Progress toward an upgrade with the abolition of Pre-Funding

On September 18, the Vietnamese Ministry of Finance approved Circular 68/2024/TT-BTC, which eliminates the requirement for foreign institutional investors to prepare pre-funding when buying shares. This move aims to help clear obstacles that have held back market upgrades from rating agencies.
The approval seems timed for the upcoming FTSE review on October 8. Since 2018, Vietnam has been on the watchlist for potential upgrades to secondary emerging market status, and many hope for a positive decision in next month's review.

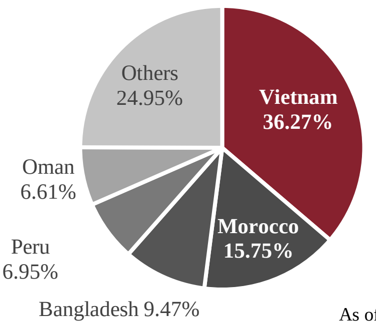
Rating agency 'FTSE'

FTSE International is an index provider established in 1995 through a joint investment by the UK's Financial Times and the London Stock Exchange. It is recognized as one of the major index providers alongside the U.S. MSCI. FTSE rates markets in four categories: developed, advanced emerging, secondary emerging, and frontier markets. They assess each market twice a year, looking at investment regulations, stock markets, and clearing, settlement and custody.
In the Vietnamese market, issues in the clearing and settlement areas have hindered its upgrade to secondary emerging market status, with the requirement for foreign investors to maintain cash reserves being specifically highlighted.

Impact of the upgrade on the Vietnamese market

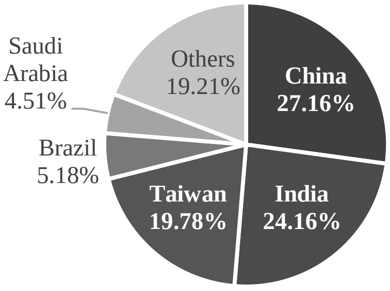
In the regular review conducted by FTSE in March 2024, it was noted that the Vietnamese market still has issues requiring improvement, leading to another postponement of its upgrade. One reason for this was the classification of payment risk as "regulated," which necessitated the elimination of the advance payment system to meet this requirement. However, the recent approval of the circular, set to take effect on November 2, 2024, will address FTSE's long-standing requests.
As of the end of August 2024, Vietnam accounts for 36.27% of the FTSE Frontier Index, making it the largest market with a total investment of approximately $350 million. Furthermore, the Ho Chi Minh Stock Exchange has a market capitalization of $212 billion, surpassing that of the Santiago Stock Exchange in Chile, one of the countries in the Secondary Emerging market, which stands at $176.1 billion. The current weight of Chile in the FTSE Emerging Index is 0.56% (approximately $417 million), while Vietnam is expected to have an inclusion of around 0.6% (approximately $474 million) due to its market upgrade. Additionally, new investments from ETFs and active funds that benchmark against this index are expected, with SSI Research forecasting an influx of $1.7 billion in funds.

1. Composition Rate of FTSE Frontier Index



As of August 2024
FTSE Frontier Index Series Factsheet
Made by JSI

2. Composition Rate of FTSE Emerging Index



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ETSs with expectation for investing in the Vietnamese market

Fund	AUM (Million USD)	Estimated Investment in Vietnam (Million USD)
Vanguard FTSE Emerging Markets ETF	78,500	474
Vanguard FTSE Emerging Markets UCITS ETF (London)	1,770	10.62
Vanguard FTSE Emerging Markets All Cap Index ETF (Canada)	1,990	11.94
Vanguard FTSE Emerging Markets UCITS ETF Class USD INC (Euronext Amsterdam)	2,110	12.66
Vanguard FTSE Emerging Markets ETF/Australia (Australia)	1,010	6.06
Invesco FTSE Emerging Markets High Dividend Low Volatility UCITS ETF (London)	150	0.9
Total	**85.53**	**516.18**

Assuming that Vietnamese stocks make up 0.6% of the FTSE Emerging Index, estimate the amount based on net assets.
Made by vneconomy.vn

Expecting capital inflows into large-cap stocks

The upgrade of the Vietnamese market to the secondary emerging market by FTSE is anticipated to play a significant role in elevating the overall performance of the Vietnamese market, particularly through increased capital inflows from foreign institutional investors. Within this context, large-cap stocks that have a high composition ratio in the FTSE Vietnam Index and possess available foreign ownership limits are likely to draw considerable attention from investors. Additionally, the recent abolition of pre-funding requirements may result in heightened transaction volumes and an increase in commission revenues, which could, in turn, bolster the profits of brokerage firms operating in the region. Given these dynamics, it is essential for investors to closely monitor these stocks as they may present valuable opportunities in the evolving market landscape.

Top 10 Stocks in FTSE Vietnam Index by Component Ratio

Company	Ticker	Component
FPT	FPT	8.48%
Hoa Phat Group JSC	HPG	7.03%
Vingroup JSC	VIC	4.78%
Vinhomes	VHM	4.77%
Vietnam Dairy Products JSC	VNM	4.70%
Joint Stock Commercial Bank for Foreign Trade of Vietnam	VCB	4.59%
Mobile World Investment	MWG	4.40%
Masan Group Corp.	MSN	4.33%
Vietnam Prosperity Joint Stock Commercial Bank	VPB	3.97%
SSI Securities	SSI	3.49%

FTSE Vietnam Index Series Fact Sheet
Made by JSI

In case an upgrade is announced during the regular review on October 8, completion of the upgrade will occur after certain steps by FTSE. As stated in the government's 10-year plan from 2021 to 2030, the development of the stock market is clearly outlined. Therefore, the upgrade to the emerging market is a national aspiration, and we can look forward to it.

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