Pangolin Asia Fund August 2024 NAV

As at the 30th August 2024, the NAV of the Class A shares of the Pangolin Asia Fund was US$611.53 net of all fees and expenses, up 6.14% from US$576.15 in July.

As of today, the fund is about 98% invested, with the split being approximately as follows:

Singapore	7%
Malaysia	35%
Indonesia	57%
Philippines	1%

We don't like to disclose our names, but some details are always available to investors (and those wishing to become investors) on request.

Overview

To put things into some perspective, please see the tables below.

Return (in local currencies, except MSCI)									
Period	**DOW**	**S&P 500**	**NASDAQ**	**JSE**	**KLSE**	**STI**	**MSCI Asia x JP**	**MSCI-ASEAN**	**PAF**
Aug-24	1.76%	2.28%	0.65%	5.72%	3.27%	-0.38%	1.75%	7.14%	6.14%
YTD 2024	10.28%	18.42%	18.00%	5.47%	15.41%	6.25%	9.83%	8.29%	4.24%

Return (in USD)									
Period	**DOW**	**S&P 500**	**NASDAQ**	**JSE**	**KLSE**	**STI**	**MSCI Asia x JP**	**MSCI-ASEAN**	**PAF**
Aug-24	1.76%	2.28%	0.65%	11.23%	9.73%	1.86%	1.75%	7.14%	6.14%
YTD 2024	10.28%	18.42%	18.00%	5.09%	22.71%	7.36%	9.83%	8.29%	4.24%

% Change in Currency Vs USD			
Period	**MYR**	**SGD**	**IDR**
Aug-24	6.25%	2.24%	5.21%
YTD 2024	6.33%	1.04%	-0.36%

We are seeing a significant renewal of interest in our markets and fund. We have meeting requests in unprecedented numbers, stretching until December.

Regional brokers have been giving feedback on their meetings. They report seeing investors who have scant knowledge of the region's stock markets and companies. The fast movers are the money managers, buying the index heavyweights and the banks. As yet, there is little drilling down to where the value lies. Some have asked us why we don't follow the trend and buy some large caps, while the market is hot? It's just not our style, nor even tempting when there are so many undervalued, little known better companies to buy. We can underperform for a few months or longer, because owning value has meant we've outperformed for the past 20 years.

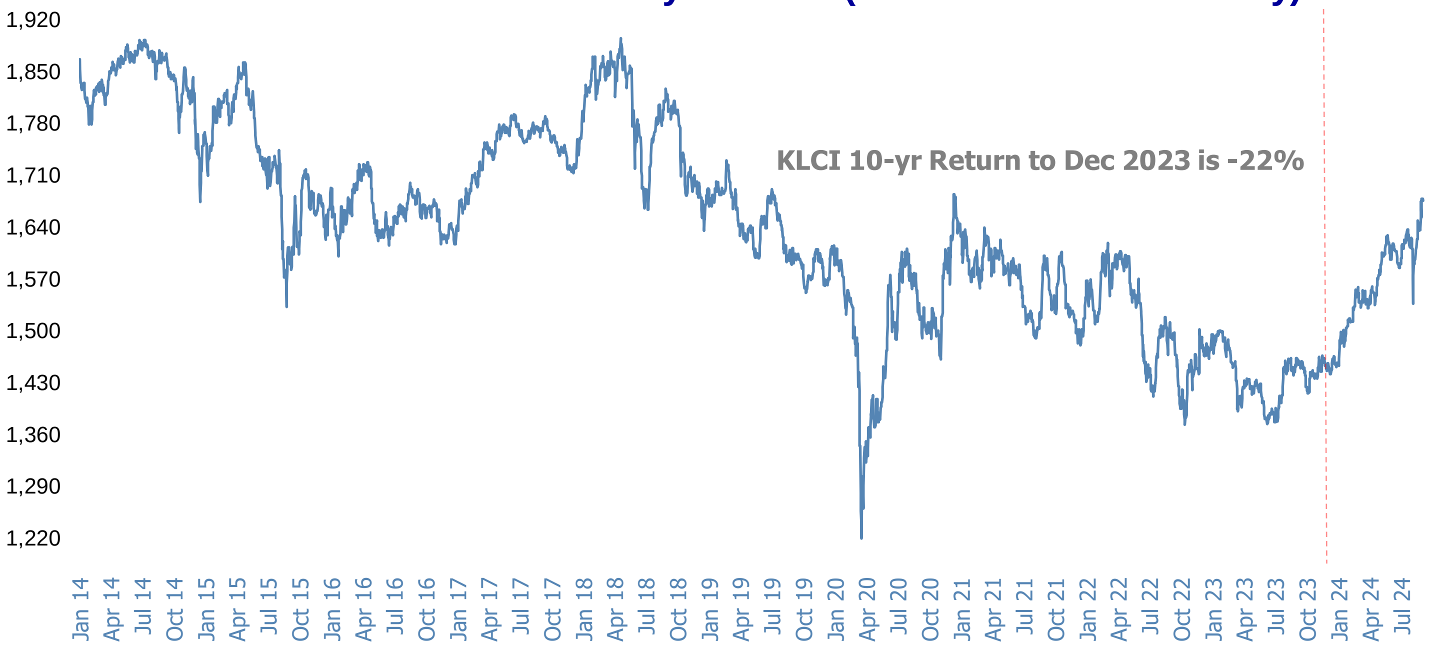
The good news is that, because our portfolio stocks have barely moved, our fund trades at about 50% of what I believe it to be worth. I can make a case for every company in which we're invested to trade at double its current share price. And there remain many other companies we could own, which we don't yet.

