

## Enter the Year of the Horse. A step up in class, steady reins.



**Tung Dang**  
Senior Economist

### Macroeconomics:

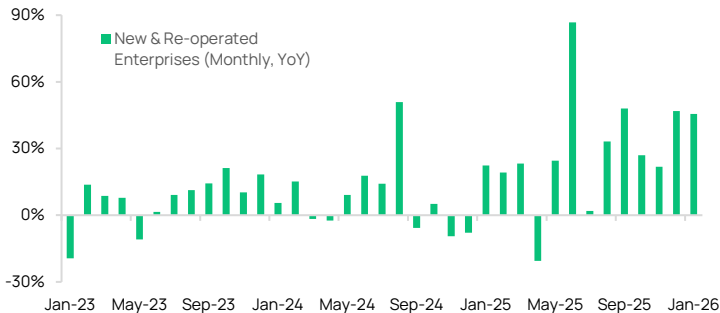
- ▶ Industrial momentum accelerated, with IIP rising 21.5% YoY and PMI at 52.5, reinforcing confidence in sustained manufacturing expansion.
- ▶ Business formation strengthened markedly, with nearly 49,000 enterprises launched or resumed (+45.6% YoY) and registered capital surging 92.3%.
- ▶ External and public-sector engines remained supportive, as exports climbed 29.7% YoY and public investment disbursement increased 19.3%.

### Stock Market:

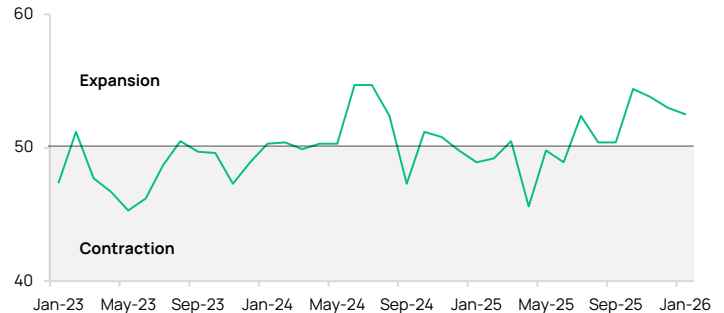
- ▶ The VN-Index reached a record 1,918.46 before consolidating, ultimately finishing January up 4.0% MoM in USD terms following last year's re-rating.
- ▶ Several SOEs outperformed as Resolution 79 lifted expectations for governance improvements, capital discipline, and potential valuation re-rating.
- ▶ Combined liquidity held firm at \$1.5bn/day while foreign investors recorded intermittent net buying.

## CHARTS OF THE MONTH

Corporate Formation Underpins Broadening Growth



PMI In Expansion For 7 Consecutive Months



## Monthly Insights

January's data indicates a synchronised expansion across production, demand, investment, and trade, reinforcing confidence that late-2025 momentum is carrying into 2026, and that Vietnam's expansion is beginning to broaden. Headline inflation remained contained at 2.5%, preserving policy flexibility, while state budget revenue increased 20.4% YoY and reached 14.7% of the annual estimate in January, supporting capacity to sustain growth-oriented expenditure.

PMI remained firmly in expansion territory at 52.5, while the Index of Industrial Production (IIP) rose 21.5% YoY, led by manufacturing at 23.6% as export demand strengthened. The upswing also broadened into cyclical areas, including non-metallic minerals up 41.9% and motor vehicles up 36.6%, suggesting the recovery is extending beyond a narrow electronics cycle. Industrial employment increased 4.3% YoY, led by foreign-invested enterprises, a pattern more consistent with firms adding capacity than simply raising utilisation.

Domestic demand remained supportive. Retail sales and services revenue grew 9.3% YoY in nominal terms, or 6.3% in real terms. Tourism continued to improve, with international arrivals close to 2.5 million, up 18.5% YoY, while passenger traffic rose 16.3% ahead of the Lunar New Year period, reinforcing a steady consumption backdrop as services continue to normalise.

