Investment-led growth holds as inflation and trade cushions narrow

Tung Dang
Chief Economist

Macroeconomics:

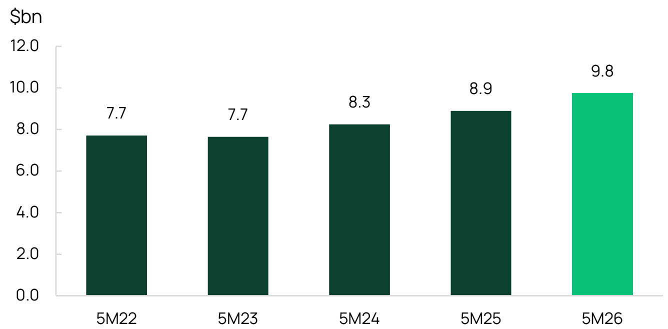
- Total trade rose 25.0% YoY to $445.1bn YTD; imports outpaced exports, but production goods, at 94.1% of imports, point to capacity-building.
- Realised FDI reached $9.8bn (+9.6% YoY), the strongest five-month level in five years, and over 80% in manufacturing, underlining firm investment momentum.
- CPI rose 5.6% YoY in May, but the 5M26 average of 4.3% remains within the government's 4.5–5.0% ceiling, preserving policy room.

Stock Market:

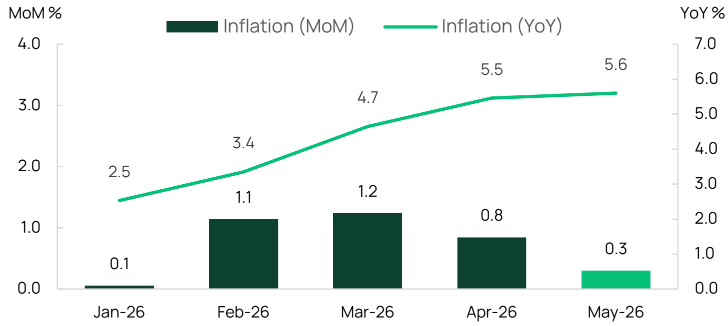
- The VN-Index returned 1.0% MoM in total return USD terms, lifting YTD gains to 4.9%, after a fresh record high of 1,927 mid-month gave way to a close of 1,863.
- Market leadership stayed narrow, led by large-cap and energy names, with wider breadth yet to follow and upside increasingly tied to earnings delivery.
- Combined foreign net outflows were approximately $744mn in May, but steady domestic participation absorbed them, keeping daily turnover near $1.0bn.

CHARTS OF THE MONTH

Realised FDI: Strongest 5M in Five Years



CPI: Elevated, but Momentum Cooling



Monthly Insights

Vietnam's expansion stayed on track in May, still led by manufacturing and investment. What shifted is the emphasis: the caveats now matter as much as the momentum. Inflation is closing on the policy ceiling, the trade balance has swung into deficit, and equity-market leadership has narrowed, though none of it points to a turn in the underlying cycle.

Inflation is the most pressing of the three. May CPI rose 5.6% YoY, lifting the 5M26 average to 4.3%, with core at 4.0%. The pressure now comes from more persistent sources: housing, electricity, water, construction materials and transport, while food prices eased month on month. With the average still inside the government's 4.5–5.0% band, policy room has not closed, but it has narrowed to the point where a further rise in energy or logistics costs would test it.

The trade numbers point the same way. Total trade reached $445.1bn in 5M26, up 25.0% YoY, but imports grew 30.8% against exports of 19.5%, turning the balance to a $13.8bn deficit after years of surplus. The composition argues against reading this too negatively: production goods made up 94.1% of imports, the profile of an economy building capacity, not one living beyond its means. The deficit says more about the timing of the investment cycle than about competitiveness, though it could add to FX pressure if it persists and the import build does not convert into export growth.

Behind those imports sits an investment cycle that has not slowed. Realised FDI reached $9.8bn in 5M26, up 9.6% YoY and the strongest five-month total in five years, with registered FDI up 34.9% to $24.8bn and manufacturing taking over 80%. Public investment disbursement of roughly $9.7bn, 24.0% of the annual plan, ran alongside it. IIP rose 8.8% YoY in May and 9.1% over 5M26, the strongest in four years, with breadth still extending beyond electronics into metals (+20.2%), motor vehicles (+18.0%) and chemicals (+16.9%). PMI rebounded to 52.8 from 50.5, though part of that was inventory building.