At current market levels, I believe we could invest another $200m (current AUM is $200m). But when our markets rise significantly, this number will fall.

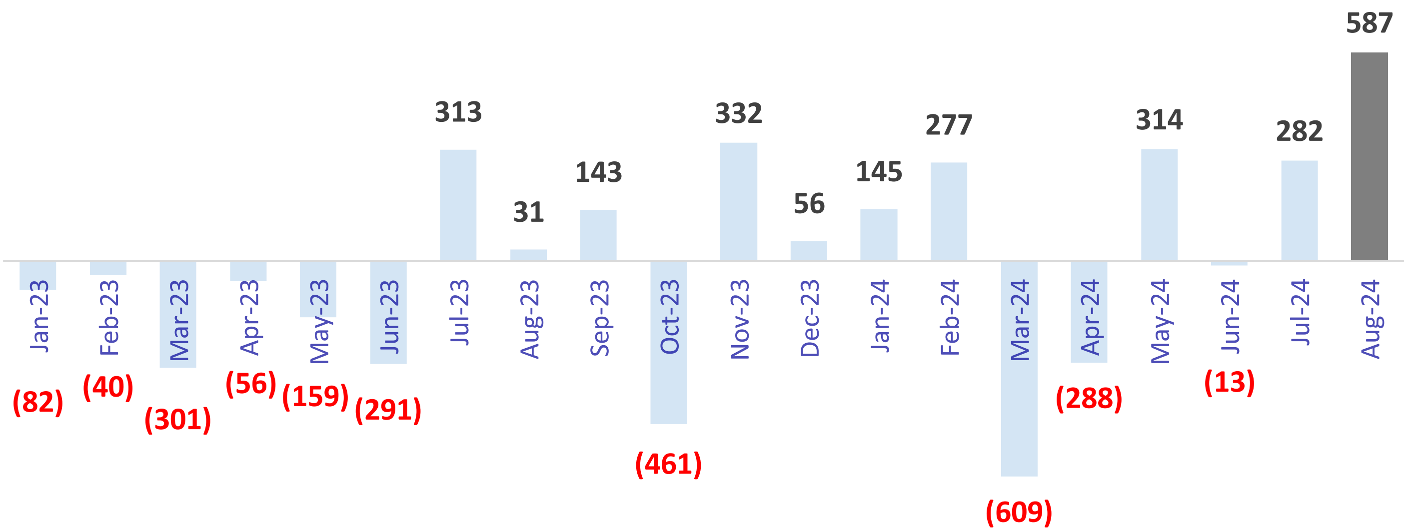
Malaysia

Investors are fickle creatures, and opinion can turn on a sixpence. The Malaysian stock market has spent the last decade in the shadows. However, as some of you may have noticed, this year Malaysia has stepped into the limelight. As the chart below shows, the KLCI fell 22% in the 10 years preceding 2024. This year, it has shot up by 15%. Currently, there is an interest in Malaysian equities that we've not seen for years: brokers are seeing more enquiries from foreign funds; our fund is seeing more meeting requests; and brokers are even using the word 'hot' to describe the Malaysian market. So, what has changed? What is influencing this shift in interest back into the Malaysian stock market? Have the Pangolin Asia Fund newsletters finally hit home?

