

Investment Funds Landscape In Vietnam

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ABSTRACT: This paper analyses the landscape of investment funds in Vietnam in different aspects including the development of regulatory framework and the operations of investment funds over last 30 years. The study adds value to the existing research field of investment funds with a comprehensive theoretical introduction of investment funds and their contributions to the financial market's development. Besides, the paper's results provide the most up-to-date status, insights, and in-depth analysis of the overall operations of various investment fund types. Finally, the research findings suggest areas to be addressed to pave the way for the further development of investment funds in Vietnam and also provide significant information for investors in picking suitable investment funds for their holdings.

KEYWORDS: Investment funds, Landscape, Vietnam, Regulatory Framework

I. INTRODUCTION

An investment fund is a kind of collective investment vehicles pooling investors' capital together to earn profits from investing in securities or other assets, including real estate, in which investors do not have control over the fund's investment decision-making (Clause 37, Article 5, Vietnam's Securities Law 2019, taking effective since January 1, 2021).

The formation and development of various types of investment funds has important implications for various participants in the stock market in particular and for the development of the stock market and financial market in general. Investment funds provide additional investment opportunities for the public beside traditional products such as stocks and bonds, and the investment funds provide capital to finance activities in the economy. As for secondary market, investment funds' proactive operations in the secondary market have positively contributed to the market liquidity, helping to attract more investors to participate in the market. Besides, the emergence of investment funds help to increase the share of institutional investors in the market, improving the investor base, aiming to a more sustainable market with less adverse effects of psychological factors and irrational investment decisions by individual investors.

By the end of 2022, the asset value under management (AUM) in investment funds in Vietnam is equivalent to 2.44% of GDP (Phan, 2023), which is significantly lower than other countries in the region such as Thailand (30.3% GDP, 2020), Singapore (998.3% GDP, 2020), Malaysia (35.5% GDP, 2020) (World Bank, 2024). Only 1% of the population own investment fund shares, showing that investors' weak demand for investment management.

In this regard, it is necessary to get insights into the current status of fund management activities in Vietnam in order to find appropriate solutions supporting the development of investment funds in Vietnam which eventually contributes to the liquidity and sustainable development of the market as well as facilitates the investment diversification of investors's portfolio.

The study contributes to the research field of financial products in general and investment funds in particular in the following detailed aspects: (i) the study provides a comprehensive theoretical background of investment funds with detailed discussion around their contributions to different angles of the financial market; (ii) the study provides the most up-to-date status of the overall operations of various investment funds in the Vietnam stock market; (iv) the research result is not only meaningful for researchers and policy makers in the process of designing solutions to develop the market and operations of investment funds, but also provides significant information for investors considering their investment decisions in investment funds.

This paper utilizes the qualitative research methods including methods of synthesis, statistics, comparison and qualitative analysis and evaluation to analyze the overall landscape of the fund management industry in Vietnam over different time frames and across the fund types.

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II. THEORETICAL BACKGROUND

An investment fund is formed by pooling assets from a number of investors with similar profit and risk goals. This pooled capital in the fund is managed by professional experts with qualified experience and knowledge in making the best investment decisions on behalf of investors. Securities investment requires analysis, research and understanding of the factors that determine profit and loss as well as the risks associated with these securities, and only a small portion of investors have these skills and are able to make their own investment decision. Therefore, investment funds allow individuals to benefit from the fund managers' expertise.

Investment funds allow investors to reduce transaction costs, research and analysis costs coupled with risk sharing. Since the investment approach through investment funds is formed on the basis of entrusting investment capital to fund managers with professional qualifications in the field of investment management, and investors do not directly intervene into the management process, investors can save significant research and analysis costs in the process of searching, implementing, reviewing and evaluating investments. Additionally, with large trading scale, investment transactions of investment funds could enjoy lower transaction fees. Moreover, investment funds allow investors to own diversified investment portfolios including various investment assets from different business sectors and economies to diversify, minimize concentration risks, and contribute to maximizing profits for investors.

With assets being managed by investment funds, the investors, especially individual investors will be protected by the law and avoid market frictions, and the market transparency could be also improved. The operations of investment funds and the management companies must strictly comply with the regulatory framework in the jurisdiction, including appropriate anti-money laundering, the information disclosure, and investor protection policies. Besides, investment funds are managed and invested according to a specific, long-term investment policy statement (IPS) on which the investors could rely to supervise and evaluate Investment funds' operations.

