

Vietnam

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**ADD** (no change)

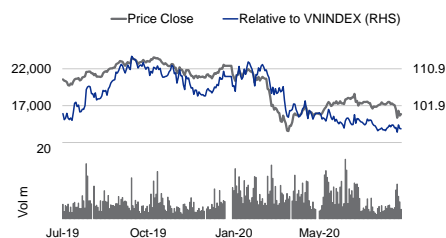
Consensus ratings\*: Buy 14 Hold 0 Sell 1

Current price:	VND15,850
Target price:	VND26,200
Previous target:	VND26,200
Up/downside:	65.3%
CGS-CIMB / Consensus:	6.8%
Reuters:	MBB.HM
Bloomberg:	MBB VN
Market cap:	US\$1,650m
	VND38,221,112m
Average daily turnover:	US\$4.19m
	VND96,576m
Current shares o/s	2,411m
Free float:	20.0%

\*Source: Bloomberg

Key financial forecasts

	Dec-20F	Dec-21F	Dec-22F
Net Profit (VNDb)	8,705	9,965	11,731
Core EPS (VND)	3,409	3,885	4,573
Core EPS Growth	8.8%	14.0%	17.7%
FD Core P/E (x)	4.61	4.08	3.47
Recurring ROE	19.3%	18.3%	18.2%
P/BV (x)	0.81	0.69	0.58
DPS (VND)	600.0	600.0	600.0
Dividend Yield	3.79%	3.79%	3.79%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.5	-0.6	-21.7
Relative (%)	-1.6	-4.8	-2.9

Major shareholders	% held
Viettel Group	14.6
SCIC	9.8
Vietnam Helicopter Corporation	7.8

Analyst(s)

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# Military Commercial Joint Stock Bank

## Solid asset quality to sail through headwinds

- 2Q20 net profit grew 18% yoy to VND2,263bn on subdued provisioning.
- 1H20 net profit rose a modest 5% yoy to VND3,975bn, making up 46% of our full-year forecast.
- Reiterate Add with an unchanged TP of VND26,200.

### 2Q20: much better than 1Q20

- MBB posted 2Q20 total operating income of VND4,264bn (+7% yoy), as net interest income (NII) rose 5% yoy and non-interest income (non-II) grew 11% yoy.
- Loans rose 9% yoy in 2Q20 on weak credit demand, below the 17% yoy growth seen in 2Q19.
- On the expenses side, a 13% yoy drop in provisions lifted 2Q20 net profit by 18% yoy to VND2,263bn.

### 1H20: higher CASA ratio to offset muted asset yield

- 1H20 NII grew 9.3% yoy to VND9,319bn, thanks to a 12% yoy rise in credit balance. MBB's credit expanded 7.5% in 1H20 vs. end-FY19. The bank's full-year credit growth is capped at 12% but MBB has requested that the State Bank of Vietnam allow it to extend its credit growth limit in 2020.
- 1H20 asset yield softened 18bp yoy to 8.03% due to rate cuts to aid customers affected by the Covid-19 pandemic. Cost of funds (CoF) fell 9bp as CASA ratio rose to 34.1% at end-1H20, from 25.7% at end-1H19. 1H20 NIM was flat at 4.7% yoy.
- However, we expect MBB's NIM to inch up in 2H20F to end FY20F at 4.8%, thanks to a higher proportion of high-yield corporate bonds in its investment securities among its interest-earning assets -- 5.9% at end-2Q20 vs. 3.9% at end-2Q19.

### Strong 1H20 non-II growth, thanks to investment and FX trading

- 1H20 non-II increased 17% yoy to VND3,593bn, driven by 20% growth in FX trading gain and a 1.7x yoy increase in income from investment securities. During 1H20, MBB offloaded 9.2% of its government bonds as at end-FY19.
- Net fee income, however, fell 7% yoy in 1H20 due to weak bancassurance sales.

