Praise for *Crossing the Street*

"As investors work ever-more diligently to discover outsized returns in a complex global landscape, Andy Ho's book is a welcome and important contribution. His focus on Vietnam is distinctive and well-warranted. The book offers detailed, practical guidance for successful investing in this country, and its insights stem from extensive experience. Further, while the author has clearly had success as an investor, some of the book's lessons and insights are hard-won and so read not only as good and cautionary advice, but also offer compelling reading. Valuable for investors, those interested in the entrepreneurial landscape of Vietnam, and for those interested in economic development in the wider region."

David C. Schmittlein, PhD, Dean and Professor of Marketing at the MIT Sloan School of Management

"Telling Vietnam's story is critical to understanding the potential investment opportunities there, and Andy (along with his partner Don Lam) is superb at that. At the same time, he promotes patience and investment discipline as exemplified by the tips and learnings found in this book. Andy imparts universally important investment philosophies yet brings to bear his unique experiences in Vietnam. The frontier aspect of the country (although hopefully not for long), the juggling of international investors' desire for returns, liquidity and discount management and the unique political environment all have been managed well, and this book provides for a wonderful read."

Martin Glynn, VOF Director (2008–2014); Director, Sun Life Assurance Company of Canada; Chairman, Public Sector Pension Investment Board (PSP), Canada; Former President and CEO, HSBC Bank USA

"Andy Ho has accurately encapsulated the essence of investing in Vietnam. How, you may well ask, is it possible to equate a communist political regime with a dynamic and thriving business culture?

The answer inevitably has much to do with the dynamism and entrepreneurial spirit of the Vietnamese themselves, but also the extraordinary diaspora of Vietnamese connections across several continents that occurred after 1975. Andy Ho is himself a product of that diaspora who, like many others, returned to his native country.

I had the good fortune to get to know Andy well and to participate at an early stage in the growth of the Vietnamese economy. These many years later, I continue to hold shares in the fund and remain optimistic about Vietnam's prospects."

William Vanderfelt, VOF Chairman and Director (2004–2013)

CROSSING THE STREET

CROSSING THE STREET

HOW TO MAKE A SUCCESS OF INVESTING IN VIETNAM

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with Joel Weiden

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PREFACE

It was late 2018 when I was first approached to write a book about my experiences investing in Vietnam. The previous year saw Vietnam's VN Index rank as the top-performing stock market in the world. Up 48% for the year, it was the talk of the investment industry. The first quarter of 2018 was also very good, with some IPOs and equitisations (or privatisations) of state-owned enterprises (SOEs). The market rose another 19%, again leading global indices. But this exuberance did not last – by the end of 2018, the VN Index had declined by 10%.

After a volatile year, 2019 ended on a better note, with the VN Index rising by over 7% (though some expected it to be twice that). There were no significant IPOs or equitisations to speak of during the year, but listed companies performed well. Going into 2020, expectations for the stock market were high, with many predicting a growth of 10–20%. But it was not meant to be. By the time I got to writing this book, Covid-19 was sweeping through the world and all bets were off.

All of this illustrates the unpredictability of the world we live in and of stock markets in particular – especially those in developing countries like Vietnam. Make no mistake though: Vietnam is the last significant opportunity for investors in Southeast Asia.

Since 2008, I have been fortunate enough to manage one of the largest Vietnam-focused funds. Listed on the London Stock Exchange, the fund I manage is called the VinaCapital Vietnam Opportunity Fund, or 'VOF' for short. Over the course of 12 years, Vietnam's stock market and economy has experienced numerous ups and downs. Indeed, there's a long-running joke that Vietnam always seems to be the 'next big thing'. Yet the country has never quite been able to reach its potential – at least not in the eyes of the global investment community.

But the stock market is just one indicator of a country's potential. VOF is unique among the Vietnam-focused funds in that it takes a multi-asset investment approach, investing in publicly traded companies as well as through private equity. In fact, most of our listed equity holdings originally entered our portfolio as private-equity investments. These investments are much more interesting to us as investment managers; they give us the opportunity to play a real role in adding value to the enterprise and, in turn, deliver solid returns to our investors over the long term.

Of course, there are no guarantees in investing. Like any other investor, we have had our share of mistakes along the way. Thankfully, those rare mistakes have worked to teach us just as much as our successes, and have helped define and guide how we approach our business. The rules outlined in this book are drawn from our 20 years of experience investing in Vietnam, as well as from others who have also invested in the country.

Investing in Vietnam, just as investing in any frontier or emerging market, carries risks – and hopefully commensurate returns. The path to development and success is never straight or straightforward. In some ways, change here can happen at a glacial pace and in ways that might leave outsiders scratching their heads.

However, some of us have always had confidence that the country would, eventually, build some real traction. It's why I first returned to Vietnam in 1994, once the United States began normalising its relationship with the country 20 years after the end of the war.