With aforementioned features, the development of investment funds have some contributions to the market in general and to the investors in particular.

As for financial markets and the economy, investment funds actively contribute to improving stock market liquidity in particular and the capital circulation in the economy in general. With a large scale of AUM, the purchase and sales by investment funds in the secondary market are also prominent in value, and this will help increase the scale of transactions in the market, positively affecting the liquidity of listed securities. In addition, with trading transactions formed from thorough and multi-dimensional research and analysis of investment opportunities, investment funds' investment decisions are assessed as informed and rational ones. Hence, investment fund's investment choices have guided individual investors' transactions and indirectly contributed to stock market liquidity.

In addition, developing various investment fund types will help attract more trusted capital from investors. This significantly support the expansion of the fund scale, and then the operations and the investment value of investment funds will drive up the liquidity of the entire market.

Investment funds' investment activities not only take place in the secondary market, but also in the primary market, and accordingly, investment funds are playing an intermediary role in channeling idle capital of investors exploiting to finance businesses in the economy, especially small, young businesses, and startups with limited access to traditional bank credit. Besides, specific fund types, such as private equity, venture capital, and hedge funds, other than long-term financial support, they also provide businesses with non-financial, technical support in line with management solutions to help the target businesses to thrive.

Investment funds contribute to diversifying investment vehicles in the stock market. To establish an investment fund will issue fund shares to the public to raise capital. Accordingly, these fund shares are alternatives to traditional investment options (bonds, stocks) for investors. The appearance of various investment funds will provide more investment choices and products for investors, thereby also helping investors diversify their portfolios.

The active participation of investment funds in the secondary stock market helps strengthen the market's resilience against adverse domestic and international shocks. Compared to individual investors whose investment decisions are heavily influenced by herd instinct, limited financial literacy and speculative tendency, investment funds, which are institutional investors, typically have long-term investment horizon and do not frequently rebalance their portfolios to short-term fluctuations in the market. In addition, by managing trusted capital of various investors, investment funds tend to be relatively cautious in making investment decisions as well as performing in-depth research before any investment decisions. Therefore, the investment funds are not frequently affected by short-term shocks in the market, helping to minimize instability in the stock market, especially during the market turmoils.

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In addition, the development of investment funds contribute to the increasing quality of investment choices – listed firms – in the stock market. The proactive participation of investment funds in the market urges listed firms to improve their operational performance in accordance with their information disclosure quality.

As for investors, the first benefit of investment funds could be that they create conditions for investors to access and own high-value investments that investors cannot afford to invest on their own with limited financial resources. With the collective investment mechanism - pooling capital from many investors – the investors could jointly allocate funds into large-cap and leading stocks of each economic sectors which are usually high-priced and relatively high market value.

Investment funds managed by investment experts help investors to optimize the investment process. As mentioned above, this is one of the outstanding features of managing money through investment funds which are run under the inherent advantages of information and expertise of the management firms. This feature greatly benefits individual investors, especially investors who lack experience, understanding of financial markets, stock investment, and with limited capital and financial literacy which refrains them from making informed investment decisions and quickly responding to the market fluctuations.

Investment funds actively contribute to protecting investors in the financial market in general and the stock market in particular.

First, managers' investment decisions are made on the basis of in-depth analysis of investment opportunities in the market as well as cautious consideration of the suitability of investment opportunities with the investment goals that investment funds commits to their investors. This will minimize investment risks stemming from information asymmetry, herd behavior, rumor-driven investment decisions to which individual investors often encounter.

Second, though operations of investment funds in different financial jurisdictions vary, they must all comply with general stock market laws and legal regulations related to each specific type of investment funds. Therefore, investors participating in investment funds will often be protected by law against any infringement of financial rights, conflicts of interest, missallocation and mismanagement of investments.

Third, with the ability to diversify investment portfolios into many different investment categories, in many different business sectors and economies, investing in investment funds through trading fund shares will help investors minimize risks compared to other traditional investment products such as investing in stocks, bonds, etc., helping to protect the financial assets of investors, especially during challenging times of the market including internal, external shocks, financial crises, etc.

