

## FIRST VN30 REVIEW IN 2019 TO TRIGGER VFMVN30 ETF REBALANCING: WE EXPECT HEAVY NET BUYING OF TCB

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Ho Chi Minh City Stock Exchange (HOSE) will announce the results of a rebalancing of the VN30-Index on the next Monday (January 21st, 2019). This will officially take effect from the first Monday of February (February 4th, 2019). Following this, the VFMVN30 (E1VFN30 – HOSE) ETF, which tracks the VN30-Index and has a total net asset value of VND4,162bn, would need to be rebalanced to match the newly structured VN30-Index. We envision two rebalancing scenarios, both of which imply strong buying of TCB.

Based on the version 2.3 of "Rules for building and managing the HOSE-Index" issued by HOSE on December 20th, 2018, we envision two scenarios that are most likely following the next review of the VN30-Index. Although BID meets all the conditions to be added to the VN30-Index this time, we put a low probability on its inclusion post review of the VN30-Index because the stock's free-float is very low at 5%.

### Scenario 1: Our expectations for portfolio restructuring of the VFMVN30 ETF

Ticker	Market price (x1,000VND)	Weight Before	Weight After	Buy/Sell volume (shares)	Buy/Sell value (VNDbn)	Buy/Sell value as % of ADTV
VNM	134,9	11,5%	10,0%	-482.145	-65	62,1%
<b>TCB - added</b>	<b>26,5</b>	<b>0,0%</b>	<b>9,4%</b>	<b>14.839.725</b>	<b>393</b>	<b>845,3%</b>
VPB	19,3	6,4%	7,3%	1.415.627	27	41,9%
HPG	29,3	7,0%	7,0%	61.815	2	1,2%
VIC	101,5	11,6%	6,9%	-1.941.413	-197	298,9%
MSN	81,9	7,8%	5,9%	-1.077.912	-88	169,2%
VJC	117,2	5,9%	5,5%	-156.665	-18	24,9%
<b>VHM - added</b>	<b>79,9</b>	<b>0,0%</b>	<b>5,3%</b>	<b>2.744.148</b>	<b>219</b>	<b>766,1%</b>
MBB	19,5	4,2%	3,9%	-827.387	-16	13,7%
<b>HDB - added</b>	<b>29,2</b>	<b>0,0%</b>	<b>3,7%</b>	<b>5.218.240</b>	<b>152</b>	<b>274,4%</b>
MWG	85,7	4,4%	3,4%	-547.126	-47	103,3%
STB	11,3	3,6%	3,1%	-1.834.602	-21	35,6%
SAB	239,6	4,2%	3,1%	-205.630	-49	499,3%
VCB	55,9	3,7%	3,0%	-561.470	-31	47,1%
FPT	42,8	3,6%	3,0%	-690.415	-30	128,3%
VRE	31,0	5,9%	2,8%	-4.364.355	-135	307,8%
NVL	58,1	3,5%	2,7%	-550.368	-32	117,0%
PNJ	91,9	2,3%	2,0%	-172.528	-16	54,1%
GAS	90,3	1,6%	1,4%	-108.863	-10	18,6%
CTG	18,9	1,3%	1,4%	134.606	3	2,9%
SSI	26,0	1,4%	1,3%	-196.268	-5	9,8%
ROS	35,5	0,9%	1,3%	468.673	17	18,3%
PLX	55,3	1,2%	1,1%	-78.010	-4	16,0%
CTD	154,5	1,2%	1,0%	-76.631	-12	48,6%
<b>BVH - added</b>	<b>88,7</b>	<b>0,0%</b>	<b>0,8%</b>	<b>396.522</b>	<b>35</b>	<b>429,1%</b>
REE	32,1	1,0%	0,8%	-241.674	-8	81,3%
HSG	6,9	0,3%	0,8%	3.044.290	21	73,6%
SBT	19,8	1,2%	0,8%	-620.048	-12	25,9%
<b>BID - added</b>	<b>32,5</b>	<b>0,0%</b>	<b>0,8%</b>	<b>991.065</b>	<b>32</b>	<b>53,5%</b>
DHG	81,0	0,5%	0,4%	-28.436	-2	29,2%
<b>GMD - removed</b>	<b>26,5</b>	<b>1,2%</b>	<b>0,0%</b>	<b>-1.957.230</b>	<b>-52</b>	<b>216,9%</b>
<b>CII - removed</b>	<b>24,3</b>	<b>0,8%</b>	<b>0,0%</b>	<b>-1.429.610</b>	<b>-35</b>	<b>186,8%</b>
<b>DPM - removed</b>	<b>22,0</b>	<b>0,6%</b>	<b>0,0%</b>	<b>-1.210.570</b>	<b>-27</b>	<b>266,1%</b>
<b>KDC - removed</b>	<b>22,4</b>	<b>0,5%</b>	<b>0,0%</b>	<b>-959.130</b>	<b>-21</b>	<b>1410,1%</b>
<b>BMP - removed</b>	<b>50,5</b>	<b>0,4%</b>	<b>0,0%</b>	<b>-288.170</b>	<b>-15</b>	<b>275,6%</b>

Source: VNDIRECT

**Scenario 1: BID, BVH, HDB, TCB and VHM may be inducted into the VN30-Index while BMP, CII, DPM, GMD and KDC are likely to be removed from the VN30-Index.** Based on our projection, the proportion of newly added stocks including BID, BVH, HDB, TCB and VHM in the VN30-Index could be 0.8%, 0.8%, 3.7%, 9.4% and 5.3%, respectively. Following this, ETF VFMVN30 would require some trades to rebalance the weight of stocks to match the post-review VN30-Index. Based on stock prices at market close on January 15<sup>th</sup>, 2019, BID, BVH, HDB, TCB and VHM may see 1.0m shares, 0.4m shares, 5.2m shares, 14.8m shares and 2.7m shares of purchases by the VFMVN30 ETF, respectively. On the other hand, BMP, CII, DPM, GMD and KDC may see 0.3m shares, 1.4m shares, 1.2m shares, 2.0m shares and 1.0m shares of selling, respectively.

