

FLASH NOTE: CAPITALIZING ON STOCK MARKET UPGRADE TREND

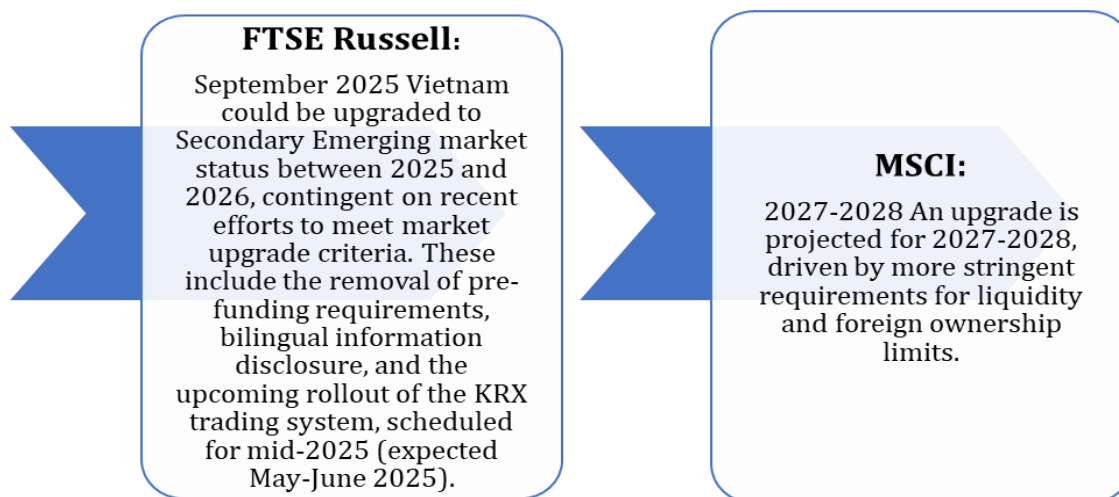
Research Department
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CONTENT

1/ STOCK MARKET UPGRADE PROSPECTS

The Vietnamese stock market is currently classified as a frontier market by both MSCI and FTSE Russell. However, Vietnam is actively working to enhance its market criteria and regulations to meet the requirements for an upgrade to emerging market status. Key areas of focus include improving liquidity, increasing foreign ownership limits, and enhancing transparency of information. It is anticipated that Vietnam’s market could be upgraded to emerging market status by FTSE as early as September 2025.

Market upgrade timeline



Sources: GTJASVN Research

Impact of the Stock Market Upgrade

Increased Foreign Investment Flows:

The Vietnamese stock market could attract an additional \$30 billion in foreign investment by 2030, primarily from passive ETFs tracking FTSE and MSCI indices.

Enhanced Market Access:

Institutional investors, particularly large funds, will find it easier to invest in Vietnam as the market achieves a higher classification.

Improved Liquidity:

Market liquidity is expected to rise, while an attractive market P/E ratio is anticipated to further draw capital inflows.

2/ INVESTMENT STRATEGY TO CAPITALIZE ON THE UPGRADE WAVE

2.1/ Stocks Benefiting from Passive ETF Capital Flows

This strategy focuses on stocks likely to be included in the FTSE Vietnam All-Share and MSCI Emerging Markets indices, based on the following criteria:

- **High Liquidity:** Stocks with significant trading volumes, meeting ETF requirements.
- **Available Foreign Ownership Room:** Ensuring sufficient foreign ownership capacity for international investors.
- **Large Market Capitalization and Strong Fundamentals:** Prioritizing stocks within the VN30 or high-growth mid-cap segments.

Initially, the Vietnamese stock market (TTCKVN) is projected to attract \$1-2 billion in passive investment capital upon achieving an upgrade.

