

VIETNAM STOCK MARKET OUTLOOK 2019

FIRE PROVES GOLD



Vietnam stock market in 2018 witnessed significant changes, which is contrary to the stable growth in 2016-2017. Internal factors still remained positive and supportive to the market. However, the strong impacts from external risks triggered a simultaneous correction in main indices of 2018.

Foreign investors net-bought with a record volume in Vietnam stock market in 2018 (contrary to the net-sold trend in other emerging markets), mainly focused on VHM, VRE, YEG, MSN...

Vietnam stock market in 2019 is expect to be volatile under the impacts of external factors, while domestic factors remain neutral. Economic growth and profit growth of listed companies will be slower than in 2018, but still stay at a positive level, SBV monetary policy will be managed more prudently but still loosened in general. The reasonable price zone of VNIndex in 2019 is 911-942 points, slightly increasing compared to the end of 2018 thanks to the positive growth of market EPS, although P/E of the market is corrected to decrease (to 14.5-15 times), which reflects the increase of the external risks.



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STOCK MARKET OVERVIEW 2018

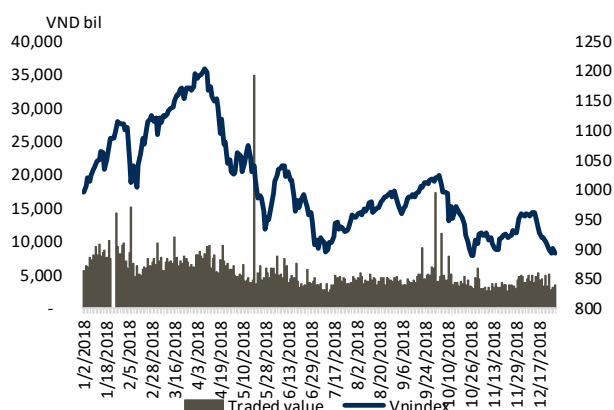
The market was volatile in 2018, all indices corrected with liquidity soaring.

The movements in Vietnam stock market in 2018 can be separated into 3 main phases:

- The 1st phase from the early year to the beginning of 2Q, Vnindex surged, followed the uptrend in 2017, and peaked at 1,211 points on April 9. The force of growth in the market in this period comes from the strong profit growth of listed companies, foreign investors strongly net-buying, the recovery of oil price and the support from divestment, and IPOs of large SOEs...
- The 2nd phase from early Q2 to early Q3, Vietnam stock market slumped due to strong impacts from negative external factors (the trade war and Fed's interest rates hikes begins to impact the flow of global capital, and the China economy is expected to slow down...). Meanwhile, domestic situation were not well supported as exchange rate, inflation moved unfavourably, leading to the more prudent SBV's monetary policy.
- The 3rd phase was the rest of the year, the market moved into a sideways drift. There were several upswings of VNIndex in this period as Vietnam stock market was valued more attractively and listed companies continued to witness strong growth. However, these rebounds did not last long because of increasing external risks (Fed interest rates hikes, trade war, crisis in Europe, and the decrease in oil prices...).

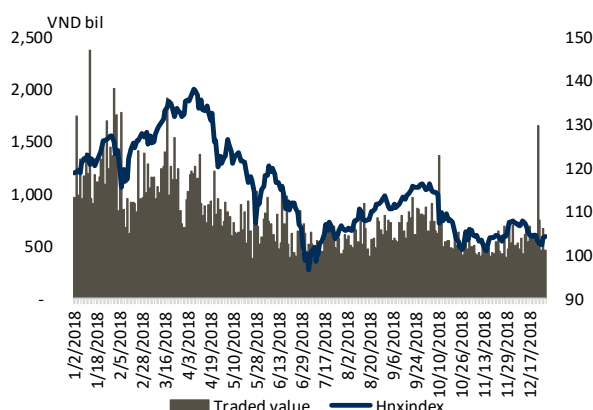
In the whole year of 2018, Vnindex and Hnindex slipped by -9.3% and -10.8% respectively, while the trading value went up by +28.8% and +22.5% compared to that in 2017.

Figure 1: Vnindex movement



Source: Bloomberg, KBSV

Figure 2: Hnindex movement



Source: Bloomberg, KBSV

There is strong divergence in the growth of some sectors in 2018.

Fishing (+75.5%), residential real estate (+38.7%) and insurance (+27.9%) saw the strongest growth. In particular, fishing sector achieved positive growth thanks to the plunge in anti-dumping duty in the U.S market; the growth of residential real estate came from the strong performance of numerous large

companies in the sector due to favorable changes in real estate market; and insurance sector surged thanks to dramatic increase in the leading stock – BVH.

In terms of some stocks exerting strongest impacts on Vnindex (Figure 4), the most positive tickers were VIC, BID and BVH... while the most negative ones were VNM, ROS and VHM...

Figure 3: Movements in sectors

Most outperformed sectors	Change	Tickers
Fishing	75.50%	VHC, ANV, FMC, HVG...
Residential Real Estate Developme	38.70%	VIC, NVL, KDH, DXG...
Insurance	27.90%	BVH, PVI, BIC, BMI...
Rubber	23.60%	PHR, DPR, TRC, HRC...
Coal	18.40%	NBC, TVD, HLC, TC6...
Most underperformed sectors	Change	Tickers
Food Products	-18.60%	VNM, MSN, SBT, KDC...
Oil Equipment & Services	-25.00%	PVS, PVD, PVC, PVB...
Plastics	-32.90%	AAA, RDP, DAG, HII...
Tile & Paving Material Manufactur	-34.60%	VCS, VGC, CVT, VIT...
Forestry	-50.10%	TTF, DLG, GTA

Source: Bloomberg, Finnpro, KBSV

Figure 4: The most influencing tickers

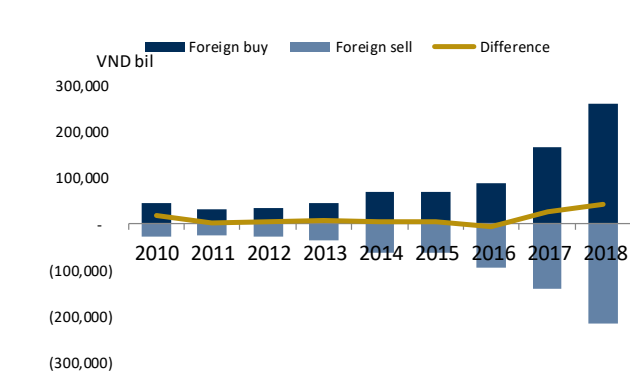
Leaders	On Vnindex
VIC	+42.4
BID	+9.7
BVH	+6.4
NVL	+3.6
MSN	+1.6
Laggers	On Vnindex
VNM	-28.9
ROS	-23.1
VHM	-13.6
TCB	-10.2
PLX	-7.6

Source: Bloomberg, Finnpro, KBSV

Foreign investors continued to net-buy in 2018 (mainly via put-throughs).

