

Early Stage Investing in Vietnam's Emerging Capital Markets

Alternative Investments IQ
Vietnam 2007



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BIDV – Vietnam Partners Investment Management (BVIM):
a joint venture between Bank for Investment and Development of Vietnam (BIDV)
and Vietnam Partners LLC (VP)

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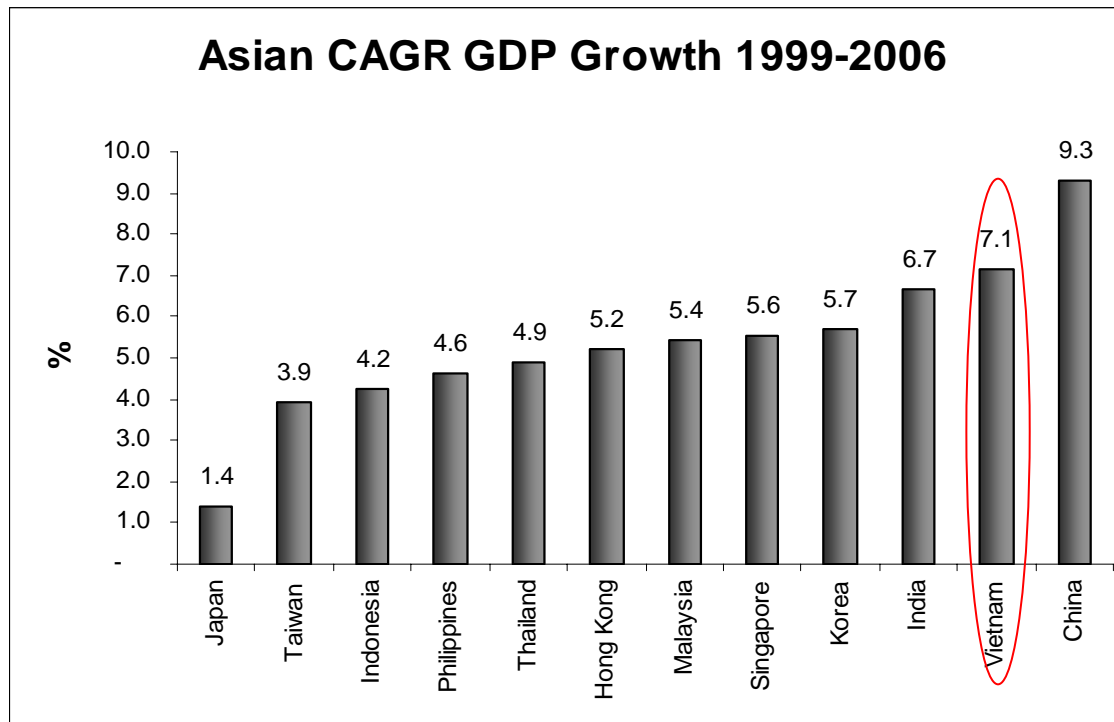
Vietnam is Booming



Investment Landscape – A compelling growth story

Vietnam has entered a period of sustainable high growth

- Sustained high growth rates, second only to China in the region
- GDP growth exceeded 8% in 2006, after five consecutive years of growth above 7% p.a.

