# Highest Q1 growth on record despite global volatility and equity correction

**Tung Dang**
Chief Economist

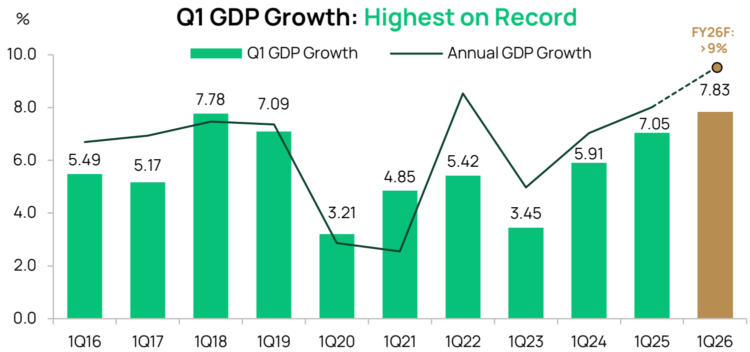
## Macroeconomics:

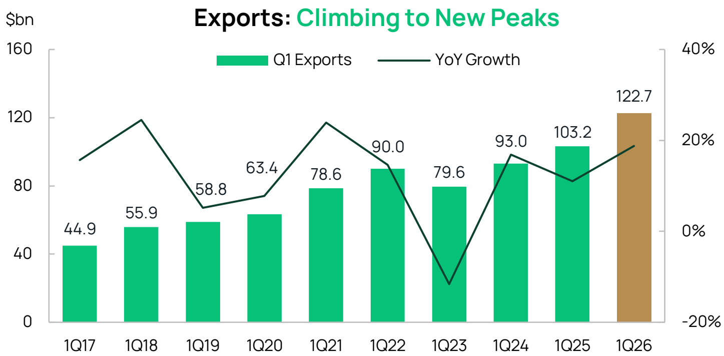
- GDP grew 7.8% YoY in 1Q26, the strongest Q1 growth on record, led by industry (+8.9%) and services (+8.2%), reflecting sustained and broad-based expansion.
- Industrial output rose 9.0% YoY, with manufacturing up 9.7% and PMI at 51.2, indicating continued but moderating expansion.
- Retail sales increased 10.9% YoY in Q1, supported by strong services activity and ongoing recovery in tourism and travel.

## Stock Market:

- The VN-Index declined 11.9% MoM in March in USD terms, reflecting global risk-off sentiment amid escalating geopolitical tensions in the Middle East.
- The sell-off was broad-based, indicating systematic de-risking rather than deterioration in Vietnam's underlying fundamentals.
- Market liquidity remained resilient at around $1.3bn daily, with domestic participation continuing to offset mixed foreign investor flows.

## CHARTS OF THE MONTH




## Monthly Insights

Vietnam's growth momentum strengthened in March following Lunar New Year normalisation, reinforcing confidence that the expansion remained firmly intact through Q1 2026. GDP grew 7.8% YoY in Q1, with industry and construction rising 8.9% and services 8.2%, highlighting that growth is not solely reliant on exports and manufacturing, but is increasingly supported by services and domestic demand. The confirmation of Vietnam's leadership structure, with Tô Lâm as reaffirmed as General Secretary and President during the recent National Assembly session, reinforces political stability and policy continuity, providing investors with clearer economic visibility over the next five-year government cycle. Nonetheless, global markets turned more volatile following the escalating Iran conflict in early March, shaping near-term sentiment despite Vietnam's stable macro fundamentals, placing downward pressure on the VN-Index.

Industrial activity remained a key pillar. The Index of Industrial Production (IIP) increased 9.0% YoY in Q1, with manufacturing expanding 9.7% and driving the majority of growth. March recorded a strong rebound, with IIP rising 18.8% MoM and 6.9% YoY. Business conditions remained expansionary, with PMI moderating to 51.2 from 54.3 in February, reflecting normalisation from a high base rather than weaker demand. Expansion remained broad-based across sectors, including metals (+22.9%), non-metallic minerals (+19.7%), chemicals (+18.2%).

Domestic demand remained firm. Retail sales and services revenue rose 12.1% YoY in March and 10.9% in Q1, reaching c.$72.3bn. Accommodation and food services increased 13.3% YoY, while tourism-related services grew 12.5%, supported by seasonal demand and continued recovery in travel activity. This trend supports earnings visibility for consumer-facing sectors, which have become an increasingly important driver of market performance in recent years, and reinforces consumption as a stable and increasingly important support to economic expansion.

