Economic momentum builds as GDP and credit growth surge

Minh Dang Nguyet
Head of Research

Macroeconomics:

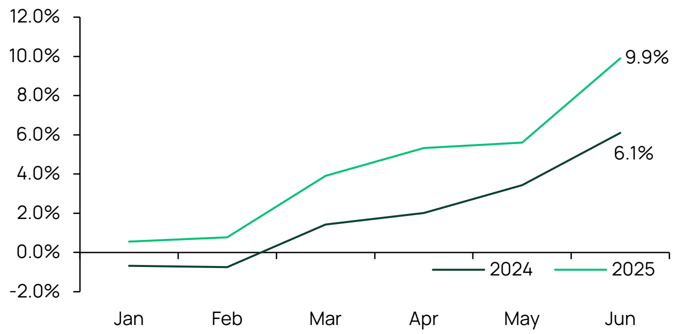
- Vietnam's economy continues to accelerate, with H1 GDP growth of 7.5% driven by manufacturing and public investment. Strong credit growth of 9.9% YTD supports business activities and consumer spending.
- Key streamlining reforms continue, with the merging of 63 into 34 provinces now complete.
- A new Legal Reform Resolution enables the government to quickly amend or suspend conflicting regulations, supporting private sector activity and confidence.

Stock Market:

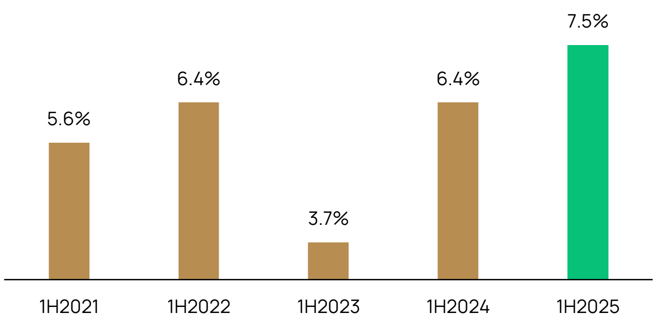
- The Vietnam Index rose 3.1% in total return USD terms in June, bringing YTD gains to 6.9%.
- It is now trading at a three-year high, reflecting bullish sentiment around the provisional US tariff agreement, which is likely to be a net-positive for Vietnam when compared to the reported higher tariff rates of peers.
- Strong average daily liquidity (~$900mn), solid macro fundamentals, and expected Q2 earnings growth of ~14% YoY, support a healthy outlook for H2 2025.

CHARTS OF THE MONTH

Credit Growth Accelerates as Confidence Builds



Highest GDP Growth in Over a Decade



Monthly Insights

Vietnam's economy delivered its strongest first-half performance in over a decade, with GDP expanding 7.5% YoY in H1 2025, driven by 8.0% growth in Q2, up from 6.9% in Q1. This acceleration was fuelled by strong exports and a rebound in services. Industrial production grew 9.2% YoY, led by an 11.1% rise in manufacturing output. Total trade reached $432bn, up 16.1% YoY, with exports rising 14.4% and imports 17.9%, resulting in a ~$7.6bn trade surplus. Public investment reached a five-year high, with disbursements exceeding $10.5bn, fulfilling nearly one-third of the annual plan. Registered FDI surged 32.6% YoY to $21.5bn, the highest first-half performance since 2009. Although new project licences dipped slightly, capital injections into ongoing projects more than doubled, signalling strong investor confidence. Actual FDI disbursements climbed 8.1% to $11.7bn, mainly in manufacturing and real estate. Inflation remained well managed, with the average H1 CPI at 3.3% and core inflation at 3.2%, both below the central bank's target. Against this strong backdrop, credit growth accelerated sharply, with H1 bank lending rising 9.9%, well ahead of last year's pace, supporting expanding business activity and consumer demand.

