

VHC IS EXPECTED TO BE INDUCTED INTO THE FTSE VIETNAM INDEX WHILE CII MAY BE REMOVED FROM IT

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Hinh Dinh
hinh.dinh@vndirect.com.vn

FTSE Vietnam ETF (FTSE ETF) will announce the results of a rebalancing of the FTSE Vietnam Index on 1 March 2019 while VanEck Vectors Vietnam ETF (V.N.M ETF) will publish the conclusion of a review of the MVIS Vietnam Index (*) on 8 March 2019. The post-review portfolios of these two funds will officially come into effect on 15 March 2019. Following this, the FTSE ETF and the V.N.M ETF, which track the FTSE Vietnam Index and the MVIS Vietnam Index, respectively, and have a combined net asset value of US\$663.5m, would require some trades to rebalance the weight of stocks to match the newly structured FTSE Vietnam Index and MVIS Vietnam Index.

*The MVIS Vietnam Index is run by MVIS, which is 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.

For FTSE ETF restructuring, VHC meets all the conditions to be added to the FTSE Vietnam Index while CII may be excluded due to a lower-than-required market cap. Based on the latest data of FTSE ETF on 19 February 2019, we estimate the allocation of VHC in FTSE Vietnam Index to be around 1.0%. We expect that HPG, VCB, VHC, MSN and GEX could see the highest net-buying value from the FTSE ETF while VIC, VRE, PLX, CII and VNM might experience the strongest selling pressure from the FTSE ETF.

Figure 1: Our expectations for portfolio restructuring of the FTSE ETF

Ticker	Market price (x1000VND)	Weight Before	Weight After	Buy/Sell volume (shares)	Buy/Sell value (US\$m)	ADTV (US\$m)	Buy/Sell value as % of ADTV
VIC	116.0	16.66%	15.00%	(952,353)	(4.8)	2.4	198.0%
VNM	142.6	15.63%	15.00%	(294,890)	(1.8)	4.4	41.5%
VHM	87.0	15.96%	15.00%	(736,233)	(2.8)	1.3	215.9%
MSN	86.5	10.15%	10.92%	598,961	2.2	2.2	101.0%
HPG	31.7	8.21%	10.01%	3,787,772	5.2	6.3	82.3%
VRE	31.6	8.97%	8.10%	(1,824,526)	(2.5)	1.9	128.9%
VCB	59.0	4.17%	5.44%	1,433,321	3.6	2.7	133.3%
NVL	58.0	4.45%	4.61%	178,157	0.4	1.2	37.4%
SSI	27.3	2.44%	2.02%	(1,022,441)	(1.2)	1.9	62.0%
GEX	23.7	1.17%	1.89%	2,012,724	2.1	1.5	139.7%
STB	12.8	1.72%	1.73%	46,447	0.0	2.3	1.2%
PLX	57.7	2.54%	1.67%	(1,006,555)	(2.5)	1.4	176.8%
ROS	34.8	1.13%	1.39%	504,027	0.8	4.7	16.1%
SBT	20.6	1.38%	1.34%	(127,674)	(0.1)	1.3	8.5%
KBC	14.7	0.77%	1.30%	2,401,962	1.5	1.9	81.8%
TCH	22.5	0.97%	1.04%	223,322	0.2	0.6	35.9%
HNG	15.6	1.21%	1.02%	(798,763)	(0.5)	0.6	87.8%
VHC - added	93.8	0.00%	0.97%	685,447	2.8	0.9	310.1%
PVD	17.4	0.77%	0.83%	261,973	0.2	1.5	13.2%
PDR	26.6	0.86%	0.70%	(415,320)	(0.5)	0.8	62.2%
CII - removed	23.3	0.83%	0.00%	(2,356,561)	(2.4)	0.8	288.3%

Source: FTSE ETF, VNDIRECT estimate

For V.N.M ETF rebalancing, there will be no change in the list of constituent stocks of MVIS Vietnam Index. The total proportion of Vietnamese stocks in the post-review MVIS Vietnam Index is expected to, however, fall from 70.6% currently to 70.0%. Based on the latest data of V.N.M ETF on 19 February 2019, we forecast that NVL, MSN, HPG, VRE and VCB would be net bought from the V.N.M

