THEMATIC REPORT- Road to Emerging Market (Part 3)

Approaching the final milestone

10/2025

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BSC
BIDV SECURITIES JSC

EMERGING MARKETS

FTSE RUSSELL
An LSEG Business

MSCI

Vietnam’s stock market upgrade: Vision 2025–2030

Roadmap and strategy for upgrading Vietnam's stock market, 2025–2030

+ **Momentum from domestic investors**
  Low interest rate and attractive valuations

+ **The Emerging Market**
  FTSE 2025? MSCI 2030?

+ **Liquidity saw a strong improvement**
  Targeting an average daily trading value of 2 billion USD per session (2026–2030)

− **Foreign investors continue net selling**
  Net selling has been significant for three consecutive years

− **High market volatility**
  Risks stemming from high margin levels and external volatility

Criteria	9M2025 (bil.USD)	% GDP	Targets 2025	Targets 2030	Notes
Nominal GDP	**455.68**				**31/12/2024**
Marketcap	**361.55**	**79.34%**	≥ 100% GDP	≥ 120% GDP	30/09/2025
HSX	286.60	62.90%			
HNX	18.48	4.06%			
Upcom	56.47	12.39%			
Bond market	**148.96**	**32.69%**	≥ 47% GDP	≥ 58% GDP	31/08/2025
Government bonds	96.31	**21.14%**			
Corporate bonds	52.65	**11.55%**	≥ 20% GDP	≥ 25% GDP	
No. stock accounts	**10,753,899**		9,000,000	11,000,000	31/08/2025
Domestic	**10,704,845**				
Individual	10,686,178		Focus on developing institutional and professional investors		
Institution	18,667				
Foreign	**49,054**			200,000	
Individual	44,352		Focus on attracting foreign investors		15% annual growth rate
Institution	4,702				
Restructuring of investors and fund sector			2030	2035	
Trading Volume (Ratio)					Data on HSX
Individual	78.34%		70%	60%	Averaged over 2020 – 9M 2025
Institutional + Foreign Investors	21.66%		30%	40%	
No. of investors in fund certificates	**1,600,000**		2,500,000	5,000,000	31/12/2024
Securities investment fund					
Total Net Asset Value (NAV)	6.5% GDP (2024)		≥ 5% GDP		Double-digit growth by 2035
Number	85 (2024)		500		Achieve an annual growth rate of 25%

Source: BIDV Securities (BSC) compilation from Fiinpro X, VSD, Government Decisions, Ministry of Finance

Strategic decisions aimed at realizing the market upgrade goal

2024

18/09 – BỘ TÀI CHÍNH / MINISTRY OF FINANCE
Issuance of Circular 68 on Non-Pre-Funding Solutions

29/11 – QUỐC HỘI VIỆT NAM / NATIONAL ASSEMBLY OF VIET NAM
Approval of the amendments to the Securities Law

2025

11/03 – SSC Ủy ban Chứng khoán Nhà nước
Initial release of a clearly defined action roadmap with specific deadlines toward fulfilling upgrade requirements

26/04 – BỘ TÀI CHÍNH / MINISTRY OF FINANCE
Issuance of Circular 18 amending Circulars 119, 96, and 68

05/05 – VIETNAM EXCHANGE, VSDC (Trung tâm Lưu ký Chứng khoán Việt Nam / Vietnam Securities Depository), HOSE, HANOI STOCK EXCHANGE
Go-live KRX, VSDC implements STP operation

16/06 – State Bank of Vietnam
Circular 03/2025 regarding the opening of FII accounts takes effect

19/06 – VIETNAM EXCHANGE, FTSE RUSSELL (An LSEG Business), SGX
Promoting international cooperation to (1) standardize products, (2) improve liquidity, and (3) boost market integration. Some key initiatives:

1. Submit to the SSC the sandbox mechanism proposal for implementing the trading link **model between Futures Contracts (HNX) and FTSE Vietnam 30 Futures Contracts (SGX)**
2. **Cooperation with FTSE Russell on index development:** product expansion and support for market upgrade

17/07 – SSC Ủy ban Chứng khoán Nhà nước
Announcement of the roadmap for CCP implementation in 2027

31/08 – State Bank of Vietnam
Circular 25/2025 amending Circular 17/2024 stipulating the opening and use of payment accounts

12-14/09 – **Government**, BỘ TÀI CHÍNH / MINISTRY OF FINANCE
Issuance of two important legal instruments for the development of the stock market:
(1) Decree 245/2025/ND-CP dated 11/09/2025, detailing the implementation of a number of articles of the Securities Law
(2) Decision 2014/QD-TTg dated 12,/09/2025, approving the Scheme for Upgrading Vietnam's Stock Market

15/09 – VIETNAM EXCHANGE, FTSE RUSSELL (An LSEG Business)
Sign MOU to cooperate on index development

07/10 – FTSE RUSSELL (An LSEG Business)
Announcement of the market classification review

2025
2025 target is to meet FTSE's Secondary Emerging status criteria

2030

Key Tasks

1. Stabilization and development of FX market
2. Resolving the foreign ownership ratio problem
3. CCP implementation in 2027
4. Launching new products
   - a. Green Securities/Bonds
   - b. New Derivative Products
   - c. Allowing securities lending and borrowing (SLB), controlled short selling, margin trading for securities pending settlement (T+0), and intraday trading. **(2026-2028)**
5. Upgrading the capacity of the trading and settlement systems

MSCI, FTSE RUSSELL (An LSEG Business)
Targeting FTSE Advanced Emerging and MSCI Emerging market classification

BSC Research comments:

- **Decree 245/2025/ND-CP:** The amendments focus on **removing barriers to facilitate foreign investors' participation in the Vietnamese stock market**, as well as creating the legal framework for the Ministry of Finance, the SBV, and the SSC to implement more long-term solutions aimed at sustainable development, in line with international practices and standards.

-**The Scheme for Upgrading Vietnam's Stock Market:** The targets set for MSCI and FTSE Advanced Emerging Market status **demonstrate the long-term vision and commitment of regulatory authorities in developing Vietnam's capital market.** Furthermore, the Ministry of Finance's issuance of the scheme for restructuring investors in Vietnam's stock market (in synchronization with the Scheme issued by the Government) aligns with the historical roadmap of nations after being upgraded—a clear example being the case of Saudi Arabia following its promotion

Source: BIDV Securities (BSC) compilation

Update on market classification review – April 2025

FTSE RUSSELL
An LSEG Business

Vietnam **remains on the Watch List** for a possible upgrade to Secondary Emerging Market status in the March 2025 country classification review by FTSE Russell. **The status of Vietnam's market will be updated in the September 2025 review cycle.**

Unmet Criteria

- Settlement cycles ***(DvP)***
- ***Settlement*** - costs associated with failed trades

Future Considerations

- Improving **the account registration and opening process**
- **Foreign ownership** issues

Recognition of Market Changes

- ***Acknowledgment of changes in the Non-pre-funding (NPF) model.*** FTSE will continue monitoring and collecting feedback from market participants regarding this model, including potential risks of failed trades.
- The ongoing commitment of Vietnam's market regulators is reflected in various regulatory reforms, ***including the upgrade of the trading system.***

Recognition of Government Support

Values **the constructive relationship** with the SSC, other regulatory bodies, and the World Bank Group, who are actively supporting broader market reform efforts.

FTSE Russell's Assessment of the Vietnamese Stock Market

Source: Compiled by BIDV Securities (BSC) from FTSE.

