

Investment Status of Etf Investment Funds in Vietnam Stock Market

Ph.D. Mai Thi Dung¹, Do Khanh Van²

¹,University of Labour and Social Affairs

²,Nguyen Thi Minh Khai High school

Abstract: Exchange Traded Fund is a fund that operates according to the fluctuations of a reference index such as a stock index, or a certain type of asset. In financial markets around the world, ETFs are one of the most attractive and capital-attracting investment channels. However, in Vietnam, ETFs are gradually becoming a popular investment tool, especially for investors who advocate passive investment. The article focuses on studying the investment status of ETFs in the Vietnamese stock market according to the following criteria: (1) The amount of ETFs in the Vietnamese stock market, (2) Asset size and net asset value, (3) Simulation index, (4) Volume of listed and registered securities, (5) Fund management fees and (6) Investment efficiency. On that basis, the article draws out the achieved results, remaining limitations and proposes 3 groups of solutions (1) For the Government, (2) For fund management companies and (3) For investors to promote the development of ETF funds, contributing to the goal of upgrading the Vietnamese stock market.

Keywords: current situation, investment, ETF, stock market

I. Introduction

The stock market is considered one of the capital channels of the economy. After more than 20 years of formation and development, the Vietnamese stock market has made remarkable growth. That development is the foundation for the formation and development of stock investment funds. Today, ETF investment funds have become an indispensable part of the global stock market, including Vietnam (Topi, 2023). ETF is an investment fund that simulates the index of a stock market such as Vn-Index, VN30, VN100... or a basket of stocks but is traded as a stock on the stock exchange, helping investors access a diverse portfolio of stocks at low cost. The value of an ETF changes daily when traded on the exchange between investors. When investing in ETFs, investors indirectly own a portfolio of stocks and make profits by trading ETF certificates at different prices (Dragoncapital, 2024). With the increase in number and trading volume, ETFs are increasingly asserting their role in creating effective investment opportunities for investors.

In the context of the growing Vietnamese stock market, ETF investment funds have become an important investment channel in the stock market. With transparency, low costs and flexible trading capabilities, ETFs are increasingly popular, especially in the context of market fluctuations and the need to diversify investment portfolios. Investments in investment funds are often chosen by risk-averse investors who do not have experience, market knowledge or want to entrust assets to investment funds to implement in the stock market (Carhart, 1997; Fama & French, 2010). These funds are expected to bring higher returns than the returns of individual securities or compared to stock indexes, especially in periods when the market is declining or experiencing major shocks (Chevalier & Ellison, 2017; Golec, 1996).

However, ETFs in Vietnam have only started since 2015. Since 2015, the rapid development of ETFs has brought many options to investors but also raised many questions about the status and effectiveness of these investments. How many ETFs are there in Vietnam? How are they classified? Does the increase in the number of funds and the volume of listed securities reflect the sustainable development of the market? How do the scale and diversity of fund products compare to the potential of the market? In the framework of this article, the authors study Stock ETFs. This is a type of ETF that simulates the fluctuations of stock indices on the stock market such as the VN100, VN30 indexes... and several other important indices. The study of the investment status of ETFs will help to better understand the development of this market, and at the same time provide important information for policy makers and investors on

the trends and performance of these funds. The study focuses on evaluating the performance and role of these funds in the context of the developing market. The study will also provide recommendations to improve the performance of ETFs, and suggest future development directions for the Vietnamese stock market.

II. Theoretical basis

2.1. Concepts and characteristics of ETF funds

An investment fund is an intermediary financial institution operating in the market and subject to legal regulations to ensure the health of the existence, operation and development of the investment fund, as well as to protect the interests of the investing public. These investments are all professionally and strictly managed by the fund management company, the custodian bank and competent authorities, with the aim of maximizing the fund's profits and minimizing investment risks through portfolio diversification (Reilly & Brown, 2020), reducing costs through economies of scale (Vershina et al, 2016).

Clause 37, Article 4 of the 2019 Law on Securities of Vietnam stipulates: “A securities investment fund is a fund formed from the capital contributions of investors with the purpose of making profits from investing in securities or other assets, including real estate, in which investors do not have the right to daily control over the fund's investment decisions”. The operation of investment funds is governed by the Law on Securities and sub-law documents such as: Decree No. 155/2020/ND-CP of the Government detailing the implementation of a number of articles of the Law on Securities (Government, 2020); Circular No. 98/2020/TT-BTC of the Ministry of Finance guiding the operation and management of securities investment funds; Circular No. 99/2020/TT-BTC guiding the operation of securities investment fund management companies (Ministry of Finance, 2020).

ETF (Exchange Traded Fund) is a portfolio exchange fund that simulates the fluctuations of reference indices such as stock indexes, stocks, bonds or a type of asset, commodity; any industry such as gold, real estate, oil and gas, etc. (Anh, T.T.X., & Huong, T.T.T., 2021). A stock index is an index that shows the value of a specific group of stocks on the market. That group can be the VN30 index (30 companies with the largest market capitalization) or the VN100 index (100 companies with large market capitalization). (vndirect, 2021)

In the world, ETFs appeared in 1993 in the world's most vibrant stock market - the US. ETFs initially followed a passive investment strategy, investing in certain indices to benefit from market growth and minimize risks from portfolio diversification. Currently, ETFs have become a popular and diverse product with more than 5,000 funds globally; the US market alone has about 1,700 ETF funds. (HSC, 2024)

ETF fund certificates are certificates of partial ownership of ETF funds, traded directly on the stock market (Topi, 2023). For example, VFMVN ETF Fund (Code: E1VFN30) simulates the VN30 index of the HOSE. If investors choose to invest in the E1VFN30 fund, it means that investors are investing in the group of 30 leading stocks of the Vietnamese stock market. Suppose in 1 year, the VN30 index increases by 25%, the VFMVN30 fund will also grow by approximately 25%.

Characteristics

An ETF is both an investment fund and a stock because it is listed and traded on a stock exchange. ETFs are listed and traded on the Stock Exchange similar to stocks. ETFs help diversify securities products and provide more tools for investors (Topi, 2023). ETFs simplify the index and investment sector in an easy-to-understand way. The differences between ETFs and open-end funds are shown in Table 1.

