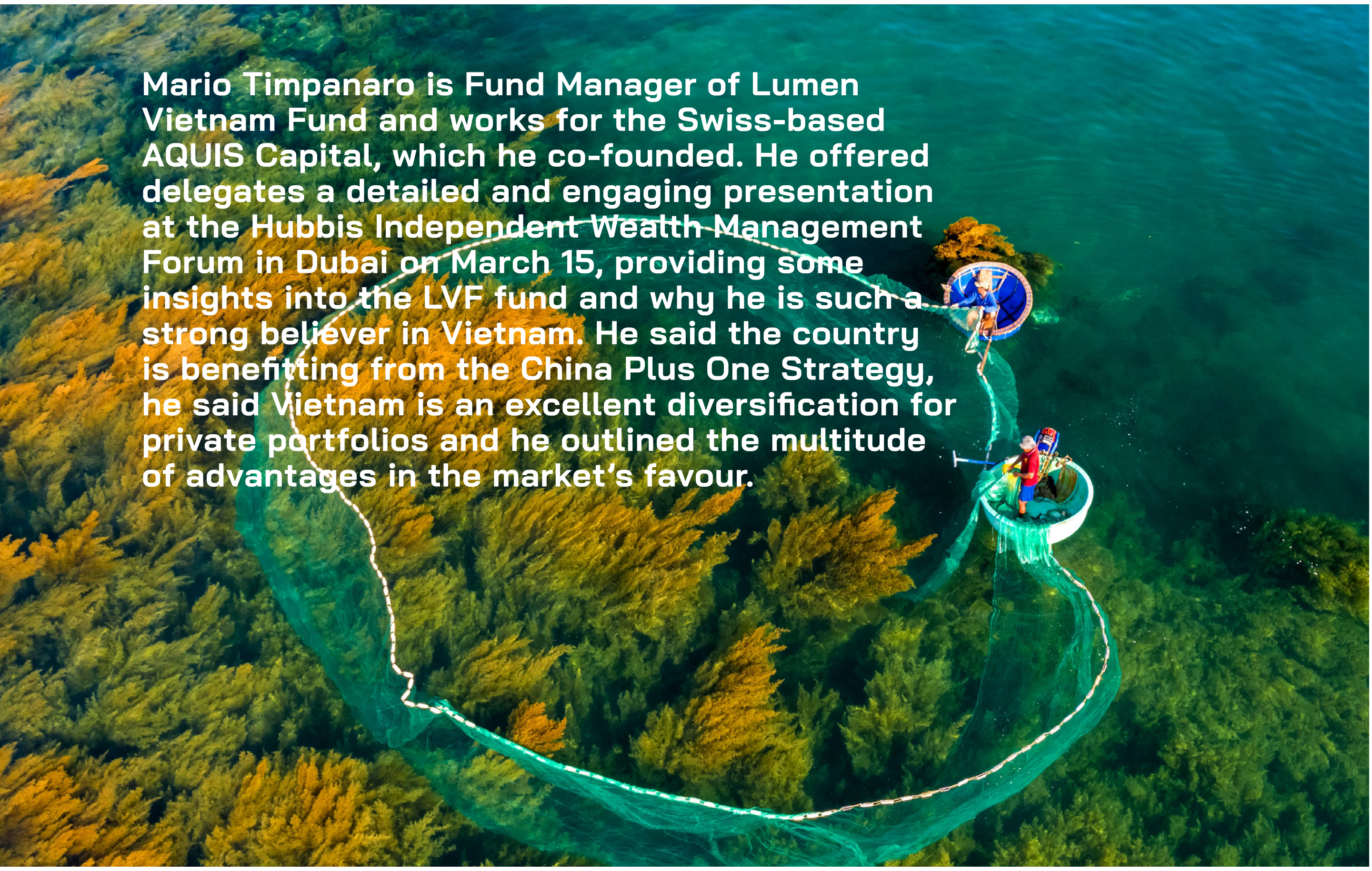
Vietnam – The Investment Pearl in Southeast Asia as Viewed by Mario Timpanaro of AQUIS Capital AG



Mario Timpanaro is Fund Manager of Lumen Vietnam Fund and works for the Swiss-based AQUIS Capital, which he co-founded. He offered delegates a detailed and engaging presentation at the Hubbis Independent Wealth Management Forum in Dubai on March 15, providing some insights into the LVF fund and why he is such a strong believer in Vietnam. He said the country is benefitting from the China Plus One Strategy, he said Vietnam is an excellent diversification for private portfolios and he outlined the multitude of advantages in the market's favour.

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AQUIS Capital is the Investment Manager of the Lumen Vietnam UCITS Fund, which began life in 2012 and that invests in listed equities in Vietnam. Mario Timpanaro has been Fund Manager since its inception and today it is a roughly USD250 million strategy. He is one of the three founders and partners of AQUIS Capital, and he is also responsible for the firm's emerging markets investments.