Throughout the discussion above, it must be noted that the investment funds have a crucial role in improving the sustainable development and the resilience of the entire financial system, and the development of investment funds in terms of the diversity of fund types along with the expansion of their assets under management should be navigated as the one of the focused points in the long-run development strategies of any stock markets including Vietnam's stock market.

III. INVESTMENT FUNDS LANDSCAPE IN VIETNAM

A. Regulatory Framework

The diversity in quantity and improvement in quality of investment fund types in Vietnam over more than 20 years (since 2003), especially in recent 10 years, has shaped and developed the collective investment industry in Vietnam, and this have been resulted from the improvement of the legal framework for investment funds in Vietnam.

First, there is the birth and continuous improvement of general legal documents on activities on the Vietnam's stock market – versions of the Securities Law. As investment funds typically perform their capital allocation in financial assets, specifically stocks and bonds, the formation and development of the underlying stock market take indispensable role in determining the attractiveness of the stock market for investment funds in general and for attracting trusted investment capital flows, especially international flows in general. This also explains for the thin market of investment funds in Vietnam in the early stages coined in 1990s. The historical poor quality and less-diversed product base of a young stock market had blocked capital inflows to Vietnam's stock market as well as made it less attractive for investment allocation of investment funds.

The Vietnamese market in the early 1990s lacked the necessary facilities for investment activities in general and for investment activities of investment funds in particular (Lam Phong, 2020). During that period, the entire economy had, on average, only 38 new private enterprises per annum, 128 state-owned equitized enterprises (as of the end of 1998) and the stock market have not yet been formed, not creating favorable capital investment conditions for investors.

Therefore, the birth of Decree 48/1998/ND-CP on securities and stock market and then Securities Law No. 70/2006/QH11 (Securities Law 2006) has built a legal corridor for the development of the domestic stock and bond market, developing a diverse market to serve the individual and collective investment of domestic and international investors in the Vietnamese market.

The official issuance of the Securities Law also contributes to the creation of a complete and essential legal corridor to ensure the market operates safely, effectively, transparently and publicly, which plays a crucial role in building trust, attracting the

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attention of domestic and international investors to participate in the stock market, opening up the development paths for investment funds.

The Securities Law 2006 continues to be amended with Law on Securities No. 54/2019/QH14 (taking effect from January 1, 2021) to provide specific and clear guidance on different investment activities in the market coupled with assuring the legitimate rights, interests of different market participants as well as strengthening the supervisory mechanism over their relevant responsibilities.

Not only that, the improvement of the legal framework along with regulatory environment of the Vietnam's stock market also provides more detailed orientation and guidance on the activities, responsibilities, obligations, and rights of market participants to increase the market stability, aiming for sustainable development of the stock market, expanding opportunities for regional and international integration, making the stock market an important medium and long-term capital channel in the economy, reducing dependence on banking system. And this new law is highly expected to positively underpin the development of issuers in various aspects – from operational to management, governance, and information disclosure practices – which will be eventually reflected into the quality of securities available in the stock market, captivating investment from international and domestic investors and paving ways for the prevalence of investment funds along with their investment activities.

Specifically, some positive amendments in the new securities law regulating the general operations of the stock market as well as the operations of the investment management and investment funds on the Vietnam stock market are recorded over the years.

In the past regulation, *the Decree 48/1998*, there were several regulations related to the activities of investment funds and investment management, yet the articles mainly regulated investment management and there were no specific, separate regulations for guiding the formation and operations of specific investment funds. There was no terminology explaining the business operations of investment funds and fund certificates, the rights and obligations of investors, and information disclosure for parties involved in management activities of investment fund.

Moving to *the Securities Law 2006* – the first and general law on securities trading aspects in Vietnam – there began to have specific and clear regulations not only on the business operations of investment management but also on the activities of investment funds and related contents, showing the improvement in the legal framework as well as the regulators' attention and statutory support towards investment funds. Notably,

(i) *Article 6* – provided clear definitions of fund shares (fund certificates), investment funds, and types of investment funds regulated under this law – public funds, members funds, open-ended funds, and close-ended funds

(ii) Chapter VI - regulated securities firms and investment management companies, detailing the business operations of investment managements (*Article 61*) – coined in two operations: investment fund management; and investment portfolio management

Article 61 was an improvement from the previous regulation - Decree 48/1998, which expanded the operation areas for investment management. Accordingly, in addition to domestic funds, investment management are allowed to mobilize and manage foreign investment funds with investments in Vietnam.

