

ETF MONITOR: THE TIDE IS RECEDING

Bach Phan Nhu – bach.phannhu@vndirect.com.vn

Exchange-traded funds (ETFs) are shrinking presence in ASEAN markets amid fear over Covid-19

According to our estimation, in 1Q20, net ETF outflow from emerging and frontier markets in ASEAN reached US\$283m, accounting for 3.7% of total net selling value of foreign investors across these markets. We observe that although the net ETF outflow from Vietnam ranked 4/5 by value, the ratio of net ETF flow to the net selling value of foreign investors was the largest, standing at 10.3%. This could be due to ETF is a favored investment product in Vietnam, with the value of funds pouring into Vietnam from 1Q17 to 4Q19 over market capitalisation to be at the top of the region at 0.55%.

Figure 1: ETF fund outflow from emerging and frontier markets in ASEAN

	ETFs flow	Net foreign traded value	% ETFs flow / Net foreign traded value	Marketcap as of 31/03/20	% ETFs flow / Marketcap from 1Q17 to 4Q19	Total ETFs inflow 1Q17 to 4Q19	Total ETFs inflow from 1Q17 to 4Q19 / Marketcap
	US\$m	US\$m	%	US\$b	%	US\$m	US\$m
Vietnam	-41.0	-396.6	10.3%	97.9	0.042%	540.0	0.55%
Philippines	-51.0	-694.5	7.3%	270.9	0.019%	84.0	0.03%
Malaysia	-132.0	-1,902.7	6.9%	946.1	0.014%	196.0	0.02%
Thailand	-58.0	-3,838.3	1.5%	369.0	0.016%	278.0	0.08%
Indonesia	-1.0	-771.0	0.1%	324.5	0.000%	482.0	0.15%
Total	-283.0	-7,603.1	3.7%	2,008.4	0.01%	1,580.0	0.08%

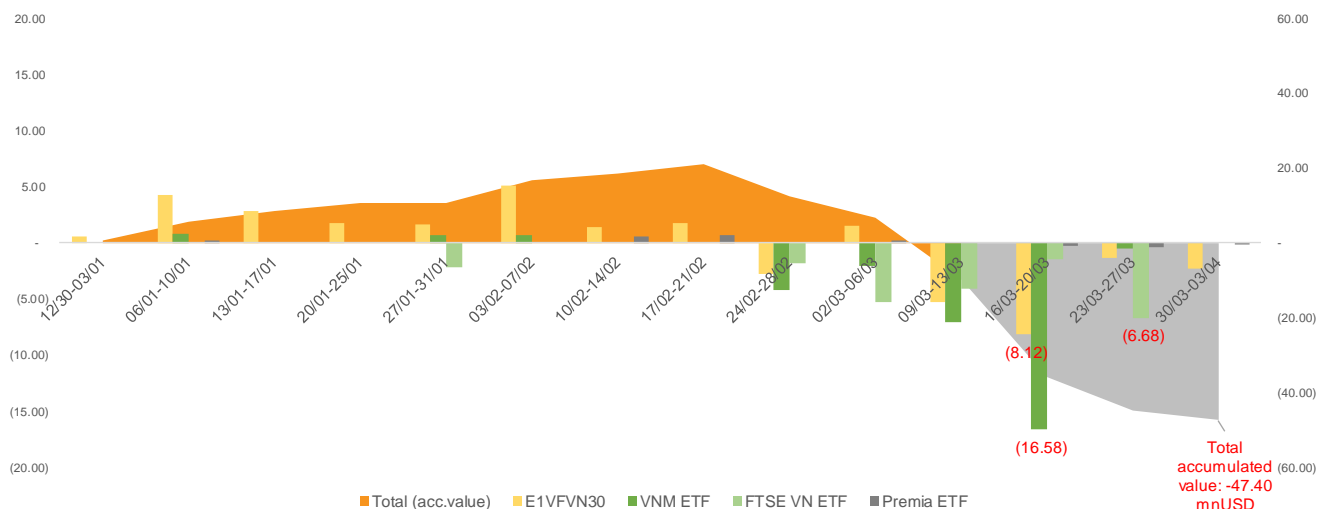
Data as of 06/04/20 by Bloomberg

ETFs in Vietnam include: VN30 ETF, VNM ETF, FTSE VN ETF, Premia VN ETF, VN Finlead ETF, VNX50 ETF and KIM INDEX VN30 Synth

Source: VND Research, Bloomberg

We estimate that VN30 ETF and the three foreign ETFs, including VNM ETF, FTSE VN ETF and Premia VN ETF, have withdrawn about US\$47.4m from Vietnam in 1Q20. Among which, VNM ETF and FTSE VN ETF recorded a total outflow of US\$49.5m in 1Q20, making these the biggest contributors to capital flight.

