

# Vietnam opens economy to foreign funds

By Simon Mumme

An investment firm aiming to reap 20 per cent returns from the Vietnamese private equity and listed market sectors was canvassing investor support last month ahead of listing on the Newcastle-based National Stock Exchange (NSX).

Vietnam Emerging Capital Limited (VECL) is an Australian company that aims to split its investment between a concentrated portfolio of Vietnamese stocks and joint ventures with local partners in projects spanning numerous sectors, such as property, finance, infrastructure and health.

Lawrence Nguyen, a former pharmacist and chief executive of VECL, said the private equity investments would be made in property developments and in state-owned assets undergoing privatisation, particularly in the pre-initial public offer stage.

"The government wants to shift the burden of financing from public to private hands," Nguyen said.

The company's capital would be



Lawrence Nguyen...  
26 state-owned Vietnamese companies  
up for privatisation

split evenly in two broad categories, with 50 per cent holding pre-IPO securities and listed shares, and the remaining 50 per cent put towards property development opportunities, including technology parks, residential projects and industrial parks.

Nguyen said that 26 state-owned companies were scheduled to be privatised this year, including the Vietnam Industrial Construction Corporation, two of the Civil Engineering Construction Corporations and the Bank of In-

vestment and Development of Vietnam, and that the scope for investments in infrastructure was large.

Franklin Templeton Investments also entered into its first joint-venture into the developing economy, buying a 49 per cent stake in Vietcombank Fund Management, a firm currently focused on private equity. Franklin Templeton aims to expand its pan-Asia business to cover an emerging personal investor market in the country.

At \$US47.1 billion, Vietnam's gross domestic product (GDP) is smaller than those of Thailand, Malaysia and the Philippines. However, its 10-year GDP growth rate of 7.2 per cent outpaces those of Thailand, at 2.9 per cent, and Malaysia, at 4.8 per cent.

Foreign direct investment into Vietnam grew 42.5 per cent to \$US5.8 billion in 2005, accounting for 32 per cent of GDP.

Like many global exchanges, the Vietnamese market registered heavy losses in the past six months by falling 20 per cent.

At the moment, South Korea injects

the most foreign capital into Vietnam.

Addressing corporate governance concerns, Nguyen said the Vietnamese government was working to improve transparency within the business and investment sectors.

"The government realises that the country can't grow without transparency."

He said that interlinked, family-owned conglomerates, such as the Chaebol of South Korea and Keiretsu of Japan were business models common to Asian markets. "Asian businesses are conglomerate-driven."

He said that VECL would operate under a three-to-five year investment horizon, would not invest more than 10 per cent of its capital in a single deal and that the portfolio would hold between eight and 10 blue chip stocks.

The company intends to list on the Australian Stock Exchange in the next five months.

On February 29, VECL listed 50 million shares on the NSX at 25 cents each, aiming to raise \$12.5 million. The minimum application was \$2,000. ■