(iii) The instructions for establishing and determining functions of General Meeting of the participating investors under this law have enhanced the protection mechanism for participating investors

(iv) Stricter information disclosure regulations: *Article 104 & 105* - clearly stipulated information disclosure of investment managements and public funds - are the advancement of the Securities Law 2006 compared to ND48 in efforts to develop and perfecting a stable, sustainable, transparent and public development of the stock market, minimizing information asymmetry in the market, especially in the management of investors' money by investment managements and funds, thereby minimizing the conflicts of interest between parties during the operation and investment management process as well as attracting the interest of individual investors in investing via investment funds

The newly enactment of the *Law on Securities No. 54/2019/QH14* (taking effect from January 1, 2021), continues to amend and supplement the contents of the Securities Law 2006, contributing to the comprehensive completion of the legal framework for the operations of securities investment management companies and securities investment funds, have opened up growth opportunities for investment funds in Vietnam with more investment fund models being well-recognized, guided, and regulated under the law. Some of the notable changes are

(i) The recognition of new fund types: Exchange Traded Funds, Pension Funds, and Real Estate Investment Funds, have already emerged in the market in the middle of the two securities laws, with separate guiding decrees, yet not being included in the general securities law securities until the Law 2019 (*Article 4, Clauses 42 and 43*). According to this new law, articles related to the establishment and operations of investment funds, their charter, dissolution and daily Net Asset Value determination are well-constructed and detailed.

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(ii) Information disclosure: Tightened regulations and detailed guidance on information disclosure of securities firms and investment management companies in the Securities Law 2019. This further shows the authorities' efforts in improving the quality of information disclosure on the stock market in general and for investment fund management activities in particular.

(iii) Investor protection: In addition to providing more detailed regulations on the role of General Meeting of the fund investors than the Law 2006, this securities law version also introduces an additional and required agency that contributes to protecting the rights of investors participating in the public investment fund, which is the Board of Representatives.

As aforementioned, different fund types operating in Vietnam also need to obey specific decrees which have been kept amended and supplemented since 2012 and now being merged into a single, consolidated document since 2020 – **Decree No. 98/2020/TT-BTC** (taking effective since Jan-2021). This makes it more convenient for investors to understand different investment fund models from their inherent roles, functions, operations, investment constraints, divestment process...

In a conclusion, it can be seen that positive statutory movements of regulators and policymakers on the general securities laws as well as on specific decrees of specific investment fund types have shaped a solid legal environment for not only the investment funds' erection and operational activities but have also helped literated investors in a young stock market in Vietnam about alternative investment vehicles, which drives investors' attention, needs and trust into the investment funds. Of changes in the law system, the improvement in the information disclosure of Investment funds and investment managements as well as other measures to strengthen investor protection (detailed guidelines on fund operations, investment activities, constraints, board of representatives, general meeting...) will not only attribute to the increasing number and quantity of investment funds but also help the investment fund industry of Vietnam draw much more attention from the public.

In addition, the legal improvement over the past 20 years has actively contributed to enhancing the transparency of the stock market in general, improving the quality of securities for fund portfolio choices, and significantly supporting operations investment of Investment funds.

B. Historical Growth of Investment Funds

Before 2000 - the year of official formation and operation of Vietnam's stock market with the first centralized secondary stock exchange, investment funds, only formed and based abroad, appeared and poured investment in the Vietnamese firms.

To be specific, foreign Investment funds have appeared in Vietnam since the 1990s with the participation of the first foreign fund - Vietnam Fund, established in 1991 and managing AUM worth 54.3 million USD.

