

Prepared for Vietnam Access Day:

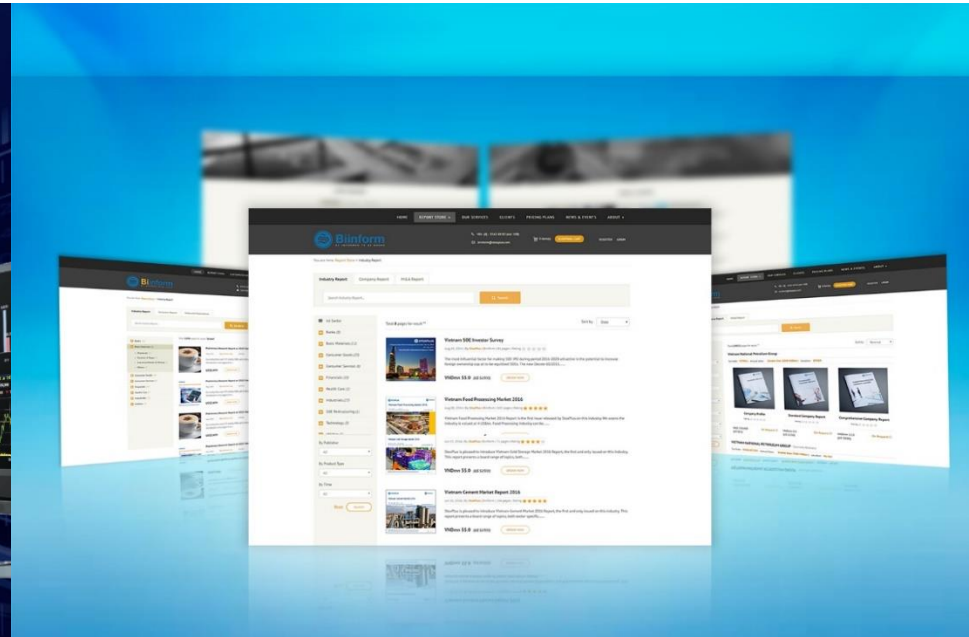
Drivers of Local Investor Sentiment

Presented by: Nguyen Quang Thuan, CEO, FiinGroup

HCMC | 7 March 2019

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Why we are here today?

FiinGroup (formerly StoxPlus) is a Vietnam's leader in financial and business information services



FiinGroup
ENLIGHTEN THE MARKET

- **Date of incorporation:** March 11, 2008; **Legal representative:** Mr. Nguyen Quang Thuan
- **Number of staff:** 105 (as of December 2018) including Data Analysts, Market Analysts, IT Engineers and Product Developers.
- **Charter capital:** VND24 billion (US\$1.1 million); Shareholders: NIKKEI: 17.55%; QUICK: 17.55%; Management and other: 64.9%; Two offices: Hanoi Head Office and HCMC Branch

FiinGroup Joint Stock Company

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We offer below products leveraging on our comprehensive financial database:

- **FiinPro Platform:** financial database for professionals covering equity, fixed income, industry and economic data and analytic tools
- **FiinTrade Platform:** the first comprehensive and in-depth trading information platform for brokers and active traders in Vietnamese equity market
- **Securities Datafeed:** to Client's designated system via API or XML

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Report offerings on-the-shelf and by order basis by leveraging on an aggregated source of 1 mil+ Vietnamese companies:

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Customised Research:

- Market Research
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- Commercial Due Diligence
- Business Matching and Support

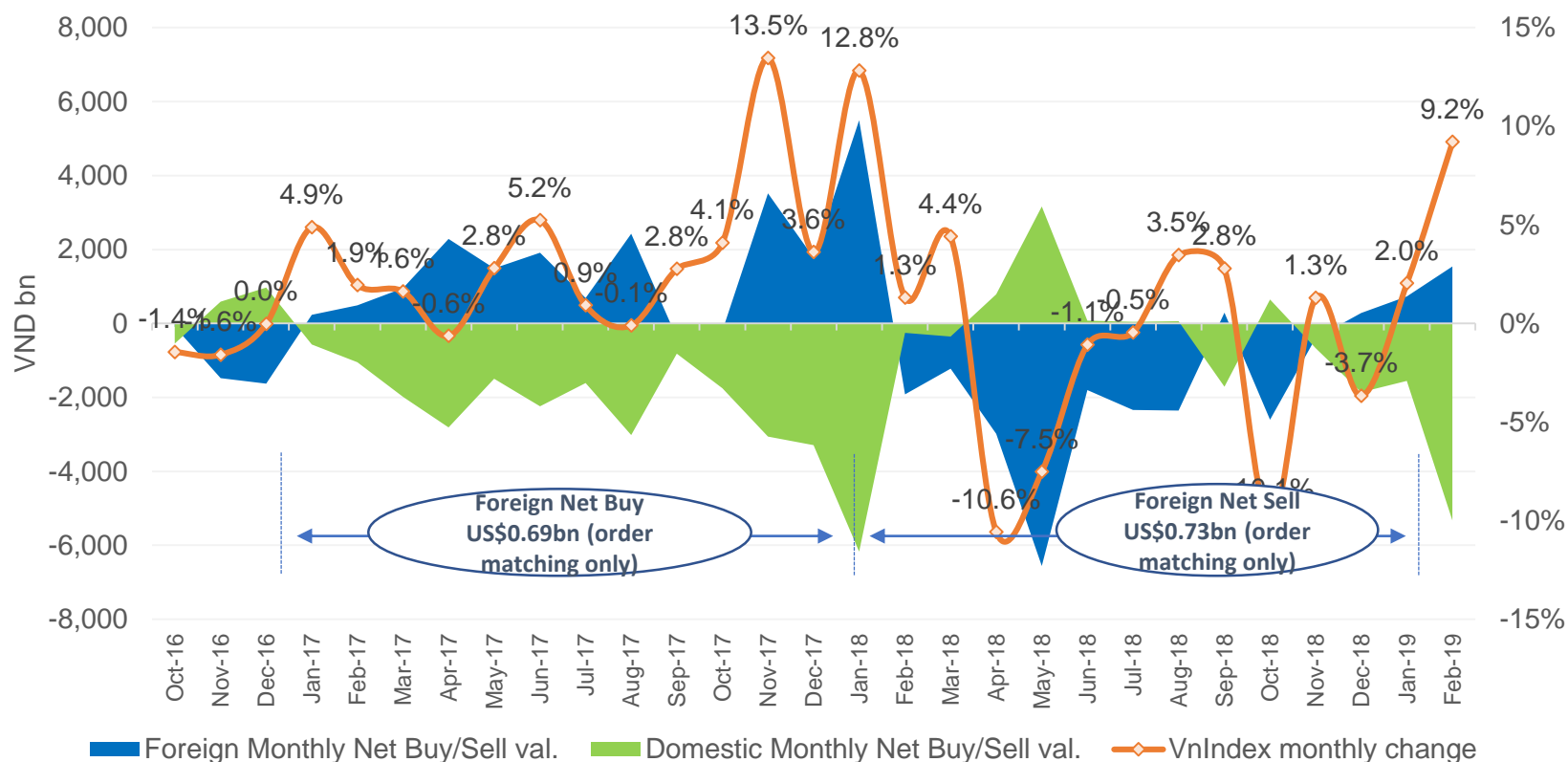
The topic we will speak...

- Vietnam is largely dominated by retail investors still when it accounts for ~ 75% of daily trading value.
- Understanding their trading behaviors and factors behind their sentiment would be very important for foreign investors and traders especially offshore ones.
- In this presentation, we try to analyze **key factors** which are, in our experience, driving **local investor sentiment**.
- The analysis and findings are squeezed from our decade of our experience as a leading data-based research and analytics firm in Vietnam.
- Investors should be mindful of data quality in Vietnam. We observe that anchoring and overconfidence biases are not so unpopular among investors in Vietnam market. We hope this Presentation will help reduce such biases.

