

Opportunity knocks for investors in Vietnam

Snowball is long of the land of the dong

Chris Menon

Investors looking for an emerging markets story where valuations are attractive and the growth potential enormous might like to consider Vietnam. Kevin Snowball, co-founder of PXP Vietnam Asset Management back in 2002, certainly believes Vietnamese stocks are undervalued: 'The market is on 9.5 times 2011 earnings, which compares to its historical range of eight to 35 times.'

Snowball's firm is the second longest established active investment management firm involved in Vietnamese equities. He runs the London-listed **PXP Vietnam Fund (VNF)**, a closed fund launched on 31 December 2003.

The portfolio is relatively small at \$51 million under management. Since launch it has risen 79.5% in six years. This compares to a comparable 77.2% rise in the benchmark VNI, a market-cap weighted index of all stocks listed on the Ho Chi Minh stock exchange.

Snowball describes his fund as a

'long-only absolute return fund providing exposure to the Vietnamese stock market.' He has plenty of skin in the game: not only does he own 85% of the company but he personally has 5% of the fund.

Vietnamese determination and hard work should not be underestimated. The country has successfully fought off the French, Americans and

government's ability to manage the economy are concerns but as an experienced Asia hand, Snowball is aware of the risks. He acknowledges a lack of liquidity in a market where foreign ownership is limited to 49% but argues by buying value he builds in a margin of safety: 'If one waits for momentum before pulling the investment trigger it is almost inevitable that one will only end up chasing the market - as happened in 2007.'

To further protect clients' cash the money manager does not invest more than 10% of the fund in any one company. Two holdings do stand above this threshold at the time of writing but only because they have risen so sharply. Snowball's

largest position at 15.5% of the portfolio is Vinamilk, the state milk company which he rates very highly, describing it as 'probably the best managed company in the country'.

The fund has a flat 2% management charge, which comes out of the net asset value, and no performance fee.

How Vietnam funds compare

Fund name	Gain (%)*
Vietnam Holding	38.7
VinaCapital Vietnam Opportunity	22.1
Vinaland	11.9
db x-trackers FTSE VIETNAM ETF	-6.4

*Total return 31/01/2010 to 31/01/2011

SOURCE: LIPPER

Chinese to attain and retain its independence. More recently it has embraced capitalism, with the number of private businesses rising from none in 1985 to 300,000.

Over the past ten years Vietnam's economy has expanded at an average rate of 7% per annum. Inflation and the

Brookwell in publishing snoop via swap

Closed end investment fund **Brookwell (BKWD:AIM)**, a specialist in taking illiquid investments from institutional investors and realising value from them within a three-year horizon, has taken a 8.93% stake in **Publishing Technology (PTO:AIM)**.

The deal was carried out by means of a stock swap with institutional shareholders. Such a service enables institutions to dispose of non-core holdings, rationalising their portfolios and enabling them to focus resources on core investments. In returned they obtain a stake in the Brookwell D fund.

A spokesman for Guernsey-registered Brookwell declined

to specify which funds had disposed of their exposure to Publishing Technology. According to regulatory announcements **Invesco Perpetual Aim VCT** announced it sold its 4.31% stake on 24 November 2010. A day later the **Cazenove UK Dynamic** fund announced it had liquidated its remaining 5% holding.

Publishing Technology offers targeted software and consulting solutions for publishers and information providers. It has had a torrid time over the past few years, falling from highs of 200p in 2006 to its present 53p. The spread on the shares is 16% at the time of writing.