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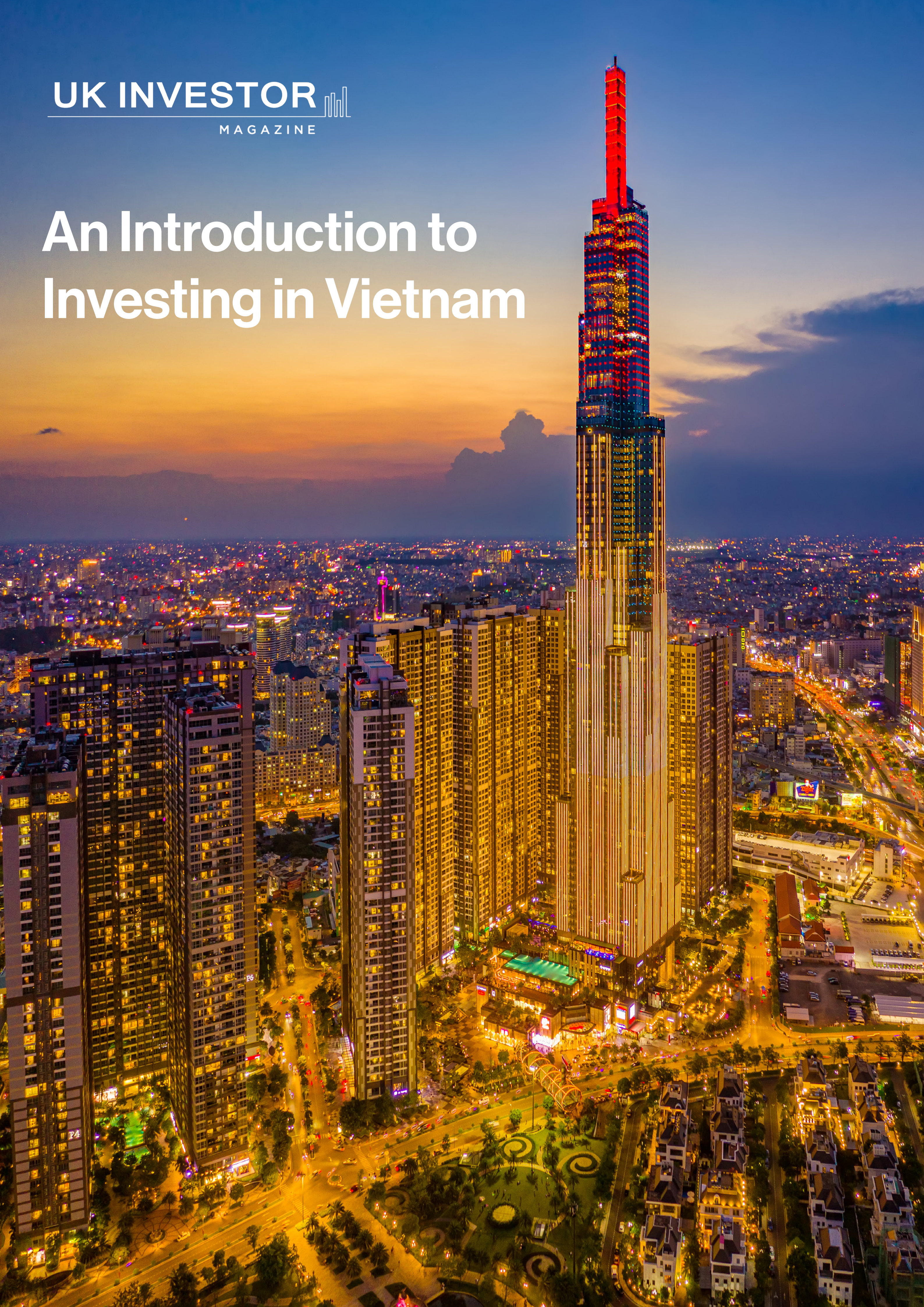
An Introduction to Investing in Vietnam



1. Vietnamese Economics

Vietnam is one of the fastest-growing economies in the world. In 2025 it achieved GDP growth of 8% – the highest rate in Southeast Asia and well ahead of regional peers like Indonesia (4.9%), Thailand (2.4%), and the Philippines (6.1%). It also outpaced major economies such as the United States (2.5%) and China (5%).