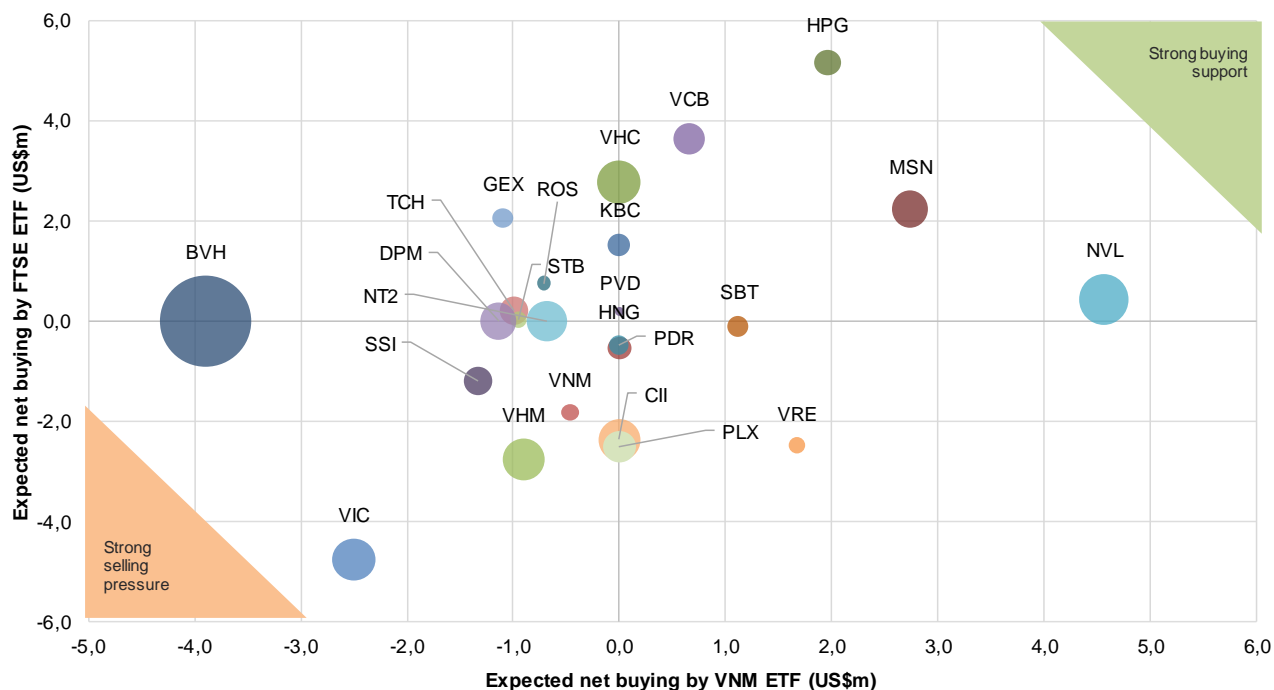
ETF while BVH, VIC, SSI, GEX and DPM could witness the strongest net- selling value from the V.N.M ETF.

Figure 2: Our expectations for portfolio restructuring of the V.N.M ETF

Ticker	Market price (x1000VND)	Weight Before	Weight After	Buy/Sell volume (shares)	Buy/Sell value (US\$m)	ADTV (US\$m)	Buy/Sell value as % of ADTV
VIC	116.0	8.66%	8.00%	(500,240)	(2.5)	2.5	100.4%
VNM	142.6	8.12%	8.00%	(76,291)	(0.5)	4.5	10.3%
VHM	87.0	7.24%	7.00%	(241,129)	(0.9)	1.3	68.3%
NVL	58.0	5.29%	6.50%	1,824,573	4.6	1.2	370.9%
VCB	59.0	5.83%	6.00%	257,676	0.7	2.8	23.2%
VRE	31.6	5.06%	5.50%	1,226,412	1.7	2.0	83.6%
MSN	86.5	4.27%	5.00%	733,173	2.7	2.3	119.4%
HPG	31.7	3.98%	4.50%	1,433,788	2.0	6.5	30.1%
BVH	94.2	4.42%	3.38%	(957,142)	(3.9)	0.3	1305.0%
SSI	27.3	3.38%	3.03%	(1,127,444)	(1.3)	2.0	66.2%
ROS	34.8	3.15%	2.96%	(477,203)	(0.7)	4.9	14.7%
SBT	20.6	2.55%	2.85%	1,263,135	1.1	1.4	80.6%
TCH	22.5	2.12%	1.85%	(1,022,981)	(1.0)	0.6	159.7%
GEX	23.7	2.10%	1.81%	(1,077,244)	(1.1)	1.5	72.2%
STB	12.8	1.55%	1.25%	(1,724,370)	(1.0)	2.3	40.7%
NT2	29.9	1.37%	1.19%	(525,526)	(0.7)	0.3	254.4%
DPM	22.9	1.48%	1.18%	(1,150,365)	(1.1)	0.6	206.5%

Source: V.N.M ETF, VNDIRECT estimated

Figure 3: Expected net-buying value by 2 ETFs in the 1Q2019 rebalancing



Note: Bubble sizes represent combined net buying / selling value as % of ADTV of each stock

Source: VNDIRECT estimated

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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.

Anirban Lahiri – Head of Research

Email: anirban.lahiri@vndirect.com.vn

Hinh Dinh – Analyst

Email: hinh.dinh@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>