

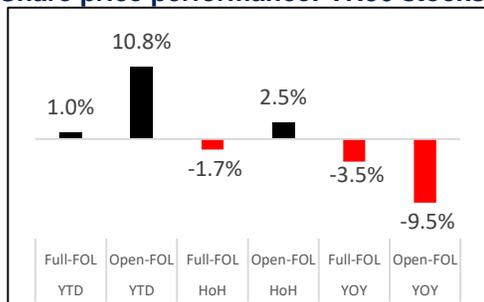
Vietnam Strategy: Of FOLs and Money

Full-FOL stocks have been laggards YTD

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Stocks with no remaining foreign ownership room have been underperformers YTD, underscoring a possible unintended result of the FOL cap. Potentially – but not conclusively – after a stock’s FOL cap is filled, the implied lack of future foreign net buying negatively impacts domestic investor sentiment for the stock. However, the discrepancy in YTD performance of full-FOL vs open-FOL stocks could also just be a result of specific market action in 1Q19.

Share price performance: VN30 stocks

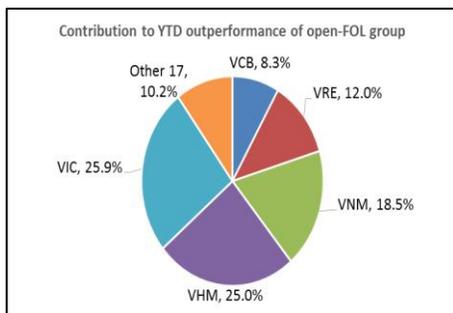


Themes and catalysts

- Stocks with no foreign ownership limit (FOL) room have underperformed open-FOL stocks during the strong YTD market. But they outperformed during the weak market over the past 12 months.
- Does this represent a structural feature? We think that it’s too soon to say – but it merits further observation.

Risks

- Full FOL stocks typically achieve this status because of investors’ fundamental views.
- But the implied lack of subsequent foreign net buying might have an impact on domestic sentiment.
- Alternatively, this could just be noise.



Source: FiinPro, Yuanta Vietnam

VN30 screen: Performance of full-FOL stocks has underperformed open-FOL stocks by 9.8 ppt YTD. According to FiinPro, eight stocks in the VN30 have reached full FOL. Of the remaining 22 tickers, five have eliminated the FOL cap entirely whereas 17 have at least some room remaining for foreign net buying. After weighting each stock by its free-float market cap, we find that the full-FOL group posted 1.0% upside YTD as of April 8. By contrast, the group with remaining FOL room delivered 10.8% in share price upside in the same period.

The full-FOL group also lagged HoH, but outperformed over the past 12 months. Using the same April 8 free float market cap weightings, full-FOL stocks underperformed their open counterparts by 4.1ppt over the past six months, during which they declined by 1.6% HoH vs the latter’s 2.5% gain. The 12 month data gets messy due to the 2Q18 additions of VHM and TCB, but after adjusting the data to reflect their performance since listing, the full FOL group declined by 3.4% YoY whereas the open-FOL group fell by 9.6% YoY.

Conclusions? It’s tempting to conclude from this screen that full-FOL stocks underperform in a bull market but outperform in a bear market. This would be backed up by the notions that 1) institutional investors are in the game for the long haul and thus there is less net selling of their favorite stocks when the overall market tanks, and 2) expectations of zero future net buying by foreigners once FOL caps are reached causes domestic investors to avoid stocks with full FOL during a bull market. This is tidy logic, and we are fans of tidy logic.

Maybe, maybe not. The problem with these conclusions is that the Vingroup tickers account for 63% of the open-FOL group’s +10.8% YTD weighted return – VIC (+27.5% YTD), VHM (+26.7%), and VRE (+29.7%). Stripping out these heavyweights, the open-FOL group was up just +4% YTD, just 3ppt ahead of the full-FOL group. So it may be early to make any sweeping conclusions from this data. Despite this, the share price behavior of full-FOL stocks nevertheless merits consideration and monitoring going forward – especially given the substantial (c. 10-25%) premiums for purchasing such shares.

