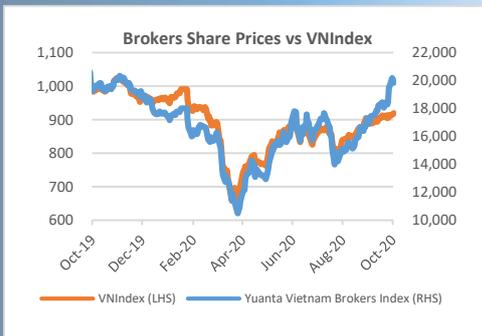


Vietnam: Brokers
8 October 2020
What's new?

- ▶ Rising stock and bond prices signal strong 3Q20 earnings for the brokers.
- ▶ Prop trading results should reflect this.
- ▶ Strong retail participation (as reflected in turnover and new accounts) suggests a new high for margin lending in 3Q20.
- ▶ But fragmentation remains a concern. The Big 4 brokers posted 34% HOSE market share in 3Q20, the lowest in our database.

Our view

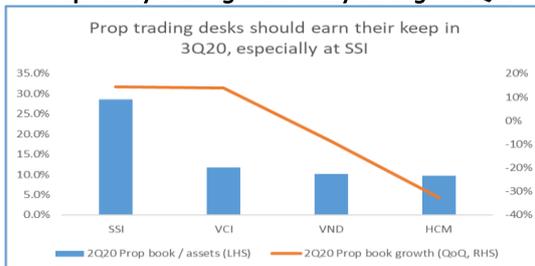
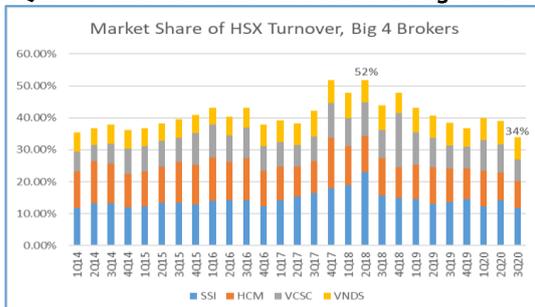
- ▶ Brokers are a proxy on the capital markets' positive long term outlook.
- ▶ Don't worry about market share of exchange turnover. It's crucial for bragging rights, but not so for ROE.
- ▶ Profit-taking may hit short-term share price performance as 3Q numbers dribble out.
- ▶ But we think the brokers are a suitable trade for 4Q20. HCM is our top pick.


Yuanta Vietnam Brokers Coverage

Stock code	Market cap (USDm)	3-month ADT (USDm)	Yuanta Rating	Current price (VND k)	Target price (VND)	2020E Dividend yield	12-m TSR*
HCM VN	287	2.1	BUY	21.8	26.5	6.1%	28%
SSI VN	460	3.5	HOLD-OPF	17.8	18.3	3.5%	7%
VCI VN	225	0.8	HOLD-UPF	31.5	26.4	2.6%	-13%
VND VN	128	0.4	HOLD-UPF	14.3	13.2	4.9%	-3%

Stock ratings and pricing data is as of close on October 7, 2020.

New trading accounts have soared YTD

Proprietary trading were likely strong in 3Q20

3Q20 HSX market share illustrates the fragmentation


Source: VSD, FiinPro, Company data, HSX, HNX, Bloomberg, Yuanta Vietnam

Matthew Smith, CFA

Head of Research

+84 28 3622 6868 ext. 3815

matthew.smith@yuanta.com.vn

Bloomberg code: YUTA

3Q20 earnings preview: Strong momentum

Almost all pistons are firing. Quarterly earnings should continue to shine for all the brokers given **1) strong equities turnover** (ADT was US\$279mn in 3Q20, in line with 2Q20, and volumes continue to surge in October), **2) continued growth in margin finance**, and **3) solid prop trading results** given the continued strength in bond and stock price performance in 3Q20. Our expectations for investment banking income are low, but this could provide an upside kicker, especially for HCM and VCI.

SSI looks especially well-positioned for prop trading gains again given that its 2Q20 prop book represented 29% of total assets, far higher than the same ratio at VCI (12%), VND (10%), and HCM (10%).

SSI has reportedly been selling shares in former associate ELC (Not rated), which should show up in the P&L as divestment gains assuming (as we do) that the shares are in SSI's available-for-sale (AFS) portfolio. To clarify, such gains would be due to the magic of mark-to-market accounting, as ELC's shares were up c.18% from 2Q20 at the time of the sale. ELC has not been a profitable investment for SSI; however, the sale should still help boost the broker's quarterly bottom line.

Robinhood effect continues. New brokerage accounts in 8M20 have increased 61% YoY, while new derivatives trading accounts have increased 94% YoY. Although the momentum of new accounts probably peaked during 2Q20, we think that investor interest remains strong. Investors opened a net 28.6K new securities trading accounts in August, according to the Vietnam Securities Depository. Such activity is normal during bull markets, and the trend is supported by low (and falling) bank deposit interest rates and the correction (for now) in the price of gold since the August peak.

Top pick: HCM (BUY) for the long term, SSI (HOLD-Outperform) for a potentially more exciting 3Q20 earnings result. We reiterate our HOLD-Underperform recommendations on VCI and VND. Our bullish sector call has been a good one. As a group, our four brokers have returned 70% since the market trough in March, outperforming the VN Index by 30ppt. Our specific stock calls are a mixed bag: HCM (+74%), SSI (+66%), and VND (+33%) have worked, whereas our cautious take on VCI (+98%) has not.

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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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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

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Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) – 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

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NETWORK

YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

Institutional Sales

Huy Nguyen

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

Huy.nguyen@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

binh.truong@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

tanh.tran@yuanta.com.vn

Duyen Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

duyen.nguyen@yuanta.com.vn

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