



IAN COWIE | PERSONAL ACCOUNT

Good morning Vietnam: my bet on this fast-growing economy is paying off

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Very few British investors have any exposure to the Asian economy that is growing more rapidly than most of the others. But, on the day that the US president Joe Biden visits Vietnam, it might be worth careful consideration.

Biden is due to fly into Hanoi from New Delhi, India, where the G20 summit has shown why the focus of many emerging markets investors on so-called Bric funds — originally holding stocks from Brazil, Russia, India and China — is dangerously out of date. While Brazil and India are among the world's biggest democracies, China and Russia are its largest dictatorships. These opposites have little in common, apart from a catchy tag dreamed up by a Goldman Sachs economist at the start of this century.

Rising tensions between these two forms of government now create the risk of catastrophic losses for investors. Nor is there anything hypothetical about that; some of the first features I wrote for a Fleet Street newspaper, nearly 40 years ago, related to families who had lost the lot with Russian and Chinese busted bonds decades earlier.

So a more selective, country-by-country approach to the potential opportunities of youthful, lower-cost, export-led economies might prove less risky and more rewarding. For example, India's combination of entrepreneurial dynamism and legally enforced property rights helped to deliver my very first ten-bagger (a share whose price multiplied tenfold), in the form of an investment trust known then as Fleming Indian but now listed in London as JPMorgan Indian (stock market ticker: JII).

Back in June 1996 I paid 63p for shares that were trading at 838p on Friday. This fund's top 10 assets include the \$72 billion information technology group Infosys (INFY), whose founder, Narayana Murthy, is the father-in-law of our prime minister, Rishi Sunak.

Another of JII's top 10 holdings, Hindustan Unilever (HUVR), represents nearly a third of the stock market value of the London-listed consumer goods giant Unilever (ULVR), which happens to be the seventh most valuable shareholding in my forever fund. It's a small world, isn't it?

Less happily, JII's performance has been relatively poor in recent years, which could explain why it is priced 18 per cent below its net asset value (NAV). Either way, I am glad I supplemented my subcontinent exposure by investing in the India Capital Growth Fund (IGC) at 121p in September 2021. Its price was 163p on Friday, trading 7 per cent below NAV. Both JII and IGC seek capital growth and neither pays any income.

That omission is addressed by another G20 emerging market, Brazil, which represents 60 per cent of the NAV of BlackRock Latin American (BRLA), whose dividend yield is 5.4 per cent. I first invested after a business trip to Buenos Aires, Argentina, and Caracas, Venezuela, back in the 1990s, and transferred this stock from a paper-based broker at 310p per share in January 2010.

It shows just how dismal their performance has been for a long time that BRLA shares cost 391p on Friday, priced at a 14 per cent discount to their NAV. More positively, emerging markets can reward contrarian investors, willing to go against the flow, rather than to follow the herd.

Returning to where this column began, I first bought into Vietnam Enterprise Investments (VEIL), paying 404p in July 2018. I raised the money by selling a decade-long holding in BlackRock Emerging Europe (BEEP) after hearing how Russian spies had poisoned Sergei and Yulia Skripal and killed Dawn Sturgess in Salisbury. Similarly, I dumped all my shares in Fidelity China Special Situations (FCSS) in April 2020, after learning about that country's maltreatment of its Muslim minority.

Both moves were mocked by some cynics at those times but I hear rather less from them now. It's surprising how often doing the right thing turns out to be the right thing to do.

Eventually, I got fed up with VEIL's absence of income and sold them all at 542p last October to reinvest in Vinacapital Vietnam Opportunity Fund (VOF) at 426p, with a 3 per cent dividend yield, rising at 12 per cent per annum. They cost 457p on Friday, priced 19 per cent below their NAV.

VOF's top holdings include Hoa Phat Group, a steel-maker, Khang Dien House, a property developer, Phu Nhuan Jewelry, Quang Ngai Sugar, a diversified food processor that is also involved in biomass electricity generation, and the Airports Corporation of Vietnam.

Andy Ho, chief investment officer of VOF, which celebrates its 20th birthday this month, told me: "Biden's visit is testament to the fact that Vietnam has become a global manufacturing hub for a wide range of products, from shoes and apparel to furniture and high-tech consumer products.

"Vietnam's competitive advantage is plain to see. It has factory wages that are less than half those of China, while the quality of the workforce is comparable in many sectors and it has close geographic proximity to the supply chains of Asia, especially for the production of high-tech products."

Like India and Latin America, Vietnam is also benefiting from "friendshoring", or western companies' and countries' increasingly urgent wish to reduce their reliance on China or Russia. Investment trusts bring the world within reach but shareholders should base our asset allocation strategies on firmer foundations than outdated notions such as Brics.

A pub stock that still has pulling power

You never know when you are going to retire from a rough old trade like journalism and, sad to say, much the same thing is true of many occupations these days. Corporate gratitude can be summed up in the phrase: "We will never forget old whatsisname."

That means lots of folk find themselves short of a full-time job when they are still keen to be paid for participating in society. Now the classic pubs operator Fuller Smith & Turner (FSTA) has found a shrewd way to replace foreign staff lost after Brexit by encouraging older people to work a few hours, when it suits them.

The director Dawn Browne said: “Employees over 50 bring wisdom and insight to the table thanks to their years of experience. This makes them excellent for customer service — the lifeblood of our sector.”

As it happens, one of my first part-time jobs was at a Fuller’s pub, the Dove in Hammersmith. More recently, I can’t say FSTA has been a rewarding investment in a conventional way because I paid 942p in March 2018 for shares that cost just 590p today.

But I am not crying into my beer. A cash distribution of 125p per share in 2019, when it sold its Chiswick brewery, softened the blow and there is also a dividend yield of 2.6 per cent.

More importantly, its Inndulgence Card knocks 15 per cent off food and drink bills. That has probably caused me to treat more family and friends to lunch or supper at the Flask in Highgate than might otherwise have been the case.

Who knows? One day I might end up working behind the bar again.