FTSE Bursa Malaysia KLCI (from 1 Jan 2014 to today)

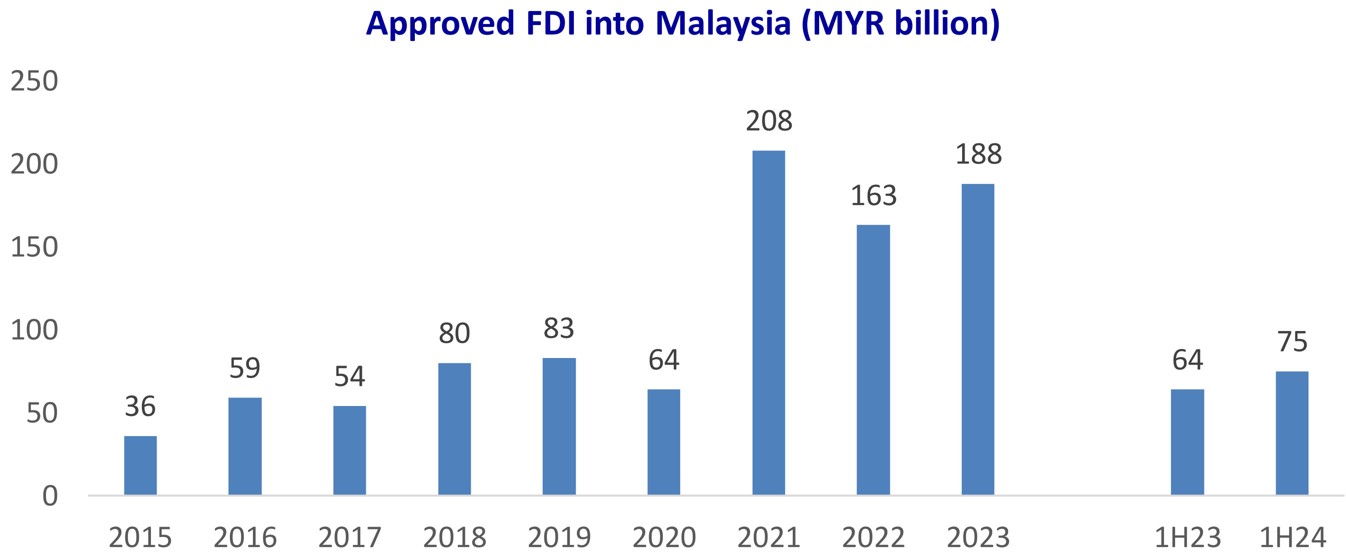


Foreign Net Buying/Selling of Malaysian Securities (USD million)



The reality remains that the true investment case for Malaysia has not changed – it is economic growth that is fuelling ever-growing middle class consumption that makes Malaysia and ASEAN so compelling. Ultimately, the main dictator of sentiment is whether markets are up or down. This is what we're experiencing. Now that the market and currency are up, we are seeing more interest in Malaysia from investors. Having said this, there have, no doubt, been macroeconomic developments in Malaysia of late that have been well received by investors, to which we will touch upon in this letter.

Firstly, one notable development of interest to investors is the surge in foreign investment into Malaysia. As the table below shows, the approved FDI into Malaysia has seen record numbers since Covid, spearheaded by the electronics industry. Furthermore, approved FDI has risen by a further 18% in the first half of this year. Malaysia is seeing some of the world's largest companies committing to large multi-year FDI projects. Significant examples include Microsoft's USD2.2 billion investment to build cloud and AI infrastructure and Amazon Web Services (AWS) just last week announcing a further USD6.2 billion investment on top of the USD6 billion they announced last year. It is not just Malaysia; the rest of ASEAN too has become a significant beneficiary of China +1 strategies and its neutral position in the US-China Trade War. In 2023, FDI into ASEAN outpaced China for the first time in a decade – a feat that is likely to be repeated over the next 10 years, according to a recent Bain report (https://tinyurl.com/aseanoutlook). Indonesia, for example, secured some USD53 billion in combined foreign and domestic investment in the first half of 2024, a 22% increase year on year.



