

# Driving the development of an investment mind-set in Vietnam

*The country's asset management industry is dependent on investor education around concepts such as asset allocation and risk – and also on access to products and tools to implement them. Only then will there be the right framework for mutual funds onshore.*

There is a lot of optimism from local and foreign investment professionals alike about the opportunities to develop the asset management industry in Vietnam.

These stem from the nascent stage of development of the capital markets and customer base in general.

This results in a confluence of factors: a relatively low savings rate in the country; an under-developed capital market; and a lack of investment options coupled with limited product knowledge or industry-wide efforts to educate the public. Further, although banks are the main distribution channel, some market players still perceive this to be a threat to their deposit business.

To capitalise on the market's potential, therefore, better understanding about funds and other products, a deeper capital market and more distribution channels, are just some of the priorities.

A wider product set is also increasingly required as investors are expected to get smarter and seek solutions to issues they have such as children's education and retirement planning.

Without more investment options, understanding investors' needs and the concepts of asset allocation and investment planning become a little redundant.

These were some of the views of investment specialists speaking at the 2nd annual Hubbis Vietnam Wealth Management Forum 2017 in Ho Chi Minh in September.

## REMOVING THE ROADBLOCKS

Many market participants consider investor education as the biggest issue holding back the industry at the moment

## Panel speakers

- **Hoai Thu Nguyen**, Managing Director, VinaCapital
- **Le Le Hang**, Chief Executive Officer, SSI Asset Management
- **Kevin Snowball**, Chief Executive Officer, PXP Vietnam Asset Management
- **Andreas Vogelsanger**, Chief Executive Officer, AFC Vietnam Fund



Hoai Thu Nguyen  
VinaCapital

- this was also the view of 58% of respondents at the event to an audience poll.

The other key requirements, believe industry players and delegates alike, include: deepening the capital markets; greater transparency; harsher punishments for wrongdoing; and developing more talent.

Meanwhile, ease of access for foreign investors, industry collaboration with the regulator, less regulatory control over market players and greater digital progress are other areas where action is needed in terms of developing the capital markets.

Better regulation generally, which can also include improving disclosures from listed companies improve by pushing for more independent boards, for example, can help breed investor confidence, agree market practitioners.



Le Le Hang  
SSI Asset Management

**58%**  
**Respondents who said investor education is the biggest issue holding back the asset management industry in Vietnam at the moment**

### MUTUAL FUND PENETRATION

If these hurdles can be overcome, there is a good chance for Vietnam to develop its mutual funds business too.

For example, creating the right framework relies on regulations being sufficient and appropriate, plus it requires a widespread education campaign to enhance both the public knowledge of mutual funds as well as credibility of fund managers.

To create a wider variety of products to help the market develop and create diversification, market practitioners outline several key elements.

These include: a greater variety of fixed income assets, such as high-quality listed bonds; expertise in product structuring, such as structured products to reduce risks for investors; and understanding of new product types, such as REITs.



Kevin Snowball  
PXP Vietnam Asset Management

To spur the evolution of the market, more listings in the pipeline via the government programme to divest more state-owned enterprises – as well as private-sector IPOs – over the next few years are expected to increase the size of the investment universe.

Further, the country's voluntary pension scheme beginning in 2018, is expected to be a positive step for the financial services industry as a whole.

Even with such progress, however, the mind-set of Vietnamese still needs to shift from being overly short-term oriented to help them look longer term.

This starts with public education on areas like financial planning for different investment time horizons, diversification and minimising risk by investing in funds.

**37%**  
**Respondents who believe that the priority for Vietnam's regulators to develop the capital markets should be to allow a wider range of products**

At the same time, rather than some individuals using mutual funds as a place to 'park' money until they find another asset class, they need to view these as investment tools in their own right.

Yet regulators need to come together, along with the central bank, to help facilitate growth in the industry – especially in relation to mutual funds.

Banks being allowed to distribute these products is a key issue, say practitioners.

This is particularly important given that online distribution is not yet possible, based on the law requiring investors to sign paperwork in person.

Deepening the talent pool is another urgent requirement to spur growth in the asset management industry in Vietnam, believe market experts, given the need to service a fast-growing middle class. ■



Andreas Vogelsanger  
AFC Vietnam Fund