

## Securities Sector

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**Nga Ho**  
Analyst  
[nga.ho@vietcap.com.vn](mailto:nga.ho@vietcap.com.vn)  
+8428 3914 3588 ext.516

**Duy Nguyen, PhD**  
Senior Manager  
[duy.nguyenanh@vietcap.com.vn](mailto:duy.nguyenanh@vietcap.com.vn)  
+8428 3914 3588 ext.123

### High beta market proxies at reasonable valuations

- We expect retail investors to drive growth in ADTV (average daily trading value) in the near term, while institutional investors should become a more significant driver in the long term.
- We expect FTSE Russell to announce an upgrade for Vietnam to secondary emerging market (EM) status in 2025. We estimate that this could trigger passive inflows of around USD1bn, and potential inflows of USD7.5bn could result from EM upgrades by both FTSE and MSCI. In addition, an EM upgrade would open Vietnam to a wider universe of actively managed funds, implying scope for further net inflows.
- Foreign ownership limits (FOLs) and the availability of 'foreign room' remain concerns for foreign investors. However, many stocks have FOLs set below their Government-regulated threshold, implying scope to raise FOLs if attractive opportunities arise to admit foreign strategic investors. Additionally, in the banking sector, we anticipate that the Government-regulated FOLs for VPB and HDB could increase from 30% to 49% because of participation in the scheme to rehabilitate distressed credit institutions.
- The brokerage market has become more concentrated, and competition among top firms has become intense, particularly in the retail segment due to the entry of foreign firms and banks into the brokerage business.
- Brokerage fee rates have been steadily declining over the past five years and we expect this trend to continue. As a result, brokers, particularly those focused on retail clients, are likely to seek growth in margin lending revenues. We expect investment banking and underwriting, which have slowed since 2022, to recover in 2025.
- Although the current wave of capital-raising pressures ROEs for leading brokers, we believe the long-term earnings growth outlook is bright, driven by gains in the market, growth in ADTV, and further innovation in brokers' services. Therefore, we believe the sector can trade at a premium over the 10-year average P/B valuation.
- We expect institutional-focused brokers to gain market share following a market upgrade to EM status and an increase in foreign participation. Among the top listed brokers, we believe SSI, HCM, and VCI are well-positioned to benefit from both Vietnam's potential stock market upgrade and long-term growth of the equity market.

Figure 1: Securities sector key data

Code	Rating	Market Cap USD mn	State O'ship %	For. Limit %	For. Avail USD mn	ADTV 30D USD mn	Share Price VND ps	Target Price VND ps	Target price updated	Upside %	Div. Yield %	12M TSR %
SSI*	BUY	2,157	0.00%	100%	935	18	27,300	32,200	19/8/2024	18.0%	3.7%	21.7%
HCM	N/A	869	17.3%	49%	17	14	30,650	N/A	N/A	N/A	N/A	N/A
VCI	N/A	865	0.00%	100%	692	12	27,400	N/A	N/A	N/A	N/A	N/A
VND	N/A	932	0.00%	100%	810	8	15,200	N/A	N/A	N/A	N/A	N/A
MBS	N/A	663	0.00%	49%	243	5	30,100	N/A	N/A	N/A	N/A	N/A

Source: Vietcap (share prices as of October 9, 2024)

Figure 2: Securities sector summary valuations

Code	EPS g 2023 %	EPS g 2024F %	EPS g 2025F %	P/B LQ x	P/B 2023 x	P/B 2024F x	P/B 2025F x	P/E TTM x	P/E 2023 x	P/E 2024F x	P/E 2025F x	ROE TTM %	ROA TTM %	Net debt / Equity %
SSI*	15.6%	2.9%	49.8%	2.1x	2.1x	2.0x	1.8x	17.9x	22.2x	18.5x	14.4x	12.2%	4.7%	184%
HCM	N/A	N/A	N/A	1.9x	N/A	N/A	N/A	25.2x	N/A	N/A	N/A	10.1%	4.7%	76%
VCI	N/A	N/A	N/A	2.6x	N/A	N/A	N/A	46.9x	N/A	N/A	N/A	9.6%	4.1%	113%
VND	N/A	N/A	N/A	1.7x	N/A	N/A	N/A	23.3x	N/A	N/A	N/A	15.0%	5.6%	99%
MBS	N/A	N/A	N/A	2.0x	N/A	N/A	N/A	20.5x	N/A	N/A	N/A	14.2%	5.2%	187%

Source: Vietcap (share prices as of October 9, 2024). \* SSI updated on August 19, 2024.

## Contents

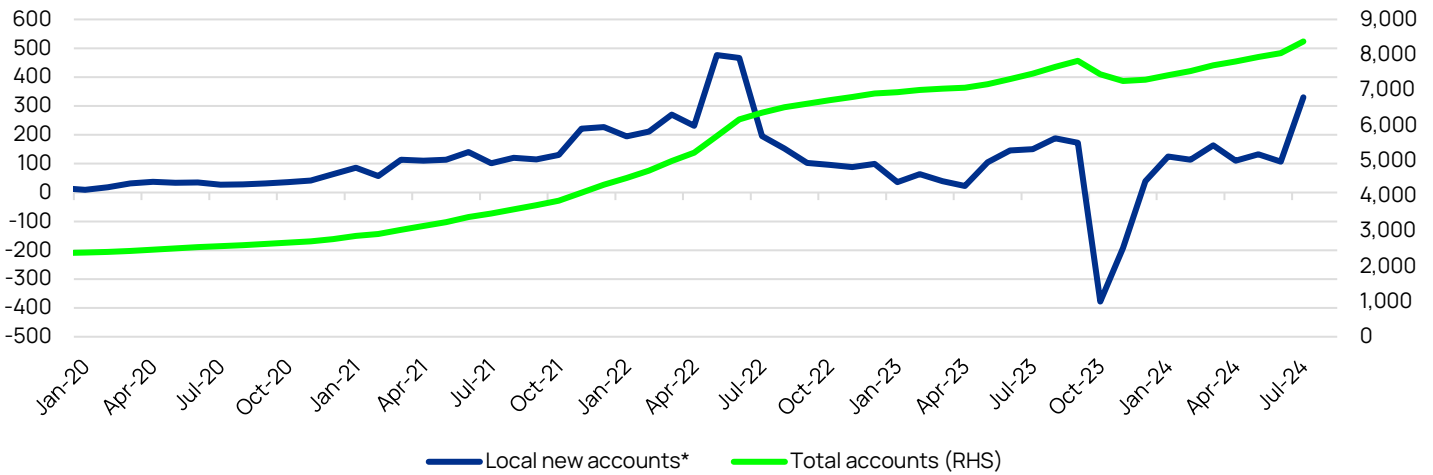
High beta market proxies at reasonable valuations .....	1
Bright outlook for Vietnam's stock market .....	3
Increase in ADTV since the pandemic appears sustainable .....	3
Vietnam to be upgraded to EM status .....	6
EM upgrade could attract significant inflows from passively managed funds .....	6
Risks to active inflow estimates: low liquidity and a shortage of quality stocks .....	8
EM upgrade to lead to higher participation by foreign investors .....	10
Regulatory revisions to accelerate market upgrades and enhance market efficiency .....	12
Brokerage sector landscape .....	13
Brokerage stocks are highly correlated with ADTV and VN-Index .....	13
Intense competition between brokerage firms .....	14
Revenue mix to evolve and diversify further .....	16
Brokerage services .....	19
Margin lending services .....	21
Investment portfolios .....	23
IB and Underwriting services .....	25
Earnings to grow over the medium term but ROE under pressure .....	26
Share price performance and valuation .....	29
Potential stocks to benefit from a FTSE upgrade .....	33
Appendix .....	34
Table of Figures .....	35
Vietcap Rating System .....	38
Disclaimer .....	39
Contacts .....	40

## Bright outlook for Vietnam's stock market

### Increase in ADTV since the pandemic appears sustainable

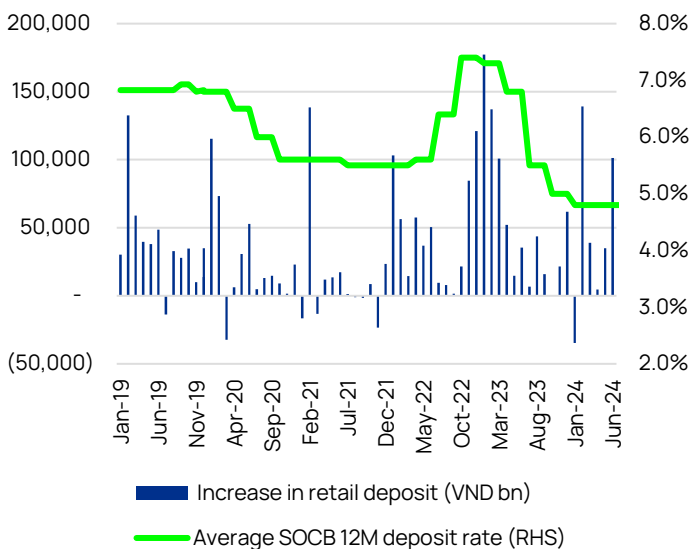
Lockdowns and low interest rates during the COVID-19 pandemic triggered a large increase in domestic retail trading in the stock market. The number of brokerage accounts surged from 2.4 million at the beginning of 2020 to 8.0 million by Q2 2024, with the strongest growth occurring between 2021 and 2022. Additionally, the growth was fueled by easy money resulting from interest rate cuts during this period. Government bond yields dropped below 1% and SOCB deposit rates fell from 6.8% at the beginning of 2020 to 5.5% in 2021 and early 2022. As a result, while system-wide bank deposits from retail customers saw modest growth from 2020 to mid-2022, the average cash balance per brokerage account jumped to over VND10mn in 2021, compared to below VND6mn before the pandemic (before 2020). The rise of online trading platforms, with e-KYC allowing remote account opening, further facilitated this shift.

**Figure 3: Total brokerage accounts and new local accounts (thousand)**



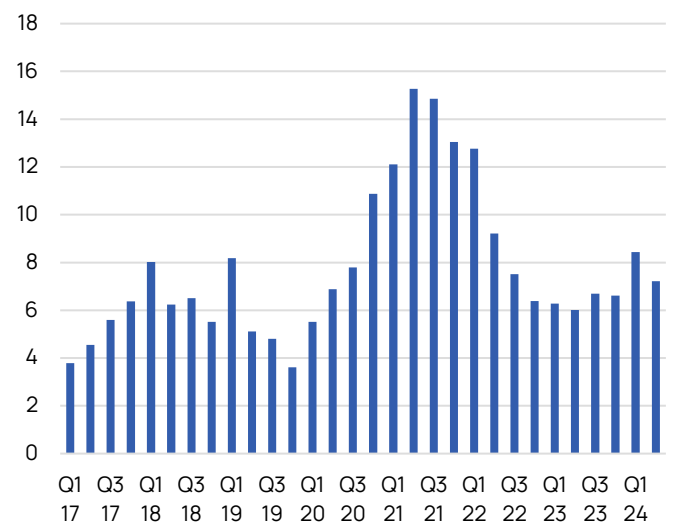
Source: Vietnam Securities Depository (VSD), Vietcap; \* We calculate the implied number of new accounts opened by using the difference in total accounts. Note: In October and November 2023, the VSD deleted inactive accounts.

**Figure 4: Changes in retail client deposits vs interest rates**



Source: SBV, SOE banks, Vietcap

**Figure 5: Customer cash balance per securities account (VND mn)**

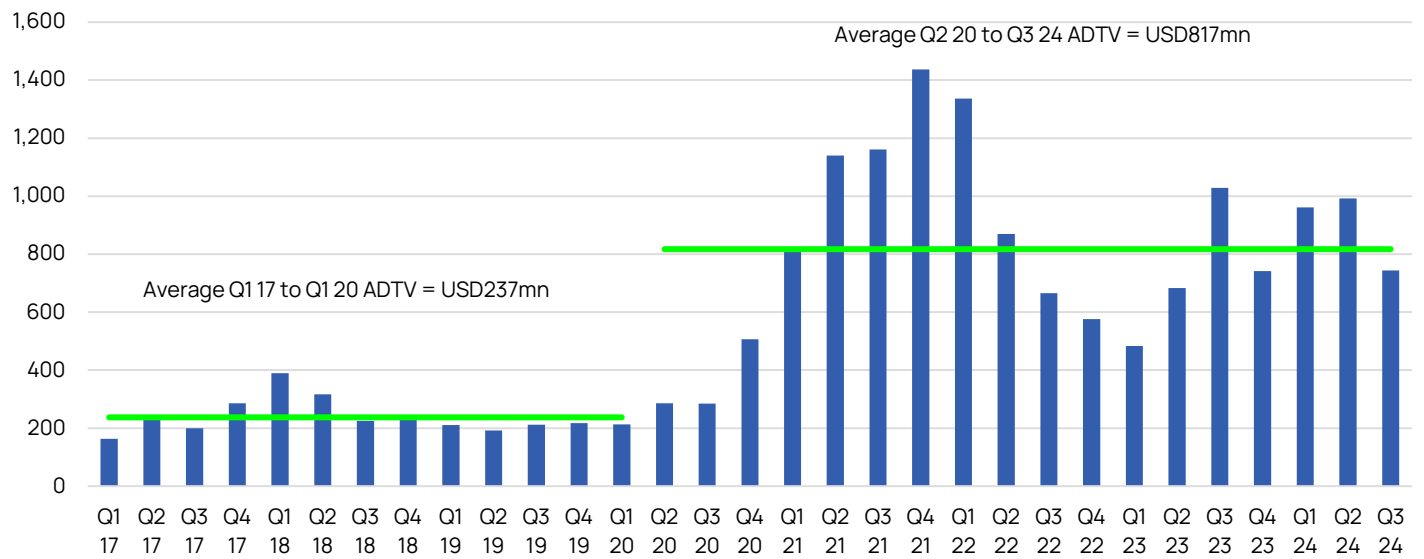


Source: FiinPro data as of June 30, 2024, Vietcap

**We believe that Vietnam’s higher ADTV since 2020 is sustainable due to structurally lower interest rates and growth in both retail and institutional participation.** From 2017 to Q3 2024, Vietnam’s ADTV experienced significant growth. Before the pandemic, quarterly ADTV averaged around USD237mn, but during COVID-19, it surged to over USD1bn before collapsing to USD480mn in Q12023. However, ADTV has since rebounded, reaching USD977mn by Q2 2024, largely due to the low-interest rate environment from H1 2023 onwards and a sustained higher base of retail investor trading. This has led to the establishment of a new higher base for ADTV, which averaged USD817mn from Q2 2020 to Q3 2024.

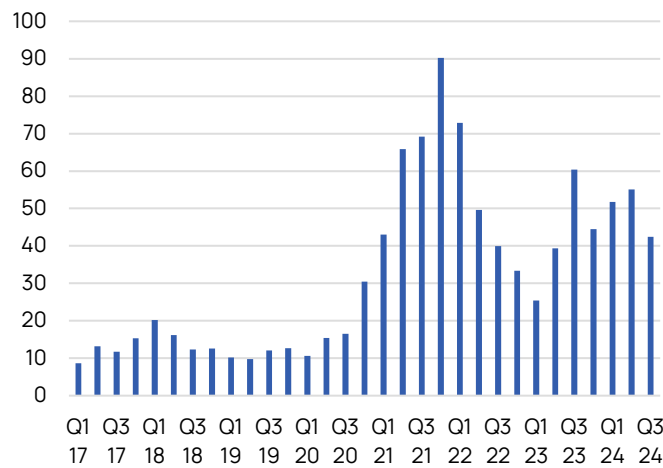
**Growth in ADTV driven by both domestic retail and foreign investor trading:** Between Q2 2020 and Q3 2024, domestic investor turnover grew 4.2x, while foreign investor turnover doubled compared to pre-pandemic levels.

**Figure 6: ADTV of three trading venues combined from 2017 to Q3 2024 (USD mn)**



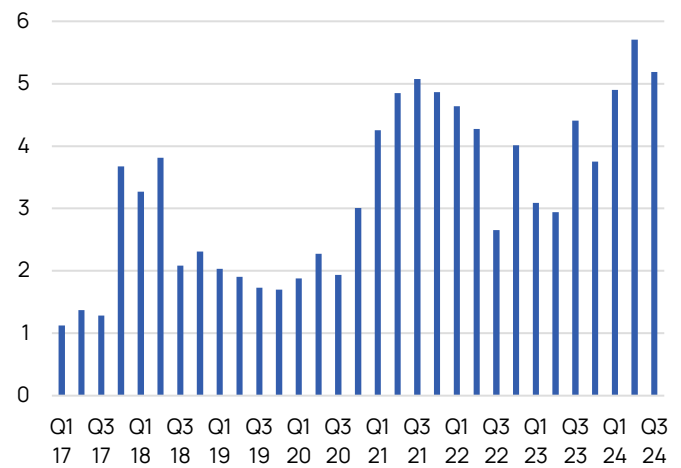
Source: FiinPro data as of September 30, 2024, Vietcap

**Figure 7: Turnover of domestic investors in three trading venues combined from 2017 to Q3 2024 (USD bn)**



Source: FiinPro as of September 30, 2024, Vietcap

**Figure 8: Turnover of foreign investors in three trading venues combined from 2017 to Q3 2024 (USD bn)**



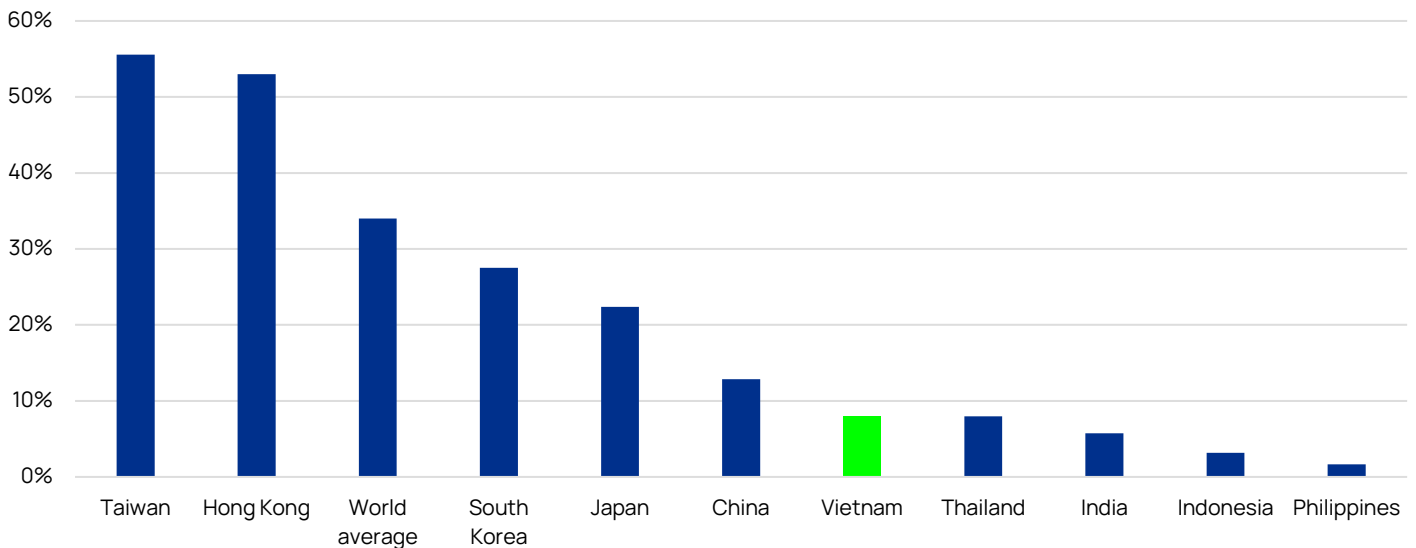
Source: FiinPro data as of September 30, 2024, Vietcap

**We expect retail investors to drive ADTV growth in the short to medium term, while institutional investors could become a more significant driver in the long term.** By Q3 2024, Vietnam had approximately eight million individual investor accounts and retail trading represented around 90% of the market trading value. We expect the number of retail brokerage accounts to continue increasing, supported by a young demographic with rising financial literacy and interest in the equity market and growth in household incomes and assets as the economy grows. The 'Securities Sector Development Strategy' approved by the Prime Minister on December 29, 2023, aims to reach 11 million brokerage accounts by 2030. Additionally, we anticipate that assets per brokerage account will grow steadily in line with rising incomes.