In 1977, I left Vietnam as a young child with my family on a boat bound for Malaysia. Like hundreds of thousands of Vietnamese people in those turbulent post-war years – especially those of Chinese heritage – we were seeking a better life. Eventually we made our way to Bridgeport, Connecticut. I didn't speak English – nor did I speak Vietnamese, as we spoke Cantonese at home – but I quickly learned.

At that time, the economy in Connecticut was not optimal for refugee families, so my grandfather sought better opportunities by heading west. We eventually settled in Denver, Colorado. Not long after we moved there, my grandfather tragically passed away from a stroke, due in part to the high altitude.

I think most of my family appreciated the selection of Denver as a place to plant our roots; it definitely gave me an appreciation for the outdoors. Like any other teenager in Colorado, I learned how to ski and enjoy the outdoors. After graduating from high school, I earned my bachelor's degree from the University of Colorado and joined Ernst & Young (EY) as an auditor.

Although I started out in EY's Denver office, I was quickly transferred to the Hong Kong office before moving to the newly opened office in Ho Chi Minh City (HCMC). EY had just purchased a small accounting firm in Vietnam and needed a team on the ground to start the new operation. I was fortunate to join this team and started to look after clients such as Coca-Cola and BP. It was this opening of EY Vietnam that first brought me back to the country I had fled with my family less than two decades earlier.

For nearly two years, I simply spent time in Vietnam, amazed by the excitement and optimism around me. While people were still quite poor and rode bicycles to get around HCMC, it seemed as if everyone had the goal of working hard and saving up to buy a Honda Dream motorbike (which at the time cost about $2,000; to put that in context, university graduates working for some of the few multinationals operating in the country were earning the princely sum of $200–400 a month!).

The optimism of the Vietnamese people was visible everywhere you looked. It seemed as if everybody was running a business – nearly every house converted their ground floor into some kind of shop, restaurant or other business. Everyone was working and saving. Everything was a start-up. And things were being built everywhere: office towers, apartment buildings and houses, roads, drains, bridges.

Ho Chi Minh City was like a real-life version of the computer game SimCity, which was wildly popular in the 1990s. And just like in SimCity, the airport and power plants needed to be developed, as well as a tax system established. Vietnam was still pretty much closed off to the rest of the world, so everything that was happening was kind of like a chemistry experiment in a lab: isolated and with few external influences. It was a fascinating time to be there and to witness a country just beginning to open itself up to the outside world.

It was during that two-year stint that I was able to properly learn Vietnamese, since everyone around me spoke it. If I had not been able to learn, I would not be where I am today. Knowing the language has been critical to investing in Vietnam, especially in the private-equity space.

It was also during my initial assignment in Vietnam that I met Tina Nguyen, the young lady who would become my wife. In 1998, I returned to the US to eventually pursue an MBA at the Massachusetts Institute of Technology. A year earlier, Tina moved to Montreal to pursue her career at EY Canada. She joined me in Cambridge in 1999.

After graduating, Tina and I moved to Austin, Texas, where I joined Dell Ventures, the venture capital arm of Dell Computers. We would eventually do the thing you usually only see in the movies – drive to Las Vegas on 31 December 1999 and get married. We wanted to get married before any potential fallout from the much-hyped Y2K issue – as it turned out, there was next to none. Anyway, the wedding wasn't at a drive-through chapel, but at city hall. Elvis was not there either, but my grandmother was. The 45-minute wedding service cost us $75.

Dell Ventures was a transformative experience – it really shaped my thinking around entrepreneurship, investing and how small businesses get built. I got to thinking that a lot of it was related to making mistakes. The foundation for what would become my 20 rules was poured.

As interesting as my time at Dell Ventures was, I left in 2004 for an enormous opportunity to become director of investment with Prudential Vietnam's fund-management company. In the role, I managed the capital markets portfolio and Prudential's bank-investment strategy. The chance to work in Vietnam's investment space was too good to pass up.

Unlike many Viet Kieu (or overseas Vietnamese), my family were not concerned when I expressed a desire to live in Vietnam full-time with my wife and child. My father had already returned to the country to resume practising as a physician and teaching, and I had other relatives still in the country. They recognised that things had changed since we left, and a level of reconciliation had occurred. If the United States could move forward with Vietnam, so too could many of the people who once left.

While I was raised in the US and am proud to be American, Vietnam is my home. And though the country faced turmoil and conflict for much of the twentieth century, it is *finally* coming into its own. All these years later, I continue to be excited by the opportunities it offers.

INTRODUCTION

First-time visitors to Vietnam will often marvel at the traffic. Motorbikes, cars, buses and trucks all share the roads – and sometimes even the same lanes – and to the uninitiated, it appears that there are very few rules motorists follow.

They witness vehicles driving on the wrong side of the road, people driving motorbikes on the sidewalk, cars turning left at an intersection from the far-right lane and a range of other practices that would violate the rules of their home countries. But in Vietnam, traffic usually flows like water and reasonably well despite the organised chaos.

