

VinaCapital 2019 Investor Conference Review

Hanoi was the site of VinaCapital’s 2019 Investor Conference, held at the Lotte Hotel from 9-11 October. Nearly 100 attendees heard from a variety of speakers including fund managers, economists, and representatives from investee companies. For investors who were unable to attend the conference, a brief summary follows.

Consistent with the historic location, the usual “VinaCapital drums” were replaced with a rousing yet refined *ao dai* dance. Don Lam, VinaCapital’s Co-Founder and CEO, officially welcomed guests to Hanoi, noting that it had been five years since the company last held its conference in the capital city. While highlighting the dramatic development that has occurred since then, Don also spoke to the point that sustainability was an increasingly important theme in Vietnam, in terms of both economic and societal development.

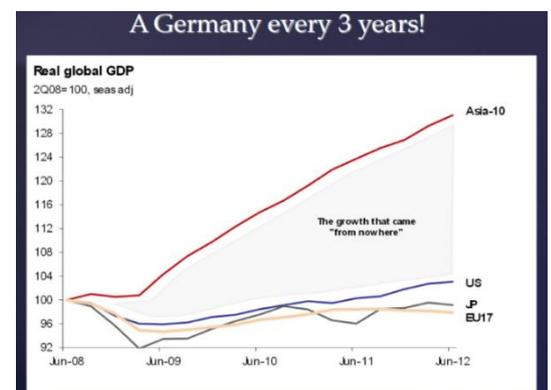
State Securities Commission

VinaCapital was honored that Mr. Tran Van Dzung, Chairman of the State Securities Commission of Vietnam, agreed to kick-off the day’s program. Mr. Dzung spoke about how the country’s capital markets have evolved and some of the work in progress, including continued legal reforms around securities, the establishment of a corporate bond market, and the proposed combination of the Ho Chi Minh and Hanoi stock exchanges. These and other developments could play key roles in helping Vietnam “graduate” to emerging market status in the next 2-3 years.



Despite Global Uncertainty, Economists Continue to be Bullish on Asia and Vietnam

David Carbon, who has covered Asia for over 30 years, most recently as Chief Economist at DBS Bank in Singapore, discussed what he described as the enduring myths in the global economic landscape, namely that what has always been considered “slow” growth in developed economies is the new normal that should be acknowledged and accepted. Meanwhile, he noted that since the global financial crisis, Asia has generated GDP growth equivalent to a “new” Germany every three years – underscoring his view that Asia will continue to lead global growth for the foreseeable future.



Meanwhile, VinaCapital’s Chief Economist Michael Kokalari narrowed in on Vietnam, describing the three factors that make it what he calls the “best EM investment”:

- 1) Social and economic stability
- 2) The VN Dong is set to appreciate
- 3) Strong and steady GDP growth

The second point is contrarian, but Mike provided a very compelling case for his prediction. Finally, he addressed the opportunities – and risks – for Vietnam in the US-China trade war.

Concurrent with the conference, Mike published a short note about the current state of the Vietnamese economy which may be found [here](#).

Fund Updates & Company Reports

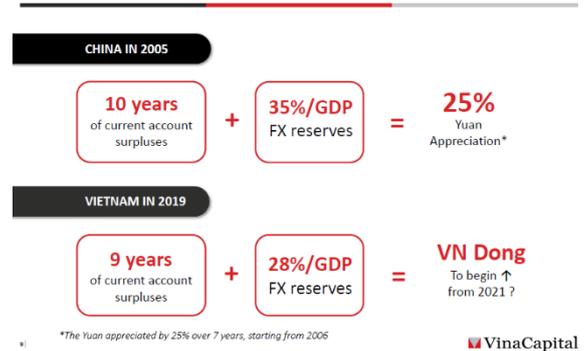
VVF/VAF: As Head of Traditional Assets, Managing Director Thu Nguyen provided an overview of how Vietnam’s stock markets have evolved over past few years, noting that in the past decade, the size of the market has grown six times (2009 market cap: USD33.8 billion; 2019 market cap: USD195.6 billion). Additionally, she spoke to how foreign ownership limits continue to be a pain for international investors, mentioning that 48 listed companies – including some of the market’s most attractive – are at their foreign ownership limit. The two open-ended funds Thu manages, VVF and VAF, focus on stocks that are at full foreign ownership limits, while the former also places an emphasis on reasonable valuations and the latter on small and mid-cap stocks mostly overlooked by investors.

