2026 opens with strong fundamentals and equity momentum

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Senior Economist

Macroeconomics:

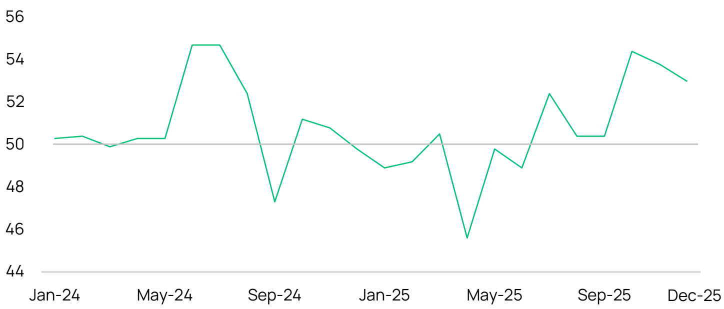
- GDP growth closed 2025 at +8.0%, with Q4 at +8.5%, the second strongest annual GDP growth in 15 years.
- Domestic demand and services strengthened, retail and services were up 9.2%, and tourism hit a record 21.2 million arrivals, supporting a broader 2026 growth base.
- Policy room is intact with 2025 CPI at 3.3%, and state budget revenue at 134.7% of target. Public investment rose 26.6% YoY to $32.3bn, alongside $27.6bn of FDI disbursement, up 9.0% YoY.

Stock Market:

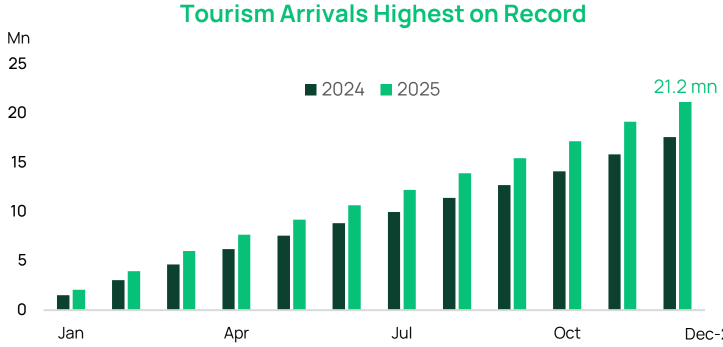
- The VNI posted its strongest year since 2017, ending 2025 38.8% up in total return US$ terms, despite combined net foreign outflows of $5.2bn over the year.
- The rally was domestically led, with average daily turnover reaching a combined $1.1bn, helping to absorb the foreign selling and support record highs.
- December's $90.5mn foreign inflow is an encouraging sign ahead of the likely FTSE EM inclusion, although it is too early to judge whether this marks a sustained shift.

CHARTS OF THE MONTH

PMI Positive For Six Consecutive Months



Tourism Arrivals Highest on Record



Monthly Insights

Vietnam ended 2025 with a clear acceleration in activity. Full-year GDP growth reached 8.0%, the second-highest since 2011, and momentum strengthened into year-end with Q4 growth of 8.5%, the strongest Q4 in 15 years. Nominal GDP rose to $514bn, up $38bn from 2024, lifting per-capita income above $5,000.

Notably, this expansion was broad-based and led by industrial activities. Manufacturing value added grew 10.0%, the fastest since 2019, while the Industrial Production Index (IIP) rose 9.2%, also the strongest since 2019. The Purchasing Managers' Index (PMI) eased slightly to 53.0 in December but extended the positive run to six consecutive months, with business confidence at a 21-month high. Domestic demand also strengthened, with retail sales and service revenues up 9.2% in nominal terms, led by accommodation and food services at 14.6%, alongside record international arrivals of 21.2 million, the first time Vietnam has exceeded 20 million.

Policy room remained supported by stable inflation and strong fiscal performance. Headline and core inflation averaged 3.3% and 3.2% in 2025, both well within the 4.5% ceiling, while unemployment remained low at 2.2%. State budget revenue reached 134.7% of the government's target, allowing public investment disbursement to rise sharply into year-end, reaching $32.3bn. In parallel, FDI disbursement rose to $27.6bn, a five-year high and up 9.0% YoY, while registered FDI held steady at $38.4bn. On the external side, trade also hit a new milestone with turnover at $930bn, up 18.2% YoY. Exports rose 17.0% to $475.0bn, supported by a 48.4% jump in electronics and computer products, while imports rose 19.4% to $455.0bn, leaving a trade surplus of $20.0bn.

