

Vietnam Strategy: Of FOLs and Money

Is the market FOL-efficient?

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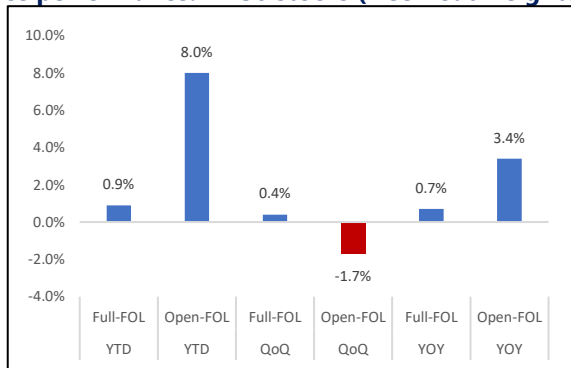
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Full-FOL stocks continued to underperform YTD, underscoring a possible unintended consequence of the FOL cap. Our theory is that the implied lack of future foreign net buying negatively impacts domestic investor sentiment for full-FOL stocks. However, the evidence on individual names is mixed. Among the VN30 components, most of the open FOL outperformance is due to just five large cap stocks, and attribution for the laggard status of the full-FOL group is even more highly concentrated in just one name.

Price performance: VN30 stocks (free float weighted)

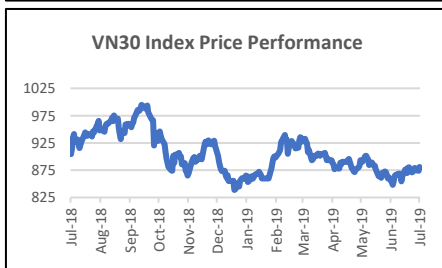
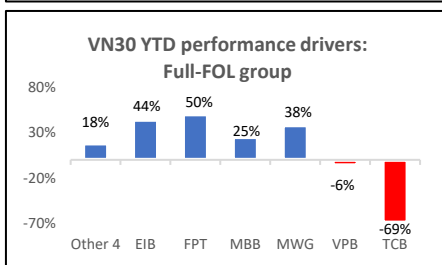
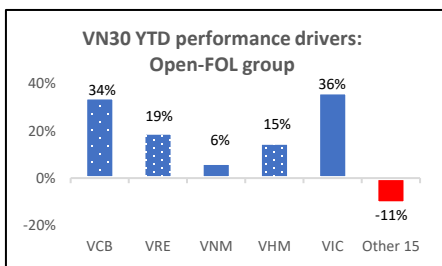


Themes and catalysts

- Stocks with no foreign ownership limit (FOL) room underperformed open-FOL stocks YTD by 7ppt.
- But full-FOL stocks have been marginal outperformers QoQ (i.e., during the weak market).
- Does this represent a structural feature? Maybe not, but it continues to merits observation.

Risks

- Stocks typically achieve full-FOL on solid fundamentals.
- But FOL premiums, settlement issues, and weak domestic sentiment for such names are downside.
- Eventually, NVDRs might happen, but what will that mean for FOL premiums?



Source: FiiPro, Bloomberg, Yuanta Vietnam

Updating our VN30 screen for Full-FOL vs Open-FOL components as outlined in our [“FOLs and money”](#) report of April 9. Based on free float market cap weightings, the 20 full-FOL stocks in the VN30 underperformed the 10 open-FOL stocks by 7ppt YTD. The full-FOL cohort made up some relative ground in the weak market of the past 3 months, but only outperformed by 2ppt QoQ.

Is there such a thing as an FOL-efficient market? We want to argue that full-FOL stocks should underperform in bull markets but outperform in downturns. After all, institutional investors think long term and are less prone to dumping stocks on cyclical market weakness. By contrast, during periods of cyclical strength, domestic investors (who are keenly aware of foreign market activity) tend to avoid full-FOL stocks because that status implies zero future net buying by foreigners.

Maybe not. The problem with such broad conclusions is that just five names account for over 100% of the open-FOL group’s +8% YTD weighted return: VIC, VCB, VRE, VHM, and VNM. Indeed, 10 members of the open-FOL group have delivered negative returns YTD. Similarly, the full-FOL group’s underperformance is mostly attributable to TCB, which has both that group’s highest weighting and weakest YTD performance. Of the 10 full-FOL stocks, 8 tickers have increased YTD.

We remain cautious on full-FOL names given our concerns about structural underperformance (albeit this may not exist broadly) and settlement issues. In addition, investors in full-FOL shares should at least consider the possible impact on FOL premiums from the eventual adoption of NVDRs (perhaps in 2021). Our top picks are all open-FOL stocks: [VHM](#) (BUY), [VCB](#) (BUY), and [STB](#) (BUY).