Table 1. Comparison of fund certificate and ETF investments

Categories	ETF Fund	Open-end equity fund
Goal	ETFs operate as active ETFs or passive ETFs Most ETFs today operate with a passive investment strategy, mimicking the movements of a set of indices.	- Open-end funds can operate in an active or index-based manner. Most open-end funds today operate on an active investment strategy, with the goal of outperforming the benchmark index.
Underlying assets	Stocks in the stock index basket that the ETF has selected (VN30, VN100, VNFinlead, VNDiamond)	Any stock that the fund manager evaluates as having potential
Transaction	Listed and traded like a regular stock, traded daily	Trading date depends on fund regulations
Investment strategy	The fund simulates the reference index, the profit has a close performance with	Apply proactive investment methods, aiming for profits exceeding the reference index

Investment Status of Etf Investment Funds in Vietnam Stock Market

	the index.	
Expense	ETF funds usually have low costs due to the passive investment method of 0.55-0.75%.	Funds often have high operating expenses, buying fees, selling fees, and higher management fees. 2%
Price of fund certificates	Fund certificate price (NAV) is determined by intraday transactions and closely follows the net asset value/fund unit	The price of fund certificates is determined as the net asset value per fund unit at a trading day.

Source: Compiled by the research team

ETFs are listed and traded on the Stock Exchange similar to stocks. This is considered a passive way of investing in stocks and attracts the attention of many investors because of its simplicity in trading and quite good investment returns during the growth market cycle (topi, 2023). Investors have turned to ETFs for many reasons: low expense ratios, tax efficiency, transparency of holdings and specificity of exposures. ETFs contain characteristics of both stocks and mutual funds (KraneShares, 2013). When contributing capital to the fund, investors receive a certificate of ownership called an ETF fund certificate. Investors can buy/sell ETF certificates on the stock exchange, prices can fluctuate according to supply/demand and change many times a day. The combination of diversification, low costs, high liquidity and flexibility; Investors do not need in-depth knowledge of stocks. These are the outstanding benefits that ETFs bring, making this tool one of the most useful investment methods on the market for individual investors. core. In addition, investing in ETF funds will be an indirect form to help foreign investors enjoy profit rates from good stock portfolios without investment limits. However, the ETF replicates the index, so profits are not outstanding and investors do not have rights such as the right to participate in the general meeting of shareholders, voting rights... similar to owning an individual stock (Topi, 2023).

Trading methods for ETF fund certificates

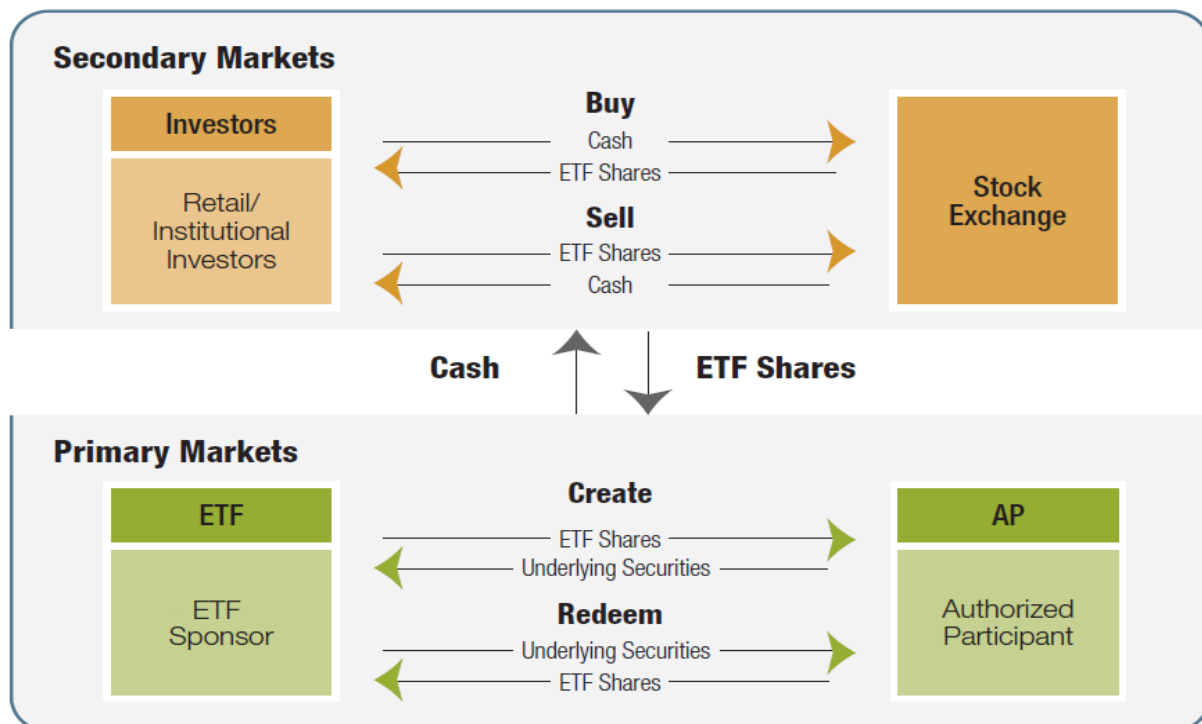
Investors can use two ways to invest in the primary market and secondary market.

- *Primary market:* Certificate Only ETF funds are issued by their creators in large lots (usually 100,000 ETF certificates in Vietnam), which they will sell to fund founding members (Authorized Participant). Members will not buy that lot of fund certificates with money, but they will exchange this lot of fund certificates with a "basket" of structured securities portfolio - simulated according to the initially approved index. That's why ETFs are called exchange-traded funds

- *Secondary market:* After a member establishes a fund to exchange a stock portfolio in exchange for ETF certificates, this unit will divide and sell these ETF certificates on the secondary market. These ETFs will be listed on the stock exchange and traded like buying a stock. This will help retail investors be able to buy individual fund certificate units.

Figure 1. Trading method for ETF fund certificates

Source: Ben Jones, 2024



2.2. Criteria for evaluating ETF funds

The important factors that investors should consider when evaluating ETF funds, thereby making appropriate investment decisions, are also the criteria for evaluating the current status of ETF funds.

(1) Number of ETF funds on the market

The number of ETFs on the market reflects the popularity and acceptance of this product in the investor community. A market with many ETF funds will provide investors with more options, and also show competition among fund managers to attract investment capital. Diversity in the number of ETFs can lead to competition in management fees, innovation in building new ETF products, and improved liquidity for investors. The larger the number of ETFs, means investors can access more diverse investment strategies.

(2) Asset size and net asset value per unit of the fund

The size of assets determines the reputation of the fund in the market and also shows the number of investors contributing capital. The fund's asset size (AUM - Assets Under Management) is an important indicator to evaluate the reputation and attractiveness of the fund. Large asset sizes often indicate the participation of many investors and demonstrate the fund management company's ability to effectively manage assets. Funds with large asset sizes are often considered safer and have the ability to manage costs more effectively, thanks to economies of scale.