VinaCapital Vietnam Opportunity Fund (VOF): Group Chief Investment Officer Andy Ho discussed the continued volatility of the stock market and how that in part has prompted the fund’s renewed focus on privately negotiated investment opportunities. Noting that most of the listed portfolio holdings started as private investments, Andy stated that these have been amongst the fund’s best performers. With an expansive pipeline of such opportunities, Andy expects that the size of the private equity portfolio will expand to about a quarter of the fund’s assets under management. VOF announced its latest PE deal during the conference, a USD17 million investment into a leading packaging company called Ngoc Nghi. VOF has also recently sold some of its listed holdings as the timing was right to realize strong returns; of particular note is Vietjet, which generated an IRR of more than 87% and a MOIC of 2.1x.

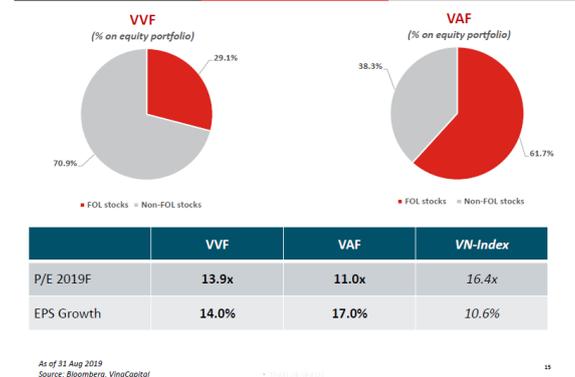
More information about VOF, including the presentation from the conference, may be found at <https://vof.vinacapital.com>.

This year’s conference also featured presentations from executives in the principal investment side of the business. Samresh Kumar, Managing Director, discussed private equity and some of the company’s new investments in **clean energy**, namely solar and LNG. Senior Vice President Hieu Do provided an overview of some the investments he was leading in the commercial and residential **real estate** sectors centered around HCMC. Khanh Tran, Founding Partner of VinaCapital Ventures, led a

The VN Dong Is Set To Appreciate

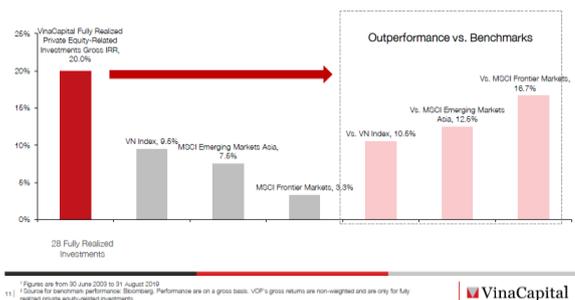


VinaCapital Quality portfolio: high growth and low valuation



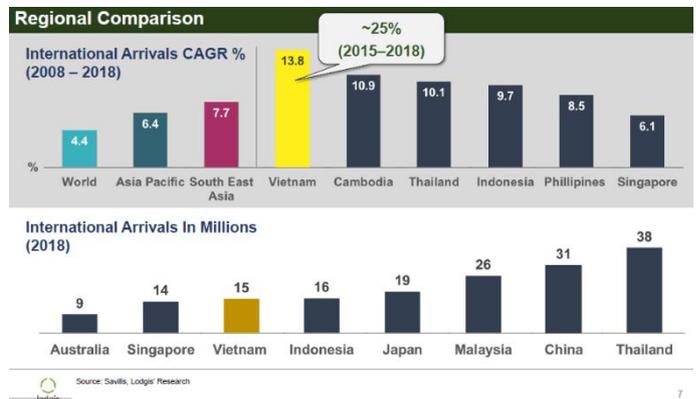
Over the long-term VinaCapital's private equity investments outperform¹

VinaCapital's private equity investments outperform the VN Index by 10.5% (from inception June 2003 to August 2019)².