Figure 2: ETF outflow of VN30 ETF, VNM ETF, FTSE VN ETF and Premia VN ETF in 1Q20

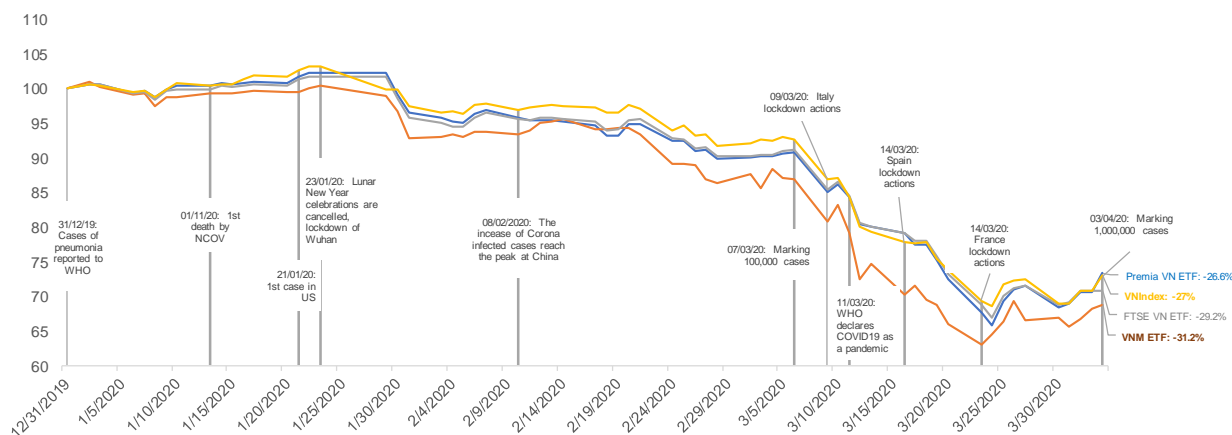


Source: VND Research, Bloomberg

Foreign ETFs in Vietnam's net asset value (NAV) experienced a sharp average decline of 29% YTD amid market turmoil

As VN-Index plunged 27% YTD, foreign ETFs in Vietnam posted an average decline of 29% in NAV from the beginning of the year. VNM ETF recorded the biggest drop of 31.2% YTD in terms of 1Q20 NAV.

Figure 3: ETF NAV movement and VN-Index performance in 1Q20



Data rebased to 100 at 31/12/2019 for comparison.

Source: VND Research, Vaneck Vectors, Xtracker, Premia-partners

As at 6 Apr 2020, total assets under management (AUM) value of foreign ETFs was US\$373m, which mainly comprised of blue-chip stocks, especially VIC, VNM and VHM; the total weight of which accounted for about 32% of foreign ETFs' total AUM.

Figure 4: The portfolio of foreign ETFs in Vietnam

Ticker	Value (USD)	% of total AUM (3 ETFs)	% of VNM ETF AUM	% of FTSE VN ETF AUM	% of Premia ETF AUM
VIC	\$52,114,961	11.1%	8.2%	14.5%	22.9%
VNM	\$49,264,130	10.5%	7.5%	14.6%	17.5%
VHM	\$48,508,255	10.3%	6.7%	15.7%	14.6%
VRE	\$30,990,659	6.6%	4.8%	9.6%	5.5%
VCB	\$29,489,425	6.3%	6.4%	6.1%	7.3%
MSN	\$28,917,612	6.2%	5.0%	7.9%	6.5%
NVL	\$26,896,106	5.7%	6.7%	4.4%	3.6%
HPG	\$25,143,794	5.4%	3.8%	7.6%	7.2%
VJC	\$23,488,656	5.0%	4.5%	5.8%	4.9%
SSI	\$9,589,490	2.0%	2.4%	1.8%	
SBT	\$9,062,665	1.9%	2.6%	1.1%	
POW	\$7,827,358	1.7%	2.8%		1.1%
TCH	\$7,635,964	1.6%	2.0%	1.2%	
BVH	\$5,923,956	1.3%	2.1%		0.7%
PLX	\$4,490,645	1.0%		2.5%	1.0%
PVN	\$2,543,548	0.5%		1.5%	
STB	\$2,533,036	0.5%		1.3%	1.1%
EVN	\$2,048,216	0.4%		1.2%	
PDR	\$1,910,594	0.4%		1.1%	
ROS	\$1,369,037	0.3%	0.0%	0.8%	
KBC	\$1,331,042	0.3%		0.8%	
PVD	\$1,254,353	0.3%		0.7%	
SAB	\$435,600	0.1%			2.4%
BID	\$298,800	0.1%			1.7%
GAS	\$183,600	0.0%			1.0%
HDB	\$156,600	0.0%			0.9%
Total	\$373,408,101				

Source: VND Research, Vaneck Vectors, Xtracker, Premia-partners

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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.

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>