

Event Note

FTSE Upgrades Vietnam to Secondary Emerging Market Status

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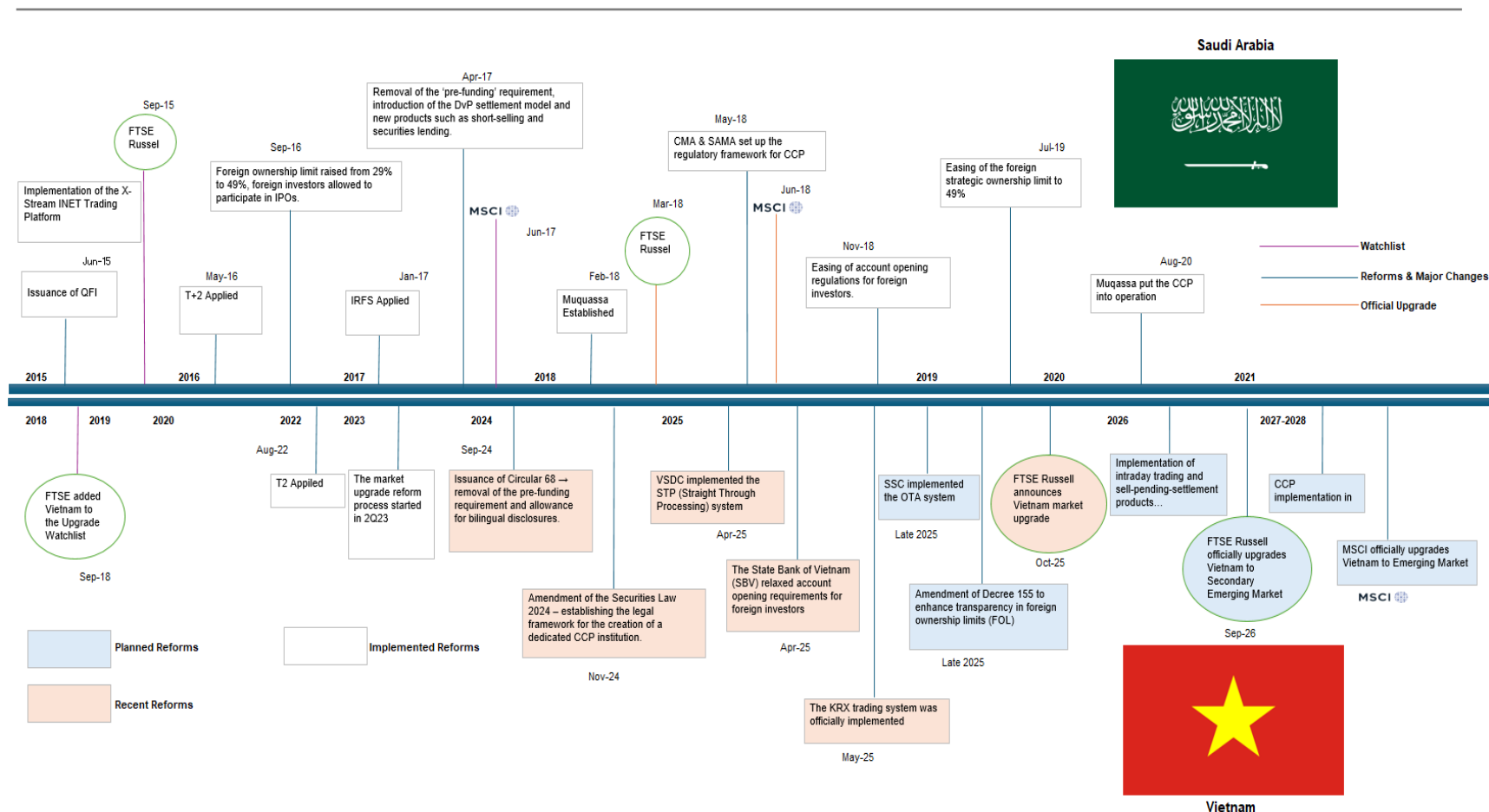
**A historic milestone for Vietnam's
stock market**



FTSE upgrade announcement: A milestone, not the destination, in Vietnam's market evolution

From watch list to emerging market: Vietnam secures FTSE Russell upgrade after seven years