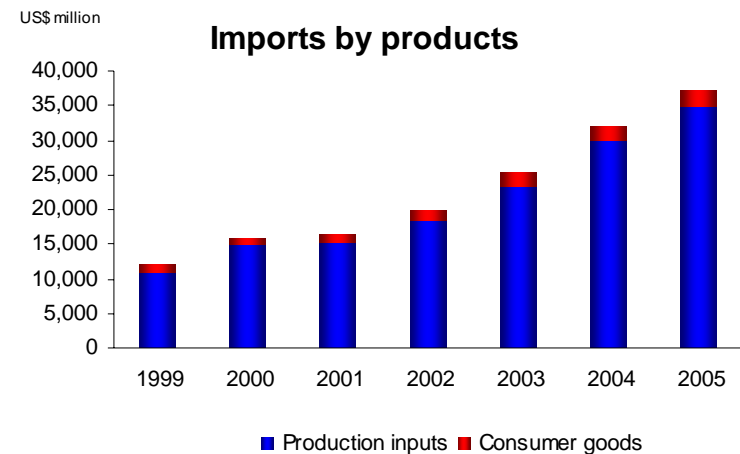
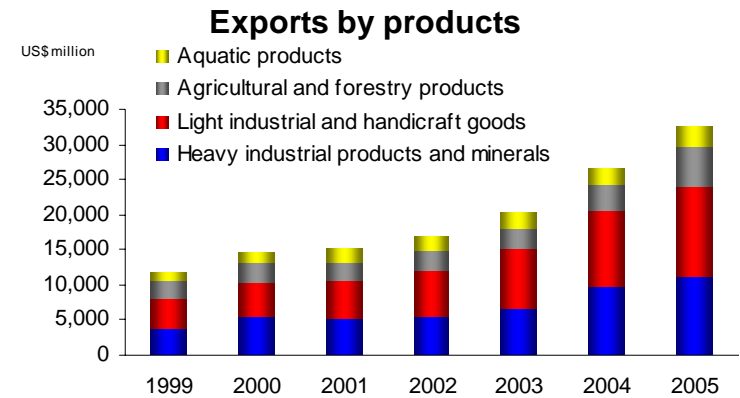
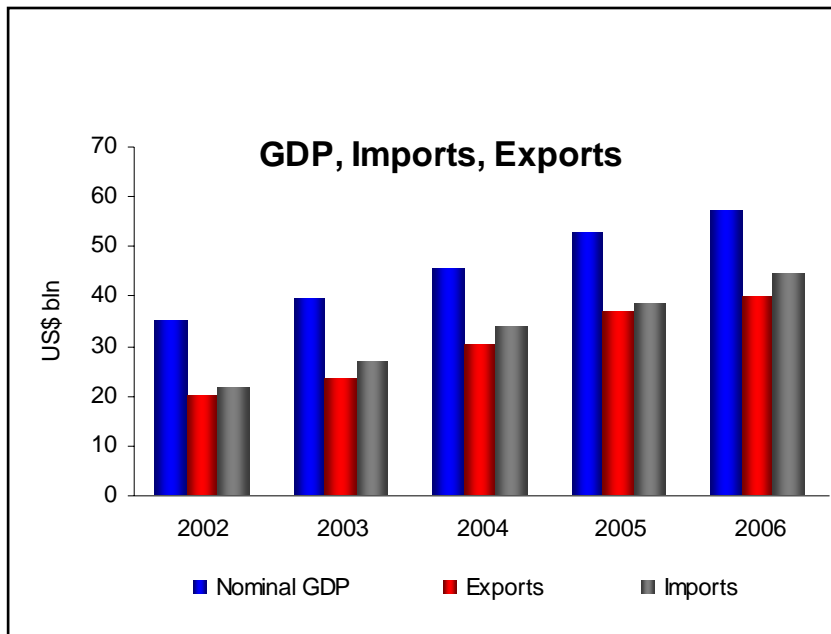


Source: General Statistics Office



Investment Landscape – A compelling growth story

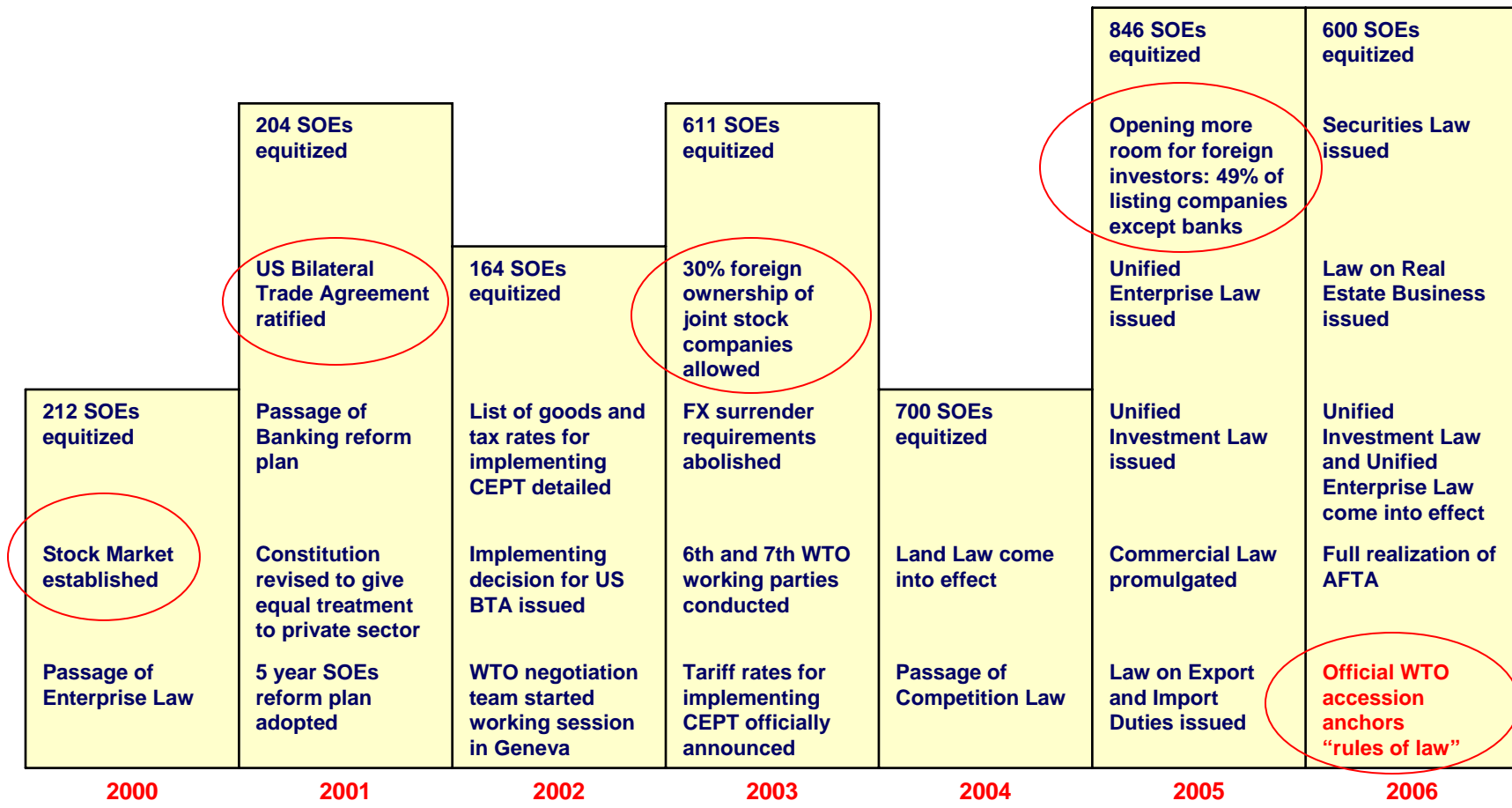
Data are positive for Vietnam – the story is in fact



