,232)	2.0	203.9%
VHM	(3.2)	(862,743)	(1.2)	(325,446)	(4.4)	(1,188,189)	3.0	148.2%
NT2	(5.0)	(4,625,159)			(5.0)	(4,625,159)	0.2	2919.6%
VCB	(4.5)	(1,401,672)	(0.5)	(157,611)	(5.0)	(1,559,282)	2.6	191.8%

Source: VNDIRECT RESEARCH

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information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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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.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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