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New firm sees potential in Vietnam

Delafield capital markets team to link companies, U.S. investors

By PAUL GORES
pgores@journalsentinel.com

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When Duc Rodney Hathaway and Terence V. Pavlic visited Vietnam last year, they couldn't help but be taken aback by its economic pulse.

The construction. The youthfulness of the population. The bustling major cities.

"Everybody was talking about doing business, making money," Pavlic said. "It was a very exciting attitude and a feeling of opportunity."

Hathaway and Pavlic, two seasoned investment managers from the Milwaukee area, hope to seize that opportunity with the formation of Hathaway-Nguyen Capital Management Inc., a firm that will invest in a portfolio of Vietnam-related stocks.

"It will focus on Vietnam and give U.S. investors one of the first opportunities to participate in this dynamic growth that is occurring in Vietnam," said Hathaway, who was born in Saigon - now Ho Chi Minh City - in 1968 before his family immigrated to the United States during the Vietnam War.

Vietnam has come a long way from how many Americans remember it - the site of an unpopular war that divided the nation in the late 1960s and early 1970s. The communist regime that took control over the whole country after U.S. troops withdrew following a cease-fire agreement eventually realized it would need to allow a free-market economy to grow.

Since 1986, Vietnam's leaders have liberalized the economy and have been spinning off state-owned companies to investors. It now has one of the fastest-growing economies in the world, and some view it as the next China.

Hathaway and Pavlic think Vietnam, which today has two stock exchanges, is an emerging market ripe for investment that can offer long-term capital appreciation.

"There has been an explosion in the formation of new private enterprises in Vietnam in the last five

years due to new laws that make it more investor-friendly," said Hathaway, who met Pavlic when both worked for Banc One Investment Advisors in the mid-1990s.

What kind of companies are there? One example of a growth company is the country's biggest firm, a dairy.

"In this country (the U.S.) we haven't thought about dairy as a growth industry in a long time, but there, dairy products are kind of a health food. It's considered a step up from a carbo- to a protein-oriented diet. As income goes up, the consumption of dairy product goes up a multiple of their income," Pavlic said.

In Vietnam, incomes still are very low - on average \$70 a month - so it is a source for low-cost labor. That has attracted manufacturing investment from firms based in other nations, providing new non-agriculture jobs. But farming is and will remain very big to the Vietnamese economy, especially in a new era of food shortages around the world.

"Vietnam has essentially a year-round growing season. You can grow just about anything there," Hathaway said.

It already is a large exporter of coffee, rice and cashews. In addition, it exports oil.

Hathaway and Pavlic think Vietnam, with its 2,000 miles of tropical coastline, also holds promise as a vacation resort destination for wealthy Chinese and others in the years ahead.

"There are so many factors here, when you step back and take a look at the country as a whole, that make it a very attractive investment destination in our opinion," said Hathaway, who will spend much of his time in Vietnam conducting due-diligence on potential investments.

Some investment analysts have expressed concern about inflation and challenges for the nation's monetary policies, but they remain optimistic about its long-term growth prospects.

On Thursday, Hathaway-Nguyen Capital Management, based in Delafield, is sponsoring an all-day conference at the Milwaukee Athletic Club titled "Building Bridges to Vietnam: Investing & Business Partnerships with Asia's Most Dynamic Emerging Economy."

The event, which costs \$60 per person all day or \$30 for lunch only, will feature a luncheon address by H.E. Le Cong Phung, Vietnam's ambassador to the U.S. A networking reception from 5 to 7 p.m. at the Milwaukee Art Museum costs \$40.

"We're a Wisconsin company," Hathaway said. "There's no reason why Milwaukee can't be on the forefront of this exciting opportunity. It doesn't always have to start in New York and California."

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