Net asset value per fund unit of an investment fund- NAV (Net Asset Value) is the actual value of a fund unit, calculated as the total value of the fund's assets after deducting debts, divided by the number of fund certificates in circulation.

$$NOT = \frac{[\text{Total value of assets held by the fund} - \text{Total value of debts of the fund}]}{\text{Number of fund certificates in circulation}}$$

The NAV of an ETF fluctuates daily based on the market value of its assets. This brings transparency and helps investors have a clear view of the true value of their investment. NAV is the value an investor can expect when buying or selling fund certificates at the end of the trading day. For ETF funds, the ETF's price may be higher (premium) or lower (discount) than the fund's NAV. Because, ETFs are traded like listed securities. The difference between the market price and NAV (premium or discount) shows the difference between the fund's intrinsic value and the market price. This may be due to supply and demand in the market or psychological factors. Investors need to consider when NAV and market price differ too much because it can affect investment profits. Directly comparing the NAV values of ETFs at the same time helps investors know which fund has a higher value. However, comparing NAV alone does not reflect all information, because a higher NAV does not necessarily mean the fund is more efficient, but it also depends on the asset size and number of fund certificates.

(3) Simulation index

Each ETF is designed to simulate a specific index, such as VN30, VN100, or HNX30, to track the volatility of these markets. The index index is a key factor, as an ETF's performance is evaluated based on its ability to track the index it pledges to emulate. The greater the correlation between the fund index and the simulated index, the more effectively the fund performs, with the smaller the error. Choosing the appropriate simulation index also helps investors easily choose ETF funds according to their investment strategy.

The high level of correlation between the fund index and the benchmark index shows that the fund is effective in replicating the performance of the target market. ETFs are designed to mimic a certain index, so the deviation between the fund's performance and this index (tracking error) needs to be minimized. The greater the correlation, the more closely the fund simulates the performance of the simulated index, reducing risk for investors.

(4) Volume of listed and registered securities for trading

The volume of listed and registered securities for trading of ETF funds is an important measure to evaluate the liquidity of the fund. Liquidity refers to the ability to buy or sell fund certificates in the market without causing large price fluctuations. High trading volume usually indicates high liquidity. High liquidity is an important factor that helps investors easily conduct transactions without having to bear a large bid-ask spread. Low liquidity can make it difficult for investors to exit investment positions without causing losses. Liquidity is shown through Average volume of listed and registered securities for trading of ETF funds.

(5) Fund management fee

Fund management fee is the fee that the Fund periodically pays to the fund management company so that this company provides fund management services. The management fee is calculated as a percentage of the fund's NAV. The fee rate is calculated annually, and is paid to the fund management company on a monthly basis. Low management fees will help optimize profits for investors. However, investors also need to consider the quality of management and service they receive compared to this fee. A fund with low expenses but ineffective management may not be the best choice.

(6) Investment performance

The investment performance of ETF funds is evaluated based on the growth of NAV over time, compared with the simulated index that the fund commits to. This performance depends on the fund's investment strategy, asset management capabilities and market conditions. An ETF with good investment performance will bring higher profits to investors than other funds, while also demonstrating the fund management company's ability to effectively manage and select investment portfolios. Monitoring and evaluating the investment performance of ETF funds is necessary so that investors can make accurate investment decisions. While strong past performance is a factor in attracting investment, it is not the only deciding factor. Investors need to consider the investment strategy, risks and consistency of the fund's performance results.

III. Research methodology

Data collection method

The authors used the document research method to systematize the theoretical basis of ETF funds, including: concepts, characteristics, and how to trade ETF certificates. The comparison method is used to distinguish ETF funds from open-end stock funds.

This article reviews theories and research on investing in the stock market in general and investing in ETF funds in particular. Research related to this was selected by the author group from databases such as Scopus, specialized magazines such as the Journal of Economics and Forecasting, securities magazines, financial magazines...

The main contents are analyzed by topic and analyzed through synthesis, narrative, and comparison methods. To research the current status of ETF investment in Vietnam, the research team focused on evaluating the following criteria: (1) Number of ETF funds in the Vietnamese stock market, (2) Asset size and price Net asset value, (3) Simulated index, (4) Volume of listed and registered securities, (5) Fund management fee and (6) Investment performance. Data sources to evaluate the current situation are collected from the websites of foundations, domestic and foreign scientific journals, from aggregated data of vndirect, SSI, topi, DNSE... From the collected data, the team of authors synthesized and selected information relevant to the research content and used a combination of descriptive statistical methods to clarify the current situation.

Data processing method

Secondary data used in the article were collected in the annual reports of the funds; Official websites of investment funds and fund management companies; Reputable financial websites such as Vietstock, SSI, VCBS... Collected data are compiled, calculated, and reflected in tables. From there, the research team evaluated and analyzed the data to draw out the achieved results and remaining limitations.

IV. Research results

4.1. Overview of the operations of ETFs on the Vietnamese stock market

(1) Number of ETF funds in Vietnam stock market

In the period 2011-2022, the legal framework for the operations of fund management companies and investment funds is supplemented with new fund models. In particular, ETF funds can be considered a turning point in the development of securities investment fund management (Khiem., H.Q., 2023). In addition to the more perfect legal framework, the growth of the stock market in Vietnam is the basis and foundation for the formation and development of Vietnam's fund management industry (Thuy., N.T., 2023). Starting with 2 ETF funds established in 2014, By 2023, this number increases to 14 funds (State Securities Commission, 2024). ETF funds are attracting the attention of many investors in recent years (topi, 2023). The number of ETF funds in Vietnam (in comparison with other types of stock investment funds) is shown in table 2.

Table 2. Number of securities investment funds in Vietnam in the period 2013-2023

Fund type	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Membership Fund	10	7	9	8	10	10	10	13	17	31	32
Closed-end fund	4	-	-	1	1	2	2	2	2	2	3
Open fund	6	15	17	19	22	25	32	34	39	52	56
ETF Fund	-	2	2	2	2	2	2	7	8	11	14
REIT Fund	-	-	-	1	1	1	1	1	1	1	1
Total	20	24	28	31	36	40	47	57	67	97	106

Source: Compiled by the author from the website of the State Securities Commission, 2024

Investment Status of Etf Investment Funds in Vietnam Stock Market

Along with the increase in the number of stock investment funds in general, the number of ETF funds increased from 2 funds in the period 2014-2019 to 7 funds in 2020 and by 2023 to 14 funds (currently, July 2024). number of funds is 15). The growth in the number of ETF funds not only demonstrates the growth and development of the exchange-traded fund model in Vietnam but also demonstrates the public's investment trend towards this model. Although the number of ETF funds is still modest, it shows that the demand for investing in passive investment products in Vietnam is increasing. At the same time, it also reflects the development and attractiveness of Vietnam's stock market to institutional investors.