Domestic demand is steady. Retail sales and services revenue rose 11.2% nominally over 5M26 but 6.1% in real terms. Services remain the stronger leg, with accommodation and food up 13.3% and tourism revenue up 12.2% on 10.6 million international arrivals (+14.9%).

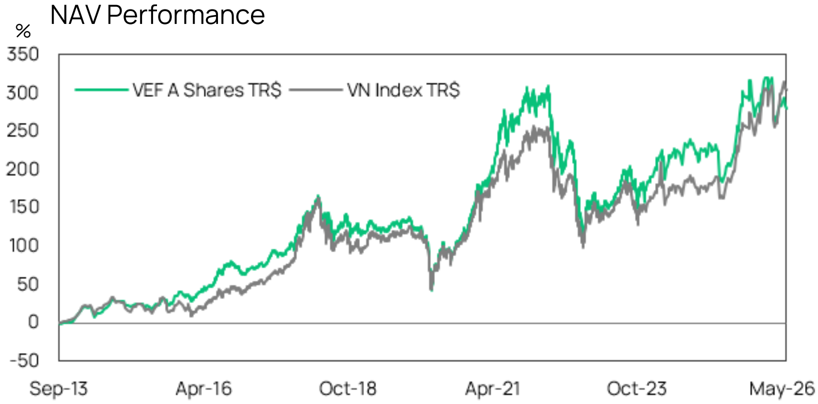
Equity markets remained cautious. The VN-Index returned 1.0% MoM in total return USD terms, lifting YTD returns to 4.9%, touching a record 1,927 mid-month before closing at 1,863. Combined liquidity stayed at around $1.0bn, and foreign investors net sold roughly $744mn. Leadership held in a narrow band of large-cap and energy names, with little participation behind the headline level. The market is making the same point as the macro data: the cycle is intact, but the upside from here depends on earnings delivery, broader liquidity, and a turn in foreign flows. The variables to watch are whether energy costs stabilise and exports rebuild through the second half, with FTSE implementation due in September the clearest near-term catalyst.

Mai Vu
Portfolio Manager

At a Glance

- VEF declined marginally by 0.8% in May, with the Retail sector being the largest detractor amid weaker sentiment surrounding consumer spending.
- We observe a clear disconnect between underlying corporate fundamentals and share price performance to date.
- We are hopeful the next round of earnings releases will serve as a positive catalyst for the market.

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)	$225.09mn	$38.00	-5.1	-0.8	-9.5	23.5	46.4	10.1	280.0
VEF B (EUR)		€1,866.76	-4.0	-0.3	-8.2	21.0	36.8	18.0	89.9
VEF C (GBP)		£947.46	-	-0.2	-8.9	-	-	-	-4.5
VNI (Reference Index)	-	-	4.9	1.0	-1.5	40.4	63.1	33.4	304.3

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

Fund Commentary

The Fund declined marginally by 0.8% in May while the Index gained 1.0%. The largest sectoral drag was retail, with MWG falling 9% ahead of the anticipated late-June IPO of their consumer electronics subsidiary, Dien May Xanh. Another notable detractor within the sector was FRT, which came down 12%. In general, retail sentiment is weak amid concerns that the Middle East conflict could lead to higher inflation and in turn weigh on consumer spending. Despite share price weakness, both MWG and FRT reported strong 1Q26 results, with earnings growth of 76% and 71%, respectively. Our recent discussions with management suggest that business momentum remains solid, with both companies expected to deliver earnings growth of around 40-50% this year, on the back of ongoing store expansion and continued operational optimisation. On the positive side, the banking sector generated positive contribution, as did the energy sector which had a good rebound.

