

# Wealth Management in Vietnam – Understanding the Opportunities, Rising to the Challenges

Albeit from a modest base, Vietnam looks set to eventually become a rising wealth management market star in Southeast Asia. It will take time and patience on behalf of the incumbents and the newer players who will be attracted to compete there, but with years of robust economic growth already and an incredibly industrious population of over 100 million, it will happen. Indeed, Vietnam’s wealth management market is growing, encouraged by regulatory changes, the increasing expertise and drive of local professionals, rising private wealth across all segments, retail banks and securities firms upgrading and enhancing their platforms and propositions, and the fledgling asset management industry slowly developing new investment options. All these developments are bringing diversity and opportunity as Vietnam’s private clients – from mass affluent to UHNWIs - demand more variety and more sophisticated solutions. But where exactly is the market today, where has it come from, and where is it heading and at what pace? These and many other topics were debated by our panel of experts at the Digital Dialogue of August 27. The consensus amongst them was one of measured optimism, aligned with realism that Vietnam’s wealth market still has many years of catching up to nearby countries such as Thailand.



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### Building a sustainable

wealth management business in any country, especially one that is today considered a frontier market on its way to becoming an emerging market, is challenging. It means drawing together the optimal range of products and services, building teams and expertise, defining and executing strategies that work for the market, then achieving outstanding delivery and enhancing the user experience. These challenges, and numerous others, are never easy to overcome.

The mission for the panel was to address a host of questions on how this can be achieved. Where is Vietnam's private wealth market, and how does it compare to nearby, albeit more advanced ASEAN countries, such as Thailand? What progress have the regulators made in helping develop the wealth management market? What is the competitive environment amongst banks and other advisory firms today, and what do market players anticipate? How will the country balance the development of onshore and offshore investment activities? Is there enough talent locally? Are there enough investment product opportunities? What are the regulators doing, helping or hindering progress?

As Vietnam's economy and private wealth, and indeed population have all expanded rapidly in recent years, at least until the pandemic hit, are the country's wealth management firms, HNW and UHNW clients embracing the future appropriately, and is the nascent wealth management industry catering to their needs appropriately?

A Vietnam wealth management veteran opened the discussion in earnest, remarking that he had

#### Expert Opinions on the Investment Environment

##### **GAURAW SRIVASTAVA, Head of Affluent Banking & Wealth Management, VPBank**

"Vietnam ranked second in the top 10 fastest growing wealth markets from 2010 to 2019. You can see the growth in high-end consumer spends and premium lifestyle. There are reports estimating over 15,000 millionaires in Vietnam and this number is expected to double by 2026. They have businesses and families around the world. They have all appreciation for valued advice to manage and grow their wealth. Besides HNW millionaires, Vietnam also boasts 35% millennials – young, dynamic consumers and savers. They have dreams and value goal-based investing to achieve them. Putting together, Vietnam offers exciting opportunities for Wealth Management business across customer segments so long the solutions are well-tailored to cater to specific client needs and behaviour."

##### **ERIC LEVINSON, Deputy Managing Director, Head of Business Development, VinaCapital**

"The Vietnamese wealth management industry is still in its early days, and the opportunities for growth continue to be enormous. In a market where banks have been able to consistently offer high deposit interest rates, wealth management firms need to focus on educating potential customers about products and their benefits."

##### **LE THI LE HANG, Chief Executive Officer, SSI Asset Management**

"Regarding the key players in the market, local asset managers and international managers as well as life insurance companies, we are seeing more and more international asset managers setting up their offices in Vietnam and obtaining licences. These are players that already have international experience and their operations outside of Vietnam already established; they can bring all those experiences and expertise to Vietnam to offer to local clients. As to what products and services are available today and how this is developing, mutual funds and ETFs are available, but the local clients are so used to short term investment that the customers here will need a lot more education. In terms of private banking in general, we see more development there than before where banks try to offer a wider range of services and advice to clients."



been there since 1989 when the country was listed as one of the poorest in the world.