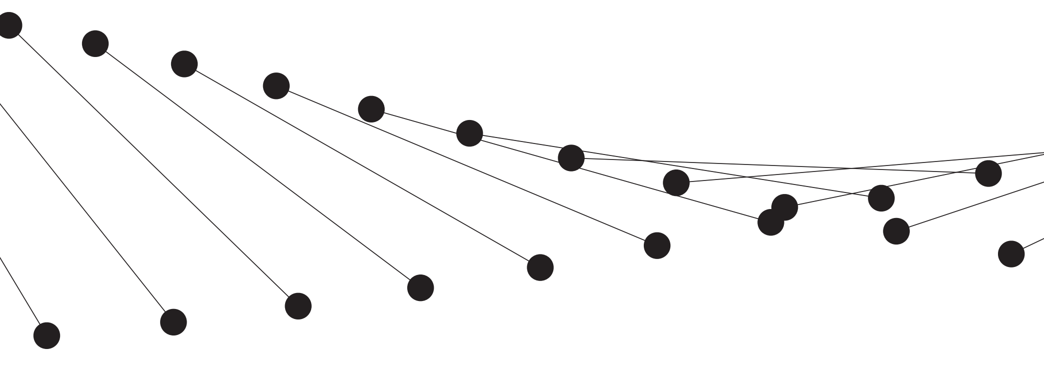
The real test for visitors (and even long-time residents) is crossing the street. Apart from a few areas in the central business districts, crossing signals are non-existent. And even where there are lights, motorbikes will obliviously whiz through. Afraid of getting run over, many visitors limit their walking tours to peripheral circles around the block. Sure, it's safer, but they definitely miss some interesting sites.

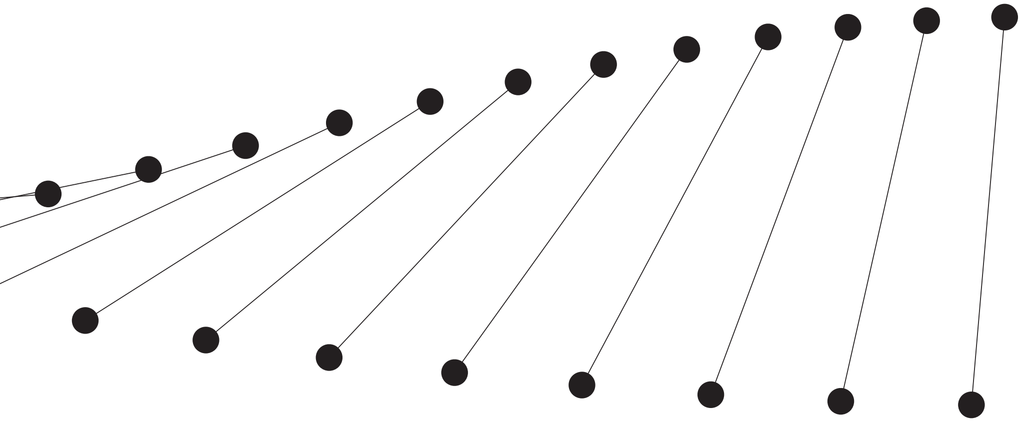
So how do you achieve what should be a very simple task? How do you avoid motorbikes, cars and buses all coming at you from various directions? How do you navigate a place where the rules are so different from other countries, if there are rules at all?

There is a secret to successfully crossing the street that usually works. Some intrepid visitors figure it out, while others are too scared of what they see.

It's actually fairly simple. The traffic in Vietnam flows like water, and drivers will usually go around pedestrians. But that only works if the pedestrian crosses the street with some confidence and at a steady pace. If they panic and stop in the middle of the street, they are likely to get hit.

The frenzy of Vietnam's traffic is a good metaphor for investing in the country. Investors have to be somewhat brave – it is a developing market, after all – and have patience. It can be frustrating at times. But if they understand the hazards and heed the lessons learned by others, it usually works out.





CHAPTER 1

WHY INVEST IN VIETNAM

If you're reading this book, I assume that you have some interest in or knowledge of Vietnam. Perhaps you took a holiday to the country and were impressed by what you saw. Or you recently read some news about Vietnam and your interest has been piqued. Maybe you're a retail investor who owns shares in a fund like the one I manage.

In my role, I get to spend a fair amount of time standing in front of people talking about why they should invest in Vietnam (hopefully via VOF). In those meetings (or more recently, Zoom calls), I find that knowledge about Vietnam varies wildly. A diminishing minority still hold a view of the country during the war era – rebuilding from the devastation of decades of conflict. And while there are vestiges of the war still being dealt with, Vietnam has come a long way since then.

Vietnam is something of an enigma. It's a young country with a history that dates back centuries. It's a market economy governed by the Communist Party – one of the last five communist countries in the world. In terms of population, Vietnam ranks 15 in the world, while its economy ranks 36 as of 2020. This once closed-off country is now party to more free trade agreements (FTAs) than any other country in Southeast Asia. At the end of 2020, Vietnam signed an FTA with the United Kingdom, the 17th such agreement the country has entered into.