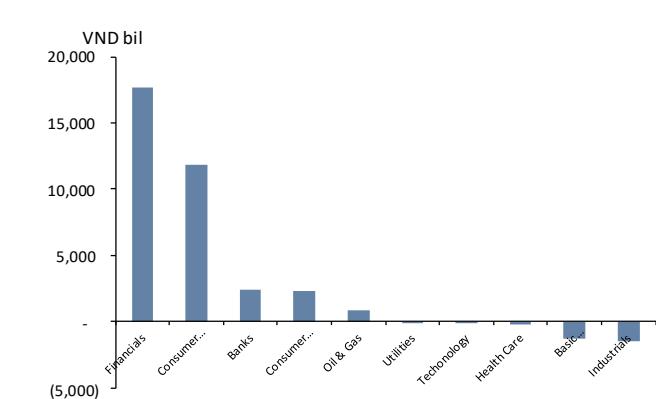
Foreign investors had a year of net-buying with record large volume in Vietnam stock market, valued at VND 41 tn on the HSX (contrary to the net withdraw of capital from emerging markets). Foreigners mainly net-bought VHM, MSN, YEG, VRE... (Excluding put-through transactions, foreign investors net-sold VND 16 tn on the HSX in 2018).

Figure 5: Foreign investors' trading on the HSX



Source: HSX, KBSV

Figure 6: Foreign investors' trading by sectors



Source: Bloomberg, KBSV

In terms of sectors, finance sector and consumption goods were strongly net-bought (mainly focusing on VHM, MSN, VRE, SSI...); while only industrial industry, materials were net-sold in large volume (mainly focusing on HPG, VGC, CTD, HSG...)

BUSINESS ACTIVITIES OF LISTED COMPANIES

- **Business performance in the first 9 months**

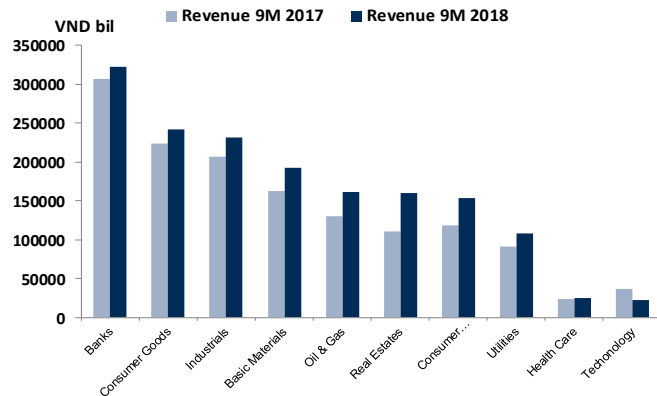
Business performance of companies on the 2 exchanges kept

Followed the uptrend in 2017, business performance of listed companies on the 2 exchanges kept soaring in the first 9 months of 2018. In particular, of

soaring in the first 9 months of 2018.

708 observed companies in both exchanges, there were 356 achieving positive growth compared to the same period of 2017 (equal to 50.3%). In the first 9 months, total revenue increased by 14.8% YoY, while the profit grew by 24.2% YoY. Thus, net profit margin rose by 9.4%, higher than 8.7% in the same period of 2017. In particular, those with gaining dramatic profit growth included many big names like VHM, GAS, VCB, MSN...

Figure 7: Revenue of sectors in the first 9M compared to

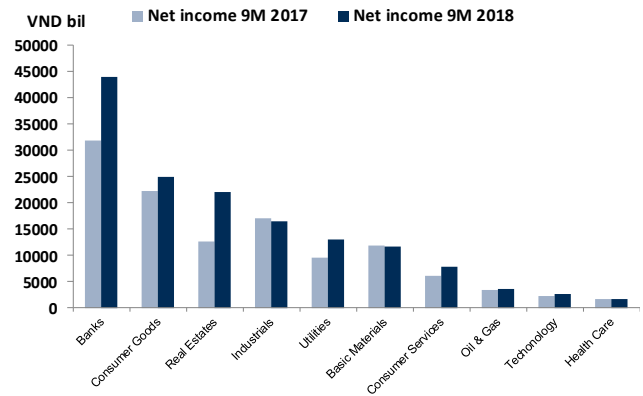


Source: KBSV, Bloomberg

Banking and real estate groups were the best performers in terms of profit growth.

Companies with large cap size showed dramatic growth compared to the general market.

Figure 8: Profit of sectors in the first 9M compared to the



Source: KBSV, Bloomberg

Regarding profit growth in 10 sectors, there were 7 sectors having positive growth and 3 sectors with negative growth compared to the same period. Particularly, the real estate sector showed the most significant growth (+73% YoY) mainly due to dramatic growth in the leading company - VHM, and in some others like DXG, NLG, SCR... The banking sector ranked 2nd (+38%) with the growth in all banks such as VCB, TCB, ACB... The third was Utilities (+36%) with most companies showing positive growth (25/39 companies), the biggest contributor was the largest large cap stock - GAS (+50%).

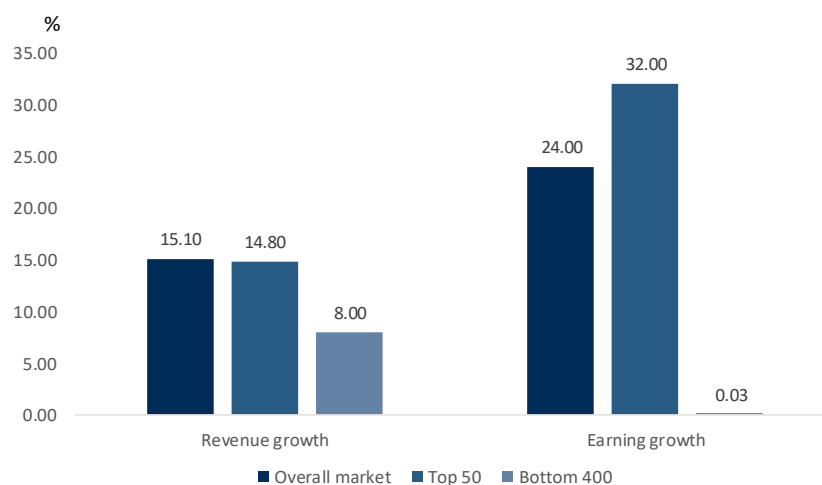
In contrast, industry sector (-3%), raw materials (-2%) and healthcare (-0.2%) saw a downturn compared to the same period despite insignificant decrease.