"Ho Chi Minh city at that time was very basic indeed, but it had an energy," he recalled. "The average

per capita income was below 200 US dollars a year, but what we and others could see was a country of immense energy, drive and potential. Well, we were right. Today, less than 10% of the population are below the World Bank poverty line, we see numerous high-rise buildings from our windows, property and land prices have escalated dramatically, the nation's infrastructure is dramatically better, the economy has been growing apace for two decades or more, and we have one of the fastest-growing middle classes in the world, whilst the population is rising fast."

Another guest highlighted how his firm was all about offering investors from the world over access to Vietnam via private equity, mutual funds, equities, public market bonds, and ETFs.

"After 20 years," he reported, "we have roughly USD3 billion under management in various asset classes. The opportunities are immense. The demographics show nearly 100 million people, nearly 60% under 35 and a fast-growing middle class. I arrived here with this firm only in April, armed with the perspective of what has been achieved in other countries, how asset management and wealth management have developed elsewhere, and we can see the mistakes to avoid and the opportunities to grasp. We can assess how to create solutions for the mass affluent, for the HNWIs and for the UHNW clients. We can position ourselves to partner with product creators, banks and distributors."

An expert reported that efforts to build a bank-originated wealth management business had been bearing fruit rapidly, with more than 75,000 customers signed up within less than three years, managing

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**GAURAW SRIVASTAVA, Head of Affluent Banking & Wealth Management, VPBank**

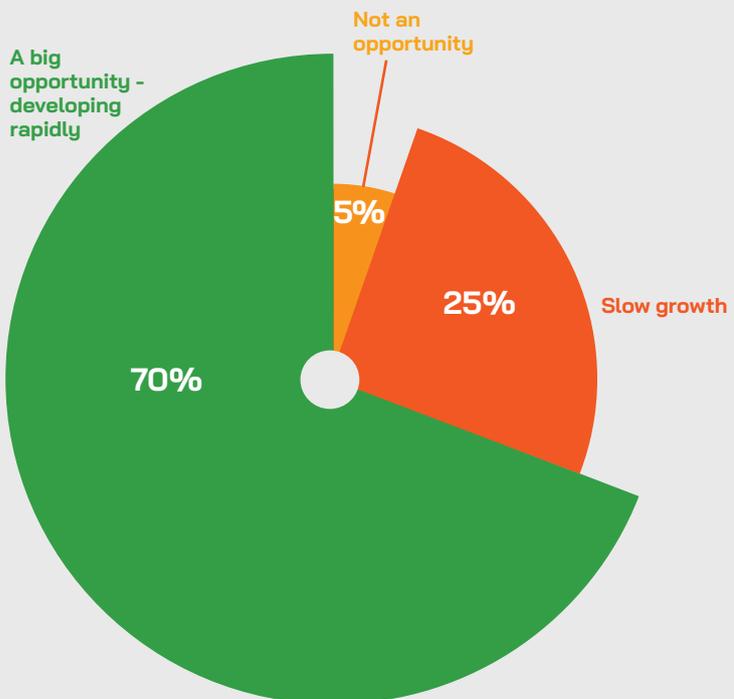
"Many banks in Vietnam are gearing up to segmentation from general retail and corporate banking. They realise the diverse needs and demand from different segment of customers, and they need to customise their products and solutions to attract and retain customers. Many major banks have gone into Priority banking, and some are moving notch further into Private Banking and Wealth Management. There are prominent asset management and securities companies who are expanding the distribution network. Bancassurance has been a great example to showcase how banks leveraged on their client bases to offer protection solutions, beyond basic banking products."