Why invest in Vietnam? It comes down to a few, very compelling, fundamental reasons.

1. A substantial population of nearly 100 million people, two-thirds of whom are below the age of 35 – it's the last significantly sized market in Asia to develop.

2. A fast-growing middle class of nearly 30 million, who are driving an economy that is based largely on the consumption of goods and services.

3. Asia's quick urbanisation rate, which is creating demand for new housing and infrastructure.

4. A growing manufacturing sector that is quickly transforming into the production hub of Southeast Asia thanks to low wages and a reasonably well-educated workforce.

5. Stability across a range of metrics, including currency, inflation, and government.

6. A government that is committed to fully integrating into the global economy and to continued economic reforms that attract investment and ultimately improve the lives of the Vietnamese people

To understand how Vietnam evolved so rapidly, a very brief review of its post-war history is probably in order.

The Vietnam War ended on April 30, 1975, when the People's Army of Vietnam rolled tanks through the gates of the South Vietnamese presidential palace in Saigon and raised their flag. The iconic photo of helicopters evacuating people from the US Embassy and from a nearby rooftop is how many people of a certain age recall that crazy and desperate day.

Known as the American War in Vietnam, its human costs were enormous. Estimates vary widely, but Vietnam has stated that two million civilians and more than one million military personnel died during the conflict. The US saw more than 58,000 servicemen killed in action, while its other allies, including Australia and South Korea, recorded another 6,000 dead. There were also casualties in the neighbouring countries of Cambodia and Laos. And let's not forget the hundreds of thousands who survived but were wounded, often with permanent injury. Needless to say, the scale of loss was almost incomprehensible, no matter whose side you were on.

The new communist government of a unified Vietnam set about nationalising and centralising the economy. As a result, the economy stagnated, inflation soared, and food shortages were common. It was during this period, from 1975–1979, that many Vietnamese people hailing primarily from the south left the country as political and/or economic refugees. My family were among them. An estimated 800,000 of those who left the country on boats arrived safely in a foreign country. Thousands more died at sea, the victims of pirates, storms, exposure, and unsafe boats.

What many people do not realise is that Vietnam went back to war in late 1978, not against a foreign superpower, but to drive the Khmer Rouge out of Cambodia. That conflict, which successfully ended the genocidal regime of Pol Pot (which officially lasted until 1989), saw a further 35,000 Vietnamese casualties. For nearly 50 years, Vietnam had essentially been in a state of war.

Why is that last point important? Because the war that most people think of did not suddenly end in 1975 – for Vietnam, it continued for another 14 years. As a result, the need to rebuild the country's physical infrastructure was huge. Besides this, the leaders were transitioning to a centrally planned economic model at a time when such philosophies were already falling out of favour and showing their deficiencies – the fall of the Berlin Wall and the demise of the Soviet Union to name a few.

By 1986, it had become clear that the things promised by a planned economy were not materialising. In fact, the lives of most Vietnamese people were not improving. That year, the government unveiled its *Doi Moi* policies, which translates to 'renovation', a series of far-reaching reforms aimed to transform the country into a socialist-oriented market economy. Included among the policies was Vietnam's first law on foreign investment, which provided the foundation for foreign companies and investors to come to the country.

Although it took some time (and numerous revisions) for the Doi Moi reforms to gain traction, the results today speak for themselves. Vietnam's economy is now thriving, and several billion dollars of foreign investment flows here every year.

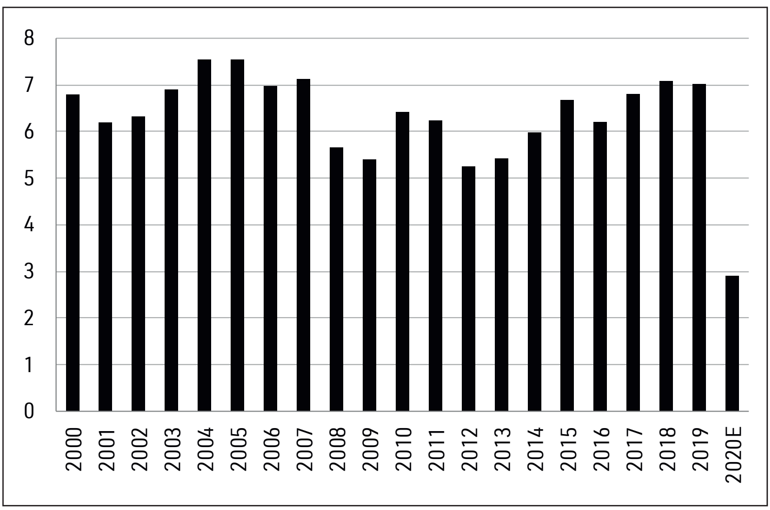
Vietnam is now one of the most integrated countries in the global economy for the region, something that would have been unthinkable even 20 years ago. That integration process began in earnest in 1994, when the US normalised relations with Vietnam and lifted its trade embargo. The following year, Vietnam joined the Association of South East Asian Nations (ASEAN) and in 2007, it joined the World Trade Organization with the support of the US. Today, the country is signatory to many FTAs, including with the EU, Korea, and Japan, as well as part of the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) and RCEP (Regional Comprehensive Economic

Partnership). This integration has been a critical factor in the relocation of manufacturing to the country and subsequent growth of exports, again driven primarily by foreign companies.