The fact: foreign, not domestic investors, are driving market sentiment

- Although domestic investors account for ~75% trading value, it is foreign investors who drive the market sentiment.
- The VN-Index has moved in tandem with the changes in net foreign flows.
- So what are behind this story?

Monthly VN-Index Changes vs. Foreign and Domestic Net Money Flows

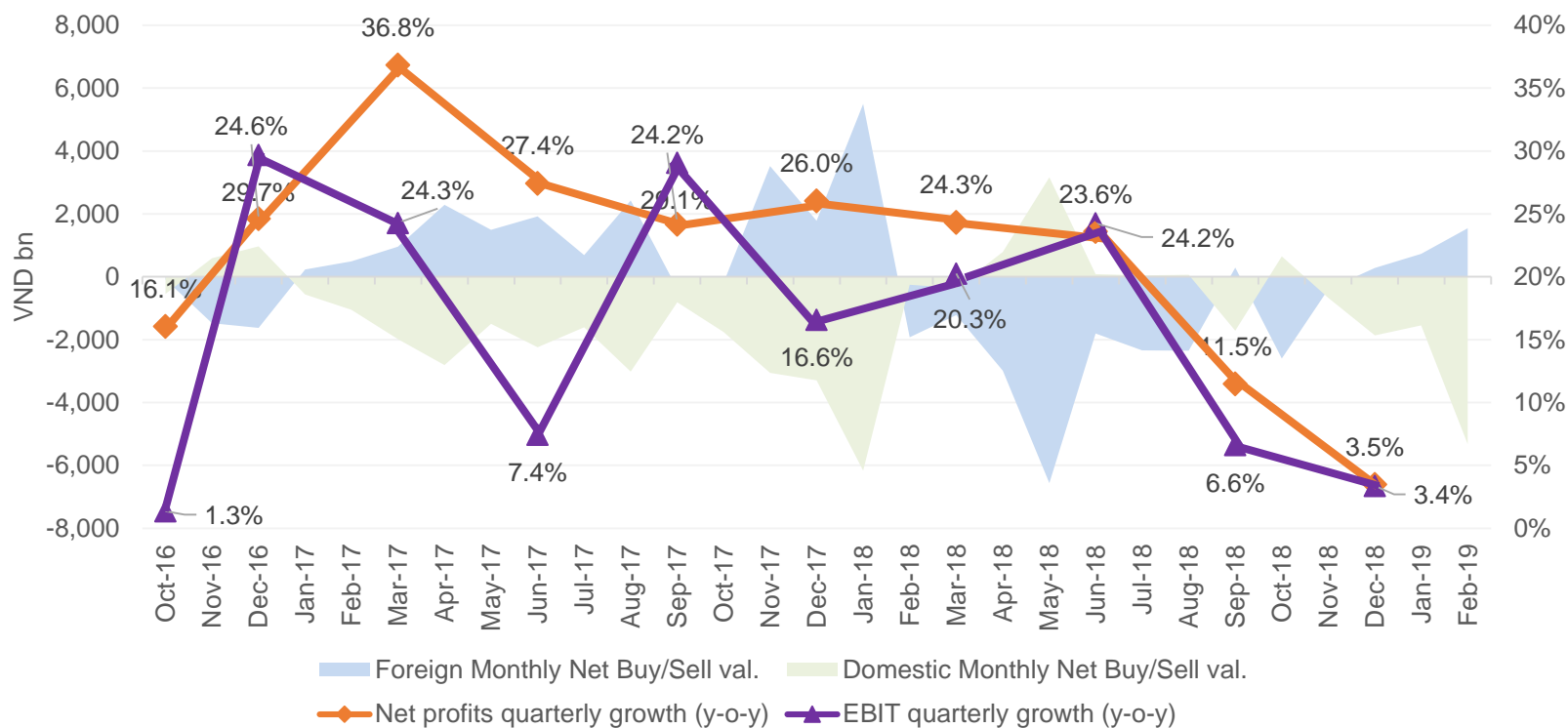


Source: FiinPro Platform. Note: HOSE only; Data is order-matching value only

① Do domestic investors bother with business fundamental factors?

- Local was net selling even on fundamental-improving periods but recently (YTD2019), local has been on net selling given the weakening corporate fundamental
- While foreign investors keep their momentum in the first 2 months of 2019 despite the weakening corporate earnings

Quarterly Earnings Growth (EBIT and NPAT) vs. Foreign and Domestic Net Money Flows



Source: FiinPro Platform

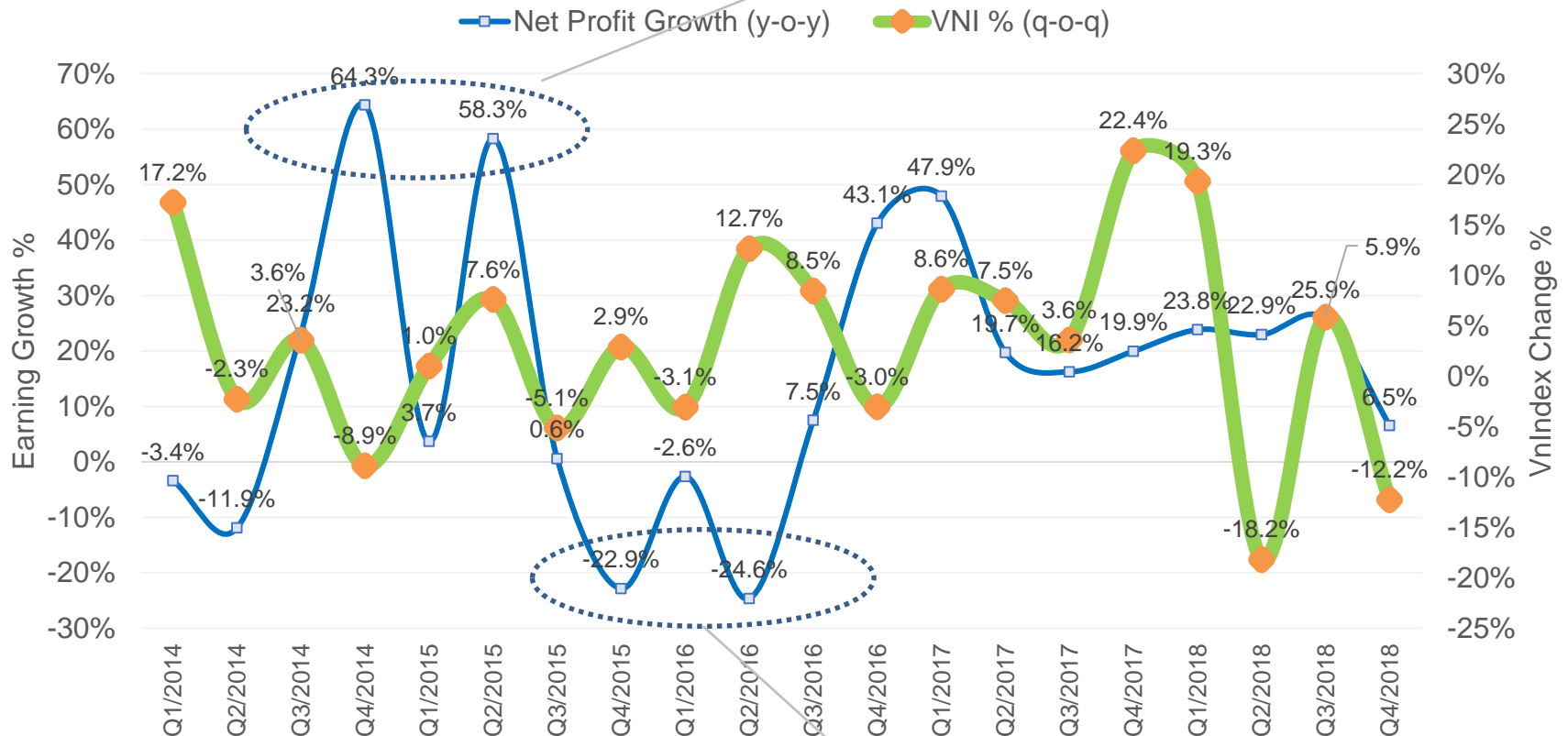
Note: HOSE only; Data is order-matching value only, Earning data is NOT covered by listed banks and insurance

① Do domestic investors bother with business fundamental factors?