*The Hubbis Post-Event Audience Survey: Views from the Market*

**HOW DO YOU SEE THE WEALTH MANAGEMENT OPPORTUNITY IN VIETNAM DEVELOPING?**

**Very clearly, there is great potential in Vietnam ahead, but patience and fortitude will be required.**

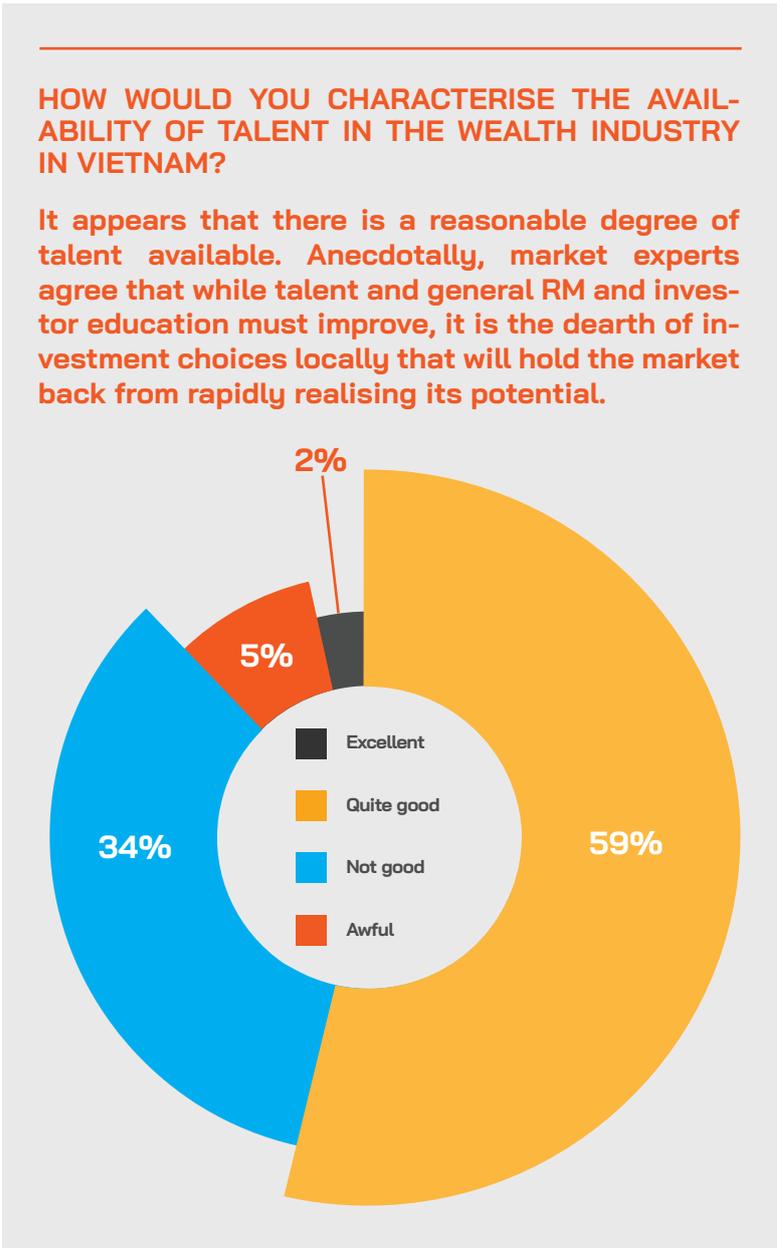


over USD6 billion of assets. “There are also more players coming in,” he reported, “which is positive for the overall industry.”

He explained that Vietnam actually has a strong coterie of UHNW clients, growing HNW and mass affluent numbers, and a young demographic that wants to invest more for its future. “We see that most of these clients have deposits as the first priority and that gives us the opportunity to engage with them on their goals, on their plans for wealth management, family office requirements, future investments, next-generation legacy planning, and so forth. This gives us a perfect opportunity, and as a bank and having a good ecosystem of partners, we can help them in many areas.”

The same guest reported that whereas deposits in most markets are unappealing, in Vietnam, the risk-free return levels are still hovering at around 7% to 8%. “And for those clients wishing to take more risk, we can engage with them on basic alternate products like bonds, mutual funds, and so forth. While for those with much higher risk appetite, many are getting into the securities trading themselves, some are into the private equity and venture capital spaces, remembering here that the range of public-listed equities and securities is slim. There is plenty of money on the table, and so, from an offering standpoint, we provide products across the table, starting from fixed income products, going into the listed space, managed accounts, portfolio management, and then private equity and venture capital.”