(2) Asset size and net asset value

Securities trading is a complex, highly sensitive and conditional business field, so to establish securities investment funds, it is necessary to ensure legal capital. According to regulations, the legal capital level for the establishment of securities investment funds is generally 50 billion VND (Ministry of Finance, 2012). However, in terms of asset size, ETF funds all have asset sizes much larger than the prescribed minimum level (Table 3). Below is a list of 14 domestic ETF funds on the Vietnamese stock market according to the following criteria: ETF code, fund management company, simulated index, net assets of the fund.

Table 3. List of domestic ETF funds in Vietnam

TT	ETF Fund	Simulation index	Management fund	Assets Under Management (billion VND)
1	E1VFN30	VN30 index	Dragon Capital	7.297,4
2	FUESSV30	VN30 index	SSI	378,8
3	FUEKIV30	VN30 index	Korea Investment Management (KIM)	1,554,8
4	FUEMAV30	VN30 index	A wonderful asset	7.703,51
5	DCVFM VNDIAMOND ETF	VN DIAMOND index	Dragon Capital	12.132,9
6	MAFM VNDIAMOND ETF	VN DIAMOND index	A wonderful asset	511
7	ETF BVFVN DIAMOND	VN DIAMOND index	Baoviet Fund	55
8	ETF KIM GROWTH VN DIAMOND	VN DIAMOND index	Korea Investment Management (KIM)	76,76
9	FUEVN100	VN100 index	Vinacaptial	2.807,82
10	FUEIP100	VN100 index	IPAM	18.782,04
11	ETF SSSIAM VNX50	VNX50	SSI	123,8
12	ETF SSIAM VNFIN LEAD	VNFinlead Index	SSIAM	681,0
13	FUEDCMID	VNMIDCAP Index	Dragon Capital	340,2
14	FUEKIVFS	VNFin Select	Korea Investment Management (KIM)	334,2

Source: Compiled from websites of ETF funds in Vietnam

Regarding asset scale, the large asset scale of these ETFs demonstrates investors' confidence in the Vietnamese market. It also shows a strong ability to attract capital from foreign investors, especially when these ETFs provide the opportunity to access key stocks in the market. The total net asset value of 4 ETF funds using VNDiamond as a reference is about 12,600 billion VND. Among them, the DCVMVVN Diamond ETF accounts for the majority in terms of scale 12.132,9 billion VND (vietstock.vn, 2024)

SSIAM VNFIN Lead ETF, with a total asset value of about 665 billion VND as of July 15, 2024, has witnessed a sharp decrease of 71.1% compared to the beginning of the year. Although NAV increased by 13.1%, the fund still faced a wave of capital withdrawals of up to VND 1,890 billion since the beginning of the year (vietstock.vn, 2024)

Besides, NAV analysis is an important part of evaluating and comparing the performance of ETFs. NAV results of intraday ETFs August 26, 2024 as follows:

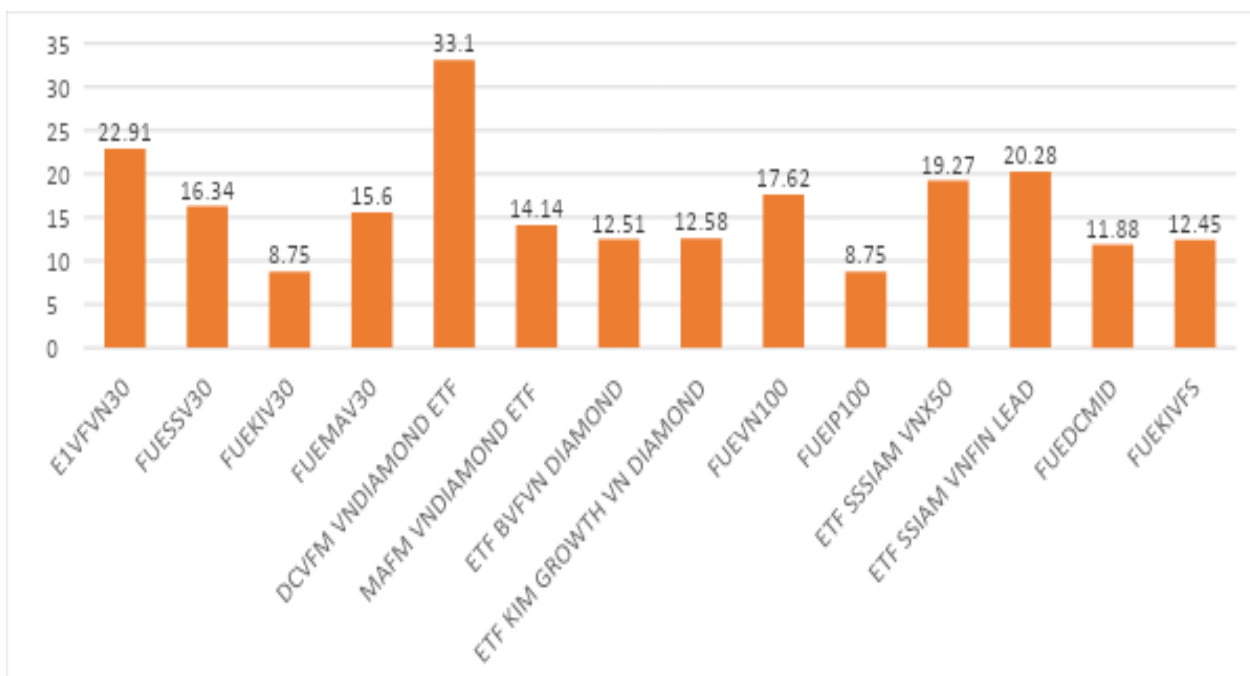


Figure 2. Comparison of NAV of ETFs on the market (August 26, 2024)

Source: Compiled by author

NAV as of August 26, 2024 of the ETFs shows ETF funds have quite dispersed NAVs, from 8.75 VND to 33.1 VND, reflecting differences in the size of assets under management, investment strategies, and composition of investment portfolios. In there, DCVFM VNDIAMOND ETF is the ETF with the highest NAV on the list (NAV = 33.1 VND). This may indicate that the fund manages a large amount of assets and may be investing in stocks that are highly valued or have grown strongly in recent times. FUEKIV30 and FUEIP100 (NAV = 8.75 VND) are the two ETFs with the lowest NAV among the ETFs. A low NAV may indicate that the fund is smaller in size or that the assets it is investing in are of lower value than other funds.

