

# Another record year for Asian capital raisings?

## MARKET PERSPECTIVE: ASIA

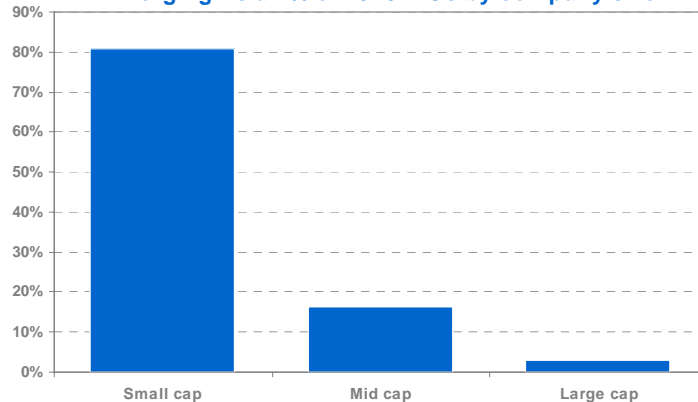
### State-owned enterprises led the 2010 IPO register...

Company	Country	Amount raised (US\$ billions)
Agricultural Bank of China	China	22.1
Samsung Life Insurance	Korea	4.4
Petronas Chemicals	Malaysia	4.1
Coal India	India	3.5
China Everbright Bank	China	2.8
Huatai Securities	China	2.3
China First Heavy Industries	China	1.7
Korea Life Insurance	Korea	1.6
China XD Electric	China	1.5
Ningbo Port	China	1.1

Source: Bloomberg, FIL, as at 31 December 2010

### ...but smaller companies may offer the big opportunities

Emerging Asia - % of 2010 IPOs by company size



Source: Bloomberg, FIL, as at 31 December 2010

February 2011

Asia's dominance on the world stage continues to break new ground. High profile capital raisings from America's General Motors and Visa become less significant when considered in the context of burgeoning capital markets in Asia. Take a look at why emerging Asia is the place to raise capital and where the future opportunities may lie.

- The strong growth profile of the Asian region together with foreign investors' significant appetite for Asian stocks led to a record number of Asian initial public offerings (IPOs) in 2010. More than 850 IPOs in the Asia Pacific ex-Japan region last year raised a record US\$164 billion, 58% of the world's total equity capital raised. This was an increase of 248% from 2009 and well clear of the previous record of US\$93.3 billion set in 2007. The record IPO activity in Asia during 2010 meant that US floats accounted for just 17% of the world's total.<sup>1</sup>

- The re-listing of General Motors following a period of government ownership was 2010's largest stock issue, but there were a range of high profile offerings in Asia as well, many of which were prized state-owned assets. Agricultural Bank of China, the country's largest state-owned bank, raised US\$22.1 billion through stock issues in Shanghai and Hong Kong in August. It ranked as the world's biggest-ever IPO.<sup>1</sup>

- Milestones were also reached elsewhere in Asia. India's largest-ever initial IPO took place in November when the government sold 10% of Coal India, the world's largest coal miner, raising US\$3.4 billion after the offer was 15 times oversubscribed. Southeast Asia's largest-ever IPO occurred in November when Petronas Chemicals, a unit of Malaysia's state-owned oil company, raised US\$4.1 billion.

### Asia's emerging companies yearning for success

- Asia's smaller companies warrant attention. Of the 631 IPOs from emerging Asia last year, 510, or 81% of these were small caps – those with a market capitalisation of less than US\$1 billion.<sup>2</sup> These newly-listed companies have a total market capitalisation of US\$335 billion and account for 9% of the total Asian small capitalisation market.<sup>3</sup>

Sources: 1. Bloomberg, "IPOs in Asia Grab Record Share of Funds as US Offers Dry Up", 28 October 2010.