An expert who had been plying his trade in the local wealth



management scene for some 12 years noted that the range of products and solutions on offer is slim, but noted that it was only in 2014 that the government allowed open-ended mutual funds. “We are still in need of educating the market on funds, long-term investing and all these areas,” he explained. “Investors in Vietnam tend to be more short-term oriented, but gradually for the middle-income class, we are in the last two years seeing more and more interest

into the mutual fund market, more interest in the life insurance market, actually bancassurance specifically.”

Nevertheless, he reported that trading volumes in the equity market locally remain fairly low and that to better sustain the market, more institutional investors are needed. “The government is helping,” he remarked, “but much more needs to be achieved.”

An expert noted that local investors are currently not allowed to

invest outside of Vietnam, while professional asset managers would need to get approval from the Ministry of Investment Planning as well as approval from the Central Bank so that they can send money outside Vietnam. So, being able to invest outside of Vietnam is actually quite difficult. "Hence almost all retail investor activity is local, and there are good opportunities, it is just that they need to be mindful about due diligence and finding the right investment opportunities for their goals and needs."

He added that the asset management business is somewhat hampered by high interest rates, making it tough to achieve nett returns above risk-free rates. "That of course makes it a lot more difficult for asset managers to deliver the performance that is required by the investors themselves," he reported. "Especially in times of volatility and uncertainty."

A fellow panellist explained that so much of Vietnam's wealth has, like across most of Asia in recent decades, been made from land and property. He recalled how an area of Ho Chi Minh City where many expats live and where international school are located, had seen land prices rise more than 330 times in value in the past 25 years. "We see the same with residential properties," he reported, "with new apartments sold out in days, and prices of approaching USD10,000 per square metre today for prime areas. If you bought property early or you're speculating and move in and out on new developments, there are big opportunities."

Another major driver of economic expansion and private wealth

*Expert Opinions on the Investment Environment*

**LE THI LE HANG, Chief Executive Officer, SSI Asset Management**

"Regarding the key developments in Vietnamese wealth and asset management market, in the last year there has been more interest in retaining a professional asset manager to help investors with managing wealth. But clients are still less interested in mutual funds and tend to be more interested in quick returns rather than long-term investing."

**GAURAW SRIVASTAVA, Head of Affluent Banking & Wealth Management, VPBank**

"According to the Vietnam Securities Depository, since the beginning of 2020, there are a record-breaking number of new securities and trading accounts being opened. There are mixed reasons like sharp recovery in the stock market, suspension of business activities lead to sparing time and opportunities for stock trading and investments etc. As a result, there is a tremendous increase in interest level old and new investors. They are open to discuss various investment channels and not only limited to real estates. Falling interest rates on bank deposits is a catalyst for the growth of the capital market and alternative investment products. With banks' focus to reduce interest rates to support lending business in Covid situation, investors are exploring alternatives to bank deposits to maximise their returns."

**LE THI LE HANG, Chief Executive Officer, SSI Asset Management**

"Wealth is being created in the equity market when the market hit bottom in March. There was quite a lot of new money inflow into the market from local investors. Also, we see more activity in the corporate bond market."

**ERIC LEVINSON, Deputy Managing Director, Head of Business Development, VinaCapital**

"Vietnamese investors tend to be short-term oriented or focused on traditional assets like gold and property. The asset management and wealth management industry must do a better job educating these investors about the products on offer – the risks and benefits, and the role they can play in strengthening their personal finances over the medium and long terms."



is of course businesses that have been propelled by national economic growth averaging

more than 6% per annum for the past 30 years. "Businesses have grown very fast and even those

that are listed are often still family-controlled,” he noted.

Another guest noted that there are significant restrictions on foreigners owning land, condominiums, and other businesses, especially in certain segments. “The attitude to foreigners in Vietnam is actually that the people are generally very receptive to foreigners coming in to invest and do business, but the government wants locals to run those operations that can be run without foreign capital or technology or expertise, to develop local skills and experience. Foreign investment is a key part of Vietnam strategy, but foreigners need to bring something to the table, it needs to be balanced.”