Under his leadership, LVF was the first Vietnam focused equity long-only fund worldwide to receive the UCITS label, back in 2013, and later became the first such fund to invest according to ESG criteria. Mario has in recent interviews with Hubbis explained that he believes that with a major disconnect between Vietnam's rapid growth and huge potential and the stock market's valuation (languishing at two standard deviation under the average of the last l 8-year lows), the time is ripe for private investors to buy into the market. He also maintains that the LVF fund he oversees is the right vehicle, based on their market leading performance and their long experience.

Mario himself previously worked as a portfolio manager at Würth Finance, with Vogt Asset Management AG and also CBR Investment AG, where he played a key role in the launch of the Lumen Vietnam Fund, which he continues to manage with considerable success as the responsible portfolio manager.

Mario studied at the KV Zurich Business School and then attended the famous INSEAD in Fontainebleau (Paris). He started his career in 1987 as a market maker for Japanese convertible bonds and warrants for Bank Julius Baer in Zurich, and in 1992 he was appointed by the Board of Directors of Bank Julius Baer to set up the derivatives department. He is an educated and passionate chartist, as this helps him recognise the important trends in the international financial markets from a very early stage.

He told delegates in Dubai how although he is based in Zurich, AQUIS has its 100% company-owned Vietnam Holding Asset Management and its team on the ground in-country to provide objective and independent analysis and advice.

Armed with an excellent slide presentation, Mario said that Vietnam is a country on a formidable growth path, and that, albeit from a modest base, Vietnam is becoming an increasingly important country for inward portfolio investment by both leading asset management entities and also private investors. But accessing the right investments and the right research and information requires specialists, hence the importance of actively managed funds such as the LVF, which fulfil some of this rapidly rising investor demand.

He noted that Vietnam is home to approaching 100 million people – the 14th largest population in the world – and the people are young, with an average age of 32, they are relatively well-educated, and eager to work and succeed. These highly appealing demographics are proving a magnet for the growing number of global and international companies moving to Vietnam in recent years and bringing with them both large amounts of FDI and also technology and expertise.

"The potential is enormous, and this is a great time to enter this market, given the valuations and also the diversification that Vietnam represents in portfolios."

Vietnam, Mario reported, grew 8% last year alone, and is performing well. He briefly articulated the evolution from a largely agrarian country to a modernising and diversifying economy that, for example, counts Samsung as a major producer, making 65% roughly of the group's tablets or phones with its approximately 200,000 employees in the country. Nike, Adidas and others make sporting goods, clothes and shoes. And the economy is continuously moving up the value chain.

"Who is investing in Vietnam today and what is the future for inward flows?" he pondered, rhetorically. He answered by reporting, for example, that LEGO had invested

USD1.3 billion, creating 4000 new jobs in the process. Chinese factories were again opening around the country after the Covid-19 hiatus, and Japanese corporate investors had surged to become the number one FDI provider, the first time it had taken that position since the Lumen Vietnam Fund was created some 10 years ago.

He outlined key themes such as industrialisation, rising domestic consumption, the strong demographics, urbanisation, the expansion of education, healthcare and leisure, the growth of the financial sector, and so forth. He said that while Vietnam remains a Frontier Market, it is heading steadily towards EM classification.

Mario explained that Lumen's stock picking is based on sound and deep analysis and that Vietnam is valuable in any portfolio with its low correlation to other markets. And he offered delegates some insights into the current portfolio, before focusing in on valuations and timing, reporting that compared to peers in Southeast Asia, the market trades at a more than 20% PE discount based on their estimated 12.6 times forward PE, which is low compared also to the 8 -year historical average.

For further reading on Mario and the Lumen Vietnam Fund see this recent Hubbis article:

[The Attractions of Vietnam's Equity Market and why the Country should be on Private Client Radars]

For a more detailed look at the country and the LVF, see this AQUIS generated PDF:

http://pdf.hubbis.com/pdf/aquis-lvf-dubai-presentation-mt.pdf

He said that not only should the market re-rate, but the momentum of Vietnam upgrading from a frontier to an emerging market in the future will bring more institutional money from overseas, and more impetus generally. While the stock market is heavily driven by somewhat fickle retail money, more institutional money is coming in and the market is gradually evolving towards a valuation-based environment, which will benefit Lumen.

Mario added that China's reopening will also help Vietnam, as they are neighbours, and tourism from China will surge. And he noted that while the economy continues to diversify, the country's resilience has helped the domestic currency perform relatively well, the Dong losing only 3.5% against the US Dollar in the past year. Moreover, relatively high interest rates have kept household debt down with total debt less than 45% of GDP, and of that national debt only 38% is in dollars, in other words far lower than most other peers in the region.

He pointed to key drivers for the market, including the modest to low valuations, the macro environment, the China plus one strategy, strong government finances and infrastructure investment budgets, and of course the upside potential of rising from USD3800 GDP per capita to nearby Thailand's current USD18000 GDP per capita. "The potential is enormous," he concluded, "and this is a great time to enter this market, given the valuations and also the diversification that Vietnam represents in portfolios." ■