During 1990 - 1997, statistics recorded that 7 foreign funds invested in Vietnamese enterprises with an estimated capital of about 400 million USD (Lam Phong, 2020). In addition to Vietnam Fund, some foreign funds with large capital during this period include Vietnam Lazard Fund, Dragon Capital, Templeton Vietnam Opportunities Fund, Vietnam Investment Fund, and Vietnam Frontier Fund. Then, the Asian financial and monetary crisis considerably altered foreign investors' risk tolerance and financial capacity, which seriously affected international investment capital flows into Vietnam. Weakening financial status had coerced foreign investors into reducing the scale of investment in foreign markets, including Vietnam. Accordingly, 3/7 foreign funds had to close in 1996 and 1997, and the remaining 4/7 funds reduced AUM size by nearly 50% compared to the initial AUM. foreign investors' withdrawal and reduction of capital also partly affected the funding sources of Vietnamese businesses – the key drivers of the development of Vietnam's young, small and newly open economy.

On November 28, 1996, the State Securities Commission was established in Vietnam. However, it took 2 years (1998) to officially introduce and form the stock market to Decree No. 48/1998/ND-CP – the first regulation on securities and stock market. The Decree has laid the foundation for the forming and developing the legal framework on the stock market in general and the operations of investment funds in particular. This first legal document on Vietnam's stock market has contributed to guiding and creating favorable conditions for the issuance, trading securities, and at the same time creating a mechanism for forming a fair and transparent stock market.

In 1998, the first secondary stock market - Ho Chi Minh City Stock Exchange Center (currently operating under the name - Ho Chi Minh City Stock Exchange) was decided to establish. Two years later - on July 20, 2000 – the stock exchange had the first trading session with 2 stocks: SAM (SAM holdings Joint Stock Company) and REE (Refrigeration Mechanical Joint Stock Company). and the first 6 securities companies on July 28, 2000, marking the official birth of Vietnam's stock market. In 2005, Hanoi Stock Exchange Center (currently operating under the name Hanoi Stock Exchange) was established.

Vietnam's stock market in the early stages of operations, the period 2000 - 2005, attracted the attention of domestic and foreign investors. In addition to the official secondary stock exchanges, the corporate bond trading market was also formed in 2000. These have provided more investment opportunities for investment funds' portfolios.

In 2000-2005, Vietnam's stock market was officially established and put into operation, creating a favorable investment trading environment for investors and thus attracting capital flows back to the Vietnamese market. Overall, in 2000-2005, Vietnam's stock

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market had 13 new investment funds managing the total AUM of roughly 908 million USD, showing the attractiveness of Vietnam's stock market.

After the birth of first stock exchange in Vietnam, the stock market also welcomed the appearance of the first domestic investment fund and investment management in Vietnam. Specifically, in 2003, the first domestic investment management was established and based in Vietnam – the Securities Investment Fund Management Company Limited (VFM) - Joint Venture between Dragon Capital Company and Sacombank Bank, becoming the first institutional investor in Vietnam's stock market, while also actively contributing to encourage the formation and development of following collective investment models through Investment funds in the Vietnam stock market.

Then, in April 2004, the first domestic investment fund - VF1 (closed-end fund) - was established with a positive attention from the market with 300 billion VND raised in just a short period – 10 days. This partly proved the attractiveness of investment funds to investors in the market even though this is a relatively new investment alternative compared to the Vietnamese stock market in general and to Vietnamese investors in particular at that time.

Despite remarkable achievements, the market's transaction value of fund shares in the first 5 years of operation was relatively modest, only reaching 1% of GDP (Ngo, 2022), not commensurate with the strategic orientation of developing investment funds to be a medium and long-term capital mobilization channel for the economy. This undesirable trading value of fund shares could be resulted from a significant lack of participation from institutional investors, typically investment funds and securities trading services, a young stock market with a less diversified set of financial products, information disclosure quality, and the market transparency.

The period from 2006 onwards witnessed the strong development of investment funds in Vietnam associated with the development of both the economy and Vietnam's stock market. The event of Vietnam joining the WTO in 2006, the growth prospects of the economy led to the excitement of the stock market as well as the appearance of new investment funds, especially foreign Investment funds such as Korea Investment Trust Management (KITM), Tongkang, Golden Bridge, Prudential Plc, Bank Invest... Large investment fund managements that were operating on the stock market at that time such as Dragon Capital, Indochina Capital, and VinaCapital successfully raised hundreds of millions of US dollars from foreign investors in just a few weeks (Giang, 2012), demonstrating the attractiveness of the Vietnam stock market during this period. Accordingly, the trading activities in the market and domestic investment funds had also become more vibrant.