A guest remarked that in Vietnam, it seems that wealth is being created faster than the development of the capital markets, but that with further education and liberalisation, there will be more and more opportunities. Moreover, if as has been happening interest rates inch downwards, the equation for the securities markets will be more favourable.

“The opportunity for the asset and wealth management community is there to help people shift their thinking from short term profits to long term goals,” he stated, “but the reality is that is certainly easier said than done. We need to focus people on their personal goals, not beating a benchmark, so saving for college, buying a home, buying a car, those same goals that people have around the world, but realistically this all takes time, years probably. We are making progress, but it is step by step.”

A guest highlighted some of the product delivery channels, for

*Expert Opinions on the Investment Environment*

**LE THI LE HANG, Chief Executive Officer, SSI Asset Management**



“Where are the main opportunities and challenges? As we see it, the opportunities to invest in the market are abundant. The challenges are mainly in how to identify the right investments and pursuing the right research and due diligence.”

*The Hubbis Post-Event Audience Survey: Views from the Market*

**HOW WOULD YOU CHARACTERISE YOUR CLIENTS’ APPETITE FOR MAINSTREAM FINANCIAL INVESTMENTS IN THE AFTERMATH OF CHALLENGING MARKET CONDITIONS DURING THE PANDEMIC?**

**The investment market in Vietnam is rather basic, products are limited and risk-free deposits generally offer over 7% for one year, so local investors have been perhaps less exposed to volatility than in other regional markets, hence the general sentiment of positivity, tinged with some appreciation of necessary caution.**



example asset management firms and product creators working with intermediaries, primarily banks, and also with some of the insurance companies and securities companies.

“Working with the intermediaries is much more scalable,” he reported. “It makes more sense to work with a bank committed to wealth management and with relationship

managers across the country. We have many clients that choose to work with us directly but if you think about growing the business, the opportunity and the scale really comes in by partnering with such operators that can offer broader distribution. We don't see this as an either or proposition, we think of it as how do clients want to engage with us, either directly or through an intermediary, and we will do everything we can to support that choice. Moreover, with the demographics and so many younger people growing their wealth, digital delivery and connectivity is essential, and certainly a growing focus for us."

Another expert highlighted the need for segmentation to deliver the right products and solutions to the right clients.

"My experience is that each of these client segments have very different and unique needs," he observed. "For instance, when we engage with the millennials and their families, we need to understand their lives, their objectives, then we can open up on asset allocation, a broader approach, their succession planning, and so forth. We need to emphasize the power of compounding, the value of setting goals, portfolio management. We will continue to develop a hybrid model, to ensure that those clients who need a human touch have discussions, a deeper down view. We need best-in-class RMs and advisors who can engage with them to offer them the best products, solutions and advice. And for the mass affluent market, scale is required and with 250 branches across Vietnam, and a very strong digital framework, this institution is in a very strong

*Expert Opinions on the Investment Environment*

**LE THI LE HANG, Chief Executive Officer, SSI Asset Management**

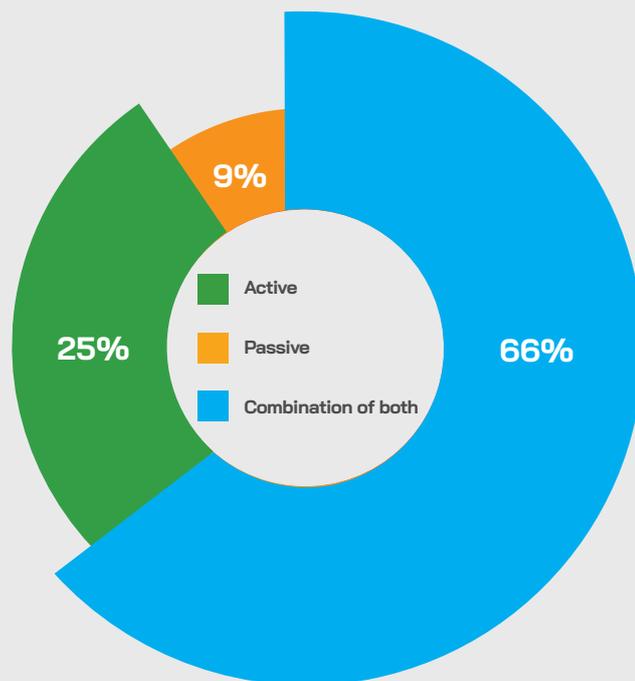
"At to the evolving demands and expectations of clients as their wealth increases, well, the clients are clearly much savvier than before. The requirement for returns is quite high such that the nett return has to be higher than saving rates. And usually, the term of investment is one year or less, so clearly, clients here are not very much long-term investors yet and need to look to diversify their investments as well as taking a longer-term perspective."