(3) Simulation index

Regarding the simulated index, the VN30 index, representing the 30 largest capitalization stocks on the exchange, accounting for about 78% of market capitalization. The ETF fund in the Vietnamese market focuses on simulating the VN30 index including 30 businesses, so the VN30 has a great influence on the market when it fluctuates. There are currently 4 ETF funds using VN30 as a reference standard, including DCVFMVN30 ETF, SSIAM VN30 ETF, KIM Growth VN30 ETF and MAFM VN30 ETF, with total assets estimated at VND 9,300 billion as of July 15, 2024. Among them, DCVFMVN30 ETF is the largest fund with about 7,500 billion VND (vietstock.vn, 2024). However, in recent times, the VN30 index is revealing clear limitations, when the proportion of banking groups in the basket accounts for nearly 50% and in the future the proportion may reach 60 - 70%, representing the low economy (vndirect, 2021)

VN100 index including 30 shares belonging to VN30 and 70 shares belonging to VN MIDCAP built and operated by HOSE. The VN100 index accounts for 89% of market capitalization with a variety of industry groups: banking, real estate, basic resources, etc. The VN100 index has up to 70 leading Midcap enterprises in fields that benefit from the economic cycle. The economic period still has a lot of room and long-term development potential (vndirect, 2021). However, currently on the market there are only 2 ETF funds using the VN100 index as reference: FUEVN100 (of Vina Capital) and FUEIP100 (of IPAAM).

The ETFs focus on stocks belonging to the VN Diamond index, DCVFM VNDIAMOND ETF, MAFM VNDIAMOND ETF, BVFN DIAMOND ETF, and KIM GROWTH VN DIAMOND ETF. This shows the great interest of investors in leading stocks in the banking, finance and large-cap companies.

The remaining three reference indices are VNFin Lead, Midcap Index and VNFin Select. In there, VN Leading Financial Index is a basket of stocks of 20 leading banks, financial companies and stock brokerage companies in Vietnam. Vietnam Midcap Index is a set of indexes built by the Ho Chi Minh City Stock Exchange (HOSE) from a basket of component stocks of VNAllshare, including 70 companies with the highest market capitalization after VN30 that meet the eligibility to participate in the set. indicators and specific screening conditions. VNFin Select is a stock portfolio, including stocks representing the financial industry group. Therefore, the stocks in VNFin Select all come from securities, banks or insurance companies.

Investment Status of Etf Investment Funds in Vietnam Stock Market

Compared to 4 foreign funds currently using 4 different index sets, which are:

- VanEck Vectors Vietnam ETF (VNM) uses MVIS Vietnam Index. MVIS Vietnam Index- The underlying index of Vaneck Vectors Vietnam ETF (VNM ETF) includes shares of listed company groups established in Vietnam or established outside Vietnam but with at least 50% related revenue/assets arising in Vietnam (HCS.com, 2024)

- FTSE Swap UCITS ETF (FTSE VIETNAM ETF) uses FTSE Vietnam Index and Fubon Vietnam ETF uses FTSE Vietnam 30 Index. FTSE Vietnam Index is the reference index for the FTSE Vietnam UCITS ETF managed by Deutsche Bank. This is one of the indexes considered to have the leading impact on the Vietnamese stock market. As usual, a stock must satisfy the conditions of capitalization, liquidity, free-float and foreign room to be considered for the FTSE basket (Cafef.vn, 2023)

- VNAM ETF uses MSCI Vietnam IMI Select 25/50 Index. MSCI Index (Morgan Stanley Capital International Index) is a global stock index calculated and maintained by Morgan Stanley Capital International. The MSCI index is used to measure the performance of stock markets around the world.

Comparing the representativeness of reference indices of domestic ETFs (VN100, Vn-index, VN30) and foreign ETFs (FTSE Vietnam, MVIS Vietnam, MSCI Vietnam) shows that VN100 is highly representative in the stock market. Vietnam stock exchange (Figure 3).