Pathway to market reclassification

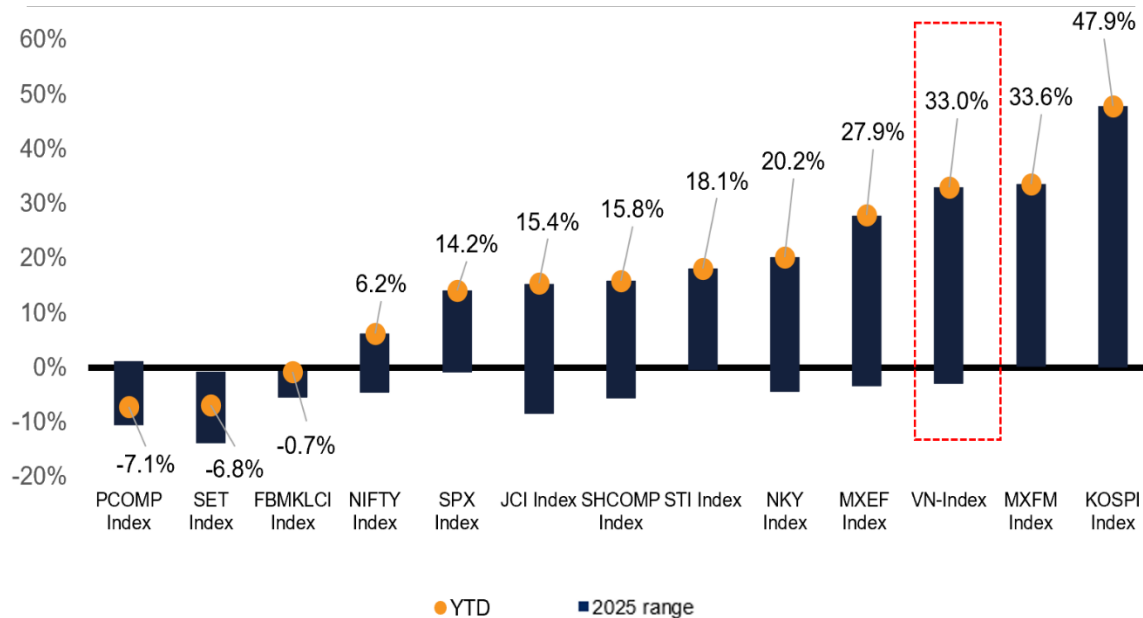


In its latest announcement, FTSE Russell commended the Vietnamese market authorities for their meaningful reforms—most notably, the removal of the prefunding requirement for Foreign Institutional Investors (FII) through the adoption of a non-prefunding (NPF) model, and the introduction of a formal framework for handling failed trades. With these advancements, **Vietnam now satisfies all criteria for Secondary Emerging market classification** under the FTSE Equity Country Classification Framework.

As a result, **FTSE Russell will reclassify Vietnam from Frontier to Secondary Emerging market status, effective Monday, September 21, 2026**. This reclassification is contingent upon an interim review in March 2026, which will evaluate progress in enabling access for global brokers—an essential condition for index replication and broader international participation.

While the official upgrade will take effect in September 2026, **this milestone marks a historic turning point for Vietnam's capital market**. It reflects the country's commitment to comprehensive reform, greater transparency, and alignment with international standards—creating a more accessible and investor-friendly environment for global capital.