- We try to test how the market momentum reacting with the earnings growth

Quarterly VN-Index Change and NPAT Growth (y-o-y)

Earnings surging of banks after the downturn and surged earnings by GAS and MSN for Q4-2014 and then the KDC's sales of its confectionery



Source: FiinPro Platform

Note: Data is NOT covered by listed banks and insurances

Earnings reversal of GAS and KDC for Q4-2015 and provision losses by TTF, HAG and HNG for Q2-2016

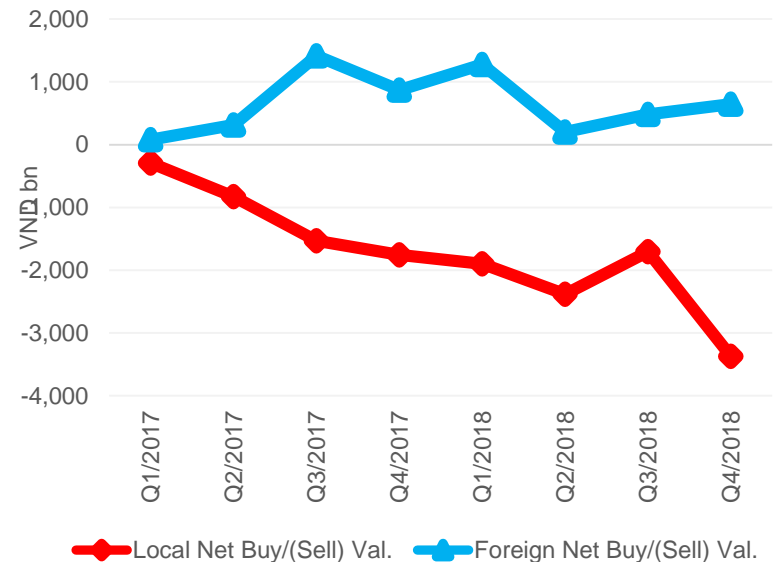
① Do domestic investors bother with business fundamental factors?

- Banking Stocks as example: Price is leading at normally 3-month's time! Earnings Growth is normally 1-quarter leading to the price performance. Is this the result of good forecasting capability or an issue of inside information?
- Local was selling while foreign was buying since early 2017. Banking earnings is facing headwinds actually (but not all banks)

Banking Earnings Growth vs Banking Sector Index (Quarterly)



Local was selling on the buy of foreign

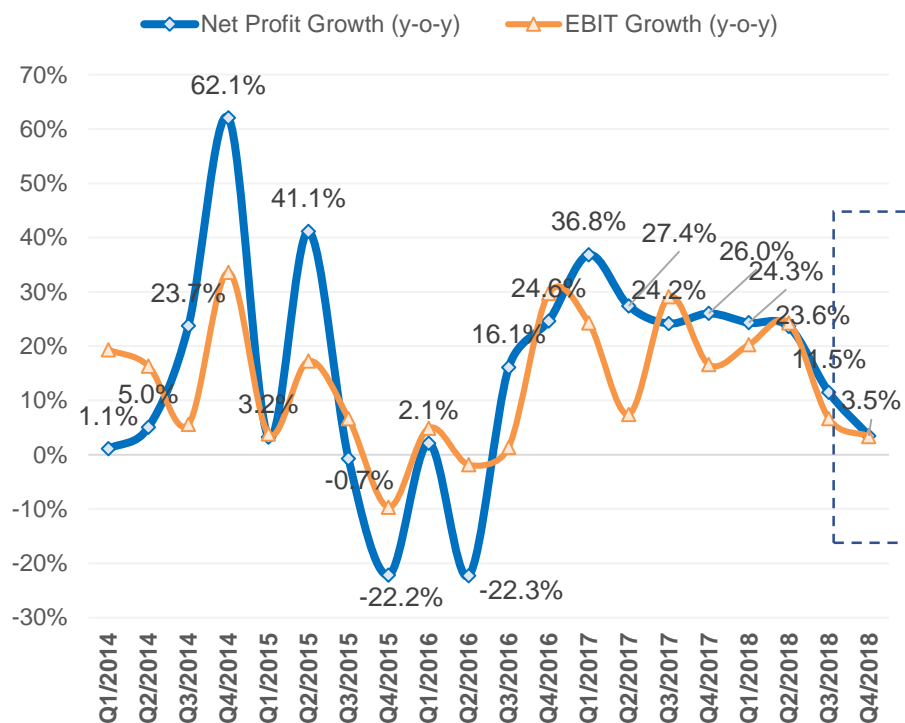


Source: FiinPro Platform

① Do domestic investors bother with business fundamental factors?

- The corporate earnings is weakening in Q4-2018 with both EBIT and NPAT growth lowering to just 3.5%. Top earning decliners are VIC, GAS, SAB, MSN and HPG which cannot be compensated for by top gainers: VHM and VNM and few real estate business
- So what sectors/companies to watch in 2019?

Quarterly EBIT Growth and Net Profit Growth (y-o-y)



No	Ticker	Sector	Market Cap.	Net Profit growth (y-o-y)	
			22-Feb-19	Q4/2018	Q3/2018
1	VIC	Real Estate	373,420	-23.4%	56.0%
2	GAS	Utilities	190,055	-12.2%	68.3%
3	SAB	Food & Beverage	158,396	-26.3%	-11.2%
4	MSN	Food & Beverage	102,822	-39.8%	-1.3%
5	HPG	Basic Resources	72,000	-26.4%	12.3%
6	FPT	Technology	27,733	-44.6%	24.4%
7	ROS	Construction & Materials	19,838	-85.5%	-75.3%
8	VCG	Construction & Materials	12,147	-73.1%	-41.8%
9	SDI	Real Estate	6,733	-89.3%	-76.6%
10	TVN	Basic Resources	6,238	-156.0%	-63.8%

No	Ticker	Sector	Market Cap.	Net Profit growth (y-o-y)	
			22-Feb-19	Q4/2018	Q3/2018
1	VHM	Real Estate	311,840	336.3%	175.7%
2	VNM	Food & Beverage	259,296	31.8%	-5.0%
3	VEA	Industrial Goods & Services	64,234	51.5%	27.3%
4	NVL	Real Estate	54,737	161.5%	34.7%
5	KDH	Real Estate	12,835	203.4%	20.0%
6	DNH	Utilities	11,489	134.3%	104.3%
7	ANV	Food & Beverage	3,554	557.6%	244.0%
8	HDG	Real Estate	3,512	114.2%	18707.8%
9	FTS	Financial Services	1,842	414.3%	20.0%
10	NTC	Real Estate	1,664	636.7%	139.1%