Equity markets reflected this stronger macro backdrop, with the VNI reaching an all-time high of 1,805 on 25 December and ending the year at 1,784, up 5.9% MoM and 38.8% for 2025 in US$ terms, the strongest annual performance since 2017. Domestic participation remained the primary driver, absorbing sizeable foreign selling. Foreign investors recorded net outflows of about $5.2bn in 2025, the largest annual sell-off on record, although December saw a meaningful shift, with foreign investors net buyers in more than half of trading sessions, resulting in a net inflow of $90.5mn for the month. While it is too early to draw firm conclusions, the change in tone is consistent with improving sentiment ahead of Vietnam's likely FTSE Emerging Market inclusion in September, and continued regulatory reforms aimed at an MSCI upgrade by 2030.

Looking to 2026, the key question for investors is whether this broader growth base can be sustained. The combination of accelerating manufacturing, strengthening consumption, record tourism and firm investment flows provides a constructive starting point for earnings and market confidence. Over the next three to six months, the durability of export momentum, the pace of reform implementation, and FX movements will be the key swing factors to watch. In addition, the recent Resolution 79 on developing the state economic sector is expected to support more productive use of public resources by improving the efficiency and accountability of state capital allocation, and strengthening SOEs' role in strategic investment. Together, these measures can add further to an already strong growth foundation.

VIETNAM EQUITY (UCITS) FUND (VEF)

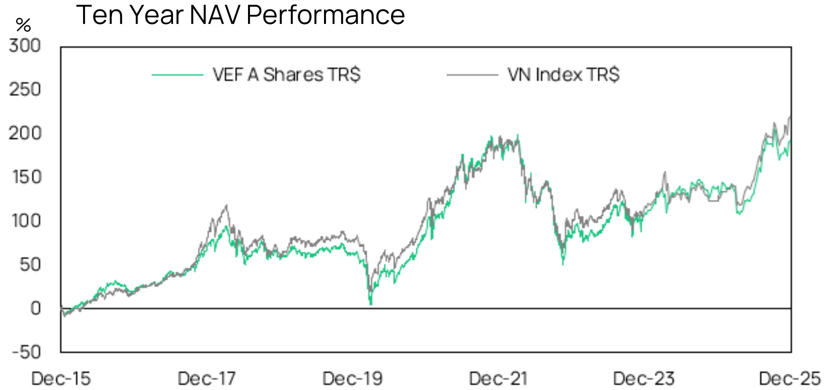
DRAGON CAPITAL

December 2025

Mai Vu
Portfolio Manager

At a Glance

- VEF rose 4.3% in December to finish the year 22.2% up in total return US$ terms.
- Banks outperformed on expectations of strong Q4 results, and we continued to trim VIC to stay within UCITS limits, adding to preferred holdings on weakness.
- We remain optimistic about Vietnam's economic and equity market outlook, with the Fund's earnings growth expected to exceed 20% in 2026.



Performance (%)

All reporting on this page is in total return US dollar terms to the last business day in Vietnam unless otherwise stated

	Net Assets	NAV/Share	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
VEF A (USD)	$208.47mn	$40.06	22.2	4.3	1.3	22.2	60.9	55.0	192.9
VEF B (EUR)	€36.41mn	€1,937.96	8.4	2.9	1.2	8.4	48.2	66.4	N/A
VNI (Reference Index)	N/A	N/A	38.8	5.9	8.3	38.8	67.8	53.8	221.0

Past performance cannot be relied upon as a guide to future performance

Fund Commentary

VEF ended the year with 22.2% gains, despite trimming Vingroup (VIC) since late October to remain in compliance with the UCITS 5/10/40 rule. December's performance was led by banks, with most of our holdings showing positive gains leading up to Q4 earnings season, reflecting expectations of solid business results supported by an estimated 19% system-wide credit growth in 2025 and resilient NIM. MBB's price performance led the pack this month, with PBT growth expected to reach 16%, surpassing the management target of 6%. CTG follows in close pursuit with an anticipated 31%. VPB, which had the weakest performance in our top ten holdings this month, is expecting 50%. As such, banks are generally playing out as we had anticipated both in terms of business results and stock performance, while valuations are still not stretched.