Vietnam's VN-Index among Asia's top performers with 33% YTD gain



Valuation gap narrows: Vietnam moves closer in line with MSCI Emerging Markets

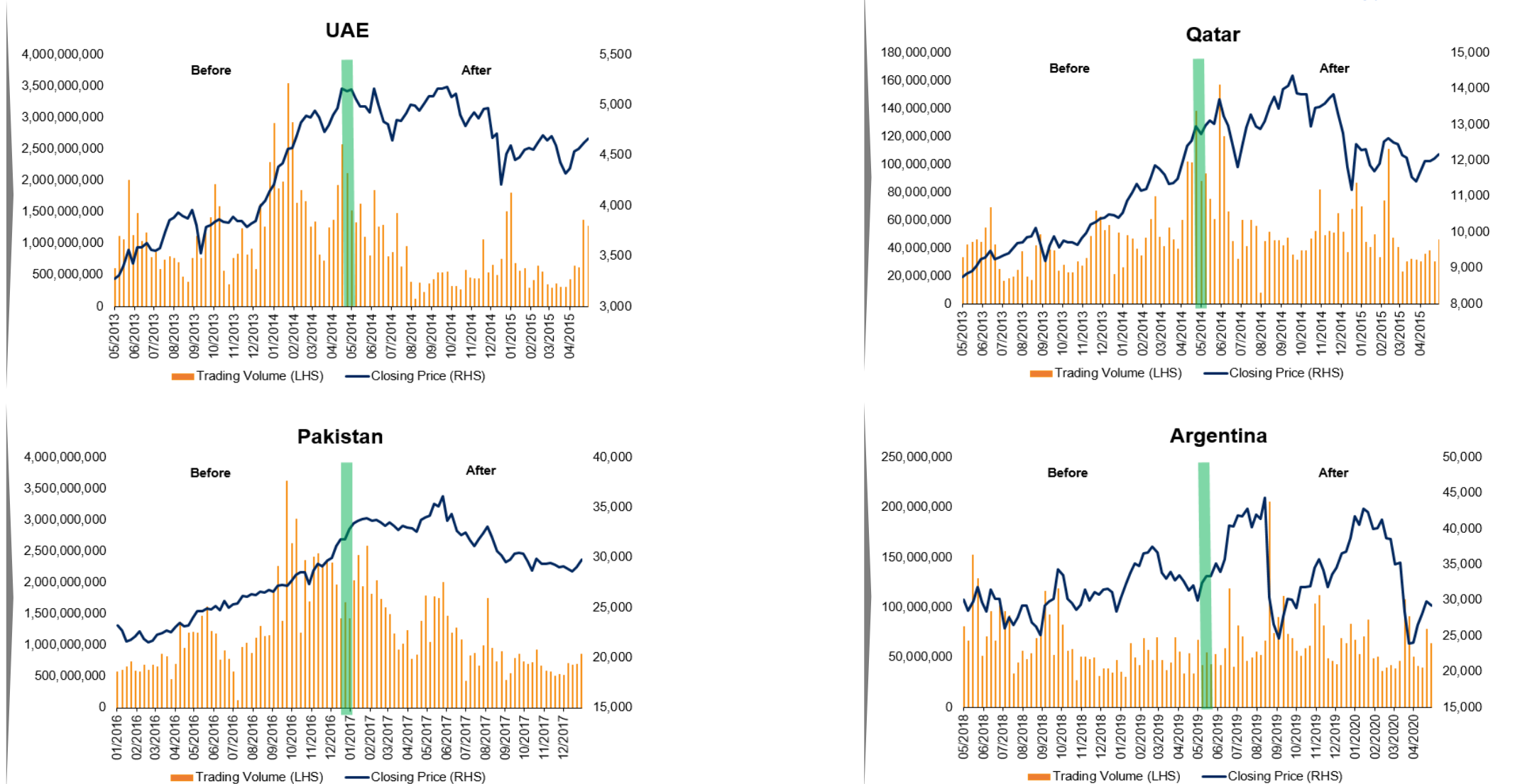
	TTM P/E	Current P/B	TTM P/E vs 5-year average	P/B vs 5-year average
S&P500	27.9	5.5		1.2x
India	25.2	3.6		0.8x
Turkey	23.1	1.2	2.7x	1.0x
Taiwan	22.9	3.1	1.2x	1.8x
Japan	21.4	2.5	0.7x	0.9x
Indonesia	19.8	2.2	1.0x	0.9x
China	19.2	1.6	1.3x	0.9x
MSCI EM	16.6	2.1	1.1x	1.4x
Korea	16.5	1.2	0.7x	1.0x
Vietnam	16.3	2.1	1.0x	0.9x
Malaysia	15.5	1.5	1.0x	0.8x
Marocco	15.0	3.5	0.3x	1.3x
Singapore	13.9	1.5	0.9x	1.2x
MSCI FM	10.9	1.9	0.9x	1.1x
Philippines	10.4	1.3	0.6x	0.5x
Pakistan	9.5	1.9	1.0x	0.9x
Egypt	8.5	2.2	1.0x	1.1x

*Vietnam P/E restated on an IFRS basis

- **Much of the optimism surrounding Vietnam's market upgrade has already been reflected in recent performance.** Year-to-date, the VN-Index has climbed about 33%, pushing valuations closer to the average of other emerging markets. While foreign inflows are expected, substantial allocations may not occur immediately—only a handful of active funds are likely to position ahead of the official reclassification set for September 21, 2026.
- Consequently, **the market may show a short-lived reaction to the FTSE's announcement before shifting focus back to fundamentals:** Q3 earnings of listed companies, Government growth-support measures, macroeconomic stability, and Vietnam's medium- to long-term growth narrative.