Remarks: Key highlights in the March 2025 market classification review compared to September 2024

- Positive points: FTSE no longer mentioned the three concerns that were raised in the previous report, including:

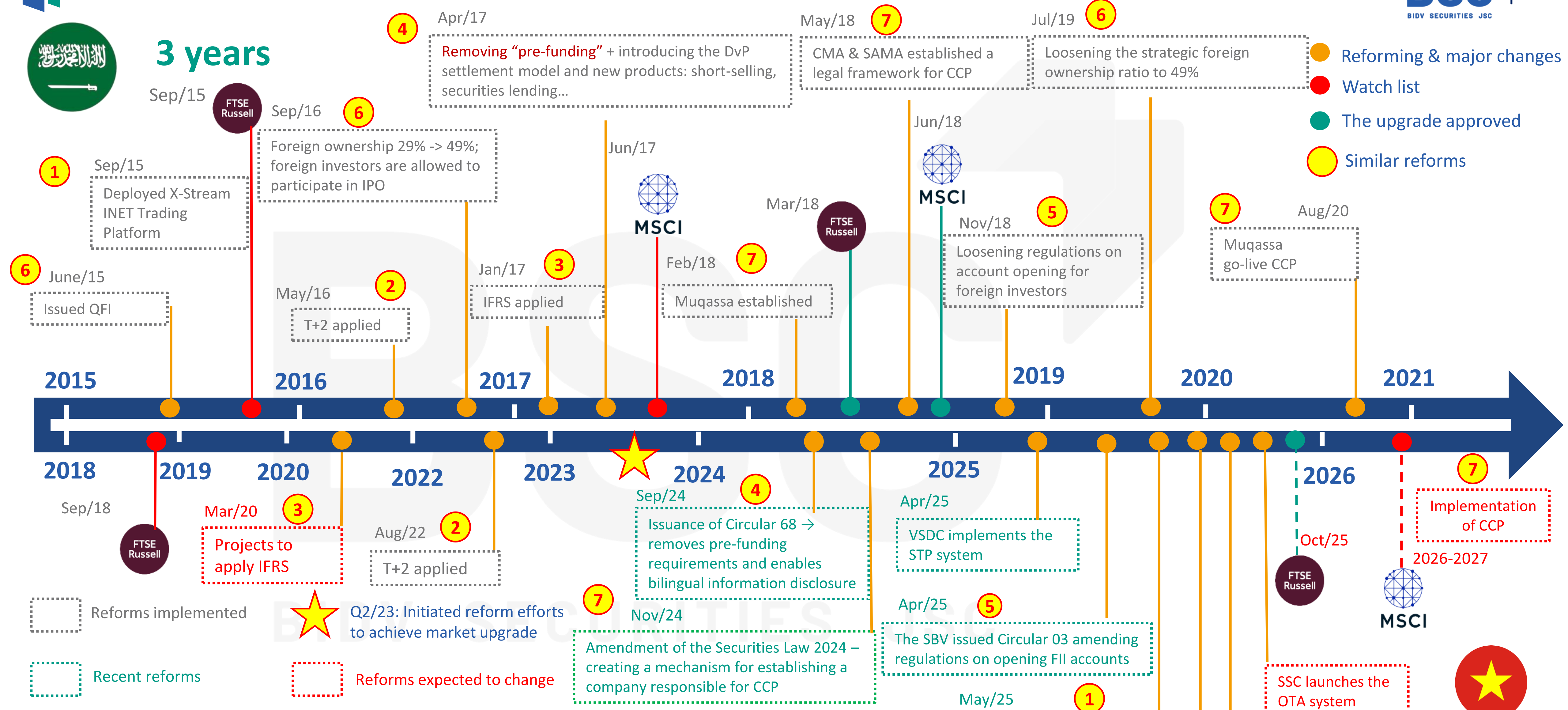
(1) Operational rules from VSDC – following the issuance of guiding regulations by VSDC to implement the Non-Pre-Funding (NPF) solution; (2) Information accessibility for foreign investors – after listed companies began publishing bilingual reports in accordance with the roadmap outlined in Circular 68; (3) A clear roadmap for implementing new regulations – after the SSC released a roadmap of 09 solution groups on 11/03/2025, aimed at achieving the upgrade of Vietnam's stock market.

FTSE Market Quality Assessment Criteria (Watch List – March 2025)

CRITERIA	SEC EMG WATCH	VIETNAM**
Per Capita Income (World Bank Data)		Lower-Medium
Credit Ratings		Speculation
Trading Environment & Legal Framework		
Stock market regulators regularly monitor market activities (e.g., SEC, FSA, SFC).	X	**Qualified**
Fair and Unbiased Treatment of Minority Shareholders		Partially Qualified
No or Selective Restrictions on Foreign Ownership		Partially Qualified
No Prohibition, Restriction, or Penalty on Capital Investment, Repatriation, and Income Transfers	X	**Qualified**
Simplified or No Registration Process for Foreign Investors		Partially Qualified
Foreign Exchange Market		
Developed Foreign Exchange Market		Partially Qualified
Stock Market		
Brokerage Fees – Sufficiently Competitive to Ensure High-Quality Services	X	**Qualified**
Transaction Costs – Competitive and Reasonable	X	**Qualified**
Taxes – Fair and Equivalent Regulations for Domestic and Foreign Investors		Qualified
Stock Borrowing Permission		Partially Qualified
Short Selling Permission		Not Qualified
Developed Derivatives Market		Partially Qualified
Off-Exchange Trading Permission		Not Qualified
Efficient Trading Mechanism		Partially Qualified
Transparency – Market Depth Information, Visibility, and Timely Trade Reporting	X	**Qualified**
Clearing, Settlement, and Custody		
Settlement – Costs Associated with Failed Transactions	X	**Partially Qualified**
Settlement Cycle (DVP)	X	**T+2**
Securities Depository Center	X	**Qualified**
Central Counterparty (CCP)		Not Qualified
Settlement – Free Securities Allocation		Not Qualified
Sufficient Competition to Ensure High-Quality Custody Services	X	**Qualified**
Account Structure Operates at Custodian Bank Level (Securities & Cash)		Not Qualified

Source: BIDV Securities Company (BSC), compiled from FTSE

Vietnam's reform roadmap from 2018 to 2025: Close to achieving the FTSE Russell upgrade objective



Vietnam's stock market could potentially be approved for an upgrade by FTSE Russell on October 7, 2025. This process is expected to require at least two transition phases, with the minimum duration ranging from 6 to 12 months **(80% probability)**

In a more cautious scenario, where foreign investors need more time to thoroughly evaluate Vietnam's reforms, FTSE may grant the upgrade approval in March 2026 **(20% probability).**

Review of Asian countries promoted to Secondary Emerging stock market status

Criteria	Qatar	Kuwait	Saudi Arabia	China A	UAE
Included in **"Watch list"** Secondary FTSE	09/2013	09/2008	09/2015	< 09/2006	09/2008
FTSE approves the upgrade approval (T0)	09/2015	09/2017	03/2018	09/2018	09/2010
Timeframe to complete the transition process (T1)	09/2016-03/2017	09/2018-12/2018	03/2019-06/2020	06/2019-06/2020	09/2010
Details of the transition process	**2 phases** 50% in 09/2016 50% in 03/2017	**2 phases** 50% in 09/2018 50% in 12/2018	**6 phases** Lasting from 03/2019-06/2020	**4 phases** 25% in each tranche from 06/2019 – 06/2020	
Market Classification	Frontier -> Secondary	Unclassifield -> Secondary Emerging Market			
Duration from **"Watch List"** status to "**FTSE approval of upgrade**"	2 years	9 years	2.5 years	12 years	2 years
The **period between FTSE approval and effective date**	1 year	1 year	1 year	1 year	
Overall **transition duration**	0.5 year	0.25 year	1.25 years	1 year	
Benchmark Index	Qatar Exchange	Boursa Kuwait All Share	Tadawul All Share	Shanghai Stock Exchange Composite	FTSE Abu Dhabi Exchange General

Source: FTSE, compiled by BIDV Securities (BSC)

P/E performance of countries upon FTSE market upgrade

P/E Performance Across the Markets of UAE, Qatar, China, and Saudi Arabia

-3M	-2M	-1M	T0	1M	2M	3M	4M	5M	6M	Comments
11.60	11.78	12.70	13.10	13.99	15.00	15.34	15.21	14.29	14.38	Surging speculative capital flow peaked after 4M
13.14	12.97	12.15	12.10	12.52	11.69	10.88	9.94	11.27	12.79	The prevailing trend is bearish, with a peak occurring after 1M
14.78	14.12	13.65	12.90	12.53	12.37	12.08	12.00	12.86	14.32	The primary downward trend caused by Trade War 1.0 bottomed out after 4M
16.60	17.22	17.33	15.70	16.89	16.81	17.50	17.42	15.37	14.97	Speculative activity peaked at T0 and then rebounded afterward

-3M	-2M	-1M	T0	1M	2M	3M	4M	5M	6M	Comments
-11.5%	-10.1%	-3.1%	0.0%	6.8%	14.5%	17.1%	16.1%	9.1%	9.8%	The market remains in a primary uptrend, with the maximum P/E up 17.1% after 3M compared to T0
8.6%	7.2%	0.4%	0.0%	3.5%	-3.4%	-10.0%	-17.8%	-6.8%	5.7%	Max P/E increased by 8.6% compared to T0, but the market is currently in a downtrend
14.6%	9.5%	5.9%	0.0%	-2.9%	-4.1%	-6.3%	-7.0%	-0.3%	11.0%	Max P/E rose by 14.6% compared to T0, but the market is currently in a downtrend
5.7%	9.7%	10.4%	0.0%	7.6%	7.0%	11.5%	10.9%	-2.1%	-4.7%	Max P/E rose by 10.4% compared to T0