Vietnam's economy is built on strong manufacturing, rising exports, and steady foreign investment. The country exported over US$839 billion in goods through the first eleven months of 2025, with exports growing 17% year-on-year and generating a trade surplus of roughly US$20 billion.

Foreign Direct Investment (FDI) hit a five-year high of US$27.6 billion in 2025, signalling that multinational companies continue to bet heavily on Vietnam's long-term potential. Computers and electronic products are now the country's biggest export category, accounting for over 22% of total exports and growing nearly 48% year-on-year. This cements Vietnam's role as a key link in global technology supply chains.

As a signal of intent for the future, the government has set an ambitious 10% growth target for 2026, supported by underlying economic momentum. With a Purchasing Managers' Index (PMI) of 53 – a reading above 50 means manufacturing is expanding – Vietnam's industrial base remains firmly in growth mode. Inflation sits at a manageable 3.3%, and the Vietnamese Dong has been relatively stable, depreciating just 3.2% in the first ten months of 2025 compared with steeper falls across other emerging Asian currencies.

For investors, Vietnam's economic story is compelling. It combines the rapid growth of an emerging market with the policy stability and trade integration that is making it increasingly accessible to foreign capital. The country has proven remarkably resilient in the face of global trade tensions, including successfully negotiating US tariffs down from a threatened 46% to 20%.

8.0%

GDP Growth (2025)

US$27.6bn

FDI Inflows (2025)

+17% YoY

Export Growth

10%

2026 GDP Target

2. Technology Adoption

Vietnam is not just a low-cost manufacturing hub; it's rapidly becoming a technology-driven economy. The country has emerged as one of Asia's most dynamic digital markets, with technology shaping everything from banking to retail.

The banking sector is a prime example. **MB Bank**, one of Vietnam's leading institutions, has been setting the pace in digital banking adoption, efficiency, and customer reach. Across the sector, banks are digitalising their operations at speed, helping drive both revenue growth and cost savings. System-wide credit grew **19%** in 2025, and much of that expansion is being supported by improved digital infrastructure.

Mobile World Corp – Vietnam's leading omni-channel retailer – illustrates the consumer tech story. The company posted revenue of VND14 trillion in November 2025 alone, a 28% increase year-on-year. Its growth is powered by platforms spanning electronics, groceries, and telecoms, all connected through a sophisticated digital retail ecosystem.

The launch of the **KRX trading system** on Vietnam's stock exchanges represents another major step forward for the country and its equity markets. The platform was a key requirement for the FTSE Russell upgrade and brings Vietnam's market infrastructure closer to international standards. It enables faster order execution and supports more complex trading products. These are important improvements for global institutional investors.

3. Government Support

Vietnam's government has been one of the most proactive in Southeast Asia when it comes to economic reform and market development. A string of policy decisions in 2025 has fundamentally changed the country's investment landscape and helped win a FTSE Russell upgrade to emerging market status.

On 7 October 2025, FTSE Russell confirmed Vietnam's reclassification from Frontier to Secondary Emerging Market status, effective September 2026. This is a milestone years in the making. The upgrade was triggered by specific reforms the government pushed through, most notably the removal of pre-funding requirements for foreign investors and the launch of the KRX trading system.

Analysts estimate the reclassification could attract between US$4 billion and US$10 billion in portfolio inflows over the following 12 to 18 months, with some projecting up to US$25 billion in cumulative capital by 2030. It also puts Vietnam on the path toward eventual MSCI Emerging Market inclusion, which would open the door to even larger passive fund flows.

