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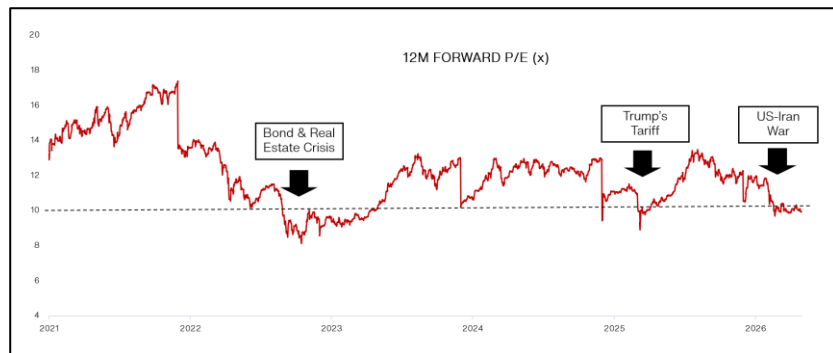
Priced for Crisis, Primed for Growth: Vietnam's Bifurcated Stock Market

Valuations consistent with crisis conditions – despite VN's resilient economy.

The VN-Index is trading at an attractive 13x forward P/E valuation versus 15% expected earnings growth, but that headline figure obscures a deeper discount: over 70% of the market is trading below 10x P/E, a valuation that is consistent with past Vietnam stock market shocks. The market is trading as if Vietnam were experiencing an economic crisis – which is a sharp disconnect from Vietnam's resilient economy and booming high-tech exports in 2026. This bifurcation stems from the stellar stock price performance of the Vingroup family of companies, which now account for nearly 30% of the VNI's market cap (see below).

We acknowledge that the market is currently facing multiple headwinds, including: 1) the prolonged disruption in the Strait of Hormuz, 2) Vietnam's trade deficit more than doubled from 3% of GDP pre-war to over 6%/GDP as of mid-May, 3) inflation in Vietnam is now well above 5%, which is pushing interest rates higher, and 4) persistent foreign outflows, with investors selling roughly USD 2bn of Vietnamese equities year-to-date (following USD 5bn of outflows last year). But we believe Vietnam's Government has the capacity to counter these issues and we still expect 7% GDP growth this year.

VN-Index (ex-VIC) Valuation



Source: Bloomberg, data as of June 2026.

No disruption to everyday life in Vietnam.

The Strait of Hormuz disruption is a major challenge for Asia, and our 7% GDP growth forecast is based on the assumption that a US-Iran deal to open the Straits is imminent. Critically, the Vietnamese Government's "Bamboo Diplomacy" strategy helped it secure enough oil to largely insulate Vietnam from the economic consequences of the war - which has not had a major impact on daily life in Vietnam, in contrast to highly publicized issues in India, Indonesia, and the Philippines. One reason Vietnam has been able to secure sufficient energy supplies is that China¹ and Japan² both have strong economic incentives to keep Vietnamese factories running; both countries have significant manufacturing investments in Vietnam.

Booming high-tech exports.

Many of those factories produce high-tech products, and a key pillar of Vietnam's relative economic resilience this year is the widening gap between economies with booming high-tech exports (e.g., Vietnam, Korea and Taiwan), and those that are more exposed to energy-import pressure (e.g., India and the Philippines). Vietnam's computers and electronics exports are up nearly 50% this year after having surged nearly 50% last year. Vietnam's trade deficit is primarily being driven by an increase in AI-related exports for reasons discussed below, which helps explain why the VN-Dong exchange rate has not depreciated this year despite the apparently alarming trade deficit (trade deficits over 3% of GDP are considered large).

"Blowout quarter" for VN-Index earnings

Finally, VN-Index earnings grew 51% YoY in Q1, dwarfing the 15% consensus expectation. That surge was partly driven by Vinhomes (VHM), which is discussed below, but even when stripping out VHM, earnings grew by around 30% - or double consensus expectations. We understand the headwinds listed above and acknowledge the tail risk to the global economy that the US-Iran war presents, but the majority of the market is trading at around crisis-level valuations despite the sound fundamentals of those stocks.

¹ Vietnam proposes China to help ensure stable jet fuel supplies, VnEconomy, April 2026.

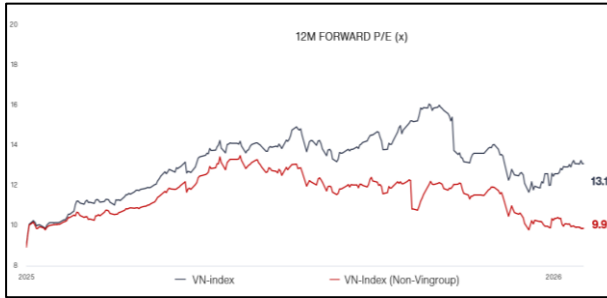
² Vietnam Asks Japan, South Korea for Help Accessing Crude Oil Supplies, The Diplomat, March 2026.

Vingroup stocks' weighting in the VNI surged from 8% to ~30%.

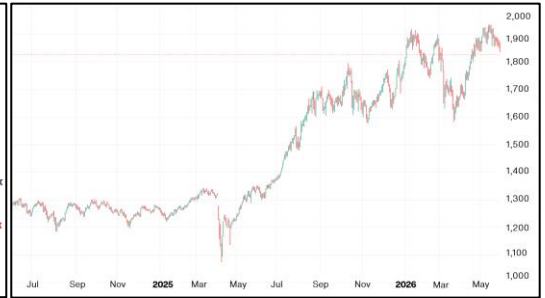
Vingroup Companies Now ~30% of the VN-Index

The Vingroup family of companies, which includes Vingroup (VIC), Vinhomes (VHM), Vincom Retail (VRE), and Vinpearl (VPL), saw their aggregate weighting in the VN-Index balloon from about 8% two years ago to nearly 30% of the index now. Last year, the VN-Index rose by around 41%, but stripping out Vingroup-related stocks, the index was only up around 10%. This year, the VN-Index outpaced the ex-VIC index by about 4-5%pts, further widening the gap between the valuation of the VNI (trading at a 13x P/E versus 15% EPS growth in 2026), versus the VN-Index, ex-VIC (trading at 10x versus 16% EPS growth).