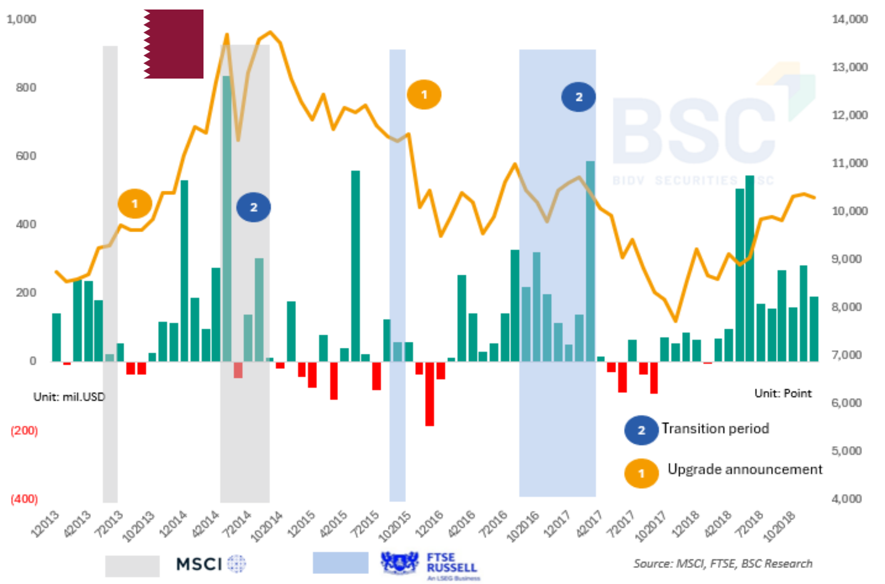
P/E calculated based on the monthly average — *Source: Bloomberg, BSC Research*

-5M	-4M	-3M	-2M	-1M	T1	1M	2M	3M	4M	5M	6M	Comments
14.27	12.64	11.60	11.78	12.70	13.10	13.99	15.00	15.34	15.21	14.29	14.38	T0 coincides with T1
15.65	15.42	16.04	16.90	16.36	15.46	15.38	15.59	14.23	14.60	15.81	14.82	P/E peaked 2M before T1, then began a gradual decline
14.13	13.57	13.23	11.95	14.31	14.71	16.52	17.10	17.83	17.76	17.22	17.50	The impact of Trade War 1.0 has been priced in, and the market maintained a continuous uptrend for 9 months starting from -2M
21.22	20.22	16.40	18.93	18.79	20.45	22.11	22.51	25.24	25.80	25.78	28.30	Strong upward trend has been maintained since the -3M mark

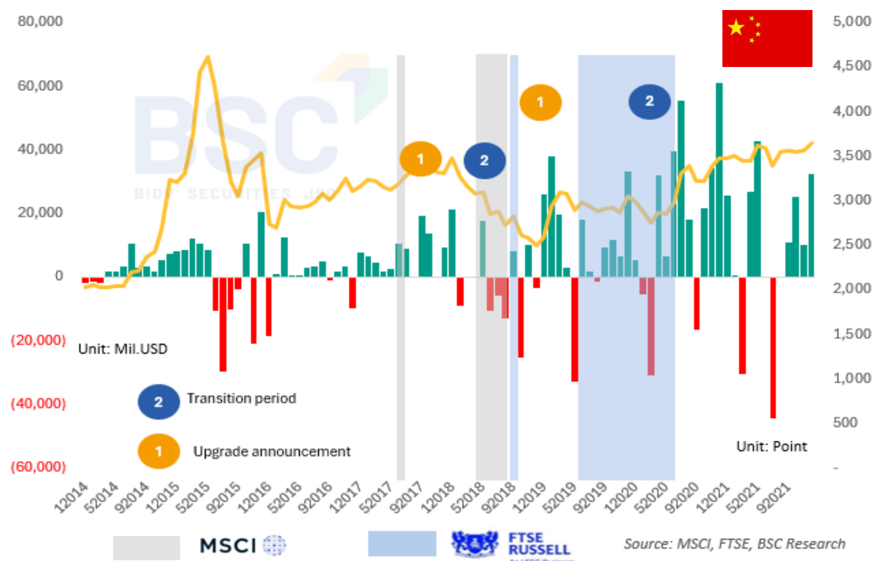
-5M	-4M	-3M	-2M	-1M	T1	1M	2M	3M	4M	5M	6M	Comments
8.9%	-3.5%	-11.5%	-10.1%	-3.1%	0.0%	6.8%	14.5%	17.1%	16.1%	9.1%	9.8%	T0 coincides with T1
1.2%	-0.2%	3.8%	9.3%	5.9%	0.0%	-0.5%	0.8%	-7.9%	-5.6%	2.3%	-4.1%	Max P/E was +9.3% compared to T1, then bottomed out three months later with P/E -7.9% from T1.
-4.0%	-7.7%	-10.0%	-18.8%	-2.7%	0.0%	12.3%	16.3%	21.2%	20.8%	17.0%	19.0%	Max P/E +21% compared to T1, with a strong upward momentum after the trade war had been priced in
3.8%	-1.1%	-19.8%	-7.4%	-8.1%	0.0%	8.1%	10.1%	23.4%	26.2%	26.1%	38.4%	Max +38.4% six months after T1

P/E calculated based on the monthly average — *Source: Bloomberg, BSC Research*

Qatar: Trends in Index and Foreign Investor Flows

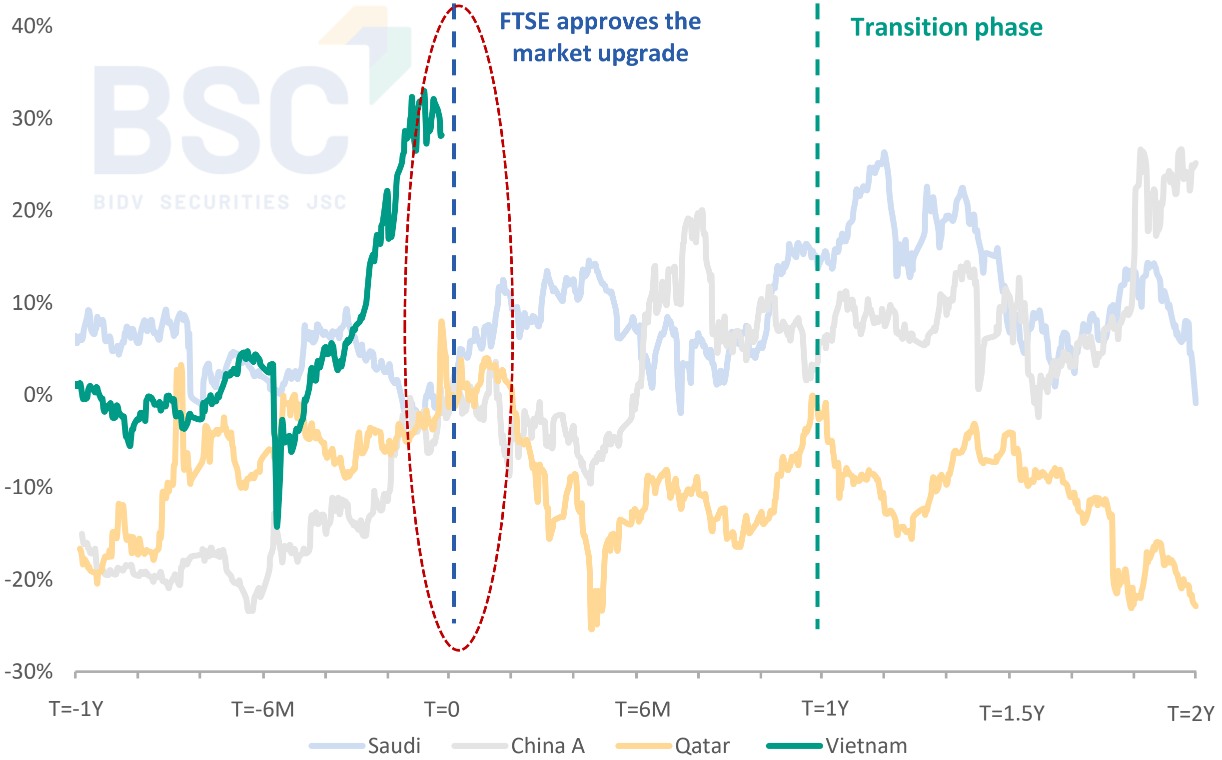


China: Trends in Index and Foreign Investor Flows



Progress of the upgrade process to Secondary Emerging market status

Stock Market Index Performance in Vietnam and Key Countries



Change (%) in average monthly trading volume

	T=-1Y	T= -6M	T=0 (upgrade approval)	T=6M	T=1Y	T=1.5Y	T=2Y
Saudi Arabia	5.38%	48.87%	0.00%	-33.28%	-27.61%	-31.83%	24.27%
China A	-44.11%	-32.84%	0.00%	267.37%	73.78%	179.34%	86.50%
UAE	37.28%	116.94%	0.00%	53.01%	45.74%	52.11%	27.29%
Qatar	-14.94%	0.83%	0.00%	39.03%	11.44%	71.19%	-2.39%
Vietnam	96.07%	37.89%	0.00%				

