

ETF MONITOR: A NEW DIAMOND FOR VIETNAM'S STOCK MARKET

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ETF VFMVN DIAMOND will go IPO since 3 Mar 2020

On 27 Feb, State Securities Commission granted the certificate of registration for public offering of the exchange trade fund, the ETF VFMVN DIAMOND, managed by VietFund Management (VFM) while the supervisory bank is Vietcombank. This ETF has a minimum fund size of VND50bn.

VFMVN DIAMOND ETF will use the VN DIAMOND index as the base index, which has been calculated by the Ho Chi Minh Stock Exchange (HOSE) since Nov 2019. This is an investment index, comprising of about 10-20 stocks which are traded at full foreign ownership limit. The weight of each share does not exceed 15% and each industry does not exceed 40%. The criteria to select components of VN DIAMOND include the foreign ownership ratio, market capitalisation and liquidity.

Figure 1: VN DIAMOND index information

Type of index	Price index
Calculation type	Freefloat adjusted market capitalization
Number of constituents	10-20
Criteria	- Current ownership by foreigner / Maximum ownership for foreigner > 95% - Minimum market capitalization: VND2.000bn if stock belong to VNAllshare, VND5.000bn if stock not belong to VNAllshare - Minimum liquidity: VND5bn per day if stock belong to VNAllshare, VND15bn per day if stock not belong to VNAllshare
Cap limit for constituents	- Weight of a single stock is limited at 15% - Weight of a sector is limited at 40%
Review constituent	Twice a year, at February and August
Update data	Quarterly, at February, May, August and November
Calculation frequency	5s/time

Source: VND Research, HOSE

Assuming that VFM will raise the capital of VFMVN Diamond ETF to VND1,000bn (~US\$42.5m), below is our estimation on the value size of each components and required days to buy

Figure 2: ETF VFMVN Diamond portfolio scenario for raising capital of VND1,000bn, based on our estimates

Stock	Number of outstanding shares	Price (26/2/2020) Unit: VND1,000	Freefloat ratio	Capping ratio	Weight	Estimated number of shares in ETF (Shares)	Estimated value of shares in ETF (VNDbn)	GICS Sector	Average liquidity in the last month (Shares)	Required days to buy	
1	VPB	2,437,748,366	28.45	70%	51%	15.3%	5,360,912	152.52	Bank	4,884,610	1.1
2	FPT	678,276,312	56.4	80%	78%	14.7%	2,613,854	147.42	Information technology	1,745,498	1.5
3	MWG	443,546,178	107.9	65%	73%	14.0%	1,296,925	139.94	Consumer stable	894,110	1.5
4	TCB	3,500,139,962	22.7	65%	36%	11.4%	5,017,316	113.89	Bank	3,311,586	1.5
5	MBB	2,325,679,300	20.85	60%	55%	9.7%	4,675,962	97.49	Bank	8,245,228	0.6
6	PNJ	225,188,176	83.6	80%	100%	9.2%	1,106,043	92.47	Consumer stable	740,539	1.5
7	KDH	544,429,109	24.8	70%	100%	5.8%	2,339,784	58.03	Real estate	217,693	10.7
8	REE	310,050,926	34.6	55%	100%	3.6%	1,046,965	36.22	Industrial	781,045	1.3
9	TPB	826,573,150	21.55	60%	55%	3.6%	1,661,891	35.81	Bank	112,338	14.8
10	DXG	518,796,292	12.05	80%	100%	3.1%	2,548,140	30.71	Real estate	2,577,410	1.0
11	GMD	296,924,957	19	85%	100%	2.9%	1,549,537	29.44	Industrial	498,973	3.1
12	CTG	3,723,404,556	26.1	9%	55%	2.9%	1,122,930	29.31	Bank	9,332,966	0.1
13	NLG	249,702,575	25.15	60%	100%	2.3%	919,836	23.13	Real estate	449,992	2.0
14	CTD	76,292,573	64.6	45%	100%	1.4%	210,781	13.62	Industrial	231,443	0.9

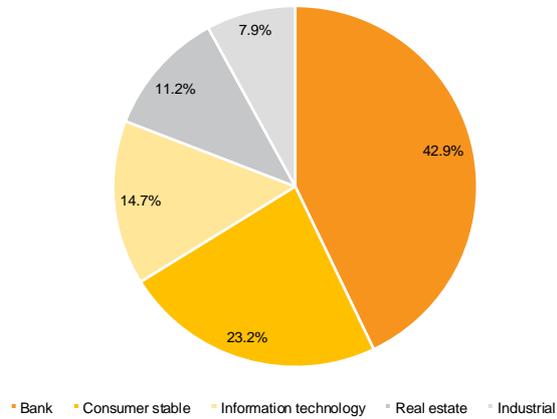
Note: prices as at 26 Feb 2020

Source: VND Research, HOSE, FIINPRO

VPB, FPT and MWG will enjoy the top 3 biggest stock weight with 15.3%, 14.7% and 14.0%, respectively

The banking sector has five stocks, accounting for 43%, the largest proportion among the basket's sectors.

Figure 3: Weight by sector in VNDIAMOND



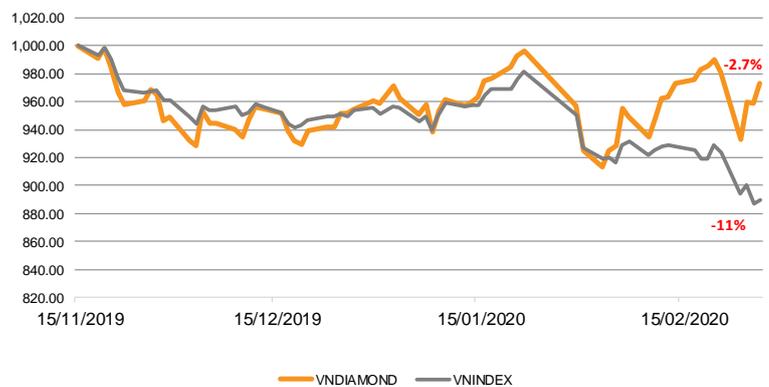
Source: VND Research, HOSE

We observed that VN DIAMOND index outperformed since Nov 2019

Since 15 Nov 2019, the VN DIAMOND index has been outperforming the VN-INDEXT, easing only 2.7%, while the VN-INDEXT fell 11%. During the outbreak of Covid19, the VN-index lost its steam with a 6.4% decrease until 27 Feb 2020; meanwhile, the VN DIAMOND index stayed firm with a slight head up of 1.7%.

We are positive about the new ETF and the amped up sentiment it will ultimately bring to the market. For foreign investors, ETFVFMVN Diamond will ease their way to invest into full FOL stocks as investors look to position themselves to gain exposure to the bright macro outlook for the country over the next three years.

Figure 4: VN DIAMOND and VN-INDEXT performance from 15 Nov 2019 to 27 Feb 2020



VNINDEX rebased at 1,000 point on 15/11/2019

Source: VND Research, FIINPRO

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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.

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