



Pangolin Investment Management

Pangolin Asia Fund April 2013 NAV

As at the 30th of April 2013 the NAV of the Class A shares of the Pangolin Asia Fund was US\$374.14 net of all fees and expenses, up 2.77% from US\$364.05 in March. Please see the table at the end of this letter for further detail.

As of today, the fund is about 79% invested with the split being approximately as follows:

Indonesia	22%
Malaysia	36%
Singapore	22%
Thailand	20%

No names I'm afraid but some details of the individual holdings are always available to investors on request.

Overview

We now own two companies in Thailand, having added our second last month. It is a food manufacturer with the No. 1 position in its market. It has net cash, a reasonably high ROE and a single digit PE multiple. Its shares don't trade very much, which is why they're so cheap, but unless Thai tastes change significantly, we hope to make some money out of it one day.

Malaysia

Malaysia has completed its 13th General Election, a result that will please 47.4% of the electorate. The Pakatan Rakyat opposition (PR), led by Anwar Ibrahim, is crying foul with many accusations aimed at the Electoral Commission (EC) and the Barisan Nasional government (BN). Allegations include rigged postal voting, adding foreigners to the electorate, multiple voting, an inaccurate electoral roll, miscounting of the votes, turning off the power in the counting stations and mysteriously adding new sacks of votes to the pile in the darkness.

Some of this may sound far fetched, but the opposition are serious with these allegations and have managed to convince their supporters that they are not without foundation. 26 of BN's 133 seats were won by less than 5% of the votes. The opposition claim that the electoral fraud was enough to have influenced these outcomes; had PR won these seats it would have been in power.

"Bad losers" cry the government. The arguments will rumble on but in reality there is little PR can do, especially as the EC reports to the office of the Prime Minister.

Many urban Malaysians may well be disgruntled but nevertheless will just carry on as normal. The opposition claim 120,000 people attended a rally to protest the (allegedly fixed) result on Wednesday night – and the police have said that 28 of the 33 speakers are being investigated for making seditious comments – but such demonstrations are far from the norm in Malaysia. People here have pretty good and rising standards of living, much of it financed by lending institutions and, for the most part, are not likely to want to jeopardise their job security for the sake of something as trivial as politics.

So the BN won 60% of the seats with 47% of the vote. The structural problem the opposition faces is that the way the constituencies are divided massively favours the government; and post-election analysis has suggested that unless constituency imbalance is redressed, they cannot actually win without at least 60% of the vote.



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At the time of independence, the constitution allowed a discrepancy in voting numbers between any two constituencies of no more than 15%. This was (a) to counter the difficulty associated with terrain and logistics etc and (b) to ensure Malay dominance of the political system. 15% isn't too bad but the 2/3 majority enjoyed by BN for much of its time has allowed it to remove the 15% limit and to subdivide and create seats. The result is that some seats may have only about 20,000 people while others may have nearer 100,000, thus denigrating the principle of one man, one vote.

Anyway, the KLSE went up on the Monday after the election but this was quite clearly driven by local and government-linked funds. Some Malaysians feel cheated and are perhaps now even more inclined to keep their money overseas than before; and this is particularly the case amongst the Chinese who strongly supported the opposition. Foreign investors wishing to jump into a market because "everyone else is" should probably ponder why they are more bullish than some of the locals.

Outlook

I read recently in another manager's letter that the market had shifted; that the Asian consumer story is so good investors are happy to pay 25-40x for it. This, he said, is the new reality. Reading between the lines, what he actually said is **it's different this time**.

It isn't. The story may be good but **don't overpay**. I think I repeat this in every newsletter and I try to remind myself every day. It is vitally important not to get carried away at a time in which over-priced stocks get more expensive, and bad companies' shares rise faster than good ones.

Before April, gold was seen as the ultimate hedge; but now shouldn't we be hedging our gold with stocks?

James Hay
10th May 2013.

I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in the fund. If you have any questions, concerns, ideas, or just fancy an argument, please get in touch.



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Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	Nav	343.47	350.86	364.04	374.14									10.27%
	% chg	1.23%	2.15%	3.76%	2.77%									
2012	Nav	290.78	311.15	303.35	313.01	301.88	312.18	316.87	323.01	323.75	334.08	332.63	339.29	24.85%
	% chg	7.00%	7.01%	-2.51%	3.18%	-3.56%	3.41%	1.50%	1.94%	0.23%	3.19%	-0.43%	2.00%	
2011	Nav	261.86	258.03	271.83	283.00	290.51	291.75	310.23	289.05	260.46	278.31	269.95	271.75	0.85%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%	0.43%	6.33%	-6.83%	-9.89%	6.85%	-3.00%	0.67%	
2010	Nav	201.91	205.09	213.68	227.44	213.93	227.45	234.62	238.78	253.28	258.37	260.53	269.47	37.58%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%	2.01%	0.84%	3.43%	
2009	Nav	95.67	96.38	98.12	133.22	145.25	151.32	159.71	167.99	173.21	174.49	182.60	196.87	95.34%
	% chg	-4.59%	0.74%	1.81%	35.77%	9.03%	4.18%	5.54%	5.18%	3.11%	0.74%	4.65%	7.27%	
2008	Nav	157.49	156.55	150.63	154.03	146.18	136.23	132.58	125.09	113.55	90.36	85.98	100.27	-38.81%
	% chg	-3.89%	-0.60%	-3.78%	2.26%	-5.10%	-6.81%	-2.68%	-5.65%	-9.23%	-20.42%	-4.85%	16.62%	
2007	Nav	136.43	140.75	144.17	153.68	157.9	159.36	159.56	150.23	158.13	163.17	160.72	163.86	27.19%
	% chg	5.90%	3.17%	2.43%	6.60%	2.75%	0.92%	0.13%	-5.85%	5.26%	3.19%	-1.50%	1.95%	
2006	Nav	104.53	106.09	109.42	116.62	108.82	106.34	107.96	110.76	112.41	117.94	125.81	128.83	31.74%
	% chg	6.89%	1.49%	3.14%	6.58%	-6.69%	-2.28%	1.52%	2.59%	1.49%	4.92%	6.67%	2.40%	
2005	Nav	99.24	99.37	97.77	98.86	96.77	97.05	100.14	94.9	96.99	97.05	96.14	97.79	-2.57%
	% chg	-1.13%	0.13%	-1.61%	1.11%	-2.11%	0.29%	3.18%	-5.23%	2.20%	0.06%	-0.94%	1.72%	
2004	Nav												100.37	
	% chg												0.37%	

Best monthly return 35.77%
 Worst monthly return 20.42%
 Maximum drawdown -47.53%
 % of positive months 71.29%
 Annualised return 16.97%

By Sector