Companies with large cap size (top 50 with largest cap size in the market) showed much higher growth than the overall market. Specifically, revenue and profit of this group in 9M 2018 surged by +15.1% and 32.4% respectively; much higher than +14.8% and +24.2% of the whole market.

As a result, net profit margin of large cap stocks went up from 10.2% in 9M 2017 to 11.8% in 9M 2018; far higher than 9.4% of the overall. This indicated that companies with large cap size were still among the first to benefit from the economic cycle with competitive advantages of financial potential, dominant market share and supply chain...

Meanwhile, small cap size stocks (400 with the smallest cap size on the 2 exchange) had lower growth than the general market with revenue/profit growth in 9M compared to the same period of 8.4% and 0.03%. Consequently, net profit growth of this stock group decreased by 2% to 1.8%. This partly revealed the difficulties of businesses with small cap size as they have not made use of the upswing phase of the economy.

Figure 9: Revenue/profit growth of business groups by large cap size in 9M 2018 compared to the same period



Source: Bloomberg, KBSV

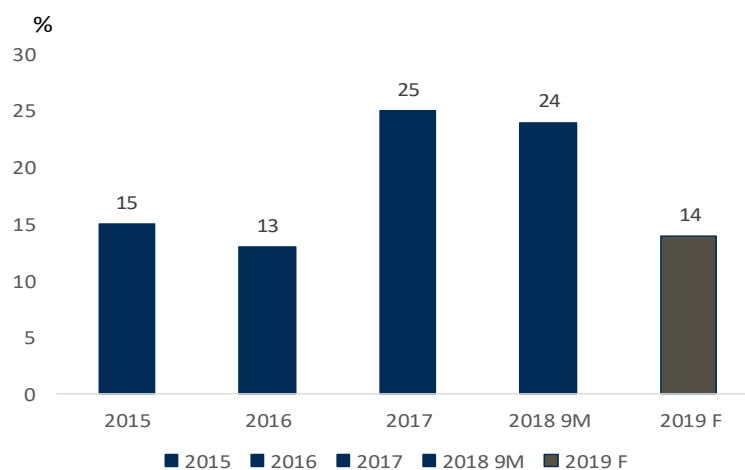
• 2019 Business performance forecast

Profit growth of listed companies in 2019 is expected to be high, but significantly slow down compared to that in 2017-2018.

In 2018 the market witnessed strong growth in profit of listed companies with the increase of +24.2% in the first 9M. However, this impressive number was mainly supported by the surge of VHM (+311%) and banking sector (+38%). With VHM and the banking sector accounting for 30% market cap size, the thriving of them considerably contributed to the total revenue growth of companies on the exchanges. In fact, if VHM and banking sector were excluded, the profit of the remaining companies in 9M 2018 rose moderately (+12.2%).

VHM is forecast to increase at a high level, but still lower than that in 2018, and the banking sector growth tends to slow down since there are not many dramatic incomes from realized investment bonds, bancassurance and reversal from bad debts. In 2019, profit of VHM and banking sector is forecast to reach 50% and 14% respectively.