Infrastructure investment is another area of strong government commitment. The public investment programme hit **US$30.5 billion** in 2025, reaching 83.7% of its annual target. Road, rail, and port development is accelerating, which directly supports the country's manufacturing and export capacity.

The government also launched the **International Financial Centre (IFC)** framework in September 2025, focusing on Ho Chi Minh City and Danang. This initiative aims to attract international capital, enhance regulatory alignment with global standards, and deepen the sophistication of Vietnam's financial markets. It mirrors what Singapore and Hong Kong achieved in earlier decades.

Administrative reform is also gathering pace. The streamlining of government agencies and the reduction of bureaucratic layers are making it easier for businesses to operate.

Vietnam's successful negotiation of US tariff reductions – from 46% down to 20% – demonstrated the kind of policy agility that gives investors confidence.

4. Demographics

Vietnam's population of approximately 100 million people is one of its greatest assets and underpins the investment case. The country has a young, increasingly urbanised workforce that is driving consumption growth and supporting the shift toward higher-value economic activity.

Domestic consumption is one of three core investment themes in Vietnam, alongside industrialisation and urbanisation. Retail sales have been growing steadily, rebounding to **9.8% growth** in December 2025 after a brief dip caused by severe weather disruptions in October and November. Vietnam's expanding middle class is fuelling demand for electronics, financial services, property, and consumer goods.

Urbanisation is reshaping the country's physical landscape. Major cities like Ho Chi Minh City and Hanoi continue to grow, and the real estate sector is a significant part of the investment story. Vinhomes, one of the largest property developers, has seen strong demand for its residential projects, including Royal Island and Ocean Park.

The workforce is also evolving. Vietnam is moving beyond cost-competitive manufacturing into higher-value sectors. The government's 10% GDP growth target for 2026 will require this shift to accelerate, with greater emphasis on innovation, technology integration, and financial market sophistication. A young, tech-savvy population makes this transition achievable.

Retail investor participation in the stock market has surged, adding to the attractiveness of Vietnamese-listed equities. Domestic flows have pushed daily liquidity to record highs, making Vietnam the most liquid stock market in Southeast Asia. While retail-driven markets can be volatile – often moving on sentiment rather than fundamentals – this depth of participation is a sign of a maturing financial culture.

5. Vietnamese Stock Markets

Vietnam's equity market has undergone a quiet transformation over the past several years, and 2025 marked a turning point. The VN-Index ended the year near all-time highs, and the broader Vietnam All Share Index (VNAS) delivered a return of 37.3% for the full year in US dollar terms. These gains continued in early 2026.

37.3%

VNAS Return (2025)

9.5x

Forward P/E

24.5%

EPS Growth (2025)

18.0%

Fwd EPS Growth

The Vietnamese equity market is dominated by banks and real estate firms, with retail, financial services, and industrial goods rounding out the major sectors. This composition reflects Vietnam's stage of development. The economy needs banks to fund its growth, property to house its urbanising population, and retailers to serve its expanding consumer class.

Valuations remain attractive compared to other emerging markets. At the end of December 2025, the market traded at a forward price-to-earnings ratio of just 9.5x with forecast earnings per share growth of 18%. By comparison, many other emerging markets trade at higher multiples with lower growth. This combination of strong growth and reasonable valuations is a key part of the investment case.

The IPO market is also reviving. In November 2025, two blockbuster securities offerings raised roughly US$1 billion between them – Techcom Securities at US$410 million and VPBank Securities at US$482 million. These were among the largest listings in Southeast Asia that year, and they drove a more than 50% increase in regional IPO proceeds.

However, the market is not without challenges. Returns in late 2025 were concentrated in a handful of mega-cap stocks, while many quality mid-cap companies saw their shares consolidate despite sound fundamentals. Active fund managers have had to balance discipline with the short-term pressure of index concentration.

