



## Pangolin Asia Fund March 2014 NAV

As at the 31<sup>st</sup> of March 2014 the NAV of the Class A shares of the Pangolin Asia Fund was US\$398.79 net of all fees and expenses, up 2.71% from US\$388.25 in February. Please see the table at the end of this letter for further detail.

As of today, the fund is about 82% invested with the split being approximately as follows:

Indonesia	26%
Malaysia	26%
Singapore	29%
Thailand	19%

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

### Overview

Eager beavers will notice that percentage of cash has risen. This is due to a combination of dividends, subscriptions and selling. More on the latter in a moment. We have also been buying a little bit here and there, adding to existing positions rather than new names.

### Selling

What have we sold? Well I'll tell you why we've sold and maybe you can guess the names.

1) We are in a market where some excellent small companies are now trading at premiums to excellent large companies. In October 2010 we invested in a Malaysian biscuit manufacturer, a household name with leading market share.

This small company was showing an improvement in its financials due to a change of leadership within the management. The elder brother in the family had returned to a business that was not making nearly as much from its sales as it should. Over the years we owned it, they haven't sold many more biscuits, but the profitability increased dramatically.

And so did the share price. We bought it on a PE of about 7x. It is now on 26x. If there was some growth I'd be happy to hang on, but I believe the management will be hard pushed to add much to it from here. It remains a strong, reasonably well-run cash cow, but there is a price for everything.

2) If you can cast your mind as far back December, you'll remember that no-one liked emerging markets; they were finished, especially Indonesia. We managed to buy a few shares in a property & construction company we have liked for a while (but had always looked a bit overpriced) very cheaply. Unfortunately there wasn't much volume at such low levels, so we didn't get much.

Whizz forward three months and we sold it for a 70% profit. Why? Because our research indicated that prospects for the construction industry and property market in Indonesia are not nearly as rosy as we had expected. Certainly, in the short term, the market was clearly overpaying for the business.

Now I know I bang on every month about Pangolin being long-term investors, and we are. We held the biscuit manufacturer for three years and if it was still on 7x, we'd be buying more. But it's not.

As for the Indonesian company, we made a mistake. Its outlook is not as good as we thought. What saved us was not investing until the price was really, really cheap. And we got lucky. The market rallied.

You'll notice I've only discussed our winners (I'm rather more discreet about the real mistakes). Much of the portfolio has been owned for over five years; our intention is to invest and go fishing, but the reality is that occasionally we need to be a bit more active.



## Thailand

I'm writing this from a desk in a very nice place just north of Phuket (for any Americans reading, it's in Thailand). And there's hardly a soul here. Room rates have been slashed, the bored bar girls are filing their nails down to nothing (well he said she was a girl) and Happy Hour lasts all night. The stock market has held up better than the tourist industry, so for an investor Thailand couldn't be a better place to holiday right now.

We have to be aware that the Thai political situation could really deteriorate. The following is taken from an article in today's Bangkok Post on how the Red Shirts are organising.



A trainer directs black-clad supporters of Prime Minister Yingluck Shinawatra during a muay Thai exercise for "self defence" in Udon Thani. Participants practice footwork and fending off kicks to the blaring music of a muay Thai stadium. (Photo by AP)

*"Since we can't rely on anyone, not the military or sometimes not even the police, we have to take the matter in our own hands," said the man leading the red shirt training, Suporn Atthawong, known as "Rambo of Isan" for his blunt, confident speech.*

Rambo is scaring away the tourists.

The Red Shirts look like they won't take a judicial coup lying down. 24 people have now been killed in political violence and if the minority try to overrule the majority, then that number will probably rise.

Our problem when investing in Thailand has always been finding attractive enough companies that don't rely on debt. As a result we only own two names there. Both have pots of cash, produce consumer staples (in a junk-foody kind of way) and are the dominant companies in their markets. These attributes won't necessarily protect their share prices, but should enable their businesses to survive any punch-ups that occur.

## Outlook

Markets everywhere have had a great run over the past few years and I don't mind having a bit of cash to deploy. After my holiday, my next trip is to meet the boss of a company trading on a PE of 3x. If he doesn't appear to be a complete madman, I expect we'll buy quite a bit more.

James Hay.  
9<sup>th</sup> April 2014

*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. Otherwise, just send money.*



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	NAV	370.08	388.25	398.79										5.43%
	% chg	-2.16%	4.91%	2.71%										
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%	
2004	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

**Best monthly return**      35.77%  
**Worst monthly return**    -20.42%  
**Maximum drawdown**       -47.53%  
**% of positive months**     69.64%  
**Annualised return**         15.98%

## By Sector