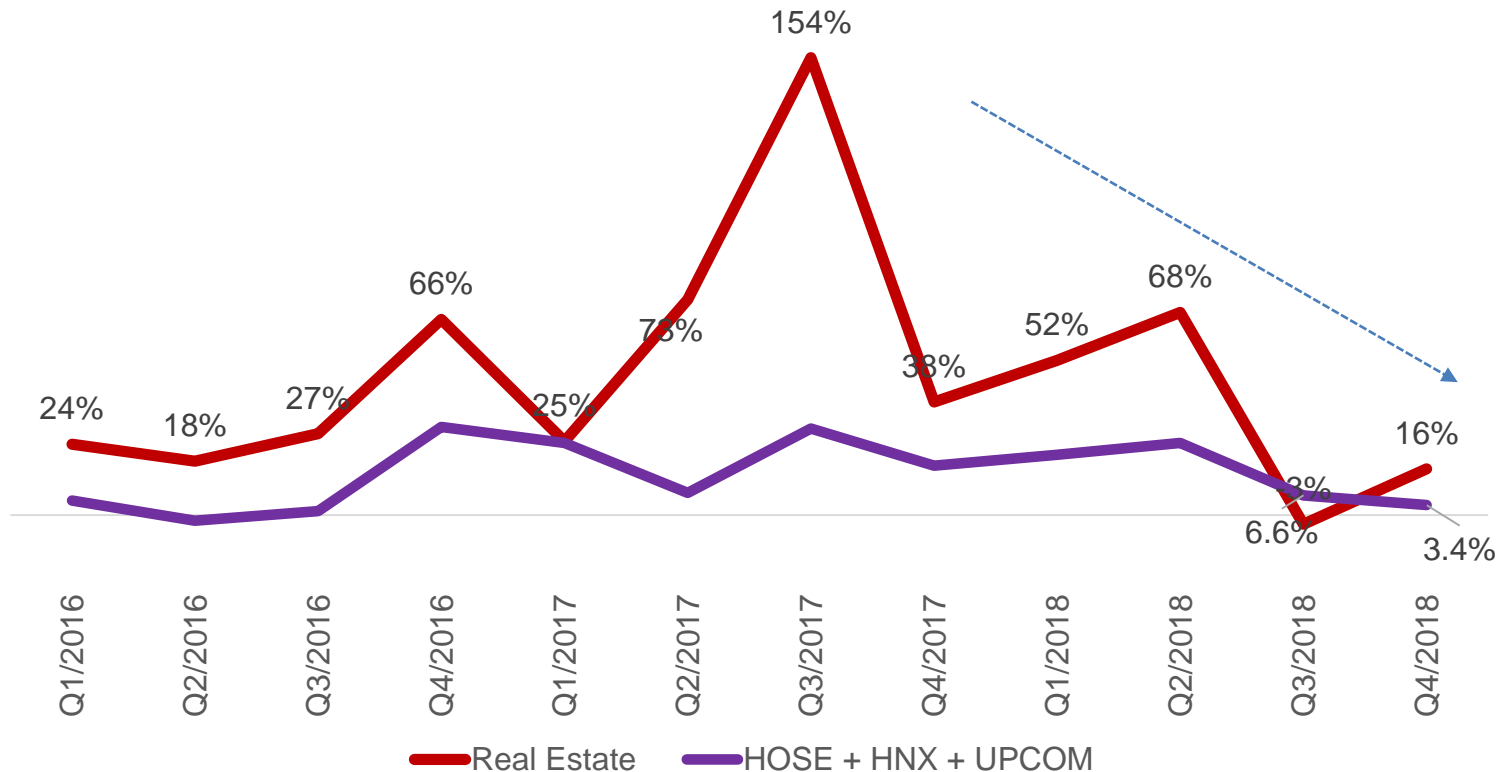
Source: FiiPro Platform

Note: Data is NOT covered by listed banks and insurance

① Do domestic investors bother with business fundamental factors?

- While earnings growth slowing down in the last 3 quarters for both Banking and Real Estates, investors now have a great concern about the headwind happening/expected for the real estate sector.
- The earnings prospect is a big topic for the market in this year (among other factors of course)

Quarter EBIT Growth (y-o-y)



Source: FiinPro Platform

Note: Data is NOT covered by listed banks and insurance

① Do domestic investors bother with business fundamental factors?

- But broker's forecast still indicated an impressive earnings growth for 2019. Our database produced Basic EPS Growth at 18.2% for 2019 (banks: 19.7% and non-banks: 17.4%). So we believe the sellside brokers will have to watch closely in order to revise or update their forecasting

VN30 Stocks: Earnings Forecast Consensus for 2019

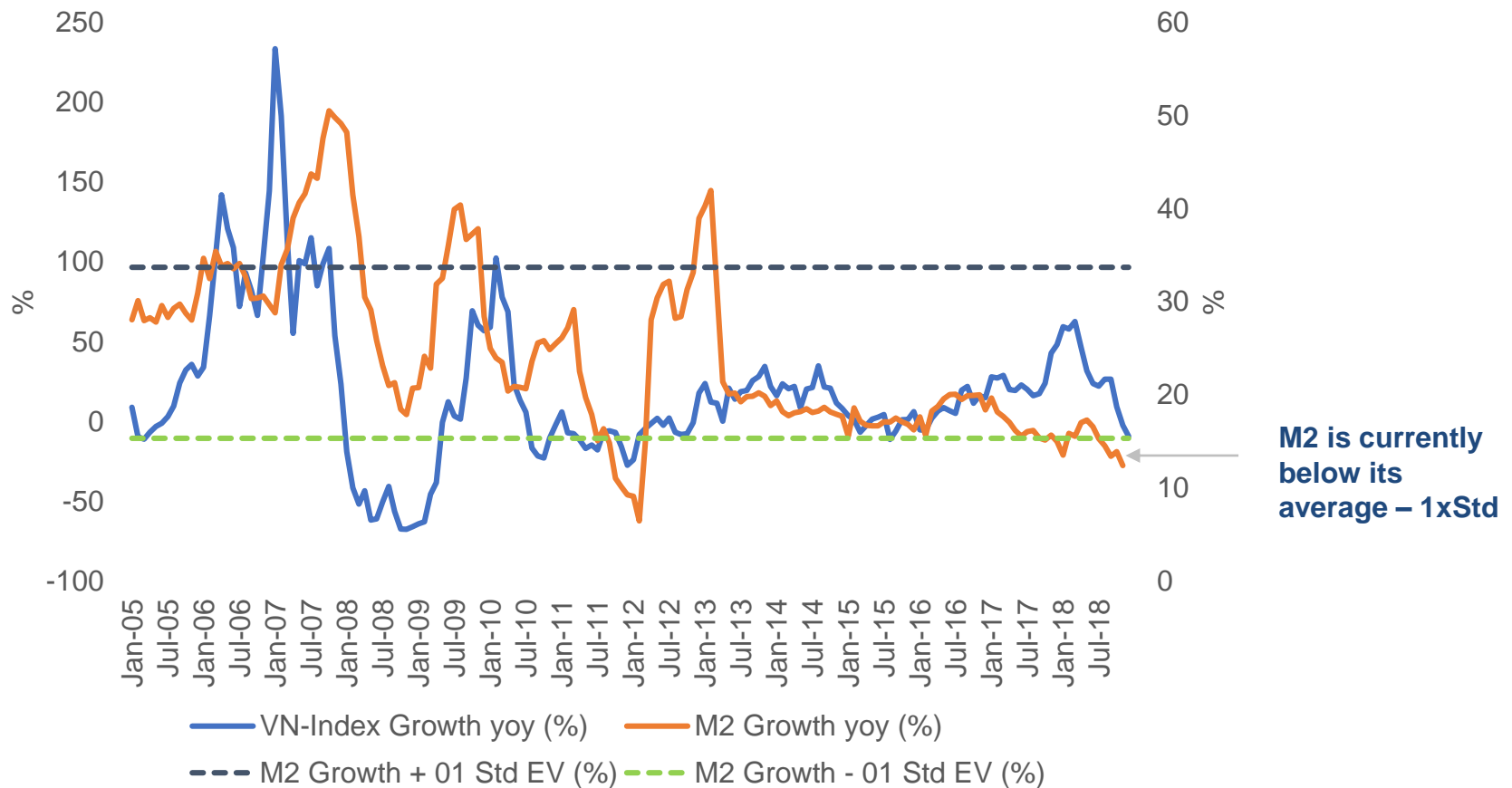
Ticker	Broker	Net Sales 2019F (VNDbn)	NPAT 2019F (VNDbn)	Net sales growth 2019F	NPAT Growth 2019F	Basic EPS 2019F	Report date
CII	VCI	6,786	1,069	64.40%	59.31%	2,910	12/10/2018
CTD	VCI	33,042	1,411	15.70%	-6.56%	17,551	1/31/2019
CTG	VCI	30,797	6,989	6.83%	28.29%	1,449	12/12/2018
DHG	VCI	3,822	659	-1.70%	1.07%	4,535	2/1/2019
DPM	VCI	10,379	826	11.60%	16.01%	1,862	2/21/2019
EIB	HCM	4,485	1,622	33.56%	25.15%	1,313	5/18/2018
FPT	VCI	26,940	3,950	16.10%	22%	4,667	2/21/2019
GAS	VCI	78,854	12,860	4.30%	4.15%	6,454	2/12/2019
GMD	MBS	2,715	584	1.10%	-68.10%	1,968	2/25/2019
HDB	VCI	9,360	3,554	22.4%	11.0%	2,370	2/25/2019
HPG	EPS	74,459	9,509	33.0%	13.0%	4,107	2/11/2019
MBB	BSI	16,823	7,374	17.4%	22.8%	3,062	2/18/2019
MSN	VCI	43,494	5,767	13.9%	46.0%	6,421	2/22/2019
MWG	MBS	111,766	3,683	29.2%	27.9%	8,312	2/22/2019
VHM	ACBS	46,446	15,927	19.7%	11.9%	4,755	2/20/2019
NVL	VCI	23,492	3,582	36.5%	13.1%	3,616	12/11/2018
PNJ	VNDIRECT	18,463	1,219	26.8%	27.0%	7,299	2/27/2019
REE	VCI	6,169	2,040	20.9%	8.2%	6,700	2/15/2019
SAB	ACBS	40,748	5,767	8.9%	21.9%	8,464	8/16/2018
SBT	BVS	12,637	344	21.9%	-37.1%	618	9/12/2018
SSI	VCI	3,804	1,472	9.6%	5.7%	n.a	12/20/2018
STB	VCI	9,566	1,986	29.0%	34.1%	1,101	12/5/2018
TCB	VCI	12,941	10,097	16.3%	19.2%	2,887	12/5/2018
VCB	SSI	33,553	16,847	17.9%	14.4%	3,988	1/11/2019
VIC	VCI	142,463	12,747	20.6%	43.6%	3,373	6/20/2018
VJC	ACBS	61,962	6,620	18.3%	26.9%	10,186	2/20/2019
VNM	HCM	55,196	11,014	5.0%	4.6%	5,518	2/19/2019
VPB	VND	28,961	8,405	17.2%	14.3%	3,421	2/15/2019
VRE	ACBS	9,478	3,002	4.7%	24.3%	1,224	2/13/2019
VN30		959,601	160,926	19.0%	18.2%	3,906	
VN30 - EPS Growth						18.2%	