Vietnam continued advancing its regulatory reform agenda to enhance both competitiveness and financial stability. Recent amendments have strengthened institutional frameworks, notably through the revised Law on Credit Institutions, which formalises bad-debt handling and extends the State Bank's authority over banking risks. In parallel, the government is pushing digital regulation, with new rules recognising cryptocurrencies and digital assets as separate asset classes, and a full legal framework expected by January 2026. Plans for International Financial Centres in Ho Chi Minh City and Da Nang underscore the country's ambition to become a regional finance hub. Administrative reform is also gathering pace. The streamlining of provincial governance(from 63 to 34) is now complete, while a newly passed Legal Reform Resolution gives the government the flexibility to amend or suspend conflicting regulations across priority sectors. In real estate, removing pre-build construction permits in favour of post-build inspections is expected to cut approval times and lower compliance costs, reinforcing the broader effort to simplify doing business.

The key catalyst was President Trump's 3 July announcement of a provisional US–Vietnam trade agreement framework, significantly reducing earlier uncertainties. Under this proposed agreement, Vietnam's exports would be subject to a relatively advantageous tariff rate of 20%, well below the considerably higher rates targeting regional competitors like Bangladesh (35%), Thailand (36%), and Indonesia (32%). This tariff differential reinforces Vietnam's appeal as a comparatively stable and lower-cost manufacturing base. While questions remain around the implementation of new transshipment rules, the 20% rate is far less disruptive than the 46% worst-case scenario previously modelled, which implied a GDP hit of 1.4–2%. At current levels, the macroeconomic impact is likely to be limited, and insufficient to trigger major FDI relocation given the lower differential with peers. These developments boosted investor sentiment, sparking notable gains across export-driven industries, industrial real estate developers, and financial stocks. Conversely, energy equities corrected in line with falling global oil prices, while defensive sectors rotated into cyclical areas amid improving market confidence. With strong liquidity, sound macroeconomic fundamentals, and expected Q2 earnings growth of around 14% YoY, the equity outlook remains positive, supporting further market strength in the second half of 2025.

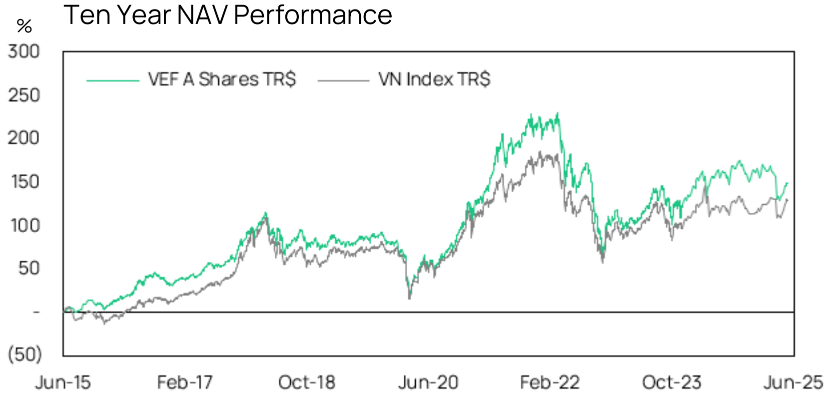
In conclusion, our equity outlook remains strong, with the tariff overhang likely to be settled in a net-positive manner for Vietnam. Vietnam's economy is on a solid growth trajectory, supported by strong exports, rising consumption, and proactive public investment. Inflation remains manageable, and ongoing reforms in finance, real estate, and administration are improving the business environment.

Mai Vu
Portfolio Manager

At a Glance

- VEF rose 3.5% MoM, outperforming the VNI, as high-conviction names in banks and retail delivered.
- Allocation for H2 2025 is geared to capture strong domestic economic activity with banks, property, and retail, with brokerages reflecting the increasing equity market interest as liquidity continues to rise.
- The portfolio's earnings are expected to grow 20.5% in 2025 on an improving ROE of 16.0%.