- *Note: Data is calculated using the stock market performance on day t compared to day T=0 (the date of FTSE's official market upgrade approval).*
- *The performance of the Vietnamese stock market is calculated from 01/03/2024, to 23/09/2025 .*

- The stock market typically records **positive developments, with significantly improved liquidity, ahead of official upgrade news**, particularly in the six months leading up to the FTSE market upgrade approval announcement. **A correction trend usually occurs in the 3 to 6 months following the upgrade approval announcement**.
- The stock market continues to see **strong growth with improved liquidity** during the **6 months before countries begin the transition process** from Frontier to Emerging status, and in the **6 months after the transition takes place** (which is usually 6 to 12 months after the FTSE approval announcement).
- Research into past classification events shows that markets typically attract capital inflows and rally strongly due to anticipation and portfolio restructuring activities by foreign funds. **Immediately after being included in the new index basket (in the case of an upgrade),** pressure from profit-taking and a lack of buying demand often cause the market to correct downward. **In the case of a downgrade**, the withdrawal of index funds before the effective date causes the market to decline. However, once the country is out of the larger index (Developed/Emerging), selling pressure subsides. This, combined with attractive low valuations, helps the market recover as speculative/value-seeking capital returns → **This effect often results in the total net return from a market classification event not being overly large, but short-term volatility is very sharp**, especially in smaller markets where ETF capital flows account for a high proportion of domestic liquidity

Notable actions by Fubon and Xtrackers ETFs ahead of the FTSE Russell Review

Capital flow movements and performance of 07 largest ETFs in Vietnam's stock market

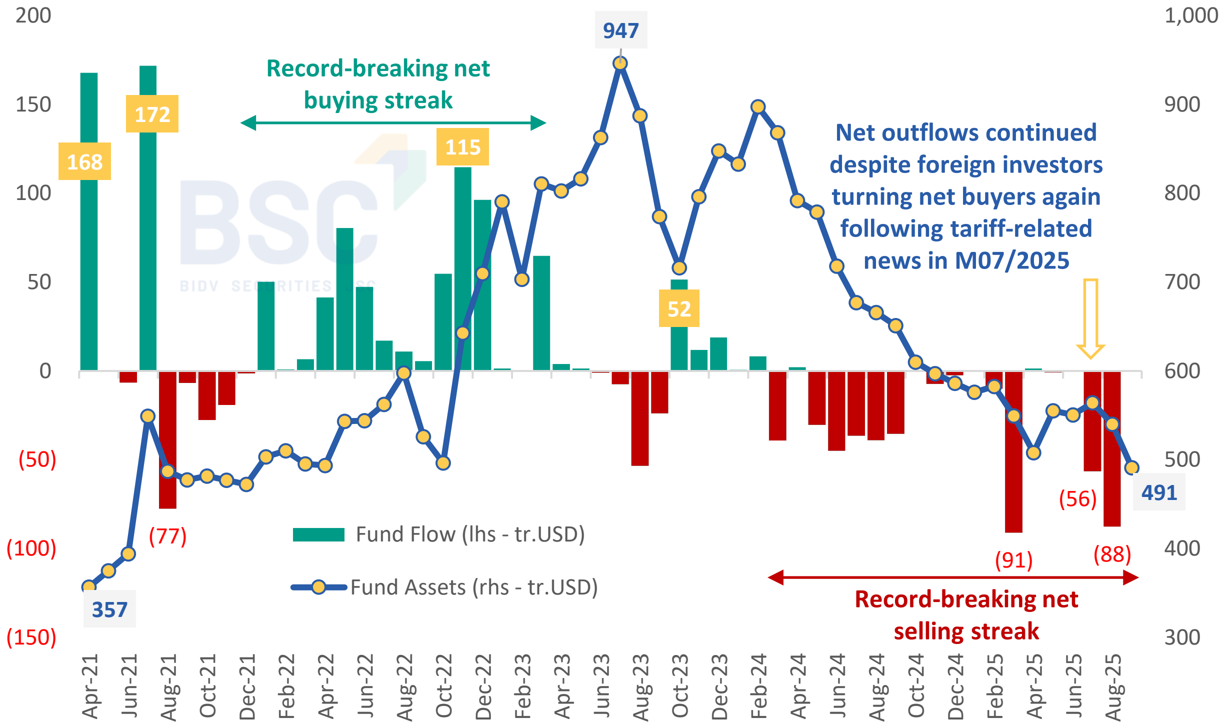
No	Fund	Country	AUM (Tr. USD)	RETURN (%) YTD	1Y	3Y	5Y	FLOW (Tr. USD) YTD	1Y	3Y	5Y
A	**Domestic ETF**		**819**					(154.5)	(157.9)	(503.7)	(161.3)
1	DCVFMVN Diamond	Vietnam	502	14.56%	12.68%	14.59%	23.28%	(40.9)	(33.3)	(372.8)	26.8
2	DCVFMVN30	Vietnam	224	40.55%	38.60%	18.29%	17.79%	(111.7)	(127.3)	(180.7)	(251.4)
3	KIM Growth VN30	Vietnam	93	41.58%	39.56%	19.47%	--	(2.0)	2.7	49.8	63.3
B	**Foreign ngoại**		**1,649**					(344.83)	(458.24)	(34.94)	284.75
1	VanEck Vietnam	US	559	57.14%	40.50%	12.99%	5.32%	(57.57)	(98.86)	78.59	64.21
2	Fubon FTSE Vietnam	Taiwan	478	39.43%	31.10%	6.64%	--	(302.04)	(319.48)	(191.19)	270.86
3	Xtrackers FTSE Vietnam Swap UCITS	EU	349	37.86%	33.38%	2.45%	5.81%	(31.22)	(49.06)	2.19	(2.59)
4	KIM KINDEX Vietnam VN30 ETF Synth	Korea	263	26.81%	36.41%	11.90%	16.91%	46.00	9.16	75.47	(47.73)
	Total		**2,468**					(499.35)	(616.16)	(538.62)	123.42

Data updated as of of 02/10/2025

Source: Bloomberg, BSC Research

The dominant trend of net outflows was observed across both domestic and foreign ETFs. In 2025, part of the foreign selling pressure stemmed from ETF outflows, with foreign ETFs led by Fubon ETF (-USD 302 million) and domestic ETFs led by E1 ETF (-USD 111.7 million).