Source: General Statistics Office

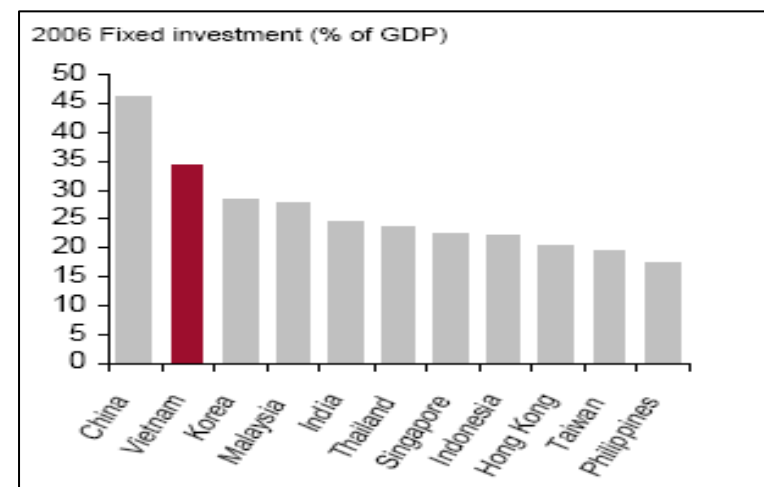
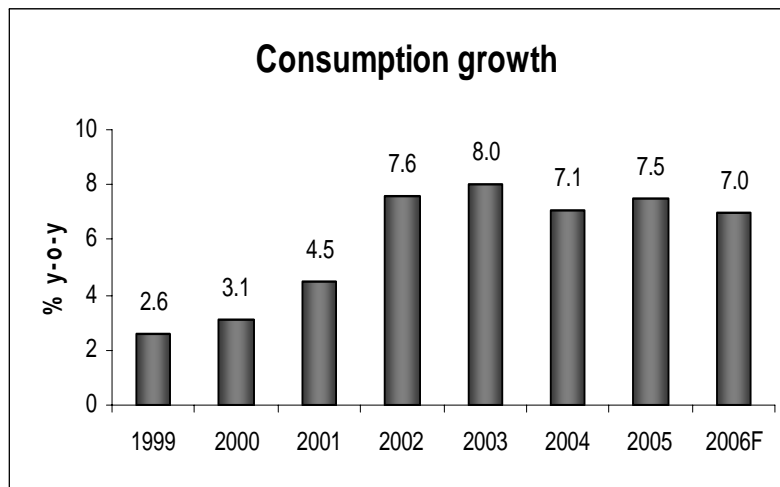
Reform – The underlying foundation