Markets that have been upgraded often saw significant gains leading up to the effective date

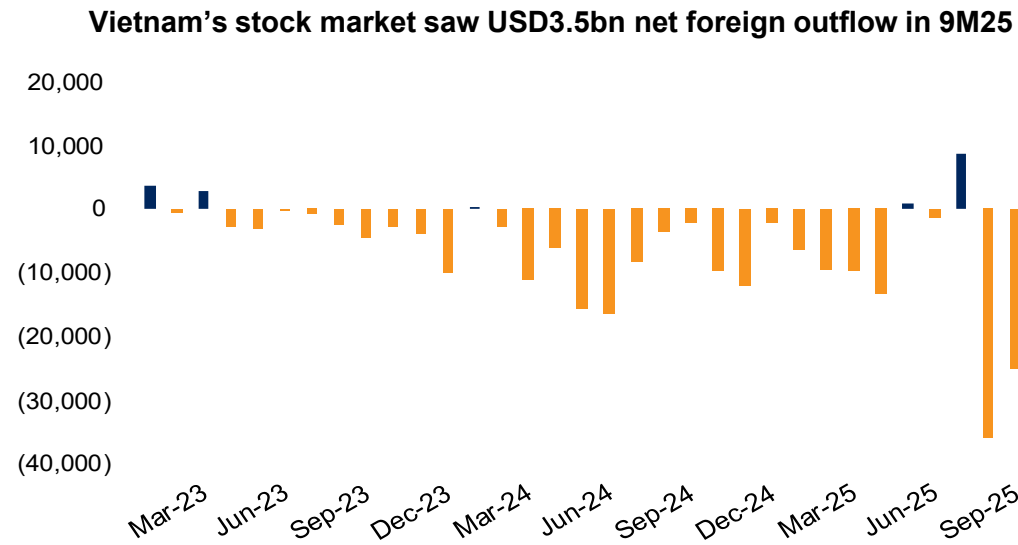
Sustainable growth will hinge on macro conditions. VNDIRECT Research expects Vietnam's stock market to remain resilient post-upgrade, backed by solid fundamentals, supportive Government's policies, and private sector reforms. For a detailed outlook, see our [Strategy Report](#).



SOURCE: BLOOMBERG, VNDIRECT RESEARCH

Vietnam's market upgrade is expected to accelerate foreign capital inflows next year

Successful upgrade and Fed pivot may turn foreign flows positive in 2026



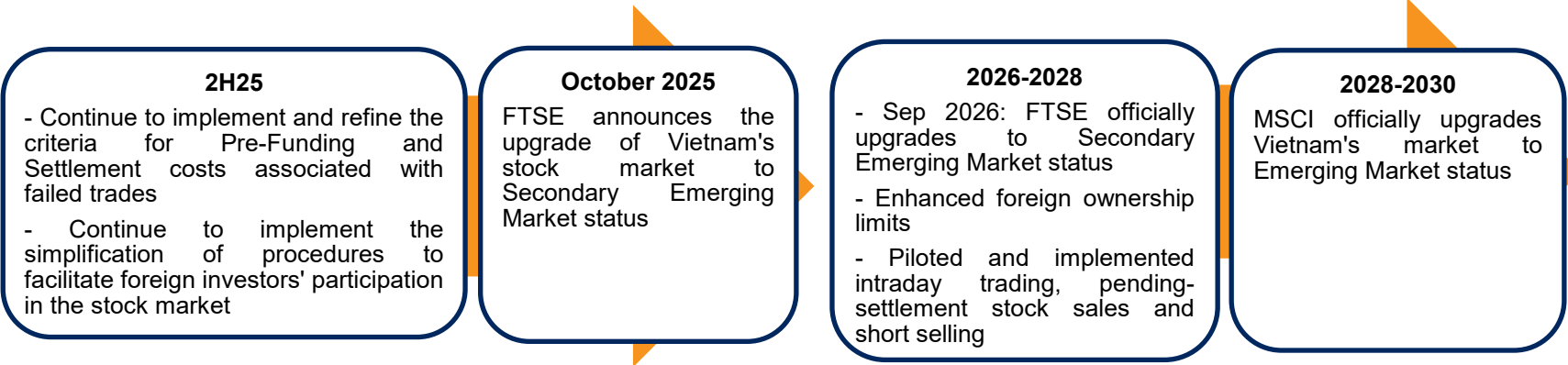
Vietnam's top 20 stocks likely to benefit from FTSE emerging market status