Domestic institutional investment in Vietnam remains small and currently consists largely of the equity allocations in life insurance companies' investment portfolios and an embryonic mutual fund industry. Corporate and personal pension plans are currently almost non-existent, partly due to minimal tax incentives, but the challenges for the State retirement fund to provide adequately for an ageing population suggest that it is simply a matter of time before a domestic retirement fund industry, which invests in a range of assets including equities, will develop.

For foreign institutional investors, Vietnam's frontier market (FM) status limits on foreign ownership and the historical requirement for prefunding of trades have been significant hurdles to overcome. However, we believe the upgrade to EM status will become a reality in the next couple of years. This should trigger increased investment by passive funds and should also support increased investment from actively managed funds.

**Figure 9: Penetration rates of brokerage accounts in select countries**



Source: Statista, Vietcap compilation. Data as of 2023.

## Vietnam to be upgraded to EM status

### EM upgrade could attract significant inflows from passively managed funds

**We expect FTSE Russell to announce an upgrade to secondary EM status in 2025.** On September 18, 2024, the Ministry of Finance (MoF) issued Circular 68, effective on November 2, 2024, that resolves the main concerns that have prevented index provider FTSE Russell from upgrading Vietnam to secondary EM status, including: (1) pre-funding requirements, (2) procedures for failed trade resolution, and (3) broader information disclosure in English. We expect leading institutional brokers in Vietnam to start providing non-prefunding trade facilitation to foreign institutions from November 2 and that FTSE will give its clients three to six months to test the process while collecting feedback to ensure its efficiency and sustainability. We expect FTSE to potentially announce an upgrade in Vietnam to EM status in its annual market review in September 2025, with a view to actual inclusion of Vietnam in FTSE's secondary EM index in 2026. In addition to the positive implications for foreign institutional participation in the market, we believe an upgrade could also boost domestic retail investor sentiment, driving increased retail trading activity.

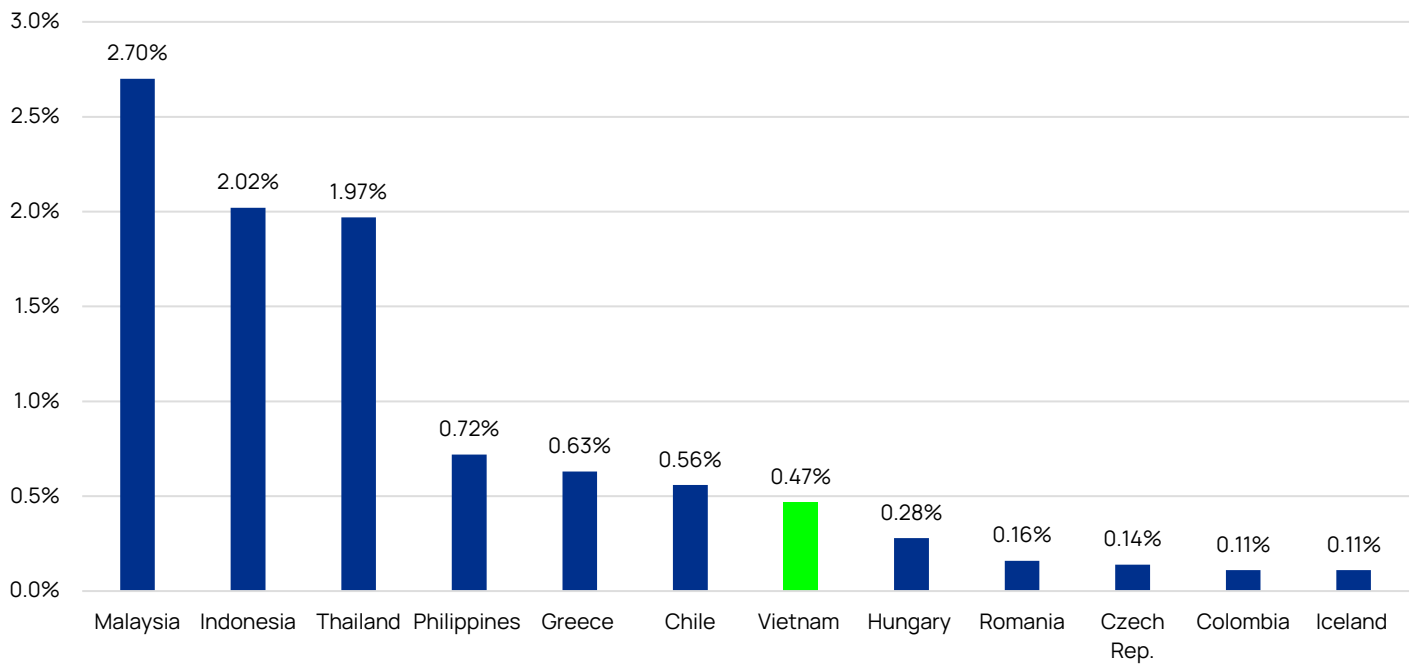
As discussed in our [Mid-year Strategy Update Report](#), published July 5, 2024, the other leading global index provider, MSCI, in contrast to FTSE Russell, has cited Vietnam's restrictions on foreign ownership as a prominent hurdle to upgrading the market to EM status, in addition to the prefunding issue. We do not anticipate material changes to foreign ownership limits in the immediate future. However, because MSCI currently classifies several markets which retain foreign ownership restrictions as EM, we believe that MSCI might reconsider its stance on Vietnam following a successful upgrade to EM status by FTSE Russell. In a medium-term view, we think it is consequently relevant to consider the potential impact on foreign participation in Vietnam of upgrades by both FTSE Russell and MSCI.

**We estimate potential capital inflows from ETFs of USD1.5bn from upgrades to EM status.** As of September 15, 2024, we estimate there were 12 ETFs tracking FTSE EM indices with total fund assets of USD94.1bn and 104 ETFs tracking MSCI EM indices, with total fund assets of USD205.7bn. Since the assets under management (AUM) of ETFs tracking MSCI EM indices is significantly larger than that of ETFs tracking FTSE EM indices, an upgrade by MSCI would likely trigger relatively larger passive inflows into Vietnam from such funds vs an upgrade by FTSE.

Based on the float-adjusted market capitalization data provided by FTSE and MSCI as of August 30, 2024, Vietnam's net market capitalization represented approximately 0.47% of the total EM net market capitalization (Figure 10).

With the baseline assumption of a 0.5% country weight allocation for Vietnam, we estimate that (1) an upgrade by FTSE would trigger approximately USD500mn in ETF capital and (2) around USD1bn in ETF inflows could be expected from an MSCI upgrade (Figure 11). We note that at the time of upgrading, Vietnam's weighting in emerging market indices could vary vs this estimate depending on (1) the free float of stock market and (2) total market capitalization at that time. Please see page 33 for a list of the top 20 stocks which we believe would benefit from an EM upgrade by FTSE.

**Figure 10: Select country weights in FTSE emerging markets indices and estimated potential weighting for Vietnam**



Source: FTSE, Vietcap. Data as of August 30, 2024.

**Figure 11: Estimated passive capital inflows from ETFs from upgrade to EM**

USD mn	Vietnam's weight in FTSE/MSCI EM index				
	0.3%	0.4%	0.5%	0.6%	0.7%
Estimated inflow from FTSE EM upgrade	282	376	471	565	659
Estimated inflow from MSCI EM upgrade	617	823	1,028	1,234	1,440
<b>Total</b>	<b>899</b>	<b>1,199</b>	<b>1,499</b>	<b>1,799</b>	<b>2,099</b>

Source: Vietcap estimates

**Total potential passive fund inflows into Vietnam from EM upgrade could reach USD7.5bn:**

In addition to ETFs, an upgrade would also require passively managed mutual funds that are benchmarked to emerging market indices to establish weightings in Vietnam. According to LSEG Lipper estimates, global passive equity funds' AUM reached USD15.1tn in 2023. We do not have a breakdown of this figure between developed market, emerging market and other benchmark indices. However, if we assume that 10% of passively managed assets are allocated to EM, in line with the share of EM in FTSE and MSCI global equity indices as of August 30, 2024, and that Vietnam has a 0.5% weighting in EM indices, the total potential passive fund inflows into Vietnam could reach USD7.5bn. We note that while an upgrade to EM status would imply forced buying of Vietnam by EM-benchmarked passive funds, the converse would be true for FM-benchmarked passive funds. However, we estimate that foreign investment in Vietnam via passively managed FM-benchmarked funds is small relative to our estimates of potential benchmark holdings under EM classification.

**Figure 12: Estimated total capital inflows from passive funds from EM upgrading**

Global passive equity funds AUM (USD bn)		15,100			
Assume EM's weight on MSCI ACWI	10%	1,506			
Assume Vietnam's weight	0.3%	0.4%	0.5%	0.6%	0.7%
<b>Estimate for inflow from passive funds (USD bn)</b>		<b>4.5</b>	<b>6.0</b>	<b>7.5</b>	<b>9.0</b>
				<b>10.5</b>	

Source: Vietcap estimates

The above estimates are for all passively managed funds and are subject to a wide range of outcomes. We believe that passively managed assets benchmarked to MSCI EM indices are considerably larger than assets benchmarked to FTSE EM indices. However, we estimate that an upgrade by FTSE to secondary EM status alone could potentially trigger net inflows of around USD1bn (assuming passive inflows from mutual funds benchmarked to FTSE EM indices of similar magnitude to our estimate of c. USD500mn of passive inflows from ETFs benchmarked to FTSE EM indices), which would still represent a material inflow for the Vietnamese market.

**EM upgrade would open Vietnam to a wider universe of actively managed funds:** According to LSEG Lipper, global actively managed equity funds totaled USD14.3bn at the end of 2023. Applying the same assumptions as used above to estimate a potential benchmark allocation to Vietnam from this pool of money would generate a similar, if slightly lower figure, of about USD7.1bn. In practice, we believe that inflows from actively managed funds based on a benchmark weighting might be lower than from passive funds, simply because we observe that a substantial number of EM benchmarked active funds already invest in Vietnam. However, we believe there is also a significant number of active funds that currently do not invest in Vietnam because of the market's FM status but which would likely invest if the market achieved EM status.

### Risks to active inflow estimates: low liquidity and a shortage of quality stocks

**Foreign ownership limits and the availability of foreign room are major concerns for foreign investors entering the Vietnamese market.** As stated above, these issues remain significant barriers to an upgrade to EM status by MSCI. However, restrictions on the amount of stock that is available for foreigners to buy is also likely to impact Vietnam's weightings in EM indices following upgrades, as both FTSE and MSCI tend to set stock weightings on a free float adjusted basis. While our estimates could in theory take this into account (as we have used the index providers' existing index market caps), changes in actual foreign ownership, and hence foreign availability, between now and actual EM upgrades could impact Vietnam's weighting.

As of September 15, 2024, the theoretical FOL and the remaining foreign room across Vietnam's three trading venues combined were 40.5% and 23.4%, respectively, per our estimation. Specifically, the remaining foreign room for (1) the VN30 index stands at 15.9% (VND587tn/USD24.0bn) and (2) VN100 at 19.0% (VND 899tn/USD36.7bn).

Figure 13 outlines the theoretical remaining foreign room by sector, based on data from FiinPro. We note that the actual available foreign room in practice, assuming no change in strategic shareholdings, would be lower. For example, PetroVietnam Gas' (GAS) FOL is 49% and the current theoretical foreign room (49% less current foreign ownership) is about 47%. However, the State owns 96% of GAS and so unless State ownership is reduced, the actual practical available foreign room is only 2%.

**Figure 13: Estimated theoretical foreign room by sector**

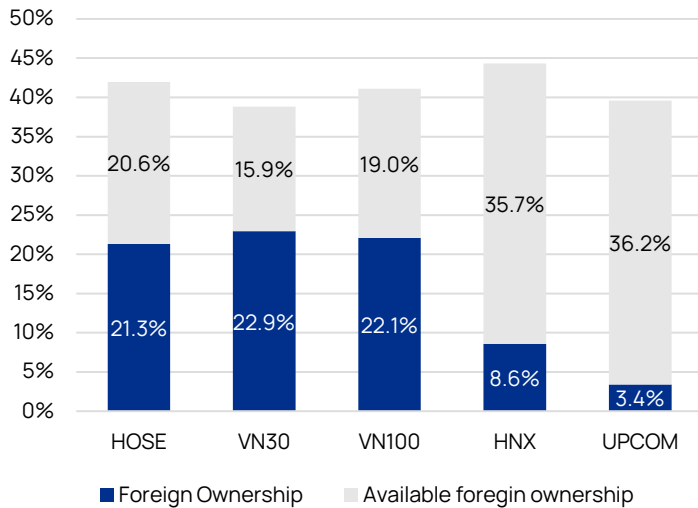
	Aggregate FOL set by companies	Remaining foreign room	Value of remaining foreign room (USD bn)
Banks	24%	3.3%	2.72
Financial services*	82%	55.9%	6.19
Insurance	67%	26.7%	0.73
Consumer Goods	63%	39.5%	14.41
Consumer Services	40%	16.4%	2.30
Healthcare	52%	29.2%	0.84
Technology	48%	4.8%	0.41
Real estate	46%	35.5%	12.61
Materials	39%	28.3%	6.26
Industrials	42%	33.6%	11.27
Oil & Gas	27%	10.9%	0.50
Utilities	45%	37.8%	6.79

Source: FiinPro, Vietcap estimate on September 15, 2024. Note: \*including securities companies and ETFs.

**Many stocks have FOLs set below the Government-regulated threshold.** For instance, only 46% of listed banks and 68% of listed securities companies have set their FOL at the Government-regulated thresholds of 30% and 100%, respectively. This is partly attributable to (1) certain firms seeking to reserve shares for future foreign strategic shareholders, and/or (2) a desire to avoid being classified as foreign entities, which could diminish their competitive advantages within the Vietnamese market. We expect that companies who reserve shares for strategic shareholders will raise FOLs when attractive deals arise. Additionally, in the banks sector, we anticipate that the FOL for VPB and HDB could increase to 49%. We expect this due to a draft amendment to Decree 01/2014, which would allow banks involved in the scheme to rehabilitate four weak credit institutions to expand their foreign room to 49%.

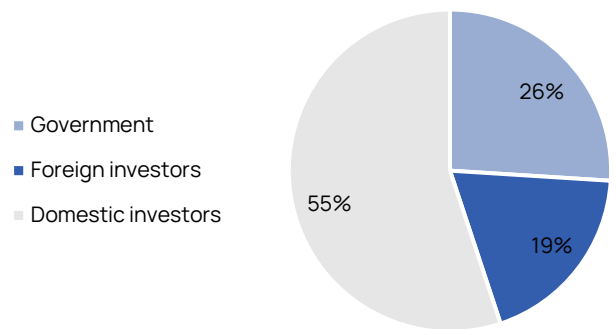
Another factor that could lead to higher free – floats and an increase in the value of stock that foreigners can buy is the ongoing divestment of State capital from corporations. As illustrated by the example of GAS above, a high percentage of government ownership in some listed companies reduced the actual availability of stock for foreign investors below their foreign ownership limits. By the end of 2023, Government ownership in listed companies stood at 26%. However, each year, the State Capital Investment Corporation (SCIC) announces plans to reduce State ownership, which, over time, should create additional opportunities for foreign investors to increase their holdings in Vietnamese corporations.

**Figure 14: Foreign ownership and theoretical available foreign room**



Source: HOSE, Vietcap

**Figure 15: Ownership structure by type of investors in Vietnam’s equity market (September 2024)**

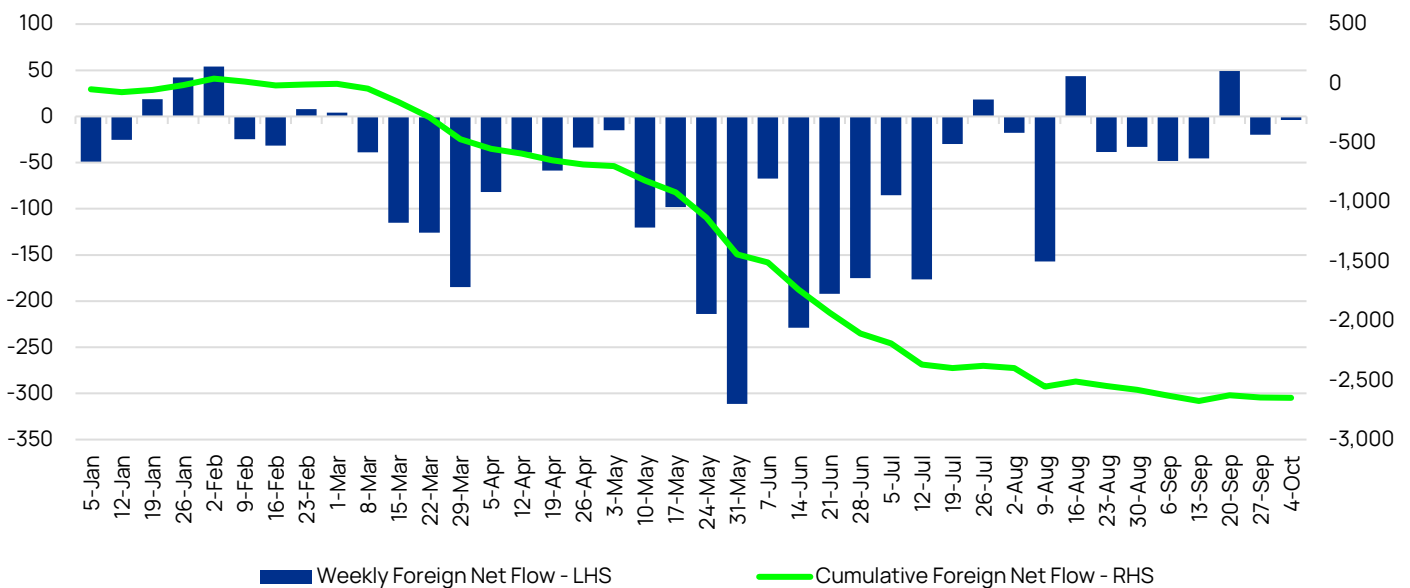


Source: FiinPro, Vietcap

## EM upgrade to lead to higher participation by foreign investors

**Foreign investors have been net sellers of Vietnamese stocks since Q3 2023.** As of the end of September 2024, foreign traders' net sales reached USD2.6bn across Vietnam's three trading venues, surpassing the USD1bn sold in 2023. The selling pressure began in March 2024 and intensified significantly in May and June 2024. In our view, several factors explain the foreign net selling following the wave of opportunistic and value buying when the VN-Index dropped to very low levels in late 2022. First was the sharp depreciation of the VND against the USD in H1 2024, driven largely by a strong US Dollar and negative interest rate differentials between VND and USD interbank rates. Second, the lack of technology stocks in the market and thus, Vietnam, largely missed out on the 'AI-driven' boom in technology stocks in 2023/24. Third, substantial reallocations of assets away from China needed to find homes in relatively large markets and a 'hot' Indian market likely attracted much of the flow, along with 'tech-heavy' north Asian markets, while Vietnam was not really on the radar for reallocating large amounts of money.