Vietnam has made tremendous progress on wide-ranging reforms



Investment Landscape – Key growth drivers

Investment and Consumption are key economic growth drivers

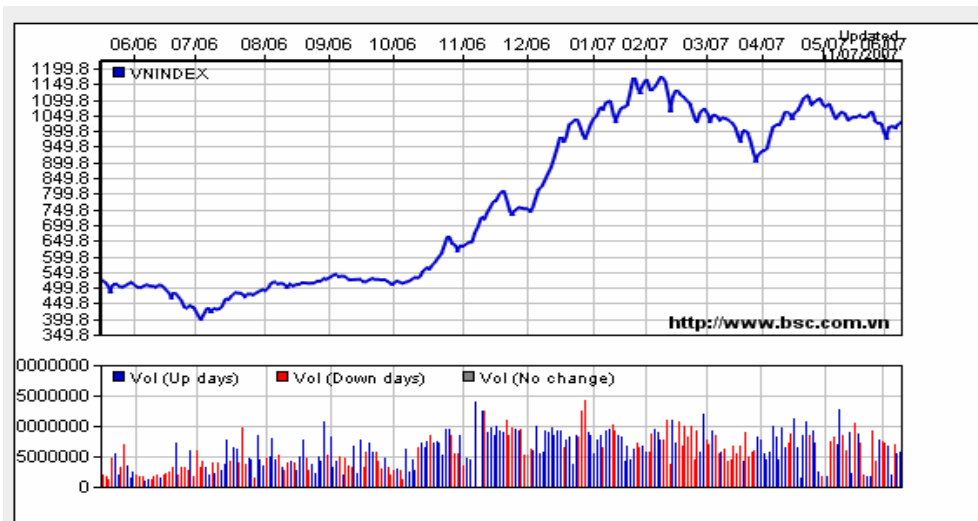


- ❑ Solid consumption growth
- ❑ Acceleration possible based on:
 - Under-penetration of goods/ services in Vietnam
 - Liberalization retail/ distribution sector to foreign players
 - Growing workforce as a % of population
- ❑ AT Kearney ranks Vietnam retail market 4th “hottest” globally, behind India, Russia and China
- ❑ US\$ 10.2 bn in FDI in 2006, targeting US\$ 12+ bn in 2007
- ❑ One of the largest FDI recipients globally, relative to its GDP
- ❑ Continued FDI inflow based on:
 - Competitiveness vis-à-vis neighboring economies incl. China
 - Diversification requirements of global strategic investors
 - Gradual infrastructure improvements / continued liberalization
- ❑ Domestic investment activity accelerating !

Investment Landscape – Key growth drivers

Vietnam's stock market is developing rapidly

- A booming private sector is turning to the capital markets
 - 32 listed companies in 2005 become 195 listed companies in 2006 (HCMC main board and Hanoi Stock Exchange); over 6,000 OTC traded securities
 - Average trading volumes up app. 5-times since mid-last year, to app. US\$ 50 million/ day
 - Increasing breadth & depth of Vietnam's capital markets due to:
 - Ongoing equitization of SOEs
 - Improved regulatory framework of informal trading segments (OTC) - conversion to full listing
 - Private enterprises taking advantage of new access to capital



Source: BIDV Securities

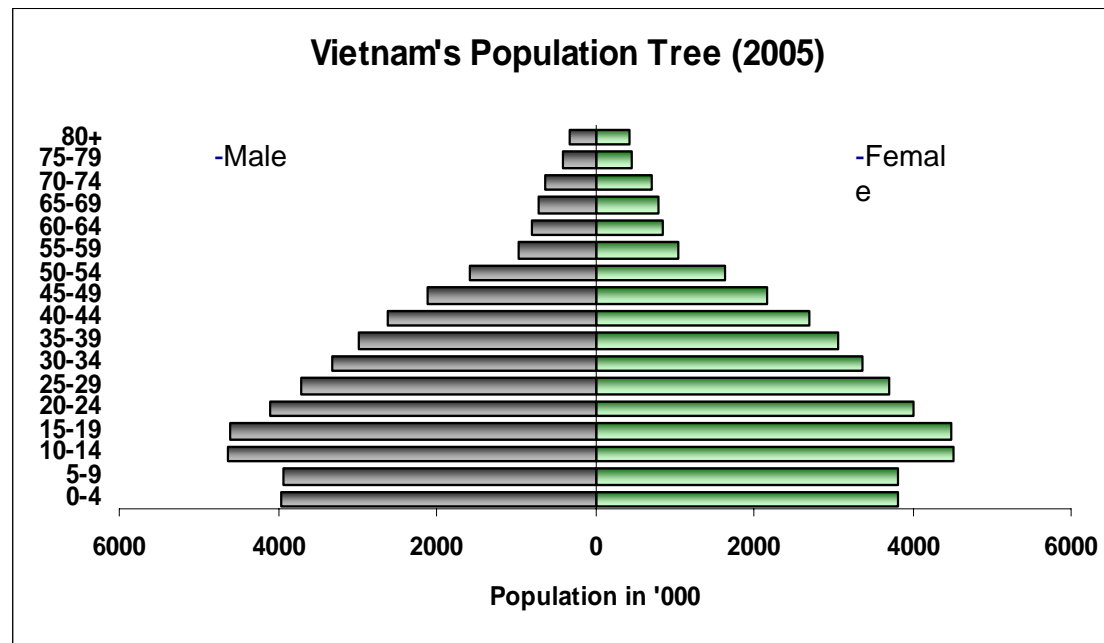
Market cap/ GDP remains low compared to other countries (~20 %)