During the period 2009–2019, Vietnam's gross domestic product (GDP) grew by an average of nearly 7% per annum. In 2019, GDP rose 7% to reach $262bn, while GDP per capita reached $2,715. While the latter figure might seem small, there are two important things to note. First, in 2009 GDP per capita stood at $1,217 – in 1986, the year the Doi Moi reforms were announced, it stood at $422. Second, GDP per capita in HCMC and Hanoi was approximately $7,000.

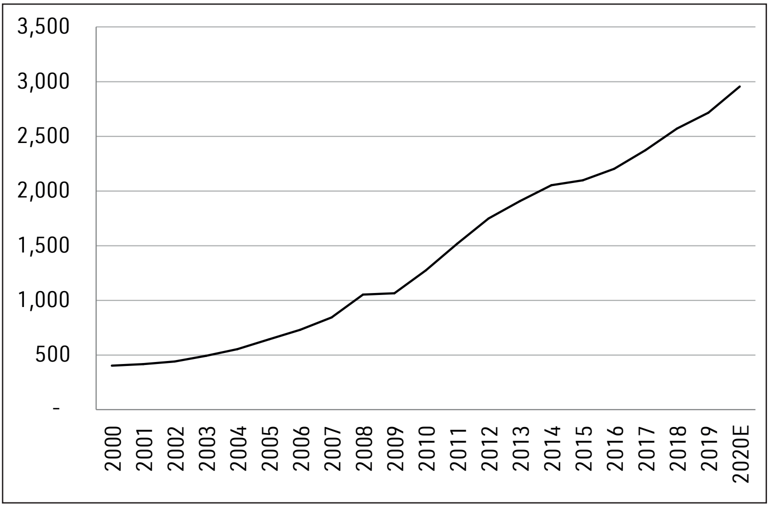
In 2002, the World Bank estimated that 70% of the population lived below the poverty line; today, that figure stands at below 6%, mainly concentrated among the ethnic minorities who live in Vietnam's remote mountainous regions. Vietnam is credited for the speed at which it reduced poverty – one of the fastest reduction rates over the last 100 years.

GDP growth (%)



Source: General Statistics Office

GDP per capita (USD)



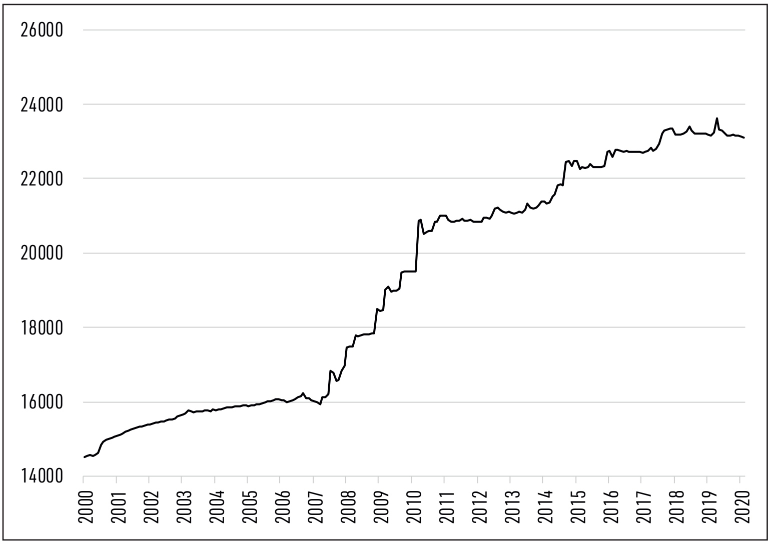
Source: General Statistics Office

Currency, inflation and interest rates

Vietnam's currency is the Vietnamese Dong (VND). In recent years, the VND has been fairly stable against the US Dollar (USD), but that has not always been the case. For many years, the State Bank of Vietnam (SBV) would devalue the currency, in a way that was similar to what the Chinese did with the Yuan. This resulted in fairly dramatic, periodic devaluations that were disruptive and reduced confidence in the currency.

But in 2016, the SBV instituted what our chief economist calls a gradual managed float (essentially a crawling PEG rate to the USD), which was designed to allow the VND to devalue in small increments over time and reduce the spread between the official and black-market exchange rates. Since then, the currency has been spared from the sharp devaluations of the past, and some economists believe that the VND is poised to start appreciating in 2021. At the end of December 2020, Vietnam had almost $100bn in reserve. This was well above the three-months' worth of imports threshold that international financial institutions such as the IFC and the World Bank suggest, and which economists look at as an indicator of currency stability. In addition, Vietnam has recorded five consecutive years of trade surpluses (as of December 2020).