*The Hubbis Post-Event Audience Survey: Views from the Market*

**DO YOU THINK THAT VIETNAMESE PRIVATE CLIENTS ARE MORE INTERESTED TODAY AND IN THE FORESEEABLE FUTURE IN ACTIVE OR PASSIVE FUNDS?**

**Vietnam's investors are relatively less knowledgeable than in other ASEAN markets, hence they need additional guidance on investing for the longer-term, and accordingly there is an opportunity to encourage more investors into the financial markets and to active and even possibly discretionary portfolio management.**



position. Moreover, the pandemic has actually helped to fast track the adaptation of digital. So, to summarise, segmentation, tailored products and digitisation are our current priorities.”

A panel member commented that in his view the opportunities for both local and international asset managers are abundant. “With international asset managers when they come to Vietnam, I think the biggest hurdle will probably be the fund ownership limit, and also how they actually have access to the local clients. There is a huge population here, but very few have invested in the capital market so far, so there is much work to be done to educate and to boost the capital market too. Partnerships between international and local firms to align experience and local knowledge and expertise are very valid. It should be a win-win situation. More international asset managers here will see competition intensify, but I think that is good as we need to enlarge the market, and we need more education and more knowledge. This is all good for all parties.”

A panellist commented that the responsibility for developing the capital markets rests on all parties, including the regulators and the government, adding that state-owned enterprises already listed should sell down stock to boost liquidity and free float. “Liquidity is actually a push from the regulator and from the financial investment perspective or the asset management perspective, so again I think we need more education session, we need to educate the investors more in terms of changing the investment horizon from a short

term investment horizon to a more longer term view, we need to boost understanding of asset allocation, and we need customers to see their goals and take long-term views, while the market’s products and liquidity also increase. Systematic investment planning will certainly help as we simultaneously deepen and enlarge the market.”

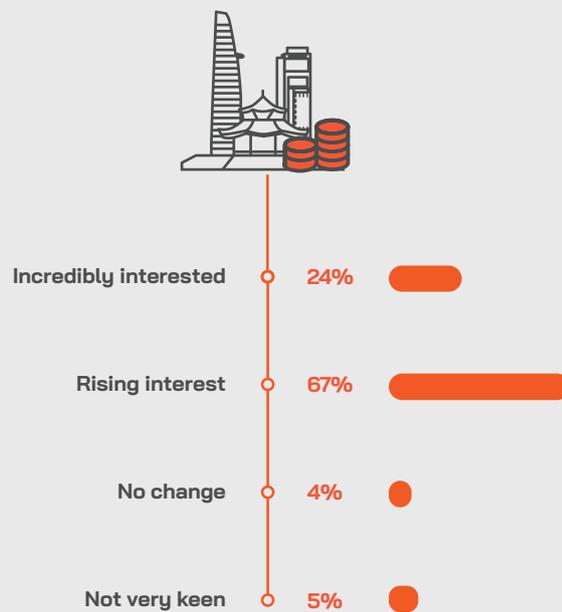
A fellow panellist added that he has high hopes for the opening of the

market to more external investment, at first by the institutional type investors and the very wealthy, and later on by a broader cross-section of the population. “But for the time being,” he remarked, “this is a rather grey area.”