Investment and external activity continued to underpin expansion. Goods exports rose 19.1% YoY in Q1, while imports increased 27.0%, reflecting strong trade demand. Business formation remained active, with over 57,000 new enterprises (+57.8% YoY) and registered capital of approximately $20.5bn. Including firms restarting operations, total active additions reached around 96,000 (+31.7%), highlighting continued private-sector dynamism.

CPI rose 4.6% YoY in March, the highest March reading in five years, bringing Q1 average inflation to 3.5% YoY, driven mainly by higher fuel prices amid US-Iran tensions. However, both remain within the government's 4.5–5.0% target, preserving policy flexibility to absorb external shocks.

Equity markets turned more volatile in March, entering a corrective phase after the strong rally earlier in the year. The VN-Index declined 11.9% MoM in total return USD terms as global markets priced in geopolitical tensions. The correction was sector agnostic, suggesting a broad de-risking rather than specific weakness. Average daily trading value remained resilient at around $1.3bn, supported by domestic participation, while foreign flows remained intermittent. By month-end, the VN-Index stabilised from its lows, suggesting the adjustment was driven primarily by external factors rather than any change in domestic fundamentals.

# VIETNAM EQUITY (UCITS) FUND (VEF)

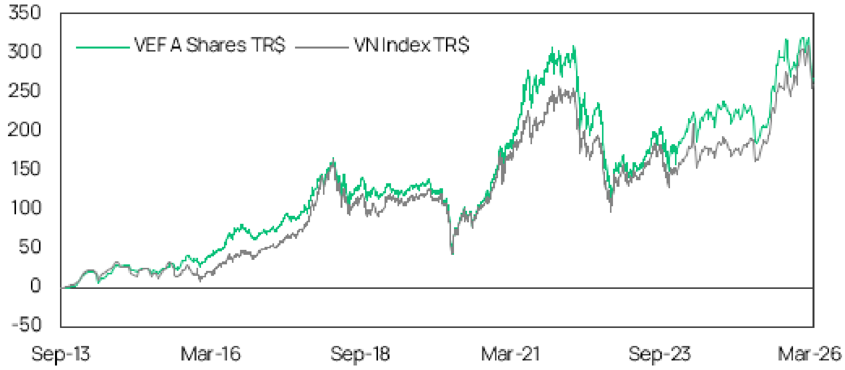
March 2026

**Mai Vu**
Portfolio Manager

## At a Glance

- VEF trailed the VNI by 0.2% in March amid the escalation of the Iran conflict, resulting in a broad-based sell-off.
- The brokerage and banking sectors drove most of the relative decline, though brokerages rebounded after FTSE EM inclusion was confirmed.
- We topped up steel producer HPG and added fertiliser producer DCM to the portfolio as a tactical play, funded by sales of PLX and FPT.

NAV Performance




## 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 | SI |
|---|---|---|---|---|---|---|---|---|---|
| VEF A (USD) | $221.36mn | $36.91 | -7.9 | -12.1 | -7.9 | 16.4 | 45.9 | 30.3 | 269.1 |
| VEF B (EUR) | | €1,833.54 | -5.4 | -9.5 | -5.4 | 10.1 | 41.0 | 36.7 | 87.2 |
| VEF C (GBP) | | £935.39 | - | -10.0 | - | - | - | - | -5.7 |
| VNI (Reference Index) | - | - | -6.2 | -11.9 | -6.2 | 25.6 | 47.5 | 33.3 | 261.6 |

*Past performance cannot be relied upon as a guide to future performance*
**1 Year data reported from 28 March 2025 due to national holidays in Singapore*

## Fund Commentary

The Fund marginally trailed the index in March as the Iran conflict triggered a sharp risk-off sentiment that pushed the market down 11.9%. At its peak, the sell-off resulted in a drawdown of 16.2%, alongside heightened volatility. The largest negative attribution came from brokerages, which fell 13.9%. This reflected our overweight position of 14.0% vs the VNI's 6.4%, built ahead of the FTSE upgrade. Following the official FTSE announcement on 8 April, brokerage stocks rebounded strongly. We will continue to assess the sector's outlook and upcoming quarterly earnings before making any further adjustments. Banks were the second-largest negative attribution, driven mainly by TCB and BID, which fell 16.2% and 18.6% respectively.