We remain disciplined in deploying cash from the sale of VIC, only adding to our preferred holdings on weakness, including Vietcap Securities (VCI) with a discount to market price via private placement. We also entered an opportunistic tactical position in Vinpearl (VPL), with the stock now eligible for margin six months after its IPO, and the issuance of an exchangeable $325mn VIC bond, with the option to convert into VPL shares.

Heading into 2026, we are comfortable with the current portfolio positioning, while closely assessing any government directives at the start of the year to guide portfolio construction, particularly in light of the 14th Party Congress set to begin on 19 January. One key area we are seeking to better understand is the role of state-owned enterprises (SOEs) in Vietnam's emerging era of ascendence. Overall, we remain optimistic about Vietnam's economic and equity market outlook. The Fund's earnings growth is expected to exceed 20% in 2026, moving broadly in line with, and slightly surpassing market EPS growth, reflecting our preference for industry leaders and companies that empower Vietnam's long-term growth trajectory. Underpinned by a focused, determined, and proactive government guiding the country into its next phase of growth, Vietnam is likely to soon become the third-largest economy in Southeast Asia.

Stock in Focus: MB Bank (MBB)

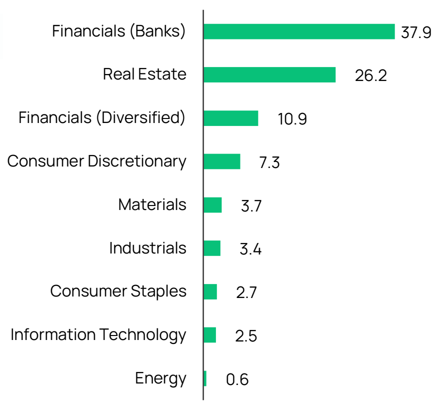
Founded in 1994, MBB is Vietnam's largest private commercial bank by total assets, nearing $56.6bn, up 30% YoY. The bank closed 2025 with excellent performance, with deposits reaching $39.6 bn (+25% YoY), and pre-tax profit projected at $1.3bn (+17% YoY). Notably, 4Q25 preliminary NPATMI surged to $319mn, up 34.3% YoY and 51.5% QoQ, signalling strong momentum into year-end. MBB strengthened its digital leadership with 35 million online customers and 11 billion transactions (98.8% via digital channels), reinforcing technology-driven growth.

MBB is currently trading at 7.2x FY26 PER and 1.3x PBR, valuations that remain grounded despite a projected 15% earnings growth profile. This outlook is supported by a boost in revenue and margin-led profitability, underpinned by the bank's market-leading cost of funding. The medium-term outlook centres on a targeted average credit growth of 20-25%, reflecting a sustained expansion strategy. Having delivered through good times and bad, we see MBB as well placed to remain a top-tier performer, combining disciplined execution from its management with a technology-led model that can support both earnings growth and shareholder returns. With a solid customer base and digital scale reinforcing efficiency, we expect MBB to protect margins and asset quality through the cycle, while sustaining credit growth above the sector average.

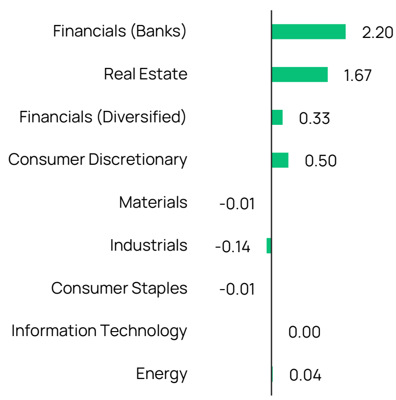
Top Ten Holdings (56.9% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	MoM (%)
Vingroup	VIC	Real Estate	8.8	15.7	30.6
Vinhomes	VHM	Real Estate	8.4	6.1	20.8
Vietinbank	CTG	Financials (Banks)	7.2	3.3	5.8
MB Bank	MBB	Financials (Banks)	6.8	2.5	9.1
BIDV	BID	Financials (Banks)	5.0	3.3	5.1
Mobile World	MWG	Consumer Discretionary	4.8	1.6	10.9
Techcombank	TCB	Financials (Banks)	4.6	3.0	3.7
VP Bank	VPB	Financials (Banks)	3.8	2.7	-1.8
Vietcap Sec'	VCI	Financials (Diversified)	3.8	0.3	4.9
Hoa Phat Group	HPG	Materials	3.7	2.4	-0.3

