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Vietnam Enterprise Investments Limited
("VEIL" or the "Company")
Quarterly Insights

VEIL is a London listed investment company investing primarily in listed equities in Vietnam and a FTSE 250 constituent.

Considering Vietnam's New Economic Direction

Mr Tuan Le, Lead Portfolio Manager

A Fresh Start in Macro Policy

The ascension of General Secretary To Lam marks a potential turning point for Vietnam's economy. His administration has outlined bold plans to drive growth through accelerated public spending, streamlined government, and capital markets modernisation. If successfully pursued, this legislative overhaul, while nascent, may be the key to unlocking the bureaucratic inertia that has plagued decision-making in recent years. While these targets signal formidable resolve, it remains to be seen how successfully they will be implemented, hinging on effective leadership amid global uncertainties under Trump's second term.

A Pro-Growth Government Takes the Helm

Since taking office in August 2024, To Lam has championed a vision for a "New Era of Advancement". Under his guidance, the National Assembly has set a 2025 GDP growth target of 7.0%, with the government aiming for 8.0%, and To Lam himself expressing ambitions to achieve average double-digit growth from 2026 to 2030.

While such ambitious targets naturally raise questions of execution, To Lam's tenure as Minister for Public Security showcased his strong political and managerial capabilities. As Party leader, To Lam's support of Prime Minister Chinh's agenda provides him with the tools needed to achieve such an ambitious growth target. Chinh's proactive, hands-on leadership is evident in his focus on reviving public spending and spurring growth. He has personally visited provinces and construction sites across Vietnam, directly engaging with local leaders to ensure action is taken at both government and individual project levels.

The key elements of the new administration's economic strategy are:

- **Slashing the Government:** One of the most transformative initiatives is to restructure or merge 18 government ministries into a streamlined 13, aiming to lower costs and improve efficiency. This ambitious reform mirrors the transformative impact of the Doi Moi era, with a similar focus on driving national progress through bold systemic change. By softening the focus on anti-corruption and emphasising operational streamlining, the new administration seeks to enhance governance and reduce waste. However, the scope and practical impact of these reforms remain critical areas to monitor as they move from policy to implementation.
- **Intensified Public Spending:** Vietnam plans to increase infrastructure spending by 15-20% to around US 31bn in 2025, supported by a manageable debt-to-GDP ratio of under 40%. Key projects include 3,000 km of national highways set for completion by 2025 and ongoing airport expansions in Hanoi and HCMC, with the investment in Phase 1 of Long Thanh Airport alone reaching US 5bn. Additionally, the ambitious US 67bn North-South high-speed rail project is set to begin in 2027 and is expected to contribute approximately 1% to annual GDP until its slated completion in 2035. The pace of planning and execution for these national projects has accelerated significantly, reflecting the government's serious intent to advance its overarching infrastructure agenda.
- **Capital Markets Modernisation:** Efforts to upgrade Vietnam's stock market to FTSE Emerging Market (EM) status have been ongoing since 2023, gaining significant momentum over the past six months. A major milestone was achieved in November 2024 with the official termination of the pre-funding mechanism for foreign investors, a long-standing obstacle to the FTSE EM upgrade. This progress is further bolstered by the anticipated implementation of the KRX trading system, which aims to align Vietnam's financial markets with international standards. The system will introduce a central clearing party, shorter settlement times, and new financial products, marking a major step forward for the equity markets. These developments are expected to significantly enhance investor confidence, with passive and active inflows estimated at US 1.0-2.5bn, primarily directed at large-cap stocks, amplifying their impact on market liquidity and valuations.
- **Digitalisation and Technology:** While long a priority for the government, there is now a stronger determination to fast-track results. To Lam's appointment as Head of the Central Steering Committee on Science and Technology Development is a major statement of intent, a role he has taken on to personally drive its success. Under his guidance, the issuance of Decree 182 marks a significant milestone. Coming into effect on 1 January 2024, it offers financial support for initial investment costs of up to 50% in semiconductor and AI R&D projects, an unprecedented step for Vietnam. The appeal of Vietnam for tech companies is evident; Samsung has invested over US 22bn across six factories, and Apple has poured nearly US 16bn since 2019 into its local supply chain, more than doubling its annual spending over that period and generating over 200,000 jobs. Nvidia also signed an agreement with the Vietnamese government in December 2024, committing to invest in AI research and data centre business operations, extending

