Dear Valued Investors,

Vietnam's stock market has fallen by more than 10% since it reached a record high just three weeks ago because Vietnam's COVID outbreak is getting worse. Some investors are considering taking their savings out of the stock market and putting that money into the bank until the current COVID storm passes, but we strongly advise investors to keep their savings in the market for two reasons:

1) The **current COVID outbreak will end** – and when it does, the stock market will almost certainly bounce back.

2) Investors who get out of the stock market during steep corrections usually miss the market's rebound and can **lose out on an incredible amount of money**.

Further to #1 above, we are not medical specialists, but when we compare how Vietnam's COVID case numbers have grown in recent weeks to how COVID progressed in India, it appears that Vietnam's COVID outbreak is close to peaking.

Even if the current COVID 4th wave lasts longer than we expect, it *will* eventually end, and stock markets around the world (including Vietnam's) have ***consistently rebounded*** after the worst of each COVID emergency passed. For instance, Vietnam market rebounded almost 28% in the two months following March 2020's rout due to Covid-19 outbreak. We believe a rebound in Vietnam's stock market is a near certainty because the country's economy continues to be on sound footing.

During COVID, one of Vietnam's main strengths has been that the country's factory workers are producing products for consumers around the world, and consumers are enthusiastically buying those products, especially as western economies are recovering. COVID does create major problems for factories, including production disruptions, but companies don't have any trouble selling their products, and Vietnam's exports soared by an amazing 29% yoy in the first half of the year.

More importantly, factories that have implemented COVID safety measures, such as providing on-site sleeping facilities, continue to increase production, which in-turn prompts companies to hire (or re-hire) workers; factories in Bac Ninh and Bac Giang provinces are now reportedly scrambling to hire workers after having shut down for about 10 days in May.

Since Vietnam's economy is more resilient than many people realize, the stock market is likely to rebound more quickly than people expect once the COVID emergency passes, which leads us to a very important point. Investors who get out of the stock market during market panics usually don't get back in quick enough to catch the inevitable rebound but missing those rebounds can make a ***huge*** difference in how much money investors make in the stock market.

For example, Bank of America researched what would have happened to stock market investors' returns if they essentially missed just 1-2 of the biggest up moves in the US stock market each year over the last 90 years, and the results were dramatic. Investors who practiced a prudent "buy and hold" strategy made 600-times more money in the stock market than those who were out of the market for just a few key big up moves each year.

Furthermore, the biggest up days in the stock market tend to come right after the biggest panic selloffs, which is why it's important for investors to avoid the temptation to take money out of the market during the current panic.

Finally, while we believe it's important for investors to avoid panicking during market corrections, we constantly adjust our portfolio when we anticipate shifts in market conditions. In fact, we ***already*** started shifting our portfolio into more conservative investments ***before*** the current correction in Vietnam's stock market.

We did so because we believed that the overall market increased too quickly after the current 4th COVID outbreak emerged at the end of April, and that the stock prices of several companies that we previously owned had climbed above levels that we considered reasonable. Consequently, we shifted our investments into more defensive stocks such as logistics and industrial companies, which should continue to operate more-or-less unimpeded by the current COVID outbreak, while benefiting from the strong export growth.

We also like consumer staples companies that sell products that consumers need to buy for their day-to-day lives. We expect to maintain a more defensive posture over the next few months, but we are carefully watching the economy, the stock market, and most importantly, the COVID situation, for signs that it is time to jump back into more aggressive stocks. For example, the stock prices of some retailers have plummeted because of the impact of social distancing lockdowns on their businesses – so some of those stock prices may surge when COVID restrictions are lifted.

In closing, we would encourage investors to remain calm amid the current stock market volatility and reconsider any plans to take their money out of the market. Once the current COVID outbreak is under control, the market is likely to rebound and those investors who take money out of the market may end up regretting their decisions.

Thu Nguyen,
Managing Director and Head of Investment