Ten Year 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	10 Years
VEF A (USD)	$196.77mn	$31.85	-2.9	3.5	0.4	0.8	1.7	71.1	157.5
VEF B (EUR)	€44.57mn	€1,542.44	-13.7	0.3	-7.3	-7.4	-7.7	68.2	N/A
VNI (Reference Index)	N/A	N/A	6.9	3.1	3.1	9.8	8.2	61.3	137.3

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

Fund Commentary

VEF outperformed the VNI in June as the market continued its post-Liberation Day recovery. The overhang from US tariffs appears to have settled in a net-positive direction for Vietnam. With solid first-half macro data and a clear commitment to growth through structural reform, the outlook for equities remains encouraging. We calibrated the portfolio to reflect this broader macro backdrop as we enter into the second half of the year. With Q2 earnings for the VNI forecast to rise 14% YoY, we continue to focus on quality growth at a reasonable price. Forecast earnings growth of 20.5% in FY25, alongside a P/E of 11.8x, P/B of 1.6x, and rising ROE of 16.0%, underscores this positioning.

Banking remains our largest sector allocation at 38%, driven by strong earnings macro data. Credit growth reached 9.9% YTD, well on track for the 16% full-year target, and NIMs have held up as lending remains broad-based. We see banks as critical enablers of Vietnam's next growth phase, especially as real estate and infrastructure spending accelerate. Our largest sector positions – MBB, TCB and CTG – reflect that conviction.

Real estate accounts for 22% of the portfolio, up from 8.7% at the start of 2025, reflecting increased exposure to Vinhomes (VHM) and Vingroup (VIC). This is supported by improved market sentiment following amended real estate laws and a stronger financial position at VIC; as VinFast sales expand and VHM cash flow improves, both names should benefit from the government's infrastructure push and private sector-led growth.

In the retail sector, new tax regulations for e-commerce and informal businesses are likely to favour large-scale players such as our key holdings MWG and FRT, adding to their existing growth momentum. We also maintain a positive view on brokerages and topped up, as daily market liquidity has risen to nearly $900mn. Anticipation around Techcombank Securities' IPO, which could be Vietnam's first multi-billion-dollar listing since 2018, adds a further catalyst. On the sell side, we trimmed ACV, despite solid top-line growth from a recovery in both domestic and international air travel (11 million international arrivals in H1, up 21% YoY), as ongoing JPY/VND volatility could add negative pressure to the bottom line.

Stock in Focus: Vietinbank (CTG)

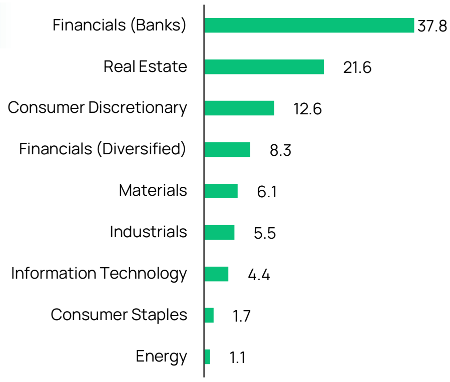
CTG was founded in 1988 and is one of Vietnam's largest state-owned commercial banks (SOCBs). A cornerstone of the country's financial system, it accounts for approximately 10% of Vietnam's total credit market. Leveraging its large asset base, CTG is undergoing a digital transformation, optimising operating expenses, enhancing customer experience, and improving asset quality, to pave the way for sustainable growth.

CTG's investment case remains strong, supported by the Government's infrastructure push. The bank is on track for robust Q2 growth, underpinned by an estimated H1 credit growth of 10%, the highest among SOCBs and above sector average. Net interest margin is resilient despite lending yield pressure, thanks to CTG's proactive product strategy and aggressive digital expansion in retail. Looking ahead, public investment is a key catalyst. While Vietnam disbursed an encouraging $10bn in 1H24, up 42% YoY, stronger deployment is expected in H2 following completion of provincial administrative reforms. CTG is well-positioned to benefit from this, given its active role in financing infrastructure. In June, the bank announced a planned $500mn disbursement for a regional connectivity project and is pioneering new lending policies to improve capital access for public investment contractors. CTG is forecast to deliver 18.7% earnings growth in 2024 and currently trades at 1.6x PBR on an ROE of 18.6%.

