

Vietnam

HOLD (no change)

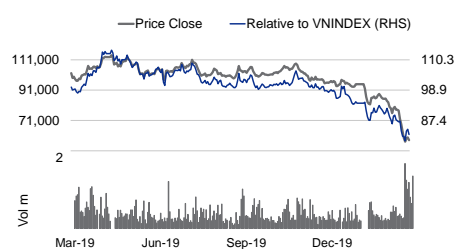
Consensus ratings*: Buy 2 Hold 8 Sell 0

Current price:	VND58,000
Target price:	VND61,800
Previous target:	VND95,700
Up/downside:	6.6%
CGS-CIMB / Consensus:	-34.5%
Reuters:	GAS.HM
Bloomberg:	GAS VN
Market cap:	US\$4,775m
	VND111,009,104m
Average daily turnover:	US\$1.08m
	VND25,650m
Current shares o/s:	1,914m
Free float:	4.2%

*Source: Bloomberg

Key changes in this note

➤ FY20-22F EPS reduced by 6.9-34.0%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-32.6	-39.3	-44.2
Relative (%)	-13.2	-17.9	-18.1

Major shareholders	% held
PetroVietnam Group	95.8
Others	4.2

Analyst(s)

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PetroVietnam Gas JSC

FY20F earnings cut on oil price slump

- We expect FY20F net profit to be hit by a combined effect of the spreading pandemic and global oil price war.
- Reiterate Hold with a lower P/E-based TP of VND61,800, assuming the global oil price bottoms in 2Q and rebounds in 2H20F.

We lower average FY20F Brent oil price forecast to US\$45/bbl

The lower oil price reflects weaker oil demand in light of transportation restrictions imposed by countries to cope with the Covid-19 outbreak, combined with an expected supply glut from Apr as Saudi Arabia (and potentially Russia) floods the market with cheap products. Our base case assumes the oil price will hit bottom in 2Q20F before rebounding in 2H20F as the pandemic is contained, averaging US\$45/bbl for the year.

Delay in TOP price adjustment might be the needed support

We expect the company's dry gas segment (accounting for ~50% of total gross profit) to take the strongest blow from the recent dive in global oil price, given that gas ASP is linked to Singapore Platts Fuel oil (FO) price, which trails Brent crude oil price movements. Meanwhile, gas purchasing costs would only be adjusted downward for 30% of total volume, in our estimate, leading to a contraction of gross margin. However, we expect the company to delay its take-or-pay (TOP) price adjustment for the BOT power plants to cushion the effect of an oil price decline until FY21F. A TOP price of c.US\$4.3/mmbtu (higher than the market price of c.US\$3.9/mmbtu) could yield additional gross profit of VND550bn for GAS in FY20F, in our estimate.

FY20-21F earnings downgrade on subdued oil price

Aside from dry gas, we believe prices of other gas products such as CNG, low-pressure gas and LPG would also fall in accordance with the oil price, although with a time lag. Therefore, we expect net profit to decline 41.8% yoy in FY20F before recovering by 55.0% yoy in FY21F when oil price rebounds. We cut FY20-22F EPS due to lower oil price forecasts of US\$45-57/bbl vs. US\$62-65/bbl earlier.