Vietnam's new Government was announced on 7 April. The new Prime Minister, Le Minh Hung, the former State Bank Governor, reaffirmed the Government's commitment to average GDP growth of >10% per year from 2026 to 2031, and immediately convened a meeting with banks to address credit and interest rate policy. We expect infrastructure activity to accelerate, supported by Resolutions 16 and 98, also issued that same day, which aim to resolve bottlenecks in BT projects and divide the high-speed rail project into 17 components, respectively, signalling Vietnam is moving ahead decisively with its infrastructure plans. This underpins our continued conviction in banks as the largest part of the portfolio, given 90% of credit in Vietnam is channelled through the banking system. Sector valuation remains attractive at 1.4x P/B, while ROE is resilient at 17% to 18% in 2026, with most banks now trading below their 5-year average P/B. This also supports our decision to add HPG on weakness, discussed below.

We added fertiliser producer DCM to the portfolio, funded by sales of PLX and FPT. PLX is likely to face pressure from rising input costs, while output prices may be limited as the Government manages fuel prices to ease inflationary pressure, and we sold FPT as we believe growth may slow relative to other opportunities. DCM is a tactical position, with 40% to 50% of sales volume exported. We forecast Q1 earnings at $32mn, +109% YoY, which would mark its strongest quarter in over three years. FY26 NPAT is forecast at $132mn, up 84% YoY, while valuation remains soft at less than 7x P/E.

## Stock in Focus: Hoa Phat Group (HPG)

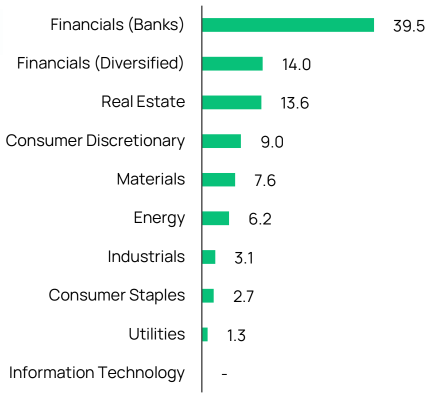
Hoa Phat Group is Vietnam's largest integrated steelmaker across construction, hot rolled coil (HRC), and downstream segments including agriculture and real estate, with total assets exceeding $10bn. The company has over 30% of the domestic HRC market share, up from 18% a year earlier, and ~40% of construction steel, supported by its fully integrated blast-furnace model at its Dung Quat plant, deep cost advantages from energy self-sufficiency, captive raw material sourcing via Simandou, and proprietary port logistics.

HPG delivered FY25 NPAT of ~$589mn (+29% YoY), driven by record steel sales of 11.9mn mt. Q4 alone reached an historic 3.5mn mt (+49% YoY) following the Dung Quat Phase 2. HRC emerged as the earnings driver, with FY25 sales surging 74% YoY and domestic market share surpassing Formosa. Looking to 2026, NPAT is projected to reach ~$880mn (+45% YoY) on revenues of $7.8bn (+40% YoY), with gross margin expanding to 18.2%. This reflects a powerful demand dynamic: construction steel and HRC ASPs have already risen ~15% YTD, supported by strengthening domestic consumption, accelerating public infrastructure, and reduced Chinese import pressure following anti-dumping duties in 1H26. Combined with the increased volumes and easing input costs, we expected ROE to rise to 16.6% from 12.7% in 2025. At 9.3x 2026F P/E and 1.4x P/B, HPG trades at a compelling discount to its growth outlook, with Vietnam's FTSE EM upgrade in September 2026 an additional catalyst.

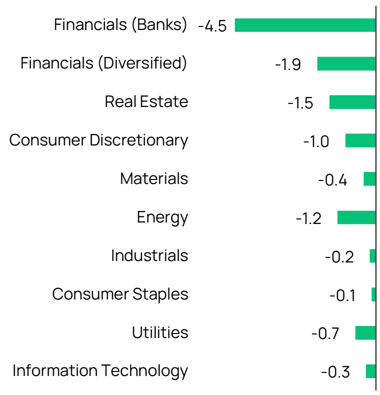
## Top Ten Holdings (52.1% of AUM)

| Company | Ticker | Sector | VEF (%) | VNI (%) | MoM (%) |
|---|---|---|---|---|---|
| MB Bank | MBB | Financials (Banks) | 9.3 | 2.7 | -8.2 |
| Vietinbank | CTG | Financials (Banks) | 7.5 | 3.4 | -10.5 |
| Mobile World | MWG | Consumer Discretionary | 5.7 | 1.5 | -13.1 |
| BIDV Bank | BID | Financials (Banks) | 4.8 | 3.5 | -18.6 |
| Techcombank | TCB | Financials (Banks) | 4.6 | 2.8 | -16.2 |
| Vietcap Securities | VCI | Financials (Diversified) | 4.4 | 0.4 | -6.7 |
| Hoa Phat Group | HPG | Materials | 4.2 | 2.6 | -7.6 |
| Vingroup | VIC | Real Estate | 4.0 | 13.2 | -22.4 |
| Vinhomes | VHM | Real Estate | 3.8 | 5.4 | -5.7 |
| Sacombank | STB | Financials (Banks) | 3.8 | 1.5 | -6.1 |