Sector Breakdown (%)



Monthly Contribution (%)



Key Indicators

Item	Unit	2021	2022	2023	2024	2025E	2026F
GDP	$bn	366.1	408.8	430.0	476.3	514.0	561.8
Real GDP Growth	%	2.6	8.0	5.1	7.1	8.0	9.3
Services Growth	%	1.2	10	6.9	7.4	8.6	9.5
Agriculture Growth	%	2.9	3.4	2.6	3.3	3.8	4.0
Ind'l and Const'n Growth	%	4.1	7.8	3.5	8.3	9	10.5
Retail Sales Growth	%	-3.8	10.2	8.3	9.0	9.2	10.0
Prices							
CPI (Average YoY)	%	1.8	3.2	3.3	3.6	3.3	4.0
Money, FX and Interest Rates							
Money Supply M2	%	8.9	6.2	12.5	12.7	15.0	12.5
Average 12M Deposit Rate	%	6.0	8.0	5.0	5.0	5.8	6.3
5-yr VGB	%	0.9	4.7	1.6	1.4	3.3	3.5
VND:$	$1	22,800	23,550	24,250	25,450	26,300	27,310
External Sector							
Trade Balance	$bn	3.3	12.4	28.0	24.4	20.0	25.0
Current Account	$bn	-8.1	1.4	25.8	30.5	34.5	40.0
Current Account / GDP	%	-2.2	0.3	6.0	6.4	6.7	7.1
FDI Registered	$bn	38.5	27.7	36.6	35	38.4	50.6
FDI Disbursement	$bn	19.8	22.4	23.2	25.4	27.6	33.6
FX Reserves	$bn	106.5	85	89	80	78	80
Public Debt Fiscal Balance							
External Debt	$bn	138.8	141.2	138	140.3	151.0	168.54
Government	$bn	47.9	48.8	44.4	44.5	47.8	50.0
Enterprises (incl. FDI)	$bn	90.9	92.4	93.6	95.8	103.2	118.54
External Debt (% GDP)	%	37.9	34.5	30.3	30.3	29.4	30.0
Fiscal Balance (% GDP)	%	-4.0	-4.0	-3.6	-3.6	-4.2	-4.0

All forecasts are Dragon Capital estimates

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Dec-24	31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24	31-Dec-25	31-Dec-24	31-Dec-25
Market cap ($mn)	204,673	316,229	13,569	16,305	63,824	47,679	282,066	380,213
Number of stocks	393	400	310	301	889	870	1,592	1,571
Number of large cap stocks (> $400mn)	76	83	11	13	17	20	104	116
Stocks with no room for foreigners	65	59	93	105	266	305	424	469
Market cap of stocks with no room ($mn)	25,793	16,964	2,295	2,200	23,255	21,186	51,342	40,350
Share of Market Cap with No Room (%)	12.6	5.4	16.9	13.5	36.4	44.4	18.2	10.6