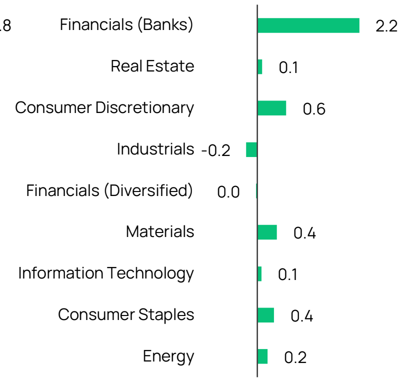
Top Ten Holdings (55.7% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	MoM (%)
MB Bank	MBB	Financials (Banks)	7.4	2.7	5.6
Vinhomes	VHM	Real Estate	7.0	5.3	-1.5
Techcombank	TCB	Financials (Banks)	6.6	4.1	11.9
Mobile World	MWG	Consumer Discretionary	6.6	1.6	5.1
Vietinbank	CTG	Financials (Banks)	6.6	3.8	9.0
BIDV Bank	BID	Financials (Banks)	4.8	4.3	0.5
FPT Corporation	FPT	Information Technology	4.4	3.0	2.0
Vingroup	VIC	Real Estate	4.4	6.2	-3.2
FPT Retail	FRT	Consumer Discretionary	4.0	0.4	6.3
VP Bank	VPB	Financials (Banks)	3.9	2.5	2.7

Sector Breakdown



Monthly Contribution



Key Indicators

Item	Unit	2020	2021	2022	2023	2024E	2025F
GDP	$bn	346.6	366.1	408.8	430.0	476.3	529.5
Real GDP Growth	%	2.9	2.6	8.0	5.1	7.1	8.0
Services Growth	%	2.5	1.2	10.0	6.9	7.4	8.9
Agriculture Growth	%	2.8	2.9	3.4	2.6	3.3	5.5
Ind'l and Const'n Growth	%	3.3	4.1	7.8	3.5	8.3	8.7
Retail Sales Growth	%	2.6	-3.8	10.2	8.3	9.0	9.4
Prices							
CPI (Average YoY)	%	3.2	1.8	3.2	3.3	3.6	4.2
Money, FX and Interest Rates							
Money Supply M2	%	14.5	8.9	6.2	12.5	12.7	14.5
Average Lending Rate	%	8.6	8.5	13.7	8.7	8.4	8.4
5-yr VGB	%	1.1	0.9	4.7	1.6	1.4	1.9
VND : $	$1	23,085	22,800	23,550	24,250	25,450	26,500
External Sector							
Trade Balance	$bn	19.9	3.3	12.4	28.0	24.4	18.8
Current Account	$bn	15.1	-7.8	-1.5	17.4	20.7	14.6
Current Account / GDP	%	4.3	-2.1	-0.4	4.0	4.4	2.8
FDI Registered	$bn	28.5	38.5	27.7	36.6	35.0	31.0
FDI Disbursement	$bn	20.0	19.8	22.4	23.2	25.4	23.1
FX Reserves	$bn	98.0	106.5	85.0	89.0	80.0	75.0
Public Debt Fiscal Balance							
External Debt	$bn	130.1	138.8	141.2	138.0	140.3	151.0
Government	$bn	49.0	47.9	48.8	44.4	44.5	47.8
Enterprises (incl. FDI)	$bn	81.1	90.9	92.4	93.6	95.8	103.2
External Debt (% GDP)	%	37.5	37.9	34.5	30.3	30.3	30.1
Fiscal Balance (% GDP)	%	-3.9	-4.0	-4.0	-3.6	-3.6	-4.2