Figure 10: Profit growth of listed companies over the years

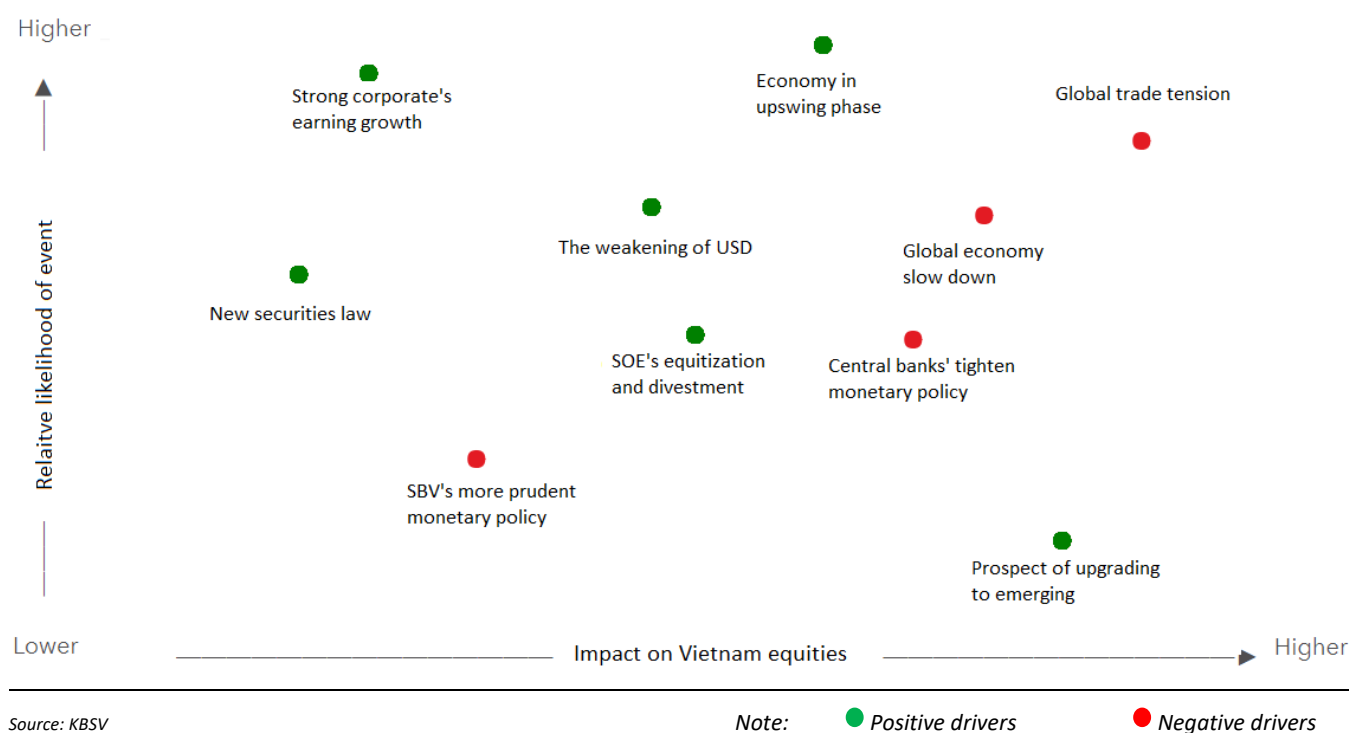


Source: KBSV, Bloomberg

Other sectors tend to remain the positive growth, but some potential risks may cause a slower pace compared to that in 2018. The main factors were the slight increase in the interest rates, SBV's more prudent monetary policy, risks from economic growth slowdown, volatile exchange rates... As a consequence, the total profit of listed companies is forecast to increase by 13.5%-14% (equal to 10% of EPS growth of the market), which is quite the same as the increase in 2015-2016.

KEY MARKET DRIVERS IN 2019

Figure 11: Major market drivers in 2019



- **The economy will be in upswing phase – the fundamental factor supporting market performance**

Vietnam economy is forecast to continue to gain high growth rate in 2019, while domestic macro risks are not very significant.

According to the “Vietnam Macro Outlook 2019”, Vietnam economy is forecast to slow down in comparison with 2018, but still achieve high growth speed. Besides, thanks to the Government’s priority to stabilize the economy, domestic macro risks have been considerably reduced compared to the booming economic growth in 2000-2007 period.

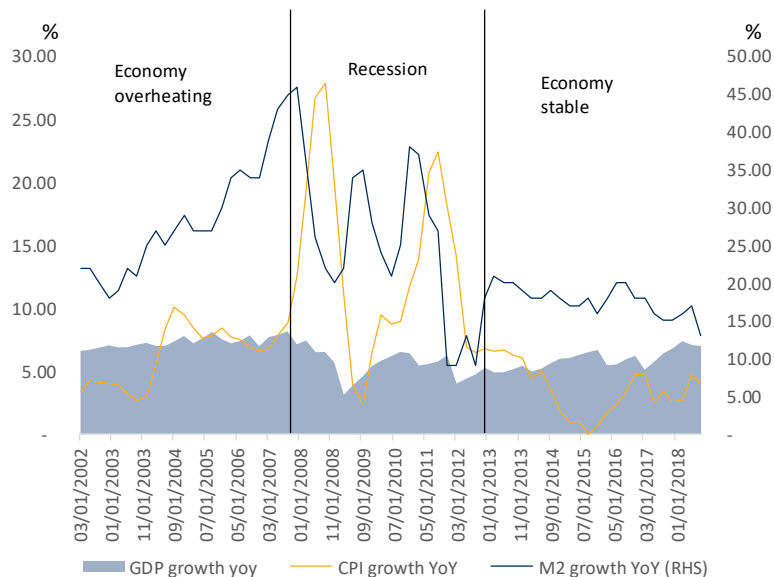
Although GDP is still high, the risks to Vietnam economy are much lower than that in 2000-2007 due to the Government management policy to prioritize macro stabilization.

In 2000-2007, the average Vietnam GDP growth was 7.2% per year with SBV loosening monetary policy. The average growth of M2 money supply in this period was 30% per year; especially in 2006-2007, the money supply advanced to 40% per year. Easing monetary policy in this period strongly boosted the economy, however it brought many serious consequences later in 2008-2012. Particularly, real estate and securities market plunged, NPLs surged, inflation was out-of-control, and economic growth sharply decreased.

At the moment, with the government priority on macro stability; inflation control, and flexible exchange rate management, the health of Vietnam

economy is stronger than that in 2000-2007, while GDP growth rate remains high.

Figure 12: Vietnam economy in 2002 - 2018

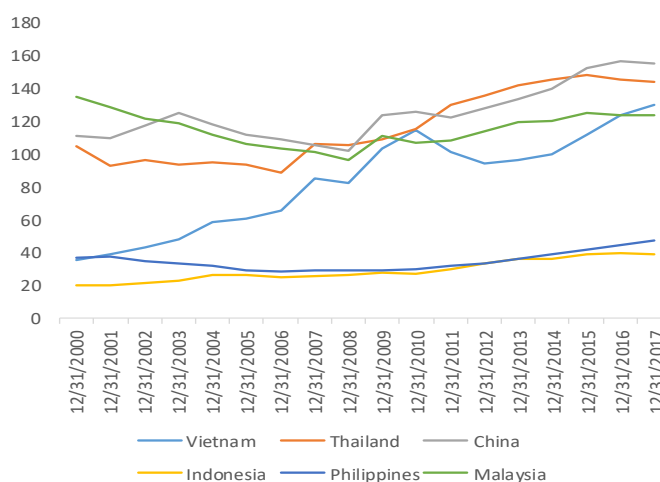


Source: KBSV

Although the domestic banks' credit/GDP ratio in Vietnam is still high in the region, the growth has slowed down significantly compared to the period of 2000-2010.

In recent years, economic growth has been less dependent on credit growth, which helps to stabilize inflation. However, this rate is still considered high compared to that in the past, and may have some certain risks. It is worth noting that SBV also had some signals of curbing credit and money supply growth, which tends to be maintained in the next 1 -2 years to lower the risks to the economy.

Figure 13: Domestic bank credit/GDP

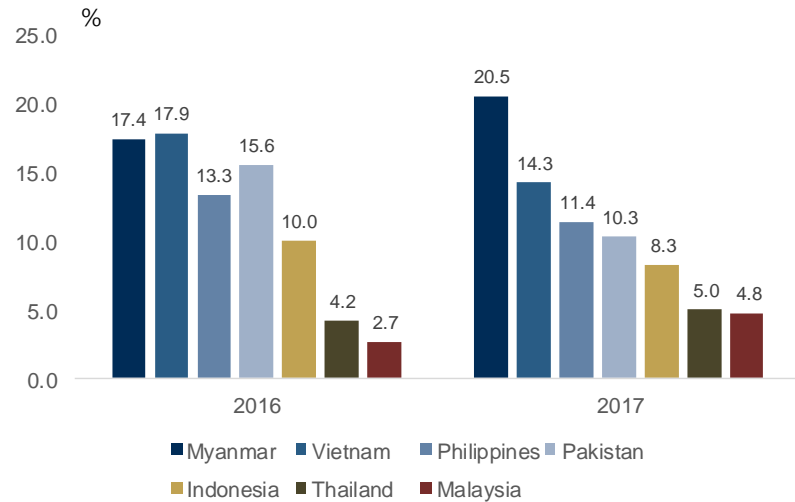


Source: KBSV, Worldbank

SBV will apply a prudent but easing monetary policy

Credit and M2 money supply in 2019 are expected to be 13%-15% and 11%-13%, decreasing but still considerably high in the region, which showed the reasonable loosening monetary policy to support the economy.