## Sector Breakdown (%)




## Monthly Contribution (%)



## Key Indicators

| Item | Unit | 2021 | 2022 | 2023 | 2024 | 2025E | 2026F |
|---|---|---|---|---|---|---|---|
| GDP | $bn | 366.1 | 408.8 | 430.0 | 476.3 | 514.0 | 561.8 |
| Real GDP Growth | % | 2.6 | 8.0 | 5.1 | 7.1 | 8.0 | 9.3 |
| Services Growth | % | 1.2 | 10 | 6.9 | 7.4 | 8.6 | 9.5 |
| Agriculture Growth | % | 2.9 | 3.4 | 2.6 | 3.3 | 3.8 | 4.0 |
| Ind'l and Const'n Growth | % | 4.1 | 7.8 | 3.5 | 8.3 | 9.0 | 10.5 |
| Retail Sales Growth | % | -3.8 | 10.2 | 8.3 | 9.0 | 9.2 | 10.0 |
| **Prices** | | | | | | | |
| CPI (Average YoY) | % | 1.8 | 3.2 | 3.3 | 3.6 | 3.3 | 4.0 |
| **Money, FX and Interest Rates** | | | | | | | |
| Money Supply M2 | % | 8.9 | 6.2 | 12.5 | 12.7 | 15.0 | 12.5 |
| Average 12M Deposit Rate | % | 6.0 | 8.0 | 5.0 | 5.0 | 5.8 | 6.3 |
| 5-yr VGB | % | 0.9 | 4.7 | 1.6 | 1.4 | 3.3 | 3.5 |
| VND:$ | $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 | 35.0 | 38.4 | 41.9 |
| FDI Disbursement | $bn | 19.8 | 22.4 | 23.2 | 25.4 | 27.6 | 30.1 |
| FX Reserves | $bn | 106.5 | 85.0 | 89.0 | 80.0 | 78.0 | 80.0 |
| **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-Mar-25 | 31-Mar-26 | 31-Mar-25 | 31-Mar-26 | 31-Mar-25 | 31-Mar-26 | 31-Mar-25 | 31-Mar-26 |
| Market cap ($mn) | 213,555 | 299,296 | 14,725 | 16,984 | 57,969 | 51,832 | 286,249 | 368,112 |
| Number of stocks | 392 | 403 | 310 | 302 | 887 | 839 | 1,589 | 1,544 |
| Number of large cap stocks (> $400mn) | 77 | 87 | 11 | 11 | 17 | 21 | 105 | 119 |
| Stocks with no room for foreigners | 62 | 63 | 97 | 107 | 276 | 317 | 435 | 487 |
| Market cap of stocks with no room ($mn) | 23,891 | 22,433 | 3,009 | 2,827 | 22,750 | 23,760 | 49,650 | 49,020 |
| Share of Market Cap with No Room (%) | 11.2 | 7.5 | 20.4 | 16.6 | 39.2 | 45.8 | 17.3 | 13.3 |