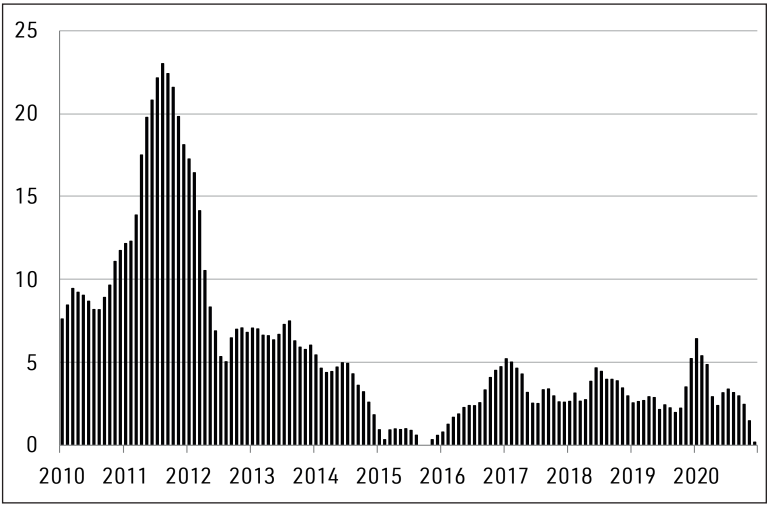
USD/VND (2000–2020)



Source: Bloomberg

Well-controlled inflation has also been a significant contributor to Vietnam's recent growth. After peaking in 2011 at 18.58%, today inflation is fairly stable at around 3–4% per annum.

Consumer Price Index (%)



Source: General Statistics Office

Demographics, urbanisation and middle-class expansion

Vietnam's population is estimated to be around 97 million and is growing at a rate of about 1% a year. The population is young, with 67% under the age of 35, and relatively well educated. Thanks in part to the Jesuit missionaries who transcribed a form of ancient Chinese characters used in Vietnam into the Latin alphabet in the seventeenth century (with the French requiring its usage in the early twentieth century), Vietnam has a literacy rate of 95%.

Just over one-third (38%) of Vietnam's population live in cities. However, each year official figures show that migration to urban areas is occurring at 2–3% per annum – the highest rate in Asia. This trend is expected to continue for the medium term as more people seek better employment opportunities in places like HCMC, Hanoi, Danang and Haiphong.

China's experience in the twenty-first century offers a glimpse of what might happen here: today, 60% of China's population live in cities, up from 36% in 2000. If the same patterns hold, Vietnam's cities should prepare for significant growth.

Of course, urban migration puts pressure on existing infrastructure and public services, such as education, healthcare, housing, banking, and logistics. All of these are running to catch up with increasing demand – which is why we tend to focus on these sectors when we invest. Effectively, we like to focus on sectors that benefit from and/or contribute to the growth of the domestic economy.

The population is also becoming more affluent. Earlier I mentioned GDP per capita. On the basis of purchasing power parity, it is now over $7,000 per capita (to again use China as a point of reference, GDP PPP is $16,600 per capita). Vietnam's burgeoning middle class is expected to reach 30 million in the next few years – which is about half the population of the UK and larger than the entire population of Australia.

This group of consumers is spending across nearly every sector of Vietnam's vibrant economy. They are purchasing new homes and apartments (and everything needed to build and furnish them), as well as motorbikes and cars; securing private healthcare services and private schools for their kids; shopping for clothes, jewellery, and mobile phones; and flying domestically or abroad (when they can) on more frequent family vacations. This segment of the population is eager to improve their quality of life, and eager to spend their growing wages.

Social stability

Underpinning Vietnam's economic growth story is political and social stability. This is critical in a country like Vietnam, which, like China, is a one-party state. When there is only one political party, the government needs to constantly ensure that it remains relevant.

The Vietnamese people judge the relevancy of the government by their own circumstances. They ask, "are the people in government giving me the value I expect from them?" and "is my life improving?" And what they consider value is usually in the form of a job that allows them to feed and educate their children, access to healthcare, and infrastructure that allows them to get around more easily. Each of these elements needs to improve steadily over time so that the people can experience their benefits through a better quality of life. That is what keeps the social fabric strong.

Here is an example of what that means: it was not that long ago that Vietnam was a country that had to import food. In less than 20 years, Vietnam has gone from a famine-stricken country to one that exports a tremendous amount of food. Many people attribute this progress to land ownership, development of private enterprises, and the government's focus on improving people's lives.

