

# Press Cutting

Client Dragon Capital

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## Citywire Selector



### AAA-rated insider reveals Vietnam's biggest challenge

By Terri-Ann Williams / 23 Aug, 2017



The huge shift towards private ownership in the Vietnamese market will create an array of opportunities for external investors, according to Dragon Capital's [Quynh Le Yen](#).

Speaking to *Citywire Selector*, AAA-rated Quynh Le Yen, who runs the [Dragon Capital Vietnam Equity](#) fund, said the biggest challenge foreign investors currently face is Vietnam's Foreign Ownership remit policy.

'This is a premium which foreign investor have to pay. It's 49% on listed companies except for banks, as banks cap their limit at 30%,' she said.

'There are many good companies excelling for foreign owners and if you are a newcomer to the Vietnamese market, it's really hard for you to buy those stocks and sometimes you have to pay a premium if you want to buy as an outsider.'

Le Yen invests most of the portfolio in the food and beverage sector (19.0%) and the materials sector (14.9%) and said the ownership shift from government-owned to privately-owned has been a positive change for the country's stock market.

'Previously most of the businesses in Vietnam had been state-owned and therefore contributed a lot to GDP. However, the situation has changed significantly over the last few years and the private sector has really taken the lead.'

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'The Vietnamese market has been doing well anyway due to the fundamentals of the companies, with listed companies bringing in an average of 15-20% growth per annum.'

### **Market success**

The Vietnam Equity fund currently sits second place over a three year period in the emerging markets Asia category, having returned 59.2% over a three-year basis.

Le Yen highlighted consumer growth as a huge performance driver. 'The economy in Vietnam is driven by domestic consumption and is the biggest contributor to Vietnam's GDP.

'We have a rapidly increasing middle class, the people here have a higher income and are willing to spend more money on beverages and consumer goods.'

Le Yen added that an increased emphasis on infrastructure and construction is proving positive. She holds Hoa Phat Group (5.02%) which is a steel producer.

'When investors talk about steel they usually think of a commodity player, but this company has an integrated production line, and they also manage the infrastructure development of Vietnam.

'We see that the profit margin of Vietnam has been stable and high over the past year – so we view this company as a manufacturer as opposed to a commodity player,' she added.

Over the three years to the end of July 2017, the Dragon Capital Vietnam Equity fund returned 59.16% in US dollar terms. This compares with a 22.81% rise by its Citywire-assigned benchmark, the Vietnam Index, over the same time period.