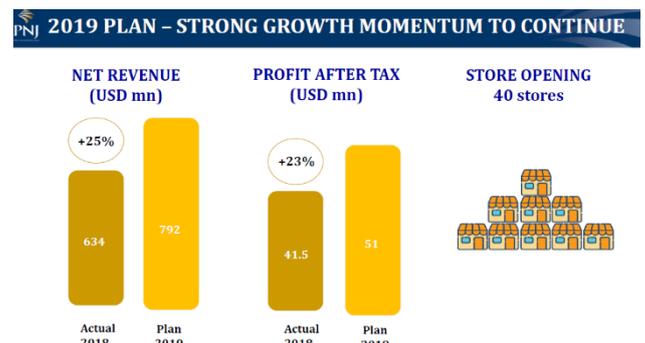


discussion with Charlie Lee (Head of Outbound Investment at Mirae Asset Capital) and Christian Nguyen (Founder of Wee Digital) about the where Vietnam’s tech sector is headed and the challenges and opportunities for **venture capital**. VinaCapital Ventures is the only major Vietnam-based investor in this space, and has reviewed more than 200 potential investments and executed nine in the 18 months since it was launched.

Vietnam is seeing some of the fastest growth in tourist arrivals, leading to enormous opportunities in the hospitality sector, said Christopher Hur, Chief Investment Officer of **Lodgis Hospitality Holdings**, a partnership between VinaCapital and Warburg Pincus. Launched in 2016, Lodgis currently has 20 hospitality assets, including the Sofitel Metropole Hotel in Hanoi, the Raffles hotels in Cambodia, and the Fusion brand. The firm also recently invested in The Grand at Ho Tram, currently the country’s leading integrated resort. Chris spoke about the growth of Fusion, which is Vietnam’s leading “home grown” hospitality brand, which includes beachfront and urban locations and a range of concepts, as well as the new mid-scale brand called HIIVE which is currently under development.



Executives from several investee companies also presented about their business strategies. **Phu Nhuan Jewelry (PNJ)** has long been the market leader, with market share continuing to grow in what remains a highly fragmented industry. Mr. Dao Trung Kien, Chief Strategy Officer, spoke about how the jeweller’s competitive advantage is its pricing strategy, which includes hedging for gold as well as the value-add of its designs. Recently PNJ launched a watch business to cater to more male shoppers.



Meanwhile Mr. Nguyen Viet Thang, Deputy CEO of **Hoa Phat Group (HPG)**, updated guests about how the company continues to expand market share in the country amidst competition from steel imported from China. The secret: much lower energy prices that enable HPG to have better pricing. HPG aims to rank among the world’s top 50 steel companies in the next few years.

Senior leaders from logistics company **Gemadep (GMD)** discussed how their integrated port and logistics network gives them a competitive advantage. Consisting of seaports in the north, central and southern regions of the country, as well as warehouses and distribution centers and air cargo facilities, GMD is experiencing average annual volume growth of 20%. Upon expected completion in Q3 2020, the Gemalink Terminal located in the south will be Vietnam’s largest deep-water seaport with the ability to handle the world’s largest container vessels.



Vietcombank (VCB) is widely regarded as Vietnam’s leading bank. It aims to be among the top 100 largest banks in the region and 300 largest financial groups in the world, underpinned by global best practices, said Mr. Viet Anh Nguyen, Head of Strategic Planning. To that end, VCB became one of the first banks in Vietnam to apply Basel II standards in 2018 and opened a representative office in the US, with plans for one in Australia in the near term.

Key company highlights



Nikhilesh Goel, Co-Founder and COO of **Validus Capital**, spoke about how he and his team are expanding the leading P2P SME lending platform to new markets beyond its Singapore base, including Vietnam. With bank loans difficult to obtain for many small businesses, Validus aims to provide a platform to connect businesses seeking funds with those able to provide them at low costs and efficient processes. Validus recently raised more than USD15 million in financing from a group of investors including VinaCapital Ventures.

Vietnam in particular has a strong need for solutions to bridge the gap in SME financing



Conference Takeaways

Vietnam has arguably been one of the countries that has benefitted most from the US-China trade war as growing numbers of foreign companies move manufacturing to the country to escape US tariffs; how long this will last is anyone’s guess. But what is not up for debate is the fact that Vietnam’s continued vibrant growth is occurring in a sustainable way, and that there remain abundant opportunities for foreign and local investors to participate in and benefit from what is one of the world’s fastest growing economies.

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Copies of select presentations from the investor conference are available upon request -- please email us at ir@vinacapital.com. If you attended this year’s conference, you should have received a link to a quick online survey, which will remain open until 17:00 Vietnam Time on Friday, 1 November 2019. We welcome your feedback and suggestions as to how we can make our investor conference even more engaging and worthwhile next year.

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