Investment and external activity also began 2026 on a firm footing. Public investment disbursement reached \$1.7bn, up 19.3% YoY, while FDI disbursement matched this level at \$1.7bn, up 11.3% YoY and marking the strongest January in five years. Over 80% of realised FDI was in manufacturing, reinforcing Vietnam's role in regional supply chains. Private-sector activity strengthened materially, with nearly 49,000 enterprises newly established or resuming operations, up 45.6% YoY. Newly registered firms alone rose 126.8% and registered capital increased 92.3%, signalling domestic corporate expansion remains active despite an uncertain global backdrop. External trade turnover rose 39.0% YoY to \$88.2bn, with exports up 29.7%, led by electronics (+57.6%) and machinery (+40.2%), supporting the near-term industrial outlook.

Equity markets opened 2026 strongly before entering a phase of consolidation. The VN-Index reached a new all-time high of 1,918.46 in the second week of January before ending the month at 1,829.04, up 4.0% MoM in USD terms. Liquidity held firm and foreign activity remained mixed, with intermittent strong net-buying sessions. Several state-owned enterprises (SOEs) outperformed, supported in part by improving expectations around Resolution 79, which emphasises operational efficiency and stronger accountability for SOEs. If implementation follows through, this could broaden market leadership by sharpening differentiation within the SOE universe and support valuations over time.

From an investor perspective, the January mix remains constructive because it points to both cyclical momentum and improving breadth. Manufacturing remains the anchor, but firmer services activity and real consumption reduce the risk that growth becomes overly reliant on external demand. The surge in new business formation and registered capital is particularly important, as it signals that domestic corporates are preparing to expand, a dynamic that could meaningfully broaden the future earnings pool. The primary caution is seasonality, as January data can be influenced by timing effects around the Lunar New Year, making follow-through in February and March a more important test of underlying momentum. If industrial strength persists and inflation remains contained, policy conditions should stay supportive. In that environment, the equity market's focus is likely to centre on earnings delivery and whether foreign participation evolves from episodic to sustained.



**Mai Vu**  
Portfolio Manager

### At a Glance

- VEF rose 4.6% in January, outperforming the VN-Index by 0.6%.
- Banks led returns on 2025 earnings growth of 16.3% and resilient NIM, with Tier 1 holdings still trading below 5 year average P/B.
- Tactical SOE allocations were increased using cash reserves from trimming VIC, aligning with new state sector reform measures following Resolution 79.

### Performance (%)

	Net Assets	NAV/Share	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
VEF A (USD)	\$219.06mn	\$41.90	4.6	4.6	9.4	25.6	55.1	64.2	218.6
VEF B (EUR)	€37.54mn	€1,998.96	3.1	3.1	6.2	10.0	43.5	71.3	N/A
VNI (Reference Index)	N/A	N/A	4.0	4.0	13.4	42.2	56.9	66.5	250.3

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

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

### Fund Commentary

VEF started off the year on a relatively strong footing, gaining 4.6% and outperforming the VN-Index. Performance was driven primarily by strength in the banking sector, alongside market exuberance following the issuance of Resolution 79, which aims to enhance the efficiency of state-owned enterprises (SOEs) and provide better clarity of their role in Vietnam's new era of ascendance. The banking sector's gain was supported by solid fundamentals as earnings results were released. Overall, the sector delivered earnings growth of 16.3% for 2025, underpinned by strong credit expansion, resilient net interest margins, and disciplined lending practices. Sector ROE stood at 17.7%, while valuations remain undemanding at a trailing P/B of 1.6x. We expect this positive momentum to extend into 2026 and continue to favour leading Tier-1 banks. Most of our banking holdings are currently trading below their 5-year average forward P/B multiples, while earnings prospects for the year remain strong, reinforcing the sector's continued investment appeal and its role as a key enabler of Vietnam's high-growth story. The issuance of Resolution 79 on 9 January triggered a broad rally across SOE-related stocks, particularly in the banking sector (CTG, BID, VCB) and subsidiaries of PetroVietnam (GAS, PLX, PVS, among others). As one of Vietnam's largest contributors to tax revenues, PetroVietnam and its affiliates are well positioned to benefit from policy support aimed at strengthening the foundations for economic growth, particularly through investments in energy and power infrastructure, as well as acceleration of Vietnam's green transition. As noted in previous monthly commentaries, following trims in Vingroup, we held 4.8% cash at end-December. The majority of this cash was deployed into SOE-themed stocks as a tactical allocation while we review materials from the 14th National Party Congress to assess future policy directions and their implications.

