

# TECHNOLOGY & INVESTING

## VinaCapital Launches \$50 Million Vietnam Technology Fund

Ho Chi Minh City, Vietnam-based VinaCapital is raising its third fund, The VinaCapital Technology Fund I, a \$50 million fund which will invest in pre-IPO and privatizing State-owned enterprises in Vietnam. In an exclusive first interview on the fund, veteran GP, Louis Nguyen, the fund's Managing Director says that he already has soft commitments for two-thirds of the fund. Nguyen, who spent a decade at Bay Area venture firms including Menlo Park's Osprey Ventures and San Francisco's Intelligent Capital joined VinaCapital in 2004 after launching IDG Ventures in Vietnam for Pat McGovern.



Nguyen leaves Vietnam this week, for a round the world fund raising trip during which he says that he hopes to get final commitments for the fund. Despite VinaCapital's successfully raising a fifth round of \$76 million for its \$245 million AIM listed Vietnam Opportunity Fund and a quick close on the firm's latest fund, its \$205 million VinaLand Fund, (**T&I. VINA IN FIFTH ROUND AND NEW FUND. 10/04/05**) Nguyen says that the tech fund effort is taking more time than the firm's prior fundraisings because "the market is a bit soft," for Asian funds given the large number of Asian funds raising money. Nguyen wants an initial close by the end of July and a final close by the end of September.

Chris Freund, the founder of Mekong Capital, Vietnam's other leading venture capital firm, that makes growth investments in small and medium sized businesses, recently closed its second \$50 million fund (**T&I: ASIAWATCH. APRIL. 2006**). Freund told **T&I** at the time of his closing that he had had an arduous months-long fund raising effort, despite his own firm's strong track record with its first fund.

Asked to explain the model he hopes to implement for the new fund Nguyen says that the fund will invest first in US-based models that are being founded in Vietnam, that are well known and successful; look-alikes for Yahoo, eBay, Alibaba, Baidu, PayPal and others that have no equivalent in Vietnam's wide open internet markets, that also provide a ready M&A opportunity if founders can build a successful local model. Nguyen says the fund will invest from \$500,000 to \$3 million across two rounds, and will take majority control and a board seat in all of its Vietnam investments. Nguyen believes that Vietnam's technology investment landscape is attractive, because of the country's high internet and wireless penetration, a large and young population of 83 million, the fastest rising economy in Southeast Asia, and the recent US approval for Vietnam to join the WTO.

Nguyen says that the fund will also invest in a second model, that of privatizing state-owned enterprises as the energetic Vietnamese government continues its economic

liberalization; companies such as telecommunications, cellular and internet companies that are all seeking to list on the stock exchange of Vietnam or other regional exchanges in Hong Kong or Singapore.

Asked how the VinaCapital tech fund will differ from IDG Ventures, the country's other tech fund (**T&I. NEWS ANALYSIS: TURNAROUND AT IDG VENTURE. 5/09/05**) Nguyen says that his fund will focus on fund late-stage companies and not early stage firms that IDG prefers. Nguyen can also count on the large team that VinaCapital has assembled, and the firm's history of work in Vietnam since its 1994 founding. Nguyen says that IDG Ventures is a likely syndicator and not competitor for deals in Vietnam. "The market is too small here and there are no other tech funds," by way of explaining VinaCapital and IDG are more likely to collaborate than to compete in the country's nascent VC market.

Asked about the well-known lack of middle and upper levels of management in Vietnam, Nguyen agrees but says that there are huge pools of engineering and management talent in California's San Jose and Orange County, where a generation of well trained emigrant Vietnamese managers have grown up and who present a pool of talent that is interested in returning to Vietnam. Asked about the location of startups, Nguyen says that the fund will invest principally in and around metropolitan Ho Chih Minh City and Hanoi. Asked about deal flow Nguyen says that the tech fund is closing on its first investment into a community internet portal based in HCM City, has two more deals already in discussion and more in its pipeline.

T&I began its in-depth country coverage of VC and Private Equity in Vietnam last fall with the publication of a roundtable on the country's private equity industry (**T&I. VIETNAM ROUNDTABLE. 01/07/06**). ■