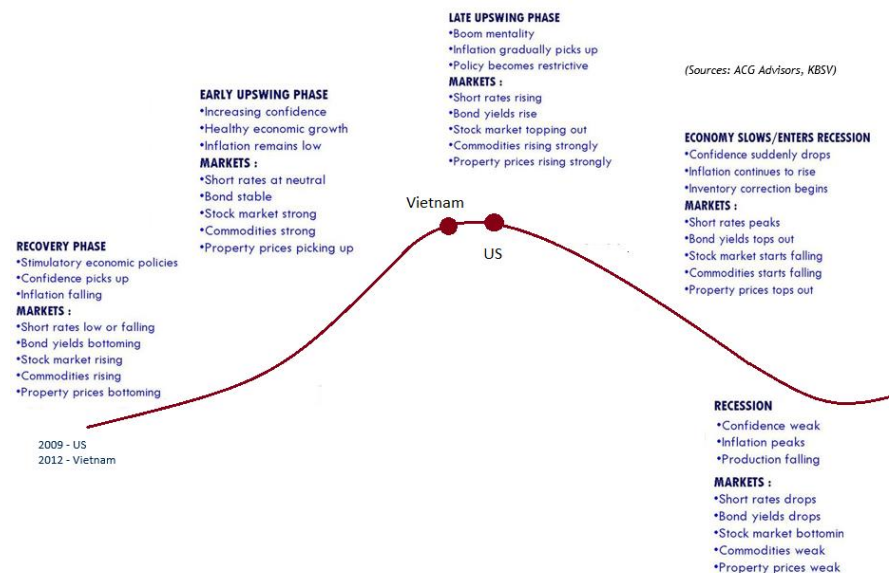
Figure 14: Money supply growth in some countries in the region



Source: International Financial Statistics

Overall, some signals of a slowdown in the economic growth appeared such as increasing inflation and interest rates, unpredictable exchange rate movement due to external factors volatility; and more prudent SBV monetary policy. However, we believe in a positive outlook of Vietnam economy in 2019; GDP will be high (despite a small decrease compared to that in 2018), monetary policy are still loosening; inflation is under the control of the Government; and despite a small increase, interest rates still be low.

Figure 15: Economic cycle



Source: KBSV

Vietnam economy have entered “late upswing phase” in a typical economic cycle (Figure 15)

This means that this recovery of Vietnam economy will last at least until 2020. However, stock market usually reflects sooner than the economic cycle and peaks before a recession. Based on historical data, we have noted that stock markets can reach the peak few quarters before the economic. As a result, if the market rebound in 2019 like the expected scenario, there might have

dramatic moves at the end of the year, creating mid/long term peak of the stock market.

- **Escalating trade tension – the driver affecting the global economy**

The trade war continues to be the biggest threat to the global economy in general and Vietnam economy in particular.

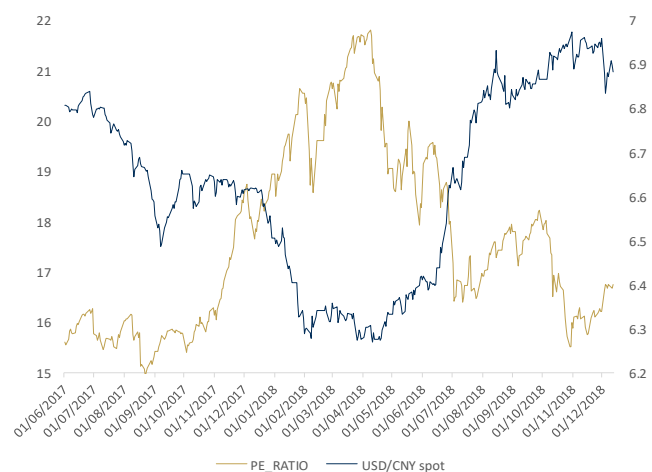
In the recent G20 Summit in Argentina, authorities from the U.S. and China have agreed to a cease-fire and resumed trade talks lasting for 90 days. After the deadline, if there is no specific progress made, the U.S. will likely to increase the tariffs on Chinese commodities from 10% to 25% and China will absolutely respond with relevant acts in retaliation.

If a trade deal is reached by the two countries, this will be a powerful supportive factor for the global stock market as the fear of negative effects from tariffs on economic growth will be eased. However, from our moderate viewpoint, the two countries may not end the trade war within 90 days due to the prevailing disputes.

In short term, the trade war has negative impacts on Vietnam stock market due to the CNY devaluation and downturn global stock market.

In the short term, if the trade war escalates, there is no doubt that Vietnam economy will be negatively affected in two ways. The first one is that the global stock market correction will exert pressure on the domestic stock market, given the correlation between the two markets has been higher in recent years. In another way, the trade war will likely trigger a strong correction in the CNY. As China is the trade partner with the highest proportion in the import/export turnover, SBV monetary policy is significantly affected by the CNY moves and tends to be tightening when the CNY strongly devaluates. However, this factor is forecast to be less powerful in 2019 as the USD becomes weaker, which means the double impact from strengthening USD and weakening CNY as in 2018 will not be repeated.

Figure 16: Movement of USD/CNY and P/E Vnindex



Source: Bloomberg, KBSV

If the trade war remains in a long time, Vietnam stock market will be adversely affected in medium and long term.