On another note, we are observing positive inflows into the Fund, suggesting growing recognition of Vietnam's investment appeal despite its current off-benchmark status. A combination of sustained high economic growth under new leadership, strong representation of that growth in listed earnings, undemanding valuations, and market upgrade progress, including FTSE Russell's expected official inclusion in September and ongoing government efforts towards MSCI inclusion, all underpin a compelling investment case.

### Stock in Focus: Vietinbank (CTG)

Vietinbank, founded in 1988 shortly after Vietnam's first breakthrough reform Đổi Mới in 1986, is one of Vietnam's largest banks by assets and has long been a key channel for credit to the real economy. The bank has consistently been in the Fund's Top-5 holdings over the past year and remains a part of our key investment allocation as Vietnam enters a new phase of economic development. In 2025, CTG delivered exceptional results, with profit before tax of \$1.5bn (+37% YoY) and ROE of 21.3%, among the strongest in the sector. Credit expanded 17% YoY while deposits grew 24%, easing LDR pressure and strengthening funding buffers. CTG's loan book is well-balanced, with retail accounting for 40% (+20% YoY), SMEs 22% (+17%), large corporates 30% (+12%), and FDI 6% (+12%). Faster growth in retail and SMEs supported a resilient net interest margin of 2.6%. Asset quality continued to improve, with NPLs declining to 1.1% (down 14bps) and LLR at 158.8%, among the highest in the sector.

For 2026, we expect earnings growth of 16%, while valuation remains attractive at a P/B of 1.4x, below its 5-year average. CTG now generates profits broadly in line with Vietcombank, while trading at roughly half of VCB's market cap. CTG is also expanding its green financing footprint, with nearly \$2bn of loans allocated to green credit, supporting Vietnam's ongoing green energy transition.

### Top Ten Holdings (54.3% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	MoM (%)
MB Bank	MBB	Financials (Banks)	8.1	2.6	9.0
Vietinbank	CTG	Financials (Banks)	7.8	3.5	9.9
BIDV	BID	Financials (Banks)	6.7	4.4	40.4
Vinhomes	VHM	Real Estate	5.3	5.1	-13.4
Vingroup	VIC	Real Estate	5.2	12.7	-16.0
Mobile World	MWG	Consumer Discretionary	5.1	1.6	6.5
Techcombank	TCB	Financials (Banks)	4.5	3.0	4.3
Vietcombank	VCB	Financials (Banks)	4.2	6.9	24.3
Vietcap Securities	VCI	Financials (Diversified)	3.8	0.4	6.8
VP Bank	VPB	Financials (Banks)	3.6	2.6	-1.0

### Sector Breakdown (%)

Financials (Banks)	42.4	Financials (Banks)	4.70
Real Estate	17.0	Real Estate	-3.01
Financials (Diversified)	12.8	Financials (Diversified)	0.71
Consumer Discretionary	8.3	Consumer Discretionary	0.64
Materials	3.4	Materials	0.11
Information Technology	3.3	Information Technology	0.28
Energy	3.1	Energy	0.49
Consumer Staples	2.9	Consumer Staples	0.29
Utilities	2.5	Utilities	0.69
Industrials	2.3	Industrials	-0.09

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## 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
<b>Prices</b>							
CPI (Average YoY)	%	1.8	3.2	3.3	3.6	3.3	4.0
<b>Money, FX and Interest Rates</b>							
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
<b>External Sector</b>							
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	41.9
FDI Disbursement	\$bn	19.8	22.4	23.2	25.4	27.6	30.1
FX Reserves	\$bn	106.5	85	89	80	78	80
<b>Public Debt Fiscal Balance</b>							
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-Jan-25	31-Jan-26	31-Jan-25	31-Jan-26	31-Jan-25	31-Jan-26	31-Jan-25	31-Jan-26
Market cap (\$mn)	210,147	329,204	13,997	17,939	61,974	59,053	286,119	406,196
Number of stocks	393	402	309	301	887	854	1,589	1,557
Number of large cap stocks (> \$400mn)	77	88	11	13	17	21	105	122
Stocks with no room for foreigners	65	61	92	106	269	309	426	476
Market cap of stocks with no room (\$mn)	27,728	14,012	2,744	3,311	25,398	29,595	55,870	46,918
Share of Market Cap with No Room (%)	13.2	4.3	19.6	18.5	41.0	50.1	19.5	11.6