### Delinquencies slightly up, but loan coverage improved

- Non-performing loan (NPL) ratio edged up to 1.37% at end-2Q20, from 1.26% at end-2Q19 and 1.16% at end-1Q19. Group-2 bad debts soared 26.3% yoy in 2Q20 (35% in 1H20) to VND3,907bn. Consequently, 1H20 provision expenses jumped 40% yoy.
- However, as write-off rate eased to 0.9% at end-2Q20, from 1.2% at end-2Q19, loan loss reserves (LLR) climbed to 121% at end-2Q20, a three-year high.

### Reiterate Add with TP unchanged

- We reiterate our Add rating and TP of VND26,200 based on equal weighting of residual income valuation (COE: 14.3%; LTG: 3.0%) and 1.2x FY20F P/BV. Downside risk would be higher-than-expected credit costs. Strong growth in fee income that exceeds our projections is a potential re-rating catalyst.

Figure 1: MBB's key ratios by quarter

Key ratios	2Q19	3Q19	4Q19	1Q20	2Q20
NII/Total Operating Income (TOI)	71.4%	72.2%	73.0%	74.1%	70.3%
Non-II/TOI	28.6%	27.8%	27.0%	25.9%	29.7%
NIM (annualised)	4.7%	4.8%	4.9%	4.8%	4.7%
Loan-to-deposit ratio (Circular 36)	72.8%	74.5%	74.2%	74.1%	76.0%
NPL	1.3%	1.5%	1.2%	1.6%	1.4%
Loan-Loss-Reserves (LLR)	97.6%	102.7%	110.5%	97.6%	121.0%
Credit cost (annualised)	2.1%	2.2%	2.1%	3.4%	3.0%
ROAA (trailing 12M)	1.9%	2.0%	2.1%	1.9%	0.9%
ROAE (trailing 12M)	22.2%	22.3%	22.7%	20.1%	18.2%

SOURCES: VND RESEARCH, COMPANY REPORTS

**Figure 1: Results comparison**

Profit & Loss statement	2Q20	2Q19	yoy%	1Q20	qoq%	6M20	6M19	yoy%	VND FY20F forecasts	% of VND forecasts	Comments
Net interest income	4,624	4,395	5.2%	4,695	-1.5%	9,319	8,530	9.3%	20,120	46.3%	On track to meet our forecasts for the year as we expect NIM to pick up in the second half of FY20F thanks to a higher proportion of high-yield corporate bonds yoy.
Non-interest income	1,950	1,763	10.6%	1,644	18.6%	3,593	3,082	16.6%	8,286	43.4%	Below our forecasts as income from insurance has been low in 1H20, due to negative impact of the pandemic on on income of customers.
Operating revenue	6,574	6,158	6.8%	6,339	3.7%	12,912	11,612	11.2%	28,406	45.5%	
Operating expenses	(2,434)	(2,307)	5.5%	(2,051)	18.7%	(4,484)	(4,372)	2.6%	(11,646)	38.5%	Below our forecasts as CIR dropped to 34.7% in 1H20 from 38% in 1H19, and lower than our forecast of 41% due to curbing opex at the subsidiaries, given the prevailing economic headwinds.
Pre-provision profit	4,140	3,851	7.5%	4,288	-3.5%	8,428	7,240	16.4%	16,760	50.3%	In line with our forecasts.
Provision expenses	(1,217)	(1,400)	-13.1%	(2,093)	-41.8%	(3,310)	(2,364)	40.0%	(5,541)	59.7%	Higher than our forecasts as LLR surged from 98% in end 6M-19 to 120% in end 6M-20.
Pre-tax profit	2,923	2,451	19.2%	2,196	33.1%	5,119	4,875	5.0%	11,218	45.6%	
Net profit	2,263	1,916	18.1%	1,712	32.1%	3,975	3,777	5.2%	8,705	45.7%	We expect MBB will meet our net profit forecast for the year as NIM will improve in 2H20F thanks to a higher proportion of high-yield assets. We project that bad debt will continue to increase in 2H20 but the new bad debt formation will slow