In the context of the market going sideways, portfolio moves were immaterial during the month. More importantly, we observe there is a clear disconnect between underlying corporate fundamentals and share price performance across the board with the vast majority of stocks having yet to register meaningful gains or reflect their earnings potential for 2026 and beyond. We suspect this disconnect is largely attributable to local investor sentiment. The sharp 16% market correction earlier this year appears to have left many investors cautious and hesitant to re-enter the market. In the past, following a period of abrupt volatility, it takes a bit of time for investor confidence to rebuild and for capital to gradually return to equities, often requiring a positive catalyst. We hope the upcoming flow of strong Q2 earnings results will be that trigger. With key pillars of the Vietnam investment case firmly intact, the country is on track to deliver GDP growth of 9-10% this year, and in tandem, earnings growth is expected to be 23% for the market, while valuation is undemanding with forward P/E (ex. VIC) of 9-10x.

Stock in Focus: VP Bank (VPB)

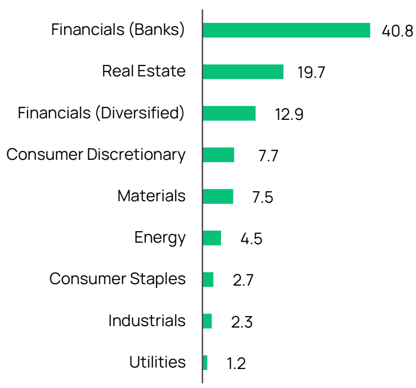
VP Bank (VPB) is one of Vietnam's largest private-sector banks, with leading positions in retail banking, SME lending, consumer finance, and bancassurance. The bank delivered a strong start to 2026, reporting consolidated PBT of more than $235mn in 1Q26, representing growth of 59% YoY. Despite 1Q26 NIM compressing to 5.3% amid higher funding costs and slower asset repricing, total operating income increased by 26% YoY, reflecting robust credit growth across key customer segments and continued contributions from its diversified financial ecosystem.

VPB continues to offer one of the strongest growth profiles in the banking sector, supported by favourable regulatory tailwinds. The bank has been granted a preferential credit growth that is materially above the industry average, providing a multi-year pathway for market share gains and balance sheet expansion, reinforcing management's ambition to become Vietnam's second-largest private bank by total assets after MBB. Looking ahead, management remains confident in sustaining good growth momentum, targeting 35% profit growth for full-year 2026, which would see earnings surpass the $1bn mark for the first time. VP Bank is well positioned to benefit from Vietnam's accelerating economic growth, rising credit demand and expanding middle class. Valuation wise, the bank now trades at the lower end of its 5-year P/B range, currently at a forward P/B of 1.1x, placing it among the lowest-valued large banks in Vietnam and making the risk-reward proposition quite favourable.

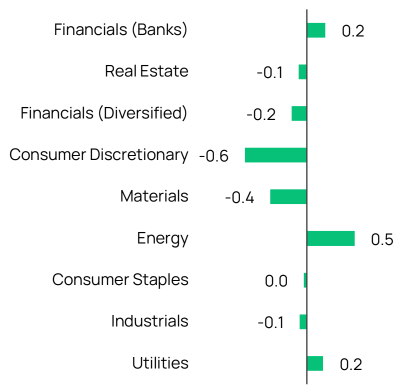
Top Ten Holdings (57.5% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	MoM (%)
MB Bank	MBB	Financials (Banks)	8.6	2.3	-3.9
Vingroup	VIC	Real Estate	7.6	18.5	-1.1
Vietinbank	CTG	Financials (Banks)	7.3	3.1	-0.3
Vinhomes	VHM	Real Estate	6.6	7.3	7.0
BIDV	BID	Financials (Banks)	4.9	3.5	4.9
Techcombank	TCB	Financials (Banks)	4.8	2.6	-1.0
Hoa Phat Group	HPG	Materials	4.6	2.3	-3.0
Mobile World	MWG	Consumer Discretionary	4.6	1.3	-9.0
VP Bank	VPB	Financials (Banks)	4.4	2.5	4.3
Sacombank	STB	Financials (Banks)	4.0	1.5	0.9

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

APPENDIX 2: MARKET

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-May-25	31-May-26	31-May-25	31-May-26	31-May-25	31-May-26	31-May-25	31-May-26
Market cap ($mn)	220,286	331,605	13,527	18,210	54,488	51,345	288,301	401,160
Number of stocks	391	403	307	300	889	829	1,587	1,532
Number of large cap stocks (> $400mn)	77	81	12	11	16	20	105	112
Stocks with no room for foreigners	62	63	98	111	280	338	440	512
Market cap of stocks with no room ($mn)	19,858	27,948	2,737	2,739	20,631	24,617	43,225	55,304
Share of Market Cap with No Room (%)	9.0	8.4	20.2	15.0	37.9	47.9	15.0	13.8