## Top 25 Companies by Market Cap

No	Company	31-Jan Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	P/E			P/B			Yield		
						2024 (x)	2025 (x)	2026E (x)	2024 (x)	2025 (x)	2026E (x)	2024 (%)	2025 (%)	2026E (%)
1	Vingroup	140,500	-17.2	41,724	12.70	13.0	97.2	91.7	1.1	8.8	6.7	0.4	0.2	-
2	Vietcombank	70,500	22.6	22,701	6.90	17.2	15.7	16.9	2.6	2.1	2.2	-	0.8	-
3	Vinhomes	106,000	-14.5	16,779	5.10	5.2	12.4	9.7	0.8	2.2	1.5	0.4	0.2	-
4	BIDV	53,900	38.6	14,584	4.40	13.3	11.9	15.7	1.8	1.6	2.1	-	1.2	-
5	Viettel Global Investment	123,300	74.2	14,463	-	49.1	23.1	29.1	8.0	5.3	-	0.4	1.9	-
6	Vietinbank	38,750	8.4	11,599	3.50	8.8	8.9	8.3	1.4	1.6	1.4	-	0.9	-
7	PV Gas	117,000	61.6	10,880	3.30	15.2	15.7	23.1	2.6	2.6	4.2	8.7	2.9	3.4
8	Techcombank	35,900	2.9	9,804	3.00	8.1	10.1	9.0	1.2	1.5	1.3	3.0	2.9	2.3
9	VP Bank	28,000	-2.3	8,561	2.60	9.4	9.5	6.7	1.0	1.4	1.2	5.2	1.8	4.5
10	MB Bank	27,200	7.5	8,443	2.60	6.0	7.8	6.9	1.2	1.5	1.3	2.1	1.0	-
11	Masan Consumer	159,100	-11.0	7,937	2.40	23.0	34.8	28.0	16.7	12.8	11.1	12.4	1.2	2.4
12	Hoa Phat Group	26,800	1.5	7,927	2.40	14.2	13.1	10.5	1.5	1.6	1.4	-	-	1.6
13	Airports Corporation VN	54,800	12.1	7,565	-	29.1	17.7	17.7	4.6	2.4	2.3	-	-	-
14	FPT Corporation	104,500	9.1	6,860	2.10	30.7	18.5	17.1	7.4	4.5	4.0	1.5	2.8	2.5
15	Vinpearl	92,500	-1.8	6,393	1.90	-	149.4	17.1	-	4.6	-	-	-	-
16	Vinamilk	70,600	15.4	5,686	1.70	14.5	15.2	16.0	3.8	4.2	4.8	6.2	8.8	6.0
17	HD Bank	28,300	-4.7	5,459	1.70	7.0	9.0	7.1	1.6	2.0	1.2	3.3	-	-
18	Mobile World	92,900	5.1	5,257	1.60	23.6	18.6	16.3	3.2	4.0	3.4	0.8	1.1	1.1
19	Techcom Securities	56,500	20.2	5,033	1.50	23.8	19.1	18.4	3.5	2.5	2.6	1.3	-	-
20	LienViet Post Bank	41,650	-0.4	4,795	1.50	8.9	10.9	12.1	2.0	2.6	2.0	-	6.0	-
21	ACB	24,100	0.4	4,771	1.50	6.7	8.0	6.8	1.3	1.3	1.1	3.4	3.6	1.5
22	Masan Group	84,000	9.1	4,681	1.40	50.4	27.1	25.2	3.3	3.1	3.1	1.7	0.8	1.4
23	Sacombank	63,000	8.6	4,577	1.40	6.9	18.4	10.0	1.3	1.8	1.5	-	-	-
24	Binh Son Refining	22,400	39.1	4,323	1.30	112.0	15.5	27.1	1.3	1.3	1.9	3.1	-	1.8
25	Vietjet Air	170,500	-18.4	3,887	1.20	38.6	53.3	39.9	3.2	4.6	4.3	0.1	-	-

All forecasts are Dragon Capital estimates

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

Price Providers	Funds	Bloomberg	Contact
SEI Investments	VEF	-	Transfer Agency Department <a href="mailto:TADublin@seic.com">TADublin@seic.com</a>

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