VN30 components with open FOL

Code	Name	Remaining FOL	Individual Performance			Weighting	Weighted performance			
			YTD	QoQ	YoY		YTD	QoQ	YoY	
1	CII	Ho Chi Minh Infrastructure	17.0%	-16.0%	-9.0%	-20.0%	0.5%	-0.1%	0.0%	-0.1%
2	CTD	Coteccons Construction	2.0%	-31.0%	-29.0%	-20.0%	0.6%	-0.2%	-0.1%	-0.1%
3	DHG	Hau Giang Pharmaceutical	46.0%	30.0%	31.0%	8.0%	0.4%	0.1%	0.0%	0.0%
4	DPM	Phu My Fertilizer	29.0%	-31.0%	-26.0%	-5.0%	0.3%	-0.1%	0.0%	0.0%
5	GAS	PetroVietnam Gas	45.0%	23.0%	20.0%	35.0%	1.3%	0.3%	0.0%	0.4%
6	HDB	HDBank	6.0%	-14.0%	-11.0%	-22.0%	2.3%	-0.3%	-0.1%	-0.5%
7	HPG	Hoa Phat Group	10.0%	-9.0%	-5.0%	-22.0%	4.5%	-0.4%	-0.6%	-1.0%
8	MSN	Masan Group	9.0%	4.0%	-2.0%	7.0%	4.7%	0.2%	-0.4%	0.3%
9	NVL	Novaland	31.0%	-6.0%	4.0%	17.0%	2.5%	-0.1%	0.2%	0.4%
10	ROS	FLC FAROS Construction	46.0%	-26.0%	-21.0%	-37.0%	0.6%	-0.2%	-0.1%	-0.2%
11	SAB	SABECO	37.0%	7.0%	18.0%	31.0%	2.5%	0.2%	0.4%	0.8%
12	SBT	Bourbon Tay Ninh	94.0%	-13.0%	-12.0%	24.0%	0.6%	-0.1%	0.0%	0.1%
13	SSI	SSI Securities Inc.	41.0%	-6.0%	-4.0%	-6.0%	1.0%	-0.1%	-0.1%	-0.1%
14	STB	Sacombank	10.0%	-5.0%	0.0%	9.0%	2.4%	-0.1%	-0.2%	0.2%
15	VCB	Vietcombank	6.0%	44.0%	34.0%	39.0%	2.8%	1.2%	0.3%	1.1%
16	VHM	Vinhomes	34.0%	14.0%	3.0%	-6.0%	8.6%	1.2%	-1.0%	-0.5%
17	VIC	VinGroup	21.0%	22.0%	13.0%	11.0%	14.8%	3.2%	0.1%	1.6%
18	VJC	Vietjet Air	10.0%	9.0%	11.0%	1.0%	4.4%	0.4%	0.7%	0.0%
19	VNM	Vinamilk	41.0%	3.0%	-8.0%	-8.0%	13.5%	0.4%	-1.1%	-1.1%
20	VRE	Vincom Retail	17.0%	33.0%	20.0%	25.0%	4.8%	1.6%	0.3%	1.2%
Total							73.1%	7.1%	-1.7%	2.5%

Note: Pricing is as of 16 June 2019. Weights are based on the free float market cap.

Source: FiinPro, Bloomberg, Yuanta Vietnam

VN30 components with full FOL

Code	Name	Remaining FOL	Individual Performance			Weighting	Weighted performance			
			YTD	QoQ	YoY		YTD	QoQ	YoY	
1	CTG	VietinBank	0.0%	12.0%	14.0%	-5.0%	0.8%	0.1%	0.0%	0.0%
2	EIB	Eximbank	0.0%	30.0%	24.0%	30.0%	2.4%	0.7%	0.1%	0.7%
3	FPT	FPT Corp	0.0%	23.0%	24.0%	34.0%	3.2%	0.8%	0.3%	1.1%
4	GMD	Gemadept	0.0%	4.0%	3.0%	20.0%	0.9%	0.0%	0.0%	0.2%
5	MBB	MBBank	0.0%	12.0%	13.0%	6.0%	3.4%	0.4%	-0.1%	0.2%
6	MWG	Mobile World Investment	0.0%	18.0%	20.0%	31.0%	3.7%	0.6%	0.9%	1.1%
7	PNJ	Phu Nhuan Jewelry	0.0%	7.0%	8.0%	19.0%	1.7%	0.1%	0.0%	0.3%
8	REE	Refrigeration Electrical Engineering	0.0%	9.0%	12.0%	19.0%	0.7%	0.1%	0.1%	0.1%
9	TCB	Techcombank	0.0%	-18.0%	-20.0%	-19.0%	6.0%	-1.1%	-0.9%	-1.2%
10	VPB	VPBank	0.0%	-1.0%	2.0%	-28.0%	4.2%	-0.1%	0.0%	-1.2%
Total							27.0%	1.6%	0.4%	1.3%

Note: Pricing is as of 16 June 2019. Weights are based on the free float market cap.