In a negative scenario, the trade war continues in a long term and spread widely, the response of Vietnam stock market in mid-long term will depend on the impact on the economy. Basically, Vietnam could benefit the trade war. For example, Vietnam goods can be exported to the U.S. to replace Chinese goods, Vietnam can attract more FDI from corporations moved away from

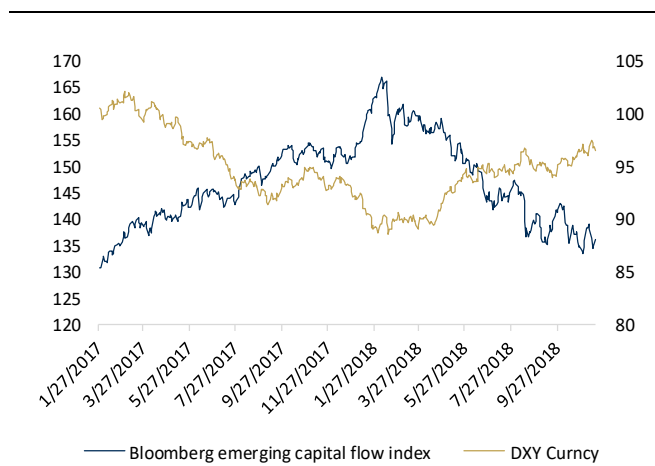
China to avoid risks from the trade war. However in general, the negative impacts seem to be stronger as Vietnam economy is widely open and vulnerable to the intermission of the supply chain or slow global economic growth. Additionally, fierce competition between domestic commodities and imported products from America – China; and increasing tariffs of the U.S on Chinese goods disguised as Vietnamese origin to export to the U.S are also some risks to face. In conclusion, in short, medium and long term, the trade war still exerts adverse effects on Vietnam stock market.

- **Weakening USD – supportive factor to emerging markets**

The USD is projected to become weaker in 2019, which will support emerging markets and benefit the stock market.

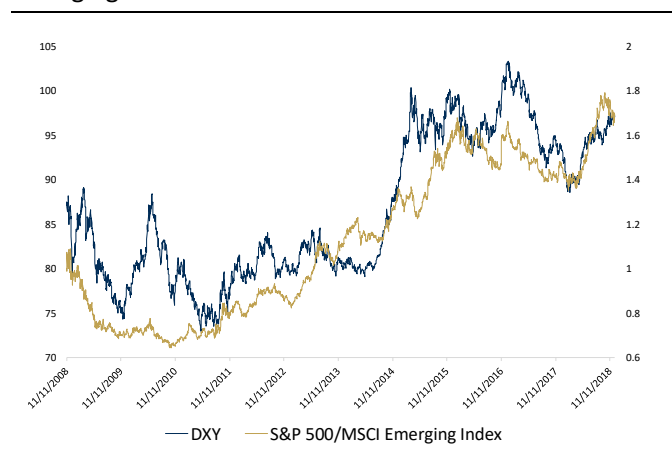
As mentioned in the “Vietnam Macro Outlook 2019”, the USD is forecast to be weaker in 2019, triggering the decrease in DXY. As a result, the global financial outlook in 2019 is predicted to be partly contrast to what happened in 2018 – when the USD appreciated, the capital outflows from emerging markets with high inflation - exchange rates pressure; and the stock market in these countries strongly corrected.

Figure 17: DXY and in/out cash flow in emerging markets



Source: KBSV, Bloomberg

Figure 18: DXY and S&P500 compared with MSCI Emerging Market Index



Source: KBSV, Bloomberg

Figure 17 demonstrated the correlation between the in/out cash flow in emerging markets and the movement of the USD. In 2018, the USD got stronger because the U.S economic growth outspeed other countries in the world, companies' revenue witnessed dramatic increase thanks to President Trump's tax cuts, FED interest rates hikes... the cash flow tended to head to US and run out of emerging markets. Meanwhile, Figure 18 showed a high correlation between DXY and the U.S stock market movement compared to emerging markets. When the USD became more powerful, S&P 500 usually saw more positive moves than MSCI Emerging Market Index and vice versa. With forecast USD becoming weaker in 2019, we believe that emerging markets will become more attractive than that in the U.S. Besides, emerging markets were also more attractive after strong correction in 2018, while the growth driver in the U.S stock market gets less effective.

There is a close correlation between Vietnam stock market

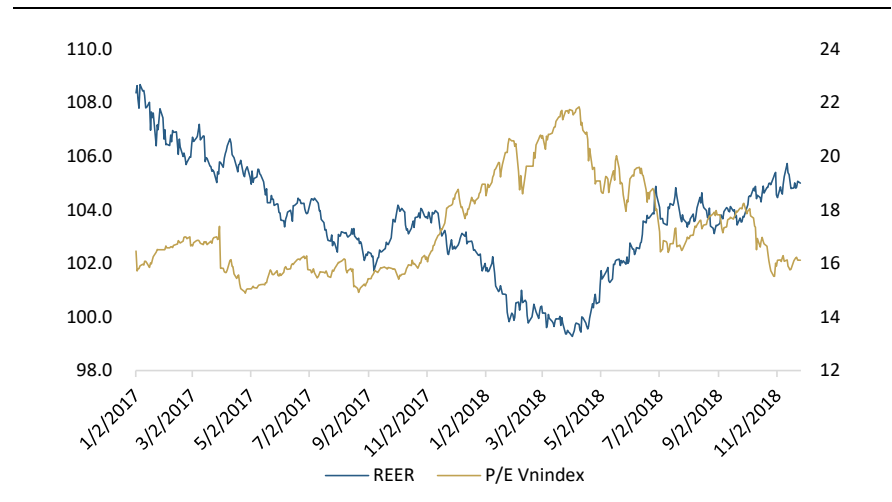
For Vietnam stock market, Figure 19 showed a relatively close correlation between REER (Real Effective Exchange Rate) and P/E of Vnindex from the second half of 2017 to now. In the big uptrend of the USD in 2018, exchange

and exchange rates movement

rates and inflation were under strong pressure, leading to foreign investors' net selling, which is 1 of the main reasons making P/E of Vnindex drop from 22 times at the end of 1Q to 16 in year-end period.

In line with the weakening USD in 2019, the REER line will go down (since the USD takes a large proportion in the basket of REER calculation of the VND and VND tends to be dependent on USD) and support inflation and exchange rates' movement, which helps the SBV to be able to apply more easing monetary policy to boost the economy; the cash flow of foreign investors is also forecast to be traded more actively and positively. These are great supporters for Vietnam stock market in 2019.

