

# Selling funds to retail clients in Vietnam - tiny today but huge potential

*Thai Thuan Nguyen, Managing Director, VinaCapital gives Hubbis an insight into the funds business in Vietnam.*



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**V** IETNAM'S WEALTH MANAGEMENT MARKET IS STILL at a nascent stage but has seen tremendous growth over the past two to three years, according to Nguyen.

Today, according to Nguyen, two main products, on the investment side, are sold to the retail market in terms of wealth management.

"One is the open-ended fund, or mutual funds, as they are called," she says. "We have about 22 mutual funds in the market right now."

Nguyen says that she sees the spike in interest in wealth management products in her conversations with clients, as they have started to express interest in the stock market, and are knowledgeable about investment products, particularly open-ended funds.

"I've seen this growth accelerate very favourably over the past couple of years, where quarter on quarter growth in terms of AUM in open-ended funds was on the order of 25% to 30%," she says. "As of April 2018, total AUM in open-ended funds alone is roughly USD500 million."

Nguyen says that she is cognizant of the fact that by international standards, that is quite low.

"But if you think about the fact that in 2013, five years ago, it was essentially zero, I think that's a significant milestone in this market," she adds.

This number will continue to grow, according to her. "We are planning to grow our suite of mutual funds over the next few years so that maybe we have about five to seven in rotation."



To further grow the fund opportunity, and sell more to retail investors, Nguyen points to a critical change that must take place going forward.

That is distribution. “Fund management companies like ours are typically quite small, with people constraints, and don’t have armies of people going out there to market our products,” she reasons.

Banks, she says, could be a solution but the problem is that have not been allowed officially to distribute these products. “The State Securities Commission is very favourable towards the bank being in this distribution game but the banks are regulated by the State Bank of Vietnam, and to date, no major banks have been licensed to distribute this product,” she laments.

The other wealth management product available on the retail market in Vietnam is managed accounts.

There is growing interest in managed accounts, particularly from the UNHWs, she says. “There’s a lot of wealth that is trapped in real estate or personal investments that could certainly be more formalised into wealth management in the form of managed accounts,” she reasons.

But as it stands, it is just too cumbersome to manage these managed accounts because there are not enough systems in place to handle vast numbers of managed accounts, she explains.

“I’d love to see some kind of trust structure to exist in this market so we could collect a bunch of high net worth

individuals and manage their managed accounts on an individual basis,” she says, “but at a trust level to reduce the complexity and cost to our ultimate customers.”

According to Nguyen, future growth in local wealth is likely to come from the upper middle to mid-upper class at this point in Vietnam’s evolution.

“The upper middle class would mean that you have to make enough money to then have certain savings, you have to have a decent amount in your bank account,” she says. “A lot of the money will come from the banks, who are flush with deposits.”

Vietnamese banks, she says, have so much in deposits that they generally have difficulties even meeting their credit targets for the year and are always buying government bonds because they don’t know what to do with a lot of that money.

“Anyone who has more than USD50,000 in the bank, we may see them going into real estate first, and then they may think about diversifying into funds,” she says. “But people who are below that threshold, we generally advise them to consider mutual funds.”

In addition to that segment are the high-income earners, who already have real estate, investments, private companies etc. “They still have a lot of cash because they’re wealthy,” she says. “And so that will continue to be a significant segment, not only for mutual funds but also for managed accounts as well.” ■