

VinaCapital's Eric Levinson on His Strategic Vision for Navigating Vietnam's Investment Landscape

In a comprehensive exploration of VinaCapital's strategic foray into the burgeoning Vietnamese market, Eric Levinson, Deputy Managing Director and Head of Business Development at VinaCapital, offers an in-depth analysis of the firm's investment philosophy, and Vietnam's broader economic landscape. Hubbis met with Eric again in February 2024 for a discussion about VinaCapital's adept integration of local market insights with global investment standards, the detailed architecture of its flagship funds, and the firm's broader engagement strategy aimed at harnessing Vietnam's dynamic economic potential.

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ERIC LEVINSON
VinaCapital

Opening the discussion,

Eric shared VinaCapital's unique position in the market, emphasizing its dedication to bridging local insight with global investment principles. This approach has enabled VinaCapital to curate a portfolio of investment vehicles tailored to meet the diverse needs of international and domestic investors alike.

Flagship Funds and Investment Focus

Delving into the specifics, Eric introduced the trio of flagship offshore funds that underscore VinaCapital's investment strategy:

The [VinaCapital Vietnam Opportunity Fund](#) (VOF): Established in 2003 as a closed-ended investment company and a proud constituent of the FTSE-250,

VOF's shares enjoy liquidity on the main market of the London Stock Exchange. The fund's strategy encompasses growth equity investments in a spectrum of assets ranging from listed and private equity to state-owned enterprises (SOEs), adopting a long-term, active investment stance. VOF is renowned for securing significant minority positions in Vietnam's leading private entities, underscoring its commitment to fostering economic growth and prosperity.

The [VinaCapital Vietnam Fund](#) (VVF): Operated as an actively managed UCITS fund, VVF invests exclusively in the public equities of Vietnamese companies. The fund's investment philosophy is anchored in generating long-term sustainable capital appreciation through meticulous bottom-up stock selection and rigorous risk management practices. Notably, VVF is classified as Article 8 under the European Union's Sustainable Finance Disclosure Regulation (SFDR), testament to its integration of Environmental, Social, and Governance (ESG) considerations into the investment process.

The [VinaCapital Vietnam Access Fund](#) (VAF): Registered in the Cayman Islands, VAF predominantly allocates its assets to the VinaCapital Equity Special Access Fund (VESAF), a Vietnam domiciled open-ended fund. VAF's innovative feeder fund structure empowers

foreign investors to bypass foreign ownership limits and invest as if they were local investors. In addition to VESAF, VAF facilitates investing in a diverse array of assets including equities of Vietnamese listed companies, and pre-IPO stocks. The fund's strategic focus on small to mid-cap companies, especially those with limited coverage or that have reached their foreign ownership limit (FOL), offers a unique avenue for investors to tap into the burgeoning potential of Vietnam's market.

Articulating the Opportunity

Eric then turned his attention to why the market is so appealing to investors. He notes Vietnam's standout performance due to strong economic growth, corporate earnings, and competitive valuations. This positions Vietnam as a prime investment target, offering both current performance and growth potential, essential for investors' equity risk strategies. He highlights Vietnam's economic progress through its commitment to the East Asian model of development, driven by foreign direct investment (FDI) and export-led growth. Notably, significant investments by global corporations like Samsung, Intel and Foxconn have marked Vietnam's continued progress with high-tech manufacturing, boosting exports and wages, and fostering a growing middle class.

« *“Vietnam has a strong relationship with both China and the US,” and by navigating these relationships adeptly, “Vietnam is able to chart its own course.”* »

Additionally, Eric points out the significant role of urbanization and strategic government policies in shaping Vietnam's economy. With a 38% urbanization rate, the country is experiencing a labour shift towards cities, supported by government efforts to attract large institutional investors. This synergy has created an attractive environment for business, making Vietnam an appealing option for international companies looking to leverage its dynamic economy, demographics and skilled workforce, all of which are attractive to FDI companies who are deciding on their "China +1" strategy.

Proven Performance

Eric then delved into VinaCapital's investment approach. Highlighting the firm's UCITS fund, he points out its notable outperformance against the benchmark over every time period. It is important to note that while the Vietnam Index was up only 1.3% per annum in the past three years ending January 31, VVF increased 11.6% per year over the same period. He noted that in Vietnam, it is important to have an active approach to be successful.

VinaCapital's VVF UCITS investment strategy is meticulously crafted, focusing on a select portfolio of 25 to 30 companies from the approximately 1,700 publicly listed entities in Vietnam, he reported. The firm boasts a robust research team and portfolio managers, all of whom are Vietnamese, based in Ho Chi Minh City, emphasizing a deep-rooted understanding of the local market. This team's expertise allows for a granular, stock-by-stock portfolio construction, with sector allocations emerging as a natural outcome of this bottom-up selection process. Currently, the firm favours

Key Priorities

For Eric, a key priority in the forthcoming year is to fortify and broaden engagement with the private wealth community, particularly family offices, wealth managers, and private banks in Asia. This initiative aims to provide these entities and their clients with invaluable exposure to one of the world's most rapidly expanding markets, underscoring the potential growth and opportunities within Vietnam.