Capital flow trends and asset size of the Fubon ETF from 2021 – M09/2025

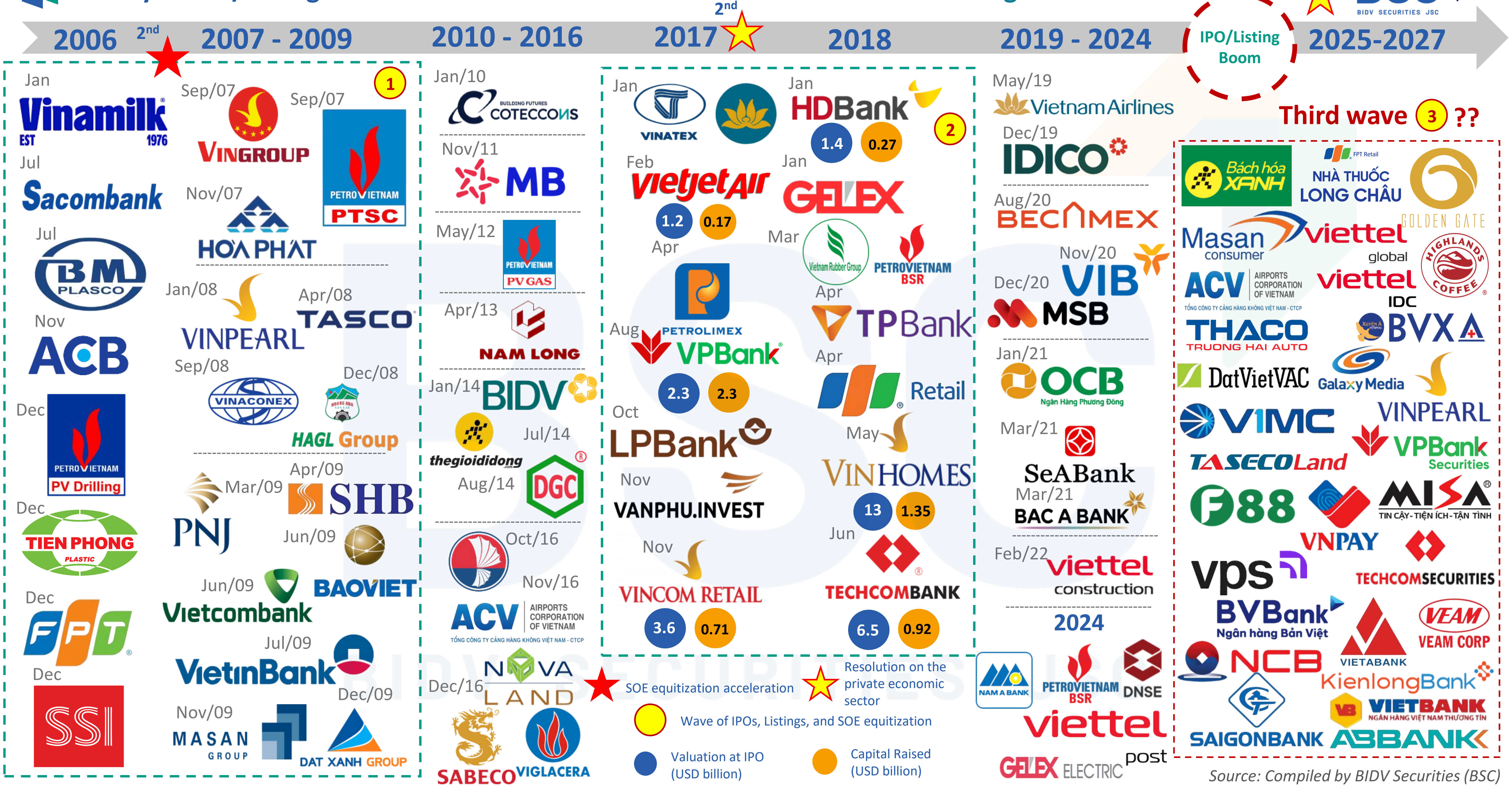


Source: Bloomberg, compiled by BIDV Securities (BSC)

- ***ETF Fubon***: **The fund tracks the FTSE Vietnam 30 Index – which is part of the "FTSE Frontier Index universe".** Therefore, in the event that Vietnam is upgraded to Secondary Emerging market status, **the Fubon ETF would likely need to liquidate its current stock positions to close the fund, or transition to a new index composed of stocks that meet the new FTSE standards (if the fund continues to use a FTSE reference index), or an index from another provider (referencing the recent case of Xtrackers ETF in July 2025).** The consistent net withdrawal from the Fubon ETF – occurring despite strong net foreign buying in July 2025 following the customs tariff announcement – may be a pre-emptive preparation for the high-probability scenario of Vietnam being upgraded by FTSE from Frontier to Secondary Emerging. Although the size of the Fubon ETF has significantly decreased since July 2023, its current size remains substantial (around 500 million USD). Therefore, if this hypothesis holds true, the selling pressure from Fubon ETF's net withdrawal will persist, creating selling pressure on the 30 stocks currently in the Fubon ETF's portfolio.

- ***ETF Xtrackers***: As mentioned in the previous report **(Link),** Xtrackers ETF has started transitioning its benchmark from the FTSE Vietnam Index to the STOXX Vietnam Market Liquid Index, with the process taking place between July 17, 2025, and October 16, 2025. **The fund tracks the FTSE Vietnam Index, which belongs to the "FTSE Vietnam All-Share Index universe", and therefore is not subject to index replacement pressure like Fubon ETF in the event of Vietnam's upgrade by FTSE.** However, Xtrackers ETF officially announced its index change on June 16, 2025. **This move is likely aimed at mitigating potential tracking errors and portfolio disruptions that ETFs often face when a country is upgraded or downgraded by FTSE or MSCI.**

History of IPO/Listing waves from 2000–2024: Is Vietnam's stock market entering its Third Wave?



Source: Compiled by BIDV Securities (BSC)

Potential and notable upcoming deals in Vietnam's stock market

Consumer

12.8 billion USD

GOLDEN GATE

653 million USD

HIGHLANDS COFFEE

800 million USD

THACO TRUONG HAI AUTO

5 billion USD

Bách hóa XANH

1.7 billion USD

Finance

5 billion USD

2.5 – 4 billion USD

TECHCOMSECURITIES

vps

F88

1 billion USD

VPBank Securities

Healthcare

1.9 billion USD

FPT Retail

NHÀ THUỐC LONG CHÂU

1.45 billion USD

BVXA

- Business valuation

Technology and IT Services

4.7 billion USD

viettel IDC

MISA TIN CẬY-TIỆN ÍCH-TẬN TÌNH

100 million USD

VNPAY Cho cuộc sống đơn giản hơn

2 billion USD

Upcom -> Hose

Masan consumer

VIETABANK

SAIGONBANK

VEAM CORP

BVBank Ngân hàng Bản Việt

ACV AIRPORTS CORPORATION OF VIETNAM TỔNG CÔNG TY CẢNG HÀNG KHÔNG VIỆT NAM - CTCP

viettel global

VIMC

VIETBANK NGÂN HÀNG VIỆT NAM THƯƠNG TÍN

TASECOLand

KienlongBank

ABBANK

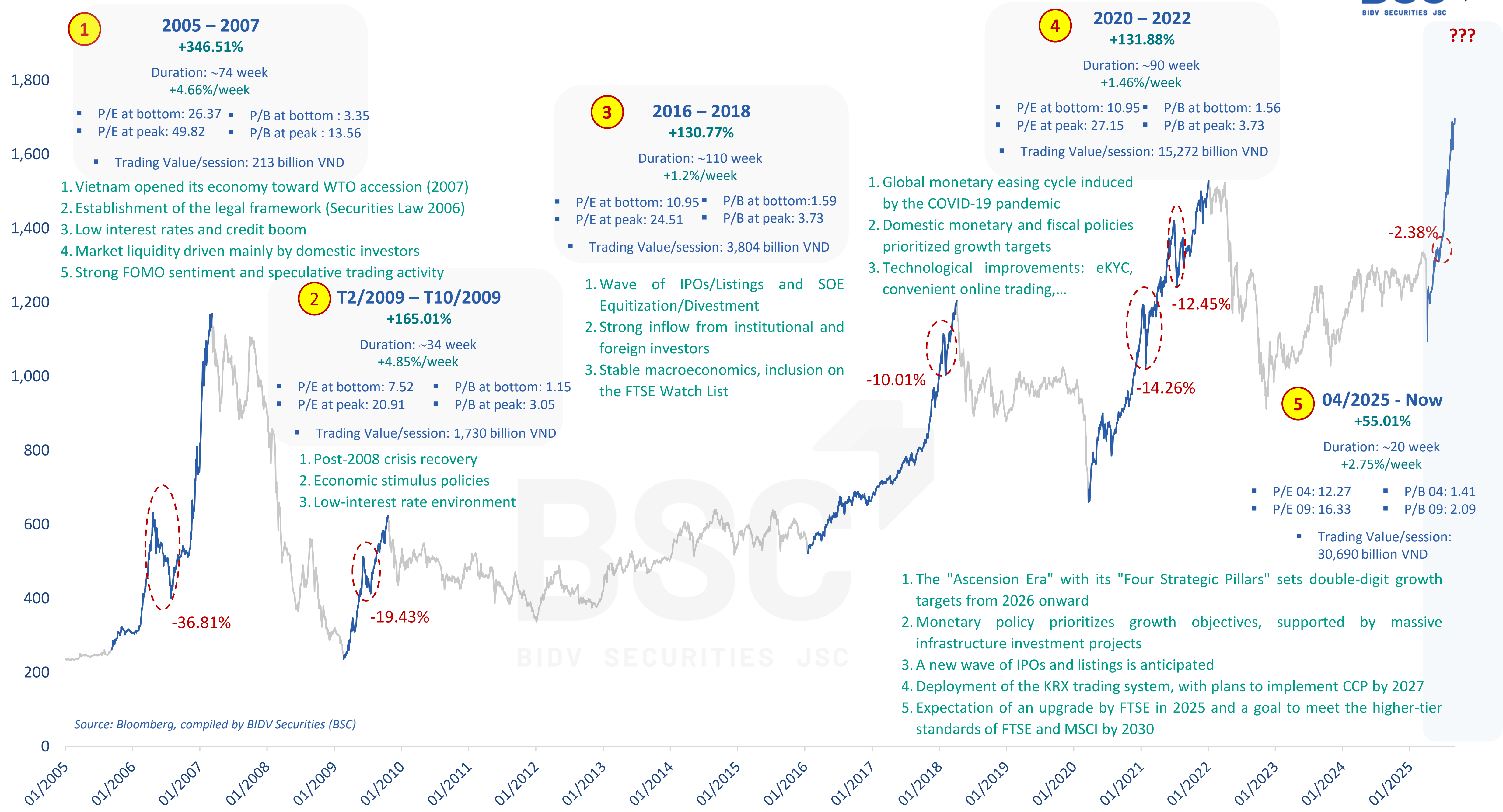
NCB

Media

DatVietVAC

Galaxy Media

Is the Vietnam stock market entering its fifth uptrend cycle, marked by the confluence of several historical drivers?