SOURCES: VND RESEARCH, COMPANY REPORTS

**Figure 3: Regional sector comparison**

Banks	Bloomberg Ticker	Recommendation	Closing Price	Target Price	Market cap	P/BV (x)		P/E (x)		3-yr Forward EPS CAGR	ROE (%)	
			(local curr.)	(local curr.)	(US\$m)	FY20F	FY21F	FY20F	FY21F	%	FY20F	FY21F
China Merchants Bank	3968 HK	ADD	37	48	125,352	1.3	1.1	8.0	6.8	18.4%	17.1%	17.9%
Bank Rakyat Indonesia	BMRI IJ	ADD	5,700	6,000	18,291	1.4	1.3	18.4	10.5	5.1%	7.4%	13.1%
Vietcombank	BDO PM	ADD	91	135	8,064	1.0	1.0	13.2	12.0	1.7%	8.0%	8.2%
BDO Unibank Inc	IIB IN	ADD	551	675	5,104	1.0	0.9	8.3	7.1	14.1%	12.9%	13.5%
Yes Bank	YES IN	ADD	12	100	3,919	0.1	0.1	1.7	0.8	28.3%	6.1%	11.9%
Indusind Bank	VCB VN	HOLD	77,500	86,200	12,406	2.9	2.4	13.6	11.6	16.1%	23.6%	22.7%
Techcombank	TCB VN	ADD	18,150	27,400	2,742	0.9	0.7	5.9	5.1	12.5%	16.0%	15.8%
Vietnam Prosperity JSC Bank	VPB VN	HOLD	19,950	25,000	2,099	1.0	0.8	5.9	4.8	15.5%	17.8%	18.4%
Asia Commercial Joint Stock Bank	ACB VN	ADD	22,200	28,500	1,593	1.1	0.9	5.6	5.0	11.6%	21.6%	20.4%
<b>Average regional peers</b>						<b>1.2</b>	<b>1.0</b>	<b>9.0</b>	<b>7.1</b>	<b>13.7%</b>	<b>14.5%</b>	<b>15.8%</b>
<b>Military Commercial Joint Stock Bank</b>	<b>MBB VN</b>	<b>ADD</b>	<b>15,950</b>	<b>26,200</b>	<b>1,650</b>	<b>0.8</b>	<b>0.7</b>	<b>4.7</b>	<b>4.1</b>	<b>13.3%</b>	<b>19.3%</b>	<b>18.3%</b>

SOURCES: VND RESEARCH, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Net Interest Income	18,000	20,120	23,091	27,113
Total Non-Interest Income	6,650	8,286	10,047	11,840
<b>Operating Revenue</b>	<b>24,650</b>	<b>28,406</b>	<b>33,138</b>	<b>38,953</b>
Total Non-Interest Expenses	(9,724)	(11,646)	(13,586)	(15,971)
<b>Pre-provision Operating Profit</b>	<b>14,927</b>	<b>16,760</b>	<b>19,551</b>	<b>22,982</b>
Total Provision Charges	(4,891)	(5,541)	(6,710)	(7,865)
<b>Operating Profit After Provisions</b>	<b>10,036</b>	<b>11,218</b>	<b>12,842</b>	<b>15,117</b>
Pretax Income/(Loss) from Assoc.	0	0	0	0
<b>Operating EBIT (incl Associates)</b>	<b>10,036</b>	<b>11,218</b>	<b>12,842</b>	<b>15,117</b>
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>10,036</b>	<b>11,218</b>	<b>12,842</b>	<b>15,117</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>10,036</b>	<b>11,218</b>	<b>12,842</b>	<b>15,117</b>
Taxation	(1,968)	(2,244)	(2,568)	(3,023)
Consolidation Adjustments & Others				
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>8,069</b>	<b>8,975</b>	<b>10,273</b>	<b>12,094</b>
Minority Interests	(246)	(269)	(308)	(363)
Prof. & Special Div	0	0	0	0
FX And Other Adj.	0	0	0	0
<b>Net Profit</b>	<b>7,823</b>	<b>8,705</b>	<b>9,965</b>	<b>11,731</b>
Recurring Net Profit	7,353	8,183	9,367	11,027