This period witnessed a significant growth in the number of funds, diversity of fund types in accordance with their growing net asset value in comparison with the two aforementioned periods.

As illustrated in Figure 1, Table 1, and Table 2, the number of investment funds had increased to serve investors' growing investment demand in the market. In 2011, the number of investment funds was recorded with 23 funds only and this figure reached 31 and 76 funds in 2016 and 2022 respectively, with the recognition of diversified fund types (Table 2).

Additionally, Figure 1 and Table 2 show that the value of AUM of investment funds has increased sharply in both absolute and relative terms over the past 10 years, especially during the period of the emergence and outbreak of the Covid-19 pandemic, leading to the the formation of many new investment funds. The AUM scale increased substantially from VND 7.77 trillion in 2016 to VND 84.71 trillion in August 2022, an 11 fold increase.

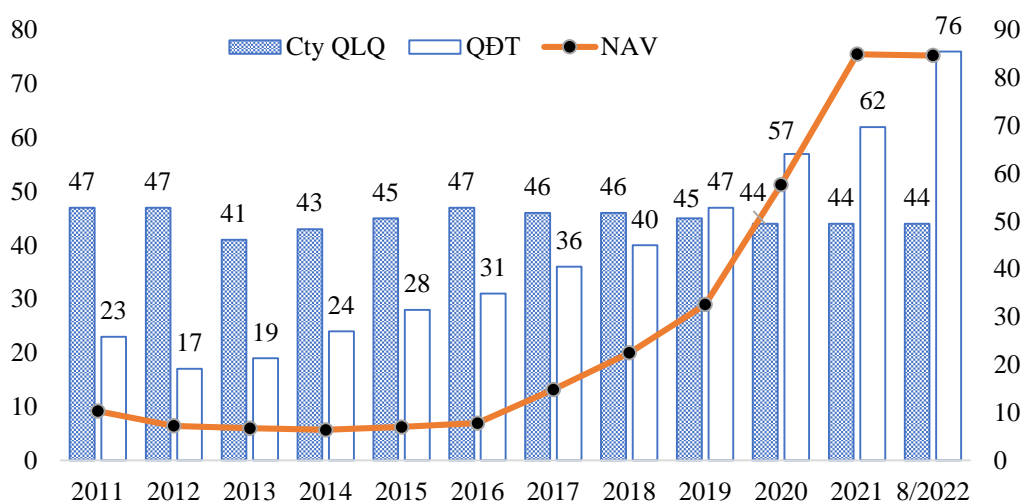
As for investment fund models emerging and operating in Vietnam's stock market, the higher diversity of investment fund types has been recognized in recent years. Notably, during the period 2000 to 2012, the Vietnam stock market only had members funds and public funds in the form of close-end fund design, there was no public open-end funds. After 2012, under a favourable legal environment with the enactment of specific decrees guiding the establishment and management of different investment fund models, Vietnam's stock market has recorded the emergence of new investment fund models, including: Open-End Fund, Exchange Traded Fund (ETF), Voluntary Supplementary Pension Fund, Real Estate Investment Trust (REIT). The presence of new investment fund models has shown the significant increase in trusted investment activities and needs as well as fund management operations in Vietnam.

According to the most updated data by the State Securities Commission, by August 2022, Vietnam's stock market has 76 investment funds including: 21 member funds, 45 public funds (43 open-end funds & 2 closed-end funds), 9 ETFs, and 1 REIT. This figure increased by 10 Investment funds compared to November 2021, the increased number of funds mainly concentrated in the open fund type (+ 4 funds), members fund (+4), and ETF (+1).

According to the latest published record of the Vietnam Securities Depository and Clearing Corporation, by October 2023, the number of Investment funds in Vietnam has increased to 53 open funds (+10 funds compared to August 2022), 14 ETF funds (+5 funds compared to August 2022), and 3 closed funds (+1 fund compared to 2022), with the total value of assets under management of funds amounted to 23.25 billion US dollars, equivalent to 2.44% of GDP (Hai, 2023).

