

# Vietnam Enterprise Investments

Many opportunities at attractive valuations

Vietnam Enterprise Investments (VEIL) is the UK's largest and oldest listed Vietnamese equities closed-end fund. It offers investors exposure to the stocks set to benefit most from Vietnam's very favourable economic prospects. These stocks are otherwise difficult for foreign investors to access. VEIL's managers believe the Vietnamese equity market offers many compelling investment opportunities, and stocks look oversold at current levels (see our recent [VEIL update note](#)), so valuations appear attractive. With VEIL's discount on the high side of its long-term average, now may be a good time for investors to consider this market.

## Why invest in VEIL now?

- There are many reasons why Vietnam represents a significant opportunity for long-term investors. The economy is forecast to continue expanding at an impressive pace. The IMF expects GDP to rise by 5.8% this year, and 6.9% next year, compared to forecast Chinese growth of 5.2% this year and 4.5% in 2024, and VEIL believes this pace of growth will be maintained for many years, supported by favourable demographics, high labour participation rates and rising incomes. Vietnam has also become a manufacturing hub for many global companies seeking to diversify their supply chains.
- The trust offers investors exposure to companies well placed to benefit from Vietnam's positive economic outlook and structural change. And its size, longevity and associated ability to access deals provide a significant comparative advantage over its smaller peers.
- VEIL's performance track record is solid evidence of the managers' stock selection skills and market knowledge. VEIL has seen average annualised NAV returns of 14.7% over the three years to end April 2023, and 11.1% over 10 years (net of fees), compared to market gains of 12.6% and 9.8% respectively.
- VEIL's shares are trading at a discount of 16.9% to its NAV, which is wider than the historical average. VEIL's discount may appeal to potential investors, especially as, in our view, it has significant scope to narrow over time, as the market receives further support from rising domestic retail and institutional investors, and expected foreign buying once Vietnam moves from being a frontier market to an emerging market (EM), a move expected in the next few years.
- The market's size, limited liquidity and low trading volumes may concern some investors. However, these issues are abating. Average daily turnover (ADTV) has increased fivefold over the past decade. At US\$500bn, ADTV is currently not far below Indonesia (c US\$565bn) and above Malaysia (c US\$390bn), and it is reasonable to expect liquidity will improve further over time.
- Some investors may view VEIL's ongoing charge as relatively high. However, VEIL has no performance fee (ensuring a predictable TER). Rather, the charge reflects the market's high transaction costs and, arguably, does not detract from the strength of the investment case, given the market's potential for relatively high returns over time. VEIL's performance track record of strong absolute gains after fees supports this argument.

Investment trusts  
Vietnamese equities

26 May 2023

**Price** 550.0p  
**Market cap** £1,129.7m  
**AUM** £1,401.8m

NAV\* 662.0p

Discount to NAV 16.9%

\*At 24 May 2023.

Yield N/A

Shares in issue 205.4m

Code/ISIN VEIL/KYG9361H1092

Primary exchange LSE

AIC sector Country Specialists: Asia Pacific

Benchmark VN Index

### Fund objective

Vietnam Enterprise Investments' (VEIL's) investment objective is to achieve medium- to long-term capital growth by investing in the equity securities of companies primarily operating in, or with significant exposure to, Vietnam. VEIL adopts a bottom-up approach to investment selection and does not set portfolio allocations with reference to index weightings. The VN Index is used as a performance benchmark, which VEIL seeks to outperform on a rolling three-year basis.

### Analyst

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