Reiterate Hold with a lower TP of VND61,800

We change our valuation method from a 50:50 combination of DCF and target P/E to using only target P/E, as we believe the market is valuing the stock from a more short-term perspective in wake of the Covid-19 outbreak and global oil price war. We reduce our target FY20-22F P/E from 18.0x to 12.3x (-0.5 s.d. from its 7-year average historical P/E), leading to a TP of VND61,800. We also reduce the company's cash dividend assumption for FY20-22F from VND4,000/share to VND3,000/share, taking into account lower net profit forecast and high cash balance of more than VND20tr over the course of FY20-22F. Upside risks include an abrupt increase in oil price if Saudi Arabia and Russia reach a new agreement to cut production to support price. Downside risks include lower-than-expected oil price and the Covid-19 epidemic persisting into 2H20F.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (VNDb)	75,612	75,348	64,075	75,931	81,854
Operating EBITDA (VNDb)	16,553	16,395	10,930	16,497	17,088
Net Profit (VNDb)	11,454	11,941	6,954	10,776	11,136
Core EPS (VND)	5,984	6,239	3,633	5,630	5,818
Core EPS Growth	18.3%	4.3%	(41.8%)	55.0%	3.3%
FD Core P/E (x)	9.69	9.30	15.96	10.30	9.97
DPS (VND)	4,000	4,383	3,000	3,000	3,000
Dividend Yield	6.90%	7.56%	5.17%	5.17%	5.17%
EV/EBITDA (x)	5.40	5.19	8.07	5.50	5.23
P/FCFE (x)	137.1	17.5	10.1	9.9	23.1
Net Gearing	(50.0%)	(53.5%)	(51.5%)	(45.6%)	(47.7%)
P/BV (x)	2.46	2.29	2.49	2.48	2.46
ROE	26.5%	25.5%	14.9%	24.2%	24.8%
% Change In Core EPS Estimates			(34.0%)	(13.2%)	(6.9%)
CGS-CIMB/Consensus EPS (x)			0.66	0.89	0.89

SOURCES: VND RESEARCH, COMPANY REPORTS

FY20F earnings cut on oil price slump

Figure 1: Earnings revision

Unit: VNDbn, otherwise noted	2020F			2021F			2022F			Comments
	Old	New	% change	Old	New	% change	Old	New	% change	
Brent crude oil price (US\$/bbl)	62	45	-27.4%	65	55	-15.4%	65	57	-12.3%	
Singapore FO price (US\$/tonne)	355	258	-27.4%	372	315	-15.4%	372	326	-12.3%	
Total gas volume (mcm)	9,557	9,557	0.0%	9,433	9,433	0.0%	9,544	9,544	0.0%	Our forecasts assume a 3.6% decline in dry gas volume due to the quick depletion of the old gas fields. We see little downside risk to our dry gas volume assumption as 90% of gas volume is sold to power and fertiliser plants, whose demand would be barely affected by covid-19.
Net revenue	81,369	64,075	-21.3%	87,359	75,931	-13.1%	91,090	81,854	-10.1%	Lower dry gas/LPG price due to lower FO price forecast. We also change the selling price formula applied to BOT power plants back to a take-or-pay system from 46%*FO + tariff.
COGS	65,686	53,758	-18.2%	68,729	59,982	-12.7%	72,831	65,176	-10.5%	
Gross profit	15,683	10,317	-34.2%	18,629	10,317	-44.6%	18,259	16,678	-8.7%	
Gross margin (%)	19.3%	16.1%	-3.2% pts	21.3%	13.6%	-7.7% pts	20.0%	20.4%	+0.3% pts	
SG&A expenses	2,586	2,036	-21.3%	2,776	2,413	-13.1%	2,895	2,601	-10.1%	
Financial income	1,518	1,543	1.6%	1,350	1,399	3.6%	1,312	1,390	5.9%	We reduce cash dividend assumption from VND4,000/share to VND3,000/share from FY2020F onwards as the oil price remains at a low level throughout FY20-22F.
Financial expenses	335	288	-14.0%	488	420	-14.0%	497	430	-13.5%	We delay a part of capex towards later years to reduce the company's debt and interest obligations.
Pre-tax profit	13,369	8,817	-34.0%	15,736	13,665	-13.2%	15,159	14,120	-6.9%	
Net profit	10,543	6,954	-34.0%	12,410	10,776	-13.2%	11,955	11,136	-6.9%	
Core EPS (VND)	5,508	3,633	-34.0%	6,484	5,630	-13.2%	6,246	5,818	-6.9%	

SOURCES: VND RESEARCH

GAS's P/E generally correlates with the movement in global oil price, especially from 2018 to date. As we expect the oil price to be in the range of US\$30-60/bbl during FY20-22F, we use target FY20-22F P/E of 12.3x, which is -0.5 s.d. from the company's 7-year mean. This leads to a fair value of VND61,835.

We note that as the oil price could decline in 2Q20F when the current OPEC+ production cut expires, stock price could remain weak during the same period.