2. Bloomberg, FIL, as at 31 December 2010

3. CLSA, "Asia Small Caps – Rich Feast", 12 January 2011.

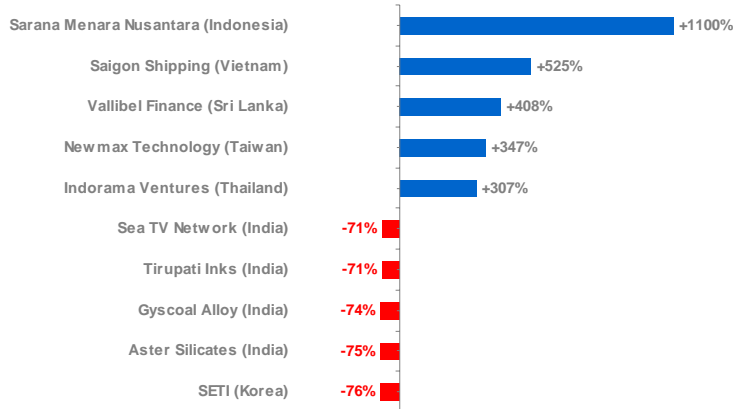


# Good morning Vietnam

## MARKET PERSPECTIVE: ASIA

### 2010's big winners and losers in emerging Asia

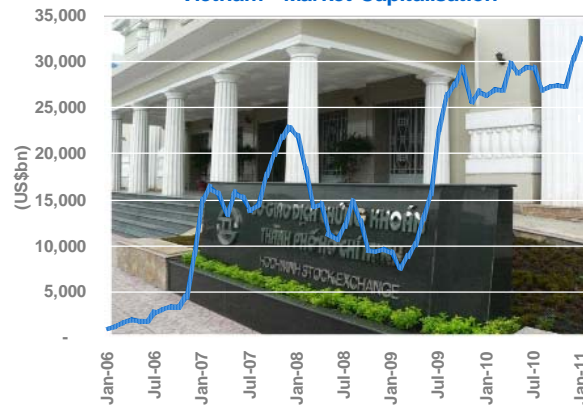
#### 2010 Emerging Asia IPOs - best and worst performers



Source: Bloomberg, FIL, based on performance from listing date to 1 February 2010.

### Another Asian growth story evolving in Vietnam

#### Vietnam - Market Capitalisation



Source: Ho Chi Minh City Stock Exchange, Datastream, 31 January 2011

- Big gains have come from smaller, less known names such as Indonesia's Sarana Menara Nusantara, a builder of telecommunications infrastructure. This company was the best performer of the 2010 debutants, providing investors with 1100% gain since listing. At a distant but impressive second place is Vietnam's Saigon Shipping, a growing shipping and logistics company. The company's stock price has since risen 525% since its 27 December listing.<sup>3</sup>

#### Future opportunities in emerging Asia

- The need for capital in Asia shows little signs of abating. The 2011 pipeline shows 233 new issues are expected from the emerging Asia region, raising US\$3.2 billion.<sup>3</sup>
- It's little surprise that the 2011 pipeline is dominated by companies from China and India, but prospective IPOs from Vietnam represent 34% of the offerings. Collectively, 80 Vietnamese companies are expecting to raise more than US\$600 million.
- Vietnam's rapid emergence as an investment destination is typical of smaller developing nations. Buoyed by the general shift towards investing in Asian growth opportunities, Vietnam's stock index, the Ho Chi Minh City Stock Exchange, is now populated by 586 companies, up from just 38 in 2005. Its establishment was well-timed with the growth in the region's capital markets. In just 10 years, its stock market capitalisation has grown to US\$32 billion, from just US\$1 billion at its 2000 inception. It is now around the same size Thailand's stock exchange was in 2002.<sup>4</sup>
- Vietnam is still a small market and the ability of foreigners to invest in stocks remains limited. Stock trade prices are restricted to a 5% change from their prior close and foreigners are limited to holding 49% of a company. But the same limit on foreign ownership also applied in Thailand before 2001. Thailand has since introduced Non-Voting Depository Receipts to provide foreigners with greater ownership potential.
- In learning from its regional peers, Vietnam's government has been active in breaking up state-owned enterprises and encouraging foreign investment. The country's private sector is set to grow as it becomes more investor-friendly. Further market and structural reforms are in this government's policy pipeline.

Sources: 3. Bloomberg, price returns from list date to 1 February 2010.

4. Bloomberg, Stock Exchange of Thailand, sourced 1 February 2011

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