Another significant objective for Eric is to enhance the understanding of Vietnam's true economic landscape among potential investors and the broader community. By dispelling outdated stereotypes and showcasing the country's vibrant and dynamic economy, he hopes to encourage those who live within a few hours' flight of Vietnam to visit and see for themselves the transformative changes taking place. He believes this first-hand experience is pivotal in changing perceptions and fostering a deeper appreciation for the investment opportunities the country holds.

Eric also touched on the challenges that sometimes deter investment in Vietnam, such as misconceptions about the market being too narrow or not included in commonly used investment benchmarks. He noted that while some investors may hesitate due to these perceptions, there's a growing interest, particularly as foreign direct investment shifts from China to Vietnam, signalling a greater openness and willingness to invest among those previously unconvinced. Through these efforts, Eric aims to not only highlight Vietnam's investment allure but also address and overcome the hesitations that may have previously kept potential investors at bay.

sectors such as banking, information technology, and logistics, all chosen for their alignment with domestic consumption trends and the strength of their management teams.

Addressing the broader spectrum of engagement options for clients, including single or multifamily offices, Eric outlines VinaCapital's solutions beyond mutual fund investments to tap into Vietnam's growth. He highlights the availability of ETFs, segregated accounts, and alternative asset classes like venture capital, private equity,

renewable energy, and logistics, which target investors looking for ways to complement their public equity exposure with non-correlated returns. This diversity in asset classes underscores VinaCapital's unique position in managing both public and private market assets, tailored to meet varying liquidity needs and investment preferences of family offices.

Further expanding on VinaCapital's operational footprint, Eric highlighted the firm's strategic outpost in Singapore. "Contrary to being a sales hub, the Singapore



Getting Personal with Eric Levinson

Having joined the firm in April 2020 and making the move to Ho Chi Minh City in July of that year, Eric brings three decades of experience to his role. Before joining VinaCapital held senior roles in management, sales, and strategy as a Managing Director at AllianceBernstein, Hartford Funds and New York Life. He earned a BA from Occidental College in Diplomacy & World Affairs, with a Minor in Asian Studies.

Beyond the boardroom, Levinson is a passionate traveller and has visited over 50 countries and is very excited to be able to resume exploring the world. He also reports that he enjoys a round of golf. “I’m playing more golf actually. And sadly, not improving at all,” he quips.

Having now lived in Vietnam for nearly four years, Eric expresses a fondness for his adopted home. “I love being in Vietnam, it really is a wonderful place to live,” he shared. Despite the bustling streets of Ho Chi Minh City, Eric said he has been successfully navigating the traffic of Ho Chi Minh City through the use of his scooter, albeit “sparingly,” he admitted, a consequence of the infamous nature of the city’s traffic.

office plays a pivotal role in facilitating the flow of international investments into Vietnam,” he explained. This setup facilitates VinaCapital’s strategic approach to investment management, ensuring seamless international client engagement while centralizing investment decisions and management within Vietnam.

Defeating Assumptions

Speaking about the investment climate in Vietnam, Eric offered a compelling narrative that invites a re-evaluation of common perceptions regarding the Vietnamese market. With a tenure of four years in Vietnam, Eric’s insights stem from firsthand experience and ongoing dialogues with prospective investors, many of whom initially approach the market

with preconceived notions about its scale and liquidity. “People don’t know much about Vietnam,” Eric observed, highlighting a prevalent underestimation of the market’s size and dynamism when compared to other frontier markets.

Contrary to these initial assumptions, Eric revealed that by nearly every metric, Vietnam is an emerging market. “We are anticipating an upgrade by key financial indices like FTSE and MSCI in the near future,” he noted. Whilst there are existing foreign ownership limits, which pose challenges for large institutional investments in certain sectors, Eric emphasized Vietnam’s market liquidity and size far exceed common perceptions. Through sharing statistics and educating investors, Eric notes a significant

shift in attitudes. “We find that many people are much more open to single country investments than they would have been otherwise.”

Addressing the evolution of local fund management in Vietnam, Eric pointed to a burgeoning domestic asset management sector, with a noticeable increase in the number of domestic asset managers and bank-affiliated asset management initiatives. This growth indicates a rising interest in developing asset management products suited to the Vietnamese market’s unique needs. However, Eric identified a critical area for development: “One thing that Vietnam does need is

a more robust pension plan or savings plan,” he states. “There are existing frameworks, but they are hampered by limited utility and appeal.” Enhancements to the government’s pension program, he reports, is a pivotal factor in the asset and wealth management industry’s maturation.

Vietnam’s Unique Development Path

Bringing the conversation to a close, Eric addressed the frequently asked question about Vietnam’s comparison to China. “No, Vietnam is, in a sense, the next Vietnam,” Eric notes. He highlights the strategic

balance Vietnam maintains in its international relations. “Vietnam has a strong relationship with both China and the US,” and by navigating these relationships adeptly, “Vietnam is able to chart its own course.” This strategy allows Vietnam to attract diverse foreign investments and learn from the development models of other Asian countries like Singapore, Thailand, South Korea, and Japan. Vietnam is carving out a unique trajectory in the global landscape, leveraging the world’s growing interconnectedness to establish its own identity. “Vietnam is set to take its own path,” he concluded. ■