*Figure 1. Number of Investment management firms and Investment funds in Vietnam, 2011-2022**

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Note: * latest updated in August 2022, NAV - Net asset value of investment funds- has a unit of trillion VND and statistics are presented according to the scale on the right side of the chart; Detailed data on NAV is presented in Table 1

Source: State Securities Commission (2023)

Table 1. Total assets under management in investment funds in Vietnam

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Investment Managements	47	47	41	43	45	47	46	46	45	44	44	44
Investment funds	23	17	19	24	28	31	36	40	47	57	62	76
NAV**	10.29	7.2	6.72	6.39	6.99	7.77	14.83	22.48	32.60	57.69	84.96	84.71

Note: * Latest updated in August 2022, **Unit - trillion VND

Source: State Securities Commission (2023)

Table 2. Number of investment funds by types, 2016-2022

Year	2016	2017	2018	2019	2020	2021	2022*
Open-end funds	19	22	25	32	34	39	43
Closed-end funds	1	1	2	2	2	2	2
Members Funds	8	10	10	10	13	17	21
ETFs	2	2	2	2	7	8	9
REITs	1	1	1	1	1	1	1
All funds	31	36	40	47	57	67	76
NAV (in trillion VND)	7.76	14.83	22.49	32.61	57.69	84.96	84.71
+/-	-	7.07	7.66	10.12	25.08	27.27	-0.25
%+/-	-	91.11	51.65	45.00	76.91	47.27	-0.29

Note: * Latest updated in August 2022

Source: State Securities Commission (2023)

This positive outcome is contributed by many factors derived from the pandemic context, and the attractiveness of investment funds coupled with other investment tools in the market is undeniable. The market reactions reflected on those figures has shown positive signs of individual investors' perception and adoption towards investment funds, laying a foundation for promisingly growing prospects of investment funds in the future.

The outreach of investment funds coupled with their proactive engagement in trading activities in secondary stock market has facilitated the improvement of the investor base in the market with a rising share of institutional investors (investment funds) and has contributed to the liquidity of underlying securities (stocks, bonds) to support the operations of investment fund managements and investment funds.

Thus, after more than 20 years since the official launch of the first domestic fund in Vietnam, marking the formation of a trusted investment channel in the Vietnamese stock market, the development of investment funds has been marked by significant

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growth in both quantity and scale of assets under management, the diversity of fund types. These achievements have made investment funds gradually become one of the attractive channels and investment choices for investors in entrusting investments, diversifying investments. Additionally, the flourishing of investment funds and their scaled AUM have speeded up economic capital circulation and provided alternative financing sources for the businesses. Apart from those contribution areas, the presence of investment funds has raised the number of institutional investors in the financial market and noticeably improved the market's investor base which eventually enhances market's resilience against unexpected financial and non-financial shocks.

However, the current share of investors destined their investment in various investment funds only occupied 1% out of the entire investor population (Hai, 2023), showing that the investment fund management industry still has a lot of potential to exploit and develop and more changes and transformation are required to direct investors' attention towards fund investment in Vietnam.

IV. CONCLUSIONS

Through the above analysis, it can be seen that Vietnam's fund management industry has had certain developments and growth, especially in recent times, which is reflected in various aspects, from the completion of the legal framework system regulating the activities of investment funds and investment management firms to the diversity of the investment fund models, to the AUM scale along with the improving liquidity of investment funds listed on the secondary market.

Specifically, investment fund management activities in Vietnam are currently operated within a relatively detailed and complete legal framework. Regulations related to establishing and managing investment funds have been continuously improved through the issuance and amendment of the Securities Law and other legal documents. Accordingly, many new types of investment funds have been formed and developed, attracting the attention of domestic and international investors and well-serving the general public's investment needs. The completion of detailed regulations, decrees and circulars of each investment fund model not only guides the management of investment funds but also forms a mechanism to protect the investors' right which eventually helps to raise investors' awareness and trust in the investment decision model, and encourage investors to allocate their capital into funds. Legal documents also help investors understand more about the characteristics of investment decisions as well as investment restrictions in investment fund management activities, enabling investors to monitor and evaluate operations and investment activities of investment funds.

Second, fund types are increasingly diverse. Other than closed-end funds and members funds as in the first 10 years of stock market operation, since 2012 the Vietnamese market has paved the way for the emergence of new fund models such as open funds and ETFs, REITs, voluntary pension funds... especially recorded strong growth in the number and AUM size of open-ended funds and exchange-traded funds.