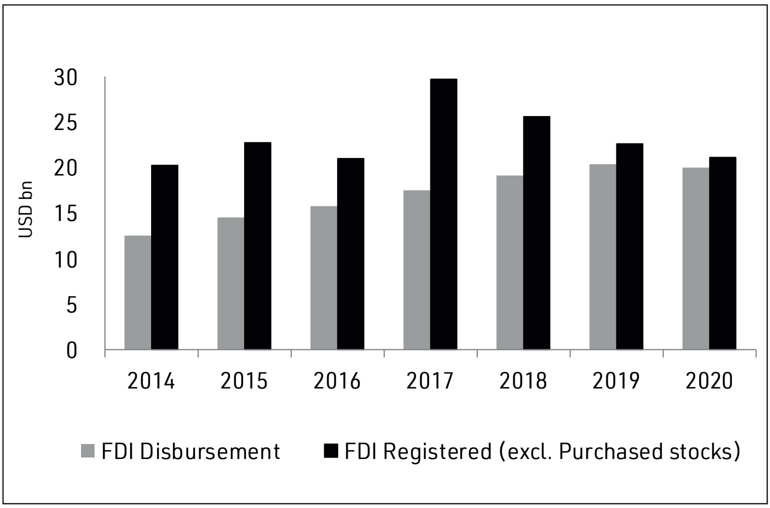
Social instability tends to occur in countries experiencing high levels of inflation and unemployment. Those two issues do not presently exist in Vietnam.

Vietnam's political stability today stands in stark contrast to some of its neighbours, including Thailand, Malaysia, and even Hong Kong. Although the party sees political manoeuvring behind the scenes, that does not concern most people. In the end, the result is what matters to them, and that is a leadership team that governs by consensus and continually works to better the lives of the Vietnamese people.

The foreign investment story

Foreign direct investment (FDI) has played a crucial role in Vietnam's development. Between 2009 and 2019, disbursed FDI more than doubled from $7.6bn to $16.1bn.

FDI (2014–2020)



Source: General Statistics Office

As much as two-thirds of it is directed toward manufacturing, as foreign companies increasingly move production to Vietnam from places like China to broaden their supply chains and take advantage of lower labour costs (which are approximately one-third to one-half of China's). Vietnam's strategic location makes it ideal for producing goods for export, while its increasingly affluent populace makes it an attractive market in its own right. Furthermore, ongoing trade tensions between the US and China have made it necessary for manufacturers to look more carefully at their supply chains to ensure that they can continue to export to the US without fear of tariffs being imposed or otherwise getting tangled up in a geo-political conflict.

FDI is great for the economy, for the country as a whole, and for investors like VinaCapital. It is what I refer to as 'sticky money' – it is here to stay. While we would not invest in the multinational company establishing or expanding its operations in Vietnam, the spill-over effect presents opportunities. Here's how.

First, there is a mini real estate boom after a foreign investor buys land for their manufacturing plant. Companies that supply the plant may also choose to build factories or warehouses nearby. Infrastructure around the plant may need to be upgraded to support it. These create mini employment booms, as workers are hired to build factories, and then work in them. The factory is likely to import the latest machinery and equipment, which will increase the skills of the local workforce. The project creates a lot of value in the local area and as investors, we see great potential in this.

The opportunities lie in real estate – we will look at buying land nearby, for example – where homes will be built for the factory's future workforce. Or the opportunities may be in infrastructure – roads, bridges, electricity, water, and the materials necessary to build them, such as steel. Or they could be around consumers goods and services. The possibilities are almost endless.

Risks

By now, I hope you are convinced that the case for investing in Vietnam is compelling. However, no discussion about the subject can occur without addressing the very real risks that come with it. Investors face the same risks in Vietnam as they would in any other frontier or emerging market, and some of those risks bear mentioning.

For example, there is always a risk that inflation could get out of hand. This has happened at various points in the past, often triggered by high credit growth in conjunction with a depreciating currency and trade deficits – although the latter factor is unlikely these days, as Vietnam has run an enormous trade surplus since 2018. And while inflation has held steady at around 3–4% over the past few years, it was not that long ago that it was in the double digits. If left unchecked once again, inflation could lead to a depreciation of the local currency, the VND. In such cases, investments lose value.

Liquidity is another risk. If a company has listed on the stock market and it is not widely traded, you risk driving the share price down when you want to sell your position. If you have an investment in a private company, selling may be difficult, if it's even possible at all, due to a lack of interested parties.

The legal system and the ability to resolve disputes is another risk. Vietnam's laws and regulations are at an early stage in their development and are not yet well established. The local court system still has a way to go until it can provide the kind of dependability and impartiality of court systems in other countries. As a result, an aggrieved investor may face an unfair outcome in a legal dispute. Furthermore, foreign court judgements are rarely recognised in Vietnam. VOF, like many large companies, tends to require the use of arbitration centres in Singapore and Hong Kong, which can mitigate the risks, but sometimes has to use the arbitration centres in Vietnam, which, while much improved over the years, still cannot match the foreign centres' sophistication and impartiality.

There is a risk that the regulatory landscape changes in a way that is no longer friendly to foreign investors. We have seen that in many countries around the world. For example, not that long ago the Thai government imposed a 10% tax withholding on repatriation of capital for foreign investments, a move that predictably discouraged foreign investment. However, we do not see that as a likely scenario in Vietnam, given the government's recognition of the tremendous benefits brought by foreign investment.