Top 25 Companies by Market Cap

No	Company	31-May 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	211,300	24.6	61,847	18.54	13.0	115.2	49.5	1.1	8.9	9.0	0.4	0.2	-
2	Vinhomes	156,000	25.8	24,338	7.30	5.2	12.2	10.7	0.8	2.1	2.1	0.4	0.2	-
3	Vietcombank	62,000	7.8	19,677	5.90	17.2	15.7	14.7	2.6	2.1	2.0	-	0.8	-
4	BIDV	42,000	8.0	11,614	3.48	13.3	11.9	12.2	1.8	1.6	1.6	0.0	1.2	-
5	Viettel Global Investment	93,100	31.5	10,764	-	49.1	23.2	25.8	8.0	5.3	0.0	0.4	1.9	-
6	VietinBank	34,800	-2.7	10,266	3.08	8.8	8.9	7.5	1.4	1.6	1.3	-	0.9	-
7	Techcombank	32,750	-4.2	8,815	2.64	8.1	10.1	8.3	1.2	1.5	1.2	3.0	2.9	2.5
8	VP Bank	27,100	-5.4	8,167	2.45	9.4	9.5	7.2	1.1	1.4	1.1	5.2	1.8	4.2
9	PetroVietnam Gas	87,400	20.7	8,010	2.40	15.2	15.7	15.3	2.6	2.6	2.9	8.7	2.9	4.4
10	Hoa Phat Group	24,000	1.8	7,697	2.31	13.9	12.9	6.5	1.5	1.5	1.3	-	0.0	1.9
11	MB Bank	25,000	-1.2	7,649	2.29	6.0	7.8	6.6	1.2	1.5	1.2	2.1	1.0	-
12	Masan Consumer	135,000	-24.5	6,638	1.99	23.0	34.8	23.2	16.7	12.8	8.4	12.4	1.2	2.8
13	Vinpearl	93,500	-0.7	6,369	1.91	-	153.4	39.2	-	4.6	4.1	-	-	-
14	Airports Corp Vietnam	43,900	-10.2	5,973	-	29.1	18.0	19.8	4.6	2.5	2.0	-	0.0	-
15	LienViet Post Bank	52,000	31.7	5,900	1.77	8.5	10.3	12.0	1.9	2.5	2.6	-	6.0	-
16	Binh Son Refining	29,750	84.8	5,658	1.70	112.0	15.5	5.5	1.3	1.3	1.7	3.1	-	1.5
17	HD Bank	25,900	-12.8	4,924	1.48	7.0	9.0	6.5	1.6	2.0	1.1	3.3	-	-
18	Sacombank	68,000	17.2	4,869	1.46	6.9	18.4	20.0	1.3	1.8	2.0	-	-	-
19	Asia Commercial Bank	24,900	3.8	4,858	1.46	6.7	8.0	7.0	1.3	1.3	1.1	3.4	3.6	1.5
20	Vinamilk	59,200	-3.3	4,700	1.41	14.5	15.2	13.5	3.8	4.2	4.0	6.2	8.8	7.4
21	FPT Corporation	71,600	-24.2	4,633	1.39	30.3	18.2	12.2	7.3	4.4	2.9	1.5	2.8	4.4
22	Techcom Securities	42,000	8.3	4,425	1.33	23.8	18.9	14.6	3.5	2.4	1.9	1.3	-	-
23	Mobile World Investment	76,300	-13.7	4,256	1.28	23.6	18.6	10.7	3.2	4.0	2.7	0.8	1.1	1.3
24	Masan Group	74,700	-3.0	4,103	1.23	50.4	27.1	13.9	3.3	3.2	2.5	1.7	0.8	0.8
25	Vietjet Air	171,900	-17.8	3,863	1.16	38.6	53.3	325.4	3.2	4.6	4.9	0.1	-	-

All forecasts are Dragon Capital estimates

FUND INFORMATION

DRAGON CAPITAL

May 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 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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May 2026

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