All forecasts are Dragon Capital estimates

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	30-Jun-24	30-Jun-25	30-Jun-24	30-Jun-25	30-Jun-24	30-Jun-25	30-Jun-24	30-Jun-25
Market cap ($mn)	199,771	227,257	12,993	13,844	64,749	55,051	277,514	296,152
Number of stocks	395	389	315	307	878	889	1,588	1,585
Number of large cap stocks (> $400mn)	75	80	10	12	18	17	103	109
Stocks with no room for foreigners	62	61	91	99	261	285	414	445
Market cap of stocks with no room ($mn)	17,067	22,328	1,896	2,636	25,338	20,944	44,300	45,907
Share of Market Cap with No Room (%)	8.5	9.8	14.6	19.0	39.1	38.0	16.0	15.5

Top 25 Companies by Market Cap

No	Company	30-Jun Price (VND)	Price YTD (%)	Mkt Cap ($mn)	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	Vietcombank	57,000	-6.6	18,258	8.00	17.3	14.9	13.4	2.6	2.1	1.8	-	-	-
2	Vingroup	95,600	135.8	14,013	6.20	13.0	31.3	31.0	1.1	2.4	2.3	0.4	-	-
3	Vinhomes	76,700	91.8	12,077	5.30	5.2	7.9	6.9	0.8	1.3	1.1	0.4	-	-
4	BIDV	36,300	-3.3	9,771	4.30	13.5	12.1	10.7	1.9	1.6	1.4	-	-	-
5	Techcombank	34,200	38.7	9,262	4.10	8.4	10.3	8.4	1.2	1.5	1.3	3.0	2.0	2.5
6	Vietinbank	41,900	10.8	8,625	3.80	8.9	8.3	7.1	1.4	1.3	1.1	-	-	-
7	Airports Corporation VN	98,500	-21.8	8,220	-	29.1	22.4	20.1	4.6	3.0	2.5	-	-	-
8	FPT	118,200	-21.8	6,712	3.00	31.0	20.8	17.4	7.5	4.9	4.2	1.5	2.2	2.5
9	Hoa Phat Group	22,700	2.2	6,679	2.90	14.2	10.6	8.0	1.5	1.4	1.2	-	1.8	1.8
10	PV Gas	67,800	-0.4	6,089	2.70	15.7	15.0	14.7	2.6	2.5	2.4	8.7	5.2	5.2
11	MB Bank	25,800	18.2	6,035	2.70	6.1	6.2	5.2	1.2	1.2	1.0	2.1	-	-
12	VP Bank	18,500	-1.0	5,627	2.50	9.4	7.7	6.1	1.0	0.9	0.8	5.2	3.9	4.9
13	Masan Consumer	126,700	-29.4	5,107	-	23.7	17.1	15.6	17.3	7.7	6.4	12.4	3.6	3.6
14	Vinamilk	58,000	-5.3	4,647	2.00	15.2	15.9	15.1	4.0	3.9	4.1	6.2	7.5	7.5
15	Masan Group	76,800	9.7	4,235	1.90	50.4	29.3	23.5	3.3	3.3	2.9	1.7	1.6	1.6
16	ACB	21,300	-1.2	4,194	1.80	6.7	6.2	5.4	1.3	1.1	0.9	3.4	1.6	1.9
17	Mobile World Group	65,500	7.4	3,713	1.60	24.0	16.7	14.4	3.2	3.0	2.6	0.8	1.5	1.6
18	LienViet Post Bank	32,250	10.8	3,693	1.60	8.9	10.3	9.4	2.0	1.9	1.6	-	-	-
19	Sacombank	46,700	26.6	3,375	1.50	6.9	7.3	6.0	1.3	1.3	1.1	-	-	-
20	Vietnam Airlines	37,900	32.3	3,217	1.40	8.4	9.2	10.7	neg	11.3	5.5	0.4	-	-
21	HD Bank	21,800	-14.5	2,921	1.30	7.0	5.0	4.2	1.6	1.1	0.9	3.3	-	-
22	Becamex IDC	64,200	-9.4	2,547	1.10	33.6	33.3	30.7	3.7	3.8	3.4	1.4	-	-
23	Sabeco	47,000	-10.0	2,311	1.00	15.8	17.7	17.7	2.9	3.0	3.5	6.5	10.6	10.6
24	Vincom Retail	24,650	43.7	2,147	0.90	9.5	12.0	10.5	0.9	1.2	1.1	-	-	-
25	Binh Son Refining	17,850	-21.7	2,122	0.90	112.0	54.0	44.2	1.3	1.0	1.0	3.1	3.9	3.9