VN30 components with open FOL

Code	Name	Remaining	Individual Performance			Weighting	Weighted performance			
		FOL	YTD	HoH	YoY		YTD	HoH	YoY	
1	CII	Ho Chi Minh Infrastructure	16.1%	-6.3%	-6.6%	-26.6%	0.5%	0.0%	0.0%	-0.1%
2	CTD	COTECCONS construction	1.7%	-12.1%	-15.3%	-6.2%	0.7%	-0.1%	-0.1%	0.0%
3	DHG	Hau Giang Pharmaceutical	56.5%	52.4%	28.4%	8.8%	0.5%	0.3%	0.1%	0.0%
4	DPM	Phu My Fertilizer	26.1%	-12.9%	4.4%	-3.4%	0.4%	-0.1%	0.0%	0.0%
5	EIB	Eximbank	0.1%	25.3%	23.1%	17.7%	2.1%	0.5%	0.5%	0.4%
6	GAS	PetroVietnam Gas	45.4%	26.0%	-6.3%	-12.3%	1.2%	0.3%	-0.1%	-0.1%
7	HDB	HDBank	4.2%	-4.6%	-23.5%	-35.5%	2.4%	-0.1%	-0.6%	-0.9%
8	HPG	Hoa Phat Group	9.2%	4.7%	-21.4%	-24.9%	4.9%	0.2%	-1.0%	-1.2%
9	MSN	Masan Group	8.7%	13.9%	-1.7%	-17.3%	5.5%	0.8%	-0.1%	-1.0%
10	NVL	Novaland	31.5%	-11.1%	-10.1%	-25.4%	2.2%	-0.2%	-0.2%	-0.6%
11	ROS	FLC FAROS Construction	46.5%	-18.7%	-21.4%	-71.4%	0.6%	-0.1%	-0.1%	-0.4%
12	SAB	SABECO	36.7%	-6.8%	13.4%	11.4%	2.9%	-0.2%	0.4%	0.3%
13	SBT	Bourbon Tay Ninh	89.2%	-3.2%	0.7%	13.8%	0.6%	0.0%	0.0%	0.1%
14	SSI	SSI Securities Inc.	40.0%	4.3%	-14.6%	-31.6%	1.0%	0.0%	-0.1%	-0.3%
15	STB	Sacombank	9.7%	2.5%	-11.6%	-23.9%	2.5%	0.1%	-0.3%	-0.6%
16	VCB	Vietcombank	6.3%	30.3%	13.1%	-4.0%	3.1%	0.9%	0.4%	-0.1%
17	VHM	Vinhomes	33.7%	28.9%	18.3%	7.0%	9.5%	2.7%	1.7%	0.7%
18	VIC	VinGroup	32.1%	21.2%	19.6%	5.6%	13.2%	2.8%	2.6%	0.7%
19	VJC	Vietjet Air	8.9%	-7.9%	-21.4%	-38.0%	3.6%	-0.3%	-0.8%	-1.4%
20	VNM	Vinamilk	40.7%	14.3%	4.0%	-14.4%	14.3%	2.0%	0.6%	-2.1%
21	VPB	VPBank	0.5%	-0.5%	-21.5%	-52.8%	4.1%	0.0%	-0.9%	-2.2%
22	VRE	Vincom Retail	17.1%	28.3%	11.6%	-16.5%	4.5%	1.3%	0.5%	-0.7%
Total				80.3%	10.8%	2.5%	-9.5%			

Source: FiinPro, Yuanta Vietnam

VN30 components with full FOL

Code	Name	Remaining	Individual Performance			Weighting	Weighted performance			
		FOL	YTD	HoH	YoY		YTD	HoH	YoY	
1	CTG	VietinBank	0.0%	15.5%	-17.0%	-37.5%	1.0%	0.2%	-0.2%	-0.4%
2	FPT	FPT Corp	0.0%	13.3%	6.2%	-8.0%	2.6%	0.3%	0.2%	-0.2%
3	GMD	Gemadept	0.0%	2.1%	-5.8%	-7.0%	0.8%	0.0%	0.0%	-0.1%
4	MBB	MBBank	0.0%	18.0%	-3.3%	-25.4%	3.1%	0.6%	-0.1%	-0.8%
5	MWG	Mobile World Investment	0.0%	-3.5%	-12.5%	7.9%	2.9%	-0.1%	-0.4%	0.2%
6	PNJ	Phu Nhuan Jewelry	0.0%	8.7%	-4.3%	-20.1%	1.6%	0.1%	-0.1%	-0.3%
7	REE	Refrigeration Electrical Engineering	0.0%	11.3%	-7.2%	-13.1%	0.7%	0.1%	-0.1%	-0.1%
8	TCB	Techcombank	0.0%	-2.3%	-14.0%	-26.0%	6.9%	-0.2%	-1.0%	-1.8%
Total				19.6%	1.0%	-1.7%	-3.5%			

Source: FiinPro, Yuanta Vietnam

Yuanta Vietnam Coverage Universe									
Sector	Company	Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND)	Target price (VND)	Up (down) side	12-m TSR*
Banks	BIDV	BID VN	5,269	2.0	BUY	35,750	38,713	8%	11%
	Sacombank	STB VN	952	2.0	BUY	12,250	14,049	15%	15%
Brokers	HCM City Securities	HCM VN	370	0.7	BUY	28,400	31,308	10%	13%
	Saigon Securities	SSI VN	615	1.9	HOLD	28,000	26,125	-7%	-3%
	Viet Capital Securities	VCI VN	272	0.2	BUY	38,700	43,850	13%	17%
	VNDirect Securities	VND VN	153	0.6	BUY	17,000	21,480	26%	30%
Consumer	Masan Group	MSN VN	4,387	2.5	BUY	87,500	104,390	19%	8%
	Phu Nhuan Jewelry	PNJ VN	731	1.1	BUY	101,600	118,489	17%	19%
	Digiworld	DGW VN	41	0.4	BUY	22,600	31,574	40%	45%
Property	Nam Long	NLG VN	294	0.5	BUY	28,500	32,000	12%	14%
	Vinhomes	VHM VN	13,123	2.4	HOLD	93,800	91,277	-3%	3%

*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends.

Pricing data as of close on April 9, 2019.

Source: Bloomberg, Yuanta Vietnam

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Ratings	Expected return within the next 12 months
BUY	Above 10%
HOLD	Between -10% to +10%
SELL	Below 10%

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HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

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