The final word went to an expert who called for tax incentives, a more sustainable, growing capital market, more long-term products and more pension and savings type funds.

**HOW INTERESTED DO YOU THINK VIETNAM’S PRIVATE CLIENTS ARE TODAY IN INTERNATIONAL INVESTMENTS (IF THEY BECOME MORE READILY ACCESSIBLE)?**

**This is a somewhat hypothetical question, as any investors that want to investor overseas have to obtain approvals from a variety of government agencies and bodies, and this is generally very unlikely. In short, until the authorities change their viewpoints, the investment arena for Vietnamese local investors will remain local, therefore creating additional need for greater diversification of products and solutions in the home market.**





*Audience Perspectives*

Hubbis sent out a post-event survey to attendees of the discussion, asking them for their views on the evolution of Vietnam's wealth management market and what needs to take place for the market to move ahead more dynamically in the coming years. We have selected the following insights from their replies to our two key questions.

**HUBBIS: HOW WOULD YOU CHARACTERISE THE OPPORTUNITY IN VIETNAM FOR THE DECADE AHEAD FOR YOU, AND WHY?**

- » There is a huge opportunity in Viet Nam for independent wealth managers.
- » A growing opportunity, with the older generation also looking to hand over the wealth and younger generations looking at exploring new investment opportunities.
- » I see Vietnam as an opportunistic market, similar to what Thailand and Malaysia used to offer international asset managers many years ago.
- » There is tremendous growth ahead, especially in the millennials and others where personal worth has increased and they are also increasingly looking outside for investments and funds and structured wealth management products, as and when allowed by regulators.
- » There is really massive potential ahead. The pandemic also means that RMs from Singapore are unable to travel, currently reducing the competition.
- » We see more US-linked industries moving out of China to countries like Vietnam, Thailand and so forth, so the coming decade will be booming for Vietnam.
- » I can see a lot of opportunities in the private banking scope in Vietnam as the Vietnamese are sophisticated, young and the growth that we have seen in the country for the last 30 years has been amazing. The important issue is the possibility that regulators will allow international companies to partner with local companies in providing financial services and the reduction of capital controls which they are in place today. I believe it will happen.
- » It is a good structural story. It is opening up slowly, but the market size remains a challenge for big players to enter.
- » The government needs to loosen the regulations with respect to



foreign participation in all aspects of the capital markets. Due to lack of choice, investors tend to focus on fixed deposits, and therefore financial instruments are hard to sell unless they can perform better than the high fixed deposit rate. Real estate is the first choice of investors in Vietnam, followed by bank deposits, gold, stocks and local cash markets in local currency as well as US dollars. Experiencing waves of very high inflation in the past, the dollar has always been seen as an investment class on its own for Vietnamese for parking money in the short term. The economy will grow well, however the development of the capital market still has a long, long way to go.

- » We see Vietnam as offering one of the most compelling growth opportunities for wealth management in SE Asia, driven by overall GDP growth, rising affluence and a rising HNWI population (mostly driven by SME growth, real estate/land ownership and FDI) and the likely policy reforms ahead.
- » Vietnam will develop fast within the next 15 years. The country has so many young and talented people who love and are so proud of their country. It is a strong and robust market with plenty of growth opportunities, although high interest rates are generally a negative for our industry.

### **HUBBIS: WHAT ARE THE MAIN DEVELOPMENTS THAT NEED TO TAKE PLACE IN ORDER TO ADVANCE THE VIETNAM PRIVATE WEALTH MARKET, AND WHY?**

- » Greater investor education.
- » Focus more on more of the simple types of investment products like Mutual Funds.
- » We want to see greater expansion of wealth management for the mass affluent segment.
- » Improvements are needed in the tax and regulatory framework to increase appeals and to boost investor confidence.
- » More investment products to cater to the mass affluent segment together with increased investor education.
- » I think the regulation needs to be relaxed in order to allow for more wealth products.
- » Clearer regulations would be helpful, including loosening foreign exchange controls.
- » Education for investor and the government needs to open up the market and allow more international participants to enter the market.