**Figure 16: Total foreign net inflow/(outflow) YTD (USD mn)**



Source: FiinPro, Vietcap (as of October 4, 2023)

**Continued net selling by passive funds over the past year may also be partly due to shrinking FM allocations.** Data from FTSE and MSCI show that Frontier Market indices have underperformed All-Country World Indices over the past three years (Figure 17). Some funds have sold off or closed positions in frontier markets, and Vietnam has not been immune to this trend. Over the past year, approximately USD799mn in passive fund capital has exited Vietnam, marking the largest outflow among selected Asian countries shown, despite Vietnam having the highest average GDP growth in the region over the past five years (Figure 18). We believe that an upgrade to EM status, coupled with reduced FX pressure following the start of an easing cycle by the Fed, robust recovery of the Vietnamese economy and attractive valuations, should help to reverse the trend of net selling by foreign investors.

**Figure 17: Performance of Frontier Markets vs Global Markets**

Index (USD)	8M 2024	1 Year	Annualized 3 Years	Annualized 5 Years
FTSE Frontier	6.2%	-4.9%	-6.4%	0.9%
MSCI Frontier	10.5%	10.6%	-2.2%	3.2%
FTSE All-World	16.2%	23.9%	6.3%	12.6%
MSCI ACWI	16.3%	24.0%	6.3%	12.7%

Source: MSCI, FTSE, Vietcap. Data as of August 30, 2024.

Figure 18: ETF inflow/outflow of select countries in Asia (USD mn)

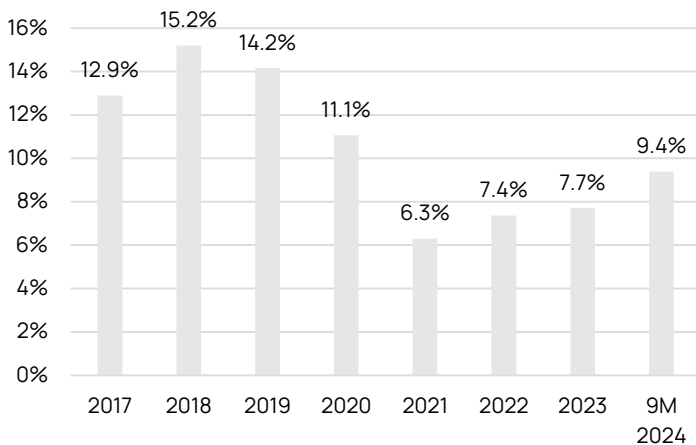
Country	8M 2024	1 Year	3 Years	5 years average GDP Growth
China	101,562	111,829	200,906	5.0%
India	12,023	21,552	24,917	4.5%
South Korea	7,778	11,059	30,090	2.0%
Malaysia	32	37	61	2.9%
Singapore	-34	33	-35	2.4%
Philippines	-4	-4	-1	3.1%
Thailand	-40	-52	-44	0.4%
Indonesia	-75	-139	-29	3.4%
<b>Vietnam</b>	<b>-784</b>	<b>-799</b>	<b>177</b>	<b>5.2%</b>

Source: Bloomberg, Vietcap

**The share of foreign investors in turnover on Vietnam's stock market is relatively low.** While the trading value of foreign investors doubled between Q1 2020 and Q2 2024, retail investor trading surged by 4.2x. As a result, the share of foreign investor turnover in the total market turnover fell to below 10% as of August 2024. Compared to other Southeast Asian emerging markets like Thailand, Malaysia, Indonesia, and the Philippines, foreign investor participation in Vietnam is notably lower. This is partly due to (1) full FOL on top-tier stocks discouraging foreign investors from trading and (2) Vietnam's status as a frontier market.

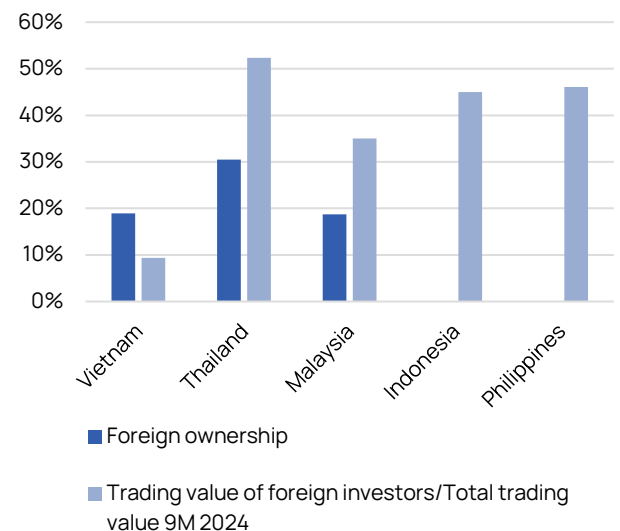
**Foreign participation should increase significantly from an EM upgrade, contributing positively to ADTV.** As discussed above, an EM upgrade should lead to capital inflows from both passive and active funds. While initial passive inflows in theory are not price sensitive, Vietnam's relatively low valuations could further support increased investment by active funds. As of October 9, 2024, the VN-Index's forward P/E ratio stood at 12.1x, lower than the median 14.7x P/E ratio of other Southeast Asian emerging markets. Over the medium to long term, as the market becomes more sophisticated and larger in scale, we believe the share of institutional investment, both domestic and foreign, will increase. While it is difficult to predict long-term foreign participation, we expect it to gradually rise towards the levels seen in Malaysia or Thailand, where foreign investor participation is above 30%.

Figure 19: Foreign participation as % of market turnover



Source: FiinPro, Vietcap

Figure 20: Foreign/total turnover in Southeast Asian markets



Source: FiinPro, Vietcap compliance. Note: the data of foreign ownership in Indonesia and Philippine are not available.

## **Regulatory revisions to accelerate market upgrades and enhance market efficiency**

In addition to Circular 68/2024/BTC, which, as discussed above, provides guidance on removing the prefunding requirement for foreign investors and dual-language information disclosure (see the Appendix for details), the authorities are making other significant efforts to address some of the key areas to support upgrades to emerging market status and improve market efficiency.

Specifically, recently the Ministry of Finance (MoF) proposed the revised Securities Law, with some of the key changes being: (1) stricter criteria for professional investors; (2) allowing commercial banks and foreign bank branches to clear and settle transactions in both the equity and derivative markets; and (3) establishing a legal framework for the Vietnam Securities Depository Corporation (VSDC) to create a subsidiary to handle CCP (central counterparty clearing) activities and increasing investment limits for fund management companies from 10% to 15% for a listed company and from 30% to 35% for a group of related companies.

In addition, we observe that the authorities aim to establish a legal framework for adopting the International Financial Reporting Standards (IFRS) through the proposed revised Accounting Law. We expect that this change will gradually bring financial reporting standards for Vietnamese companies more in line with global standards, further promoting transparency and increasing the appeal of the market to foreign investors.

## Brokerage sector landscape

### Brokerage stocks are highly correlated with ADTV and VN-Index

Vietnamese brokerage stocks are highly liquid and volatile, with 1-year raw betas varying from 1.5 to 2.0 since 2019. Their share prices show a strong positive correlation with ADTV and index movements. This strong correlation stems from the fact that their core businesses – brokerage, margin lending, and investment – are closely driven by ADTV and index performance.

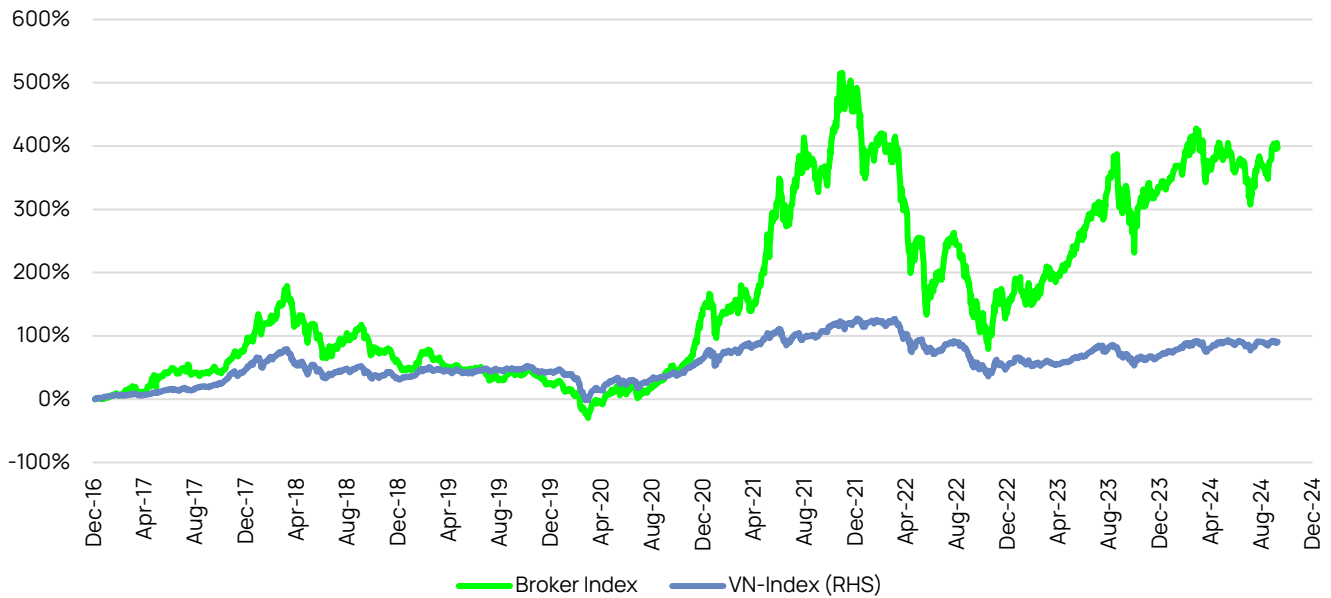
These characteristics make brokerage stocks effective high beta proxies for overall market performance. In our view, investors with a positive outlook on the equity market should consider increasing their portfolio beta by gaining exposure to the brokerage sector.

**Figure 21: Liquidity of selected brokers**

	YTD trading value/average market cap	Q3 2024 ADTV (VND bn)	Q3 2024 ADTV (USD mn)
SSI	218%	435	17.7
HCM	216%	239	6.7
VCI	240%	327	9.8
VND	269%	163	8.3
MBS	165%	106	4.3

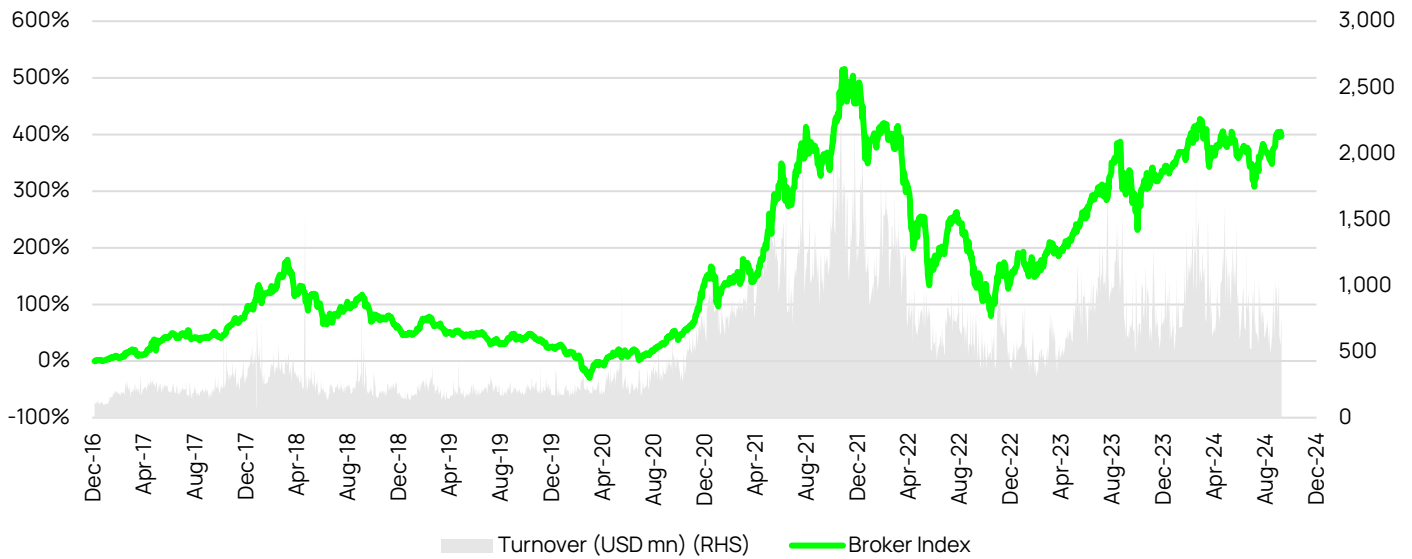
Source: FiinPro, Vietcap. Data as of September 30, 2024.

**Figure 22: Broker index and VN-Index performance from 2017**



Source: FiinPro, Vietcap (as of October 9, 2024). Note: Broker index is constructed by the weighted average of the share prices of SSI, HCM, VCI, VND, and MBS, with weights determined by their respective market caps.

**Figure 23: Broker index performance and total turnover of three trading venues from 2017**

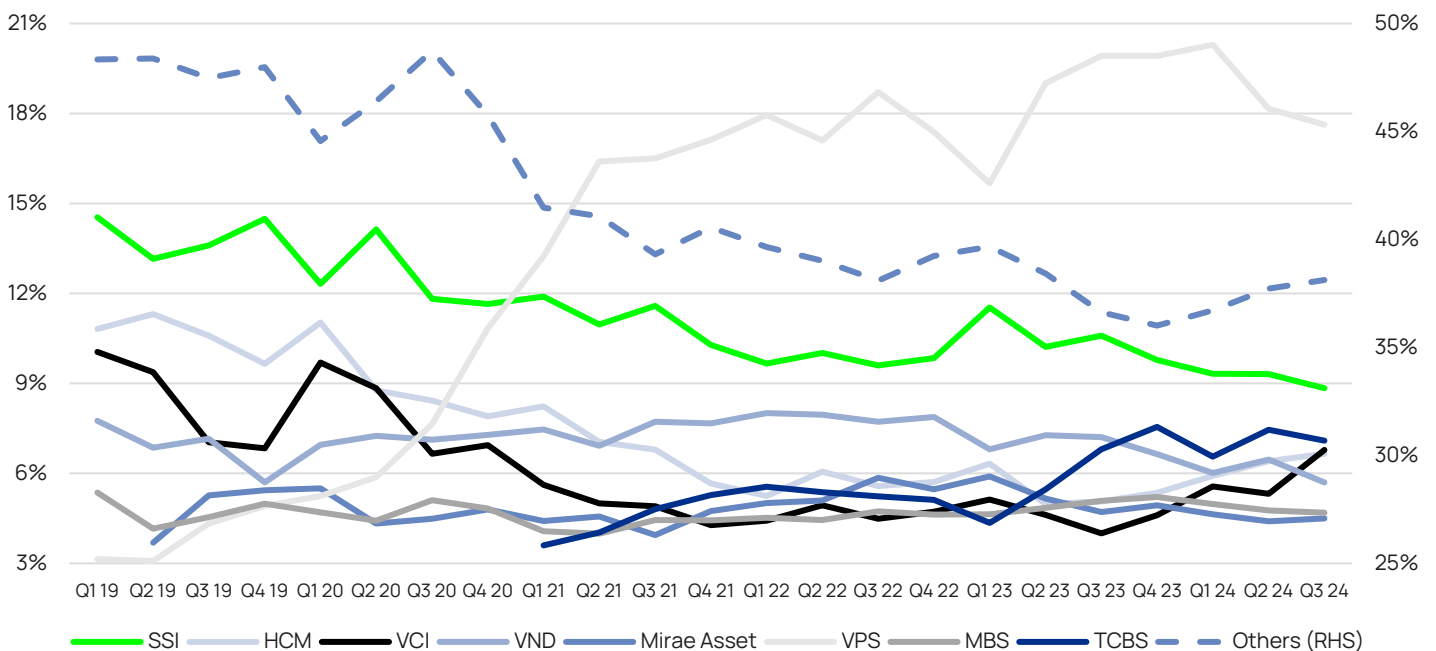


Source: FiinPro, Vietcap (as of October 9, 2024)

### Intense competition between brokerage firms

Market share has become more concentrated, with the top ten brokerage firms holding a 69.1% share in 2023, up from 62.6% in 2019. As of the end of 2023, the top ten brokers were VPS, SSI, TCBS, VCI, HCM, VND, MBS, Mirae Asset, FTS, and KIS. Additionally, competition among these firms continues to intensify. Looking ahead, we expect competition to remain focused on customer experience and fees. We believe that firms that can provide a user-friendly trading platform with advanced features to enhance the 'user experience' for clients and offer reduced fees will likely capture a larger share of retail customers, while those focusing on superior advisory and research services will attract more institutional and long-term oriented investors.

**Figure 24: Market share on HOSE of select top brokerage companies from Q1 2019 to Q3 2024 (%)**

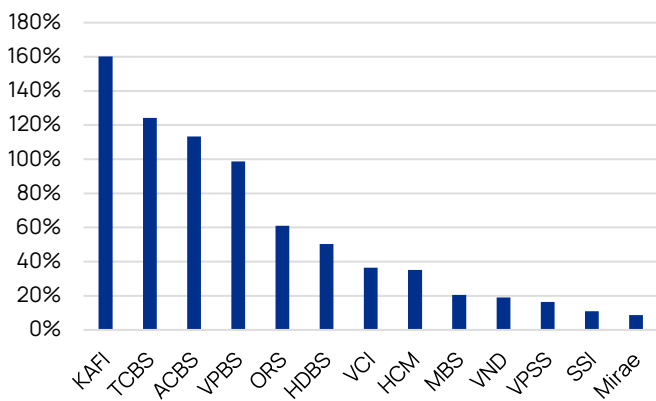


Source: HOSE, Vietcap

The entry of banks into the brokerage business is further intensifying competition. From 2022 to Q2 2024, KAFI, TCBS, ACBS, VPBS, ORS (TPB), and HDBS raised significant new equity, with TCBS, VPBS, ACBS, and MBS among the top ten brokers by Q2 2024. Bank-backed securities firms benefit from several key advantages, including (1) strong capital resources from their parent banks, (2) broad customer bases for cross-selling, and (3) access to parent bank resources such as information, technology, and human resources to enhance efficiency and reduce costs. At some banks, when customers open a bank account, they are automatically provided with brokerage accounts.