**Scenario 2: Our expectations for portfolio restructuring of the VFMVN30 ETF**

Ticker	Market price (x1,000VND)	Weight Before	Weight After	Buy/Sell volume (shares)	Buy/Sell value (VNDbn)	Buy/Sell value as % of ADTV
VNM	134,9	11,5%	10,0%	-482.145	-65	62,1%
<b>TCB - added</b>	<b>26,5</b>	<b>0,0%</b>	<b>9,4%</b>	<b>14.790.344</b>	<b>392</b>	<b>842,5%</b>
VPB	19,3	6,4%	7,3%	1.363.251	26	40,4%
HPG	29,3	7,0%	7,0%	28.544	1	0,5%
VIC	101,5	11,6%	6,9%	-1.941.413	-197	298,9%
MSN	81,9	7,8%	5,9%	-1.087.887	-89	170,8%
VJC	117,2	5,9%	5,5%	-163.165	-19	25,9%
<b>VHM - added</b>	<b>79,9</b>	<b>0,0%</b>	<b>5,3%</b>	<b>2.744.148</b>	<b>219</b>	<b>766,1%</b>
MBB	19,5	4,2%	3,9%	-855.403	-17	14,2%
<b>HDB - added</b>	<b>29,2</b>	<b>0,0%</b>	<b>3,6%</b>	<b>5.200.876</b>	<b>152</b>	<b>273,5%</b>
MWG	85,7	4,4%	3,4%	-552.559	-47	104,4%
STB	11,3	3,6%	3,1%	-1.872.827	-21	36,4%
SAB	239,6	4,2%	3,1%	-207.407	-50	503,6%
VCB	55,9	3,7%	3,0%	-568.940	-32	47,7%
FPT	42,8	3,6%	3,0%	-700.057	-30	130,1%
VRE	31,0	5,9%	2,8%	-4.364.355	-135	307,8%
NVL	58,1	3,5%	2,7%	-556.767	-32	118,3%
PNJ	91,9	2,3%	2,0%	-175.519	-16	55,0%
GAS	90,3	1,6%	1,4%	-110.980	-10	19,0%
CTG	18,9	1,3%	1,4%	124.516	2	2,6%
SSI	26,0	1,4%	1,3%	-203.391	-5	10,2%
ROS	35,5	0,9%	1,3%	463.455	16	18,1%
PLX	55,3	1,2%	1,1%	-80.762	-4	16,5%
GMD	26,5	1,2%	1,0%	-353.825	-9	39,2%
CTD	154,5	1,2%	1,0%	-77.489	-12	49,2%
<b>BVH - added</b>	<b>88,7</b>	<b>0,0%</b>	<b>0,8%</b>	<b>395.202</b>	<b>35</b>	<b>427,7%</b>
REE	32,1	1,0%	0,8%	-245.279	-8	82,5%
HSG	6,9	0,3%	0,8%	3.027.680	21	73,2%
SBT	19,8	1,2%	0,8%	-625.682	-12	26,1%
DHG	81,0	0,5%	0,4%	-29.194	-2	30,0%
<b>CII - removed</b>	<b>24,3</b>	<b>0,8%</b>	<b>0,0%</b>	<b>-1.429.610</b>	<b>-35</b>	<b>186,8%</b>
<b>DPM - removed</b>	<b>22,0</b>	<b>0,6%</b>	<b>0,0%</b>	<b>-1.210.570</b>	<b>-27</b>	<b>266,1%</b>
<b>KDC - removed</b>	<b>22,4</b>	<b>0,5%</b>	<b>0,0%</b>	<b>-959.130</b>	<b>-21</b>	<b>1410,1%</b>
<b>BMP - removed</b>	<b>50,5</b>	<b>0,4%</b>	<b>0,0%</b>	<b>-288.170</b>	<b>-15</b>	<b>275,6%</b>

Source: Fiinpro, VFM, VNDIRECT estimated

**Scenario 2: Under this scenario, BVH, HDB, TCB and VHM are expected to be inducted into the VN30-Index while BMP, CII, DPM and KDC may be removed from the VN-30 Index.** Based on our calculations, the weight of newly added stocks including BVH, HDB, TCB and VHM in the VN30-Index could be 0.8%, 3.6%, 9.4% and 5.3%, post induction. Based on stock prices at market close on

January 15<sup>th</sup>, 2019, the VFMVN30 ETF may buy 0.4m shares of BVH, 5.2m shares of HDB, 14.8m shares of TCB and 2.7m shares of VHM. On the other hand, BMP, CII, DPM, and KDC may witness selling of 0.3m shares, 1.4m shares, 1.2m shares and 1.0m shares, respectively.

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### 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.

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