Source: MIDA

Another hot topic in Malaysia recently, and one that comes hand-in-hand with increasing FDI, is the booming semiconductor and datacentre industries, and the bustling states that have become synonymous with these two industries. The state of Penang, in the north-west of Malaysia, has long been the powerhouse behind the country's importance in the global supply chain of semiconductor chips; Malaysia is the world's sixth-largest exporter of chips and a leader in their testing and assembly. Of late, Penang is alive with activity like never before, with investment into chipmaking facilities surging. Penang attracted RM60.1 billion (USD12.8 billion) in FDI in 2023, more than the total received from 2013 to 2020 combined. With the Malaysian government making a concerted effort to move up the chip value chain and geopolitical tensions elsewhere in the semiconductor sector, there is real opportunity for Penang and Malaysia to truly advance itself to having an even stronger, higher value role in the global chip industry.

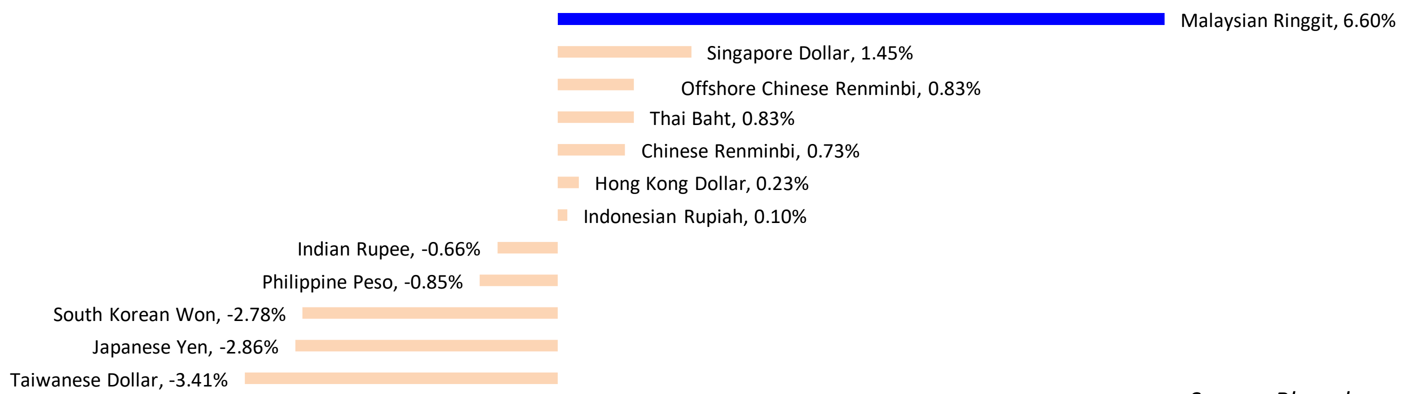
The datacentre investments in the southern state of Johor tell a similar story. Johor has cemented itself as a regional datacentre hub, proving a cheaper-power alternative to its close neighbour, land-scarce Singapore. To put the recent investments in Johor into context, Singapore took over 15 years to establish itself as a data hub with more than 70 data centres, totalling a capacity of 1.4GW. In contrast, Johor has attracted more than 50 data centres in just the past two years.

Penang and Johor are flourishing and encapsulate the wider Malaysia and ASEAN story. Investors are starting to take notice.