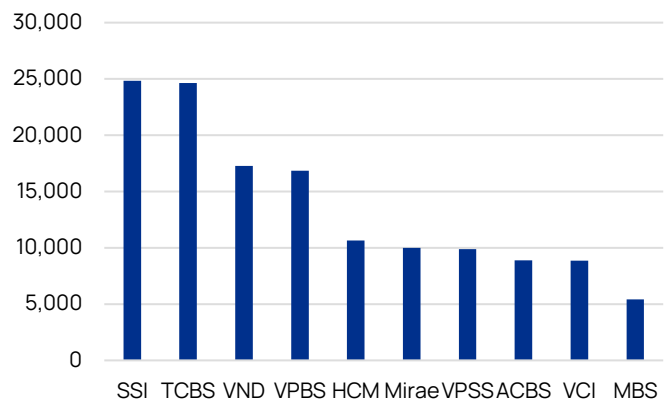
Brokerage firms focusing on the institutional segment are set to gain market share following a market upgrade to EM status. VCI, HCM, and SSI currently lead the foreign institutional investor segment due to their strength in (1) sales and research services and (2) investment banking services. Due to our expectation that an EM upgrade could support an increase in participation by foreign investors in total turnover towards the level in other EMs in Southeast Asia (current average is around 30%), we believe these brokers could see increases in their overall market shares.

**Figure 25: The increase in owner equity of brokers in Q2 2024 vs Q4 2022**



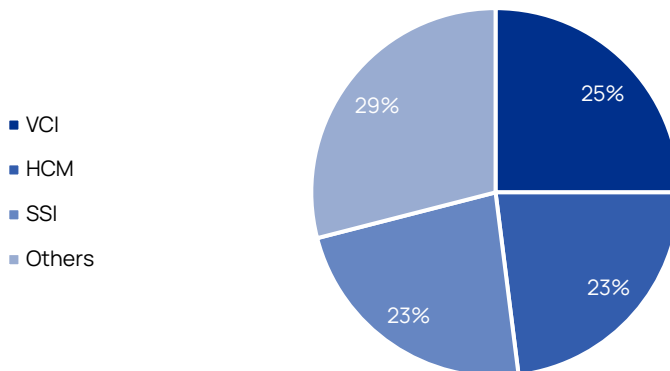
Source: FiinPro, Vietcap

**Figure 26: Top ten brokers by equity in Q2 2024 (VND bn)**



Source: FiinPro, Vietcap

**Figure 27: Brokerage market share of foreign institutional segment (2023)**

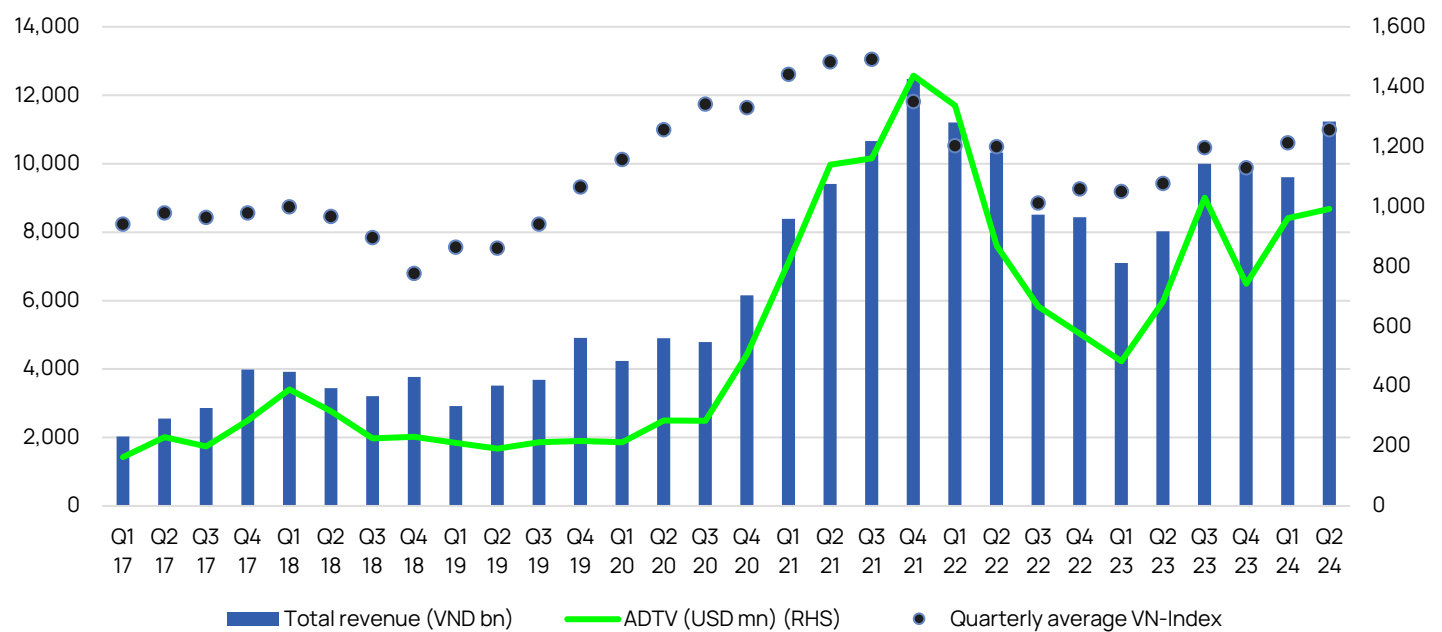


Source: Company data, Vietcap

## Revenue mix to evolve and diversify further

Brokers' revenue is generally closely tied to the market's ADTV and/or market index (see figure 28). The quarterly aggregate revenue for the top eight brokerage firms—SSI, HCM, VND, VPSS, Mirae Asset, TCBS, MBS, and VCI—from 2017 to Q2 2024 shows a clear positive correlation between revenue and market performance and ADTV. This is intuitively evident as a bull market tends to drive increasing revenues in all four typical main business segments - brokerage, margin lending, investment and IB services. A rising market boosts income and investment gains, increases ADTV, leading to higher brokerage and margin lending fees, and over the medium term, drives more investment banking transactions.

Figure 28: Combined revenue of the top eight brokers from Q1 2017 to Q2 2024



Source: Company data, Vietcap

**The contribution of margin lending to revenues has steadily increased and we expect this trend to continue.** Between 2017 and 2023, the proportion of revenue generated from margin lending rose from 18% to 23%. As of Q2 2024, the contribution of margin lending revenue was 29% following the system-wide margin lending balance achieving the highest level ever. The growth in margin lending activities in H1 2024 was driven by low lending interest rates and the expansion of the derivatives market (Figure 35). We expect margin lending to contribute more to total revenue, driven by (1) the need to offset declining brokerage revenue due to increased competition among brokerages and (2) the strong capital base of securities firms, which positions them to expand their margin lending activities.

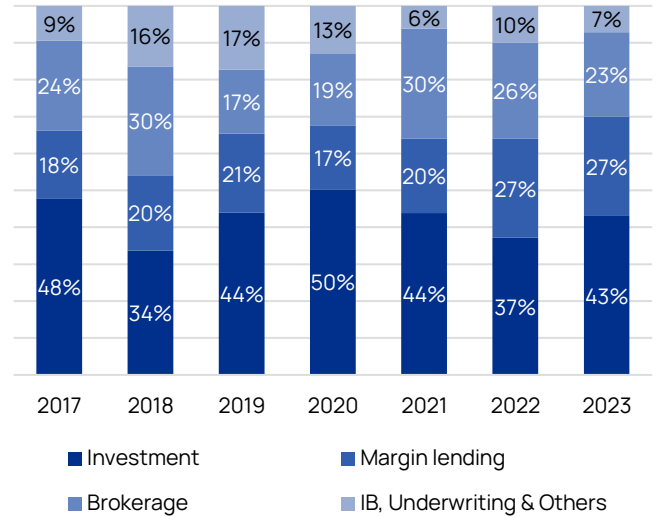
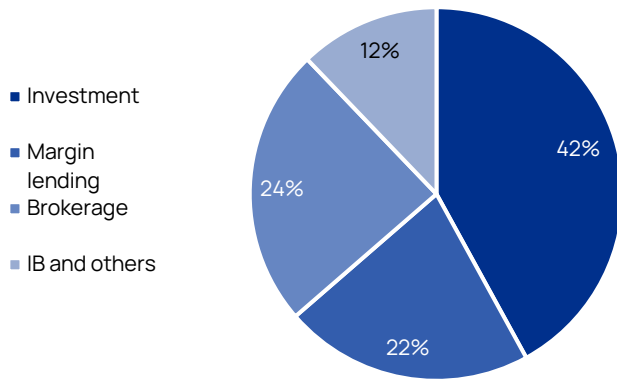
**We expect the equity brokerage contribution to total revenue to remain under pressure.** From 2017 to 2023, brokerage revenue accounted for 23% to 30% of total revenue. However, beginning in 2020, the introduction of zero-fee equity services by VPSS and TCBS sparked an industry-wide decline in brokerage fees. Consequently, the contribution of brokerage revenue fell from 30% in 2021 to 23% in 2023. We note that the decline was somewhat mitigated by a significant increase in ADTV during the same period.

We expect pressure on equity brokerage fees to continue. We expect that the development of other services such as corporate bond underwriting and brokerage and wealth management could help to counteract this pressure in the medium to long term, but in the short term, we do not expect a significant development of other fees income.

**Investment remains as the largest contributor to total revenue.** From 2017 to 2023, income and gains from investments contributed significantly to the total revenue of brokerage firms, averaging 42%. VPSS, VND, and SSI had the highest shares of investment income over total assets, at 54%, 50%, and 47%, respectively, while MBS and Mirae Asset had the lowest percentages as of Q2 2024 among the top eight brokers. We expect that the investment activities will continue to play a key role in generating revenues and earnings for brokers in the long term.

**Figure 29: Breakdown of aggregate revenue from 2017 to 2023**

**Figure 30: Revenue structure by year from 2017 to 2023**

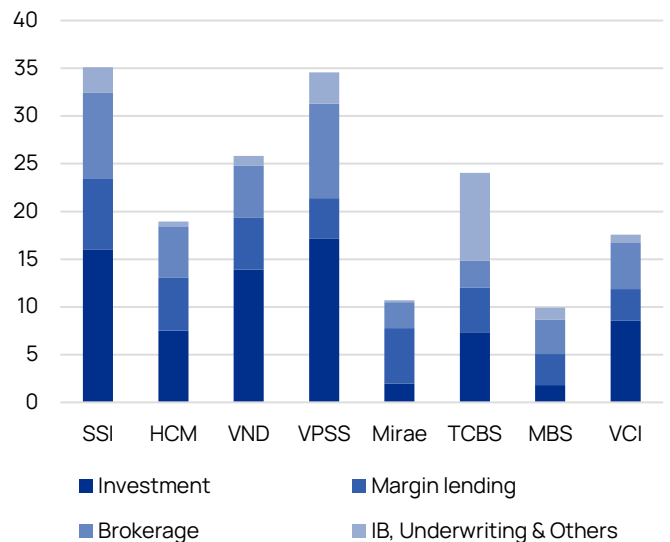
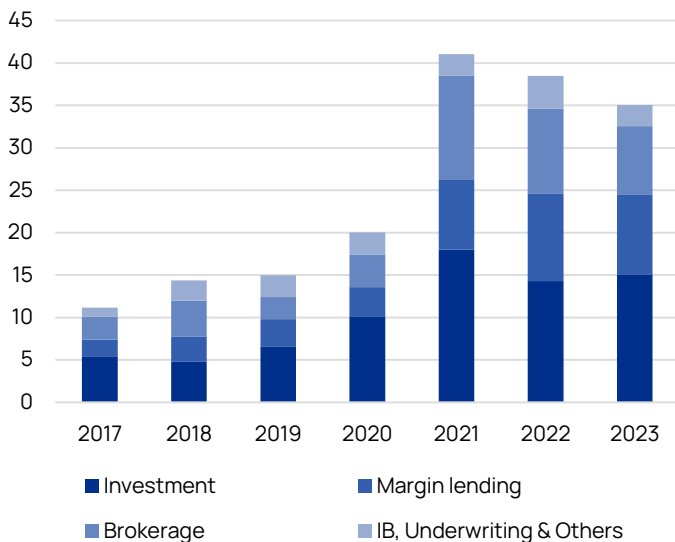


Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

**Figure 31: Revenue value by year from 2017 to 2023 (VND tn)**

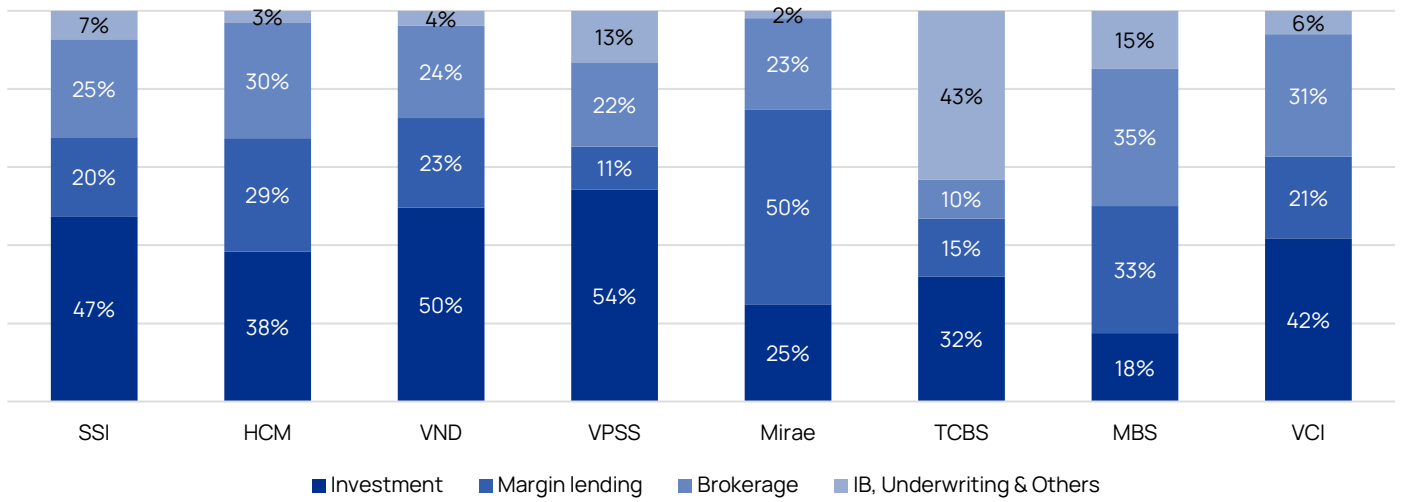
**Figure 32: Revenue value by broker, total from 2017 to 2023 (VND tn)**



Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

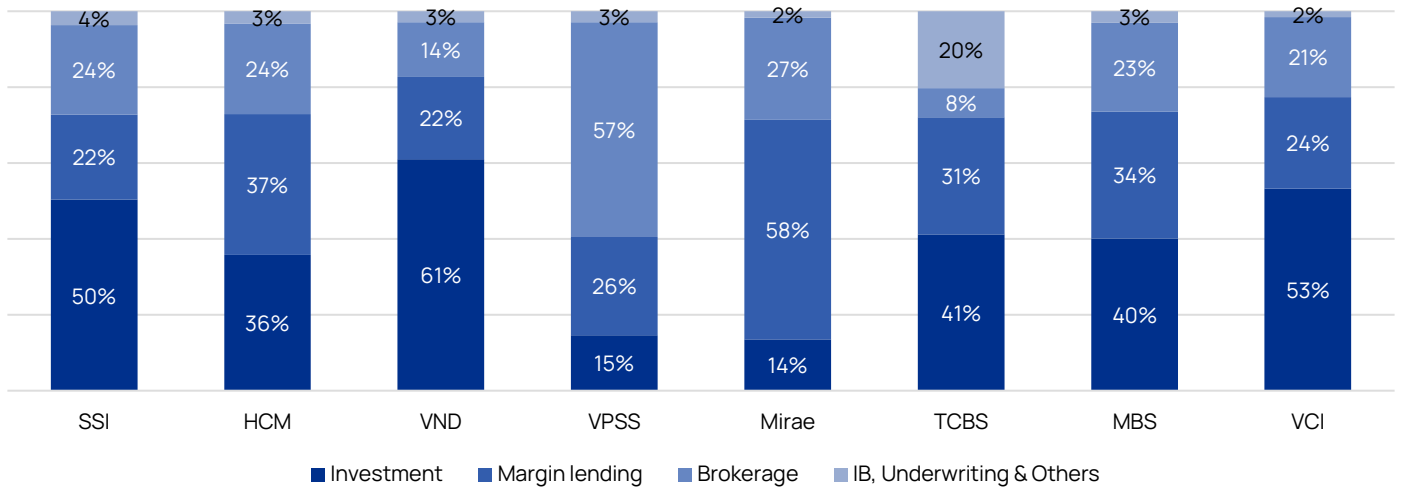
Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

**Figure 33: Breakdown of revenue by broker, average from 2017 to 2023**



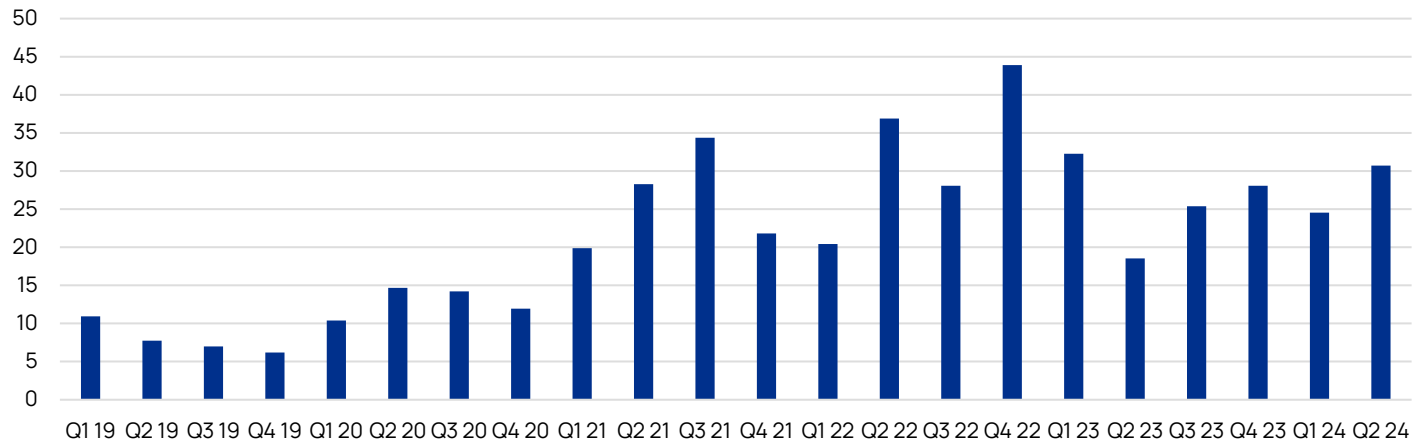
Source: Company data, Vietcap

**Figure 34: Breakdown of revenue by broker in 6M 2024**



Source: Company data, Vietcap

**Figure 35: ADTV of underlying principal value of derivatives market (VND tn)**



Source: FinPro, Vietcap

## Brokerage services

**Brokerage fee rates have been steadily declining over the past five years, and we expect the trend to continue with the difference in scale between brokers.** A brief overview of each broker's strategy, outlined below, may help in understanding the differences in brokerage fee rate behaviour among firms:

- **VPS** was the first broker to reduce brokerage fees, maintaining the lowest rate at ~0.04% as of Q2 2024. This strategy has helped VPS attract customers in both equity and derivative markets, leading to its leading market share—20% in equities and over 55% in derivatives. In 2023, VPS's equity trading value was twice that of SSI, with the highest value in derivatives trading. Despite lower fees, the expansion of its market shares and high trading volume has boosted brokerage revenue, which grew significantly from 2020 to 2023, increasing the company's share of total revenue from 17% to 44%.