- » We need better back-office infrastructure and systems robustness.
- » The application of international law.
- » The possibility that regulators will reduce some capital controls and allow international companies to partner with local companies or by their own. Overall, the ball is in the hands of the government.
- » Greater liberalisation of financial and capital market regulations are required.
- » Allow locals to invest overseas.
- » Vietnam needs to develop its domestic asset management industry.
- » It is my firm belief that the industry and their clientele need to urgently adjust their mindset so that they are less Vietnam-centric and more open to foreign investment opportunities as a two-way street. Whereby not only should Vietnam be exposed to the broader selection of globalised investments, but also be receptive to foreign investments providing stimulus to the local economy and markets.
- » We hope for deregulation and policy reform, pension system expansion and improvement including tax incentives, investor education, the deepening of local financial market, and investment product diversification.
- » The regulatory environment needs to advance in order for Vietnam to mature in terms of capital markets and more education needed.
- » Regulators have to be supportive of the capital markets expansion, and firms need to start investing in human capital as well as infrastructure in order to develop the wealth scene in Vietnam.

### *Expert Opinions on the Role of Digital*

#### **ERIC LEVINSON, Deputy Managing Director, Head of Business Development, VinaCapital**

"Technology will play a transformative role in Vietnam's wealth management industry, just as it has in other countries. Young, increasingly affluent and digitally savvy Vietnamese consumers have shown great enthusiasm for online services, and VinaCapital has several digital initiatives under development designed to better serve current and potential customers."

#### **LE THI LE HANG, Chief Executive Officer, SSI Asset Management**



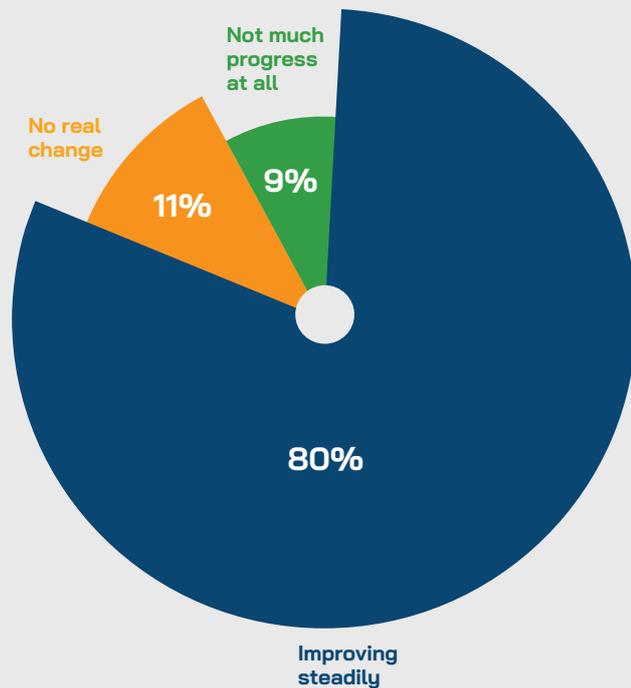
Given the trends already in existence and given what we are dealing with Covid-19 today, digital and technology in general will play a much more important role in our lives as well as in our business operations. They are not just a convenience anymore; they are much more central to the ways in which we will operate in the future."



*The Hubbis Post-Event Audience Survey: Views from the Market*

**HOW WOULD YOU CHARACTERISE THE DIGITAL PROPOSITION OFFERED BY THE VIETNAMESE WEALTH INDUSTRY FOR MASS AFFLUENT CLIENTS?**

Digital is clearly front of mind for those competing in the Vietnam wealth market, and they appear to recognise that there is much investment required and much progress needed.



**THE FINAL WORD – PATIENCE WILL RESULT IN REWARDS**

Clearly the Vietnam wealth market will continue to grow, but for those expecting to reap rapid and stellar gains, they might be disappointed. The market’s evolution is from a small base, and there is much work to be done before Vietnam’s wealth management market will begin to emulate markets such as Thailand or Malaysia. But for those with the necessary patience and long-term perspective, great opportunities most certainly lie ahead. ■