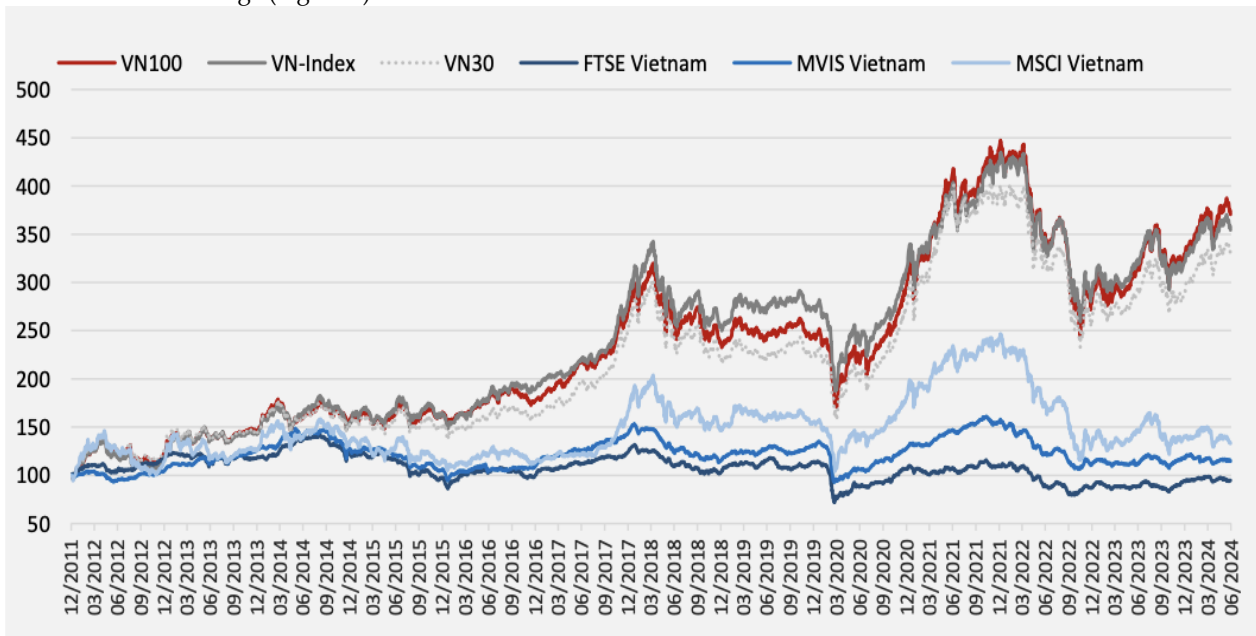


Figure 3. Growth of ETFs according to the simulated index

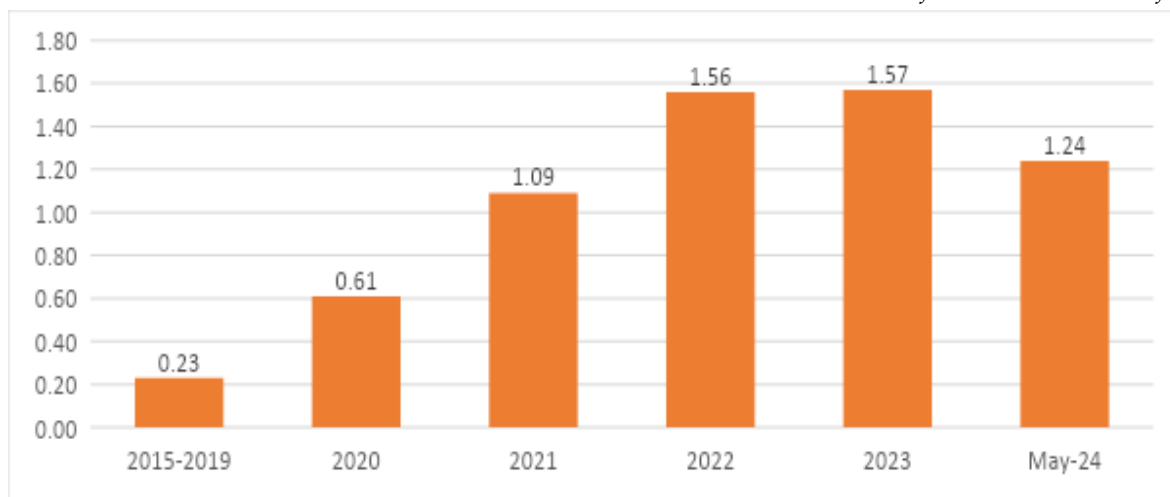
Source: Vinacaptial, 2024

(4) Volume of listed and registered securities for trading (until May 2024)

Data on the volume of listed and registered securities for trading of ETF funds in Vietnam from 2015 to May 2024 shows a strong growth trend (Figure 4).

Figure 4. Average volume of securities listed and registered for trading

Unit of measurement: Billion of securities



Source: State Securities Commission, 2024

Period 2015-2019, The volume of listed and registered securities for trading of ETF funds is quite modest, reaching only 0.23 billion securities. This can be considered the beginning stage, when ETF funds are still quite new and have not attracted much attention from investors. However, in 2020, this number increased nearly 3 times compared to the previous period. This trend continues to grow steadily in 2021-2023. In 2024, although only the first 5 months of the year have passed, the volume of listed and registered securities for trading has reached 1.24 billion securities, showing the development of the ETF market in Vietnam and the growing interest in the ETF market. increasingly higher from investors.

In April 2024, the trading volume and value of ETF certificates continued to grow, as shown by the average trading volume reaching 11.33 million ETFs, corresponding to an average trading value of more than 271.11 million billion VND, an increase of 38.38% in volume and 26.56% in average value compared to March 2024 (Tapchitaichinh, 2024). The trend of ETF funds in Vietnam will continue to focus on strongly buying banking groups, including 9 million TCB shares, 4 million ACB shares, 3 million MBB shares and 2.8 million VPB shares. On the contrary, only FPT stock is forecast to be sold strongly with a volume of 4.5 million shares (vietstock.vn, 2024). The net withdrawal trend also increased. Although DCVFMVN Diamond's NAV increased impressively by 27.2% compared to the beginning of the year, the fund still faces great pressure to withdraw capital, up to 9,000 billion VND.

(5) Fund management fee

This average management fee is quite competitive compared to other investment funds, especially when considering the efficiency and liquidity that these funds bring. Investors need to consider management fees compared to expected profits to make reasonable investment decisions. Management fees of companies and funds in Vietnam are currently as follows

Table 4. Summary of management fees of companies and funds in Vietnam

Unit: %NAV/year

Fund	Simulation index						
	VN30	VN100	VNX50	VNFIN LEAD	VN DIAMOND	VNFIN-SELECT	VNMIDCAP
SSI	FUESSV30 0,55%		FUESSV50 0,65%	FUESSVFL 0,65%			
Dragon Capital	E1VFN30 0,65%				FUEVFVND 0,8%		FUEDCMID 0,8%
KIM	FUEKIV30 0,6%				FUEKVND 0,7%	FUEKIVFS 0,6%	
Mirae					FUEMAVND 0,6%		
Vinacaptial		FUEVN100 0,67%					
VIOLENCE		FUEIP100 -					
FPT Captial			FUEFCV50 -				

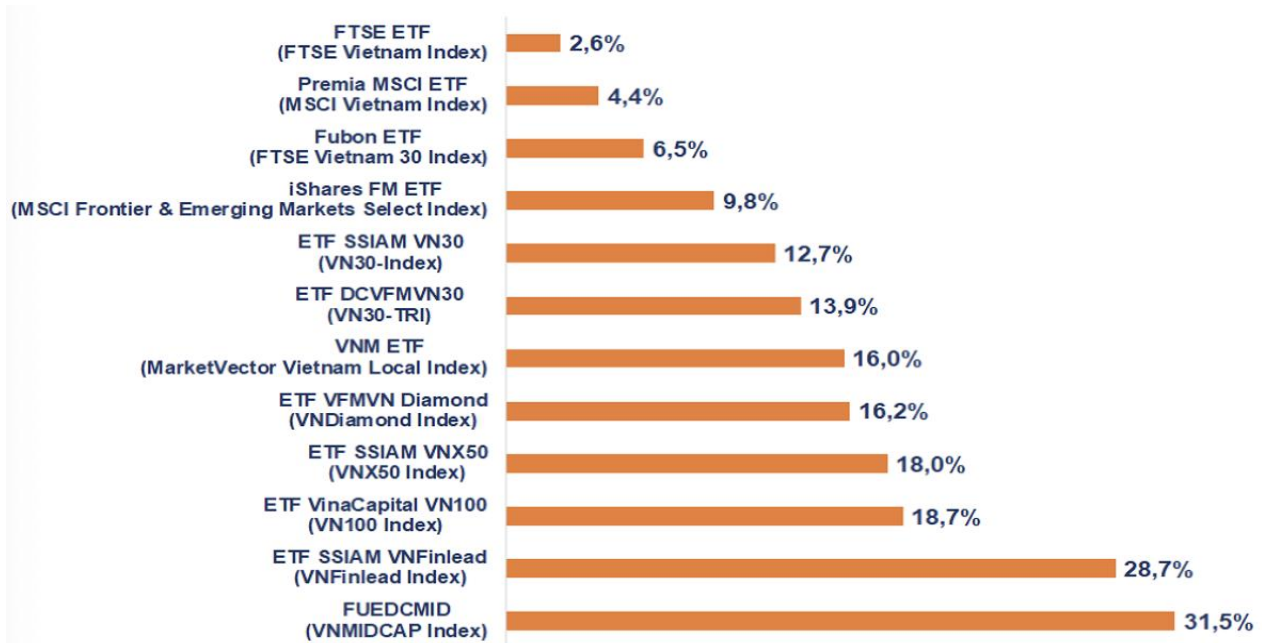
Source: compiled by the author from the fund's website.