With ongoing low fees, active customer acquisition through both tele sales and the referral model, plus strong retail services, we expect VPS to continue attracting retail clients, making brokerage revenue its core activity.

- **TCBS:** Despite entering the market later than other brokers, TCBS has leveraged superior technology and zero brokerage fees to grow its equity brokerage market share to third place by Q2 2024. Additionally, TCBS excels in bond brokerage, with support from its parent bank, TCB, allowing widespread distribution of corporate bonds, which made up 40% of customer trading value from 2020 to 2023.

TCBS employs a strategic approach that includes (1) developing tools that collect news and data in the market to quickly update and make recommendations for customers, (2) developed a user-friendly trading platform with advanced features for tracking portfolio performance, and (3) implement automation technology to reduce labor and operating costs, enabling the firm to offer competitive brokerage fees to customers. We believe it is well-positioned to attract a substantial number of new retail customers. Additionally, we anticipate that TCBS will significantly benefit as the corporate bond market becomes more developed.

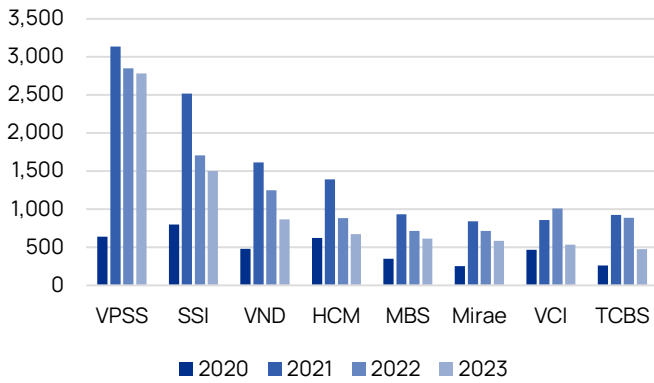
- **VND, Mirae, and MBS:** These firms have a high proportion of retail customers and have implemented brokerage fees below 0.1% to protect their market shares. Recently, MBS has also begun offering zero fees for new investors. Mirae Asset not only maintains its low brokerage fee rate but also offers low-margin rates, due to its low cost of funds.

- **SSI** holds a leading position in both the retail and institutional segments. Its diversified strategy enables the firm to maintain brokerage fees that are relatively higher compared to retail-focused brokers. Additionally, SSI is among the most proactive brokers in expanding additional services to support its brokerage operations, including corporate bond services, fund management, and ongoing efforts to develop wealth management services. SSI Asset Management (SSIAM) has the largest funds managed by a securities firm, with USD601mn in assets under management as of the end of 2023.

- **VCI and HCM:** Institutional brokerage fees contribute a substantial proportion of total brokerage revenue at these firms. In 2023, institutional brokerage fees accounted for approximately 50% of VCI's total brokerage revenue. Additionally, HCM has consistently reported a significantly higher trading value in non-equity compared to other brokers, representing around 78% of the total. We attribute this to HCM's provision of ETF rebalancing services for various investment funds and HCM holds a top two position in the derivatives market (around 10% in 2023).

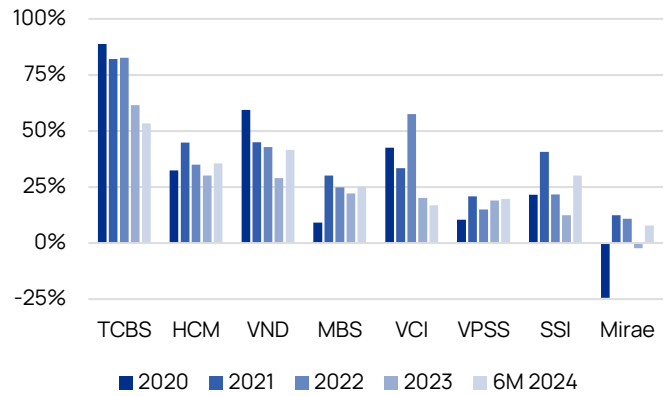
As mentioned above, we believe VCI, HCM, and SSI's brokerage market shares and brokerage revenue will benefit from an upgrade of Vietnam's stock market to EM status.

**Figure 36: Brokerage revenue by broker (VND bn)**



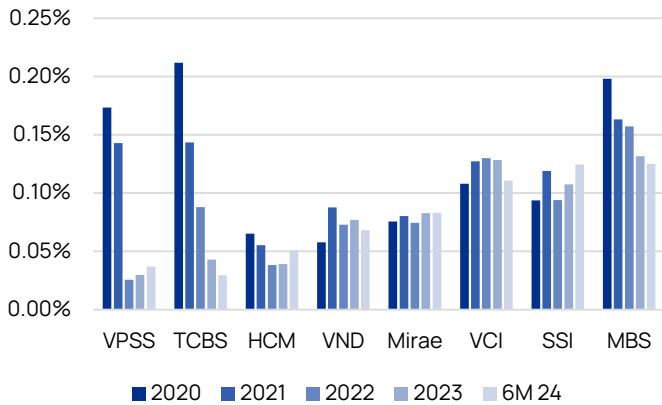
Source: Company data, Vietcap

**Figure 37: Gross profit margin of brokerage service**



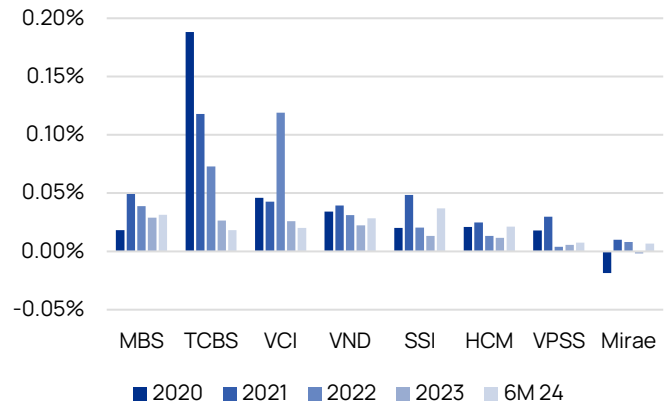
Source: Company data, Vietcap. Note: Gross profit margin = (brokerage revenue - direct expenses for brokerage) / brokerage revenue.

**Figure 38: Average brokerage fee rates\* from 2020 to Q2 2024**



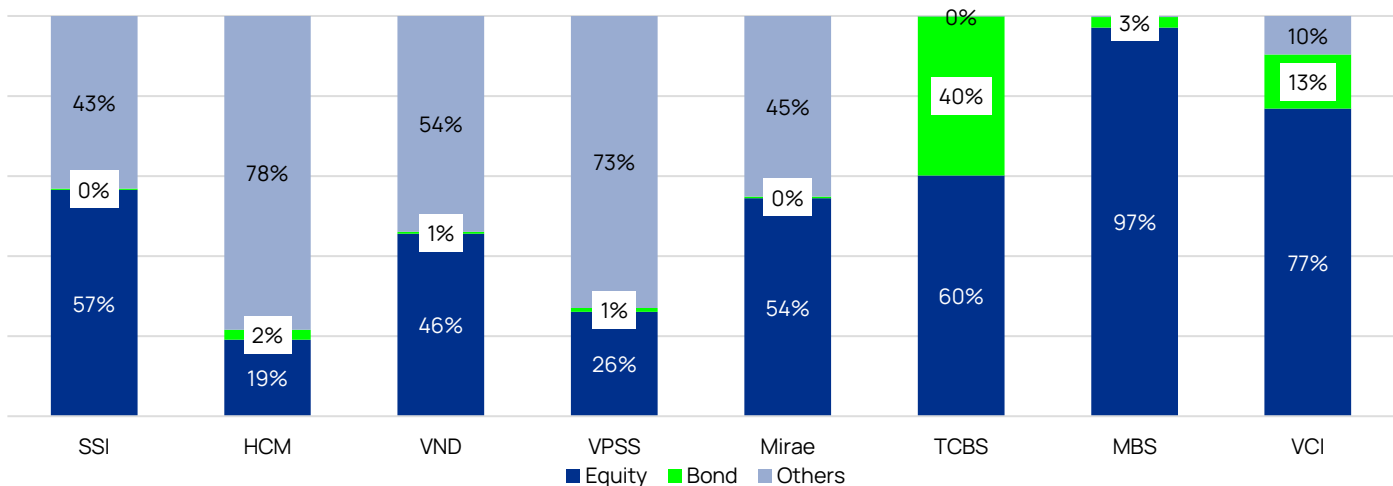
Source: Company data, Vietcap (\* brokerage revenue/customer trading value)

**Figure 39: Average net brokerage fee rates\* from 2020 to Q2 2024**



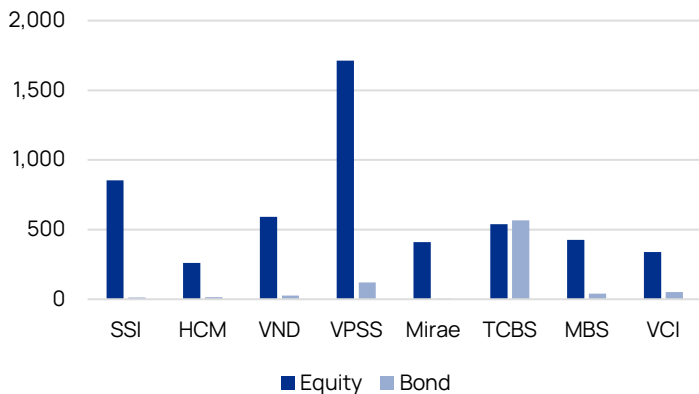
Source: Company data, Vietcap. (\* [brokerage revenue - direct expenses for brokerage] / customer trading value)

**Figure 40: Breakdown of customer trading value by products, average from 2020 to 2023**



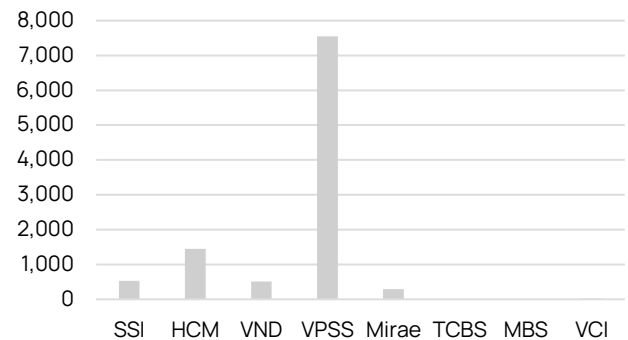
Source: Company data, Vietcap. Note: Others include futures, warrants, and ETFs at some brokers.

Figure 41: Customer trading value by product in 2023 (VND tn)



Source: FiinPro, Company data, Vietcap

Figure 42: Customer trading value of other products in 2023 (VND tn)



Source: FiinPro, Company data, Vietcap

## Margin lending services

**The margin lending balance of the top brokers has grown at a 32% CAGR over the past five years.** TCBS exhibited the most significant growth, with a CAGR of 73%, securing the leading position in margin lending market share at 11.6% as of Q2 2024, followed by SSI and HCM at 9.4% and 8.9%, respectively. HCM saw a strong QoQ increase in its margin loan balance, with growth rates of 17.0% in Q1 2024 and 30.6% in Q2 2024, compared to SSI's growth rates of 16% each quarter over the same periods.

In general, performance in margin lending activities is influenced by several factors, including (1) firms' internal policies on margin trading (i.e., the list of stocks eligible for margin, margin ratios, margin maintenance, and forced sell ratios), (2) lending yields, and (3) the cost of funds.

We summarize the lending strategy of brokerage firms follows:

**Retail-focused brokers offer a wider range of stocks eligible for margin trading with higher margin ratios and higher lending rates to compensate for lower brokerage fees.**

For example, TCBS provides margin services for 227 stocks, all with a 50% margin ratio, while VPS, Mirae Asset, and VND offer services for over 200 stocks with margin ratios between 43% and 49%. In addition, in general, these brokers compensate for low brokerage fees with higher effective margin lending rates (Figures 43 and 46). Mirae Asset is an exception due to low funding costs.

**Institutional-focused brokers are more conservative, offering fewer margin-eligible stocks and relatively lower margin lending rates.**

As of August 2024, HCM and VCI provide margin services for just 117 and 134 stocks, respectively, with the lowest margin lending rates among top brokers. We believe this strategy is more likely to attract investors with a longer investment horizon, whereas the approach employed by retail-focused brokers tends to appeal to retail investors with a shorter investment time frame.

We note that the estimates of effective margin lending rates shown in Figure 46 are calculated by dividing margin lending income by the average margin loan balance at the beginning and end of the period. As the loan balance can fluctuate over time, the actual average rate charged may differ from these estimates.

**Funding costs also vary based on the source and structure of financing.** Domestic brokers typically rely on short-term borrowing, while Mirae Asset, for instance, sources a significant portion of its short-term loans in USD from foreign banks.

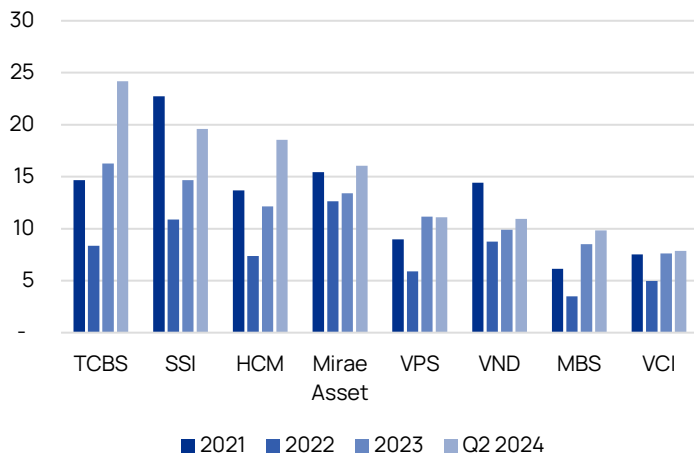
We expect that the margin lending revenue of brokers will increase and play a key source of income for brokerage firms, especially for retail-focused brokers. We expect margin lending revenue to continue growing as margin lending balances increase further and compensate for the pressure on brokerage revenue. Q2 2024 margin lending revenue increased QoQ at most firms and the total margin lending revenue achieved the highest level ever (VND3.2tn, +10.3% QoQ). This is due to the combination of (1) the decrease in funding costs being stronger than lending rates and (2) the margin lending balance expanded to a high level. We observed that the net spread between margin lending rates and funding costs has ranged from 4% to 6%, with minimal losses even during the VN-Index correction in 2022.

Figure 43: Margin services at top eight brokers

	Number of stocks with margin service	Median Market Cap of stocks with margin service (VND bn)	Average margin ratio
SSI	241	3,716	47.4%
HCM	117	12,025	44.6%
VND	209	4,335	49.0%
VPSS	241	3,822	42.9%
Mirae Asset	209	4,685	48.5%
TCBS	227	4,584	50.0%
MBS	167	4,922	45.1%
VCI	134	7,816	46.2%

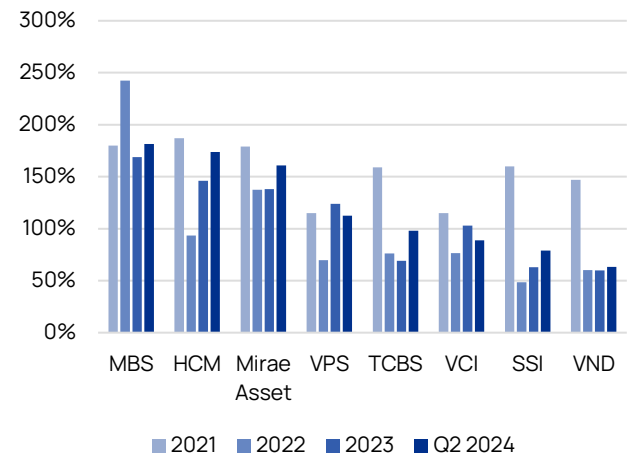
Source: Company data, Vietcap. Data to August 2024.