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).

Marketing / Investor Relations	
Will Ross	willross@dragoncapital.com
Rachel Hill	rachelhill@dragoncapital.com
Thuy Anh Nguyen	thuyanhnguyen@dragoncapital.com
Ailsa Cuthbert	ailsacuthbert@dragoncapital.com
Kenji Hamada	kenjihamada@dragoncapital.com
Steven Mantle	stevenmantle@dragoncapital.com
Thanh Le	thanhle@dragoncapital.com

DISCLAIMER

This document has been prepared by Dragon Capital Management (HK) Limited for the general information of professional investors and other eligible recipients. It has been provided to you following your express request to receive such communications, and your confirmation of eligibility. If you wish to unsubscribe from future updates at any time, please email unsubscribe@dragoncapital.com.

This document does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire, securities of any entity, or any vehicle to be incorporated in connection with any possible transaction, or an inducement to enter into investment activity in any country, or in any other jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction. No part of the document, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

No disclosure, reference or other information included in this document shall be considered as offering or solicitation of any product or service. Nothing in this document shall be construed as investment advice or a recommendation to acquire or invest in any securities or other instrument or financial product. Any investment performance and market information provided in this presentation, including information about any particular companies, are provided for illustrative purposes only and are not investment recommendations.

No person is promulgating or providing any financial or other advice to any person, and is not making and does not intend to make an offer or solicitation in relation to any product, whether referred to in this document or otherwise. Any person requiring investment advice should consult a suitably qualified professional adviser prior to taking any investment decision.

Past performance is not necessarily a guide to future performance. Certain statements included in this document are forward-looking and are therefore subject to risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied because they relate to future events. Consequently, the actual performance and results of the market or companies could differ materially from the expectations set out herein. Accordingly, no assurance can be given that any particular expectation will be met, and you are cautioned not to place undue reliance on forward-looking statements which speak only at their respective dates.

The information and opinions contained in this document (which includes information drawn from public sources) is subject to updating, and the accuracy, certainty or completeness of such information is not guaranteed. No representation or warranty, express or implied, is made, and no liability whatsoever is accepted by any other person, in relation thereto.

This document must not be distributed or otherwise made available to third parties without the consent of Dragon Capital, and then only to such recipients who have confirmed that distribution of such information is in compliance with the securities laws and regulations which apply to them.

For Swiss Investors in VEF: This is an advertising document. The representative for Vietnam Equity (UCITS) Fund ("VEF") in Switzerland is Waystone Fund Services (Switzerland) SA, Av. Villamont 17, 1005 Lausanne, Switzerland, and the paying agent is Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich, Switzerland. The VEF prospectus, key information document (PRIIP-KID), the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

For Belgian investors in VEF: This is an advertising document. This document is intended only for professional investors (A) that are "qualified investors" in the meaning of Article 2, (e) of the EU Regulation 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended from time to time or any successive legislation that may enter into force (each, a "Qualified Investor"), and (B) any such Qualified Investor shall act in its own name and for its own account and shall not act as intermediary, or otherwise sell or transfer, to any other investor, unless any such other investor would also qualify as a Qualified Investor.

For Italian investors in VEF: This is an advertising document (*materiale di marketing*). For professional investors only.

UCITS HAVE NO GUARANTEED RETURN AND PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE