

SEEKING ALPHA

Vietnam Poised To Grow: Finding The Best Investment Vehicle

Jan. 6, 2014 7:38 AM ET | by: Jon Springer About: [VCVOF](#), [VNM](#)

After profiling Dragon Capital's Vietnam Funds for Forbes Asia in a three part [interview](#), it is clear that Vietnam has legal changes on the horizon and economic stabilization setting in that make it a good investment prospect for 2014 and 2015. As Dragon is only open to institutional and high net worth investors, this article investigates how retail investors can best access Vietnam market.

The summary of the interview with Dragon Capital is that Vietnam has stabilized its economy, stabilized its currency and is on its way to fixing its banking system. After a bubble economy burst that caused instability and losses across the economy, currency, banking system and stock market, the government has taken firm classic austerity actions to put the country back on the path to growth.

From reading John Polomny's [blogs](#) on Vietnam, it is clear VinaCapital's Vietnam Opportunity Fund ([OTC:VCVOF](#)) is a popular choice among emerging market colleagues. Asia Frontier Capital, an investment firm that invests in the local stock exchanges of emerging markets across Asia also wrote a thorough [piece](#) on Seeking Alpha that Vietnam's market was beginning to recover on December 1st of 2013.

There already was a major rise in Vietnam's markets recently between November 27, 2012, and April 1, 2013. While Vietnam's Index, the VNI, did rise some more after that, the index ultimately remained flat compared to the April 1st close for the remainder of 2013.

XX:VNI		Vietnam VN Index (INDEX)		Delayed quote data		12/31/2013 12:00 AM	
Last:	Change:	Open:	High:	Low:	Volume:		
504.63	▼ -1.78	n/a	n/a	n/a	n/a		
	Percent Change:	Yield:	P/E Ratio:	52 Week Range:			
	-0.35%	n/a	n/a	413.73 to 527.97			

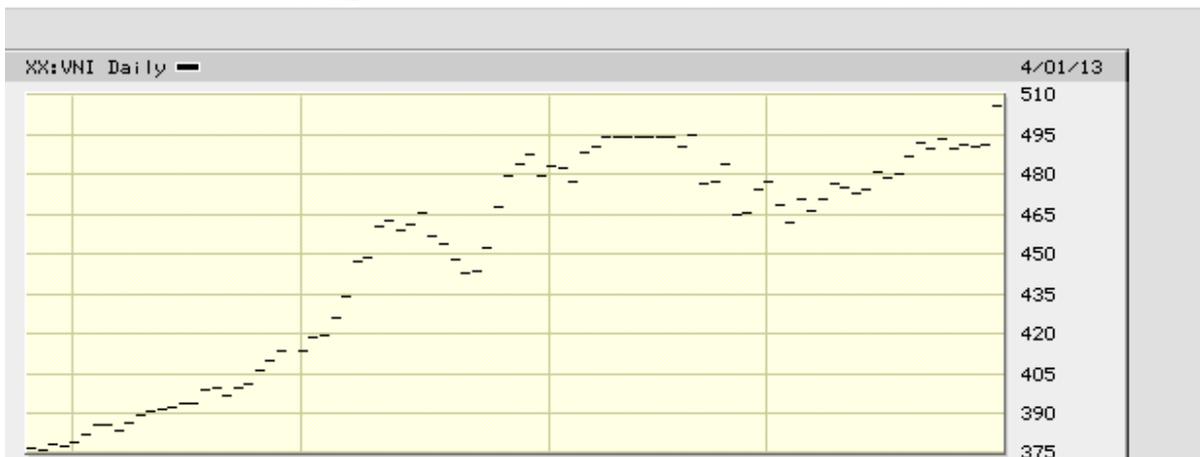


Chart of [VNI](#) from November 27, 2012, to April 1, 2013. Source: Marketwatch.

Future rises are anticipated, and Dragon Capital anticipates the index will rise faster in the future (in the referenced interview). Looking at which ETFs and closed-end funds performed best since November 27, 2012, through the end of 2013, the only ones listed in the U.S. are the Market Vectors Vietnam ETF ([VNM](#)) and VinaCapital's Opportunity Fund. To make the comparison broader, I included two other funds listed in London, as well as the VinaCapital Opportunity Fund listing in London which is VOF.L.



VCVOF, VNM, VOF.L, VNH.L, and VNF.L from [November 27, 2012, to December 30, 2013](#).
Source: Yahoo Finance.

The best performer is a fund only listed in London, PXP Vietnam while VNH.L, VCVOF and VOF.L are bunched closely in 2nd to 4th place and VNM is clearly the laggard. Seeking Alpha contributor [Futures Asia](#) has an excellent blog on [Vietnam investing](#) where readers that want to research Vietnam further can find more information on the country. Included in the blog is a link to an interview with PXP Vietnam's CEO [Kevin Snowball](#) on The Street. Mr. Snowball's interview contains much of the same data as my three-part interview with Bill Stoops of Dragon Capital on [Forbes.com](#) providing confirmation for the positive outlook going forward.

For investors who cannot access investing in PXP Vietnam or Dragon Capital's funds, there is a fund that stands out to play a bull run in Vietnam. When the index rose 34% in 125 days during the time between November 27, 2012, and April 1, 2013, one investment fund performed better than all others retail investors can access.

2.20 0.00(0.00%) 11:31AM EST



VCVOF, VNM, VOF.L, VNH.L, and VNF.L from [November 27, 2012, to April 1, 2013](#).
Source: Yahoo Finance.

The fund that towers above all others in mid-February on the chart above is the Market Vectors Vietnam ETF. Indeed, VNM which is the laggard on the chart that goes through year-end 2013 was the best ETF or closed-end fund to own during the meaty part of Vietnam's last bull run.

Thus recent history suggest VNM is a good holding during a bull run on the VNI. It is important to also be aware it underperformed before the bull run ended - as its peak value declined long before the VNI hit its first peak April 1, 2013 - and that it lagged all of its peers when the VNI was flat from April 1, 2013, until year end.

(click to enlarge) <image004.png>

2.22 +0.08(3.48%) Jan 3, 12:27PM EST



VCVOF, VNM VNH.L, and VNF.L from [December 31, 2010, to December 30, 2013](#). VOF.L not included in this chart as it tracks VCVOF and generated an unclear chart over this time period. Source: Yahoo Finance.

For investors who wish to invest in Vietnam and not market-time trades in VNM, VCVOF shows its superiority in the above two-year chart. Indeed, on the chart above, VNM is the worst performing investment while VCVOF nicks first just ahead of PXP Vietnam.

VCVOF is thinly traded as opposed to its more liquid sister London listing of VOF.L. Investors are advised to use patience and limit orders to purchase VCVOF.

Investors limited to VNM and VCVOF as their Vietnam holding options should use VNM only for trading bull runs and VCVOF for investing.