Figure 44: Outstanding margin loans of large balance sheet brokers (VND tn)



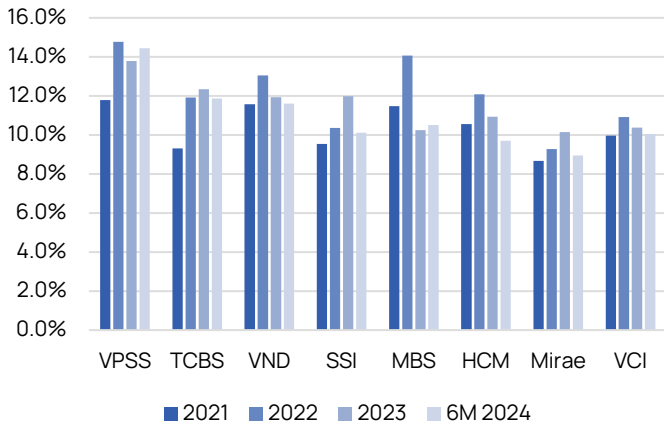
Source: FiinPro, Company data, Vietcap

Figure 45: Margin loans/equity of large balance sheet brokers (%)



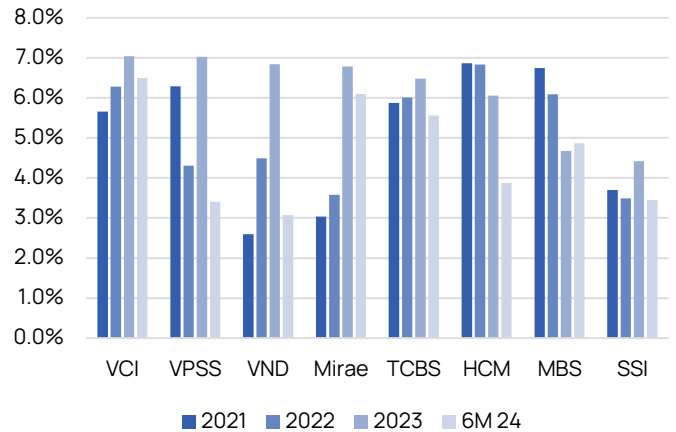
Source: FiinPro, Company data, Vietcap

**Figure 46: Effective margin lending rates by broker**



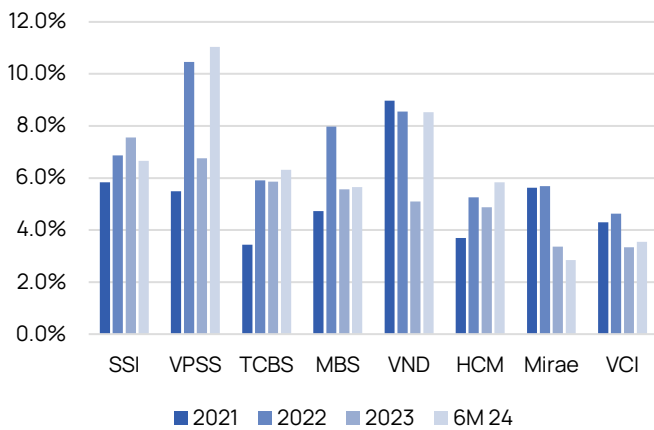
Source: FiinPro, Company data, Vietcap

**Figure 47: Funding costs for margin lending by broker**



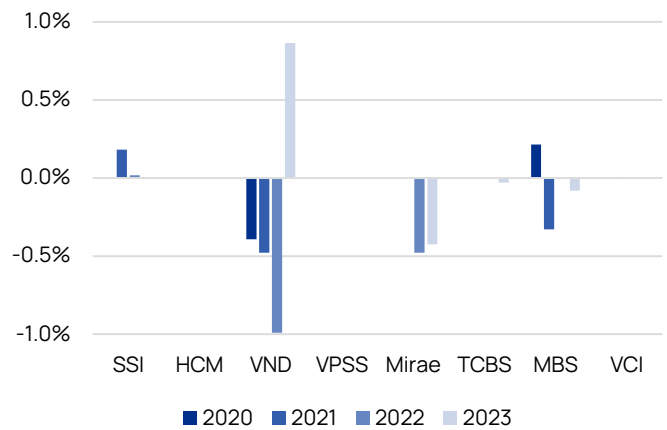
Source: FiinPro, Company data, Vietcap

**Figure 48: Net spread between margin lending rates and funding costs**



Source: FiinPro, Company data, Vietcap

**Figure 49: Provision for loss/margin lending balance**



Source: FiinPro, Company data, Vietcap

### Investment portfolios

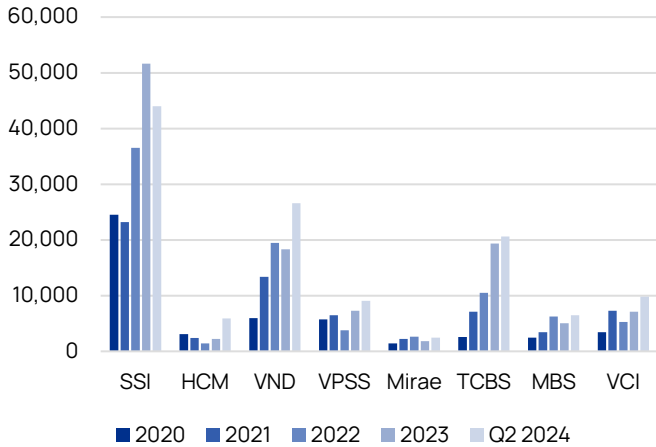
Over the past five years, the value of investments at the top brokers has grown at a CAGR of 23.1%. Their investment assets are categorized into three types: (1) fair value through profit or loss (FVTPL) assets, (2) available for sale (AFS) assets, which include both listed and unlisted equities, government and corporate bonds, and certificates of deposit, and (3) held to maturity (HTM) assets, primarily comprising savings and certificates of deposit.

The asset composition varies across firms based on their investment strategies and underlying advantages. Brokers such as SSI, VPS, Mirae Asset, and MBS allocate most of their portfolios to savings and certificates of deposit, which yield relatively lower returns, typically ranging from 7% to 10% annually. On the other hand, TCBS, HCM, and VND focus mainly on corporate bonds, while VCI and HCM allocate a substantial portion of their investments to equities.

As a result, the investment returns across brokerage firms differ based on their asset allocation strategies (Figure 54). However, for some firms like VPS and VND, the estimated Q2 2024 yield appears inconsistent with their asset categories, suggesting that certain active investments might have taken place between reporting periods.

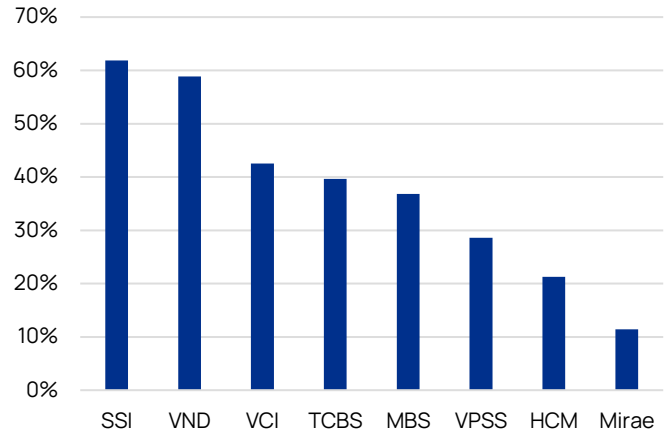
From their outstanding portfolios as of Q2 2024, VCI and HCM's investment incomes are likely to have a stronger positive correlation with the performance of the VN-Index than others. In contrast, the recovery of the corporate bond market is expected to benefit TCBS and VND the most. Additionally, SSI, Mirae Asset, and MBS are expected to generate more stable and consistent income, which is less highly correlated with the equity market, due to their more conservative investment strategies, with significant allocations to CDs.

**Figure 50: Total investment value (FVTPL, HTM, and AFS) (VND bn)**



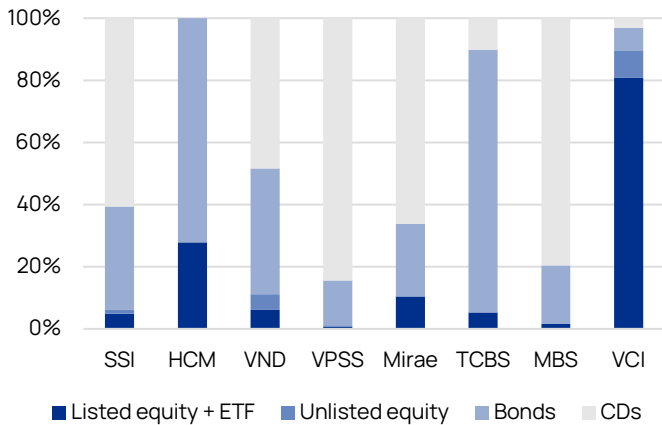
Source: FiinPro, Company data, Vietcap

**Figure 51: Total investment value/total assets in Q2 2024**



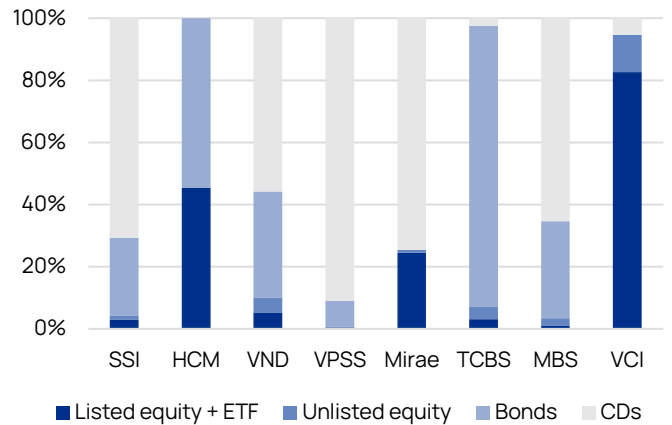
Source: FiinPro, Company data, Vietcap

**Figure 52: Breakdown of investment assets of brokers in Q2 2024**



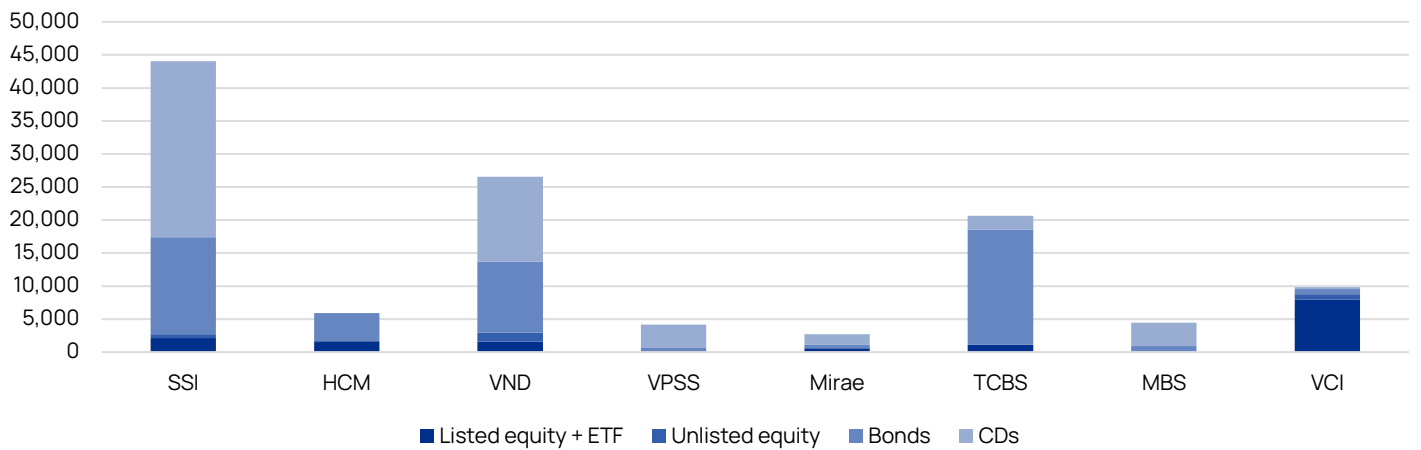
Source: Company data, Vietcap. Note: Other securities include futures, warrants, and ETF at some brokers.

**Figure 53: Breakdown of investment assets of brokers at end 2023**



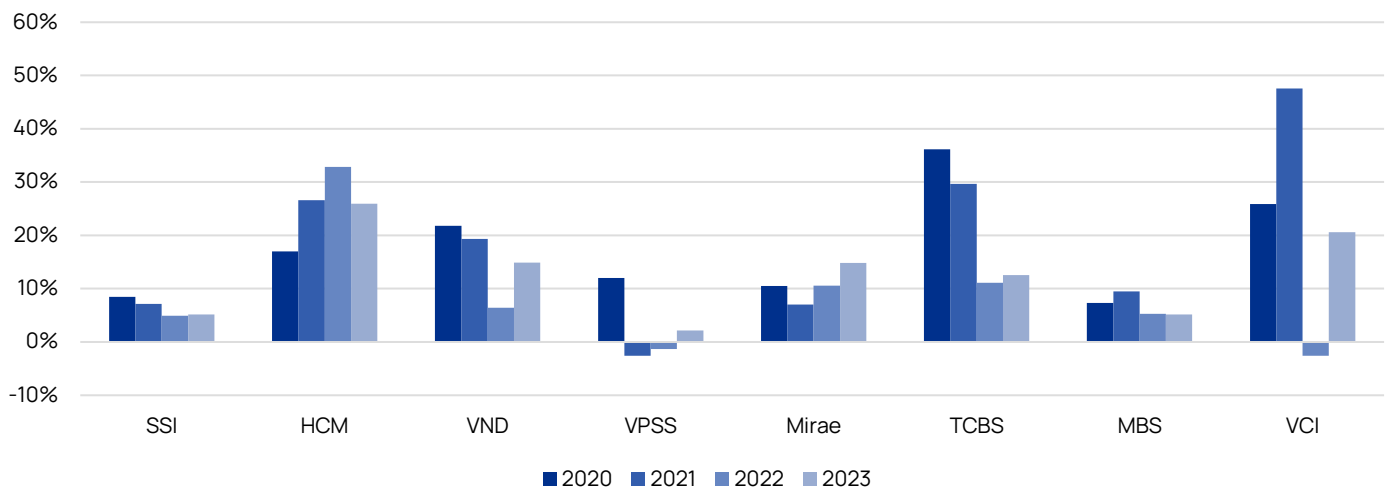
Source: Company data, Vietcap. Note: Other securities include futures, warrants, and ETF at some brokers.

**Figure 54: Investment value by type of investment product in Q2 2024 (VND bn)**



Source: Company data, Vietcap

**Figure 55: Total return from investment (including coupons and interest payments from bonds and CDs)**



Source: Company data, Vietcap

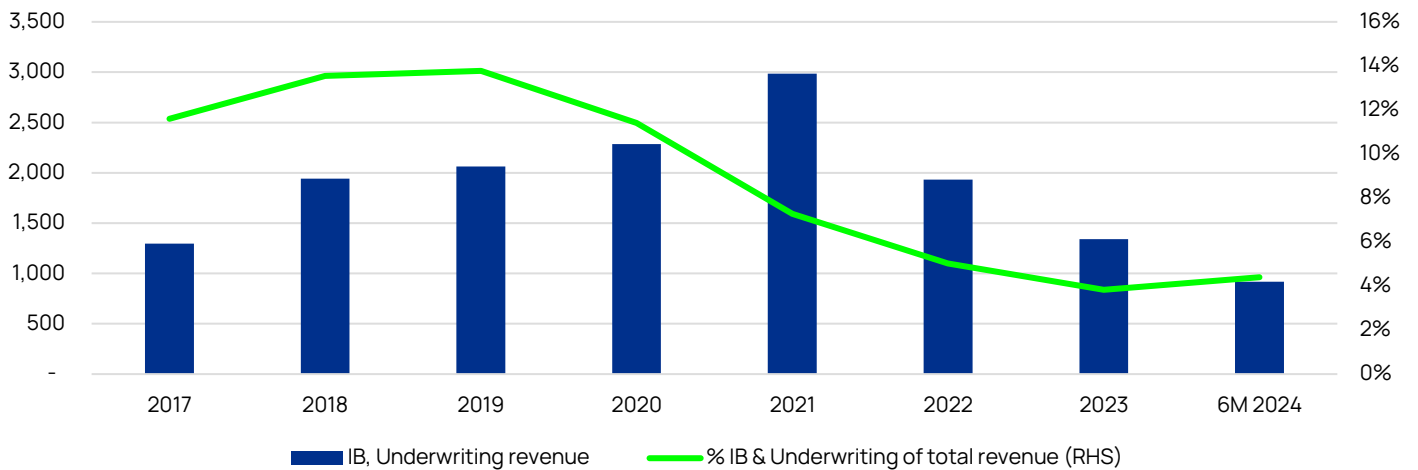
## IB and Underwriting services

**Investment banking (IB) and underwriting activities have slowed down since 2022 and have yet to recover.** The contribution of IB and underwriting to total revenue has dropped from an average of 10% during 2017–2020 to less than 4% for most major brokerage firms as of Q2 2024, except for TCBS. Even brokers with strong reputations in the IB segment, such as VCI and SSI, have experienced a significant decline in IB revenue.

This decline can be attributed to a slowdown in economic growth and an uncertain outlook, which have discouraged businesses from raising long-term capital or expanding. Corporates postpone their plans until more favorable conditions arise. Although TCBS has also seen a substantial drop in underwriting revenue over the past two years due to weak sentiment in the corporate bond market, it continues to maintain a relatively high proportion of revenue from underwriting due to its dominant market share in corporate bonds.

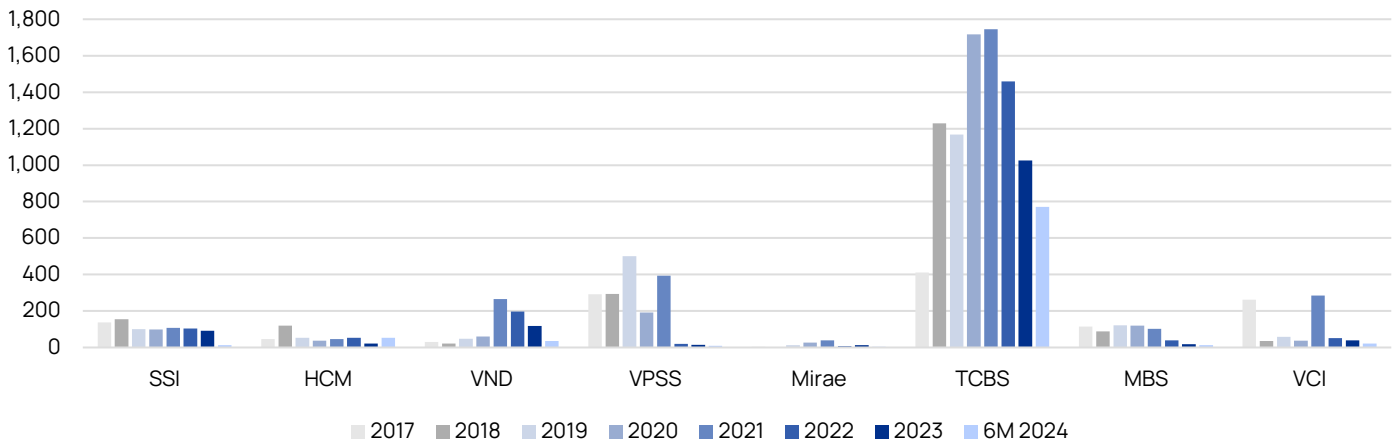
**However, we anticipate a recovery in IB and underwriting services in 2025,** driven by our expectations for a more sustained recovery in Vietnam’s economy and a revitalized bond market. This recovery will likely be reinforced by improved investor confidence and supported by the anticipated strong performance of the equity market.