Source: FiinPro. Note: The latest reports within 6 months from Brokers

② Liquidity: M2 is also a driving factor for domestic investor sentiment

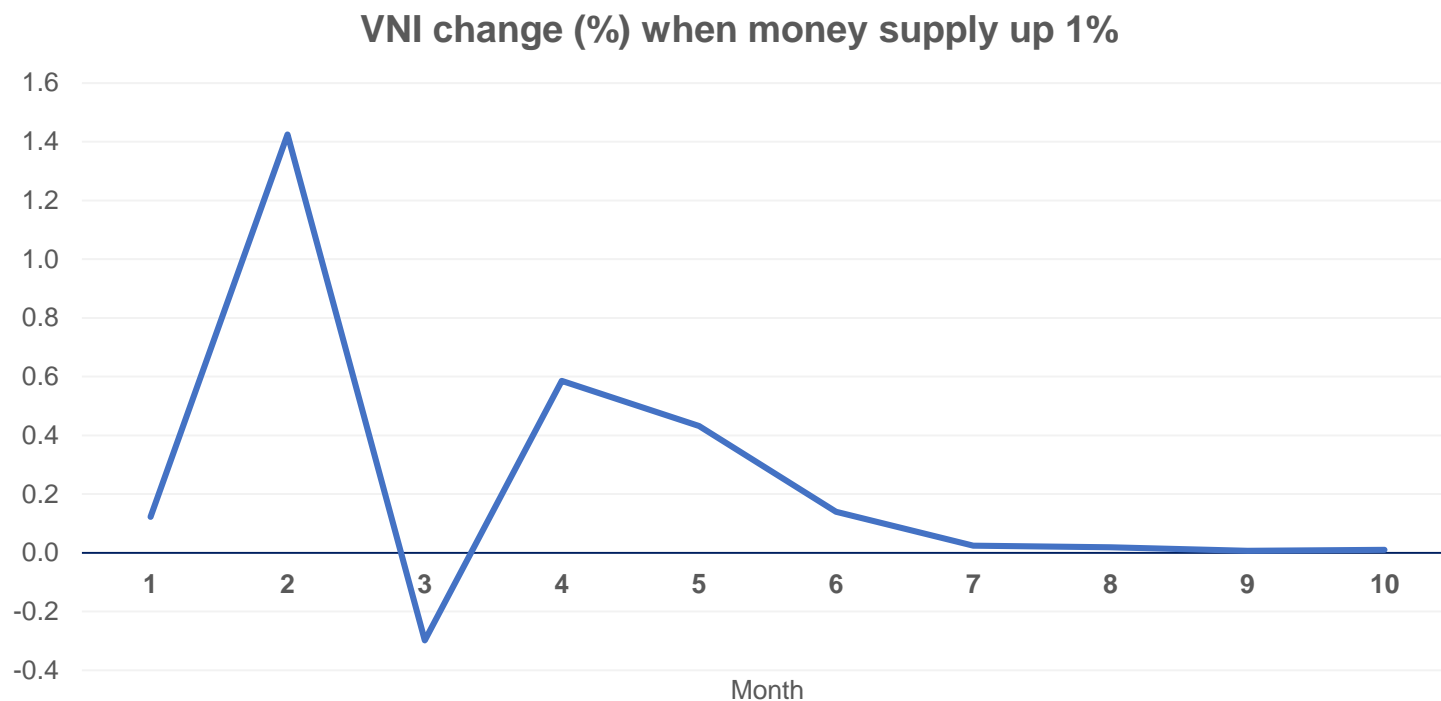
- Money Supply (M2) is a highly influential factor to Equity Market given the capital structure of Vietnam.
- The current low levels of M2 have typically meant poor future returns in the very short time. Lagging time is 2 months from our statistical test