In general, management fees range from 0.55% to 0.8% NAV/year. Particularly, IPA fund management company and FPT Captial company do not publicly announce management fees. This makes it difficult for investors to make investment decisions and does not demonstrate the fund's transparency.

(6) Investment performance

Since their inception in 2014 until now, Vietnam ETFs are recording a compound growth rate of total assets of 33%/year, becoming an effective channel to channel capital, especially foreign capital, into the market. Vietnamese stocks compared to other traditional channels such as stocks and bonds (VIR, 2023). With the particularity of investing in the Vietnam ETF being to invest in a basket of stocks of leading businesses on the stock market, investors will benefit from the overall growth of the economy, as well as the industry's leading businesses, without Takes time to research and analyze details.

Figure 5. Investment performance of ETF funds in Vietnam in 2023



Source: Compiled from data of ETFs

In general, the investment performance of funds in the Vietnamese market is in sync with the general index most of the time (DNSE, 2024). In the group of index funds (ETF), the performance achieved for the whole year is almost identical (difference of no more than 0.5 percentage points) compared to the reference index (benchmark). In 2023, FUEDCMID achieved the best performance with 31.5%. NAV reaches 206.7 billion VND at the beginning of 2024. This ETF simulates the VN MIDCAP index (including 70 mid-cap stocks). The mid-cap group has better growth than the large-cap group in 2023. Therefore, FUEDCMID has had outstanding growth compared to most other funds in the past year. FUEDCMID's 2024 portfolio includes 60 stocks, with a high proportion focusing on high growth codes in 2023, including: DGC, KBC, EIB, GMD, LPB, MSB, PNJ, VND...

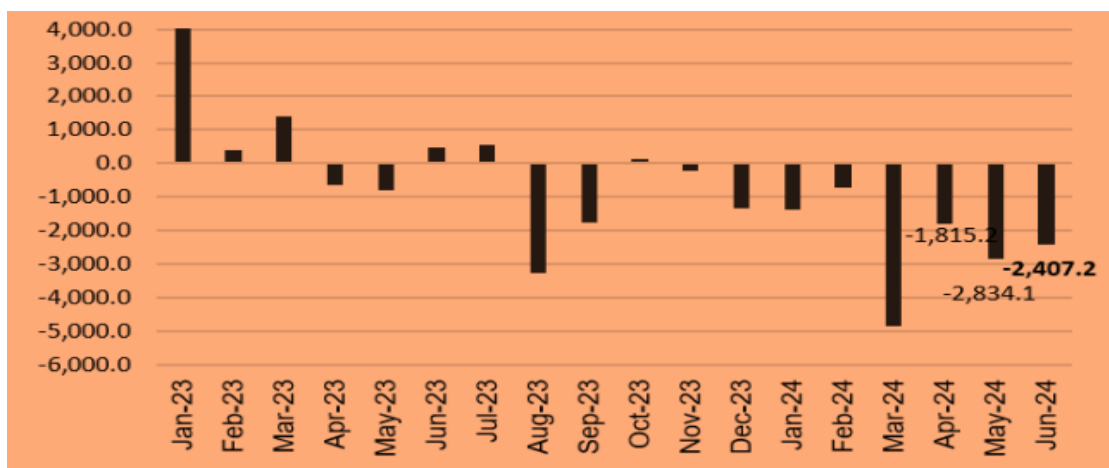
ETF DCVFMVN30 recorded a performance of 13.9%. This ETF references VN30 - Total Return Index (VN30 - TRI) - an index of 30 stocks with the highest market capitalization and liquidity selected from the list of top stocks accounting for 90% of trading value. Translation of VN Allshare index. The fund portfolio is mainly allocated to 10 codes: FPT, VPB, HPG, ACB, TCB, VNM, VHM, VCB, STB, MBB.

The lowest results in the ETF group all belong to foreign funds, with iShares Frontier and Select EM ETF (9.8%), Fubon ETF (6.5%), Premia MSCI ETF (4.4%) or FTSE ETF (2.6%). For Fubon ETF, the Taiwan (China) fund had a performance of 29.5% at one time, but it narrowed towards the end of the year.

In early 2024, the market witnessed a strong wave of capital withdrawals from ETF funds with a total value of more than 2,407.2 billion VND in June. Total accumulated net capital withdrawal in the first 6 months of 2024 is more than 14,030 billion VND (VNDIRECT RESRARCH, 2024)

Figure 6. Net capital inflow/outflow of ETF funds in Vietnam

Unit: billion VND



Source: VNDIRECT RESRARCH, Bloomberg

Net withdrawal of ETF capital in June 2024 mainly came from net withdrawal of Fubon FTSE Vietnam fund (net withdrawal of more than 1,142 billion VND), DCVMVVN Diamond ETF fund (net withdrawal of more than 918 billion VND), Xtrackers FTSE Vietnam fund ETF (net withdrawal of more than 182 billion VND), VanEck Vector Vietnam ETF (net withdrawal of more than 131 billion VND) and SSIAM VNFIN Lead ETF fund had a net withdrawal of more than 117 billion VND. On the contrary, the KIM Growth VN30 ETF recorded a net capital inflow of more than 130 billion VND (vneconomy, 2024)

4.2. General assessment of the operational status of ETF funds on the Vietnamese stock market

4.2.1. Results achieved

- The investment activities of the fund and the fund management company have a complete and complete legal framework and are oriented to develop in a stable, safe and prudent manner based on strict legal regulations. strictly according to international standards and practices (Khiem., H.Q., 2023).

- Growth in quantity: The number of ETF funds in Vietnam has increased sharply from 2 funds in 2014 to 14 funds in 2023 and 15 funds in July 2024. This demonstrates the strong growth of the exchange-traded fund model in Vietnam, and shows the attractiveness of the Vietnamese stock market to both individual and institutional investors.

- Large asset scale: The asset scale of ETF funds is much larger than the minimum requirement (50 billion VND), especially funds that use VN30 and VNDiamond as reference standards. This shows investors' confidence in the Vietnamese market as well as the ability to attract strong capital from investors, including foreign capital.

- Trading volume growth: The volume of listed and traded securities of ETF funds has increased significantly, from 0.23 billion securities in the period 2015-2019 to 1.24 billion securities in May/ 2024. This growth reflects the development of the ETF market and increasing interest from investors.

- Positive investment performance: The investment performance of Vietnam ETF funds, especially those that simulate major indexes such as VN30, VNDiamond, and VNMidCAP, all achieve good results and often closely follow the reference index. mat. For example, the FUEDCMID fund had the best performance of 31.5% in 2023.