Top 25 Companies by Market Cap

No	Company	31-Dec Price (VND)	Price YTD (%)	Mkt Cap ($m)	Wt in VNI (%)	PER 2024 (x)	PER 2025E (x)	PER 2026E (x)	PBV 2024 (x)	PBV 2025E (x)	PBV 2026E (x)	Yield 2024 (%)	Yield 2025E (%)	Yield 2026E (%)
1	Vingroup	169,600	736.5	49,701	15.70	13.0	111.9	110.7	1.1	8.7	8.1	0.4	-	-
2	Vinhomes	124,000	210.0	19,369	6.10	5.2	12.8	11.1	0.8	2.1	1.7	0.4	-	-
3	Vietcombank	57,500	-5.1	18,271	5.80	17.2	15.1	13.5	2.6	2.1	1.8	-	-	-
4	Vietinbank	35,750	37.9	10,559	3.30	8.8	9.6	8.3	1.4	1.6	1.4	-	-	-
5	BIDV	38,900	4.7	10,387	3.30	13.3	13.7	12.2	1.8	1.7	1.5	-	-	-
6	Techcombank	34,900	45.3	9,405	3.00	8.1	10.2	8.7	1.2	1.5	1.3	3.0	2.0	2.4
7	Masan Consumer	222,000	26.2	8,921	2.80	23.2	35.2	31.9	16.9	14.7	12.7	12.4	2.0	2.0
8	VP Bank	28,650	53.3	8,644	2.70	9.4	9.9	7.7	1.0	1.4	1.2	5.2	3.0	4.0
9	MB Bank	25,300	54.4	7,750	2.50	6.0	8.4	7.0	1.2	1.5	1.3	2.1	-	-
10	Hoa Phat Group	26,400	18.9	7,706	2.40	14.2	12.7	10.4	1.5	1.6	1.4	-	1.6	1.6
11	Airports Corporation VN	48,900	-36.1	6,662	-	29.1	17.7	15.8	4.6	2.4	2.0	-	-	-
12	PV Gas	72,400	12.9	6,644	2.10	15.2	14.0	13.3	2.6	2.7	2.6	8.7	5.4	5.0
13	FPT Corporation	95,800	-26.4	6,206	2.00	30.7	19.6	16.8	7.4	4.4	3.7	1.5	2.3	2.7
14	HD Bank	29,700	51.1	5,653	1.80	7.0	9.2	7.6	1.6	2.1	1.6	3.3	-	-
15	Mobile World	88,400	47.0	4,937	1.60	23.6	19.4	15.5	3.2	4.0	3.3	0.8	1.1	1.2
16	Vinamilk	61,200	4.6	4,864	1.50	14.5	16.0	14.6	3.8	4.1	4.1	6.2	7.1	7.2
17	LienViet Post Bank	41,800	43.6	4,749	1.50	8.9	13.4	12.2	2.0	2.5	2.1	-	-	-
18	Vietjet Air	209,000	109.0	4,702	1.50	38.6	53.8	48.9	3.2	5.9	5.3	0.1	-	-
19	Asia Commercial Bank	24,000	11.3	4,688	1.50	6.7	7.1	6.2	1.3	1.2	1.0	3.4	1.4	1.6
20	Masan Group	77,000	10.0	4,234	1.30	50.4	28.8	21.5	3.3	3.3	2.8	1.7	1.6	1.6
21	Sacombank	58,000	57.2	4,158	1.30	6.9	9.1	7.8	1.3	1.6	1.3	-	-	-
22	Binh Son Refining	16,100	14.0	3,066	1.00	112.0	22.5	21.5	1.3	1.4	1.4	3.1	2.7	2.7
23	Vietnam Airlines	24,900	10.3	2,946	0.90	8.4	9.6	7.9	neg	10.3	5.0	0.4	-	-
24	Vincom Retail	33,650	96.2	2,908	0.90	9.5	11.6	13.6	0.9	1.6	1.4	-	-	-
25	SSI	30,250	30.7	2,866	0.90	17.9	17.9	15.3	1.9	2.4	2.2	3.0	-	-

All forecasts are Dragon Capital estimates

FUND INFORMATION

Fund	Bloomberg	ISIN	LEI	SEDOL	CUSIP	Listed
VEF-A	VIETNAM ID	IE00BD5HPH84	254900EVTJZ4VAUG4M43	-	-	-
VEF-B	VIETEUR ID	IE00BV8WVB25		-	-	-
VEF-C	VIETGBP ID	IE000LEKRJK0		-	-	-

Price Providers	Funds	Bloomberg	Contact
SEI Investments	VEF	-	Transfer Agency Department TADublin@seic.com

VEF	
Subscription & Withdrawals	Daily

The Fund has appointed **SEI Investments – Global Fund Services Limited** as its fund administrator and transfer agent, and **SEI Investments – Depositary and Custodial Services (Ireland) Limited** as its depositary. A range of third-party fund platforms also include VEF in their product offerings, including Clearstream (www.clearstream.com), Fundsettle (www.euroclear.com), Banco Inversis (www.inversis.com), IFSAM (www.ifsam.lu), Pareto Securities (www.paretosec.com), Attrax (www.attrax.lu), MFEX (www.mfex.com), and Allfunds (www.allfunds.com).

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