VN-Index vs. M2



② Liquidity: VN-Index is lagging time is 2 months for M2 Changes

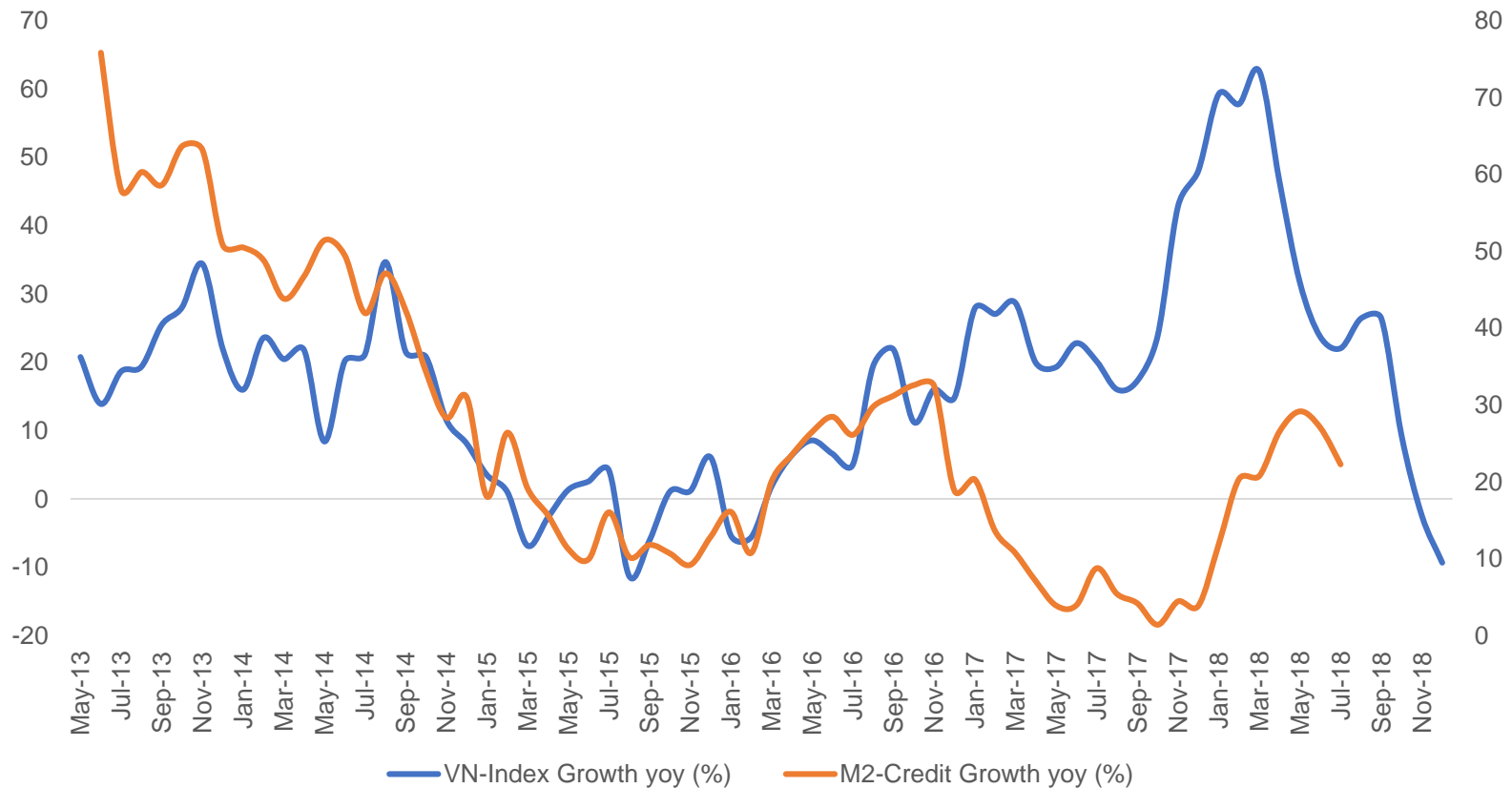
- The positive correlation between M2 and VN-Index yielded the strongest impact after 2 months when M2 changed 100 pts. The impact weakening and then disappeared



② Liquidity: The Gap (M2 and Credit Growth) is more practical proxy

- Because banks have to allocate the funding surplus to investments (g-bonds, interbank and financial investments).

Gap (M2 – Credit) and Domestic Trading Value

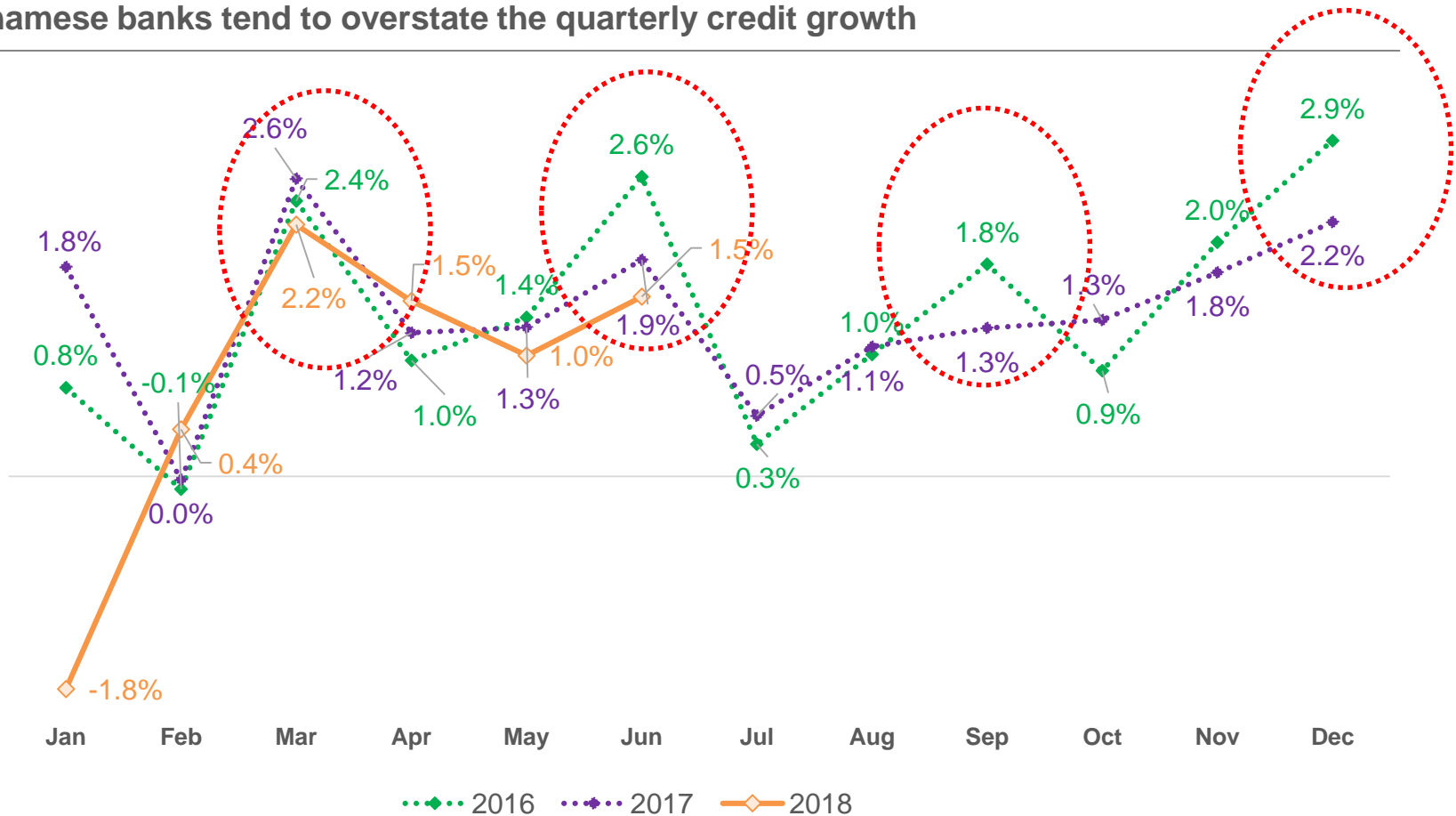


Source: FiinPro Platform

② Liquidity: But investors should be mindful with the quality of data

- Banks tends to manipulate their credit growth at the end of reporting quarters and especially at the year end.
- Why?