Source: Bloomberg, compiled by BIDV Securities (BSC)

Upgrading capital flow

Investment flows of funds allocated to Emerging markets in ASEAN

- Secondary Emerging Classified by FTSE
- Exchange-Traded Fund
- Open-ended Fund

	FTSE RUSSELL An LSEG Business – Exchange-Traded Fund	FTSE RUSSELL An LSEG Business – Open-ended Fund	MSCI – Exchange-Traded Fund	MSCI – Open-ended Fund	S&P Dow Jones Indices A Division of S&P Global – Exchange-Traded Fund	S&P Dow Jones Indices A Division of S&P Global – Open-ended Fund
$ 10.60b	1.8% / $ 2.12b	1.38% / $ 2.48b	2.62% / $ 3.26b	1.45% / $ 2.36b	3.96% / $ 0.34b	1.3% / $ 0.04b
$ 10.65b	1.42% / $ 2.09b	1.33% / $ 2.41b	1.67% / $ 3.6b	1.44% / $ 2.18b	3.91% / $ 0.36b	0.58% / $ 0.01b
$ 9.38b	1.48% / $ 1.76b	1.26% / $ 2.05b	1.29% / $ 2.68b	1.96% / $ 2.6b	1.88% / $ 0.21b	2.3% / $ 0.08b
$ 3.24b	0.75% / $ 0.57b	0.42% / $ 0.66b	0.44% / $ 1.06b	0.66% / $ 0.82b	0.72% / $ 0.1b	0.57% / $ 0.03b

__Note:__ The above-mentioned weight is the average proportion that each country is held by investment funds (ETFs, open-end funds). The value includes the total holdings in funds by country, compiled by BSC Research from Bloomberg data. Additionally, global investment funds may use private indices or their own criteria for capital allocation, meaning actual investment in Emerging Markets could be significantly higher.

Source: BIDV Securities Company (BSC) compiled from Bloomberg. Data as of 26/02/2025

ETFs tracking the FTSE Emerging index and some key considerations

FTSE Emerging Markets All Cap Index

(Large Cap + Mid Cap + Small Cap)

FTSE Emerging Index

(Large Cap + Mid Cap)

FTSE Emerging Small Cap Index

(Small Cap)

**In addition, the FTSE Emerging Total Cap Index also includes the Micro Cap segment; however, most major ETFs currently track the FTSE Emerging Markets All Cap Index and the FTSE Emerging Index*

General criteria for Emerging Market classification

	Criterion	Quantitative threshold
Initial Screening	Investable market capitalization	minimum **$150 million** USD (for new stocks)
	Free Float Ratio	Greater than **5%**
	Foreign Ownership Limit	New: Minimum **20%**; Existing: Minimum **10%**
	Liquidity	New: **0.05%** (10/12 months); Existing: **0.04%** (8/12 months)
	Trading	Less than 60 non-trading days/year
Market Cap Segmentation	Large Cap	New: **Top 68%;** Existing: **Top 72%**
	Mid Cap	New: **68% - 86%**; Existing: **68% - 92%**
	Small Cap	New: **86% - 98%;** Existing: **Top 101%**

- *The remaining portion (~the last 2%) is classified as the Micro Cap segment and is typically excluded from the FTSE Emerging All-Cap Index (though it may be included in the FTSE Global Total Cap Index if micro caps are considered).*
- *To minimize constituent turnover, FTSE applies buffer zones at the market-cap segmentation thresholds.*

List of ETFs Benchmarking the FTSE Emerging Market Index series

Fund name	AUM (Mil.USD)	Benchmark Index
Vanguard FTSE Emerging Markets ETF	**102,790**	FTSE Emerging Index
Schwab Emerging Markets Equity ETF	**11,368**	FTSE Emerging Index
Vanguard FTSE Emerging Markets UCITS ETF	**4,345**	FTSE Emerging Index
Vanguard FTSE Emerging Markets All Cap Index ETF	**2,198**	FTSE Emerging Markets All Cap Index
Vanguard FTSE Emerging Markets ETF/Australia	**970**	FTSE Emerging Index
JPMorgan Diversified Return Emerging Markets Equity ETF	**352**	FTSE Emerging Diversified Factor Index
Invesco FTSE Emerging Markets High Dividend Low Volatility UCITS ETF	**191**	FTSE Emerging High Dividend Low Volatility Index
Smart Emerging Markets ETF	**125**	FTSE Emerging Markets All Cap China A Inclusion Index.
Invesco FTSE RAFI Emerging Markets UCITS ETF	**73**	FTSE RAFI Emerging Markets Index
L&G Emerging Markets Quality Dividends Equal Weight UCITS ETF	**32**	FTSE All Emerging ex IT ex CW ex TC ex REITS Dividends Growth with Quality Net Tax Index
Franklin FTSE Emerging Markets UCITS ETF	**12**	FTSE Emerging Net Tax Index-NR
Cathay FTSE Emerging Markets ETF	**5**	FTSE Emerging Markets China A Inclusion Index dir

Key ETF to note and use for calculation

Source: Bloomberg, BSC

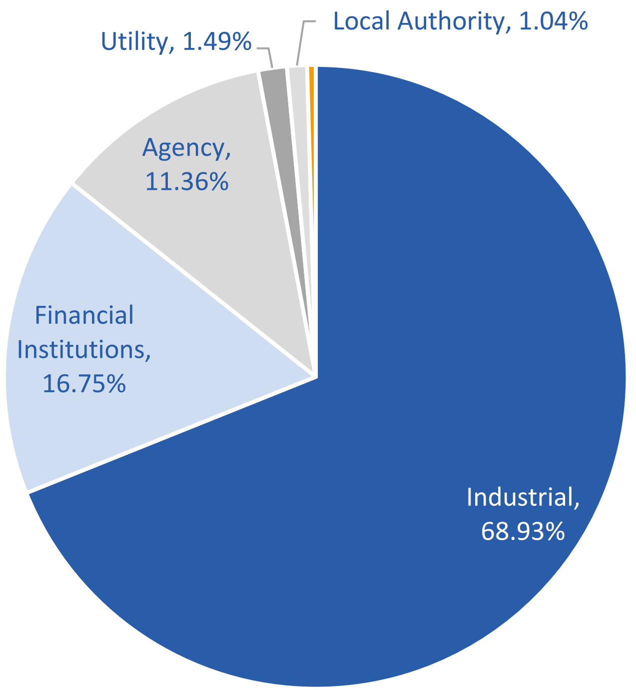
Portfolio Holdings of ETFs Benchmarking the FTSE Emerging Market Index

Holdings breakdown by country

Classification	Country	Value of Holdings (Mil. USD)	Holding Weight (%)	Number of constituent stocks
Advanced Emerging Markets	**Taiwan**	**25,057.36**	**21.18%**	**786**
	Brazil	**4,578.89**	**3.87%**	**301**
	S.Africa	3,987.51	3.37%	157
	Mexico	2,419.49	2.05%	120
	Malaysia	2,016.50	1.70%	172
	Thailand	1,822.62	1.54%	240
	Turkey	1,038.62	0.88%	396
	Greece	767.75	0.65%	78
	Hungary	346.98	0.29%	18
	Czech Rep	177.44	0.15%	14
Secondary Emerging Markets	**China**	**40,818.93**	**34.50%**	**4,969**
	India	**22,204.16**	**18.77%**	**1,167**
	Saudi Arabia	4,191.49	3.54%	240
	United Arab Emirates	1,924.25	1.63%	118
	Indonesia	1,391.58	1.18%	159
	Kuwait	1,011.02	0.85%	45
	Qatar	866.01	0.73%	59
	Chile	657.35	0.56%	77
	Philippines	542.43	0.46%	81
	Romania	214.01	0.18%	21
	Colombia	141.15	0.12%	20
	Iceland	95.58	0.08%	30
	Egypt	92.26	0.08%	10
	Other	**1,947.98**	**1.65%**	**130**

**Holdings Structure of ETFs Tracking the FTSE Emerging Markets All Cap and FTSE Emerging Indices. Data as of September 30, 2025.*

Holdings breakdown by sector



Source: Bloomberg, compiled by BIDV Securities (BSC)