**Figure 56: IB and underwriting revenue (VND bn)**



Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

**Figure 57: IB and underwriting revenue by broker (VND bn)**

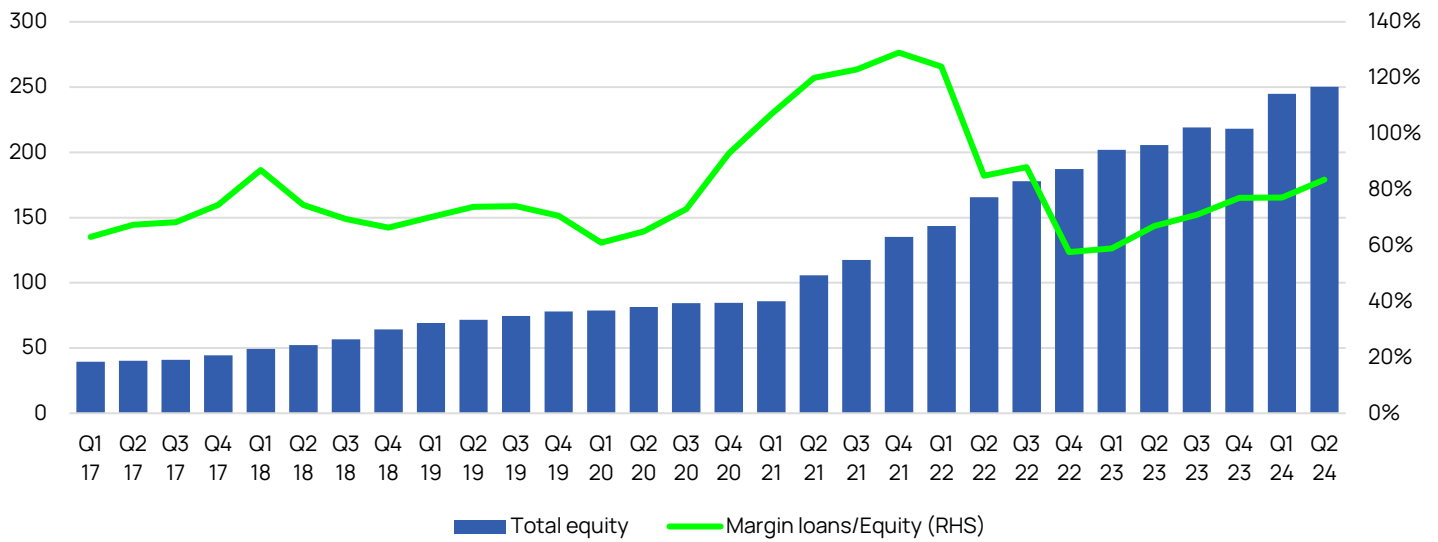


Source: Company data, Vietcap

## Earnings to grow over the medium term but ROE under pressure

Between 2021 and 2022, with a surge in retail investors, some brokerage firms hit their margin lending cap of 200% of total equity. In response, many firms raised equity capital to expand their lending capacity. By Q2 2024, the aggregate margin lending balance over equity rose to 84%, slightly above the pre-COVID-19 average of 72%. From 2023 to 2025F, top firms plan to raise capital, likely preparing for growth ahead of Vietnam's anticipated upgrade to emerging market status and the increased demand for margin lending, underwriting and distributing bonds, as well as to stay ahead of the competition.

**Figure 58: Total equity of brokerage firms in Vietnam (VND tn)**

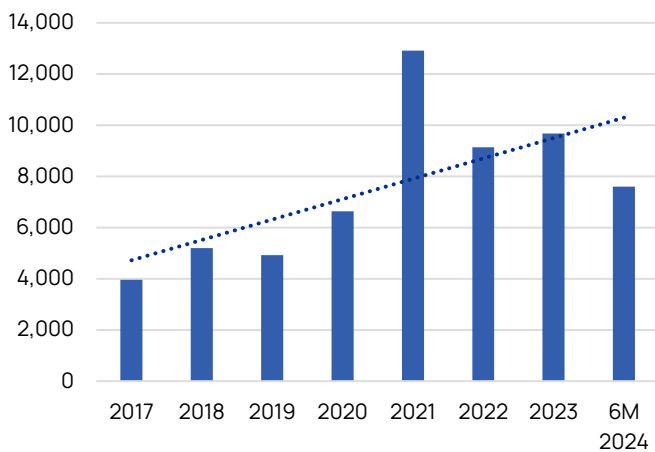


Source: FiinPro, Company data, Vietcap

**Recent significant capital raising reduced the average ROE for leading brokers to approximately 10% in 2023**, down from 12.1% in the previous year. While the average net profit margin (NPM) improved to 28% in 2023, compared to 24% in 2022, the average ROE for brokers declined to 10.3% in 2023, down from 12.1% in the previous year. We expect that the equity-raising cycle from 2023 to 2025F may exert further pressure on brokers' ROE in the short term.

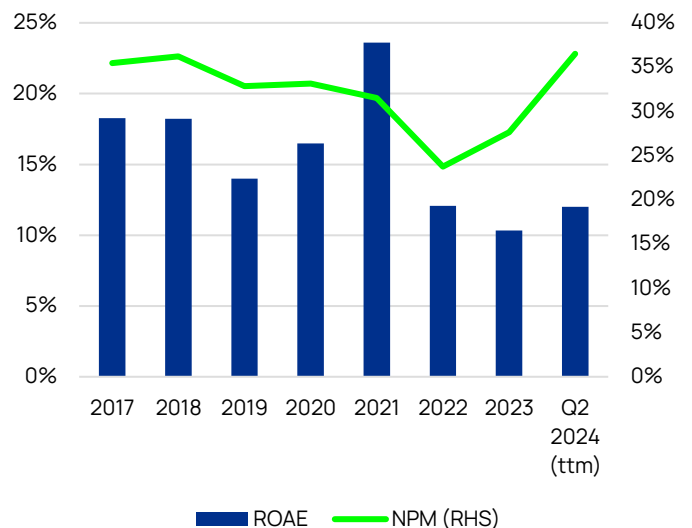
**However, for the long-term outlook, we anticipate sustained and strong earnings growth for brokerage firms.** This is due to our expectation for (1) increased ADTV, driven by both foreign and domestic investors, (2) robust business earnings supported by a favorable macroeconomic environment, and (3) improved efficiency in brokers' cost management.

**Figure 59: Total net profit of top brokers (VND bn)**



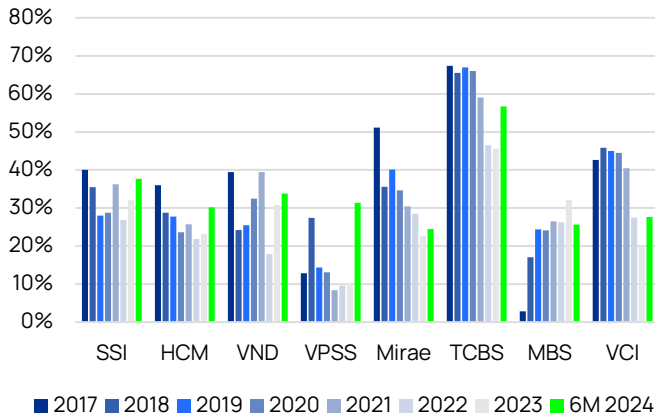
Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

**Figure 60: Average ROAE and net profit margin (NPM) of top brokers**



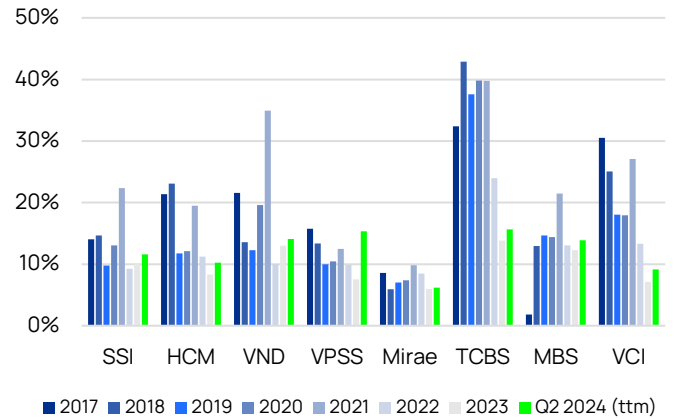
Source: Company data, Vietcap. Note: Aggregate data for VPS, SSI, HCM, VND, VCI, MBS, TCBS, and Mirae Asset.

**Figure 61: NPM by broker**



Source: Company data, Vietcap

**Figure 62: ROAE by broker**



Source: Company data, Vietcap

**Figure 63: 2023-2025F capital raising plans of select large securities companies**

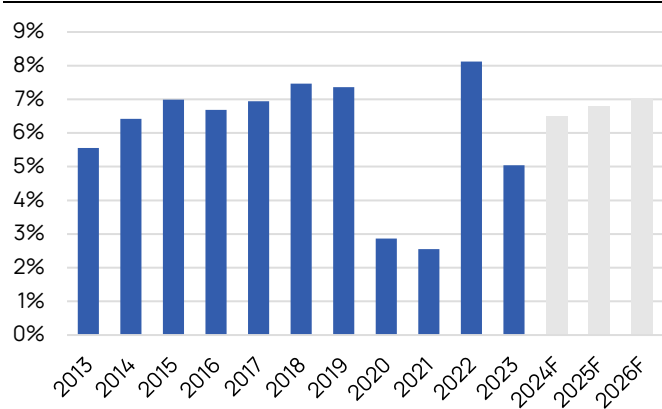
Securities companies	Yes/no	% post-money shares	Method	Share issue (mn shares)	Price	Note
SSI	Yes	9.2%	Rights issue	151.1	VND15,000/share	Implementing <b>Finished in May 2024.</b> To be implemented after completing the rights issuance plan.
		0.7%	ESOP	10	VND10,000/share	
		6.5%	Private placement	104	The price of the private placement shall not be lower than 90% of the average closing price in 10 consecutive sessions before the date of receiving approval from the BOD, according to SSI's AGM documents. Vietcap's assumption is VND26,700/share.	
HCM	Yes	25.3%	Rights issue	178.2	VND10,000/share	<b>Finished in April 2024.</b> <b>Finished in February 2024.</b>
		3.4%	ESOP	16	VND10,000/share	
VND	Yes	16.7%	Public or private placement to professional securities investors	243.6	The offering price is not lower than the average closing price for 10 consecutive sessions before the date of the Board's approval of the resolution on the implementation of the private placement of shares.	Expected in 2024-2025 after getting the SSC's approval.  Implementing. Expected in 2024-2026.
		16.7%	Rights issue	243.6	VND10,000/share	
		2.0%	ESOP	24	VND10,000/share	
VCI	Yes	1.0%	ESOP	4,4	VND12,000/share	<b>Finished in June 2024.</b> <b>Finished in October 2024.</b>
		20%	Private placement	143,6	VND28,000/share	
MBS	Yes	20%	Right issue	109.4	VND10,000/share	Waiting for approval of the SSC.
TCBS	Yes	51.2%	Private placement	105	VND97,542/share	<b>Finished in 2023.</b>

Source: Company data, Vietcap compilation and estimates

## Share price performance and valuation

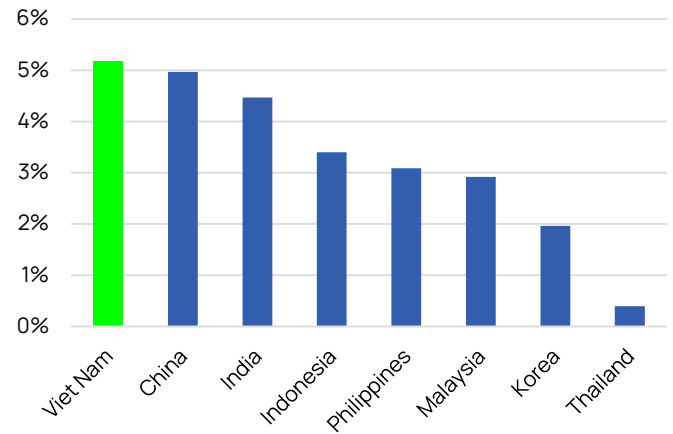
Several indicators point to an upward trajectory for the VN-Index: (1) we project Vietnam's GDP to grow at an estimated annual average of 6.7% over the next two years; (2) we expect corporate earnings growth for 2024/2025F to be strong, with the VN-Index historically tracking closely with earnings growth (for more detail on our macro outlook and corporate earnings forecasts, please refer to our July 2024 [Mid-year Strategy Report](#)), and (3) Vietnam's 2024F consensus forward P/E ratio of 12.1x is lower than regional peers like Thailand (15.7x), Malaysia (15.1x), Indonesia (14.3x), and the Philippines (12.7x), underscoring the market's relative undervaluation.

**Figure 64: Vietnam's GDP growth**



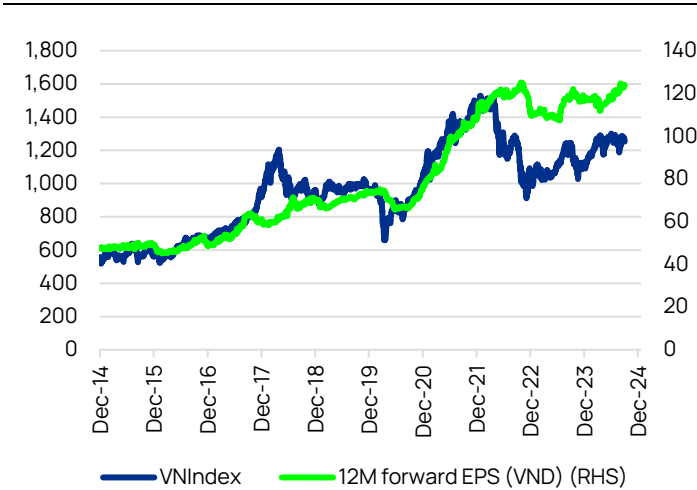
Source: GSO as of December 29, 2023, Vietcap forecasts

**Figure 65: Five-year average GDP growth of Vietnam and other countries (2019-2023)**



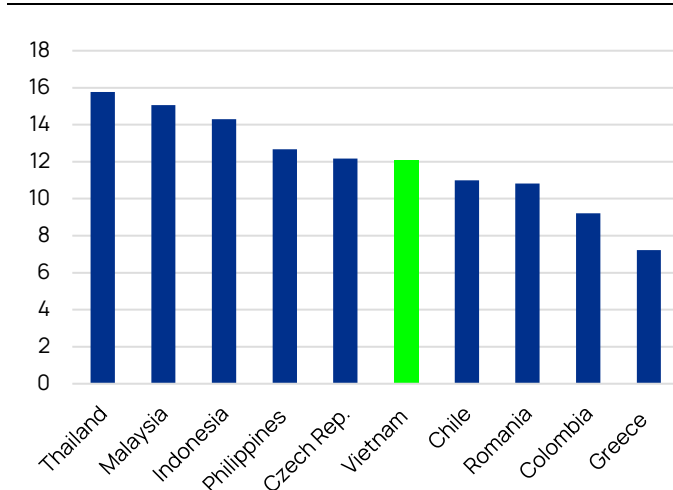
Source: World bank, Vietcap

**Figure 66: VN-Index and Bloomberg consensus EPS**



Source: Bloomberg, Vietcap

**Figure 67: Consensus forward P/E of select emerging markets as of October 9, 2024**



Source: Bloomberg, Vietcap

We believe an optimistic outlook for the VN-Index, along with rising ADTV, creates an attractive opportunity in the brokerage sector due to the strong positive correlation between brokers' revenue and both the VN-Index and ADTV, particularly given their high beta nature. While the current valuations of the brokerage firms are near their 10-year trailing average P/B ratios, we believe the sector's valuation should warrant a premium over the 10-year average P/B ratio as the sector enters a new growth cycle, driven by aforementioned factors. Specifically, we forecast that the VN-Index will reach 1,550 by 2025F, with ADTV climbing to USD1.2bn, implying a turnover velocity of 0.90 (vs 0.78 in 2023). Our forecasts are supported by relatively low interest rates being maintained by the SBV, continued economic recovery momentum, and the potential upgrade to EM status by 2025.

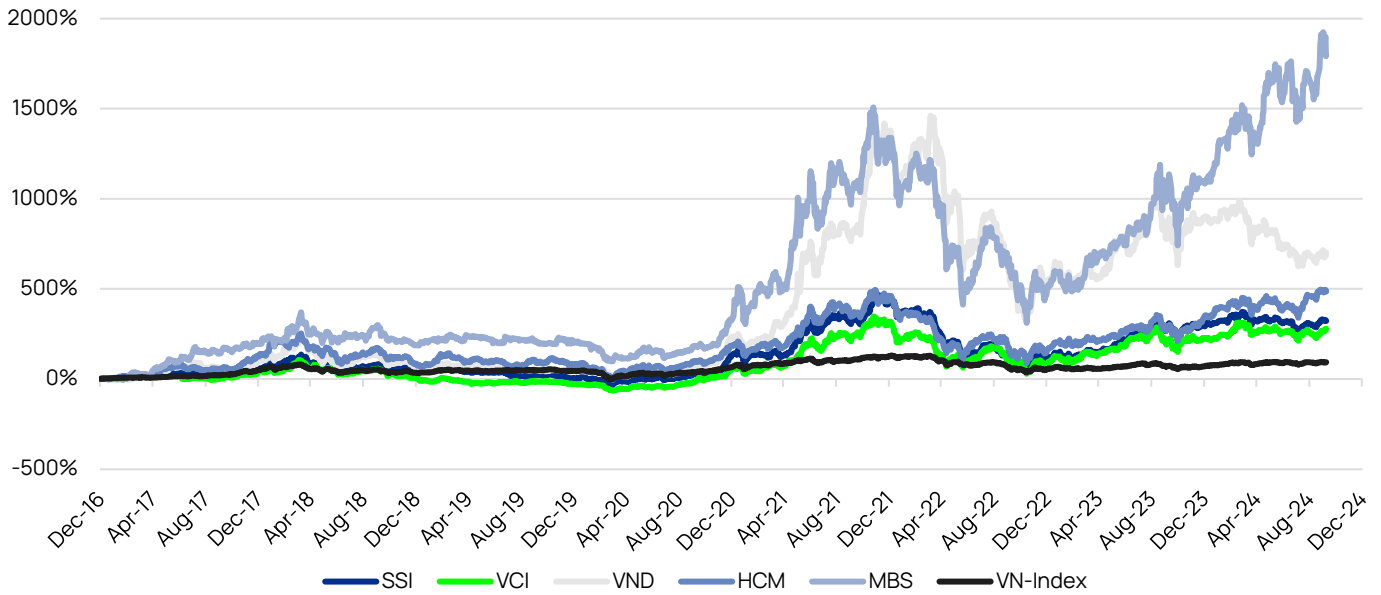
Among the top listed brokers, we believe SSI, HCM, and VCI are well-positioned to benefit from both Vietnam's potential stock market upgrade and the long-term growth of its equity market due to their competitive advantages in the institutional market. While positive factors (i.e., a rising VN-Index, higher ADTV, and increased foreign investor participation) will boost revenues for all three, of which the magnitude of impact will vary. We expect that HCM and VCI will benefit the most from increased foreign investor activity, given their large market shares in this segment and strong institutional services. In addition, we expect VCI's investment revenue to likely see a more positive impact from the projected rise in the VN-Index compared to others due to the large weight of listed equity in its investment portfolio. In contrast, SSI and HCM are expected to benefit more from increased margin lending, fueled by stronger retail investor activity, due to their larger margin lending balances. **Currently, SSI is the only broker that we cover. Please find our update report for SSI, published August 19, 2024 here: [SSI \[BUY +22.5%\] - Lowering 2024F ADTV with 2025F outlook maintained - Update.](#)**

**Figure 68: Average trailing P/B of brokers (SSI, HCM, VND, VCI, and MBS) from January 2014 to October 2024**



Source: FiinPro, Vietcap (as of October 9, 2024)

