

Quarterly Update: Vietnam's Golden Year for Public Companies

Spring 2012

A Surging Bull Market

While American stock markets posted their best year-opening quarter in years, Vietnam's stock market more than doubled the US gains. After two down years, Vietnam appears destined to be among the world's best investment performers for 2012 -- and likely 2013 as well. To understand the upside remaining after a 25% increase in Vietnam market values so far this year, investors need only look at the recent history of Vietnam's developing public markets. The leading Vietnam stock index closed the first quarter of 2012 at 441; it would need to rise another 147 points (33%) just to reach 50% of its all-time high of 1174 less than five years ago. So far the optimists who predicted a significant increase in Vietnam investing in 2012 have been right -- as Vietnam's economy started to improve after a dismal 2011. In the second quarter, Vietnam appears to be in an early stage of economic expansion.

Why Vietnam? Why Now?

Vietnam's stock market surge in the first quarter may signal a long term trend rooted in global economics. Southeast Asia stands out as the world's largest and most promising economic frontier. The region is poised to rise from the shadows of neighboring China and India as the 21st Century continues to expose weaknesses in Asia's two emerging behemoths. Increasingly, visionaries from the west are focusing on the promise of Southeast Asia as a central global economic theme. As one of the world's most promising frontier markets, Vietnam is strategically positioned in the heart of SE Asia, and is now one of Asia's most politically stable, young, capable, and healthy countries.

Most American investors and businesses continue to ignore Vietnam, and they do so at their peril. US market entry into Vietnam has been limited to a relatively small number of visionary corporations and investment firms seeking short-term gains as well as enduring partnerships. Overall, Americans have been slow to adopt Vietnam and are well behind many European countries as well as Japan, South Korea, Australia, and, of course, China. There are three reasons Americans are reluctant to invest in Vietnam:

1. **Historical emotional attachments.** American investors, more than their counterparts globally, tend to let lingering discomfort from the Vietnam War color their perceptions about today's Vietnam.
2. **Early disappointments.** Some American businesses were ahead of the pack into Vietnam in the 1990s and early 2000s -- and were disappointed because Vietnam wasn't yet ready for capitalism.
3. **Political and business culture.** Vietnam is complex, just a generation from extreme poverty, and is still developing the legal, political, and financial structures it needs to compete globally.

Vietnam's Quiet Emergence as Food Supplier to the World

As global population and food scarcity grow, Vietnam's capacity to help feed the world is also growing. Facing mass starvation a generation ago, Vietnam responded with an agricultural revolution that led the country to become a world leader in the export of seafood, cashews, coffee, pepper, tea, fruit and many other foods. Now Vietnam is positioned as one of the solutions to the problem of feeding growing populations and satisfying the demands of the world's growing middle class -- and Vietnam is likely to overtake Thailand as the largest exporter of the commodity that feeds half the world: rice.

Bolstering the case for investment in Vietnam are the country's natural resources that made it a target of colonization for centuries (such as forests, water, rare metals, oil, and beaches) and social capital that evolved from cultures of deep respect for education. The result is a country of young, educated, ambitious entrepreneurs that offers motivated, skilled and low-cost labor to support world class agribusiness, manufacturing, and tourism. In short, there are compelling reasons to do business in Vietnam now.

Coffee: A Symbol of Vietnam's Emergence

In 2011, Vietnomics LLC created **Temple Hills Coffee** as a bridge between the past and future of the American-Vietnam relationship. Coffee is a suitable emblem because of its story in Vietnam. Coffee plantations were introduced by French colonists and were destroyed or damaged in the 1960s and 1970s. But after Vietnam's civil war, the trees returned and new plantations rose from the ashes. The resilience of the Vietnamese – and especially Vietnamese coffee farmers -- led Vietnam to become the world's second largest exporter of coffee and the largest grower of the Robusta variety found in instant coffee.

The vision of the Temple Hills project is to demonstrate to westerners that Vietnam offers products of increasingly high quality. By working with coffee farmers and others in the industry, Temple Hills aims to offer single-origin coffee from Vietnam that compares favorably with the world's best coffees. To do so, Temple Hills is focusing on the variety of coffee preferred worldwide, especially by westerners: Arabica.

As with most initial western ventures into Vietnam, the project faces major challenges: finding top quality beans, ensuring high quality processing, and making sure the beans are roasted to the highest of American standards when they reach the US. Temple Hills also is aware that development of coffee plantations in Vietnam led to environmental degradation: forests were destroyed, excessive fertilizers deployed, water wasted, soil degraded. Temple Hills envisions working with organizations such as the Rainforest Alliance, the 4C Association and the Fair-trade Foundation – and perhaps even other coffee companies such as Kraft and Nestle -- to promote sustainable practices and a better product. As this process unfolds over the next few years, coffee drinkers worldwide will be asking for Vietnamese coffee.

In 2011, shortly after Temple Hills first introduced Arabica coffee from Vietnam to the American market, the company ran out of its new products. But now, after several months of searching for the best coffee in Vietnam, the company soon will have a new shipment arriving. Starting in mid-May 2012, Temple Hills Coffee once again will be offering **Dalat Arabica** and **Pacific Sunrise** coffees.

To order coffee from Vietnam, go to:

www.templehillsonline.com



Key Vietnam Data

First quarter 2012 vs. first quarter 2011 from government monthly statistical reports

Gross Domestic Product – \$26.1 billion, up 4.0%

Consumer Prices – up 16.0%

Exports --\$24.5 billion, up 24%

Imports -- \$24.9 billion, up 7%

International Visitors – 1,873,700, up 25%

Foreign Investment -- \$2.6 billion, down 36%

VN Dong Exchange Rate -- 20,825, down 0.5%

Stocks -- Closed at 441.03, up 25% YTD

Vietnomics LLC, through partnerships in the US and in Vietnam, is a global sourcing consultancy that links US and VN investors and companies. Our advisors provide cultural training and services regarding sourcing, marketing, investing, government relations, factory evaluation, social investment and legal solutions. We provide quarterly updates and frequent blog posts (vietnomics.wordpress.com) about opportunities in Vietnam.

Jeff Browne, President

U.S.A.

12555 Green Meadow Place
Elm Grove, WI 53122
262-641-0737 -- Cell: 262-271-7330
Email: jbrowne@vietnomics.com
Internet: www.vietnomics.com
Blog: vietnomics.wordpress.com

Hanoi

Ngo Van Tuan
Managing Partner
322D, Au Co Street
Tay Ho district
84 4 22432930 – Mobile: 84 9 82587838
Email: ngotuan@vietnomics.com

Ho Chi Minh City

Tran Thanh Ly
Managing Partner
135/37/36-38 Nguyen Huu Canh St.
Ward 22, Binh Thanh District
84 8 62944686 -- Fax: 84 8 62944685
Email: lytran@vietnomics.com