- **On capital flows during market reclassification**: Market reclassification not only impacts the country being upgraded or downgraded **but also triggers capital flow shifts that create buying pressure on remaining constituents in the old index and selling pressure on those in the new one.** For example, when a country is upgraded from the Frontier to the Emerging Market category, stocks in the former Frontier Index are likely to experience inflows as investors rebalance to fill the weight gap left by the upgraded country, while stocks in the Emerging Index may face selling pressure.
- **Optimal alpha-generating trading strategy around market reclassification events: Refer to the special report "Vietnam – The Road to Emerging Market Status (Part 2)" [Link].**

List of potential stocks in the event of Vietnam's market upgrade

Stock	Market cap	Sector	Investable Market Cap (Mil. USD)	Free float (%)	Head room (%)	Low-Case Scenario Flow (Mil. USD)	Base-Case Scenario Flow (Mil. USD))	High-Case Scenario Flow (Mil. USD)
VCB	Large Cap	Financials	1,444.25	11.00%	7.92%	51.02	70.15	89.28
VIC	Large Cap	Real Estate	4,198.74	30.00%	40.57%	148.31	203.93	259.55
VHM	Mid Cap	Real Estate	3,015.53	25.00%	39.39%	106.52	146.46	186.41
HPG	Mid Cap	Materials	1,779.16	55.00%	26.67%	62.85	86.41	109.98
VNM	Mid Cap	Consumer Staples	1,856.46	40.00%	51.61%	65.58	90.17	114.76
MSN	Mid Cap	Consumer Staples	2,326.21	55.00%	74.79%	82.17	112.98	143.80
STB	Small Cap	Financials	343.15	100.00%	10.18%	12.12	16.67	21.21
HVN	Small Cap	Industrials	258.35	8.04%	20.99%	9.13	12.55	15.97
SAB	Small Cap	Consumer Staples	253.88	11.00%	41.05%	8.97	12.33	15.69
VRE	Small Cap	Real Estate	667.18	40.00%	31.11%	23.57	32.40	41.24
BSR	Small Cap	Energy	211.90	10.00%	48.75%	7.49	10.29	13.10
SHB	Small Cap	Financials	545.14	85.00%	27.15%	19.26	26.48	33.70
VJC	Small Cap	Industrials	361.20	55.00%	18.10%	12.76	17.54	22.33
SSI	Small Cap	Financials	1,202.99	70.00%	64.51%	42.49	58.43	74.36
EIB	Small Cap	Financials	406.11	85.00%	24.92%	14.35	19.72	25.10
BVH	Small Cap	Financials	166.01	11.00%	21.75%	5.86	8.06	10.26
DGC	Small Cap	Materials	506.34	60.00%	34.24%	17.89	24.59	31.30
GEX	Small Cap	Industrials	529.16	75.00%	40.95%	18.69	25.70	32.71
POW	Small Cap	Utilities	291.41	25.00%	45.67%	10.29	14.15	18.01
KDH	Small Cap	Real Estate	168.45	60.00%	14.80%	5.95	8.18	10.41
NVL	Small Cap	Real Estate	458.47	65.00%	40.53%	16.19	22.27	28.34
VND	Small Cap	Financials	751.88	75.00%	85.25%	26.56	36.52	46.48

- *Capitalization classifications are based on the criteria of the FTSE Emerging Markets All Cap Index. The data used for screening and calculation are based on figures as of June 30, 2025.*
- *The purchasing process by ETFs tracking the new index series will be executed according to the phased transition roadmap published by FTSE. The resulting buy/sell pressure on affected ETFs will be concentrated near the effective date of the transition and mandated portfolio rebalancing.*

Source: Bloomberg, BSC

Forecast on the market upgrade roadmap

03/2025
FTSE did not mention 03 key considerations from the previous report:
1. VSDC's operating rules,
2. Information accessibility for foreign investors
3. A clear implementation roadmap for new regulations.

06/2025
MSCI will take more time to evaluate the effectiveness of the solutions and roadmap

10/2025
FTSE announces its decision to upgrade Vietnam.

Last trading day of 12/2025
Data cut-off date for stock selection.

03/2026
Stock selection for Vietnam's inclusion.

Low Scenario
$0.76 tỷ

High Scenario
$1.34 billion

Base Scenario
$1.05 billion

Large Cap
Vingroup
Vietcombank

Mid Cap
Vinhomes
Hòa Phát
Vinamilk
Masan Group

Small Cap
Sabeco
SSI
DGC
PetroVietnam BSR
Vietnam Airlines
Eximbank
Vincom Retail
PetroVietnam Power
Gelex
Khang Điền
SHB
Nova Land
VNDirect
Sacombank
Vietjet Air
Baoviet Holdings

Classification Based on the FTSE Emerging Markets All Cap Index ETFs

Disclaimer

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Appendix

BSC Research Assessment Reports Related to the Topic of Stock Market Upgrade

1. *Vietnam Stock Market Upgrade Report – March 2024*: **Link**
2. *Report on the Practical Application of Day-Trading in Select Asian Countries – June 2024:* **Link**
3. *Sector Report 2025 – The Ascension Era – December 2024:* **Link**
4. *Special Report on "Upgrading Vietnam's Stock Market Technology Infrastructure" – March 2025:* **Link**
5. *Report: "Vietnam – The Road to Emerging Market" (Part 1) – March 2025:* **Link**; *(Part 2) – June 2025:* **Link**

B.Global Research Surrounding Market Upgrade Events

1. Price and Volume Effects of Changes in MSCI Indices – Nature and Causes (2005) by the authors: Rajesh Chakrabarti, Wei Huang, Narayanan Jayaraman, Jinsoo Lee

2. From Frontier to Emerging: Does Market Reclassification Matter? (2012) by the authors: Dr. Nasser Saidi, Aathira Prasad and Vineeth Naik

3. Investing in the Presence of Massive Flows: The Case of MSCI Country Reclassifications (2017) by the authors: Terence C. Burnham, Harry Gakidis, Jeffrey Wurgler

The macroeconomic context during the growth cycles of the Vietnamese stock market

	2005-2007	2009	2016-2018	2020-2022	2025
GDP	- 2005: +7.55% - 2006: +6.98% - 2007: +7.13% Average: +7.22%	- 2009: +5.40%	- 2016: +6.69% - 2017: +6.94% - 2018: +7.47% Average: +7.03%	- 2020: +2.87% - 2021: +2.55% - 2022: +8.54% Average: +4.65%	- 2Q2025: +7.52%
CPI	- 2005: +8.27% - 2006: +7.45% - 2007: +8.31% Average: +8.01%	- 2009: +6.99%	- 2016: +2.67% - 2017: +3.53% - 2018: +3.54% Average: +3.25%	- 2020: +3.24% - 2021: +1.84% - 2022: +3.15% Average: +2.75%	- 2Q2025: +3.27%
Credit growth (%YTD)	- 2005: +19.2% - 2006: +21.4% - 2007: +51.39% Average: +30.66%	- 2009: +37.73%	- 2016: +18.25% - 2017: +18.28% - 2018: +10.74% Average: +15.76%	- 2020: +12.17% - 2021: +13.61% - 2022: +14.18% Average: +13.32%	- 2Q2025: +9.91%
13-month public investment disbursement situation	Before 2018: **low disbursement rate** due to cumbersome and non-transparent policies and procedures			**High percentage of plan completion** - 2020: 96.13% - 2021: 95.11% - 2022: 92.97%	**High percentage of plan completion** - 2Q2025: 32.5%
Monetary policy (Refinancing rate)	**Tightening** - 2005: 5.92% - 2006: 6.50% - 2007: 6.50% Average: 6.31%	- 2009: 7.46% (**loosing**)	**Loosing** - 2016: 6.50% - 2017: 6.38% - 2018: 6.25% Average: 6.38%	- 2020: 4.71% (**loosing**) - 2021: 4.00% (**loosing**) - 2022: 4.58% (**tightening**) Average: 4.43%	**Loosing** - 2Q2025: 4.50%
Fiscal policy	**Loosing** with the notable feature of a gradually increasing budget deficit	**Loosing** - A fiscal stimulus package worth 145.6 trillion VND to respond to the financial crisis was introduced in 2008. - The budget deficit increased sharply to 6.9% of GDP in 2009	**Regulated tightening** - Increased budget revenue (taxes) - Reduced budget expenditure on some recurrent items such as healthcare, education, etc.	**Expansion to respond to Covid-19** - Reduction, deferral of tax collection (corporate income tax, VAT, etc.) - Stimulus package worth 350 trillion VND in 2022	**Regulated expansion** - Reduction of taxes, fees, etc. - Expansion of the tax base, focusing on new areas such as e-commerce and the digital economy. - Investment in infrastructure (North-South expressway, etc.)

