

Long-Term View Creates Success

Indochina Capital Advisors (ICA), a subsidiary of Indochina Capital, has marked 13 years of operation with significant achievements in its niche business segment in large part due to its long-term approach

By Bach Hop

At Indochina Capital which operates across financial investment, real estate development and cross-border advisory services, “commitment to long-term success” is a defining thread among its core values. In no other sector of its business has “taking the long view” produced more positive results than in the company’s listed equities investment division where the team has regularly outperformed the market. As an example, an initial investment of US\$100,000 in 2014 would be worth US\$796,000 as of August 2016, currency adjusted (the same investment over the same time period would only amount to US\$231,000 if it tracked the VN-Index).

SMA - an archetypal product for foreign investors in Vietnam

Peter Ryder, CEO of Indochina Capital, said 90% of the company’s employees, including those at ICA, have been with the company for over seven years. Besides strong technical knowledge and local market insights, these professionals command a deep understanding of the company’s business and investors’ needs, which is key to their success in generating impressive returns for their investors.

ICA has managed assets for foreign

investors in the form of Separately Managed Accounts (SMA) since 2004. Their clients are mostly high-net worth individuals and family offices from Europe and the U.S., who are attracted to Vietnam to capture the long-term economic growth potential of the country. Clients’ assets are mainly invested in listed stocks with a small allocation to pre-IPO opportunities.

The SMA product is different from the fund structure that most asset managers in Vietnam offer. In a fund, every investor has the same portfolio, while an SMA’s portfolio is tailored to each individual investor based on their needs and preferences. With an SMA, investors can also opt to be more involved in the decision making process if they so desire. Essentially, investors are better informed and more actively involved with the composition and trading of their portfolios.

The average return of ICA’s SMAs has outperformed the VN-Index in 11 of the last 13 years. Their annualized return since inception is 17.3%. Since 2012 it is 26.9%.

Capturing the country’s long-term potentials

Along with the improving outlook for Vietnam’s economy fueled by infrastructure development and strong foreign direct investment (FDI) inflows into the manufacturing sector, ICA sees a growing base of financial investors, not only from Europe and

the U.S., but also from Japan and neighboring Asian countries.

Given the generally positive macro-economic outlook, some today question why foreign investors have been net sellers in the Vietnam stock market year-to-date. Peter Ryder believes this has been mainly driven by profit taking and portfolio rebalancing, which is a typical occurrence in financial investing.

He also pointed out that “in the first eight months of 2016, the number of newly licensed securities trading accounts for foreign investors is more than quadruple that in the entire year 2015.”

Peter Ryder noted that the country’s growth potential and the stock market’s attractive valuation metrics are major attractions. As of August 31, 2016, the VN-Index was trading at 16.3x trailing P/E, while the ASEAN/China’s average was 20.1x. Dividend yield was also among the highest in the region at 2.4%.

Furthermore, Diep Nguyen, ICA’s director and head trader, said the lifting of the foreign ownership limit (FOL), especially at blue-chip listed companies like Vinamilk, FPT, BMP, and the plan to reduce State’s ownership in large consumer corporations, including Vinamilk, Sabeco and Habeco, have sent welcoming signals to foreign investors. She believed that Vietnam’s stock market is moving in the right direction by increasing the availability of quality corporate issues.

She also drew attention to recent market regulatory movement, including the introduction of intra-day trading and a proposal for derivative trading.

“We believe the Vietnam stock market is entering a new phase and will continue to attract foreign investors. We hope to increase our assets under management significantly over the next 12 months,” Peter Ryder said.

How to best capture the potential? Peter Ryder and Diep Nguyen both underlined that ICA has always taken a bottom-up approach, investing in companies with competent management, strong financials, and sustainable operations at attractive valuations. ICA’s clients are long-term investors who expect to generate solid returns over the course of at least five years. Some have maintained accounts with ICA since 2004.