A further notable change of late is that investor confidence in the Malaysian government, which has been low for some time, has started to improve. In the wake of the tumultuous reign of Najib Razak and the 1MDB scandal, Malaysia required a period of political sanity. What followed instead, was four Prime Ministers in five years (2018-22) marred by the incessant clamour of political quarrelling over mostly frivolous matters. How could any government achieve anything under these conditions? This period will surely become a case-study in the 'how-to-put-off-investors' government textbook for years to come. By contrast, the current Premier, Anwar Ibrahim, has been in power since November 2022 and, although by no means perfect, his government is somewhat sensible, relatively stable and the political squabbling has subdued. The proposal and implementation of policies such as the National Energy Transition Plan, National Semiconductor Strategy and the proposed joint Special Economic Zone (SEZ) with Singapore, has at least given investors confidence that the Malaysian government can finally begin to execute a plan, and guide Malaysia back on the path to long-term prosperity.

Furthermore, this year has finally seen good news for the Ringgit: going from the worst performing currency in Emerging Asia in 2023 to the best in 2024. With FED rate cuts expected in September, money has flowed into Emerging Asia bond markets. The dollar is not looking quite as uncompromising as it was 12 months ago – and both the Malaysian Ringgit and the Indonesian Rupiah have benefitted from this. In a further boon for the Ringgit, tourists are back in Malaysia – on my recent trip to Malacca you couldn't move for visitors, mostly Chinese and Indians. With the outlook on the Ringgit and regional currencies finally looking up, confidence in the equity markets is fast returning.

Asian Currency Ranking in 2024 YTD



Source: Bloomberg

For a Pangolin, positive macro news is of course welcomed, but it has no real impact on how we operate. We go about our business regardless of whom the Prime Minister is, what the FED is doing, or how the KLCI index is performing. Of course, our portfolio will naturally benefit from a positive macro-outlook for Malaysia; but what excites us most when reading this news is knowing how investors operate. We know that when a market starts to go up, sentiment becomes more bullish, and markets go up further. It becomes a self-fulfilling prophecy.

It is the big caps in the index that benefit most from the initial optimism – as we are currently seeing in Malaysia. It is only after this interest has been sparked, that the real stock specific research begins. This is when investors will discover what we have been seeing in Malaysia, a market flooded with good companies trading at unbelievable discounts to their true value. It is then that the buying will start to filter down to the stocks in Pangolin's universe, where the value is. Once this starts to happen, and suddenly the investor herd flips its sentiment on Malaysia, our job of finding attractive, undervalued stocks will become a lot more challenging. And you will be longing for the opportunity to buy the Pangolin Asia Fund's portfolio on 10.2x P/E with a 5.2% dividend yield again.

Pangolin Asia Fund weighted valuation (30th August 2024)