**Widening Valuation Differential
VN-Index vs. ex-VIC Index**



**The VN-Index
(2-year chart)**



Source: Bloomberg, data as of June 2026.

VIC stocks rose on VinFast restructuring, GSM IPO plans, and surging VHM earnings.

The continued increase in VIC family stocks this year has been driven by several catalysts, including: 1) the announcement that Vingroup will restructure its VinFast (VFS) EV subsidiary and spin the loss-making VFS out from the VIC parent company, which currently owns more than 50% of VFS's outstanding shares, 2) the announcement that Vingroup's Green Smart Mobility Taxi subsidiary (GSM) will IPO (VinFast sells about a third of the cars it produces to the taxi subsidiary it launched in 2023), and 3) stellar Vinhomes (VHM) earnings, up 850% YoY in Q1.

The timing of these positive catalysts for VIC's stock price appears to be correlated to the timing of the company's debt refinancing requirements. Note that in the case of VHM's stellar earnings, real estate companies have a good deal of latitude in the timing of when they book revenues and earnings. For example, a developer can realize outsized revenues if it sells a large block of apartments or a major project to an intermediary.

Q1 Earnings Far Exceeded Estimates

The earnings of the VN-Index jumped 51% YoY in Q1, dwarfing the 15% consensus expectation. The above-mentioned 850% increase in VHM explains some of the surge, but even stripping that out, earnings grew by around 30% - double consensus expectations - driven by broad-based strength in real estate, materials, retail, energy, and consumer staples, as can be seen in the table below.

In short, materials benefited from stronger steel demand, oil refiners benefited from wider crack spreads/refining margins, and consumer companies showed signs of a tangible recovery from last year's low base. Consequently, in addition to the attractive valuation of banks mentioned above (1.3x P/B versus high-teens ROE), consumer, IT, and energy stocks are also trading at relatively low multiples - in many cases below their five-year averages.

Sector	1Q26 YoY	Key Names & Drivers
Real Estate	+202%	VHM 10x; NVL return to profit; KDH +131%; PDR +162%
Materials	+106%	HPG +169%; rebar demand +29%; Dung Quat Phase 2 ramp
Consumer Discretionary	+71%	MWG +76%; MSN +217%; PNJ +117%; DGW +89%
Energy	+869%	BSR 20x on crack spreads; PVD +100%; GAS resilient +7%
Consumer Staples	+77%	SAB +49%; VNM +55%; low base + price increases
Banks	+12%	NIM compressed by deposit spike; CTG +63%; VPB +58%
VN-Index Total	+51%	

Source: Bloomberg.

Strong earnings across-the-board in Q1.

It's likely that the VNI's earnings momentum will slow as the economic impact of the war unfolds and higher interest rates look set to squeeze banks' profit margins as the year progresses.³ However, our intention in this report is to highlight that much of Vietnam's stock market is pricing in crisis conditions – in contrast to the benign economic conditions, on-the-ground. Furthermore, Vietnam is advancing a wide-ranging series of reforms that are aimed at improving the efficiency of SOEs, that are tied to FTSE EM inclusion, that target restarting stalled real estate projects, etc. We do not think the full impact of these reforms has been priced into the stock market yet since the benefits will accrue gradually through better liquidity, more listings, SOE restructuring, and the reactivation of delayed projects.

Finally, note that while we've discussed sector-wide earnings above, one or two key stocks can often significantly move an entire sector's earnings in Vietnam. Consequently, active stock management in Vietnam is critical, as picking the leaders can significantly impact investment returns.

Benign Trade Deficit

Vietnam's high-tech exports jumped 49% YoY in 4M26, following a 48% increase last year, driven by strong demand for AI-related products⁴. Nevertheless, Vietnam's trade deficit more than doubled from 3%/GDP pre-war to well above 6%/GDP (or circa USD 13bn as of mid-May).

The war contributed more than 2%pts towards the widening of Vietnam's trade deficit because oil prices and the value of China's currency have both soared (Vietnam sources over one-third of the production materials it uses to produce exports from China), but rising imports of production materials and capital goods required to produce high-tech products account for most of Vietnam's current trade deficit.

Further to that last point, FDI high-tech companies are increasingly importing capital goods used in the production of precision components. This important but nuanced point helps explain why the currency and stock markets are brushing off the recent jump in the trade deficit. In detail, imports of components like chips and specialty glass typically used in the production of smartphones are consumed within 3-4 months of being imported. However, FDI companies (especially Chinese high-tech companies) are increasingly importing the capital goods used to make components like the aforementioned specialty glass.

The "turnaround time" to produce final exported products with such capital goods and to recoup the cost of that equipment in Vietnam's trade balance takes much longer than the 3-4 month turnaround time of components used to produce high-tech products, inducing a "J-Curve" effect in which the trade balance first declines and then improves as imported capital goods and components get used to make exports.

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³ Vietnamese banks generally have fairly low "Current Account Savings Account (CASA)" ratios, which limits their earnings upside in high interest rate environments.

⁴ A similar increase is unfolding in South Korea this year, where the stock market is also at record highs. However, in both Vietnam and South Korea, the surge in high-tech exports is masking a tariff-related drop on non-tech exports (Korea's tech exports are up 45% this year, non-tech exports are down 9%).