- The investment portfolio of ETF funds closely follows the HOSE - Index set including indexes: VN30, VNMidcap, VN100, VNfin Select, Vnfin Lead, VNDiamond. This list is periodically reviewed to ensure it closely follows market fluctuations

4.2.2. Limitations still exist

- The number of ETF funds in Vietnam is still low, with 14 domestic ETF funds, total assets under management (AUM) of nearly 3.5 billion USD, still very small compared to the capitalization of HOSE and compared to other countries. In developed stock markets, ETFs are often popular thanks to high profit margins with low costs, saving time for research and analysis, and low investment risks due to the diversified investment portfolio.

- The strategies of ETFs in Vietnam are still relatively simple and the indexes are not really diverse. Currently, most ETFs are passive funds (Passive ETFs) that mainly simulate the VN30 index, representing the 30 largest market capitalization stocks, but this index is revealing limitations due to its high density. The banking group accounts for the majority, leading to low representation of the economy. This can pose risks to investors if the banking market faces difficulties. In recent years, an index of financial enterprises (VNFin Lead) and stocks with no foreign room (VNDiamond) have appeared, but the number of ETFs using this index is still limited (Huy., B.V., 2024).

Investment Status of Etf Investment Funds in Vietnam Stock Market

- Decline in asset value: Some ETFs, such as SSIAM VNFIN Lead ETF, have seen a sharp decrease in total asset value, despite an increase in the fund's NAV. This reflects the instability and risks from investors withdrawing capital, especially in an unfavorable market context.

- Management fee transparency is limited: Some fund management companies such as IPA and FPT Capital do not disclose management fees, making it difficult for investors to make investment decisions and reducing transparency of these funds.

- Capital withdrawal trend: Although some funds such as DCVMVVN Diamond have impressive NAV growth performance, they still face great pressure to withdraw capital from investors, showing a lack of stability in capital inflows. fund. Foreign investors maintained strong net selling in June 2024 with a net selling value of more than VND 16,738 billion. The total accumulated net selling value in the first 6 months of 2024 of foreign investors is more than 49.7 trillion VND (vneconomy, 2024)

V. Solutions to promote the development of ETF funds on the Vietnamese stock market

The results of analyzing the current situation show that the ETF market in Vietnam has achieved significant progress in terms of quantity, asset size and investment performance. However, there are still limitations that need to be overcome, especially the excessive focus on the VN30 index, the lack of transparency in fee management and the tendency to withdraw capital. This requires stricter management measures and diversification of simulated indexes to minimize risks for investors. In addition, the development of ETF funds has a strong influence on the goal of upgrading Vietnam's stock market from a frontier market to an emerging market. Some solutions to promote the development of ETF funds on the Vietnamese stock market:

(1) On the part of the Government

Completing legal regulations on ETFs: It is necessary to review, update and complete legal regulations related to the issuance, management, and supervision of ETF funds to ensure transparency, publicity and compliance. comply with international standards. The government needs to offer preferential policies on taxes and transaction fees for ETF funds, and create favorable conditions for foreign funds to participate in the Vietnamese market. This helps increase liquidity and excitement of the market. In monitoring and managing ETF funds, the State Securities Commission needs to apply international standards, ensuring that the Vietnamese stock market operates transparently and effectively.

In order for the development of ETFs to contribute to the goal of upgrading the stock market, it is necessary to promote promotional activities and introduce the development and potential of the Vietnamese stock market, which emphasizes the development of ETF funds, in order to build a positive image before international rating organizations such as MSCI and FTSE Russell. In the immediate future, it is necessary to focus on improving factors that rating organizations focus on, such as market openness, liquidity, and the level of participation of international investors. The development of ETFs creates many different investment products, helping the market become richer and more professional. ETFs provide an accessible and transparent investment channel for foreign investors, especially large investment funds. The development of ETF funds increases the number and trading value of foreign investors, helping the Vietnamese stock market better meet the upgrade criteria (in terms of market openness criteria). and the level of participation of international investors).

(2) On the part of the fund management company

To improve the investment status of current funds, funds with low NAV may need to seek more effective investment strategies, while improving risk management to increase asset value and attract more investors.

To expand ETF funds and attract investors, fund management companies research and develop derivative products related to ETFs. Derivative products such as options and futures contracts based on ETFs can help enhance liquidity and create additional risk management tools for investors. To diversify fund portfolios, encourage the development of many types of ETFs, including:

- ETF describes industry index. Currently, the funds are mainly in the financial industry. To give investors more options, other important industries that can be considered are real estate, consumption, and industry.

- ETF describes ESG (environmental, social, governance) index. In the green growth trend, developing ETF funds focusing on Environmental, Social, and Governance (ESG) factors is suitable for investors interested in sustainable development and responding to global trends. .

- ETFs follow specialized strategies such as growth investing, value investing, dividend investing...

- Research ETFs with more complex structures, such as leveraged ETFs (Active ETFs), to provide more options for investors. In an increasingly volatile market context and if we only simulate indexes purely like passive ETFs, there will be many times when profit margins are low. Therefore, the type of dynamic ETF funds was developed (in addition

to simulating indexes, at certain times, fund managers can optimize profits by timing the market, increasing/decreasing the proportion, using additional derivative products, even using debt "leverage" to achieve a return rate superior to the simulated index).

(3) On the investor side

Strengthen propaganda to improve investors' knowledge about fund investment: programs to improve investor knowledge about the nature, benefits and risks of ETF funds and documents to guide and provide information. Details on how to invest in ETFs are a measure to help individual investors better understand and be more confident when investing. When investing, investors should consider not only NAV but also other factors such as historical performance, portfolio composition, management costs and liquidity of ETFs before deciding to invest.

VI. Conclusion

Emerging market stock ETFs (exchange-traded funds) provide exposure to higher growth markets. ETF funds on the Vietnamese stock market are growing strongly and attracting many investors thanks to high liquidity, reasonable management costs, and the ability to accurately reflect market performance. However, in Vietnam, the number of ETF funds is still small, trading volume is limited, Excessive focus on the VN30 index, lack of transparency in fee management and the tendency to withdraw capital cause instability in capital flows into the fund. Faced with that situation and the goal of upgrading the stock market from frontier market to emerging market, it is necessary Synchronously deploy solutions: on the Government side, on the fund management company side and on the investor side. The above solutions contribute to creating many different investment products, helping the market become richer and more professional; creating conditions for investors to access more diverse and effective investment products. ETFs provide an accessible and transparent investment channel that attracts foreign investors, especially large investment funds. The development of ETF funds increases the number and trading value of foreign investors, helping the Vietnamese stock market better meet the upgrade criteria (in terms of market openness criteria). and the level of participation of international investors). Future studies can focus more on each ETF investment fund in the market; or focus more detailed research on each ETF's investment portfolio.

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