Demographics

Favorable demographics will carry Vietnam into the future

- ❑ 84 million population; growing at 1.4 % per annum
- ❑ Over 60 % of population below 30 years old
- ❑ 90 % literacy rate
- ❑ Percentage of labor force/ total population increasing rapidly

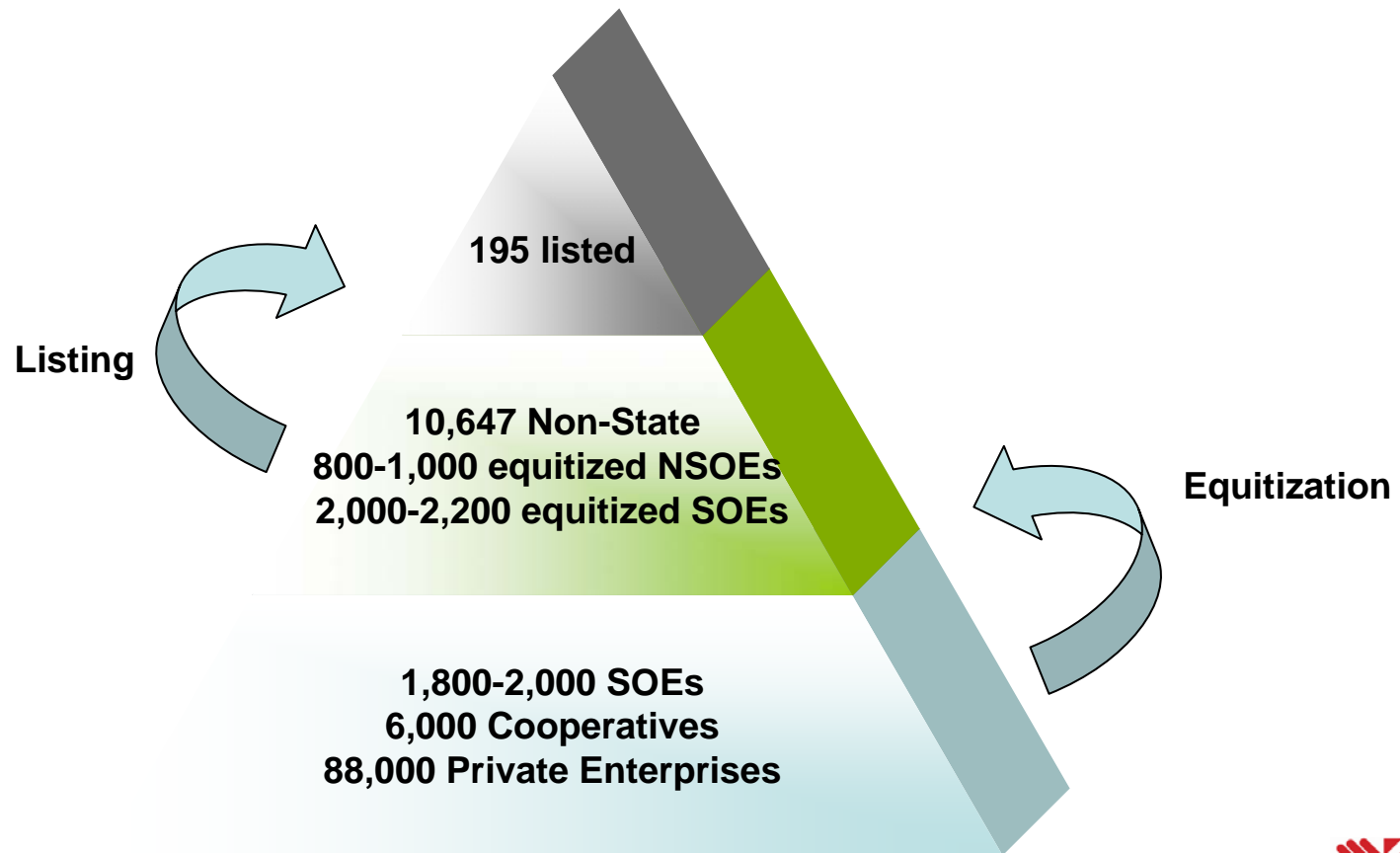


Source: General Statistics Office



Where are the Opportunities?