government in December 2024, committing to open two AI research and data centres, having previously entered a partnership worth US 200mn with FPT to establish AI data centres.

Legislative Restructuring

The recent National Assembly session, under the leadership of To Lam, was one of the most productive in recent years, enacting 18 laws and 21 resolutions. A cornerstone achievement was the passage of the new Public Investment Law, which decentralises decision-making, empowering local authorities to address legal ambiguities and regulatory challenges. This reform has the potential to revitalise stalled infrastructure and real estate projects, key drivers in achieving Vietnam's ambitious GDP growth targets.

The extension of a 2% VAT reduction until mid-2025 is expected to support domestic consumption and mitigate the impact of external pressures on endogenous growth, including currency devaluation and the spectre of US tariffs. Additionally, the newly established Investment Support Fund aims to address the challenges posed by the global minimum tax. By providing financial support to sectors adopting this new tax framework, the fund should help sustain broader economic momentum and reinforce Vietnam's attractiveness for FDI.

Implications for VEIL

The banking sector, which remains the largest capital contributor to Vietnam's economy and accounts for approximately 40% of both the Vietnam Index and VEIL's portfolio, stands to gain from increased public spending and the State Bank of Vietnam's 2025 credit growth target of 16%, up from 15% in 2024. This expanded credit supply and heightened infrastructure spending is expected to stimulate key economic sectors, including technology, retail consumption, and industrial materials, while driving a strong recovery in the real estate market.

The modernisation of Vietnam's capital markets further enhances the outlook. Anticipated foreign inflows are expected to boost local sentiment, improve market valuations, and broaden investment opportunities. This evolution will likely drive increased demand for capital, leading to a new wave of structured transactions and IPOs over the next five years, a domain where VEIL has established a market-leading position. As Vietnam's largest closed-end fund, VEIL is uniquely equipped to utilise its reputation and expertise, having participated in over 60 IPOs since inception and serving as the anchor investor in most of the largest IPOs in the past decade.

Top Ten Holdings (57.6% of NAV)

	Company	Sector	NAV Weight %	VNI Weight %	Weight vs Index %	Q4 2024 Return %	1-Year Rolling Return %
1	Mobile World	Consumer Discretionary	8.1	1.7	+6.4	-13.6	36.8
2	FPT Corporation	IT	8.1	4.3	+3.8	10.1	76.2
3	VP Bank	Financials (Banks)	7.0	2.9	+4.1	-7.9	0.4
4	Asia Commercial Bank	Financials (Banks)	5.9	2.2	+3.7	-3.4	22.4
5	Vietcombank	Financials (Banks)	5.8	9.8	-4.0	-4.4	8.2
6	Techcombank	Financials (Banks)	5.2	3.3	+1.9	-1.8	52.3
7	Hoa Phat Group	Materials	5.1	3.3	+1.8	-2.5	-0.1
8	Vietinbank	Financials (Banks)	4.7	3.9	+0.8	-1.4	32.8
9	Khang Dien House	Real Estate	4.0	0.7	+3.3	-1.6	20.4
10	Duc Giang Chemicals	Materials	3.7	0.9	+2.8	0.1	20.9
	VEIL NAV	-	-	-	-	-3.1	12.2
	Vietnam Index	-	-	-	-	-4.8	8.8

Source: Bloomberg, Dragon Capital

NB: All returns are given in total return USD terms as of 31 December 2024

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