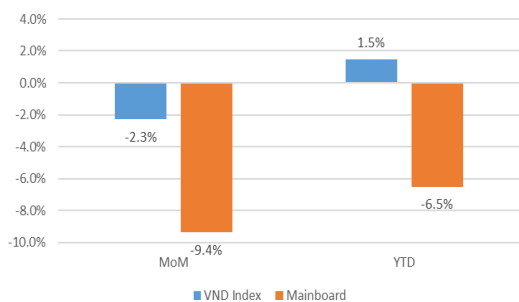


Diamonds have outperformed YTD and since Tet



What's new?

- ▶ The [SSC has approved](#) the launch of the VN Diamond ETF.
- ▶ The VN Diamond Index has outperformed the broader market both YTD and during the virus sell-off.
- ▶ VN Diamond YTD Leaders: VPB, CTD, and CTG.
- ▶ VN Diamond YTD Laggards: GMD, DXG, NLG, and KDH.

Market outlook

- ▶ Market chatter created doubt that the ETF would be approved. So this positive news is very welcome.
- ▶ We reckon the ETF's actual launch is likely to occur within 3-4 weeks.
- ▶ Liquidity impact of ETF inflows should be highest for TPB, CTD, GMD, TCB, and KDH.
- ▶ 2020 VNIndex target: 1000 points.

SSC Approves Diamond ETF

VN Diamond (VND) Index has outperformed the broader market both YTD (+1.5%, or 8ppt ahead of the VNINDEX (VNI)) and during the coronavirus selloff over the past month (-2.3%, or 7ppt "better" than the VNI's -9.4% return) since the Tet holidays. However, the constituents have been a decidedly mixed bag, with particularly strong gains from VPB (BUY), CTD, and CTG and notable weakness from GMD and DXG. Nine of the 14 constituents have fallen YTD, but only four have been underperformers relative to the VNI.

We continue to believe that the product will attract reasonably strong interest from foreign investors seeking exposure to its (mostly) high-quality full-FOL constituents. Foreign institutions may not flock to purchase a Vietnam-domiciled ETF, but the product should be attractive to HNWIs and thus we believe an estimated \$50-\$100 million in potential inflows is reasonable. This assumption range does not require equivalent inflows from abroad into Vietnam, as some investors may choose to reallocate from the existing VN30 ETF to the VN Diamond fund once it is available (given the relative quality of the two indices constituents).

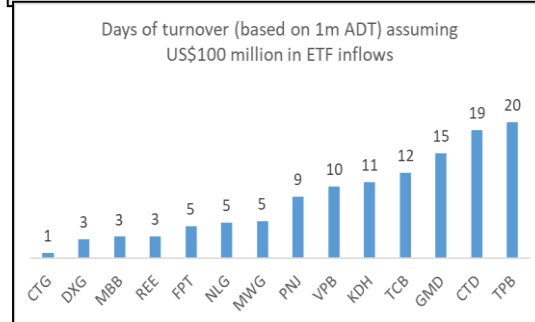
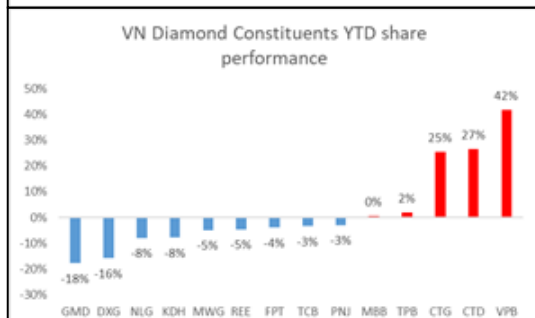
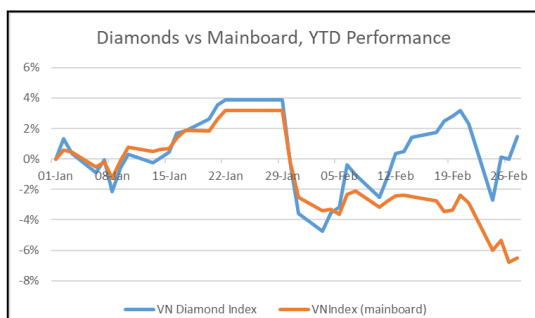
Share price impact should be based on index weight and daily trading liquidity of the individual index components. The Street appears to be focused solely on the index weights, but weightings are only of half the story. As published previously (see Dec's [FOLs and Money](#) and Jan's [Diamonds back in style in 1Q20](#)), an analysis of weightings and daily stock liquidity is a better gauge than weightings alone.

TPB, CTD, GMD, TCB, & KDH should get the highest boost (i.e., 11-20 days of turnover for these stocks if inflows are US\$100m) based on our prior analysis, but of course daily turnover is not likely to be static.

Domestic investors should get more aggressive in these names in opportunistic celebration of the ETF's launch.

Foreign investors are not totally locked out of the VND Index constituents at near-market prices in the run-up to the ETF's probable launch in March. According to FIINPro data, five of the stocks have at least some FOL room: DXG (5.6% FOL room), KDH ([BUY](#) -- 4.5%), CTD (2.2%), CTG (0.4%), and NLG ([BUY](#) -- 0.7%)

VND Index components are likely to continue outperforming the broader market in the near term. Our 2020 VNI target of 1000 no longer seems conservative. But positive policy expectations for 2021 may start to be discounted later this year, potentially driving a market rebound.



Source: Bloomberg, FIINPro, Yuanta Vietnam

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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.

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