Vietnam Investment Opportunities



Source: General Statistics Office, BVIM as 12/31/06

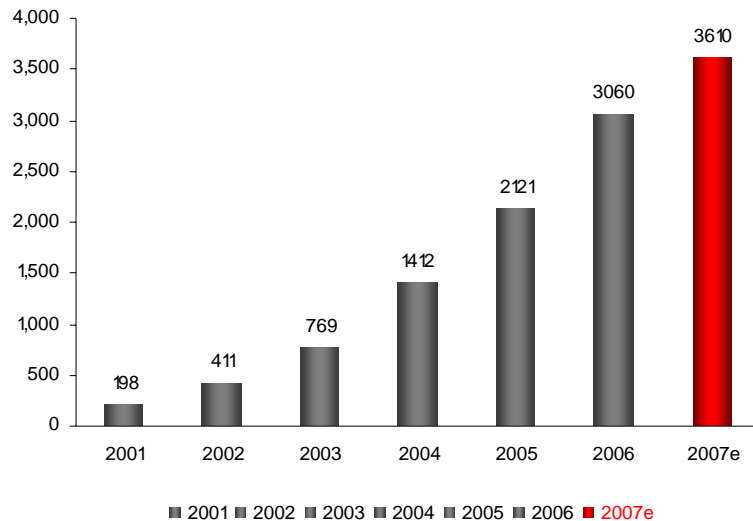


SOE Equitization

Accelerating or Decelerating?

- Number and size of equitized companies have increased significantly since 2001: 3060 SOEs have been equitized to date
- Major state-owned corporations are scheduled for equitization in the next 3 years
- Delay of Vietcombank deal an indicator of a slowing SOE privatization pipeline?

Number of SOE equitized



Source: General Statistics Office

SOEs to be equitized	BV* (in \$mln)	Sector	2007	2008	2009
Vietnam Airlines	360	Airlines		●	
Vietcombank	687	Banking	●		
Incombank	562	Banking		●	
BIDV	467	Banking		●	
VBARD	406	Banking			●
Sabeco	340	Beverage	●		
Habeco	170	Beverage	●		
Vinasteel		Steel			●
HUD		Construction	●		
Saigon Real Estate	63	Real Estate			●
Vietnam Paper	65	Paper			●
Haprosimex		Trading			●

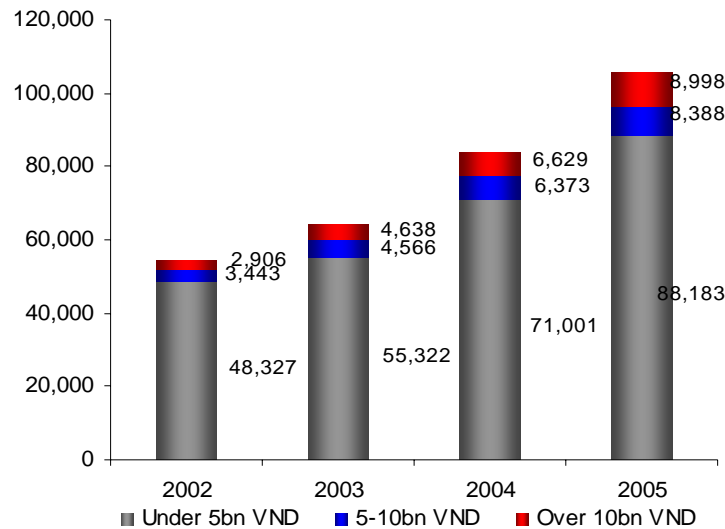
* Estimation of book value before evaluation for offering to equitization auction

Private Sector Opportunities

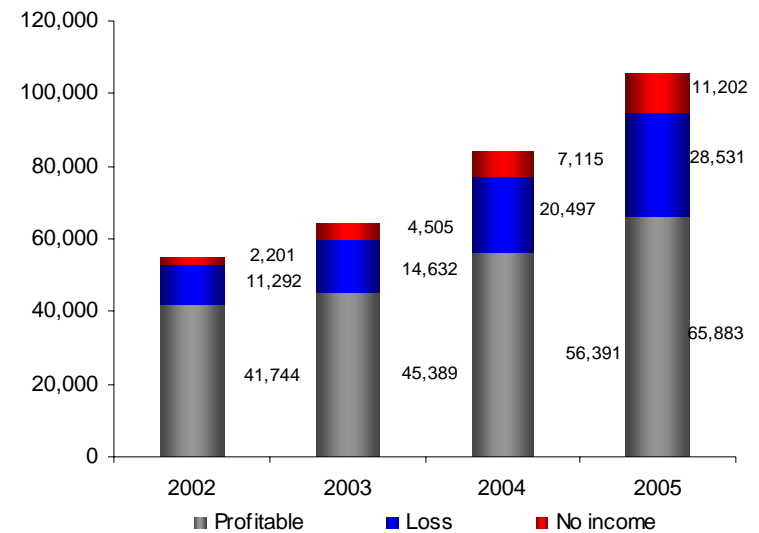
Private sector potential is significant and growing

Number of private companies by size and profitability has risen significantly across all sectors; thousands of new businesses register every year!