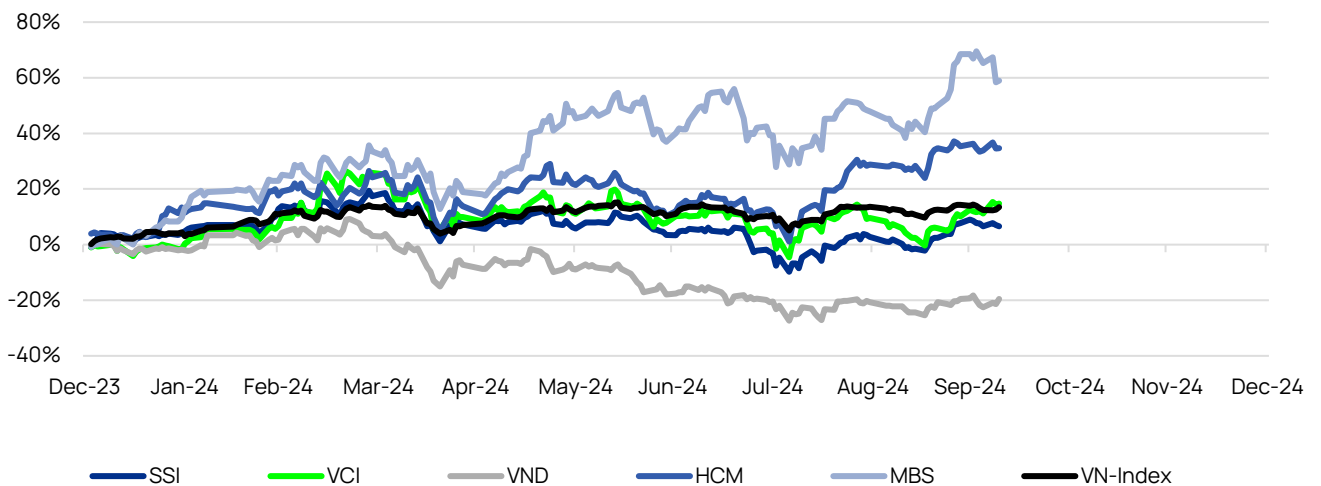
**Figure 69: Seven-year share price performance of the VN-Index and the top five listed players in the securities sector**



Tickers	Absolute change	Relative to VNI
SSI	322%	214%
VND	702%	580%
VCI	276%	157%
HCM	486%	392%
MBS	1798%	1587%

Source: FiinPro, Vietcap (as of October 9, 2024)

**Figure 70: YTD share price performance of the VN-Index and the top five listed players in the securities sector**



Tickers	Absolute change	Relative to VNI
SSI	6.6%	-6.8%
VND	-29.6%	-33.0%
VCI	14.7%	1.3%
HCM	34.7%	21.3%
MBS	59.0%	45.5%

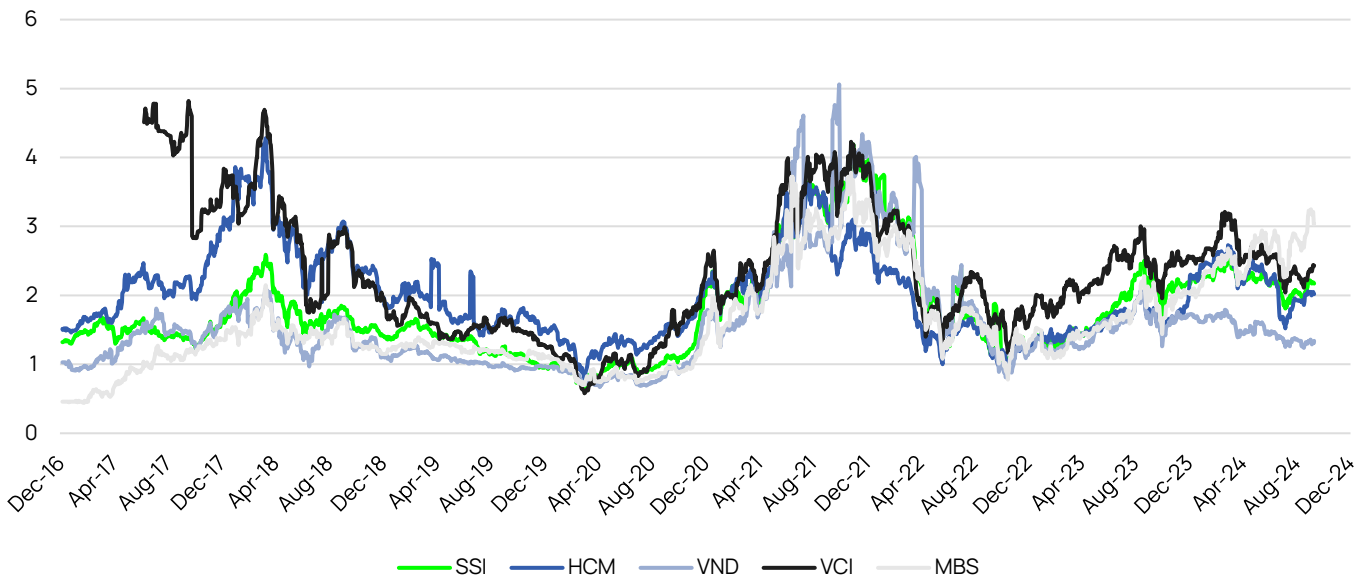
Source: FiinPro, Vietcap (as of October 9, 2024)

**Figure 71: Trailing P/B comparison (1)**

	10-year average trailing P/B	Current trailing P/B	1 standard deviation of 10-year average trailing P/B
SSI	1.75x	2.17x	2.36x
HCM	1.95x	2.02x	2.52x
VND	1.44x	1.34x	2.13x
VCI	2.35x	2.43x	3.28x
MBS	1.19x	3.04x	2.12x

Source: FiinPro, Vietcap (as of October 9, 2024)

**Figure 72: Trailing P/B comparison between brokers (2)**



Source: FiinPro, Vietcap (as of October 9, 2024)

**Figure 73: Listed Vietnamese brokerage companies' trailing P/B (y-axis) and TTM ROE (x-axis)**



Source: FiinPro, Vietcap (as of October 9, 2024)

## Potential stocks to benefit from a FTSE upgrade

Based on our estimates as of October 9, 2024, the following are the top 20 stocks with the highest market capitalization that we believe would pass the screening requirements for inclusion in FTSE's secondary EM index. These are based mainly on free-floats, FOL, liquidity and market cap.

**Figure 74: Stocks that could benefit from a FTSE upgrade, ranked by market cap**

Ticker	Market cap (USD mn)	30D ADTV (USD mn)	FOL	Foreign ownership	Vietcap target price (VND/share)
VCB	20,344	5.8	30%	23%	110,000
VHM	7,402	21.9	50%	14%	43,900
HPG	7,036	26.1	49%	22%	32,100
MIC	6,363	7.0	48%	10%	44,600
VNM	5,668	10.3	100%	52%	82,000
MSN	4,430	15.5	49%	28%	102,800
SAB	2,893	1.6	100%	61%	71,000
STB	2,575	19.4	30%	24%	37,200
VJC	2,288	3.9	30%	13%	114,000
SSI	2,143	18.2	100%	43%	32,200
VRE	1,682	6.1	49%	22%	20,100
DGC	1,747	8.0	49%	18%	122,000
SHB	1,582	10.5	30%	3%	N/A
KDH	1,371	5.7	50%	38%	45,500
EIB	1,431	11.4	30%	3%	N/A
POW	1,213	2.7	49%	4%	13,800
BVH	1,284	0.7	49%	26%	42,600
FRT	965	3.1	49%	37%	220,800
VND	926	7.9	100%	12%	N/A
VCI	859	12.3	100%	19%	N/A

Source: FiinPro, Vietcap (as of October 9, 2024)

## Appendix

### Circular 68 is effective on November 2, 2024, with the key points below:

1. The securities company provides non-prefunding (NPF) trading quotas to each investor based on its risk management policy and agreement with the investor.
2. If the investor fails to fully pay for the stock purchase transaction:
  - a. The obligation to settle the transaction will be transferred to the respective securities company's proprietary trading account.
  - b. The securities company can transfer these shares back to the investor by the end of T+3 (at the latest).
  - c. The transfer can be executed via put-through on the market or off-market transactions if the transfer price is outside the trading band or the transaction volume is smaller than the minimum put-through volume.
  - d. If the investor refuses or is unable to repurchase the shares from the securities company (e.g., due to no available foreign room), the securities company will sell those shares on the market. Any losses, profits, and other expenses arising from this transaction will be resolved according to the agreement between the securities company and the investor.
3. The securities company must disclose information regarding the investor who fails to repurchase the shares. This disclosure must be made on the information disclosure platforms of the State Securities Commission, Stock Exchanges, Vietnam Securities Depository & Clearing Corporation, and the securities company within 24 hours from the time the investor failed to repurchase the shares.
4. The custodian bank is responsible for settling the failed trade and incurred expenses (if any) if it incorrectly confirms the investor's cash balance with the securities company.
5. The securities company is prohibited from providing NPF services on its own stock.
6. The broker's aggregate NPF quota provided to all investors cannot exceed its (1) cash & cash equivalents (as detailed in the Circular); or (2) 2x its equity minus the margin loan balance.
7. Large-size public and listed companies must disclose (1) periodic information in English from January 1, 2025, and (2) unusual information in English from January 1, 2026.

**Figure 75: Securities companies mentioned in this report**

Ticker	Full name
SSI	SSI Securities Corporation
HCM	Ho Chi Minh City Securities Corporation
VCI	Vietcap Securities Joint Stock Company
VND	Vndirect Securities Corporation
MBS	MB Securities JSC
VPS	VPS Securities JSC
TCBS	Techcom Securities JSC
Mirae Asset	Mirae Asset Securities (Vietnam) Joint Stock Company
FTS	FPT Securities JSC
VCBS	Vietcombank Securities Company, Ltd
KAFI	KAFI Securities Corporation
ACBS	ACB Securities Ltd
VPBS	VPB Securities Coporation
ORS	Tien Phong Securities Corporation
HDBS	HD Securities Corporation

## Table of Figures

Figure 1: Securities sector key data.....	1
Figure 2: Securities sector summary valuations.....	1
Figure 3: Total brokerage accounts and new local accounts (thousand) .....	3
Figure 4: Changes in retail client deposits vs interest rates .....	3
Figure 5: Customer cash balance per securities account (VND mn) .....	3
Figure 6: ADTV of three trading venues combined from 2017 to Q3 2024 (USD mn) .....	4
Figure 7: Turnover of domestic investors in three trading venues combined from 2017 to Q3 2024 (USD bn) .....	4
Figure 8: Turnover of foreign investors in three trading venues combined from 2017 to Q3 2024 (USD bn) .....	4
Figure 9: Penetration rates of brokerage accounts in select countries.....	5
Figure 10: Select country weights in FTSE emerging markets indices and estimated potential weighting for Vietnam.....	7
Figure 11: Estimated passive capital inflows from ETFs from upgrade to EM .....	7
Figure 12: Estimated total capital inflows from passive funds from EM upgrading.....	7
Figure 13: Estimated theoretical foreign room by sector .....	8
Figure 14: Foreign ownership and theoretical available foreign room.....	9
Figure 15: Ownership structure by type of investors in Vietnam's equity market (September 2024) .....	9
Figure 16: Total foreign net inflow/(outflow) YTD (USD mn) .....	10
Figure 17: Performance of Frontier Markets vs Global Markets .....	10
Figure 18: ETF inflow/outflow of select countries in Asia (USD mn) .....	11
Figure 19: Foreign participation as % of market turnover .....	11
Figure 20: Foreign/total turnover in Southeast Asian markets .....	11
Figure 21: Liquidity of selected brokers .....	13
Figure 22: Broker index and VN-Index performance from 2017.....	13
Figure 23: Broker index performance and total turnover of three trading venues from 2017 .....	14
Figure 24: Market share on HOSE of select top brokerage companies from Q1 2019 to Q3 2024 (%) .....	14
Figure 25: The increase in owner equity of brokers in Q2 2024 vs Q4 2022 .....	15
Figure 26: Top ten brokers by equity in Q2 2024 (VND bn) .....	15
Figure 27: Brokerage market share of foreign institutional segment (2023) .....	15
Figure 28: Combined revenue of the top eight brokers from Q1 2017 to Q2 2024.....	16
Figure 29: Breakdown of aggregate revenue from 2017 to 2023.....	17
Figure 30: Revenue structure by year from 2017 to 2023 .....	17
Figure 31: Revenue value by year from 2017 to 2023 (VND tn) .....	17
Figure 32: Revenue value by broker, total from 2017 to 2023 (VND tn) .....	17

Figure 33: Breakdown of revenue by broker, average from 2017 to 2023 .....	18
Figure 34: Breakdown of revenue by broker in 6M 2024 .....	18
Figure 35: ADTV of underlying principal value of derivatives market (VND tn) .....	18
Figure 36: Brokerage revenue by broker (VND bn) .....	20
Figure 37: Gross profit margin of brokerage service .....	20
Figure 38: Average brokerage fee rates* from 2020 to Q2 2024 .....	20
Figure 39: Average net brokerage fee rates* from 2020 to Q2 2024 .....	20
Figure 40: Breakdown of customer trading value by products, average from 2020 to 2023 .....	20
Figure 41: Customer trading value by product in 2023 (VND tn) .....	21
Figure 42: Customer trading value of other products in 2023 (VND tn) .....	21
Figure 43: Margin services at top eight brokers .....	22
Figure 44: Outstanding margin loans of large balance sheet brokers (VND tn) .....	22
Figure 45: Margin loans/equity of large balance sheet brokers (%) .....	22
Figure 46: Effective margin lending rates by broker .....	23
Figure 47: Funding costs for margin lending by broker .....	23
Figure 48: Net spread between margin lending rates and funding costs .....	23
Figure 49: Provision for loss/margin lending balance .....	23
Figure 50: Total investment value (FVTPL, HTM, and AFS) (VND bn) .....	24
Figure 51: Total investment value/total assets in Q2 2024 .....	24
Figure 52: Breakdown of investment assets of brokers in Q2 2024 .....	24
Figure 53: Breakdown of investment assets of brokers at end 2023 .....	24
Figure 54: Investment value by type of investment product in Q2 2024 (VND bn) .....	25
Figure 55: Total return from investment (including coupons and interest payments from bonds and CDs) .....	25
Figure 56: IB and underwriting revenue (VND bn) .....	26
Figure 57: IB and underwriting revenue by broker (VND bn) .....	26
Figure 58: Total equity of brokerage firms in Vietnam (VND tn) .....	27
Figure 59: Total net profit of top brokers (VND bn) .....	27
Figure 60: Average ROAE and net profit margin (NPM) of top brokers .....	27
Figure 61: NPM by broker .....	28
Figure 62: ROAE by broker .....	28
Figure 63: 2023-2025F capital raising plans of select large securities companies .....	28
Figure 64: Vietnam's GDP growth .....	29
Figure 65: Five-year average GDP growth of Vietnam and other countries (2019-2023) .....	29
Figure 66: VN-Index and Bloomberg consensus EPS .....	29
Figure 67: Consensus forward P/E of select emerging markets as of October 9, 2024 .....	29
Figure 68: Average trailing P/B of brokers (SSI, HCM, VND, VCI, and MBS) from January 2014 to October 2024 .....	30

Figure 69: Seven-year share price performance of the VN-Index and the top five listed players in the securities sector .....	31
Figure 70: YTD share price performance of the VN-Index and the top five listed players in the securities sector .....	31
Figure 71: Trailing P/B comparison (1) .....	32
Figure 72: Trailing P/B comparison between brokers (2) .....	32
Figure 73: Listed Vietnamese brokerage companies' trailing P/B (y-axis) and TTM ROE (x-axis) .....	32
Figure 74: Stocks that could benefit from a FTSE upgrade, ranked by market cap.....	33
Figure 75: Securities companies mentioned in this report .....	34

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**Stock ratings** are set based on projected total shareholder return (TSR), defined as  $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$ , and are not related to market performance.

Equity rating key	Definition
<b>BUY</b>	If the projected TSR is 20% or higher
<b>OUTPERFORM</b>	If the projected TSR is between 10% and 20%
<b>MARKET PERFORM</b>	If the projected TSR is between -10% and 10%
<b>UNDERPERFORM</b>	If the projected TSR is between -10% and -20%
<b>SELL</b>	If the projected TSR is -20% or lower
<b>NOT RATED</b>	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when Vietcap is acting in an advisory capacity in a merger or strategic transaction involving the company.
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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## Contacts

### Corporate

www.vietcap.com.vn

#### Head Office

Bitexco Financial Tower, 15th Floor  
2 Hai Trieu Street, District 1, HCMC  
+84 28 3914 3588

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Head Office

Vinatex Building, 1st & 3rd Floor  
10 Nguyen Hue Street, District 1, HCMC  
+84 28 3914 3588 (417)

#### Transaction Office Ham Nghi

Doji Tower, 16<sup>th</sup> Floor  
81-83-83B-85 Ham Nghi Street, District 1, HCMC  
+84 28 3914 3588 (400)

#### Transaction Office Dong Da

9 Lane 82 Pham Ngoc Thach  
Dong Da District, Hanoi  
+84 24 6262 6999

#### Transaction Office ABS

Sailing Tower, 8th Floor  
111A Pasteur Street, District 1, HCMC  
+84 28 3914 3588 (403)

### Research

**Research Team:** +84 28 3914 3588  
research@vietcap.com.vn

**Alastair Macdonald, Head of Research, ext 105**  
alastair.macdonald@vietcap.com.vn

#### Banks, Securities and Insurance

**Duy Nguyen, Senior Manager, ext 123**  
- Ngoc Huynh, Senior Analyst, ext 138  
- Nga Ho, Analyst, ext 516  
- Hoai Trinh, Analyst, ext 116

#### Macro

**Luong Hoang, Senior Manager, ext 368**  
- Quang Dao, Analyst, ext 368

#### Consumer

**Nam Hoang, Senior Manager, ext 124**  
- Ha Huynh, Analyst, ext 185  
- Han Mai, Analyst, ext 538  
- Ngan Ly, Analyst, ext 532

#### Oil & Gas, Power and Water

**Duong Dinh, Senior Manager, ext 140**  
- Phuoc Duong, Analyst, ext 135  
- Tuan Do, Analyst, ext 181

#### Real Estate

**Hong Luu, Senior Manager, ext 120**  
- Anh Pham, Analyst, ext 149  
- Thuc Than, Analyst, ext 174

#### Industrials and Infrastructure

**Vy Nguyen, Manager, ext 147**  
- Han Nguyen, Analyst, ext 191  
- Huy Hoang, Analyst, ext 526

#### Retail Client Research

**Duc Vu, Associate Director, ext 363**  
- Trung Nguyen, Senior Analyst, ext 129  
- Anh Tong, Senior Analyst, ext 366  
- Ngoc Vu, Analyst, ext 365  
- Dang Le, Analyst, ext 570

### Brokerage and Institutional Sales & Trading

#### Tuan Nhan

**Managing Director, Brokerage  
& Institutional Sales & Trading**  
+84 28 3914 3588, ext 107  
tuan.nhan@vietcap.com.vn

#### Quynh Chau

**Managing Director  
Brokerage**  
+84 28 3914 3588, ext 222  
quynh.chau@vietcap.com.vn

#### Dung Nguyen

**Director  
Institutional Sales & Trading**  
+84 28 3914 3588, ext 136  
dung.nguyen@vietcap.com.vn