Third, the development of investment funds and their investment management activities have contributed positively to the overall development of the stock market in many different aspects covering:

(i) Investment activities of investment funds have actively contributed to improving liquidity of stocks and bonds on their secondary markets in line with guiding the investment behavior of individual investors in the market, indirectly spurring the market liquidity;

(ii) The expansion of investment funds has released a quantified number of fund shares or fund certificates of investment funds to the stock market, contributing to the diversity of investment products in the market and providing more investment options for investors' investment diversification strategy;

(iii) The imbalance in the investor base has been reduced with the rising share of investment funds as institutional investors in the market. This, as elaborated earlier, could gradually ease the volatility and bring more resilient to the market since the active involvement of investment funds with thorough research and long-term vision could rule out the negative impact from individuals' behavioral biases in investment decision-making

(iv) the investment funds has demonstrated its vital role as professional institutional investors, significantly contributing to the capital circulation process in the economy and capital channel for Vietnamese enterprises. Investment funds, especially equity funds holding "out-room" stocks (reaching the ownership limit for foreign investors), have become a feasible and effective channel to entice more foreign investment inflows.

Although there have been remarkable achievements, investment funds in Vietnam are still not commensurate with the development scale of the domestic stock market and other stock markets in the region.

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Table 3. The share of mutual funds' AUM to GDP

% NAV/GDP	2017	2018	2019	2020
Thailand	29.3	28.5	29.7	30.3
Singapore	690.6	682.8	783.5	998.3
Malaysia	31.1	29.4	31.9	35.8
Indonesia	3.4	3.4	3.4	3.7
China	13.7	12.7	13.2	18.0
Hong Kong	486.8	396.1	462.2	575.7
Taiwan	12.3	26.9	32.7	37.7
Korea	27.8	27.9	32.7	37.7
Japan	35.7	35.8	40.1	48.1

Source: World Bank (2024), latest updated in January 2024

At the end of 2020, the net value of entrusted assets at Vietnamese investment management companies, including AUM in funds and AUM in entrusted investment portfolios of individual investors, was about 5.5% of GDP (Anh, 2021). By the end of 2022, the AUM size in investment funds increased to 2.44% of GDP (about 23.25 billion USD) (Phan, 2023); This level is said to be significantly lower than other countries in the region such as Thailand (30.3% GDP, 2020), Singapore (998.3% GDP, 2020), Malaysia (35.5% GDP, 2020) (World Bank, 2024).

The number of stock trading accounts in Vietnam by the end of 2022 is equivalent to 7% of the entire population and accounts for 80% of the trading value on the secondary market. Meanwhile, less than 1% of population have their investments with fund shares (Phan, 2023). Despite the rising presence of various fund types and positive shift in the individual investment towards professional investment funds, the share of investment fund in the whole market is still limited. The potential reasons as well as areas need to be tapped onto to lift up the growth of investment funds consist of:

Firstly, Vietnamese individual investors in particular and Asian investors in general may still not be familiar with the culture of entrusting their own and only money and assets to third parties due to the worries of losing money and any conflicts arising from managers' potential irresponsibility. The individuals prefer to manage their own capital and investment holdings themselves.

Second, the historical poor performance of investment funds, typically closed-end fund in Vietnam in the early establishment of stock market, has partly weakened investors' confidence in the investment activities of investment fund and investment management companies.

Third, the distribution line of fund certificates to investors may not be effective, and hence fails to reach potential investors. The distribution of open fund certificates is mainly carried out through management companies and securities companies in large cities (Anh, 2021). This could leave potential investors in other markets to be under-served. In this regard, the penetration of investment funds could be enhanced by utilizing online platforms and technology in introducing the investment funds, organizing specialized seminars and workshops. Those activities will significantly help investment funds and investment management companies to better communicate with potential investors and delve into investors' demand for customized investment funds.

Fourth, the level of financial understanding of investors in the market regarding investment capital entrustment activities as well as different investment fund models are current constraints inhibiting the growth of the investment fund industry. Limited knowledge about financial concepts and issues in general and investment fund products in particular have caused investors' hesitation to entrust the money to investment funds or to choose suitable investment funds themselves. In addition, with many new fund models appearing on the market, each fund family has many different investment funds under the management of different management companies, in association with less-literate investors, it will be difficult for investors to pick suitable investment fund for their own needs.

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