## Top 25 Companies by Market Cap

| No | Company | 31-Mar Price (VND) | Price YTD (%) | Mkt Cap ($m) | Wt in VNI (%) | PER 2024 (x) | PER 2025 (x) | PER 2026E (x) | PBV 2024 (x) | PBV 2025 (x) | PBV 2026E (x) | Yield 2024 (%) | Yield 2025 (%) | Yield 2026E (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Vingroup | 135,000 | -20.4 | 39,490 | 13.20 | 13.0 | 115.1 | 88.1 | 1.1 | 8.9 | 6.4 | 0.4 | 0.2 | - |
| 2 | Vietcombank | 58,100 | 1.0 | 18,428 | 6.20 | 17.2 | 15.7 | 13.8 | 2.6 | 2.1 | 1.8 | - | 0.8 | - |
| 3 | Vinhomes | 103,000 | -16.9 | 16,059 | 5.40 | 5.2 | 12.2 | 8.6 | 0.8 | 2.1 | 1.4 | 0.4 | 0.2 | - |
| 4 | BIDV | 39,400 | 1.3 | 10,888 | 3.50 | 13.3 | 11.9 | 11.5 | 1.8 | 1.6 | 1.5 | - | 1.2 | - |
| 5 | Viettel Global Investment | 89,900 | 27.0 | 10,387 | - | 49.1 | 23.2 | 24.9 | 8.0 | 5.3 | - | 0.4 | 1.9 | - |
| 6 | Vietinbank | 34,600 | -3.2 | 10,201 | 3.40 | 8.8 | 8.9 | 7.4 | 1.4 | 1.6 | 1.3 | - | 0.9 | - |
| 7 | Techcombank | 30,700 | -12.0 | 8,258 | 2.80 | 8.1 | 10.1 | 7.8 | 1.2 | 1.5 | 1.2 | 3.0 | 2.9 | 2.7 |
| 8 | MB Bank | 26,450 | 4.5 | 8,087 | 2.70 | 6.0 | 7.8 | 7.0 | 1.2 | 1.5 | 1.3 | 2.1 | 1.0 | - |
| 9 | VP Bank | 26,700 | -6.8 | 8,041 | 2.70 | 9.4 | 9.5 | 7.1 | 1.0 | 1.4 | 1.1 | 5.2 | 1.8 | 4.3 |
| 10 | Hoa Phat Group | 26,900 | 1.9 | 7,838 | 2.60 | 14.2 | 13.1 | 8.9 | 1.5 | 1.6 | 1.4 | - | - | 1.8 |
| 11 | PV Gas | 78,300 | 8.1 | 7,172 | 2.40 | 15.2 | 15.7 | 13.0 | 2.6 | 2.6 | 2.6 | 8.7 | 2.9 | 4.6 |
| 12 | Masan Consumer | 144,000 | -19.5 | 7,076 | 2.40 | 23.0 | 34.8 | 25.3 | 16.7 | 12.8 | 10.1 | 12.4 | 1.2 | 2.6 |
| 13 | Airports Corporation VN | 45,300 | -7.4 | 6,160 | - | 29.1 | 18.0 | 20.4 | 4.6 | 2.5 | 2.1 | - | - | - |
| 14 | Vinpearl | 83,400 | -11.5 | 5,677 | 1.90 | - | 153.4 | 54.6 | - | 4.6 | 3.8 | - | - | - |
| 15 | Binh Son Refining | 27,650 | 71.7 | 5,256 | 1.80 | 112.0 | 15.5 | 5.1 | 1.3 | 1.3 | 1.6 | 3.1 | - | 1.7 |
| 16 | HD Bank | 25,450 | -14.3 | 4,835 | 1.60 | 7.0 | 9.0 | 6.4 | 1.6 | 2.0 | 1.1 | 3.3 | - | - |
| 17 | FPT Corporation | 74,700 | -22.0 | 4,830 | 1.60 | 30.7 | 18.5 | 12.3 | 7.4 | 4.5 | 2.9 | 1.5 | 2.8 | 3.5 |
| 18 | Vinamilk | 60,500 | -1.1 | 4,800 | 1.60 | 14.5 | 15.2 | 15.0 | 3.8 | 4.2 | 4.2 | 6.2 | 8.8 | 7.2 |
| 19 | LienViet Post Bank | 41,900 | 0.2 | 4,751 | 1.60 | 8.9 | 10.9 | 9.7 | 2.0 | 2.6 | 2.1 | - | 6.0 | - |
| 20 | Asia Commercial Bank | 23,550 | -1.9 | 4,592 | 1.50 | 6.7 | 8.0 | 6.6 | 1.3 | 1.3 | 1.1 | 3.4 | 3.6 | 1.5 |
| 21 | Mobile World | 81,800 | -7.5 | 4,560 | 1.50 | 23.6 | 18.6 | 13.1 | 3.2 | 4.0 | 3.0 | 0.8 | 1.1 | 1.2 |
| 22 | Techcom Securities | 51,200 | 8.9 | 4,493 | 1.50 | 23.8 | 19.1 | 17.8 | 3.5 | 2.5 | 2.4 | 1.3 | - | - |
| 23 | Sacombank | 62,200 | 7.2 | 4,451 | 1.50 | 6.9 | 18.4 | 18.2 | 1.3 | 1.8 | 1.8 | - | - | - |
| 24 | Masan Group | 75,500 | -1.9 | 4,144 | 1.40 | 50.4 | 27.1 | 15.1 | 3.3 | 3.1 | 2.6 | 1.7 | 0.8 | 0.8 |
| 25 | Vietjet Air | 156,000 | -25.4 | 3,503 | 1.20 | 38.6 | 53.3 | 295.3 | 3.2 | 4.6 | 4.5 | 0.1 | - | - |

*All forecasts are Dragon Capital estimates*

# FUND INFORMATION

DRAGON CAPITAL

March 2026

| 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<br>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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