Number of Private Companies by Capital Size



Number of Private Companies by Profitability



Historical performance snap shot

Focus on companies prior to going public

Historical Movement of Stock Prices of Selected Listed Firms ⁽¹⁾

[Unit: VND]

	Company name (Ticker)	At time of auction or private placement	At time of listing		Current (July 31, 2007)		
		[A]	[B]	[B]/[A]	[C]	[C]/[A]	[C]/[B]
State Owned Enterprises	Vinamilk (VNM)	15,500 (Oct 2003 ⁽²⁾)	53,000 (Jan 19, 2006)	342%	178,000	1150%	336%
	Petro Vietnam Drilling & Welling (PVD)	13,494 (Dec 2005 ⁽²⁾)	130,000 (Dec 5, 2006)	963%	162,000	1208%	125%
Non- State Owned Enterprises	Minh Phu Seafood (MPC)	34,200 (Oct 2006 ⁽³⁾)	82,000 (Dec 27, 2006)	240%	48,500	142%	59%
	Thang Long Telecommunications (TLC)	35,500 (Oct 2006 ⁽³⁾)	85,000 (Dec 28, 2006)	239%	40,000	113%	47%

(1) Stock prices were compared historically with the assumption that no stock dilution has occurred so far, since data regarding stock dilution including stock dividends and any other type of distribution has not been found.

(2) Dates which equitization/ auction took place.

(3) Dates which most recent private placement took place.

How to take Advantage?

Vietnam Private Equity is Special

(1) Deal Sourcing:

- SOE pipeline public knowledge – access/ relationships help investor's time management
- Private sector large/growing in number; company/ deal sizes remain small
- Lack of management experience w/ regards to financial investors slow initiation process
- Capital in abundance – potential Value Add is crucial

(2) Due Diligence:

- SOEs: Information often limited, dissemination by default equal ... a one-way street?
Relationships provide extra insight and help filter good from bad
- Private sector placement/ fund raising activity overdone
- Abundance of capital in Vietnam benefits corporates: quality of information provided generally low; time-lines short
- Third-party DD not yet common – local infrastructure limited

(3) Deal Structuring:

- No special rights for SOE deals
- Most (private sector) managements not familiar with typical PE term sheets/ investor rights
- Better terms in pro-actively sourced transactions

Vietnam Private Equity is Special

(4) Deal Monitoring/ Value Add

- Mentality is slowly changing – Investor input increasingly appreciated if not required
- Areas of required guidance diverse: corporate governance, business development, capital management, communication, etc.
- 10 % ownership = 1 Board seat (nomination)
- Rate of change/ amount of influence at SOEs a function of free float post-privatization

(5) Exit

- Developing primary market – IPO a viable exit option
- Many companies come out too early
- Strategic sale opportunities limited but growing as fragmented sectors consolidate, and more MNCs enter Vietnam, etc.

Introduction BVIM



BVIM



BIDV

- 100 branches
- 50,000 institutional customer relations
- 10,000 OS loans

2006

50%

50%



BVIM

VIF

- ~US\$ 90M fund for domestic investors
- Final Closing March 2007

VIF II

- US\$ 300M fund for international investors



- 2 offices in Vietnam & 2 offices in the U.S.
- Advisor to many SOEs & provinces
- Significant principal investment history

BVIM - A leading Private Investment Fund in Vietnam

Sweet Spot Investing

❑ Investment Objective

- Absolute returns via strategic investments in emerging Vietnamese companies

❑ Investment Strategy

- **Deal types:** Private sector companies and SOEs during privatization
- **Bottom-up style:** Extracting value from companies with sound business fundamentals, outstanding management, and strong future growth prospects
- **Long-term:** Target average holding periods of 3 to 5 years
- **Focus/ Value Add:** Significant minority stakes in a balanced number of portfolio companies

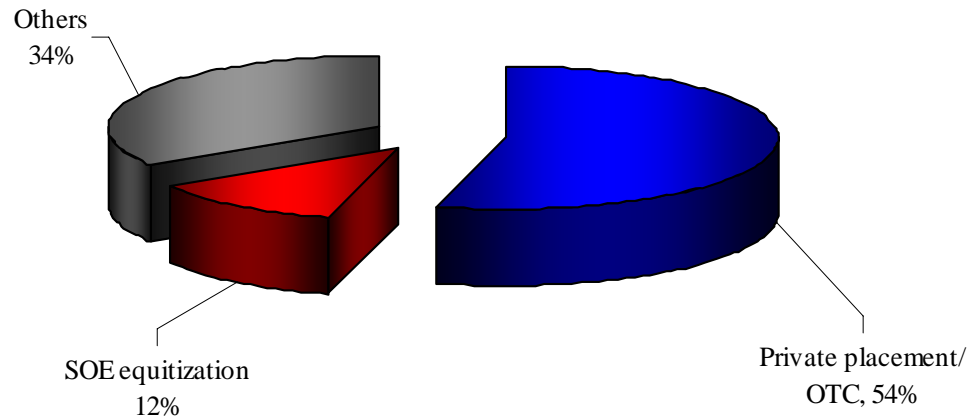
❑ Investment Approach

- Pipeline building around clear investment themes
- Detailed pre-investment analysis and due diligence
- Tailored investment solutions and structures
- Pro-active post-investment monitoring and value add
- Utilize resources and experience of BIDV and VP network and investment staff