Vietnamese banks tend to overstate the quarterly credit growth

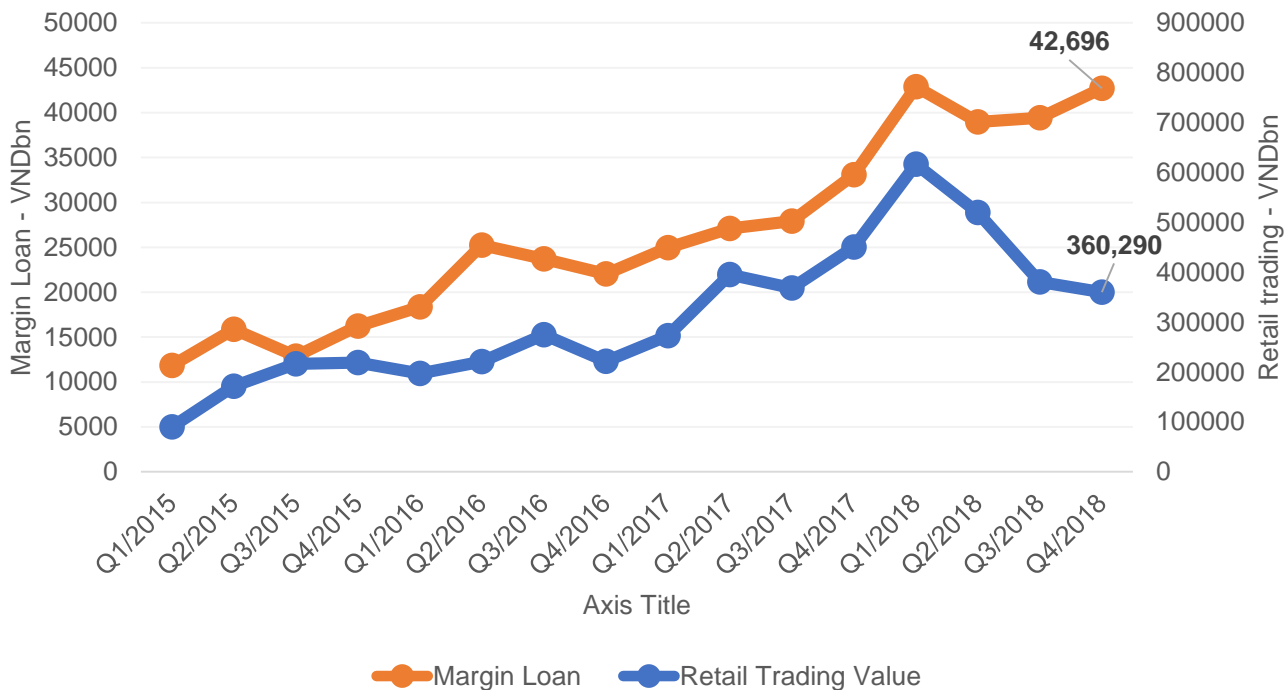


Source: FiinPro Platform

③ Liquidity: Margin Loan getting up recently

- Retail margin lending to marcap is a useful greed and fear proxy like in any markets but in Vietnam it is far more important as approximately 75% of daily trading value made by retail investors and .
- Margin loan tends to increase recently and mostly from increased capital by new coming brokers (Mirae Asset, KBSV etc.). Local brokers tends to cut down actually (Margin Loan/Owner's Capital down from 78.8% in 2017 to 69.6% in 2018 while the cap is 200%)

How is the Margin Loan supporting the Local Retail Investors?



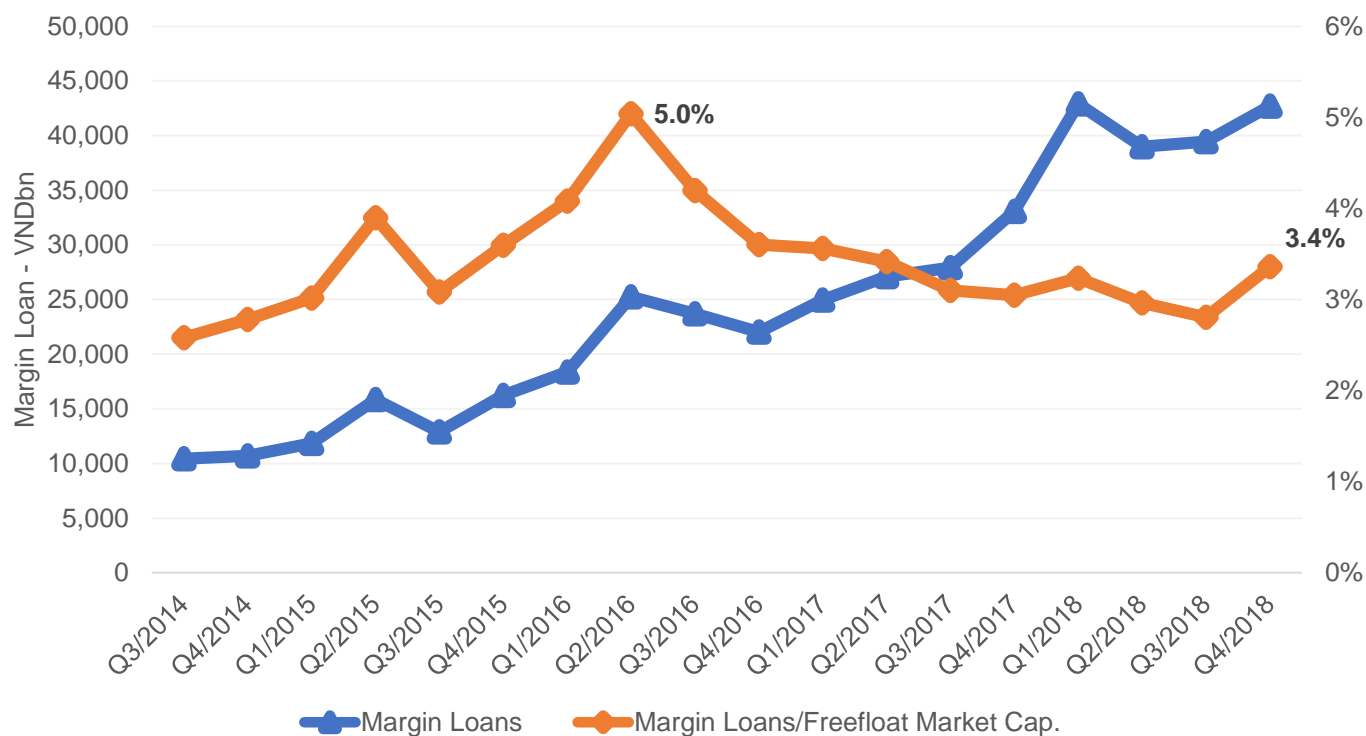
Source: FiinPro Platform

Note: Trading value by Retail investors is the sum of Buy value and Sell value

③ Liquidity: Margin Loan/Marcap (Free-float) says it “safe”!

- Margin Loan/Free-Float going up in Q4-2018 to 3.3% but it is closed to the 5-year historical average
- Practically actual stock lending to local investors can be significantly higher in Vietnam. Why?

