

Driving diversity in Vietnam via mutual funds

Speaking at Hubbis' Vietnam Wealth Management Forum 2017 – Thai Thuan Nguyen of VinaCapital looks at the stage of development of the fledgling mutual funds space in the country, and the role of funds in investor portfolios.

Although Vietnam's mutual funds sector trails its counterparts in most of the region, given that the first funds were only launched in 2013, there is still a long way to go and a lot of scope for growth.

Mutual funds AUM was at around USD176 million as of 2016, according to Thai Thuan Nguyen, managing director at VinaCapital.

This is from 19 mutual funds currently operating (even though 20 have been launched) as of September 2017, attracting around 17,000 investors / accounts.

Yet it should be noted that roughly 50% of total mutual funds AUM in Vietnam comes from one bond fund.

In general, the country's mutual funds market has been growing steadily, having seen quarterly increases of

more than 20% since Q4 2016, explains Nguyen.

This highlights the potential for Vietnam to grow to the levels seen in some neighbouring markets.

In Indonesia, for example, while she says GDP per capital is not significantly higher than in Vietnam, there are around 4 million accounts, creating AUM in mutual funds of roughly USD20 billion, as at end-2016. This is equivalent to around 2.2% of GDP.

By comparison, if Vietnam can get to just 1% of GDP in terms of mutual funds, it can reach USD2 billion in AUM, says Nguyen.

LIMITED IN SIZE

The funds at the moment in Vietnam are still small by international standards, impacted by several factors that influence supply and demand.



THAI THUAN NGUYEN
VinaCapital

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Vietnam mutual funds – where are we?



	Vietnam	Philippines	Indonesia	India	China
GDP (2016)	\$203 billion	\$305 billion	\$932 billion	\$2.3 trillion	\$11.2 trillion
GDP per capita (2016)	\$2173	\$2924	\$3604	\$1723	\$8113
First funds launched	2013	1950s	1995	1964	1990
AUM (2016)	\$176 million	\$4.9 billion	\$20 billion	\$217 billion	\$1.2 trillion
# funds in market (2017)	19	57	~900	795	3564
# investors/ accounts	~17k	~1 million	~4 million	~45 million	~100 million
AUM as % of GDP	0.14%	1.6%	2.2%	9.4%	10.7%

Source: Investment Company Institute, VinaCapital research



Nguyen lists these as: distribution and marketing; stock market performance; interest rates; availability of other investment options; and technology, in terms of the platforms.

The current investment products in Vietnam that she says compete for investor attention include bank deposits, real estate, gold, securities and USD, she adds.

MUTUAL FUNDS IN INVESTOR PORTFOLIOS

Within the portfolios of Vietnamese investors, mutual funds play several roles, explains Nguyen.

Around half of the funds currently in the marketplace are used as an alternative to bank deposits, she explains. A quarter of the funds, meanwhile, act as what she calls a 'staging ground', where investors look to park money in mutual funds until they find something else to buy.

Further, around 15% of mutual funds serve as an alternative for investors to buying real estate.

Only roughly 10% of investors use funds as part of a long-term portfolio strategy, she adds.

MUTUAL FUNDS WITHIN AN INVESTOR'S PORTFOLIO

Alternative to Bank Deposit Staging Ground Alternative to Real Estate Long-Term Portfolio Strategy