Daily trading liquidity of US$1–1.2 billion makes it practical for international investors to enter and exit positions. The FTSE Russell reclassification, effective September 2026, will bring index-tracking funds into the market for the first time, which should further deepen liquidity and potentially trigger valuation re-ratings for well-governed companies.

6. Featured Vietnamese Companies

The following companies featured prominently in the VietNam Holding (VNH) portfolio during Q4 2025. They represent the major themes of Vietnamese growth – banking, manufacturing, real estate, retail, and financial services.

Mobile World Corporation

Mobile World is Vietnam's largest multi-format retailer, operating electronics chains (thegioididong.com, Dien May Xanh, Topzone), grocery stores (Bach Hoa Xanh), pharmacies (An Khang), and mother-and-baby shops (Avakids).

The company runs over 5,500 stores nationwide. In 2025, net revenue reached VND 156.5 trillion (up 16.5% YoY) and net profit hit VND 7.1 trillion. This is nearly doubling from 2024 and exceeding its target by 46%.

Electronics retail contributed 67.7% of revenue, while Bach Hoa Xanh accounted for 30%. The grocery chain expanded into northern Vietnam for the first time and opened 789 new stores. For 2026, the company targets revenue of VND 185 trillion (+18%) and profit of VND 9.2 trillion (+30%). Key strategic plans include launching a Super App, pursuing IPOs for both the electronics and grocery divisions, and scaling EraBlue in Indonesia to 300+ stores.

Vinhomes

Vinhomes is Vietnam's #1 listed real estate developer and a subsidiary of Vingroup, with a market capitalisation of USD 15.5 billion.

It develops integrated mega-townships, condominiums, landed properties, offices, and industrial parks. The company holds an unrivalled land bank of 17,280 hectares, reportedly over ten times larger than its nearest competitor, providing roughly 30 years of development runway.

In the first nine months of 2025, total adjusted revenue was VND 70.4 trillion (USD 2.7 billion) and net profit reached VND 15.3 trillion.

Contracted sales surged 96% YoY to VND 162.6 trillion, while unbilled sales stood at VND 223.9 trillion, offering strong revenue visibility.

Techcombank

Techcombank is one of Vietnam's leading private-sector banks, headquartered in Hanoi. The bank operates a diversified model spanning retail banking, corporate and investment banking, wealth management, and securities services through its subsidiary TCBS.

It says its competitive edge lies in keeping funding costs low, and a strong digital platform — 91% of retail transactions now happen through e-banking. Techcombank has built a powerful wealth management franchise, with AUM reaching VND 645 trillion and affluent customers growing 74% year-on-year.

The bank also holds the number one position on Vietnam's NAPAS 24/7 payment network. With a Basel II CAR of 14.6%, it maintains one of the strongest capital positions among Vietnamese banks.

Key Takeaways

Vietnam offers a rare combination of high economic growth, improving market infrastructure, and attractive stock market valuations. Its 8% GDP growth in 2025 was the highest in Southeast Asia, and the FTSE Russell upgrade to Emerging Market status signals that international investors are beginning to take notice. The market trades at just 9.5x forward earnings with 18% forecast earnings growth – a compelling setup for long-term investors willing to navigate the volatility that comes with any emerging market.

This report is sponsored by Vietnam Holding

Vietnam Holding (VNH) invests in high-growth companies in Vietnam, focusing on domestic consumption, industrialisation and urbanisation. Launched in 2006, VNH is a closed-end fund listed on the London Stock Exchange.

Investment Approach: Vietnam Holding employs a long term investment approach, delivered by the Manager's active management process. The resulting high conviction portfolio is focused on three core investment themes: Industrialisation, Urbanisation and the Domestic Consumer.

The Manager seeks companies that fulfil the following investment criteria:

- Compounding long term EPS growth (c. 20% per annum)
- Attractive valuations with a built-in safety margin
- Strong balance sheet and cash flow management
- Best management team amongst peers
- Hands on Environmental, Social and Governance (ESG) analysis
- Industry leaders with strong competitive position

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