### Balance Sheet

(VNDb)	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Gross Loans	290,022	326,534	370,502	420,452
Liquid Assets & Invst. (Current)	87,088	97,539	107,293	118,022
Other Int. Earning Assets	14,362	16,085	17,694	19,463
<b>Total Gross Int. Earning Assets</b>	<b>391,472</b>	<b>440,159</b>	<b>495,489</b>	<b>557,937</b>
Total Provisions/Loan Loss Reserve	(3,493)	(3,762)	(4,468)	(5,488)
<b>Total Net Interest Earning Assets</b>	<b>387,980</b>	<b>436,397</b>	<b>491,021</b>	<b>552,449</b>
Intangible Assets	1,156	1,237	1,324	1,416
Other Non-Interest Earning Assets	20,007	21,408	22,906	24,510
<b>Total Non-Interest Earning Assets</b>	<b>21,163</b>	<b>22,645</b>	<b>24,230</b>	<b>25,926</b>
<b>Cash And Marketable Securities</b>	<b>2,344</b>	<b>2,508</b>	<b>2,684</b>	<b>2,872</b>
Long-term Investments	0	0	0	0
<b>Total Assets</b>	<b>411,488</b>	<b>461,550</b>	<b>517,935</b>	<b>581,247</b>
Customer Interest-Bearing Liabilities	298,998	330,311	372,423	421,637
Bank Deposits	50,314	55,345	59,773	64,555
Interest Bearing Liabilities: Others	319	320	321	322
<b>Total Interest-Bearing Liabilities</b>	<b>349,631</b>	<b>385,976</b>	<b>432,517</b>	<b>486,514</b>
Bank's Liabilities Under Acceptances				
Total Non-Interest Bearing Liabilities	21,971	26,424	27,442	26,110
<b>Total Liabilities</b>	<b>371,602</b>	<b>412,400</b>	<b>459,958</b>	<b>512,624</b>
<b>Shareholders' Equity</b>	<b>37,998</b>	<b>46,993</b>	<b>55,511</b>	<b>65,795</b>
Minority Interests	1,888	2,157	2,465	2,828
<b>Total Equity</b>	<b>39,886</b>	<b>49,150</b>	<b>57,976</b>	<b>68,623</b>

### Balance Sheet Employment

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Gross Loans/Cust Deposits	91.8%	93.4%	94.3%	94.7%
Avg Loans/Avg Deposits	90.7%	92.7%	93.9%	94.5%
Avg Liquid Assets/Avg Assets	35.6%	34.7%	34.3%	33.6%
Avg Liquid Assets/Avg IEAs	37.4%	36.5%	35.9%	35.0%
Net Cust Loans/Assets	60.0%	60.5%	61.4%	62.3%
Net Cust Loans/Broad Deposits	70.7%	72.4%	73.6%	74.5%
Equity & Provs/Gross Cust Loans	16.5%	17.8%	18.5%	19.3%
Asset Risk Weighting	115%	115%	117%	119%
Provision Charge/Avg Cust Loans	2.10%	2.08%	2.22%	2.28%
Provision Charge/Avg Assets	1.26%	1.27%	1.37%	1.43%
Total Write Offs/Average Assets	1.26%	1.21%	1.23%	1.25%

