

# Vietnam - continues to develop, offering great opportunities for investors

*Kevin Snowball, Chief Executive Officer, PXP Vietnam Asset Management, reveals to Hubbis the size and scale of the Vietnam investment opportunity.*

**V** IETNAM REPRESENTS A TREMENDOUS INVESTMENT opportunity for investors across the board, according to Snowball. The country is the 15th largest in the world by population



KEVIN SNOWBALL  
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and has seen over a dramatic move up the value chain over the last five or six years, he adds.

“We have one of the fastest growing economies in the world at 6.8% last year, likely to be similar again this year,” he says. “We have a stable currency, and a trade surplus now, whereas a decade ago we had a trade deficit.”

According to Snowball, Vietnam is on a similar path to China, but probably 15 or 20 years behind it, where the country attracts foreign direct investment to modernise and industrialise. “Six years ago, the two major export earners for Vietnam were crude oil and garments and footwear, and there was no such thing as electronics on the export menu if you like,” he says.

But over the past six years there’s been a massive move into the electronics sector, he points out, to the extent that, for example, Samsung assembles somewhere around 50% of their global smartphone production in Vietnam.

This number represents about 20% of Vietnam’s total exports. This “sounds like a very high number but compares with roughly 17% of Korea’s total exports, so it’s not out of whack,” he explains.

On the capital markets side, Vietnam’s stock market is now seeing approximately three times the daily turnover compared to the beginning of 2017, Snowball points out.

“We have seen a large number of new IPOs, particularly from the private sector over the last nine months to a year,” he says.

In April this year, Vietnam Technological and Commercial Joint Stock Bank or Techcombank launched the nation’s biggest IPO that aims to raise as much as USD922



million and has attracted the whos who of global funds as cornerstone investors.

“Also coming we’re told in Vinhomes which is a subsidiary of Vingroup, the biggest property company, property developer in the country,” he says. “And there’s a whole list of (SOEs) state-owned enterprises which will be sold off over the course of the next two to three years I imagine.”

Snowball notes that Vietnam has a very determined aim to become an MSCI emerging market index component rather than an MSCI frontier one.

“For that to happen, we need to see an increase in the accessibility of the market because we still have foreign ownership limits, which need to be relaxed for MSCI to treat Vietnam as a serious contender for such a re-designation,” he says.

For investors looking to tap the Vietnam story, there are many different approaches, says Snowball.

One can come in directly into the market with one of the brokers, or access it via various products from ETFs to closed and open-ended funds, he says. “There is a large number, for example, of UCITS funds from Luxembourg particularly, and ETFs both local and off-shore. It really depends on what fits your risk profile.”

Regarding sectors or strategies that represent exceptional value in Vietnam today, Snowball says that PXP is sectorally agnostic and tries to pick the best available listed companies in Vietnam from a long-term perspective.

Founded in 2002, PXP Vietnam Asset Management is a boutique investment manager, which concentrates solely on equity investment in frontier-market Vietnam.

Of importance within these companies, from a qualitative perspective, is the style, the consistency, and the transparency of the management. “And the amount of due notice that they pay to minority interests and other forms of corporate governance,” he says.

Over the last year, PXP has been particularly keen on the better brokers in the country because of the bull market. Also, “across the market, one of the major things has been the recovery of the banking sector during the past year or so,” he says, adding that PXP participated in the Techcombank IPO.

“Our biggest hold for the last 15 years has been (dairy firm) Vinamilk and as long as that continues to be the best quality or the highest quality company in the country I’m sure that we’ll continue to own that,” he states. ■