Number	Stock	Sector	Free Float (%)	Free-float marketcap (USDbn)	Foreign ownership ratio still available (%)
1	VIC	Real Estate	40%	10.5	44.3%
2	FPT	Technology	85%	5.2	12.7%
3	VHM	Real Estate	30%	4.8	40.7%
4	HPG	Steel	55%	4.7	30.2%
5	STB	Bank	95%	4.1	12.2%
6	MSN	F&B	55%	2.5	75.7%
7	VCB	Bank	11%	2.2	8.4%
8	SSI	Brokerage	70%	2.2	63.1%
9	SHB	Bank	70%	2.1	25.6%
10	VIX	Brokerage	95%	2.1	88.0%
11	VNM	F&B	40%	2.0	51.1%
12	VJC	Aviation	50%	1.5	23.0%
13	EIB	Bank	80%	1.5	25.2%
14	GEX	Industrial Manufacturing	70%	1.3	42.6%
15	VRE	Real Estate	40%	1.2	32.3%
16	VND	Brokerage	75%	1.0	85.6%
17	KDH	Real Estate	60%	0.8	20.8%
18	KBC	Real Estate	65%	0.8	37.4%
19	DGC	Chemical	60%	0.8	36.8%
20	NAB	Bank	80%	0.8	28.6%

- **Capital flows:** Following the upgrade to FTSE's Secondary Emerging Market status, we estimate **the country could attract around USD1.0bn–USD1.5bn in foreign inflows from open-end funds and ETFs tracking FTSE indices**. While precise estimates are difficult, total foreign capital inflows—including active funds—could be significantly higher, ranging from USD3.4bn (HSBC estimate) to USD6bn (FTSE forecast). HSBC also notes that about 38% of Asia-focused funds and 30% of global emerging market funds already hold Vietnamese equities.
- Our research indicates that **stocks poised to benefit from the FTSE upgrade** include **VIC** and **VHM** (real estate); notable banks such as **VCB**, **STB**, and **SHB**; brokerage firms like **SSI**, **VIX**, and **VND**; consumer giants **MSN** and **VNM** (F&B); **FPT** (technology); and **HPG** (industrial manufacturing).

Vietnam’s MSCI ambitions: Much work lies ahead

Rating Agencies	Criteria that Vietnam needs to improve to be upgraded to an emerging market
MSCI	<ul style="list-style-type: none">- The foreign ownership limit (FOL) level- Foreign "room" level- Equal rights for foreign investors- Foreign exchange market liberalization level- Information flow- Clearing and settlement- Possibility of off-exchange transactions- Stock lending- Short selling



- To achieve FTSE Advance Emerging status as well as MSCI Emerging Market status, Vietnam must accelerate critical reforms such as introduce intraday trading, enable sell-pending-settlement, establish a robust securities lending and borrowing framework, permit short selling, shorten settlement cycles, and ease foreign ownership limits in restricted sectors. Enhancing legal and market transparency is equally vital. These measures would fundamentally reshape market operations, gradually aligning Vietnam with global standards.
- We believe Vietnamese regulators will sustain bold reform momentum, paving the way for MSCI Emerging Market status — with our projection targeting the 2028–2030 window.
- If MSCI upgrades Vietnam to Emerging Market status, the country could receive about USD3bn in foreign inflows from open-end funds and ETFs that track MSCI indices. This figure would significantly surpass the inflow potential under a similar upgrade scenario by FTSE.

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