Source: BIDV Securities Company (BSC)

Accelerating actions to realize market upgrading objectives

2024

07/03 – Seoul

Reaffirming the Vietnamese Government's Commitment Demonstrating strong political will to upgrade the stock market and attract greater foreign capital inflows into Vietnam.

11/04

Coordinated Efforts Toward Vietnam's Market Upgrading Process

01-03/08 – Australia; 06-08/08, Singapore

Vietnam Financial Investment Promotion Conference. **Engaging with MSCI to discuss the roadmap for market reclassification.**

18/09

Issuance of Circular 68 on Non-Pre-Funding Solutions

04/11

Strategic Working Session Held on the **Effective Date of Circular 68/2024**

29/11

QUỐC HỘI VIỆT NAM
NATIONAL ASSEMBLY OF VIET NAM

Approval of Amendments to the Securities Law

05/12

Bloomberg-Hosted Conference. Featuring discussions on key themes including Vietnam's stock market upgrade.

2025

27-28/02

Ongoing Engagement with FTSE on Market Upgrade Solutions

11/03

First Public Announcement of a Detailed Action Plan. Introducing a roadmap with clear milestones to meet reclassification criteria.

28/03

Investment and Foreign Fund Conference

07-10/04 – New York, Hong Kong

Investor Dialogue Conference. Promoting Vietnam's capital market development through direct engagement with international investors.

26/04

Issuance of Circular 18 - Amending Circulars 119, 96, and 68 to further refine the legal environment for market operations.

05/05

Go-Live of KRX Trading System & VSDC's Implementation of Straight-Through Processing (STP)

07/05

Collaborating with the WB on the Market Upgrade Journey

16/06

Circular 03/2025 on FII Account Opening Comes into Effect

19/06

Promoting International Cooperation to: (1) Standardize financial products, (2) Improve market liquidity, (3) Accelerate regional market integration

1. Submitting to SSC a Sandbox Mechanism. Proposing a pilot model to **connect derivatives trading between HNX and FTSE Vietnam 30 Index Futures on SGX.**

2. **Strategic Partnership with FTSE Russell.** Collaborating on index development to broaden product offerings and support Vietnam's market upgrading efforts.

Source: BSC Research

Official approval of the Stock Market Upgrade Scheme, amending Decree 155/2020/ND-CP

2025

2026 ->

14-15/07

Ủy ban Chứng khoán Nhà nước

SSC

HOSE

Goldman Sachs

BNY

Nasdaq

CFGI

A&O SHEARMAN

SRO PARTNERS

Seminar: **"From the Vietnamese Market to Wall Street" – Opportunities to Attract International Investment Capital**

17/07

Prime Minister

BỘ TÀI CHÍNH MINISTRY OF FINANCE

SSC Ủy ban Chứng khoán Nhà nước

FTSE RUSSELL An LSEG Business

Working Session on Stock Market Upgrade, Resource Mobilization, Capital Attraction, and Connecting Investors to Vietnam

SSC Ủy ban Chứng khoán Nhà nước

Announcement of the roadmap for CCP implementation by 2027

18/07

VIETNAM EXCHANGE SỞ GIAO DỊCH CHỨNG KHOÁN VIỆT NAM

FTSE RUSSELL An LSEG Business

Discussion on index series, strategic direction for Vietnam's stock market upgrade, and promoting cooperation in the capital market sector, including: **(1) Depositary Receipts (DRs); (2) developing an ESG rating and scoring system in line with international standards; and (3) cross-border trading, among others**

21/07

SSC Ủy ban Chứng khoán Nhà nước

VIETNAM EXCHANGE SỞ GIAO DỊCH CHỨNG KHOÁN VIỆT NAM

SGX

Hosting Seminar: **"Depositary Receipts – New Opportunities and Investment Tools for Vietnamese Securities Investors"**

28/08

NGÂN HÀNG NHÀ NƯỚC VIỆT NAM STATE BANK OF VIETNAM

SSC Ủy ban Chứng khoán Nhà nước

FTSE RUSSELL An LSEG Business

Working Session Regarding the Stock Market Upgrade

NGÂN HÀNG NHÀ NƯỚC VIỆT NAM STATE BANK OF VIETNAM

Issuance of Circular 25/2025, amending Circular 17/2024, which regulates the opening and use of payment accounts

31/08

12-14/09

Government

Issuance of two critically important legal instruments aimed at developing the Vietnamese stock market:**(1) Decree 245/2025/ND-CP dated 11/09/2025 implementing a number of articles of Vietnam's Law on Securities;(2) Decision 2014/QD-TTg dated September 12, 2025, on the approval of the Scheme for Upgrading the Vietnamese Stock Market**

BỘ TÀI CHÍNH MINISTRY OF FINANCE

Issuance of Decision 3168/QD-BTC dated 12/09/2025 , regarding the Restructuring of investors and development of the securities investment fund sector

14-21/09

UK

Italy

BỘ TÀI CHÍNH MINISTRY OF FINANCE

Investment Promotion and Connection Conference

15/09

VIETNAM EXCHANGE SỞ GIAO DỊCH CHỨNG KHOÁN VIỆT NAM

FTSE RUSSELL An LSEG Business

Signing of an MOU for index development cooperation

07/10

FTSE RUSSELL An LSEG Business

Announcement of Market Classification Review Results

Q3-Q4/25 (1)

The completion of the legal framework for CCP, primarily focusing on the issuance of a Circular replacing Circular 89/2019 **(Planned for completion in Q4/2026)**

Q1/26 (2)

Completion of the establishment of a specialized CCP subsidiary under the VSDC

Q4/26 (3)

Completion of the CCP implementation on the underlying stock market:

(1) Issuance of Clearing Member Certificates;

(2) Training, skill development, and system testing;

(3) Review and preparation of technical infrastructure

Q1/27

Anticipated Official Launch of CCP

CCP Implementation Plan

Group of tasks for CCP implementation

CCP Implementation Plan Announced by the SSC

3 main task groups: (1) Legal framework, (2) Establishment of the dedicated CCP company, and (3) Implementation Preparations

Source: SSC, Compiled, BSC Research

SSC has implemented most of the solutions to realize the market upgrade objective

09 actionable solutions toward market reclassification

SSC State Securities Commission of Vietnam

A – Policy solutions working group

Establishment of a dialogue group ✓

The dialogue group consists of SSC , securities firms, custodian banks, investment funds, and experts

→ tasked with resolving issues to ensure the best possible market experience for foreign investors

→ supporting the market upgrade process

Implementation of OTA ✗

VSDC is expected to implement the Omnibus Trading Account (OTA), which will allow fund management companies to execute buy/sell orders simultaneously for all their managed funds, without having to place separate orders for each individual account. This initiative will simplify order placement for asset managers and foreign investors, offering greater convenience.

-> Decree 245/2025/ND-CP dated September 11, 2025, establishes a crucial foundation for the implementation of the OTA

Amendment of regulations on FII account opening ✓

SBV issued Circular 03 (April 2025) amending regulations on opening FII accounts and Circular 25 (August 2025) regarding the opening and use of payment accounts

B – Technology infrastructure solution group

CCP ✗

Upcoming tasks to be implemented: (1) Establishing a subsidiary under VSDC dedicated to Central Counterparty (CCP) operations; (2) Finalizing the settlement procedures between VSDC and market participants; (3) Enabling commercial banks to become clearing members

→ The CCP is expected to be operational in 2027.

STP ✓

VSDC will implement the Straight Through Processing (STP) system for electronic trade communication between securities firms and custodian banks. At the same time, the STP system will be upgraded to adopt SWIFT-standard messaging -> improving convenience for servicing foreign investors.

-> Launched on 05/05/2025

KRX ✓

SSC has instructed the stock exchanges and VSDC to promptly implement the required tasks and report back to the SSC

-> KRX system go live in 05/052025

C – Solution group related to Circular 68

Issuance of Circular 18/2025/TT-BTC, effective May 5, 2025, amending Circulars 119, 96, and 68.

Foreign room ✓

Proposal to retain foreign ownership room for foreign investors when conducting share buyback transactions from securities firms → The implementation of the KRX system will enable the retention of foreign room until T+3

Information disclosure ✓

SSC plans to **amend the information disclosure appendix** by **removing the requirement to disclose the identity of the authorized representative**

NPF solution ✓

SSC has held discussions with securities firms regarding **their consensus on handling the following issues**: (1) the list of securities eligible for the Non-Pre-Funding (NPF) mechanism, (2) the determination of minimum cash requirements, (3) the process for handling failed trades, and (4) the contractual framework with clients.

-> Minimizing inconsistencies in the implementation of the NPF model.

Source: SSC (Link), BIDV Securities Company (BSC) compiled