Top 10 ETFs Tracking Emerging Markets from FTSE and MSCI

ETF	Index tracking	AUM (bn USD)
Vanguard FTSe Emerging Markets ETF (VWO)	FTSe Emerging Markets	75.68
iShares MSCI Emerging Markets ETF (EEM)	MSCI Emerging Markets	27.55
Xtrackers MSCI Emerging Markets UCITS 1C	MSCI Emerging Markets	~6.23
iShares MSCI EM UCITS ETF (Dist)	MSCI Emerging Markets	~5.17
iShares MSCI EM UCITS ETF (Acc)	MSCI Emerging Markets	~4.09
Amundi Index MSCI Emerging Markets DR (C)	MSCI Emerging Markets	~3.37
Amundi MSCI Emerging Markets EUR (C)	MSCI Emerging Markets	~2.59
Vanguard FTSe Emerging Markets Distributing	FTSe Emerging Markets	~2.63
HSBC MSCI Emerging Markets UCITS USD	MSCI Emerging Markets	~2.32
Amundi MSCI Emerging Markets II Dist	MSCI Emerging Markets	~2.28

Sources: FTSE, MSCI, GTJASVN Research

2.2/ Sectors Benefiting from Foreign Capital Inflows

Based on investment trends into emerging markets, the following sectors are expected to benefit:



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3/ PORTFOLIO OF STOCKS EXPECTED TO BENEFIT FROM THE UPGRADE TREND

Based on analysis, below is a detailed list of potential stocks, categorized by sector:

Sector	Ticker	Marketcap (bn VND) 8/3/2025	1-M avg daily trading volume (mn shares)	Available foreign room (%)	Note
Banking	VCB	531.52	1.98	7.25%	Large market cap, sector leader, highly appealing to foreign funds. Boasts the highest asset quality in the banking system.
	BID	288.93	3.45	13.25%	Similar profile
	CTG	227.69	6.94	3.20%	Similar Profile, comparable attributes, with improved asset quality due to proactive bad debt resolution.
	STB	74.94	8.46	7.96%	Actively undergoing restructuring, delivering significantly improved business performance.
Real Estate	VHM	184.63	7.33	37.75%	Large market cap, high liquidity, benefiting from Vietnam's infrastructure investments. The company holds the largest land

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					bank in the real estate sector, with a robust pipeline of overlapping investment projects.
Consumer	VNM	131.04	3.93	49.55%	Vietnam's leading dairy company by market share, with a solid financial structure and a consistent track record of cash dividend payouts.
Technology	FPT	208.01	3.94	4.69%	Strong growth trajectory, high profit margins, and significant potential from digitalization strategies.
Logistics	GMD	25.84	1.22	5.49%	Benefits from rising demand in logistics and international trade. Vietnam's largest port and logistics enterprise.
Industrial real estate	KBC	23.26	5.07	29.51%	Extensive industrial land reserves, capitalizing on FDI inflows. Large market cap, strong liquidity, and available foreign ownership room.
	HCM	23.26	10.95	5.81%	Major player with the capacity to serve both institutional and retail investors effectively.
Securities brokerage	VCI	27.97	9.53	72.69%	Major player with the capacity to serve both institutional and retail investors effectively.
	FTS	15.57	2.98	69.70%	Large-scale operation, capable of supporting both institutional and retail clients, with growing market share
	MBS	17.87	4.27	41.68%	Large-scale operation, capable of supporting both institutional and retail clients, with growing market share

Sources: FiinproX, GTJASVN Research

Key Risks

- **Risk of Delayed Upgrade:** Should Vietnam fail to fully meet criteria such as pre-funding settlement procedures or transparency requirements, the upgrade process could face delays.
- **Volatility in Foreign Capital Flows:** In the event of significant global market turbulence, ETF capital flows could reverse rapidly. Notably, exchange rate dynamics warrant attention, particularly given the negative interest rate gap between Vietnam and the United States.

4/ Conclusion

Vietnam is at a pivotal stage in attracting passive capital flows from ETFs ahead of the market upgrade wave. Investors can position themselves to capitalize on this opportunity by focusing on large-cap, high-liquidity stocks that are of interest to FTSE and MSCI, such as VCB, VHM, and FPT.

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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