Figure 2: GAS's P/E between 2013 and Mar 2020

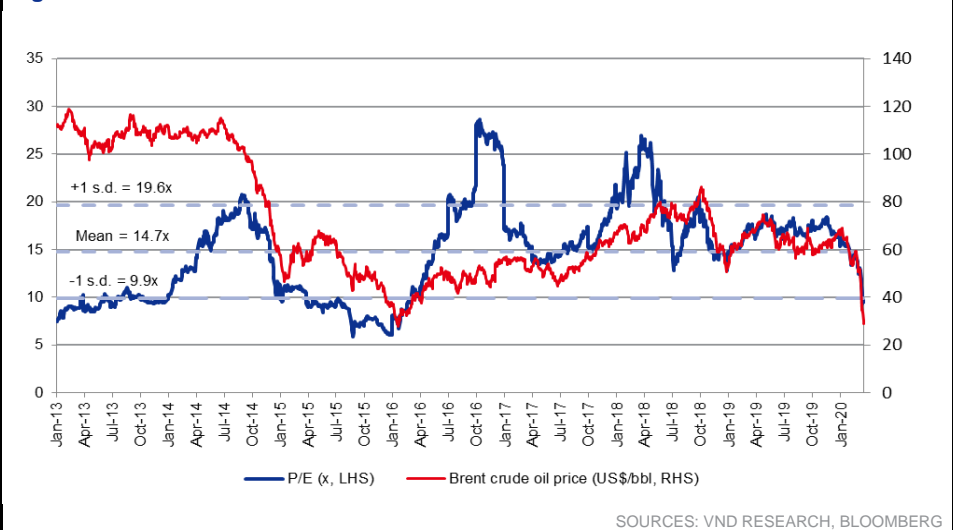
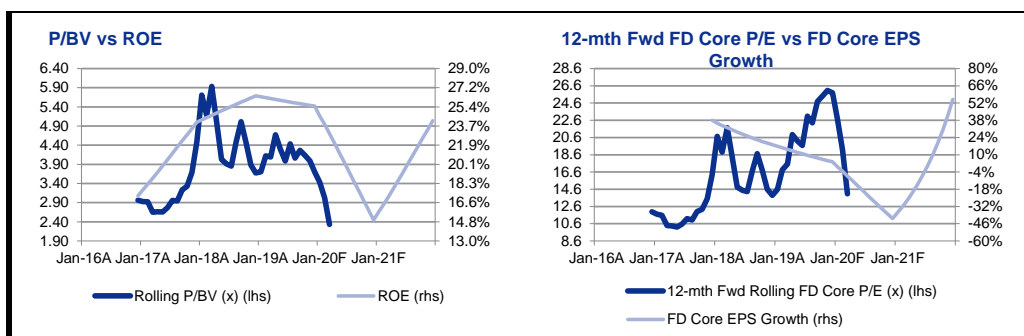


Figure 3: Peer comparison

Company	Bloomberg Ticker	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$m)	P/E (x)			3-year EPS (%)	P/BV (x)			ROE (%)			ROA (%)				
					TTM	FY20F	FY21F		TTM	FY20F	FY21F	TTM	FY20F	FY21F	TTM	FY20F	FY21F		
PV GAS	GAS VN	HOLD	58,000	61,800	4,775	9.5	15.9	10.3	-2.3%	2.2	2.5	2.5	25.5%	14.9%	24.2%	19.1%	9.9%	16.6%	
PTT PLC	PTT TB	HOLD	26.5	32.5	23,351	7.8	12.1	10.6	-8.3%	0.8	0.8	0.8	10.6%	6.8%	7.4%	3.8%	2.6%	3.0%	
China Gas Holdings	384 HK	NOT RATED	23.1	NA	15,525	13.4	12.4	10.4	15.3%	3.3	2.8	2.3	27.2%	24.0%	23.7%	8.7%	8.3%	8.9%	
Petronas Gas Bhd	PTG MK	HOLD	14.6	17.5	6,605	15.2	15.6	15.5	-1.8%	2.2	2.1	2.0	14.8%	13.5%	13.2%	10.2%	9.2%	9.0%	
Toho Gas Ltd	9533 JP	NOT RATED	4,770	NA	4,640	18.9	31.2	27.5	8.7%	1.5	1.5	1.4	8.2%	4.6%	5.1%	4.8%	2.8%	3.2%	
Indraprastha Gas	IGL IN	NOT RATED	319	NA	2,977	26.5	18.5	15.6	23.7%	5.2	4.2	3.4	21.2%	24.7%	22.1%	14.9%	NA	NA	
Average (all)					9,646	15.2	17.6	15.0	5.9%	2.5	2.3	2.1	17.9%	14.7%	15.9%	10.3%	6.5%	8.1%	
Average (excluding PV GAS)						10,620	16.3	18.0	15.9	7.5%	2.6	2.3	2.0	16.4%	14.7%	14.3%	8.5%	5.7%	6.0%

SOURCES: CGS-CIMB RESEARCH, VND RESEARCH, BLOOMBERG (DATA AS AT 19/03)

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	75,612	75,348	64,075	75,931	81,854
Gross Profit	17,491	16,991	10,317	15,949	16,678
Operating EBITDA	16,553	16,395	10,930	16,497	17,088
Depreciation And Amortisation	(2,829)	(2,674)	(3,394)	(3,843)	(3,962)
Operating EBIT	13,725	13,721	7,537	12,654	13,126
Financial Income/(Expense)	860	1,424	1,254	979	960
Pretax Income/(Loss) from Assoc.	(4)	(1)	(0)	(1)	(1)
Non-Operating Income/(Expense)	(41)	(3)	27	32	34
Profit Before Tax (pre-EI)	14,540	15,141	8,817	13,665	14,120
Exceptional Items					
Pre-tax Profit	14,540	15,141	8,817	13,665	14,120
Taxation	(2,831)	(2,983)	(1,737)	(2,692)	(2,781)
Exceptional Income - post-tax					
Profit After Tax	11,709	12,159	7,081	10,973	11,339
Minority Interests	(255)	(218)	(127)	(197)	(203)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	11,454	11,941	6,954	10,776	11,136
Recurring Net Profit	11,454	11,941	6,954	10,776	11,136
Fully Diluted Recurring Net Profit	11,454	11,941	6,954	10,776	11,136

Cash Flow

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	16,553	16,395	10,930	16,497	17,088
Cash Flow from Inv. & Assoc.	(1,401)	(1,753)	(1,259)	(1,342)	(1,396)
Change In Working Capital	(170)	(1,095)	2,055	(785)	(166)
(Incr)/Decr in Total Provisions	24	837	0	0	0
Other Non-Cash (Income)/Expense	(2,013)	(1,254)	(2,113)	(2,832)	(2,968)
Other Operating Cashflow	2,989	2,834	10,720	10,764	1,800
Net Interest (Paid)/Received	(447)	(276)	(288)	(420)	(430)
Tax Paid	(3,113)	(2,855)	(1,737)	(2,692)	(2,781)
Cashflow From Operations	12,422	12,833	18,308	19,190	11,146
Capex	(692)	(2,664)	(5,126)	(6,074)	(3,274)
Disposals Of FAs/subsidiaries	19	2	10	12	11
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(6,641)	(1,870)	(3,116)	(3,116)	(3,116)
Cash Flow From Investing	(7,315)	(4,531)	(8,233)	(9,179)	(6,380)
Debt Raised/(repaid)	(4,297)	(1,950)	911	1,206	45
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,656)	(8,389)	(5,742)	(5,742)	(5,742)
Preferred Dividends					
Other Financing Cashflow	48	(8)	(8)	(8)	(8)
Cash Flow From Financing	(11,905)	(10,348)	(4,839)	(4,544)	(5,704)
Total Cash Generated	(6,798)	(2,046)	5,237	5,467	(938)
Free Cashflow To Equity	810	6,351	10,987	11,217	4,812
Free Cashflow To Firm	5,555	8,578	10,364	10,431	5,196

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	28,308	29,391	27,153	25,644	26,799
Total Debtors	10,214	10,562	8,834	10,468	11,285
Inventories	1,948	1,592	1,631	1,819	1,977
Total Other Current Assets	462	489	492	495	498
Total Current Assets	40,932	42,034	38,110	38,427	40,559
Fixed Assets	18,609	15,850	17,582	19,813	19,126
Total Investments	280	533	533	533	533
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	2,793	3,837	3,837	3,837	3,837
Total Non-current Assets	21,682	20,220	21,952	24,184	23,496
Short-term Debt	1,490	1,341	1,151	1,191	1,144
Current Portion of Long-Term Debt					
Total Creditors	2,901	2,116	2,113	2,504	2,699
Other Current Liabilities	7,455	6,503	7,065	7,674	8,337
Total Current Liabilities	11,847	9,960	10,328	11,369	12,180
Total Long-term Debt	3,396	1,456	2,557	3,722	3,815
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	505	1,154	1,615	2,019	2,322
Total Non-current Liabilities	3,901	2,610	4,172	5,741	6,137
Total Provisions	0	0	0	0	0
Total Liabilities	15,747	12,570	14,500	17,111	18,317
Shareholders' Equity	45,073	48,544	44,548	44,683	45,125
Minority Interests	1,794	1,141	1,014	817	614
Total Equity	46,867	49,684	45,562	45,500	45,739

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	17.2%	(0.3%)	(15.0%)	18.5%	7.8%
Operating EBITDA Growth	15.4%	(1.0%)	(33.3%)	50.9%	3.6%
Operating EBITDA Margin	21.9%	21.8%	17.1%	21.7%	20.9%
Net Cash Per Share (VND)	12,238	13,895	12,250	10,831	11,411
BVPS (VND)	23,550	25,363	23,276	23,346	23,577
Gross Interest Cover	31.19	68.93	35.89	41.39	41.91
Effective Tax Rate	19.5%	19.7%	19.7%	19.7%	19.7%
Net Dividend Payout Ratio	66.8%	70.3%	82.6%	53.3%	51.6%
Accounts Receivables Days	46.80	50.32	55.40	46.39	48.50
Inventory Days	11.28	11.07	10.97	10.50	10.63
Accounts Payables Days	15.66	14.36	13.21	12.98	13.46
ROIC (%)	43.3%	46.4%	25.4%	43.6%	40.0%
ROCE (%)	29.2%	29.5%	17.8%	28.2%	28.7%
Return On Average Assets	17.7%	17.7%	9.9%	16.6%	16.7%

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Oil Price (US\$/bbl)	71.2	64.4	45.0	55.0	57.0
Volume Growth (%)	0.9%	2.2%	-3.6%	-1.3%	1.2%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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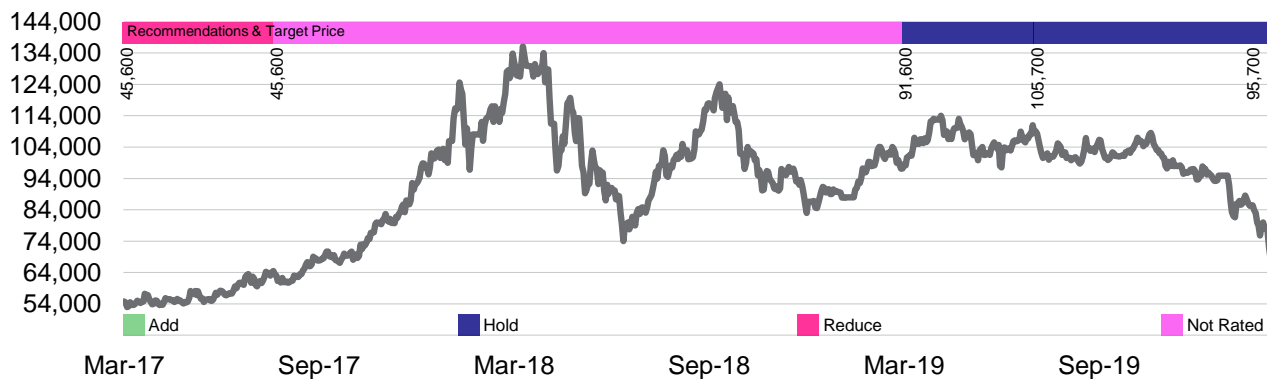
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798 companies under coverage for quarter ended on 31 December 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.4%	0.0%
Hold	25.2%	0.0%
Reduce	13.4%	0.0%

Spitzer Chart for stock being researched (2 year data)

PetroVietnam Gas JSC (GAS VN)

— Price Close



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BGP** – Excellent, Certified, **BPCG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, n/a, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** – Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TNR** – Very Good, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI) .

RECOMMENDATION FRAMEWORK

Stock Ratings

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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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