Margin Loan over Free-float Marcap

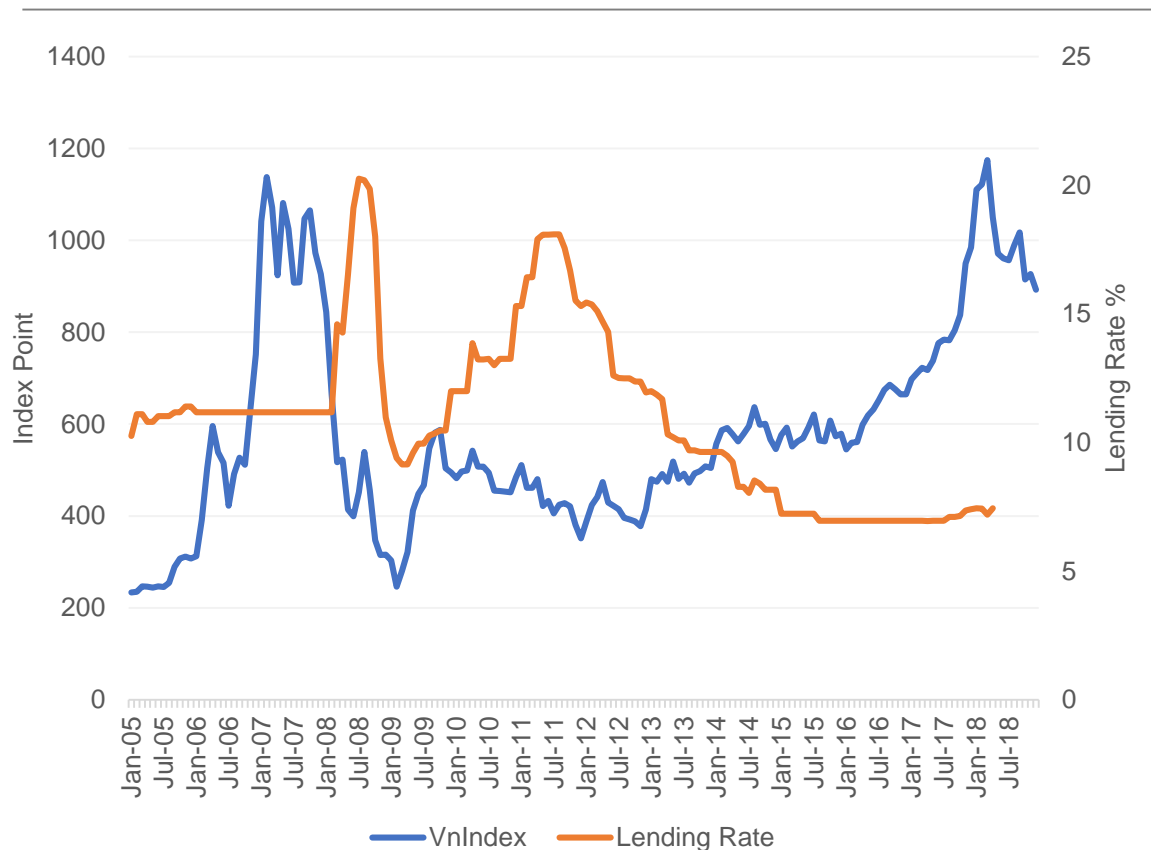


Source: FiinPro Platform

④ Interest rates vs. Market Sentiment

- We believe that domestic money is shifting at some portion to the high-yield products including CDs by both banks and non-banks i.e. finance companies and recently corporate bonds.

VN-Index vs. Average Lending Rate

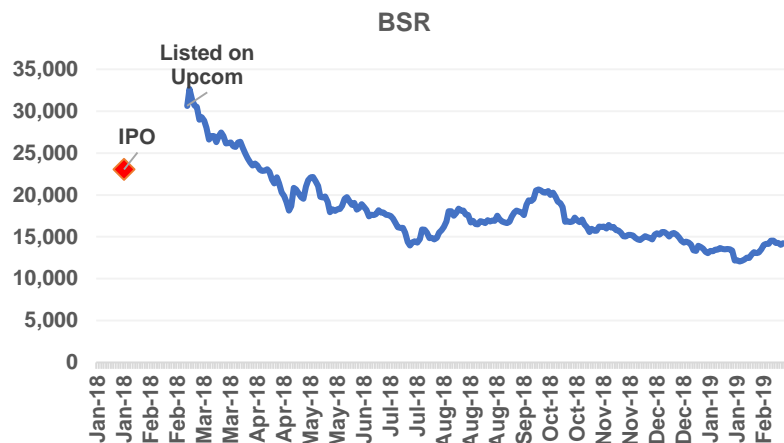


Source: FiinPro Platform

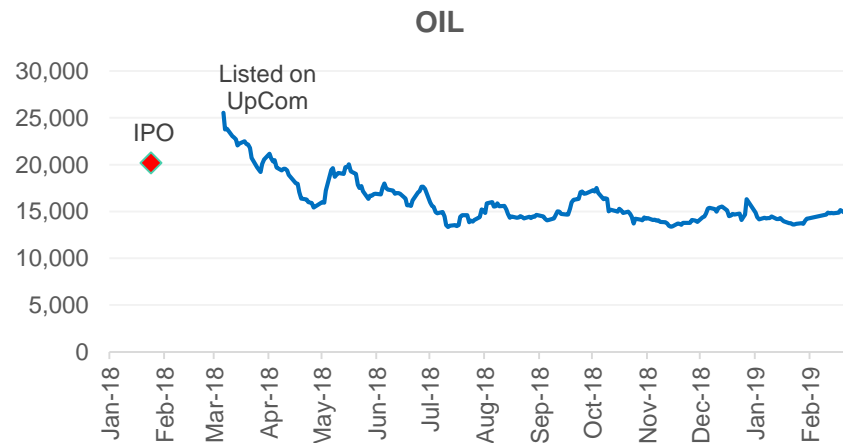
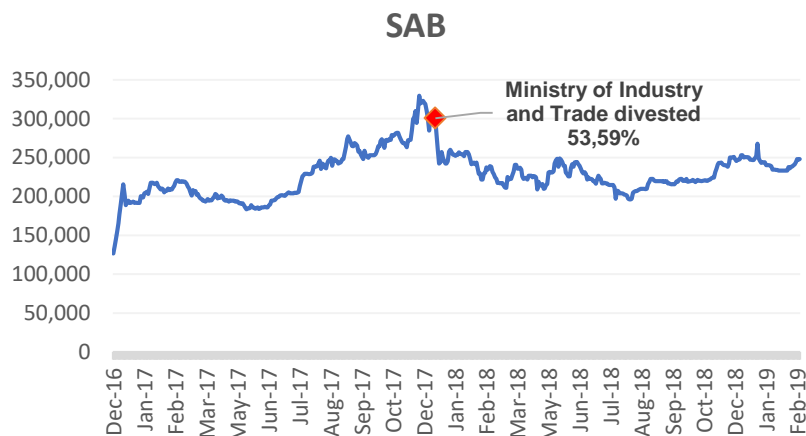
- Statistically, we tested that when average lending interest rate increases by 1% it will make VN-Index decline by 4.2% (assuming other factors remain constant)
- In months when interest rate is 1 STVE higher than standard deviation (26 times), VNINDEX decreases 2.02% on average. In case that interest rate is 0.5 STVE higher than the standard deviation (36 times), VN-Index decreases 2.01% in the month.
- In months when interest rate is 1 STVE below the standard deviation (41 times), VNINDEX rises 1.96% on average. In case that interest rate is 0.5 STVE under the standard deviation (51 times), VN-Index increase by 1.7% in the month.

5 Psychological Factor

- Major IPOs or State capital divestments: price tends to inflated for this purpose
- Our data indicated that 53% (41/77 over last 3 years) of IPOs is decliners in 6-month period post IPO. Several exceptions are noted such as Viettel Post and Vietnam Airline.



Top Decliners after 6 months listed				
Ticker	Exchange	Sector	Market Cap	% 6M
BSR	UPCOM	Oil & Gas	43,485	-45.1%
BCM	UPCOM	Real Estate	24,276	-39.2%
OIL	UPCOM	Oil & Gas	15,399	-43.4%
PGV	UPCOM	Utilities	12,219	-39.8%
VSN	UPCOM	Food & Beverage	3,014	-45.1%
SJG	UPCOM	Construction & Materials	2,115	-48.7%
RTB	UPCOM	Chemicals	1,170	-33.8%
BRR	UPCOM	Chemicals	990	-40.7%
SKH	UPCOM	Food & Beverage	759	-37.1%
BSG	UPCOM	Travel & Leisure	576	-41.5%
CHS	UPCOM	Utilities	280	-36.7%



Source: FiinPro Platform



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THANK YOU FOR LISTENING!