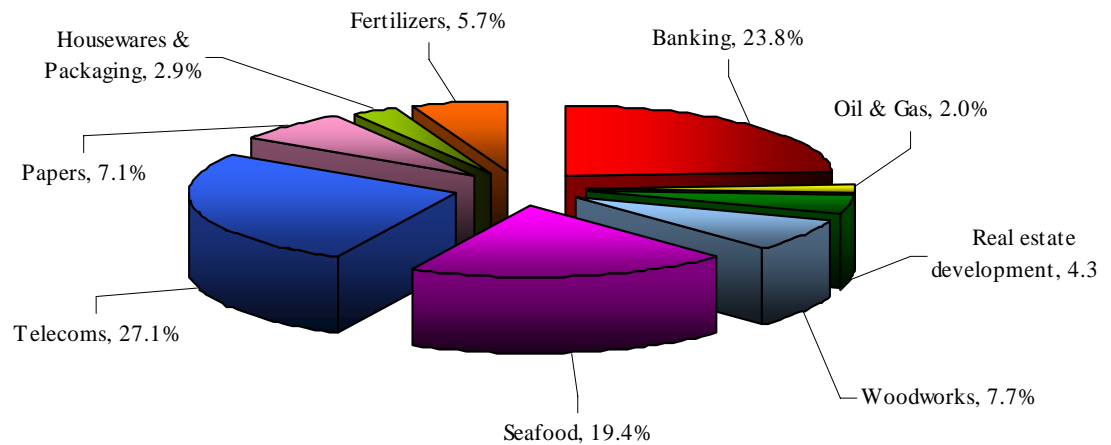


VIF Portfolio Allocation

Deal Types



Sector Allocation



(As of June 30, 2007)

VIF Domestic Investors

Well connected in the Vietnamese corporate scene



VINASHIN BUSINESS GROUP
Vietnam's leading shipping builder



VIETNAM CONSTRUCTION & IMPORT-EXPORT CORPORATION
The leading infrastructure construction and real estate developer



SONG DA CORPORATION
The leading hydropower construction corporation



HOUSING AND URBAN DEVELOPMENT CORPORATION
One of the biggest housing developers in Vietnam



BANK FOR INVESTMENT AND DEVELOPMENT OF VIETNAM
The third largest bank in Vietnam



VIETNAM GENERAL RUBBER CORPORATION (GERUCO)
The biggest rubber planting and producing company in Vietnam



SAIGON BEER-ALCOHOL BEVERAGE CORPORATION
The biggest beverage producer in Vietnam



VIETNAM NATIONAL COAL - MINERAL INDUSTRIES GROUP (VINACOMIN)
The biggest and only corporation managing Vietnam's mineral resources



VIETNAM POSTS AND TELECOMMUNICATIONS GROUP
The dominant post and telecom cartel in Vietnam



TAN THUAN INDUSTRIAL PROMOTION COMPANY
One of the most successful industrial park and housing developers in Vietnam

VIF Domestic Investors

Well connected in the Vietnamese corporate scene



CORP. FOR FINANCING AND PROMOTING TECHNOLOGY-FPT

The leading IT and technology firm



HOUSING DEVELOPMENT COMMERCIAL JOINT-STOCK BANK

A joint-stock bank in HCMC



BINH MINH IMPORT-EXPORT PRODUCTION AND TRADE Co.

One of the most successful private real estate developers



DAPARK CONSTRUCTION AND REAL ESTATE JOINT STOCK CORPORATION

A private real estate developer



SAIGON TRADING GROUP (SATRA)

The biggest trading group owned by HCMC Municipal Committee



SAIGON COMMERCIAL JOINT-STOCK BANK

A medium joint-stock bank in HCMC



SAIGONTOURIST HOLDING CO.

The biggest holding company in tourism



VIETNAM NATIONAL TEXTILE AND GARMENT GROUP

The state-owned holding company in textile



VIF Foreign Institutional Investors

Vietnam is an attractive investment destination of foreign investors



Development Bank of Japan



SUMITOMO CORPORATION



VIETNAM PARTNERS

New York base with local expertise in Vietnam



Q & A



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