Figure 19: REER and P/E Vnindex

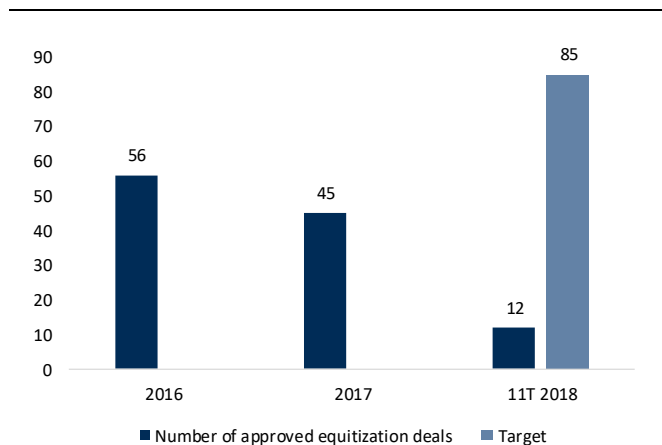


Source: KBSV, Bloomberg

- **Equitization and divestment of state-owned enterprises – raise the quality of commodities in the stock market, attract more foreign investors**

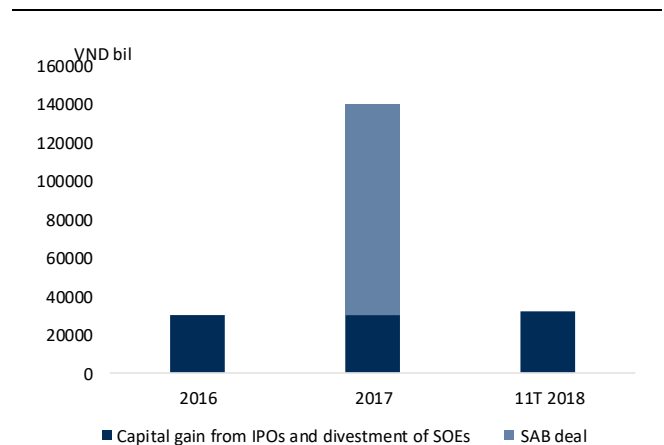
In the first 11 months of 2018, the Government approved 12 equitization deals, which is far from the target of 85 companies to equitize in this year and much lower than 56 and 45 equitization deals in 2016 and 2017.

Figure 20: The number of approved equitization deals



Source: Department of Corporate Finance

Figure 21: Capital from IPOs and divestment in SOEs



Source: Department of Corporate Finance

There is a slowdown in equitization and divestment progresss in SOEs

In these 11 months, there were 21 equitized enterprises, in which 16 enterprises completed equitization process in the first 6 months. Meanwhile

(the largest deals focused on 3 first months of the year) and the achieved number is still far from the target.

If the amended securities law is approved in the 2nd Meeting of the National Assembly in 2019, it will benefit Vietnam stock market thanks to impressive improvements in foreign room.

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in the last 6 months of 2018, there were only 5 more equitized corporation. The total capital gained from IPO in 2018 was VND21,644 bn.

The state gained VND10,499 bn from divestment in the first 11 months. The total amount gained from divestment and IPOs in SOEs in the first 11M was VND32,143 bn, which was equal to the amount recored in 2016 and 2017 (SAB excluded).

IPOs and divesment in SOEs is an important driver to Vietnam stock market growth in 2016-2017. However, with moderate performance of the market in 2018 (in addition to other reasons such as the state asset valuation, equitization methods, business operation management after equitization...), IPOs and divestment in SOEs has significantly slowed down since the 2Q.

With the public debt rate around 61% (close to the limit of 65%) and the Government ambitious plans on infrastructure investment in the years ahead (Ho Chi Minh City Metro, Long Thanh Airport, North-South Highway...), we suppose that 2019-2020 will be the peak of IPOs and divestment of SOEs due to the need of budget funding. This is among the important force to support the market in 2 ways: (1) macro policies will probably be loosened to boost the stock market; (2) add products with high quality to the market.

It is worth nothing that under the pressure of raising capital to meet the Basel II standard when the state budget is limited and the Government showed no intention to raise the budget for banks, state-owned banks will likely be allowed to open foreign room and reduce the state ownership (BIDV, Vietcombank) in the coming period to issue room for strategic investor. Besides, a series of IPOs (Mobifone, Power Generation Corporation 1, Power Generation Corporation 2, VINCEM...) and divestment of large SOEs (GAS, ACV, PLX, VEA, HVN...) may be implemented in 2019-2020.

- **Amended securities law – expectation of foreign ownership**

The amended securities law published recently is expected to be approved by the National Assembly 2nd Meeting in 2019 and may become effective from 2020. Remarkably, the issue involved in foreign ownership reaching 100% in listed companies (except the case of Vietnam being a member of international treaties or a specialized law having specific provisions on lower foreign investors' ownership rate). For the current law, the Decree 60/2015/NĐ-CP released in 2015 allow companies not included in conditional sectors to increase room to 100%. The process of asking permission for raising room includes some certain procedures. However in fact, since the Decree 60 was released, there have been only 30 companies in Vietnam stock market (out of 700 in total in the two exchanges) which officially extended room. As a result, the Decree 60 did not help Vietnam stock market to attract foreign capital as expected. In the annual MSCI report, Vietnam stock market needs to improve foreign room to be classified as an emerging market.

If the amended securities law is approved in a more open way for foreign room like in the draft, it may help to increase the number of companies with 100% room, attract the capital flow from foreign investors, and support Vietnam stock market in being classified as an emerging market according to MSCI. However, it is not until 2020 that this law is officially issued. Therefore,

the impacts in 2019 are limited and come from positive domestic investors' sentiment, and some global fund will disburse early to take advantage of the scenario that Vietnam will be reclassified to emerging market.

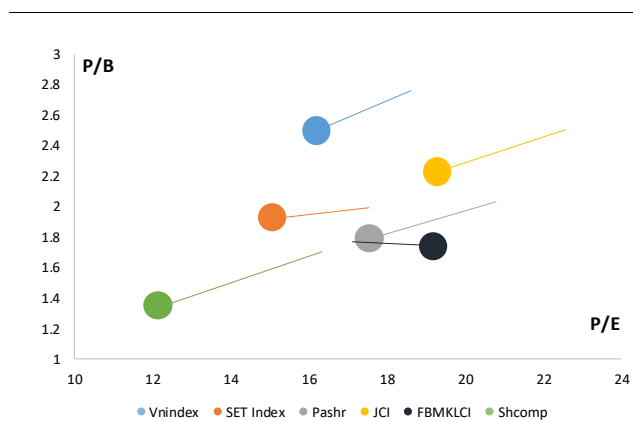
ASSESSMENT AND MARKET FORECAST

- **A comparison between Vietnam stock market and others in the region**

Average P/E of Vietnam stock market, high P/B and ROE compared to regional markets due to high leverage.

