

# The Daily Telegraph

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## Business

# Invest in this thriving Asian country before the markets recognise its true potential

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Vietnam Holding has delivered strong returns to shareholders and looks to have an exciting future

One of the world's great economic success stories in recent years has been Vietnam, and UK-based investors have a choice of three investment companies focused on the country. Questor favours Vietnam Holding, which has delivered the best returns to shareholders – ranking among the top 10 of all London-listed investment companies over the past 10 years – yet still looks to have an exciting future.

According to the World Bank, Vietnam's GDP per capita was about \$4,347 in 2023, having grown by more than 80pc over the previous decade. Despite this impressive rise, it is still playing catch-up: China's GDP sits at \$12,614, while the UK's own is \$48,867.

Much of Vietnam's success can be attributed to its manufacturing sector, notably in electronic products, mobile phones and machinery. In part, that reflects efforts by global firms to diversify production away from China, but it also reflects an ease of doing business as the country has regional or bilateral trade agreements in place with most countries.

Vietnam is also rich in natural resources, has an expanding workforce, and a thriving tourism industry. Inflation appears to be under control and the currency is fairly stable. Foreign direct investment has soared and the government is upgrading infrastructure, supporting

### VIETNAM HOLDING

#### BUY

Its impressive track record reflects the skill of its manager and its investment approach

growing urbanisation. As incomes rise, Vietnam's consumer-facing businesses are benefiting. Companies are investing in the digital transformation – almost four-fifths of the population has internet access.

However, the Vietnamese stock market index is well off the peak it hit in 2022. The main reason for this has been a concerted clampdown on corruption, which took a lot of the froth out of the local property sector. It has also uncovered some spectacular frauds, which have resulted in the death penalty for some perpetrators.

Vietnam Holding has been investing in the country since 2006. Its impressive track record – share price up 181pc over the 10 years to end of August as compared to 117pc for the local VN Index, 69pc for MSCI Emerging and 91pc for MSCI All Countries Asia ex Japan – reflects the skill of its manager (which is based in the country) and its investment approach. The investment opportunity is fairly broad – about 1,600 listed companies – but the portfolio is reasonably concentrated, with just 24 stocks at the end of July 2024. It includes small and large companies, and can be quite different to the composition of local indices.

Vietnam Holding has incorporated analysis of environmental, social and governance factors (ESG) in its approach since well before it was

### Vietnam Holding

Close: 379p



### Key numbers

- ◆ Market value: £103m
- ◆ Year of listing: 2006
- ◆ Discount: 5pc
- ◆ Average discount over past year: 7.4pc
- ◆ Yield: nil
- ◆ Most recent year's dividend: n/a
- ◆ Gearing: nil
- ◆ Annual charge: 3.1pc

fashionable. Putting a strong emphasis on good corporate governance when selecting stocks has obvious benefits in a market such as Vietnam, however the manager observes that companies that also aim for excellence in the other two areas also tend to fare relatively well.

The manager took advantage of the shake up of the property sector, buying stocks that it liked relatively cheaply, and has reaped the rewards as these have started to recover.

The discount that Vietnam Holding's shares trade at relative to the underlying net asset value has narrowed over the past year, reflecting its board's decision to offer investors a redemption opportunity, providing an exit for those that want it. The price that exiting shareholders take is based on how long they have held their shares, penalising those looking to make a quick profit but rewarding long-term investors. September 2024 was the first occasion where this was on offer, and 16.2pc of VNH's shares

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have been submitted for redemption. The depth and breadth of Vietnam's stock market, which now turns over around \$1bn a day, ought to mean that it is reclassified from a frontier market to an emerging market. This has been a long time coming, but now seems more of a focus for the government. It would open up the stock market to more foreign investors. Previous instances of this with other countries have resulted in a surge in share prices, but there is much more to the Vietnam buy case.

Based on multiples of historic profits, Vietnamese stocks are not especially cheap, but Questor feels that their forecast earnings growth and high returns on equity means the prospects for VNH remain attractive.

Questor believes that Vietnam's growth story has a long way yet to run and VNH is a good way of playing this.

**Questor says:** buy

**Ticker:** VNH

**Share price at close:** 379p