

HSBC appointed as global custodian for the first QDII Vietnam fund

HSBC Securities Services has been appointed as global custodian for the qualified domestic institutional investor (QDII) fund launched by Tianhong Asset Management Company (Tianhong AM), one of the largest asset management companies in China. The QDII fund is China's first dedicated mutual fund providing access channel for Chinese domestic investors into Vietnamese capital market.

The QDII scheme allows China investors through qualified institutions to invest offshore within allowable quotas. Tianhong AM's quota under the scheme is USD 200m, according to data from the State Administration of Foreign Exchange dated September 2019. The QDII fund will invest no less than 80 per cent of fund assets in stocks benchmarked against the VN30 Index, which includes the 30 largest stocks listed on the Ho Chi Minh Stock Exchange, and also invests in depositary receipts issued by Vietnamese companies.

Patrick Wong, Head of China Business Development and Client Management at HSBC Securities Services said, "Vietnam is a booming market with great investment potential. Tianhong AM's QDII Vietnam fund has paved the way for investors to access the country's equity fund and we are very delighted to be part of this development. With HSBC's vast global network, we are positioned to support and connect our clients especially in China to access other frontier and emerging markets in Asia and the world."

Vietnam is one of Asia's fastest-growing economies with a GDP growth of 7% in 2019. Its demographics plus the trade diversion make it an enticing place for investment in the manufacturing and services sector. Industry insiders pointed out that some emerging markets such as Vietnam are evolving rapidly in terms of economic growth and market maturity; and tapping risk premiums in these emerging markets may potentially bring good returns to investors, albeit higher risk. The Vietnamese government has liberalised foreigners to invest in local stocks. However, it should be noted that there are still some obstacles to transferring money to Vietnam because of the foreign exchange control at home and abroad.

HSBC was the first foreign bank to be granted custodian license since the market inception in July 2000 in Vietnam. In 2018, over 64% of Securities Trading Codes (STCs) issued were for HSBC clients for institutional investors.

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