### Key Ratios

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Income Growth	26.2%	15.2%	16.7%	17.5%
Operating Profit Growth	38.2%	12.3%	16.7%	17.5%
Pretax Profit Growth	29.2%	11.8%	14.5%	17.7%
Net Interest To Total Income	73.0%	70.8%	69.7%	69.6%
Cost Of Funds	3.97%	3.80%	3.88%	3.90%
Return On Interest Earning Assets	8.47%	8.20%	8.33%	8.55%
Net Interest Spread	4.50%	4.40%	4.45%	4.65%
Net Interest Margin (Avg Deposits)	7.02%	6.99%	7.16%	7.43%
Net Interest Margin (Avg RWA)	4.22%	4.01%	4.06%	4.18%
Provisions to Pre Prov. Operating Profit	32.8%	33.1%	34.3%	34.2%
Interest Return On Average Assets	4.65%	4.61%	4.71%	4.93%
Effective Tax Rate	19.6%	20.0%	20.0%	20.0%
Net Dividend Payout Ratio	18.2%	16.8%	14.7%	12.5%
Return On Average Assets	2.02%	1.99%	2.03%	2.13%

### 12-mth Fwd FD P/E (x) - Military Commercial Joint Stock Bank



### Key Drivers

	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Loan Growth (%)	16.6%	13.0%	14.0%	14.0%
Net Interest Margin (%)	4.9%	4.8%	4.9%	5.1%
Non Interest Income Growth (%)	34.3%	24.6%	21.3%	17.8%
Cost-income Ratio (%)	39.4%	41.0%	41.0%	41.0%
Net NPL Ratio (%)	0.6%	0.8%	1.0%	1.0%
Loan Loss Reserve (%)	110.5%	98.1%	81.4%	85.2%
GP Ratio (%)	0.7%	0.8%	0.8%	0.8%
Tier 1 Ratio (%)	8.1%	8.9%	9.2%	9.5%
Total CAR (%)	10.1%	10.8%	10.9%	11.2%
Deposit Growth (%)	13.6%	11.0%	13.0%	13.5%
Loan-deposit Ratio (%)	90.5%	92.2%	93.0%	93.3%
Gross NPL Ratio (%)	1.2%	1.2%	1.6%	1.6%
Fee Income Growth (%)	24.4%	22.0%	24.0%	24.0%

SOURCES: VND RESEARCH, COMPANY REPORTS

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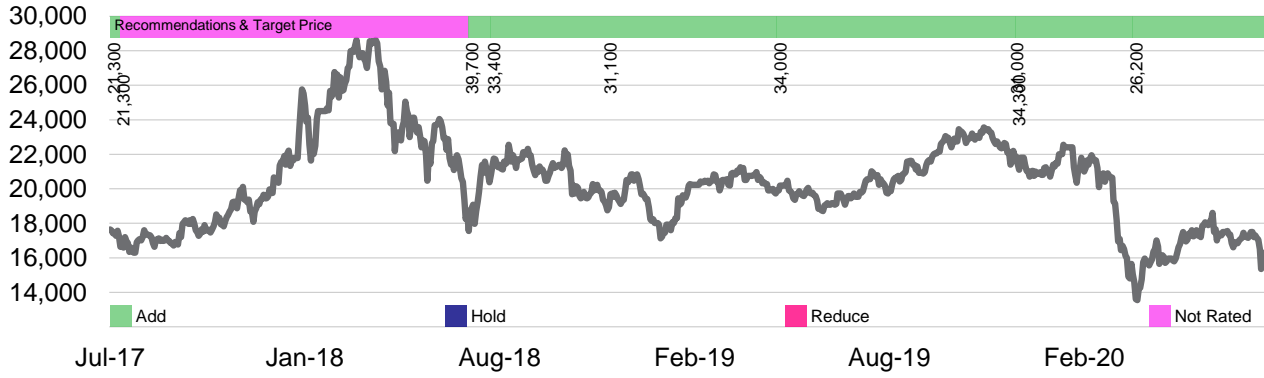


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— Price Close



## 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, **BCPG** – 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, **TIPIP** – 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:

companies that have declared their intention to join CAC, and companies certified by CAC.

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

##### 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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