



# Good Morning Vietnam

Why Vietnam’s standout returns may not stay contrarian for much longer.

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“Many investors prefer comfort, chasing what is popular and loved, rather than pursuing what is out of favour. The markets do not reward comfort,” warned US investor Robert D. Arnott.

2025 provided a textbook illustration. The much-loved S&P 500 limped to a meagre 11% return, easily outshone by the 25%-plus gains from the (still-popular) large-cap indices in UK and Europe (all numbers in GBP). But the richest rewards lay off the beaten track, with the MSCI Vietnam Index delivering a striking 55% gain for investors willing to step out of their comfort zone.

Vietnamese equities have undoubtedly faced their shares of bumps, from a major sell-off in 2022 to one of the sharpest drawdowns following Liberation Day. Yet the market has shown remarkable resilience, absorbing billions in foreign selling and navigating tariff uncertainty before rallying to deliver one of the strongest equity returns of the year.

More importantly, it’s what lies ahead that could bring Vietnam firmly onto investors’ radars, with a compelling combination of robust economic growth, a rapidly expanding middle class and ambitious plans for reform.

With likely promotion to the FTSE Emerging Markets Index later this year, there may be a finite window for investors before Vietnam becomes a mainstream allocation rather than a contrarian one.

## The future’s bright

Vietnam’s economic momentum stands in stark contrast to the anaemic growth seen in many developed economies, with GDP rising by 8% in 2025.

This growth is underpinned by Vietnam’s ‘golden’ demographic structure: a population of more than 100 million with an average age of just 33. A young and increasingly educated workforce offers an attractive labour pool for domestic and multinational companies alike, with growing expertise in higher-value sectors such as semiconductors.

At the same time, Vietnam’s role in global supply chains continues to grow. By maintaining constructive trading relationships across geopolitical blocs, the country has been a clear beneficiary of the China+1 strategy.

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Despite tariff challenges, exports grew solidly in 2025, positioning Vietnam as an emerging powerhouse in electronics, machinery and textiles. Global names such as Samsung, Apple, Nike and Intel are among those with meaningful supply chains in the country.

Structural reform may prove an even more powerful catalyst. The government is targeting double-digit GDP growth, with recent leadership changes expected to accelerate reform efforts by cutting bureaucracy, simplifying regulation and creating the backdrop for private enterprise to flourish.

The private sector already accounts for around 50% of GDP, with a target of 70% by 2030. Private capital is being mobilised to deliver major transport and housing infrastructure, reshaping Vietnam’s rapidly modernising cities. Other plans include a sharp increase in the number of private companies, alongside continued privatisation of state-owned enterprises.

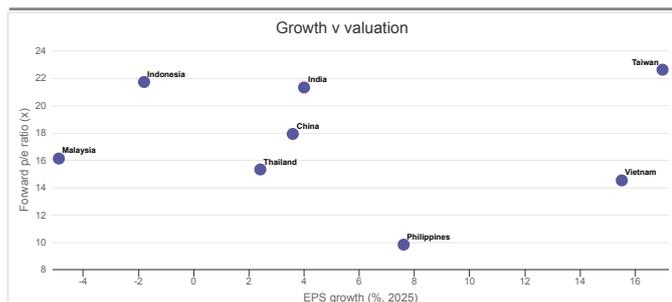
Together, these forces are driving an increasingly domestic-led growth model. Nearly three-quarters



of the population is expected to enter the consumer class by 2030, with rising incomes and urbanisation giving real momentum to domestic consumption. In turn, this supports corporate earnings growth of around 20%, comfortably ahead of even many US peers.

Valuations in Vietnam remain attractive, trading below peers such as Malaysia, Thailand and Indonesia, while offering superior growth rates. As shown below, this presents a compelling growth-value proposition.

**Fig.1: Vietnam Offers High Growth At A Low Valuation**



Source: Bloomberg, based on main country indices (as at December 2025)

Against this backdrop, Vietnam will become increasingly difficult to overlook. Likely promotion to FTSE Emerging Market status by September could trigger net inflows of \$6 billion, according to Reuters, as passive funds take exposure. And an even bigger prize may lie ahead, with inclusion in the MSCI Emerging Markets Index firmly in policymakers’ sights.

## An active edge

Vietnam remains an under-researched market, creating a powerful source of alpha for active managers. **Vietnam Enterprise Investments (VEIL)** is the longest-serving fund in the country, with a 30-year track record. Lead manager Tuan Le brings two decades of experience at Dragon Capital, supported by a 20-strong investment team, offering deep on-the-ground expertise and unrivalled local access.

VEIL provides broad exposure to Vietnam’s dynamic growth story, with a focus on banking, residential property and retail - sectors that should benefit the most from policy support, infrastructure investment and rising consumer spending. Tilting the portfolio towards domestic growth has also enhanced resilience during periods of tariff-related volatility and underpinned strong earnings growth.

The managers look for companies with attractive growth and valuation characteristics, strong corporate governance and clear alignment with Vietnam’s long-term structural themes. A good example is top ten holding Mobile World (MWG), held since its IPO in 2014.

Originally a mobile phone retailer, MWG has expanded into groceries, consumer electronics, pharmaceuticals and baby products, positioning itself at the heart of Vietnam’s rising middle class. The shift in consumer habits from wet markets to modern retail formats has driven a sharp improvement in earnings, with the share price increasing by 85% over the last five years.

A healthy IPO pipeline offers further potential upside. Dragon Capital’s private equity capabilities and market standing provide an edge as an IPO partner, as well as being able to trade larger blocks of stock. VEIL was an anchor investor in last year’s IPO of Techcombank Securities, the leading wealthtech firm in Vietnam: this was heavily oversubscribed and highlights the strong demand for Vietnamese equity exposure.

Performance has been strong since Tuan Le took the helm in early 2024, with a one-year share price return of 33%. The board has also demonstrated a clear commitment to narrow the trust’s discount through buybacks and tenders, which now stands at just over 10%. The first 10% tender has recently been completed, with options for another two tenders at the same level.

Looking ahead, Vietnam neatly brings the argument back to Arnott’s warning. It may remain outside most investors’ comfort zones yet offers a thriving economy powered by a powerful domestic growth engine. With index promotion on the horizon, the chance to get comfortable with Vietnam may not last forever.

*All data as at 03/02/2026 unless otherwise specified.*

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