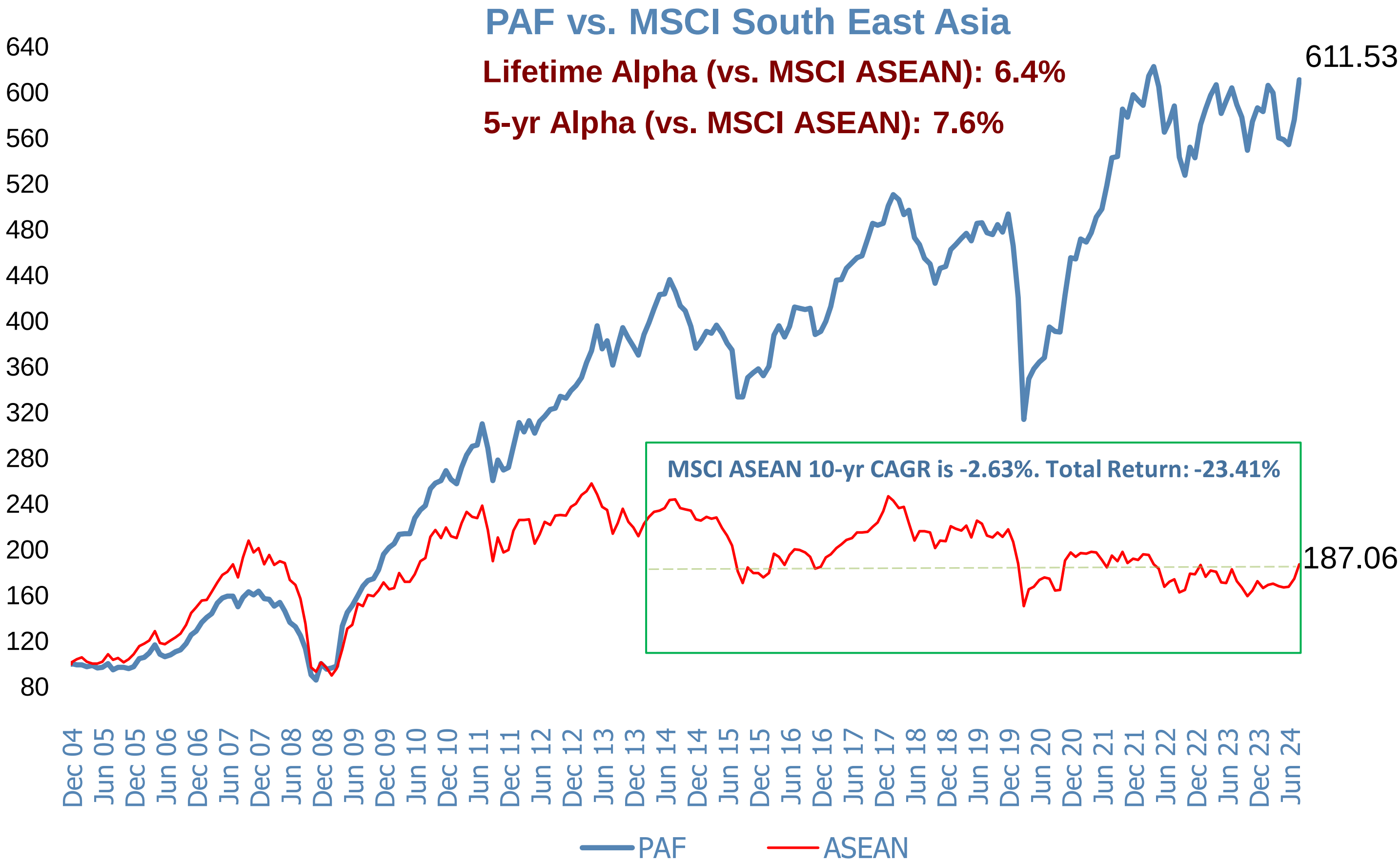
	2024F	2025F
P/E (x)	10.2	9.2
Profit Growth (%)	7	11
ROE (%)	18	19
ROIC (%)	25	26
Div Yield (%)	5.2%	5.7%

GDP Forecasts	2024F
Malaysia	5.2%
Singapore	2.6%
Indonesia	5.0%
Philippines	6.0%

James Hay & Bill Betts.