The government could also arbitrarily seize or repatriate assets. And while some people may have the belief that a one-party state is apt to do such things, we have not seen that in Vietnam – the few isolated exceptions involved domestic businesses that purchased land incorrectly. Again, this is a very unlikely, although possible, scenario.

One final risk I will mention is a disruption to the business environment in the wake of a corruption scandal. Fraud, bribery, and corruption are relatively common in developing countries, including Vietnam. Sometimes business leaders begin to think they are above the law. And if they are leading businesses that are state-owned, the ramifications for misappropriating state funds, losing money, or not following the proper processes for land sales can be harsh, such as life in prison or even capital punishment.[1] VinaCapital and VOF

1 "Vietnam's punishment for corrupt bankers: Death", *Washington Post*, 14 April 2015; and "Appeal court gives out death and life sentences in OceanBank case", *Vietnam Investment Review*, 5 May 2018.

maintain and adhere to stringent anti-corruption policies, and we go to great lengths to ensure that the businesses we invest in and deal with do the same. However, despite our best efforts, there remains a risk that someone with whom we do business could be implicated in corrupt activities. I note this because the current government has made rooting out corruption amongst officials a top priority, and it has had spill-over effects to the economy, particularly around real estate.

This list is not exhaustive, but it contains the things that every investor in the country must keep at the back of their mind and factor into their decisions. The key is to understand these risks and set the terms of investment accordingly.

Vietnam is a dynamic and exciting country, buzzing with entrepreneurialism and opportunities for both foreign and Vietnamese investors. The government continually works to improve the investment environment and to foster economic growth, but investors should never forget that Vietnam is still a developing country with its own unique characteristics, quirks, and risks.

Vietnam and Covid-19

When the idea for this book was first mentioned, one risk, Covid-19, didn't even exist – at least not in humans. Few people outside the public-health community would have predicted that a pandemic would sweep the world and essentially shut down much of it for nearly a year at the time of writing, and likely well into 2021.

In contrast to larger, wealthier countries (which for the most part have fumbled their response to Covid-19), Vietnam has drawn attention because of its effective management of the virus from the very start, back in late January 2020. Borders were progressively closed, contract tracing initiated, and central quarantine facilities opened – all of which minimised the spread of the virus in the community. The key to Vietnam's success likely lies in the mandatory 14-day quarantine in government-controlled facilities for those in contact with Covid patients as well as all inbound travellers. A very successful public information campaign that was covered by international media also played a significant role.

Flare-ups in Danang in late July 2020 and more recently in HCMC in November 2020 were similarly handled – the aggressive response not only stopped the spread of the disease but also its effect on the economy. Throughout the pandemic, Vietnam has never experienced the harsh lockdowns seen in other countries. Instead, there was a three-week period of 'mandatory social distancing' in April in which people who worked in offices worked from home, dining in restaurants was not permitted, and a range of businesses, such as gyms, bars, and cinemas, were closed. Face masks were required in public areas, and violators were fined the equivalent of about $8 (I was fined one morning for not wearing a mask during my daily jog). Public mask use is still required to this day.

The results speak for themselves: fewer than 1,500 confirmed cases and less than three-dozen deaths as of December 2020. Some may question the accuracy of these numbers, but it should be noted that Vietnam is not China – the internet is open, and there has been no online gossip surrounding the situation. Additionally, a few foreign public-health research entities are located in Vietnam, notably the Oxford University Clinical Research Unit, the director of which is on the record in international media as verifying and complimenting Vietnam's effective response. More importantly, Vietnamese people had some of the highest confidence in their government's response to the pandemic in the world, according to a survey conducted in 2020. As such, Vietnamese citizens have a high level of compliance with their government's requests and warnings.

It should be noted that factories continued to operate throughout the pandemic – as long as safety measures were implemented, that is. This allowed people to work and earn wages. The Vietnamese government also implemented some stimulus measures to help boost the economy. As a result, the economy has forged ahead. Retail sales have bounced back to pre-pandemic rates, exports are up, and with GDP growth of 2.9% for 2020, Vietnam will rank as one of the few countries with an economy still expanding. The stock market, as measured by the VN Index, was up 15.2% in 2020, or 65% from its lowest point in March 2020.

The government's deft handling of the outbreak further bolstered the confidence of foreign investors, who were impressed by both the public-health actions to control the virus and the fact that Vietnam remained 'open for business' when many other countries were not.

All that said, we cannot ignore that many people in Vietnam have been greatly affected by the economic consequences of Covid-19. Tourism – which accounts directly for 10% of the GDP and almost 20% indirectly – remains shut, save for domestic travellers. Hotels, airlines, and a whole range of related businesses are hurting. However, if there is one word to describe Vietnam and the Vietnamese people, it is resilient. I have no doubt that those and other sectors will recover once the global pandemic is brought under control.