After a sharp correction in 4Q, Vietnam stock market witnessed a same decrease in 2018 with other regional markets. At the moment, P/E of Vietnam stock market is average, while ROE is at the highest level compared to other regional markets, leading to high P/B. In particular, the main reason leading to high ROE is high leverage in Vietnam companies.

Figure 22: P/E and P/B in emerging market in the region



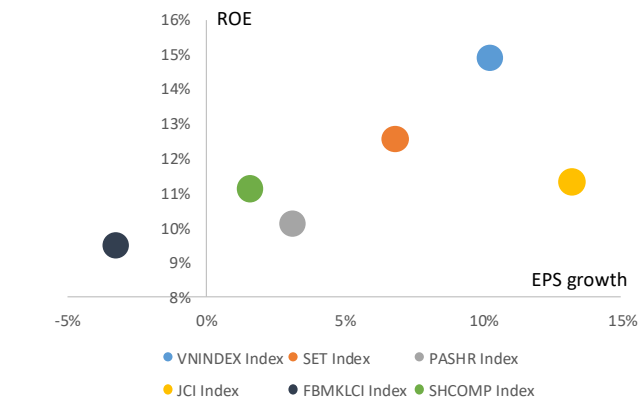
Source: Bloomberg, KBSV

Note: Present (blue dot), last 2017 (blue line)

Vietnam stock market is relatively more attractive than others in the same region

Domestic factors still have positive impacts on the stock market

Figure 23: Average ROE and EPS in 5 years in emerging market in the region



Source: Bloomberg, KBSV

In general, Vietnam stock market is considered to be more attractive than other peers in the region due to high EPS in recent quarters and high operating effectiveness (inferred from ROE). However, high dependence on debt makes the corporate operating effectiveness strongly impacted by interest rates movement, which is the most potential risk to be closely followed.

- **2019 VNINDEX forecast**

Vietnam economy is expected to achieve high growth rate in 2019, corporate profit will not see dramatic growth as in 2017-2018, but still remains positive (13.5%-14%), EPS of the market will increase by around 10%. Inflation and exchange rates are potential risks, but there may be no sudden change in 2019; and the SBV can continue its supportive monetary policy (but more prudent compared to the past years). The amended securities law is expected to be more open and attract foreign investors, which will help Vietnam stock market be classified as an emerging market soon. In general, domestic drivers of the market in 2019 are believed to be positive.

Domestic factors still have positive impacts on the stock market

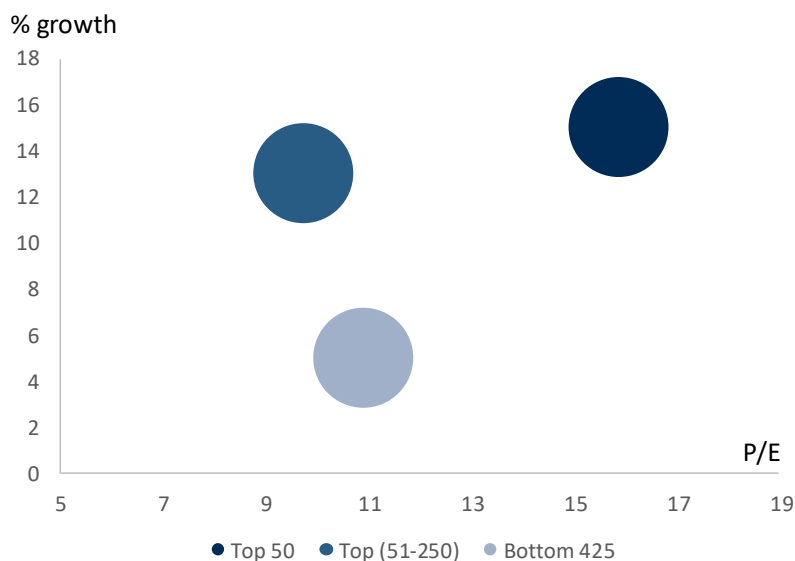
However, the market trend in 2018 showed the strong impacts of external factors on the Vietnam stock market movement amid global risks stock market as global macro condition become more and more increasing. These impacts tend to remain in 2019, especially the main complicated drivers such as major economies' performance and their monetary policy (U.S, China, EU, U.K, Japan...), trade war, oil prices fluctuation, political disputation... Based on the forecast on rising global risks, we forecast the global stock market will correct to fall in 2019 as the cash flow tends to run towards safe asset havens. Consequently, Vietnam stock market will be affected by negative impacts due to the increasing correlation between domestic market and global stock market.

	Scenario		
	Positive	Baseline	Negative
EPS growth YoY	12%	10%	8%
P/E	16.5	14.5-15	13
Vnindex	1055	911-942	802

With a forecast slowdown in corporate profit growth (up by 13.5%-14% in 2019), and increasing external risks, in the baseline scenario, the reasonable P/E of VNIndex in 2019 is about 14.5-15 times, decreasing compared to that in the end of 2018 (nearly 16 times), but still higher than the average in 2015-2016 (13.7 times). Therefore in our forecast, the reasonable level of VNIndex in 2019 is 911-942 points.

- Investment themes 2019

Figure 24: P/E and forecast profit growth in 2019 of share groups by cap size



Source: Bloomberg, KBSV

Under the pressure of increasing external risks and forecast dramatic changes in the market, we are not pessimistic but prudent in suggesting stock groups for investment in 2019.

Sectors benefit from the trade war, especially the shifting trend in manufacturing and processing contracts in Vietnam. One of the typical stocks come from real estate – industrial plant, logistics and textiles. This group has recovered recently thanks to expected factor, but corrected afterward to be in line with the general market. The same scenario may continue in 2019 as fundamental factors are reflected more clearly.

Stable and defensive stocks which is suitable for the market appetite when risks increases. One of these are electricity – water, medicine and some companies with high ability of dividend payment.

Mid-cap stocks with sustainable business activities, which have been undervalued and attracted little cashflow recently. After a strong correction, bluechips will be the first ones to absorb the cash flow, but this rebounding momentum hardly lasts for long as in 2016-2017. At that time, the cash flow tends to shift to mid-cap stocks in potential sectors. Figure 24 showed that the expected profit growth of large cap stocks is not significantly higher than that of mid-cap ones in 2019, and mid-cap stocks (with current P/E of 9.7 times) are much more undervalued compared to large cap stocks (with current P/E of 15.8 times).

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