5th September 2024

Nineteen years track record and annualised return of 9.60%

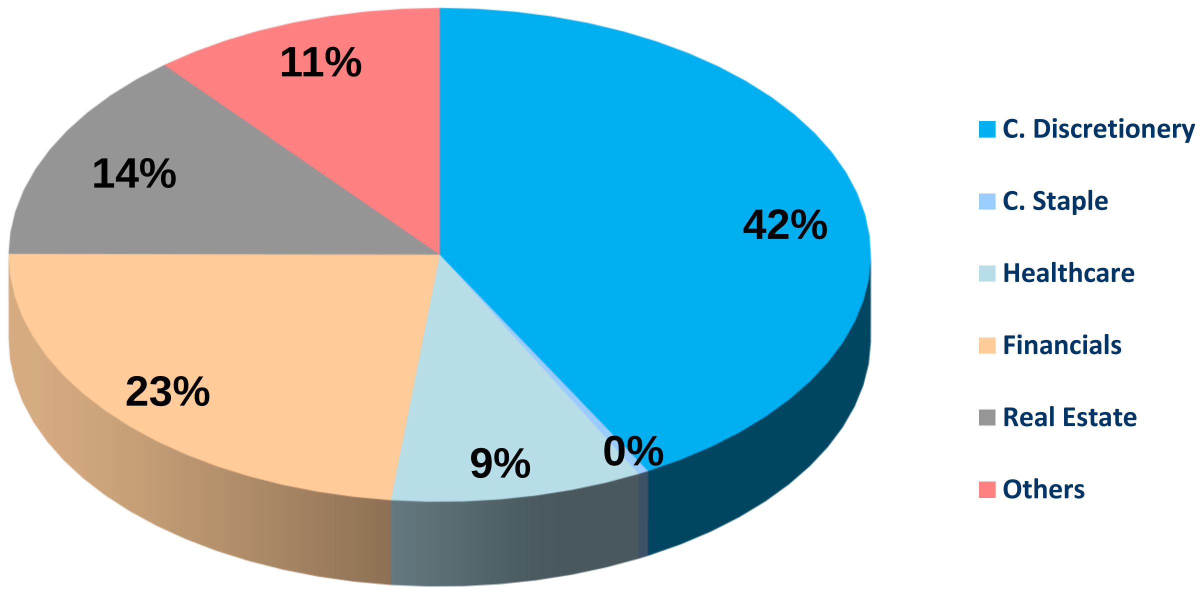


PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	*NAV*	583.20	606.55	599.94	560.25	558.96	554.34	576.15	611.53					4.24%
	% chg	-0.59%	4.00%	-1.09%	-6.62%	-0.23%	-0.83%	3.93%	6.14%					
2023	*NAV*	571.92	585.67	597.55	606.77	581.95	593.00	604.19	589.30	578.62	549.65	574.87	586.68	8.00%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%	-5.01%	4.59%	2.05%	
2022	*NAV*	593.29	588.82	614.73	622.83	605.35	565.54	574.94	588.17	543.35	527.78	552.46	543.22	-9.23%
	% chg	-0.86%	-0.75%	4.40%	1.32%	-2.81%	-6.58%	1.66%	2.30%	-7.62%	-2.87%	4.68%	-1.67%	
2021	*NAV*	454.64	471.89	469.26	477.70	491.07	497.99	518.78	542.88	544.24	585.87	578.32	598.45	31.44%
	% chg	-0.15%	3.79%	-0.56%	1.80%	2.80%	1.41%	4.17%	4.65%	0.25%	7.65%	-1.29%	3.48%	
2020	*NAV*	465.73	420.43	313.82	349.63	358.55	364.26	367.99	394.82	391.21	390.47	422.87	455.32	-7.80%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%	7.29%	-0.91%	-0.19%	8.30%	7.67%	
2019	*NAV*	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87	484.37	477.85	493.85	10.21%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%	1.79%	-1.35%	3.35%	
2018	*NAV*	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.40	446.46	448.11	-7.76%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%	-4.90%	-1.17%	-2.56%	-1.10%	-3.75%	3.01%	0.37%	
2017	*NAV*	400.08	412.81	435.93	436.54	446.18	451.43	455.76	457.12	472.10	485.61	483.86	485.79	24.18%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%	2.86%	-0.36%	0.40%	
2016	*NAV*	352.31	360.43	387.79	396.17	386.04	395.41	412.53	411.2	410.02	411.25	388.48	391.19	9.16%
	% chg	-1.69%	2.30%	7.59%	2.16%	-2.56%	2.43%	4.33%	-0.32%	-0.29%	0.30%	-5.54%	0.70%	
2015	*NAV*	382.31	391.18	389.48	396.82	389.67	380.77	374.61	333.73	333.52	350.84	355.19	358.38	-4.76%
	% chg	1.60%	2.32%	-0.43%	1.88%	-1.80%	-2.28%	-1.62%	-10.91%	-0.06%	5.19%	1.24%	0.90%	
2014	*NAV*	370.08	388.25	398.79	410.89	423.38	423.84	436.37	425.85	413.36	408.97	395.23	376.28	-0.52%
	% chg	-2.16%	4.91%	2.71%	3.03%	3.04%	0.11%	2.96%	-2.41%	-2.93%	-1.06%	-3.36%	-4.79%	
2013	*NAV*	343.47	350.86	364.04	374.14	395.94	375.98	382.69	361.54	378.56	394.53	384.87	378.24	11.48%
	% chg	1.23%	2.15%	3.76%	2.77%	5.83%	-5.04%	1.78%	-5.53%	4.71%	4.22%	-2.45%	-1.72%	
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	195.87	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	157.90	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	94.90	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%	

Best monthly return	**35.77%**
Worst monthly return	**-25.36%**
Maximum drawdown	**-47.53%**
% of positive months	**63.71%**
Annualised return	**9.60%**

By Sector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