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	2019E Dividend yield	12-m TSR*
Banks	BIDV	BID VN	5,091	1.3	BUY	34,550	38,713	12%	2.5%	15%
	MB Bank	MBB VN	1,986	2.1	BUY	21,800	29,889	37%	3.2%	40%
	Sacombank	STB VN	894	1.5	BUY	11,500	14,101	23%	0.4%	23%
	Vietcombank	VCB VN	12,261	2.1	BUY	76,700	75,275	-2%	1.2%	-1%
Brokers	HCM City Securities	HCM VN	312	0.5	BUY	23,650	36,219	53%	3.9%	57%
	Saigon Securities	SSI VN	556	1.4	HOLD	25,350	26,125	3%	4.0%	7%
	Viet Capital Securities	VCI VN	235	0.2	BUY	33,500	43,850	31%	3.7%	35%
	VNDirect Securities	VND VN	137	0.3	BUY	15,250	21,029	38%	4.5%	42%
Consumer	Masan Group	MSN VN	4,031	1.4	BUY	80,000	93,035	16%	1.9%	18%
	Phu Nhuan Jewelry	PNJ VN	716	1.5	BUY	74,600	118,489	59%	2.7%	62%
	Digiworld	DGW VN	43	0.4	BUY	23,750	31,574	33%	4.9%	38%
Oil & GAS	PV Drilling	PVD VN	309	2.9	BUY	18,700	24,535	31%	2.7%	34%
Property	Nam Long	NLG VN	287	1.1	BUY	29,100	32,000	10%	1.7%	12%
	Vinhomes	VHM VN	12,185	3.1	BUY	84,400	94,862	12%	1.2%	14%

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

Pricing data as of close on July 16, 2019.

Source: Bloomberg, Yuanta Vietnam

Yuanta Universe: Valuations and ratings																
Sector	Stock Code	PER (x)			PEG (x)			PBV (x)			ROE (%)			ROA (%)		
		2018P	2019F	2020F	2018P	2019F	2020F	2018P	2019F	2020F	2018P	2019F	2020F	2018P	2019F	2020F
Banks	BID VN	21.3	17.9	12.8	2.6	0.9	0.3	2.2	1.8	1.7	10.7	10.8	13.5	0.44	0.51	0.67
	MBB VN	7.7	5.9	4.7	0.1	0.2	0.2	1.4	1.1	0.9	19.2	21.2	21.6	1.81	2.05	2.19
	STB VN	14.7	12.6	10.0	0.4	0.7	0.4	0.8	0.8	0.7	5.9	6.5	7.6	0.36	0.39	0.45
	VCB VN	21.4	18.5	15.3	0.3	1.2	0.7	4.4	3.6	3.0	22.5	21.3	21.3	1.22	1.31	1.41
Brokers	HCM VN	8.9	10.6	7.3	0.4	4.1	0.1	2.0	3.0	2.5	23.1	19.9	25.4	10.02	10.15	12.80
	SSI VN	9.9	9.7	8.4	0.6	3.7	0.6	1.4	1.3	1.2	14.8	14.1	14.8	6.04	5.22	5.23
	VCI VN	5.9	7.9	6.6	(4.8)	(0.3)	0.3	1.5	1.3	1.1	24.7	18.0	19.0	12.51	9.45	9.65
	VND VN	8.3	11.0	7.6	(0.4)	(0.5)	0.2	1.1	1.0	0.9	13.7	10.0	13.0	3.83	2.60	3.16
Consumer	MSN VN	17.5	18.7	15.4	0.3	(3.0)	0.7	3.2	2.9	2.6	20.7	16.1	17.6	8.78	7.65	8.81
	PNJ VN	14.0	11.8	9.5	(0.8)	0.6	0.4	3.3	2.7	2.2	28.7	27.5	27.9	17.79	17.79	16.93
	DGW VN	8.7	7.0	5.7	0.2	0.3	0.2	1.3	1.1	1.0	15.2	17.1	18.9	5.80	6.12	7.13
Oil & GAS	PVD VN	6.3	8.8	8.1	0.1	(0.5)	(0.3)	0.8	0.8	0.8	1.4	2.6	5.2	0.92	1.75	3.57
Property	NLG VN	9.8	13.7	12.6	0.2	(0.8)	(0.4)	1.3	1.2	1.2	20.3	19.1	13.9	9.56	10.59	8.78
	VHM VN	18.5	15.4	12.1	0.2	0.8	0.4	5.9	4.4	3.3	30.7	30.0	28.7	12.35	11.56	11.88

Pricing data as of close on July 16, 2019.

Source: Bloomberg, Yuanta Vietnam

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HOLD	Between -10% to +10%
SELL	Below -10%

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